

2013 Annual Report

helgelandsparebank 
- A DRIVING FORCE FOR GROWTH IN HELGELAND

Contents

The CEO's comments	1
The bank's Board of Directors	2
The bank's management group	2
Helgeland Sparebank - a driving force for growth	3
Helgeland is rich in resources	4
Key figures for the group and parent bank	15
Annual report	16
Corporate governance	17
Profit and loss statements for the group and parent bank	29
Balance sheet for the group and parent bank	30
Change in group equity	31
Group cash flow statement	33
Future prospects for Helgeland	35
Contents, notes	43
Accounting policies and notes concerning the group and parent bank	45
Key figures for the group and parent bank	107
Helgeland Sparebank - a committed and socially aware local bank	110
Campus Helgeland - a driving force for skills, development and innovation	114

We would like to extend a big thank you to the businesses and individuals which have contributed in some way to the contents of the 2013 Annual Report. We would firstly like to thank Kunnskapsparken Helgeland, through project manager Monica Hagen, and Mye i Media for giving us the opportunity to use extracts from the magazine 'Horisont Helgeland' to share knowledge concerning the fantastic region that we are a part of. We would also like to thank photographers Rami Abood, Bjørn Leirvik, Leif Karstensen and Studio akm c/o Anne Kari Myrvik, who have all provided wonderful photographs to make the report both illustrative and figurative. We would also like to say a big thank you to all the individuals who contributed to our magazine 'Horisont Helgeland' and thereby also provided solid content for this report.

"A historically good result".

Jan Erik Furunes
CEO

Pre-tax profit in 2013 amounted to NOK 266 million. This is the best financial result in the history of the bank. Absence due to illness was 3.6%, the lowest figure since the bank merger in 2005.

The improvement in pre-tax profit since 2011 is exactly 100%. Very few other banks can cite such an improvement in financial result, based primarily on the bank's ordinary core business.

Employees throughout the bank as a whole have done an excellent job, which has resulted in improved revenues and lower costs. This has given Northern Norway's only alliance-free bank a solid platform on which to build at the start of 2014. The bank's focus on Frende Forsikring has been a success. We now have the largest market share in Helgeland for car and home insurance. Operating costs are continuing to fall measured as a percentage of both revenue and total assets. Losses on loans in the private and business market are modest. The good financial result has helped to strengthen equity in line with requirements imposed by the authorities for more solvent Norwegian banks. Return on equity has also seen a sharp improvement. The bank's gift fund has also been strengthened. The bank has paid out over NOK 100 million from the gift fund since 2007. This funding has primarily been awarded to initiatives involving culture, sport and knowledge throughout Helgeland.

The second edition of 'Horisont Helgeland' was published in 2013. The aim of this publication is to develop pride and knowledge about the region. The magazine is distributed to all households and has been well received. The bank's key role in society also became clear at the start of 2013, when the bank received a letter from the Minister for Agriculture praising the role played by the bank regarding food production in the region.

The bank's total assets now amount to NOK 26 billion, of which NOK 20.7 billion has been lent to customers. 2013 was characterised by reduced growth in lending and increased growth in deposits.

There are three factors behind the reduced growth in lending: The early signs of a modest slowdown in the Norwegian economy, greater caution with regard to high borrowing and increased equity requirements for both loan customers and the banks. There is some evidence to suggest that the golden age of the Norwegian economy may well be over. With this perspective in mind, the coming years will be exciting for households, industry and banks alike.

Jan Erik Furunes

Jan Erik Furunes
CEO



THE BANK'S BOARD OF DIRECTORS

In 2013, the bank's Board of Directors consisted of (from left): Stein Andre Herigstad-Olsen, Bjørn Audun Risøy, employee representative May Heimdal, Monica Skjellstad, Gislaug Øygarden, Chairman Thore Michalsen, Ove Brattbakk and regularly attending deputy employee representative Svein Hansen.



THE BANK'S MANAGEMENT GROUP

From top left: CEO - Jan Erik Furunes, Deputy CEO and Director Region North - Lisbeth Flågeng, Director Region South - Dag Hugo Heimstad, CFO - Inger-Lise Strøm, Director of Risk Management - Anne Ekroll, Director of Investment and Insurance - Sverre Klausen, Director of Organisational Development - Ann Karin Krogli and Director of Business Management - Øyvind Karlsen.

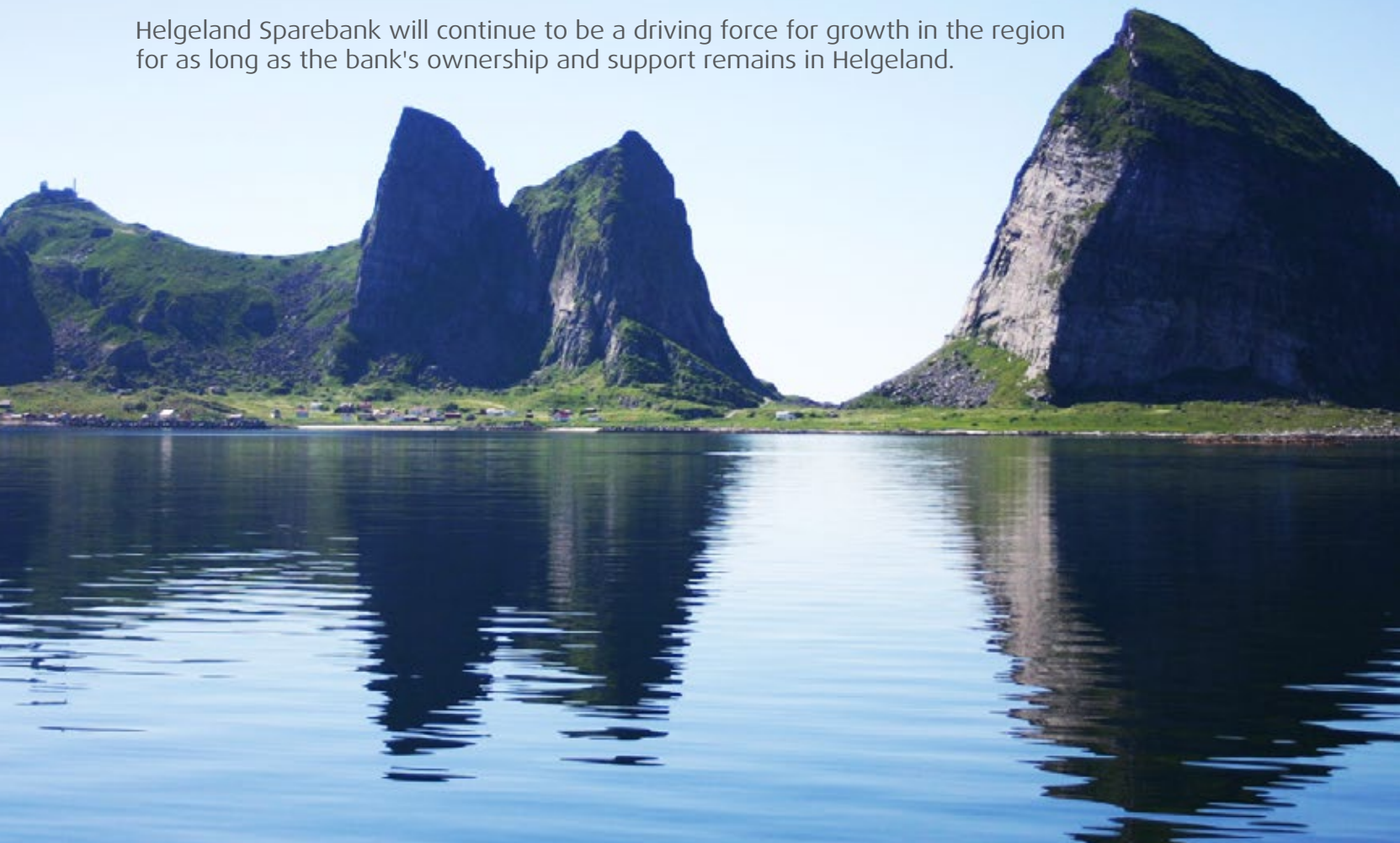
A DRIVING FORCE FOR GROWTH IN HELGELAND

Helgeland Sparebank is currently one of two financial centres of gravity with their head office in this region, and the only alliance-free and listed regional bank left in Northern Norway. We are Norway's 12th largest savings bank out of a total of 110 banks, and currently have 15 branches in 13 municipalities across Helgeland. The bank is a pivotal owner of Helgeland Invest – one of the largest investment companies in Northern Norway.

Over NOK 20 billion has been loaned to businesses and households in Helgeland, contributing to development and growth during both good times and bad. Helgeland Sparebank has a market share in excess of 50% and solid equity, thus providing financial strength for the further development of the region. We are a complete local bank with the largest and 'weightiest' consultancy environment in the region. Overall, we possess both solid and broad expertise and fast decision-making paths.

Helgeland Sparebank has reinvested much of its profits into sport, culture and knowledge in Helgeland in the form of grants and gifts, and is also a solid supporter through annual partnership agreements with teams and associations throughout the region.

Helgeland Sparebank will continue to be a driving force for growth in the region for as long as the bank's ownership and support remains in Helgeland.







HELGELAND is RICH IN RESOURCES

Helgeland is rich in natural resources and we produce many products that are in demand globally. Today, 70-80% of exports go to Europe, while prices are governed by global demand. Emerging economies such as China, Russia, India and Brazil also need our raw materials, services and expertise, and in future these economies will play an even more important role in the development of our region.

The world is undergoing rapid change and a dramatic power shift in population and finance is taking place from west to east. It is anticipated that the world's population will increase to nine billion by the year 2050, Europe's share of the population will be markedly reduced, and Asia's middle classes will increase by two billion. The most critical resources will be food, water and energy as a result of the population growth and increases in living standards. The world's energy consumption will rise by 80% leading up to 2050, half of the population will lack clean water, and in order to meet the demand for food, the world will need to produce twice as much food as at present. This presents both challenges and new opportunities for industry in Helgeland and the rich resources at our disposal.

FOOD PRODUCTION in Helgeland



THE LEADING MUNICIPALITY FOR COWS

Sømna is the leading municipality for cows, with 1,730 milking cows. This corresponds to 16.7% of the livestock in Helgeland.



THE LEADING MUNICIPALITY FOR SHEEP

With 7,943 sheep, Hattfjelldal and Hemnes are the two municipalities with more sheep than anywhere else. This represents 25.1% of the livestock in Helgeland.



THE LEADING MUNICIPALITY FOR PIGS

With 1,226 pigs, Vega is the leading municipality for pigs, representing 18.9% of the livestock in Helgeland.

Annual exports from Træna amount to 75,000 tonnes of **FISH**. Herring mackerel, capelin and white salmon primarily go to Japan and China, while cod, haddock and coley are served up across Europe.

In 2012, 63,705 **PIGS** were supplied to slaughterhouses in Helgeland. Production has risen by 41.6% since 2009.

Every week, three tonnes of live **SCALLOPS** are dispatched from Herøy. Divers retrieve the scallops from the depths in the waters around Herøy.

In 2012, Helgeland was the best region in the country in terms of **MILK PRODUCTION** and supplied 96.98% of superior quality milk. Around 64 million litres of milk are supplied annually to dairies in Helgeland.

In 2012, a total of 10.7 million **EGGS** were supplied to egg packing plants in Helgeland. This is enough to meet the annual consumption of around 57,000 Norwegians.

FOOD from Helgeland has received several awards in recent years. For example, Straumbotn Gårdsmeieri was named innovator of the year in Northern Norway in 2011.



Cod from Dønna



Lamb from Aldra



Kid meat from Hattfjelldal

PRIMARY INDUSTRIES

A total of 2,471 people are employed in Helgeland; this is 1,400 more people than the national average. This is due to Helgeland's strong position within fisheries and marine aquaculture.

The marine aquaculture sector is made up of important cornerstone companies for several island communities and generates significant ripple effects in Helgeland. Every full-time equivalent in the marine aquaculture sector creates almost two full-time equivalents elsewhere in industry and provides the basis for service companies, roads and other infrastructure throughout Helgeland.

Primary industry players are declining in number, although larger volumes are being produced with greater efficiency compared with previously. Greater emphasis is being placed on large-scale automated operations in agricultural buildings and joint operations between farmers. A good example is the production of pigs, which has experienced a marked increase in Helgeland in recent years.

WORLD-RENOWNED SALMON

Ten percent of Norway's salmon production takes place in Helgeland. If one year's salmon production from Lovund were used for sushi, the pieces would stretch one and a half times around the Earth.

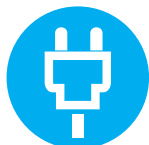
The world's best sushi chef, Alex Cabaio, prefers salmon from Lovund, yet praise for the island's fish in sushi restaurants around the world has not always been on the cards.

Forty years ago, the island of Lovund in the municipality of Lurøy faced the threat of depopulation, but the population has now doubled thanks to two teachers who saw the fantastic opportunities that lay in salmon farming.

The salmon slaughterhouse on Lovund receives up to 230 tonnes of salmon every day, and its total turnover exceeds NOK 1 billion per year. This makes Nova Sea one of the largest companies on the Helgeland coast, with annual exports of 30 million kilograms of clean and healthy food. The largest salmon producer in Helgeland is Marine Harvest on Herøy.



ENERGY and MINERALS in Helgeland



POWER

There are development plans in Helgeland for around 7 TWh within the areas of hydro and wind power, corresponding to a doubling of current production. Helgeland is among the largest development regions in the country for small power stations and associated network developments.



OIL

Petroleum-related deliveries in Helgeland increased from NOK 650 million in 2008 to NOK 1,310 million in 2012. This makes Helgeland the biggest supplier region in Northern Norway.



MINING

Ørtfjell in Dunderlandsdalen is one of two iron ore mines in commercial operation in Northern Norway. The total estimated value of resources in Ørtfjell is just under NOK 250 billion.

During the last 10 years, Helgeland has had a surplus of **ENERGY** corresponding to 1TWh per year, which is around as much energy as the annual power consumption of 62,000 properties.

Suppliers to the **OIL AND GAS INDUSTRY** anticipate a doubling in their turnover during the period through to 2017.

In 2012, the mineral industry in Helgeland extracted **MINERALS** worth NOK 1.1 billion. This is equivalent to 5.5 million tonnes sold.

Around 40% of all beer and fizzy drinks cans on the market in Europe have lids rolled using **METAL** produced at Alcoa in Mosjøen.

Rana power station is Northern Norway's **LARGEST POWER STATION** in terms of power generation, and Norway's seventh largest power station.

Aasta Hansteen will be the next major **OIL AND GAS DEVELOPMENT** off the Helgeland coast. Just under NOK 60 billion will be invested in this project.



Alcoa in Mosjøen



Ore from Storforshei



Øvre Forsland Hydroelectric Power Station, Leirfjord

NATURAL RESOURCES

are one of Helgeland's greatest competitive advantages. The region's access to energy and minerals has provided the basis for many companies and jobs.

Helgeland is one of the country's leading hydroelectric power regions and produces large amounts of renewable energy. During the development of hydroelectric power plants, a focus is placed on blending the power stations into their surroundings and ensuring good recreation opportunities. The mineral industry has long traditions in Helgeland, and the two largest players are Rana Gruber in Storforshei and Brønnøy Kalk in Velfjord. The minerals are sold on the global market, where they are used in the manufacture of cars, mobile phones, cosmetics, etc. Lime is also an important element in paper production, and any magazine in a shop will most likely contain lime from Velfjord. Helgeland now has the strongest engineering industry in Northern Norway. This will make the region a key player in the development of the oil and gas industry in Northern Norway in the coming years. The increased levels of activity associated with the fields of Norne, Skarv and now Aasta Hansteen, has led to optimism throughout Helgeland.

Sources: Norwegian Water Resources and Energy Directorate, HelgelandsKraft, Levert, NGU (Geological Survey of Norway), Brønnøy Kalk, Mo Industripark, Alcoa, Sector analysis for the mineral industry in Northern Norway, Kunnskapsparken Helgeland



WORLD CLASS RECYCLING

Industry in Helgeland produces large quantities of renewable energy. High mountains, glaciers and high levels of precipitation have created enormous energy reserves for industrial development in Helgeland.

Good access to water is crucial for the industries based at Mo Industripark. Water from the reservoirs is used several times before it is discharged into the sea. The water passes through two power stations, and is also used for fish farming and for cooling industrial furnaces on its way to the sea. In total, the water is used four or five times before it is discharged into the fjord. In addition to the use of hydroelectric power, surplus energy from industry is also used for district heating purposes. District heating is used to heat hospitals, schools, sports facilities, apartments, offices, industrial buildings and pedestrian zones.

Local hydroelectric power gives us a significant environmental advantage over metallurgical industries in Europe, which are based on coal power, nuclear power or energy that has been transported long distances with substantial transmission losses.

Naturally, industry in Europe has access to wind power. The problem is stable access to environmentally friendly power, which is something that gives businesses in Nordland an advantage.

EXPERTISE in Helgeland



PRIVATE SECTOR

Knowledge companies provide services to globally competitive companies locally in Helgeland. Demanding clients in IT, industrial maintenance, aquaculture, logistics and technical consultancy, provide a competitive knowledge sector.



PUBLIC SECTOR

The public sector in Helgeland is highly skilled in ICT, information science, legal subjects, accounting and customer service. This expertise is used on a daily basis to perform key national tasks.



RESEARCH AND EDUCATION

Research and education are important prerequisites for future growth and innovation. Helgeland has been given a boost by bringing together research and development and education environments at Campus Helgeland.

▼	▼	▼	▼	▼	▼
The National Library of Norway looks after our NATIONAL CULTURAL HERITAGE , and in 2012 digitalised 62,000 books, 127,000 newspaper booklets and 52,000 photographs.	Brønnøysund company Akva Design was awarded the Norwegian Directorate of Fisheries' prize for 2013 for the development of ENCLOSED CAGES . This could help to solve the problem of salmon lice and escaping.	In 2012, Widerøe Internett in Mosjøen sold 1.3 million AIRLINE SEATS online. A high proportion of these was for routes offered by other airlines. Based on a rotation scheme and a "regional office" in Thailand, the company offers a 24/7 service.	In 2012, the Norwegian National Collection Agency received the Rosing Prize for the most user-friendly website, and in 2013 was awarded silver in the Farmand Prize competition for BEST WEBSITE for a public sector organisation.	The University of Nordland's new centre for industrial business development at Campus Helgeland has a vision to become a leader in RESEARCH and DEVELOPMENT at the interface between industry, business development and technology.	Around 115 million digital FORMS and NOTICES have been sent to the Brønnøysund Register Centre via Altinn since its start-up in 2003. This saves Norwegian industry time equivalent to NOK 1 billion annually.



The Brønnøysund Register Centre



*National Library of Norway,
Mo i Rana*



*Norwegian National Collection Agency,
Mo i Rana*

A KNOWLEDGE-INTENSIVE WORKING LIFE

will characterise the future. Jobs will become increasingly more demanding in terms of skills, and human resources will become increasingly important for generating added value.

Therefore, university colleges, universities and research and development environments are important for accessing a competent workforce and R&D skills. This presents both challenges and opportunities for private industry, partly with regard to recruitment. Despite high cost levels in Norway, companies are able to face international competition with the aid of technology and a high level of expertise.

Public sector jobs strengthen the skills base in the region and help to ensure that the local labour market becomes more robust. Major government organisations such as the National Collection Agency, the National Library of Norway, the Brønnøysund Register Centre and the Norwegian Labour and Welfare Organisation are key knowledge organisations employing over 2,000 people in Helgeland.

Sources: Brønnøysund Register Centre, National Library of Norway, Official Norwegian Report no. 3 (NOU nr 3), National Collection Agency, Directorate of Fisheries, Widerøe, University of Nordland



GLOBAL CARD SOLUTIONS

The leading expertise in Europe in preventing card fraud can be found in Helgeland.

Or more specifically, in Mo i Rana, where employees at EVRY Card Services AS monitor payment cards from hundreds of banks in 11 countries with the aim of reducing card misuse. With two million transactions a day, 3,000 fraud cases are identified every month. Additionally, the company personalises 13 million cards annually, and receives 205,000 calls, including calls to block bank cards. The company's most important product areas are plastic card production, card personalisation, blocking services and payment card monitoring with the aim of reducing card misuse. This requires key expertise, which the company routinely seeks out at a global level. Occasionally, it is necessary to search outside of Helgeland.

EXPERIENCES and TOURISM in Helgeland



TOURISM

Twenty five percent of visitors to Helgeland are foreign tourists. Among other things, they come to experience the Arctic Circle, Himmelblålandet and the Coastal highway.



CULTURE

Nordland Teater is an important and exciting body that provides cultural experiences throughout Nordland. It arranges the annual Winter Light Festival in Mo i Rana. With over 7,000 visitors, it is one of the country's biggest theatre festivals.



FESTIVALS

Helgeland offers a broad spectrum of festivals throughout the year. In 2012, Træna Festival was nominated festival of the year by the industry itself. The festival is held far out to sea, but receives visitors from across the world.

You will find **OKSSKOLTEN** in Helgeland, which is Northern Norway's highest mountain. It stands at 1,916 metres above sea level. In addition, we have Norway's second largest lake, Røssvatnet, not to mention Norway's second largest glacier, Svartisen.

Helgeland's most visited tourist attraction is the **ARCTIC CIRCLE CENTRE** at Saltfjellet, with around 150,000 visitors annually.

The next most visited tourist attraction in Helgeland is **THE LAKSFORSEN WATERFALL** in Vefsna. Around 700 m³ of water passes over this waterfall every second. This makes the waterfall an amazing sight.

Three of Norway's 44 **NATIONAL PARKS** are located in Helgeland. In total, the national parks of Saltfjellet and Svartisen, Børgfjell and Lomsdal/Visten cover an area of 4,651 km² with a fantastic natural landscape.

Six of the ten longest **CAVES** in Norway are located in Helgeland. These caves also make up the longest water-filled cave system in Norway. Cave divers from across the world come to explore Jordbrugrotta and other water-filled cave passages.

THE VEGA ISLANDS are one of seven attractions in Norway that have been awarded world heritage status by UNESCO for their unique culture and natural history.



Nesna artist Ida Maria at the Træna Festival



Hildurs Uterarium, Brønnøysund



Kitesurfing at Raudvatnet, Rana

EXCITING EXPERIENCES

attract residents and lure tourists from around the world to Helgeland. Helgeland makes up around 5% of Norway's total area, and has a fairy tale coastline of 9,800km and over 10,000 islands.

This offers opportunities for a varied range of exciting experiences in harmony with nature. The tourism industry in Helgeland employs around 2,300 people, and in 2012 had a turnover of NOK 2.5 billion.

Helgeland is rich in nature, but also has a bustling culture and festival life. Organisations and volunteers help to ensure that almost every single rural district has its own community events, in addition to the many large festivals and cultural events in the region. These help to make the region an attractive place to live.

Source: Arctic Circle Centre, Helgeland reiseliv, Norwegian Environment Agency, Norwegian Speleological Society, Norwegian Mapping Authority and the Norwegian Polar Institute.



THE WORLD'S MOST BEAUTIFUL TOURIST DESTINATION

On land, at sea and in the air. It sounds like a fairy tale,
but it doesn't have to be too good to be true.
You can experience all of this during a holiday in Helgeland.

The region is a good example of proximity to a wide range of opportunities. It is a short distance from inland areas to the coast, giving you the best starting point for an active holiday. With your rucksack and walking boots on, experiences in pure and beautiful nature await. It is easy to get fish to bite in Helgeland, whether you find yourself beside a mountain lake or by the sea. If you are looking for an adrenaline kick, opportunities for kitesurfing, climbing, caving or diving are never far away. You can find overnight accommodation with local food, and spectacular places to camp are also not hard to come by.

Not a cloud in the sky. Not a breath of wind...
Well, it isn't always like that.

