



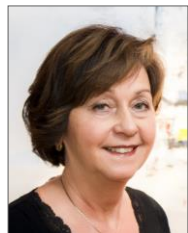
# Presentation

Q4 2016



med  for  
HELGELAND

# Presentation per 31.12.16 (HSB Group)



Lisbeth Flågeng  
Chief Executive Officer



Sverre Klausen  
Chief Financial Officer

## Main Features

Profit & loss

Balance

Lending

Deposits

Funding

Solidity

Helgeland

Appendices

# Main features per 31.12.16

## Result

Gross profit MNOK 452 (280)

- Good profitability in the banks basis operations, net interest increased in NOK and maintained in %
- Increased profit share from associated companies
- Pension liability recognized as income by conversion to defined contribution in Q1 and gains from sale of Visa in Q2

## Profitability

- ROE (after tax) 13,0 (9,3)%

## Solidity

Capital adequacy – CET1 ratio 16.1 (15.2)% – total capital ratio 20.5 (18,4)%

- Successful private placement and repair placement (MNOK 147)
- Placement of subordinated bonds completed (MNOK 223)

# Main features per 31.12.16

## Lending

12-month growth 9.8 (8.2)%

- Retail market 9.3 (9.2)%
- Corporate market 10.9 (6.3)%

## Deposits


12-month growth 12.2 (5.0)% – good deposit ratio 65.4 (64.0)%

- Retail market 6.1 (7.2)%
- Corporate market 21.2 (1.6)%

Interest rate increase from 05.01.17

- Mortgages 0.15 %-points
- Some deposit types

New CEO, Hanne J. Nordgaard, hired with accession 01.09.17

A vibrant green aurora borealis (northern lights) displays against a dark, starry night sky. The aurora's luminous curtains and rays illuminate the scene, casting a soft glow over a dark, silhouetted landscape of evergreen trees and snow-covered hills in the foreground.

Main features

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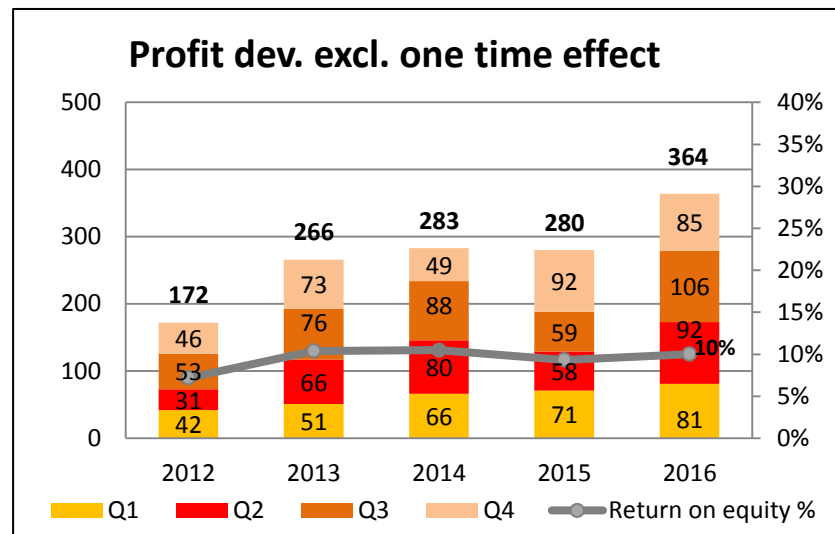
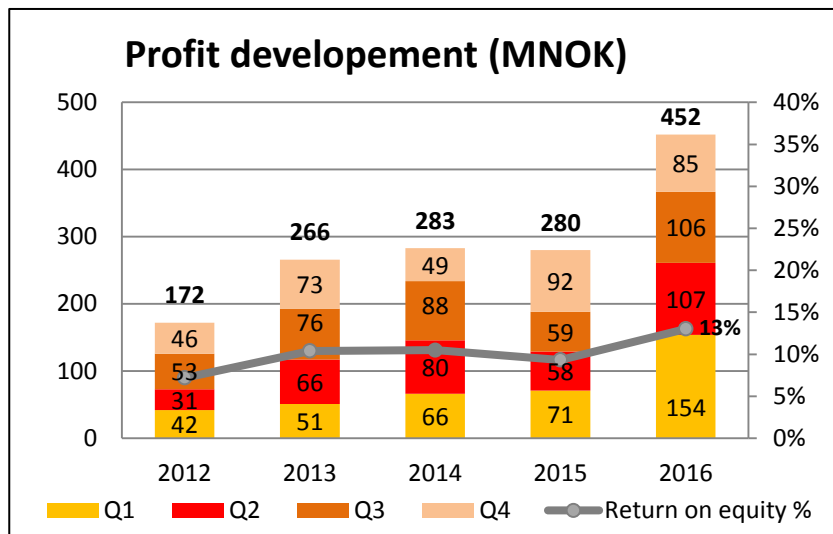
Funding

Solidity

Helgeland

Appendices

# Profit



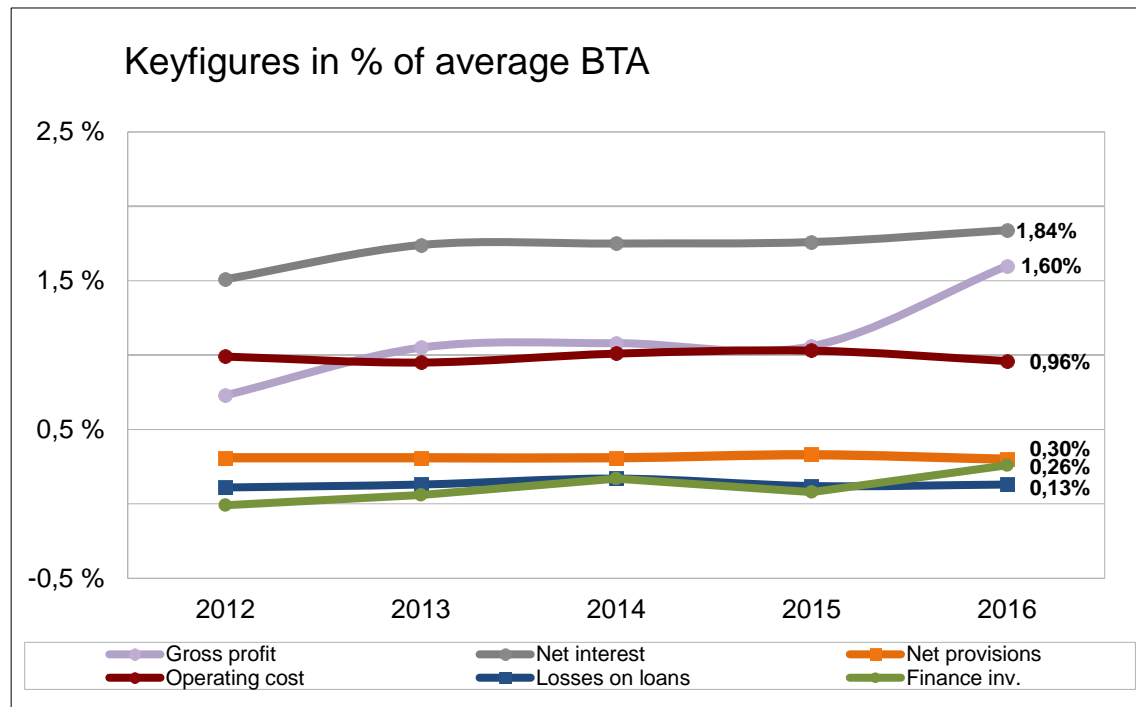
## Good result Q4

Gross profit MNOK 452

- ROE after tax 13% and 10% excluding one time effect by conversion to defined contribution and gain VISA.



# Key figures



- Improved net interest with 8 bps, from 1.76 to 1.84% from 31.12.2015

## Net provisions

- 0.30% - stabile level.

## Operating costs

- Flattening

## Moderate write-downs on lending

## Gross profit

- Increased profit share from associated companies
- One time effect pension Q1/2016
- Gains Visa Q2

