HELGELAND
BOLIGKREDITT

En drivkraft for vekst på Helgeland

ANNUAL REPORT 2020

Annual report Helgeland Boligkreditt AS 2020

General information
Enterprise
Helgeland Boligkreditt AS was established in 2008 and is a fully-owned subsidiary of SpareBank 1 Helgeland. The company is located at the banks̓ head office in Mo I Rana.

The company is licensed to operate as a mortgage company, issuing covered bonds. The cover pool is primarily made up of residential mortgages granted by SpareBank 1 Helgeland.
SpareBank 1 Helgeland provides services such as following up customers, management of loans, as well as a number of administrative services.

Accounting standards
The accounts have been prepared in accordance with international financial reporting standards (IFRS). All numerical quantities are given in thousands if not otherwise stated. Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as a bond issuer.

Rating
Bonds issued by Helgeland Boligkreditt AS are rated 'Aaa' by Moody̓s.

Profit and loss account
Gross profit was MNOK 87.4. This is an increase of MNOK 23.8 compared to 2019. The increase is mainly related to an increased net interest by MNOK 15.3. Value change on financial instuments has at the same time increased by MNOK 5.9 and operating costs are reduced by MNOK 0.5. Write-downs on lending is reduced by MNOK 2.

Net profit was MNOK 68.1 (49.6) which gives a return on equity of 11.4 (8.3) %. The company is well capitalized with Core tier one Capital ratio of 18.6 (17.5) %.

Key figures per 31.12.20 (31.12.19)

- Net profit MNOK 68.1 (49.6)
- Net interest MNOK 96.9 (81.6)
- Operation costs MNOK 11.1 (11.6)
- Return on equity 11.4 (8.3) %
- CET1 capital ratio 18.6 (17.5) %
- Cover pool ratio of fullness 13 (17) %
- Indexed LTV 54 (57) %

Allocation of profit
The Board of Directors proposes that the profit for 2020 of MNOK 68.1 be given in dividend to SpareBank 1 Helgeland. The size of the group contribution is considered justifiable based on the company̓s position.

Balance development
Combined assets in Helgeland Boligkreditt AS constituted MNOK 7 728 per 31.12.20. Of this, 94% of the assets are mortgages.

Cover pool
By the end of the quarter the mortgage company had mortgages of MNOK 7 232 (7 600). 76.7 (77.5) % of the mortgages are lent to customers in the Helgeland region. All the mortgages have floating interest rates, and 11 (11) % of the lending volume are flexi loans. The lending volume is reduced by MNOK 368 or 4.8 %.

Loans qualified for the cover pool amounts to MNOK 7 203 (7 512). Loans in the cover pool meet the requirements of the Financial Institutions Act, and are secured by residential mortgages within 75 % of appraised value. The lending portfolio is considered very good. Helgeland Boligkreditt AS had substitute assets of MNOK 383 as per 31.12.20 is fully included in the supplementary security. This is a bank deposit in the parent bank.
Statutory bill of MNOK 50 (50) and foreign national guaranteed security of MNOK 50 (0) is included in the LCR calculation.

Funding
The lending portfolio is funded by issuing covered bonds totalling MNOK 6 180 (6 745), as well as long term credit from SpareBank 1 Helgeland. MNOK 80 of the covered bonds are in the parent company̓s ownership.

The company’s debt in finance institutions amounts to MNOK 912 (682). The debt is related to credit lines in the parent bank.
The value of the cover pool is well above the volume of loans and there is good security in the portfolio. The OC level (in relation to outstanding bonds) was 13 (17) %.

Cash-flow
The cash flow statement shows how Helgeland Boligkreditt AS has received liquid funds and how these have been used. It has been prepared based on gross cash flows from operating, investing and financing activities. Credit in 2020 decreased by MNOK 368. Liabilities to credit institutions increased by MNOK 230 and Covered Bonds decreased by MNOK 577. Total liquidity change is MNOK -16.9.

Risk conditions and capital ratio
Laws and regulations for companies licensed to issue covered bonds instruct that the risk levels should be low. The company has established guidelines and frames for governing and control of various forms of risk. There is a corporate

agreement between Helgeland Boligkreditt AS and SpareBank 1 Helgeland that ensures and maintains frames, proxies, capital management and risk conditions.

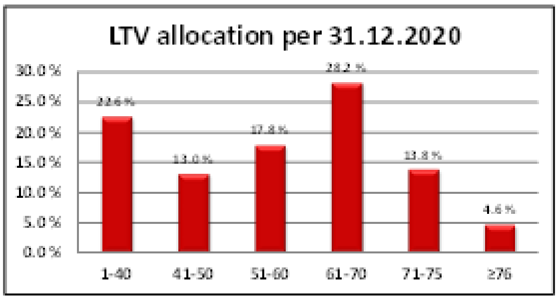
The Board of Directors considers the company's combined risk to be low.

Credit risk

The company's credit strategy is approved by the Board of Directors and determines the framework for management objectives and risk profile. The company had no individual write-downs or write-offs. Total write-downs of loans by IFRS 9 amount to MNOK 1.9, or 0.03% of gross lending.

The Board of Directors assesses the quality of the loan portfolio to be very good.
A potential decrease in housing prices will reduce the net value of the cover pool. Quarterly stress tests are therefore carried out to calculate the effects of any negative development in the housing prices. The Board considers the results of these stress tests satisfying.

The average LTV (Loan-to-value) ratio was per 31.12.20 54 (57) %. The diagram below shows the distribution of the LTVs for the mortgages in the cover pool.



Liquidity risk

Liquidity risk is the risk that the company will be unable to fulfil its payment obligations. The Board of Directors determines the framework for risk management in the company on an annual basis. This includes determining frames for liquidity risk management, organization and responsibilities, stress tests, routines for monitoring the utilization of frameworks and compliance with guidelines, board- and management reporting as well as independent control of systems for governing and control.

By the end of the year, the share of funding with maturity exceeding 1 year was 89.2 (99.5) %. This is well above the target figure of 70 %. Average remaining term for covered bonds was 2.7 (3.4) years. The target of 3 year duration is removed as a consequence of the acquisition between SpareBank 1 Helgeland and SpareBank 1 Nord-Norge in Q3 2021.

Helgeland Boligkreditt AS has established committed credit lines in the parent bank that guarantees repayment of covered bonds maturing the next 12 months on a revolving basis. The company further seeks to reduce the liquidity risk associated with grater maturities by re-purchasing its own bonds. The company's liquidity risk is considered low.

Market risk

The company has some exposures in stocks or securities, and only owns a treasury bill. Mainly, the funding carry floating interest rates, and one loan with fixed interest. There are no loans in foreign currency. Interest rate risk is within the company's governing framework.

Operating risk

The transfer- and service agreement between Helgeland Boligkreditt AS and SpareBank 1 Helgeland ensures and maintains the operational risk. The agreement includes administration, customer care, IT-management, finance- and risk management.

Capital ratio

The capital ratio per 31.12.20 was 18.6 (17.5) % and consists solely of MNOK 548 CET1 capital.

The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operating risk. The company's goal for CET 1 capital is 13.0 % and total capital ratio of over 16.5 %.

Corporate responsibility

Large companies are required to prepare a statement about how they exercise CSR, cf. the Accounting Act §3-3C. The parent bank, SpareBank 1 Helgeland, prepares such a statement for the Group that also covers subsidiaries. Reference is therefore made to our parent bank's annual report for further information.

Staff

Helgeland Boligkreditt AS has no employees. An agreement has been made with SpareBank 1 Helgeland regarding the provision of services relating to loan servicing and administration of the company. Helgeland Boligkreditt AS is committed to gender equality. The Board has 4 members; 1 woman and 3 men.

Events after the day of balance

There has not been any events of significant importance for the report after the balance date.

Prospects ahead

The year 2020 will enter history as a special year for the mortgage company and the society at large.

The parent bank has initiated a forward looking bank cooperation in Helgeland. At the same time the Corona pandemic has affected large parts of the society. As for the market in Helgekand, the future still looks positive. Low unemployment, large public and private projects, rising housing prices and stable turnover numbers is factors that substantiates this. The Board sees no special relations that insinuates that this development will change significantly into 2021.

The housing market in Helgeland, especially in Mosjøen and Mo I Rana, can be characterized as well functioning. The prices on sold housing in Helgeland is stable, with corresponding season variation which results in a price decline in 4th quarter of -3.7 % on villas and a price increase of 1.1 % on apartments.
The turnover speed is stable between 35-60 days. The prices are approximately on valuation. There is no indication that Covid-19 has had significant effect on the real estate market in Helgeland by the end of fourth quarter.

Unemployment has had a significant improvement against second quarter of 2020. For Helgeland, the unemployment is by the end of third quarter 2.2% against 3.8 % nationally. The unemployment rate is expected to stabilize on a low level.

The parent bank's entries in the Sparebank 1 group will affect Helgeland Boligkreditt AS in the future, mainly in form of a gradual reduction of the balance. It is not yet decided of Helgeland Boligkreditt will continue to exist or discointinue, as SpareBank 1 Helgeland gets access to long term funding through Sparebank 1 Boligkreditt.

The Board considers the company to have a solid cover pool and that Helgeland Boligkreditt AS will deliver stable results ahead.

Mo i Rana, 23 February 2021

Hanne Nordgaard *Chairman*	Dag-Hugo Heimstad *Vice-Chairman*	Håkon Stanghelle
Sverre Klausen		Sten Ove Lisø *General Manager*

Corporate Governance
The company's policy for corporate governance shall ensure that governance of the company's activities is in line with general and recognized perceptions and standards, in addition to laws and regulations. The policy describes values, goals and general principles. The objective is to ensure a good interaction between the company's various interests under which the company is governed and controlled, so as to safeguard the interests of the owners and other groups in the company.

