annual report 2015

helgeland boligkreditt

Helgeland Boligkreditt AS, Operations in 2015

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 became licensed as a finance company in February 2009, and may issue covered bonds. coverpool consists essentially of secured mortgages granted by Helgeland Sparebank. The bank provides services such as customer loan, management and 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 amounts are stated in thousands if not otherwise specified. Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as a covered bond issuer.

Rating

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

Result

The company's gross profit was MNOK 50.8. This is a reduction of MNOK 15.3 compared to the same period last year. Net interest- and commission earnings amounted to MNOK 63.3, compared to MNOK 80.3 in 2014. To counteract competition interest rates have been reduced several times in 2015. Compared to 2014, the interest income from the lending portefolio has been reduced by MNOK 36.0. Reduction in 3-month NIBOR has given a lower cost at borrowing. The interest costs is reduced by MNOK 19.0. Net interest became 1.42 % compared to 1.77 % in 2014. Operating costs in NOK is slightly reduced and were MNOK 12.5, compared to MNOK 14.2 in 2014.

The amount allocated for collective impairment is unchanged in 2015.

Net profit was MNOK 38.1. This gives a return on equity of 11.8%.

Key figures per 31.12.2015 (31.12.2014)

- Net profit MNOK 38.1 (48.1)
- Net interest MNOK 63.3 (80.3)
- Operation costs MNOK 12.5 (14.2)
- Return on equity 11.8 (14.5) %
- CET1 ratio 15.6 (16.7) %
- OC level 21 (30) %
- Indexed LTV 53 (52) %

Allocation of profit

The Board of Helgeland Sparebank suggests that the result for 2015 of MNOK 38.1 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 if needed.

Balance development

Total assets in Helgeland Boligkreditt AS was MNOK 4,514.1 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 4,886 mortgages, totalling MNOK 4,311.2 (4,217.9). 81.9 % of the mortgages are to customers in the Helgeland.
All mortgages have floating interest rates and 22 (21) % of the lending volume is flexi loans. The loans has been increased by MNOK 93.3 over the last 12 months.

Loans that qualify for the cover pool amounts to MNOK 4235.2 (4,150.4). Loans in the cover pool meet the requirements of the Norwegian Financial Institution Act and are secured by mortgages on real property within 75 % of appraised value. The lending portfolio is considered to be of good quality. When calculating the OC the company's substitute assets of MNOK 206.9 (223.6) 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 3,672.6 (3,394.9), as well as credit lines in Helgeland Sparebank. Covered bonds with the face value of MNOK 181 (267) are owned by the parent bank.
The company's debt in finance institutions amounts to MNOK 497 (683) 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 21 (29) %.

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 2015 has been increased by MNOK 93. Liabilities to credit institutions is reduced by MNOK 186 and Covered Bonds increased by MNOK 278.

Risk conditions and capital ratio

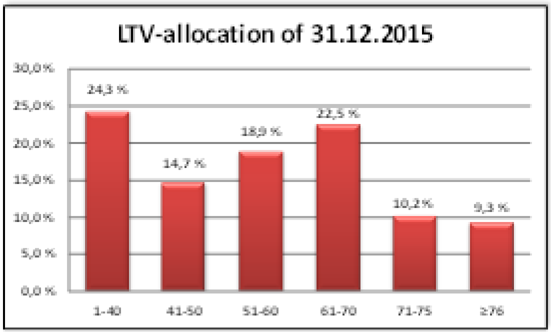
Laws and regulations for companies licensed to issue covered bonds instruct that the risk levels should be low. The company has established guidelines and frames for governing and control of various forms of risk. There is a corporate agreement between Helgeland Boligkreditt AS and Helgeland Sparebank 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 Helgeland Sparebank and establishes the framework for management objectives and risk profile. The company has had no individual write-downs or established losses. Total write-downs on groups of lending amounted to MNOK 4.1, or 0.09% of gross lending.

The Board of Helgeland Sparebank regards the quality of the loan portfolio as very good.
A potential fall in housing prices will reduce the net value of the cover pool. Quarterly stress tests are performed to calculate the effects of a 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 per 31.12.15 53 (52) %. 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 87.9 (80.1) %. 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 31.12.2015 was 15.6 (16.7) % 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.

Prospects ahead

Declining margins gives lower profits than the same period in 2014. It is expected that interest rates in the will remain low, and this will result in lower average margins that we have seen in previous years. Costs and losses in Helgeland Boligkreditt AS are however at a low level, and the board believes that the company will remain highly profitable in the future.

Growth in Helgeland Boligkreditt AS is adapted to the parent banks capital needs. There is ongoing work to facilitate further purchases of mortgages from the parent bank, as well as issuance of new bonds. This is important to maintain competitiveness in the Helgeland Sparebank group.