# Profit & loss

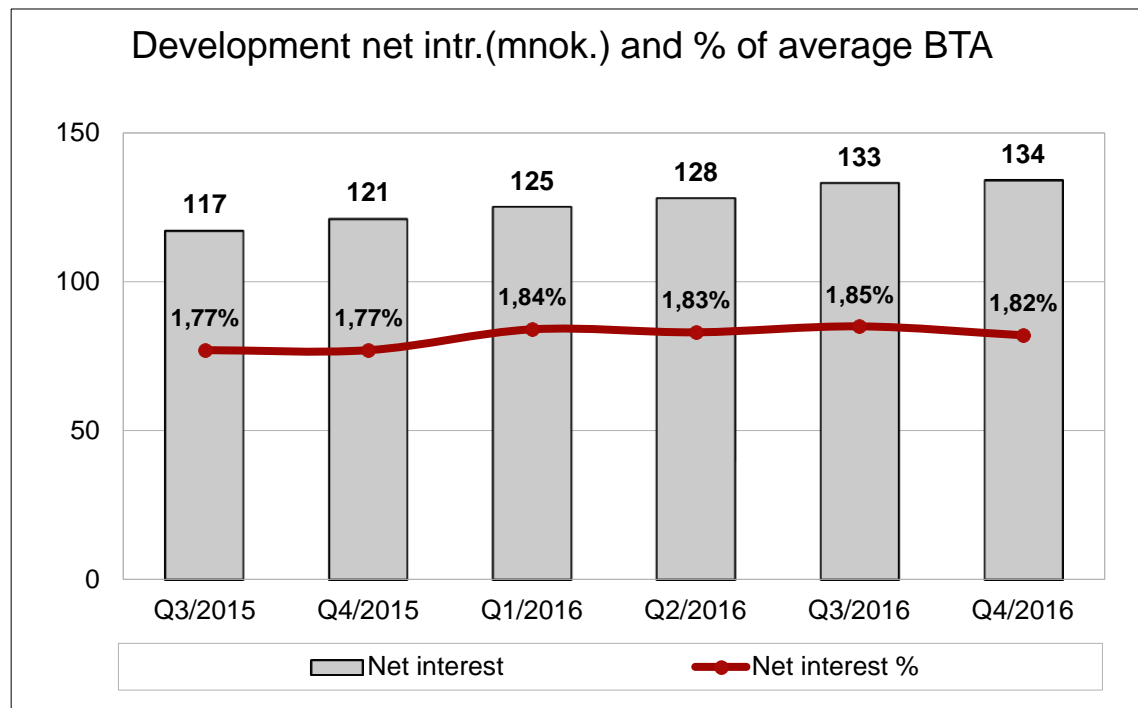
| Helgeland Sparebank (group)                  |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|
|  | Q2/2015 | Q3/2015 | Q4/2015 | Q1/2016 | Q2/2016 | Q3/2016 | Q4/2016 |
| Net interest- and credit provision earnings  | 114     | 116     | 121     | 125     | 128     | 133     | 134     |
| Net provision earnings                       | 20      | 23      | 22      | 20      | 22      | 22      | 21      |
| Other operatios income                       | 1       | 6       | 2       | 2       | 1       | 1       | 2       |
| Ordinary operations cost                     | 63      | 66      | 66      | 65      | 69      | 65      | 72      |
| Result basic operations                      | 72      | 79      | 79      | 82      | 82      | 91      | 85      |
| Write-downs lending and warranties           | 11      | 9       | 12      | 5       | 6       | 5       | 20      |
| One-time cost                                |         |         | 8       |         |         |         |         |
| Income by conversion to defined contribution |         |         |         | 75      | 1       |         | -2      |
| Net value change financial instruments       | -4      | -11     | 33      | 2       | 30      | 20      | 22      |
| Gross profit                                 | 57      | 59      | 92      | 154     | 107     | 106     | 85      |
| Net profit                                   | 39      | 45      | 70      | 117     | 85      | 84      | 64      |
| Net extended income posts                    | -2      | -14     | 36      | 1       | -19     | 5       | 23      |
| Profit for the period                        | 37      | 31      | 106     | 118     | 66      | 89      | 87      |

## Commentary

- Stable and good basis operation, increased net interest in NOK and %
- 0.5% cost growth in 2016
  - Reduced by 11 to 152 man years in 2016
  - Gift for employees in December, remuneration and granting of equity certificates
- Increased write-downs on lending in Q4
- Net value change financial instruments
  - Profit share Helgeland Invest: MNOK 21 in Q4, total of MNOK 50 in 2016
  - Gains Visa in Q2: MNOK 14
- Extended income statement: Value increase shares Frende and Brage



# Net interest

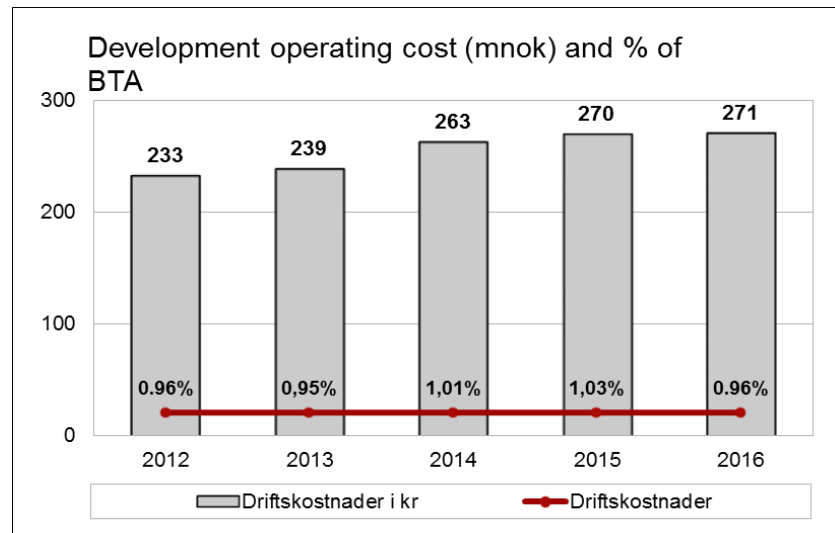
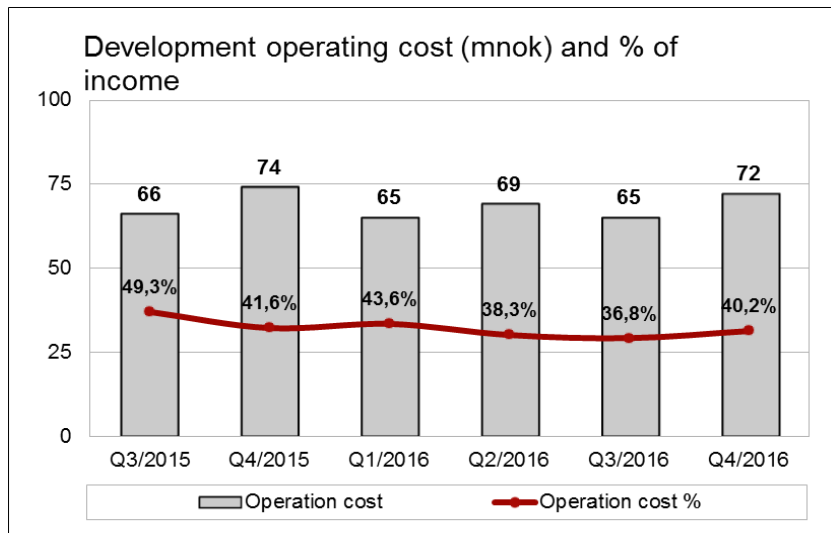


## Increased net interest

Still strong competition regarding price

- Maintained net interest in %.
- Interest costs subordinated bonds are recognized in equity in 2016, providing an improvement of the net interest with 4 bps

# Operating costs



## Cost focus – reduced costs

- 0.5% cost growth in 2016
- Adaption of man years
- Continuous improvement of work processes
- Predictable pension plan will provide future cost reduction
- One time effect pension is not included in the calculation above



Main features

Profit & loss

**Balance**

Lending

Deposits

Funding

Solidity

Helgeland

Appendices

# Balance

## Helgeland Sparebank (group)

|                               | 31.12.16      | 31.12.15      | Endring      |
|-------------------------------|---------------|---------------|--------------|
| Liquid assets                 | 602           | 601           | 1            |
| Net lending to customers      | 24 632        | 22 444        | 2 188        |
| Bonds and shares              | 3 851         | 3 729         | 122          |
| Other assets                  | 298           | 358           | -60          |
| <b>Assets</b>                 | <b>29 383</b> | <b>27 132</b> | <b>2 251</b> |
| Deposits from customers       | 16 173        | 14 418        | 1 755        |
| Securities issued             | 9 258         | 9 549         | -291         |
| Other liabilities             | 444           | 310           | 134          |
| Subordinated debt             | 300           | 300           | 0            |
| Equity                        | 3 208         | 2 555         | 653          |
| <b>Liabilities and equity</b> | <b>29 383</b> | <b>27 132</b> | <b>2 251</b> |



Main features

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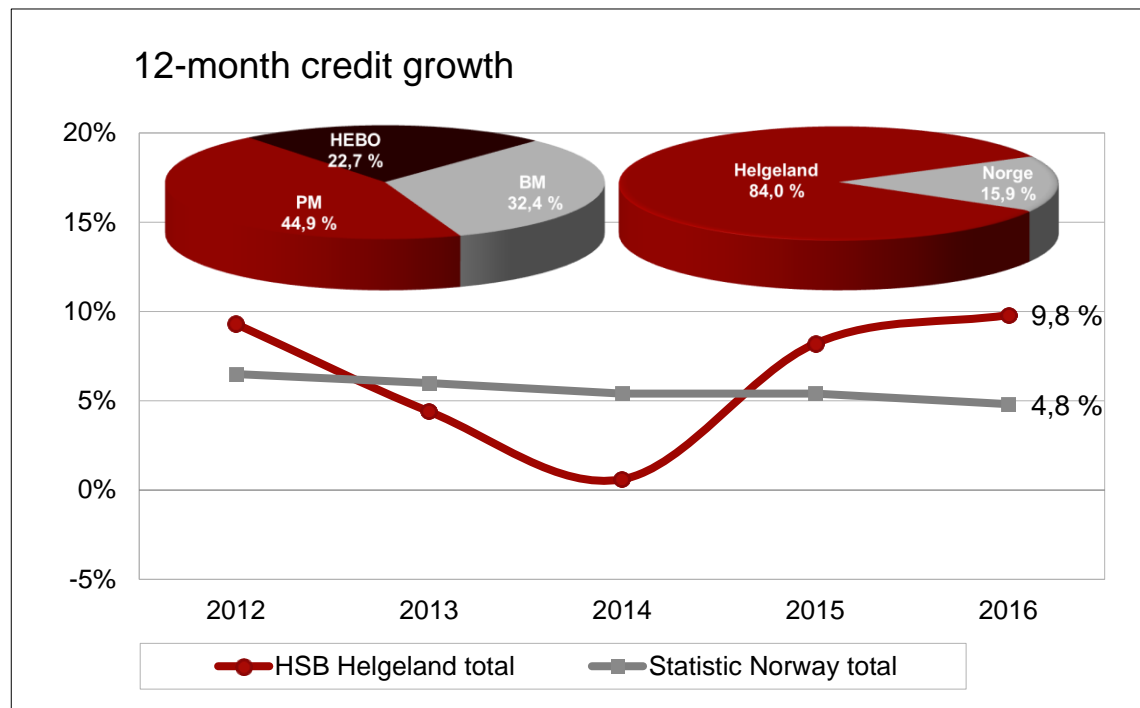
Solidity

