Presentation
Q1 2018

En drivkraft for vekst på Helgeland

Presentation per 31.03.18 (HSB Group)

Hanne J. Nordgaard

Chief Executive Officer

Sverre Klausen

Chief Financial Officer

Main Features

Helgeland

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices

Main features per 31.03.18

Gross profit	**MNOK 94 (84)**
ROE	9.0 (8.1) %
Total assets	32.2 (30.1) bn
Solidity	CET1 15.7 (15.8) %

Financial targets

ROE:

10 %

CET1:

15.0 %

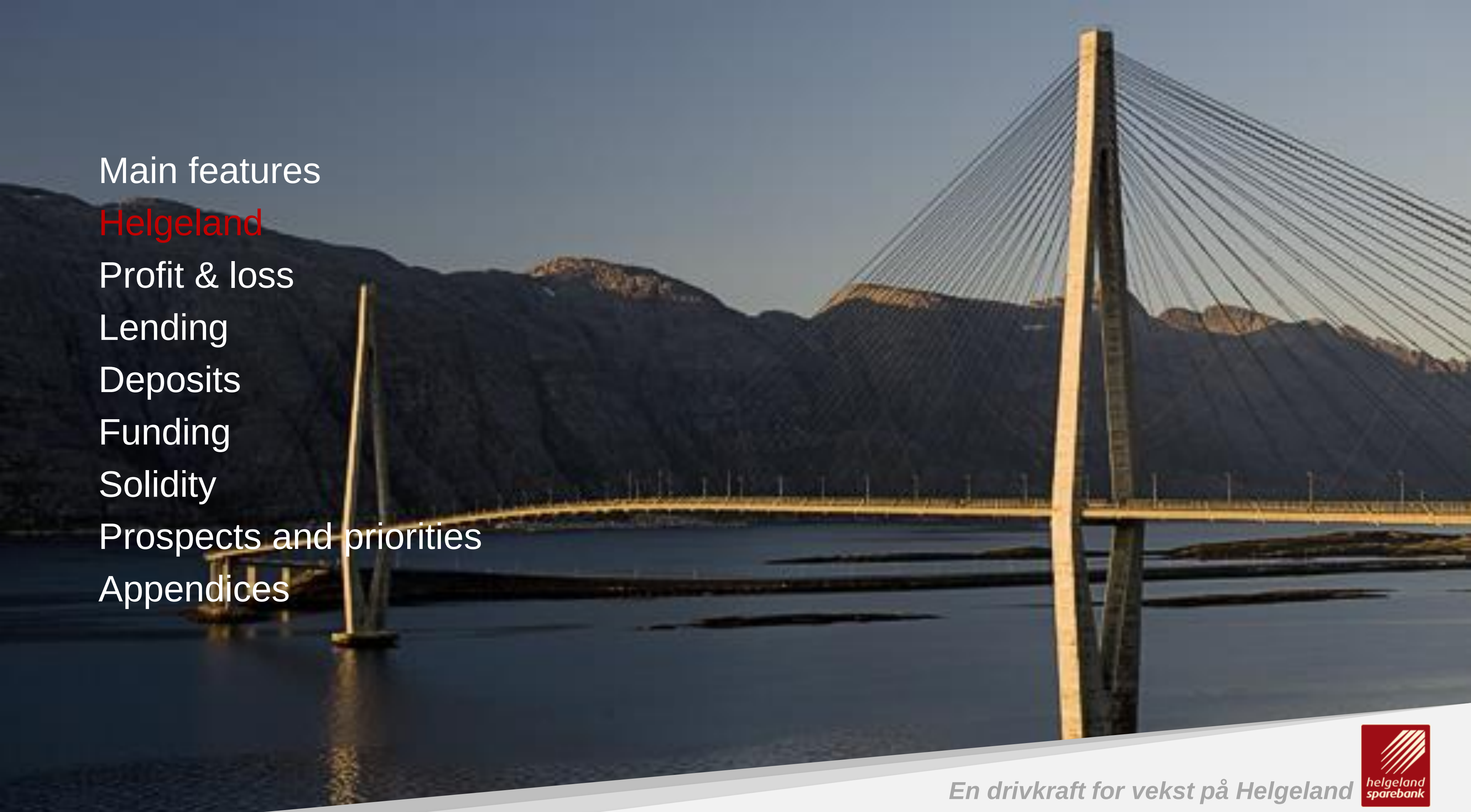
Cost growth:

<= 1 %

Dividend ratio:

50 %

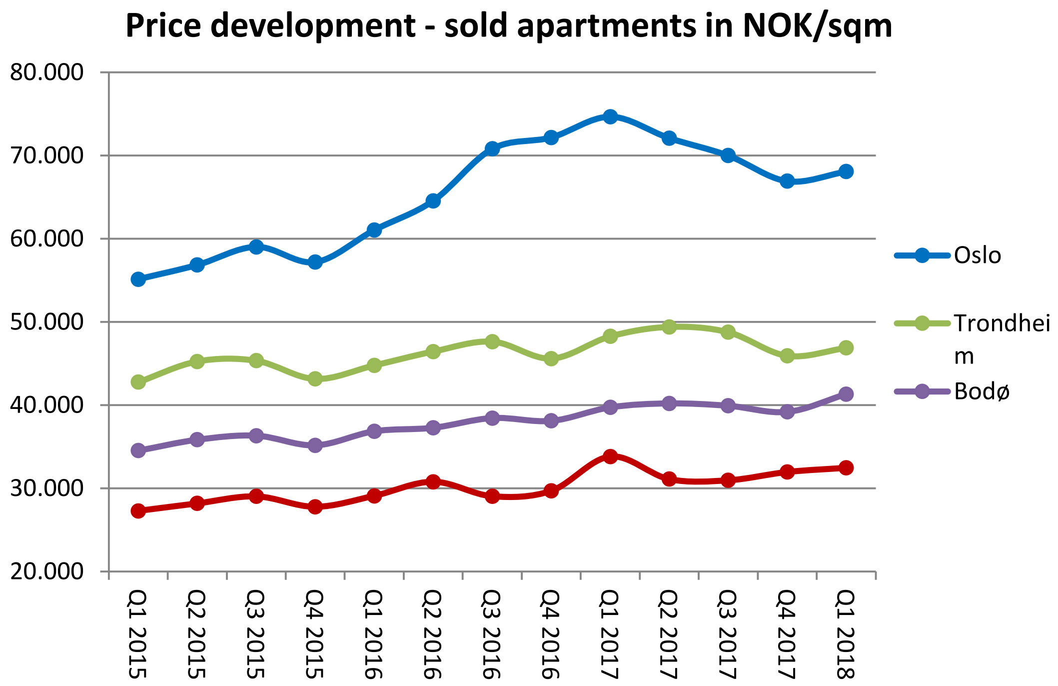
Of the dividend basis



Macro

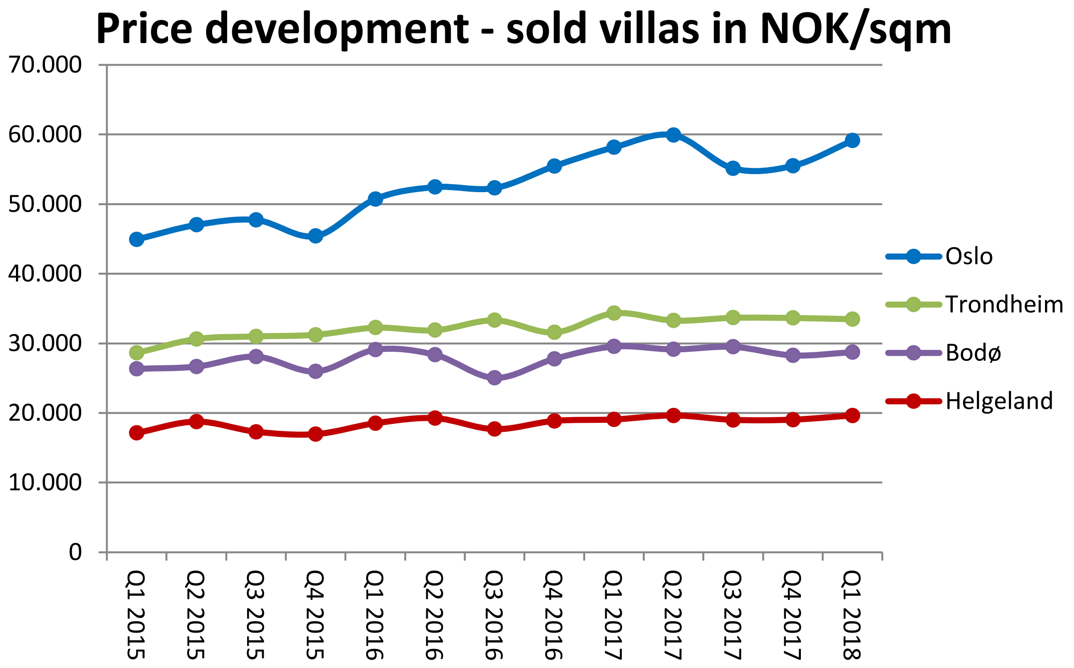
Macro	Helgeland	Norge
Growth turnover in the business community last 2 years	12.1 %	0.5 %
Price growth villas Q1	1.6 %	3.6 %
Price growth apartments Q1	3.2 %	
Unemployment 31.03.18	1.7 %	2.5 %
12 month population growth 31.12.17 (Helgeland Q3)	0.2 %	0.7 %
New jobs 2017 – number of employees	-10	

Stabile property price development



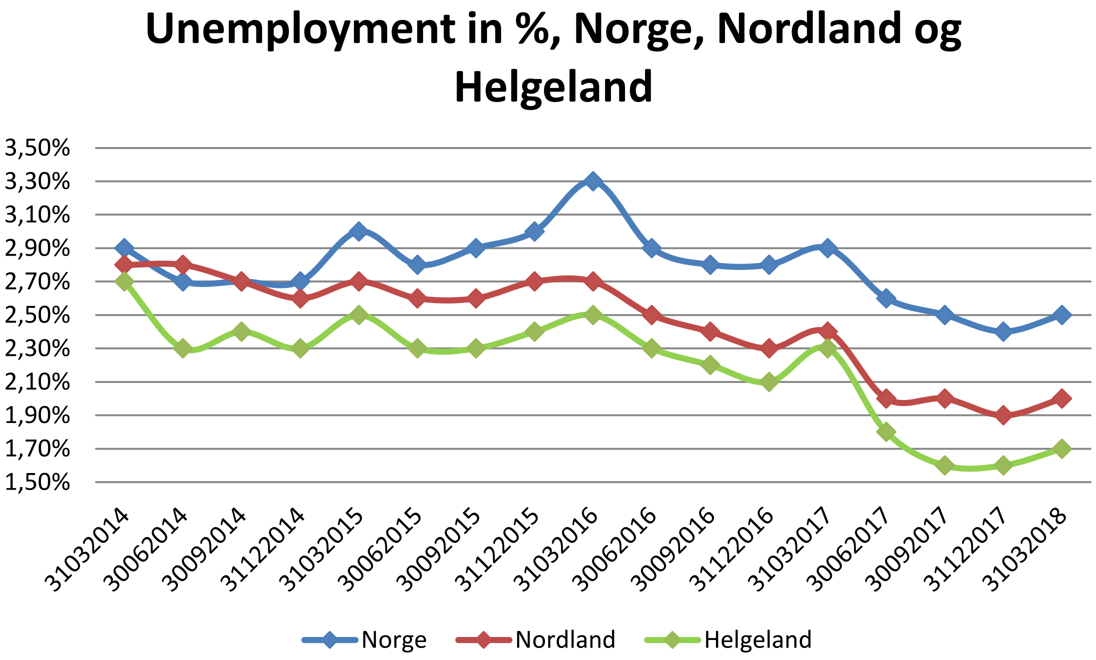
Price increase in Helgeland was 1.6 % and 1.7 % in Oslo 1st quarter.