Competition in the retail market in Helgeland remains strong. Activity in the property and resale market was slightly weaker than normal in the fourth quarter, but has picked up again first quarter 2016. However, we expect greater differences in in activity in the region than we have seen previously. Low interest rates and continued normal activity in the housing market in most of the region still offers an expectation of growth in 2016, but lower than the growth in 2015.
Property price are stable and showed an average increase in 2015 for villas at 2.3 % - nationally at 4.4

%. Corresponding figures for apartments show a price increase of 3.9 % in Helgeland – 8.6 % nationally. It is expected a continued stable development in the property prices in the region as a whole.

Unemployment rates (completely unemployed rates) remains low and the total unemployment rates in the region by the end of 2015 is 2.4 % - this is a decline since last year when the unemployment rate was 2.6 %. Unemployment is also lower than in Nordland County which has an unemployment rate of 2.7 %. Unemployment in Norway is per 31.12.2015 of 3.0 %. The oil related supplier industry experience large variations in the activity, and this affects individual companies and the number of employed in the sector. Although Helgeland relatively speaking is not very dependent on the oil sector, parts of the region is at risk. In the Alstahaug area, this is expected to among others result in a higher unemployment rate and lower property prices.
Low oil prices and low exchange rate is however also positive for Helgeland which has a strong aquaculture industry. Salmon prices are at a high level and companies in the sector deliver very good results. Favourable exchange rates and low electricity prices is

in addition positive for large parts of the region's industrial companies. The industry is however affected by international economic conditions, uncertain picture in the long term. Favourable exchange rates are also expected to have a positive impact of the tourism in 2016. The construction of E6 Helgeland, together with other public construction projects construction industry gives high activity.

Helgeland has overall a stable and versatile labour market with a combination of solid export companies and larger public organizations, and the overall unemployment rate is expected to remain in a relatively low level.

The prospects in Norway is more uncertain and unpredictable than they have been for a long time, and even if Helgeland so far seems to have come out better than many other regions in the country, there is reason to emphasize that there is uncertainty about the future.

Mo i Rana, 23 February 2016

Lisbeth Flågeng
Chairman

Dag-Hugo Heimstad
Deputy Chairman

Helge Stanghelle

Ranveig Kråkstad

Brit Søfting
General Manager

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 covered bonds.
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 11.5 % from 1 July 2016. 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.

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 company has no option or bonus agreements. A summary of pay and benefits to senior employees appears in a note to the annual report.

Information and communication

Helgeland Boligkreditt AS is listed on the Oslo Stock Exchange as an issuer of bonds and reports dates of important events such as the publication of financial information in the form of interim reports and annual reports. Corresponding information is published on the parent bank's website.

Auditor

The supervisory board has elected PricewaterhouseCoopers as external auditor and the general meeting approves the auditor's fees.

Investigator

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

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PROFIT AND LOSS ACCOUNT (amounts in NOK 1.000)

	Note	31.12.15	31.12.14
Interest receivable and similar income	4.23	149 402	185 411
Interest payable and similar costs	4.23	86 096	105 113
Net interest- and credit commission income		**63 306**	**80 298**
			0
Commissions receivable and income from banking services		8	12
Commissions payable and costs relating to banking services		0	0
Net commission income		**8**	**12**
			0
Gains/losses on financial assets available for sale	5	0	0
Operating costs	6,22,23	12 511	14 209
Losses on loans, guarantees etc.	2	0	0
Operating profit		**50 803**	**66 101**
Result before tax		**50 803**	**66 101**
Tax payable on ordinary result	7	12 674	17 953
Result from ordinary operations after tax		**38 129**	**48 148**
			0
Yield per equity capital certificate	24	131	166
Diluted result per ECC in Norwegian currency	24	131	166
			0
Extended Income Statement		**31.12.14**	**31.12.14**
Result from ordinary operations after tax		**38 129**	**48 148**
Net extended profit or loss items	6	0	0
Total result for the period		**38 129**	**48 148**

BALANCE SHEET (amounts in NOK 1.000)

	Note	31.12.15	31.12.14
ASSETS			
Loans to and claims on credit institutions	2,3,9,10,11,17,23	206 909	223 627
Loans to and claims on customers	2,9,10,11,12,13,17	4 307 118	4 213 845
Other assets	8	90	417
Total assets		**4 514 117**	**4 437 889**
LIABILITIES AND EQUITY CAPITAL			
Liabilities to credit institutions	2,9,10,17,23	497 013	683 223
Borrowings through the issuance of securities	2,9,10,15,16,17,23	3 672 610	3 394 883
Other liabilities	8,15	12 532	17 801
Total liabilities		**4 182 155**	**4 095 907**
Paid-in equity capital	19,20,23,24	290 010	290 010
Accrued equity capital/retained earnings	19,20	41 952	51 972
Total equity capital		**331 962**	**341 982**
Total liabilities and equity capital		**4 514 117**	**4 437 889**

CHANGE IN EQUITY CAPITAL DURING THE YEAR

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.15	290 000	10	51 972	341 982
Issued new share capital				
Group contribution			-48 148	-48 148
Result			38 129	38 129
Equity capital as at 31.12.15	**290 000**	**10**	**41 952**	**331 963**