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# Credit growth



## Commentary

### Credit growth

- 12-month growth 9.8 (8.2)%

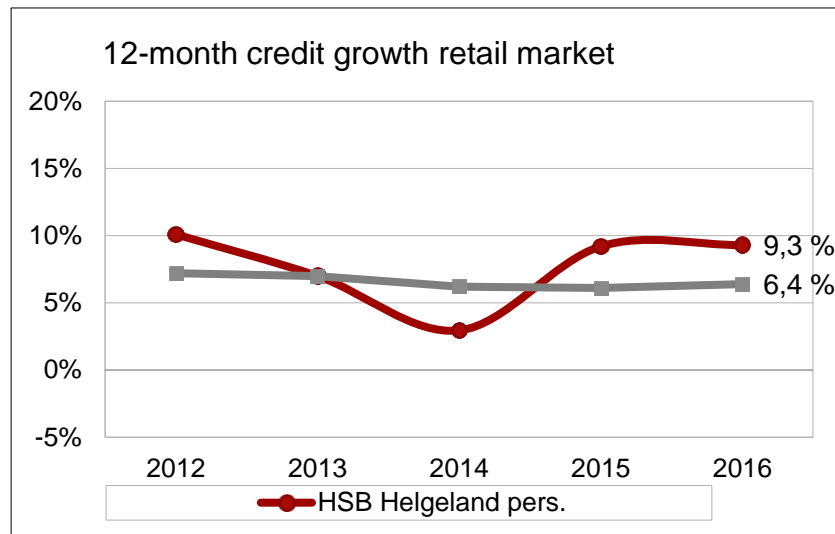
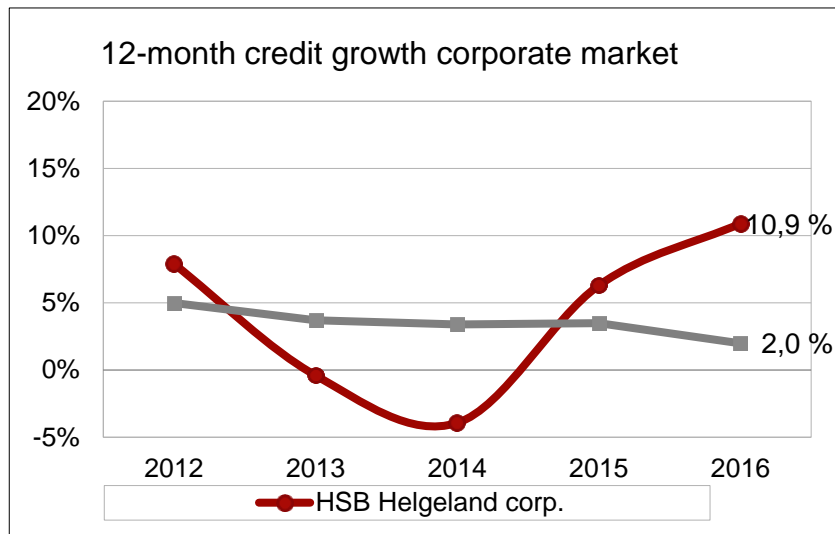
### PM share

- Target minimum 60%
- Per Q4 67.6 (67.7)%

### Locally in Helgeland

- Per Q4 84.0 (84.4)%

# Credit growth CM and RM



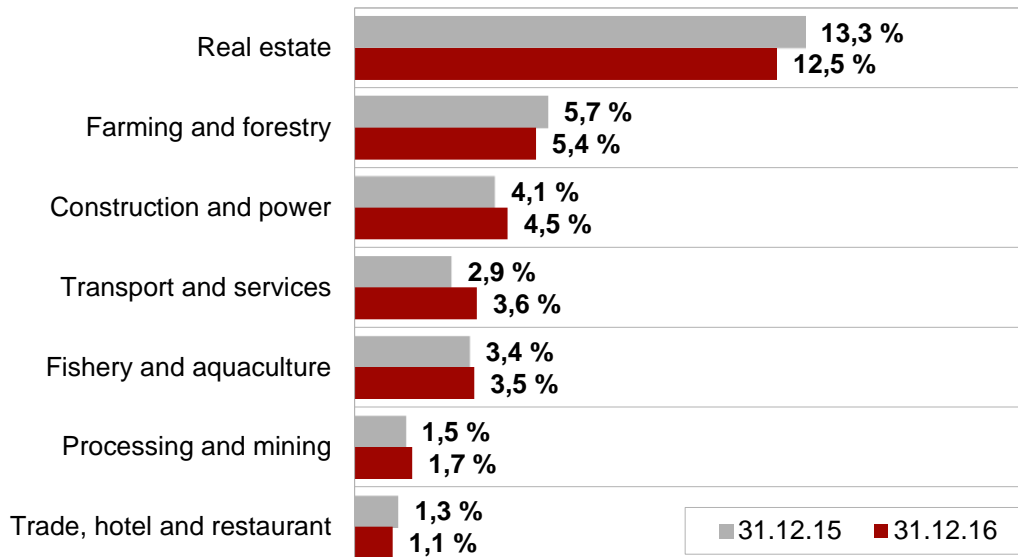
## Commentary

12-month growth 9.8 (8.2)% whereby CM 10.9 (6.3)% and PM 9.3 (9.2)%



# Lending CM

Lending distributed in sector

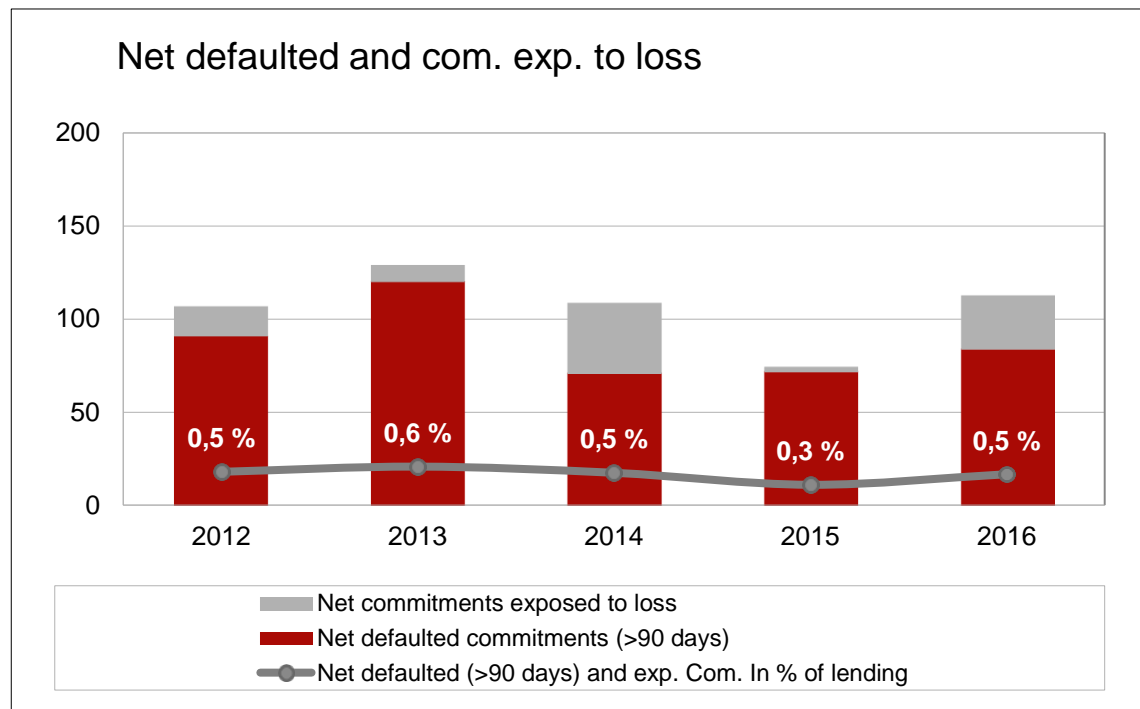


## Commentary

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

Share CM of total lending 32.4 (32.3)% or MNOK 8 013 (7 275)

# Non-performing and other impaired commitments



## Good portfolio quality

Net non-performing and other impaired commitments amounts to MNOK 113 (75) Which equals 0.5 (0.4)% of gross loans

Increased group write-downs with MNOK 8 so far this year.

- Overall assessment based on model (PD/LGD), development site quality PM and defaults

Total group write-downs

- MNOK 87
- 0.35% of gross loans



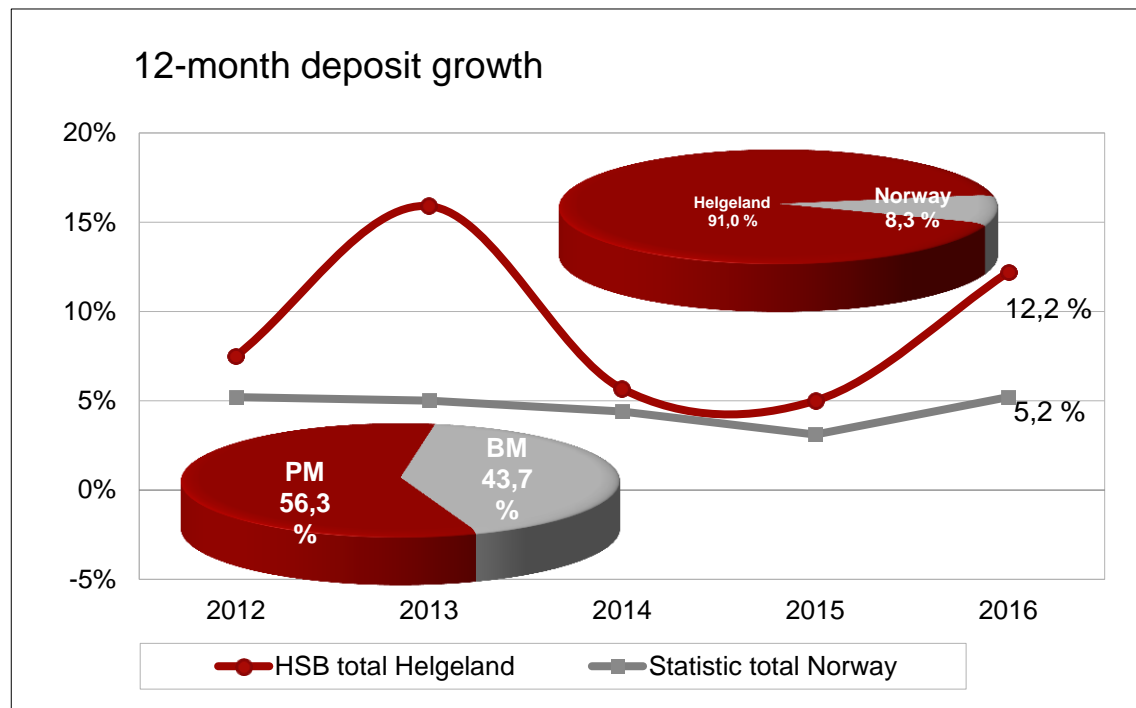
Main features  
Profit & loss  
Balance  
Lending  
**Deposits**  
Funding  
Solvency  
Helgeland  
Appendices

