2020

ANNUAL REPORT

A DRIVING FORCE FOR GROWTH IN HELGELAND

SpareBank 1 HELGELAND

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Summary of financial results

Net income before tax

NOK 390 million

Return on equity

9.7%

12-month growth in lending

0.1%

12-month growth in deposits

-1.5%

Total assets

NOK 33.2 billion

Solvency

18.8%

Core tier 1 capital ratio

The Bank's Board of Directors

Stein Andre Herigstad-Olsen

CHAIR

Board member 2013-2014 and Vice chair 2015-2017. Chair from 2019.

Bjørn Krane

VICE CHAIR

Vice chair of the Board of Directors since 2020

Rolf Eigil Bygdnes

BOARD MEMBER

Board member since 2020.

Marianne Terese Steinmo

BOARD MEMBER

Board member from April 2016 and deputy member from April 2015 - April 2016.

Tone Helen Hauge

BOARD MEMBER

Board member from 2019 and deputy member 2012 - 2014.

Siw Moxness

BOARD MEMBER

Board member since 2019.

Birgitte Lorentzen

BOARD MEMBER - EMPLOYEE REPRESENTATIVE

Board member since April 2016.

Geir Pedersen

BOARD MEMBER - EMPLOYEE REPRESENTATIVE

Board member since April 2017.

The Bank’s Management Group

Hanne Nordgaard

CHIEF EXECUTIVE OFFICER

Appointed in 2017.

Sverre Klausen

CHIEF FINANCE OFFICER

Appointed in 1981.

Bjørn-Tore Brønlund

CORPORATE MARKET DIRECTOR

Appointed in 1993.

Dag-Hugo Heimstad

RETAIL MARKET DIRECTOR

Appointed in 2006.

Øyvind Karlsen

BUSINESS DEVELOPMENT DIRECTOR

Appointed in 2013.

Anne Ekroll

RISK MANAGEMENT DIRECTOR

Appointed in 1994.

Remarks from the CEO Annual Report 2020

Many people are already referring to 2020 as "the different year". Here at SpareBank 1 Helgeland, we completely agree with this sentiment. On 18 March 2020, the erstwhile Helgeland Sparebank announced that the Bank had made a strategic decision and would join the SpareBank 1 Alliance and at the same time enter into a strategic business partnership with SpareBank 1 Nord-Norge. This decision impacted on the rest of 2020, and preparations for the transactions in 2021 have characterised the Bank's operations, market communication, priorities in capital allocation and the societal debate.

The decision to enter into the alliance stemmed from changes in the banking industry's framework conditions. The regulatory requirements applicable to banking operations in Europe and Norway are being tightened, digitalisation and automation of banking services are necessitating major investments in IT infrastructure, and competition for customers is fierce at a time when national and international competitors are just a few keystrokes away. Size matters when it comes to competitiveness in the banking industry, and a close and binding partnership between a number of banks will offer customers a better solution.

The actual entry into the SpareBank 1 Alliance and the change of name to SpareBank 1 Helgeland takes effect in March 2021. Customers and staff will notice the change through the introduction of a new logo for the Bank and a completely new IT platform for the Bank, covering not only online and mobile banking solutions, but also all the Bank's production systems. In March, the Bank will acquire a 15 percent stake in both Eiendomsmegler 1 Nord-Norge as and Regnskapshuset Nord-Norge as.

In October 2021, SpareBank 1 Nord-Norge will acquire a 20 percent stake in the Bank, and thereby become the second largest owner of the Bank's equity certificates, while customers and employees of Sparebank 1 Nord-Norge in Helgeland will be transferred to SpareBank 1 Helgeland at the same time. SpareBank 1 Helgeland will also acquire 15 percent of the shares in SNN Finans as at the same time.

Helgeland Sparebank has been a driving force for growth in Helgeland, as has SpareBank 1 Helgeland. Growth is generated when the business sector dares to take risks, invest and innovate. This requires secure and stable framework conditions, in addition to access to customers and markets to sell what is produced, the right skills in the workforce and, last but not least, capital.

Access to labour is a key input factor for generating growth. There is a shortage of both highly qualified professionals and skilled workers in Helgeland, and we rely on recruiting new people from outside Helgeland. We need people who want to move to Helgeland and settle here with their family. The inward migration of people with the right skills will be decisive in determining whether Helgeland can be successful in generating growth going forward. This is a task we are committed to through our reputation-building work and through the strengthening of operators involved in recruitment via the Bank's gift fund.

Helgeland consists of a number of small labour markets comprised of some large, but mostly small enterprises. Cooperation between businesses, between the public and private sectors and between the municipalities of Helgeland will be vital if we are to win the battle for customers and labour.

Like capital, labour is important for generating growth. The capital must be in the form of both risk equity and more long-term bank financing. What would Helgeland have been without its local bank?

The locally owned and run savings bank has been, and remains, vital for Helgeland, and will remain so after the Bank's change of name to SpareBank 1 Helgeland.

The local savings bank performs a very special role in the financial landscape. The local savings bank lives off, and alongside, the local business community. While international and national banks often retreat to their head offices in challenging times, the local bank continues to support its local community. The local bank knows its customers, trusts its customers and is keen to follow its customers through both the good and the challenging times. We live close to the business community and make an effective contribution by making good judgements. This is because we have many employees with a high level of expertise in the business sector and because we give business leaders the feedback they need in order to run their businesses.

SpareBank 1 Helgeland gives great value back to the local community in terms of returns to our local equity certificate holders, and in the form of dividends on our community-owned capital. The dividends on the community-owned capital are donated to socially beneficial causes in sport, culture, sustainability, knowledge and research. All 18 municipalities benefit from this and it provides a driver for growth in volunteerism, well-being and the quality of life in Helgeland. Well-being and quality of life may not necessarily lead to more people moving to Helgeland; but it undoubtedly results in more people deciding to stay here. When that is said and done, we are consciously striving to strengthen the input factors which will also help to raise the profile of Helgeland outside its boundaries, and we will continue to do this. This will involve focusing on marketing initiatives and creating experiences for the next generation of people who will develop a positive attitude towards their home district if they move away to study. Many people from Helgeland study away from home, and this is not something we can or want to prevent, but we are working with a long-term approach on our corporate social responsibility and through sponsorship to help ensure that as many people as possible return to the area. This is a long-term process which we will refine further over the coming years.

Helgeland has a well-diversified business sector, with a good balance between a vibrant and export-oriented private sector and a stabilising public sector. Salmon farming and our industrial companies are the driving forces in Helgeland, creating substantial ripple effects throughout the rest of the business sector. When investing in key local businesses, this has a major impact on the local community's belief in the future.

There is also considerable optimism in Helgeland within the agriculture and tourism sectors. Many young farmers are setting up in business, constructing new facilities and streamlining operations for the future. More and more tourists also found their way to Helgeland during the coronavirus year, and we now have an ever-increasing range of activities to offer holidaymakers who visit the region.

We need a Helgeland which is "closer together" too, not just in physical terms. If Helgeland is to develop and grow, we need cooperation, interaction and unity across industries, municipalities and towns.
Our greatest challenge as a region is how we encourage more young people, skilled workers, entrepreneurs and enthusiasts to become driving forces for growth in Helgeland. Being a driving force for cooperation is a position we have adopted in order to contribute as much as possible in this process, and we are already seen by both private and corporate customers precisely as a stakeholder who is helping to promote greater cooperation.

The local bank wants to remain a driving force for growth and cooperation in Helgeland over the next 160 years too – under the name SpareBank 1 Helgeland.

Hanne Nordgaard

Hanne Nordgaard
Chief Executive Officer

The retail market

Sparebank 1 Helgeland is the local bank for both the resident population of Helgeland and for Helgeland expatriates worldwide. Over 50% of Helgelanders consider the local bank to be their main bank, and there is a very strong bond between the Bank and its customers.

Competition in the banking market was once again strong during 2020. Competition from national and international banks that have entered into agreements with various Norwegian trade unions and interest organisations has increased markedly. Equipping the Bank to be competitive in relation to these competitors was one of the reasons why Helgeland Sparebank announced in March 2020 that the Bank would be joining the SpareBank 1 Alliance, changing its name to SpareBank 1 Helgeland in the process and entering into a strategic partnership with SpareBank 1 Nord-Norge.

SpareBank 1 Helgeland experienced negative growth in the retail market of -0.2 percent in 2020, while market growth has been around 4 percent. The ambition going forward is to achieve profitable growth in line with the market, and to offer more products and services to individual customers.

The housing market was buoyant in Helgeland in 2020. The trend in house prices has remain cautiously positive, being relatively unaffected by the ongoing pandemic. The price per square metre has risen by 6.2 percent for apartments, while detached houses saw a decline of 2.6 percent in 2020. The level is still far below that of Trondheim and Oslo.

Growth in deposits in the retail market during 2020 was 4.6 percent. Despite record-low interest rates on bank savings, this is the form of saving that is closest to Helgelanders' hearts. During the last year, new pensions savings products have come onto the market. These aim to encourage young people in particular to make an early start in saving for their pensions. Today's welfare programmes are facing challenges and in the future it will become increasingly important for people to secure their retirement through their own savings.

The Bank has been very successful in selling non-life and personal insurance for Frende Forsikring and is the largest insurance provider in Helgeland, with a market share of 23 percent. From 2022, SpareBank 1 Helgeland will change its business partner for the sale of life and non-life insurance policies and start selling products and services for Fremtind Forsikring.

The Bank is also taking an ever-greater share of the market for car and boat financing through secured loans. In 2020, SpareBank 1 Helgeland did this via Brage Finans, but will switch to SNN Finans from the second half of 2021.

Use of the Bank's digital customer interfaces continues to rise. Mobile banking, in terms of the number of logins, has now become our most widely used customer channel. With mobile banking, you have the bank practically in your pocket, available 24/7. As a customer of the local bank, you will gain a new online banking service and a mobile bank when the Bank joins the SpareBank 1 Alliance and becomes SpareBank 1 Helgeland in March 2021.

Despite this, personal interaction between the bank and the customer is just as relevant as before. This is particularly true when the customer is making a major investment or investing in something for the first time. Face-to-face meetings are also very important when our customers find themselves in difficult situations and where financial advice and guidance are crucial.

The corporate market and the status of the business sector in Helgeland

Helgeland is a Norway in miniature as regards the composition of the business sector. We have a good mix of primary industries, industry, public sector, private sector services, transport, research and development and wholesale and retail trade. Current levels of activity and the planned level of investment had never been higher than at the start of 2020.

The early part of 2020 was marked by the ongoing pandemic. Many companies had to lay off staff, and unemployment in Helgeland rose dramatically. The business community in Helgeland faced a variety of challenges. Some businesses found it harder to get hold of goods and services deliveries from suppliers, some had to close, some had many staff off work in quarantine, and some needed liquidity loans and/or repayment holidays. The situation for most companies began to return to "normal" from the summer onwards.

In the context of Northern Norway, Helgeland has the largest power generators, smelting plants and mining, timber and transport companies. We have three oil/gas field centres in operation on the Continental Shelf off the coast of Helgeland, we produce more than 10 percent of Norway's hydropower, and a wind farm is to be built on Øyfjellet, west of Mosjøen. New industrial technologies and a stronger focus on circular processes with high levels of recycling promise great opportunities for Helgeland in the years ahead.

INDUSTRY, CONSTRUCTION AND ENGINEERING

Helgeland is one of the country's leading industrial regions and has strengthened this position through the establishment of the Arctic Cluster Team industrial cluster, which was granted ARENA Pro status in November 2020. As a result of this cluster project, industrial cooperation in Helgeland is becoming ever stronger, and the project is expected to increase momentum in industry through exciting projects in the circular economy. Alcoa in Mosjøen and at Mo Industripark are reporting investments in automation and increased production over the next few years.

Industry, construction and engineering accounts for about 40 percent of turnover in Helgeland and is the largest industry in the region.

Capacity in the metals industry and construction and engineering sector is well-utilised, and employment is flat, despite strong growth.

WHOLESALE AND RETAIL TRADE, TRAVEL AND TRANSPORT

The second-largest sector in Helgeland is wholesale and retail trade, tourism and transport. Wholesale and retail trade is a sector which is undergoing change, with e-commerce representing the greatest opportunity and/or threat to local stores. Some businesses in the sector will not survive this restructuring process and we are seeing a decline in the number of local stores.

Experience-based tourism and the hotel industry in Helgeland enjoyed an excellent summer season, with so many holidaymakers spending their summer holidays in Norway, yet there were challenges to be overcome as a result of coronavirus restrictions over the course of the year as a whole. Cooperation between businesses in the tourism sector and continual product development within the experience sector means that the industry is growing. On the other hand, the course and conference market was greatly affected by the coronavirus measures throughout 2020.

SERVICES FOR THE CORPORATE MARKET

The third-largest sector in the region is services for the corporate market in Helgeland. The sector accounts for approximately one fifth of the turnover of Helgeland. This is a broad and diverse sector which is extremely important for the competitiveness of trade and industry. Local access to services often helps to create new and competitive solutions.

AQUACULTURE AND AGRICULTURE

The aquaculture and agriculture industries are the region's fourth-largest sector. Agriculture in Helgeland is characterised by optimism, investment in and by young people and renewal. The production of grass, milk and meat are the foundations of agriculture in Helgeland.

The aquaculture industry has developed into a bedrock of the Helgeland economy, alongside the metals industry. The aquaculture industry's focus on industrialisation, automation and solving the biological challenges in production is expected to yield results and provide firm foundations for further growth.

A driving force for growth and collaboration in Helgeland

Sparebank 1 Helgeland is Helgeland's local bank and our focus is on Helgeland. As a savings bank, we have a wonderful opportunity to give something back to our beautiful region of which we are so proud to be part. Our aim is to be a driving force for growth and collaboration in Helgeland, and therefore every year we give much of our surplus back to the community through donations for charitable and socially beneficial causes across the region. Through our community involvement, we are pleased to help foster local quality of life, well-being and activities for young and old alike. This is our contribution to making life in Helgeland even better.

THE BANK'S GIFT INITIATIVE

Since the start of our charitable activities in 2007, the Bank has now donated almost NOK 210 million to charitable and socially beneficial initiatives across the region.

This has benefited many local communities, sports clubs, associations, and children and young people, and been a driver for growth in volunteerism, well-being and local quality of life.

In its gift policy, the Bank prioritises the formative conditions of children and young people in a broad sense in areas such as:

- *Sport, culture and the experience economy*
- *Health promotion initiatives*
- *Knowledge and research, and innovation measures*
- *Grants for sport and culture*
- *The Drivkraft (Powerhouse) Prize – a community prize*

Each of these focus areas is important in different ways for Helgeland's growth and progress.

CULTURE NIGHT MO I RANA *- was one of relatively few events in Helgeland to actually take place during 2020. Culture Night was held for the first time in 2016, with over 70 different activities at around 25 different locations. However, this year saw considerable uncertainty over whether or not the event could take place due to COVID-19. The organiser later summed up the event as follows: "Culture Night proved to be a very different experience this year due to all the restrictions that were in place, but we believe the public felt safe and well-looked after at the events that did take place. We would like to thank the Bank for its fantastic support and commitment". The picture was taken on a pirate raid on an old ship down in the harbour.*

THE BANK'S DONATIONS IN 2020

Sport and outdoor activities are part of our cultural heritage, and a rich cultural life is an important factor in the region's attractiveness. Good sports and cultural facilities attract new people, which Helgeland needs in order to meet the recruitment challenges we face.

Therefore, the formative conditions for children and young people have a high priority in the Bank's allocation of funding. We know that childhood years are very important for how people manage later on in life, and in Helgeland there are many voluntary associations and organisations that put in an enormous amount of work for children and young people. This is something we value highly and we want to be an active contributor and motivator for this through our donation policy.

Although 2020 was in many ways and areas marked by the ongoing coronavirus pandemic and all the associated restrictions that it entailed, a wide variety of groups and associations have benefitted from the Bank's gift policy.

Although the vast majority of festivals in Helgeland had to be either cancelled or postponed, many people also took the initiative to arrange alternative events within the framework of the prevailing infection control rules – events which the Bank helped to support at an otherwise difficult time through its gift policy.

Despite the ongoing pandemic, many initiatives and projects were initiated and implemented in Helgeland during 2020, many with the support of the bank's Gift Fund and Gift Foundation. The renewal and upgrading of shooting ranges and facilities, new "black box" at Nordland Theatre in connection with the theatre's youth initiative, new floodlights for the football pitch at Kippermoen, new universal hiking trail in Klevskaret, as well as a contribution towards the construction of "Barnas Hus" at Bjerka, are just a few examples of the many non-profit and socially beneficial projects in Helgeland that received gift funds from the Bank's Gift Foundation in 2020. In total, more than NOK 13 million was paid out from the Bank's Gift Fund and Gift Foundation during the year.

HATTFJELLDAL SKOLEKORPS *wanted to re-establish its school band and received a start-up and development grant from the Bank's Gift Fund in 2020. After receiving the gift, the leader of the school band said: "We would like to thank you for the support and are thrilled to have been able to invest in the purchase of instruments for our players. Building up a school band again takes time. We have been so fortunate to receive funding, which means that our players now have both uniforms and instruments. This will inspire everyone to develop their musical skills even further. Playing in a band is a lesson that people carry with them throughout their lives. Not only the musical aspects, but also the sense of unity and the bonds that develop between the members of a band when they do something positive together in a group." This picture of the band was taken before the start of the coronavirus pandemic.*

INDUSTRY, KNOWLEDGE, RESEARCH AND EDUCATION

The future will require new knowledge and innovation, and, through its gift policy, Sparebank 1 Helgeland is contributing to projects involving university colleges, universities, local knowledge parks and business associations aimed at promoting local expertise and competitiveness. No less than 25 percent of the Bank's total grants have gone to industry, knowledge, research and education initiatives since the charitable work began in 2007. In 2020, the Bank awarded gift funds to Gründeruka 2020 and Career Day, along with NOK 750,000 for a new Newton Room at the new Vitensenter Nordland science centre in Mo i Rana, Helgeland.

GRANTS FOR SPORT AND CULTURE

The Bank also wants to help ensure that young talent in sport and culture in Helgeland gets the attention and support it needs to grow. In 2020, it was ten years since the Bank began distributing such scholarships to talented young people in Helgeland. During the Bank's anniversary year, no fewer than 17 young participants in the field of sport and six in the field of culture received a scholarship of NOK 30,000 each from the Bank.

These scholarships had a good geographic distribution and funds were distributed in Brønnøysund, Sandnessjøen, Mosjøen and Mo i Rana.

Since 2011, no fewer than 114 young and talented people in Helgeland have now received this scholarship. In terms of NOK and øre, the Bank has distributed NOK 3,420,000 in grants for sport and culture to talented young people across Helgeland.

THE DRIVKRAFT (POWERHOUSE) PRIZE

SpareBank 1 Helgeland founded the Drivkraft (Powerhouse) community prize. The prize is awarded to a person or organisation that has distinguished themselves through their commitment to individuals, groups or the local community as a whole. The prize is awarded every year in connection with the Bank's *Drivkraft Conference*, which aims to bring together key players in Helgeland across industries and municipalities.

In 2020, the Drivkraft prize went to sports personality Trond Olsen. Trond Olsen has led Bossmo & Ytteren IL sports club for decades, and has also been a prominent figure in sport generally in the Mo area for a lifetime. He has also represented and chaired the Sports Council for many years. His broad involvement, which includes both skiing and football, has been appreciated throughout the sports community in Rana. Within football, he has been particularly noticed for his work with Bossmo & Ytteren's para-athletes, while within skiing, he has been a driving force behind the development of Skillevollen sports park.

GRANTS FOR SPORT AND CULTURE: *Six talented young sportspersons - out of a total of 23 recipients of grants for sport and culture - received their awards in Brønnøysund just before Christmas in 2020.*

Trond Olsen *is pictured here receiving the Drivkraft Prize for 2020. The prize consists of a work of art by a local Helgeland artist and NOK 100,000, which must be donated to a charitable cause. Trond decided to donate the money to the following causes: Bossmo & Ytteren group for the disabled, Skillevollen Idrettspark sports park, Bossmo & Ytteren IL Ytteren Stadium, BUA Rana non-profit organisation, Rana Sports Council and the Vandve youth team. Here, Trond Olsen receives both his diploma and the artwork, along with money from the Retail Market Director, Dag Hugo Heimstad, at the Bank's Drivkraft Conference in August 2020.*

Economic outlook

The Norwegian economy was hit by a double blow in March 2020, when the country was shut down in the fight against the coronavirus pandemic, alongside the drop in oil prices as a result of lower global demand. The country has been through one of the biggest recessions since World War II, with record unemployment and a sharp decline in value creation. Overall, the Norwegian economy has fared relatively well compared with other Western countries. Norges Bank anticipates a significant upturn in 2021, as the vaccination programme is rolled out and government restrictions are withdrawn.

GLOBAL ECONOMY

The coronavirus pandemic and its consequences have been the dominant factor in the global economy for almost a year now. The second wave of the virus led to the introduction of strict new restrictions this autumn, putting a brake on the global recovery. Several vaccination programmes have been approved in the United States and the European Union, and considerable effort is being made to roll-out these programmes as rapidly as possible. However, there is uncertainty associated with the pace of the roll-out, the duration of the vaccines and potential new mutations of the virus. This means that it may take time for the global economy to improve significantly and return to the GDP levels that we saw before the crisis.

To combat the economic downturn, massive monetary and fiscal policy measures have been initiated. This has helped reduce the risk of even more bankruptcies, job losses and financial turmoil.

On a global basis, household savings have increased significantly through the crisis, as a result of stimulus packages and limited opportunities for consumer spending due to the shutdown of society. A sharp rise in consumer spending is therefore expected as economies open up and uncertainty diminishes.

THE NORWEGIAN ECONOMY

In the short-term, the restrictions imposed by the government in order to combat the virus are having a cooling effect on the Norwegian economy. At the same time, a raft of strong measures have been implemented over the past year in order to stimulate the economy. Norges Bank had previously increased the key interest rate from 0.5 percent to 1.5 percent, which provided more scope for strong measures through ordinary monetary policy. During 2020, the key interest rate was lowered in three stages, ending at a record-low of 0 percent.

In addition to a record-low key interest rate, fiscal policy has also been highly expansive. Measures such as the introduction of the compensation scheme have helped to ensure that the structural, oil-corrected budget deficit is expected to end at NOK 392.5 billion, equivalent to 12.3 percent of the trend GDP for mainland Norway. The change measured against 2019 (budget impulse) indicates an expansive effect of 4.5 percent. For 2021, the budget is expected to contribute a contractive impulse to the Norwegian economy.

The Norwegian Mainland-GDP fell by around 3.4 percent in 2020. Norges Bank anticipates an increase of 3.7 percent in 2021 and 3.1 percent in 2022. The central bank links its forecasts for a rapid recovery to a rise in household spending, greater investment in housing and an increase in public demand. However, petroleum investments and business investments are dragging the trend in value creation downwards in 2021. Norges Bank also notes that, although underlying inflation is above target, strengthening of the Norwegian krone and the prospect of low pay growth will help to reduce price growth going forward. The housing market experienced strong price growth over the last year, boosted by low interest rates. Norges Bank has stated that a prolonged period of low interest rates will increase the risk of financial imbalances building up. In isolation, the developments in the housing market and household debt load could thus contribute to higher interest rates over time.

Norges Bank has announced that the key interest rate will remain unchanged at its current level for some time to come, and has indicated that interest rates will begin to rise gradually from the first half of 2022 onwards. It has also been noted that the magnitude of the economic recession and the considerable uncertainty relating to the road ahead suggests that the key interest rate will be kept at the current level until there are clear signs that the economy is normalising again.

DEVELOPMENTS IN HELGELAND

For Helgeland, the economic effect of the pandemic has primarily been limited to the business sector and households, which have been affected by the national measures aimed at preventing the spread of infection. While some industries and households have been severely affected by the pandemic, key economic developments at the end of the year show that Helgeland has fared well through the ongoing pandemic.

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For Helgeland, the economic effects of the pandemic have primarily been limited to the business sector and households, which have been affected by the national measures to prevent the spread of infection.

The property market in Helgeland has remained relatively stable throughout the year. The average price per square metre for apartments rose by 6.1 percent, while detached houses saw a decrease of 2.6 percent compared with last year. Turnover has remained stable during the period, with associated seasonal variations. As regards price, the prices of properties sold have been at around valuation level. During 2020, the growth in credit was around 4 percent for Helgeland.

At the end of the year, the unemployment rate in Helgeland was 2.2 percent, while the corresponding national figure was 3.8 percent.

Major public and private investment projects in Helgeland are contributing to expectations of strong economic prospects for Helgeland. Unemployment in the region is expected to remain at a stable and low level, while property prices and credit growth are expected to see healthy development in the year ahead.

Sustainability

SpareBank 1 Helgeland's sustainability strategy has three main tracks:

- **UN Sustainable Development Goals**
- **UN Principles for Responsible Banking**
- **Environmental Beacon certification according to new industry requirements**

Sustainable development is defined as "the framework for our efforts to achieve a higher quality of life for everyone", where "economic development, societal development and environmental protection reciprocally interact and strengthen each other."

The UN Sustainable Development Goals represent the world's joint action plan to eradicate poverty, combat inequality and halt climate change by 2030. SpareBank 1 Helgeland is participating in this action and this note presents the sustainable development goals that the Bank will focus on in its overarching governing documents, code of conduct and relevant substrategies, as well as the actual measures themselves. In addition, SpareBank 1 Helgeland will follow the UN Principles for Responsible Banking and be certified as an Environmental Beacon in accordance with new bank-specific criteria.

UN SUSTAINABLE DEVELOPMENT GOALS

All 17 goals are important and part of a holistic action plan, but not all are as relevant to SpareBank 1 Helgeland's operations in particular. Under the slogan "No one can do everything, but everyone can do something", we have selected five sustainable development goals (including one or two targets) which will be a point of focus within SpareBank 1 Helgeland.

Goal 5 Gender Equality
"Achieve gender equality and empower all women and girls"

- Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

Goal 8 Decent Work and Economic Growth *"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"*

Creating economic growth and new jobs through decent work is a prerequisite for sustainable development. Creating high-quality jobs is one of the biggest challenges for all countries through to 2030.

- Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

- Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Goal 9 Industry, Innovation and Infrastructure
"Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation"

- Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

- Target 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

Goal 12 Responsible Consumption and Production
"Ensure sustainable consumption and production patterns"

Sustainable consumption and production is all about doing more with less resources.

- Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

- Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Goal 13 Climate Action
"Take urgent action to combat climate change and its impacts"

- Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

UN PRINCIPLES FOR RESPONSIBLE BANKING

Alignment: The Bank must align its business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national frameworks. Impact and Target Setting: The Bank must continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from its activities, products and services. To this end, the Bank must set and publish targets where we can have the most significant impacts.

Clients and Customers: The Bank must work responsibly with its clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. Stakeholders: The Bank must proactively and responsibility consult, engage and partner with relevant stakeholders to achieve society's goals.

Governance & Culture: The Bank will implement its commitment to these Principles through effective governance and a culture of responsible banking.

Transparency & Accountability: The Bank must periodically review its individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

MEASURES IMPLEMENTED WITHIN SPAREBANK 1 HELGELAND DURING 2020

Goal 5 Gender Equality
SpareBank 1 Helgeland has increased its focus on gender equality and initiated measures. The HR Director in the HR Department is responsible for preparing an annual summary report for the three initiative areas: "Equitable working life at SpareBank 1 Helgeland".

1. INCLUSIVE WORKING ENVIRONMENT
   SpareBank 1 Helgeland will return to the "top tier" in perceived well-being and satisfaction with the working environment, with cooperation internally, opportunities for professional development and a perception of consistently good leadership.

2. EQUAL PAY
   SpareBank 1 Helgeland wants to be good at equal pay. This means for example that the pay gap between men and women must be reduced.

3. RECRUITMENT
   SpareBank 1 Helgeland wants to be good at recruitment, both internally and externally. This will be achieved by securing the diversity in terms of expertise, experience, personal characteristics and gender which makes the bank the business it wants to be. The Bank aims to be an attractive and challenging expertise workplace for both employees and managers alike.

Goals 8 Decent Work and Economic Growth
- Despite the challenges arising from COVID-19, the Drivkraft Conference was held in 2020. This is an important arena for the business community in Helgeland. The aim is to bring together businesses and public services across industries and municipalities to learn from each other and promote cooperation that will increase growth.

Goal 9 Industry, Innovation and Infrastructure
- SpareBank 1 Helgeland has launched a skills scholarship in connection with the Drivkraft Conference. The target group comprises businesses with employees who promote entrepreneurship, creativity and skills development in Helgeland.

Goal 12 Responsible Consumption and Production

- All SpareBank 1 Helgeland offices must be certified as an Environmental Beacon

Goal 13 Climate Action

- During 2020, SpareBank 1 Helgeland has established “green borrowing” from the Nordic Investment Bank amounting to NOK 300 million defined for climate-friendly projects.
- SpareBank 1 Helgeland is in the process of launching a Green Product framework, reflecting the criteria that are stipulated in the green bond market today.

PLANNED MEASURES WITHIN SPAREBANK 1 HELGELAND

The Sustainable Development Goals and the measures to achieve them will be incorporated into the Bank's overarching governing documents, code of conduct and relevant substrategies (financial strategy, credit strategy, communication strategy, purchasing strategy and owner strategy).

Our code of conduct will be published on our website, and it will be a prerequisite in our financial strategy, purchasing strategy and credit strategy that the code of conduct must be followed by our customers, suppliers and financial partners, as well as our employees.

Sustainable development is defined as "the framework for our efforts to achieve a higher quality of life for everyone", where "economic development, societal development and environmental protection reciprocally interact and strengthen each other."

The following measures have been defined:

Goal 5: Gender Equality

- Follow adopted guidelines and achieve defined goals for an equitable working life.
- The objective of the Bank's pay system (see the Business Agreement) is that pay shall be equal and equitable.
- Gender equality, diversity and equal pay for equal work have been incorporated as a guiding principle in the new HR strategy.

Goal 8: Decent Work and Economic Growth

- SpareBank 1 Helgeland's vision is to be a driving force for growth in Helgeland. In our credit provision, we will focus on ensuring that the economic growth we contribute is sustainable.
- SpareBank 1 Helgeland's business concept: SpareBank 1 Helgeland is the profitable and leading local bank that is building the future Helgeland. It is a prerequisite that the future Helgeland is built on the UN Sustainable Development Goals.
- We shall contribute to the establishment of innovative environments and projects, such as entrepreneurship at upper secondary schools, mentorship schemes, entrepreneurial initiatives and growth environments.
- Promote national framework conditions for small and medium savings banks to secure our competitiveness and access to capital for the local business community.

Goal 9: Industry, Innovation and Infrastructure

- SpareBank 1 Helgeland's vision is to be a driving force for growth in Helgeland. In our credit provision, we will focus on ensuring that the economic growth we contribute is sustainable.
- We shall contribute to the establishment of innovative environments and projects, such as entrepreneurship at upper secondary schools, mentorship schemes, entrepreneurial initiatives and growth environments.
- Promote national framework conditions for small and medium savings banks to secure our competitiveness and access to capital for the local business community.

Goal 12: Responsible Consumption and Production

- All SpareBank 1 Helgeland offices must be certified as an Environmental Beacon during 2021.
- (During 2021), SpareBank 1 Helgeland shall have a climate and environmental policy, and report on the climate and environmental indicators in accordance with this policy, within the areas of:
  - Credit provision
  - Financing
  - Bonds
  - Savings products/investment of customer deposits
  - Management of the company's own funds

Goal 13: Climate Action

- Climate risk is credit risk, and this should be highlighted in our risk assessments in credit cases.
- SpareBank 1 Helgeland shall develop products that promote smart behaviour as regards climate and the environment.

2020

Annual report and financial statements

A DRIVING FORCE FOR GROWTH IN HELGELAND

SpareBank 1 HELGELAND

Annual Report 2020

Introductory remarks 2020
Sparebank 1 Helgeland is an independent savings bank with a clear objective of being the leading bank and a driving force for growth in Helgeland. Sparebank 1 Helgeland is the only bank with its head office in the region. The Bank's strong market position, combined with professional expertise, competitive prices and strong solvency, means that the Bank is well-equipped to face the competition going forward. The Bank has offices in four municipalities in Helgeland and is the eleventh largest savings bank in Norway. From 15 March 2021, Sparebank 1 Helgeland became part of SamSpar and the SpareBank 1 Alliance. In connection with this, the Supervisory Board decided on 10 February 2021 to change the name of the Bank from Helgeland Sparebank to SpareBank 1 Helgeland.

Key features

- Strong result from ordinary banking operations. Pre-tax profit was NOK 390 million, compared with NOK 384 million in 2019.
- 12-month growth in lending 0.1% (-1.2%)
- 12-month growth in deposits -1.5% (9.9%)
- Return on equity after tax (adjusted for hybrid capital) of 9.7%
- Core tier 1 capital adequacy ratio of 18.8% and leverage ratio of 10.5%
- The Board proposes to the Bank's Supervisory Board to distribute a dividend for 2020 of NOK 3.10 per equity certificate

About SpareBank 1 Helgeland
<u>History</u>
On 1 April 2005, the current SpareBank 1 Helgeland was formed through a merger between Sparebanken Rana and Helgeland Sparebank.

In 2007, the Bank was licensed as an investment firm. Together with other banks, the Bank established Frende Forsikring in 2007. From 2007, the Bank began selling life insurance on behalf of Frende and, from 2011, non-life insurance on behalf of the company as well.

Helgeland Boligkreditt AS was founded in November 2008 as a wholly owned subsidiary of the Bank. The company was licenced as a financial enterprise in February 2009 and was established to act as the Bank's company for the issuing of covered bonds.

On 26 October 2010, the Bank's Supervisory Board decided to convert some of the Bank's primary capital into equity share capital by issuing equity certificates. The new equity certificates were issued free of charge to Sparebankstiftelsen Helgeland, which was established concurrently with the conversion. The Bank issued equity certificates amounting to a total of almost NOK 605 million, which was transferred to the foundation.

The Bank and Helgeland Boligkreditt AS have been rated by the rating agency Moody's since 2014.

In March 2020, the erstwhile Helgeland Sparebank and SpareBank 1 Nord-Norge announced a forward-looking and strategic banking partnership in Helgeland. The partnership means that the Bank acquires SpareBank 1 Nord-Norge's portfolio in Helgeland and becomes part of the SpareBank 1 Alliance.

The change of name from Helgeland Sparebank to Sparebank 1 Helgeland is a result of the aforementioned banking partnership.

<u>Vision, mission and strategy</u>
The Group's vision is to be a driving force for growth in Helgeland. The mission is to be a profitable and leading local bank which builds the future of Helgeland. Sparebank 1 Helgeland shall sell financial products and services to private customers, small and medium enterprises, municipal authorities and institutions linked to Helgeland.

The Group has a strategic goal of maintaining its strong market position and being an active support player in the development of the region. The lending activities are concentrated in Helgeland. The Group strives to be an attractive, positive and nurturing employer and endeavours to establish an equal gender balance as regards representation on controlling bodies and management.

Sparebank 1 Helgeland's aim is to provide its shareholders with a strong and stable long-term return in the form of dividends and increases in value. The two owner groups are to be treated equally. Up to half of the profit can be distributed in the form of dividends and gifts.
The Group has a long-term profitability target of a return on a par with comparable banks, currently 11% after tax.

The Group also has a target core tier 1 capital ratio of at least 17.0%, and a target tier 2 capital ratio of over 20.5%, costs as a percentage of revenues of 40%, a deposit-to-loan ratio of at least 60%, and a retail market share of at least 60%.

<u>The Group's sphere of operations</u>
Helgeland Sparebank's operations primarily comprise traditional banking and financial services in the Helgeland region, along with the sale of savings products, investment and insurance products, leasing and mortgages.
In order to offer a complete range of financial services, in 2020, the Bank has had cooperation and distribution agreements with Frende Insurance AS, Norne Securities AS, Brage Finance AS, Enter Card AS, Balder Betaling (Vipps), and a number of fund management companies. As a result of the entry into the SpareBank 1 Alliance from 15 March, SpareBank 1 Helgeland will exit these partnerships during 2021, and utilise similar product companies in the SpareBank 1 Alliance.

The Group mainly serves the retail market, business, trade and industry, groups/associations and the public sector in Helgeland. The Group also carries on property letting through its subsidiaries and has strategic holdings in associated companies and product companies.

<u>Subsidiaries</u>
Helgeland Boligkreditt AS
The company is licensed as a credit company with a permit to issue covered bonds. The company's main purpose is to secure the Group stable and long-term financing on competitive terms. The Bank owns all of the shares in the company. The CEO is hired from the Bank on a 25% full-time equivalent basis.

AS Sparebankbygg
The business consists of owning and managing the letting of premises at Storgt. 75 in Brønnøysund, where the Bank is the largest lessee. The company is based in Brønnøy municipality. The Bank owns all of the shares in the company. The company has no employees.

SpareBank 1 Helgelands Eiendomsselskap AS
The company carries on the letting of property and is based in Mosjøen, where the Bank is the largest lessee. The Bank owns all of the shares in the company. The company has no employees.

Helgeland Utviklingsselskap AS
The company is a property company in Sandnessjøen. The Bank owns 100% of the shares. The company has no employees. In 2020, the company sold all of its properties, and the company is expected to be wound up in 2021.

ANS Bankbygg Mo
The business consists of owning and managing the letting of commercial premises at Jernbanegata 15 in Mo i Rana. The Bank is the largest lessee in the building and owns 99.0% of the shares in the company. The company has no employees.

Storgata 73 AS
The company is a property company in Brønnøysund. The Bank owns 56% of the shares in the company. The company has no employees.

Strendene Utviklingsselskap AS
The company is a property company in Sandnessjøen. The Bank owns 100% of the shares. The company has no employees.

<u>Product companies</u>
Frende Forsikring AS
Frende Forsikring consists of the companies Frende Livforsikring and Frende Skadeforsikring. The company was founded in 2007 and has its head office in Bergen. During 2020, the Bank sold its stake of 7.9% in the parent company, Frende Holding AS.

Norne Securities AS
Norne Securities AS was founded in 2008 and has established three business areas: e-commerce, stockbrocking and corporate finance. The company has its head office in Bergen, and the Bank's stake is 7.5%. The remaining shares are owned by thirteen other independent savings banks and Must Invest AS.

Brage Finans AS
Brage Finans AS is a finance company which has its head office in Bergen. The company was established in 2010. In addition to SpareBank 1 Helgeland, which owns 8.6%, Brage Finans has nine other saving banks as owners. The company offers custom finance products with a principal focus on the leasing of all types of assets, along with car financing. By the time of submission of the annual accounts, the Bank had sold its shares in Brage Finans AS.

Balder Betaling AS
SpareBank 1 Helgeland has a 6.2% stake. The company is owned jointly with 14 other savings banks. The company has a 10.6% stake in VIPPS, and aims to further develop Vipps together with the company's other owners.

<u>Market</u>
The Bank has its main market in the 18 Helgeland municipalities bounded by Saltfjellet in the north and Trøndelag in the south. The largest towns/urban areas in the market are Mo i Rana, Brønnøysund and Sandnessjøen. The population of these municipalities accounts for approximately 60% of the entire population of Helgeland, which is approximately 78,000 inhabitants. The Bank's main competitors are DNB Bank ASA, Grong Sparebank and SpareBank 1 Nord-Norge. Sparebank 1 Helgeland has a strong and leading market position in the retail market, with a market share of around 50% of all mortgage customers in Helgeland. The competition is significant across the entire market area.

Sparebank 1 Helgeland offers advice and financial solutions to its customers through competent advisors. The Bank has an extensive distribution network across Helgeland, as well as modern solutions for serving customers via digital channels. The Bank aims for all retail market advisers to be authorised financial advisers.

Sparebank 1 Helgeland also has a strong market position with regard to small and medium enterprises, with a market share of well over 50% in Helgeland.
In the agriculture segment, which is traditionally a low-risk segment, the Bank is the market leader with a share of almost 75%. The Bank's industry portfolio mainly consists of small and medium enterprises across a variety of industries. The Bank's advisers possess expertise in many industries and offer professional advice to the business sector. The Bank's market area is Helgeland. Only in exceptional cases are good corporate customers are followed out of the region.

