



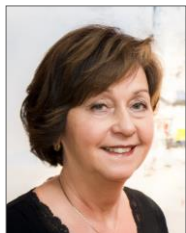
Presentation

Q1 2016



med  for
HELGELAND

Presentation Q1 2016 (HSB Group)



Lisbeth Flågeng
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main Features

Profit & loss

Lending

Deposits

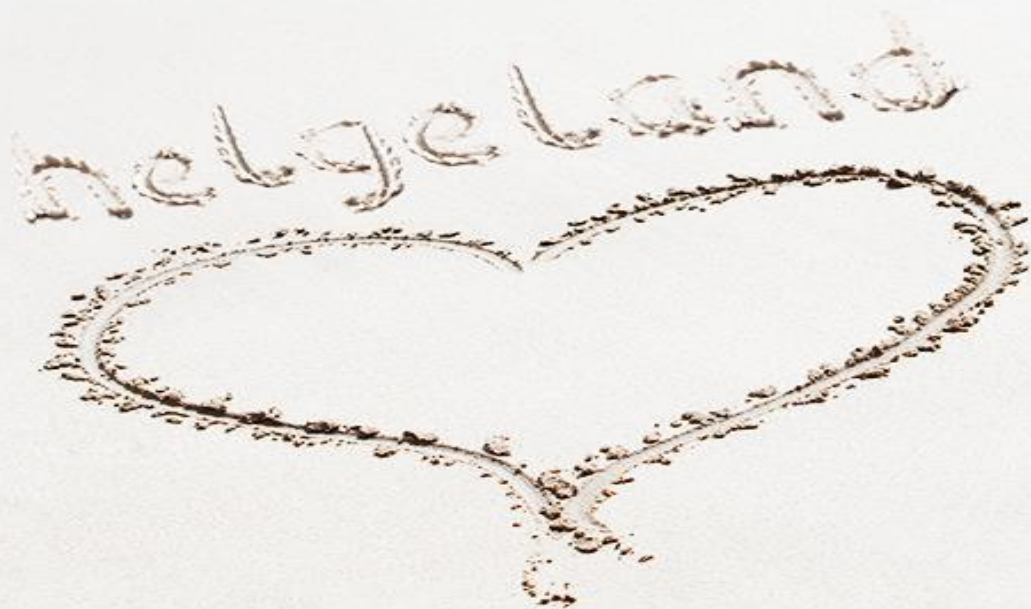
Funding

Solidity

Summary

Helgeland

Appendices



Main features

Profit & loss

Lending

Deposits

Funding

Solidity

Summary

Helgeland

Appendices

Main features per 31.03.16

Result

Gross profit MNOK 154 (71)

- Still good profitability in the banks basis operation, increased net interest in NOK and maintained in %
- Pension liability recognized as income by conversion to defined contribution amounts to MNOK 75

Profitability

- ROE (after tax) 12.1 (10.2) % - (including one time effect 2016)

Solidity

Capital adequacy – CET1 ratio 14.9 (14.6) % – total capital ratio 18.2 (18.1) %

- Profit 2016 is not added

Main features per 31.03.16

Lending

12-month growth 9.1 (1.4) %

- Retail market 10.3 (4.1) %
- Corporate market 6.9 (-3.8) %

Deposits

12-month growth 4.3 (6.5) % – good deposit ratio 63.3 (66.3) %

- Retail market 6.6 (8.2) %
- Corporate market 0.5 (3.8) %

Cost focus

- Target reached with planned downsizing
- Approved changes in the office net is completed



Main features

Profit & loss

Lending

Deposits

Funding

Solidity

Summary

Helgeland

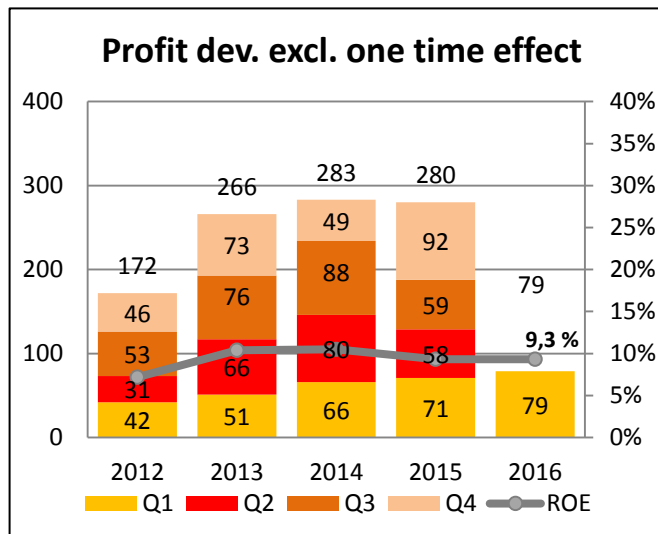
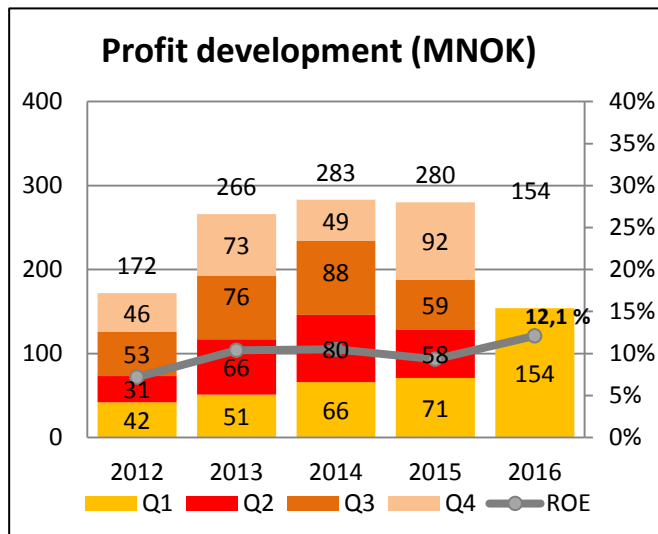
Appendices

Vevelstad

En drivkraft for vekst på Helgeland



Result



Good result Q1

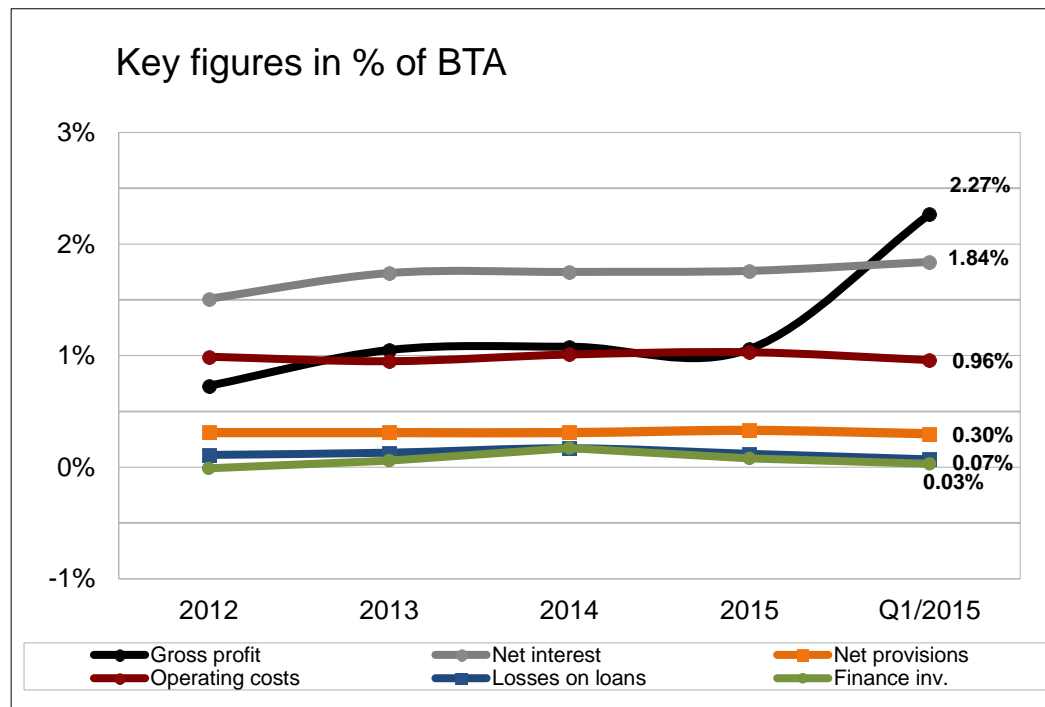
Gross profit MNOK 154

- ROE after tax 12.1 %

Profit before tax (excluding one time effect by conversion to defined contribution) amounts to MNOK 79

- ROE after tax 9.3 %

Key figures



Net interest - stabile positive development

- Interest subordinated bond of MNOK 3 recognized in equity. improved net interest with 6 bps, from 1.78 to 1.84 %.