Træna

En drivkraft for vekst på Helgeland



# Deposit growth



## Commentary

12-month growth 12.2 (5.0)%

PM share

- Per Q4 56.3 (59.5)%

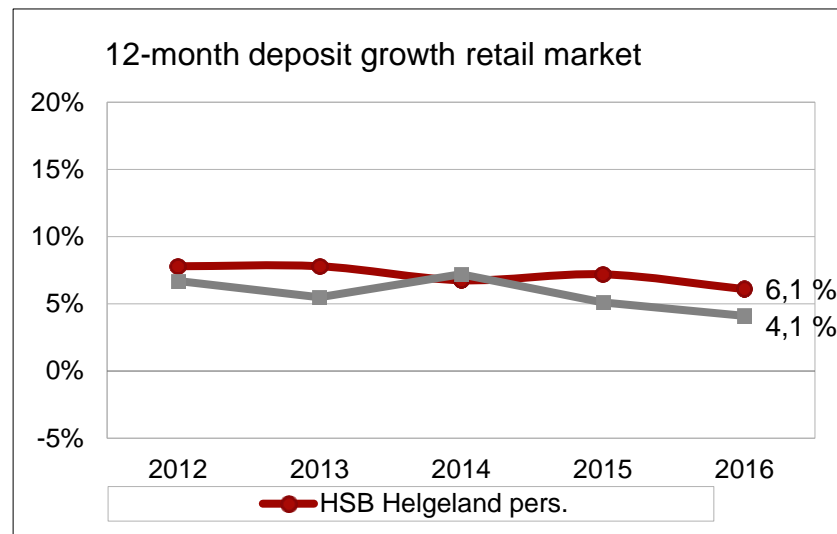
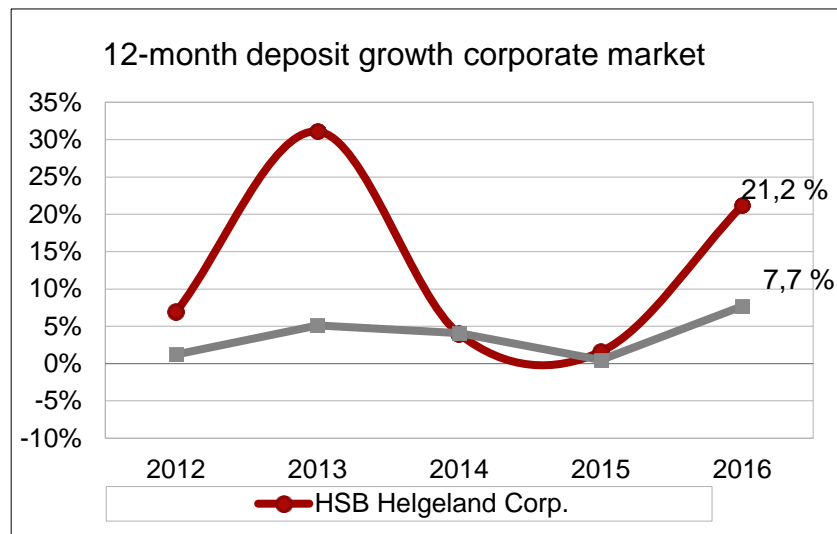
Locally in Helgeland

- Per Q4 91.0 (91.1)%

Deposit ratio

- Target minimum 60%
- Per Q4 65.4 (64.0)%

# Deposit growth CM and RM

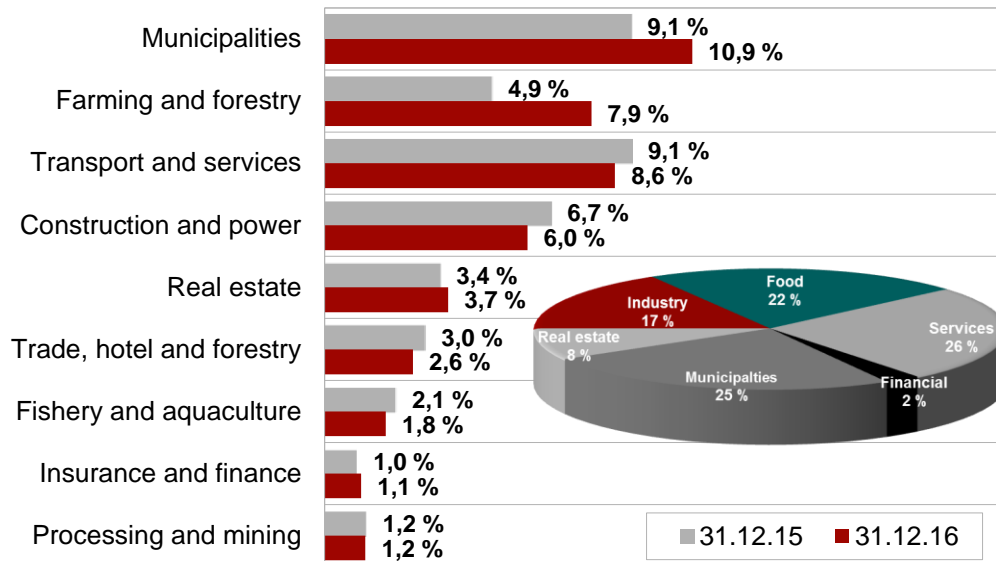


## Commentary

12-month growth 12.2 (5.0)% whereby CM 21.2 (1.6)% and PM 6.1 (7.2)%

# Deposits CM

## Customer deposits



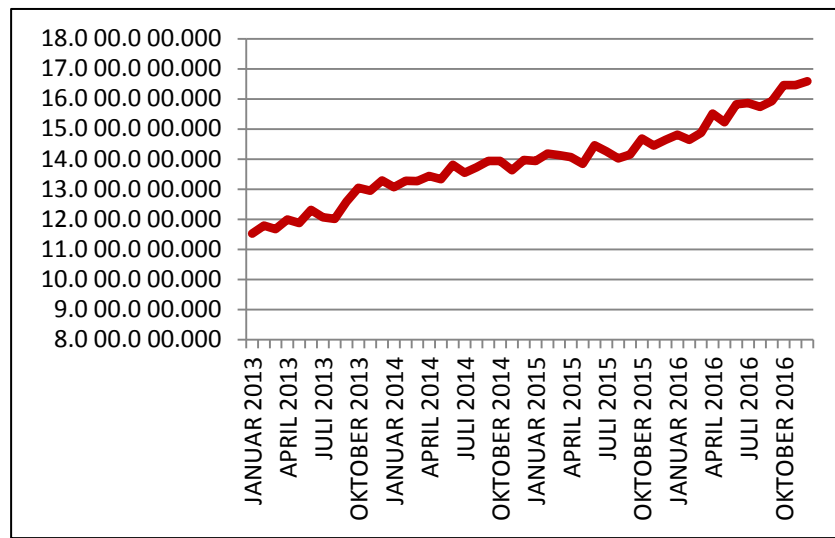
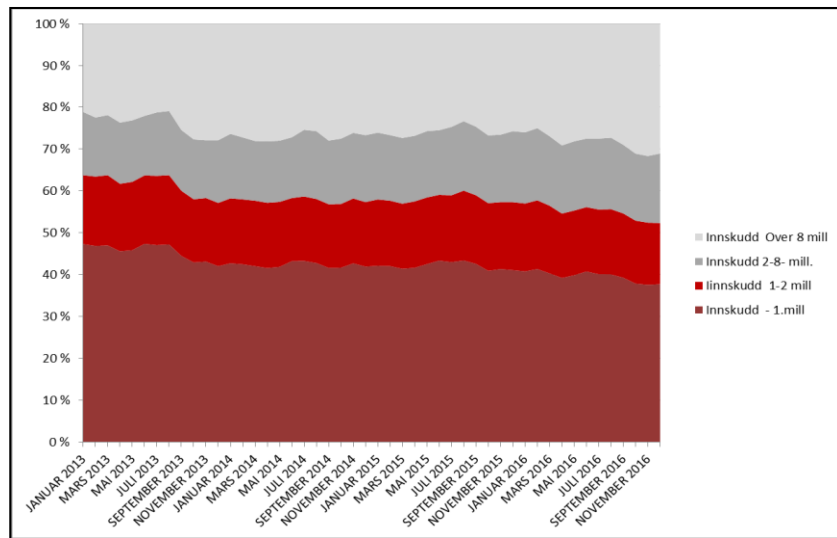
## Commentary

Well diversified deposit portfolio in the CM

Share CM 43.7(40.5)% or MNOK 7 069 (5 834) of total deposits

Deposits from municipalities constitute 25% of the CM deposits

# Deposit development



Distribution deposits by size is relatively stable.

A large share of PM deposits is under MNOK 2 (52% of total deposits).

