

Presentation
Q1 2019

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 31.03.19 (HSB Group)



Hanne 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 31.03.19

Gross profit	MNOK 93 (94)
ROE	8.7 (9.0) %
Total assets	34.4 (32.2) bn
Solidity	CET1 15.1 (15.6) %

Main features per 31.03.19

Property agent buys Hotell Syv Søstre

- Property agent Ragde Eiendom AS and Breidablikk Eiendom AS have signed the contract for the purchase of Hotell Syv Søstre in Sandnessjøen. These are long-term owners who will work to open the hotel as soon as possible. The sales price harmonizes with the loss assessment made in Q4 2018.

Main features per 31.03.19

3 new representatives on the bank's board in 2019

New Chairman of the board

- Stein Andre Herigstad-Olsen is 42 years old, a business economist with specialization in finance. He is CEO of Torghatten Trafikkselskap and Chief financial officer of Torghatten ASA.

New board members

- Siv Moxness is a civil engineer with a long time period in the aquaculture industry working for Aquarius, Kystinkubatoren and now general manager og Vigner Olaisen (from 01.07.19).
- Tone Helen Hauge is a Pharmacist and is currently regional manager for Apotek 1 Norge.

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

$\leq 1 \%$

Dividend ratio:

50 %

of the dividend basis

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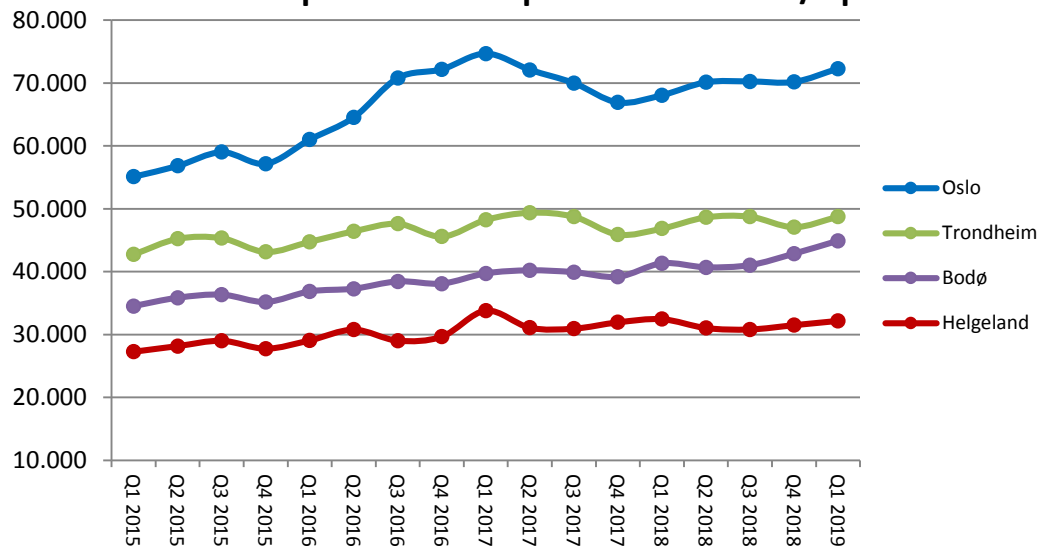
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Property price development

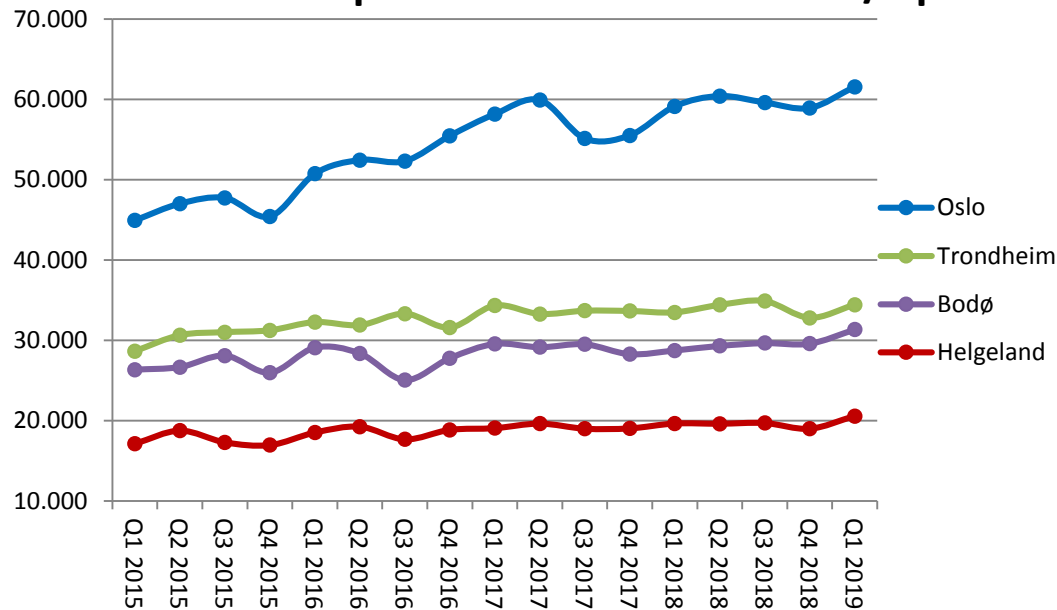
Price development - sold apartments in NOK/sqm



Price developments in the 1st quarter, 2.2 % in Helgeland and 3.0 % in Oslo.

Stabile property price development

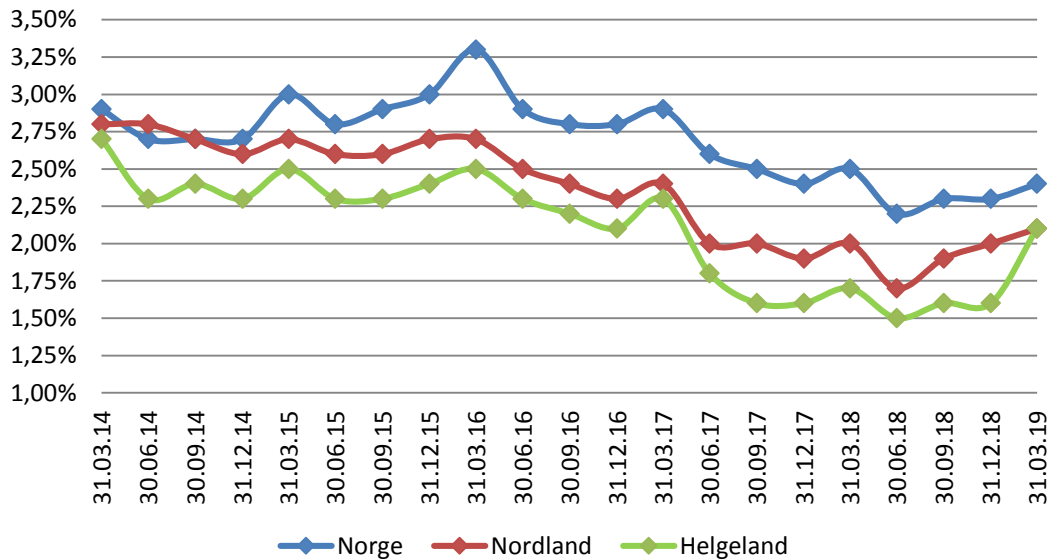
Price development - sold villas in NOK/sqm



Price developments in the 1st quarter, 8.3 % in Helgeland and 4.5 % in Oslo.

Unemployment

Unemployment in %, Norge, Nordland og Helgeland



Unemployment in Helgeland and in Nordland is lower than for Norway as a whole.