	ECC capital	Premium fund	Other ecc	Sum
Equity capital 01.01.14	290 000	10	53 918	343 928
Issued new share capital				0
Group contribution			-50 094	-50 094
Result			48 148	48 148
Equity capital as at 31.12.14	**290 000**	**10**	**51 972**	**341 982**

CASH FLOW STATEMENT

	31.12.15	31.12.14
Result of ordinary operations	50 803	66 101
Ordinary depreciation	0	0
+ Impairment and gains / losses on assets	0	0
+ Losses on loans, guarantees, etc	0	0
- Tax expense	12 674	18 457
= Provided from the year’s operations	**38 129**	**47 644**
Change miscellaneous debt: + increase/-decrease	-5 893	-459
Change miscellaneous claims: - increase/+ decrease	-256 358	-50 698
Installment loans customers	162 232	637 880
Change in liabilities to credit institutions: + increase/-decrease	-186 210	17 780
A Net liquidity change from operating activities	**-248 100**	**652 147**
Financing by issuance of secutities	1 280 275	803 714
Financing on redemption of securities	-1 000 745	-1 421 086
- Dividend paid	-48 148	-50 094
B Liquidity change from investing activities	**231 382**	**-667 466**
A+B Sum total change liquid assets	-16 718	-15 319
+ Liquid assets at the start of the period	223 627	238 945
= Liquid assets at the close of the period	206 909	223 627

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 international accounting rules (IFRS). 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.

Changes in accounting principles and information

(a) New and amended standards adopted

There are no significant new IFRS standards or interpretations which have been adopted from 1. January 2015.

(b) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are mandatory for future financial statements. Among those that the company has chosen not to early apply, are disclosed below.

■ IFRS 9 Financial instruments concerns classification, measurement and recognition of financial assets and liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. Under IFRS 9, financial assets should classify into three categories: fair value through extended income statement, fair value over the result and amortized cost. Measurement category is determined on initial recognition of the asset. The classification depends of the entity's business model for managing its financial instruments and the characteristics of the cash flows from each instrument. Equity instruments must initially be measured at fair value. The enterprise may choose to present value change in the extended income statement, but the choice is binding and the by a later sale, gain/loss cannot be reclassified to income. Impairment due to credit risk will now enter calculated based on expected loss rather than the current model where loss must be incurred. For financial liabilities the standard is continuing the requirements in IAS 39. The biggest change is that in cases where the fair value option is adopted for financial liability, changes in fair value due to changes in own credit risk should be recognized in the extended income statement. IFRS 9 simplifies the requirements for hedge accounting by linking hedging effectiveness closer to the risk management and provides greater room for consideration. Meanwhile, hedge documentation is still required.
The standard is effective for 2018, but early adoption is permitted. The HSB group still has not fully assessed the impact of IFRS 9.
The company expects that the changes in the treatment of losses on loans and guarantees may be significant. The company has not completed this assessment. IFRS 9 is not yet approved by the EU.

There are no other standards or interpretations that are not yet effective as expected to generate a significant impact of the company's financial statements.

Financial instruments

The company defines its financial assets and liabilities within the following classes:

- Securities issued and subordinated loan capital
  - Securities issued at floating rates of interest
- Loan to and claims on costumers
  - Loan 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.

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.

All loans are p.t FRN.

Loans to customers

The company has defined its market area (Helgeland) as one segment.
Loans at floating rates of interest are measured at amortised cost in compliance with IAS 39. The amortised cost is the purchase cost less repayments on capital, plus or minus cumulative amortisation resulting from an effective interest method, less any amount for impairment. Loans at amortised cost, including accrued interest, reflect the value in the balance sheet. Interest income on loans to customers is recognised as income under net interest. When loans are first recognised in the balance sheet, they are valued at fair value.

All loans are p.t FRN.

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 accounted as commission, but is included in the calculation of effective interest and recognized equivalent.

Cash and cash equivalents

Cash and cash equivalents are consist of cash, bank deposits, other short-term highly liquid investments with maturities of three months or less and bank overdrafts.

Provisions

Provisions are included in the accounts when the company has a currently valid obligation (legal or

assumed) as a result of events, which have occurred, and when it is more likely than not that a financial settlement as a result of the obligation will take place, and when the size of the amount involved can be reliably estimated.
Provisions are reviewed on each balance sheet date in question, the level reflecting the best estimate of the obligation. When the effect of time is insignificant, the provisions will be equal to the amount of the cost required in order to be free of the obligation. When the effect of time is significant, the provisions will be equal to the present value of the future cash payments needed to meet the obligation.
In cases where there are several obligations of the same kind, the likelihood of the obligation resulting in a settlement is determined by assessing the group as a whole. Provisions for the company are included in the accounts even if the likelihood of a settlement relating to the company's individual elements may be low.

