



Annual report 2021

REPORT FROM THE BOARD OF DIRECTORS

Annual report Helgeland Boligkreditt AS 2021

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 bank's 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 Moody's.

Profit and loss account

Gross profit was MNOK 55.5. This is a decrease of MNOK 16.2 compared to 2020. The decrease is mainly related to a decreased net interest by MNOK 12.3. Value change on financial instruments has at the same time decreased by MNOK 3.5 after a capital loss on own portfolio in borrowing. operating costs are increased by MNOK 0.1. Write-downs on lending is increased by MNOK 0.3.

Net profit was MNOK 55.5 (68.1) which gives a return on equity of 9.4 (11.4) %. The company is well capitalized with CET1 ratio of 19.0 (18.6) %.

Key figures per 31.12.21 (31.12.20)

- Net profit MNOK 55.5 (68.1)
- Net interest MNOK 84.6 (96.9)
- Operation costs MNOK 11.2 (11.1)
- Return on equity 9.4 (11.4) %
- CET1 capital ratio 19.0 (18.6) %
- Cover pool ratio of fullness 17 (13) %
- Indexed LTV 54 (54) %

Allocation of profit

The Board of Directors proposes that the profit for 2021 of MNOK 55.5 be given in dividend to SpareBank 1 Helgeland. The size of the group contribution is considered justifiable based on the company's position.

Balance development

Combined assets in Helgeland Boligkreditt AS constituted MNOK 7 716 per 31.12.21. Of this, 91% of the assets are mortgages.

Cover pool

By the end of the quarter the mortgage company had mortgages of MNOK 7 037 (7 232). 75.0 (76.7) % of the mortgages are lent to customers in the Helgeland region. All the mortgages have floating interest rates, and 10 (11) % of the lending volume are flexi loans. The lending volume is reduced by MNOK 195 or 2.7 % over the last 12 months.

Loans qualified for the cover pool amounts to MNOK 6 996 (7 203). 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 a deposit in SpareBank 1 Helgeland of MNOK 580 as per 31.12.21 whereof MNOK 380 is included in the supplementary security. Statutory bill of MNOK 100 and the other MNOK 200 of the substitute assets is included in the LCR calculation.

Funding

The lending portfolio is funded by issuing covered bonds totalling MNOK 6 064 (6 180), as well as long term credit from SpareBank 1 Helgeland. MNOK 80 of the covered bonds are in the parent company's ownership.

The company's debt in finance institutions amounts to MNOK 1 030 (912). 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 17 (13) %.

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. Lending in 2021 decreased by MNOK 195. Liabilities to credit institutions increased by MNOK 118 and Covered Bonds decreased by MNOK 104. Total liquidity change is MNOK 196.8.

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

REPORT FROM THE BOARD OF DIRECTORS

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.

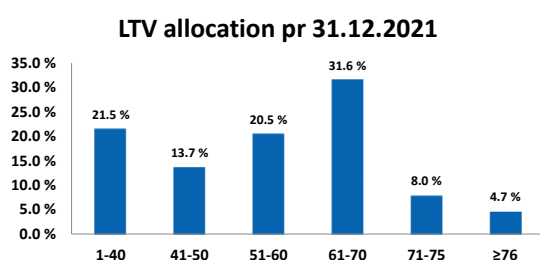
Credit risk

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 1.6, or 0.02% 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 31.12.21 54 (54) %. 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 85.8 (89.2) %. This is well above the target of 70 %. Average remaining term for covered bonds was 2.3 (2.7) 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 Q4 2021. Helgeland Boligkreditt AS has established committed credit lines in the parent bank that guarantees repayment of covered bonds maturing t

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 19.0 (18.6) % 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 3 members: 2 woman and 1 man.

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 future for Helgeland boligkreditt AS and Helgeland, looks positive. Low unemployment, large infrastructure and industry projects, rising housing prices and stable turnover numbers is

REPORT FROM THE BOARD OF DIRECTORS

factors that substantiates this. The Board sees no special relations that insinuates that this development will change significantly during 2022.

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, these are stable. Large industry establishments in Helgeland, especially the establishment of a battery fabric in Mo I Rana provides positive future expectations related to both housing construction and price development.

Unemployment has stabilized on a low level. For Helgeland, the unemployment is by the end of year

1.3 % against 2.2 % nationally. The unemployment rate is expected to maintain on a low level.

