



**FIRST HALF YEAR AND  
SECOND QUARTER 2020**

## **Helgeland Sparebank**

Accounts first half year and 2<sup>nd</sup> quarter 2020.

### **General information**

Helgeland Sparebank is an independent savings bank determined to be the leading bank and a driving force for growth in Helgeland. Helgeland Sparebank is the only bank with a head office in the region. The bank's strong market position combined with professional expertise, competitive prices and solid capital makes the bank well prepared to meet the competition ahead. The bank has 4 offices in 4 municipalities in Helgeland, and is the 11th largest savings bank in Norway.

The accounts are produced in line with IFRS, including IAS 34 on interim reporting. Further information on the accounting principles is given in the annotations to the annual accounts for 2019 and annotations 1 in the quarterly report. The numbers used are consolidated figures unless it is otherwise stated. Figures in brackets are the previous year's comparative figures. The financial report has not been audited.

### **Main features first half year (HSB group)**

Helgeland Sparebank delivers a profit of MNOK 161 first half year. The profit is taken up by change in value and sale of financial assets, while the interest rate changes in April and May is the main cause of a weak net interest which weakens the profit from the basis operations in the group.

- Gross profit MNOK was 190 (178).
- Loan losses amounted to MNOK 53 (20).
- Gains on financial instruments by MNOK 77 (9)
- 12-month lending growth: -3.1 (4.7) %
- 12-month deposit growth: 1.4 (7.7) %
- Annualized net return on equity for the group (adjusted for hybrid capital) constituted 9.8 % against 8,5 % same period last year.

### **The corona crisis**

The corona pandemic has had large effect on Norwegian and international economy. During second quarter, the society has started to open after a long time close-down.

The crisis has by the end of second quarter had little effect on the banking business. Mainly, the pandemic has affected value change on financial instruments, loss accruals and operational activities related to lowering interests, payment postponements and other adaptations to new requirements and arrangements related to the crisis. It has not been registered significant changes in the demand of products and services as a consequence of the crisis. The banks position by the end of the

quarter indicates that the bank's ability to cover future demand in services will still be good.

The total effect of the corona pandemic is uncertain. As the pandemic has not been widespread in Helgeland, the effect in the bank's market area have mainly been related to the measures initiated to reduce spreading of the virus. By the end of the quarter, the bank has taken the costs and the write-downs evaluated as relevant, but there lies continued uncertainty regarding costs as a consequence of the pandemic, especially considering how corporate and retail customers is handling the economic losses as a consequence of the pandemic.

The extent of government guarantee loans and applications of instalment relief related to the corona situation is limited in the banks market area. It has by the end of the quarter been approved government guarantee loans of MNOK 40.

### **Bank cooperation in Helgeland**

Helgeland Sparebank and Sparebank 1 Nord-Norge (SNN) announced in march 2020 a future headed and strategic bank cooperation in Helgeland. The cooperation results in Helgeland Sparebank enters the Sparebank 1 alliance through SamSpar. In addition, Helgeland Sparebank is buying SNN's banking business in Helgeland. The cooperation and the acquisition is expected to give strengthened income basis through better and broader product- and service range together with streamlining of the banking operation. Helgeland Sparebank will also after the initiation of the cooperation be the local bank and a driving force for growth in Helgeland.

After the announcement of the cooperation in Helgeland, the banks have worked with approval of the acquisition with the competition authority. In the end of second quarter, the transaction was approved, and further work with the acquisition could continue. The work will now enter a phase where the focus will be an effective and agile transfer of customers, employees and systems.

By the end of the quarter, there has been expensed MNOK 29 related to the acquisition. It has been expensed MNOK 21 which will go to severance packages for 20,5 FTE's. The bank initiates to rounds of severance packages and expect further costs when last round of agreements is signed. It is estimated redundancies of 30 FTE's in related to the acquisition. Further costs are related to assistance in IT, economy and legal advice.

With exception of the cost relating to correspondence with the competitively authorities the cost relating to the acquisition has been at the expected level. Further work is ongoing relating to quality assurance of the cost in different projects of the acquisition.

### **Sale of hotel and shares**

As a part of the bank cooperation in Helgeland, it has in second quarter been signed a deal for sale of the shares in the product company Frende Hoding AS. The sale resulted in a positive change in value of MNOK 84 for the whole position in Frende Holding AS. The profit is recognized as income in this quarter. Of the share post in Frende Holding AS MNOK 136 has been realized in second quarter. The rest of the shares is expected to be realized around year end at the same price.

The bank has also sold hotel real estate related to a large bankruptcy in 2019. The sale of the hotel has been challenging, both considering possible buyers and price. The sale provided further write-down in lending of MNOK 17.5 in second quarter.

### **Result first half year**

#### **Key figures**

(Comparison per 30.06.19)

- Net interest 1.79 (1.74) %
- Costs in percent of BTA 1.09 (0.88) %
- Write-downs on lending 0.39 (0.14) %
- Profit per EC amounts to NOK 5.6 (4.8) %
- CET1 ratio 17.3 (14.9) %
- Capital ratio 21.6 (18.8) %
- Rate of return equity 9,8 (8,5) %, excl. hybrid capital

#### **The net interest**

Net interest and credit commission income amounted to MNOK 549. This is an increase of MNOK 29 compared to 30.06.19. The interest cost in the same period is MNOK 240 (229). In percentage of average total assets, the net interest was 1.79, up from 1.74 in the same period last year.

The bank has in 2020 initiated two interest rate changes. These have had negative effect on the net interest in second quarter. Because of lacking parallelism between time of interest regulation on the banks loans to customers and funding, the interest rate changes have provided a reduction of the net interest of MNOK 15. The last interest rate change will also have effect in the third quarter, with the reduction of margin estimated to be around MNOK 2,5.

At the end of the quarter the bank has accrued MNOK 10 in contribution to the deposit guarantee fund and the emergency fund.

#### **Net commission earnings.**

The net commission earnings were MNOK 48 (45), or 0.29 (0.27) in percentage of average total assets.

#### **Net value change and profit/loss from financial investments**

Net income from financial investments was MNOK 77, an increase of MNOK 68 compared to the same period last year.

The value change so far this year is related to:

- Value change on shares, securities and other financial assets of MNOK 61.
- Profit share of associated companies of MNOK 16.

In the parent bank, dividend from Helgeland Boligkreditt AS have been recognized as income with MNOK 49.6 in the first quarter of 2020.

#### **Operating costs**

Total operating costs amounted to MNOK 182 (145). As a percentage of average total assets, costs were 1.09 (0.88), while costs in relation to income were 42.8 (42.2) %.

The high operating costs are mainly related to one-time costs related to the acquisition of SNN's business in Helgeland together with higher depreciation and write-down of rights of use associated to leasing. Taken into account the one-time cost of the acquisition the cost related to income would be 36.0 %, while taken into account both the sale of Frende and the acquisition costs the percentages would be 45.0 %.

The bank's sick leave is lower than at the same time in 2019 and was 3.0 (4.5) %.

#### **Write-downs on lending**

MNOK 53 (20) has been expensed in write-downs on loans, which as a percentage of gross lending were 0.39 (0.14). The write-downs are partly a product of calculated loss expectations and partly a product of statements on earlier depreciated commitments. As a consequence of covid-19, the bank has initiated changes on some assumptions in the loss model. These changes amounts to a net cost of MNOK 25.

The bank has received feedback from the financial authorities on the IFRS 9 model. The bank will implement the feedback from the authorities. The changes will not inflict significant changes on the write-downs on lending.

#### **The equity certificate – HELG**

By the end of the quarter, the number of EC owners amounts to 2 528. The 20 largest owners are noted with 74.7 % of the EC capital. Of this, Sparebankstiftelsen owns 35.0 %.

The number of total EC's is 20 871 427. As of 30.06.20 the bank owned 10.342 of our own EC's. By the end of the quarter, the price of the bank EC's was NOK 76,0, which represents a decrease of NOK 8.0 from year end.

#### **Balance development per 30.06.20**

Total assets amount to 33.8 bn. Over the last 12 months, total assets are reduced by MNOK -303 (1 822) or -0.9 (5.6) %.

#### **Commitments**

By the end of the quarter, gross lending constituted MNOK 27 556. The 12-month lending growth was negative by MNOK -895 (1 286), or -3.1 (4.7) %.

Of the group's lending 83.5 (82.4) % is lent to customers in Helgeland.

Of gross lending, MNOK 18 658, or 67.7 (66.3) % is lending to retail customers, of which MNOK 7 664 has been transferred to the bank's mortgage company.

The 12-month growth in the retail market was lower than the same period last year and was MNOK -156 (702), or -0.8 (3.9) %.

In the corporate market, the 12-month growth was negative by MNOK -741 (584), or -7.7 (6.4) %.

Through the second quarter the growth in lending has been negative for both with a reduction of 173 for retail customers and 5 MNOK for corporate customers.

### **Deposits from customers**

By the end of the quarter, deposits from customers constituted MNOK 18 585. The deposits have over the last 12 months increased by MNOK 261 (1 310), or 1.4 (7.7) %. The deposit growth is especially good in the retail market.

The HSB group has stable and local depositors; 89.5 (90.2) % are deposits from customers in Helgeland.

The 12-month deposit growth in the retail market was MNOK 622 (366), or 5.9 (3.6) %. Of total deposits of MNOK 18 585, MNOK 11.102, or 59.7 (57.2) % are deposits from retail customers.

In the corporate market, deposits have been reduced the last 12 months by MNOK -364 (944) or -4.6 (13.7) %.

Higher deposit growth than lending growth has resulted in higher deposit coverage, which was 67.4 (64.4) % in the group and 95.3 (89.9) % in the parent bank.

### **Funding**

Deposits from customers are a significant funding source for the bank. The volume difference between loans to customers and deposits is funded in the Norwegian money- and securities market. Total capital market funding amounted to MNOK 10 373 (11.542), and has a satisfying allocation of duration and lending sources. By the end of the quarter, the share of loans beyond one year was 87.9 (94.1) %. The average remaining term for these debt securities was 2.69 (2.83) years. Duration in the mortgage company is slightly higher with 3.0 (3.1) years. The target for the Group is duration > 2.5 years.

The lending market for senior loans is slightly strained as a consequence of the uncertainty in the market, with partly high spreads on new loans.

The bank is continually preparing for the transferral of approved mortgages to the fully owned mortgage company. The volume has increased from MNOK 7 637 per 30.06.19 to MNOK 7 664 per 30.06.20.

The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 35 % of gross lending

and 50 % of gross lending RM. As of 30.06.20, the transfer level is 27.8 (26.8) % and 41.1 (40.6) %.

### **Cash flow**

The cash flow statement shows how Helgeland Sparebank has received cash and how these are used. It is based on gross cash flows from operational activities, investment- and financing activities. Decreased lending to customers and securities holdings is financed with decreased financial debt. The liquidity holding is reduced by MNOK 655 since the beginning of the year.

### **Rating**

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

### **Subsidiaries and associated companies**

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

The HSB group's associated companies are Helgeland Invest AS with an ownership of 48 %, and REDE Eiendomsmegling AS with an ownership of 40 %.

### **Risk and capital management**

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

### Credit risk

The HSB group's strategy for the credit area is derived from the overall strategy and contains guidelines for the distribution of loans between the retail and corporate markets, exposure to industries (concentration risk) and geographic limitations. Lending to retail customers consists of a high level of secure mortgages that give a low risk in the portfolio.

The development in the bank's credit risk is monitored closely. The corporate customers are given individual close follow-up in addition to monitoring development of risk based on the bank's score models. Monitoring of development has been established in relation to approved management objectives for the portfolio.

By the end of the quarter net non-performing (>90 days) and impaired commitment constitute MNOK 273 (228) which is a growth of MNOK 45 from 30.06.19. In percentage of gross lending this amounts to 1.0 (0.9) %.

### Market risk

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

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

The banks positions in shares are primarily strategically motivated through investments in shares in daughter companies, associated companies and product companies. The market risk associated to these share investments are considered to be moderate. The bank has a large owners post in Helgeland Invest AS. The ownership will be subject to fluctuations in value depending on the results of the underlying companies.

#### Operational risk

The risk management is central in the daily operation and in the board's work. The risk is primarily managed through policy and guidelines, frameworks, power of attorney, reporting requirements and competence requirements. In 2020 it has not been revealed any conditions that are critical to the bank's activities.

#### Liquidity risk

The Board has approved a strategy for liquidity management that determine the purpose, management objectives, and risk tolerance for the management of liquidity risk.

The bank's liquidity situation is considered satisfactory, and the share of long-term funding is well above the target.

The HSB group's combined liquidity reserves (cash, deposits, and interest-bearing assets) constitute NOK 6.1 (6.0) bn, or 17.9 (17.6) % of the group's total assets. The combined duration of the interest portfolio is 1.36 (1.56) years.

The banks liquidity reserve portfolio mainly consists of solid issuers of interest-bearing securities that qualify for LCR reporting. By the end of the quarter the HSB Group has a LCR of 316 (144) %.

