

Presentation for the 1st quarter 2014

med  for
HELGELAND



Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Jan Erik Furunes
Chief Executive Officer



Lisbeth Flågeng
Deputy Chief Executive Officer



Inger Lise Strøm
Chief Financial Officer

Presentation for the 1st quarter 2014 (group)

Main features

Developments

Profit and loss

Balance

Lending

Deposits

Funding

Solidity

Summary

Appendices

Main features 1st quarter

Results

Good basic operation – gross profit MNOK 66 (51)

- Net interest increased by MNOK 18
- Net commissions increased by MNOK 2
- Operating cost increased by MNOK 3
- Losses on loans increased by MNOK 5
- Return on financial investments increased by MNOK 3

Profitability

Improved return on equity 9,9 (8,4) %

Solvency

Strengthened capital adequacy – core tier one 12,2 (11,4) % – Capital ratio 15,9 (13,1) %

Funding

Good and long-time funding – official rating is strengthening the position in the capital market

Main features 1st quarter

Lending

Reduced 12-month growth 3,3 (9,0) % – in line with the Bank's instruments due to increased capital requirements

- Personal market 6,1 (11,7) %
- Corporate market -1,6 (4,7) %

Deposits

Increased 12-month growth 14,4 (8,0) % – deposit coverage 63,1 (57,0) % due to new savings product and win municipal bidding

- Personal market 6,3 (9,4) %
- Corporate market 29,7 (5,5) %

Official rating by Moody's

Helgeland Sparebank Baa2

OMF-program Helgeland Boligkreditt Aaa

Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Helgeland – rich on natural resources

Horisont Nord-Norge

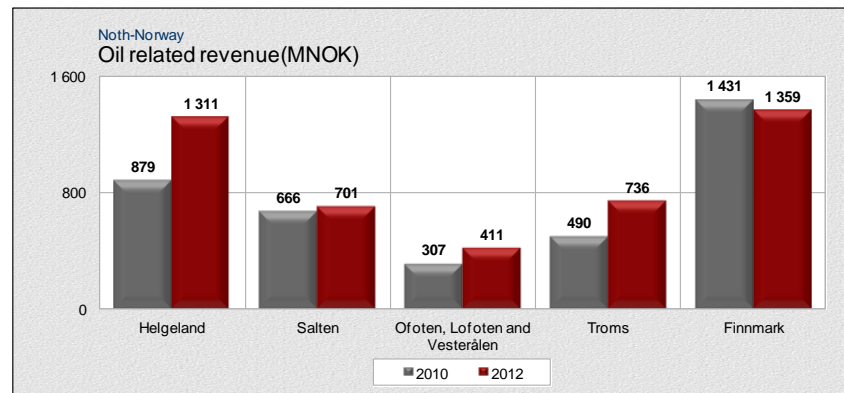
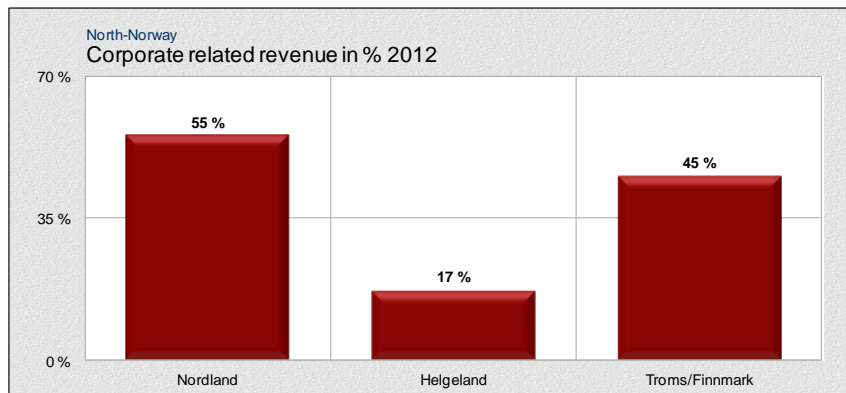
Helgeland is the
Industrial center in North

- Process- and engineering industry
 - Power Generation
 - Aquaculture
- Oil and gas activity

The region is also host to several
large state enterprises



Helgeland – increased value added



Business-related revenue

The greatest value in Northern Norway in terms of corporate related sales are made in Nordland by 55%

Helgelands share is 17 %.

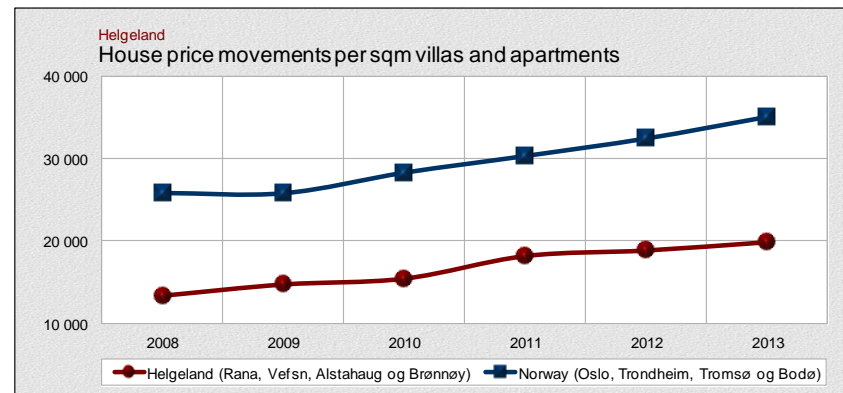
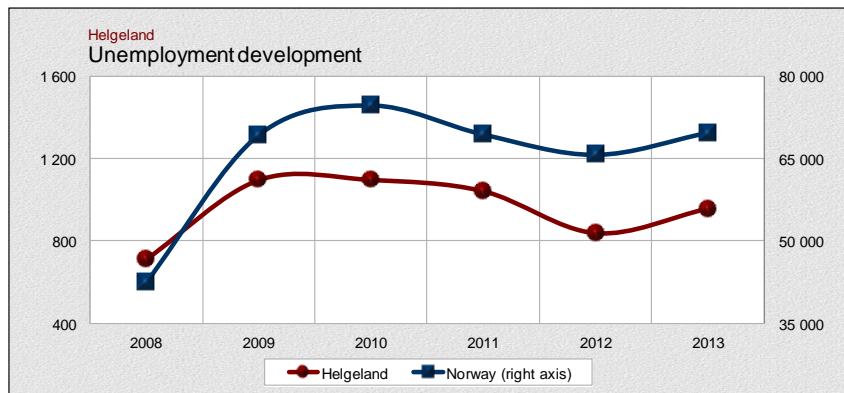
Companies in Nordland account for 65% of export values in the north where metals constitutes 94% and 50% seafood.

Oil-related revenue

The greatest value in northern Norway, measured in oil-related sales are made in Helgeland with MNOK 1.311 and in Finnmark MNOK 1.359

The largest growth in the offshore supply industry is in Helgeland and no other regions in the north has a growth of similar size.

Helgeland – less vulnerable



Unemployment Development

Unemployment and Development level at Helgeland is lower than the average in Norway and the vulnerable lower too.

This can be attributed to a diverse labor from export-oriented industries (metals and seafood) via private services (Evry Card Services) to large state-owned enterprises (Brønnøysundregistrene, National Library, etc.)

House price development

House price developments and the level is lower in Helgeland than the average of Oslo, Trondheim, Tromsø and Bodø.

Fall height at the interest rate increase is less in Helgeland as income level is relatively similar across the country. Average house price per square meter in the cities of Helgeland is 19,000 compared with the Tromsø 32,000 NOK

HSB – only non-aligned bank

Horisont Nord-Norge

Two **financial center** in north
with Headoffice in the district

- SB 1 NN: Tromsø
- HSB: Mo i Rana

Five smaller bank's: Eika

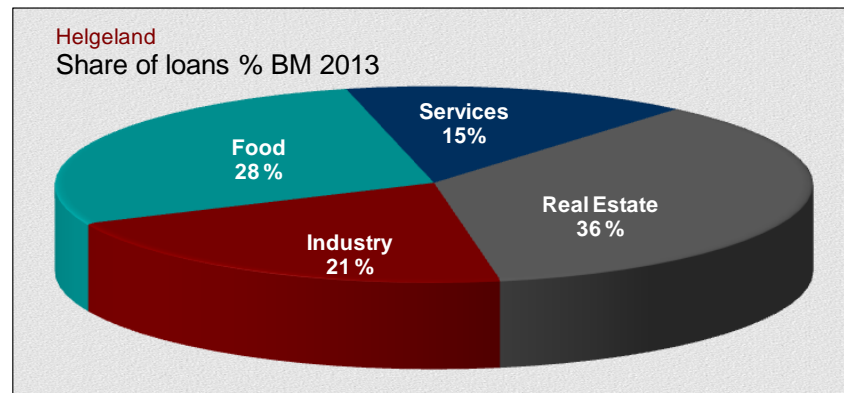
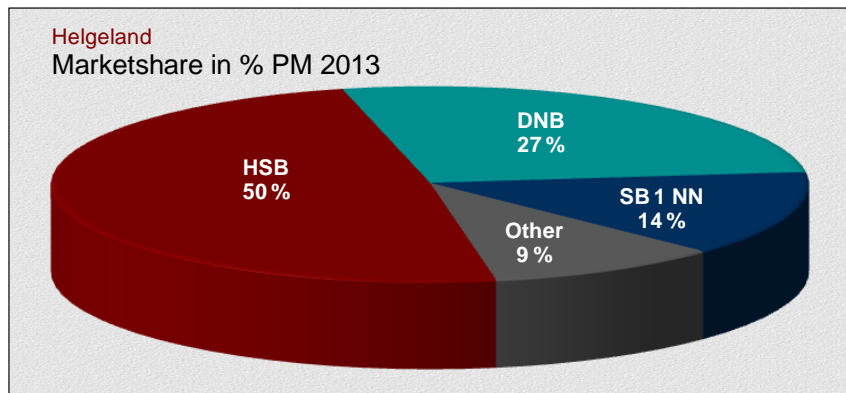
Nordlandsbanken: Taken over by DNB

Aligned: SB 1 and Eika (Terra)

Only non-aligned bank: HSB



HSB – solid market position



Marketshare

HSB has a market share of 50% in the retail market and about 60% in the corporate market.

The Bank has also been a leader in insurance by 21%.

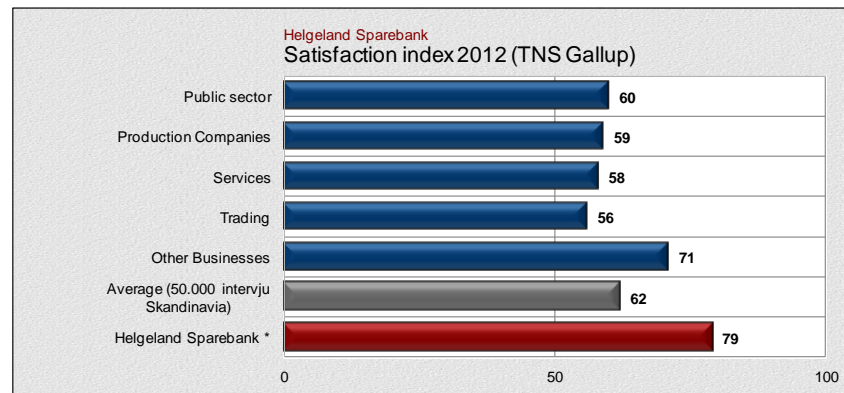
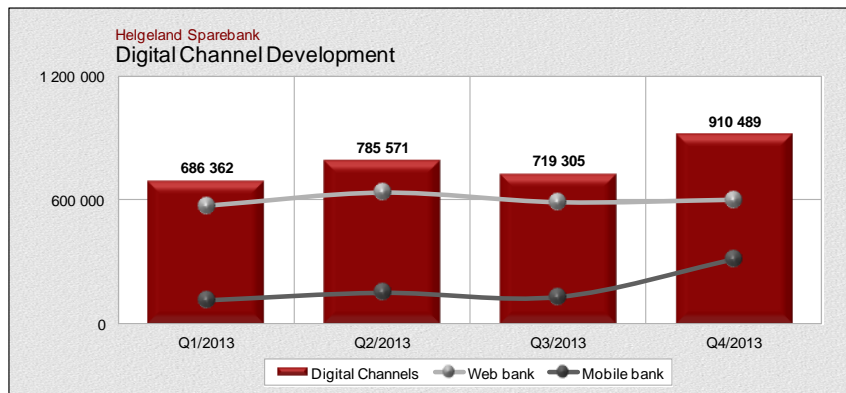
Some market share is lost due. reduced lending and prioritization of profitability and financial strength.

The lending ratio

HSB has a solid position in the business market and are well diversified in different industries.

The largest export companies and offshore companies with business address outside Helgeland have with their banking connections to Helgeland. The bank has a strong foothold in the SME market and with business address at Helgeland.

HSB – digital focusing and employee satisfaction



Digital channel development

HSB has prioritized investment limits stronger in the direction of digital solutions and the Bank continuously monitors changes in customer behavior.

In the fall, the bank launched a new mobile banking which immediately increased activity via digital channels. The Bank cooperates through B5 for new innovative IT solutions.

Satisfaction index

HSB is among the top of scandinavian firms with high job satisfaction among employees according to a survey compiled by TNS Gallup

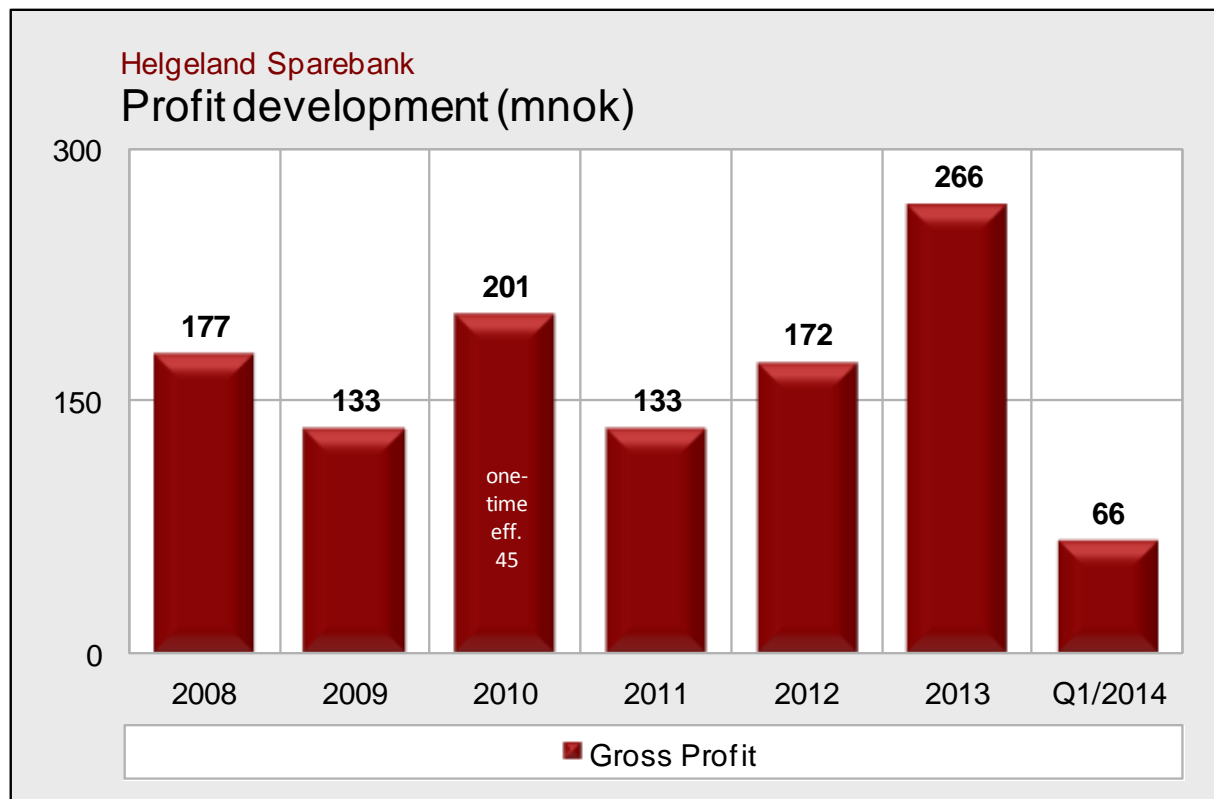
Sick leave was last year historic low of 3.6% since the merger in 2005 and has declined steadily from 2010, when sickness absence was all of 6.7%. This is also good economy.

Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Profit & loss



Kommentar

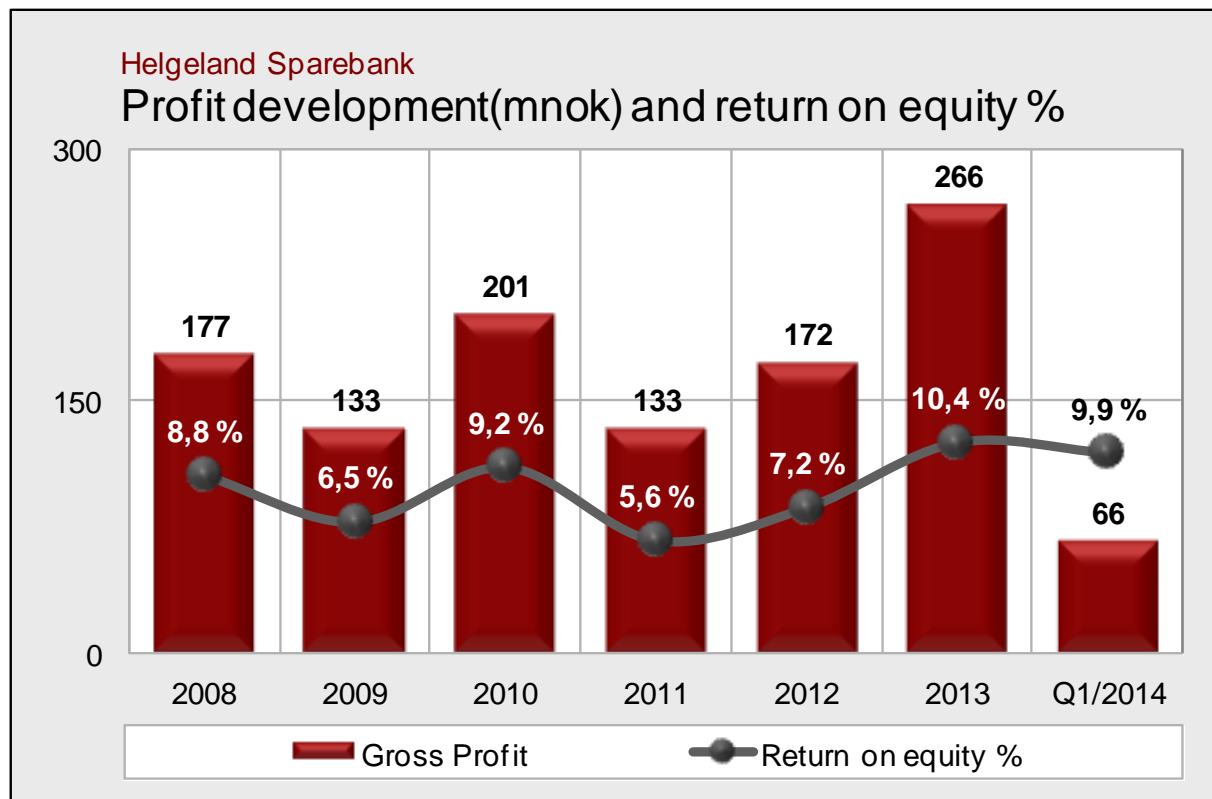
Historically good result in 2013 based only on core operations

The improvement from 2011 to 2013 is exactly 100 %

Uncertainties ahead

- Relief BM-engagement
- Increased price competition
- Effect of interest rate reduction
- Increased payroll tax 01.07
- Effect of official rating

Profit & loss



Kommentar

Historically good result in 2013 based only on core operations

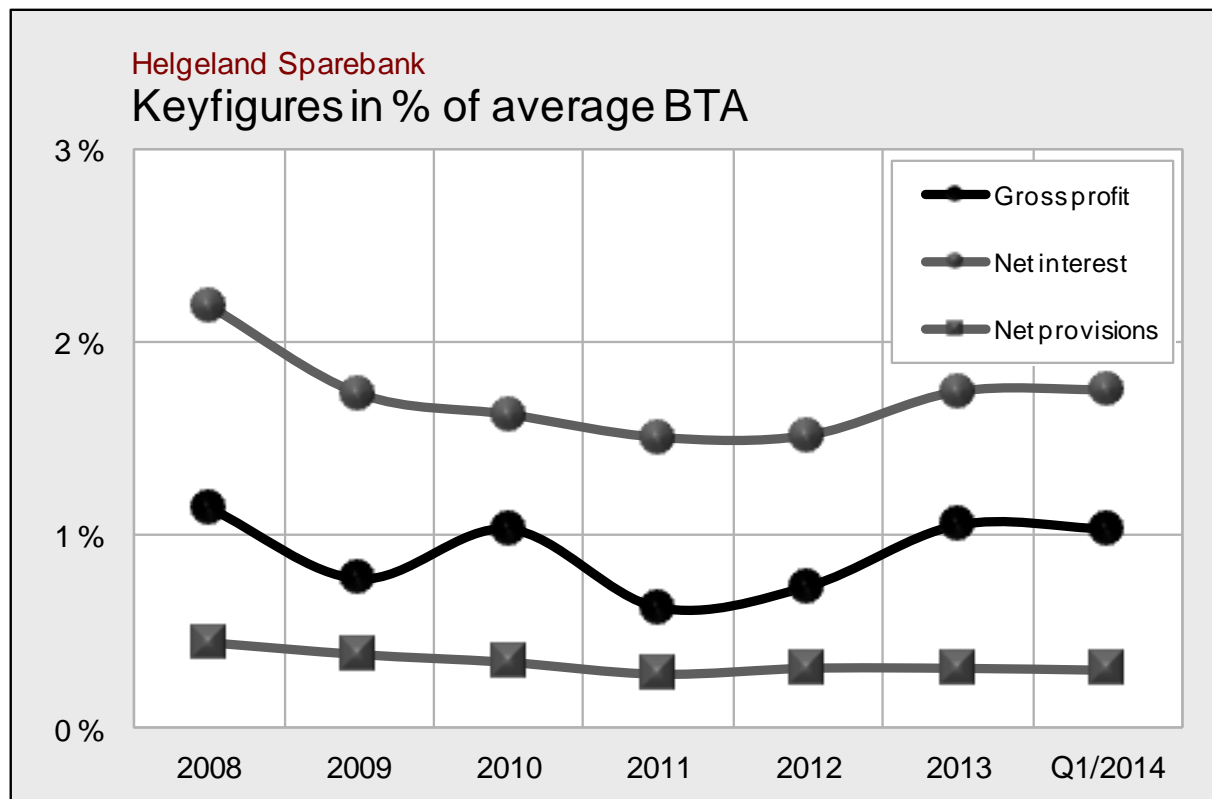
The improvement from 2011 to 2013 is exactly 100 %

Uncertainties ahead

- Relief BM-engagement
- Increased price competition
- Effect of interest rate reduction
- Increased payroll tax 01.07
- Effect of official rating

- Return on equity
 - Target at least 10 %
 - Result 9.9 (8.4) %

Keyfigures



Kommentar

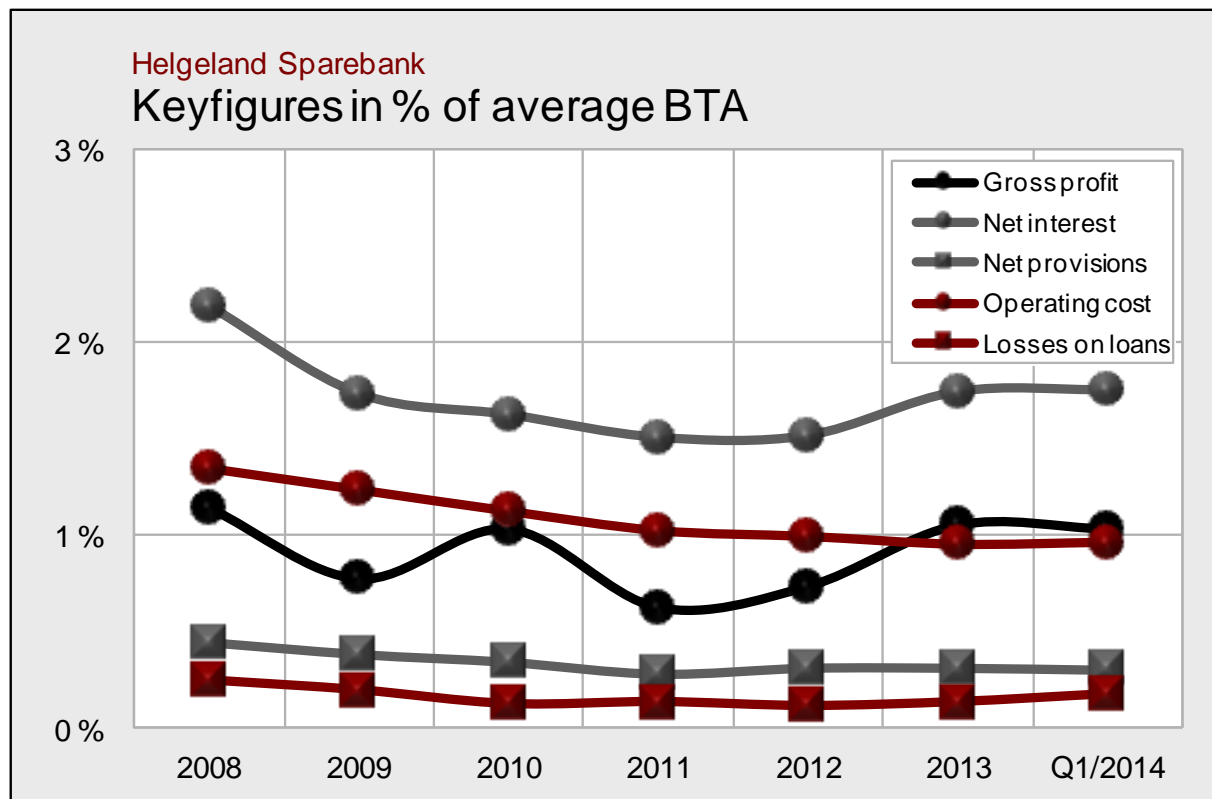
Net interest

- Improved margin from 2011
- Slight decrease Q1/2014

Net provisions

- Stable level from 2011
- Normalized insurance sales

Keyfigures



Kommentar

Net interest

- Improved margin from 2011
- Slight decrease Q1/2014

Net provisions

- Stable level from 2011
- Normalized insurance sales

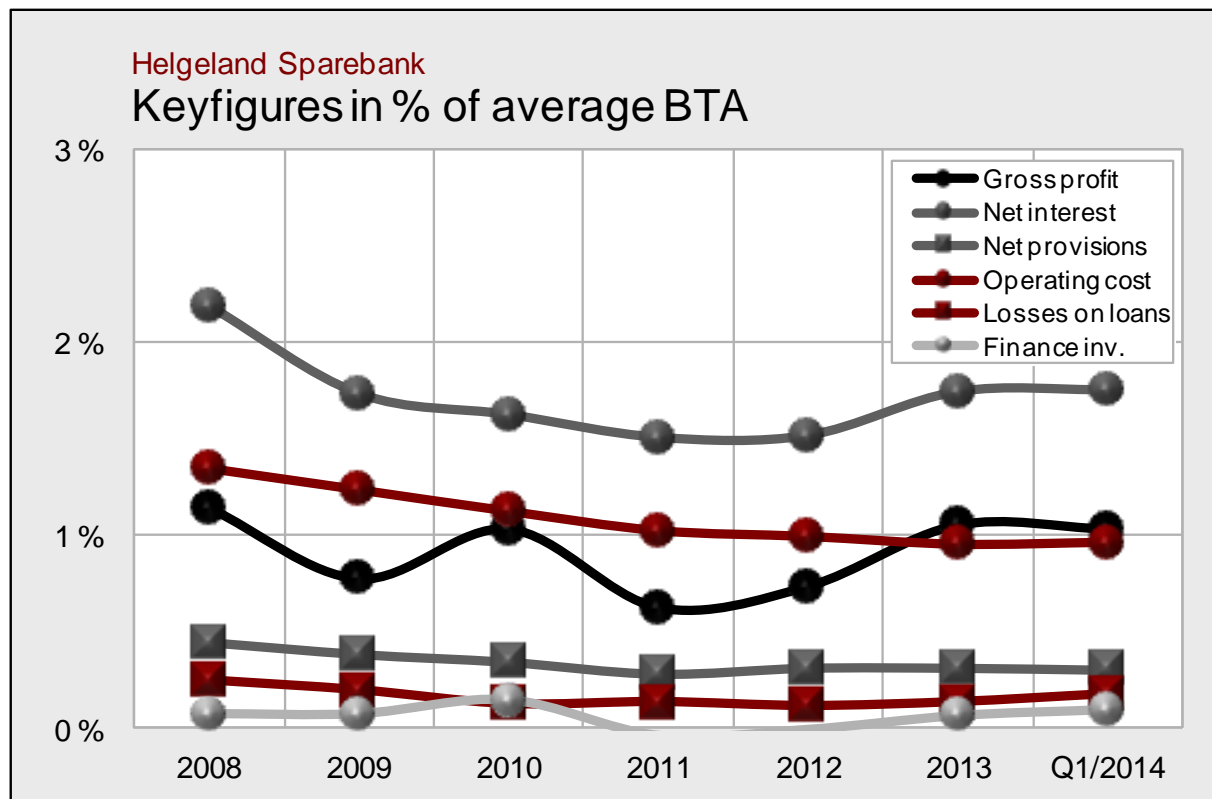
Operation cost

- Dropping cost from 2008

Losses on loans

- Relatively low level from 2008
- Low losses during the financial crisis

Keyfigures



Kommentar

Net interest

- Improved margin from 2011
- Slight decrease Q1/2014

Net provisions

- Stable level from 2011
- Normalized insurance sales

Operation cost

- Dropping cost from 2008

Losses on loans

- Relatively low level from 2008
- Low losses during the financial crisis

Financial investments

- Low risk from 2008
- Less contribution to profit

Profit & loss

Helgeland Sparebank (konsern)	Profit & loss (MNOK)				
	Q1/2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014
Net interest- and credit provision earnings	95	109	117	118	113
Net provision earnings	17	18	22	20	19
Other operatios income	1	2	1	3	1
Ordinary operations cost	59	59	59	62	62
Result basic operations	54	70	81	79	71
Write-downs lending and warranties	6	7	7	12	11
Net value change financial instruments	3	3	2	6	6
Gross profit	51	66	76	73	66
Net profit	37	46	54	56	48
Net extended income posts	-6	-8	2	41	13
Profit for the period	31	38	56	97	61