The parent bank's entries in the Sparebank 1 group during the 1st half of 2021 has affected, and will still affect Helgeland Boligkreditt AS ahead, mainly in form of a gradual reduction of the balance. This because of that SpareBank 1 Helgeland gets access to long term funding through Sparebank 1 Boligkreditt AS.

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

Mo i Rana, 23 February 2022

Hanne Nordgaard
Chairman

Sverre Klausen
Vice-Chairman

Brit Søvting

Sten Ove Lisø
General Manager

CORPORATE GOVERNANCE

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 % pr 31.12.21.

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 3 permanent members, whereof 2 women and 1 man.

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

CORPORATE GOVERNANCE

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 has participated in the board meetings during the year, but from 2022 the internal auditing is outsourced to an external auditing and consulting company.

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.

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PROFIT AND LOSS ACCOUNT

INCOME STATEMENT (amounts in NOK 1.000)

	Note	31.12.21	31.12.20
Interest income fom assets measured at amortized cost	4.23	152 370	209 046
Interest income fom assets measured at fair value		1 213	268
Interest payable and similar costs	4.23	68 992	112 446
Net interest- and credit commission income		84 591	96 868
Commissions receivable and income from banking services		7	18
Net commission income		7	18
Gains/losses on financial assets available for sale	5	-2 498	963
Operating costs	6,22,23	11 207	11 138
Losses on loans, guarantees etc.	2	-326	-661
Operating profit		71 218	87 372
Profit before tax		71 218	87 372
Tax payable on ordinary result	7	15 669	19 236
Profit from ordinary operations after tax		55 549	68 136
Yield per share in NOK	24	103	92
Diluted result per share in NOK	24	103	92
OCI		31.12.21	31.12.20
Net profit		55 549	68 136
Posts in the OCI		0	0
Total profit in the period		55 549	68 136

BLANCE SHEET

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.21	31.12.20
ASSETS			
Loans to and claims on credit institutions	2,9,10,17,23	579 819	383 012
Loans to and claims on customers	2,3,9,11,12,13,17	7 035 841	7 230 430
Certificates	2.9	99 821	100 697
Financial derivatives			14 102
Other assets		407	
Total assets		7 715 888	7 728 241
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,17,23	1 029 585	911 867
Borrowings through the issuance of securities	2,9,14,15,17,23	6 063 576	6 179 979
Financial derivatives	2,14,17	2 699	0
Other liabilities	8,14	16 447	20 226
Total liabilities		7 112 307	7 112 072
Paid-in equity	19,20,24	540 010	540 010
Accrued equity/retained earnings	19,20,23	63 571	76 159
Total equity		603 581	616 169
Total liabilities and equity		7 715 888	7 728 241

Mo i Rana, 23 February 2022

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	Other equity	Total
Equity 01.01.20	540 000	10	57 840	597 850
Unrealized gains fund			-207	-207
Paid out during the year			-49 610	-49 610
Allocated dividend			68 136	68 136
Equity 31.12.20	540 000	10	76 159	616 169

	ECC capital	Premium fund	Other equity	Total
Equity 01.01.21	540 000	10	76 159	616 169
Unrealized gains fund			0	0
Paid out during the year			-68 136	-68 136
Allocated dividend			55 549	55 549
Equity 31.12.21	540 000	10	63 571	603 581

CASH FLOW STATEMENT

	31.12.21	31.12.20
Lending to customers	194 915	367 751
Interest income lending to customers	151 541	207 267
Deposits from customers	117 718	229 708
Interest cost deposit from customers	-11 946	-13 832
Sertificates and bonds	0	-50 000
Comission income	7	18
Payments relating to operations	-11 207	-11 138
Paid tax	-14 946	-14 881
Other cutoffs	-1 543	-7 831
A Net liquidity change from operating activities	424 539	707 062
New borrowing through issuance of securities	2 734 000	20 000
Repayments - issued securities	-2 838 000	-597 000
Interest payments borrowing through issuance of securities	-55 595	-97 434
Dividend to share ow ners	-68 136	-49 610
C Net liquidity change financing	-227 731	-724 044
A+B+C Net liquidity change in the period	196 808	-16 982
Liquid funds at the start of the period	383 012	399 994
Liquid funds at the end of the period	579 819	383 012
Liquid funds specified	-196 807	16 982
Balances w ith credit institutions w ithout notice periods	579 819	383 012

NOTES TO THE ACCOUNTS

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

Loans

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".

