



ANNUAL REPORT 2012

helgelandsparebank 

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Helgeland Sparebank has improved earnings by NOK 39 million compared with 2011. The income statement in 2012 shows a surplus of NOK 172 million before tax.

The improved earnings are at 29 per cent despite hard competition for customers. Effective operations, low losses on lending and good insurance sale are much of the reason behind the good result.

The bank total asset is now at NOK 24.6 billion. Lending in the region is at NOK 19.8 billion. Deposits by customers are at NOK 11.2 billion. Good growth in the private market both in terms of lending and deposits.

The main challenge ahead is the increased requirement by EU and Norwegian authorities for capital adequacy in the banks. The requirement implies that the banks need to have more equity behind every NOK they lend.

Solid results are therefore necessary to strengthen the equity. The largest banks have signalled increased interests and reduced lending growth.

The authorities are also worried about the strong indebtedness growth in Norwegian households. The housing prices continue to increase and there are planned several measures to avoid the risk of a Norwegian housing bubble.

The long-term growth in Norway can therefore flatten out with reduced willingness to invest in industry and commerce. A persistent high exchange rate for NOK is also challenging for the export industries in the Helgeland Region.

Helgeland Sparebank has a solid position in the region. We will continue to spend much of the surplus to support culture, sports and learning in the Helgeland region.

Jan Erik Furunes
Chief Executive Officer



From the left: Bjørn Johansen, Svein Hansen, Thore Michalsen, Gislaug Øygarden, Monica Skjellstad, Ove Brattbakk og May Heimdal.



From the top-left: CEO - Jan Erik Furunes, DCEO - Lisbeth Flågeng, Director region South - Dag Hugo Heimstad, CFO - Inger-Lise Strøm, Director of risk management - Anne Ekroll, Director of business development - Geir Sætran, Director of organisational development - Ann Karin Krogli and Director of placement and insurance - Sverre Klausen.



HELGELAND – A REGION OF OPPORTUNITIES

The gate to Northern-Norway

The Arctic Circle and a region that continues to grow.

- Northern-Norway's largest industry- and aquaculture environment
- Northern-Norway's largest glacier, lake, mountain and cave collection
- The land-area is larger than Oslo, Akershus, Øst- og Vestfold combined
- 9800km coastline and more than 10,000 islands
- 18 municipalities, 78,000 inhabitants
- Diverse culture life and culture based tourism industry
- The E6 (main road North-South), Trains, Coastal Express and Planes
- Bodø in the North and Trondheim in the South, about 200km each way
-

A growing oil- and gas region



The Norwegian oil- and gas industry is moving northwards, and Nordland county is about to become an important energy supplier with potential to become Norway's most important petroleum region within the next 20 years.

The petroleum activity on the coast of Helgeland is at centre, with production, preparations for production, mapping of petroleum findings and seismological activity. The town of Sandnessjøen

is growing as a supplier base for the petroleum sector and the town of Brønnøysund as a heliport base. In 2011, the businesses in the Helgeland region delivered goods and services to the petroleum industry equal to NOK 900 million. It is expected that the petroleum industry will invest between NOK 150 and 200 billion in new installations on the coast of Helgeland in the coming 20 years. Some of these installations will be relatively small and therefore suitable for local businesses, which stand ready to compete for new contracts. The next large building project is Asta Hansteen where Statoil ASA will invest about NOK 50 billion over the coming years.

There are today dozens of businesses in the Helgeland region with more than 500 full-time workers involved in the petroleum sector, and there is an estimated 1000 full-time positions in the Helgeland region connected to deliveries to the petroleum industry. Additionally there are all the workers involved in the different production phases.

There is great optimism connected to the oil- and gas activity, and local industry and commerce have already secured important contracts.

The centre of gravity for aquaculture in the North of Norway



Nordland county has Norway's largest production in fish farming and there is an annual production of about 160,000 tons of fish for consumption. The Helgeland region has very good premises for production of fish for consumption and constitutes about half of the production in the Nordland county. This makes fish farming an important industry in the region.

The aquaculture industries in the region range over the whole value chain from production of fish-fodder, to a variety of fish, butchering, processing, transport and marketing. 91 fish-concessions give a large direct, and indirect, effect on employment, and a significant share of gross value creation happens in businesses with local owners. These are owners that have shown a willingness and ability to invest in their own businesses and spend resources for local industrial, commercial and geographical development.

Norway's leading "green" energy producing region



Norway and the rest of the world have a need for more environmentally friendly and renewable energy. Nordland county is Norway's largest producer of electric power with an output of almost 16,000 GWh from hydroelectric plants. The large majority of this is produced at power plants in, or

in close relation, the Helgeland region. About 1/3 of this production goes to local energy intense industry, 1/3 to normal consumption in Nordland county, and 1/3 is exported elsewhere. Statkraft will in the time to come invest well above NOK 1 billion in additional development of existing power plants in the region. This will give significant ripple-effects locally in the form of contracts to local businesses and increased power production/greater exploitation of existing facilities.

The Helgeland region has in addition to this great unexploited renewable energy resources. NVE has estimated that Helgeland has a potential for the production of an additional 3000 GWh by building small scale hydroelectric power plants. This equals the energy need of more than 150,000 households. These are projects that are not affected by protection schemes and that are technically feasible. If we consider an average investment cost at about NOK 3 per kW then this will generate a need of investment of about NOK 9 billion.

The construction of small scale hydroelectric power plants is well in process and more concessions are applied for, which will give opportunities for owners, contractors and banks like Helgeland Sparebank.

The construction of small scale hydroelectric power plants is also relatively uncontroversial because it requires little environmental intervention, and gives profitability and a "green" image to the region.

Rich in minerals



The Helgeland region is rich in minerals, and local mineral deposits have been the foundation for industrial establishments and industrial development over a long time period. In the 70s, 80s and 90s Norwegian mines experienced a continuing decrease in the demand for minerals, and many mines closed down. However, recent years have seen increased demand for minerals and increased raw material prices have boosted an expansion in the industry. This has resulted in increased mapping of mineral deposits and a new and optimistic attitude has come about in the region.

Centre of gravity for processing- and engineering industry in Northern-Norway



Helgeland has a large, modern and environmentally friendly smelting plant industry and an engineering industry in growth.

In Mo Industripark in the town of Mo i Rana we can find the leading environment for heavy industry on the northern side of the Dovre mountain, with 108 businesses, about 1800 employees and an annual value creation of between NOK 6 and 8 billion. In the town of Mosjøen we can find one of Norway's most modern facilities for aluminium production and anode paste for the aluminium industry in Norway and Iceland. This makes up about 410 full-time positions and creates exports for about NOK 3 billion annually. The combined value creation from the industrial production in Mosjøen and Mo i Rana is about NOK 10 billion annually.

The engineering industry produces mainly for the Norwegian market and has in recent years gained new markets with interesting contracts within the oil- and gas sector.

Optimism in agriculture



Optimism prevails in the agricultural sector in the Helgeland region, and there are new production premises under construction, especially within milk- and pork production. Many farmers have

merged together to achieve economies of scale in large automated production facilities, often with a livestock of several hundred.

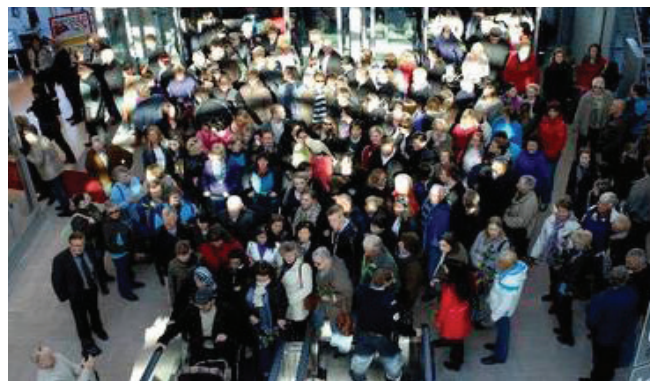
The tendency to sell milk quotas has turned and the total quota is again increasing. In recent years there has been great interest in pork production, and several new producers have emerged with high quality and good production.

More than 1500 governmental positions



Helgeland has a significant share of governmental agencies that produce services to the whole country. In the town of Mo i Rana we can find the National library, the State recovery agency, the NAV service centre, NRK license office and HELFO economic management, and in the town of Brønnøysund we find the Brønnøysundregistrene which has an expansive development. These constitute the combined total of more than 1500 full-time positions.

Strong growth in retail



In recent years there has been a strong growth in the retail sector. In Mo i Rana there have over the past years been built almost 60,000 square metres of retail facilities and most country-wide retailers have established outlets in the town. In Brønnøysund a new shopping mall has recently been completed, and in Sandnessjøen there are planned large expansions within trade, tourism and leisure/culture.

Growing on culture-based business development



There is significant activity within tourism and many exciting things within culture based tourism are happening. Every year a range of large festivals are held in Helgeland – some in the areas of Helgeland’s beautiful coast line. The most famous of them is the Træna festival which draws about 2500 guests from around the world every year to its picturesque and spectacular surroundings at the Træna islands – 33 nautical miles off shore.

Large infrastructural projects



At the moment there is a large road and tunnel project (NOK 1.4 billion) under construction that will connect the coastal parts of Helgeland with the inner-Helgeland area and the E6. The project will be completed in 2014. This is very positive for a region that has a relatively poorly developed trunk road network. After years of planning it is now also moving towards a partly self-funded enlargement of the E6 through the region. The plans cover improvements and construction of 200km road from the southern border to the northern border of the region, with a price tag of NOK 4 billion.

Together with road planning there is being done work to modernise the airport structure. It is decided that Sandnessjøen airport (Stokka) will be extended to 1199m during 2013, and Avinor

has recommended that a larger airport in the municipality of Rana is built in connection to the main airport network. Nordland county has given its approval, and there are hopes for government funding through the National transport plan (NTP).

Planned measures for infrastructural improvements in the Helgeland region over the coming years have a cost frame of approximately NOK 7-8 billion.

A growing tourism industry



Helgeland is a region with a natural diversity and a large potential for tourism. The distance between the high mountains and plains at the border areas of Sweden in the east and the archipelagos in the west is short. The internal tourism/cabin tourism is growing strongly and the same goes for small scale food production based on local foods.

In 2010 the three tourism agencies in the Helgeland region agreed to merge into one company with all the municipalities in Helgeland as owners. This has strengthened the tourism industry with a clearer brand profile and overall market emphasis. With improved roads, an adapted traffic network, an airport with charter tourism and a more professional tourism industry, many say that Helgeland could be the new “Lofoten” with regards to tourism.

Helgeland as a region for knowledge and know-how



NCommerce and industry in Helgeland is internationally oriented, and much of it is based on either renewable and/or short-travelled energy from local hydroelectric plants or other natural and viable resources.

We know that commerce and industry in the future to a large degree will consist of businesses based on skills and know-how that have an environmentally friendly and globally viable production technology, and where knowledge is a decisive factor.

The construction of the knowledge centre "Campus Helgeland" in the town of Mo i Rana is well under way. The University of Nordland (UIN) and the University Colleges of Narvik- and Nesna will during autumn 2013 gather their resources into Campus Helgeland. This can become an important motor and impulse to the increased knowledge that is needed in the Helgeland region.



HELGELAND - STABLE GROWTH AND DEVELOPMENT

Helgeland is growing both in terms of population and value creation. Commerce and industry have so far been able to steer away from the global financial crisis. Housing prices continue to increase and the construction activity is high.

The business market



The business market represents about 40 per cent of the bank's lending volume and is served by the business market department in the towns of Mo i Rana, Mosjøen, Brønnøysund and Sandnessjøen. Additionally the clients in the agricultural sector are served by advisors at the local offices in the smaller municipalities.

The area demands much competence and most business advisors have several years of higher education. The four business market departments have together 20 business advisors, and no department has less than three advisors.

The bank has a stable position in the business market in Helgeland, something that is confirmed by surveys and an increment in the business market share. Good local knowledge and market knowledge, combined with a cautious and centralised decision making structure, ensures that growth happens in line with the bank's responsibility as the market leader – simultaneously as the exposed risk is in harmony with the bank's credit policy.

Comments on trade

The mechanical and processing Industries



The euro crisis and the low economic cycles internationally have large influences on the major industrial corporations in Helgeland. Poor market

conditions have affected the performance for parts of the metal- and processing industries, and influences the prospects for 2013 as well. However, the industrial establishments have shown strength by readjusting and adapting to the new conditions, without significant reduction in the total activity.

The engineering industry has throughout 2012 strengthened its position and stands out as potent and competitive at the threshold of new large projects within land based- and offshore industry in 2013.

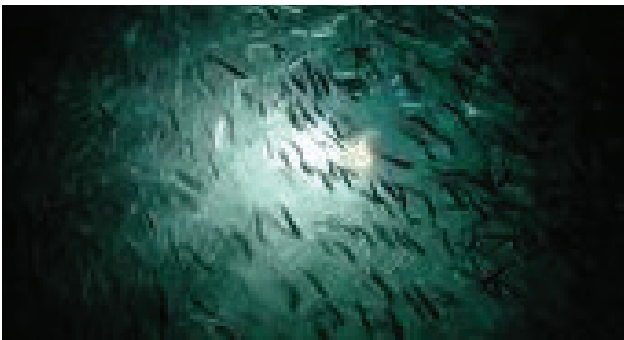
The mining industry has had several good years, but experienced price falls on some products in 2012. However, important parts of this industry, e.g. Rana Gruber, is well prepared to meet harder times due to strategic renovation of mining facilities in later years.

The construction industry



2012 was a good year for the construction industry. There has been a high building activity in the whole region with several large construction projects where local contractors have gained large contracts. High activity also within housing construction has contributed to good income.

Aquaculture and fishing industries



The fisheries have had a good and steady year in 2012 with good prices and results. Fish farmers

in the region have stayed clear of fish diseases. The biggest problem in the industry seems to be the *Lepeophtheirus* (salmon louse), but there has been initiative and ingenuity among the farmers, with various attempts to fight the problem. The hauls on the Helgeland coast have been relatively good in 2012, and a large part of the fish is processed in the region. Prices to the fishermen have been good, but producers and exporters have experienced a price fall on processed products and weak earnings.

Travelling and tourism



There are expectations that the tourism industry in Helgeland will become an important growth sector in the future. Many things are in place, and the industry has become good at collaborating and developing new offers. 2012 however, turned out to be a weak year, mainly because of the global financial crisis and a lot of bad weather during the summer.

The trade- and services industries



Good development in purchasing power has given the trade- and services industries a good year in 2012.

Public service companies



Many of the large public service operators that deliver services to the whole country have had a growth in 2012. This include Brønnøysundregistrene, Stanens innkrevningssentral, Nasjonalbiblioteket, NAV Servicesenter and others.

Agriculture



2012 has been a good year for agriculture in the Helgeland region and several new production premises have been built for milk, meat and pork production. A great number of farmers are organising in joint production, and the total quota for milk has increased also in 2012. Many have started large scale production of pork, and the pig farmers in Helgeland maintain high production quality.

The petroleum industry



The petroleum activity on the coast of Helgeland has been described introductorily in this report. In 2012 there have also been done interest-

ing oil findings on the shelf of Helgeland which boost expectations for joint production with new investments and increased production activity in the years to come.

The personal market



The personal market covers all activity aimed towards private customers. The operations are connected to advising in the personal finance area where individual advisory is central. The clients are to be satisfied by good product offerings, good availability and competent, enterprising and enthusiastic advisors that communicate in a clear and simple manner.

The bank offers a wide spectre of timely products within finance, savings, insurance and payments. These give customers a variety of options to cover their financial needs in one place. This makes it easier to steer and manage one's own economy in a safe way.

Our core values are "professional, enterprising, near and enthusiastic". These values demand much from our employees and we work non-stop by developing knowledge, skills and ethical attitudes to satisfy the demands that are required in today's financial markets, and to be able to aid our customers as best as we can. We have a comprehensive certifying programme to increase competency, and to secure that advising is done according to legal frameworks and with good advisory practices.

Our advisors are easy to reach at our 16 offices in the Helgeland region, in addition to our own support centre, online banking and mobile banking with access to a range of bank services.

Customers and market position



The personal market is the bank's largest market segment, and constitutes about 60 per cent of the bank's lending and borrowing activity. Helgeland Sparebank is the leading bank in its market area, with a strong market position within all product areas and market segments. One in two persons in the Helgeland region has Helgeland Sparebank as the main banking connection in the total market. In some municipalities we have up to 80 per cent of the market share.

