

annual report 2014



REPORT FROM THE BOARD OF DIRECTORS

Helgeland Boligkreditt AS, Operations in 2014

General information

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

The company is licensed to operate as a mortgage company, issuing covered bonds. Helgeland Sparebank provides services such as following up customers, management of loans, as well as a number of administrative services.

The General Manager is employed in a 35 % position.

Accounting standards

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

Rating

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

Result per 31.12.2014

The company's gross profit was MNOK 66.1. This is a reduction of MNOK 1.9 compared to the same period last year. Net interest- and commission earnings amounted to MNOK 80.3, compared to MNOK 86.1 in 2013. The reduction in interest- and commission earnings of MNOK 5.8 is a combination of a decline in lending volume and the effect of interest rate changes on the lending portfolio. The lending rates were reduced in 2014 in order to meet the competition in the mortgage market. In percent of average total assets the interest income has been reduced relatively less than the interest costs. The reduction in 3-month NIBOR has given a lower borrowing cost and the net interest was 1.77 %, compared to 1.73 % in 2013. Operating costs in NOK is almost unchanged and were MNOK 14.2, compared to MNOK 14.0 in 2013. The amount allocated for collective impairment is unchanged in 2014.

Net profit was MNOK 48.3. This gives a return on equity of 14.5%.

Key figures per 31.12.2014 (31.12.2013)

- Net profit MNOK 48.3 (51.1)
- Net interest MNOK 80.3 (86.1)
- Operation costs MNOK 14.2 (14.0)
- Return on equity 14.2 (15.4) %
- CET1 ratio 16.7 (15.1) %
- OC level 29 (23) %
- Indexed LTV 52 (52) %

Allocation of profit

The Board of Directors suggests that the result for 2014 of MNOK 48.3 is given as a group contribution to Helgeland Sparebank. The group contribution's size is considered justifiable since the parent bank will increase the company's equity when needed.

Balance development

Total assets in Helgeland Boligkreditt AS amounted to MNOK 4,437.9 by the end of the year. 95% of the assets are mortgages.

The cover pool

By the end of the year the mortgage company had 4,905 mortgages, totalling MNOK 4,217.9 (4,803.9). 81.5 % of the mortgages are to customers in the Helgeland region.

All mortgages have floating interest rates and 22 (21) % of the lending volume is flexi loans. The lending has been reduced by MNOK 586.0 over the last 12 months. Lower growth in the parent bank has also affected the growth in the mortgage company. Loans that qualify for the cover pool amounts to MNOK 4150.4 (4,698.0). The lending portfolio is considered to be of good quality. When calculating the OC the company's substitute assets of MNOK 223.6 (238.9) are included. This is entirely deposits in the parent bank.

Funding

The loan portfolio is funded by issuing covered bonds with a total sum of MNOK 3,394.9 (4,011.4), as well as credit lines in Helgeland Sparebank. Covered bonds with the face value of MNOK 267 (804) are owned by the parent bank.

The company's debt in finance institutions amounts to MNOK 683 (665) by the end of the year. The debt is linked to credit lines in the parent bank.

The value of the cover pool is well above the volume of loans and there is good security in the portfolio. The OC level was 29 (23) %.

REPORT FROM THE BOARD OF DIRECTORS

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 based on gross cash flows from operating, investing and financing activities. Lending in 2014 has been reduced by MNOK 586. This has affected the company's borrowing and Covered Bonds were reduced by MNOK 617.

Risk conditions and capital ratio

Laws and regulations for companies licensed to issue covered bonds instruct that the risk levels should be low. The company has established guidelines and frames for governing and control of various 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 to be low.

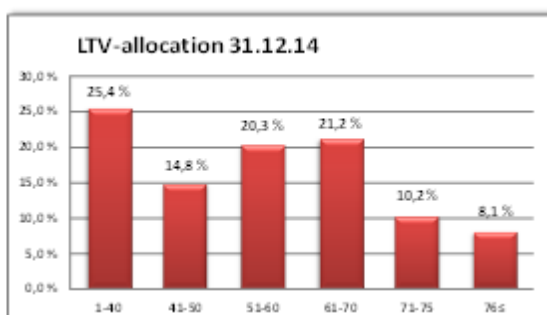
Credit risk

The company's credit strategy is approved by the Board of Directors and establishes the framework for management objectives and risk profile. The mortgages in the cover pool meet the requirements of the financial services act, and are secured by real estate within 75% of prudent market value.

The company has had no individual write-downs or established losses. Total write-downs on groups of lending amounted to MNOK 4.1, or 0.1% of gross lending.

