Presentation

Q4 2018

En drivkraft for vekst på Helgeland

Presentation per 31.12.18 (HSB Group)

Hanne Nordgaard

Chief Executive Officer

Sverre Klausen

Chief Financial Officer

Main Features

Helgeland

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

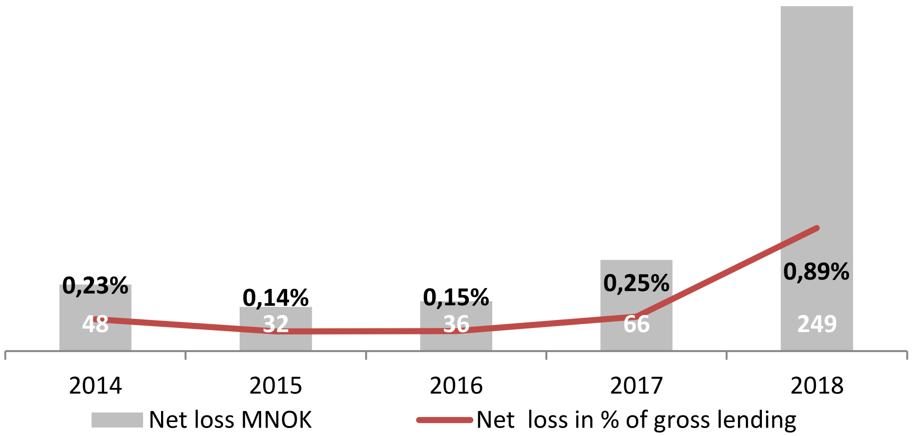
Appendices

Main features per 31.12.18

Gross profit	**MNOK 185 (348)**
ROE	4.6 (8.6) %
Total assets	33.0 (31.9) bn
Solidity	CET1 15.3 (15.5) %

Losses no loans MNOK 249 in 2018

Loss on commitments

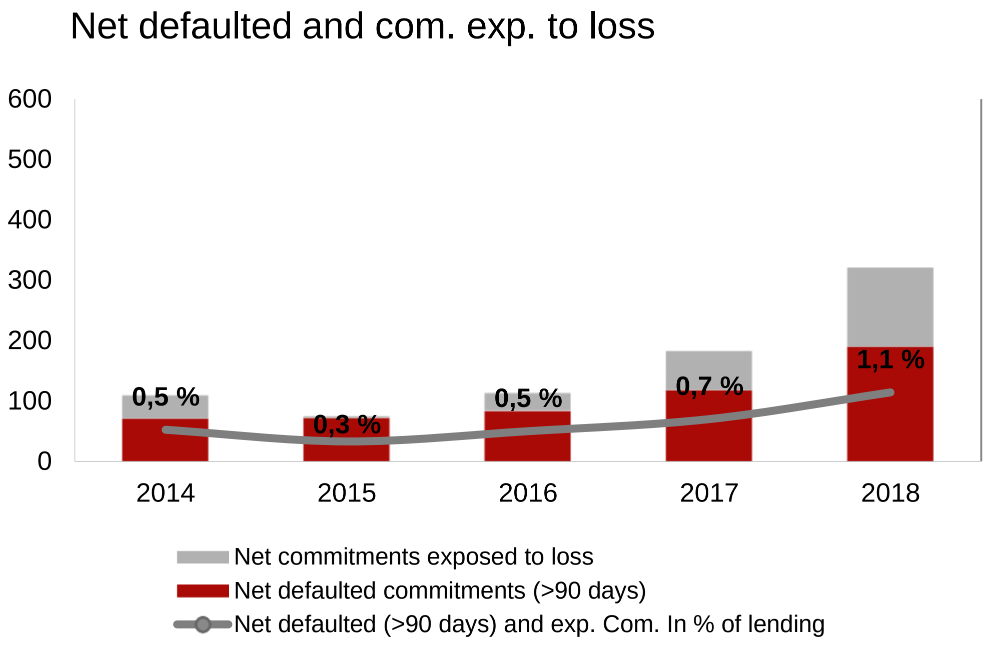


Impairment losses so far this year are expensed by MNOK 249 (66), of which MNOK 138 in the last quarter.

The provision is related to previously lost customer groups as was explained in the quarterly presentations in Q2 and Q3.

The relevant commitments are now written down considerably, but not in their entirety. The bank considers further losses on these commitments to be unlikely.

Non-performing and other impaired commitments



Net non-performing and doubtful commitments amounts to MNOK 320 a reduction of MNOK 168 from Q3 2018. This amounts to 1.1 (0.7) % of gross lending.

The loss provisions have decreased the bank's net holdings of net non-performing doubtful commitments.

The provisions are linked to individual commitments and are not an indication of a general deterioration in the bank's loan portfolio.

