



FINANCIAL REPORT FOURTH QUARTER 2020

Main features group

(Numbers in MNOK and in % of average total assets)

PROFIT AND LOSS ACCOUNT (Amounts in NOK million)	Q4/20	Q4/19	31.12.2020	31.12.2019
Net interest- and credit commission income	150 1.76 %	159 1.85 %	598 1.77 %	602 1.77 %
Net commission income	26 0.31 %	30 0.35 %	97 0.29 %	100 0.29 %
Net profit from other financial investments	119 1.40 %	19 0.22 %	203 0.60 %	34 0.10 %
Other operating income	2 0.02 %	2 0.02 %	5 0.01 %	5 0.01 %
Operating costs (note 4)	167 1.96 %	74 0.86 %	462 1.37 %	293 0.86 %
Losses on loans, guarantees etc. (note 10)	-5 -0.06 %	27 0.31 %	51 0.15 %	65 0.19 %
Gross profit	135 1.59 %	110 1.27 %	390 1.16 %	384 1.13 %
Tax payable on ordinary result	5 0.06 %	15 0.17 %	50 0.15 %	79 0.23 %
Net profit	130 1.53 %	95 1.10 %	340 1.01 %	305 0.90 %

Key numbers

Profitability	31.12.2020	31.12.2019
ROE (excl. hybrid capital)	9.7 %	9.3 %
Net interest	1.77 %	1.77 %
Costs as a percentage of income	51.2 %	39.5 %
Costs as a percentage of income excl. one-time costs	35.0 %	39.5 %

Balance and liquidity

Total assets	33 207	34 068
Average total assets	33 693	34 033

Solidity (including cooperative group)

Core tier one Capital ratio	18.8 %	16.5 %
Core Capital ratio	20.5 %	18.2 %
Total capital ratio	23.1 %	20.7 %
Core tier one Capital	3 400	3 087
Core Capital	3 714	3 400
Total net equity and related capital	4 184	3 872
Capital requirement	18 110	18 729
Leverage Ratio	10.5 %	9.3 %

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 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 fourth quarter

- Stable profit from basic operation
- Income from write-downs of lending of MNOK 5
- Lower net interest than for the same period last year
- High return on financial investments as a consequence of sale of shares
- High operating costs related to entering the Sparebank 1 alliance and the acquisition from Sparebank 1 Nord-Norge (Helgeland 1)
- Write-downs of property in subsidiary company by MNOK 20
- Annualized net ROE of 14.8 %
- Annualized net ROE adjusted for one-time effects of 21.6 %.
- The board proposes a dividend for 2020 of NOK 3.1 per EC.

Main features this quarter (MNOK)	Q4/20	Q4/19	Change
Net profit	135	110	25.2
Net interest and commission income	150	159	-9
Operating cost	167	74	93
Operating costs excluding one-time eff.	90	74	16
Yield per equity capital certificate	4.9	4.0	1
Provision of loss	-5	27	-32
Profit from financial investments	119	19	100
Growth gross lending (this quarter)	5	-757	762
Growth deposits (this quarter)	91	467	-376

Main features 2020

- Stable profit from the basic operation
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- High profit contribution from financial investments, mainly related to profit shares and sale of shares
- Loss in lending in % of gross lending of 0.18 %
- Marginal lending growth with 0.1 % last 12 months
- Stable customer deposits with a 12-month growth of 1.5 %
- Annualized net ROE of 9.7 %
- Annualized net ROE adjusted for one-time effects of 12.4 %
- CET1 cooperative groups included of 18.78 %.

Main features this year (MNOK)	31.12.2020	31.12.2019	Change
Net profit	390	384	6
Net interest and commission income	598	602	-4
Operating cost	462	293	169
Operating costs excluding one-time eff.	316	293	23
Profit from financial investments	203	34	169
Provision of loss	51	65	-14
Return on equity %	9.7 %	9.3 %	0.4 %
Yield per equity capital certificate	12.0	10.7	1.3
Core tier 1 ratio %	0	16.5 %	2.3 %
Provision of loss % of gross lending	0.2 %	0.2 %	0.0 %
Growth gross lending % annualized	0.1 %	-1.2 %	1.3 %
Growth deposits % annualized	-1.5 %	9.9 %	-11.4 %

Profit

For 2020 gross profit in the group amounts to MNOK 390 (384). Measured against last year, the profit has increased by MNOK 6. The profit is drawn up by value change and sale of financial assets, while one-time costs as a consequence of Helgeland 1 reduces the profit. In light of an ongoing pandemic, the board considers the profit as satisfying.

For this quarter, the gross profit was MNOK 135 (110), an increase of MNOK 25. The profit and loss account this quarter reflects the sale of the share post in Helgeland Invest AS, together with high operating costs as a consequence of Helgeland 1 and write-down of property in subsidiary company. Net interest income is slightly lower than the same period last year, while the group has an income from lending losses as a consequence of advantageous migrations in the loss model.

Net interest

So far this year net interest and credit commission income amounted to MNOK 598. This is a decrease of MNOK 4 compared to 31.12.19. A strong net interest at the entrance of the year makes the overall net interest of the year stable. The decrease in the net interest from the beginning of the year is mainly related to the interest rate changes in the second quarter as well as strong competition and price pressure throughout the year. In percentage of average total assets, the net interest was at the same level as last year, 1.77 %.

In the fourth quarter, the net interest and credit commission income amounted to MNOK 150 (159) which equals 1.76 (1.85) in percent of average total assets. Price pressure and adaption related to the interest rate changes in 2020 provides a slightly weaker net interest than the same period last year. The net interest ended at an expected level for the fourth quarter.

So far this year the bank has expensed MNOK 20 in contribution to the deposit guarantee fund and the emergency fund.

Net commission earnings.

The net commission earnings were by the end of the year MNOK 97 (100), or 0.29 (0.29) in percentage of average total assets.

This quarter, the net commission earnings were MNOK 26 (30), or 0.31 (0.35) in percentage of average total assets.

Commission income is stable. The decline this year is mainly related to lesser use of services with fees related to reduced travel activities.

Net value change and profit/loss from financial investments

Net income from financial investments per 31.12.20 was MNOK 203, an increase of MNOK 169 compared to the same period last year.

The value change so far this year is related to:

- Gains and value change on shares MNOK 166,
- Profit share of associated companies of MNOK 30.
- Dividend and other value changes on financial assets MNOK 7

Gains on shares mainly consist of gains related to sale of Frende Holding and Helgeland Invest of MNOK 84 and 76, while the shares in Brage Finans is recognized as income with a value change of MNOK 18 in 2020. The shares in Brage Finans are expected realized in first quarter of 2021.

For the quarter, income on financial investments amounts to MNOK 119 (6). This is mainly related to the sale of shares in Helgeland Invest AS and value change of the shares in Brage Finans AS, together with dividend recognized as income. Shares in the subsidiary company Strendene Utviklingsselskap have been written down in the parent bank by MNOK 15.

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 so far this year amounted to MNOK 462 (293), hereunder one-time costs of MNOK 146 related to Helgeland 1. As a percentage of average total assets, costs were 1.37 (0.86), while costs in relation to income were 51.2 (39.5) %.

This quarter, the operating costs were MNOK 167 (74). Exclusive the one-time costs the corresponding number is MNOK 90 (74).

The high operating costs so far this year are mainly one-time costs related to Helgeland 1. The bank has also written down rights of use assets associated to leasing and acquired properties of MNOK 4, while lower wage and administration costs reduces the operating costs. In addition, the subsidiary company Strendene Utviklingsselskap AS have written down property as a consequence of loss in earlier described trial by MNOK 20. Exclusive the one-time cost of Helgeland 1, the cost would be 35.0 % of the income. If the profit from financial investments also is held out of the calculation this key number would be 57.4 %. The bank's target for cost level is 40 % of total income.

The bank's sick leave is lower than at the same time in 2019 and was 3.1 (4.4) %.

Write-downs on lending

MNOK 51 (65) has been expensed in write-downs on loans, which as a percentage of gross lending were 0.18 (0.20). 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 22 by the end of the quarter. The write-downs are considered moderate.

In the fourth quarter, MNOK 5 (-27) have been recognized as income in losses on loans. The income accounted in write-downs on lending in the fourth quarter is mainly related to advantageous migrations in the loss model, where two large commitments have had a significant reduction in loss deduction. The bank has in the fourth quarter initiated validation of the loss model. Validation has not resulted in significant changes in the loss on loans provisions. The parent bank has in the fourth quarter written down parts of a large commitment which is included in the group as loss. This recognition is related to the subsidiary company Strendene Utviklingsselskap AS by MNOK 15.