Stabile property price development



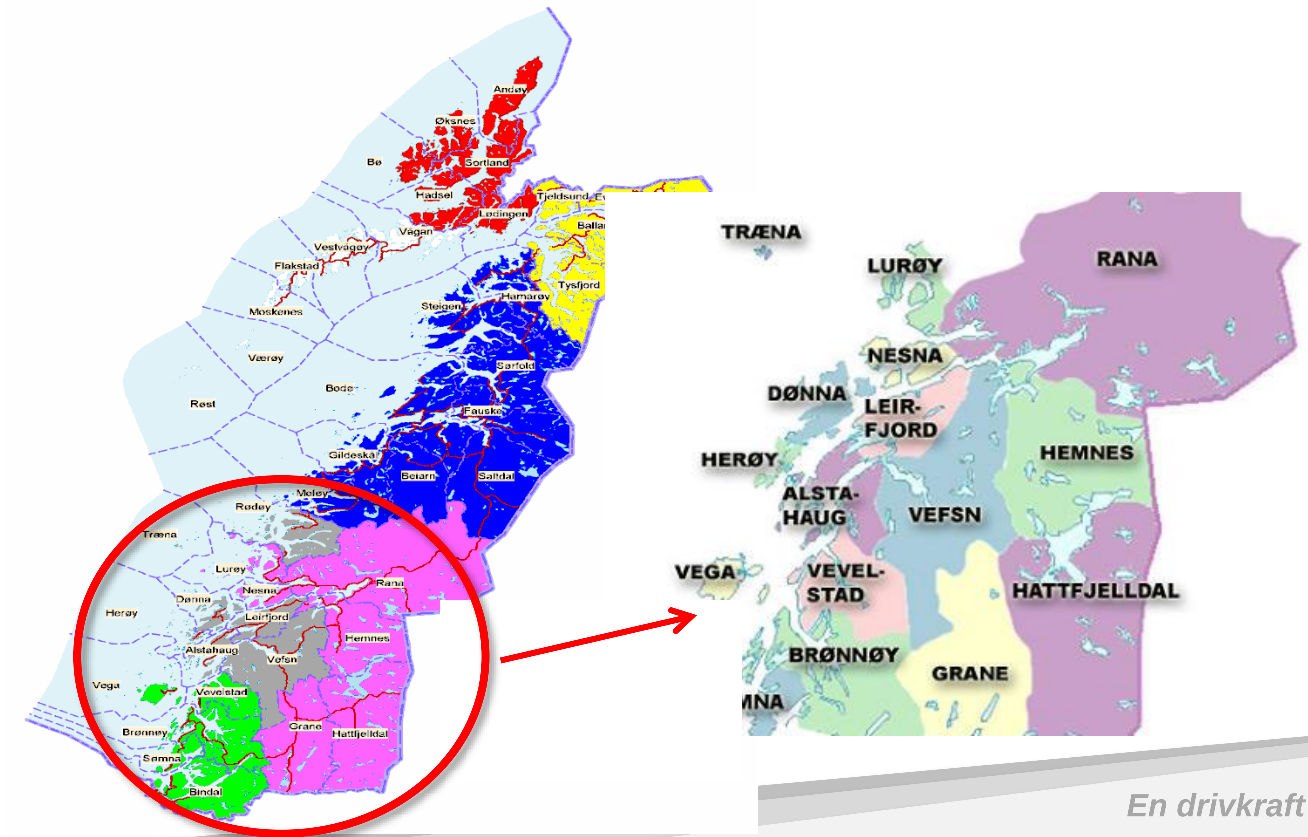
Price increase in Helgeland was 3.2 % and 6.5 % in Oslo 1st quarter

Unemployment



Unemployment in Helgeland and in Nordland is lower than Norway overall.

Helgeland – our market area



- Region in southern part of Nordland county ; 49 % of the area and 35 % of the population
- 19 municipalities
- Approximately 85 000 residents
- Approximately 18 900 km^2

Helgeland

South Helgeland

- Brønnøy, Vega, Sømna, Vevelstad, Bindal (total of 13 181 residents)
- Region center: Brønnøysund
- Torghatten, Vega world heritage area
- Brønnøysundregistrene
- Main office for Torghatten ASA
- Helicopter base for the oil fields
- Sømna: Northern Norways largest farming municipality
- Salmon farming

Outer Helgeland

- Alstahaug, Herøy, Dønna and leirfjord (total of 12 950 residents)
- Region center: Sandessjøen
- The seven sisters, Dønnamannen, Petter Dass museum
- Supply bases for Norne, Skarv and Åsta Hansteen
- Salmon farming
- Research station LetSea. Slipen Mekaniske AS

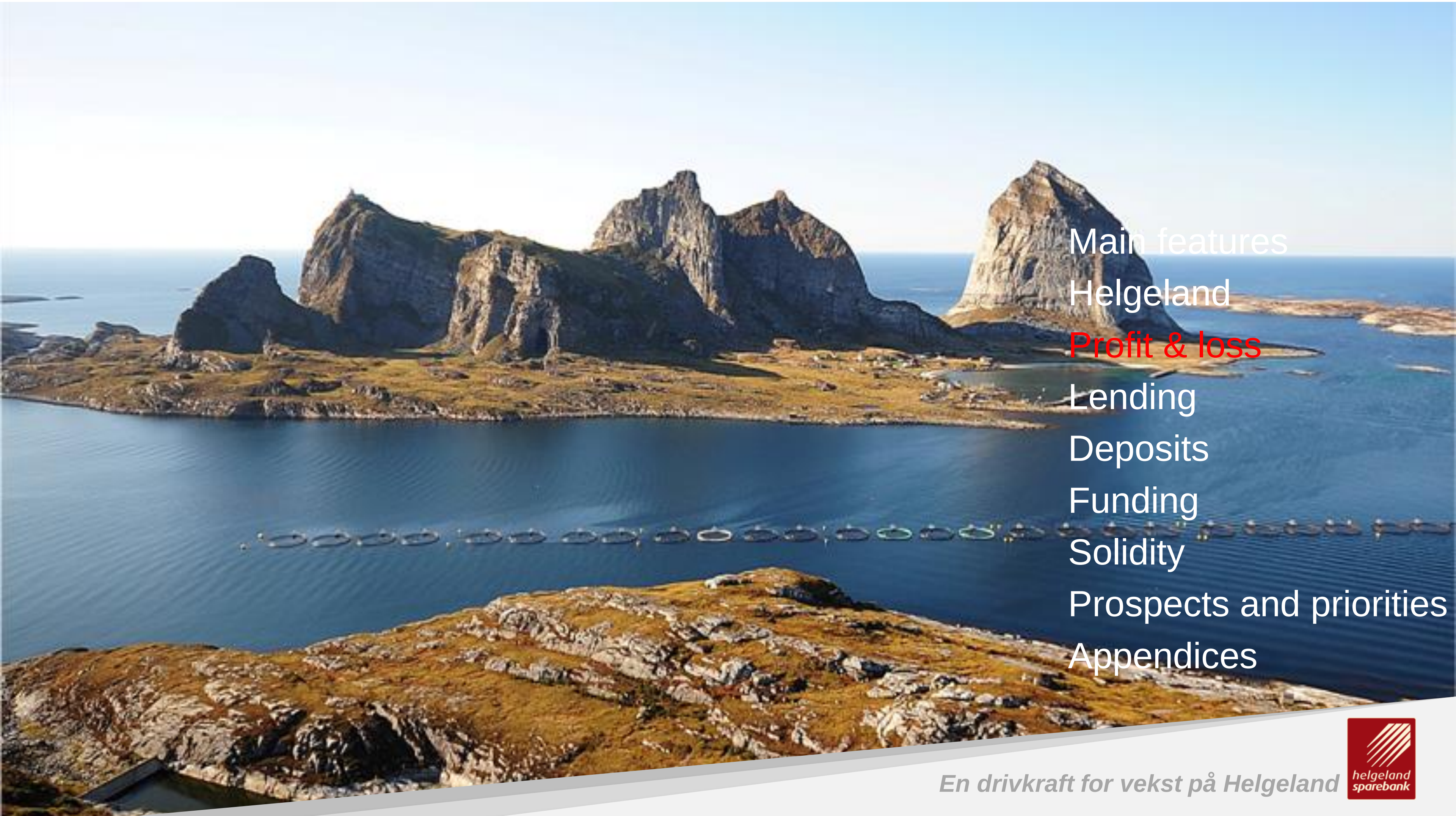
Helgeland

Middle Helgeland

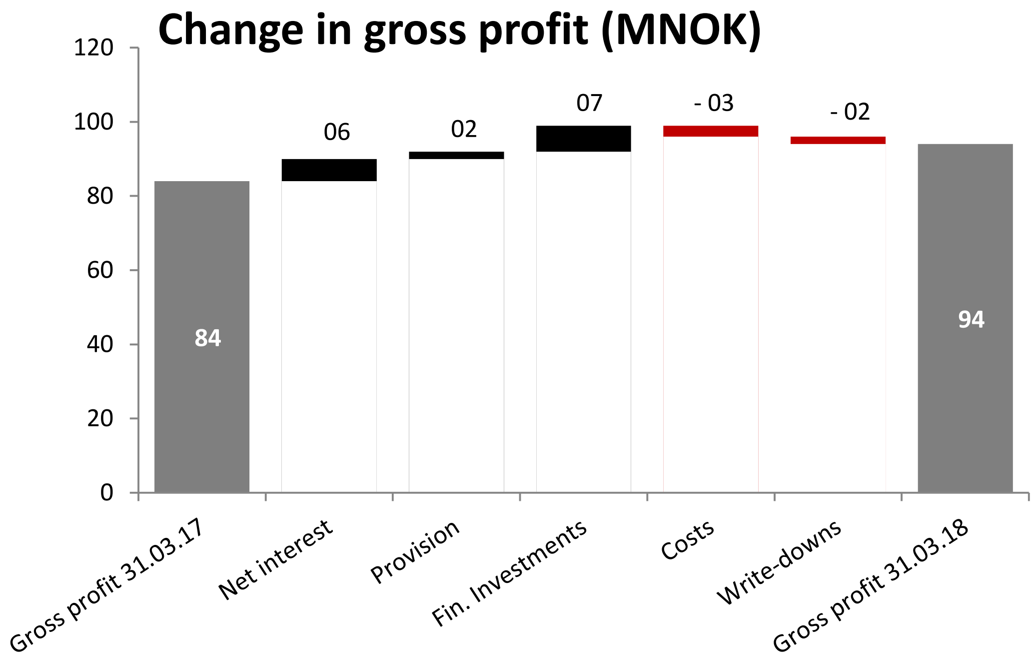
- Grane, Hattfjelldal, Vefsn (total of 16 322 residents)
- Region center: Mosjøen
- Sjøgato. Entrance to Børgefjell national park and Lomsdal-Visten national park
- Alcoa auminium including anode bakery. Norgesvidu-Svenningdal. Arbor trevare
- Main office Helgeland Kraft