Non-performing and other impaired commitments

	31.12.18	31.12.17
Default commitments over 90 days	**305**	**132**
Individual write-downs	-115	
Step 3 write-downms		-14
Total net loans, guarantees etc. in default	**190**	**118**
Other non-performing and impaired commitments and guara., not in default[14]	**320**	**111**
Individual write-downs	-190	
Step 3 write-downs		-46
Total non-performing and impaired commitments and guara., not in defaul	**130**	**65**
Total non-performing and impaired commitments and guara[15]	**320**	**183**
In % of total loans	1,1 %	0,7 %

Financial targets

ROE:

10 %

CET1:

15.0 %

Cost growth:

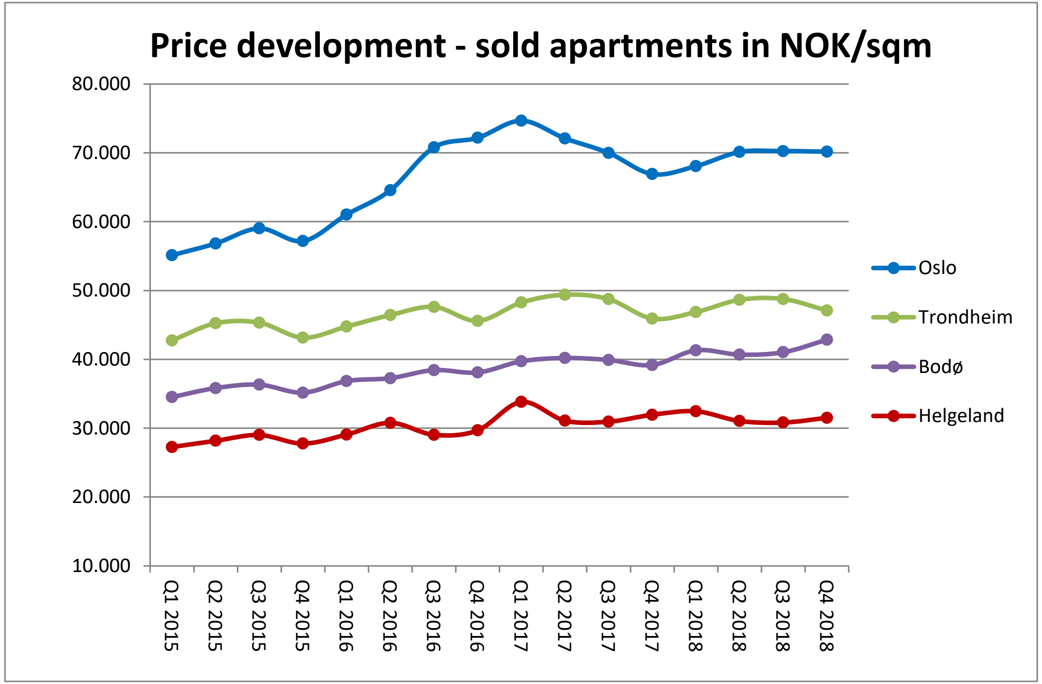
<= 1 %

Dividend ratio:

