

Presentation
Q3 2019

En drivkraft for vekst på Helgeland

En drivkraft for vekst på Helgeland



Presentation per 30.09.19 (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 30.09.19

Gross profit	MNOK 274 (219)
ROE*	8.5 (7.5) %
Total assets	34.2 (32.8) bn
Solidity	CET1 14.8 (14.9) %
50% profit included	CET1 15.4 (15.4) %

*Adjusted for hybrid capital

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

$\leq 1 \%$

Dividend ratio:

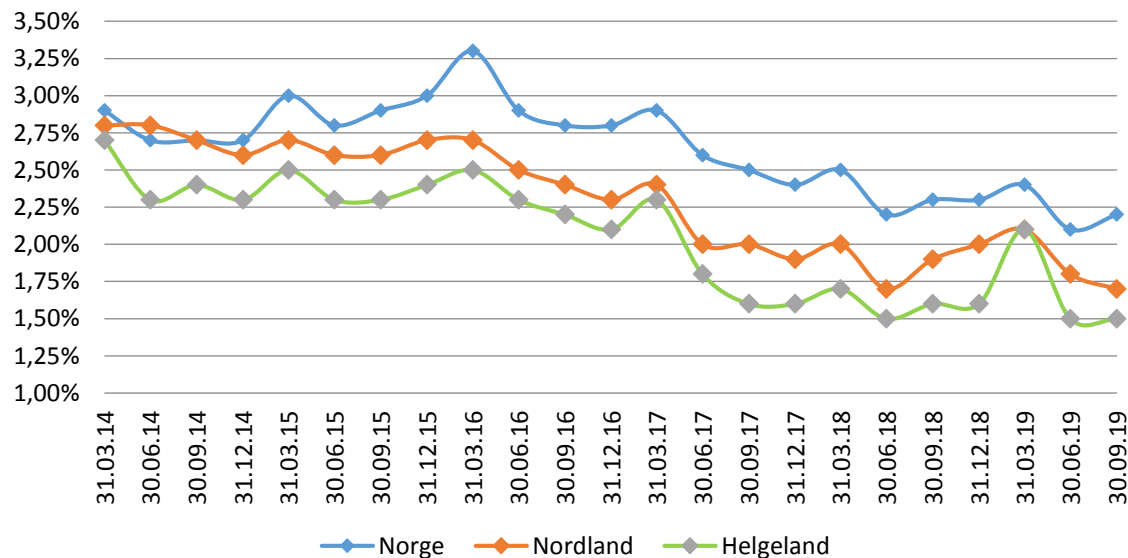
50 %

Of the dividend basis

CET1 16,0 % from 31.12.19

Unemployment

Unemployment in %, Norge, Nordland og Helgeland

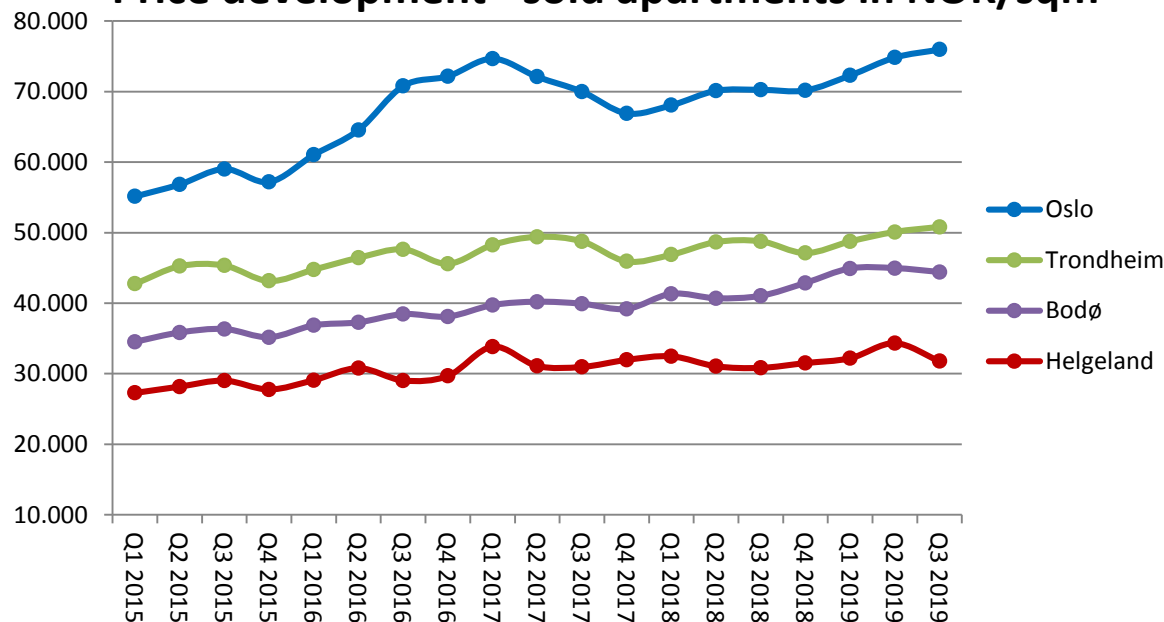


The unemployment in Helgeland and Nordland is lower than Norway overall.

- Norge 2,2 %
- Nordland 1,7 %
- Helgeland 1,5 %

Stabile property price development

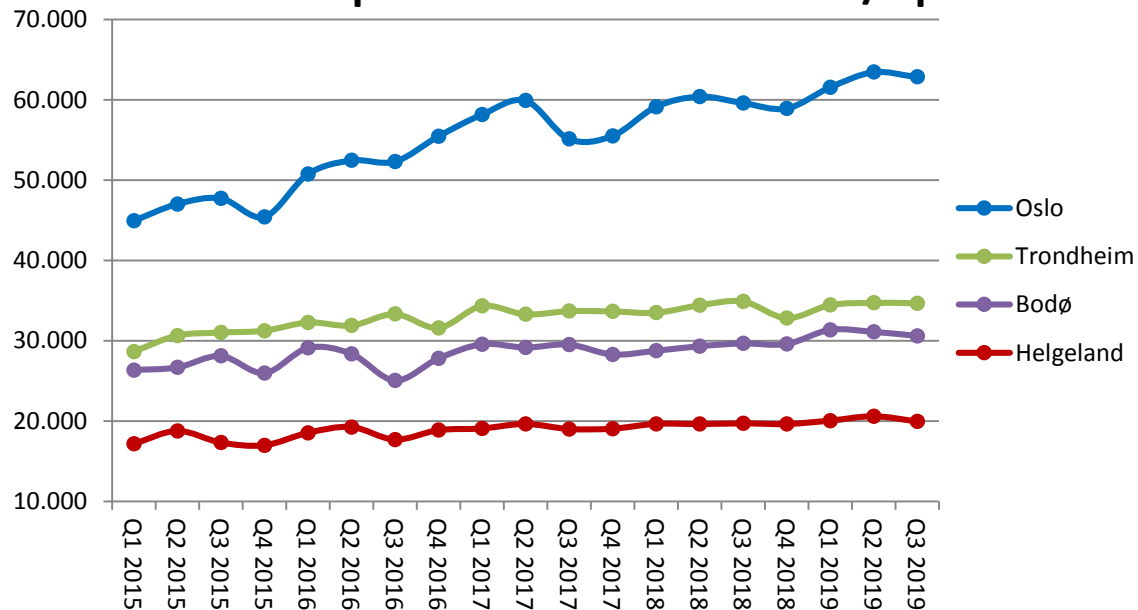
Price development - sold apartments in NOK/sqm



Price development in 3. quarter,
-7.4 % in Helgeland and 1.5 % in
Oslo.