Liabilities to credit institutions

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

Accounting principles applied are generally consistent with the principles applied in the previous accounting period. Below is a list of changes in IFRS with effect for the 2021 accounts that have been relevant to, as well as any effect this has had on the company's annual accounts.

Interest rate reform and associated amendments to IFRS 9 and IFRS 7

The interest rate reform and associated changes and modifications to the accounting rules have little effect on Helgeland Boligkreditt, the company only has exposure in NIBOR. When any reference rate NIBOR is replaced, a change associated with the continuation of hedge accounting will be particularly relevant for the company. The change has no effect on the company's accounts at the end of the year.

Financial instruments

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

NOTES TO THE ACCOUNTS

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

Lending to customers

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.

Potential exposure

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.

Write-downs on loans

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.

Default loans

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

Step 1: 12 months expected loss

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

Step 2: Expected loss of life.

In step 2, financial assets that have had a significant increase in credit risk are placed since initial recognition. If an account commitment is significantly worsened or not, it is defined as a function of probability of default (PD) at the time of calculation and the time of grant. The 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 will be marked in a period of 2 years.

Step 3: Expected loss of life

NOTES TO THE ACCOUNTS

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, piecemeal proceedings have been opened or individually assessed provisions have been made.

Securities with floating interest rates

At initial recognition, the debt is measured 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 liability. 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.

NOTES TO THE ACCOUNTS

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 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.

EQUITY

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 31.12.21 was 54 (54) %.

NOTE 2.1.1 CREDIT EXPOSURE

Balance items	31.12.21	31.12.20
Loans to and claims on credit institutions	579 819	383 012
Loans to and claims on customers	7 037 403	7 232 317
Lending to and claims on customers, to amortized cost	7 617 222	7 615 329
Lending to customers at fair value	0	0
Lending to and claims on customers, at fair value	0	0
Potential exposure to credit lines	369 918	364 295
Total credit exposure, balance items	369 918	364 295
Unused credit limit	0	0
Total credit exposure, off-balance sheet	369 918	364 295
Total credit exposure 1)	7 987 140	7 979 624

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.

NOTES TO THE ACCOUNTS

NOTE 2.1..2 COMMITMENTS AND LOSSES AND RISK CLASSES

31.12.21	Step 1	Step 2	Step 3		
Gross lending	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
Gross lending pr. 01.01.21	6 703 117	529 200	0	0	7 232 317
New loans / credits	2 232 954	107 353	336	0	2 340 643
Transfers from step 1 to step 2	-232 016	226 289	0	0	-5 727
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	177 142	-184 799	0	0	-7 657
Reduced portfolio	-2 072 762	-199 842	0	0	-2 272 604
	0	0	0	0	0
Other adjustments	-242 641	-6 928	0	0	-249 569
Gross lending pr. 31.12.21	6 565 793	471 274	336	0	7 037 403
Unused drafts, guarantees etc.	365 665	4 253	-	-	369 918

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		
Gross lending	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
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
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.

NOTES TO THE ACCOUNTS

	Step 1	Step 2	Step 3		
31.12.21					
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. 01.01.21	432	1 455	0	0	1 887
New loans / credits	164	277	8	0	449
Transfers from step 1 to step 2	-24	449	0	0	426
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	23	-500	0	0	-477
Reduced portfolio	-148	-603	0	0	-752
Other adjustments	-34	62	0	0	28
Loss deduction pr. 31.12.21	413	1 140	8	0	1 561

	Step 1	Step 2	Step 3		
31.12.20					
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. 01.01.20	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

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

NOTES TO THE ACCOUNTS

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 were 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 of 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 considered 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%.

NOTES TO THE ACCOUNTS

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 model's 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 several 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 2021, 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	31.12.21 Effect of Scenarios
Loss provisions under IFRS 9	1 561	1 124	437

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

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 considered.

