

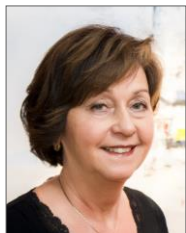


Presentation
Q3 2015



med  for
HELGELAND

Presentation Q3 2015 (HSB Group)



Lisbeth Flågeng
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main Features

Profit & Loss

Balance

Lending

Deposits

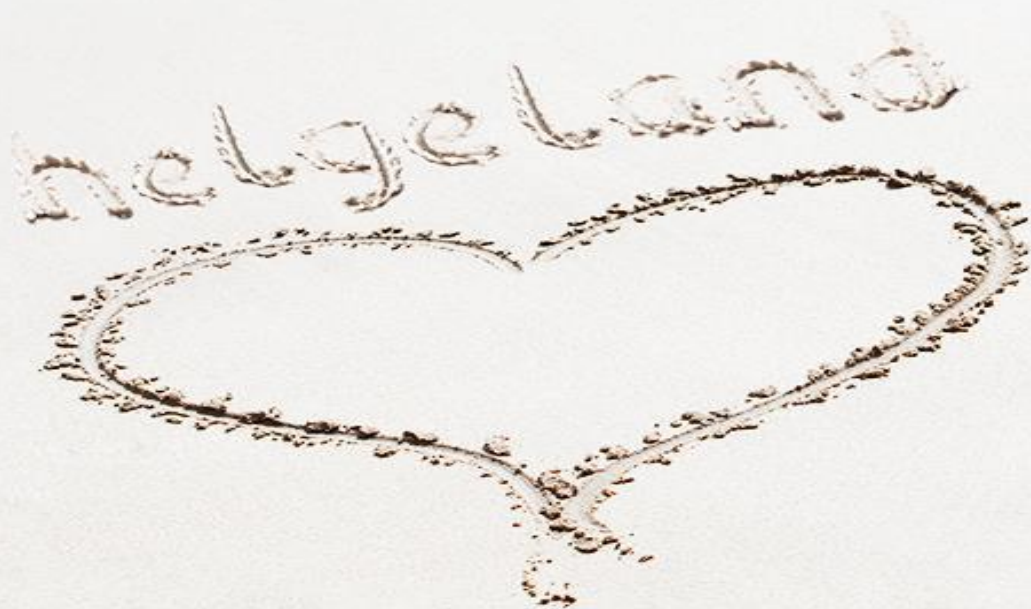
Funding

Solidity

Summary

Helgeland

Appendices



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Main features 3rd quarter

Result

Gross Profit MNOK 188 (235)

- Good basis operation, maintained net interest in NOK and percent
- Increased credit spread, unrealized losses on interest-bearing securities
- Moderate write-downs on lending

Profitability

- ROE (after tax) 8.6 (11.7) %

Solidity

capital adequacy – CET1 ratio 13.9 (12.5) % – total capital ratio 17.3 (16.0) %

Main features 3rd quarter

Lending

9-month growth 6.2 (1.3) %

- Retail market 6.8 (2.2) %
- Corporate market 5.0 (-0.3) %

Deposits

9-month growth 2.7 (7.2) % – good deposit ratio 63.7 (66.4) %

- Retail market 6.2 (7.6) %
- Corporate market -2.9 (6.5) %

Interest rate change

Maintained competitiveness on mortgages

Market adjusted deposit conditions

Valid for new customers from october 1st and to existing loans and deposits from December 1st



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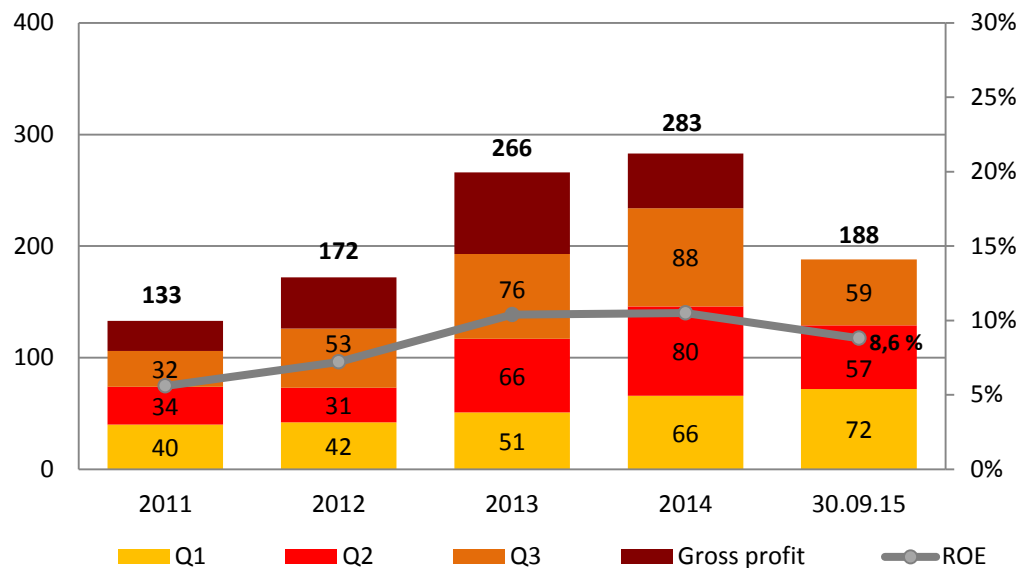
Appendices

En drivkraft for vekst på Helgeland



Result

Profit development (MNOK)



Good result so far this year

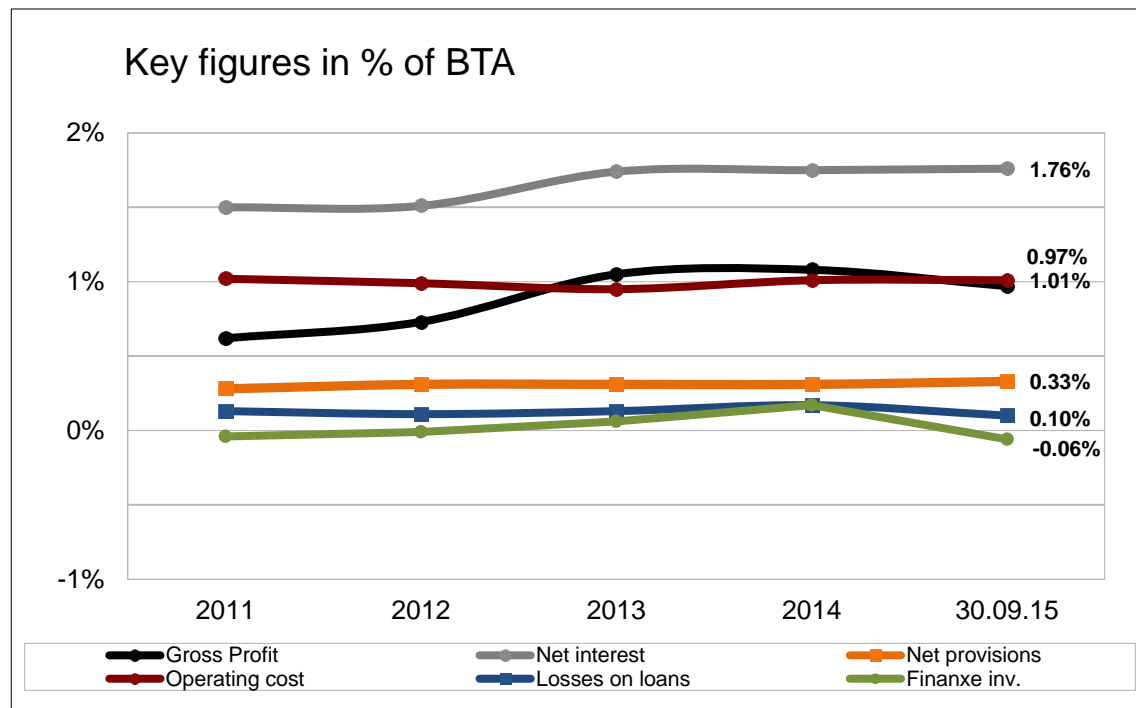
Stabile net interest

- Reduction of mortgage interest rates is covered through reduction of deposit interest rates and lower deposit costs-decline in Nibor
- Unrealized losses on interest-bearing securities expensed with MNOK 13

