

Presentation
Q3 2017

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 30.09.17 (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 30.09.17

Gross profit	MNOK 276 (367)
ROE	9.2 (14.0) %
Total assets	30.9 (28.9) bn
Solidity	CET1 15,4 (13,8) % Profit this year is not included

Main features 30.09.17

Retail market



12 month growth RM

- Credit growth 5.4%
- Deposit growth 4.3 %

Corporate market



12 month growth CM

- Credit growth 8.2%
- Deposit growth 10.3 %

Financial targets

ROE:
10 %

CET1:
15.0 %

Cost growth:
 ≤ 1 %

Dividend ratio:
50 %

New capital target initiated:
CET1 increased from 14.5 to 15.0 %

Dividend policy:
Half of the profit can be paid out as
dividend or gifts



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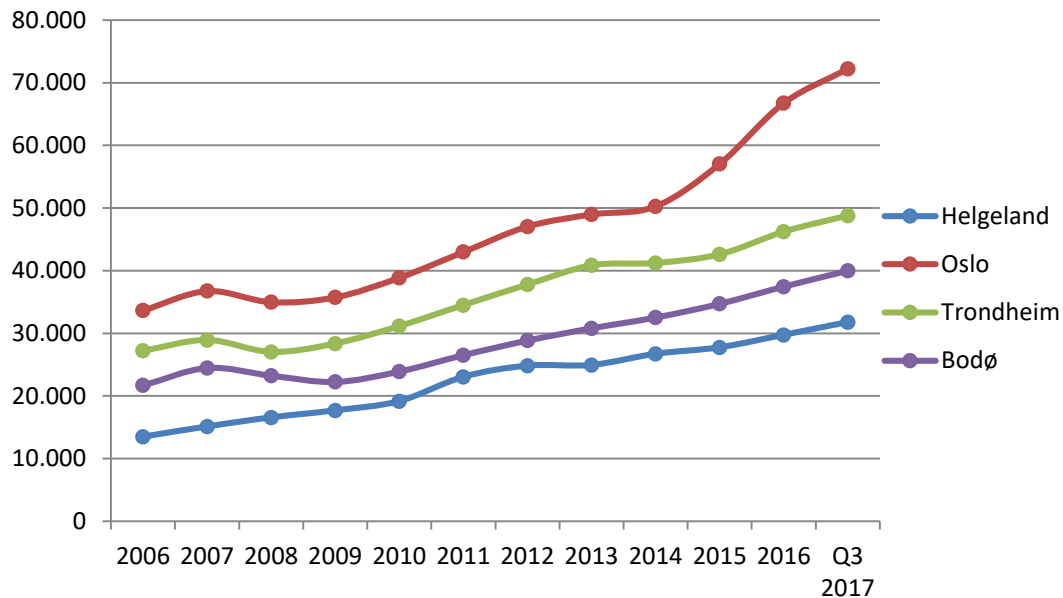


Macro

Macro	Helgeland	Nordland	Norge
Price growth villas	2.8 %	6.5 %	4.2 %
Price growth apartments	6.8 %	0.7 %	-2.0 %
Unemployment	1.6 %	2.0 %	2.5 %
Population growth (12 month) Q2		0.5 %	0.8 %

Stabile property price development

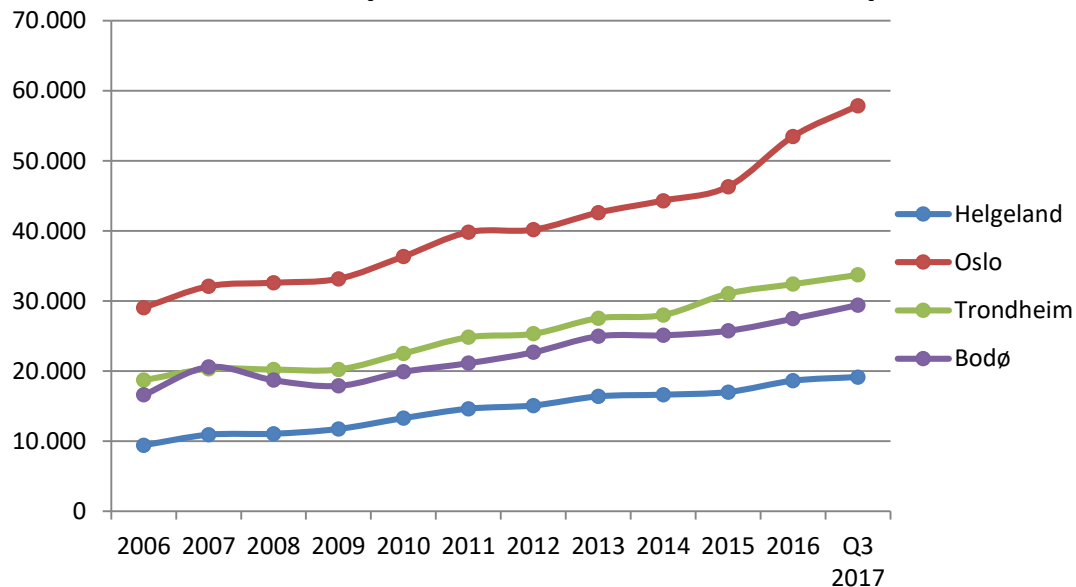
Price development - sold apartments in NOK/sqm



Price increase in Helgeland was 6.8 % and 8.2 % in Oslo

Stabile property price development

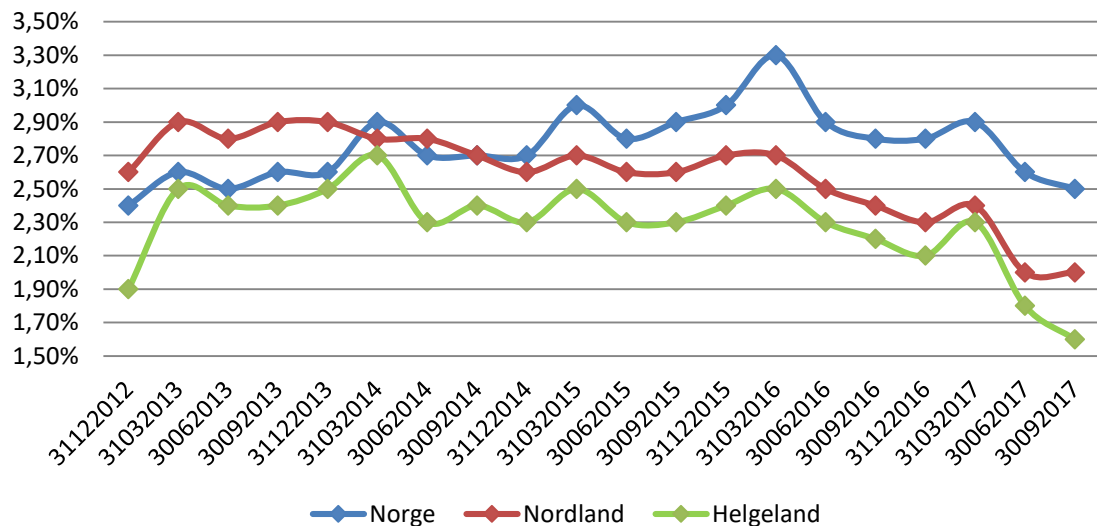
Price development - sold villas in NOK/sqm