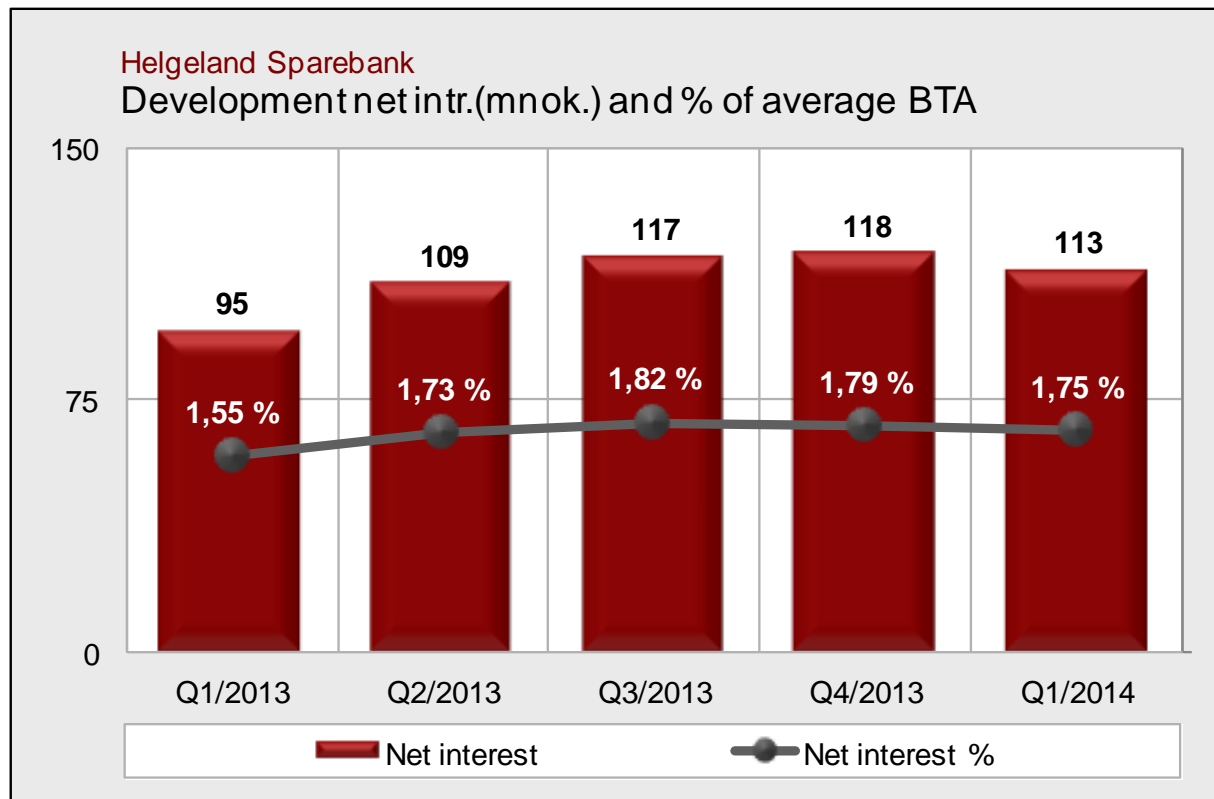
Kommentar

Good and stable core operations – still relatively low losses

Losses increased in the last two quarters due to a single engagement (bio)

The increase in value of a smaller stake in NETS included in other comprehensive income

Net interest



Kommentar

Strong increase in net interest income from 2011 to end of 2013

Flattening is due to

- Relief BM involvement
- Increased price competition

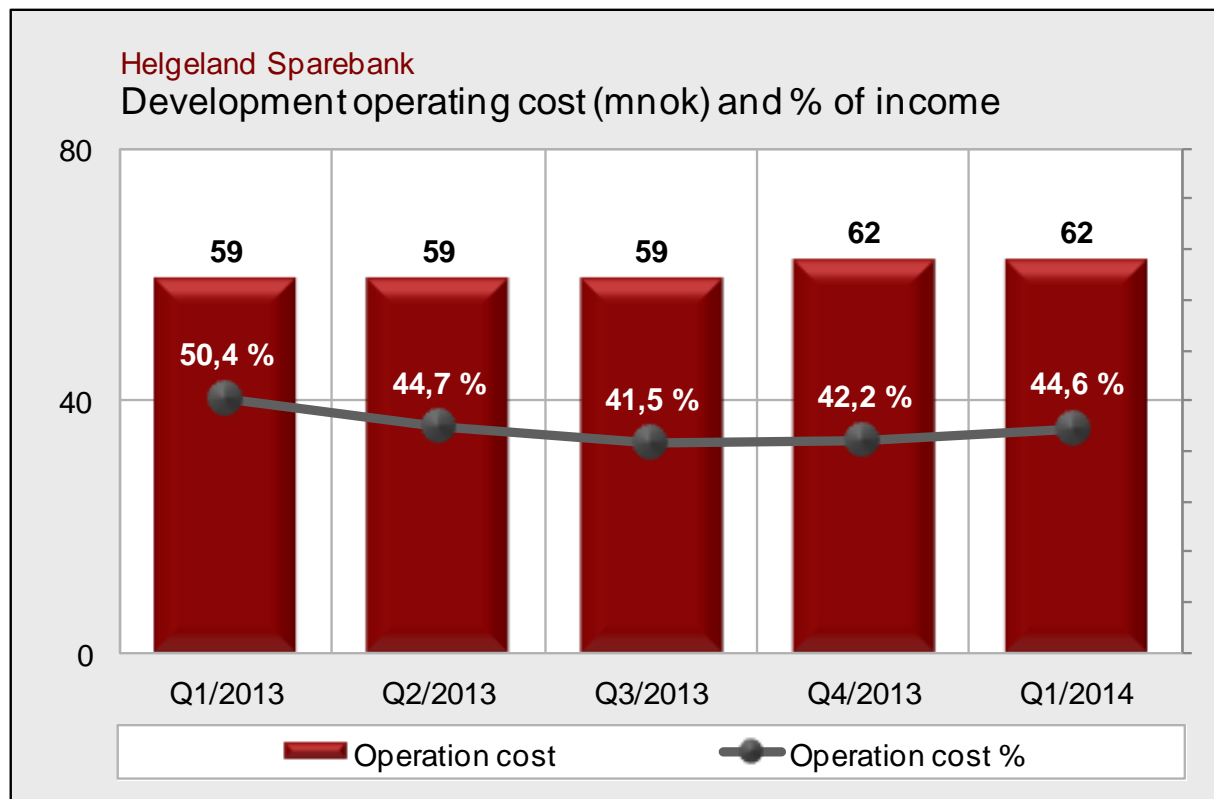
Price competition occurred before the recent fall in interest rates

Driven forward by SPK og KLP

Faced with individual price adjustment

DNB/media has contributed to increased price awareness among customers

Operating cost



Kommentar

Cost increase from 2012 to 2013 was a modest 2.6 %

Relatively flat cost trend during 2013 to 2014

Expense ratio slightly higher in 2014 due to reduced income.

Growth in cost 2014

- Maximum target 3.5 %
- Result 3.8 %

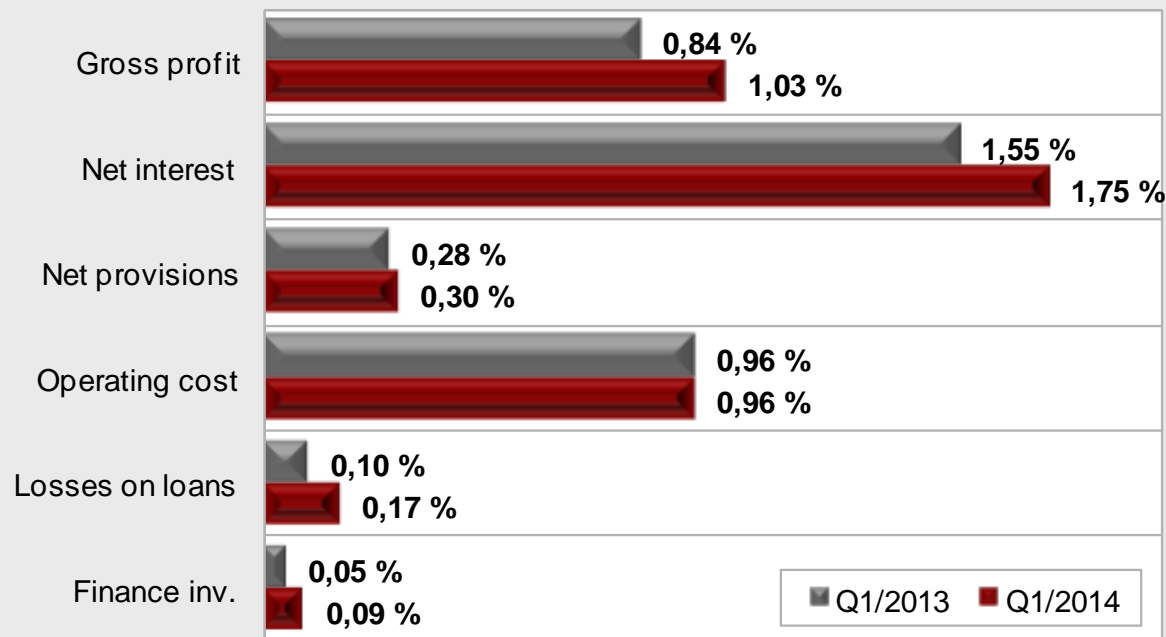
Future challenge will be increased payroll tax from 01.07

Project initiated to streamline operations

Key figures

Helgeland Sparebank

Keyfigures in % of average BTA




Kommentar

Gross profit, nett interest, net provisions og finace-investments strengthened

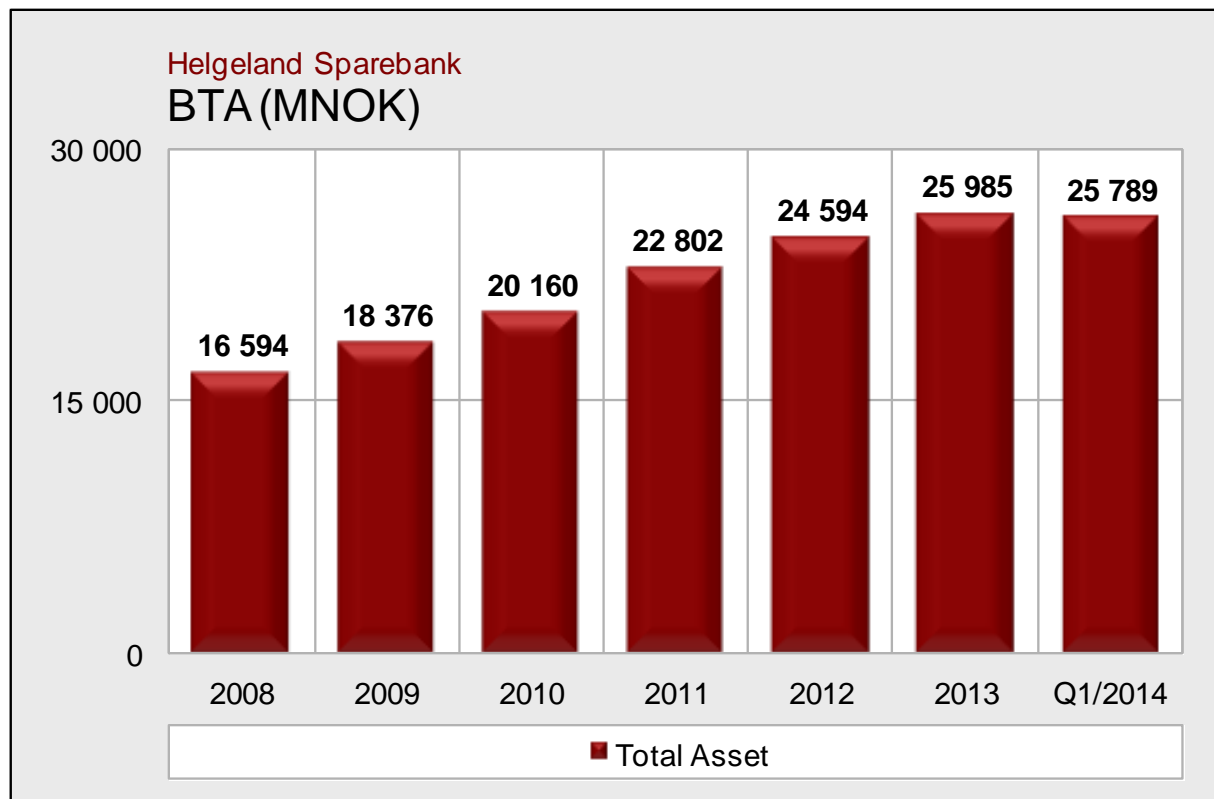
Non growth in operating cost and some greater losses on loans

Presentation for the 1st quarter 2014 (group)



Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

Total Assets

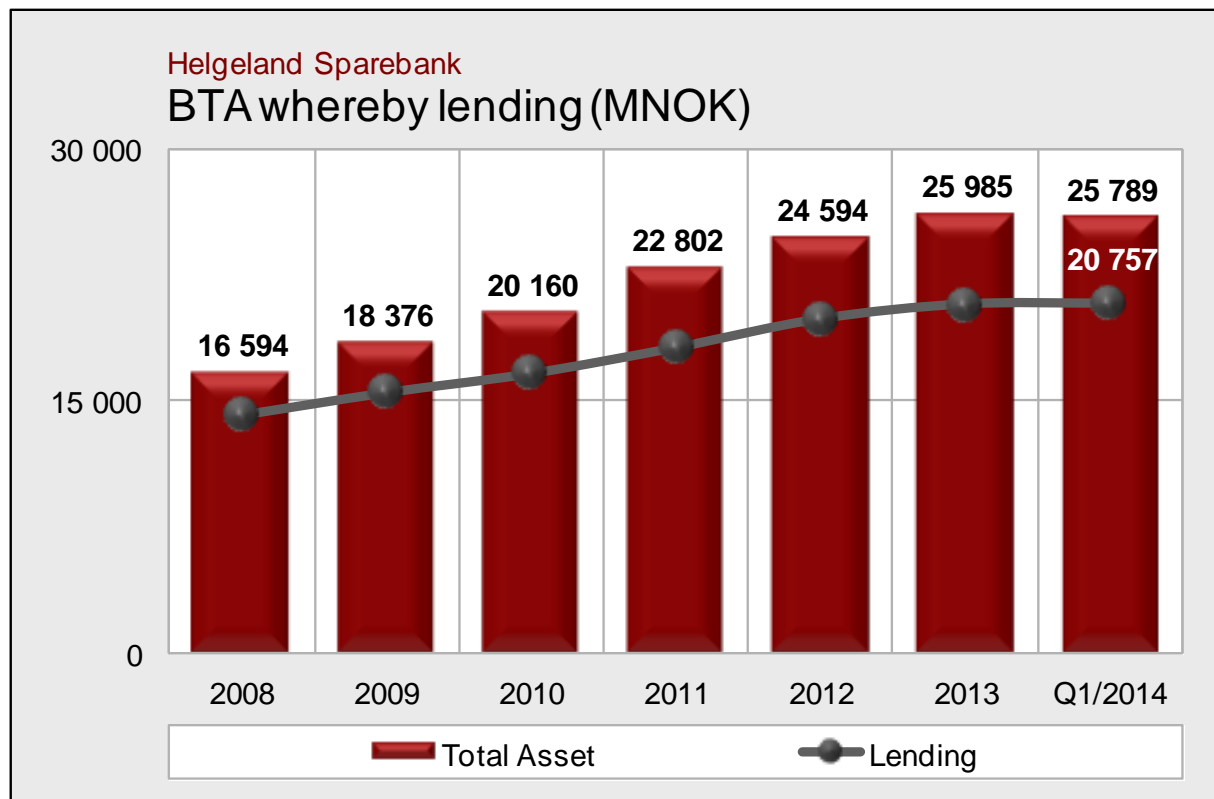


Kommentar

Cause of lower total assets

- Relief BM involvement

Total Assets



Kommentar

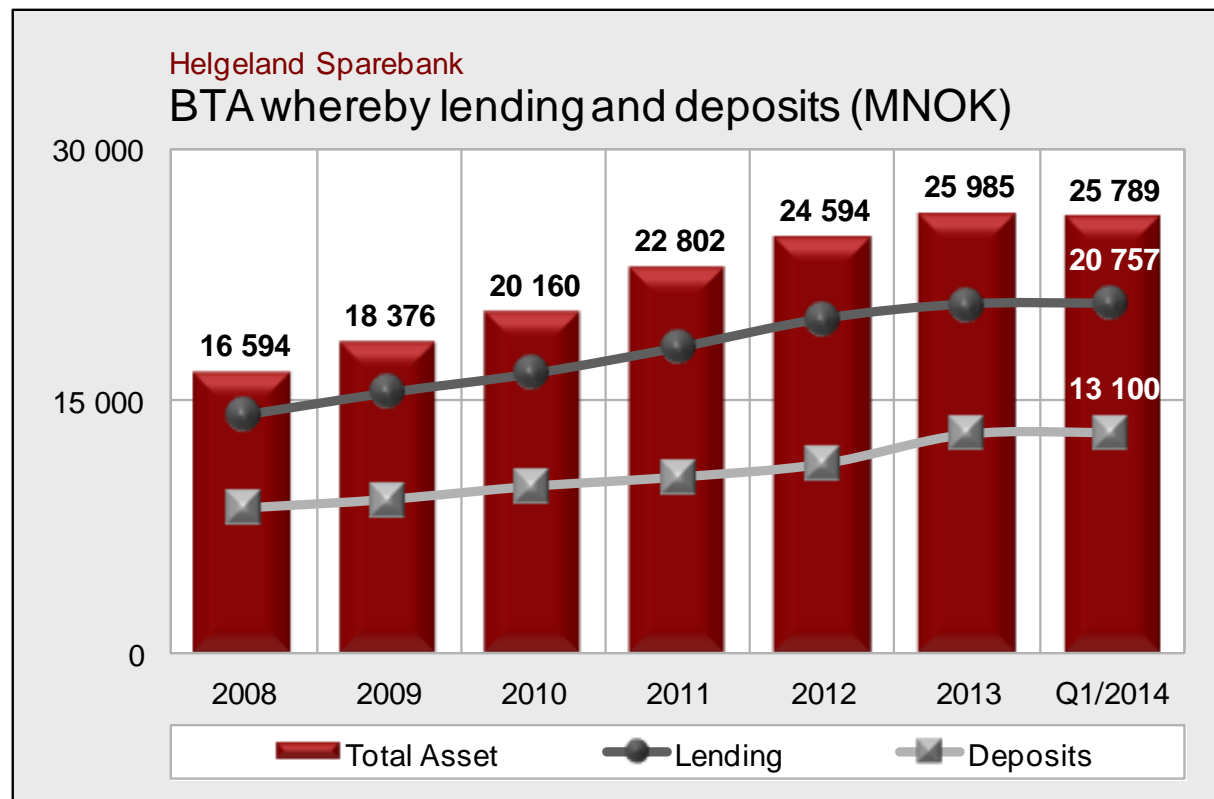
Cause of lower total assets

- Relief BM involvement

Lending

- Q1/2014 20,8 (20,1) bn NOK
- 12 mnth growth 661 MNOK
- 3 mnth growth 49 mill. kr.

Total Assets



Kommentar

Cause of lower total assets

- Relief BM involvement

Lending

- Q1/2014 20,8 (20,1) bn NOK
- 12 mnth growth 661 MNOK
- 3 mnth growth 49 mill. kr.

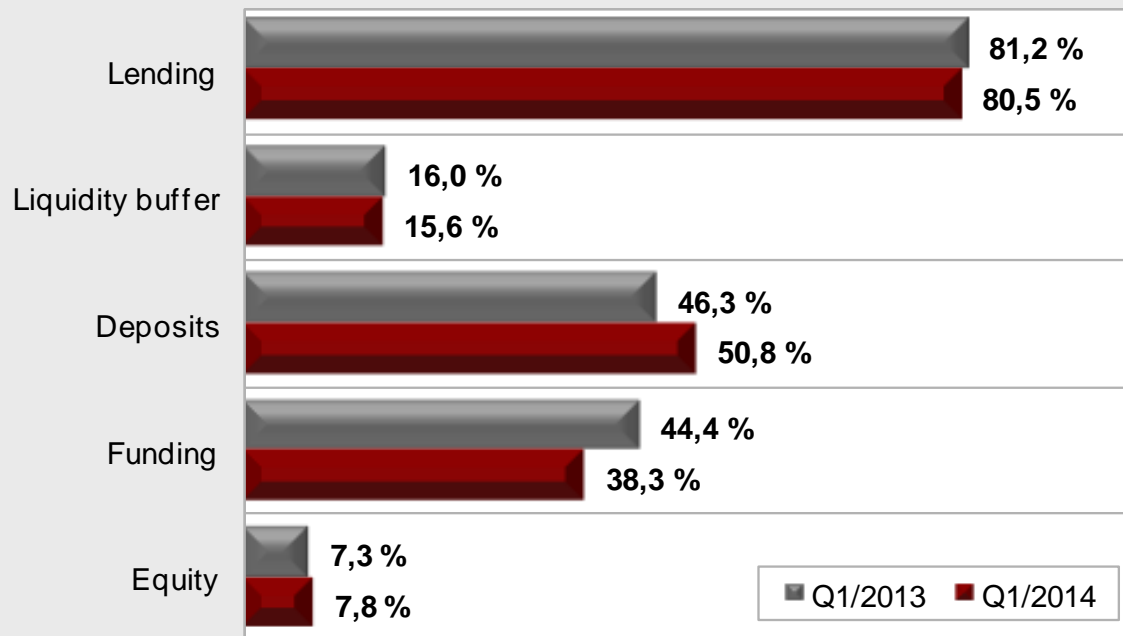
Deposits

- Q1/2014 13,1 (11,5) bn NOK
- 12 mnth growth 1.647 MNOK
- 3 mnth growth 111 MNOK

Balance sheet

Helgeland Sparebank

Balance allocation in % of BTA

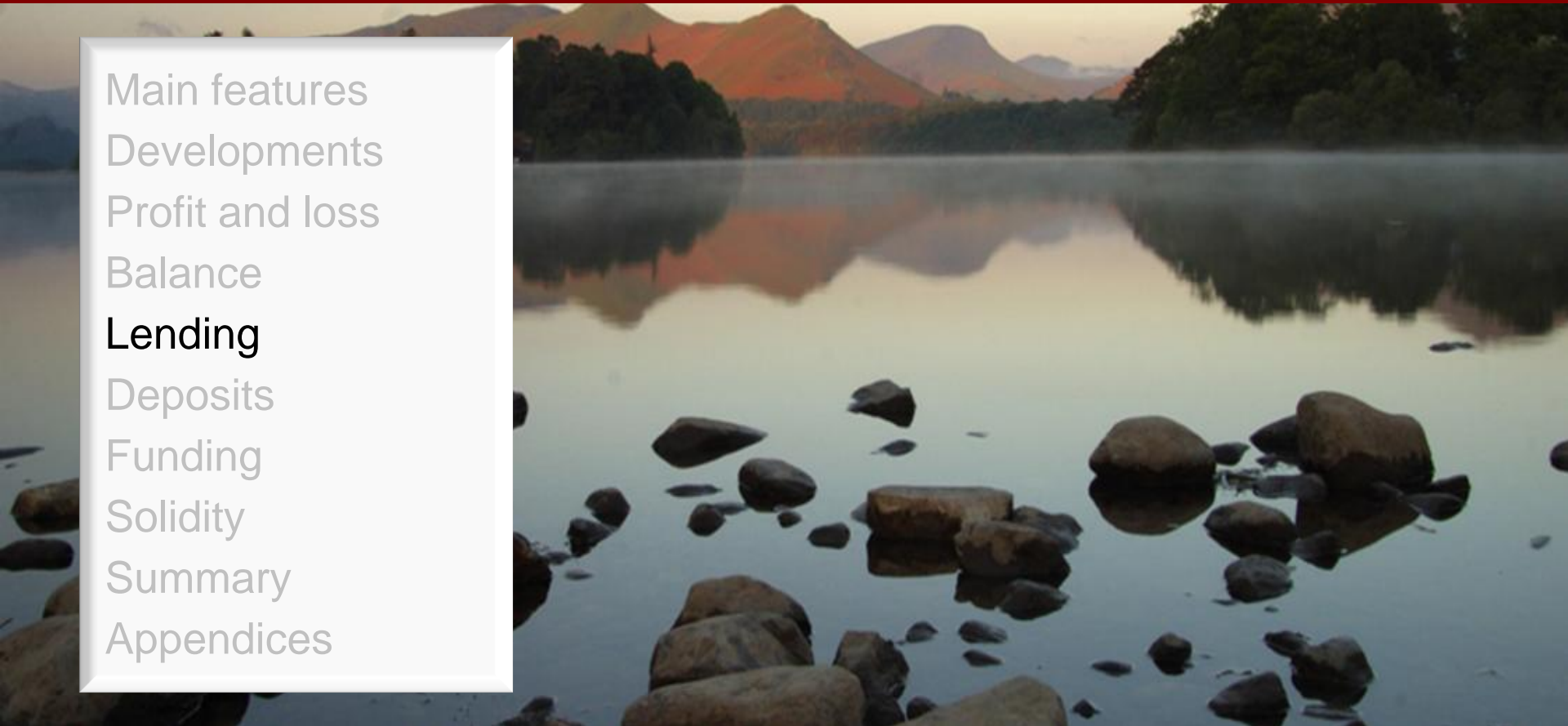


Kommentar

Strong deposit growth has reduced the need for funding

Unweighted equity in the balance sheet are strenghtened

Presentation for the 1st quarter 2014 (group)

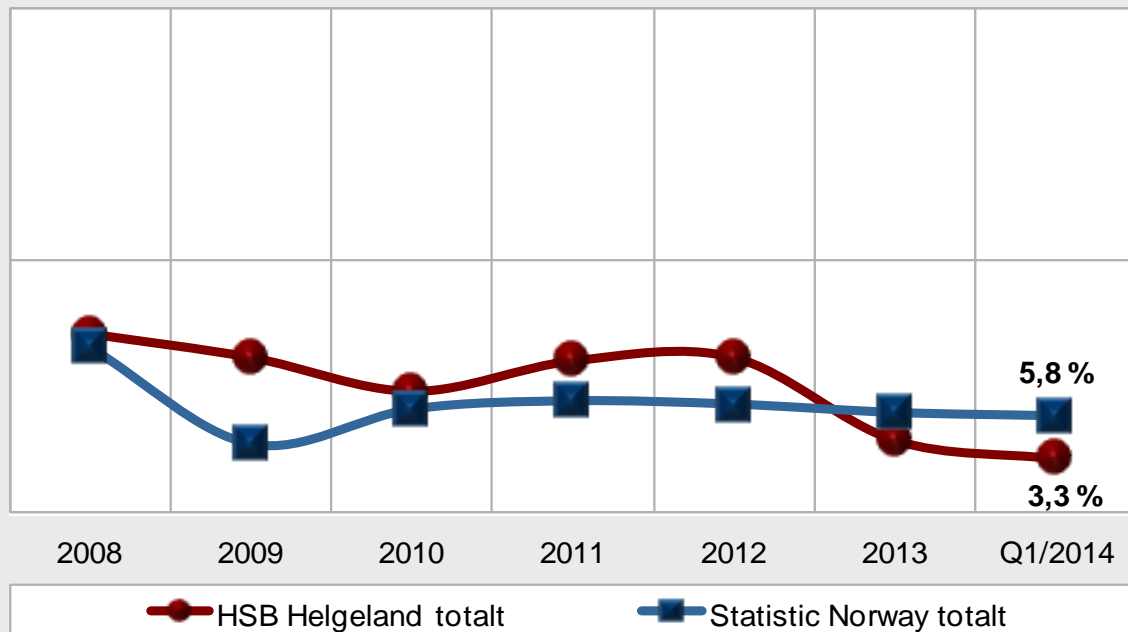


Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

Credit growth

Helgeland Sparebank

12-month credit growth



Kommentar

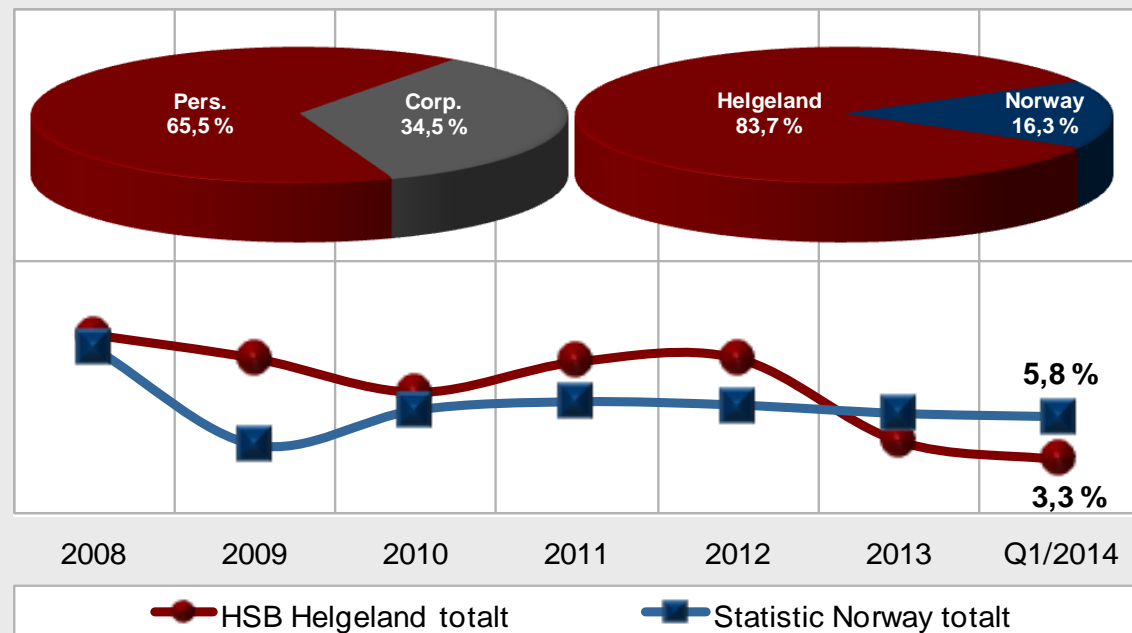
Reduced lending growth in line with the Bank's instruments due to higher capital requirements

