



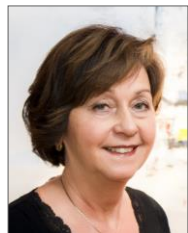
Presentation

Q4 2015



med  for
HELGELAND

Presentation Q4 2015 (HSB Group)



Lisbeth Flågeng
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main Features

Profit & Loss

Balance

Lending

Deposits

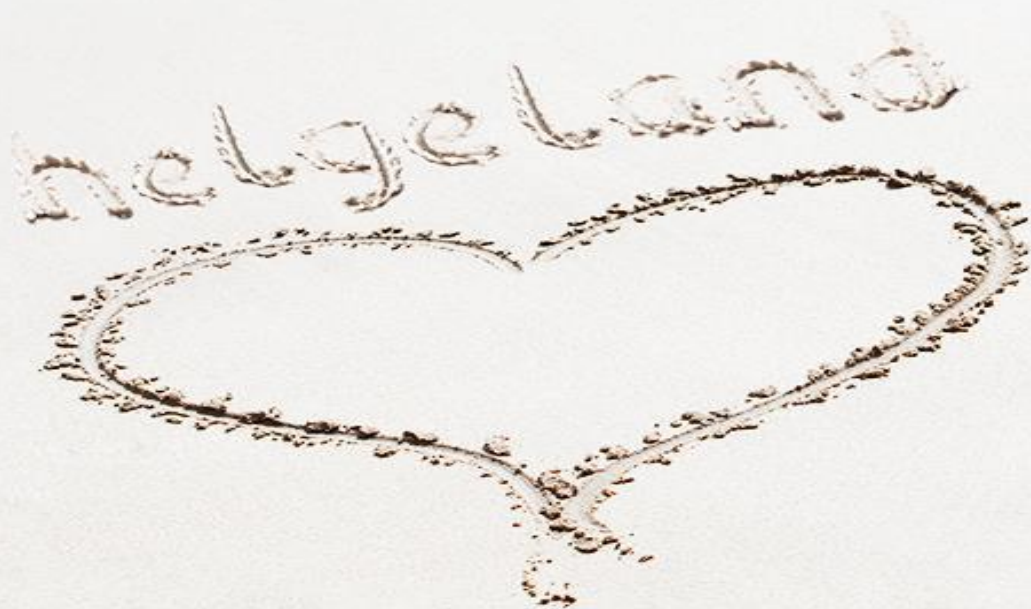
Funding

Solidity

Summary

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Main features per 31.12.15

Result

Gross profit MNOK 280 (283)

- Still good profitability in the banks basis operation, increased net interest in NOK and maintained in %.
- Costs in NOK equals last year before one-time effect of downsizing packages of MNOK 7.5.
- Moderate write-downs on lending

Profitability

- ROE (after tax) 9.3 (10.5) %

Solidity

Capital adequacy – CET1 ratio 15.2 (13.4) % – total capital ratio 18.4 (17.2) %

- Combination of profit 2015 and increase in unrealized gains

Main features per 31.12.15

Lending

12-month growth 8.2 (0.6) %

- Retail market 9.2 (3.0) %
- Corporate market 6.3 (-3.9) %

Deposits

12-month growth 5.0 (5.7) % – good deposit ratio 64,0 (65,9) %

- Retail market 7.2 (6.8) %
- Corporate market 1.6 (4.0) %

Market research mortgage customers December 2015

- Maintained our market share in Helgeland
- Increasing satisfaction and loyalty in line with the sector

Changing interpretation of accounting principles

- Helgeland Invest AS
- Securities portfolio

Helgeland Invest AS

- Shareholding 48.3 % - strategic investment – access to capital and expertise for local businesses
- Associated company (significant influence, but not control)
- The accounting treatment of HI – The company has been rated as an investment company where the portfolio companies were valued based on the last profit, pre-emption, liquidity and dividend capacity.
- Reconsideration: - HI do not satisfy requirements for investment companies according to IFRS
- The bank restate the financial statements to HI so that the accounts of all associated companies in HI is restated in accordance to IFRS and are measured using the equity method. The bank takes in the restated financial statements of HI using the equity method.
- Higher value of the stake in the bank and increased fond for unrealized gains
 - 2014: Profit adjusted by MNOK +23, and the balance post associated companies and equity corrected by MNOK +58.
- The value in the banks accounts will fluctuate in line with portfolio companies IFRS valuation
- The change does not affect dividend basis

Interest-bearing securities

- The bank's accounting principles for interest-bearing securities
 - Available for sale
- All changes in value recognized in the extended income statement
- Previously, changes in value below cost was recorded against profit, this is reversed in the fourth quarter (MNOK 15) and is now recorded in the extended income statement
- The change does not affect dividend basis



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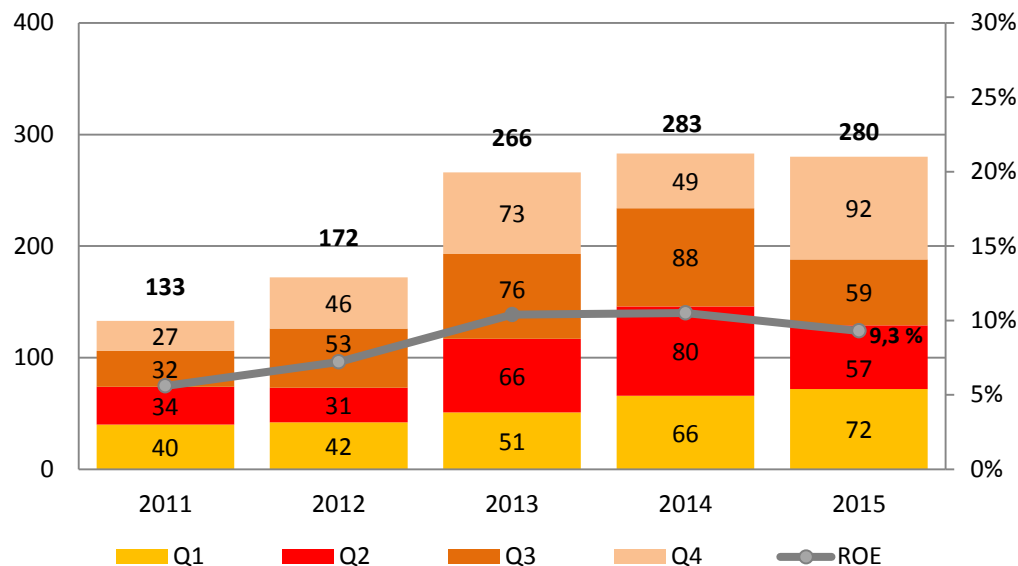
Lovund/Træna

En drivkraft for vekst på Helgeland



Result

Profit development (MNOK)