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2013 Annual Accounts

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FINANCIAL SUMMARY GROUP

Parent bank						Group			
%	2012	%	2013	(Amounts in NOK million)	2013	%	2012	%	
Profit and loss account									
1.45 %	305	1.59 %	357	Net interest- and credit commission income	439	1.74 %	356	1.51 %	
0.34 %	72	0.34 %	77	Net commission income	77	0.31 %	72	0.31 %	
0.01 %	3	0.02 %	3	Other operating income	7	0.03 %	7	0.03 %	
1.03 %	215	0.97 %	217	Total operating costs	239	0.95 %	233	0.99 %	
0.79 %	165	0.98 %	220	Result from ordinary operations	284	1.12 %	202	0.85 %	
0.13 %	27	0.12 %	28	Losses on loans, guarantees etc.	32	0.13 %	27	0.11 %	
0.03 %	6	0.17 %	37	Gains/losses on financial assets	14	0.06 %	-3	-0.01 %	
0.69 %	144	1.02 %	229	Result before tax	266	1.05 %	172	0.73 %	
The balance sheet									
21 517		22 985		Assets 31.12	25 985		25 594		
14 833		15 970		Gross loans to customers	20 708		19 842		
11 511		13 248		Deposits from customers	12 989		11 211		
77.6 %		83.0 %		Deposits as a percentage of gross loans	62.7 %		56.5 %		
2.4 %		7.7 %		Development gross loans	4.4 %		9.3 %		
8.0 %		15.1 %		Development deposits	15.9 %		7.5 %		
Solvency									
1 725		2 125		Total net equity and related capital	2 183		1 762		
12 546		12 715		Weighted assets calculation basis	13 640		13 401		
13.7 %		16.7 %		Core capital ratio	16.0 %		13.2 %		
11.9 %		12.7 %		Core tier one capital ratio	12.3 %		11.5 %		
8.2 %		8.4 %		Equity capital ratio	7.7 %		7.4 %		
6.1 %		9.5 %		Rate of return on equity capital	10.4 %		7.2 %		
Offices and number of man-years									
177		177		Number of man-years	177		177		
16		15		Offices	15		16		
Losses on loans and gross default									
0.6		0.8		Gross default in % of gross lending	0.6		0.5		
0.6		0.7		Total loan loss provision in % of gross lending	0.5		0.4		
0.2		0.2		Losses on lending in % of gross lending	0.2		0.1		
Primary capital certificates (PCCs)									
31.0		47.2		EC's price quoted on the stock exchange	47.2		31.0		
7.6		6.7		P/E (price/divided by profit per EC's)	6.1		6.3		
0.5		0.6		P/B (price/divided by book value of equity capital)	0.6		0.5		
75.1		75.1		EC's percentage	75.1		75.1		
69.1		76.3		Equity capital per EC's	78.5		70.5		
4.1		7.0		Yield per primary certificate	7.8		4.9		
1.3		1.8		Cash dividend					
3.1		5.2		Equalisation reserve					

Directors' Report 2013

Introductory comments

During the year, there was optimism and a high level of activity within industry in Helgeland. The region is rich in natural resources such as minerals and hydropower. Helgeland is currently the industrial center of gravity in northern Norway in the environmentally friendly process and engineering industry, power generation, aquaculture and now, oil and gas activity.

The expansion in public sector enterprises and the petroleum industry has resulted in more jobs in the service sector. It has contributed youth to a greater extent than previously found attractive job opportunities in Helgeland.

Campus Helgeland was opened at semester start. The campus is jointly universities and colleges in the region and involves a boost in higher education. Helgeland Sparebank through the Gift Foundation provided funding for graduate fellowships and research activities.

Improvement in the economic situation in Europe and lower exchange rate has made improvement for the export industry in the international markets the last part of 2013. The Salmon rates have been at a high level throughout 2013 with steady demand in export markets.

Low interest rates, low unemployment and stable house prices in Helgeland has contributed to sustained activity. Subdued growth in the Norwegian economy may affect the Bank's volume growth in the corporate market, while lower housing prices could lead to lower growth in the retail market.

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 15 offices in 13 municipalities in Helgeland and is the 12th largest savings bank in Norway. The group services mainly the private market, business and the public sector in Helgeland.

Helgeland Sparebank has a significant and leading market position among the private market with a market share of approximately 50 % of all mortgage customers at Helgeland. Then Bank's primary market area is Helgeland region, but strong personal customers with association to Helgeland and meets the

ability to serve the banks demand and guarantees, may obtain funding.

Helgeland Sparebank has also a strong market position in the SME market with a market share of well above 50 %. In the agriculture segment which have traditionally been a low-risk segment, the bank is leading with a market share approaching 75 % of Helgeland. The market area is Helgeland and only in exceptional cases the bank follows good corporate customers out of the region. The Bank may participate in syndication agreements where a larger savings bank is the agent and the customer is classified as a low or medium risk combined with a satisfactory coverage security. Such syndication should preferably be limited to sectors where the bank itself has high expertise.

The Bank's wholly owned mortgage company, Helgeland Boligkreditt AS is strategically essential as a source of funding for issuing covered bonds.

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.

Strategy

The strategy of Helgeland Sparebank is to be a driving force for growth at Helgeland. The Bank has its roots in the region through a 150- year history. Helgeland Sparebank is the only bank with headquarter in the region and has a solid premise equity.

Helgeland Sparebank has chosen to be an independent savings bank at Helgeland. Presence to the customers throughout a decentralized branch network, high expertise and knowledge on local conditions are our most important competitive advantages.

Corporate governance and company leadership

Helgeland Sparebanks principles and policy for corporate governance and leadership should ensure that the bank's activities are in line with generally accepted perceptions about standards as well as regulatory guidelines. Corporate governance at Helgeland Sparebank encompasses the values, goals and general principles that the Bank is governed and

ANNUAL REPORT

controlled in order to ensure good cooperation between the Bank's various stakeholders such as equity certificate holder, creditors, customers, employees, governance organs, management and society in general.

Corporate governance should ensure prudent asset management and greater assurance that its objectives and strategies are implemented and achieved. The Group's principles and parameters for internal control and risk management are contained in separate policy documents which are reviewed annually by the Board. These documents are the Group's internal framework for good governance and policy that provides guidelines for the Group's overall approach to risk management.

The Board of Helgeland Sparebank emphasizes to follow the principles outlined in the Norwegian Code of Practice for Corporate Governance.

Helgeland Sparebank has compared its own policy with the audited Norwegian Code of Practice for Corporate Governance. The Board considers that the bank's corporate governance is satisfactory and in accordance with Norwegian recommendations.

15 Board meetings were held during 2013. 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 fifteen meetings for the 2013 financial year.

A detailed account of corporate governance can be found in a separate section of the annual report.

Annual Accounts 2013

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 2014 that would be of significance for the annual accounts.

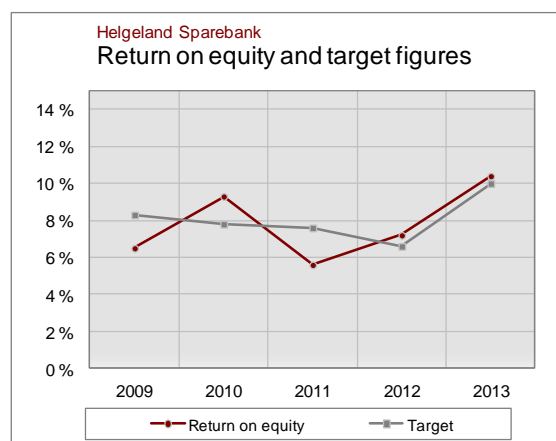
The figures referred to are the group figures unless it is stated that they concern the Parent bank.

The group can show a stronger result. Profit before tax was NOK 266 million. Compared with 2012, this is an improvement of NOK 94 million, or 55 %.

Key figures as of 31.12.13:

- Profit before tax NOK 266 mill (172)
- Strengthened core operation through increase in net interest income by NOK 83 mill and cost efficient operations.
- Significantly reduced lending growth in line with the bank's goals
- Very good deposit growth and strengthened deposit ratio to 62,7 % (56,5) %
- Significantly improved solidity.

As of 31.12.13 return on equity was 10.4% (7.2%). The Bank achieved the goal of return on equity which was 10 %.



The result per ECC was NOK 7.80 (4.90) in the HSB group. There are suggested cash dividends of NOK 1.80 (1,30) per ECC (dividends rate 25.6%, unchanged fraction at 75.1%).

Key figures 31.12.13:

(Comparison per 31.12.12)

- Net interest 1.74 (1.51) %
- Ordinary operations costs 0.95 (0.99) %
- Costs in % of income 44.5 (53.9) %
- Write-downs on lending 0.13 (0.11) %
- 12-month lending growth 4.4 (9.3) %
- 12-month deposit growth 15.9 (7.5) %
- CET1 capital ratio 12.3 (11.5) %
- Total capital ratio 16.0 (13.1) %

Net interest

The main source of income for the group is net interest. Net income from interest and credit commission was NOK 439 million, compared with NOK 356 million in 2012, a growth on NOK 83 million. The net interest is strengthened throughout

ANNUAL REPORT

2013, and has increased from 1.51% in 2012 to 1.74% in 2013. The improvement is an effect of reduction in borrowing costs at a decreasing NIBOR and the effect of increased risk pricing draws in positive direction.

The deposit rate was adjusted down with effect from August. The guarantee fund fee has then been charged with 5bp in 2013. Through Helgeland Boligkreditt AS the group has gained access to somewhat lower borrowing costs through the issuance of preference bonds.

Net income from commission

Net income from commission has increased with NOK 5 million, from NOK 72 million in 2012 to NOK 77 million in 2013. In percentage of average total assets the bank has maintained the level on 0.31 (0.31) %. Net commission income from payment are stable while commission sales have increased. The bank has succeeded in sale of insurance products from Frende. Helgeland Sparebank owns Frende Forsikring that has delivered excellent results in 2013. Through Frende Forsikring, Helgeland Sparebank has a market share above 20 % in Helgeland with car and home insurance. Width sales with focus on insurance will continue to be a priority for the Bank.

Net change in value and gains/losses on financial instruments

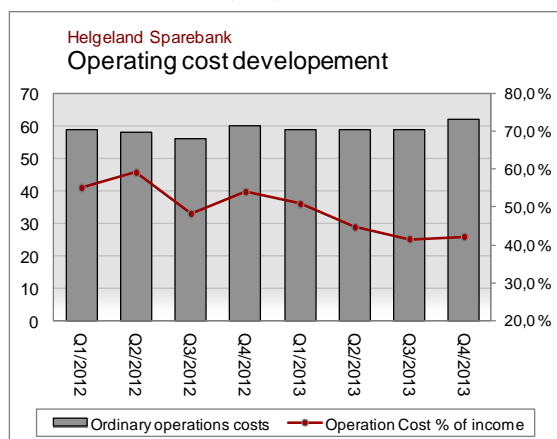
In Net changes in financial instruments there are posted NOK 13 mill in income for 2013 at the income statement while there were posted NOK 3 million as expenses in 2012. The increase on NOK 17 mill is mainly capital gains on share in 2013, while in 2012 were posted losses in share. This emerges as positive change in value under the extended income statement.

Other operating income

Other operating income amounts to NOK 7 million which is equally with 2012. 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 239 million compared with NOK 213 million in 2012. In 2013 there have been paid out extra salary in terms of equity certificate for NOK 2.8 mill to employees. Depreciations and amortization of buildings in subsidiaries have increased costs in 2013. Total operating costs has increased in both NOK with 6 mill and in per cent 2.6 compared with 2012. The Group has a target of maximum annual increase in the cost of up to 3.5 % in 2014. The HSB group has cost efficient operations, and the cost efficiency is strengthened through reduced ordinary operations costs in per cent of average total assets from 0.99% in 2012 to 0.95% in 2013. The relative figures for ordinary costs measured in per cent of income was 44.5 (53.9) %.



The number of full time positions in the bank and the HSB group is 177, and is unchanged from 2011. Absence due to sickness is on a historically low level, and ended at the combined number of 3.6 (4.0) % in the year.

Helgeland Sparebank has in the last years spent a lot of resources to increasing competency. The authorization scheme and the education of financial advisers and insurance advisers have given the bank a lift in competency. This will still be a prioritised area for the bank.

Expensed write-downs on commitments

There are posted low write-down expenses in 2013, a total of NOK 32 million. Recognised impairment losses divided by NOK 27 mill in corporate and NOK 5 (6) mill on write-downs on groups of loans. Write-downs posted in the income statement constitute 0.16% (0.14%), in per cent of gross lending.

Extended result

According to IAS 19R, were unrecognized actuarial losses on pensions credited equity 01.01.12. The balance sheets as of 2012 are restated and gives effect on extended result in both 2012 and 2013. In net extended result the pensions were MNOK 68 and MNOK -17 in 2013. Restatement does not affect the equity per 31.12.13.

Beyond this, a positive value change on shares is posted over the equity and extended result with MNOK 46. This is mainly connected to increased value on the banks shareholding in Frende Holding AS.

Balance Sheet development (Group)

In the last 12 months the bank total assets have increased with NOK 1 391 million, or 5.7 (7.9) %. The increase are mainly related to increased liquidity buffer and lending growth.

Cash flow

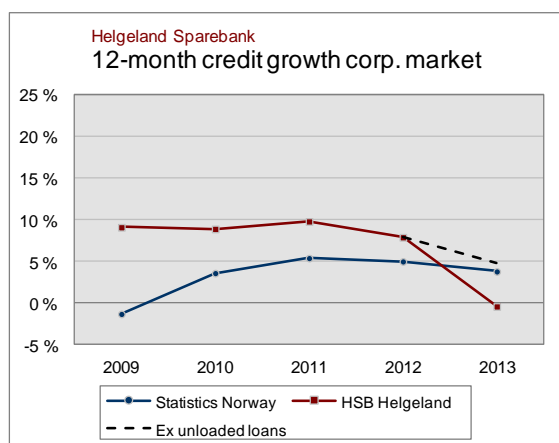
The cash flow statement shows how Helgeland Sparebank has received liquid funds and how they have been used, and has been drawn up based on gross cash flows from operational, investment and financial activities.

Growth in lending in 2013 has mainly been financed by payments of deposits, other financial institutions, as well as net payments connected to the issuance of bond debt.

Commitments

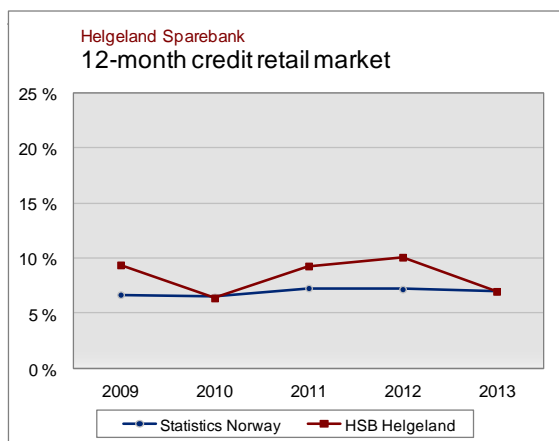
Gross loans to customers amounted to NOK 20 708 (19 842) million at the turn of the year. The Group's lending volume includes NOK 4 804 (5 080) million which has been transferred to Helgeland Boligkreditt AS, which is wholly owned by the bank.

During the past 12 months, lending increased by NOK 866 million or 4.4% (9.3%). New and stricter capital requirements have increased the need for adaptation and capital efficient measures. In line with the bank's goal, the lending growth is significantly dampened in 2013 at the same time as the basis of calculation is reduced.



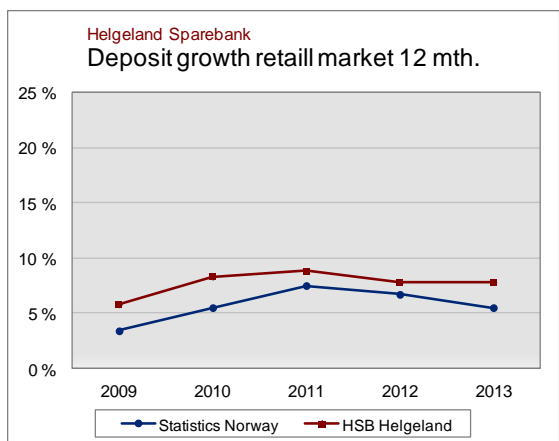
The lending growth to the corporate market is reduced, from 7.9 % in 2012 to -0.4 % in 2013. Mainly as a result of depletion corporate loans and partly as a result of margin increase.

The lending growth to the retail market is also somewhat reduced, but still in line with the national level. The growth in the retail market was 7.0 (10.1) %. House prices in Helgeland has historically shown weaker developments than in the rest of the country, and price per square meter is still at a lower level. Share of lending to personal customers are NOK 13.6 bill (12.7) or 65.6 % (63.9) of total loans. 85 % is lent to customers at Helgeland.

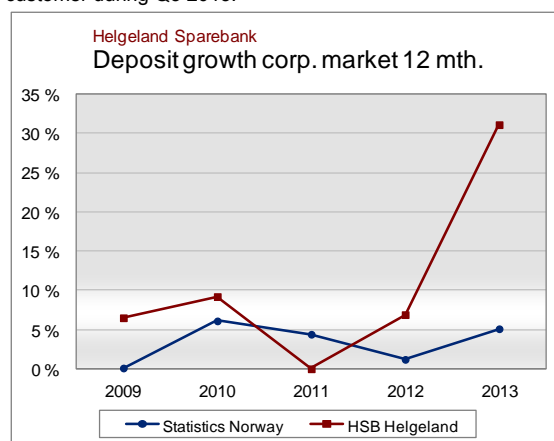


Deposits by customers

During the past 12 months, deposits have increased by NOK 1 778 (783) million, or 15.9% (7.5%). The growth in deposits from retail customers remained stable and was 7.8 (7.8) %



Deposit growth in the corporate market was 31.1 (6.9) %. The growth is particularly high as a result of a new large local business customer during Q3 2013.



Of total deposits of NOK 13.0bn, NOK 7.9bn or 61.0% are deposits from retail customers. Deposits under MNOK 2 constitute NOK 7.6bn or 58.5% of the combined deposit volume.

The general deposit growth is maintained and is a result of a number of measures with focus on deposits and long term saving. The HSB group has a stable and local depositor base, where 92.2 (91.8) % are deposits from customers in the Helgeland region.

The deposit ratio is significantly strengthened per 31.12.13, and was 62.7 (56.5) % in the HSB group and 83.0 (77.6) % in the parent bank.

Borrowing from the debt capital market

The Central Bank (FED) in the USA has now notified that it will gradually phase out its liquidity programme (QE) during next year. Further statements about keeping its official bank rates low for a long time forward has contributed to a positive sentiment in the share market as well as the foreign capital market. What will largely determine the levels forward is the labour market, at the same time as the inflation is kept under control.

The economic development in the Eurozone shows some improvement, but is still weak. There are large differences between the countries with Germany clearly as the country with the strongest economy. The central bank in the Eurozone is ready to contribute with what it can to uphold the financial stability in the region.

At home we see clear signals of a small slowdown in the economy. The housing prices have been falling in the last period, the credit demand is also on the way down and the spending shows a weaker trend. The manufacturing industry has also signified lower activity ahead. In sum this has contributed to a much weaker exchange rate as well as outlooks for low interest rates also in the next two years.

The bank's credit spreads have as a result of a good sentiment and good liquidity fallen additionally throughout the quarter. The largest fall has been seen for senior bonds, but also a fall in spreads for covered bonds. The difference between senior/CB is now on record low levels.

The HSB group has good and long term funding with good diversification between the different funding sources. At the end of the quarter the share of loans over one year was 80.7 (78.6)

ANNUAL REPORT

%, and long term funding in per cent of illiquid assets (liquidity indicator 1) constituted 110.6 (108.2) %.

Helgeland Boligkreditt AS is an important funding source, and the adaptation of mortgages for transferring to the bank's housing mortgage company has high priority.

The bank's deposit ratio is well above the target figure of 60%.

Primary Capital Certificate – HELG

The EC capital constitutes MNOK 935 and is distributed over 2,288 owners. Annotation 39.3 shows an overview of the 20 largest EC owners. At the end of November Sparebankstiftelsen Helgeland sold 2.5 million HELG ECs. The foundation owns 51.3% of the ECs after the transaction.

The price of the bank's EC HELG was per 31.12.13 NOK 47.20, which is an increase of NOK 16.20 per EC since 2012.

The bank wishes to stimulate its employees to own ECs in their own work place, and has therefore established an incentive agreement. In December Helgeland Sparebank assigned 110 ECs to all full-time employees as an extra remuneration for the fiscal year 2013.

Dividend policy

The Board of Directors of Helgeland Sparebank decided on a new dividend policy for the bank at a Board meeting in may 2013.

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 175 million.

Based on the regulatory requirements for banks to strengthen tier one capital, the Board has decided to propose a reduced dividend level for 2013 in line with the Bank's capital plan.

The board recommends the following distribution to the Board of trustees for the 2013 financial year (distribution level 25.6%):

Dividends

- NOK 33.7 million as a cash dividend, corresponding to NOK 1.80 per equity certificate
- NOK 11.2 million to the gift fund/gift foundation

Strengthening of equity

- NOK 97.8 million to the cohesion fund, corresponding to NOK 5.23 per equity certificate
- NOK 32.3 million to the primary capital fund

Dividends will be paid to the equity owners who are registered holders as of 26.03.14. The ECCs will be traded ex dividend 27.03.14.

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.

ANNUAL REPORT

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 for credit is derived from the overall strategy and provides guidelines for the allocation of lending between retail and corporate market exposure in industries (concentration risk) and geographical constraints.

The credit strategy is evaluated annually; amendments were adopted and implemented in September 2013.

Credit exposure is controlled and monitored through regular monitoring and analysis of defaults in the total portfolio as well as in specific industries, geographic areas, and potential borrowers' ability to pay interest and principal as well as an assessment of the security underlying the loan. For continuous monitoring of risk the Board defines a set of reports that are submitted by different frequencies.

Total capital requirements for credit risk emerge in the Group's ICAAP. Tolerance level of credit risk is defined for selected industries and areas. Control level for the corporate portfolio is established and compliance are reported. Stress tests are used to assess potential losses in the credit portfolio as a result of a potential sharp decline in property prices.

The risk in the retail portfolio has over time been low and stable. A more moderate / declining economic situation in Norway is also expected to occur at Helgeland. 98% of the retail portfolio is secured on dwellings. Financial Supervisory Authority's guidelines for new mortgages help to reduce the proportion of loans with LTV above 85%.

The risk in the corporate portfolio is stable. Gross lending to the corporate market in 2013 decreased by 0.4%, in keeping with the bank's target for overall growth. The bank's return on lending to corporate customers is significantly increased in 2013

The Bank has in 2013 continued annual validation of the model for calculation of group write-downs based on own score models. The model is based on the probability of default and loss given that an engagement goes into default. Several banks cooperate in PD modeling on validation and any adjustment of parameters. The validation shows that the score models are satisfactory and that it differentiates well between customers.

Expensed write-downs in 2013 were 32 million compared to 27 million in 2012. Downs were increased by 5 million. In total there are expensed impairment remains at a relatively moderate level and amounting to 0.13 % of gross loans.

Total net non-performing (> 90 days) and doubtful loans was 129 (107) million , representing 0.6 (0.5) % of gross loans .

Due to Finance Authority lending regulations and internal policies, continuous commitment to identify potential doubtful loans is carried out.

The quality of credit work, and to improve understanding of good governance is highly focused and subject to regular reviews throughout the organization. Adherence in individual cases is ensured inter alia through the Managers key controls and labor counselors practice. For control and monitoring of risk in the corporate portfolio there is established an ongoing assessment of customer relationships, ability and security by borrowing as well as focus by the Bank's Credit Committee. For monitoring the development of risk in the retail portfolio there are performed quarterly analyzes of site quality on new grant loans and the total portfolio.

Risk Spread lending according to low, medium and high risk is reported based on the score models.

Close monitoring of significant business customers, monitoring of the portfolio default probability as well as for specific defined sectors, will be a priority focus area for the bank also in the future..

Maximum limit for a single commitment, Ministry of Finance, 25% of the Group's capital base. At the end of 2013, the Group had four customer groups which were granted commitments overall was in excess of 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.

ANNUAL REPORT

The Board has adopted a liquidity management strategy that specifies the purpose, management objectives and risk tolerance for liquidity risk management. The strategy's main purpose is to ensure that the Group has adequate liquidity management helps to ensure the Group's ability to meet its payment obligations.

The funding strategy is reviewed annually by the Board. There has been particular emphasis on liquidity risk and emerging new regulatory requirements for liquidity management in banks, which will be implemented gradually in liquidity management.

Liquidity risk is reduced through diversification with regard to different markets, funding sources, instruments and maturities. In managing the Group's liquidity risk, objective requirements for liquidity indicator 1 (according to guidelines from the FSA), long-term funding, deposit coverage and requirements for liquidity buffer capital. Liquidity Coverage Ratio - LCR (highly liquid assets as a% of net cash outflow in a stress scenario at 30 days) is introduced as a control parameter from 2013.