- 12 mnth growth 3,3 (9,0) %
- 3 mnth growth 0,2 (1,3) %

Credit growth

Helgeland Sparebank

12-month credit growth



Kommentar

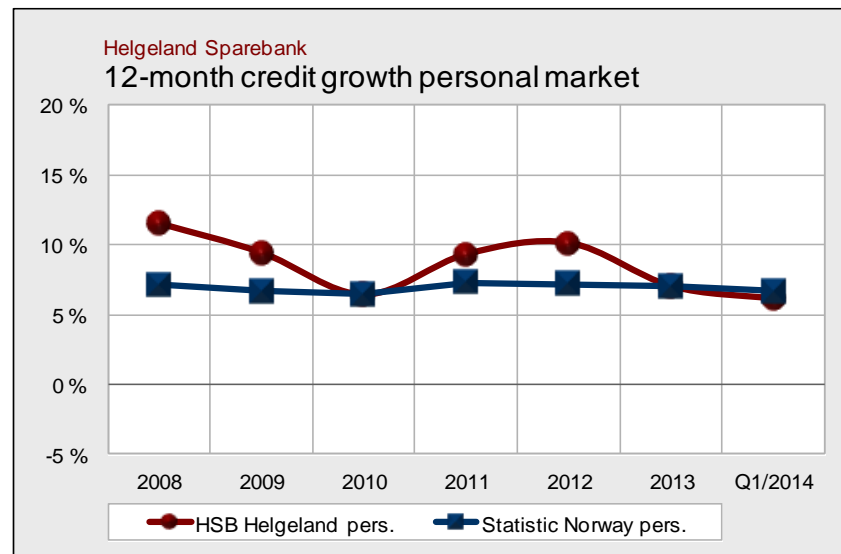
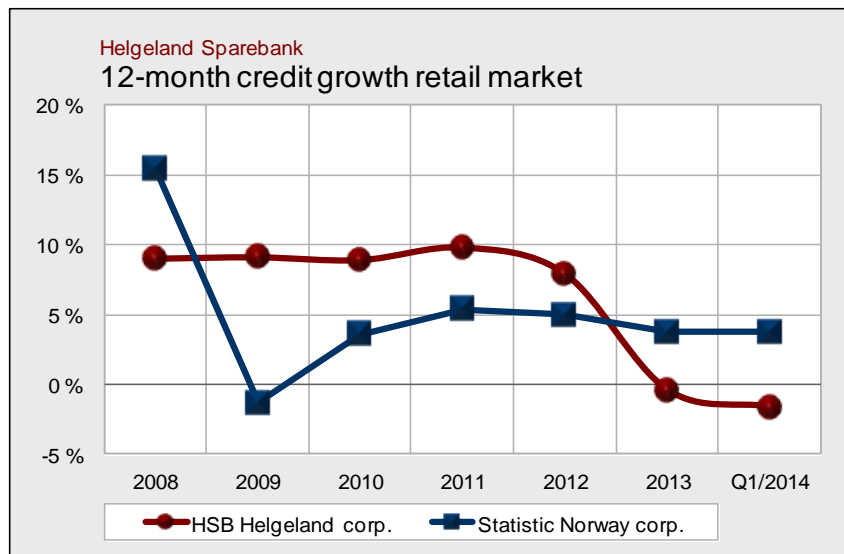
Reduced lending growth in line with the Bank's instruments due to higher capital requirements

- 12 mnth growth 3,3 (9,0) %
- 3 mnth growth 0,2 (1,3) %

PM-share

- minimum target 60 %
- Result 65,5 (63,8) %
- Regional's share 83,7 (83,3) %

Credit growth BM and PM



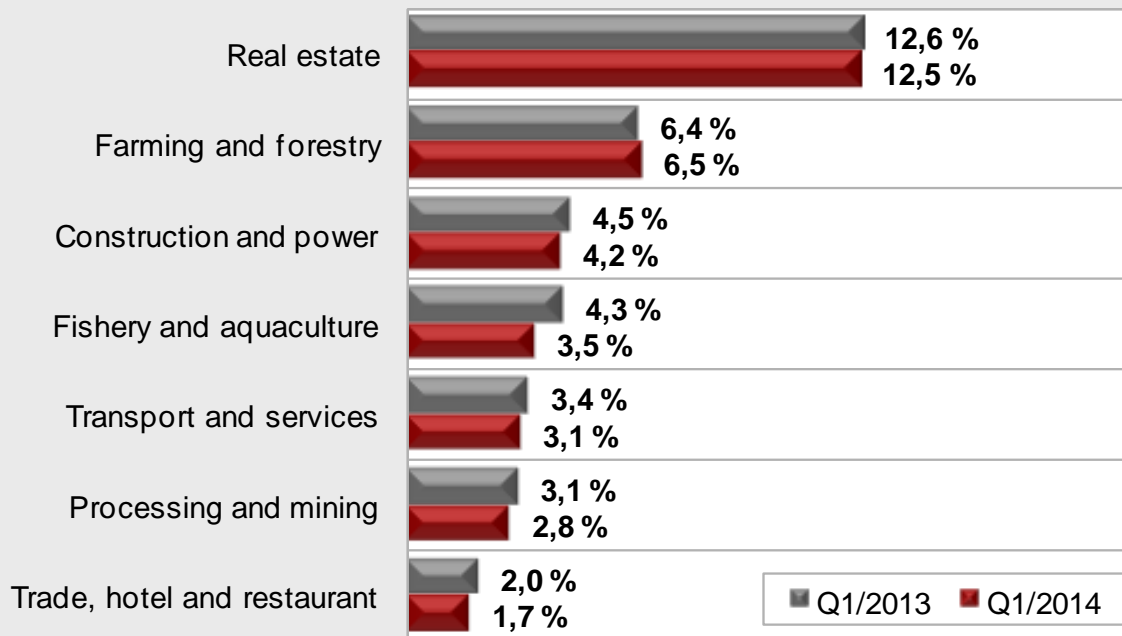
Kommentar

12 month growth 3,3 (9,0) % which BM -1,6 (4,7) % and PM 6,1 (11,7) %
Stricter priorities and continued relief in BM in Q1/2014 and normal activity in PM

Lending BM

Helgeland Sparebank

Lending distributed in sector



Kommentar

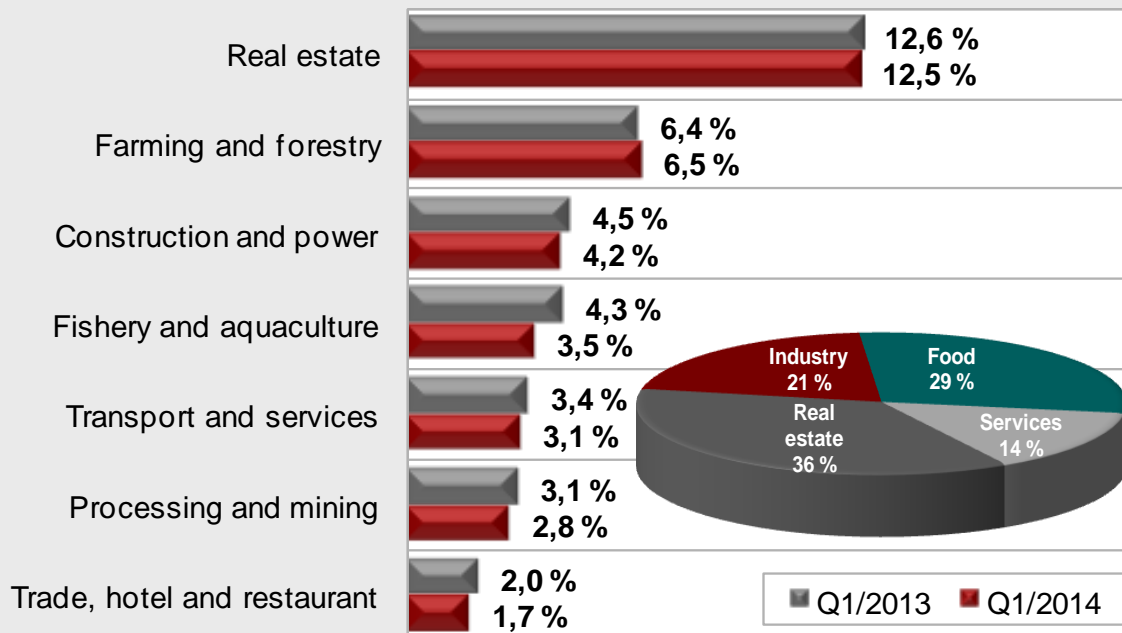
Well-diversified loan portfolio in BM and very loyal customers.

Lending to BM constituting 7,2 (7,3) bn NOK

Lending BM

Helgeland Sparebank

Lending distributed in sector



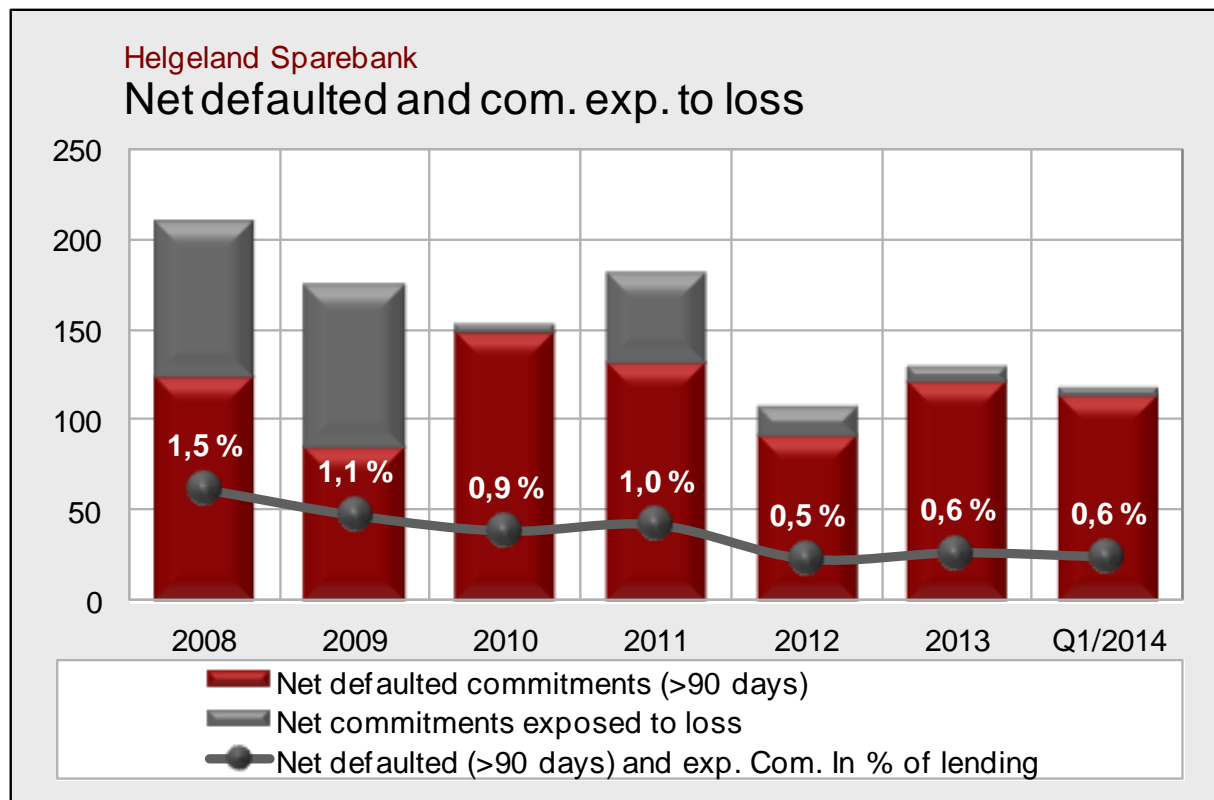
Kommentar

Well-diversified loan portfolio in BM and very loyal customers.

Lending to BM constituting 7,2 (7,3) bn NOK

Food production consisting of land / forestry and fisheries /aquaculture constitutes 29 % of BM-loans

Net defaultet and com. exp. to loss



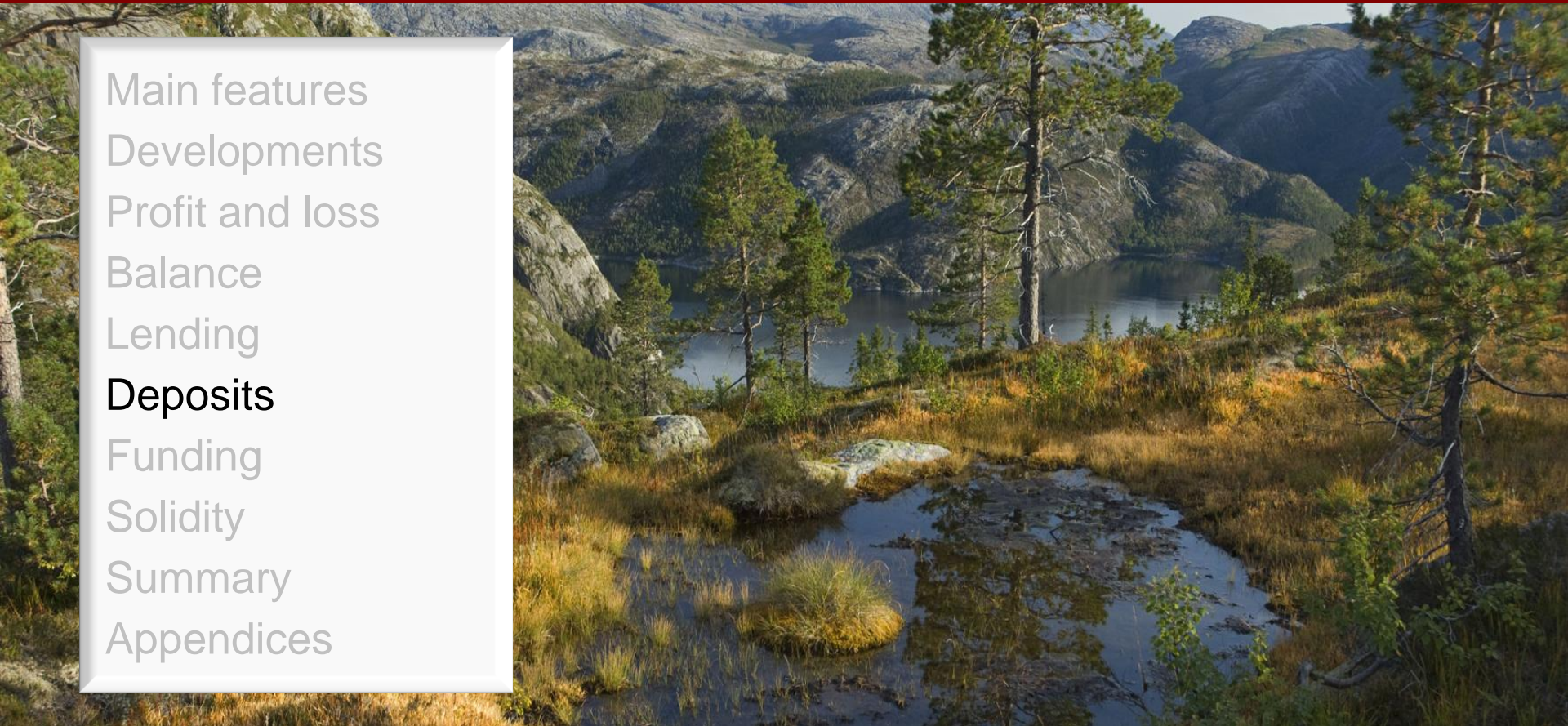
Kommentar

Still good quality on portfolio

Net non-performing and doubtful loans as % of gross loan falling since 2008

Net non-performing and doubtful loans as % of gross loans declining since the trend in defaults in the portfolio and individual loans are followed carefully and follow through concrete measures