#### **Solidity**

Net capital amounts to MNOK 3 931, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 452. Including proportionate consolidation of collaborating groups, the HSB group has a CET1 capital ratio of 17.3 (14.9) % and a total capital ratio of 21.6 (18.8) %. The profit for the year and allocated dividend is deducted from the capital.

Statutory minimum requirement for pure core capital adequacy is 11.0 % from 31.03.20. The bank has a Pillar 2 addition of 2.2 %. The group's capital requirement including Pillar 2 addition amounts to 13.2 (14.2) %.

The target of CET1 is 16.0 %, and 19.5 % for total capital adequacy.

Reduced balance in the so far this year and the sale of shares in Frende Holding AS has resulted in an increase in the capital adequacy.

The group's Leverage Ratio (unweighted core capital ratio) was 9.6 (8.9) % after consolidation.

#### **Prospects ahead**

It has been an eventful first half year of 2020 with announcement and approval on bank cooperation on Helgeland combined with an ongoing pandemic with associated interest rate changes.

Both for the bank and the customers in Helgeland, the everyday life is starting to normalize after the partly very intrusive measures has been eased. The bank has in the challenging time had as a priority to be available for the customers and also to be able to give those who needed it the most payment reliefs and instalments.

We believe that we have succeeded well with this, which is also supported by a positive result from this year's customer survey.

Even if the virus spread numbers and the reproduction numbers for Norway now is low, there still lies uncertainty related to how the answers will look like when the pandemic is over. The uncertainty is related to an eventual new virus spread wave, duration, how the business world handles the losses applied, and further development of covid-19 internationally.

For the group, covid-19 has mainly affected increased write-downs in lending (model calculations), write-downs on financial instruments and operational activities in the bank.

The bank has had two interest rate reductions in 2020. These have had a negative effect in the net interest. Lacking parallelism between the banks funding and lending to the customers has weakened the profit from the basis operations in the second quarter.

The 12-mont growth for the RM is negative by -0.8 % which is significantly lower than nationally with 4.6 %. One of the causes for this is the banks increased profitability focus in a market where the lending margins is under pressure as a consequence of tough competition. The bank expect little market growth ahead and consequently also a stable lending portfolio in the retail market in 2020.

The turnover of housing in Helgeland has for the first half year has gone down by 23 housings compared to the same period last year. When it comes to the price of sold housing, these are stable with related season variations. The housing market in Helgeland, especially in Mosjøen and Mo I Rana, can be characterized as well functioning. The turnover speed has declined some and is now on between 35-60 days, and the turnovers are around

tariff/valuation. There lies no indication that Covid-19 has had significant influence of the real estate market in Helgeland by the end of the second quarter.

Low exchange rates still provide high speed in the export industry. In the building and construction industry in Helgeland, the growth has been high, but it is expected a decline as a consequence of the corona pandemic. Helgeland has several public projects on hold that can contribute to reduce turnover problems after the corona pandemic. Unemployment has had a formidable improvement against first quarter in 2020. For Helgeland the unemployment is 2.9% against 4.8% nationally. The unemployment rate is expected to reduce further towards the level by the end of 2019.

Overall, the level of commission income is satisfying. Established measures and an aggressive sales organization provide the basis for expecting this to be stable in 2020.

The bank has earlier guided the market on an expectation of normalized losses in 2020 (0.20), and expects this to be accurate for the coming

quarters. High loss in lending by the end of the quarter is related to the write-down of the mentioned hotel property and changes in the loss model related to Covid-19. The bank has relatively little exposure against especially affected industries within oil, tourism, hotel and restaurant business. It lies uncertainty related to future loss as a consequence of Covid-19, but the bank is of the opinion that current loan write-downs give a true and fair view of future developments in Helgeland.

Helgeland Sparebank has adequate capital, and is well set to continue to help customers in the turnover after the corona pandemic, and contribute to growth and development in the Helgeland region. The bank cooperation on Helgeland will result in a requirement for more capital. This project is the most important incident for the bank in the following year. The transaction will affect the business, and increase cost in 2020 and 2021. Due to this, it is not expected that the bank will reach its profitability goals, but the transaction is expected to increase profitability in a longer perspective. The transaction is explained in earlier section and in the transaction presentation.

Mo i Rana, August 12<sup>th</sup> 2020

Stein Andre Herigstad-Olsen  
*Chairman of the Board*

Bjørn Krane  
*Deputy Chairman of the Board*

Marianne Terese Steinmo

Siw Moxness

Rolf Eigil Bygdnes

Tone Helen Hauge

Hanne Nordgaard  
CEO

Birgitte Lorentzen  
*Employee representative*

Geir Pedersen  
*Employee representative*

## CONTENTS

PROFIT AND LOSS ACCOUNT (amounts in NOK million).....	7
BALANCE SHEET (amounts in NOK million) .....	8
CHANGE IN EQUITY CAPITAL .....	9
CASH FLOW STATEMENT.....	10
NOTE 1. ACCOUNTING PRINCIPLES .....	11
NOTE 2. SEGMENT .....	11
NOTE 2.1 NET INTEREST .....	12
NOTE 2.2 NETTO PROVISJONSINTEKTER.....	12
NOTE 3. SPECIFICATION OF NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS.....	12
NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS.....	12
NOTE 5. LOSSES ON LOANS GUARANTEES, ETC .....	12
NOTE 6. PROFIT PER PRIMARY CERTIFICATE .....	13
NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT.....	15
NOTE 10. INDIVIDUAL AND COLLECTIVE WRITE DOWNS OF LOANS AND GUARANTEES.....	16
NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS.....	19
NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES .....	20
NOTE 13. OPERATING FUNDS .....	21
NOTE 13.1 LEASES.....	22
NOTE 14. DISCLOSURES OF RELATED PARTIES .....	22
NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS .....	22
NOTE 16. FINANCIAL DERIVATIVES.....	24
NOTE 17. SECURITIES ISSUED.....	25
NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS .....	25
NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY .....	26
NOTE 20. EQUITY CERTIFICATE CAPITAL HELG.....	26
NOTE 21. CAPITAL ADEQUACY .....	27
NOTE 22. EVENTS AFTER THE BALANCE SHEET DAY .....	28
NOTE 23. FINANCIAL ESTIMATES AND ESTIMATIVE ASSESSMENTS.....	28
PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS.....	29
PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT .....	30
OTHER KEY FIGURES.....	31
OTHER CALCULATIONS.....	32
STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6.....	34

## PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20		30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
904	215	196	421	437	Interest income and similar income (note 2.1)	549	522	247	265	1 121
365	87	72	166	171	Interest payable and similar costs	240	229	102	117	504
15	3	5	6	10	Hedge fund fees	10	6	5	3	15
<b>524</b>	<b>125</b>	<b>119</b>	<b>249</b>	<b>256</b>	<b>Net interest- and credit commission income</b>	<b>299</b>	<b>287</b>	<b>140</b>	<b>145</b>	<b>602</b>
		0								
114	26	26	52	52	Commissions receivable and income from banking services	52	52	26	26	114
14	4	2	7	4	Commissions payable and costs relating to banking services	4	7	2	4	14
<b>100</b>	<b>22</b>	<b>25</b>	<b>45</b>	<b>48</b>	<b>Net commission income</b>	<b>48</b>	<b>45</b>	<b>24</b>	<b>22</b>	<b>100</b>
		0								
70	1	0	54	50	Dividend	0	0	0	0	16
21	5	10	8	16	Net profit from associates	16	8	10	5	21
-4	0	101	1	61	Net profit from other financial investments	61	1	102	0	-3
87	6	112	63	127	Gains/losses on financial assets available for sale (note 3)	77	9	112	5	34
9	3	2	5	4	Other operating income	1	2	0	0	5
286	72	94	142	178	Operating costs (note 4)	182	145	96	72	293
64	15	31	20	54	Losses on loans, guarantees etc. (note 10)	53	20	30	15	65
<b>370</b>	<b>69</b>	<b>133</b>	<b>200</b>	<b>203</b>	<b>Gross profit</b>	<b>190</b>	<b>178</b>	<b>150</b>	<b>85</b>	<b>384</b>
66	15	8	34	21	Tax payable on ordinary result	29	42	11	20	79
<b>304</b>	<b>54</b>	<b>125</b>	<b>166</b>	<b>182</b>	<b>Net profit</b>	<b>161</b>	<b>137</b>	<b>139</b>	<b>66</b>	<b>305</b>
10.7			5.9	6.4	Yield per equity capital certificate (note 5)	5.6	5			10.7
10.7			5.9	6.4	Diluted result per ECC in Norwegian currency (note 5)	5.6	5			10.7
<b>Extended Income Statement</b>										
<b>304</b>	<b>54</b>	<b>125</b>	<b>166</b>	<b>182</b>	<b>Net profit</b>	<b>161</b>	<b>137</b>	<b>139</b>	<b>66</b>	<b>305</b>
					Items that will not be reclassified through profit or loss					
-2					Recognized deviations in pensions					-2
					<u>Items that are subsequently reversed through profit or loss:</u>					
0	0	0	0	0	Estimate variances, pensions will not be reversed over the income statement later	0	0	0	0	0
0	0	0	0	0	Tax on extended profit	0	0	0	0	0
-2	0	0	0	0	Net extended profit or loss items	0	0	0	0	-2
<b>302</b>	<b>54</b>	<b>125</b>	<b>166</b>	<b>182</b>	<b>Total profit of the period</b>	<b>161</b>	<b>137</b>	<b>139</b>	<b>66</b>	<b>303</b>

## BALANCE SHEET (amounts in NOK million)

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
<b>ASSETS</b>						
88	91	68	Cash and claims on central banks	68	91	88
1 432	1 229	2 196	Loans to and claims on credit institutions	1 425	594	750
19 778	20 548	19 581	Loans to and claims on customers (note 7,8,9,10)	27 187	28 125	27 320
16	53	75	Financial derivatives (note 16)	100	53	15
5 314	4 649	4 523	Certificates, bonds and shares	4 474	4 674	5 283
379	365	347	Investments in associated companies (note 12)	347	365	379
604	610	604	Investments in subsidiaries (note 12)			
8	13	10	Deferred tax benefit	14	17	12
75	70	77	Fixed assets (note 13)	173	131	173
66	74	43	Other assets (note 13.1)	46	87	48
<b>27 760</b>	<b>27 702</b>	<b>27 524</b>	<b>Total assets</b>	<b>33 834</b>	<b>34 137</b>	<b>34 068</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>						
553	250	550	Liabilities to credit institutions	551	252	554
19 391	18 757	19 001	Deposits from customers and liabilities to customers (note 17,18)	18 585	18 324	18 959
3 669	4 700	3 689	Borrowings through the issuance of securities (note 15)	10 373	11 542	10 334
18	27	53	Financial derivatives (note 16)	49	27	25
184	148	178	Other liabilities (note 13.1)	174	130	179
452	451	451	Subordinated loan capital	451	451	452
<b>24 266</b>	<b>24 333</b>	<b>23 922</b>	<b>Total liabilities</b>	<b>30 183</b>	<b>30 726</b>	<b>30 503</b>
<b>Equity capital</b>						
208	207	208	Equity share capital (note 5,6,20)	208	207	208
971	971	971	Premium Fund	971	971	971
822	710	878	Cohesion Fund	878	710	822
<b>2 001</b>	<b>1 888</b>	<b>2 057</b>	<b>Total equity share capital</b>	<b>2 057</b>	<b>1 888</b>	<b>2 001</b>
590	552	607	Primary capital	607	552	590
53	24	25	Gift fund	25	24	53
<b>643</b>	<b>576</b>	<b>632</b>	<b>Total primary capital</b>	<b>632</b>	<b>576</b>	<b>643</b>
439	440	439	Unrealized gains reserve	439	440	439
299	299	299	Hybrid Capital (Note 1,17)	299	299	299
112	166	175	Other equity capital	222	206	181
<b>3 494</b>	<b>3 369</b>	<b>3 602</b>	<b>Total equity capital exclusive minority interest</b>	<b>3 649</b>	<b>3 409</b>	<b>3 563</b>
			Non-controlling interest	2	2	2
<b>3 494</b>	<b>3 369</b>	<b>3 602</b>	<b>Total equity capital</b>	<b>3 651</b>	<b>3 411</b>	<b>3 565</b>
<b>27 760</b>	<b>27 702</b>	<b>27 524</b>	<b>Total liabilities and equity capital</b>	<b>33 834</b>	<b>34 137</b>	<b>34 068</b>

Conditional liabilities off balance sheet (note 11)

