



# *financial report*

*first half year and second quarter 2019*



## **Helgeland Boligkreditt AS,**

Preliminary accounts as of second quarter 2019.

### **General information**

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

The company was licensed as a finance company in February 2009 and may issue bonds where the investors receive preferential rights in the company's cover pool. Security consists mainly of secured mortgages granted by Helgeland Sparebank.

Helgeland Boligkreditt AS has no employees. There has been made a deal with Helgeland Sparebank regarding the provision of services relating to loan servicing and operation of the company.

### **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.

The financial report has not been audited.

### **Rating**

Covered Bonds issued by Helgeland Boligkreditt AS are rated 'Aaa' by Moody's.

### **Result so far in 2019**

Profit before tax was MNOK 33.5 (34.8). This is MNOK 1.3 lower than the same period last year. The net interest has been reduced by NOK 1.0 million, which is mainly related to increased Nibor, which has resulted in higher funding costs.

Net profit was MNOK 26.1 (26.8) which gives a return on equity of 9.1 (9.2) %.

The company is well capitalized with Core tier one Capital ratio of 17.8 (19.8) %.

### **Key figures per 30.06.19 (30.06.18)**

- Net interest MNOK 38.9 (39.9)
- Operation costs MNOK 4.9 (5.6)
- Return on equity 9.1 (9.2) %
- CET1 capital ratio 17.8 (19.8) %
- Cover pool ratio of fullness 17 (20) %
- Indexed LTV 55 (54) %

### **Balance development**

Combined assets in Helgeland Boligkreditt AS constituted MNOK 8 060. Of this, 95 % of the assets are mortgages.

### **Cover pool**

By the end of the quarter the mortgage company had mortgages of MNOK 7 637 (6 960). 77.6 (78.1) % of the mortgages are lent to customers in the Helgeland region.

The lending has increased by MNOK 677 (1 063) or 9.7 (18.0) % the past 12 months. All the mortgages have floating interest rates, and 12 (13) % of the lending volume are flexi loans.

The lending portfolio is considered to be of good quality.

Loans qualified for the cover pool amounts to MNOK 7 580 (6 713).

By the end of the quarter, Helgeland Boligkreditt AS had substitute assets of MNOK 400 as per 30.06.19 is fully included in the supplementary security.

Statutory bill of MNOK 25 is included in the LCR calculation.

Purchase of loans in the parent bank is determined by the financing needs of the HSB group and how much of this is appropriate to cover through issuance of covered bonds.

### **Funding**

The lending portfolio is funded by issuing covered bonds totalling MNOK 6 842 (6 127), as well as long term credit from Helgeland Sparebank. None of the covered bonds is in the parent company's ownership.

The company's debt in finance institutions amounts to MNOK 636 (763) by the end of the quarter. The debt is linked 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 (20) %.

### **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 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 the framework for management objectives and risk profile.

Lending in the cover pool fulfils the requirements of the financial services act, and is secured by collateral in real estate within 75% of prudent market value.

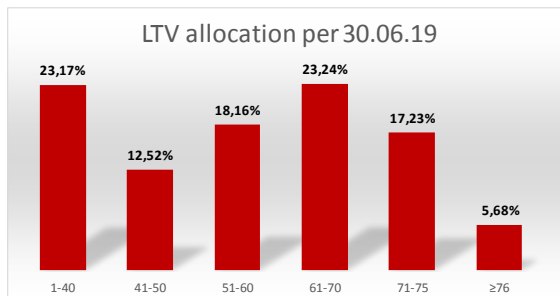
The company has had no individual write downs or established losses.

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 performed to calculate the effect of a potentially negative development in the housing prices. The Board of Directors considers the results of these stress tests as satisfactory. The credit risk in the lending portfolio is considered to be low.

LTV (Loan to value) was 55 (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 annually determines the frames for risk management in the company. This includes determining frames for management of liquidity risk, organization and responsibilities, 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.

By the end of the quarter the share of funding over 1 year was 95.1 (98.0) %. This is well above the target of 70%. Average remaining maturity for covered bonds was 3.1 (3.3) years. Helgeland Boligkreditt AS has established committed credit lines with the parent bank that guarantees repayment 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.

### **Operation 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 30.06.19 was 17.8 (19.8) % and consists exclusively of a CET1 capital of MNOK 548.