Presentation for the 1st quarter 2014 (group)

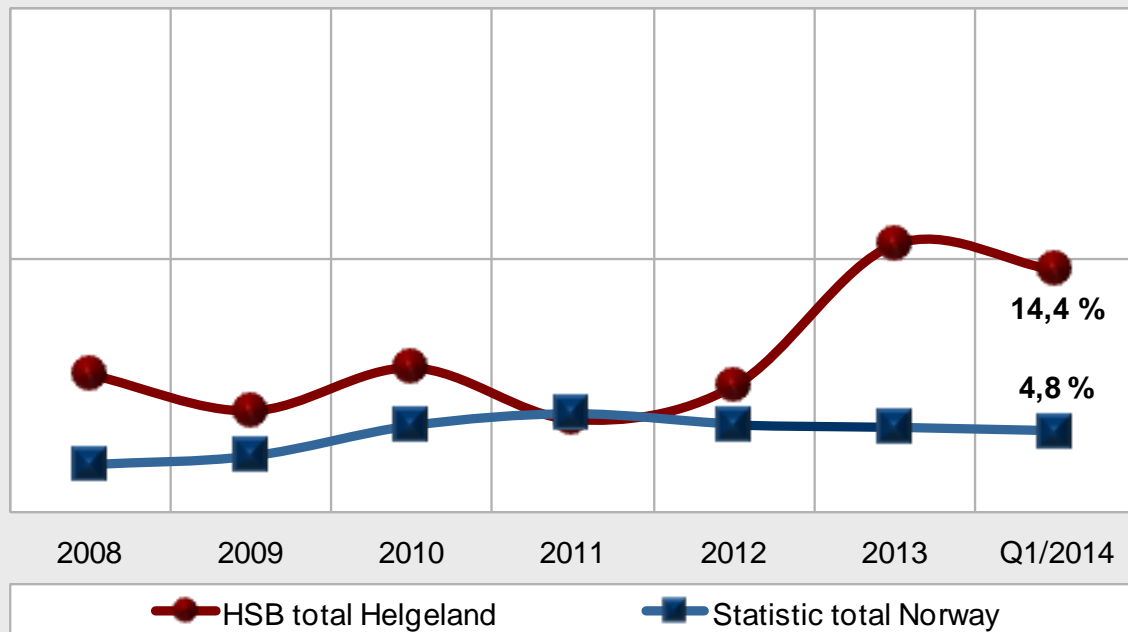


Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

Deposit growth

Helgeland Sparebank

12-month deposit growth



Kommentar

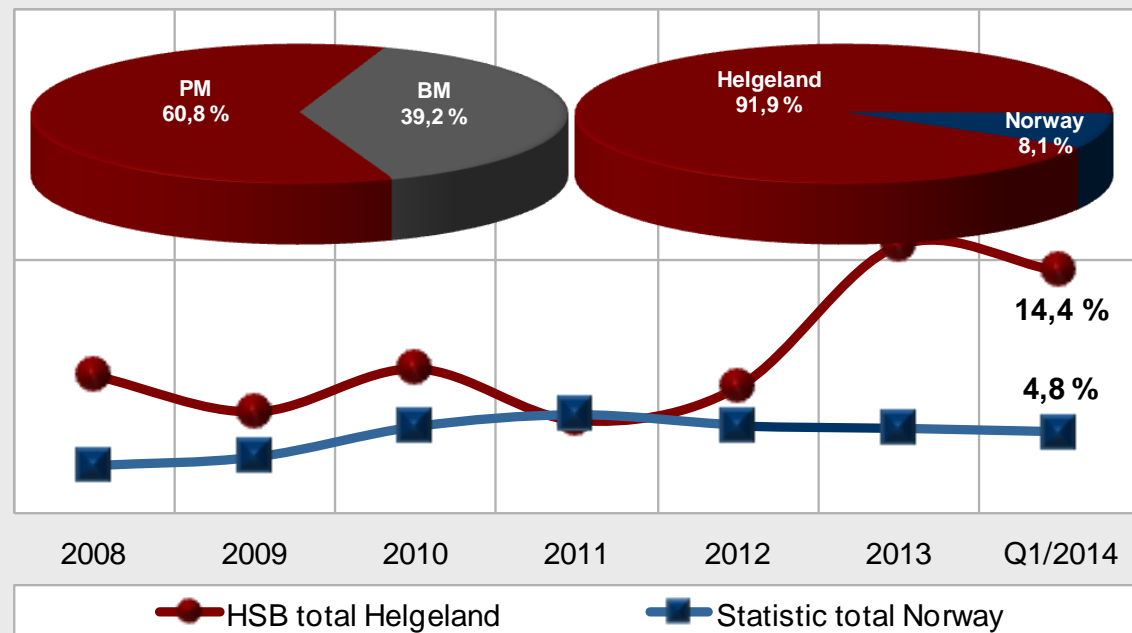
Very good deposit growth

- 12 month growth 14,4 (8,0) %
- 3 month growth 0,9 (2,2) %

Deposit growth

Helgeland Sparebank

12-month deposit growth



Kommentar

Very good deposit growth

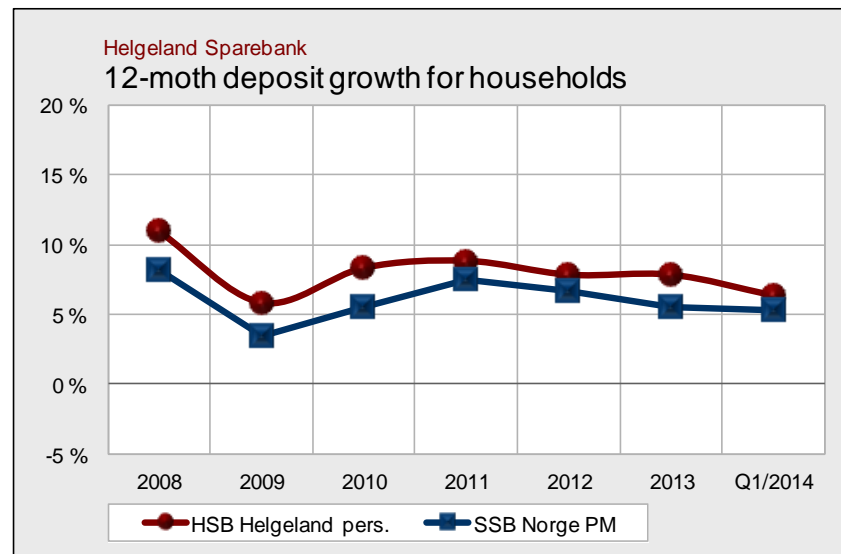
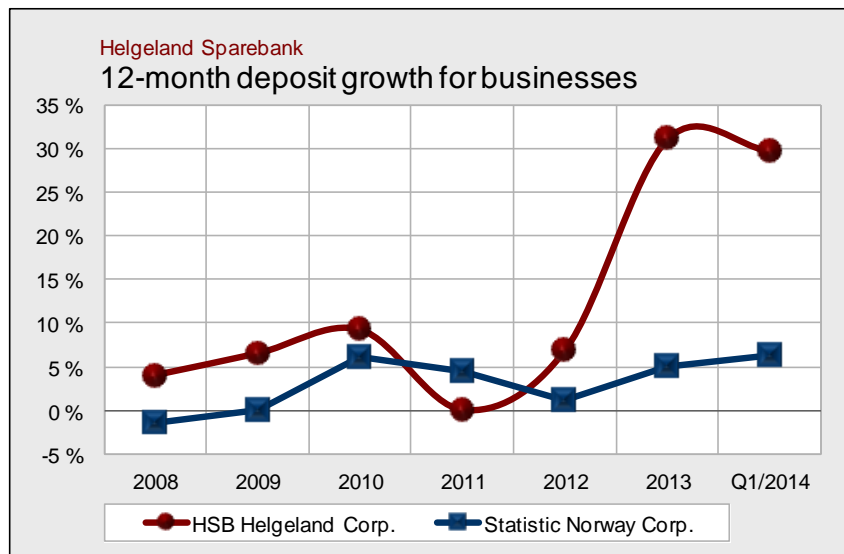
- 12 month growth 14,4 (8,0) %
- 3 month growth 0,9 (2,2) %

PM-share

- Result 60,8 (65,5) %
- Regionshare 91,9 (91,7) %

Share of deposits under 2 MNOK Constitutes 7,7 bn or 96 % of PM deposits

Deposit BM and PM

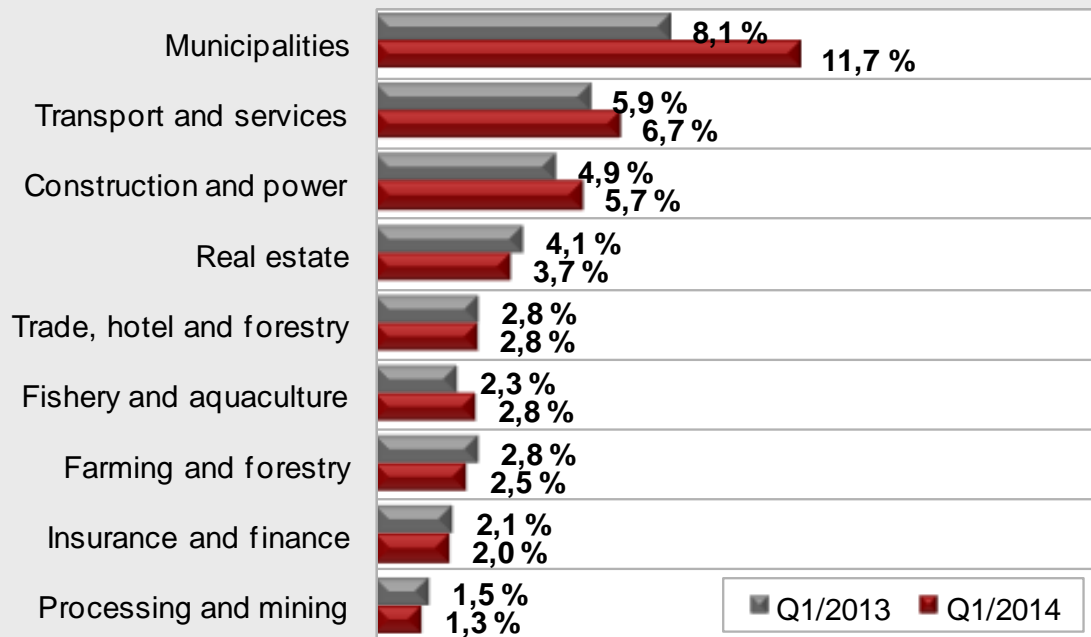


Kommentar

12 month growth 14,4 (8,0) % of which BM 29,7 (5,5) % and PM 6,3 (9,4) %

Deposit BM

Helgeland Sparebank Customer deposits



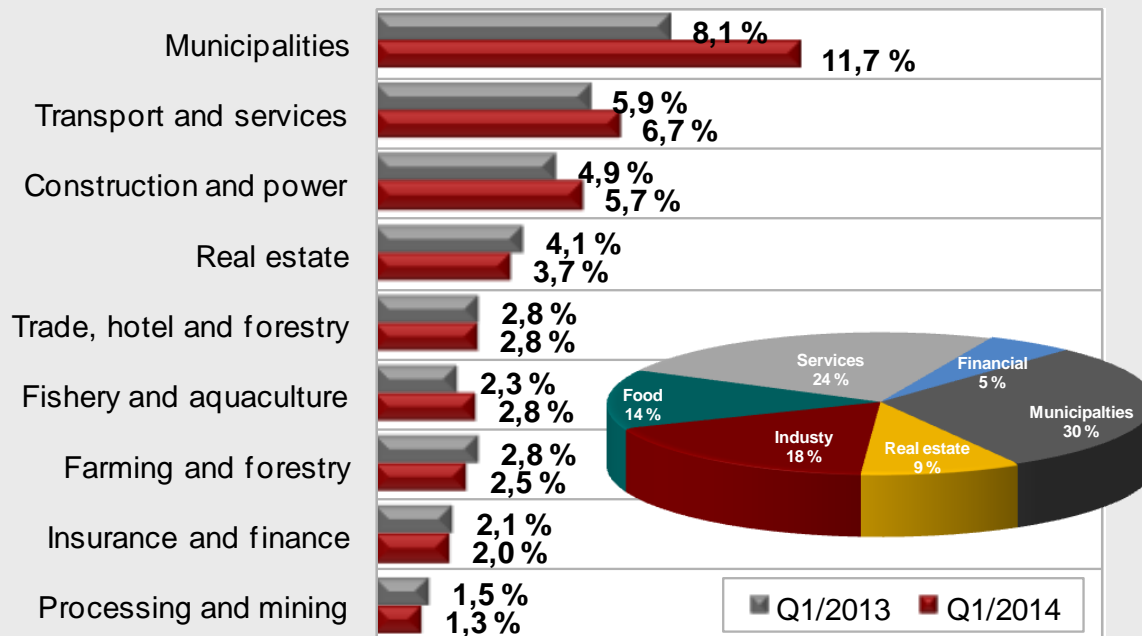
Kommentar

Well diversified deposit portfolio in BM

Deposits from BM constitutes 5,1 (3,9) bn

Deposit BM

Helgeland Sparebank Customer deposits



Kommentar

Well diversified deposit portfolio in BM

Deposits from BM constitutes 5,1 (3,9) bn

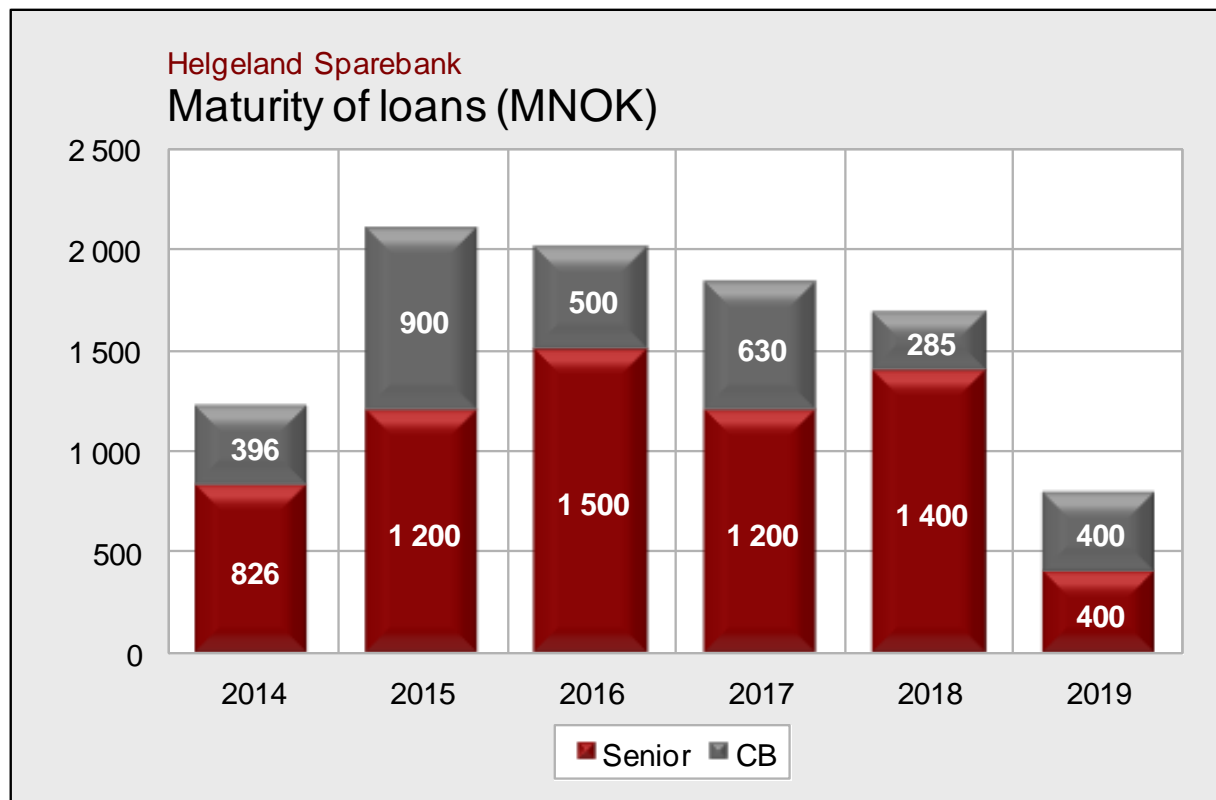
Deposits from municipalities constitutes 30 % of deposits from BM

Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Funding

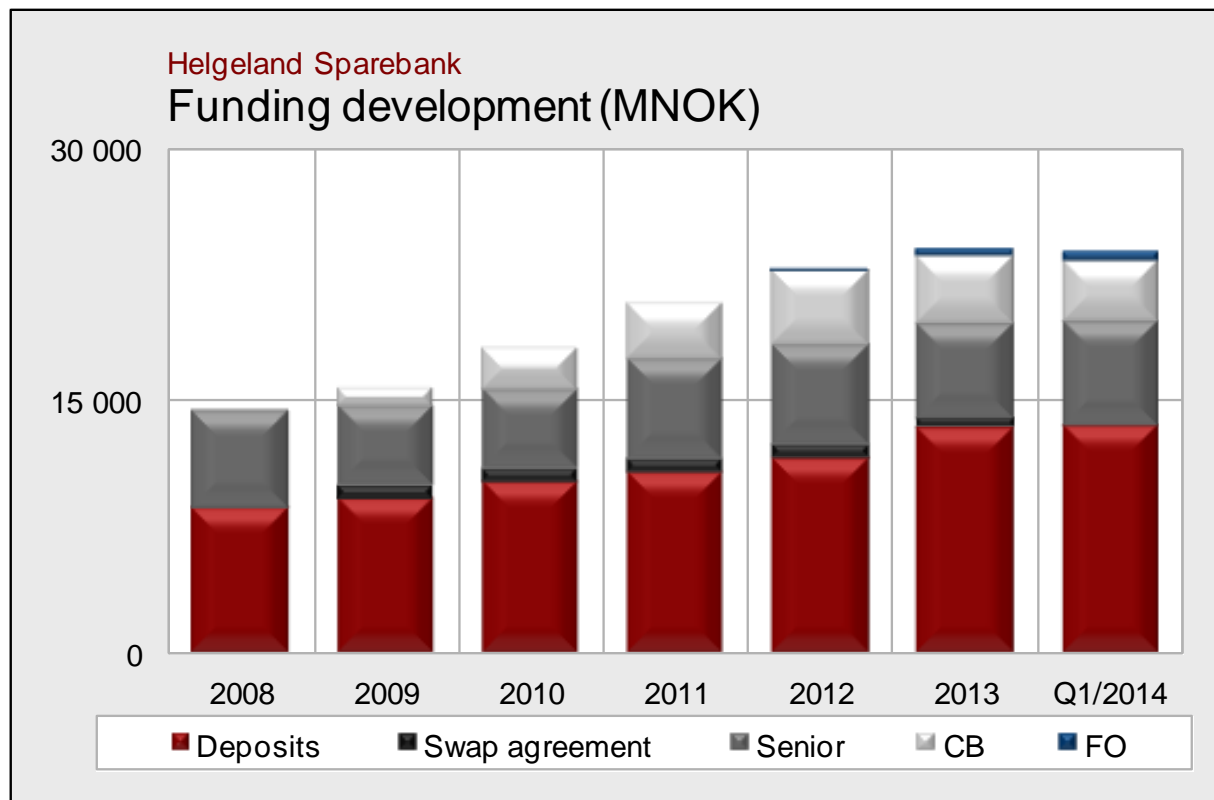


Kommentar

Strong and long-term funding

Duration of borrowing is 2,5
(2,3) years

Funding

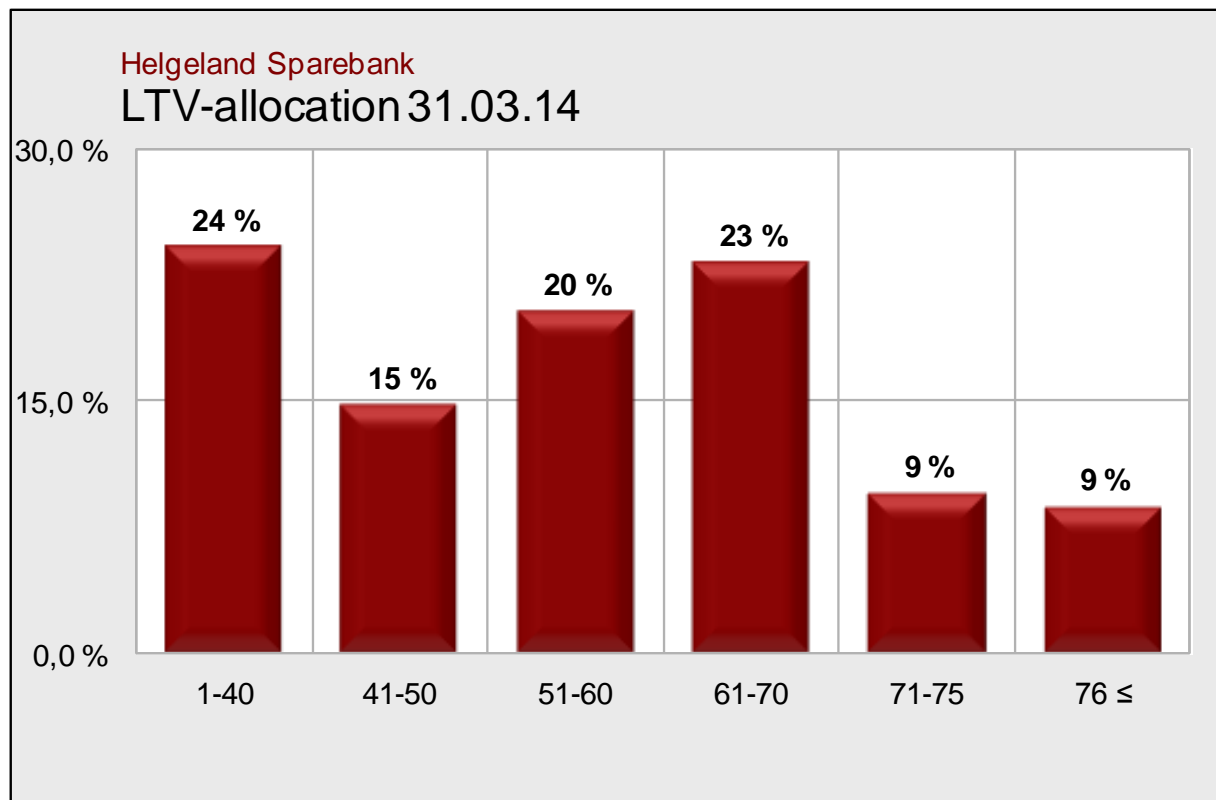


Kommentar

Deposits is the main funding source

The Bank's mortgage company rated, bonds will continue to be the focus area

Helgeland Boligkreditt AS



Kommentar

The cover:

- Eligible loans 4.215 (4.740) MNOK
- Deposits: 234 (274) MNOK
- Coverage: 23 (16) %
- Total LTV: 53 (53) %

Funding:

- Bonds 3,6 bn NOK (of which 0.4 in the parent bank's ownership)

Profitability 31.03.14:

- Net profit 14,0 (10,9) MNOK

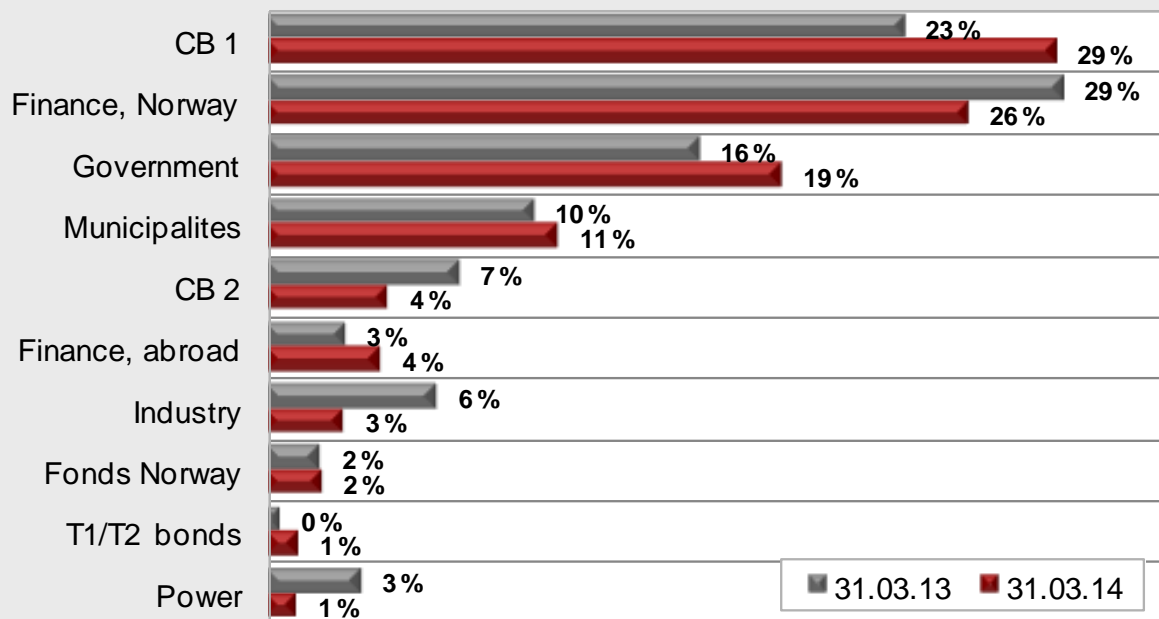
Core capital ratio:

16,8 % (standard calculation with 35 % mortgage weighting)

Liquidity buffers

Helgeland Sparebank

Securities distributed in sectors

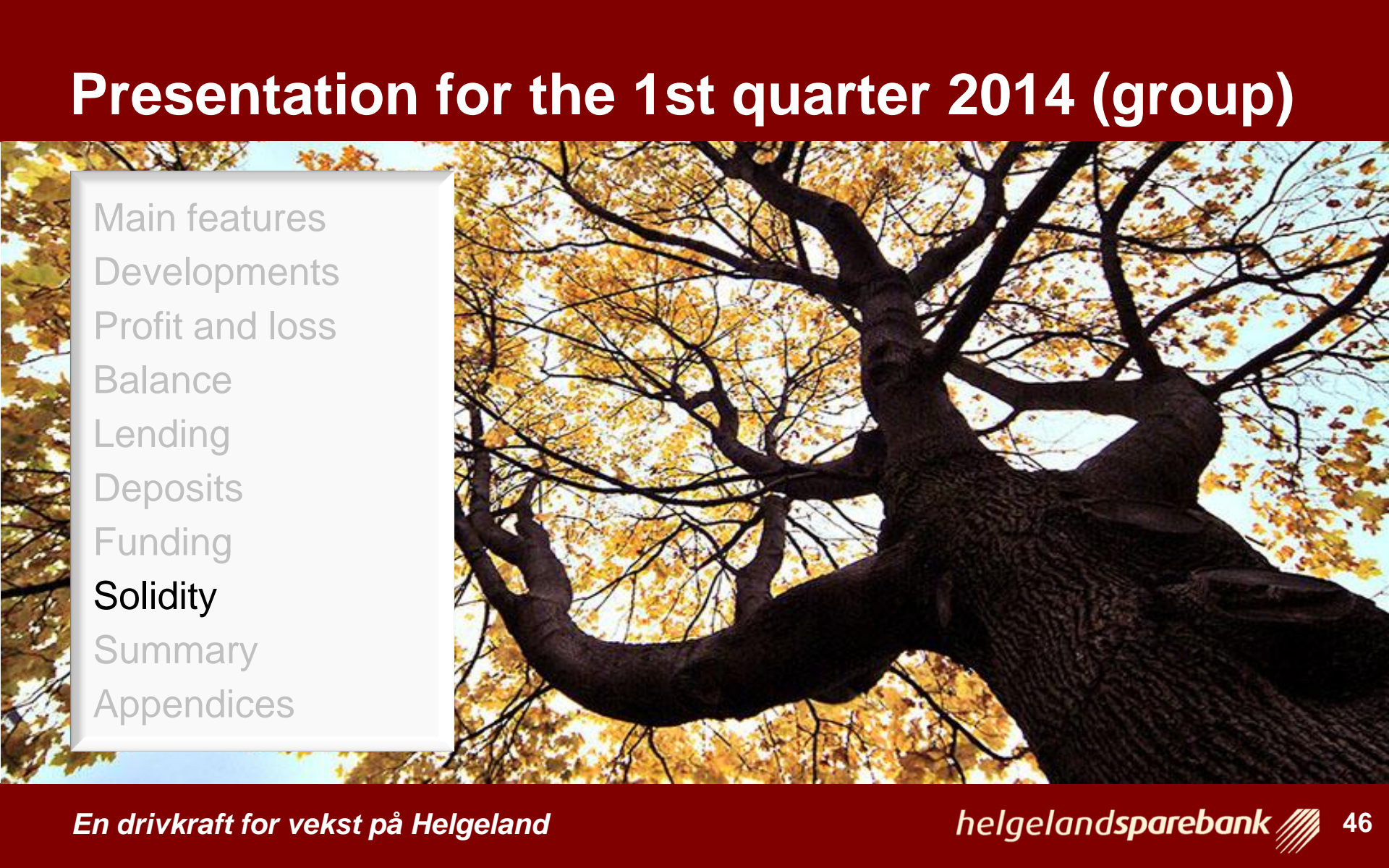


Kommentar

Good diversification across sectors

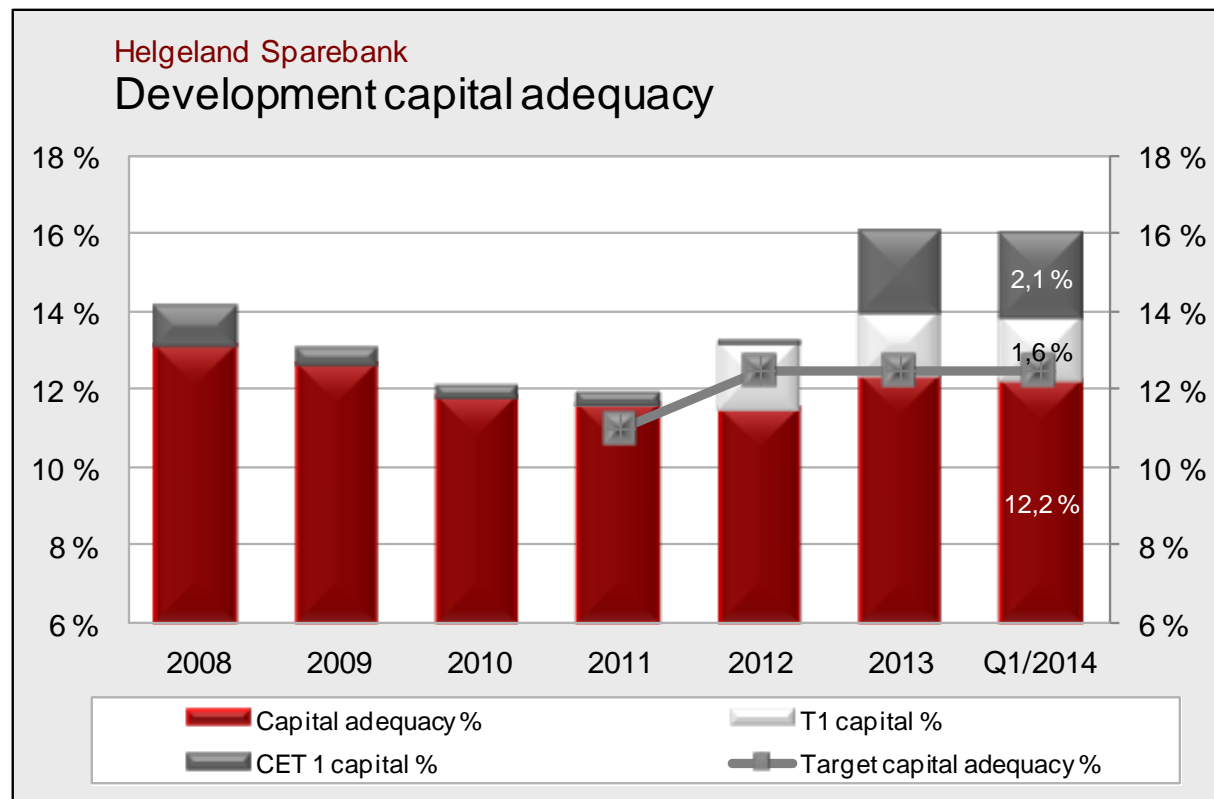
The group has gradually increased the quality of the liquidity buffer, and will gradually further customize buffers to Basel III. 90% are rated A-or better.