The Board of Directors regards the quality of the loan portfolio as very good and the credit risk as low.

A potential fall in housing prices will reduce the net value of the cover pool. Quarterly stress tests are therefore performed to calculate the effects of a potentially negative development in the housing prices. The Board of Directors considers the results of these stress tests as satisfactory. The Loan-to-value ratio was 52 (52) % at the end of fourth quarter. The diagram below shows the distribution of the LTVs for the mortgages in the cover pool.



Liquidity risk

Liquidity risk is the risk that the company will be unable to fulfil its payment obligations. The Board of Directors determines the framework for risk management in the company on an annual basis. This includes determining frames for liquidity risk management, organization and responsibilities, stress tests, routines for monitoring the utilization of frameworks and compliance with guidelines, board- and management reporting as well as independent control of systems for governing and control.

By the end of the year the share of funding over 1 year was 80.1 (87.6) %. This is well above the target of 70 %. Helgeland Boligkreditt AS has established committed credit lines in the parent bank that guarantees repayment of covered bond maturities over the next 12 months on a revolving basis. The company further seeks to reduce the liquidity risk associated with larger maturities by repurchasing its own bonds. The company's liquidity risk is considered to be low.

Market risk

The company is not exposed in stocks or securities. All funding carry floating interest rates. There are no fixed rate loans in the portfolio, and no loans in foreign currency. Interest rate risk is within the company's governing framework.

Operating risk

The transfer- and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank ensures and maintains the operational risk. The agreement includes administration, banking services and IT-management.

Capital ratio

The capital ratio per 31.12.2014 was 16.7 (15.1) % and consists solely of MNOK 293.8 CET1 capital. The standard formula is used to calculate the capital requirements, and the basic indicator approach is used to calculate operating risk.

Corporate responsibility

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

The staff

The general manager is employed in a 35 % position. Required services are mainly purchased from the parent bank. Helgeland Boligkreditt AS is committed to gender equality. The Board has 4 members; 2 woman and 2 men.

REPORT FROM THE BOARD OF DIRECTORS

Prospects ahead

The competition in the retail market remains strong. An increase in the norm rate improves the bank's competitiveness against Statens Pensjonskasse which has a significant market share in the Helgeland region. Helgeland Sparebank has effectuated a number of measures to take its share of the growth in the bank's market area, and the lending growth in 2015 is expected to be on level with the national average.

The housing prices have historically been relatively stable compared with the larger cities. The prices for sold houses and flats have increased by respectively 7.13 % and 1.48 % compared with last year. A continued stable development in property prices is expected in the region.

Low oil price and uncertainties in the economy both nationally and internationally give a general expectation of reduced growth in Norway in 2015. The low oil price and low NOK exchange rate also have positive aspects for the

Helgeland region due to its strong aquaculture industry and large industrial corporations within aluminium, iron ore, steel and ferroalloys. The unemployment rate varies within the region, but the total unemployment rate is 2.6 % per 31.12.2014. This is somewhat lower than the national average. The Helgeland region has a stable and diverse labour market, with a combination of solid export companies and governmental institutions, and the total unemployment rate is expected to remain at a low level. Summarised the economy in the Helgeland region seems to be working well despite the weak economic cycle in Europe

Helgeland Boligkreditt AS can show a good result in 2014, with stable income and low risk. We expect that this will continue in the coming quarters. The company is planning to acquire further mortgage loans from Helgeland Sparebank in 2015, and also to further increase volume of outstanding covered bonds.

Mo i Rana, 23 February 2015

Lisbeth Flågeng
Chairman

Dag Hugo Heimstad
Deputy Chairman

Helge Stanghelle

Ranveig Kråkstad

Brit Søvting
General Manager

C O R P O R A T E G O V E R N A N C E

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 recognized 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 consists of share capital, share premium reserve and retained earnings.

The company's goal for tier one capital adequacy is 12.5 %. By law the minimum is 10 % from 1 July 2014 and 11 % from 1 July 2015. New objective requirements are revised according to the CRD IV requirements in connection with the company's strategy process in 2015.

