

Q2  
2014

*financial report*  
*first half year and second quarter 2014*



**Helgeland Boligkreditt AS,**  
Accounts for first half and 2<sup>nd</sup> quarter, 2014.

### **General information**

Helgeland Boligkreditt AS was established in 2008 and is a fully-owned subsidiary of Helgeland Sparebank. The company is located at the bank's head office in the town of Mo I Rana.

The company obtained a license as a finance institution in 2009 and can issue covered bonds (bonds where investors are secured collateral in property through mortgages issued by Helgeland Sparebank). The bank delivers services such as following up customers, management of loans, as well as a number of administrative services. The General Manager is employed with a 35 % position.

### **Accounting standards**

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

### **Rating**

Bonds issued by Helgeland Boligkredit AS are rated by Moody's, and are rated Aaa.

### **Result per 30.06.14**

Gross profit was MNOK 35.7. This is an increase of MNOK 2.5 compared with the corresponding period last year. Net interest- and commission earnings have increased with MNOK 3.7 and were MNOK 43.6. This is both due to reduced loaning costs caused by a lower money market interest, and earlier conducted interest changes on the lending portfolio. The operating costs in NOK have increased by MNOK 1.2 to MNOK 8.0.

### **Key figures per 30.06.14 (30.06.13)**

- Net profit MNOK 25.6 (23.9)
- Net interest MNOK 43.6 (39.9)
- Operating costs MNOK 8.0 (6.8)
- Return on equity 16.2 (18.9)
- CET1 capital ratio 16.97 (15.07) %
- OC level 33 (26) %
- Indexed LTV 51.6 (51.5) %

### **Balance development**

Combined assets constituted MNOK 4,479.4. 95% of the assets are mortgages.

### **Cover pool**

By the end of the quarter the mortgage company had 5,229 mortgages at the combined sum of MNOK 4,254.9 (4,952.3). 81 % of the lending is to customers in the Helgeland region. All loans have a floating interest and 23 (21) % of the lending volume are flex loans. In advance of the rating process the bank awaited the transferring of

prepared loans. The lending in the last 12 months is reduced by MNOK 697.4. Loans that are qualified in the cover pool constitute MNOK 4,188.2. The lending portfolio is considered as good. When calculating the overcollateralization level, bank deposits (excluding interest) of MNOK 225.1 (240.1) are included.

### **Funding**

The lending portfolio is funded by the issuance of covered bonds at the combined sum of MNOK 3,320.6 (4,110.6), as well as credit facilities from Helgeland Sparebank. Covered bonds at the face value of MNOK 300 (700) are in the parent bank's ownership.

The value of the cover pool is well above the volume of loans and there is good security in the portfolio. The OC level was 33 (26) %.

### **Risk conditions and capital ratio**

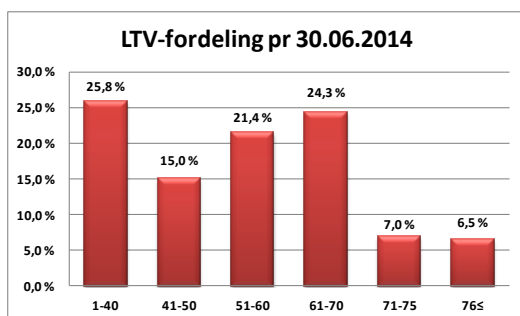
Laws and regulations for companies with concessions to issue covered bonds instruct that the risk levels should be low. The company has established guidelines and frames for governing and control of different forms of risk. There is a corporate agreement between Helgeland Boligkreditt AS and Helgeland Sparebank that ensures and maintains frames, proxies, capital management, and risk conditions.

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

### **Credit risk**

The company's credit strategy is approved by the Board of Directors and determines frames for steering goals and risk profile. Lending in the cover pool fulfils the requirements of the financial services act, and is safeguarded with collateral in real estate within 75% of prudent market value. The company has had no individual write downs or established losses. Sum write-downs on groups of lending constitute MNOK 4.1, or 0.1% of gross lending. The Board of Directors considers the quality of the lending portfolio as very good. A potential fall in housing prices will reduce the net value of the cover pool. Quarterly stress tests are therefore conducted to calculate the effects of a potentially negative development in the housing prices. The Board of Directors considers the results of conducted stress tests as satisfactory. The credit risk in the lending portfolio is considered to be low.

LTV (Loan to value) was 51.6 (51.5) %. The diagram below shows a distribution of the LTVs for the mortgages that are in Helgeland Boligkreditt AS.



#### Liquidity risk

Liquidity risk is the risk that the company cannot meet its payment obligations. The Board of Directors annually determines the frames for risk management in the company. This includes determining frames for management of liquidity risk, organization and responsibility, stress tests, routines for monitoring the use of frames and compliance with guidelines, Board- and management reporting as well as independent control of systems for governing and control.

Helgeland Boligkreditt AS has established committed credit lines with the parent bank that guarantees payment of bond obligations over the next 12 months on a revolving basis. The company

further seeks to reduce the liquidity risk in relation to larger loan maturities by repurchasing its own bonds. The company's liquidity risk is considered to be low.

#### Operating risk

The transfer- and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank ensures and maintains the operational risk. The agreement covers i.a. administration, bank production and IT-management.

#### Capital ratio

The capital ratio per 30.06.14 was 16.97 (15.07) % and consists exclusively of CET1 capital at the sum of MNOK 293.5. The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operational risk.