The Board for 2013 stipulated a minimum liquidity indicator 1. Indicator value shall be at least equal to the reference value banks. The indicator is calculated as the sum of deposits, long-term debt and equity in% of illiquid assets (loans and assets). As of 31.12.13, the liquidity indicator 1 at 110.6 (108.2) %. The Board has also determined that the proportion of long-term debt as% of total borrowings shall be at least 70 %. As of 31.12.13, the proportion of long-term financing 80.7 (78.6) %, which is well above target requirement.

Deposit ratio is an important parameter for monitoring liquidity risk, ie the percentage of gross loans to customers who are covered by deposits from customers. The Board has adopted minimum deposit ratio, and this requirement was met throughout 2013.

In order to reduce the Group's liquidity risk, the Bank's liquidity reserves in the form of cash, deposits in the Central Bank and other banks, liquid equity instruments, investments in money market funds, fixed income securities and unutilized credit facilities. It is stipulated minimum level of liquidity buffer in the Group's liquidity strategy. The Group has in recent years gradually increased both the quality and level of the liquidity buffer, and will gradually further customize buffers for upcoming new liquidity buffer requirements under Basel III. As of 31.12.13, the liquidity buffer assets 16.4 (16.0) % of total assets. The Group's overall 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 2013, the Bank has transferred well-secured home mortgages worth approximately NOK 4 804 (5 079) million 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 123 %, and the average loan-to-value ratio for the loan portfolio is relatively low at 53.5 %.

Market risk

The Board has adopted a strategy of market risk that establishes a framework and overall objectives for the Group's market risk tolerance, and limits for interest rate, credit spread and equity price risk. The strategy is revised annually. The Group has no active trading portfolios in interest rates, equities or currencies. The Group has in 2013 started the monitoring of the portfolio using the VAR analysis.

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

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

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

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

Operational risk

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

A risk evaluation is 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 at the Group's earnings on solidity, the Board is of the opinion that the Group's collective risk exposure is defensible.

ANNUAL REPORT

Compliance

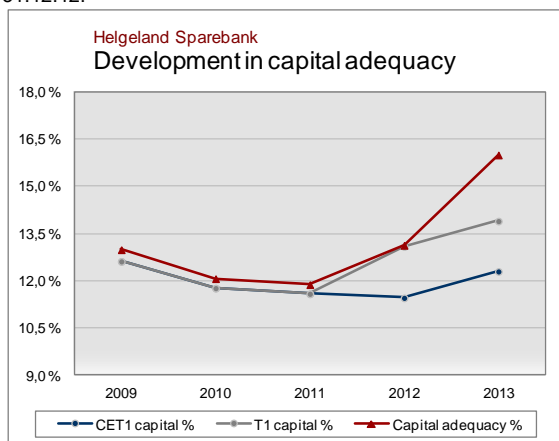
It is the Group's basic viewpoint that operations shall be arranged in compliance with current laws and regulations. The introduction of a new securities trading Act and MiFID rules, as well as a general increase in regulatory requirements regarding the group's activity, has been given great attention.

Solvency

The bank's Board of Directors has determined a capital plan for 2013 – 2017, where satisfaction of the new capital requirements in Norway caused by the CRD IV is central. The Board of Directors has determined new capital goals, where the aim is a CET1 capital ratio (HSB group) at least at 12.5% and a total capital ratio up toward 18% - given a counter cyclical capital buffer at 2.5%. In line with the Bank's capital plan, the group shows reduced lending growth and significant strengthening of core operations.

Calculation of capital adequacy carried by the standard method of Basel II, which is a conservative estimation method with high capital weights on mortgages. The parent bank has reduced calculation by well-secured mortgage is transferred to Helgeland Boligkreditt and capital adequacy of the parent bank is somewhat higher than in the group.

The Group has strengthened its pure core capital ratio to 12.26 (11.48)%, which is well above the statutory minimum requirement of 9% and well above the new minimum requirement of 10% from 1 July 2014 and 11% from 1 July 2015. The core capital ratio was 13.86 (13.11) %, Total capital is strengthened as a result of new subordinated loan in May of 300 million and was 16.00% as of 31.12.13 against 13.15% as of 31.12.12.



The group plans to continue to strengthen tier one core capital by building capital through operations. Furthermore, the total capital ratio could be further enhanced by the use of subordinated debt and hybrid capital in the period up to 2017.

The Group's total equity amounted to 1.988 million, or 7.7 (7.2)% of the balance.

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 31.12.13 a lending volume of NOK 4 804 (5 080) million was transferred by Helgeland Sparebank to the housing mortgage company. Of the company's borrowing, NOK 700 (900) million is with the State exchange scheme, while NOK 4 011 (4 311) million are preference bonds issued in the securities market.

The result after tax for 2013 was NOK 50.4 (29.7) million and equity as at 31.12.13 is NOK 344 (324) 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 2013 was NOK -0.2 (0.1) million, and at the turn of the year equity was NOK 0.6 (0.8) million. The company has no employees.

Helgeland Sparebanks Eiendomsselskap AS

The company operates rental of real estate located in Mosjøen in Vefsn municipality, where Helgeland Sparebank has the use of all areas. The company has no employees. The result after tax for 2013 was NOK 0.6 (0.4) million and at the turn of the year equity was NOK 4.4 (3.8) 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 2013 was NOK -6.2 (-5.2) million and at the turn of the year equity was NOK 10.1 (11.4) 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 2013 was NOK 0.9 (2.2) million, and at the turn of the year equity was NOK 48.8 (48.9) million.

Associated companies

Helgeland Invest AS

The company is a regional investment company in Helgeland. Helgeland Sparebank owns 48% of shares in the company. Share of profit (the running accounts) per 31.12.13 was at NOK 3.2 (-2.0) million and the equity ratio was NOK 151 (149) million

ANNUAL REPORT

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 31.12.13 was NOK 0.9 (2.5) million, and the equity share was NOK 1.6 (1.6) 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 31.12.13 was NOK 0.1(0.1) million and the equity share was NOK 2.1 (2.1) million.

Corporate social responsibility

In 2013, the Norwegian Parliament enacted a legislative change (the Accounting Act) which meant that large enterprises must now submit reports on their corporate social responsibility. The bank has not yet implemented a specific collective strategy for corporate social responsibility with an assessment and measurement of the results achieved.

Helgeland Sparebank has always had corporate social responsibility as part of its business operation. The bank is a major contributor to the promotion of social development in Helgeland, through both industry and non-profit causes. As a local bank, it is important that the company provides good framework conditions for entrepreneurs who spend both time and energy creating a meaningful and interesting childhood for young people, who drive social development and who provide the foundations for settlement and growth.

The bank's gift funds and the Helgeland Sparebank Gift Foundation form part of the bank's contribution to the promotion of the region's development, optimism and growth in rural communities and towns and cities across Helgeland. For 2013, an appropriation of NOK 11 (8) million has been proposed for the gift fund and gift foundation.

Employees and working environment

Employees

At the year-end, Helgeland Sparebank had 190 employees, distributed between 15 offices. This represents 177 full-time equivalents, including cleaning personnel, caretakers and canteen staff.

The board of directors believes that it is important that the bank has a good working environment. The bank's employees, together with the decentralised office network, are one of the bank's key competitive advantages.

At least two employee reviews are carried out annually. Every other year, a working environment survey is conducted by TNS Gallup, along with an internal HSE survey.

The response rate for the HSE survey in 2012 was 90%, and particularly good feedback was received as regards social and interpersonal areas.

The bank invests substantial resources in a variety of joint activities with the aim of promoting a sense of togetherness.

Presence

Helgeland Sparebank has a long history as a member of the Inclusive Working Life scheme and has well-established routines for following up employees and a good culture for safeguarding, activity and care. This year, particular attention has been paid to the area of attendance, with special initiatives being implemented. The target of 96.5% attendance was as good as met.

Absence due to illness amounted to 3.6% (4), the lowest figure since the bank merger in 2005. Graded sick leave, close follow-up and good provision are key to success in this area.

Competence

The authorisation scheme and the training of financial advisors via the AFR has given the bank a boost in terms of its expertise. From 2013, the authorisation of insurance advisors via GOS is another new area of expertise. The bank works closely with both educational institutions and other banks within these areas.

Every year, Helgeland Sparebank invests a lot of resources on competence development, through the use of university colleges, internal training, observing and guidance.

Since the "Candidate Helgeland" trainee scheme was introduced, the bank has been a member as a trainee company. This gives a unique opportunity to recruit young and valuable expertise at both Bachelor's and Master's level.

Equality

The Bank works actively and purposefully to promote equality and prevent discrimination. The bank has adopted an action plan which safeguards equality between the sexes. As regards managerial positions, an equal distribution between the sexes is an objective, while at employee level, work is under way to ensure that both sexes are represented across the various offices. It is both positive and rewarding to have a good mix of men and women in the various units.

The bank's board of trustees has 25 members, of whom eight are women and 17 are men. The bank's board of directors has six permanent members, of whom three are women and three are men. The bank's management group consists of eight members, of whom four are women and four are men.

Incident management

In the work to prevent and manage incidents, objectives, routines and measures have been established within a number of areas. Within the area of human resources, the work to prevent robbery and other threatening situations for employees is given a high priority. The bank has also established routines for reporting incidents both via the "reporting poster" and through the HSE non-conformity system.

Routines have been established concerning money laundering. These routines ensure that the bank's money laundering policy is in line with applicable laws and regulations.

Environmental beacon company

Helgeland Sparebank's two largest offices at Mo i Rana and Mosjøen are approved environmental beacon businesses. Attention is still being directed on energy-saving in the company's own buildings, waste sorting and reducing paper use (partly through the use of tablets), and there is also a focus on

ANNUAL REPORT

the use of video-conferencing equipment for meetings between the offices and with customers.

Prospects

Helgeland is continuing to grow in terms of both population and value creation. The "Horisont Helgeland" magazine published by Helgeland Sparebank in 2013 documents a diverse labour market and a region that is rich in natural resources. The industry in the region includes process and engineering businesses, food production at sea and on land, power generation, government enterprises and increasing oil activity.

Oil-related turnover in Helgeland has risen from NOK 879 million to 1,311 million in just two years. Helgeland is the fastest growing region in Northern Norway and the region accounts for over half of deliveries in Nordland. Turnover in Helgeland is well above that of Troms and almost on a par with Finnmark, which has a turnover of NOK 1,359 million.

The bank expects further strong basic operation, with net interest levels and commission income being maintained. Efficient operation with strict cost controls has been established throughout the organisation. The bank's objective for a maximum cost growth of 3.5% remains in place.

The trend in defaults is being monitored with the close follow-up of identified engagements with a negative trend.

A good deposit-to-loan ratio as a managerial focus area is being continued in 2014. On the lending side, the bank manages its

operations on the basis of a low growth rate in the business market. In the private market, growth on a par with the national average is expected.

Rating

It has become increasingly important to have an official rating as new regulatory requirements concerning liquidity and equity are implemented. In light of this, it was important for the bank to obtain an official rating from a recognised rating agency, and on 11 February 2014 the bank received an official rating from Moody's, which satisfies the requirements for Investment Grade. The long-term rating was Baa2, while the short-term rating was P-2, both with stable prospects. The rating of the parent bank is also the first step in the process to obtain an official rating for bond issues from Helgeland Boligkreditt AS. The official rating will help to secure the bank and the group competitive terms and conditions in the money market and strengthen the bank's position as a free-standing, independent bank.

Thanks to the bank's employees, customers and business partners

The board of directors is satisfied with the results that were achieved during 2013 and would like to extend its sincere thanks to all the bank's employees for their magnificent efforts over the past year. The board of directors would also like to thank the bank's customers and business links for their business during the past year.

Mo i Rana 25 February 2014

Thore Michalsen
Chairman of the Board

Ove Brattbakk
Deputy Chairman of the Board

Gislaug Øygarden

Monica Skjellstad

Stein Andre Herigstad-Olsen

May Heimdal
Employee Representative

Jan Erik Furunes
Chief Executive Officer

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. 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 at least 12 % and a total capital ratio up to 18 % assuming countercyclical capital buffer of 2,5%.

The Bank's dividend policy adopted at the strategy board meeting in May 2013:

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.

The bank aims to achieve a return on equity that is competitive in the market in relation to the bank's risk profile. Goals of equity is 10% (group) under normal market conditions.

CORPORATE GOVERNANCE

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 6 weeks before the election meeting, and be advertised in newspapers and on the bank's home page. The Control Committee, which is also elected by the Supervisory Board, shall carry out inspection and control of the Board's and management's work. In accordance with the articles of association, the Control Committee, which is also elected by the Supervisory Board, shall consist of 3 members and 2 deputy members.

Nomination Committees

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

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

The Nomination Committee also proposes fee scales.

The bank's home pages contain information about who are members of the different nomination committees.

Composition of the Board of Directors and independence

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

The Board consists at present of 6 permanent members. At present, 3 of the permanent members are women.

Important criteria regarding the Board's members and composition are qualifications, gender, capacity and independence.

The majority of the Board's members shall be independent of the bank's management and main business connections.

The Board undertakes an annual evaluation of the members' independence and the Board's collective competence.

Board of Directors works

The Board holds meetings on an average of once a month and carries out its work in accordance with a plan drawn up for the year. In addition to the elected members, the employees' deputy representative, the bank's CEO and deputy CEO are present at the Board meetings. The Board has the overall responsibility for the management of Helgeland Sparebank and for supervising the CEO and activities of the bank. By the Board's management responsibility is meant *inter alia* the responsibility for the organisation of the bank in an appropriate manner, responsibility for drawing up plans and budgets for the bank, responsibility for keeping itself oriented regarding the bank's financial position, and that the bank's activities, administration of assets and accounts are the subject of proper controls.

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

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

The Board has appointed an Auditing Committee which shall ensure that Helgeland Sparebank has an independent and efficient external and internal auditing function as well as an

CORPORATE GOVERNANCE

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.

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.

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>	
2012	2013		2013	2012
876	911	Interest receivable and similar income (Note 5)	1 072	1 009
571	554	Interest payable and similar costs (Note 5)	633	653
305	357	Net interest- and credit commission income	439	356
81	87	Commissions receivable and income from banking services (Note 6)	87	81
9	10	Commissions payable and costs relating to banking services (Note 7)	10	9
72	77	Net commission income	77	72
6	37	Gains/losses on financial instruments available for sale (note 8)	14	-3
3	3	Other operating income (note 9)	7	7
215	217	Operating costs (Notes 10,11,12,13,14,15,44)	239	233
27	28	Losses on loans guarantees etc (note 16)	32	27
144	229	Result before tax	266	172
41	54	Tax payable on ordinary result (note 17)	73	49
103	175	Result from ordinary operations (note 18)	193	123
4.1	7.0	Result per PCC in kroner (note 18)	7.8	4.9
4.1	7.0	Diluted result per PCC, Kroner (note 18)	7.8	4.9
Extended income				
103	175	Result from ordinary operations after tax	193	123
<u>Items that are not subsequently reversed through profit or loss:</u>				
95	-24	Estimate variances, pensions will not be reversed over the income statement	-24	95
-27	7	Tax on extended profit	7	-27
68	-17	Net extended profit or loss items	-17	68
<u>Items that are not subsequently reversed through profit or loss:</u>				
26	46	Net change in fair value available-for-sale fin. assets	46	26
-5	0	Net extended profit or loss items	0	-5
21	46	Net extended profit and loss items	46	21
192	204	Total result for the period	222	212

PROFIT AND LOSS ACCOUNT

BALANCE SHEET

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13	(Amounts in NOK million)	31.12.13	31.12.12
ASSETS				
92	98	Cash and balances at central banks (note 19,22,27,32)	99	92
985	1 273	Loans to and claims on credit institutions (note 20,22)	607	278
14 747	15 863	Loans to and claims on customers (note 2.1,21,22)	20 597	19 755
261	213	Financial derivatives (note 22,23)	213	261
4 753	4 851	Certificates, bonds and shares available for sale (note 2.2,22,24,25)	4 032	3 778
163	164	Investments in associated companies (note 25,27)	155	153
347	346	Investments in subsidiaries (note 25,26,28)		
66	53	Deferred tax benefit (note 29)	53	69
90	71	Fixed assets (note 30)	176	195
13	53	Other assets (note 31)	53	13
21 517	22 985	Total assets	25 985	24 594
LIABILITIES AND EQUITY CAPITAL				
830	647	Liabilities to credit institutions without agreed maturity (note 2.2,22,33)	647	830
11 511	13 248	Deposits from customers and liabilities to customers (note 2.2,22,34)	12 989	11 211
6 958	6 361	Borrowings through the issuance of securities (note 2.2,22,23,35)	9 553	10 294
45	41	Financial derivatives (note 22,23)	41	45
192	235	Other liabilities (note 12,36)	248	198
219	519	Fundbonds and subordinated loan capital	519	219
19 755	21 051	Total liabilities	23 997	22 797
1 031	1 031	Paid-in equity capital (note 38,39)	1 031	1 031
731	903	Accrued equity capital/retained earnings (note 38)	955	764
1 762	1 934	Total equity capital	1 986	1 795
0	0	Non controlling interests	2	2
1 745	1 934	Total equity capital	1 988	1 797
21 517	22 985	Total liabilities and equity capital	25 985	24 594

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

Helgeland Sparebank's Board of Directors

Mo i Rana 25. February 2014

Thore Michalsen
Chairman of the Board

Ove Brattbakk
Deputy Chairman of the Board

Gislaug Øygarden

Monica Skjellstad

Stein Andre Herigstad-Olsen

May Heimdal
Employee Representative

Jan Erik Furunes
Chief Executive Officer

CHANGE IN EQUITY CAPITAL

Change in equity capital during the year

Group

	31.12.13									
	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 01.01.13	935	97	-1	107	386	17	5	117	65	2 1 794
Result from ordinary operations					32	6	5	98	52	193
Net extended profit and loss items				46	-5			-12		29
Total ext. profit or loss				46	27	6	5	86	52	0 222
Gift fund						-5	-5			-10
Transactions with owners										
Write down to nominal value	-748	748								0
Dividend paid									-20	-20
Equity capital as at 31.12.13	187	845	-1	153	413	18	5	267	97	2 1 988
Paid/accrued equity capital			1 031							957 1 988

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 134. Mill as of 31.12.13

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
IAS19R					-13			-40		-53
Equity capital 01.01.12	935	97	-1	86	351	22	5	77	50	2 1 625
Adjusted equity									6	6
Result for the period					18	3	5	53	44	123
Net extended profit and loss				21	17			51		89
Total ext. profit or loss				21	35	3	5	104	44	212
Gift fund						-8	-5			-13
Transactions with owners										
Dividend paid									-35	-35
Equity capital as at 31.12.12	935	97	-1	107	386	17	5	181	65	2 1 795
Paid/accrued equity capital			1 031							764 1 795

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

Change in equity capital during the year

Parent bank

31.12.13									
(Amounts in NOK million)	Total paid in capital				Total accrued equity capital				
	PCC- capital	Premium Fund	Own PCCs	Res. for valuation variances	Savings Bank's Fund	Donat. Fund	Char. Fond.	Divid. Equal Res.	Dividend Total
Equity capital 01.01.13	935	97	-1	116	387	17	5	187	17 1.760
Result from ordinary operations					32	11		98	34 175
Net extended profit and loss s				46	-5			-12	29
Total ext. profit or loss				46	27	11	0	86	34 204
Gift fund						-5	-5		-10
Transactions with owners									
Write down to nominal value	-748	748							0
Dividend paid									-24 -24
Equity capital as at 31.12.13	187	845	-1	162	414	23	0	273	31 1 934
Paid/accrued equity capital			1 031						903 1 934

Reserve for unrealized gains included unrealized gains on shares available for sale is NOK 142 Mill as of 31.12.13

Change in equity capital during the year

Parent bank

31.12.12									
(Amounts in NOK million)	Total paid in capital				Total accrued equity capital				
	PCC- capital	Premium Fund	Own PCCs	Res. for valuation variances	Savings Bank's Fund	Donat. Fund	Char. Fond.	Divid. Equal Res.	Dividend Total
Equity capital 01.01.12	935	97	-1	95	364	22	5	117	35 1 669
IAS 19R					-13			-40	-53
Equity capital 01.01.12	935	97	-1	95	351	22	5	77	35 1 616
Result for period					19	3	5	59	17 103
Net extended profit and loss				21	17			51	89
Total ext. profit or loss				21	36	3	5	110	17 192
Gift fund						-8	-5		-13
Transactions with owners									
Dividend paid									-35 -35
Equity capital as at 31.12.12	935	97	-1	116	382	17	5	187	24 1 762
Paid/accrued equity capital			1 031						734 1 762

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13	(Amounts in NOK million)	31.12.13	31.12.12
143	229	Result of ordinary operations	266	174
14	12	+ Ordinary depreciation/amortisation	21	20
27	29	+ Losses on loans, guarantees, etc	32	27
-41	-53	- Tax expense	-73	-46
143	217	= Provided from the year's operations	246	173
6	26	Change miscellaneous debt: + increase/-decrease	47	-6
6	-40	Change miscellaneous claims: - increase/+ decrease	-40	15
-347	-1 119	Change loans to and balances with customers – increase + decrease	-866	-1 692
856	1 739	Change deposits from and liabilities to customers+ increase/-decrease	1 778	783
0	0	+ Change liabilities increase to credit institutions	0	0
-407	-183	- Change liabilities decrease to credit institutions	-183	-411
259	640	A Net liquidity change from operating activities	982	-1 136
-42	-9	- Invested in tangible fixed assets	-9	-41
1	15	+ Sale of tangible fixed assets	15	1
-5 721	-4 609	- Change in long-term securities increase	-4 609	-5 634
5 511	4 530	+ Change in long-term securities decrease	4 530	5 511
-251	-73	B Liquidity change from investing activities	-73	-163
-35	-24	- Dividend paid on PCCs	-24	-35
2 682	2 857	+ Debt securities in issue increase	3 357	3 708
-2 656	-3 406	- Debt securities in issue decrease	-4 206	-2 656
218	300	Change subordinated loan	300	218
209	-273	C Liquidity change from financing activities	-573	1 235
217	294	A+B+C Sum total change liquid assets	336	-64
860	1 077	+ Liquid assets at the start of the period	370	434
1 077	1 371	= Liquid assets at the close of the period *)	706	370

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



FUTURE PROSPECTS in HELGELAND

It is definitely possible to bring Helgeland to the forefront with a concentrated focus on challenges and opportunities. This is something that six business leaders in the region are convinced about.



HELGELAND IN THE WORLD and the world in Helgeland

Are you as much a part of the world regardless of whether you live on Lovund or in London? Is a stronger entrepreneurial spirit essential for future development in Helgeland? Is it possible to cooperate on everything in the region? Six community developers and Helgelanders tell us what they think about the future of Helgeland.

The location is No3 in Mo i Rana. On the bench around the table sits Ove Brattbakk, CEO of Helgelandskraft, Aino Olaisen, Managing Director of Vigner Olaisen, Brynjar Forbergskog, CEO of Torghatten ASA, Øystein Barth-Heyerdahl, Managing Director of Helgeland V&M, Birgitte Strid, Theatre Manager at Nordland Teater, and Terje Lillebjerka, acting CEO for Mo Industripark. Armed with a knife and fork, they are let loose on food made from good ingredients from both Helgeland and elsewhere in the world, and consider questions concerning challenges and opportunities in our region. "Distance is a challenge when we think of Helgeland as a region."

Brattbakk states categorically, and is backed up by Olaisen.

"Transport is a challenge," she nods.

It isn't hard to agree about this. With a twinkle in the eye, the conversation soon turns to whether potential floating tunnels could be important for Helgeland. It is not difficult to see the potential with so many successful entrepreneurs around the table. Helgeland is a large region with some conflicting interests. Perhaps it is best to agree to disagree in some cases?

"The thing that characterises Helgeland is diversity. We must accept that this is how things are. Helgeland is a Norway in miniature," says Brattbakk.

Olaisen feels that this is a good sales argument; why not sell ourselves as a region of diversity?

"It's possible for Helgeland to act as a region in the oil and gas sector. It's not only possible, we are doing it. Helgeland received a lot of attention at the annual oil and energy exhibition in Stavanger, and we received clear feedback over the importance of us acting together as a region. Conflicts mean that the sector will shy away," points out Barth-Heyerdahl.

