annual report

2012

helgeland boligkreditt

Helgeland Boligkreditt AS,
accounts as at 31.12.2012

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 31.12.12
(comparison as at 31.12.11)

The company can show a good income. Gross income was NOK 41.4 million, which is an improvement of 28.1 million compared with the same time in 2011.
The improvement in income is mainly due to increased volume on lending and reduced borrowing costs. This is as a result of a fall in the nibor interest and credit spread entry. Net interest- and commission earnings have therefore increased significantly and were NOK 54.4 million as per 31.12.12 against 23.4 million as per 31.12.11.

Higher lending volume also results in increased costs for lending management. Operations costs were NOK 13 million, which is an increase of NOK 2.9 million compared with the same time last year. Helgeland Boligkredit AS has no established losses and has conducted no individual write-downs on lending. Neither are there conducted write-downs on lending groups. The lending portfolio is considered good.

Profit after tax as at 31.12.12 was NOK 29.8 million (NOK 9.3 million). On an annual basis, this gives a return on equity of 12.8%.

Dividend and disposals

The profit after tax for 2012 of NOK 29.8 million is allocated as group contribution to the parent bank.

Balance trends

Total assets amounted to NOK 5 354.4 million against NOK 3 912 in 2011.

Lending

As at 31.12.12, lending amounting to NOK 5,079.6 million has been transferred to the company from Helgeland Sparebank. This is an increase of NOK 1.349.1 million compared with 31.12.11 which gives an annual growth on 25.6 % The company has transferred a larger share of loans than the lending growth in the HSB group.
81.6% of the lending is to customers in Helgeland.
The value of the cover pool is well above the borrowing volume and there is good confidence in the portfolio. The cover pool constitutes NOK 5.110,4 million, whereby qualified mortgages constitutes NOK 4,836 million, and bank deposits NOK 274 million.
The cover pool assembly was 119% (118 %).

Financing

The lending portfolio is financed by the issue of bonds with preferential rights amounting to a face value totalling NOK 4,310.9 million (NOK 3,284,4 million), as well as long-term credit from Helgeland Sparebank
Bonds with preferential rights amounting to a face value of NOK 900 million are owned by the parent company. Helgeland Boligkredit AS has no official ratings from international rating agencies, but shadow ratings by Norwegian broker houses. The most recent shadow rating was AAA from DNB and Nordea.

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 2012 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 31.12.12 was 16.27% (12.79%) and consists exclusively of tier capital. The company's net subordinated capital at year end was NOK 236.6 million (NOK 193.8 million). In order to strengthen the company's capital adequacy, share capital was extended by NOK 100 million during 2012. 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.
Laws and regulations for enterprises with licenses to issue covered bond interests call for a low risk level. The HSB group has established guidelines and frames for management and control of different risk types. Helgeland Boligkreditt AS, as part of the HSB group, follows these frames and guidelines. An issuers agreement between Helgeland Boligkredit and Helgeland Sparebank has been settled, which ensures frames, proxies, capital management and risk conditions. The board of directors considers the company's risk as 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 31.12.12 was 53,5 % (54,7 %).

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 31.12.12, the percentage of long-term (more than one year) financing was 90%. The company has a long-term drawing facility with Helgeland Sparebank of NOK 2,4 billion,

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

The housing prices in the Helgeland region are at a stable level and there is a considerable turnover of houses, as well as good activity in building new ones. The company is planning to take over additional loans from Helgeland Sparebank.

Helgeland Boligkreditt AS can show to a stable income and the risk in the company is low. We expect that this will also be the situation ahead.

R E P O R T O F T H E B O A R D O F D I R E C T O R S

Mo i Rana, 25 February 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	31.12.12	31.12.11
Interest receivable and similar income	4,24	187 105	141 451
Interest payable and similar costs	4,24	132 673	118 102
Net interest- and credit commission income		**54 432**	**23 350**
Commissions receivable and income from banking services		20	23
Commissions payable and costs relating to banking services		0	0
Net commission income		**20**	**23**
Gains/losses on financial instruments available for sale	5	0	0
Operating costs	6,23,24	13 047	10 138
Losses on loans guarantees etc	2	0	0
Result from ordinary operations		**41 405**	**13 235**
Result before tax		**41 405**	**13 235**
Tax payable on ordinary result	7	11 632	3 920
Result after tax		**29 773**	**9 315**
Result per share in NOK	25	103	62
Diluted result per share in NOK	25	103	62
Extended income			
Result after tax		**29 773**	**9 315**
Net extended profit and loss items		0	0
Total result for the period	6	**29 773**	**9 315**