50 %

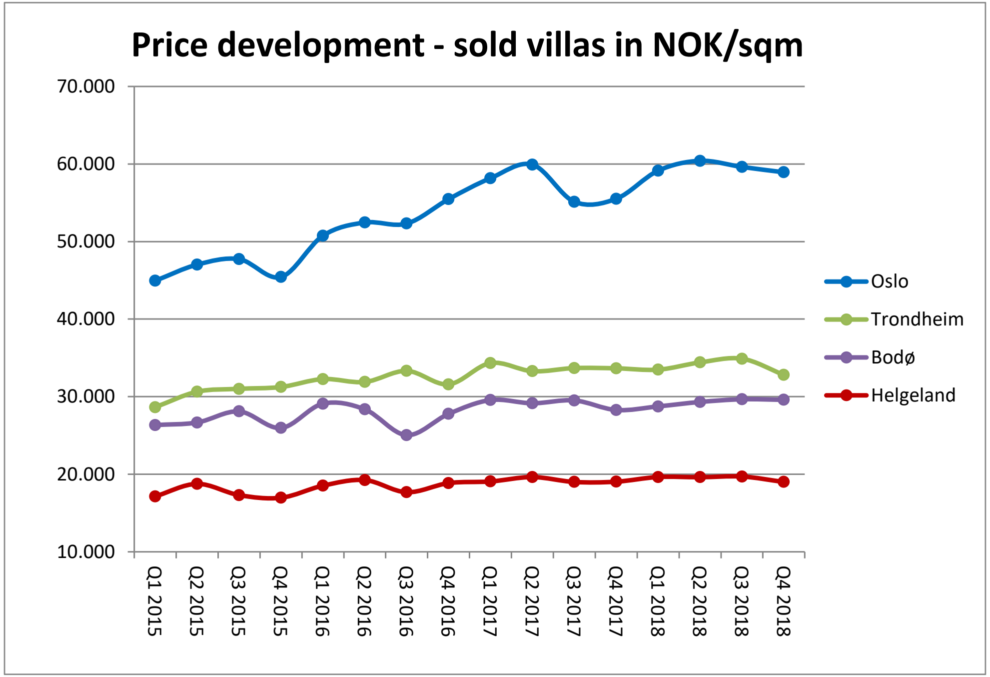
Of the dividend basis

Property price development



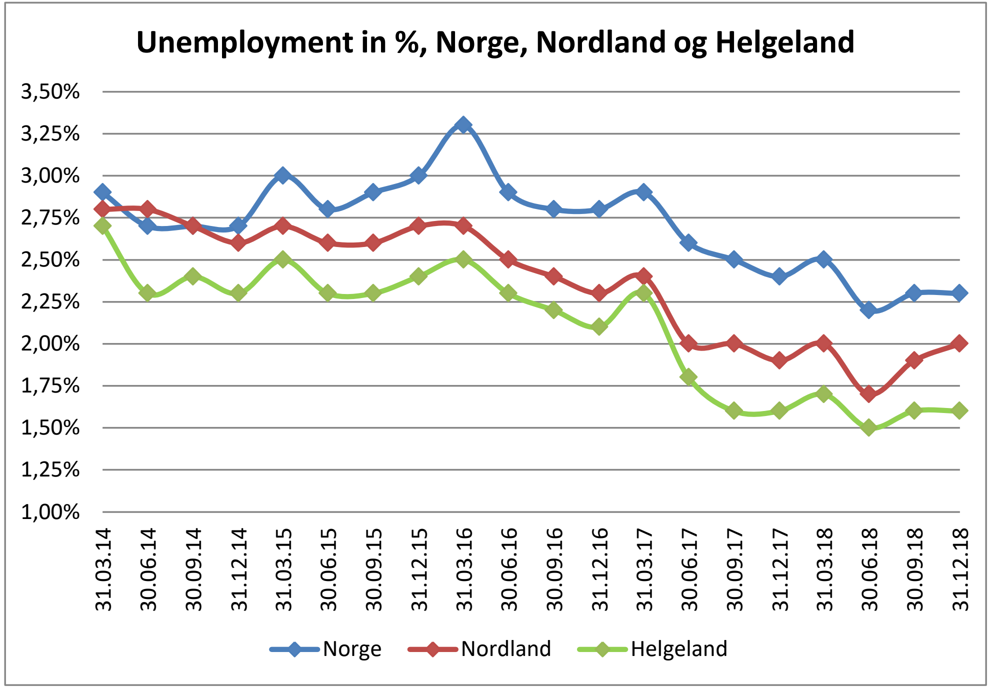
Price development 4th quarter, 2.2 in Helgeland and -0.1 % in Oslo.

Stabile property price development



Price increase 4th quarter, -3.6 in Helgeland and -1.2 % in Oslo.

