

Presentation
Q2 2018

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 30.06.18 (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 30.06.18

Gross profit	MNOK 143 (175)
ROE	7.0 (8.7) %
Total assets	32.3 (30.5) bn
Solidity	CET1 15.3 (15.7) %

- Single loss of MNOK 40 in Q2 in addition to increased expected loss IFRS 9
- MNOK 15 recognized as income after merge between Vipps, BankID and BankAxept

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

$\leq 1 \%$

Dividend ratio:

50 %

Of the dividend basis



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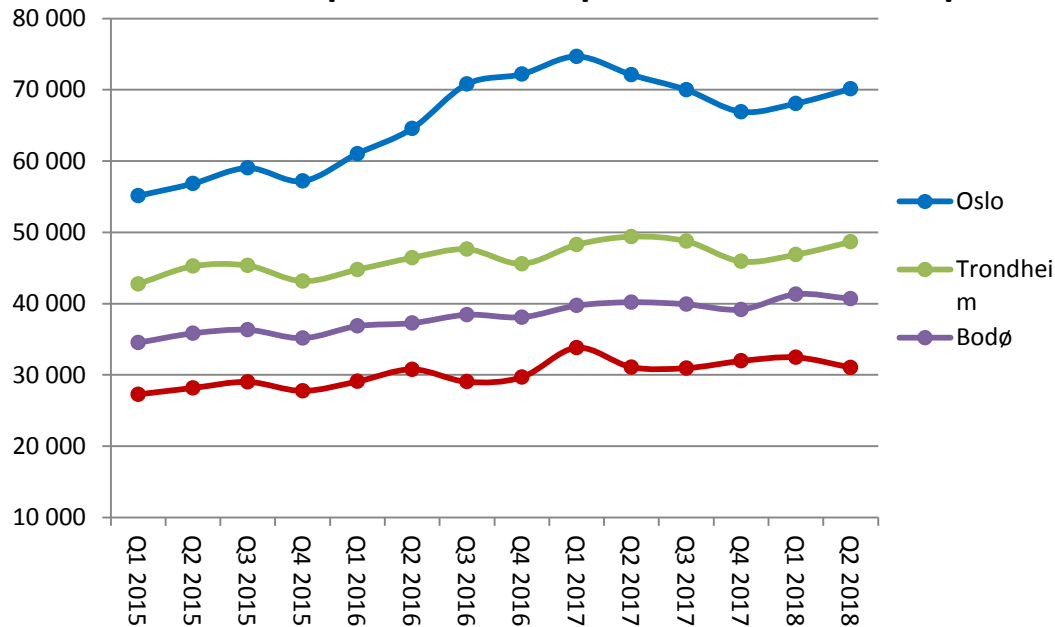


Macro

Macro	Helgeland	Norge
Growth turnover in the business community last 2 years	12.1 %	0.5 %
Price growth villas Q1	-4.4 %	1.8 %
Price growth apartments Q1	-0.1 %	
Unemployment 31.03.18	1.5 %	2.2 %
12 month population growth 31.12.17 (Helgeland Q3)	0.2 %	0.7 %
New jobs 2017 – number of employees	-10	

Property price development

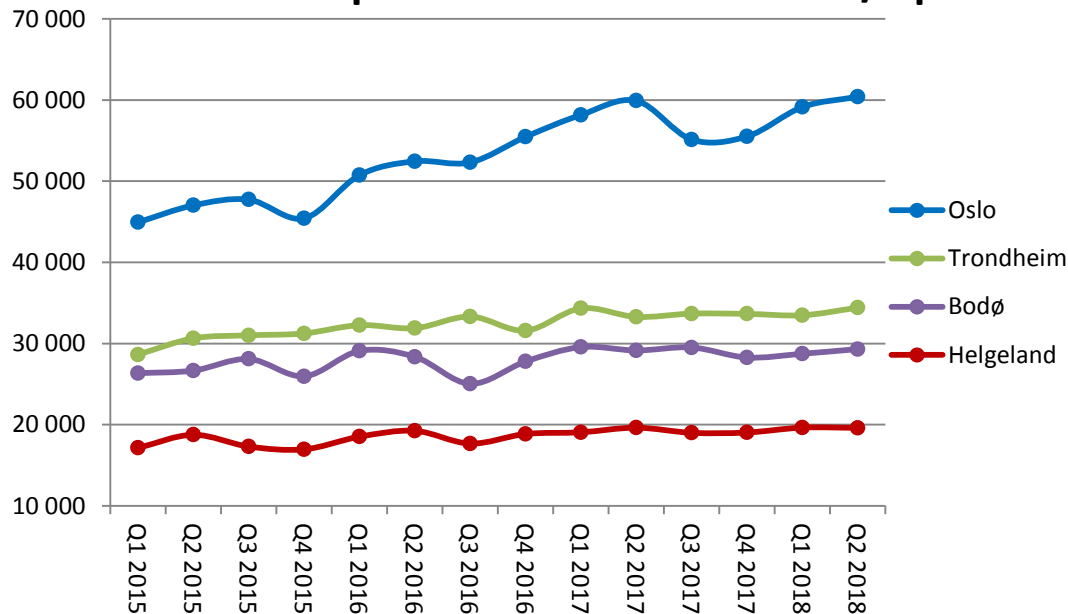
Price development - sold apartments in NOK/sqm



Price development was negative 2nd quarter, -4,4 in Helgeland and 3.0 % in Oslo.

Stabile property price development

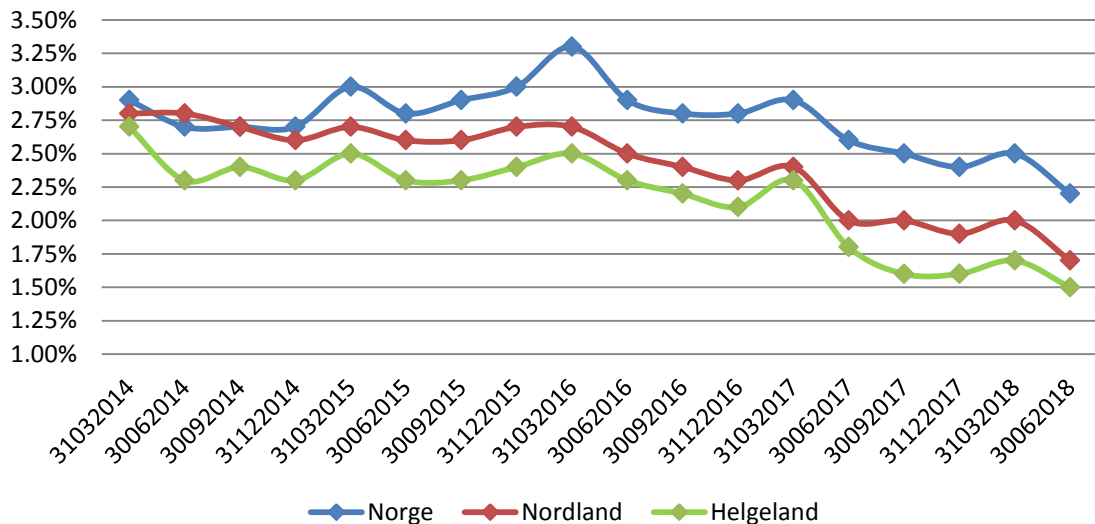
Price development - sold villas in NOK/sqm



