

annual report

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REPORT OF THE BOARD OF DIRECTORS

Helgeland Boligkreditt AS, accounts 31.12.2013

General information

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

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

The General Manager is employed with a 35% position.

Helgeland Boligkreditt AS has no official ratings from international rating agencies, but has shadow ratings by Norwegian broker houses. The last shadow ratings were AAA from both DNB and Nordea.

Helgeland Boligkreditt AS is listed as a covered bond issuer on the Oslo Stock Exchange.

Accounting standards

The accounts are conducted in line with international financial reporting standards (IFRS). All numerical quantities are given in thousands if not otherwise stated.

Key figures per 31.12.13 (31.12.12)

- Net profit MNOK 50.1 (29.8)
- Net interest MNOK 86.1 (54.4)
- Operations costs MNOK 14.0 (13.0)
- Group write-downs on lending MNOK 4.1 (0)
- Return on equity 15.4 (12.8) %
- CET1 capital ratio 15.1 (14.8) %
- Cover pool ratio of fullness 123 (118) %
- Indexed LTV 52.1 (53.1) %

Profit this year

Gross profit was MNOK 68.0. This is an increase of MNOK 26.6 compared to the same period last year. Net interest- and commission earnings have increased by MNOK 31.7 and were MNOK 86.1. This was caused by decreasing borrowing costs, and interest changes on the running lending portfolio that were conducted in Q2 2013.

Operations costs were MNOK 14.0; this is an increase of MNOK 1 compared to the same period last year. A somewhat higher average lending volume throughout the year results in increased costs for lending management.

Management of profits

Net profit for 2013 was MNOK 50.1. The board suggests giving this to Helgeland Sparebank as group

contribution. The size of the group contribution is considered responsible as the board takes into account that the parent bank will increase the company's capital if needed.

Balance development

Combined assets constituted MNOK 5,039. Of this, 95% was lending to customers.

Lending to customers and other security

By the end of the year the mortgage company had 6,035 mortgages of MNOK 4,803.9 combined. 81.2% of the mortgages are lent to customers in the Helgeland region. All the mortgages have floating interest rates, and 20.5 (20.4) % of the lending volume are flexi loans. Over the last 12 months, lending to customers has been reduced by MNOK 275.9.

Loans that are qualified in the cover pool constitute MNOK 4,698.0 (4,310.9). The lending portfolio is considered as good. By the calculation of the cover pool ratio of fullness, other collateral of MNOK 238.9 (274.4) also goes in as security. This is in its entirety bank deposits.

Funding

The lending portfolio is funded by issuing MNOK 4,011.4 (4,310.9) of covered bonds, as well as long term credit from Helgeland Sparebank. Covered bonds at the face value of MNOK 700 (900) are in the parent bank's ownership. The value of the cover pool is well above the volume of borrowing and there is good security in the portfolio. The cover pool ratio of fullness per 31.12.13 was 123 %.

Cash-flow

The cash flow statement shows how Helgeland Boligkreditt AS has received liquid funds and how these have been used. It has been prepared in the basis of gross cash flows from operating, investing and financing activities. Lending in 2013 has mainly been financed by issuing bonds and undrawn rights in the parent bank.

Risk conditions and capital ratio

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

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

Credit risk

The company's credit strategy is approved by the Board of Directors and determines frames for steering goals and risk profile. Lending in the cover pool fulfils the

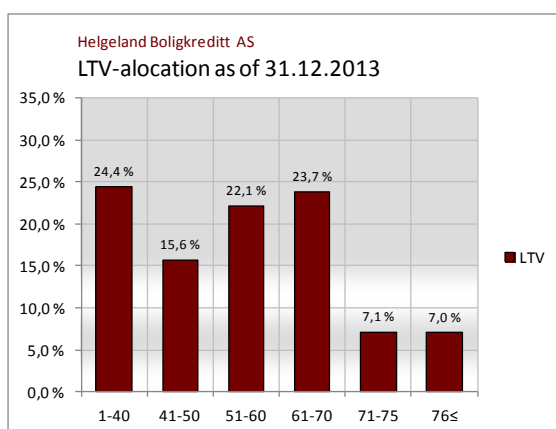
REPORT OF THE BOARD OF DIRECTORS

requirements of the financial services act, and is safeguarded with collateral in real estate within 75% of prudent market value.