SpareBank 1 Helgeland is registered in the Norwegian Registry for Business Enterprises under the organisation number 937 904 029. The company's visiting address is Jernbanegata 15, 8622 Mo i Rana. The postal address is Postboks 68, 8601 Mo i Rana. The telephone number is +47 75 11 90 00.

Corporate governance
Sparebank 1 Helgeland's principles and policy for corporate governance are intended to ensure that the Bank operates in line with applicable laws and regulations, as well as recognised practices and standards. Good corporate governance within SpareBank 1 Helgeland encompasses the values, goals and general principles by which the Bank is governed and controlled. This is in order to ensure good cooperation between the Bank's various stakeholders, such as equity certificate holders, creditors, customers, employees, governing organs, management, and society at large.

Corporate governance should ensure prudent asset management and give greater assurance that communicated goals and strategies are being implemented and achieved. The Group's risk strategy and the overall management of operational risk are set out in governing documents, which are reviewed annually by the Board. These governing documents form the Group's internal framework for good governance and control, and provide guidelines for the Group's overarching approach to its risk profile and risk management.
In its corporate governance, SpareBank 1 Helgeland's Board aims to follow the guiding documents outlined in the Norwegian Code of Practice for Corporate Governance.

SpareBank 1 Helgeland has compared its policy with the revised Norwegian Code of Practice for Corporate Governance, as well as relevant principles from the European Banking Authority's recommendations in the area. The Board considers the Bank's corporate governance to be satisfactory and in accordance with Norwegian recommendations.

In 2020, 19 board meetings were held at the Bank. Follow-up of strategy, structural changes, risk and capital management, profitability and entry into the Sparebank 1 Alliance have been the Board's focus areas.

The Board has prepared an annual plan for its work. Emphasis is placed on ensuring that the Board's members possess sufficient knowledge and expertise. A self-evaluation has been conducted covering working forms, expertise, priorities and collaboration between the Board and the management.

As part of the Board's work, it has set up an Audit Committee, a Risk Committee and a Remuneration Committee. These committees are intended to ensure that SpareBank 1 Helgeland has an independent and effective internal and external audit, and that accounting and risk reporting are in line with rules and regulations, and help to promote and incentivise good corporate governance with regard to the enterprise's risks, counteract high risk taking and help to prevent conflicts of interest. The Risk Committee comprises Stein Andre Herigstad-Olsen (chair), Siw Moxness and Rolf Eigil Bygdnes. The Audit Committee comprises Siw Moxness (chair), Stein Andre Herigstad-Olsen and Rolf Eigil Bygdnes. The Remuneration Committee comprises Stein Andre Herigstad-Olsen (chair), Bjørn Krane and Birgitte Lorentzen (employee representative). During 2020, the Audit Committee held six meetings, the Risk Committee seven meetings and the Remuneration Committee three meetings.

A more comprehensive account of corporate governance can be found in a separate chapter of the annual report.

Annual Accounts 2020

Accounting policies

SpareBank 1 Helgeland prepares its consolidated accounts and the parent bank's accounts in line with the International Financial Reporting Standards (IFRS). The Group's accounts are a consolidation of the parent bank and the subsidiaries. A more detailed description of the accounting policies can be found in the notes to the annual report.

The annual accounts are presented in accordance with the going concern principle. The Group is not involved in any legal disputes that are considered to be of any significance as regards the Group's solvency or profitability. The Board is not aware of any circumstances after the year-end which could have a significant impact on the annual accounts.
The figures stated in this report are generally consolidated figures, unless stated otherwise.

Key features

The Group recorded a pre-tax profit of NOK 390 million (NOK 384 million).
A net profit of NOK 340 (305) million produces a return on equity after tax adjusted for hybrid capital of 9.7% (9.3%). Earnings per equity certificate amount to NOK 12.0 (NOK 10.7).
A dividend ratio of 12% (25%) of the dividend basis is proposed, giving a cash dividend of NOK 3.1 (NOK 5.4) per equity certificate.

Key figures as of 31 December 2020:

(Comparison as of 31 December 2019)

- Net interest 1.77% (1.77%)
- Costs as a percentage of total assets 1.37% (0.86%)
- Write-downs on lending as a percentage of gross lending 0.18% (0.20%)
- Earnings per equity certificate amount to NOK 12.0 (NOK 10.7)
- 12-month growth in lending 0.1% (-1.2%)
- 12-month growth in deposits -1.5% (9.9%)
- Core tier 1 capital ratio 18.8% (16.5%)
- Tier 2 capital ratio 23.1% (20.7%)

Net interest

Net interest and credit commission income amounted to NOK 598 million at the year-end. Strong net interest at the start of the year means that net interest income for the year as a whole has remained stable. The decrease in net interest income from the start of the year is mainly linked to interest rate changes during the second quarter, as well as strong competition and price pressure throughout the year. As a percentage of average total assets, net interest remained unchanged compared with last year at 1.77%.

The Group has expensed NOK 20 million in contributions to the deposit guarantee and crisis fund.

Net commission income

Net income from commission amounted to NOK 97 million (NOK 100 million). Of this income, commission from non-life and life insurance amounted to NOK 30 million (NOK 33 million).
Commission income is stable; the decrease for the year is mainly linked to a reduction in the use of fee-charging services as a result of reduced travel.
Broad sales with a focus on insurance and leasing will continue to be a priority for the Bank.
As a percentage of average total assets, net commission income amounted to 0.29% (0.29%).

Net income from financial instruments

Net income from financial instruments amounted to NOK 203 million, an increase of NOK 169 million compared with 2019.
The change in value is due to:

- Gain and change in value of shares NOK 165 million.
- Share of earnings from associated companies NOK 30 million.
- Dividends and other changes in value of financial assets NOK 7 million.

Gains on shares mainly consists of the gains linked to the sale of Frende Holding and Helgeland Invest of NOK 84 million and NOK 76 million respectively, while the shares in Brage Finans have been recognised as income as a total change in value of NOK 18 million in 2020. The shares in Brage Finans were realised during the first quarter of 2021. Revenues from associated companies have increased by NOK 9 million, and amount to NOK 30 million (NOK 21 million), while dividends received fell by NOK 9 million.

In the parent bank, shares in the subsidiary Strendene Utviklingsselskap AS have been written down by NOK 15 million, and the dividend from Helgeland Boligkreditt has been recognised as income in the amount of NOK 49.6 million.

Operating costs

Total operating expenses for 2020 amounted to NOK 462 million (NOK 293 million), including non-recurring costs of NOK 146 million linked to Helgeland 1. As a percentage of average total assets, costs amounted to 1.37% (0.86%), while costs relative to income amounted to 51.2% (39.5%).

The high operating costs for 2020 were largely due to non-recurring costs incurred in connection with Helgeland 1. The Bank has also written down the usufruct associated with leases and acquired properties in the amount of NOK 4 million, while lower wages and administrative costs have reduced operating expenses. In addition, the subsidiary Strendene Utviklingsselskap AS has written down property as a result of losses in the previously described legal case in the amount of NOK 20 million. Excluding non-recurring costs linked to Helgeland 1, operating expenses account for 35.0% of revenues.

Excluding income from financial investments as well, the key ratio becomes 57.4%. The Bank's target cost level is 40% of total revenue.

The Bank's absence due to illness rate is lower than in 2019 at 3.1% (4.4%).

Expensed write-downs on commitments

NOK 51 million (NOK 65 million) was expensed in write-downs on loans. As a percentage of gross lending, this amounts to 0.18% (0.20%). The write-down is partly the result of estimated losses, and partly conclusions regarding previously written-off commitments. As a result of COVID-19, changes were made to some of the assumptions in the loss model during the first quarter. At the year-end, these changes amount to a write-down of NOK 22 million. The level of write-down is considered to be moderate.
At the year-end, the parent bank posted a loss concerning a major commitment within the Group; the loss of NOK 15 million is linked to the subsidiary Strendene Utviklingsselskap AS.
Gross lending allocated in step 2 of the loss model rose by NOK 942 million from the start of the year. This is mainly due to the aforementioned changes to the loss model.

Balance sheet development (Group)

Total assets amount to NOK 33.2 billion. During the past 12 months, total assets have decreased by NOK -861 million (NOK 1,590 million), or -2.5% (3.3%).

Cash flow

The cash flow statement shows how SpareBank 1 Helgeland has received and utilised liquid assets. It is prepared on the basis of gross cash flows from operating, investment and financing activities. Liquidity holdings have been reduced by NOK 181 million since the year-end.

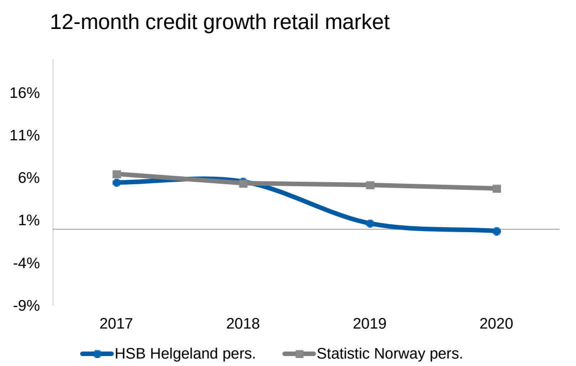
Interest-bearing securities

The Group's holding of interest-bearing securities as of 31 December 2020 amounted to NOK 4,663 million (NOK 4,904 million). The duration of the portfolio is 1.5 years (1.5 years). 98.5% of the portfolio is rated A- or better. 98.1% comprises covered bonds or state-/municipal- guaranteed bonds.

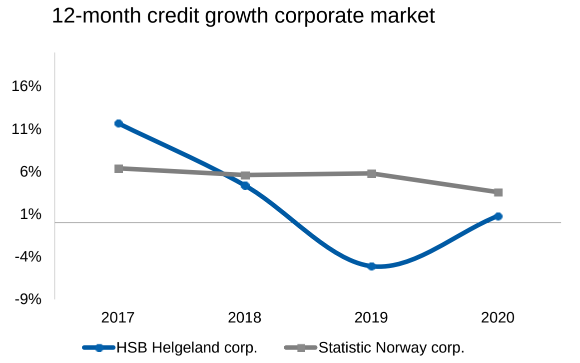
Lending

By the year-end, gross lending amounted to NOK 27,689 million. Overall 12-month growth was positive in the amount of NOK 34 million (NOK -340 million), or -0.1% (-1.2%).
Of the Group’s gross lending, 83.3% (82.0%) was loaned to customers in Helgeland. Of gross lending, NOK 18,733 million or 67.7% (67.9%) comprises loans to retail customers, of which NOK 7,230 million has been transferred to the Bank's mortgage company.

The 12-month growth in lending was negative in the amount of NOK -40 million (NOK 124 million), or -0.2% (0.7%).



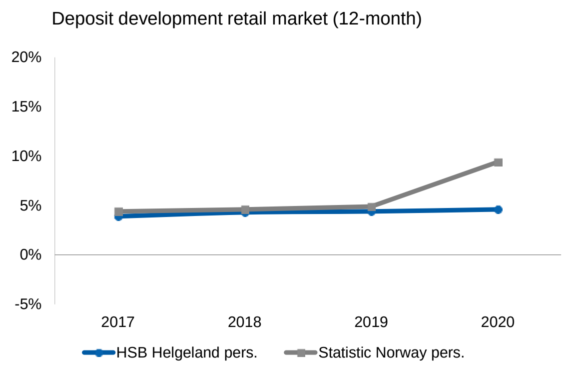
The 12-month growth in the corporate market was NOK 74 million (NOK -561 million), or 0.8% (-5.0%). The decrease in the corresponding period last year was primarily due to balance sheet optimisation in the fourth quarter of 2019.



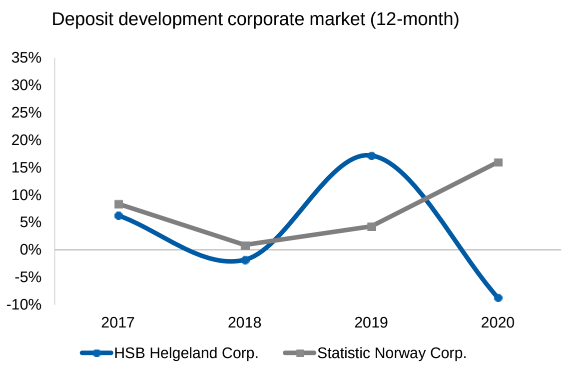
Deposits from customers

By the end of the year, customer deposits amounted to NOK 18,684 million. Over the past 12 months, deposits have decreased by NOK -275 million (NOK 1,711 million), or -1.5% (9.9%).

The Group has a stable and local deposit base. 89.8% (89.0%) of this consists of deposits from customers in Helgeland.
The 12-month growth in the retail market was NOK 476 million (NOK 439 million), or 4.6% (4.4%). Of the total deposits of NOK 18,684 million, NOK 10,782 million or 57.7% (54.4%) of deposits originate from retail customers.



In the corporate market, deposits fell during the past 12 months by NOK -751 million (NOK 1,272 million), or -8.7% (17.2%).



The decrease in deposits has resulted in a decrease in the deposit-to-loan ratio, which as of 31 December 2020 was 67.5% (68.5%) in the Group and 93.1% (96.4%) in the parent bank.

Financing

Deposits from customers represent an important source of financing for the Bank. The volume difference between loans and deposits is financed in the Norwegian money and securities market. At the year-end, total capital market financing amounted to NOK 9,418 million (NOK 10,334 million), and has a satisfactory distribution as regards maturity and borrowing sources. At the end of the quarter, the proportion of borrowing with a duration of more than one year was 87.6% (97.3%).
As of 31 December 2020, the duration of the borrowing portfolio was 2.58 years (2.96 years). The duration in the mortgage company is slightly longer, at 2.7 (3.4) years.

The Bank continually facilitates the transfer of approved mortgages to the wholly owned mortgage company. The volume of loans fell from NOK 7,600 million as of 31 December 2019, to NOK 7,230 million as of 31 December 2020. The internal maximum limit set for the transfer of loans to Helgeland Boligkreditt AS is currently 35% of gross lending and 50% of gross lending in the retail market. As of 31 December 2020, the transfer ratios were 26.1% (27.5%) and 38.6% (40.6%) respectively.

Rating

SpareBank 1 Helgeland is rated by Moody's. The Bank's rating is A3 with a "stable outlook". Bonds issued by Helgeland Boligkreditt AS are rated by Moody's as Aaa.

Equity certificates - HELG

As of the end of the quarter, there were 2,502 equity certificate holders. The 20 largest owners are listed with 75.0% of the equity share capital. Of this, Sparebankstiftelsen Helgeland owns 35.0%. A total of 20,871,427 equity certificates have been issued. As of 31 December 2020, the Bank owned 1,492 of its own equity certificates. At the year-end, the price of the Bank's equity certificate was NOK 86.0, representing an increase of NOK 2.0 from 31 December 2019.

Dividend policy

SpareBank 1 Helgeland's goal is to manage the Group's resources in a way that gives the equity owners a satisfactory combined yield in the form of dividends and added value.

The surplus will be divided equally between equity share capital and primary capital in accordance with their share of the Bank's equity. Half of the equity capital share of the surplus[1] can be distributed as dividends, and half of the primary capital share can be distributed as gifts or transferred to the Gift Foundation. The distribution between the Gift Fund and the Gift Foundation is determined based on an assessment of future needs. The remainder of the profit will be transferred to the cohesion fund and the primary capital fund.

The Group's equity development and solvency ratio is afforded priority in connection with the determination of the dividend that is to be distributed. The expected trend in performance in a normalised market situation, external framework conditions and the Group's requirement for core capital will also be accorded emphasis.

Profit allocation

The Parent bank's net profit amounted to NOK 319 million. Adjusted for the change in the fund for unrealised gains and interest on subordinated bonds, the dividend basis amounted to NOK 708 million.

The Bank's capital situation, including future capital requirements, and the Bank's strategic plans must be taken into account in the determination of dividends. As a result of indications given by the authorities, the Board has adhered to a total dividend limit of 30% of net profit for the 2019 and 2020; the limitation includes all distributions and decisions concerning distributions during the period.
Based on the aforementioned assessments, the Board recommends a dividend for the Supervisory Board of NOK 3.1 per equity certificate for 2020. In addition, it is recommended that NOK 20 million be distributed for socially beneficial purposes. The Board believes that the recommended dividend is responsible and within the applicable recommendations.

Dividends

- NOK 65 million as a cash dividend, corresponding to NOK 3.10 per equity certificate
- NOK 20 million for socially beneficial purposes

Strengthening of equity

- NOK 476 million to the cohesion fund, corresponding to NOK 22.8 per equity certificate
- NOK 147 million to the primary capital fund

Dividends are paid to the equity certificate holders who are registered as owners as of 25 March 2021. The Bank's equity certificates are listed ex-dividend on 26 March 2021.

The coronavirus crisis

The coronavirus pandemic has had a major impact on both the Norwegian and international economies. Infection rates rose towards the end of the year and into 2021, to some extent in Helgeland as well.

The pandemic has had a limited effect on the banking operation at the end of the year. The pandemic has largely impacted on changes in the value of financial instruments and loss provisions, along with operational activities linked to interest rate reductions, repayment deferments, and other adaptations to new rules and schemes relating to the crisis.

The overall impact of the coronavirus pandemic is uncertain. As the pandemic has so far not been widespread in Helgeland, the impact in the Bank's market area has primarily been associated with the measures implemented in order to prevent infection from spreading. At the year-end, the Bank has recognised the costs and write-downs that are considered to be relevant. However, there is still uncertainty about the final consequences of the pandemic, especially with regard to how businesses and retail customers will cope with the financial losses arising from the pandemic going forward.

The scope of state guarantee loans and applications for repayment holidays linked to the coronavirus situation is limited in the Bank's market area. At the year-end, state-guaranteed loans amounted to NOK 46 million, out of a framework of NOK 253 million.

[1] Dividend basis

Helgeland 1
In March 2020, Helgeland Sparebank and Sparebank 1 Nord-Norge announced a forward-looking and strategic banking partnership in Helgeland. The entry into the SpareBank 1 Alliance and the transfer of business is expected to strengthen the revenue base through offering a better and broader range of products and services, as well as the streamlining of banking operations.

Even after it has become part of the SpareBank 1 Alliance, SpareBank 1 Helgeland will continue to be the local bank and a driving force for growth in Helgeland. SpareBank 1 Helgeland will join the SpareBank 1 Alliance with effect from 15 March 2021, and in connection with this, will acquire stakes in several of the SpareBank 1 Group's product companies and SamSpar during 2021. The investments in new shares during 2021 are expected to amount to approximately NOK 750 million.

At the year-end, NOK 146 million was expensed linked to IT, finance and legal advice, the write-down of IT systems and severance packages relating to the project.

The Bank has expensed significant provisions relating to the project. The final provision linked to severance packages amounted to NOK 26 million at the year-end. In addition, NOK 59 million has been set aside linked to the work on migration and alignment in the SpareBank 1 Alliance and the associated transfer of business. At the year-end, the Bank has set aside the costs that can be determined with sufficient reliability. Additional project costs of around NOK 50 million are expected to accrue during 2021.

Risk and capital management
Risk and capital management supports the Group's strategic development and ambitions, and helps to ensure attainment of the Group's financial and operational objectives. Nevertheless, unforeseen losses can occur which require the Group to have sufficient equity. As a part of the risk management process, the requirement for supplementary capital for the various risk areas is evaluated. These assessments are underpinned by computational models. This is summarised in the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Risk categories and definitions:

- Credit risk is defined as the risk of losses as a result of customers or counterparties being unable or unwilling to fulfil their obligations.
- Liquidity risk: the risk of the Group being unable to meet its obligations at maturity.
- Market risk: the risk of losses due to changes in market prices linked to activities and positions in securities (interest and shares) and currency.
- Operating risk: the risk of losses due to failures in internal routines, systems and processes, insufficient competency, damage to assets, suspension of operations, system failure, and internal or external fraud.
- Compliance risk: Risk of not complying with regulatory requirements and internal procedures/guidelines
- Anti-money laundering risk: Risk of not complying with anti-money laundering and anti-terrorist financing laws and regulations, or not complying with internal regulations with the intention of fulfilling the requirements of the law.

Risk management is pivotal to the day-to-day operation and the ongoing work of the Board. Risk is primarily managed through risk strategy, general guidelines concerning operational risk, periodic measurement and reporting of established management goals in all business areas, guidelines, frameworks, authorities, reporting requirements and competency requirements.

The Board determines the Group's credit strategy, which covers credit risk, and the Group's finance strategy, which covers liquidity risk and market risk. The Bank has a Credit Committee and Finance Committee for the management and follow-up of risk in line with guidelines and authorities issued by the board.

The Bank's risk management unit comprises six full-time equivalents. The Risk Management Director reports directly to the CEO, and is responsible for monitoring and coordinating overarching risk management within the Bank. The Risk Management Director also reports directly to the Board.

The Group's internal audit unit consists of one full-time equivalent and reports directly to the Board. The internal auditor is responsible for evaluating whether adequate routines are in place in key areas within the Bank in order to reduce risk. The Board annually approves the internal auditor's instructions and schedule of work. The internal auditor can utilise external services if needed.

Credit risk
The Bank's most important risk is credit risk, i.e. the risk of customers or counterparties not fulfilling their obligations to the Group.

Credit risk is managed through credit strategy, credit policy, credit routines and grant rules. In October 2020, credit policy, credit routines and grant rules were subject to a comprehensive evaluation, corrections and adaptations with effect from 1 January 2021. In addition to the introduction of stricter rules and clarifications linked to good credit practice, job descriptions were also defined for Credit Director for the Retail Market and the Corporate Market with effect from 1 January 2020. The credit strategy has been adopted for a three-year period, subject to annual re-evaluations. The current strategy was adopted by the Board in November 2019.

The Group's credit strategy is derived from the overall strategy, and contains guidelines and management frameworks for risk profile and risk concentrations. There are set limits for allocation of lending between the retail and corporate markets, size of commitment and number thereof, exposure within sectors (concentration risk) and geographical limitations. The risk management framework is monitored and reported quarterly to the Board, supplemented by annual portfolio reviews.

Developments in credit risk are monitored through regular analyses of the trend in defaults in specific sectors, geographical areas, borrowers' and potential borrowers' ability to service interest and instalments, and an assessment of the collateral that underlies the credit commitments. For the ongoing monitoring of risk, a set of actions and action plans has been defined for the follow-up of borrowers. This work was intensified through 2019 and 2020 through specific action plans and succeeded in reducing both short- and long-term commitments in default.

The total capital requirement for credit risk is stated in the Group's ICAAP. The level of tolerance for credit risk is defined for selected sectors and areas. A management level for the corporate market portfolio has been established and is followed and reported periodically. Stress tests are used to assess the loss potential in the credit portfolio as a result of a large fall in property prices.

The risk in the retail market portfolio has been low over time. House prices rose steadily for detached houses in Helgeland sold during 2020, but varied to some extent within the individual markets. Housing development across the whole of Helgeland was sluggish throughout2020, with few new housing projects involving the construction of apartments and detached housing.

The risk in the corporate market portfolio is moderate, and defaulted and doubtful commitments are considered to be low. For 2020, developments in the corporate market have also been on hold in relation to new investments. This is primarily a result of the COVID-19 situation, but also to some extent a result of the completion of the improvements to the E6 European Route in Helgeland and in anticipation of major new industrial projects which are being planned. As regards companies that were granted liquidity easing in 2020 as a result of the COVID-19 situation, only a handful of these have needed further assistance beyond a period of three to four months. Liquidity easing. The Bank was also granted a limit of NOK 253 million. as a liquidity loan through the scheme for state-guaranteed loans. As of 31 December 2020, only NOK 46 million had been utilised. The Bank considers the business sector in Helgeland to be well-equipped despite the COVID-19 situation.

The Bank has a small portfolio of guaranteed foreign currency loans. As of 31 December 2020, the countervalue was NOK 78 million. The portfolio is divided into a small number of customers who have pledged collateral in the form of property and/or deposits. The credit risk in this portfolio is considered to be low.

In 2020, the Bank carried out an annual validation of models, PD models used for loan applications, and other assessments, as well as monthly portfolio scores for both the Retail Market and the Corporate Market, in addition to the model for calculating losses according to IFRS 9. The model is based on the probability of default and loss level assuming that a commitment is defaulted upon. The score models are used by a number of other savings banks which cooperate regarding the validation process and, where necessary, parameter adjustment. The validation indicates that the score models are satisfactory and that they differentiate well between customers. Write-downs are calculated in accordance with IFRS 9.

In 2020, expensed write-downs on loans amounted to NOK 51 million, compared with NOK 65 million in 2019. Write-downs are still considered to be moderate and account for 0.18% (0.20%) of gross lending.

Total net defaulted (>90 days) and doubtful commitments amounted to NOK 316 million (NOK 297 million), equivalent to 1.1% (1.1%) of gross lending. Commitments are monitored on an ongoing basis with a view to identifying possible doubtful commitments through specific monitoring lists.

There is a strong focus on this area and regular reviews are carried out of good credit practices and the quality of the work relating to credit. This includes an understanding of good monitoring and the control of customer portfolios. Compliance in individual cases is ensured through the Credit Committee, the managers' key controls, and the delegation of tasks between advisors and custodians. For the corporate market, management and monitoring are ensured through the ongoing assessment of customer relationships, ability to pay, and collateral assessments. This takes place through both monthly and quarterly reviews. For monitoring and development in the retail market portfolio, quarterly analyses are carried out concerning the quality of new approved loans, along with six-monthly analyses of the overall portfolio.

The risk-distributed loan portfolio broken down according to low, medium and high risk is reported on the basis of the score models. Risk migration is reported quarterly as part of the overall reporting of risk to the Board.
Close monitoring of key corporate customers and monitoring of the probability of default in the portfolio and for specific defined sectors have been continued as priority focus areas. At the end of 2020, the Bank had one commitment totalling more than 10% of subordinated capital, at 10.6%.

Liquidity risk
The Bank shall at all times have sufficient liquidity to meet its liabilities when they fall due, and have a liquidity strategy that secures access to sufficient long-term financing. The Bank makes use of the usual funding sources in the market to optimise a diversified funding structure.

The Board has established a liquidity management strategy, which specifies the purpose, management objectives and risk tolerance for liquidity risk management. The primary purpose of the strategy is to ensure that the Group has appropriate liquidity management in place. The liquidity strategy is reviewed annually by the Board.

The Bank's liquidity reserve mainly consists of interest-bearing securities issued by solid issuers.
The Bank satisfies LCR / NSFR (liquidity coverage ratio/net stable funding ratio) in accordance with the applicable rules.

Monitoring and measuring of the liquidity situation is based on various stress test scenarios which take into account both market-specific and bank-specific events.
The Bank had an LCR of 185% (197%) at the year-end. NSFR ended at 153% (154%) at the year-end.
Collateral in the Bank's assets (bonds) has been pledged for borrowing in Norges Bank totalling NOK 550 million (NOK 525 million), which was available in its entirety at the year-end.
Liquidity risk is reduced by spreading borrowing over various markets, lenders, instruments and maturities.
Management of the Group's liquidity risk is based on target requirements for long-term funding ratio, deposit-to-loan ratio and liquidity buffer capital, in addition to regulatory requirements regarding LCR and NSFR. The Board has also stipulated that the proportion of long-term funding must amount to at least 70% of total borrowing. The proportion of long-term funding remained well within this framework throughout 2020.

The Bank has liquidity reserves in the form of cash, deposits in Norges Bank and other banks, interest-bearing securities, and well as unused drawing rights. Minimum requirements for liquidity buffer levels are stipulated in the Bank's liquidity strategy. In recent years, the Group has gradually aligned its liquidity buffers with the requirements under Basel III. As of 31 December 2020, the liquidity buffer capital amounted to 16.4% (17.0%) of total assets. The Group's combined liquidity buffer capital is considered to be satisfactory.

The deposit-to-loan ratio is a key parameter for the monitoring of liquidity risk, i.e. the proportion of gross lending to customers that is covered through deposits from customers. The Board has stipulated a minimum requirement of 60% for the deposit-to-loan ratio and this requirement was met throughout 2019.

Helgeland Boligkreditt AS is an important source of financing for the Group. Helgeland Boligkreditt AS has gradually increased its activity levels, and has issued covered bonds in the market over the past 12 years. The maximum limit set for the transfer of loans to Helgeland Boligkreditt AS is currently 35% of gross lending and 50% of gross lending in the retail market. At the end of 2020, the transferred lending volume was within this framework.

As a consequence of the entry into the SpareBank 1 Alliance and access to financing through SpareBank 1 Boligkreditt, the magnitude and scope of loan transfers to, and issues of bonds in, Helgeland Boligkreditt will gradually be reduced.

The over-collateralisation level (lending relative to outstanding obligations) in the company is considered to be good, and was 17% (19%) by the year-end. The average debt-to-asset ratio for the loans was 57% (56%).

Market risk

The overall market risk level mainly consists of share, interest, currency, property, credit spread and owner risk.

The Board has adopted a strategy for market risk that sets out the framework and overarching goals for the Group's market risk tolerance, as well as a specific framework for interest rate, credit spread and share price risk. This strategy is reviewed annually. The Group has no active trading portfolios within interest, shares or foreign exchange.

The Bank's liquidity reserves primarily consist of interest-bearing securities that qualify under the LCR regulations. The securities mainly consist of liquid 0/10/20% - weighted securities. The securities are primarily based on a FRN (Floating Rate Note) structure and are thus associated with low interest rate risk. Credit duration on the entire portfolio must be within 2.0 years. An authority framework ensures good diversification and limits any counterparty risk.

The Bank's loans and deposits from customers are mainly based on floating interest rates. The same applies to the Bank's liquidity portfolio. The Bank's funding portfolio consists of FRN-based loans, and loans at fixed interest rates. The interest rate risk on fixed interest loans is limited through the use of interest swap agreements.

The Bank assumes credit spread risk, primarily through the management of interest-bearing assets in the Bank's liquidity portfolio. The portfolio mainly consists of assets issued by Norwegian banks, mortgage companies, municipalities, governments and non-financial institutions. The credit spread risk lies within the Board's agreed limits.

The overarching interest rate risk is maintained at the desired level by an overall evaluation of balance sheet items and the use of interest rate swaps. Interest rate risk is at a low level.

The Group has a relatively conservative strategy for investments in interest-bearing securities, where the main objective is to secure adequate liquidity buffer capital. There are specific requirements regarding issuers' ratings. There is also a maximum limit on duration for the interest-bearing securities portfolio, and the composition must be diversified between different sectors and types of issuer.

At the year-end, the Bank's shareholdings are mainly strategically motivated through investments in subsidiaries, associated companies and product companies. The market risk linked to such equity investments is considered to be moderate. The Bank has no active property management activity, and exposure in property is linked to property which is used in the business and any repossessed properties for disposal.

Currency risk

SpareBank 1 Helgeland is not a foreign exchange bank, and the Group has no active foreign exchange portfolios other than its euro stock in ATMs. The Group's foreign exchange risk is therefore insignificant.

Operational risk

Good internal controls and quality assurance are essential for the satisfactory management of operational risk. The governing documents and control systems are built up to safeguard efficient operation, risk control, prudence, accurate financial and non-financial information, compliance with laws and guidelines, and internal guidelines and strategies.

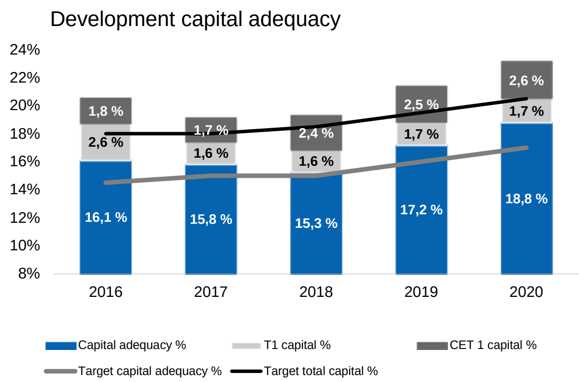
Risk evaluations are conducted at all levels. Risk evaluations are documented and give an overview of processes and key controls in the operational functions. A focus on the systems and processes in the operational functions contributes to a constant focus on quality and efficiency, as well as target-oriented operation within the Group. Operational risk is measured through the evaluation of operational events assigned to defined loss event categories for random events, and for summarised non-conformities identified through routine checks. Operational risk is quantified by calculating the capital requirement for operational risk. This is summarised in a requirement to hold some subordinated capital as collateral for future expected losses to which the Group could be exposed as a result of operational risk. Assessed on the basis of the organisation's competency, organisation and delegation of responsibilities, and the Group's earnings and solvency, the Board considers the overall risk exposure to be appropriate.

Compliance

The Board attaches decisive importance to ensuring that operations are aligned with applicable laws and regulations, and that internal rules and guidelines are followed. Particular attention is paid to stricter regulatory requirements.

Solvency

At the end of 2020, net subordinated capital amounted to NOK 4,184 million, of which subordinated bonds amounted to NOK 299 million and subordinated loans NOK 451 million. The Group has a core tier 1 capital ratio of 18.8% (16.5%). The tier 1 capital ratio was 20.5% (18.2%) and the tier 2 capital ratio amounted to 23.1% (20.7%).



The figures include a proportional consolidation of cooperating groups, which at the end of 2020 constitutes a share of capital and calculation basis in Brage Finans. The statutory minimum requirement for the core tier 1 capital ratio is 11.0%. The Bank has a Pillar 2 supplement of 2.2%. The Group's capital requirement including Pillar 2 supplement thus amounts to 13.2%. The Group has a capital target for core tier 1 capital ratio of at least 17.0 % and for tier 2 capital ratio over 20.5%. In this target, the Bank has taken account of greater system risk and countercyclical buffer requirements. The reduced balance sheet to date this year and the sales of shares have resulted in an increase in capital adequacy.

The Bank has been following the discussion concerning the Financial Supervisory Authority of Norway's interpretation of the rules relating to the financing of high-risk commitments, particularly linked to the financing of investments in speculative property.

At the year-end, the Bank opted to follow the interpretations presented in the Financial Supervisory Authority of Norway's circular dated 10 December 2020. However, the Bank does not believe that the commitments now marked as the financing of speculative investment in real property are necessarily associated with a greater risk which would indicate a risk weighting of 150%.

SpareBank 1 Helgeland uses the standard method in its capital adequacy calculations.

At the year-end, the Group's unweighted tier 1 capital (leverage ratio) following proportionate consolidation amounted to 10.5% (9.3%). The minimum requirement for non-systemically important banks is 5%.

Subsidiaries

Helgeland Boligkreditt AS (100%)
Net profit amounted to NOK 49.6 million (NOK 52.7 million) for 2020, while equity as of 31 December 2019 amounted to NOK 597 million (NOK 601 million).

AS Sparebankbygg (100%)
In 2020, net profit was NOK 0.0 million (NOK -0.5 million), and equity at the year-end was NOK 0.6 million (NOK 0.5 million).

Helgeland Sparebanks Eiendomsselskap AS (100%)
In 2020, net profit was NOK 0.6 million (NOK 0.7 million), and equity at the year-end was NOK 8.1 million (NOK 7.5 million).

Helgeland Utviklingsselskap AS (100%)
In 2020, net profit was NOK -4.7 million (NOK -1.3 million), and equity at the year-end was NOK -0.3 million (NOK 4.4 million). The shares in the company have been fully written down.

ANS Bankbygg Mo (99%)
In 2020, net profit was NOK 0.6 million (NOK 0.7 million), while equity at the year-end was NOK 46.9 million (NOK 47.3 million).

Strendene Utviklingsselskap AS (100%)
In 2020, net profit was NOK -24.8 million (NOK 2.3 million), while equity amounted to NOK -13.6 million (NOK 11.1 million). The shares in the company have been fully written down.

Storgata 73 AS (56%)
In 2019, net profit was NOK 0.8 million (NOK 0.7 million), and the equity share was NOK 5.1 million (NOK 5.0 million).

Associated companies

Helgeland Invest AS (0%)
Share of earnings as of 30 September 2020 was NOK 30 million (NOK 20 million). The shares were sold during the fourth quarter of 2020 with a gain of NOK 76 million.

Corporate social responsibility

Our vision is to be a driving force for growth at Helgeland and this is an expression of our values and actions that are rooted in our corporate responsibilities. We are a business that aims to be a driving force and a partner in the local community that we are part of, both in cultural, sports, talent, education, research and economic development.

We draw motivation from our customers and partners through close dialogue, learning and monitoring, and give financial support to hundreds of activities every year. Children and adolescents are society's most important resources and we have a focus on everything that creates a meaningful and rich community for children and adolescents. SpareBank 1 Helgeland believes that the private, public and voluntary sectors in Helgeland are all key partners in the efforts being made to make Helgeland a vibrant and thriving society.

As a local savings bank, we allocate a significant proportion of our profits to socially beneficial purposes. In 2020, the Bank distributed gifts amounting to over NOK 13 million to the delight and benefit of young and old alike across Helgeland.
For many years, SpareBank 1 Helgeland has focussed on demonstrating its corporate social responsibility by contributing to charitable causes, and since 2007 the Bank's Gift Fund and Gift Foundation has granted financial contributions amounting to approximately NOK 210 million to worthy causes in Helgeland.
In 2020, the Board is proposing to set aside NOK 20 million of the Bank's profit to non-profit causes.

Sport and outdoor recreation are part of our cultural heritage, and a rich cultural life is a vital factor in the attractiveness of the region. Good sports and cultural facilities attract new people, which Helgeland needs in order to meet the recruitment challenges we face. The formative conditions of children and young people are thus afforded a high priority in the Bank's allocation of funding. In addition, the Sparebankstiftelsen Helgeland foundation contributes significant gift awards. The foundation's capital is provided by the Bank.

Helgeland is rich in natural resources, which will always be an important premise for future value creation and development. The future will impose demands regarding new knowledge and innovation, and SpareBank 1 Helgeland actively contributes to collaborative projects with university colleges and the university in order to promote local expertise and competitiveness. In total, SpareBank 1 Helgeland has contributed over NOK 50 million to education and research in Helgeland.

Ethics

Helgeland Sparebank is dependent on a good reputation and confidence in the market if we are to be a driving force for growth in Helgeland. This remains a goal in all the Bank's work. A new code of conduct was adopted by the Board in 2020 and is available on the Bank's website.

Employees and working environment

At the year-end, Helgeland Sparebank had 149 employees across its four offices. This represents 143 full-time equivalents, including caretakers and canteen staff. In addition, the Bank had ten full-time equivalents on temporary contracts.

The Board believes that it is very important that the Bank has a good working environment. The Bank's employees and their well-being, local knowledge and expertise are some of the Bank's most important competitive advantages.

Employee well-being is measured through various types of survey. In 2019, the extensive working environment survey was carried out by Kantar TNS. This survey is carried out every other year, with the next survey scheduled for 2021. For the Bank’s employees, 2020 has been a special year, during which much of the focus has been on the Helgeland 1 project, i.e. the work to become SpareBank1 Helgeland. This is impacting on the perceived well-being and working environment. Employees responded to a basic survey with information, follow-up by immediate superiors and commitment to the new bank as the main topics. The response rate was 100% and the employees provided good feedback concerning the questions.

Helgeland Sparebank is a well-established inclusive working life company, with appropriate procedures and a culture of monitoring and supporting employees. Managers monitor their employees digitally and in physical meetings. The Bank’s goal is an attendance rate of at least 97%, with no absence being work-related. The combined absence due to illness rate in 2020 was 3.1%, giving an attendance rate of 96.9%. This is a good result given the extensive work that has been carried out on the Helgeland 1 project and the coronavirus situation which has impacted on working life.

Competence
The Bank is affiliated to the finance industry's authorisation scheme (*Finansnæringens autorisasjonsordning* or *Fin Aut*), and the authorisations that the various advisers within the retail and corporate markets will hold have now been decided. This overview is available on the Bank's website. Authorisation for information providers is the latest Fin Aut authorisation. Roll-out is scheduled for 2020, with full implementation completed during 2021.