Price increase in Helgeland was -0.1 % and 2.2 % in Oslo 2nd quarter

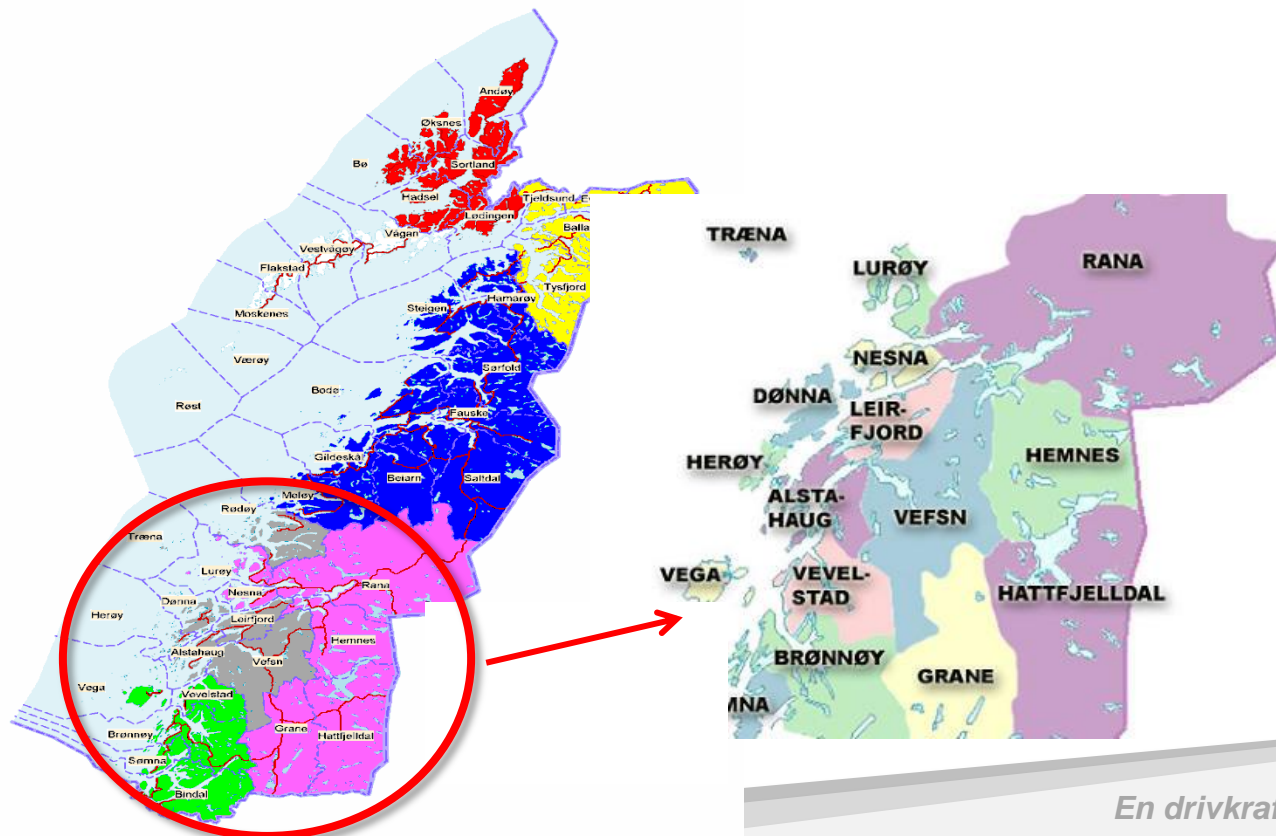
Unemployment

Unemployment in %, Norge, Nordland og Helgeland



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 km²

Helgeland – our market area



- Approximately 1/3 of Nordlands population – but stands for approximately 2/3 of Northern Norways total production of goods!
- One of Norways largest producers of electrical power
- Norways largest industry concentration (metals)
- One of the country's most important mineral- and mining regions
- Large oil and gas resources is under development and production outside the coast
- Nationally leading region in production of salmon
- Stands for more than 65% of Northern Norways total agricultural production
- National potential to be leading in development of green industries (Bio economy)
- Expected growth in population, corporation and transports in/out of the region

Helgeland

South Helgeland



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

Outer Helgeland



- Alstahaug, Herøy, Dønna and leirfjord (total of 12 950 residents)
- Region center: Sandnessjøen
- The seven sisters, Dønnamannen, Petter Dass museum
- Largest employers: Alstahaug municipality, Marine Harvest, the hospital
- 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
- Largest employers: Alcoa aluminium including anode bakery, Vefsn municipality, the hospital
- 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
- Largest employers: Mo industry parks companies, Statens innkrevningsentral, National library, NRK licence office, Rana municipality, the hospital
- Salmon farming



Main features

Helgeland

Profit & loss

Lending

Deposits

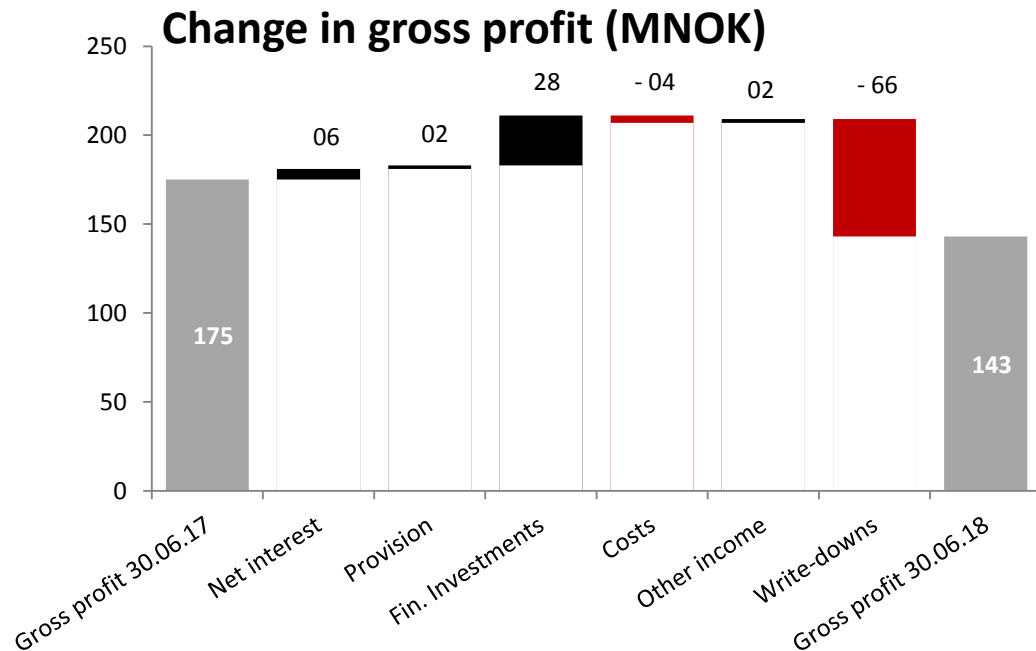
Funding

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Result



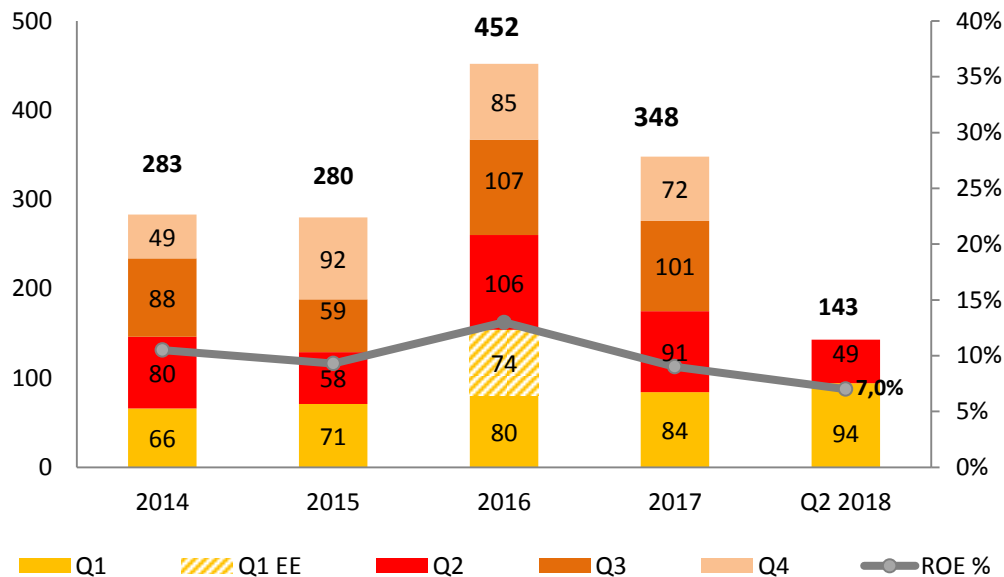
Good result

Gross profit MNOK 143

- Higher write-downs on lending
- Increased income from financial investments

Profit

Profit development (MNOK)