When calculating capital requirements, the standard method is used for credit risk and the basic method for operational risk. The company's core capital adequacy target is 13.0 % and total capital adequacy ratio exceeds 16.5 %.

### **The prospects ahead**

The 12-month credit growth in the retail market is by the end of the quarter at 3.9%. We expect moderate market growth and following moderate and healthy credit growth in the retail market in 2019. Lending margins in this segment are under pressure, also as a consequence of increased lending costs, but as a consequence of the interest rate increase in May and June the net interest is expected to increase.

The turnover of housing in Helgeland has trough 2018 been higher than 2017 and this trend continues in the second quarter of 2019. When it comes to price in sold villas, the price increase in second quarter 2.7%, and for apartments the price increase is 6.6%. The national average has been a price increase of 1.3% over 12 months.

The Board considers the company to have a solid cover pool and that Helgeland Boligkreditt AS continues to deliver stable results and be a good source for long term funding of the group.

Unemployment remains low in Helgeland, with 1.5% while the number for Norway is 2.1%. It is expected that the low level of unemployed will persist.

Mo i Rana, August 13<sup>th</sup> 2019

Hanne Nordgaard  
*Chairman*

Dan Hugo Heimstad  
*Deputy Chairman*

Håkon Stanghelle

Sverre Klausen

Lena Båtstrand  
*General Manager*

TABLE OF CONTENTS:	
PROFIT AND LOSS ACCOUNT .....	5
BALANCE SHEET .....	6
CHANGE IN EQUITY .....	7
CASH FLOW STATEMENT .....	8
NOTE 1. ACCOUNTING PRINCIPLES .....	9
NOTE 2. SEGMENT .....	9
NOTE 3. NET INTEREST INCOME .....	9
NOTE 4. OPERATING COSTS .....	9
NOTE 5. WRITE DOWNS ON LENDING .....	9
NOTE 6. GEOGRAPHICAL EXPOSURE OF LENDING PORTFOLIO .....	10
NOTE 7. LENDING .....	10
NOTE 8. GUARANTEES AND COMMITMENTS .....	13
NOTE 9. DOUBTFUL LOANS AND COMMITMENTS .....	13
NOTE 10. LENDING AND EXPECTED LOSS DIVIDED ON INDUSTRY .....	13
NOTE 12. LIABILITIES TO CREDIT INSTITUTIONS .....	14
NOTE 13. DERIVATIVES .....	14
NOTE 14. LIABILITIES THROUGH ISSUE OF SECURITIES .....	15
NOTE 15. CAPITAL ADEQUACY .....	16
NOTE 16. SHARE CAPITAL .....	16
NOTE 18. TRANSACTIONS WITH RELATED PARTIES .....	17
NOTE 19. KEY FIGURES .....	17

## PROFIT AND LOSS

### PROFIT AND LOSS ACCOUNT

(amounts in NOK 1.000)	Notes	30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
Interest income fom assets measured at amortized cost	3	109 714	92 146	56 868	46 659	190 718
Interest income fom assets measured at real value	3		0	0	0	
Interest payable and similar costs	3	70 844	52 189	37 089	27 805	112 802
<b>Net interest- and credit commission income</b>		<b>38 870</b>	<b>39 957</b>	<b>19 779</b>	<b>18 854</b>	<b>77 916</b>
Commissions receivable and income from banking services		10	10	5	5	18
Commissions payable and costs relating to banking services			0	0	0	
<b>Net commission income</b>		<b>10</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>18</b>
Net value change gains/losses on financial assets		111	316	59	87	651
Operating costs	4	4 932	5 604	2 336	3 130	10 314
Impairment on loans and guarantees	5	537	-87	265	47	-124
<b>Profit from ordinary operations</b>		<b>33 522</b>	<b>34 766</b>	<b>17 507</b>	<b>15 769</b>	<b>68 395</b>
<b>Gross profit</b>		<b>33 522</b>	<b>34 766</b>	<b>17 242</b>	<b>15 769</b>	<b>68 395</b>
Tax payable on ordinary result		7 436	7 996	3 788	3 679	15 726
<b>Net profit</b>		<b>26 086</b>	<b>26 770</b>	<b>13 454</b>	<b>12 090</b>	<b>52 669</b>
Result per share in NOK	17	48	50			98
Diluted result per share in NOK	17	48	50			98
<b>Extended income</b>						
<b>Net profit</b>		<b>26 086</b>	<b>26 770</b>	<b>13 454</b>	<b>12 090</b>	<b>52 669</b>
Net change in value of financial assets over equity		0	0	0	0	0
<b>Total period for the period</b>		<b>26 086</b>	<b>26 770</b>	<b>13 454</b>	<b>12 090</b>	<b>52 669</b>

