annual report

2011

helgeland
boligkreditt

Helgeland Boligkreditt AS,
accounts as at 31.12.2011

The company

Helgeland Boligkreditt AS was established in November 2008 and is a wholly-owned subsidiary of Helgeland Sparebank. The company is located in the same premises as the bank's head office in Mo i Rana.
The company has a licence as a finance company and can issue bonds in which the investors have a preferential right to coverage in the company's security. The security consists mainly of secured mortgages that have been granted by Helgeland Sparebank.

Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as an issuer of bonds.

Accounting principles

The accounts are presented in accordance with the Ministry of Finance's Regulations regarding annual accounts for banks etc. section 1-5 Simplified application of international accounting standards. The company is part of the Helgeland Sparebank Group, which implemented IFRS in consolidated accounts with effect from 1 January 2005. The company takes as its basis the same principles for measurement, classification and presentation as the consolidated accounts of Helgeland Sparebank. The annual accounts are presented in accordance with the going concern principle.

Income statement as at 31.12.11
(comparison as at 31.12.10)

Profit before tax was NOK 13.2 million (NOK 12.8 million). This is an increase of NOK 0.4 million compared with 2010.
Net interest and commission income was NOK 23.4 million and has increased by NOK 3.3 million compared with the corresponding period last year. Loan volume increased by NOK 766.9 million in the last 12 months and gives an increased net interest in NOK. As a percentage of average assets under management however the net interest has fallen somewhat. Higher borrowing costs during 2011 and continued strong price competition in the private market have put pressure on net interest.

Operating costs as at 31.12.11 were NOK 10.1 million, against NOK 7.4 million in 2010. The lending volume has been higher in 2011 than in 2010 and this has led to increased loan management costs.

No losses have been expensed in 2011.

Profit after tax as at 31.12.11 was NOK 9.3 million (NOK 9.1 million). On an annual basis, this gives a return on equity of 4.8%.

Dividend and disposals
The profit after tax for 2011 of NOK 9.3 million is allocated as group contribution to the parent bank.

Balance trends

Total assets amounted to NOK 3,912.4 million. There has been considerable transfer of lending during the year and balance growth was 25.6%.

Lending
As at 31.12.11, lending amounting to NOK 3,730.5 million has been transferred to the company from Helgeland Sparebank. This is an increase of NOK 766.9 million compared with 31.12.10. 81.6% of the lending is to customers in Helgeland.
The lending portfolio is considered to be good and there have been no individual loan write downs in the company. Loans in default over 30 days represent NOK 2.3 million. There are no loans in default over 90 days.
No provision has been made from write down of groups of loans.

Financing
The lending portfolio is financed by the issue of bonds with preferential rights amounting to a face value totalling NOK 3,284.4 million (NOK 2,403 million), as well as long-term credit from Helgeland Sparebank of NOK 420.1 million (NOK 455 million).

Bonds with preferential rights amounting to a face value of NOK 900 million are owned by the parent company, unchanged from 2010.

Cash flow
The cash flow statement shows how Helgeland Boligkreditt AS has received liquid assets and how these have been used. This has been prepared on the basis of gross cash flow from operational, investment and financing activities. The lending growth of 2011 has mainly been financed by issuing bonds with preferential rights and drawing on the facility in the parent bank.

Capital adequacy
Helgeland Boligkreditt AS uses standard models to calculate capital requirements.
Capital adequacy as at 31.12.11 was 12.84% (12.09%) and consists exclusively of tier capital. The company's net subordinated capital at year end was NOK 193.8 million (NOK 153.8 million). In order to strengthen the company's capital adequacy, share capital was extended by NOK 40 million during Q4 2011. Helgeland Sparebank still owns 100% of the shares.

Risk conditions

Because of its licence as a credit company, Helgeland Boligkreditt AS is subject to a number of laws, regulations, recommendations and rules.
A transfer and service agreement has been entered into with Helgeland Sparebank to ensure that the value of the security portfolio exceeds the value of the company's borrowing.
The board of directors considers the company's overall risk to be low.

Credit risk
The company's credit strategy has been adopted by the board of directors and a framework for risk profile and management goals has been determined.
Lending against security fulfils the requirements of the Finance Activities Act and is secured on property at no more than 75% of market value. The credit risk is therefore considered to be low. LTV (Loan to value) as at 31.12.11 was 43% and utilisation of the security base was 118%.

Liquidity risk
The company's strategy for managing liquidity risk has been adopted by the board of directors and determines the company's overall risk tolerance with concrete ceilings and control parameters. The company's liquidity risk is considered to be low. As at 31.12.11, the percentage of long-term (more than one year) financing was 100%. The company has a long-term drawing facility with Helgeland Sparebank of NOK 1 billion, NOK 580 million of which was unused as at 31.12.11.

Market risk
The company is not exposed in shares or securities. All borrowing is at variable interest rate. There are no fixed interest rate loans in the lending portfolio and no loans in foreign currency. The interest rate risk is within the company's control ceiling.

Operational risk
A main agreement with underlying delivery agreements has been entered into between Helgeland Sparebank and Helgeland Boligkreditt AS to take care of operational risk. Among other things, the agreement covers administration, bank production and IT operations.

Personnel

The general manager is a 35% of full-time employee of the company. Necessary services are mainly bought from the parent bank.
Helgeland Boligkreditt AS maintains equality of opportunity between the genders. The company's board of directors has 4 members, 2 women and 2 men.
The company’s activities do not pollute the environment.

