

Presentation for the 4th quarter 2013

med  for
HELGELAND



Presentation for the 4th quarter 2013 (HSB group)

Main features

Profit & 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

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Appendices



Profit and loss YTD – historically good result

Additionally improved basic operations – gross profit MNOK 266 (172)

- Improved profits of MNOK 94 – 55% from 2012
- Net interest increased by MNOK 83 – increased by 23% from 2012
- Net value change on financial instruments increased by MNOK 17
- Costs increased by MNOK 6 – 2,6%

Strengthened return on equity - YTD 10.4 (7.2) %

Suggested cash dividends – NOK 1.80 per EC

- Dividends rate 25.6%
- Unchanged fraction 75.1%

Profit and loss YTD

Significantly reduced lending growth: 4.4 (9.3) % - in line with the banks objective

- Retail market 7.0 (10.1) %
- Corporate market -0,4 (7.9) %

Very good deposit growth: 15.9 (7.5) % - deposit ratio 62.7%

- Retail market 7.8 (7.8) %
- Corporate market 31.1 (6.9) %

Good solidity

- CET1 capital ratio 12.3 (11.5) %
- Total capital ratio 16.0 (13.2) %

Profit and loss for the quarter

Improved basic operations also in Q4, no large one-time-effects

- Gross profits MNOK 73 (46)
- Net interest MNOK 118 (95)
 - Increased by MNOK 1 from Q3 to Q4 2013
- Costs MNOK 62 (60)
 - Low costs over time
 - Gift to employees and ECs to employees in the 4th quarter 2013
- Write-downs on lending MNOK 12 (5)
 - Increased mainly due to loss on an individual commitment
 - In total for the year, write-downs are still on a low level
- **Other happenings**
 - The bank is awarded a long term official rating by Moody's of Baa2

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Profit & Loss

Balance

Lending

Deposits

Funding

Solidity

Summary

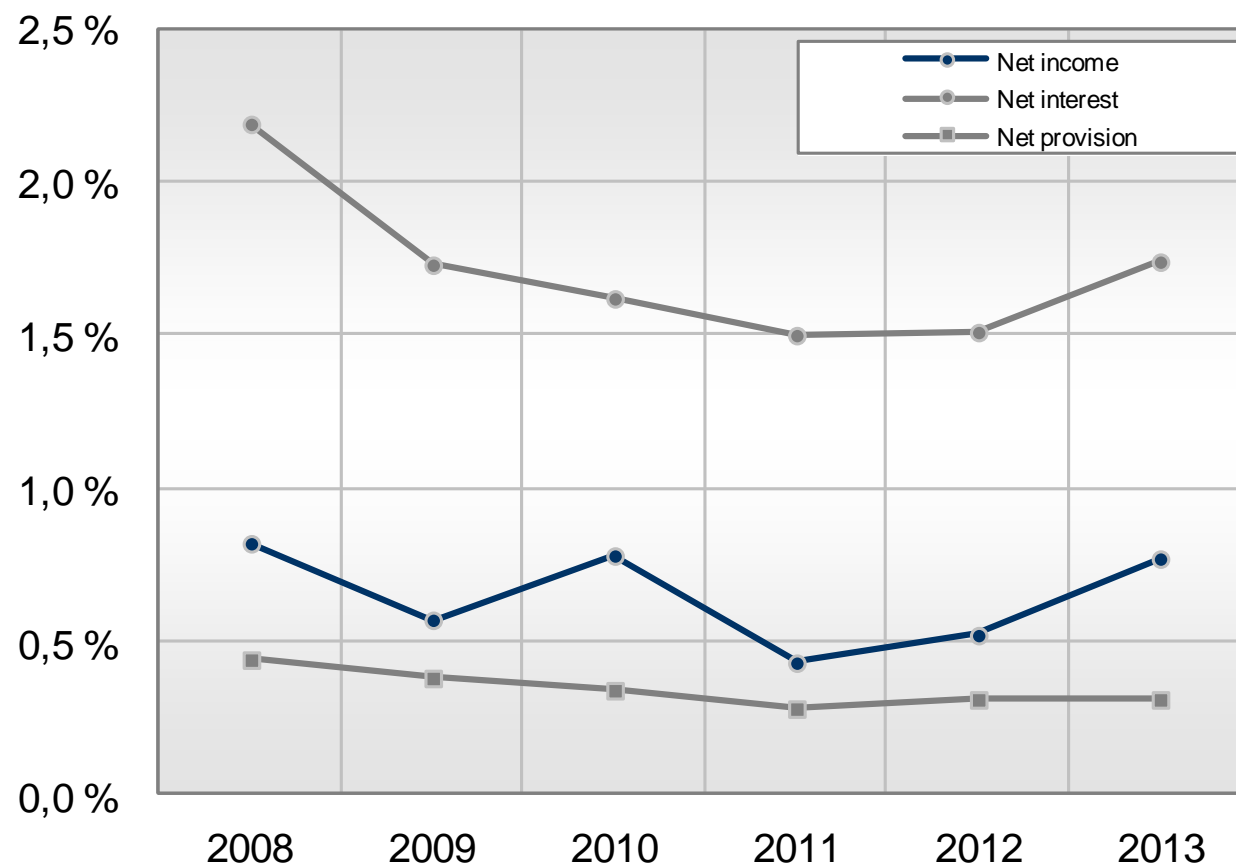
Appendices



Income- and key figure developments

Helgeland Sparebank

Key figures in % of average BTA



Improvement of basic operations continues

Net interest

- Significantly improved in 2013

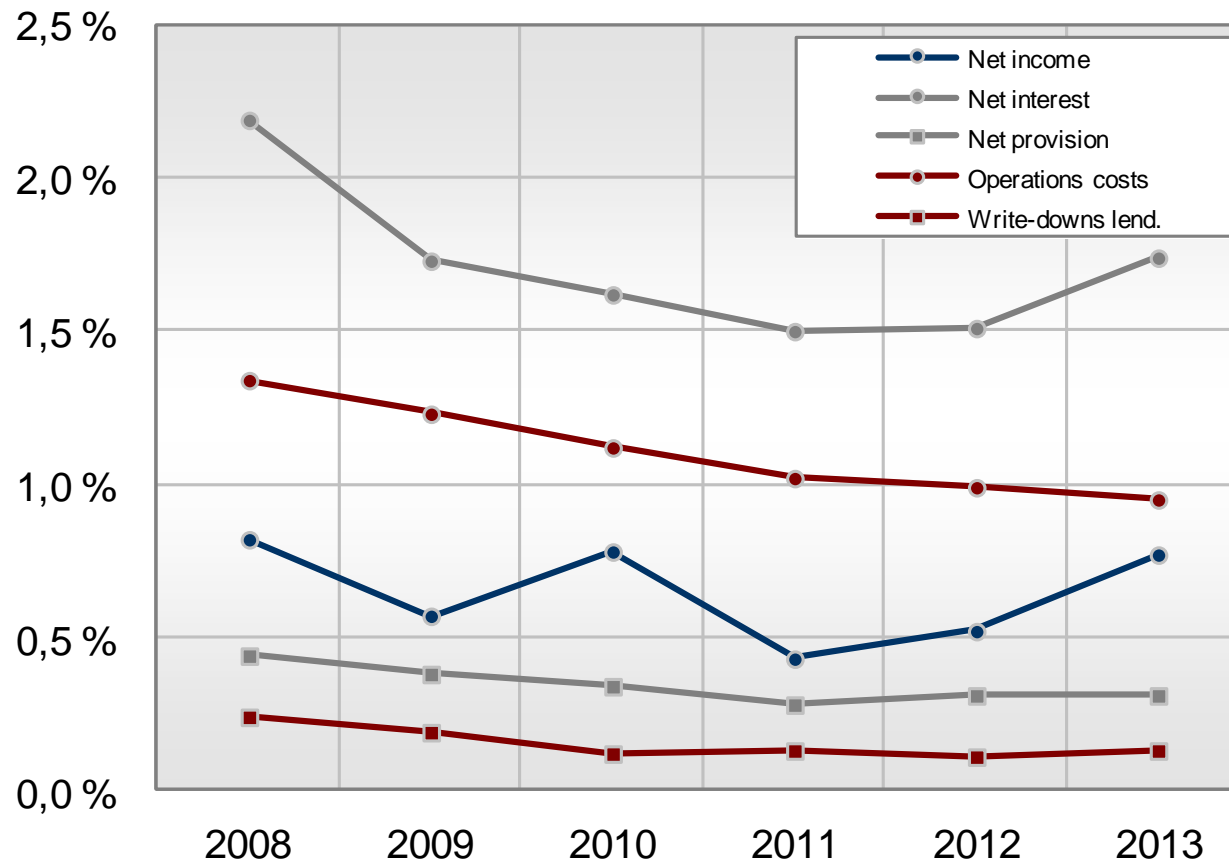
Net commission earnings

- Stable income in NOK and %
- Normalised insurance sales

Income- and key figure developments

Helgeland Sparebank

Key figures in % of average BTA



Improvement of basic operations continues

Net interest

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Net commission earnings

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Operations costs

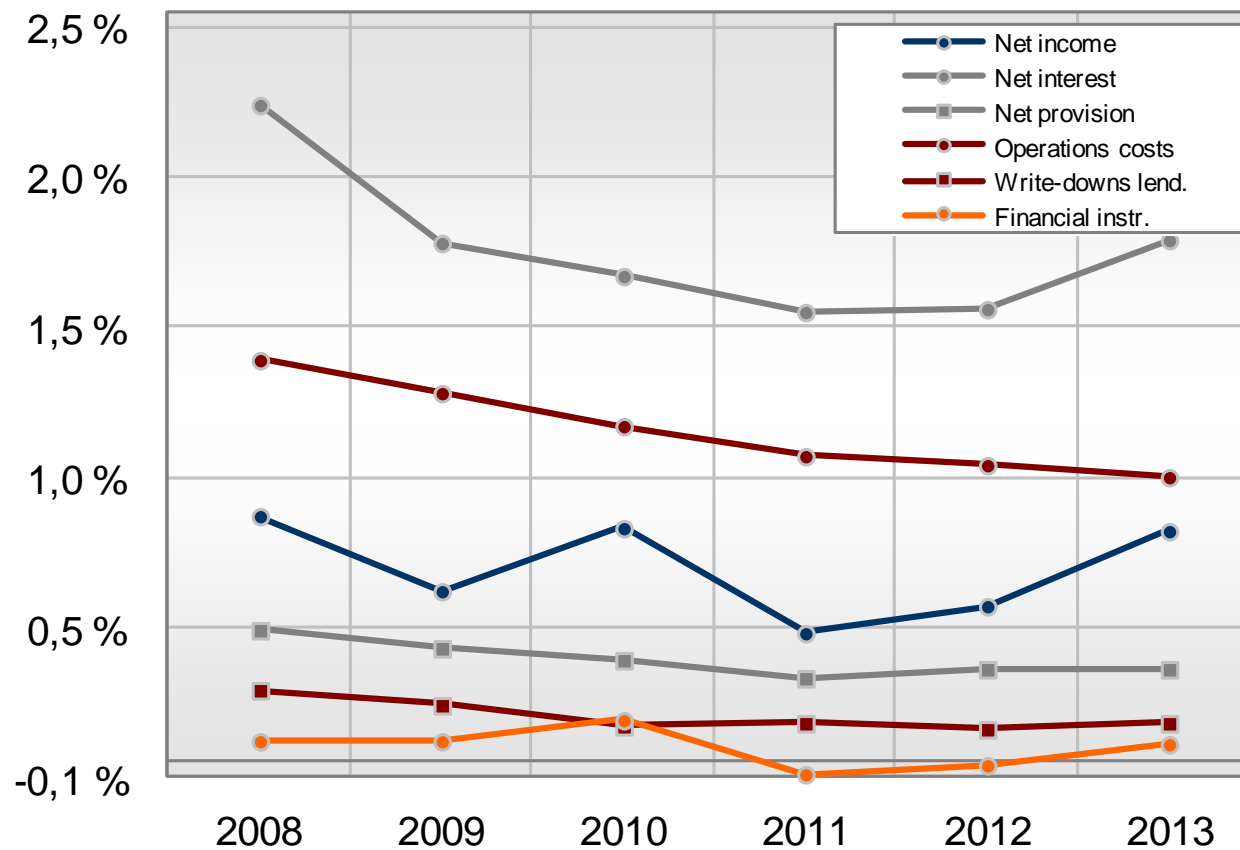
- The efficiency improvement continues, falling costs in both % of BTA and income

Stable low write-downs on lending

Income- and key figure developments

Helgeland Sparebank

Key figures in % of average BTA



Improvement of basic operations continues

Net interest

- Significantly improved in 2013

Net commission earnings

- Stable income in NOK and %
- Normalised insurance sales

Operations costs

- The efficiency improvement continues, falling costs in both % of BTA and income

Stable low write-downs on lending

Financial instruments

- Positive contribution over the P&L accounts

Profit and loss accounts

Helgeland Sparebank (HSB group)				
	31.12.12	31.12.13	Q4/2012	Q4 2013
Net interest- and credit provision earnings	356	439	95	118
Net provision earnings	72	77	18	20
Other operations income	7	7	3	3
Ordinary operations costs	233	239	60	62
Result basic operations	202	284	56	79
Write-downs lending and warranties	27	32	5	12
Net value change financial instruments	-3	14	-5	6
Gross profit	172	266	46	73
Net profit	123	193	31	56
Net extended income posts	21	49	6	25
Profit for the period	144	242	37	81