ROE

- Target minimum 10 %
- Per 30.09.15 8.6 (11.7) %

Key figures



Commentary

Net interest

- Maintained from 2013

Net commissions

- 0,33 % - stabile level

Operating costs

- weak increase since 2013

Losses on lending

- Moderate level so far this year

Financial instruments

- Unrealized losses 2015

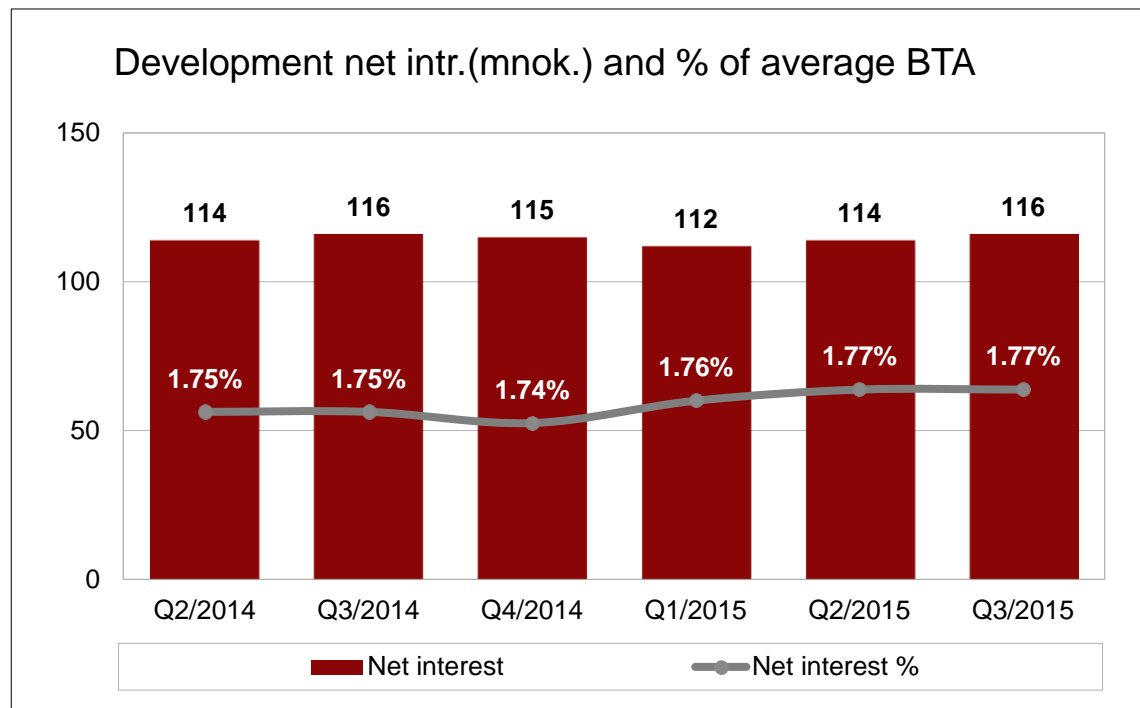
Profit & loss

Helgeland Sparebank (group)	Profit & loss (MNOK)						
	Q1/2014	Q2/2014	Q3/2014	Q4/2014	Q1/2015	Q2/2015	Q3/2015
Net interest- and credit provision earnings	113	114	116	115	112	114	116
Net provision earnings	19	22	22	19	21	20	23
Other operation income	1	1	2	3	2	1	6
Ordinary operations cost	62	61	63	77	67	63	66
Result basic operations	71	76	77	60	68	72	79
Write-downs lending and warranties	11	18	6	9	0	11	9
Net value change financial instruments	6	23	17	-2	3	-4	-11
Gross profit	66	81	88	49	71	57	59
Net profit	48	59	73	35	53	39	45
Net extended income posts	13	-7	2	-39	-8	-2	-14
Profit for the period	61	52	75	-4	45	37	31

Commentary

- Stable and good basis operation
- Unrealized write-downs on interest-bearing securities by MNOK -25
 - MNOK -11 was expensed and MNOK -14 against equity
- Moderate write-downs on lending

Net interest



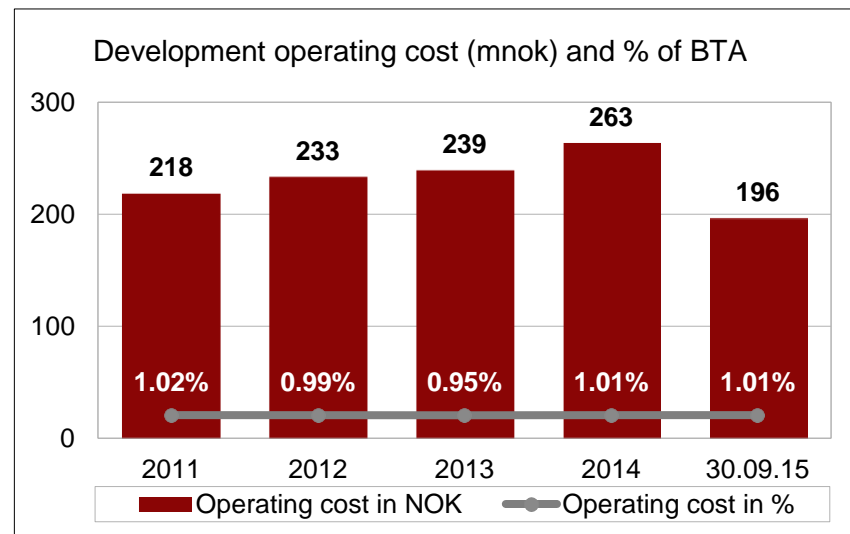
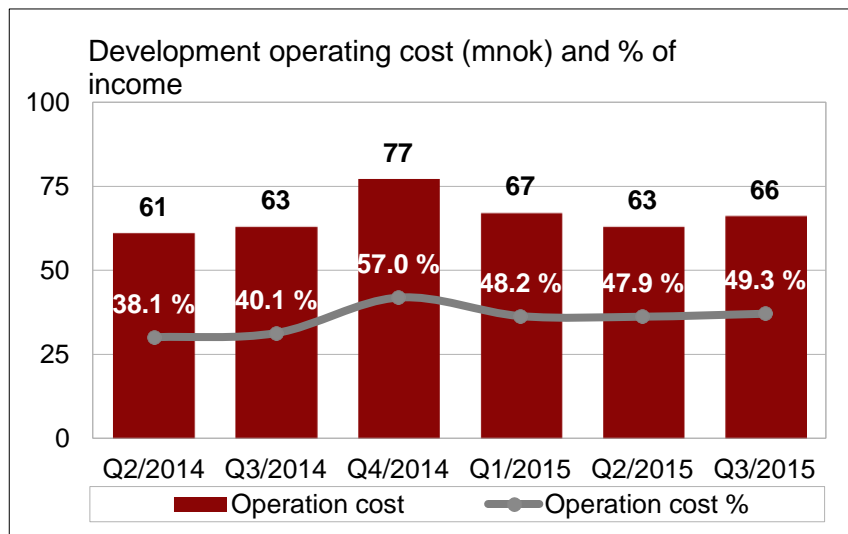
Commentary

Net interest maintained

Still strong competition regarding price.

- Last reduction of the mortgage interest rate is conducted 01.12.15, covered through market adaption of the deposit interest rate
- Individual adaptations
- Lower Borrowing costs as a result of a decline in nibor

Operating cost



Cost focus

- Man years reduced
- Closure of a smaller office completed 01.06.15
- it is initiated a process with evaluation of the bank's distribution strategy/office net and pension plan
- New cost target – annual growth for maximum 1 %



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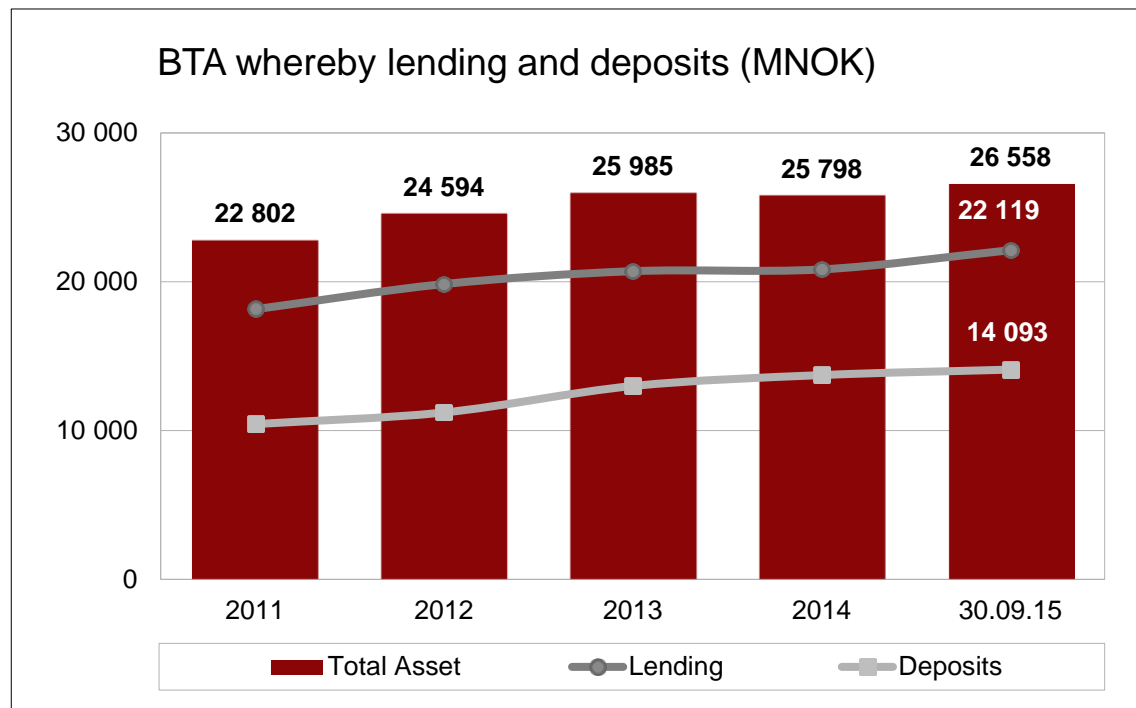
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En drivkraft for vekst på Helgeland