Good result in 2015

Increased net interest

- Funding cost slightly affected by increased credit spread

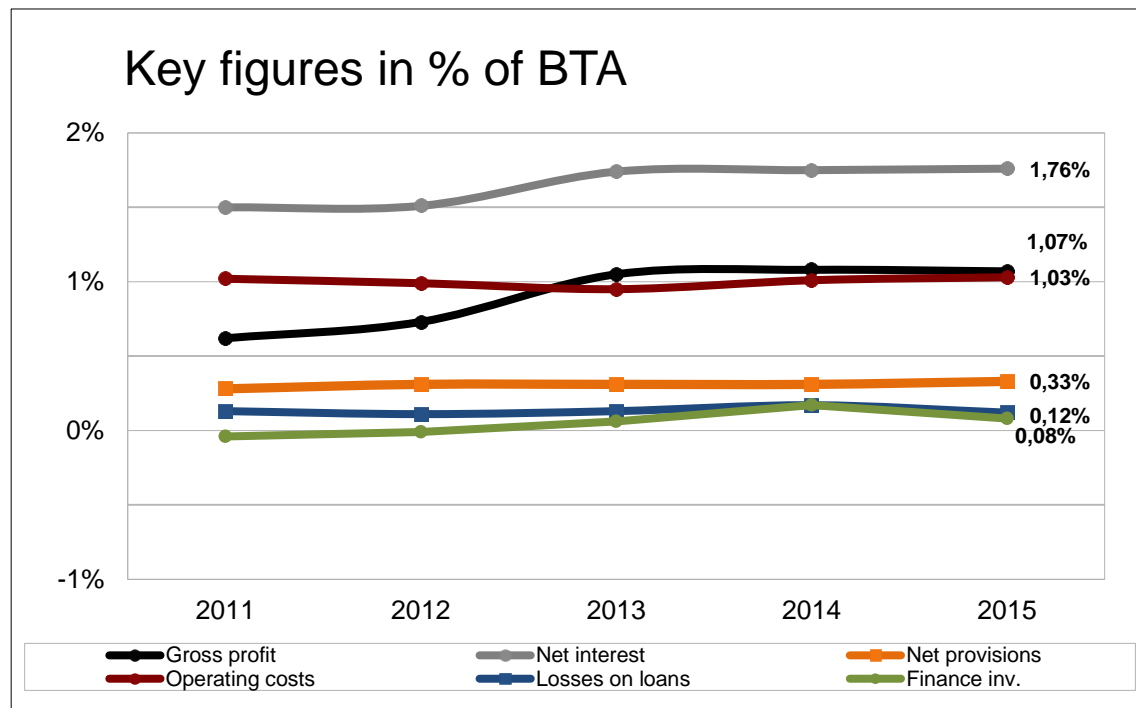
Costs

- Unchanged in NOK before one-time effect on downsizing packages

ROE

- Target minimum 10 %
- Per 31.12.15 9.3 (10.5) %

Key figures



Commentary

Net interest

- Increased from 2013

Net provisions

- 0,33 % - increased level

Operating costs

- Flattening costs

Moderate write-downs on lending

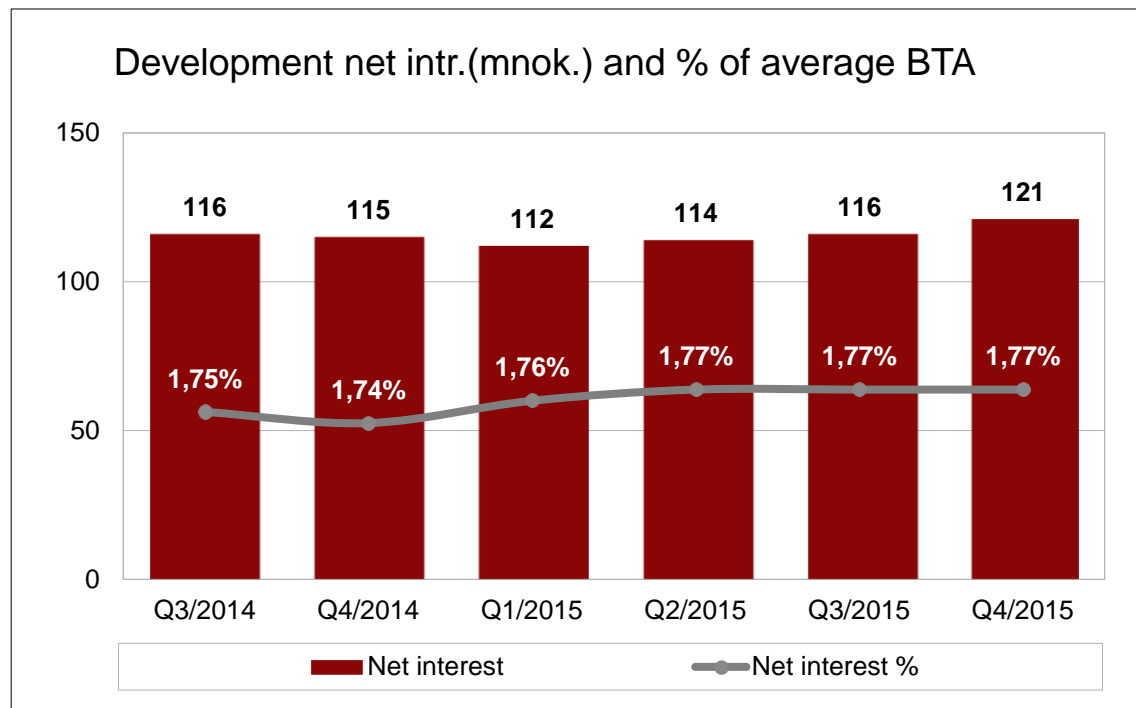
Profit & loss

Helgeland Sparebank (group)	Profit & loss (MNOK)							
	Q1/2014	Q2/2014	Q3/2014	Q4/2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015
Net interest- and credit provision earnings	113	114	116	115	112	114	116	121
Net provision earnings	19	22	22	19	21	20	23	22
Other operatios income	1	1	2	3	2	1	6	2
One-time cost								8
Ordinary operations cost	62	61	63	77	67	63	66	66
Result basic operations	71	76	77	60	68	72	79	71
Write-downs lending and warranties	11	18	6	9	0	11	9	12
Net value change financial instruments	6	23	17	-2	3	-4	-11	33
Gross profit	66	81	88	49	71	57	59	92
Net profit	48	59	73	35	53	39	45	70
Net extended income posts	13	-7	2	-39	-8	-2	-14	36
Profit for the period	61	52	75	-4	45	37	31	106

Commentary

- Stable and good basis operation
- Downsizing package MNOK 7.5
 - Flattening in costs exclusive this provision
- Moderate write-downs on lending
- Net value change financial investments: MNOK 21 from associated companies and MNOK 15 reversed value change interest-bearing securities
- Comprehensive income:
 - Positive effect unrealized gains Frende, Brage and Visa Europa

Net interest



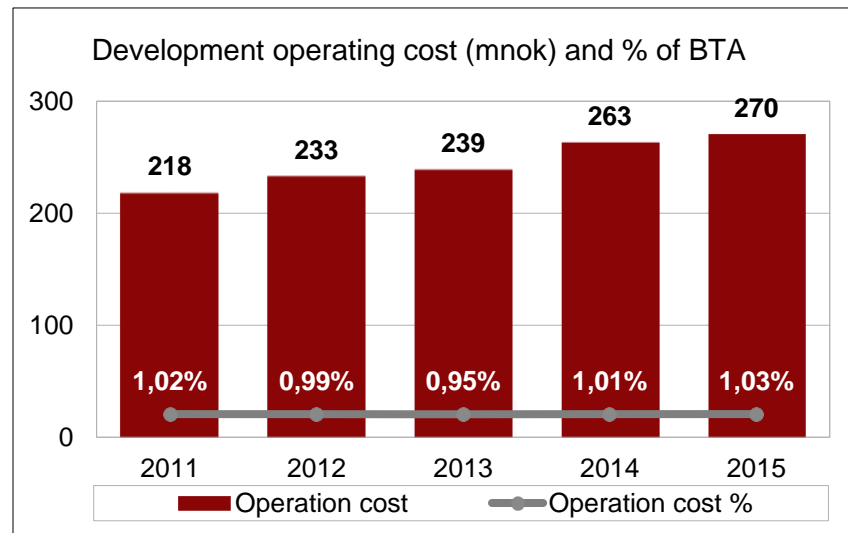
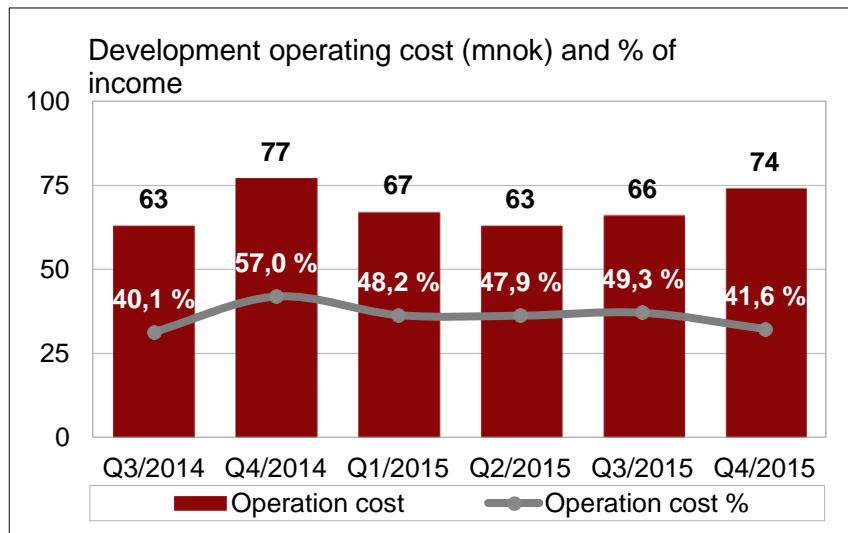
Commentary

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
- Increased credit spread in the capital market

Operating cost



Cost focus

- Adaption of man years
- Continuous improvement of work processes
- Change in the pension plan will provide future cost reduction



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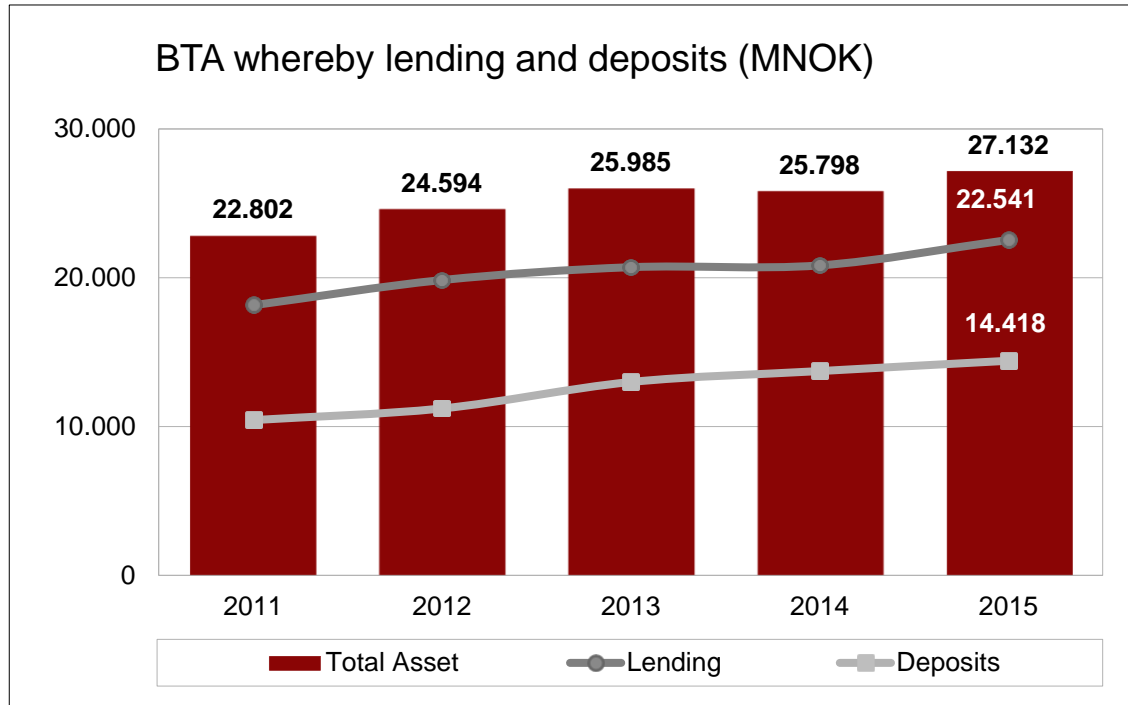
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Total assets