Price increase in Helgeland was 2.8 % and 8.2 % in Oslo

Unemployment

Unemployment in %, Norway, Nordland og Helgeland



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

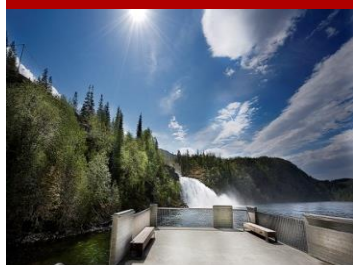
Helgeland

Aquaculture



- High export value and Helgeland is the engine in northern Norway
- Large potential regarding increased production
- Great investment will
- Exciting developer environment regarding science and development

Power



- Helgeland Kraft 15 power plants in the region; produces 1265 GWH
- 3 new power plants under development

Helgeland

Contraction



- Large contraction activity on the E6 through the whole region
- Brønnøysundregistret – new building
- Airport
- Housing construction

Tourism



- Increased tourism
- Better infrastructure and cooperation
- Better adaption and measures for whole year tourism
- More event companies

Helgeland

Industry



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

Retail market



- Low prices per square meter
- Stable price growth
- Number of sold units down 15 % in -17 compared to -16
- Increased turnover speed in Q3; increased optimism



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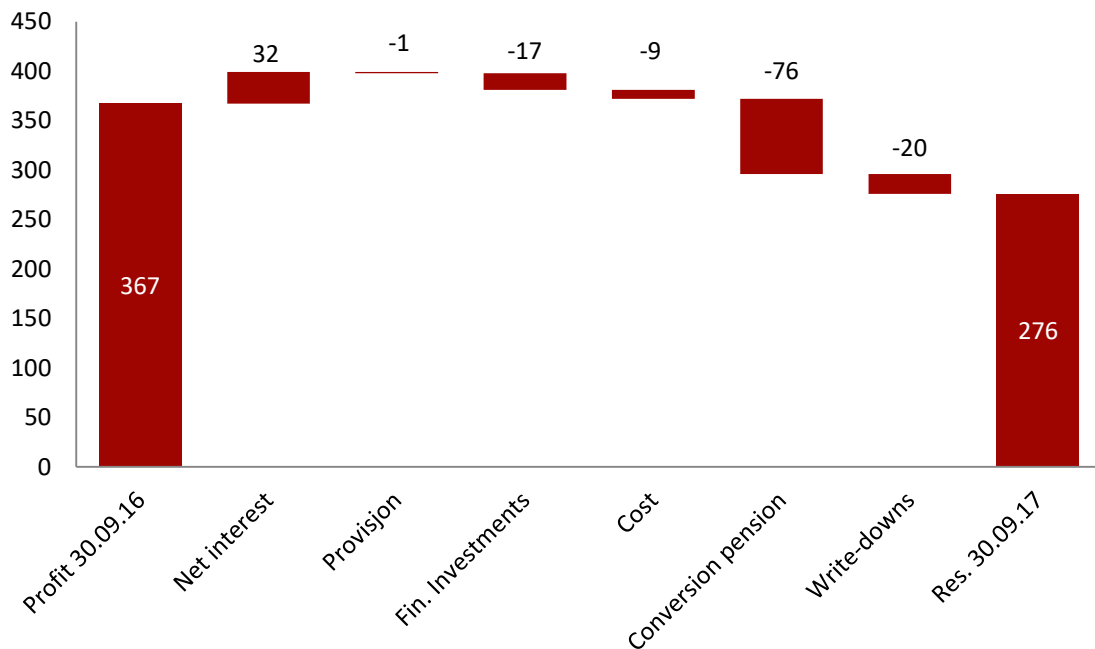
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Result

Change gross profit so far this year



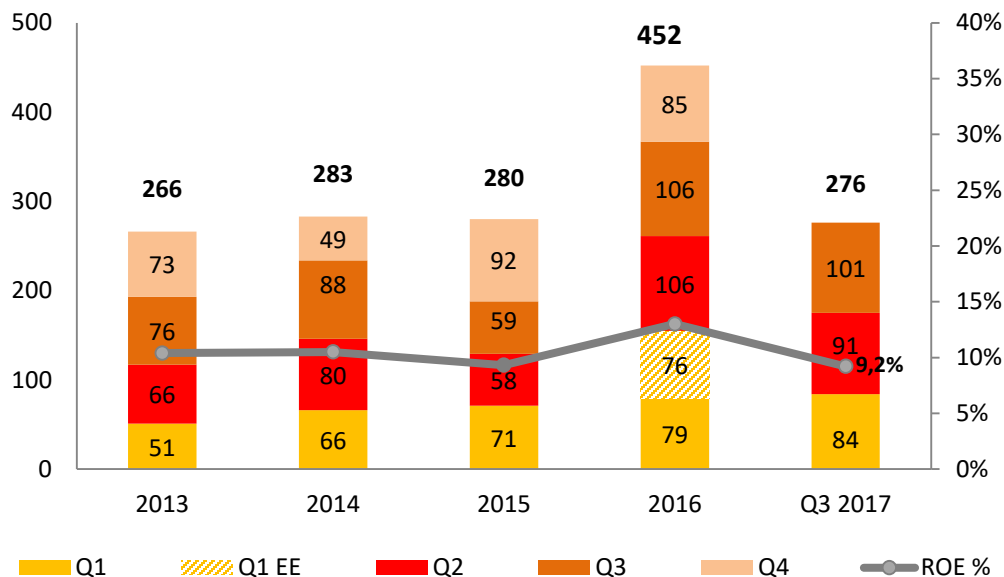
Good result

Gross profit MNOK 276

- ROE of 9,2 %
- Adjusted for one-time effect pension (MNOK 76) gross profit per 30.09.16 was MNOK 291

Profit

Profit development (MNOK)



Good result Q2

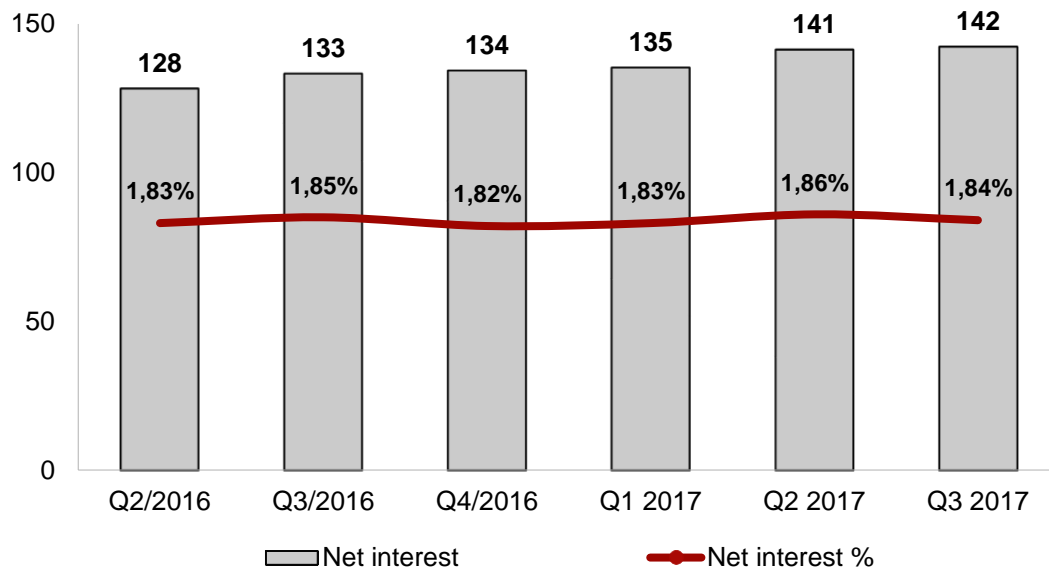
Gross profit MNOK 276

- ROE after tax 9.2 %

Adjusted for one time effect pension (MNOK 76) profit per 30.09.16 was MNOK 291.