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.12	31.12.11
ASSETS			
Loans to and claims on credit institutions	2,3,9,10,11,18,24	274 427	181 908
Loans to and claims on customers	2,9,10,11,12,13,18	5 079 691	3 730 495
Deferred tax assets		287	0
Total assets		**5 354 406**	**3 912 403**
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,10,18,24	707 504	420 056
Borrowings through the issuance of securities	2,9,10,15,16,18,24	4 310 956	3 284 370
Other liabilities	8,15	12 339	4 829
Total liabilities		**5 030 799**	**3 709 255**
Paid-in equity capital	20,21,22,25	290 010	190 010
Accrued equity capital/retained earnings	20,21	33 596	13 138
Total equity capital		**323 6066**	**203 148**
Total liabilities and equity capital		**5 354 406**	**3 912 403**

Mo i Rana, 25 february 2012

Jan Erik Furunes
Chairman of the Board

Lisbeth Flågeng
Deputy Chairman of the Board

Helge Stanghelle

Inger Lise Strøm

Brit Søfting
General Manager

CHANGE IN EQUITY CAPITAL DURING THE YEAR

	Share capital	Premium fund	Other EC	Dividend	Total
Equity capital 01.01.12	190 000	10	3 824	9 314	203 148
Issued new share capital	100 000				100 000
Disbursed group contribution				-9 314	-9 314
Result			29 772		29 772
Equity capital as at 31.12.12	**290 000**	**10**	**33 596**	**0**	**323 606**

	Share capital	Premium fund	Other EC	Dividend	Total
Equity capital 01.01.11	150 000	10	3 823	9 133	162 966
Issued new share capital	40 000				40 000
Disbursed in the year					0
Result				-9 133	-9 133
Disbursed group contribution			9 315		9 315
Equity capital as at 31.12.11	**190 000**	**10**	**13 138**	**0**	**203 148**

CASH FLOW STATEMENT	31.12.12	31.12.11
Result of ordinary operations	41 404	13 235
+ Depreciation/amortisation	0	0
+ Writedowns and gain/loss on fixed assets	0	0
+ Losses on loans, guarantees, etc	0	0
- Tax expense	11 632	3 920
- Dividend paid	0	0
= Provided from the year's operations	**29 772**	**9 315**
Change miscellaneous debt: + increase/-decrease	7 510	0
Change miscellaneous claims: - increase/+ decrease	14	0
Endring diverse fordringer: - økning/+ nedgang New liabilities	-3 302 728	-2 016 944
Endring utlån til og fordringer på kunder :- økning/+ nedgang Instalment liabilities	1 953 532	1 250 000
Endring innskudd fra og gjeld til kunder: + økning/-nedgang Change in deposits and liabilities: + increase/-decrease	-777	796
Endring gjeld til kredittinstitusjoner: + økning/-nedgang Change in liabilities to credit institutions: + increase/-decrease	287 449	-125 207
A Net liquidity change from operating activities	**-1 025 228**	**-882 040**
- 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	-9 314	-9 132
Liabilities securities in issue increase: +increase/- decrease	1 027 363	881 508
New share capital: +increase/-decrease	100 000	40 000
C Liquidity change from financing activities	**1 118 049**	**912 376**
A+B+C Total change liquid assets	92 821	30 336
+ Liquid assets at the start of the period	181 607	151 271
= Liquid assets at the close of the period	274 427	181 607

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 are initially measured at fair value plus direct transaction costs. In periods after the first assessment loans at amortized cost (IAS 39) using the effective interest method, as an expression of the fair value of the loan. If there is objective evidence of impairment exists for individual loans or groups of loans are impaired loans. Impairment Amount calculated as the difference between the carrying amount and the present value of future cash flows, based on the expected life of the loan. Impairments are classified as losses. Interest income is recognized using the effective interest method. On engagement with individual impairment, the effective interest rate is locked in cases where a) the loan is not in default or b) change in interest rates is independent of the loan is in default and interest rate changes affect the expected cash flow.

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. Fees related to interest bearing instruments are not recorded as commissions, but are included in the calculation of the effective interest rate and recognized equivalent.