Unemployment



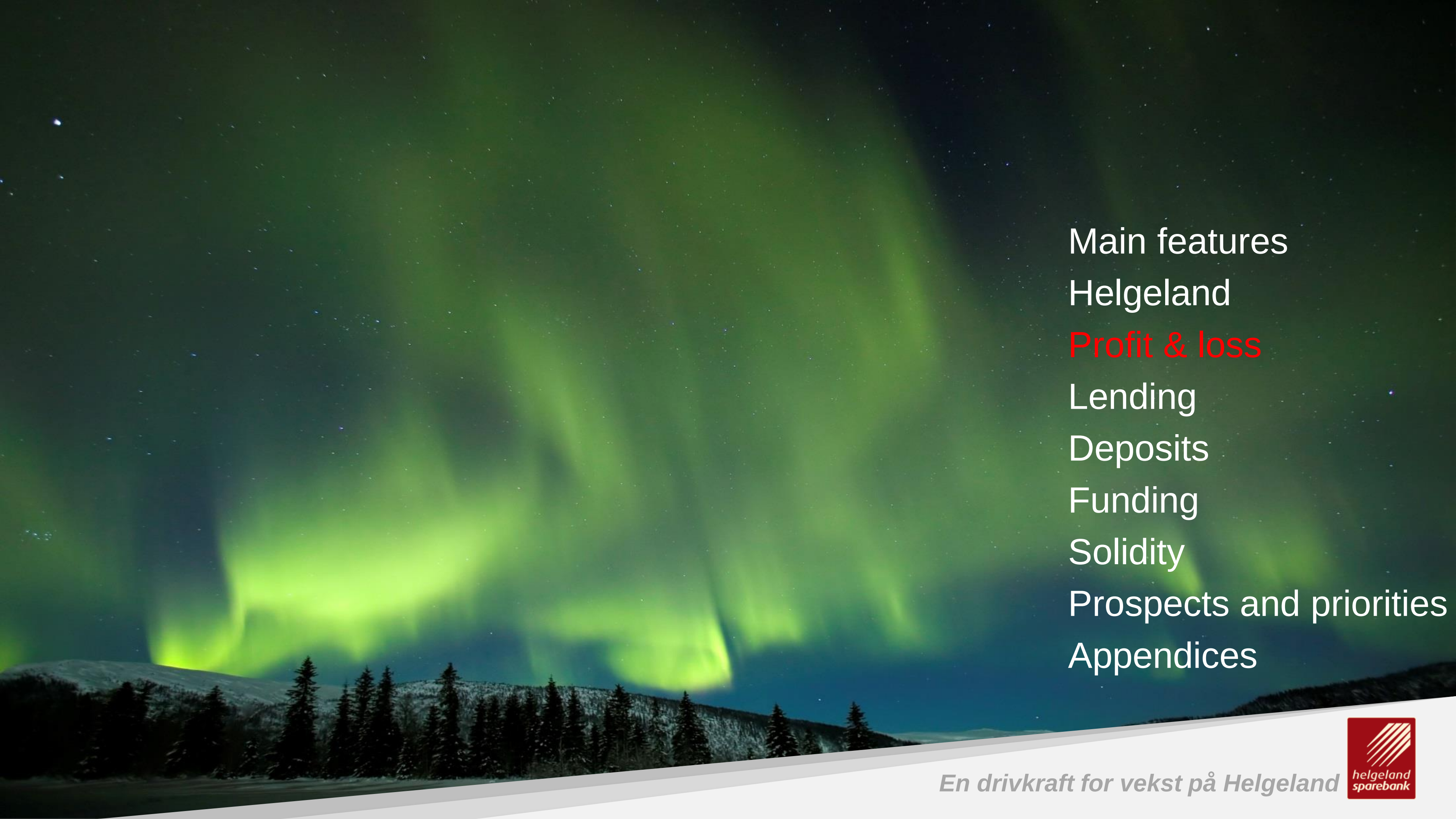
Unemployment in Helgeland and in Nordland is lower than for Norway overall.

- Norway 2.3 %
- Nordland 2.0 %
- Helgeland 1.6 %

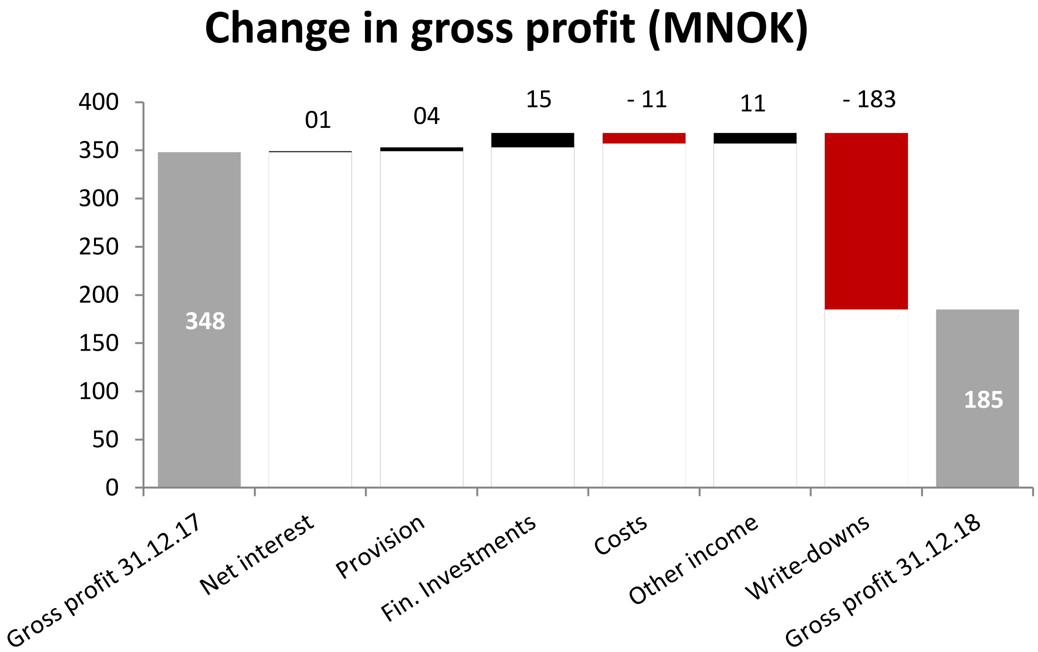
Helgeland – our market area

- Approximately 85.000 inhabitants
- Approximately 1/3 of Nordlands population – but stands for approximately 2/3 of Northern Norways total production of goods!
- One of Norways largest producers of electrical power
- Norways largest industry concentration (metals)
- One of the country's most important mineral- and mining regions
- Large oil and gas resources is under development and production outside the coast
- Nationally leading region in production of salmon
- Stands for more than 65% og Northern Norways total agricultural production

helgeland sparebank


Main features
Helgeland
Profit & loss
Lending
Deposits
Funding
Solidity
Prospects and priorities
Appendices
En drivkraft for vekst på Helgeland