Result Q2

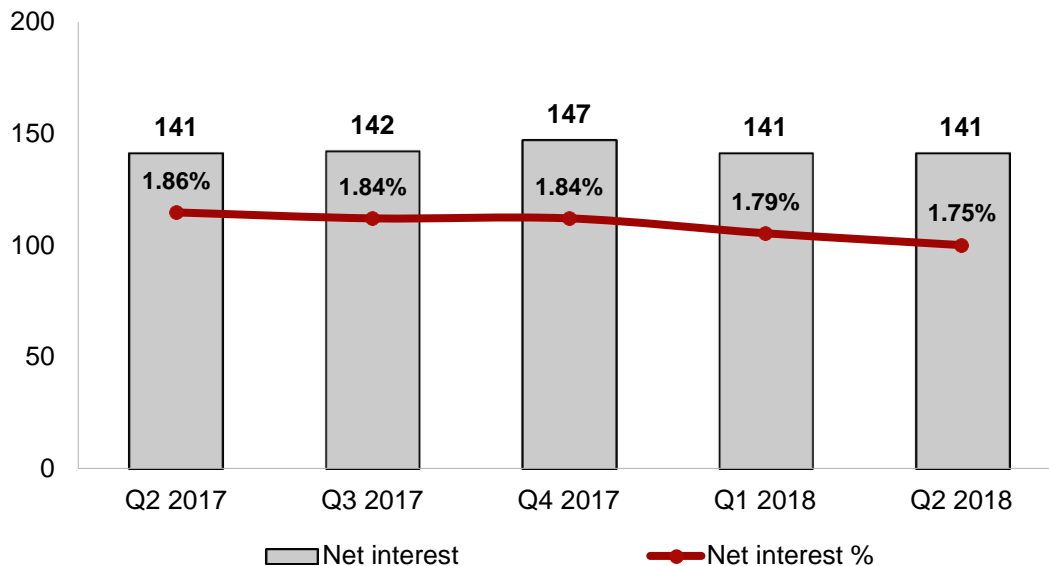
Gross profit MNOK 143

- Net ROE 7.0 %

(One time effect pension MNOK 74 in Q1 2016)

Net interest

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

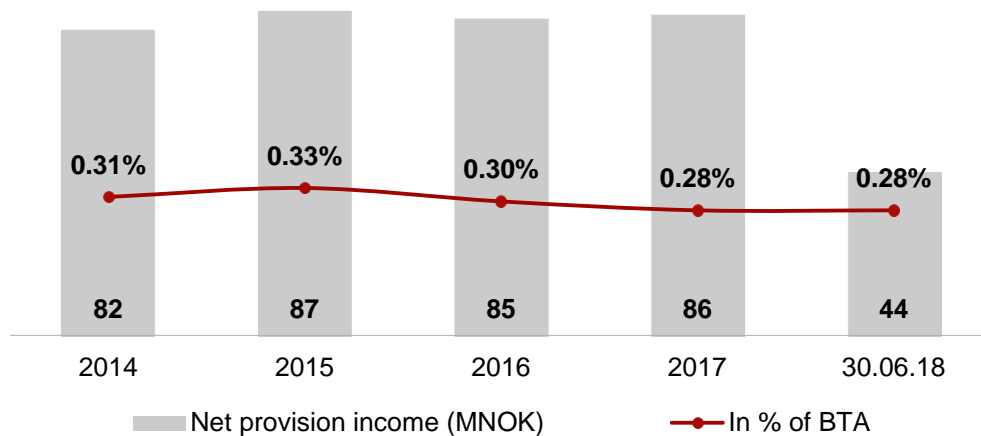


Decrease in Q1 and Q2 2018

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

Provision

Development net provision 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.

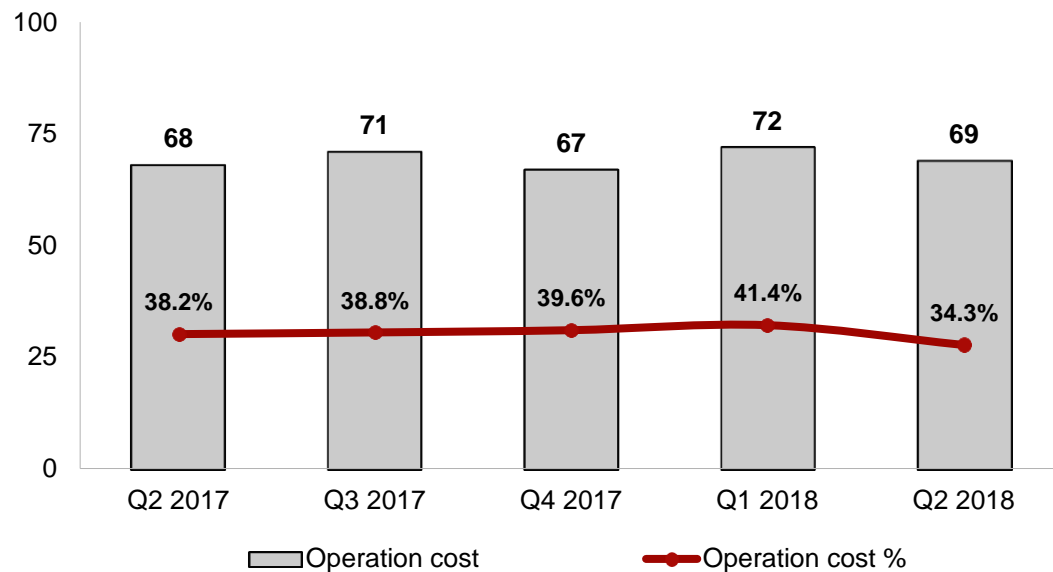


6.7 %

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

Operating costs

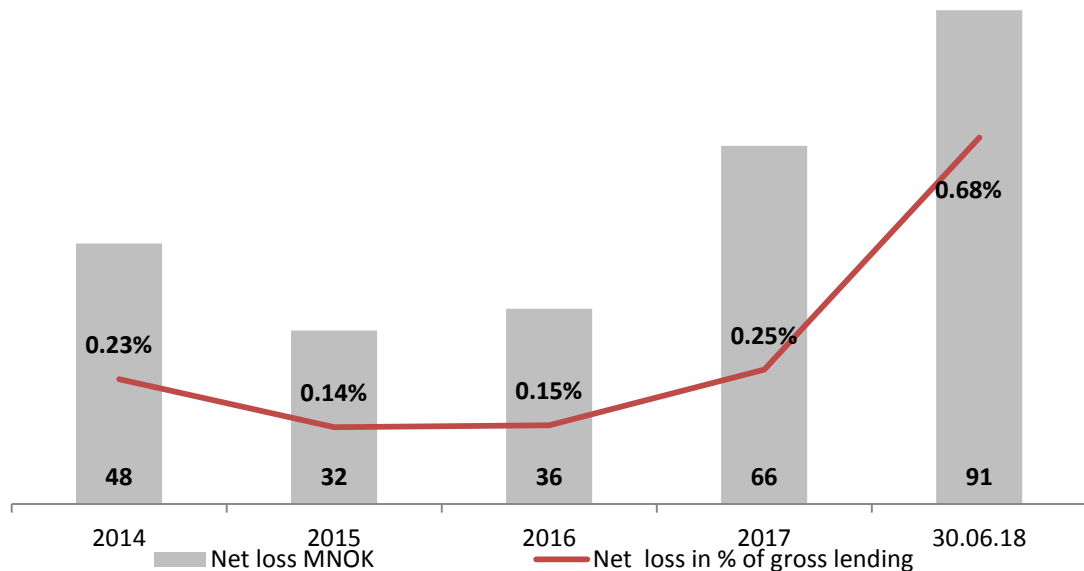
Operating cost (mnok) and % of income



Costs in % of income

- Cost in % of income so far this year was 37.6 %

Loss on commitments



In relation to a restructuring on a corporate commitment, a single loss of MNOK 40 has been recognized in 2nd quarter 2018.

In addition, a large commitment has gone to default, and calculated expected loss in accordance to IFRS 9 has increased by MNOK 38 on this commitment.