Property price development

Price development - sold villas in NOK/sqm



Price development in 3. quarter,
-3.1 % in Helgeland and -1.0 %
in Oslo.



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HSB and sustainability

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En drivkraft for vekst på Helgeland



HSB follows FNs principals for sustainable banking

Adaption: Banks has to adapt their business strategy in accordance to the needs of individuals and the society's overall goals, as it is expressed in FN's goal for sustainable development, Paris agreement and in relevant national frameworks.

Påvirkning og målsetting: Banks has to continuously increase it's positive impact and reduce it's negative impact on humans, climate and environment as a consequence of it's activities, products and services. To achieve this, banks must establish and publish concrete goals on those areas with largest positive and negative impact.

Customers: Banks must work proactive with it's customers and encourage to sustainable business and enable activities that create wealth both for current and future generations.

Stakeholders: Banks must proactive cooperate with stakeholders to achieve the society's overall goals.

Management and culture: To achieve it's targets for responsible and sustainable banking, banks must implement effective managing tools and a culture for sustainable business.

Openness and accountability: banks must regularly review it's individual and collective implementation of these principals, and be open about and take responsibility for their positive and negative impact on society's overall goals.



HSB and FNs sustainability goals

- «No one can do everything, but all can do something»
- Focus in 4 of FNs sustainability goals
 - hereunder 1-2 part goals
- Measures within credit, finance, products and own management



HSB recertifies as Miljøfyrtårn

- New bank specific criteria's as:
 - have a climate- and environmental policy within (and criteria and routines to manage and evaluate) :
 - Credit granting
 - Funding
 - Bonds
 - Saving products /placement of the customers deposits
 - Managing the banks own assets
 - Must determine climate- and environmental goals with associated indicators
 - Must make climate and environmental information available for the public and report on determined climate and environmental indicators





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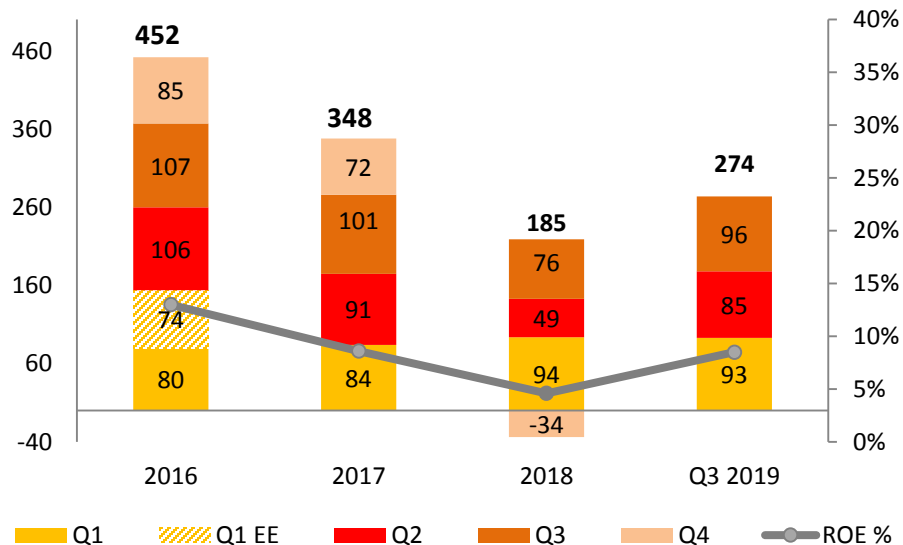
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Profit

Profit development (MNOK)



Profit Q3

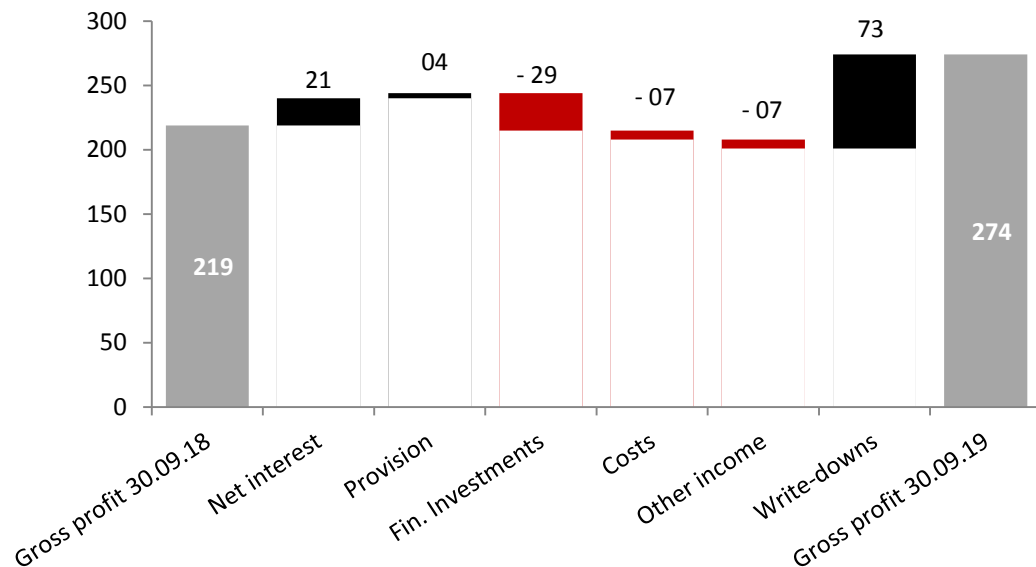
Gross profit MNOK 274

- Net ROE 8.5 %

(One time effect pension MNOK 74 in Q1 2016)

Result

Change in gross profit (MNOK)



