



Presentation

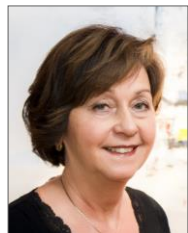
1. quarter 2015



med **HELGELAND** for



Presentation Q1 2015 (HSB group)



Lisbeth Flågeng
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main Features

Profit & Loss

Balance

Lending

Deposits

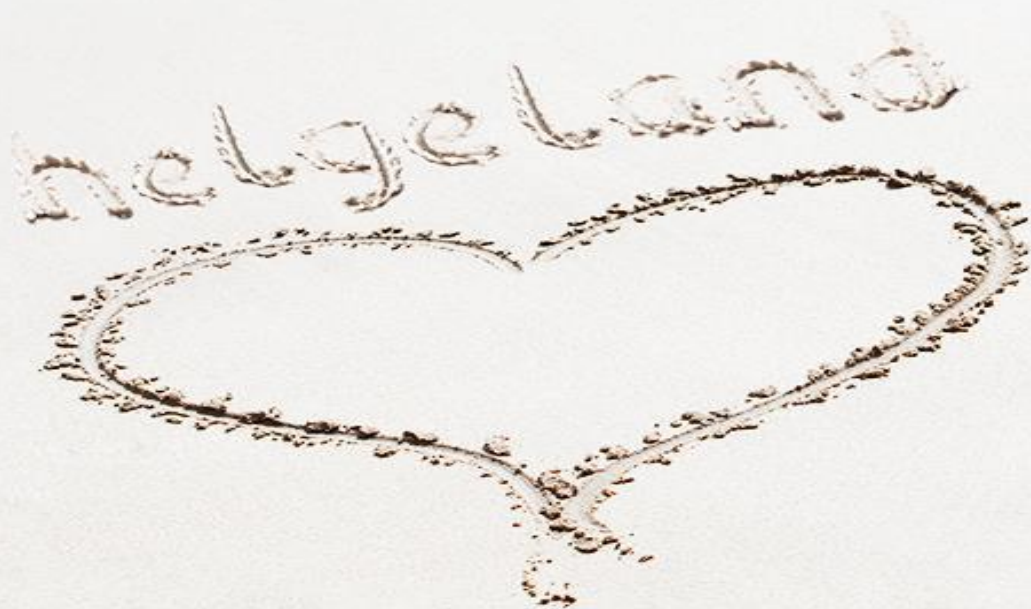
Funding

Solidity

Summary

Helgeland

Appendices



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Main features 1. Quarter

Result

Gross profit MNOK 71 (66) – Improvement of MNOK 5

- Maintained net interest in NOK and percent
- Low write-downs on lending

Profitability

Increased ROE (after tax) 10,2 (9,9) %

Solidity

Strengthened capital adequacy – CET1 ratio 14,6 (12,2) % – total capital ratio 18,1 (15,9) %

- Increase related to unrealized gain amounts to 1%-point on common equity

Main features 1st quarter

Lending

3-month growth 1,0 (0,2) %

- Retail market 1,2 (0,1) %
- Corporate market 0,6 (0,4) %

Deposits

3-month growth 1,7 (0,9) % – good deposit ratio 66,3 (63,1) %

- Retail market 2,0 (0,6) %
- Corporate market 1,1 (1,2) %

Main features 1st quarter

New real estate agency

Four local real estate agencies in Helgeland are merging. Helgeland Sparebank will own 40%. The new company will have a market share in over 50 %.

New chairman

CEO in Helgeland Kraft AS, Ove Brattbakk (59), has taken over after Thore Michalsen that steps down after maximum time possible in the board of directors



Main features

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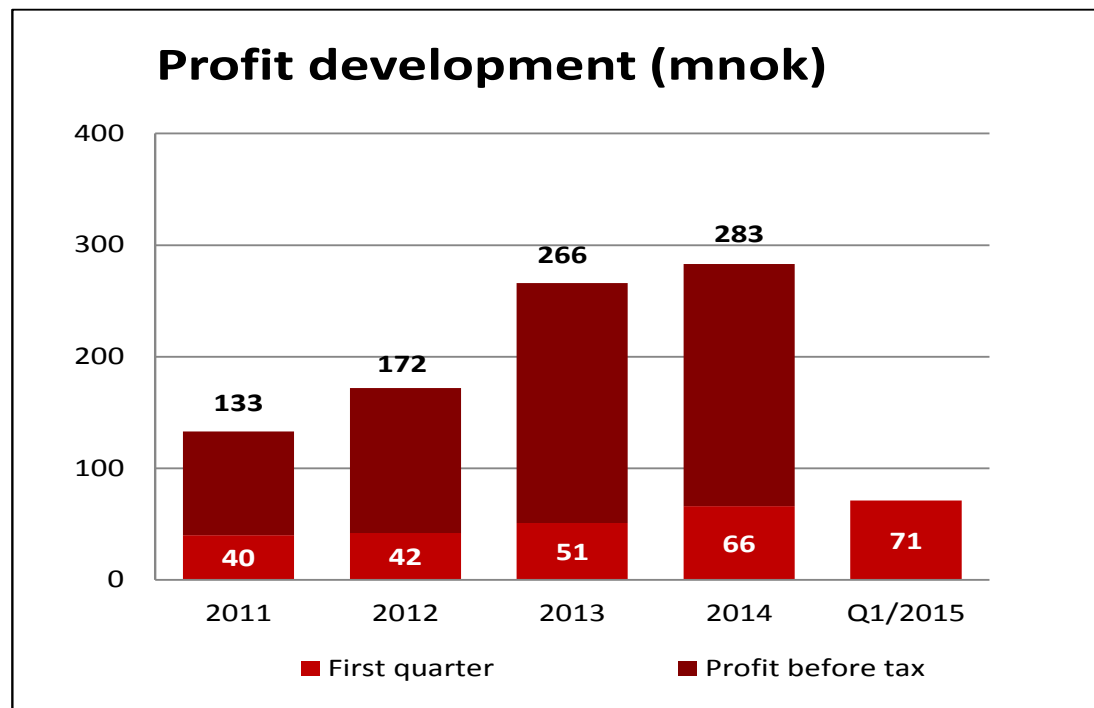
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Result



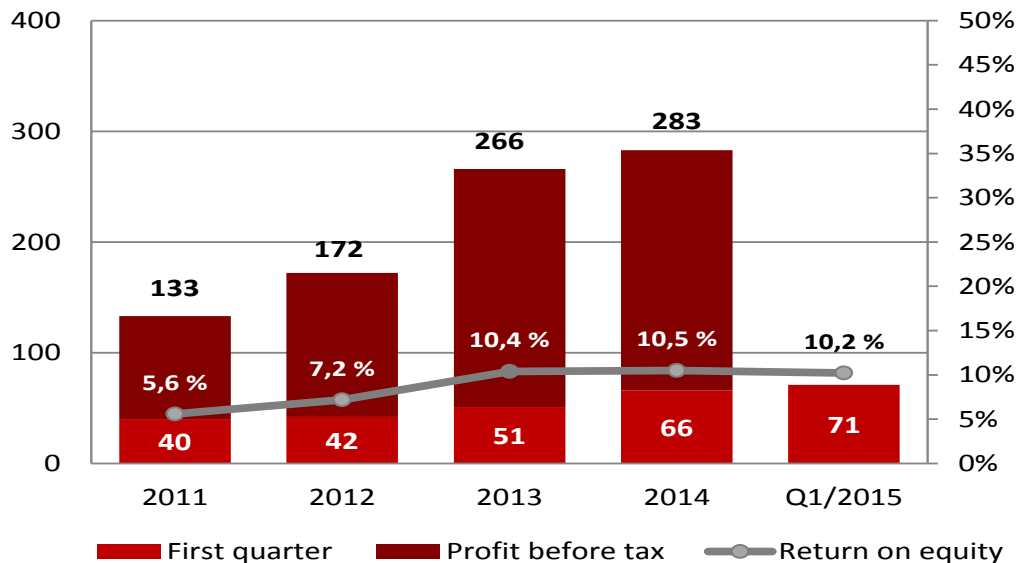
Good result

Stabile net interest

- Reduction of mortgage interest rates is covered through reduction of deposit interest rates and lower deposit costs

Result

Profit development (mnok)



Good result so far this year

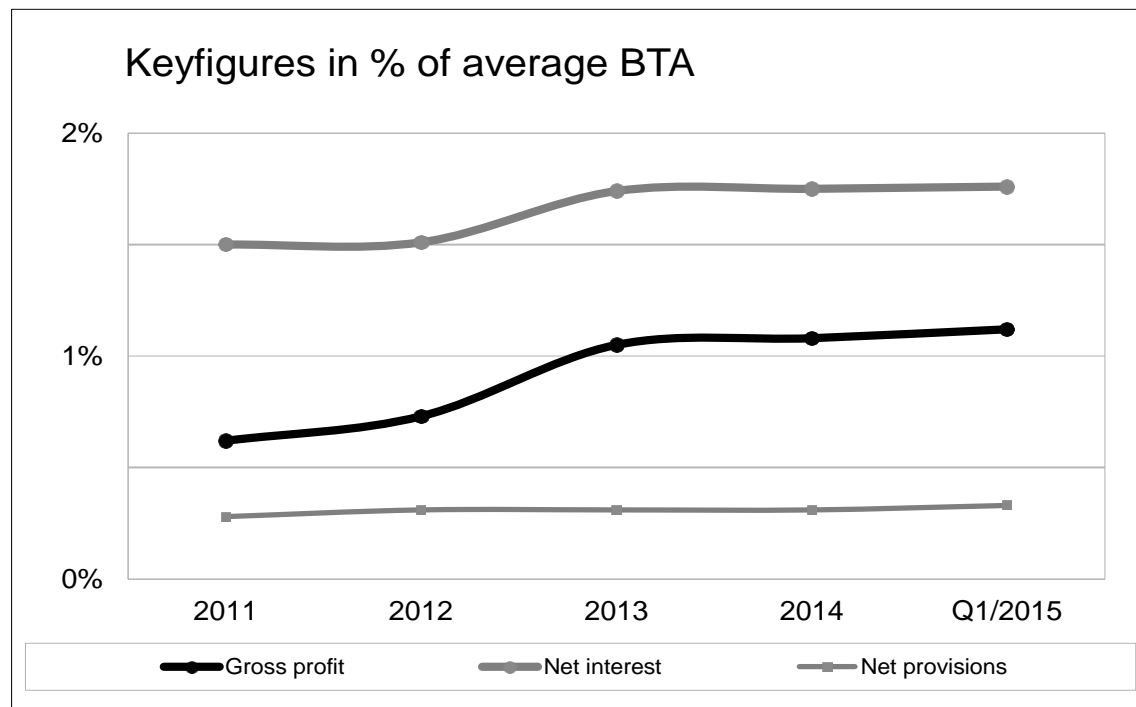
Stabile net interest

- Reduction of mortgage interest rates is covered through reduction of deposit interest rates and lower deposit costs