North Helgeland

- Hemnes, Rana, Nesna, Lurøy, Rødøy, Træna, Meløy (total of 42 507 residents)
- Region center: Mo I Rana
- Lovund. Træna. Hestmannen. Svartisen. Cave areas
- Mo industry park. Statens innkrevningsentral. National library. NRK licence office, NCP. Westcon Helgeland
- Salmon farming



Result

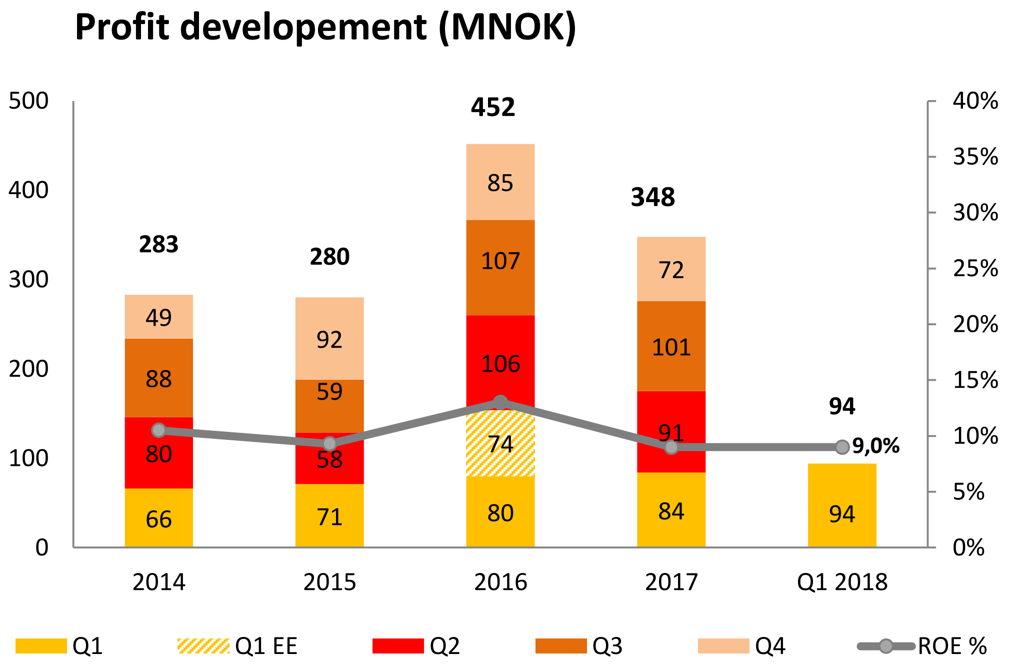


Good result

Gross profit MNOK 94

- Increased net interest in NOK
- Increased income from financial investments

Profit



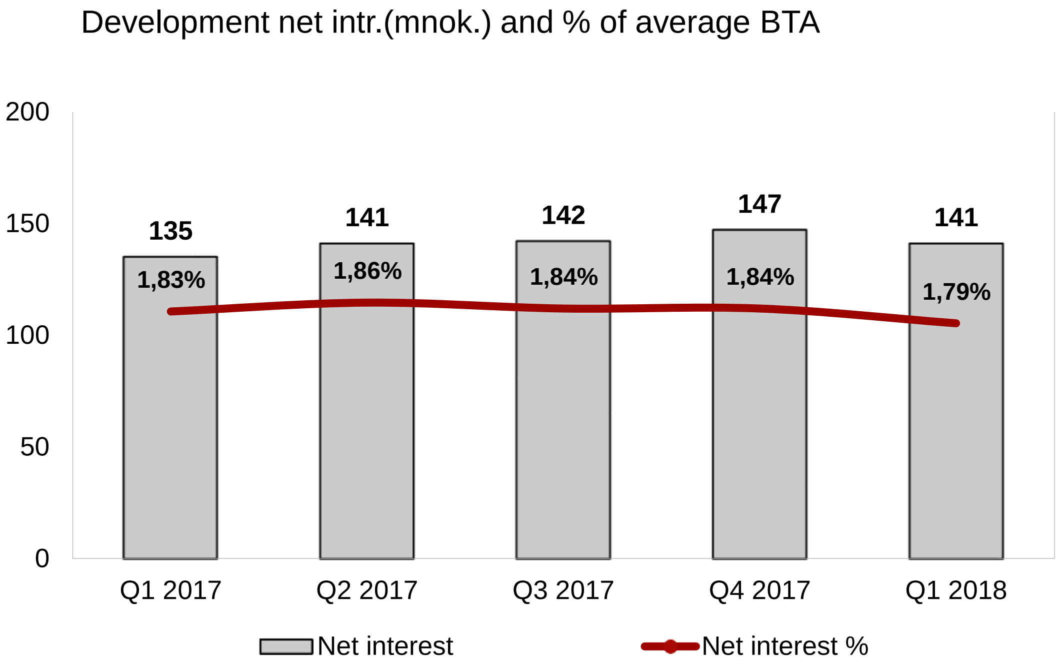
Good result Q1

Gross profit MNOK 94

- ROE after tax 9.0 %

(One time effect pension MNOK 74 in Q1 2016)

Net interest

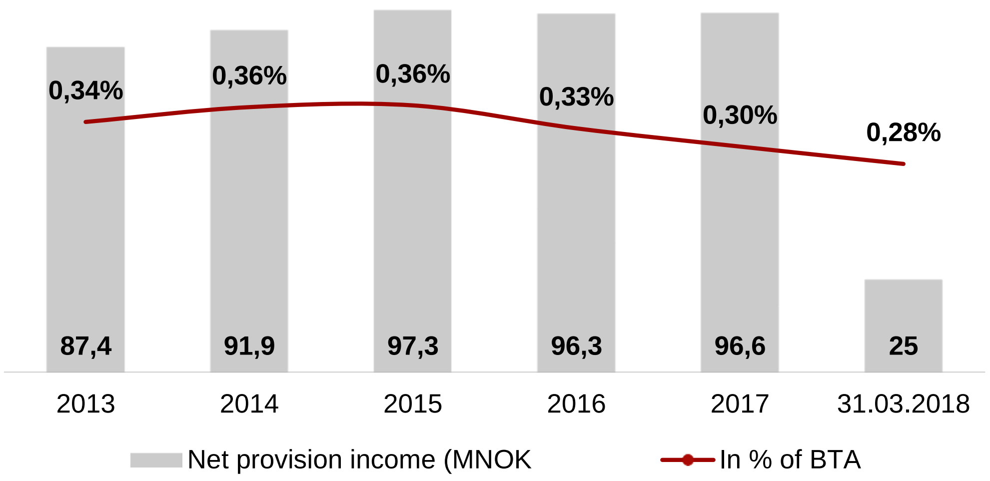


Maintained net interest over time, decrease in Q1 2018

- Higher lending costs with increased Nibor interests
- Still strong competition regarding price, especially mortgages

Provision

Development net net provision



- Increased provision from insurance
- Reduced provision from payment systems

Helgeland Sparebank - product companies

FrendeForsikring 7.9 %

Frende is owned by 15 individual saving banks. Frende Insurance consist of the companies Frende Life insurance and Frende damage insurance.

NORNE SECURITIES 7.5 %

The company is owned by Helgeland Sparebank, thirteen other individual saving banks and Must invest AS. The company has established three business areas : e-commerce, brokerage and corporate finance.

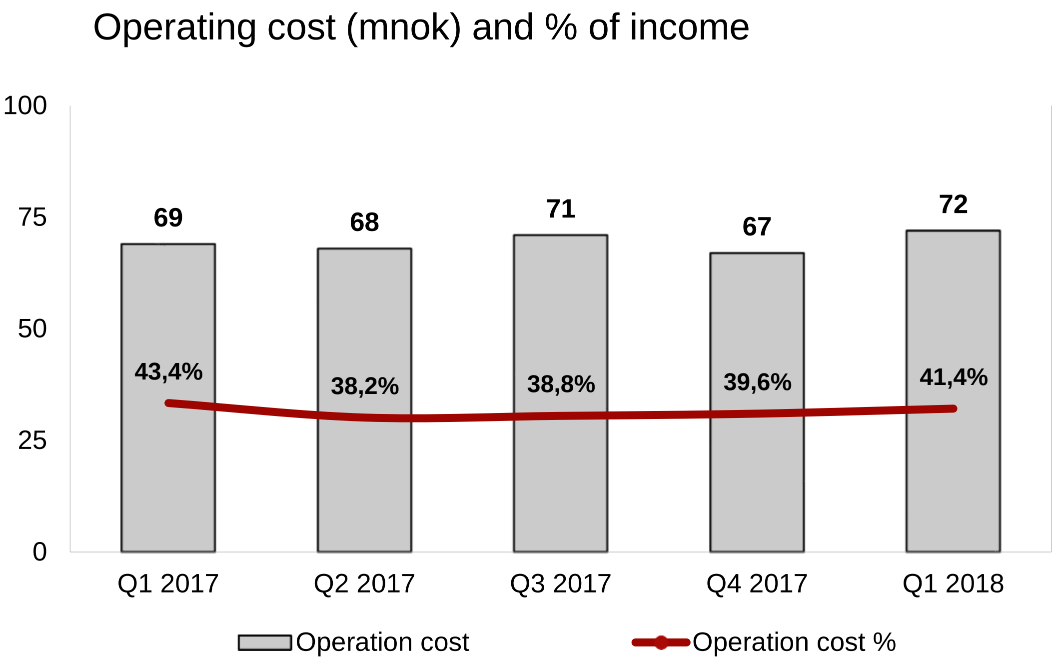
BRAGE FINANS 10 %

Brage Finans has nine other individual saving banks on the owner side. The company offers leasing, object – and consumption finance.

balder betaling 6.7 %

Helgeland sparebank has together with 15 other saving banks established Balder Betaling AS. Balder represents the owner banks interests in Vipps