NOTES TO THE ACCOUNTS

Lending by risk class	Step 1	Step 2	Step 3	31.12.21
Low risk	5 693 115		0	5 693 115
Medium risk	859 512	373 499	0	1 233 011
High risk	13 166	97 775	0	110 941
Defaulted			336	336
Total lending	6 565 793	471 274	336	7 037 403

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

Secured; LTV distribution	31.12.21	31.12.20
1-40	21.5 %	22.6 %
41-50	13.7 %	13.0 %
51-60	20.5 %	17.8 %
61-70	31.6 %	28.2 %
71-75	8.0 %	13.8 %
76-80	2.0 %	2.5 %
81-90	1.8 %	1.4 %
91-100	0.4 %	0.3 %
101-110	0.3 %	0.3 %
≥111	0.2 %	0.1 %
Total LTV	54 %	54 %

Credit institutions

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.

	31.12.21	31.12.20
Rating Moodys A3	579 819	383 012
Total	579 819	383 012

Certificates: classification of issuers by sector

	31.12.21	31.12.20
State	99 821	100 697
Total	99 821	100 697

Certificates: classification of issuers by rating

	31.12.21	31.12.20
AAA	99 821	100 697
Total	99 821	100 697

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.21	31.12.20
Gross defaulted commitments over 90 days	0	0
Individual write-downs of defaulted loans	0	0
Net defaulted commitments	0	0
Other non-performing and impaired commitments and guar., not in default	336	0
Step 3 write-downs	8	0
Total non-performing and impaired commitments and guar., not in default	344	0

NOTES TO THE ACCOUNTS

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	31.12.21	31.12.20
1-29 days	0	0
30-59 days	2 047	0
60-89 days	0	0
> 90 days	0	0
Total disordered loans without impairments	2 047	0

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 point's parallel shift in the entire interest rate curve.

Interest rate risk at 31.12.21 is MNOK -0.7 (MNOK -1.2) 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 periods until next interest rate re-fix							31.12.21
	Up to	From	From	From	Over	No int.rate	Total
	1 mth.	1-3 mnt	3 mnt	1-5 years	5 years	change	
ASSETS							
Loans to and claims on credit inst with no a/maturity		579 819					579 819
Net loans to and claims on customers		7 035 841					7 035 841
Securities available for sale		99 821					99 821
Other non-int-bearing assets						407	407
Total assets	0	7 715 481	0	0	0	407	7 715 888
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity	1 029 585						1 029 585
Borrow ings through the issuance of securities	500 019	5 263 976			299 581		6 063 576
Other non-int-bearing liabilities						19 146	19 146
Total liabilities	1 529 604	5 263 976	0	0	299 581	19 146	7 112 307
Net int rate sensitivity gap	-1 529 604	2 451 505	0	0	-299 581	-18 739	603 581

NOTES TO THE ACCOUNTS

Interest rate risk- remaining periods 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
Borrow ings 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

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 300 (299) million. Net gains and losses related to hedging instruments and hedged items related to hedged risk were NOK 0.3 (0.1) million.

Inefficiency hedging over the income statement	31.12.2021	31.12.2020
Value change related to hedging objects	16 546	-20 573
Value change related to the hedging instruments	-16 673	20 913
Net inefficiency over the income statement	-127	340

Fair value over the income statement	31.12.2021		
	Contract Total	Fair value Assets Debt	
Interest swap agreements fixed rate loans hedgning	300 000	0	2 699
Total financial derivatives hedging	300 000	0	2 699

Fair value over the income statement	31.12.2020		
	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

The hedging instruments are accounted in the balance under financial derivatives

NOTES TO THE ACCOUNTS

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 31.12.21 is considered good. Long-term funding with maturities over one year is 85.8 % (89.2 %).

31.12.2021							
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	-2 334	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	-8 148	Financial derivatives
6	Interet swap, float	-300	2029	1.27	NOK	11 279	Financial derivatives

No installments are paid on the instruments

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	1.27	NOK	-12 819	Financial derivatives

No installments are paid on the instruments

NOTES TO THE ACCOUNTS

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Funding risk. Remaining periods	31.12.21				
	0-3	3-12	1-5	Over	Total
	months	months	years	5 years	
Liabilities to credit institutions			1 029 585		1 029 585
Borrowings through the issuance of securities	0	1 274 742	4 552 650	323 310	6 150 702
Financial derivatives gross settlement (outflow s)	953	2 858	15 240	7 620	26 671
Total payments	953	1 277 600	5 597 475	330 930	7 206 958
	0	580 819	0	0	580 819
Loans to and claims on customers	726 577	4 740	154 233	6 870 237	7 755 787
Certificates, bonds and shares available for sale	49 957	49 863	0	0	99 820
Total payments	776 534	635 422	154 233	6 870 237	8 436 426
1) Financial derivatives gross settlement (inflow s)	0	6 660	26 640	13 320	46 620

Funding risk. Remaining periods	31.12.20				
	0-3	3-12	1-5	Over	Total
	months	months	years	5 years	
Liabilities to credit institutions	0	0	925 699	0	925 699
Borrowings through the issuance of securities	5 000	668 885	5 327 500	306 750	6 308 135
Financial derivatives gross settlement (outflow s)	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 (inflow s)		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 31.12.21, the vacant limit was NOK 470 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. Treasury bill is valued at fair value.