The year - 2012



The personal market in the Helgeland region in 2012 was characterised by stability with low interest levels and low unemployment. Most industries have had normal production, and the large public agencies have continued to grow. It is pleasant to note that 2012 was another year with population growth in several municipalities and with a tendency for the number of people in the age group 20-40 to increase.

The housing market in Helgeland has also had a positive development in 2012. Housing prices have over many years had a steady growth without large disruptions in prices, something that has given predictability and low financing risk. The demands for new and used houses have been good, with a price development around the national average, even though a few months have had a higher price increase than the rest of the country.

Prospects for 2013



All forecasts point in the direction of good frames and conditions for the households also in 2013. Helgeland has a low unemployment rate and people in the region have a positive attitude towards the future. Hence the outlooks for investments, consumption and saving look good.

The household's demand for credit is strongly connected to the development in the housing market, which is characterised by continued optimism and an expectation of low interest levels. This indicates a continued demand for new loans.

The competition for deposits will most likely contribute to a moderate growth and continued pressure on the margins. We expect increased income from sales of life insurance products and general insurance products, and in the long run also dividends from the bank's ownership in Frende Forsikring AS



Helgeland Sparebank has an active and close relationship with both the private, public and voluntary sectors in Helgeland. As a savings bank we can spend reasonable sums of net surplus and dividends for the benefit of society, and in 2012 the bank distributed more than NOK 15 million as gifts to a number of causes in the Helgeland region.

Helgeland Sparebank has over several years actively shown its corporate social responsibility by contributing to the benefit of the public. Through the Helgeland-fund and the Helgeland-foundation the bank has since 2007 distributed monetary contributions equal to almost NOK 90 million to nearly 800 good causes in the region.

In 2012 the bank allocated NOK 11.9 million of the bank's surplus to charitable causes. Of this NOK 5 million was transferred to the Helgeland-foundation, and the remaining NOK 6.9 million was transferred to the bank's own gift fund, the Helgeland-fund.

The bank has defined the following four central areas of focus for gift donations:

- Sports and culture
- Infrastructure – transport/communication
- Humanitarian and social causes, hereunder childhood
- Business development, research and education

These four areas of focus are in different ways important for growth and development in the Helgeland region.

Even though the gifts do not require mutual consideration from the recipients, the gifts from The Helgeland-fund and the Helgeland-foundation are to be considered demanding capital. Our goal is to ensure the best possible results for the causes we support, both in terms of increased competence, competence dispersion and utility for many local communities and people.

Culture and sports



Sports and wildlife are part of the cultural heritage in the region, and a rich culture life is one of the most important factors for the attractiveness of a place. Good sports- and culture offerings attract new people, something Helgeland needs much of to meet the recruitment challenges ahead.

During 2012 the Helgeland-foundation awarded 7 sports scholarships and 2 culture scholarships – each at the sum of NOK 30,000 – to young and talented sportsmen and cultural profiles from the region.

Infrastructure/transport



This is naturally one of the most central elements in the development of the Helgeland region. We want to contribute to put infrastructural projects on the agenda and to be a driving force in the processes of getting businesses and politicians to agree on the priority of projects.

Humanitarian and social causes, hereunder childhood



Humanitarian support is to a great extent connected to projects outside the bank's primary field of operation. We live in a rich region in one of the world's wealthiest nations, and have a responsibility to contribute towards the less privileged parts of the world.

Children's and youth's conditions during childhood have high priority in the bank's giving. This is expressed in all the four focus areas, primarily within sports and culture. To work with the conditions for children is to invest in the future. The region is completely dependent on the creative power and the competence of the coming generations. We know that the years during childhood have significant influence on people's ability to succeed later in life, and in Helgeland there are many voluntary organisations that put down a formidable work for young people. We want to be an active player in supporting this.

The societal award "Horizon" was awarded the Kippermo Cup



Helgeland Sparebank has established the societal award "Horizon". The award has earlier been awarded to 6 people and businesses that have marked themselves through their commitments for people, groups or local communities as a whole. The award of NOK 100,000 was in 2012 awarded to the Kippermo Cup – one of Norway's largest weekend tournaments in football. The cup is a good initiative, and celebrates its 30th anniversary this year. The Kippermo Cup was for the first time held in 1983. In 2012 there were 191 teams, which amounts to about 4-5000 people.

The participants, coaches and leaders bring family and friends and turn the Kippermoen sports facilities in the town of Mosjøen into a great enjoyment. The Kippermo Cup represents the great voluntary spirit in Mosjøen and in Mosjøen sports club. The tournament manager over the last 20 years has been Øystein Moldrem. He has managed the tournament with enthusiasm and humour, and is the symbol of an enthusiastic spirit. He received the award on behalf of the tournament at the last concert of "Bandwagon" in the Mosjøhallen on June 23rd 2012.

ACCOUNT 2012

helgelandsparebank 

FINANCIAL SUMMARY GROUP

Parent bank								Group
%	2011	%	2012	(Amounts in NOK million)	2012	%	2011	%
PROFIT AND LOSS ACCOUNT								
1.52	299	1.45	305	Net interest- and credit commission income	356	1.51	322	1.50
0.30	60	0.34	72	Net commission income	72	0.31	60	0.28
0.02	3	0.01	3	Other operating income	7	0.03	5	0.02
1.06	209	1.03	215	Total operating costs	233	0.99	218	1.02
0.14	27	0.13	27	Losses on loans, guarantees etc.	27	0.11	27	0.13
0.64	127	0.66	138	Result from ordinary operations	175	0.74	142	0.66
0.03	5	0.03	6	Gains/losses on financial assets	-3	-0.01	-9	-0.04
0.00	0	0.00	0	Costs 150 years anniversary	0	0.00	0	0.00
0.00	0	0.00	0	Disposable income effect pension	0	0.00	0	0.00
0.67	132	0.69	144	Result before gains/losses from A. companies and tax	172	0.73	133	0.62
FROM THE BALANCE SHEET								
20 630		21 517		Assets 31.12	25 594		22 802	
19 733		20 963		Average assets	23 553		21 425	
14 487		14 833		Gross loans to customers	19 842		18 149	
10 655		11 511		Deposits from customers	11 211		10 429	
73.5 %		77.6 %		Deposits as a percentage of gross loans	56.5 %		57.5 %	
5.9 %		2.4 %		Development gross loans	9.3 %		9.1 %	
5.8 %		8.0 %		Development deposits	7.5 %		5.5 %	
Solvency								
1 525		1 725		Total net equity and related capital	1 762		1 537	
11 846		12 546		Weighted assets calculation basis	13 401		12 960	
12.5 %		13.7 %		Core capital ratio	13.1 %		11.6 %	
12.5 %		11.9 %		Core tier one capital ratio	11.5 %		11.6 %	
8.1 %		8.1 %		Equity capital ratio	7.4 %		7.4 %	
5.8 %		6.1 %		Rate of return on equity capital	7.2 %		5.6 %	
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								
1.2		0.7		Gross default in % of gross lending	0.5		0.9	
0.9		0.6		Net defaults in % of gross lending	0.5		0.7	
0.7		0.6		Total loan loss provision in % of gross lending	0.4		0.5	
0.2		0.2		Losses on lending in % of gross lending	0.1		0.1	
PRIMARY CAPITAL CERTIFICATES (PCCs)								
30.5		31.0		EC's price quoted on the stock exchange	31.0		30.5	
8.0		6.7		P/E (price/divided by profit per EC's)	6.3		8.2	
0.5		0.5		P/B (price/divided by book value of equity capital)	0.5		0.5	
74.9		75.1		EC's percentage	75.1		74.9	
61.4		64.3		equity capital per EC's	64.3		61.4	
3.8		4.1		Yield per primary certificate	4.1		3.7	
1.9		1.3		Cash dividend	1.3		1.9	
1.9		3.1		Equalisation reserve	3.1		1.9	

Directors' Report 2012

Introductory comments

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 centres 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. Ongoing production, preparation for production, identification of new discoveries and exploration is in the pipeline. Sandessjøen consolidates itself as a supply and Brønnøysund as a helicopter base.

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 2012 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

History

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.

The Group's area of activity

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 2012

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 2013 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.

The group can show a stronger result. Profit before tax was NOK 172 million. Compared with 2011, this is an improvement of NOK 39 million, or 29 %.

Key features of the year to date (Group)

- Further strengthening core operations gives strong results
- Increased net commission income, both in profit and %.
- Low costs and moderate losses
- Improved return on equity

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As of 31.12.12 return on equity was 7.2% (5.6%), and earnings per equity certificate amounted to NOK 4.9 (NOK 3.7).

Key figures as of 31.12.12:

(Comparison as of 31.12.11)

- Net interest 1.51 % (1.50 %)
- Net commission income 0,31 % (0,28 %)
- Ordinary operating costs 0.99 % (1.02 %)
- Write-downs on lending 0.11% (0.13%)
- Proposed dividend of NOK 1.30 per equity certificate
- 12-month growth in lending 9.3 % (9.1 %)
- 12-month growth in deposits 7.5% (5.5%)
- Tier one capital adequacy 13.1 % (11.6 %)
- Core tier one capital adequacy 11.5% (11.6 %)

Net interest

The main source of income for the group is net interest. Net income from interest and credit commission was NOK 356 million, compared with NOK 322 million in 2011, a growth on NOK 34 million. The net interest is strengthened throughout 2012, and has increased from 1.43% in the 4Q of 2011 to 1.54% in 4Q of 2012. The net interest was 1.51% (1.50) of average bank total assets year to date. Reduction in borrowing costs at a decreasing NIBOR and the effect of increased risk pricing draws in positive direction. Through Helgeland Boligkreditt AS the group has gained access to somewhat lower borrowing costs through the issuance of preference bonds.

Net income from commission

The Group continued successfully insurance sale from Frende. This is reflected in the very positive development of the group net income from commission. Net income from commission has increased with NOK 12 million, from NOK 60 million in 2011 to NOK 72 million in 2012. The bank expects a continued positive development on commission earning, but the growth is expected to diminish slightly. The insurance portfolio volume is now up on an equal level to what the bank had before the change of supplier in 2010.

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

There are relatively small net effects on value change on financial instruments over the income statement. There are posted NOK 3 million as expenses in 2012, while there were posted NOK 9 million as expenses in 2011. The largest effect of the positive development in the financial market towards the end of last year, hereunder entrance in credit spread, is put over the equity capital. This emerges as positive change in value under the extended income statement with NOK 26 million.

Other operating income

Other operating income amounts to NOK 7 million. Gain on sales of other services has increased the income by NOK 2.0 million from 2011. This is mainly due to increased revenues of selling services and rental income.

Operating costs

The costs are as expected at a stable level, and are reduced in per cent of both income and bank total assets. Combined ordinary

operations costs were NOK 233 million compared with NOK 218 million in 2011. Wage, pension and social costs have a growth of 4.4%. Other operations costs have had a somewhat larger growth. In per cent of average bank total assets, ordinary operations costs constitute 0.99% (1.02). The relative figures for ordinary costs measures in per cent of revenues were 53.9% (57.7).

The number of staff in the HSB group and the bank are equal, with 177 annual positions, and is unchanged from 2011.

The banks performance based pension system has terminated with effect from 01.07.12. Newly employed, are now inducted as members of a deposit based pension system. Additionally, there are carried out changes in the scope by which the old performance based system covers. The one-time-effect by changes of the banks pension system has given a positive contribution to not-posted estimate divergence in the income statement. The effect of the changes will result in some lower pension expenses from 2013.

Expensed write-downs on commitments

There are posted low write-down expenses in 2012, a total of NOK 27 million, which is the same as 2011. Write downs on groups of lending are included in the sum of write-downs with NOK 6 million (2). The write-downs posted in the income statement constitute 0.14% (0.16%), in per cent of gross lending.

Balance Sheet development (Group)

In the last 12 months the bank total assets have increased with NOK 1 793 million, or 7.9% (13.1 %). The increase are mainly related to increased liquidity buffer and lending growth.

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 2012 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 19 842 (18 149) million at the turn of the year. The Group's lending volume includes NOK 5 080 (3 284) million which has been transferred to Helgeland Boligkreditt AS, which is wholly owned by the bank.

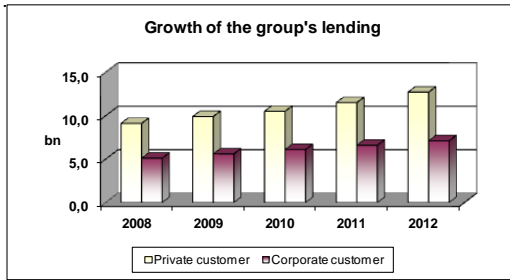
During the past 12 months, lending increased by NOK 1 693 million or 9.3% (9.1%). The Group has experienced growth in lending to business customers of 7.9%, whilst that for private customers was 10.3%. Higher growth in property prices compared with elsewhere in the country generally, combined with a high level of activity in the property market, has resulted in growth in the private market in 2012 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 12.7 billion, or 63.9% (63.5%).

Of this amount, 83.5% has been lent to customers in Helgeland.

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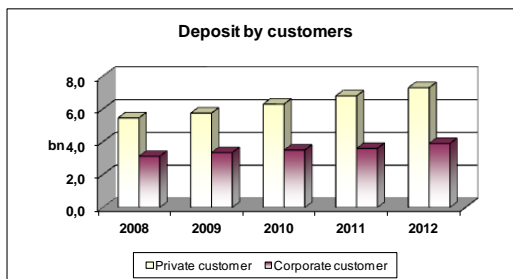
The quality of the asset is stable. Both default and doubtful commitment are reduced despite increased volume. Total net defaults and loss-exposed commitments amounted to NOK 107 million (NOK 181 million), corresponding to 0.5% (1.0%) of gross lending.



Deposits by customers

During the past 12 months, deposits have increased by NOK 783 million, or 7.5% (5.5%). The growth in business customers are 6.9 %, and private customers 7.8 %. Of the total deposits of NOK 11.2 billion, NOK 7.3 billion or 65.5% originates from private customers. The Group has a stable local deposit base. 91.8% of this consists of deposits from customers in Helgeland.

The deposit-to-loan ratio as per 31.12.12 was 56.5% (57.5) in the HSB group and 77.6% (73.5) in the paternal bank. To maintain the deposit-to-loan ratio at a solid level the bank has intensified the work with deposits and long term savings. The bank has i.a. newly announced a new savings product; Drømmespar, where the goal is to motivate for fixed monthly savings.



Borrowing from the debt capital market

Improvement in the market sentiment has impacted the last quarter. The participants now have greater faith that the situation in Europe will gradually improve. Greece got a new funding package and the interests on loans to Italy and Spain have recently fallen significantly. The banks' credit spread has fallen further and the access to funding works more normally.

There has been a relatively larger spread entrance on the bank's senior loans than loans issued by Helgeland Boligkreditt AS. Throughout the quarter the bank has mainly financed itself through the senior market.

The money market interests (nibor) fell some additional points toward the end of the year, while the longer interests went down on record low levels.

The HSB group has good and long term funding with good diversification between different sources of funding. By the end of the year the share of borrowing for more than a year was 81.7%, and long term funding in per cent of illiquid possessions (liquidity indicator 1) constituted 109%. Helgeland Boligkreditt AS is an important source for funding and the arrangement of approved

mortgages for transaction to Helgeland Boligkreditt AS gets much attention.

The emphasis of the HSB group's liquidity reserves in the form of interest-bearing securities are placed in bonds with priority, government-, municipality-, finance- and industry bonds. Combined duration on the interest portfolio is 2.0 years (2.5). The HSB groups combined liquidity reserves (cash, bank deposits, and interest-bearing securities) constitute NOK 3.9 billion, or 16% of the HSB group's total bank assets. The HSB group will make a gradual adaptation to the coming new liquidity requirements in Basel III (LCR and NSFR).

Capital adequacy

There is still a lot of uncertainty connected to the new and coming capital requirements for banks, both with regards to level, capital weighting and speed of implementation. The bank expects that the minimum requirement for core tier one capital will increase significantly beyond the present requirements at 9%. Adaptation for coming capital requirements is given much attention, and capital control is arranged toward the coming requirements as far as they are known. The bank will in its adaptation be able to employ various means and different capital adjustments. In the first round the bank seeks to strengthen the capital adequacy by increased profitability through higher margins on lending, reduced lending growth, somewhat reduced dividends, and optimisation of the estimate foundation.