Result



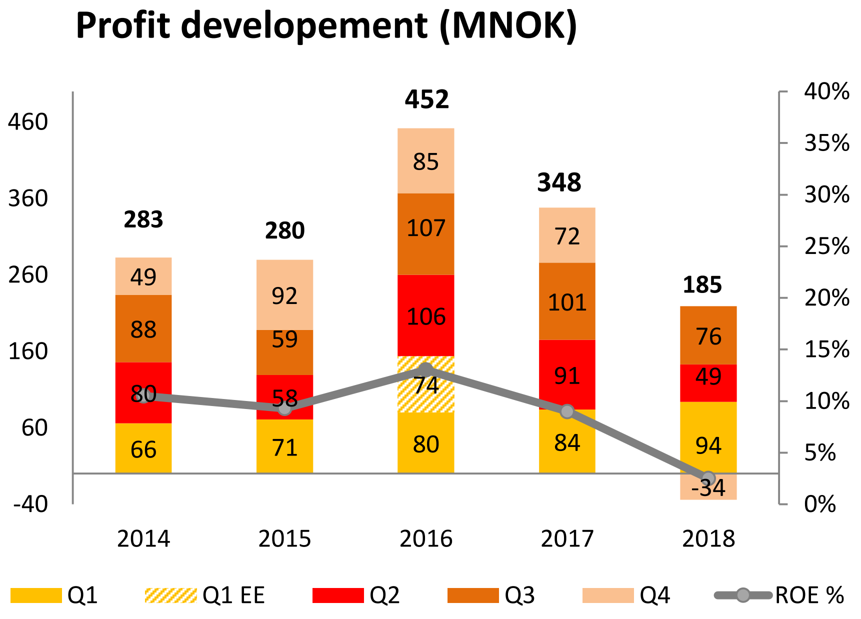
Gross profit MNOK 185

- Higher write-downs on lending
- Increased income from financial investments and other incomes
- Stable basic operation
- Good cost control

Profit & loss

Helgeland Sparebank (group)								
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Net interest- and credit provision earnings	135	141	142	147	141	141	140	145
Net provision earnings	20	22	21	23	22	22	22	24
Other operatios income	1	1	0	2	1	3	6	6
Ordinary operations cost	69	68	71	67	72	69	71	74
Result basic operations	87	96	92	105	92	97	97	101
Write-downs lending and warranties	6	19	11	30	8	83	20	138
Income by conversion to defined contribution								
Net value change financial instruments	3	14	19	-3	10	35	-1	4
Gross profit	84	91	100	72	94	49	76	-34
Net profit	64	73	81	55	73	42	62	-28
Net extended income posts	8	-1	6	51	0	0	0	0
Profit for the period	72	72	87	106	73	42	62	-28

Profit



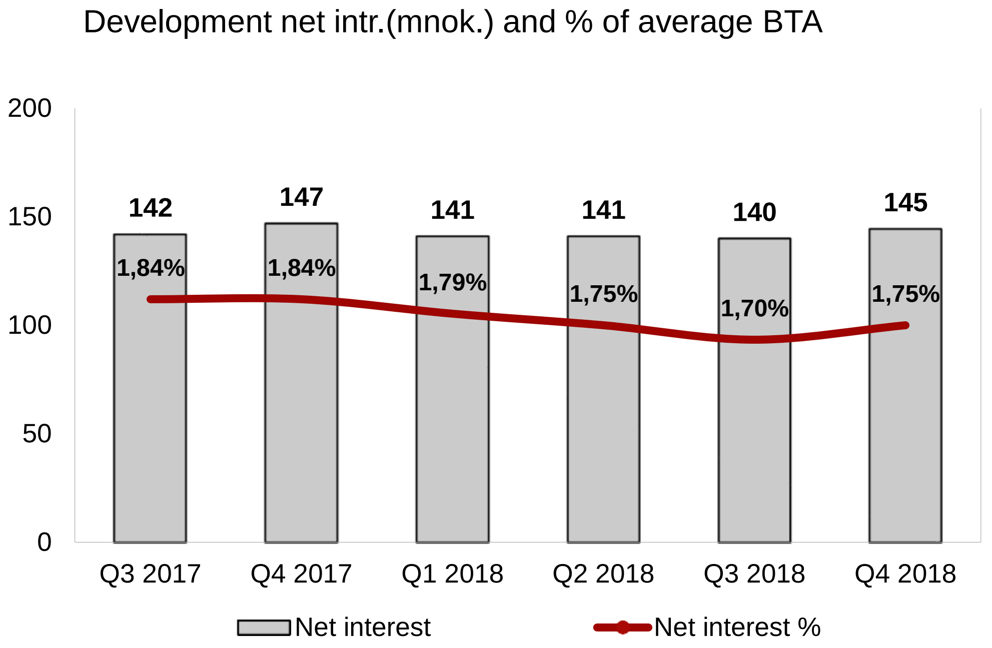
Result

Gross profit MNOK 185

- Net ROE 4.6 %

(One time effect pension MNOK 74 in Q1 2016)