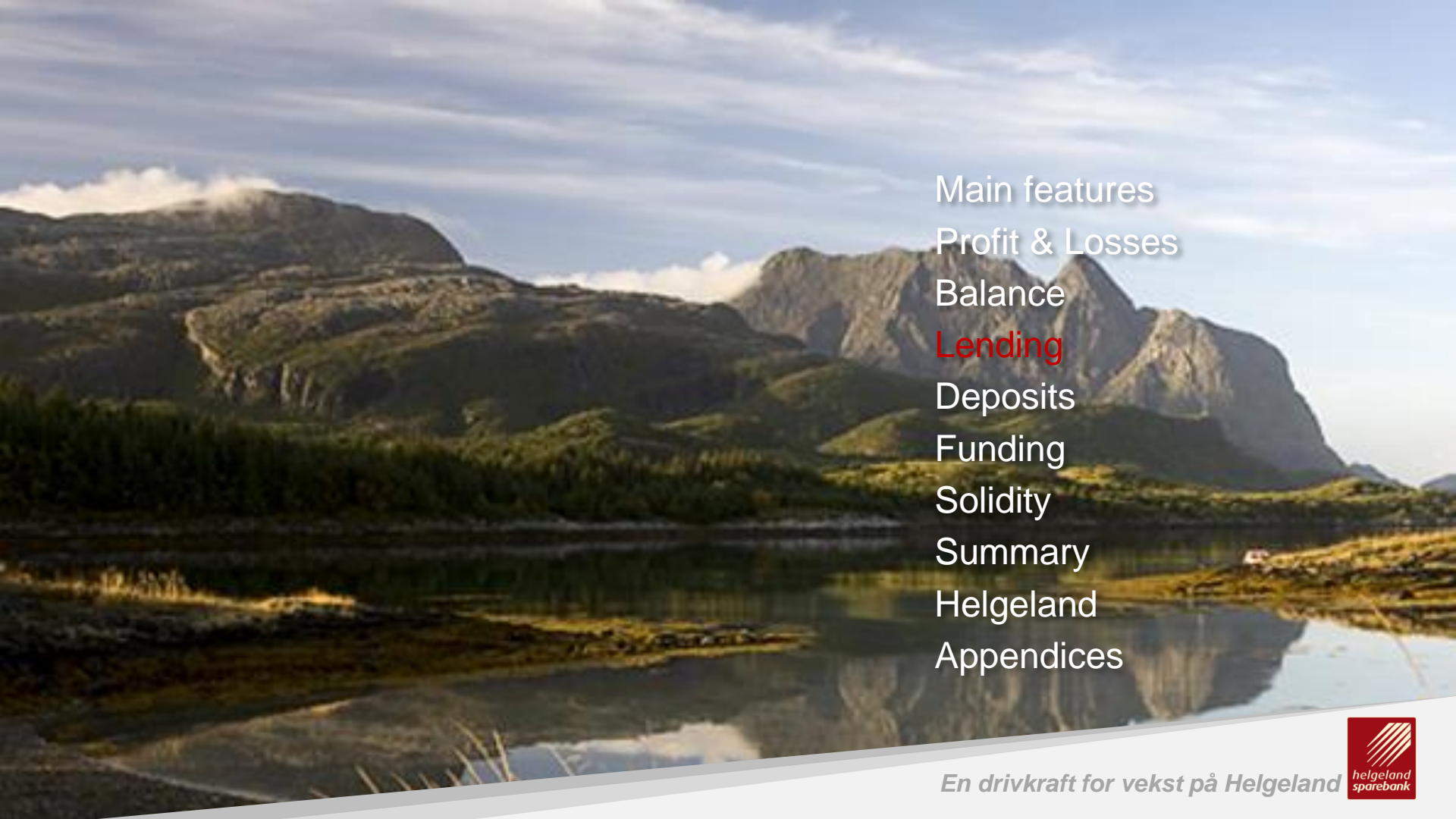


Total assets



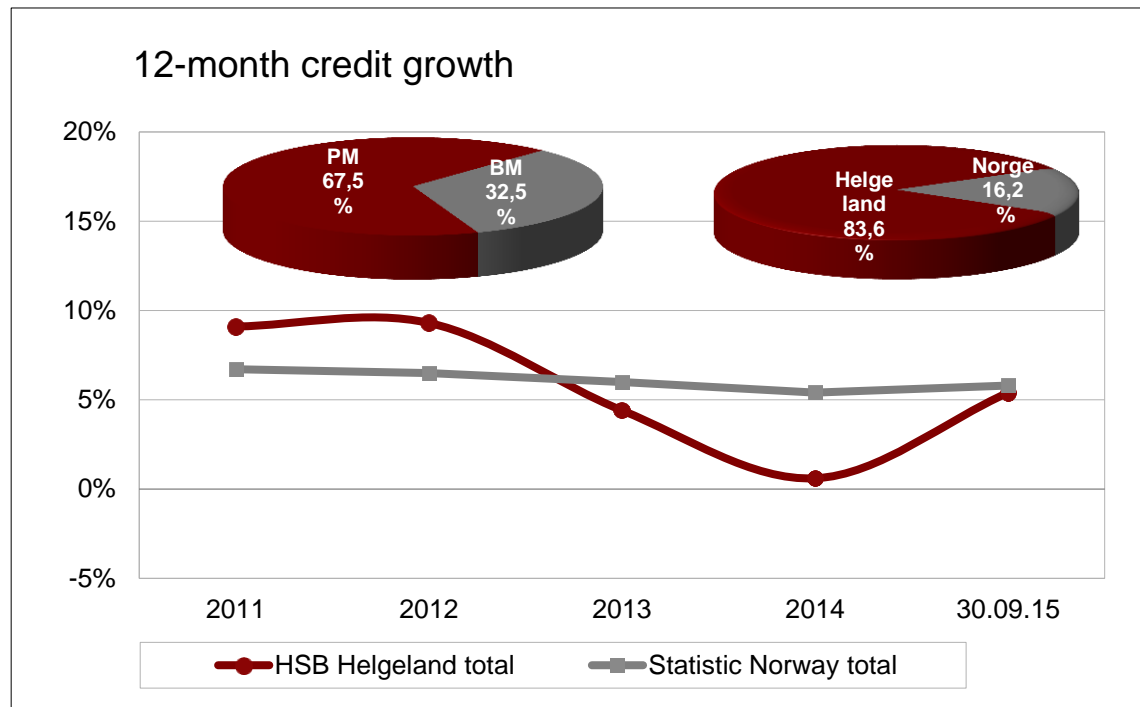
Commentary

Adapted Liquidity reserve



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Credit growth



Commentary

Lending growth

- 12-month growth 5.4 (0.8) %

PM Share

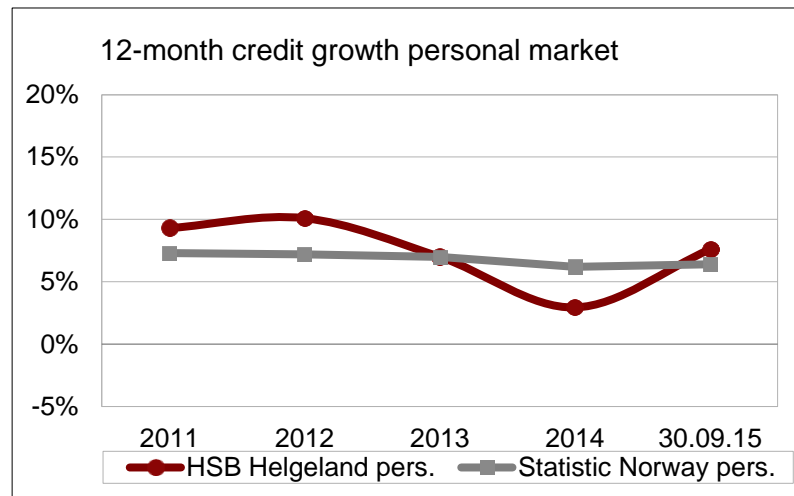
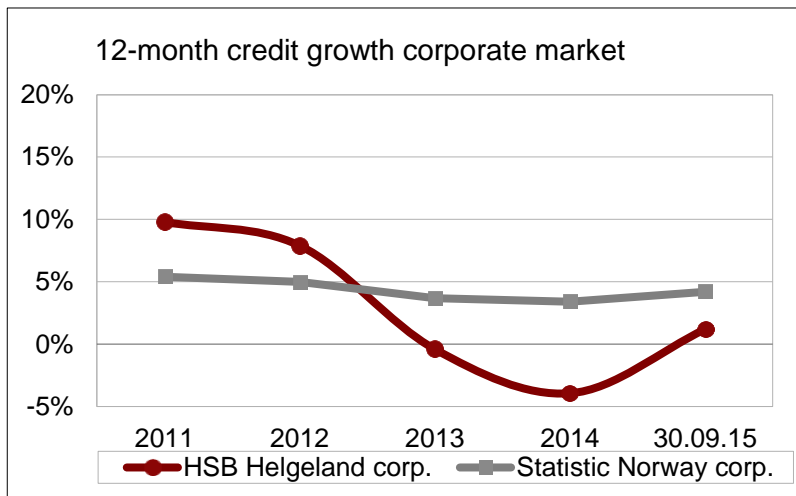
- Goal minimum 60 %
- Per Q3 67.5 (66.1) %

Share in Helgeland region

- Per Q3 83.6 (83.8) %

(SSB numbers per 30.08.15)

Credit growth CM and RM

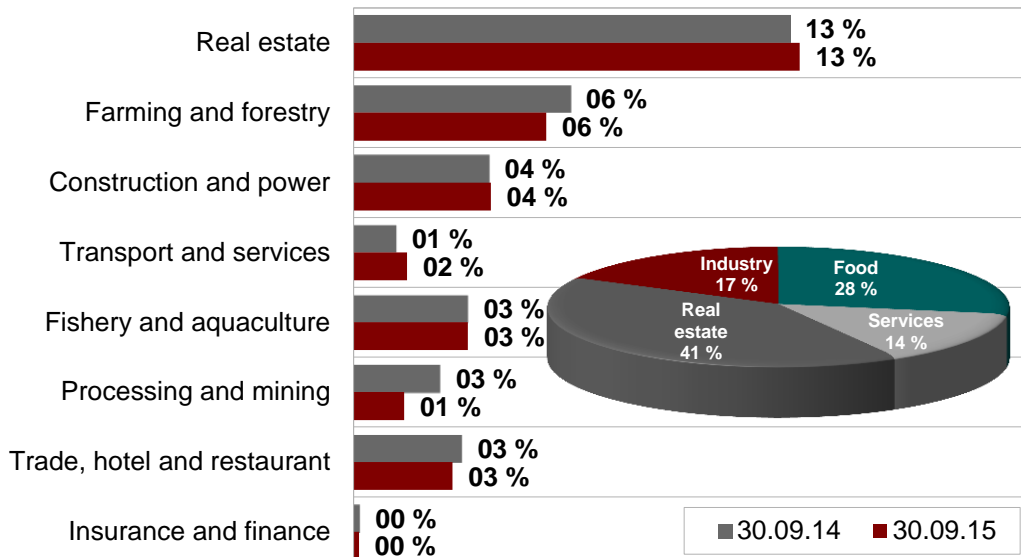


Commentary

12-month growth 5.4 (0.8) % whereby CM 1.2 (-3.6) % and PM 7.6 (3.3) %
(SSB numbers per 30.08.15)