Estimation of the capital adequacy is conducted after the standard method in Basel II, which is a conservative method of estimating with high capital weighting on mortgages. The paternal bank has reduced the estimate foundation by transferring secure mortgages to Helgeland Boligkreditt AS, and the capital adequacy in the paternal bank is slightly higher than in the HSB group as a whole.

The HSB group has a target figure of 12%. The target figure is assessed annually in connection to the bank's strategic work, next time in the spring of 2013.

The tier one capital adequacy was strengthened by issuing a NOK 220 million hybrid bond in the first quarter of 2012, and was 13.1% as per 31.12.12. Core tier one capital adequacy was 11.5%, which is above the groups target on 9%.

The HSB groups combined equity constitutes NOK 1 780 million, or 7.2% (7.4 %) of the balance.

Earlier posted estimate divergence in the income statement should not, according to IAS 19R, be debited on the equity 01.01.13.

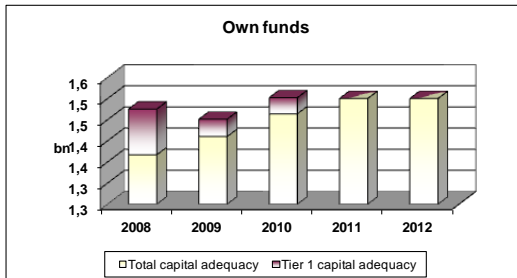
The one-time-effect by changing the scope of coverage of the bank's performance based pension system has given a positive contribution to the not-posted estimate divergence in the income statement.

The discount interest for pension obligations should, according to IAS 19, be put at the interest of highly credit-worthy corporate bonds, or at the government bond interest in case there is no deep market for highly credit-worthy corporate bonds. The Norwegian market for bonds with priority is considered to contain

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the abilities that calls for these factors to be put in place in the estimate of the discount rate.

Reduced with deferred tax, the net effect of the implementation of the IAS 19R, changes in the scope of coverage, the pension system and the use of covered bond interest rate as the discount rate, give a combined positive effect on the equity of NOK 19 million. Core tier one capital will by this be 11.6% as per 01.01.13.



Primary Capital Certificate – HELG

Equity certificate capital amounts to NOK 935 million and is divided between approximately 2 050 owners.

Note 19 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 price of the bank's equity certificates at the year-end was NOK 31.0 (30.50). The value of HELG has increased by year-end.

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".

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 103 million. It has been transferred NOK 8 million from fund for unrealized gain, which means that dividend basis is NOK 111 million.

The regulatory requirements for banks' capital is under major change, and we expect a significant increase in demand for tier one capital.

The board recommends the following distribution to the Board of trustees for the 2012 financial year (distribution level 29.3%):

- NOK 24.3 million as a cash dividend, corresponding to NOK 1.30 per equity certificate
- NOK 8.1 million to the gift fund/gift foundation

The following appropriation is also proposed:

- NOK 58.6 million to the cohesion fund, corresponding to NOK 3.14 per equity certificate
- NOK 19.7 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

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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 2012. 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 eleven meetings for the 2012 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 three 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.

Credit risk

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.

The capital adequacy for credit risk is presented in the Group's ICAAP. It is defined tolerance level of credit risk for selected industries and defined areas. Steering level for corporate portfolio is established and compliance reported periodically. Stress tests are used to evaluate the potential losses in the credit portfolio as a result of a decline in property values.

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, changes were adopted and implemented in September 2012.

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 2012 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

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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 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 2012 the Group had three customer groups where a granted commitment was seen in total to be 10% of capital.

Liquidity risk

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. Liquidity Coverage Ratio- LCR will be implemented as a control parameter during 2013.

For 2012, 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 31.12.12, liquidity indicator 1 was 109 %. 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 31.12.12, the proportion of long-term financing was 81.7%, 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 2012.

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 2012, the Bank has transferred well-secured home mortgages worth approximately NOK 5.1 billion to the mortgage credit company, which represents 26 % of the gross lending in the Parent bank. The security base within the company is considered to be good at 119%, and the average loan-to-value ratio for the loan portfolio is relatively low at 53.5 %.

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 was A- from DNB and Nordea. Helgeland Boligkreditt had a corresponding shadow rating of AAA from DNB and Nordea.

Market risk

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

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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 documented 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 as 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 PricewaterhouseCoopers 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 2012, an allocation of NOK 8 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 31.12.12 a lending volume of NOK 5 080 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 4 311 million are preference bonds issued in the securities market. The result after tax for 2012 was NOK 29.7 (9.3) million and equity as at 31.12.12 is NOK 323.6 (203.1) million. The position of general manager is for 0.4 man-years. Remaining services are purchased mainly from the Parent bank.

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 2012 was NOK -0.1 (0.1) million, and at the turn of the year equity was NOK 0.8 (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

CORPORATE GOVERNANCE

areas. The company has no employees. The result after tax for 2012 was NOK 0.4 (0.6) million and at the turn of the year equity was NOK 3.8 (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 2012 was NOK -4.4 (-0.4) million and at the turn of the year equity was NOK 11.9 (9.2) million. The company has no employees.

ANS Bankbygg Mo

The activity consists 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 2012 was NOK 2.2 (2.1) million, and at the turn of the year equity was NOK 48.9 (47.7) million.

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 31.12.12 was NOK -2 (-4.5) million and the equity ratio was NOK 149 (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 31.12.12 was NOK 2.5 (2.4) million, and the equity share was NOK 1.6 (0.8) 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. After year end, the bank has 50 % of the shares. The result share as at 31.12.12 was NOK 0.1(0.1) million and the equity share was NOK 1.6 (0.8) 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 2012 had a response rate of well over 76%. This is the 5th time since 2005 that the Bank in collaboration with TNS gallup conduct this survey. Overall satisfaction score increased 2 points from last survey and the score became 83 points. The result is among the highest in Scandinavia, and the bank is very pleased with the score

Absence due to illness during 2012 was 4.0% (5.1). It provides an increasingly better presence in that bank employees are actually on the job

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 seven are women and 18 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

CORPORATE GOVERNANCE

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

The Helgeland region has since 2007 grown in both population and value creation. Increased employment, low unemployment and increasing housing prices combined with robust industry and commerce are central development patterns in the region. The positive development is also reflected in the demand for credit from households and businesses.

The Helgeland region is rich on natural resources. The region is today the centre of gravity in the north of Norway within the areas of process- and engineering industry, power production, aquaculture and now oil- and gas activity. Trade and industry have so far managed to steer away from the global financial crises.

The export trades in the Helgeland region within the areas of metals, minerals and sea food have to a great extent managed to avoid international markets characterised by stagnation. The fish farming industry is again experiencing increased demand and increased prices that gives good profitability along the coast.

A traditional trade in the Helgeland region like agriculture is characterised by optimism. The region marks itself nationally with high quality on milk production and high productivity in pork production. Investments in automated facilities and focus on skills and expertise are parts of the explanation.

The land based activity in the Helgeland region is growing towards the petroleum sector. Key words are the sections Norne (Statoil 1997), Maruk (Eni Norge 2012), Skarv (BP 2013), and Aasta Hansteen (Statoil 2016). The local supply industry has several deliverances and Aker Solutions is now establishing in the region.

Active career opportunities and more service jobs within national governmental organisations, new oil-related businesses and IT-businesses have, in an increasing degree resulted in more young people seeking to establish in the region. Versatile and varied industries and trades have emerged.

Investments in power-infrastructure, roads and tunnels contribute to increased activity. The airport structure with a large airport has mainly landed with recommendations from Avinor, but has not yet been financed. There has been a growth in the retail industries and new hotel plans are on the way. The construction industry has good activity.

The challenges are still related to the demographic development with more aging people, competition for skilled labour, underlying increases in costs with pressure on wages and dependence on immigration workers in different industries.

Another important area is the development in higher education opportunities in the region. Campus Helgeland is under construction and will unite various courses from universities and colleges in Mo i Rana. The bank has also directed several of the gifts from the gift fund toward this to be able to be an active supporter.

The bank has a strong foundation and can show to good income with a continuously increasing net interest and commission earnings. The work on strengthening the net interest is continually pursued through increased margins on lending and optimisation of the weighted balance.

Sale of leasing- and insurance products is a success and strengthens, together with the bank's associated broker company, the bank's position as a regional finance institution.

The HSB group's long term financing will be secured through a continued high focus on deposits from clients with the launch of several new savings products and additional transfers of loans to Helgeland Boligkreditt AS. The cost levels are expected to mirror efficient management and the low level of write-downs on lending is expected continue.

Thank you to all the employees in the bank, customers and co-operation partners

The Board is pleased with the results that have been created in 2012, and will give a big thanks to all the staff for the great effort they have shown through the years that have passed. The Board would also like to thank its customers and good business for good cooperation in the past year.

Mo i Rana 26 February 2013

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.

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. As of October 2012, the Bank has a new organization where responsibilities include IKT is organized under the Business Development Director. The bank's organizational 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 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.

The Bank's dividend policy adopted at the strategy board meeting in May 2012:

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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 (ICAAP) 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.

CORPORATE GOVERNANCE

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

PROFIT AND LOSS ACCOUNT

<i>Parent bank</i>		(Amounts in NOK mill.)	<i>Group</i>	
2011	2012		2012	2011
831	876	Interest receivable and similar income (Note 5)	1 009	913
532	571	Interest payable and similar costs (Note 5)	653	591
299	305	Net interest- and credit commission income	356	322
72	81	Commissions receivable and income from banking services (Note 6)	81	72
12	9	Commissions payable and costs relating to banking services (Note 7)	9	12
60	72	Net commission income	72	60
5	6	Gains/losses on financial instruments available for sale (note 8)	-3	-9
3	3	Other operating income (note 9)	7	5
209	215	Operating costs (Notes 10,11,12,13,14,15,44)	233	218
27	27	Losses on loans guarantees etc (note 16)	27	27
132	144	Result before tax	172	133
37	41	Tax payable on ordinary result (note 17)	49	40
95	103	Result from ordinary operations (note 18)	123	93
3.8	4.1	Result per PCC in kroner (note 18)	4.9	3.7
3.8	4.1	Diluted result per PCC, Kroner (note 18)	4.9	3.7
Extended income				
95	103	Result from ordinary operations after tax	123	93
2	26	Net change in fair value available- for-sale fin. assets	26	-5
0	-5	Tax on extended profit	-5	0
2	21	Net extended profit and loss items	21	-5
97	124	Total result for the period	144	88
3.9	5.0	Result per PCC in kroner	5.8	3.5
3.9	5.0	Diluted result per PCC, Kroner	5.8	3.5

PROFIT AND LOSS ACCOUNT

BALANCE SHEET

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12	(Amounts in NOK million)	31.12.12	31.12.11
ASSETS				
118	92	Cash and balances at central banks (note 19,22,27,32)	92	118
742	985	Loans to and claims on credit institutions (note 20,22)	278	316
14 387	14 747	Loans to and claims on customers (note 2.1,21,22)	19 755	18 049
179	261	Financial derivatives (note 22,23)	261	179
4 655	4 753	Certificates, bonds and shares available for sale (note 2.2,22,24,25)	3 778	3 756
163	163	Investments in associated companies (note 25,27)	153	154
246	347	Investments in subsidiaries (note 25,26,28)		
49	66	Deferred tax benefit (note 29)	69	51
70	90	Fixed assets (note 30)	195	158
20	13	Other assets (note 31)	13	21
20 630	21 517	Total assets	24 594	22 802
LIABILITIES AND EQUITY CAPITAL				
1 237	830	Liabilities to credit institutions without agreed maturity (note 2.2,22,33)	830	1 241
10 655	11 511	Deposits from customers and liabilities to customers (note 2.2,22,34)	11 211	10 429
6 843	6 958	Borrowings through the issuance of securities (note 2.2,22,23,35)	10 294	9 227
25	45	Financial derivatives (note 22,23)	45	25
200	428	Other liabilities (note 12,36)	434	202
18 961	19 772	Total liabilities	22 814	21 124
1 031	1 031	Paid-in equity capital (note 38,39)	1 031	1 031
638	714	Accrued equity capital/retained earnings (note 38)	747	645
1 669	1 745	Total equity capital	1 778	1 676
0	0	Non controlling interests	2	2
1 669	1 745	Total equity capital	1 780	1 678
20 630	21 517	Total liabilities and equity capital	24 594	22 802

Contingent liabilities off the Balance Sheet (note 2.3,40,41)

Helgeland Sparebank's Board of Directors
Mo i Rana 26. February 2013

Bjørn Johansen
Chairman

Thore Michalsen
Deputy Chairman

Gislaug Øygarden

Monica Skjellstad

Ove Brattbakk

May Heimdal
Staff's representative

Jan Erik Furunes
CEO

CHANGE IN EQUITY CAPITAL

Change in equity capital during the year

Group

31.12.12

	Total paid in capital					Total accrued equity capital					
(Amounts in NOK million)	PCC-capital	Premium Fund	Own PCCs	Res. for valuation variance	Savings Bank's Fund	Donat. Fund	Char. Fund.	Divid. Equal Res.	Other equity.	Min.	Total
Equity capital 01.01.12	935	97	-1	86	364	22	5	117	50	2	1 678
Adjusted equity									6		6
Result from ordinary operations					12	3	5	59	44		123
Net extended profit and loss				21							21
Total ext. profit or loss				21	12	3	5	59	44		144
Gift fund						-8	-5				-13
Transactions with owners											
Dividend paid									-35		-35
Equity capital as at 31.12.12	935	97	-1	107	376	17	5	176	66	2	1 780
Paid/accrued equity capital			1 031							749	1 780

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 88. Mill as of 31.12.12

Change in equity capital during the year

Group

31.12.11

	Total paid in capital					Total accrued equity capital					
(Amounts in NOK million)	PCC-capital	Premium Fund	Own PCCs	Res. for valuation variance	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	69	2	1 659
Result for the period					12	7	5	36	33		93
Net extended profit and loss				-5							-5
Total ext. profit or loss				-5	12	7	5	36	33		88
Gift fund						-8	-10				-18
Transactions with owners											
Dividend paid									-51		-51
Equity capital as at 31.12.11	935	97	-1	86	364	22	5	117	51	1	1 678
Paid/accrued equity capital			1 031							647	1 678

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 79. Mill as of 31.12.11

CHANGE IN EQUITY CAPITAL

Change in equity capital during the year

Parent bank

31.12.12

(Amounts in NOK million)	Total paid in capital				Total accrued equity capital					Total
	PCC-capital	Premium Fund	Own PCCs	Res. for valuation variances	Savings Bank's Fund	Donat. Fund	Char. Fond.	Divid. Equal Res.	Dividend	
Equity capital 01.01.12	935	97	-1	95	364	22	5	117	35	1 669
Result from ordinary operations					12	3	5	59	24	103
Net extended profit and loss				21						21
Total ext. profit or loss				21	12	3	5	59	24	124
Gift fund						-8	-5			-13
Transactions with owners										
Dividend paid									-35	-35
Equity capital as at 31.12.12	935	97	-1	116	376	17	5	176	24	1 745
Paid/accrued equity capital			1 031						714	1 745

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 96. Mill as of 31.12.12

Change in equity capital during the year

Parent bank

31.12.11

(Amounts in NOK million)	Total paid in capital				Total accrued equity capital					Total
	PCC-capital	Premium Fund	Own PCCs	Res. for valuation variances	Savings Bank's Fund	Donat. Fund	Char. Fond.	Divid. Equal Res.	Dividend	
Equity capital 01.01.11	935	97	-1	93	352	23	10	81	51	1 641
Result for period					12	7	5	36	35	95
Extended profit or loss items				2						2
Total ext. profit or loss				2	12	7	5	36	35	97
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

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 87. Mill as of 31.12.11

CASH FLOW STATEMENT

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
132	143	Result of ordinary operations	174	133
16	14	+ Ordinary depreciation/amortisation	20	19
27	27	+ Losses on loans, guarantees, etc	27	27
37	-39	- Tax expense	-46	40
138	145	= Provided from the year's operations	173	139
16	6	Change miscellaneous debt: + increase/-decrease	-6	24
15	6	Change miscellaneous claims: - increase/+ decrease	15	30
-812	-347	Change loans to and balances with customers – increase + decrease	-1 692	-1 519
580	856	Change deposits from and liabilities to customers+ increase/-decrease	783	547
0	0	+ Change liabilities increase to credit institutions	0	4
0	-407	- Change liabilities decrease to credit institutions	-411	0
-63	259	A Net liquidity change from operating activities	-1 136	-775
-8	-42	- Invested in tangible fixed assets	-41	-98
1	1	+ Sale of tangible fixed assets	1	0
-4 860	-5 721	- Change in long-term securities increase	-5 634	-4 820
3 800	5 511	+ Change in long-term securities decrease	5 511	3 800
-1 067	-251	B Liquidity change from investing activities	-163	-1 118
-51	-35	- Dividend paid on PCCs	-35	-51
4 416	2 682	+ Debt securities in issue increase	3 708	5 297
-3 283	-2 656	- Debt securities in issue decrease	-2 656	-3 283
0	218	Change subordinated loan	218	0
1 082	209	C Liquidity change from financing activities	1 235	1 963
-48	217	A+B+C Sum total change liquid assets	-64	70
908	860	+ Liquid assets at the start of the period	434	364
860	1 077	= Liquid assets at the close of the period *)	370	434

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

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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.