The company's policy is laid down in various governing documents for the activities of Helgeland Boligkreditt AS. These include the company's articles of association, strategy document, policy documents, budget, mandates and frameworks, descriptions of procedures, framework for governance and control, guidelines for systems and processes that focus on risk management and internal control in the company. These documents are based on the Norwegian Code of Corporate Governance and the Committee of European Banking Supervisors principles for overall governance and control.

It is Helgeland Boligkreditt AS ambition to follow the above recommendations as appropriate.

In accordance with point one in the Norwegian Code of Practice for Corporate Governance, follows an account of the company's compliance with the provisions of the Code.

The General Meeting is the company's highest body and is exercised by the CEO of SpareBank 1 Helgeland.

The General Meeting shall consider:

- Approval of the company's annual report and accounts
- Allocation of profit or covering of deficit, and distribution of dividends/corporate contributions
- Determine the remuneration for company representatives and the auditor.
- Electing board members in accordance with article 3 of the articles of association and the Companies Act.
- Other matters which by law belongs to the General Meetings responsibilities.

A new Financial Institutions Act entered into force on 1 January 2016. The General Meeting adapted to the new act by, among other things, dissolving its Supervisory Board and Control Committee in March 2016. The General Meeting also amended the company's Articles of Association to meet the new requirements of the new act.

Operations

Helgeland Boligkreditt AS was established to be the bank's company for issuing covered bonds. The mortgage company acquires residential mortgages which are secured within 75% of appraised property value. The mortgage loans are purchased from SpareBank 1 Helgeland.

The mortgages are granted through the bank's distribution channels and the bank is responsible for customer relations, customer contact and marketing.

The company's strategic platform is summarized in strategic and financial goals that are updated at least annually.

Equity

The company's equity consists of share capital, share premium reserve and retained earnings. The company's goal for tier one capital adequacy is 13.0 %. Internal target requirements were last revised in accordance with CRD IV requirements in connection with the company's strategy process in 2018. The statutory minimum requirement is 12.5 % from 31.12.19.

The company aims to achieve a return on equity which is competitive in the market compared to the company’s risk profile.

Elections
The general meeting elects the Board of Directors.

The Board's composition and independence
The Board of Directors consists of 4 permanent members and one alternate. One of the permanent members are women.

Important criteria for the Board members and composition of the Board are qualifications, gender, capacity and independence.
In its activity plan the Board has assumed an annual evaluation of the independence of its members and the Board's overall competence.

The Board meets at least once every quarter and works according to a set schedule for the year. In addition to the elected members, the general manager also attends the Board meetings. The Board of Directors has overall responsibility for the administration of Helgeland Boligkreditt AS and to oversee the daily management and operations. The Board's management responsibilities include responsibility for organizing the company in a proper manner, the responsibility to draw up plans and budgets for the company, for keeping itself informed about the company's financial position and the company's activities, asset management and accounts are subject to adequate controls. The annual strategy process/rollover of the strategic plans is a priority. Overall goals and strategies are determined, and on the basis of those action plans and budgets are drawn up. The general manager prepares matters to be considered by the board, together with the chairman.

Risk management and internal control
Good risk and capital management is essential to the long-term value creation of Helgeland Boligkreditt AS. Risk management is linked to four risk areas:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk, including HSE, IT, communications, market, compliance and anti-money laundering (AHV) and terrorist financing.

The choice of method for risk assessment should be based on the company's complexity and the scope of the various business areas. The Board of Directors of Helgeland Boligkreditt AS assumes that the company shall be well capitalized. Capital assessments (ICAAP) are included in the SpareBank 1 Helgeland Group and are completed at least once a year. The company's capital strategy will be based on real risk in the activities, supplemented by the effect of various stress scenarios.

The responsibility for implementation of the company's risk and capital management is divided between the Board of Directors, the General Manager and the operational units of the parent bank; SpareBank 1 Helgeland. The Board is responsible for ensuring that the company has sufficient capital, based on the desired risk and the company's activities. The General Manager is responsible for the company's overall risk management, including the development of effective models and framework for management and control.

Helgeland Boligkreditt AS has adopted a policy for risk management and internal control that determines objectives for and the organization and implementation of internal control activities (including through agreements with the parent bank). This also includes requirements for reporting the status of the company's risk profile and the quality of internal control, as well as monitoring risk reducing measures.

The internal auditor is participating in all board meetings.

Remuneration to the Board
The General Meeting determines remuneration rates for the Board.

Management remuneration
The company has no employees. An agreement has been made with SpareBank 1 Helgeland regarding the provision of services related to management and operation of the company.
The company has no option- or bonus agreements.

Information and communication
Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange (ABM) as an issuer of covered bonds and reports dates of major events such as the publication of financial information in the form of interim reports and annual reports. Corresponding information is published on the parent bank's website.

Auditor
The General Meeting has appointed PricewaterhouseCoopers as external auditor and approves the auditor's fees.

Investigator
On 27 February 2009, PricewaterhouseCoopers was appointed by the Financial Supervisory Authority of Norway as an independent investigator of Helgeland Boligkreditt AS.

TABLE OF CONTENTS:

PROFIT AND LOSS ACCOUNT

INCOME STATEMENT (amounts in NOK 1.000)

	Note	31.12.20	31.12.19
Interest income fom assets measured at amortized cost	4,23	209 046	238 646
Interest income fom assets measured at fair value		268	
Interest payable and similar costs	4,23	112 446	157 090
Net interest- and credit commission income		**96 868**	**81 556**
Commissions receivable and income from banking services		18	23
Net commission income		**18**	**23**
Gains/losses on financial assets available for sale	5	963	-4 969
Operating costs	6,22,23	11 138	11 644
Losses on loans, guarantees etc.	2	-661	1 407
Operating profit		**87 372**	**63 559**
Result before tax		**87 372**	**63 559**
Tax payable on ordinary result	7	19 236	13 949
Result from ordinary operations after tax		**68 136**	**49 610**
Yield per share in NOK	24	92	92
Diluted result per share in NOK	24	92	92

OCI		**31.12.20**	**31.12.19**
Net profit		**68 136**	**49 610**
Posts in the OCI		0	0
Total profit in the period		**68 136**	**49 610**

BLANCE SHEET

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.20	31.12.19
ASSETS			
Loans to and claims on credit institutions	2,9,10,17,23	383 012	399 994
Loans to and claims on customers	2,3,9,11,12,13,17	7 230 430	7 597 523
Certificates	2,9	100 697	49 896
Financial derivatives		14 102	
Total assets		**7 728 241**	**8 047 413**
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,17,23	911 867	682 159
Borrow ings through the issuance of securities	2,9,14,15,17,23	6 179 979	6 744 816
Financial derivatives	2,14,17	0	7 428
Other liabilities	8,14	20 226	15 160
Total liabilities		**7 112 072**	**7 449 563**
Paid-in equity	19,20,24	540 010	540 010
Accrued equity/retained earnings	19,20,23	76 159	57 840
Total equity		**616 169**	**597 850**
Total liabilities and equity		**7 728 241**	**8 047 413**

Mo i Rana, 23 February 2021

Hanne Nordgaard
Chairman

Dag-Hugo Heimstad
Vice-Chairman

Håkon Stanghelle

Sverre Klausen

Lena Båtstrand
General Manager

EQUITY

CHANGE IN EQUITY DURING THE YEAR

	ECC capital	Premium fund	Fund unr. gains	Other equity	Total
Equity 01.01.20	540 000	10	179	57 660	597 850
Paid out during the year				-49 610	-49 610
Allocated dividend				68 136	68 136
Value change securities			-207		-207
Equity 31.12.20	**540 000**	**10**	**-28**	**76 186**	**616 169**

	ECC capital	Premium fund	Fund unr. gains	Other equity	Total
Equity 01.01.19	540 000	10	-1	60 719	600 728
Paid out during the year				-52 669	-52 669
Allocated dividend				49 610	49 610
Value change securities			180		180
Equity 31.12.19	**540 000**	**10**	**179**	**57 660**	**597 850**

CASH FLOW STATEMENT

	31.12.20	31.12.19
Lending to customers	367 751	-215 106
Interest income lending to custumers	207 267	235 854
Deposits from customers	229 708	-26 806
Interest cost deposit from customers	-13 832	-15 751
Sertificates and bonds	-50 000	-25 000
Comission income	18	23
Payments relating to operations	-11 138	-11 643
Paid tax	-14 881	-15 050
Other cutoffs	-7 831	4 142
A Net liquidity change from operating activities	**707 062**	**-69 337**
New borrowing through issuanse of securities	20 000	3 794 698
Repayments - issued securities	-597 000	-3 546 874
Interest payments borrowing through issuance of securities	-97 434	-140 281
Dividend to share owners	-49 610	-52 669
C Net liquidity change financing	**-724 044**	**54 874**
A+B+C Net liquidity change in the period	-16 982	-14 463
Liquid funds at the start of the period	399 994	414 457
Liquid funds at the end of the period	383 012	399 994
Liquid funds specified	16 982	14 463
Balances with credit institutions without notice periods	383 012	399 994

NOTE 1. ACCOUNTING PRINCIPLES

General background

Helgeland Boligkreditt AS obtained its license as a finance institution in February 2009. The company is a fully owned subsidiary of SpareBank 1 Helgeland and was established to be the parent bank's enterprise for issuance of covered bonds. The company has its head office in Mo i Rana, with address Jernbanegata 15, 8622 Mo i Rana,

Presentation currency
All amounts are stated in NOK thousand unless otherwise specified. Presentation currency and functional currency are both NOK.

Basis of preparation of financial statements
The accounts have been prepared in accordance to international accounting rules (IFRS). The company is a part of the SpareBank 1 Helgeland Group, who implemented IFRS in the consolidated accounts from 1 January 2005. The company uses the same principles of measurement, classification and presentation as the consolidated accounts for SpareBank 1 Helgeland.