Fast disclosure and easier access for employees to new learning and updating of existing knowledge are important for the Bank. This will be done in a far better way within SpareBank1 Helgeland through the Utsikt competence platform. The Bank has strengthened its HR department with a new resource which is responsible for coordinating training, amongst other things.

The management platform describes what is expected of managers with human resource responsibilities. Compliance with these is important for the future management of a new bank, but the content of the platform must also be aligned to the new era.

Equitable working life
The Bank has incorporated the “activity and reporting obligation” within the areas of diversity, inclusion and equality into the "Equitable working life” work area. Targets and measures have been established in the following priority areas; Inclusive working environment, equal pay and recruitment. In 2020, the targets have been reported, and it has been concluded that the Bank is working in the right direction, but has some way to go as regards several of the priority areas.

The Bank’s Supervisory Board has 25 members, of whom ten are women and 15 are men. The Board has eight members, of who four are women and four are men. The Bank's Management Group has six members, of whom two are women and four are men. Amongst the middle managers with human resource responsibilities, five are women and 13 are men.

Corruption and internal irregularities
In the work to prevent and manage incidents, objectives, routines and measures have been established within a number of areas. Routine controls are carried out to detect any irregularities. In 2020, nanotraining and routine reviews were carried out to make employees more aware of the prevention of risks associated with IT, robbery and other threat situations.

The Bank has established systems for reporting undesirable incidents based on established routines for whistleblowing, in the non-conformity system within the area of health, safety and environment. Important information in normal and critical situations is also described. The human resources, management and health, safety and environment manuals are available to all employees.

Money laundering and terrorism financing
SpareBank 1 Helgeland works systematically to uncover and combat financial crime.
The money laundering routine ensures that the Bank’s money laundering policy is in line with applicable laws and regulations. The Bank’s employees are widely involved in training related to the identification of possible cases of money laundering and terrorist financing. E-learning courses have been held regarding anti-corruption and the GDPR (General Data Protection Regulation) in the finance sector, as well as nano-learning concerning data security and the GDPR in general.

Authorities, customers and competitors must have confidence in the Bank’s professionalism and integrity. Suspicious transactions are dealt with and reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) if certain criteria are met. The Bank has implemented measures to ensure compliance with applicable instructions and procedures, including the allocation of more resources and the addition of expertise to ensure the enforcement of regulatory and internal requirements.

Environment and sustainability
Helgeland Sparebank's two largest offices at Mo i Rana and Mosjøen are approved “Miljøfyrtårn” (Environmental Beacon) businesses. Key focus areas are energy-saving in the Bank’s own buildings, and the more active use of digital aids. During the coronavirus pandemic, employees have had a major boost as regards the use of digital collaboration solutions.

Much of the Bank's training takes place via e-learning, online meetings, webinars and other social media sharing forums. The Bank announces all vacancies on various websites.

Helgeland Sparebank aims to comply with the UN’s principles for sustainable banking. In order to achieve the overarching goals, the Bank must implement effective management systems and a culture of sustainable activity.

During 2019, the Bank committed to some of the UN Sustainable Development Goals, i.e. Gender equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Responsible Consumption and Production, and Climate Action, with targets and initiatives which set out the Bank's overarching corporate social responsibility in Helgeland for both current and future generations. In 2020, a specific resource was added to implement this in the Bank's operations. The sustainability strategy and internal sustainability guidelines are described in more detail in a separate chapter in the annual report.

The Group's remuneration policy

All remuneration agreements in SpareBank 1 Helgeland are drawn up in line with the Financial Services Act and the Securities Trading Act and associated regulations concerning the remuneration schemes of financial institutions, asset management firms and mutual funds. The guidelines concerning SpareBank 1 Helgeland's remuneration scheme were last updated and approved by the Board in December 2020.

Events after the balance sheet date

No events of importance to the financial statements have occurred since the balance sheet date.

Outlook

The year 2020 will go down in history as a special year for both the Bank and society at large. The Bank has entered into a forward-looking banking partnership in Helgeland and is now working towards the first phase in Helgeland 1, where SpareBank 1 Helgeland will become part of the SpareBank 1 Alliance. In parallel, the ongoing pandemic and associated challenges have impacted on much of society. For SpareBank 1 Helgeland and Helgeland in general, the outlook remains positive. Low unemployment, major public and private sector projects, as well as rising house prices and stable turnover rates, are factors which underpin this. SpareBank 1 Helgeland does not foresee any special circumstances which might indicate that this trend will change significantly during 2021.

The Board believes that the agreement concerning the Group's entry into SpareBank 1 Alliance and the banking partnership in Helgeland represent the most important events for the Bank this year. The associated transactions will impact on operations and costs in 2021. This means that the Group's long-term profitability targets cannot be expected to be met for a period of time. In a longer perspective, profitability is expected to be strengthened. The Group has a long-term profitability target of a return on equity on a par with comparable banks, currently 11% after tax from 2023. At the year-end, the Bank has set aside the costs that can be determined with sufficient reliability in connection with the project. In addition to what was expensed in 2020, additional project costs of NOK 50 million are expected to accrue during 2021. The transfer of business in connection with Helgeland 1 will be carried out in October 2021. This transfer will result in changes to the Bank's balance sheet and income statement, and will consequently impact on many of Bank's key figures from the fourth quarter of 2021.

Net interest is expected to stabilise at around current levels over the impending quarters. The Bank faces strong competition on price, which could result in minor changes in net interest.

The level of commission income is satisfactory overall. Established pricing initiatives and an offensive sales organisation provide the basis for an expectation that the level will remain stable through to the end of 2021. As a result of the entry into the SpareBank 1 Alliance, the Bank will switch product suppliers in 2021. This is not expected to result in significant changes in commission income.

Cost levels will naturally be affected by Helgeland 1. Operating expenses for the base operation are expected to remain relatively stable, albeit slightly above the target figure of 40 percent of total revenue. This is primarily linked to increased costs during a transitional phase following entry into the SpareBank 1 Alliance and the transfer of business.

The Bank has previously indicated an expectation of normalised losses of around 0.20% of gross lending. This level of expectation is again maintained for 2021. However, there is some uncertainty regarding future losses as a result of COVID-19, but the Bank has relatively little exposure to particularly exposed industries, such as the oil, tourism, hospitality and restaurant industries.

In the retail market, the Board expects relatively sluggish market growth in the near future. The Group's growth ambitions indicate a growth in lending at least on a par with market growth in Helgeland, but the Board will continue to prioritise profitability ahead of growth.

SpareBank 1 Helgeland looks forward to joining the SpareBank 1 Alliance during the first quarter of 2021. The Board expects the measures currently being implemented to reinforce the Group's position as a profitable and forward-looking local bank, and to further contribute to Helgeland Sparebank's role as a driving force for growth in Helgeland going forward.

Thank you to the Bank's employees, customers and business partners

2020 proved to be a very different and challenging year for both the Bank and society at large. The Board would like to extend a big thank you to all the Bank's employees for their vital contributions over the past year. The Board would also like to thank the Bank's customers and business contacts for the support and trust they have shown in the Bank.

Board of Directors for SpareBank 1 Helgeland
Mo i Rana, 24 February 2021

Stein Andre Herigstad-Olsen *Chair*	Bjørn Krane *Vice Chair*	Marianne Terese Steinmo
Siw Moxness	Rolf Eigil Bygdnes	Tone Helen Hauge
Birgitte Lorentzen *Employee representative.*	Geir Pedersen *Employee representative.*	
		Hanne Nordgaard *Chief Executive Officer*

Corporate Governance

The Bank's corporate governance policy is intended to ensure that the Bank's corporate governance is in line with generally recognised interpretations and standards, as well as applicable laws and regulations. The strategy sets out the values, objectives and overarching principles that the Bank is governed and controlled by in order to safeguard the interests of owners, depositors and other groups within the Bank.

Governing documents for SpareBank 1 Helgeland's various business areas set out management objectives and frameworks in concrete terms. This includes inter alia the Bank's articles of association, ethical guidelines, strategy document, policy documents, budget, authorisations and limitations, descriptions of procedures, insider rules and dealing on own account, overarching management of operational risk and guidelines for systems and processes that focus on risk evaluation and internal controls within the Bank.

SpareBank 1 Helgeland's roots are deeply anchored in Helgeland soil, and the Bank takes a keen interest in what is happening in the region. The Bank therefore has a vision of being a driving force for growth in Helgeland.

Because SpareBank 1 Helgeland is a solid and robust local bank with a strong market position, the Bank can contribute to the development of the local community. The legislator has given saving banks the opportunity to give a proportion of their profits back to the local community in the form of gifts and donations to non-profit causes. Saving banks can pay out dividends to the local community from the equity that is owned by the Bank’s customers and the community.

Residential settlement and growth are prerequisites for the Banking sector. Without thriving and attractive local communities, it would be difficult to recruit labour in both the private and public sectors, which we need to do in order to promote local development. We therefore have a common destiny – the Bank and the people of Helgeland. SpareBank 1 Helgeland’s Gift Fund forms part of the Bank’s contribution to development, optimism and growth in both rural areas and towns alike in Helgeland.
In addition to the strategic and financial objectives, SpareBank 1 Helgeland has chosen to take its environmental responsibility seriously, and has therefore adopted its own environmental strategy.

The governing documents are based *inter alia* on the Norwegian Code of Practice for Corporate Governance and the Committee of European Banking Supervisors' principles for overarching governance and control. SpareBank 1 Helgeland's ambition is to follow the aforementioned recommendations insofar as they are applicable.

In line with the first point of the Norwegian Code of Practice for Corporate Governance, there follows an account of the Bank's compliance with the points in the recommendation.

Operations
SpareBank 1 Helgeland is a financial group consisting of the Parent bank and a number of subsidiaries. References to the Bank and/or Sparebank 1 Helgeland in this article concern the Sparebank 1 Helgeland Group.

In accordance with SpareBank 1 Helgeland’s articles of association, the object of the business is to promote savings by accepting deposits from an undefined group of depositors, provide investment services and other financial services, and securely manage the funds for which it is responsible in accordance with applicable legislation concerning savings banks at all times. The Bank can carry out all transactions and provide all services that are customary or natural for savings banks to perform in accordance with the relevant licences and applicable legislation.

The report from the Board contains a description of the Bank's objectives and strategies. SpareBank 1 Helgeland has a three-year strategic period, with annual reviews. The Board and management evaluate the strategic basis at least annually. The Bank's plans are adjusted and adapted on an ongoing basis. The Bank's strategic platform is summarised under the following key points: vision, business idea, core values, strategic and financial objectives, and ethical guidelines.
The Bank is a customer-oriented organisation with a focus on the retail market, corporate market and capital market as business areas. This is supplemented by supporting areas and staff functions. The Bank’s organisational structure is dynamic and is assessed on the basis of changes in requirements and framework conditions.

Company capital and dividend
The Bank's equity is composed of equity certificate capital, share premium reserve, primary capital, fund for unrealised gains, gift fund, cohesion fund, subordinated bonds and other equity.
The Bank's objective for core tier 1 capital ratio is a minimum of 17.0% and a tier 2 capital ratio of over 20.5%.

<u>The Bank's dividend policy:</u>
SpareBank 1 Helgeland’s goal is to generate financial results that give the owners of the capital a strong and stable long-term return in the form of dividends and increases in the value of the equity. It is a goal for the Bank to treat the Bank’s two owner groups equally.

Equal treatment of equity certificate holders
Holders of equity certificates shall have predictable conditions with regard to equal treatment, return and management influence.

The listing of the equity certificates ensures that the Bank accepts and follows the market conditions that apply at all times in the equity market and to equity certificates.

Free negotiability
The articles of association do not contain any limitations on the transferability of equity certificates.

The Sparebankstiftelsen Helgeland foundation owns equity certificates in SpareBank 1 Helgeland. According to the articles of association, the foundation cannot own less than 25% of the equity certificates in SpareBank 1 Helgeland.

Beyond this, the only limitation is the statutory requirement which currently stipulates that the acquisition of equity
(10% or more) requires the consent of the Financial Supervisory Authority of Norway.

Supervisory Board
The Bank's supreme body is the Supervisory Board, which is composed of the holders of equity certificates, customers and employees. The Supervisory Board is responsible for ensuring that the Bank acts in accordance with its purpose and in compliance with law and the articles of association. The Supervisory Board elects the Bank's Board.

The Supervisory Board has 25 members and 25 deputy members. Decisions are made by simple majority. However, decisions regarding amendments to the articles of association require a two thirds majority of those present, and at least 50% of the Supervisory Board's members must vote for the proposal.

Elections take place in accordance with applicable savings bank legislation and the provisions of the Financial Activity Act. Notices of meetings and minutes of meetings of the Supervisory Board are sent to Oslo Stock Exchange.

Elections to the Supervisory Board take place through election meetings and on election day(s). All elections must be held by the end of April, and before the statutory general meeting of the Supervisory Board. Invitations to the equity certificate holders' election meeting, with an agenda, registration form and the Nomination Committee's recommendation, are sent to all holders of equity certificates 14 days before the meeting is scheduled to take place, and the meeting is also announced in newspapers and on the Bank's website. The depositors' election is announced through notices on the Bank's premises and announcements in newspaper and on the Bank's website six weeks prior to the election.

Nomination Committee
The Bank's Nomination Committee prepares:

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

The Nomination Committee also proposes fee scales. The Bank's website contains information on the members of the Nomination Committee.

Composition of the Board and independence
SpareBank 1 Helgeland's Nomination Committee proposes candidates for the Board in line with the applicable provisions in law and the articles of association. No member of the Board of Directors or representative of the management may be a member of the Nomination Committee. The chair and vice chair of the Board are elected in separate elections.
The Board consists of between six and nine members and up to four deputy members. The Board currently consists of eight permanent members. Four of the permanent members are currently women. Important criteria regarding the Board's members and composition are qualifications, capacity, independence and gender.
The majority of the Board's members must be independent of the Bank's management and key business contacts.
The Board undertakes an annual review of its members' independence and the Board's collective competence. Everyone who is elected as a member must satisfy the requirements regarding suitability that follow from applicable legislation.

The work of the Board
The Board holds meetings once a month on average and performs its work in accordance with a plan which is drawn up for the year. In addition to the elected members, the Bank's CEO and internal auditor are present at Board meetings.
The Board has overall responsibility for the management of SpareBank 1 Helgeland and for supervising the day-to-day management and activities of the Bank.

The Board's responsibility for administration includes responsibility for organising the Bank in a proper manner, for establishing plans and budgets for the Bank, for keeping itself informed about the Bank's financial position and for ensuring that the Bank's activities, asset management and accounts are subject to satisfactory controls.
The annual strategy process with roll-out of the strategy plan is a priority. Overall goals and strategies are established, and action plans and budgets are then prepared on the basis of these.
The CEO prepares matters which are to be considered by the Board in co-operation with the chair of the Board.

The Board has appointed an Audit Committee, a Risk Committee and a Remuneration Committee, which are responsible for ensuring that SpareBank 1 Helgeland has an independent and effective external and internal audit function, that accounting and risk reporting are in line with applicable laws and regulations and that the Bank has remuneration schemes in place which help to promote and incentivise good management and control of the Bank's risks and discourage excessive risk-taking.

Risk management and internal control
Good risk and capital management is key to SpareBank 1 Helgeland's long-term value creation.

The Bank must identify – analyse – act – and live with an acceptable level of risk for the Bank's most important commercial risks. SpareBank 1 Helgeland aims to ensure that the Bank's risk profile is moderate.

Risk management is linked to the key areas:

- Credit
- Market
- Liquidity
- Operational risks, including HSE, IT, communication, market, compliance and anti-laundering and anti-terrorism financing.
- Sustainability

The choice of risk assessment method must be justified in the Bank's complexity and scope in the various business areas.
The Board of SpareBank 1 Helgeland requires the Bank to be well-capitalised. Capital assessments (ICAAP) are undertaken once a year. The Bank's capital strategy is based on actual risk in the activity, supplemented by the effects of different stress scenarios.

Responsibility for implementing the Bank's risk and capital management and controls is split between the Board, the management and the operational units. The Board is responsible for ensuring that the Bank has sufficient capital based on the desired level of risk and the Bank's operations. The CEO is responsible for overarching risk management at the Bank, including the development of good models and a framework for management and control. The CEO chairs the Bank's Credit Committee, which considers credit matters within the powers granted by the Board. The CEO is a permanent member of the Credit Committee.
The Chief Financial Officer chairs the Bank's Finance Committee, which considers borrowing and appurtenant evaluation within the powers granted by the Board. The CEO is a permanent member of the Finance Committee.

The Bank's management includes the position of Risk Management Director. The Risk Management Director reports to the CEO. In certain defined cases, the Risk Management Director reports directly to the board.

The Risk Management Department performs functions such as compliance responsibility, anti-money laundering and anti-terrorist financing responsibilities, governance, control and reporting.
Quantification of capital requirements linked to risk in the Bank's various business areas represents an integral part of the Board's strategic work and assessment of risk areas (the ICAAP process).
All managers at SpareBank 1 Helgeland are responsible for managing risk and ensuring that appropriate internal controls are in place within their own sales responsibility and professional area in line with the Bank's risk profile.
SpareBank 1 Helgeland has adopted a policy for risk management and internal controls, which sets the objectives, organisation and implementation of internal controls.

Also included in this is a requirement for reporting the status of the Bank's risk picture, the quality of internal controls both generally and within the compliance areas, anti-money laundering and GDPR in particular. In addition, recorded incidents and the follow-up of risk-mitigation measures are reported.
The Bank has also employed an internal auditor, who, on behalf of the Board is responsible for evaluating and verifying that appropriate procedures are in place for reducing risk. The internal auditor's controls are based on an annual audit plan.
The Bank's ethical guidelines impose a duty on employees to report any breaches of internal guidelines, laws and regulations and the procedures for such reporting.

Remuneration to the Board
The Supervisory Board sets the fee scale for the Bank.
The remuneration paid to the Board reflects the Board's responsibilities, competence, time spent and complexity. The fees paid to individual Board members are stated in the notes to the accounts.

Remuneration to senior executives
The Board sets the remuneration to the CEO, and the principles for remuneration to senior executives. As of 31 December 2020, the Bank has no option or bonus agreements. The CEO has contractually agreed severance pay. A summary of pay and benefits to senior employees is presented in a note to the annual report. The Bank has established procedures for ensuring compliance with regulations concerning the remuneration schemes of financial institutions, investment firms and management companies for mutual funds.

Information and communication
SpareBank 1 Helgeland is listed on Oslo Stock Exchange and reports dates for important events such as election meetings, meetings of the Supervisory Board, and the 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 notices and press releases.
The same information is published on the Bank's website.

Takeover
The Act relating to Financial Activity imposes limits on the proportion of equity certificates that can be held by a single owner. Issues concerning mergers are decided by the Supervisory Boards of the savings banks concerned.

Auditor
The Supervisory Board has elected PricewaterhouseCoopers as external auditor and approves the auditor's fees.

Parent bank		**Income statement**		*Group*
2019	**2020**	**(amounts in NOK million)**	**2020**	**2019**
904	776	Interest income and other similar income (Note 5)	966	1,121
380	272	Interest expenses and other similar expenses (Note 5)	368	519
524	**504**	**Net interest and credit commission income (Note 4)**	**598**	**602**
114	108	Commission income and income from banking services (Note 6)	108	114
14	11	Commission expenses and costs attributable to banking services (Note 7)	11	14
100	**97**	**Net income from commission (Note 4)**	**97**	**100**
70	58	Dividends	7	16
21	30	Net income from associated companies	30	21
-4	150	Net income from financial instruments	166	-3
87	**238**	**Net income from financial instruments (Note 8)**	**203**	**34**
9	9	Other operating income (Note 9)	5	5
286	436	Operating costs (Notes 4,10,11,12,13,14,15,28,44)	462	293
64	67	Losses on loans, guarantees, etc. (Note 4,16)	51	65
370	**346**	**Net income before tax**	**390**	**384**
66	27	Tax (Note 17)	50	79
304	**319**	**Profit for the year (Note 18)**	**340**	**305**
10.7	11.2	Earnings per equity certificate in NOK (Note 18)	12.0	10.7
10.7	11.2	Diluted earnings per equity certificate in NOK (Note 18)	12.0	10.7
304	**319**	**Profit for the year after tax**	**340**	**305**
		Items that will not be reversed over profit:		
-2	-1	Recognised estimate variances, pensions	-1	-2
		Items not to be subsequently reversed via the income statement:		
0	0	Tax on comprehensive income	0	0
-2	-1	Net other comprehensive income items	-1	-2
302	**318**	**Total comprehensive income for the period**	**339**	**303**

Parent bank		**Balance Sheet**		*Group*
31.12.19	**31.12.20**	(amounts in NOK million)	**31.12.20**	**31.12.19**
		ASSETS		
88	76	Cash and receivables from central banks (Notes 19,22,27,32)	76	88
1,432	1,531	Loans to and receivables from credit institutions (Notes 20,22)	619	750
19,778	20,210	Loans to and receivables from customers (Notes 2.1,4, 21,22)	27,398	27,320
16	54	Financial derivatives (Notes 22,23)	67	15
5,314	4,849	Certificates, bonds and shares (Notes 2.2,22,24,25)	4,870	5,283
379	0	Investments in associated companies (Note 27)	0	379
604	590	Investments in subsidiaries (Notes 26,28)	0	0
8	26	Deferred tax asset (Note 29)	26	12
75	47	Tangible fixed assets (Note 30)	118	173
66	61	Other assets (Note 31)	33	48
27,760	**27,444**	**Total assets**	**33,207**	**34,068**
		LIABILITIES AND EQUITY		
553	550	Liabilities to credit institutions with agreed maturity (Notes 2.2,22.33)	551	554
19,391	19,101	Deposits from customers (Notes 2.2,4,22,34)	18,684	18,959
3,669	3,318	Liabilities established through the issuing of securities (Notes 2.2,22,23,35)	9,418	10,334
18	39	Financial derivatives (Notes 22 and 23)	39	25
184	254	Other liabilities (Note 12,36)	245	179
452	451	Subordinated loan capital (Note 37)	451	452
24,266	**23,713**	**Total liabilities**	**29,388**	**30,503**
		Equity		
208	209	Equity share capital (Note 39)	209	208
971	971	Share premium reserve	971	971
822	1,354	Cohesion fund	1,354	822
2,001	**2,534**	**Total equity share capital**	**2,534**	**2,001**
590	753	Primary capital	753	590
53	41	Gift Fund	41	53
643	**794**	**Total primary capital**	**794**	**643**
439	38	Fund for unrealised gains	38	439
299	299	Subordinated bonds	299	299
112	65	Other equity (Note 38)	150	181
3,494	**3,731**	**Total equity excluding minority interest**	**3,816**	**3,563**
		Non-controlling interests	3	2
3,494	**3,731**	**Total equity**	**3,819**	**3,565**
27,760	**27,444**	**Total liabilities and equity**	**33,207**	**34,068**

Contingent liabilities off balance sheet (Note 40)

Board of Directors for SpareBank 1 Helgeland

Mo i Rana, 24 February 2021

Stein Andre Herigstad- Olsen
Chair

Bjørn Krane
Vice Chair

Marianne Terese Steinmo

Siw Moxness

Rolf Eigil Bygdnes

Tone Helen Hauge

Birgitte Lortenzen
Employee representative

Geir Pedersen
Employee representative

Hanne Nordgaard
Chief Executive Officer

Group

31.12.20

	Equity certificate capital	Share premium reserve	Own equity certificates	Bonds	Fund for unreal. gains	Primary capital	Gift Fund	Gift Foundation	Cohesion fund	Other equity	Non-cont. interests	Total
Equity 01.01.20	**209**	**971**	**-1**	**299**	**439**	**590**	**39**	**14**	**822**	**181**	**2**	**3,565**
Profit for the year				12	-401	147	12	8	476	84	1	340
Other comprehensive income						-1						-1
Total comprehensive income for the year	**0**	**0**	**0**	12	**-401**	**146**	**12**	**8**	**476**	**84**	**1**	**339**
Interest paid, subordinated bonds				-12								-12
Gifts distributed							-7					-7
Transactions with owners			1							-2		-2
Change in available surplus 2019						17	-10	-7	56	-56		0
Dividends/interest paid								-7		-56		-63
Equity 31.12.20	**209**	**971**	**0**	**299**	**38**	**753**	**33**	**8**	**1,354**	**150**	3	**3,819**
Paid-up equity/retained earnings			1,179								2,640	3,819

The fund for unrealised gains includes unrealised added value shares amounting to NOK 38 million.

Group

31.12.19

	Equity certificate capital	Share premium reserve	Own equity certificates	Bonds	Fund for unreal. gains	Primary capital	Gift Fund	Gift Foundation	Cohesion fund	Other equity	Non-cont. interests	Total
Equity 01.01.19	**209**	**971**	**-2**	**299**	**440**	**557**	**27**	**6**	**709**	**103**	2	**3,322**
Profit for the year				13	-3	35	21	14	112	112		305
Other comprehensive income						-2						-2
Total comprehensive income for the year	**0**	**0**	**0**	**13**	**-3**	**33**	**21**	**14**	**112**	**112**	**0**	**302**
Interest paid, subordinated bonds				-13								-13
Gifts distributed							-8	-6				-13
Other changes					2					-2		0
Transactions with owners			1									1
Dividends paid/debt transferred										-33		-33
Equity 31.12.19	**209**	**971**	**-1**	**299**	**439**	**590**	**39**	**14**	**822**	**181**	**2**	**3,565**
Paid-up equity/retained earnings			1,178								2,387	3,565

The fund for unrealised gains includes unrealised added value shares amounting to NOK 439 million.

Parent bank

31.12.20

	Equity certificate capital	Share premium reserve	Own equity certificates	Bonds	Fund for unreal. gains	Primary capital	Gift Fund	Gift Foundation	Cohesion fund	Other equity	Total
Equity 01.01.20	**209**	**971**	**-1**	**299**	**439**	**590**	**39**	**14**	**822**	**112**	**3,494**
Profit				12	-401	147	12	8	476	65	319
Other comprehensive income for the year						-1					-1
Total comprehensive income	**0**	**0**	**0**	**12**	**-401**	**146**	**12**	**8**	**476**	**65**	**318**
Interest paid, subordinated bonds				-12							-12
Gifts distributed							-7				-7
Transactions with the owners			1								1
Change in available surplus 2019						17	-10	-7	56	-56	0
Dividends/interest paid								-7		-56	-63
Equity 31.12.20	**209**	**971**	**0**	**299**	**38**	**753**	**33**	**8**	**1,354**	**65**	**3,731**
Paid-up equity/retained earnings			1,180							2,551	3,371

The fund for unrealised gains includes unrealised added value shares amounting to NOK 38 million.

Parent bank

31.12.19

	Equity certificate capital	Share premium reserve	Own equity certificates	Bonds	Fund for unreal. gains	Primary capital	Gift Fund	Gift Foundation	Cohesion fund	Other equity	Total
Equity 01.01.19	**209**	**971**	**-2**	**299**	**440**	**557**	**27**	**6**	**711**	**33**	**3,251**
Profit				13	-3	35	21	14	112	112	304
Other comprehensive income for the year						-2					-2
Total comprehensive income	**0**	**0**	**0**	**13**	**-3**	**33**	**21**	**14**	**112**	**112**	**302**
Interest paid, subordinated bonds				-13							-13
Gifts distributed							-8	-6			-14
Other changes					2				-1		0
Transactions with the owners			1								1
Dividends/interest paid										-33	-33
Equity 31.12.19	**209**	**971**	**-1**	**299**	**439**	**590**	**39**	**14**	**822**	**112**	**3,494**
Paid-up equity/retained earnings			1,179							2,315	3,494

The fund for unrealised gains includes unrealised added value shares amounting to NOK 439 million.

Cash flow statement

Parent bank			*Group*	
31.12.19	**31.12.20**	(amounts in NOK million)	**31.12.20**	**31.12.19**
559	-404	Loans to customers	-33	340
801	697	Interest payments on loans to customers	904	1,037
1,673	-290	Change in customer deposits	-275	1,711
-242	-170	Interest payments on deposits from customers	-156	-239
300	3	Receivables and liabilities to credit institutions	3	300
0	-9	Interest on receivables and liabilities to credit institutions	-4	0
0	-2,859	Purchase of certificates and bonds	-2,909	0
0	3,153	Sale of certificates and bonds	3,073	0
-1,157	0	Certificates and bonds	0	-1,136
71	61	Interest payments on certificates and bonds	61	71
100	97	Commission payment	97	100
-272	-323	Payments to operations	-321	-273
-61	-53	Tax paid	-61	-76
-15	-67	Other accruals	-37	14
1,757	**-164**	**A Net change in liquidity from operating activities**	**342**	**1,849**
-50	-21	Investments in tangible fixed assets	-21	-90
0	0	Proceeds from sale of tangible fixed assets	0	0
-15	0	Long-term investments in shares	0	-15
0	715	Proceeds from sale long-term investments in shares	715	0
70	96	Dividends from long-term investments in shares	45	16
5	**790**	**B Net change in liquidity, investment**	**739**	**-89**
2,563	679	Take-up of liabilities established through the issuing of securities	699	6,308
-3,907	-1,079	Repayment – issued securities	-1,676	-7,454
-104	-61	Interest payments on liabilities established through the issuing of securities	-169	-274
-13	-15	Interest payments on subordinated loans	-15	-13
0	-7	Distribution from the Gift Fund	-7	0
-33	-56	Dividends to shareholders	-56	-33
-1,494	**-539**	**B Net change in liquidity, financing**	**-1,224**	**-1,466**
268	87	A+B+C Net change in liquidity during the period	-143	295
1,252	1,520	Change in liquidity at start of period	838	543
1,520	1,607	Change in liquidity at end of period	695	838
		Liquidity holdings specified		
88	76	Cash and receivables, central banks	76	88
1,432	1,531	Receivables from credit institutions without notice period	619	750
1,520	**1,607**	**Liquidity holding**	**695**	**838**

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General

The parent bank
Sparebank 1 Helgeland aims to be a profitable and leading bank in the Helgeland region. 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 enterprises, municipal authorities and institutions in Helgeland.

The Bank's registered office is situated at Jernbanegata 15, 8622 Mo i Rana. The Bank's head office is situated in Mo i Rana. The Bank also has three branches located across Helgeland: Mosjøen, Brønnøysund, Sandnessjøen. On 10 February, the Supervisory Board decided to change the Bank's name from Helgeland Sparebank to SpareBank 1 Helgeland.

Sparebank 1 Helgeland's equity capital certificates are listed on Oslo Stock Exchange.

Accounting basis
Sparebank 1 Helgeland prepares its consolidated and company financial statements in line with the international financial reporting standards (IFRS), which are the prevailing standards in Norway. This also includes interpretations from the IFRS interpretations committee (IFRIC).

The consolidated and company financial statements are reported based on the historical cost principle, with the following exceptions:

- Financial derivatives, which are recognised at fair value via the income statement
- Certificates, bonds and shares, which are recognised at fair value, with changes in value via the income statement
- Lending rate, which is recognised at fair value, with changes in value via the income statement
- Fixed-rate debt securities, which is defined as a hedged item in value hedging.

For financial assets and liabilities, amortised cost is used, with the exception of financial instruments which are recognised at fair value.

Amortised cost is the amount at which the instrument was valued upon initial recognition (cost price) less interest and instalments paid on the principal, plus accumulated effective interest and minus all net write-downs.

Fair value is the price that would have been received when selling the asset, or paid in order to transfer the commitment between independent market operators at the time of recognition.

Financial instruments that are hedged items in a value hedge are capitalised at amortised cost with an adjustment for changes in the fair value of the hedged risk. This will often be approximately the same as fair value.

The preparation of the financial statements in line with IFRS requires the use of estimates. The use of international standards also requires that the management to exercise judgement. Areas where the assumptions and estimations are significant are described in Note 1.1.

The Bank's Board approved the consolidated financial statements on 24 February 2021. The notes form an integral part of the financial statements.
Consolidation policies
The consolidated financial statements include the Parent bank and subsidiaries, including underlying subsidiaries. The accounting policies are applied consistently in connection with the incorporation of owner interests in subsidiaries (and associated companies) and are based on the same reporting periods as are used for the Parent company. Internal transactions within the Group, including internal profits and unrealised profit and loss, are eliminated in connection with the preparation of the consolidated financial statements.

Subsidiaries
Subsidiaries include all companies over which the Bank, whether directly or through other subsidiaries, has control (i.e. the authority to manage a company's financial and operational principles with the intention of achieving benefits from the company's activities). Subsidiaries are consolidated from the date on which when the Bank acquires control, and eliminated from the date on which the Bank no longer has control. Subsidiaries are recognised at acquisition cost in the company's financial statements. Write-downs are performed when the carrying amount exceeds the value of the ownership share.

Associated companies
Associated companies are companies where the group exercises significant influence, but not control. This would normally be investments of between 20 to 50% of the company's equity. Accounting of investments in associated companies is treated according to the equity method in both the consolidated financial statements and the company's financial statements. For accounting according to the equity method, the accounts are reworked in accordance with IFRS.

Segment reporting
The Group's operations comprise only one strategic business area, which is organised and managed collectively. The Group carries on traditional banking operations involving the intermediary sale of savings, investment and insurance products. The Bank's operations are divided into the following segments: Retail Market (RM) and Corporate Market (CM). Income and expenses not directly allocated to these segments are presented as unallocated.
The geographical segment is the Helgeland region, with only a small share outside of Helgeland.

Accounting currency
The Norwegian krone (NOK) is the accounting currency, which is also the Bank's functional currency. All amounts are stated in NOK million, unless specified otherwise. The Group has no operations abroad.

Presentation in the balance sheet and income statement

Lending
Loans are recognised in the balance sheet either as loans to or receivables from credit institutions or customers. Interest is recognised in the income statement under interest income and other similar income. Changes in value due to impairment are recognised in the income statement under losses on loans, guarantees, etc.

Changes in the value of fixed-rate loans, which are recognised at fair value, are recognised in the income statement under net profit/loss from financial instruments, with the exception of mortgages in the Parent bank, which are recognised via other comprehensive income.

Certificates and bonds

This balance sheet item includes the Group's certificates and bonds. All changes in value and realised gains/losses are recognised under net income from financial instruments. Interest income from certificates and bonds is recognised in interest income and similar income.

Financial derivatives (assets and liabilities)

This balance sheet item includes financial derivatives. Changes in value linked to derivatives are recognised via the income statement under net income from financial instruments.

Liabilities to credit institutions and deposits from customers.

Commitments to credit institutions and customers are recognised, depending on the counterparty, either as loans from credit institutions or as deposits from customers. Interest is recognised in the income statement under interest expenses.

Liabilities established through the issuing of securities

The balance sheet item includes debt established through the issuing of securities. Effective interest is recognised in the income statement under interest expenses and other similar expenses.
Fixed-rate debt securities are subject to fair value hedging. Changes in value are recognised under net profit or loss on financial instruments.
In the event of premature redemption or buy-back of issued bonds, any gain/loss is recognised under net income from financial instruments.

Subordinated loan capital

The balance sheet item includes issued subordinate loans. Interest is recognised in the income statement under interest expenses and similar costs.

Subordinated bonds

The balance sheet item includes subordinated bonds. Subordinated bonds are perpetual and the Bank has a unilateral right not to pay interest to investors, subject to certain conditions. Subordinated bonds do not meet the definition of financial liability in accordance with IAS 32 and are classified as equity. Interest is not presented as an interest expense in the income statement, but as a reduction in other equity. Tax on interest in subordinated bonds are recognised via the income statement.

Changes in accounting policies and information

(a) New and amended standards adopted

The IBOR reform

As a result of the IBOR reform, the IASB has issued relief linked to IFRS 9 and hedge accounting. Where the Bank has agreements which could be affected by the future choice of reference interest rate, the probability requirements will be reduced. The reduction in the requirements means that it is assumed that cash flows in hedged items and/or hedging instruments based on current reference interest rates will continue as before, and that hedge accounting will remain unchanged. The Group only has fair value hedging on fixed-rate debt securities in Norwegian kroner. The IBOR reform and associated accounting changes have not had a material impact on the Group's financial reporting.

(b) New standards and interpretations not yet in use

A number of new standards, changes to the standards and interpretations are required for future financial statements. None of these are expected to have a material effect on the company's financial reporting.

Financial instruments

Financial instruments are recognised in accordance with IFRS 9. The measurement categories for financial instruments in IFRS 9 consist of changes in value via the income statement, fair value with changes in value via other comprehensive income profit (OCI) and amortised cost.

Recognition of financial assets is determined upon initial recognition of the asset. The business model for holding the financial instruments will be decisive for determining the category.

Financial instruments held to receive contractual cash flows are in principle recognised at amortised cost.

Financial assets held to receive contractual cash flows and for resale are in principle recognised at fair value, with changes in value via other comprehensive income (OCI).

Instruments with cash flows that are not only payments of interest and principal, or where the purpose of owning the instrument is not to receive contractual cash flows, are recognised at fair value, with changes in value via the income statement.
Derivatives used in connection with hedge accounting are recognised according to the principles for hedge accounting. Note 2.1.1 shows lending and write-downs in accordance with IFRS 9.

Recognition and derecognition

Financial assets and liabilities are capitalised when the Bank becomes a party to the instrument's contractual provisions.
Financial assets are derecognised when the contractual right to the cash flows from the financial asset expire, or the Bank transfers the financial asset in such a way that the risk and profit potential of the financial asset is largely transferred. Financial liabilities are derecognised when they are fulfilled, cancelled or expire.

Financial instruments at amortised cost

Debt instruments that have cash flows that only represent the payment of interest and instalments, and where the purpose is only to hold the instrument in order to receive contractual cash flow, are recognised at amortised cost. Within the Group, all loans and loans with floating interest rates are classified at amortised cost.
The Parent bank's financial statements include an exception related to lending to personal customers with collateral in housing. This arises as a result of the fact that many of the loans will subsequently be sold to the Bank's wholly owned mortgage company and will therefore be recognised as held for the collection of contractual cash flows and sale in accordance with IFRS 9.
Financial instruments at amortised cost primarily comprise the following:

Assets and liabilities:

- Loans at floating interest rates
- Liabilities to credit institutions and deposits from customers
- Debt securities at floating interest rates
- Subordinate debt at floating interest rates

Loans to customers

Loans to and receivables from customers are initially recognised at fair value with the addition of direct transaction costs. During periods after initial recognition, loans at amortised cost are valued according to the effective interest method. Loans are written down in accordance with IFRS 9.

Write-downs are calculated as the difference between the carrying amount and the present value of future cash flows, calculated over the expected life of the loan. For the present value calculation, the most recently determined effective interest rate on the loan or loans to be written down is used.

Potential exposure
Unused drawing rights and approved, non-discounted loans are off-balance sheet items which are presented in notes. Revenue is recognised under commission income and income from banking services. Off-balance sheet items included in the calculation of expected losses and the loss provision are presented in the balance sheet under "Other liabilities".

Financial guarantees issued
Contracts that require the Bank to reimburse the holder for a loss due to a specific debtor failing to pay in accordance with the terms of a debt instrument, are classified as issued financial guarantees. Commission income is recognised over the term of the guarantee under "Commission income and revenues from banking services". Changes in value as a result of credit commitments that have been written down are recognised under "Losses on loans and guarantees, etc.". Expected losses are capitalised under "Other liabilities".

Write-downs on loans
The rules in IFRS 9 regarding impairment of financial assets apply to commitments recognised at amortised cost (commitments with floating interest rates are defined under this category) and to commitments recognised at fair value, with changes in value via other comprehensive income (mortgage loans at floating interest rates in the Parent bank). The standard also entails requirements regarding loss provisions on new commitments, in that a write-down must be performed for expected credit losses as a result of expected default in the next twelve months. Expected losses for all customers are calculated at account level. The calculation includes loans, guarantees, unused credit and loan commitments.
For loans where the credit risk has increased substantially following initial recognition, write-downs must be performed for the expected credit loss over the maturity of the loans.
The Bank has developed a model in collaboration with a number of other banks. The model contains macro-scenarios in accordance with IFRS 9 (four scenarios). The model is described in more detail in Note 2.1.1.