Net provisions

- 0.30 % - stabile level, slightly down Q1/2016

Operating costs

- Flattening, Slightly down Q1/2016

Moderate write-downs on lending

Gross profit

- One time effect pension Q1/2016

Profit & loss

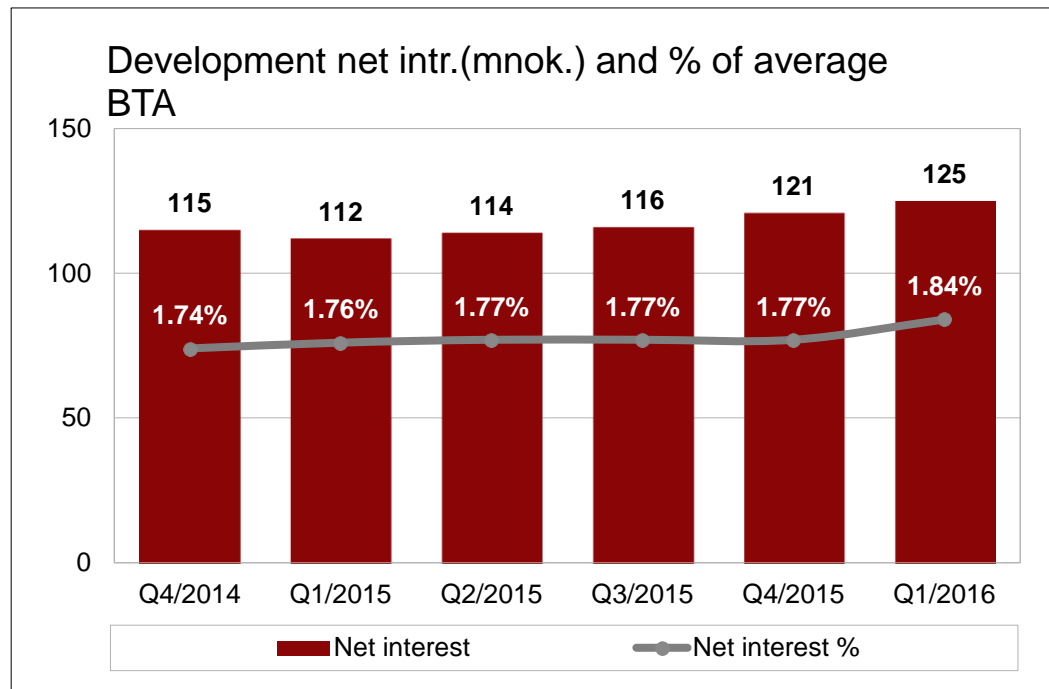
Helgeland Sparebank (group)

| | Q3/2014 | Q4/2014 | Q1/2015 | Q2/2015 | Q3/2015 | Q4/2015 | Q1/2016 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Net interest- and credit provision earnings | 116 | 115 | 112 | 114 | 116 | 121 | 125 |
| Net provision earnings | 22 | 19 | 21 | 20 | 23 | 22 | 20 |
| Other operatios income | 2 | 3 | 2 | 1 | 6 | 2 | 2 |
| Ordinary operations cost | 63 | 77 | 67 | 63 | 66 | 66 | 65 |
| Result basic operations | 77 | 60 | 68 | 72 | 79 | 79 | 82 |
| Write-downs lending and warranties | 6 | 9 | 0 | 11 | 9 | 12 | 5 |
| One-time cost | | | | | | 8 | |
| Income by conversion to defined contribution | | | | | | | 75 |
| Net value change financial instruments | 17 | -2 | 3 | -4 | -11 | 33 | 2 |
| Gross profit | 88 | 49 | 71 | 57 | 59 | 92 | 154 |
| Net profit | 73 | 35 | 53 | 39 | 45 | 70 | 117 |
| Net extended income posts | 2 | -39 | -8 | -2 | -14 | 36 | 1 |
| Profit for the period | 75 | -4 | 45 | 37 | 31 | 106 | 118 |

Commentary

- Stable and good basis operation, increased net interest
- Continued previous practice of deferred hedge fund fees
- Target reached on the downsizing process. Costs covered by provision in 2015 of MNOK 7.5
- Income by conversing to defined contribution of MNOK 75 (one time effect).
- Moderate write-downs on lending, including increased group write-downs of MNOK 2.5
- Net value change financial investments: MNOK 5 in profit share from associated companies and MNOK -4 in value reduction fixed interest loans

Net interest



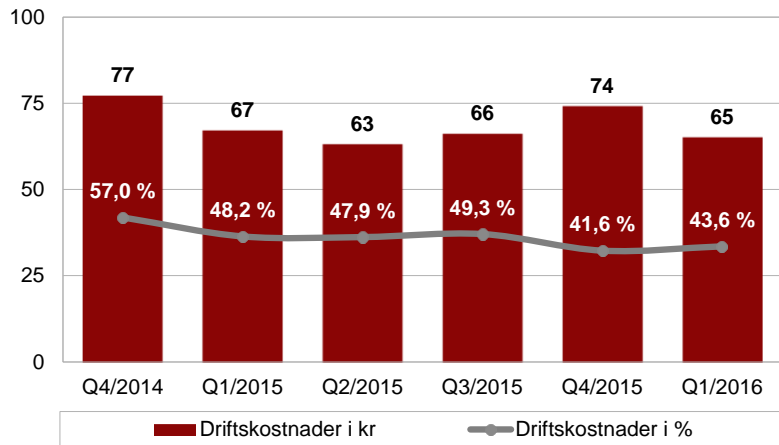
Increased net interest

Still strong competition regarding price

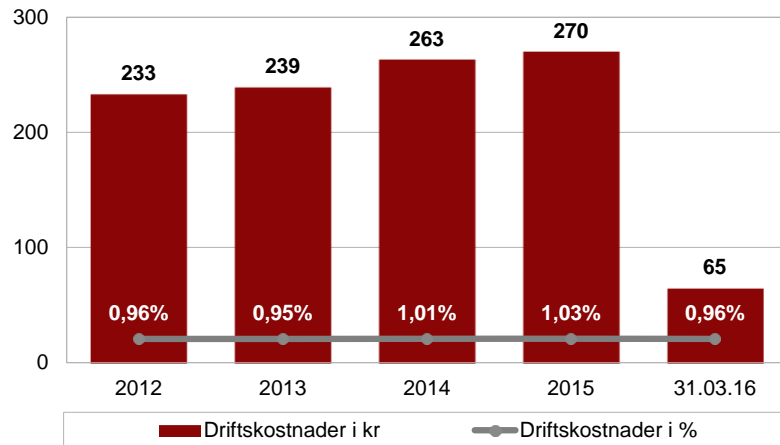
- Last reduction of the mortgage interest rate was conducted 01.12.15, covered through market adaption of the deposit interest rate Further interest rate reduction with effect from 08.06.16
- Interest costs subordinated bonds are recognized in equity in 2016, providing an improvement of the net interest with 6 bps

Operating costs

Driftskostnadsutvikling (mill. kr.) og i % av inntekt




Driftskostnadsutvikling (mill. kr.) og i % av inntekt



Cost focus

- Adaption of man years – full effect from Q4
- Continuous improvement of work processes
- Change in the pension plan will provide future cost reduction
- One time effect pension is not included in the calculation for Q1/2016