ROE

- Target minimum 10 %
- Per Q1 10,2 (9.9) %

Key figures



Commentary

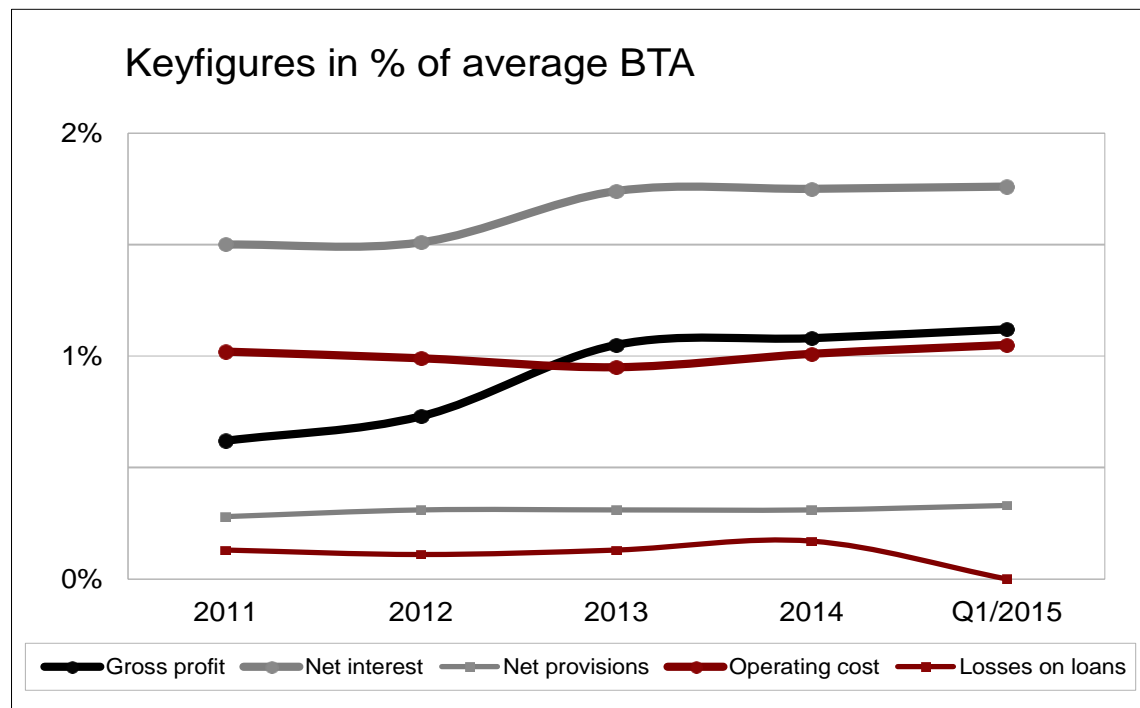
Net interest

- Unchanged last five quarters

Net comissions

- 0,33 % - increase last quarter
- partly one time payout

Key figures



Commentary

Net interest

- Unchanged last five quarters

Net commissions

- 0,33 % - increase last quarter
- partly one time payout

Operating costs

- weak increase since 2013

Losses on lending

- low level this quarter

Profit & loss

| Helgeland Sparebank (group) | Profit & loss (MNOK) | | | | |
|---|----------------------|---------|---------|---------|---------|
| | Q1/2014 | Q2/2014 | Q3/2014 | Q4/2014 | Q1/2015 |
| Net interest- and credit provision earnings | 113 | 114 | 116 | 115 | 112 |
| Net provision earnings | 19 | 22 | 22 | 19 | 21 |
| Other operations income | 1 | 1 | 2 | 3 | 2 |
| Ordinary operations cost | 62 | 61 | 63 | 77 | 67 |
| Result basic operations | 71 | 76 | 77 | 60 | 68 |
| Write-downs lending and warranties | 11 | 18 | 6 | 9 | 0 |
| Net value change financial instruments | 6 | 23 | 17 | -2 | 3 |
| Gross profit | 66 | 81 | 88 | 49 | 71 |
| Net profit | 48 | 59 | 73 | 35 | 53 |
| Net extended income posts | 13 | -7 | 0 | -39 | -8 |
| Profit for the period | 61 | 52 | 73 | -4 | 45 |

Commentary

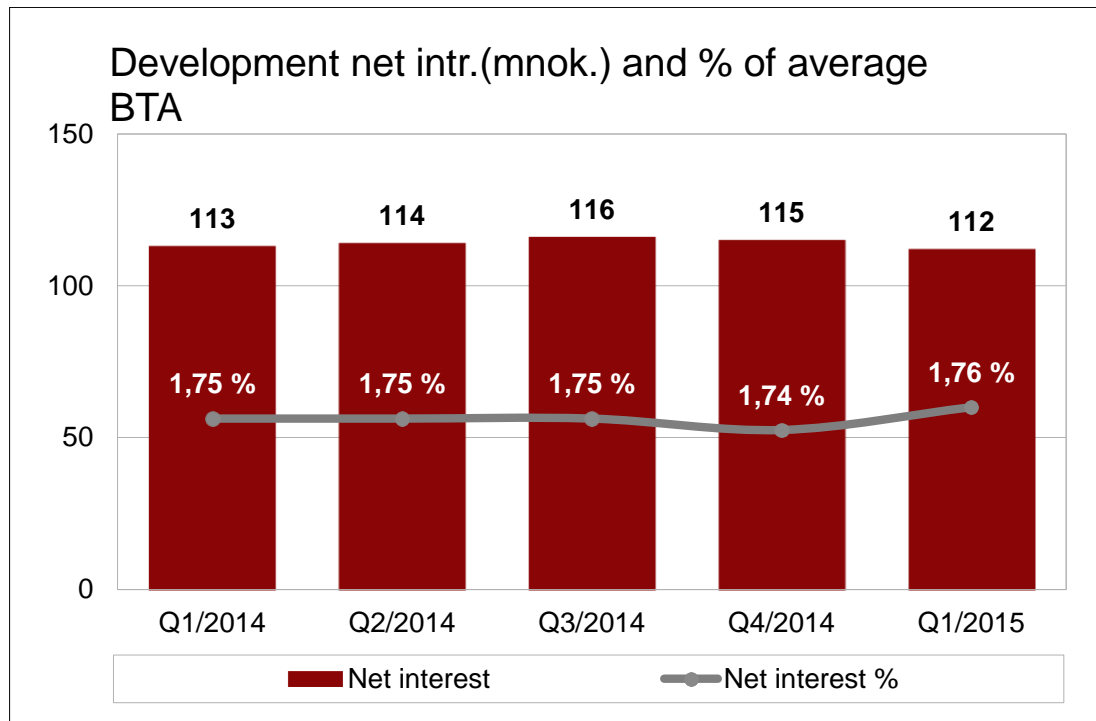
Reduced costs from last quarter which maintained some non-recurring costs

- Increased payroll tax gives a higher level of costs

Low write-downs on lending

In other comprehensive profit, impairment of fixed-income securities is included

Net interest

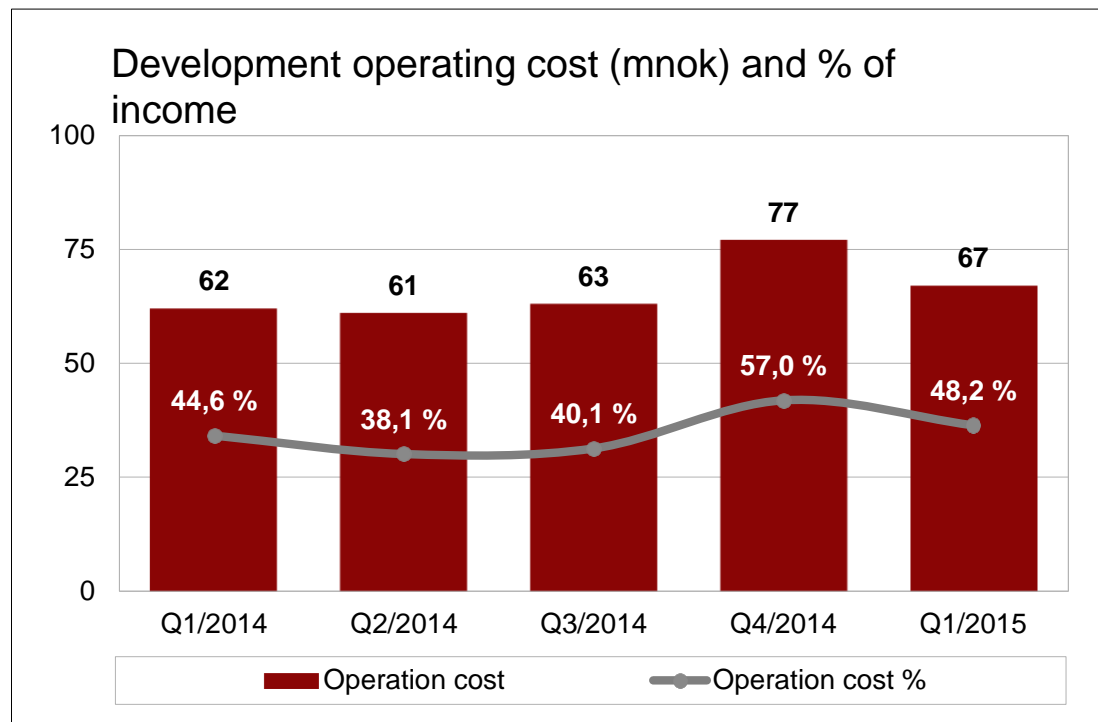


Commentary

Stable net interest.
Still strong competition
regarding price.

