

Presentation
Q2 2019

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 30.06.19 (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 30.06.19

Gross profit	MNOK 178 (143)
ROE	8.1 (7.0) %
Total assets	34.1 (32.3) bn
Solidity	CET1 14.9 (15.1) %
50% profit included	CET1 15.2 (15.4) %

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

$\leq 1 \%$

Dividend ratio:

50 %

Of the dividend basis

A photograph of a man and a woman on bicycles, smiling and looking at each other. They are wearing helmets and colorful jackets (blue and red). They are standing on a grassy area next to a white picket fence. In the background, there is a colorful wooden house with yellow, red, and green vertical siding. A large black wheel is leaning against the fence. The scene is set outdoors with a body of water and mountains visible in the distance.

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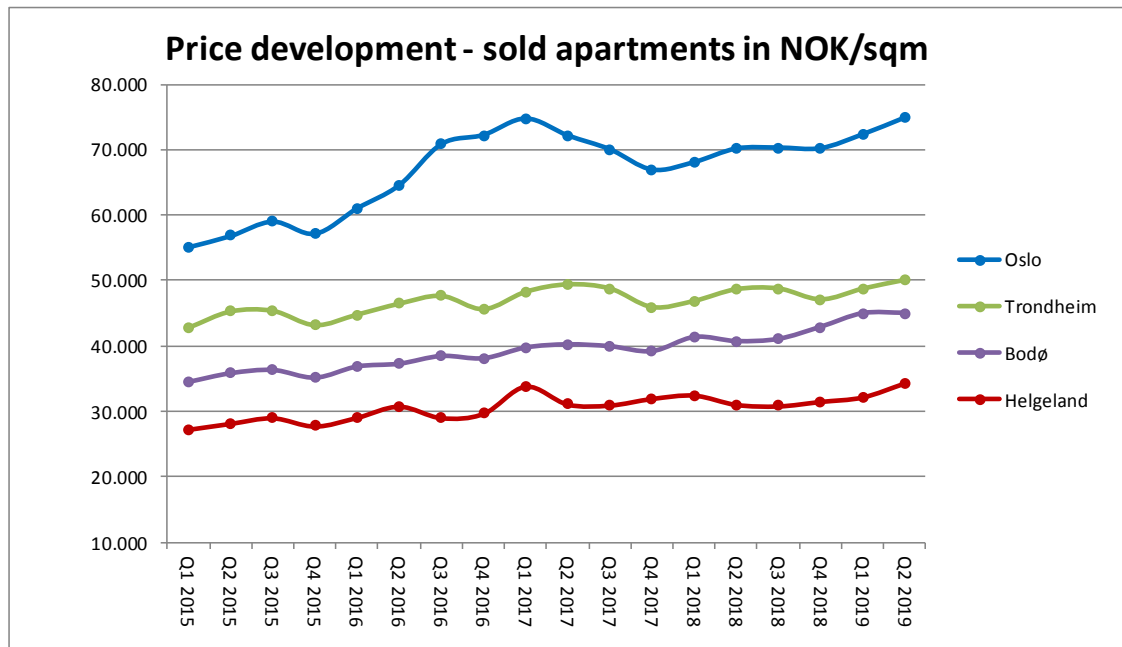
En drivkraft for vekst på Helgeland



Macro

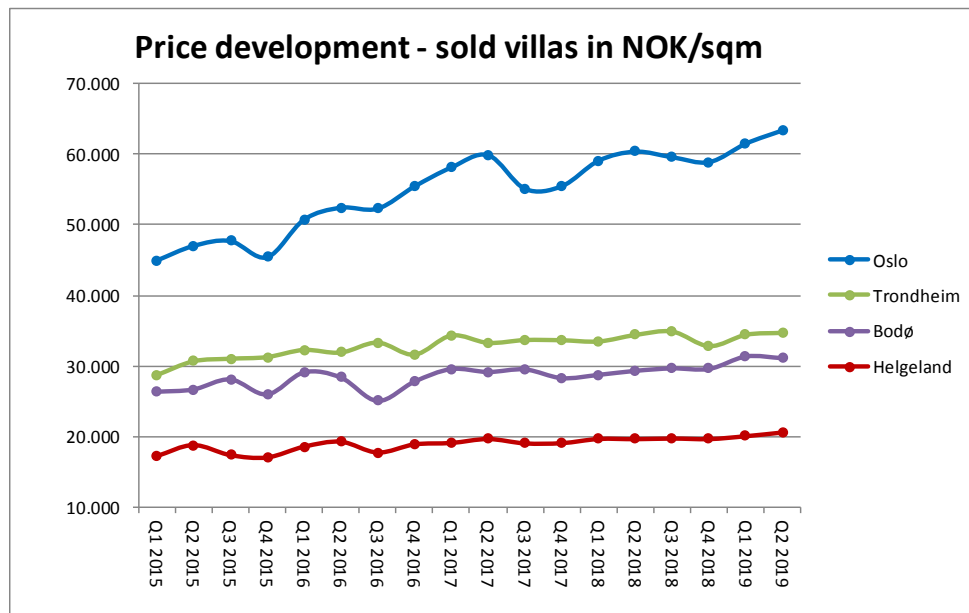
Macro	Helgeland	Norge
Growth turnover in the business community last 2 years	4.0 %	2.1 %
Price growth villas Q2-19	2.7 %	1.3 %
Price growth apartments Q2-19	6.6 %	
Unemployment 30.06.19	1.5 %	2.1 %
12 month population growth 31.12.18	-0.3 %	0.6 %
Net new jobs 2018 – (job Creation)	12	

Stabile property price development



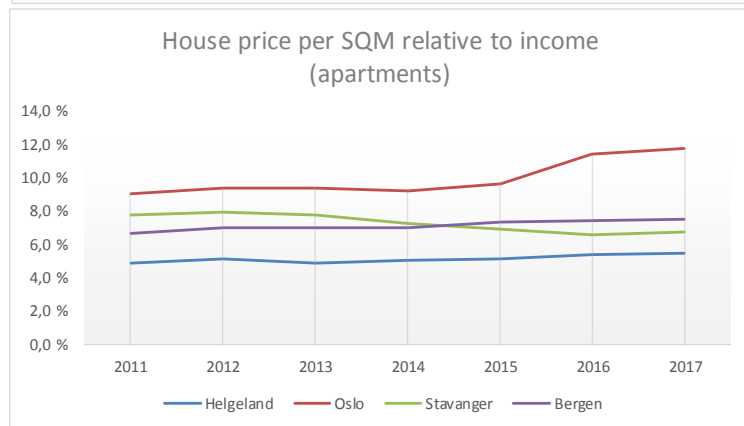
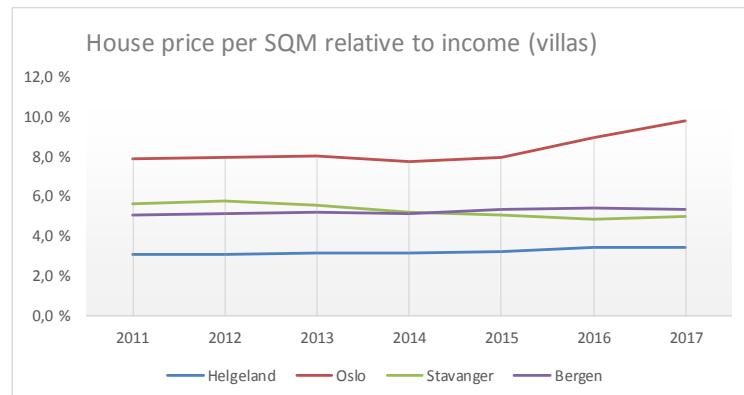
Price development in second quarter, 6.6 % in Helgeland and 3.5 % in Oslo.