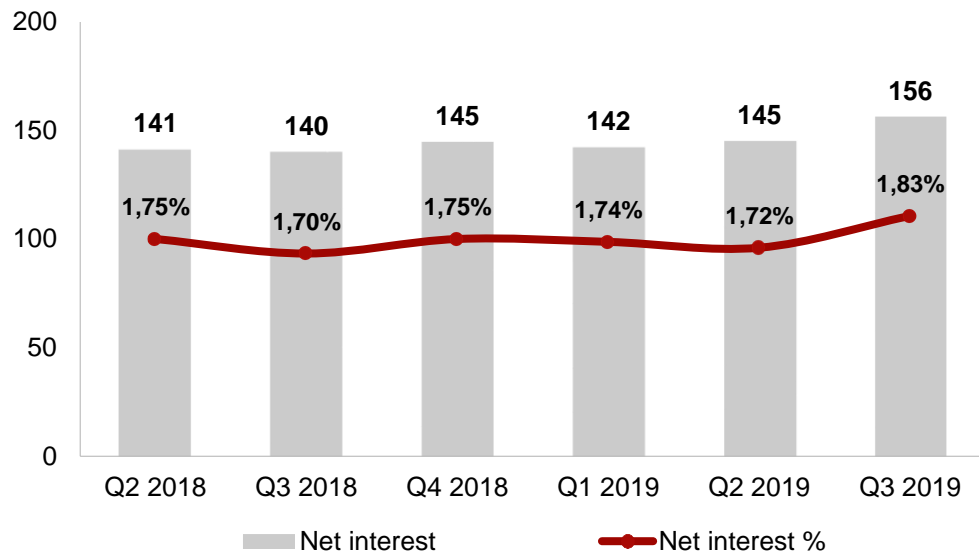
Good result

Gross profit MNOK 274

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

Net interest

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

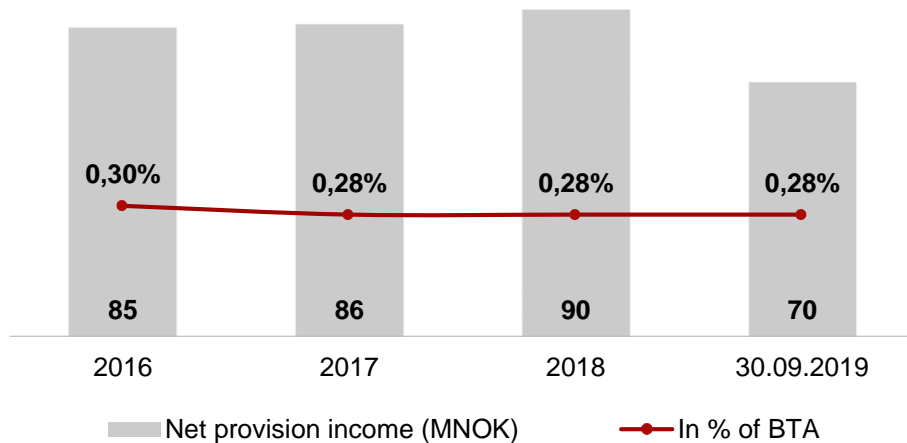


- Interest rate change in May and August have provided positive effect
- Communicated interest rate change from November 21st will provide continued positive effect

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.

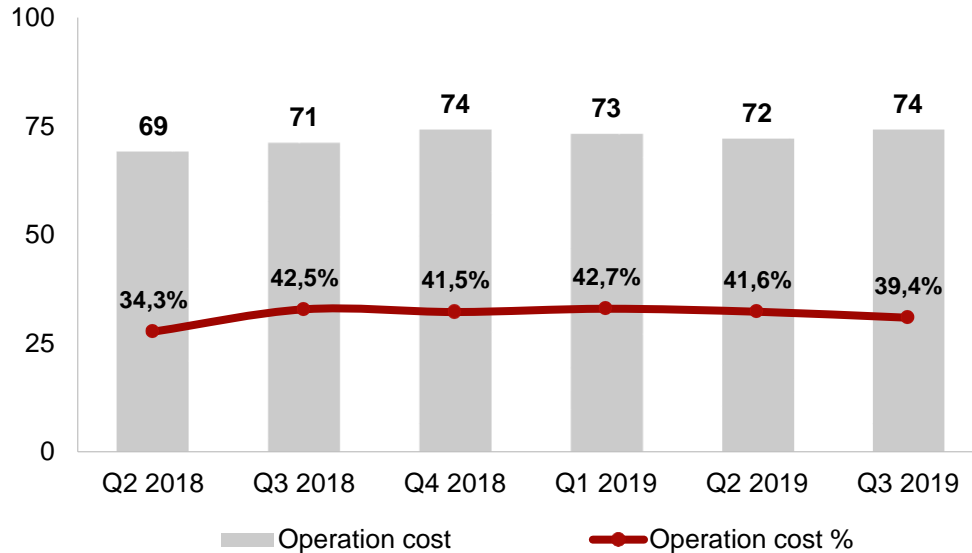


6.9 %

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

Operating costs

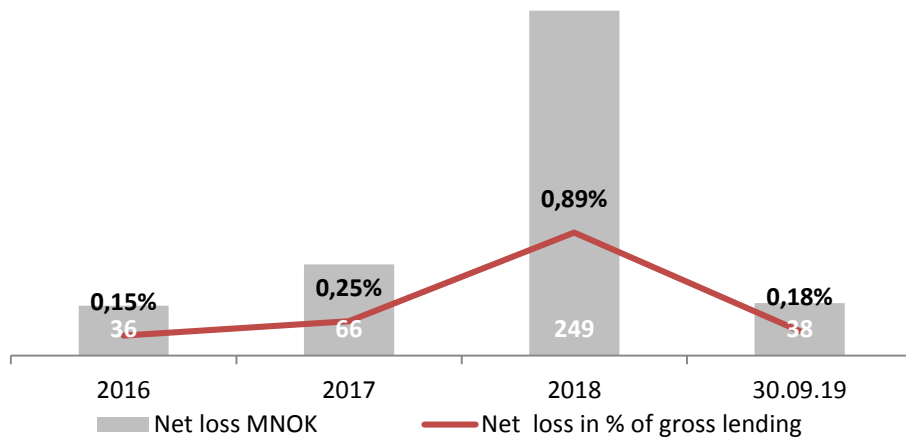
Operating cost (mnok) and % of income



Stable costs in NOK

- Increased net interest last quarter provides lower cost %.
- Costs in % of income so far this year 41.2 %