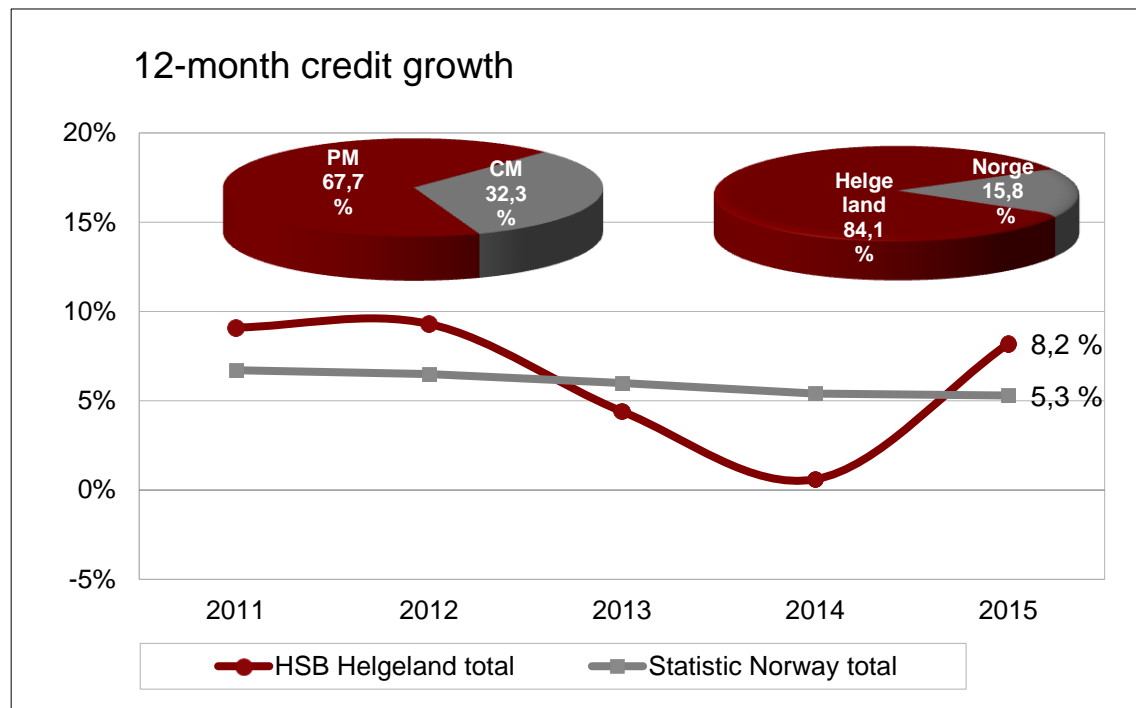


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Credit growth



Commentary

Credit growth

- 12-month growth 8.2 (0.6) %

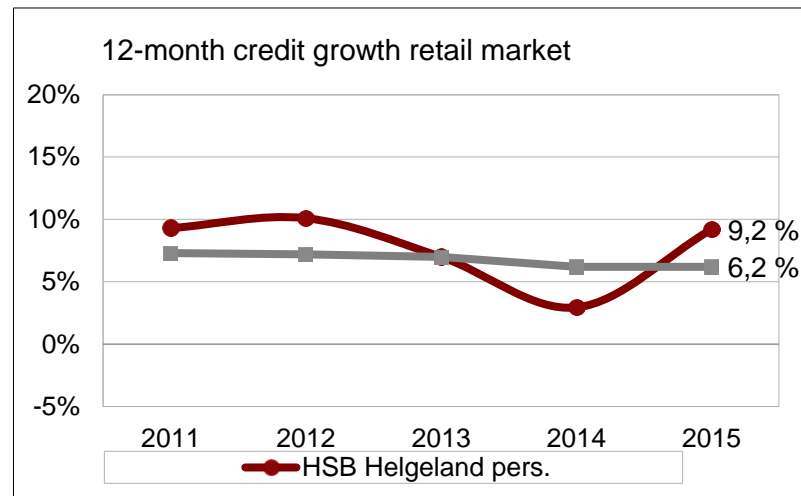
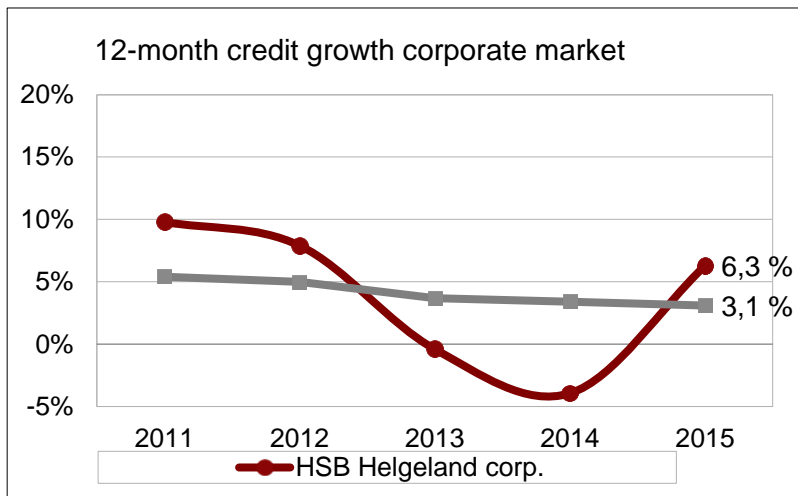
PM Share

- Target minimum 60 %
- Per Q4 67.7 (67.1) %

Locally in Helgeland

- Per Q4 84.1 (83.8) %

Credit growth CM and RM

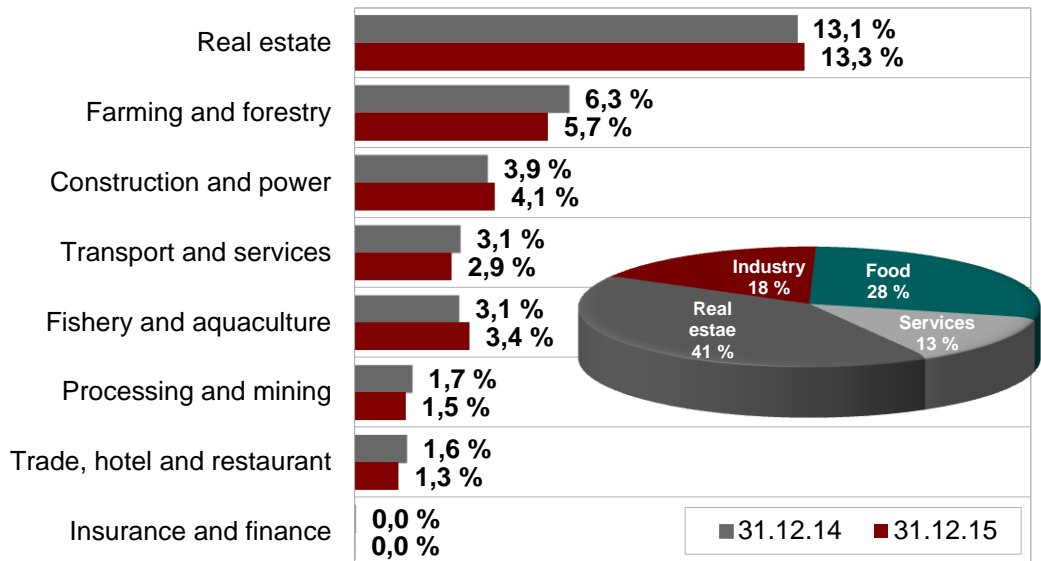


Commentary

12-month growth 8.2 (0.6) % whereby CM 6.3 (-3.9) % and RM 9.2 (3.0) %

Lending CM

Lending distributed in sector



Commentary

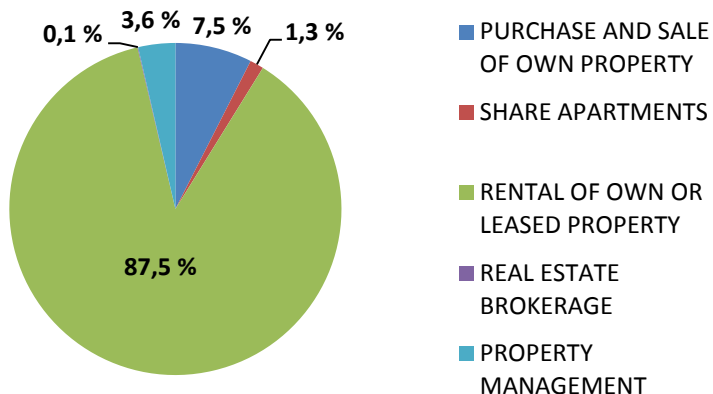
Good diversification in the CM lending portfolio and very loyal corporate customers