The company has had no individual write downs or established losses. Sum group write-downs on lending constitute MNOK 4.1, or 0.09% of gross lending. The Board of Directors considers the quality of the lending portfolio as very good.

A potential fall in housing prices will reduce the net value of the cover pool. Quarterly stress tests are therefore conducted to calculate the effects of a potentially negative development in the housing prices. The Board of Directors considers the results of conducted stress tests as satisfactory. The credit risk in the lending portfolio is considered to be low.

LTV (Loan to value) per 31.12.13 was 52.1 (53.5) %. The diagram below shows the asset ratio for the loans that are in the mortgage company.



Liquidity risk

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

Helgeland Boligkreditt AS has established committed credit lines with the parent bank that guarantees payment of bond obligations over the next 12 months on a continuous basis. The company further seeks to reduce the liquidity risk in relation to larger loan maturities by repurchasing its own bonds. The company's liquidity risk is considered to be low.

Operation risk

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

Capital ratio

The capital ratio per 31.12.13 was 15.11 (14.77) % and consists exclusively of a CET1 capital of MNOK 293.5. The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operational risk.

Corporate responsibility

The company has not implemented its own strategy for CSR. The company does not pollute the natural environment.

The staff

The general manager is employed by the company in a 35 % position. Necessary services are mainly purchased from the parent bank. Helgeland Boligkreditt AS are committed to gender equality, of the Board there are 2 woman and 2 men.

Prospects ahead

The company can show to a good result in 2013, with a stable income and low risk. We expect that this will also be the situation ahead. Low interest rates, low unemployment and stable housing prices in the Helgeland region contributes to keep the activity in the housing market up, something that will likely give a good lending growth in the personal market for Helgeland Sparebank. This will also lay the foundation for further growth in Helgeland Boligkreditt AS in the years to come and the company plans to take over additional mortgages from Helgeland Sparebank.

Mo i Rana, 24. february 2014

Jan Erik Furunes
Chairman

Lisbeth Flågeng
Deputy Chairman

Helge Stanghelle

Inger Lise Strøm

Brit Søvting
General Manager

CORPORATE GOVERNANCE

Corporate Governance

Corporate Governance

The company's policy for corporate governance shall ensure that governance of the company's activities is in line with general and 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 12.5 %. 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 10 %.

Elections

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

CORPORATE GOVERNANCE

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 chairman of the board determines remuneration to the general manager. 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

PROFIT AND LOSS ACCOUNT (amounts in NOK 1.000)

	Note	31.12.13	31.12.12
Interest receivable and similar income	4,24	206 077	187 105
Interest payable and similar costs	4,24	119 932	132 673
Net interest- and credit commission income		86 145	54 432
Commissions receivable and income from banking services		19	20
Commissions payable and costs relating to banking services		0	0
Net commission income		19	20
Gains/losses on financial assets available for sale	5	0	0
Operating costs	6,23,24	14 039	13 047
Losses on loans, guarantees etc.	2	4 100	0
Operating profit		68 025	41 405
Result before tax		68 025	41 405
Tax payable on ordinary result	7	17 930	11 632
Result from ordinary operations after tax		50 094	29 773
Yield per equity capital certificate	25	173	103
Diluted result per ECC in Norwegian currency	25	173	103
Extended Income Statement			
Result from ordinary operations after tax		50 094	29 773
Net extended profit or loss items	6	0	0
Total result for the period		50 094	29 773

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.13	31.12.12
ASSETS			
Loans to and claims on credit institutions	2,3,9,10,11,18,24	238 945	274 427
Loans to and claims on customers	2,9,10,11,12,13,18	4 799 786	5 079 691
Other assets		315	287
Total assets		5 039 046	5 354 406
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,10,18,24	665 443	707 504
Borrowings through the issuance of securities	2,9,10,15,16,18,24	4 011 414	4 310 956
Other liabilities	8,15	18 260	12 339
Total liabilities		4 695 117	5 030 799
Paid-in equity capital	20,21,22,25	290 010	290 010
Accrued equity capital/retained earnings	20,21	53 918	33 596
Total equity capital		343 928	323 606
Total liabilities and equity capital		5 039 046	5 354 406