Property price development



Price development in second quarter, 2.7 % in Helgeland and 3.1 % in Oslo.

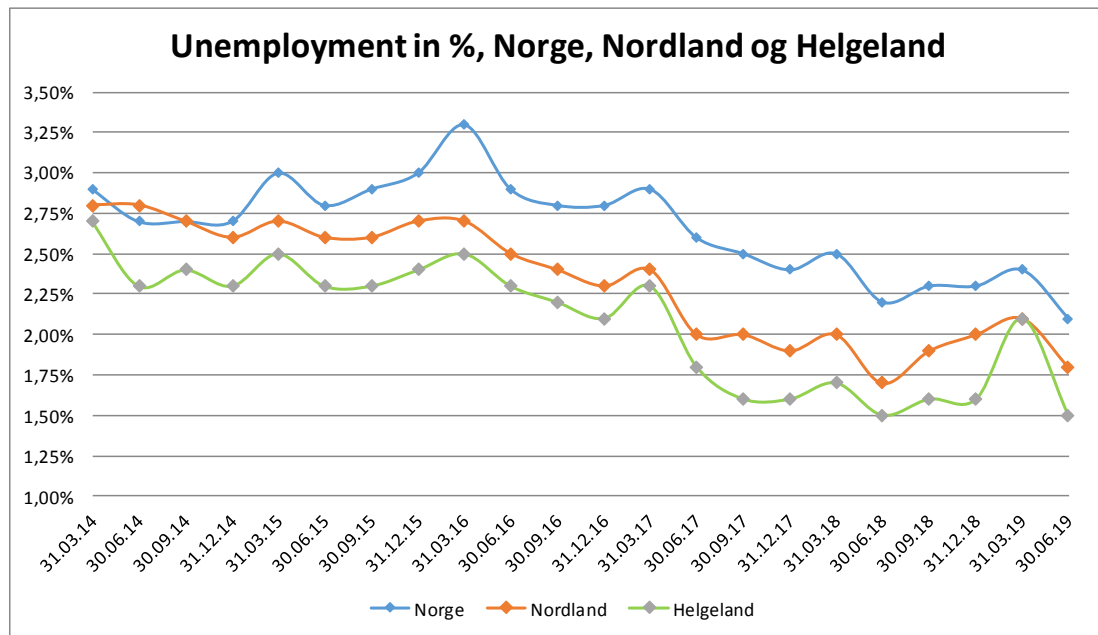
Development in sqm price relative to income



Helgeland has a significantly lower square meter price compared to income than areas such as Oslo, Bergen and Stavanger. For Helgeland, the price per square meter for single-family homes represents 3.4% of household income in 2017, the comparable figure for Oslo is 9.8%, Bergen and Stavanger are 5.3 % and 5.0%. For apartments, the price per sq.m. in relation to household income in 2017 is 5.5% in Helgeland, 11.8% in Oslo, 6.8% in Stavanger and 7.5% in Bergen. This indicates that higher prices for detached houses and apartments per square meter in Oslo are not covered by higher income in Oslo, and the differences between these areas increase.

Kilde:
SSB
Eiendomsverdi

Unemployment



The unemployment in Helgeland and Nordland is lower than Norway overall.

- Norge 2,1 %
- Nordland 1,8 %
- Helgeland 1,5 %

Helgeland

Havbruk



- High export value and Helgeland is the engine in Northern Norway
- Great investment willingness
- Not negatively affected by toxic algae spring -19

Kraft



- Total power production in Helgeland represents about 10% of production in Norway.
- Helgeland Kraft 15 power plants in the region and 3 of Statskraft's 5 largest magazines are located in Helgeland (7 TWh)
- Wind power in the process of being expanded.

Helgeland

Bygg og anlegg



- Great construction activity on the E6 throughout the region
- Brønnøysundregisteret - new building
- Airport, hospital
- Total planned investments in Helgeland for the next 7 years NOK 70-80 billion

Turisme



- Increased tourism - has passed Lofoten in the number of hotel nights
- Better infrastructure and more activities
Sherpa steps, Via Ferata's, kayaks, rafting, glacier and cave guides.
- Investment in winter tourism

Helgeland

Industri



- Norway's second largest industrial cluster
 - High quality, high efficiency
 - Focus on circular economy - especially Mo industrial park
- Great export value

Personmarkedet



- Stable in the number of employees
- Low unemployment
- Increased number of emigrants in the 30-45 age group
- Uncertainty in parts of the region as a result of localization debates on hospital and college offerings



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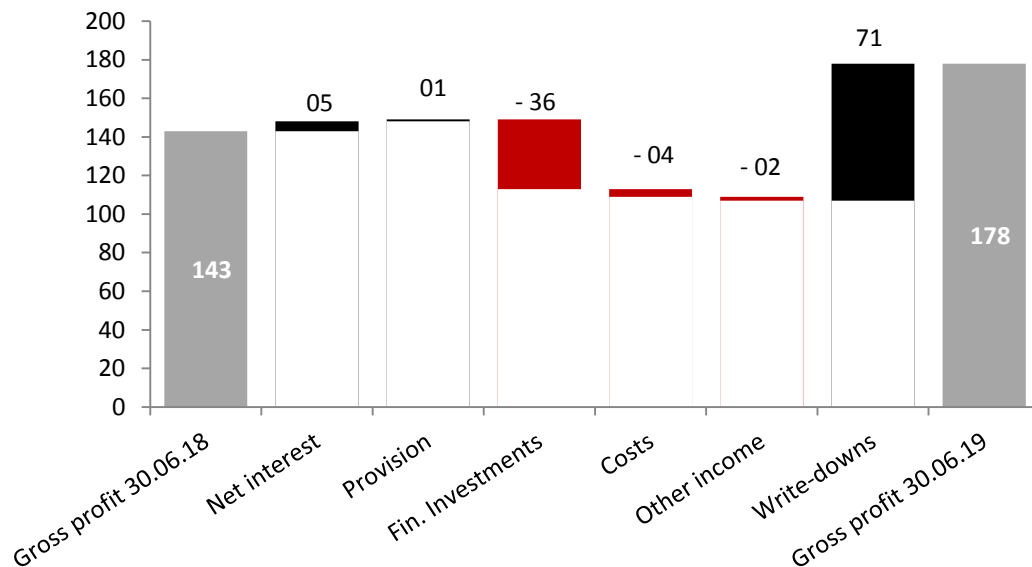
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Result