Elections

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

C O R P O R A T E G O V E R N A N C E

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	31.12.14	31.12.13
Interest receivable and similar income	4.24	185 411	206 077
Interest payable and similar costs	4.24	105 113	119 932
Net interest- and credit commission income		80 298	86 145
Commissions receivable and income from banking services		12	19
Commissions payable and costs relating to banking services		0	0
Net commission income		12	19
Gains/losses on financial assets available for sale	5	0	0
Operating costs	6,23,24	14 209	14 039
Losses on loans, guarantees etc.	2	0	4 100
Operating profit		66 101	68 025
Result before tax		66 101	68 025
Tax payable on ordinary result	7	17 953	17 930
Result from ordinary operations after tax		48 148	50 094
Yield per equity capital certificate	25	166	173
Diluted result per ECC in Norwegian currency	25	166	173
Extended Income Statement			
Result from ordinary operations after tax		48 148	50 094
Net extended profit or loss items	6	0	0
Total result for the period		48 148	50 094

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.14	31.12.13
ASSETS			
Loans to and claims on credit institutions	2,3,9,10,11,18,24	223 627	238 945
Loans to and claims on customers	2,9,10,11,12,13,18	4 213 845	4 799 786
Other assets		417	315
Total assets		4 437 889	5 039 046
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,10,18,24	683 223	665 443
Borrowings through the issuance of securities	2,9,10,15,16,18,24	3 394 883	4 011 414
Other liabilities	8,15	17 801	18 260
Total liabilities		4 095 907	4 695 117
Paid-in equity capital	20,21,22,25	290 010	290 010
Accrued equity capital/retained earnings	20,21	51 972	53 918
Total equity capital		341 982	343 928
Total liabilities and equity capital		4 437 889	5 039 046

Mo i Rana, 23 February 2015

Lisbeth Flågeng
Chairman

Dag Hugo Heimstad
Deputy Chairman

Helge Stanghelle

Ranveig Kråkstad

Brit Søtting
General Manager

CHANGE IN EQUITY CAPITAL DURING THE YEAR

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.14	290 000	10	53 918	343 928
Issued new share capital				0
Paid out				0
Dividends transferred to debt			-50 094	-50 094
Result			48 148	48 148
Equity capital as at 31.12.14	290 000	10	51 972	341 982

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.13	290 000	10	33 596	323 606
Issued new share capital	0			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

CASH FLOW STATEMENT

	31.12.14	31.12.13
Result of ordinary operations	66 101	68 024
Ordinary depreciation	0	0
+ Impairment and gains / losses on assets	0	0
+ Losses on loans, guarantees, etc	0	4 100
- Tax expense	18 457	17 930
= Provided from the year's operations	47 644	54 194
Change miscellaneous debt: + increase/-decrease	-459	5 921
Change miscellaneous claims: - increase/+ decrease	-50 698	-150 378
Installment loans customers	637 880	426 157
Change in deposits from and liabilities to customers: +increase/-decrease	17 780	-42 061
Change in liabilities to credit institutions: + increase/-decrease		
A Net liquidity change from operating activities	652 147	293 833
Financing by issuance of securities	803 714	500 804
Financing on redemption of securities	-1 421 086	-800 347
- Dividend paid	-50 094	-29 772
Change in long-term securities: - increase/+ decrease	0	0
B Liquidity change from investing activities	-667 466	-329 315
A+B Sum total change liquid assets	-15 319	-35 482
+ Liquid assets at the start of the period	238 945	274 427
= Liquid assets at the close of the period	223 627	238 945

NOTE 1. ACCOUNTING PRINCIPLES

General background

Helgeland Boligkreditt AS obtained its license as a finance institution in February 2009. The company is a fully 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.

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

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

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

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.

- 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 items	31.12.14	31.12.13
Loans to and claims on credit institutions	223 627	238 945
Loans to and claims on customers	4 213 845	4 799 786
Lending to and claims on customers, to amortized cost	4 437 472	5 038 731
Lending to customers at fair value	0	0
Lending to and claims on customers, at fair value	0	0
Potential exposure to credit lines	328 594	336 206
Total credit exposure, balance items	328 594	336 206
Unallocated credit limit	2 316 777	2 434 557
Total credit exposure, off-balance sheet	2 645 371	2 770 763
Total credit exposure	7 082 843	7 809 494

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.

	31.12.14			
	Gross lending	Guarantees	Potential exposure	Total exposure
Behavior score				
Personal customers retail				
Low risk	3 614 211		317 996	3 932 207
Medium risk	469 425		4 194	473 619
High risk	36 810		169	36 979
Not classified	1 422		851	2 273
Total personal customers retail	4 121 868	0	323 210	4 445 078
Corporate retail				
Low risk	82 121		4 252	86 373
Medium risk	13 016		1 132	14 148
High risk	940		0	940
Total corporate retail 1)	96 077	0	5 384	101 461
Total	4 217 945	0	328 594	4 546 539

1) Applies to mortgages to self-employed

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		0	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		0	19 368
Total corporate retail	131 123	0	8 025	139 148
Total	4 803 886	0	336 206	5 140 092