We haven't even got to the first course yet, but the initial conclusion seems clear; cooperation is possible, although not necessarily over everything. "If Statoil and BP decide to develop the subsea environment in Sandnessjøen, it would be really important for creating competition in the region; it could lead to the development of subsea training in Sandnessjøen. The future looks bright in this sector. People are relocating to work here," says Barth-Heyerdahl.

One of the big challenges facing industry here in Helgeland specifically relates to skills acquisition. This must be taken seriously.

"We can see that we get many applicants in cases where we offer good jobs. I can think of one example where 15-20 engineers were being sought, and hundreds of applications were received," says Forbergskog, who most of all looks for people with an entrepreneurial spirit.

"This is a fundamental challenge in Helgeland. I lack entrepreneurship, and a belief in what people can achieve on their own. There is a different

"Why not sell ourselves as a region of diversity?"

Aino Olaisen
Managing Director, Vigner Olaisen

spirit in Møre. It isn't the most central location in the world either, but yet there is a 'can do' attitude. This is the same spirit that I think Aino Olaisen and the Lovund community has," he continues.

"Local ownership has been key to the development that we have had. The head office function and local ownership is something that we will not compromise on," says Olaisen firmly.

"I think it's great that young people go travelling, but it is our job to make sure there are sufficiently interesting jobs so that they return. Communication and transport are equally as important. I strongly believe that infrastructure is important in getting people to return. This applies not only to airports, but also boats, roads and tunnels. It is because of this that in Ytre Helgeland we feel we are struggling most in attracting people, not because of salary conditions or interesting jobs," says Olaisen.

A survey conducted by Helgeland Sparebank showed that when children were asked where they thought the best place in the world was, the response was often 'the Mediterranean'. As adults here, we have a considerable responsibility to highlight the values we have around us.

"I was on a road trip in Helgeland this summer, and we have much to gain when it comes to the matter of building pride.

It was a fantastic experience; farms, animals, game and mountains. However, eateries serve up incredible numbers of pizza and kebabs. It wouldn't take so much to go the extra mile. What about serving game burgers instead of ordinary burgers? Why not sell more of what we have here? We are proud, but not smart enough to sell our products.

There are some good places that we can showcase here, but the distances between these places are great," says Olaisen.

"My in-laws are German and they love being here. They don't eat kebabs, because the food is all around us; fish from the sea and berries from the forest. It could be that we take it all a little bit for granted," feels Strid.



"It is important that we help each other."

Ove Brattbakk
CEO, HelgelandsKraft

"Tourism needs to be professional, and a range of activities must be developed; however, the winter half of the year is long, and making major investments can be a challenge. Nevertheless, it could be achieved by capable people. We have some good examples, such as Hildurs Urterarium and Vega. The bodies involved must be professional and able to demonstrate quality," says Forbergskog.

"Is winter and stormy weather not exotic then?" asks Lillebjerka.

"Yes, it is in fact fantastically exotic. The harsh environment is a bonus for visitors," says Strid.

"When we think of holidays, we think about sunshine and warmth, but it is not like that for everyone. However, tourists must come here," Olaisen points out.

Perhaps we must focus on building pride?

"At Nordland Teater we feel a national responsibility. If we improve, then other theatres will follow us, and together we will lift the country. It may help to adopt a more confident approach. Everybody is actually responsible," says Strid.

"It is important that we help each other," underlines Brattbakk.

"We live in an exciting region because we can offer all kinds of activities," says Olaisen, between spoonfuls of artichoke soup and scallops – harvested locally.

"National Geographic has voted the Helgeland Coast the best place in the world on two occasions," points out Lillebjerka.

"Is there anything that we don't have in Helgeland that we have elsewhere in Norway?" wonders Brattbakk.

"We are the tenderloin," claims Olaisen.

The tenderloin of reindeer is brought to the table. Everyone falls silent, while the locally produced food and information about everything that Helgeland has to offer sinks in. Power. Minerals. Fish. Agriculture. Turnover has amounted to more than NOK 30 billion this year, with the potential



"We must look up to people who are able to make things happen."

Brynjar Forbergskog
CEO, Torghattan ASA

for significant growth in many areas. A number of investments worth billions of kroner are either being made or planned.

However, we can see that the increase in population is not as fast as it is elsewhere in the country," says Lillebjerka.

"How can we develop the entrepreneurial spirit? We must look up to people who are able to make things happen. We must focus on entrepreneurial spirit in order to develop things and bring our young people back," maintains Forbergskog.

"I work with entrepreneurs for Kystinkubatoren and have found that people are comfortable. The leap from a comfortable existence to that of an entrepreneur is considerable. This is probably something of a prosperity syndrome. I believe that an entrepreneurial spirit must be nurtured when children are at school through student businesses." Olaisen's clear message is that this is where industry must work with schools.

"The joy of success is quite simply fantastic," remarks Barth-Heyerdahl.

"What is the recipe behind Torghattan ASA, which now has 3,500 employees across the country," asks Brattbakk.

"It isn't particularly complicated. At the time, we put together a strategy about where we wanted to go. We were a small company with 150 employees in the early 90s when the Norwegian Transport Act was liberalised. We evaluated what this meant, and set ourselves ambitious goals. We decided that we wanted to be one of Norway's leading public transport companies. It is essential to be able to foresee likely future scenarios. That is important," says Forbergskog, who feels that a society built on public sector funding is vulnerable.

"This restructuring does not happen overnight," he says, and Brattbakk highlights several examples of restructuring processes in industrial societies in Helgeland.

"In the wake of Alcoa, we could see that a new way of thinking was needed in Vefsn. Among other things, there are plans to develop a film industry in the municipality, known as Vefsnwood.





"It may help to adopt a more confident approach."

Birgitte Strid
Theatre Manager, Nordland Teater

A lot has happened in Mo since the closure of the ironworks," says Brattbakk.

"We now have more than 78,000 inhabitants in Helgeland. Will we have 100,000 in 2025?" asks Olaisen rhetorically.

For the time-being, labour immigration is a necessity in Helgeland. Fifteen nations are represented at Nova Sea on Lovund. The majority of these are Swedes, but there are also several Polish families that have settled here.

"We have had good experiences of using labour from different countries, and have found that families are easier to integrate into society than single men," says Olaisen.

"Why are you in Lovund today? You have an enormous sense of pride that you are not afraid to market," says Brattbakk wonderingly.

"Pride is absolutely essential. We cannot compromise on demands - instead as a business we must make Lovund so attractive that people move here rather than move away. We build houses, provide leisure facilities and have invested NOK 7 million into a new community centre. We haven't simply done this to be nice, but because it is necessary. We want to be the leader in our sector, and have target figures for the number of residents that we to achieve," says Olaisen.

"Such goals must stir emotions in people. It is only then that they will remember this," says Forbergskog.

The processing sector is the industry with the largest turnover in the region, with over 1,000 jobs in Helgeland. The greatest obstacle over the years has been electricity prices.

"We have managed to address this issue, but the market is now poor. The question is simply: when will the situation around us change? The ferro alloy companies are direct suppliers to steelworks in Europe, and in some places the markets have not been as bad as they are now for 30 years. However, this will change. I don't believe that any of the works in Helgeland will be among those giving up. Being situated on an business park brings

“The joy of success
is quite simply fantastic.”

Øystein Barth-Heierdahl
Managing Director, Helgeland V&M

obvious cost benefits, and we have an exceptional resource utilisation in the Mo Industripark. The companies are located close to each other, and we are located close to a town. This is where the high-tech jobs and high-tech companies are. These jobs and companies have every chance of surviving. We can see that the supplier industry is blossoming. The Malaysian company Wasco was extremely surprised to find Mo Industripark. Its comment was 'This place has everything'. The business park concept involves sharing both costs and a common fate. Bringing in new businesses offers improved benefits. Bills are shared by more companies, so strengthening their ability to survive. Another exciting project we are looking at is a server hall or data storage centre at Mo Industripark. All the facilities are well-sited for this: locally generated power, a good fibre optic infrastructure, good access to water for cooling purposes and the potential to construct underground caverns," explains Lillebjerka.

Are we perhaps more global than we think when it comes to the organisation of working life in Helgeland?

"We must ally ourselves with the world here in Helgeland. We have international industries that require skills. We must exploit the opportunities offered by the internet. Why not sit at Campus Helgeland and make contact with Oxford? We mustn't only think that we have to get people from Lofoten and Stjørdal. We have the entire world as our playground," says Olaisen.

"Activity breeds activity, but it is a little bit like the chicken and the egg. Someone has to dare to make the first move.

We need entrepreneurs who are daring and switched on. This spirit is something that you have in you, but you must have potential to use it. BP took a risk with Sandnessjøen, and Helgeland has met its expectations. The oil and gas network development is something we should all be proud of," says Barth-Heierdahl.



"The Malaysian company Wasco was extremely surprised to find Mo Industripark. Its comment was 'this place has everything'."

Terje Lillebjerka
Acting CEO for Mo Industripark.

"As regards our operations, the goal is to become better at the process once the fish have been landed at the quayside. Norway wants to be the world's leading seafood nation, and in order to achieve this, we must be able to process the fish to a greater extent than we do. We need good technology in order for this to be profitable," says Olaisen.

"The only remedies for the high costs in Norway are knowledge and the natural advantages that we have," says Forbergskog.

The downside of more technology-based services in all industries is fewer people in employment.

"However, we constantly need other skills, such as electricians and automation specialists. We need more people in laboratory work, food safety and sales and marketing. There is plenty to do," says Olaisen.

"The challenge is getting hold of a qualified labour force, but the opportunity is there if we create good jobs. Young people in Northern Norway want to return, but there must be jobs for both," says Forbergskog.

"All my children are at home. They appreciate the fact that there are no queues, and journeys to work and nurseries are short. They don't have to spend time on logistics. My city friends seem to spend years in the car," says Barth-Heyerdaahl.

The chocolate cake with local hand-picked berries served for dessert could well be enough to lure most people home...

"We must get our local young people back, and open the door to the entire world at the same time. The internet is the most district-friendly invention since the boat. It offers an entirely different opportunity for people, and they are just as much a part of the world whether they live on Lovund or in London," concludes Olaisen.



NOTES

NOTE 1 - Accounting principles Group.....	45
NOTE 2 - Financial risk management.....	51
NOTE 2.1 - Credit risk.....	52
NOTE 2.1.1 –Risk classification of loans and credits.....	53
NOTE 2.1.2 - Bad and doubtful loans and guarantees >3 months.....	54
NOTE 2.1.3 - Bad and doubtful loans and guarantees >0 months.....	54
NOTE 2.1.4 - Bad and doubtful loans and guarantees that are not written down >0 months	54
NOTE 2.2 - Funding risk	54
NOTE 2.2.1 - Funding risk remaining periods until maturity	55
NOTE 2.3 - Market risk	57
NOTE 2.3.2 - Interest rate risk –remaining periods until next interest rate re-fixing.....	58
NOTE 2.3.3 - Sensitivity analysis for change in market prices	60
NOTE 3 - Important accounting estimates and application of accounting principles	61
NOTE 4 - Segment information	61
NOTE 5.1 - Net interest- and credit commission income.....	62
NOTE 5.2 – Interest rate on some balance posts (average interest rate in %)......	63
NOTE 5.3 – Volume of certain balance sheet items (average volume).....	63
NOTE 6 - Commissions and income from banking services	63
NOTE 7 - Commissions payable and costs relating to banking services	63
NOTE 8 – Gains/losses on financial instruments.....	64
NOTE 9 - Other operating income	64
NOTE 10 - Total operating costs	64
NOTE 11 - Wages salaries and social costs.....	64
NOTE 12 –Pension costs and pension liabilities.....	65
NOTE 12.1 – Obligation and expenses concerning pension schemes.....	66
NOTE 12.2 – Effect of reconciliation of balance sheet, IAS 19.....	66
NOTE 12.3 – Economic assumptions and effects of changes.....	66
NOTE 12.4 – Balance sheet pension liabilities	68
NOTE 12.5 – Estimate deviations, benefit-based scheme	69
NOTE 13 - Net pension expense, benefit-based scheme, contribution-based scheme and contractual pension.....	69
NOTE 14 - Other administration costs.....	69
NOTE 15 - Auditor's fees	69
NOTE 16 - Losses on loans guarantees etc.....	70
NOTE 17 - Tax cost.....	70
NOTE 18 - Ordinary result per EC's	70
NOTE 19 –Cash and claims on central banks	71
NOTE 20 - Loans to and claims on credit institutions	71
NOTE 21.1 –Loans to and claims on customers	71
NOTE 21.2 - Geographical exposure within the loan portfolio was as follows.....	71
NOTE 21.3 - Breakdown of loans between retail banking- and corporate markets.....	72
NOTE 21.4 –Write-downs on loans and guarantees	72
NOTE 21.5 - Commitments and losses according to different business- and other sectors	73
NOTE 21.5.1 - Commitments and losses according to different business- and other sectors	73
NOTE 21.5.2 –Mortgage added to Helgeland Boligkreditt AS.....	75
NOTE 22 –Financial instruments.....	76
NOTE 22.1 –Measurement of fair value of financial instruments by level.....	77
NOTE 22.1.1 –Group's assets and liabilities measured at fair value	78
NOTE 22.2 –Real value of financial instruments	79
NOTE 23 - Financial derivatives	79
NOTE 24 - Financial assets available for sale	81
NOTE 24.1 - Portfolio of certificates and bonds.....	81
NOTE 25 - Shares unit trust certificates and EC's.....	82

NOTES

NOTE 25.1 - Additions/disposals of shares unit trust certificates and PCCs.....	82
NOTE 25.2 - Additions/disposals of shares Associated Companies and Group Companies.....	82
NOTE 26 –Investment in subsidiaries.....	83
NOTE 27 - Associated companies.....	83
NOTE 27.1 - Summary of financial information on the various associated companies.....	83
NOTE 27.2- Intra-group balances and transactions between the Bank and its associated companies.....	84
NOTE 28 –Disclosures of related parties.....	84
NOTE 28.1 - Intercompany elimination/transactions.....	84
NOTE 28.2 - Loans to elected representatives and employees.....	85
NOTE 28.3 - Remuneration and loans for senior management Board of Directors and Board of Trustees.....	85
NOTE 28.4 - Remuneration and loans for senior management Board of Directors and Board of Trustees.....	86
NOTE 29 - Deferred tax / Deferred tax benefit.....	88
NOTE 30 - Fixed assets.....	88
NOTE 30.1 - Fixed assets held for sale.....	89
NOTE 31 - Other assets.....	89
NOTE 32 - Foreign exchange.....	89
NOTE 33 - Liabilities to credit institutions.....	90
NOTE 34 - Deposit from customers.....	90
NOTE 34.1 - Deposit from customers split by sector/industry.....	90
NOTE 34.2 - Geographical exposure deposits from and liabilities to customers.....	91
NOTE 34.3 - Deposits from and liabilities to customers.....	91
NOTE 35 - Financial liabilities incurred through the issuance of securities.....	91
NOTE 35.1 - Details of bond loans.....	91
Details of bond loans.....	93
NOTE 35.2 - Unutilised drawing rights facilities.....	93
NOTE 36 - Other liabilities.....	93
NOTE 38 - Equity capital.....	94
NOTE 38.1 - Capital adequacy.....	94
NOTE 38.3 - Capital management.....	95
NOTE 39 – EC-holders.....	95
NOTE 39.1 – EC-owner according to the number of certificates held.....	95
NOTE 39.2 –EC-owners.....	96
NOTE 39.3 - The 20 largest EC-owners.....	97
NOTE 39.4 - ECs owned by the Bank's elected representatives.....	98
NOTE 39.5 - Dividend.....	100
NOTE 39.6 - Key figures EC.....	100
NOTE 40 - The Bank's guarantee liabilities according to different types of guarantee.....	100
NOTE 41 - Assets pledged as collateral security.....	101
NOTE 42 - Events after the balance sheet date.....	101
NOTE 43 - Balance sheet divided into short and long term.....	101
NOTE 44 –Statement concerning determination of salary and other remuneration.....	102
Profit and loss account items as a percentage of average assets.....	107
Financial summary.....	108

NOTES

NOTE 1 - Accounting principles Group

General background

The Parent bank

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

The Bank's registered office is located at Jernbanegata 15, 8622 Mo i Rana. The Bank's head is in Mo i Rana. The Bank also has 14 branches located throughout Helgeland: Mosjøen, Brønnøysund, Berg, 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 25 February 2014.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IAS 19, 'Employee benefits' was revised in June 2011.

The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; 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). See note 43 for the impact on the financial statements.

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- 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. See note 43 for the impact on the financial statements.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- 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.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue

NOTES

of IFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the group has decided to early adopt the amendment as of 1 January 2013.

(b) New standards and interpretations not yet adopted

■ A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement.

■ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

■ IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

■ 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.

Securities issued

Securities issued capital include issued certificates and bonds capital regardless of the measurement principle based on the internal interest rate method. For securities issued with fixed interest rates, fair market value.

Interest payable on such instruments are included in interest expense and similar charges. Other adjustments are included in "Net gain on financial instruments at fair value".

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".

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.

NOTES

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. 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.

NOTES

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 fuse types:

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

At the inception of 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 used are highly effective in offsetting changes in fair values 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 debt securities with fixed interest rates. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognized as "Net gain / loss on financial instruments". The gain or loss relating to the ineffective portion is recognized as "Net other (losses) gains". Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognized as "Net gain / loss on financial instruments".

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

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

NOTES

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

It is decomposed assets of greater value, and consisting of components with different useful lives. It is tested annually of life for each component, and depreciation is adjusted accordingly. Assets held for sale consist of assets acquired by the Group as part of the recovery of non-performing loans. These are assets that the Group intends to retain and to be sold within one year. Assets held for

sale are stated at the lower of fair value (less cost) and cost and is not depreciated.

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 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 discount rate for pension liabilities are in accordance with IAS 19 into interest rate on corporate bonds with high credit ratings, or government bonds if there is a deep market in corporate bonds with high credit ratings.

The Bank's defined benefit pension plan was closed with effect from 1th 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

NOTES

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 remaining 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.

NOTES

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 strategy for credit is derived from the overall strategy and provides guidelines for distribution of personal and corporate market exposure in industries (concentration risk) and geographical constraints. The credit strategy is evaluated annually, amendments were adopted and implemented in September 2013.

Credit exposure is controlled and monitored through regular analysis of defaults developments in specific industries, geographic areas, and potential borrowers' ability to pay interest and principal, as well as an assessment of the security underlying the loan. For continuous monitoring of risk Board defines a set of reports that are submitted by different frequencies.

Total capital requirements for credit risk emerges in the Group's ICAAP. Tolerance level of credit risk is defined for selected industries and areas. Control level for the corporate portfolio is established and compliance are reported. Stress tests are used to assess potential

losses in the credit portfolio as a result of the sharp decline in property prices.

The risk in the retail portfolio has over time been low and stable. A more moderate / declining economic situation in Norway is also expected to occur at Helgeland. 98% of the retail portfolio is secured on dwellings. Financial Supervisory Authority's guidelines for new mortgages helps to reduce the proportion of loans with LTV above 85%.

The risk in the corporate portfolio is stable. Gross lending to the corporate market in 2013 decreased by 0.4 % , in keeping with the bank's management objectives for overall growth . The bank's return on lending to corporate customers is significantly increased in 2013 .

The Bank has in 2013 continued annual validation of the model for calculation of group write-downs based on their own score models . The model is based on the probability of default and loss given that an engagement goes into default . The model used by several other savings banks that cooperate validation and any adjustment of parameters. The validation shows that the score models considered satisfactory and that it differentiates well between customers with different risks .

Expensed write-downs in 2013 was 32 million compared to 27 million in 2012. Downs were increased by 5 million. In total there are expensed impairment remains at a relatively moderate level and amounted to 0.13 % of gross loans .

Net non-performing and doubtful loans make up a volume of 129 million per . 31.12.13 against 107 million per . 31.12.12 .

With a background in Finance Authority lending regulations and internal policies , followed involvement ongoing basis to identify potential doubtful loans.

It is highly focused and regular reviews throughout the organization on the quality of credit work and to improve understanding of good governance. Adherence in individual cases ensured inter alia through managers key controls and labor counselors / therapists continue . For control and monitoring of risk in the corporate portfolio ongoing assessment of customer relationships, ability and security by borrowing and by the Bank's Credit Committee. For monitoring the development of risk in the retail portfolio performed quarterly analyzes of site quality on nyinvinligende loans and the total portfolio.

Risk Spread lending according to low, medium and high risk is reported based on the score models .

Close monitoring of large business customers , monitoring of the portfolio default probability and for specific defined sectors , is continued as a priority focus area for the bank.

The maximum limit for a single commitment , Ministry of Finance , 25% of the Group 's capital base. At the end of 2013 , the Group had four customer groups which were granted commitments overall was in excess of 10 % of capital .

NOTES

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. Shift from low to medium risk from 2012 to 2013 is mainly due to changes in the bank's score model. The actual changes in the risk allocation is absolutely marginal (based on the same parameter settings as in 2012)

Risk classification of loans and credits

<i>Parent bank</i>					<i>Group</i>			
31.12.13					31.12.13			
Gross loans	Guarant.	Unut drawing right	Potential Exposure		Gross loans	Guarant.	Unut drawing right	Potential Exposure
Corporate:								
3 173	267	839	4 280	Low risk	3 264	267	847	4 378
2 322	94	200	2 616	Medium risk	2 279	94	201	2 574
1 362	53	111	1 526	High risk	1 382	53	111	1 546
118	34	15	167	Commitments in default > 0 months	118	34	15	167
84	28	4	116	Not classified	83	28	4	115
7 060	476	1 169	8 705	Total – corporate	7 126	476	1 178	8 780
Retail banking:								
6 661	10	294	6 965	Low risk	10 810	10	616	11 436
1 588	2	19	1 609	Medium risk	2 050	2	24	2 076
241	0	2	243	High risk	298	0	2	300
86	0	0	86	Commitments in default > 0 months	86	0	0	86
334	0	19	353	Not classified	338	0	19	357
8 910	12	453	9 375	Total – retail banking	13 582	12	781	14 375
15 970	488	1 622	18 080	Grand total	20 708	488	1 959	23 155

<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	146	2 209
1 215	37	71	1 323	High risk	1 212	37	71	1 320
98	7	5	110	Commitments in default > 0 months	98	7	5	110
265	28	10	303	Not classified	262	28	10	300
7 083	476	991	8 550	Total – corporate	7 154	476	998	8 628
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
209	0	1	210	High risk	298	0	1	299
65	0	1	66	Commitments in default > 0 months	63	0	2	65
451	0	38	489	Not classified	457	0	39	457
7 750	16	397	8 163	Total – retail banking	12 688	16	709	13 413
14 833	492	1 388	16 713	Grand total	19 842	492	1 707	22 041

NOTES

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
105	152	Commitments in default for over 3 months	152	105
14	32	- Write-downs of commitments in default	32	14
91	120	Total net commitments in default	120	91
23	17	Other bad and doubtful commitments not in default	17	23
7	8	- Write-downs of other bad and doubtful commitments not in default	8	7
16	9	Total Net bad and doubtful commitments not in default	9	16
107	129	Total bad and doubtful loans	129	107
0.7 %	0.8 %	In % of gross lending	0.6 %	0.5 %

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

<i>Parent bank</i>				<i>Group and Parent bank</i>		
	2013			2012		
Interval	Personal m	Corporate m.	Total	Personal m	Corporate m.	Total
0-3 months	38	63	101	33	37	70
3-6 months	15	47	62	5	29	34
6-12 months	7	16	23	5	18	23
Over 12 months	26	41	67	22	26	48
Gross doubtful loans > 3 months	48	104	152	32	73	105
Total gross doubtful loans	86	167	253	65	110	175

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

		<i>Group and Parent bank</i>	
Interval		31.12.13	31.12.12
0-3 months		99	71
3-6 months		56	32
6-12 months		17	22
Over 12 months		22	30
Total > 3 months		95	84
Overdue receivables that are not written down		194	155

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 31.12.2013 the liquidity indicator was 1 to 111.0 (109) %. The Board has also decided that the share of long-term borrowing in % of the total borrowing shall be at least 70%. As at 31.12.13 the share of long-term financing was 80,7 %, 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 deposit-to-loan ratio, and this requirement was met throughout the whole of 2013.