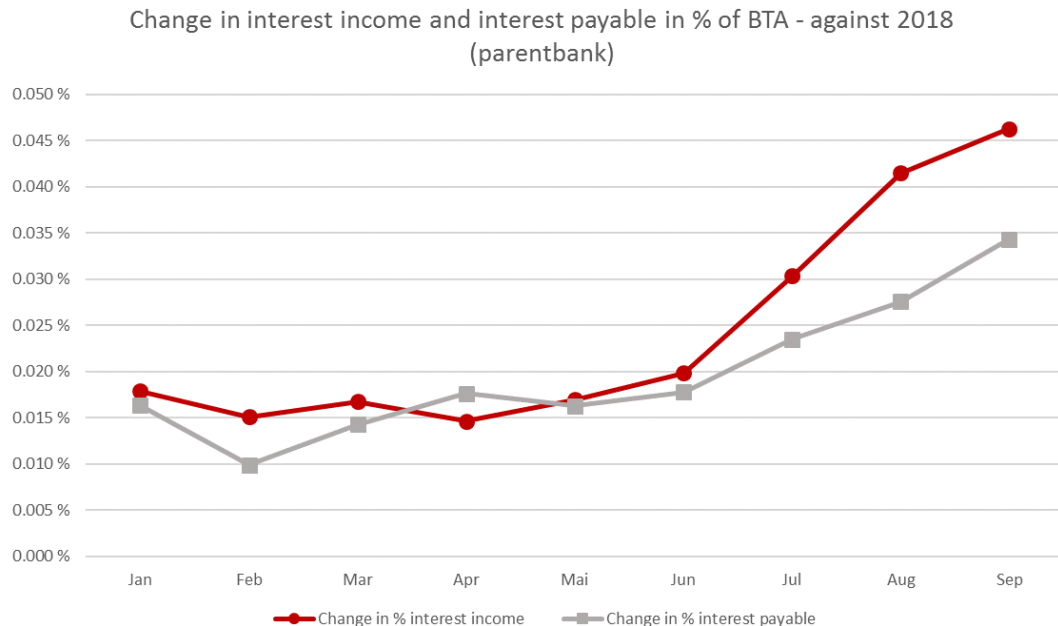
Loss on commitments



Reduced loan losses

- MNOK 38 so far this year

Profitability program



The profitability program has revealed several focus areas to improve the profitability in the group. Initially, the bank has focused on those areas where estimated gains is largest.

Income:

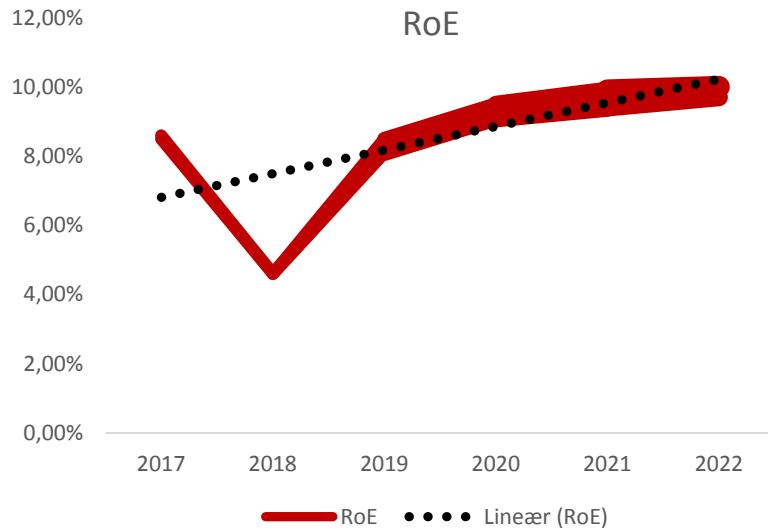
Focus on further pricing of risk and a more offensive price change in connection with interest rate increase (see graph). The price changes by interest rate increase autumn 2019 is expected to gain continued positive effect on the company's profit in Q4.

Costs:

Organizational changes, streamlining and improved market adaption on pricing on deposits. The bank has closed two small local offices in Helgeland.

Continuous streamlining and cost focus. The bank has in Q3 closed two small local offices in Helgeland

Profitability program



Priorities ahead:

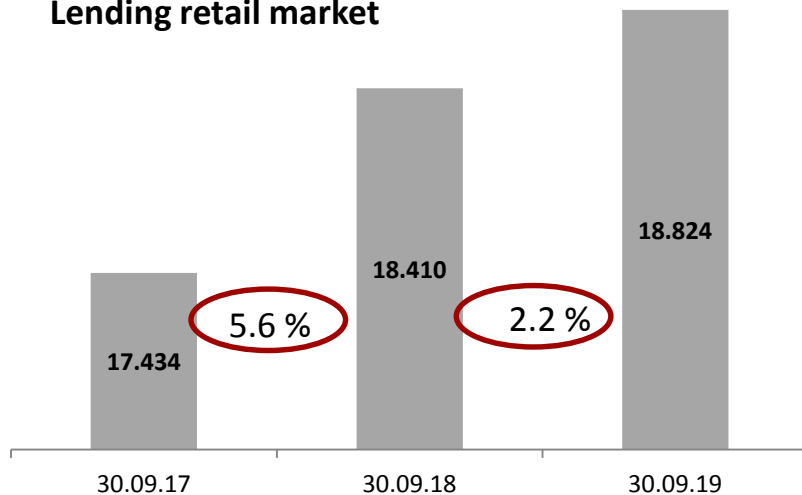
The bank will continue the work with the profitability project and the chosen focus areas. The changes so far has not provided a significant market gliding in the company's portfolio. The effort with the profitability project is expected to provide increased profitability in the group in the years to come.



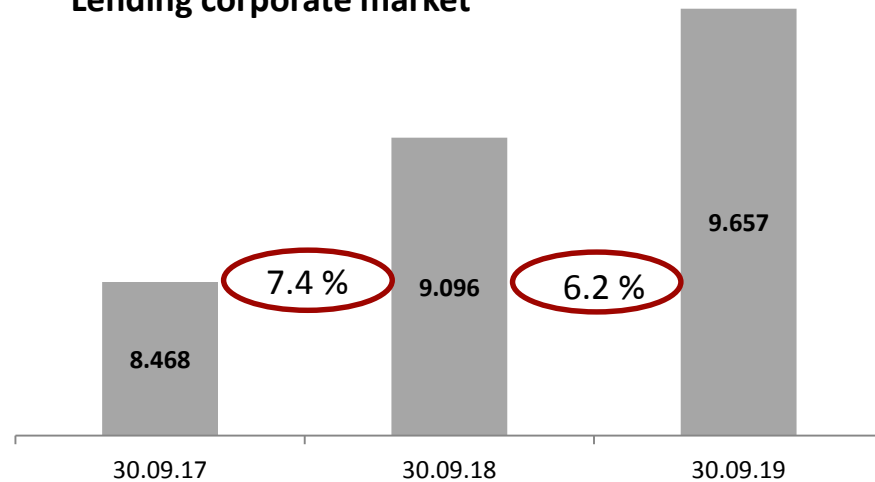
Main features
HSB and sustainability
Profit & loss
Lending
Deposits
Funding
Solidity
Prospects and priorities
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Growth