Share CM of total lending 32.3 (32.9) % or MNOK 7 275 (6 850)

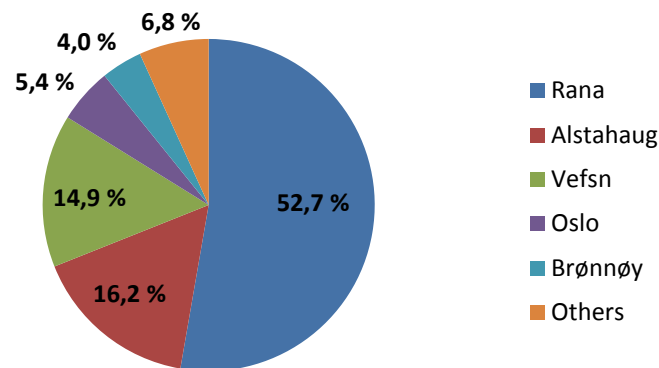
Food production consisting of agri/aquaculture, and forestry, constitutes 28 % of CM lending

Real estate

Real estate sorted by sector



Rental sorted on geograpgy

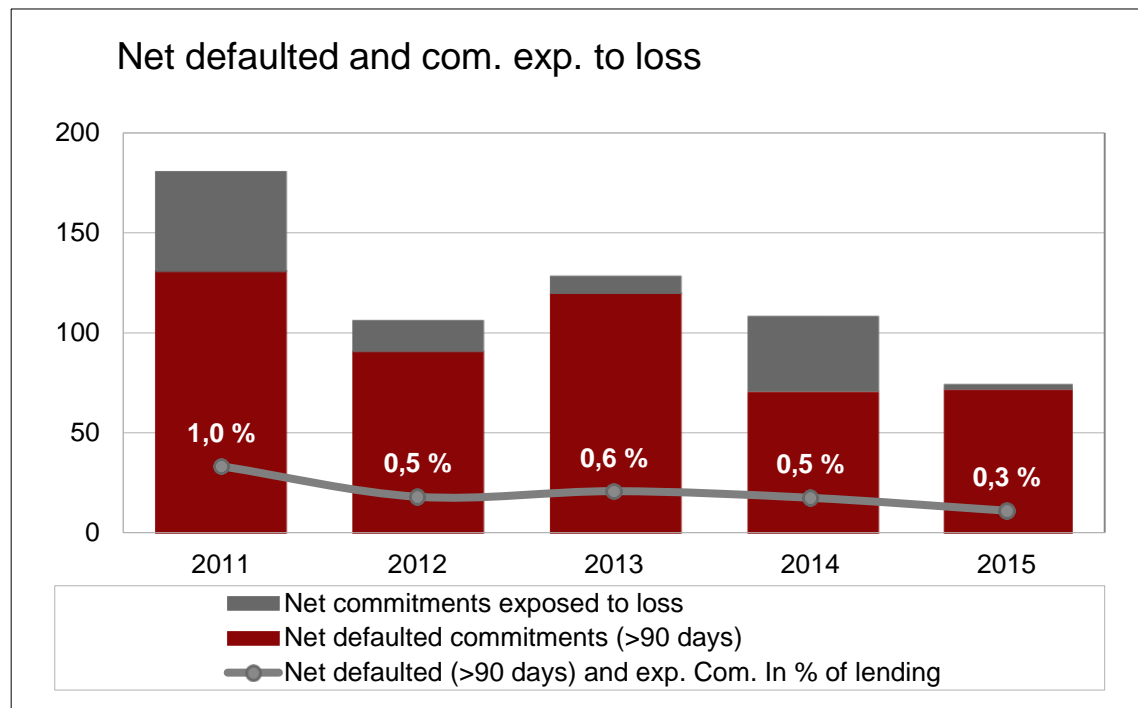


Lending to real estate constitute 3bn. or 13 % of CM

Essentially hire in Helgeland

No noticeable increase in vacant space

Non-performing and other impaired commitments



Commentary

Good portfolio quality

Reduction net non-performing and other impaired commitments

No direct exposure to the oil sector

Increased group write-downs

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

A close-up photograph of a hand holding a silver coin, poised to drop it into a white ceramic piggy bank. The background is a blurred view of green foliage seen through a window with raindrops on the glass. The scene is brightly lit, suggesting daylight.

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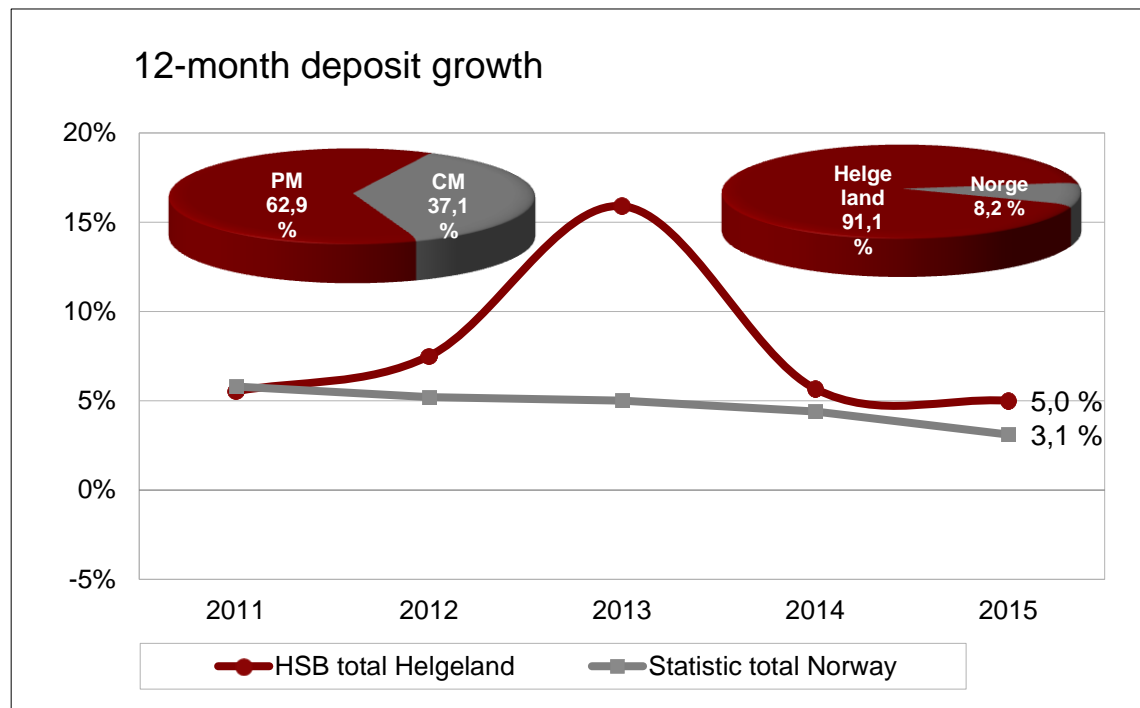
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Deposit growth



Commentary

Good deposit growth

- 12-month growth 5.0 (5.7) %

PM-share

- Per Q4 62.9 (61.6) %

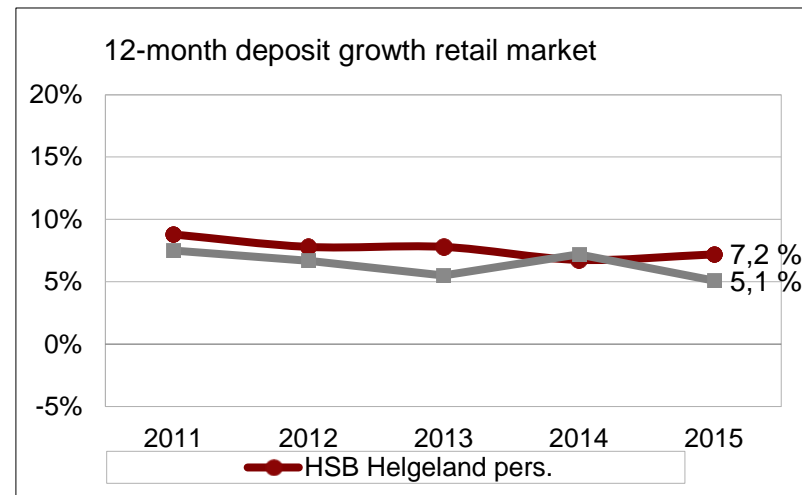
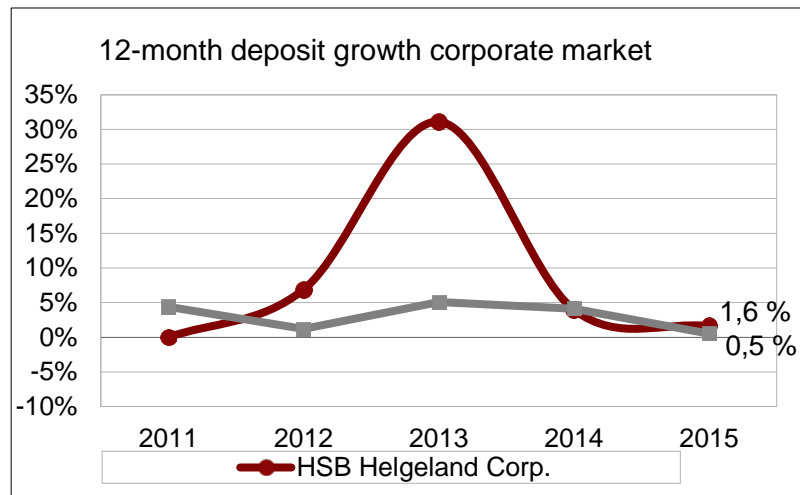
Locally in Helgeland