Net interest

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

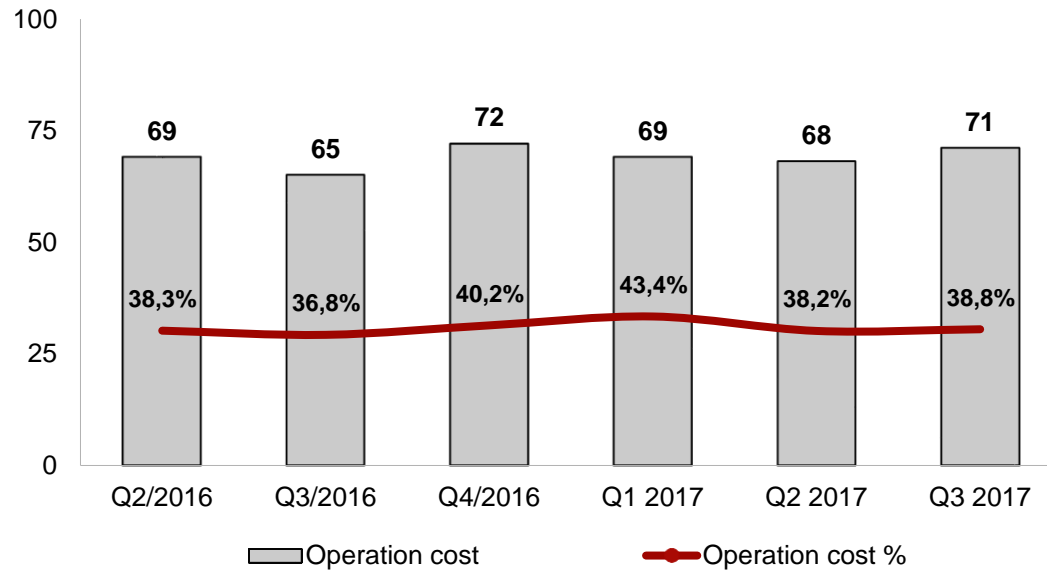


Maintained net interest over time

- Still strong competition regarding price
- Lower lending costs with falling Nibor and low credit spread

Operating costs

Operating cost (mnok) and % of income



Costs in % of income

- Closing offices Q2 and Q3
- One time effect pension Q3 2017 last CEO
- New finance tax 2017

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

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 %

Remaining shares are owned by 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 adapted financing products with main weight on leasing.



6.7 %

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

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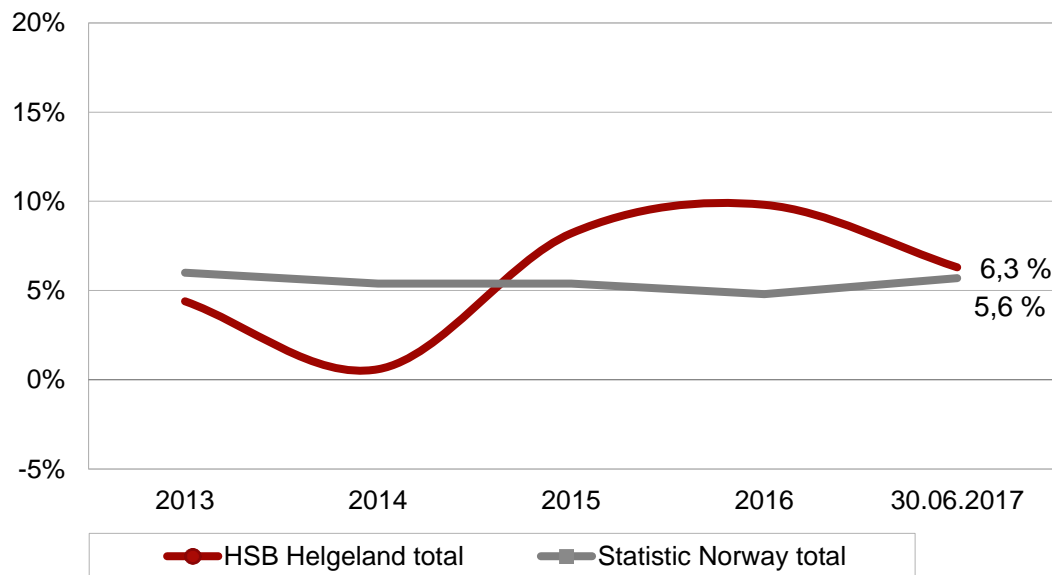


En drivkraft for vekst på Helgeland



Credit growth

12-month credit growth



Credit growth

- 12-month growth 6.3 (10.1)%

PM share

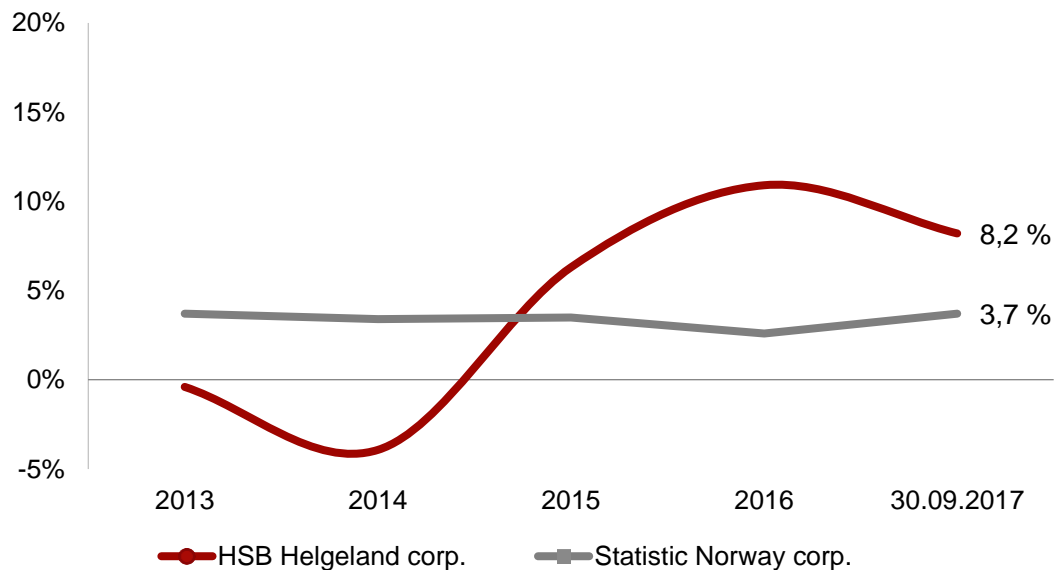
- Target minimum 60%
- Per Q3 67.3 (67.9)%