Expected losses are calculated for all accounts. All account commitments are placed in one of the three "steps" in the loss model, based on their change in risk since approval (change in credit risk). See the explanations below for a description of the individual "steps". All commitments that do not already have objective evidence of loss at the time of recognition are placed in step 1; and subsequently moved to step 2 in cases where there has been a significant increase in credit risk; or step 3 in cases where there is objective evidence of loss.

Step 1: 12-month expected loss.

This includes most cases of financial assets that are covered by the general loss model. Financial instruments that have a similar probability of defau|lt (or better) over the remaining term as upon initial recognition are covered by this step. The estimated expected loss which is recognised in the financial statements corresponds to the expected loss from default in the next 12 months.

Step 2: Expected loss over lifetime.

Financial assets that have seen a significant increase in the probability of default (PD) since initial recognition are placed in step 2.

Whether or not a commitment is significantly worsened is determined by comparing the probability of default (PD) at the time of approval with the PD at the time of calculation.

The assessment of significant deterioration is based on both the relative increase in PD and the absolute change. The level has been set so that both the relative change is significant and the level itself is not immaterial compared to what is considered to be low risk. In addition, it is assumed that substantial absolute changes will be considered to be a significant deterioration under any circumstances.
A commitment is deemed to be significantly worse if, at the time of calculation, it has a PD higher than 0.75% and has also been assigned a PD which is twice as high, or a PD which is at least 5% points higher.
In addition, the following events are also considered to constitute a significant increase in credit risk:

- Commitments where there is a 30-day cover. This applies to overdrafts from the first krone, but more than 30 days old.
- Commitments where the overdraft is larger. This applies to overdrafts from the first day, where the balance is substantially greater than the award. Minimum of NOK 1,000 and five times the award overdrawn
- Commitments with amended payment terms or refinancing (forbearance)

The Bank has internal procedures for marking and identifying customers who have been granted payment deferment. A customer who has been granted payment relief covered by the Financial Supervisory Authority of Norway's reporting guidelines will be marked for a period of at least two years.

Step 3: Expected loss over lifetime.

Step 3 of the loss model contains assets where there is objective evidence of loss at the time of reporting. The expected loss for assets in step 3 is calculated over the remaining term of the asset. Interest income is calculated on the net book value of the asset. Step 3 includes both defaulted loans and credits, as well as commitments where there is other objective evidence for loss.

The same model is used for the Group, Parent bank and wholly owned mortgage company, but with different date definition as regards initial recognition. For the Group and the Parent bank, the account's date of approval must be used, while for the mortgage company, the score as of the transfer date is used.

Objective evidence of loss
Based on current internal guidelines, commitments are continually monitored with a view to identifying potentially doubtful commitments.

Objective evidence of loss is default in accordance with the definition below, as well as loans and other commitments which are not in default, but where the customer's financial situation renders it probable that the Group will incur a loss.

In addition to defaulted commitments, the Bank has stated that objective evidence of loss exists in a commitment where bankruptcy proceedings have been opened, confirmed losses have been incurred on the commitment, an individually assessed provision has been made, or where there are other individual assessments which indicate that there is objective evidence of loss. In the case of individually assessed write-downs, model write-downs are overridden for the commitment concerned. Objective evidence of loss is considered at customer level.

Recovery

Step 1 is considered to be the standard step. Any account commitment which at the time of calculation does not meet the criteria for step 2 or 3, as described above, will be placed in step 1.

Defaults

A collective commitment from a customer is considered to be in default when overdue instalments or interest are not paid within 90 days after the due date, and the amount concerned exceeds NOK 1,000 or credit limits are exceeded for a period of 90 days or more.

Non-recoverable losses

When it is highly probable that losses are final, the losses are classified as non-recoverable. As a result, the asset and associated loss provisions are derived from the balance sheet. Non-recoverable losses covered by previous loss provisions are recognised against loss provisions. Non-recoverable losses not covered by previous loss provisions and over- or under-cover in relation to previous loss provisions are recognised in the income statement.

Modification

When the contractual cash flows from a financial asset are renegotiated or otherwise changed, and the renegotiation or change does not result in the derecognition of the financial asset, the gross carrying amount for the financial asset is recalculated and a gain or loss is recognised in the income statement. The gross carrying amount for the financial asset is recalculated as the present value of the renegotiated or amended contractual cash flows, discounted by the original effective interest rate on the financial asset. Any accrued costs or fees are taken into account in the calculation.

Liabilities to credit institutions and deposits from customers

Liabilities to credit institutions and deposits from customers are recognised at amortised cost. Upon initial recognition, liabilities are recognised at fair value plus direct transaction costs. Upon subsequent recognition, the liabilities will then be recognised at amortised cost using the effective interest method.

Debt securities with floating interest rates

Upon initial recognition, liabilities are recognised at fair value plus direct transaction costs. Upon subsequent recognition, the liabilities will then be recognised at amortised cost using the effective interest method.

Financial assets at fair value via the income statement

Assets and liabilities:

- Fixed-rate loans
- Derivatives without hedging
- Certificates, bonds (interest-bearing securities) and shares

Fixed-rate loans

Fixed-rate loans are recognised at fair value (FVO). The Bank uses interest rate derivatives to financially hedge the interest rate exposure in these loans. The use of the fair value option (FVO) significantly reduces the profit volatility that would normally occur, using different estimation methods for lending and derivatives. The fair value is estimated by discounting the future cash flows (interests and instalments) from the loans with yield requirements derived from the yield curve on the balance sheet date. The credit spread on lending is estimated as an overall evaluation based on observed changes in the market.

Derivatives without hedging

The agreements that the Group has entered into are interest rate derivatives.

Derivatives are capitalised at fair value at the time the derivative contract is entered into, and thereafter continually at fair value.

Certificates, bonds and shares

Certificates, bonds and shares are classified at fair value. The fair value of listed investments is based on the current price as of the balance sheet date. For shares that are not listed on the stock exchange and where there is no active marked, known trading values or the last issue price are used as a basis. Securities without sale are valued on the basis of available accounting information or similar.

Hedging of financial instruments

Assets and liabilities:

- Debt securities with fixed interest rates
- Hedging derivatives

The Bank and the Group use hedge accounting for debt securities at fixed interest rates. The hedge covers the interest rate risk in the bonds. Changes in value are recognised under net gains/ losses on financial instruments. In the event of early repayment or repurchase of issued bonds, any gain/loss is recognised under net gains/losses on financial instruments. The Bank's policy is to hedge all exposure against debt securities with a fixed interest rate. The Group only has fair value hedging on debt securities in Norwegian kroner with fixed interest rates. The hedging instruments secure the total amount and have a maturity, volume and fixed interest rate corresponding to the individual fixed rate loan. The floating rate in the hedging instrument is agreed at the 3-month NIBOR.

IFRS 9 simplifies the requirements for hedge accounting by linking hedge effectiveness more closely to risk management, and thus provides greater opportunity for qualitative assessment. In order to use hedging accounting in accordance with IFRS 9, there must be a financial relationship between the hedging instrument and the secured element. In addition, the effect of credit risk must not dominate value changes in the hedging relationship. In accordance with the requirements of IFRS 9, a prospective (future-oriented) effectiveness test is sufficient. Effectiveness tests are carried out in accordance with the requirements of IFRS 9. The ineffectiveness of the hedge, defined as the difference between the value adjustment of hedging instruments and the value adjustment of the hedged risk, is recognised in the income statement as it arises. The fair value of the derivatives used in hedging relationships is shown in Note 22.2.

Financial assets at fair value via other comprehensive income (OCI)

Assets:

- Floating rate home loans in the parent bank

In accordance with IFRS 9, the loans must be classified at fair value via other comprehensive income (held to receive contractual cash flows and resale). This comes as a consequence of the fact that the loans can be sold to the Bank's wholly owned mortgage company at a later date.

Interest income and interest expenses

Interest income is recognised as income using the effective interest method. This entails the ongoing recognition of nominal interest rates, with the addition of amortisation of establishment fees minus direct establishment costs.

Income recognition of interest using the effective interest method is used for both balance sheet items recognised at amortised cost and balance sheet items recognised at fair value via the income statement. Interest income for financial assets in steps 1 and 2 is calculated using the effective interest rate method on the financial asset's gross value, while interest income for financial assets in step 3 is calculated based on the net value of the financial asset.

Commission income and costs
Commission income and costs are recognised in the income statement as a service is provided and the Bank becomes entitled to payment in accordance with IFRS 15. Included in this are fees from payment mediation and insurance sales.

Intangible assets
Intangible assets are capitalised when probable future financial benefits attributable to the asset can be demonstrated and the cost price of the asset can be estimated reliably. Intangible assets are recognised at cost price.

Development of software is recognised in the balance sheet and classified as intangible assets if the value is considered significant and the asset is expected to have lasting value. In connection with the development of software, use of the Group's own resources is capitalised if accrued expenses can be measured reliably. Expenses for project planning, implementation and training are expensed on an ongoing basis. Capitalised proprietary software is depreciated on a straight-line basis over its estimated useful life. Depreciation commences when the software is made available for use in the company, so that software under development is recognised at cost price until development has been completed.
Intangible assets with a limited life are depreciated, and any need for write-down is evaluated.

Fixed assets
Tangible fixed assets and property are valued at historic cost and written off over the expected economic life of the asset.
It is a requirement that the various elements with different lifetimes are separated out and written off separately. Ordinary depreciation is based on cost price and distributed linearly over the economic life of the fixed assets:

- Buildings and other real property 30 - 40 years
- Machinery, equipment, fixtures and vehicles 3 - 10 years

The depreciation period and method are evaluated annually to ensure that the period and method used is in line with the financial realities of the asset. The same applies to the salvage value.

Other assets
Properties held for sale consists of properties that the Group has acquired as part of the recovery of commitments in default. These are business assets which the Group does not intend to retain and which will normally be sold within about one year. At the time of acquisition, the assets are valued at the expected realisation value, and are not subject to depreciation. These properties are classified as other assets.

Leases
The Group as lessee
The Group's leases are recognised in accordance with the rules of IFRS 16. The principles for IFRS 16 stipulate the recognition, measurement, presentation and disclosure of leases, and require the lessee to account for all leases in a simple balance sheet model. The Group recognises the usufruct asset and associated liability at fair value at the time of recognition. The asset is depreciated over the leasing period, while the liability is recognised at amortised cost.

The Group uses the following practical exemptions for leases:

- exemption for short-term leases (defined as twelve months or less)
- exemption for low-value assets (less than USD 5,000)

As regards the leases that fall under these exemptions, the Group recognises rental payments under "Other operating expenses" in the income statement as they arise.

The Group as lessor
The Group presents assets that are leased as fixed assets in the balance sheet. Rental income is recognised in the income statement over the leasing period. The introduction of IFRS 16 has no effect on the Group as a lessor.

Provisions
A provision is recognised when the Group has an actual liability (legal or assumed) due to events that have occurred, when a financial settlement resulting from the commitment is likely, and when the amount can be estimated reliably. Provisions are reviewed as of each financial reporting date, and the level reflects the best estimate of the commitment.

Pension liabilities and pension costs
The Group has a defined contribution pension scheme, but there are some members still in the old defined benefit pension scheme. See Note 12 for more details.

Defined contribution scheme
In 2016, the Bank's employees were transferred from a defined benefit scheme to a defined contribution scheme. The contributions are recognised and amortised as pension costs. Regarding the distribution of employees between the two schemes, please refer to the accounting note for details.

Defined benefit scheme
Those who remain in the defined benefit plan are members who, under the current rules cannot be transferred.
The Group's pension liabilities are related to defined benefit pension schemes secured in insurance companies and uninsured schemes. Pension expenses and liabilities presented in the statement are obtained from actuarial calculations.
The yield on covered bonds is used as the discount rate.
Note 12.2 shows the sensitivity in calculating pension costs and liability.
Secured and unsecured liabilities are calculated as the discounted value of future pension benefits as of the balance sheet date, secured and unsecured, based on the employees earning pension rights steadily throughout the working period.
Plan assets are valued and posted net against pension liabilities in the balance sheet. Each scheme is considered separately, but the value of the overfinancing in a scheme and underfunding in other schemes are recognised net in the balance sheet if the pension funds can be transferred between the schemes.
Net pension funds are presented in the balance sheet as prepaid expenses and accrued income, whereas net pension liabilities are presented under other liabilities.
The net pension cost is recognised under personnel expenses, and consists of the pension accrual during the period, the interest cost on the calculated pension obligation and the projected yield on the pension funds. The

difference between the actual yield and the calculated yield is recognised via other comprehensive income.
The effects of plan changes are recognised in the income statement, while estimate variances are recognised via other comprehensive income.

Taxes
Deferred tax and deferred tax asset are capitalised in accordance with IAS 12 Income tax.
The tax cost in the income statement includes both the period's payable tax and change in deferred tax. Deferred tax/deferred tax asset is estimated as being 25% of the net temporary differences that exist between accounting and tax values at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or could reverse in the same period are offset and recognised net.
Deferred tax assets are capitalised based on expectations regarding taxable income through earnings in subsequent years.
Payable tax in the balance sheet comprise the payable tax for the period linked to the profit for the year, tax on wealth and payable tax linked to group contributions received. Wealth tax is treated as an operating cost.

Equity certificate capital
Equity consists of equity share capital, primary capital, fund for unrealised gains, other equity (Group) and hybrid capital.

The equity share capital consists of capital related to equity capital certificates, own equity capital certificates, share premium reserve and cohesion fund. Primary capital includes paid and accrued primary capital, the Gift Fund and the compensation fund.

In the Parent bank, the fund for unrealised gains consists of gains on changes in the value of financial instruments where the principle for valuation in accordance to IFRS deviates from the principle according to Norwegian Good Accounting Practice (*Norsk God Regnskapsskikk*).

Other equity (Group) consists of accrued equity in subsidiaries and associated companies following group establishment and the effect of equity eliminations in the consolidated financial statements.
Subordinated bonds that do not satisfy the definition of financial obligation in accordance with IAS 32 are recognised under equity. Accrued interest on subordinated bonds is allocated to subordinated bond capital.

In connection with the issuing of new equity capital certificates or the acquisition of other enterprises, the additional costs directly attributable to the new equity capital certificates or acquisition are treated as a reduction in paid-up capital.
Profit for the year is allocated to the owners of equity capital certificates and the primary fund in accordance with the dividend policy.
Dividends from equity capital certificates and distributions to the Gift Foundation are classified as equity until the dividend has been determined by the Bank's Supervisory Board. Transfers to the Bank's Gift Fund are classified as equity until the gift allocation is completed.
When the dividend has been approved by the Supervisory Board, it is eliminated from equity and classified as a current liability until the payment date.
When the Bank or other companies in the Group purchase equity capital certificates issued by the Bank, the combined purchase consideration is eliminated from the total equity certificate capital.

Segments
Segment reporting is divided according to the way in which different business areas are reported and followed up. The Bank has two operating segments: the Retail Market and the Corporate Market.

Cash flows
The cash flow statement (IAS 7) shows payments and payouts of cash and cash equivalents throughout the year. Cash and cash equivalents are defined as cash and receivables from central banks. The Group uses the direct method.

Cash and cash equivalents consist of cash, bank deposits, other short-term, readily negotiable investments with an original term not exceeding three months.

Comparability
Comparative figures are adjusted where it is deemed necessary to ensure comparability with the presentation for the present year.

Events after the balance sheet date
Events after the reporting date are reported in accordance with IAS 10. The information covers events which are not recognised in the consolidated financial statements, but which are of significance to the evaluation of the business.
The financial statements are submitted under the assumption of a going concern. In the opinion of the Board, this assumption was met at the time the financial statements were approved for submission. The Board's recommendation regarding a dividend is presented in the annual report.

NOTE 1.1 - Accounting estimates and discretionary assessments

Parent bank and Group

The Group prepares estimates and assumptions which have an impact on reported balance sheet figures for the next financial 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-downs on lending
Assessments of write-downs are partly based on judgement.
Loan portfolios/guarantee liabilities are continuously monitored with regard to the need for impairment/provisions. Impairment/provisions are implemented in accordance with IFRS 9. See the accounting policies and Note 2.1.1.

Fair value of financial instruments
The fair value of financial instruments is partly calculated based on assumptions not observable in the market. This is particularly relevant as regards the determination of a relevant supplement for credit risk in connection with fair value determination for fixed-rate securities in the form of borrowing and securities issued by others. In such cases, the Bank bases
its evaluations on the information available in the market, combined with best judgement. This information includes credit assessments by leading market operators.

Group and Parent bank

Risk and capital management

Risk and capital management supports the Group's strategic development and ambitions, and helps to ensure attainment of the Group's financial and operational objectives. Nevertheless, unforeseen losses can occur which require the Group to have sufficient equity. As a part of the risk management process, the requirement for supplementary capital for the various risk areas is evaluated. These assessments are underpinned by computational models. This is summarised in the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Risk categories and definitions:

• Credit risk is defined as the risk of losses as a result of customers or counterparties being unable to fulfil their obligations.
• Liquidity risk: the risk of the Group being unable to meet its obligations at maturity.
• Market risk: the risk of losses due to changes in market prices linked to activities and positions in securities (interest and shares) and currency.
• Operating risk: the risk of direct or indirect losses due to failures in internal routines, systems and processes, insufficient competency, damage to assets, suspension of operations, system failure, and internal or external fraud.
• Compliance risk: Risk of not complying with regulatory requirements and internal procedures/guidelines
• Anti-money laundering risk: Risk of not complying with anti-money laundering and terrorist financing laws and regulations, and not complying with internal regulations with the intention of fulfilling the requirements of the law.

Risk management is pivotal to the day-to-day operation and the ongoing work of the Board. Risk is primarily managed through risk strategy, general guidelines concerning operational risk, periodic measurement and reporting of established management goals in all business areas, guidelines, frameworks, authorities, reporting requirements and competency requirements.

The Bank's risk management unit comprises six full-time equivalents. The Risk Management Director reports directly to the CEO, and is responsible for monitoring and coordinating overarching risk management within the Bank. The Risk Management Director also reports directly to the Board.

The Group’s internal audit unit consists of one full-time equivalent and reports directly to the Board. The internal auditor is responsible for evaluating whether adequate routines are in place in key areas within the Bank in order to reduce risk. The Board annually approves the internal auditor’s instructions and schedule of work. The internal auditor can utilise external services if needed.

Corporate governance

Sparebank 1 Helgeland’s principles and policy for corporate governance are intended to ensure that the Bank operates in line with generally accepted and recognised practices and standards, as well as laws and regulations. Good corporate governance within SpareBank 1 Helgeland encompasses the values, goals and general principles by which the Bank is governed and controlled. This approach ensures a good interaction between the Bank's stakeholders, such as equity certificate owners, lenders, customers, employees, governing bodies, management and society at large.
Corporate governance should ensure prudent asset management and give greater assurance that communicated goals and strategies are being implemented and achieved. The Group's principles and frameworks for internal control and risk management are enshrined in the governing documents, which are reviewed annually by the Board. The governing documents set out the Group’s internal framework for good governance and control, and the policy provides guidance regarding the Group’s overarching approach to risk management.
The Board of Sparebank 1 Helgeland places emphasis on compliance with the principles laid down in the Norwegian Code of Practice for Corporate Governance in the management of the business.
Sparebank 1 Helgeland has compared its own policy to the Norwegian Code of Practice for Corporate Governance and the aforementioned principles from the European Banking Authority. The Board considers that the Bank’s corporate governance is satisfactory and in accordance with Norwegian recommendations.
In 2020, 19 board meetings were held at the Bank. Follow-up of strategy, risk and capital management, profitability and entry into the SpareBank 1 Alliance have been the Board's focus areas.
The Board has prepared an annual plan for its work. Emphasis is placed on ensuring that the Board’s members possess sufficient knowledge and expertise. A self-evaluation has been conducted covering working forms, expertise, priorities and collaboration between the Board and the management.

As part of the Board’s work, it has set up an Audit Committee, a Risk Committee and a Remuneration Committee. These committees are intended to ensure that SpareBank 1 Helgeland has an independent and effective internal and external audit, and that accounting and risk reporting are in line with rules and regulations, and help to promote and incentivise good corporate governance with regard to the enterprise’s risks, counteract high risk taking and help to prevent conflicts of interest. The Risk Committee comprises Stein Andre Herigstad-Olsen(chair), Rolf Eigil Bygdnes and Siw Moxness.
The Audit Committee comprises Siw Moxness (chair), Stein Andre Herigstad-Olsen and Rolf Eigil Bygdnes.
The Remuneration Committee comprises Stein Andre Herigstad-Olsen (chair), Bjørn Krane and Birgitte Lorentzen (employee representative).
During 2020, the Audit Committee held six meetings, the Risk Committee seven meetings and the Remuneration Committee three meetings.
A comprehensive account of corporate governance can be found in a separate chapter of the annual report.

NOTE 2.1 - Credit risk

Group and Parent bank

Credit risk constitutes the risk of customers or counterparties being unable to fulfil their obligations with respect to the Group. The credit risk, and its exposure, is governed by credit strategy, credit policy, credit routines and grant regulations. Credit policy, credit routines and grant regulations were reviewed and updated in October 2020, and applied from 1 January 2021. The credit strategy has been adopted for a three-year period, subject to annual re-evaluations. The current strategy from 1 January 2020 was adopted by the Board in November 2019.

The Group's credit strategy is derived from the overall strategy, and contains guidelines and management frameworks for risk profile and risk concentrations at portfolio level and sector level. There are set limits for allocation of lending between the retail and corporate markets, size of commitment and number thereof, exposure within sectors (concentration risk) and geographical limitations. The risk management framework is monitored and reported quarterly to the Board, supplemented by annual portfolio reviews.
Developments in credit risk are monitored through regular analyses of the trend in defaults in specific sectors, geographical areas, borrowers' and potential borrowers' ability to service interest and instalments, and an assessment of the collateral that underlies the credit commitments. For the ongoing monitoring of risk, a set of actions and action plans for the follow-up of borrowers has been defined, along with reports which are submitted periodically to the Board.
The total capital requirement for credit risk is stated in the Group's ICAAP. The level of tolerance for credit risk is defined for selected sectors and areas. A management level for the corporate market portfolio has been established and is followed and reported periodically. Stress tests are used to assess the loss potential in the credit portfolio as a result of a large fall in property prices.

The risk in the retail market portfolio has been low over time. House prices rose steadily for detached houses and apartments in Helgeland sold during 2020, but vary to some extent within the individual markets. Housing development across the whole of Helgeland was sluggish throughout 2020, with few new housing projects involving the construction of apartments and detached housing.

Based on the loss rules in IFRS 9 and internal guidelines, commitments are monitored continuously with a view to identification and modelling.
There is a strong focus on this area and regular reviews are carried out of good credit practices and the quality of the work relating to credit. This includes an understanding of good monitoring and the control of customer portfolios. Compliance through individual cases is ensured through the Credit Committee, the managers' key controls, and the delegation of tasks between advisors and custodians. For the corporate market, management and monitoring are ensured through the ongoing assessment of customer relationships, ability to pay, and collateral assessments. This takes place through both monthly and quarterly reviews. For monitoring and development in the retail market portfolio, quarterly analyses are carried out concerning the quality of approved loans, along with six-monthly analyses of the overall portfolio.
The risk-distributed loan portfolio, broken down according to low (risk class A-D), medium (risk classes E-G) and high risk (risk classes H-K), is reported based on the scoring models. Risk migration is reported quarterly as part of the overall reporting of risk to the Board.
Close monitoring of key corporate customers and monitoring of the probability of default in the portfolio and for specific defined sectors have been continued as priority focus areas. At the end of 2020, the Bank had one (one) commitment which totalled more than 10% of subordinated capital.

Write-downs for losses on loans and off-balance sheet items in accordance with IFRS 9

See the description in Note 1 - Accounting policies.

Assumptions used in the calculation model

Periodically expected losses are calculated as the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD), and must be unbiased. The PD model has been used and validated by the Bank since 2009, while the LGD model has been developed from 2017. The most recent validation of the loss model was carried out at the end of 2020 with subsequent changes. The change did not materially impact on the loss provision.

PD

The Bank's PD model gives PD (probability of default), at customer level, one year ahead. The PD model gives the likelihood that the customer will default on all their commitments. The customer's PD can therefore be used at account level.
The Bank has not developed any models to calculate lifetime PD, but is reviewing the opportunities to develop a lifetime PD. The Bank therefore uses models that calculate the probability of default in the next 12 months (12-month PD). The Bank has carried out analyses of the observed default rate (default rate, DR) as a function of the age of the loan at the time of default. The analyses show that DR increases somewhat in the early years after granting, and then decreases. The variation in DR is considered to be at such a level that 12 months PD represents a reasonable substitute for lifetime PD. The size of the database decreases with the maturity of the loan, and is mainly linked to the relatively low number of defaults during the past four years. As a result, the analyses are subject to some uncertainty.

LGD

The LGD (loss given default) model is a function of the relationship between the commitment and the underlying collateral, the probability of recovery and the costs associated with realisation. The collateral coverage is determined at customer level based on realisation values for the assets, and applied to secured commitments. Collateral coverage is limited upwards to the usable collateral that constitutes collateral coverage with quantitative limitations, including downward adjustment of collateral coverage based on the quality of the collateral. See Note 21 for a more detailed description of collateral.

The probability of recovery varies depending on the step that the commitment has been placed in. The probability of recovery in step 1 is 72% for the Retail Market and 30% for the Corporate Market. As steps 2 and 3 are lifetime calculations, the probability of a new default after recovery is taken into account. This results in a lower probability of recovery in steps 2 and 3 of 41% and 18% for the Retail Market and Corporate Market respectively. An exception has been established linked to the municipal sector, where the probability of recovery is set at 100%.

The cost of capitalising collateral is set to 5% of the collateral. Internal costs associated with capitalisation are set to 0%.

Minor adjustments were made to the calculation model during the reporting period, which have not had any material effect.

EAD

EAD (exposure at default) gives an indication of the expected exposure at the time of default. EAD is a function of the expected balance, grant and a conversion factor. For example, EAD will never be greater than the appropriation for an individual commitment, or less than the balance. For all types of grant, excluding construction loans (25%) and contract guarantees (65%), the conversion factor is set to 70% for the Retail Market and 50% for the Corporate Market.

For awarded, but not discounted grants, a conversion factor of 100% has been established, reflecting the likelihood of the grant being discounted.

Remaining maturity

The remaining term of a repayment loan is set to the closing date. The instalment profiles in the model are adapted to the characteristics of the repayment loan. For commitments without a closing date, an expected remaining maturity is used based on the history of similar commitments and the age of the commitment. This primarily applies to flexible loans and credits.

Prepayment (PP) is taken into account for all repayment loans and is considered to be constant over the term. PP varies across the different macro scenarios.

Scenarios

The model uses four different scenarios, which impact on the projected LGD, PD and PP. These scenarios have been developed using historical data and macro variables.

Applicable to all the scenarios is that they apply from and including a calculation date, i.e. we are in the first scenario period at the time of calculation. This approach was used so that the scenarios have an effect on the entire calculation, including steps 1 and 3.

Description of scenarios

The scenarios were determined based on an overall assessment of a number of macro-variables and other factors, including unemployment, price falls and outward migration. There are effects at overall level for PD and collateral values which form the basis for possible adjustments to scenarios. Regional development is expected to be on par with the national economy in the four scenarios.

Four scenarios have been defined:

Realistic scenario is a macroeconomic scenario that represents expected future economic growth over the next five years. Realistic scenario is a scenario comparable to the 'Base case' ICAAP scenario. This scenario represents stable and moderate global and national economic growth. This scenario is weighted by 60%.

Optimistic scenario is a macroeconomic scenario that represents a boom, with strong economic growth. Over a period of five years, the scenario is expected to converge on a realistic scenario. The scenario represents a global economy with strong growth, while rising oil prices and associated economic growth are expected at national level. This scenario is weighted by 20%.

The pessimistic scenario is a macroeconomic scenario that represents an economic downturn with sluggish economic growth, but which will be significantly less severe than the credit crisis of the early 1990s. Over a period of five years, the scenario is expected to converge on a realistic scenario. This scenario is weighted by 17%.

The crisis scenario is a macroeconomic crisis which represents a banking crisis with substantial lending losses and a significant economic downturn following a sharp drop in house prices. The crisis scenario is on par with the credit crisis of the early 1990s. This scenario is weighted by 3%. This scenario is designed to take into account the model's non-linearity during periods of severe economic downturn.

Sensitivity assessments of key assumptions

The model is most sensitive to the parameters LGD and PD. These have a sensitivity of up to 35% when they are altered for both the retail market and the corporate market. Accordingly, a 10% change in LGD/PD will result in a change in loss provisions of up to 3.5%. If the variables are altered for individual segments (retail market or corporate market), the sensitivity is around 20%. A high sensitivity indicates that the outcome of the model is particularly affected by changes in these parameters.

Parameters with high sensitivity are therefore closely monitored with regard to model input and validation.

Estimate uncertainty

There is underlying estimate uncertainty linked to a number of the parameters used in the model. This is mainly linked to underlying collateral values, parameters in LGD, and PD. There are no indications of significant errors or deficiencies in the model as of the end of 2020, but there is considerable uncertainty linked to the estimate of loss provisions, especially as regards how the coronavirus pandemic will unfold.

Parent bank						*Group*
31.12.20						**31.12.20**
Provision for losses on loans (exc. individual write-down)	**Base Case**	**Effect of Scenario**	**Effect of macro-scenarios on estimated loss**	**Provision for losses on loans (exc. individual write-down)**	**Base Case**	**Effect of Scenario**
86	66	20	Loss provisions under IFRS 9	88	68	20

Parent bank						*Group*
31.12.19						**31.12.19**
Loss provisions for loans in steps 1 and 2	**Base Case**	**Effect of Scenario**	**Effect of macro-scenarios on estimated loss**	**Loss provisions for loans in steps 1 and 2**	**Base Case**	**Effect of Scenario**
102	86	16	Loss provisions under IFRS 9	102	86	16

Gross lending, corporate market and retail market

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.20 Total
Gross lending pr. 01.01.20	**20.827**	**4.764**	**550**	**26.141**
New loans / credits / guarantees	5.894	1.111	60	7.065
Transfers from step 1 to step 2	-2.427	2.396		-31
Transfers from step 1 to step 3	-31		29	-2
Transfers from step 2 to step 3		-89	86	-3
Transfers from step 3 to step 2		17	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	914	-985		-71
Reduced portfolio	-4.583	-1.334	-159	-6.076
Other adjustments	-685	-174	-6	-865
Gross lending pr. 31.12.20	**19.912**	**5.706**	**539**	**26.157**
IB unused drafts, guarantees etc.	2.570	190	23	2.782
UB unused drafts, guarantees etc.	2.271	280	36	2.588

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.19 Total
Gross lending pr. 01.01.19	**22.813**	**3.338**	**638**	**26.789**
New loans / credits / guarantees	6.015	1.369	11	7.395
Transfers from step 1 to step 2	-1.936	1.865		-71
Transfers from step 1 to step 3	-38		47	9
Transfers from step 2 to step 3		-156	158	2
Transfers from step 3 to step 2		6	-6	0
Transfers from step 3 to step 3	23		-24	-1
Transfers from step 2 to step 1	1.037	-1.082		-45
Reduced portfolio	-5.488	-1.180	-290	-6.958
Other adjustments	-1.598	603	16	-980
Gross lending pr. 31.12.19	**20.827**	**4.764**	**550**	**26.141**
IB unused drafts, guarantees etc.	2.693	299	15	3.007
UB unused drafts, guarantees etc.	2.570	190	23	2.782

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

				Parent bank
	Step 1	**Step 2**	**Step 3**	**31.12.20**
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.20	**14.211**	**3.835**	**550**	**18.596**
New loans / credits / guarantees	4.918	956	62	5.936
Transfers from step 1 to step 2	-1.948	1.933		-15
Transfers from step 1 to step 3	-64		62	-2
Transfers from step 2 to step 3		-88	85	-3
				0
Transfers from step 3 to step 2		17	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	705	-770		-64
Reduced portfolio	-3.556	-1.117	-159	-4.832
				0
Other adjustments	-469	-158	-6	-633
Gross lending pr. 31.12.20	**13.800**	**4.608**	**573**	**18.982**
IB unused drafts, guarantees etc.	2.060	185	23	2.267
UB unused drafts, guarantees etc.	1.909	278	36	2.223

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

				Parent bank
	Step 1	**Step 2**	**Step 3**	**31.12.19**
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	**15.771**	**3.054**	**638**	**19.463**
New loans / credits / guarantees	4.836	1.206	18	6.060
Transfers from step 1 to step 2	-1.514	1.452		-62
Transfers from step 1 to step 3	-35		44	9
Transfers from step 2 to step 3		-151	153	2
Transfers from step 3 to step 2		6	-6	0
Transfers from step 3 to step 3	22		-23	-1
Transfers from step 2 to step 1	754	-787		-33
Reduced portfolio	-4.768	-1.061	-291	-6.120
				0
Other adjustments	-853	116	15	-721
Gross lending pr. 31.12.19	**14.213**	**3.834**	**550**	**18.596**
IB unused drafts, guarantees etc.	2.228	290	15	2.533
UB unused drafts, guarantees etc.	2.060	185	23	2.267

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Write-down on loans, corporate market and retail market

	Step 1	Step 2	Step 3	*Group* 31.12.20
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.20	**14**	**71**	**253**	**338**
New or increased loans / credits / guarantees	6	11	8	26
Transfers from step 1 to step 2	-4	28		24
Transfers from step 1 to step 3	0		5	5
Transfers from step 2 to step 3		-5	18	13
				0
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	2	-21		-19
Reduced portfolio	-3	-19	-57	-79
				0
Other adjustments	-2	-4	-4	-10
Loss deduction pr. 31.12.20	**13**	**61**	**222**	**296**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

	Step 1	Step 2	Step 3	*Group* 31.12.19
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	**17**	**63**	**305**	**385**
New or increased loans / credits / guarantees	6	30	1	**37**
Transfers from step 1 to step 2	-2	20		**18**
Transfers from step 1 to step 3	0		9	**9**
Transfers from step 2 to step 3		-3	27	**24**
				0
Transfers from step 3 to step 2		0	-1	**0**
Transfers from step 3 to step 3	0		-10	**-10**
Transfers from step 2 to step 1	0	-9		**-9**
Reduced portfolio	-6	-28	-86	**-120**
				0
Other adjustments	-1	-2	8	**5**
Loss deduction pr. 31.12.19	**14**	**71**	**253**	**338**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

				Parent bank
	Step 1	**Step 2**	**Step 3**	**31.12.20**
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.20	**14**	**69**	**253**	**336**
New or increased loans / credits / guarantees	6	11	8	26
Transfers from step 1 to step 2	-4	27		23
Transfers from step 1 to step 3	0		19	19
Transfers from step 2 to step 3		-5	18	13
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	2	-20		-18
Reduced portfolio	-3	-18	-57	-78
				0
Other adjustments	-2	-4	-4	-11
Loss deduction pr. 31.12.20	**13**	**59**	**236**	**308**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

				Parent bank
	Step 1	**Step 2**	**Step 3**	**31.12.19**
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	**17**	**64**	**304**	**385**
New or increased loans / credits / guarantees	6	30	2	37
Transfers from step 1 to step 2	-2	19		17
Transfers from step 1 to step 3	0		9	9
Transfers from step 2 to step 3		-3	27	24
				0
Transfers from step 3 to step 2		0	-1	0
Transfers from step 3 to step 3	0		-10	-10
Transfers from step 2 to step 1	0	-9		-8
Reduced portfolio	-6	-28	-86	-120
				0
Other adjustments	-1	-4	9	4
Loss deduction pr. 31.12.19	**14**	**69**	**253**	**336**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Gross lending, corporate market

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.2020 Total
Gross lending pr. 01.01.20	**6.144**	**2.248**	**433**	**8.824**
New loans / credits / guarantees	1.966	379	54	2.400
Transfers from step 1 to step 2	-1.395	1.395		0
Transfers from step 1 to step 3	-23		21	-2
Transfers from step 2 to step 3		-74	71	-2
Transfers from step 3 to step 2		1	-1	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	362	-413		-51
Reduced portfolio	-1.029	-699	-139	-1.867
Other adjustments	-294	-117	-5	-415
Gross lending pr. 31.12.20	**5.731**	**2.721**	**434**	**8.886**
IB unused drafts, guarantees etc.	1.401	169	22	1.593
UB unused drafts, guarantees etc.	1.155	248	36	1.439

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.2019 Total
Gross lending pr. 01.01.19	**6.889**	**1.844**	**568**	**9.301**
New loans / credits / guarantees	1.917	825	1	2.743
Transfers from step 1 to step 2	-848	809		-40
Transfers from step 1 to step 3	-23		32	9
Transfers from step 2 to step 3		-103	107	4
Transfers from step 3 to step 2		5	-5	0
Transfers from step 3 to step 3	12		-12	0
Transfers from step 2 to step 1	388	-412		-24
Reduced portfolio	-2.025	-702	-274	-3.001
Other adjustments	-167	-18	16	-169
Gross lending pr. 31.12.19	**6.144**	**2.248**	**433**	**8.824**
IB unused drafts, guarantees etc.	1.641	259	16	1.916
UB unused drafts, guarantees etc.	1.401	169	22	1.593

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2020 Total
Gross lending pr. 01.01.20	**6.036**	**2.214**	**433**	**8.683**
New loans / credits / guarantees	1.937	380	54	2.372
Transfers from step 1 to step 2	-1.379	1.381		2
Transfers from step 1 to step 3	-57		55	-2
Transfers from step 2 to step 3		-74	71	-2
Transfers from step 3 to step 2		1	-1	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	352	-404		-51
Reduced portfolio	-1.008	-684	-139	-1.831
Other adjustments	-220	-117	-5	-342
Gross lending pr. 31.12.20	**5.661**	**2.699**	**468**	**8.827**
IB unused drafts, guarantees etc.	1.394	169	22	1.585
UB unused drafts, guarantees etc.	1.150	248	36	1.433

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2019 Total
Gross lending pr. 01.01.19	**6.883**	**1.814**	**568**	**9.265**
New loans / credits / guarantees	1.903	812	2	2.717
Transfers from step 1 to step 2	-841	801		-40
Transfers from step 1 to step 3	-22		31	9
Transfers from step 2 to step 3		-103	107	4
Transfers from step 3 to step 2		5	-5	0
Transfers from step 3 to step 3	12		-12	0
Transfers from step 2 to step 1	383	-406		-23
Reduced portfolio	-2.018	-700	-274	-2.992
Other adjustments	-261	-8	16	-253
Gross lending pr. 31.12.19	**6.040**	**2.214**	**433**	**8.687**
IB unused drafts, guarantees etc.	1.629	268	16	1.913
UB unused drafts, guarantees etc.	1.394	169	22	1.585

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Write-down, corporate market

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Group* 31.12.2020 Total
Loss deduction pr. 01.01.20	**11**	**64**	**240**	**315**
New or increased loans / credits / guarantees	6	9	7	22
Transfers from step 1 to step 2	-4	26		22
Transfers from step 1 to step 3	0		5	4
Transfers from step 2 to step 3		-5	17	12
				0
Transfers from step 3 to step 2		0	0	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	2	-19		-17
Reduced portfolio	-3	-17	-52	-72
Other adjustments	0	-5	-8	-13
Loss deduction pr. 31.12.20	**12**	**53**	**208**	**273**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Group* 31.12.2019 Total
Loss deduction pr. 01.01.19	**16**	**60**	**292**	**368**
New or increased loans / credits / guarantees	5	29	1	35
Transfers from step 1 to step 2	-2	17		15
Transfers from step 1 to step 3	0		9	8
Transfers from step 2 to step 3		-3	24	21
				0
Transfers from step 3 to step 2		0	-1	0
Transfers from step 3 to step 3	0		-10	-10
Transfers from step 2 to step 1	0	-8		-8
Reduced portfolio	-6	-27	-82	-115
Other adjustments	-2	-5	7	0
Loss deduction pr. 31.12.19	**11**	**64**	**240**	**315**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2020 Total
Loss deduction pr. 01.01.20	**13**	**63**	**240**	**315**
New or increased loans / credits / guarantees	6	9	7	22
Transfers from step 1 to step 2	-4	26		22
Transfers from step 1 to step 3	0		19	19
Transfers from step 2 to step 3		-5	17	12
Transfers from step 3 to step 2		0	0	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	2	-19		-17
Reduced portfolio	-3	-17	-52	-72
				0
Other adjustments	-2	-4	-8	-14
Loss deduction pr. 31.12.20	**12**	**53**	**222**	**287**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2019 Total
Loss deduction pr. 01.01.19	**16**	**60**	**291**	**367**
New or increased loans / credits / guarantees	5	29	1	35
Transfers from step 1 to step 2	-2	17		15
Transfers from step 1 to step 3	0		9	8
Transfers from step 2 to step 3		-3	26	23
Transfers from step 3 to step 2		0	-1	0
Transfers from step 3 to step 3	0		-10	-10
Transfers from step 2 to step 1	0	-8		-8
Reduced portfolio	-6	-27	-82	-115
				0
Other adjustments	0	-6	6	0
Loss deduction pr. 31.12.19	**13**	**63**	**240**	**315**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Gross lending, retail market

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.2020 Total
Gross lending pr. 01.01.20	**14.685**	**2.516**	**117**	**17.318**
New loans / credits / guarantees	3.928	732	6	4.665
Transfers from step 1 to step 2	-1.032	1.001		-32
Transfers from step 1 to step 3	-8		8	0
Transfers from step 2 to step 3		-15	15	0
Transfers from step 3 to step 2		16	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	552	-571		-20
Reduced portfolio	-3.553	-635	-19	-4.208
Other adjustments	-392	-57	-1	-451
Gross lending pr. 31.12.20	**14.182**	**2.985**	**105**	**17.271**
IB unused drafts, guarantees etc.	1.168	21	0	1.189
UB unused drafts, guarantees etc.	1.116	32	0	1.149

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1 With expected loss over 12 months	Step 2 With expected loss over the instruments life time	Step 3 With expected loss over the instruments life time	*Group* 31.12.2019 Total
Gross lending pr. 01.01.19	**15.923**	**1.494**	**71**	**17.488**
New loans / credits / guarantees	4.098	544	10	4.652
Transfers from step 1 to step 2	-1.088	1.056		-31
Transfers from step 1 to step 3	-15		15	0
Transfers from step 2 to step 3		-53	51	-2
Transfers from step 3 to step 2		1	-1	0
Transfers from step 3 to step 3	11		-11	-1
Transfers from step 2 to step 1	648	-670		-21
Reduced portfolio	-3.463	-477	-16	-3.957
Other adjustments	-1.429	621	-1	-809
Gross lending pr. 31.12.19	**14.685**	**2.516**	**117**	**17.318**
Gross lending pr. 31.12.19	1.061	31	-	1.092
IB unused drafts, guarantees etc.	1.168	21	0	1.189
UB unused drafts, guarantees etc.				