Lending retail market

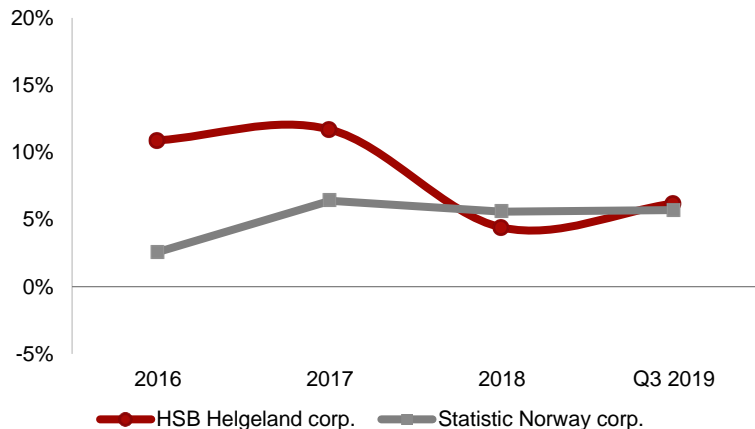


Lending corporate market

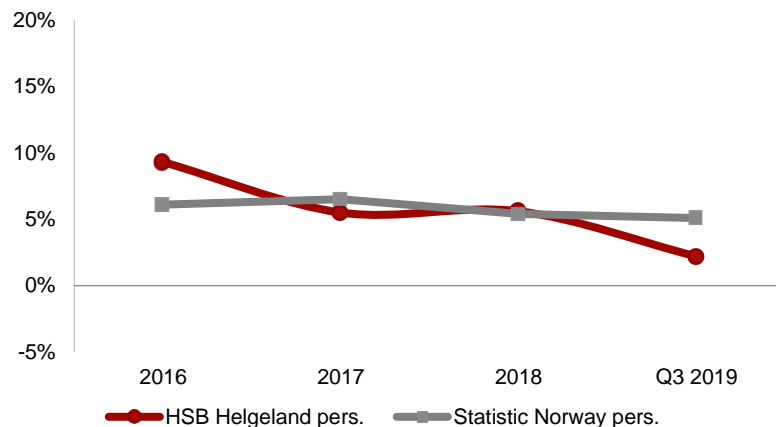


Credit growth

12-month credit growth corporate market



12-month credit growth retail market

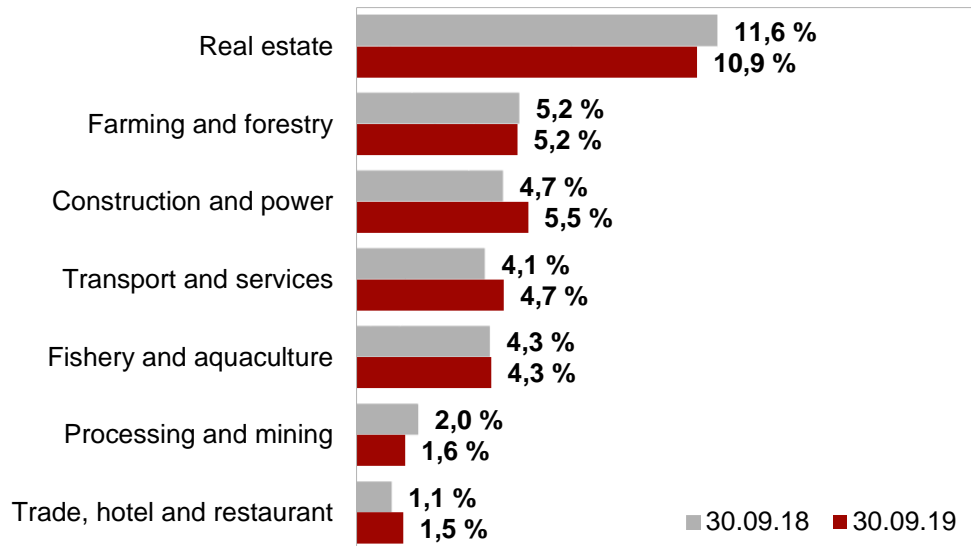


12 month growth credit growth HSB 3.5 (6.2) % hereby CM 6.2 (7.4) % and RM 2.2 (5.6) %.

Controlled balance optimization will provide lower growth in BM in Q4

Lending CM

Lending distributed in sector

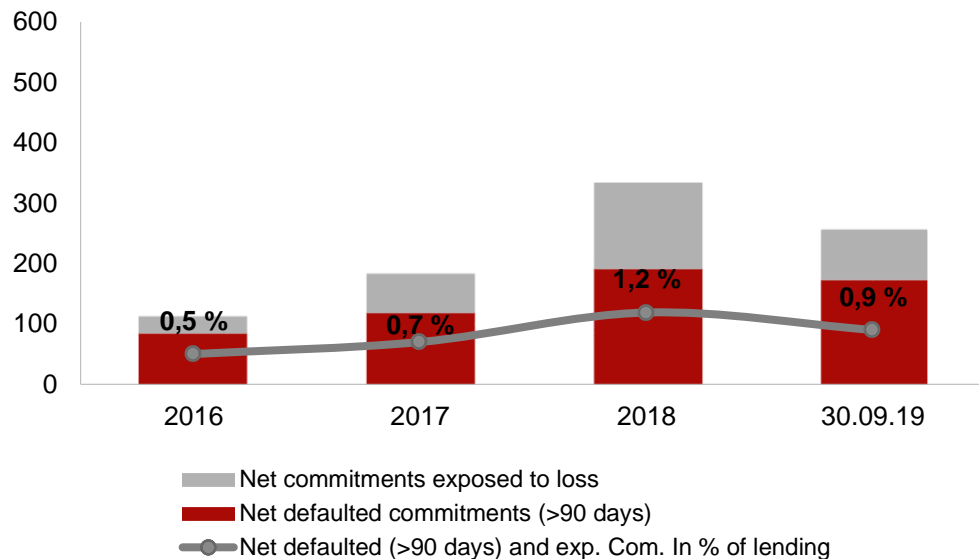


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.9 (33.1)% or MNOK 9 657 (9 096)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 256, a decrease of MNOK 77 since year end. The sale of the hotel in second quarter of 2019 has reduced net default and doubtful commitments.