Main features

Profit & loss

Lending

Deposits

Funding

Solidity

summary

Helgeland

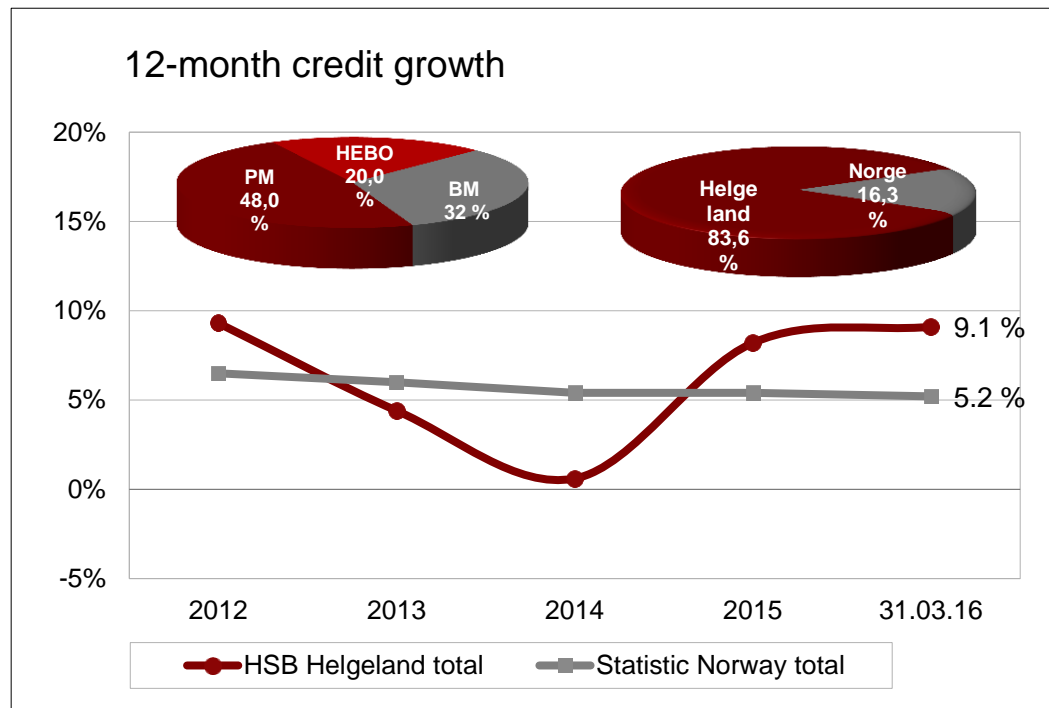
Appendices

Helglandsbrua

En drivkraft for vekst på Helgeland



Credit growth



Commentary

Credit growth

- 12-month growth 9.1 (1.4) %

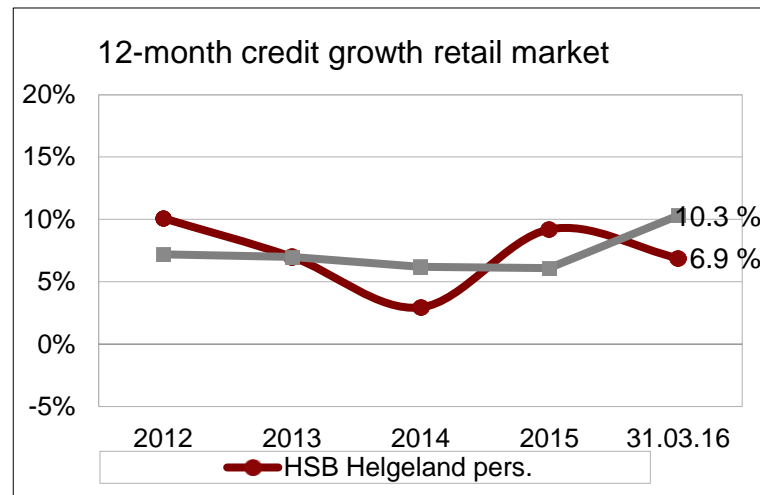
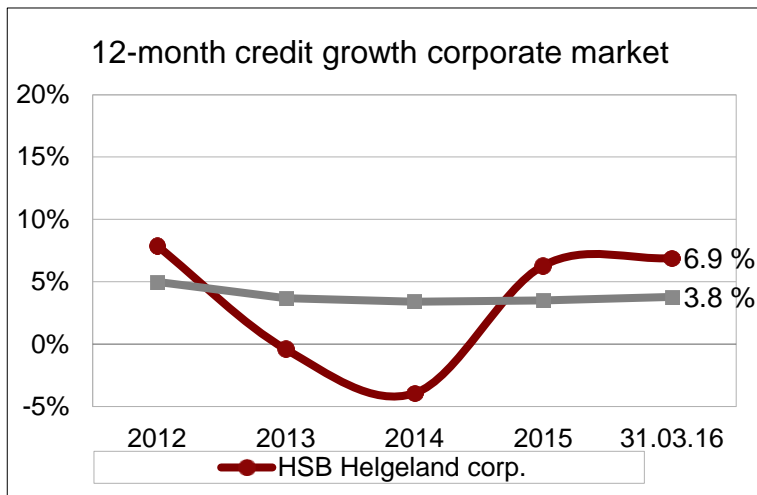
PM share

- Target minimum 60 %
- Per Q1 68.0 (67.3) %

Locally in Helgeland

- Per Q1 83.6 (84.0) %

Credit growth CM and RM

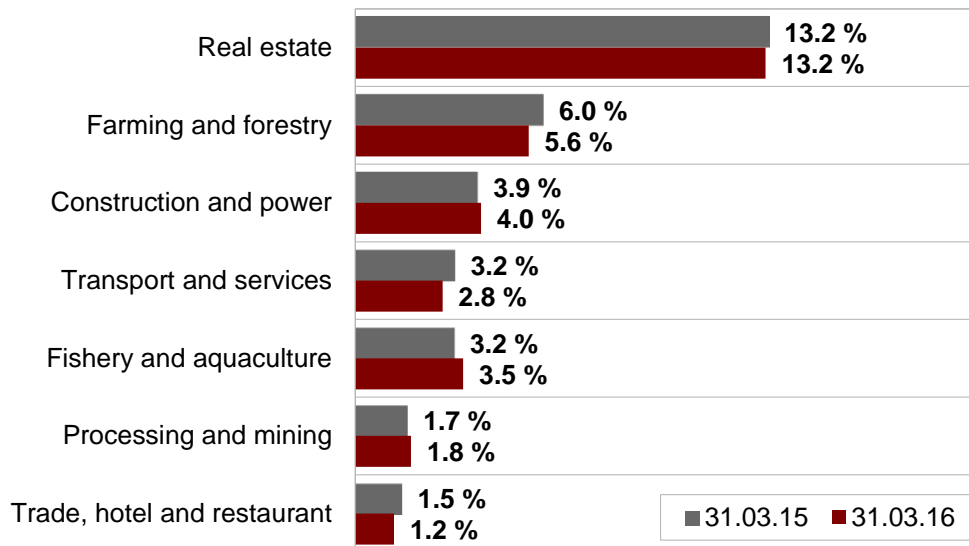


Commentary

12-mont growth 9.1 (1.4) % whereby CM 6.9 (-3.8) % and PM 10.3 (4.1) %

Lending CM

Lending distributed in sector

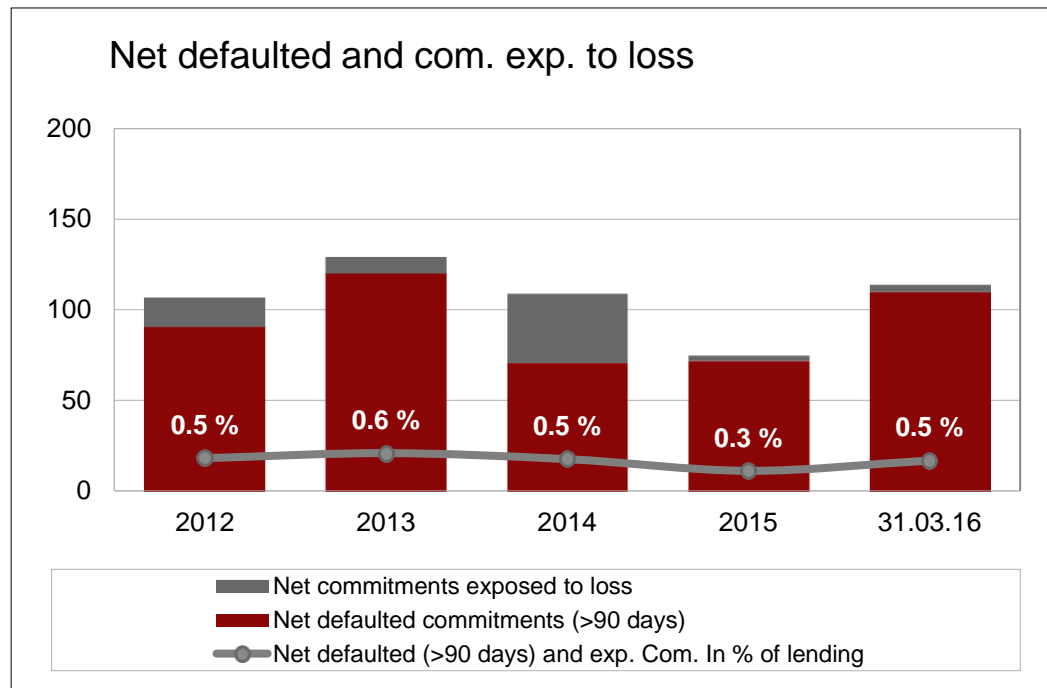


Commentary

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

Share CM of total lending 32.0 (32.7) % or MNOK 7 358 (6 884)

Non-performing and other impaired commitments



Good portfolio quality

Net non-performing and other impaired commitments amounts to MNOK 114 (104) Which equals 0.5 (0.5) % of gross loans

Increased group write-downs with MNOK 2.5

- Overall assessment based on model (PD/LGD), development site quality PM and defaults