Change in gross profit (MNOK)



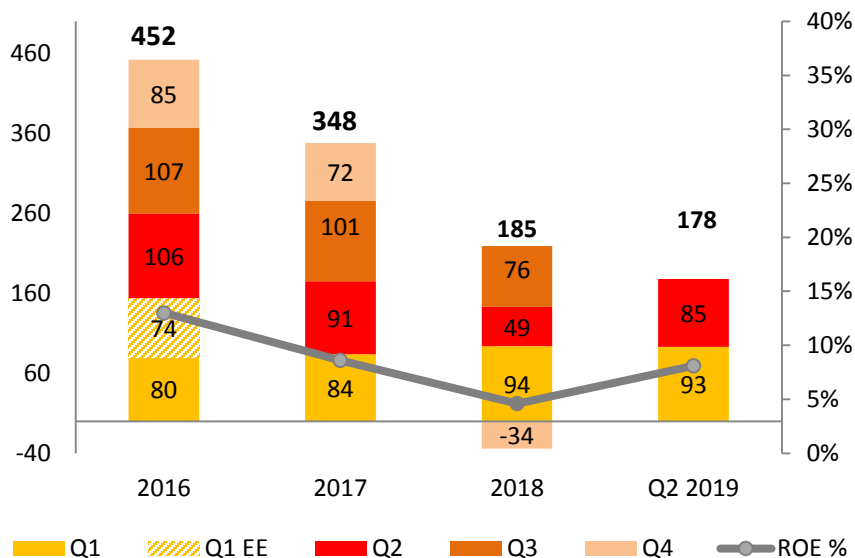
Good result

Gross profit MNOK 178

- Decreased income from financial investments. 2018: Profit merger Vipps and higher income from associated companies.
- Decreased write-downs on lending

Profit

Profit development (MNOK)



Result Q2

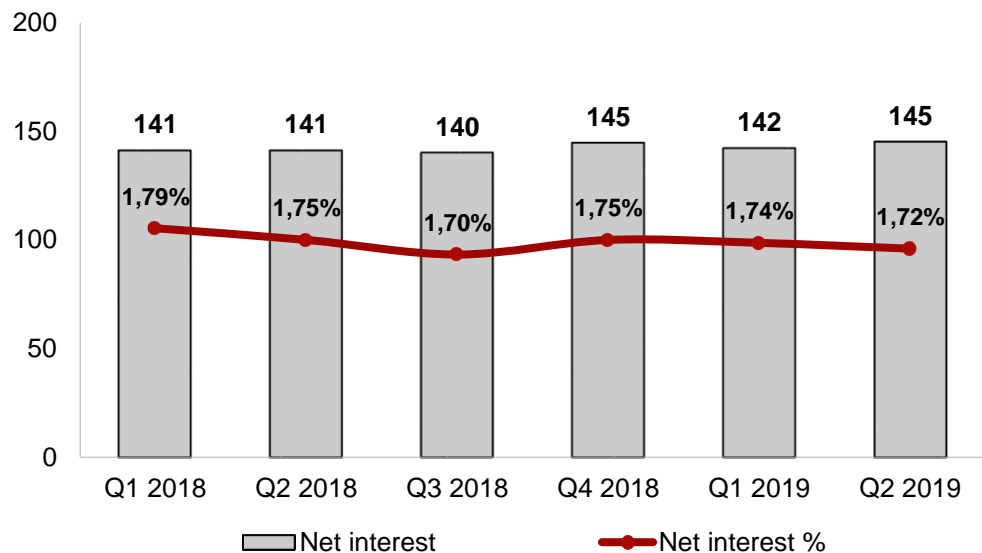
Gross profit MNOK 178

- Net ROE 8.1 %

(One time effect pension MNOK 74 in Q1 2016)

Net interest

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

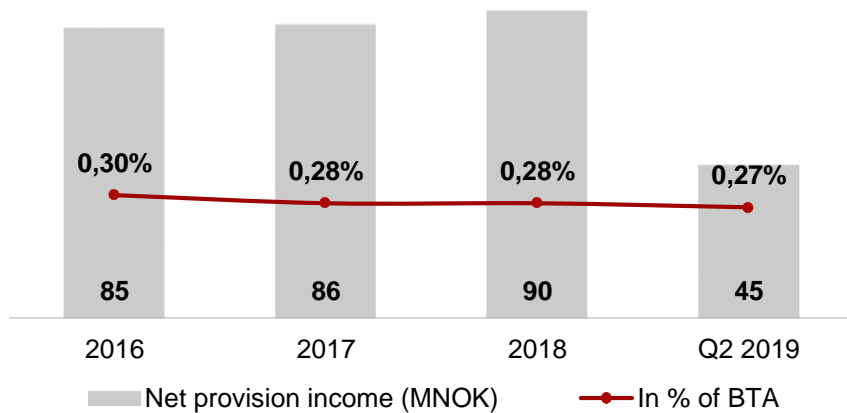


- Higher funding costs with increased Nibor interest rates
- The net interest rate has been reduced in the last quarter as a result of reversed interest rates on recorded losses.
- Interest rate change in the end of may and noticed interest rate change from august 20th will provide positive effect on the net interest ahead.

Provision

Development net provision income

- Stable 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.



8,6 %

Brage Finans has 11 other individual saving banks on the owner side. The company offers leasing, object – and consumption finance.