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.

NOTES

In order to maintain the deposit-to-loan ratio at a healthy level, the bank has stepped up its work relating to deposits and long-term saving.

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 (2.0) years. The group's total liquidity (cash, bank deposits and securities) constitute NOK 4.3 (3,9) billion or 16 (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 2013, the bank has transferred well secured housing mortgages for NOK 4.8 (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. On 11 February 2014, the bank was given an official rating by Moody's which satisfies the requirements for Investment Grade. A long-term rating of Baa2 was awarded. The rating of the parent bank is also the first step in the process to obtain an official rating for bond issues from Helgeland Boligkreditt AS.

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>					
31.12.13					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
Loans to and claims on credit institutions	280	333			613
Loans to and claims on customers	422	1 816	6 754	16 035	25 027
Certificates, bonds and shares available for sale	590	815	2 720	45	4 170
Total payments	1 292	2 964	9 474	16 080	29 810
Liabilities to credit institutions	654				654
Deposits from and liabilities to costumers	13 005	14			13 019
Borrowings through the issuance of securities		1.727	8.926		10 .653
Financial derivatives gross settlement (out flow) ¹⁾	17	51	176		244
Total payments	13 676	1 792	9 102	0	24 570
1) Financial derivatives gross settlement (in flow)	25	70	253		348

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

<i>Group</i>					
31.12.12					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
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

NOTES

<i>Parent bank</i>					
31.12.13					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
Loans to and claims on credit institutions	280	333	729		1 342
Loans to and claims on customers	2 347	652	3 141	12 803	18 943
Certificates, bonds and shares available for sale	590	1 165	3 070	45	4 870
Total payments	3 217	1 817	6.940	12 848	25.155
Liabilities to credit institutions	654				654
Deposits from and liabilities to costumers	13 264	14			13 278
Borrowings through the issuance of securities		977	6 119		7 096
Financial derivatives gross settlement (out flow) ¹⁾	17	51	176		244
Total payments	13 935	1 042	6 295		21 272
1) Financial derivatives gross settlement (in flow)	25	70	253		348

<i>Parent bank</i>					
31.12.12					
	0-3 months	3 - 12 Months	1 - 5 years	Over 5 years	Total Incl inter
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

Unutilised drawing rights facilities:

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13			31.12.13	31.12.12
		Assets:			
1 388	1 622	Unutilised drawing rights		1 959	1 725
		Liabilities:			
200	300	Short-term drawing rights facility 1 year		300	200
200	300	Total		300	200
92	98	Surplus liquidity at Norges Bank		98	92
292	398	Total liabilities included surplus liquidity at Norges Bank		398	292

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

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

NOTES

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.

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 rate swaps) in order to reduce interest rate risk linked to fixed interest rate loans.

The board of directors has established a framework for the group's total interest rate risk, which is considered to be low.

The bank has a relatively conservative strategy as regards investments in interest-bearing securities, with the primary aim of securing satisfactory liquidity reserves for the bank. One consequence of this is that the group recorded relatively low losses on interest-bearing securities during the financial crisis, as well as correspondingly low gains on investments in interest-bearing securities in the wake of the crisis.

Share risk

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

Sensitivity analysis of market risk

Interest-bearing securities - credit spread risk is the risk connected to securities in the interest rate portfolio, the duration of the portfolio and the issuer's credit worthiness. The Group's credit spread risk is calculated as credit risk at the time of spreading with 100 basis points. Shares - there are limits fixed for the Group's collective share risk calculated based on exposure, risk spreading and market

liquidity. In calculating risk exposure the calculation is based on a general fall in share value of 30%. In addition, there is markup for risk spreading and market liquidity.

The bank expresses the market risk as risk adjusted capital.

Calculated market risk is within fixed limits and total limits for the market risk and is included as capital requirement in the Group's ICAAP. In 2013, we have started monitoring the interest rate portfolio using VAR analysis. The standard calculation of the maximum loss is scaled to a 10-day period and 99% probability. The loss is calculated on the basis of "the change in price" (any price variations that are measured via volatility) in the market over time. The input to the model consists of Norwegian government bond indexes.

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 30 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

Parent bank

Group

31.12.13

31.12.12

Loan amounts in foreign currencies	Guarantee liabilities in NOK	Loan amounts in foreign currencies	Guarantee liabilities in NOK
0	8 Euro	0	8
0	0 Amerikanske dollar	0	0
13	88 Sveitsiske franc	13	88
47	44 Svenske kroner	47	44
49	3 Japanske yen	49	3
143 Total guarantee liabilities to foreign exchange loans		143	

NOTES

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	

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

							<i>Group</i>
							31.12.13
	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	99						99
Loans to and claims on credit inst with no a/maturity	278						278
Loans to and claims on credit inst with a/maturity	329						329
Net loans to and claims on customers		19 496		1 101			20 597
Bonds and certificates	860	2 731	255				3 846
Other non-int -bearing assets (including swaps)						836	836
Total assets	1 566	22 227	255	1 101	0	836	25 985
LIABILITIES AND EQ. CAP							
Liabilities to credit inst. with no agreed maturity							0
Liabilities to credit inst. with agreed maturity		647					647
Deposits from and liabilities to cust no agreed mat.		12 373					12 373
Deposits from and liabilities to customers with agreed mat.		598	18				616
Borrowings through the issuance of securities	1 000	7 432	1 640				10 072
Other non-int -bearing liabilities (including swaps)						289	289
Total liabilities	1 000	21 050	1 658	0	0	289	23 997
Net int rate sensitivity gap	566	1 177	-1 403	1 101	0	547	1 988

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.

NOTES

							<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						92
Loans to and claims on credit inst with no a/maturity	150						150
Loans to and claims on credit inst with a/maturity	128						128
Net loans to and claims on customers		18 815		940			19 755
Bonds and certificates	840	2 306	446				3 592
Other non-int -bearing assets (including swaps)						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
Liabilities to credit inst. with agreed maturity		830					830
Deposits from and liabilities to cust no agreed mat.		10 629					10 629
Deposits from and liabilities to customers with agreed mat.		525	57				582
Borrowings through the issuance of securities	500	8 283	1 730				10 513
Other non-int -bearing liabilities (including swaps)						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

							<i>Parent bank</i>
							31.12.13
	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	98						98
Loans to and claims on credit inst with no maturity	944						944
Loans to and claims on credit inst with maturity	329						329
Net loans to and claims on customers		14 762		1 101			15 863
Bonds and certificates	860	3 527	255				4 642
Other non-int -bearing assets (including swaps)						1 109	1 109
Total assets	2 231	18 289	255	1 101	0	1 109	22 985
LIABILITIES AND EQ. CAP.							
Liabilities to credit inst. with no agreed maturity							0
Liabilities to credit inst. with agreed maturity		647					647
Deposits from and liabilities to cust no agreed mat.		12 632					12 632
Deposits from and liabilities to cust with agreed mat.		598	18				616
Borrowings through the issuance of securities	1 000	4 240	1 640				6 880
Other non-int -bearing liabilities (including swaps)						276	276
Total liabilities	1 000	18 117	1 658	0	0	276	21 051
Net interest rate sensitivity gap	1 231	172	-1 403	1 101	0	833	1 934

NOTES

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

NOTE 2.3.3 - Sensitivity analysis for change in market prices

<i>Group and Parent bank</i>		
31.12.13		
	Effect on profit	Effect on equity
Interest +/- 2%	3	0,06 %
Total liabilities	3	0,06 %

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 2013 was NOK 3.1 (10.9) million within the specified limits. The limit on the Group's aggregate interest-rate risk on interest-rate instruments shall not exceed NOK 30 million.

The Group's total interest-rate risk will consist of: interest rate exposure (2 per cent parallel shift in the interest rate curve). The effect on equity is profit after tax, while exposure to interest rate risk is before tax.

<i>Group and Parent bank</i>		
31.12.12		
	Effect on profit	Effect on equity
Interest +/- 2%	11	0.01 %
Total liabilities	11	0.01 %

NOTES

NOTE 3 - Important accounting estimates and application of accounting principles

Parent bank/Group

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

Write-down of loans/provisions for guarantee liabilities

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

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

Market value of financial derivatives

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

Write-down of financial assets available for sale

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

Pensions

The net pension obligation and the pension expense for the year are based on a number of estimates, including return on pension funds, future interest rates, pay rises, changes in the National Insurance basic amount and general trends in the number of people on disability pension and life expectancy. The uncertainty is linked to the obligation that is obtained in the balance sheet. Estimate deviations are treated in accordance with IAS 19.

NOTE 4 - Segment information

<i>Parent bank</i>					<i>Group</i>			
					31.12.13			
Retail	Corporate	Not divided	Total	Segment information	Retail	Corporate	Not divided	Total
184	188	-15	357	Net interest and credit commission	274	191	-26	439
30	12	36	78	Net commission income	30	12	36	78
		40	40	Other operating income			22	22
76	24	118	218	Operating costs	98	26	116	240
	28		28	Losses on loans guaranteed		28	5	33
138	148	-57	229	Result before tax	206	149	-89	266
8 909	7 036		15 945	Loans to and claims on customers	13 582	7 187		20 769
-6	-34		-40	Individual write-downs	-6	-34		-40
		-67	-67	Collective write-downs on loans			-67	-67
		7 147	7 147	Other assets			5 323	5 323
8 903	7 002	7 080	22 985	Total assets per segment	13 576	7 153	5 256	25 985
7 924	5 324		13 248	Deposits from customers and liabilities	7 920	5 069		12 989
		9 737	9 737	Other liabilities and equity			12 996	12 996
7 924	5 324	9 737	22 985	Total liabilities and equity per segm.	7 920	5 069	12 996	25 985

NOTES

<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 liabilities	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

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

NOTE 5.1 - Net interest- and credit commission income

<i>Parent bank</i>				<i>Group</i>	
2012	2013			2013	2012
Interest receivable and similar income:					
716	775	Interest receivable and credit commissions on loans etc. 1,3)		928	873
25	24	Interest on deposits with and loans to credit institutions		32	41
135	112	Interest from bearer bonds and certificates		112	131
876	911	Total interest receivable and similar income		1072	1 009
Interest payable and similar costs:					
Interest payable on deposits from customers:					
290	307	Carried at amortized cost		307	289
3	1	Carried at fair value		1	3
25	15	Interest payable on deposits and loans from credit institutions		32	41
Interest payable on certificate- and bond loans and on syndicated loans2,3):					
230	206	Carried at amortized cost		268	298
23	25	Carried at fair value		25	22
0	0	Interest payable on long-term loans/other funding loan costs		0	0
571	554	Total interest payable and similar costs		633	653

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.

NOTES

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
Assets				
3.2 %	2.5 %	Loans to and claims on credit institutions	1.9 %	2.6 %
4.7 %	4.9 %	Loans to and claims on customers	4.8 %	4.5 %
3.0 %	2.4 %	Certificates and bonds	2.4 %	3.0 %
Liabilities				
3.0 %	2.1 %	Liabilities to credit institutions	2.1 %	3.3 %
2.5 %	2.5 %	Deposits from customers and liabilities to costumers	2.5 %	2.5 %
3.6 %	2.9 %	Borrowings through the issuance of securities	2.8 %	3.3 %

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
Assets				
866	965	Loans to and claims on credit institutions	510	1 073
14 580	15 761	Loans to and claims on customers	20 497	18 967
4 567	4 614	Certificates and bonds	3 817	3 667
Liabilities				
891	747	Liabilities to credit institutions	747	1 390
11 188	12 315	Deposits from customers and liabilities to costumers	12 085	10 914
6 785	6 888	Borrowings through the issuance of securities	10 179	10 633

NOTE 6 - Commissions and income from banking services

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
9	8	Guarantee commission *)	8	9
45	52	Fees relating to payments transmission services	52	44
16	20	Fees Insurance (General, Life, saving and pension)	20	16
11	7	Other fees	7	11
81	87	Total commissions and income from banking services	87	81

*)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>	
2012	2013		2013	2012
8	7	Payments transmission services	8	9
1	1	Fees - customers' use of payment terminals	1	1
1	1	Other fees	1	1
9	10	Total commissions payable and costs relating to banking services	10	9
72	77	Net commission income	77	72

NOTES

NOTE 8 – Gains/losses on financial instruments

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
4	2	Unrealised fall in value of interest-bearing securities, available for sale	2	4
2	8	Realised gain on interest-bearing securities, available for sale	8	2
0	-6	Realised loss on interest-bearing securities, available for sale	-6	0
-14	-7	Unrealised fall in value of shares, available for sale	-7	-11
0	10	Realised gain on shares, available for sale	10	0
0	-1	Realised loss on shares, available for sale	-1	0
2	2	Share of earnings in associates	5	2
13	37	Dividends on shares	6	1
3	-2	Unrealised change in value, fixed interest loans at fair value	-2	3
0	0	Unrealised change in value, hedging instruments	0	0
-4	-1	Unrealised change in value, borrowing, fixed-interest fair value	1	-4
6	37	Total net gain/loss on financial instruments	14	-3

NOTE 9 - Other operating income

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
2	1	Operating income from real estate	1	6
0	1	Other operating income	1	0
1	1	Gains on sale of real estate and movable property	1	1
3	3	Total other operating income	7	7

NOTE 10 - Total operating costs

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
118	115	Wages salaries and social costs	116	118
35	36	IT-Cost	36	35
12	12	Marketing expences	12	12
14	12	Depreciation	21	19
4	7	Operating cost real estate	6	4
3	5	Purchased services	5	3
29	30	Other operating costs (note 14)	43	43
215	217	Total operating costs	239	233

NOTE 11 - Wages salaries and social costs

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
89	97	Wages salaries and fees	97	89
5	6	Employers' social security contributions	6	5
18	9	Pension costs relating to benefit plans (note 12)	9	18
6	3	Other personnel costs	4	6
118	115	Total wages salaries and social costs	116	118
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

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

NOTES

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 25 February 2014 and presented to the Board of Trustees on 26 March 2014. 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

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.

NOTE 12 –Pension costs and pension liabilities

Helgeland Sparebank is required to have an occupational pension scheme and the bank fulfils the applicable requirements set out in the relevant legislation. None of the subsidiaries have pension schemes. The pension schemes include:

Benefit-based scheme invested in a life insurance company

Helgeland Sparebank has a collective benefit-based pension scheme for its employees, which is managed by an insurance company. The pension scheme entitles employees to future pension disbursements of 66% of their salary upon retirement, subject to a maximum of 12 National Insurance basic amounts (G). The scheme covers 158 employees, as well as 124 people who receive an ongoing pension from the scheme. The scheme also includes a disability pension.

Defined contribution-based scheme

The bank's defined contribution-based pension scheme was closed with effect from 01.07.12. New employees are now enrolled in the benefit-based pension scheme. The defined contribution scheme now covers 27 active employees.

Contractual pension

The bank and finance industry have entered into an agreement concerning a contractual pension (AFP). Two people remain as members of the old scheme, which is being capitalised.

New contractual pension scheme

Other employees are covered by applicable regulations with annual premium payments via operations to the joint contractual pension scheme. In line with the recommendation of the Norwegian Accounting Standards Board (NASB), no provisions have been set aside during the year for the group's actual contractual pension obligation.

Senior management scheme

Senior management scheme which covers two employees.

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).

NOTES

NOTE 12.1 – Obligation and expenses concerning pension schemes

<i>Parent bank</i>				<i>Group</i>	
31.12.13				31.12.13	
Expense	Obligation			Obligation	Expense
7.6	52	Benefit-based scheme		52	7.6
0.4		Defined contribution scheme			0.4
1.0		Contractual pension			1.0
9.0	52	Total lending to elected representatives and employees		52	9.0

<i>Parent bank</i>				<i>Group</i>	
31.12.12				31.12.12	
Expense	Obligation			Obligation	Expense
15.9	34	Benefit-based scheme		34	15.9
0.1		Defined contribution scheme			0.1
2.0		Contractual pension			2.0
18.0	34	Total lending to elected representatives and employees		34	18.0

NOTE 12.2 – Effect of reconciliation of balance sheet, IAS 19

<i>Parent bank</i>				<i>Group</i>	
31.12.12				31.12.12	
Balance sheet before reconcil.	Reconciled balance sheet			Reconciled balance sheet	Balance sheet before reconcil.
-64	129	Obligation 31.12.11		129	-64
	-95	Implemented IAS 19 with respect to equity		-95	
64	-34	Obligation 01.01.2012		-34	-64
-26	0	Unrecognised effect of estimate changes		0	-26
-1	0	Estimate deviation, employer's contributions		0	-1
-34	-34	Obligation 31.12.2012		-34	-34

In accordance with IAS19R, estimate deviations are recognised against equity and the balance sheet has been reconciled from 01.01.12 inclusive.

NOTE 12.3 – Economic assumptions and effects of changes

Through the defined benefit-based pension plans, the company is exposed to the following risks:

Investment volatility

Pension obligations are calculated using a discount interest rate determined on the basis of bond interest rates. If investment of the pension schemes' funds produces a lower return than the bond rate, a deficit is created.

Change in the bond interest rate

A reduction in bond interest rates will increase the obligations in the pension schemes. This will partly be offset by an increase in the return on bond investments.

Life expectancy

The payment obligation applies to the remaining lifetime of the scheme's members. An increase in life expectancy will lead to an increase in the obligation relating to the scheme. This is particularly important in the case of the Norwegian scheme, where inflation adjustment results in greater sensitivity to changes in life expectancy.

NOTES

Invested pension funds

In the case of schemes organised through pension insurance companies, the company ensures that the pension investments are managed within an "Asset Liability Matching (ALM) framework", which has been developed to ensure that long-term investments are coincident with the obligations in the pension schemes. Within the ALM framework, the company's aim is to match long-term investments with the obligations, as they mature in the respective currencies. The company actively monitors how terms and the anticipated returns match pension payments as they mature. The company has not altered its routines linked to the monitoring of risk from previous periods. The investments are well-diversified, so that losses in an individual investment will not have a significant effect on the schemes' total pension funds.

<i>Parent bank and Group</i>		
Investment of funds, %	31.12.13	31.12.12
Shares	8.5	10.2
Bonds	51.5	52.3
Money market, etc.	26.2	18.9
Property	13.8	18.6

The value-adjusted return as of 31.12.13 was 4.4%.

Anticipated premium payments in pension schemes as of 31.12.14 amount to NOK 16 million.

The weighted average duration of the pension obligation is 13 years.

The sensitivity in the calculations of pension costs and the pension obligation in the event of a change in a weighted assumption is as follows:

<i>Parent bank and Group</i>				
31.12.13				
Pension expenses	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension	Pension adjustment
Basic assumptions	4.10%	3.75%	3.50%	0.60%
Pension expense (gross) with the basic assumptions	9	9	9	9
Increase by 1 percentage point (e.g. discount rate from	8	10	8	10
Reduction by 1 percentage point	10	8	9	8
(not for pension adjustment; pension adjustment is				

The above sensitivity analysis is based on a change in one of the assumptions, assuming that all other assumptions remain constant. This is unlikely to happen in practice, and changes in some of the assumptions may co-vary. The sensitivity calculation was performed using the same method as that used for the actuarial calculation of the pension obligation in the balance sheet

<i>Parent bank and Group</i>				
31.12.13				
Gross pension obligation (PBO, NOK million)	Discount interest rate	Pay increase	Adjustment of accrued National Ins. pension	Pension adjustment
Basic assumptions	4.10%	3.75%	3.50%	0.60%
PBO with the basic assumptions	203	203	203	203
Increase by 1 percentage point	170	223	196	229
Reduction by 1 percentage point	247	184	207	188
(not for pension adjustment; reduced to 0%)				

NOTES

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

In accordance with IAS 19, the discount interest rate for pension obligations will be set to the interest rate on corporate bonds with high creditworthiness, or to the government bond interest rate if there is no deep market for corporate bonds with high creditworthiness. The Norwegian market for covered bonds is considered to be such that it can be used as a basis in the calculation of the discount interest rate.

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
3.90 %	4.10 %	Discount rate of interest	4.10 %	3.90 %
4.00 %	4.10 %	Expected return on plan assets	4.10 %	4.00 %
3.50 %	3.75 %	Wage- and salary adjustment	3.75 %	3.50 %
3.25 %	3.50 %	Adjustment of current pension	3.50 %	3.25 %
3.25 %	3.50 %	Increase of base amount	3.50 %	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 %
1.40 %	1.40 %	Yearly per cent retirement for working	1.40 %	1.40 %
25 år	25 år	From age	25 år	25 år
40 år	40 år	To age	40 år	40 år

NOTE 12.4 – Balance sheet pension liabilities

Parent bank						Group				
31.12 2009	31.12 2010	31.12 2011	31.12 2012	31.12 2013		31.12 2013	31.12 2012	31.12 2011	31.12 2010	31.12 2009
Change in defined benefit obligation (DBO)										
241	250	277	270	179	DBO at the beginning of year	179	270	277	250	241
10	12	9	10	6	Service cost	6	10	9	12	10
11	10	7	7	7	Net interest expense / (income)	7	7	7	10	11
0	-22	0	0	0	Takeover/acquisition (AFP)	0	0	0	-22	0
-5	32	-15	-100	16	Remeasurements	16	-100	-15	32	-5
-6	-7	-6	-5	-6	Benefits paid	-6	-5	-6	-7	-6
250	277	271	182	203	DBO at the end of the year	203	182	271	277	250
Change in plan assets										
134	134	136	151	147	Plan assets at the beginning of the year	147	151	136	134	134
9	8	6	7	6	Interest income on plan assets	6	7	6	8	9
-12	-11	1	-14	-3	Remeasurements	-3	-14	1	-11	-12
-1	-1	-1	-2	-2	Administration expenses	-2	-2	-1	-1	-1
7	10	12	10	11	Contributions	11	10	12	10	7
-3	-4	-4	-5	-6	Benefit paid	-6	-5	-4	-4	-3
134	136	151	147	153	Plan assets at the end of the year	153	147	151	136	134
Reconciliation the balance sheet pension liabilities										
250	277	271	182	203	Benefit obligation (DBO)	203	182	271	277	250
134	136	151	147	153	Plan assets	153	147	151	136	134
-116	-141	-120	-35	-50	Net defined benefit obligation (asset)	-50	-35	-120	-141	-116
-6	-8	-7	1	-2	Employer's contributions of net pension obligation	-2	1	-7	-8	-6
-123	148	-127	-34	-52	Net defined benefit obligation (asset)	-52	-34	-127	148	-123
34	88	67	-26	0	Effect of remeasurements	0	-26	67	88	34
2	5	4	-1	0	Remeasurements deviation, employer's contributions	0	-1	4	5	2
-86	-55	-56	-61	-52	Balance sheet provision at the end of the year	-52	-61	-56	-55	-86

NOTES

NOTE 12.5 – Estimate deviations, benefit-based scheme

Parent bank

2013		2013
-5	+ Actuarial loss/(gain) on DBO from demographic assumptions	-5
-4	+ Actuarial loss/(gain) on DBO from economic assumptions	-4
26	+ Actuarial loss/(gain) on DBO due to change from K2005 to K2013	26
1	- Gain/(loss) on pension funds during the year	1
-4	- Return on pension funds excluding interest income	-4
1	+ Administrative costs linked to planning of assets	1
20	- Estimate deviation incorporated into OCI	20
0	Estimate deviation at year-end	0

NOTE 13 - Net pension expense, benefit-based scheme, contribution-based scheme and contractual pension

Parent bank

Group

2012	2013		2013	2012
11	7	Present value of the year's pension accrual	7	11
8	1	Interest expense of accrued pension obligations	1	8
-7	0	Anticipated return on pension funds	0	-7
3	0	Recognised estimate changes, settlements and planned changes	0	3
2	0.5	Administration expenses	0.5	2
1	0.5	Employer's contributions	0.5	1
18	9	Net pension expense	9	18

NOTE 14 - Other administration costs

Parent bank

Group

2012	2013		2013	2012
3	3	Postage	3	3
10	10	Rental	10	10
3	3	Value Transportation	3	3
3	3	Travel expenses	3	3
1	1	Fee external auditor	1	1
9	10	Other operation costs	23	23
29	30	Total other administration costs	43	43

NOTE 15 - Auditor's fees

Parent bank

Group

2012	2013		2013	2012
0.5	0.6	Statutory audit	0.8	0.7
0.1	0.1	Other services, attestation and assistance totalled	0.1	0.1
0.2	0.4	assistance internal auditor	0.4	0.2
0.8	1.1	Total audit	1.3	1.0

PricewaterhouseCoopers AS is Helgeland Sparebank's appointed auditor

NOTES

NOTE 16 - Losses on loans guarantees etc

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
Write-downs on loans guarantees:				
21	27	Individual write-down on loans guarantees etc relating to customers	27	21
6	1	Collective write-down on loans guarantees etc relating to customers	5	6
27	28	Total write-down on loans guarantees etc	32	27
Details of write-downs on loans guarantees				
21	49	Total write-downs to cover losses on commitments as at 31.12	49	21
49	21	- Total write-downs to cover losses on commitments as at 01.01	21	49
6	1	- Change in collective write-down during the period	5	6
33	-9	+ Confirmed losses against which ind. write-downs were made in previous years	-9	33
18	9	+ Conf. losses against which on ind. write-downs were made in previous years	9	18
2	1	- Recoveries from previous periods' confirmed losses	1	2
27	28	Total write-down of losses guarantees etc.	32	27

NOTE 17 - Tax cost

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
Tax for the year:				
37	53	Tax payable	71	46
-5	-3	Change in deferred tax adjusted direct against the equity capital	-3	-5
9	4	Change in deferred tax (Note 29)	5	8
41	54	Tax cost for the year	73	49
Breakdown between accounts-related result before tax and the year's income liable to tax:				
144	229	Accounts-related result before tax	288	172
13	-35	Permanent differences	-29	13
0	0	Use of previous losses carried forward	0	0
-31	-14	Change in temporary differences (Note 29)	-13	-29
126	180	Income subject to tax	247	156

NOTE 18 - Ordinary result per EC's

<i>Parent bank</i>			<i>Group</i>	
2012	2013		2013	2012
103	175	Result from ordinary operations after tax	193	123
74.9 %	75.1 %	EC-holders' percentage share of the result	75.1 %	74.9 %
77	131	EC-holders' share of the result	145	98
4.1	7.0	Result per EC's	7.8	4.9
4.1	7.0	Diluted result per EC's	7.8	4.9

Total Equity Certificates at the end of the year was 18.700.000, average Equity Certificates for 2013 was 18.700.000. Total Equity Certificates 2012 was 18.700.000, average Equity Certificates for 2012 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.