Prospects

Credit growth in households is expected to remain stable. Continued low interest rates and unemployment are helping to keep up activity in the housing market. Sales of houses and apartments in the largest towns in Helgeland in 2011 show an increase in average square metre price that is considerably above the national average. The property market is also expected to show a further price increase in 2012. There are considerable sales of homes, as well as a good activity level in new housebuilding. The company is still establishing itself and expects higher growth in 2012 than the general credit growth.

Mo i Rana, 31 December 2011
Mo i Rana, 1 March 2012

Jan Erik Furunes *Chairman of the Board*	Lisbeth Flågeng *Deputy Chairman of the Board*	Helge Stanghelle
Inger Lise Strøm		Brit Søfting *General Manager*

Corporate Governance

The company's policy for corporate governance shall ensure that governance of the company's activities is in line with general and recognised 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, authorities and ceilings, routine descriptions, framework for governance and control, guidelines for systems and processes that focus on risk assessment and internal control in the company.
The governing documents are based on Norwegian recommendations for corporate governance and the Committee of European Banking Supervisors' principles for overall governance and control.

It is Helgeland Boligkreditt AS' ambition to follow these recommendations as far as possible.

In accordance with point one of the Norwegian recommendations for corporate governance, there follows an account of the company's compliance with the points in the recommendations.

The general meeting is the company's highest body and execution is the responsibility of the CEO of Helgeland Sparebank.

The supervisory board has 6 members who are elected by the general meeting. The supervisory board shall:

- Supervise the board of directors' and general manager's administration of the company and ensure that the company's purpose is promoted in accordance with legislation, the articles of association and the supervisory board's own decisions.
- Elect the board of directors in accordance with article 3 of the articles of association.
- Elect an auditor.
- Receive information about the company's operation and review its accounting reports and the reports of the audit committee. At meetings of the supervisory board, any member may demand information about the company's operations to the extent that they find necessary. The supervisory board can initiate investigations either itself or through a committee.
- Review the annual report and auditor's report and give a statement to the general meeting about the board of directors' proposed annual report and proposed allocation of profits or coverage of losses. The board of director's proposals and the auditor's report shall be sent to the members of the supervisory board no later than one week before they are to be discussed.
- Give a statement in matters regarding the company that are referred to it by the board of directors or audit committee.

The supervisory board elects the company's board of directors, which shall ensure that the company has good corporate governance. The company’s board consists of 4 members.
The general meeting elects an audit committee consisting of 3 members.

Operations

Helgeland Boligkreditt AS was established to be the bank's company for issuing bonds with preferential rights.
The mortgage company acquires mortgages from mainly private customers and these mortgages are secured at up to 75% of property value. The mortgages are bought from Helgeland Sparebank.

Mortgages are sold through the bank's distribution channels and the bank is responsible for customer relations, customer contact and marketing.

The company's strategic platform comprises strategic and financial goals that are updated at least once a year.

Company capital

The company's equity is made up of share capital, share premium reserve and retained earnings.
The company's target for core capital adequacy is 10%.
The company's objective is to achieve a return on equity that is competitive in the market in relation to the company's risk profile. Our requirement for return on equity is equivalent to risk-free interest + 3 percentage points.

Elections

The general meeting elects the supervisory board and audit committee. The supervisory board elects the board of directors.

The board's composition and independence

The board of directors consists of 4 permanent members. At present 2 of the permanent members are women.

Important criteria for the board's members and composition include qualifications, gender, capacity and independence.
In its work schedule the board of directors has assumed an annual evaluation of the independence of its members and the board's overall competence.

The board meets at least once a quarter and works in accordance with a schedule that is determined for the year. The general manager also attends, in addition to the elected members.
The board of directors has overall responsibility for the administration of Helgeland Boligkreditt AS and for supervising the general management and the company's activities.
The board's responsibility for administration includes responsibility for organising the company in a proper manner, for determining plans and budgets for the company, for keeping itself informed about the company's financial position and for ensuring that the company's activities, asset management and accounts are subject to satisfactory control.
The annual strategy planning/rollout of strategy plans is a priority. Overall goals and strategies are determined, on the basis of which action plans and budgets are prepared. The general manager prepares issues that are to be discussed by the board, together with the chairman.

Risk management and internal control

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

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Choice of method for risk assessment shall be based on the company's complexity and the scope of the various business areas.
The board of directors of Helgeland Boligkreditt AS takes as its basis that the company shall be well capitalised. Capital assessments (ICAAP) are included in the Helgeland Sparebank Group and performed at least once a year. The company's capital strategy will be based on real risk in the activities, supplemented with 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 Helgeland Sparebank. 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 developing good 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 organisation 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 and the quality of internal control, as well as following up on risk-reducing measures.

Remuneration to the board

The general meeting determines remuneration to the board.

Management remuneration

The board determines remuneration to the general manager and the principles for remuneration to senior management. The company has no option or bonus agreements. A summary of pay and benefits to senior employees appears in a note to the annual report.

Information and communication

Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as an issuer of bonds and reports dates of important 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 supervisory board has elected PricewaterhouseCoopers as external auditor and the general meeting approves the auditor's fees.

Investigator

On 27 February 2009, PricewaterhouseCoopers was appointed by the Financial Supervisory Authority of Norway as independent investigator of Helgeland Boligkreditt AS pursuant to the Act of 10 June 1988 No. 40 regarding financial activities and financial institutions, section 2.