Total group write-downs

- MNOK 81
- 0.35 % of gross loans



Main features

Profit & loss

Lending

Deposits

Funding

Solidity

summary

Helgeland

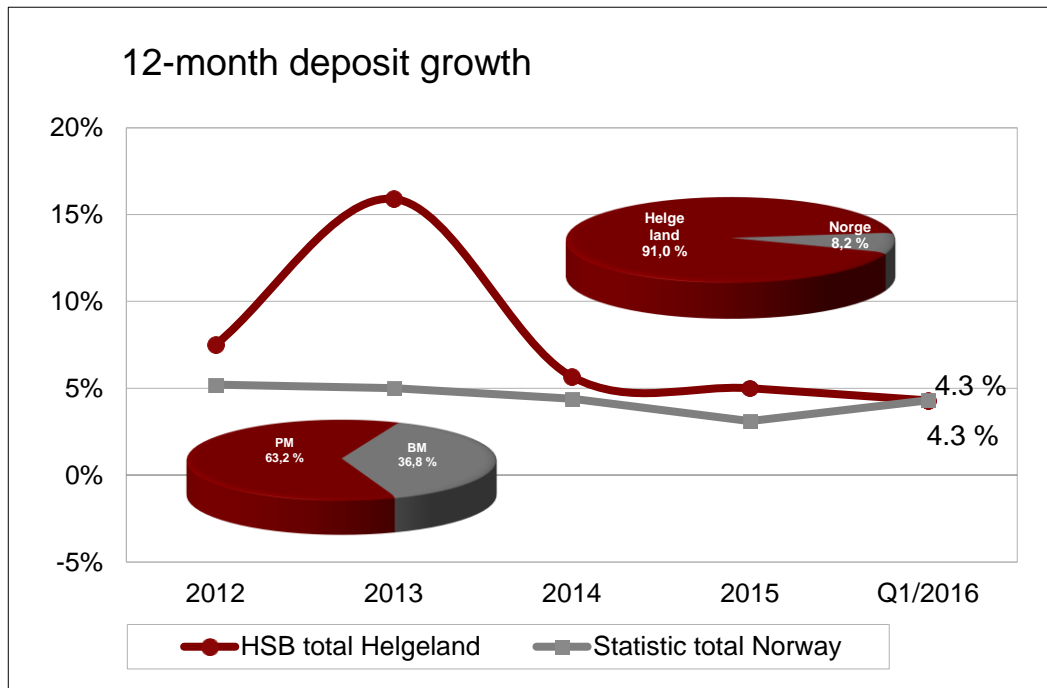
Appendices

Brønnøysund

En drivkraft for vekst på Helgeland



Deposit growth



Commentary

12-month growth 4.3 (6.5) %

PM share

- Per Q1 63.2 (61.8) %

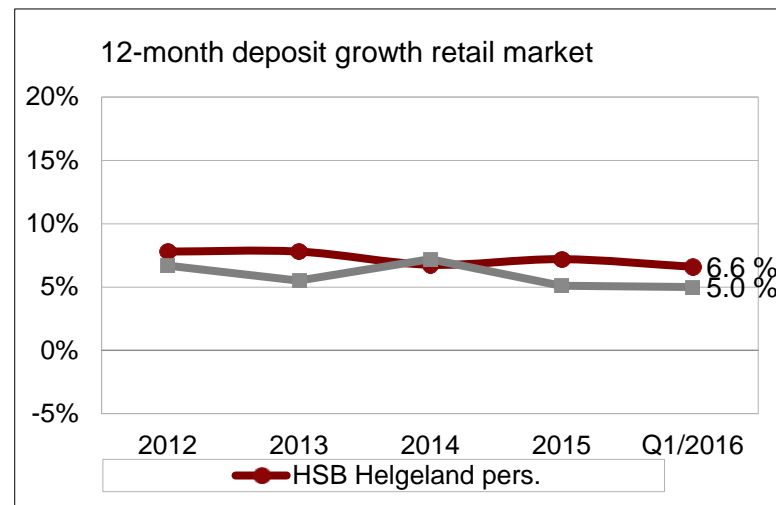
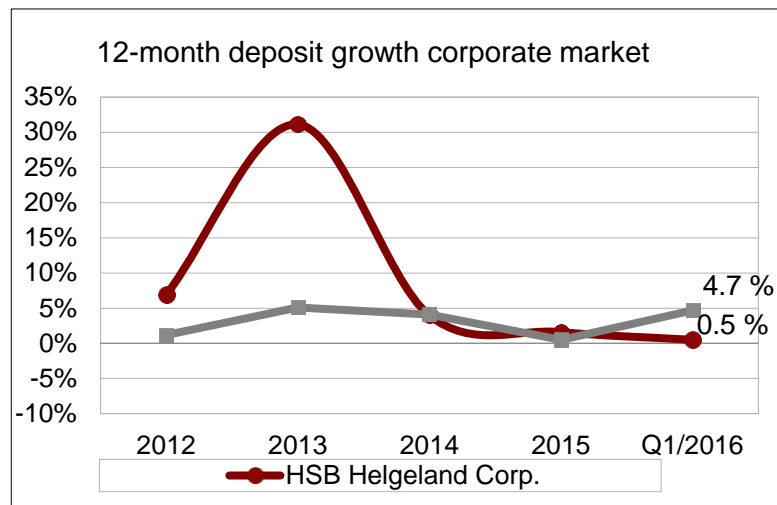
Locally in Helgeland

- Per Q1 91.0 (91.6) %

Deposit ratio

- Target minimum 60 %
- Per Q1 63.3 (66.3) %

Deposit growth CM and RM

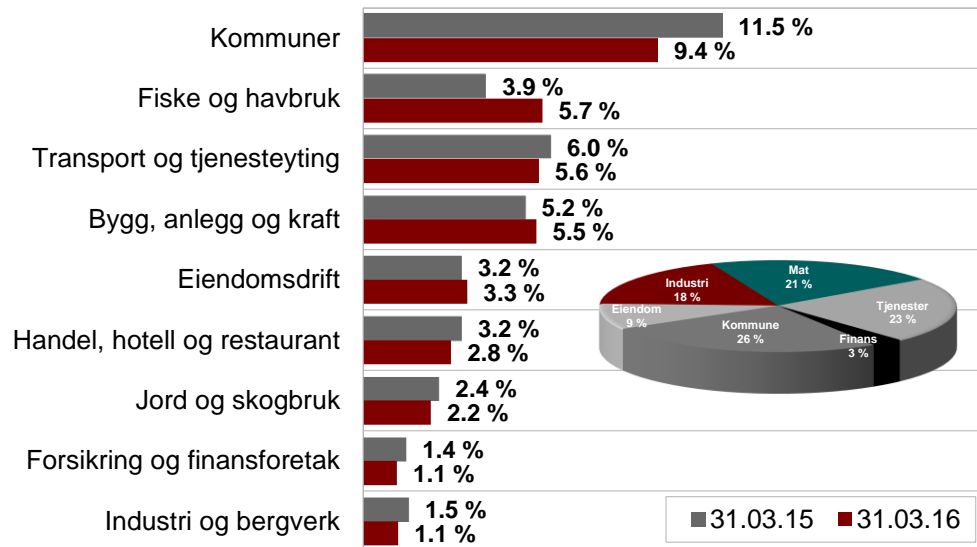


Commentary

12-month growth 4.3 (6.5) % whereby CM 0.5 (3.8) % and RM 6.6 (8.2) %

Deposits CM

Innskuddsfordeling BM av sum innskudd



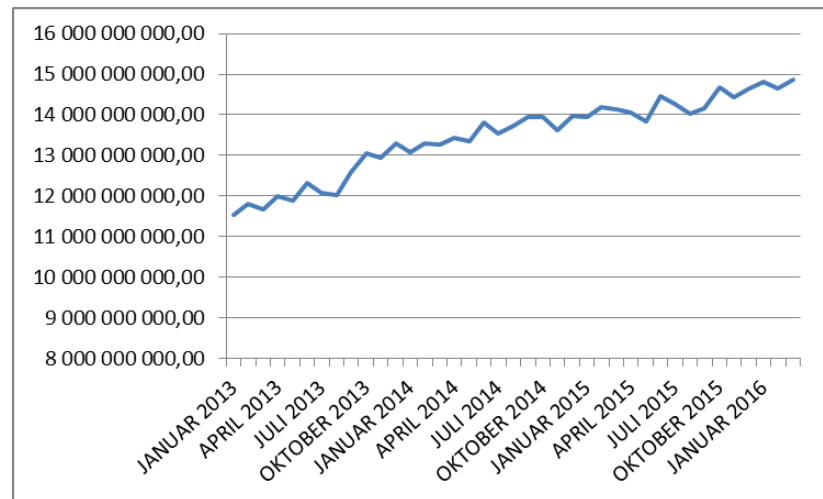
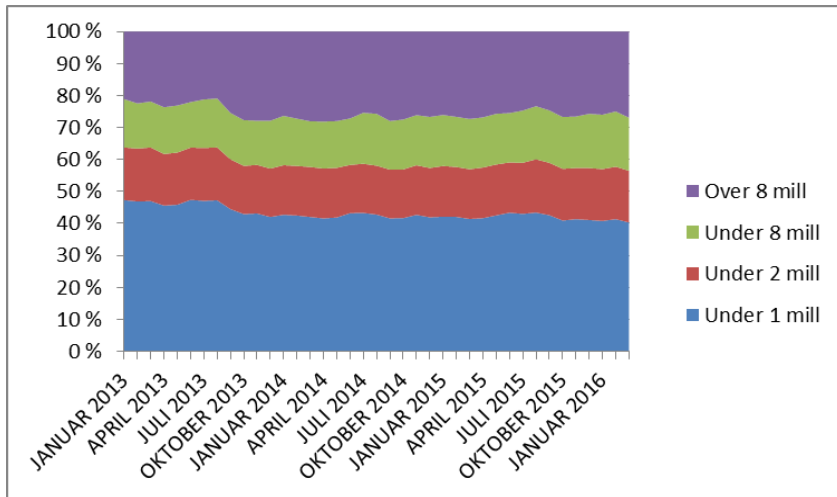
Commentary