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	31.12.12	31.12.11
Loans to and receivables on credit institutions	274 427	181 908
Loans to customers	5 079 691	3 730 495
Total lending and claims valued at amortized cost	**5 354 118**	**3 912 403**
Potential exposure to credit lines	317 987	222 089
Total credit exposure, balance sheet	**317 987**	**222 089**
Unutilized lines of credit	2 292 496	579 944
Total credit exposure, off-balance sheet	**2 610 483**	**802 033**
Total credit exposure1)	**7 964 601**	**4 714 436**

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.

31.12.12	Gross lending	Guarantees	Potential exposure	Total exposure	Share
	Behavior score				
Low risk	4 379 614	0	312 242	4 691 856	87 %
Medium risk	596 200	0	4 023	600 223	11 %
High risk	97 621	0	1 415	99 036	2 %
Commitments over 90 days	0	0	0	0	0 %
Non classifyed	6 255	0	307	6 562	0 %
Total	**5 079 691**	**0**	**317 987**	**5 397 678**	**100,0 %**

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

31.12.11	Gross lending	Guarantees	Potential exposure	Total exposure	Share
	Behavior score				
Low risk	3 306 476	0	213 651	3 520 127	89 %
Medium risk	333 670	0	6 492	340 162	9 %
High risk	82 527	0	1 946	84 473	2 %
Commitments over 90 days	0	0	0	0	0 %
Non classifyed	7 822	0	0	7 822	0 %
Total	**3 730 495**	**0**	**222 089**	**3 952 584**	**100 %**

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	31.12.12	31.12.11
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	31.12.12	31.12.11
1-29 days	0	0
30-59 days	0	0
60-89 days	0	0
➢ 90 days	0	0
Total disordered loans exclusive write-downs	**0**	**0**

Actual losses in 2012 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 31.12.12, 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 31.12.12 is NOK 0.6 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 **31.12.12**

	Up to 1 months	From 1-3 months	From 3 months	From 1-5 years	Over 5	No int. rate chg.	Total
ASSETS							
Loans and rec. to cr. inst. without fixed term		274 427					274 427
Net lending to and claims on customers		5 079 691					5 079 691
Other assets, non-interest bearing						288	288
Total assets	**0**	**5 354 118**	**0**	**0**	**0**	**288**	**5 354 406**
LIABILITIES AND EQUITY CAPITAL							
Liabilities to cr. inst. without agreed maturity				707 504			707 504
Loans committed by issuance of securities		4 310 965					4 310 965
Other liabilities, non-interest bearing (incl.swap)						12 339	12 339
Total liabilities	**0**	**4 310 965**	**0**	**707 504**	**0**	**12 339**	**5 030 808**
Net interest sensitivity gap	**0**	**1 043 153**	**0**	**-707 504**	**0**	**-12 051**	**323 598**

Interest rate risk, remaining time to interest rate adj. as of 31.12.11

31.12.11

	Up to 1 months	From 1-3 months	From 3 months	From 1-5 years	Over 5	No int. rate chg.	Total
ASSETS							
Lending 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							
Total assets		**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	**0**	**3 284 370**	**0**	**420 056**	**0**	**4 829**	**3 709 255**
Net interest sensitivity gap	**0**	**628 033**	**0**	**-420 056**	**0**	**-4 829**	**203 148**

NOTE 2.2.2 FINANCIAL DERIVATIVES

As of 31.12.12, 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 company has an undrawn credit facility in the parent bank on 2,4 bill.
Overall, can Helgeland Boligkreditt's liquidity situation per 31.12.12 be termed as good. Share of long-term financing with maturities over one year is 90%.

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Liquidity risk, maturity							31.12.12
	From 0-3 months	From 3 months to 1 year	From 1-3 years	From 3-5 years	Over 5 years	Without maturit y	Total
Lending and claims on credit inst.			281 191				281 191
Lending to and claims on customers	1 081 300	135 249	319 181	1 252 181	2 995 053		5 782 964
Total payments	**1 081 300**	**135 249**	**600 372**	**1 252 181**	**2 995 053**		**6 064 155**
Liabilities to credit institutions				732 504			732 504
Loans committed by issuance of securities	28 995	585 655	2 893 572	1 299 489			4 807 711
Liabilities without maturity						12 339	12 339
Total disbursement	**28 995**	**585 655**	**2 893 572**	**2 031 993**	**0**	**12 339**	**5 552 554**