# BALANCE SHEET

## BALANCE SHEET

(amounts in NOK 1.000)	Notes	30.06.19	30.06.18	31.12.18
<b>ASSETS</b>				
Loans to and claims on credit institutions	11	399 938	418 370	414 457
Loans to and claims on customers	6,7,8,9,10	7 635 331	6 959 184	7 383 826
Certificates		24 936	99 776	24 957
Other assets			0	
<b>Total assets</b>		<b>8 060 205</b>	<b>7 477 330</b>	<b>7 823 240</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>				
Liabilities to credit institutions	12	636 074	763 023	708 965
Borrowings through the issuance of securities	13,14	6 841 733	6 126 849	6 497 568
Other liabilities		8 252	12 526	15 979
<b>Total liabilities</b>		<b>7 486 059</b>	<b>6 902 398</b>	<b>7 222 512</b>
Paid-in equity capital	15,16,17	540 010	540 010	540 010
Accrued equity capital/retained earnings	17	34 136	34 922	60 718
<b>Net profit</b>		<b>574 146</b>	<b>574 932</b>	<b>600 728</b>
<b>Total equity capital</b>		<b>8 060 205</b>	<b>7 477 330</b>	<b>7 823 240</b>

## CHANGE IN EQUITY

## CHANGE IN EQUITY

	Share capital	Premium fund	Other equity capital	Total
Equity capital 01.01.18	540 000	10	52 892	592 902
Change account prinsipp			-198	-198
Implementing IFRS 9			4 226	4 226
Paid out			-48 871	-48 871
Group contribution deduction			52 669	52 669
<b>Equity capital as at 31.12.18</b>	<b>540 000</b>	<b>10</b>	<b>60 718</b>	<b>600 728</b>

	Share capital	Premium fund	Other equity capital	Total
Equity capital 01.01.19	540 000	10	60 718	600 728
Paid out			-52 668	-52 668
Profit			26 085	26 085
<b>Equity capital as at 30.06.19</b>	<b>540 000</b>	<b>10</b>	<b>34 135</b>	<b>574 146</b>



## CASH FLOW STATEMENT

### CASH FLOW STATEMENT

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Change in lending to customers	-252 047	-326 086	-750 688
Interest income lending to customers	108 321	90 995	188 416
Change deposits from customers	-72 891	-261 366	-315 423
Interest cost deposit from customers	-7 172	-9 558	-17 108
Change certificates and bonds	0	-49 432	25 012
Interest income certificates and bonds	0	0	0
Comission income	10	11	11
Payments relating to operations	-4 933	-5 604	-10 313
Paid tax	-15 050	-11 608	-11 608
Other cutoffs	3 760	758	-3 039
<b>A Net liquidity change from operating activities</b>	<b>-240 002</b>	<b>-571 890</b>	<b>-894 740</b>
Long-term investments in shares	0	0	0
Income sale of long-term investments in shares	0	0	0
Dividend from long-term investments in shares	0	0	0
<b>B Liquidity change from financial activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
New borrowing through issuance of securities	1 100 698	1 100 000	2 447 000
Repayments - issued securities	-758 874	-449 000	-1 424 000
Interest payments borrowing through issuance of securities	-63 672	-42 631	-95 694
New share capital		0	0
Dividend to share owners	-52 669	-48 871	-48 871
<b>C Net liquidity change financing</b>	<b>225 483</b>	<b>559 498</b>	<b>878 435</b>
<b>A+B+C Net liquidity change in the period</b>	<b>-14 519</b>	<b>-12 392</b>	<b>-16 305</b>
Liquid funds at the start of the period	414 457	430 762	430 762
Liquid funds at the end of the period	399 938	418 370	414 457
Liquid funds specified	<b>-14 519</b>	<b>-12 392</b>	<b>-16 305</b>
<b>Balances with credit institutions without notice periods</b>	<b>399 938</b>	<b>418 370</b>	<b>414 457</b>

## NOTES

### NOTE 1. ACCOUNTING PRINCIPLES

The interim financial statements have been reported in accordance with IFRS and have not been audited. The accounting principles are described in the annual accounts for 2018. Interim report complies with IAS 34 and has not been audited.