Main features

HSB and sustainability

Profit & loss

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Deposits

Funding

Solidity

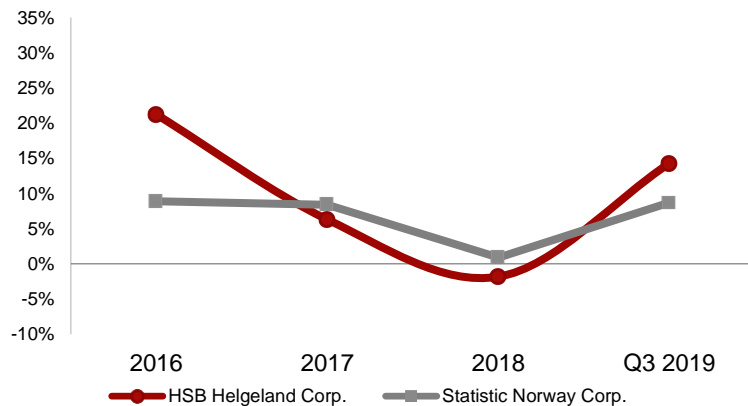
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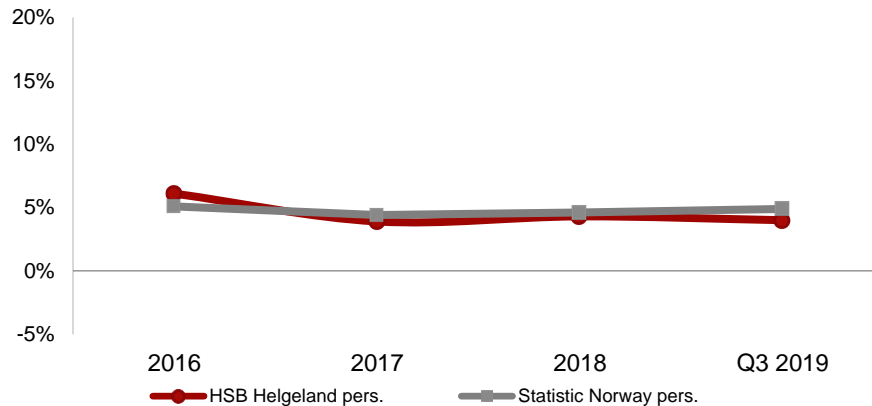


Deposit growth

12-month deposit growth corporate market



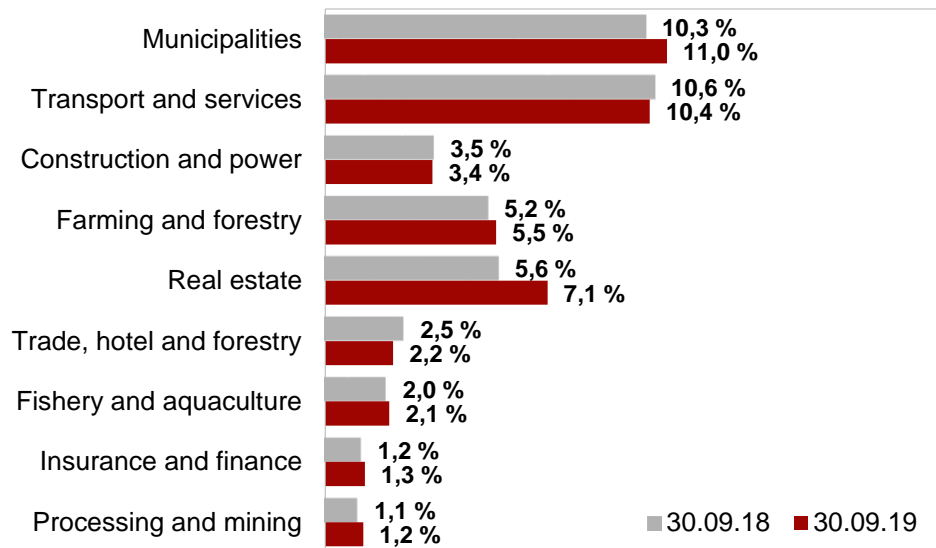
12-month deposit growth retail market



12-month deposit growth HSB 8.3 (2.1) %, hereby CM 14.3 (-1.1) % and PM 4.0 (4.6) %

Deposits CM

Customer deposits



Well diversified deposit portfolio in the CM

Share CM 44.1 (41.8)% or MNOK 8 159 (7 140) of total deposits

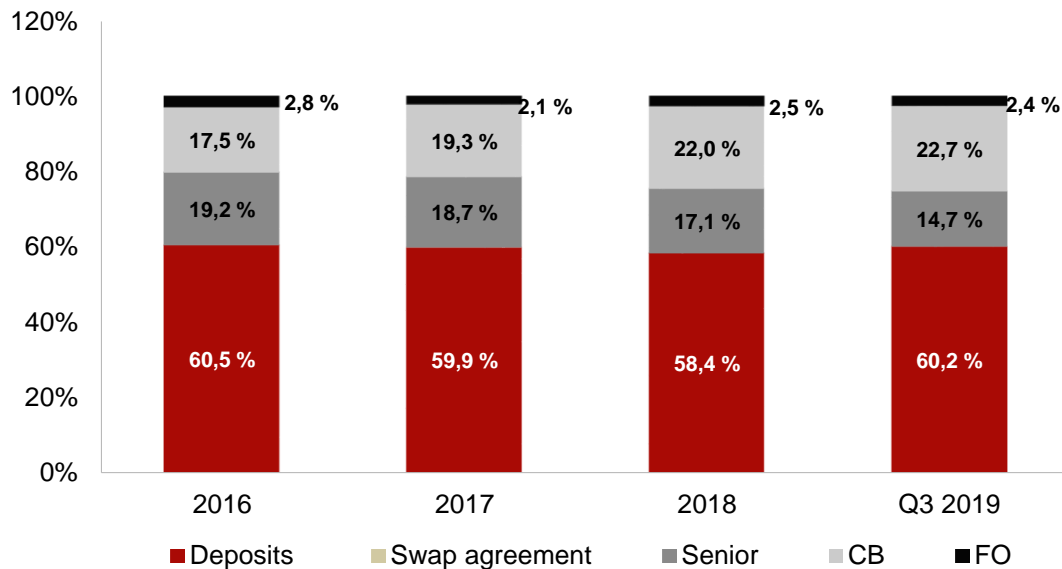
Deposits from municipalities constitute 25 % of the CM deposits



Main features
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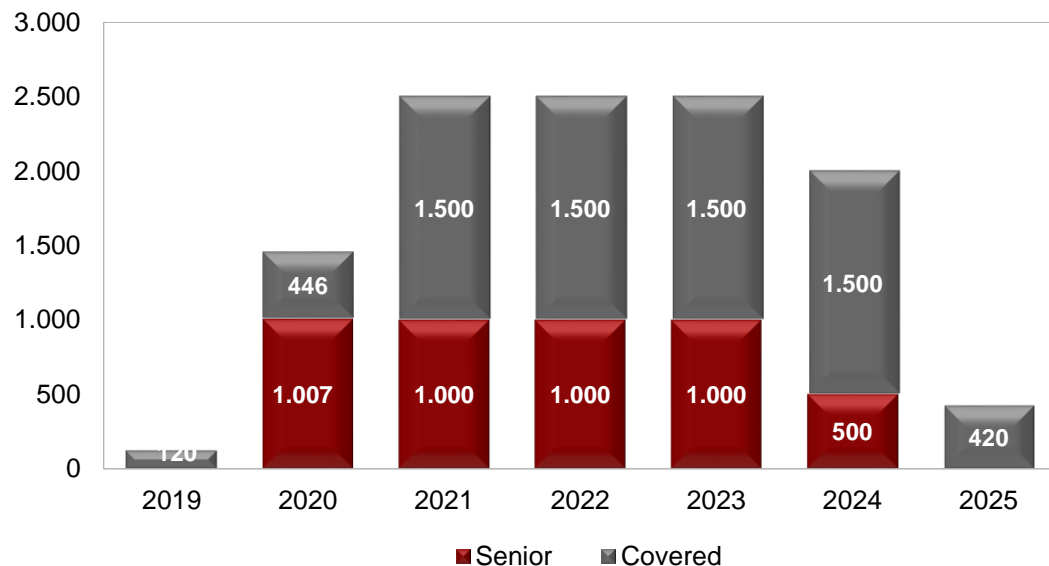
Funding