- Norge 2.4 %
- Nordland 2.1 %
- Helgeland 2.1 %



Digital focus in Helgeland Sparebank

En drivkraft for vekst på Helgeland



Digital commitment • In general

- Strategy:
 - Self-service and automate → increased advisor capacity
 - Focus on integration, collaboration and new solutions
 - Insight work in relation to customers, products/services, digitalization
- Focus areas:
 - Self-service
 - Robotisation
 - Open Banking
 - Mobile payment

Digital commitment • Self-service

- Strategy: The customer wants it, we want it → we do it
- Mobile and online banking
 - External system provider
 - Continuous development of new, user-friendly services
- Self-service and automated credit processes
 - Consent-based loan application
 - New self-service processes during implementation
- Simple solutions for self-service
 - Web form with semi-automatic handling

Digital commitment • Robotisation

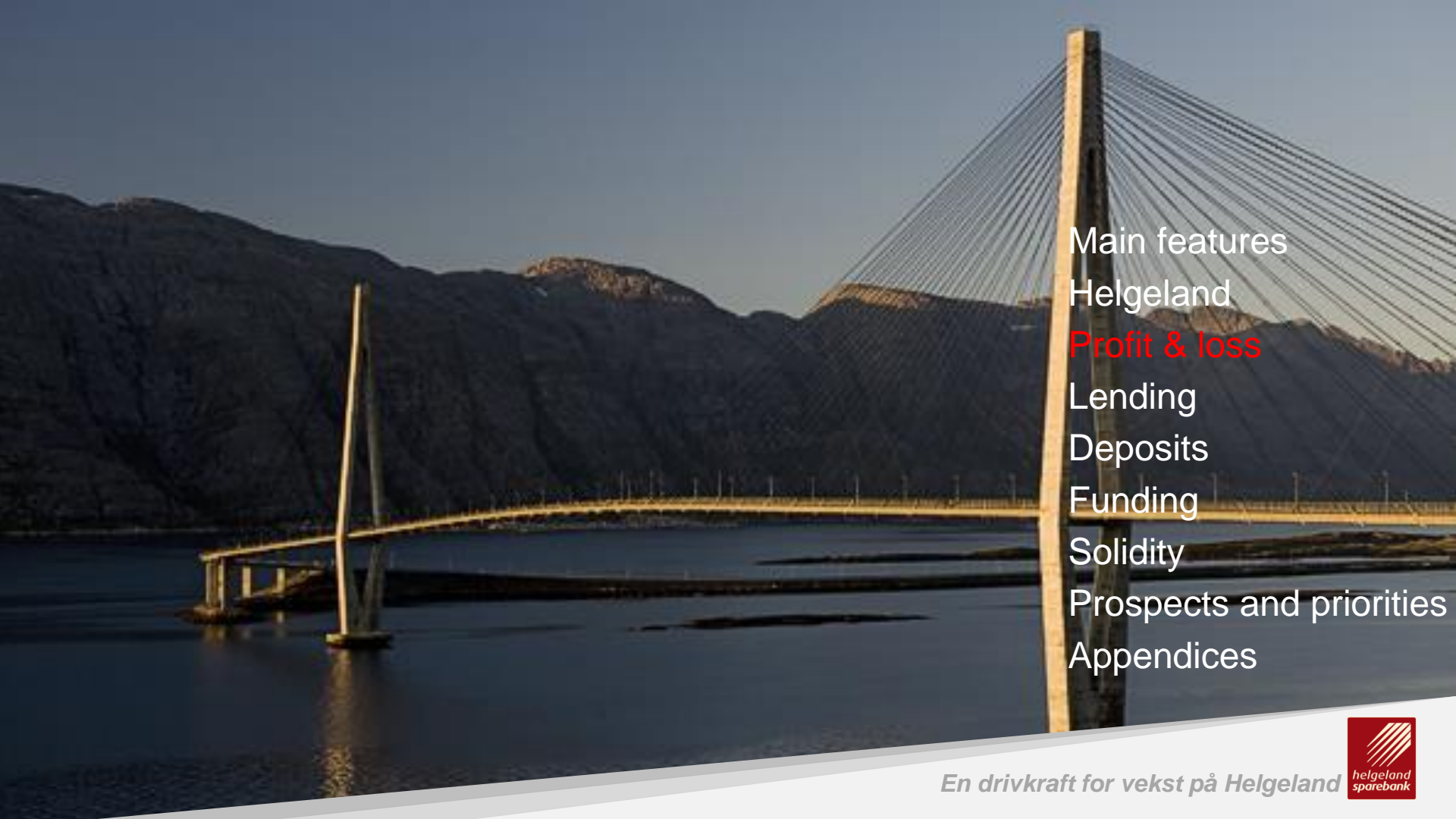
- Strategy: Internal professional environment, increased capacity
- Upscale automation
 - Established professional environment
 - Robotic internal processes
- Integration
 - Integrate automation solution with CRM
 - Automate web form and simple self-service mechanisms

Digital commitment • Open Banking

- Strategy: Integration og cooperation
- «Transparency"
 - Compliance in relation to PSD2-requirments - In route – Q3/19
 - Extended cooperation with third parties - At the idea stage
- «Perspective"
 - Accounts from other banks in our channel solutions - Under development Q3/19
 - Services from other companies in our channel solutions – At the idea stage

Digital commitment • Mobile payment

- Strategy: Open, but pending
- Tokenization
 - Safe, exciting, future, immature market
 - Differentiated implementation:
 - Support for tokenization Under development - Q3/19
 - Support for BankAxept Under development - Q3/19
(Vipps in store)
 - Support for various Wallets Pending
- Wearables
 - Simple, cheap, low threshold, mature market and important to show that we are forward-thinking
 - Support for BankAxept og Visa Under development - Q3/19



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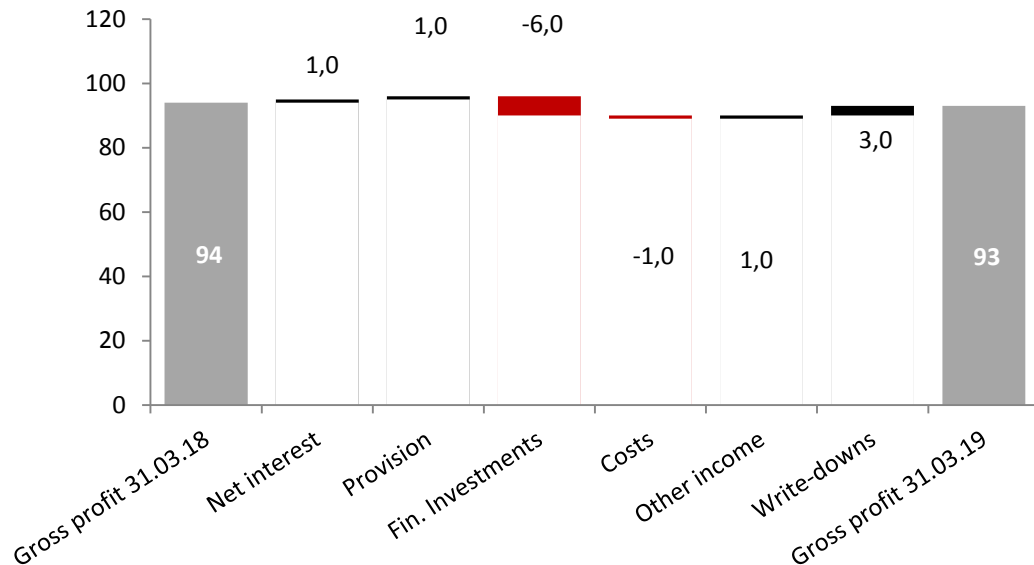
Solidity

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Result

Change in gross profit (MNOK)