### NOTE 2. SEGMENT

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

### NOTE 3. NET INTEREST INCOME

	30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
Interest income of lending to and claims on credit institutions	1 393	1 152	697	573	2 302
Interest income of lending to and claims on customers	108 321	90 994	56 172	46 086	188 416
<b>Total interest income</b>	<b>109 714</b>	<b>92 146</b>	<b>56 869</b>	<b>46 659</b>	<b>190 718</b>
Interest expense on liabilities to credit institutions	7 172	9 558	3 695	4 700	17 108
Interest expense on issued securities	63 672	42 631	33 394	23 105	95 694
Other interest expenses		0		0	
<b>Total interest expenses</b>	<b>70 844</b>	<b>52 189</b>	<b>37 089</b>	<b>27 805</b>	<b>112 802</b>
<b>Net interest income</b>	<b>38 870</b>	<b>39 957</b>	<b>19 780</b>	<b>18 854</b>	<b>77 916</b>

### NOTE 4. OPERATING COSTS

	30.06.19	30.06.18	Q2/19	Q2/18	31.12.18
Management fee and wage general manager	4 046	3 673	2 046	1 858	7 548
Other administration costs	29	28	29	28	33
<b>Total wages and administration costs</b>	<b>4 075</b>	<b>3 701</b>	<b>2 075</b>	<b>1 886</b>	<b>7 581</b>
Other operating costs	858	1 903	262	1 244	2 733
<b>Total operating costs</b>	<b>4 933</b>	<b>5 604</b>	<b>2 337</b>	<b>3 130</b>	<b>10 314</b>

### NOTE 5. WRITE DOWNS ON LENDING

	30.06.19	30.06.18	31.12.18
<b>Losses on loans</b>			
Periodens endring i nedskrivninger trinn 1-3	537	-87	-124
Periodic losses on loans covered by previous write-downs	0	0	0
Periodic losses on loans not covered by previous write-downs	0	0	0
Periodic entrance of former confirmed losses	0	0	0
<b>Write-downs on commitments etc.</b>	<b>537</b>	<b>-87</b>	<b>-124</b>

Deduction for loss and loss cost is calculated in accordance to new accounting standard IFRS 9, method is explained in the annual report note 9.

## NOTES

### NOTE 6. GEOGRAPHICAL EXPOSURE OF LENDING PORTFOLIO

<b>Geographical exposure of lending portfolio</b>	<b>30.06.19</b>	<b>%</b>	<b>30.06.18</b>	<b>%</b>
Helgeland	5 929 967	77.6 %	5 433 036	78.1 %
Areas other than Helgeland	1 689 875	22.1 %	1 513 334	21.7 %
International <sup>1)</sup>	17 167	0.2 %	13 991	0.2 %
<b>Total</b>	<b>7 637 009</b>	<b>100 %</b>	<b>6 960 361</b>	<b>100 %</b>

1) Customers resident abroad, Helgeland Boligkreditt AS has customer's property in Norway mortgaged.

### NOTE 7. LENDING

IFRS 9 and expected write-downs on loans are described in note 1 in the quarterly report. The standard replaces previously standard IAS 39. Reference is made to the supplementary commentary under accounting principles, note 1 and note 2.1.1 in the annual report for 2018.

Expected losses for all accounts are calculated. All account commitments are entered into one of the three "steps" in the loss model, based on their risk change since granting (change in credit risk). For a description of the individual "steps", see explanations below. All commitments that do not already have objective evidence of loss at the time of recognition are placed at the time of recognition in step 1, and are later moved to step 2; in cases where there has been a significant increase in credit risk, or step 3; in cases where there is objective evidence of loss.