Gross lending allocated in step 2 in the loss model has increased by MNOK 942 from the beginning of the year. This is mainly a consequence of mentioned changes in the model.

The equity certificate – HELG

By the end of the quarter, the number of EC owners amounts to 2 502. The 20 largest owners are noted with 75.0 % of the EC capital. Of this, Sparebankstiftelsen owns 35.0 %. The number of total EC's is 20 871 427. As of 31.12.20 the bank owned 1.492 of our own EC's.

By the end of the year, the price of the bank EC's was NOK 86.0 which represents an increase of NOK 2 from 31.12.19.

Balance development per 31.12.20

Total assets amount to 33.2 bn. Over the last 12 months, total assets are reduced by MNOK -861 (1 590) or -2.5 (3.3) %.

Commitments

By the end of the quarter, gross lending constituted MNOK 27 689. The 12-month lending growth was positive by MNOK 34 (-340), or 0.1 (-1.2) %. Of the group's lending 83.3 (82.0) % is lent to customers in Helgeland.

In the fourth quarter, the bank has had a lending growth of MNOK 5 (-821).

Of gross lending, MNOK 18 733, or 67.7 (67.9) % is lending to retail customers, of which MNOK 7 230 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 -40 (124), or -0.2 (0.7) %.

In the corporate market, the 12-month growth was MNOK 74 (561), or 0.8 (-5.0) %. The decline is mainly related to balance optimization in 2019.

Deposits from customers

By the end of the quarter, deposits from customers constituted MNOK 18 684. The deposits have over the last 12 months decreased by MNOK -275 (1 711), or -1.5 (9.9) %.

In fourth quarter, the deposits have increased by MNOK 91 against MNOK 462 for the corresponding period last year.

The group has stable and local depositors; 89.8 (89.0) % are deposits from customers in Helgeland. The 12-month deposit growth in the retail market was MNOK 476 (439), or 4.6 (4.4) %. Of total deposits of MNOK 18 684, MNOK 10.782, or 57.7 (54.4) % are deposits from retail customers. In the corporate market, deposits have been reduced the last 12 months by MNOK -751 (1 272) or -8.7 (17.2) %.

Decrease in deposits has resulted in lower deposit coverage, which per 31.12.20 was 67.5 (68.5) % in the group and 93.1 (96.4) % in the parent bank.

Funding

Deposits from customers are an important 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 is amounted to MNOK 9 418 (10.334), and has a satisfying allocation of duration and lending sources. By the end of the quarter, the share of loans beyond one year was

87.6 (97.3) %. Per 31.12.20, the average remaining term for debt securities was 2.58 (2.96) years. Duration in the mortgage company is slightly higher with 2.7 (3.4) years.

The bank is continually preparing for the transferral of approved mortgages to the fully owned mortgage company. The volume is reduced from MNOK 7 600 per 31.12.19 to MNOK 7 230 per 31.12.20.

The fixed maximum limit for transferring loans to Helgeland Boligkreditt AS is 35 % of gross lending and 50 % of gross lending RM. As of 31.12.20, the transfer level is 26.1 (27.5) % and 38.6 (40.6) %.

Allocation of the profit

Helgeland Sparebank has a target of an annual dividend of 50 % of the dividend basis in the parent bank, where the two groups is equally treated. The bank has a strategy of a long term and predictable dividend policy.

At determination of dividend, the bank's capital situation, hereunder future capital needs and the banks strategic plan is to be considered. The board has as a consequence of signals from authorities related to a total dividend limitation of 30 % of the net profit for the years 2019 and 2020. The limitation includes all distributions and descisions of distributions in the period.

With background in described considerations the board suggests a dividend of NOK 3.1 per EC for 2020 to the board of trustees. In addition, it is suggested to distribute MNOK 20 to societal purposes. Proposal to dividend is after the boards evaluation justifiable and within the recommendations available.

The corona crisis

The corona pandemic has had large effect on Norwegian and international economy. During fourth quarter, and into 2021 there has been more infection, partly also in Helgeland.

The pandemic has by the end of fourth quarter had limited 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 adaption to new requirements and arrangements related to the crisis.

The total effect of the corona pandemic is uncertain. As the pandemic up to now 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 year, 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 46 of a frame of MNOK 253.

Helgeland 1

Helgeland Sparebank and Sparebank 1 Nord-Norge (SNN) announced in march 2020 a future looking and strategic bank cooperation in Helgeland. Entering the Sparebank 1 alliance and the acquisition is expected to strengthen 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. Helgeland Sparebank enters the SpareBank 1-alliance from march 15th 2021.

By the end of the year, there has been expensed MNOK 146 related to IT, financial and legal advice, write-downs of IT systems and severance packages related to the project.. Of this, MNOK 77 has been expensed in the fourth quarter..

The bank has expensed significant provision related to the project. Total provisions related to the severance packages amounts to MNOK 26 by the end of the year. In addition provision of MNOK 59 related to the work concerning migration and adaption in the SpareBank 1 alliance and the associated acquisition have been recognized in 4th quarter. By the end of the year the bank has recognized all provisions of the costs that can be measured with sufficient reliability. It is expected further project costs of MNOK 50 in 2021.

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. The liquidity holding is reduced by MNOK 143 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 subsidiaries Helgeland Utvikling AS and Strendene Utviklingsselskap AS is in its entirety written down.

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 year net non-performing (>90 days) and impaired commitment constitute MNOK 316 (297) which is an increase of MNOK 19 from 31.12.19. In percentage of gross lending this amounts to 1.14 (1.07) %.

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 subsidiary companies, associated companies and product companies. The market risk associated to these share investments are considered to be moderate. The bank has realized all owner posts in associated companies in 2020.

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 5.4 (5.8) bn, or 16.4 (17.0) % of the group's total assets. The combined duration of the interest portfolio is 1.5 (1.5) years.

The bank's 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 185 (197) %.

Solidity

After proportionally consolidation, net equity and related capital amounts to MNOK 4 149, hereby fund obligations by MNOK 299 and subordinated loan by MNOK 451.

the HSB group has per 31.12.20 a CET1 capital ratio of 18.78 (16.48) % and a total capital ratio of 23.10 (20.68) %. The profit for the year and allocated dividend is included in the calculation of the capital adequacy.

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 17.0 %, and 20.5 % for total capital adequacy. The bank has in its target considered increased system risk and countercyclical buffer requirements.

Reduced balance in the so far this year and the sale of shares has resulted in increased capital adequacy.

The bank has followed the discussion of the FSA's interpretation of the rules related to funding high risk commitments, especially related to funding of investments in speculative property. By the end of the quarter, the bank has chosen to follow the interpretations emerging in the FSA's document from December 10th 2020. The bank is still not under the perception that the commitments that now is marked as funding of speculative investment in real estate necessarily has an elevated risk that suggests a risk weight of 150 %.

The group's Leverage Ratio (unweighted core capital ratio) was 10.5 (9.3) % after proportionally consolidation.

Prospects ahead

The year 2020 will enter history as a special year for the bank and the society overall. The bank has

initiated a future headed bank cooperation on Helgeland, and is now focused on first phase of Helgeland 1, where Helgeland Sparebank becomes a part of the SpareBank 1 alliance. Parallel of this has an ongoing pandemic with its challenges affected large parts of the society. For Helgeland Sparebank and Helgeland, the future prospects are still positive. Low unemployment, large public and private projects, together with increasing housing prices and stable turnover numbers, is factors that substantiates this. Helgeland Sparebank sees no special relations that suggests that this development will change significantly in 2021.

After the board's evaluation, the deal around the groups entrance in SpareBank 1 alliance and the bank cooperation in Helgeland the most important happening for the bank this year. The associated transactions will affect the operations, and increase the costs in 2021. This results in that the groups long-term profitability targets cannot be expected to be fulfilled for a period. In a longer perspective, the profitability is expected to strengthen. The group has a long-term profitability target on level with comparable banks of 11 % after tax from 2023. At the end of the year, the bank has recognized the costs that can be measured with sufficient reliability in relation to the project. It is expected further project costs of MNOK 50 in 2021. The acquisition related to Helgeland 1 will be completed in October 2021. The acquisition will result in changes in the bank's balance and profit and loss account, and will effect several of the key numbers from 4th quarter 2021.

The net interest is expected to stabilize in current level in the coming quarters. The bank experiences strong competition on price, which can lead to further price adaption, and slightly lower net interest.