The parent bank's investments in associates accounted for at fair value. For securities that are not publicly traded and when there is no active market, valuation is based on the final rate of emission. For securities without trading are valued on basis of available accounting information, etc.

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 2013.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group 2012

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 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 1, Presentation of Financial Statements is amended and means that items in other comprehensive income shall be divided into two groups, those who later reclassified through profit and those who do not. The change does not affect which records are included in comprehensive income.

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

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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 and 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

Loans

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".

Certificates and bonds available for sale

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.

Shares available for sale

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".

Liabilities to credit institutions and deposits from customers.

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".

Securities issued

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".

Financial guarantees issued

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".

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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 are initially measured at fair value plus direct transaction costs. In periods after the first assessment loans at amortized cost (IAS 39) using the effective interest method, as an expression of the fair value of the loan. If there is objective evidence of impairment exists for individual loans or groups of loans are impaired loans. Impairment Amount calculated as the difference between the carrying amount and the present value of future cash flows, based on the expected life of the loan. Impairments are classified as losses. Interest income is recognized using the effective interest method. On engagement with individual impairment, the effective interest rate is locked in cases where a) the loan is not in default or b) change in interest rates is independent of the loan is in default and interest rate changes affect the expected cash flow.

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.

Evaluation at fair value through profit and loss is expected to significantly reduce the earnings volatility that would otherwise occur if the Bank has entered into interest rate derivatives to achieve efficient floating rate.

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.

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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.

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

Liabilities to credit institutions and deposits from customers
Liabilities to credit institutions and deposits from customers at amortised cost

Securities issued

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.

Hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured at fair value. The method is designated as a hedging instrument, and type of hedging. The group designates certain derivatives of following types:

- Hedges of the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedges).

When entering into the hedge relationship, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used are highly effective in offsetting changes in fair value or cash flows of hedged items. Such assessments are documented at the inception of the hedging relationship and on an ongoing basis. Fair value of derivative instruments used for hedging purposes, are disclosed in Note 23. Changes in fair value of derivatives that are designated and qualify as fair value hedges and that are effective, are recorded along with the change in fair value attributable to the hedged risk of the hedged asset or liability. Fair value hedges are used only to hedge fixed. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized as "Financial expenses". The profit or loss relating to the ineffective portion is recognized as "Other net (losses) gains". Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized as "Financial expenses".

Financial derivatives

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

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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 rate loans at fair value is recognized. Change in fair value of fixed rate loans are recorded as changes in value of financial instruments.

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. Fees related to interest bearing instruments are not recorded as commissions, but are included in the calculation of the effective interest rate and recognized accordingly.

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.

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

The Group as a tenant

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.

The Group as a landlord/lessor

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

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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 Bank's defined benefit pension plan was closed with effect from 1st of July 2012. New employees will be admitted as a member of the defined contribution plan. In addition, changes were made in the coverage of the old defined benefit scheme. Onetime effect of changing the pension scheme has made a positive contribution to unrecognized actuarial losses.

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 involved 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.

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 2012. The Audith Committee held nine meetings + 2 joint meetings with the Control Committee. 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.

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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.

The capital adequacy for credit risk is presented in the Group's ICAAP. It is defined tolerance level of credit risk for selected industries and defined areas. Steering level for corporate portfolio is established and compliance reported periodically. Stress tests are used to evaluate the potential losses in the credit portfolio as a result of a decline in property values.

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, changes were adopted and implemented in September 2012. 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 2012 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.

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 2012 the Group had three 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.

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Risk classification of loans and credits

<i>Parent bank</i>					<i>Group</i>			
31.12.12					31.12.12			
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
Corporate:								
3 520	323	60	4 603	Low risk	3 600	323	766	4 689
1 985	81	145	2 211	Medium risk	1 982	81	203	2 266
1 186	37	71	1 294	High risk	1 182	37	71	1 290
127	7	5	139	Commitments in default > 0 months	128	7	5	140
265	28	10	303	Not classified	262	28	10	300
7 083	476	991	8 550	Total – corporate	7 154	476	1 055	8 685
Retail banking:								
5 680	14	330	3 024	Low risk	9 949	14	636	10 599
1 345	2	27	1 374	Medium risk	1 921	2	31	1 954
220	0	1	221	High risk	295	0	1	296
54	0	1	55	Commitments in default > 0 months	66	0	2	68
451	0	38	489	Not classified	457	0	0	457
7 750	16	397	8 163	Total – retail banking	12 688	16	670	13 374
14 833	492	1 388	16 713	Grand total	19 842	492	1 725	22 059

<i>Parent bank</i>					<i>Group</i>			
31.12.11					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

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

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
168	105	Commitments in default for over 3 months	105	168
37	14	- Write-downs of commitments in default	14	37
131	91	Total net commitments in default	91	131
62	23	Other bad and doubtful commitments not in default	23	62
12	7	- Write-downs of other bad and doubtful commitments not in default	7	12
50	16	Total Net bad and doubtful commitments not in default	16	50
181	107	Total bad and doubtful loans	107	181

Net bad and doubtful commitments not in default was 0,5 % (1,0%) of gross lending.

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

<i>Parent bank</i>				<i>Group and Parent bank</i>		
			2012			
Interval	Ret .bkg. m	Corporate m.	Total	Ret .bkg. m	Corporate m.	Total
0-3 months	33	37	78	28	29	57
3-6 months	5	29	34	10	76	86
6-12 months	5	18	23	10	24	34
Over 12 months	22	26	48	29	19	48
Gross doubtful loans > 3 months	32	73	105	49	119	168
Total gross doubtful loans	65	110	183	77	148	225

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

		<i>Group and Parent bank</i>	
Interval		31.12.11	31.12.10
0-3 months		71	53
3-6 months		32	28
6-12 months		22	32
Over 12 months		30	31
Total > 3 months		84	91
Overdue receivables that are not written down		155	144

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 31.12.2012 the liquidity indicator was 1 to 107.0 %. The Board has also decided that the share of long-term borrowing in % of the total borrowing shall be at least 70%. As at 31.12.12 the share of long-term financing was 8,7 %, 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

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deposit-to-loan ratio, and this requirement was met throughout the whole of 2012.

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. The group has a strong and long-term funding with good diversification between different funding. At the year-end share funding over one year was 81.7 %, and long term funding in % of illiquid assets amounted 109 %. Helgeland Boligkreditt is an important source of funding and provision of mortgages approved for transfer to the bank's residential mortgage has high attention

The bulk of the group's liquidity in the form of interest-bearing securities are positioned in cover bonds, state, municipality,

finance and industry bonds. The total duration on the portfolio in 2.0 (2.5) years. The group's total liquidity (cash, bank deposits and securities) constitute NOK 3.9 billion or 16 % of the total assets. The group will make a gradual adjustment to the upcoming requirement for Basel III (LCR and NSFR). As at the end of 2012, the bank has transferred well secured housing mortgages for NOK 5.1 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 was A - from inter alia DnB and Nordea. Helgeland Boligkreditt had similar shadow rating and the result was AAA

NOTE 2.2.1 - Funding risk remaining periods until maturity

	<i>Group</i>				
	31.12.12				
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Loans to and claims on credit institutions	286	0	0	0	286
Loans to and claims on customers	330	1 596	6 171	15 327	23 424
Certificates, bonds and shares available for sale	628	1 142	2 424	59	4 253
Total payments	1 244	2 738	8 595	15 386	27 963
Liabilities to credit institutions	0	190	691	0	851
Deposits from and liabilities to costumers	11 215	59	0	0	11 274
Borrowings through the issuance of securities	629	2 170	9 049	0	11 848
Financial derivatives gross settlement (out flow) ¹⁾	4	15	56	0	75
Total payments	11 848	2 434	9 766	0	24 048
1) Financial derivatives gross settlement (in flow)	111	0	53		164

Loan commitment date 31.12 had no significant value and is therefore not incorporated.

	<i>Group</i>				
	31.12.11				
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Loans to and claims on credit institutions	321	0	0	0	321
Loans to and claims on customers	457	1 342	8 146	11 441	21 386
Certificates, bonds and shares available for sale	171	1 732	1 954	50	4 253
Total payments	949	3 075	10 100	11 491	25 514
Liabilities to credit institutions	407	21	853	0	1 281
Deposits from and liabilities to costumers	10 391	83	0	0	10 474
Borrowings through the issuance of securities	504	1 641	7 985	0	10 130
Financial derivatives gross settlement (out flow) ¹⁾	6	65	93	0	164
Total payments	11 308	1 810	8 931	0	22 049
1) Financial derivatives gross settlement (in flow)	86	12	83		181

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<i>Parent bank</i>					
31.12.12					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Loans to and claims on credit institutions	286	190	661	0	1 137
Loans to and claims on customers	287	1 465	3 972	11 819	17 543
Certificates, bonds and shares available for sale	628	1 142	3 361	59	5 190
Total payments	1 201	2 607	7 994	11 878	23 870
Liabilities to credit institutions	0	190	661	0	851
Deposits from and liabilities to costumers	11 501	59	0	0	11 560
Borrowings through the issuance of securities	600	1 584	5 806	0	7 990
Financial derivatives gross settlement (out flow) ¹⁾	4	15	56	0	75
Total payments	12 105	1 848	6 523	0	20 476
1) Financial derivatives gross settlement (in flow)	111	0	53		164

<i>Parent bank</i>					
31.12.11					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total
Loans to and claims on credit institutions	321	0	437	0	758
Loans to and claims on customers	331	1 020	6 024	9 021	16 396
Certificates, bonds and shares available for sale	171	1 732	2 854	50	4 807
Total payments	823	2 752	9 315	9 071	21 961
Liabilities to credit institutions	407	21	853	0	1 281
Deposits from and liabilities to costumers	10 572	83	0	0	10 655
Borrowings through the issuance of securities	488	1 570	5 406	0	7 464
Financial derivatives gross settlement (out flow) ¹⁾	6	65	93	0	164
Total payments	11 473	1 739	6 352	0	19 564
1) Financial derivatives gross settlement (in flow)	86	12	83		181

Unutilised drawing rights facilities:

<i>Parent bank</i>				<i>Group</i>	
31.12.11	31.12.12			31.12.12	31.12.11
		Assets:			
1.397	1.388	Unutilised drawing rights		1 725	1 620
		Liabilities:			
130	200	Short-term drawing rights facility 1 year		200	130
130	200	Total		200	130
118	92	Surplus liquidity at Norges Bank		92	118
248	292	Total liabilities included surplus liquidity at Norges Bank		292	248

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

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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 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.

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

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:

NOTE 2.3.1 - Guarantee liabilities relating to foreign exchange loans

<i>Parent bank</i>		<i>Group</i>	
31.12.12		31.12.12	
Loan amounts in foreign currencies	Guarantee liabilities in NOK	Loan amounts in foreign currencies	Guarantee liabilities in NOK
0	0 Euro	0	0
1	1 Amerikanske dollar	1	1
14	14 Sveitsiske franc	14	14
47	47 Svenske kroner	47	47
0	0 Japanske yen	0	0
142 Total guarantee liabilities to foreign exchange loans		142	

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Guarantee liabilities relating to foreign exchange loans

<i>Parent bank</i>		<i>Group</i>	
31.12.11		31.12.11	
Loan amounts in foreign currencies	Guarantee liabilities in NOK	Loan amounts in foreign currencies	Guarantee liabilities in NOK
0	0 Euro	0	0
1	8 Amerikanske dollar	1	8
29	189 Sveitsiske franc	29	189
47	44 Svenske kroner	47	44
143	10 Japanske yen	143	10
251 Total guarantee liabilities to foreign exchange loans		251	

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

							<i>Group</i>
							31.12.12
	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	92	0	0	0	0	0	92
Loans to and claims on credit inst with no a/maturity	150	0	0	0	0	0	150
Loans to and claims on credit inst with a/maturity	128	0	0	0	0	0	128
Net loans to and claims on customers	0	18 815	0	940	0	0	19 755
Bonds and certificates	840	2 306	446	0	0	0	3 592
Other non-int -bearing assets (including swaps)	0	0	0	0	0	877	877
Total assets	1 210	21 121	446	940	0	877	24 594
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	830	0	0	0	0	830
Deposits from and liabilities to cust no agreed mat.	0	10 629	0	0	0	0	10 629
Deposits from and liabilities to customers with agreed mat.	0	525	57	0	0	0	582
Borrowings through the issuance of securities	500	8 283	1 730	0	0	0	10 513
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	260	260
Total liabilities	500	20 267	1 787	0	0	260	22 814
Net int rate sensitivity gap	710	854	-1 341	940	0	617	1 780

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							<i>Group</i>
							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	17 052	0	547	0	0	18 049
Bonds and certificates	959	1 744	855	0	0	0	3 588
Other non-int -bearing assets (including swaps)	0	0	0	0		731	731
Total assets	1 393	19 246	885	547	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	1 9381	1 016	0	0	227	21 124
Net int rate sensitivity gap	893	-135	-131	547	0	504	1 678

							<i>Parent bank</i>
							31.12.12
	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	92	0	0	0	0	0	92
Loans to and claims on credit inst with no maturity	857	0	0	0	0	0	857
Loans to and claims on credit inst with maturity	129	0	0	0	0	0	129
Net loans to and claims on customers	0	13 807	0	940	0	0	14 747
Bonds and certificates	840	3 281	446	0	0	0	4 567
Other non-int -bearing assets (including swaps)	0	0	0	0	0	1 125	1 125
Total assets	1 918	17 088	4746	940	0	1 125	21 517
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	830	0	0	0	0	830
Deposits from and liabilities to cust no agreed mat.	0	10 928	0	0	0	0	10 928
Deposits from and liabilities to cust with agreed mat.	0	525	57	0	0	0	582
Borrowings through the issuance of securities	500	4 947	1 730	0	0	0	7 177
Other non-int -bearing liabilities (including swaps)	0	0	0	0	0	255	255
Total liabilities	500	17 230	1 787	0	0	255	19 772
Net interest rate sensitivity gap	1 418	-142	-1 341	940	0	870	1 745

NOTES

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	13 840	0	547	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	16 484	885	547	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

NOTE 2.3.3 - Sensitivity analysis for change in market prices

Group and Parent bank

31.12.12

	Effect on profit	Effect on equity
Interest +/- 2%	11	0
Total liabilities	11	0

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 2012 was NOK 10.9 (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 and Parent bank

31.12.11

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

NOTES

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.

NOTES

NOTE 4 - Segment information

<i>Parent bank</i>					<i>Group</i>			
					31.12.12			
Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
159	134	12	305	Net interest and credit commission	212	125	19	356
30	12	30	72	Net commission income	30	12	30	72
0	0	9	9	Other operating income	0	0	4	4
87	23	105	215	Operating costs	105	23	105	233
-1	22	6	27	Losses on loans guaranteed	-1	22	6	27
103	101	-60	144	Result before tax	138	92	-58	172
7 750	7 083	0	14 833	Loans to and claims on customers	12 688	7 154	0	19 841
-5	-15	0	-20	Individual write-downs	-5	-15	0	-20
0	0	-66	-66	Collective write-downs on loans	0	0	-66	-66
0	0	6 770	6 770	Other assets	0	0	4 838	4 838
7 745	7 068	6 704	21 517	Total assets per segment	12 683	7 139	4 772	24 594
7 344	4 167	0	11 511	Deposits from customers and	7 344	3 867	0	11 211
0	0	10 006	10 006	Other liabilities and equity	0	0	13 383	13 383
7 344	4 167	10 006	21 517	Total liabilities and equity per segm.	7 344	3 867	13 383	24 594

<i>Parent bank</i>					<i>Group</i>			
					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 segm.	6 810	3 619	12 373	22 802

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.