## CHANGE IN EQUITY CAPITAL

Group

31.12.19

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found. res.	Divid. Equal	Other Equ.cap.	Min. int.	Total
<b>Equity as at 01.01.19</b>	<b>209</b>	<b>971</b>	<b>-2</b>	<b>299</b>	<b>440</b>	<b>557</b>	<b>27</b>	<b>6</b>	<b>709</b>	<b>104</b>	<b>2</b>	<b>3 322</b>
Profit				13	-3	35	21	14	112	112		305
OCI						-2						-2
<b>Total profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>-3</b>	<b>33</b>	<b>21</b>	<b>14</b>	<b>112</b>	<b>112</b>	<b>0</b>	<b>302</b>
Paid interest FO				-13								-13
Gifts							-8	-6				-13
Other changes					2					-2		0
Transactions with owners			1									1
Dividend paid/interests										-33		0
<b>Equity 31.12.19</b>	<b>209</b>	<b>971</b>	<b>-1</b>	<b>299</b>	<b>439</b>	<b>590</b>	<b>39</b>	<b>14</b>	<b>822</b>	<b>181</b>	<b>2</b>	<b>3 565</b>
Paid-in/accrued equity/retained earnings			1 178								2 387	3 565

30.06.20

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found. res.	Divid. Equal	Other Equ.cap.	Min. int.	Total
<b>Equity as at 01.01.20</b>	<b>209</b>	<b>971</b>	<b>-1</b>	<b>299</b>	<b>439</b>	<b>590</b>	<b>39</b>	<b>14</b>	<b>822</b>	<b>181</b>	<b>2</b>	<b>3 565</b>
Result for the period				7						154		161
Extended profit or loss items												0
<b>Total ext. profit or loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>154</b>	<b>0</b>	<b>161</b>
Paid interest FO				-7								-7
Gift fund							-4					-4
Transactions with owners												0
Change in allocation of profit 2019						17	-10	-7	56	-56		0
Dividend paid/interests								-7		-56		-63
<b>Equity 30.06.20</b>	<b>209</b>	<b>971</b>	<b>-1</b>	<b>298</b>	<b>439</b>	<b>607</b>	<b>25</b>	<b>0</b>	<b>878</b>	<b>222</b>	<b>2</b>	<b>3 651</b>
Paid-in/accrued equity/retained earnings			1 178								2 473	3 651

Parent bank

31.12.19

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Total
Equity as at 01.01.19	209	971	-2	299	440	557	27	6	711	33	3 251
Profit				13	-3	35	21	14	112	112	304
OCI						-2					-2
Total profit	0	0	0	13	-3	33	21	14	112	112	302
Paid interest FO				-13							-13
Gift fund							-8	-6			-14
Other changes					2					-1	1
Transactions with owners			1								1
Dividend paid/interests										-33	-33
Equity 31.12.19	209	971	-1	299	439	590	39	14	822	112	3 494
Paid-in/accrued equity/retained earnings			1 179							2 315	3 494

30.06.20

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal res.	Other Equ.cap.	Total
Equity as at 01.01.20	209	971	-1	299	439	590	39	14	822	112	3 494
Result for the period				7						175	182
Extended profit or loss items											0
Total ext. profit or loss	0	0	0	7	0	0	0	0	0	175	182
Paid interest FO				-7							-7
Gift fund							-4				-4
Transactions with owners											0
Change in allocation of profit 2019						17	-10	-7	56	-56	0
Dividend paid/interests								-7		-56	-63
Equity capital 30.06.20	209	971	-1	299	439	607	25	0	878	175	3 602
Paid-in/accrued equity/retained earnings			1 179							2 423	3 602

## CASH FLOW STATEMENT

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
559	-197	162	Change in lending to customers	99	-482	340
801	376	385	Interest income lending to customers	505	484	1 037
1 673	1 039	-390	Change deposits from customers	-374	1 058	1 711
-242	-107	-127	Interest cost deposit from customers	-110	-108	-239
300	0	0	Change in receivables and liabilities to credit institutions	-4	-2	300
-1 157	-513	748	Change certificates and bonds	748	-491	-1 136
74	34	42	Interest income certificates and bonds	42	34	74
100	45	48	Comission income	47	46	100
-272	-135	-139	Payments relating to operations	-141	-137	-273
-61	-61	-53	Paid tax	-61	-76	-76
-15	-10	13	Other cutoffs	-14	-3	8
1 760	471	689	<b>A Net liquidity change from operating activities</b>	737	323	1 846
-48	-5	-6	Investment in long-term securities	-7	-5	-88
0	0	0	Income sale of long-term securities	0	0	0
-21	0	0	Long-term investments in shares	0	0	-21
1	0	133	Payment from sales long-term investments in shares	133	0	1
70	53	88	Dividend from long-term investments in shares	38	3	23
2	48	215	<b>B Net liquidity change from investments</b>	164	-2	-85
2 563	870	18	New borrowing through issuance of securities	28	1 971	6 308
-3907	-1230	-74	Repayments - issued securities	-94	-1989	-7454
-104	-50	-41	Interest payments borrowing through issuance of securities	-117	-120	-274
-13	-8	-7	Interest payments on subordinated debt	-7	-8	-13
-33	-33	-56	dividend to share owners	-56	-33	-33
-1 494	-451	-160	<b>C Net liquidity change financing</b>	-246	-179	-1 466
268	68	744	<b>A+B+C Net liquidity change in the period</b>	655	142	295
1 252	1 252	1 520	Liquid funds at the start of the period	838	543	543
1 520	1 320	2 264	Liquid funds at the end of the period	1 493	685	838
			<b>Liquid funds specified</b>			
88	91	68	Cash and balances with central banks	68	91	88
1 432	1 229	2 196	Balances with credit institutions without notice periods	1 425	594	750
<b>1 520</b>	<b>1 320</b>	<b>2 264</b>	<b>Liquid funds</b>	<b>1 493</b>	<b>685</b>	<b>838</b>

## NOTE 1. ACCOUNTING PRINCIPLES

Both the consolidated financial statements and the parent bank's financial statements have been prepared in accordance with the IFRS standards, the accounting principles within the individual areas are described in the annual accounts for 2019. Interim reports are in accordance with IAS 34 and have not been audited.

## NOTE 2. SEGMENT

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

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

Parent bank					Group			
30.06.20					30.06.20			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
111	146	-1	256	Net interest and credit commission income	159	147	-8	298
9	6	33	48	Net commission income	9	6	33	48
0	0	131	131	Other operating income	0	0	78	78
43	25	110	178	Operating costs	45	26	110	181
0	54	0	54	Losses on loans guaranteed		54	-1	53
<b>77</b>	<b>73</b>	<b>53</b>	<b>203</b>	<b>Gross profit</b>	<b>123</b>	<b>73</b>	<b>-6</b>	<b>190</b>
11 149	8 800	0	19 949	Loans to and claims on customers	18 658	8 898	0	27 556
-20	-347	0	-367	Provision of loss	-20	-347	0	-367
0	0	7 942	7 942	Other assets	0	0	6 645	6 645
<b>11 129</b>	<b>8 453</b>	<b>7 942</b>	<b>27 524</b>	<b>Total assets per segment</b>	<b>18 638</b>	<b>8 551</b>	<b>6 645</b>	<b>33 834</b>
11 102	7 899	0	19 001	Deposits from customers and liabilities	11 102	7 483	0	18 585
0	6	0	6	Provisions of loss, unutilized deductions and guarantees	0	6	0	6
0	0	8 517	8 517	Other liabilities and equity	0	0	15 243	15 243
<b>11 102</b>	<b>7 905</b>	<b>8 517</b>	<b>27 524</b>	<b>Total liabilities and equity per segment</b>	<b>11 102</b>	<b>7 489</b>	<b>15 243</b>	<b>33 834</b>

Parent bank					Group			
30.06.19					30.06.19			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
101	137	11	249	Net interest and credit commission income	142	138	6	286
11	6	29	46	Net commission income	11	6	29	46
		67	67	Other operating income			11	11
36	21	85	142	Operating costs	40	22	83	145
0	20		20	Losses on loans guaranteed	0	20	0	20
<b>76</b>	<b>102</b>	<b>22</b>	<b>200</b>	<b>Gross profit</b>	<b>113</b>	<b>102</b>	<b>-37</b>	<b>178</b>
11 335	9 537		20 872	Loans to and claims on customers	18 812	9 639		28 451
-18	-306		-324	Provision of loss	-18	-306		-324
		7 154	7 154	Other assets			6 010	6 010
<b>11 317</b>	<b>9 231</b>	<b>7 154</b>	<b>27 702</b>	<b>Total assets per segment</b>	<b>18 794</b>	<b>9 333</b>	<b>6 010</b>	<b>34 137</b>
10 481	8 277		18 758	Deposits from customers and liabilities	10 481	7 843		18 324
	5		5	Provisions of loss, unutilized deductions and guarantees		5		5
		8 939	8 939	Other liabilities and equity			15 808	15 808
<b>10 481</b>	<b>8 282</b>	<b>8 939</b>	<b>27 702</b>	<b>Total liabilities and equity per segment</b>	<b>10 481</b>	<b>7 848</b>	<b>15 808</b>	<b>34 137</b>

## NOTE 2.1 NET INTEREST

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20	Interest from financial instruments at amortized cost	30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
25	6	3	11	10	Interest from credit institutions	3	4	0	1	9
450	107	81	213	209	Interest receivable on loans	483	468	218	238	999
475	113	84	224	219	Total interest from financial instruments at amortized cost	486	472	218	239	1008
Interest from financial instruments valued to fair value over net profit										
35	8	11	16	21	Interest receivable on loans (fair value loans)	21	16	11	8	35
78	18	18	34	42	Interest from bearer bonds and certificates	42	34	18	18	78
113	26	29	50	63	Total interest from financial instruments valued to fair value over net profit	63	50	29	26	113
Interest from financial instruments valued to fair value OCI										
316	76	83	147	155	Interest receivable on loans (loans who can transfer to the bank's mortgage company)	0	0	0	0	0
316	76	83	147	155	Total interest from financial instruments valued to fair value OCI	0	0	0	0	0
904	215	196	421	437	Total interest income	549	522	247	265	1121

## NOTE 2. 2 NETTO PROVISJONSINTEKTER

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20	Commissions and income from banking services	30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
73	16	17	32	33	Fees relating to payments transmission services	33	32	17	16	73
33	7	8	15	16	Fees insurance (general, life, saving and pension)	16	15	8	7	33
8	2	1	4	3	Guarantee commission	3	4	1	2	8
114	25	26	51	52	Total commissions and income from banking services	52	51	26	25	114
Commissions payable and costs relating to banking services										
14	3	2	6	4	Payments transmission services	4	6	2	3	14
					Fees - customers use of payment terminals					
					Other fees					
14	3	2	6	4	Total commissions and income from banking services	4	6	2	3	14
100	22	24	45	48	Net commission income	48	45	24	22	100

In fees insurance, compensation from ended distribution agreement of MNOK 2.3 is included.

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

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20		30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
0	1	13	-1	10	Value change in interest-bearing securities	10	-1	13	1	0
-3	0	0	1	0	Net gain/loss in interest-bearing securities	0	1	0	0	-3
3	0	84	0	64	Net gain/loss shares	64	0	84.4	0	3
67	1	1	54	50	Share dividend	0	0	0	0	16
20	5	10	8	16	Income from affiliated company	16	8	10	5	20
0	-1	3	0	-14	Value change on funding and derivatives	-13	0	5	-1	-2
87	6	111	63	127	Total value change financial instruments	77	9	112	5	34

## NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20		30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
138	36	34	71	71	Wages, salaries and social costs	71	72	34	37	138
93	24	22	45	46	General administration costs	46	45	23	24	93
14	3	10	6	15	Depreciation etc of fixed- and intangible assets	13	8	6	4	20
41	9	28	20	46	Other operating costs	52	20	33	7	42
286	72	94	142	178	Total operating costs	182	145	96	72	293

## NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20		30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
-3	-3	-1	-4	-2	Period's change in write-downs step 1	-2	-4	-1	-3	-3
7	6	2	-3	16	Period's change in write-downs step 1	15	-3	1	6	8
-51	-62	2	-47	-2	Period's change in write-downs step 1	-2	-47	2	-62	-52
109	76	25	76	43	+ Period's confirmed loss	43	76	25	76	109
3	-2	3	-2	-1	- Period's recoveries from previous periods' conf.losses	-1	-2	3	-2	3
64	15	31	20	54	Total losses on loans, guarantees etc.	53	20	30	15	65

Provisions for losses and loss costs are calculated in accordance with IFRS 9, the method is described in the annual accounts note 22 and note 1 in the annual report.