Overall, the level of commission income is satisfying. Established measures and an aggressive sales organization provide the basis for expecting this level to be stable in 2020. As a consequence of entering the SpareBank 1 alliance, the bank will change product suppliers in 2021. It is not expected to provide significant changes in the commission income.

The cost level will naturally be affected by Helgeland 1. Operating costs for the basic operation is expected to maintain relative stable but slightly over target of 40 percent of total income. This is basically related to increased costs in a transition phase after entering the SpareBank 1 alliance and the acquisition.

The bank has earlier guided the market on an expectation of normalized losses of around 0.20 % of gross lending. The level of expectation is also maintained for 2021. It is still an underlying uncertainty regarding future losses considering Covid-19, but the bank has relatively little exposure

against especially affected industries within oil, tourism, hotel and restaurant business.

On the retail market, in near future, the board expect a relative weak market growth. The groups growth ambitions suggest a lending growth minimum equivalent to the market on Helgeland, but the board will still prioritize profitability over growth.

Helgeland Sparebank looks forward to entering the SpareBank 1 alliance in first quarter of 2021. The board expect that the measures now initiating, will strengthen the group's position as a profitable and forward looking local bank, and also further contribute to that Helgeland Sparebank will represent a drivingforce for growth in Helgeland.

Mosjøen, February 3rd 2021

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

Birgitte Lorentzen
Employee representative

Geir Pedersen
Employee representative

Hanne Nordgaard
CEO

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PROFIT AND LOSS ACCOUNT (amounts in NOK million)

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
248	171	904	776	Interest income and similar income (note 2.1)	966	1 121	208	308
102	40	365	252	Interest payable and similar costs	348	504	53	143
6	5	15	20	Hedge fund fees	20	15	5	6
140	126	524	504	Net interest- and credit commission income	598	602	150	159
34	29	114	108	Commissions receivable and income from banking services	108	114	29	34
4	3	14	11	Commissions payable and costs relating to banking services	11	14	3	4
30	26	100	97	Net commission income	97	100	26	30
16	8	70	58	Dividend	7	16	7	16
9	0	21	30	Net profit from associates	30	21	0	9
-7	96	-4	150	Net profit from other financial investments	166	-3	112	-6
18	104	87	238	Gains/losses on financial assets available for sale (note 3)	203	34	119	19
2	2	9	9	Other operating income	5	5	2	2
72	146	286	436	Operating costs (note 4)	462	293	167	74
27	10	64	67	Losses on loans, guarantees etc. (note 10)	51	65	-5	27
91	103	370	346	Gross profit	390	384	135	110
13	-2	66	27	Tax payable on ordinary result	50	79	5	15
78	105	304	319	Net profit	340	305	130	95
		10.7	11.2	Yield per equity capital certificate (note 5)	12.0	10.7		
		10.7	11.2	Diluted result per ECC in Norwegian currency (note 5)	12.0	10.7		
Extended Income Statement								
78	105	304	319	Net profit	340	305	130	95
				Items that will not be reclassified through profit or loss				
-2	-1	-2	-1	Recognized deviations in pensions	-1	-2	-1	-2
				Items that are subsequently reversed through profit or loss:				
0	0	0	0	Estimate variances, pensions will not be reversed over the income statement later	0	0	0	0
0	0	0	0	Tax on extended profit	0	0	0	0
-2	-1	-2	-1	Net extended profit or loss items	-1	-2	-1	-2
76	104	302	318	Total profit of the period	339	303	129	93

BALANCE SHEET (amounts in NOK million)

Parent bank			Group	
31.12.19	31.12.20		31.12.20	31.12.19
		ASSETS		
88	76	Cash and claims on central banks	76	88
1 432	1 531	Loans to and claims on credit institutions	619	750
19 778	20 210	Loans to and claims on customers (note 7,8,9,10)	27 398	27 320
16	54	Financial derivatives (note 16)	67	15
5 314	4 849	Certificates, bonds and shares	4 870	5 283
379	0	Investments in associated companies (note 12)	0	379
604	590	Investments in subsidiaries (note 12)	0	0
8	26	Deferred tax benefit	26	12
75	47	Fixed assets (note 13)	118	173
66	61	Other assets (note 13.1)	33	48
27 760	27 444	Total assets	33 207	34 068
		LIABILITIES AND EQUITY CAPITAL		
553	550	Liabilities to credit institutions	551	554
19 391	19 101	Deposits from customers and liabilities to customers (note 17,18)	18 684	18 959
3 669	3 318	Borrowings through the issuance of securities (note 15)	9 418	10 334
18	39	Financial derivatives (note 16)	39	25
184	254	Other liabilities (note 13.1)	245	179
452	451	Subordinated loan capital	451	452
24 266	23 713	Total liabilities	29 388	30 503
		Equity capital		
208	209	Equity share capital (note 5,6,20)	209	208
971	971	Premium Fund	971	971
822	878	Cohesion Fund	878	822
2 001	2 058	Total equity share capital	2 058	2 001
590	607	Primary capital	607	590
53	22	Gift fund	22	53
643	629	Total primary capital	629	643
439	439	Unrealized gains reserve	439	439
299	299	Hybrid Capital (Note 1,17)	299	299
112	306	Other equity capital	391	181
3 494	3 731	Total equity capital exclusive minority interest	3 816	3 563
		Non-controlling interest	3	2
3 494	3 731	Total equity capital	3 819	3 565
27 760	27 444	Total liabilities and equity capital	33 207	34 068

Conditional liabilities off balance sheet (note 11)

CHANGE IN EQUITY

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
Equity as at 01.01.19	209	971	-2	299	440	557	27	6	709	104	2	3 322
Profit				13	-3	35	21	14	112	112		305
OCI						-2						-2
Total profit	0	0	0	13	-3	33	21	14	112	112	0	302
Paid interest FO				-13								-13
Gifts							-8	-6				-13
Other changes					2					-2		0
Transactions with owners			1									1
Dividend paid/interests										-33		0
Equity 31.12.19	209	971	-1	299	439	590	39	14	822	181	2	3 565
Paid-in/accrued equity/retained earnings			1 178								2 387	3 565

31.12.20

	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
Equity as at 01.01.20	209	971	-1	299	439	590	39	14	822	181	2	3 565
Result for the period				12						326	1	339
Extended profit or loss items												0
Total ext. profit or loss	0	0	0	12	0	0	0	0	0	326	1	339
Paid interest FO				-12								-12
Gift fund							-7					-7
Other changes										-2		-2
Transactions with owners			1									1
Change in allocation of profit 2019						17	-10	-7	56	-56		0
Dividend paid/interests								-7		-56		-63
Equity 31.12.20	209	971	0	299	439	607	22	0	878	391	3	3 819
Paid-in/accrued equity/retained earnings			1 179								2 639	3 819

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	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

31.12.20

	ECC capital	Premium fund	Own ECCs	Result for valuation	Result for valuation variance	Savings bank's fund	Donation fund	Char. found.	Divid. Equal	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				12						306	318
Extended profit or loss items											0
Total ext. profit or loss	0	0	0	12	0	0	0	0	0	306	318
Paid interest FO				-12							-12
Gift fund							-7				-7
Transactions with owners			1								1
Change in allocation of profit 2019						17	-10	-7	56	-56	-1
Dividend paid/interests								-7		-56	-63
Equity capital 31.12.20	209	971	0	299	439	607	22	0	878	306	3 731
Paid-in/accrued equity/retained earnings			1 180							2 551	3 731

CASH FLOW STATEMENT

<i>Parent bank</i>			<i>Group</i>	
31.12.19	31.12.20		31.12.20	31.12.19
559	-404	Change in lending to customers	-33	340
801	697	Interest income lending to customers	904	1 037
1 673	-290	Change deposits from customers	-275	1 711
-242	-170	Interest cost deposit from customers	-156	-239
300	3	Change in receivables and liabilities to credit institutions	3	300
	-9	interest on receivables and liabilities to credit institutions	-4	
-1 157	293	Change certificates and bonds	163	-1 136
74	61	Interest income certificates and bonds	61	74
100	97	Comission income	97	100
-272	-323	Payments relating to operations	-321	-273
-61	-53	Paid tax	-61	-76
-15	-66	Other cutoffs	-36	8
1 760	-164	A Net liquidity change from operating activities	342	1 846
-48	-21	Investment in long-term securities	-21	-88
0	0	Income sale of long-term securities	0	0
-21	0	Long-term investments in shares	0	-21
1	715	Payment from sales long-term investments in shares	715	1
70	96	Dividend from long-term investments in shares	45	23
2	790	B Net liquidity change from investments	739	-85
2 563	679	New borrowing through issuance of securities	699	6 308
-3907	-1 079	Repayments - issued securities	-1 676	-7454
-104	-61	Interest payments borrowing through issuance of securities	-169	-274
-13	-15	Interest payments on subordinated debt	-15	-13
	-7	payment gift fund	-7	
-33	-56	dividend to share owners	-56	-33
-1 494	-539	C Net liquidity change financing	-1 224	-1 466
268	87	A+B+C Net liquidity change in the period	-143	295
1 252	1 520	Liquid funds at the start of the period	838	543
1 520	1 607	Liquid funds at the end of the period	695	838
		Liquid funds specified		
88	76	Cash and balances with central banks	76	88
1 432	1 531	Balances with credit institutions without notice periods	619	750
1 520	1 607	Liquid funds	695	838

