Presentation

Q3 2018

En drivkraft for vekst på Helgeland

helgeland sparebank

Presentation per 30.09.18 (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 30.09.18

Gross profit	**MNOK 219 (276)**
ROE	7.2 (9.2) %
Total assets	32.8 (30.9) bn
Solidity Add. 50 % of net profit	CET1 14.9 (15.0) % CET1 15,4 %

Lower result after loan losses last quarter

helgeland sparebank

- Main features
- Helgeland Invest AS, presentation by CEO Ståle Indregård
- Profit & loss
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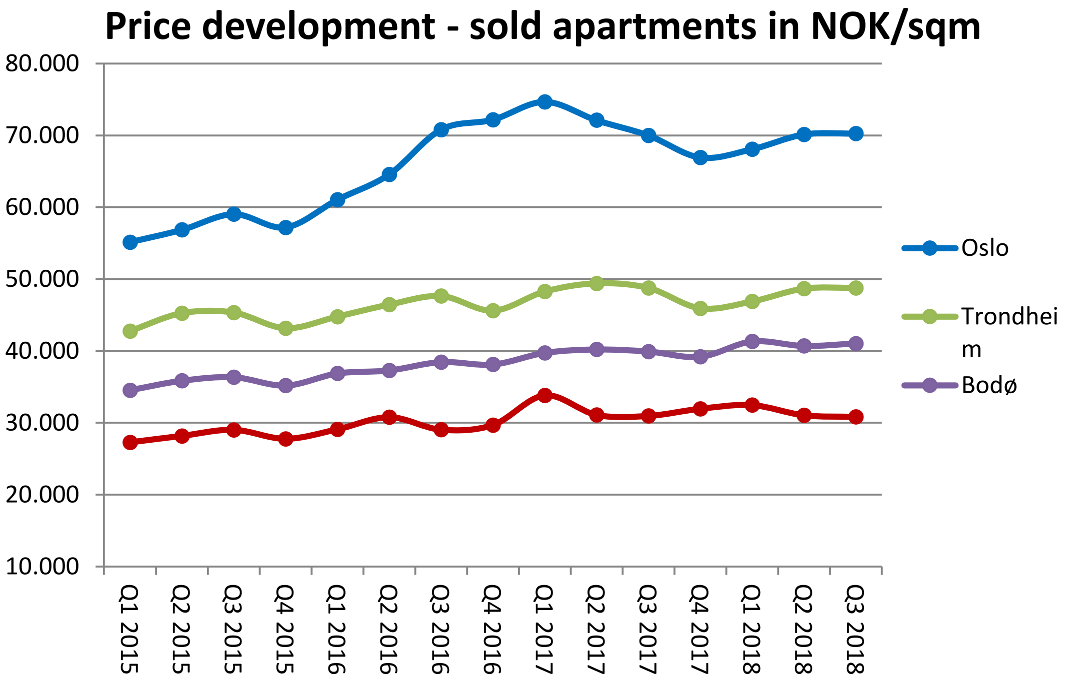
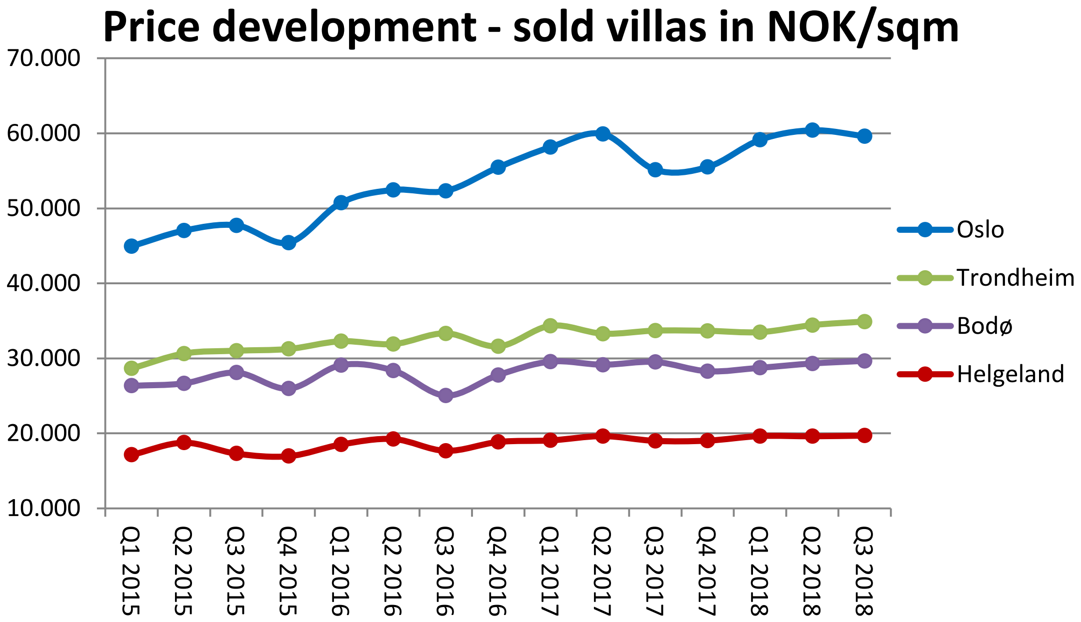
Property price development



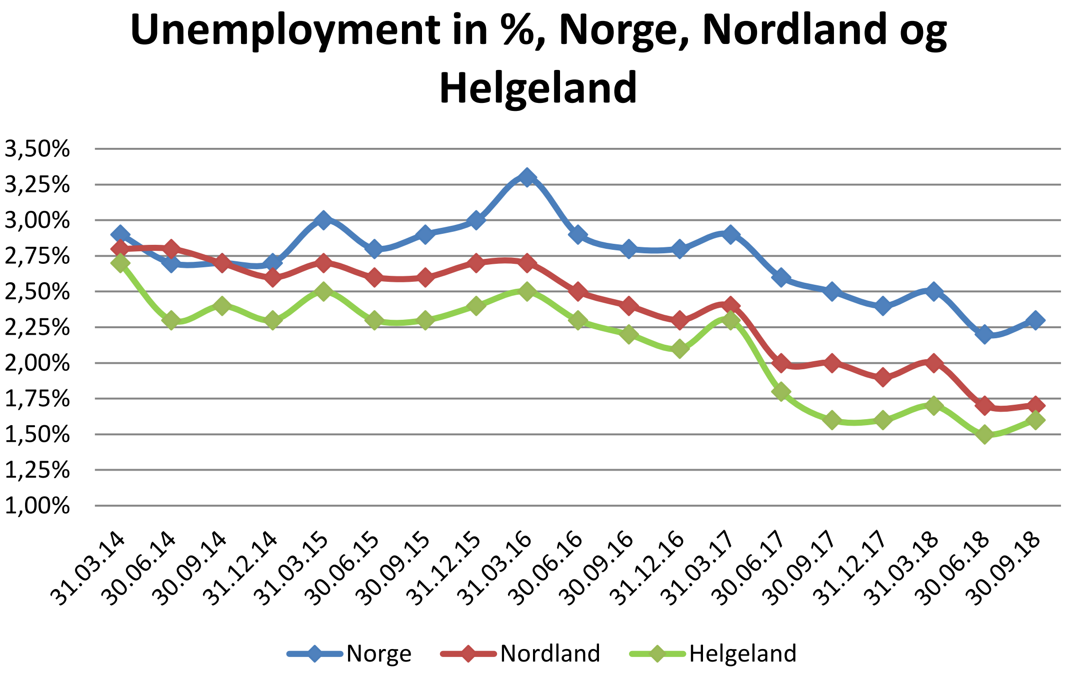
Price development was negative 3rd quarter, -0.7 in Helgeland and 0.2 % in Oslo.

Stabile property price development



Price increase in Helgeland was 0.5 % and -1.3 % in Oslo 3rd quarter

Unemployment



Unemployment in Helgeland (1,6%) and in Nordland(1,7%) is lower than Norway(2,3%) overall.