Tax
Deferred tax is calculated on all temporary differences between accounts-related and tax-related balance sheet values according to the currently applicable tax rate at the end of the period (the liabilities method). Tax-increasing temporary differences include a deferred tax liability, and tax-reducing, temporary differences, together with any loss to be carried forward, include a possible deferred tax benefit. Deferred tax benefit is shown in the balance sheet when it is likely that in the future there will be taxable income against which the deferred tax benefit can be used.

The tax cost in the profit and loss account comprises both the period's payable tax and any change in deferred tax. The change in deferred tax reflects future payable taxes which are incurred as a result of the operations during the year.

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 CAPITAL MANAGEMENT AND RISK CONDITIONS

Organization and authorizations
The board of Helgland Boligkreditt AS sets long-term goals for the company's risk profile that is matched against the HSB group's risk targets. The risk profile is operationalized through the risk management framework, including authorizations.

Monitoring and use
Reporting risk in the company should ensure that all managers have the necessary information current risk levels and future development. To ensure quality and sufficient independence, risk reporting is organized and led by units that are independent for the operative units. Capital evaluation; 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 in Helgeland Boligkreditt AS

- Credit risk is the risk for losses due to the company's counterparties/customers to meet their payment obligations.
- Liquidity risk is the risk that the company not complies with its payment obligations.
- Operational risk is the risk for losses due to deficiencies or errors in processes and systems, errors made by employees or external events.
- Business risk is the risk for loss due to changes in external factors such as market conditions or government regulations. The risk also includes reputational risk.

The HSB group employs a total risk model to quantify risk through calculation for the individual risk categories and for the HSB group's overall risk in the business areas, hereunder also in the individual group companies including Helgeland Boligkreditt AS. The capital requirement shall among others cover unexpected losses that may arise in business. ICAAP calculation is carried out separately for Helgeland Boligkreditt AS.

The company has a target for core capital ratio of 12.5 %.

It is landed a basic agreement with Helgeland Sparebank which covers operational risk.
In addition it is signed a number of underlying supply agreements with the parent bank which includes services relating administration, bank production and IT operations.
The company has no currency exposure.

NOTE 2.1 CREDIT RISK

Overall, the credit risk of the company is characterized as low, average LTV per 31.12.15 was 53 % (52 %).

NOTE 2.1.1 CREDIT EXPOSURE

Balance items	**31.12.15**	**31.12.14**
Loans to and claims on credit institutions	206 909	223 627
Loans to and claims on customers	4 307 118	4 213 845
Lending to and claims on customers, to amortized cost	**4 514 027**	**4 437 472**
Leding to customers at fair value	0	0
Lending to and claims on customers, at fair value	**0**	**0**
Potetntial exposure to credit lines	402 425	328 594
Total credit exposure, balance items	**402 425**	**328 594**
Unallocated credit limit	2 502 987	2 316 777
Total credit exposure, off-balance sheet	**2 905 412**	**2 645 371**
Total credit exposure	**7 419 439**	**7 082 843**

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 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. The change in the allocation of risk from 2014 is marginal.

Risk classification is based on economics; security coverage is not taken into account.

				31.12.15
	Gross lending	Guarantees	Potential exposure	Total exposure
	Behavior score			
Personal customers retail				
Low risk	3 742 658		385 340	4 127 998
Medium risk	445 343		6 912	452 255
High risk	26 722			26 722
Total personal customers retail	**4 214 723**	**0**	**392 252**	**4 606 975**
Corporate retail				
Low risk	87 672		9 721	97 393
Medium risk	7 798		452	8 250
High risk	1 025			1 025
Total corporate retail 1)	**96 495**	**0**	**10 173**	**106 668**
Total	**4 311 218**	**0**	**402 425**	**4 713 643**

				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			940
Total corporate retail	**96 077**	**0**	**5 384**	**101 461**
Total	**4 217 945**	**0**	**328 594**	**4 546 539**

Secured; LTV distribution	**31.12.15**	**31.12.14**
1-40	24.3 %	25.4 %
41-50	14.7 %	14.8 %
51-60	18.9 %	20.3 %
61-70	22.5 %	21.2 %
71-75	10.2 %	10.2 %
>76	9.3 %	8.1 %
Total LTV	**53 %**	**52 %**

NOTE 2.1.3 DOUBTFUL LOANS AND COMMITMENTS

Defaulted commitments	31.12.15	31.12.14
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	31.12.15	31.12.14
1-29 days	0	0
30-59 days	0	856
60-89 days	0	0
> 90 days	0	0
Total disordered loans without impairments	**0**	**856**

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 (3-month 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 1 percentage point's parallel shift in the entire interest rate curve.

Interest rate risk at 31.12.15 is MNOK -0,5 (MNOK -0.9) and is well within the company's target requirements of MNOK 5.