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PROFIT AND LOSS ACCOUNT (Amounts in NOK 1.000)	Note	31.12.11	31.12.10
Interest receivable and similar income	4,24	141.451	89.541
Interest payable and similar costs	4,24	118.102	69.432
Net interest- and credit commission income		**23.350**	**20.109**
Commissions receivable and income from banking services		23	18
Commissions payable and costs relating to banking services		0	0
Net commission income		**23**	**18**
Gains/losses on financial instruments available for sale	5	0	0
Other operating income		0	0
Operating costs	6,23,24	10.138	7.352
Losses on loans guarantees etc	2.1	0	0
Result from ordinary operations		**13.235**	**12.775**
Result before tax		**13.235**	**12.775**
Tax payable on ordinary result	7	3.920	3.643
Result after tax		**9.315**	**9.132**
Result per share in NOK	25	60	91
Diluted result per share in NOK	25	60	91

Extended income

Result after tax		**9.315**	**9.132**
Net change in value of financial assets over equity		0	0
Total result for the period		**9.315**	**9.132**

BALANCE SHEET (Amounts in NOK 1.000)	Note	31.12.11	31.12.10
ASSETS			
Loans to and claims on credit institutions	2.1,2.3,9,10,11,24	181.908	151.271
Loans to and claims on customers	2.1,2.2,2.3,9,10,12,13,17,23	3.730.495	2.963.551
Deferred tax assets	8	0	0
Total assets		**3.912.403**	**3.114.822**
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2.2,2.3,9,10,14,15,24	420.056	545.263
Borrowings through the issuance of securities	2.2,2.3,9,10,12,14,15,16,17,24	3.284.370	2.402.862
Other liabilities	8,4,15	4.829	3.731
Total liabilities		**3.709.255**	**2.951.856**
Paid-in equity capital	20,21,22	190.010	150.010
Accrued equity capital/retained earnings	20,21	13.138	12.956
Total equity capital		**203.148**	**162.966**
Total liabilities and equity capital		**3.912.403**	**3.114.822**

Mo i Rana, 31 December 2011
Mo i Rana, 1 March 2012

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Chairman of the Board

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Deputy Chairman of the Board

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Brit Søfting
General Manager

CHANGE IN EQUITY CAPITAL DURING THE YEAR

	Share capital	Premium fund	Other equity capital	Total
Equity capital 01.01.10	50.000	10	3.823	53.833
Issued new share capital	100.000			100.000
Result			9.133	9.133
Equity capital as at 31.12.10	**150.000**	**10**	**12.956**	**162.966**
Issued new share capital	40.000			40.000
Disbursed in the year				0
Result			9.315	9.315
Disbursed group contribution			-9.133	-9.133
Equity capital as at 31.12.11	**190.000**	**10**	**13.138**	**203.148**

CASH FLOW STATEMENT

	31.12.11	31.12.10
Result of ordinary operations	13.235	12.775
+ Ordinary depreciation/amortisation	0	0
+ Writedowns and gain/loss on fixed assets	0	0
+ Losses on loans, guarantees, etc	0	0
- Tax expense	3.643	3.643
- Dividend paid	0	0
= Provided from the year's operations	**9.592**	**9.132**
Change miscellaneous debt: + increase/-decrease	819	2.089
Change miscellaneous claims: - increase/+ decrease	0	9
New liabilities	-2.016.944	-1.575.962
Installment of liabilities	1.250.000	0
Change in liabilities to credit institutions: + increase/-decrease	-125.207	263.279
A Net liquidity change from operating activities	**-881.740**	**-1.301.453**
- Invested in tangible fixed assets	0	0
+ Sale of tangible fixed assets	0	0
Change in long-term securities: - increase/+ decrease	0	0
B Liquidity change from investing activities	**0**	**0**
Dividend paid	-9.132	0
Liabilities securities in issue increase: +increase/- decrease	881.508	1.302.079
New share capital: +increase/-decrease	40.000	100.000
C Liquidity change from financing activities	**912.376**	**1.402.079**
A+B+C Total change liquid assets	30.636	100.626
+ Liquid assets at the start of the period	151.271	50.645
= Liquid assets at the close of the period	181.907	151.271

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.

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.

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. RISK AND CAPITAL MANAGEMENT

Organization and authorizations
The Board of Helgeland Boligkreditt AS establishes long-term targets for the company's risk profile which is matched against the group's risk target. The risk profile is operationalized through the risk management framework, including proxies.

Follow-up and application
Risk reporting in the company shall ensure that all managers have the necessary information concerning risk level and development. To ensure quality and adequate independency, risk reporting is organized and managed by units that are independent of the operative business. Capital appreciation; the company's capital situation and risk is assessed and summarized in a separate risk report to the Board of Helgeland Boligkreditt AS

Risk categories within Helgeland Boligkreditt AS

- Credit risk: the risk of loss as a result of customers or other parties not being able to meet their obligations
- Liquidity risk: the risk that the company cannot manage to meet its obligations on the due date
- Operational risk: the risk of losses due to failure in internal routines, systems and processes, insufficient competence, damage to property, interruption in operations, system faults, internal or external fraud.
- Business risk is the risk for loss due to changes in external factors such as the market situation or government regulations. The risk also includes reputational risk.
- Market risk is the risk of loss resulting from open positions in foreign exchange, interest rate og equity instruments.

Helgeland Sparebank group uses a total-risk model to quantify risk through calculation for the individual risk forms and to the group's overall risk in the business areas, including the various group companies including Helgeland Boligkreditt AS. The capital requirements shall among other things cover unexpected losses that may occur in the business. The calculation is a part of the group's ICAAP.

Helgeland Boligkreditt AS uses financial derivatives as a part of the risk management to control the interest rate risk. The company has a target figure to core capital ratio of 10 %.

It is entered a Basic Agreement with Helgeland Sparebank which safeguards the operational risk.
In addition, it is entered a number of underlying supply agreements with the parent bank that includes services regarding administration, banking and IT operations.
The company has no exposure in foreign exchange.