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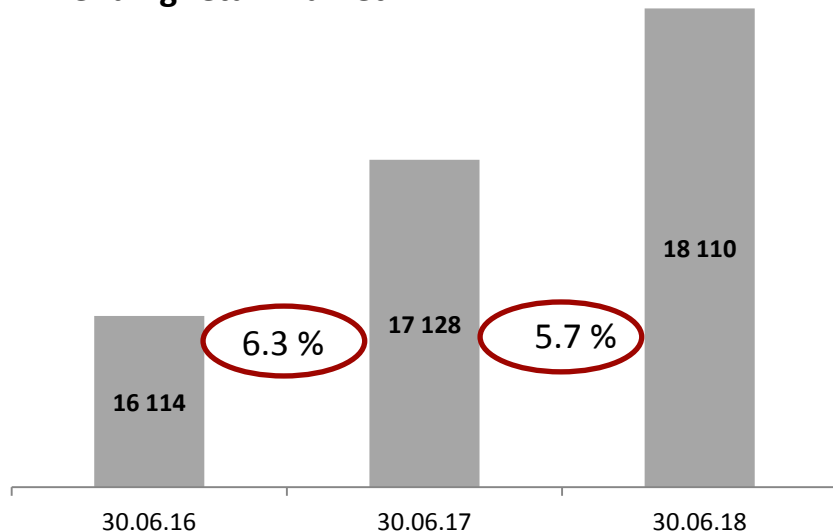
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En drivkraft for vekst på Helgeland