#### Step 1: 12 months expected loss

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

#### Step 2: Expected loss of life.

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

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

#### Step 3: Expected loss of life

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

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

NOTES

<b>30.06.19</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>		
<b>Gross lending</b>	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
<b>Gross lending pr. 01.01.19</b>	<b>7 098 140</b>	<b>286 822</b>	<b>0</b>	<b>0</b>	<b>7 384 962</b>
New loans / credits / guarantees	1 416 202	45 369	0	0	1 461 571
Transfers from step 1 to step 2	-244 330	242 164	0	0	-2 165
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	103 961	-105 750	0	0	-1 789
Reduced portfolio	-1 017 726	-60 871	0	0	-1 078 597
	0	0	0	0	0
Other adjustments	-124 144	-2 828	0	0	-126 972
<b>Gross lending pr. 30.06.19</b>	<b>7 232 103</b>	<b>404 907</b>	<b>0</b>	<b>0</b>	<b>7 637 009</b>
Unused drafts, guarantees etc.	502 064	249	-	-	502 313

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

<b>30.06.18</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>		
<b>Gross lending</b>	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
<b>Gross lending pr. 01.01.18</b>	<b>6 390 475</b>	<b>242 300</b>	<b>1 500</b>	<b>0</b>	<b>6 634 275</b>
New loans / credits / guarantees	764 600	19 500	0	0	784 100
Transfers from step 1 to step 2	-133 300	131 200	0	0	-2 100
Transfers from step 1 to step 3	0	0	0	0	0
Transfers from step 2 to step 3	0	0	0	0	0
	0	0	0	0	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	97 300	-98 100	0	0	-800
Reduced portfolio	-490 737	-12 300	0	0	-503 037
	0	0	0	0	0
Other adjustments	-120 247	-800	0	0	-121 047
<b>Gross lending pr. 30.06.18</b>	<b>6 508 091</b>	<b>281 800</b>	<b>1 500</b>	<b>0</b>	<b>6 791 391</b>
Unused drafts, guarantees etc.	448 146	1 335	-	-	449 481

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

NOTES

	Step 1	Step 2	Step 3		
<b>30.06.19</b>					
<b>Tapsavsetninger</b>	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
<b>Loss deduction pr. 01.01.19</b>	<b>421</b>	<b>715</b>	<b>0</b>	<b>0</b>	<b>1 136</b>
New loans / credits / guarantees	48	99	-197	0	-50
Transfers from step 1 to step 2	-29	698	0	0	668
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	17	-296	0	0	-279
Reduced portfolio	372	-129	0	0	243
Other adjustments	-42	1	0	0	-40
<b>Loss deduction pr. 30.06.19</b>	<b>787</b>	<b>1 088</b>	<b>-197</b>	<b>0</b>	<b>1 678</b>

**0                      0                      0**

<b>30.06.18</b>					
<b>Tapsavsetninger</b>	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
<b>Loss deduction pr. 01.01.18</b>	<b>400</b>	<b>900</b>	<b>100</b>	<b>0</b>	<b>1 400</b>
New loans / credits / guarantees	170	225	0	0	395
Transfers from step 1 to step 2	-20	300	0	0	280
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	9	-200	0	0	-191
Reduced portfolio	-277	-194	-82	0	-553
Other adjustments	-24	-100	-100	0	-224
<b>Loss deduction pr. 30.06.18</b>	<b>258</b>	<b>931</b>	<b>-82</b>	<b>0</b>	<b>1 106</b>

<b>Lending</b>	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Lending to customers	7 627 426	6 953 045	7 376 628
Accureds interests	9 583	7 316	8 334
<b>Gross lending to customers</b>	<b>7 637 009</b>	<b>6 960 361</b>	<b>7 384 962</b>
Individual write-downs	0	0	0
Lending to customers after individual write-downs	7 637 009	6 960 361	7 384 962
Write down	-1 678	-1 177	-1 136
<b>Lending to and claims on customers, to amortized cost</b>	<b>7 635 331</b>	<b>6 959 184</b>	<b>7 383 826</b>

## NOTES

### NOTE 8. GUARANTEES AND COMMITMENTS

<b>Unutilised credit and guarantees</b>	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Unutilised credit	502 313	449 481	477 888
Guarantees	0	0	0
<b>Total conditional liabilities</b>	<b>502 313</b>	<b>449 481</b>	<b>477 888</b>

### NOTE 9. DOUBTFUL LOANS AND COMMITMENTS

<b>Defaulted commitments</b>	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</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. LENDING AND EXPECTED LOSS DIVIDED ON INDUSTRY