NOTES

NOTE 5.1 - Net interest- and credit commission income

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
Interest receivable and similar income:				
677	873	Interest receivable and credit commissions on loans etc. 1,3)	873	755
34	41	Interest on deposits with and loans to credit institutions	41	38
120	135	Interest from bearer bonds and certificates	135	120
831	1 013	Total interest receivable and similar income	1 013	913
Interest payable and similar costs:				
Interest payable on deposits from customers:				
266	290	Carried at amortized cost	289	267
2	3	Carried at fair value	3	2
38	25	Interest payable on deposits and loans from credit institutions	41	61
Interest payable on certificate- and bond loans and on syndicated loans ^{2,3)} :				
217	230	Carried at amortized cost	298	250
11	23	Carried at fair value	23	11
0	0	Interest payable on long-term loans/other funding loan costs	0	0
532	571	Total interest payable and similar costs	654	591

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 %)

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
Assets				
3.5 %	3.2 %	Loans to and claims on credit institutions	3.0 %	3.3 %
4.7 %	4.7 %	Loans to and claims on customers	4.5 %	4.5 %
2.7 %	3.0 %	Certificates and bonds	3.0 %	2.7 %
Liabilities				
3.1 %	3.0 %	Liabilities to credit institutions	3.3 %	3.5 %
2.5 %	2.5 %	Deposits from customers and liabilities to costumers	2.5 %	2.5 %
3.4 %	3.6 %	Borrowings through the issuance of securities	3.3 %	3.2 %

NOTES

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

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
Assets				
871	866	Loans to and claims on credit institutions	1 073	1 021
13 941	14 580	Loans to and claims on customers	18 967	17 370
3 857	4 567	Certificates and bonds	3 667	2 957
Liabilities				
1 241	891	Liabilities to credit institutions	1 390	1 876
10 508	11 188	Deposits from customers and liabilities to costumers	10 914	10 327
6 144	6 785	Borrowings through the issuance of securities	10 633	8 916

NOTE 6 - Commissions and income from banking services

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
9	9	Guarantee commission *)	9	9
37	44	Fees relating to payments transmission services	44	37
2	1	Interbank fees received	1	2
24	27	Other fees	27	24
72	81	Total commissions and income from banking services	81	72

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

NOTE 7 - Commissions payable and costs relating to banking services

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
2	1	Interbank fees paid	1	2
3	1	Fees - customers' use of payment terminals	1	3
7	7	Payments transmission services	7	7
0	0	Other fees	0	0
12	9	Total commissions payable and costs relating to banking services	9	12
60	72	Net commission income	72	60

NOTE 8 – Gains/losses on financial instruments

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
-5	4	Unrealised fall in value of interest-bearing securities, available for sale	4	-5
10	2	Realised gain on interest-bearing securities, available for sale	2	10
0	0	Realised loss on interest-bearing securities, available for sale	0	0
-16	-14	Unrealised fall in value of shares, available for sale	-11	-16
0	0	Realised gain on shares, available for sale	0	0
0	0	Realised loss on shares, available for sale	0	0
5	2	Share of earnings in associates	2	2
11	13	Dividends on shares	1	0
-3	3	Unrealised change in value, fixed interest loans at fair value	3	-3
-1	0	Unrealised change in value, hedging instruments	0	-1
4	-4	Unrealised change in value, borrowing, fixed-interest fair value	-4	4
5	6	Total net gain/loss on financial instruments	-3	-9

NOTES

NOTE 9 - Other operating income

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
1	2	Operating income from real estate	6	3
1	0	Other operating income	0	1
1	1	Gains on sale of real estate and movable property	1	1
3	3	Total other operating income	7	5

NOTE 10 - Total operating costs

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
112	118	Wages salaries and social costs	118	112
35	35	IT-Cost	35	35
10	12	Marketing expences	12	10
16	14	Depreciation	19	16
5	4	Operating cost real estate	4	5
2	3	Purchased services	3	3
28	29	Other operating costs (note 14)	43	37
209	215	Total operating costs	233	218

NOTE 11 - Wages salaries and social costs

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
87	89	Wages salaries and fees	89	88
5	5	Employers' social security contributions	5	5
16	18	Pension costs relating to benefit plans (note 12)	18	16
4	6	Other personnel costs	6	4
112	118	Total wages salaries and social costs	118	113
177	177	Number of employees measured in man-years as at 31.12	177	177
177	177	Average number of employees of man-years worked as at 31.12	177	177

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

<i>Parent bank</i>						<i>Group</i>	
31.12.12						31.12.12	
Loans	Payments	Pension cost	2012 (amount in thousands NOK)	Pension cost	Payments	Loans	
0	1 497	409	CEO Jan Erik Furunes	409	1 497	0	
1 250	1 406	791	DCEO Lisbeth Flågeng	791	1 406	1 750	
1 125	2 390	1 200	Total remuneration for senior management	1 200	2 390	1 750	
0	164	0	Chairman of the board Bjørn Johansen	0	164	0	
0	167	0	Thore Michalsen	0	167	0	
0	80	0	Gislaug Øygarden	0	80	0	
0	131	0	Ove Brattbakk	0	131	0	
3 300	80	0	Monica Skjellstad	0	80	3 300	
137	80	0	May Heimdal	0	80	867	
3 100	36	0	Bjørn Audun Risøy 1. Deputy	0	36	3 100	
0	40	0	Svein Hansen 2. Deputy	0	40	0	
2 700	3	0	Tom Engø (2011/2012)	0	3	2 700	
9 237	780	0	Total boards of Directors	0	780	9 967	

NOTES

<i>Parent bank</i>						Group
31.12.12						31.12.12
Loans	Payments	Pension cost	2012 (amount in thousands NOK)	Pension cost	Payments	Loans
446	50	0	Heidi Dahl	0	50	1 376
0	35	0	Kåre J. Åsli	0	35	0
0	34	0	Frank Høyen	0	34	0
446	119	0	Total Control Committee	0	119	1 376
0	30	0	Grete Bang	0	30	0
0	4	0	Anne Paasche Jakobseb	0	4	0
0	34	0	Total Board of trustees	0	34	0
0	8	0	Wenche Drevland	0	8	1 350
690	4	0	Sten Oddvar Solhaug	0	4	690
0	4	0	Laila Furu Vold	0	4	1 085
1 150	10	0	Inger Robertsen	0	10	1 150
0	2	0	Kjell Idar Juvik	0	2	0
0	2	0	Ellen Schølberg	0	2	0
960	8	0	Torill Beate Risøy	0	8	960
0	4	0	John Luktavsslimo	0	4	0
2 800	42	0	Total Depositor Committee	0	42	5 235
0	2	0	Tom Svendsen	0	2	0
1 100	7	0	Øyvinn Trønsdal	0	7	2 150
0	4	0	Asbjørn Wangerud	0	4	0
0	4	0	Ivar A. Juel	0	4	0
0	4	0	Frank Arntsberg	0	4	0
0	4	0	Svein G. Nybø	0	4	0
0	6	0	Nils Terje Furunes	0	6	0
1 700	4	0	Elin Langfjell Møgster	0	4	1 700
0	4	0	Harald Svendsen	0	4	0
0	2	0	Judith Johansen	0	2	0
0	2	0	Øystein Strømnes	0	2	0
2 800	45	0	Total equity certificate holders	0	45	2 850
1 700	4	0	Roger Ditlefsen	0	4	2 150
1 784	4	0	Einar Eliassen	0	4	1 784
309	4	0	Bente Johansen	0	4	309
1 588	4	0	Tore Stamnes	0	4	1 967
0	6	0	Liv Sund	0	6	157
861	4	0	Morten Myran	0	4	961
6 642	26	0	Total Staff	0	26	7 328

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

NOTES

<i>Parent bank</i>				<i>Group</i>		
31.12.11				31.12.11		
Loans	Payments	Pension cost		Pension cost	Payments	Loans
19	1 107	408	CEO Jan Erik Furunes (01.04.11)	408	1 107	19
0	576	515	CEO Arnt Krane (31.03.11)	515	576	1 669
1 106	1 356	837	DCEO Lisbeth Flågeng	837	1 356	1 106
1 125	3 039	1 760	Total remuneration for senior management	1 760	3 039	2 794
0	139	0	Chairman of the board Bjørn Johansen	0	139	0
0	104	0	Thore Michalsen	0	104	0
239	79	0	Gislaug Øygarden	0	79	239
0	63	0	Ove Brattbakk	0	63	0
2 246	60	0	Monica Skjellstad	0	60	2 246
167	79	0	May Heimdal	0	79	921
2 716	560	0	Total boards of Directors	0	560	3 491
0	49	0	Chairman of the Control Committee, Asle Bardal	0	49	0
1 356	69	0	Other members of the Control Committee	0	69	1 812
86	29	0	Chairman of the Board of Trustees, Grete Bang	0	29	86
7 469	157	0	Other members of the Board of Trustees	0	157	10 133
8 909	304	0	Total – Board of Trustees and Control Committee	0	304	12 031
12 686	3 867	0	Grand total	0	3 867	18 231

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).

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 2013 was implemented in line with the key principles under item 3 in Note 44.

NOTES

NOTE 11.2 - Loans to elected representatives and employees

<i>Parent bank</i>				<i>Group</i>	
31.12.11	31.12.12	Loans to:		31.12.12	31.12.11
155	142	Loans to employees		258	232
3	9	Board of Directors		10	3
8	5	Board of Trustees		11	10
1	1	Control Committee		0	2
167	157	Total loans to elected representatives and employees		280	247

The interest rate applied to staff loans has been lower than the normal rate of interest for 2012. The benefit in kind amounted to about NOK 2.5 million.

NOTE 12 –Pension costs and pension liabilities

<i>Parent bank</i>		<i>Group and Parent bank</i>	
<p>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 year 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. There</p>		<p>were changes in the scope of coverage of the performance based scheme in 2012:</p> <ul style="list-style-type: none"> • The risk pension agreements – spouse- and child pension – have terminated. • Paid-up policy earnings for recipients of disability benefits have terminated. • The regulation clause for on-going pensions was changed to the regulation that follows of the legislation, however in a way that the minimum regulation is 80 per cent of CPI (consumer price index) annually. <p>The bank's performance based pension scheme terminated with effect from 01.07.12. The employees got to choose which pension scheme to belong to, and the performance based agreement was closed after the elections. Newly hired employees are included into the deposit based pension scheme.</p> <p>A deposit based pension scheme was established with 5/8 per cent saving, and a disability pension linked to 66 per cent of the pension basis. As per 31.12.12 there were 16 employees with the deposit based scheme.</p> <p>The one-time-effect by changing the bank's pension scheme has given a positive contribution to the not-posted divergence on the income statement. The effect of the changes will give somewhat lower pension costs from 2013.</p>	

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

<i>Parent bank</i>				<i>Group</i>	
2011	2012			2012	2011
2.60 %	3.90 %	Discount rate of interest		3.90 %	2.60 %
4.10 %	4.00 %	Expected return on plan assets		4.00 %	4.10 %
3.50 %	3.50 %	Wage- and salary adjustment		3.50 %	3.50 %
3.25 %	3.25 %	Adjustment of current pension		3.25 %	3.25 %
3.25 %	3.25 %	Increase of base amount		3.25 %	3.25 %
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 %	1.40 %	Yearly per cent retirement for working		1.40 %	1.30 %
25 år	25 år	From age		25 år	25 år
40 år	40 år	To age		40 år	40 år

NOTES

NOTE 12.1 – Balance sheet pension liabilities

<i>Parent bank</i>						<i>Group</i>				
31.12 2008	31.12 2009	31.12 2010	31.12 2011	31.12 2012		31.12 2012	31.12 2011	31.12 2010	31.12 2009	31.12 2008
Movements in pension liabilities										
236	241	250	277	270	Pension assets at the beginning of the period	270	277	250	241	236
12	10	12	9	10	Pension earnings for the year	10	9	12	10	12
11	11	10	7	7	Interest costs relating to the pension liabilities	7	7	10	11	11
0	0	-22	0	0	Takeover/acquisition (AFP)	0	0	-22	0	0
-11	-5	32	-15	-100	Actuarial loss-/gain+	-100	-15	32	-5	-11
-7	-6	-7	-6	-5	Pension payments	-5	-6	-7	-6	-7
241	250	277	271	182	Pension liabilities at the end of the period	182	271	277	250	241
Movements in pension assets										
137	134	134	136	151	Pension assets at the beginning of the period	151	136	134	134	137
8	9	8	6	7	Anticipated return on the pension assets	7	6	8	9	8
-13	-12	-11	1	-14	Actuarial loss+/gain-	-14	1	-11	-12	-13
0	-1	-1	-1	-2	Administration costs	-2	-1	-1	-1	0
7	7	10	12	10	Contributions	10	12	10	7	7
-4	-3	-4	-4	-5	Pension payments	-5	-4	-4	-3	-4
134	134	136	151	147	Pension assets at the end of the period	147	151	136	134	134
Reconciliation the balance sheet pension liabilities										
241	250	277	271	182	Pension liabilities	182	271	277	250	241
134	134	136	151	147	Pension assets	147	151	136	134	134
-107	-116	-141	-120	-35	Net pension liabilities	-35	-120	-141	-116	-107
-5	-6	-8	-7	1	Employer's contributions of net pension obligation	1	-7	-8	-6	-5
-112	-123	148	-127	-34	Net pension liabilities	-34	-127	148	-123	-112
31	34	88	67	-26	Effect of estimate changes	-26	67	88	34	31
0	2	5	4	-1	Estimate deviation, employer's contributions	-1	4	5	2	0
-81	-86	-55	-56	-61	Net pension liabilities shown I	-61	-56	-55	-86	-81

The net commitment by transferring from government bond interest to covered bond interest is reduced by NOK 44 million. The estimate change is in full posted toward the estimate divergence. By transferring to IAS19R the not-posted estimate divergence is posted toward equity. This will give a positive effect on equity of NOK 19 million, on not-posted estimate divergence in the income statement of NOK 26 million, and a deducted deferred tax of NOK 7 million.

NOTE 13 - The net pension cost is arrived at in the following way

<i>Parent bank</i>					<i>Group</i>	
2011	2012				2012	2011
9	11	Present value of pensionable accruals during the year			11	9
7	8	+ Interest cost of incurred pension liabilities			8	7
-7	-7	- Expected return on pension resources			-7	-7
5	3	+ Changes in estimates and discrepancies are included in the profit and loss account			3	5
1	2	+ Administration costs			2	1
1	1	+ Employers' social security contributions			1	1
16	18	Net pension cost			18	16

NOTES

NOTE 14 - Other administration costs

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
4	3	Postage	3	4
10	10	Rental	10	10
3	3	Value Transportation	3	3
3	3	Travel expenses	3	3
5	4	Fee external auditor	4	5
7	9	Other operation costs	23	16
28	26	Total other administration costs	43	37

NOTE 15 - Auditor's fees

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
0.6	0.5	Statutory audit	0.7	0.8
0.2	0.1	Other services, attestation and assistance totalled	0.1	0.2
0.3	0.2	assistance internal auditor	0.2	0.3
1.1	0.8	Total audit	0.8	1.3

PricewaterhouseCoopers AS is Helgeland Sparebank's appointed auditor

NOTE 16 - Losses on loans guarantees etc

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
Write-downs on loans guarantees:				
25	21	Individual write-down on loans guarantees etc relating to customers	21	25
2	6	Collective write-down on loans guarantees etc relating to customers	6	2
27	27	Total write-down on loans guarantees etc	27	27
Details of write-downs on loans guarantees				
49	21	Total write-downs to cover losses on commitments as at 31.12	21	49
53	49	- Total write-downs to cover losses on commitments as at 01.01	49	53
2	6	- Change in collective write-down during the period	6	2
22	33	+ Confirmed losses against which ind. write-downs were made in previous years	33	22
9	18	+ Conf. losses against which on ind. write-downs were made in previous years	18	9
2	2	- Recoveries from previous periods' confirmed losses	2	2
27	27	Total write-down of losses guarantees etc.	27	27

NOTES

NOTE 17 - Tax cost

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
		Tax for the year:		
41	37	Tax payable	46	44
0	-5	Change in deferred tax adjusted direct against the equity capital	-5	0
-4	9	Change in deferred tax (Note 29)	8	-4
37	41	Tax cost for the year	49	40
		Breakdown between accounts-related result before tax and the year's income liable to tax:		
132	144	Accounts-related result before tax	172	133
24	13	Permanent differences	13	21
0	0	Use of previous losses carried forward	0	0
-14	-31	Change in temporary differences (Note 29)	-29	-15
142	126	Income subject to tax	156	139

NOTE 18 - Ordinary result per EC's

<i>Parent bank</i>			<i>Group</i>	
2011	2012		2012	2011
95	103	Result from ordinary operations after tax	123	93
74.9 %	74.9 %	EC-holders' percentage share of the result	74.9 %	74.9 %
71	77	EC-holders' share of the result	98	70
3.8	4.1	Result per EC's	4.9	3.7
3.8	4.1	Diluted result per EC's	4.9	3.7

Total Equity Certificates at the end of the year was 18.700.000, average Equity Certificates for 2012 was 18.700.000. Total Equity Certificates 2011 was 18.700.000, average Equity Certificates for 2011 was 18.700.000.