Mo i Rana, 24 february 2014

Jan Erik Furunes
Chairman of the Board

Lisbeth Flågeng
Deputy Chairman of the Board

Helge Stanghelle

Inger Lise Strøm

Brit Sætting
General Manager

CHANGE IN EQUITY CAPITAL DURING THE YEAR

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.13	290 000	10	33 596	323 606
Issued new share capital				0
Paid out				0
Dividends transferred to debt			-29 772	-29 772
Result			50 094	50 094
Equity capital as at 31.12.13	290 000	10	53 918	343 928

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.12	190 000	10	13 138	203 148
Issued new share capital	100 000			100 000
Paid out				0
Dividends transferred to debt			-9 314	-9 314
Result			29 772	29 772
Equity capital as at 31.12.12	290 000	10	33 596	323 606

CASH FLOW STATEMENT

	31.12.13	31.12.12
Result of ordinary operations	68 024	41 404
Ordinary depreciation	0	0
+ Impairment and gains / losses on assets	0	0
+ Losses on loans, guarantees, etc	4 100	0
- Tax expense	17 930	3 793
= Provided from the year's operations	54 194	37 611
Change miscellaneous debt: + increase/-decrease	5 921	7 524
Change miscellaneous claims: - increase/+ decrease	-150 378	-3 302 728
Installment loans customers	426 157	1 944 916
Change in deposits from and liabilities to customers: +increase/-decrease	-42 061	287 449
Change in liabilities to credit institutions: + increase/-decrease	0	0
A Net liquidity change from operating activities	293 833	-1 025 228
Financing by issuance of securities	500 804	1 027 363
Financing on redemption of securities	-800 347	0
- Dividend paid	-29 772	-9 314
Change in long-term securities: - increase/+ decrease	0	100 000
B Liquidity change from investing activities	-329 315	1 118 049
A+B Sum total change liquid assets	-35 482	92 821
+ Liquid assets at the start of the period	274 427	181 607
= Liquid assets at the close of the period	238 945	274 427

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

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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 items	31.12.13	31.12.12
Loans to and claims on credit institutions	238 945	274 427
Loans to and claims on customers	4 799 786	5 079 691
Lending to and claims on customers, to amortized cost	5 038 731	5 354 118
Lending to customers at fair value	0	0
Lending to and claims on customers, at fair value	0	0
Potential exposure to credit lines	336 206	317 987
Total credit exposure, balance items	336 206	317 987
Unallocated credit limit	2 434 557	2 292 496
Total credit exposure, off-balance sheet	2 770 763	2 610 483
Total credit exposure	7 809 494	7 964 601

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 COMMITMENT BY RISK CLASS

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.

	31.12.13			
	Gross lending	Guarantees	Potential exposure	Total exposure
Behavior score				
Personal customers retail				
Low risk	4 147 378		322 442	4 469 820
Medium risk	461 473		5 549	467 022
High risk	56 428		190	56 618
Not classified	7 484			7 484
Total personal customers retail	4 672 763	0	328 181	5 000 944
Corporate retail				
Low risk	101 118		7 633	108 751
Medium risk	10 637		392	11 029
High risk	19 368			19 368
Total corporate retail 1)	131 123	0	8 025	139 148
Total	4 803 886	0	336 206	5 140 092

1) Applies to self-employed mortgage

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

NOTES TO THE ACCOUNTS

	Gross lending	Guarantees	Potential exposure	Total exposure
				31.12.12
	Behavior score			
Personal customers retail				
Low risk	4 269 425		306 113	4 575 538
Medium risk	577 154		3 965	581 119
High risk	86 477		1 415	87 892
Not classified	6 255		307	6 562
Total personal customers retail	4 933 056	0	311 800	5 251 111
Corporate retail				
Low risk	110 189		6 129	116 318
Medium risk	19 046		58	19 104
High risk	11 145			11 145
Total corporate retail	140 380	0	6 187	146 567
Total	5 073 436	0	317 987	5 397 678

1) applies to self-employed mortgage

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.13	31.12.12
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.

Overdrawn number of days	31.12.13	31.12.12
1-29 days	0	0
30-59 days	806	0
60-89 days	0	0
> 90 days	0	0
Total disordered loans without impairments	806	0

NOTE 2.2 MARKET RISK

Helgeland Boligkreditt AS is through its ordinary operations exposed to interest rate risk. All customer loans have floating interest rates. As of 31.12.13, all funding were agreed with floating rate (3mth. Nibor), and it is thereby no derivative agreements in the company. The Board sets interest rate risk limit and the positions are monitored continuously. The prepared reports showing exposure, these are reported monthly to the finance committee of the parent bank, and the CEO and quarterly to the Board. 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 31.12.13 is NOK 1,0 mill (0.6 mill). and is well within the company's target requirements of NOK 10 million.