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1	Step 2	Step 3	*Parent bank* 31.12.2020
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.20	**8.174**	**1.621**	**117**	**9.912**
New loans / credits / guarantees	2.981	576	8	3.564
Transfers from step 1 to step 2	-569	552		-16
Transfers from step 1 to step 3	-7		7	0
Transfers from step 2 to step 3		-14	14	0
Transfers from step 3 to step 2		16	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	353	-366		-13
Reduced portfolio	-2.548	-434	-19	-3.001
				0
Other adjustments	-247	-42	-1	-290
Gross lending pr. 31.12.20	**8.140**	**1.910**	**105**	**10.154**
Gross lending pr. 31.12.20	667	16	0	682
IB unused drafts, guarantees etc.	759	30	0	790
UB unused drafts, guarantees etc.				

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Gross lending	Step 1	Step 2	Step 3	*Parent bank* 31.12.2019
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	**8.888**	**1.240**	**71**	**10.199**
New loans / credits / guarantees	2.933	394	16	3.343
Transfers from step 1 to step 2	-672	650		-22
Transfers from step 1 to step 3	-13		13	0
Transfers from step 2 to step 3		-48	46	-2
Transfers from step 3 to step 2		1	-1	0
Transfers from step 3 to step 3	10		-10	-1
Transfers from step 2 to step 1	371	-380		-10
Reduced portfolio	-2.750	-361	-17	-3.129
				0
Other adjustments	-591	126	-1	-467
Gross lending pr. 31.12.19	**8.174**	**1.621**	**117**	**9.912**
Gross lending pr. 31.12.19	599	22	-	621
IB unused drafts, guarantees etc.	667	16	0	682
UB unused drafts, guarantees etc.				

Transition between steps includes changes in lending from the beginning to the end of the period.

Lending fixed interest rate, which is measured at fair value with value change over profit, is not included.

Write-down, retail market

	Step 1	Step 2	Step 3	*Group* 31.12.2020
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.20	**2**	**8**	**14**	**23**
New or increased loans / credits / guarantees	0	2	2	4
Transfers from step 1 to step 2	0	2		2
Transfers from step 1 to step 3	0		0	0
Transfers from step 2 to step 3		0	1	0
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	0	-2		-2
Reduced portfolio	0	-2	-5	-7
				0
Other adjustments	0	-1	4	3
Loss deduction pr. 31.12.20	**2**	**7**	**15**	**23**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

	Step 1	Step 2	Step 3	*Group* 31.12.2019
Loss provisions on gross loans and off-balance sheet items	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	**2**	**7**	**9**	**18**
New or increased loans / credits / guarantees	0	1	0	2
Transfers from step 1 to step 2	0	3		3
Transfers from step 1 to step 3	0		1	1
Transfers from step 2 to step 3		-1	2	2
Transfers from step 3 to step 2		0	0	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	0	-1		-1
Reduced portfolio	0	-1	-4	-5
				0
Other adjustments	0	-1	6	5
Loss deduction pr. 31.12.19	**2**	**8**	**14**	**23**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2020 Total
Loss deduction pr. 01.01.20	**1**	**5**	**15**	**21**
New or increased loans / credits / guarantees	0	2	2	3
Transfers from step 1 to step 2	0	1		1
Transfers from step 1 to step 3	0		0	0
Transfers from step 2 to step 3		0	0	0
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	0	-1		-1
Reduced portfolio	0	-1	-5	-6
				0
Other adjustments	1	0	3	4
Loss deduction pr. 31.12.20	**2**	**5**	**15**	**21**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Loss provisions on gross loans and off-balance sheet items	Step 1 Expected loss over 12 months	Step 2 Expected loss over the instruments life time	Step 3 Expected loss over the instruments life time	*Parent bank* 31.12.2019 Total
Loss deduction pr. 01.01.20	**2**	**4**	**12**	**18**
New or increased loans / credits / guarantees	0	1	1	2
Transfers from step 1 to step 2	0	2		2
Transfers from step 1 to step 3	0		0	0
Transfers from step 2 to step 3		-1	1	1
Transfers from step 3 to step 2		0	0	0
Transfers from step 3 to step 3	0		0	0
Transfers from step 2 to step 1	0	-1		-1
Reduced portfolio	0	-1	-1	-2
				0
Other adjustments	-1	0	1	1
Loss deduction pr. 31.12.20	**1**	**5**	**15**	**21**

Transition between steps includes changes in loss deduction from the beginning to the end of the period.

Parent bank 31.12.20								*Group* 31.12.20
Step 1	**Step 2**	**Step 3**	**Total**	**Lending allovated on risk class and steps**	**Step 1**	**Step 2**	**Step 3**	**Total**
10.055			10.055	Low risk	15.866			15.866
3.153	3.391		6.544	Medium risk	3.451	4.357		7.808
592	1.217	573	2.382	High risk	595	1.349	539	2.483
13.800	**4.608**	**573**	**18.982**	**Gross lending (fixed interest rate excluded)**	**19.912**	**5.706**	**539**	**26.157**

Parent bank 31.12.19								*Group* 31.12.19
Step 1	**Step 2**	**Step 3**	**Total**	**Lending allovated on risk class and steps**	**Step 1**	**Step 2**	**Step 3**	**Total**
11.691	0	0	11.691	Low risk	18.172	0	0	18.172
2.017	2.166	18	4.201	Medium risk	2.142	2.869	20	5.031
504	1.669	532	2.704	High risk	513	1.895	530	2.938
14.212	**3.835**	**550**	**18.596**	**Gross lending (fixed interest rate excluded)**	**20.827**	**4.764**	**550**	**26.141**

The risk groups are based on the Bank's PD model. Risk class K constitutes a commitment where there is objective evidence of loss, and comprises commitments in step 3.

Low risk = risk classes A - D
Medium risk = risk classes E - G
High risk = risk classes H - K

NOTE 2.1.2 – Central banks and credit institutions

Central banks and credit institutions

For the balance sheet items ‘Receivables from central banks’ and ‘Loans to and receivables from credit institutions’, the Bank has applied the exception for low credit risk. The Bank’s ‘Cash and receivables from central banks’ is exclusively linked to Norges Bank. Norges Bank is rated Aaa by Moody’s and AAA/A-1 + from S&P and thus meets the standard presumption concerning low credit risk. The Bank’s ‘Loans to and receivables from credit institutions’ is exclusively linked to banks with a credit rating which meet the standard’s presumption concerning low credit risk. The Bank has concluded that this, combined with LGD and low exposure, leads to insignificant loss provisions. Consequently, the Bank has not made any loss provisions linked to this balance sheet item.

Parent bank				*Group*
31.12.19	31.12.20		31.12.20	31.12.19
1.020	1.130	External rating S&P. AA-/A-1+	218	339
172	105	External rating S&P. A+/A-1+	105	172
182	244	External rating S&P. A/A-1	244	182
58	52	Unrated	52	57
1.432	**1.531**	**Total**	**619**	**750**

Bonds and certificates: Classification of issuers by sector

Parent bank				*Group*
31.12.19	31.12.20		31.12.20	31.12.19
1.000	1.065	State	1.115	1.050
2.610	2.067	Municipality	2.067	2.610
1.189	1.422	Credit companies	1.392	1.109
63	48	Bank	48	63
72	40	Other	40	72
4.934	**4.642**	**Total**	**4.662**	**4.904**

Bonds and certificates: Classification of issuers by rating

Parent bank				*Group*
31.12.19	31.12.20		31.12.20	31.12.19
2.684	2.934	AAA	2.984	2733
2.115	1.619	AA-/AA/AA+	1.589	2035
10	20	A+/A	20	10
87	-	BBB-/BBB/BBB+	64	88
38	5	BBB-/BBB/BBB+	5	38
4.934	**4.578**	**Total**	**4.662**	**4.904**

NOTE 2.1.3 - Defaulted and doubtful commitments

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
289	321	Loans and guarantees in default	321	289
-122	-163	Write-downs, step 3	-163	-122
167	**158**	**Total net loans and guarantees in default**	**158**	**167**
261	252	Other doubtful loans and guarantees not in default	218	261
-131	-73	Write-downs, step 3	-60	-131
130	**179**	**Total net doubtful loans and guarantees not in default**	**158**	**130**
297	**337**	**Total net defaulted and doubtful commitments**	**316**	**297**
1.5%	1.6%	As a percentage of gross loans	1.1%	1.1%

Other doubtful are loans and guarantees that are not in default. Commitments where payment relief has been registered are not recognised under other doubtful commitments, unless they are considered to be doubtful. Doubtful loans and guarantees are defined under Alternative Performance Measures (APM).

At the year-end, the Bank had non-recoverable losses of NOK 44 million (NOK 43 million) where the claim is still valid against the debtor. Non-recoverable losses for monitoring primarily concern customers in the retail market where the Bank has identified a loss, even though the loan has not been surrendered/deleted. The amount is not been recognised in the balance sheet and is not expected to be redeemed.

NOTE 2.2 – Liquidity risk

Group and Parent bank

The Board has established a liquidity management strategy, which specifies the purpose, management objectives and risk tolerance for liquidity risk management. The main objective of this strategy is to ensure that the Group has adequate liquidity management which helps to ensure that the Group is able to meet its payment obligations.

The liquidity strategy is reviewed annually by the Board. Particular emphasis has been placed on liquidity risk and new regulatory requirements for liquidity management within banks, which are gradually being implemented in the liquidity management process.

Liquidity risk is reduced by spreading borrowing over various markets, lenders, instruments and maturities.

In the management of the Group's liquidity risk, target requirements are used for liquidity indicator1, long-term funding ratio, deposit-to-loan ratio and requirements concerning liquidity buffer capital (LCR).

The Board of Directors has also stipulated that the proportion of long-term borrowing as a percentage of total borrowing must amount to at least 70%. As of 31 December 2020, the proportion of long-term funding was 87.6% (97.3%), which is well above the target requirement.

To limit the Group's liquidity risk, the Bank has liquidity reserves in the form of cash, deposits in Norges Bank and other banks, liquid equity instruments, investments in money market funds, interest-bearing securities and unused drawing rights. Minimum requirements for liquidity buffer levels are stipulated in the Bank's liquidity strategy. In recent years, the Group has gradually increased both the quality and level of its liquidity buffers. The Group's combined liquidity buffer capital is considered to be satisfactory.

The majority of the Group's liquidity reserves in the form of interest-bearing securities are invested in covered bonds and treasury and municipal bonds. The total duration of the fixed income portfolio is 1.5 (1.5) years. The Group's total liquidity reserves (cash, bank deposits and interest-bearing securities) amounted to NOK 5.4 billion (NOK 5.8 billion), or 16.4% (17.0%) of the Group's total assets.

The deposit-to-loan ratio is a key parameter for the monitoring of liquidity risk, i.e. the proportion of gross lending to customers that is covered through deposits from customers. The Board has stipulated a minimum requirement of 60% for the deposit-to-loan ratio and this requirement was met throughout 2020.

Helgeland Boligkreditt is an important source of funding and provision of mortgages approved for transfer to the Bank's residential mortgage is afforded a high level of attention. At the end of 2020, the Group's covered bonds amounted to NOK 6.2 billion (NOK 6.7 billion).

SpareBank 1 Helgeland is rated by Moody's. The Bank's rating is A3 with a "stable outlook". Bonds issued by Helgeland Boligkreditt AS are rated at Aaa by Moody's.

NOTE 2.2.1 – Liquidity risk, remaining maturity

					Group
					31.12.20
	0 - 3 months	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total inc. interest**
Liabilities to credit institutions	0	252	310	0	562
Deposits from customers and liabilities	18,806	81	0	0	18,887
Loans established through the issuing of securities	5	937	8,277	307	9,526
Subordinated loans/bonds	0	0	0	861	861
Financial derivatives, gross settlement (outflows)[1)]	5	36	47	11	99
Total outgoing payments	**18,816**	**1,306**	**8,634**	**1,179**	**29,935**
Loans to and receivables from credit institutions	616	0	0	0	616
Loans to and receivables from customers	3,440	149	1,342	26,820	31,751
Certificates and bonds	650	1,182	2,853	48	4,733
Total incoming payments	**4,706**	**1,331**	**4,195**	**26,868**	**37,100**
1) Financial derivatives, gross settlement (inflows)	13	30	58	26	127

Loan awards as of 31 December were insignificant relative to the loan portfolio and have therefore not been incorporated.

					Group
					31.12.19
	0 - 3 months	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total inc. interest**
Liabilities to credit institutions	0	0	594	0	594
Deposits from customers and liabilities	19,073	125	0	0	19,198
Loans established through the issuing of securities	25	329	9,596	1,123	11,073
Subordinated loans/bonds	0	0	0	916	916
Financial derivatives, gross settlement (outflows)[1)]	17	39	147	28	231
Total outgoing payments	**19,115**	**493**	**10,337**	**2,067**	**32,012**
Loans to and receivables from credit institutions	744	0	0	0	744
Loans to and receivables from customers	2,636	47	2,108	25,784	30,575
Certificates and bonds	839	1,049	3,012	64	4,964
Total incoming payments	**4,219**	**1,096**	**5,120**	**25,848**	**36,283**
1) Financial derivatives, gross settlement (inflows)	13	43	91	27	174

Loan awards as of 31 December were insignificant relative to the loan portfolio and have therefore not been incorporated.

Parent bank

31.12.20

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total inc. interest
Liabilities to credit institutions	0	252	310	0	562
Deposits from customers and liabilities	19,190	81	0	0	19,271
Loans established through the issuing of securities	0	268	3,079	0	3,347
Subordinated loan	0	0	0	861	861
Financial derivatives, gross settlement (outflows) 1)	5	34	36	0	75
Total outgoing payments	**19,195**	**635**	**3,425**	**861**	**24,116**
Loans to and receivables from credit institutions	616	0	926	0	1,542
Loans to and receivables from customers	2,625	140	1,214	19,484	23,463
Certificates and bonds	600	1,132	2,853	48	4,633
Total incoming payments	**3,841**	**1,272**	**4,993**	**19,532**	**29,638**
1) Financial derivatives, gross settlement (inflows)	13	24	32		69

Parent bank

31.12.19

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total inc. interest
Liabilities to credit institutions	0	0	593	0	593
Deposits from customers and liabilities	19,508	125	0	0	19,633
Loans established through the issuing of securities	25	292	3,714	0	4,031
Subordinated loan	0	0	0	916	916
Financial derivatives, gross settlement (outflows) 1)	15	34	119	0	168
Total outgoing payments	**19,548**	**451**	**4,426**	**916**	**25,341**
Loans to and receivables from credit institutions	744	0	699	0	1,443
Loans to and receivables from customers	2,636	40	1,122	19,186	22,984
Certificates and bonds	839	999	3,012	64	4,914
Total incoming payments	**4,219**	**1,039**	**4,833**	**19,250**	**29,341**
1) Financial derivatives, gross settlement (inflows)	13	36	64		113

Unused drawing facilities

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
		Assets:		
1,852	1,822	Unused drawing rights, customers	2,187	2,367
415	401	Guarantees	401	415
818	588	Unused drawing rights, Helgeland Boligkreditt AS		
3,085	**2.811**	**Total unused drawing**	**2,588**	**2,782**
		Liabilities:		
300	300	Short-term drawing facility, 1 year	300	300
300	**300**	**Total liabilities**	**300**	**300**
50	51	Surplus liquidity in Norges Bank	51	50
350	**351**	**Total liabilities, including surplus liquidity**	**351**	**350**

Guarantee liabilities are presented in Note 40.

Matches and mismatches between maturity and interest rate on assets and liabilities are very important for risk management. It is unusual for banks to have a perfect match, because business transactions are often uncertain and cover many different types. An unmatched position could potentially generate a profit, but may also increase the risk of loss. The maturity of assets and liabilities, and the ability to replace them at an acceptable cost, is an important factor in determining the Group's liquidity and its exposure to interest rate changes.
The liquidity required in order to meet claims for settlement linked to guarantees and letters of credit is considerably less than the liability itself because the Group generally does not expect third parties to withdraw liquidity under the guarantee. The total outstanding contractual commitments to increase credits do not necessarily represent future claims for liquid assets, became many of these commitments will lapse or expire without being funded.

NOTE 2.3 - Market risk

Group and Parent bank

The Board has adopted a market risk strategy that sets out limits and overall targets for the Group's market risk tolerance, as well as limits regarding interest rate, credit spread and share price risk. This strategy is reviewed annually. The Group has no active trading portfolios within interest, shares or foreign exchange.

Interest rate risk
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 has established a framework for the Group's overall 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.

Share risk
The Bank's positions in shares are mainly strategically motivated through investments in subsidiaries, associated companies, product companies and a local investment company.
The market risk linked to these share investments is considered to be moderate.

Sensitivity analysis for market risk
Interest-bearing securities - credit spread risk is the risk linked to the securities in the interest rate portfolio, the portfolio's duration and the issuers' creditworthiness. The Group's credit spread risk is calculated as the credit risk at the time of spreading with 100 basis points.

Shares – limits have been established for the Group's collective share risk calculated based on exposure, risk spreading and market liquidity. Risk exposure calculations are based on a general fall in the share value of 30%. In addition, there is mark-up for risk spreading and market liquidity.
The Bank expresses the market risk as risk-adjusted capital. Calculated market risk lies within fixed limits, and an overall framework for market risk is included as a capital requirement in the Group's ICAAP.

Overall interest rate risk is maintained at the desired level through an overall assessment of interest-bearing balance sheet items, and the use interest rate swaps (3 months).
The Board has established a limit of NOK 30 million for overall interest rate risk on and off the balance sheet, determined as the impact on earnings that a change in the interest rate level of 2 percentage points would give, this give a decrease in earnings of NOK 5.4 million at the year-end. Exposure was within the framework throughout 2020.

Credit spread risk
The Bank assumes credit spread risk, primarily through the management of interest-bearing assets in the Bank's liquidity portfolio. The portfolio mainly consists of assets issued by Norwegian banks, mortgage companies, municipalities, governments and non-financial institutions. The credit spread risk lies within the Board's agreed limits.

Currency risk
The Group only has minor financial positions and cash flows in foreign currencies in the balance sheet. These items are not considered to be significant. Given that Sparebank 1 Helgeland is not a foreign exchange bank in its own right, its foreign exchange loans are managed by a foreign exchange bank. Sparebank 1 Helgeland 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 concerned
as of 31 December.

NOTE 2.3.1 - Guarantee liabilities for foreign currency loans

Parent bank				*Group*
31.12.20				**31.12.20**
Loan amount in currency	**Guarantee liabilities in NOK**		**Loan amount in currency**	**Guarantee liabilities in NOK**
3	32	Swiss franc	3	32
44	46	Swedish krona	44	46
	78	**Total guarantee liabilities in foreign**		**78**

The Bank has a small portfolio of guaranteed foreign exchange loans; the equivalent value of which amounted to NOK 78 million as of 31 December 2020. The portfolio is distributed over a range of customers where there is collateral in property and/or deposits. The credit risk in this portfolio is considered to be low.

Parent bank				*Group*
31.12.19				**31.12.19**
Loan amount in currency	**Guarantee liabilities in NOK**		**Loan amount in currency**	**Guarantee liabilities in NOK**
5	47	Swiss franc	5	47
44	42	Swedish krona	44	42
	89	**Total guarantee liabilities in foreign**		**89**

NOTE 2.3.2 - Interest rate risk, remaining time to interest rate adjustment

							Group
							31.12.20
	Up to 1 month	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Without interest rate change**	**Total**
Assets							
Cash and receivables, central banks	76	0	0	0	0	0	76
Loans to and receivables on credit, without agreed	612	0	0	0	0	0	612
Loans to and receivables on credit, with agreed maturity	0	7	0	0	0	0	7
Net loans to and receivables from customers	0	25,839	0	1,559	0	0	27,398
Bonds and certificates	1,017	2,958	688	0	0	0	4,663
Other assets, not interest-bearing (inc. swaps)	0	0	0	0	0	451	451
Total assets	**1,705**	**28,804**	**688**	**1,559**	**0**	**451**	**33,207**
Liabilities and equity							
Liabilities to credit institutions with agreed maturity	0	551	0	0	0	0	551
Deposits from customers and liabilities without agreed	0	17,207	0	0	0	0	17,207
Deposits from customers and liabilities with agreed	0	774	703	0	0	0	1,477
Loans established through the issuing of securities	2,032	6,509	1,328	0	0	0	9,869
Other liabilities, not interest-bearing (inc. swaps)	0	0	0	0	0	284	284
Total liabilities	**2,032**	**25,041**	**2,031**	**0**	**0**	**284**	**29,388**
Net interest sensitivity gap	**-327**	**3,763**	**-1,343**	**1,559**	**0**	**167**	**3,819**

Cash flow and fair value of interest rate risk

Cash flow interest rate risk is defined as the risk of future cash flows linked to individual financial asset and liabilities items fluctuating due to changes in market interest rates. The fair 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 market interest rates. In the case of both cash flow and the fair value of the interest rate risk, Bank is exposed to the effects of fluctuations in market interest rate levels. Unexpected changes in market interest rates can trigger increases in interest margins, but they can also be reduced or result in losses. The Board has established a limit on the overall interest rate exposure that the Bank can assume. The Bank maintains interest rate risk at the desired level through fixing interest rates on investments and securities debt, as well as through the use of interest rate swaps.

							Group
							31.12.19
	Up to 1 month	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Without interest rate change**	**Total**
Assets							
Cash and receivables, central banks	88	0	0	0	0	0	88
Loans to and receivables on credit, without agreed	743	0	0	0	0	0	743
Loans to and receivables on credit, with agreed maturity	0	7	0	0	0	0	7
Net loans to and receivables from customers	0	25,812	0	1,508	0	0	27,320
Bonds and certificates	954	3,175	775	0	0	0	4,904
Other assets, not interest-bearing (inc. swaps)	0	0	0	0	0	1,006	1,006
Total assets	**1,785**	**28,994**	**775**	**1,508**	**0**	**1,006**	**34,068**
Liabilities and equity							
Liabilities to credit institutions with agreed maturity	0	554	0	0	0	0	554
Deposits from customers and liabilities without agreed	0	17,287	0	0	0	0	17,287
Deposits from customers and liabilities with agreed	0	1,095	577	0	0	0	1,672
Loans established through the issuing of securities	2,475	6,852	1,456	0	0	0	10,783
Other liabilities, not interest-bearing (inc. swaps)	0	0	0	0	0	207	207
Total liabilities	**2,475**	**25,788**	**2,033**	**0**	**0**	**207**	**30,503**
Net interest sensitivity gap	**-690**	**3,206**	**-1,258**	**1,508**	**0**	**799**	**3,565**

							Parent bank
							31.12.20
	Up to 1 month	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Without interest rate change**	**Total**
Assets							
Cash and receivables, central banks	76	0	0	0	0	0	76
Loans to and receivables on credit, without agreed	1,524	0	0	0	0	0	1,524
Loans to and receivables on credit, with agreed maturity	0	7	0	0	0	0	7
Net loans to and receivables from customers	0	18,651	0	1,559	0	0	20,210
Bonds and certificates	1,017	2,937	689	0	0	0	4,643
Other assets, not interest-bearing (inc. swaps)	0	0	0	0	0	984	984
Total assets	**2,617**	**21,595**	**689**	**1,559**	**0**	**984**	**27,444**
Liabilities and equity							
Liabilities to credit institutions without agreed maturity	0	0	0	0	0	0	0
Liabilities to credit institutions with agreed maturity	0	550	0	0	0	0	550
Deposits from customers and liabilities without agreed	0	17,624	0	0	0	0	17,624
Deposits from customers and liabilities with agreed	0	774	703	0	0	0	1,477
Loans established through the issuing of securities	1,527	1,214	1,028	0	0	0	3,769
Other liabilities, not interest-bearing (inc. swaps)	0	0	0	0	0	294	294
Total liabilities	**1,527**	**20,161**	**1,731**	**0**	**0**	**294**	**23,713**
Net interest sensitivity gap	**1,090**	**1,434**	**-1,042**	**1,559**	**0**	**690**	**3,731**

							Parent bank
							31.12.19
	Up to 1 month	**1 - 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**	**Without interest rate change**	**Total**
Assets							
Cash and receivables, central banks	88	0	0	0	0	0	88
Loans to and receivables on credit, without agreed	1,425	0	0	0	0	0	1,425
Loans to and receivables on credit, with agreed maturity	0	7	0	0	0	0	7
Net loans to and receivables from customers	0	18,602	0	1,508	0	0	20,110
Bonds and certificates	954	3,206	775	0	0	0	4,935
Other assets, not interest-bearing (inc. swaps)	0	0	0	0	0	1,195	1,195
Total assets	**2,467**	**21,815**	**775**	**1,508**	**0**	**1,195**	**27,760**
Liabilities and equity							
Liabilities to credit institutions without agreed maturity	0	0	0	0	0	0	0
Liabilities to credit institutions with agreed maturity	0	553	0	0	0	0	553
Deposits from customers and liabilities without agreed	0	17,719	0	0	0	0	17,719
Deposits from customers and liabilities with agreed	0	1,095	577	0	0	0	1,672
Loans established through the issuing of securities	1,769	1,196	1,157	0	0	0	4,122
Other liabilities, not interest-bearing (inc. swaps)	0	0	0	0	0	200	200
Total liabilities	**1,769**	**20,563**	**1,734**	**0**	**0**	**200**	**24,266**
Net interest sensitivity gap	**698**	**1,252**	**-959**	**1,508**	**0**	**995**	**3,494**

NOTE 3 – Sensitivity analysis regarding changes in market prices

		Group
		31.12.20
	Effect Profit	**Effect Equity**
Interest +/- 2% points	4,1	0.03%
Total	**4.1**	**0.03%**

The Group's total interest rate risk consists of all investments in interest-bearing financial instruments and interest rate risk linked to the bank portfolio. Exposure of the Group's interest rate risk as of 31 December 2020 was NOK 5.4 million (NOK 20.3 million). The target requirement is for the Group's overall interest rate risk concerning interest-bearing instruments to not exceed NOK 30 million. Limit for interest rate risk: interest rate exposure (parallel shift in the interest rate curve of 2%). The effect on equity is after tax.

		Group
		31.12.19
	Effect on profit	**Effect on equity**
Interest +/- 2% points	15.2	0.09%
Total	15.2	0.09%

NOTE 4 - Segment information

Parent bank 31.12.20					*Group* 31.12.20			
Retail Market	**Corporate Market**	**Un-allocated**	**Total**		**Retail Market**	**Corporate Market**	**Un-allocated**	**Total**
207	295	2	504	Net interest income	314	298	-14	598
19	13	65	97	Net commission income	19	13	65	97
		248	248	Total income and net income from financial			208	208
96	57	283	436	Operating costs	99	57	306	462
4	63		67	Losses on loans	3	48		51
126	**188**	**32**	**346**	**Net income before tax**	**231**	**206**	**-47**	**390**
11,653	8,862		20,515	Loans to customers	18,733	8,956		27,689
-21	-283		-304	Write-downs	-22	269		-291
		7,233	7,233	Other assets			5,809	5,809
11,632	**8,579**	**7,233**	**27,444**	**Total assets per segment**	**18,711**	**8,687**	**5,809**	**33,207**
10,781	8,320		19,101	Deposits from and liabilities to customers	10,782	7,902		18,684
	4		4	Write-downs		4		4
		8,339	8,339	Other liabilities and equity			14,519	14,519
10,781	**8,324**	**8,339**	**27,444**	**Total liabilities and equity per segment**	**10,782**	**7,906**	**14,519**	**33,207**

Parent bank 31.12.19					*Group* 31.12.19			
Retail Market	**Corporate Market**	**Un-allocated**	**Total**		**Retail Market**	**Corporate Market**	**Un-allocated**	**Total**
203	299	23	525	Net interest income	294	301	7	602
20	11	69	100	Net commission income	20	11	69	100
		95	95	Total income and net income from financial			39	39
69	40	177	286	Operating costs	72	43	177	292
1	63		64	Losses on loans	2	63		65
153	**207**	**10**	**370**	**Net income before tax**	**240**	**206**	**-62**	**384**
11,367	8,743		20,110	Loans to customers	18,773	8,882		27,655
-21	-311		-332	Write-downs	-23	-311		-334
		7,982	7,982	Other assets			6,747	6,747
11,346	**8,432**	**7,982**	**27,760**	**Total assets per segment**	**18,750**	**8,571**	**6,747**	**34,068**
10,306	9,085		19,391	Deposits from and liabilities to customers	10,306	8,653		18,959
	4		4	Write-downs		4		4
		8,365	8,365	Other liabilities and equity			15,105	15,105
10,306	**9,089**	**8,365**	**27,760**	**Total liabilities and equity per segment**	**10,306**	**8,657**	**15,105**	**34,068**

The Group has defined its geographical area as a single segment - Helgeland. The Group's exposure to credit risk is mainly concentrated on this area. Helgeland is the home region of the Parent bank, which is also the Group's operating company.

The Group has also divided the banking operations into two segments: the Retail Market and the Corporate Market. Income and expenses not directly allocated to these segments are presented as unallocated.

NOTE 5 - Net interest and credit commission income

Parent bank				*Group*
2019	**2020**		**2020**	**2019**
		Interest from financial instruments at amortised cost		
25	18	Interest on receivables from credit institutions	4	9
450	386	Interest on loans to customers	859	999
475	**404**	**Total interest from financial instruments at amortised cost**	**863**	**1,008**
		Interest from financial instruments at fair value via the income statement		
35	42	Interest on loans to customers (fixed-rate loans)	42	35
78	61	Interest on certificates and bonds	61	78
113	**103**	**Total interest from financial instruments at fair value via the income account**	**103**	**113**
		Interest from financial instruments at fair value via other comprehensive income		
316	269	Interest on loans to customers (loans that can be transferred to the mortgage company)	0	0
316	**269**	**Total interest from financial instruments at fair value via other comprehensive income**	**0**	**0**
904	**776**	**Total interest income and other similar income**	**966**	**1,121**
		Interest expenses and other similar costs:		
240	168	Deposits from customers at amortised cost	168	240
3	2	Deposits from customers at fair value	3	3
6	9	Interest on deposits and loans from credit institutions	9	6
60	27	Debt securities at amortised cost	117	196
56	46	Debt securities at fair value	50	58
15	20	Deposit guarantee/emergency fund.	21	16
380	**272**	**Total interest expenses and other similar costs**	**368**	**519**

NOTE 5.1 - Interest on certain balance sheet items (average interest rate in %)

Parent bank				*Group*
31.12.19	**31.12.20**	**Average interest rate**	**31.12.20**	**31.12.19**
		Assets		
1.9%	1.0%	Loans to and receivables from credit institutions	0.4%	1.4%
3.9%	3.5%	Loans to customers	3.3%	3.7%
1.8%	1.4%	Certificates and bonds	1.4%	1.8%
		Liabilities		
2.3%	1.4%	Liabilities to credit institutions	1.4%	2.3%
1.3%	0.9%	Deposits from customers	0.9%	1.3%
2.2%	1.7%	Securities debt	1.5%	2.1%

NOTE 5.2 – Average volume of certain balance sheet items

Parent bank				*Group*
31.12.19	**31.12.20**	**Average volume**	**31.12.20**	**31.12.19**
		Assets		
1,323	1,838	Loans to and receivables from credit institutions	934	665
20,305	20,041	Loans to customers	27,658	27,910
4,240	4,446	Certificates and bonds	4,529	4,271
		Liabilities		
289	637	Liabilities to credit institutions	637	289
18,567	18,953	Deposits from customers	18,567	18,165
4,651	3,658	Securities debt	10,252	11,434

NOTE 6 - Commission income and income from banking services

Parent bank				*Group*
2019	**2020**		**2020**	**2019**
8	7	Guarantee provisions *	7	8
74	71	Fee income, payment mediation	71	74
32	30	Fee income insurance (non-life, life, savings and pension)	30	32
114	**108**	**Total commission income and income from banking services**	**108**	**114**

*) Guarantee commission made available to customers upon completion of construction contracts.

NOTE 7 - Commission expenses and costs attributable to banking services

Parent bank				*Group*
2019	**2020**		**2020**	**2019**
14	11	Payment mediation services	11	14
14	**11**	**Total commission costs and costs attributable to banking services**	**11**	**14**
100	**97**	**Net commission income**	**97**	**100**

NOTE 8 - Net income from financial assets and liabilities

Parent bank				*Group*
2019	**2020**		**2020**	**2019**
-1	1	Unrealised fall in value of interest-bearing securities	1	-2
4	4	Realised gain on interest-bearing securities	4	4
-6	-2	Realised loss on interest-bearing securities	-2	-5
-6	3	Unrealised change in value of shares, inc. write-down, subsidiaries	18	-6
1	159	Realised gain on shares	159	1
0	-12	Realised loss on shares	-12	0
70	58	Share dividends	7	16
20	30	Share in earnings from Helgeland Invest	30	20
1	0	Share in earnings from REDE	0	1
2	-7	Unrealised change in value, fixed-rate loans at fair value and associated swaps	-7	2
2	3	Unrealised change in value, hedging instruments and associated swaps	4	3
87	**238**	**Total net income from financial instruments**	**203**	**34**

NOTE 9 - Other operating income

Parent bank			*Group*	
2019	**2020**		**2020**	**2019**
0	0	Operating income, real property	5	5
9	8	Operating income (including management fees, mortgage company)	0	0
0	1	Gains on sale of real property and movables	0	0
9	**9**	**Total other operating income**	**5**	**5**

NOTE 10 - Operating expenses

Parent bank			*Group*	
2019	**2020**		**2020**	**2019**
138	140	Salaries and National Insurance costs (Note 11)	140	138
65	67	IT costs	67	65
11	8	Marketing	8	11
14	17	Depreciation	24	19
0	13	Write-downs	32	0
4	4	Operating expenses, real property	4	4
30	29	Purchased services	29	32
24	158	Other operating expenses (Note 14)	158	24
286	**436**	**Total ordinary operating costs**	**462**	**293**

NOTE 11 - Salaries and National Insurance costs

Parent bank			*Group*	
2019	**2020**		**2020**	**2019**
97	103	Salaries and fees	103	97
23	22	Employer's National Insurance contributions	22	23
14	13	Pension costs, defined benefit plans (Note 12)	13	14
4	2	Other personnel costs	2	4
138	**140**	**Total salaries and National Insurance costs**	**140**	**138**
148	143	Number of employees, full-time equivalents as of 31 December	143	148
149	146	Average number of employees, full-time equivalents	146	149

NOTE 12 - Pension costs and pension liabilities

Group and Parent bank

Sparebank 1 Helgeland 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 or employees. The pension schemes include:

Defined benefit scheme invested in a life insurance company

All of the Bank's employees (who according to pension legislation could be transferred from defined benefit pension plan) were transferred to a defined contribution pension with effect from 1 March 2016. Those who remain in the defined benefit plan are members who cannot be transferred under the applicable rules.

The scheme covers 0 (0) employees, as well as 13 (13) people who are receiving an ongoing pension from the scheme. 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).

Defined contribution scheme

With effect from 1 March 2016, all employees (who could be transferred) were transferred to a defined contribution scheme. Contributions to the scheme amount to 7% for salaries between 0-7.1G and 25.1% for salaries between 7.1G and 12G. The pension scheme also includes a disability pension.

The defined contribution scheme now includes 146 (148) active and 10 (10) disabled persons.

Contractual pension

The Bank and the finance industry in general have entered into an agreement concerning a contractual pension (AFP). (No one w ho is still a member of the old scheme has been capitalised.

Senior executive scheme

See Note 28.4.

NOTE 12.1 – Liabilities and expenses concerning pension schemes

Parent bank			*Group*	
31.12.20				**31.12.20**
Expense	**Liability**		**Liability**	**Expense**
0	24	Defined benefit scheme	24	0
14	0	Defined contribution scheme	0	14
2	0	Contractual pension	0	2
16	**24**	**Total liabilities and expenses concerning pension schemes**	**0**	**16**

Parent bank			*Group*	
31.12.19				**31.12.19**
Expense	**Liability**		**Liability**	**Expense**
0	24	Defined benefit scheme	24	0
13	0	Defined contribution scheme	0	13
2	0	Contractual pension	0	2
15	**24**	**Total liabilities and expenses concerning pension schemes**	**24**	**15**

NOTE 12.2 – Risks associated with changes in economic assumptions

The company is exposed to the following risks through the defined benefit pension schemes:

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' assets 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 be partly offset by an increase in the return on bond investments.

Life expectancy

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

NOTE 12.3 - Economic assumptions

Parent bank			*Group*	
2019	**2020**	**Assumptions**	**2020**	**2019**
1.80%	1.50%	Discount interest rate	1.50%	1.80%
1.80%	1.50%	Return on pension funds	1.50%	1.80%
2.25%	2.00%	Long-term pay growth	2.00%	2.25%
2.00%	1.75%	Adjustment of ongoing pensions	1.75%	2.00%
2.00%	1.75%	Adjustment of the National Insurance basic amount	1.75%	2.00%
19.10%	19.10%	Employer's National Insurance contributions (inc. tax) - rate	19.10%	19.10%
0.00%	0.00%	Employees wishing to utilise contractual pension (AFP)	0.00%	0.00%
0.00%	0.00%	Annual percent retirement for working	0.00%	0.00%
60 years	61 years	Average age	61 years	60 years

Economic assumptions used for calculating pension costs and liabilities for defined benefit scheme

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.