Well diversified deposit portfolio in the CM

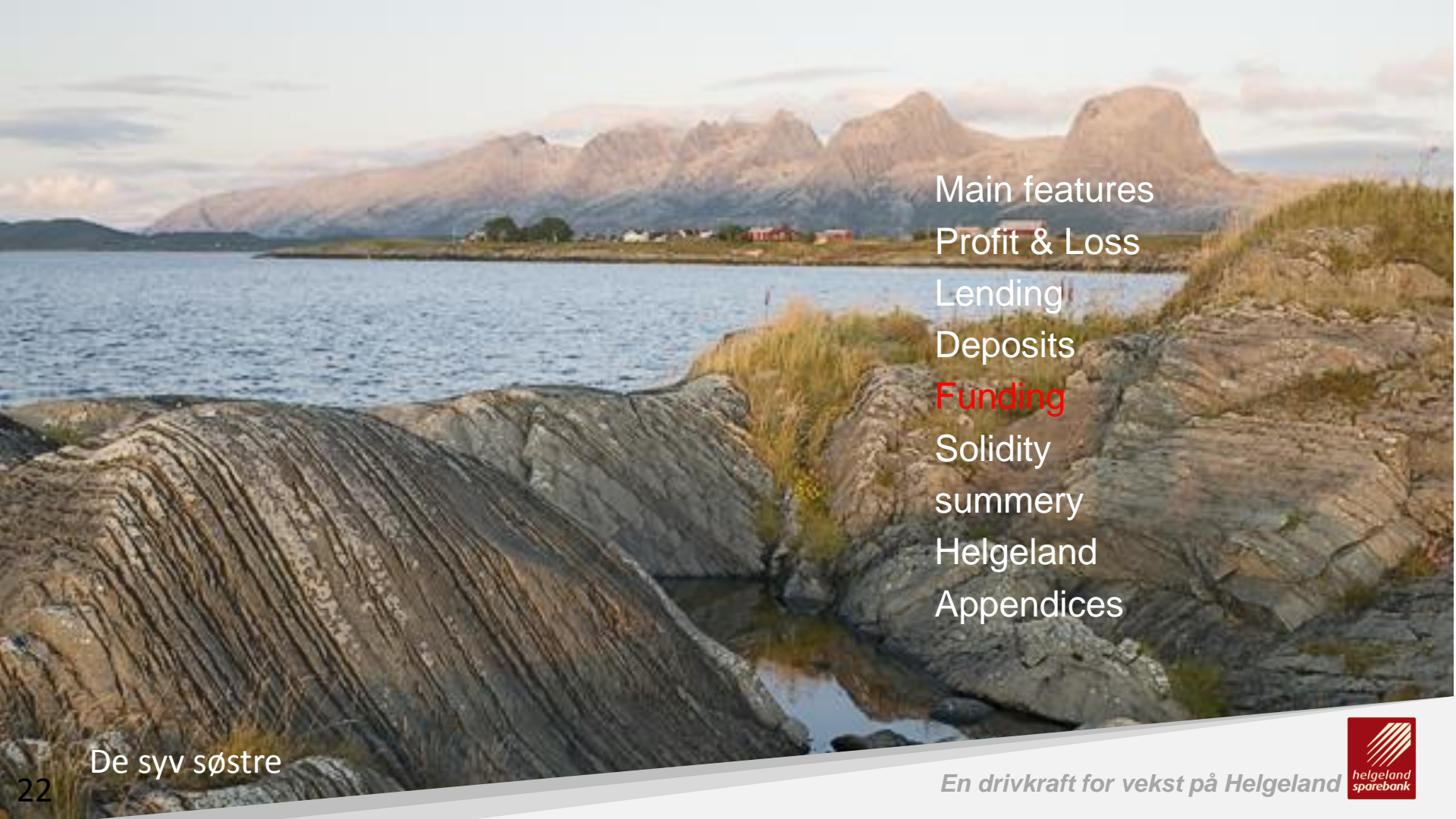
Share CM 36.8 (38.2) % or MNOK 5 356 (5 328) of total deposits

Deposits from municipalities constitute 26 % of the CM deposits

Deposit development



Distribution deposits by size is relatively stable.
A large share of PM deposits is under MNOK 2 (56.5 % of total deposits).



Main features

Profit & Loss

Lending

Deposits

Funding

Solidity

summery

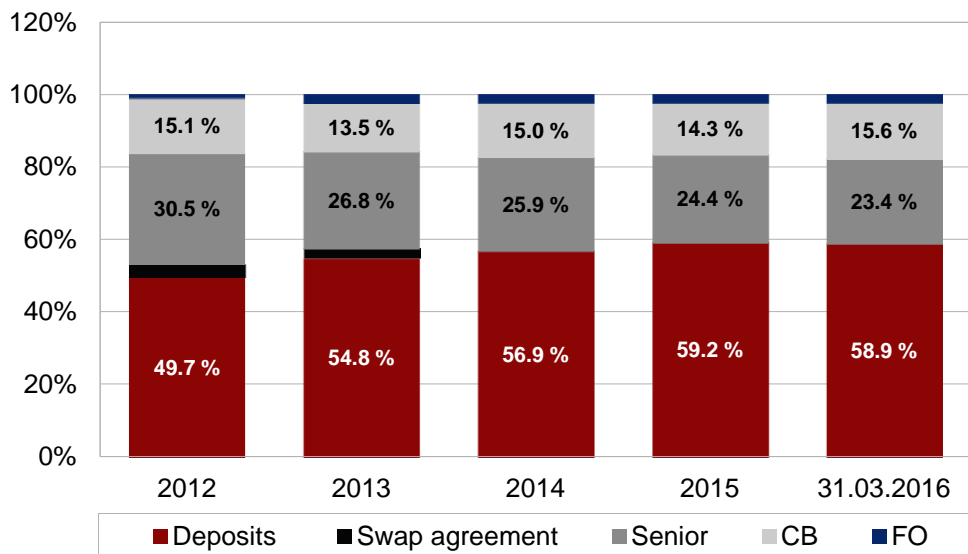
Helgeland

Appendices

De syv søstre

Funding

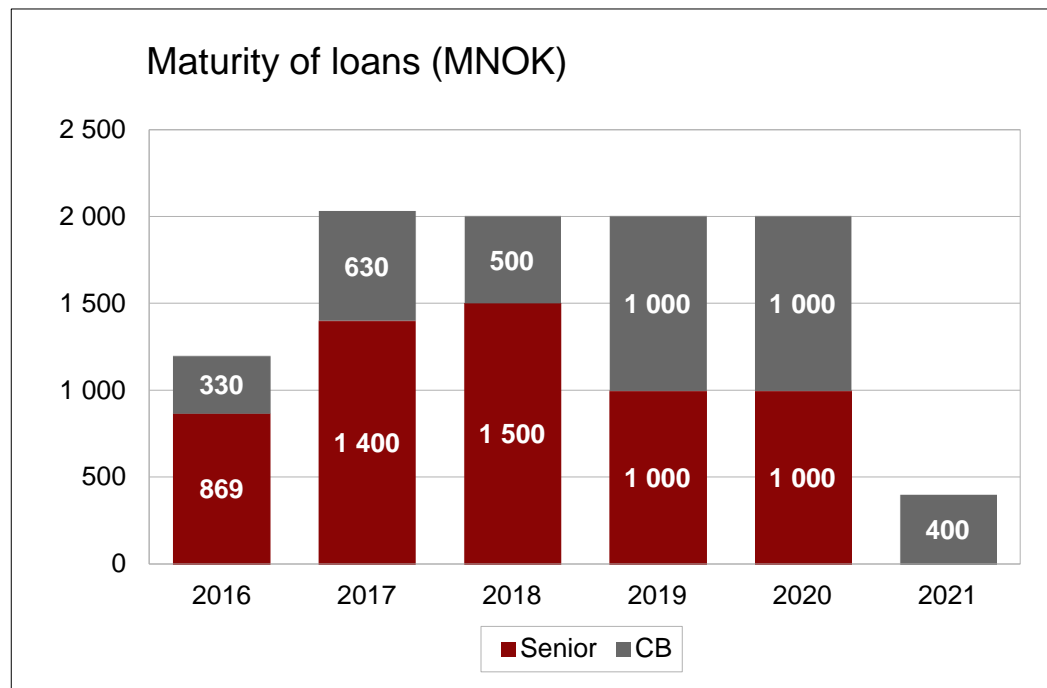
Funding development (MNOK)