The improvement of basic operations continues

- The net interest has increased by 23% so far this year – strengthens the basic operations
- Net commission earnings increased by MNOK 5
- Efficiency improvement through good cost control – unchanged number of annual positions at 177
- Still low write-downs on lending
- Profits by reduced ownership in Frende Holding AS goes into net value change on financial instr.
- Value increase in shareholding in Frende Holding AS comes forth in the extended P&L accounts

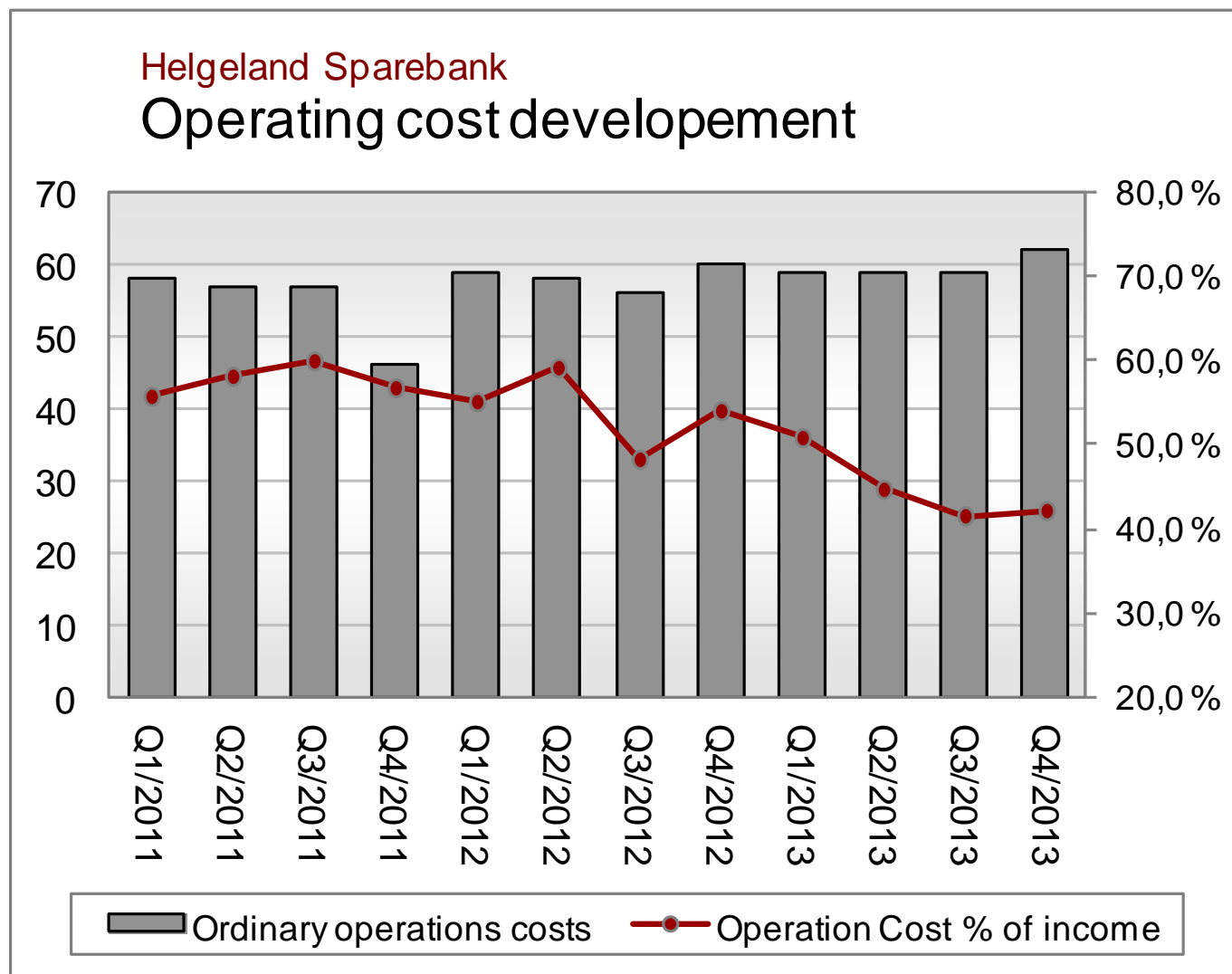
Profit and loss accounts

Helgeland Sparebank (HSB group)					
	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2014
Net interest- and credit provision earnings	1,54 %	1,55 %	1,73 %	1,82 %	1,79 %
Net provision earnings	0,29 %	0,28 %	0,29 %	0,34 %	0,30 %
Other operations income	0,05 %	0,02 %	0,03 %	0,02 %	0,05 %
Ordinary operations costs	0,97 %	0,96 %	0,94 %	0,92 %	0,94 %
Result basic operations	0,91 %	0,89 %	1,11 %	1,26 %	1,20 %
Write-downs lending and warranties	0,08 %	0,10 %	0,11 %	0,11 %	0,18 %
Net value change financial instruments	-0,08 %	0,05 %	0,05 %	0,03 %	0,09 %
Gross profit	0,75 %	0,83 %	1,05 %	1,18 %	1,11 %
Costs in % of income	54,1 %	50,9 %	44,7 %	41,5 %	42,2 %

The improvement of basic operations continues

- Net interest down 3bp from Q3 2013 to Q4 2013 – mainly connected to size of total assets
- Stable net commission earnings
- Low costs both in % of total assets and in % of income

Costs



Increasing cost efficiency

Operations costs in % of total income have had a positive development since 2011

Relatively flat cost development in NOK throughout the last 3 years

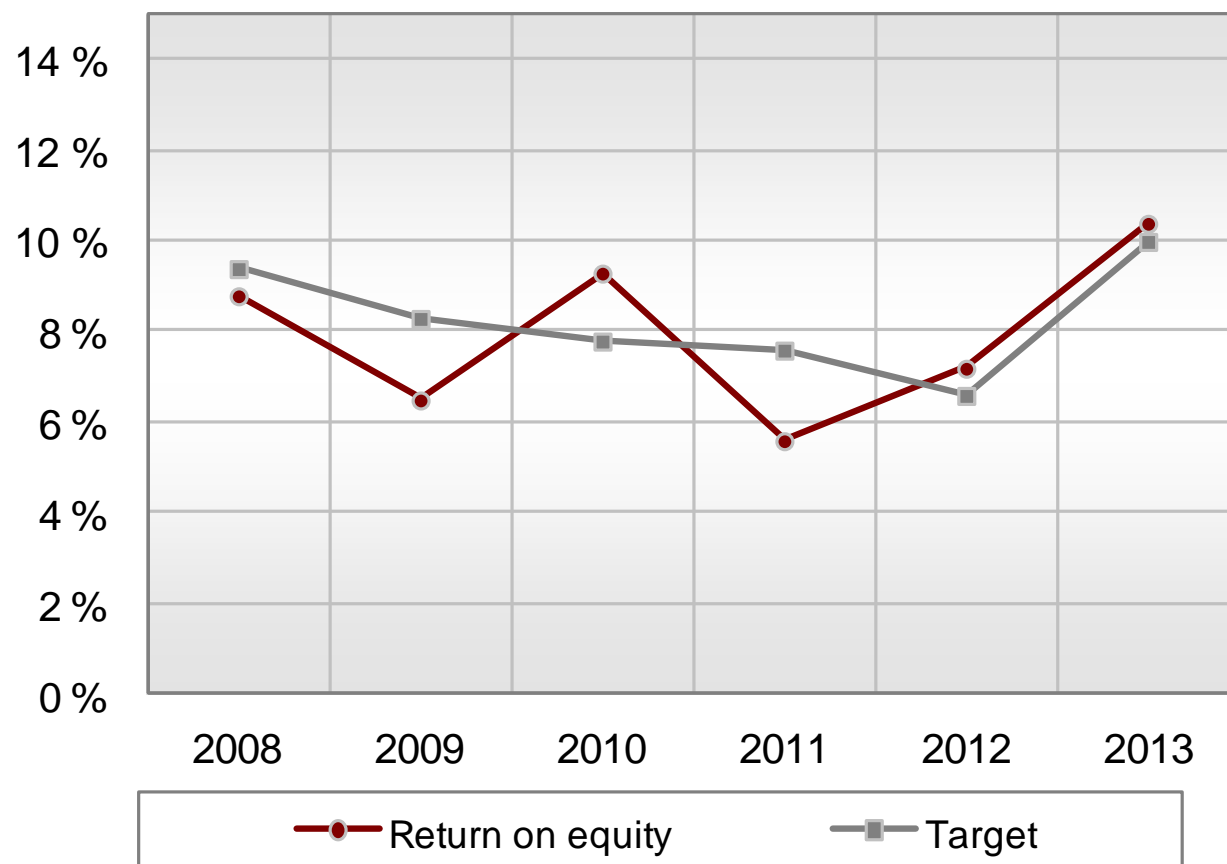
Operations costs have increased by 2.6% compared to 31.12.2012

Target figure:
Cost growth from 2014 of maximum 3.5%

Return on equity

Helgeland Sparebank

Return on equity and target figures



Good improvement of return on equity

Profit & loss

- So far this year 10.4 (7.2) %
- Return on equity in the 4th quarter was 11.4%

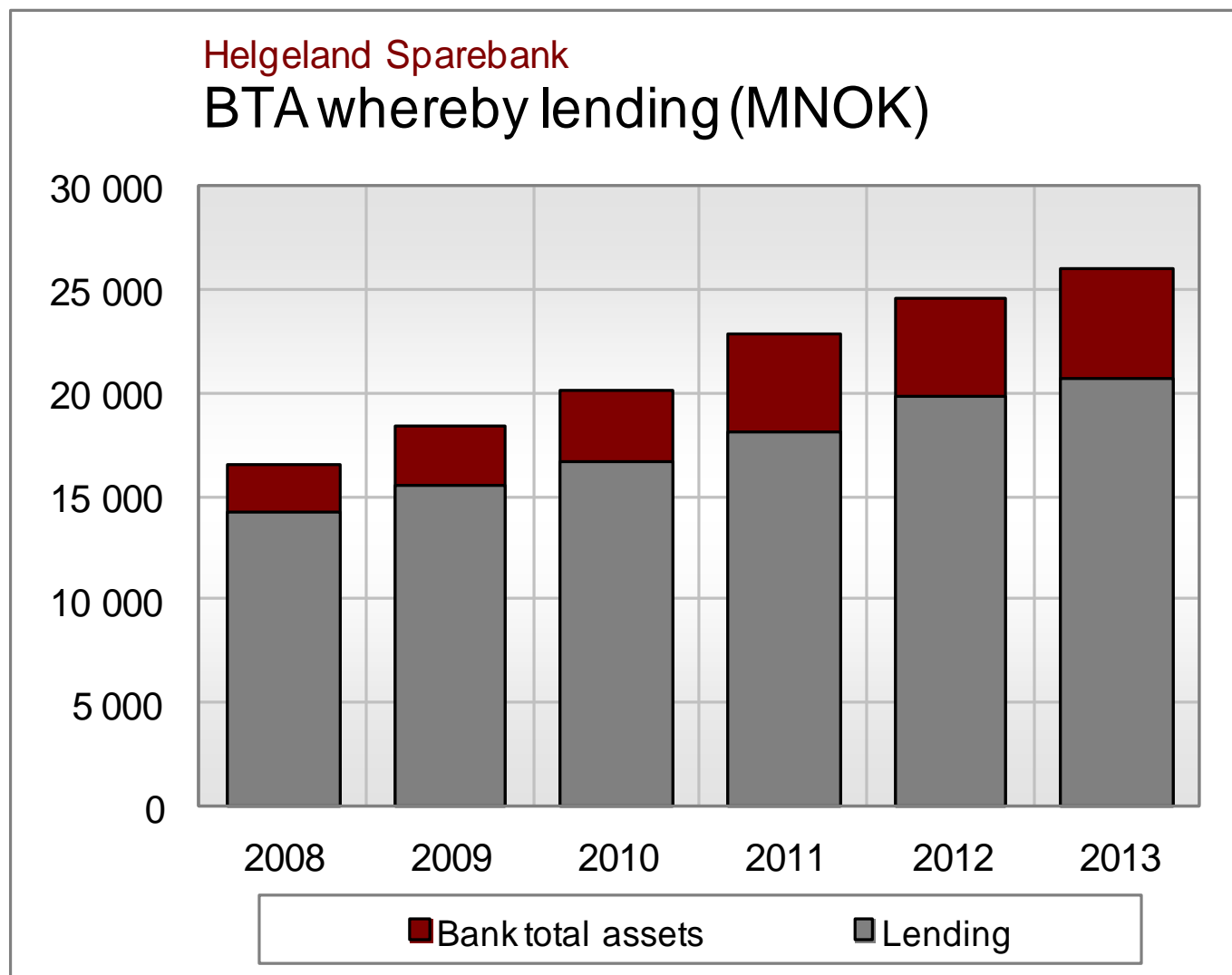
Target figure

- 10% under normal market conditions

Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Balance- and growth development