NOTE 2.1 CREDIT RISK

Overall, the credit risk of the company is characterized as low, all loans in the cover pool is secured by property within 75 % of the proper market value.

NOTE 2.1.1 CREDIT EXPOSURE

Balance sheet	**31.12.11**	**31.12.10**
Loans to and receivables on credit institutions	181.908	151.271
Loans to customers	3.730.495	2.963.551
Total lending and claims valued at amortized cost	**3.912.403**	**3.114.822**
Unutilized lines of credit	579.944	454.737
Total credit exposure, off-balance sheet	**579.944**	**454.737**
Total credit exposure1)	**4.492.347**	**3.569.559**

1) The credit exposure after IFRS is the amount that best represents the entity's maximum exposure to credit risk. For a financial asset is this gross carrying value, minus all amounts offset in accordance with IAS 32, and any impairment losses.

NOTE 2.1.2 COMMITMENTS BY RISK CATEGORY

Risk classifications loans

Risk classification is an integral part of the company'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 collaboration with a number of other banks. For corporate customers a Probability of Default (PD)/score is based on a number of parameters such as the sector concerned, comments regarding payment history, and any comments made by the auditors.

Retail customers are awarded a Probability of Default (PD)/score based on any reminders issued, overdrawn accounts, previous borrowing/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.

31.12.11	Gross lending	Guarantees	Potential exposure	Total exposure	Share
	Behavior score				
Corporate					
Low risk	101.425	0	5.830	107.255	87.4 %
Medium risk	5.974	0	4.548	10.522	8.6 %
High risk	4.930	0		4.930	4.0 %
Total corporate	**112.329**	**0**	**10.378**	**122.707**	**100,0 %**
Retail market:					
Low risk	3.205.051		207.821	3.412.872	89.1 %
Medium risk	327.696	0	1.944	329.640	8.6 %
High risk	77.597	0	1.946	79.543	2.1 %
Not classified	7.822	0	0	7.822	0.2 %
Total retail market	**3.618.166**	**0**	**211.711**	**3.829.877**	**100.0 %**
Grand total	**3.730.495**	**0**	**222.089**	**3.952.584**	

The risk classification is based on economy, security coverage are not taken into account.

31.12.10	Gross lending	Guarantees	Potential exposure	Total exposure	Share
	Behavior score				
Corporate					
Low risk	93.399	0	1.932	95.331	81 %
Medium risk	17.055	0	99	17.154	14 %
High risk	6.161	0	0	6.161	5 %
Total corporate	**116.615**	**0**	**2.031**	**118.646**	**100 %**
Retail market:					
Low risk	2.555.594	0	152.413	2.708.007	90 %
Medium risk	244.288	0	1.149	245.437	8 %
High risk	31.502	0	1.708	33.210	1 %
Not classified	15.552	0	0	15.552	1 %
Total retail market	**2.846.936**	**0**	**155.270**	**3.002.206**	***100 %***
Grand total	**2.963.551**	**0**	**157.301**	**3.120.852**	

Collateral

The Company uses collateral in residential property to reduce the risks associated with customers' willingness and ability to pay. When granting of loans occurs an objective valuation of the residential property. Factors that may affect the value of the collateral, such as license conditions or easements, are also taken into account.

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.11	31.12.10
Gross defaulted commitments over 90 days	0	0
Individual write-downs of defaulted loans	0	0
Net defaulted commitments	**0**	**0**

Disordered loans without depreciation

The table shows the amounts due on loans by number of days past due which is not due to delays in the payment system. Disordered loans are continuously monitored. Commitments where it is identified a deterioration in the customer's ability to pay, are assessed to write downs.

Number of days overdrawn	31.12.11	31.12.10
1-29 days	0	0
30-59 days	2.307	0
60-89 days	0	0
➢ 90 days	0	0
Total disordered loans exclusive write-downs	**2.307**	**0**

Actual losses in 2011 was NOK 0 million.

NOTE 2.2 MARKET RISK

Helgeland Boligkreditt AS is through its ordinary operations exposed to interest rate risk. The company's strategy is to switch to short interest-bindings on all interest income and expenses. The company has no fixed rate loans.

The interest-bindings related to the company's financing is managed by using interest rate swaps, and is controlled in relation to the company's current portfolio of loans to customers.
The Board sets interest rate risk limit and the positions are monitored continuously and monthly reports, which show exposure, are prepared to the company's board and the finance committee of Helgeland Sparebank. As of 31.12.11, all funding were agreed with floating rate (3mth. Nibor), and it is thereby no derivative agreements in the company.

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

The sensitivity analysis (lending and borrowing) shows an expected result reflected by 2 percentage point's parallel shift in the entire interest rate curve.
Interest rate risk at 31.12.11 is NOK 0.5 mill. and is well within the company's target requirements of NOK 10 million.

NOTE 2.2.1 REMAINING TIME TO INTEREST RATE ADJUSTMENT

Interest rate risk, remaining time to interest rate adj. per 31.12.11

	Up to 1 months	From 1-3 months	From 3 months	From 1-5 years	Over 5 years	No int. rate chg.	Total
ASSETS							
Loans and rec. to cr. inst. without fixed term		181.908					181.908
Net lending to and claims on customers		3.730.495					3.730.495
Other assets, non-interest bearing							0
Total assets	**0**	**3.912.403**	**0**	**0**	**0**	**0**	**3.912.403**
LIABILITIES AND EQUITY CAPITAL							
Liabilities to cr. inst. without agreed maturity	420.056						420.056
Loans committed by issuance of securities		3.284.370					3.284.370
Other liabilities, non-interest bearing (incl.swap)						4.829	4.829
Total liabilities	**420.056**	**3.284.370**	**0**	**0**	**0**	**4.829**	**3.709.255**
Net interest sensitivity gap	**-420.056**	**628.033**	**0**	**0**	**0**	**4.829**	**203.148**