#### Prospects ahead

The mortgage company can show to a good result so far in 2014, with stable earnings and low risk. We expect this to be the situation ahead as well. Helgeland Boligkreditt AS plans to take over additional loans from Helgeland Sparebank in 2014.

Mo i Rana, august 14 2014

Jan Erik Furunes  
*styreleder*

Lisbeth Flågeng  
*nestleder*

Helge Stanghelle

Ranveig Kråkstad

Brit Søvting  
*General manager*

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## PROFIT AND LOSS

### PROFIT AND LOSS ACCOUNT

|  | Notes | 30.06.14      | 30.06.13      | Q2/14         | Q2/13         | 31.12.13      |
|--|-------|---------------|---------------|---------------|---------------|---------------|
| Interest receivable and similar income                     | 3     | 97 112        | 100 722       | 47 580        | 51 453        | 206 077       |
| Interest payable and similar costs                         | 3     | 53 480        | 60 788        | 26 510        | 29 939        | 119 932       |
| <b>Net interest- and credit commission income</b>          |       | <b>43 633</b> | <b>39 934</b> | <b>21 071</b> | <b>21 514</b> | <b>86 145</b> |
| Commissions receivable and income from banking services    |       | 6             | 10            | 3             | 4             | 19            |
| Commissions payable and costs relating to banking services |       | 0             | 0             | 0             | 0             | 0             |
| <b>Net commission income</b>                               |       | <b>6</b>      | <b>10</b>     | <b>3</b>      | <b>4</b>      | <b>19</b>     |
| Operating costs  | 4     | 7 985         | 6 796         | 4 650         | 3 450         | 14 039        |
| Impairment on loans and guarantees                         | 5     | 0             | 0             | 0             | 0             | 4 100         |
| <b>Result from ordinary operations</b>                     |       | <b>35 654</b> | <b>33 148</b> | <b>16 424</b> | <b>18 068</b> | <b>68 025</b> |
| <b>Result before tax</b>                                   |       | <b>35 654</b> | <b>33 148</b> | <b>16 424</b> | <b>18 068</b> | <b>68 025</b> |
| Tax payable on ordinary result                             |       | 9 983         | 9 280         | 4 790         | 5 057         | 17 930        |
| <b>Profit after tax</b>                                    |       | <b>25 671</b> | <b>23 868</b> | <b>11 634</b> | <b>13 011</b> | <b>50 094</b> |
| Result per share in NOK                                    | 17    | 89            | 82            | 0             | 0             | 173           |
| Diluted result per share in NOK                            | 17    | 89            | 82            | 0             | 0             | 173           |
| <b>Extended income</b>                                     |       |               |               |               |               |               |
| <b>Result after tax</b>                                    |       | <b>25 671</b> | <b>23 868</b> | <b>11 634</b> | <b>13 011</b> | <b>50 094</b> |
| Net change in value of financial assets over equity        |       | 0             | 0             | 0             | 0             | 0             |
| <b>Total result for the period</b>                         |       | <b>25 671</b> | <b>23 868</b> | <b>11 634</b> | <b>13 011</b> | <b>50 094</b> |

## BALANCE SHEET

### BALANCE SHEET

|   | Notes      | 30.06.14         | 30.06.13         | 31.12.13         |
|---|------------|------------------|------------------|------------------|
| <b>ASSETS</b>                                 |            |                  |                  |                  |
| Loans to and claims on credit institutions    | 11         | 228 326          | 244 195          | 238 945          |
| Loans to and claims on customers              | 6,7,8,9,10 | 4 250 777        | 4 952 306        | 4 799 786        |
| Other assets                                  |            | 315              | 154              | 315              |
| <b>Total assets</b>                           |            | <b>4 479 418</b> | <b>5 196 655</b> | <b>5 039 046</b> |
| <b>LIABILITIES AND EQUITY CAPITAL</b>         |            |                  |                  |                  |
| Liabilities to credit institutions            | 12         | 822 870          | 750 929          | 665 443          |
| Borrowings through the issuance of securities | 13,14      | 3 320 559        | 4 110 558        | 4 011 414        |
| Other liabilities                             |            | 16 484           | 17 465           | 18 260           |
| Committed group contribution                  |            | 0                | 0                | 0                |
| <b>Total liabilities</b>                      |            | <b>4 159 913</b> | <b>4 878 952</b> | <b>4 695 117</b> |
| Paid-in equity capital                        | 15,16,17   | 290 010          | 290 010          | 290 010          |
| Accrued equity capital/retained earnings      | 17         | 3 824            | 3 824            | 53 918           |
| Net profit                                    |            | 25 671           | 23 869           | 0                |
| <b>Total equity capital</b>                   |            | <b>319 505</b>   | <b>317 703</b>   | <b>343 928</b>   |
| <b>Total liabilities and equity capital</b>   |            | <b>4 479 418</b> | <b>5 196 655</b> | <b>5 039 046</b> |