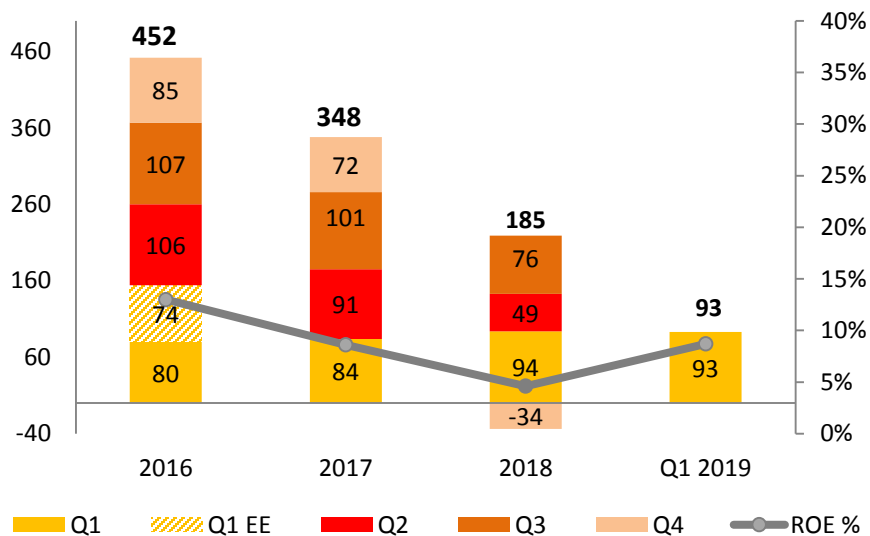
Good result

Gross profit MNOK 93

- Decreased income from financial investments
- Decreased write-downs on lending

Profit

Profit development (MNOK)



Result Q1

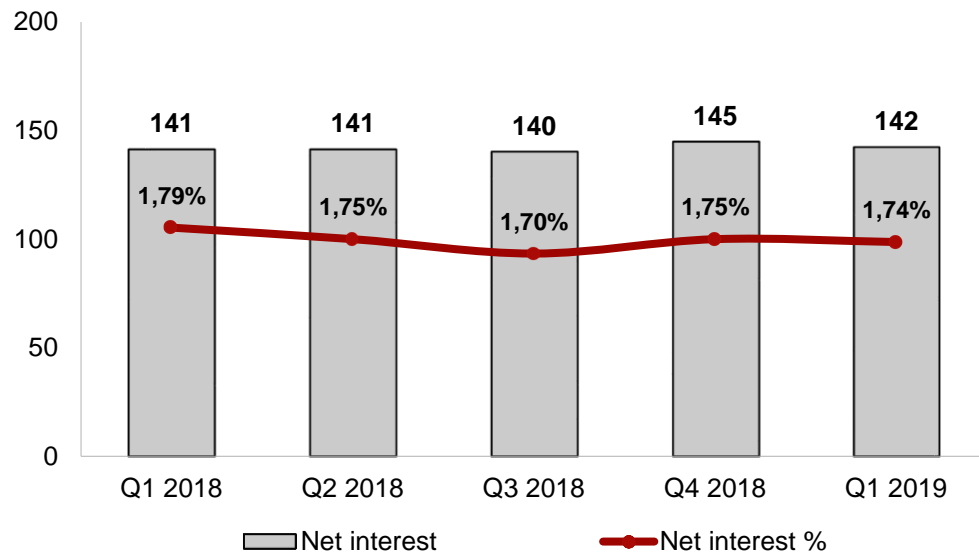
Gross profit MNOK 93

- Net ROE 8.7 %

(One time effect pension MNOK 74 in Q1 2016)

Net interest

Development net intr.(mnok.) and % of average BTA

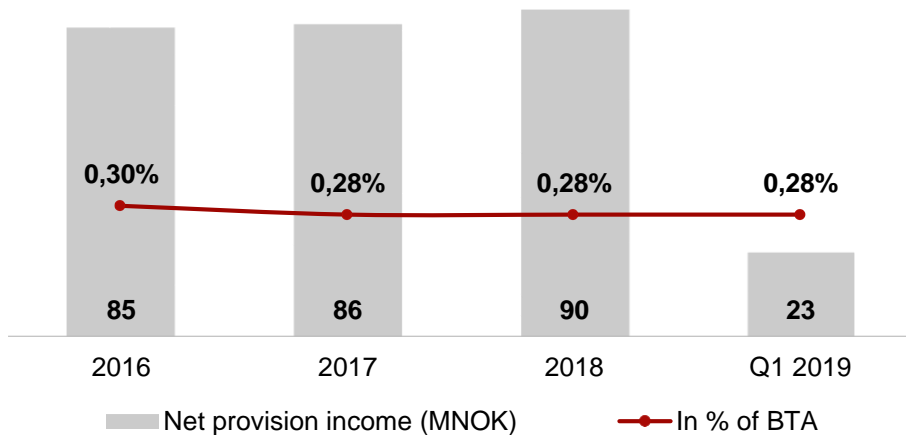


- Effect of latest interest rate change
- Higher funding costs with increased Nibor interest rates
- Decided interest rate change on May 22nd will have positive effect on net interest

Provision

Development net provision income

- Stable commission income



Helgeland Sparebank- product companies



7.9 %

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



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.