- Main features
- Helgeland
- Profit & loss
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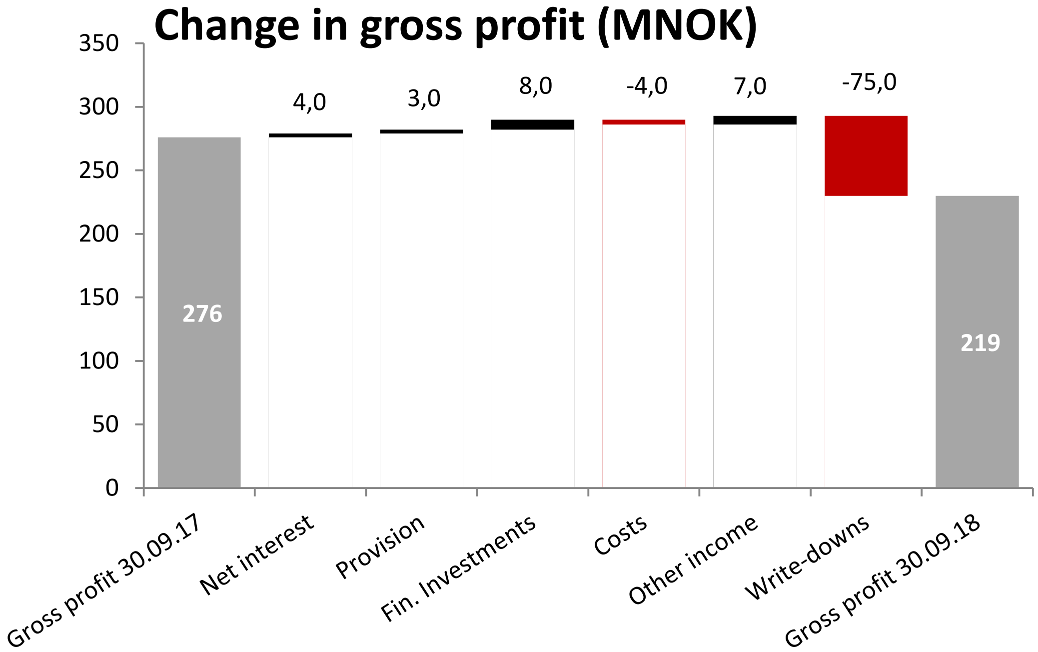
Result

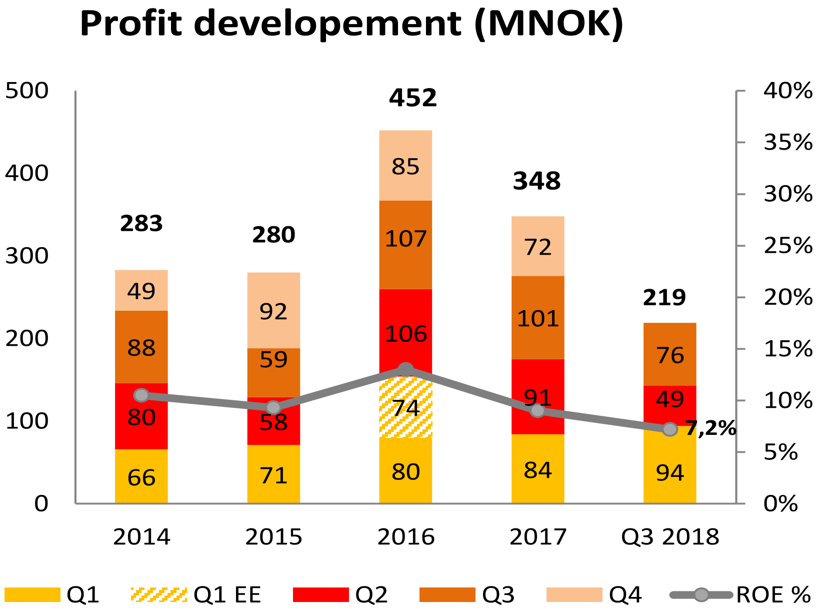


Good result

Gross profit MNOK 219

- Higher write-downs on lending
- Increased income from financial investments
- Increased other income, sales of building and plot

Profit



Result 30.09.18

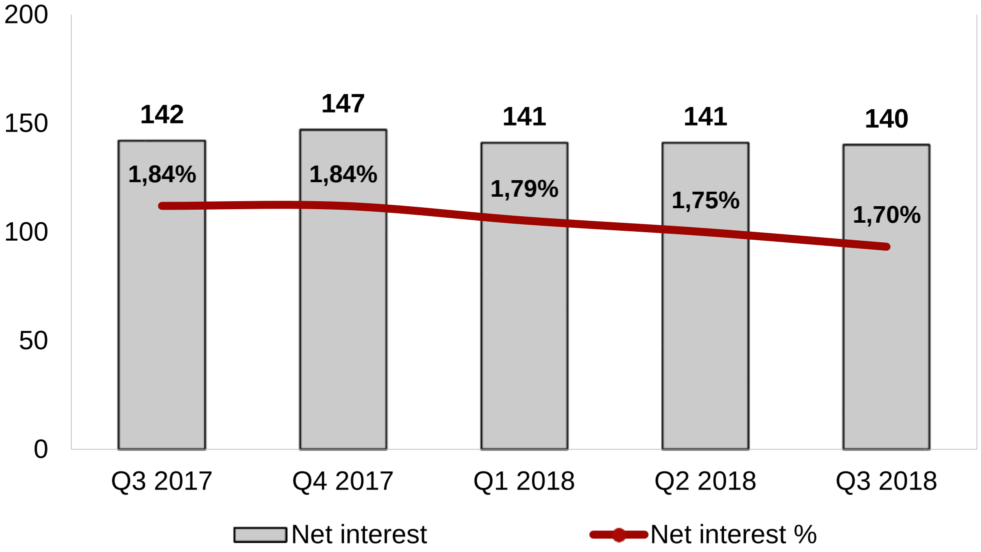
Gross profit MNOK 219
- Net ROE 7.2 %

Gross profit Q3
- Write-down stock value Frende Holding (reacted value) MNOK 15 and Brage Finans MNOK 4,6
- Profit share Helgeland Invest AS MNOK 20

(One time effect pension MNOK 74 in Q1 2016)

Net interest

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

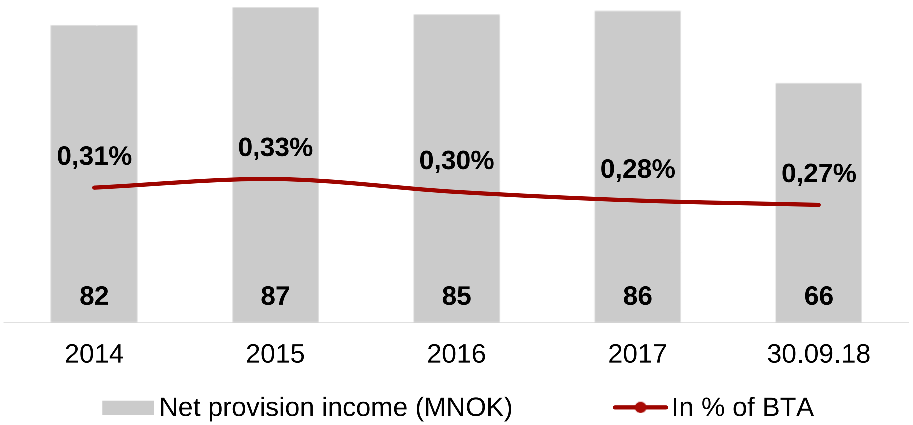


Decrease in 2018

- Still strong competition regarding price, especially mortgages
- Change in interest rate from 14th of November will increase the net interest rate.

Provision

Development net provision income



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.