About 64% of the deposit is covered by the guarantee scheme





Main features

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Helgeland

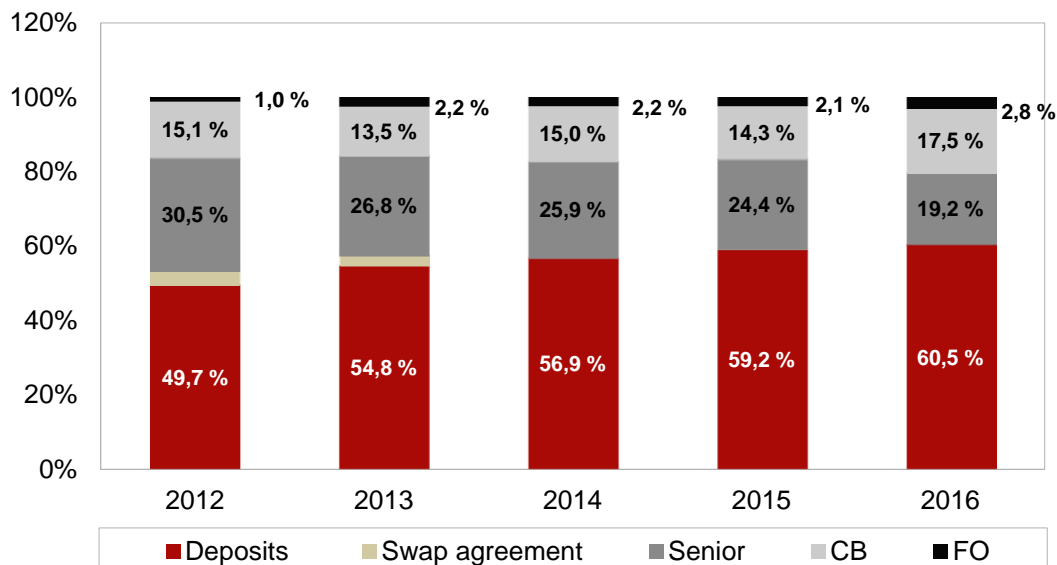
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# Funding

Funding development (MNOK)



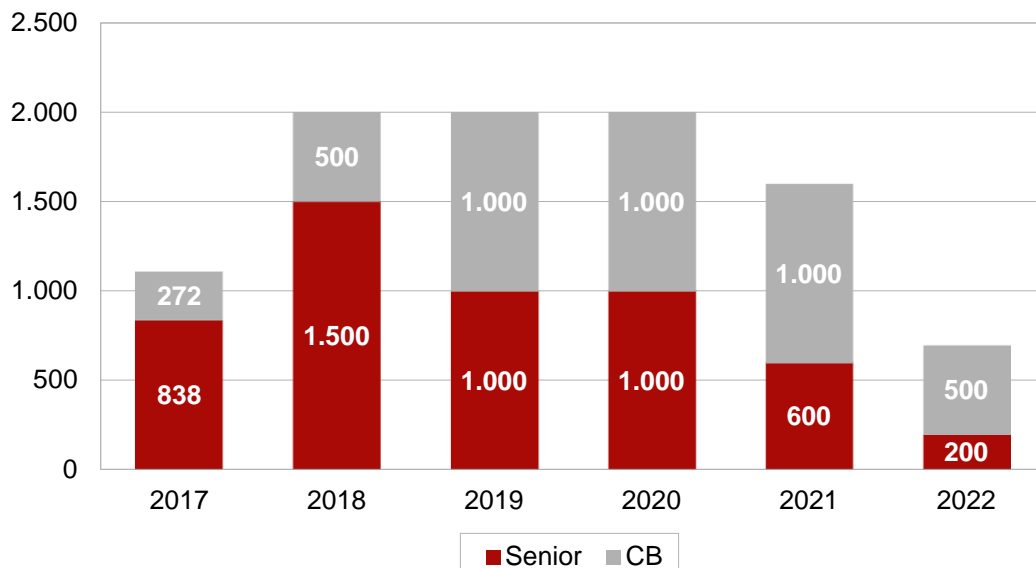
## Commentary

Deposits are the most important source for funding,

Deposit and CB increased share

# Funding

Maturity of loans (MNOK)



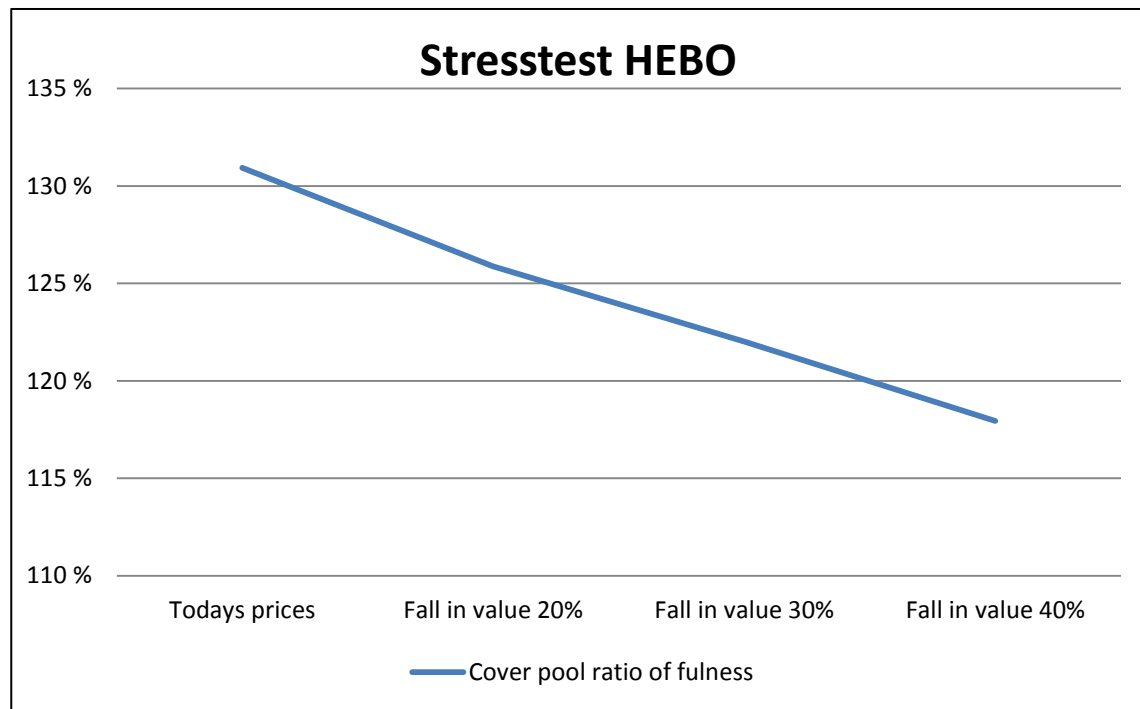
## Commentary

Good and long term funding

Share long term funding  
88.2% (81.4)%

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

# Helgeland Boligkreditt AS



**Helgeland boligkreditt AS, fully owned by Helgeland Sparebank**

Net profit MNOK 33.1 (38.1).

Gross loans amounts to MNOK 5 629 (4 311) and CB MNOK 4 523 (3 673)

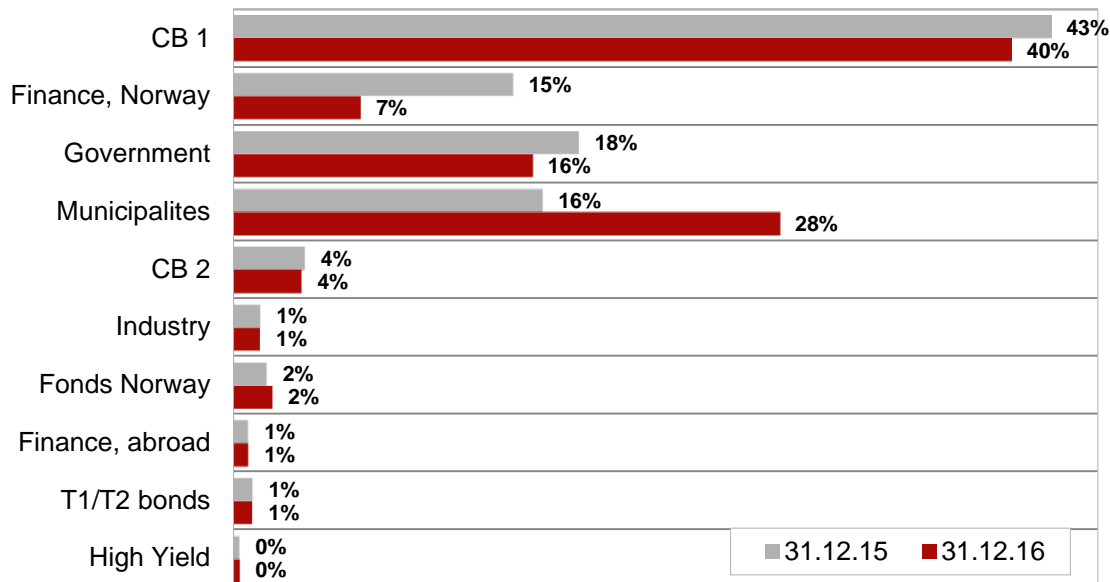
CET1 ratio of 17.1 (15.6)% (standard method with 35% mortgage weights).

Cover pool ratio of fullness 31 (21)%  
Combined LTV 53 (53)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 31% to 18%

# Liquidity buffers

Sector distribution interest portfolio



## Commentary

The liquidity buffers amounts to NOK 3.9 (3.8) bn. – equal 13.2 (14.1)% of total assets. The buffer capital consists of cash, deposits in Bank of Norway/banks and interest paying securities. of this the interest portfolio is NOK 3.3 bn.

Interest paying securities:

- Portfolio duration 2.0 (2.3) years
- 96% are rated A- or better
- 88% CB or Govt./municipal bonds

Municipal securities are actively used as short-term liquidity placement

A scenic winter landscape featuring a snow-covered mountain range under a blue sky with scattered clouds. In the foreground, a person in a yellow jacket is skiing down a snowy slope, leaving tracks. To the right, a small wooden cabin with a snow-laden roof and a chimney stands amidst the snow. A tall evergreen tree is positioned next to the cabin. The overall atmosphere is peaceful and serene.