10 %

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

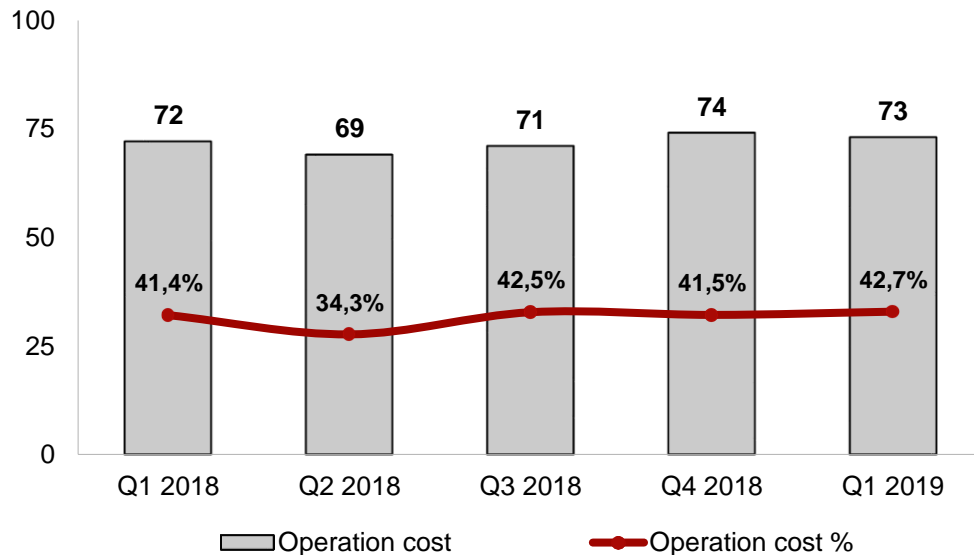


6.9 %

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

Operating costs

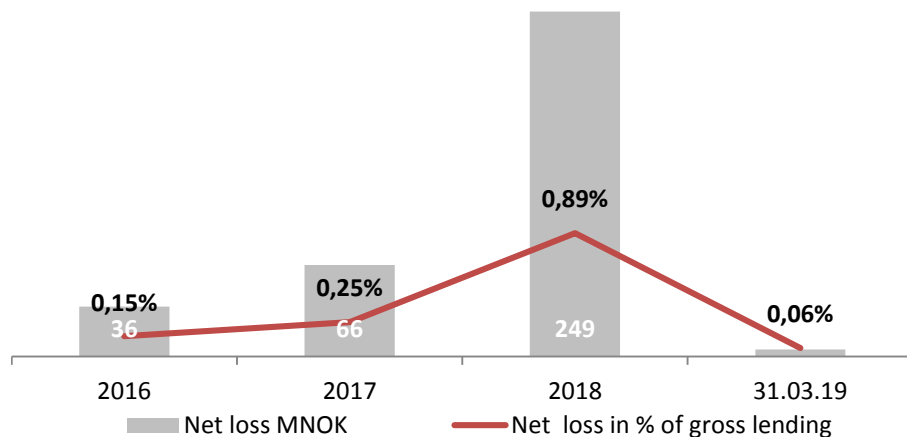
Operating cost (mnok) and % of income



Stable costs in NOK

- Costs in % of revenue 42.7

Loss on commitments



Low loans losses

- MNOK 5 in loan losses in Q1



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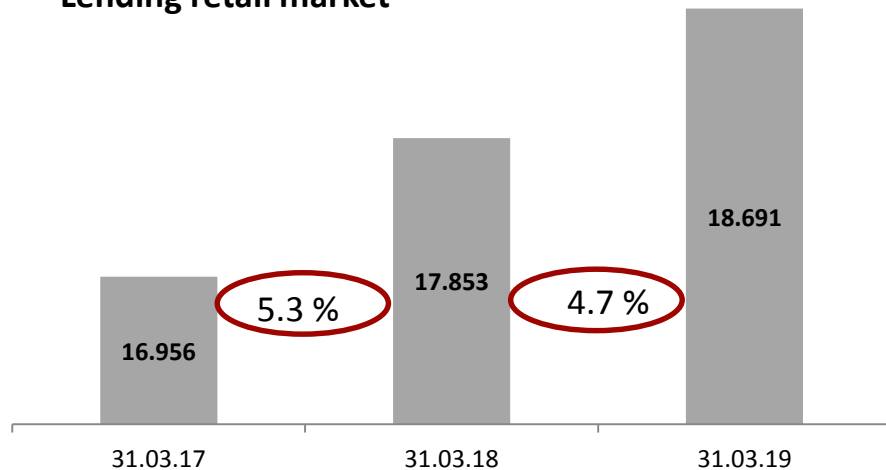
Solidity

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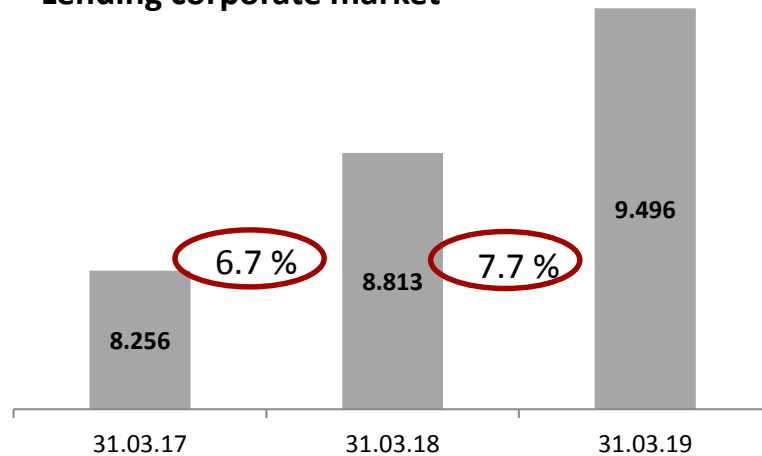
Appendices