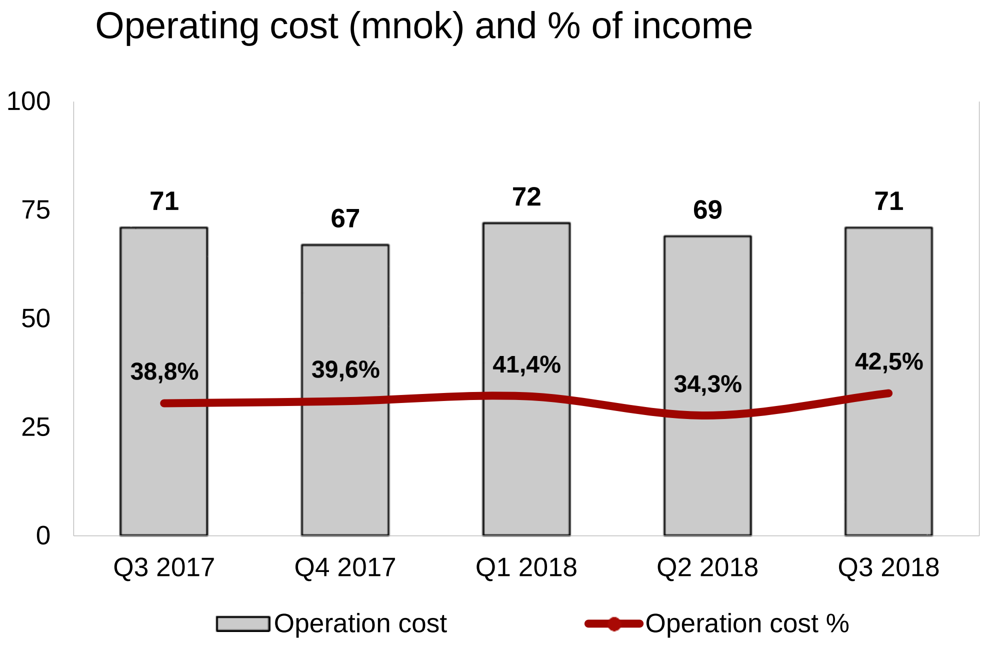
BRAGE FINANS 10 %

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

balder betaling 6.9 %

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

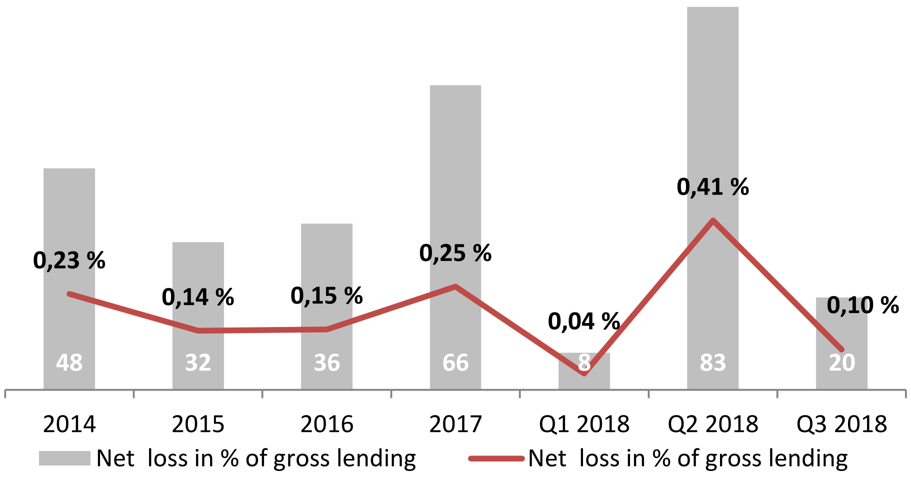
Operating costs



Costs in % of income

- Cost in % of income wo far this year was 39.2 %

Loss on commitments



Loss

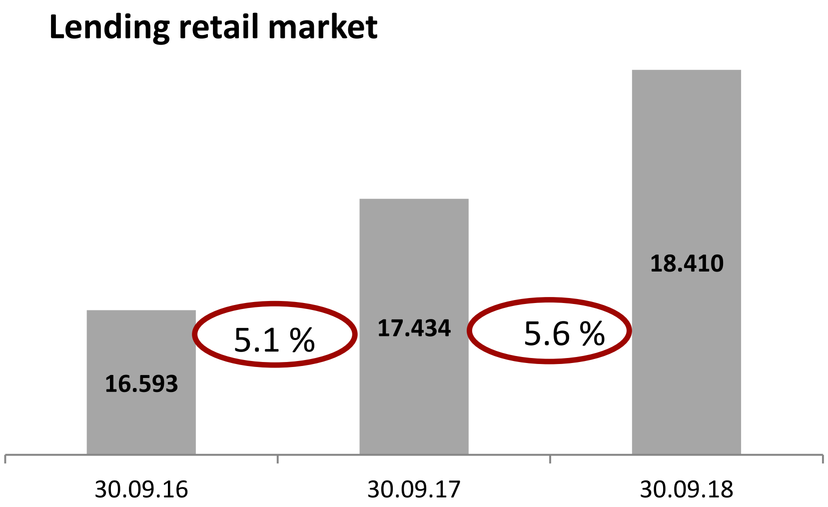
In relation to a restructuring on a corporate commitment, a single loss of MNOK 40 got been recognized in the 2nd. quarter. In this quarter additional MNOK 15 in is increased on the same corporate commitment.

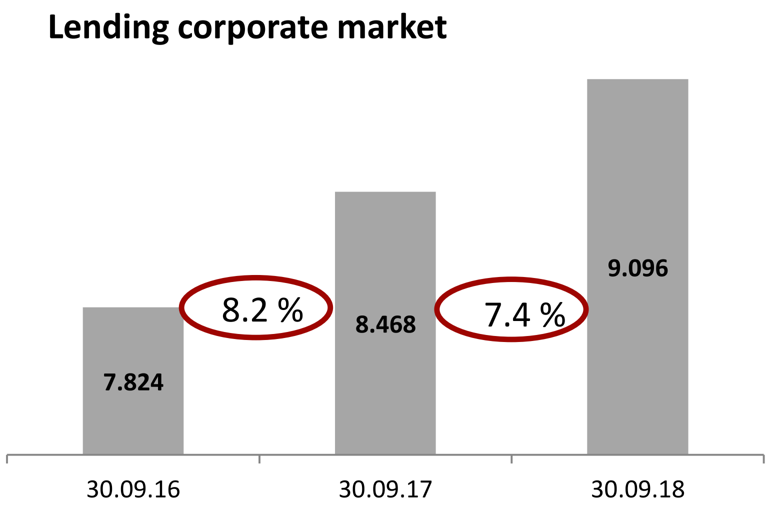
In addition in the 2nd quarter calculated expected loss ,on a large commitment who went to default

Profit & loss

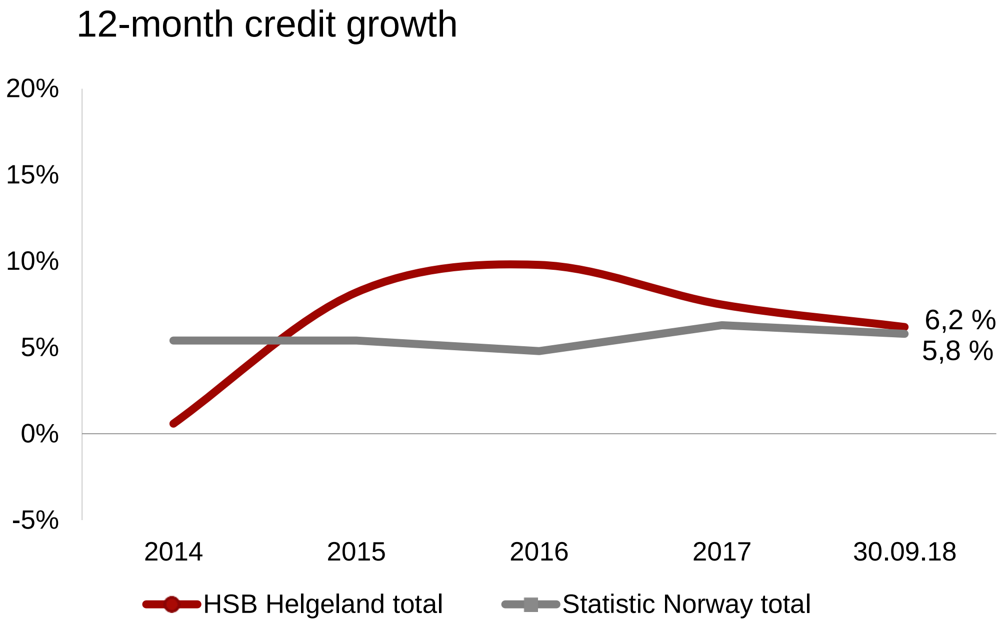
Helgeland Sparebank (group)							
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Net interest- and credit provision earnings	135	141	142	147	141	141	140
Net provision earnings	20	22	21	23	22	22	22
Other operatios income	1	1	0	2	1	3	6
Ordinary operations cost	69	68	71	67	72	69	71
Result basic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