1) Applies to mortgages to self-employed

Secured; LTV distribution	31.12.14	31.12.13
1-40	25.40 %	24.4 %
41-50	14.80 %	15.6 %
51-60	20.30 %	22.1 %
61-70	21.20 %	23.7 %
71-75	10.20 %	7.1 %
>76	8.10 %	7.0 %
Total LTV	52 %	52 %

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.14	31.12.13
Gross defaulted commitments over 90 days	0	0
Individual write-downs of defaulted loans	0	0
Net defaulted commitments	0	0

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	31.12.14	31.12.13
1-29 days	0	0
30-59 days	856	806
60-89 days	0	0
> 90 days	0	0
Total disordered loans without impairments	856	806

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 31.12.14, 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 31.12.14 is MNOK 1,8 (MNOK 1.0) and is well within the company's target requirements of MNOK 10.

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

NOTE 2.2.1 REMAINING TIME TO INTEREST RATE ADJUSTMENT

Interest rate risk- remaining periods until next interest rate re-fix							31.12.14
	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		223 627					223 627
Net loans to and claims on customers		4 213 845					4 213 845
Other non-int-bearing assets						417	417
Total assets	0	4 437 472	0	0	0	417	4 437 889
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity				683 223			683 223
Borrowings through the issuance of securities		3 394 883					3 394 883
Other non-int-bearing liabilities		0				17 801	17 801
Total liabilities	0	3 394 883	0	683 223	0	17 801	4 095 907
Net int rate sensitivity gap	0	1 042 589	0	-683 223	0	-17 384	341 982

Interest rate risk- remaining periods until next interest rate re-fix							31.12.13
	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		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						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

NOTE 2.2.2 FINANCIAL DERIVATIVES

As of 31.12.14 (31.12.13), 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 will be unable to fulfil 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 times must make the credit institution able to meet its payment obligations to holders of covered bonds and counterparties in derivative agreements." The company has established credit facilities totalling NOK 3.0 bill in order to reduce liquidity risk. The company has an undrawn credit facility in the parent bank on MNOK 2,300 (MNOK 2,400).

Overall, Helgeland Boligkreditt AS' liquidity situation per 31.12.14 is considered good. Share of long-term financing with maturities over one year is 80% (88%).

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Funding risk. Remaining periods							31.12.14
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Liabilities to credit institutions				701.865			701.865
Borrowings through the issuance of securiti	222.000	847.224	1.069.214	1.644.333	338.987		4.121.758
Financial derivatives gross settlement						17.734	17.734
Total payments	222.000	847.224	1.069.214	2.346.198	338.987	17.734	4.841.357
Loans to and claims on credit institutions		229.613					229.613
Loans to and claims on customers	36.076	108.961	1.249.880	279.419	2.970.948		4.645.284
Total payments	36.076	108.961	1.249.880	279.419	2.970.948		4.874.897

The company has MNOK 2,300 (MNOK 2,400) in unutilized drawings in the parentbank.

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
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
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	378.738	379.866	774.079	4.195.190		5.783.969

NOTE 3. SEGMENT

The company operates at one strategic business area only.

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 geographic segment is Helgeland. The company only reports one segment.

	31.12.14	31.12.13
Personal retail	4 121 716	4 672 494
Corporate retail	96 228	131 392
Total	4 217 944	4 803 886
Collective write-downs	-4 100	-4 100
Total	4 213 844	4 799 786

Geographical exposure within the loan portfolio	31.12.14	%
Helgeland	3 436 831	81.5 %
Areas other than Helgeland	770 247	18.3 %
International 1)	10 866	0.3 %
Total	4 217 944	100 %

Geographical exposure within the loan portfolio	31.12.13	%
Helgeland	3 901 185	81.2 %
Areas other than Helgeland	893 872	18.6 %
International 1)	8 829	0.2 %
Total	4 803 886	100.0 %

1) Customers are living abroad - Helgeland Boligkreditt AS has collateral in properties in Norway.

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.14	31.12.13
Interest income of lending to and claims on credit institutions	5 987	7 743
Interest income of lending to and claims on customers	179 424	198 334
Total interest income	185 411	206 077

Interest expense on liabilities to credit institutions	18 642	14 507
Interest expense on issued securities	86 471	105 425
Other interest expenses	0	0
Total interest expenses	105 113	119 932
Net interest income	80 298	86 145

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

There is no effect of financial instruments in 2014 or 2013.

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.14	31.12.13
Management fee and wage general manager	11 474	12 593
Other administration costs	0	0
Total wages and administration costs	11 474	12 593
Other operating costs	2 735	1 446
Total operating costs	14 209	14 039
Number of FTEs	0.4	0.4

Audit fees and advisory services to the auditors and the Investigator has been charged to the accounts with NOK 112,500 (NOK 251,250).