NOTE 12.4 - Pension obligation, defined benefit scheme

Parent bank | *Group*

31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020		31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
					Change in pension obligation:					
273	39	30	30	31	Obligation at start of year	31	30	30	39	273
2	1	0	0	0	Service cost	0	0	0	1	2
2	0	1	1	1	Interest expense on pension liabilities	1	1	1	0	2
0	1	0	0	0	New agreements, contractual pension	0	0	0	1	0
-231	-6	0	1	1	Actuarial losses/gains	1	1	0	-6	-231
-7	-1	-1	-1	-1	Pension disbursements	-1	-1	-1	-1	-7
39	**34**	**31**	**31**	**31**	**Defined benefit obligation at end of year**	**31**	**31**	**31**	**34**	**39**
					Change in plan assets:					
177	17	11	11	11	Plan assets at start of year	11	11	11	17	177
1	0	0	0	0	Return on pension funds	0	0	0	0	1
-161	-6	0	-1	0	Actuarial losses/gains	0	-1	0	-6	-161
1	1	0	0	0	Administration expenses	0	0	0	1	1
6	0	0	0	0	Contributions	0	0	0	0	6
-7	-1	0	0	0	Pension disbursements	0	0	0	-1	-7
17	**11**	**11**	**11**	**11**	**Plan assets at end of year**	**11**	**11**	**11**	**11**	**17**
					Reconciliation - capitalised pension obligation					
39	**34**	**31**	**31**	**31**	**Obligation at end of period**	**31**	**31**	**31**	**34**	**39**
17	**11**	**12**	**11**	**11**	**Plan assets at end of year**	**11**	**11**	**12**	**11**	**17**
-22	**-23**	**-19**	**-21**	**-20**	**Net pension obligation**	**-20**	**-21**	**-19**	**-23**	**-22**
-2	**-3**	**-3**	**-3**	**-4**	Employer's contributions of net pension obligation	**-4**	**-3**	**-3**	**-3**	**-2**
-24	**-26**	**-22**	**-24**	**-24**	**Net pension obligation, including employer's contributions**	**-24**	**-24**	**-22**	**-26**	**-24**
0	0	0	0	0	Unrecognised effect of estimate variances	0	0	0	0	0
0	0	0	0	0	Estimate variances, employer's contributions	0	0	0	0	0
-24	**-26**	**-22**	**-24**	**-24**	**Balance sheet liabilities (inc. employer's contributions)**	**-24**	**-24**	**-22**	**-26**	**-24**

NOTE 12.5 – Estimate variances, defined benefit scheme

Parent bank | *Group*

2019	2020		2020	2019
-3	-1	+ Actuarial loss/(gain) on defined benefit obligation from economic assumptions	-1	-3
-3	-1	- Estimate variances incorporated into OCI	-1	-3
0	**0**	**Estimate variance at end of year**	**0**	**0**

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

Parent bank | *Group*

2019	2020		2020	2019
13	13	= Pension accrual	13	13
2	3	+ Employer's contributions	3	2
15	**16**	**Net pension expense**	**16**	**15**

NOTE 14 - Other operating costs

Parent bank			*Group*	
2019	**2020**	**Specification of other operating costs**	**2020**	**2019**
1	1	Value transportation	1	1
4	2	Travel expenses	2	4
1	1	Fees, external auditor (Note 15)	1	1
17	154	Other operating expenses*)	154	15
24	**158**	**Total operating expenses**	**158**	**24**

*) Cost project Helgeland 1, NOK 146 million.

NOTE 15 - Audit fees and costs for assistance from external auditor

Parent bank			*Group*	
2019	**2020**	**Audit expenses**	**2020**	**2019**
0.8	0.8	Statutory audit	1.1	1.0
0.4	0.3	Other services, attestation and assistance project	0.4	0.5
1.2	**1.1**	**Total audit**	**1.5**	**1.5**

PricewaterhouseCoopers AS is the Group's appointed auditor.

NOTE 16 - Write-downs on commitments

Parent bank			*Group*	
2019	**2020**	**Write-downs**	**2020**	**2019**
-4	-1	Change in write-downs in step 1 during the period	-1	-4
7	-10	Change in write-downs in step 2 during the period	-10	8
-51	-17	Change in write-downs in step 3 during the period	-31	-51
109	99	Non-recoverable losses during the period	97	109
3	-4	Recoveries from non-recoverable losses during previous periods	-4	3
64	**67**	**Recognised write-downs on commitments**	**51**	**65**

NOTE 17 – Tax cost

Parent bank			*Group*	
2019	**2020**	**Tax for the year**	**2020**	**2019**
61	45	Tax payable	68	74
2	-2	Over-/under-allocated in previous years	-2	2
3	-16	Change in deferred tax (Note 29)	-16	3
66	**27**	**Tax cost for the year**	**50**	**79**
		Specification of accounting result before tax and taxable income for the year		
370	346	Accounting pre-tax profit	369	383
-125	-251	Permanent differences	-251	-125
0	0	Use of previous losses carried forward	0	0
13	64	Change in temporary differences (Note 29)	64	12
258	**159**	**Taxable income**	**182**	**270**
		Reconciliation tax		
370	346	Accounting pre-tax profit	390	383
91	87	Tax calculated using the enterprise's weighted average tax rate	98	96
		Tax effect of:		
-34	-63	Tax-free income	-51	-24
7	3	Non-deductible expenses	3	7
66	**27**	**Tax cost in the income statement**	**50**	**79**

NOTE 17.1 – Leases

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
		Assets		
46	34	Usufruct as of 1 January 2020	14	19
0	23	Value adjustment	5	0
-12	-12	Write-down	-2	-5
34	45	Usufruct carried forward [1]	16	14
		Liabilities		
46	34	Liability as of 1 January 2020	14	19
-12	22	Value adjustment	5	-5
0	-12	Repayment	-2	0
1	2	Interest	1	0
34	**46**	**Liability carried forward** [2]	**17**	**14**

Usufruct and liability are capitalised under: 1) Other assets, 2) Other liabilities

IFRS 16 Leases

The standard presupposes that there is no longer a distinction between operational and financial leasing, because both types of agreement transfer the right of use to a specific asset from the lessor to the lessee for a specific period. For lessors, the regulations of IAS 17 are largely continued. The standard applies with effect from 1 January 2019. The standard has the effect that leases (mainly office premises) are included in the balance shee t. The effects on the Group's profits for 2020 amount to an accounting depreciation of NOK 2.0 million and interest costs of NOK 1.0 million. The liability has also increased by NOK 5.0 million.

NOTE 17.2 – Maturity structure of leases, IFRS 16

Parent bank				*Group*
2019	**2020**	**Maturity structure**	**2020**	**2019**
12	12	Up to 1 year	2	2
11	11	1-2 years	2	1
8	5	2-3 years	2	1
2	5	3-4 years	1	1
2	5	4-5 years	1	1
4	19	More than 5 years	17	3
39	57	Total maturity structure	25	9

NOTE 18 - Earnings per equity capital certificate

Parent bank				*Group*
2019	**2020**	**Earnings per equity certificate**	**2020**	**2019**
304	319	Profit from ordinary operations after tax	340	305
-13	-12	Interest, subordinated bonds	-12	-13
291	307	Profit (exc. interest on subordinated bonds)	328	292
76.4	76.4	Equity certificate holders' share as of 1 January	76.4	76.4
222	235	Equity certificate holders' share of earnings in NOK million	251	223
10.7	**11.2**	**Earnings per equity capital certificate, in NOK**	**12.0**	**10.7**
10.7	11.2	Diluted earnings per equity certificate, in NOK	12.0	10.7

NOTE 19 - Cash and receivables in central banks

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
38	25	Cash reserve	25	38
50	51	Deposits at Norges Bank	51	50
88	**76**	**Total cash and receivables in central banks**	**76**	**88**

See Note 2.1.2

NOTE 20 - Loans to and receivables in credit institutions

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
750	619	Loans to and receivables in credit institutions*	619	750
682	912	Credit, Helgeland Boligkreditt AS**	0	0
1,432	**1,531**	**Total loans to and receivables in credit institutions**	**619**	**750**

*) Loans to and receivables in credit institutions are entirely subject to floating rates of interest. See also Note 2.1.2

**) Helgeland Boligkreditt AS is a wholly owned subsidiary of SpareBank 1 Helgeland

NOTE 21 - Loans to and receivables in customers

Parent bank			*Group*	
31.12.19	**31.12.20**	**Loans by receivable type, nominal principal**	**31.12.20**	**31.12.19**
927	867	Overdraft and working capital facilities	867	927
1,351	1.362	Flexible loans	2,150	2,208
359	280	Building loans	280	359
6,050	6,218	Instalment loans	22,796	22,606
1,506	1,559	Loans to and receivables from customers	1,559	1,506
9,869	10,191	Mortgages at fair value		
20,062	20,477	Loans to customers	27,652	27,606
-79	-74	Steps 1 and 2 / (collective write-downs)	-76	-79
-254	-230	Step 3 / (individual write-downs)	-215	-256
19,729	20,173	Loans to customers after write-downs	27,361	27,271
49	37	Accrued interest and amortisation	37	49
19,778	**20,210**	**Net loans to and receivables from customers**	**27,398**	**27,320**

Information on collateral

The Bank uses collateral to reduce risk depending on the market and the type of transaction concerned. Collateral can, for example, take the form of physical security or collateral, guarantees, deposits or set-off agreements. Physical collateral will normally be secured and can consist of housing, buildings or inventories. The valuation of collateral is based on the going concern assumption. Account is taken of factors that could affe ct the value of the collateral, write-downs or easements. Hedged items in the private market mainly consist of property. The Bank uses fixed reduction rates ranging from 20 to 50% based on the types of collateral. A statement is presented below of collateral coverage distributed broken down according to loans within the Retail Market and Corporate Market, including accrued interest. Collateral coverage as a percentage indicates the adjusted collateral value expressed as a percentage of lending.

Parent bank						*Group*
31.12.20						**31.12.20**
Corporate Market	**Retail Market**	**Total loans**	**Collateral coverage in percent**	**Total loans**	**Corporate Market**	**Retail Market**
607	134	741	Less than 40%	747	607	140
213	108	321	40% - 60%	329	213	116
1,438	334	1,772	60% - 80%	1,827	1,439	388
2,371	3,887	6,258	80% - 100%	8,031	2,433	5,598
2,383	7,138	9,521	100% - 120%	14,850	2,472	12,378
1,843	21	1,864	Over – 120%	1,868	1,843	25
8,855	**11,622**	**20,477**	**Total loans**	**27,652**	**9,007**	**18,645**

Parent bank						*Group*
31.12.19						**31.12.19**
Corporate Market	**Retail Market**	**Total loans**	**Collateral coverage in percent**	**Total loans**	**Corporat e Market**	**Retail Market**
670	167	837	Less than 40%	849	670	179
190	113	303	40% - 60%	317	190	127
1,483	355	1,838	60% - 80%	1,899	1,490	409
2,318	4,028	6,346	80% - 100%	8,283	2,364	5,919
2,069	6,655	8,724	100% - 120%	14,242	2,179	12,063
1,997	17	2,014	Over – 120%	2,016	1,997	19
8,727	**11,335**	**20,062**	**Total loans**	**27,606**	**8,890**	**18,716**

NOTE 21.1 - Geographical distribution of gross lending

Parent bank			*Group*	
31.12.20	**% share**		**31.12.20**	**% share**
17,581	85.7	Helgeland	23,072	83.3
2,898	14.1	Rest of Norway	4,571	16.5
35	0.2	International	46	0.2
20,514	**100**	**Total**	**27,689**	**100**

Geographical distribution of gross lending

Parent bank			*Group*	
31.12.19	**% share**		**31.12.19**	**% share**
16,857	83.8	Helgeland	22,689	82
3,219	16.0	Rest of Norway	4,920	17.8
34	0.2	International	46	0.2
20,110	**100**	**Total**	**27,655**	**100**

NOTE 21.2 - Distribution of loans between the Retail Market and Corporate Market

Parent bank			*Group*	
31.12.20				**31.12.20**
Retail market	**Corporate market**		**Retail market**	**Corporate market**
14	854	Overdraft and working capital facilities	14	854
1,318	43	Flexible loans	2,088	61
68	213	Building loans	68	213
10,253	7,751	Repayment loans and flexible loans	16,563	7,828
11,653	**8,861**	**Gross lending to customers**	**18,733**	**8,956**

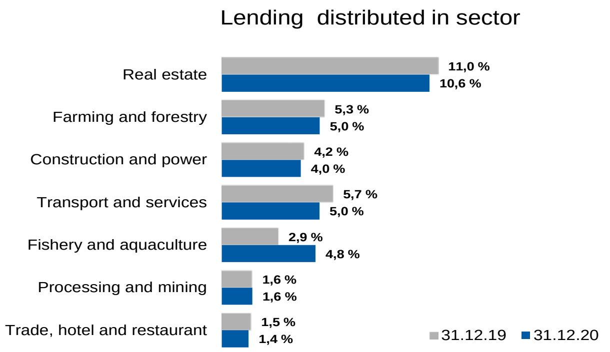
Parent bank			*Group*	
31.12.19				**31.12.19**
Retail market	**Corporate market**		**Retail market**	**Corporate market**
16	911	Overdraft and working capital facilities	16	911
1,310	41	Flexible loans	2,145	63
107	252	Building loans	107	251
9,934	7,539	Repayment loans and flexible loans	16,505	7,657
11,367	**8,743**	**Gross lending to customers**	**18,773**	**8,882**

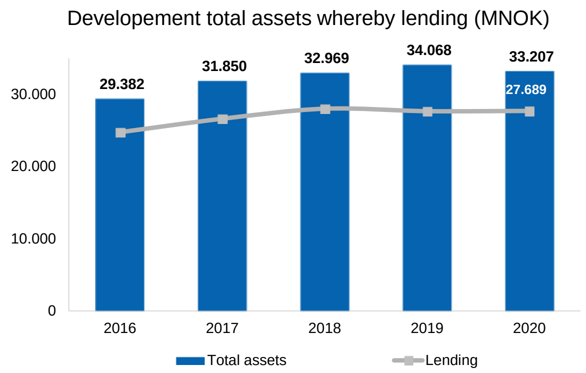
NOTE 21.3 - Loans, guarantees and losses by industry

The level of losses in the retail banking market remains low and at a level corresponding to the average for the sector. Procedures have been implemented for debt collection and follow-up. Based on empirical data, sector-related figures and local market conditions, the Bank has forecast an expected loss in the retail market portfolio of 0.07 - 0.1%.

There is a strong focus and regular reviews are carried out throughout the organisation concerning the quality of credit work and on improving understanding good governance and control. To manage and monitor risks in the corporate market portfolio, ongoing assessments are carried out concerning customer relationships, solvency, collateral in connection with borrowing and trends in defaults, along with reviews by the Bank's credit committee. To monitor risk development in the retail market portfolio, quarterly analyses of credit ratings are carried out for new loans and the overall portfolio. The close monitoring of key corporate market customers, monitoring of developments in equity and risk both in the portfolio and for larger individual commitments have remained priority focus areas for the Bank. Write-downs on loans were expensed in 2020 in the amount of NOK 51 million, or 0.18% of gross lending. Normalised lending losses are expected going forward.

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% of gross lending within the corporate lending portfolio. When pricing commitments, a strong emphasis is placed on the ability of customers to service their debt. There will therefore normally be a correlation between the risk classification and the pricing of loans.





Gross lending as of 31 December 2020

Of the gross lending of NOK 27.7 billion (NOK 27.7 billion, NOK 9.0 (8.9) billion comprises lending to corporate customers. The graph above shows the distribution of these loans by sector. NOK 18.7 billion (NOK 18.8 billion) consists of loans to retail customers, mainly well-secured mortgages. NOK 1.4 billion (1.5 billion) comprises loans to agricultural customers (traditionally a low-risk segment). Of gross lending, 83.3% (82.0%) was loaned to customers in Helgeland. Of gross lending, 26.1% (27.5%) was transferred to Helgeland Boligkreditt AS. See Note 21.6.

NOTE 21.4 – Commitments and losses by industry

Group

31.12.20

Lending at amortised cost and fair value

	Gross lending		Loss provisions				Net lending
	Amortised cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value via the income statement	Total
Municipalities and municipal enterprises	0	0	0	0	0	0	0
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1,371	0	-1	-8	-12	15	1,364
Fisheries and aquaculture	1,324	0	-1	-4	0	0	1,318
Mining and industry	433	0	0	-1	-3	0	429
Construction, engineering and power	1,112	0	-2	-4	-131	5	980
Trade, hotel, restaurants	376	0	0	-2	0	4	377
Transport and services	1,358	0	-2	-11	-21	23	1,347
Property, property development	2,914	0	-5	-25	-41	21	2,865
Corporate market	8,888	0	-12	-54	-208	68	8,682
Retail market	17,269	0	-1	-7	-14	1,464	18,710
Total	**26,157**	**0**	**-13**	**-61**	**-222**	**1,532**	**27,393**
Expected losses, unused credit and guarantees, RM			0	0	0		
Expected losses, unused credit and guarantees, CM			-1	-3	0		

Off balance sheet items, see Note 2.1.1

Group

31.12.19

Lending at amortised cost and fair value

	Gross lending		Loss provisions				Net lending
	Amortised cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value via the income statement	Total
Municipalities and municipal enterprises	57	0	0	0	0	0	57
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1,431	0	-1	-7	-9	17	1,431
Fisheries and aquaculture	799	0	0	0	0	0	799
Mining and industry	429	0	0	0	-9	0	419
Construction, engineering and power	1,148	0	-2	-18	-111	15	1,031
Trade, hotel, restaurants	414	0	0	-2	-1	0	411
Transport and services	1,548	0	-3	-5	-51	9	1,498
Property, property development	2,995	0	-3	-30	-59	19	2,924
Corporate market	8,823	0	-10	-62	-240	59	8,570
Retail market	17,326	0	-2	-7	-14	1,447	18,751
Total	**26,149**	**0**	**-13**	**-69**	**-253**	**1,506**	**27,320**
Expected losses, unused credit and guarantees, RM			0	0			
Expected losses, unused credit and guarantees, CM			-1	-2			

Off balance sheet items, see Note 2.1.1

Parent bank

31.12.20

Lending at amortised cost and fair value (via other comprehensive income) FVOCI

	Gross lending		Loss provisions				Net lending
	Amortised cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value via the income statement	Total
Municipalities and municipal enterprises	0	0	0	0	0	0	0
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1,218	133	-1	-8	-12	15	1,344
Fisheries and aquaculture	1,302	13	-1	-4	0	0	1,309
Mining and industry	416	14	0	-1	-3	0	426
Construction, engineering and power	1,057	29	-2	-4	-131	14	964
Trade, hotel, restaurants	352	19	0	-2	0	4	372
Transport and services	1,185	89	-2	-12	-21	27	1,265
Property, property development	2,828	136	-5	-22	-54	10	2,892
Corporate market	8,360	431	-12	-53	-222	70	8,574
Retail market	431	9,760	-1	-6	-14	1,462	11,632
Total	8,790	**10,191**	**-13**	**-59**	**-236**	**1,532**	**20,205**
Expected losses, unused credit and guarantees, RM			0	0	0		
Expected losses, unused credit and guarantees, CM			-1	-3	0		

Off balance sheet items, see Note 2.1.1

Parent bank

31.12.19

Lending at amortised cost and fair value (via other comprehensive income) FVOCI							
	Gross lending		**Loss provisions**				**Net lending**
	Amortised cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value via the income statement	Total
Municipalities and municipal enterprises	57	0	0	0	0	0	57
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1,278	132	-1	-7	-9	17	1,410
Fisheries and aquaculture	778	15	0	0	0	0	792
Mining and industry	411	12	0	0	-9	0	413
Construction, engineering and power	1,098	28	-2	-18	-110	15	1,009
Trade, hotel, restaurants	392	15	0	-2	-1	0	403
Transport and services	1,375	95	-3	-5	-51	9	1,420
Property, property development	2,839	159	-5	-29	-60	19	2,925
Corporate market	8,229	454	-12	-61	-240	59	8,430
Retail market	505	9,415	-1	-5	-15	1,447	11,346
Total	**8,734**	**9,869**	**-13**	**-67**	**-253**	**1,506**	**19,778**
Expected losses, unused credit and guarantees, RM			0	0			
Expected losses, unused credit and guarantees, CM			-1	-2			

Off balance sheet items, see Note 2.1.1

NOTE 21.5 - Mortgages transferred to Helgeland Boligkreditt AS (recognised in the consolidated financial statements)

Helgeland Boligkreditt AS is the Bank's wholly owned mortgage company.

Loans which are transferred are fully secured mortgages within the mortgage value of 75%. Loans are transferred from the Pare nt bank's balance sheet over to the mortgage company and are recognised in the Group in their entirety. 26.1% (27.5%) of gross lending or 38.6% (40.6) of loans to retail customers have been transferred to Helgeland Boligkreditt.

Parent bank			*Group*	
31.12.20			**31.12.20**	
Book value	**Fair value**		**Book value**	**Fair value**
0	0	Flexible loans, amortised cost	788	788
0	0	Instalment loans, amortised cost 1)	6,444	6,444
0	**0**	**Total mortgages transferred to Helgeland Boligkreditt AS**	**7,232**	**7,232**

1) Approximately equal to fair value

Parent bank			*Group*	
31.12.19			**31.12.19**	
Book value	**Fair value**		**Book value**	**Fair value**
0	0	Flexible loans, amortised cost	857	857
0	0	Instalment loans, amortised cost 1)	6,743	6,743
0	**0**	**Total mortgages transferred to Helgeland Boligkreditt AS**	**7,600**	**7,600**

1) Approximately equal to fair value

NOTE 21.6 - Remaining term to maturity, Helgeland Boligkreditt AS

Group
31.12.20

	0 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Liabilities to credit institutions	0	0	925	0	925
Borrowings through the issuing of securities	5	669	5,328	307	6,309
Financial derivatives, gross settlement (outflows)1	1	2	11	8	22
Total outgoing payments	**6**	**671**	**6,264**	**318**	**7,259**
Loans to and receivables from credit institutions	0	384	0	0	384
Loans to and receivables from customers	815	9	524	6,939	8,287
Certificates and bonds	5	51	0	0	56
Total incoming payments	**820**	**444**	**524**	**6,939**	**8,727**
1) Financial derivatives, gross settlement (inflows)	**0**	**7**	**27**	**20**	**54**

	0 - 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
Liabilities to credit institutions	0	0	698	0	698
Borrowings through the issuing of securities	0	37	5,833	1,022	6,892
Financial derivatives, gross settlement (outflows)1	2	5	28	28	63
Total outgoing payments	**2**	**42**	**6,559**	**1,050**	**7,653**
Loans to and receivables from credit institutions	0	402	0	0	402
Loans to and receivables from customers	790	7	1,021	6,041	7,859
Certificates and bonds	50	0	0	0	50
Total incoming payments	840	409	1,021	6,041	8,311
Financial derivatives, gross settlement (inflows)		**7**	**27**	**27**	**61**

NOTE 22.1 - Financial instruments by category

				Group
				31.12.20
	Amortised cost	**Assets valued at fair value via the income statement**	**Derivatives used for hedging**	**Total**
Cash and receivables, central banks	76	0	0	76
Loans to and receivables from credit institutions	619	0	0	619
Loans to and receivables from customers	25,839	1,559	0	27,398
Certificates, bonds and shares	0	4,870	0	4,870
Financial derivatives	0	0	67	67
Total assets	**26,534**	**6,429**	**67**	**33,030**

	Other financial liabilities at amortised cost	**Liabilities at fair value via the income statement**	**Derivatives used for hedging**	**Total**
Liabilities to credit institutions with agreed maturity	551	0	0	551
Deposits from and liabilities to customers	18,684	0	0	18,684
Liabilities established through the issuing of securities	7,500	0	0	7,500
Liabilities established through the issuing of securities, hedging	1,918	0	0	1,918
Subordinated loan capital	451	0	0	451
Financial derivatives	0	39	0	39
Total liabilities	**29,104**	**39**	**0**	**29,104**

				Group
				31.12.19
	Amortised cost	**Assets valued at fair value via the income statement**	**Derivatives used for hedging**	**Total**
Cash and receivables, central banks	88	0	0	88
Loans to and receivables from credit institutions	750	0	0	750
Loans to and receivables from customers	25,814	1,506	0	27,320
Certificates, bonds and shares	0	5,283	0	5,283
Financial derivatives	0	0	15	15
Total assets	**26,652**	**6,789**	**15**	**33,456**

	Other financial liabilities at amortised cost	**Liabilities at fair value via the income statement**	**Derivatives used for hedging**	**Total**
Liabilities to credit institutions with agreed maturity	554	0	0	554
Deposits from and liabilities to customers	18,959	0	0	18,959
Liabilities established through the issuing of securities	7,948	0	0	7,948
Liabilities established through the issuing of securities, hedging	2,386	0	0	2,386
Subordinated loan capital	452	0	0	452
Financial derivatives	0	25	0	25
Total liabilities	**30,299**	**25**	**0**	**30,324**

Parent bank

31.12.20

	Amortised cost	Loans at fair value via OCI	Assets valued at fair value via the income statement	Derivatives used for hedging	Total
Cash and receivables, central banks	76	0	0	0	76
Loans to and receivables from credit institutions	1,531	0	0	0	1,531
Loans to and receivables from customers	8,460	10,191	1,559	0	20,210
Certificates, bonds and shares	0	0	0	4,849	4,849
Financial derivatives	0	0	0	54	54
Total assets	**10,067**	**10,191**	**1,559**	**4,903**	**26,720**

	Other financial liabilities at amortised cost	Liabilities at fair value via the income statement	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	550	0	0	550
Deposits from and liabilities to customers	19,101	0	0	19,101
Liabilities established through the issuing of securities	1,715	0	0	1,715
Liabilities established through the issuing of securities, hedging	1,603	0	0	1,603
Subordinated loan capital	451	0	0	451
Financial derivatives	0	39	0	39
Total liabilities	**23,420**	**39**	**0**	**23,459**

Changes in the fair value of loans classified as FVOCI which are recognised via OCI are insignificant (less than NOK 1 million).

Parent bank

31.12.19

	Amortised cost	Loans at fair value via OCI	Assets valued at fair value via the income statement	Derivatives used for hedging	Total
Cash and receivables, central banks	88	0	0	0	88
Loans to and receivables from credit institutions	1,432	0	0	0	1,432
Loans to and receivables from customers	8,403	9,869	1,506	0	19,778
Certificates, bonds and shares	0	0	0	5,314	5,314
Financial derivatives	0	0	0	16	16
Total assets	**9,923**	**9,869**	**1,506**	**5,330**	**26,628**

	Other financial liabilities at amortised cost	Liabilities at fair value via the income statement	Derivatives used for hedging	Total
Liabilities to credit institutions with agreed maturity	553	0	0	553
Deposits from and liabilities to customers	19,391	0	0	19,391
Liabilities established through the issuing of securities	1,577	0	0	1,577
Liabilities established through the issuing of securities, hedging	2,092	0	0	2,092
Subordinated loan capital	452	0	0	452
Financial derivatives	0	18	0	18
Total liabilities	**24,065**	**18**	**0**	**24,083**

NOTE 22.2 – Debt securities, value hedging

Fixed-rate debt securities are normally secured by value hedging. When a hedge is established, the Bank documents the relationship between the hedging instruments and the hedged items. The Bank also documents its assessment of whether the derivatives being used are effective in counteracting changes in value related to hedging risk in the hedged items. Such assessments are documented both upon establishment of the hedge and o n an ongoing basis during the hedging period. The Bank hedges interest rate risk at individual level. Risks relating to changes in credit spread are not hedged. Changes in value linked to changes in the NIBOR rate are recognised and result in ongoing adjustment of the book value of the hedged fixed-rate loans. The book value of debt securities, including interest, is NOK 1,918 (2,386). The net recognised gain linked to the hedging instruments and hedged items linked to the hedged risk am ounted to NOK 3 million in 2020 and NOK 3 million in 2019. See Note 35.1.

Group

Inefficiancy hedging over the PLA	**31.12.20**	**31.12.19**
Efficiancy related to hedging objects	-80,2	31
Efficiancy related to the hedging instrument	83,2	-28
Net inefficiancy over the PLA	3	3

Parent bank						*Group*
31.12.20						**31.12.20**
Contract	**Fair value**		**Fair value over the PLA**	**Contract**	**Fair value**	
Total	**Assets**	**Commitments**		**Total**	**Assets**	**Commitments**
1.600	39	0	Interest swap contracts fixed rate loan hedging	1.900	52	0
1.600	**39**	**0**	**Total financial derivates hedging**	**1.900**	**52**	**0**

31.12.19						**31.12.19**
Contract	**Fair value**		**Fair value over the PLA**	**Contract**	**Fair value**	
Total	**Assets**	**Commitments**		**Total**	**Assets**	**Commitments**
2.162	0	18	Interest swap contracts fixed rate loan hedging	2.462	0	25
2.162	**0**	**18**	**Total financial derivates hedging**	**2.462**	**0**	**25**

Group

Referance	**Hedging object**	**Contract total**	**Due**	**Interest rate**	**Accointing line**	**Currency**
1	Fixed rate loan	500	2021	2,00	Devt by issuance of securities	NOK
2	Fixed rate loan	500	2022	2,20	Devt by issuance of securities	NOK
3	Fixed rate loan	500	2023	2,10	Devt by issuance of securities	NOK
4	Fixed rate loan	500	2024	2,50	Devt by issuance of securities	NOK
5	Fixed rate loan	300	2029	2,22	Devt by issuance of securities	NOK

Referance	**Hedging object**	**Contract total**	**Due**	**Interest rate**	**Accointing line**	**Currency**
1	Interest swap, fixed	500	2021	2,00	Financial derivates	NOK
1	Interest swap, float	-500	2021	0,90	Financial derivates	NOK
2	Interest swap, fixed	500	2022	2,20	Financial derivates	NOK
2	Interest swap, float	-500	2022	1,21	Financial derivates	NOK
3	Interest swap, fixed	500	2023	2,10	Financial derivates	NOK
3	Interest swap, float	-500	2023	1,19	Financial derivates	NOK
4	Interest swap, fixed	500	2024	2,50	Financial derivates	NOK
4	Interest swap, float	-500	2024	1,05	Financial derivates	NOK
5	Interest swap, fixed	300	2029	2,22	Financial derivates	NOK
5	Interest swap, float	-300	2029	2,31	Financial derivates	NOK

Referance 5 relates to debt by issuance of secirities in the subsidiary company Helgeland Boligkreditt.

Installments are not paid on the hedging onstruments and objects. These are due in full at the settlement date.

NOTE 22.3 - Assessment of fair value of financial instruments according to level

The table shows financial instruments at fair value according to the valuation method (IFRS13). The changes require the presentation of fair value measurements per level, with the following subdivisions into levels. The various levels are defined as follows:

- Level 1 - Listed price in an active market for an identical asset or liability
- Level 2 – Valuation based on observable factors, either directly (price) or indirectly (derived from prices), other than the listed price (used in level 1) for the asset or liability
- Level 3 - Valuation based on factors not obtained from observable markets (non-observable assumptions)

The fair value of financial instruments that are traded on an active market is based on the market price at the end of the reporting period. A market is considered to be active if the markets rates are readily and regularly available from a stock exchange, trader, broker, business group, pricing service or regulatory authority, and the 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 the current offer price is used. These instruments are included in level 1.
The fair value of financial instruments that are not traded on an active market is determined by using valuation methods. These valuation methods maximise the use of observable data where such data is 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 comprise observable data, the instrument are included in level 2.
Unlisted shares and fixed-rate loans are classified under level 3. In the case of the valuation of shares where there is no active market, known sales values are based on the latest issue price. For securities without sales, the value is determined on the basis of available accounting information or similar. Fixed-rate loans are valued at fair value (see also the description of valuation in Note 1).
Swap fixed-rate loans totalled NOK 1,514 million as of 31 December 2019, and NOK 1,514 million as of 31 December 2019. Net interest rate risk in the event of a parallel change in interest rates of 1% point for fixed-rate loans and derivatives fixed-rate loans amounted to NOK 29.5 million as of 31 December 2020 and NOK 10 million as of 31 December 2019.
No transfers took place between levels 1 and 2 during 2020.

Assets and liabilities at fair value

Parent bank						*Group*
31.12.20						**31.12.20**
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
			Assets			
			Financial assets at fair value via the income statement			
0	0	1,559	Loans to and receivables from customers at fair value	0	0	1,559
0	4,642	207	Certificates, bonds and shares at fair value	0	4,663	207
			Financial assets at fair value via other comprehensive income			
0	0	10,191	Mortgages	0	0	0
0	54	0	Financial derivatives, hedging	0	67	0
0	**4,696**	**11,957**	**Total assets**	**0**	**4,730**	**1,766**
			Liabilities			
			Financial liabilities at fair value via the income statement			
0	39	0	Financial derivatives	0	39	0
0	**39**	**0**	**Total liabilities**	**0**	**39**	**0**

Shares	**Lending**	**Total**	**Change in the instruments classified under level 3**	**Shares**	**Lending**	**Total**
379	11,375	11,754	Balance brought forward	379	1,506	1,885
-276	-655	-931	Instalments and loans redeemed	-276	-234	-510
0	993	993	New loans	0	251	251
104	37	141	Change in value	104	36	140
207	11,750	11,957	Financial instruments valued according to level 3	207	1,559	1,766

Assets and liabilities at fair value

Parent bank 31.12.19				*Group* 31.12.19		
Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
			Assets			
			Financial assets at fair value via the income statement			
0	0	1,506	Loans to and receivables from customers at fair value	0	0	1,506
0	4,935	379	Certificates, bonds and shares at fair value	0	4,905	379
			Financial assets at fair value via other comprehensive income			
0	0	9,869	Mortgages	0	0	0
0	16	0	Financial derivatives, hedging	0	16	0
0	**4,951**	**11,754**	**Total assets**	**0**	**4,921**	**1,885**
			Liabilities			
			Financial liabilities at fair value via the income statement			
0	18	0	Financial derivatives	0	18	0
0	**18**	**0**	**Total liabilities**	**0**	**18**	**0**

Shares	**Lending**	**Total**	**Change in the instruments classified under level 3**	**Shares**	**Lending**	**Total**
358	11,785	12,143	Balance brought forward	358	1,206	1,564
-1	-2,264	-2,265	Instalments and loans redeemed	-1	-223	-224
21	1,823	1,844	New loans	21	492	513
0	31	31	Change in value		31	31
379	**11,375**	**11,754**	**Financial instruments valued according to level 3**	**379**	**1,506**	**1,885**

NOTE 22.4 - Fair value of financial instruments

Parent bank **31.12.19**		**31.12.20**			*Group* **31.12.20**		**31.12.19**	
Fair value	**Balance sheet value**	**Fair value**	**Balance sheet value**	**Fair value of financial instruments**	**Balance sheet value**	**Fair value**	**Balance sheet value**	**Fair value**
				Assets				
88	88	76	76	Cash and receivables, central banks	76	76	88	88
1,432	1,432	1,531	1,531	Loans to and receivables from credit institutions	619	619	750	750
11,375	11,375	11,750	11,750	Loans to customers at fair value 3)	1,559	1,559	1,506	1,506
8,403	8,403	8,460	8,460	Loans to customers at amortised cost 1)	25,839	25,839	25,814	25,814
16	16	54	54	Financial derivatives	67	67	15	15
5,314	5,314	4,849	4,849	Certificates, bonds and shares available for sale	4,870	4,870	5,283	5,283
26,628	**26,628**	**26,720**	**26,720**	**Total**	**33,030**	**33,030**	**33,456**	**33,456**
				Liabilities				
553	553	550	550	Liabilities to credit institutions at amortised cost	551	551	554	554
122	122	78	78	Deposits from and liabilities to customers at fair value	78	78	122	122
19,269	19,269	19,023	19,023	Deposits from and liabilities to customers at amortised cost	18,606	18,606	18,837	18,837
2,070	2,092	1,614	1,603	Debt securities, hedging 2)	1,918	1,929	2,386	2,370
1,595	1,577	1,710	1,715	Covered bonds, amortised cost (FRN) 2)	7,500	7,536	7,948	7,956
452	452	451	451	Subordinated loan	451	451	452	452
18	18	39	39	Financial derivatives	39	39	25	25
24,079	**24,083**	**23,465**	**23,459**	**Total**	**29,143**	**29,190**	**30,324**	**30,316**

1) The carrying amount for loans to customers at amortised cost approximates to fair value.

2) The fair value of debt securities and subordinated loans is calculated from a theoretical market value based on interest rate and spread curves.

3) Mortgages in Parent Bank are recognised at fair value.

NOTE 23 - Financial derivatives

General description - currency and interest rate agreements

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 for an agreed amount.

SpareBank 1 Helgeland enters into hedging transactions with reputable Norwegian and foreign banks in order to reduce the Bank's own risk. Derivative transactions are linked to ordinary banking operations and are carried out to reduce the risk associated with the Bank's debt securities in the financial markets and to identify and reduce risk relating to customer-oriented activity. Only debt securities relating to the Bank's borrowing activities are defined as '"fair value hedges". The Bank does not use cash flow hedging.

The Bank's Board has established limits for maximum risk on the Bank's interest rate positions. Procedures have been established to ensure that the specified positions are held.

The agreements entered into by the Bank are interest rate-related financial derivatives. These are interest rate swaps linked to fixed-rate debt securities, loans and bank deposits with a 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. The amounts are inclusive of accrued interest.

Financial derivatives

Parent bank						*Group*
31.12.20						**31.12.20**
	Fair value		**At fair value via the income statement**	**Contract**	**Fair value**	
Contract value	**assets**	**liabilities**		**value**	**assets**	**liabilities**
1,334	0	39	Interest rate swaps – fixed interest rate loans	1,334	0	39
55	0	0	Interest rate swaps – bank deposits with share yield	55	0	0
1,389	**0**	**39**	**Total financial derivatives at fair value via the income statement**	**1,389**	**0**	**39**
1,600	54	0	Interest rate swaps – fixed-rate debt securities hedging	1,900	67	0
1,600	**54**	**0**	**Total financial derivatives, hedging**	**1,900**	**67**	**0**

Financial derivatives

Parent bank						*Group*
31.12.19						**31.12.19**
	Fair value		**At fair value via the income statement**	**Contract**	**Fair value**	
Contract value	**assets**	**liabilities**		**Total**	**assets**	**liabilities**
1,260	16	0	Interest rate swaps – fixed interest rate loans	1,260	16	0
75	0	0	Interest rate swaps – bank deposits with share yield	75	0	0
1,335	**16**	**0**	**Total financial derivatives at fair value via the income statement**	**1,335**	**16**	**0**
2,200	0	18	Interest rate swaps – debt securities hedging	2,625	0	25
2,200	**0**	**18**	**Total financial derivatives, hedging**	**2,625**	**0**	**25**

NOTE 23.1 - Net presentation of financial assets and liabilities

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, selected major banks/brokerage houses which account for the majority of the turnover in interest-related products in the market are used. The Bank has the opportunity to offset balances. Amounts are not offset in the balance sheet because the transactions are not usually settled on a net basis.

					Group
					31.12.20
	Gross financial assets	**Financial assets recognised net**	**Net financial assets in the balance sheet**	**Financial instruments**	**Net present**
Derivatives as assets	67	0	67	-67	0
Derivatives as liabilities	39	0	39	-67	-30

					Group
					31.12.19
	Gross financial assets	**Financial assets recognised net**	**Net financial assets in the balance sheet**	**Financial instruments**	**Net present**
Derivatives as assets	16	0	16	-16	0
Derivatives as liabilities	25	0	25	-16	9

NOTE 24 - Certificates, bonds and shares

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
4,924	4,634	Certificates and bonds	4,655	**4,894**
10	8	Accrued interest on securities	8	**10**
379	207	Shares, unit trust certificates and equity capital certificates	207	**379**
5,313	**4,849**	**Total certificates, bonds 1-2)**	**4,870**	**5,283**

1) The figures represent the maximum credit exposure.

2) The Group's policy of prudence in the securities market will be continued, and changes in the value of financial investments are expected to reflect this. The fixed income portfolio amounts to 14.6% (14.4%) of bank assets.