Growth


Lending retail market
16.593
5.1 %
17.434
5.6 %
18.410
30.09.16
30.09.17
30.09.18


Lending corporate market
7.824
8.2 %
8.468
7.4 %
9.096
30.09.16
30.09.17
30.09.18

Credit growth



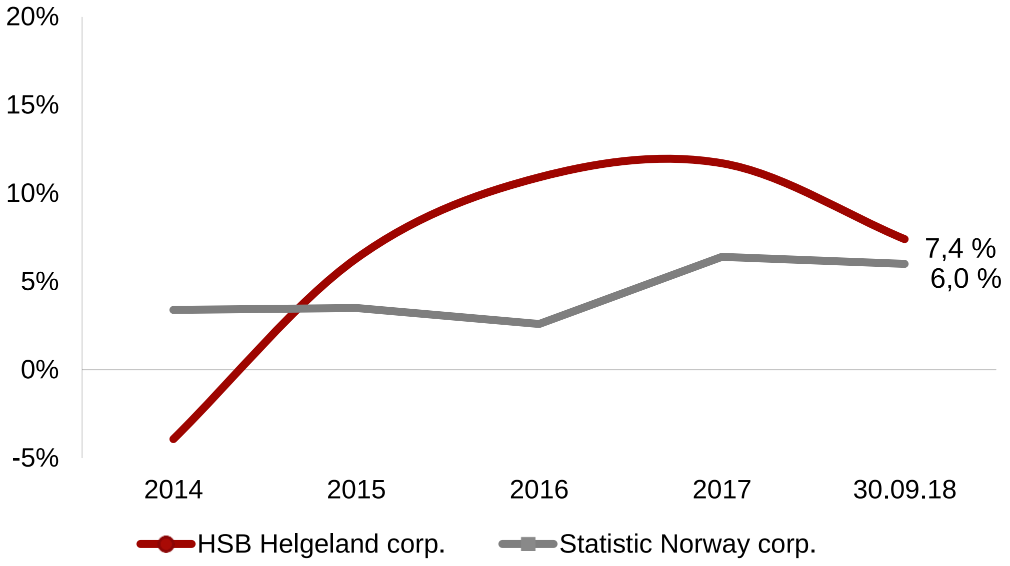
Credit growth HSB
- 12-month growth 6.2 (6.3) %