Operating costs

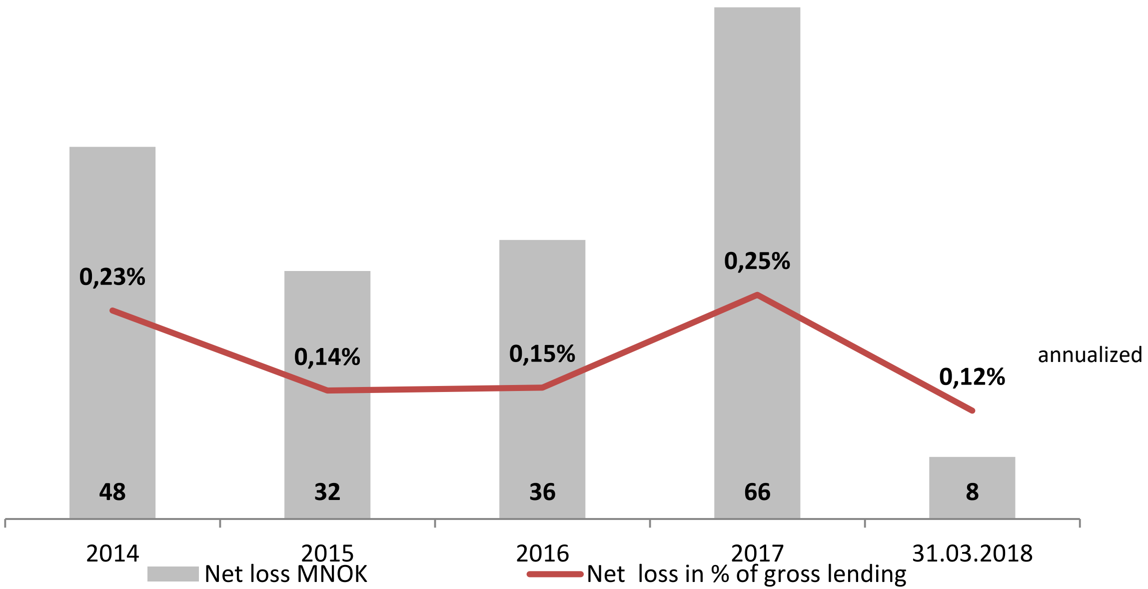


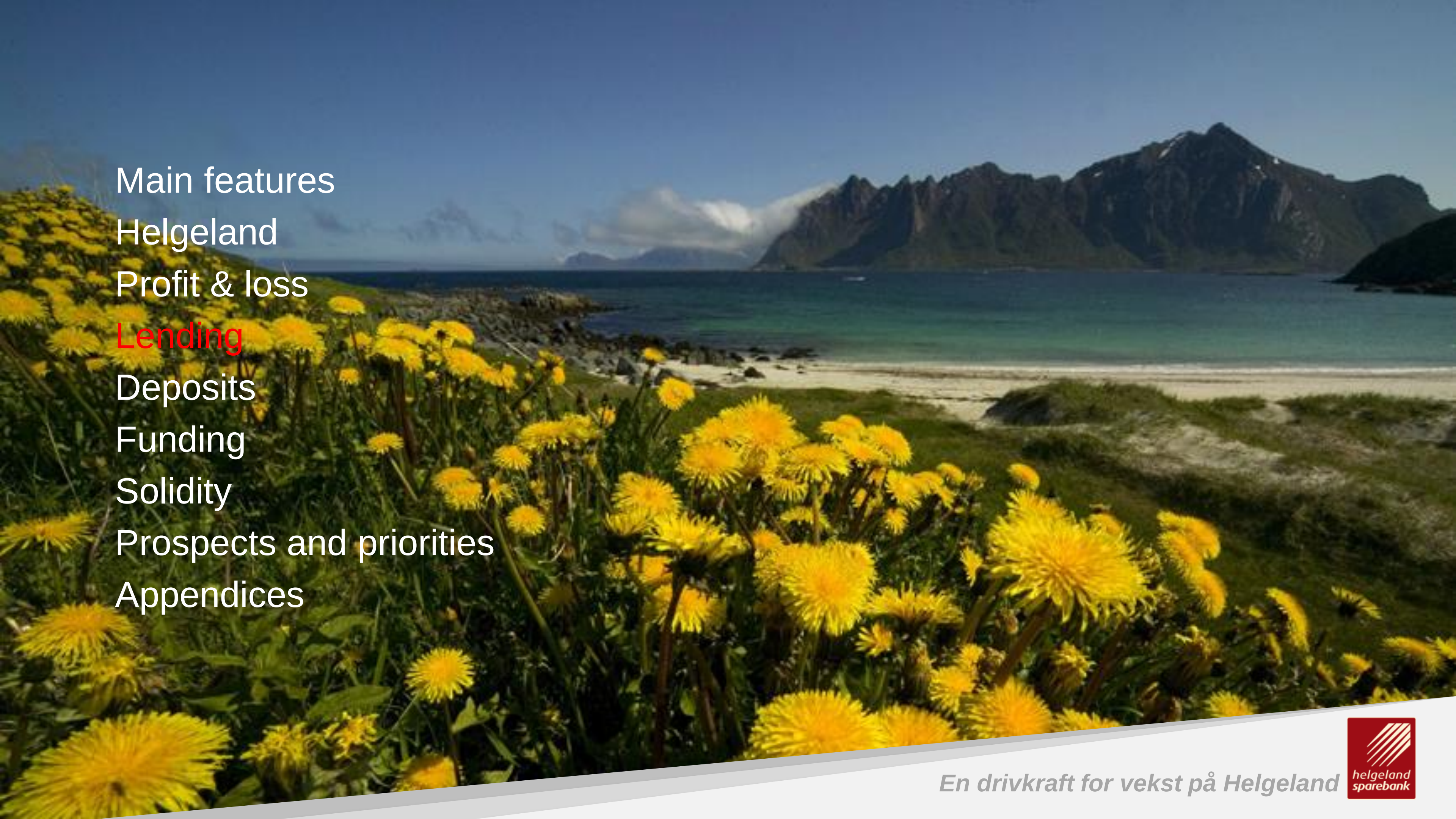
Costs in % of income

- Cost in % of income wo far this year was 41.4 %

(one-time effect pension is not included in the figure)

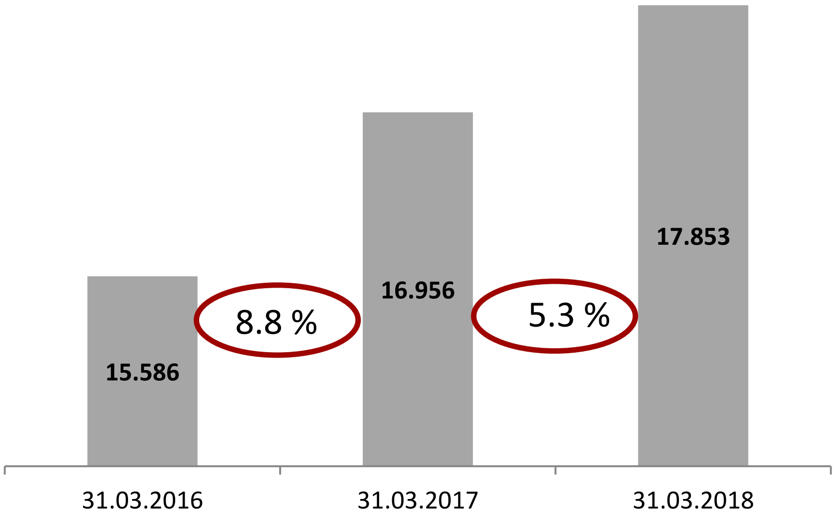
Loss on commitments



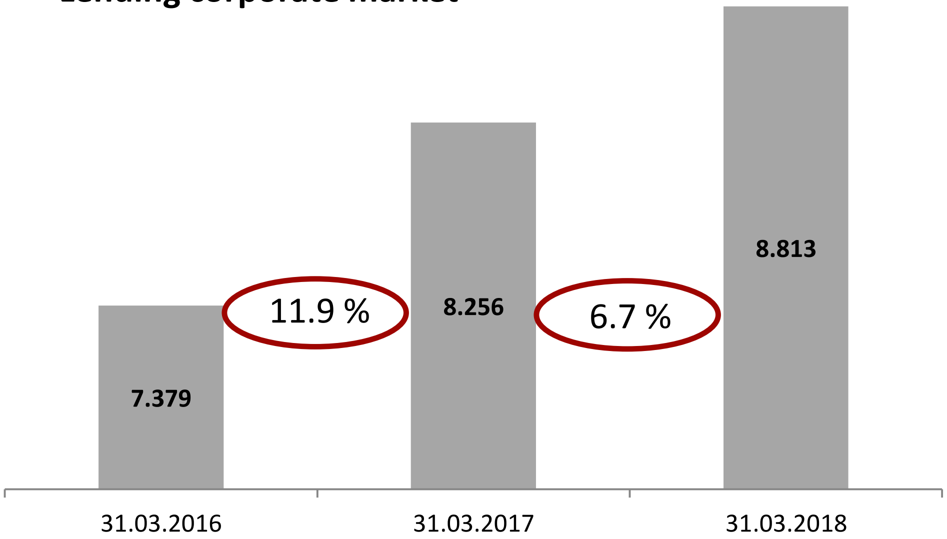


Growth

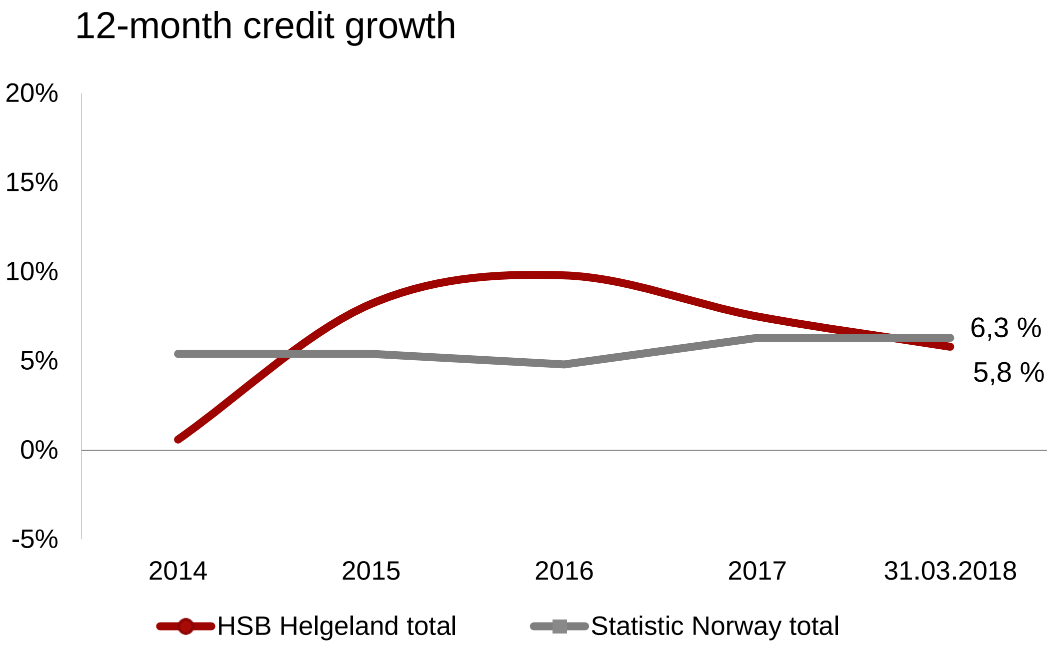
Lending retail market



Lending corporate market



Credit growth



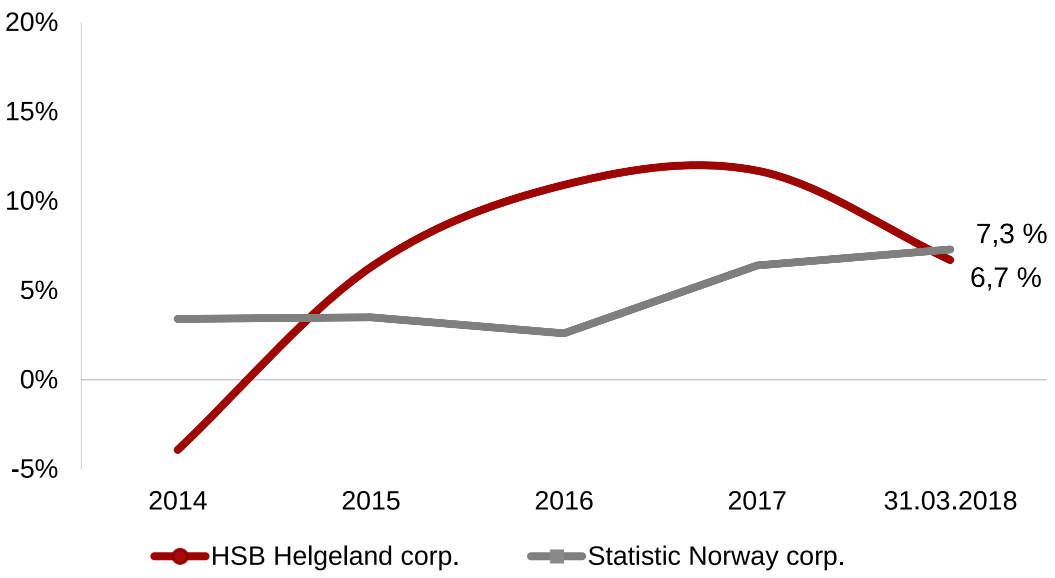
Credit growth HSB
- 12-month growth 5.8 (9.8)%