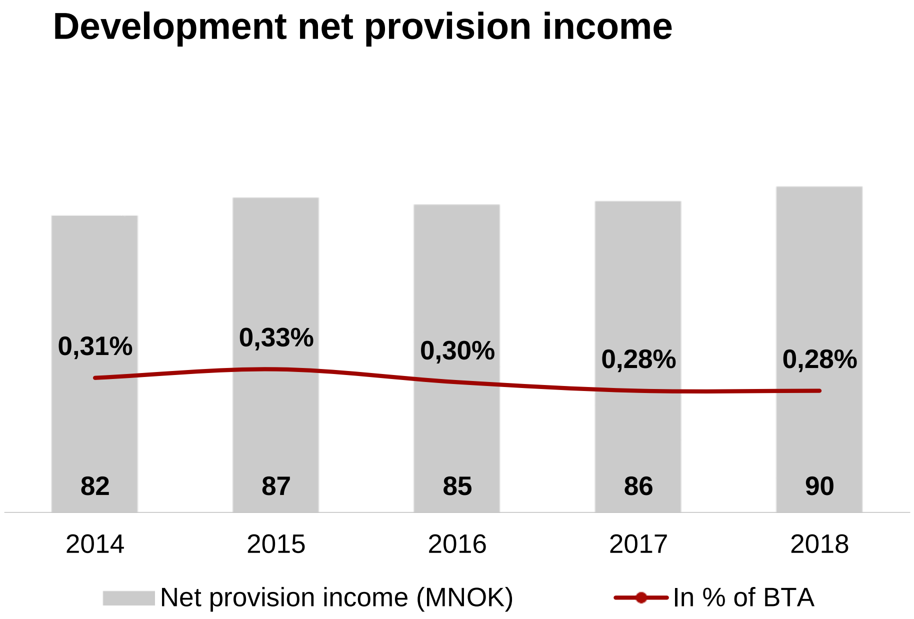
Net interest



Net interest

- Decrease Q1-Q3 2018
- Strong competition regarding price, especially mortgages
- Higher lending costs with increased Nibor interests
- Increased last quarter, effect of interest rate change with effect from 14th November

Provision


Development net provision income
0,31%
0,33%
0,30%
0,28%
0,28%
82
87
85
86
90
2014
2015
2016
2017
2018
Net provision income (MNOK)
In % of BTA

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.