- Per Q4 91.1 (91.6) %

Deposit ratio

- Target minimum 60 %
- Per Q4 64.0 (65.9) %

Deposits CM and RM

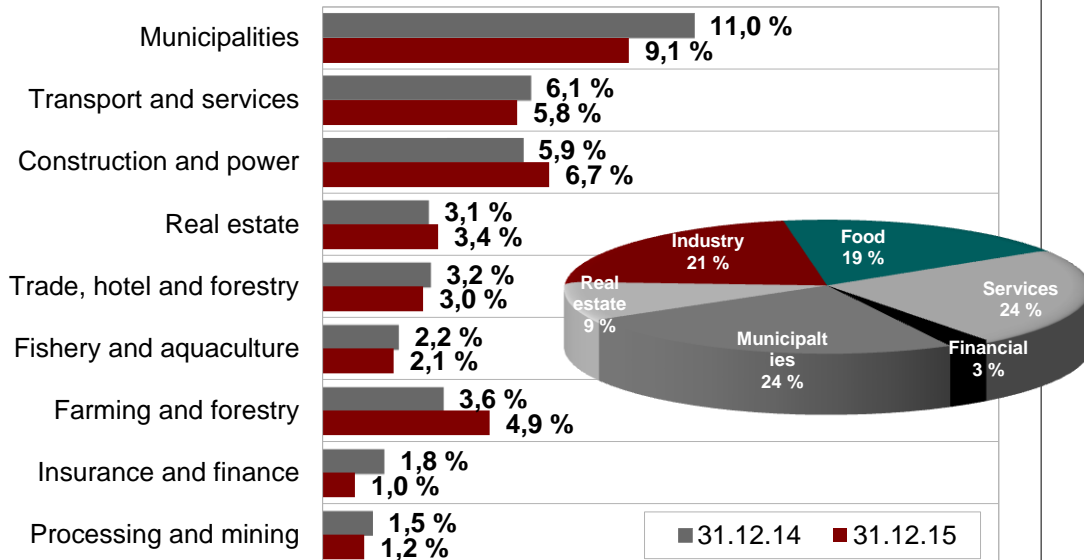


Commentary

12-month growth 5.0 (5.7) % whereby CM 1.6 (4.0) % and RM 7.2 (6.8) %

Deposits CM

Customer deposits



Commentary

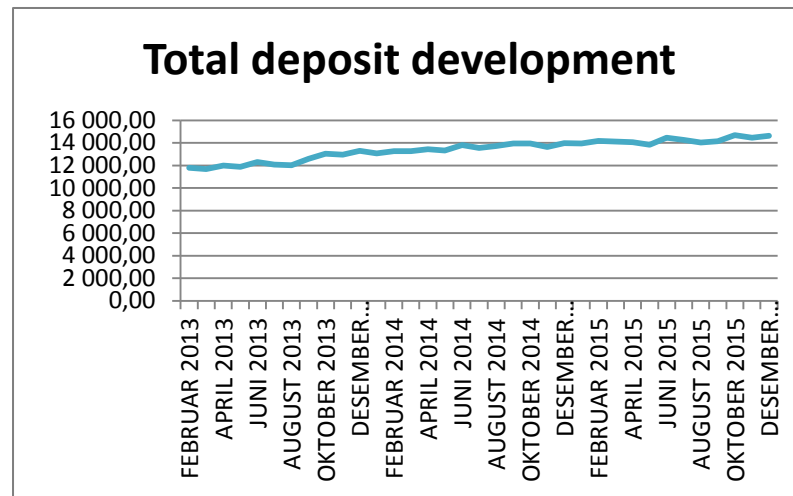
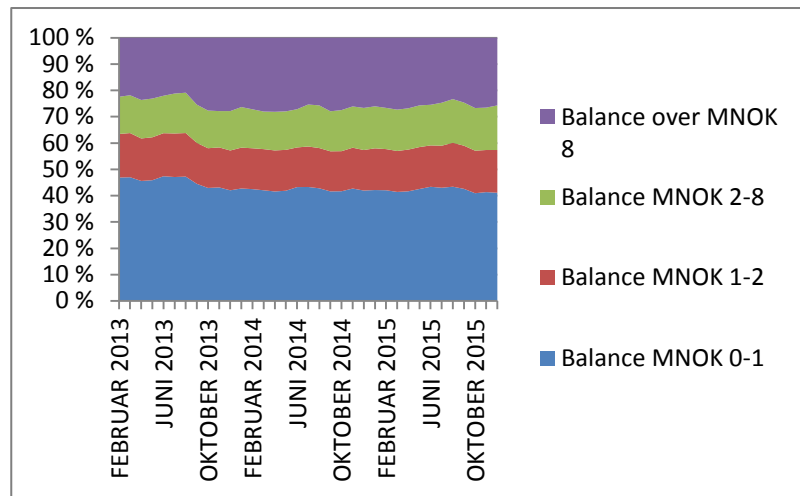
Well diversified deposit portfolio in the CM

Share CM 37.1 (38.4) % or MNOK 5 354 (5 270) of total deposits

Deposits from municipalities constitute 24 % of the CM deposits

Reduction in deposits from municipalities - settlement in the Terra case

Deposit development



Distribution deposits by size is relatively stable.

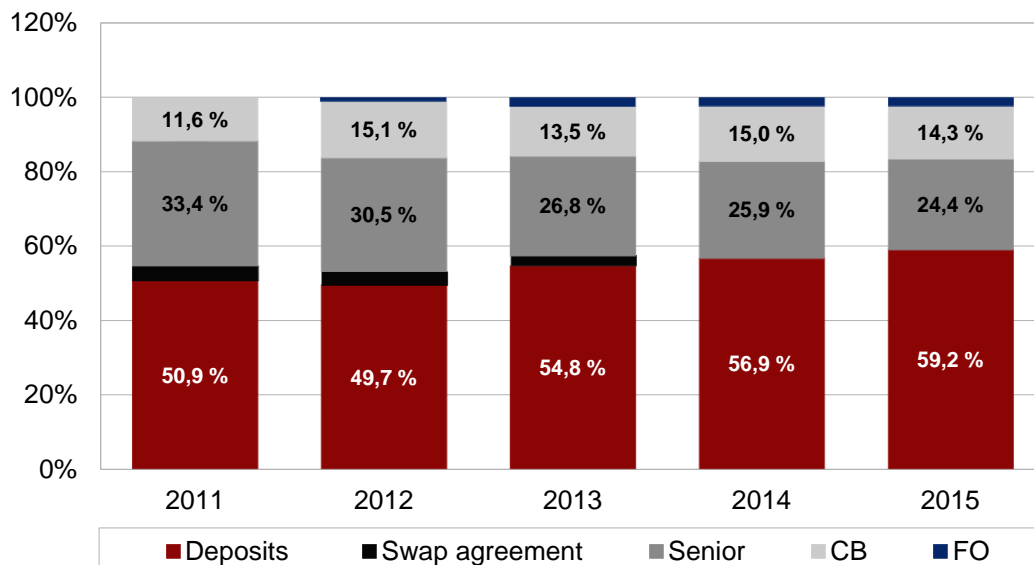
A large share of PM deposits is under MNOK 2. (approximately 57 % of total deposits)



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Funding development (MNOK)