Locally in Helgeland
- Per Q1 83.5 (84.0)%

PM share
- Target minimum 60%
- Per Q1 67.0 (67.3)%

Credit growth CM

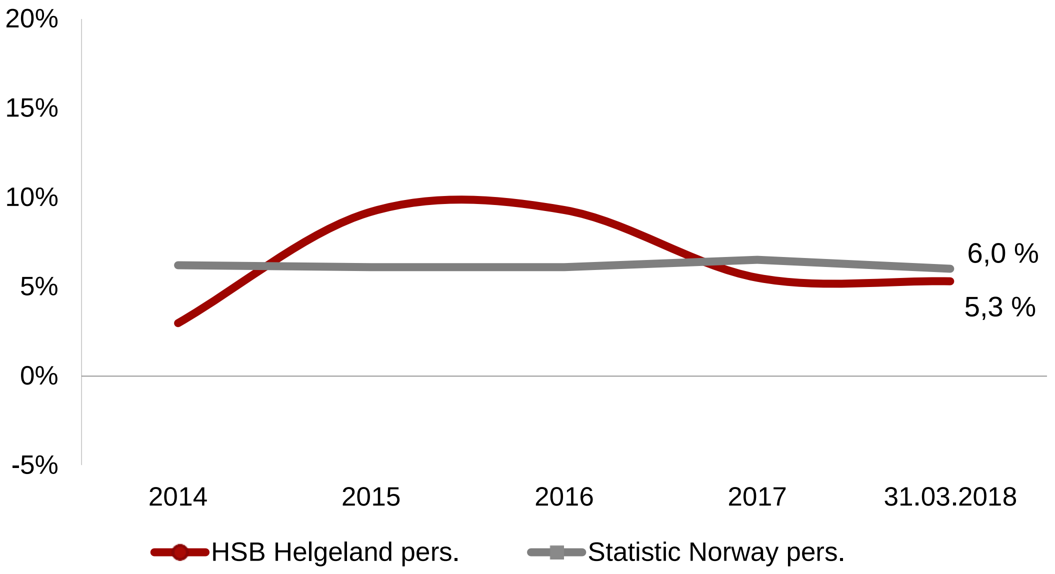
12-month credit growth corporate market



12 month growth CM 6.7 (11.9) %

Credit growth RM

12-month credit growth retail market

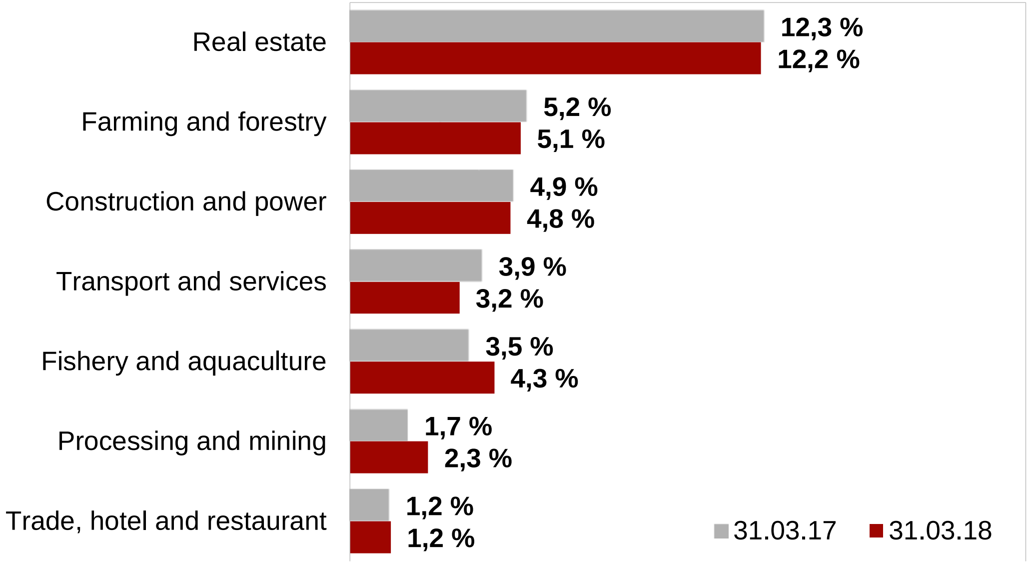


12 month growth RM 5.3 (8.8) %

- The bank's market shares are stable

Lending CM

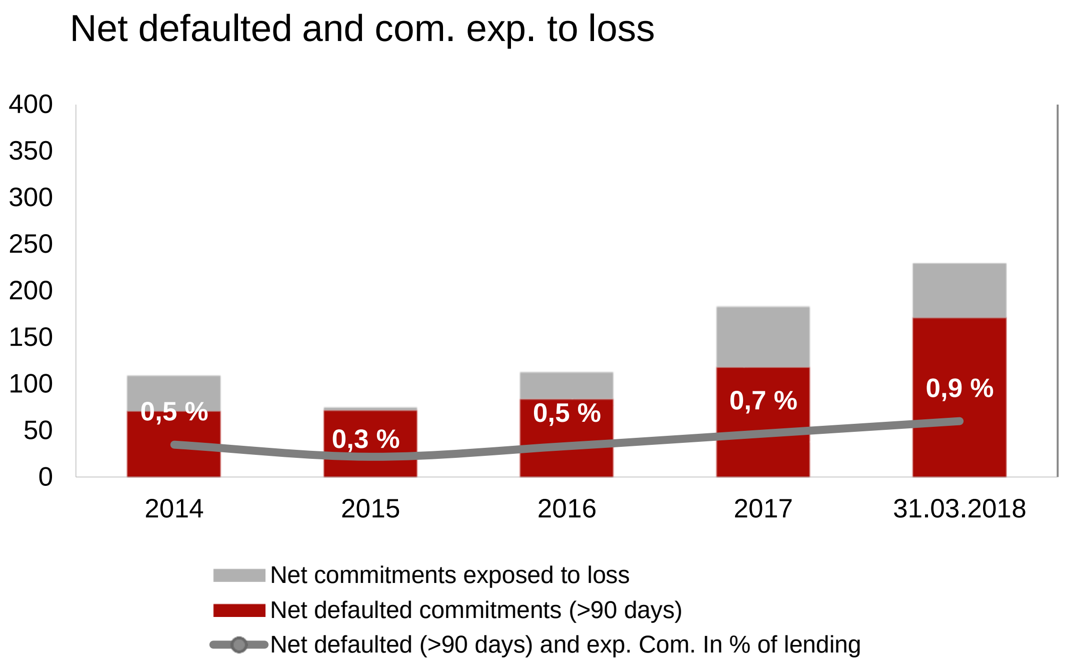
Lending distributed in sector



Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.0 (32.7)% or MNOK 8 813 (8 256)

Non-performing and other impaired commitments

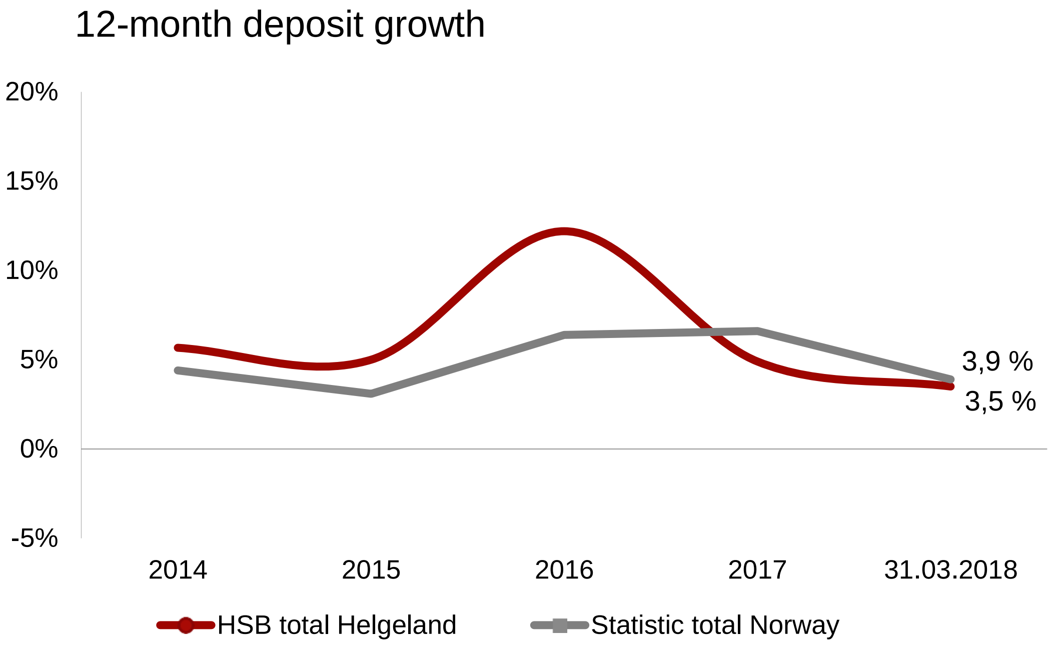


Net non-performing and other impaired commitments amounts to MNOK 229 an increase of MNOK 46 since year end. This amounts to 0.9 (0.7) % of gross loans

The increase of default loans concerns the tourist industry where there is over capacity in outer Helgeland.