Locally in Helgeland

- Per Q3 84.3 (84.1)%

Credit growth CM

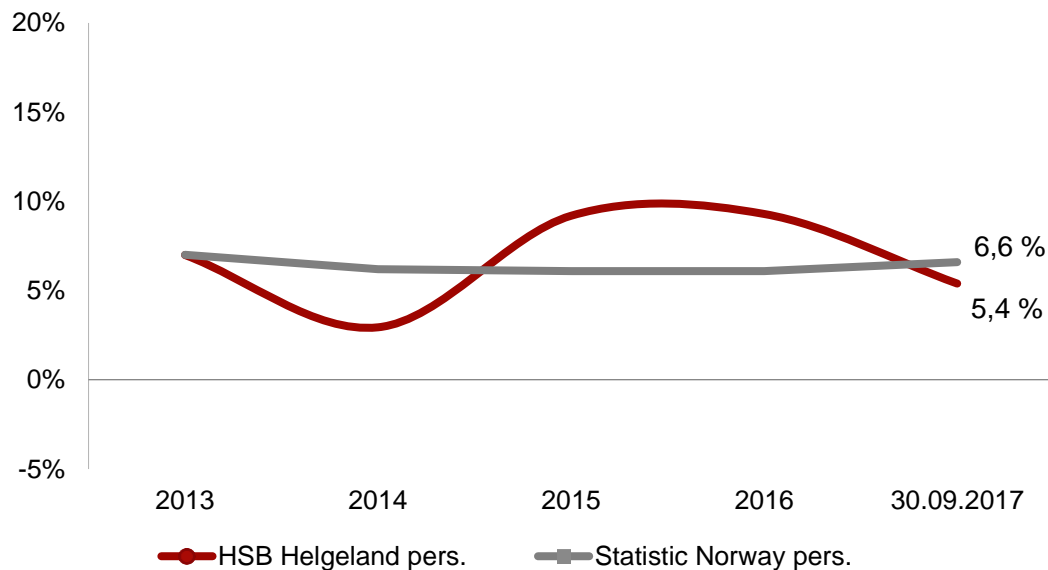
12-month credit growth corporate market



12 month growth CM 8.2 (8.9) %

Credit growth RM

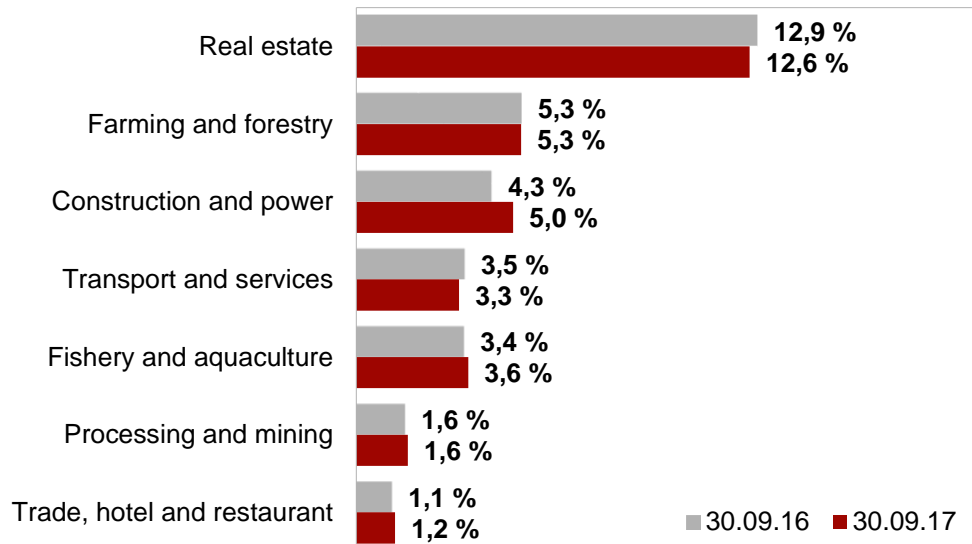
12-month credit growth retail market



12 month growth RM 5.4 (10.8) %

Lending CM

Lending distributed in sector

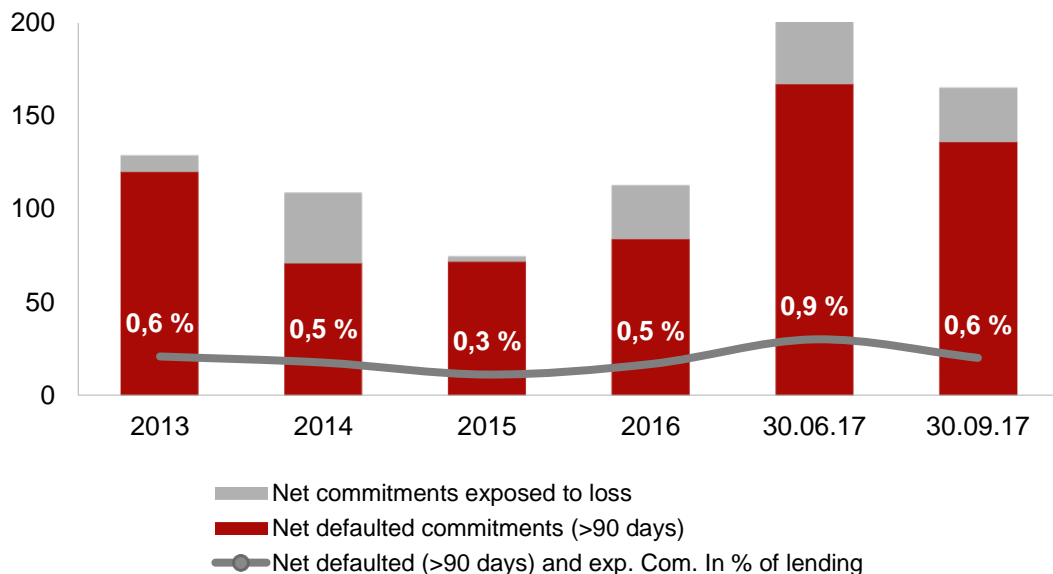


Good diversification in the CM lending portfolio and very loyal corporate customers

Share CM of total lending 32.7 (32.1)% or MNOK 8 468 (7 824)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 165 (110), 0.6 (0.5)% of gross loans



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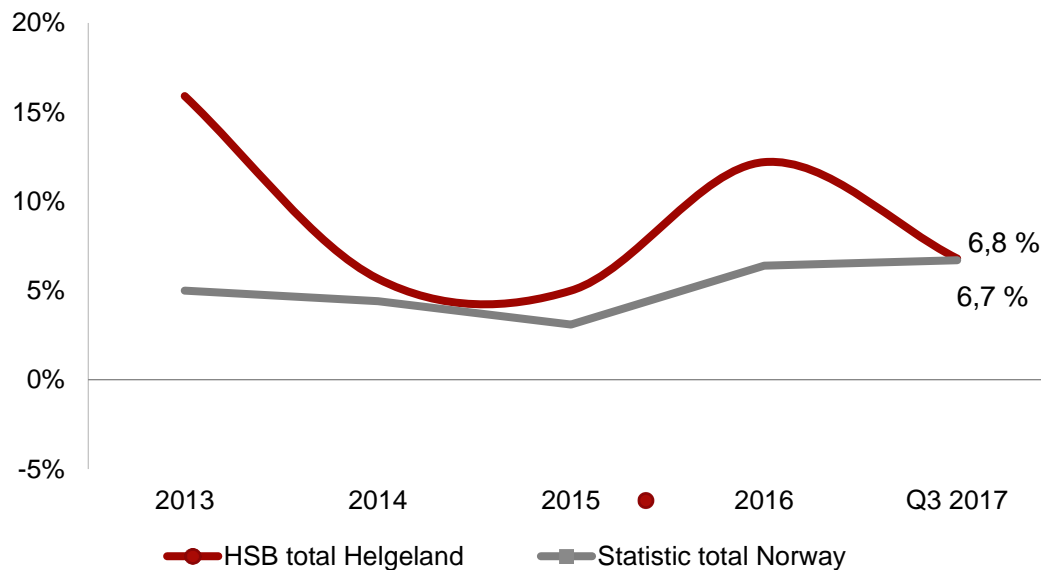
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Deposit growth