NOTE 7. TAX

	31.12.14	31.12.13
Tax for the year:		
Tax payable	17 734	18 519
Insufficient provision previous year	333	0
Change in deferred tax (note 8)	-113	-589
Tax cost for the year	17 954	17 930

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

Accounts-related result before tax	66 101	68 025
Permanent differences	0	0
Change in temporary differences (note 8)	-419	-2 106
Income subject to tax	65 682	65 919

NOTE 8. DEFERRED TAXES

Deferred tax / Deferred tax benefit	31.12.14	31.12.13
Positive temporary differences:		
Positive temporary differences:	0	0
Total positive temporary differences	0	0
Negative temporary differences		
Change in value of cover bonds at amortized cost	-1 543	-1 124
Total negative temporary differences	-1 543	-1 124
Losses carried forward	0	0
Total negative temporary differences	-1 543	-1 124
Deferred tax asset	417	315
Deferred tax	0	0

Reconciliation of tax	31.12.14	31.12.13
Accounting profit before tax	66 101	68 025
Tax calculated at the entity's weighted average tax	17 734	18 520
Tax effect of:		
Tax-free income	-113	-590
Adjustment from previous year	333	0
Taxes in the income statement	17 954	17 930

Weighted average tax rate in 2014 is 27 % (2013 is 28 %)

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Loand and claims	Assets to real value through Profit and loss account	Available for sale	31.12.14 Total
Lending to and claims on credit institutions	223 627			223 627
Lending to and claims on customers	4 213 845			4 213 845
Total assets	4 437 472	0	0	4 437 472
		Other financial commitment	Commitment to real value through profit and loss acc	Total
31.12.14				
Liabilities to creditinst. With agreed maturity *)		683 223		683 223
Liabilities from issuance of securities		3 394 883		3 394 883
Total liabilities		4 078 106	0	4 078 106

*) The debt is entirely related to Helgeland Sparebank.

The Company has a credit facility (with maturity > one year) of MNOK 1,500. Per 31.12.14 unused credit was MNOK 817.

In addition the company has a revolving credit facility of MNOK 1,500 (with maturity > one year). This credit facility shall cover payment obligations in the Cover Pool for a rolling 12-months period, and is entirely unused.

	Loand and claims	Assets to real value through Profit and loss account	Available for sale	31.12.13 Total
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 MNOK 1,000. Unutilized drawing rights per 31.12.13 was MNOK 300. In addition the company have credit facilities in the parent bank totalling MNOK 2,100. These will mainly be used for settlement of purchased loan and repayment of covered bonds. The agreement was entered into after arm's length of principle.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTIZED COST

	31.12.14	
	Book value	Fair value
Loans to and claims on credit institutions level 3	223 627	223 627
Loans to customers level 3	4 213 845	4 213 845
Tota financial instrumens	4 437 472	4 437 472
Securities issued		
Liabilities to credit institutions level 3	683 223	683 223
Securities issued level 2	3 394 883	3 394 883
Tota financial instrumens	4 078 106	4 078 106
		31.12.13
	Book value	Fair value
Loans to and claims on credit institutions level 3	238 945	238 945
Loans to customers level 3	4 799 786	4 799 786
Tota financial instrumens	5 038 731	5 038 731
Securities issued		
Liabilities to credit institutions level 3	665 443	665 443
Securities issued level 2	4 011 414	4 011 404
Tota financial instrumens	4 676 857	4 676 847

Loans and securities recorded at amortized cost approximate market value.

The amendments require the presentation of fair value measurements for various levels with the following division into levels for fair value measurement:

- Level 1 - Noted price in an active market for an identical asset or liability
- Level 2 - Valuation based on observable factors either direct (price) or indirect (derived from prices) other than noted price (used in Level 1) for the asset or liability
- Level 3 - Valuation based on factors not obtained from observable markets (non-observable assumptions)

Both assets and debt are valuations based on factors that aren't sourced from observable markets excluding debt securities. There are not fixed rate loans in the company.

NOTE 11. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.14	31.12.13
Liabilities to credit institutions without agreed maturity	223 627	238 945
Total loans to and liabilities to credit institutions	223 627	238 945
Geographic areas		
Total Helgeland	223 627	100.0 %

Entirely deposits in Helgeland Sparebank.