NOTES TO THE ACCOUNTS

NOTE 3. SEGMENT

The company operates at one strategic business area only.

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 geographic segment is Helgeland. The company only reports one segment.

	31.12.21	31.12.20
Retail market	6 915 065	7 079 917
Corporate market	122 338	152 400
Total	7 037 403	7 232 317
Collective write-downs	-1 561	-1 887
Total	7 035 841	7 230 430
Geographical exposure within the loan portfolio		
	31.12.21	31.12.20
Helgeland	5 281 363	5 548 120
Areas other than Helgeland	1 726 428	1 672 961
International 1)	29 612	11 236
Total	7 037 403	7 232 317

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

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.21	31.12.20
Interest income of lending to and claims on credit institutions	829	1 779
Interest income of lending to and claims on customers	151 541	207 267
Interest income of bonds and certificates	1 213	268
Total interest income	153 583	209 314
Interest expense on liabilities to credit institutions	11 946	13 832
Interest expense on issued securities	57 046	97 435
Emergency fund	0	1 179
Total interest expenses	68 992	112 446
Net interest income	84 591	96 868

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

Specification of costs	31.12.21	31.12.20
Unrealized change securities	-2 498	963
Total value financial instruments	-2 498	963

NOTES TO THE ACCOUNTS

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.21	31.12.20
Management fee and wage general manager (note 23)	8 182	8 213
Other administration costs	35	33
Total wages and administration costs	8 217	8 246
Other operating costs	2 990	2 892
Total operating costs	11 207	11 138
Number of FTEs	0	0

Specification of costs auditing	31.12.21	31.12.20
Audit fees	239	148
Other services and certifications	45	91
Total costs auditing	284	239

NOTE 7. TAX

	31.12.21	31.12.20
Tax for the year:		
Tax payable	16 398	18 938
Insufficient provision previous year		13
Change in deferred tax (note 8)	-729	285
Tax cost for the year	15 669	19 236

Breakdown between accounts-related result before tax and the year's income liable to tax

Accounts-related result before tax	71 219	87 372
Permanent differences	6	6
Change in temporary differences (note 8)	3 314	-1 297
Income subject to tax	74 539	86 081

NOTES TO THE ACCOUNTS

NOTE 8. DEFERRED TAXES

Deferred tax / Deferred tax benefit	31.12.21	31.12.20
Positive temporary differences:		
Hedging/market value adjustment certificates	-11	-14 212
Value change financial derivatives	-3 131	
Change in value of cover bonds at amortized cost	-1 042	
Total positive temporary differences	-4 184	-14 212
Negative temporary differences		
Value change financial derivatives	2 334	13 543
Hedging/market value adjustment certificates		2 133
Total negative temporary differences	2 334	15 676
Losses carried forward	0	0
Total negative temporary differences	-1 850	1 464
Deferred tax asset		
Deferred tax	-407	322
Reconciliation of tax		
Accounting profit before tax	71 219	87 372
Tax calculated at the entity's weighted average tax	15 668	19 222
Tax effect of:		
Tax-free income		
Adjustment from previous year	1	14
Taxes in the income statement	15 669	19 236

NOTES TO THE ACCOUNTS

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Classification of financial instruments

	Real Value Over the PLA	Amortized cost	31.12.21 Total
Loans to and claims on credit institutions *)		579 819	579 819
Loans to and claims on customers		7 035 841	7 035 841
Certificates	99 821		99 821
Total assets		7 615 660	7 715 481

	Real Value Over the PLA	Amortized cost	Total
Liabilities to credit institutions *)		1 029 585	1 029 585
Borrowings through the issuance of securities		6 063 576	6 063 576
Financial derivatives	2 699		2 699
Total liabilities	2 699	7 093 161	7 095 860