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**Solidity**

Helgeland

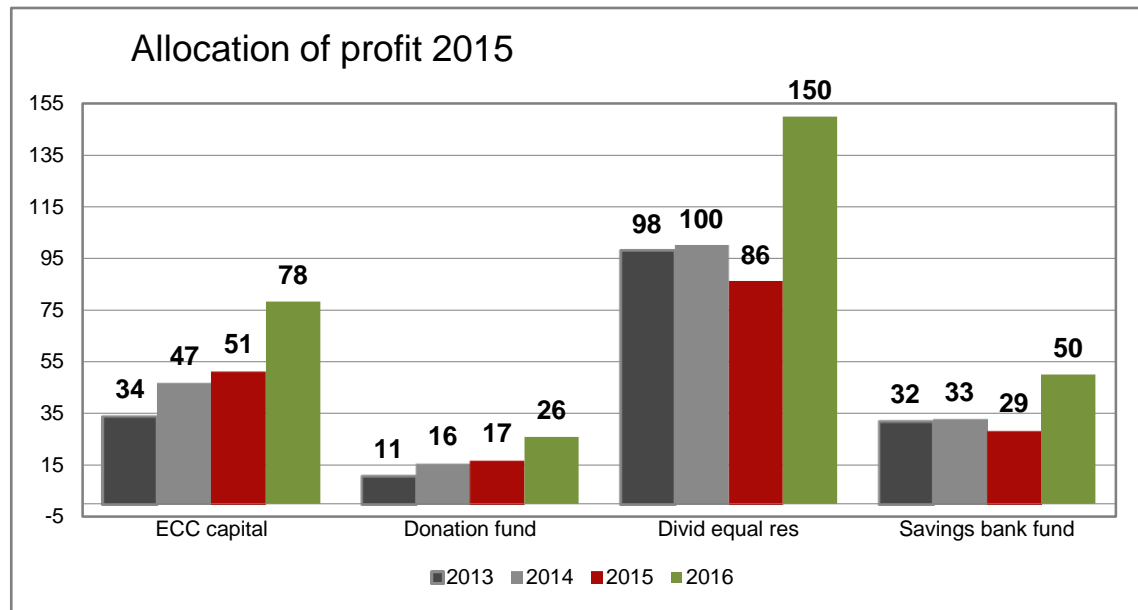
Appendices

*En drivkraft for vekst på Helgeland*





# Proposed disposal of profit 2015



## Commentary

Increased distribution ratio

- 41.9 (37.4)%. One-time effect on pension conversion is entirely supplied EC ( MNOK 41.6 equal reserve and MNOK 13.8 savings bank fund) and are thus not in the dividends

The board proposes dividend for 2016:

Dividend basis is MNOK 248

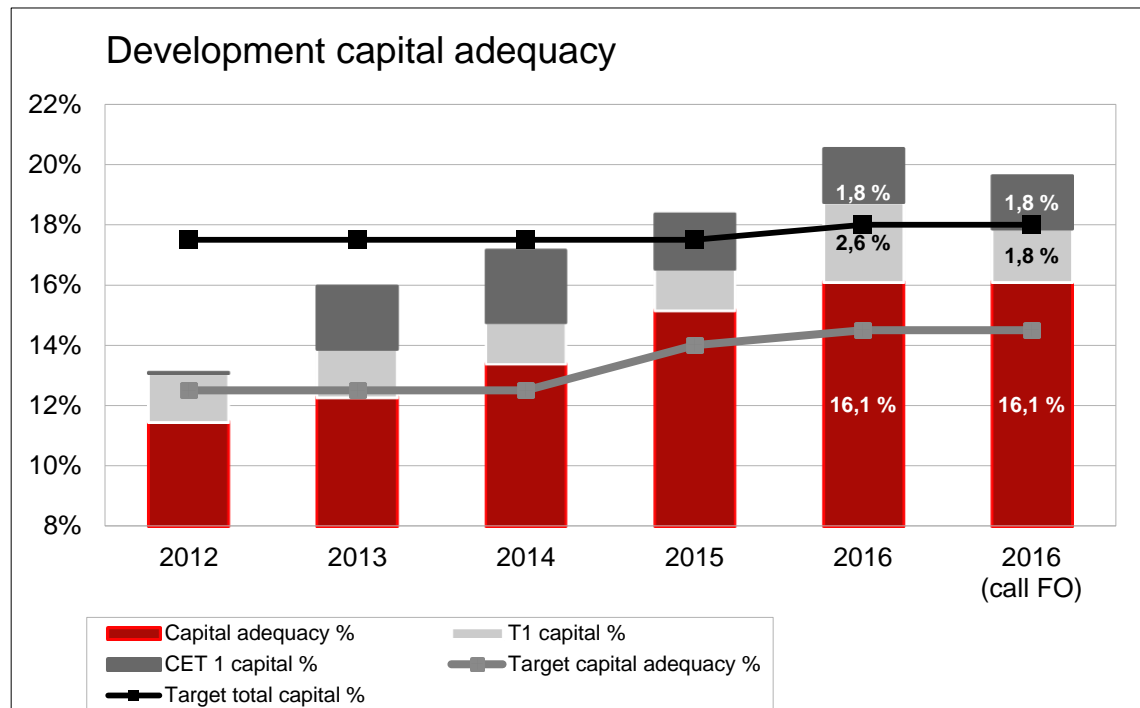
- The parent bank's result is adjusted for unrealized gains (Helgeland Invest AS), interests perpetual bonds and one time effect on pension
- Cash dividend NOK 3.75 (2.75) per equity certificate

Dividends and allocations to the equalization reserve reflects the equity certificate holders' share of the banks equity

- 01.01.16 equation 75.1%
- Weighted average 75.3%
- 31.12.16 equation 76,6%



# Capital adequacy



## Commentary

Capital ratio

- CET1 16.1 (15.2)%
- Core capital 18.7 (16.5)%
- Total capital 20.5 (18.4)%

Successful EC placements that overall strengthened the banks CET1 by MNOK 148, and subordinated bonds that increased the core capital further by MNOK 223. (Pedestal 2 2016 illustrates call perpetual bonds 2017)

Leverage ratio: 10.1%.

The banks targets, CET1 of minimum 14.5% and total capital of minimum 18.0%



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*En drivkraft for vekst på Helgeland*



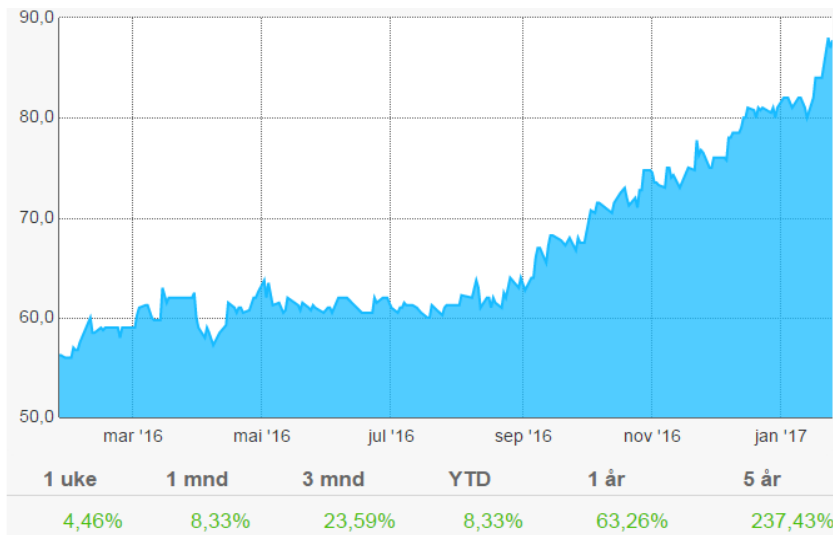
# HELG – the 20 largest owners

| Per 31.12.16                   | Numbers           | % share       |                                   | Numbers           | % share       |
|--------------------------------|-------------------|---------------|-----------------------------------|-------------------|---------------|
| Sparebankstiftelsen Helgeland  | 7 255 020         | 34.8 %        | Vigner Olaisen AS                 | 294 653           | 1.4 %         |
| Pareto AS                      | 1 937 392         | 9.3 %         | Verdipapirfondet Pareto           | 269 000           | 1.3 %         |
| Merrill Lynch Prof.            | 1 253 462         | 6.0 %         | Catilina invest AS                | 221 858           | 1.1 %         |
| UBS AG, London Branc A/C       | 1 209 872         | 5.8 %         | Apollo Asset Ltd. C/O Arne Fredly | 181 749           | 0.9 %         |
| VPF Nordea Norge               | 692 837           | 3.3 %         | Forte Trønder                     | 175 107           | 0.8 %         |
| Pope Asset Management BNY      | 654 041           | 3.1 %         | Melum Mølle AS                    | 150 985           | 0.7 %         |
| EIKA Utbytte VPF               | 521 175           | 2.5 %         | Nordenfjeldske Bykred             | 128 194           | 0.6 %         |
| MP Pensjon PK                  | 462 203           | 2.2 %         | Melesio Capital AS                | 113 000           | 0.5 %         |
| Lamholmen AS                   | 442 353           | 2.1 %         | Nervik Steffen                    | 110 000           | 0.5 %         |
| Helgeland Kraft AS             | 377 691           | 1.8 %         | Sniptind Invest AS                | 107 061           | 0.5 %         |
| <b>Total 10 biggest owners</b> | <b>14 806 046</b> | <b>70.9 %</b> | <b>Total 20 biggest owners</b>    | <b>16 557 653</b> | <b>79.3 %</b> |

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

The number of issued EC's has after the placement increased by 2 171 472 in 2016. The increase amounts to 11.6%.