## CHANGE IN EQUITY AND CASH FLOW STATEMENT

### CHANGE IN EQUITY

|                                      | Share capital  | Premium fund | Other equity capital | Total          |
|--------------------------------------|----------------|--------------|----------------------|----------------|
| Equity capital 01.01.14              | 290 000        | 10           | 53 919               | 343 929        |
| Issued new share capital             |                |              |                      | 0              |
| Paid out                             |                |              |                      | 0              |
| Dividends transferred to debt        |                |              | -50 094              | -50 094        |
| Result                               |                |              | 25 671               | 25 671         |
| <b>Equity capital as at 30.06.14</b> | <b>290 000</b> | <b>10</b>    | <b>29 496</b>        | <b>319 506</b> |

|                                      | Share capital  | Premium fund | Other equity capital | Total          |
|--------------------------------------|----------------|--------------|----------------------|----------------|
| Equity capital 01.01.13              | 290 000        | 10           | 33 596               | 323 606        |
| Issued new share capital             |                |              |                      | 0              |
| Paid out                             |                |              |                      | 0              |
| Dividends transferred to debt        |                |              | -29 772              | -29 772        |
| Result                               |                |              | 23 869               | 23 869         |
| <b>Equity capital as at 30.06.13</b> | <b>290 000</b> | <b>10</b>    | <b>27 693</b>        | <b>317 703</b> |

### CASH FLOW STATEMENT

|   | 30.06.14        | 30.06.13        | 31.12.13        |
|---|-----------------|-----------------|-----------------|
| Result of ordinary operations   | 35 654          | 33 149          | 68 024          |
| + Ordinary depreciations  | 0               | 0               | 0               |
| + Impairment and gain/loss on assets                                      | 0               | 0               | 0               |
| + Losses on loans, guarantees, etc  | 0               | 0               | 4 100           |
| - Tax expense   | 9 983           | 9 280           | 17 930          |
| <b>= Provided from the year's operations</b>                              | <b>25 671</b>   | <b>23 869</b>   | <b>54 194</b>   |
| Change miscellaneous debt: + increase/-decrease                           | -1 776          | 5 024           | 5 921           |
| New loans customers   | 0               | 0               | -150 378        |
| Installment loans customers   | 549 009         | 127 387         | 426 157         |
| Change in deposits from and liabilities to customers: +increase/-decrease | 157 427         | 43 658          | 0               |
| Change in liabilities to credit institutions: + increase/-decrease        | 0               | 0               | -42 061         |
| <b>A Net liquidity change from operating activities</b>                   | <b>730 331</b>  | <b>199 938</b>  | <b>293 833</b>  |
| Financing by issuance of securities                                       | 0               | 0               | 500 804         |
| Financing on redemption of securities                                     | -690 855        | -200 398        | -800 347        |
| - Group contribution  | -50 094         | -29 772         | -29 772         |
| Change in subordinated dept/equity certificates + increase/-decrease      | 0               | 0               | 0               |
| <b>B Liquidity change from financial activities</b>                       | <b>-740 949</b> | <b>-230 170</b> | <b>-329 315</b> |
| A+B Change in liquid assets   | -10 618         | -30 232         | -35 482         |
| + Liquid assets at the start of the period                                | 238 945         | 274 427         | 274 427         |
| = Liquid assets at the close of the period                                | 228 326         | 244 195         | 238 945         |



# NOTES

## NOTE 1. ACCOUNTING PRINCIPLES

### General background

Helgeland Boligkreditt AS received its license as finance company February 2009. The company is a wholly-owned subsidiary of Helgeland Sparebank and was established to be the parent bank's enterprise for issuance of covered bonds. The company is headquartered in Mo i Rana, with address Jernbanegata 8601 Mo i Rana, Norway.

### 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 Ministry of Finance's regulations on annual accounting for banks, etc., § 1-5 Simplified use of international accounting standards. The company is a part of the Helgeland Sparebank 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 Helgeland Sparebank. 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 deposits with credit institutions or as loans to customers, depending on the measurement principle.

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 and deposits from customers

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.

### Financial instruments

The company defines its financial assets and liabilities within the following classes:

- Financial derivatives
- Securities issued and subordinated loan capital
  - Securities issued at floating rates of interest
  - Securities issued, fixed-interest
  - Securities issued, hedges
- Loans to customers
  - Loans at floating rates of interest

Financial instruments are valued in accordance with IAS 39. All purchases and sales of financial instruments are recognised in the accounts at the transaction date.

#### Financial derivatives

The agreements entered into by the company are derivatives related to interest rates and exchange rates. Interest swaps are related to fixed-interest deposits and loans; currency swaps are related to syndicate borrowing in euro.

Derivatives are carried at fair value (clean value) and are together with accrued/earned interest value in the balance sheet (see also section on hedge accounting). The effect of change in fair value is recognized as "gain/loss on financial instruments".

Interest on derivatives hedging is a part of the net interest rate.



## NOTES

Fair value is equal to the market price for listed securities. For securities that are not listed and which there is no market for, uses the company valuation techniques to determine fair values. The derivatives are recognised in the profit and loss account as an asset when the fair value is positive, and as a liability when the fair value is negative

### Securities issued

Securities issued are defined as securities which the company does not intend to trade and which were originally issued by the company. Buy-backs of own bonds in connection with debt reduction are netted against bond debt.

Liabilities at floating rates of interest are assessed at fair value when they are first included in the accounts and later at amortised cost through the use of the effective interest method. Any premium/discount is accrued over the term to maturity. The liabilities are shown in the balance sheet at amortised cost (including accrued interest). Changes in value for amortised cost are recognised in the profit and loss account and net interest.

Liabilities at fixed rates of interest are assessed at fair value. The liabilities are shown in the balance sheet at fair value (clean price) including accrued interest, less own portfolio. Changes in value are recognised in the profit and loss account as "gains/losses on financial instruments" and interest expense in the profit and loss account against net interest.