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			
31.12.20					31.12.20			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
207	295	2	504	Net interest and credit commission income	314	298	-14	598
19	13	65	97	Net commission income	19	13	65	97
		248	248	Other operating income			208	208
96	57	283	436	Operating costs	99	57	306	462
4	63		67	Losses on loans guaranteed	3	48		51
126	188	32	346	Gross profit	231	206	-47	390
11 653	8 862		20 515	Loans to and claims on customers	18 733	8 956		27 689
-21	-283		-304	Provision of loss	-22	-269		-291
		7 233	7 233	Other assets			5 809	5 809
11 632	8 579	7 233	27 444	Total assets per segment	18 711	8 687	5 809	33 207
10 781	8 320		19 101	Deposits from customers and liabilities	10 782	7 902		18 684
	4		4	Provisions of loss, unutilized deductions and guarantees		4		4
		8 339	8 339	Other liabilities and equity			14 519	14 519
10 781	8 324	8 339	27 444	Total liabilities and equity per segment	10 782	7 906	14 519	33 207

Parent bank					Group			
31.12.19					31.12.19			
Retail	Corp.	Unallocated	Total	Segment information	Retail	Corp.	Unallocated	Total
203	299	23	525	Net interest and credit commission income	294	301	7	602
20	11	69	100	Net commission income	20	11	69	100
		95	95	Other operating income			39	39
69	40	177	286	Operating costs	72	43	177	292
1	63		64	Losses on loans guaranteed	2	63		65
153	207	10	370	Gross profit	240	206	-62	384
11 367	8 743		20 110	Loans to and claims on customers	18 773	8 882		27 655
-21	-311		-332	Provision of loss	-23	-311		-334
		7 982	7 982	Other assets			6 747	6 747
11 346	8 432	7 982	27 760	Total assets per segment	18 750	8 571	6 747	34 068
10 306	9 085		19 391	Deposits from customers and liabilities	10 306	8 653		18 959
	4		4	Provisions of loss, unutilized deductions and guarantees		4		4
		8 365	8 365	Other liabilities and equity			15 105	15 105
10 306	9 089	8 365	27 760	Total liabilities and equity per segment	10 306	8 657	15 105	34 068

NOTE 2.1 NET INTEREST

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
8	4	25	18	Interest from financial instruments at amortized cost	4	9	0	3
120	91	450	386	Interest from credit institutions	859	999	188	263
128	95	475	404	Interest receivable on loans	863	1 008	188	266
				Total interest from financial instruments at amortized cost				
				Interest from financial instruments valued to fair value over net profit				
10	11	35	42	Interest from bearer bonds and certificates	42	35	11	19
23	9	78	61	Interest receivable on loans (fair value loans)	61	78	9	23
33	20	113	103	Total interest from financial instruments valued to fair value over net profit	103	113	20	42
				Interest from financial instruments valued to fair value OCI				
87	56	316	269	Interest receivable on loans (loans who can transfer to the bank's mortgage company)	0	0	0	0
87	56	316	269	Total interest from financial instruments valued to fair value OCI	0	0	0	0
248	171	904	776	Total interest income	966	1 121	208	308

NOTE 2.2 NETTO PROVISJONSINTEKTER

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
21	20	73	71	Commissions and income from banking services	71	73	20	21
11	7	33	30	Fees relating to payments transmission services	30	33	7	11
2	2	8	7	Fees insurance (general, life, saving and pension)	7	8	2	2
34	29	114	108	Guarantee commission	108	114	29	34
				Total commissions and income from banking services				
				Commissions payable and costs relating to banking services				
4	3	14	11	Payments transmission services	11	14	3	4
				Fees - customers use of payment terminals				
				Other fees				
4	3	14	11	Total commissions and income from banking services	11	14	3	4
30	26	100	97	Net commission income	97	100	26	30

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			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
0	-5	0	5	Value change in interest-bearing securities	5	0	-5	0
-4	2	-3	2	Net gain/loss in interest-bearing securities	2	-3	2	-4
-5	89	3	150	Net gain/loss shares	165	3	104	1
16	8	67	58	Share dividend	7	16	7	16
8	0	20	30	Income from affiliated company	30	20	0	8
3	10	0	-7	Value change on funding and derivatives	-6	-2	11	-2
18	104	87	238	Total value change financial instruments	203	34	119	19

NOTE 4. SPECIFICATION OF TOTAL OPERATING COSTS

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
33	35	138	140	Wages, salaries and social costs	140	138	35	33.5
24	19	93	87	General administration costs	87	93	19	24
5	8	14	31	Depreciation etc of fixed- and intangible assets	57	20	29	6
10	84	41	178	Other operating costs	178	42	84	10
72	146	286	436	Total operating costs	462	293	167	74

NOTE 5. LOSSES ON LOANS GUARANTEES, ETC

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
0	1	-3	0	Period's change in write-downs step 1	0	-3	1	0
4	-15	7	-10	Period's change in write-downs step 1	-10	8	-14	3
-10	-9	-51	-5	Period's change in write-downs step 1	-5	-52	-9	-11
29	34	109	86	+ Period's confirmed loss	70	109	18	30
5	-1	3	-4	- Period's recoveries from previous periods' conf.losses	-4	3	-1	5
28	10	65	67	Total losses on loans, guarantees etc.	51	65	-5	27

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	31.12.20			31.12.20	31.12.19
304	319	Net profit		340	305
-13	-12	Interest fund bond		-12	-13
291	307	Profit (excl. Interest fund bond)		328	292
76.4 %	76.4 %	ECC percentage		76.4 %	76.4 %
10.7	11.2	Yield per equity capital certificate		12.0	10.7
10.7	11.2	Diluted result per ECC in Norwegian currency		12.0	10.7
				Morbank	
				31.12.20	31.12.19
Net profit				319	304
Interest fund bond				-12	-13
Transferred reserve for valuation variances				401	3
Basis dividend				708	294

NOTE 7. GEOGRAPHICAL EXPOSURE WITHIN THE LOAN PORTFOLIO

Parent bank					Group			
31.12.19	%	31.12.20	%		31.12.20	%	31.12.19	%
16 857	83.8 %	17 581	85.7 %	Helgeland	23 072	83.3	22 689	82.0 %
3 219	16.0 %	2 898	14.1 %	Areas other than Helgeland	4 571	16.5	4 920	17.8 %
34	0.2 %	35	0.2 %	International	46	0.2	46	0.2 %
20 110	100.0 %	20 514	100.0 %	Total	27 689	100	27 655	100.0 %

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 amounted to a model write-down of MNOK 25 on the time of change. The effects the changes has on the provision on losses on loans is by the end of the year MNOK 22.

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.