The annual accounts have been prepared on a going concern basis.

Presentation in the balance sheet and profit and loss account
<u>Loans</u>
Loans are recognised in the balance sheet depending on the counterparty, either as loans to and claims on credit institutions or as loans to customers

Interest income on loans is included in the line for "net interest income". Changes in value that can be linked to identify objective evidence of impairment on the balance-sheet date for loans carried at amortised cost and for the portfolios of loans at fixed interest rates that are carried at fair value are included in "write-downs of loans and guarantees".

<u>Liabilities to credit institutions</u>
Liabilities to financial institutions are recognised as liabilities to credit institutions regardless of the measurement principle. Interest expense on the instruments is included in net interest income based on the internal rate of return method.
Other changes in value are included in "net gains on financial instruments at fair value".

Segment reporting
The company's operations involve only one strategic business area, which is organised and managed on a total basis. The company's business area is the retail market. Lending to the corporate market is mortgages to sole proprietorships and represents a smaller share of total lending. The company does not report this as a separate segment.

Changes in accounting principles and information

(a) New and amended standards adopted

IBOR reform
As a result of the IBOR reform, the IASB has issued relief related to IFRS 9 and hedge accounting. Where the company has agreements that may be affected by future selection of the reference rate, the probability requirements will be relaxed. The easing means that the cash flow in hedging objects and / or hedging instruments based on current reference interest rates is assumed to be unchanged, and that the hedge accounting is continued as before. Furthermore, as a result of the uncertainty associated with new reference interest rates, new note requirements that apply from 1.1.2020 will be added.

Helgeland Boligkreditt has only fair value hedging of securities debt in Norwegian kroner with fixed interest rates. The amendments to IFRS 9 and IFRS 7 have not been implemented early. The IBOR reform and associated accounting changes are not expected to have a major impact on the exposures the company has today.

There are no other standards or interpretations that have not come into force that are expected to have significant impact on the groupś accounts.

(b) New standards and interpretations not yet adopted

There is no other standards or interpretations on the time of the financial reporting expected to give a significant effect of the enterprise's financial report.

<u>Financial instruments</u>
Financial instruments are recognized in accordance to IFRS 9. IFRS 9 has a principle-based approach to whether financial assets should measure at amortized cost or at fair value. The measurement categories for financial assets in IFRS 9 consist of fair value with changes in value through profit or loss, fair value through change (OCI) and amortized cost.

Initial recognition of the asset determines the measurement of the financial asset. The business model for keeping the financial instruments will be crucial for choosing the category. Financial instruments held to receive contractual cash flows shall, in principle, measure at amortized cost.

Financial assets, which are both kept to receive contractual cash flows and for resale shall in principle measure at fair value with changes in value over extended earnings (OCI).

Derivatives used in connection with hedge accounting are measured according to the principles of hedge accounting.

Note 2.1.1 shows loans and write-downs in accordance with IFRS 9.

Financial instruments at amortized cost
Debt instruments that have cash flows that only represent the payment of interest and installments, and where the purpose is only to keep the instrument to receive contractual cash flow, shall be carried at amortized cost. In the Group, all loans and loans with floating interest rates are classified at amortized cost.

Assets and liabilities:
- Lending at floating interest rate
- Debt to credit institutions and deposits from customers
- Debt securities at floating interest rate

<u>Lending to customers</u>
Loans to and receivables from customers are initially measured at fair value with the addition of the direct transaction costs. During periods after the first measurement, loans at amortized cost are valued according to the effective interest method. The loans are written down in accordance with IFRS 9.

<u>Potential exposure</u>
Unused credits, non-discounted loans and guarantees granted are off balance sheet items presented in notes. Off balance posts are mainly related to unused credits on flexible loans. Revenue is presented in commission income and income from banking services. Off balance sheet items included in the calculation of expected losses are presented in the balance sheet under other liabilities.

<u>Write-downs on loans</u>
The rules in IFRS 9 for impairment of financial assets apply to commitments measured at amortized cost (commitments with floating interest rates are defined under this category). The standard entails requirements for loss provisions also on new commitments, by making a write down for expected credit losses as a result of expected default in the next twelve months. Expected losses for all customers at the account level are calculated. The calculation includes loans, guarantees, unutilized credit and loan commitment. For loans where the credit risk has increased substantially after initial recognition, write-downs shall be made for the expected credit loss over the maturity of the loans. The bank has developed a model in collaboration with several other banks. The model contains macro-scenarios according to IFRS 9 (4 scenarios).

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. Loans that on the time of recognition has objective proof of loss directly enters step 3.

<u>Default loans</u>
Total commitment from a customer is considered defaults when overdue installments or interest are not paid 90 days after maturity, or framework credits are overdrawn for 90 days or more. This is in accordance with the bank's routines.

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 accounts̆ grant date must be used, while for the mortgage company the score is used at the transfer date.

<u>Step 1</u>: 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.

<u>Step 2</u>: 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 company 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).

It has been established internal routines for marking and identifying customers that has been given payment relief. A customer granted payment relief covered by the FSA's guidelines for reporting wil be marked in a period of 2 years.

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 company has defined that there is objective evidence of loss in a commitment in which bankruptcy, piecework proceedings have been opened or individually assessed provisions have been made.

Securities with floating interest rates
At initial recognition, the debt is measures at fair value with the addition of direct transaction costs. In periods after the first measurement, the debt is valued at amortized cost using the effective interest method.

Financial instruments at fair value through profit or loss
Assets:

- Certificates, bonds (interest-bearing securities)

Certificates and bonds
Certificates are classified at fair value.

Financial instruments hedging
Assets and liabilities:
• Fixed rate debt securities
• Derivatives hedging

The company uses hedge accounting when it comes to fixed rate debt securities. The hedge covers the interest rate risk in the bonds. Changes in value are recognized in the income statement under net gains / losses on financial instruments. Upon early redemption or repurchase of issued bonds, any gain / loss on net gain / loss on financial instruments is recorded. The Group has a policy of securing all exposure to fixed-income securities. The hedging instruments secure the total amount and have maturity, volume and fixed interest rate corresponding to the individual fixed rate salary. The floating leg of the hedging instrument has been agreed with NIBOR for 3 months. IFRS 9 simplifies the requirements for hedge accounting by linking hedging efficiency more closely with risk management activities, and thus provides greater scope for assessment. There must be an economic relationship between the hedging instrument and the hedged item, and the effect of credit risk must not dominate value changes in the hedging relationship. The bank tests the efficiency of the hedge in accordance with. the requirements of IFRS 9. Inefficiency in hedging, defined as the difference between the value adjustment of hedging instruments and the value adjustment of the hedged risk, is recognized in the income statement as it arises. For securities debt with a fixed interest rate, normal value hedging is used. The fair value of the derivatives used in hedging relationships is shown in note 2.2.2.

Interest income and interest cost
Interest income is recognized using the effective interest method. This entails ongoing income recognition of nominal interest rates plus the amortization of establishment fees less direct establishment costs. Income recognition of interest according to the effective interest method is used for both balance sheet items at amortized cost. Interest income for financial assets in step 1 and step 2 is calculated using the effective interest method on the gross value of the financial asset, while interest income for financial assets in step 3 is calculated based on the amortized cost of the financial asset.

Commission income and expenses
Commission income and expenses are generally accrued as a service is rendered, and the company is entitled to payment in accordance with. IFRS 15. Fees related to interest-bearing instruments are not recognized as commissions, but are included in the calculation of effective interest and are recognized in the income statement accordingly.

Provisions
A provision is recognized when the company has a current obligation (legal or presumed) as a result of events that have occurred, there is a likelihood of a financial settlement resulting from the liability and the amount of the amount can be reliably calculated in accordance with IFRS 15. Provisions are reviewed at each balance sheet date and the level reflects the best estimate of the obligation.

Tax
Deferred tax is calculated on all temporary differences between accounts-related and tax-related balance sheet values according to the currently applicable tax rate at the end of the period (the liabilities method). Tax-increasing temporary differences include a deferred tax liability, and tax-reducing, temporary differences, together with any loss to be carried forward, include a possible deferred tax benefit. Deferred tax benefit is shown in the balance sheet when it is likely that in the future there will be taxable income against which the deferred tax benefit can be used.
The tax cost in the profit and loss account comprises both the period's payable tax and any change in deferred tax. The change in deferred tax reflects future payable taxes which are incurred as a result of the operations during the year.

Share capital
Provision for dividends and group contributions are classified as equity capital in the period until the dividend is decided by the company's supervisory board. Provisions are not included in the calculation of capital adequacy. When the dividend or group contribution is decided by the General Assembly, it will be removed from the equity capital and classified as short-term liability until payment is made.

Cash flows
The cash flow statement (IAS 17) shows payments and payouts of cash and cash equivalents throughout the year. Cash and cash equivalents are defined as cash and receivables from central banks.

Cash and cash equivalents
Cash and cash equivalents are consist of cash, bank deposits, other short-term highly liquid investments with maturities of three months or less and company overdrafts.

Comparability
Comparative figures have been adjusted where it is considered necessary for them to be in accordance with the presentation for the current year.

NOTE 2 CAPITAL MANAGEMENT AND RISK CONDITIONS

Risk and capital management

Risk and capital management supports the company's strategic development and ambitions. The main objective is to ensure the realization of the Group's financial and operational goals. No matter how good the risk management is, there may be unexpected losses that require the Group to have sufficient equity. As part of the risk management work, there is a need for additional capital for the various risk areas. The assessments are supported by various internal assessments and calculation models. This is summarized in the bank's internal capital requirement assessment process (ICAAP).