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

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
70	60	Cash reserve	60	70
48	32	Deposits at Norges Bank in excess of liquidity reserve requirements	32	48
118	92	Total cash and claims on central banks	92	118

NOTE 20 - Loans to and claims on credit institutions

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
322	278	Loans to and claims on credit institutions	278	316
420	707	Settlement Helgeland Boligkreditt AS *)	0	0
742	985	Total loans to and claims on credit institutions	278	316

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

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

NOTES

NOTE 21.1 –Loans to and claims on customers

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
Gross loans				
1 763	1 642	Overdraft- and working capital facilities	1 642	1 763
401	434	Building loans	434	401
11 755	11 801	Mortgage loans	16 810	15 417
13 919	13 877	Gross loans to customers	18 886	17 581
Individual write-downs				
-49	-21		-21	-49
13 870	13 856	Loans to customers after Individual write-downs	18 865	17 532
33	42	Accrued interest	42	33
-60	-66	Collective write-downs	-66	-60
13 843	13 832	Loans to and receivables from customers at amortised cost	18 841	17 505
547	957	Loans to and receivables from customers, nominal capital:	957	547
-3	-43	Accrued interest and adjustment to fair value	-43	-3
544	914	Loans to and receivables from customers, fair value:	914	544
14 387	14 746	Net loans to and receivables from customers	19 755	18 049

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	%-share		31.12.12	%-share
12 493	84.2 %	Helgeland	16 559	83.5 %
2 321	15.6 %	Areas other than Helgeland	3 260	16.4 %
19	0.1 %	International	23	0.1 %
14 833	100 %	Total	19 842	100 %

<i>Parent bank</i>			<i>Group</i>	
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 %

NOTES

NOTE 21.3 - Breakdown of loans between retail banking- and corporate markets 31.12.12

<i>Parent bank</i>		31.12.12	<i>Group</i>	
Retail banking	Corporate m.		Retail banking	Corporate m.
746	896	Overdraft- and working capital facilities	1 764	916
156	277	Building loans	156	277
6 848	5 910	Mortgage loans	10 768	5 961
7 750	7 083	Gross loans to customers	12 688	7 154

<i>Parent bank</i>		31.12.11	<i>Group</i>	
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

NOTE 21.4 –Write-downs on loans and guarantees

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
Individual write-downs:				
53	49	Individual write-downs to cover losses on loans and guarantees as at 01.01	49	53
-22	-33	- Period's conf losses against which individual write-downs were previously made	-33	-22
6	0	+ Increased individual write-downs during the period where individual write-downs were previously made	0	6
14	7	+ New individual write-downs during the period	7	14
-2	-2	- Reversal of individual write-downs during the period	-2	-2
49	21	Total individual write-downs on loans and guarantees	21	49
Of which:				
39	21	Loans	21	39
10	0	Guarantees	0	10
Collective write-downs:				
58	60	Collective write-downs to cover losses on loans and guarantees as at 01.01	60	58
2	6	+/- Period's change in collective write-downs	6	2
60	66	Collective write-downs to cover losses on loans and guarantees as at 31.12	66	60
109	86	Total write-downs on loans and guarantees	86	109

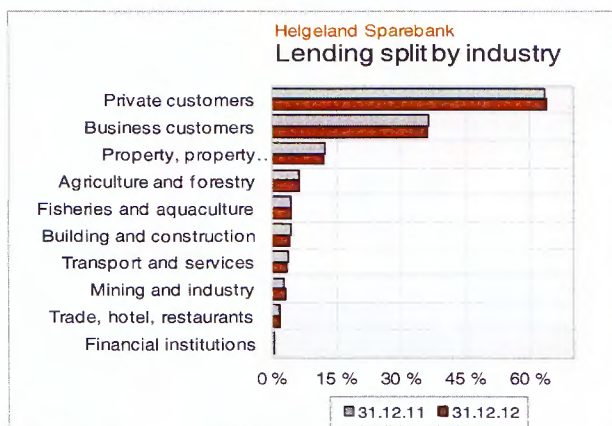
NOTE 21.5 - Commitments and losses according to different business- and other sectors

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.

NOTES



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

	<i>Group</i> 31.12.12					
	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	39	5	0	0	0	0
Agriculture and forestry	1 305	2	116	4	6	3
Fishing and fish farming	903	6	292	0	4	0
Mining and industry	616	51	107	2	18	16
Building and construction	819	83	207	2	11	1
Trade hotels and restaurants	381	42	101	3	5	0
Transport and service industry	679	81	19	1	11	0
Financing and real estate	2 412	163	123	3	17	2
Retail banking market	12 688	59	760	6	32	1
Total	19 842	492	1 725	21	104	23

	<i>Group</i> 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

NOTES

Parent bank

31.12.12

	Gross loans	Guarantees	Potential Exposure	Individual loan loss provisions	Commitments in default	Bad and doubtful not in default
Municipalities and municipal enterprises	0	0	0	0	0	0
Financial institutions	39	5	0	0	0	0
Agriculture and forestry	1 278	2	116	4	6	3
Fishing and fish farming	900	6	292	0	4	0
Mining and industry	613	51	107	2	18	16
Building and construction	795	83	207	2	11	1
Trade hotels and restaurants	366	42	101	3	5	0
Transport and service industry	621	81	19	1	11	0
Financing and real estate	2 471	163	123	3	17	2
Retail banking market	7 750	59	423	6	32	1
Total	14 833	492	1 388	21	104	23

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

NOTE 21.5.2 –Mortgage added to Helgeland Boligkreditt AS
Helgeland Boligkreditt is bank owned mortgage company. The company was licensed as finance companies in February 2009. Loans transferred are fully secured loans within the mortgage value of 75%. Lending moved out of the Parent bank balance and over to the mortgage company for transmission. The group is included, in their entirety. From the date of transfer recognized income and repayments of mortgagecompany. In the development phase has the transfer of loans to the mortgage company been higher than the bank's growth, now

the transfers take place approx. once a month. 26% of gross loans, or 40% of loans to households was added to Helgeland Boligkreditt. The Bank administers loans and has signed a separate transmission and service agreement between Helgeland Boligkreditt and Helgeland Sparebank. Helgeland Boligkreditt has a long term credit facility in Helgeland Sparebank at 1 billion. per 31.12.12 was it drawn by 0.7 billion Kr. In addition, Helgeland Boligkreditt credit facility of 2.1 billion. in the Parent bank.

NOTES

<i>Parent bank</i>				<i>Group</i>	
31.12.12				31.12.12	
Book	Fair			Book	Fair
Value	Value			Value	Value
0	0	Fleksi Loans		1 038	1 038
0	0	Repayment loans		4 042	4 040
0	0	Total mortgage added to Helgeland Boligkreditt AS		5 080	5 078

<i>Parent bank</i>				<i>Group</i>	
31.12.11				31.12.11	
Book	Fair			Book	Fair
Value	Value			Value	Value
0	0	Fleksi Loans		629	629
0	0	Repayment loans		3 101	3 100
0	0	Total mortgage added to Helgeland Boligkreditt AS		3 730	3 729

<i>Rest period</i>							<i>Group</i>
							31.12.12
	Up to 1 month	1-3 month	3 months – 1 year	1-5 years	Over 5 years	No change interest rates	Total
Liabilities to credit institutions with agreed				281			281
Net loans and claims to customers	1 038	44	135	1 571	2 995		5 783
Total Assets	1 038	44	135	1 852	2 995		6 064
Liabilities							
Liabilities to credit institutions				733			733
Total Liabilities				733			733

<i>Rest period</i>							<i>Group</i>
							31.12.11
	Up to 1 month	1-3 month	3 months – 1 year	1-5 years	Over 5 years	No change interest rates	Total
Liabilities to credit institutions with agreed				185			185
Net loans and claims to customers	27	60	206	1 738	2 420		4 450
Total Assets	27	60	206	1 923	2 420		4 636
Liabilities							
Liabilities to credit institutions				441			441
Total Liabilities				441			441

NOTES

NOTE 22 –Financial instruments

					<i>Group</i>
					31.12.12
	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	92	0	0	0	92
Loans to and claims on credit institutions	278	0	0	0	278
Loans to and claims on customers	18 797	958	0	0	19 755
Certificates bonds and shares available for sale	0	0	3 778	0	3 778
Financial derivatives	0		0	261	261
Total assets	19 167	958	3 778	261	24 164
		Other financial Commitment	Commitment to real value through profit and loss acc		Total
Liabilities to credit institutions with agreed maturity		830		0	830
Deposit from customers and liabilities to customers		11 211		0	11 211
Financial liabilities incurred through the issuance of sec.		7 961		2 333	10 294
Financial derivatives		0		45	45
Total liabilities		20 002		2 378	22 380

Financial instruments

					<i>Group</i>
					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	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	0	0	3 756	0	3 756
Financial derivatives	0	0	0	179	179
Total assets	17 936	547	3 756	179	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

NOTES

Financial instruments

Parent bank

31.12.12

	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	92	0	0	0	92
Loans to and claims on credit institutions	985	0	0	0	985
Loans to and claims on customers	13 806	940	0	0	14 746
Certificates bonds and shares available for sale	0	0	4 753	0	4 753
Financial derivatives	0	0	0	261	261
Total assets	14 883	940	4 753	261	20 837

	Other financial Commitment	Commitment to real value through profit and loss acc	Total
Liabilities to credit institutions with agreed maturity	830	0	830
Deposit from customers and liabilities to customers	11 511	0	11 511
Financial liabilities incurred through the issuance of sec.	4 625	2 333	6 958
Financial derivatives	0	45	45
Total liabilities	16 966	2 378	19 344

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	0	0	4 655	0	4 655
Financial derivatives	0	0	0	179	179
Total assets	14 700	547	4 655	179	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		10 655
Financial liabilities incurred through the issuance of sec.	4 806	2 038	6 844
Financial derivatives	0	25	25
Total liabilities	16 698	2 063	18 761

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

NOTES

(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 31.12.12		
	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		940	
Financial assets available for sale			
- Certificates, bonds and shares available for sale	3 592	44	142
Financial derivatives		261	
Total assets	3 592	1 245	142
Liabilities			
Financial liabilities at fair value through profit or loss			
- Debt securities in issue		2 333	
- Financial derivatives		45	
Total liabilities	0	2 378	0

Change in the instruments classified in Level 3	31.12.12
Opening balance	137
Net purchase/sale share to real value through Profit and loss account	7
Reclassification	0
Value change shares available for sale	-2
Financial instruments level 3	142

	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

NOTES

Parent bank's assets and liabilities measured at fair value		Parent bank 31.12.12		
		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			940	
Financial assets available for sale				
- Certificates, bonds and shares available for sale		4 567	44	142
Financial derivatives			261	
Total assets		4 567	1 245	142
Liabilities				
Financial liabilities at fair value through profit or loss				
- Debt securities in issue			2 333	
- Financial derivatives			45	
Total liabilities		0	2 378	0

Change in the instruments classified in Level 3	Total
Opening balance	137
Net purchase/sale share to real value through Profit and loss account	7
Reclassification	0
Value change shares available for sale	-2
Financial instruments level 3	142

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

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.

NOTES

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.

NOTE 22.2 –Real value of financial instruments

<i>Parent bank</i>					<i>Group</i>			
31.12.11		31.12.12			31.12.12		31.12.11	
Real	Balance	Real	Balance	Real value on financial instruments	Balance	Real	Balance	Real
Value	Sheet	Value	Sheet		Sheet	Value	Sheet	Value
Value	Value	Value	Value		Value	Value	Value	Value
ASSETS								
118	118	92	92	Cash and claims on central banks	92	92	118	118
742	742	985	985	Loans to and claims on credit institutions	985	985	316	316
547	547	958	958	Loans to and claims on customers to real value	958	958	547	547
13 848	13 840	13 797	13 789	Loans to and claims on customers to amortised cost	18 797	18 805	17 502	17 510
179	179	261	261	Financial derivatives	261	261	179	179
4 655	4 655	4 753	4 753	Certificates, bonds and shares available for sale	4 753	4 753	3 756	3 756
20 089	20 081	20 846	20 838	Total	25 846	25 854	22 418	22 426
LIABILITIES								
1 237	1 237	830	830	Liabilities to credit institutions to amortised cost	830	830	1 241	1 241
83	83	57	57	Deposits from customers to real value	57	57	83	83
10 655	10 655	11 454	11 454	Deposits from customers to amortised cost	11 454	11 454	10 429	10 429
507	507	0	0	Borrowing through the issuance of real value	0	0	507	507
1 531	1 531	2 336	2 336	Borrowing through the issuance of securities	2 336	2 336	1 531	1 531
4 819	4 805	4 572	4 577	Borrowing through the issuance of securities amortised cost	8 880	8 873	7 189	7 203
25	25	45	45	Financial derivatives	45	45	25	25
18 857	18 843	19 294	19 299	Total	23 302	23 295	21 005	21 019

*) Of securities debt, NOK 2.300 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 31.12.12.

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 million in 2012 and NOK 0.8 million in 2011. Total gains on hedging objects relating to the hedged risk were NOK 0.6 million in 2012 and NOK 0 million in 2011. 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.

NOTES

Financial derivatives

<i>Parent bank</i>				<i>Group</i>		
31.12.12				31.12.12		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commit.		Total	Assets	commitment
891	0	45	Interest rate swaps – fixed interest rate loans	891	0	45
0	0	0	Interest rate swaps – bank deposits with share yield	0	0	0
891	0	45	Total financial derivatives	891	0	45
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commit.	Securing funding	Total	Assets	commitment
2 148	261	0	Interest rate swaps – fixed interest rate loans	2 148	261	0
2 148	261	0	Total financial derivatives	2 148	261	0

<i>Parent bank</i>				<i>Group</i>		
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		Nominal value		Market value
Total	Assets	Commit.	Securing funding	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

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

<i>Parent bank</i>				<i>Group</i>	
31.12.11	31.12.12			31.12.12	31.12.11
4 470	4 551	Certificates and bonds		3 576	3 571
17	16	Accrued interests financial assets		16	17
168	186	Shares unit trust certificates and PCCs		186	168
4 655	4 753	Total certificates bonds and shares available for sale 1-2)		3 778	3 756

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.

NOTES

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.