Funding development (MNOK)



Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding
92.9% (90.2)%

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

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 39.6 (39.3).
- CET1 ratio of 17.7 (19.7)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 664 (6 998) and CB MNOK 6 856 (6 231)

Good security in the lending portfolio

- Cover pool ratio of fullness 17 (19)%
- Combined LTV 55 (55)%

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

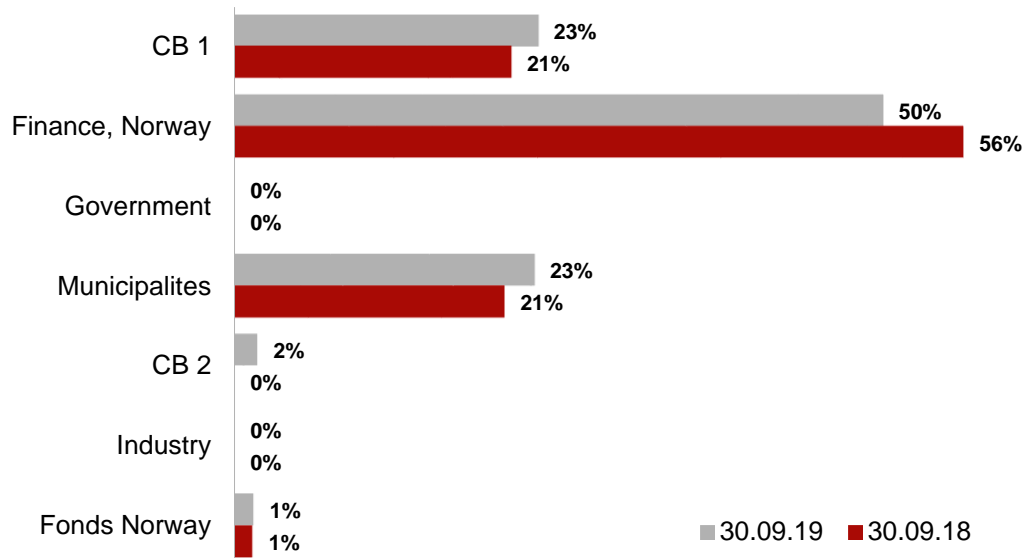
Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 30.09.19 transfer degree is 26.9 and 40.7%

A photograph of the Helgelandsbrua (Erlend Haarberg) bridge, a cable-stayed bridge with a large pylon and multiple stay cables, spanning a body of water. The bridge is illuminated by streetlights, and the sky is a mix of blue and orange from the sunset. The bridge's structure is a prominent feature, with its concrete piers and steel cables clearly visible.

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Liquidity buffer

Sector distribution interest portfolio



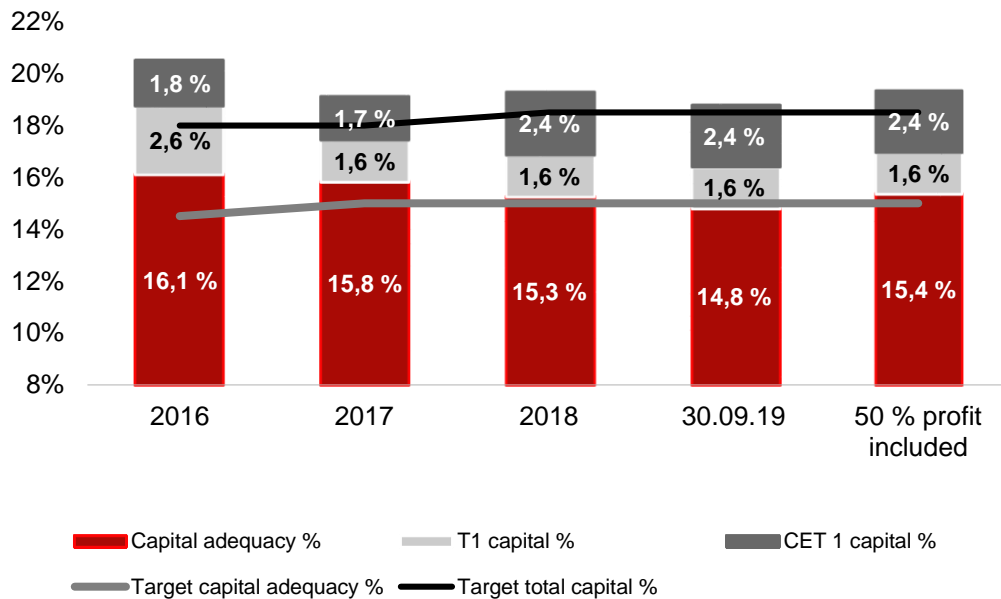
Interest bearing securities:

- Duration portfolio 1.7 (2.0) years
- 98.7 % rated A- or better
- 98.6 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy

Development capital adequacy



Capital ratio

- CET1 14.8 (14.9)%
- Core capital 16.4 (16.5)%
- Total capital 18.8 (19.0)%

If 50% of the profit is included, CET1 would be 15.4%

Leverage ratio: 8.8 (8.9)%.

Capital adequacy

Statutory minimum requirement for pure core capital adequacy is 12.0 % (12.5 % from 31.12.19 after increase of counter cyclic buffer). The bank has a Pillar 2 addition of 2.2 %.

The group's capital requirement including Pillar 2 addition therefore amounts to 14.2 % (14.7 % from 31.12.19).

The target of CET1 is 15.0 %, and 18.5 % for total capital adequacy.

With background in changes in regulatory demands, the bank's internal target from 31.12.19 is changed to 16 % for CET1 and 19.5 % for total capital adequacy.

When setting new capital targets, it is assumed that of SMB discount will be introduced, that the system risk buffer is increased from 31.12.19 and that the bank's balance is adjusted.

- The bank has estimated that SMB discount will provide increased CET1 of 60 bp (equivalent to SMB II).
- The bank adapts the balance in Q4 with reduction of the calculation basis which amounts just under 1 bn. on chosen CM commitments/syndicated lending.