Risk categories and definitions:
• Credit risk: the risk of loss as a result of customers or counterparties not being able to fulfill their obligations
• Liquidity risk: the risk that the Group will not be able to fulfill its obligations at maturity.
• Market risk: the risk of losses as a result of changes in market prices related to activities and positions in securities (interest rates).
• Operational risk: risk of direct or indirect loss due to failure of internal routines, systems and processes, insufficient expertise, damage to assets, interruptions, system errors, internal or external fraud.

Risk management is central to the day-to-day operations and to the board's ongoing work. The risk is primarily governed by policy and guidelines, frameworks, authorizations, reporting requirements and requirements for competence.

The Board determines the Group's credit strategy that covers credit risk, and the Group's financial strategy that covers liquidity risk and market risk. The bank has a credit committee and a finance committee for the management and follow-up of risk in line with the management framework and authorizations granted by the board.

The Main Agreement and the Transfer- and service agreement between Helgeland Boligkreditt AS and SpareBank 1 Helgeland ensures and maintains the operational risk. The agreements include administration, customer care, IT-management, finance- and risk management.
The company has no currency exposure.

NOTE 2.1 CREDIT RISK

Overall, the credit risk of the company is characterized low; average LTV per 31.12.20 was 54 (57) %.

NOTE 2.1.1 CREDIT EXPOSURE

Balance items	**31.12.20**	**31.12.19**
Loans to and claims on credit institutions	383 012	399 994
Loans to and claims on customers	7 232 317	7 600 068
Lending to and claims on customers, to amortized cost	**7 615 329**	**8 000 062**
Leding to customers at fair value	0	0
Lending to and claims on customers, at fair value	**0**	**0**
Potetntial exposure to credit lines	364 295	515 312
Total credit exposure, balance items	**364 295**	**515 312**
Unused credit limit	0	0
Total credit exposure, off-balance sheet	**364 295**	**515 312**
Total credit exposure	**7 979 624**	**8 515 374**

1) The credit exposure by IFRS is the amount that best represents the maximum exposure to credit risk. For a financial asset this is the gross carrying value and any potential exposure.

NOTE 2.1..2 COMMITMENTS AND LOSSES AND RISK CLASSES

31.12.20	Step 1	Step 2	Step 3		
Gross lending	Expected loss over 12 months	Expected loss over the instruments life	Expected loss over the instruments life	Expected loss over the instruments life	Total
Gross lending pr. 01.01.20	**7 085 168**	**514 900**	**0**	**0**	**7 600 068**
New loans / credits	1 893 585	125 300	0	0	2 018 885
Transfers from step 1 to step 2	-245 064	234 816	0	0	-10 248
Transfers from step 1 to step 3	0	0	0	0	0
Transfers from step 2 to step 3	0	0	0	0	0
	0	0	0	0	
Transfers from step 3 to step 2	0	0	0	0	0
Transfers from step 3 to step 3	0	0	0	0	0
Transfers from step 2 to step 1	150 962	-155 869	0	0	-4 907
Reduced portfolio	-1 965 924	-186 257	0	0	-2 152 181
	0	0	0	0	0
Other adjustments	-215 611	-3 689	0	0	-219 300
Gross lending pr. 31.12.20	**6 703 117**	**529 200**	**0**	**0**	**7 232 317**
Unused drafts, guarantees etc.	363 175	1 121	-	-	364 295

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

31.12.19	Step 1	Step 2	Step 3		
Gross lending	Expected loss over 12 months	Expected loss over the instruments life	Expected loss over the instruments life	Expected loss over the instruments life	Total
Gross lending pr. 01.01.19	**7 098 140**	**286 822**	**0**	**0**	**7 384 962**
New loans / credits	2 228 683	150 475	0	0	2 379 158
Transfers from step 1 to step 2	-294 186	286 109	0	0	-8 077
Transfers from step 1 to step 3	0	0	0	0	0
Transfers from step 2 to step 3	0	0	0	0	0
	0	0	0	0	
Transfers from step 3 to step 2	0	0	0	0	0
Transfers from step 3 to step 3	0	0	0	0	0
Transfers from step 2 to step 1	94 395	-98 176	0	0	-3 782
Reduced portfolio	-1 819 675	-108 299	0	0	-1 927 973
	0	0	0	0	0
Other adjustments	-222 188	-2 031	0	0	-224 220
Gross lending pr. 31.12.19	**7 085 168**	**514 900**	**0**	**0**	**7 600 068**
Unused drafts, guarantees etc.	510 825	4 487	-	-	515 312

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

31.12.20	Step 1	Step 2	Step 3		
Loss deduction	Expected loss over 12 months	Expected loss over the instruments life	Expected loss over the instruments life	Expected loss over the instruments life	Total
Loss deduction pr. 01.01.20	**389**	**2 156**	**0**	**0**	**2 545**
New loans / credits	97	273	0	0	370
Transfers from step 1 to step 2	-28	538	0	0	509
Transfers from step 1 to step 3	0	0	0	0	0
Transfers from step 2 to step 3	0	0	0	0	0
Transfers from step 3 to step 2	0	0	0	0	0
Transfers from step 3 to step 3	0	0	0	0	0
Transfers from step 2 to step 1	18	-598	0	0	-580
Reduced portfolio	-66	-928	0	0	-994
Other adjustments	22	14	0	0	37
Loss deduction pr. 31.12.20	**432**	**1 455**	**0**	**0**	**1 887**

31.12.19	Step 1	Step 2	Step 3		
Loss deduction	Expected loss over 12 months	Expected loss over the instruments life time	Expected loss over the instruments life time	Expected loss over the instruments life time	Total
Loss deduction pr. 01.01.19	**421**	**715**	**0**	**0**	**1 136**
New loans / credits	82	584	0	0	666
Transfers from step 1 to step 2	-36	1 004	0	0	968
Transfers from step 1 to step 3	0	0	0	0	0
Transfers from step 2 to step 3	0	0	0	0	0
Transfers from step 3 to step 2	0	0	0	0	0
Transfers from step 3 to step 3	0	0	0	0	0
Transfers from step 2 to step 1	13	-243	0	0	-230
Reduced portfolio	-52	57	0	0	5
Other adjustments	-39	38	0	0	-1
Loss deduction pr. 31.12.19	**389**	**2 156**	**0**	**0**	**2 545**

Write-downs for losses on loans and off-balance sheet items in accordance with IFRS 9
See description Note 1 accounting principles and description under for extended information regarding calculation and pre assumptions in the groups model for write-downs.

Assumptions used in the calculation model
Periodically expected losses are calculated as the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD), and must be unbiased. The PD model has been used and validated by the Bank since 2009, while the LGD model has been developed from 2017. Last validation of the loss model was done at the end of 2020 with subsequent changes. The change had no significant effect on the loss provisions.

PD
The company's PD model gives PD (probability of default), at customer level, one year ahead. The PD model gives the likelihood that the customer will default on all their commitments. The customer's PD can therefore be used at account level.

The company has not developed any models to calculate lifetime PD, but is continually reviewing the opportunities to develop a lifetime PD. The Bank therefore uses models that calculate the probability of default in the next 12 months (12-month PD). The Bank has carried out analyses of the observed default rate (default rate, DR) as a function of the age of the loan at the time of default. The analyses show that DR increases somewhat in the early years after granting, and then decreases. The variation in DR is considered to be at such a level that 12 months PD represents a reasonable substitute for lifetime PD. The Bank has relatively little data, and there is thus some uncertainty associated with the analyses.

As a consequence of the corona pandemic, some changes was initiated in the loss models. This was mainly related to change in PD. The changes has not significant effect on the loss provisions in Helgeland Boligkreditt. The adjustments results in an increase of PD with 25 % for most of the customer groups.

LGD
The LGD model is a function of the relationship between the commitment and the underlying collateral, the probability of recovery and the costs associated with realisation. A linear distribution of the collateral coverage is used for customers with multiple commitments. Collateral coverage is limited upwards to the usable collateral that constitutes collateral coverage with quantitative limitations, including downward adjustment of collateral coverage based on the quality of the collateral. See Note 21 for a more detailed description of collateral.

The probability of recovery varies depending on the step that the commitment has been placed in. The probability of recovery in step 1 is 70% for the retail market and 25% for the corporate market; in steps 2 and 3, the corresponding probabilities are 40% and 15%. An exception has been established linked to the municipal sector, where the probability of recovery is set at 100%.

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

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

EAD
EAD provides an indication of the Group's exposure in commitments at any given time. This is mainly calculated from the remaining term and instalments. EAD is a function of balance, granting and a conversion factor. For example, EAD will never be greater than the appropriation for an individual commitment, or less than the balance. For all types of grant, excluding construction loans (25%) and contract guarantees (65%), the conversion factor is set to 70% for the RM and 50 % for the CM. For approved, but not discounted grants, a conversion factor og 100 % have been established, that reflects the possibility for that the grant will be discounted.

Remaining term
The remaining term of a repayment loan is set to the closing date. The instalment profiles in the model are adapted to the characteristics of the repayment loan. In the case of non-repayment loans an expected remaining term based on history in a corresponding commitment is used, and the age of the commitment. This mainly concerns flexible loans and credits. Prepayment (PP) is taken into account for all loans and is considered to be constant over the term. PP varies over the different macro scenarios..

Scenarios
The model uses four different scenarios, which impact on the projected LGD and PD and PP. These scenarios have been developed using historical data and macro variables.
Applicable to all the scenarios is that they apply from and including a calculation date, i.e. we are in the first scenario period at the time of calculation. This approach was used so that the scenarios have an effect on the entire calculation, including steps 1 and 3.

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

Four scenarios have been defined:

Realistic scenario is a macroeconomic scenario that represents expected future economic growth over the next five years. Realistic scenario is a scenario comparable to the ‘Base case’ ICAAP scenario. This scenario is weighted by 60%.