<b>30.06.19</b>	<b>Lending to amortized cost and fair value (OCI)</b>							
	<b>Gross lending</b>		<b>Forventet tap</b>			<b>Gross lending</b>	<b>Gross lending</b>	<b>Net lending</b>
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Fair value (FVOCI)		Total
Sum næring	160 326	-31	-151	0	0	0	0	160 143
Total retail market	7 478 362	-372	-1 124	0	0	0	0	7 476 866
<b>Total</b>	<b>7 638 687</b>	<b>-403</b>	<b>-1 275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 637 009</b>
Expected loss off balance RM		-8	0	0	0	0		
Expected loss off balance CM		-1	0	0	0	0		

<b>30.06.18</b>	<b>Lending to amortized cost and fair value (OCI)</b>							
	<b>Gross lending</b>		<b>Forventet tap</b>			<b>Gross lending</b>	<b>Gross lending</b>	<b>Net lending</b>
	Amortized cost	Step 1	Step 2	Step 3	Fair value (FVOCI)	Fair value (FVOCI)		Total
Total corporate market	125 426	-26	-95	0	0	0	0	125 305
Total retail market	6 834 934	-329	-679	-48	0	0	0	6 833 878
<b>Total</b>	<b>6 960 360</b>	<b>-355</b>	<b>-774</b>	<b>-48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 959 183</b>
Expected loss off balance RM		-8	0	0	0	0		
Expected loss off balance CM		0	0	0	0	0		

## NOTES

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

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Liabilities to credit institutions without agreed maturity	399 937	418 370	414 457
<b>Total lending to and claims on credit institutions</b>	<b>399 937</b>	<b>418 370</b>	<b>414 457</b>
Total exposure at Helgeland in %	100 %	100 %	100 %

### NOTE 12. LIABILITIES TO CREDIT INSTITUTIONS

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Without agreed maturity	636 074	763 023	708 965
<b>Total liabilities to credit institutions</b>	<b>636 074</b>	<b>763 023</b>	<b>708 965</b>

The debt is entirely related to the parent bank Helgeland Sparebank

The Company has a credit facility (maturing > one year) of 1 500 million. As of 30/06/19 the idle frame was 864 million.

In addition, the company has an unused credit facility of 1,500 million (with maturities > one year) intended to cover payment obligations in the cover for a rolling 12 month period.

### NOTE 13. DERIVATIVES

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

## NOTES

### NOTE 14. LIABILITIES THROUGH ISSUE OF SECURITIES

Liabilities through issuance of securities are valued at amortized cost.

Covered bonds:

ISIN code	Current	Par value	Own hold.		Interest	Admission	Maturity	Soft call	30.06.19
NO0010709355 NOK	500 000		295 000	Flytende	3mnd. Nibor+0,40	2014	2020	2021	205 467
NO0010724065 NOK	500 000			Flytende	3mnd. Nibor+0,30	2014	2021	2022	500 162
NO0010748601 NOK	500 000		370 000	Flytende	3 mnd.Nibor+0,78	2015	2019	2020	130 265
NO0010740673 NOK	500 000			Flytende	3 mnd.Nibor+0,49	2015	2020	2021	500 657
NO0010764897 NOK	500 000			Flytende	3 mnd.Nibor+0,86	2016	2021	2022	500 632
NO0010769920NOK	500 000			Flytende	3 mnd.Nibor+0,78	2016	2021	2022	500 456
NO0010782774NOK	500 000			Flytende	3 mnd.Nibor+0,52	2017	2022	2023	500 018
NO0010804008NOK	500 000			Flytende	3 mnd.Nibor+0,45	2017	2021	2022	500 010
NO0010785843NOK	500 000			Flytende	3 mnd.Nibor+0,64	2017	2022	2023	500 241
NO0010810278 NOK	500 000			Flytende	3 mnd.Nibor+0,41	2017	2021	2022	500 356
NO0010819568 NOK	500 000			Flytende	3 mnd.Nibor+0,40	2018	2022	2023	499 768
NO0010826415 NOK	500 000			Flytende	3 mnd.Nibor+0,47	2018	2022	2023	500 546
NO0010831290 NOK	500 000			Flytende	3 mnd.Nibor+0,42	2018	2023	2024	501 014
NO0010839434 NOK	500 000			Flytende	3 mnd.Nibor+0,55	2018	2023	2024	500 615
NO0010847080NOK	500 000			Flytende	3 mnd.Nibor+0,48	2019	2024	2025	501 526
<b>Total listed covered bonds</b>									<b>6 841 733</b>

All loans have soft call one year before maturity.