Liquidity risk, maturity							31.12.12
	From 0-3 months	From 3 months to 1 year	From 1-3 years	From 3-5 years	Over 5 years	Without maturity	Total
Lending and claims on credit inst.			185 546				185 546
Lending to and claims on customers	87 386	80 454	355 603	1 507 296	2 419 598		4 450 337
Total payments	**87 386**	**80 454**	**541 149**	**1 507 296**	**2 419 598**		**4 635 883**
Liabilities to credit institutions				440 557			440 557
Loans comm.. by issuance of secur.	15 575	70 676	2 649 568	829 732	129 756		3 695 310
Liabilities without maturity						4 829	4 829
Total disbursement	**15 575**	**70 676**	**2 649 568**	**1 270 289**	**129 759**	**4 829**	**4 140 696**

The company have 2.4 bill NOK in unutilized drawing in the parentbank.

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.

	31.12.12	31.12.11
Retail market	4 936 267	3 618 166
Corporate (Sole proprietorship)	143 424	112 329
Total	**5 079 691**	**3 730 495**

Geographical exposure of the lending portfolio	31.12.12	%
Helgeland	4 137 407	81,4 %
Areas other than Helgeland	939 003	18,5 %
International 1)	3 281	0,1 %
Total	**5 079 691**	**100,0 %**

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

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 %**

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.12	31.12.11
Interest income of lending to and claims on credit institutions	6 764	4 775
Interest income of lending to and claims on customers	180 341	136 676
Total interest income	**187 105**	**141 451**
Interest expense on liabilities to credit institutions	16 561	23 011
Interest expense on issued securities	116 097	95 090
Other interest expenses	15	1
Total interest expenses	**132 673**	**118 102**
Net interest income	**54 432**	**23 350**

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

There are no effect of financial instruments in 2012 or 2011.

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.12	31.12.11
Management fee and wage general manager	11 781	9 374
Other administration costs	0	0
Total wages and administration costs	**11 781**	**9 374**
Other operating costs	1 266	764
Total operating costs	**13 047**	**10 138**
Number of man-years	**0,4**	**0,4**

Auditor's fees:	31.12.12	31.12.11
Statutory audit	272	95
Other services, attestation and assistance totaled	49	6
Total Accountant cost	**321**	**101**
Investigation fee	160	180

In 2011 there were allocated a too small audit fee, in the cost for 2012 there are expences that belongs to 2011.

NOTE 7. TAX

	2012	2011
Tax for the year:		
Tax payable	11 753	3 833
Change in deferred tax (note 8)	159	87
Tax cost for the year	**11 912**	**3 920**

Breakdown between accounts-related result before tax and the year's income liable to tax:		
Accounts-related result before tax	41 405	13 235
Permanent differences	0	0
Change in temporary differences (note 8)	570	313
Income subject to tax	**41 975**	**13 548**

NOTE 8. DEFERRED TAXES

Temporary differences:	31.12.12	31.12.11
Positive temporary differences:		
Other temporary differences	0	0
Change in value of covered bonds at amortized cost	981	412
Total positive temporary differences	**981**	**412**
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	**981**	**412**
Deferred tax asset	0	0
Deferred tax	275	115

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31.12.12	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	274 427	0	0	0	274 427
Lending to and claims on customers	5 079 691	0	0		5 079 691
Total assets	**5 354 118**	**0**	**0**	**0**	**5 354 118**

31.12.12	Other financial liabilities	Liabilities to fair value over The result	Derivatives used for hedging purp.	Total
Liabilities to credit inst. with agreed maturity *)	707 504	0	0	707 504
Liabilities from issuance of securities	4 310 956	0	0	4 310 956
Total liabilities	**5 018 460**	**0**	**0**	**5 018 460**

*) The company has a long-term (5 year) credit in the parent bank of NOK 1 bn. Unutilized drawing rights per 31.12.12 was NOK 0.3 billion. In addition, it signed an agreement with the parent bank credit facilities totaling 2.1 billion. These will mainly be used for settlement of purchased loan and repayment of bonds. The agreement was entered into after arm's length of principle.