## NOTE 6. PROFIT PER PRIMARY CERTIFICATE

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
304	166	182	Net profit	161	137	305
-13	-6	-7	Interest fund bond	-7	-6	-13
291	160	175	Profit (excl. Interest fund bond)	154	131	292
76.4 %	76.4 %	76.4 %	ECC percentage	76.4 %	76.4 %	76.4 %
10.7	5.9	6.4	Yield per equity capital certificate	5.6	4.8	10.7
10.7	5.9	6.4	Diluted result per ECC in Norwegian currency	5.6	4.8	10.7
				Morbank		
				30.06.20	30.06.19	31.12.19
Net profit				182	166	304
Interest fund bond				-7	-6	-13
Transferred reserve for valuation variances				48	16	3
<b>Basis dividend</b>				<b>223</b>	<b>176</b>	<b>294</b>

## NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

Parent bank						Group			
30.06.19	%	30.06.20	%		30.06.20	%	30.06.19	%	
17 576	84.2	17 204	86.2	Helgeland	23 017	83.5	23 448	82.4	
3 274	15.7	2 708	13.6	Areas other than Helgeland	4 492	16.3	4 963	17.4	
22	0.1	37	0.2	International	47	0.2	40	0.1	
20 872	100	19 949	100	Total	27 556	100	28 451	100	

## NOTE 8. COMMITMENT AND LOSSES SPLIT BY SECTOR/INDUSTRY

Expected losses for all accounts are calculated. All account commitments are entered into one of the three "steps" in the loss model, based on their risk change since granting (change in credit risk). For a description of the individual "steps", see explanations below. All commitments that do not already have objective evidence of loss at the time of recognition are placed at the time of recognition in step 1, and are later 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 months expected loss

This includes most cases of financial assets that are covered by the general loss model. Financial instruments that have similar credit risk (or better) to what it was at initial recognition, and which are therefore not classified under steps 2 and 3, are included in this step. The estimated expected loss attributable to the accounts corresponds to expected losses from default in the next 12 months.

### Step 2: Expected loss of life.

In step 2, financial assets that have had a significant increase in credit risk are placed since initial recognition. If an account commitment is significantly worsened or not, it is defined as a function of probability of default (PD) at the time of calculation and the time of grant. The bank has chosen to define that assets with low credit risk (operationalized as assets with PD not exceeding 0.75%) remain in step 1. Expected loss for assets in step 2 is calculated over the residual maturity of the asset. The following events are always considered to have resulted in a significant increase in credit risk:

- Commitment where there is a 30 day cover. This applies to coverings from the first crown, but older than 30 days.
- Commitment where there is greater cover. This applies to overdrafts from the first day, where the balance is considerably larger than the grant.
- Commitment with changed payment obligations or refinancing (forbearance).

### Step 3: Expected loss of life

In step 3 of the loss model, assets that have had significant increase in credit risk since initial recognition and where there is objective evidence of loss at the reporting date. Expected loss for assets in step 3 is calculated over the remaining maturity of the

asset. Interest income is calculated on the assets' net book value.

The same model is used for the group, parent bank and wholly-owned mortgage companies, but with different data definition when it comes to initial recognition. For the group and the parent bank, the account's grant date must be used, while for the mortgage company the score is used at the transfer date. The model is further described in notes in the annual financial statements.

In first quarter 2020 some parameters in the loss model has been adjusted as a consequence of covid-19, and the associated repercussions in the economy and the future prospects. Parameters that mainly has been adjusted to catch future loss of covid-19 situation is PD. PD is increased by 25 percent for all customer commitments. In addition, especially exposed business groups have been given further increase in PD. Effect of the changes in the pre assumptions in the model amounts to a model write-down of MNOK 25. The bank has relatively little extent of commitments against especially exposed businesses within oil and gas and trade, hotel and restaurant.

With background in the information available with presentation of the accounts, the bank is of the opinion that the changes in the model adequate catches the changes in expected loss. It still lies uncertainty related to total effects of covid-19 in the corporate and retail market in Helgeland, and if one in the long term experience a larger virus spread wave in Helgeland.

*Group*

<b>30.06.20 Lending to amortized cost and fair value (OCI)</b>							
	<b>Gross lending</b>		<b>Loss deductions</b>			<b>Gross lending</b>	<b>Net lending</b>
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	0	0	0	0	0	0	0
Insurance and finance	2	0	0	0	0	0	2
Agriculture and forestry	1 383	0	-1	-7	-15	18	1 379
Fisheries and aquaculture	728	0	-1	0	0	0	727
Mining and industry	446	0	0	-1	-9	0	435
Building and construction	1 196	0	-2	-23	-106	8	1 072
Trade, hotel, restaurants.	405	0	0	-2	0	4	407
Transport and services	1 666	0	-1	-13	-41	9	1 619
Property, property development	3 001	0	-5	-26	-94	32	2 908
Total corporate market	8 827	0	-10	-72	-266	71	8 549
Retail market	17 132	0	-1	-6	-14	1 526	18 637
<b>Total</b>	<b>25 959</b>	<b>0</b>	<b>-11</b>	<b>-78</b>	<b>-280</b>	<b>1 597</b>	<b>27 187</b>
Expected loss unutilized credit and guarantees RM			-	-	-		
Expected loss unutilized credit and guarantees CM			-1	-5	-		

*Group*

<b>30.06.19 Lending to amortized cost and fair value (OCI)</b>							
	<b>Gross lending</b>		<b>Loss deductions</b>			<b>Gross lending</b>	<b>Net lending</b>
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	15	0	0	0	0	0	15
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1 425	0	-1	-6	-12	17	1 424
Fisheries and aquaculture	1 362	0	-2	-1	0	0	1 359
Mining and industry	507	0	0	-1	-1	0	504
Building and construction	1 515	0	-3	-14	-100	9	1 405
Trade, hotel, restaurants.	422	0	0	-1	-4	0	417
Transport and services	1 310	0	-2	-5	-66	22	1 259
Property, property development	3 014	0	-4	-23	-60	20	2 948
Total corporate market	9 571	0	-12	-51	-244	68	9 333
Retail market	17 516	0	-1	-6	-13	1 296	18 792
<b>Total</b>	<b>27 087</b>	<b>0</b>	<b>-13</b>	<b>-57</b>	<b>-257</b>	<b>1 364</b>	<b>28 125</b>
Expected loss unutilized credit and guarantees RM			-0	-0	-0		
Expected loss unutilized credit and guarantees CM			-1	-3	-1		

30.06.20

## Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	0	0	0	0	0	0	0
Insurance and finance	2	0	0	0	0	0	2
Agriculture and forestry	1 236	124	-1	-7	-15	18	1 356
Fisheries and aquaculture	711	11	-1	0	0	0	721
Mining and industry	431	11	0	-1	-9	1	433
Building and construction	1 152	28	-2	-23	-106	8	1 056
Trade, hotel, restaurants.	378	18	0	-2	0	4	398
Transport and services	1 498	88	-1	-13	-41	10	1 541
Property, property development	2 896	144	-5	-25	-94	30	2 946
Total corporate market	8 304	424	-10	-71	-266	71	8 452
Retail market	492	9 134	-1	-5	-14	1 523	11 130
Total	8 796	9 559	-11	-76	-280	1 594	19 582
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-1	-5	0		

30.06.19

## Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Fair value (FVOCI)	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	15	0	0	0	0	0	15
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1 255	148	-1	-6	-12	17	1 401
Fisheries and aquaculture	1 344	13	-2	-1	0	0	1 355
Mining and industry	488	13	0	-1	-1	0	498
Building and construction	1 446	44	-3	-15	-100	9	1 380
Trade, hotel, restaurants.	397	17	0	-1	-4	0	409
Transport and services	1 103	128	-2	-5	-64	22	1 182
Property, property development	2 904	153	-4	-23	-61	20	2 990
Total corporate market	8 953	515	-12	-51	-243	68	9 231
Retail market	-826	10 865	-1	-4	-13	1 296	11 317
Total	8 127	11 381	-13	-55	-256	1 364	20 548
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-1	-3	-1		

## NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
289	285	340	Default commitments over 90 days	340	285	289
-122	-122	-128	Step 3 write-downs	-128	-122	-122
167	163	212	<b>Total net loans, guarantees etc. in default</b>	212	163	167
261	200	213	Other non-performing and impaired commitments and guar., not in default <sup>14</sup>	213	200	261
-131	-135	-152	Step 3 write-downs	-152	-135	-131
130	65	61	<b>Total non-performing and impaired commitments and guar., not in default</b>	61	65	130
297	228	273	<b>Total non-performing and impaired commitments and guar.<sup>15</sup></b>	273	228	297
1.5 %	1.2 %	1.4 %	In % of total loans	1.0 %	0.9 %	1.1 %

A default commitment is the total of the customer total commitment if a part of the commitment has been overdue in more than 90 days. Non-performing and impaired commitments are commitments that are not in default but has a loss deduction.

Note 22 in the annual report describe commitments placed in step 3 by calculating expected loss. In step 3 write-downs on default loans expected loss and individual write-downs are included. See also note 1 in the quarterly accounts.

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

Change in balance posts in accordance to IFRS 9. Individual write-downs are included in step 3. In the tables under, write-downs on off balance sheet items (unused credit and guarantees) directed to the balance debt side are included.

	Step 1	Step 2	Step 3	Group Step 1
	With expected loss over 12 months	With expected loss over the instruments life time	With expected loss over the instruments life time	Total
<b>Gross lending</b>				
<b>Gross lending pr. 01.01.20</b>	<b>20 827</b>	<b>4 764</b>	<b>550</b>	<b>26 141</b>
New loans / credits / guarantees	2 866	520	3	3 389
Transfers from step 1 to step 2	-2 451	2 591		140
Transfers from step 1 to step 3	-41		40	-1
Transfers from step 2 to step 3		-35	32	-3
Transfers from step 3 to step 2		19	-19	0
Transfers from step 3 to step 3	4		-6	-1
Transfers from step 2 to step 1	748	-778		-31
Reduced portfolio	-2 481	-641	-56	-3 177
Other adjustments	-344	-98	8	-435
<b>Gross lending pr. 30.06.20</b>	<b>19 128</b>	<b>6 341</b>	<b>553</b>	<b>26 022</b>
IB unused drafts, guarantees etc.	2 570	190	23	2 782
UB unused drafts, guarantees etc.	2 227	320	22	2 569

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.

	Step 1	Step 2	Step 3	Group Step 1
	With expected loss over 12 months	With expected loss over the instruments life time	With expected loss over the instruments life time	Total
<b>Gross lending</b>				
<b>Gross lending pr. 01.01.19</b>	<b>22 813</b>	<b>3 338</b>	<b>638</b>	<b>26 789</b>
New loans / credits / guarantees	3 238	700	4	3 942
Transfers from step 1 to step 2	-1 343	1 404		61
Transfers from step 1 to step 3	-29		29	0
Transfers from step 2 to step 3		-76	75	0
Transfers from step 3 to step 2		8	-12	-3
Transfers from step 3 to step 3	6		-6	0
Transfers from step 2 to step 1	1 030	-1 016		14
Reduced portfolio	-2 584	-561	-227	-3 372
Other adjustments	-277	-28	-16	-320
<b>Gross lending pr. 30.06.19</b>	<b>22 855</b>	<b>3 770</b>	<b>485</b>	<b>27 110</b>
IB unused drafts, guarantees etc.	2 693	299	15	3 007
UB unused drafts, guarantees etc.	2 641	262	79	2 981

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.

	Step 1	Step 2	Step 3	Parent bank Step 1
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.20</b>	<b>14 211</b>	<b>3 835</b>	<b>550</b>	<b>18 596</b>
New loans / credits / guarantees	2 377	434	13	2 824
Transfers from step 1 to step 2	-1 985	2 129		144
Transfers from step 1 to step 3	-34		33	-1
Transfers from step 2 to step 3		-31	28	-3
				0
Transfers from step 3 to step 2		19	-19	0
Transfers from step 3 to step 3	4		-6	-1
Transfers from step 2 to step 1	572	-601		-29
Reduced portfolio	-2 202	-554	-56	-2 811
				0
Other adjustments	-225	-86	8	-303
<b>Gross lending pr. 30.06.20</b>	<b>12 719</b>	<b>5 144</b>	<b>553</b>	<b>18 415</b>
IB unused drafts, guarantees etc.	2 060	185	23	2 267
UB unused drafts, guarantees etc.	1 721	314	22	2 057

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.

	Step 1	Step 2	Step 3	Parent bank Step 1
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
<b>Gross lending pr. 01.01.19</b>	<b>15 771</b>	<b>3 054</b>	<b>638</b>	<b>19 463</b>
New loans / credits / guarantees	2 710	668	9	3 388
Transfers from step 1 to step 2	-1 039	1 103		64
Transfers from step 1 to step 3	-23		23	0
Transfers from step 2 to step 3		-76	75	0
				0
Transfers from step 3 to step 2		8	-12	-3
Transfers from step 3 to step 3	5		-5	0
Transfers from step 2 to step 1	755	-736		19
Reduced portfolio	-2 468	-530	-228	-3 226
				0
Other adjustments	-141	-17	-16	-173
<b>Gross lending pr. 30.06.19</b>	<b>15 571</b>	<b>3 475</b>	<b>485</b>	<b>19 531</b>
IB unused drafts, guarantees etc.	2 228	290	15	2 533
UB unused drafts, guarantees etc.	2 139	261	79	2 479

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.