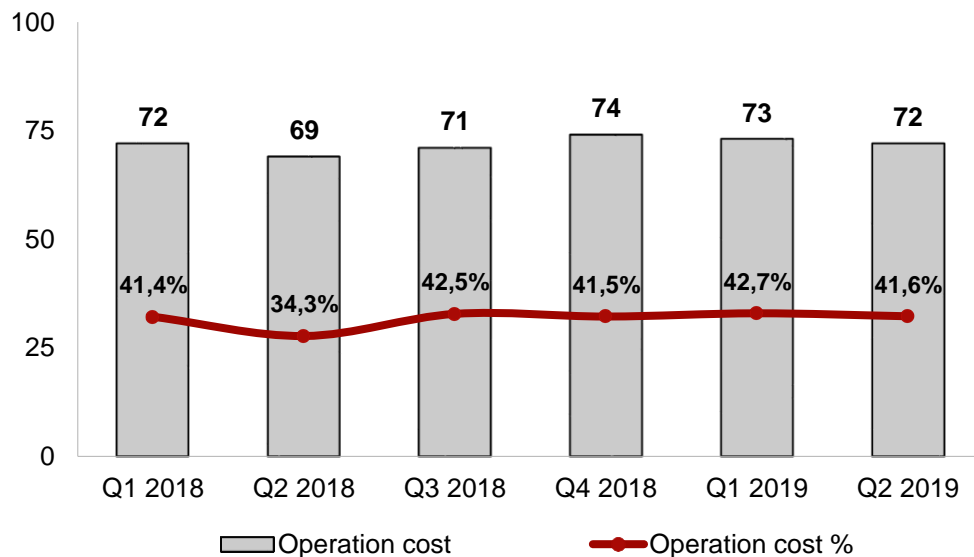


6.9 %

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

Operating costs

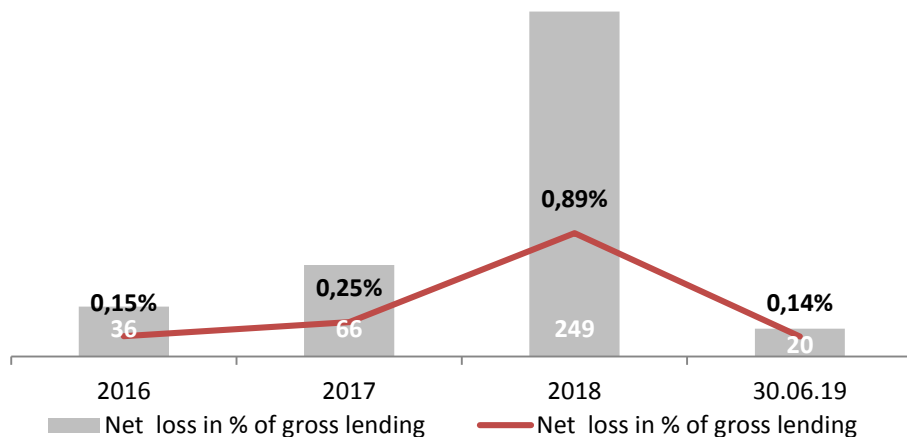
Operating cost (mnok) and % of income



Stable costs in NOK

- Costs in % of income so far this year 42.2 %

Loss on commitments



Reduced loan losses

- MNOK 20 so far this year



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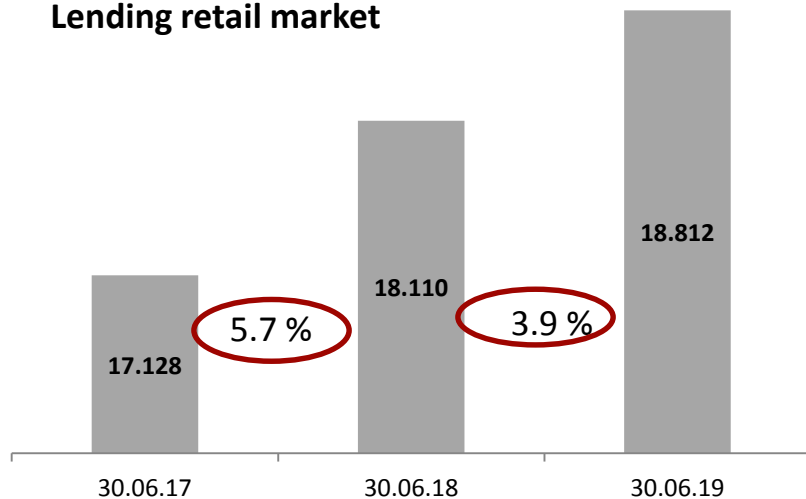
Solidity