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

NOTES TO THE ACCOUNTS

NOTE 2.2.1 REMAINING TIME TO INTEREST RATE ADJUSTMENT

Interest rate risk- remaining periods until next interest rate re-fix							31.12.13
	Up to 1 mth.	From 1-3 mnt	From 3 mnt	From 1-5 years	Over 5 years	No int rate change	Totalt
ASSETS							
Loans to and claims on credit inst with no a/maturity		238 945					238 945
Net loans to and claims on customers		4 799 786					4 799 786
Other non-int-bearing assets						315	315
Total assets	0	5 038 731	0	0	0	315	5 039 046
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity				665 443			665 443
Borrowings through the issuance of securities		4 011 414					4 011 414
Other non-int-bearing liabilities		0				18 260	18 260
Total liabilities	0	4 011 414	0	665 443	0	18 260	4 695 117
Net int rate sensitivity gap	0	1 027 317	0	-665 443	0	-17 945	343 929

Interest rate risk- remaining periods until next interest rate re-fix							31.12.12
	Inntil 1 mnd.	Fra 1-3 mnd.	Fra 3 mnd	Fra 1-5 år	Over 5 år	Uten renteendring	Totalt
ASSETS							
Loans to and claims on credit inst with no a/maturity		274 427					274 427
Net loans to and claims on customers		5 079 691					5 079 691
Other non-int-bearing assets						288	288
Total assets	0	5 354 118	0	0	0	288	5 354 406
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity				707 504			707 504
Borrowings through the issuance of securities		4 310 965					4 310 965
Other non-int-bearing liabilities						12 339	12 339
Total liabilities	0	4 310 965	0	707 504	0	12 339	5 030 808
Net int rate sensitivity gap	0	1 043 153	0	-707 504	0	-12 051	323 598

NOTE 2.2.2 FINANCIAL DERIVATIVES

As of 31.12.13 (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 established credit facilities totaling NOK 3.1 bill in order to reduce liquidity risk. The company has an undrawn credit facility in the parent bank on 2,4 (2.4) bill.

Overall, can Helgeland Boligkredit's liquidity situation per 31.12.13 be termed as good. Share of long-term financing with maturities over one year is 88% (100%).

NOTES TO THE ACCOUNTS

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Funding risk. Remaining periods							31.12.13
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Loans to and claims on credit institutions		247 686					247 686
Loans to and claims on customers	56 096	131 052	379 866	774 079	4 195 190		5 536 283
Total payments	56 096	131 052	379 866	774 079	4 195 190	0	5 783 969
Liabilities to credit institutions				679 950			679 950
Borrowings through the issuance of securiti	23 997	907 126	2 740 232	851 517			4 522 872
Financial derivatives gross settlement						18 260	18 260
Total payments	23 997	907 126	2 740 232	1 531 467	0	18 260	5 221 082

Gross settlement (including interest payments)

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

Funding risk. Remaining periods							31.12.12
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Loans to and claims on credit institutions			281 191				281 191
Loans to and claims on customers	43 300	135 249	319 181	2 290 181	2 995 053		5 782 964
Total payments	43 300	135 249	319 181	2 290 181	2 995 053		6 064 155
Liabilities to credit institutions				732 504			732 504
Borrowings through the issuance of securiti	28 995	585 655	2 893 572	1 299 489			4 807 711
Financial derivatives gross settlement						12 339	12 339
Total payments	28 995	585 655	2 893 572	2 031 993	0	12 339	5 552 554

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.

	31.12.13	31.12.12
Personal retail	4.672.494	4.939.311
Corporate retail	131.392	140.380
Total	4.803.886	5.079.691
Collective write-downs	-4.100	0
Total	4.799.786	5.079.691

Geographical exposure within the loan portfolio	31.12.13	%
Helgeland	3.901.185	81,2 %
Areas other than Helgeland	893.872	18,6 %
International	8.829	0,2 %
Total	4.803.886	100 %

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

Geographical exposure within the loan portfolio	31.12.12	%
Helgeland	4.137.407	81 %
Areas other than Helgeland	939.003	18 %
International	3.281	0 %
Total	5.079.691	100 %

NOTES TO THE ACCOUNTS

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.13	31.12.12
Interest income of lending to and claims on credit institutions	7 743	6 764
Interest income of lending to and claims on customers	198 334	180 341
Total interest income	206 077	187 105
Interest expense on liabilities to credit institutions	14 507	16 561
Interest expense on issued securities	105 425	116 097
Other interest expenses	0	15
Total interest expenses	119 932	132 673
Net interest income	86 145	54 432

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

There are no effect of financial instruments in 2013 or 2012.