Reduced lending growth

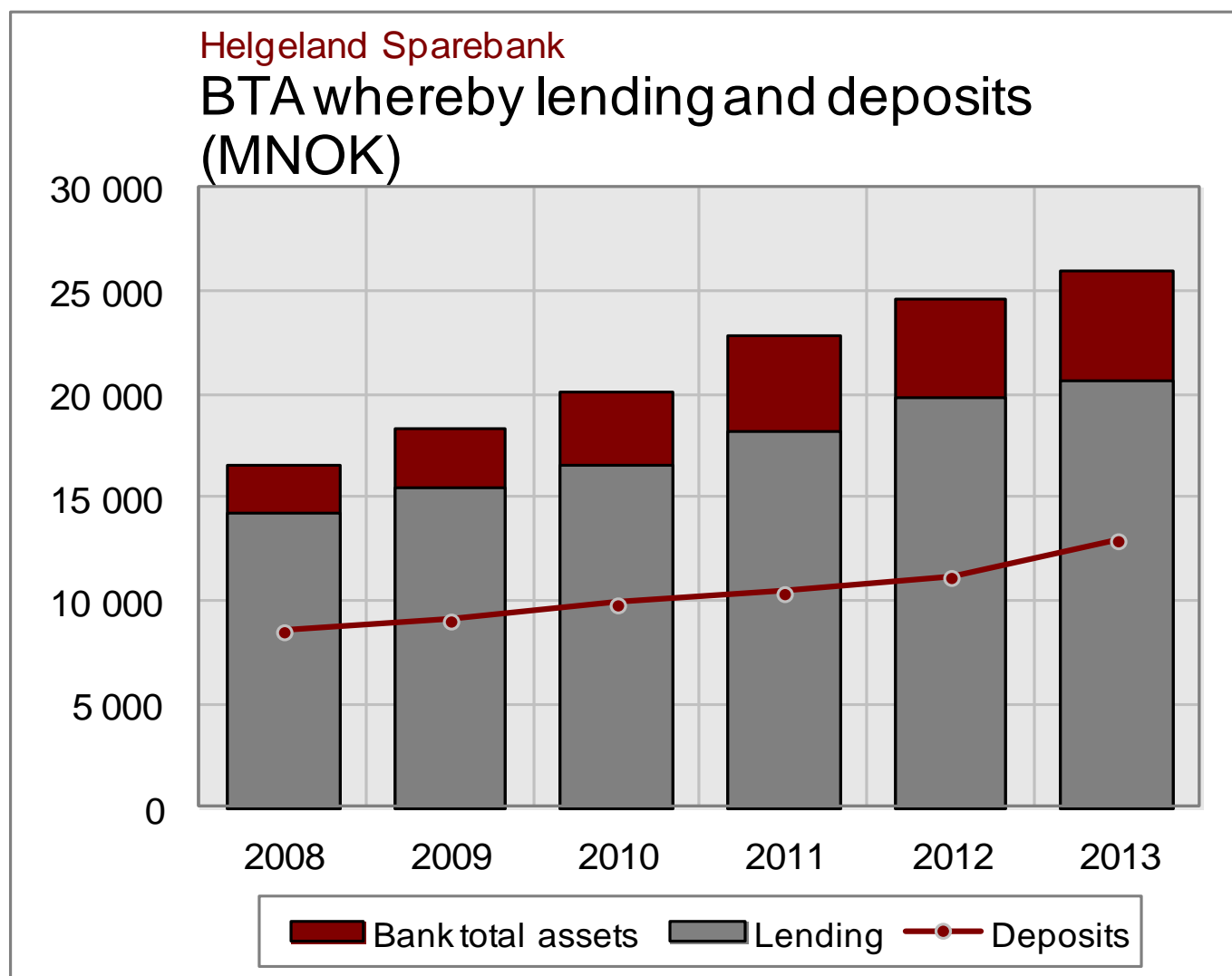
Gross lending per 31.12.13:
NOK 20.7 (19.8) bn.

12-month lending growth:
MNOK 866 / 4.4 (9.3) %

3-month lending growth:
-0,5 (2.4) %

83,2 (83.5) % are loans to
customers in the Helgeland
region

Balance- and growth development



Strengthened deposit growth


Volume per 31.12.13:
NOK 12.9 (11.2) bn.

12-month deposit growth:
MNOK 1 778 / 15.9 (7.5) %

3-month lending growth:
3.5 (0.9) %

Stable depositor base. Of the deposits, 92.2 (91.8) % from customers in the Helgeland region.

61.0 (65.5) % deposits from retail customers

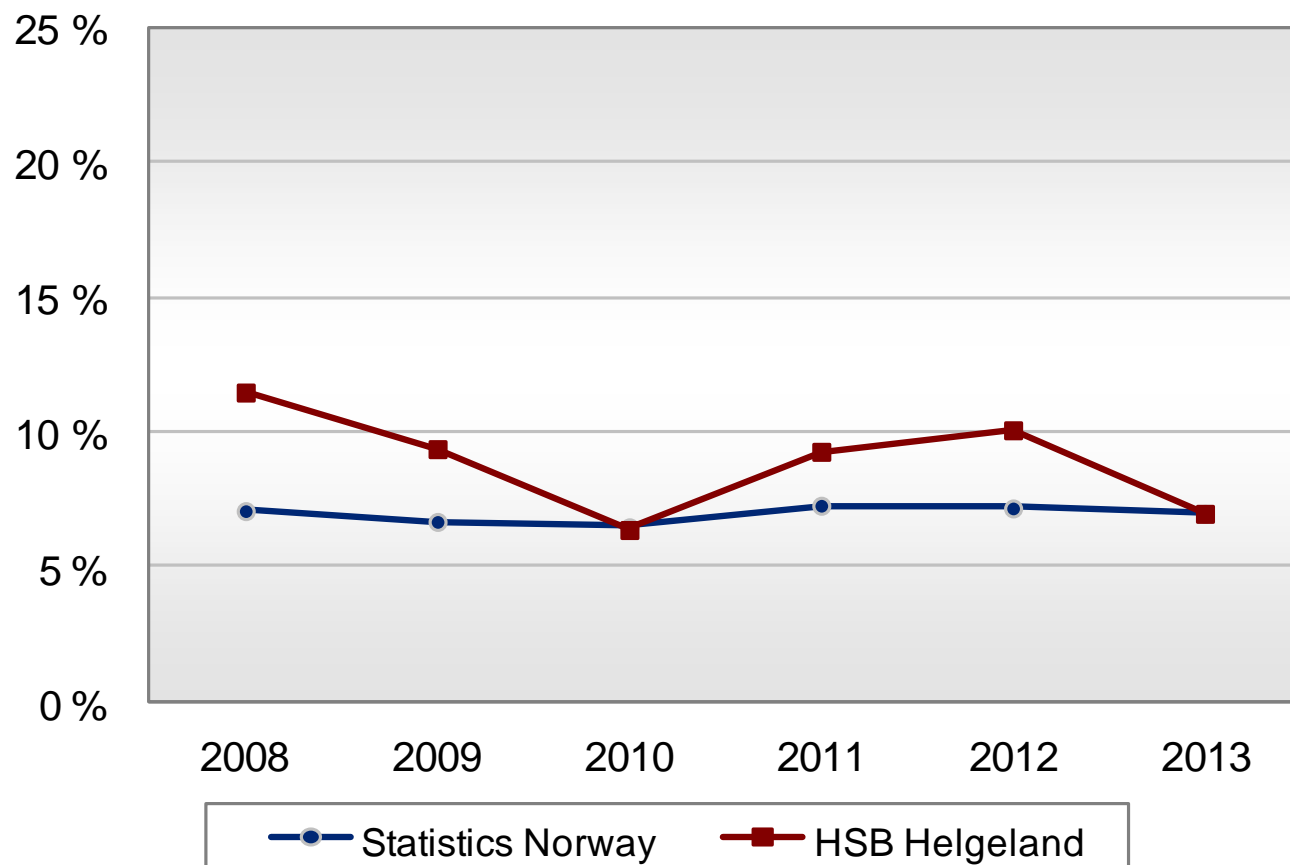
An aerial photograph showing a coastal area with a large body of water, a road, and several buildings. In the background, there are mountains and a small town. The foreground shows a green field and a road.

Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solvency
Summary
Appendices

Credit growth retail Market

Helgeland Sparebank

12-month credit retail market



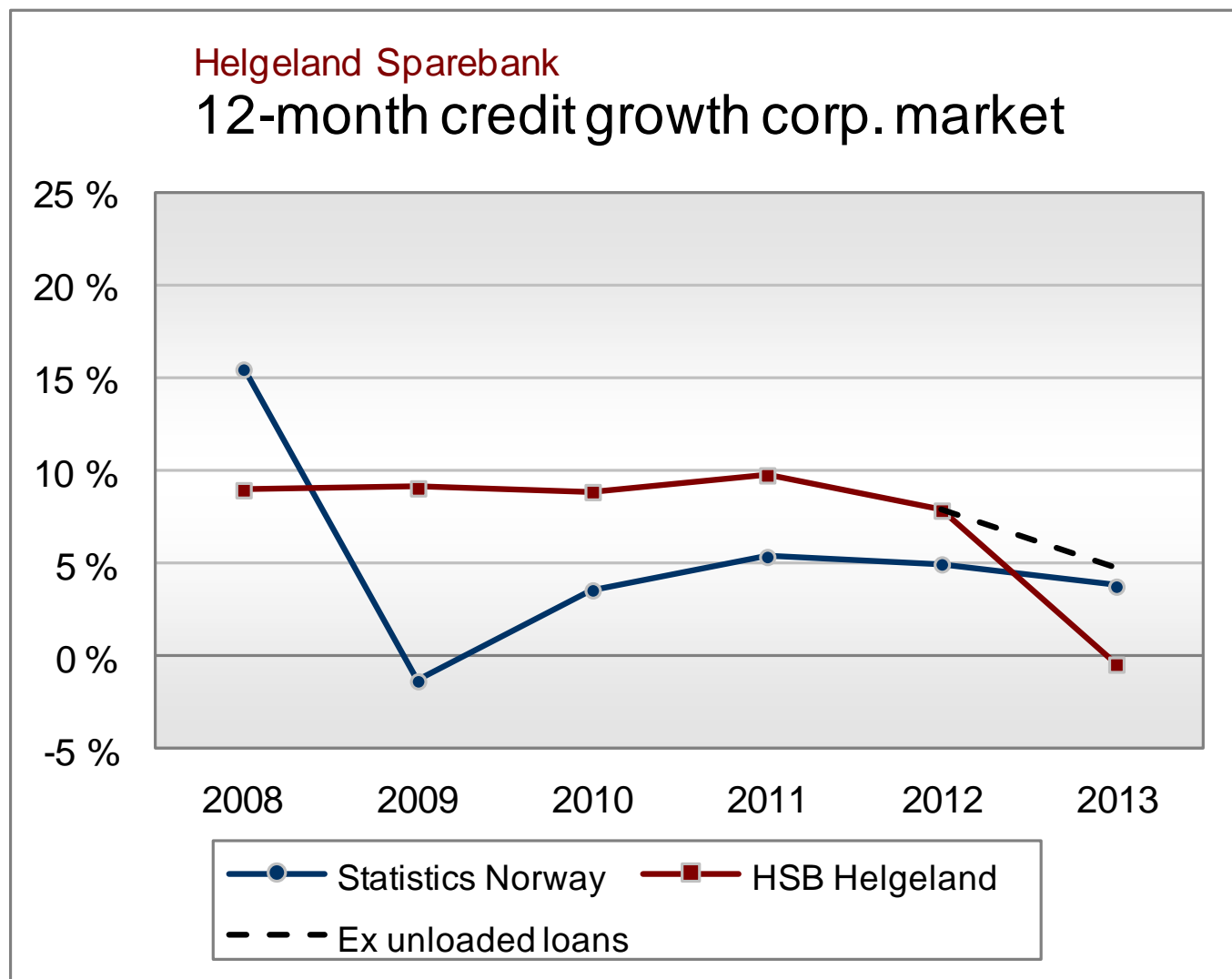
**12-month growth
7.0 (10.1) %**

Normal activity – somewhat lower growth in 2013

Lending to retail customers constitute NOK 13.6 (12.7) bn, mainly well collateralised mortgages.