- Last reduction of the mortgage interest rate was conducted 15.03.15, covered through reduction of the deposit interest rate
- Individual adaption
- Lower Borrowing costs because a fall in nibor

Operating cost



commentary

Reduced costs since Q4

- Annual positions reduced from 177 31.03.14 till 167 31.03.15
- Cash service at desks terminated
- Natural resignations that are not replaced
- Decision to close a smaller office 01.06.15
- New agreement with IT gives falling costs towards 2019-2021



Main features

Profit & loss

Balance

lending

Deposits

Funding

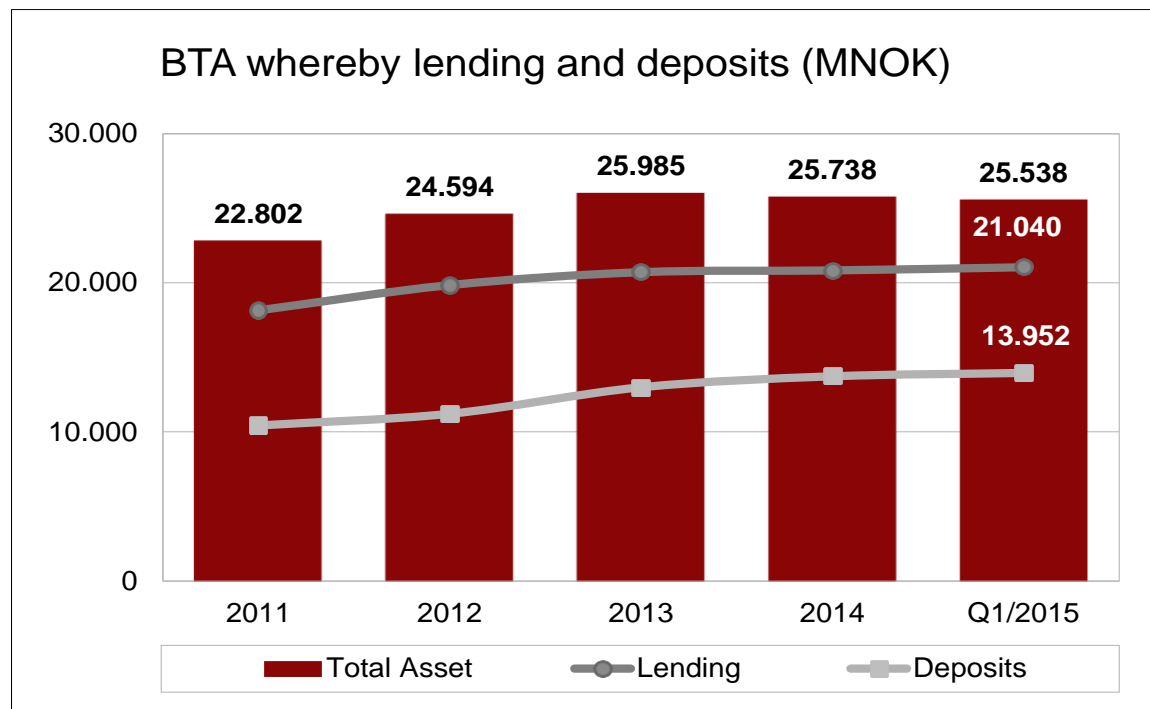
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Total assets



Commentary

Adapted Liquidity reserve

Lending

- Q1 21,0 (20,7) bn.
- 12-mont growth MNOK 283

Deposits

- Q1 13,9 (13,1) bn.
- 12. month growth MNOK 852



Main Features

Profit & loss

Balance

Lending

Deposits

Funding

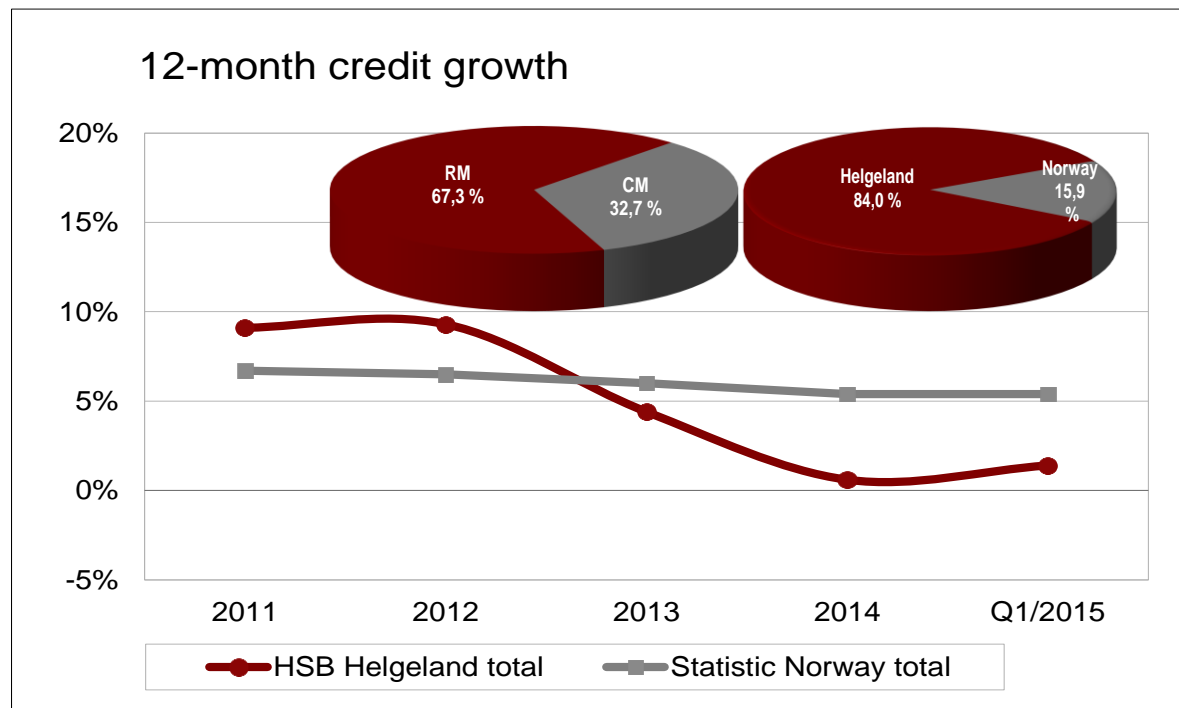
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Credit growth



Commentary

Lending growth

- 12-month growth 1,4 (3,3) %

RM Share

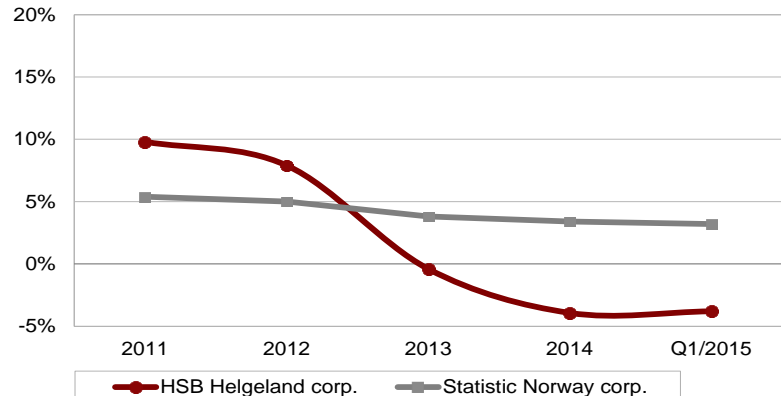
- Goal minimum 60 %
- Per Q1 67,3 (65,5) %