NOTE 12. LOANS AND AMORTIZATION

	31.12.14	31.12.13
Lending		
Gross lending to customers	4 217 945	4 803 886
Individual write-downs on lending	0	0
Lending to customers after individual write-downs	4 217 945	4 803 886
Collective write-downs	4 100	4 100
Lending to and claims on customers, to amortized cost	4 213 845	4 799 786

NOTE 13. DISTRIBUTION LOANS

	31.12.14	31.12.13
Loans secured by residential property	4 211 977	4 796 222
Accrued interest	5 967	7 664
Total	4 217 944	4 803 886

NOTE 14. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 15. LIABILITIES

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

	31.12.14	31.12.13
Loans and deposits at credit institutions with afreed maturity")	683 223	665 443
Liabilities to credit institutions	683 223	665 443
Bond debt	3 394 883	4 011 414
Liabilities securities	3 394 883	4 011 414
Tax liabilities	17 734	18 183
Other liabilities	67	77
Total ather liabilities	17 801	18 260
Total liabilities	4 095 907	4 695 117

Debt to credit institutions is entirely related to the parent bank Helgeland Sparebank.

OTE 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	31.12.14	
NO0010628431	NOK	300 000		Floating	3mnd. Nibor+0,80	2011	2016	2015	301 790
NO0010686710	NOK	500 000		Floating	3mnd. Nibor+0,50	2013	2019	2018	502 500
NO0010709355	NOK	500 000		Floating	3mnd. Nibor+0,40	2014	2020	2019	500 450
NO0010592553	NOK	500 000		Floating	3mnd. Nibor+0,58	2010	2017	2016	500 387
NO0010623978	NOK	300 000	170 000	Floating	3mnd. Nibor+0,67	2011	2017	2016	130 257
NO0010635253	NOK	200 000	100 500	Floating	3mnd. Nibor+0,75	2012	2016	2015	99 940
NO0010645963	NOK	500 000		Floating	3mnd. Nibor+1,00	2012	2017	2016	500 806
NO0010660640	NOK	300 000	15 000	Floating	3mnd. Nibor+0,85	2012	2019	2018	284 562
NO0010571573	NOK	500 000	225 000	Floating	3mnd. Nibor+0,65	2010	2016	2015	274 656
NO0010724065	NOK	300 000		Floating	3mnd. Nibor+0,30	2014	2021	2020	299 535
Total listed covered bonds									3 394 883

Issues acquired by Helgeland Sparebank:NO0010628431 MNOK 30, NO0010686710 MNOK 100, NO10709355 MNOK 100, NO0010635253 MNOK 17 and NO0010571573 MNOK 20, total 267. All loans have soft call one year before maturity.

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.

NOTE 17. COVER POOL CAPACITY UTILIZATION

Assembly of the collateral is defined in the Financial institutions act § 2.28

LTV (loan to value) as of 31.12.14 was 52 (52) %

NOTE 18. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.14	31.12.13
ASSETS		
Loans to and claims on credit institutions	223 627	238 945
Loans to and claims on customers	145 610	4 510
Total short term assets	369 237	243 455
Loans to and claims on customers	4 068 652	4 795 591
Total long term assets	4 068 652	4 795 591
Total Assets	4 437 889	5 039 046
LIABILITIES AND EQUITY CAPITAL		
Other liabilities	17 802	18 261
Borrowings through the issuance of securities	674 411	896 000
Total short term liabilities	692 213	914 261
Liabilities to credit institutions	683 223	665 443
Borrowings through the issuance of securities	2 720 472	3 115 414
Total long term liabilities	3 403 695	3 780 857
Total liabilities	4 095 908	4 695 118
Paid-in equity capital	290 010	290 010
Accrued equity capital/retained earnings	51 971	53 918
Total equity capital	341 981	343 928
Total liabilities and equity capital	4 437 889	5 039 046

NOTE 19. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.14 or 31.12.13

NOTE 20. CAPITAL ADEQUACY

The capital adequacy is prepared from regulations CRD IV/Basel III (standard method credit risk) for current period (31.12.14). Comparative numbers are not restated so that 31.12.14 is in accordance to Basel II. Transitional rules mean full implementation from 01.01.19.

	31.12.14	31.12.13
Total paid-in capital	290 010	290 010
Total accrued equity capital/retained earnings	51 971	53 918
Additional	0	0
Deduction	48 463	50 409
Total core capital	293 518	293 519
Total net supplementary capital	0	0
Total net equity and related capital	293 518	293 519
Weighted asset calculation basis	1 757 385	1 942 052
Capital adequacy ratio	16.70 %	15.11 %
Of which core capital accounted for	16.70 %	15.11 %

Share capital is unchanged in 2014 at MNOK 290. Helgeland Sparebank is the sole shareholder.