Interest rate risk, remaining time to interest rate adj. as of 31.12.10

	Up to 1 months	From 1-3 months	From 3 months	From 1-5 years	Over 5 years	No int. rate chg.	Total
ASSETS							
Lending and rec. to cr. inst. without fixed term		151.271					151.271
Net lending to and claims on customers		2.963.551					2.963.551
Other assets, non-interest bearing							
Total assets		**3.114.822**					**3.114.822**
LIABILITIES AND EQUITY CAPITAL							
Liabilities to cr. inst. without agreed maturity	545.263						545.263
Loans committed by issuance of securities		2.402.862					2.402.862
Other liabilities, non-interest bearing (incl.swap)						3.731	3.731
Total liabilities	**545.263**	**2.402.862**				**3.731**	**2.951.856**
Net interest sensitivity gap	**-545.263**	**711.960**				**-3.731**	**162.966**

NOTE 2.2.2 FINANCIAL DERIVATIVES

As of 31.12.11, both lending and borrowing were set to floating interest rates and there has not been signed any swap-agreements.

NOTE 2.3 LIQUIDITY RISK

Liquidity risk is the risk that the company can not meet 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 the management of liquidity risk, organization and responsibilities, stress tests (for the group), routines for monitoring of limit utilization and compliance of policies, board- and management reporting, and independent control of systems for management and control. According to the Financial Institutions Act (fvl) § 2-32 "the credit institution must ensure that the payment flow from the cover pool at all time must make the credit institution able to met its payment obligations to holders of covered bonds and counterparties in derivative agreements." The Board has resolved that the company always should have positive cash flows within the next 6 months.

Overall, can Helgeland Boligkreditt's liquidity situation per 31.12.11 be termed as good. Share of long-term financing with maturities over one year is 100%.

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

	31.12.11
Liquidity risk, maturity	

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Lending and claims on credit inst.				185.546			185.546
Lending to and claims on customers	27.134	60.252	205.603	1.737.750	2.419.598		4.450.337
Total payments	**27.134**	**60.252**	**205.603**	**1.923.296**	**2.419.598**		**4.635.883**
Liabilities to credit institutions				440.557			440.557
Loans committed by issuance of securities		15.575	70.676	3.479.300	129.759		3.695.310
Total disbursement	**0**	**15.575**	**70.676**	**3.919.857**	**129.759**		**4.135.867**
							31.12.10

Liquidity risk, maturity

	Up to 1 month	From 1-3 months	From 3 months to 1 year	From 1-5 years	Over 5 years	Without maturity	Total
Lending and claims on credit inst.				154.422			154.422
Lending to and claims on customers	15.636	45.962	182.131	1.356.921	1.935.628		3.536.278
Total payments	**15.636**	**45.962**	**182.131**	**1.511.343**	**1.935.628**		**3.690.700**
Liabilities to credit institutions				568.763			568.763
Loans committed by issuance of securities		5.236	41.897	2.174.563	699.649		2.921.345
Total disbursement		**5.236**	**41.897**	**2.743.326**	**699.649**		**3.490.108**

NOTE 3. SEGMENT

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

	31.12.11	31.12.10
Retail market	3.618.166	2.846.936
Corporate (Sole proprietorship)	112.329	116.615
Total	**3.730.495**	**2.963.551**

Geographical exposure of the lending portfolio	31.12.11	%
Helgeland	3.045.014	81,6 %
Areas other than Helgeland	683.063	18,3 %
International 1)	2.418	0,1 %
Total	**3.730.495**	**100,0 %**

1) Customers living abroad, Helgeland Boligkreditt have collateral in the property in Norway.

Geographical exposure of the lending portfolio	31.12.10	%
Helgeland	2.390.505	81 %
Areas other than Helgeland	572.476	19 %
International 1)	570	0 %
Total	**2.963.551**	**100 %**

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.11	31.12.10
Interest income of lending to and claims on credit institutions	4.775	3.273
Interest income of lending to and claims on customers	136.676	86.268
Total interest income	**141.451**	**89.541**

Interest expense on liabilities to credit institutions	23.011	16.938
Interest expense on issued securities	95.090	52.459
Other interest expenses	1	35
Total interest expenses	**118.102**	**69.432**
Net interest income	**23.350**	**20.109**

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

Specification of costs:	**31.12.11**	**31.12.10**
Unrealized change in value of funding	0	0
Total value financial instruments	**0**	**0**

NOTE 6. OPERATING COSTS

Specification of costs:	**31.12.11**	**31.12.10**
Management fee and wage general manager	9.374	6.373
Other administration costs	0	6
Total wages and administration costs	**9.374**	**6.379**
Other operating costs	764	973
Total operating costs	**10.138**	**7.352**
Number of man-years	**0,4**	**0,3**

PricewaterhouseCoopers AS is the company's chosen external auditor and investigating authority. Fees for audit, investigation and assistance is expensed NOK 281.000

NOTE 7. TAX

	2011	**2010**
Tax for the year:		
Tax payable	3.833	3.615
Change in deferred tax (note 21)	87	28
Tax cost for the year	**3.920**	**3.643**

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

Accounts-related result before tax	13.235	12.775
Permanent differences	0	
Change in temporary differences (note 21)	313	99
Income subject to tax	**13.548**	**12.874**