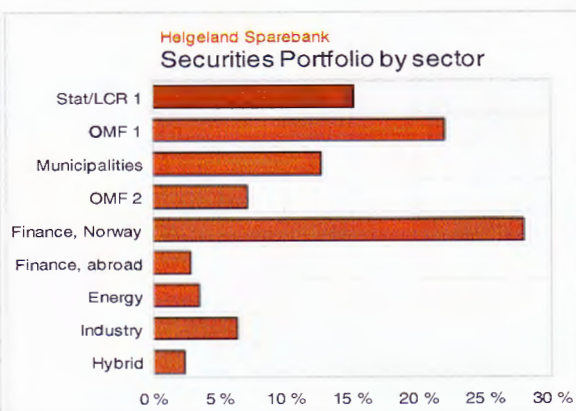
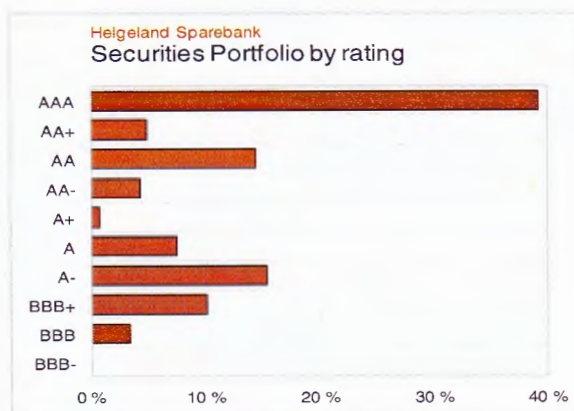
<i>Parent bank</i>				<i>Group</i>	
31.12.12				31.12.12	
Nominal value	Market value			Nominal value	Market value
300	298	Bonds issued by public sector borrowings		300	298
275	275	Certificates		275	275
3 931	3 978	Other bearer bonds		2 956	3 003
0	16	Accrued interests financial assets		0	16
4 506	4 567	Total certificates and bonds		3 531	3 592

<i>Parent bank</i>				<i>Group</i>	
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

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 (NOK 900 million), 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 2012 the securities portfolio had an average remaining term to maturity of just over 2.3 years. The average rate of interest for the certificate and bond portfolio in 2012 amounted to 2.85 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 4 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.



NOTES

NOTE 25 - Shares unit trust certificates and EC's

<i>Parent bank and group</i>				
	31.12.12		31.12.11	
	Nominal value	Market value	Nominal value	Marked value
Shares – stock exchange	54	44	40	31
Shares – not stock exchange	136	142	142	137
Total shares	190	186	182	168

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

			<i>Parent bank and group</i>	
			31.12.12	31.12.11
Portfolio as at 1.1 Helgeland Sparebank			168	176
Additions			20	5
Disposals			-1	0
Write-down			-2	0
Adjustment to market value			-5	-13
Portfolio as at 31.12			186	168

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

<i>Parent bank</i>						
Details:	Portfolio as at 01.01.12	Additions	Disposals	Write-down	Adjustment to real value	Portfolio as at 31.12.12
Associated companies:	163					163
Group companies	246	101				347

<i>Parent bank</i>						
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

<i>Parent bank</i>						
					31.12.12	31.12.11
	Equity capital	Shares	Equity stake	Office address	Real value / Book value	
ANS Bankbygg Mo	49	5 591	97 %	Mo i Rana	46	45
Helgeland Boligkreditt AS	290	290	100 %	Mo i Rana	290	190
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	10
Book value 31.12.12					347	246

NOTES

NOTE 27 - Associated companies

					<i>Group</i>
					31.12.11
					31.12.12
	Location	Business sector	Eq. stake	Equity methode	Equity methode
COMPANY					
Helgeland Invest AS	Mo i Rana	Investment	48 %	150	151
Eiendomsmegleren Helgeland AS	Mo i Rana	Real estate	34 %	1	1
Storgt. 73 AS	Brønnøysund	Real estate	43 %	2	2
Total				153	154

*) The balance sheet value of the company is based on preliminary figures from the company as of 31.12.2012.

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

					<i>Group</i>
					31.12.12
Company	Assets	Liabilities	Equity capital	Turnover	
Helgeland Invest AS	328	32	296		
Eiendomsmegleren Helgeland AS	9	7	2		12
Storgata 73 AS	4	1	5		1
Total	341	40	303		

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

					<i>Group</i>
					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	4	1	5		1
Total	317	12	307		

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

					<i>Group</i>
					31.12.11
31.12.11	31.12.12	Intra-group balances:	31.12.12	31.12.11	
Claims:					
0	0	Loans to associated companies	0	0	
0	0	Total net claims	0	0	
Liabilities:					
106	81	Deposits from associated companies	81	106	
106	81	Total liabilities	81	106	
Transactions:					
0	0	Interest income from associated companies	0	0	
3	2	Interest costs from associated companies	2	3	
1	2	Dividends from associated companies	2	1	

NOTES

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.

	<i>Group and Parent bank</i>	
	31.12.12	31.12.11
Intercompany transactions		
Income Statement		
Income from interest and credit commissions received from subsidiaries	47	39
Interest on deposits to subsidiaries	8	4
Rent expense	7	5
Refund of operating expenses	12	7
Balance Sheet		
Lending to subsidiaries	778	584
Covered bonds	900	900
Deposits from subsidiaries	299	175
Accounts receivable, group contribution	30	9

Helgeland Boligkreditt

Helgeland Boligkreditt is a wholly owned subsidiary of Helgeland Sparebank. The share capital of Helgeland Boligkreditt AS increased by NOK 100 million in 2012. There was growth in 2012 in transferred gross lending to customers amounting to NOK 1 349 (767) million and transferred loans as of 31 December 2012 totalled NOK 5,080 (3 740) million, NOK 4,311 (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 2012, Helgeland Sparebank received interest income on covered bonds totalling NOK 26 (30) million and interest income on lines of credit of NOK 17 (23) million. During the same period, the Bank paid interest charges to Helgeland Boligkreditt AS for NOK 7 (5) million related to the mortgage company's operating account.

Management fees for transferred loans to customers were charged totalling NOK 12 (9) million.

Frende Holding AS

Helgeland Sparebank owns about 9% of the shares in Frende Holding AS and in 2012 received commission for the distribution of insurance products for a total of NOK 13,9 million.

Sparebankstiftelsen Helgeland

Sparebankstiftelsen owns 64.7% of the Bank's equity certificates. In 2012, NOK 23 (33) million was paid out in dividends to the foundation. The Bank sold services to the foundation with a value of NOK 0.5 million during 2012.

Helgelandsfondet

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

NOTE 29 - Deferred tax / Deferred tax benefit

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12	Deferred tax / deferred tax benefit:	31.12.12	31.12.11
		Positive temporary differences:		
92	185	Operating equipment	185	92
92	185	Total positive temporary differences	185	92
26	52	Deferred tax	52	26
		Negative temporary differences		
2	-19		-19	2
19	17	Operating equipment	27	27
56	61	Pension liabilities	61	56
97	177	Other temporary differences	177	97
174	236	Total negative temporary differences	246	182
0	0	Loss carried forward	0	0
174	236	Deferred tax benefit	246	182
49	66	Deferred tax / deferred tax benefit:	69	51

NOTES

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

<i>Parent bank</i>						<i>Group</i>	
31.12.12						31.12.12	
Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	Total	
306	239	67	= Acquisition cost as at 01.01.12	126	200	226	
8	8	0	+ additions	4	26	30	
1	0	1	- disposals	1	0	1	
313	247	67	Acquisition cost as at 31.12.12	129	226	355	
266	212	54	Accumulated depreciation/write-down as at 01.01.12	92	161	253	
14	13	1	+ ordinary depreciation 1)	3	16	19	
0	0	0	Write down	0	0	0	
280	225	55	Accumulated depreciation/write-down as at 31.12.12	95	177	272	
33	22	11	Book value as at 31.12.12	34	49	83	
	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		

<i>Parent bank</i>						<i>Group</i>	
31.12.11						31.12.11	
Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	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	
249	196	53	Accumulated depreciation/write-down as at 31.12.11	90	144	234	
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		

NOTE 30.1 - Fixed assets held for sale

<i>Parent bank</i>				<i>Group</i>	
31.12.11	31.12.12			31.12.12	31.12.11
38	30	Book value as at 01. 01		85	38
0	44	Additions		44	55
-8	-17	Disposals		-17	-8
0	0	Net gains/losses on changes in market value		0	0
30	57	Book value as at 31.12		112	85

NOTES

NOTE 31 - Other assets

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
17	6	Sundry suspense accounts	6	18
3	7	Various debtors	7	3
0	0	Prepaid costs	0	0
20	13	Total other assets	13	21

NOTE 32 - Foreign exchange

Group and Parent bank

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 .1 foreign exchange risk.

NOTE 33 - Liabilities to credit institutions

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
0	0	Liabilities to credit institutions – without agreed maturities	0	0
400	0	Loan's Norges Bank	0	400
837	837	Liabilities to Norges Bank in connection with the government package of measures	837	841
0	0	Liabilities to Kredittforening for Sparebanker – with maturities over 6 months	0	0
1 237	837	Total	837	1 241

Details of liabilities to credit institutions – with maturities over 6 months:

<i>Group / parent bank</i>			
			31.12.12
	Maturities	Cupon	Nom amount
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			837

NOTES

NOTE 34 - Deposit from customers

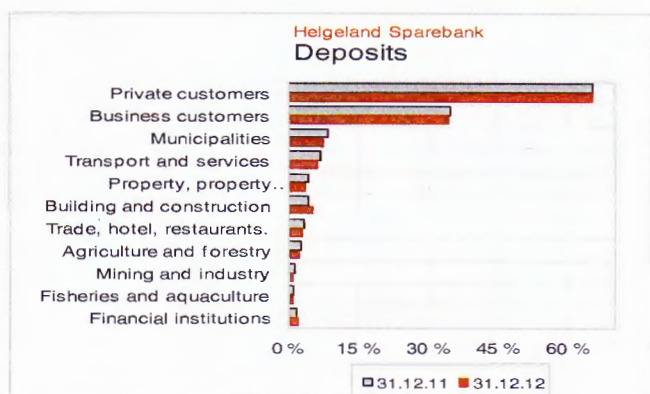
NOTE 34.1 - Deposit from customers split by sector/industry

Parent bank

Group

				Deposit from customers split by sector/industry				
%	31.12.11	%	31.12.12		31.12.12	%	31.12.11	%
3.4	365	4.6	531	Financial institutions	257	2.3	184	1.8
8.5	910	7.6	878	Municipalities and municipal enterprise	878	7.8	910	8.7
2.5	271	2.5	284	Agriculture and forestry	284	2.5	271	2.6
1.2	123	1.3	144	Fisheries and aquaculture	144	1.3	123	1.2
1.5	163	1.3	152	Mining and industry	152	1.4	163	1.6
4.1	440	5.5	630	Building and construction	630	5.6	440	4.2
3.2	345	3.1	353	Trade, hotel, restaurants.	353	3.1	345	3.3
6.7	710	6.3	727	Property, property development	272	6.5	710	6.8
4.9	518	4.1	468	Transport and services	442	3.9	473	4.5
63.9	6 810	63.8	7 344	Retail market	7 344	65.5	6 810	65.3
100.0	10 655	100.0	11 511	Total	11 211	100.0	10 429	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

31.12.12	%-share		31.12.12	%-share
10 589	92.0 %	Helgeland	10 288	91.8 %
836	7.3 %	Areas other than Helgeland	836	7.5 %
86	0.7 %	International	87	0.8 %
11 511	100.0 %	Total	11 211	100.0 %

Parent bank

Group

31.12.11	%-share		31.12.11	%-share
9 815	92.1 %	Helgeland	9 589	91.1 %
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 %

NOTES

NOTE 34.3 - Deposits from and liabilities to customers

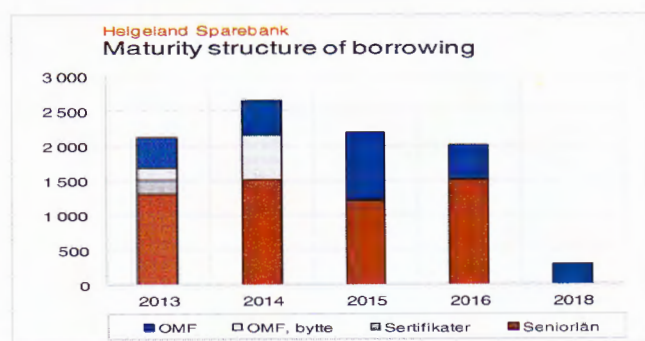
<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
4 401	4 650	Ordinary terms without notice of withdrawal or agreed maturities	4 650	4 401
5 717	6 279	Special terms for customer deposits without agreed maturities	5 979	5 491
537	582	Special terms for customer deposits with agreed maturities	582	537
0	0	Funding deposits from customers with agreed maturities	0	0
10 655	11 511	Total deposits from customers	11 211	10 429

NOTE 35 - Financial liabilities incurred through the issuance of securities

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
454	200	Certificate loans	200	453
0	0	Own Certificate	0	0
6 782	7 169	Bond loans	10 700	9 386
-393	-411	Own bonds	-606	-612
6 843	6 958	Total deposits from customers	10 294	9 227

NOTE 35.1 - Details of bond loans

	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, frn	2013	1 700	359	1 341
Bond Loans, fixed interest rate	2013	700	52	648
Bond Loans, frn	2014	2 000	0	2 000
Bond Loans, frn	2015	2 186	0	2 186
Bond Loans fixed interest rate	2015	200	0	200
Bond Loans, frn	2016	1 651	10	1 641
Bond Loans fixed interest rate	2016	1 000	0	1 000
Bond Loans, frn	2017	1 300	170	1 130
Bond Loans, fixed interest rate	2017	500	0	500
Bond Loans, frn	2018	300	15	285
Total Bond loans		11 537	606	10 931



NOTES

Details of bond loans

				<i>Parent Bank</i>
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, frn	2013	1 200	359	842
Bond Loans, fixed interest rate	2013	700	52	648
Bond Loans, frn	2014	1 500	0	1 500
Bond Loans, frn	2015	1 000	0	1 000
Bond Loans fixed interest rate	2015	200	0	200
Bond Loans, frn	2016	500	0	500
Bond Loans fixed interest rate	2016	1 000	0	1 000
Bond Loans, frn	2017	500	0	500
Bond Loans, fixed interest rate	2017	500	0	500
Total Bond loans		7 100	411	6 690

NOTE 35.2 - Unutilised drawing rights facilities

	31.12.12	31.12.11
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	31.12.12	31.12.11
Surplus liquidity at Norges Bank as at 31.12	31	48

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

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
46	39	Other short –term liabilities	39	45
42	37	Tax payable	43	45
88	76	Total other liabilities	82	90
9	10	Accrued holiday pay and employers' social security contributions	10	9
0	0	Set aside severance pay	0	0
11	10	Other incurred costs	10	11
20	20	Total incurred costs and prepaid income	20	20
56	61	Pension liabilities (note 12)	61	56
10	0	Provisions for losses on guarantees	0	10
66	61	Total incurred liabilities	61	66
26	52	Deferred tax	52	26
200	209	Total other liabilities	215	202
0	219	Cover bonds	219	0

NOTES

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 2012, the Group had not entered into any significant binding agreements to acquire property, plant or equipment.

Ongoing legal disputes

As of 31 December 2012, the Group had made no provision for ongoing legal disputes.

NOTE 37 - Subordinated loan

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
0	219	Cover Bonds	219	0

NOTE 38 - Equity capital

NOTE 38.1 - Capital adequacy

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
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
364	382	Savings Bank's Fund	382	364
95	117	Reserve for valuation variances	108	86
21	25	Donations Fund	25	22
5	0	Charitable foundation	0	5
117	169	Dividend equalisation reserve	169	117
36	24	Cash dividend	24	36
0	0	Other equity capital	44	17
638	717	Total accrued equity capital/retained earnings	752	645
<i>Deduction:</i>				
-184	-32	Not realized profits/ Cash dividend/ Intangible assets	-26	-176
1 485	1 716	Total core capital	1 757	1 500
40	9	Net nor realized profits	5	37
40	9	Total net supplementary capital	5	37
1 525	1 725	Total net equity and related capital	1 762	1 537
11 846	12 546	Weighted asset calculation basis	13 401	12 960
12.88 %	13.75 %	Capital ratio	13.15 %	11.86 %
12.53 %	13.68 %	Core capital ratio	13.11 %	11.58 %
12.54 %	11.94 %	Core tier one capital ratio	11.48 %	11.57 %

NOTES

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.

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
0	0	States and central banks	0	0
13	7	Local and regional authorities (including municipalities)	7	13
0	0	Publicly owned enterprises	0	0
67	108	Institutions	61	60
272	287	Enterprises	287	272
200	176	Mass market loans	172	200
297	322	Loans secured by real property	472	405
13	10	Loans overdue	10	13
15	16	Covered bonds	7	8
0	0	Units in securities funds	0	0
25	38	Other loans and commitments	12	17
902	964	Capital requirement credit risk	1 028	988
55	55	Capital requirement operational risk 1)	58	58
-9	-13	Deducted from capital requirement	-16	-9
948	1 006	Total capital requirement	1 070	1 037

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

The Group's goal for tier 1 capital ratio is 12.0 %. The goal will be evaluated every year due to the bank's strategic work. Next evaluation will take place during the spring 2013. The tier 1 capital ratio has been strengthened with a new hybrid on NOK 220 million the first quarter of 2012. The tier 1 capital ratio was at the end of 2012 13.1 % and the capital ratio 11.5 %.