Commentary

Deposits are the most important source for funding

Funding



Commentary

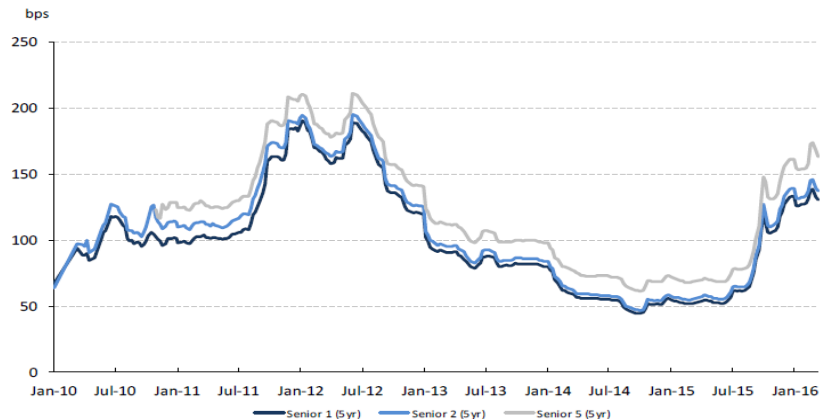
Good and long term funding

Share long term funding
87.6 % (83.7) %

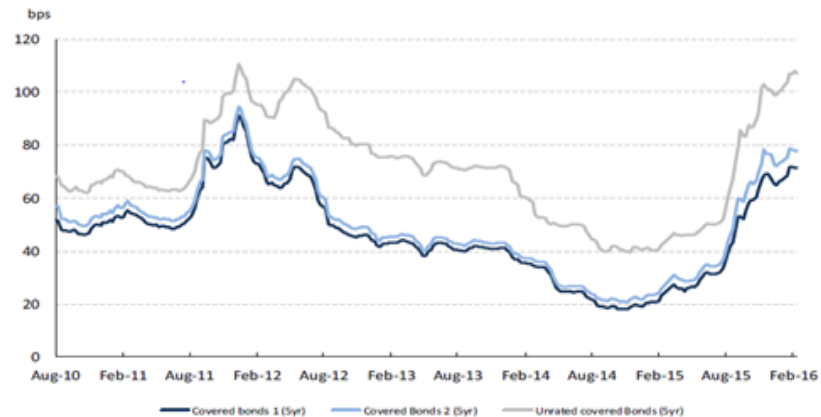
Combined duration of 2.5
(2.5) years. Duration in the
mortgage company increased
to 3.0 years

Funding

Senior Unsecured (5Y)



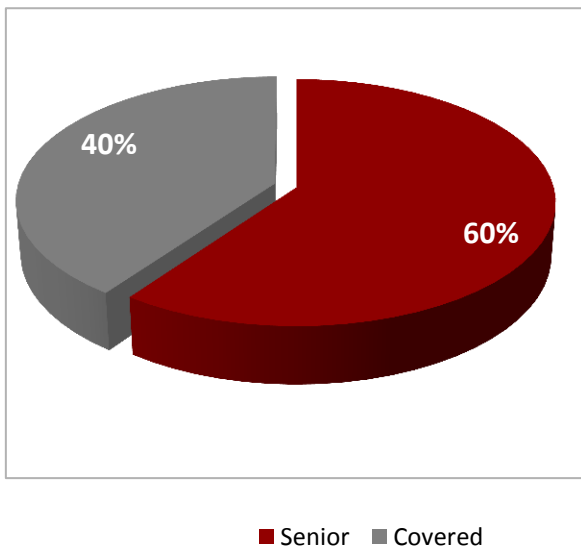
Covered Bonds (5Y)



Credit spread widening both on Senior and Covered

Funding

Funding, proportion Senior and Covered

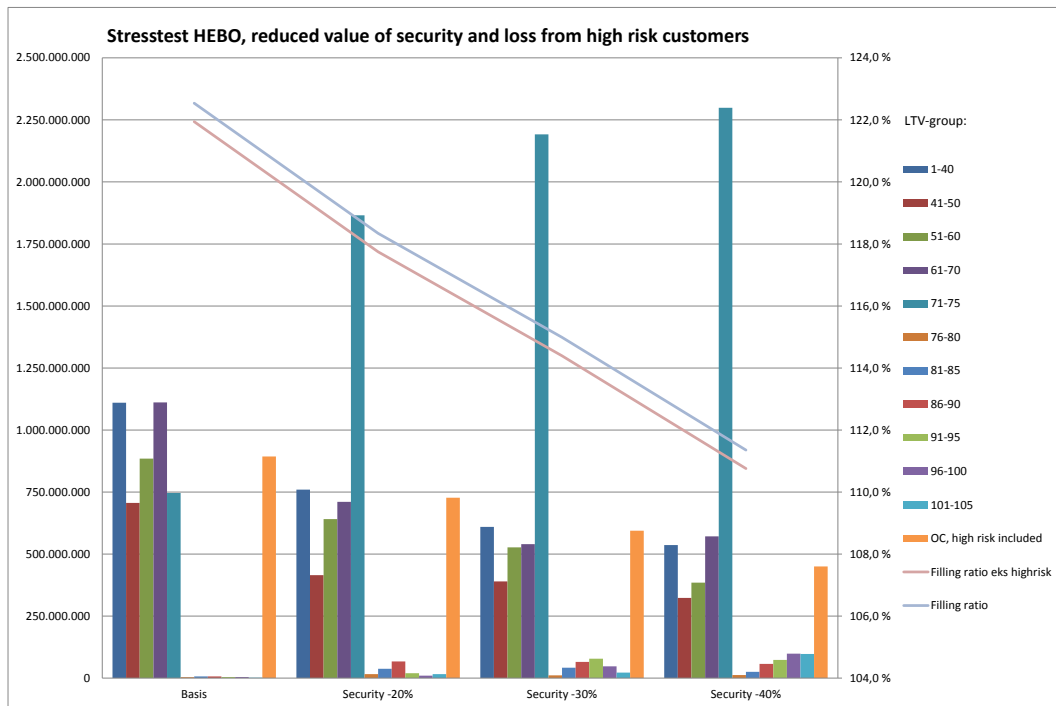


Commentary

Maximum limit for transferring to Helgeland Boligkreditt is stated to 30 % of gross loans. Per 31.03.16 20,0 % is transferred.

Empowered mortgages might increase the transfer to 25 %

Helgeland Boligkreditt AS



Helgeland boligkreditt AS

Gross profit MNOK 9.4 (9.9).
CET1 ratio of 20.1 (17.3)% (standard method with 35 % mortgage weights)
Increased share capital by MNOK 100 this quarter

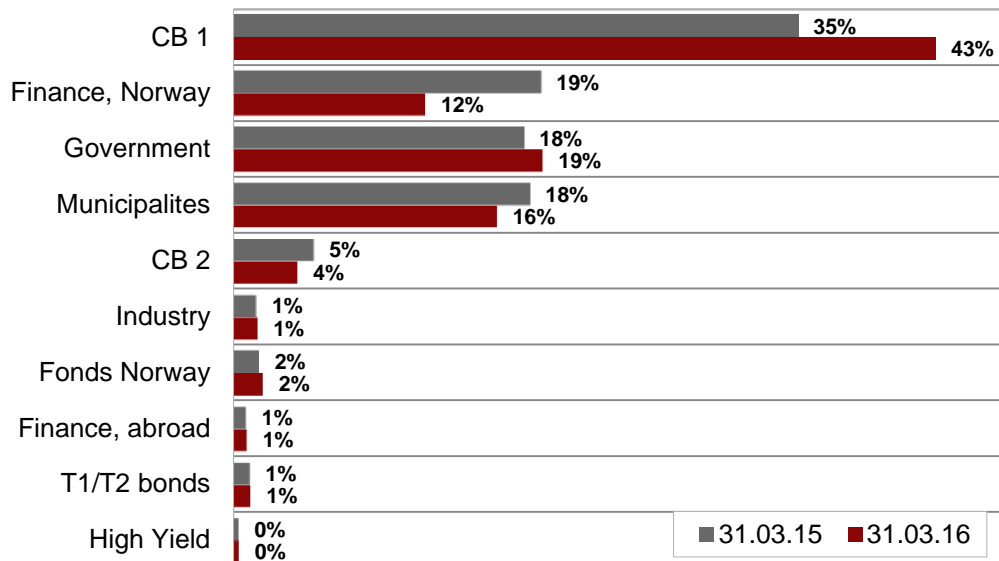
Cover pool – qualified loans MNOK 4 551 (3 982), deposits MNOK 299 (215).
CB loans 3,9 bn. (whereby 0.1 in the ownership of the parent bank)

Cover pool ratio of fullness 22 (20) %
Combined LTV 53 (52) %

Stress test HEBO – with a housing price fall of 40 %. The cover pool ratio of fullness becomes reduced from 22 % to 11 %

Liquidity buffers

Securities distributed in sectors



Commentary

The liquidity buffers amounts to 3.8 (3.9) bn. – equal 13.7 (15.2) % of total assets. The buffer capital consists of cash, deposits in Bank of Norway/banks and interest paying securities. of this the interest portfolio is 3.1 bn.