HELG – the 20 largest owners

			<i>Parent bank</i>	
Per 30.09.19	Numbers	% share	Numbers	% share
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	Catilina Invest AS	314 046 1.5 %
Pareto AS	1 949 392	9.3 %	VPF Nordea Avkastning	240 370 1.2 %
VPF Nordea Norge	1 407 987	6.7 %	VPF Nordea Kapital	238 245 1.1 %
VPF Eika Egenkapital	742 425	3.6 %	Apollo Asset Limited	181 749 0.9 %
Merrill Lynch Prof.	659 489	3.2 %	Melum Mølle AS	177 000 0.8 %
Bergen Kommunale Pensjon.	550 000	2.6 %	Vigner Olaisen AS	144 653 0.7 %
U.S Bank National Association	522 573	2.5 %	DNB Markets Aksjehandel/-analyse	140 000 0.7 %
Lamholmen Invest AS	464 491	2.2 %	Melesio Capital AS	137 188 0.7 %
MP Pensjon PK	462 203	2.2 %	VPF Nordea Norge Pluss	123 527 0.6 %
Helgeland Kraft AS	377 691	1.8 %	Nervik Steffen	120 000 0.6 %
Total 10 biggest owners	14 451 271	69.2 %	Total 20 biggest owners	16 268 049 77.9 %

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

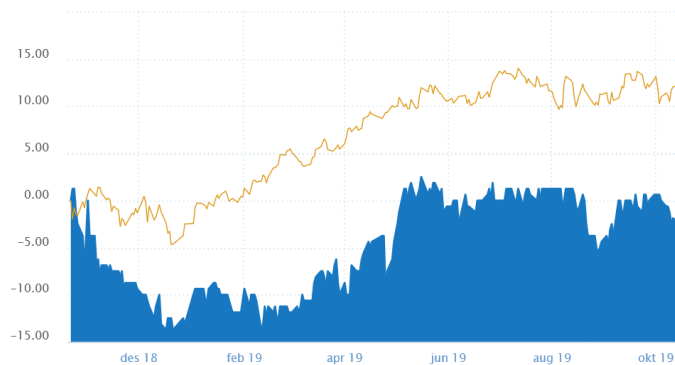
HELG – the 20 largest local owners

			<i>Parent bank</i>		
Per 30.09.19	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	120 000	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	8 142 927	39.0 %	Total 20 biggest owners	8 272 531	39.6 %

Employees owners share has also in 2019 increased through continued employee program

HELG – EC development and liquidity

Graph showing development in HELG vs. index last 12 months.



	2016	2017	2018	Q3 2019
EC fraction opening balance	75.1 %	76.5 %	76.3 %	76.4 %
EC fraction closing balance			76.4 %	
Number of EC's	20.9	20.9	20.9	20.9
Stock exchange price	81.0	88.0	69.5	80.5
Stock value	1 692.9	1 839.2	1 452.6	1 682.5
Accounted equity per EC	101	108	110	117
Profit per EC	13.5	9.5	5	7.3
Dividend per EC	3.75	4.00	1.60	
Price/Accounted EC	0.8	0.8	0.6	0.7

A photograph of a person standing in a natural rock archway, looking out at the sea. The person is silhouetted against the bright sky and water. The rock walls are dark and textured. The sea is visible through the archway, with a small boat in the distance.

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Priorities 2019/2020

Prospects



- Continue the focus on good self-service solutions and effective use of the adviser team.
- Continue the effort on the 3 year long profitability program.
 - Repricing, width focus, streamlining.
- Profitable and moderate growth; maintain market position.
- Increase commission and fee income
- Simplify and automate work processes



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Profit & loss

Helgeland Sparebank (group)									
	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Net interest- and credit provision earnings	142	147	141	141	140	145	142	145	156
Net provision earnings	21	23	22	22	22	24	23	22	25
Other operations income	0	2	1	3	6	6	2	0	1
Ordinary operations cost	71	67	72	69	71	74	73	72	74
Result basic operations	92	105	92	97	97	101	94	95	108
Write-downs lending and warranties	11	30	8	83	20	138	5	15	18
Income by conversion to defined contribution									
Net value change financial instruments	19	-3	10	35	-1	4	4	5	6
Gross profit	100	72	94	49	76	-34	93	85	96
Net profit	81	55	73	42	62	-28	71	66	73
Net extended income posts	6	51	0	0	0	0	0	0	0
Profit for the period	87	106	73	42	62	-28	71	66	73

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.

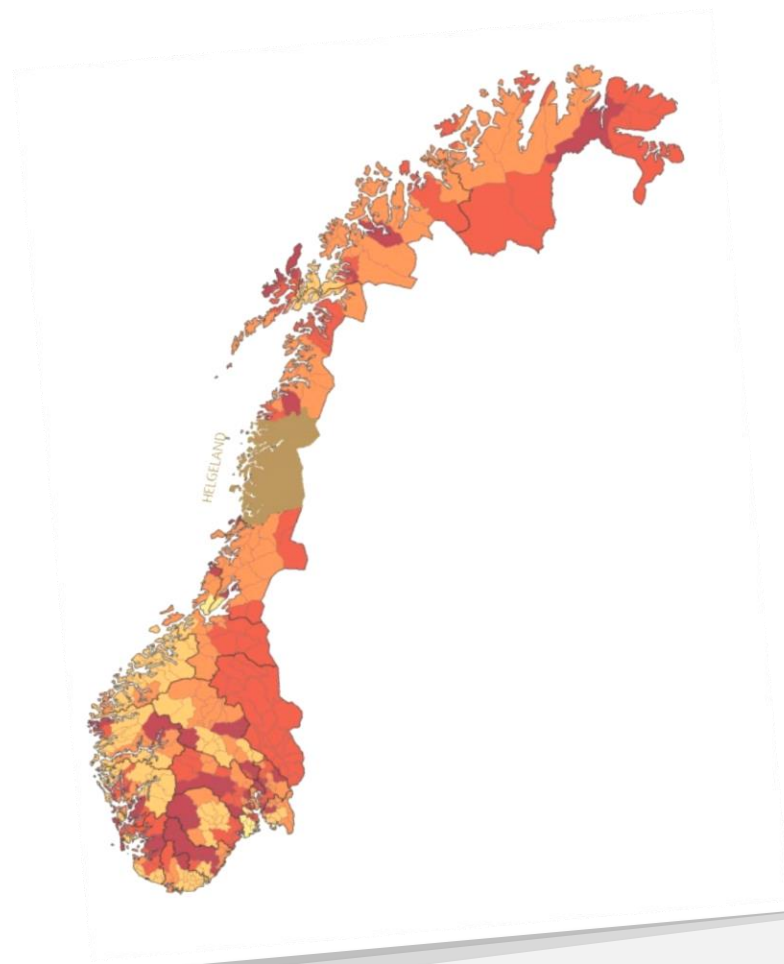


40 %

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 34 235
- Employees, annual positions: 150
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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Marianne Terese Steinmo
Siw Moxness
Nils Terje Furunes
Tone Helen Hauge
Birgitte Lorentzen
Geir Pedersen