Appreciation at fair value over the result is expected to significantly reduce the result volatility that otherwise would have occurred when the company have signed interest rate derivatives to achieve efficient floating rate

Hedge accounting; the company evaluates and documents the hedge effectiveness, both at the initial classification and on an ongoing basis. At value hedging, both the hedging instrument and the hedged item are recognized at fair value, and changes in these values from the opening balance are recognized.

The company has no cash-flow hedges.

The fair value is calculated by discounting the cash flow. Credit spreads on interest-bearing securities are changed on the basis of an all-round assessment in which observed trades in the market, credit margin reports from various securities houses, and internal assessments are included as a basis for the overall assessment. A change in credit spreads will influence the required rate of return, as the supplement added to the zero coupon curve is changed. In the case of purchase of own securities, liabilities are reduced, and the difference between book value and the payment made (premium or discount) is recognised in the profit and loss account as a gain or loss relating to securities issued.

### Loans to customers

The company has defined its market area (Helgeland) as one segment.

Loans at floating rates of interest are measured at amortised cost in compliance with IAS 39. The amortised cost is the purchase cost less repayments on capital, plus or minus cumulative amortisation resulting from an effective interest method, less any amount for impairment. Loans at amortised cost, including accrued interest, reflect the value in the balance sheet. Interest income on loans to customers is recognised as income under net interest. When loans are first recognised in the balance sheet, they are valued at fair value.

### Write-downs on loans

A loan or a group of loans is written down when there is objective evidence of impairment of value as a result of loss events which can be reliably estimated, and which are important for the expected future cash flows from the loan or group of loans.

Loans are written down individually when there is objective evidence of the loan's impairment of value. The amount of the write-down is calculated as the difference between the book and present value of future cash flows calculated according to the expected life of the loan in question. The discounting is done through the use of the effective interest method. Calculated loss is shown on a gross basis in the balance sheet as an individual write-down on loans and is recognised in the profit and loss account as a loss cost. Loans which have been written down individually are not included in the basis for collective write-downs.

Loans are written down collectively when there is objective evidence suggesting impairment of a group of loans. Customers are classified in risk groups on the basis of different parameters such as financial strength, revenue generation, liquidity and funding, business sector, geographical location and behavioural score. These factors provide indications of debtors' ability to service their loans, and are relevant for the calculation of future cash flows from the different risk groups. Each individual risk group is assessed collectively with regard to the need for write-downs.

### **Interest income and interest cost**

Interest income and interest costs relating to assets and liabilities measured at amortised cost are recognised in the profit and loss account on an ongoing basis through the use of the effective interest method.

Interest income on loans which have been written down is calculated by using the same effective rate of interest as the one applied when discounting the original cash flow. Interest income on fixed-interest loans is recognised at fair value. Changes in the fair value of fixed-interest loans are recognised in the profit and loss account as a change in the value of financial instruments.

## NOTES

### Commission income and expenses

In general, commission income and expenses are accrued as a service is provided.

### Cash and cash equivalents

In the cash flow statement, cash and cash equivalents are defined as cash, deposits with Norges Bank and other banks, certificates, bonds and loans and credits provided for other banks. Cash equivalents are short-term liquid funds, which can be converted into cash within 3 months

### Provisions

Provisions are included in the accounts when the company has a currently valid obligation (legal or assumed) as a result of events, which have occurred, and when it is more likely than not that a financial settlement as a result of the obligation will take place, and when the size of the amount involved can be reliably estimated.

Provisions are reviewed on each balance sheet date in question, the level reflecting the best estimate of the obligation. When the effect of time is insignificant, the provisions will be equal to the amount of the cost required in order to be free of the obligation. When the effect of time is significant, the provisions will be equal to the present value of the future cash payments needed to meet the obligation.

In cases where there are several obligations of the same kind, the likelihood of the obligation resulting in a settlement is determined by assessing the group as a whole. Provisions for the company are included in the accounts even if the likelihood of a settlement relating to the company's individual elements may be low.

### 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.

### Cash flow statement

The cash flow statement shows cash flows classified by sources and fields of application.

### 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.

### NOTE 2. SEGMENT

The company's operations include only one strategic area of business, which is organised and managed. The company's business area is personal customer retail market. Lending to corporate retail market is represented by mortgaged loans to sole proprietorships and is a small share of total lending. Geographical segment is the region of Helgeland.

## NOTES

### NOTE 3. NET INTEREST INCOME

| Specifications of income:                                       | 30.06.14      | 30.06.13       | Q4/13         | Q4/12         | 31.12.13       |
|---|---------------|----------------|---------------|---------------|----------------|
| Interest income of lending to and claims on credit institutions | 3 274         | 4 127          | 1 536         | 1 977         | 7 743          |
| Interest income of lending to and claims on customers           | 93 838        | 96 595         | 46 044        | 49 476        | 198 334        |
| <b>Total interest income</b>                                    | <b>97 112</b> | <b>100 722</b> | <b>47 580</b> | <b>51 453</b> | <b>206 077</b> |
| Interest expense on liabilities to credit institutions          | 8 504         | 6 315          | 5 113         | 2 916         | 14 506         |
| Interest expense on issued securities                           | 44 976        | 54 471         | 21 397        | 27 021        | 105 426        |
| Other interest expenses   | 0             | 0              | 0             | 0             | 0              |
| <b>Total interest expenses</b>                                  | <b>53 480</b> | <b>60 786</b>  | <b>26 510</b> | <b>29 937</b> | <b>119 932</b> |
| <b>Net interest income</b>                                      | <b>43 632</b> | <b>39 936</b>  | <b>21 070</b> | <b>21 516</b> | <b>86 145</b>  |