Presentation for the 1st quarter 2014 (group)



Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

Capital adequacy



Kommentar

Capital adequacy was 12,2 (11,4) %

Core capital 13,80 (13,0) %

Core tier one 15,92 (13,06) %

The Group is on schedule with the strengthening of capital adequacy in relation to new capital requirements.

Capital adequacy will continue to be strengthened through regular operations.

Core tier one will be further strengthened by new subordinated debt/hybrid securities up to 2018.

Conservative mortgages weights of 35% - the standard method.

HELG – 20 largest owners

			<i>Parent bank</i>		
Per 31.03.14	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	8 599 598	46,0 %	Verdipapirfondet Eika utbytte	262 884	1,4 %
USB AG, London Branc A/C	1 000 000	5,3 %	Sniptind Holding AS	201 801	1,1 %
MP Pensjon PK	902 203	4,8 %	Holberg Norge Verdipapirfond	168 600	0,9 %
Bergen kommunale pensjonska:	482 000	2,6 %	Johs. Haugerudsvei AS	145 992	0,8 %
AS Atlantis Vest	448 481	2,4 %	Mellem Nes Invest	118 200	0,6 %
Sparebankstiftelsen DNB	442 724	2,4 %	Ruth S Alsing	111 926	0,6 %
Pareto AS	420 000	2,2 %	Melum Mølle AS	110 240	0,6 %
Citibank, N.A.	391 138	2,1 %	Steffen Nervik	110 000	0,6 %
VPF Nordea Norge	377 750	2,0 %	Utbyttekapital AS	107 163	0,6 %
Helgelandskraft As	340 494	1,8 %	Andvord AS	102 203	0,5 %
Total 10 biggest owners	13 404 388	71,7 %	Total 20 biggest owners	14 843 397	79,4 %

The bank has issued a total of 18 700 000 primary certificates value of NOK 10,-.

ECC development og Liquidity HELG



The good price development has continued into Q1 2014

Sales in HELG increased from 0.9 million certificates in 2012 to 6.1 million certificates in 2013, of which 2.5 million was from Sparebankstiftelsen Helgeland in November. Further divestment from Sparebankstiftelsen in Q1 2014 helps to increase the number of freely tradable certificates on Oslo Stock Exchange.

Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Priorities and prospects

Profitability and solvency

Purposeful work with the bank's strategy and capital plan succeeded in 2013 and continued in 2014
Priority is continued profitability and solvency

Result

The Bank expects continued solid core operations

- Moderate decrease in net interest- relief BM involvement and indreased price competition
- Initiatives reduction in interest rates- mortgage from 0.15 to 0.25 % and the deposit PM and BM up to 0.40 %
- Initiatives official rating – Strengthen the bank's position in the capital market
- Maintaining the level of commissions income – continued insurance sales
- Increased payroll taxes – greater focus on operational efficiency and cost control
- Losses on par with industry expectations – defaults developements closely and with close monitoring
- Sales of share NETS – earnings impact in 2014 of MNOK 16.8

Balance

Moderate loan growth – level of 5-6 % in 2014 – continued management focus on deposit coverage

Priorities and prospects

Digital focusing

Prioritising investments in the direction of digital channels, continuing and raising skills for the employers in the bank at the same direction

Helgeland region

The Bank expects continued stability and steady growth in the region, primarily due to major infrastructure investments of billions – here are some of them

- Power: Modernization and development organized by HelgelandsKraft and Statkraft
- Oil: Field development of Aasta Hansteen by Statoil
- Public Construction: development of Brønnøysundregistrene and Nasjonalbiblioteket by state
- Road: Upgrade E6 throughout the region under the auspices of the state
- Flight: Construction of Major Airport outside Mo i Rana under investigation by notification from the government

Summary

The main objective of the bank is through balanced growth to maintain its position as a profitable and leading bank in Helgeland

Thank you for your attention!

EN DRIVKRAFT
FOR VEKST



Presentation for the 1st quarter 2014 (group)

Main features
Developments
Profit and loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



A driving force for growth on Helgeland



Norway's **12th largest savings** bank of 108 banks – 15 offices in 13 municipalities in the Helgeland region

- ✓ Bank total assets of NOK 26 billion and a market share of 50%
- An **independent regional bank** with no alliances and quoted on the stock exchange
 - The only bank with head office in the region
- **Complete local bank** and largest advisory environment
 - good competence and quick processing locally
- A solid equity of NOK 2.0 billion
 - Locally based financial strength in the development of the region
- An **active supporter** for sports, culture and knowledge
 - annual contribution of MNOK 15
- A **central owner** in Helgeland Invest
 - one of the largest investment companies in Northern-Norway

Strategic and financial goals

Strategic goals

Helgeland Sparebank's vision is to be **a driving force for growth** in the Helgeland region

The bank's main goal is to maintain its position through balanced growth and as a **profitable and leading** bank in the Helgeland region

The bank's **lending growth** should mainly be concentrated in the Helgeland region

The bank will be a **professional and active support** in the development of the Helgeland region

Helgeland Sparebank has as the **only bank** in the Helgeland region a clear regional ambition and profile

- A regional finance institution and a wide distribution network
- A future oriented bank and a socially engaged local bank
- An attractive competence institution and main functions

Financial goals

Profitability: **ROE** of at least 10%, given normal market conditions

Solidity: **CET1 ratio** of at least 12.5%, given countercyclical capital buffer of 2,5%

Costs: **Cost growth** of maximum 3.5%

Deposits: **deposit ratio** of at least 60%

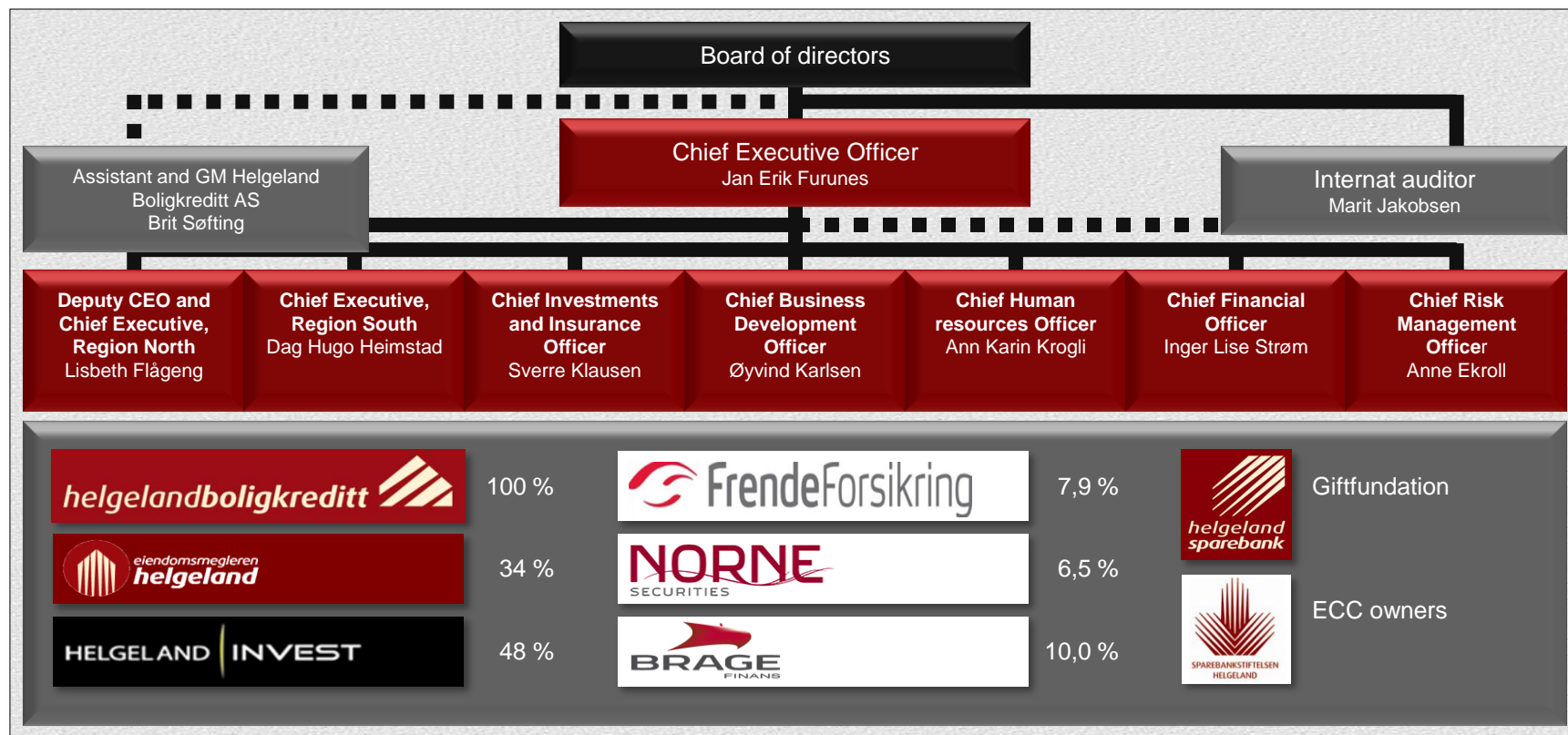
RM/CM: **RM share** of lending at least 60%

Dividends: The **dividends policy** stands firm in a long term perspective – in 2013/2014, the dividend levels will be reduced down toward 25-30% as a result increased capital requirements

Management and organisational structure



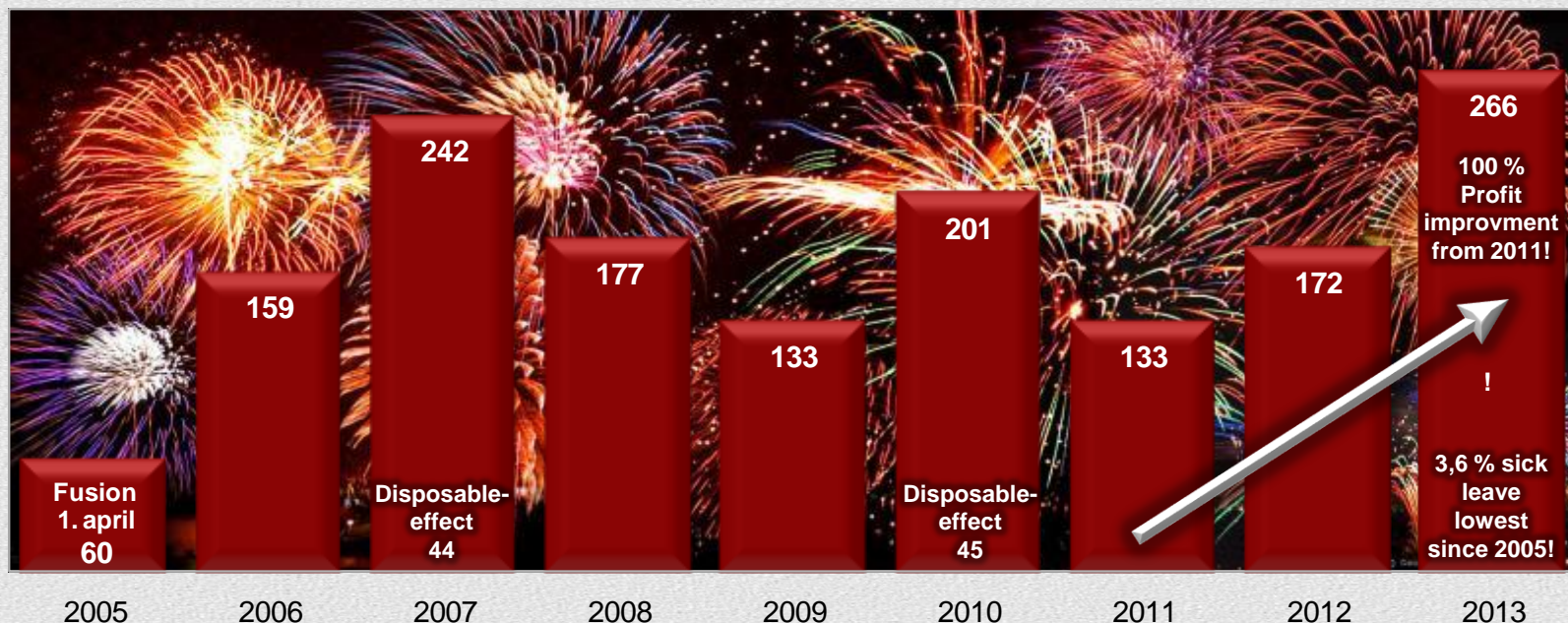
Business development and ownership



Historically strong result in 2013

Helgeland Sparebank

Development Gross Profit (NOK)



Contact information

Head office

Postal address Postboks 68, 8601 Mo i Rana
Visiting address Jernbanegata 15, 8622 Mo i Rana
Phone 75 11 90 00
Web www.hsb.no
Organization number 937904029

Board

Thore Michalsen, Chair
Ove Brattbakk, Deputy Chair
Gislaug Øygarden
Monica Skjellstad
Stein Andre Herigstad-Olsen
May Heimdal

Management

Jan Erik Furunes, CEO – 75 12 83 21 / 915 70 573 – jan.erik.furunes@hsb.no
Lisbeth Flågeng, Deputy CEO – 75 12 83 01 / 416 85 777 – lisbeth.flageng@hsb.no

Investor Reations

Inger Lise Strøm, CFO – 75 11 91 11 / 951 33 295 – inger-lise.strom@hsb.no
Tore Stamnes, Head of Treasury – 75 11 90 91 / 41 50 86 60 – tore.stamnes@hsb.no