	Step 1	Step 2	Step 3	Group Step 1
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
<b>Loss deduction pr. 01.01.20</b>	<b>14</b>	<b>71</b>	<b>253</b>	<b>338</b>
New or increased loans / credits / guarantees	2	15	1	18
Transfers from step 1 to step 2	-3	24		21
Transfers from step 1 to step 3	0		7	7
Transfers from step 2 to step 3		-1	3	2
				0
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		-2	-2
Transfers from step 2 to step 1	1	-15		-14
Reduced portfolio	-1	-9	-15	-25
				0
Other adjustments	0	-3	34	30
<b>Loss deduction pr. 30.06.20</b>	<b>12</b>	<b>83</b>	<b>280</b>	<b>375</b>

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

	Step 1	Step 2	Step 3	Group Step 1
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
<b>Loss deduction pr. 01.01.19</b>	<b>17</b>	<b>63</b>	<b>305</b>	<b>385</b>
New or increased loans / credits / guarantees	2	16	0	18
Transfers from step 1 to step 2	-1	13		12
Transfers from step 1 to step 3	0		2	2
Transfers from step 2 to step 3		-1	12	10
				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	1	-11		-10
Reduced portfolio	-3	-13	-65	-81
				0
Other adjustments	-3	-6	5	-4
<b>Loss deduction pr. 30.06.19</b>	<b>13</b>	<b>60</b>	<b>258</b>	<b>331</b>

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	Parent bank			Total
	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	
<b>Loss deduction pr. 01.01.20</b>	<b>14</b>	<b>69</b>	<b>253</b>	<b>336</b>
New or increased loans / credits / guarantees	2	15	1	18
Transfers from step 1 to step 2	-3	24		20
Transfers from step 1 to step 3	0		7	6
Transfers from step 2 to step 3		-1	2	2
Transfers from step 3 to step 2		0	-1	-1
Transfers from step 3 to step 3	0		-2	-2
Transfers from step 2 to step 1	1	-15		-13
Reduced portfolio	-1	-9	-15	-25
				0
Other adjustments	0	-3	34	31
<b>Loss deduction pr. 30.06.20</b>	<b>12</b>	<b>81</b>	<b>280</b>	<b>373</b>

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	Parent bank			Total
	Step 1	Step 2	Step 3	
	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	
<b>Loss deduction pr. 01.01.19</b>	<b>17</b>	<b>64</b>	<b>304</b>	<b>385</b>
New or increased loans / credits / guarantees	2	16	0	18
Transfers from step 1 to step 2	-1	12		11
Transfers from step 1 to step 3	0		2	2
Transfers from step 2 to step 3		-1	12	10
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	1	-10		-9
Reduced portfolio	-4	-14	-65	-83
				0
Other adjustments	-3	-6	5	-4
<b>Loss deduction pr. 30.06.19</b>	<b>12</b>	<b>61</b>	<b>257</b>	<b>329</b>

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

## NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
1 852	2 013	1 653	Unutilized drawing rights	2 165	2 515	2 367
415	466	404	Guarantee obligations	404	466	415
818	864	727	Unutilized drawing rights Helgeland Boligkreditt AS			
3 085	3 343	2 784	Net guarantee and draw rights	2 569	2 981	2 782

In addition, the parent bank has a liability to Helgeland Boligkreditt AS which has a revolving credit facility to (with maturity > one year) which is intended to cover payment obligations in the cover for a rolling 12-month period.

## NOTE 12. SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries are consolidated and substantial interests are included under the equity method. Preliminary quarterly data from subsidiaries and associates have applied in the consolidated financial statements.

### Subsidiaries

	Share capital	Number of shares	Equity stake	Parent bank	
				Market value	
				30.06.20	30.06.19
ANS Bankbygg Mo	49.0		97.5 %	46	46
Helgeland Boligkreditt AS	540.0	540 000	100 %	540	540
AS Sparebankbygg	0.1	100	100 %	1	1
Helgeland Spb.eiend.selskap AS	0.1	100	100 %	0.4	0.4
Helgeland Utviklingsselskap AS	0.5	500	100 %	0	6
Strendene Utviklingsselskap AS	15.03	300	100 %	15	15
Storgata 73 AS	0.1	140	53 %	1	1
<b>Total investment in AC</b>				<b>604</b>	<b>610</b>

### Associated companies (AC)

The bank has evaluated that HSB have significant influence, but not actual control in Helgeland Invest AS. See other information in note 1 and note 27 in the annual accounts for 2019. Director of the corporate market in HSB is p.t deputy member of the board in Helgeland Invest AS.

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					30.06.20	
					Equity	
Helgeland Invest AS		70	635	0	0	705
REDE Eiendomsmegling AS		69	2	55	0	16
<b>Total</b>		<b>138</b>	<b>637</b>	<b>55</b>	<b>0</b>	<b>721</b>
<b>The bank's share</b>						
Helgeland Invest AS	48.3 %	34	307	0	0	340
REDE AS	40.0 %	27	1	22	0	7
<b>Total</b>		<b>61</b>	<b>308</b>	<b>22</b>	<b>0</b>	<b>347</b>

Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Parent bank and group	
					31.12.19	
					Equity	
Helgeland Invest AS		118	635	0	0	753
REDE Eiendomsmegling AS		40	33	34	1	38.0
<b>Total</b>		<b>158</b>	<b>668</b>	<b>34</b>	<b>1</b>	<b>791</b>
<b>The bank's share</b>						
Helgeland Invest AS	48.3 %	57	307	0	0	364
REDE AS	40.0 %	16	14	14	0	15
<b>Total</b>		<b>73</b>	<b>321</b>	<b>14</b>	<b>1</b>	<b>379</b>

Financial information Associated companies, balance values

			<i>Parent bank and group</i>	
			<b>30.06.20</b>	<b>31.12.19</b>
<b>Change in the bank's ownership in HI</b>				
Opening balance			364	367
Adjusted value			0	0
Dividend			-39	-24
Result HI			16	20
<b>Closing balance</b>			<b>340</b>	<b>364</b>
			<i>Parent bank and group</i>	
			<b>30.06.20</b>	<b>31.12.19</b>
<b>Change in the bank's ownership in REDE</b>				
Opening balance			16	15
Dividend			0	0
Result REDE			0	1
Adjusted value			-9	0
<b>Closing balance</b>			<b>7</b>	<b>16</b>
<b>Total</b>			<b>347</b>	<b>379</b>

Financial information Associated companies, profit/loss posts

						<i>Parent bank and group</i>	
						<b>30.06.20</b>	
			Revenue	Finance cost	Other income	Operating cost	Net
<b>Result 100% ownership</b>							<b>profit</b>
Helgeland Invest AS			36	0	0	3	33
REDE Eiendomsmegling AS			3	0	0	3	0
<b>Total</b>			<b>39</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>33</b>
<b>Result bank's share</b>							
Helgeland Invest AS	48.3 %		17	0	0	1	16
REDE Eiendomsmegling AS	40.0 %		1	0	0	1	0
<b>Total</b>			<b>19</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>16</b>
						<i>Parent bank and group</i>	
						<b>31.12.19</b>	
			Revenue	Finance cost	Other income	Operating cost	Net
<b>Result 100% ownership</b>							<b>profit</b>
Helgeland Invest AS			47	0	0	6	41
REDE Eiendomsmegling AS			42	0	1	39	4
<b>Total</b>			<b>89</b>	<b>0</b>	<b>1</b>	<b>45</b>	<b>45</b>
<b>Result bank's share</b>							
Helgeland Invest AS	48.3 %		23	0	0	3	20
REDE Eiendomsmegling AS	40.0 %		17	0	0	16	1
<b>Total</b>			<b>40</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>21</b>

## NOTE 13. OPERATING FUNDS

<i>Parent bank</i>							<i>Group</i>
<b>31.12.19</b>	<b>30.06.19</b>	<b>30.06.20</b>		<b>30.06.20</b>	<b>30.06.19</b>	<b>31.12.19</b>	
75	70	77	Operating funds	173	131	173	
<b>75</b>	<b>70</b>	<b>77</b>	<b>Total operating funds</b>	<b>173</b>	<b>131</b>	<b>173</b>	

## NOTE 13.1 LEASSES

### IFRS 16 Leases

The new standard for accounting for leases requires the lessee to capitalize assets and liabilities for most leases. For the bank this applies to leases (mainly rental of office spaces). Usage rights and obligations are shown in the note below.

Parent bank			Group		
31.12.19	30.06.19	30.06.20	30.06.20	30.06.19	31.12.19
Assets					
46	46	34	Rights of use 01.01	14	19
0	0	10	Value adjustment	4	0
-12	-6	-6	Impairment	-3	-5
34	40	37	Rights of use OB	15	14
Liabilities					
46	46	34	Lease obligations 01.01	14	19
0	0	9	Value adjustment	3	0
-12	-6	-6	Repayment	-1	-5
1	0	1	Interest	0	0
34	40	39	Leas obligations OB	16	14

The profit effects so far this year for the Group represent a depreciation and write-down of NOK 3 million.

## NOTE 14. DISCLOSURES OF RELATED PARTIES

The information is given in line with IAS 24 for "Information regarding close parties" (Transactions toward leading employees and representatives appear in a note in the annual accounts). Helgeland Sparebank defines its subsidiaries and associated companies as close parties in relation to this accounting standard. The transactions between the parent bank, affiliated companies and associated companies are conducted in line with regular commercial terms and principles.

Significant transactions with related parties:

### Helgeland Boligkreditt AS (share of ownership 100 %)

Transferred loans as of 30.06.20 constitute a total of MNOK 7 664. Covered bonds in the housing mortgage company constitute MNOK 6 763 where MNOK 80 (0) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is drawn with MNOK 773. In addition, the bank has a revolving credit facility (with maturity > one year) provided by Helgeland Sparebank, which will cover payment obligations in the security pool for a rolling 12-month period. The agreements are based on the principle of arm's length. In the consolidated accounts, the effects of the facilities are eliminated. HSB has received dividend of MNOK 49.6 in 2020.

### ANS Bankbygg (share of ownership 97 %)

The bank rents premises from ANS Bankbygg and has paid MNOK 2.6 in 2020.

### Helgeland Invest AS (48,3 %)

Note 12 provide detailed information on the accounting effects of the bank's ownership position in Helgeland Invest AS.

## NOTE 15. REAL VALUE OF FINANCIAL INSTRUMENTS

### Measurement of fair value of financial instruments by level

The table shows financial instruments to fair value according to fair value measurement method (IFRS13). The changes demand presentation of fair value measurements per level with the following divisions into levels. The different levels are defined like this:

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation methods. These valuation methods maximize the use of observable data where these are available, and are based as little as possible on the Group's own estimates. If all the significant data required to determine the fair value of an instrument are observable data, the instrument are included in level 2. Unlisted equities and fixed-rate loans are classified under level 3. The fair value of shares where

it's no active market, known market value or the last issue price is used. For papers without turnover, the value is set based on available financial information, etc. fixed rate loans are measured at fair value.

Principal fixed rate loans per 30.06.20 were MNOK 1 534 (1 364) MNOK. Net interest rate risk by a parallel interest rate shift of 1 %-point for fixed rate loans and derivatives, fixed rate loans was MNOK 8 (1) per 30.06.20.

Parent bank			Assets and liabilities measured at fair value			Group		
30.06.20						30.06.20		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit</b>								
0	0	1 534	- Loans to and claims on customers at fair value	0	0	1 534		
0	4 186	318	- Certificates, bonds and equities at fair value	0	4 156	318		
<b>Financial assets available for sale</b>								
0	0	9 559	- Mortgages	0	0	0		
0	75	0	- Financial derivatives	0	75	0		
<b>0</b>	<b>4 261</b>	<b>11 411</b>	<b>Total assets</b>	<b>0</b>	<b>4 231</b>	<b>1 852</b>		
<b>LIABILITIES</b>								
<b>Financial liabilities at fair value through profit</b>								
0	52	0	- Debt issuance of securities		52			
<b>0</b>	<b>52</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>52</b>	<b>0</b>		
<b>Shares</b>	<b>Loans</b>	<b>Total</b>	<b>Changes in instruments classified in Level 3</b>	<b>Shares</b>	<b>Loans</b>	<b>Total</b>		
379	11 375	11 754	Opening balance	379	1 506	1 885		
-50	-566	-616	Payment loan/sale of shares	-50	-146	-196		
0	275	275	New loans	0	164	164		
-11	9	-2	Value change	-11	10	-1		
<b>318</b>	<b>11 093</b>	<b>11 411</b>	<b>Financial instruments valued on Level 3</b>	<b>318</b>	<b>1 534</b>	<b>1 852</b>		

Parent bank			Assets and liabilities measured at fair value			Group		
31.12.19						31.12.19		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit</b>								
0	0	1 506	- Loans to and claims on customers at fair value	0	0	1 506		
0	4 935	379	- Certificates, bonds and equities at fair value	0	4 905	379		
<b>Financial assets available for sale</b>								
0	0	9 869	- Mortgages	0	0	0		
0	16	0	- Financial derivatives	0	15	0		
<b>0</b>	<b>4 951</b>	<b>11 754</b>	<b>Total assets</b>	<b>0</b>	<b>4 920</b>	<b>1 885</b>		
<b>LIABILITIES</b>								
<b>Financial liabilities at fair value through profit</b>								
0	18	0	- Financial derivatives	0	25	0		
<b>0</b>	<b>18</b>	<b>0</b>	<b>Total liabilities</b>	<b>0</b>	<b>25</b>	<b>0</b>		
<b>Shares</b>	<b>Loans</b>	<b>Total</b>	<b>Changes in instruments classified in Level 3</b>	<b>Shares</b>	<b>Loans</b>	<b>Total</b>		
358	11 785	12 143	Opening balance	358	1 206	1 564		
-1	-2 264	-2 265	Payment loan/sale of shares	-1	-223	-224		
21	1 823	1 844	New loans	21	492	513		
0	31	31	Value change	0	31	31		
<b>379</b>	<b>11 375</b>	<b>11 754</b>	<b>Financial instruments valued on Level 3</b>	<b>379</b>	<b>1 506</b>	<b>1 885</b>		

## NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>		
<b>30.06.20</b>				<b>30.06.20</b>		
Nominal value	Market value			Nominal value	Market value	
Total	Assets	Commitments		Total	Assets	Commitments
1 484	0	53	Interest rate swaps- fixed interest rate loans	1 484	0	49
75	0	0	Interest rate swaps- bank deposits with share Yield	75	0	0
<b>1 559</b>	<b>0</b>	<b>53</b>	<b>Total financial derivatives</b>	<b>1 559</b>	<b>0</b>	<b>49</b>
2 200	75	0	Interest rate swaps – fixed interest rate with hedging	2 500	100	0
<b>2 200</b>	<b>75</b>	<b>0</b>	<b>Total financial derivatives with hedging</b>	<b>2 500</b>	<b>100</b>	<b>0</b>

Net presentation of financial assets and liabilities

<i>Parent bank</i>				<i>Group</i>		
<b>30.06.19</b>				<b>30.06.19</b>		
Nominal value	Market value			Nominal value	Market value	
Total	Assets	Commitments		Total	Assets	Commitments
1 030	0	26	Interest rate swaps- fixed interest rate loans	1 030	0	26
75	0	1	Interest rate swaps- bank deposits with share Yield	75	0	1
<b>1 105</b>	<b>0</b>	<b>27</b>	<b>Total financial derivatives</b>	<b>1 105</b>	<b>0</b>	<b>27</b>
2 400	53		Interest rate swaps – fixed interest rate with hedging	2 400	53	0
<b>2 400</b>	<b>53</b>	<b>0</b>	<b>Total financial derivatives with hedging</b>	<b>2 400</b>	<b>53</b>	<b>0</b>

<i>Group</i>					
<b>30.06.20</b>					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	100	0	100	-49	51
Derivatives carried as liabilities	49	0	49	-49	0

<i>Group</i>					
<b>30.06.19</b>					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	53	0	53	-26	27
Derivatives carried as liabilities	27	0	27	-27	0

Relevant instruments for interest rate risk management will be primarily interest rate swaps. Trading in derivatives can be made with various counterparties. To differentiate counterparty structure used a selection of the major banks / brokerages that account for the bulk of turnover in interest-related products in the market. If the bank has the same counterparty derivatives on both the asset side and the liability side, these are offset.

## NOTE 17. SECURITIES ISSUED

<i>Parent bank</i>			<i>Group</i>	
30.06.19	30.06.20	(MNOK)	30.06.20	30.06.19
4 646	3 609	Bonds, nominal value	10 259	11 481
20	53	Value adjustments	78	17
33	28	Accrued interest	36	43
<b>4 700</b>	<b>3 689</b>	<b>Total securities</b>	<b>10 373</b>	<b>11 541</b>

<b>Change in securities issued</b>				<i>Group</i>
	31.12.19 Issued	Matured/redeemed	Other change	30.06.20
Bonds, nominal value	10 325	38	-104	0
Value adjustments	-32			110
Accrued interest	41			-5
<b>Total</b>	<b>10 334</b>	<b>38</b>	<b>-104</b>	<b>105</b>

<b>Change in subordinated debt</b>				<i>parent bank</i>
	31.12.19 Issued	Matured/redeemed	Other change	30.06.20
Bonds, nominal value	3 665	18	-74	0
Value adjustments	-24			77
Accrued interest	28			0
<b>Total</b>	<b>3 669</b>	<b>18</b>	<b>-74</b>	<b>77</b>

<b>Change in securities issued</b>				<i>Group/Parent bank</i>
	31.12.19 Issued	Matured/redeemed	Other change	30.06.20
equity and related capital, nominal value	451			451
Value adjustments	-1			-1
Accrued interest	2			-1
<b>Total</b>	<b>452</b>	<b>-</b>	<b>-</b>	<b>-1</b>

\*) Hybrid instruments do not meet the definition of financial liability in accordance with IAS 32 and are classified as equity 01/01/16

<b>Accounted value</b>		<i>Group</i>
	30.06.20	31.12.19
Bonds, amortized cost	7 950	7 948
Bonds, hedging	2 423	2 386
<b>Total debt securities</b>	<b>10 373</b>	<b>10 334</b>

<b>Accounted value</b>		<i>Parent bank</i>
	30.06.20	31.12.19
Bonds, amortized cost	1 592	1 577
Bonds, hedging	2 098	2 092
<b>Total debt securities</b>	<b>3 689</b>	<b>3 669</b>

## NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>						<i>Group</i>		
%	30.06.19	%	30.06.20		30.06.20	%	30.06.19	%
90.4 %	16 957	89.6 %	17 019	Helgeland	16 625	89.5 %	16 523	90.2 %
8.9 %	1 665	9.6 %	1 830	Areas other than Helgeland	1 816	9.8 %	1 665	9.1 %
0.7 %	136	0.8 %	152	International	144	0.8 %	136	0.7 %
<b>100 %</b>	<b>18 758</b>	<b>100 %</b>	<b>19 001</b>	<b>Total</b>	<b>18 585</b>	<b>100 %</b>	<b>18 324</b>	<b>100 %</b>

## NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>					<i>Group</i>				
%	30.06.19	%	30.06.20		30.06.20	%	30.06.19	%	
3.5 %	656	3.3 %	623	Financial institutions	239	1.3 %	257	1.4 %	
10.7 %	2 005	10.8 %	2 051	Municipalities and municipal ente	2 051	11.0 %	2 005	10.9 %	
2.1 %	385	2.1 %	408	Agriculture and forestry	408	2.2 %	385	2.1 %	
2.8 %	533	2.4 %	450	Fisheries and aquaculture	450	2.4 %	533	2.9 %	
0.9 %	178	1.0 %	193	Mining and industry	193	1.0 %	178	1.0 %	
3.1 %	575	3.1 %	598	Building and construction	598	3.2 %	575	3.1 %	
2.4 %	453	2.4 %	461	Trade, hotel, restaurants.	461	2.5 %	453	2.5 %	
9.8 %	1 847	9.6 %	1 824	Transport and services	1 824	9.8 %	1 847	10.1 %	
8.8 %	1 645	6.8 %	1 291	Property, property development	1 259	6.8 %	1 610	8.8 %	
44.1 %	8 277	41.6 %	7 899	Total corporate market	7 483	40.3 %	7 843	42.8 %	
55.9 %	10 481	58.4 %	11 102	Retail market	11 102	59.7 %	10 481	57.2 %	
<b>100 %</b>	<b>18 758</b>	<b>100 %</b>	<b>19 001</b>	<b>Total</b>	<b>18 585</b>	<b>100 %</b>	<b>18 324</b>	<b>100 %</b>	

## NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

					<i>Parent bank</i>	
Per 30.06.20	Quantity	Share			Quantity	Share
Sparebankstiftelsen Helgeland	7.315.020	35,0 %	VPF Nordea Avkastning		240.370	1,2 %
Pareto AS	1.949.392	9,3 %	VPF Nordea Kapital		238.245	1,1 %
VPF Nordea Norge	1.407.987	6,7 %	AF Kapital Managemet		181.749	0,9 %
VPF Eika Egenkapital	945.198	4,5 %	Melum Mølle AS		177.000	0,8 %
Lamholmen Invest AS	464.491	2,2 %	Vigner Olaisen AS		144.653	0,7 %
Bergen Kommunale Pensjon.	450.000	2,2 %	Melesio Invest AS		142.312	0,7 %
MP Pensjon PK	389.203	1,9 %	VPF Nordea Norge Pluss		123.527	0,6 %
U.S Bank National Association	387.173	1,9 %	Nervik Steffen		120.000	0,6 %
Helgeland Kraft AS	377.691	1,8 %	Nima Invest AS		117.736	0,6 %
Catilina Invest AS	314.046	1,5 %	Merrill Lynch Prof.		108.156	0,5 %
<b>Total 10 largest owners</b>	<b>14.000.201</b>	<b>67,1 %</b>	<b>Total 20 largest owners</b>		<b>15.593.949</b>	<b>74,7 %</b>

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

## NOTE 21. CAPITAL ADEQUACY

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
209	208	209	ECC-capital	209	208	209
971	971	971	Premium Fund	971	971	971
-1	-2	-1	Own ECCs	-1	-2	-1
299	299	299	Hybrid capital (CB)	299	299	299
<b>1 478</b>	<b>1 476</b>	<b>1 478</b>	<b>Total paid-in capital</b>	<b>1 478</b>	<b>1 476</b>	<b>1 478</b>
590	551	607	Savings Bank's fund	607	551	590
439	440	439	Reserve for unrealized gains	439	440	439
53	24	25	Donations Fund	25	24	53
822	710	878	Dividend equalisation reserve	878	710	822
112	0	0	Cash dividend	0	0	112
0	0	175	Other equity capital	222	70	69
<b>2 017</b>	<b>1 725</b>	<b>2 125</b>	<b>Total accrued equity capital</b>	<b>2 172</b>	<b>1 795</b>	<b>2 085</b>
<b>3 494</b>	<b>3 201</b>	<b>3 602</b>	<b>Total equity capital</b>	<b>3 649</b>	<b>3 271</b>	<b>3 563</b>
-299	-299	-299	Hybrid capital (CB)	-299	-299	-299
-90	-99	-49	Shares in financial institutions	-42	-94	-84
-195	-44	-215	Cash dividend /gifts employee	-199	-44	-194
<b>2 910</b>	<b>2 759</b>	<b>3 039</b>	<b>Total core tier one</b>	<b>3 109</b>	<b>2 834</b>	<b>2 987</b>
-17	-16	-5	Shares in financial institutions	-4	-14	-16
0	0	0	Other	0	0	0
299	299	299	Hybrid capital (CB)	299	299	299
<b>3 192</b>	<b>3 042</b>	<b>3 333</b>	<b>Total core capital</b>	<b>3 405</b>	<b>3 119</b>	<b>3 271</b>
452	451	452	Subordinatet dept	452	451	452
0	0	0	Shares in financial institutions	0	0	0
0	0	0	Other	0	0	0
<b>452</b>	<b>451</b>	<b>452</b>	<b>Total net supplementary capital</b>	<b>452</b>	<b>451</b>	<b>452</b>
<b>3 644</b>	<b>3 493</b>	<b>3 785</b>	<b>Total net equity and related capital</b>	<b>3 856</b>	<b>3 570</b>	<b>3 723</b>
16 201	17 350	15 947	Weight assets calculation basis *)	17 470	18 797	17 893
17.97 %	15.90 %	19.06 %	Core tier one Capital ratio in%	17.80 %	15.08 %	16.69 %
19.71 %	17.53 %	20.90 %	Core capital ratio in%	19.49 %	16.59 %	18.28 %
22.50 %	20.13 %	23.74 %	Total Capital ratio in%	22.08 %	18.99 %	20.81 %
			Total core tier one including cooperative group	3 160	2 932	3 087
			Total core capital including cooperative group	3 455	3 241	3 400
			<b>Total net equity and related capital including cooperative group</b>	<b>3 931</b>	<b>3 709</b>	<b>3 872</b>
			Weight assets calculation basis including cooperative group	18 294	19 748	18 729
			<b>Including cooperative group</b>			
			Core tier one Capital ratio, after proportionally consolidation in%	17.27 %	14.85 %	16.48 %
			Core capital ratio, after proportionally consolidation in%	18.99 %	16.41 %	18.16 %
			Total Capital ratio, after proportionally consolidation in%	21.59 %	18.78 %	20.68 %

31.12.19	30.06.19	30.06.20	Calculation basis	30.06.20	30.06.19	31.12.19
0	0	0	States and central banks	0	0	0
410	350	262	Local and regional authorities (including municipalities)	262	350	410
452	392	585	Institutions	362	179	310
1 588	1 883	1 874	Enterprises	1 843	1 883	1 588
985	1 029	880	Mass market loans	880	986	1 058
8 484	9 620	8 137	Loans secured by real property	10 979	12 432	11 313
770	670	773	Loans overdue	840	726	843
804	785	792	Covered bonds	118	101	122
0	0	0	Units in securities funds	0	0	0
1 237	1 215	1 215	Equity positions	619	611	633
156	113	114	Other loans and commitments	203	186	257
<b>14 886</b>	<b>16 058</b>	<b>14 632</b>	<b>Capital requirement credit risk</b>	<b>16 107</b>	<b>17 453</b>	<b>16 533</b>
1 308	1 268	1 308	Capital requirement operational risk	1 349	1 320	1 349
8	24	8	Deducted from capital requirement	14	24	11
<b>16 201</b>	<b>17 350</b>	<b>15 947</b>	<b>Total capital requirement</b>	<b>17 470</b>	<b>18 797</b>	<b>17 893</b>

The comparative numbers for 2019 contains a dividend degree of 50 %. The board of trustee's in Helgeland Sparebank march 26<sup>th</sup> 2020 agreed to temporary withhold the profit in light of the uncertainty related to the corona pandemic. This is not accounted for in the comparative numbers for the capital adequacy above. Accounted withheld dividend, the group would have had CET1 of 17.17 and a total capital adequacy of 21.36 percent (after proportionately consolidation of cooperative groups). New allocation of the annual financial statements is taken to account in the capital adequacy for first quarter 2020. Changes in the allocation is described in the changes in equity.