NOTE 21. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.14	31.12.13
States and central banks	0	0
Local and regional authorities (including municipalities)	0	0
Publicly owned enterprises	0	0
International organizations	0	0
Institutions	44 725	47 788
Enterprises	0	2 563
Mass market loans	78 571	115 688
Loans secured by real property	1 495 410	1 669 175
Loans overdue	0	0
High risks	0	0
Covered bonds	0	0
Units in securities funds	0	0
Other loans and commitments	600	45 613
Capital requirement credit risk	1 619 306	1 880 827
Capital requirement operational risk 1)	138 079	61 225
Deduction from capital requirement	0	0
Total capital requirement	1 757 385	1 942 052

NOTE 22. SHARE CAPITAL

The company has a share capital of MNOK 290, with shares par value NOK 1 000. Helgeland Sparebank owns all the shares.

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

	2014	
	Payments	Loans
General manager, Britt Søfting	213	0
Total remuneration for management	213	0
Chairman of the board, Lisbeth Flågeng	0	500
Dag Hugo Heimstad	0	0
Helge Stanghelle 1)	20	0
Ranveig Kråkstad	0	0
Total boards of Directors	20	500
Chairman Board of trustees, Thore Michalsen 1)	7	0
Geir Sætran	0	0
Øyvind Karlsen	0	2 000
Ann Karin Krogli	0	0
Kenneth Lyngseth Nilsson	0	109
Svein Hansen	0	0
Total Board of trustees	7	2 109
Chairman og the Control Committee, Frank Høyen	5	0
Other members of the Control Committee 1)	10	0
Total Control Committee	15	0
Grant Total	255	2 609

	2013	
	Payments	Loans
General manager, Britt Søfting	213	0
Total remuneration for management	213	0
Chairman of the board, Jan Erik Furunes	0	0
Lisbeth Flågeng	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

NOTE 24. TRANSACTIONS WITH RELATED PARTIES

Helgeland Boligkreditt AS is fully owned by Helgeland Sparebank. Transactions are entered between Helgeland Boligkreditt AS and Helgeland Sparebank as ordinary business transactions. This includes loans and financial derivatives as 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 in the balance sheet of Helgeland Boligkreditt AS are transferred from Helgeland Sparebank. These loans are well secured mortgages within a loan to value of 75% or less. From the transfer date, revenues and repayments are recorded in the mortgage company. In the developing phase transfers of loans to the mortgage company has been higher than the parentbank's growth, now loans are transferred about once a month. The parentbank administers the loans and a separate transfer and service agreement between Helgeland Boligkreditt AS and Helgeland Sparebank is entered into. There are guarantees from the parent bank for transferred loans.

The transfer and service agreement regulates the transfer of loans qualifying as collateral for the issuance of Covered bonds. Helgeland Boligkreditt AS pays management fees to the bank

Per 2014 there were transferred loans totaling MNOK 4,217.9. The acquisition is based on market conditions. The Main Agreement implies that Helgeland Boligkreditt AS buys services from the parent bank, including administration, bank production, distribution, customer service, IT operations, financial and liquidity management. For these services Helgeland Boligkreditt AS pays an annual management fee based on the lending volume, in addition to payment for hired staff.

Helgeland Sparebank has at the end of 2014 invested MNOK 267 (MNOK 804) in Covered Bonds issued by Helgeland Boligkreditt AS.

Helgeland Sparebank has issued guarantees related to the equity in the company.

Group contribution

Allocated group contribution in 2013 of MNOK 50.1 was paid in 2014 to Helgeland Sparebank. In allocation of profits per 31.12.14 MNOK 48.1 is set aside as group contribution to the parent bank.

Intragroup transactions	31.12.14	31.12.13
Profit and loss account		
Interest income and similar income	5 987	7 743
Interest expense and similar expense	23 051	33 406
Dividend	50 095	29 773
Management fee	11 428	12 547
Balance sheet		
Lending and claims on credit institutions	223 627	238 945
Liabilities to credit institutions	683 223	665 443
Liabilities from issue of securities	267 000	804 000

NOTE 25. RESULT PER SHARE

	31.12.14	31.12.13
Result this year	48 148	50 095
Number of shares	290 000	290 000
Average number of shares	290 000	290 000
Result per share in NOK	166	173
Diluted result per share in NOK	166	173