NOTE 24.1 - Certificates and bonds

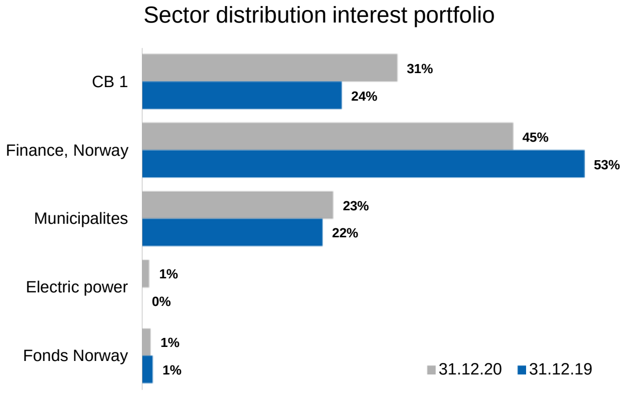
The Bank's portfolio of certificates and bonds are valued at fair value. All changes in value are recognised via other compre hensive income.
Insofar as there is an active market for the securities concerned, observable market prices are used to determine fair value.

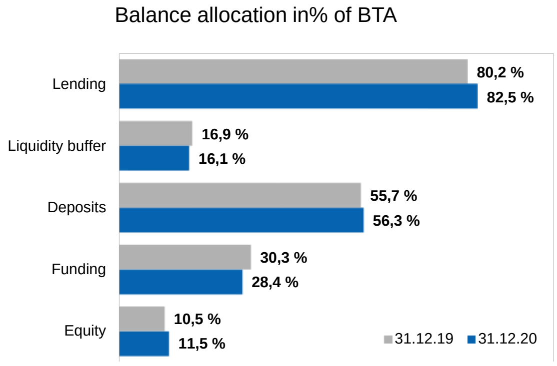
Parent bank			*Group*	
31.12.20				**31.12.20**
Nominal value	**Fair value**		**Nominal value**	**Fair value**
0	0	Bonds issued by the public sector	0	0
750	750	Certificates	800	800
3,846	3,884	Other bearer bonds	3,816	3,854
0	8	Accrued interest on securities	0	8
4,596	**4,642**	**Total certificates and bonds**	**4,616**	**4,662**

Parent bank				*Group*
31.12.19				**31.12.19**
Nominal value	**Fair value**		**Nominal value**	**Fair value**
0	0	Bonds issued by the public sector	0	0
1,265	1,262	Certificates	1,315	1,312
3,627	3,661	Other bearer bonds	3,547	3,580
0	12	Accrued interest on securities	0	12
4,892	**4,935**	**Total certificates and bonds**	**4,859**	**4,904**

SpareBank 1 Helgeland purchased bonds from Helgeland Boligkreditt AS with a nominal value of NOK 80 million (NOK 80 million). These have been used as collateral for swap agreements with Norges Bank.

The Bank has adopted a cautious strategy with regard to securities, with specified parameters including minimum requirements regarding ratings for both Norwegian and foreign securities. The framework and authorisations are revised annually and are approved by the Bank's Board. The Group's portfolio of certificates and bonds is classified as a current asset in its entirety. The purpose of the certificate and bond portfolio is to ensure that the Group has liquidity reserves at its disposal. The Bank's securities portfolio is deemed not to be a trading portfol io. Shown below is the securities portfolio, broken down according to rating class and sector, both of which lie within the Group’s internal targets.





NOTE 25 - Shares, unit trust certificates and equity capital certificates

				Parent bank and Group
		31.12.20		**31.12.19**
	Acquisition cost	**Book value**	**Acquisition cost**	**Book value**
Shares – not listed	194	207	224	379
Total shares, unit trust certificates and equity capital	**194**	**207**	**224**	**379**

Unrealised changes in value in the portfolio are recognised via the income statement under net income from financial instrume nts.

NOTE 25.1 - Additions/disposals of shares, unit trust certificates and equity capital certificates

		Parent bank and Group
	31.12.20	**31.12.19**
Portfolio as of 1 January, SpareBank 1 Helgeland	379	358
Additions	0	20
Disposals	275	0
Adjustment to fair value	103	1
Portfolio as of 31 December	**207**	**379**

NOTE 26 - Investments in subsidiaries

						Parent bank
					31.12.20	31.12.19
	Share capital	Number of shares	Equity stake	Registered office	Book value	Book value
ANS Bankbygg Mo	49	5,591	99%	Mo i Rana	47	46
Helgeland Boligkreditt AS	540	540	100%	Mo i Rana	540	540
AS Sparebankbygg	0.1	100	100%	Sandnessjøen	1	1
Helgland Spb.eiend.selskap AS	0.1	100	100%	Mosjøen	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100%	Mosjøen	0	0
Strendene Utviklingsselskap AS	0.03	300	100%	Sandnessjøen	0	15
Storgata 73 AS	0.1	140	56%	Brønnøysund	1	1
Carrying amount as of 31 December					**590**	**604**

Non-controlling interests in ANS Bankbygg (2.5%) and Storgt. 73 (47%) are shown as a separate line in the financial statements.

NOTE 26.1 - Specification of changes in subsidiaries

		Parent bank
	31.12.20	31.12.19
Carrying amount as of 1 January	604	595
Additions/disposals	1	15
Write-down	-15	-6
Carrying amount as of 31 December	**590**	**604**

NOTE 26.2 - Shares in subsidiaries

							Parent bank
							31.12.20
	Equity stake	Current assets	Fixed assets	Current liabilities	Non-current liabilities	Equity	Book value
ANS Bankbygg Mo	99%	24	23	0	0	47	47
Helgeland Boligkreditt AS	100%	7,725	0	1,596	5,516	616	540
AS Sparebankbygg	100%	2	8	0	10	1	1
Helgland Spb.eiend.selskap AS	100%	5	16	0	13	8	0.4
Helgeland Utviklingsselskap AS	100%	0	0	0	0	0	0
Strendene Utviklingsselskap AS	100%	1	19	0	34	-14	0
Storgata 73 AS	56%	2	5	1	1	5	1

	Equity stake	Income	Costs	Profit
ANS Bankbygg Mo	99%	8	7	1
Helgeland Boligkreditt AS	100%	97	29	68
AS Sparebankbygg	100%	2	2	0
Helgland Spb.eiend.selskap AS	100%	3	2	1
Helgeland Utviklingsselskap AS	100%	0	5	-5
Strendene Utviklingsselskap AS	100%	1	26	-25
Storgata 73 AS	56%	1	0	1

Parent bank

31.12.19

	Equity stake	Current assets	Fixed assets	Current liabilities	Non-current liabilities	Equity	Book value
ANS Bankbygg Mo	97%	21	27	0	0	47	46
Helgeland Boligkreditt AS	100%	8,047	0	721	6,728	598	540
AS Sparebankbygg	100%	2	9	0	10	1	1
Helgland Spb.eiend.selskap AS	100%	4	17	0	13	7	0.4
Helgeland Utviklingsselskap AS	100%	2	3	0	1	5	0
Strendene Utviklingsselskap AS	100%	0	41	0	30	11	15
Storgata 73 AS	56%	2	5	1	1	5	1

	Equity stake	Income	Costs	Profit
ANS Bankbygg Mo	97%	7	6	1
Helgeland Boligkreditt AS	100%	82	32	50
AS Sparebankbygg	100%	2	2	0
Helgland Spb.eiend.selskap AS	100%	3	2	1
Helgeland Utviklingsselskap AS	100%	0	1	-1
Strendene Utviklingsselskap AS	100%	1	-3	-2
Storgata 73 AS	56%	1	0	1

NOTE 27 - Associated companies

Helgeland Invest AS

SpareBank 1 Helgeland's stake in Helgeland Invest AS (HI) is strategic in nature. The aim of this investment is based on the premise that access to capital and expertise contributes to the development of a local business market.

At the start of the year, SpareBank 1 Helgeland had a 48.3% stake in Helgeland Invest AS (HI). The shares in the company were sold in the fourth quarter of 2020 with a gain of NOK 76 million. Until the sale, NOK 30 million had been recognised as income in share of earnings for the first three quarters of 2020. For the fourth quarter, the Bank does not have access to the accounts of the aforementioned companies, and the statement below shows the figures as of the third quarter.

The Bank has reworked HI's financial statements through to the third quarter inclusive, so that the financial statements of all associated companies in HI are reworked in accordance with IFRS and recognised according to the equity method. Other investments have been recognised at fai r value. The Bank consolidates HI's reworked financial statements in the Parent bank and the Group using the equity method. The Bank finalises its accounts early, out of necessity partly on the basis of preliminary forecasts for HI.

Parent bank and Group

31.12.20

Balance 100% stake		Current assets	Fixed assets	Current liabilities	Non-current liabilities	Equity
Helgeland Invest AS as of 30 September 2020		99	635	0	0	734
REDE Eiendomsmegling AS as of 30 September 2020		69	2	60	0	11
Total		**167**	**637**	**60**	**0**	**745**
Helgeland Invest AS	0.0%	0	0	0	0	0
REDE AS (inc. added value)	0.0%	0	0	0	0	0
Total		**0**	**0**	**0**	**0**	**0**

Parent bank and Group

Balance 100% stake		Current assets	Fixed assets	Current liabilities	Non-current liabilities	Equity
						31.12.19
Helgeland Invest AS		118	636	0	0	754
REDE Eiendomsmegling AS		77	25	63	1	38
Total		**195**	**661**	**63**	**1**	**792**
Helgeland Invest AS	48.3%	57	307	30	0	364
REDE AS (inc. added value)	40.0%	31	10	25	0	15
Total		**73**	**88**	**317**	**0**	**379**

NOTE 27.1 - Specification of changes in associated companies

Parent bank and Group

Change in the Bank's stake in Helgeland Invest AS	31.12.20	31.12.19
Carrying amount as of 1 January	364	367
Dividends	-39	0
Share of earnings	30	-24
Share sale	-355	20
Carrying amount as of 31 December	**0**	**364**

Parent bank and Group

Change in the Bank's stake in REDE	31.12.20	31.12.19
Carrying amount as of 1 January	15	14
Value adjustment	-12	0
Share of earnings	0	1
Share sale	-3	0
Carrying amount as of 31 December	**0**	**15**
Total carrying amount, associated companies	**0**	**379**

NOTE 27.2 - Specification of additions/disposals in associated companies

Parent bank and Group

Profit 100%		Revenue	Financial costs	Other income	Operating expense	Profit after tax
						31.12.20
Helgeland Invest AS as of 30 September		22	0	44	4	62
REDE Eiendomsmegling AS as of 30		24	1	0	23	0
Total		**46**	**1**	**44**	**27**	**62**
Helgeland Invest AS as of 30 September	48%	11	0	21	2	30
REDE Eiendomsmegling AS as of 30	40%	10	0	0	9	0
Total		**20**	**0**	**21**	**11**	**30**

Parent bank and Group

Profit 100%		Revenue	Financial costs	Other income	Operating expense	31.12.19 Net profit
Helgeland Invest AS		47	0	0	6	41
Eiendomsmegleren Helgeland (REDE)		42	0	1	39	3
Total		**89**	**0**	**1**	**45**	**44**
Helgeland Invest AS	48%	23	0	0	3	20
Eiendomsmegleren Helgeland (REDE)	40%	17	0	0	16	1
Total		**40**	**0**	**0**	**18**	**21**

NOTE 27.3 - Intra-Group balances and transactions between the Bank and associated companies

Parent bank			*Group*	
31.12.19	**31.12.20**	**Intra-Group balances**	**31.12.20**	**31.12.19**
		Receivables		
0	0	Loans to associated companies	0	0
0	**0**	**Total net receivables**	**0**	**0**
		Liabilities		
207	0	Deposits from associated companies	0	207
207	**0**	**Total liabilities**	**0**	**207**
		Transactions		
0	0	Total interest income from associated companies	0	0
3	0	Total interest expenses from associated companies	0	3
24	0	Total dividends from associated companies	0	24

NOTE 27.4 - Strategic investments, not treated as associates

The Bank has strategic investments in the securities company Norne Securities AS (7.5% stake), leasing company Brage Finans AS (8.6%), and Balder Betaling AS (6.2%), which has a 10.5% stake in Vipps. These companies are not consolidated in the accounts or treated as associated companies.

NOTE 28 - Related parties

SpareBank 1 Helgeland defines its subsidiaries and associated companies as related parties. Transactions between the Parent bank, Group companies and associated companies are executed in accordance with ordinary commercial terms and principles. The information is disclosed in accordance with IAS 24 for "Disclosure of related parties". Transactions with senior executives and elected representatives are presented in a note to the annual accounts (associated companies; see Note 27.2).

NOTE 28.1 - Intra-Group eliminations/transactions

	Group and Parent bank	
	31.12.20	**31.12.19**
Income statement		
Interest from interest and credit commission income from subsidiaries	16	19
Dividends received/group contributions	50	54
Interest on subsidiaries' deposits	2	3
Rent expenses	10	10
Management fees	8	8
Balance Sheet		
Loans to subsidiaries	969	737
Covered bonds	80	80
Deposits from subsidiaries	417	431
Receivables concerning dividends	68	50

Significant transactions with related parties as of 31 December 2019

Helgeland Boligkreditt AS (stake 100%)

Transferred loans as of 31 December 2020 amount to a total of NOK 7,232 million (NOK 7,600 million). Covered bonds in the mortgage company amount to NOK 6,180 million (NOK 6,745 million), of which NOK 80 million (NOK 80 million) has been acquired by SpareBank 1 Helgeland. Of the credit line of NOK 1.5 billion, NOK 912 million had been used as of 31 December 2020. The company also has an overdraft facility of NOK 1,500 million (with a maturity of more than one year) granted by SpareBank 1 Helgeland. The overdraft facility is intended to cover payment obligations in the collateral base over a rolling 12-month period, and is completely unused. The agreements have been established according to the arm's length principle. The effects of the facilities are eliminated in the consolidated accounts.

The effects of the facilities are eliminated in the consolidated accounts. HSB received dividends of NOK 49.6 million in 2020.

Ans Bankbygg (stake 99%)

The Bank leases premises from ANS Bankbygg and paid NOK 4.2 million during 2020. The Bank also paid NOK 1.5 million in shared expenses.

The Bank received a dividend of NOK 0.9 million.

NOTE 28.2 - Loans to elected representatives and employees

Parent bank				*Group*
31.12.19	**31.12.20**	**(amounts in NOK million)**	**31.12.20**	**31.12.19**
242	243	Employees	316	310
22	31	Board of Directors	31	38
18	26	Supervisory Board	31	25
282	**300**	**Total loans to elected representatives and employees**	**378**	**373**

The interest rate applied to loans to employees was lower than the rate applicable to customers for 2020. This loan benefit amounts to NOK 3.6 million (NOK 3.5 million) calculated on the basis of the maximum loan amount.

NOTE 28.3 - Senior executives

Parent bank 31.12.20						*Group* 31.12.20
Loans	**Remuneration**	**Pension expense**	**(amounts in NOK thousand)**	**Pension expense**	**Remuneration**	**Loans**
			Management group:			
1,956	2,540	215	Hanne Nordgaard, CEO	215	2,540	3,856
	1,628	198	Bjørn-Tore Brønlund, Corporate Market Director	198	1,628	
5,700	1,606	197	Dag-Hugo Heimstad, Retail Market Director	197	1,606	5,700
	653	77	Ranveig Kråkstad, Chief Accounting Officer to 29.02.20 inc.	77	653	
1,875	1,520	198	Sverre Klausen, Chief Financial Officer	198	1,520	2,518
	1,288	223	Anne Ekroll, Risk Management Director	223	1,288	2,368
4,000	1,146	160	Øyvind Karlsen, Business Management Director	160	1,146	5,895

The CEO and members of the management group are defined as senior executives.
Amongst other things, the remuneration includes a company car and compensation when transferring from the defined benefit pension scheme to the defined-contribution pension scheme.

Parent bank 31.12.19						*Group* 31.12.19
Loans	**Remuneration**	**Pension expense**	**(amounts in NOK thousand)**	**Pension expense**	**Remuneration**	**Loans**
			Management group:			
2,006	2,365	197	Hanne Nordgaard, CEO	197	2,365	3,906
0	1,496	183	Bjørn-Tore Brønlund, Corporate Market Director	183	1,496	0
10,350	1,577	182	Dag-Hugo Heimstad, Retail Market Director	182	1,577	11,151
0	1,212	199	Ranveig Kråkstad, Chief Accounting Officer	199	1,212	0
683	1,382	187	Sverre Klausen, Chief Financial Officer	187	1,382	2,439
1,070	1,162	191	Anne Ekroll, Risk Management Director	191	1,162	2,088
4,000	1,108	1,219	Øyvind Karlsen, Business Management Director	149	1,108	6,011

NOTE 28.4 – Statement concerning determination of salary and other remuneration

The statement was adopted by the Board of SpareBank 1 Helgeland on 24 February 2021 and presented to the Supervisory Board on 25 March 2021.

The CEO's salary is determined by the Bank's Board, while the salaries of the management team are determined by the CEO. Reference is made to note 28.3 of the annual accounts regarding salary and remuneration to senior executives. Remuneration takes place in the form of fixed salary, benefits in kind and the pension scheme. The CEO has a contractually agreed severance pay of 12 months.

Guidelines for remuneration during the 2020 financial year

Salary

Managerial salaries in SpareBank 1 Helgeland 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:

- Chief Executive Officer
- Rest of the management group

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 mobile telephone, newspaper, internet subscription and home PC. The CEO, Retail Market Director and Corporate Market Director have a company car available to them.

Pension schemes

The Bank has a defined contribution scheme, which also covers senior executives.
The CEO follows the Bank's current pension schemes at all times.

Bonuses, option agreements and severance payments

As of 31 December 2020, the Bank has no pre-established option, bonus or severance payment schemes other than the pension schemes and the abovementioned agreement with the CEO.

Report on senior executive pay policy for the 2020 financial year

The Bank's management salary policy for 2020 was implemented in accordance with the general principles set out above under guidelines for remuneration.

NOTE 28.5 – Remuneration paid to the Board

Parent bank				*Group*
31.12.20				**31.12.20**
Loans	**Remuner-ation**	**(amounts in NOK thousand)**	**Remuneration**	**Loans**
		Board:		
13,250	292	Chair of the Board Stein Andre Herigstad-Olsen	292	13,250
3,272	47	Vice Chair of the Board Bjørn Audun Risøy (to 26 March 2020 inc.)	47	3,272
3,000	113	Vice Chair of the Board Bjørn Andreas Krane (from 26 March 2020)	113	3,000
5,500	182	Siw Moxness	182	5,500
	118	Tone Helen Hauge	118	
	28	Nils Terje Furunes (to 26 March 2020)	28	
	129	Rolf Eigil Bygdnes (from 26 March 2020)	129	
4,490	118	Marianne Terese Steinmo	118	4,490
	49	Linda Brennbakk - First deputy	49	
		Kurt Jessen Johansson - Second deputy (to 26 March 2020 inc.)		
2,000	10	Knut Gullesen - Second deputy (from 26 March 2020)	10	2,000
2,768	120	Birgitte Lorentzen – Employee representative	120	2,768
2,200	118	Geir Pedersen - Employee representative	118	3,895
	10	Bente Johansen - Personal deputy member for Birgitte Lorentzen	10	800
1,187	15	Håvard Digermul - Personal deputy member for Geir Pedersen	15	1,422

Parent bank				*Group*
31.12.19				**31.12.19**
Loans	**Remuner-ation**	**(amounts in NOK thousand)**	**Remuneration**	**Loans**
		Board:		
0	86	Chairman of the Board Ove Brattbakk (to 27 March 2019 inc.)	86	0
11,000	222	Chair of the Board Stein Andre Herigstad-Olsen (from 27 March 2019 inc.)	222	11,000
3,429	205	Bjørn Audun Risøy	205	7,694
0	27	Inga Marie Lund (to 27 March 2019 inc.)	27	4,403
0	48	Eva Monica Hestvik (to 27 March 2019 inc.)	48	3,300
7,000	122	Siw Moxness (from 27 March 2019 inc.)	122	7,000
0	82	Tone Helen Hauge (from 27 March 2019 inc.)	82	0
0	110	Nils Terje Furunes	110	0
396	110	Marianne Terese Steinmo	110	4,365
0	40	Linda Brennbakk - First deputy	40	0
0	0	Kurt Jessen Johansson - Second deputy	0	0
2,849	115	Birgitte Lorentzen – Employee representative	115	2,849
2,200	110	Geir Pedersen - Employee representative	110	3,895
0	5	Bente Johansen - Personal deputy member for B. Lorentzen	5	800
3,015	5	Sten-Ove Lisø - Personal deputy member for Geir Pedersen (to 27 March 2019)	5	3,015
0	0	Lena Båtstrand - Personal deputy member for Geir Pedersen (27 March - 10 April 2019)	0	1,470
0	0	Tom Værnes - Personal deputy member for Geir Pedersen (11 April - 17 September 2019)	0	0

1,525	10	Håvard Digermul - Personal deputy member for Geir Pedersen (18 September - 31 December 2019)	10	1,525

NOTE 28.6 - Supervisory Board

Parent bank 31.12.20				Group 31.12.20
Loans	**Remuner-ation**	**(amounts in NOK thousand)**	**Remuner-ation**	**Loans**
		Chair of the Supervisory Board		
0	43	Per Gunnar Hjorthen	43	0
		Depositor-elected		
4,052	21	Marianne Myrnes Steinrud	21	4,052
0	8	Ingvar Johan Møllersen	8	104
1,500	8	Kjell Idar Juvik	8	1,500
4,795	21	Marit Thrana	21	4,795
0	8	Helge Stanghelle	8	0
1,401	3	Sten Oddvar Solhaug to 26 March 2020	3	1,401
4,691	6	Eirik Bjørkmo from 26 March 2020	6	4,691
2,100	8	Reidun Breirem	8	2,100
3,090	8	Tone Helen Jakobsen	8	5,681
0	8	Torill Beate Risøy	8	0
		Equity capital certificate holders		
0	0	Brynjar Forbergskog	0	0
0	42	Øyvin Trønsdal	42	978
0	8	Toril Mevold	8	1,300
3,982	8	Inger Lise Strøm	8	3,982
0	18	Anne Påsche Jakobsen	18	0
0	8	Lars Martin Lunde	8	0
0	0	Per Gunnar Hjorthen	0	0
0	8	Åsmund Skår	8	0
0	8	Frank Høyen	8	0
28	0	Maria Olaisen	0	28
		Employees		
3,000	23	Nils Knutli	23	3,428
2,500	8	Einar Eliassen	8	2,500
1,850	8	Karianne Kristensen	8	1,850
2,994	8	Sten Ove Lisø	8	2,994
1,608	8	Steinar Johansen	8	1,608
1,260	3	Tore Stamnes to 26 March 2020 inc.	3	1,940
3,105	6	Bertil Einvik from 26 March 2020 inc.	6	3,105

Parent bank 31.12.19				Group 31.12.19
Loans	**Remune-ration**	**(amounts in NOK thousand)**	**Remuner-ation**	**Loans**
		Chair of the Supervisory Board		
0	40	Per Gunnar Hjorthen	40	0
		Depositor-elected		
4,052	10	Marianne Myrnes Steinrud	10	4,052
0	5	Ingvar Møllersen	5	151
1,278	5	Wenche Drevland to 27 March 2019 inc.	5	3,602
1,500	0	Kjell Idar Juvik from 27 March 2019 inc.	0	1,500
4,430	5	Marit Thrana	5	4,430
0	5	Helge Stanghelle	5	0
710	5	Sten Oddvar Solhaug	5	710
0	10	John Luktvassmo to 27 March 2019 inc.	10	0
2,100	5	Reidun Breirem from 27 March 2019 inc.	5	2,100
3,000	5	Tone Helen Jakobsen	5	3,000
0	5	Torill Beate Risøy	5	0
		Equity capital certificate holders		
0	0	Brynjar Forbergskog	0	0
0	35	Øyvin Trønsdal	35	1,146
0	0	Toril Mevold	0	1,300
800	0	Inger Lise Strøm	0	3,204
0	18	Anne Påsche Jakobsen	18	0
0	5	Lars Martin Lunde	5	0
0	0	Per Gunnar Hjorthen	0	0
0	5	Frank Høyen	5	0
0	0	Maria Olaisen	0	0
0	0	Åsmund Skår	0	0
		Employees		
2,200	18	Nils Sagrabb	18	3,484
2,500	5	Einar Eliassen	5	2,500
0	5	Karianne Kristensen	5	1,850
1,976	3	Sten Åge Rørmark to 27 March 2019	3	1,976
3,015	3	Sten Ove Lisø from 27 March 2019 inc.	3	3,015
1,016	2	Morten Myran to 27 March 2019 inc.	2	1,916
211	3	Steinar Johansen from 27 March 2019 inc.	3	1,659
1,257	5	Tore Stamnes	5	1,963

NOTE 29 - Deferred tax asset

Parent bank				*Group*
31.12.19	**31.12.20**	**Temporary differences:**	**31.12.20**	**31.12.19**
		Positive temporary differences		
31	4	Other temporary differences	4	31
31	**4**	**Total positive temporary differences**	**4**	**31**
8	1	Deferred tax	1	8
		Negative temporary differences		
9	4	Impairment losses on interest-bearing securities	4	9
-4	3	Fixed assets	3	12
24	23	Pension liabilities	23	24
33	76	Other differences	76	33
62	**106**	**Total negative temporary differences**	**106**	**77**
0	0	Loss carried forward	0	0
62	**106**	**Total negative temporary differences**	**106**	**77**
15	27	Deferred tax asset	27	19
8	26	Net deferred tax asset	26	12

Dividends from the Parent bank to equity certificate holders have no influence on the Group's payable tax or deferred tax.
Deferred tax/tax asset is calculated on the basis of the temporary differences which exist at the end of the financial year between accounting and fiscal values using the debt method. Deferred tax is shown in the accounts on a net basis when the Group has a legal right to offset deferred tax asset against deferred tax in the balance sheet.

NOTE 30 - Tangible fixed assets

Parent bank						*Group*
31.12.20						**31.12.20**
Total	**Machinery, equipment, fixtures and vehicles**	**Buildings and other real property**		**Buildings and other real property**	**Machinery, equipment, fixtures and vehicles**	**Total**
280	222	58	Acquisition cost as of 1 January 2020	240	222	462
21	21	0	Additions	0	21	21
31	31	0	Disposals	0	31	31
270	**212**	**58**	**Acquisition cost as of 31 December 2020**	**240**	**211**	**451**
205	152	53	Accumulated depreciation and write-downs as of 1 January 2020	124	165	289
17	17	0	Depreciation for the year	6	17	24
0	0	0	Disposals, accumulated depreciation and write-downs	20	0	20
223	**170**	**53**	**Accumulated depreciation and write-downs as of 31 December 2020**	**150**	**182**	**333**
47	**42**	**5**	**Book value as of 31 December 2020**	**90**	**29**	**118**
	10-33%	3-4%	Percentage rates for ordinary depreciation	3-4%	10-33%	
	3-10 years	30 years	Useful life *)	30 years	3-10 years	

) The useful life of each fixed asset is assumed.

Parent bank 31.12.19 Total	Machinery, equipment, fixtures and vehicles	Buildings and other real property		Buildings and other real property	Machinery, equipment, fixtures and vehicles	*Group* 31.12.19 Total
261	203	58	Acquisition cost as of 1 January 2019	200	203	403
50	50	0	Additions	40	50	90
31	31	0	Disposals	0	31	31
280	**222**	**58**	**Acquisition cost as of 31 December 2019**	**240**	**222**	**462**
191	138	53	Accumulated depreciation and write-downs as of 1 January 2019	124	146	270
14	14	0	Depreciation for the year	0	19	19
0	0	0	Disposals, accumulated depreciation and write-downs	0	0	0
205	**152**	**53**	**Accumulated depreciation and write-downs as of 31 December 2019**	**124**	**165**	**289**
75	**70**	**5**	**Book value as of 31 December 2019**	**116**	**57**	**173**
	10-33%	3-4%	Percentage rates for ordinary depreciation	3-4%	10-33%	
	3-10 years	30 years	Useful life **)*	30 years	3-10 years	

**)* The useful life of each fixed asset is assumed.

NOTE 31 - Other assets

Parent bank 31.12.19	31.12.20		31.12.20	*Group* 31.12.19
6	3	Sundry suspense accounts	3	7
34	45	Receivables from property/Usufruct leases	15	14
6	8	Prepaid costs	10	7
20	5	Repossessed property	5	20
66	**61**	**Total other assets**	**33**	**48**

NOTE 32 - Foreign currency

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 SpareBank 1 Helgeland. See Note 2.3.1 Foreign exchange risk.

NOTE 33 - Liabilities to credit institutions

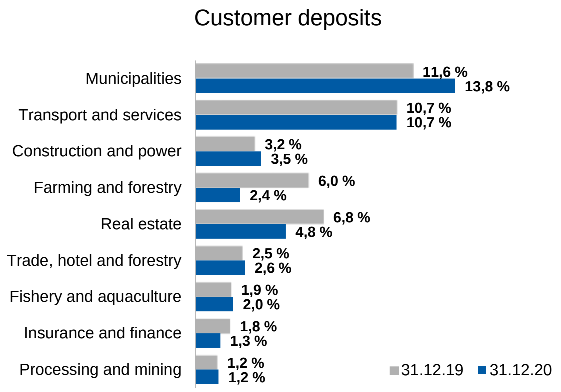
Parent bank 31.12.19	31.12.20		31.12.20	*Group* 31.12.19
3	0	Liabilities to credit institutions without agreed maturity	1	4
550	550	Other long-term loans	550	550
553	**550**	**Total liabilities to credit institutions**	**551**	**554**

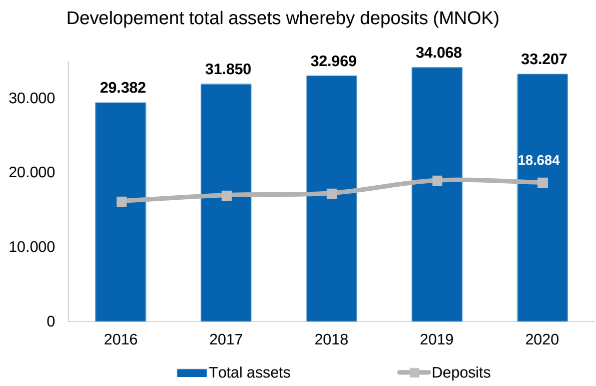
NOTE 34 - Deposits from customers

NOTE 34.1 - Deposits from customers by sector/industry

Parent bank								*Group*
%	**31.12.19**	**%**	**31.12.20**	**Deposits by sector/industry**	**31.12.20**	**%**	**31.12.19**	**%**
3.9%	749	3.3%	629	Insurance and finance	246	1.3%	721	3.8%
11.3%	2,192	13.5%	2,579	Municipalities and municipal enterprises	2,579	13.8%	2,192	11.6%
1.9%	361	2.0%	373	Agriculture and forestry	373	2.0%	361	1.9%
5.9%	1,138	2.3%	441	Fisheries and aquaculture	441	2.4%	1,138	6.0%
1.1%	221	1.2%	228	Mining and industry	228	1.2%	221	1.2%
3.1%	599	3.4%	651	Construction, engineering and power	651	3.5%	599	3.2%
2.4%	474	2.6%	489	Trade, hotel, restaurants	489	2.6%	474	2.5%
10.5%	2,028	10.5%	1,999	Transport and services	1,999	10.7%	2,028	10.7%
6.8%	1,323	4.9%	931	Property, property development	896	4.8%	919	4.8%
46.9%	9,085	43.6%	8,320	Total corporate market	7,902	42.3%	8,653	45.6%
53.1%	10,306	56.4%	10,781	Retail market	10,782	57.7%	10,306	54.4%
100.0%	**19,391**	**100%**	**19,101**	**Total**	**18,684**	**100%**	**18,959**	**100%**

The Act relating to security arrangements for banks and public administration, etc. by financial institutions requires all savings banks to be a member of the Norwegian Banks' Guarantee Fund. The fund is obliged to cover losses suffered by a depositor on deposits in a member institution of up to NOK 2 million of the collective deposit, just below 60% of total deposit volume.





<u>Deposits from customers as of 31 December 2020</u>

Deposits from customers amount to NOK 18.7 billion (NOK 19.0 billion), of which NOK 7.9 billion (NOK 8.7 billion) has been loaned to corporate customers. The graph above shows the distribution by sector, with growth in the municipal and aquaculture sectors. The share of retail market deposits amounts to 57.7% (54.4%). Of the deposits, 89.0% (89.7%) consist of deposits from customers in Helgeland.

NOTE 34.2 - Geographical distribution of deposits from customers

Parent bank			*Group*	
31.12.20	**% share**		**31.12.20**	**% share**
17,185	90.0%	Helgeland	16,787	89.8%
1,765	9.2%	Rest of Norway	1,755	9.4%
151	0.8%	International	142	0.8%
19,101	**100%**	**Total**	**18,684**	**100%**

Parent bank			*Group*	
31.12.19	**% share**		**31.12.19**	**% share**
17,187	88.6%	Helgeland	16,867	89.0%
2,062	10.6%	Rest of Norway	1,955	10.3%
142	0.7%	International	137	0.7%
19,391	**100.0%**	**Total**	**18,959**	**100.0%**

NOTE 34.3 - Deposits from customers by deposit form

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
7,151	7,.926	Ordinary conditions without notice of termination or agreed maturity	7,892	7,119
10,568	9,698	Special conditions for customer deposits without agreed maturities	9,315	10,168
1,550	1,399	Special conditions for customer deposits with agreed maturity	1,399	1,550
122	78	Liquid deposits from customers with agreed maturity	78	122
19,391	**19,101**	**Total deposits from and liabilities to customers**	**18,684**	**18,959**

NOTE 35 - Liabilities established through the issuing of securities

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
3,814	4,053	Bond loans	10,694	10,499
-145	-735	Own bonds	-1,276	-165
3,669	**3,318**	**Total liabilities established through the issuing of securities**	**9,418**	**10,334**

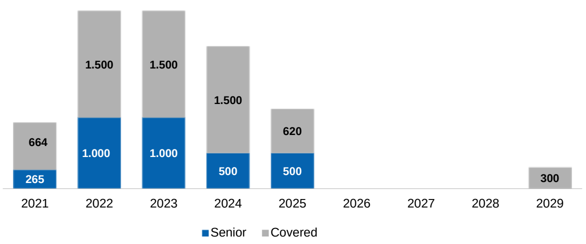
All securities debt is in NOK.

NOTE 35.1- Specification of bond loans

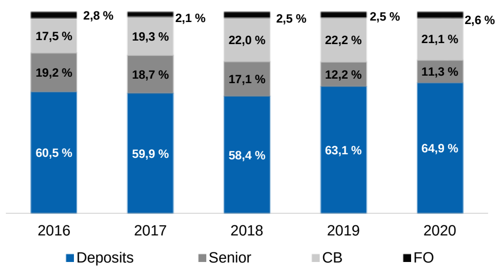
				Group
				31.12.20
	Maturity	**Securities debt**	**Own portfolio**	**Net nominal**
Bond loans, fixed-rate	2021	500	434	66
Bond loans, FRN	2021	1,505	642	863
Bond loans, fixed-rate	2022	500	0	500
Bond loans, FRN	2022	3,200	200	3,000
Bond loans, fixed-rate	2023	500	0	500
Bond loans, FRN	2023	2,000	0	2,000
Bond loans, fixed-rate	2024	500	0	500
Bond loans, FRN	2024	500	0	500
Bond loans, FRN	2025	1,200	0	1,200
Bond loans, fixed-rate	2029	300	0	300
Total bond loans		**10,705**	**1,276**	**9,429**

				Group
				31.12.19
	Maturity	**Securities debt**	**Own portfolio**	**Net nominal**
Bond loans, fixed-rate	2020	162	0	162
Bond loans, FRN	2020	204	73	131
Bond loans, fixed-rate	2021	500	92	408
Bond loans, FRN	2021	3,000	0	3,000
Bond loans, fixed-rate	2022	500	0	500
Bond loans, FRN	2022	2,205	0	2,205
Bond loans, fixed-rate	2023	500	0	500
Bond loans, FRN	2023	1,500	0	1,500
Bond loans, fixed-rate	2024	500	0	500
Bond loans, FRN	2024	500	0	500
Bond loans, FRN	2025	620	0	620
Bond loans, FRN	2029	300	0	300
Total bond loans		**10,491**	**165**	**10,326**

Maturity of loans (MNOK)



Funding development



Financing

Liquidity risk is reduced by spreading securities debt across different markets, funding sources, instruments and maturities. The Group's share of long-term funding as of 31 December 2020 was 92.1% (97.3%).

Covered bonds are included in the Group's debt securities in the amount of NOK 6.2 billion (NOK 6.7 billion). The loan-to-value ratio of the collateral base is 54% (57%). Deposits are an important source of funding and the Group has a good deposit-to-loan ratio.

Specification of bond loans

				Parent bank
				31.12.20
	Maturity	**Securities debt**	**Own portfolio**	**Net nominal**
Bond loans, fixed-rate	2021	500	434	66
Bond loans, FRN	2021	500	301	199
Bond loans, fixed-rate	2022	500	0	500
Bond loans, FRN	2022	500	0	500
Bond loans, fixed-rate	2023	500	0	500
Bond loans, FRN	2023	500	0	500
Bond loans, fixed-rate	2024	500	0	500
Bond loans, FRN	2025	500	0	500
Total bond loans		**4,000**	**735**	**3,265**

				Parent bank
				31.12.19
	Maturity	**Securities debt**	**Own portfolio**	**Net nominal**
Bond loans, fixed-rate	2020	162	0	162
Bond loans, FRN	2020	148	53	95
Bond loans, fixed-rate	2021	500	92	500
Bond loans, FRN	2021	500	0	500
Bond loans, fixed-rate	2022	500	0	500
Bond loans, FRN	2022	500	0	500
Bond loans, fixed-rate	2023	500	0	500
Bond loans, FRN	2023	500	0	500
Bond loans, fixed-rate	2024	500	0	500
Total bond loans		**3,810**	**145**	**3,665**

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
3,665	3,265	Bond loans	9,349	10,325
-24	33	Value adjustment	45	-32
28	20	Accrued interest	24	41
3,669	3,318	**Total securities debt**	**9,418**	**10,334**

Group

Change in total debt securities	**31.12.19**	**Issued**	**Matured/redeemed**	**Other changes**	**31.12.20**
Bond loans, nominal value	10,325	699	-1,676	1	9,349
Value adjustment	-32			77	45
Accrued interest	41			-17	24
Total	**10,334**	**699**	**-1,676**	**61**	**9,418**

Group

Change in total debt securities	31.12.18	Issued	Matured/redeemed	Other changes	31.12.19
Bond loans, nominal value	11,502	6,308	-7,455	-30	10,325
Value adjustment	21			-53	-32
Accrued interest	33			8	41
Total	**11,556**				**10,334**

Group

Change in debt securities at amortised cost	31.12.19	Issued	Matured/redeemed	Other changes	31.12.20
Bonds, amortised cost, nominal value	7,927	673	-1,146	39	7,493
Accrued interest	21			-14	7
Total	**7,948**				**7,500**

Change in debt securities at amortised cost	31.12.18	Issued	Matured/redeemed	Other changes	31.12.19
Bonds, amortised cost, nominal value	9,173	4,825	-6,041	-30	7,927
Accrued interest	13			8	21
Total	**9,186**				**7,948**

Group

Change in debt securities hedging	31.12.19	Issued	Matured/redeemed	Other changes	31.12.20
Bond loans, nominal value	2,398	26	-530	-38	1,856
Value adjustment	-32			77	45
Accrued interest	20			-3	17
Total	**2,386**				**1,918**

Group/parent bank

Change in debt securities hedging	31.12.18	Issued	Matured/redeemed	Other changes	31.12.19
Bond loans, hedging, nominal value	2,329	1,532	-1,462	0	2,398
Value adjustment	21			-53	-32
Accrued interest	20			0	20
Total	**2,370**				**2,386**

Parent bank

Change in debt securities, amortised	31.12.19	Issued	Matured/redeemed	Other changes	31.12.20
Bonds, amortised cost, nominal value	1,568	653	-549	40	1,712
Accrued interest	8			-5	3
Total	**1,577**				**1,715**

Parent bank

Change in debt securities, amortised	31.12.18	Issued	Matured/redeemed	Other changes	31.12.19
Bonds, amortised cost, nominal value	2,684	1,328	-2,444		1,568
Accrued interest	4			4	8
	2,688				**1,577**

Parent bank

Change in debt liabilities, hedging	31.12.19	Issued	Matured/redeemed	Other changes	31.12.20
Bonds, amortised cost, nominal value	2,097	26	-530	-40	1,553
Value adjustments	-24			57	33
Accrued interest	20			-3	17
Total	**2,092**				**1,603**

Parent bank

Change in debt	31.12.18	Issued	Matured/redeemed	Other changes	31.12.19
Bonds, amortised cost, nominal value	2,325	1,235	-1,463		2,097
Value adjustments	25			-49	-24
Accrued interest	20				20
Total	**2,370**				**2,092**

Parent bank

Change in subordinate loans	31.12.19	Issued	Matured/redeemed	Other changes	31.12.20
Bonds, amortised cost, nominal value	451				451
Value adjustment	-1				-1
Accrued interest	2			-1	1
Total	**452**			**-1**	**451**

NOTE 36 - Other liabilities

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
29	27	Other current liabilities	27	20
64	45	Tax payable	63	70
93	**72**	**Total other liabilities**	**90**	**90**
17	17	Accrued holiday pay and employer's National Insurance contributions	17	17
46	137	Other accrued costs	110	45
63	**154**	**Total accrued costs and prepaid income**	**127**	**62**
24	24	Net pension liabilities (Note 12)	24	23
4	4	Provision for loss on unused credit, granted not discounted loans and guarantees	4	4
28	**28**	**Total accrued liabilities**	**28**	**27**
184	**254**	**Total other liabilities**	**245**	**179**

NOTE 36.1 - Unused drawing rights facilities

	Group and Parent bank	
	31.12.20	**31.12.19**
Short-term drawing facility, 1 year	300	300
Total unused drawing rights facilities	**300**	**300**

The Group’s total liquidity reserves are deemed to be satisfactory.