31.12.20

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	0	-	-	-	-	-	0
Insurance and finance	1	-	-0	-	-	-	1
Agriculture and forestry	1 371	-	-1	-8	-12	15	1 364
Fisheries and aquaculture	1 324	-	-1	-4	-0	-	1 318
Mining and industry	433	-	-0	-1	-3	-	429
Building and construction	1 112	-	-2	-4	-131	5	980
Trade, hotel, restaurants.	376	-	-0	-2	-0	4	377
Transport and services	1 358	-	-2	-11	-21	23	1 347
Property, property development	2 914	-	-5	-25	-41	21	2 865
Total corporate market	8 888	0	-12	-54	-208	68	8 682
Retail market	17 269	0	-1	-7	-14	1 464	18 710
Total	26 157	0	-13	-61	-222	1 532	27 393
Expected loss unutilized credit and guarantees RM			-	-	-		
Expected loss unutilized credit and guarantees CM			-1	-3	-		

31.12.19

Lending to amortized cost and fair value (OCI)

	Gross lending		Loss deductions			Gross lending	Net lending
	Amortized cost	Step 1	Step 1	Step 2	Step 3	Fair value over profit	Total
Municipalities and municipal enterp.	57	0	0	0	0	0	57
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1 431	0	-1	-7	-9	17	1 431
Fisheries and aquaculture	799	0	0	0	0	0	799
Mining and industry	429	0	0	0	-9	0	419
Building and construction	1 148	0	-2	-18	-111	15	1 031
Trade, hotel, restaurants.	414	0	0	-2	-1	0	411
Transport and services	1 548	0	-3	-5	-51	9	1 498
Property, property development	2 995	0	-3	-30	-59	19	2 923
Total corporate market	8 823	0	-10	-62	-240	59	8 570
Retail market	17 326	0	-2	-7	-14	1 447	18 751
Total	26 149	0	-13	-69	-253	1 506	27 320
Expected loss unutilized credit and guarantees RM			-0	-0			
Expected loss unutilized credit and guarantees CM			-1	-2			

31.12.20

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
Insurance and finance	1	-	-0	-	-	-	1
Agriculture and forestry	1 218	133	-1	-8	-12	15	1 344
Fisheries and aquaculture	1 302	13	-1	-4	-0	-	1 309
Mining and industry	416	14	-0	-1	-3	-	426
Building and construction	1 057	29	-2	-4	-131	14	964
Trade, hotel, restaurants.	352	19	-0	-2	-0	4	372
Transport and services	1 185	89	-2	-12	-21	27	1 265
Property, property development	2 828	136	-5	-22	-54	10	2 892
Total corporate market	8 360	431	-12	-53	-222	70	8 574
Retail market	431	9 760	-1	-6	-14	1 462	11 632
Total	8 790	10 191	-13	-59	-236	1 532	20 205
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-1	-3	0		

31.12.19

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.	57	0	0	0	0	0	57
Insurance and finance	1	0	0	0	0	0	1
Agriculture and forestry	1 278	132	-1	-7	-9	17	1 410
Fisheries and aquaculture	778	15	0	0	0	0	792
Mining and industry	411	12	0	0	-9	0	413
Building and construction	1 098	28	-2	-18	-110	15	1 009
Trade, hotel, restaurants.	392	15	0	-2	-1	0	403
Transport and services	1 375	95	-3	-5	-51	9	1 420
Property, property development	2 839	159	-5	-29	-60	19	2 923
Total corporate market	8 229	454	-12	-61	-240	59	8 430
Retail market	505	9 415	-1	-5	-15	1 447	11 346
Total	8 734	9 869	-13	-67	-253	1 506	19 778
Expected loss unutilized credit and guarantees RM			0	0	0		
Expected loss unutilized credit and guarantees CM			-1	-2	0		

NOTE 9. NET NON-PERFORMING AND IMPAIRED COMMITMENT

Parent bank

Group

31.12.19	31.12.20		31.12.20	31.12.19
289	321	Default commitments over 90 days	321	289
-122	-163	Step 3 write-downs	-163	-122
167	158	Total net loans, guarantees etc. in default	158	167
261	252	Other non-performing and impaired commitments and guara., not in default ¹⁴	218	261
-131	-73	Step 3 write-downs	-60	-131
130	179	Total non-performing and impaired commitments and guara., not in default	158	130
297	337	Total non-performing and impaired commitments and guara¹⁵	316	297
1.48 %	1.64 %	In % of total loans	1.14 %	1.07 %

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 31.12.20
Gross lending	With expected loss over 12 months	With expected loss over the instruments life	With expected loss over the instruments life time	Total
Gross lending pr. 01.01.20	20 827	4 764	550	26 141
New loans / credits / guarantees	5 894	1 111	60	7 065
Transfers from step 1 to step 2	-2 427	2 396		-31
Transfers from step 1 to step 3	-31		29	-2
Transfers from step 2 to step 3		-89	86	-3
Transfers from step 3 to step 2		17	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	914	-985		-71
Reduced portfolio	-4 583	-1 334	-159	-6 076
Other adjustments	-685	-174	-6	-865
Gross lending pr. 31.12.20	19 912	5 706	539	26 157
IB unused drafts, guarantees etc.	2 570	190	23	2 782
UB unused drafts, guarantees etc.	2 271	280	36	2 588

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

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

	Step 1	Step 2	Step 3	Group 31.12.19
Gross lending	With expected loss over 12 months	With expected loss over the instruments life	With expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	22 813	3 338	638	26 789
New loans / credits / guarantees	6 015	1 369	11	7 395
Transfers from step 1 to step 2	-1 936	1 865		-71
Transfers from step 1 to step 3	-38		47	9
Transfers from step 2 to step 3		-156	158	2
Transfers from step 3 to step 2		6	-6	0
Transfers from step 3 to step 3	23		-24	-1
Transfers from step 2 to step 1	1 037	-1 082		-45
Reduced portfolio	-5 488	-1 180	-290	-6 958
Other adjustments	-1 598	603	16	-980
Gross lending pr. 31.12.19	20 827	4 764	550	26 141
IB unused drafts, guarantees etc.	2 693	299	15	3 007
UB unused drafts, guarantees etc.	2 570	190	23	2 782

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

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

	<i>Parent bank</i>			
	Step 1	Step 2	Step 3	31.12.20
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.20	14 211	3 835	550	18 596
New loans / credits / guarantees	4 918	956	62	5 936
Transfers from step 1 to step 2	-1 948	1 933		-15
Transfers from step 1 to step 3	-64		62	-2
Transfers from step 2 to step 3		-88	85	-3
				0
Transfers from step 3 to step 2		17	-17	-1
Transfers from step 3 to step 3	3		-4	0
Transfers from step 2 to step 1	705	-770		-64
Reduced portfolio	-3 556	-1 117	-159	-4 832
				0
Other adjustments	-469	-158	-6	-633
Gross lending pr. 31.12.20	13 800	4 608	573	18 982
IB unused drafts, guarantees etc.	2 060	185	23	2 267
UB unused drafts, guarantees etc.	1 909	278	36	2 223

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

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

	<i>Parent bank</i>			
	Step 1	Step 2	Step 3	31.12.19
Gross lending	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Gross lending pr. 01.01.19	15 771	3 054	638	19 463
New loans / credits / guarantees	4 836	1 206	18	6 060
Transfers from step 1 to step 2	-1 514	1 452		-62
Transfers from step 1 to step 3	-35		44	9
Transfers from step 2 to step 3		-151	153	2
Transfers from step 3 to step 2		6	-6	0
Transfers from step 3 to step 3	22		-23	-1
Transfers from step 2 to step 1	754	-787		-33
Reduced portfolio	-4 768	-1 061	-291	-6 120
				0
Other adjustments	-853	116	15	-721
Gross lending pr. 31.12.19	14 213	3 834	550	18 596
IB unused drafts, guarantees etc.	2 228	290	15	2 533
UB unused drafts, guarantees etc.	2 060	185	23	2 267

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

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

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

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

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

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

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

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

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

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

NOTE 11. CONTINGENT OFF BALANCE SHEET COMMITMENTS

Parent bank		Group	
31.12.19	31.12.20	31.12.20	31.12.19
1 852	1 822	2 187	2 367
415	401	401	415
818	588		
3 085	2 811	2 588	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	
				31.12.20	31.12.19
ANS Bankbygg Mo	49.0		99.0 %	47	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	0
Strendene Utviklingsseelskap AS	15.03	300	100 %	0	15
Storgata 73 AS	0.1	140	57 %	1	1
Total investment in AC				590	604

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.