*) Entirely related to SpareBank 1 Helgeland

	Real Value Over the PLA	Amortized cost	31.12.20 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
Financial derivatives	14 102		14 102
Total assets	114 799	7 613 442	7 728 241

	Real Value Over the PLA	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 SpareBank 1 Helgeland

NOTE 10. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.21	31.12.20
Liabilities to credit institutions without agreed maturity	579 819	383 012
Total loans to and liabilities to credit institutions	579 819	383 012

Geographic areas	31.12.21	%
Total Helgeland	579 819	100 %

Fully applies bank deposits in SpareBank 1 Helgeland.

NOTES TO THE ACCOUNTS

NOTE 11. LOANS AND WRITE-DOWNS

Lending	31.12.21	31.12.20
Gross lending to customers	7 037 403	7 232 317
Individual write-downs on lending	0	0
Lending to customers after individual write-downs	7 037 403	7 232 317
Collective write-downs	1 561	1 887
Lending to and claims on customers, to amortized cost	7 035 841	7 230 430

NOTE 12. DISTRIBUTION LOANS

	31.12.21	31.12.20
Loans secured by residential property	7 029 545	7 223 778
Accrued interest	6 296	6 652
Total	7 035 841	7 230 430

	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	Fair value	Total	
Total corporate market	122 338	-30	-31	0	0	0	122 277	
Total retail market	6 915 065	-383	-1 109	-8	0	0	6 913 564	
Total	7 037 403	-413	-1 140	-8	0	0	7 035 841	
Expected loss off balance RM		-6	-2	0	0			
Expected loss off balance CM		0	0	0	0			

	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			

NOTES TO THE ACCOUNTS

NOTE 13. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 14. LIABILITIES

	31.12.21	31.12.20
Loans and deposits at credit institutions with agreed maturity*)	1 029 585	911 867
Liabilities to credit institutions	1 029 585	911 867
Bond debt	6 063 576	6 179 979
Financial derivatives	2 699	0
Liabilities securities	6 066 275	6 179 979
Tax liabilities	16 106	18 938
Deferred tax	0	322
Other liabilities	341	966
Total other liabilities	16 447	20 226
Total liabilities	7 112 307	7 112 072

*) 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	31.12.21
NO0010769920	NOK	500 000	240 000	Flytende	3 mnd.Nibor+0,78	2016	2022	2023	260 547
NO0010785843	NOK	500 000		Flytende	3 mnd.Nibor+0,64	2017	2023	2024	500 632
NO0010804008	NOK	500 000		Flytende	3 mnd.Nibor+0,45	2017	2022	2023	500 445
NO0010819568	NOK	500 000		Flytende	3 mnd.Nibor+0,40	2018	2023	2024	500 340
NO0010826415	NOK	500 000		Flytende	3 mnd.Nibor+0,47	2018	2023	2024	499 834
NO0010831290	NOK	500 000		Flytende	3 mnd.Nibor+0,42	2018	2024	2025	499 305
NO0010839434	NOK	500 000		Flytende	3 mnd.Nibor+0,55	2018	2024	2025	499 951
NO0010847080	NOK	500 000		Flytende	3 mnd.Nibor+0,48	2019	2024	2025	500 509
NO0010859986	NOK	500 000		Flytende	3 mnd.Nibor+0,40	2019	2025	2026	500 029
NO0010865652	NOK	500 000		Flytende	3 mnd.Nibor+0,43	2019	2025	2026	502 579
NO0010867864	NOK	300 000		Fast	2.22 %	2019	2029	2030	299 581
NO0010935471	NOK	500 000		Flytende	3 mnd.Nibor+0,30	2021	2022	2023	500 019
NO0011117186	NOK	500 000		Flytende	3 mnd.Nibor+0,18	2021	2025	2026	499 805
Total listed covered bonds									6 063 576

All loans have soft call one year before maturity.

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.