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 perionds until next interest rate re-fix							31.12.15
	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		206 909					206 909
Net loans to and claims on customers		4 307 118					4 307 118
Other non-int-bearing assets						90	90
Total assets	**0**	**4 514 027**	**0**	**0**	**0**	**90**	**4 514 117**
Liabilities and EQ. CAP							
Liabilities to credit inst. With no agreed maturity				497 013			497 013
Borrowings through the issuance of securities		3 672 610					3 672 610
Other non-int-bearing liabilities						12 532	12 532
Total liabilities	**0**	**3 672 610**	**0**	**497 013**	**0**	**12 532**	**4 182 155**
Net int rate sensitivity gap	**0**	**841 417**	**0**	**-497 013**	**0**	**-12 442**	**331 962**

Interest rate risk- remaining perionds until next interest rate re-fix							31.12.14
	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		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						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**

NOTE 2.2.2 FINANCIAL DERIVATIVES

As of 31.12.15 (31.12.14), 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.

Overall, Helgeland Boligkreditt AS' liquidity situation per 31.12.15 is considered good. Share of long-term financing with maturities over one year is 87.9 % (80.1 %).

NOTE 2.3.1 LIQUIDITY RISK, MATURITY

Funding risk. Remaing periods							31.12.15
	0-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	No Remaining	Totalt
Liabilities to credit institutions				512 479			512 479
Borrowings through the issuance of secuti	0	489 138	1 819 701	1 849 771	0		4 158 610
Financial derivatives gross settlement						12 532	12 532
Total payments	**0**	**489 138**	**1 819 701**	**2 362 250**	**0**	**12 532**	**4 683 621**
Loans to and claims on credit institutions		210 912					210 912
Loans to and claims on customers	37 668	111 962	1 356 502	236 250	2 933 568		4 675 950
Total payments	**37 668**	**111 962**	**1 356 502**	**236 250**	**2 933 568**		**4 886 862**
Net	-37 668	166 264	463 199	2 126 000	-2 933 568	12 532	-203 241

Funding risk. Remaing 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 secuti	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**	**338 574**	**1 249 880**	**279 419**	**2 970 948**		**4 874 897**
Net	185 924	508 650	-180 666	2 066 779	-2 631 961	17 734	-33 540

Gross settlement (including interest payments).

The company has 2.5 (2.3) bn. in unutilized drawings in the parent bank.

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.

	31.12.15	31.12.14
Personal retail	4 214 634	4 121 716
Corporate retail	96 584	96 228
Total	**4 311 218**	**4 217 944**
Collective write-downs	-4 100	-4 100
Total	**4 307 118**	**4 213 844**

Geographical exposure within the loan portfolio	31.12.15	%
Helgeland	3 532 044	81.9 %
Areas other than Helgeland	769 983	17.9 %
International 1)	9 191	0.2 %
Total	**4 311 218**	**100 %**

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 %**

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

NOTE 4. NET INTEREST INCOME

Specifications of income:	31.12.15	31.12.14
Interest income of lending to and claims on credit institutions	3 505	5 987
Interest income of lending to and claims on customers	145 897	179 424
Total interest income	**149 402**	**185 411**

Interest expense on liabilities to credit institutions	15 466	18 642
Interest expense on issued securities	70 630	86 471
Other interest expenses	0	0
Total interest expenses	**86 096**	**105 113**
Net interest income	**63 306**	**80 298**

NOTE 5. NET CHANGE IN VALUE OF FINANCIAL INSTRUMENTS

There is no effect of financial instruments in 2015 or 2014.

NOTE 6. OPERATING COSTS

Specification of costs:	31.12.15	31.12.14
Management fee and wage general manager	9 834	11 474
Other administration costs	0	0
Total wages and administration costs	**9 834**	**11 474**
Other operating costs	2 677	2 735
Total operating costs	**12 511**	**14 209**
Number of FTEs	**0.4**	**0.4**

Specification of costs auditing	31.12.15	31.12.14
Audit fees	120	113
Assistance audit	181	251
Total costs audition	**301**	**364**

NOTE 7. TAX

	31.12.15	31.12.14
Tax for the year:		
Tax payable	13 002	17 734
Insufficent provision previous year	0	333
Change in deferred tax (note 8)	-328	-113
Tax cost for the year	**12 674**	**17 954**

Breakdown between accounts-related result before tax and the year's income liable to tax		
Accounts-related result before tax	50 803	66 101
Permanent differences	0	0
Change in temporary differences (note 8)	-1 436	-419
Income subject to tax	**49 367**	**65 682**

NOTE 8. DEFERRED TAXES

Deferred tax / Deferred tax benefit	31.12.15	31.12.14
Positive temporary differences:		
Positive temporary differences:	0	0
Total positive temporary differences	**0**	**0**
Negative temporary differences		
Change in value of cover bonds at amortizied cost	2 979	1 543
Total negative temporary differences	**2 979**	**1 543**
Losses carried forward	0	0
Total negative temporary differences	**2 979**	**1 543**
Deferred tax asset	0	0
Deferred tax	-745	-417

Reconciliation of tax	31.12.15	31.12.14
Accouting profit before tax	50 803	66 101
Tax calculated at the entity's weighted average tax	13 329	17 734
Tax effect of:		0
Tax-free income	0	-113
Adjustment from previous year	-655	333
Taxes in the income statement	**12 674**	**17 954**