Lending CM

Lending distributed in sector



Commentary

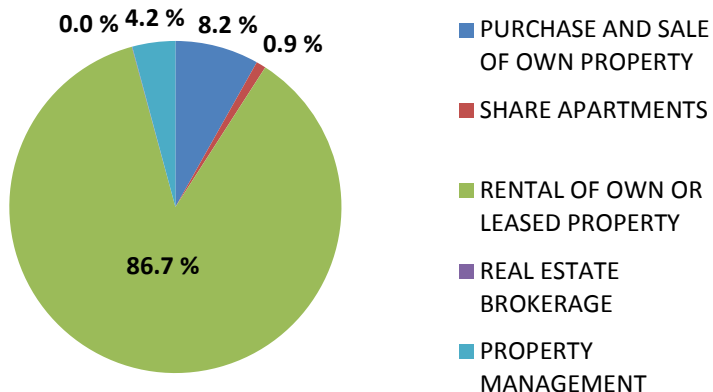
Good diversification in the CM lending portfolio and very loyal corporate customers

CM of total lending 32.5 (33.9) %

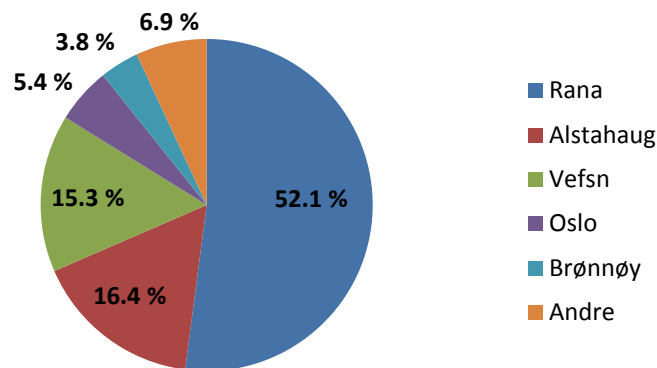
Food production consisting of agri/aquaculture, and forestry, constitutes 28 % of CM lending

Real estate

Real estate sorted by sector



Rental sorted on geograpgy



Lending to real estate constitute 3bn. or 13 % of CM

Essentially hire in Helgeland

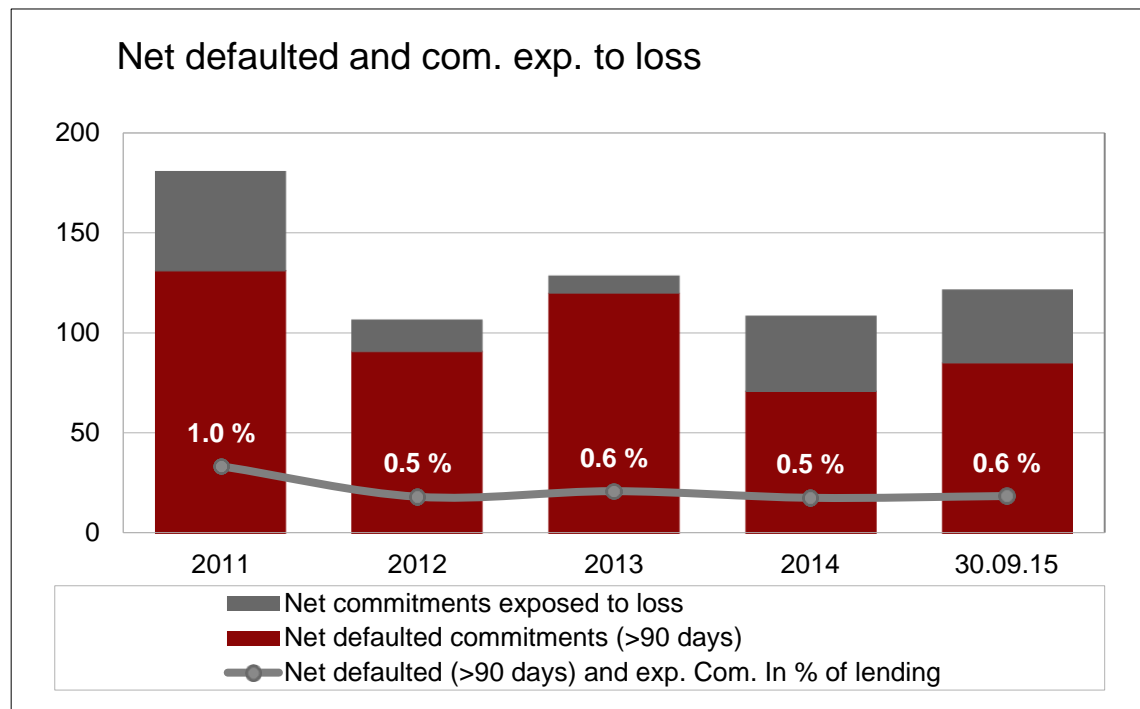
No noticeable increase in vacant space

Oil exposure – impact for Helegeland



- Helgeland Sparebank has no customers that directly and solely depend on activity related to oil and gas activity outside the Helgeland coast.
- The supplier industry to the sector have large variations in the industry – an example is Wasco Coatings Ltd factory for pipe coating in Mo i Rana – Annual turnover of MNOK 450 and 120 employees. P.T. all laid off – Further operation requires new missions.
- Has given less opportunities for manufacturing and service/maintenance. Increasing activity in 2016 due to the Aasta Hansteen development.
- For the last two years, much work personnel have been hired. Therefore little or no influence over our retail market/employment rate so far.
- Prices and housing development have remained stabile, but with a flattening in Alstahaug
- The hotel capacity constructed last year have high occupancy rate both in Mo and Mosjøen, men slightly lesser in Sandnessjøen with an occupancy rate of 48-50 %.

Non-performing and other impaired commitments



Commentary

Good portfolio quality

net non-performing and other impaired commitments is in a relatively low level.



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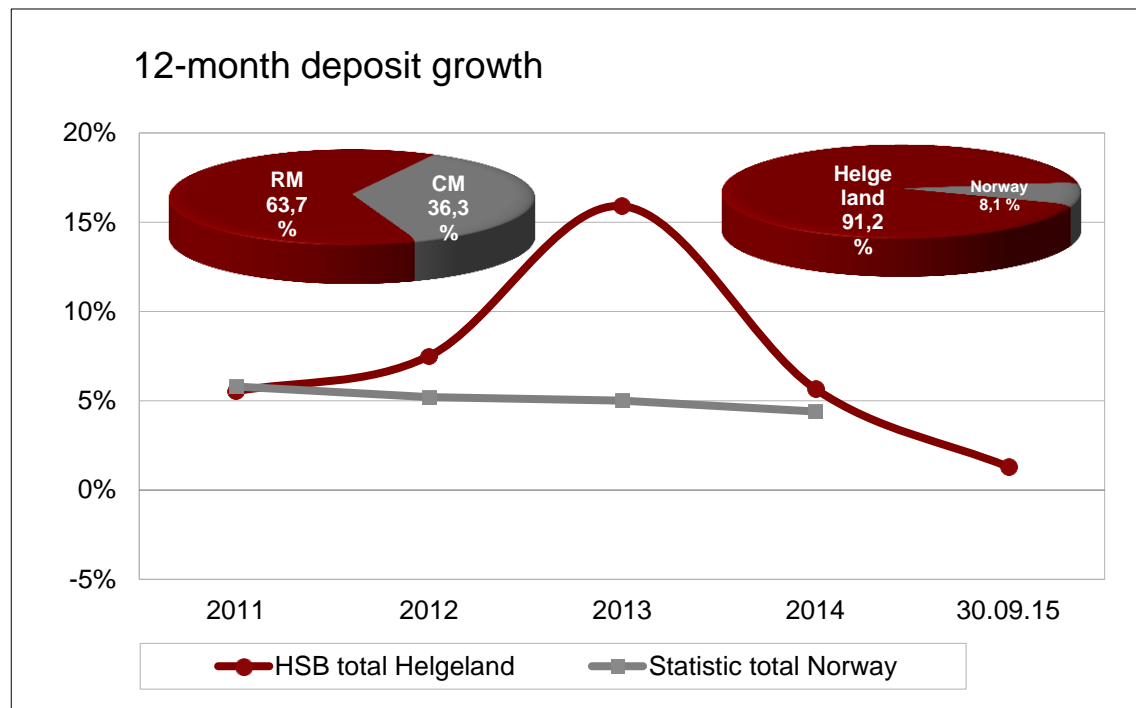
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Total deposit growth



Commentary

Good deposit growth

- 12-mont growth 1.3 (10.9) %

PM share

- Per Q3 63.7 (61.2) %

Locally in Helgeland

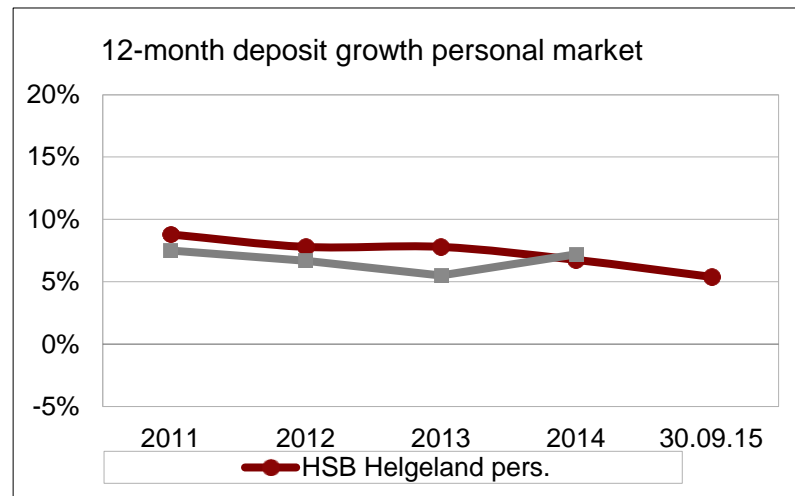
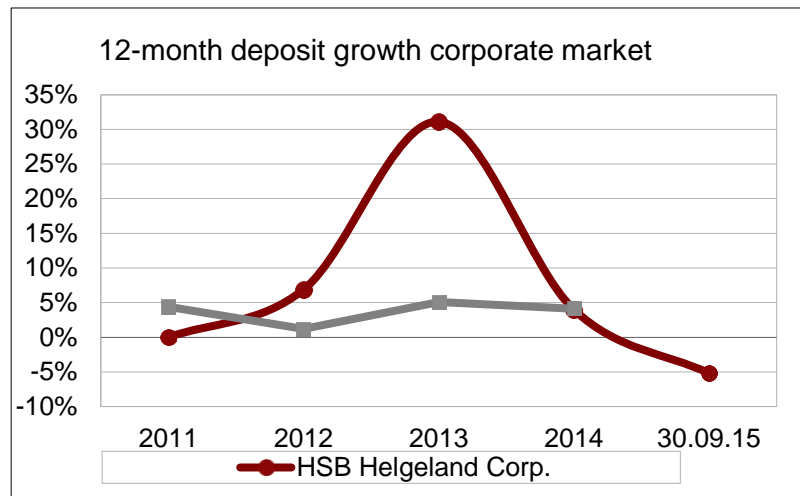
- Per Q3 91.2 (91.6) %