Locally in Helgeland
- Per Q3 83.0 (84.5) %

PM share
- Target minimum 60 %
- Per Q3 66.9 (67.3) %

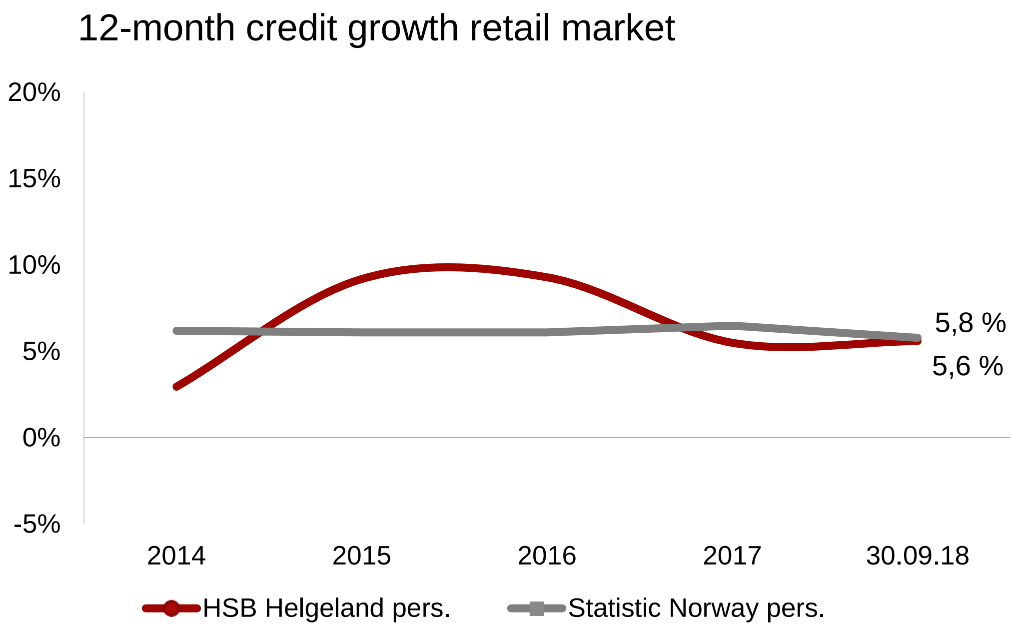
Credit growth CM

12-month credit growth corporate market



12 month growth CM 7.4 (8.2) %

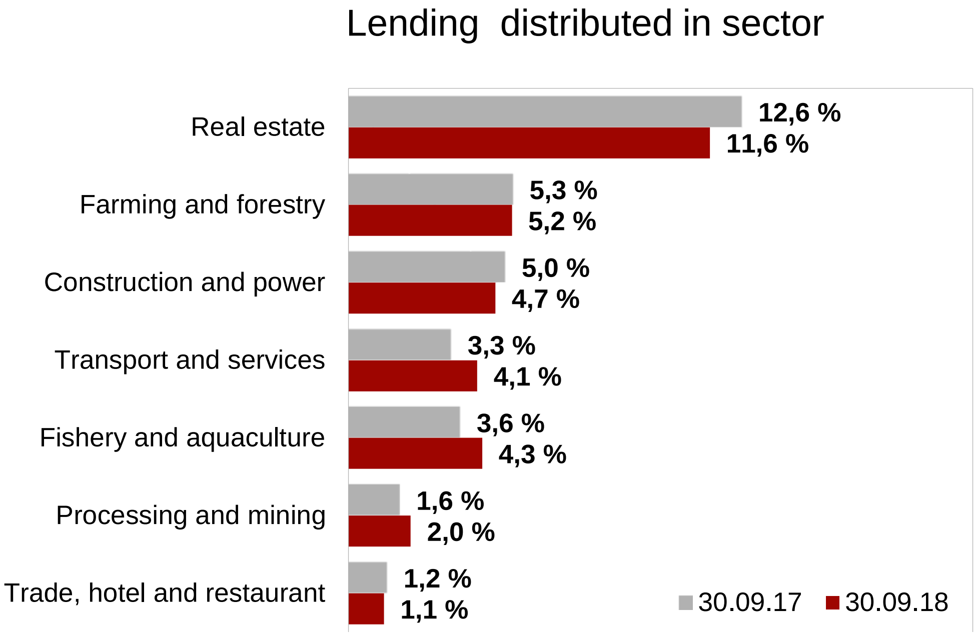
Credit growth RM



12 month growth RM 5.6 (5.1) %

- The bank’s market shares are stable

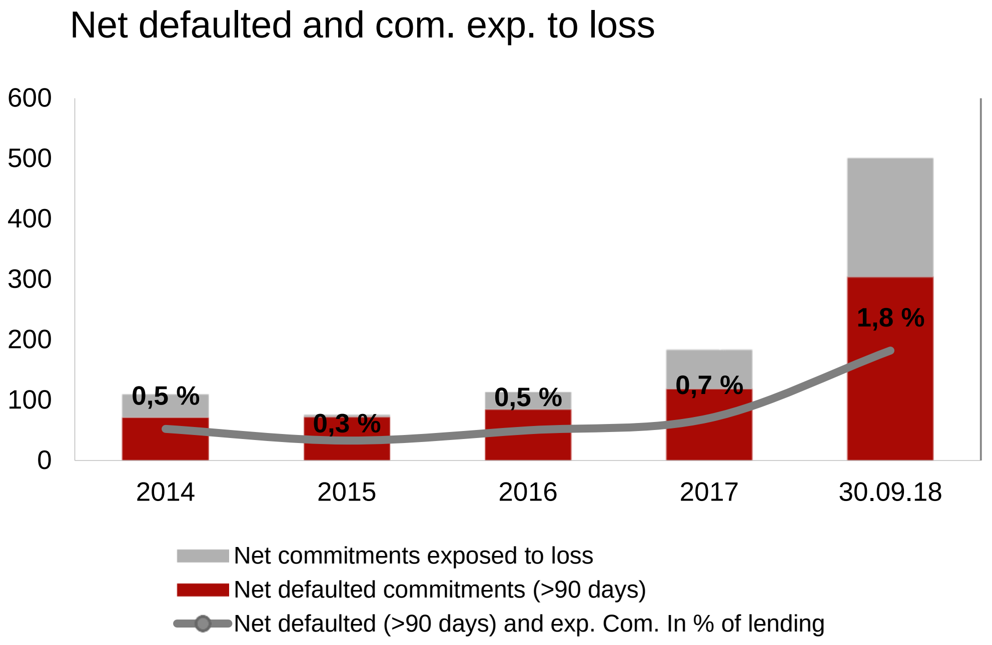
Lending CM



Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.1 (32.7) % or MNOK 9 096 (8 468)

Non-performing and other impaired commitments



Net non-performing and other impaired commitments amounts to MNOK 488 an increase of MNOK 305 since year end. This amounts to 1.8 % of gross loans

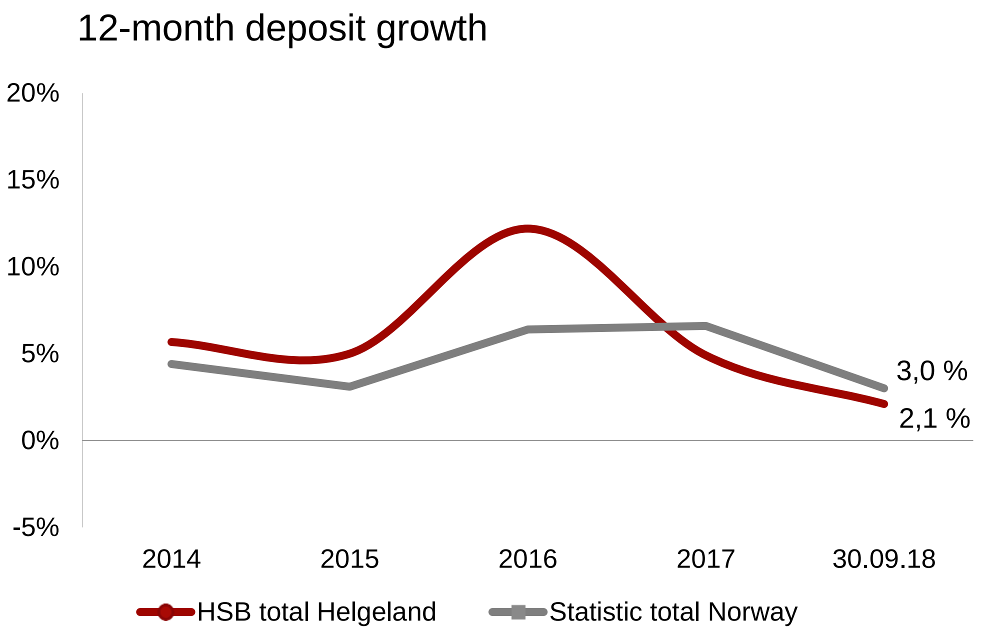
The increase in the last quarter is mainly due to the bankruptcy of a CM commitment.

Remaining part of the increase over the last 12 months relates to the involvement of the tourism industry and the restructuring of a corporate commitment commented on in the Q2 accounts.

With increase in net non-performing and other impaired commitments we expect increase in loss, in the 4th quarter.


SÜRSAN 14

Deposit growth



12-month growth 2.1 (6.8) %

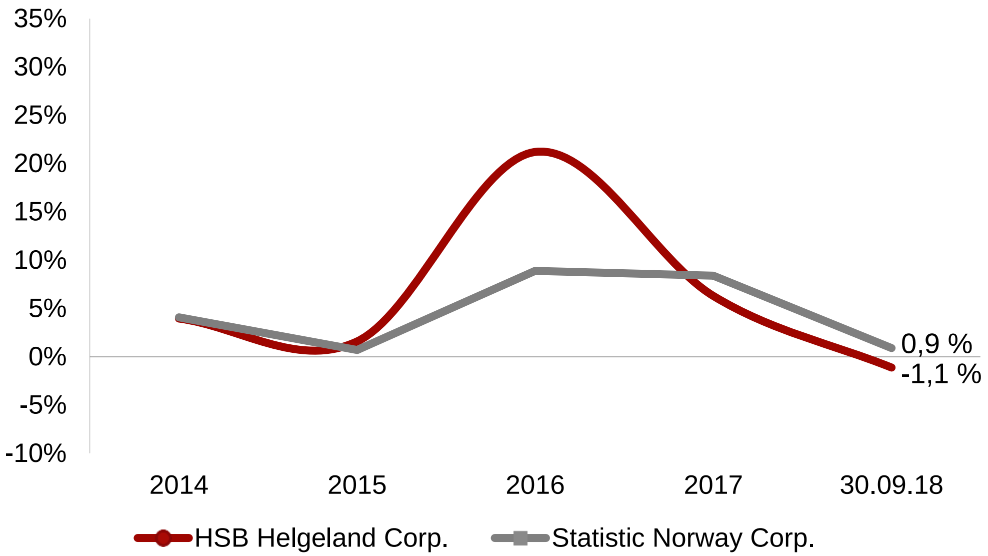
RM share
- Per Q3 58.2 (56.8) %

Locally in Helgeland
- Per Q3 89.3 (90.9) %

Deposit ratio
- Target minimum 60 %
- Per Q3 62.1 (64.6) %

Deposit growth CM

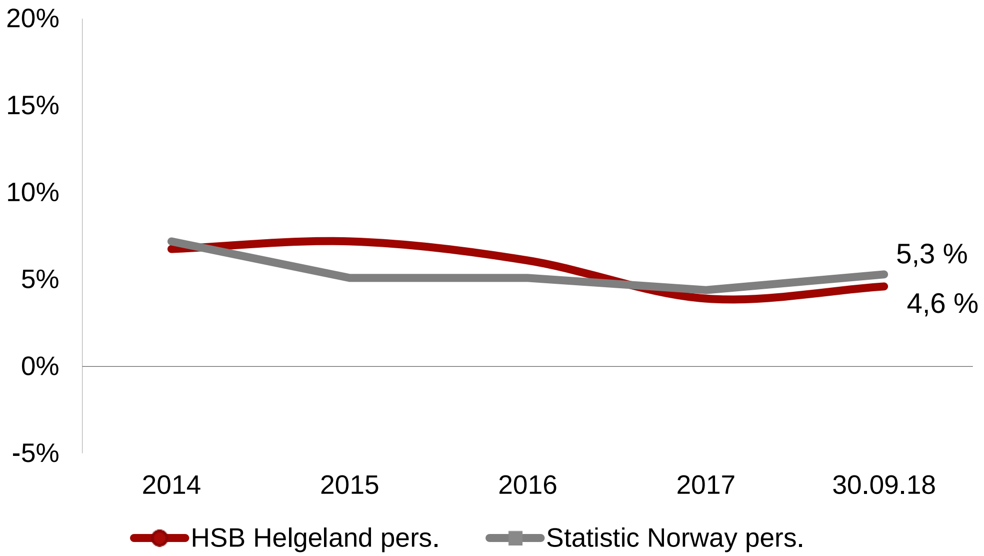
12-month deposit growth corporate market