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.13	31.12.12
Management fee and wage general manager	12 593	11 781
Other administration costs	0	0
Total wages and administration costs	12 593	11 781
Other operating costs	1 446	1 266
Total operating costs	14 039	13 047
Number of FTEs	0,4	0,4

Audit fees and advisory services to the auditors and the examiner has been charged to the accounts with NOK 322 500 (370 875).

NOTE 7. TAX

	31.12.13	31.12.12
Tax for the year:		
Tax payable	18.519	11.753
Change in deferred tax (note 8)	-589	159
Tax cost for the year	17.930	11.912
Breakdown between accounts-related result before tax and the year's income liable to tax		
Accounts-related result before tax	68.025	41.405
Permanent differences	0	0
Change in temporary differences (note 8)	-2.106	570
Income subject to tax	65.919	41.975

NOTES TO THE ACCOUNTS

NOTE 8. DEFERRED TAXES

Deferred tax / Deferred tax benefit	31.12.13	31.12.12
Positive temporary differences:		
Other temporary differences	0	0
Change in value of cover bonds at amortized cost	0	981
Total positive temporary differences	0	981
Negative temporary differences		
Change in value of cover bonds at amortized cost	-1.124	0
Total negative temporary differences	-1.124	0
Losses carried forward	0	0
Total negative temporary differences	-1.124	981
Deferred tax asset	315	0
Deferred tax	0	275

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Loand and claims	Assets to real value through Profit and loss account	Available for sale	Total
				31.12.13
Lending to and claims on credit institutions	238 945			238 945
Lending to and claims on customers	4 799 786			4 799 786
Total assets	5 038 731	0	0	5 038 731

	Other financial commitment	Commitment to real value through profit and loss acc	Total
31.12.13			
Liabilities to creditinst. With agreed maturity *)	665 443		665 443
Liabilities from issuance of securities	4 011 414		4 011 414
Total liabilities	4 676 857	0	4 676 857

*) The company has a long-term (5 year) credit in the parent bank of NOK 1 bn. Unutilized drawing rights per 31.12.13 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.

	Loand and claims	Assets to real value through Profit and loss account	Available for sale	Total
				31.12.12
Lending to and claims on credit institutions	5 354 118			5 354 118
Lending to and claims on customers	0			0
Total assets	5 354 118	0	0	5 354 118

	Other financial commitment	Commitment to real value through profit and loss acc	Total
31.12.12			
Liabilities to creditinst. With agreed maturity	5 018 460		5 018 460
Liabilities from issuance of securities	0		0
Total liabilities	5 018 460	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.

NOTES TO THE ACCOUNTS

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTIZED COST

	31.12.13	
	Book value	Fair value
Loans to and claims on credit institutions	238 945	238 945
Loans to customers	4 799 786	4 801 477
Tota financial instrumens	5 038 731	5 040 422
Securities issued		
Liabilities to credit institutions	665 443	665 443
Securities issued	4 011 414	3 997 445
Tota financial instrumens	4 676 857	4 662 889

	31.12.12	
	Book value	Fair value
Loans to and claims on credit institutions	274 427	274 427
Loans to customers	5 079 691	5 081 384
Tota financial instrumens	5 354 118	5 355 811
Securities issued	0	0
Liabilities to credit institutions	707 504	707 504
Securities issued	4 310 956	4 490 388
Tota financial instrumens	5 018 460	5 197 892

NOTE 11. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.13	31.12.12
Liabilities to credit institutions without agreed maturity	238 945	274 427
Total loans to and liabilities to credit institutions	238 945	274 427
Geographic areas	31.12.13	%
Total Helgeland	238 945	100,0 %

Entirely deposits in Helgeland Sparebank.