Prospects and priorities

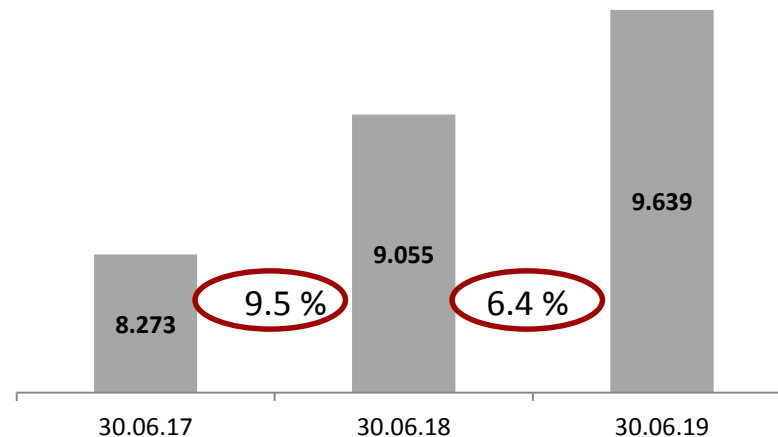
Appendices

Growth

Lending retail market

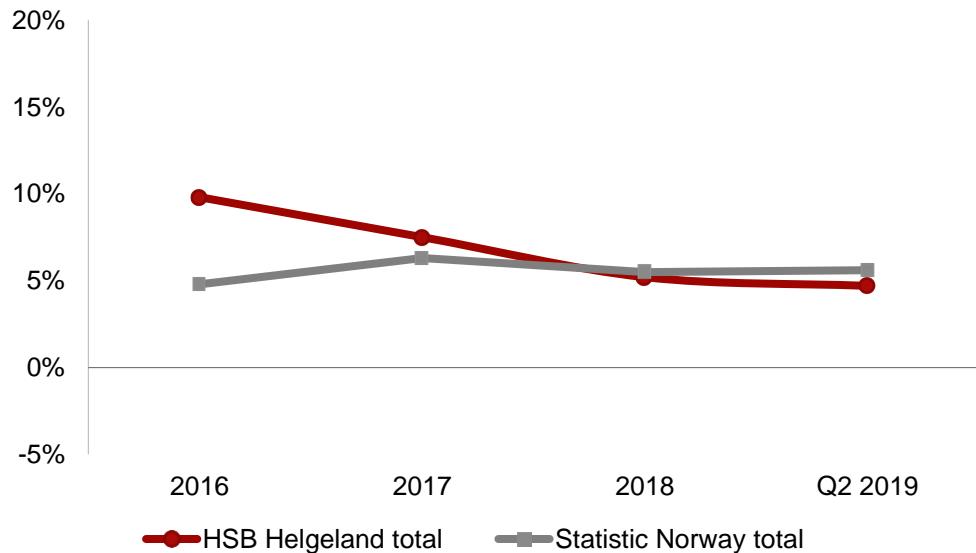


Lending corporate market



Credit growth

12-month credit growth



Credit growth HSB

- 12-month growth 4.7 (6.9)%

Locally in Helgeland

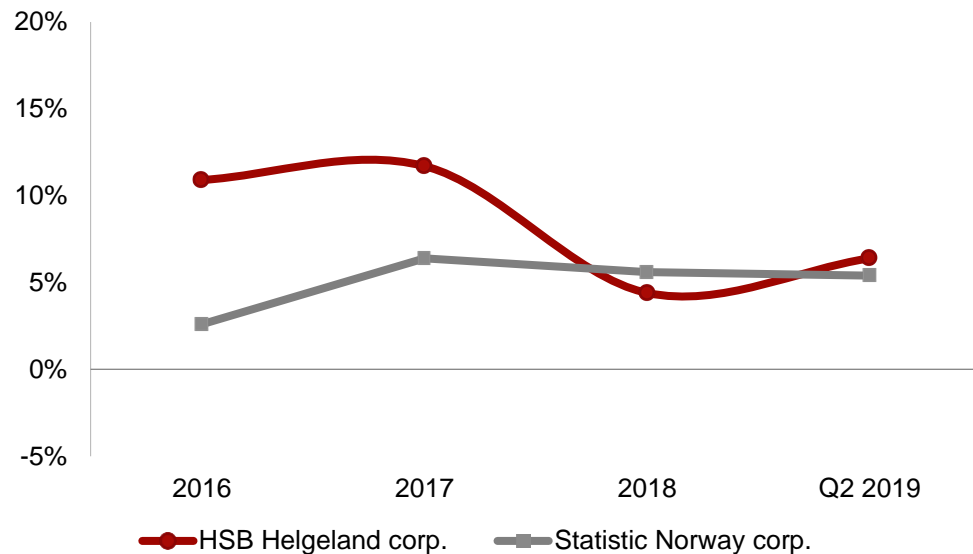
- Per Q2 82.4 (83.6)%

PM share

- Target minimum 60%
- Per Q2 66.3 (66.7)%

Credit growth CM

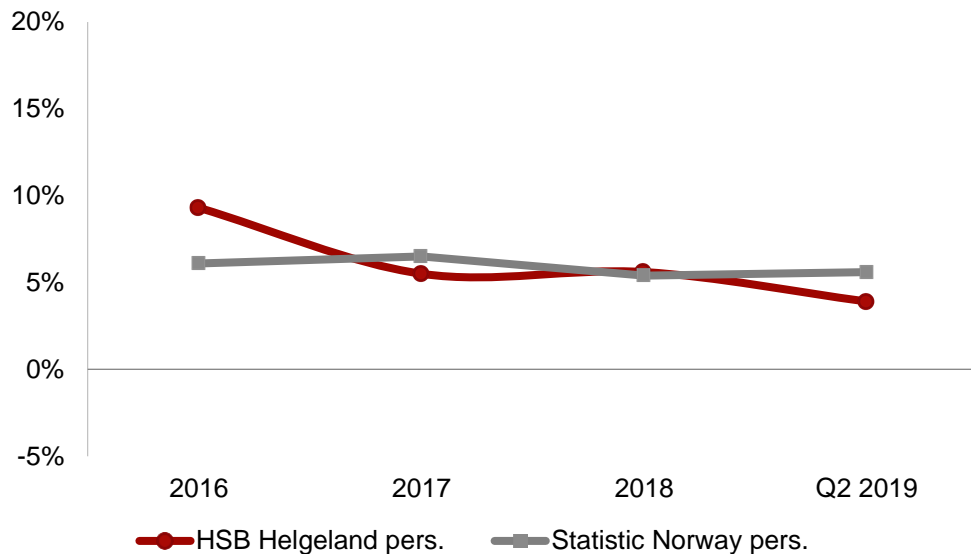
12-month credit growth corporate market



- 12 month growth CM 6.4 (9.5) %
- Expecting lower 12-month growth in the rest of 2019. 12-month growth Q1: 7.7 %

Credit growth RM

12-month credit growth retail market

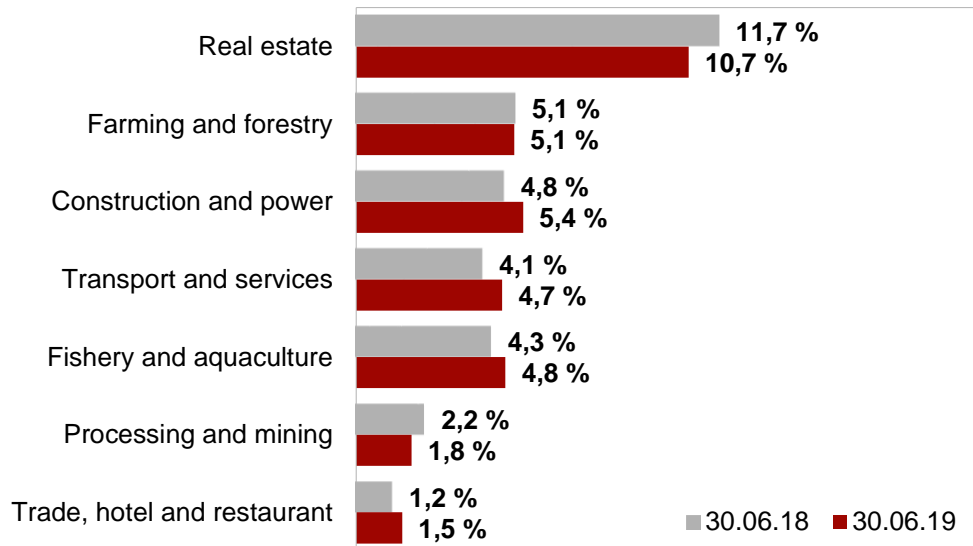


12 month growth RM 3.9 (5.7) %

- The bank's market shares are stable

Lending CM

Lending distributed in sector

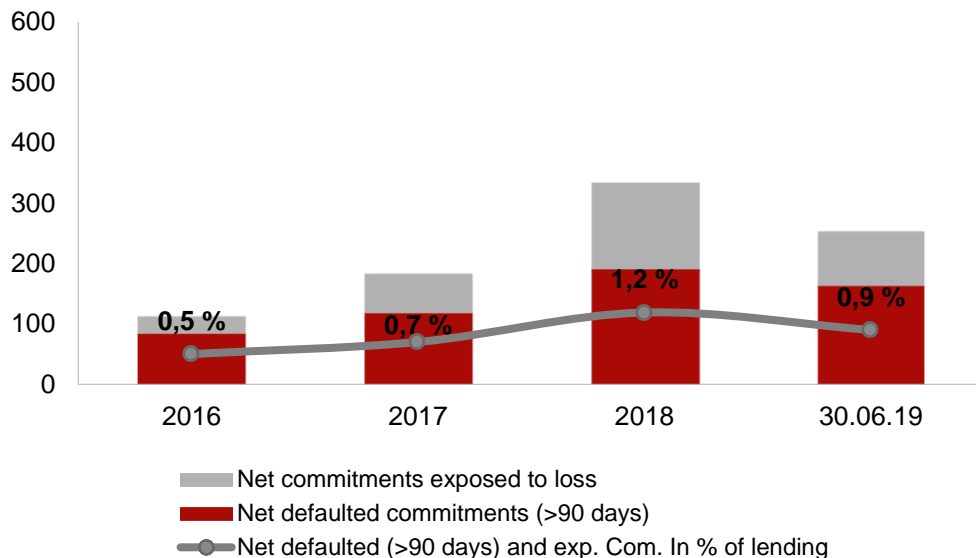


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.9 (33.3)% or MNOK 9 639 (9 055)

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 decrease of MNOK 80 since year end. The sale of the hotel in second quarter of 2019 has reduced net default and doubtful commitments.