Weighted average tax rate in 2015 is 27 % (2014 is 27 %)

NOTE 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

				31.12.15
	Loand and claims	Assets to real value through Profit and loss account	Avalible for sale	Total
Lending to and claims on credit institutions	206 909			206 909
Lending to and claims on customers	4 307 118			4 307 118
Total assets	**4 514 027**	**0**	**0**	**4 514 027**

31.12.15	Orher financial commitment	Commitment to real value through profit and loss acc	Total
Liabilities to creditinst. With agreed maturity *)	497 013		497 013
Liabilities from issuance of securities	3 672 610		3 672 610
Total liabilities	**4 169 623**	**0**	**4 169 623**

*) The debt is entirely related to Helgeland Sparebank.

The Company has a credit facility (with maturity> one year) of MNOK 1,500. Per 31.12.15 unused credit was MNOK 1 003.

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.

				31.12.14
	Loand and claims	Assets to real value through Profit and loss account	Avalible for sale	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**

31.12.14	Orher financial commitment	Commitment to real value through profit and loss acc	Total
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 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.

NOTE 10. LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

	31.12.15	31.12.14
Liabilities to credit institutions without agreed maturity	206 909	223 627
Total loans to and liabilities to credit institutions	**206 909**	**223 627**

Geographic areas	31.12.15	%
Total Helgeland	**206 909**	**100.0 %**

Entirely deposits in Helgeland Sparebank.

NOTE 11. LOANS AND AMORTIZATION

Lending	31.12.15	31.12.14
Gross lending to customers	**4 311 218**	**4 217 945**
Individual write-downs on lending	0	0
Lending to customers after individual write-downs	**4 311 218**	**4 217 945**
Collective write-downs	4 100	4 100
Lending to and claims on customers, to amortized cost	**4 307 118**	**4 213 845**

NOTE 12. DISTRIBUTION LOANS

	31.12.15	31.12.14
Loans secured by residential property	4 306 731	4 211 977
Accrued interest	4 487	5 967
Total	**4 311 218**	**4 217 944**

NOTE 13. WARRANTIES AND LIABILITIES

The company has no such obligations.

NOTE 14. LIABILITIES

	31.12.15	31.12.14
Loans and deposits at credit institutuons with afreed maturity")	497 013	683 223
Liabilities to credit institutions	**497 013**	**683 223**
Bond debt	3 672 610	3 394 883
Liabilities securities	**3 672 610**	**3 394 883**
Tax liabilities	11 931	17 734
Other liabilities	14	67
Total ather liabilities	**11 945**	**17 801**
Total liabilities	**4 181 568**	**4 095 907**

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

NOTE 15. FINANCIAL LIABILITIES INCURRED THROUGH ISSUANCE OF SECURITIES (COVER BONDS)

Liabilities through issuance of securities are valued at amortized cost.

Covered bonds:

ISIN code	Curren	Par value	Own hold.		Interest	Admission	Maturity	Soft call	31.12.15
NO0010686710	NOK	500 000		Flytende	3mnd. Nibor+0,50	2013	2019	2020	500 847
NO0010709355	NOK	500 000		Flytende	3mnd. Nibor+0,40	2014	2020	2021	500 860
NO0010592553	NOK	500 000	45 000	Flytende	3mnd. Nibor+0,58	2010	2016	2017	454 138
NO0010623978	NOK	300 000	170 000	Flytende	3mnd. Nibor+0,67	2011	2017	2018	130 774
NO0010645963	NOK	500 000		Flytende	3mnd. Nibor+1,00	2012	2017	2018	500 890
NO0010660640	NOK	300 000	15 000	Flytende	3mnd. Nibor+0,85	2012	2018	2019	285 430
NO0010740673	NOK	500 000		Flytende	3mnd. Nibor+0,40	2015	1920	1921	499 191
NO0010724065	NOK	500 000		Flytende	3mnd. Nibor+0,30	2014	2021	2022	499 720
NO0010748601	NOK	300 000		Flytende	3mnd. Nibor+0,70	2015	2019	2020	300 760
Total listed covered bonds									**3 672 610**

Issue NO0010592553 MNOK 31, NO0010686710 MNOK 50 and NO0010724065 MNOK 100,

Total MNOK 181.All loans have soft call one year before maturity.