Growth

Lending retail market

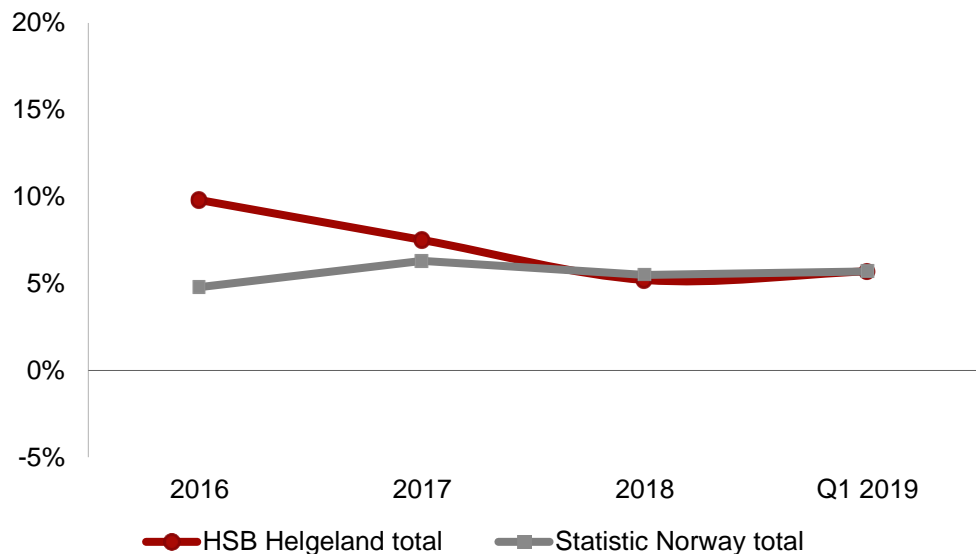


Lending corporate market



Credit growth

12-month credit growth



Credit growth HSB

- 12-month growth 5.7 (5.8)%

Locally in Helgeland

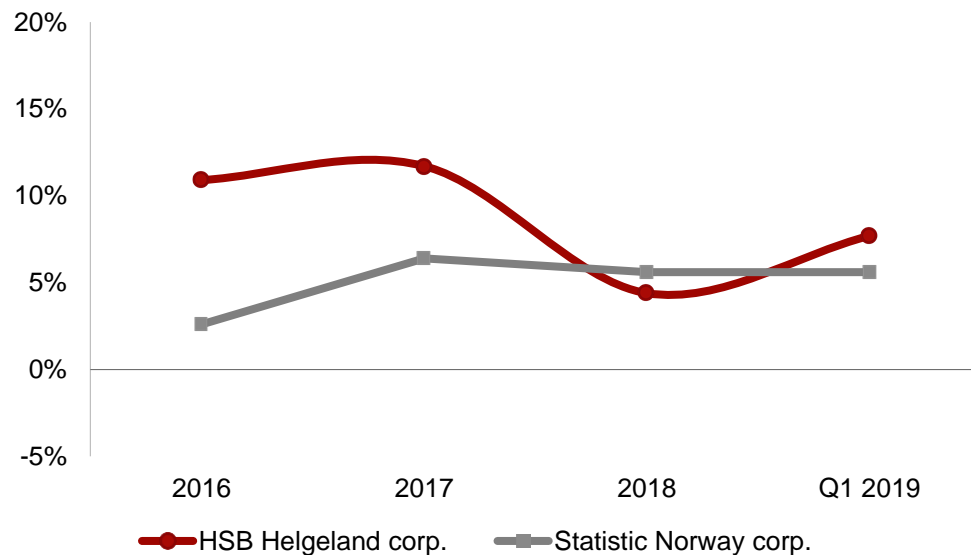
- Per Q1 82.4 (83.5)%

PM share

- Target minimum 60%
- Per Q1 66.3 (67.0)%

Credit growth CM

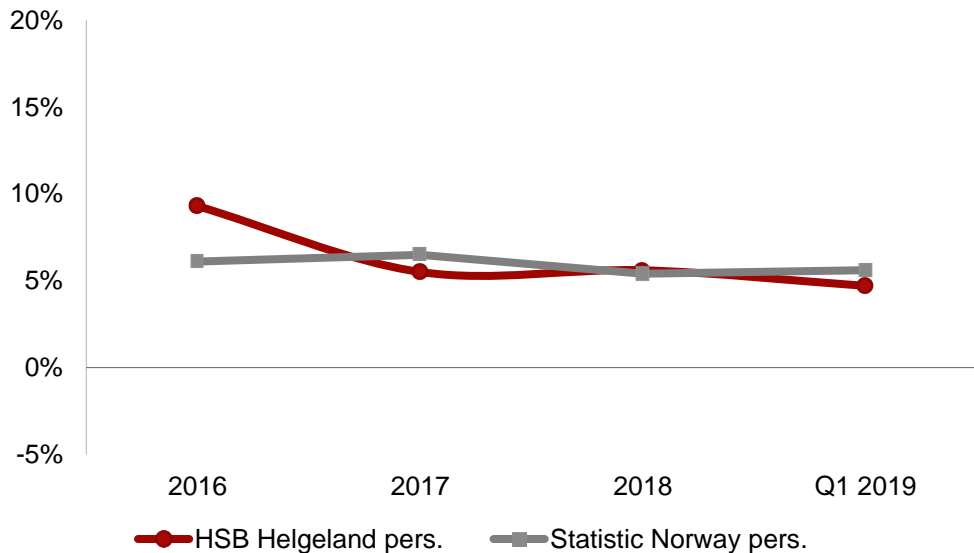
12-month credit growth corporate market



12 month growth CM 7.7 (6.7) %
Expect lower 12 months growth
throughout the rest of 2019

Credit growth RM

12-month credit growth retail market

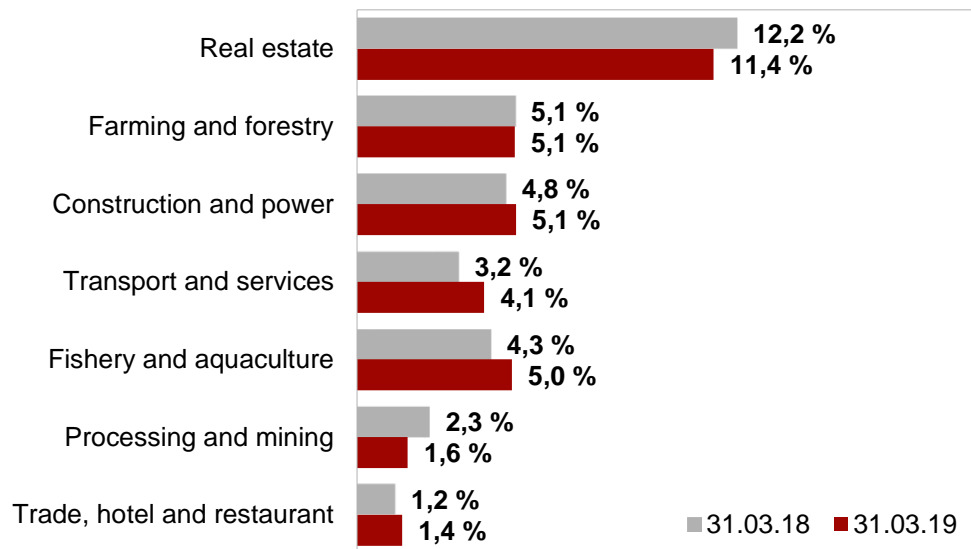


12 month growth RM 4.7 (5.3) %

- The bank's market shares are stable

Lending CM

Lending distributed in sector

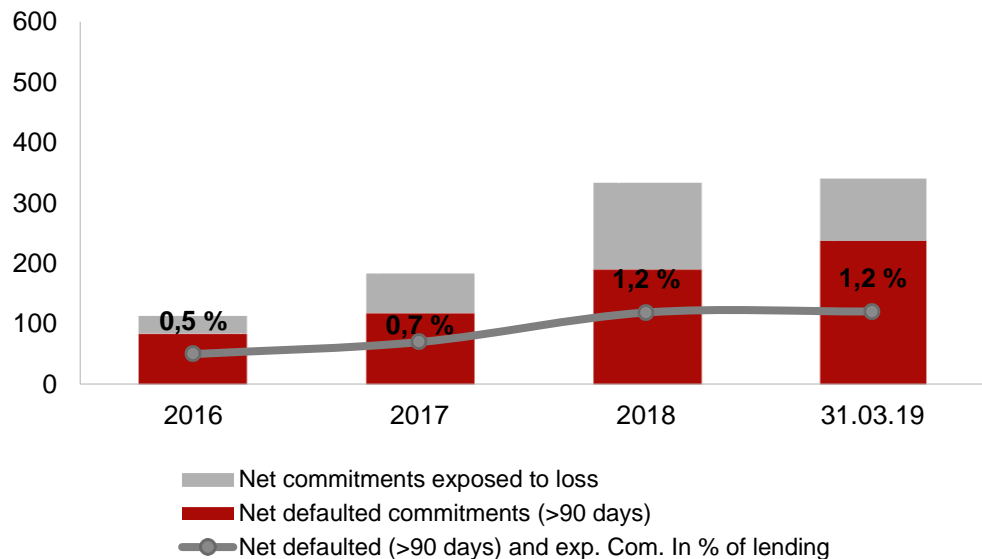


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.7 (33.0)% or MNOK 9 496 (8 951)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 340 an increase of MNOK 20 since year end. This amounts to 1.2 % of gross loans

Increase in defaults and doubtful commitments in 2018

- Restructuring a corporate engagement
- Hotel engagement

After the sale of the hotel is completed in the second quarter of 2019, the volume of defaults will be reduced by this commitment.



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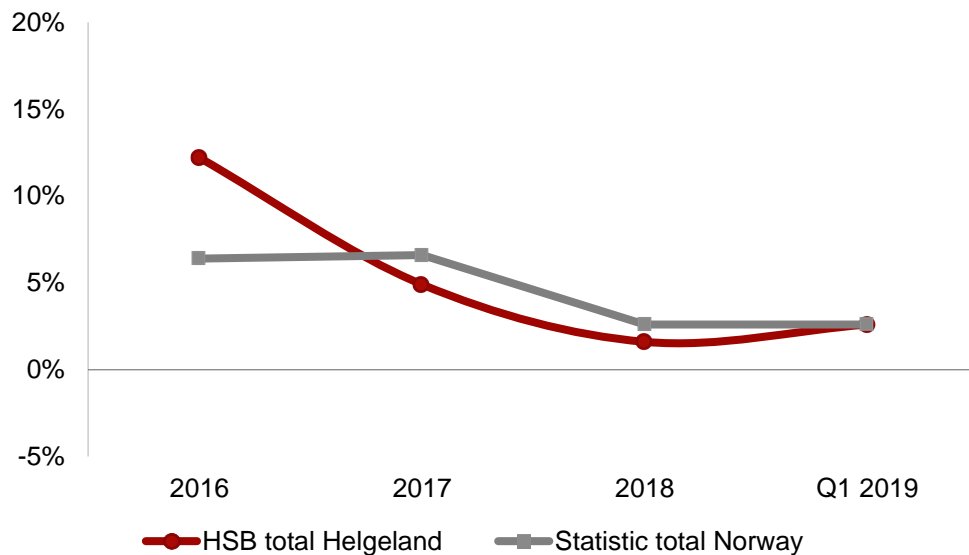
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Deposit growth