NOTE 8. DEFERRED TAXES

Temporary differences:	**31.12.11**	**31.12.10**
Positive temporary differences:		
Other temporary differences	0	0
Change in value of covered bonds at amortized cost	412	99
Total positive temporary differences	**412**	**99**
Negative temporary differences:		
Change in value of covered bonds at amortized cost	0	0
Total negative temporary differences	**0**	**0**
Losses carried forward	0	0
Total negative temporary differences	**412**	**99**

Deferred tax asset	0	0
Deferred tax	115	28

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31.12.11

	Claims and lending	Assets at fair value over the result	Available for sale	Derivatives used for hedging purp.	Total
Lending to and claims on credit institutions	181.908	0	0	0	181.908
Lending to and claims on customers	3.730.495	0	0		3.730.495
Total assets	**3.912.403**	**0**	**0**	**0**	**3.912.403**

31.12.11	Other financial liabilities	Liabilities to fair value over The result	Derivatives used for hedging purp.	Total
Liabilities to credit inst. with agreed maturity *)	420.056	0	0	420.056
Liabilities from issuance of securities	3.284.370	0	0	3.284.370
Total liabilities	**3.704.426**	**0**	**0**	**3.704.426**

*) The company has a long-term (5 year) credit in the parent bank of NOK 1 bn. Unutilized drawing rights per 31.12.11 was NOK 580 mill. (NOK 455 mill.)

31.12.10

	Claims and lending	Assets at fair value over the result	Available for sale	Derivatives used for hedging purp.	Total
Lending to and claims on credit institutions	151.271	0	0	0	151.271
Lending to and claims on customers	2.963.551	0	0	0	2.963.551
Total assets	**3.114.822**	**0**	**0**	**0**	**3.114.822**

31.12.10	Other financial liabilities	Liabilities to Fair value over The result	Derivatives used for hedging purp.	Total
Liabilities to credit inst. with agreed maturity	545.263	0	0	545.263
Liabilities from issuance of securities	2.402.862	0	0	2.402.862
Total liabilities	**2.948.125**	**0**	**0**	**2.948.125**

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTIZED COST

	Book value 31.12.11	Fair value 31.12.11
Lending to and claims on credit institutions	181.908	181.908
Lending to customers	3.730.495	3.730.495
Total financial assets	**3.912.403**	**3.912.403**
Liabilities securities		
Liabilities to credit institutions	420.056	420.056
Liabilities securities	3.284.370	3.274.505
Total financial liabilities	**3.704.426**	**3.694.561**

	Book value 31.12.10	Fair value 31.12.10

Lending to and claims on credit institutions	151.271	151.271
Lending to customers	2.963.551	2.963.551
Total financial assets	**3.114.822**	**3.114.822**
Liabilities securities		
Liabilities to credit institutions	545.263	545.263
Liabilities securities	2.402.862	2.399.000
Total financial liabilities	**2.948.125**	**2.944.263**

NOTE 11. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.11	31.12.10
Liabilities to credit institutions without agreed maturity	181.908	151.271
Total lending to and claims on credit institutions	**181.908**	**151.271**

Geographic areas	31.12.11	%
Total Helgeland	**181.908**	**100 %**

NOTE 12. LOANS AND AMORTIZATION

Lending	31.12.11	31.12.10
Gross lending to customers	**3.730.495**	**2.963.551**
Individual write-downs on lending	0	0
Lending to customers after individual write-downs to amortized cost	**3.730.495**	**2.963.551**
Lending to and receivables on customers, to amortized cost	**3.730.495**	**2.963.551**

NOTE 13. DISTRIBUTION LOANS

	31.12.11	31.12.10
Loans secured by property	3.723.962	2.958.944
Accrued interest	6.533	4.607
Total lending to and claims on credit institutions	**3.730.495**	**2.963.551**

NOTE 14. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 15. LIABILITIES

	31.12.11	31.12.10
Loans and deposits at credit institutions with agreed maturity *)	420.056	545.263
Liabilities to credit institutions	**420.056**	**545.263**
Bond debt	3.284.370	2.402.862
Liabilities securities	**3.284.370**	**2.402.862**
Tax liabilities	3.908	3.615
Other liabilities	921	0
Total other liabilities	**4.829**	**3.615**
Total liabilities	**3.709.255**	**2.951.740**

*) The debt is entirely related to the parent bank Helgeland Sparebank. The company has a long-term (5 years) credit facility of NOK 1 billion. Unutilized frame per 31.12.11 was NOK 580 million (455 million)

NOTE 16. FINANCIAL LIABILITIES INCURRED THROUGH ISSUANCE OF SECURITIES

Financial liabilities incurred through issuance of securities are valued to amortized cost.
Covered bonds:

ISIN Code	Currency	Par value	Own hold.		Interest	Admission	Matur.	Soft Call	31.12.11
No0010561798	NOK	500.000	0	Floating	3mth. Nibor+0,40	2009	2014	2013	500.044
No0010515489	NOK	450.000	0	Floating	3mth. Nibor+0,49	2009	2015	2014	450.000
No0010566839	NOK	500.000	0	Floating	3mth. Nibor+0,65	2009	2015	2014	500.091
No0010515497	NOK	450.000	0	Floating	3mth. Nibor+0,59	2009	2016	2015	449.982
No0010571573	NOK	500.000	0	Floating	3mth. Nibor+0,65	2010	2016	2015	499.697
No0010592553	NOK	500.000	0	Floating	3mth. Nibor+0,58	2010	2017	2016	499.097
No0010623978	NOK	300.000	170.000	Floating	3mth. Nibor+0,67	2011	2018	2017	129.759
No0010628431	NOK	300.000	50.000	Floating	3mth. Nibor+0,68	2011	2016	2015	249.754
Interests									5.946
Total listed covered bonds									**3.284.370**

Emition NO0010515489 and NO0010515497 – a total of NOK 900 mill. per 31.12.11 – is wholly acquired by Helgeland Soarebank and is used by the parent bank as security for participation in the states swap scheme. All loans have soft call one year before decay.