ISIN code	Curren	Par value	Own hold.		Interest	Admission	Maturity	Soft call	31.12.2014
NO0010628431	NOK	300 000		Flytende	3mnd. Nibor+0,80	2011	2015	2016	301 790
NO0010686710	NOK	500 000		Flytende	3mnd. Nibor+0,50	2013	2019	2020	502 500
NO0010709355	NOK	500 000		Flytende	3mnd. Nibor+0,40	2014	2020	2021	500 450
NO0010592553	NOK	500 000		Flytende	3mnd. Nibor+0,58	2010	2016	2017	500 387
NO0010623978	NOK	300 000	170 000	Flytende	3mnd. Nibor+0,67	2011	2017	2018	130 257
NO0010635253	NOK	200 000	100 500	Flytende	3mnd. Nibor+0,75	2012	2015	2016	99 940
NO0010645963	NOK	500 000		Flytende	3mnd. Nibor+1,00	2012	2017	2018	500 806
NO0010660640	NOK	300 000	15 000	Flytende	3mnd. Nibor+0,85	2012	2018	2019	284 562
NO0010571573	NOK	500 000	225 000	Flytende	3mnd. Nibor+0,65	2010	2015	2016	274 656
NO0010724065	NOK	300 000		Flytende	3mnd. Nibor+0,30	2014	2021	2022	299 535
Total listed covered bonds									**3 394 883**

Issue NO; NO0010628431 MNOK 30, NO0010686710 MNOK 100, NO10709355 MNOK 100,

NO0010635253 MNOK 17 and NO0010571573 MNOK 20, totalt MNOK 267.

	31.12.15	31.12.14
Total listed bonds	**3 672 610**	**3 394 883**
Loans secured by property	4 235 172	4 150 418
Claims that constitutes cover pool	206 909	223 626
Total cover pool	**4 442 081**	**4 374 044**
Cover pool capacity utilization	769 471	979 161
Cover pool capacity utilization %	21 %	29 %

Collateral assembly is defined in the Financial Institutions Act § 2.28.

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

NOTE 16. 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 17. BALANCE SHEET DIVIDED IN SHORT AND LONG TERM

	31.12.15	31.12.14
ASSETS		
Loans to and claims on credit institutions	206 909	223 627
Loans to and claims on customers	149 110	145 610
Total short term assets	**356 019**	**369 237**
Loans to and claims on customers	4 158 098	4 068 652
Total long term assets	4 158 098	4 068 652
Total Assets	**4 514 117**	**4 437 889**
LIABILITIES AND EQUITY CAPITAL		
Other liabilities	12 532	17 802
Borrowings through the issuance of securities	454 138	674 411
Total short term liabilities	**466 670**	**692 213**
Liabilities to credit institutions	683 223	683 223
Borrowings through the issuance of securities	3 032 261	2 720 470
Total long term liabilities	**3 715 484**	**3 403 693**
Total liabilities	**4 182 154**	**4 095 906**
Paid-in equity capital	290 010	290 010
Accrued equity capital/retained earnings	41 953	51 971
Total equity capital	**331 963**	**341 981**
Total liabilities and equity capital	**4 514 117**	**4 437 887**

NOTE 18. SUBORDINATED LOANS

The company has no subordinated loans per 31.12.15 or 31.12.14.

NOTE 19. CAPITAL ADEQUACY

The capital adequacy is prepared from regulations CRD IV/Basel III (standard method credit risk).

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	31.12.15	31.12.14
Total paid-in capital	**290 010**	**290 010**
Total accrued equity capital/retained earnings	**41 953**	**51 971**
Additional	0	0
Deduction	38 129	48 463
Total core capital	**293 834**	**293 518**
Total net supplementary capital	0	0
Total net equity and related capital	**293 834**	**293 518**
Weighted asset calculation basis	1 885 712	1 757 385
Capital adequacy ratio	15.58 %	16.70 %
Of which core capital accounted for	15.58 %	16.70 %

Share capital is unchanged in 2015 at MNOK 290. Helgeland Sparebank is the sole shareholder.

NOTE 20. CAPITAL ADEQUACY REGULATIONS BASEL II

	31.12.15	31.12.14
States and central banks	0	0
Local and regional authorities (including municipalities)	0	0
Publicly owned enterprises	0	0
International organizations	0	0
Institutions	41 382	44 725
Enterprises	0	0
Mass market loans	70 219	78 571
Loans secured by real property	1 546 333	1 495 410
Loans overdue	0	0
High risks	0	0
Covered bonds	0	0
Units in securities funds	0	0
Other loans and commitments	86 035	600
Capital requirement credit risk	**1 743 969**	**1 619 306**
Capital requirement operational risk 1)	141 743	138 079
Deduction from capital requirement	0	0
Total capital requirement	**1 885 712**	**1 757 385**

NOTE 21. 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 22. REMUNERATION AND LOANS FOR THE GENERAL MANAGER AND BOARD

		2015
	Payments	**Loans**
General manager, Britt Søfting	226	0
Total remuneration for management	**226**	**0**
Chairman of the board, Lisbeth Flågeng	0	0
Dag Hugo Heimstad	0	0
Helge Stanghelle	20	0
Ranveig Kråkstad	0	0
Total boards of Directors	**20**	**0**
Chairman Board of trustees, Thore Michalsen	10	0
Geir Sætran	0	0
Øyvind Karlsen	0	2 000
Ann Karin Krogli	0	1 638
Kenneth Lyngseth Nilsson	0	0
Svein Hansen	0	0
Total Board of trustees	**10**	**3 638**
Chairman og the Control Committee, Frank Høyen	5	0
Other members of the Control Committee	10	0
Total Control Commitee	**15**	**0**
Grant Total	**271**	**3 638**

	Payments	2014 Loans
General manager, Britt Søfting	195	0
Total remuneration for management	**195**	**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 Commitee	**15**	**0**
Grant Total	**237**	**2 609**

NOTE 23. 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 2015 there were transferred loans totaling MNOK 4 311. 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 2015 invested MNOK 181 (MNOK 267) in Covered Bonds issued by Helgeland Boligkreditt AS.