Optimistic scenario is a macroeconomic scenario that represents a boom, with strong economic growth. In year 5, the scenario is expected to converge on equilibrium with realistic scenario. The scenario represent a global economy with strong economic growth, whil is nationally expects increasing oil prices and subsequently economic growth. This scenario is weighted by 20%.

Pessimistic scenario is a macroeconomic scenario that represents a downturn with sluggish economic growth. Pessimistic scenario represents a downturn based on a 25-year cycle, but which is considerably less severe than the credit crisis which occurred in the early 1990s. In year 5, the scenario converges on equilibrium with realistic scenario. The scenario is weighted by 17%.

Crisis scenario is a macro economic crisis that represent a bank crisis with large lending loss and a significant economic downturn with a following powerful fall in housing prices. The Crisis scenario is on level with the credit crisis early on the 90’s. The scenario is weighted by 3 %. This scenario is constructed to take into account the models non-linearity in severe downturn periods.

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

Estimate uncertainty
There is estimate uncertainty linked to a number of the parameters used in the model. This is mainly related to underlying collateral values, parameters in LGD, and PD. There are no indications of significant errors or deficiencies in the model as of the end of 2020, but it is significant uncertainty around the estimate on the loss provisions, especially related to how the corona pandemic is developing.

Effect of Macro Scenarios on Calculated Loss	Loss provisions on loans in steps 1 and 2	Base	31.12.20 Effect of Scenarios
Loss provisions under IFRS 9	1 887	1 341	546

Effect of Macro Scenarios on Calculated Loss	Loss provisions on loans in steps 1 and 2	Base	31.12.19 Effect of Scenarios
Loss provisions under IFRS 9	2 545	2 209	336

Risk classifications loans

Risk classification is an integral part of the Group's administrative system. The system permits risk development in the Company's loan portfolio to be monitored. The risk classification model used for both retail and corporate customers has been developed in cooperation with a number of other banks. The classification system has been adopted for the entire customer base from 31.05.09.

Retail customers are awarded a Probability of Default (PD)/score based on payment reminders, overdrawn ratio of loans/deposits etc. The loan portfolio is classified monthly and customers are awarded a score from A to K, where A is the lowest risk and K the highest risk. Retail customers are also subject to an application score in connection with new loan applications. The actual change in risk allocations from 2019 is marginal.

Risk classification is based on economics only - collateral is not taken into account.

Lending by risk class	Step 1	Step 2	Step 3	31.12.20
Low risk	5 810 894	0	0	5 810 894
Medium risk	870 072	413 034	0	1 283 106
High risk	22 151	116 166	0	138 317
Total lending	**6 703 117**	**529 200**	**0**	**7 232 317**

Lending by risk class	Step 1	Step 2	Step 3	31.12.19
Low risk	6 490 278	0	0	6 490 278
Medium risk	586 262	350 360	0	936 622
High risk	8 628	164 540	0	173 168
Total lending	**7 085 168**	**514 900**	**0**	**7 600 068**

Secured; LTV distribution	31.12.20	31.12.19
1-40	22,6 %	20,5 %
41-50	13,0 %	12,3 %
51-60	17,8 %	17,0 %
61-70	28,2 %	19,8 %
71-75	13,8 %	16,6 %
76-80	2,5 %	9,3 %
81-90	1,4 %	3,0 %
91-100	0,3 %	0,8 %
101-110	0,3 %	0,3 %
≥111	0,1 %	0,3 %
Total LTV	**54 %**	**57 %**

<u>Credit institutions</u>

For the balance sheet item loans and receivables from credit institutions, the company has made use of the exception for low credit risk. The company's "Loans and receivables from credit institutions" are exclusively against the parent bank with credit ratings and which meet the standard's presumption of low credit risk and the bank has considered that this compared to LGD and low exposure to provide material loss provisions. Consequently, the company has not made any loss provisions related to this balance sheet item.

	31.12.20	31.12.19
Rating Moodys A3	383 012	399 994
Total	**383 012**	**399 994**

Certificates: classification of issuers by sector

	31.12.20	31.12.19
State	100 697	49 896
Total	**100 697**	**49 896**

Certificates: classification of issuers by rating

	31.12.20	31.12.19
AAA	100 697	49 896
Total	**100 697**	**49 896**

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.20	31.12.19
Gross defaulted commitments over 90 days	0	0
Individual write-downs of defaulted loans	0	0
Net defaulted commitments	**0**	**0**

The table shows the amounts due on loans by number of days past due which is not due to delays in the payment system. Past due loans are continuously monitored. Commitments where there is identified a probable deterioration in customer solvency, are assessed for impairment.

Overdrawn number of days	31.12.20	31.12.19
1-29 days	0	0
30-59 days	0	6 988
60-89 days	0	0
> 90 days	0	0
Total disordered loans without impairments	**0**	**6 988**

NOTE 2.2 MARKET RISK

Helgeland Boligkreditt AS is through its operations exposed to interest rate risk.
The Board sets limits for interest rate risk and the positions are monitored continuously. The prepared reports showing exposure are reported monthly to the finance committee of the parent bank and to the CEO, and quarterly to the Board of Directors.

The sensitivity analysis (lending and borrowing) shows the expected result reflected by 1 percentage points parallel shift in the entire interest rate curve.

Interest rate risk at 31.12.20 is MNOK -1.2 (MNOK -1.0) and is well within the company's target of < MNOK 10 with 1 % parallel shift in the interest rate curve.

Helgeland Boligkreditt AS is not exposed to market risk related to foreign currency and equity instruments.

NOTE 2.2.1 REMAINING TIME TO INTEREST RATE ADJUSTMENT

Interest rate risk- remaining perionds until next interest rate re-fix							31.12.20
	Up to 1 mth.	From 1-3 mnt	From 3 mnt	From 1-5 years	Over 5 years	No int.rate change	Total
ASSETS							
Loans to and claims on credit inst with no a/maturity		383 012					383 012
Net loans to and claims on customers		7 230 430					7 230 430
Securities available for sale		100 697					100 697
Other non-int-bearing assets						14 102	14 102
Total assets	**0**	**7 714 139**	**0**	**0**	**0**	**14 102**	**7 728 241**
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity	911 867						911 867
Borrowings through the issuance of securities	506 245	5 373 215	300 519				6 179 979
Other non-int-bearing liabilities						20 226	20 226
Total liabilities	**1 418 112**	**5 373 215**	**300 519**	**0**	**0**	**20 226**	**7 112 072**
Net int rate sensitivity gap	**-1 418 112**	**2 340 924**	**-300 519**	**0**	**0**	**-6 124**	**616 169**

Interest rate risk- remaining perionds until next interest rate re-fix							31.12.19
	Up to 1 mth.	From 1-3 mnt	From 3 mnt	From 1-5 years	Over 5 years	No int.rate change	Total
ASSETS							
Loans to and claims on credit inst with no a/maturity		399 994					399 994
Net loans to and claims on customers		7 597 523					7 597 523
Securities available for sale		49 896					49 896
Other non-int-bearing assets							0
Total assets	**0**	**8 047 413**	**0**	**0**	**0**	**0**	**8 047 413**
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity	682 159						682 159
Borrowings through the issuance of securities	706 237	5 744 199	294 380				6 744 816
Other non-int-bearing liabilities						22 588	22 588
Total liabilities	**1 388 396**	**5 744 199**	**294 380**	**0**	**0**	**22 588**	**7 449 563**
Net int rate sensitivity gap	**-1 388 396**	**2 303 214**	**-294 380**	**0**	**0**	**-22 588**	**597 850**

NOTE 2.2.2 FINANCIAL DERIVATIVES

Hedging are used for fixed-rate securities debt. When entering into the hedging relationship, the relationship between the hedging instruments and the hedging objects is documented. Helgeland Boligkreditt also documents its assessment of whether the derivatives used are very effective in offsetting the changes in fair value related to hedging risk in the hedged items. Such assessments are documented both on entering into the hedging relationship and on an ongoing basis during the hedging period. Interest rate risk is hedged at an individual level. Changes in credit spread are not part of hedged risk. Changes in value related to changes in NIBOR are recognized in the income statement and adjust the book value of the secured fixed rate loans on an ongoing basis. The book value of securities debt hedging, including interest, amounts to NOK 301 (299) million. Net gains and losses related to hedging instruments and hedged items related to hedged risk were NOK 0.7 (1.0) million.

Inefficiancy hedging over the income statement	31.12.2020	31.12.2019
Value change related to hedging objects	-20 573	0
Value change related to the hedging instruments	20 913	-469
Net inefficiancy over the income statement	**340**	**-469**

31.12.2020

Fair value over the income statement	Contract Total	Fair value Assets	Debt
Interest swap agreements fixed rate loans hedgning	300 000	14 102	0
Total financial derivatives hedging	**300 000**	**14 102**	**0**

31.12.2019

Fair value over the income statement	Contract Total	Fair value Assets	Debt
Interest swap agreements fixed rate loans hedgning	300 000	0	7 428
Total financial derivatives hedging	**300 000**	**0**	**7 428**

The hedging instruments are accounted in the balance under financial derivatives

31.12.2020

Reference	Hedging object	Contract amount	Settlement date	Interest in %	Currency	Acc. Value change from hedging	Accounting line
6	Fixed rate loan	300	2029	2,22	NOK	14 212	Debt through the issuance of security

Reference	Hedging object	Contract amount	Settlement date	Interest in %	Currency	Acc. Value change from hedging	Accounting line
6	Interet swap, fixed	300	2029	2,22	NOK	26 361	Financial derivatives
6	Interet swap, float	-300	2029	2,31	NOK	-12 819	Financial derivatives

No installments are paid on the instruments

31.12.2019

Reference	Hedging object	Contract amount	Settlement date	Interest in %	Currency	Acc. Value change from hedging	Accounting line
6	Fixed rate loan	300	2029	2,22	NOK	5 647	Debt through the issuance of security

Reference	Hedging object	Contract amount	Settlement date	Interest in %	Currency	Acc. Value change from hedging	Accounting line
6	Interet swap, fixed	300	2029	2,22	NOK	6 437	Financial derivatives
6	Interet swap, float	-300	2029	2,31	NOK	-13 807	Financial derivatives

No installments are paid on the instruments

NOTE 2.3 LIQUIDITY RISK

Liquidity risk is the risk that the company will be unable to fulfil its payment obligations.