NOTE 12. LOANS AND AMORTIZATION

Lending	31.12.13	31.12.12
Gross lending to customers	4 803 886	5 079 691
Individual write-downs on lending	0	0
Lending to customers after individual write-downs	4 803 886	5 079 691
Collective write-downs	4 100	0
Lending to and claims on customers, to amortized cost	4 799 786	5 079 691

NOTES TO THE ACCOUNTS

NOTE 13. DISTRIBUTION LOANS

	31.12.13	31.12.12
Loans secured by residential property	4 796 222	5 071 597
Accrued interest	7 664	8 094
Total	4 803 886	5 079 691

NOTE 14. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 15. LIABILITIES

	31.12.13	31.12.12
Loans and deposits at credit institutions with afreed maturity")	665 443	707 504
Liabilities to credit institutions	665 443	707 504
Bond debt	4 011 414	4 310 956
Liabilities securities	4 011 414	4 310 956
Tax liabilities	18 183	11 746
Other liabilities	77	593
Total other liabilities	18 260	12 339
Total liabilities	4 695 117	5 030 799

*) 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	Maturity	Soft call	31.12.13
NO0010628431	NOK	300 000		Floating 3mnd. Nibor+0,80	2011	2016	2015	300 685
NO0010515489	NOK	450 000	100 000	Floating 3mnd. Nibor+0,50	2009	2016	2015	350 687
NO0010515497	NOK	450 000	100 000	Floating 3mnd. Nibor+0,59	2009	2016	2015	350 687
NO0010592553	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2017	2016	499 831
NO0010623978	NOK	300 000	170 000	Floating 3mnd. Nibor+0,67	2011	2018	2017	131 230
NO0010635253	NOK	200 000	10 000	Floating 3mnd. Nibor+0,75	2012	2016	2015	190 650
NO0010645963	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2016	2015	500 628
NO0010660640	NOK	300 000	15 000	Floating 3mnd. Nibor+0,85	2012	2019	2018	285 262
NO0010686710	NOK	500 000	100 000	Floating 3mnd. Nibor+0,73	2013	2019	2018	400 438
NO0010566839	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2015	2014	500 728
NO0010571573	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2016	2015	500 588
Total listed covered bonds								4 011 414

Issue NO0010515489 and NO0010515497 nominal MNOK 700 are entirely bought by Helgeland Sparebank, and is used by the parent bank as collateral for participation in government sw ap scheme. All loans have soft call one year before maturity.

NOTES TO THE ACCOUNTS

ISIN code	Currency	Par value	Own hold.	Interest	Admission	Maturity	Soft call	31.12.12
No0010515489	NOK	450 000		Floating 3mnd. Nibor+0,50	2009	2015	2014	450 411
No0010515497	NOK	450 000		Floating 3mnd. Nibor+0,60	2009	2016	2015	450 429
No0010561798	NOK	500 000		Floating 3mnd. Nibor+0,40	2009	2014	2013	500 494
No0010566839	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2015	2014	500 499
No0010571573	NOK	500 000		Floating 3mnd. Nibor+0,65	2010	2016	2015	500 271
No0010592553	NOK	500 000		Floating 3mnd. Nibor+0,58	2010	2017	2016	500 099
No0010623978	NOK	300 000	170 000	Floating 3mnd. Nibor+0,67	2011	2018	2017	130 078
No0010628431	NOK	300 000		Floating 3mnd. Nibor+0,80	2011	2016	2015	300 982
No0010635253	NOK	200 000	10 000	Floating 3mnd. Nibor+0,75	2012	2016	2014	190 881
No0010645963	NOK	500 000		Floating 3mnd. Nibor+1,00*	2012	2018	2017	502 244
No0010660640	NOK	300 000	15 000	Floating 3mnd. Nibor+0,85*	2012	2019	2018	284 568
Total listed covered bonds								4 310 956

Issue NO0010515489 and NO0010515497 nominal MNOK 900 are entirely bought by Helgeland Sparebank, and is used by the parent bank as collateral for participation in government sw ap scheme. All loans have soft call one year before maturity.