Share in Helgeland region

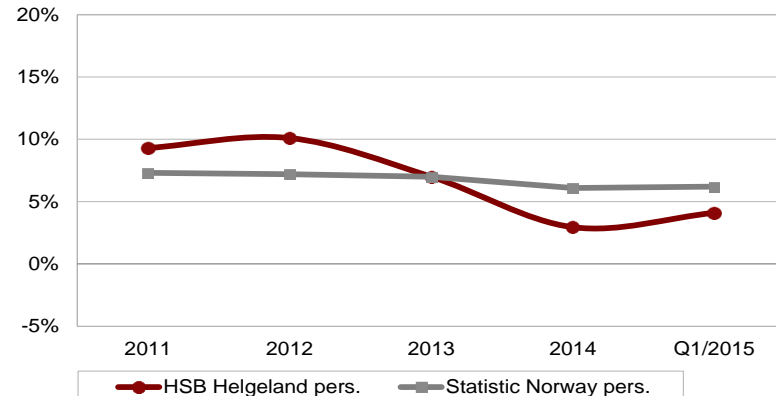
- Per Q1 84,0 (83,7) %

Credit growth CM and RM

12-month credit growth corporate market



12-month credit growth retail market

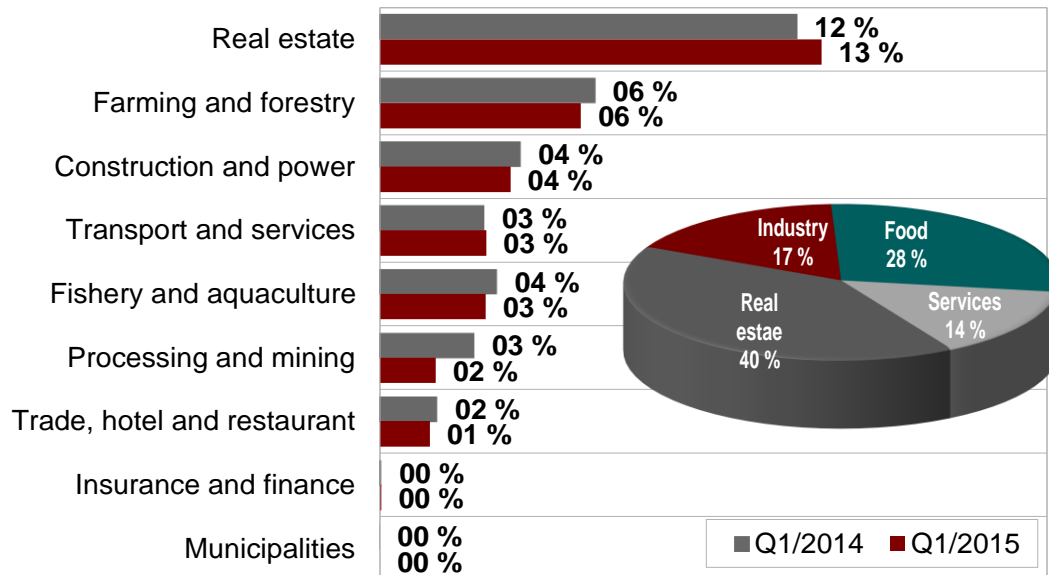


Commentary

12-month growth 1,4 (3,3) % whereby CM -3,8 (-1,6) % and RM 4,1 (6,1) %

Lending CM

Lending distributed in sector



Commentary

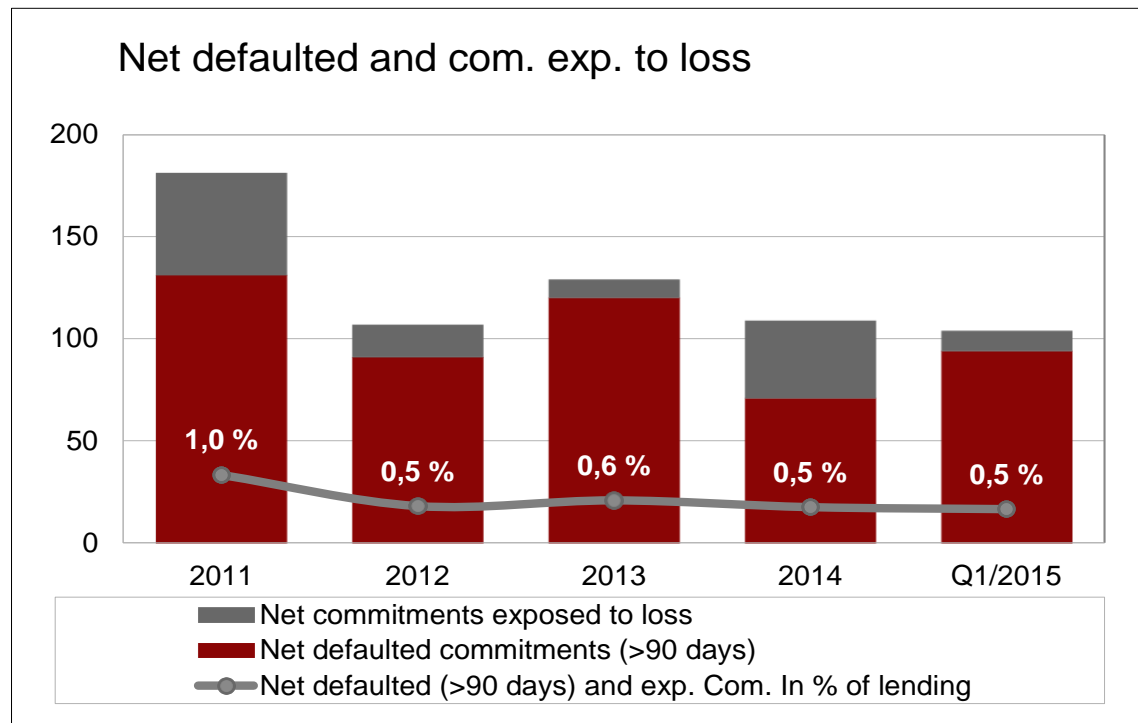
Good diversification in the CM lending portfolio and very loyal corporate customers

Total share and CM 32,7 (34,5) %

Food production consisting of agri/aquaculture, and forestry, make up 28% of CM lending

Guarantee obligation FX loans constituted per 31.03.15 MNOK 137 – secured in property/deposits

Non-performing and other impaired commitments



Commentary

Good portfolio quality

Flattening of net non-performing and other impaired commitments

The development of defaults in the portfolio and on individual commitments is monitored closely. Continuous follow-up through concrete measures



Main features

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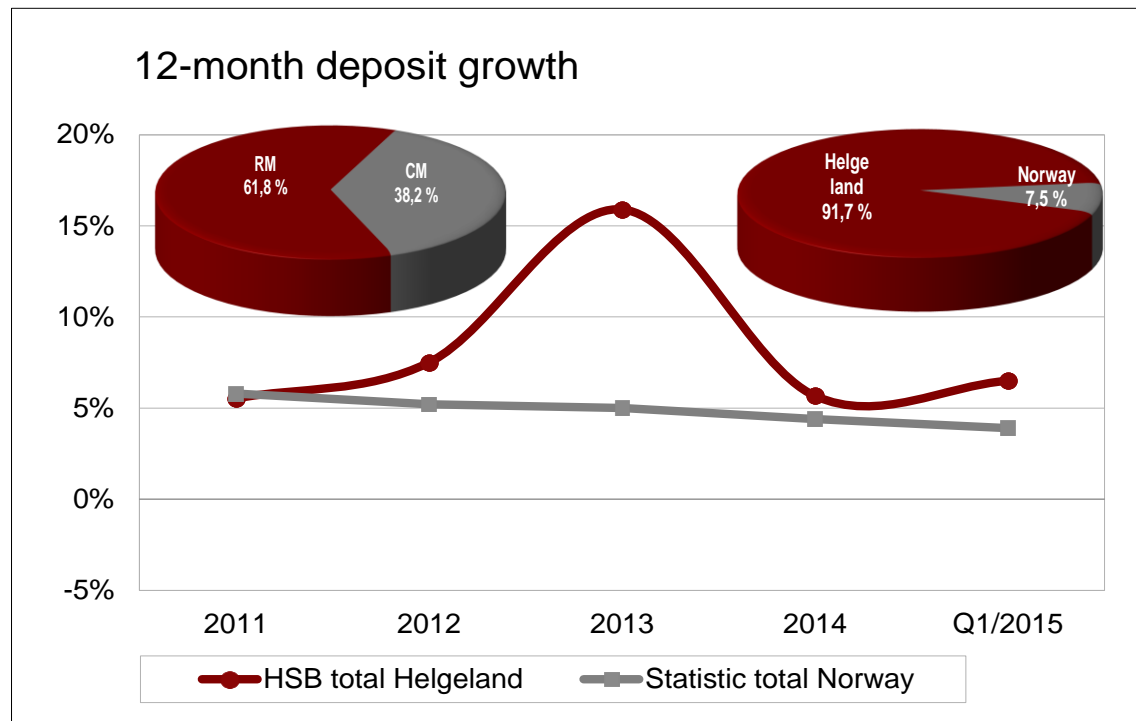
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Total deposit growth



Commentary

Good deposit growth

- 12-month growth 6,5 (14,4) %

RM share

- Per Q1 61,8 (60,8) %

Share from Helgeland region

- Per Q1 91,7 (91,9) %

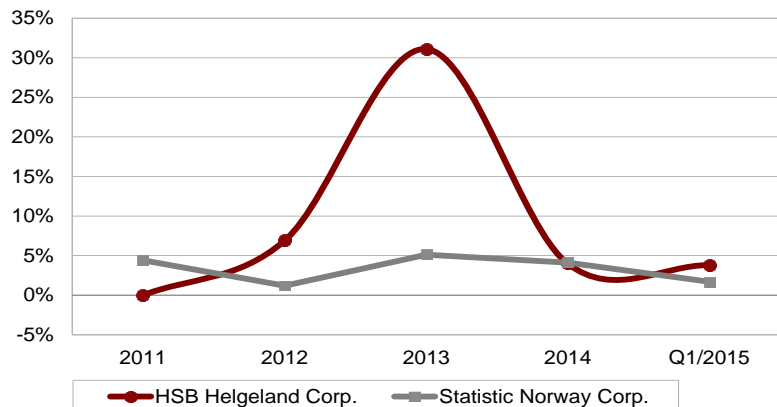
Deposit ratio

- Goal minimum 60 %
- Per Q4 66,3 (63,1) %

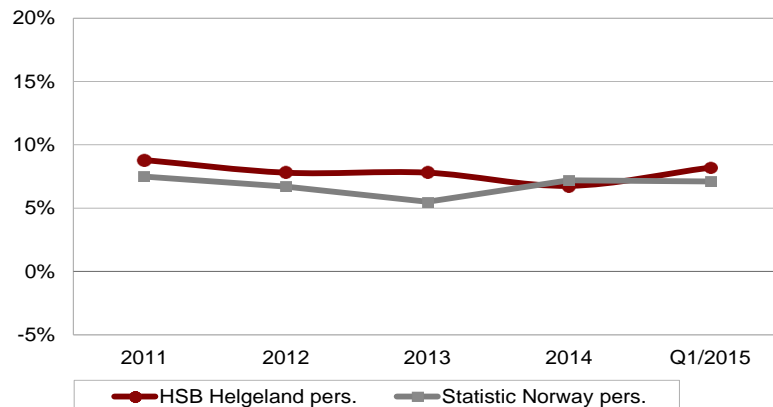
Large share of RM deposits under MNOK 2. (about 60% of total deposits)