### NOTE 4. OPERATING COSTS

| Specification of costs:                     | 30.06.14     | 30.06.13     | Q2/14        | Q2/13        | 31.12.13      |
|---|--------------|--------------|--------------|--------------|---------------|
| Management fee and wage general manager     | 5 804        | 6 256        | 2 718        | 3 579        | 12 547        |
| Other administration costs                  | 41           | 42           | 41           | 42           | 46            |
| <b>Total wages and administration costs</b> | <b>5 845</b> | <b>6 298</b> | <b>2 759</b> | <b>3 621</b> | <b>12 593</b> |
| Other operating costs                       | 2 140        | 499          | 1 880        | 57           | 1 446         |
| <b>Total operating costs</b>                | <b>7 985</b> | <b>6 797</b> | <b>4 639</b> | <b>3 678</b> | <b>14 039</b> |

### NOTE 5. WRITE DOWNS ON LENDING

| Losses on loans                                     | 30.06.14 | 30.06.13 | Q2/14    | Q2/13    | 31.12.13     |
|---|----------|----------|----------|----------|--------------|
| Periodic change in individual write-downs           | 0        | 0        | 0        | 0        | 0            |
| Periodic change in write-downs on groups of loans   | 0        | 0        | 0        | 0        | 4 100        |
| <b>Total losses on loans and guarantees</b>         | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>4 100</b> |
| Periodic losses on loans covered by previous write- | 0        | 0        | 0        | 0        | 0            |
| Periodic losses on loans not covered by previous wr | 0        | 0        | 0        | 0        | 0            |
| Periodic entrance of former confirmed losses        | 0        | 0        | 0        | 0        | 0            |
| <b>Write-downs on commitments etc.</b>              | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>4 100</b> |

### NOTE 6. GEOGRAPHICAL EXPOSURE OF LENDING PORTFOLIO

| Geographical exposure of lending portfolio | 30.06.14         | %            | 30.06.13         | %            | 31.12.13         | %            |
|--|------------------|--------------|------------------|--------------|------------------|--------------|
| Helgeland                                  | 3 447 138        | 81,0 %       | 3 978 346        | 80,3 %       | 3 901 185        | 81,2 %       |
| Areas other than Helgeland                 | 797 350          | 18,7 %       | 965 289          | 19,5 %       | 893 872          | 18,6 %       |
| International <sup>1)</sup>                | 10 389           | 0,2 %        | 8 671            | 0,2 %        | 8 829            | 0,2 %        |
| <b>Total</b>                               | <b>4 254 877</b> | <b>100 %</b> | <b>4 952 306</b> | <b>100 %</b> | <b>4 803 886</b> | <b>100 %</b> |

1) Customers residing abroad Helgeland Boligkreditt mortgage on property in Norway on these.

## NOTES

### NOTE 7. LENDING

| <b>Lending</b>   | <b>30.06.14</b>  | <b>30.06.13</b>  | <b>31.12.13</b>  |
|--|------------------|------------------|------------------|
| Lending to customers   | 4 249 028        | 4 944 092        | 4 796 222        |
| Accrued interests  | 5 849            | 8 214            | 7 664            |
| <b>Gross lending to customers</b>                            | <b>4 254 877</b> | <b>4 952 306</b> | <b>4 803 886</b> |
| Individual write-downs                                       | 0                | 0                | 0                |
| Lending to customers after individual write-downs            | 4 254 877        | 4 952 306        | 4 803 886        |
| Group write-downs  | -4 100           | 0                | -4 100           |
| <b>Lending to and claims on customers, to amortized cost</b> | <b>4 250 777</b> | <b>4 952 306</b> | <b>4 799 786</b> |

### NOTE 8. GUARANTEES AND COMMITMENTS

| <b>Unutilised credit and guarantees</b> | <b>30.06.14</b> | <b>30.06.13</b> | <b>31.12.13</b> |
|---|-----------------|-----------------|-----------------|
| Unutilised credit                       | 338 568         | 317 551         | 336 206         |
| Guarantees                              | 0               | 0               | 0               |
| <b>Total contingent liabilities</b>     | <b>338 568</b>  | <b>317 551</b>  | <b>336 206</b>  |

### NOTE 9. DOUBTFUL LOANS AND COMMITMENTS

| <b>Defaulted commitments</b>              | <b>30.06.14</b> | <b>30.06.13</b> | <b>31.12.13</b> |
|---|-----------------|-----------------|-----------------|
| Gross defaulted commitments over 90 days  | 0               | 0               | 0               |
| Individual write-downs of defaulted loans | 0               | 0               | 0               |
| <b>Net defaulted commitments</b>          | <b>0</b>        | <b>0</b>        | <b>0</b>        |

### NOTE 10. WRITE DOWNS ON LENDING

| <b>Write-downs</b>  | <b>30.06.14</b> | <b>30.06.13</b> | <b>31.12.13</b> |
|---|-----------------|-----------------|-----------------|
| Individual write-downs to cover losses on commitments 01.01                       | 0               | 0               | 0               |
| Net write-offs, which was previously written down                                 | 0               | 0               | 0               |
| Increased individual write-downs in the period, which was previously written down | 0               | 0               | 0               |
| New individual write-downs in the period  | 0               | 0               | 0               |
| Reversal of individual write-downs in the period                                  | 0               | 0               | 0               |
| <b>Total individual write-downs on loans</b>                                      | <b>0</b>        | <b>0</b>        | <b>0</b>        |
| <b>Group write-downs</b>  |                 |                 |                 |
| Group write-downs to cover losses on loans and commitments 01.01                  | 4 100           | 0               | 0               |
| Periodic change group write-downs   | 0               | 0               | 4 100           |
| <b>Total group write-downs</b>  | <b>4 100</b>    | <b>0</b>        | <b>4 100</b>    |