12-month deposit growth



Commentary

12-month growth 6.8 (11.1)%

RM share

- Per Q3 56.8 (58.2)%

Locally in Helgeland

- Per Q3 90.7 (91.2)%

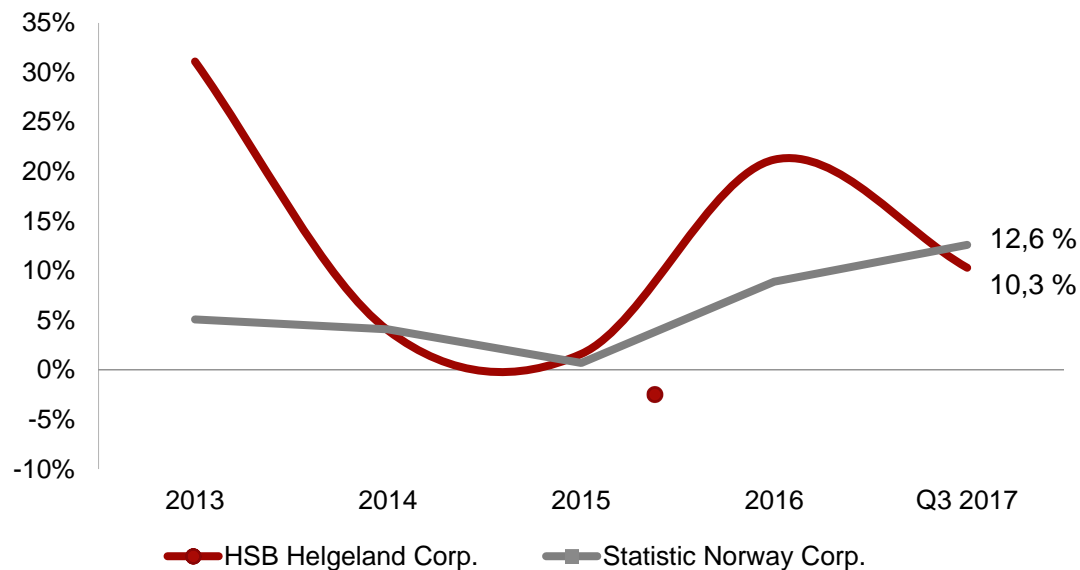
Deposit ratio

- Target minimum 60%
- Per Q3 64.6 (64.2)%

Deposit growth CM

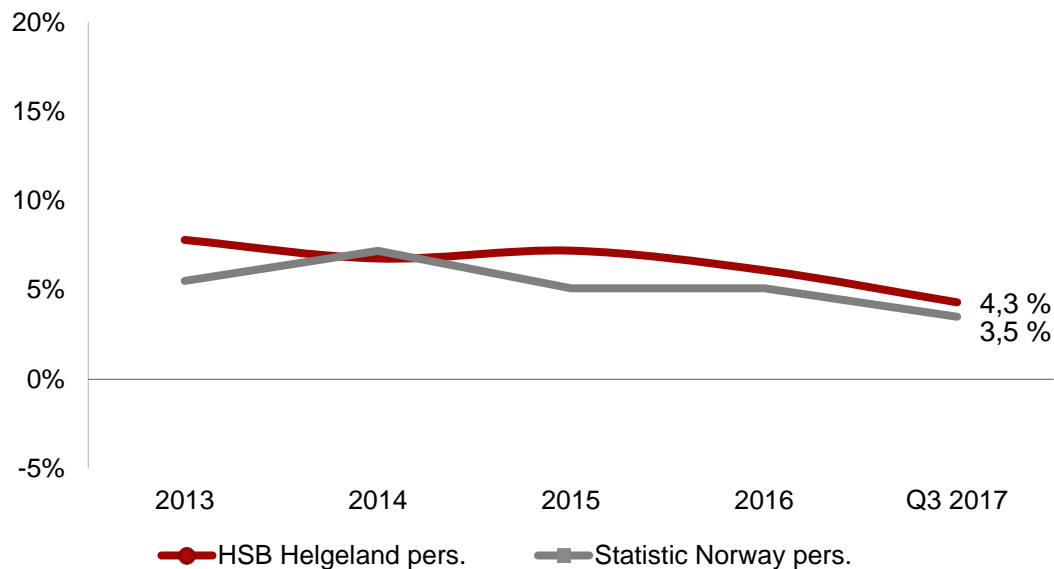
12-month deposit growth corporate market