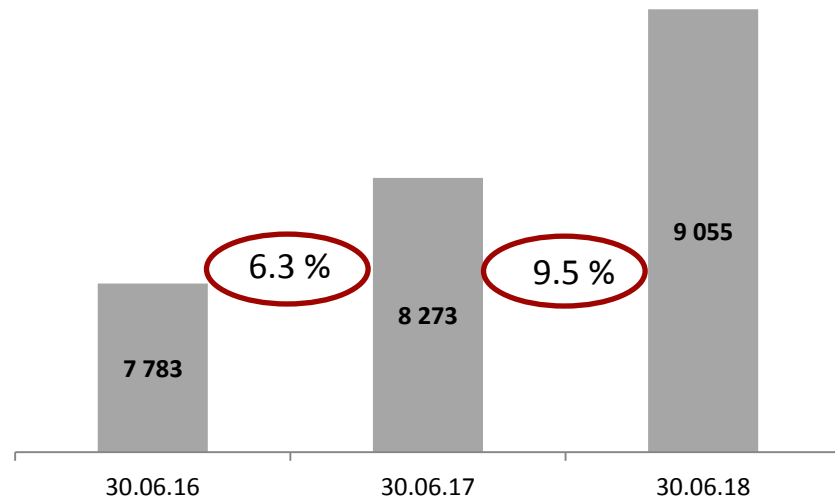


Growth

Lending retail market

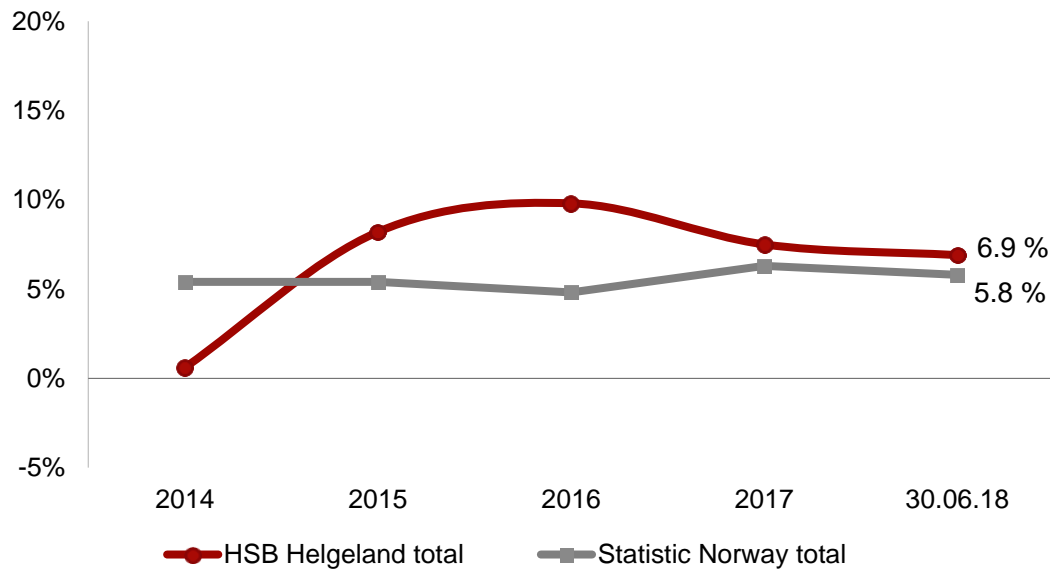


Lending corporate market



Credit growth

12-month credit growth



Credit growth HSB

- 12-month growth 6.9 (6.3)%

Locally in Helgeland

- Per Q2 83.6 (84.5)%

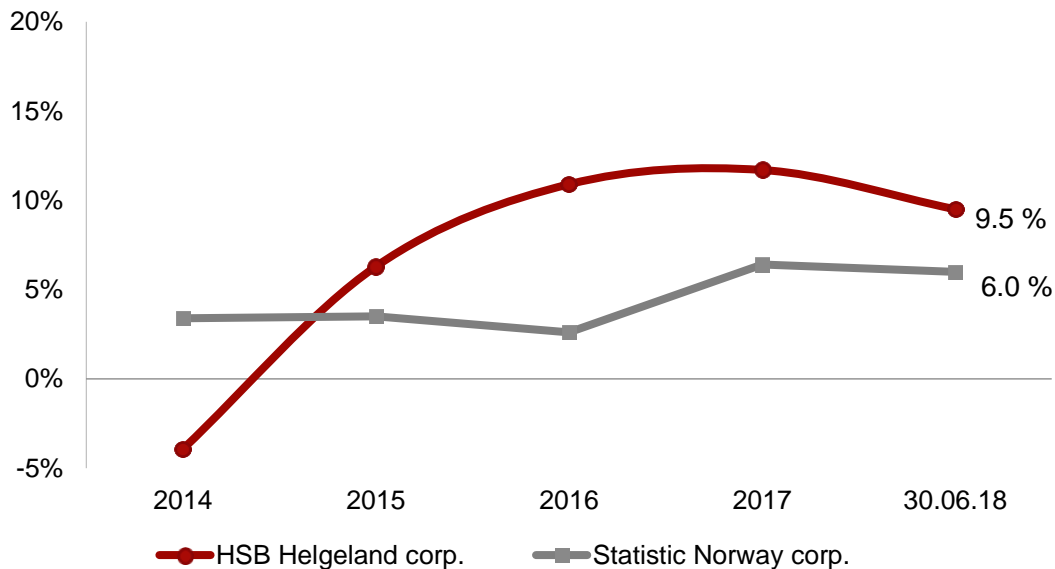
PM share

- Target minimum 60%
- Per Q2 66.7 (67.4)%

Credit growth CM

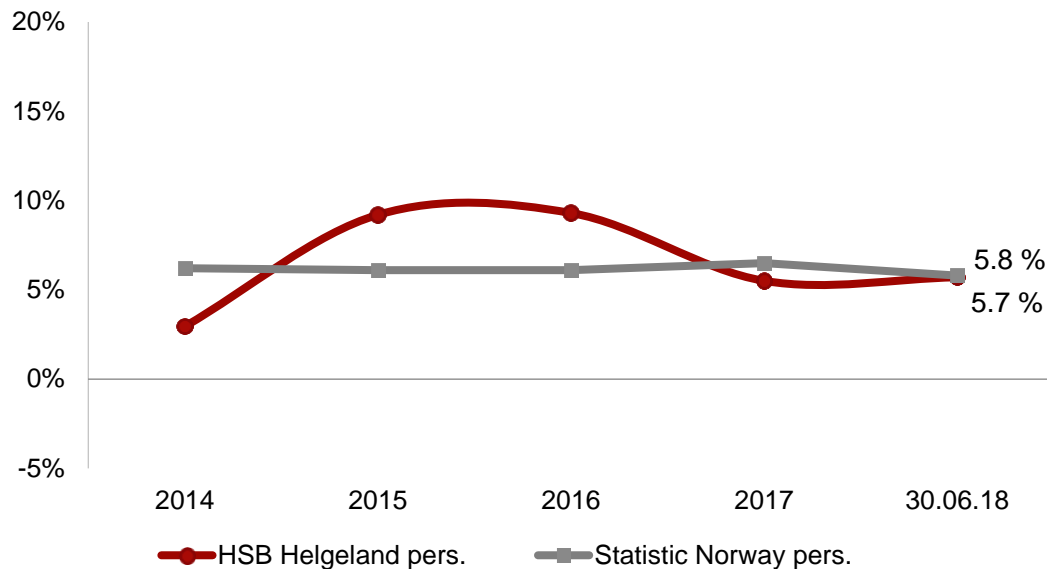
12-month credit growth corporate market

12 month growth CM 9.5 (6.3) %



Credit growth RM

12-month credit growth retail market

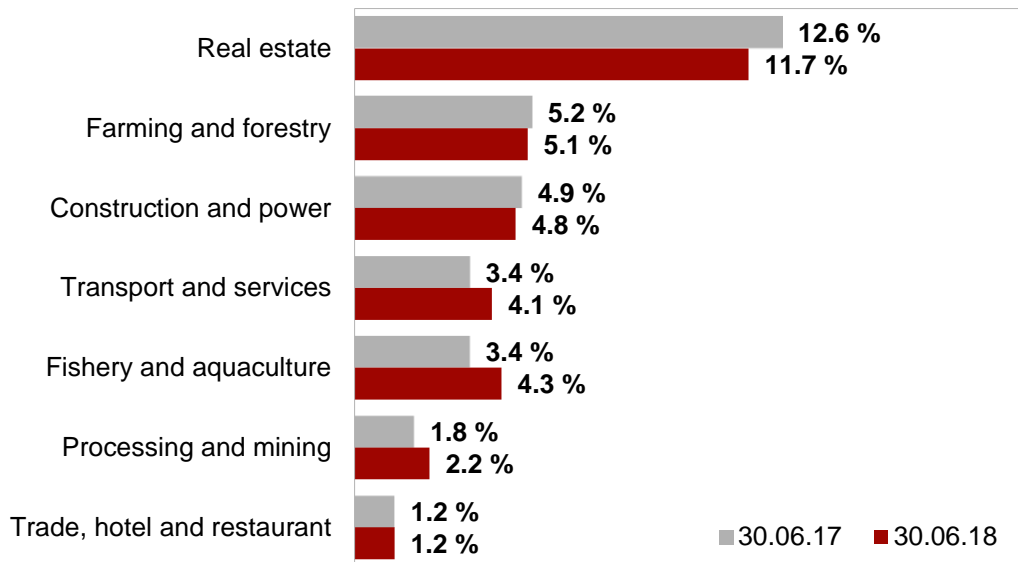


12 month growth RM 5.7 (6.3) %

- The bank's market shares are stable

Lending CM

Lending distributed in sector

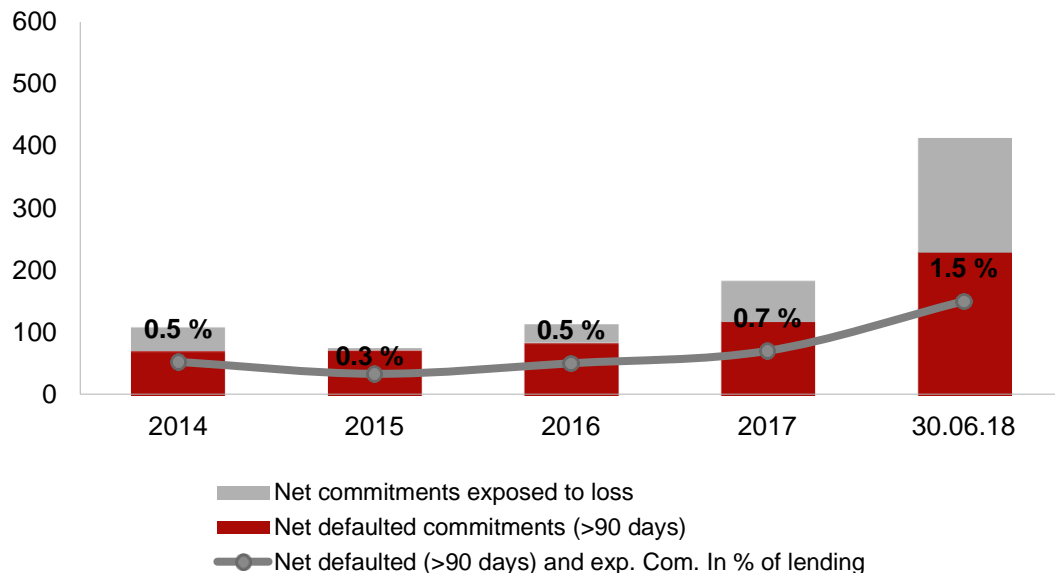


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.3 (32.6)% or MNOK 9 055 (8 273)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 412 an increase of MNOK 229 since year end. This amounts to 1.5 (0.7) % of gross loans

The increase of other impaired is related to restructuring of a corporate commitment (earlier stock exchange announced).

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

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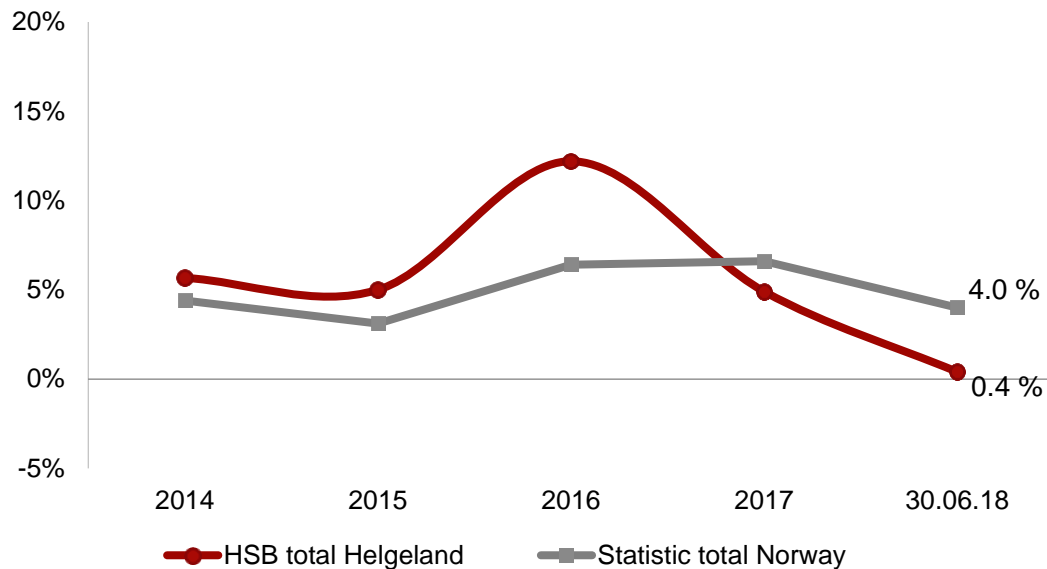
Appendices