NOTES TO THE ACCOUNTS

	31.12.2021	31.12.2020
Total listed bonds	6 060 000	6 164 000
Own hold	240 000	541 000
Total listed bonds own hold included	6 300 000	6 705 000
Loans secured by property	6 995 829	7 203 046
Claims that constitutes cover pool (inc. Interests)	379 819	383 012
Total cover pool	7 375 648	7 586 058
Cover pool capacity utilization	1 075 648	881 058
Cover pool capacity utilization %	17 %	13 %

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 31.12.21 was 54 (54) %

NOTE 17. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.21	31.12.20
ASSETS		
Loans to and claims on credit institutions	579 819	383 012
Loans to and claims on customers	714 874	797 585
Securities	99 821	100 697
Financial derivatives		14 102
Other assets	407	
Total short term assets	1 394 921	1 295 396
Loans to and claims on customers	6 320 967	6 432 845
Total long term assets	6 320 967	6 432 845
Total Assets	7 715 888	7 728 241
LIABILITIES AND EQUITY CAPITAL		
Other liabilities	16 447	20 226
Borrowings through the issuance of securities	1 261 011	668 142
Financial derivatives	2 699	
Total short term liabilities	1 280 157	688 368
Liabilities to credit institutions	1 029 585	911 867
Liabilities through the issuance of securities	4 802 565	5 511 837
Total long term liabilities	5 832 150	6 423 704
Total liabilities	7 112 307	7 112 072
Paid-in equity	540 010	540 010
Accrued equity/retained earnings	63 571	76 159
Total equity	603 581	616 169
Total liabilities and equity	7 715 888	7 728 241

NOTES TO THE ACCOUNTS

NOTE 18. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.21 or 31.12.20.

NOTE 19. CAPITAL ADEQUACY

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

	31.12.21	31.12.20
Total paid-in capital	540 010	540 010
Total accrued equity capital/retained earnings	63 571	77 961
Additional		
Deduction	-55 889	-70 052
Total core capital	547 692	547 919
Total net supplementary capital	0	0
Total net equity and related capital	547 692	547 919
Weighted asset calculation basis	2 879 492	2 949 883
Capital adequacy ratio	19.02 %	18.57 %
Of which core capital accounted for	19.02 %	18.57 %

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

	31.12.21	31.12.20
States and central banks		
Local and regional authorities (including municipalities)		
Publicly owned enterprises		
Institutions	115 964	79 311
Enterprises		
Mass market loans	125 137	
Loans secured by real property	2 467 282	2 626 170
Loans overdue	327	43 728
Other loans and commitments	462	
Calculation basis credit risk	2 709 172	2 749 209
Capital requirement operational risk	166 554	164 340
Deduction/addition from capital requirement	3 766	36 334
Total calculation basis	2 879 492	2 949 883

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.

NOTES TO THE ACCOUNTS

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

	Payments	Loans
General manager, Sten Ove Lisø from 01.03.20	0	65
Total remuneration for management	0	65
Chairman of the board, Hanne Nordgaard	0	1 900
Deputy chairman of the board, Dag Hugo Gangmark Heimstad to 23.03.21	0	0
Håkon Stanghelle to 23.03.21	25	0
Brit Søfving from 24.03.21	0	0
Sverre Klausen	0	585
Total boards of Directors	25	2 485
Total	25	2 550

	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

	Payments	Loans
General manager, Lena Båtstrand from 30.06. 1)	0	1 470
Total remuneration for management	0	1 470
Chairman of the board, Hanne Nordgaard	0	1 900
Dag Hugo Gangmark Heimstad	0	801
Håkon Stanghelle	25	0
Sverre Klusen	0	1 756
Total boards of Directors	25	4 457
Grant Total	25	5 927

	Payments	Loans
General manager, Lena Båtstrand from 30.06. 1)	0	1 312
General manager, Britt Søfving to 30.06. 1)	0	0
Total remuneration for management	0	1 312
Chairman of the board, Hanne J. Nordgaard	0	0
Dag Hugo Gangmark Heimstad	0	900
Håkon Stanghelle	25	0
Ranveig Kråkstad	0	0
Total boards of Directors	25	900
Grant Total	25	2 212

	Payments	Loans
General manager, Britt Søfving1)	0	1 000
Total remuneration for management	0	1 000
Chairman of the board, Hanne J. Nordgaard f.o.m 01.09.17	0	0
Chairman of the board, Lisbeth Flægeng t.o.m 31.08.17	0	500
Dag Hugo Gangmark Heimstad	0	0
Helge Stanghelle t.o.m 31.03.17	22	0
Håkon Stanghelle f.o.m 01.04.17	0	0
Ranveig Kråkstad	0	0
Total boards of Directors	22	500
Grant Total	22	1 500

NOTES TO THE ACCOUNTS

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.