12-month growth CM 10.3 (16.9)%



Deposit growth RM

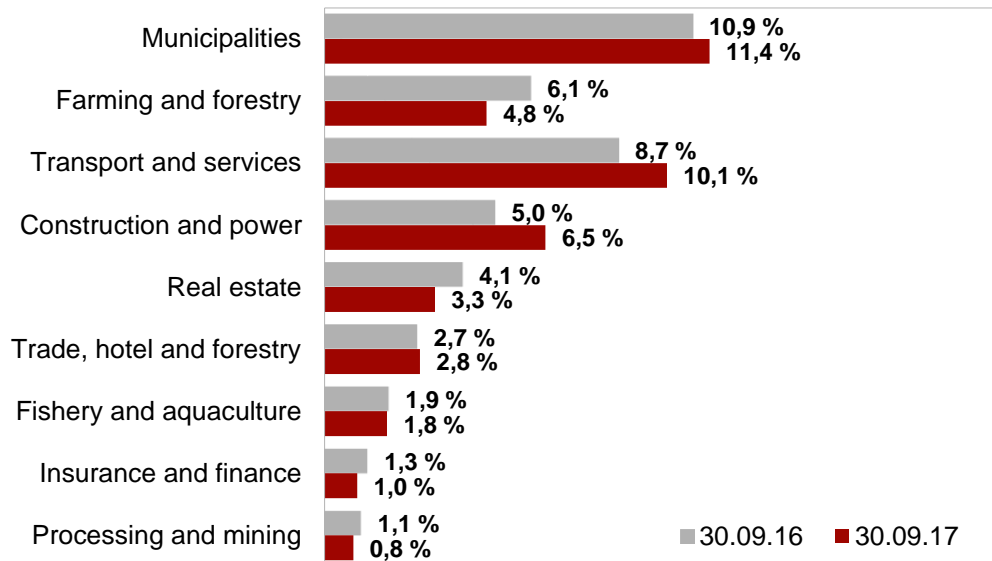
12-month deposit growth retail market



12-month growth RM 4.3 (7.2)%

Deposits CM

Customer deposits

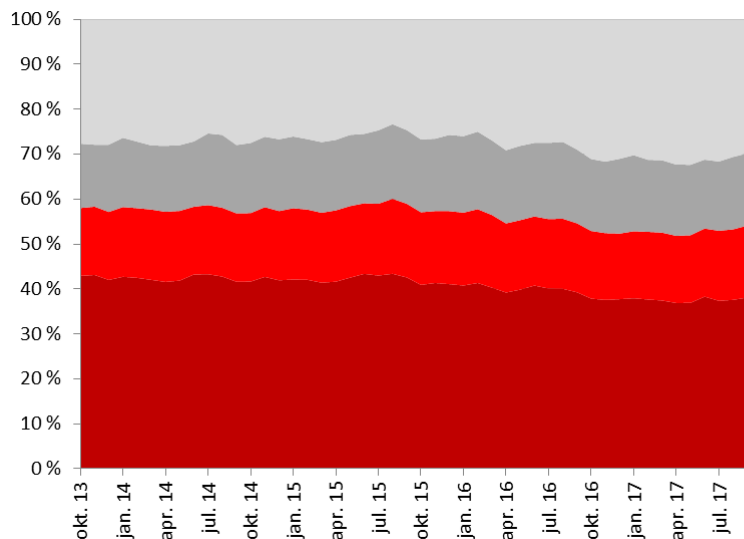


Well diversified deposit portfolio in the CM

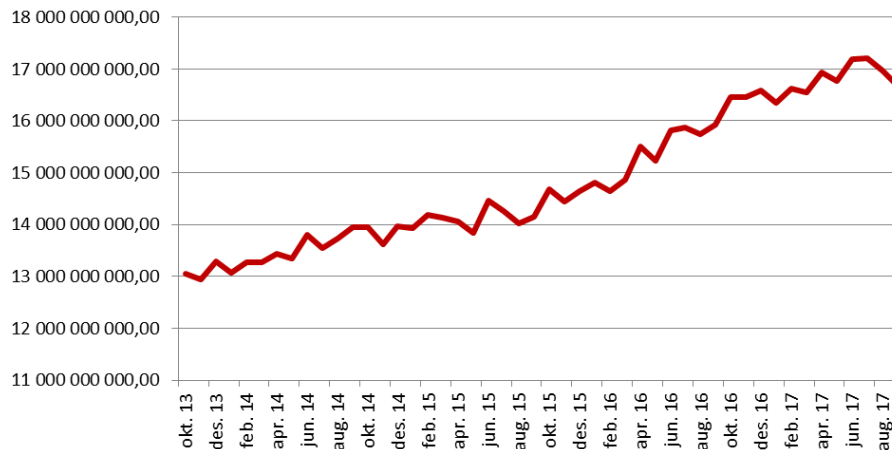
Share CM 43.2 (41.8)% or MNOK 7 219 (6 544) of total deposits

Deposits from municipalities constitute 27% of the CM deposits

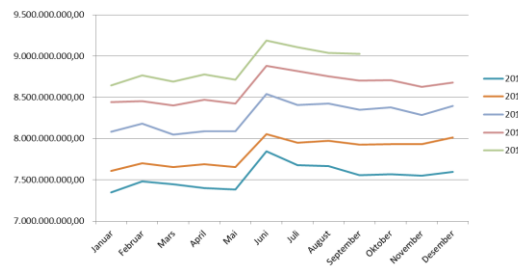
Deposit development



A large share of PM deposits is under MNOK 2 (54 % of total deposits). The level is marginally higher than last quarter end, and on level with sept 16. Reduction in large deposits in Q3. 60.5 % of the deposit is covered by the guarantee scheme



Årlig utvikling innskudd under 2 mill.





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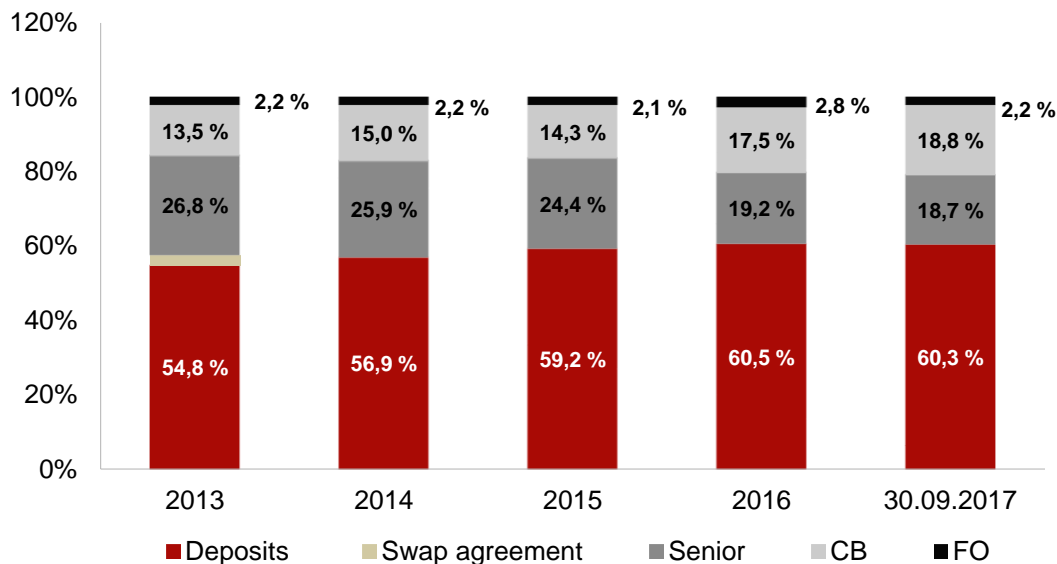
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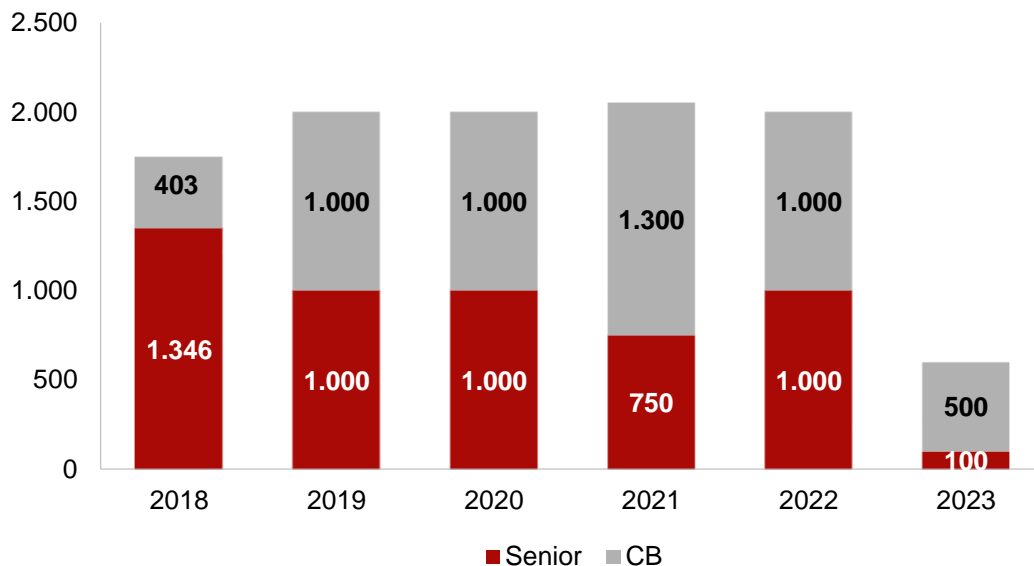
Funding development (MNOK)

Deposits are the most important source for funding.