12-month deposit growth



12-month growth 2.6 (3.5)%

RM share

- Per Q1 57.7 (56.5)%

Locally in Helgeland

- Per Q1 89.9 (90.2)%

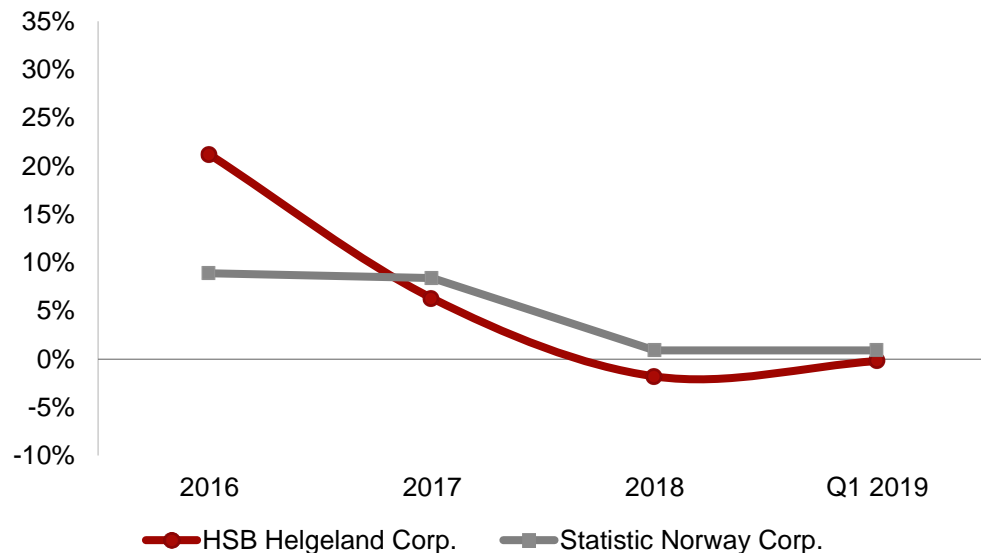
Deposit ratio

- Target minimum 60%
- Per Q1 61.3 (63.1)%

Deposit growth CM

12-month deposit growth corporate market

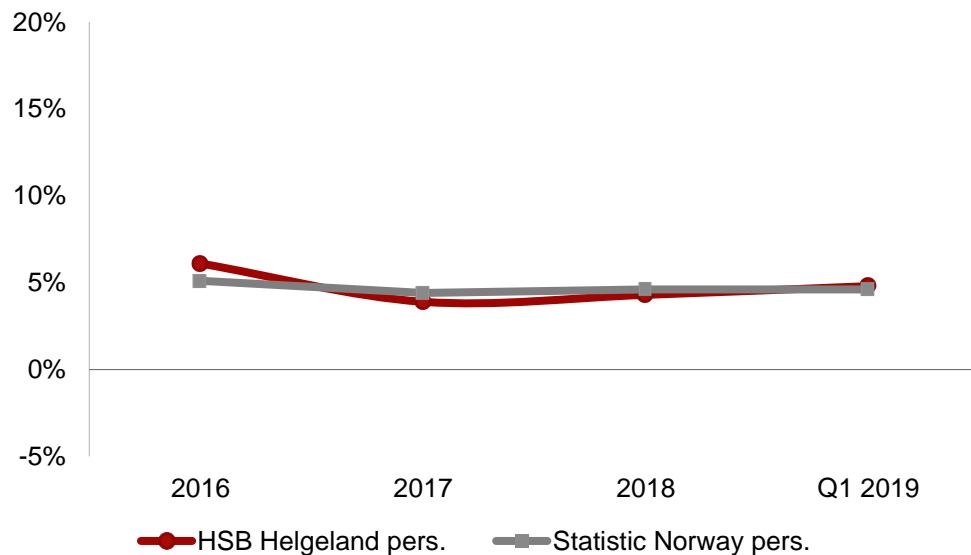
12-month growth CM -0.2 (+2.4)%



Deposit growth RM

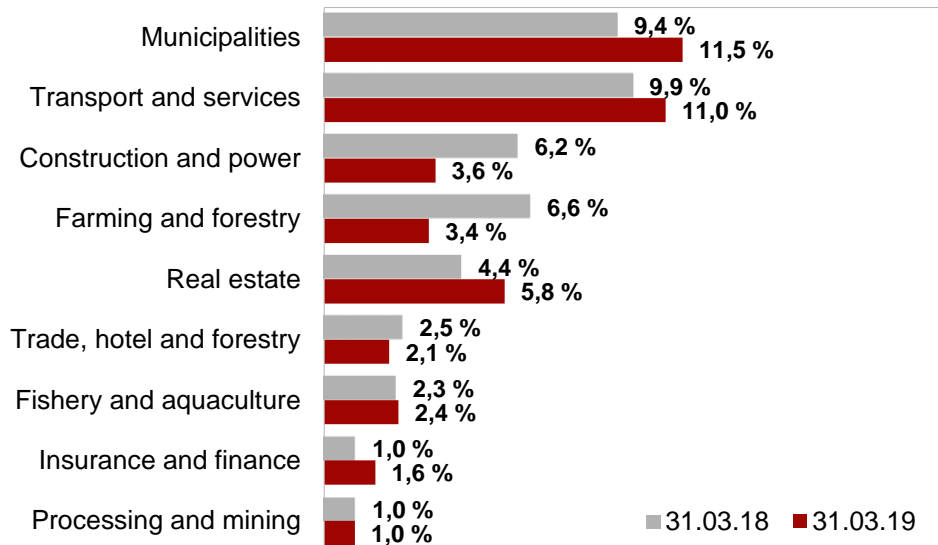
12-month deposit growth retail market

12-month growth RM 4.8 (4.2)%



Deposits CM

Customer deposits



Well diversified deposit portfolio in the CM

Share CM 42.3 (43.5)% or MNOK 7 303 (7 321) of total deposits

Deposits from municipalities constitute 27 % of the CM deposits



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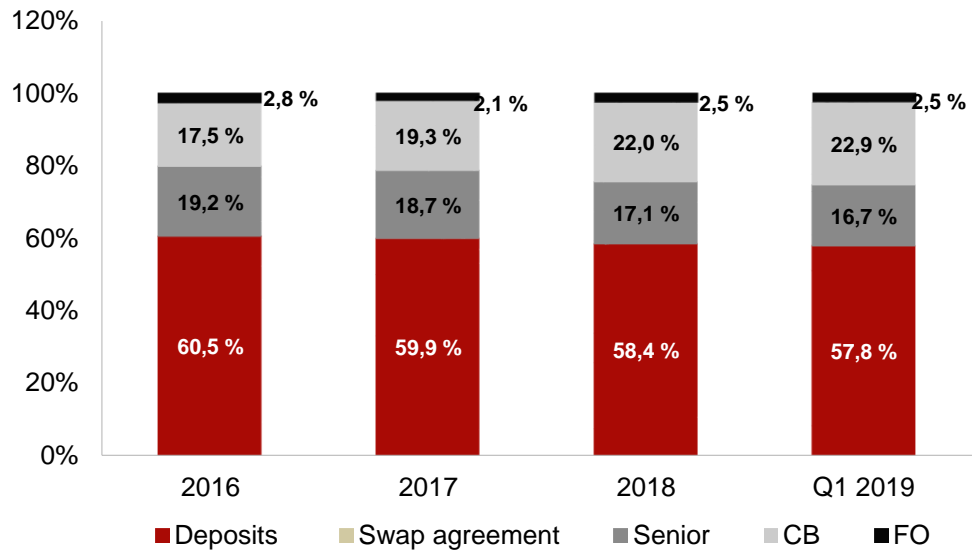
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En drivkraft for vekst på Helgeland