Covered bonds:

ISIN Code	Currency	Par value	Own hold..		Interest	Admission	Matur	Soft Call	31.12.10
No0010561798	NOK	300.000		Floating	3mth. nibor+0,40	2009	2014	2013	299.618
No0010566839	NOK	500000		Floating	3mth. nibor+0,65	2010	2015	2014	501.424
No0010515489	NOK	450.000		Floating	3mth. Nibor+0,49	2009	2015	2014	450.510
No0010515497	NOK	450.000		Floating	3mth. Nibor+0,59	2009	2016	2015	450.530

No0010571573	NOK	500.000		Floating	3mth. Nibor+0,65	2010	2016	2015	501.380
No0010592553	NOK	300.000	99.700	Floating	3mth. Nibor+0,58	2010	2017	2016	199.400
Total listed covered bonds									**2.402.862**

NOTE 17. COVER POOL CAPACITY UTILIZATION

	31.12.11	31.12.10
Loans secured by property	3.704.578	2.963.551
Claims that constitutes cover pool	181.908	151.271
Total cover pool	**3.886.486**	**3.114.822**
Securities liabilities	**3.284.370**	**2.402.862**
Cover pool capacity utilization	**118 %**	**130 %**

* Lending is capped with loan defaults and loans which during the period have been given a loan to value ratio in excess of 75 % (these loans are reversed after the end of the period). The cover pool's compilation is defined by the Financial Institutions Act, §2.28. LTV (loan to value) per 31.12.11 is 43 %

NOTE 18. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.11	31.12.10
ASSETS		
Loans to and claims on credit institutions	181.908	151.271
Loans to and claims on customers		153.350
Total short term assets	**181.908**	**304.621**
Loans to and claims on customers	3.730.495	2.810.201
Deferred tax benefit		0
Total long term assets	**3.730.495**	**2.810.201**
Grand total assets	**3.912.403**	**3.114.822**
LIABILITIES AND EQUITY CAPITAL		
Liabilities to credit institutions	420.056	545.263
Other short term liabilities	4.829	3.731
Total short term liabilities	**424.885**	**548.994**
Liabilities to credit institutions		
Borrowings through the issuance of securities	3.284.370	2.402.862
Other liabilities		
Total long term liabilities	**3.284.370**	**2.402.862**
Grand total liabilities	**3.709.255**	**2.951.856**
Paid-in equity capital	190.010	150.010
Accrued equity capital/retained earnings	13.138	12.956
Total equity capital	**203.148**	**162.966**
Total liabilities and equity capital	**3.912.403**	**3.114.822**

NOTE 19. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.11 or 31.12.10

NOTE 20. CAPITAL ADEQUACY

	31.12.11	31.12.10
Total paid-in capital	**190.010**	**150.010**
Total accrued equity capital/retained earnings	**13.138**	**12.955**
Additional	0	0
Deduction	9.315	9.132

Total core capital	193.833	153.833
Total net supplementary capital	**0**	**0**
Total net equity and related capital	**193.833**	**153.833**
Weighted asset calculation basis	1.510.085	1.272.012
Capital adequacy ratio	12.84 %	12.09 %
Of which core capital accounted for	12.84 %	12.09 %

Share capital extended with NOK 40 mill. in 2011. Helgeland Sparebank is still the sole shareholder in the company.

NOTE 21. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.11	**31.12.10**
States and central banks	0	0
Local and regional authorities (including municipalities)	0	0
Publicly owned enterprises	0	0
International organisations	0	0
Institutions	2.912	2.420
Enterprises	91	720
Mass market loans	0	0
Loans secured by real property	109.642	85.528
Loans overdue	0	0
High risk commitments	0	0
Covered bonds	0	0
Units in securities funds	0	0
Other loans and commitments	6.058	10.985
Capital requirement credit risk	**118.703**	**99.653**
Capital requirement operational risk 1)	2.104	2.108
Deduction from capital requirement	0	0
Total capital requirement	**120.807**	**101.761**

The capital requirements are calculated using the standard method for calculating credit risk and basic method for calculating operational risk.

NOTE 22. SHARE CAPITAL

The company has a share capital of NOK 190.000.000, with shares par value NOK 1.000,- and Helgeland Sparebank owns all the shares.

NOTE 23. REMUNERATION AND LOANS FOR THE GENERAL MANAGER AND BOARD

2011 (amounts in NOK 1.000)	Remuneration	Loans
General Manager, Brit Søfting (accession from 01.11.11), 35 % position	32	413
Ranvieg Kråkstad (to 31.10.11), 30 % position	199	0
Total Senior Management	**231**	**413**
Chairman of the Board, Jan Erik Furunes (from 01.04.11)	0	0
Chairman of the Board, Arnt Krane (to 30.04.11)	0	1.670
Deputy Chairman, Lisbeth Flågeng	0	1.101
Helge Stanghelle 1)	20	0
Inger Lise strøm	0	3.268
Total Board of Directors	**20**	**6.039**
Chairman, Thore Michalsen 1)	7	0
Deputy Chairman, Geir Sætran	0	2.301
Dag Hugo Heimstad	0	1.666
Ann Karin Krogli	0	2.367
Halvor Braaten (from 01.05.11)	0	1.702
Total Representatives	**7**	**8.348**
Manager of the Control committee, Asle Bardal (to 15.11.11) 1)	5	400
Other members of the Control Committees 1)	10	1.815
Total Control Committees	**15**	**2.215**
Total remuneration and loans	**273**	**17.015**

1) Fees are paid from Mai – Mai. The listed fees are for the period 01.05.2010-30.04.2011. They are charged to the accounts for 2011

It is not established any pension scheme within the company, and there are no bonus deals.