## NOTE 22. EVENTS AFTER THE BALANCE SHEET DAY

Helgeland Sparebank has since 2019 been involved in a dispute concerning property in relation to a bankruptcy. The case was litigated in the district court in the end of April 2020, and the bank was not given pursuance of its views. Eventual value decrease on the property is not accounted for in the quarterly report, as possible outcomes and potential value decline cannot be measured by sufficient reliability. The real estate amounts to a third of accounted values in the daughter company Strendene Utvikling AS. The dispute concerns duration of right to take out mass on the real estate.

## NOTE 23. FINANCIAL ESTIMATES AND ESTIMATIVE ASSESSMENTS

The group makes estimates and pre assumptions that effects the reported balance numbers for the next accounting year. Estimates and evaluations is ever an item for evaluation and is based on historical experience and other factors, hereunder expectations in relation to future events that is considered fair. The group has as a consequence of the corona pandemic been challenged on estimating under uncertainty. Central estimates and estimative assessments from the presented annual financial statement are as a consequence of the pandemic changed.

For write-downs in lending, the bank has estimated expected effect of the corona crisis through the model write-downs. This is by the end of the quarter resolved through adjusting the pre assumptions in the model, primarily related to changed expectations in PD, and also change in PD on especially exposed business groups. Changes in the loss model is based on estimative assessments, and it is associated uncertainty to the estimates. Fair value of financial instruments is partly calculated based on observable data in the market, for positions where it doesn't lie market data by evaluation of fair value by the end of first quarter.

## PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

Parent bank						Group				
31.12.19	Q2/19	Q2/20	30.06.19	30.06.20		30.06.20	30.06.19	Q2/20	Q2/19	31.12.19
3.29	3.13	2.86	3.12	3.21	Interest receivable and similar income	3.29	3.16	2.93	3.14	3.29
1.38	1.31	1.12	1.28	1.33	Interest payable and similar costs	1.50	1.42	1.27	1.42	1.52
<b>1.90</b>	<b>1.82</b>	<b>1.74</b>	<b>1.85</b>	<b>1.88</b>	<b>Net interest- and credit commission income<sup>2</sup></b>	<b>1.79</b>	<b>1.74</b>	<b>1.66</b>	<b>1.72</b>	<b>1.77</b>
0.41	0.38	0.38	0.39	0.38	Commissions receivable and income from banking services	0.31	0.31	0.31	0.31	0.33
0.05	0.06	0.02	0.05	0.03	Commissions payable and costs relating to banking services	0.02	0.04	0.02	0.05	0.04
<b>0.36</b>	<b>0.32</b>	<b>0.36</b>	<b>0.33</b>	<b>0.35</b>	<b>Net commission income</b>	<b>0.29</b>	<b>0.27</b>	<b>0.29</b>	<b>0.26</b>	<b>0.29</b>
0.32	0.09	1.63	0.47	0.93	Gains/losses on financial assets available for sale	0.46	0.05	1.33	0.06	0.10
0.03	0.04	0.03	0.04	0.03	Other operating income	0.01	0.01	0.00	0.00	0.01
1.04	1.05	1.37	1.05	1.31	Operating costs	1.09	0.88	1.14	0.85	0.86
0.23	0.22	0.45	0.15	0.40	Losses on loans, guarantees etc. and fixed assets	0.32	0.12	0.36	0.18	0.19
<b>1.35</b>	<b>1.01</b>	<b>1.94</b>	<b>1.48</b>	<b>1.49</b>	<b>Gross profit</b>	<b>1.14</b>	<b>1.08</b>	<b>1.78</b>	<b>1.01</b>	<b>1.13</b>
0.24	0.22	0.12	0.25	0.15	Tax payable on ordinary profit	0.17	0.25	0.13	0.23	0.23
<b>1.11</b>	<b>0.79</b>	<b>1.82</b>	<b>1.23</b>	<b>1.34</b>	<b>Net profit</b>	<b>0.96</b>	<b>0.83</b>	<b>1.65</b>	<b>0.78</b>	<b>0.90</b>

## PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

### Profit and loss account (Amounts in NOK million)

Parent bank						Group				
Q2/19	Q3/19	Q4/19	Q1/20	Q2/20		Q2/20	Q1/20	Q4/19	Q3/19	Q2/19
215	235	248	241	196	Interest receivable and similar income	247	302	308.3	291	265
90	100	108	104	77	Interest payable and similar costs	107	143	149	135	120
<b>125</b>	<b>135</b>	<b>140</b>	<b>137</b>	<b>119</b>	<b>Net interest- and credit commission income</b>	<b>140</b>	<b>159</b>	<b>159</b>	<b>156</b>	<b>145</b>
26	28	34	26	26	Commissions receivable and income from banking servi	26	26	34	28	26
4	3	4	2	2	Commissions payable and costs relating to banking ser	2	2	4	3	4
<b>22</b>	<b>25</b>	<b>30</b>	<b>24</b>	<b>25</b>	<b>Net commission income</b>	<b>24</b>	<b>24</b>	<b>30</b>	<b>25</b>	<b>22</b>
6	6	18	15	112	Gains/losses on financial assets available for sale	112	-35	19	6	5
3	2	2	2	2	Other operating income	0	1	2	1	0
72	72	72	84	94	Operating costs	96	86	74	74	72
15	17	27	23	31	Losses on loans, guarantees etc.	30	23	27	18	15
<b>69</b>	<b>79</b>	<b>91</b>	<b>70</b>	<b>133</b>	<b>Gross profit</b>	<b>150</b>	<b>40</b>	<b>110</b>	<b>96</b>	<b>85</b>
15	19	13	13	8	Tax payable on ordinary result	11	18	15	22	20
<b>54</b>	<b>60</b>	<b>78</b>	<b>57</b>	<b>125</b>	<b>Net profit</b>	<b>139</b>	<b>23</b>	<b>95</b>	<b>73</b>	<b>66</b>

Parent bank						Group				
Q2/19	Q3/19	Q4/19	Q1/20	Q2/20		Q2/20	Q1/20	Q4/19	Q3/19	Q2/19
3.13	3.34	3.55	3.57	2.86	Interest receivable and similar income	2.93	3.63	3.57	3.41	3.14
1.31	1.42	1.55	1.54	1.12	Interest payable and similar costs	1.27	1.72	1.72	1.58	1.42
<b>1.82</b>	<b>1.92</b>	<b>2.00</b>	<b>2.02</b>	<b>1.74</b>	<b>Net interest- and credit commission income</b>	<b>1.66</b>	<b>1.91</b>	<b>1.85</b>	<b>1.83</b>	<b>1.72</b>
0.38	0.40	0.49	0.38	0.38	Commissions receivable and income from banking servi	0.31	0.31	0.39	0.33	0.31
0.06	0.04	0.06	0.06	0.02	Commissions payable and costs relating to banking ser	0.02	0.02	0.04	0.04	0.05
<b>0.32</b>	<b>0.36</b>	<b>0.43</b>	<b>0.35</b>	<b>0.36</b>	<b>Net commission income</b>	<b>0.29</b>	<b>0.29</b>	<b>0.35</b>	<b>0.29</b>	<b>0.26</b>
0.09	0.09	0.26	0.22	1.63	Gains/losses on financial assets available for sale	1.33	-0.42	0.22	0.07	0.06
0.04	0.03	0.03	0.03	0.03	Other operating income	-	0.01	0.02	0.01	0.00
1.05	1.02	1.03	1.24	1.37	Operating costs	1.14	1.03	0.86	0.87	0.85
0.22	0.24	0.39	0.34	0.45	Losses on loans, guarantees etc.	0.36	0.28	0.31	0.21	0.18
<b>1.01</b>	<b>1.12</b>	<b>1.30</b>	<b>1.04</b>	<b>1.94</b>	<b>Gross profit</b>	<b>1.78</b>	<b>0.48</b>	<b>1.27</b>	<b>1.12</b>	<b>1.01</b>
0.22	0.27	0.19	0.19	0.12	Tax payable on ordinary result	0.13	0.21	0.17	0.26	0.23
<b>0.79</b>	<b>0.85</b>	<b>1.12</b>	<b>0.85</b>	<b>1.82</b>	<b>Net profit</b>	<b>1.65</b>	<b>0.27</b>	<b>1.10</b>	<b>0.86</b>	<b>0.78</b>

Parent bank						Group				
Q2/19	Q3/19	Q4/19	Q1/20	Q2/20		Q2/20	Q1/20	Q4/19	Q3/19	Q2/19
<b>ASSETS</b>										
91	73	88	74	68	Cash and claims on central banks	68	74	88	73	91
1 229	1 355	1 432	1 613	2 196	Loans to and claims on credit institutions	1 425	749	750	702	594
20 548	20 535	19 778	19 687	19 581	Loans to and claims on customers	27 187	27 380	27 320	28 141	28 125
53	50	16	55	75	Financial derivatives	100	74	15	50	53
4 649	4 628	5 314	4 648	4 523	Certificates, bonds and shares available for sale	4 474	4 669	5 283	4 678	4 674
365	370	379	376	347	Investments in associated companies	347	376	379	370	365
610	610	604	604	604	Investments in subsidiaries	0	0	0	0	0
13	13	8	8	10	Deferred tax benefit	14	12	12	17	17
70	71	75	73	77	Fixed assets	173	171	173	131	131
74	61	66	68	43	Other assets	46	49	48	73	87
<b>27 702</b>	<b>27 766</b>	<b>27 760</b>	<b>27 206</b>	<b>27 524</b>	<b>Total assets*</b>	<b>33 834</b>	<b>33 554</b>	<b>34 068</b>	<b>34 235</b>	<b>34 137</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>										
250	250	553	850	550	Liabilities to credit institutions	551	852	554	252	252
18 757	18 924	19 391	18 430	19 001	Deposits from customers and liabilities to customers	18 585	18 053	18 959	18 497	18 324
4 700	4 556	3 669	3 676	3 689	Borrowings through the issuance of securities	10 373	10 369	10 334	11 413	11 542
27	21	18	42	53	Financial derivatives	49	40	25	21	27
148	141	184	211	178	Other liabilities	174	208	179	125	130
451	452	452	452	451	Fund bonds	451	452	452	451	451
<b>24 333</b>	<b>24 344</b>	<b>24 266</b>	<b>23 661</b>	<b>23 922</b>	<b>Total liabilities</b>	<b>30 183</b>	<b>29 974</b>	<b>30 503</b>	<b>30 759</b>	<b>30 726</b>
1 178	1 179	1 179	1 179	1 179	Paid-in equity capital	1 179	1 179	1 179	1 179	1 178
299	299	299	299	299	Hybrid capital	299	299	299	299	299
1 726	1 718	2 016	2 014	1 949	Accrued equity capital/retained earnings	1 949	1 958	2 085	1 785	1 795
166	226	0	53	175	Other equity capital	222	142	0	211	137
					Minority interest	2	2	2	2	2
<b>3 369</b>	<b>3 422</b>	<b>3 494</b>	<b>3 545</b>	<b>3 602</b>	<b>Total equity capital</b>	<b>3 651</b>	<b>3 580</b>	<b>3 565</b>	<b>3 476</b>	<b>3 411</b>
<b>27 702</b>	<b>27 766</b>	<b>27 760</b>	<b>27 206</b>	<b>27 524</b>	<b>Total liabilities and equity capital</b>	<b>33 834</b>	<b>33 554</b>	<b>34 068</b>	<b>34 235</b>	<b>34 137</b>