# HELG – EC development and liquidity



The price of HELG per 31.12.16. was NOK 81.00 per EC. This is an increase of NOK 22.00 or 37.2% in 2016.

# Prospects and priorities

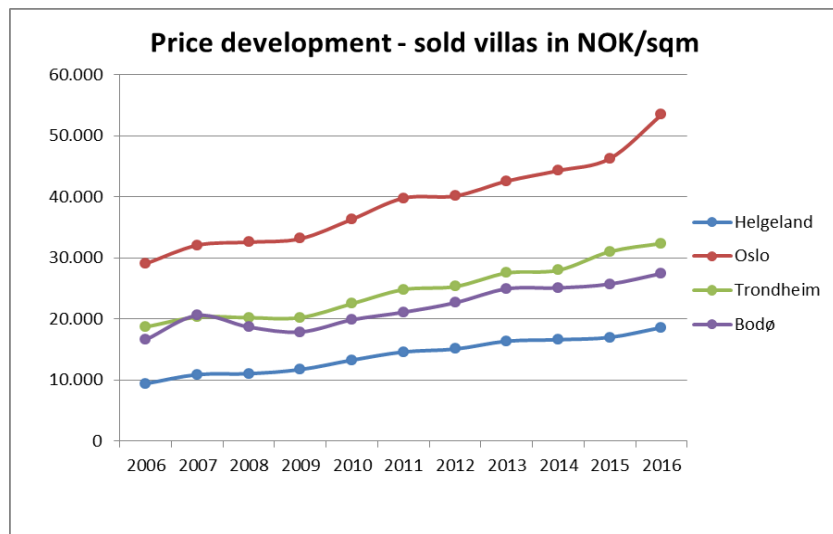
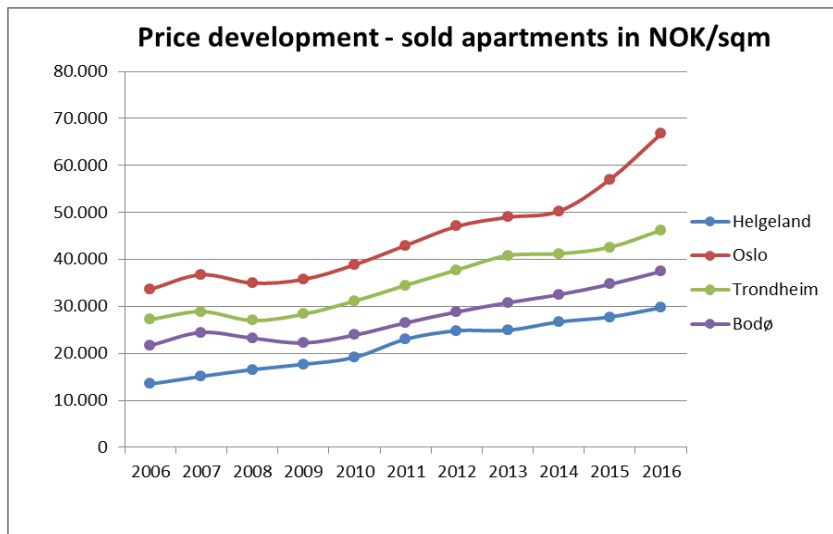
## Result

- Focus on profitable growth and width sale
  - Offensive sales organization ensures width sale
  - Focus on good consulting in the customer dialogue
  - Stronger highlighting of the bank's significance for Helgeland
- Maintaining the net interest.
  - Exploit the potential in the mortgage company
- Efficiency
  - Expected growth is handled without increased man years
  - tax on financial services
  - Ongoing implementing of new digital solutions
    - Increased investment needs
- Moderate losses

## Balance

- High activity and willingness to invest in several sectors
- The effect of DNB's office closures is declining
  - Overall slightly lower credit growth in 2017 than 2016, nevertheless slightly higher than the national average?
- Expecting to maintain a relatively high level of the bank's own funding through deposits

# Stabile property price development



## Property price development in Helgeland compared to larger places (measured by price pr sqm for sold houses).

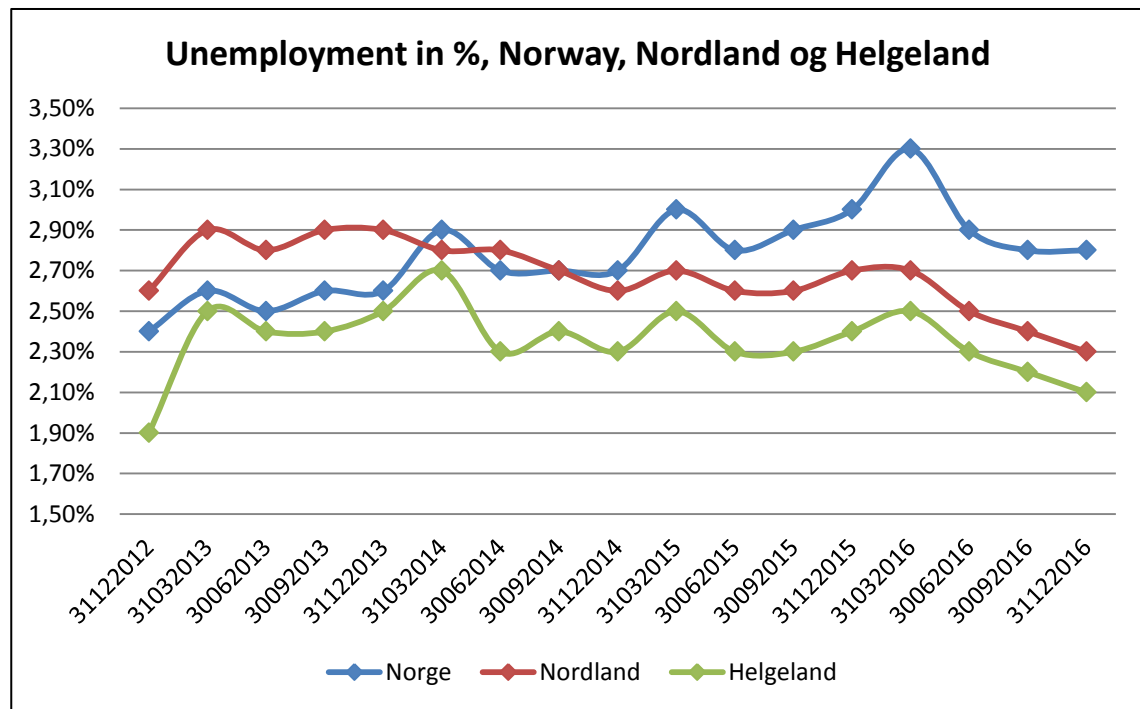
Average national price increase for apartments in 2016 was 10.8%.

- Property price increase in Helgeland was 7.2% in the same period. Bodø 7.9% og Oslo 17.0%

Villas had in 2016 an national average price increase of 5,4%.

- Property price increase in Helgeland was 9.5% in the same period. Bodø 6.7% and Oslo 15.5%

# Unemployment



## Commentary

Unemployment in Helgeland and in Nordland has by the end of the year a better development than Norway overall. At the same time Helgeland is in a lower level than Nordland overall and Norway overall.

Overall unemployment in Helgeland is 2.1% by the end of 2016.

At the same time, unemployment nationally was 2.8% and in Nordland 2.3%



## The world doesn't work without Nordland

### An export total of 25,3 billion

- Seafood about 14 billion
- Metals, chemicals about 11 billion
- Helgeland 9 billion overall



11% of the world's salmon is produced in Nordland



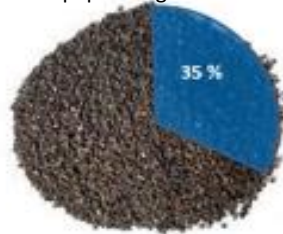
75% of all paper magazines contains calcium from Vevelstad in Brønnøy kommune



40% of aluminum used in beer/soda cans are produced in Mosjøen



10% of Norway's power production



35% of Norwegian production of industry minerals



26% of the world's fishing boats comes from Nordland, (30% of the world's fishing quotas)

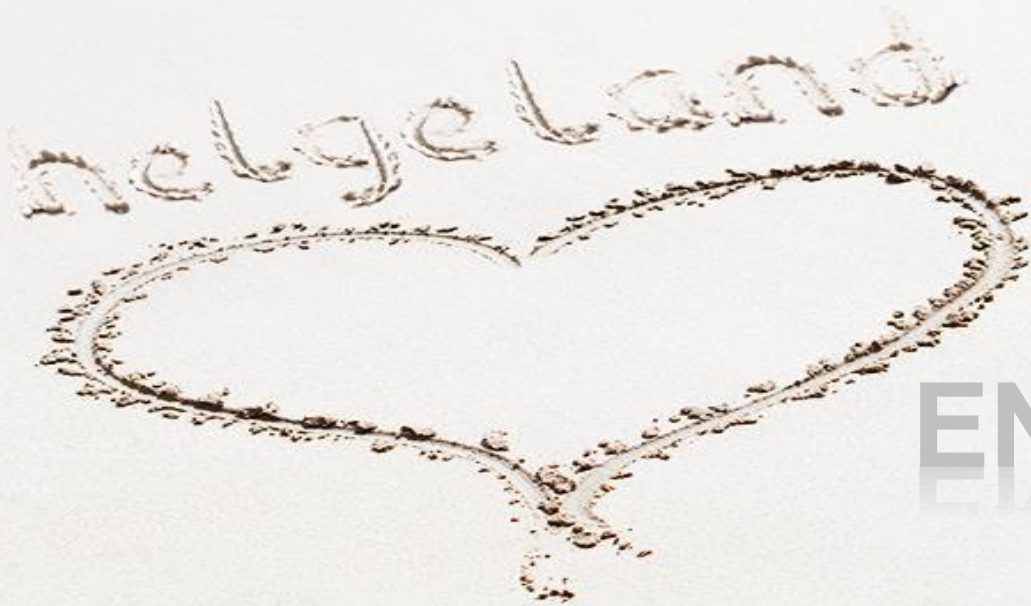
## Well positioned

- Record low unemployment (2.3%)
  - Helgeland 2,1%
- Less affected by weak economic conditions in the petroleum industries
  - Slightly reduced activity in the Alstadhaug region
- High corporate profitability (9,4%)
  - National average 6,1%
- High export value of seafood and industry (25.2 bn.)
  - Growth from 2015 9%
- Weak population growth (approximately 243 000 citizens). Challenges to retain and attract young workers
  - Negative development without immigration