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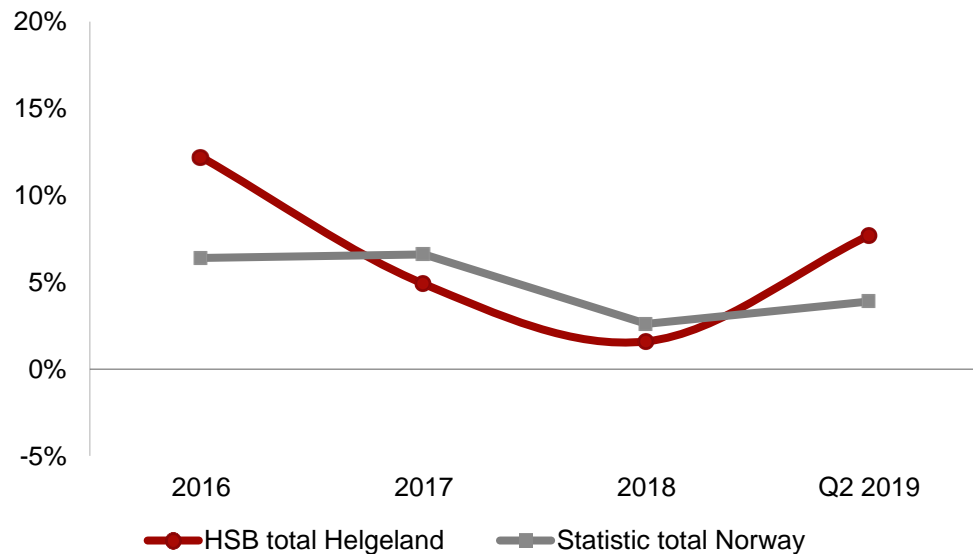