Deposit ratio

- Goal minimum 60 %
- Per Q3 63.7 (66.4) %

(Numbers for SSB is not updated for 2015)

Deposits CM and RM

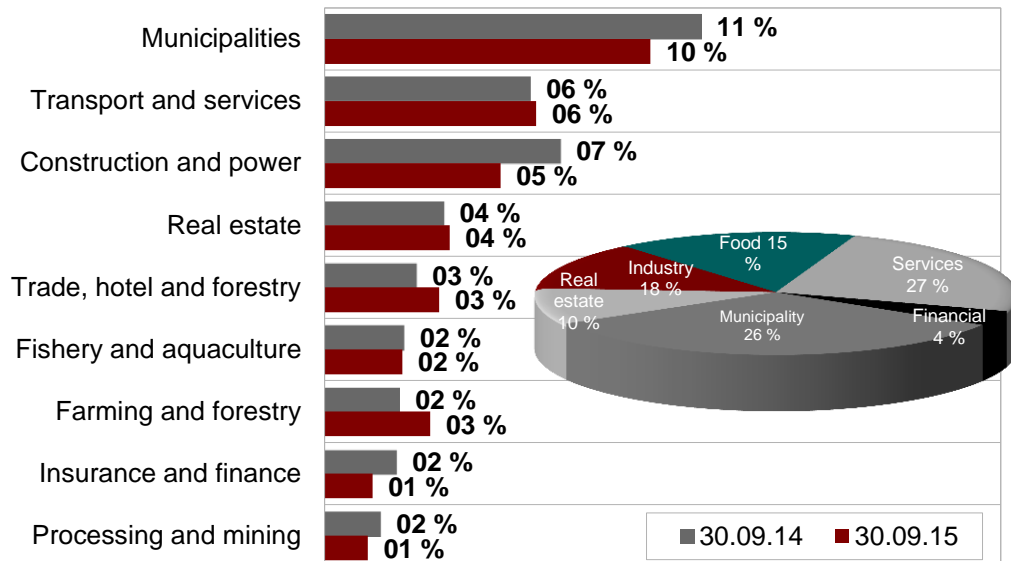


Commentary

12-month growth 1.3 (10.9) % whereby CM -5.2 (13.5) % and PM 5.4 (9.3) %
(Numbers for SSB is not updated for 2015)

Deposits CM

Customer deposits



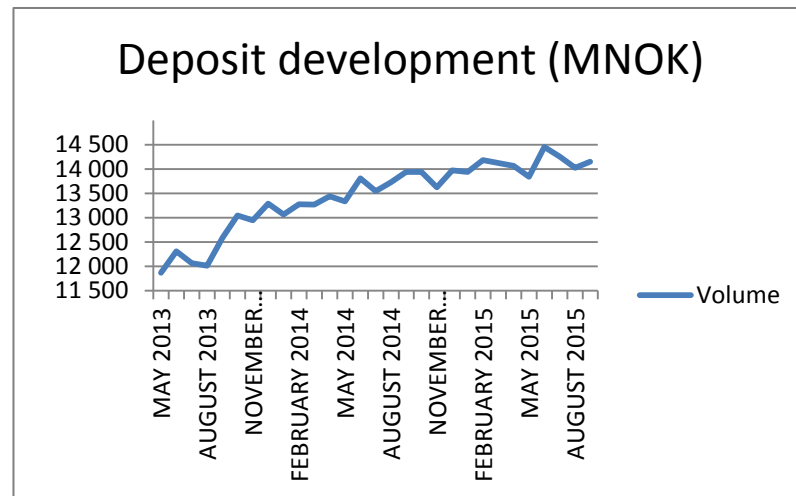
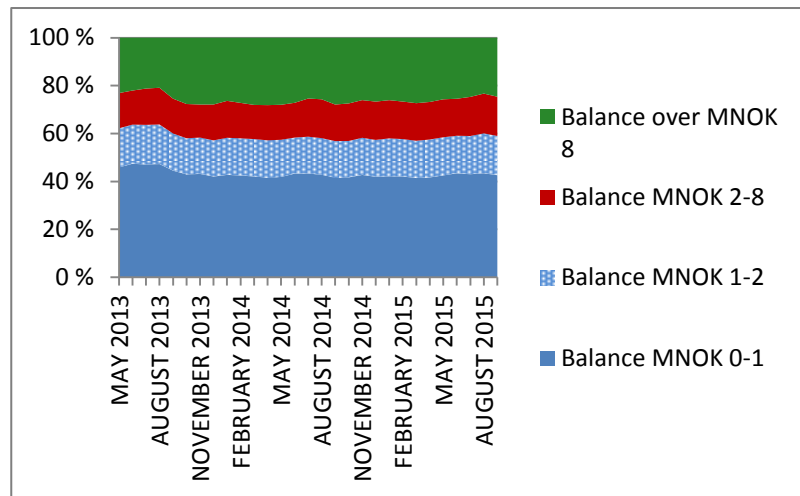
Commentary

Well diversified deposit portfolio in the CM

Share CM 36.3 (38.8) % 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. (approximately 60 % of total deposits)

85 % of the deposit mass still has potential for further downregulation



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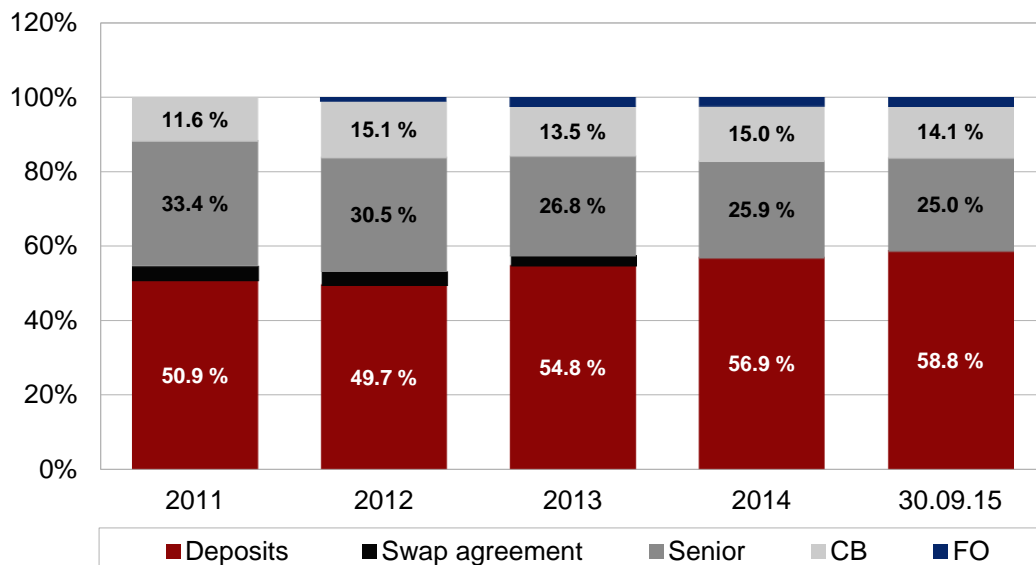
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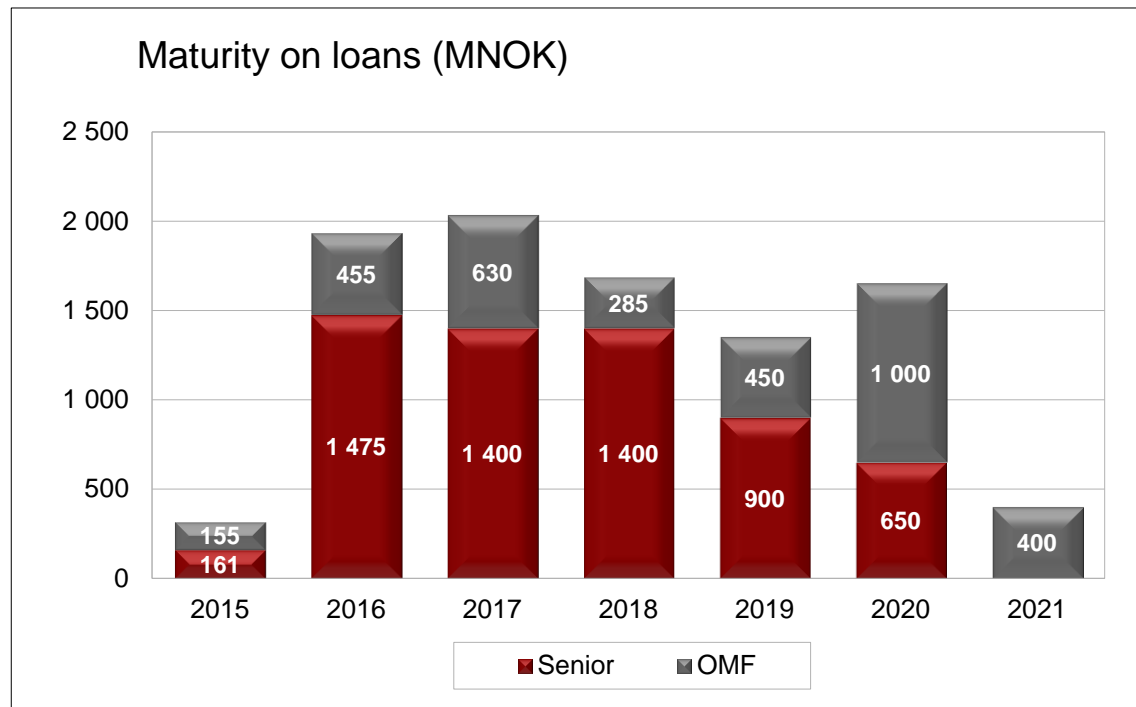
Funding development (MNOK)