ISIN code	Current	Par value	Own hold.		Interest	Admission	Maturity	Soft call	30.06.18
NO0010686710 NOK	500 000		37 900	Flytende	3mnd. Nibor+0,50	2013	2019	2020	121 414
NO0010709355 NOK	500 000			Flytende	3mnd. Nibor+0,40	2014	2020	2021	500 124
NO0010724065 NOK	500 000			Flytende	3mnd. Nibor+0,30	2014	2021	2022	500 606
NO0010748601 NOK	500 000			Flytende	3 mnd.Nibor+0,78	2015	2019	2020	500 918
NO0010740673 NOK	500 000			Flytende	3 mnd.Nibor+0,49	2015	2020	2021	500 125
NO0010764897 NOK	500 000			Flytende	3 mnd.Nibor+0,86	2016	2021	2022	500 103
NO0010769920NOK	500 000			Flytende	3 mnd.Nibor+0,78	2016	2021	2022	500 334
NO0010782774NOK	300 000			Flytende	3 mnd.Nibor+0,52	2017	2022	2023	500 843
NO0010804008NOK	500 000			Flytende	3 mnd.Nibor+0,45	2017	2021	2022	500 544
NO0010785843NOK	500 000			Flytende	3 mnd.Nibor+0,64	2017	2022	2023	500 457
NO0010810278NOK	500 000			Flytende	3 mnd.Nibor+0,41	2017	2021	2022	501 164
NO0010819568NOK	500 000			Flytende	3 mnd.Nibor+0,42	2018	2022	2023	500 148
NO0010826415NOK	500 000			Flytende	3 mnd.Nibor+0,47	2018	2023	2024	500 069
<b>Total listed covered bonds</b>									<b>6 126 849</b>

Emissioner kjøpt av Helgeland Sparebank ;NO0010826415 MNOK 100

All loans have soft call one year before maturity.

All loans have soft call one year before final maturity.

	30.06.19	30.06.18
<b>Total listed bonds</b>	<b>6 841 733</b>	<b>6 126 849</b>
Loans secured by property	7 580 031	6 912 881
Claims that constitutes cover pool (inc. Interests)	399 938	418 370
<b>Total cover pool</b>	<b>7 979 969</b>	<b>7 331 251</b>
Cover pool capacity utilization	1 138 236	1 204 402
Cover pool capacity utilization %	17 %	20 %
Cover pool capacity utilization %, own share covered bonds deducted	11 %	19 %

Collateral assembly is defined in the Financial Institutions Act § 11.8.

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



## NOTES

### NOTE 15. CAPITAL ADEQUACY

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Total paid-in capital	540 010	540 010	540 010
Total accrued equity capital/retained earnings	34 133	34 856	60 719
Additional	0	0	0
Deduction	-26 086	-26 870	-52 667
<b>Total core capital</b>	<b>548 057</b>	<b>547 996</b>	<b>548 062</b>
Total net supplementary capital	0	0	0
<b>Total net equity and related capital</b>	<b>548 057</b>	<b>547 996</b>	<b>548 062</b>
Weighted asset calculation basis	3 077 676	2 768 762	2 970 374
Capital adequacy ratio	17.81 %	19.79 %	18.45 %
Of which core capital accounted for	17.81 %	19.79 %	18.45 %

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
States and central banks	0	0	0
Local and regional authorities (including municipalities)	0	0	0
Publicly owned enterprises	0	0	0
Institutions	79 709	83 636	82 891
Enterprises	0	0	0
Mass market loans	0	0	15 387
Loans secured by real property	2 811 613	2 564 192	2 741 459
Loans overdue	55 950	0	0
Other loans and commitments	0	56	233
<b>Capital requirement credit risk</b>	<b>2 947 272</b>	<b>2 647 884</b>	<b>2 839 970</b>
Capital requirement operational risk	130 404	120 877	130 404
Deduction from capital requirement	0	0	0
<b>Total capital requirement</b>	<b>3 077 676</b>	<b>2 768 761</b>	<b>2 970 374</b>

### NOTE 16. SHARE CAPITAL

The share capital is 540 MNOK. The shares has a face value of NOK 1 000, and Helgeland Sparebank owns all the shares.