Increased retail market share 65.6 (63.9) %, well above the target figure which is > 60%

Credit growth corporate market



**12-month growth -0,4
(7.9) %**

The growth in CM has been declining since 2011

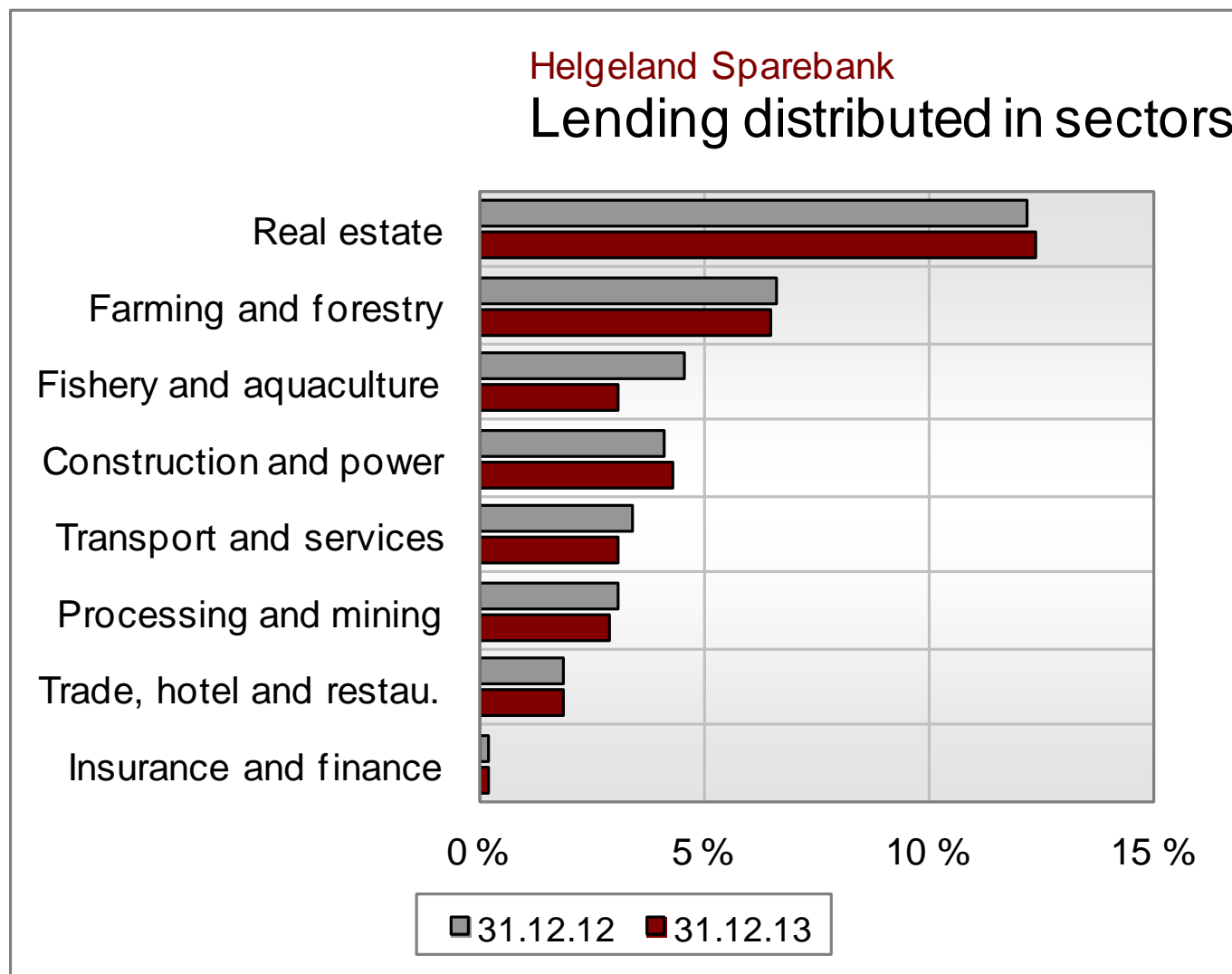
Stricter prioritising of projects in 2013

Reduced lending growth in line with objective

- Off-loading CM
- Margin increase CM

Growth excluding off-loading would have been 4.8%

Gross lending corporate market



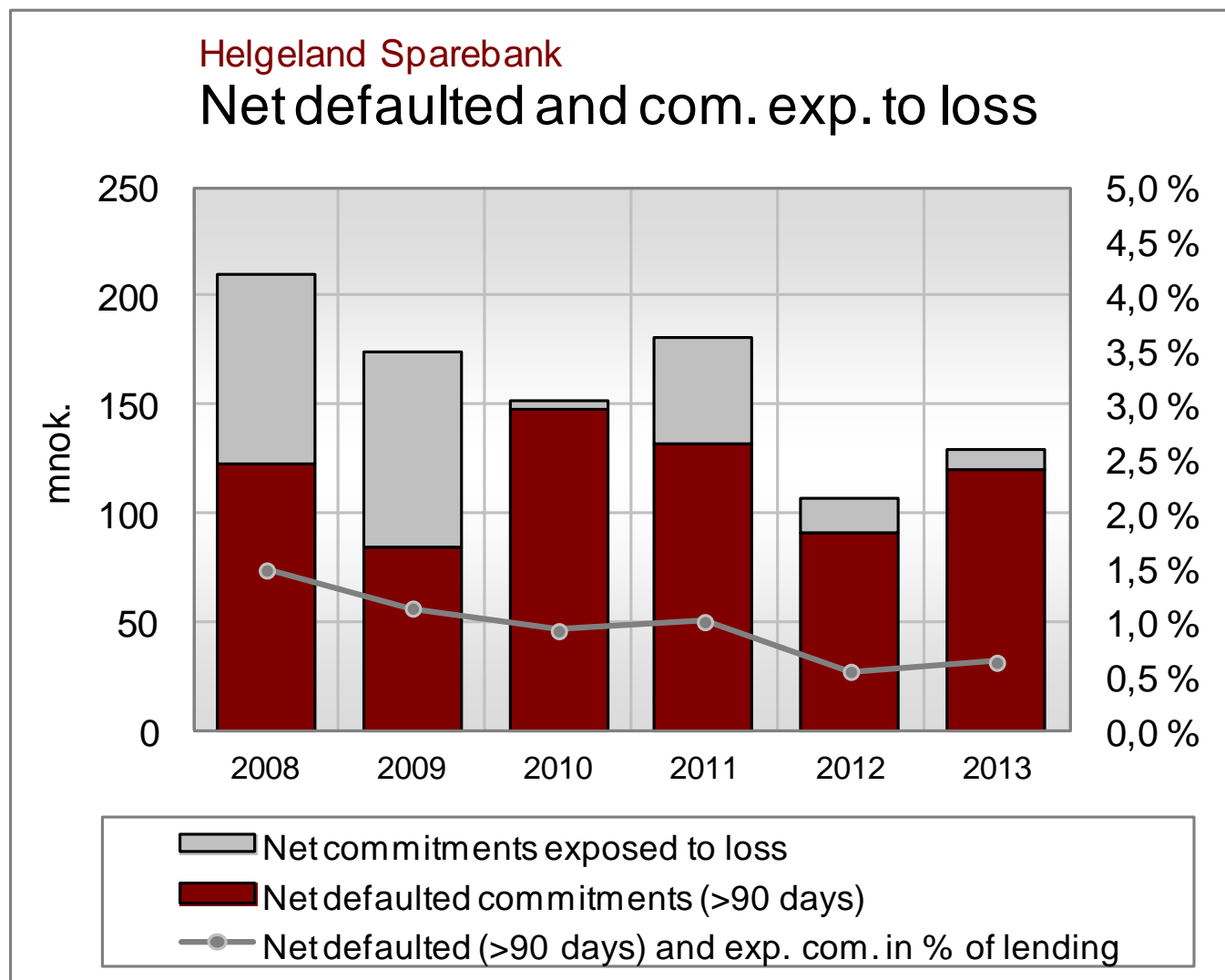
Well diversified lending portfolio

Lending to corporate customers constitute NOK 7.1 (7.2) bn.

NOK 2.0 (2.2) bn. are loans to food production consisting of agri- and aquaculture and forestry.

Very loyal customer base

Defaults and commitments exposed to loss



Good portfolio quality

Net non-performing and other impaired commitments in % of gross lending
- declining since 2008
- somewhat increased in 2013.

The developments in defaults in the portfolio and in individual commitments is followed closely
- follow-up through concrete measures

In per cent of gross lending, non-performing and other impaired commitments constitute 0.6 (0.5) %. A relatively low level.

Main features

Profit & Loss

Balance

Lending

Deposits

Funding

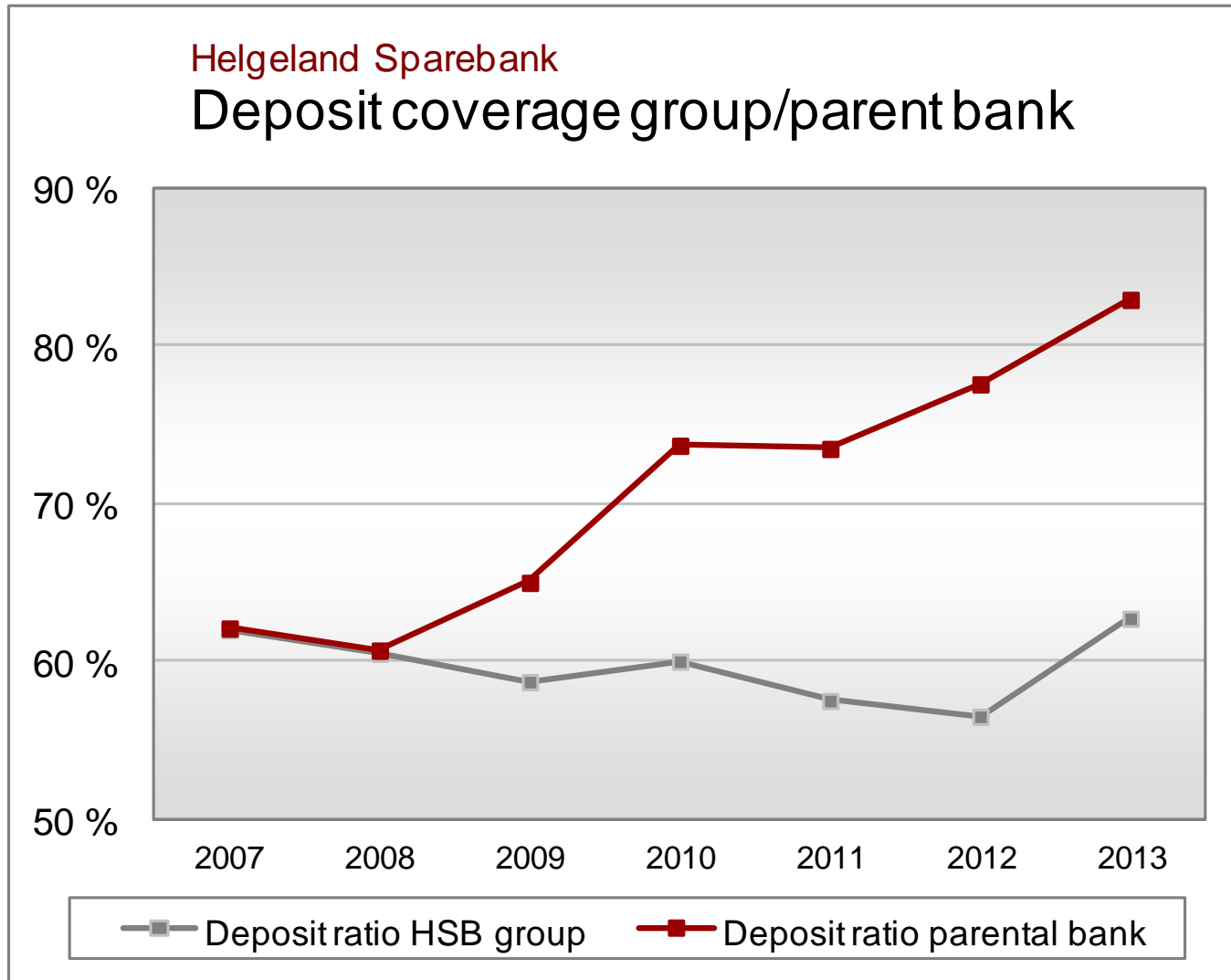
Solidity

Summary

Appendices



Deposit ratio



Increased deposit ratio

The deposit ratio in the HSB group was 62.7 (56.5) %

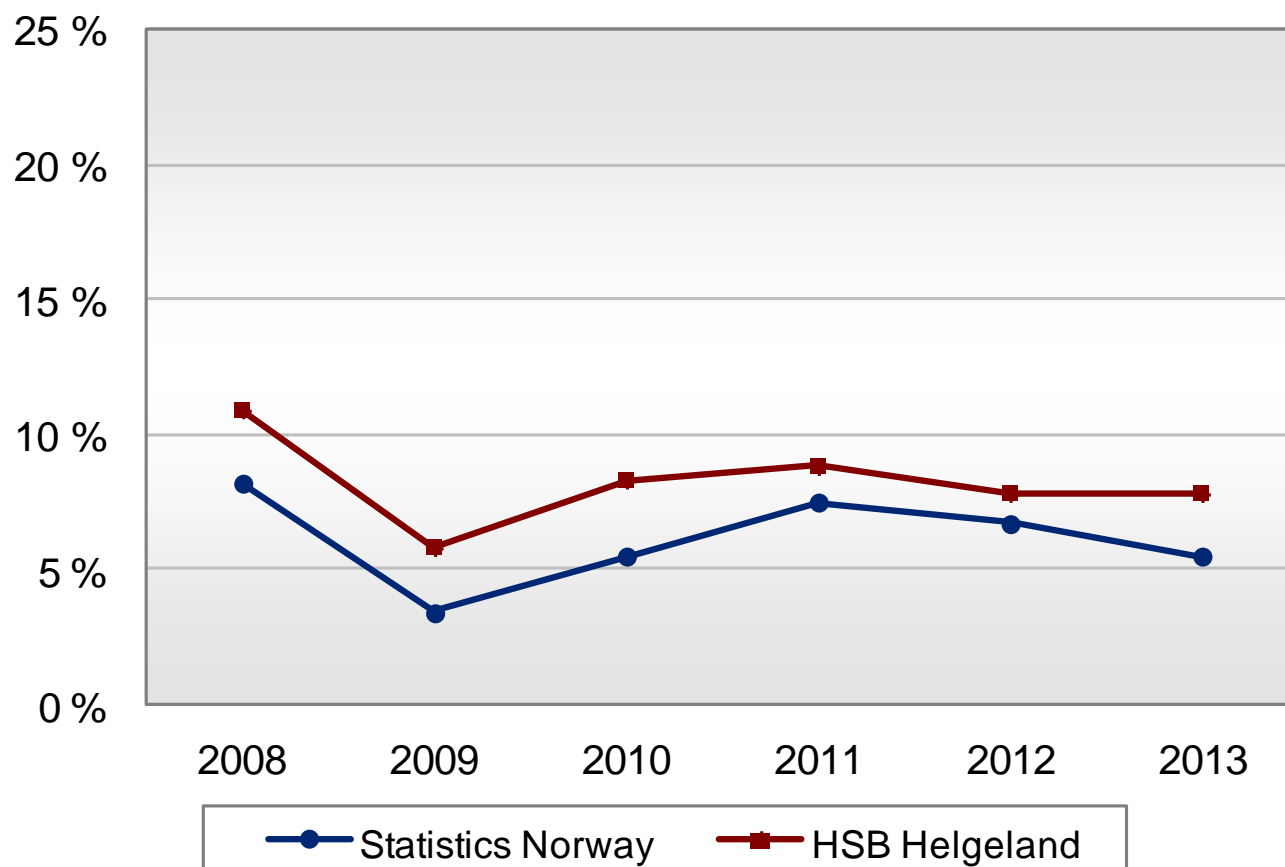
Target deposit ratio in the HSB group is 60%

Very good deposit growth in the quarter

Deposit growth retail market

Helgeland Sparebank

Deposit growth retail market 12 mth.