Deposits CM and RM

12-month deposit growth corporate market



12-month deposit growth retail market



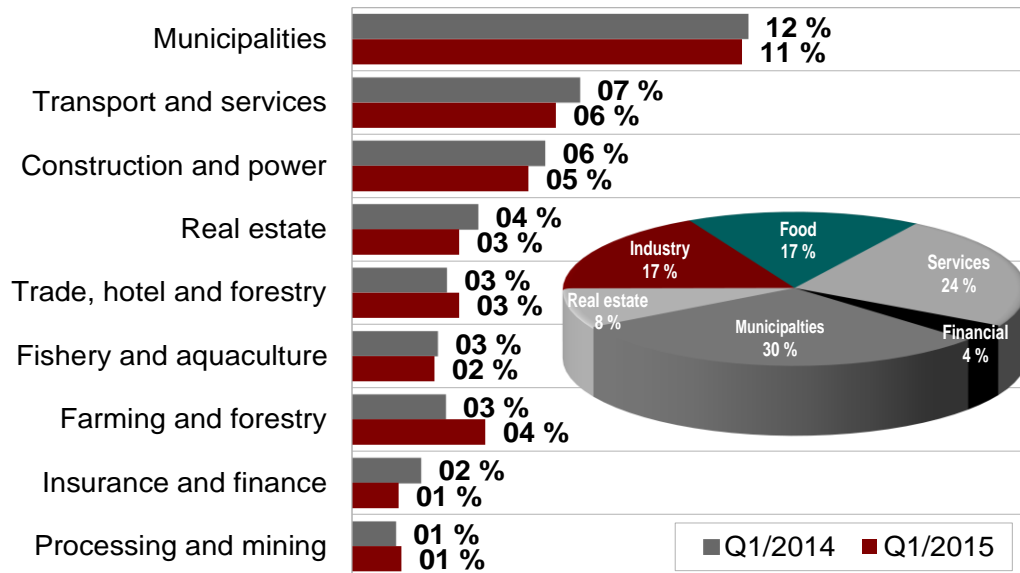
Commentary

12-month growth 6,5 (14,4) % whereby CM 3,8 (29,7) % and RM 8,2 (6,3) %

Deposit growth both for corporate customers and retail customers slightly over the national average

Deposits CM

Customer deposits



Commentary

Well diversified deposit portfolio in the CM

Share CM 38,2 (39,2) % of total deposits

Deposits from municipalities constitute 30% of the CM deposits



Main features

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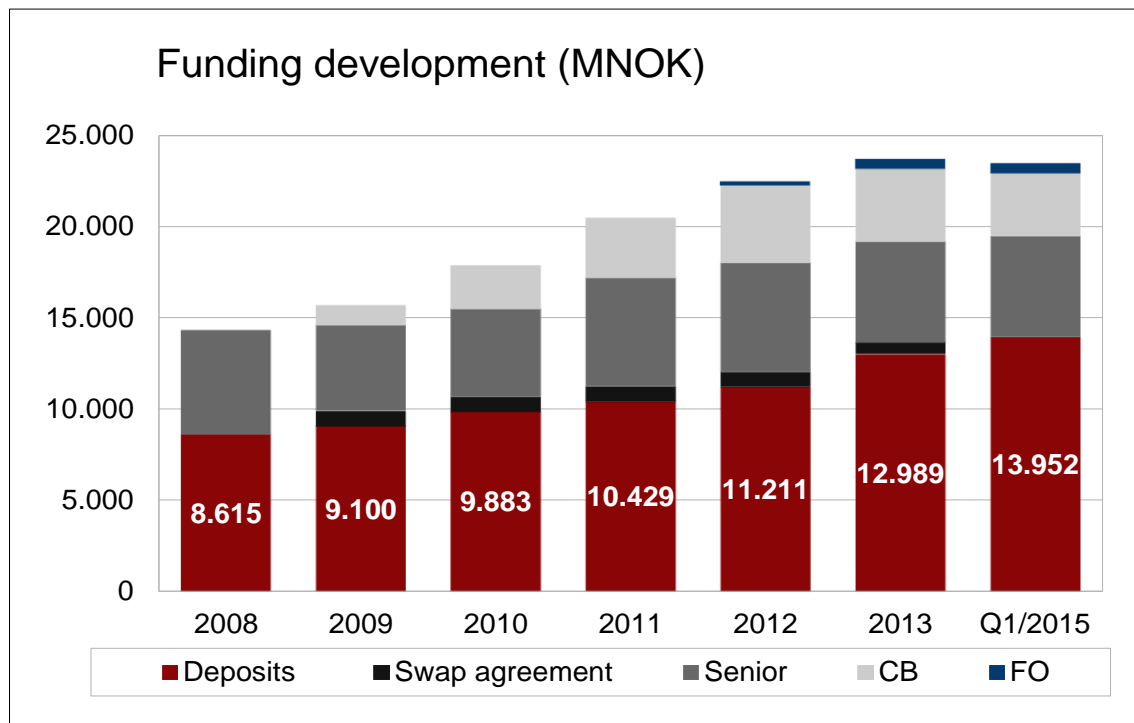
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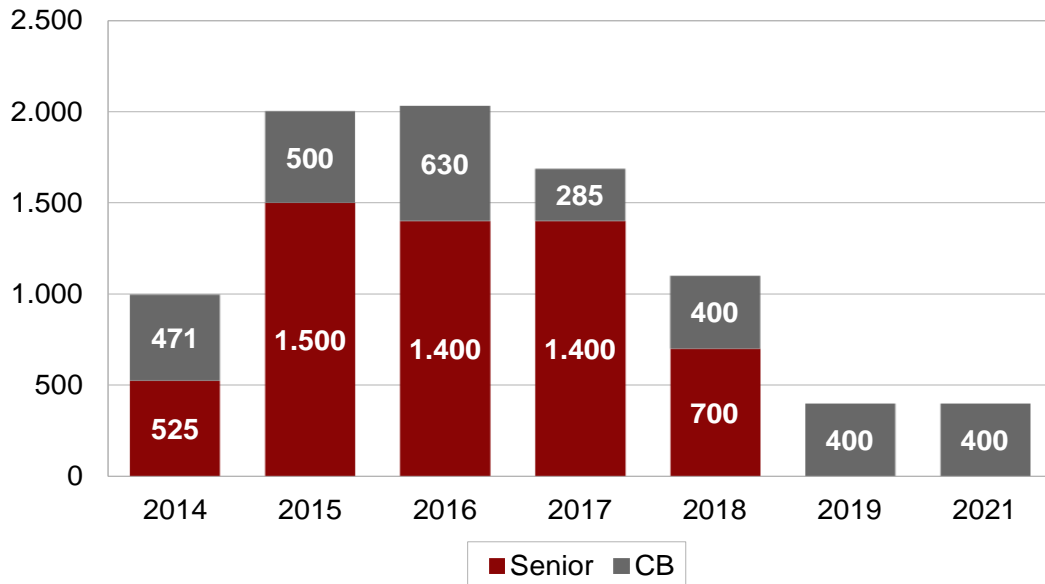
Commentary

The deposits are the most important source for funding

The bank's mortgage company is rated 'Aaa' and will be an important source for funding in the time ahead

Funding

Maturity of loans (MNOK)



Commentary

Good and long term funding

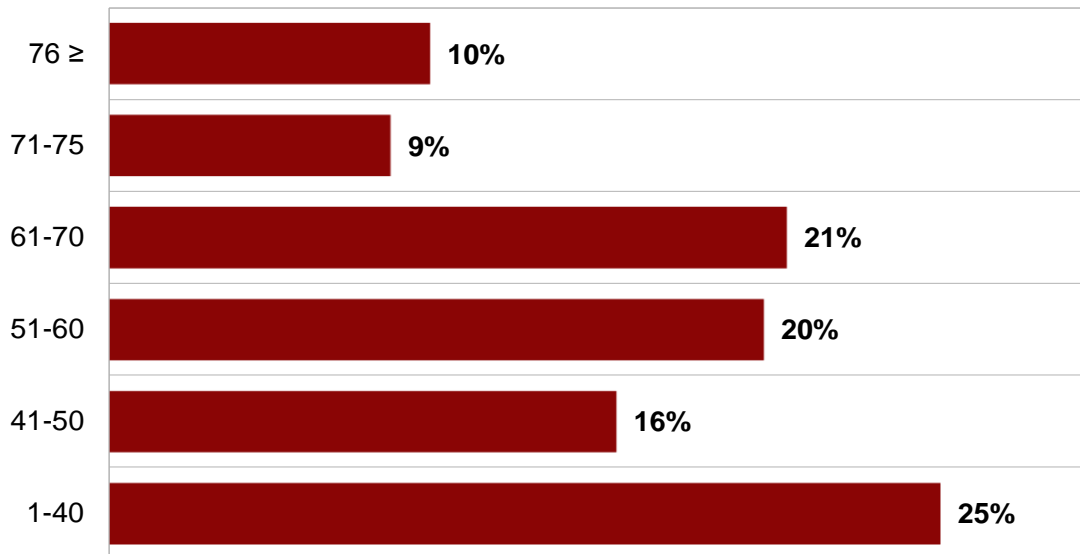
Share long term funding
83,7 (81,7) %

Combined duration of 2,5 (2,5) years. Duration in the mortgage company increased to 3,0 years

Maximum limit for transferring to the mortgage company is 30% of gross lending. Per 31.03.15 19 % are transferred. Empowered mortgages will Standard method with 25% mortgage weights

Helgeland Boligkreditt AS

LTV-allocation 31.03.15



Commentary

Combined LTV 52 (52) %

Cover pool

- qualified loans MNOK 3.982 (4.215)
- Deposits MNOK 215 (234)
- OC level 20 (23) %