NOTES

NOTE 19 –Cash and claims on central banks

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
60	50	Cash reserve	50	60
32	48	Deposits at Norges Bank in excess of liquidity reserve requirements	49	32
92	98	Total cash and claims on central banks	99	92

NOTE 20 - Loans to and claims on credit institutions

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
278	607	Loans to and claims on credit institutions*)	607	278
707	666	Settlement Helgeland Boligkreditt AS **)	0	0
985	1 273	Total loans to and claims on credit institutions	607	278

*) 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

NOTE 21.1 –Loans to and claims on customers

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
Gross loans				
1 642	1 627	Overdraft- and working capital facilities	1 627	1 642
434	530	Building loans	530	434
11 801	12 696	Instalment loans	17 430	16 810
13 877	14 853	Gross loans to customers	19 587	18 886
Individual write-downs				
-21	-40		-40	-21
13 856	14 813	Loans to customers after Individual write-downs	19 547	18 865
42	42	Accrued interest	42	42
-66	-67	Collective write-downs	-67	-66
13 832	14 788	Loans to and receivables from customers at amortised cost	19 522	18 841
957	1 118	Loans to and receivables from customers, nominal capital:	1 118	957
-43	-43	Accrued interest and adjustment to fair value	-43	-43
914	1 075	Loans to and receivables from customers, fair value:	1 075	914
14 746	15 863	Net loans to and receivables from customers	20 597	19 755

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>	
31.12.13	%-share		31.12.13	%-share
13 384	83.8 %	Helgeland	17 230	83.2 %
2 570	16.1 %	Areas other than Helgeland	3 458	16.7 %
16	0.1 %	International	21	0.1 %
15 970	100 %	Total	20 709	100 %

NOTES

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 %

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

<i>Parent bank</i>				<i>Group</i>	
31.12.13				31.12.13	
Retail banking	Corporate m.		Retail banking	Corporate m.	
903	724	Overdraft- and working capital facilities	1 862	748	
159	370	Building loans	159	370	
7 848	5 966	Mortgage loans	11 561	6 008	
8 910	7 060	Gross loans to customers	13 582	7 126	

<i>Parent bank</i>				<i>Group</i>	
31.12.12			31.12.12		
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	

NOTE 21.4 -Write-downs on loans and guarantees

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12	
Individual write-downs:					
49	21	Individual write-downs to cover losses on loans and guarantees as at 01.01	21	49	
-33	9	- Period's conf losses against which individual write-downs were previously made	9	-33	
0	1	+ Increased individual write-downs during the period where individual write-downs were previously made	1	0	
7	10	+ New individual write-downs during the period	10	7	
-2	-1	- Reversal of individual write-downs during the period	-1	-2	
21	40	Total individual write-downs on loans and guarantees	40	21	
Of which:					
21	40	Loans	40	21	
0	0	Guarantees	0	0	
Collective write-downs:					
60	66	Collective write-downs to cover losses on loans and guarantees as at 01.01	66	60	
6	1	+/- Period's change in collective write-downs	5	6	
66	67	Collective write-downs to cover losses on loans and guarantees as at 31.12	71	66	
86	107	Total write-downs on loans and guarantees	111	86	

NOTES

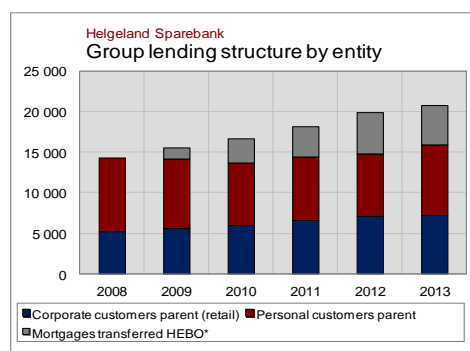
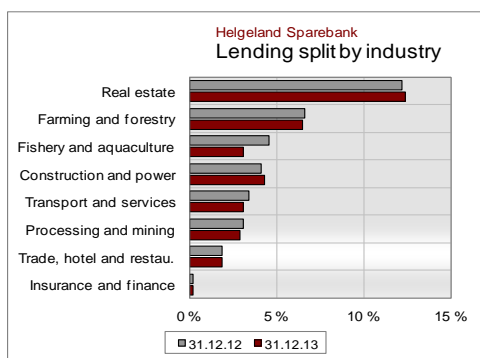
NOTE 21.5 - Commitments and losses according to different business- and other sectors

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.



Brutto utlån per 31.12.13

Av brutto utlån på 20,8 (19,8) mrd er 7,1 (7,2) mrd utlån til næringslivskunder, graf ovenfor viser disse utlånene fordelt på næring. 13,6 (12,7) mrd er utlån til personkunder, hovedsakelig godt sikrede boliglån. 1,3 mrd. (1,3 mrd.) er utlån til landbrukskunder (tradisjonelt et lavrisikosegment). Av brutto utlån er 83,2 (83,5) % lånt ut til kunder på Helgeland. Av brutto utlån er 23 % overført til Helgeland Boligkreditt AS. Se note 25.2.

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

	Group 31.12.13					
	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	35	0	0	0	0	0
Agriculture and forestry	1 342	2	100	1	14	3
Fishing and fish farming	652	1	342	2	8	1
Mining and industry	599	69	126	5	12	9
Building and construction	890	107	207	13	38	1
Trade hotels and restaurants	385	57	104	5	7	0
Transport and service industry	646	59	18	0	5	1
Financing and real estate	2 576	180	272	9	20	2
Retail banking market	13 582	12	790	6	48	0
Total	20 708	487	1 959	40	152	17
Of which gross loans Helgeland Boligkreditt AS	4 804					

NOTES

<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	120	4	6	3
Fishing and fish farming	903	7	302	0	4	0
Mining and industry	616	56	111	2	18	16
Building and construction	819	91	214	2	11	1
Trade hotels and restaurants	381	46	104	3	5	0
Transport and service industry	679	89	20	1	11	0
Financing and real estate	2 412	180	127	3	17	2
Retail banking market	12 688	16	709	6	32	1
Total	19 842	492	1 707	21	104	23
Of which gross loans Helgeland Boligkreditt As	5 079					

<i>Parent bank</i>						
31.12.13						
	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	35	0	0	0	0	0
Agriculture and forestry	1.329	2	100	1	14	3
Fishing and fish farming	645	1	342	2	8	1
Mining and industry	595	69	126	5	12	9
Building and construction	852	107	207	13	38	1
Trade hotels and restaurants	376	57	104	5	7	0
Transport and service industry	599	59	18	0	5	1
Financing and real estate	2.628	180	272	9	20	2
Retail banking market	8.910	12	453	6	48	0
Total	15.970	487	1 622	40	152	17

<i>Parent bank</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	1 278	2	119	4	6	3
Fishing and fish farming	900	7	300	0	4	0
Mining and industry	613	56	110	2	18	16
Building and construction	795	91	213	2	11	1
Trade hotels and restaurants	366	46	104	3	5	0
Transport and service industry	621	89	20	1	11	0
Financing and real estate	2 471	180	125	3	17	2
Retail banking market	7 750	16	397	6	32	1
Total	14 833	492	1 388	21	104	23

NOTES

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 2008. 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 mortgage company. 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 31.12.13 was it drawn by 0.7 billion Kr. In addition, Helgeland Boligkreditt credit facility of 2.1 billion. in the Parent bank.

Parent bank

Group

31.12.13			31.12.13	
Book	Fair		Book	Fair
Value	Value		Value	Value
0	0	Fleksi Loans	983	983
0	0	Repayment loans	3 821	3 821
0	0	Total mortgage added to Helgeland Boligkreditt AS	4 804	4 804

Parent bank

Group

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

Rest period Helgeland Boligkreditt

Group

31.12.13

	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		248					248
Net loans and claims to customers		56	131	1 154	4 195		5 536
Total Assets	0	304	131	1 154	4 195		5 784
Liabilities							
Liabilities to credit institutions				680			680
Total Liabilities				680			680

Rest period Helgeland Boligkreditt AS

Group

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

NOTES

NOTE 22 –Financial instruments

					<i>Group</i>
					31.12.13
	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	99	0	0	0	99
Loans to and claims on credit institutions	607	0	0	0	607
Loans to and claims on customers	19 496	1 101	0	0	20 597
Certificates bonds and shares available for sale	0	0	4 032	0	4 032
Financial derivatives	0	0	0	213	213
Total assets	20 202	1 101	4 032	213	25 548
	Other financial Commitment	Commitment real value through profit and loss acc to		Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	647	0		0	647
Deposit from customers and liabilities to customers	12 989	0		0	12 898
Financial liabilities incurred through the issuance of sec.	7 091	2 462		0	9 553
Financial derivatives		41		0	41
Total liabilities	20 727	2 503		0	23 230

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	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		Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	830	0		0	830
Deposit from customers and liabilities to customers	11 211	0		0	11 211
Financial liabilities incurred through the issuance of sec.	7 961	2 333		0	10 294
Financial derivatives		45		0	45
Total liabilities	20 002	2 378		0	22 380

NOTES

Parent bank

31.12.13

	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	98	0	0	0	98
Loans to and claims on credit institutions	1 273	0	0	0	1 273
Loans to and claims on customers	14 762	1 101	0	0	15 863
Certificates bonds and shares available for sale	0	0	4 852	0	4 852
Financial derivatives	0	213	0	0	213
Total assets	16 133	1 314	4 852	0	22 299
		Other financial Commitment	Commitment to real value through profit and loss acc	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity		647	0	0	647
Deposit from customers and liabilities to customers		13 248	0	0	13 248
Financial liabilities incurred through the issuance of sec.		3 899	2 462	0	6 361
Financial derivatives		0	41	0	41
Total liabilities		17 794	2 503	0	20 297

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	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity		830	0	0	830
Deposit from customers and liabilities to customers		11 511	0	0	11 511
Financial liabilities incurred through the issuance of sec.		4 625	2 333	0	6 958
Financial derivatives			45	0	45
Total liabilities		16 966	2 378	0	19 344

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 13 relating to financial instruments measured at fair value at the end of the reporting period. The amendments require the presentation of fair value measurements for various levels with the following division into levels for fair value measurement:

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

NOTES

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

Assets and liabilities at fair value						
Parent bank			Group			
31.12.13			31.12.13			
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit						
	1 101		Loans to and claims on customers at fair value		1.101	
Financial assets available for sale						
4 642	14	195	Certificats, bonds and equitives available for sale	3 822	14	195
	212		Financial derivatives		212	
4 642	1 327	195	Total assets	3 822	1 327	195
Liabilities						
Financial assets at fair value through profit						
2 462			Debt issuance of securities	2 462		
	41		Financial derivatives		41	
2 462	41	0	Total Liabilities	2 462	41	0
31.12.13			Changes in instruments classified in level 3		31.12.13	
142			Opening balance			142
13			Net purchase / sale of shares at fair value through profit			13
			Reclassification			
40			Revaluation of shares available for sale			40
195			Financial instruments valued on level 3			195
Assets and liabilities at fair value						
Parent bank			Group			
31.12.12			31.12.12			
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit						
	940		Loans to and claims on customers at fair value		940	
Financial assets available for sale						
4 567	44	142	Certificats, bonds and equitives available for sale	3 592	44	142
	261		Financial derivatives		261	
4 567	1 245	142	Total assets	3 592	1 245	142
Liabilities						
Financial assets at fair value through profit						
2 333			Debt issuance of securities	2 333		
	45		Financial derivatives		45	
2 333	45	0	Total Liabilities	2 333	45	0
31.12.12			Changes in instruments classified in level 3		31.12.12	
137			Opening balance			137
7			Net purchase / sale of shares at fair value through profit			7
			Reclassification			
-2			Revaluation of shares available for sale			-2
142			Financial instruments valued on level 3			142

NOTES

The fair value of financial instruments that are traded in an active market is based on the market price at the end of the reporting period. A market is considered active if the market rates are simply and regularly available from a stock exchange, trader, broker, business group, pricing service or regulatory authority, and these prices represent actual and regularly occurring arm's length market transactions. The market price used for financial assets is the current bid price, while for financial liabilities it is the current offer price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily FTSE 100 equity instruments classified as held for sale for trading purposes or available for sale.

The fair value of financial instruments that are not traded in an active market (for example some OTC derivatives) is determined by using valuation methods or techniques. These valuation methods maximise the use of observable data where these are available, and are based as little as possible on the Group's own estimates. If all the significant data required to determine the fair value of an instrument are observable data, the instrument is included in Level 2.

If one or more significant data are not based on observable market data, the instrument is included in Level 3.

There were no transfers between levels 1 and 2 during 2013.

NOTE 22.2 –Real value of financial instruments

Parent bank					Group			
31.12.12		31.12.13			31.12.13		31.12.12	
Real	Balance	Real	Balance		Balance	Real	Balance	Real
	Sheet		Sheet	Real value on financial instruments	Sheet		Sheet	
Value	Value	Value	Value		Value	Value	Value	Value
ASSETS								
92	92	98	98	Cash and claims on central banks	98	98	92	92
985	985	1 273	1 273	Loans to and claims on credit institutions	607	607	985	985
958	958	1 101	1 101	Loans to and claims on customers to real value	1 101	1 101	958	958
13 779	13 789	14 752	14 762	Loans to and claims on customers to amortised cost	19 496	19 486	18 797	18 789
261	261	212	212	Financial derivatives	212	212	261	261
4 753	4 753	5 361	5 361	Certificates, bonds and shares available for sale	4 186	4 186	4 753	4 753
20 828	20 838	22 797	22 807	Total	25 700	25 690	25 846	25 854
LIABILITIES								
830	830	647	647	Liabilities to credit institutions to amortised cost	647	647	830	830
57	57	14	14	Deposits from customers to real value	14	14	57	57
11 454	11 454	13 234	13 234	Deposits from customers to amortised cost	12 975	12 975	11 454	11 454
2 336	2 336	2 462	2 462	Borrowing through the issuance of securities	2 462	2 462	2 336	2 336
4 572	4 577	3 902	3 899	Borrowing through the issuance of securities amort. cost	7 091	7 094	7 965	7 967
219	219	519	519	Fundbonds and subordinated loan capital	519	519	219	219
45	45	41	41	Financial derivatives	41	41	45	45
19 520	19 518	20 819	20 816	Total	23 749	23 752	22 606	22 608

In the case of items recognised at amortised cost, the value recognised in the balance sheet is virtually equal to the fair value. No information has therefore been included concerning hierarchy or valuation.

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 2013 and NOK 0 million in 2012. Total gains on hedging objects relating to the hedged risk were NOK 0.2 million in 2013 and NOK 0.6 million in 2012. 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>		
31.12.13				31.12.13		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commit.		Total	Assets	commitment
1 066	0	41	Interest rate swaps – fixed interest rate loans	1 066	0	41
			Interest rate swaps – bank deposits with share yield		0	
1 066	0	41	Total financial derivatives	1 066	0	41
2 362	213	0	Interest rate swaps – fixed interest rate loans	2 362	213	0
2 362	213		Total financial derivatives	2 362	213	0

<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
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

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 23.1 Net presentation of financial assets and obligations

<i>Group</i>					
31.12.13					
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments	Net
Derivatives as assets	213	0	213	41	172
Derivatives as obligations	41	0	41	-41	0

<i>Parent bank and Group</i>					
31.12.12					
	Gross financial assets	Financial assets recognised net	Net financial Assets in the balance sheet	Financial instruments	Net
Derivatives as assets	261	0	261	45	216
Derivatives as obligations	45	0	45	-45	0

Instruments of relevance to the management of interest rate risk will primarily be interest rate swaps (interest rate swap agreements). Transactions involving derivatives can be carried out with different counterparties. In order to differentiate the counterparty structure, a good relationship must be established with some of the major banks/brokerage houses that account for the majority of the turnover in interest-related products in the market. If the bank has the same counterparty derivatives on both the asset side and the debt side, these can be offset against each other.

NOTES

NOTE 24 - Financial assets available for sale

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
4 551	4 630	Certificates and bonds	3 811	3 576
16	12	Accrued interests financial assets	12	16
186	209	Shares unit trust certificates and PCCs	209	186
4 753	4 851	Total certificates bonds and shares available for sale 1-2)	4 032	3 778

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.

NOTE 24.1 - Portfolio of certificates and bonds

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

The Bank's portfolio of certificates and bonds is measured at fair value through profit or loss. To the extent that there is an active market for the securities in question, observable market prices are also used to determine fair value.

In accordance with amendments to IAS 39 and IFRS 7, and the regulations issued by the Norwegian Ministry of Finance on 16 October 2008, it became possible to reclassify the securities portfolio at amortised cost. Helgeland Sparebank has not used this opportunity to reclassify securities.

<i>Parent bank</i>			<i>Group</i>	
31.12.13			31.12.13	
Nominal value	Market value		Nominal value	Market value
450	447	Bonds issued by public sector borrowings	450	447
75	75	Certificates	75	75
4087	4 108	Other bearer bonds	3 267	3289
0	12	Accrued interests financial assets	0	12
4 612	4 642	Total certificates and bonds	3 792	3 823

<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

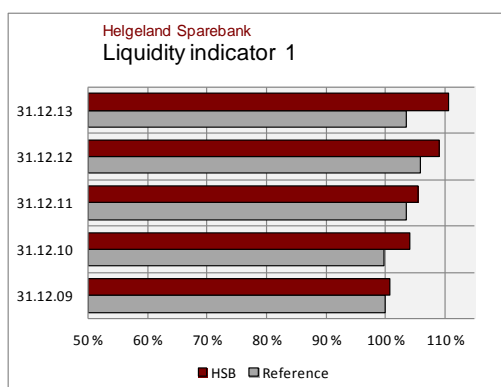
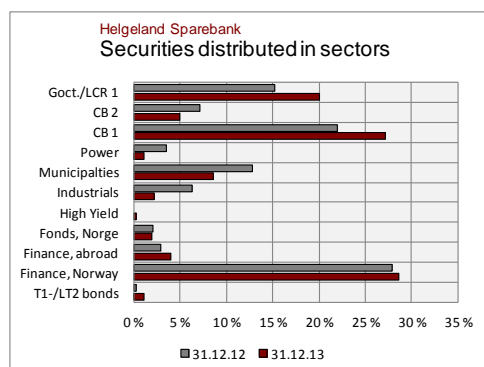
The package of measures made available by the government to the Norwegian banks involved the government and the banks swapping government securities with covered bonds. Helgeland Sparebank purchased bonds from Helgeland Boligkreditt AS (NOK 700 million), which were used as security for swap agreements 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 31.12.13, the securities portfolio amounted to NOK 3.8 (3.6) billion and is equivalent to 14.7% (14.5) of net asset value. The average remaining term is 2.0 (2.0) years. Return is calculated on total interest income for the entire portfolio expressed as a percentage of the mean securities portfolio during the year. Net gain from bonds is recognised in the income statement in the amount of NOK 4 million this year. The portfolio broken down according to rating class and sector-based securities portfolio, which are both within the Group's target requirements, is

NOTES

presented below. At the year-end, long-term financing expressed as a percentage of liquid assets (liquidity indicator 1) amounted to 110.6% (108.2). This is above average for reference banks, which is the bank's target figure.



NOTE 25 - Shares unit trust certificates and EC's

Parent bank and group

	31.12.13		31.12.12	
	Nominal value	Market value	Nominal value	Marked value
Shares – stock exchange	14	14	54	44
Shares – not stock exchange	170	195	136	142
Total shares	184	209	190	186

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

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

Parent bank and group

	31.12.13	31.12.12
Portfolio as at 1.1 Helgeland Sparebank	187	168
Additions	24	20
Disposals	43	-1
Write-down	7	-2
Adjustment to market value	48	-5
Portfolio as at 31.12	209	186

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

Parent bank

Details:	Portfolio as at 01.01.13	Additions	Disposals	Write-down	Adjustment to real value	Portfolio as at 31.12.13
Associated companies:	163				1	164
Group companies	347				-1	346

Parent bank

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

NOTES

NOTE 26 –Investment in subsidiaries

					<i>Parent bank</i>	
					31.12.13	31.12.12
	Equity capital	Shares	Equity stake	Office address	Real value / Book value	
ANS Bankbygg Mo	49	5 591	97 %	Mo i Rana	45	46
Helgeland Boligkreditt AS	290	290	100 %	Mo i Rana	290	290
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					346	347

NOTE 27 - Associated companies

					Group
					31.12.12
	Location	Business sector	Eq. stake	Equity methode	Equity methode
COMPANY					
Helgeland Invest AS	Mo i Rana	Investment	48 %	152	150
Eiendomsmegleren Helgeland AS	Mo i Rana	Real estate	34 %	1	1
Storgt. 73 AS	Brønnøysund	Real estate	43 %	2	2
Total				155	153

*) The balance sheet value of the company is based on preliminary figures from the company as of 31.12.13.

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

					<i>Group</i>	
					31.12.13	
Company	Assets	Liabilities	Equity capital	Turnover		
Helgeland Invest AS	310	14	296			
Eiendomsmegleren Helgeland AS	6	5	2	11		
Storgata 73 AS	5	1	5	1		
Total	321	20	303	12		

					<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	13		

NOTES

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13	Intra-group balances:	31.12.13	31.12.12
Claims:				
0		Loans to associated companies	0	0
0		Total net claims	0	0
Liabilities:				
81	90	Deposits from associated companies	90	81
81	90	Total liabilities	90	81
Transactions:				
0	0	Interest income from associated companies	0	0
2	3	Interest costs from associated companies	3	2
2	2	Dividends from associated companies	2	2

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.

NOTE 28.1 - Intercompany elimination/transactions

	<i>Group and Parent bank</i>	
	31.12.13	31.12.12
Income Statement		
Income from interest and credit commissions received from subsidiaries	45	47
Interest on deposits to subsidiaries	8	8
Rent expense	8	7
Refund of operating expenses	12	12
Balance Sheet		
Lending to subsidiaries	731	778
Covered bonds	700	900
Deposits from subsidiaries	258	299
Accounts receivable, group contribution	50	30

Helgeland Boligkreditt AS (eierandel 100 %)

Helgeland Sparebank received a group contribution from the mortgage company of NOK 29.8 million during 2013.