The Board sets limits on an annual basis for the management of liquidity risk in the company. This involves determining the framework for liquidity risk management, organization and responsibilities, stress tests (both for the Group and for Helgeland Boligkreditt AS), routines for monitoring limit utilization and compliance of policies, board- and management reporting, and independent monitoring of the systems of governance.

According to the Financial Institutions Act § 11-12(1) "the credit institution must ensure that the cash flow from the cover pool at all times makes the mortgage company able to meet its payment obligations to holders of covered bonds and counterparties in derivative agreements." The company has established credit facilities in order to reduce liquidity risk.

Overall, Helgeland Boligkreditt AS's liquidity situation per 31.12.20 is considered good. Long-term funding with maturities over one year is 89.2 % (99.5 %).

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Funding risk. Remaing periods					31.12.20
	0-3 months	3-12 months	1-5 years	Over 5 years	Totalt
Liabilities to credit institutions	0	0	925 699	0	925 699
Borrowings through the issuance of secutities	5 000	668 885	5 327 500	306 750	6 308 135
Financial derivatives gross settlement (outflows)	698	2 093	11 160	11 160	25 111
Total payments	**5 698**	**668 885**	**6 253 199**	**306 750**	**7 233 834**
	0	384 012			384 012
Loans to and claims on customers	815 037	8 868	523 645	6 938 714	8 286 264
Certificates, bonds and shares available for sale	49 996	50 593			100 589
Total payments	**865 033**	**443 473**	**523 645**	**6 938 714**	**8 770 865**
1)Financial derivatives gross settlement (inflows)		6 660	26 640	26 640	59 940

Funding risk. Remaing periods					31.12.19
	0-3 months	3-12 months	1-5 years	Over 5 years	Totalt
Liabilities to credit institutions	0	0	697 910	0	697 910
Borrowings through the issuance of secutities	0	37 344	5 833 028	1 021 552	6 891 924
Financial derivatives gross settlement (outflows)	1 733	5 198	27 720	27 720	62 371
Total payments	**1 733**	**37 344**	**6 530 938**	**1 021 552**	**7 589 834**
	0	402 293	0	0	402 293
Loans to and claims on customers	-	7 160	1 021 511	6 831 968	7 860 639
Certificates, bonds and shares available for sale	49 896	49 896	0	0	99 792
Total payments	**49 896**	**459 349**	**1 021 511**	**6 831 968**	**8 362 724**
1)Financial derivatives gross settlement (inflows)		6 660	26 640	26 640	59 940

Gross settlement (interest payments are included)

The company has an operating credit (with maturity> one year) of NOK 1 500 million as of 31.12.20, the vacant limit was NOK 588 million. In addition, the company has a revolving credit facility (with maturity> one year) that will cover payment obligations in the security pool for a rolling 12-month period. This credit facility shall cover payment obligations in the Cover Pool for a rolling 12-months period, and is entirely unused. Treasure bill is valued at fair value.

NOTE 3. SEGMENT

The company operates at one strategic business area only.
The companyš business area is the retail market. Lending to the corporate market is mortgages to sole proprietorships and represents a smaller share of total lending. The geographic segment is Helgeland. The company only reports one segment.

	31.12.20	31.12.19
Retail market	7 079 917	7 436 349
Corporate market	152 400	163 719
Total	**7 232 317**	**7 600 068**
Collective w rite-dow ns	-1 887	-2 545
Total	**7 230 430**	**7 597 523**

Geographical exposure within the loan portfolio	31.12.20	31.12.19
Helgeland	5 548 120	5 887 560
Areas other than Helgeland	1 672 961	1 700 385
International 1)	11 236	12 123
Total	**7 232 317**	**7 600 068**

1) Customers that are living abroad - Helgeland Boligkreditt AS has collateral in Norwegian residential properties.

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.20	31.12.19
Interest income of lending to and claims on credit institutions	1 779	2 792
Interest income of lending to and claims on customers	207 267	235 854
Interest income of bonds and certificates	268	
Total interest income	**209 314**	**238 646**

Interest expense on liabilities to credit institutions	13 832	15 751
Interest expense on issued securities	97 435	140 281
Emergency fund	1 179	1 058
Total interest expenses	**112 446**	**157 090**
Net interest income	**96 868**	**81 556**

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

Specification of costs	31.12.20	31.12.19
Unrealized change securities	963	-4 969
Total value financial instruments	**963**	**-4 969**

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.20	31.12.19
Management fee and w age general manager (note23)	8 213	8 200
Other administration costs	33	33
Total wages and administration costs	**8 246**	**8 233**
Other operating costs	2 892	3 411
Total operating costs	**11 138**	**11 644**
Number of FTEs	**0**	**0**

Specification of costs auditing	31.12.20	31.12.19
Audit fees	148	165
Other services and certifications	91	128
Total costs auditing	**239**	**293**

NOTE 7. TAX

	31.12.20	31.12.19
Tax for the year:		
Tax payable	18 938	14 933
Insufficent provision previous year	13	10
Change in deferred tax (note 8)	285	-994
Tax cost for the year	**19 236**	**13 949**
Breakdown between accounts-related result before tax and the year's income liable to tax		
Accounts-related result before tax	87 372	63 559
Permanent differences	6	4
Change in temporary differences (note 8)	-1 297	4 314
Income subject to tax	**86 081**	**67 877**

NOTE 8. DEFERRED TAXES

Deferred tax / Deferred tax benefit	**31.12.20**	**31.12.19**
Positive temporary differences:		
Hedging/market value adjustment certificates	-14 212	
Value change financial derivatives		-7 370
Total positive temporary differences	**-14 212**	**-7 370**
Negative temporary differences		
Value change financial derivatives	13 543	
Hedging/market value adjustment certificates	2 133	6 568
Change in value of cover bonds at amortizied cost		969
Total negative temporary differences	**15 676**	**7 537**
Losses carried forw ard	0	0
Total negative temporary differences	**1 464**	**167**
Deferred tax asset		
Deferred tax	322	37

Reconciliation of tax	**31.12.20**	**31.12.19**
Accouting profit before tax	87 372	63 559
Tax calculated at the entity's w eighted average tax	19 222	13 983
Tax effect of:		
Tax-free income		
Effect change tax rate deferred tax		
Adjustment from previous year	14	-34
Taxes in the income statement	**19 236**	**13 949**

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Classification of financial instruments

			31.12.20
	Real Value Over OCI	Amortized cost	Total
Loans to and claims on credit institutions *)		383 012	383 012
Loans to and claims on customers		7 230 430	7 230 430
Certificates	100 697		100 697
Total assets		**7 613 442**	**7 714 139**

	Real Value Over OCI	Amortized cost	Total
Liabilities to credit institutions *)		911 867	911 867
Borrowings through the issuance of securities		6 179 979	6 179 979
Total liabilities		**7 091 846**	**7 091 846**

*) Entirely related to SparebBank 1 Helgeland

			31.12.19
	Real Value Over OCI	Amortized cost	Total
Loans to and claims on credit institutions *)		399 994	399 994
Loans to and claims on customers		7 597 523	7 597 523
Certificates	49 896		49 896
Total assets		**7 997 517**	**8 047 413**

	Real Value Over OCI	Amortized cost	Total
Liabilities to credit institutions *)		682 159	682 159
Borrowings through the issuance of securities		6 744 816	6 744 816
Total liabilities		**7 426 975**	**7 426 975**

*) Entirely related to SpareBank 1 Helgeland

NOTE 10. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.20	31.12.19
Liabilities to credit institutions without agreed maturity	383 012	399 994
Total loans to and liabilities to credit institutions	**383 012**	**399 994**

Geographic areas	31.12.20	%
Total Helgeland	399 994	100 %

Applies in its entirety bank deposits in SpareBank 1 Helgeland.

NOTE 11. LOANS AND WRITE-DOWNS

Lending	**31.12.20**	**31.12.19**
Gross lending to customers	**7 232 317**	**7 600 068**
Individual write-downs on lending	0	0
Lending to customers after individual write-downs	**7 232 317**	**7 600 068**
Collective write-downs	1 887	2 545
Lending to and claims on customers, to amortized cost	**7 230 430**	**7 597 523**

NOTE 12. DISTRIBUTION LOANS

	31.12.20	**31.12.19**
Loans secured by residential property	7 223 778	7 585 872
Accrued interest	6 652	11 651
Total	**7 230 430**	**7 597 523**

31.12.20	**Lending to amortized cost and fair value**						
	Gross lending	**Expected loss**			**Individual write downs**	**Gross lending**	**Net lending**
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Fair value (FVOCI)	Total
Total corporate market	152 400	-27	-94	0	0	0	152 279
Total retail market	7 079 917	-405	-1 361	0	0	0	7 078 150
Total	7 232 317	-432	-1 455	0	0	0	7 230 430
Expected loss off balance RM		-8	-1	0	0		
Expected loss off balance CM		0	0	0	0		

31.12.19	**Lending to amortized cost and fair value**						
	Gross lending	**Expected loss**			**Individual write downs**	**Gross lending**	**Net lending**
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Fair value (FVOCI)	Total
Total corporate market	163 719	-31	-254	0	0	0	163 434
Total retail market	7 436 349	-358	-1 902	0	0	0	7 434 089
Total	7 600 068	-389	-2 156	0	0	0	7 597 523
Expected loss off balance RM		-8	-3	0	0		
Expected loss off balance CM		-1	0	0	0		

NOTE 13. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 14. LIABILITIES

	31.12.20	31.12.19
Loans and deposits at credit institutuons w ith agreed maturity*)	911 867	682 159
Liabilities to credit institutions	**911 867**	**682 159**
Bond debt	6 179 979	6 744 816
Financial derivatives	0	7 428
Liabilities securities	**6 179 979**	**6 752 244**
Tax liabilities	18 938	14 933
Deferred tax	322	37
Other liabilities	966	190
Total ather liabilities	**20 226**	**15 160**
Total liabilities	**7 112 072**	**7 449 563**

*) The debt is entirely related to the parent bank SpareBank 1 Helgeland.