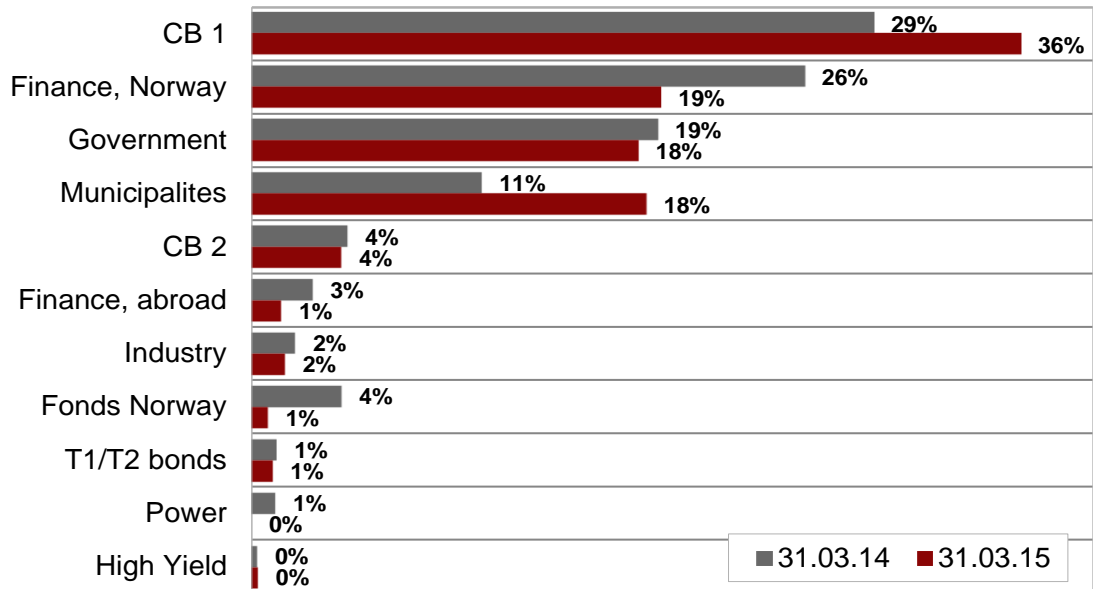
CB loans 3,5 bn. (whereby 0,4 in the ownership of the parent bank)

Net profit MNOK 9,9 (14,0)

CET1 ratio 17,3 (16,8)%
(Standard method with 35 % mortgage weights)

Liquidity buffers

Securities distributed in sectors



Commentary

The liquidity buffers constitute 3,9 (4,3) bn. – equal to 15,2 (16,8) % of total assets

The buffer capital consists of cash, deposits in Bank of Norway/banks and interest paying securities

The HSB group has increased the quality of the liquidity buffers (Basel III/LCR)

Interest paying securities:

- Portfolio duration 2,1 (2,0) years
- 98 % are rated A- or better
- 76 % CB or Govt./municipal bonds



Main features

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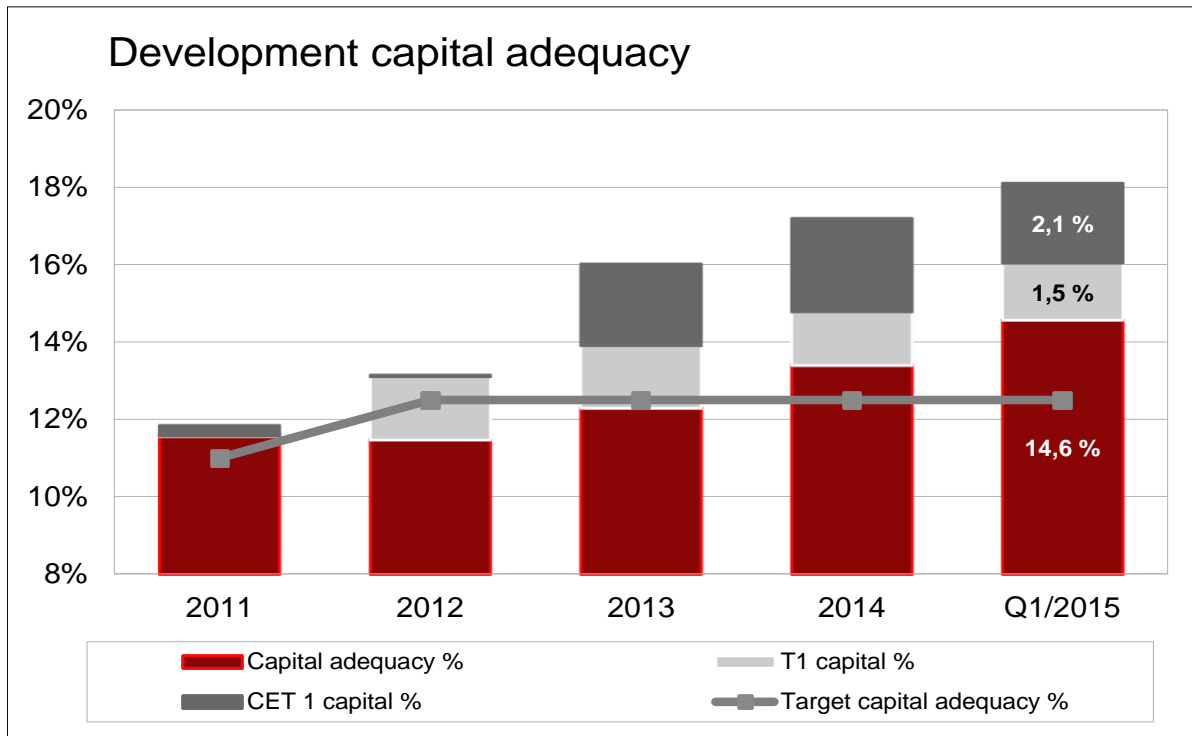
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Summing

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Capital ratio



Commentary

Capital ratio

- CET1 14,6 (12,2) %
- Core capital 16,0 (13,8) %
- Total capital 18,1 (15,9) %

Unrealized profit full effect in Q1 2015

- 1 %-point increase in core capital on 0,6 %-points in total capital
- Transition rules is not decided
- The size of unrealized profit is affected by ongoing value evaluations

New target requirements are revised in strategy process spring 2015

HELG – 20 largest owners

| Per 31.03.15 | Numbers | % | | Numbers | % |
|--------------------------------|-------------------|---------------|--------------------------------|-------------------|---------------|
| Sparebankstiftelsen Helgeland | 6.599.598 | 35,3 % | Helgeland Kraft AS | 340.494 | 1,8 % |
| Pareto AS | 1.070.836 | 5,7 % | Bergen Kommunale pensj. | 300.000 | 1,6 % |
| UBS AG, London Branc A/C | 1.000.000 | 5,3 % | Verdipapirfondet Pareto | 269.000 | 1,4 % |
| Merrill Lynch Prof. | 903.066 | 4,8 % | Sniptind Holding AS | 201.801 | 1,1 % |
| MP Pensjon PK | 882.203 | 4,7 % | Catilina invest AS | 170.000 | 0,9 % |
| Citibank | 761.741 | 4,1 % | Sparebankstiftelsen DNB | 142.724 | 0,8 % |
| VPF Nordea Norge | 570.365 | 3,1 % | Johs. Haugerudsvei AS | 138.731 | 0,7 % |
| Pareto online AS | 500.000 | 2,7 % | Melum Mølle AS | 124.000 | 0,7 % |
| Verdipapirfondet Eika | 423.704 | 2,3 % | Steffen Nervik | 110.000 | 0,6 % |
| Lamholmen AS | 398.788 | 2,1 % | Andvord AS | 102.203 | 0,5 % |
| Total 10 largest owners | 13.110.301 | 70,1 % | Total 20 largest owners | 15.009.254 | 80,3 % |

The bank has issued a total of 18.700.000 primary certificate value of NOK 10,- .

EC development and liquidity HELG



The price for HELG per 31.03.15. was NOK 56,50 per EC. This is an increase of NOK 1,50 since year end.



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Prospects and priorities

Profitable growth and leading bank in Helgeland

- Close teamwork with Mo og Omegns boligbyggelag and Mosjøen boligbyggelag and co localization with new market leading real estate agencies gives increased access to new mortgage customers
- High outward activity and focus on width sale to existing and new customers
- Concretization of «Best in customer experiences» and effective work processes – ongoing KTI after customer meetings both in Retail- and corporate market
- New CM leaders in place 1st half of the year – with sharpened skills and large customer networks

A future oriented bank

- Terminated the cash service at desk 31.12.14 – The customers experience increased service– The use of cash decreases significant
- Increased accessibility for customer service- gradually increased traffic
- «The digital office» - A project with three other banks is expected to start within 6 months
- E-signing under implementation

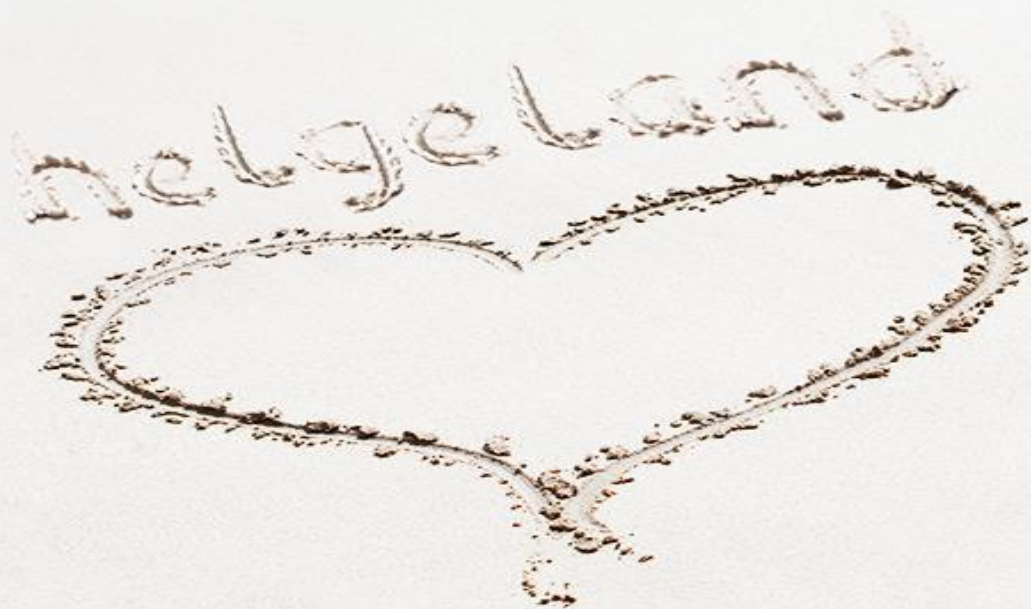
Prospects and priorities

Result

- Still good basis operation, but lower growth in the corporate marked will challenge the net interest rate
- The level of provision income is expected continued
- Good results in the production companies Frende and Brage will eventually give owner returns
- Challenges in the cost area is met with a number of measures
 - Reduction in annual positions 10 as a consequence of terminating the cash service at desk/natural resignation
 - Further reduction of annual positions are considered continuously
 - The banks distribution strategy/ office net is considered a part of the springs strategy process
 - A smaller office is discontinued from June 1st.
 - Evaluation of the banks pension arrangement is initiated
 - New deal with the IT supplier gives reduced costs towards 2019-2021
 - Internal focus on operational efficiency and correct cost use
- New target in the cost area is determined in the springs strategy process
- Write-downs on lending is in line with the industry