En drivkraft for vekst på Helgeland



Deposit growth

12-month deposit growth



12-month growth 7.7 (0.4)%

RM share

- Per Q2 57.2 (59.5)%

Locally in Helgeland

- Per Q2 90.2 (89.6)%

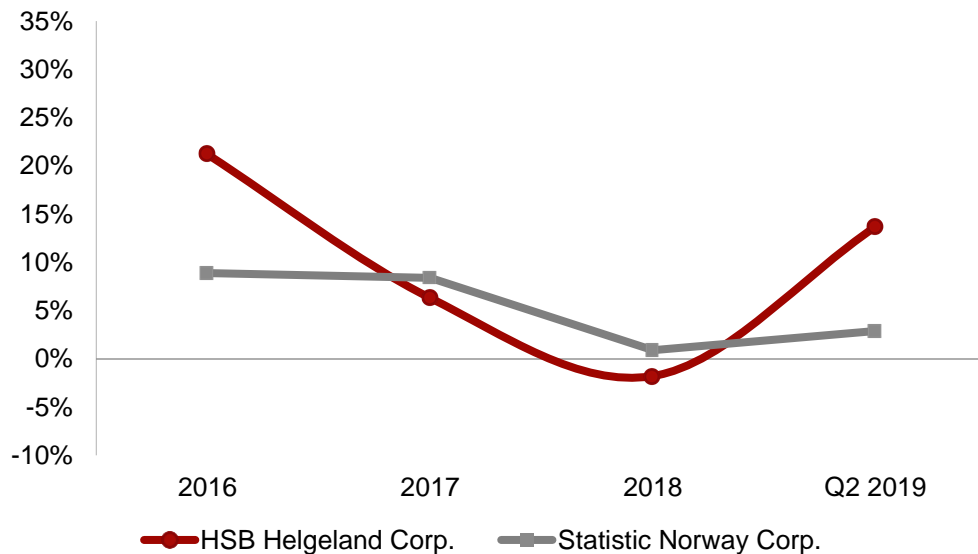
Deposit ratio

- Target minimum 60%
- Per Q2 64.4 (62.6)%

Deposit growth CM

12-month deposit growth corporate market

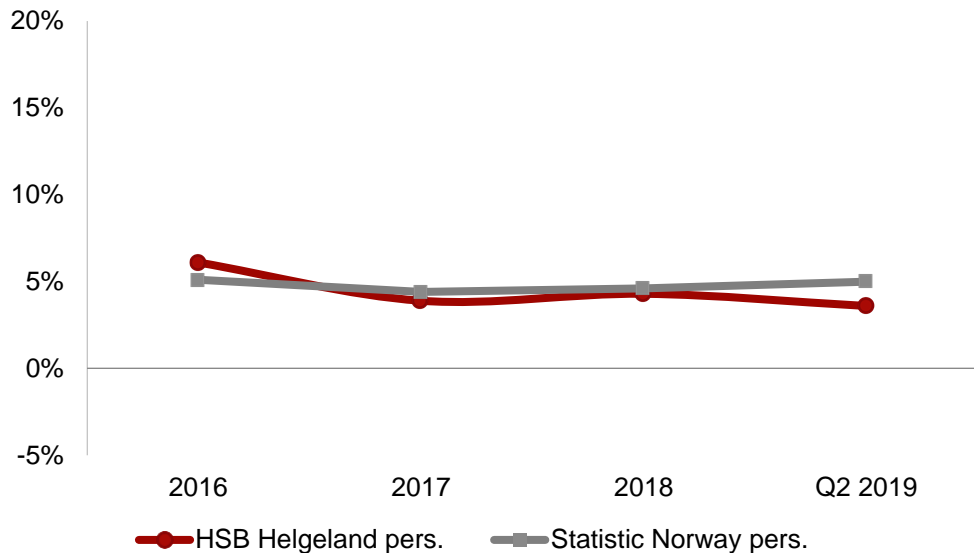
12-month growth CM 13.7 (-5.7)%



Deposit growth RM

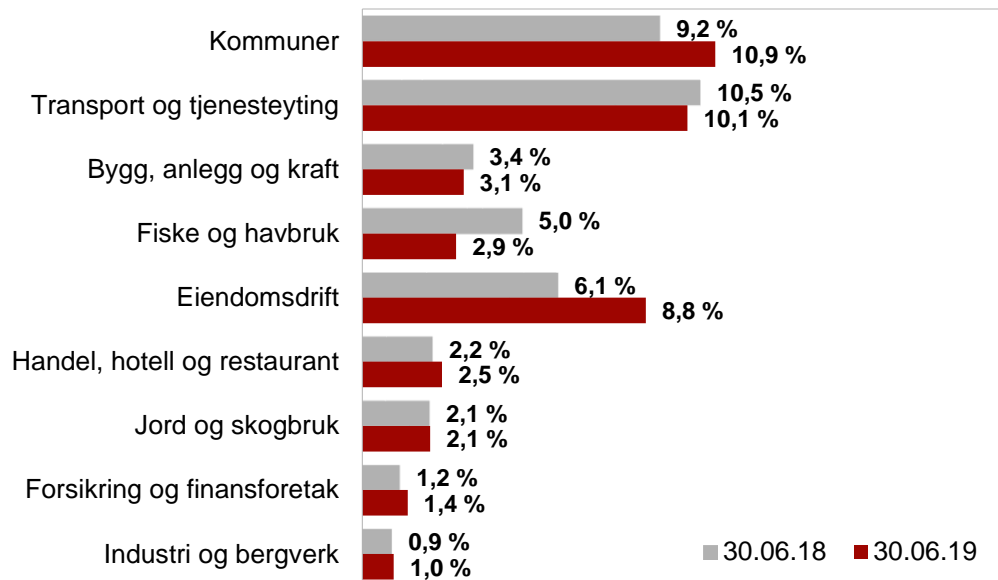
12-month deposit growth retail market

12-month growth RM 3.6 (4.2)%



Deposits CM

Innskuddsfordeling BM av sum innskudd



Well diversified deposit portfolio in the CM

Share CM 42.8 (40.5)% or MNOK 7 843 (6 899) of total deposits

Deposits from municipalities constitute 26 % of the CM deposits



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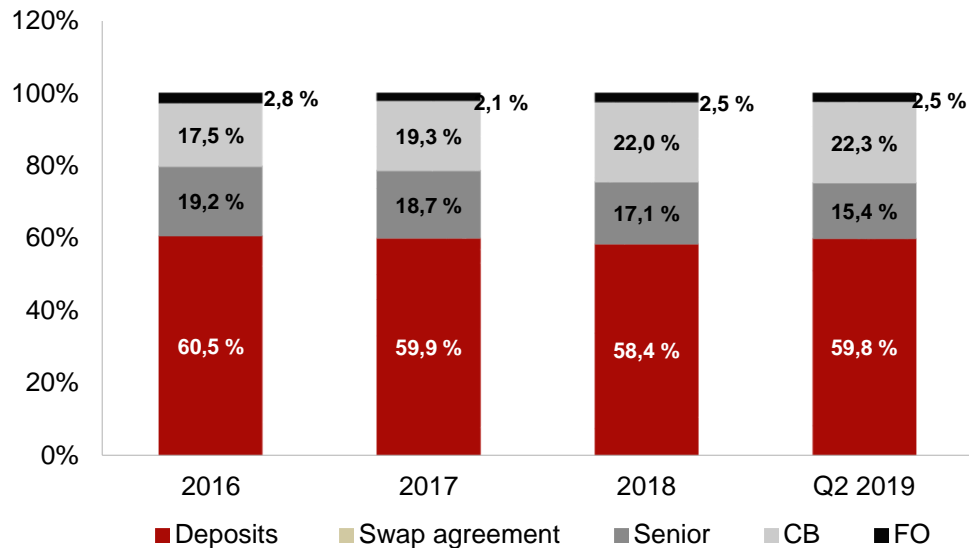
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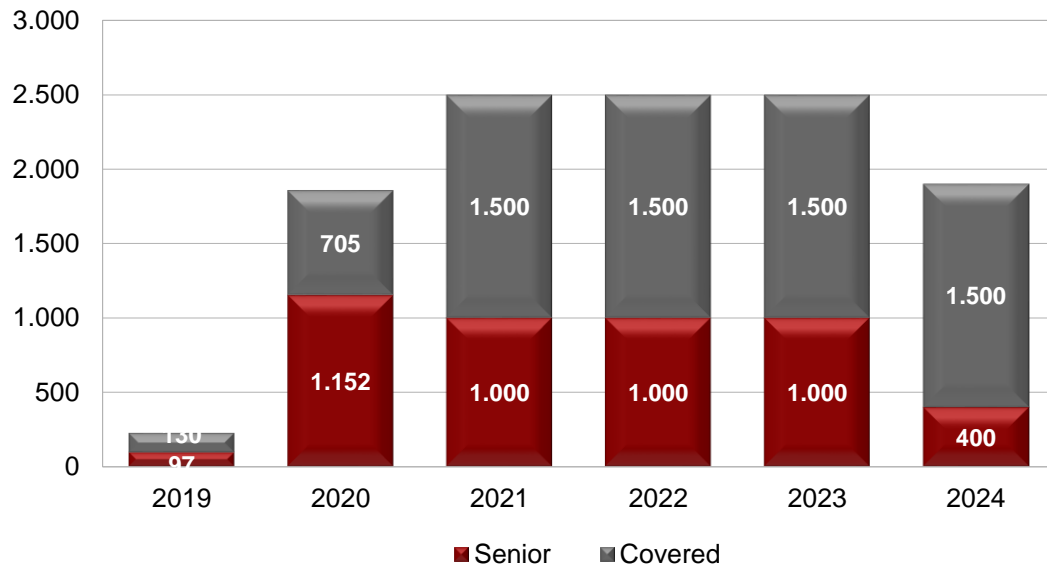
Funding

Funding development (MNOK)



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
94.1% (92.5)%

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

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 26.1 (26.8).
- CET1 ratio of 17.8 (19.8)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 637 (6 960) and CB MNOK 6 842 (6 127)

Good security in the lending portfolio

- Cover pool ratio of fullness 17 (20)%
- Combined LTV 55 (55)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 17 to 4 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 31.03.19 transfer degree is 26.8 and 40.6%



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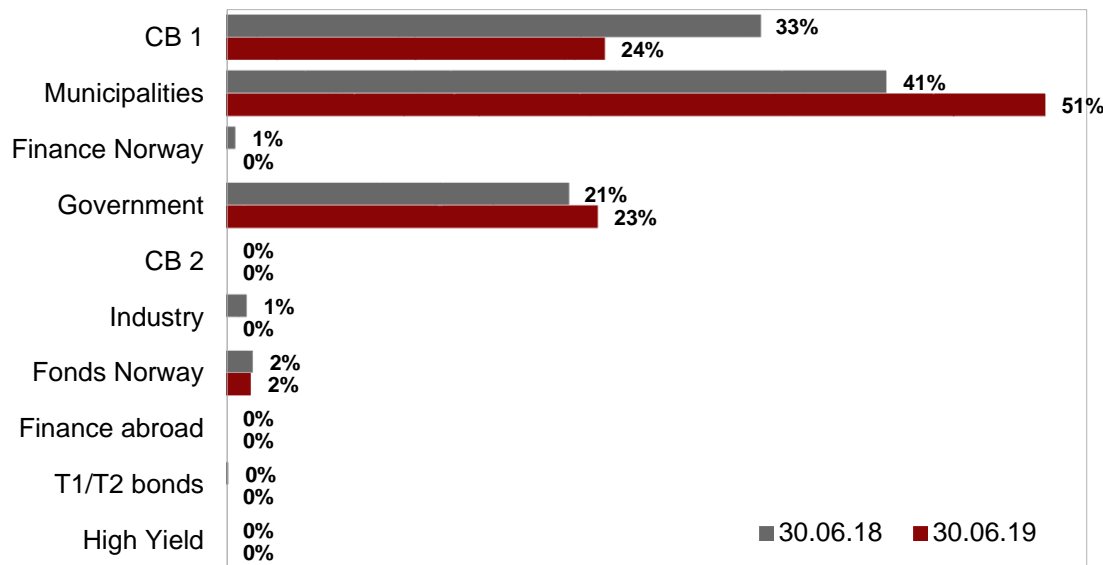
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Liquidity buffer