Interest paying securities:

- Portfolio duration 1.9 (2.1) years
- 93 % are rated A- or better
- 83 % CB or Govt./municipal bonds



Main features

Profit & loss

Lending

Deposits

Funding

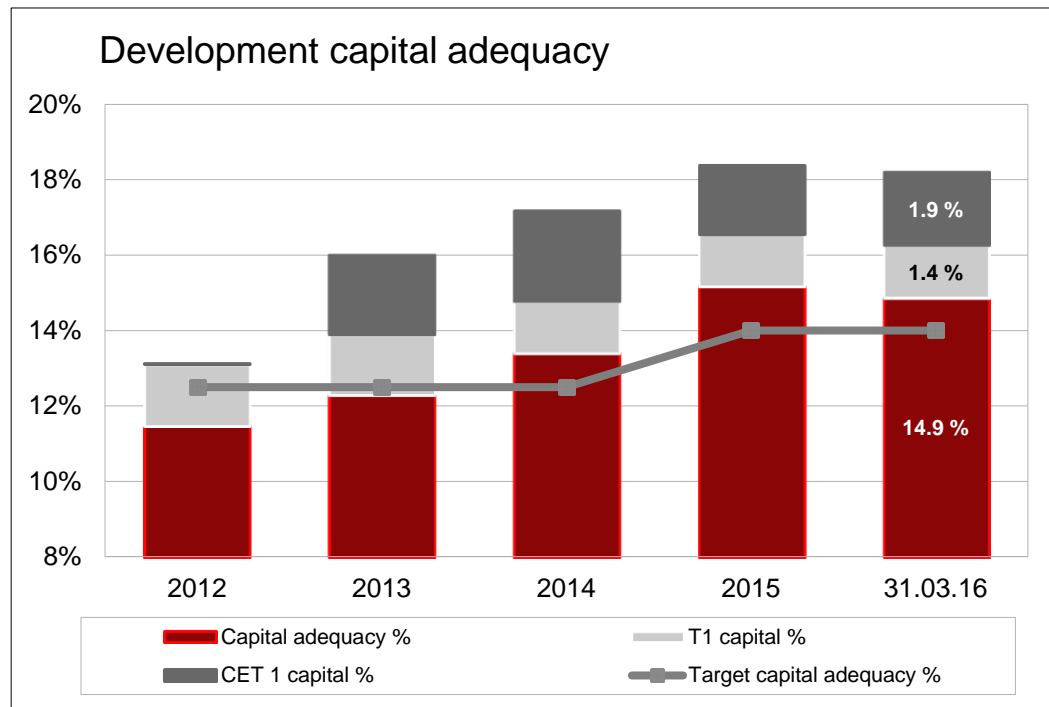
Solidity

Summary

Helgeland

Appendices

Capital adequacy



Commentary

Capital ratio

- CET1 14.9 (14.6) %
- Core capital 16.3 (16.0) %
- Total capital 18.2 (18.1) %

Profit is not included in the calculation. If we take in 70 % / 60 % of the profit, CET1 becomes 15.52 % / 15.48 %. One time effect conversion of pension is entirely recognized in equity.

The banks targets, CET1 of at least 14.0 % and total capital up towards 17.5 %



Main features

Profit & loss

Lending

Deposits

Funding

Solidity

Summary

Helgeland

Appendices

Ranelva

En drivkraft for vekst på Helgeland



Prospects and priorities

Result

- Continued focus on core business and profitable growth
 - Strong competition in the retail market is met with an offensive sales organization and focus on good consulting in the customer dialogue
 - Particular growth due to DNB's closure of offices – we experience to be the first choice
 - Uncertainty in relation to growth in the corporate market
- Several factors challenge the net interest.
 - Still potential for reduction of deposit interest rates if further reduction of mortgage rates
 - Development credit spreads
- Maintaining the level on provision income – total customer relationships and width sale
- Positive effect of ownership in product companies – dividend is expected eventually
- Cost goal on maximum 1 % growth – must be on level with the sector
 - Change conducted in the pension plan provides lower costs in the long term, no effect in 2016
 - Downsizing with 15 man years gradually provides lower costs through out the year with full effect from the end of third quarter
- Strengthening competence in digital solutions – announced new position as digital leader
 - Implementing continuous digital solutions and further development of mobile banking
- Increased write-downs as a consequence of the general economic uncertainty
 - Strong focus on credit quality and monitoring of corporate customers with negative development
 - Very low deviations in relation to the mortgage regulations

Balance

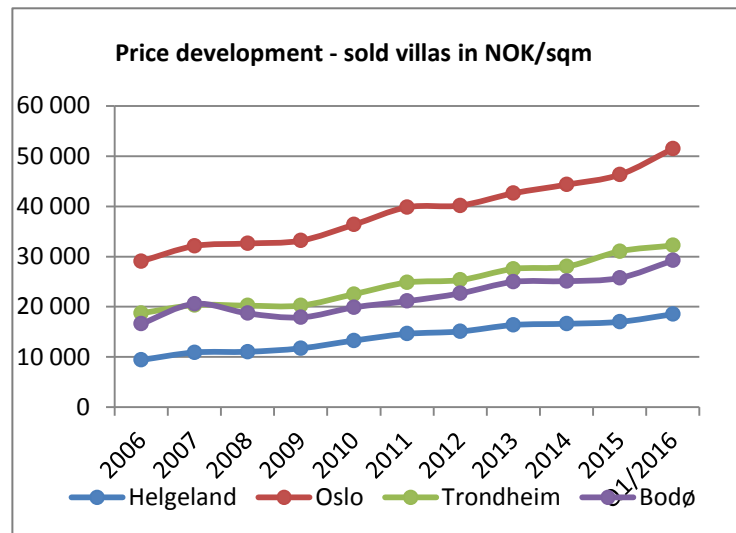
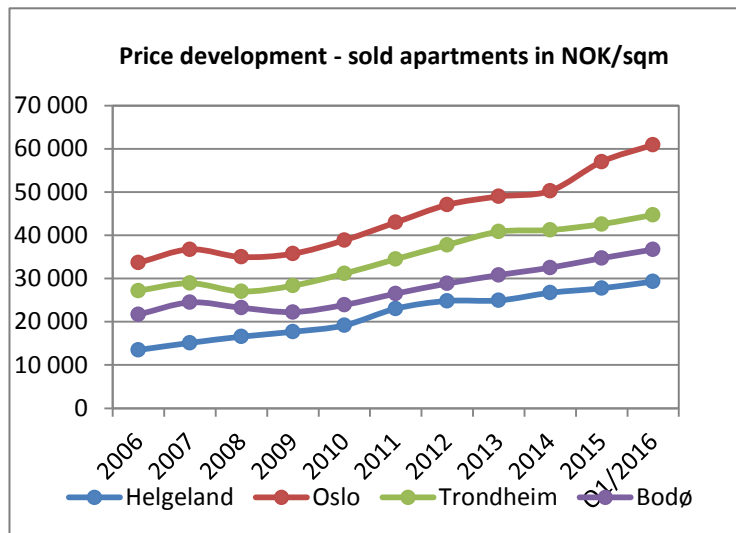
- Higher growth in lending to the retail market than the rest of the country, overall growth corresponding first quarter ?
- Private customers willingness to save is closely followed
 - increasing pension savings
 - increasing media focus on low returns on bank deposits

Prospects and priorities



- Construction sector: High activity
 - E6 development 2016 – 2018
 - Power plant development
 - Several major apartment projects and public buildings
- Export companies
 - Low exchange rate
 - Full activity with a strong focus on efficiency
 - Green focus in industrial companies – Helgeland is rich hydropower resources
- Aqua culture
 - Challenging lice situation
 - Large R & D activities
 - ISA in some localities in Helgeland
 - Record high prices for salmon
 - In total, few or no negative prospects

Property price development (per quarter)



Property price development in Helgeland compared to larger places (measured by price pr sqm for sold houses).

Average national price increase for apartments in Q1 2016 was 4.2 %.

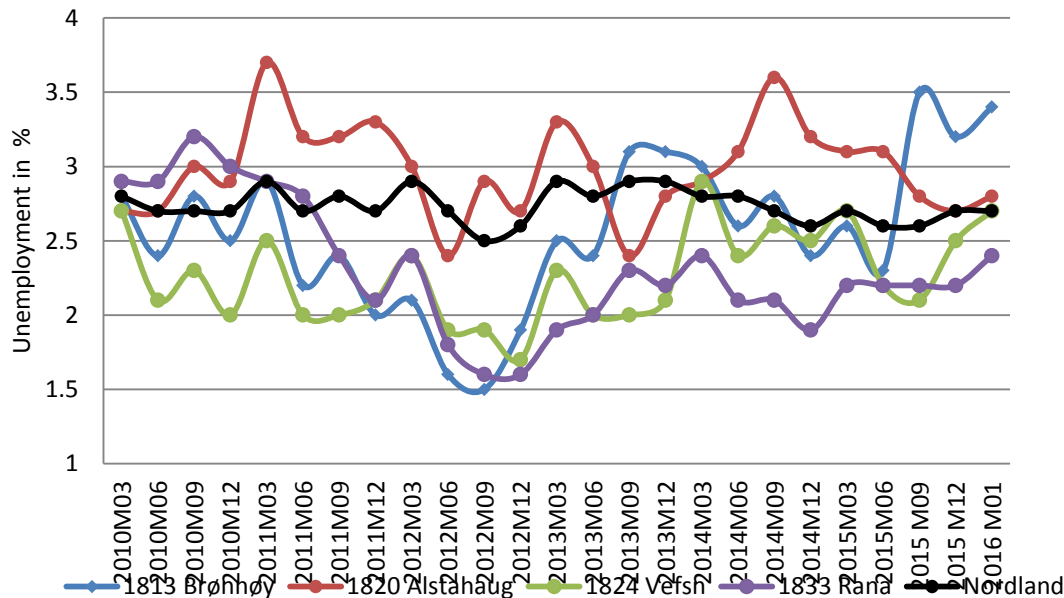
- Property price increase in Helgeland was 5.6 % in the same period. Bodø 5.8 % og Oslo 6.8 %

Villas had in Q1 2016 an national average price increase of 2,2 %.