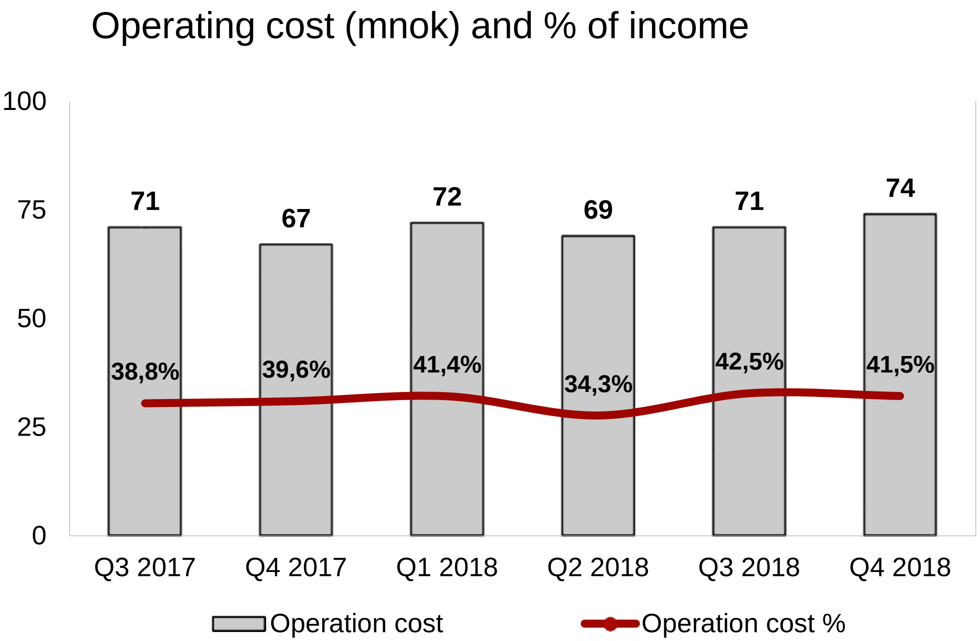
BRAGE FINANS 10 %

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

balder betaling 6.7 %

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

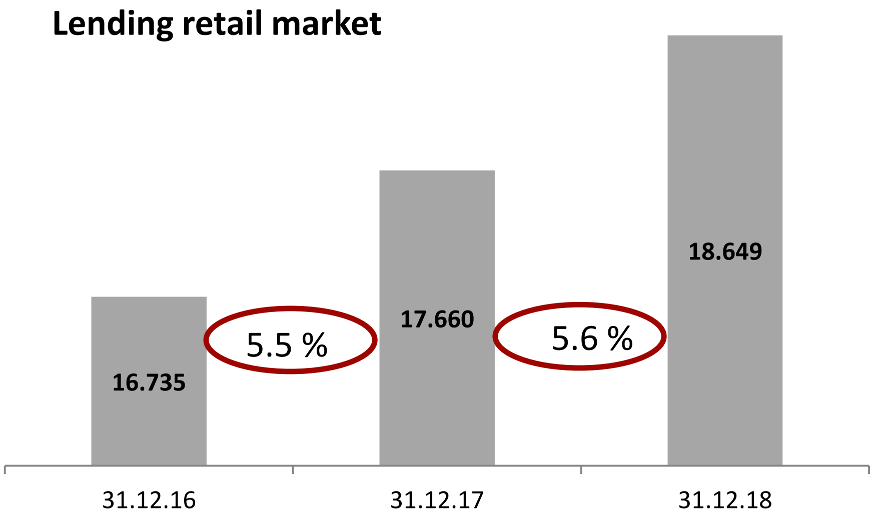
Operating costs

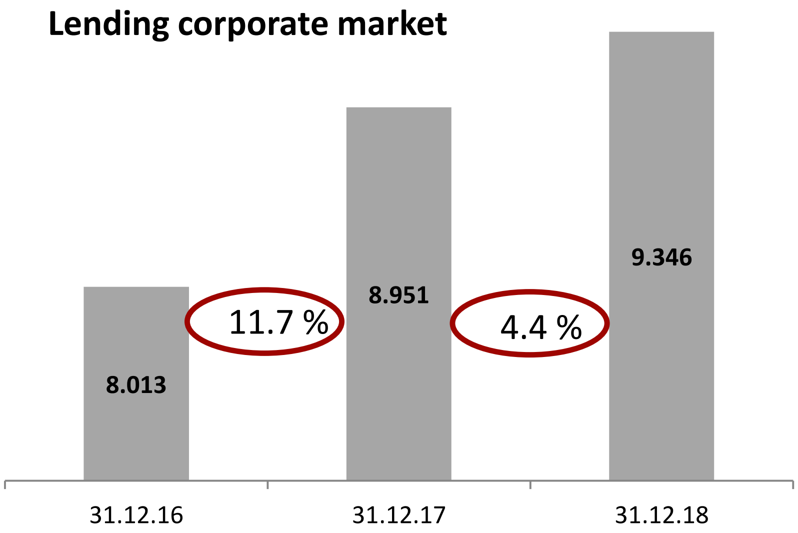


Costs in % of income

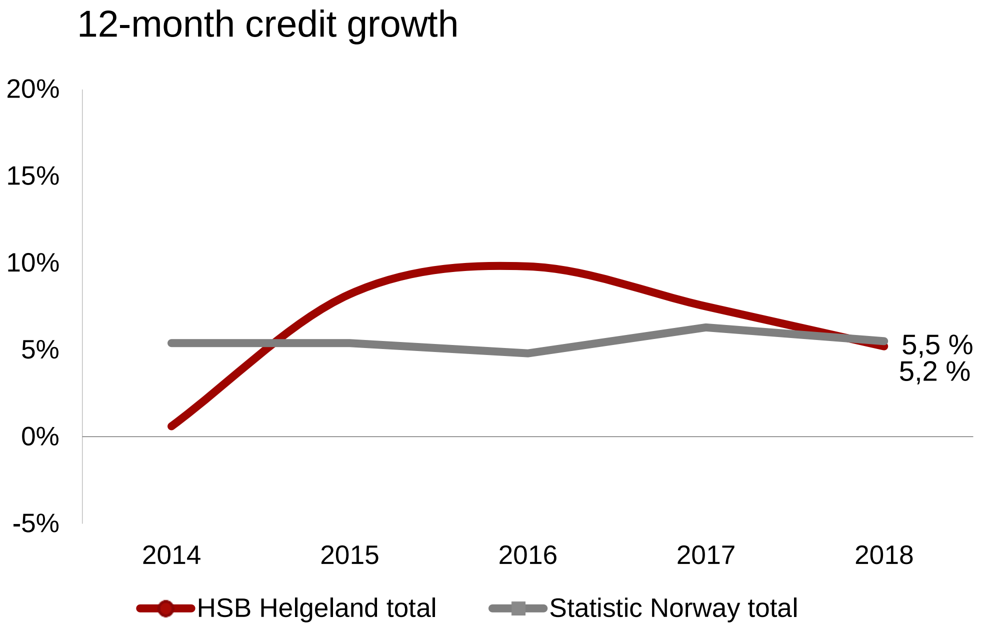
- Cost in % of income so far this year was 39.7 %