Balance

- Future growth in line with the industry– flattening in the corporate market?
- Peoples willingness to saving is expected to continue – other ways of saving becomes more attractive?
- Strongly increasing pension savings



Main features

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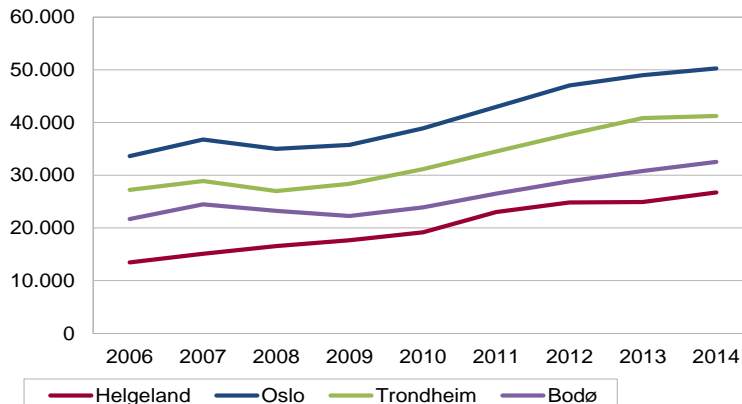
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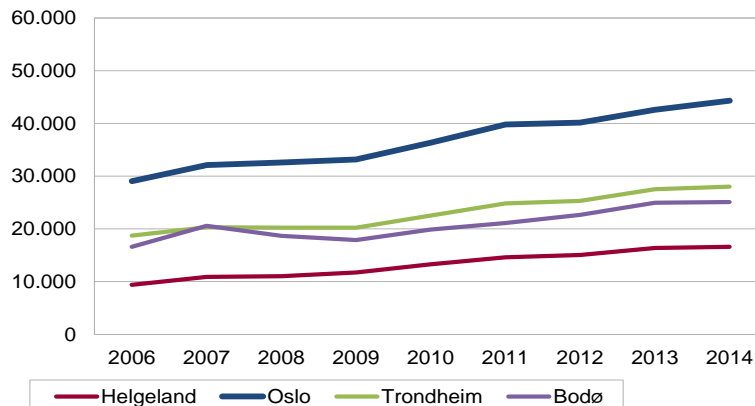
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Property price development

Price development - sold apartments in NNOK/sq.m.



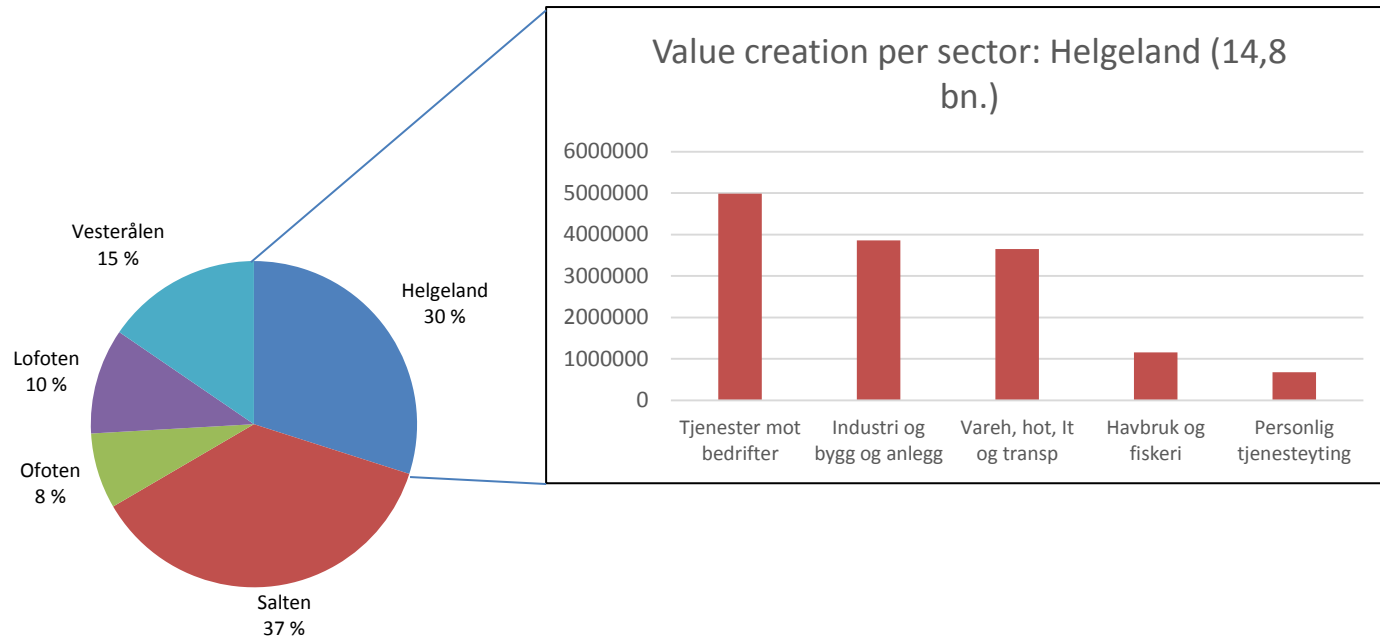
Price development - sold houses in MNOK/sq.m.



Commentary

Average national price increase for apartments in 2014 was 8.7%, while the prices in the Helgeland region increased by 7.1% in the same period. The national average price increase for sold houses in 2014 was 8.2%, while the prices in the Helgeland region increased by 1.5% in the same period

Helgeland – Value creation

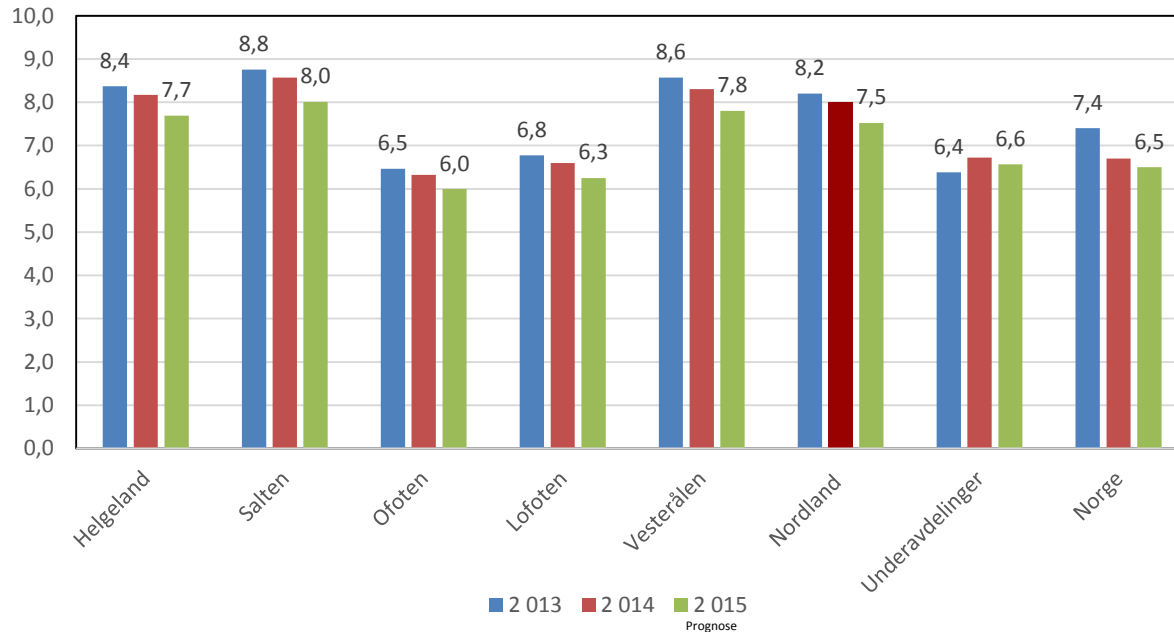


The value creation was 54,3 bn. in Nordland in 2014. That is an increase of 5,3 % from 2013.

Value creation per traded 100 NOK in Nordland is 30,4 NOK compared to a total of 26,6 NOK in Norge.

Kilde: Indeks Nordland, UIN

Profitability per region (operating profit in % of turnover)



The companies in Nordland Has an operational margin of 8% in 2014.