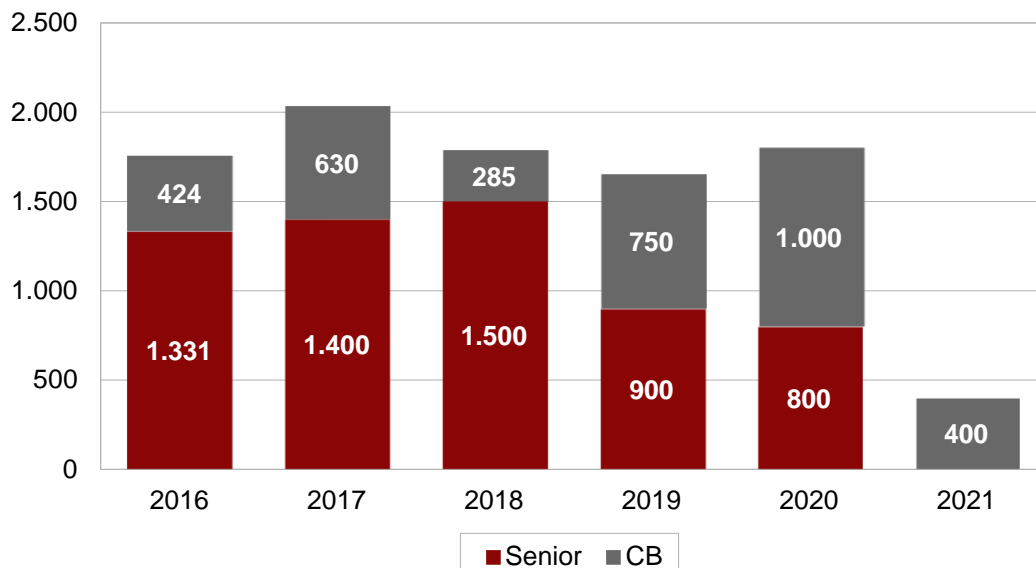


Commentary

The deposits are the most important source for funding

Funding

Maturity of loans (MNOK)



Commentary

Good and long term funding

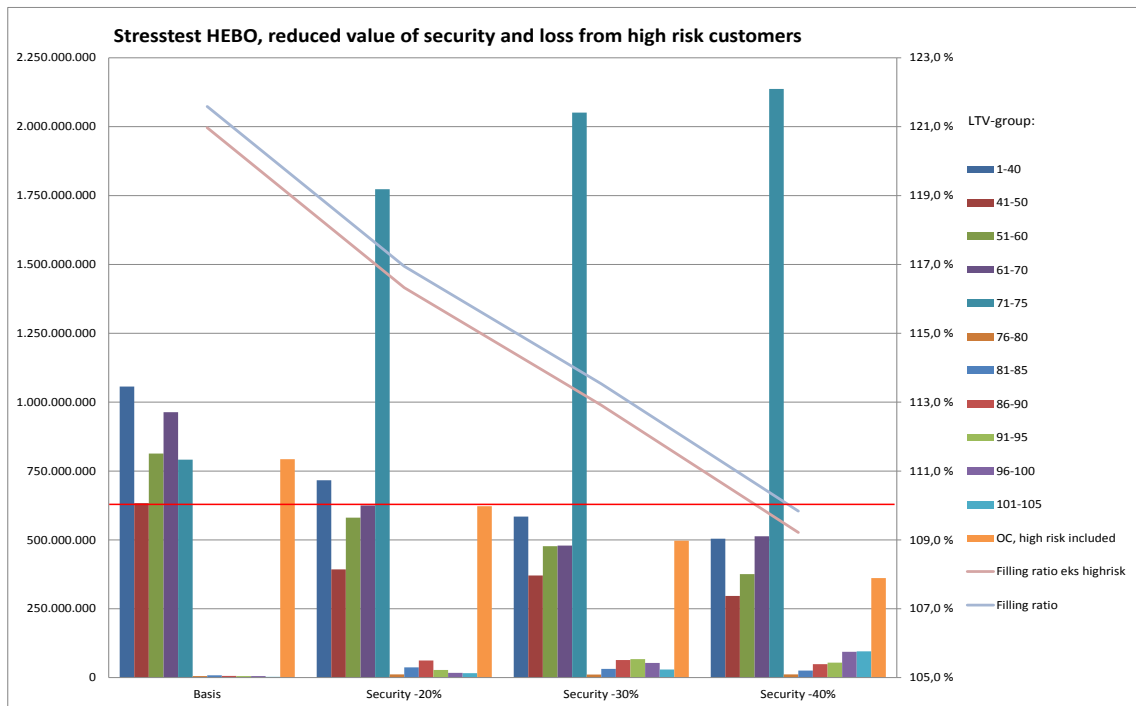
Share long term funding
81.4 % (83.8) %

Combined duration of 2.6
(2.5) years. Duration in the
mortgage company increased
to 3.2 years

Maximum limit for transferring
to the mortgage company is
30 % of gross lending. Per
31.12.15 19.1 % is
transferred.

Empowered mortgages will
Standard method with 25%

Helgeland Boligkreditt AS



Helgeland Boligkreditt AS

Gross profit MNOK 38.1 (47.1)

CET1 ratio 15.6 (16.7)% (standard method with 35 % mortgage weights)

Cover pool – qualified loans MNOK 4 235 (4 150), deposits MNOK 207 (224).

CB loans 3.6 bn. (whereby 0.2 in the ownership of the parent bank)

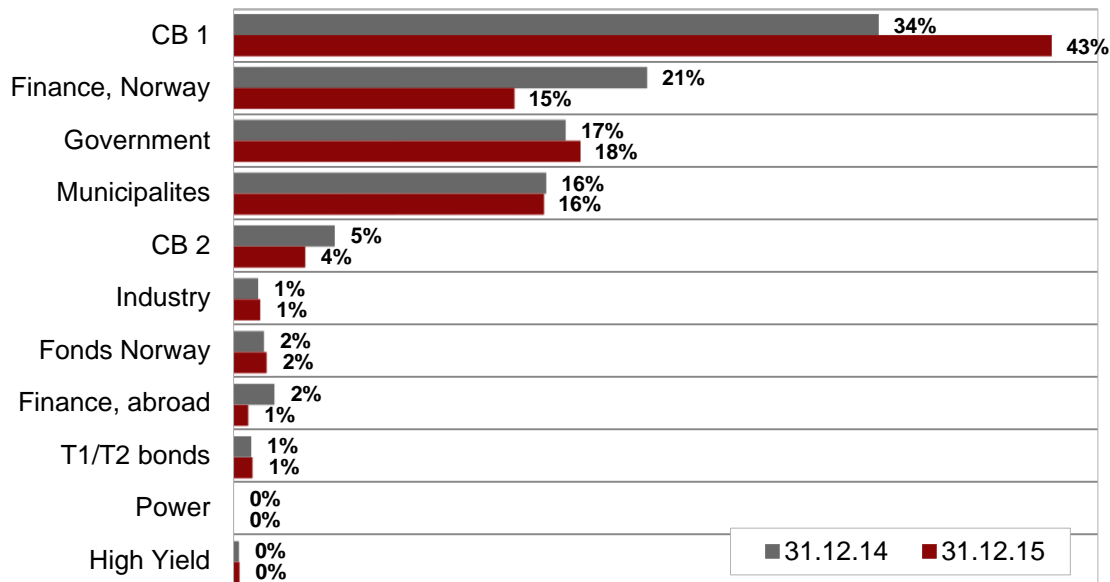
Combined LTV 53 (52) %

Cover pool ratio of fullness 21 (29) %

Stress test HEBO - With a housing price fall of 40 %, the cover pool ratio of fullness is slightly negative

Liquidity buffers

Securities distributed in sectors



Commentary

The liquidity buffers constitute 3.8 (4.3) bn. – equal 14.2 (16.7) % 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 3.2 bn.

LCR per 31.12.15. is 132 %.

Interest paying securities:

- Portfolio duration 2.3 (2.1) years
- 93 % are rated A- or better
- 80 % CB or Govt./municipal bonds



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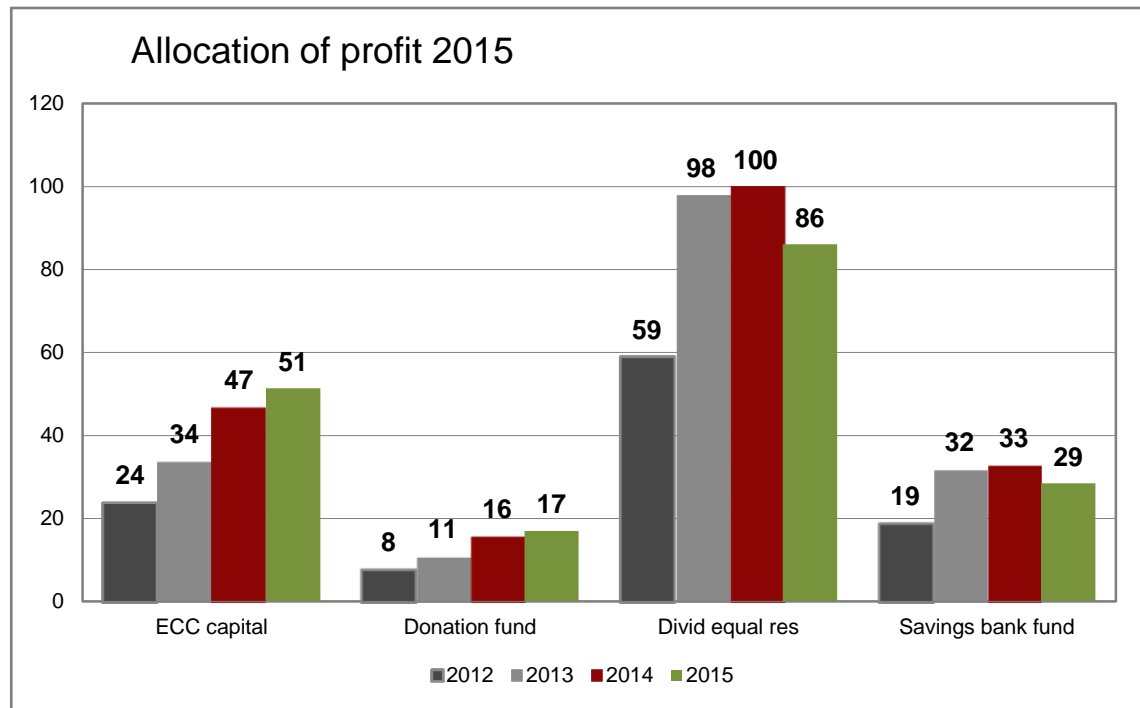
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Proposed disposal of profit 2015