Transferred loans as of 31.12.13 amount to a total of NOK 4,804 (5,080) million. Covered bonds in the mortgage company amount to NOK 4,011 (4,311) million, of which NOK 700 (900) million have been acquired by Helgeland Sparebank. A total of NOK 665 million of the drawing facility of NOK 1 billion had been used as of 31.12.13. The bank has also entered into agreements with Helgeland Boligkreditt AS concerning a drawing facility of NOK 2.1 billion, which will largely be used for the settlement of purchased loans and the repayment of covered bonds.

The agreements have been established according to the arm's length principle. The effects of the facilities are eliminated in the consolidated accounts.

Ans Bankbygg (holding 97%)

Helgeland Sparebank received a repayment of investor capital amounting to NOK 0.9 million during 2013.

The bank leases premises from ANS Bankbygg and paid NOK 7.9 million during 2013.

Eiendomsmegleren Helgeland AS (holding 34%)

The bank received a dividend from Eiendomsmegleren Helgeland AS of NOK 1.9 million in 2013.

Frende Holding AS (holding 8%)

Helgeland Sparebank received commission for the distribution of life insurance amounting to NOK 4.0 million and commission on the sale of non-life insurance of NOK 13.1 million during 2013. The company gained new shareholders during 2013 and the bank sold 1% of its holding with a profit of NOK 7 million.

NOTES

Brage Finans AS (holding 10%)

During 2013, Brage Finans carried out a capital expansion, of which Helgeland Sparebank's share amounts to NOK 7.5 million.

NOTE 28.2 - Loans to elected representatives and employees

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13	Loans to:		31.12.13	31.12.12
142	164	Loans to employees		259	258
9	9	Board of Directors		10	10
5	10	Board of Trustees		10	11
1	2	Control Committee		3	0
157	185	Total loans to elected representatives and employees		282	280

The interest rate applied to staff loans has been lower than the normal rate of interest for 2013. The benefit in kind amounted to about NOK 2.5 million. Calculated from maximum amount of loans.

NOTE 28.3 - Remuneration and loans for senior management Board of Directors and Board of Trustees

<i>Parent bank</i>						<i>Group</i>	
31.12.13						.12.13	
Loans	Payments	Pension cost (amount in thousands NOK)		Pension cost	Payments	Loans	
0	1 631	574	CEO Jan Erik Furunes	574	1 631	0	
1 250	1 452	794	DCEO Lisbeth Flågeng	795	1 452	1 750	
1 250	3 083	1 369	Total remuneration for senior management	1 369	3 083	1 750	
0	198	0	Chairman of the board Thore Michalsen	0	198	0	
0	137	0	Ove Brattbakk	0	137	0	
101	84	0	Gislaug Øygarden	0	84	101	
0	14	0	Stein Andre Herigstad-Olsen	0	14	0	
3 246	84	0	Monica Skjellstad	0	84	3 246	
146	84	38	May Heimdal	38	84	1 142	
3 601	44	0	Bjørn Audun Risøy 1. Deputy	0	44	3 601	
0	16	0	Tone Helen Hauge 2. Deputy	0	16	0	
1 970	44	25	Svein Hansen 3. Deputy	25	44	1 970	
9 064	705	63	Total boards of Directors	63	705	10 060	

<i>Parent bank</i>						<i>Group</i>	
31.12.12						31.12.12	
Loans	Payments	Pension cost		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	
	164		Chairman of the board Bjørn Johansen		164		
	167		Thore Michalsen		167		
	80		Gislaug Øygarden		80		
	131		Ove Brattbakk		131		
3 300	80		Monica Skjellstad		80	3 300	
137	80	62	May Heimdal	62	80	867	
3 100	36		Bjørn Audun Risøy 1. Deputy		36	3 100	
	40	54	Svein Hansen 3. Deputy	54	40		
2 700	3		Tone Helen Hauge 2. Deputy		3	2 700	
9 237	780	116	Total boards of Directors	116	780	9 967	

NOTES

NOTE 28.4 - Remuneration and loans for senior management Board of Directors and Board of Trustees

31.12.13			31.12.13		
Loans	Payments	Pension cost (amount in thousands NOK)	Pension cost	Payments	Loans
916	55	Heidi Dahl		55	1 320
1 500	35	Kåre J. Åsli		35	1 500
0	35	Frank Høyen		35	0
2 416	125	0 Total Control Committee	0	125	2 820
0	34	Grete Bang		30	
0	2	Anne Paasche Jakobseb		4	
0	36	0 Total Board of trustees	0	34	0
1 783	8	Wenche Drevland		8	1 783
1 035	6	Sten Oddvar Solhaug		6	1 035
1 025	6	Laila Furu Vold		6	1 025
1 129	6	Inger Robertsen		6	1 129
1 279	2	Kjell Idar Juvik		2	1 275
	2	Helge Stanghelle		2	
59	8	Torill Beate Risøy		8	59
	2	Kai Henriksen		2	
462	4	Lasse Jacobsen		4	653
194	2	Ingvar Møllersen		2	425
	4	Håmund Ivarrud		4	
6 962	50	0 Total Depositor Committee	0	50	7 384
0	6	Tom Svendsen		6	
1 100	7	Øyvin Trønsdal		7	1 894
	17	Asbjørn Wangerud		17	
	6	Ivar A. Juel		6	
	4	Frank Arntsberg		4	
	6	Svein G. Nybø		6	
	4	Nils Terje Furunes		4	
1 700	4	Elin Langfjell Møgster		4	1 700
	4	Bodil Olsen		4	
	4	John Arne Warholm		4	
	6	Harald Svendsen		6	
	4	Judith Johansen		4	
	2	Asle Bardal		2	
2 800	74	0 Total equity certificate holders	0	74	3 594
1 700	6	Roger Ditlefsen		6	1 700
1 863	6	Einar Eliassen		6	1 863
279	2	Bente Johansen		2	279
2 042	4	Nils Sagrabb		4	2 042
1 532	6	Tore Stamnes		6	1 893
1 969	2	Stein Åge Rørmark		2	1 969
0	4	Liv Sund		4	119
1 170	6	Morten Myran		6	1 170
10 555	36	475 Total Staff	475	36	11 035

NOTES

31.12.12				31.12.12		
Loans	Payments	Pension cost	(amount in thousands NOK)	Pension cost	Payments	Loans
446	50		Heidi Dahl		50	1 376
	35		Kåre J. Åsli		35	0
	34		Frank Høyen		34	0
446	119	0	Total Control Committee	0	119	1 376
0	30		Grete Bang		30	0
0	4		Anne Paasche Jakobseb		4	0
0	34	0	Total Board of trustees	0	34	0
0	8		Wenche Drevland		8	1 350
690	4		Sten Oddvar Solhaug		4	690
	4		Laila Furu Vold		4	1 085
1 150	10		Inger Robertsen		10	1 150
	2		Kjell Idar Juvik		2	0
	2		Ellen Schølberg		2	
960	8		Torill Beate Risøy		8	960
	4		John Luktvaslimo		4	
2 800	42	0	Total Depositor Committee	0	42	5 235
0	2		Tom Svendsen		2	
1 100	7		Øyvinn Trønsdal		7	2 150
	4		Asbjørn Wangerud		4	
	4		Ivar A. Juel		4	
	4		Frank Arntsberg		4	
	4		Svein G. Nybø		4	
	6		Nils Terje Furunes		6	
1 700	4		Elin Langfjell Møgster		4	1 700
	4		Harald Svendsen		4	
	2		Judith Johansen		2	
	4		Øystein Strømnes		4	
2 800	45	0	Total equity certificate holders	0	45	2 850
1 700	4		Roger Ditlefsen		4	2 150
1 784	4		Einar Eliassen		4	1 784
309	4		Bente Johansen		4	309
1 588	4		Tore Stamnes		4	1 967
	6		Liv Sund		6	157
961	4		Morten Myran		4	961
6 342	26	497	Total Staff	497	26	7 328

NOTES

NOTE 29 - Deferred tax / Deferred tax benefit

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13	Deferred tax / deferred tax benefit:		31.12.13	31.12.12
Positive temporary differences:					
185	162	Operating equipment		162	185
185	162	Total positive temporary differences		162	185
52	44	Deferred tax		44	52
Negative temporary differences					
-19	-20	Impairment losses on interest bearing securities		-20	-19
17	17	Operating equipment		18	27
61	53	Pension liabilities		53	61
177	145	Other temporary differences		146	177
236	195	Total negative temporary differences		197	246
0	0	Loss carried forward		0	0
236	195	Deferred tax benefit		197	246
66	53	Deferred tax / deferred tax benefit:		53	69

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>		
31.12.13					31.12.13	
Total	Mach. eqt. fixtures and cars	Buildings and other real estate		Buildings and other real estate	Mach. eqt . fixtures and cars	Total
313	247	66	= Acquisition cost as at 01.01.13	129	226	355
9	9	0	+ additions	0	9	9
18	15	3	- disposals	3	15	18
304	241	63	Acquisition cost as at 31.12.13	126	220	346
280	225	55	Accumulated depreciation/write-down as at 01.01.13	95	177	272
12	11	1	+ ordinary depreciation 1)	1	11	12
0	15	3	Write down	3	15	18
274	221	53	Accumulated depreciation/write-down as at 31.12.13	93	173	266
30	20	10	Book value as at 31.12.13	33	47	80
	10-33 %	3-4 %	Rates applied to ordinary depreciation	3-4 %	10-33 %	
	3-10 year	30 year	Economic life 1)	30 year	3-10 year	

*) The useful life of each asset is assumed

NOTES

<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 01.01.11	126	200	226
8	8	0	+ additions	4	26	30
1	0	1	- disposals	1	0	1
313	247	67	Acquisition cost as at 31.12.11	129	226	355
266	212	54	Accumulated depreciation/write-down as at 01.01.11	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 31.12.11	95	177	272
33	22	11	Book value as at 31.12.11	34	49	83
	10-33 %	3-4 %	Rates applied to ordinary depreciation	3-4 %	10-33 %	
	3-10 year	30 year	Economic life 1)	30 year	3-10 year	

*) The useful life of each asset is assumed

NOTE 30.1 - Fixed assets held for sale

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
30	57	Book value as at 01. 01	112	85
44	4	Additions	4	44
-17	-20	Disposals	-20	-17
0	0	Net gains/losses on changes in market value	0	0
57	41	Book value as at 31.12	96	112

NOTE 31 - Other assets

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
6	41	Sundry suspense accounts	41	6
7	4	Various debtors	4	7
0	8	Prepaid costs	8	0
13	53	Total other assets	53	13

NOTE 32 - Foreign exchange

Group and Parent bank

The Group has no significant holdings of foreign currency available via ATMs. The Group has no transactions in foreign currency of any significance, but has pledged guarantees for foreign currency loans managed by the currency bank on behalf of Helgeland Sparebank. See Note 2.3 .1 foreign exchange risk.

NOTES

NOTE 33 - Liabilities to credit institutions

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13			31.12.13	31.12.12
0	0	Liabilities to credit institutions – without agreed maturities		0	0
0	0	Loan's Norges Bank		0	0
837	647	Liabilities to Norges Bank in connection with the government package of measures		647	837
0	0	Liabilities to Kredittforening for Sparebanker – with maturities over 6 months		0	0
837	647	Total		647	837

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

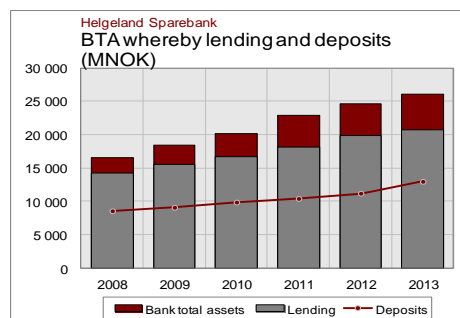
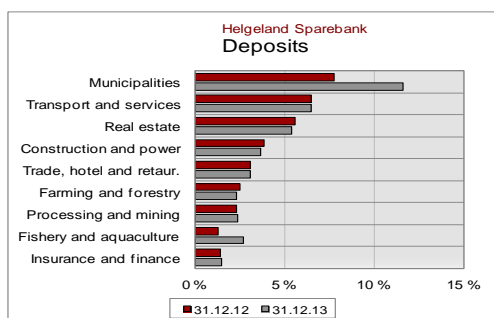
<i>Group / parent bank</i>				31.12.13
	Maturities	Cupon	Nom amount	
Liabilities to N.B in connection with the government package of measures	19.03.2014	6m Nibor - 20bp		647
Total				647

NOTE 34 - Deposit from customers

NOTE 34.1 - Deposit from customers split by sector/industry

<i>Parent bank</i>				<i>Group</i>				
%	31.12.12	%	31.12.13	Deposit from customers split by sector/industry	31.12.13	%	31.12.12	%
4.6 %	531	4.1 %	546	Financial institutions	306	2.4 %	257	2.3 %
7.6 %	878	11.4 %	1 510	Municipalities and municipal enterprise	1 510	11.6 %	878	7.8 %
2.5 %	284	2.2 %	295	Agriculture and forestry	295	2.3 %	284	2.5 %
1.3 %	144	2.6 %	345	Fisheries and aquaculture	345	2.7 %	144	1.3 %
1.3 %	152	1.5 %	198	Mining and industry	198	1.5 %	152	1.4 %
5.5 %	630	5.3 %	696	Building and construction	696	5.4 %	630	5.6 %
3.1 %	353	3.0 %	397	Trade, hotel, restaurants.	397	3.1 %	353	3.1 %
6.3 %	727	6.4 %	842	Property, property development	842	6.5 %	272	6.5 %
4.1 %	468	3.8 %	499	Transport and services	480	6.7 %	442	3.9 %
63.8%	7 344	59.8 %	7 920	Retail market	7 920	61.0 %	7 344	65.5%
100.0	11 511	100.0 %	13 248	Total	12 989	100.0 %	11 211	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.



Deposits from customers as of 31.12.13

Deposits from customers amount to NOK 12.9 billion, of which NOK 5.1 billion (3.9) has been lent to business customers. The graph above shows the sector subdivision, with growth in municipal deposits during 2013. The share of private customer deposits amounts to 61.0% (65.5). Of the deposits, 92.2% (91.8) consist of deposits from customers in Helgeland.

NOTES

NOTE 34.2 - Geographical exposure deposits from and liabilities to customers

<i>Parent bank</i>			<i>Group</i>	
31.12.13	%-share		31.12.13	%-share
12 211	92.2 %	Helgeland	11 973	92.2 %
933	7.0 %	Areas other than Helgeland	914	7.0 %
104	0.8 %	International	102	0.8 %
13 248	100.0 %	Total	12 989	100.0 %

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

NOTE 34.3 - Deposits from and liabilities to customers

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
4 650	4 889	Ordinary terms without notice of withdrawal or agreed maturities	4 889	4 650
6 279	7 744	Special terms for customer deposits without agreed maturities	7 485	5 979
582	615	Special terms for customer deposits with agreed maturities	615	582
11 511	13 248	Total deposits from customers	12 989	11 211

NOTE 35 - Financial liabilities incurred through the issuance of securities

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
200	0	Certificate loans	0	200
7 169	7 022	Bond loans	10 709	10 700
-411	-661	Own bonds	-1 156	-606
6 958	6 361	Total deposits from customers	9 553	10 294

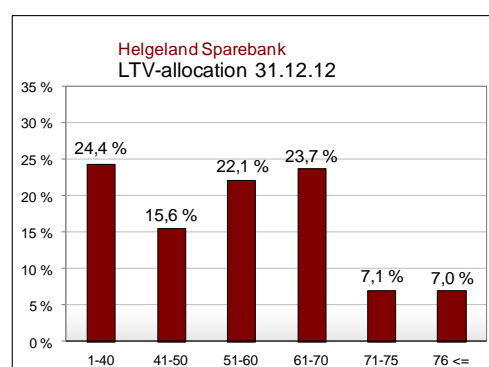
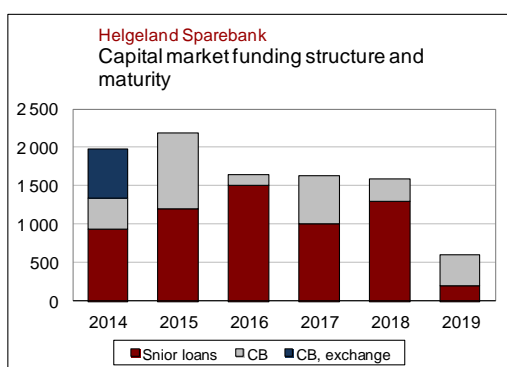
NOTE 35.1 - Details of bond loans

				<i>Group</i>
				31.12.13
	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, frn	2014	2 539	561	1 978
Bond Loans, frn	2015	2 100	110	1 990
Bond Loans, fixed interest rate	2015	200		200
Bond Loans, frn	2016	751	100	651
Bond Loans fixed interest rate	2016	1 000		1 000
Bond Loans, frn	2017	1 300	170	1 130
Bond Loans fixed interest rate	2017	500		500
Bond Loans, frn	2018	1 300	115	1 185
Bond Loans, fixed interest rate	2018	400		400
Bond Loans, fixed interest rate	2019	700	100	600
Total Bond loans		10 790	1 156	9 634

NOTES

Group
31.12.12

	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	1 450		1 450
Bond Loans, frn	2015	1 718		1 716
Bond Loans fixed interest rate	2015	200		200
Bond Loans, frn	2016	1 651	10	1 641
Bond Loans fixed interest rate	2016	1 000		1 000
Bond Loans, frn	2017	1 300	170	1 130
Bond Loans, fixed interest rate	2017	500		500
Bond Loans, frn	2018	300	15	285
Total Bond loans		10 637	606	10 031



Maturity structure per 31.12.13

Liquidity risk is reduced by spreading securities debt in different markets, funding sources, instruments and maturities. The Group's share of long-term funding at 31.12.13 was 81.7 (80.6)%.

Covered bonds are included in the securities debt of the Group with 4,011 (4,311) million. LTV of the cover assets 52.1 (53.5)

Parent Bank

31.12.13

	Maturity	Bond loans	Own portfolio	Net Nominal
Bond Loans, frn	2014	1 500	561	939
Bond Loans, frn	2015	1 000		1 000
Bond Loans, fixed interest rate	2015	200		200
Bond Loans, frn	2016	500		500
Bond Loans fixed interest rate	2016	1 000		1 000
Bond Loans, frn	2017	500		500
Bond Loans fixed interest rate	2017	500		500
Bond Loans, frn	2018	1 000	100	900
Bond Loans, fixed interest rate	2018	400		400
Bond Loans, fixed interest rate	2019	200		200
Total Bond loans		6 800	661	6 139

NOTES

Details of bond loans

				<i>Parent Bank</i>
				31.12.12
	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

			<i>Group and Parent bank</i>
			31.12.13 31.12.12
Short-term drawing rights facility 1 year			300 130
Total drawing rights facilities as at 31.12			300 130

The Group's total liquidity reserves are deemed satisfactory.

			31.12.13 31.12.12
In addition the Group has			
Surplus liquidity at Norges Bank as at 31.12			49 31

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>	
31.12.12	31.12.13		31.12.13	31.12.12
39	68	Other short –term liabilities	68	39
37	53	Tax payable	73	43
76	121	Total other liabilities	141	82
10	10	Accrued holiday pay and employers' social security contributions	10	10
10	8	Other incurred costs	8	10
20	18	Total incurred costs and prepaid income	18	20
61	53	Pension liabilities (note 12)	53	61
0	0	Provisions for losses on guarantees	0	0
61	53	Total incurred liabilities	53	61
52	43	Deferred tax	36	52
219	219	Fund bonds	219	219
0	300	Subordinated loans	300	0
428	754	Total other liabilities	767	215

Secured debt

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

NOTES

Binding agreements to acquire real property, plant and equipment

As of 31 December 2013, the Group had not entered into any significant binding agreements to acquire property, plant or equipment.

Ongoing legal disputes

Helgeland Sparebank has not been involved in administrative matters, proceedings or arbitrations over the past 12 months, the bank has also not aware that it is filed or notified of such cases, which may have or have recently had a significant impact on the Bank and / or the financial position or profitability.

NOTE 37 - Subordinated loan capital and fund bond loans

<i>Parent bank</i>						<i>Group</i>
Instrument	Year of	Nominal value	Interest rate	Redemption right	31.12.13	31.12.12
Subordinated loan	2013	NOK 300 million	3-mth. NIBOR +200 basis	Soft call 12.06.18	300	0
Hybrid Tier 1 security	2013	NOK 220 million	3-mth NIBOR +520 basis	Soft call 28.03.17	219	219
					519	219

NOTE 38 - Equity capital

NOTE 38.1 - Capital adequacy

<i>Parent bank</i>				<i>Group</i>	
31.12.12	31.12.13			31.12.13	31.12.12
935	187	EC-capital		187	935
97	845	Premium Fund		845	97
-1	-1	Own ECs		-1	-1
1 031	1 031	Total paid-in capital		1 031	1 031
382	415	Savings Bank's Fund		415	382
116	162	Reserve for valuation variances		154	108
22	23	Donations Fund		23	22
169	269	Dividend equalisation reserve		269	169
24	34	Cash dividend		34	24
0	0	Other equity capital		62	44
713	903	Total accrued equity capital/retained earnings		957	749
-116	-162	Reserve for vauluation variances		-154	-108
-66	-53	Deferred tax assets		-53	-69
-35	-69	Shares in financial institutions		-69	-35
-29	-39	Cash dividend/gift employee		-39	-29
1 498	1 611	Total core tier one		1 673	1 757
218	218	Hybrid capital		218	218
1 716	1 829	Total core capital		1 891	1 757
0	300	Subordinated dept.		300	0
44	65	Weight assets calculation basis *		61	41
-36	-69	Shares in financial instutions		-69	-36
0	0	Additional		0	0
8	296	Total net supplementary capital		292	5
1 724	2 125	Total net equity and related capital		2 193	1 762
12 546	12 715	Weighted asset calculation basis		13 640	13 401
11.94 %	12.67 %	Core tier one Capital ratio		12.26 %	11.48 %
13.68 %	14.38 %	Core capital ratio		13.86 %	13.11 %
13.74 %	16.71 %	Capital ratio		16.00 %	13.15 %

(Capital for 2012 have not been restated in accordance with IAS 19 restated balance).

NOTES

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.

NOTE 38.2 - Risk-weighted calculation basis, capital adequacy requirements, Basel II

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
0	0	States and central banks	0	0
86	61	Local and regional authorities (including municipalities)	61	86
1350	1 428	Institutions	851	760
3 584	2 729	Enterprises	2 731	3 584
2 202	2 172	Mass market loans	2 238	2 194
4 030	5 062	Loans secured by real property	6 729	5 841
130	161	Loans overdue	161	130
198	198	Covered bonds	116	108
0	0	Units in securities funds	0	0
479	511	Other loans and commitments	307	154
12 057	12 321	Capital requirement credit risk	13 195	12 856
696	696	Capital requirement operational risk 1)	748	748
-209	-303	Deducted from capital requirement	-302	-205
12 545	12 715	Total capital requirement	13 640	13 399

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 38.3 - Capital management

		<i>Group</i>
The bank's board of directors has adopted a capital plan for the period 2013-2017, in which compliance with the new capital adequacy requirements in Norway as a result of CRD IV is central. The board of directors has adopted new capital targets, including a core tier one capital adequacy (group) of at least 12.5% and a total capital adequacy of up to 18% - assuming a countercyclical capital buffer of 2.5%. The Group has strengthened its core tier one capital adequacy to 12.25% (11.48), which is well above the minimum statutory requirement (currently 9%), and well above the new minimum requirements of 10% from 1 July 2014 and 11% from 1 July 2015. Tier one capital adequacy was 13.86% (13.11). Total assets strengthened as a result of a new subordinated loan in May of NOK 300 million and amounted to 16.00% as of 31.12.13, compared with 13.15% as of 31.12.12. The Group is planning to further strengthen the tier one capital by building capital via operations.		