NOTE 15. FINANCIAL LIABILITIES INCURRED THROUGH ISSUANCE OF SECURITIES (COVER BONDS)

Liabilities through issuance of securities are valued at amortized cost.

Covered bonds:

ISIN code	Currency	Par value	Own hold.		Interest	Admission	Maturity	Extended maturity	31.12.20
NO0010724065	NOK	500 000	25 000	Floating	3mnd. Nibor+0,30	2014	2021	2022	476 825
NO0010764897	NOK	500 000	316 000	Floating	3 mnd.Nibor+0,86	2016	2021	2022	186 044
NO0010769920	NOK	500 000		Floating	3 mnd.Nibor+0,78	2016	2022	2023	502 149
NO0010782774	NOK	205 000	200 000	Floating	3 mnd.Nibor+0,52	2017	2021	2022	5 273
NO0010785843	NOK	500 000		Floating	3 mnd.Nibor+0,64	2017	2023	2024	501 242
NO0010804008	NOK	500 000		Floating	3 mnd.Nibor+0,45	2017	2022	2023	500 863
NO0010810278	NOK	500 000		Floating	3 mnd.Nibor+0,41	2017	2022	2023	500 972
NO0010819568	NOK	500 000		Floating	3 mnd.Nibor+0,40	2018	2023	2024	500 700
NO0010826415	NOK	500 000		Floating	3 mnd.Nibor+0,47	2018	2023	2024	500 691
NO0010831290	NOK	500 000		Floating	3 mnd.Nibor+0,42	2018	2024	2025	500 131
NO0010839434	NOK	500 000		Floating	3 mnd.Nibor+0,55	2018	2024	2025	500 931
NO0010847080	NOK	500 000		Floating	3 mnd.Nibor+0,48	2019	2024	2025	501 689
NO0010859986	NOK	500 000		Floating	3 mnd.Nibor+0,40	2019	2025	2026	501 038
NO0010865652	NOK	200 000		Floating	3 mnd.Nibor+0,43	2019	2025	2026	200 912
NO0010867864	NOK	300 000		fixed	2,22 %	2019	2029	2030	300 519
Total listed covered bonds									**6 179 979**

All loans have soft call one year before maturity.

ISIN code	Currency	Par value	Own hold.		Interest	Admission	Maturity	Extended maturity	31.12.19
NO0010709355	NOK	30 000	20 000	Floating	3mnd. Nibor+0,40	2014	2020	2021	15 003
NO0010724065	NOK	500 000		Floating	3mnd. Nibor+0,30	2014	2021	2022	499 680
NO0010740673	NOK	26 000		Floating	3 mnd.Nibor+0,49	2015	2020	2021	26 020
NO0010764897	NOK	500 000		Floating	3 mnd.Nibor+0,86	2016	2021	2022	500 160
NO0010769920	NOK	500 000		Floating	3 mnd.Nibor+0,78	2016	2022	2023	500 271
NO0010782774	NOK	205 000		Floating	3 mnd.Nibor+0,52	2017	2023	2024	205 154
NO0010785843	NOK	500 000		Floating	3 mnd.Nibor+0,64	2017	2023	2024	500 371
NO0010804008	NOK	500 000		Floating	3 mnd.Nibor+0,45	2017	2022	2023	499 803
NO0010810278	NOK	500 000		Floating	3 mnd.Nibor+0,41	2017	2022	2023	499 967
NO0010819568	NOK	500 000		Floating	3 mnd.Nibor+0,40	2018	2023	2024	499 601
NO0010826415	NOK	500 000		Floating	3 mnd.Nibor+0,47	2018	2023	2024	499 609
NO0010831290	NOK	500 000		Floating	3 mnd.Nibor+0,42	2018	2024	2025	498 980
NO0010839434	NOK	500 000		Floating	3 mnd.Nibor+0,55	2018	2024	2024	499 920
NO0010847080	NOK	500 000		Floating	3 mnd.Nibor+0,48	2019	2024	2025	500 866
NO0010859986	NOK	500 000		Floating	3 mnd.Nibor+0,40	2019	2025	2026	500 047
NO0010865652	NOK	200 000		Floating	3 mnd.Nibor+0,43	2019	2025	2026	199 894
NO0010867864	NOK	300 000		fixed	2,22 %	2019	2029	2030	299 470
Total listed covered bonds									**6 744 816**

All loans have soft call one year before maturity.

	31.12.2020	31.12.2019
Total listed bonds	**6 179 979**	**6 744 816**
Own hold	541 000	20 000
Total listed bonds own hold included	**6 720 979**	**6 764 816**
Loans secured by property	7 203 046	7 511 850
Claims that constitutes cover pool (inc. Interests)	383 012	399 994
Total cover pool	**7 586 058**	**7 911 844**
Cover pool capacity utilization	865 079	1 147 028
Cover pool capacity utilization %	13 %	17 %

The composition of the cover pool is defined in the Financial Undertakings Act § 11-8.
*) Loans that are not qualified are not included in eligible cover pool.

NOTE 16. COVER POOL CAPACITY UTILIZATION

Assembly of the cover pool is defined in the Financial Undertakings Act § 11-8
LTV (loan to value) per 31.12.20 was 54 (57) %

NOTE 17. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.20	31.12.19
ASSETS		
Loans to and claims on credit institutions	383 012	399 994
Loans to and claims on customers	797 585	863 827
Securities	100 697	49 896
Financial derivatives	14 102	
Total short term assets	**1 295 396**	**1 313 717**
Loans to and claims on customers	6 432 845	6 733 696
Total long term assets	**6 432 845**	**6 733 696**
Total Assets	**7 728 241**	**8 047 413**
LIABILITIES AND EQUITY CAPITAL		
Other liabilities	20 226	15 160
Borrowings through the issuance of securities	668 142	706 237
Total short term liabilities	**688 368**	**721 397**
Liabilities to credit institutions	911 867	682 159
Borrowings through the issuance of securities	5 511 837	6 038 579
Financial derivatives	0	7 428
Total long term liabilities	**6 423 704**	**6 728 166**
Total liabilities	**7 112 072**	**7 449 563**
Paid-in equity capital	540 010	540 010
Accrued equity capital/retained earnings	76 159	57 840
Total equity capital	**616 169**	**597 850**
Total liabilities and equity capital	**7 728 241**	**8 047 413**

NOTE 18. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.20 or 31.12.19.

NOTE 19. CAPITAL ADEQUACY

Capital adequacy is prepared following regulatory framework CRD IV/Basel III (standard method credit risk).

	31.12.20	31.12.19
Total paid-in capital	**540 010**	**540 010**
Total accrued equity capital/retained earnings	**77 961**	**57 839**
Additional		
Deduction	-70 052	-50 469
Total core capital	**547 919**	**547 380**
Total net supplementary capital	**0**	**0**
Total net equity and related capital	**547 919**	**547 380**
Weighted asset calculation basis	2 949 883	3 129 578
Capital adequacy ratio	18,57 %	17,49 %
Of w hich core capital accounted for	18,57 %	17,49 %

Share capital amounts to MNOK 540. SpareBank 1 Helgeland is the sole shareholder in the company.

The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operating risk. The company`s goal for CET 1 capital is 13.0 % and total capital ratio of over 16.5 %.

NOTE 20. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.20	31.12.19
States and central banks		
Local and regional authorities (including municipalities)		
Publicly ow ned enterprises		
Institutions	79 311	79 999
Enterprises		
Mass market loans		
Loans secured by real property	2 626 170	2 829 548
Loans overdue	43 728	73 232
Other loans and commitments		
Capital requirement credit risk	**2 749 209**	**2 982 779**
Capital requirement operational risk	164 340	143 534
Deduction/addition from capital requirement	36 334	3 265
Total capital requirement	**2 949 883**	**3 129 578**

NOTE 21. SHARE CAPITAL

The company has a share capital of MNOK 540, with shares par value NOK 1 000. SpareBank 1 Helgeland owns all the shares.

NOTE 22. REMUNERATION AND LOANS FOR THE GENERAL MANAGER AND BOARD

		2020
	Payments	Loans
General manager, Sten Ove Lisø from 01.03.20	0	0
General manager, Lena Båtstrand to 29.02.20	0	1 470
Total remuneration for management	**0**	**1 470**
Chairman of the board, Hanne Nordgaard	0	1 900
Dag Hugo Gangmark Heimstad	0	0
Håkon Stanghelle	25	0
Sverre Klausen	0	638
Total boards of Directors	**25**	**2 538**
Total	**25**	**4 008**

1) The general manager is hired from SpareBank 1 Helgeland and her salary is paid from there. It's paid NOK 233.000 to the parent bank for the general manager's services.