	Claims and lending	Assets at fair value over the result	Available for sale	Derivatives used for hedging purp.	31.12.11 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 0.6 billion.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTIZED COST

	Book value 31.12.12	Fair value 31.12.12
Lending to and claims on credit institutions	274 427	274 427
Lending to customers	5 079 691	5 079 691
Total financial assets	**5 354 118**	**5 354 118**
Liabilities securities		
Liabilities to credit institutions	707 504	707 504
Liabilities securities	4 310 956	4 497 254
Total financial liabilities	**5 018 460**	**5 204 758**

	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**

NOTE 11. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.12	31.12.11
Liabilities to credit institutions without agreed maturity	274 427	181 908
Total lending to and claims on credit institutions	**274 427**	**181 908**

Geographic areas	31.12.12	%
Total Helgeland	**274 427**	**100 %**

Entirely deposits in Helgeland Sparebank.

NOTE 12. LOANS AND AMORTIZATION

Lending	31.12.12	31.12.11
Gross lending to customers	**5 079 691**	**3 730 495**
Individual write-downs on lending	0	0
Lending to customers after individual write-downs to amortized cost	**5 079 691**	**3 730 495**
Lending to and receivables on customers, to amortized cost	**5 079 691**	**3 730 495**

NOTE 13. DISTRIBUTION LOANS

	31.12.12	31.12.11
Loans secured by property	5 071 597	3 723 962
Accrued interest	8 094	6 533
Total lending to and claims on credit institutions	**5 079 691**	**3 730 495**

NOTE 14. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 15. LIABILITIES

	31.12.12	31.12.11
Loans and deposits at credit institutions with agreed maturity *)	707 504	420 056
Liabilities to credit institutions	**707 504**	**420 056**
Bond debt	4 310 956	3 284 370
Liabilities securities	**4 310 956**	**3 284 370**
Tax liabilities	11 746	3 908
Other liabilities	593	921
Total other liabilities	**12 339**	**4 829**
Total liabilities	**5 030 799**	**3 709 255**

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

NOTE 16. FINANCIAL LIABILITIES INCURRED THROUGH ISSUANCE OF SECURITIES (COVER BONDS)

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

ISIN Code	Currency	Par value	Own hold.		Interest	Admission	Matur.	Soft Call	31.12.12
NO0010515489	NOK	450 000	0	Floating	3mth. Nibor+0,50	2009	2015	2014	450 411
NO0010515497	NOK	450 000	0	Floating	3mth. Nibor+0,60	2009	2016	2015	450 429
NO0010561798	NOK	500 000	0	Floating	3mth. Nibor+0,40	2009	2014	2013	500 494
NO0010566839	NOK	500 000	0	Floating	3mth. Nibor+0,65	2010	2015	2014	500 499
NO0010571573	NOK	500 000	0	Floating	3mth. Nibor+0,65	2010	2016	2015	500 271
NO0010592553	NOK	500 000	0	Floating	3mth. Nibor+0,58	2010	2017	2016	500 099
NO0010623978	NOK	300 000	170 000	Floating	3mth. Nibor+0,67	2011	2018	2017	130 078
NO0010628431	NOK	300 000	0	Floating	3mth. Nibor+0,80	2011	2016	2015	300 982
NO0010635253	NOK	200 000	10 000	Floating	3mth. Nibor+0,75	2012	2016	2015	190 881
NO0010645963	NOK	500 000		Floating	3mth. Nibor+1,00	2012	2018	2017	502 244
NO0010660640	NOK	300 000	15 000	Floating	3mth. Nibor+0,85	2012	2019	2018	284 568
Total listed covered bonds									**4.310.956**

Emition NO0010515489 and NO0010515497 – a total of NOK 900 mill. per 31.12.12 – is wholly acquired by Helgeland Sparebank and is used by the parent bank as security for participation in the states swap scheme. All loans have soft call (at pari value) one year before decay.

ISIN Code	Currency	Par value	Own hold..		Interest	Admission	Matur	Soft Call	31.12.11
NO0010515489	NOK	450.000	0	Floating	3mth. Nibor+0,50	2009	2015	2014	450.407
NO0010515497	NOK	450.000	0	Floating	3mth. Nibor+0,60	2009	2016	2015	450.407
NO0010561798	NOK	500.000	0	Floating	3mth. Nibor+0,40	2009	2014	2013	500.637
NO0010566839	NOK	500.000	0	Floating	3mth. Nibor+0,65	2010	2015	2014	500.729
NO0010571573	NOK	500.000	0	Floating	3mth. Nibor+0,65	2010	2016	2015	500.390
NO0010592553	NOK	500.000	0	Floating	3mth. Nibor+0,75	2010	2017	2015	500.487
NO0010623978	NOK	300.000	170.000	Floating	3mth. Nibor+0,67	2011	2018	2017	130.240
NO0010628431	NOK	300.000	50.000	Floating	3mth. Nibor+0,80	2011	2016	2015	251.073
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 Sparebank and is used by the parent bank as security for participation in the states swap scheme. All loans have soft call (at pari vaule) one year before decay.