## NOTES

### NOTE 11. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

|  | 30.06.14       | 30.06.13       | 31.12.13       |
|--|----------------|----------------|----------------|
| Liabilities to credit institutions without agreed maturity | 228 326        | 244 195        | 238 945        |
| <b>Total lending to and claims on credit institutions</b>  | <b>228 326</b> | <b>244 195</b> | <b>238 945</b> |
| Total exposure at Helgeland in %                           | 100 %          | 100 %          | 100 %          |

### NOTE 12. LIABILITIES TO CREDIT INSTITUTIONS

|   | 30.06.14       | 30.06.13       | 31.12.13       |
|---|----------------|----------------|----------------|
| Without agreed maturity                         | 822 870        | 750 929        | 665 443        |
| <b>Total liabilities to credit institutions</b> | <b>822 870</b> | <b>750 929</b> | <b>665 443</b> |

The Company has a credit facility (maturing > one year) of 1.500 million As of 06/30/14 was idle frame 677 million  
 In addition, the Company has a revolving credit facility of 1,500 million (with maturities > one year) given by Helgeland Sparebank. The credit facility is intended to cover payment obligations in the cover for a rolling 12 month period, and is entirely unused

### NOTE 13. DERIVATIVES

All funding is FRN and it has not been agreed any derivative agreements within the company.

### NOTE 14. LIABILITIES THROUGH ISSUE OF SECURITIES

Liabilities through issuance of securities are valued at amortized cost.

| ISIN code                         | Currency | Par value | Own hold.        | Interest          | Admission | Maturity | Soft call | 30.06.14         |
|-----------------------------------|----------|-----------|------------------|-------------------|-----------|----------|-----------|------------------|
| NO0010628431                      | NOK      | 300.000   | Floating         | 3mnd. Nibor+0,80  | 2011      | 2016     | 2015      | 300.169          |
| NO0010686710                      | NOK      | 500.000   | Floating         | 3mnd. Nibor+0,50  | 2013      | 2020     | 2019      | 503.490          |
| NO0010709355                      | NOK      | 500.000   | Floating         | 3mnd. Nibor+0,40  | 2014      | 2021     | 2020      | 500.840          |
| NO0010592553                      | NOK      | 500.000   | Floating         | 3mnd. Nibor+0,58  | 2010      | 2017     | 2016      | 500.377          |
| NO0010623978                      | NOK      | 300.000   | 170.000 Floating | 3mnd. Nibor+0,67  | 2011      | 2018     | 2017      | 129.744          |
| NO0010635253                      | NOK      | 200.000   | 100.000 Floating | 3mnd. Nibor+0,75  | 2012      | 2016     | 2015      | 99.518           |
| NO0010645963                      | NOK      | 500.000   | Floating         | 3mnd. Nibor+1,00* | 2012      | 2018     | 2017      | 485.760          |
| NO0010660640                      | NOK      | 300.000   | 15.000 Floating  | 3mnd. Nibor+0,85* | 2012      | 2019     | 2018      | 300.586          |
| NO0010571573                      | NOK      | 500.000   | Floating         | 3mnd. Nibor+0,65  | 2010      | 2016     | 2015      | 500.074          |
| <b>Total listed covered bonds</b> |          |           |                  |                   |           |          |           | <b>3.320.559</b> |

Issue NO0010686710 and NO0010709355 nominal MNOK 300 are entirely bought by Helgeland Sparebank, and is used by the parent bank as collateral for participation in Government swap scheme. All loans have soft call one year before maturity.

## NOTES

| ISIN code                         | Currency | Par value | Own hold. | Interest | Admission        | Maturity | Soft call | 30.06.13         |         |
|-----------------------------------|----------|-----------|-----------|----------|------------------|----------|-----------|------------------|---------|
| NO0010628431                      | NOK      | 300.000   |           | Floating | 3mnd. Nibor+0,80 | 2011     | 2016      | 2015             | 300.911 |
| NO0010561798                      | NOK      | 500.000   |           | Floating | 3mnd. Nibor+0,40 | 2009     | 2014      | 2013             | 500.427 |
| NO0010515489                      | NOK      | 450.000   | 100.000   | Floating | 3mnd. Nibor+0,50 | 2009     | 2016      | 2015             | 350.514 |
| NO0010515497                      | NOK      | 450.000   | 100.000   | Floating | 3mnd. Nibor+0,59 | 2009     | 2016      | 2015             | 350.514 |
| NO0010592553                      | NOK      | 500.000   |           | Floating | 3mnd. Nibor+0,65 | 2010     | 2017      | 2016             | 500.048 |
| NO0010623978                      | NOK      | 300.000   | 170.000   | Floating | 3mnd. Nibor+0,67 | 2011     | 2018      | 2017             | 130.069 |
| NO0010635253                      | NOK      | 200.000   | 10.000    | Floating | 3mnd. Nibor+0,75 | 2012     | 2016      | 2014             | 190.813 |
| NO0010645963                      | NOK      | 500.000   | 15.000    | Floating | 3mnd. Nibor+0,65 | 2010     | 2016      | 2015             | 502.062 |
| NO0010660640                      | NOK      | 300.000   |           | Floating | 3mnd. Nibor+0,85 | 2012     | 2019      | 2018             | 284.588 |
| NO0010566839                      | NOK      | 500.000   |           | Floating | 3mnd. Nibor+0,65 | 2010     | 2015      | 2014             | 500.414 |
| NO0010571573                      | NOK      | 500.000   |           | Floating | 3mnd. Nibor+0,65 | 2010     | 2016      | 2015             | 500.199 |
| <b>Total listed covered bonds</b> |          |           |           |          |                  |          |           | <b>4.110.558</b> |         |