Commentary

The deposits are the most important source for funding

Funding



Commentary

Good and long term funding

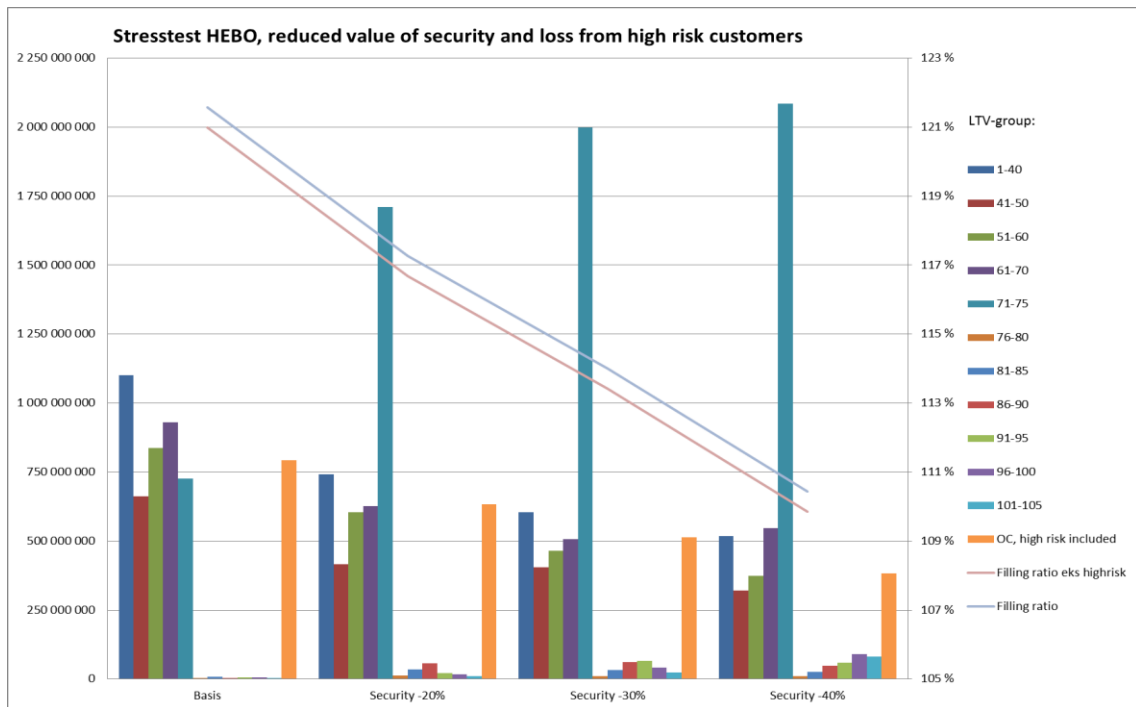
Share long term funding
81.4 (85.0) %

Combined duration of 2,6 (2,5) years. Duration in the mortgage company increased to 3.1 years

Maximum limit for transferring to the mortgage company is 30 % of gross lending. Per 30.09.15 19,5 % are transferred.

Empowered mortgages will
Standard method with 25% mortgage weights

Helgeland Boligkreditt AS



Gross profit MNOK 27.1 (37.3)

CET1 ratio 16.2 (16.6) % (standard method with 35 % mortgage weights)

Cover pool - qualified loans MNOK 4.236 (4.178), deposits MNOK 207 (230)

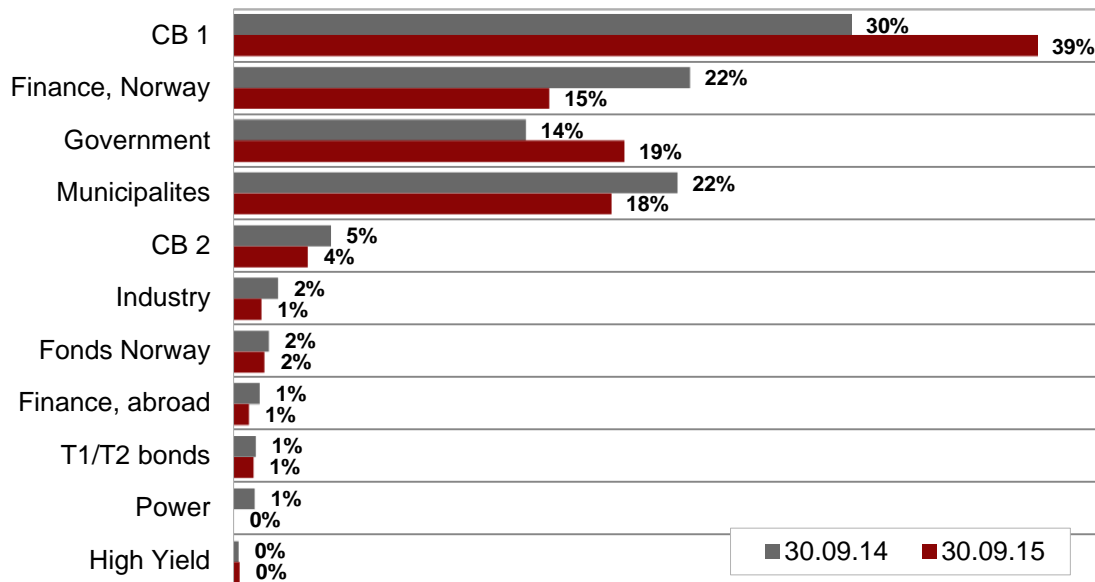
CB loans NOK 3.6bn (whereby 0.3 in the ownership of the parent bank)

Combined LTV 53 (52) %
cover pool ratio of fullness 21 (33) %

Stress test HEBO- With a housing price fall of 40 %, the cover pool ratio of fullness becomes reduced from 21 % to 10 %.

Liquidity buffers

Securities distributed in sectors



Commentary

The liquidity buffers constitute NOK 3.8 (4.6)bn. – equal 14.6 (17.7) % of total assets. The buffer capital consists of cash, deposits in Bank of Norway/banks and interest paying securities

LCR per 31.08.15 is 111 %

Interest paying securities:

- Portfolio duration 2.2 (1.9) years
- 92.6 % are rated A- or better
- 80 % CB or Govt./municipal bonds

Unrealized write-down of MNOK 25 in Q3



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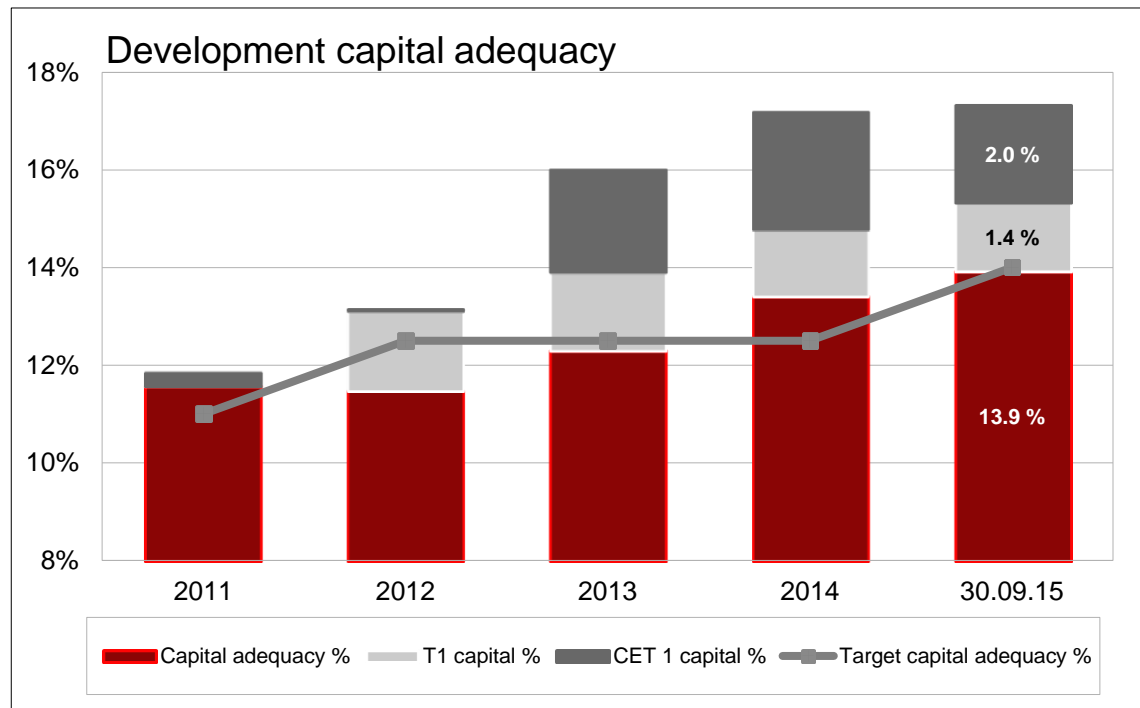
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Capital adequacy



Commentary

Capital ratio

- CET1 13.9 (12.5) %
- Core capital 15.3 (13.7) %
- Total capital 17.3 (16.0) %

The profit is not included. By taking in 70 %, core capital becomes 14.6 % and total capital 18.0%.

Unrealized profit full effect 2015

- 0.9 %-point increase in CET1 and 0.6 %-points in total capital.