En drivkraft for vekst på Helgeland



Deposit growth

12-month deposit growth



12-month growth 0.4 (9.1)%

RM share

- Per Q2 59.5 (56.9)%

Locally in Helgeland

- Per Q2 89.6 (90.9)%

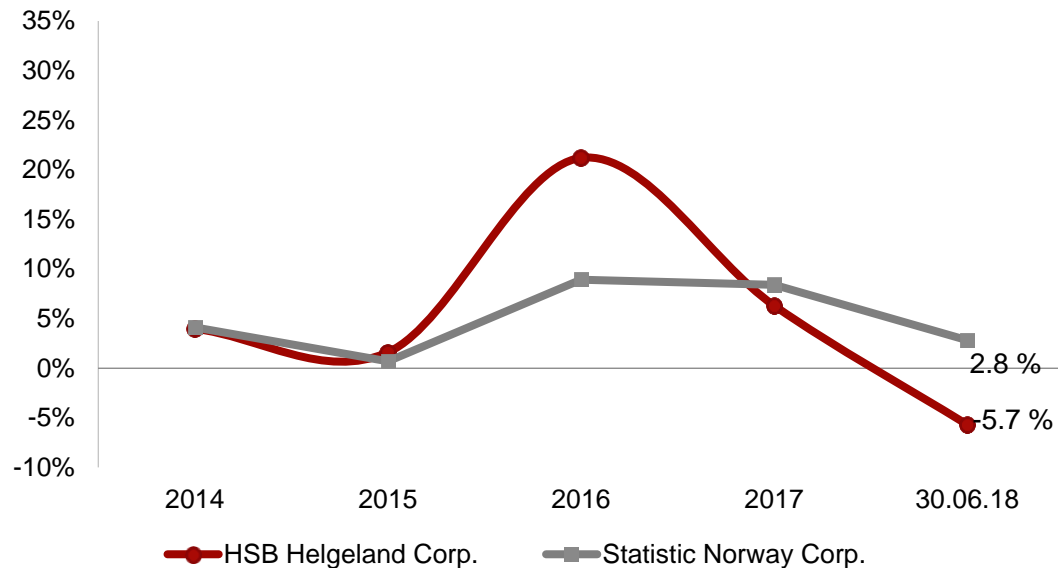
Deposit ratio

- Target minimum 60%
- Per Q2 62.6 (66.7)%

Deposit growth CM

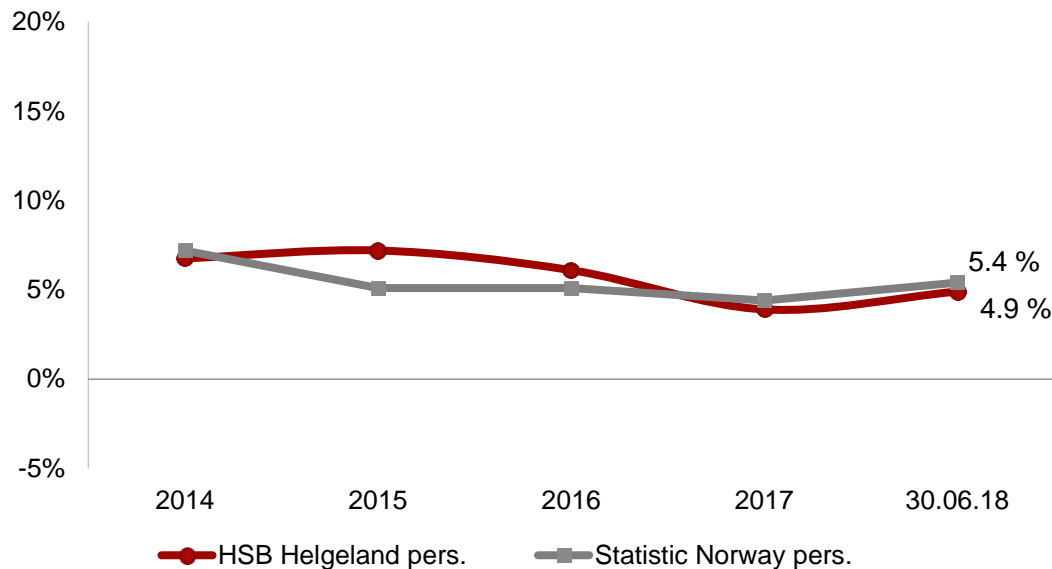
12-month deposit growth corporate market

12-month growth CM -5.7 (16.3)%



Deposit growth RM

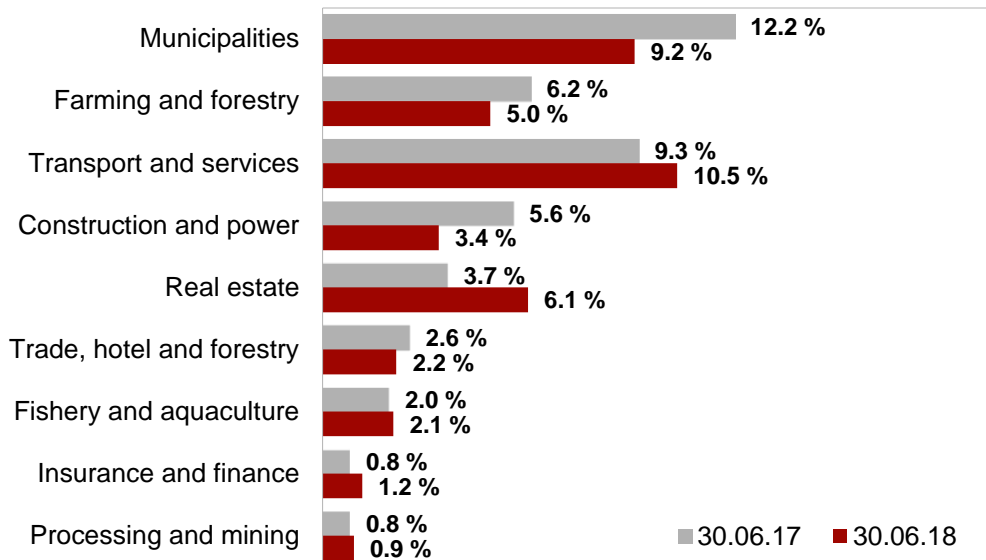
12-month deposit growth retail market



12-month growth RM 4.9 (4.2)%

Deposits CM

Customer deposits

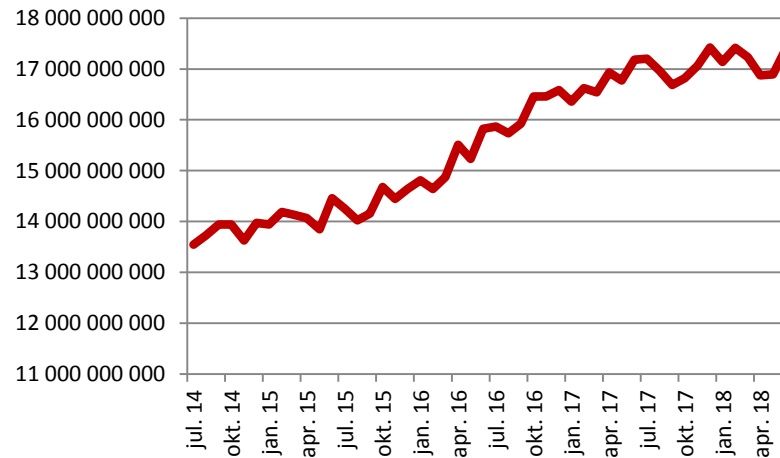
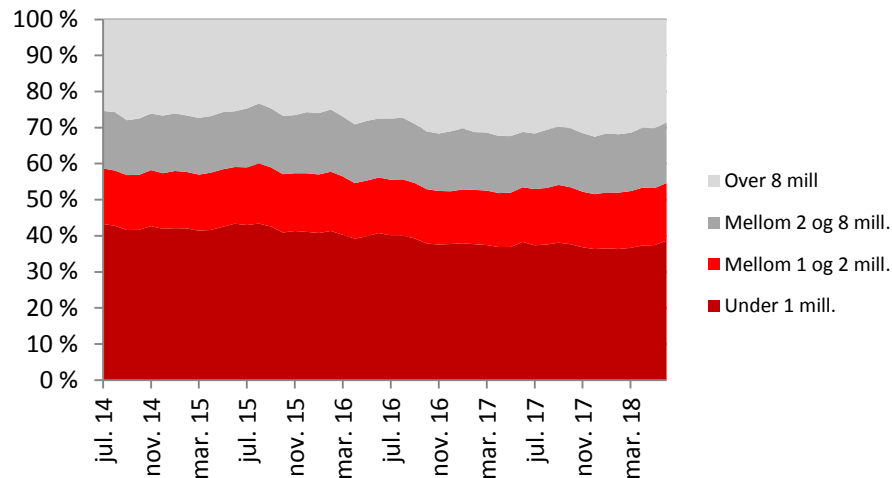


Well diversified deposit portfolio in the CM

Share CM 40.5 (43.1)% or MNOK 6 899 (7 313) of total deposits

Deposits from municipalities constitute 23% of the CM deposits

Deposit development



A large share of deposits are under MNOK 2 (54.6 % of total deposits).
62.5 % of the deposits are covered by the guarantee scheme