Issue No0010515489 og No0010515497 nominal MNOK 900 are entirely bought by Helgeland Sparebank, and is used by the parent bank as collateral for participation in Government swap scheme. All loans have soft cal one year before maturity.

|                                    | 30.06.14         | 30.06.13         | 31.12.13         |
|------------------------------------|------------------|------------------|------------------|
| <b>Total listed bonds</b>          | <b>3.314.500</b> | <b>4.102.127</b> | <b>4.005.000</b> |
| Loans secured by property          | 4.188.244        | 4.934.995        | 4.698.007        |
| Claims that constitutes cover pool | 225.052          | 240.068          | 238.945          |
| <b>Total cover pool</b>            | <b>4.413.296</b> | <b>5.175.063</b> | <b>4.936.952</b> |
| Cover pool capacity utilization    | 1.098.796        | 1.072.936        | 931.952          |
| Cover pool capacity utilization %  | 33 %             | 26 %             | 23 %             |

Collateral assembly is defined in the Financial Institutions Act § 2.28.

\*) Loans that are not qualified are not included in eligible collateral

### NOTE 15. CAPITAL ADEQUACY

|  | 30.06.14       | 30.06.13       | 31.12.13       |
|--|----------------|----------------|----------------|
| Total paid-in capital                          | 290.010        | 290.010        | 290.010        |
| Total accrued equity capital/retained earnings | 3.824          | 3.824          | 53.918         |
| Additional                                     | 0              | 0              | 0              |
| Deduction                                      | 315            | 0              | 50.409         |
| <b>Total core capital</b>                      | <b>293.519</b> | <b>293.834</b> | <b>293.519</b> |
| Total net supplementary capital                | 0              | 0              | 0              |
| <b>Total net equity and related capital</b>    | <b>293.519</b> | <b>293.834</b> | <b>293.519</b> |
| Weighted asset calculation basis               | 1.729.650      | 1.949.688      | 1.942.050      |
| Capital adequacy ratio                         | 16,97 %        | 15,07 %        | 15,11 %        |
| Of which core capital accounted for            | 16,97 %        | 15,07 %        | 15,11 %        |

## NOTES

The note shows calculation basis and capital adequacy after Basel II (standard method credit risk)

|   | 30.06.14       | 30.06.13       | 31.12.13       |
|---|----------------|----------------|----------------|
| States and central banks                                  | 0              | 0              | 0              |
| Local and regional authorities (including municipalities) | 0              | 0              | 0              |
| Publicly owned enterprises                                | 0              | 0              | 0              |
| Institutions  | 3 653          | 3 841          | 3 823          |
| Enterprises   | 0              | 70             | 205            |
| Mass market loans   | 7 186          | 0              | 9 255          |
| Loans secured by real property                            | 120 103        | 146 336        | 133 534        |
| Loans overdue   | 0              | 0              | 0              |
| Covered bonds   | 0              | 0              | 0              |
| Units in securities funds                                 | 0              | 0              | 0              |
| Other loans and commitments                               | 1 144          | 830            | 3 649          |
| <b>Capital requirement credit risk</b>                    | <b>132 086</b> | <b>151 077</b> | <b>150 466</b> |
| Capital requirement operational risk 1)                   | 6 286          | 4 989          | 4 898          |
| Deduction from capital requirement                        | 0              | 0              | 0              |
| <b>Total capital requirement</b>                          | <b>138 372</b> | <b>156 066</b> | <b>155 364</b> |

### NOTE 16. SHARE CAPITAL

The share capital is 290 MNOK. The shares has a face value of 1 000 NOK, and Helgeland Sparebank owns all the shares.

### NOTE 17. RESULT PER SHARE

|                                 | 30.06.14 | 30.06.13 | 31.12.13 |
|---------------------------------|----------|----------|----------|
| Result so far this year         | 25 671   | 23 868   | 50 094   |
| Number of shares                | 290 000  | 290 000  | 290 000  |
| Result per share in NOK         | 89       | 82       | 173      |
| Diluted result per share in NOK | 89       | 82       | 173      |

### NOTE 18. TRANSACTIONS WITH RELATED PARTIES

The information is provided regarding to IAS 24 concerning the disclosure of related parties. Helgeland Boligkreditt AS is a wholly owned subsidiary of Helgeland Sparebank and is defined as a related party regarding the accounting standard. Transactions between the company and the parent bank are made in accordance with regular business conditions and principles. Office support and management of the loans are mainly bought services from Helgeland Sparebank. It has been agreed upon an operation agreement between the companies.