- Main features
- Helgeland
- Profit & loss
- Lending
- Deposits
- Funding
- Solidity
- Prospects and priorities
- Appendices

Deposit growth



12-month growth 3.5 (11.9)%

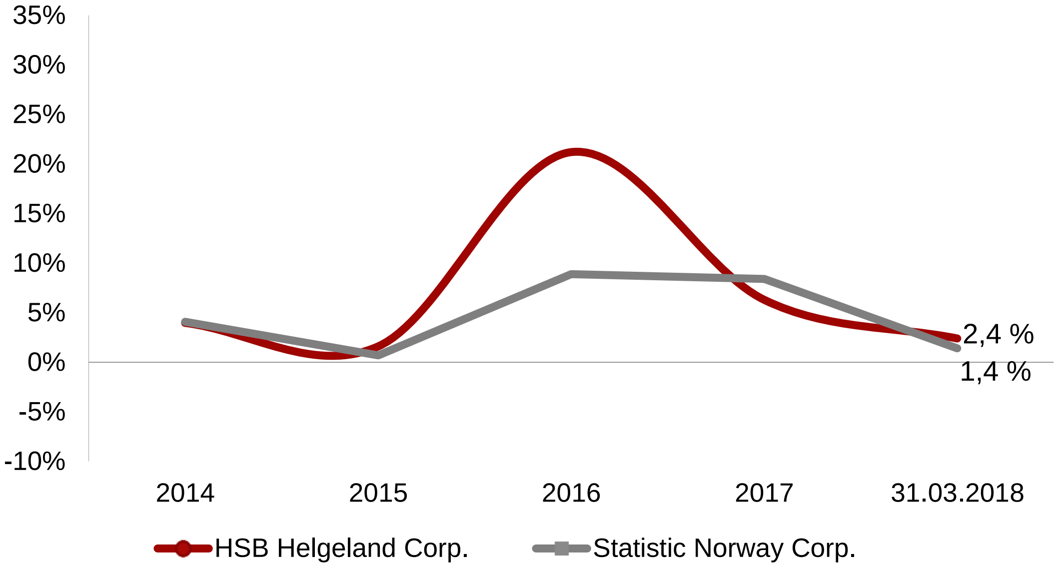
RM share
- Per Q1 56.5 (56.1)%

Locally in Helgeland
- Per Q1 90.2 (91.0)%

Deposit ratio
- Target minimum 60%
- Per Q1 63.1 (64.5)%

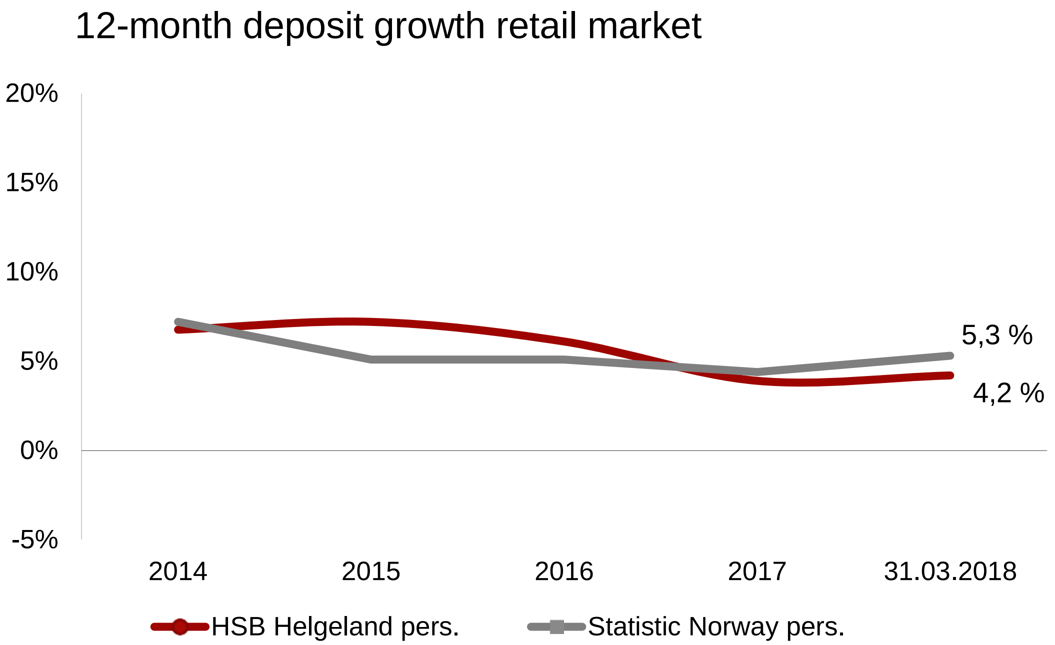
Deposit growth CM

12-month deposit growth corporate market



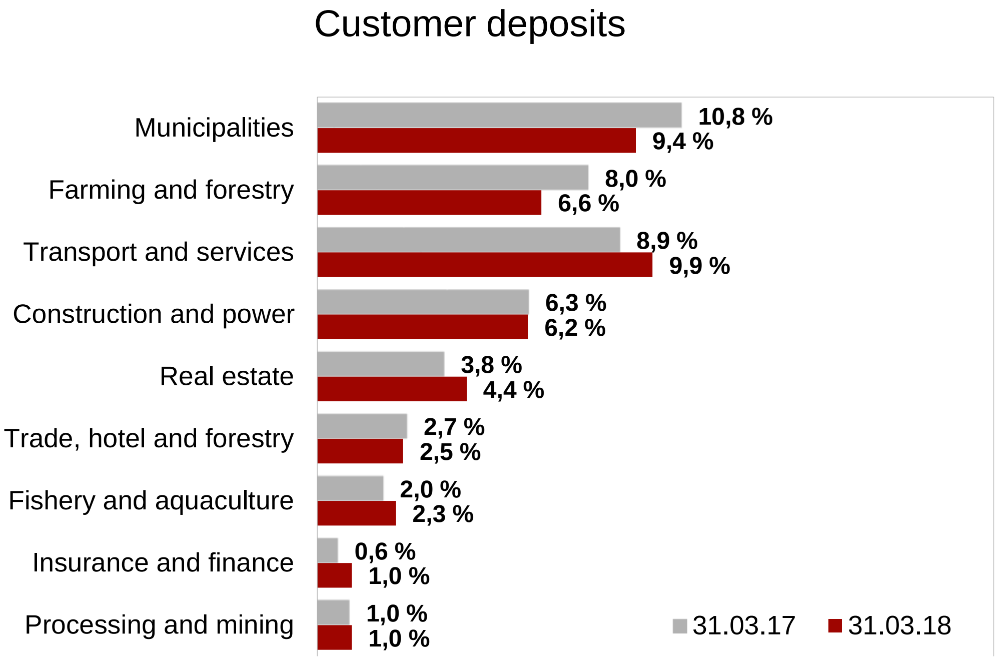
12-month growth CM 2.4 (22.4)%

Deposit growth RM



12-month growth RM 4.2 (4.8)%

Deposits CM

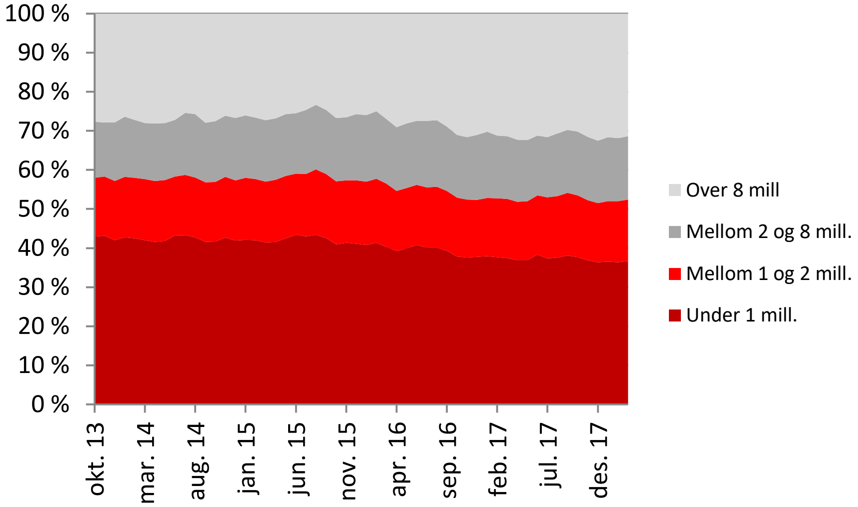


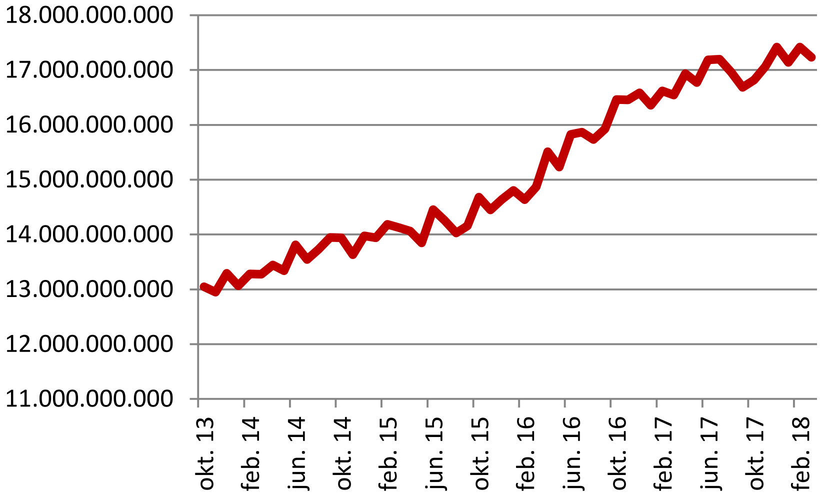
Well diversified deposit portfolio in the CM

Share CM 43.5 (43.9)% or MNOK 7 321 (7 146) of total deposits

Deposits from municipalities constitute 22% of the CM deposits

Deposit development





A large share of deposits are under MNOK 2 (52 % of total deposits).
Approximately 59 % of the deposits are covered by the guarantee scheme

Main features

Helgeland

Profit & Loss

Lending

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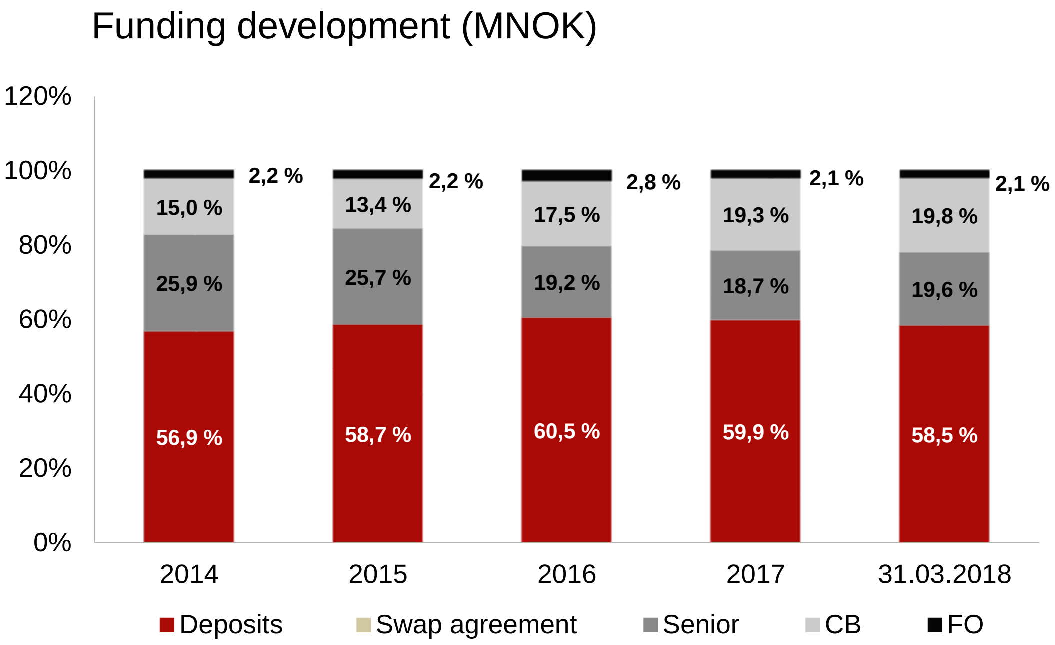
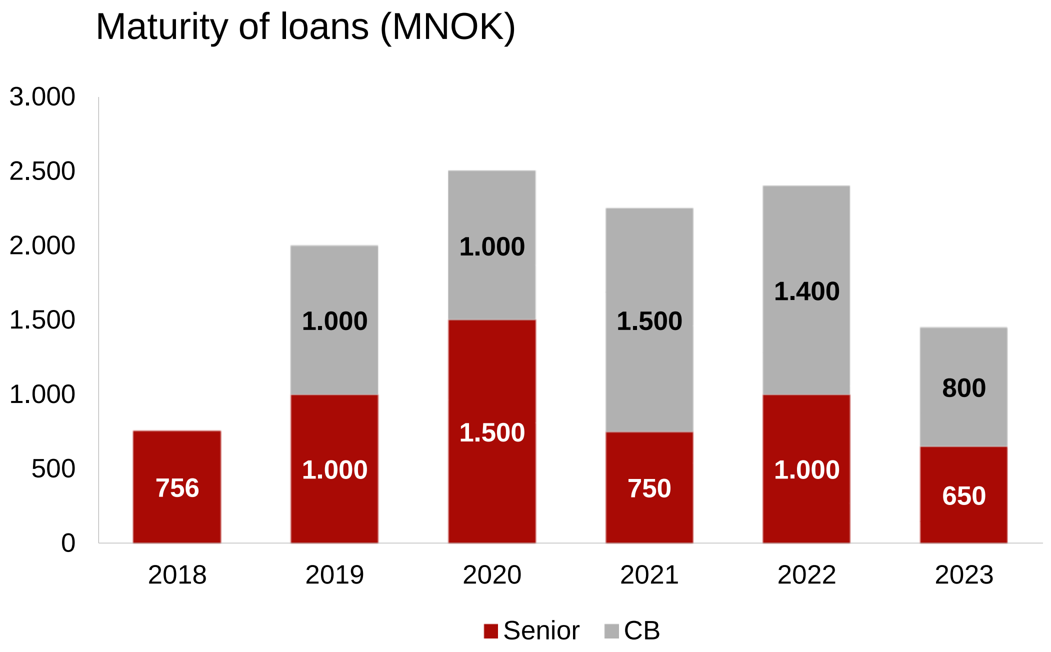
Funding