2010 (amounts in NOK 1.000)	Remuneration	Loans
General Manager, Ranveig Kråkstad, 30 % stilling	248	0
Total Senior Management	**248**	**0**
Chairman of the Board, Arnt Krane	0	1.389
Deputy Chairman of the Board, Lisbeth Flågeng	0	1.115
Helge Stanghelle	20	29
Inger Lise strøm	0	2.365
Total Board of Directors	**20**	**4.898**
Chairman, Thore Michalsen	10	0
Deputy Chairman, Geir Sætran	0	1.389
Dag Hugo Heimstad	0	1.544
Ann Karin Krogli	0	1.807
Ingvar Møllersen	0	319
Brit Søfting	0	426
Total Representatives	**10**	**5.485**
Chairman of the Control Committee, Asle Bardal	5	0
Other members of the Control Committee	10	0
Total Control Committee	**15**	**0**
Total remuneration and loans	**293**	**10.383**

NOTE 24. TRANSACTIONS WITH RELATED PARTIES

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

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

The transfer agreement governs the transfer of the loan portfolio that qualifies as collateral for the issuance of covered bonds. Per 2011 has a total portfolio of NOK 3.7 billion been transferred from the bank to Helgeland Boligkreditt AS. The transfer is based upon market conditions.
The Basic Agreement means that Helgeland Boligkreditt AS purchase services from the bank including: administration, banking, distribution, customer relations, IT operations, finance- and liquidity management. As payment for the services, Helgeland Boligkredtitt AS pays an annual management fee based upon managed loan volume in addition to hired man-years. Helgeland Sparebank has at the end of 2011 invested NOK 900 million in covered bonds issued by Helgeland Boligkreditt AS.

Group contribution
It has been paid group contribution in 2011 of NOK 9.1 million to Helgeland Sparebank. In allocations per 31.12.11 is NOK 9.3 million set aside to group contribution to the parent bank.

Stimulus packages
Emition of covered bonds of NOK 900 million is wholly acquired by Helgeland Sparebank, and is used by the parent bank as collateral for participation in the government's exchange scheme.

Intragroup transactions	**31.12.11**	**31.12.10**
Profit and loss account		
Interest incom and similar income	4.775	1.405
Interest expense and similar expense	53.454	12.040
Management fee	9.337	2.350
Balance sheet		
Lending and claims on credit institutions	181.908	50.645
Liabilities to credit institutions	420.056	281.984
Liabilities from issuance of securities	900.000	901.040

NOTE 25. RESULT PER SHARE

	31.12.11	**31.12.10**
Result for the year	9.314	9.132
Number of shares	190.000	150.000
Average number of shares through the year	155.044	100.000
Result per share in NOK	60	91
Diluted result per share in NOK	60	91

NOTE 26. 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 arbitrament the last 12 months, the company is not aware of any pending or threats which include such matters that may have or recently have had a significant impact on the company's financial position or profitability.

NOTE 27. RESULT IN PERCENT OF AVERAGE TOTAL ASSETS

	31.12.11	31.12.10
Interest receivable and similar income	3.95 %	3.84 %
Interest payable and similar costs	3.30 %	2.97 %
Net interest- and credit commission income	**0.65 %**	**0.86 %**
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 %**
Operating costs	0.28 %	0.31 %
Result from ordinary operations	**0.37 %**	**0.55 %**
Result from ordinary operations before tax	**0.37 %**	**0.55 %**
Tax payable on ordinary result	0.11 %	0.16 %
Result from ordinary operations after tax	**0.26 %**	**0.39 %**

NOTE 28. OTHER KEY FIGURES

	31.12.11	31.12.10
Balance sheet		
Total assets	3.912.403	3.114.832
Average total assets	3.577.893	2.334.691
Gross lending	3.730.495	2.963.551
LTV (loan to value)	43 %	41 %
Cover pool capacity utilization	118 %	130 %
Solidity		
Primary Capital	193.834	153.833
Weighted asset calculation basis	1.510.085	1.272.012
Capital adequacy ratio	12.8 %	12.09 %
Return on equity	6.5 %	7.7 %
Equity ratio	5.2 %	5.2 %

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 31 December 2011 is prepared in accordance with the current 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 report includes a fair review of the development, performance and position of the company, along with a description of the principal risks and uncertainties facing the company.

Mo i Rana, 31 December 2011
Mo i Rana, 1 March 2012

Jan Erik Furunes
Chairman of the Board

Lisbeth Flågeng
Deputy Chairman of the Board

Helge Stanghelle

Inger Lise Strøm

Brit Søfting
General Manager

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
Brit Søfting, Mosjøen (to 01.11.11)

Members of the Board of Directors:
Jan Erik Furunes, CEO Helgeland Sparebank, Chairman
Lisbeth Flågeng, DCEO Helgeland Sparebank
Inger Lise Strøm, General Manager Corporate Staff Helgeland Sparebank
Helge Stanghelle, Director of Rana Utviklingsselskap

Members of the Control Comittee:
Asle Bardal, Helgelandskraft AS, Chairman (to 15.11.11)
Kåre J. Åsli, self-employed
Heidi Dahl, Jurist Statens Innkrevningssentral

Contact information

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Organization number: 937 904 029
www.hsb.no

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

Investor Relations
Inger Lise Strøm, General Manager Corporate Staff tlf 75 11 91 11
Tore Stamnes, General Manager Finance tlf 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

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