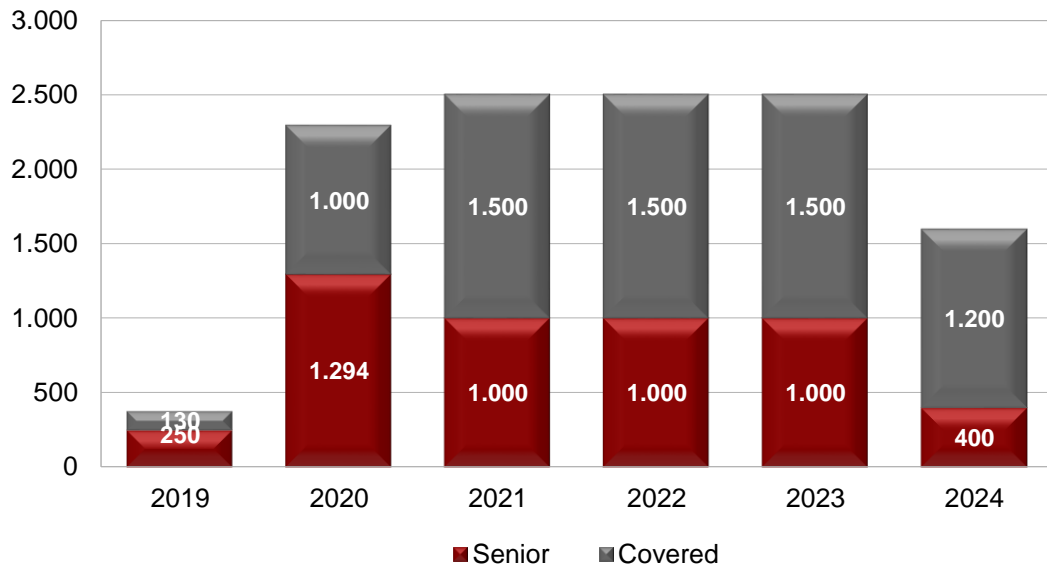
Funding

Funding development (MNOK)



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
94.3% (88.9)%

Combined duration of 2.9
(2.9) years. Duration in the
mortgage company 3.2 years

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 13 (15).
- CET1 ratio of 18.1 (20.1)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 494 (6 791) and CB MNOK 6 836 (5 707)

Good security in the lending portfolio

- Cover pool ratio of fullness 15 (25)%
- Combined LTV 56 (52)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 15 to 2 %

Maximum limit for transferring is 30% of the Group's gross lending, and 50 % of gross lending RM. Per 31.03.19 transfer degree is 26.6 and 40.1%

An aerial photograph of the Helgeland coastline in Norway. The image shows several large, rugged, rocky islands with steep cliffs and sparse vegetation. The water is a deep blue, and a long line of circular aquaculture pens is visible in the foreground. The sky is clear and blue.

Helgeland

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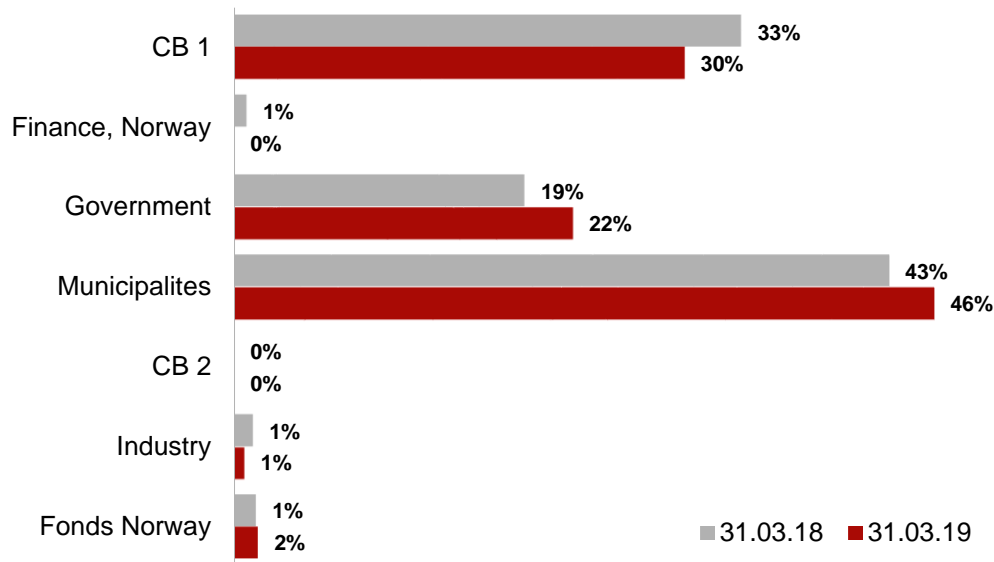
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Liquidity buffer

Sector distribution interest portfolio



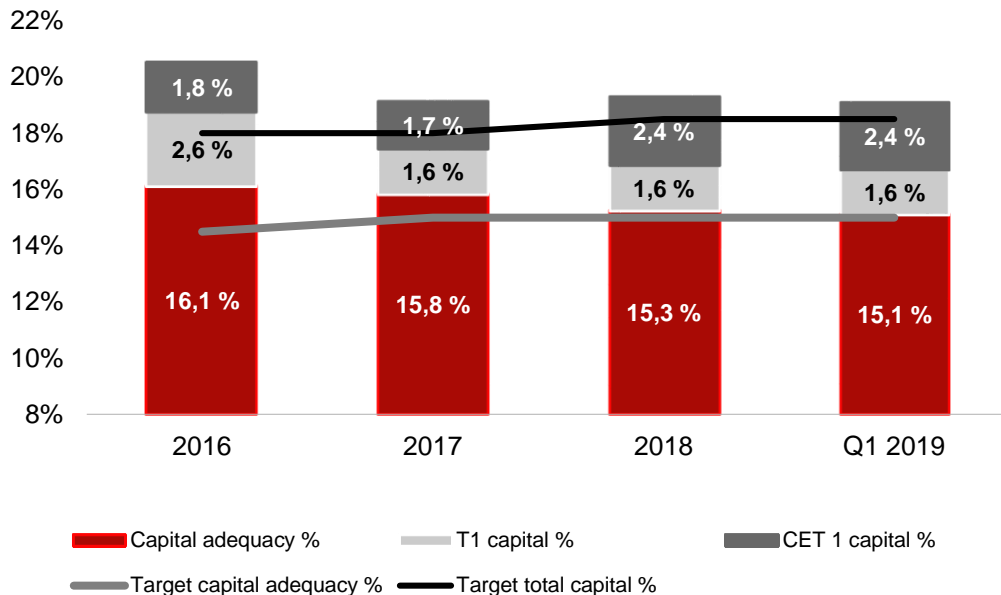
Interest bearing securities:

- Duration portfolio 2.0 (2.1) years
- 98 % rated A- or better
- 98.7 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy

Development capital adequacy



Capital ratio

- CET1 15.1 (15.6)%
- Core capital 16.7 (17.2)%
- Total capital 19.1 (19.0)%

The Group's capital targets included Pillar 2 addition of 2.2% amounts to 14.2%.

If 50% of the profit is included, CET1 would be 15.3%

New target CET1 15.0%

Leverage ratio: 9.1 (9.3)%.

HELG – the 20 largest owners

Per 31.03.19	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	Catilina Invest AS	256 046	1.2 %
Pareto AS	1 949 392	9.3 %	VPF Nordea Avkastning	244 270	1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Kapital	238 245	1.1 %
Merrill Lynch Prof.	1 126 043	5.4 %	AF Kapital Managemet	181 749	0.9 %
VPF Eika Egenkapital	719 823	3.4 %	Melum Mølle AS	177 000	0.8 %
Pope Asset Management BNY	532 973	2.6 %	Vigner Olaisen AS	144 653	0.7 %
Bergen Kommunale Pensjon.	475 000	2.3 %	Melesio Capital AS	137 188	0.7 %
MP Pensjon PK	462 203	2.2 %	VPF Nordea Norge Pluss	123 527	0.6 %
Lamholmen Invest AS	447 353	2.1 %	Nervik Steffen	115 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	VPF DNB	99 930	0.5 %
Total 10 biggest owners	14 813 485	71.0 %	Total 20 biggest owners	16 531 093	79.2 %