Funding development (MNOK)
120%
100%
80%
60%
40%
20%
0%
2,2 %
15,0 %
25,9 %
56,9 %
2,2 %
13,4 %
25,7 %
58,7 %
2,8 %
17,5 %
19,2 %
60,5 %
2,1 %
19,3 %
18,7 %
59,9 %
2,1 %
19,8 %
19,6 %
58,5 %
2014
2015
2016
2017
31.03.2018
Deposits
Swap agreement
Senior
CB
FO

Funding



Good and long term funding

Share long term funding 88.9% (82.7)%

Combined duration of 2.9 (2.8) years. Duration in the mortgage company 3.1 years

Helgeland Boligkreditt AS

Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

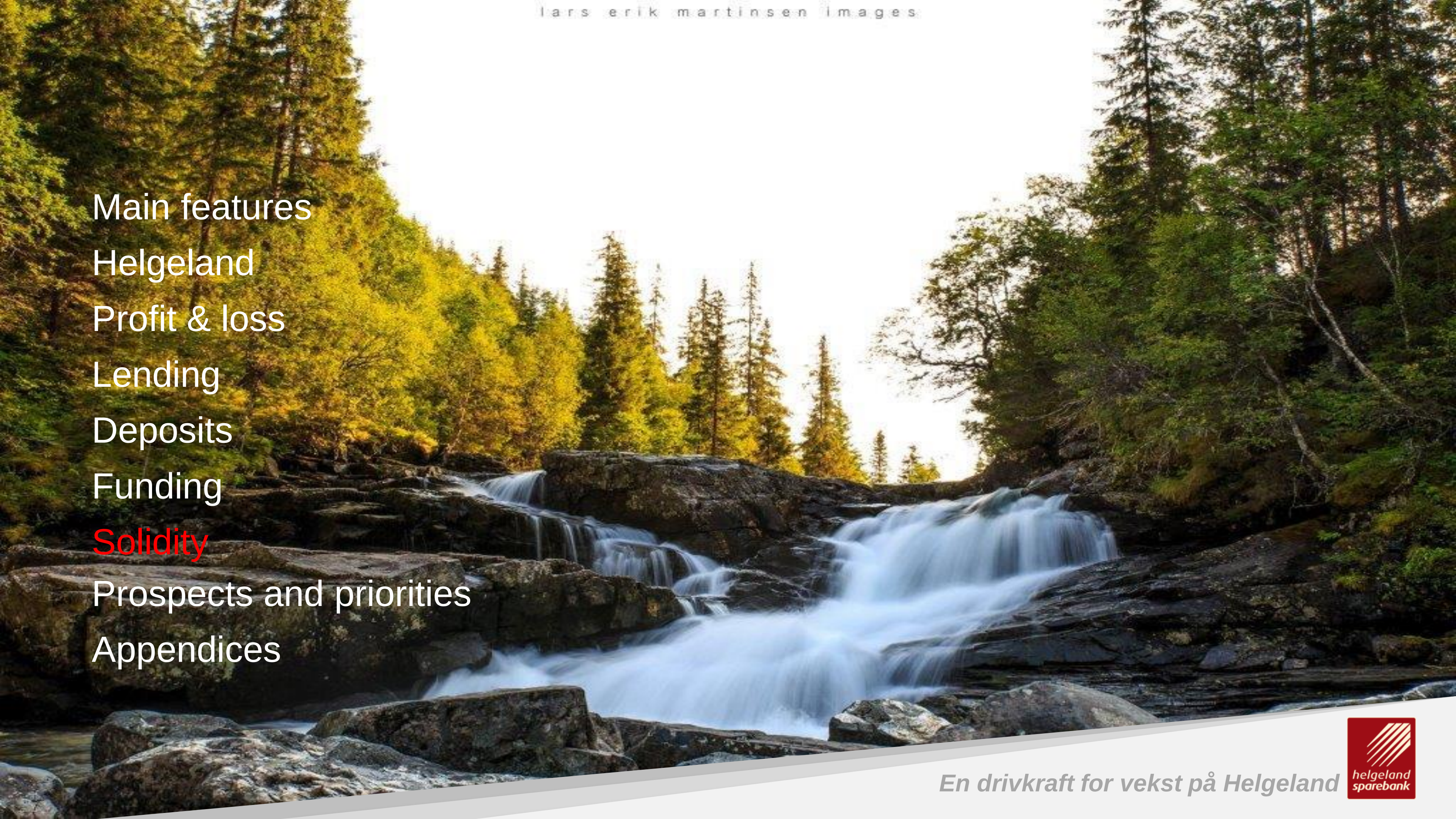
- Net profit MNOK 14.7 (9.6).
- CET1 ratio of 20.1 (16.5)%
    - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 6 791 (5 825) and CB MNOK 5 707 (4 922)

Good security in the lending portfolio

- Cover pool ratio of fullness 25 (21)%
- Combined LTV 55 (52)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 25 (21) % to 11 (10) %

Maximum limit for transferring is 30% of the Group’s gross lending, and 50 % of gross lending RM. Per 31.03.18 transfer degree is 25.5 and 38.0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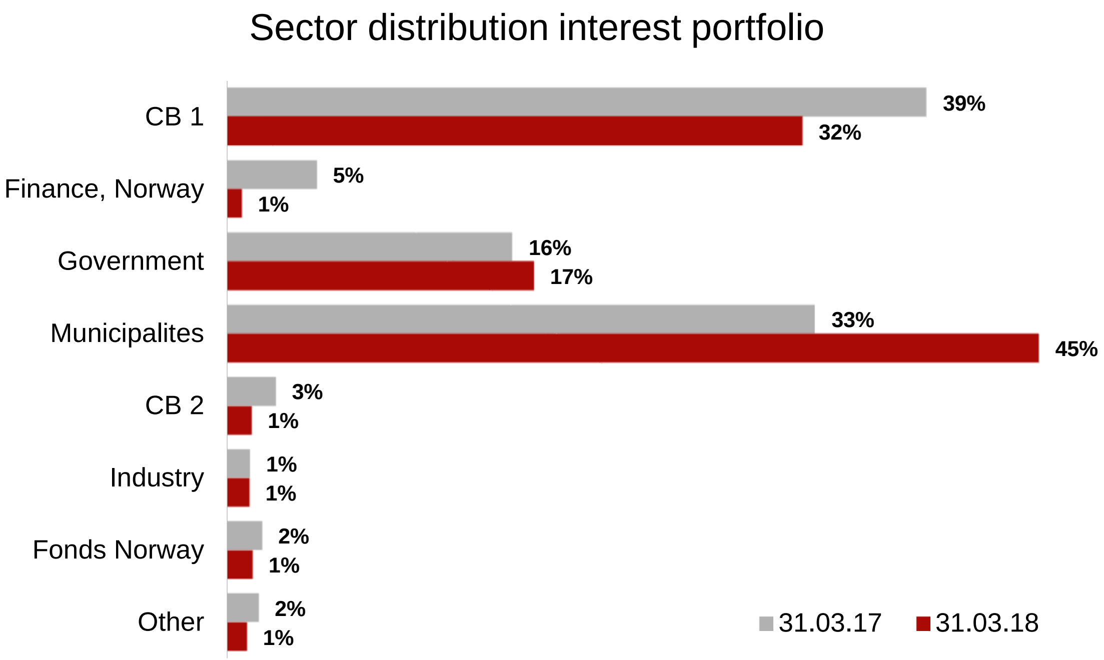
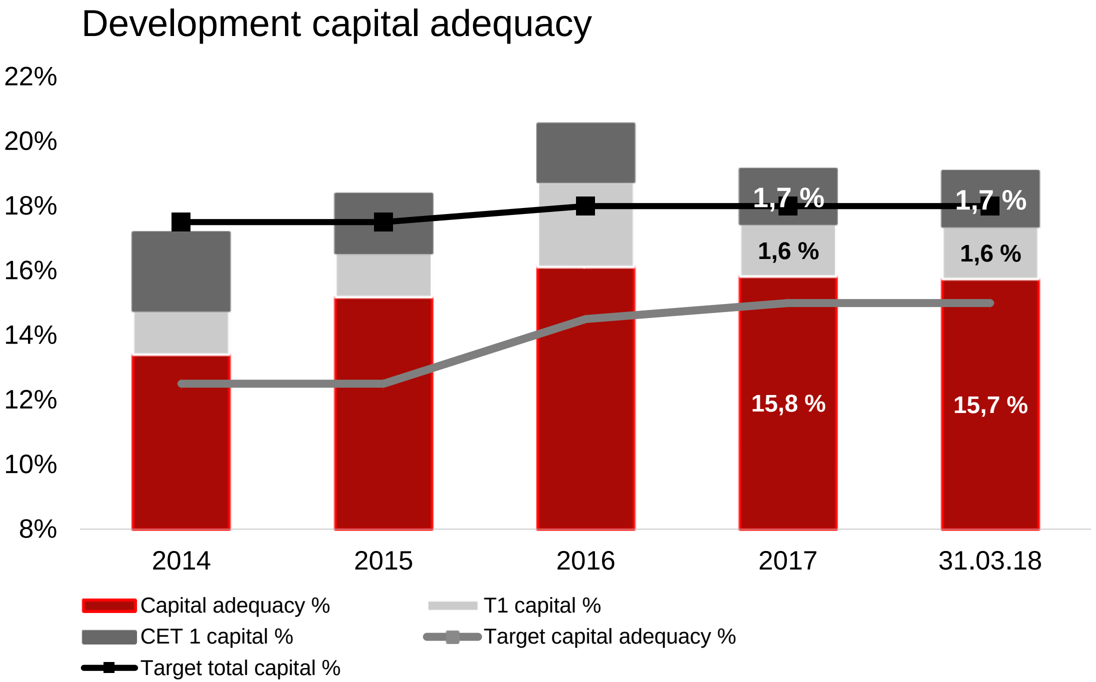
Liquidity buffer



Interest bearing securities:
- Duration portfolio 2.5 (2.1) years
- 98 % rated A- or better
- 95 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy



Capital ratio
- CET1 15.7 (15.8)%
- Core capital 17.4 (17.5)%
- Total capital 19.1 (19.2)%

The Group’s capital targets included Pilar 2 addition of 2.2% amounts to 14.2%.