Commentary

Increased distribution ratio

- 37.4 (31.8) %

Earnings per equity certificate

- NOK 8.40 in the parent bank and NOK 8.20 in the HSB group

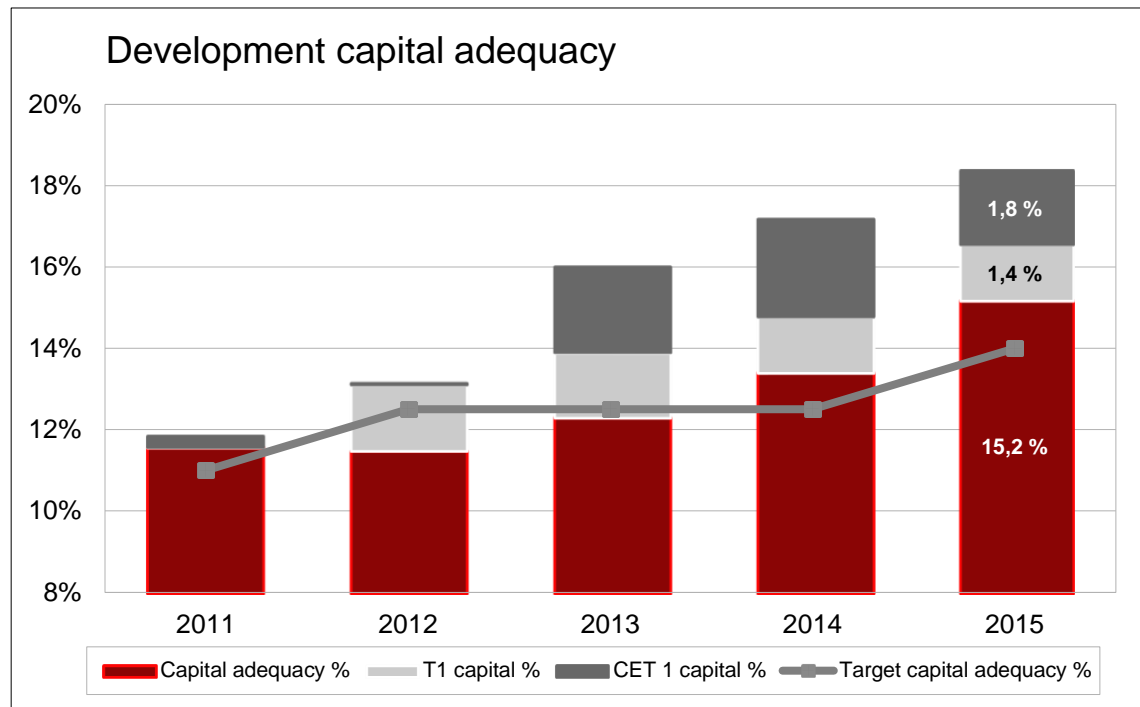
The board proposes dividend for 2015:

- Dividend basis is MNOK 183
- Cash dividend NOK 2.75 (2.50) per equity certificate

Dividends and allocations to the equalization reserve reflects the equity certificate holders' share of the banks equity

- Unchanged equation 75.1 %

Capital adequacy



Commentary

Capital ratio

- CET1 15.2 (13.4) %
- Core Capital 16.5 (14.8) %
- Total capital 18.4 (17.2) %

Unrealized gains full effect 2015

- Frende, Visa Europa and Helgeland Invest

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

HELG – 20 largest owners

Per 31.12.15	Numbers	% share	<i>Parent bank</i>		
			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 %	Sniptind Holding AS	201 801	1.1 %
Merrill Lynch Prof.	1 130 015	6.0 %	Catilina Invest AS	170 000	0.9 %
MP Pensjon PK	662 203	3.5 %	Brødrene Johanssen AS	137 731	0.7 %
BNY Mellon	593 741	3.2 %	Nordenfjeldske Bykreditt	134 194	0.7 %
Eika Utbytte	578 213	3.1 %	Melum Mølle AS	124 000	0.7 %
VPF Nordea Norge	565 712	3.0 %	Steffen Nervik	110 000	0.6 %
Bergen Kommunale pensj.	400 000	2.1 %	Melesio AS	100 000	0.5 %
Lamholmen AS	398 788	2.1 %	Citibank	82 900	0.4 %
Total 10 biggest owners	13 648 006	73.0 %	Total 20 biggest owners	15 318 126	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 31.12.15. was NOK 59,00 per EC. This is an increase of NOK 4,00 since year end.



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Prospects and priorities

Result

- Continued focus on core business and profitable growth
- The growth in the retail market on a lower level than 2015 ? Increased effect of collocation with our «own» real estate.
 - DNB's closure of 3 of 4 offices on Helgeland gives opportunities
 - The growth in the corporate market is flattening ?
- Several factors challenges the net interest.
 - Still potential for reduction of deposit interest rates if further reduction of mortgage rates
 - Increased credit spread in the capital market
- Maintaining the level on provision income – total customer relationships and width sale
- Positive effect of ownership in product companies, especially Frende and Brage
- Cost goal on maximum 1 % growth
 - Reduced man years – downsizing package, natural resignations, utilization of efficiency opportunities and digital platforms
 - Focused division organization and adaption of the distribution net
 - Evaluation of the bank's pension plan – will on long term give positive effect on the costs
- Increased write-downs as a consequence of the general economic uncertainty
 - Strong focus on credit quality and monitoring of corporate customers with negative development

Balance

- Slightly lower total credit growth than in 2015
- Private individuals willingness to increased savings is expected to be maintained – bank favoured in uncertain times ?
 - Increasing pension savings

Helgeland – status and future views



Individual companies as subcontractors to the oil industry have large variations in activity – layoffs / redundancies – frames especially the Alstahaug region – rising unemployment and slower housing market?

The regions industrial companies benefit from favourable exchange rates and low power prices – major investments in Mo i Rana and Mosjøen. Influenced by international economic conditions yielding an uncertain picture in the long term. Strong focus on renewable energy and the regions large hydropower resources.

Development of E 6 and several approved public and private construction projects maintain the level of activity in the construction industry. Uncertainty in the national picture contributes to increased competition from national entrepreneurs?

Favourable exchange rates gives positive effect for the tourism – in spite of several major hotel developments in 2015 it became a record year. 2016 in the same level ?

The participants in the salmon industry with very good results. The prices is expected to remain in 2016. Large investments have ripple effects for the device – and technology vendors.

Helgeland – status and future views



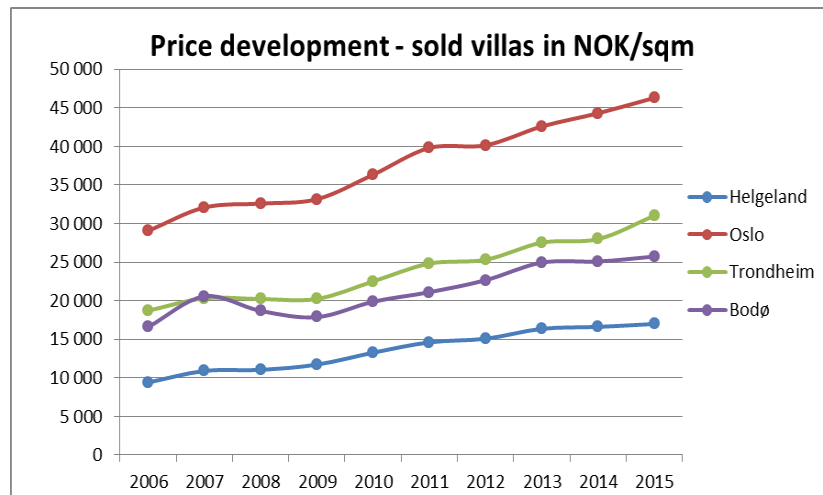
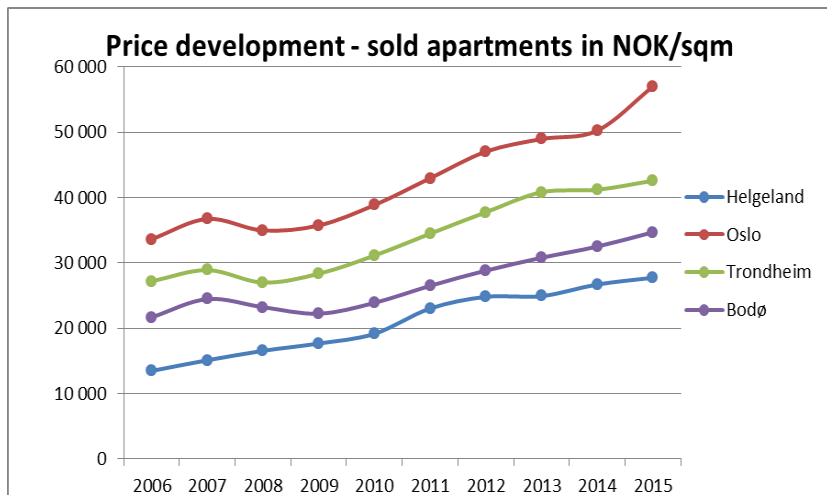
Population trends lower than nationally – particularly challenging in age between 25 – 40 years

- Increasing study offers at Campus Helgeland – numbers of students is up to 1000 per 31.12.15
- Structure off research environment – close teamwork with the industry – Jobs for both?
- Integration of immigrants

Unemployment lower than in Nordland which is lower than in Norway – 2,4 % unemployed at the beginning of 2016

House price developments still growing slightly, lower than nationally – stabile, activity varies between the regions, but normal level in Mo i Rana and Mosjøen as the greatest places.