(Note 2.3 drawings I the parent bank).

Group contribution

Allocated group contribution in 2014 of MNOK 48.1 was paid in 2015 to Helgeland Sparebank. In allocation of profits per 31.12.15 MNOK 38.1 is set aside as group contribution to the parent bank.

Intragroup transactions	**31.12.15**	**31.12.14**
Profit and loss account		
Interest income and similar income	3 505	5 987
Interest expense and similar expense	15 466	23 051
Dividend	48 148	50 095
Management fee	9 783	11 428
Balance sheet		
Lending and claims on credit institutions	206 909	223 627
Liabilities to credit institutions	497 013	683 223
Liabilities from issue of securities	181 000	267 000

NOTE 24. RESULT PER SHARE

	31.12.15	**31.12.14**
Result this year	38 129	48 148
Number of shares	290 000	290 000
Average number og shares	290 000	290 000
Result per share in NOK	131	166
Diluted result per share in NOK	131	166

NOTE 25. EVENTS AFTER THE BALANCE SHEET DATE

The company is not aware of any post balance sheet events that will affect the financial statements.
Ongoing legal disputes: Helgeland Boligkreditt AS has not been involved in administrative matters, court proceedings or arbitrament the last 12 months, the company is not aware of any pending or threats which include such matters that may have or recently have had a significant impact on the company's financial position or profitability.

NOTE 26. RESULT IN PERCENT OF AVERAGE TOTAL ASSETS

	31.12.15	**31.12.14**
Interest receivable and similar income	3.35 %	4.10 %
Interest payable and similar costs	1.93 %	2.33 %
Net interest- and credit commission income	**1.42 %**	**1.77 %**
Commissions receivable and income from banking services	0.00 %	0.00 %
Commissions payable and costs relating to banking services	0.00 %	0.00 %
Net commission income	**0.00 %**	**0.00 %**
Operating costs	0.28 %	0.31 %
Losses on loans, guarantees etc.	0.00 %	0.00 %
Operating profit	**1.14 %**	**1.46 %**
Result before tax	1.14 %	1.46 %
Tax payable on ordinary result	0.28 %	0.40 %
Result from ordinary operations after tax	**0.86 %**	**1.06 %**

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 2015 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 2016

Lisbeth Flågeng
Chairman

Dag-Hugo Heimstad
Deputy Chairman

Helge Stanghelle

Ranveig Kråkstad

Brit Søfting
General Manager

Report from the control committee regarding annual financial statement 2015.

There has been 5 meetings held and 16 cases treated in 2015.

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 2015 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 2015.

Mo i Rana 4. March 2016

Frank Høyen	Nina Lunde	Kåre Åsli

OTHER KEY FIGURES

	31.12.15	31.12.14	31.12.13
Profit & Loss Account			
Gros profit (NOK 1.000)	38 129	48 148	50 094
Net interest as a % of average assets	0	1.77 %	1.73 %
Operation cost as a % of income	0	17.70 %	21.05 %
Result after tax as a % of average assets	0	1.06 %	1.00 %
Balance sheet			
Gross lending (NOK 1.000)	4 311 218	4 217 944	4 803 886
Collective write-downs as a % of lending	0	0.10 %	0.09 %
12 months growth in customer lending	0	-12.10 %	-5.42 %
Total assets (NOK 1.000 kr)	4 514 117	4 437 889	5 039 046
Average total assets	4 455 209	4 527 668	4 987 847
Solidity			
Rate of return on equity capital	0	14.50 %	15.40 %
Core tier one Capital (NOK 1.000)	293 834	293 518	293 519
Core tier one Capital ratio	0	16.70 %	15.11 %
Information on lending portfolio			
Surplus value of cover pool (NOK 1.000)	769 471	1 014 409	933 086
Surplus value of cover pool (%)	0	30.00 %	23.00 %
Indexed LTV	1	52.00 %	52.07 %
Propotion of variable-rate loans	1	100.00 %	100.00 %
Propotion of flexible mortgages*)	0	21.00 %	20.50 %
Average loan value (NOK 1.000)	872	853	796
Number of loans	4 886	4 905	6 035
Remaining maturity - weighted average (year)	16	16.5	15.0
Seasoning - weighted average (year)	4	3.5	3.5

*) 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, Mosjøen

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

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Address: PO Box 68, N-8601 Mo i Rana
Organization no.: 937 904 029
www.hsb.no

Helgeland Boligkreditt AS
Organization no.: 993 359 696
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Investor Relations
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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