12-month growth CM -1.1 (10.3) %

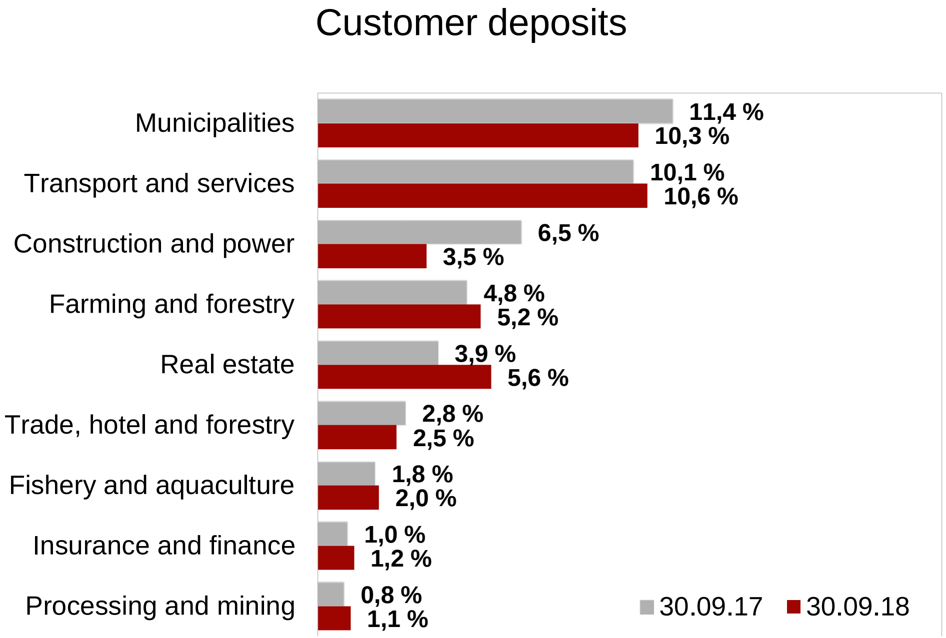
Deposit growth RM

12-month deposit growth retail market



12-month growth RM 4.6 (4.3) %

Deposits CM

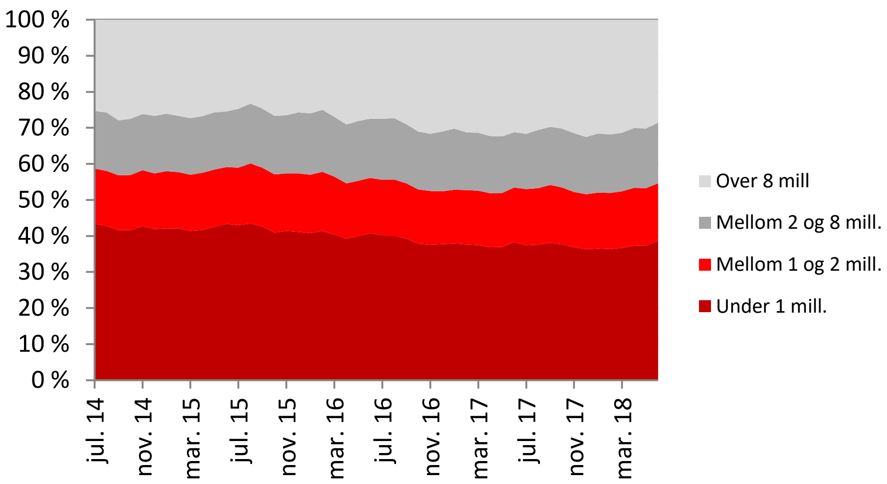


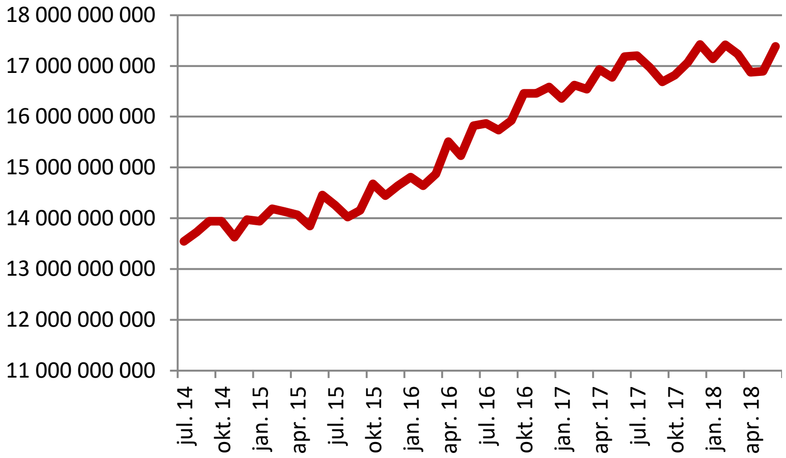
Well diversified deposit portfolio in the CM

Share CM 41.8 (43.2) % or MNOK 7 140 (7 219) of total deposits

Deposits from municipalities constitute 25 % of the CM deposits

Deposit development





A large share of deposits are under MNOK 2 (53.3 % of total deposits).
61 % of the deposits are covered by the guarantee scheme

- Main features
- Helgeland
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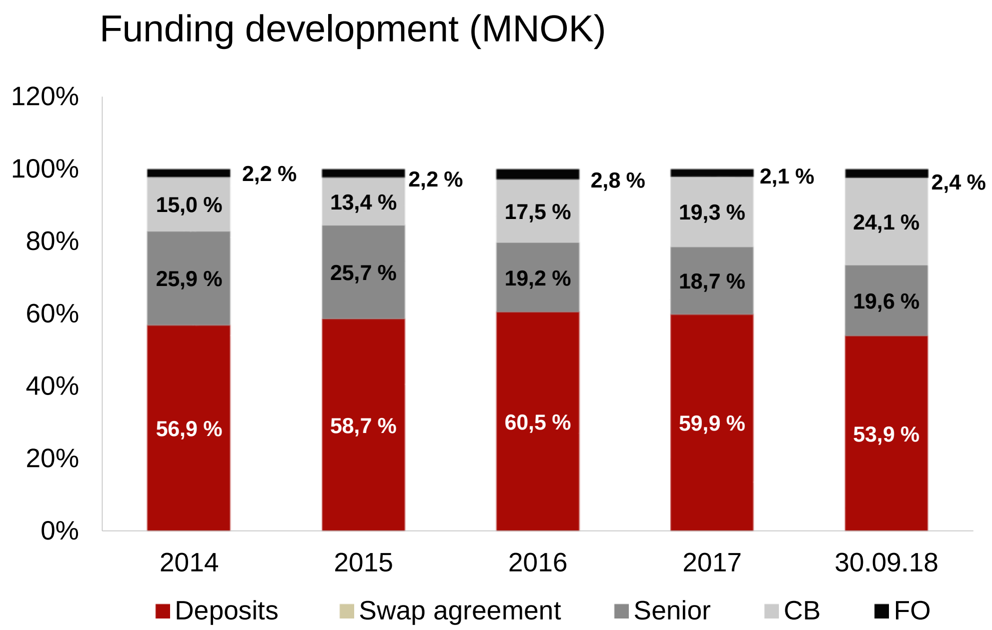
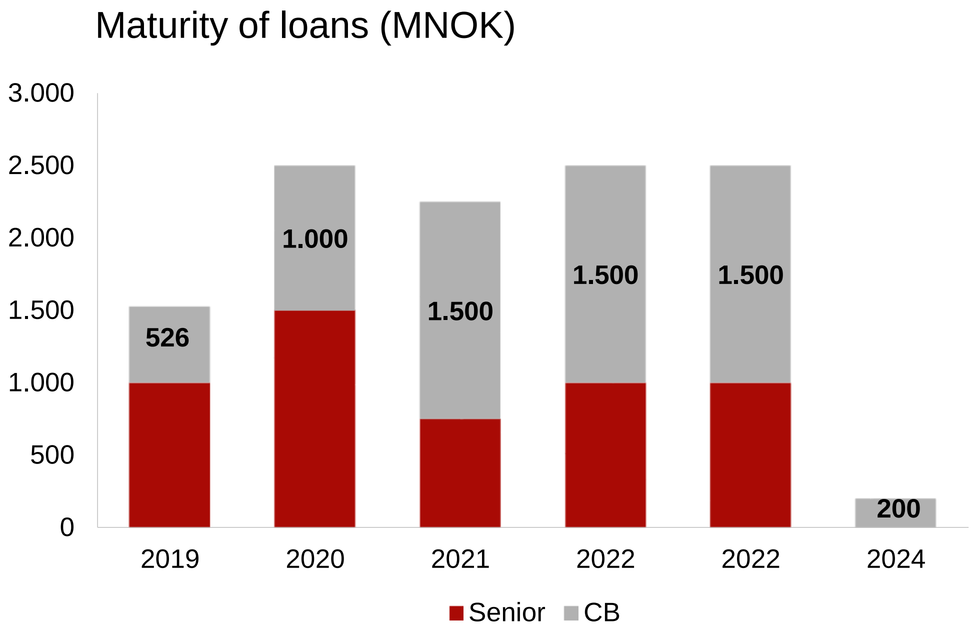
Funding