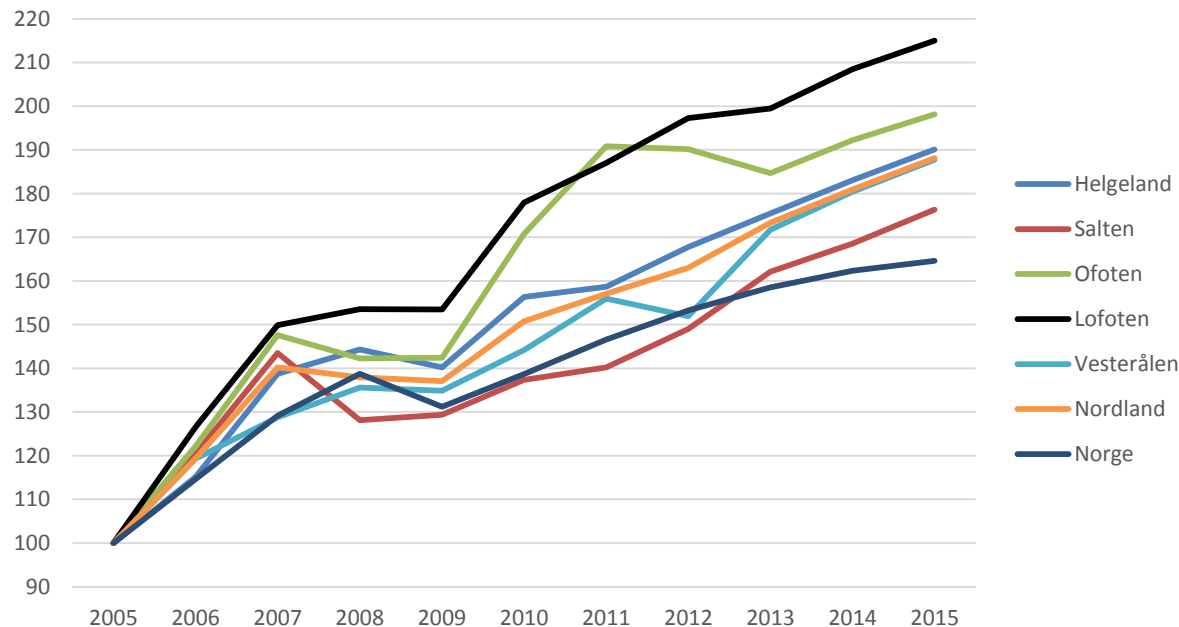
As a comparison the national average was 6,7 %.

Helgeland region's profitability is some over the average in the county, and the region has a lower competitive rate than the national average.

Source: Indeks Nordland, UIN

Growth in turnover

Index turnover where 2005 = 100.



Compared to Norway, the companies has a stronger turnover growth in Nordland both in 2013 and 2014. The main part of the explanation is increased turnover in aquaculture and fisheries together with industry and construction. In 2014, Helgeland has the strongest growth in Nordland

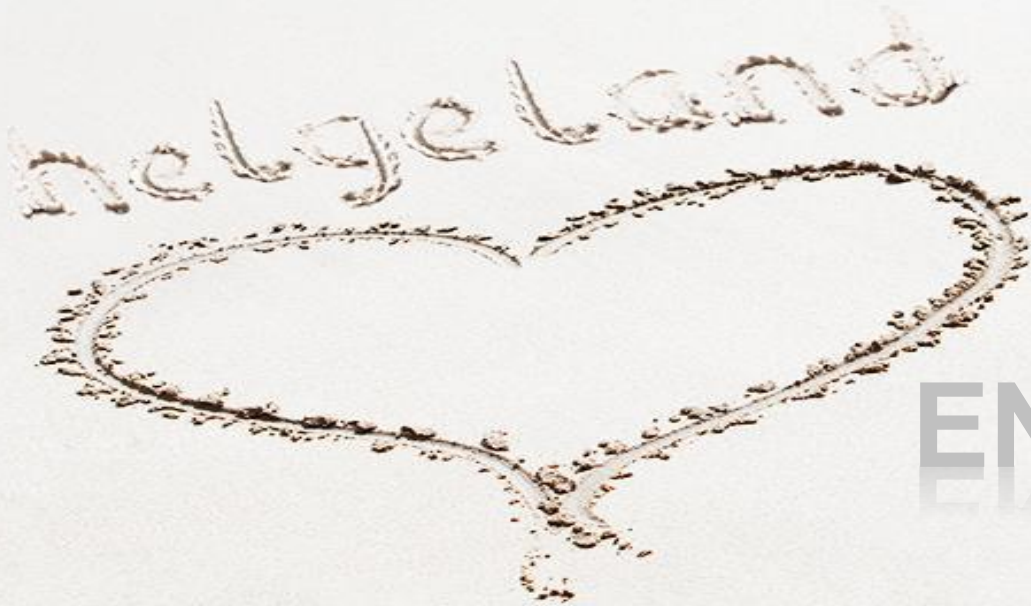
Source: Indeks Nordland, UIN

Prospects

The Helgeland region

- Relatively good economic prospects in 2015 despite of weaker cycles and lower oil investments
 - High activity in the construction sector
 - Investment willingness and a good growth potential in the export companies
 - Extraction of gas and new founding's in Aasta Hansteen field gives expected activity in 2015/2016
- Focus on renewable energy provide long term opportunities for the regions great resources of hydro power and metal production
- The marine sector increases the investments in research and development, meets the biologic challenges and gives increased value creation in the region
- Lower unemployment than a united Norway– is expected to maintain in a stable level.
- The housing prices is expected to remain at a stable level – Activity in the housing market is expected to increase in first half of the year.
- In long term, low investments in the oil sector will set demands to restructuring and change also in our region.
- The land based industries terms and willingness to change is especially important
- Consequence assessment of a new large airport in Helgeland, municipal amalgamation and a new hospital structure is exciting processes that will have impact for the regions development

Thank you for your attention!



EN DRIVKRAFT
FOR VEKST



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A driving force for growth on Helgeland



Norway's **12th biggest saving bank** of 108 banks –
15 offices in 13 municipalities in Helgeland

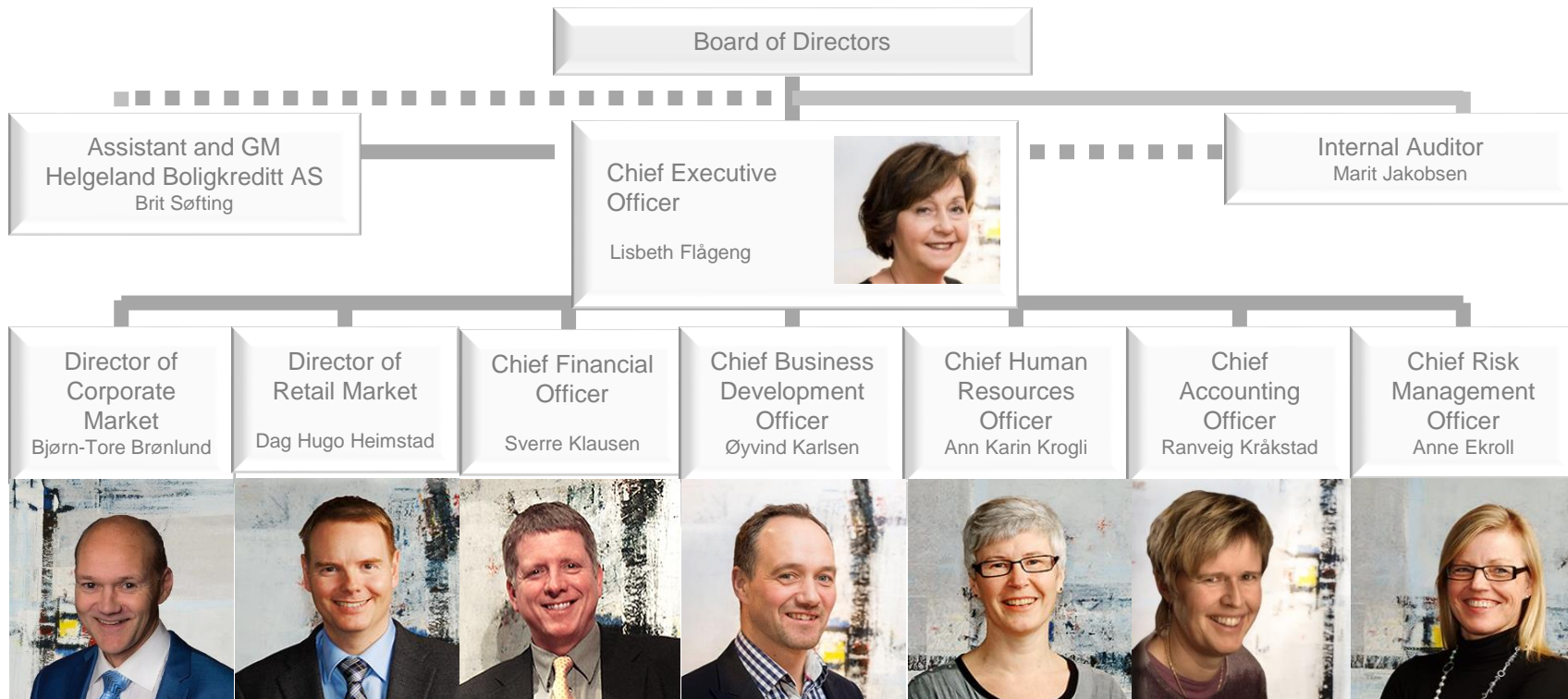
✓ Bank total assets of NOK 26 billion and a market share of over 50 %

- 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
- An **active supporter** for sports, culture and knowledge
 - annual contribution of MNOK 15
- A **solid equity** of NOK 2.0 billion
 - Locally based financial strength in the development of the region
- A **central owner** in Helgeland Invest
 - one of the largest investment companies in Northern-Norway

Business development and ownership

| | | | | | |
|---|-------|--|--------|---|--------------------|
|  | 100 % |  | 7,9 % |  | Gavestiftelse |
|  | 34 % |  | 7,5 % | | |
|  | 48 % |  | 10,0 % |  | Egenkapitalbeviser |

Business development and ownership



Contact information

Head office

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

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Tore Stamnes, Head of Treasury – 75 11 90 91 / 415 086 60 – tore.stamnes@hsb.no

Board of directors

Ove Brattbakk, leder
Stein Andre Herigstad-Olsen, nestleder
Eva Monica Hestvik
Bjørn Audun Risøy
Inga Marie Lund
Nils Terje Furunes
May Heimdal