## OTHER KEY FIGURES

Parent bank			Group			
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
<b>BALANCE SHEET</b>						
<b>Development in the last 6 months</b>						
	3,2	-0,9	Total assets	-0,7	3,5	
	1,0	-0,8	Gross lending	-0,4	1,6	
	5,9	-2,0	Customer deposits	-2,0	6,2	
<b>Development in the last 12 months</b>						
3,4	3,9	-0,6	Total assets <sup>9</sup>	-0,9	5,6	3,3
-2,7	3,1	-4,4	Gross lending <sup>6</sup>	-3,1	4,7	-1,2
9,4	7,4	1,3	Customer deposits <sup>7</sup>	1,4	7,7	9,9
96,4	89,9	95,3	Deposit coverage as a percentage of gross loans <sup>5</sup>	67,4	64,4	68,5
56,5	54,7	55,9	Lending to retail customers	67,7	66,3	67,9
27.507	27.195	27.347	Average assets <sup>10</sup>	33.573	33.291	34.033
20.110	20.872	19.948	Gross loans <sup>4</sup>	27.556	28.451	27.655
<b>SOLIDITY</b>						
18,0	15,9	19,1	Core tier one Capital ratio	17,8	15,1	16,7
19,7	17,5	20,9	Core Capital ratio	19,5	16,6	18,3
22,5	20,1	23,7	Total Capital ratio <sup>21</sup>	22,1	19,0	20,8
			Core tier one Capital ratio, after proportionally consolidation in%	17,3	14,9	16,5
			Core capital ratio, after proportionally consolidation in%	19,0	16,4	18,2
			Total Capital ratio, after proportionally consolidation in%	21,6	18,8	20,7
9,0	8,5	8,5	Leverage ratio <sup>22</sup>	9,6	8,9	9,3
9,0	10,0	10,3	Rate of return on equity capital <sup>1</sup>	9,0	8,1	8,9
9,4	10,6	11,3	Rate of return on equity capital (excl. hybrid capital)	9,8	8,5	9,3
1,1	1,2	1,3	Return on assets	1,0	0,8	0,9
<b>KEY FIGURES PCC</b>						
10,7	5,9	6,4	Yield per primary certificate <sup>16</sup>	5,6	4,8	10,7
10,7	5,9	6,4	Diluted result per ECC, in Norwegian currency	5,6	4,8	10,7
76,4	76,4	76,4	ECCs split (01.01) <sup>18</sup>	76,4	76,4	76,4
116	113	121	Equity capital per ECC <sup>17</sup>	123	114	119
84,0	80,0	76,0	PCC price quoted on the stock exchange	76,0	80,0	84,0
8,0	6,8	5,9	P/E (price divided by profit per ECC) <sup>19</sup>	6,7	8,3	7,9
0,7	0,7	0,6	P/B (price divided by book value of equity capital) <sup>20</sup>	0,6	0,7	0,7
39,7	39,2	40,9	Costs as a percentage of income <sup>3</sup>	42,8	42,2	39,5
1,0	1,1	1,3	Cost in percent of average total assets	1,1	0,9	0,9
148	148	141	Number of man-years	141	148	148
<b>LOSSES ON LOANS AND GROSS DEFAULTS</b>						
As a percentage of gross lending:						
1,4	1,4	1,7	Gross defaults over 90 days <sup>13</sup>	1,2	1,0	1,0
0,8	1,1	1,2	Total loan loss provision	0,8	0,8	0,6
0,3	0,2	0,5	Losses on lending <sup>12</sup>	0,4	0,1	0,2

## OTHER CALCULATIONS

Parent bank				Group		
31.12.19	30.06.19	30.06.20	(Figures in MNOK and %)	30.06.20	30.06.19	31.12.19
			<b>Operating costs, adjusted for one-time effects</b>			
286	142	178	Operating costs	182	145	293
0	0	-29	One-time effects	-29	0	0
<b>286</b>	<b>142</b>	<b>149</b>	<b>Operating costs, adjusted for one-time effects</b>	<b>153</b>	<b>145</b>	<b>293</b>
1,04 %	1,74 %	1,09 %	Operating costs in % of BTA, adjusted for one-time effects	0,91 %	1,77 %	0,86 %
39,7 %	39,2 %	34,3 %	Operating costs in % of income, adjusted for one-time effects	36,0 %	42,2 %	39,5 %
304	166	182	Profit	161	137	305
-13	-6	-7	Paid interests subordinated bonds	7	-6	-13
291	160	175	Net profit, incl. Interests subordinated bonds	168	131	292
0	0	29	one-time effect pension	29	0	0
291	160	204	Profit, adjusted for one-time effects	197	131	292
304	335	366	Profit (annualized)	323	276	305
291	323	410	Profit (annualized), eks one-time effects and incl. interests subordi	395	264	292
3.389	3.345	3.551	Average equity	3.608	3.393	3.431
-299	-299	-299	Average subordinated bonds	-299	-299	-299
3.090	3.046	3.252	Average equity adjusted for subordinated bonds	3.309	3.094	3.132
<b>9,0 %</b>	<b>10,0 %</b>	<b>10,3 %</b>	<b>ROE</b>	<b>8,9 %</b>	<b>8,1 %</b>	<b>8,9 %</b>
<b>9,4 %</b>	<b>10,6 %</b>	<b>12,6 %</b>	<b>ROE adjusted for one-time effects and interests FO11</b>	<b>11,9 %</b>	<b>8,5 %</b>	<b>9,3 %</b>
304	166	182	Profit	161	137	305
304	335	366	Profit (annualized)	323	276	305
291	323	410	Profit (annualized), eks one-time effects and subordinated bonds	395	264	292
27.507	27.195	27.347	Average assets	33.573	33.291	34.033
<b>1,1 %</b>	<b>1,2 %</b>	<b>1,3 %</b>	<b>Return on assets (annualized)</b>	<b>1,0 %</b>	<b>0,8 %</b>	<b>0,9 %</b>
<b>1,1 %</b>	<b>1,2 %</b>	<b>1,5 %</b>	<b>Return on assets (annualized) adjusted for one-time effects</b>	<b>1,2 %</b>	<b>0,8 %</b>	<b>0,9 %</b>
3.192	3.042	3.333	CET1	3.405	3.119	3.271
35.548	35.680	35.203	Unweighted calculation basis	34.762	35.094	34.964
<b>9,0 %</b>	<b>8,5 %</b>	<b>9,5 %</b>	<b>Leverage ratio</b>	<b>9,8 %</b>	<b>8,9 %</b>	<b>9,4 %</b>

### APM (Alternative performance measures)

In the board's report and in accounting presentations, Helgeland Sparebank uses alternative performance measures or APM (alternative performance measures) with the purpose of giving a true and fair view of the bank's financial development and position, in order to ensure the correct information. Key figures that are regulated in IFRS or other legislation are not defined as APM. The same applies to non-financial information. APMs presented as part of the accounting portion of the reports are basically exempt from the APM guidelines, but are included in the schedule below to the extent that they are not defined in the financial statements. The reason for presenting adjusted results is to bring out the underlying operations in a better way and is not intended to replace ordinary reporting.

#### Definitions key figures:

- 1) **Return on equity.** Reason for use: The key figure indicates the return on the Group's equity. The key figure reflects the Group's ability to turn the capital into profitable business. Definition: Return on equity (total profit after tax) is calculated by dividing the profit/loss for the period for the financial year by the average equity for the past year. For information on return on equity for more than one profit for the period, the profit for the period is annualized.
- 2) **Net interest.** Reason for use: Net interest income is a normal key figure within banking/finance 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 result summary. Net interest income is annualized in the interim reports.
- 3) **Expense ratio.** Reason for use: Cost percentage is a normal key figure in banking/finance. The key figure reflects how effectively the bank/group operates. Definition: The cost percentage reflects the bank's/group's ability to translate its operating expenses into revenue recovery. The cost percentage is calculated by dividing the total operating costs by total income.
- 4) **Gross lending, the Group (incl. transfer for mortgage companies):** Reason for use: The bank owns Helgeland Boligkreditt 100 % and key figures reflect the bank's total lending volume. Definition: loan volume including transferred from the mortgage company.
- 5) **Deposit coverage.** Reason for use: Deposit coverage is a normal key figure in banking/finance. The key figure shows the share of the bank's lending activities that are financed by deposits from customers. Definition: The deposit coverage reflects the bank's ability to

finance lending to customers through deposits from customers. Deposits are calculated by dividing the total deposits from customers by gross loans, excl. transfer to mortgage companies in the parent bank and including transfer to mortgage companies in the group.

- 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) **Deposits growth last 12 months.** Reason for use: Deposit 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 deposit operations. Definition: Deposit growth over the last 12 months reflects the growth in deposits in the balance sheet from the corresponding period last year to this year.
- 8) **Total assets.** Reason for use: The key figure reflects the bank's total assets. Definition: Total assets in the balance sheet.
- 9) **Growth last 12 months in total assets.** Reason for use: The key figure reflects the growth in the bank's total assets including transferred to the mortgage company in the group and excl. volume transferred to the mortgage company in the parent bank. Definition: Growth assets in the balance sheet are calculated from the corresponding period last year to this year.
- 10) **Average total assets.** Reason for use: Several key figures are calculated on average total assets. Definition: Weighted average of total assets throughout the year.
- 11) **Equity excluding hybrid capital.** Reason for use: The key figure reflects part of the bank's capital that belongs to the owners excluding hybrid capital (fund bonds). Definition: The difference between the bank's equity (earned and paid-in equity) and the bank's hybrid capital (funded bonds).
- 12) **Loss ratio loans.** Reason for use: The key figure reflects a loss recognized as a function of gross lending in the balance sheet date. Definition: Loss provisions for the period on loans and guarantees divided by gross lending as a percentage. For information on loss-based loans for shorter periods than full financial years, the loss expense recognized in the income statement is annualized.
- 13) **Non-performing commitments.** Reason for use: The key figure indicates the proportion of the bank's gross non-performing loans. Definition: Non-performing loans (over 90 days) on loans and guarantees.
- 14) **Doubtful commitments.** Reason for use: The key figure indicates the proportion of the bank's gross loans that are subject to losses. Definition: Gross lending for the period that is doubtful (has an individual loss provision or risk class K, but which is not defaulted).
- 15) **Net Non-performing and doubtful commitments.** Reason for use: The key figure indicates how much the bank's net non-performing and doubtful commitments amount to gross loans. Definition: Net non-performing and doubtful commitments, less write-downs on these loans, divided by gross loans.
- 16) **Earnings per equity certificate.** Reason for use: The key figure gives readers information about earnings per equity certificate. Definition: The equity certificate holders' share of the result is calculated as profit before other income statement items in proportion to the average number of equity certificates in the period.
- 17) **Booked equity per equity certificate.** Reason for use: The key figure provides information on the value of the book equity per equity certificate. Definition: Equity certificate holders' share of equity divided by the number of equity certificates.
- 18) **Equity certificate fraction.** Reason for use: Basis for calculating dividends. Definition: The equity certificate holders' share of equity, e.g. Fund bonds.
- 19) **P/E.** Reason for use: The key figure provides information on earnings per equity certificate. Definition: Share price at end of period divided by profit (annualized) per equity certificate.
- 20) **P/B.** Reason for use: The key figure provides information on price per equity certificate. Definition: Share price at end of period divided by book equity per equity certificate.
- 21) **Capital adequacy.** Reason for use: Legal requirements for capital adequacy. Definition: subordinated capital divided by weighted balance sheet and excluding balance sheet items.
- 22) **Unweighted core capital adequacy.** Reason for use: Normal key figure in banking/finance. Provides more comparable capital regardless of the method of calculating capital adequacy. Definition: Tier 1 capital divided by capitalized items and non-capitalized items calculated without risk weighting.

## STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6

We declare that to the best of our knowledge the financial statements for the period January 1st to June 30th 2020 is prepared in accordance with the current accounting standards IAS 34 – interim reporting, and that the information in the financial statements give true and fair view of the company's assets, liabilities, financial positions and result.

The interim report shows after our best conviction a true:

- Overview over important events during the accounting period and their influence on the interim report.
- Specifications of the most central risk- and uncertain factors the company faces during the next accounting period.
- Specification of intimate's considerable transactions.

Mo i Rana, August 12<sup>th</sup> 2020

Stein Andre Herigstad-Olsen  
*Chairman of the Board*

Bjørn Krane  
*Deputy Chairman of the Board*

Marianne Terese Steinmo

Siw Moxness

Rolf Eigil Bygdnes

Tone Helen Hauge

Hanne Nordgaard  
*CEO*

Birgitte Lorentzen  
*Employee representative*

Geir Pedersen  
*Employee representative*

## **Information concerning Helgeland Sparebank**

### **Head Office**

Postal address	Postboks 68, 8601 Mo i Rana
Office address	Jernbanegata 15, 8622 Mo i Rana
Telephone	+ 47 75 11 90 00
Website	<a href="http://www.hsb.no">www.hsb.no</a>
Organisation number	937904029

### **Board of Directors of Helgeland Sparebank**

Stein Andre Herigstad-Olsen, Chair man  
Bjørn Krane, Deputy Chair man  
Marianne Terese Steinmo  
Rolf Eigil Bygdnes  
Siw Moxness  
Tone Helen Hauge  
Birgitte Lorentzen  
Geir Pedersen

### **Management**

Hanne Nordgaard, Chief Executive Officer

### **Investor Relations**

Sverre Klausen, Chief Financial Officer tel: + 47 916 88 286

### **Other sources of information**

#### Annual reports

The annual report for Helgeland Sparebank is available at [www.hsb.no](http://www.hsb.no)

#### Quarterly publications

Quarterly reports and presentations are available at [www.hsb.no](http://www.hsb.no)