NOTE 39 – EC-holders

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

<i>Parent bank</i>				
31.12.12				
Number of EC-owners			Number of ECs	
Breakdown acc to number of ECs held	Share	Share - %	Share	Share - %
1 – 1 000	1 803	80.1 %	422 606	2.3 %
1 001 – 10 000	381	16.9 %	1 124 785	6.0 %
10 001 – 50 000	48	2.1 %	900 918	4.8 %
50 001 – 100 000	7	0.3 %	538 903	2.9 %
100 001 – 500 000	11	0.5 %	15 712 788	84.0 %
Total	2 250	100.0	18 700 000	100.0

NOTES

Parent bank

31.12.11

Breakdown acc to number of ECs held *	Number of EC-owners		Number of ECs	
	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 %

Trading in Helgelands Sparebank's ECs

The price as at 31.12.12 was NOK 31,0 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.



Market-making agreement

Helgeland Sparebank has entered into a market-making agreement 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 priority 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.

NOTES

NOTE 39.2 –EC-owners

Parent bank

As a result of the amendment of the Act on Financial Institutions and financial institutions, the rules for calculating the yield of the equity share capital and donations for charitable purposes changed with effect from 2009. Following these rules, this year's dividend funds are allocated between equity capital and primary capital by the ratio of equity capital plus share premium reserve and the primary fund plus the compensation fund.

EC capital amounts to 935 million and is spread over approx. 2400 owners.

Note 39.3 shows the list of the 20 largest equity certificate holders. The largest owner is Sparebankstiftelsen Helgeland, with a share of 64.7%.

Given the turbulence in financial markets, Sparebankstiftelsen Helgeland sent out the message to wait for a sale to the market conditions appear to be more stable. The bank has not received any new signals from Sparebankstiftelsen Helgeland on sale

NOTE 39.3 - The 20 largest EC-owners

Parent bank

31.12.12

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	12 099 598	64.7 %	Citybank NA New York	138 847	0.7 %
MP Pensjon	800 000	4.3 %	Nervik, Steffen	107 300	0.6 %
Sparebank 1 SMN	660 000	3.5 %	Hartviksen, Harald	94 498	0.5 %
Skagen Vekst	407 400	2.2 %	Ernst Invest AS	77 000	0.4 %
Helgelandskraft AS	340 494	1.8 %	Tromstrygd	75 000	0.4 %
Sparebankstiftelsen DNB	329 124	1.8 %	Coop Norge SA	63 047	0.3 %
Haslum Industri AS	217 230	1.2 %	Institutt for sammenligning	62 300	0.3 %
Terra utbytte	212 795	1.1 %	Storkleiven AS	60 000	0.3 %
Sparebanken Vest	200 000	1.1 %	Brage Invest AS	54 517	0.3 %
Bergen Kommune PEN	200 000	1.1 %	Sivesind Invest AS	52 541	0.3 %
total 10 lagrest owners	15 466 641	83.3	Total 20 lagrest owners	16 251 691	87.5

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

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,-.

NOTES

NOTE 39.4 - ECs owned by the Bank's elected representatives

			Group and Parent
			31.12.12
Name/Firm	POSITION		Own ECs
Drevland, Wenche	Bank's depositors	I	99
Wangerud, Asbjørn	Bank's depositors	E	1 500
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
Stanghelle, Helge	Bank's depositors	E	114
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

NOTES

ECs owned by the Bank's elected representatives

			Group and Parent
			31.12.11
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
Forbergskog, Brynjar(Torghatten ASA)	Bank's depositors	E	16 824
Huser, Arne	Bank's depositors	E	1 500
Jacobsen, Anne Paasche(Øijord & Aanes)	Bank's depositors	E	9.225
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

NOTES

NOTE 39.5 - Dividend

	<i>Parent bank</i>	
	31.12.12	31.12.11
Equity in the balance sheet + Subordinated loan capital	1 745	1 669
Deduction (Subordinated loan capital /fund for evaluation differences/dividends on PCC)	-145	-135
Total adjusted equity	1 600	1 534
EC-capital	935	935
Premium Fund	97	97
Dividend equalisation reserve	169	117
Total	1 202	1 149
EC percentage 31.12	75.1 %	74.9 %
EC percentage 01.01	74.9 %	74.9 %
Calculation of dividend:		
Profit	103	95
Transferred from equalisation fund	8	0
Basis dividend	111	95
Calculated dividende	24	35
Dividend equalisation reserve	59	35
Dividend provision per. EC	4.44	3.80
Cash dividend	1.30	1.90
Equalisation reserve	3.14	1.90

NOTE 39.6 - Key figures EC

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
30.5	31.0	EC price quoted on the stock exchange	31.0	30.5
8.0	7.5	P/E (price as at 31.12 divided by profit per EC)	6.3	8.2
0.5	0.5	P/B (price as at 31.12. divided by book value of equity capital)	0.5	0.5
74.9	75.1	EC percentage 31.12	75.1	74.9
61.4	64.3	Equity capital per EC, in Norway currency	64.3	61.4
3.8	4.1	Cash dividend	4.9	3.7
3.8	4.1	Equalisation reserve	4.9	3.7

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

<i>Parent bank</i>			<i>Group</i>	
31.12.11	31.12.12		31.12.12	31.12.11
186	179	Payment guarantees	179	186
99	112	Contract guarantees	112	99
285	181	Loan guarantees	181	285
21	20	Other guarantee liabilities	20	21
591	492	Total guarantee liabilities *)	492	591
31.12.11	31.12.12	SBGF	31.12.12	31.12.11
0	0	Guarantee issued in favour of SBGF	0	0

The SBGF fee will be collected in 2013.

NOTES

NOTE 41 - Assets pledged as collateral security

<i>Parent bank</i>		<i>Group</i>	
31.12.11	31.12.12	31.12.12	31.12.11
Bonds pledged as collateral security for:			
490	520	D-loan from Norges Bank	520 490
490	520	Total assets pledged as collateral security	520 490

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 24 million of the year's profits to the Equity Certificate holders in Helgeland Sparebank. It is furthermore proposed to make provision of NOK 8 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

<i>Parent bank</i>		<i>Group</i>	
31.12.11	31.12.12	31.12.12	31.12.11
Assets			
118	92	Cash and balances at central banks	92 118
742	985	Loans to and claims on credit institutions	278 316
1 351	1 479	Loans to and claims on customers	1 926 1 799
1 954	1 770	Certificates, bonds and shares available for sale	1 770 1 954
4 165	4 596	Total short term assets	4 086 4 187
13 029	12 998	Loans to and claims on customers	17 829 16 070
179	261	Financial derivatives	261 179
2 708	2 983	Certificates, bonds and shares available for sale	2 008 1 802
163	163	Investments in associated companies	153 156
246	347	Investments in subsidiaries	
49	66	Deferred tax benefit	69 51
70	90	Fixed assets	195 158
21	13	Other assets	13 199
16 456	16 921	Total long term assets	20 528 18 615
20 630	21 517	Grand total assets	24 594 22 802
LIABILITIES AND EQUITY CAPITAL			
400	190	Liabilities to credit institutions	190 400
10 655	11 511	Deposits from customers and liabilities to customers	11 211 10 429
1 153	2 403	Borrowings through the issuance of securities	2 799 1 153
0	0	Financial derivatives	0 0
0	0	Subordinated debt	0 0
12 208	14 104	Total short term liabilities	14 200 11 982
837	640	Liabilities to credit institutions	640 840
5 691	4 774	Borrowings through the issuance of securities	7 714 8 075
25	45	Financial derivatives	45 25
200	209	Other liabilities	2145 202
6 753	5 668	Total long term liabilities	8 614 9 142
18 961	19 772	Grand total liabilities	22 814 21 124
1 031	1 031	Paid-in equity capital	1 031 1 031
638	714	Accrued equity capital/retained earnings	747 645
1 669	1 745	Total equity capital	1 778 1 676
0	0	Non controlling interest	2 2
20 630	21 517	Total liabilities and equity capital	24 594 22 802

NOTES

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 26th of february 2013 and presented to the Board of Trustees on 20th March 2013.

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 2013 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
- Deputy CEO Lisbeth Flångeng

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 2012 financial year

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

KEY FIGURES

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

<i>Parent bank</i>					<i>Group</i>			
2009	2010	2011	2012		2012	2011	2010	2009
4.43	3.99	4.21	4.18	Interest receivable and similar income	4.27	4.26	4.07	4.48
2.75	2.43	2.70	2.72	Interest payable and similar costs	2.76	2.76	2.45	2.75
1.68	1.56	1.52	1.45	Net interest- and credit commission income	1.51	1.50	1.62	1.73
0.45	0.42	0.36	0.39	Commissions receivable and income from banking services	0.34	0.34	0.41	0.45
0.07	0.06	0.06	0.04	Commissions payable and costs relating to banking services	0.04	0.06	0.06	0.07
0.38	0.36	0.30	0.34	Net commission income	0.30	0.28	0.34	0.38
0.08	0.15	0.03	0.03	Gains/losses on financial instruments	0.00	-0.04	0.14	0.07
0.00	0.01	0.02	0.01	Other operating income	0.03	0.02	0.02	0.01
0.00	0.03	0.00	0.00	Costs 150 years anniversary	0.00	0.00	0.03	0.00
0.00	0.19	0.00	0.00	Disposable income effect pension	0.00	0.00	0.18	0.00
1.21	1.13	1.06	1.03	Other operating costs	0.96	1.02	1.12	1.23
0.19	0.12	0.14	0.13	Losses on loans gurantees etc	0.11	0.13	0.12	0.19
0.74	0.99	0.67	0.68	Result from ordinary operations before tax	0.77	0.62	1.03	0.77
0.19	0.25	0.19	0.20	Tax payable on ordinary result	0.22	0.19	0.25	0.20
0.55	0.74	0.48	0.49	Result from ordinary operations after tax	0.55	0.43	0.78	0.57

KEY FIGURES

NOTE 46 –Financial summary

<i>Parent bank</i>					<i>Group</i>			
2009	2010	2011	2012	(Amounts in NOK million and %)	2012	2011	2010	2009
18 259	18 826	20 630	21 517	Total assets as at 31.12	24 594	22 802	20 160	18 376
17 435	18 750	19 733	20 963	Average assets	23 553	21 425	19 425	17 373
14 127	13 675	14 487	14 833	Gross lending	19 842	18 149	16 630	15 505
- 53	-52	-39	-21	Individual write-downs	-21	-39	-52	- 53
- 55	-58	-60	-66	Period's change in collective write downs	-66	-60	-58	- 55
- 1	-1	-10	0	Individual write-downs on guarantees	0	-10	-1	- 1
65.0 %	73.7 %	73.5 %	77.6 %	Deposit coverage as a percentage of gross loans	56.5 %	57.5 %	59.4 %	58.7 %
60.3 %	56.3 %	54.4 %	52.2 %	Loans to retail banking customers	63.9 %	63.5 %	63.4 %	63.9 %
- 0.5 %	-3.2 %	5.9 %	2.4 %	Growth in gross loans	9.3 %	9.1 %	7.3 %	9.3 %
6.7 %	9.6 %	5.8 %	8.0 %	Growth in customer deposits	7.5 %	5.5 %	8.6 %	6.0 %
1 448	1 486	1 525	1 725	Core capital and related capital as at 31.12	1 762	1 537	1 502	1 451
10 833	11 592	11 847	12 546	Weighted asset calculation basis	13 401	12 960	12 436	11 171
59.3 %	61.6 %	57.4 %	58.3 %	Weighted asset calculation basis as a perc. of av. assets	54.5 %	56.8 %	61.7 %	60.8 %
13.4 %	12.8 %	12.9 %	11.9 %	Capital adequacy ratio	11.5 %	11.9 %	12.1 %	13.0 %
13.0 %	12.5 %	12.5 %	13.7 %	Core capital ratio	13.1 %	11.6 %	11.8 %	12.6 %
8.5 %	8.7 %	8.1 %	8.1 %	Equity capital ratio	7.2 %	7.4 %	8.2 %	8.5 %
6.2 %	8.5 %	5.8 %	6.1 %	Rate of return on equity capital	7.2 %	5.6 %	9.2 %	6.5 %
0.6 %	0.7 %	0.5 %	0.5 %	Return on assets	0.5 %	0.4 %	0.8 %	0.6 %
40	46	30.5	31.0	EC's price quoted on the Oslo Stock Exchange	31.0	30.5	46	40
10.6	8.3	8.0	7.5	P/E	6.3	8.2	7.6	10.3
0.7	0.8	0.5	0.5	P/B	0.5	0.5	0.8	0.7
26.5	74.9	74.9	75.1	EC percentage as at 31.12	75.1	74.9	74.9	26.5
57.3	59.5	61.4	64.3	Equity capital per EC in NOK	64.3	61.4	59.5	57.3
3.7	5.5	3.8	4.1	Result per EC's in NOK	4.9	3.7	6.0	3.8
3.7	5.5	3.8	4.1	Diluted result per EC's in NOK	4.9	3.7	6.0	3.8
1.2	2.7	1.9	1.3	Cash dividend				
2.5	2.8	1.9	3.1	Equalisation reserve				
1.2	1.1	1.1	1.0	Costs as a percentage of income	1.0	1.0	1.1	1.2
57.1	49.1	56.8	55.7	Cost in percentage of average total assets	53.9	57.7	47.5	56.7
187	177	177	177	Number of man-years	177	177	177	187
As a percentage of gross loans:								
0.9	1.4	1.2	0.7	Gross commitments in default	0.5	0.9	1.2	0.8
0.6	1.1	0.9	0.6	Net commitments in default	0.5	0.7	0.9	0.5
0.8	0.8	0.7	0.6	Total write-downs	0.4	0.5	0.7	0.7
0.2	0.2	0.2	0.2	Losses on commitments	0.1	0.1	0.1	0.2

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

Responsibility Statement from the Boards of Directors and the CEO

We confirm, to the best of our knowledge, which the financial statements for the period 1 January to 31 December 2012 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, 26th February 2013

Bjørn Johansen
Chair

Thore Michalsen
Deputy chair

Gislaug Øygarden

Monica Skjellstad

Ove Brattbakk

May Heimdal
Staff's repr.

Jan Erik Furunes
CEO



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 balance sheet as at 31 December 2012, 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 obtain 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 financial position of Helgeland Sparebank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 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, 26 february 2013
PricewaterhouseCoopers AS

Morten Helseth
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

To the Board of Trustees of Helgeland Sparebank

Report from the Control Committee regarding annual Financial statement 2012.

The Control Committee has during the year supervised the Bank's operations in accordance to the Savings Bank's Acts and applicable instructions.

The Bank's operations have been in accordance to the Savings Bank's Acts, the Bank's statute, Board of Trustees decisions and other applicable regulations.

The Control Committee has examined the Profit and Loss Account, the Balance sheet for 2012 and the minutes of the Bank's Board of Directors and recommends that prepared the financial statements determined that the Bank's account for 2012.

The Control Committee considers the Board's assessment of the Bank's financial position adequate.

Mo i Rana 26. February 2013

Heidi Dahl

Kåre Johan Åsli

Kai Henriksen

Elected representatives and senior management

Members of the Board of Trustees

Elected from the Bank's depositors

Drevland, Wenche
Solhaug, Sten Oddvar
Robertsen, Inger
Juvik Kjell Idar
Vold, Laila Furu
Høyvik, Stig
Stanghelle Helge

Elected from the public sector:

Chairman: Bang, Grete
Henriksen, Kai

Elected from the Bank's PCC-holders:

Deputy Chairman : Jakobsen, Anne Paasche
Arntsberg, Frank
Wangerud, Asbjørn
Forbergskog, Brynjar
Svendsen, Tom
Frank, Høyen
Juel, Iver A.
Furunes, Nils Terje
Nybø, Svein G.
Trønsdal Øyvin

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 Dahl Heidi

Dahl, Heidi
Høyen Frank

Senior management and key personnel:

Furunes, Jan Erik, CEO
Flågeng, Lisbeth, DCEO
Heimstad, Dag Hugo, Director Region South
Strøm, Inger Lise, CFO
Sætran, Geir, Director development
Ekroll, Anne, Director risk management
Krogli, Ann Karin, Director of organisational development
Klausen Sverre, Director placement/ insurance

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