New target CET1 15.0%

Leverage ratio: 9.2 (9.4) %.

Refinanced subordinated loan Q2 2018

HELG – the 20 largest owners

Parent bank

Per 31.03.18	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 653	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina Invest AS	256 046	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Avkastning	244 270	1.2 %
Merrill Lynch Prof.	1 253 462	6.0 %	VPF Nordea Kapital	238 245	1.1 %
Pope Asset Management BNY	572 653	2.7 %	Bergen Kommunale Pensjon.	201 833	1.0 %
VPF Eika Egenkapital	530 578	2.5 %	Apollo Capital Manage.	181 749	0.9 %
MP Pensjon PK	462 203	2.2 %	Melum Mølle AS	171 382	0.8 %
Lamholmen Invest AS	447 353	2.1 %	Melesio Capital AS	137 188	0.7 %
Helgeland Kraft AS	377 691	1.8 %	Cacies Bank	116 100	0.6 %
Landkreditt Utbytte	300 000	1.4 %	Nervik Steffen	110 506	0.5 %
Total 10 biggest owners	**14 556 339**	**69.7 %**	**Total 20 biggest owners**	**16 508 311**	**79.1 %**

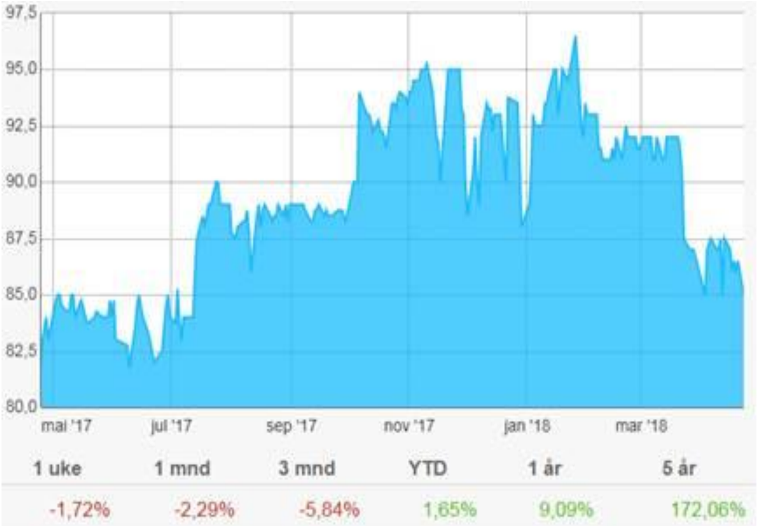
The bank has issued a total of 20 871 427 primary certificates value of NOK 10,-.

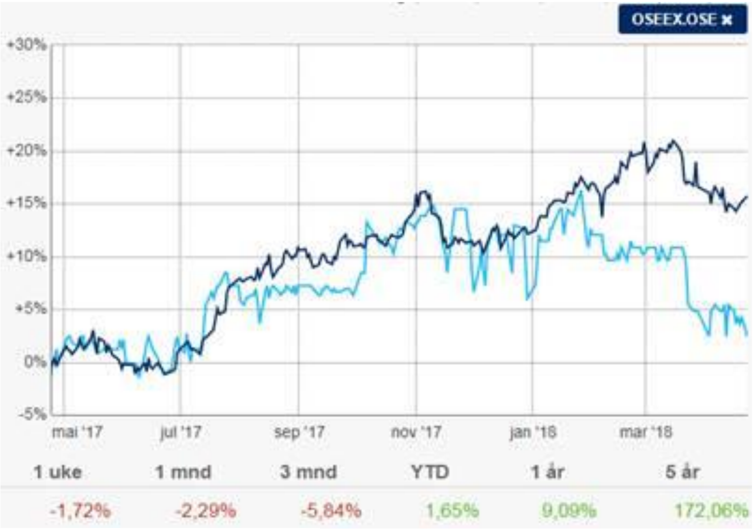
HELG – the 20 largest local owners

Per 31.03.18	Numbers	%		Numbers	% share
					Parent bank
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Torghatten ASA	16 824	0.1 %
Helgeland Kraft AS	377 691	1.8 %	Harald Svendsen	13 710	0.1 %
Vigner Olaisen AS	294 653	1.4 %	Dan Erik Kjellnø	13 000	0.1 %
Steffen Nervik	110 506	0.5 %	Sniptind Holding AS	13 000	0.1 %
Lars Aage Andersson	37 000	0.2 %	John Arne Warholm	12 640	0.1 %
Reinfjell Holding AS	34 108	0.2 %	Sally Helene Øyjord	12 000	0.1 %
RWH AS	31 447	0.2 %	Helgelands Blad	10 914	0.1 %
Coop Helgeland	23 421	0.1 %	Øijord & Aanes AS	10 288	0.0 %
Svenningdal Trevarefabrikk AS	21 964	0.1 %	Per Gunnar Hjorthen	9 505	0.0 %
Bakeriet Mo i Rana AS	19 998	0.1 %	Ove Arild Alfheim	9 477	0.0 %
Sum 10 største eiere	**8 205 808**	**39.3 %**	**Sum 20 største eiere**	**8 327 166**	**39.9 %**

43% of the EC's are owned by local owners.
96% of the employees are EC owners. Program for annual increase of the owner share started in 2017

HELG – EC development and liquidity





	2016	2017	Q1 2017	Q1 2018
EC fraction	75.1 %	76.5 %	76.5 %	76.3 %
Number of EC's	20.9	20.9	20.9	20.9
Stock exchange price	81.0	88.0	80.5	87.0
Stock value	1 692.9	1 839.2	1 682.5	1 818.3
Accounted equity per EC	101	109.5		
Profit per EC	13.5	9.5	2.4	2.6
Dividend per EC	3.75	4.00		
Price/Accounted EC	0.8	0.8	0.8	0.8

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Change in customer behaviour and customer expectations

- Reduced and changed use of the bank venue
- Strongly decreased use of cash
- Strongly increased use of smart phones
- Expectations of self-service, chat and online help
- Enlightened and competent customers
- Floating customer expectations; contagion from other industries
- Local banks will still deliver
  - Good customer expectations, still important
  - Customer relations, still important

What does the change mean for the local banks?

- Competition from digital banks gives margin pressure
- IT costs increases as a consequence of regulatory demands and new customer solutions.
- Competence challenges.

What is implemented?

- Closure of offices (2017)
- Authorization of all advisors (AFR and internally CM)
- Reevaluation of strategic platform
- Sales process of three properties
- New mobile bank
- Automatization of credit process and increased use of credit self-help
- New company agreement
- New form for communication and visibility
- Changed organization and changed work content in several departments; efficiency improvements
- Our digital employee “Lille Fix” is working in several processes – more to be!
- Increased cost monitoring – more to be!

Prospects and priorities

Prospects

- Profitable growth in the Retail market
- Maintain market position and profitability in the corporate market and be a driving force for growth in Helgeland
- Streamline and automate support functions

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Profit & loss

Helgeland Sparebank (group)							
	Q3/2016	Q4/2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Net interest- and credit provision earnings	133	134	135	141	142	147	141
Net provision earnings	22	21	20	22	21	23	22
Other operatios income	1	2	1	1	0	2	1
Ordinary operations cost	65	72	69	68	71	67	72
Result basic operations	91	85	87	96	92	105	92
Write-downs lending and warranties	5	20	6	19	11	30	8
Income by conversion to defined contribution		-2					
Net value change financial instruments	20	22	3	14	19	-3	10
Gross profit	106	85	84	91	100	72	94
Net profit	84	69	64	73	81	55	73
Net extended income posts	5	8	8	-1	6	51	1
Profit for the period	89	77	72	72	87	106	74

Balance

Helgeland Sparebank (group)			
	31.03.18	31.03.17	Change
liquid assets	916	579	337
Net lending to customers	26 503	25 089	1 414
Certificates and shares	4 380	4 106	274
Other assets	354	328	26
Assets	**32 153**	**30 102**	**2 051**
Deposits from customers	16 832	16 270	562
Money market financing	11 245	9 961	1 284
Other liabilities	503	517	-14
Subordinated debt	300	300	0
Equity	3 273	3 054	219
Liabilities and equity	**32 153**	**30 102**	**2 051**

Helgeland Sparebank – Subsidiary and associated companies

helgelandboligkreditt 100 %

Helgeland Boligkreditt has concession as a credit company with permission to issue covered bonds. The company will ensure stable and long-term financing for the Group under competative conditions.

HELGELAND INVEST 48 %

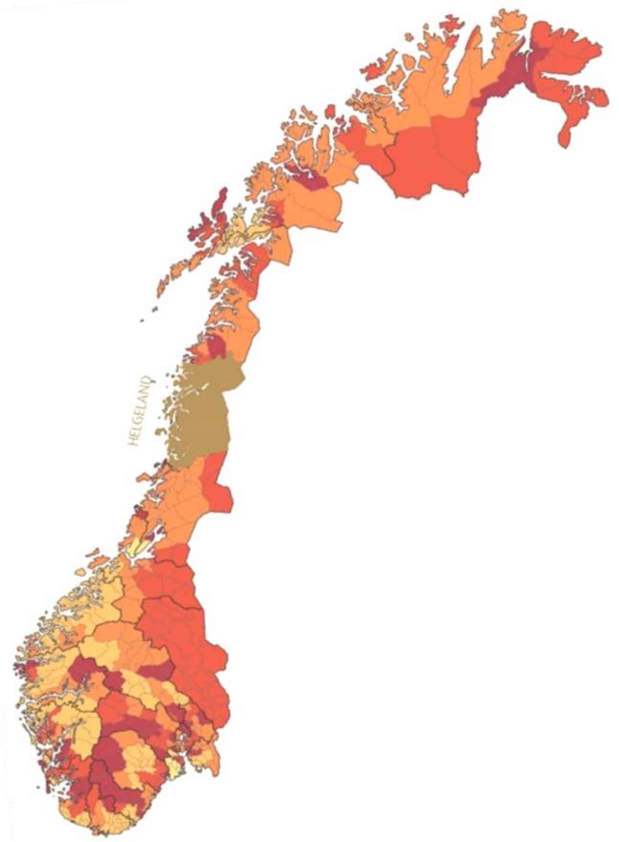
Helgeland Invest AS is an investment company localized in Helgeland.

REDE EIENDOMSMEGLING 40 %

REDE Eiendomsmegling AS. The company is market leading on Helgeland and is the banks cooperation partner. The company has 25 employees with offices in the banks premises in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.

Helgeland Sparebank

- Vision: a driving force for growth in Helgeland.
- Business concept: to be a profitable and the leading bank in Helgeland. The bank provides financial products and services to consumers, small and medium-sized businesses, municipalities and other institutions related to Helgeland.
- Offices: The Bank has four full service offices. These are located in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund. The bank have also 2 minor offices.
- Helgeland Sparebank is the 11th. largest savings bank in Norway.
- Total assets: MNOK 32 153
- Employes, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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Bjørn Audun Risøy, deputy chairman
Eva Monica Hestvik
Inga Marie Lund
Nils Terje Furunes
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