NOTE 17. COVER POOL CAPACITY UTILIZATION

	31.12.2013	31.12.2012
Total listed bonds	4 011 414	4 310 956
Loans secured by property	4 698 007	4 836 038
Claims that constitutes cover pool	238 945	274 427
Total cover pool	4 936 952	5 110 465

*Loans are capped with loans in default and loans which during the periode has been given a loan to value ratio in excess of 75 %

(these loans are reset after the periods ending)

Cover pool capacity utilization	123 %	119 %
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LTV (loan to value) as of 31.12.13 was 52,1 (53,5) %

NOTE 18. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.13	31.12.12
ASSETS		
Loans to and claims on credit institutions	238 945	274 427
Loans to and claims on customers	4 510	178 549
Total short term assets	243 455	452 976
Loans to and claims on customers	4 795 591	4 901 430
Total long term assets	4 795 591	4 901 430
Total Assets	5 039 046	5 354 406
LIABILITIES AND EQUITY CAPITAL		
Other liabilities	18 261	12 320
Borrowings through the issuance of securities	896 000	0
Total short term liabilities	914 261	12 320
Liabilities to credit institutions	665 443	707 504
Borrowings through the issuance of securities	3 115 414	4 310 975
Total long term liabilities	3 780 857	5 018 479
Total liabilities	4 695 118	5 030 799
Paid-in equity capital	290 010	290 010
Accrued equity capital/retained earnings	53 918	33 597
Total equity capital	343 928	323 607
Total liabilities and equity capital	5 039 046	5 354 406

NOTE 19. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.13 or 31.12.12

NOTES TO THE ACCOUNTS

NOTE 20. CAPITAL ADEQUACY

	31.12.13	31.12.12
Total paid-in capital	290 010	290 010
Total accrued equity capital/retained earnings	53 918	33 597
Additional	0	0
Deduction	50 409	29 772
Total core capital	293 519	293 835
Total net supplementary capital	0	0
Total net equity and related capital	293 519	293 835
Weighted asset calculation basis	1 942 050	1 989 200
Capital adequacy ratio	15,11 %	14,77 %
Of which core capital accounted for	15,11 %	14,77 %

Share capital is unchanged at NOK 290 mill in 2013. Helgeland Sparebank is still the sole shareholder in the company.

NOTE 21. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.13	31.12.12
States and central banks	0	0
Local and regional authorities (including municipalities)	0	0
Publicly owned enterprises	0	0
International organizations	0	0
Institutions	47 788	54 888
Enterprises	2 563	250
Mass market loans	115 688	0
Loans secured by real property	1 669 175	1 871 075
Loans overdue	0	0
High risks	0	0
Covered bonds	0	0
Units in securities funds	0	0
Other loans and commitments	45 613	1 775
Capital requirement credit risk	1 880 827	1 927 988
Capital requirement operational risk 1)	61 225	61 225
Deduction from capital requirement	0	0
Total capital requirement	1 942 052	1 989 213

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 mill, with shares par value NOK 1 000,- and Helgeland Sparebank owns all the shares.

NOTES TO THE ACCOUNTS

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

	Payments	2013 Loans
General manager, Britt Søfting	213	0
Total remuneration for management	213	0
Chairman of the board, Jan Erik Furunes	0	0
Lisbeth Flægeng	0	500
Helge Stanghelle 1)	20	0
Inger Lise strøm	0	1 543
Total boards of Directors	20	2 043
Chairman Board of trustees, Thore Michalsen 1)	7	0
Geir Sætran	0	0
Dag Hugo Heimstad	0	0
Ann Karin Krogli	0	0
Halvor Braaten	0	0
Fredrik Hagen	0	0
Total Board of trustees	7	0
Chairman og the Control Committee, Heidi Dahl	5	400
Other members of the Control Committee 1)	8	0
Total Control Committee	13	400
Grant Total	252	2 443

- 1) Remuneration is recognized expenses in 2013. (The listed fees are for the period 01.05.2012-30.04.20132). There is no established pension scheme of the Company and there are no bonuses.

	Payments	2012 Loans
General manager, Britt Søfting	179	0
Total remuneration for management	179	0
Chairman of the board, Jan Erik Furunes	0	0
Lisbeth Flægeng	0	500
Helge Stanghelle 1)	20	0
Inger Lise strøm	0	0
Total boards of Directors	20	500
Chairman Board of trustees, Thore Michalsen 1)	7	0
Geir Sætran	0	0
Dag Hugo Heimstad	0	0
Ann Karin Krogli	0	0
Halvor Braaten	0	0
Fredrik Hagen	0	567
Total Board of trustees	7	567
Chairman og the Control Committee, Heidi Dahl	5	1 546
Other members of the Control Committee 1)	8	0
Total Control Committee	13	1 546
Grant Total	218	2 613

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

NOTES TO THE ACCOUNTS

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 2013 has a total portfolio of NOK 4.8 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 Boligkreditt AS pays an annual management fee based upon managed loan volume in addition to hired man-years. Helgeland Sparebank has at the end of 2013 invested NOK 700 (900) million in covered bonds issued by Helgeland Boligkreditt AS.