New targets CET1 of at least 14.0 % and total capital up towards 17.5 %

HELG – 20 largest owners

			<i>Parent bank</i>		
Per 30.09.15	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	1 148 900	6.1 %	Citibank	219 847	1.2 %
Merrill Lynch Prof.	926 015	5.0 %	Sniptind Holding AS	201 801	1.1 %
MP Pensjon PK	882 203	4.7 %	Catilina Invest AS	170 000	0.9 %
VPF Nordea Norge	570 365	3.1 %	Johs. Haugerudsvei AS	137 731	0.7 %
Eika Utbytte	517 670	2.8 %	Nordenfjeldske Bykreditt	134 194	0.7 %
BNY Mellon	488 894	2.6 %	Melum Mølle AS	124 000	0.7 %
Bergen Kommunale pensj.	400 000	2.1 %	Steffen Nervik	110 000	0.6 %
Lamholmen AS	398 788	2.1 %	Melesio AS	100 000	0.5 %
Total 10 biggest owners	13 503 269	72.2 %	Total 20 biggest owners	15 310 336	81.9 %

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

EC development and liquidity HELG



The price for HELG per 30.09.15 was NOK 58,75 per EC. This is an increase of NOK 3,75 since year end.



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Prospects and priorities

Result

- Still good basis operation,
- Stronger competition for good corporate customers and generally low interest rates challenges the net interest
 - Still potential for a reduction in the deposit interest rates if further reduction of the mortgage interest rates
- Development in the credit spread is essential for
 - Funding cost
 - Value development liquidity portfolio
- The level of provision income is expected to continue
- Challenges in the cost area is met with a number of measures
 - Reduced man years – natural resignations and utilization of efficiency opportunities
 - Future headed distribution strategy / adaption of the office net
 - Evaluation of the bank's pension plan – will in the long term effect the costs
- Write-downs on lending is on level with the sector

Balance

- Still increased growth in the retail market – regulations concerning requirements for new loans house security are limiting
- Flattening in the corporate market?
- Private customers willingness for saving is expected to continue– low deposit rates gives increased interest for other ways to save than deposits
 - Increasing pension savings

Prospects and priorities

Profitable growth, futuristic and leading bank in Helgeland

- To continue the work with systematic processing of our own customers and offensive work towards new customers
 - Total customer relationship and width sale
- Acquire and maintain competence requirements – AFR and GOS
 - Requirement of authorization of all personal customer consultants within 01.01.17
- future headed distribution strategy – adapting the office net and increased use of digital platforms

Future views – Helgeland

Helgeland region

- Still cautious optimism in the business sector in Helgeland
 - Large infrastructure investments with repair / reconstruction of the E6 initiated – provides local spin-offs
 - Avinor's impact assessment regarding new big airport is awaited with excitement – several industry companies report lack of big airport as a key factor for further growth.
 - High activity in the building sector – Large investments both in private and public sector
 - Favorable exchange rate positive for export-oriented industries –aquaculture and industrial industry
- Significant and increased power resources opens up to green and future headed industry
- Lower growth in the population compared to national growth – especially in the age group 25 – 45
- Steady increase in the number of students at Campus Helgeland, both UiA and UiT is expanding their study offers
 - Increasing study offers and development of research environment at Campus Helgeland creates an academic environment which in cooperation with the large industrial enterprises increases employment opportunities for both in a relationship – crucial to reverse the trend in population growth
- Unemployment rate in a relatively low level –no clear signs of increase in the coming quarters
- Still stable house prices – normal activity into the 4th quarter



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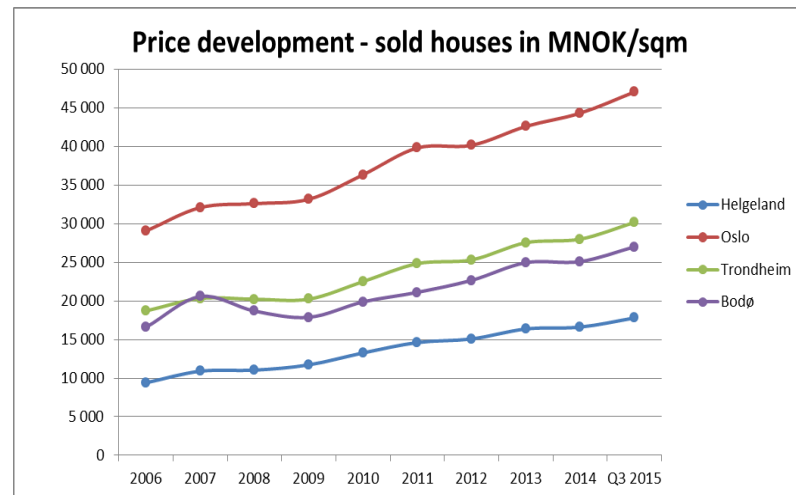
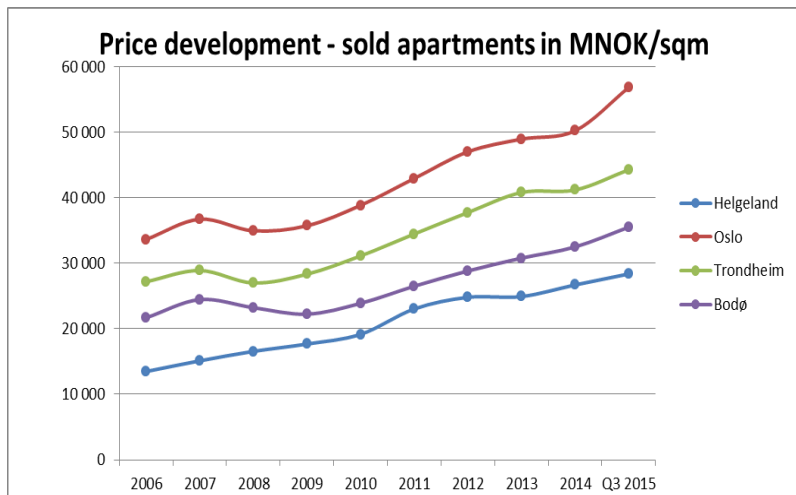
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Property price development

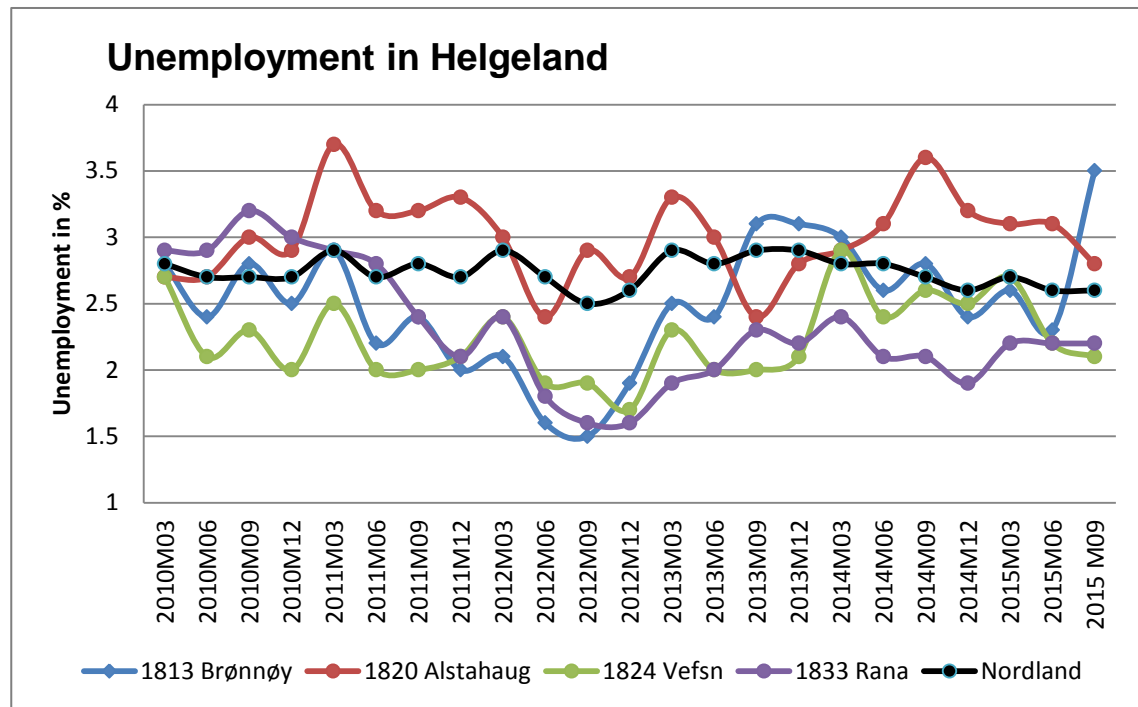


Property price development in Helgeland compared to larger places (measured by price pr sqm for sold houses).

Average national price increase for apartments 3rd quarter 2015 is 8.2 %

- Property price increase in Helgeland was slightly weaker with an increase of 6.3 % in the same period
- Villas had per 3rd quarter 2015 a national average price increase of 6.1 %
- Property price increase in Helgeland was stronger with an increase of 7.1 % in the same period

Unemployment



Commentary

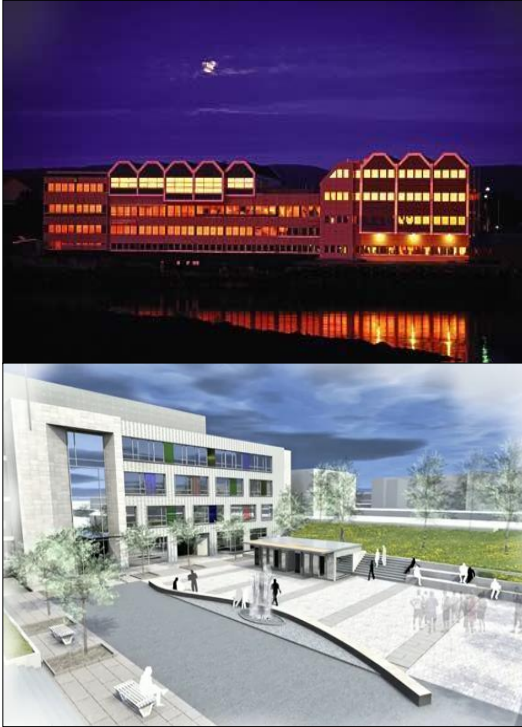
There is not a significant difference in unemployment between the regions in Helgeland.