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

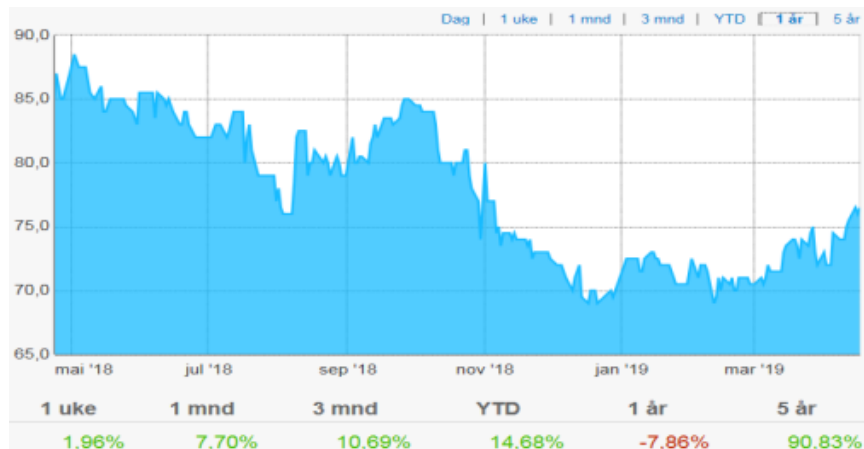
HELG – the 20 largest local owners

Per 31.03.19	Numbers	% share		Antall	%	% share
Sparebankstiftelsen Helgeland	7 315 020	35.05 %	Torghatten ASA		16 824	0.08 %
Helgeland Kraft AS	377 691	1.81 %	Harald Svendsen		13 710	0.07 %
Vigner Olaisen AS	144 653	0.69 %	Dan Erik Kjellnø		13 000	0.06 %
Steffen Nervik	115 000	0.55 %	Sniptind Holding AS		13 000	0.06 %
Lars Aage Andersson	42 000	0.20 %	Finn Mørk		13 000	0.06 %
Reinfjell Holding AS	35 608	0.17 %	John Arne Warholm		12 640	0.06 %
RWH AS	31 447	0.15 %	Sally Helene Øyjord		12 000	0.06 %
Coop Helgeland	23 421	0.11 %	Helgelands Blad		10 914	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.11 %	Øijord & Aanes AS		10 288	0.05 %
Bakeriet Mo i Rana AS	19 998	0.10 %	Ove Brattbakk		10 052	0.05 %
Total 10 biggest owners	8 126 802	38.9 %	Total 20 biggest owners		8 252 230	39.5 %

43% of the EC's are owned by local owners.

96% of the employees are EC owners.

HELG – EC development and liquidity



	2016	2017	2018	Q1 2019
EC fraction	75.1 %	76.5 %	76.3 %	76.4 %
Number of EC's	20.9	20.9	20.9	20.9
Stock exchange price	81.0	88.0	69.5	72.0
Stock value	1 692.9	1 839.2	1 452.6	1 504.8
Accounted equity per EC	101	108	110	112
Profit per EC	13.5	9.5	5.0	2.5
Dividend per EC	3.75	4.00	1.60	
Price/Accounted EC	0.8	0.8	0.8	

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Priorities 2019



- Adapt the calculation basis for capital adequacy given the requirement for countercyclical buffer.
- Profitable growth in the retail market: maintain market position.
- Increased width sales
- Continue the restructuring of the portfolio and increase the profitability of the corporate market.
- Simplify and improve work processes.
- Streamline and automate support functions.

A photograph of two young girls walking hand-in-hand on a dirt path in a forest. The girl on the left has short brown hair and is wearing a white cable-knit sweater, blue jeans, and pink rain boots with yellow floral patterns. The girl on the right has long brown hair in a braid and is wearing a blue and white striped sweater, blue jeans, and solid pink rain boots. They are both smiling and looking at each other. The background is a lush green forest with many trees and foliage.

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Profit & loss

Helgeland Sparebank (group)									
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Net interest- and credit provision earnings	135	141	142	147	141	141	140	145	142
Net provision earnings	20	22	21	23	22	22	22	24	23
Other operatios income	1	1	0	2	1	3	6	6	2
Ordinary operations cost	69	68	71	67	72	69	71	74	73
Result basic operations	87	96	92	105	92	97	97	101	94
Write-downs lending and warranties	6	19	11	30	8	83	20	138	5
Income by conversion to defined contribution									
Net value change financial instruments	3	14	19	-3	10	35	-1	4	4
Gross profit	84	91	100	72	94	49	76	-34	93
Net profit	64	73	81	55	73	42	62	-28	71
Net extended income posts	8	-1	6	51	0	0	0	0	0
Profit for the period	72	72	87	106	73	42	62	-28	71

Helgeland Sparebank – Subsidiary and associated companies



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 competitive conditions.



48 %

Helgeland Invest AS is an investment company localized in Helgeland.

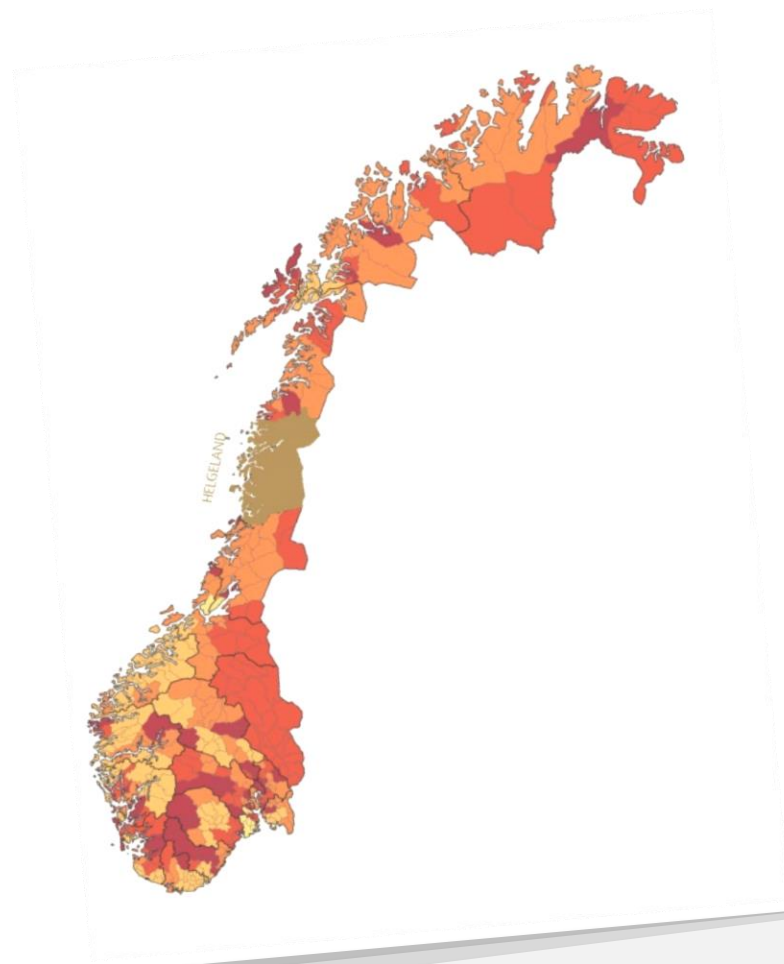


40 %

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 33 355
- Employees, annual positions: 150
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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

Hanne Nordgaard, CEO, 416 85 777 – Hanne.Nordgaard@hsb.no

Investor Relations

Sverre Klausen, CFO, 916 88 286 – sverre.klausen@hsb.no
Tore Stamnes, Head of Treasury, 415 086 60 – tore.stamnes@hsb.no

Board of directors

Stein Andre Herigstad-Olsen, chairman
Bjørn Audun Risøy, deputy chairman
Marianne Terese Steinmo
Siw Moxness
Nils Terje Furunes
Tone Helen Hauge
Birgitte Lorentzen
Geir Pedersen