In addition, the Group has:	**31.12.20**	**31.12.19**
Surplus liquidity at Norges Bank as of 31 December	51	50

Bonds at floating interest rates; interest rates are fixed in advance for three months at a time and charged to interest costs. The Bank's bonds are repaid at maturity; the loans may be repaid earlier if the agreements concerned permit and the Bank so wishes. None of the Group's senior bonds are secured. The Group did not default on borrowed funds during the financial year. This applies to the principal, payment of interest and/or redemption amounts.

Pledged assets

An overview of the Group's pledged assets is presented in Note 41.

Binding agreements to acquire real property, plant and equipment

The Group has not entered into any significant binding agreements to acquire property, plant or equipment.

Ongoing legal disputes

The Group is not involved in any legal disputes that are considered to be of any significance as regards the Group’s solvency or profitability.

NOTE 37 - Subordinated loan capital and subordinated bonds

Parent bank							*Group*
Instrument	**Year of**	**Nominal**	**Interest rate**	**Redemption right**	**Maturity**	**31.12.20**	**31.12.19**
Subordinated loan	2018	NOK 300 million	3-mth. Nibor +140bp	call 11.04.2023	11.04.2028	300	300
Subordinated loan	2018	NOK 150 million	3-mth. Nibor +152bp	call 06.09.2023	06.09.2028	150	150
Subordinated bonds	2016	NOK 300 million	3-mth. Nibor +440bp	call 01.12.2021	01.12.2099	300	300
						750	750

NOTE 38 - Capital adequacy

Parent bank			*Group*	
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
209	209	Equity certificate capital	209	209
971	971	Share premium reserve	971	971
-1	0	Own equity certificates	0	-1
299	299	Subordinated bonds	299	299
1,478	**1,479**	**Total paid-in capital**	**1,479**	**1,478**
590	753	Primary capital	753	590
439	38	Reserve for unrealised gains	38	439
53	41	Gift Fund	41	53
822	1,354	Cohesion fund	1,354	822
112	65	Dividend provision	65	112
0	0	Other equity	85	69
2,017	**2,252**	**Total retained earnings**	**2,340**	**2,085**
3,494	**3,731**	**Total equity capital**	**3,819**	**3,563**
-299	-299	Hybrid capital (subordinated bonds)	-299	-299
-90	0	Holdings in financial institutions inc. Brage finans	0	-84
-195	-128	Other (dividends, gifts, other deductions)	-131	-194
2,910	**3,304**	**Total core tier 1 capital**	**3,389**	**2,987**
-17	0	Holdings in financial institutions	0	-16
0	0	Other	0	0
299	299	Hybrid capital (subordinated bonds)	299	299
3,192	**3,603**	**Total tier 1 capital**	**3,688**	**3,271**
452	451	Subordinated loan capital	451	452
0	0	Holdings in financial institutions	0	0
0	0	Other	0	0
452	**451**	**Total supplementary capital**	**451**	**452**
3,644	**4,054**	**Total net subordinated capital**	**4,139**	**3,723**
16,201	16,023	Weighted asset calculation basis	17,229	17,893
17.97%	20.62 %	Core tier 1 capital ratio in %	19.67%	16.69%
19.71%	22.49%	Tier 1 capital ratio	21.41%	18.28%
22.50%	25.30%	Tier 2 capital ratio	24.02%	20.81%
		Total core tier 1 capital, including cooperating group	3,400	3,087
		Total tier 1 capital, including cooperating group	3,714	3,400
		Total net subordinated capital, including cooperating group	4,184	3,872
		Total calculation basis, including cooperating group	18,110	18,729
		Capital adequacy, including cooperating group		
		Core tier 1 capital ratio after proportionate consolidation in %	18.78%	16.48%
		Tier 1 capital ratio after proportionate consolidation in %	20.51%	18.16%
		Tier 2 capital ratio following proportionate consolidation in %	23.10%	20.68%

AS of 31 December 2020, the statutory minimum requirement for the core tier 1 capital ratio is 11.0%. The Bank has a Pillar 2 supplement of 2.2%. The Group's capital requirement including Pillar 2 supplement thus amounts to 13.2%. SpareBank 1 Helgeland has a target core tier 1 capital of 17%, taking into account the expectation of stricter requirements concerning system risk and countercyclical buffer requirements.

The comparative figures for 2019 include a dividend ratio of 50%. On 26 March 2020, Helgeland Sparebank's Supervisory Board decided to temporarily withhold a proportion of the dividend in light of the uncertainty associated with the coronavirus pandemic. This is not taken into account in the comparative figures for capital adequacy above. Including the withheld dividend, the Group would have had a core tier 1 capital ratio of 17.17 percent and a tier 2 capital ratio of 21.36 percent (after proportionate consolidation of cooperating groups). The new allocation of the net profit is taken into account in the capital adequacy at the end of the quarter. The change in allocation is stated in the statement of change in equity.

SpareBank 1 Helgeland has adopted the standard method for calculating credit risk and the basic method for calculating operational risk.

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
0	2	States and central banks	2	0
410	307	Local and regional authorities	307	410
452	524	Institutions	197	310
1,588	1,899	Enterprises	1,899	1,588
985	908	Mass market commitments	908	1,058
8,484	8,467	Loans secured through real property	11,075	11,313
770	643	Commitments overdue	667	843
804	813	Covered bonds	189	122
0	212	High-risk commitment	212	0
0	0	Units in mutual funds	0	0
1,237	774	Equity capital positions	183	633
156	120	Other commitments	164	257
14,886	**14,669**	**Calculation basis, credit risk**	**15,803**	**16,533**
1,308	1,347	Calculation basis, operational risk	1,385	1,349
8	7	Deductions/additions to the calculation basis	41	11
16,201	**16,023**	**Total calculation basis**	**17,229**	**17,893**

NOTE 38.1 - Capital management

Group

The Bank's Board has adopted a capital plan for 2020 – 2025, where fulfilment of the capital requirements of CRD IV is pivotal. The Board has established new capital targets, where the aim is a core tier 1 capital ratio (Group) of at least 17.0% and a tier 2 capital ratio of over 20.5%.

NOTE 39 – Equity capital certificates

NOTE 39.1 - Distribution of equity capital certificates according to number of certificates

Parent bank

31.12.20

	Equity capital certificate holders		**Equity capital certificates**	
Breakdown by number of equity capital certificates	**Quantity**	**Share %**	**Quantity**	**Share %**
1 – 1,000	1,782	71.2%	577,972	2.8%
1,001 – 10,000	601	24.0%	1,863,106	8.9%
10,001 – 50,000	86	3.4%	1,795,455	8.6%
50,001 – 100,000	13	0.5%	973,738	4.7%
> 100,001	20	0.8%	15,661,156	75.0%
Total	**2,502**	**100.0%**	**20,871,427**	**100.0%**

				Parent bank
				31.12.19
	Equity capital certificate holders		**Equity capital certificates**	
Breakdown by number of equity capital certificates	**Quantity**	**Share %**	**Quantity**	**Share %**
1 – 1,000	1,668	72.0%	522,803	2.5%
1,001 – 10,000	538	23.2%	1,675,850	8.0%
10,001 – 50,000	78	3.4%	1,656,985	7.9%
50,001 – 100,000	12	0.5%	879,720	4.2%
100,001 – 500,000	20	0.9%	16,136,069	77.3%
Total	**2,316**	**100.0%**	**20,871,427**	**100.0%**

Trading in Helgeland Sparebank's equity capital certificates

The price per equity certificate as of 31 December 2020 was NOK 86.0 (84.0). Graph showing the price trend for SpareBank 1 He lgeland and the financial sector on Oslo Stock Exchange.

Sparebankstiftelsen Helgeland is the largest owner, with 35.0% of the equity capital certificates in HELG.

Market-making agreement

SpareBank 1 Helgeland has entered into a market-making agreement relating to trading in the Bank's equity capital certificates. The purpose of this agreement is to secure liquidity and even out supply and demand, and to contribute to the marketing of the equity capital certifi cates. The agreement also means that, wherever possible, the difference between buying and selling prices will be kept to a maximum of four percentage points, roun ded up or down to the nearest amount. The difference may nevertheless be kept smaller if the market interest should warrant it. The pricing should at all times reflect the market's assessment of the Bank's equity capital certificate.

Returns and dividend policy

It is a priory area to practise sound management of our equity, *inter alia* by practising an ownership policy which helps to create better liquidity in the equity capital certificates. The Bank wishes to maintain an open dialogue with equity capital certificate holders and other market o perators. It is our belief that providing accurate and relevant information at the right time creates confidence and predictability and contributes to the correct prici ng of SpareBank 1 Helgeland’s equity capital certificate. In any event that involves an obligation on the Bank’s part to provide information, a report will be sent to Oslo Stock Exchange and then posted on the Bank’s website. The Bank has been listed on the stock exchange since 2000 and has complied wi th the requirements for reporting and information that the stock exchange requires of listed companies. The Bank’s ticker is HELG.
The Board has recommended a dividend ratio of 11.5% (25%). The ownership ratio was 76.3% as of 31 December 2020 and 76.4% as of 31 December 2019.

NOTE 39.2 - Equity certificate capital

Parent bank

In accordance with the Bank’s dividend policy, up to half of the equity capital’s share of the profit may be paid out as dividends, and correspondingly to up to half of the primary capital’s share of the profit may be paid out as gifts or transferred to one or more foundations. The remainder of the profit will be transferred to the cohesion fund and the primary capital fund. The Bank has a strategy of having a long-term and predictable dividend policy.

Equity certificate capital amounts to NOK 208 million (NOK 208 million) and is divided between approximately 2,316 owners. Note 39.3 presents an overview of the 20 largest holders of equity capital certificates.

NOTE 39.3 - The 20 largest owners

Parent bank

31.12.20

	Quantity	**% share**		**Quantity**	**% share**
Sparebankstiftelsen Helgeland	7,315,020	35.0%	VPF Nordea Avkastning	240,370	1.2%
Pareto Invest AS	1,948,414	9.3%	VPF Nordea Kapital	238,245	1.1%
VPF Nordea Norge	1,407,987	6.7%	AF Kapital Management	181,749	0.9%
VPF Eika egenkapital	994,471	4.8%	Melum Mølle AS	177,000	0.8%
Lamholmen Invest AS	464,491	2.2%	Melesio Capital AS	153,147	0.7%
Bergen kommunale pensjon	462,650	2.2%	Vigner Olaisen AS	144,653	0.7%
U.S Bank National Association	384,273	1.8%	Nima Invest AS	126,063	0.6%
MP Pensjon PK	379,203	1.8%	VFP Nordea Norge Pluss	123,527	0.6%
Helgeland Kraft AS	377,691	1.8%	Steffen Nervik	120,000	0.6%
Catilina Invest AS	314,046	1.5%	Merrill Lynch Prof	108,156	0.5%
Total 10 largest owners	**14,048,246**	**67.3%**	**Total 20 largest owners**	**15,661,156**	**75.0%**

As of 31 December 2020, the Bank has issued a total of 20,871,427 equity capital certificates at a nominal value of NOK 10. The weighted average in 2019 was 20,871,427.

Parent bank

31.12.19

	Quantity	**% share**		**Quantity**	**% share**
Sparebankstiftelsen Helgeland	7,315,020	35.0%	Catilina Invest AS	314,046	1.5%
Pareto Invest AS	1,949,392	9.3%	VPF Nordea Avkastning	240,370	1.2%
VPF Nordea Norge	1,407,987	6.7%	VPF Nordea Kapital	238,245	1.1%
VPF Eika egenkapital	825,339	4.0%	AF Kapital Management	181,749	0.9%
Bergen kommunale pensjon	550,000	2.6%	Melum Mølle AS	177,000	0.8%
Merrill Lynch Prof	532,995	2.6%	Vigner Olaisen AS	144,653	0.7%
U.S Bank National Association	507,173	2.4%	DNB Markets Aksjehandel/analyse	140,000	0.7%
Lamholmen Invest AS	464,491	2.2%	Melesio Capital AS	137,188	0.7%
MP Pensjon PK	389,203	1.9%	VFP Nordea Norge Pluss	123,527	0.6%
Helgeland Kraft AS	377,691	1.8%	Steffen Nervik	120,000	0.6%
Total 10 largest owners	**14,319,291**	**68.6%**	**Total 20 largest owners**	**16,136,069**	**77.3%**

As of 31 December 2019, the Bank has issued a total of 20,871,427 equity capital certificates at a nominal value of NOK. 10. The weighted average in 2018 was 20,871,427.

NOTE 39.4 - Equity capital certificates owned by the Bank's elected representatives

Group and Parent bank

Name/Company		Post	31.12.20 Number of own
Høyen, Frank	Supervisory Board	E	1,619
Trønsdal, Øyvin	Supervisory Board	E	446
Hjorthen, Per Gunnar	Supervisory Board	E	9,505
Lunde, Lars Martin	Supervisory Board	E	0
Jakobsen, Anne Påsche	Supervisory Board	E	0
Strøm, Inger Lise	Supervisory Board	E	0
Mevold, Toril	Supervisory Board	E	0
Forbergskog, Brynjar	Supervisory Board	E	0
Olaisen, Maria	Supervisory Board	E	0
Skår, Åsmund	Supervisory Board	E	600
Bjørkmo, Eirik	Supervisory Board	I	0
Risøy, Toril Beate	Supervisory Board	I	976
Stanghelle, Helge	Supervisory Board	I	214
Steinrud, Marianne Myrnes	Supervisory Board	I	0
Jakobsen, Tone Helen	Supervisory Board	I	0
Møllersen, Ingvar Johan	Supervisory Board	I	362
Thrana, Marit	Supervisory Board	I	0
Eliassen, Einar	Supervisory Board	A	967
Knutli, Nils Ivar	Supervisory Board	A	704
Kristensen, Karianne	Supervisory Board	A	1,034
Lisø, Sten Ove	Supervisory Board	A	304
Johansen, Steinar	Supervisory Board	A	399
Einvik, Bertil	Supervisory Board	A	1,330
Stein Andre Herigstad-Olsen	Chair of the Board	S	610
Krane, Bjørn	Vice Chair of the Board	S	0
Bygdnes, Rolf Eigil	Board member	S	0
Steinmo, Marianne Terese	Board member	S	0
Siw Moxness	Board member	S	245
Tone Helen Hauge	Board member	S	0
Lorentzen, Birgitte	Board member	SA	719
Pedersen, Geir	Board member	SA	846
Nordgaard, Hanne	CEO	L	3,594
Klausen, Sverre	Financial Management Director	L	1,274
Brønlund, Bjørn Tore	Corporate Market Director	L	2,305
Heimstad, Dag Hugo	Retail Market Director	L	1,385
Karlsen, Øyvind	Business Development Director	L	2,675
Ekroll, Anne	Risk Management Director	L	1,975

E = Equity certificate holders
L = Senior executive
I = Depositor-elected
S = Board member
A = Employee-elected

Name/Company	Post		31.12.19 Number of own
Høyen, Frank	Supervisory Board	E	1,619
Trønsdal, Øyvin	Supervisory Board	E	1,645
Hjorthen, Per Gunnar	Supervisory Board	E	9,505
Lunde, Lars Martin	Supervisory Board	E	0
Jakobsen, Anne Påsche	Supervisory Board	E	0
Strøm, Inger Lise	Supervisory Board	E	0
Mevold, Toril	Supervisory Board	E	0
Forbergskog, Brynjar	Supervisory Board	E	0
Olaisen, Maria	Supervisory Board	E	0
Skår, Åsmund	Supervisory Board	E	600
Solhaug, Sten Oddvar	Supervisory Board	I	0
Risøy, Toril Beate	Supervisory Board	I	976
Stanghelle, Helge	Supervisory Board	I	214
Steinrud, Marianne Myrnes	Supervisory Board	I	0
Jakobsen, Tone Helen	Supervisory Board	I	0
Møllersen, Ingvar Johan	Supervisory Board	I	362
Thrana, Marit	Supervisory Board	I	0
Eliassen, Einar	Supervisory Board	A	907
Sagrabb, Nils	Supervisory Board	A	644
Kristensen, Karianne	Supervisory Board	A	974
Stamnes, Tore	Supervisory Board	A	2,860
Stein Andre Herigstad-Olsen	Chair of the Board	S	610
Risøy, Bjørn Audun	Vice Chair of the Board	S	0
Furunes, Nils Terje	Board member	S	5,709
Steinmo, Marianne Terese	Board member	S	0
Siw Moxness	Board member	S	245
Tone Helen Hauge	Board member	S	0
Lorentzen, Birgitte	Board member	SA	659
Pedersen, Geir	Board member	SA	785
Nordgaard, Hanne	CEO	L	3,534
Klausen, Sverre	Financial Management Director	L	1,214
Brønlund, Bjørn Tore	Corporate Market Director	L	2,245
Heimstad, Dag Hugo	Retail Market Director	L	1,325
Kråkstad, Ranveig	Accounting Director	L	725
Karlsen, Øyvind	Business Development Director	L	2,615
Ekroll, Anne	Risk Management Director	L	1,915

E = Equity certificate holders
R = Represents equity certificate holders
L = Senior executive
I = Depositor-elected
S = Board member
A = Employee-elected

NOTE 39.5 – Dividends

Basis for calculating dividends	*Parent bank* 31.12.20	31.12.19
Equity in the balance sheet (not reworked)	3,730	3,494
Subordinated bonds	-299	-299
Deduction (reserve for unrealised gains/dividend provision/provision for foundation)	-524	-565
Total adjusted equity	**2.907**	**2,630**
Equity certificate capital	208	209
Share premium reserve	971	971
Cohesion fund	1,354	822
Total	2,533	**2,002**
Equity certificate percentage as of 1 January	76.4	76.4
Weighted average	76.4	76.4
Equity certificate percentage as of 31 December	76.3	76.1
Calculation of dividend:		
The Parent bank's profit for the year	319	304
Interest on subordinated bonds	-12	-13
Transferred to reserve for unrealised gains	401	3
Dividend basis	**708**	**294**
Dividend in NOK million	65	112
Cohesion fund, NOK	476	112
Dividend per equity capital certificate in NOK, Parent bank	11.2	10.7
Of which cash dividends in NOK	3.1	5.4
Of which to cohesion fund in NOK	22.8	5.4

NOTE 39.6 - Key figures, equity capital certificates

Parent bank 31.12.19	31.12.20		*Group* 31.12.20	31.12.19
84.0	86	Stock exchange price	86	84.0
8.0	7.7	P/E (stock exchange price as of 31 December divided by profit per equity capital certificate)	7.2	7.9
0.7	0.7	P/B (stock exchange price as of 31 December divided by book value of equity per equity capital	0.7	0.7
76.4	76.3	Equity capital certificate ratio as of 31 December	76.3	76.4
116	126	Equity per equity capital certificate, in NOK	129	119
10.7	11.2	Earnings per equity capital certificate, in NOK	12.0	10.7

NOTE 40 - Guarantee liabilities by guarantee type

Parent bank 31.12.19	31.12.20		*Group* 31.12.20	31.12.19
172	164	Payment guarantees	164	172
129	138	Contract guarantees	138	129
89	78	Loan guarantees	78	89
25	21	Other guarantee liabilities	21	25
415	**401**	**Total guarantee liabilities ***	**401**	**415**

*) Adjustment to fair value is not included in the balance sheet, as the change in value is insignificant.

The amounts of NOK 21.0 million (2020) and NOK 16.0 million (2019) were deposited in the deposit guarantee fund and the crisis fund.

NOTE 41 - Assets pledged as collateral

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
		Bonds pledged as collateral security for		
525	550	D-loan with Norges Bank	550	525
525	**550**	**Total assets pledged as collateral**	**550**	**525**

NOTE 42 - Events after the balance sheet date

Group and Parent bank

There have been no significant events since the balance sheet date which have affect the accounts. It is proposed to distribute a cash dividend of NOK 65 million (NOK 112 million) of the profit for the year to equity capital certificate holders in SpareBank 1 Helgeland. Furthermore, it is proposed to transfer NOK 20 million (NOK 35 million) to the Gift Fund/Gift Foundation. The proposal had not been adopted as of the balance sheet date (31 December) and the items are therefore not recognised as debt, but are included in equity.

NOTE 43 - Balance sheet divided into short- and long-term items

Parent bank				*Group*
31.12.19	**31.12.20**		**31.12.20**	**31.12.19**
		Assets		
88	76	Cash and receivables, central banks	76	88
1,432	1,531	Loans to and receivables from credit institutions	619	750
2,687	2,671	Loans to and receivables from customers	3,469	2,612
1,838	1,732	Certificates, bonds and shares	1,832	1,888
66	61	Other assets	33	48
6,111	**6.071**	**Total current assets**	**6,029**	**5,387**
17,091	17,539	Loans to and receivables from customers	23,929	24,707
16	54	Financial derivatives	67	15
3,476	3,117	Certificates, bonds and shares	3,038	3,395
379	0	Investments in associated companies	0	379
604	590	Investments in subsidiaries	0	0
8	26	Deferred tax asset	26	12
75	47	Fixed assets held for sale	118	173
21,649	**21,373**	**Total non-current assets**	**27,178**	**28,681**
27,760	**27,444**	**Total assets**	**33,207**	**34,068**
		Liabilities and equity		
0	250	Liabilities to credit institutions	250	0
19,269	19,023	Deposits from and liabilities to customers	18,606	18,837
317	265	Liabilities established through the issuing of securities	942	346
184	254	Other liabilities	245	179
19,770	**19,792**	**Total current liabilities**	**20,043**	**19,362**
553	300	Liabilities to credit institutions	301	554
122	78	Fixed-rate deposits	78	122
3,803	3,504	Liabilities established through the issuing of securities	8,927	10,440
18	39	Financial derivatives	39	25
4,496	**3.921**	**Total non-current liabilities**	**9,345**	**11,141**
24,266	**23,713**	**Total liabilities**	**29,388**	**30,503**
2,001	2,534	Total equity share capital	2,534	2,001
643	794	Total primary capital	794	643
850	403	Total other equity	491	919
3,494	**3,731**	**Total equity**	**3,816**	**3,563**
		Non-controlling interests	3	2
27,760	**27,444**	**Total liabilities and equity**	**33,207**	**34,068**

SpareBank 1 Helgeland - Statement from the Boards of Directors and the CEO

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2020 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 presents 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, 24 February 2021

Stein Andre Herigstad-Olsen
Chair

Bjørn Krane
Vice Chair

Marianne Terese Steinmo

Siw Moxness

Rolf Eigil Bygdnes

Tone Helen Hauge

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Hanne Nordgaard
Chief Executive Officer

Net income as a percentage of average total assets

Parent bank								*Group*
2017	**2018**	**2019**	**2020**		**2020**	**2019**	**2018**	**2017**
2.99	2.94	3.29	2.82	Interest income and other similar income	2.87	3.29	2.95	3.00
1.10	1.11	1.38	0.99	Interest expenses and other similar costs	1.09	1.52	1.21	1.17
1.90	**1.83**	**1.90**	**1.83**	**Net interest and credit commission income [2]**	**1.77**	**1.77**	**1.74**	**1.83**
0.37	0.37	0.41	0.39	Commission income and income from banking services	0.32	0.33	0.31	0.31
0.04	0.04	0.05	0.04	Commission expenses and costs attributable to banking	0.03	0.04	0.03	0.04
0.33	**0.34**	**0.36**	**0.35**	**Net commission income**	**0.29**	**0.30**	**0.28**	**0.28**
0.25	0.35	0.32	0.86	Net income from financial instruments	0.60	0.10	0.15	0.11
0.03	0.07	0.03	0.03	Other operating income	0.01	0.01	0.05	0.02
1.04	1.04	1.04	1.58	Operating costs	1.37	0.86	0.88	0.89
0.25	0.93	0.23	0.24	Losses on loans, guarantees, etc.	0.15	0.19	0.77	0.21
1.22	**0.61**	**1.35**	**1.26**	**Net income before tax**	**1.16**	**1.13**	**0.57**	**1.13**
0.23	0.07	0.24	0.10	Tax on ordinary result	0.15	0.23	0.11	0.24
0.99	**0.54**	**1.11**	**1.16**	**Profit for the year after tax**	**1.01**	**0.90**	**0.46**	**0.89**

Other key figures

Parent bank								*Group*
2017	**2018**	**2019**	**2020**	(figures in NOK million and %)	**2020**	**2019**	**2018**	**2017**
26,749	26,854	27,760	27,444	Total assets as of 31 December[8]	33,207	34,068	32,969	31,850
25,962	26,830	27,507	27,553	Average total assets[10]	33,693	34,033	32,443	30,852
20,012	20,669	20,110	20,514	Gross lending[4]	27,689	27,655	27,995	26,611
87.1%	85.7%	96.4%	93.1%	Deposit-to-loan ratio as a percentage of gross	67.5%	68.5%	61.6%	63.8%
55.8%	55.2%	56.5%	56.8%	Loans to retail market customers	67.7%	67.9%	66.6%	66.4%
4.4%	3.3%	-2.7%	2.0%	Growth in gross lending[6]	0.1%	-1.2%	5.2%	7.5%
5.7%	1.7%	9.4%	-1.5%	Growth in customer deposits [7]	-1.5%	9.9%	1.6%	4.9%
16.6%	16.4%	18.0%	20.7%	Core tier 1 capital ratio [21]	19.7%	16.5%	15.3%	15.8%
18.4%	18.0%	19.7%	22.5%	Tier 1 capital ratio [21]	21.4%	18.2%	16.9%	17.4%
20.2%	20.7%	22.5%	25.4%	Capital adequacy [21]	24.0%	20.7%	19.3%	19.1%
9.1%	8.9%	9.0%	10.4%	Leverage ratio[22]	10.5%	9.4%	9.2%	9.3%
12.1%	12.1%	12.6%	13.6%	Equity ratio[8]	11.5%	10.5%	10.1%	10.3%
8.2%	4.4%	9.0%	8.5%	Return on equity[1]	8.9%	8.9%	4.6%	8.6%
9.1%	4.8%	9.8%	9.2%	Return on equity exc. hybrid capital	9.7%	9.7%	5.0%	9.6%
1.0%	0.5%	1.1%	1.2%	Return on assets	1.0%	0.9%	0.5%	0.9%
				Core tier 1 capital, including cooperating group	18.8%	16.5%	15.2%	15.5%
				Tier 1 capital, including cooperating group	20.5%	18.2%	16.9%	17.2%
				Capital adequacy, incl. cooperating group.	23.1%	20.7%	19.3%	18.9%
				Leverage ratio incl. cooperating group	10.5%	9.3%	9.2%	9.3%
88	69.5	84	86	Stock exchange price, NOK per equity capital	86	84	69.5	88
7.4	14.4	8.0	7.7	P/E [19]	7.2	7.9	13.9	6.9
0.8	0.6	0.7	0.7	P/B [20]	0.7	0.7	0.6	0.8
76.3	76.4	76.1	76.3	Ownership ratio as of 31 December[18]	76.3	76.1	76.4	76.3
107	108	116	126.0	Equity per equity capital certificate [17]	129.0	119	110	109
8.9	4.8	10.7	11.2	Earnings per equity capital certificate, in NOK [16]	12.0	10.7	5.0	9.5
8.9	4.8	10.7	11.2	Comprehensive income per equity capital	12.0	10.7	5.0	9.5
4.00	1.60	5.35	3.10	Cash dividend, in NOK				
4.21	2.30	5.35	22.8	Allocated to cohesion fund				
1.0	1.0	1.0	1.6	Costs as a percentage of average total assets	1.4	0.9	0.9	0.9
41.4	40.3	39.7	51.4	Costs as a percentage of income[3]	51.2	39.5	39.7	39.9
148	150	148	143	Number of full-time equivalents[10]	143	148	150	148
				As percentage of gross loans:				
0.7	1.5	1.4	1.6	Gross commitments in default[13]	1.2	1.0	1.1	0.5
0.6	0.9	0.8	0.8	Net default	0.6	0.6	0.7	0.4
0.8	1.9	1.2	1.5	Total write-downs[15]	1.1	0.9	1.4	0.6
0.3	1.2	0.3	0.3	Losses on commitments[12]	0.2	0.2	0.9	0.2

Calculations

Parent bank								*Group*
2017	**2018**	**2019**	**2020**	(figures in NOK million and %)	**2020**	**2019**	**2018**	**2017**
				Operating costs, adjusted for non-recurring effects				
269	279	286	436	Operating costs	462	293	286	275
0	0	0	-146	Non-recurring effects	-146	0	0	0
269	**279**	**286**	**290**	**Operating costs, adjusted for non-recurring effects**	**316**	**293**	**286**	**275**
1.39%	1.04%	1.04%	1.05%	Operating expenses as a percentage of liabilities NAV,	0.94%	0.86%	0.88%	1.19%
41.4%	40.3%	39.7%	34.2%	Operating costs as a percentage of income, adjusted	35.0%	39.5%	39.7%	39.9%
256	144	304	319	Net profit	340	305	149	273
-14	-12	-13	-12	Interest paid, subordinated bonds	-12	-13	-12	-14
242	132	291	307	Profit incl. interest, subordinated bonds	328	292	137	259
0	0	0	146	Non-recurring effects	146	0	0	0
242	132	291	453	Income incl. interest, subordinated bonds and non-	474	292	137	259
3,132	3,285	3,389	3,749	Average equity	3,822	3,431	3,268	3,171
-333	-299	-299	-299	Average subordinated bonds classed as equity	-299	-299	-299	-333
2,799	2,986	3,090	3,450	Average equity exc. subordinated bonds classified as	3,523	3,132	2,969	2,838
8.2%	4.4%	9.0%	8.5%	Return on equity	8.9%	8.9%	4.6%	8.6%
7.7%	4.0%	9.4%	12.1%	Return on equity, adjusted for non-recurring effects	13.5%	9.3%	4.6%	9.1%
242	132	291	319	Net profit	340	292	137	259
25,962	26,860	27,507	27,553	Average NAV	33,693	34,033	32,443	30,852
1.0%	0.5%	1.1%	1.2%	Return on assets	1.0%	0.9%	0.5%	0.9%
0.9%	0.5%	1.1%	1.6%	Return on assets, adjusted for non-recurring effects,	1.4%	0.9%	0.4%	0.8%
3,020	3,058	3,192	3,603	Tier 1 capital	3,688	3,271	3,136	3,068
33,228	34,500	35,548	34,702	Unweighted calculation basis	34,189	34,964	33,997	32,842
9.1%	8.9%	9.0%	10.4%	Leverage ratio	10.5%	9.4%	9.2%	9.3%

Alternative Performance Measures (APM)

In both the Board's report and accounting presentations, SpareBank 1 Helgeland uses alternative performance measures (APM) for the purpose of giving a true and fair view of the Bank's financial development and position to ensure that information is accurate. Key figures that are regulated in IFRS or other legislation are not defined as APM. The same applies to non-financial information. APMs that are presented as part of the accounting part of the reports are essentially exempt from the APM guidelines, but are included in the overview below insofar as they are not defined in the financial statements. The reason for presenting adjusted results is to bring out the underlying operation in a better way and is not intended to replace ordinary reporting.

Definitions of key figures:

1) **Return on equity.** Reason for use: This key figure indicates the return on the Group's equity. The key figure reflects the Group's ability to convert the capital into profitable operations. Definition: Return on equity (comprehensive income after tax) is calculated by dividing the profit/loss for the period for the financial year by the average equity for the past year. In the case of information on return on equity for more than one period, the profit for the period is annualised.
2) **Net interest.** Reason for use: Net interest income is a commonly used key figure within the banking/finance sector and reflects the Bank's net interest income as a percentage of average total assets. Definition: Net interest income is the difference between gross interest income and interest expenses – net interest income in the summary of financial results. Net interest income is annualised in the interim reports.
3) **Expense ratio:** Reason for use: The expense ratio is a commonly used key figure in the banking/finance sector. The key figure reflects how effectively the Bank/Group is operating. Definition: The expense ratio reflects the ability of the Bank/Group to convert its operating costs into revenue generation. The expense ratio is calculated by dividing total operating costs by total income.
4) **Gross lending, Group (including transfers to the mortgage company):** Reason for use: The Bank wholly owns Helgeland Boligkreditt and the key figure reflects the Bank's total lending volume. Definition: Lending volume including amount transferred from the mortgage company.
5) **Deposit-to-loan ratio.** Reason for use: Deposit-to-loan ratio is a commonly used key figure in the banking/finance sector. The key figure indicates the proportion of the Bank's lending activities that are financed by deposits from customers. Definition: The deposit-to-loan ratio reflects the Bank's ability to finance lending to

customers through deposits from customers. The deposit-to-loan ratio is calculated by dividing total deposits from customers by gross lending, excluding transfers to the Parent bank's credit companies but including transfers to the Group's credit companies.

6) **Lending growth last 12 months.** Reason for use: Lending growth over the last 12 months is a normal key figure in banking/finance. The key figure reflects the activity and growth of the Bank's lending activities. The Group includes transfers from the mortgage company, growth in the parent bank excl. volume of the mortgage company. Definition: Lending growth is calculated from the corresponding period last year to this year. The Group includes the volume of the mortgage company, while the parent bank is excl. volume of the mortgage company.

7) **Deposit growth, last 12 months.** Reason for use: Growth in deposits over the last 12 months is a commonly used key figure in the banking/finance sector. The key figure reflects the activity and growth of the Bank's deposit operations. Definition: Deposit growth over the last 12 months reflects the growth in deposits on the balance sheet from the corresponding period last year to the current year.

8) **Total assets.** Reason for use: The key figure reflects the Bank's total assets. Definition: Total assets on the balance sheet.

9) **Growth in total assets, last 12 months.** Reason for use: The key figure reflects the growth in the Bank's total assets, including transfers to the Group's credit companies and excluding volumes transferred to the Parent bank's credit companies. Definition: Growth in assets on the balance sheet are calculated from the corresponding period last year to the present year.

10) **Average total assets.** Reason for use: Several key figures are calculated using average total assets. Definition: Weighted average of total assets throughout the year.

11) **Equity excluding hybrid capital.** Reason for use: This key figure reflects a portion of the Bank's capital which belongs to the owners, excluding hybrid capital (subordinated bonds). Definition: The difference between the Bank's equity (retained earnings and paid-in equity) and the Bank's hybrid capital (subordinated bonds).

12) **Loss ratio, loans**. Reason for use: This key figure reflects a loss recognised as a function of gross lending as of the balance sheet date. Definition: Loss provisions for loans and guarantees for the period divided by gross lending as a percentage. In the case of information concerning the loss ratio concerning loans for periods of less than a full financial year, the loss expense recognised in the income statement is annualised.

13) **Defaulted commitments.** Reason for use: This key figure indicates the proportion of the Bank's gross lending which is in default. Definition: Defaulted commitments (over 90 days) on loans and guarantees during the period where the amount exceeds NOK. 1,000.

14) **Doubtful commitments.** Reason for use: This key figure indicates the proportion of the Bank's gross lending which is doubtful. Definition: Gross doubtful loans for the period (Loans with objective evidence of loss, but which are not in default).

15) **Net defaulted and doubtful commitments as a percentage of gross lending.** Reason for use: This key figure indicates the Bank's net defaulted and doubtful commitments amount expressed as a proportion of gross lending. Definition: Net defaulted and doubtful commitments are gross non-performing and doubtful commitments, less write-downs on these loans, divided by gross lending.

16) **Earnings per equity capital certificate.** Reason for use: This key figure provides information on earnings per equity capital certificate. Definition: The equity capital certificate holders' share of earnings is calculated as the net income before other income statement items relative to the average number of equity capital certificates during the period.

17) **Book equity per equity capital certificate.** Reason for use: This key figure provides information on the value of the book equity per equity capital certificate. Definition: Equity certificate holders' share of equity divided by the number of equity certificates.

18) **Equity capital certificate ratio.** Reason for use: Basis for calculating dividends. Definition: Equity capital certificate holders' share of equity, e.g. subordinated bonds

19) **P/E.** Reason for use: This key figure provides information on earnings per equity certificate. Definition: Share price at end of period divided by profit (annualised) per equity certificate.

20) **P/B**. Reason for use: The key figure provides information on price per equity capital certificate. Definition: Share price at end of period divided by book equity per equity capital certificate.

21) **Capital adequacy.** Reason for use: Statutory requirement regarding capital adequacy. Includes cooperating group. Definition: Subordinated capital divided by weighted balance and off balance sheet items.

22) **Unweighted tier 1 capital ratio.** Reason for use: Commonly used key figure in the banking/finance sector. Gives a more comparable figure for capital, regardless of the method used to calculate capital adequacy. Definition: Tier 1 capital divided by capitalised items and non-capitalised items calculated without risk weighting.

Members of the Supervisory Board:

Chair: Hjorthen, Per Gunnar
Vice chair: Steinrud, Marianne Myrnes

Elected by depositors:
Steinrud, Marianne Myrnes
Møllersen, Ingvar
Breirem Reidun
Juvik, Kjell Idar
Thrana, Marit
Stanghelle, Helge
Bjørkmo, Eirik
Jakobsen, Tone Helen
Risøy, Torill Beate

Elected by equity capital certificate holders:
Forbergskog, Brynjar
Trønsdal, Øyvin
Mevold, Toril
Strøm, Inger-Lise
Jakobsen, Anne Påsche
Lunde, Lars Martin
Hjorthen, Per Gunnar
Høyen, Frank
Olaisen, Maria
Skår, Åsmund

Elected by employees:
Sagrabb, Nils
Johansen,Steinar
Kristensen, Karianne
Eliassen, Einar
Lisø, Sten Ove
Einvik, Bertil

Board members:
Chair: Sten Andre Herigstad-Olsen
Vice chair: Krane, Bjørn Andreas

Other board members:
Hauge, Tone Helen
Bygdnes, Rolf Eigil
Moxness, Siw
Steinmo, Marianne Terese
Lorentzen, Birgitte
Pedersen, Geir

Principal administration and key persons:
Nordgaard, Hanne CEO
Klausen, Sverre, Chief Financial Officer
Heimstad, Dag-Hugo, Retail Market Director
Brønlund, Bjørn-Tore, Corporate Market Director
Ekroll, Anne, Risk Management Director
Karlsen, Øyvind, Business Management Director

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Årsregnskap 2020 SpareBank 1 Helgeland

Signers:

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