### NOTE 17. RESULT PER SHARE

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
Result so far this year	26 085	26 770	52 668
Number of shares	540 000	540 000	540 000
Result per share in NOK	48	50	98
Diluted result per share in NOK	48	50	98

## NOTES

### 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>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
<b>Profit and loss account</b>			
Interest income and similar income	1 393	1 152	2 302
Interest expense and similar expense	7 172	9 558	17 108
Management fee	4 074	3 673	7 548
<b>Balance sheet</b>			
Lending and claims on credit institutions	399 938	418 370	414 457
Liabilities to credit institutions	636 074	763 023	708 965
Liabilities from issue of securities	0	100 000	0

### NOTE 19. KEY FIGURES

	<b>30.06.19</b>	<b>30.06.18</b>	<b>31.12.18</b>
<b>Profit &amp; Loss Account</b>			
Gross profit (NOK 1.000)	26 085	26 770	52 669
Net interest as a % of average assets	0.98 %	1.11 %	1.05 %
Operation cost as a % of income	12.7 %	14.0 %	12.2 %
Net profit as a % of average assets	0.66 %	0.74 %	0.71 %
<b>Balance sheet</b>			
Gross lending (NOK 1.000)	7 637 009	6 960 361	7 384 962
Collective write-downs as a % of lending	0.0 %	0.0 %	0.0 %
12 months growth in customer lending	9.7 %	18.0 %	11.3 %
Total assets (NOK 1.000 kr)	8 060 205	7 477 330	7 823 240
Average total assets	7 963 546	7 269 437	7 434 347
<b>Solidity</b>			
Rate of return on equity capital	9.1 %	9.2 %	9.0 %
Core tier one Capital (NOK 1.000)	548 057	547 996	548 062
Core tier one Capital ratio	17.8 %	19.8 %	18.5 %
LR (Leverage Ratio)	6.6 %	7.1 %	6.8 %
<b>Information on lending portfolio</b>			
Surplus value of cover pool (NOK 1.000)	1 138 236	1 204 402	1 242 039
Surplus value of cover pool (%)	17 %	20 %	19 %
Indexed LTV	55 %	54 %	56 %
Proportion of variable-rate loans	100 %	100 %	100 %
Proportion of flexible mortgages*)	12 %	13 %	11 %
Average loan value (NOK 1.000)	1 134	1 073	1 138
Number of loans	6 727	6 471	6 486
Remaining maturity - weighted average (year)	20.3	19.8	22.3
Seasoning - weighted average (year)	2.7	2.7	2.5

\*) 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 January 1<sup>st</sup> to June 30<sup>th</sup> 2019 is prepared in accordance with the current accounting standards IAS 34 – interim reporting, and that the information in the financial statements give true and fair view of the company’s assets, liabilities, financial positions and result.

The interim report shows after our best conviction a true:

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

Mo i Rana, August 13<sup>th</sup> 2019

Hanne Nordgaard  
*Chairman*

Dan Hugo Heimstad  
*Deputy Chairman*

Håkon Stanghelle

Sverre Klausen

Lena Båtstrand  
*General Manager*

## **Elected representatives and senior management in Helgeland Boligkreditt AS**

### **The General Meeting:**

Helgeland Sparebank v/CEO Hanne J. Nordgaard

### **Board of Directors:**

Hanne Nordgaard, Chairman  
Dag Hugo Heimstad, Deputy Chairman  
Sverre Klausen  
Håkon Stanghelle

### **Contact information**

#### **Helgeland Sparebank**

Address: PO Box 68, N-8601 Mo i Rana  
Organization no.: 937 904 029  
[www.hsb.no](http://www.hsb.no)

#### **Helgeland Boligkreditt AS**

Address: PO Box 68, N-8601 Mo i Rana  
Organization no.: 993 359 696  
[www.hsb.no](http://www.hsb.no)

### **Investor Relations**

Sverre Klausen, CFO, telephone +47 916 88 286  
Tore Stamnes, Head of Treasury, telephone +47 415 08 660

### **Other sources:**

#### **Annual reports:**

Helgeland Boligkreditt AS is 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)