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

	31.12.14	31.12.13
Interest receivable and similar income	4.10 %	4.13 %
Interest payable and similar costs	2.33 %	2.40 %
Net interest- and credit commission income	1.77 %	1.73 %
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	0.31 %	0.28 %
Losses on loans, guarantees etc.	0.00 %	0.08 %
Operating profit	1.46 %	1.37 %
Result before tax	1.46 %	1.37 %
Tax payable on ordinary result	0.40 %	0.36 %
Result from ordinary operations after tax	1.06 %	1.01 %

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 2014 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, 23 February 2015

Lisbeth Flågeng
Chairman

Dag Hugo Heimstad
Deputy Chairman

Helge Stanghelle

Ranveig Kråkstad

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 2014, 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 2014, 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 and the statements on Corporate Governance and Corporate Social Responsibility

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, 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, 2 March 2015

PricewaterhouseCoopers AS

Per Erik Pedersen
State Authorised Public Accountant (Norway)

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

Report from the control committee regarding annual financial statement 2014.

There has been 6 meetings held and 19 cases treated in 2014.

The control committee has during the year supervised the company's operations in accordance to Helgeland Boligkreditt AS's regulations § 9.

The control committee has revised the board's protocols, annual report 2014 and the auditor's report without this giving any remarks.

The control committee will recommend that the profit and loss account and the balance sheet determine the company's account for 2014.

Mo i Rana 2. March 2015

Frank Høyen

Nina Lunde

OTHER KEY FIGURES

	31.12.14	31.12.13	31.12.12
Profit & Loss Account			
Gros profit (NOK 1.000)	48 148	50 094	29 773
Net interest as a % of average assets	1.77 %	1.73 %	1.07 %
Operation cost as a % of income	17.70 %	21.05 %	24.00 %
Result after tax as a % of average assets	1.06 %	1.00 %	0.59 %
Balance sheet			
Gross lending (NOK 1.000)	4 217 944	4 803 886	5 079 691
Collective write-downs as a % of lending	0.10 %	0.09 %	0.00 %
12 months growth in customer lending	-12.10 %	-5.42 %	36.20 %
Total assets (NOK 1.000 kr)	4 437 889	5 039 046	5 354 405
Average total assets	4 527 668	4 987 847	5 078 233
Solidity			
Rate of return on equity capital	14.50 %	15.40 %	12.80 %
Core tier one Capital (NOK 1.000)	293 518	293 519	293 835
Core tier one Capital ratio	16.70 %	15.11 %	14.80 %
Information on lending portfolio			
Surplus value of cover pool (NOK 1.000)	1 014 409	933 086	476 382
Surplus value of cover pool (%)	30.00 %	23.00 %	19.00 %
Indexed LTV	52.00 %	52.07 %	53.50 %
Proportion of variable-rate loans	100.00 %	100.00 %	100.00 %
Proportion of flexible mortgages*	21.00 %	20.50 %	20.40 %
Average loan value (NOK 1.000)	853	796	894
Number of loans	4 905	6 035	5 683
Remaining maturity - weighted average (year)	16.5	15.0	15.3
Seasoning - weighted average (year)	3.5	3.5	3.0

*) Calculated from the drawn amount

Elected representatives and senior management in Helgeland Boligkreditt AS

The General Meeting:

Helgeland Sparebank v/ CEO Lisbeth Flågeng.

Supervisory Board:

Thore Michalsen, Mo i Rana, Chairman.
Geir Sætran, Mo i Rana Deputy Chairman.
Øyvind Karlsen, Mo i Rana
Ann Karin Krogli, Mo i Rana
Kenneth L. Nilsson, Korgen
Svein Hansen, Møsjøen

Board of Directors:

Lisbeth Flågeng, CEO Helgeland Sparebank, Chairman
Dag Hugo Heimstad, Director of Retail Market Helgeland Sparebank, Deputy Chairman
Ranveig Kråkstad, Chief Accounting Officer, Helgeland Sparebank
Helge Stanghelle, CEO Fesil Rana Metall

Control Committee:

Frank Høyen, General Manager ProLink International - Chairman
Nina Lundel, Lawyer Statens Innkrevningssentral (National Collection Agency)
Kåre J. Åsli, self-employed

General Manager

Brit Søfting, admin.assistant, Helgeland Sparebank

Contact information

Helgeland Sparebank

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Organization no.: 937 904 029
www.hsb.no

Helgeland Boligkreditt AS

Organization no.: 993 359 696
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Investor Relations

Sverre Klausen, CFO, telephone +47 75 12 82 22
Tore Stamnes, Head of Treasury, telephone +47 75 11 90 91

Other sources:

Annual reports:

Helgeland Boligkreditt AS is part of the Helgeland Sparebank group. Annual reports are available under investor relations information at www.hsb.no

Interim reports

Quarterly reports are available at www.hsb.no