NOTE 17. COVER POOL CAPACITY UTILIZATION

The cover pool's compilation is defined by the Financial Institutions Act, §2.28. LTV (loan to value) per 31.12.12 is 53,5 % 57.7 % as of 31.12.11. Calculation of LTV was changed in 2012, value for 2011 have been adjusted accordingly and is on par with comparable mortgage companies.

NOTE 18. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.12	31.12.11
ASSETS		
Loans to and claims on credit institutions	274 427	181 908
Loans to and claims on customers	178 549	
Total short term assets	**452 976**	**181 908**
Loans to and claims on customers	4 901 430	3 730 495
Deferred tax benefit		
Total long term assets	**4 901 430**	**3 730 495**
Grand total assets	**5 354 406**	**3 912 403**
LIABILITIES AND EQUITY CAPITAL		
Liabilities to credit institutions	707 504	420 056
Other short term liabilities	12 320	4 829
Total short term liabilities	**719 824**	**424 885**
Liabilities to credit institutions		
Borrowings through the issuance of securities	4 310 975	3 284 370
Other liabilities		
Total long term liabilities	**4 310 975**	**3 284 370**
Grand total liabilities	**5 030 799**	**3 709 255**
Paid-in equity capital	290 010	190 010
Accrued equity capital/retained earnings	33 597	13 138
Total equity capital	**323 607**	**203 148**
Total liabilities and equity capital	**5 354 406**	**3 912 403**

NOTE 19. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.12 or 31.12.11

NOTE 20. CAPITAL ADEQUACY

	31.12.12	31.12.11
Total paid-in capital	**290 010**	**190 010**
Total accrued equity capital/retained earnings	**33 597**	**13 138**
Additional	0	0
Deduction	0	9 315
Total core capital	323 607	193 833
Total net supplementary capital	**0**	**0**
Total net equity and related capital	**323 607**	**193 833**
Weighted asset calculation basis	1 989 200	1 510 085
Capital adequacy ratio	16.27 %	12.84 %
Of which core capital accounted for	16.27 %	12.84 %

Share capital extended with NOK 100 mill. during 2012. Helgeland Sparebank is still the sole shareholder in the company.

NOTE 21. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.12	31.12.11
States and central banks	0	0
Local and regional authorities (including municipalities)	0	0
Publicly owned enterprises	0	0
International organisations	0	0
Institutions	4 391	2 912
Enterprises	20	91
Mass market loans	0	0
Loans secured by real property	149 686	109 642
Loans overdue	0	0
High risk commitments	0	0
Covered bonds	0	0
Units in securities funds	0	0
Other loans and commitments	142	6 058
Capital requirement credit risk	**154 239**	**118 703**
Capital requirement operational risk 1)	4 898	2 570
Deduction from capital requirement	0	0
Total capital requirement	**159 137**	**121 273**

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 290 000 000, 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

		2012
	Remuneration	**Loans**
General Manager, Brit Søfting	179	0
Total Senior Management	**179**	**0**
Chairman of the Board, Jan Erik Furunes	0	0
Deputy Chairman, Lisbeth Flågeng	0	500
Helge Stanghelle 1)	20	0
Inger Lise strøm	0	0
Total Board of Directors	**20**	**500**
Chairman, Thore Michalsen 1)	7	0
Deputy Chairman, Geir Sætran	0	0
Dag Hugo Heimstad	0	0
Ann Karin Krogli	0	0
Halvor Braaten	0	0
Fredrik Hagen	0	567
Total Representatives	**7**	**567**
Manager of the Control committee, Heidi Dahl	5	1 546
Other members of the Control Committees 1)	8	0
Total Control Committees	**12**	**1 546**
Total remuneration and loans	**218**	**2 613**

1) Fees are paid from Mai – Mai. The listed fees are for the period 01.05.2011-30.04.2012. They are charged to the accounts for 2012

	Remuneration	2011 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**
Total Representatives	**7**	**8 348**
Total Control Committees	**15**	**2 215**
Total remuneration and loans	**273**	**17 015**

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

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

All loans that enter the balance of the Helgeland Boligkreditt is transferred from Helgeland Sparebank. The loans are not given directly from Helgeland Boligkreditt. Loans transferred are fully secured loans within the mortgage value of 75%. From the time of transfer is income and repayments of Mortgage Company. In the build-up phase, transfers of loans to the mortgage company have been higher than the bank's growth now happening transfers real ca. once a month. The Bank administers loans and has signed a separate transmission and service agreement between Helgeland Boligkreditt and Helgeland Sparebank.