Increase in unemployment in Brønnøy per 30.09.15

About 2.6 % of the work force per 30.09.15

By the end of 3rd quarter there was a national unemployment of 2.9 %.

Large public sector contributes to a stable employment offer as well as investments and spending



- Helgeland have more than 1500 employees in public sector enterprises and the enterprises are still expanding:
 - The National Library Mo i Rana
 - The State Agency for Recovery of Fines
 - NRK License Office
 - NAV – Norwegian Labour and Welfare Organisations Service Centre and Accounting
 - HELFO Health Economics Administration Region North
 - Brønnøysund Register Centre
- Helgeland have more than 200 employees working in IT-based companies delivering services nation wide:
 - EVRY (smart credit card division)
 - Billettsservice (Ticket service cultural arrangements)
 - Widerøe Internet (eCommerce solutions, WIAS Fraud Detection Services and online customer support)

Aquaculture



Aquaculture

around 10 % of the regions turnover.
Total export value salmon in 2015 of approximately NOK 5bn, employs around 700 people direct – with subcontractors around 2800 people.

Prices are slightly declining but remains high with around NOK 35-39 pr. kilo
Production cost is higher because of higher temperatures (algae, nets treatment, lice treatment). Cost average NOK 25 to 26 pr. Kilo
Much resources are used to combat the lice challenge – breeding lumpfish is a success

Low exchange rate is positive

Major investments in smolt production implemented

Construction (building & machinery)



Construction

High activity in Mo i Rana both private and public sector (schools, elderly homes, houses and flats).

An estimate of MNOK 800 to 900 for 2015-2016.

Brønnøysundregistrene - new offices, estimated at NOK 1.5 billion, to be started in 2016/2017. Relatively high activity in building houses and flats.

Machine entrepreneurs

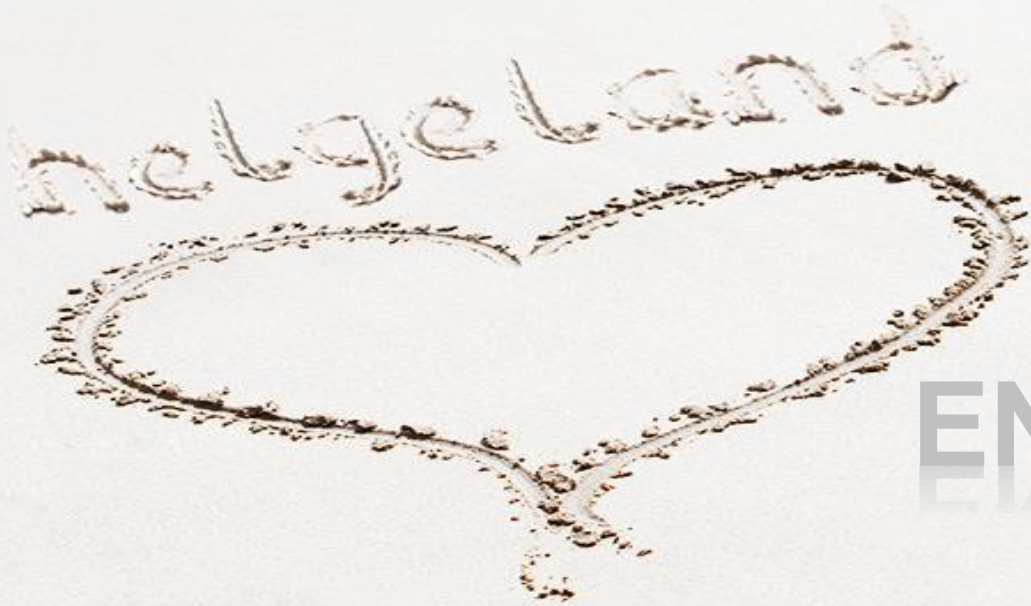
Considerable orders related to public infrastructure such as water and sewage. Building of the new E6 on Helgeland.



Horisont Helgeland

This is the second edition of the magazine “Horisont Helgeland”. The attention this time is devoted to culture – and experience industry. The magazine also contains factual information regarding value adding and development in the region. Source to the next foils is Associate Erlend Bullvåg from the University in Nordland.

Thank you for your attention!



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



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Helgeland



- 78 492 citizens at the beginning of 2015
 - Net growth since 2013 – 461 people
 - Weaker growth in the age group 25 – 45 years than the rest of the country
 - Increased growth in the city municipalities at the expense of the districts
- 4 regions
 - Mo i Rana region - 36 149 citizens (46.5 %)
 - Mosjøen region – 16 343 citizens
 - Brønnøysund region – 13 215 citizens
 - Sandnessjøen region – 12 786 citizens

Helgeland



- Total turnover in 2014 of around 44 bn.
 - 11.7% increase towards 2013
 - Expected growth in 2015 3.2 %
 - Distribution of revenues between sectors
 - Trade, transport and tourism: Approximately 40 % - 17.5 bn. – increase of 28 %
 - Industry approximately 33 % - 14.7 bn. – increase of 1.2 %
 - Services to businesses: Approximately 17 % - 7.6bn. – decrease of 1.2 %
 - Aquaculture: Approximately 9 % - 4.1bn. – increase of 23,6 %
 - Provision of services to private: Approximately 1 % - 645bn. – decrease of 6.5 %
- Largest increase in transport – partly on time effect through Torgatten ASA's acquisition of Widerøe
- Helgeland in a class of its own in transport, power enabling industry and engineering industry

Helgeland

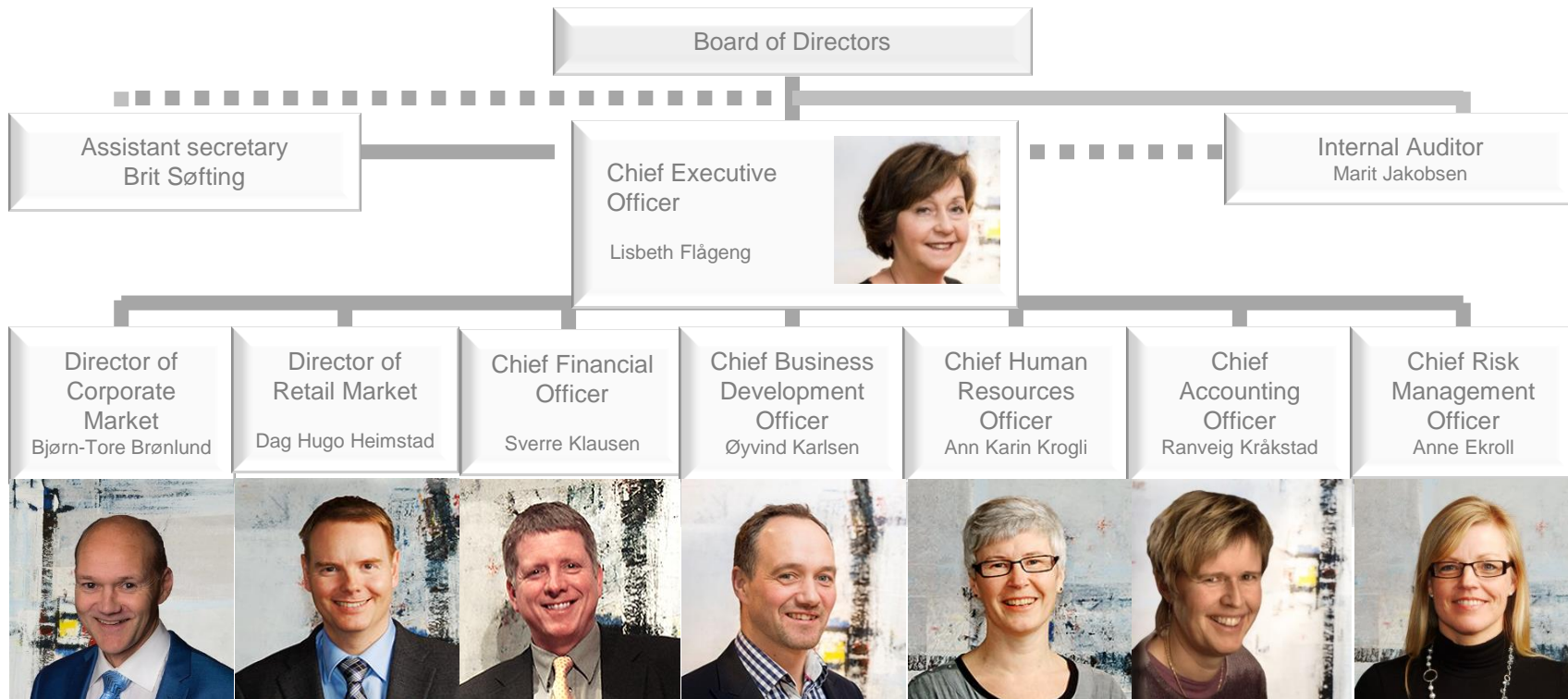


- Large investments in transport communications, power generation and property
- Significant environmental improvement investments in cooperation with Enova (Celsa and Alcoa)
 - Large environmental gains – puts industry in word class for low environmental impact
- Two of the largest developments in the oil and gas sector outside Helgeland (Polarled 7.5bn, finished and Aasta Hansteen field which is well underway – limit of 60 bn.)
 - Production and maintenance of subsea templates in Sandesjøen
 - Helicopter base in Brønnøysund and supply base in Sandnessjøen

Business development and ownership

	100 %		7,9 %		Gavestiftelse
	40 %		7,5 %		
	48 %		10,0 %		Egenkapitalbeviser

Management and organisational structure



Contact information

Head office

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Organization number	937904029

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Ranveig Kråkstad, Chief Accounting Officer – 75 12 83 32 / 905 04579 – ranveig.krakstad@hsb.no

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Board of directors

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Stein Andre Herigstad-Olsen, nestleder
Eva Monica Hestvik
Bjørn Audun Risøy
Inga Marie Lund
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