12-month growth 7.8 (7.8) %

Deposits from retail customers constitute NOK 7.9 (7.3) bn.

Growth in retail customers still higher than the national average

New products have been well received and the focus on deposits gives good results

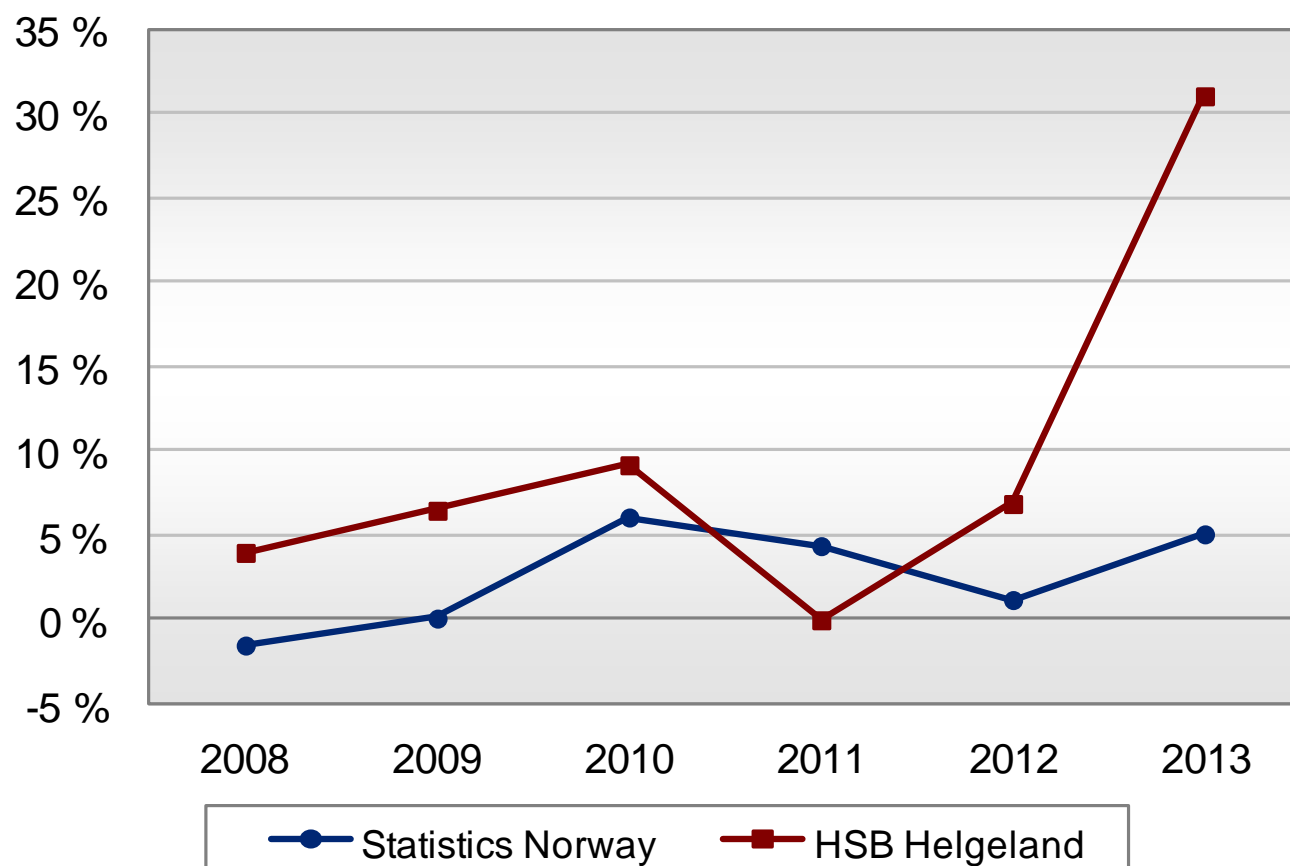
The work with maintaining the deposits ratio at a good level will continue:

- More new savings products will be launched
- Managerial focus

Deposit growth corporate market

Helgeland Sparebank

Deposit growth corp. market 12 mth.



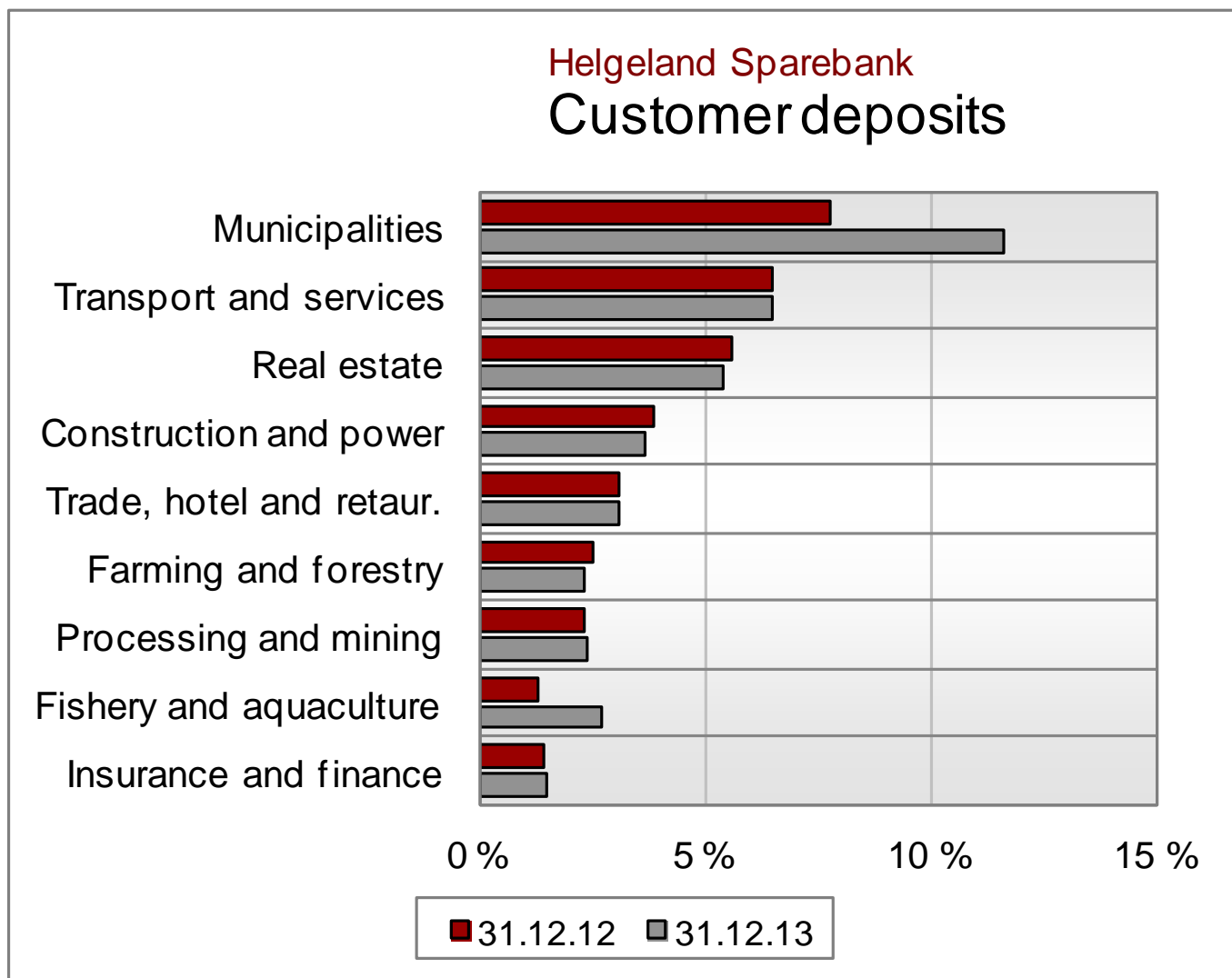
12-month growth 31.1 (6.9) %

Loyal customer base gives good growth in the business market – still higher than the national average

20 largest deposits have been stable over time, significant increase in the 3rd quarter due to a new deposit from the municipal sector

20 largest deposits constitute NOK 2.6 (1.6) bn, or 20.0 (14.1) % of total deposits


Customer deposits corporate market



Loyal customer base

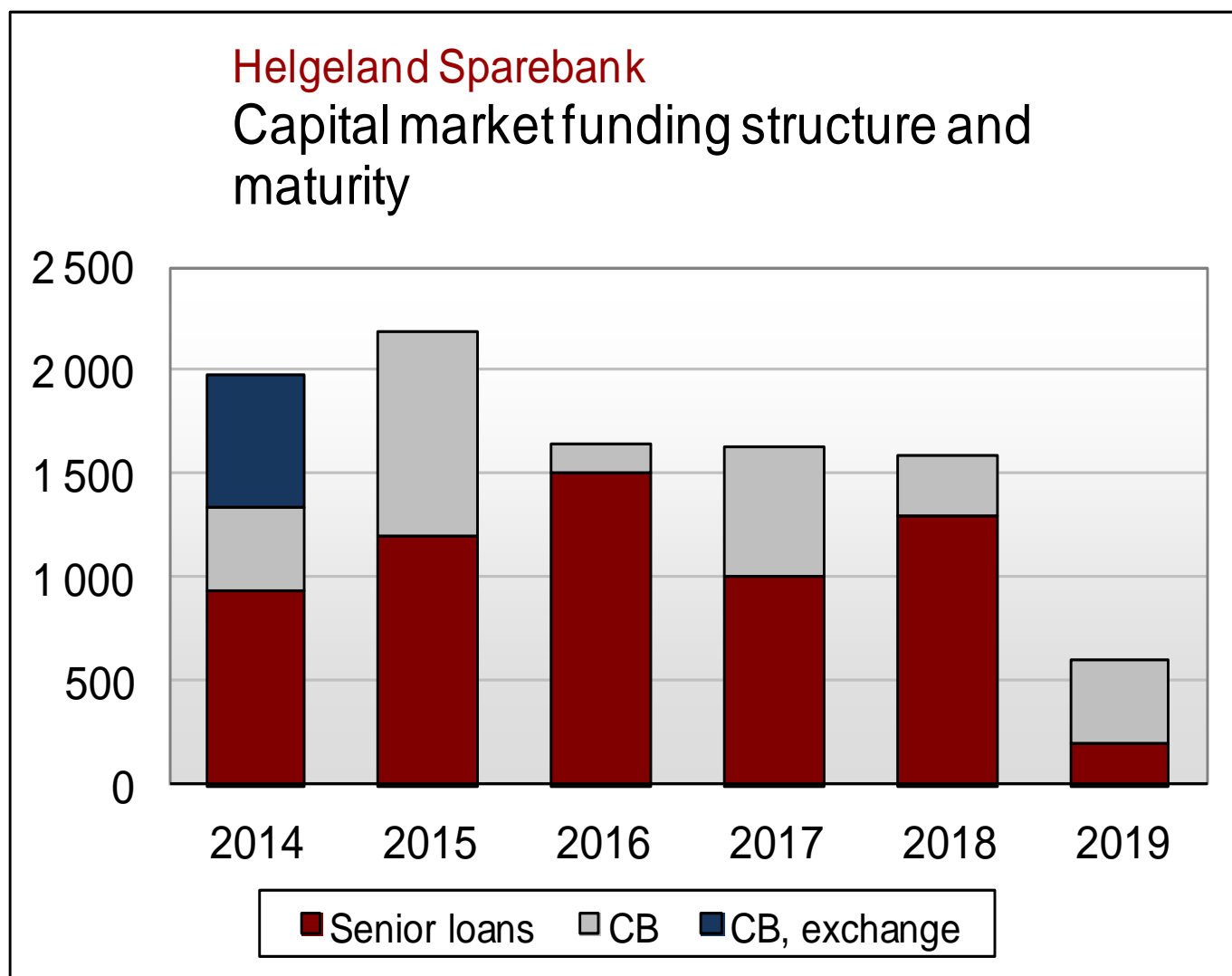
Of total deposits, NOK 5.1 (3.9) bn. are deposits from the corporate market

Good diversification of deposits from businesses

A close-up, black and white photograph of a fountain pen nib resting on a document. The pen is positioned diagonally, with its tip pointing towards the bottom left. The document features a bar chart with several vertical bars of varying heights. The background is a solid dark red color.

Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solvency
Summary
Appendices

Loans from the capital market



Good and long term funding

Duration on loans is 2.5 (2.3) yrs.

Liquidity indicator 1 was 110.6%
The indicator value for the reference banks was 103.5% at 30.09.13

Covered bonds constitute NOK 3.3 (3.4) bn. (34 (33) % of the loaning portfolio)

The bank has a moderate rate of transference, 23 % of gross lending (or 35% of RM lending) is transferred to Helgeland Boligkreditt AS

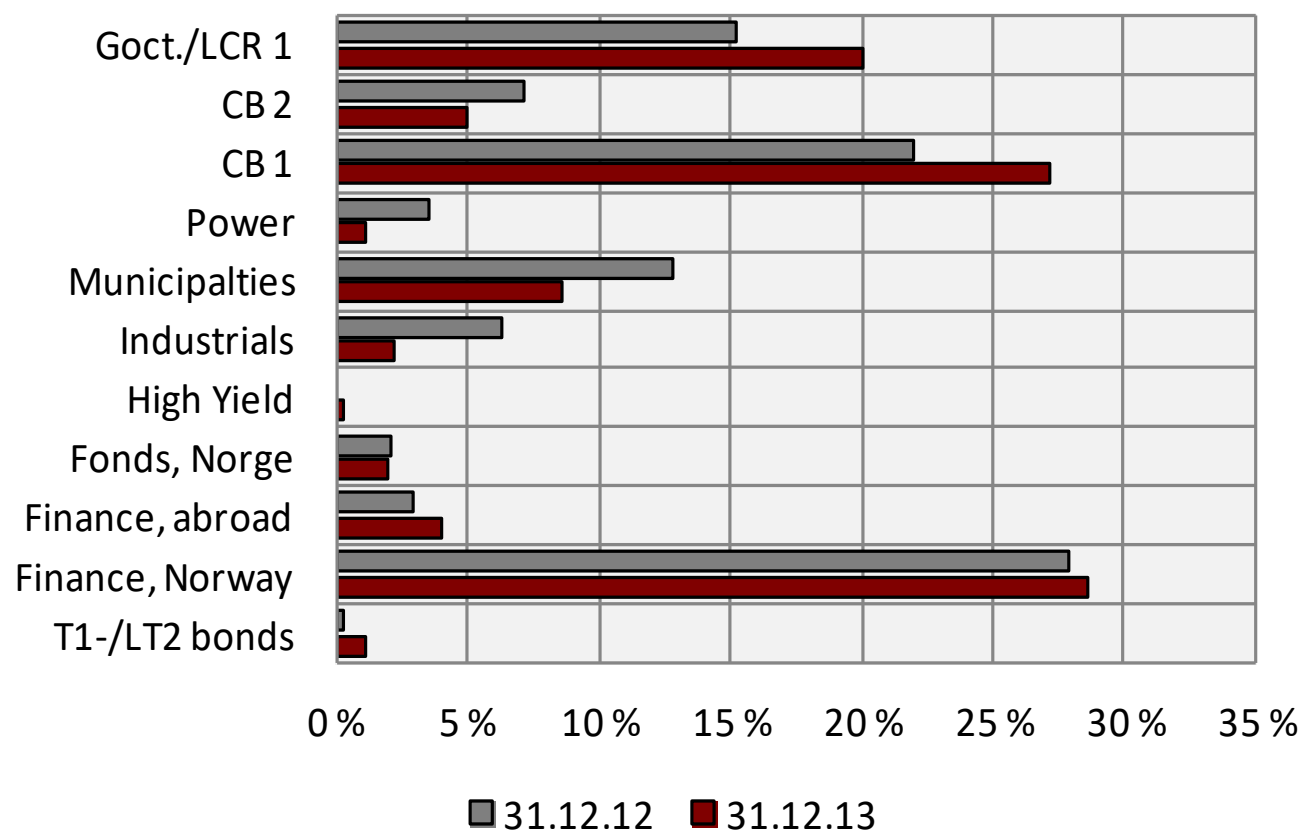
Additional potential for transferring mortgages to Helgeland Boligkreditt AS – maximum up to 30% of gross lending

Funding

Liquidity buffers

Helgeland Sparebank

Securities distributed in sectors



Solid buffer capital

The liquidity buffers constitute NOK 4.3 (3.9) bn. equal to 16.4 (16.0) % of total assets

The buffer capital consists of cash, deposits in BoN/banks and interest bearing assets.

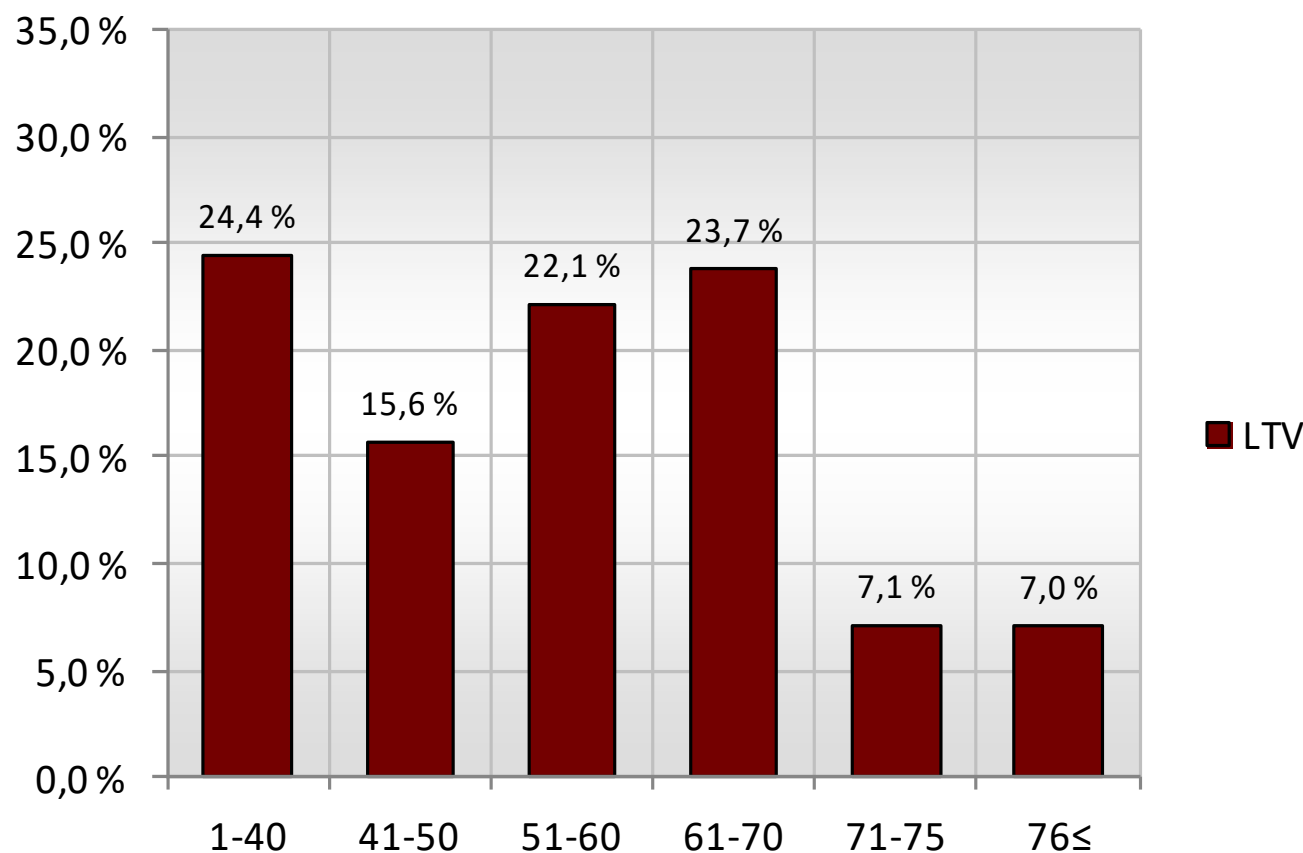
Interest bearing securities:

- Duration of portfolio 2.0 years
- 62 % are covered bonds or govt.-/municipal bonds.
- 89.0 % are rated A- or better

Helgeland Boligkreditt AS

Helgeland Boligkreditt AS

LTV-allocation as of 31.12.2013



Good cover pool

The cover pool:

- Qualified loans MNOK 4,698 (4,836)
- Deposits: MNOK 239 (274)
- Overcollateralization: 23 (19) %
- Combined LTV: 52.1 (53.5) %

Loans:

- CB NOK 4.0 bn. (whereby 0.7 in the paternal banks possession – swap agreement)
- Duration on loaning 2.5 (2.7) years (all loans have soft call)

Profitability 31.12.13:

- Net profit MNOK 50.1 (29.8)

CET1 capital ratio:

15.1% (standard formula with 35% mortgage weights)

Official rating from Moody's


The bank was given an official rating on the 11th of February

- Long term rating Baa2
 - After a notch uplift for system support BCA/BSFR
- Short term rating P-2
- Stable outlook



Official rating an important milestone

- Increased regulatory requirements a central driver to seek official rating
- Ensures the bank and the HSB group competitive conditions in the money market
- Strengthens the banks position as an independent bank
- The rating reflects the bank's size in the Norwegian money market and is within "investment grade"
- Forms foundation also for applying for official rating for Helgeland Boligkreditt AS

A background image featuring a close-up of numerous black and white beads. The beads are spherical and highly reflective, with bright highlights and dark shadows that give them a three-dimensional appearance. They are scattered across the frame, with some in sharp focus and others blurred in the background.

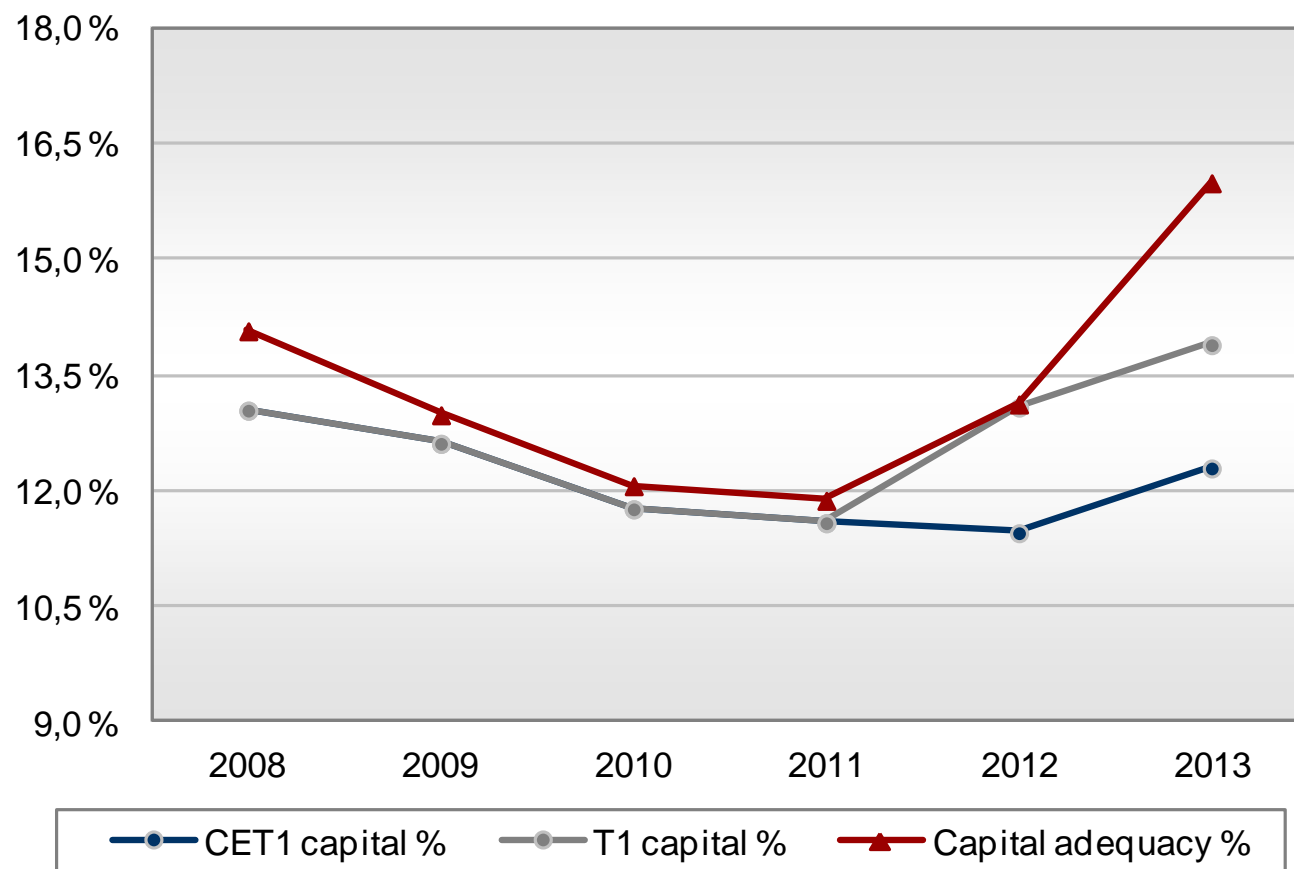
Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