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
83.2% (81.2)%

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

Helgeland Boligkreditt AS

Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 35.4 (27.5).
- CET1 ratio of 15.9 (17.5)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 6 073 (5 445) and CB MNOK 5 304 (4 633)

Good security in the lending portfolio

- Cover pool ratio of fullness 19 (23)%
- Combined LTV 54 (52)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 19% to 6%

Maximum limit for transferring is 30% of the Group's gross lending, transferred loans 23 (22)%



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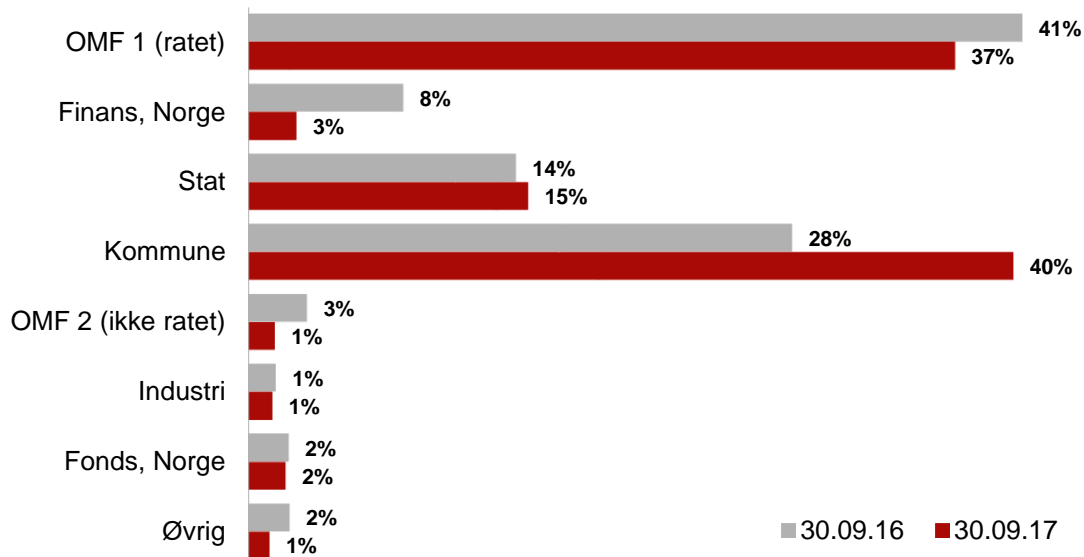
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Liquidity buffer

Sektorfordeling renteportefølje



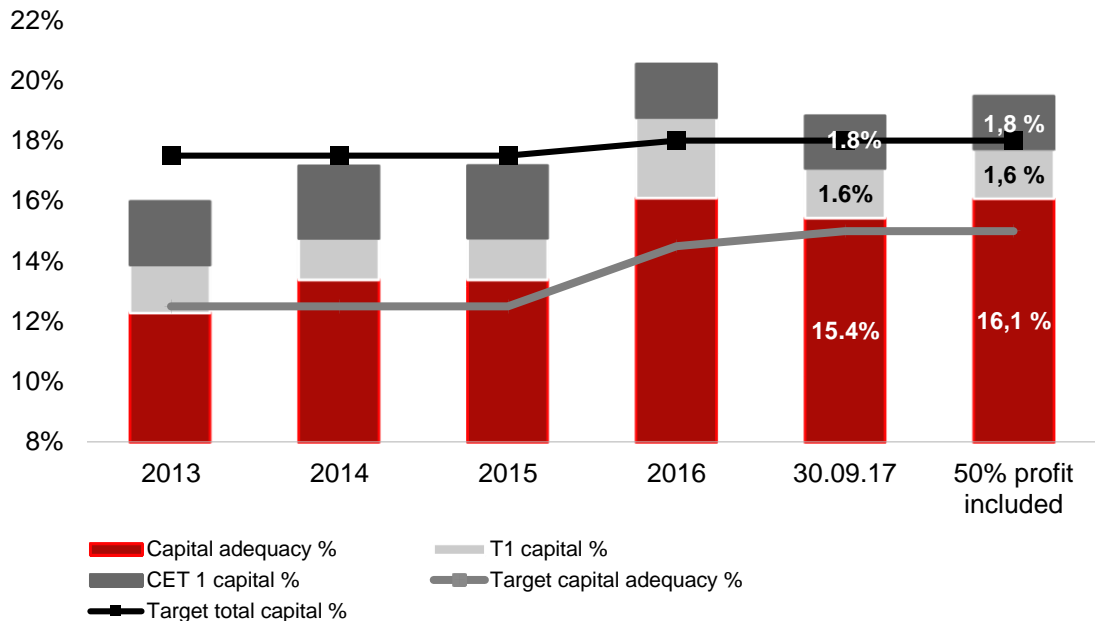
Interest bearing securities:

- Duration portfolio 2.0 (2.0) years
- 97 % rated A- or better
- 93 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placement.

Capital adequacy

Development capital adequacy



Capital ratio (excl. profit 2017)

- CET1 15.4 (13.8)%
- Core capital 17.2 (15.2)%
- Total capital 18.8 (17.0)%

The Group's capital tsrgets included
Pilar 2 addition of 2.2% amounts to
14.2% per 31.12.17

New target CET1 15.0%

Leverage ratio: 9.1 (7.6) %.

HELG – the 20 largest owners

			<i>Parent bank</i>		
Per 30.09.17	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 %
Merrill Lynch Prof.	1 253 462	6.0 %	Landkreditt utbytte	250 000	1.2 %
VPF Nordea Norge	1 137 837	5.5 %	Apollo asset Limited	181 749	0.9 %
Pope Asset Management BNY	648 441	3.1 %	Melum Mølle AS	167 423	0.8 %
UBS AG, London Branc A/C	646 166	3.1 %	Melesio Capital AS	137 188	0.7 %
VPF Eika egenkapital	546 046	2.6 %	Nervik Steffen	110 506	0.5 %
MP Pensjon PK	462 203	2.2 %	Nordenfjelske Bykreditt	108 059	0.5 %
Lamholmen AS	442 353	2.1 %	VPF Nordea kapital	98 707	0.5 %
Helgeland Kraft AS	377 691	1.8 %	DnB NOR Bank	98 030	0.5 %
Total 10 biggest owners	14 718 611	70.5 %	Total 20 biggest owners	16 420 972	78.7 %

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

HELG – the 20 largest local owners

Per 30.09.17	Numbers	%		Number	%
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Torghatten ASA	16 824	0.08 %
Helgeland Kraft AS	377 691	1.8 %	Harald Svendsen	13 710	0.07 %
Vigner Olaisen AS	294 653	1.4 %	Dan Erik Kjellnø	13 000	0.06 %
Steffen Nervik	110 506	0.5 %	Snipitind Holding AS	13 000	0.06 %
Lars Aage Andersson	37 000	0.2 %	John Arne Warholm	12 640	0.06 %
Reinfjell Holding AS	34 108	0.2 %	Sally Helene Øyjord	12 000	0.06 %
RWH AS	31 447	0.2 %	Helgelands Blad	10 914	0.05 %
Coop Helgeland	23 421	0.1 %	Øijord & Aanes AS	10 288	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.1 %	Per Gunnar Hjorthen	9 505	0.05 %
Bakeriet Mo i Rana AS	19 998	0.1 %	Ove Arild Alfheim	9 477	0.05 %
Total 10 largest owners	8 205 808	39,3 %	Total 20 largest owners	8 327 166	39.90 %

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



	Q3 2017	Q3 2016	2016	2015
EC fraction	76.5 %	75.1 %	75.1 %	75.1 %
Number of EC's	20.9	18.7	20.9	18.7
Stock exchange price	88.5	67.8	81	59
Stock value	1 849.7	1267.9	1692.9	1103.3
Accounted equity per EC	105.8	101.7	101	93.7
Profit per EC	7.6	11,1	13.5	8.4
Dividend per EC			3.75	2.75
Total return			43,6 %	12,3 %
Price/accounted equity	0.84	0.67	0.80	0.63