Parent bank and group						
31.12.20						
Balance 30.09.20 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Equity	
Helgeland Invest AS		99	635	0	0	734
REDE Eiendomsmegling AS		69	2	60	0	11
Total		168	637	60	0	745
The bank's share						
Helgeland Invest AS	0.0 %	0	0	0	0	0
REDE AS	0.0 %	0	0	0	0	0
Total		0	0	0	0	0

Parent bank and group						
31.12.19						
Balance 100 % ownership	Fixed assets	Current Assets	Current liabilities	Long term debt	Equity	
Helgeland Invest AS		118	636	0	0	754
REDE Eiendomsmegling AS		77	25	63	1	37.9
Total		195	661	63	1	792
The bank's share						
Helgeland Invest AS	48.3 %	57	307	0	0	364
REDE AS	40.0 %	31	10	25	0	15
Total		88	317	25	1	379

Financial information Associated companies, balance values

			<i>Parent bank and group</i>	
Change in the bank's ownership in HI			31.12.20	31.12.19
Opening balance			364	367
Dividends			-39	-24
Result HI			30	20
Sale of shares			-355	0
Closing balance			0	364

			<i>Parent bank and group</i>	
Change in the bank's ownership in REDE			31.12.20	31.12.19
Opening balance			15	14
Result REDE			0	1
Adjusted value			-12	0
Sale of shares			-3	0
Closing balance			0	15
Total			0	379

Financial information Associated companies, profit/loss posts

						<i>Parent bank and group</i>	
						31.12.20	
		Revenue	Finance cost	Other income	Operating cost	Net	
Result 100% ownership						profit	
Helgeland Invest AS		22	0	44	4	62	
REDE Eiendomsmegling AS		24	1	0	23	0	
Total		46	1	44	27	62	
Result bank's share							
Helgeland Invest AS	48.3 %	11	0	21	2	30	
REDE Eiendomsmegling AS	40.0 %	10	0	0	9	0	
Total		20	0	21	11	30	

						<i>Parent bank and group</i>	
						31.12.19	
		Revenue	Finance cost	Other income	Operating cost	Net	
Result 100% ownership						profit	
Helgeland Invest AS		47	0	0	6	41	
REDE Eiendomsmegling AS		42	0	1	39	3	
Total		89	0	1	45	44	
Result bank's share							
Helgeland Invest AS	48.3 %	23	0	0	3	20	
REDE Eiendomsmegling AS	40.0 %	17	0	0	16	1	
Total		40	0	0	18	21	

NOTE 13. OPERATING FUNDS

<i>Parent bank</i>			<i>Group</i>	
31.12.19	31.12.20		31.12.20	31.12.19
75	47	Operating funds	118	173
75	47	Total operating funds	118	173

NOTE 13.1 LEASES

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	31.12.20		31.12.20	31.12.19
Assets				
46	34	Rights of use 01.01	14	19
0	23	Value adjustment	5	0
-12	-12	Impairment	-2	-5
34	45	Rights of use OB	16	14
Liabilities				
46	34	Lease obligations 01.01	14	19
0	22	Value adjustment	5	0
-12	-12	Repayment	-2	-5
1	2	Interest	1	0
34	46	Leas obligations OB	17	14

The profit effects so far this year for the Group represent a depreciation and write-down of NOK 2 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 31.12.20 constitute a total of MNOK 7 230. Covered bonds in the housing mortgage company constitute MNOK 6 180 where MNOK 80 (0) is owned by Helgeland Sparebank. Credit line of NOK 1.5bn is drawn with MNOK 912. 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 4.2 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 30.09.20 were MNOK 1 550 (1 434) 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 -5 (-6) per 30.09.20.

Parent bank			Assets and liabilities measured at fair value			Group		
31.12.20						31.12.20		
Level 1	Level 2	Level 3	Assets and liabilities measured at fair value	Level 1	Level 2	Level 3		
Financial assets at fair value through profit								
0	0	1 559	- Loans to and claims on customers at fair value	0	0	1 559		
0	4 642	207	- Certificates, bonds and equities at fair value	0	4 663	207		
Financial assets available for sale								
0	0	10 191	- Mortgages	0	0	0		
0	54	0	- Financial derivatives	0	67	0		
0	4 696	11 957	Total assets	0	4 730	1 766		
LIABILITIES								
Financial liabilities at fair value through profit								
0	39	0	- Debt issuance of securities	0	39	0		
0	39	0	Total liabilities	0	39	0		
Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total		
379	11 375	11 754	Opening balance	379	1 506	1 885		
-276	-655	-931	Payment loan/sale of shares	-276	-234	-510		
0	993	993	New loans	0	251	251		
104	37	141	Value change	104	36	140		
207	11 750	11 957	Financial instruments valued on Level 3	207	1 559	1 766		

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		
Financial assets at fair value through profit								
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		
Financial assets available for sale								
0	0	9 869	- Mortgages	0	0	0		
0	16	0	- Financial derivatives	0	15	0		
0	4 951	11 754	Total assets	0	4 920	1 885		
LIABILITIES								
Financial liabilities at fair value through profit								
0	18	0	- Financial derivatives	0	25	0		
0	18	0	Total liabilities	0	25	0		
Shares	Loans	Total	Changes in instruments classified in Level 3	Shares	Loans	Total		
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		
379	11 375	11 754	Financial instruments valued on Level 3	379	1 506	1 885		

NOTE 16. FINANCIAL DERIVATIVES

<i>Parent bank</i>				<i>Group</i>		
31.12.20				31.12.20		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commitments		Total	Assets	Commitments
1 334	54	0	Interest rate swaps- fixed interest rate loans	1 334	67	0
55	0	0	Interest rate swaps- bank deposits with share Yield	55	0	0
1 389	54	0	Total financial derivatives	1 389	67	0
1 600	0	39	Interest rate swaps – fixed interest rate with hedging	1 900		39
1 600	0	39	Total financial derivatives with hedging	1 900	0	39

Net presentation of financial assets and liabilities

<i>Parent bank</i>				<i>Group</i>		
31.12.19				31.12.19		
Nominal value		Market value		Nominal value		Market value
Total	Assets	Commitments		Total	Assets	Commitments
1 260	16	0	Interest rate swaps- fixed interest rate loans	1 260	16	0
75	0	0	Interest rate swaps- bank deposits with share Yield	75	0	0
1 335	16	0	Total financial derivatives	1 335	16	0
2 162	0	18	Interest rate swaps – fixed interest rate with hedging	2 462	0	25
2 162	0	18	Total financial derivatives with hedging	2 462	0	25

<i>Group</i>					
31.12.20					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	67	0	67		67
Derivatives carried as liabilities	39	0	39		0
<i>Group</i>					
31.12.19					
	Gross financial assets	Financial assets that are recognized net	Net financial assets in the balance sheet	Financial instruments	Net
Derivatives carried as assets	16	0	16	-16	0
Derivatives carried as liabilities	18	0	25	-16	9

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>	
31.12.19	31.12.20	(MNOK)	31.12.20	31.12.19
3 665	3 265	Bonds, nominal value	9 349	10 325
-24	33	Value adjustments	45	-32
28	20	Accrued interest	24	41
3 669	3 318	Total securities	9 418	10 334

Change in securities issued				<i>Group</i>
	31.12.19 Issued	Matured/redeemed	Other change	31.12.20
Bonds, nominal value	10 325	699	-1 676	1
Value adjustments	-32		77	45
Accrued interest	41		-17	24
Total	10 334	699	-1 676	61

Change in subordinated debt				<i>parent bank</i>
	31.12.19 Issued	Matured/redeemed	Other change	31.12.20
Bonds, nominal value	3 665	679	-1 079	0
Value adjustments	-24		57	33
Accrued interest	28		-8	20
Total	3 669	679	-1 079	49

Change in securities issued				<i>Group/Parent bank</i>
	31.12.19 Issued	Matured/redeemed	Other change	31.12.20
equity and related capital, nominal value	451			451
Value adjustments	-1			-1
Accrued interest	2		-1	1
Total	452	-	-	-1

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

Accounted value		<i>Group</i>
	31.12.20	31.12.19
Bonds, amortized cost	7 500	7 948
Bonds, hedging	1 918	2 386
Total debt securities	9 418	10 334

Accounted value		<i>Parent bank</i>
	31.12.20	31.12.19
Bonds, amortized cost	1 715	1 577
Bonds, hedging	1 603	2 092
Total debt securities	3 318	3 669

NOTE 18. GEOGRAPHICAL EXPOSURE DEPOSITS FROM AND LIABILITIES TO CUSTOMERS

<i>Parent bank</i>						<i>Group</i>		
%	31.12.19	%	31.12.20		31.12.20	%	31.12.19	%
88.6 %	17 187	90.0 %	17 185	Helgeland	16 787	89.8 %	16 867	89.0 %
10.6 %	2 062	9.2 %	1 765	Areas other than Helgeland	1 755	9.4 %	1 955	10.3 %
0.7 %	142	0.8 %	151	International	142	0.8 %	137	0.7 %
100 %	19 391	100 %	19 101	Total	18 684	100 %	18 959	100 %