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 %
2,4 %
24,1 %
19,6 %
53,9 %
2014
2015
2016
2017
30.09.18
Deposits
Swap agreement
Senior
CB
FO

Funding



Good and long term funding

Share long term funding 90.2 (83.2) %

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 39.3 (34.5).
- CET1 ratio of 19.7 (15.9) %
    - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 6 998 (6 074) and CB MNOK 6 231 (5 304)

Good security in the lending portfolio

- Cover pool ratio of fullness 19 (19) %
- Combined LTV 55 (54) %

Stress test HEBO – with a housing price fall of 40 %. The cover pool ratio is reduced from 19 (19) % to 5 (7) %

Maximum limit for transferring is 30 % of the Group's gross lending, and 50 % of gross lending RM. Per 30.09.18 transfer degree is 25.4 and 38.0 %

Main features

Helgeland

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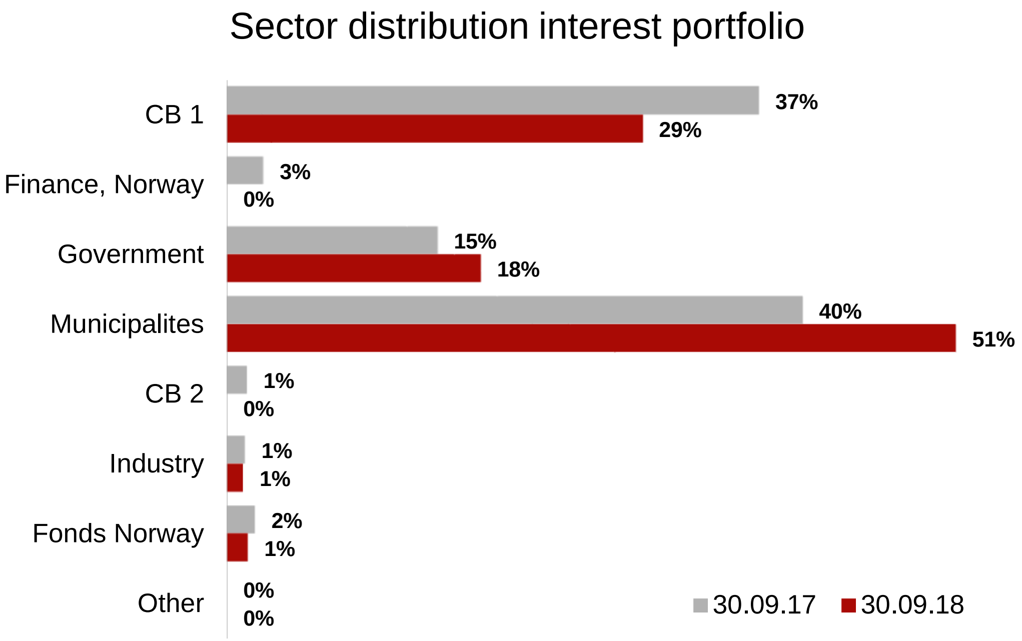
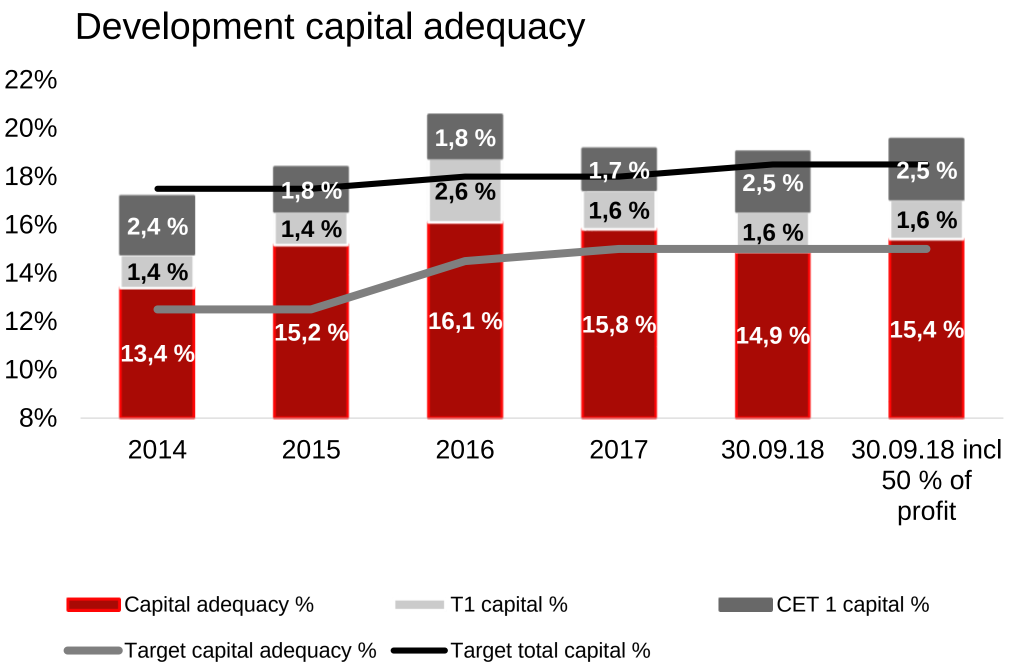
Liquidity buffer



Interest bearing securities:
- Duration portfolio 2.0 (2.1) years
- 99 % rated A- or better
- 97 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy



Capital ratio

- CET1 14.9 (15.0) %
- Core capital 16.5 (16.7) %
- Total capital 19.0 (18.5) %

If 50 % of the profit is included, CET1 would be 15.4 % and total capital 19.5 %.
Effect of consolidation collaborative group is included as of 30.09.18 and reduces core capital adequacy by 23 bp.

Refinanced subordinated loan Q3 2018

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

Target CET1 15.0 %, and total capital adequacy of 18.5 %.

Leverage ratio: 8.9 (9.1) %.