| <b>Intragroup transactions</b>            | <b>30.06.14</b> | <b>30.06.13</b> | <b>31.12.13</b> |
|---|-----------------|-----------------|-----------------|
| <b>Profit and loss account</b>            |                 |                 |                 |
| Interest income and similar income        | 3 275           | 4 127           | 7 742           |
| Interest expense and similar expense      | 12 912          | 17 031          | 33 406          |
| Management fee                            | 5 804           | 6 256           | 12 547          |
| <b>Balance sheet</b>                      |                 |                 |                 |
| Lending and claims on credit institutions | 228 326         | 244 195         | 238 945         |
| Liabilities to credit institutions        | 822 871         | 750 929         | 665 443         |
| Liabilities from issue of securities      | 300 000         | 700 000         | 700 000         |



## NOTES

### NOTE 19. KEY FIGURES

|  | 30.06.14  | 30.06.13  | 31.12.13  |
|--|-----------|-----------|-----------|
| <b>Profit &amp; Loss Account</b>             |           |           |           |
| Gros profit ( NOK 1.000)                     | 25 671    | 23 869    | 50 094    |
| Net interest as a % of average assets        | 1,90 %    | 1,62 %    | 1,69 %    |
| Operation cost as a % of income              | 18,3 %    | 17,0 %    | 21,1 %    |
| Result after tax as a % of average assets    | 1,12 %    | 0,97 %    | 0,94 %    |
| <b>Balance sheet</b>                         |           |           |           |
| Gross lending (NOK 1.000)                    | 4 254 877 | 4 944 092 | 4 803 886 |
| Collective write-downs as a % of lending     | 0,1 %     | 0,0 %     | 0,1 %     |
| 12 months growth in customer lending         | -14,1 %   | 14,8 %    | -5,4 %    |
| Total assets (NOK 1.000 kr)                  | 4 479 418 | 5 196 655 | 5 039 046 |
| Average total assets                         | 4 664 696 | 4 983 926 | 4 987 846 |
| <b>Solidity</b>                              |           |           |           |
| Rate of return on equity capital             | 16,2 %    | 18,9 %    | 15,4 %    |
| Core tier one Capital (NOK 1.000)            | 293 519   | 293 834   | 293 519   |
| Core tier one Capital ratio                  | 17,0 %    | 15,1 %    | 15,1 %    |
| <b>Information on lending portfolio</b>      |           |           |           |
| Surplus value of cover pool (NOK 1.000)      | 1 098 796 | 1 072 936 | 931 952   |
| Surplus value of cover pool (%)              | 33 %      | 26 %      | 23 %      |
| Indexed LTV                                  | 52 %      | 52 %      | 52 %      |
| Propotion of variable-rate loans             | 100 %     | 100 %     | 100 %     |
| Propotion of flexible mortgages*)            | 23 %      | 21 %      | 21 %      |
| Average loan value (NOK 1.000)               | 813       | 834       | 796       |
| Number of loans                              | 5 229     | 5 929     | 6 035     |
| Remaining maturity - weighted average (year) | 16,1      | 15,5      | 16,4      |
| Seasoning - weighted average (year)          | 3,5       | 3,2       | 3,5       |

\*) Calculated from the drawn amount

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

We declare that to the best of our knowledge the financial statements for the period 1 January to 30 June 2014 is prepared in accordance with the current accounting standards IAS 34 – interim reporting, and that the information in the financial statements give true and fair view of the company's assets, liabilities, financial positions and result.

The interim report shows after our best conviction a true:

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

Mo i Rana, 14 August 2014

Jan Erik Furunes  
*Chairman of the Board*

Lisbeth Flågeng  
*Deputy Chairman of the Board*

Helge Stanghelle

Ranveig Kråkstad

Brit Søvting  
*General Manager*

# NOTES

## Elected representatives and senior management in Helgeland Boligkreditt AS

### The General Assembly:

Helgeland Sparebank v/ CEO Jan Erik Furunes.

### Representatives:

Thore Michalsen, Mo i Rana, Chairman.  
Geir Sætran, Mo i Rana Deputy Chairman.  
Dag Hugo Heimstad, Mosjøen  
Ann Karin Krogli, Mo i Rana  
Halvor Braaten, Mo i Rana  
Fredrik Hagen, Mosjøen

### Members of the Board of Directors:

Jan Erik Furunes, CEO Helgeland Sparebank, Chairman  
Lisbeth Flågeng, Deputy CEO and Chief Executive, Region North Helgeland Sparebank  
Ranveig Kråkstad, Acting Chief Financial Officer Helgeland Sparebank  
Helge Stanghelle, CEO Fesil Rana Metall

### Members of the Control Committee:

Heidi Dahl, Jurist Statens Innkrevningssentral - Chairman  
Kåre Åsli, self-employed  
Frank Høyen, General Manager ProLink International

## Contact information

### Helgeland Sparebank

Postadresse: Postboks 68, 8601 Mo i Rana  
Organisasjonsnummer: 937 904 029  
[www.hsb.no](http://www.hsb.no)

### Helgeland Boligkreditt AS

Organisasjonsnummer: 993 359 696  
[www.hsb.no](http://www.hsb.no)

### Investor Relations

Ranveig Kråkstad, Acting Chief Financial Officer, telephone +47 75 11 91 11  
Tore Stamnes, Head of Treasury, telephone +47 75 11 90 91

### Other sources:

### Annual reports

Helgeland Boligkreditt AS is a part of the Helgeland Sparebank group. Annual reports are available under investor relations information at [www.hsb.no](http://www.hsb.no)

### Interim reports

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