Solidity

Capital ratio

Helgeland Sparebank

Development in capital adequacy



Satisfactory solidity

CET1 capital ratio was 12.3 (11.5) % – well above the regulatory requirement of 10% from 01.07.14

Core capital was 13.9% (13.1) %

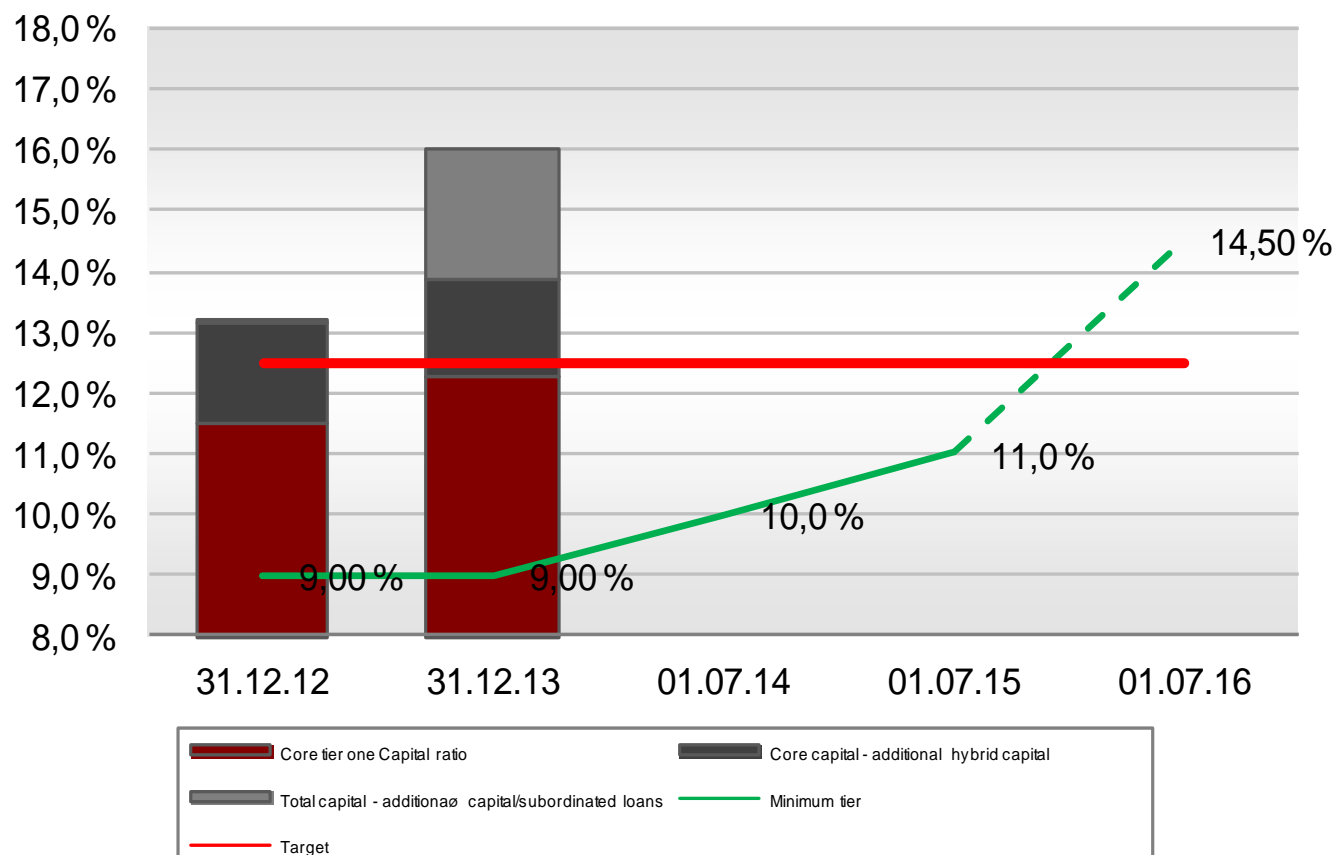
Total capital ratio was 16.0% (13.2) % – strengthened in June with a MNOK 300 subordinated loan

The HSB group uses the standard formula when calculating capital requirements for lending with 35% mortgage weights

Capital structure and capital plan

Helgeland Sparebank

Development capital adequacy



Strengthened earnings strengthens CET1 capital

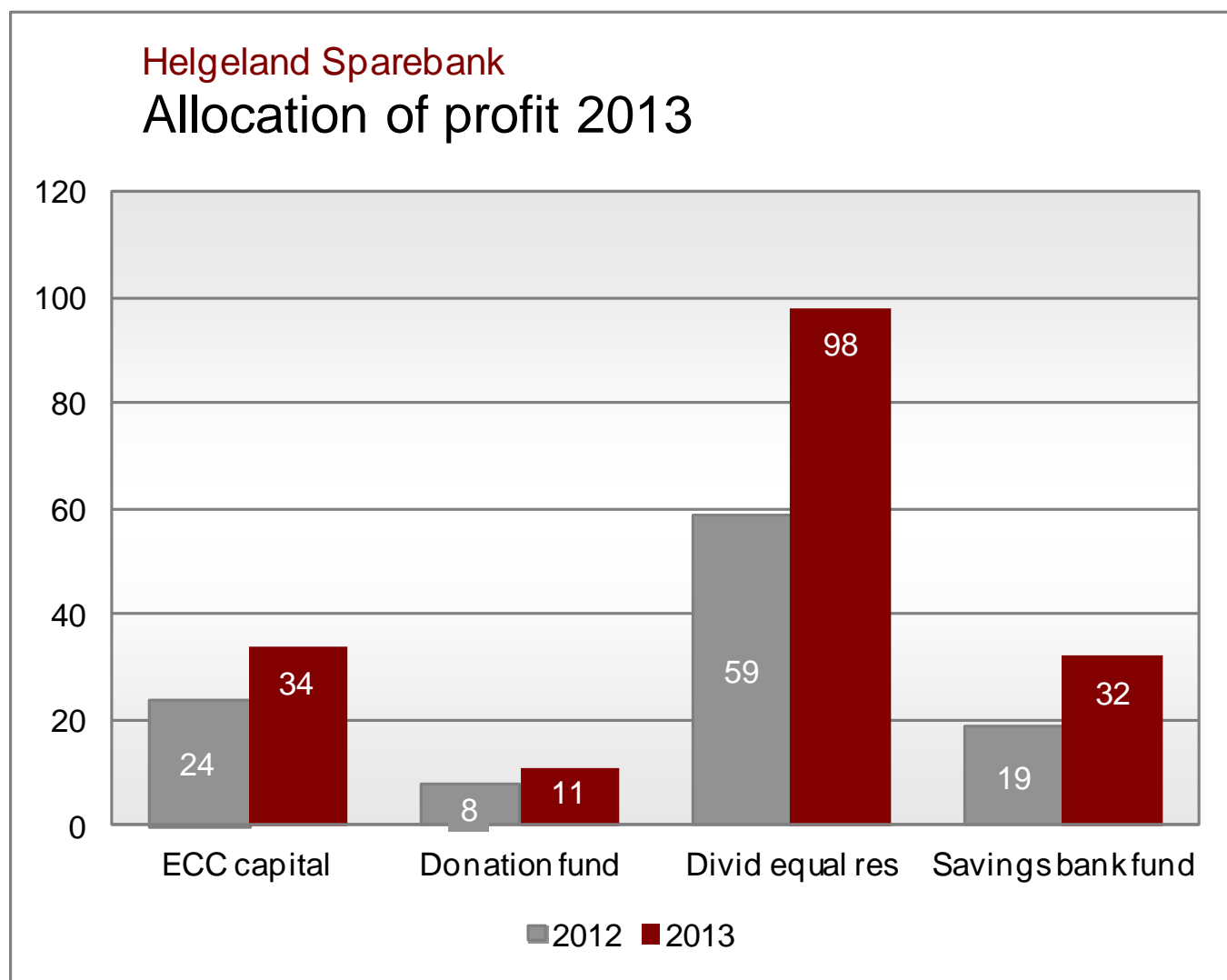
CET1 capital has increased by 78bp since 2012, from 11.5% to 12.3% per Q4 2013

The HSB group is on schedule with increasing the capital ratio toward full implementation of CRV IV.

The CET1 capital will be further strengthened through ordinary operations.

The total capital will be additionally strengthened by new subordinated/T1 loans toward 2017

Allocation of the result 2013



Increased cash dividends in NOK – lower degree of distribution.

Earnings per ECC:

NOK 7,03 for parent bank and NOK 7,80 for group

The Board proposes slightly reduced dividend for 2013 to increase the capital ratio:

- The basis for dividends in the parent bank's result is MNOK 175 after tax.
- Cash Dividend of NOK 1.80 (1.30) per EC
- Payout ratio 25.6 (29.3) %

Dividend and allocation to the equalization fund reflects the equity holders' share of the bank's equity at 01.01.2013:

- Stock ownership ratio 75.1 %

The bank

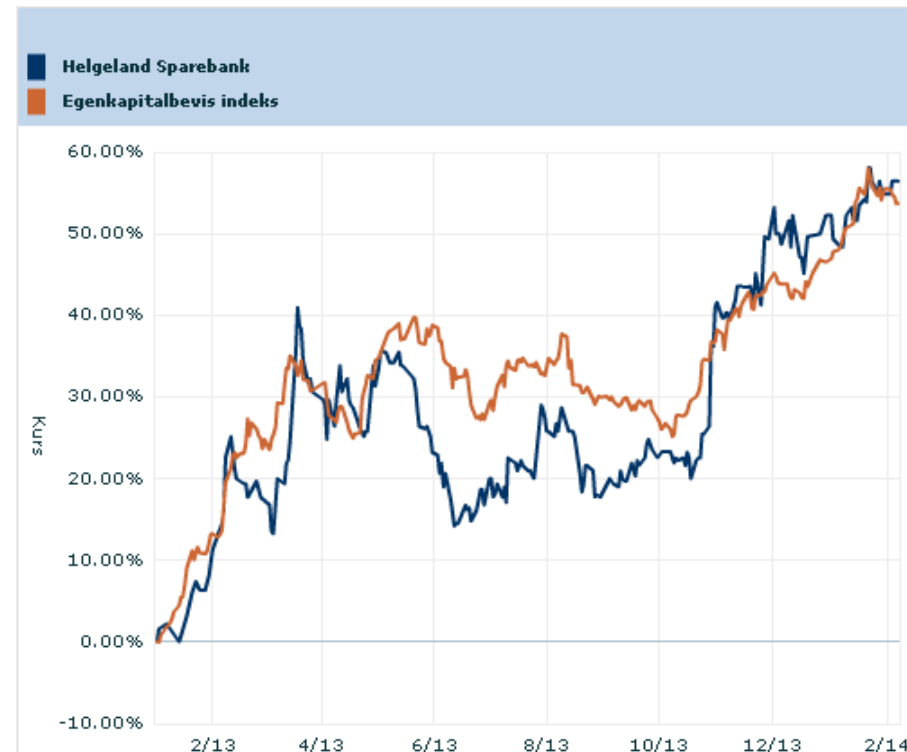
20 largest owners of the EC - HELG

			<i>Parent bank</i>		
Per 31.12.13	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	9 599 598	51,3 %	Sniptind Holding AS	179 780	1,0 %
MP Pensjon PK	902 203	4,8 %	Holberg Norge Verdipapirfond	168 600	0,9 %
Sparebankstiftelsen v/ Inger-Lis	442 724	2,4 %	Johs. Haugerudsvei a	160 992	0,9 %
AS Atlantis Vest	440 500	2,4 %	Utbyttekapital AS, Warren Ca.	154 643	0,8 %
Pareto AS	420 000	2,2 %	Vpf Nordea Norge	127 750	0,7 %
Citibank	391 138	2,1 %	Norsk Utbyttekapital	125 103	0,7 %
Helgelandskraft AS	340 494	1,8 %	Sparebanken Vest, aksjer	125 000	0,7 %
Nordic Financials AS	318 212	1,7 %	AS Flu	118 200	0,6 %
Vrdipapirfondet Eik	222 724	1,2 %	Alsing Ruth Søndergaard	111 926	0,6 %
Bergen Kommunale pensj.	200 000	1,1 %	Melum Mølle AS	110 240	0,6 %
Total 10 biggest owners	13 277 593	71,0 %	Total 20 biggest owners	14 659 827	78,4 %

ECC development og Liquidity HELG



(Kilde: Oslo Børs, 2014)



(Kilde: Oslo Børs, 2014)

Good price development and increased liquidity

The price development in Q4 2013 and so far in 2014 has been good and has followed the index. The turnover in HELG has increased from 0.9 million ECs in 2012 to 6.1 million ECs in 2013, whereby 2.5 million is from the sale from Sparebankstiftelsen Helgeland in November. The sale from Sparebankstiftelsen contributes to an increased number of ECs in circulation on the Oslo Stock Exchange and increased liquidity.

Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices

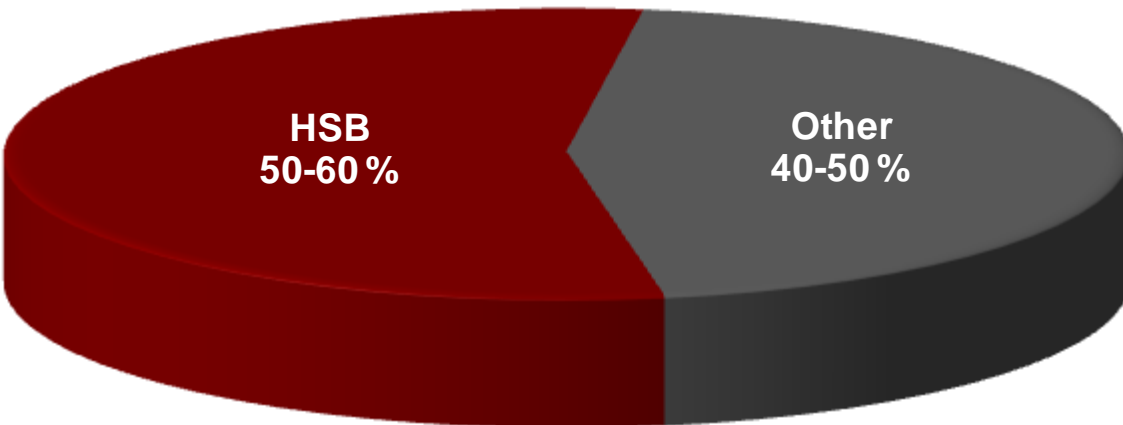


Summary

Prospects and priorities

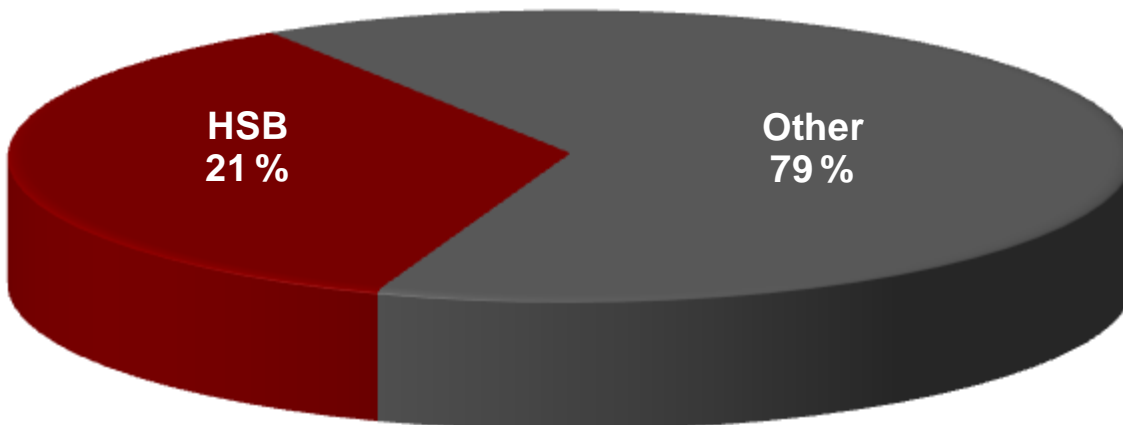
Helgeland

Market share in % Personal market and corporate market 2013



Helgeland

Market Share in % insurance 2013 (car, property og personal)



The bank has a solid position in the market in the Helgeland region:

- A market share in the retail market of more than 50%
- A market share in the corporate market of about 60%

The bank is an owner in Frende Forsikring which has delivered good results in 2013 with a ROE of 16.1% in Frende Skade and 8.1% in Frende Liv

- Helgeland Sparebank/Frende Forsikring is now the market leader in the Helgeland Region with a market share of 21%

Prospects and priorities

Target oriented work toward the bank's strategy- and capital plan has succeeded in 2013 and is continued in 2014; profitability and solidity (ROE and capital ratio)

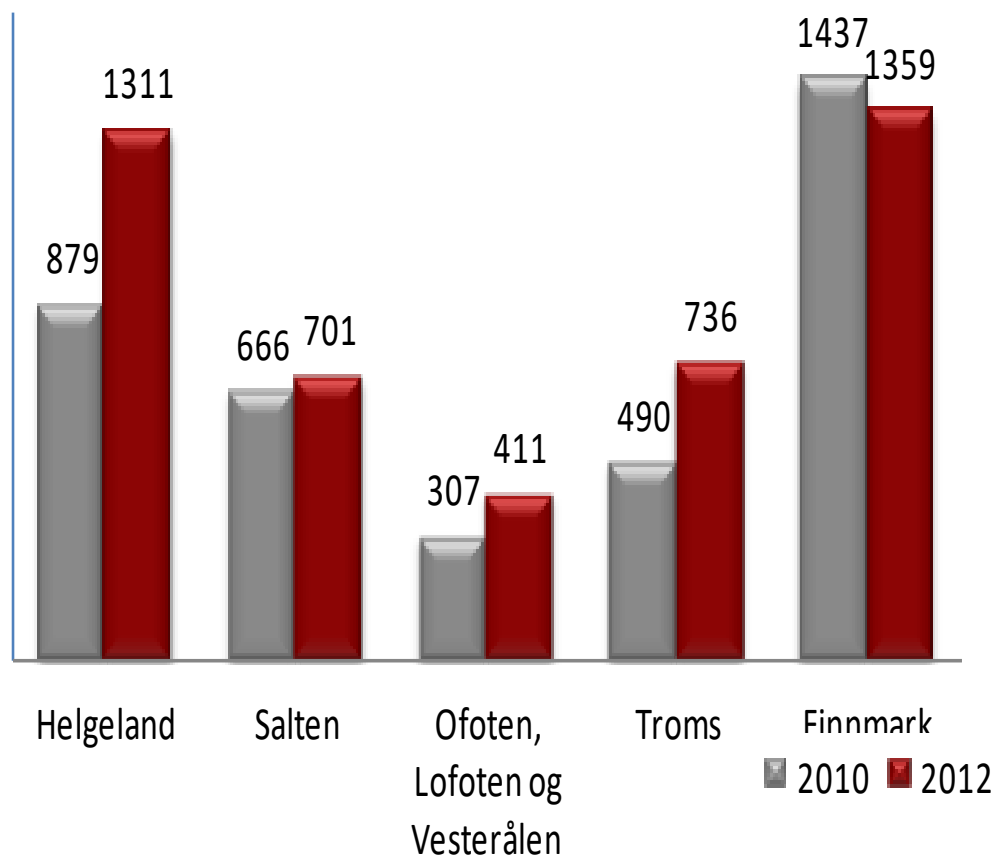
- The bank expects continued strong basic operations with a maintained level on
 - **Net interest and**
 - **Commission earnings**
- Efficient operations with a strong focus on cost control is worked into the whole organisation
 - **The bank's goal of a cost growth of maximum 3.5 % stands firm**
- The development in defaults is monitored closely with follow-up of commitments with a negative development
- Good deposit ratio as a managerial focus area is continued in 2014
- On the lending side, the bank steers toward a low growth in the corporate market
- In the retail market it is expected a growth in line with the national average

Summary

Prospects and priorities

Nord-Norge

Oil-related turnover (MNOK)



Helgeland has a robust and diverse labour market:

- Processing- and engineering industry
- Food production on and off shore
- Power production
- Governmental institutions
- Increasing petroleum activity

Oil related turnover in the Helgeland region has increased from MNOK 879 to MNOK 1,311 over the last two years

Helgeland is the region that has the largest oil related growth in Northern Norway.

Contact information

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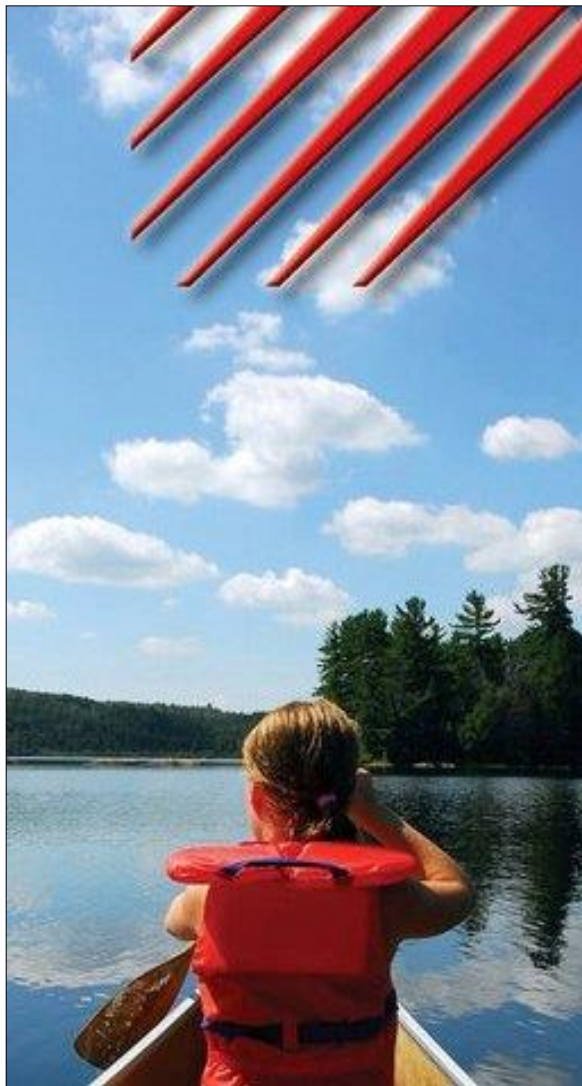
Main features
Profit & Loss
Balance
Lending
Deposits
Funding
Solidity
Summary
Appendices



Financial goals

- *Return on equity of 10% assuming normal market conditions*
- *CET1 capital ratio of at least 12.5 % and a total capital ratio up toward 18 % given a counter cyclical capital buffer of 2.5 %*
- *Cost growth from 2014 maximum 3.5 %*
- *Deposit ratio of 60 %*
- *The dividend policy stands firm in a long term perspective – however, in the next two years dividends will be reduced to 25 – 30%*

Profitable and leading



Helgeland all possibilities – the region is growing both in terms of population and value creation

- Helgeland Sparebank's vision is to be **a driving force for growth** in Helgeland
- The bank's main goal is to maintain the position as **a profitable and leading** bank in the region through balanced growth
- Helgeland Sparebank has, as the **only bank** in Helgeland, a clear regional ambition and profile:
 - A regional finance institution
 - A wide distribution network
 - A socially engaged local bank
 - An attractive knowledge-institution

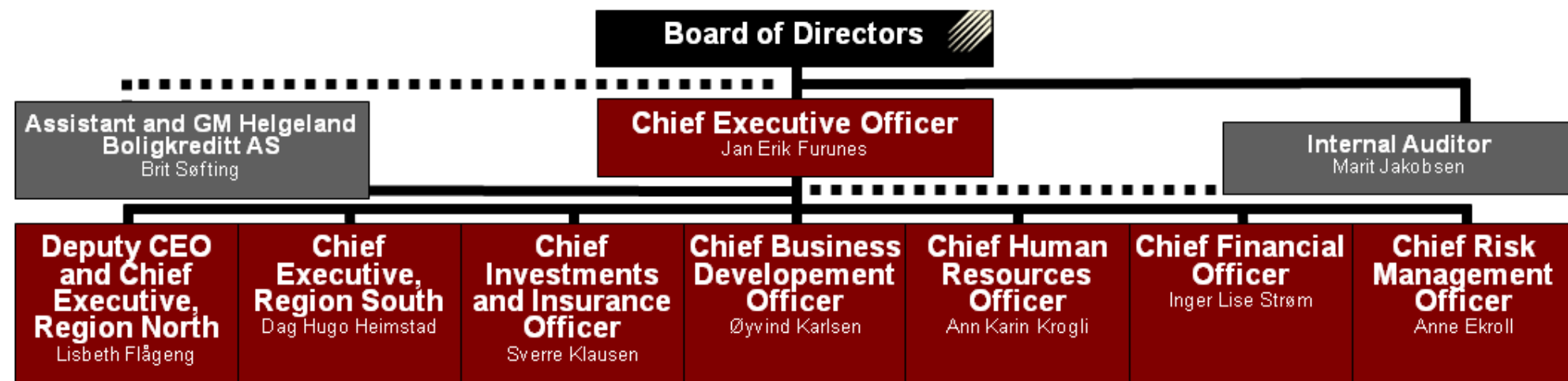
A driving force for growth



Norway's **12th largest savings** bank of 110 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 12-20
- A **central owner** in Helgeland Invest
 - one of the largest investment companies in Northern-Norway

Business development and ownership



Subsidiaries and associated companies



100 %



8 %



34%



6,5 %



48%



10 %

Management and organisational structure