NOTE 39 – EC-holders

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

<i>Parent bank</i>				
31.12.13				
Breakdown acc to number of ECs held	Number of EC-owners		Number of ECs	
	Share	Share - %	Share	Share - %
1 – 1 000	1 750	76.5 %	535 890	2.9 %
1 001 – 10 000	438	19.1 %	1 312 305	7.0 %
10 001 – 50 000	66	2.9 %	1 244 716	6.7 %
50 001 – 100 000	12	0.5 %	732 059	3.9 %
100 001 – 500 000	22	1.0 %	14 875 030	79.5 %
Total	2 288	100.0 %	18 700 000	100.0 %

NOTES

Parent bank

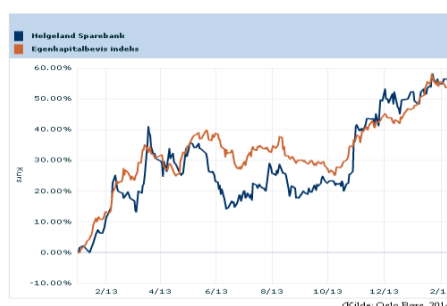
31.12.12

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

Trading in Helgelands Sparebank's ECs

The price as at 31.12.13 was NOK 47.2 per EC's EC's Price trend graph for Helgeland Sparebank and the price trend for the financial sector on Oslo Stock Exchange. Equity certificates have experienced an upturn on Oslo Stock Exchange since the turn of the year.

At the end of November, the Sparebankstiftelsen Helgeland foundation sold 2.5 million equity certificates in HELG. Following the transaction, the foundation owns a total of 51.3% of the equity certificates.



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

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

The Bank's ticker is HELG.

Given the regulatory requirements which require the banks to strengthen their core tier one capital adequacy, the board has decided to propose a reduced dividend level for 2013 in line with the bank's capital plan.

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. 2 288 owners. Note 39.3 shows the list of the 20 largest equity certificate holders.

NOTES

NOTE 39.3 - The 20 largest EC-owners

Parent bank

31.12.13

	Number	% share		Share	% share
Sparebankstiftelsen Helgeland	9.599.598	51,3 %	Sniptind Holding AS	179.780	1,0 %
MP Pensjon	902.203	4,8 %	Holberg Norge Verdipapirfond	168.600	0,9 %
Sparebankstiftelsen DNB	442.724	2,4 %	Johs. Haugerudsvei a	160.992	0,9 %
AS Atlantis Vest	440.500	2,4 %	Utbyttekapital AS	154.643	0,8 %
Pareto AS	420.000	2,2 %	VPF Nordea Norge	127.750	0,7 %
Citibank	391.138	2,1 %	Norsk Utbyttekapital	125.103	0,7 %
Helgelandskraft AS	340.494	1,8 %	Sparebanken Vest aksjer	125.000	0,7 %
Nordic Financials AS	318.212	1,7 %	AS Flu	118.200	0,6 %
Verdipapirfondet Eik	222.724	1,2 %	Alsing Ruth Søndergaard	111.926	0,6 %
Bergen kommunale pensj.	200.000	1,1 %	Melum Mølle AS	110.240	0,6 %
total 10 lagrest owners	13 277 593	71.0 %	Total 20 lagrest owners	14 659 827	78.4 %

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

In February, the bank announced a write-down in the nominal value of the equity certificates. Equity share capital is reduced by NOK 748 million, from NOK 935 million to NOK 187 million, as a result of the change in the nominal value of the equity certificates from NOK 50 to NOK 10. The reduction amount was used as an appropriation to the premium fund. The equity certificates' collective capital was not affected and remained unchanged. The write-down was carried out to increase the Group's flexibility on the equity side and was implemented during the third quarter 2013.

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	82.7	Total 20 lagrest owners	16 251 691	86.9

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 bank
			31.12.13
Name/Firm	POSITION		Own ECs
Nils Terje Furunes	Bank's depositors	E	4.709
Tom Svendsen	Bank's depositors	E	1.119
Frank Høyen	Bank's depositors	E	822
Øyvinn Trønsdal	Bank's depositors	E	1.000
Asbjørn Wangerud	Bank's depositors	E	1.500
Iver a. Juel	Bank's depositors	E	12.916
Frank Arntsberg	Bank's depositors	E	1.500
Drevland, Wenche	Bank's depositors	I	99
Stanghelle, Helge	Bank's depositors	I	114
Ditlefsen, Roger	Bank's depositors	A	245
Eliassen, Einar	Bank's depositors	A	245
Johansen, Bente	Bank's depositors	A	368
Stamnes, Tore	Bank's depositors	A	1.745
Sund, Liv	Bank's depositors	A	581
Myran, Morten	Bank's depositors	A	917
Thore Michalsen	Chairman of the Board	S	2.135
Ove Brattbakk	Deputy Chariman	S	2.052
Monica Skjellstad	Member of the board	S	550
May Heimdal	Member of the board	S	359
Furunes, Jan Erik	CEO	L	1.360
Flågeng, Lisbeth	DCEO	L	2.103

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 bank
			31.12.12
Name/Firm	POSITION		Own ECs
Svendsen, Tom	Bank's depositors	E	1 119
Høyen, Frank	Bank's depositors	E	822
Wangerud, Asbjørn	Bank's depositors	E	1 500
Juel, Iver A.	Bank's depositors	E	12 916
Arntsberg, Frank	Bank's depositors	E	1 500
Nybø, Svein G.	Bank's depositors	E	504
Furunes, Nils Terje	Bank's depositors	E	4 709
Drevland, Wenche	Bank's depositors	I	99
Stanghelle, Helge	Bank's depositors	I	114
Ditlefsen, Roger	Bank's depositors	A	135
Eliassen, Einar	Bank's depositors	A	135
Johansen, Bente	Bank's depositors	A	258
Stamnes, Tore	Bank's depositors	A	1 635
Sund, Liv	Bank's depositors	A	471
Myran, Morten	Bank's depositors	A	807
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

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

NOTE 39.5 - Dividend

	<i>Parent bank</i>	
	31.12.13	31.12.12
Equity in the balance sheet + Subordinated loan capital	1 935	1 745
Deduction (Subordinated loan capital /fund for evaluation differences/dividends on PCC)	-201	-145
Total adjusted equity	1 733	1 600
EC-capital	187	935
Premium Fund	845	97
Dividend equalisation reserve	269	169
Total	1 302	1 202
EC percentage 31.12	75.1 %	75.1 %
EC percentage 01.01	75.1 %	74.9 %
Calculation of dividend:		
Profit	175	103
Transferred from equalisation fund	0	8
Basis dividend	175	111
Calculated dividende	34	24
Dividend equalisation reserve	97	59
Dividend provision per. EC	7.03	4.44
Cash dividend	1.80	1.30
Equalisation reserve	5.23	3.14

NOTE 39.6 - Key figures EC

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
31.0	47.2	EC price quoted on the stock exchange	47.2	31.0
7.5	6.7	P/E (price as at 31.12 divided by profit per EC)	6.1	6.3
0.5	0.6	P/B (price as at 31.12. divided by book value of equity capital)	0.6	0.5
75.1	75.1	EC percentage 31.12	75.1	75.1
64.3	76.3	Equity capital per EC, in Norway currency	78.5	64.3
4.1	7.0	Cash dividend	7.8	4.9
4.1	7.0	Equalisation reserve	7.8	4.9

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

<i>Parent bank</i>			<i>Group</i>	
31.12.12	31.12.13		31.12.13	31.12.12
179	163	Payment guarantees	163	179
112	140	Contract guarantees	140	112
181	163	Loan guarantees	163	181
20	21	Other guarantee liabilities	21	20
492	488	Total guarantee liabilities *)	487	492
31.12.12	31.12.13	SBGF	31.12.13	31.12.12
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>	
31.12.12	31.12.13		31.12.13	31.12.12
Bonds pledged as collateral security for:				
520	520	D-loan from Norges Bank	520	520
520	520	Total assets pledged as collateral security	520	520

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 33.7 million of the year's profits to the Equity Certificate holders in Helgeland Sparebank. It is furthermore proposed to make provision of NOK 11.2 (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>	
31.12.12	31.12.13		31.12.13	31.12.12
Assets				
92	98	Cash and balances at central banks	99	92
985	1 273	Loans to and claims on credit institutions	607	278
1 479	2 999	Loans to and claims on customers	4 064	1 926
1 770	1 755	Certificates, bonds and shares available for sale	1 405	1 770
4 596	6 125	Total short term assets	6 175	4 086
12 998	12 864	Loans to and claims on customers	16 533	17 829
261	213	Financial derivatives	213	261
2 983	3 096	Certificates, bonds and shares available for sale	2 627	2 008
163	164	Investments in associated companies	155	153
347	346	Investments in subsidiaries		
66	53	Deferred tax benefit	53	69
90	71	Fixed assets	176	195
13	53	Other assets	53	13
16 921	16 860	Total long term assets	19 810	20 528
21 517	22 985	Grand total assets	25 985	24 594
LIABILITIES AND EQUITY CAPITAL				
190	647	Liabilities to credit institutions	647	190
11 511	13 248	Deposits from customers and liabilities to customers	12 989	11 211
2 403	977	Borrowings through the issuance of securities	1 727	2 799
14 104	14 872	Total short term liabilities	15 363	14 200
640	0	Liabilities to credit institutions	0	640
4 774	5 903	Borrowings through the issuance of securities	8 345	7 714
45	41	Financial derivatives	41	45
209	235	Other liabilities	248	198
5 668	6 179	Total long term liabilities	8 634	8 597
19 772	21 051	Grand total liabilities	23 997	22 797
1 031	1 031	Paid-in equity capital	1 031	1 031
714	903	Accrued equity capital/retained earnings	955	747
1 745	1 934	Total equity capital	1 986	1 778
0	0	Non controlling interest	2	2
21 517	22 985	Total liabilities and equity capital	25 985	24 594

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 25th of february 2013 and presented to the Board of Trustees on 26th 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 2014 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 Flågeng

Benefits in kind

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

Pension schemes

The bank has a collective pension plan a life insurance company that also applies to senior executives. The Bank's defined benefit pension plan was closed with effect from 01.07.12. New employees admitted as a member of a defined contribution scheme.

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 CEO is entitled to leave his position upon reaching the age of 64. Helgeland Sparebank has undertaken to pay an annual early retirement pension from age 64 to 67. The early retirement pension will amount to 66% of the CEO's estimated salary at the time of commencement of the pension disbursements. The CEO is also entitled to contractual pension compensation.

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.

Description of the management salary policy during the 2013 financial year

The bank's management salary policy for 2013 was implemented in accordance with the main principles set out above under guidelines for remuneration.

NOTES

Helgeland Sparebank - 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 2013 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, 25th February 2014

Thore Michalsen
Chairman of the Board

Ove Brattbakk
Deputy Chairman of the Board

Gislaug Øygarden

Monica Skjellstad

Stein Andre Herigstad-Olsen

May Heimdal
Employee Representative

Jan Erik Furunes
Chief Executive Officer



To the Annual Shareholders' Meeting of Helgeland Sparebank

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Helgeland Sparebank, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2013, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group Helgeland Sparebank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, 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 2014

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 2013.

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 2013 and the minutes of the Bank's Board of Directors and recommends that prepared the financial statements determined that the Bank's account for 2013.

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

Mo i Rana 26.februar 2014

Heidi Dahl

Kåre J. Åsli

Kai Henriksen

Profit and loss account items as a percentage of average assets

<i>Parent bank</i>					<i>Group</i>			
2010	2011	2012	2013		2013	2012	2011	2010
3.99	4.21	4.18	4.07	Interest receivable and similar income	4.25	4.27	4.26	4.07
2.43	2.70	2.72	2.47	Interest payable and similar costs	2.51	2.76	2.76	2.45
1.56	1.52	1.45	1.59	Net interest- and credit commission income	1.74	1.51	1.50	1.62
0.42	0.36	0.39	0.39	Commissions receivable and income from banking services	0.35	0.34	0.34	0.41
0.06	0.06	0.04	0.04	Commissions payable and costs relating to banking services	0.04	0.04	0.06	0.06
0.36	0.30	0.34	0.34	Net commission income	0.31	0.30	0.28	0.34
0.15	0.03	0.03	0.17	Gains/losses on financial instruments	0.06	0.00	-0.04	0.14
0.01	0.02	0.01	0.02	Other operating income	0.03	0.03	0.02	0.02
0.03	0.00	0.00	0.00	Costs 150 years anniversary	0.00	0.00	0.00	0.03
0.19	0.00	0.00	0.00	Disposable income effect pension	0.00	0.00	0.00	0.18
1.13	1.06	1.03	0.97	Other operating costs	0.95	0.96	1.02	1.12
0.12	0.14	0.13	0.12	Losses on loans gurantees etc	0.13	0.11	0.13	0.12
0.99	0.67	0.68	1.02	Result from ordinary operations before tax	1.05	0.77	0.62	1.03
0.25	0.19	0.20	0.24	Tax payable on ordinary result	0.29	0.22	0.19	0.25
0.74	0.48	0.49	0.78	Result from ordinary operations after tax	0.77	0.55	0.43	0.78

<i>Parent bank</i>					<i>Group</i>			
2010	2011	2012	2013	(Amounts in NOK million and %)	2013	2012	2011	2010
18 826	20 630	21 517	22 985	Total assets as at 31.12	25.985	24 594	22 802	20 160
18 750	19 733	20 963	22 407	Average assets	25.290	23 553	21 425	19 425
13 675	14 487	14 833	15 970	Gross lending	20.708	19 842	18 149	16 630
-52	-39	-21	-40	Individual write-downs	-40	-21	-39	-52
-58	-60	-66	-67	Period's change in collective write downs	-71	-66	-60	-58
-1	-10	0	0	Individual write-downs on gurantees	0	0	-10	-1
73.7 %	73.5 %	77.6 %	83.0 %	Deposit coverage as a percentage of gross loans	62.7 %	56.5 %	57.5 %	59.4 %
56.3 %	54.4 %	52.2 %	55.8 %	Loans to retail banking customers	65.6 %	63.9 %	63.5 %	63.4 %
-3.2 %	5.9 %	2.4 %	7.7 %	Growth in gross loans	4.4 %	9.3 %	9.1 %	7.3 %
9.6 %	5.8 %	8.0 %	15.1 %	Growth in customer deposits	15.9 %	7.5 %	5.5 %	8.6 %
1 486	1 525	1 725	2 125	Core capital and related capital as at 31.12	2 183	1 762	1 537	1 502
11 592	11 847	12 546	12 715	Weighted asset calculation basis	13 640	13 401	12 960	12 436
61.6 %	57.4 %	58.3 %	55.3 %	Weighted asset calculation basis as a perc. of av. assets	52.5 %	54.5 %	56.8 %	61.7 %
12.5 %	12.5 %	11.9 %	12.7 %	Core tier one capital ratio	12.3 %	11.5 %	11.6 %	11.8 %
12.5 %	12.5 %	13.7 %	14.4 %	Core capital ratio	13.9 %	13.1 %	11.6 %	11.8 %
12.8 %	12.9 %	13.8 %	16.7 %	Capital ratio	16.0 %	13.1 %	11.9 %	12.1 %
8.7 %	8.1 %	8.1 %	8.4 %	Equity capital ratio	7.7 %	7.2 %	5.6 %	9.2 %
8.5 %	5.8 %	6.1 %	9.5 %	Rate of return on equity capital	10.4 %	7.2 %	5.6 %	9.2 %
0.7 %	0.5 %	0.5 %	0.8 %	Return on assets	0.8 %	0.5 %	0.4 %	0.8 %
46	30.5	31.0	47.2	EC's price quoted on the Oslo Stock Exchange	47.2	31.0	30.5	46
8.3	8.0	7.5	6.7	P/E	6.1	6.3	8.2	7.6
0.7	0.5	0.5	0.6	P/B	0.6	0.5	0.5	0.7
74.9	74.9	75.1	75.1	EC percentage as at 31.12	75.1	75.1	74.9	74.9
63.8	65.4	69.1	76.3	Equity capital per EC in NOK	78.5	70.5	65.8	64.5
5.5	3.8	4.1	7.0	Result per EC's in NOK	7.8	4.9	3.7	6.0
5.5	3.8	4.1	7.0	Diluted result per EC's in NOK	7.8	4.9	3.7	6.0
2.7	1.9	1.3	1.8	Cash dividend				
2.8	1.9	3.1	5.2	Equalisation reserve				
1.1	1.1	1.0	1.0	Costs as a percentage of income	0.9	1.0	1.0	1.1
49.1	56.8	55.7	45.8	Cost in percentage of average total assets	44.5	53.9	57.7	47.5
177	177	177	177	Number of man-years	177	177	177	177
As a percentage of gross loans:								
1.4	1.2	0.7	1.0	Gross commitments in default	0.7	0.5	0.9	1.2
1.1	0.9	0.6	0.8	Net commitments in default	0.6	0.5	0.7	0.9
0.8	0.7	0.6	0.7	Total write-downs	0.5	0.4	0.5	0.7
0.2	0.2	0.2	0.2	Losses on commitments	0.2	0.1	0.1	0.1

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

Elected representatives and senior management

Members of the Board of Trustees

Elected from the public sector:

Chairman: Bang, Grete
Henriksen, Kai

Elected from the Bank's depositors

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

Elected from the Bank's PCC-holders:

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

Elected from the Bank's staff:

Eliassen, Einar
Ditlefsen, Roger
Johansen, Bente
Myran, Morten
Stamnes, Tore
Sund, Liv

Members of the Board of Directors:

Chairman: Michalsen, Thore

Deputy Chairman: Brattbakk, Ove

Other members of the Board of Directors:

Herigstad-Olsen, Stein Andre
Øygarden, Gislaug
Skjellstad, Monica
Heimdal, May

Members of the Control Committee:

Chairman Dahl Heidi
Høyen, Frank
Åsli, Kåre

Senior management and key personnel:

Furunes, Jan Erik, CEO
Flågeng, Lisbeth, DCEO and Chief Executive, Region North
Heimstad, Dag Hugo, Chief Executive, Region South
Ekroll, Anne, Chief Risk Management Officer
Klausen Sverre, Chief Investments and Insurance Officer
Krogli, Ann Karin, Chief Human Resources Officer Strøm,
Inger Lise, CFO
Karlsen, Øyvind, Chief Business Development Officer



A COMMITTED AND SOCIALY AWARE LOCAL BANK

Part of the bank's gift policy is to award prizes/stipends to promote development and honour people who in their own way contribute or could develop into good ambassadors for Helgeland. Therefore, each year Helgeland Sparebank awards a sport and culture stipend to talented young people in Helgeland, in addition to the Horizon Community Prize.

The sport and culture stipend has the purpose of promoting the development of talented people in culture and sport in Helgeland. The stipend scheme aims to identify young talent with a good attitude and provide financial stimuli for the further development of these people. The stipend amounts to NOK 30,000 and is awarded annually. Candidates must be aged 13-20 and be resident in Helgeland. This is the fourth time that the stipend has been awarded.



Winners of the sport and culture stipend for 2013

From left; (Anita Gjesbakk, mother of winner Heidi Gjesbakk (18) – Rana – Biathlon, Melanie Hauahei (16) – Rana – Biathlon, Sjasmin Reitehaug (18) – Rana – Saxophone, Kristine Solli Oppegaard (18) – Sømna – Trombone, Vilde Evensen (17) – Sømna – Handball and Geir Sætran – Managing Director, Helgeland Foundation. In front Nikolai Frydenlund (16) – Rana – Biathlon, and rearmost, Jan Erik Furunes – CEO, Helgeland Sparebank. Not present: Emil Storjord Vilhelmsen (19) – Vefsn – Combined, Kristian Lyngøy (15) – Alstahaug – Road cycling, and Hans Christian Wika (18) – Vefsn – Piano/Double bass.

A SOCIALLY AWARE LOCAL

Norwegian savings banks have the opportunity to give a proportion of their profits back to the local community in the form of gifts for non-profit purposes. Helgeland Sparebank is a major contributor to social development in the region through its ordinary bank operations, general sponsorship and partnership agreements, as well as through awards from the gift fund and the gift foundation.

The bank uses two different tools for implementing its gift policy: 'Helgeland Sparebank's gift fund' and 'Helgeland Sparebank's gift foundation'.

In its gift policy, the bank prioritises the formative conditions of children and young people, as well as wealth creation in a broad sense. Examples of prioritised areas include:

- Sport and culture and the experience economy
- Knowledge and research and innovation measures
- Sport and culture stipends
- Instrument banks
- The Horizon Community Prize

The bank places emphasis on the following considerations in connection with its awards:

- The award must go to non-profit causes
- People, institutions, teams/associations, programmes and projects
- No operational support
- No public sector areas of responsibility or projects
- No private initiatives with personal ownership
- No commercial measures or commercial activity
- Prioritised measures and activities: children and young people
- Engineering/construction, visible and measurable projects
- Measures that could raise the profile of Helgeland
- Measures which enhance reputation and could contribute to the development of a place
- Measures that can trigger other support
- Measures involving personal contributions/voluntary work - driving forces

Total of NOK 100 million awarded to over 900 initiatives in Helgeland

Helgeland Sparebank has awarded almost NOK 100 million to over 900 initiatives since 2007. Just under a third of this has gone to what can be defined as sports purposes, a third has gone to culture and a third has gone to knowledge, research, innovation and industrial development. Around NOK 10 million has been given to social, humanitarian and formative causes.

The bank's considerable social engagement has been recognised in Helgeland, and one of the region's local newspapers stated the following concerning the bank's contribution in this area:



This is not the first time Helgeland Sparebank has stepped up to the mark and saved projects that have run also often makes it possible to start on the construction and development of sports facilities in the region.

A good local bank is a major asset to a local community, because the bank is close at hand and knows the market and the people, and can see things that will benefit not just the bank, but the local community that it is part of too."

Manager, Rana Blad

AL BANK

Part of the bank's gift policy is to award prizes/stipends to promote development and honour people who in their own way contribute or could develop into good ambassadors for Helgeland. Therefore, each year Helgeland Sparebank awards a sport and culture stipend to talented young people in Helgeland, in addition to the Horizon Community Prize.

THE HORIZON COMMUNITY PRIZE

The Horizon Community Prize may be awarded to an individual, company, organisation or institution in Helgeland whose involvement in a particular way has made a positive contribution towards individuals, groups or the local community as a whole, or which in some other way has demonstrated that it 'cares about other people' or allows other fellow human beings to come first.

The prize aims to honour its recipients and encourage further engagement. The Horizon Community Prize consists of an object of art made by a local artist, a diploma and a sum of money of NOK 100,000, which is to be dedicated to a social cause determined by the prize winner.

Horizon Community Prize 2013

Driving force and mountain enthusiast Thor Bergesen from Alstahaug has received the Horizon Community Prize for his tireless commitment to outdoor recreation and appreciation of nature in Helgeland.

In 2013, Thor Bergesen was awarded both the King's Medal of Merit and the Outdoor Recreation Driving Force Prize. He received the Medal of Merit for his work in making mountain areas safe for hillwalkers. He received the Driving Force Prize following an online poll among people interested in outdoor recreation. Bergesen is known as a real athlete and can always be seen out with a tin of paint and a brush when he is out walking. Since the mid-1970s, he has made a major contribution towards the marking of trails and helped to ensure that walkers of all ages can enjoy nature in safety. Among other things, his contribution has meant that the summit walks of Dønnamannen, Trænstaven, Hestmannen and The Seven Sisters have become accessible and popular for many people. He knows every stone leading up to most summits and enjoys setting out walking routes for others. When Queen Sonja was on vacation in Helgeland some years ago, it was Thor Bergesen who prepared her route.



CAMPUS HELGELAND

– Driving force for skills, development

Campus Helgeland in Mo i Rana opened on 20 August 2013. The University of Nordland, Nesna University College and Narvik University College are now located next to each other in one building, offering Mo i Rana an excellent and broad range of courses in one place. The goal is that by 2017 there will be 1,000 students at Campus Helgeland, with 500 full-time and 500 part-time students. There will also be a strong research environment with 8-10 stipends for doctoral students. Many of these have already been arranged.

Industry is represented at Campus Helgeland through a strong growth environment, and acts as a driving force for regional development. This growth environment will help make Campus Helgeland even more attractive, and at the same time ensure good links between education, research and working life. The ambition is for Campus Helgeland to be a national model for the interaction between education and working life. The co-location of many different bodies offers a unique opportunity to create a robust and attractive subject and course environment for both young people and adults alike.

Campus Helgeland also has excellent modern library facilities consisting of the Rana Library, Nordland County Library and the University Library, in addition to a development-oriented growth environment, which aims to contribute to the realisation of the vision of becoming a driving force for skills, development and innovation in Helgeland.

nt and innovation in Helgeland



*A driving force for growth
in Helgeland!*



*P O Box 68,
N-8601 Mo i Rana,
Norway*

*Telephone: +47 75
11 90 00*

www.hsb.no



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