Transfer Agreement regulates the transfer of loan portfolios that qualify as collateral for the issuance of covered bonds (covered bonds). The Bank has no obligation to return the defaulted loan. Helgeland mortgage pay management fees to the bank.

The transfer agreement governs the transfer of the loan portfolio that qualifies as collateral for the issuance of covered bonds. Per 2012 has a total portfolio of NOK 5.1 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 2012 invested NOK 900 million in covered bonds issued by Helgeland Boligkreditt AS.

Group contribution

It has been paid group contribution in 2012 of NOK 9.3 million to Helgeland Sparebank. In allocations per 31.12.12 is NOK 29.8 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	31.12.12	31.12.11
Profit and loss account		
Interest incom and similar income	6 764	4 775
Interest expense and similar expense	43 031	53 454
Management fee	11 781	9 337
Balance sheet		
Lending and claims on credit institutions	274 427	181 908
Liabilities to credit institutions	707 504	420 056
Liabilities from issuance of securities	900 000	900 000

NOTE 25. RESULT PER SHARE

	31.12.12	31.12.11
Result for the year	29 772	9 314
Number of shares	290 000	190 000
Average number of shares through the year	223 343	155 044
Result per share in NOK	133	60
Diluted result per share in NOK	133	60

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

	31.12.12	31.12.11
Interest receivable and similar income	3.68 %	3.95 %
Interest payable and similar costs	2.61 %	3.30 %
Net interest- and credit commission income	**1.07 %**	**0.65 %**
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	0.26 %	0.28 %
Result from ordinary operations	**0.82 %**	**0.37 %**
Result from ordinary operations before tax	**0..82 %**	**0.37 %**
Tax payable on ordinary result	0.23 %	0.11 %
Result from ordinary operations after tax	**0.59 %**	**0.26 %**

NOTE 28. OTHER KEY FIGURES

	31.12.12	31.12.11
Balance sheet		
Total assets	5 354 406	3 912 403
Average total assets	4 593 787	3 577 893
Gross lending	5 079 691	3 730 495
LTV (loan to value)*	53.5 %	54,7 %
Cover pool capacity utilization	119 %	118 %
Solidity		
Primary Capital	323 607	193 834
Weighted asset calculation basis	1 989 200	1 510 085
Capital adequacy ratio	16.3 %	12.8 %
Return on equity	12.8 %	6.5 %
Equity ratio	6.0 %	5.2 %

* Adjustments to calculation in 2012 have provided an increase in LTV. Numbers as of 31.12.11 are adjusted accordingly and LTV are on the same level as compared mortgage company

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 2012 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, 25 February 2013

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

To the Annual Shareholders' Meeting of Helgeland Boligkreditt AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Helgeland Boligkreditt AS, which comprise the balance sheet as at 31 December 2012, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Helgeland Boligkreditt AS as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Mo i Rana, 25 february 2013
PricewaterhouseCoopers AS

Morten Helseth
State Authorised Public Accountant (Norway)

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

Report from The Control Committee regarding Helgeland Boligkreditt AS 2012.

The Control Committee has during 2012 consisted of the following members:

- Heidi Dahl (director)
- Kåre Johan Åsli
- Frank Høyen

The Control Committee has supervised the operation at Helgeland Boligkreditt AS according to the statute § 9.
The Control Committee has reviewed the Board's records, financial statements for 2012, and the auditor's report without giving rise to the remark.
The Control Committee will recommend that the profit and loss statement and balance sheet are determined as the company's accounts for 2012.

Mo i Rana 4. March 2013

Heidi Dahl Kåre Johan Åsli Frank Høyen

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

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, CEO Fesil Rana Metall

Members of the Control Comittee:
Heidi Dahl, Lawyer Statens Innkrevningssentral - Chairman
Kåre J. Åsli, self-employed
Frank Høyen. General Manager ProLink International

Contact information

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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