NOTE 19. DEPOSITS FROM CUSTOMERS SPLIT BY SECTOR/INDUSTRY

<i>Parent bank</i>					<i>Group</i>			
%	31.12.19	%	31.12.20		31.12.20	%	31.12.19	%
3.9 %	749	3.3 %	629	Financial institutions	246	1.3 %	349	1.8 %
11.3 %	2 192	13.5 %	2 579	Municipalities and municipal ente	2 579	13.8 %	2 192	11.6 %
1.9 %	361	2.0 %	373	Agriculture and forestry	373	2.0 %	361	1.9 %
5.9 %	1 138	2.3 %	441	Fisheries and aquaculture	441	2.4 %	1 138	6.0 %
1.1 %	221	1.2 %	228	Mining and industry	228	1.2 %	221	1.2 %
3.1 %	599	3.4 %	651	Building and construction	651	3.5 %	599	3.2 %
2.4 %	474	2.6 %	489	Trade, hotel, restaurants.	489	2.6 %	474	2.5 %
10.5 %	2 028	10.5 %	1 999	Transport and services	1 999	10.7 %	2 028	10.7 %
6.8 %	1 323	4.9 %	931	Property, property development	896	4.8 %	1 291	6.8 %
46.9 %	9 085	43.6 %	8 320	Total corporate market	7 902	42.3 %	8 653	45.6 %
53.1 %	10 306	56.4 %	10 781	Retail market	10 782	57.7 %	10 306	54.4 %
100 %	19 391	100 %	19 101	Total	18 684	100 %	18 959	100 %

NOTE 20. EQUITY CERTIFICATE CAPITAL HELG

			<i>Morbank</i>		
Per 31.12.20	Number	% share	Number	% share	
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	VPF Nordea Avkastning	240 370	1.2 %
Pareto AS	1 948 414	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	994 471	4.8 %	Melum Mølle AS	177 000	0.8 %
Lamholmen Invest AS	464 491	2.2 %	Melesio Invest AS	153 147	0.7 %
Bergen Kommunale Pensjon.	462 650	2.2 %	Vigner Olaisen AS	144 653	0.7 %
U.S Bank National Association	384 273	1.8 %	Nima Invest AS	126 063	0.6 %
MP Pensjon PK	379 203	1.8 %	VPF Nordea Norge Pluss	123 527	0.6 %
Helgeland Kraft AS	377 691	1.8 %	Nervik Steffen	120 000	0.6 %
Catilina Invest AS	314 046	1.5 %	Merrill Lynch Prof.	108 156	0.5 %
Total 10 largest owners	14 048 246	67.3 %	Total 20 largest owners	15 661 156	75.0 %

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	31.12.20		31.12.20	31.12.19
209	209	ECC-capital	209	209
971	971	Premium Fund	971	971
-1	0	Own ECCs	0	-1
299	299	Hybrid capital (CB)	299	299
1 478	1 479	Total paid-in capital	1 479	1 478
590	607	Savings Bank's fund	607	590
439	439	Reserve for unrealized gains	439	439
53	22	Donations Fund	22	53
822	878	Dividend equalisation reserve	878	822
112	0	Cash dividend	0	112
0	306	Other equity capital	394	69
2 017	2 252	Total accrued equity capital	2 340	2 085
3 494	3 731	Total equity capital	3 819	3 563
-299	-299	Hybrid capital (CB)	-299	-299
-90	0	Shares in financial institutions	0	-84
-195	-128	Cash dividend /gifts employee	-131	-194
2 910	3 304	Total core tier one	3 389	2 987
-17	0	Shares in financial institutions	0	-16
0	0	Other	0	0
299	299	Hybrid capital (CB)	299	299
3 192	3 603	Total core capital	3 688	3 271
452	451	Subordinatet dept	451	452
0	0	Shares in financial institutions	0	0
0	0	Other	0	0
452	451	Total net supplementary capital	451	452
3 644	4 054	Total net equity and related capital	4 139	3 723
16 201	16 023	Weight assets calculation basis *)	17 229	17 893
17.97 %	20.62 %	Core tier one Capital ratio in%	19.67 %	16.69 %
19.71 %	22.49 %	Core capital ratio in%	21.41 %	18.28 %
22.50 %	25.30 %	Total Capital ratio in%	24.02 %	20.81 %
		Total core tier one including cooperative group	3 400	3 087
		Total core capital including cooperative group	3 714	3 400
		Total net equity and related capital including cooperative group	4 184	3 872
		Weight assets calculation basis including cooperative group	18 110	18 729
		Including cooperative group		
		Core tier one Capital ratio, after proportionally consolidation in%	18.78 %	16.48 %
		Core capital ratio, after proportionally consolidation in%	20.51 %	18.16 %
		Total Capital ratio, after proportionally consolidation in%	23.10 %	20.68 %

31.12.19	31.12.20	Calculation basis	31.12.20	31.12.19
0	2	States and central banks	2	0
410	307	Local and regional authorities (including municipalities)	307	410
452	524	Institutions	197	310
1 588	1 899	Enterprises	1 899	1 588
985	908	Mass market loans	908	1 058
8 484	8 467	Loans secured by real property	11 075	11 313
770	643	Loans overdue	667	843
804	813	Covered bonds	189	122
0	212	High risk exposures	212	0
0	0	Units in securities funds	0	0
1 237	774	Equity positions	183	633
156	120	Other loans and commitments	164	257
14 886	14 669	Capital requirement credit risk	15 803	16 533
1 308	1 347	Capital requirement operational risk	1 385	1 349
8	7	Deducted from capital requirement	41	11
16 201	16 023	Total capital requirement	17 229	17 893

The comparative numbers for 2019 contains a dividend degree of 50 %. The board of trustee' s in Helgeland Sparebank march 26th 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 by the end of the quarter. Changes in the allocation is described in the changes in equity.

NOTE 22. 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 the year.

PROFIT AND LOSS ACCOUNT ITEMS AS A PERCENTAGE OF AVERAGE ASSETS

Parent bank					Group			
Q4/19	Q4/20	31.12.19	31.12.20		31.12.20	31.12.19	Q4/20	Q4/19
3.55	2.46	3.29	2.82	Interest receivable and similar income	2.87	3.29	2.44	3.57
1.55	0.65	1.38	0.99	Interest payable and similar costs	1.09	1.52	0.68	1.72
2.00	1.81	1.90	1.83	Net interest- and credit commission income²	1.77	1.77	1.76	1.85
0.49	0.42	0.41	0.39	Commissions receivable and income from banking services	0.32	0.33	0.34	0.39
0.06	0.04	0.05	0.04	Commissions payable and costs relating to banking services	0.03	0.04	0.04	0.04
0.43	0.37	0.36	0.35	Net commission income	0.29	0.29	0.31	0.35
0.26	1.49	0.32	0.86	Gains/losses on financial assets available for sale	0.60	0.10	1.40	0.22
0.03	0.03	0.03	0.03	Other operating income	0.01	0.01	0.02	0.02
1.03	2.09	1.04	1.58	Operating costs	1.37	0.86	1.96	0.86
0.39	0.14	0.23	0.24	Losses on loans, guarantees etc. and fixed assets	0.15	0.19	-0.06	0.31
1.30	1.47	1.35	1.26	Gross profit	1.16	1.13	1.59	1.27
0.19	-0.03	0.24	0.10	Tax payable on ordinary profit	0.15	0.23	0.06	0.17
1.12	1.50	1.11	1.16	Net profit	1.01	0.90	1.53	1.10

PROFIT & LOSS ACCOUNT AND BALANCE SHEET DEVELOPMENT

Profit and loss account (Amounts in NOK million)

Parent bank						Group				
Q4/19	Q1/19	Q2/20	Q3/20	Q4/20		Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
248	241	196	168	171	Interest receivable and similar income	208	209	247	302	308.3
108	104	77	46	45	Interest payable and similar costs	58	60	107	143	149
140	137	119	122	126	Net interest- and credit commission income	150	149	140	159	159
34	26	26	27	29	Commissions receivable and income from banking servi	29	27	26	26	34
4	2	2	4	3	Commissions payable and costs relating to banking ser	3	4	2	2	4
30	24	25	23	26	Net commission income	26	23	24	24	30
18	15	112	7	104	Gains/losses on financial assets available for sale	119	7	112	-35	19
2	2	2	3	2	Other operating income	2	2	0	1	2
72	84	94	112	146	Operating costs	167	113	96	86	74
27	23	31	3	10	Losses on loans, guarantees etc.	-5	3	30	23	27
91	70	133	40	103	Gross profit	135	65	150	40	110
13	13	8	8	-2	Tax payable on ordinary result	5	16	11	18	15
78	57	125	32	105	Net profit	130	49	139	23	95