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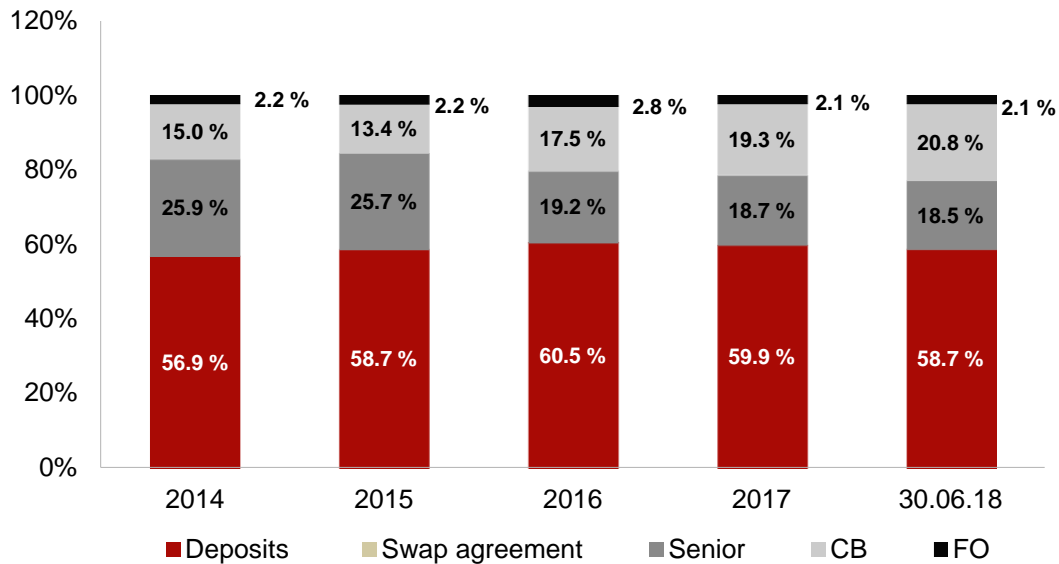
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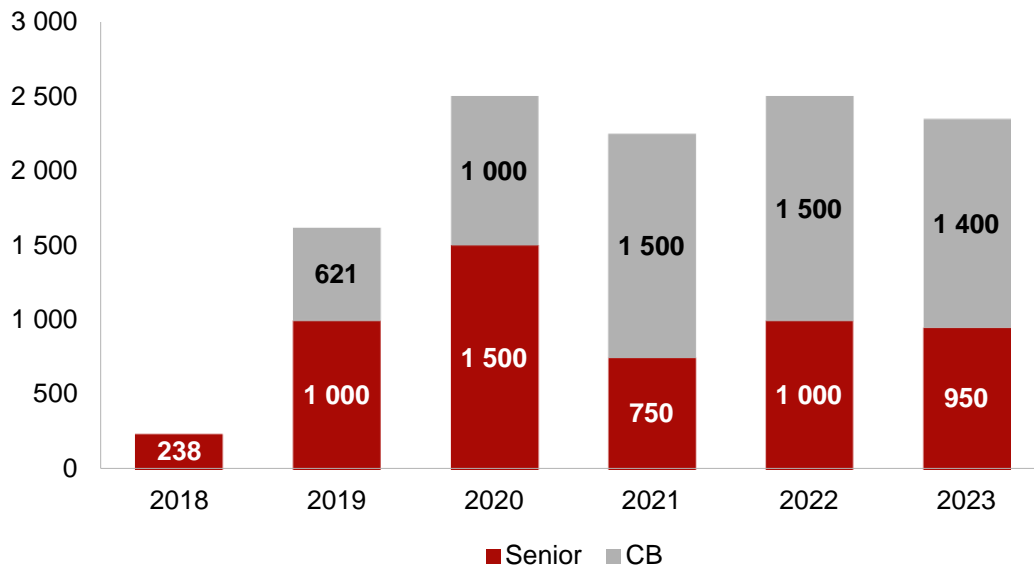
Funding

Funding development (MNOK)



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
92.5% (84.4)%

Combined duration of 3.0
(2.9) years. Duration in the
mortgage company 3.3 years

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank


- Net profit MNOK 26.8 (20.8).
- CET1 ratio of 19.8 (16.3)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 6 960 (5 897) and CB MNOK 6 127 (4 756)

Good security in the lending portfolio

- Cover pool ratio of fullness 20 (29)%
- Combined LTV 54 (53)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 20 (29) % to 7 (17) %

Maximum limit for transferring is 30% of the Group's gross lending, and 50 % of gross lending RM. Per 30.06.18 transfer degree is 25.6 and 38.4%



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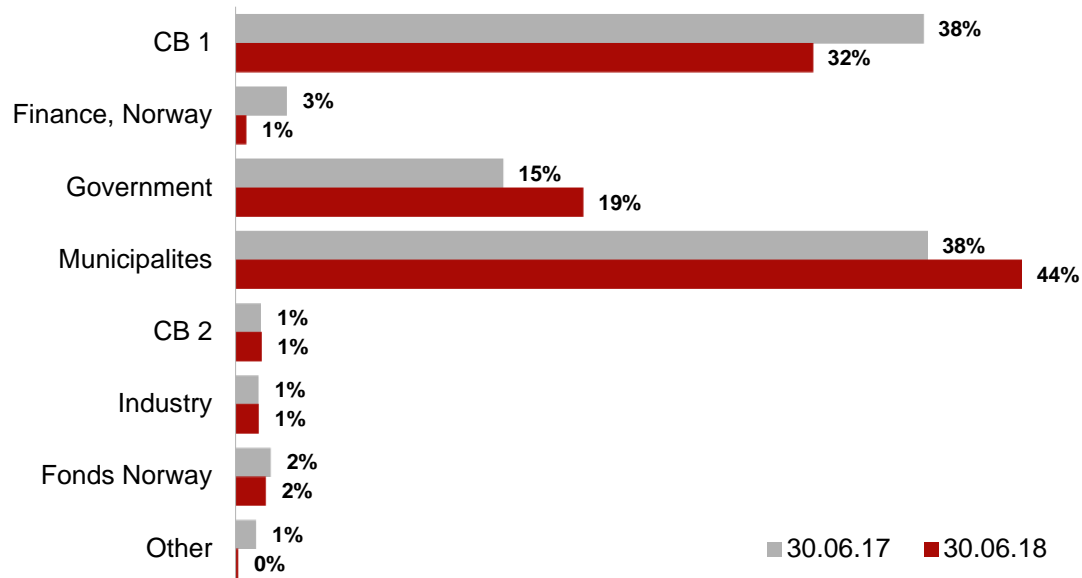
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Liquidity buffer

Sector distribution interest portfolio



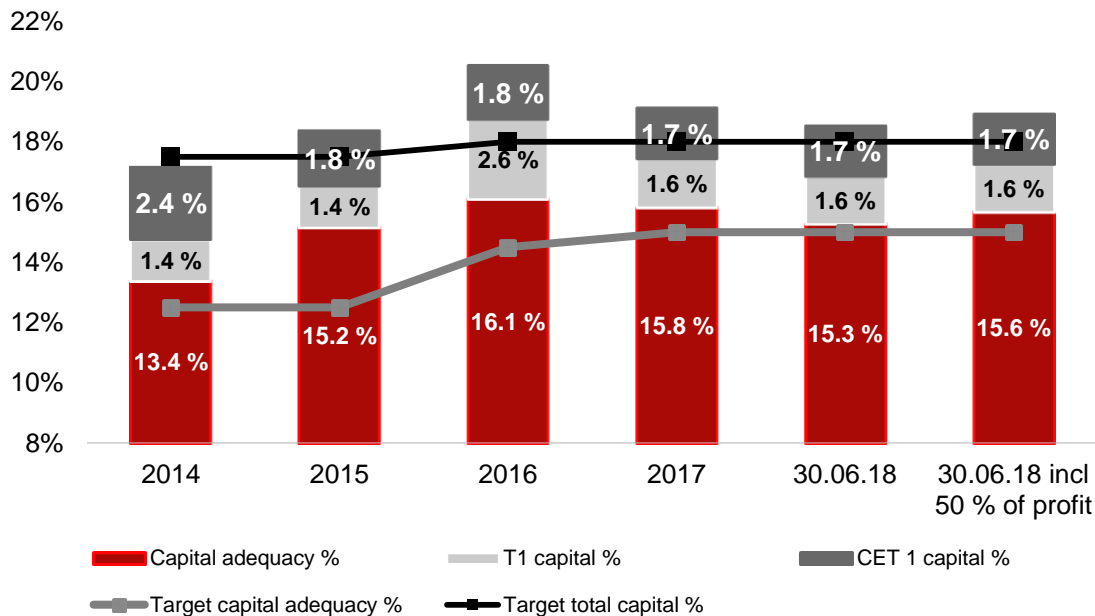
Interest bearing securities:

- Duration portfolio 2.0 (2.1) years
- 98 % rated A- or better
- 96 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy

Development capital adequacy



Capital ratio

- CET1 15.3 (15.7)%
- Core capital 16.9 (17.3)%
- Total capital 18.6 (19.1)%

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 15.6%

New target CET1 15.0%

Leverage ratio: 9.0 (9.2)%.