Group contribution

It has been paid group contribution in 2013 of NOK 29.8 million to Helgeland Sparebank. In allocations per 31.12.13 is NOK 50.1 million set aside to group contribution to the parent bank.

Stimulus packages

Emission of covered bonds of NOK 700 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	31.12.13	31.12.12
Profit and loss account		
Interest income and similar income	7 743	6 764
Interest expense and similar expense	33 406	43 031
Management fee	12 547	11 781
Balance sheet		
Lending and claims on credit institutions	238 945	274 427
Liabilities to credit institutions	665 443	707 504
Liabilities from issue of securities	804 000	900 000

NOTES TO THE ACCOUNTS

NOTE 25. RESULT PER SHARE

	31.12.13	31.12.12
Result this year	50 094	29 772
Number of shares	290 000	290 000
Average number of shares	290 000	223 343
Result per share in NOK	173	133
Diluted result per share in NOK	173	133

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 arbitration 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

	31.12.13	31.12.12
Interest receivable and similar income	4,15 %	3,68 %
Interest payable and similar costs	2,41 %	2,61 %
Net interest- and credit commission income	1,73 %	1,07 %
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 %	0,26 %
Losses on loans, guarantees etc.	0,08 %	0,00 %
Operating profit	1,37 %	0,82 %
Result before tax	1,37 %	0,82 %
Tax payable on ordinary result	0,36 %	0,23 %
Result from ordinary operations after tax	1,01 %	0,59 %

NOTES TO THE ACCOUNTS

NOTE 28. OTHER KEY FIGURES

	31.12.13	31.12.12	31.12.11
Profit & Loss Account			
Gros profit (NOK 1.000)	50.094	29.773	9.315
Net interest as a % of average assets	1,73 %	1,07 %	0,65 %
Operation cost as a % of income	21,1 %	24,0 %	43,4 %
Result after tax as a % of average assets	1,00 %	0,59 %	0,26 %
Balance sheet			
Gross lending (NOK 1.000)	4.803.886	5.079.691	3.730.495
Collective write-downs as a % of lending	0,09 %	0,00 %	0,00 %
12 months growth in customer lending	-5,42 %	36,20 %	25,90 %
Total assets (NOK 1.000 kr)	5.039.046	5.354.405	3.912.403
Average total assets	4.987.847	5.078.233	3.577.893
Solidity			
Rate of return on equity capital	15,4 %	12,8 %	6,5 %
Core tier one Capital (NOK 1.000)	293.519	293.835	193.833
Core tier one Capital ratio	15,1 %	14,8 %	12,8 %
	0	0	0
Information on lending portfolio			
	0	0	0
Surplus value of cover pool (NOK 1.000)	933.086	476.382	602.116
Surplus value of cover pool (%)	23,0 %	19,0 %	18,0 %
Indexed LTV	52,1 %	53,5 %	54,7 %
Propotion of variable-rate loans	100 %	100 %	100 %
Propotion of flexible mortgages*)	20,5 %	20,4 %	16,9 %
Average loan value (NOK 1.000)	794	894	718
Number of loans	6.035	5.683	5.194
Remaining maturity - weighted average (year)	15,0	15,3	14,2
Seasoning - weighted average (year)	3,5	3,0	2,9

*) Calculated from the drawn amount

STATEMENT UNDER THE SECURITIES TRADING ACT § 5-6

We declare that to the best of our knowledge the financial statements for the period 1 January to 31 December 2013 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, 24 February 2014

Jan Erik Furunes
Chairman of the Board

Lisbeth Flågeng
Deputy Chairman of the Board

Helge Stanghelle

Inger Lise Strøm

Brit Søvting
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
Fredrik Hagen, Mosjøen

Members of the Board of Directors:

Jan Erik Furunes, CEO Helgeland Sparebank, Chairman
Lisbeth Flågeng, DCEO Helgeland Sparebank
Inger Lise Strøm, CFO Helgeland Sparebank
Helge Stanghelle, CEO Fesil Rana Metall

Members of the Control Committee:

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

Contact information

Helgeland Sparebank

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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