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 in 2015 was 8.6 %.

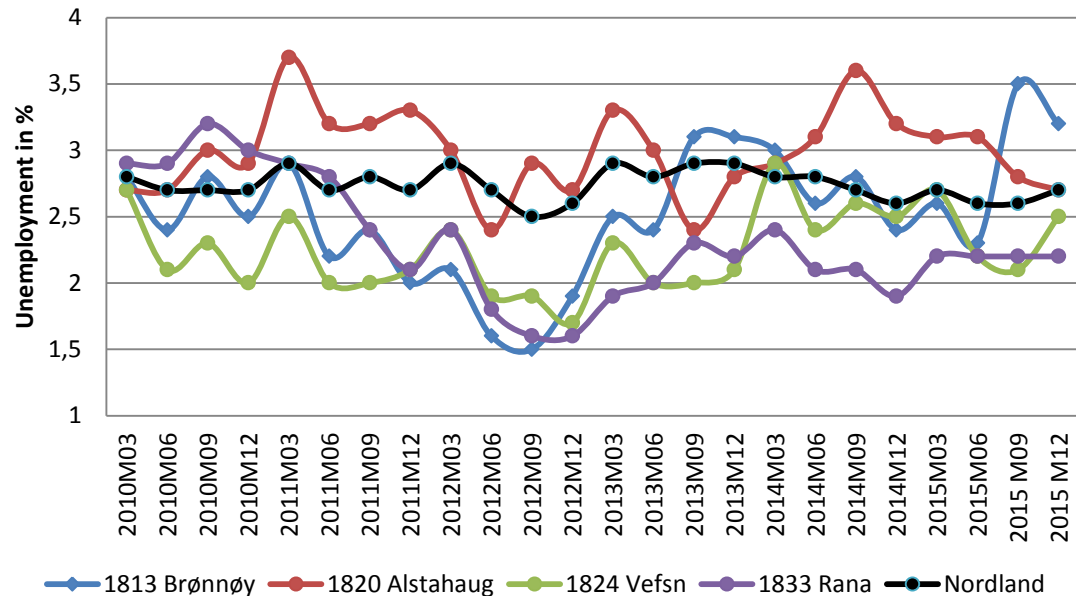
- Property price increase in Helgeland was 3.9 % in the same period.

Villas had in 2015 an average national price increase of 4.4 %.

- Property price increase in Helgeland was 2.3 % in the same period.

Unemployment

Unemployment in Helgeland



Commentary

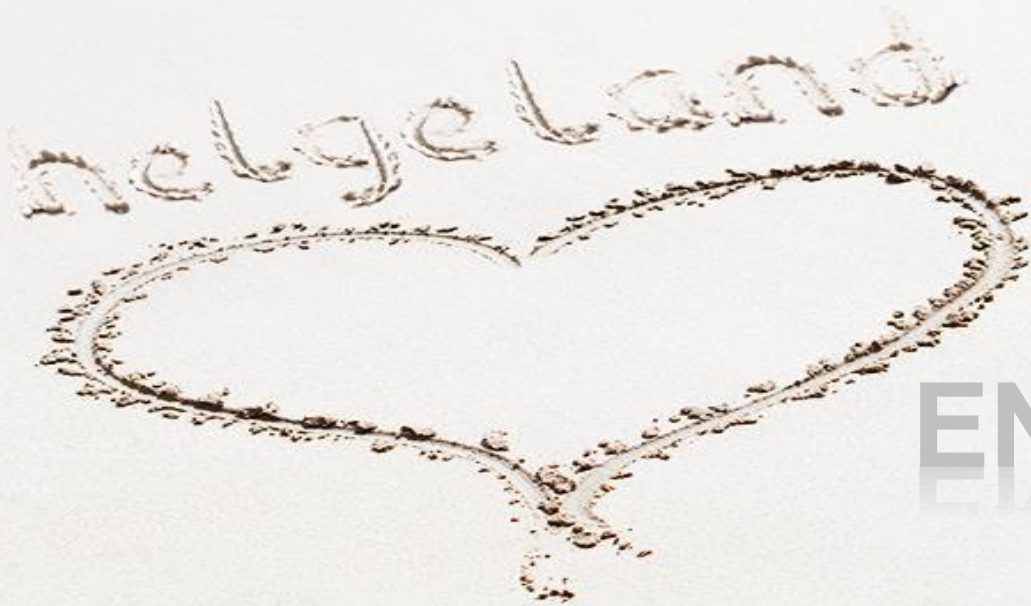
There is a certain difference in unemployment between the regions in Helgeland, but rather variable over time.

Overall unemployment in Helgeland is 2,4 % by the end of 2015.

At the same time, unemployment nationally was 3.0 %.

Statistics shows total unemployed

Thank you for your attention!



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



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Svartisen

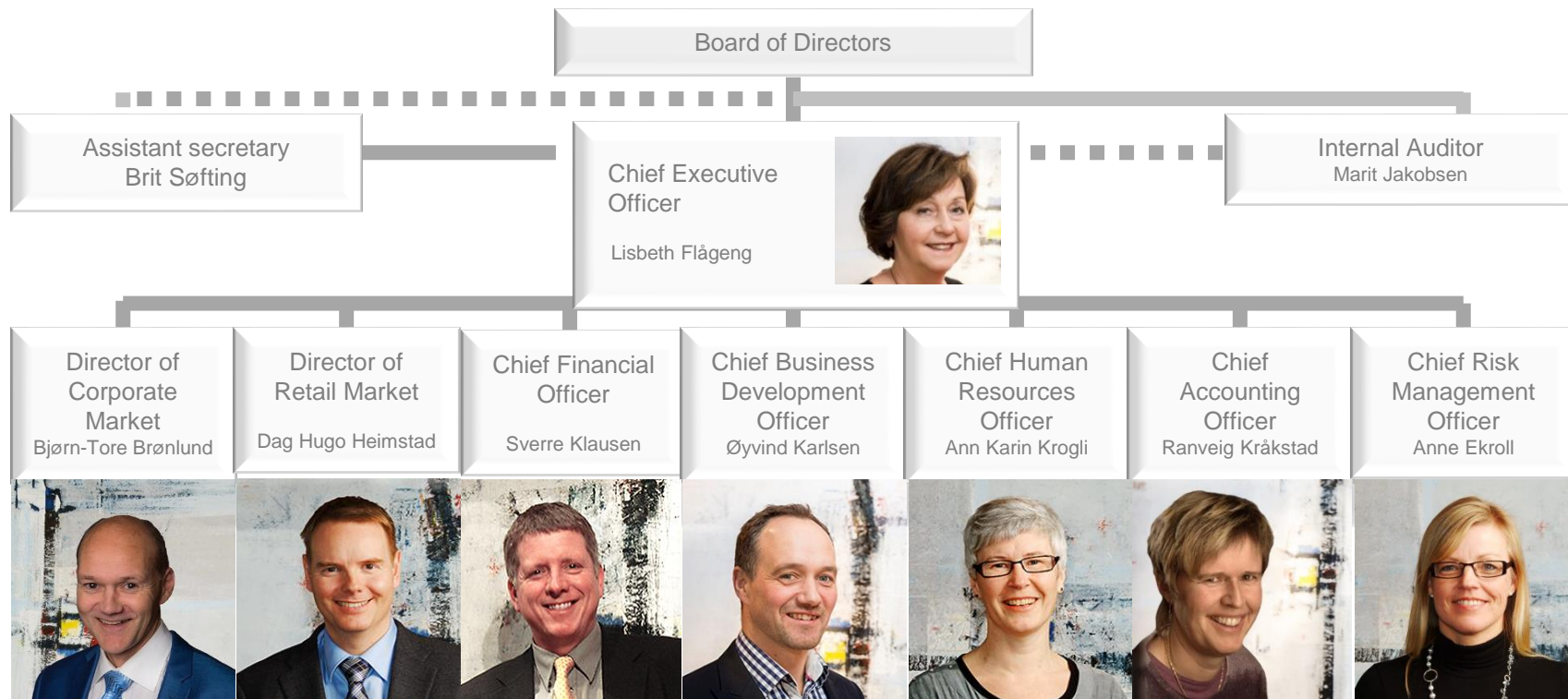
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Business development and ownership

	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

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

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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