As of 2021 there were transferred loans totaling MNOK 7 037. 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 2021 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 2020 of MNOK 68.1 was paid in 2021 to SpareBank 1 Helgeland. In allocation of profits per 31.12.21 MNOK 55.5 is allocated as group contribution to the parent bank.

Intragroup transactions	31.12.21	31.12.20
Profit and loss account		
Interest income and similar income	829	1 779
Interest expense and similar expense	11 946	13 832
Dividend	68 136	49 610
Management fee	8 182	8 213
Balance sheet		
Lending and claims on credit institutions	579 819	383 012
Liabilities to credit institutions	1 029 585	911 867
Liabilities from issue of securities	80 000	80 000

NOTE 24. RESULT PER SHARE

	31.12.21	31.12.20
Profit this year	55 549	68 136
Number of shares	540 000	540 000
Average number of shares	540 000	540 000
Profit per share in NOK	103	126
Diluted profit per share in NOK	103	126

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.

NOTES TO THE ACCOUNTS

NOTE 26. RESULT IN PERCENT OF AVERAGE TOTAL ASSETS

	31.12.21	31.12.20
Interest receivable and similar income	2.01 %	2.60 %
Interest payable and similar costs	0.91 %	1.40 %
Net interest- and credit commission income	1.10 %	1.20 %
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	-0.03 %	0.01 %
Operating costs	0.15 %	0.14 %
Operating profit	0.92 %	1.08 %
Losses on loans, guarantees etc.	0.00 %	-0.01 %
Profit before tax	0.92 %	1.08 %
Tax payable on ordinary result	0.21 %	0.24 %
Result from ordinary operations after tax	0.72 %	0.84 %

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.

NOTES TO THE ACCOUNTS

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 2021 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 company's 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 2022

Hanne Nordgaard
Chairman

Sverre Klausen
Vice-Chairman

Brit Søvting

Sten Ove Lisø
General Manager

OTHER KEY FIGURES

	31.12.21	31.12.20
Profit & Loss Account		
Gross profit	55 549	68 136
Net interest as a % of average assets	1.12 %	1.20 %
Operation cost as a % of income	13.2 %	11.5 %
Net profit as a % of average assets	0.73 %	0.84 %
Balance sheet		
Gross lending	7 037 403	7 232 317
Collective write-downs as a % of lending	0.00 %	0.03 %
12 months growth in customer lending	-2.70 %	-4.80 %
Total assets	7 715 888	7 728 241
Average total assets	7 570 328	8 103 244
Solidity		
Rate of return on equity capital	9.4 %	11.4 %
Core tier one Capital	547 692	547 919
Core tier one Capital ratio	19.0 %	18.6 %
Leveral Ratio	6.9 %	6.9 %
Information on lending portfolio		
Surplus value of cover pool	1 075 648	1 406 079
Surplus value of cover pool (%)	17 %	13 %
Indexed LTV	54 %	54 %
Proportion of variable-rate loans	100 %	100 %
Proportion of flexible mortgages*)	10.0 %	11.0 %
Average loan value	1 174	1 189
Number of loans	5 945	6 077
Remaining maturity - weighted average (year)	20.4	20.2
Seasoning - weighted average (year)	3.2	3.1

*) Calculated from the drawn amount

NOTES TO THE ACCOUNTS

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

Sverre Klausen, Vice Chairman

Brit Søfting

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 (the Company), which comprise the balance sheet as at 31 December 2021, 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 financial statements comply with applicable statutory requirements, and
 - the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders on 8 January 2009 for the accounting year 2009.

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 2021 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Loans to customers</i></p> <p>Loans given by the mortgage company to private individuals amounts to NOK 7 bn secured by real estate, and the Company has issued covered bonds.</p> <p>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.</p> <p>The value of the collateral, at any given time, shall be above 75 % of the loan.</p> <p>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, historically limited losses and compliant with legal and regulatory requirements; our attention has been focused toward this subject.</p>	<p>In order to comply with the requirements in the regulations applicable to covered bonds, the mortgage 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 process in this regard.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>



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, 13 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

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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.

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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name Årsrapport 2021 Helgeland Boligkreditt.xhtml have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Mo i Rana, 24 February 2022
PricewaterhouseCoopers AS

Silja Eriksen
State Authorised Public Accountant

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