HELG – the 20 largest owners

Per 30.09.18	Numbers	% share		Numbers	% share
					Parent bank
Sparebankstiftelsen Helgeland	7.255.020	34,8 %	Landkreditt Utbytte	300.000	1,4 %
Pareto AS	1.949.392	9,3 %	Catilina Invest AS	256.046	1,4 %
VPF Nordea Norge	1.407.987	6,7 %	VPF Nordea Avkastning	244.270	1,2 %
Merrill Lynch Prof.	1.155.047	5,5 %	VPF Nordea Kapital	238.245	1,1 %
VPF Eika Egenkapital	594.950	2,9 %	AF Kapital Managemet	181.749	0,9 %
Pope Asset Management BNY	559.373	2,7 %	Melum Mølle AS	177.000	0,8 %
MP Pensjon PK	462.203	2,2 %	Vigner Olaisen AS	144.653	0,7 %
Bergen Kommunale Pensjon.	460.803	2,2 %	Melesio Capital AS	137.188	0,7 %
Lamholmen Invest AS	447.353	2,1 %	Nervik Steffen	115.000	0,6 %
Helgeland Kraft AS	377.691	1,8 %	Verdipapirfondet NOR	105.227	0,5 %
Total 10 biggest owners	**14.669.819**	**70,3 %**	**Total 20 biggest owners**	**16.569.197**	**79,6 %**

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

HELG – the 20 largest local owners

Per 30.09.18	Numbers	% share	Antall	%	*Parent bank* % share
Sparebankstiftelsen Helgeland	7.255.020	34,76 %	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	40.000	0,19 %	John Arne Warholm	12.640	0,06 %
Reinfjell Holding AS	34.108	0,16 %	Sally Helene Øyjord	12.000	0,06 %
RWH AS	31.447	0,15 %	Helgelands Blad	10.914	0,05 %
Coop Helgeland	23.421	0,11 %	Øijord & Aanes AS	10.288	0,05 %
Svenningdal Trevarefabrikk AS	21.964	0,11 %	Bjørnar Olaisen	10.000	0,05 %
Bakeriet Mo i Rana AS	19.998	0,10 %	Per Gunnar Hjorten	9.505	0,05 %
Total 10 biggest owners	**8.063.302**	**38,6 %**	**Total 20 biggest owners**	**8.185.183**	**39,2 %**

Banken har utstedt totalt 20.871.427 antall egenkapitalbevis pålydende kr. 10,- .

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**	**Q3 2017**	**Q3 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	84,5
Stock value	1.692,9	1.839,2	1.682,5	1.766,1
Accounted equity per EC	101	108	106	112
Profit per EC	13,5	9,5	7,6	6,5
Dividend per EC	3,75	4,00		
Price/Accounted EC	0,8	0,8	0,8	0,8

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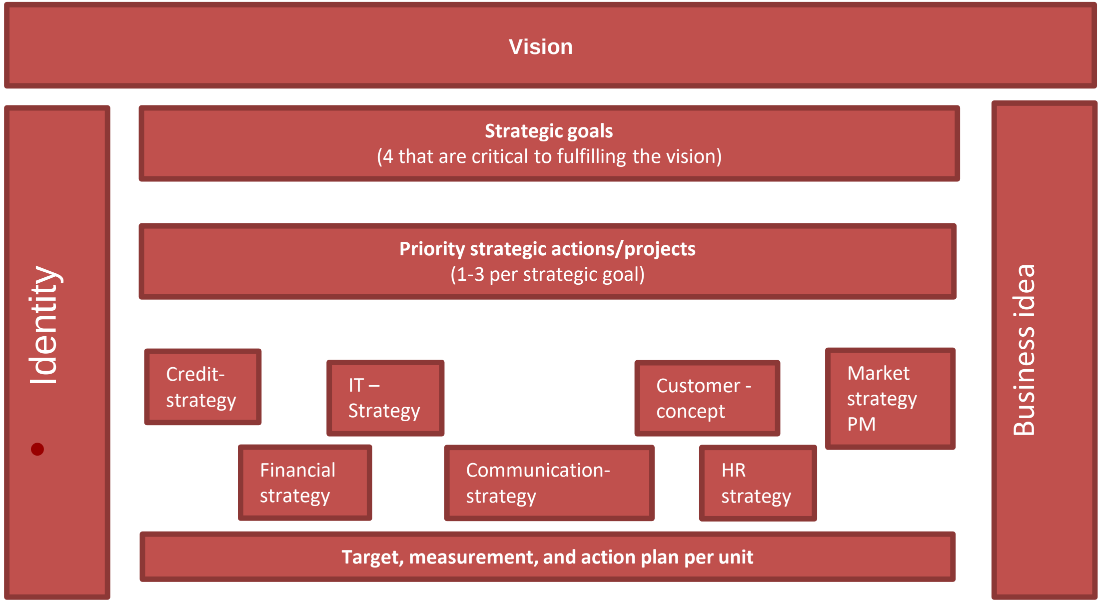
Strategy –strategic platform 2019-2021



helgeland sparebank

Vision

A driving force for groth on Helgeland

Business idea

From what we have today:

Helgeland Sparebank shall be a profitable and leading bank in Helgeland. The bank will sell financial products and services to residential customers, small and medium-sized businesses, municipalities and institutions linked to Helgeland.

Something simpler:

Helgeland Sparebank is the profitable and leading local bank that builds the future of Helgeland.

Identity

Helgeland Sparebank
Real and engaged
- simply

Strategic goal

Finance Helgeland Sparebank will have a profitability level with comparable banks	*Community Involvement* Helgeland Sparebank will be a visible driver for growth and cooperation at Helgeland
Organization Helgeland Sparebank should be an attractive and challenging workplace.	*Market Position* Helgeland Sparebank will be the first choice for customers at Helgeland.

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

<= 1 %

Dividend ratio:

50 %

Of the dividend basis

Prospects and priorities

Prospects

- Strategies: revision / establishment
- Strategic projects / measures
  - Profitability project
  - Leadership Development
  - Impetus concept

- Target and measurement
- Implementing

Main features

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Balance

Helgeland Sparebank (group)			
	30.09.18	30.09.17	Change
liquid assets	598	630	-32
Net lending to customers	27.254	25.749	1.505
Certificates and shares	4.664	4.209	455
Other assets	286	342	-56
Assets	**32.802**	**30.930**	**1.872**
Deposits from customers	17.077	16.721	356
Money market financing	11.267	10.270	997
Other liabilities	650	453	197
Subordinated debt	451	300	151
Equity	3.357	3.186	171
Liabilities and equity	**32.802**	**30.930**	**1.872**

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 competative conditions.

48 %

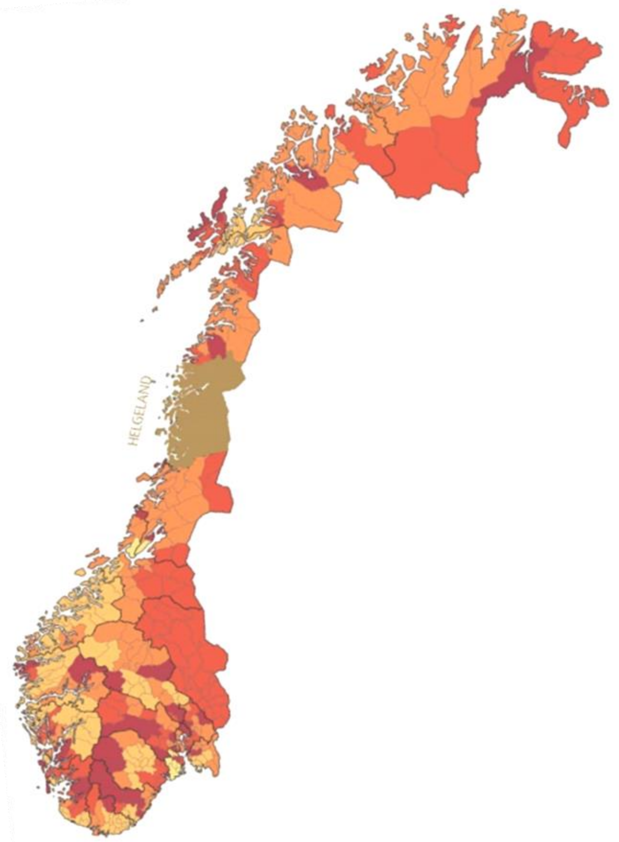
Helgeland Invest AS is an investment company localized in Helgeland.

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 32 802
- Employes, annual positions: 152
- 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

Board of directors

Ove Brattbakk, chairman
Bjørn Audun Risøy, deputy chairman
Eva Monica Hestvik
Inga Marie Lund
Nils Terje Furunes
Marianne Terese Steinmo
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