Refinanced subordinated loan Q2 2018

HELG – the 20 largest owners

			<i>Parent bank</i>		
Per 30.06.18	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Landkreditt Utbytte	320 000	1.5 %
Pareto AS	1 949 392	9.3 %	Vigner Olaisen AS	294 653	1.4 %
VPF Nordea Norge	1 407 987	6.7 %	Catilina Invest AS	256 046	1.2 %
Merrill Lynch Prof.	1 186 003	5.7 %	VPF Nordea Avkastning	244 270	1.2 %
VPF Eika Egenkapital	570 989	2.7 %	VPF Nordea Kapital	238 245	1.1 %
Pope Asset Management BNY	563 073	2.7 %	Apollo Capital Manage.	181 749	0.9 %
MP Pensjon PK	462 203	2.2 %	Melum Mølle AS	176 382	0.8 %
Lamholmen Invest AS	447 353	2.1 %	Melesio Capital AS	137 188	0.7 %
Bergen Kommunale Pensjon.	400 000	1.9 %	Forte Trønder	120 000	0.6 %
Helgeland Kraft AS	377 691	1.8 %	Nervik Steffen	111 000	0.5 %
Total 10 biggest owners	14 619 711	70.0 %	Total 20 biggest owners	16 699 244	80.0 %

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

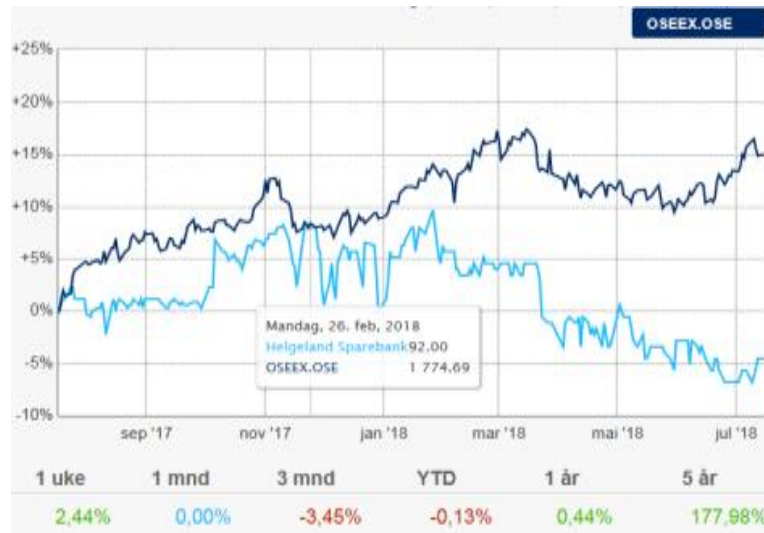
HELG – the 20 largest local owners

			<i>Parent bank</i>		
Per 30.06.18	Numbers	% share	Antall	%	% share
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	111 000	0.5 %	Sniptind Holding AS	13 000	0.1 %
Lars Aage Andersson	40 000	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 %
Total 10 biggest owners	8 209 302	39.3 %	Total 20 biggest owners	8 330 660	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 is continued in 2018

HELG – EC development and liquidity



	2016	2017	Q2 2017	Q2 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	82.0
Stock value	1 692.9	1 839.2	1 682.5	1 713.8
Accounted equity per EC	101	108	103	110
Profit per EC	13.5	9.5	4.7	4.0
Dividend per EC	3.75	4.00		
Price/Accounted EC	0.8	0.8	0.8	0.7



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Change in customer behavior and customer expectations

- Reduced and changed use of the bank venue
- Strongly increased use of Vipps and mobile bank
- Expectations of self-service, chat and online help
- 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
- New mobile bank (feb -18)
- Automatization of credit process and increased use of credit self-help
- 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)							
	Q4/2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Net interest- and credit provision earnings	134	135	141	142	147	141	141
Net provision earnings	21	20	22	21	23	22	22
Other operatios income	2	1	1	0	2	1	3
Ordinary operations cost	72	69	68	71	67	72	69
Result basic operations	85	87	96	92	105	92	97
Write-downs lending and warranties	20	6	19	11	30	8	83
Income by conversion to defined contribution	-2						
Net value change financial instruments	22	3	14	19	-3	10	35
Gross profit	85	84	91	100	72	94	49
Net profit	69	64	73	81	55	73	42
Net extended income posts	8	8	-1	6	51	1	0
Profit for the period	77	72	72	87	106	74	42

Balance

Helgeland Sparebank (group)			
	30.06.18	30.06.17	Change
liquid assets	875	823	52
Net lending to customers	26 929	25 258	1 671
Certificates and shares	4 233	4 110	123
Other assets	278	323	-45
Assets	32 315	30 514	1 801
Deposits from customers	17 014	16 953	61
Money market financing	11 301	9 743	1 558
Other liabilities	400	414	-14
Subordinated debt	301	300	1
Equity	3 299	3 104	195
Liabilities and equity	32 315	30 514	1 801

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.

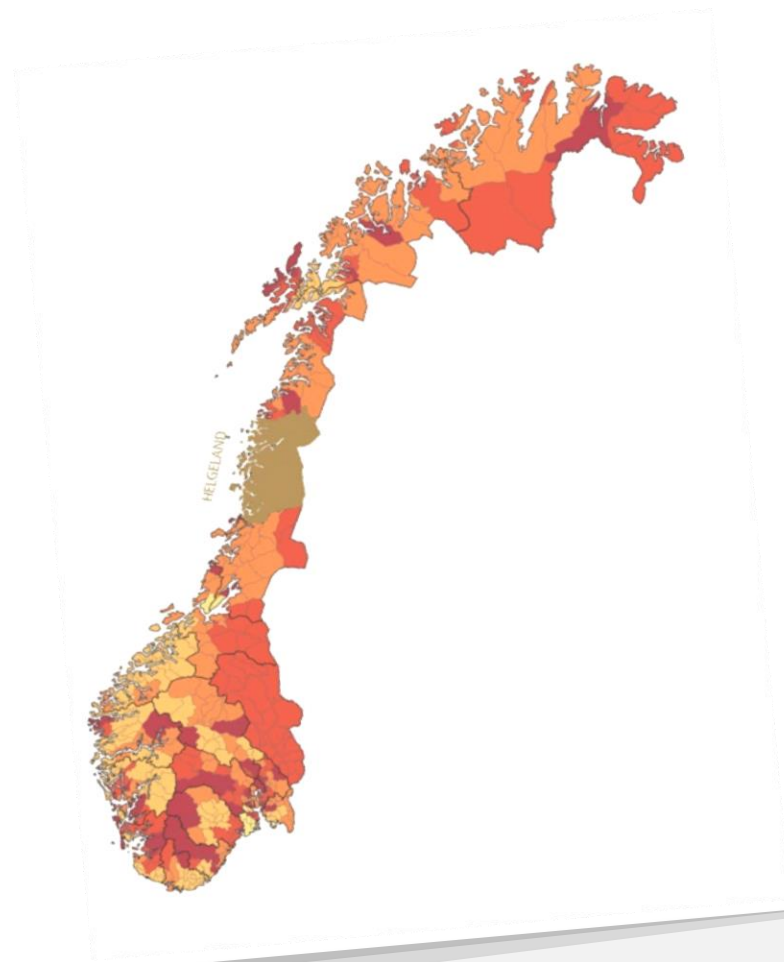


40 %

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 32 315
- Employees, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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Board of directors

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Inga Marie Lund
Nils Terje Furunes
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