Sector distribution interest portfolio



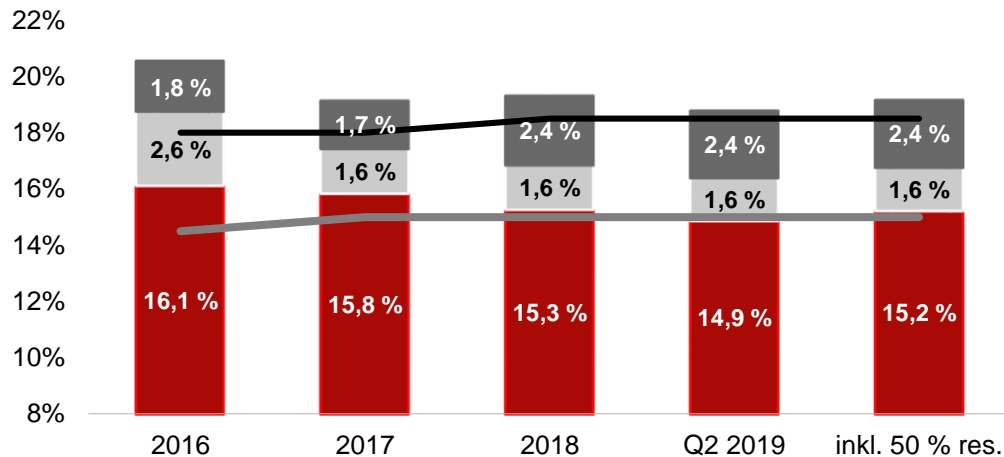
Interest bearing securities:

- Duration portfolio 1.6 (2.0) years
- 98.7 % rated A- or better
- 98.5 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy

Development capital adequacy



■ Capital adequacy % ■ T1 capital % ■ CET 1 capital %

— Target capital adequacy % — Target total capital %

Capital ratio

- CET1 14.9 (15.1)%
- Core capital 16.4 (16.7)%
- Total capital 18.8 (18.4)%

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 15.2%

Target CET1 15.0%

Leverage ratio: 8.9 (9.0)%.

HELG – the 20 largest owners

Per 30.06.19	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.	751 759	3.6 %	AF Kapital Managemet	181 749	0.9 %
VPF Eika Egenkapital	726 003	3.5 %	Melum Mølle AS	177 000	0.8 %
U.S Bank National Association	530 373	2.5 %	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	100 000	0.5 %
Total 10 biggest owners	14 442 781	69.2 %	Total 20 biggest owners	16 160 459	77.4 %

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

HELG – the 20 largest local owners


Per 30.06.19	Numbers	% share	Antall	%	% share
Sparebankstiftelsen Helgeland	7 315 020	35.05 %	Bakeriet Mo i Rana AS	19 998	0.10 %
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	42 500	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 %
Torghatten ASA	30 623	0.15 %	Gunvor Røed	11 054	0.05 %
Coop Helgeland	23 421	0.11 %	Helgelands Blad	10 914	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.11 %	Øijord & Ånes AS	10 288	0.05 %
Total 10 biggest owners	8 137 927	39.0 %	Total 20 biggest owners	8 267 531	39.6 %

Employees owners share will also in 2019 increase through continued employee program

HELG – EC development and liquidity



	2016	2017	2018	Q2 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	80.0
Stock value	1 692.9	1 839.2	1 452.6	1 672.0
Accounted equity per EC	101	108	110	114
Profit per EC	13.5	9.5	5.0	4.8
Dividend per EC	3.75	4.00	1.60	
Price/Accounted EC	0.8	0.8	0.8	



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Prospects and priorities

Prospects



- Adapt the calculation basis for capital adequacy given the requirement for countercyclical buffer.
- Profitable growth in the retail market; maintain the 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 the 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)										
	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	
Net interest- and credit provision earnings	141	142	147	141	141	140	145	142	145	
Net provision earnings	22	21	23	22	22	22	24	23	22	
Other operatios income	1	0	2	1	3	6	6	2	0	
Ordinary operations cost	68	71	67	72	69	71	74	73	72	
Result basic operations	96	92	105	92	97	97	101	94	95	
Write-downs lending and warranties	19	11	30	8	83	20	138	5	15	
Income by conversion to defined contribution										
Net value change financial instruments	14	19	-3	10	35	-1	4	4	5	
Gross profit	91	100	72	94	49	76	-34	93	85	
Net profit	73	81	55	73	42	62	-28	71	66	
Net extended income posts	-1	6	51	0	0	0	0	0	0	
Profit for the period	72	87	106	73	42	62	-28	71	66	

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.

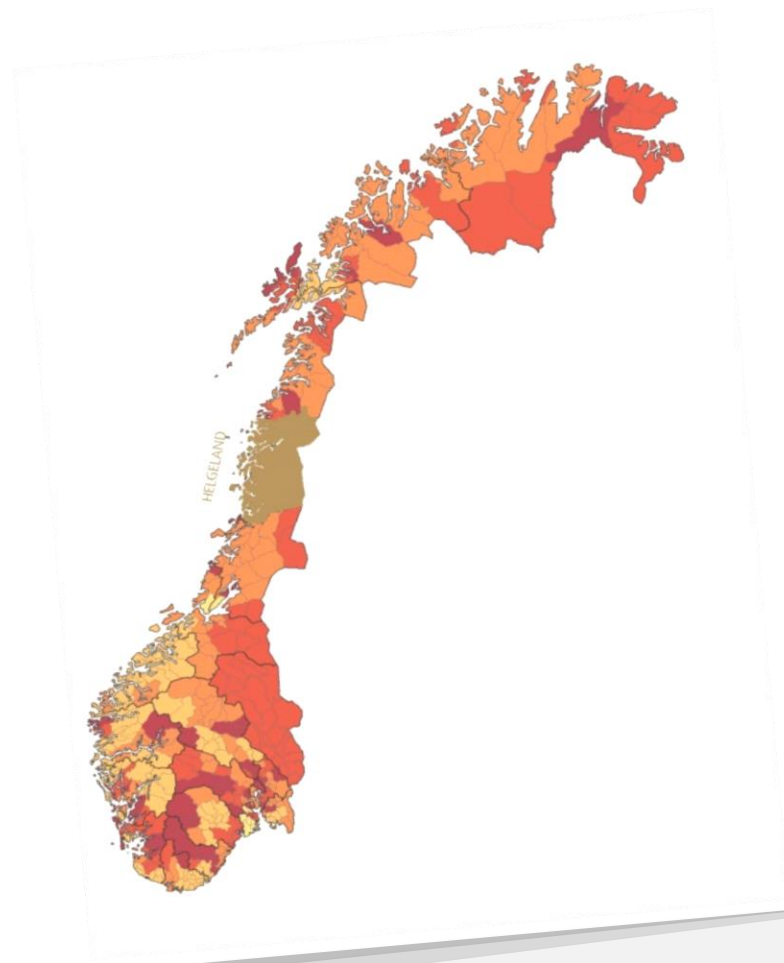


40 %

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 34 137
- Employees, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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Board of directors

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