- Property price increase in Helgeland was 8.9 % in the same period. Bodø 13.6 % and Oslo 11.2 %

Unemployment

Unemployment in Helgeland



Commentary

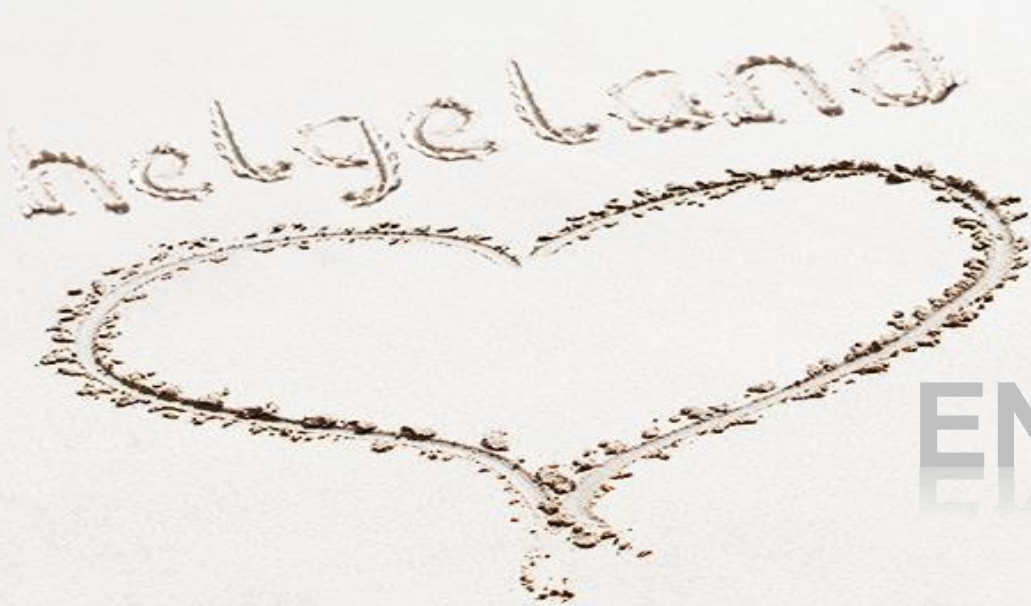
There is a certain difference in unemployment between the regions in Helgeland, but rather variable over time.

Overall unemployment in Helgeland is 2.5 % by the end of Q1 2016.

At the same time, unemployment nationally was 3.3 %.

Statistics shows total unemployed

Thank you for your attention!



EN **DRIVKRAFT**
FOR **VEKST**

A sunset scene over the ocean with a rocky island in the distance. The sun is low on the horizon, casting a golden glow across the sky and water. The clouds are illuminated from below, creating a dramatic effect. The water is dark, and the island is silhouetted against the bright sky.

Main features

Profit & loss

Lending

Deposits

Funding

Solidity

Summary

Helgeland

Appendices

HELG – de 20 største eierne

| Per 31.03.16 | Numbers | % share | | Numbers | % share |
|--------------------------------|-------------------|---------------|--------------------------------|-------------------|---------------|
| Sparebankstiftelsen Helgeland | 6 599 598 | 35.3 % | Helgeland Kraft AS | 340 494 | 1.8 % |
| Pareto AS | 1 570 836 | 8.4 % | Verdipapirfondet Pareto | 269 000 | 1.4 % |
| UBS AG, London Branc A/C | 1 198 900 | 6.4 % | Sniptind Holding AS | 201 801 | 1.1 % |
| Merrill Lynch Prof. | 1 130 015 | 6.0 % | Catilina invest AS | 170 000 | 0.9 % |
| Pope Asset Management BNY | 654 441 | 3.5 % | Brødrene Johanssen AS | 137 731 | 0.7 % |
| EIKA Utbytte VPF | 569 120 | 3.0 % | Nordenfjelske Bykreditt | 134 194 | 0.7 % |
| VPF Nordea Norge | 565 712 | 3.0 % | Melum Mølle AS | 124 000 | 0.7 % |
| MP Pensjon PK | 562 203 | 3.0 % | Steffen Nervik | 110 000 | 0.6 % |
| Lamholmen AS | 398 788 | 2.1 % | Melesio Capital AS | 100 000 | 0.5 % |
| Bergen Kommunale pensj. | 390 000 | 2.1 % | Harald P. Hartviksen | 79 898 | 0.4 % |
| Total 10 biggest owners | 13 639 613 | 72.9 % | Total 20 biggest owners | 15 306 731 | 81.9 % |

HELG – EC development and liquidity

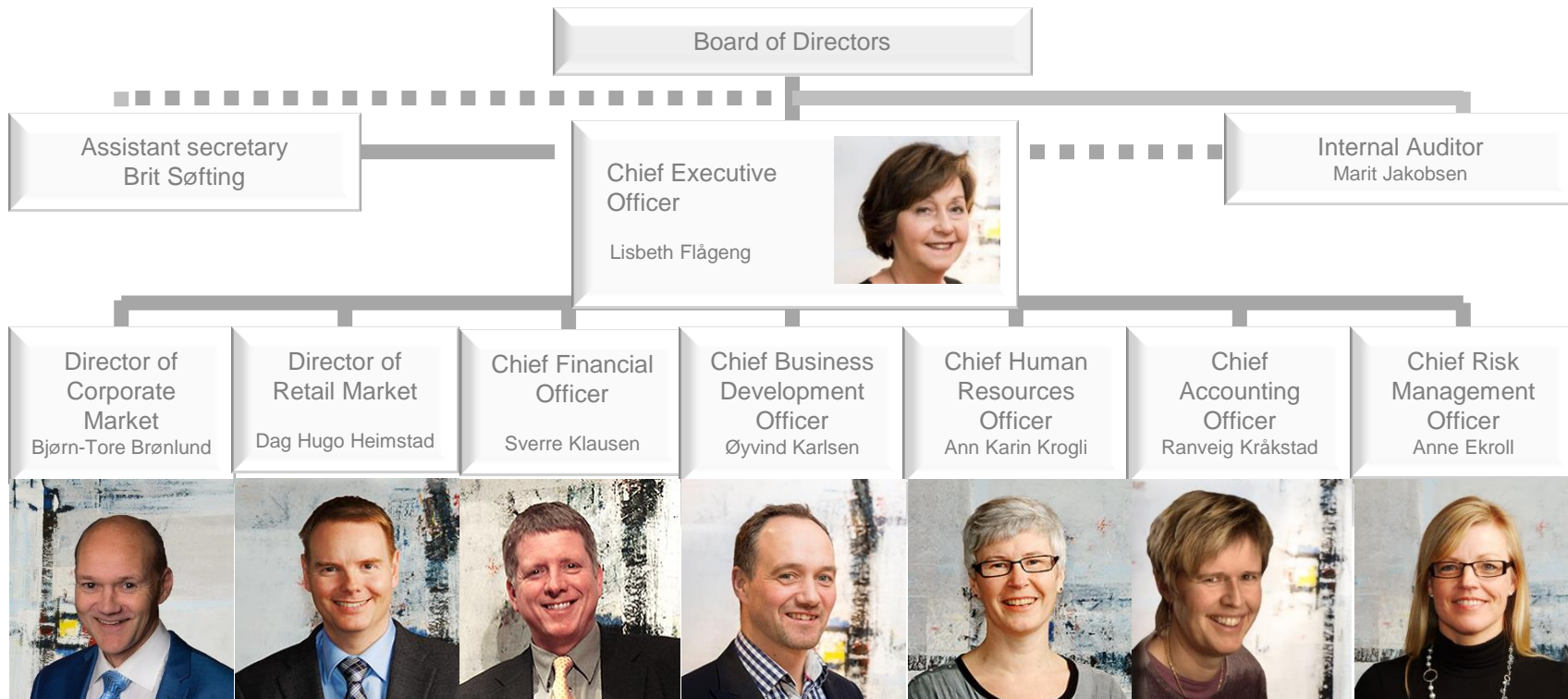


The price of HELG per 31.03.16. was NOK 60,00 per EC. This is an increase of NOK 1,00 since year end.

Business development and ownership

| | | | | |
|---|-------|--|--------|---|
|  | 100 % |  | 7,9 % |  Gavestiftelse |
|  | 40 % |  | 7,5 % | |
|  | 48 % |  | 10,0 % | |

The bank's organization



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 |

Management

Lisbeth Flågeng, CEO – 75 12 83 01 / 416 85 777 – lisbeth.flageng@hsb.no
Ranveig Kråkstad, Chief Accounting Officer – 75 12 83 32 / 905 04579 – ranveig.krakstad@hsb.no

Investor Relations

Sverre Klausen, CFO – 75 12 82 22 / 916 88 286 – sverre.klausen@hsb.no
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
Marianne Terese Steinmo
Birgitte Lorentzen
Martin Søreng