Parent bank						Group				
Q4/19	Q1/19	Q2/20	Q3/20	Q4/20		Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
3.55	3.57	2.86	2.41	2.46	Interest receivable and similar income	2.44	2.46	2.93	3.63	3.57
1.55	1.54	1.12	0.66	0.65	Interest payable and similar costs	0.68	0.70	1.27	1.72	1.72
2.00	2.02	1.74	1.75	1.81	Net interest- and credit commission income	1.76	1.75	1.66	1.91	1.85
0.49	0.38	0.38	0.39	0.42	Commissions receivable and income from banking servi	0.34	0.32	0.31	0.31	0.39
0.06	0.06	0.02	0.06	0.04	Commissions payable and costs relating to banking ser	0.04	0.05	0.02	0.02	0.04
0.43	0.35	0.36	0.33	0.37	Net commission income	0.31	0.27	0.29	0.29	0.35
0.26	0.22	1.63	0.10	1.49	Gains/losses on financial assets available for sale	1.40	0.08	1.33	-0.42	0.22
0.03	0.03	0.03	0.04	0.03	Other operating income	0.02	0.02	0.00	0.01	0.02
1.03	1.24	1.37	1.60	2.09	Operating costs	1.96	1.33	1.14	1.03	0.86
0.39	0.34	0.45	0.04	0.14	Losses on loans, guarantees etc.	(0.06)	0.04	0.36	0.28	0.31
1.30	1.04	1.94	0.57	1.47	Gross profit	1.59	0.76	1.78	0.48	1.27
0.19	0.19	0.12	0.11	(0.03)	Tax payable on ordinary result	0.06	0.19	0.13	0.21	0.17
1.12	0.85	1.82	0.46	1.50	Net profit	1.53	0.58	1.65	0.27	1.10

Parent bank						Group				
Q4/19	Q1/19	Q2/20	Q3/20	Q4/20		Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
ASSETS										
88	74	68	75	76	Cash and claims on central banks	76	75	68	74	88
1 432	1 613	2 196	2 056	1 531	Loans to and claims on credit institutions	619	860	1 425	749	750
19 778	19 687	19 581	19 792	20 210	Loans to and claims on customers	27 398	27 393	27 187	27 380	27 320
16	55	75	76	54	Financial derivatives	67	101	100	74	15
5 314	4 648	4 523	4 658	4 849	Certificates, bonds and shares available for sale	4 870	4 680	4 474	4 669	5 283
379	376	347	358	0	Investments in associated companies	0	358	347	376	379
604	604	604	604	590	Investments in subsidiaries	0	0	0	0	0
8	8	10	10	26	Deferred tax benefit	26	11	14	12	12
75	73	77	47	47	Fixed assets	118	140	173	171	173
66	68	43	48	61	Other assets	33	30	46	49	48
27 760	27 206	27 524	27 724	27 444	Total assets*	33 207	33 648	33 834	33 554	34 068
LIABILITIES AND EQUITY CAPITAL										
553	850	550	586	550	Liabilities to credit institutions	551	587	551	852	554
19 391	18 430	19 001	19 008	19 101	Deposits from customers and liabilities to customers	18 684	18 593	18 585	18 053	18 959
3 669	3 676	3 689	3 820	3 318	Borrowings through the issuance of securities	9 418	10 101	10 373	10 369	10 334
18	42	53	49	39	Financial derivatives	39	42	49	40	25
184	211	178	180	254	Other liabilities	245	179	174	208	179
452	452	451	451	451	Fund bonds	451	451	451	452	452
24 266	23 661	23 922	24 094	23 713	Total liabilities	29 388	29 953	30 183	29 974	30 503
1 179	1 179	1 179	1 179	1 180	Paid-in equity capital	1 180	1 179	1 179	1 179	1 179
299	299	299	299	299	Hybrid capital	299	299	299	299	299
2 016	2 014	1 949	1 948	1 946	Accrued equity capital/retained earnings	1 946	1 948	1 949	1 958	2 085
0	53	175	204	306	Other equity capital	391	267	222	142	0
					Minority interest	3	2	2	2	2
3 494	3 545	3 602	3 630	3 731	Total equity capital	3 819	3 695	3 651	3 580	3 565
27 760	27 206	27 524	27 724	27 444	Total liabilities and equity capital	33 207	33 648	33 834	33 554	34 068

OTHER KEY FIGURES

<i>Parent bank</i>			<i>Group</i>	
31.12.19	31.12.20		31.12.20	31.12.19
BALANCE SHEET				
Development in the last 12 months				
3.4	-1.1	Total assets ⁹	-2.5	3.3
-2.7	2.0	Gross lending ⁶	0.1	-1.2
9.4	-1.5	Customer deposits ⁷	-1.5	9.9
96.4	93.1	Deposit coverage as a percentage of gross loans ⁵	67.5	68.5
56.5	56.8	Lending to retail customers	67.7	67.9
27 507	27 553	Average assets ¹⁰	33 693	34 033
20 110	20 514	Gross loans ⁴	27 689	27 655
SOLIDITY				
18.0	20.6	Core tier one Capital ratio	19.7	16.7
19.7	22.5	Core Capital ratio	21.4	18.3
22.5	25.3	Total Capital ratio ²¹	24.0	20.8
		Core tier one Capital ratio, after proportionally consolidation in%	18.8	16.5
		Core capital ratio, after proportionally consolidation in%	20.5	18.2
		Total Capital ratio, after proportionally consolidation in%	23.1	20.7
		Leverage ratio ²² , after proportionally consolidation in%	10.5	9.3
9.0	8.5	Rate of return on equity ¹	8.9	8.9
9.4	9.2	Rate of return on equity (excl. hybrid capital)	9.7	9.3
1.1	1.2	Return on assets	1.0	0.9
KEY FIGURES PCC				
10.7	11.2	Yield per primary certificate ¹⁶	12.0	10.7
10.7	11.2	Diluted result per ECC, in Norwegian currency	12.0	10.7
76.4	76.4	ECCs split (01.01) ¹⁸	76.4	76.4
116	126	Equity capital per ECC ¹⁷	129	119
84.0	86.0	PCC price quoted on the stock exchange	86.0	84.0
8.0	7.7	P/E (price divided by profit per ECC) ¹⁹	7.2	7.9
0.7	0.7	P/B (price divided by book value of equity capital) ²⁰	0.7	0.7
39.7	51.4	Costs as a percentage of income ³	51.2	39.5
1.0	1.6	Cost in percent of average total assets	1.4	0.9
148	143	Number of man-years	143	148
LOSSES ON LOANS AND GROSS DEFAULTS				
As a percentage of gross lending:				
1.4	1.6	Gross defaults over 90 days ¹³	1.2	1.0
0.8	1.5	Total loan loss provision	1.1	0.6
0.30	0.33	Losses on lending ¹²	0.18	0.20

OTHER CALCULATIONS

Parent bank			Group	
31.12.19	31.12.20	(Figures in MNOK and %)	31.12.20	31.12.19
		Operating costs, adjusted for one-time effects		
286	436	Operating costs	462	293
0	-146	One-time effects	-146	0
286	290	Operating costs, adjusted for one-time effects	316	293
1.04 %	1.05 %	Operating costs in % of BTA, adjusted for one-time effects	0.94 %	0.86 %
39.7 %	34.2 %	Operating costs in % of income, adjusted for one-time effects	35.0 %	39.5 %
304	319	Profit	340	305
-13	-12	Paid interests subordinated bonds	-12	-13
291	307	Net profit, incl. Interests subordinated bonds	328	292
0	146	one-time effect pension	146	0
291	453	Profit, adjusted for one-time effects	474	292
304	319	Profit (annualized)	340	305
291	453	Profit (annualized), eks one-time effects and incl. interests subordi	472	292
3 389	3 749	Average equity	3 822	3 431
-299	-299	Average subordinated bonds	-299	-299
3 090	3 450	Average equity adjusted for subordinated bonds	3 523	3 132
9.0 %	12.1 %	ROE adjusted for one-time effects	12.4 %	8.9 %
9.4 %	13.1 %	ROE adjusted for one-time effects and interests FO11	13.4 %	9.3 %
304	319	Profit	340	305
304	319	Profit (annualized)	340	305
291	453	Profit (annualized), eks one-time effects and subordinated bonds	472	292
27 507	27 553	Average assets	33 693	34 033
1.1 %	1.2 %	Return on assets (annualized)	1.0 %	0.9 %
1.1 %	1.6 %	Return on assets (annualized) adjusted for one-time effects	1.4 %	0.9 %
3 192	3 603	CET1	3 688	3 271
35 548	34 702	Unweighted calculation basis	34 189	34 964
9.0 %	10.4 %	Leverage ratio	10.8 %	9.4 %

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 defines 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.

Information concerning Helgeland Sparebank

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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

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Other sources of information

Annual reports

The annual report for Helgeland Sparebank is available at www.hsb.no

Quarterly publications

Quarterly reports and presentations are available at www.hsb.no