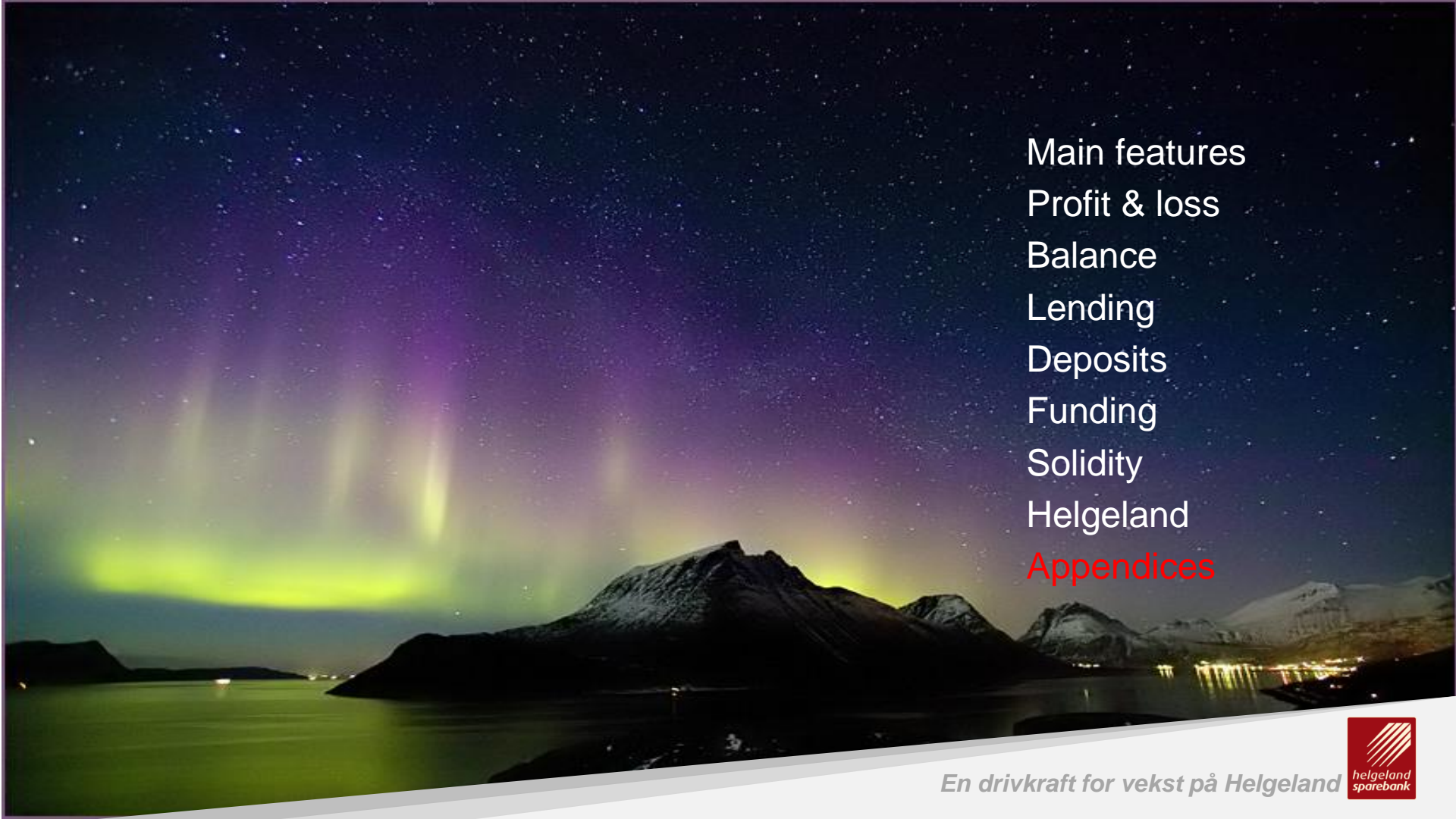


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Thank you for your attention!



EN DRIVKRAFT  
FOR VEKST



Main features

Profit & loss

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Appendices

# Helgeland Sparebank

helgelandboligkreditt 100%

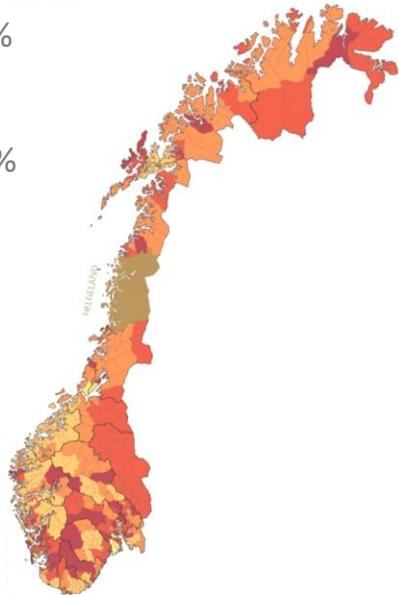
HELGELAND INVEST 48%

REDE EIENDOMSMEGLING 40%

FrendeForsikring 7,9%

NORNE SECURITIES 7,5%

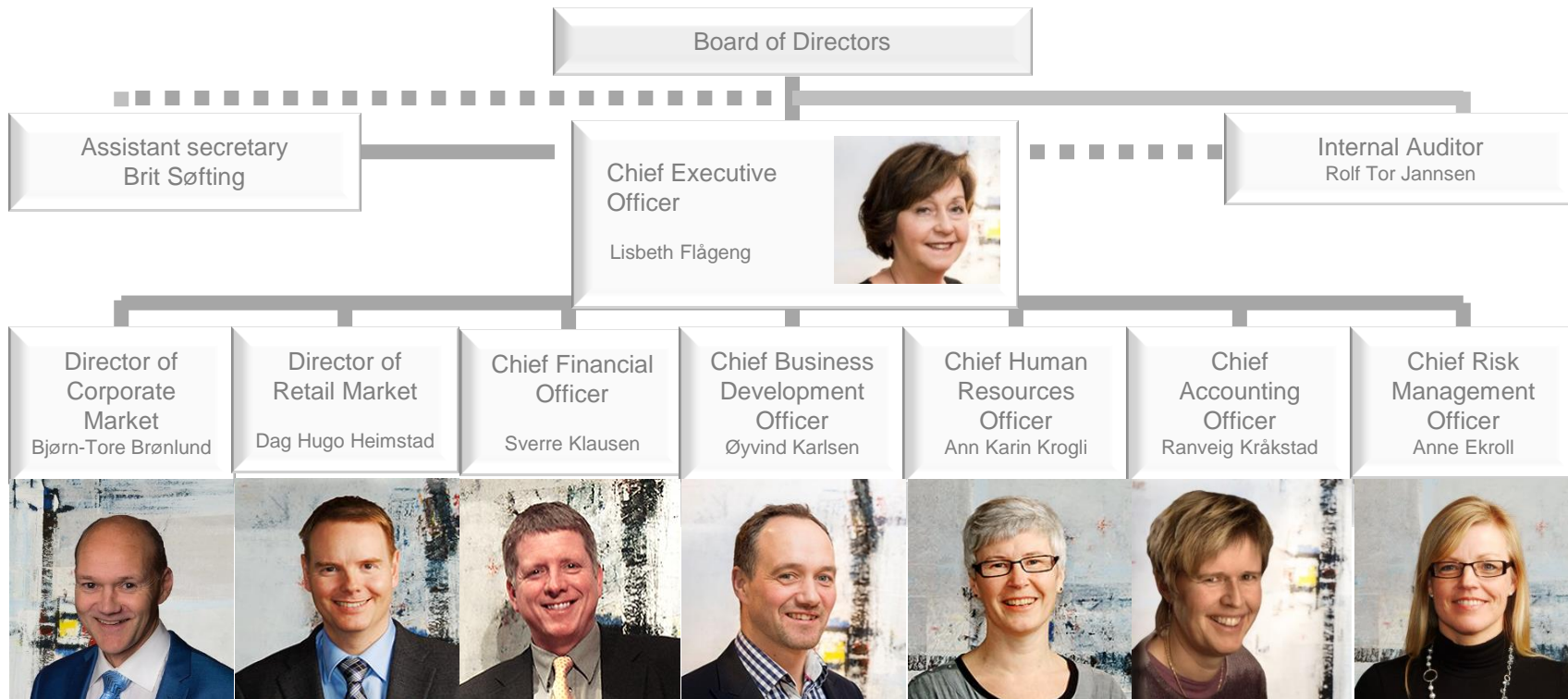
BRAGE FINANS 10%



- Helgeland Sparebank is the 12th. largest savings bank in Norway.
- 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 og Brønnøysund
- Total assets: MNOK 29 383
- Employees, annual positions: 152
- Moodys rating: A3 – Stable outlook. Ticker: HELG, owner fraction 76,6%.



# The bank's organization



# 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                 | <a href="http://www.hsb.no">www.hsb.no</a> |
| Organization number | 937904029                                  |

## Management

Lisbeth Flågeng, CEO – 75 12 83 01 / 416 85 777 – [lisbeth.flageng@hsb.no](mailto:lisbeth.flageng@hsb.no)  
Ranveig Kråkstad, Chief Accounting Officer – 75 12 83 32 / 905 04579 – [ranveig.krakstad@hsb.no](mailto:ranveig.krakstad@hsb.no)

## Investor Relations

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## Board of directors

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Bjørn Audun Risøy  
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