NOTE 23. TRANSACTIONS WITH RELATED PARTIES

Helgeland Boligkreditt AS is fully owned by SpareBank 1 Helgeland. Transactions are entered between Helgeland Boligkreditt AS and SpareBank 1 Helgeland as ordinary business transactions. This includes loans and financial derivatives as part of the foreign exchange- and rent risk management. Transactions enters in market terms and is regulated by

- Transfer and service agreement for the transfer of loans from SpareBank 1 Helgeland to Helgeland Boligkreditt AS.
- Main Agreement on intra-group services and infrastructure

All loans in the balance sheet of Helgeland Boligkreditt AS are transferred from SpareBank 1 Helgeland. These loans are well secured mortgages within a loan to value of 75% or less. From the transfer date, revenues and repayments are recorded in the mortgage company. The parent bank administers the loans and a separate transfer and service agreement between Helgeland Boligkreditt AS and SpareBank 1 Helgeland is entered into. The transfer and service agreement regulates the transfer of loans qualifying as collateral for the issuance of Covered bonds. Helgeland Boligkreditt AS pays management fees to the bank per 2020 there were transferred loans totaling MNOK 7 232. The acquisition is based on market conditions.
Under the Main Agreement Helgeland Boligkreditt AS purchases services from the parent bank, including administration, banking, distribution, customer service, IT-services, financial and liquidity management. For these services Helgeland Boligkreditt AS pays an annual management fee based on the lending volume MNOK 8.2 (8.2), in addition to payment for hired staff.
SpareBank 1 Helgeland has by the end of 2020 invested MNOK 80 (80) in Covered Bonds issued by Helgeland Boligkreditt AS.
(See note 2.3.1 credit facilities from the parent bank).

Group contribution
Allocated group contribution in 2019 of MNOK 49.6 was paid in 2020 to SpareBank 1 Helgeland. In allocation of profits per 31.12.20 MNOK 68.1 is allocated as group contribution to the parent bank.

Intragroup transactions	**31.12.20**	**31.12.19**
Profit and loss account		
Interest income and similar income	1 779	2 792
Interest expense and similar expense	13 832	15 751
Dividend	49 610	52 669
Management fee	8 213	8 200
Balance sheet		
Lending and claims on credit institutions	383 012	399 994
Liabilities to credit institutions	911 867	682 159
Liabilities from issue of securities	80 000	80 000

NOTE 24. RESULT PER SHARE

	31.12.20	31.12.19
Profit this year	68 136	49 610
Number of shares	540 000	540 000
Average number og shares	540 000	540 000
Profit per share in NOK	126	92
Diluted profit per share in NOK	126	92

NOTE 25. EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of any post balance sheet events that will affect the financial statements. Ongoing legal disputes: Helgeland Boligkreditt AS has not been involved in administrative matters, court proceedings or arbitration cases over the past 12 months, the company is not aware of any pending or threats which include such matters that may have or recently have had a significant impact on the company's financial position or profitability.

NOTE 26. RESULT IN PERCENT OF AVERAGE TOTAL ASSETS

	31.12.20	31.12.19
Interest receivable and similar income	2,60 %	2,97 %
Interest payable and similar costs	1,40 %	1,95 %
Net interest- and credit commission income	**1,20 %**	**1,01 %**
Commissions receivable and income from banking services	0,00 %	0,00 %
Commissions payable and costs relating to banking services	0,00 %	0,00 %
Net commission income	**0,00 %**	**0,00 %**
Net value change and gains/loss on financial investments	0,01 %	-0,06 %
Operating costs	0,14 %	0,14 %
Operating profit	**1,08 %**	**0,81 %**
Losses on loans, guarantees etc.	-0,01 %	0,02 %
Profit before tax	**1,08 %**	**0,79 %**
Tax payable on ordinary result	0,24 %	0,17 %
Result from ordinary operations after tax	**0,84 %**	**0,62 %**

NOTE 27. ACCOUNTING ESTIMATES

Helgeland Boligkreditt prepares estimates and assumptions that has effect on the company’s financial position. Estimates and evaluations are continuously an item for evaluation and based on historical experience and other factors including expectations in relation to future events seen as reasonable. The most central accounting estimate for the company is write-downs on loans. Assessment of write-downs will partly be based on judgement. Lending portfolios/guarantee commitments are continuously monitored with regard to the need for write-downs/provisions. Write-downs/provision is done in accordance to IFRS 9. Se accounting principles and note 2.

STATEMENT UNDER THE SECURITIES TRADING ACT § 5-5

We confirm to the best of our knowledge that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with the applicable accounting standards, and that the information in the financial statements give true and fair view of the companys̓ assets, liabilities, financial positions and result. We also declare that the annual report gives a fair review of the development, performance and position of the company, together with a description of the principal risks and uncertainties facing the company.

Mo i Rana, 23. February 2021

Hanne Nordgaard
Chairman

Dag-Hugo Heimstad
Vice-Chairman

Håkon Stanghelle

Sverre Klausen

Sten Ove Lisø
General Manager

OTHER KEY FIGURES

	31.12.20	31.12.19
Profit & Loss Account		
Gross profit	68 136	49 610
Net interest as a % of average assets	1,20 %	1,01 %
Operation cost as a % of income	11,5 %	14,3 %
Net profit as a % of average assets	0,84 %	0,62 %
Balance sheet		
Gross lending	7 232 317	7 600 068
Collective write-downs as a % of lending	0,03 %	0,03 %
12 months growth in customer lending	-4,80 %	2,90 %
Total assets	7 728 241	8 047 413
Average total assets	8 103 244	8 037 543
Solidity		
Rate of return on equity capital	11,4 %	8,3 %
Core tier one Capital	547 919	547 380
Core tier one Capital ratio	18,6 %	17,5 %
Leveral Ratio	6,9 %	6,6 %
Information on lending portfolio		
Surplus value of cover pool	1 406 079	1 167 028
Surplus value of cover pool (%)	13 %	17 %
Indexed LTV	54 %	57 %
Propotion of variable-rate loans	100 %	100 %
Propotion of flexible mortgages*)	11,0 %	11,0 %
Average loan value	1 189	1 133
Number of loans	6 077	6 687
Remaining maturity - weighted average (year)	20,2	20,5
Seasoning - weighted average (year)	3,1	2,8

*) Calculated from the drawn amount

Elected representatives and senior management in Helgeland Boligkreditt AS

The General Meeting:
SpareBank 1 Helgeland through its CEO, Hanne Nordgaard

General Manager
Sten Ove Lisø

Board of Directors:
Hanne Nordgaard, Chairman
Dag Hugo Heimstad, Vice Chairman
Sverre Klausen
Håkon Stanghelle

Contact information

SpareBank 1 Helgeland
Address: PO Box 68, N-8601 Mo i Rana
Organization no.: 937 904 029
www.hsb.no

Helgeland Boligkreditt AS
Organization no.: 993 359 696
www.hsb.no

Investor Relations
Sverre Klausen, CFO, telephone +47 75 12 82 22

Other sources:

Annual reports:
Helgeland Boligkreditt AS is part of the SpareBank 1 Helgeland group. Annual reports are available under investor relations information at www.hsb.no

Interim reports
Quarterly reports are available at www.hsb.no

To the General Meeting of Helgeland Boligkreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Helgeland Boligkreditt AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of change in equity during the year and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The mortgage company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. Loans to customers carries the same characteristics and risks this year and has consequently been our focus area during the 2020 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Loans to customers	
Loans given by the mortgage company to private individuals amounts to NOK 7.2	In order to comply with the requirements in the regulations applicable to covered bonds, the mortgage

bn secured by real estate, and the company has issued covered bonds. Processes and controls have been implemented to ensure that the company complies with the requirements concerning real estate collateral, which applies when issuing covered bonds.

The value of the collateral, at any given time, shall be above 75 % of the loan.

Historically, the mortgage company has realized limited losses on loans. Because compliance and the implemented processes are of fundamental importance to the mortgage company's operations and historically limited losses; our attention has been focused toward this subject.

company has established controls in the process of granting and transferring loans. These controls ensure that the mortgage company reviews the applications for loans and associated documentation. The process includes formal controls and segregation of duties, implemented in order to ensure that the process will be carried out prior to granting or transferring the loans from the parent company to the mortgage company. We have reviewed the company's processes in this regard.

Our work comprises testing of the company's IT systems relevant for financial reporting. The company uses service organizations to operate their core IT systems. In order to evaluate the design and effectiveness of established controls at the service organizations, as well as testing controls established to ensure the integrity of the IT systems relevant for financial reporting, we have utilized the service organizations external auditors. In relation to the work performed the auditors have issued reports that include, among other things, comprehensive testing of whether calculations done in the core systems are aligned with expectations (interest calculations and amortization). Furthermore, the testing includes the integrity of the data, changes made to the systems as well as access to the systems.

In order for us to use the information from the reports issued by the service organizations in our audit work, we have evaluated the auditors competence and objectivity. We have also reviewed the reports issued and evaluated any deviations and corrective actions. Furthermore, we have tested access controls in the company's IT-systems, and segregation of duties where considered necessary in relation to our specific audit procedures.

Our evaluations and tests substantiate that we can assume that the data processed in the core-system as well as the calculations undertaken in the core-system, are reliable. This was considered a necessary foundation for our audit.

The company's processes entail ensuring that the realisable value of the underlying real estate collateral is calculated using external appraisals or internal evaluations. For us to evaluate whether the realisable value was within the 75% requirement we have reviewed appraisals relevant to the transferred loans.

Our audit was conducted by obtaining documentation and examining whether the process was carried out appropriately and timely. This included reviewing the underlying documentation the company had collected and assessing whether the documentation supported the company's conclusion concerning their compliance with the requirements in relevant legislation and regulations.

Any deviations uncovered in our testing were considered immaterial. Our testing substantiated that the company's internal controls have been executed in accordance with their policies, and that they are compliant with relevant legislation.

Note 2, 3, 9, 11, 12 and 17 in the company's financial statements are relevant to describing the company's loans to customers. We have reviewed the information given in notes to the financial statement regarding this subject and found that the information provided was sufficient and appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Mo i Rana, 23 February 2021
PricewaterhouseCoopers AS

Silja Eriksen
State Authorised Public Accountant

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