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Prospects and priorities

Prospects



- Increased profitable growth in the Retail market
 - Cooperation REDE real-estate
 - Capitalization of CRM investment
 - Optimization of resource efforts
 - Larger activity in the housing market
- Maintain market position and profitability in the corporate market and be a driving force for growth
 - HSB has capital and competence
 - High activity and optimism in the region
- Streamline and automate support functions



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Profit & loss

Helgeland Sparebank (group)

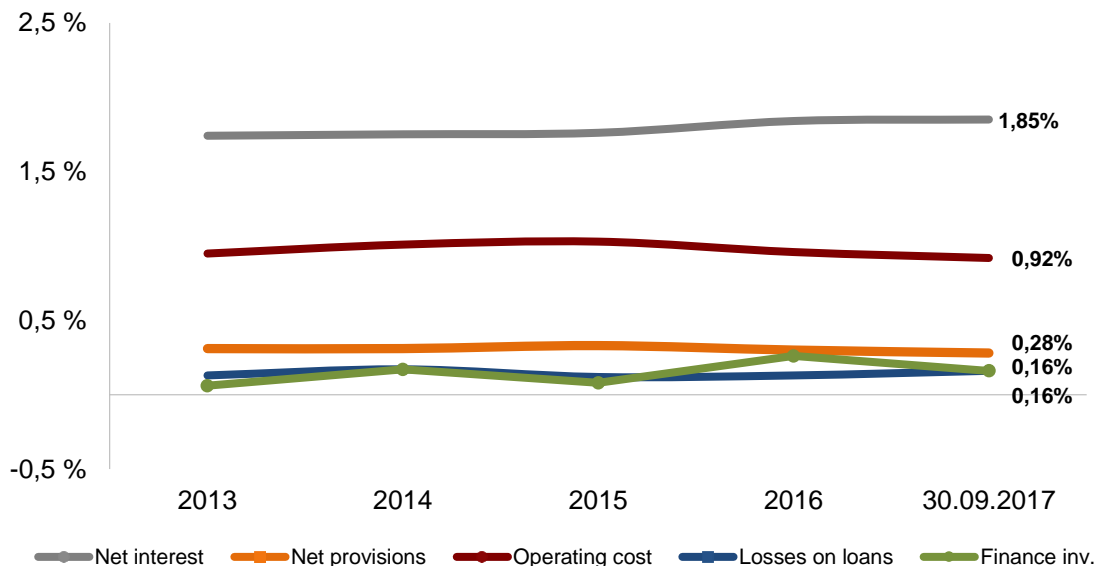
	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1 2017	Q2 2017	Q3 2017
Net interest- and credit provision earnings	125	128	133	134	135	141	142
Net provision earnings	20	22	22	21	20	22	21
Other operatios income	2	1	1	2	1	1	0
Ordinary operations cost	65	69	65	72	69	68	71
Result basic operations	82	82	91	85	87	96	92
Write-downs lending and warranties	5	6	5	20	6	19	11
Income by conversion to defined contribution	75	1		-2			
Net value change financial instruments	2	30	20	22	3	14	19
Gross profit	154	107	106	85	84	91	100
Net profit	117	85	84	69	64	73	81
Net extended income posts	1	-19	5	8	8	-1	6
Profit for the period	118	66	89	77	72	72	87

Commentary

- Stable and good basis operation
- Costs
 - New finance tax affected operating costs by MNOK 3.8 per 30.09.17
 - One-time cost in Q3 pension last CEO by MNOK 3.5
 - One-time cost by closure of offices MNOK 2.2 in Q2 and Q3
- Net value change financial instruments in Q3 ,profit share Helgeland Invest amounts to MNOK 19 (9)
- Moderate write-downs, write-downs on groups increased by MNOK 5 in Q3
- Extended income statement – value increase; owners share in Brage Finans AS (Q1) and interest bearing securities

Key figures

Keyfigures in % of average BTA



Stable net interest

- 1.85% per 30.09.17

Net provisions

- Reduced from 0.30% 30.09.16 to 0.28%

Operating costs

- Reduced from 0.95% per 30.09.16 to 0.92

Moderate write-downs

Balance

Helgeland Sparebank (group)			
	30.09.17	30.09.16	Change
liquid assets	630	655	-25
Net lending to customers	25 749	24 266	1 483
Certificates and shares	4 209	3 600	609
Other assets	342	345	-3
Assets	30 930	28 866	2 064
Deposits from customers	16 721	15 651	1 070
Money market financing	10 270	9 718	552
Other liabilities	453	442	11
Subordinated debt	300	300	0
Equity	3 186	2 755	431
Liabilities and equity	30 930	28 866	2 064

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.

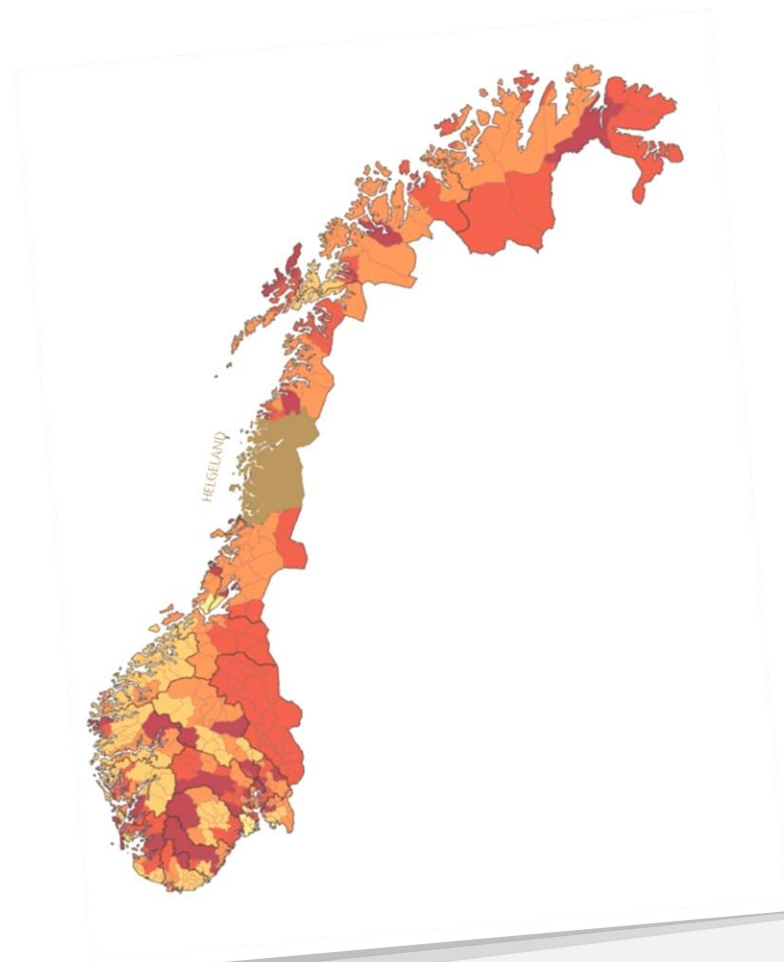


40 %

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 10th. largest savings bank in Norway.
- Total assets: MNOK 30 930
- Employees, annual positions: 149
- Moodys rating: A3 – Stable outlook. Ticker: HELG, owner fraction 76,5%.



Contact information

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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
Marianne Terese Steinmo
Birgitte Lorentzen
Geir Pedersen