Growth


Lending retail market
16.735
17.660
18.649
5.5 %
5.6 %
31.12.16
31.12.17
31.12.18


Lending corporate market
8.013
8.951
9.346
11.7 %
4.4 %
31.12.16
31.12.17
31.12.18

Credit growth

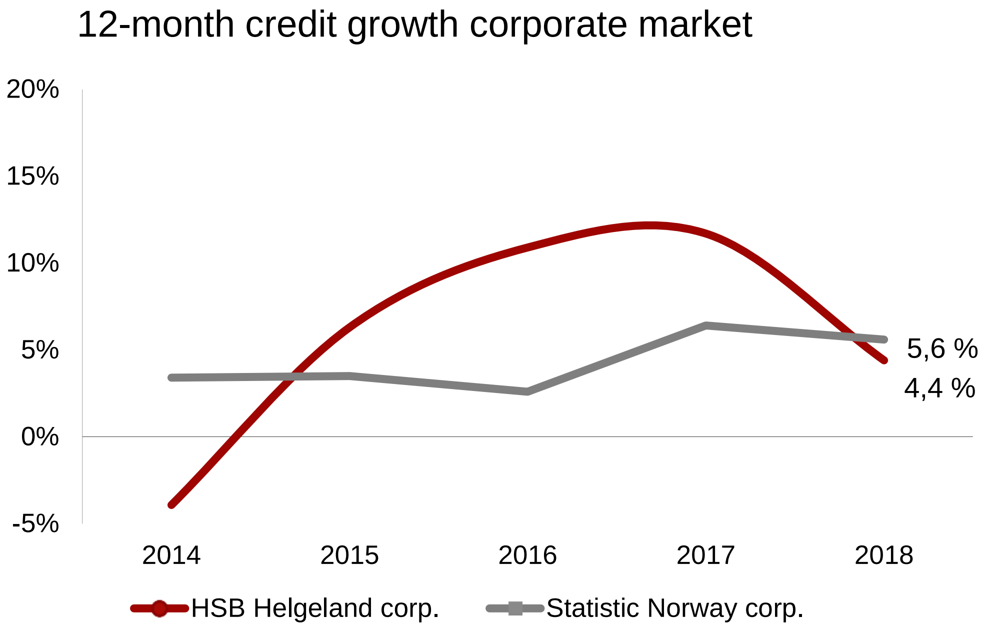


Credit growth HSB
- 12-month growth 5.2 (7.5)%

Locally in Helgeland
- Per Q4 82.5 (83.8)%

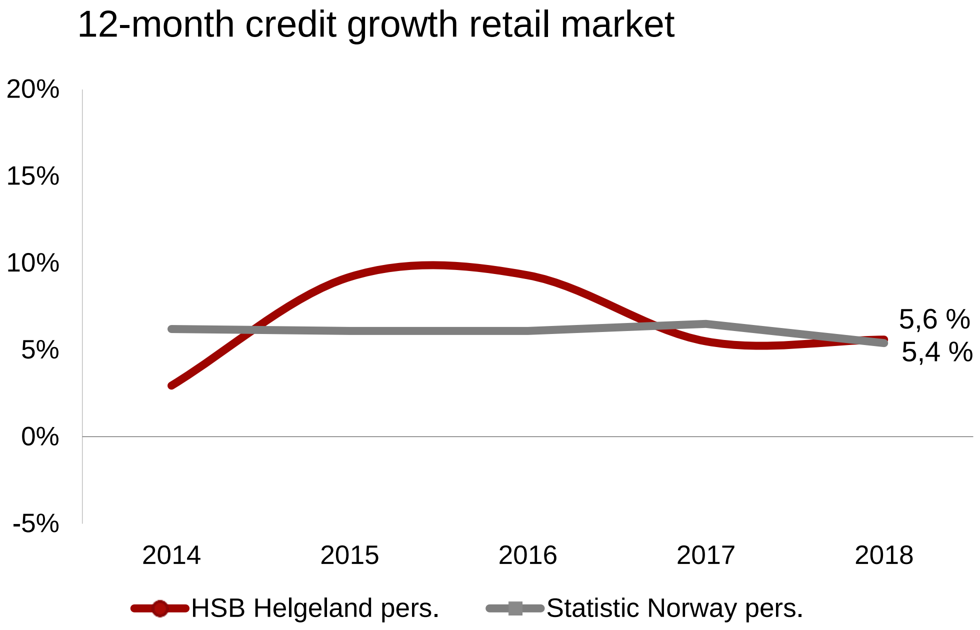
PM share
- Target minimum 60%
- Per Q4 66.6 (66.4)%

Credit growth CM



12 month growth CM 4.4 (11.7) %

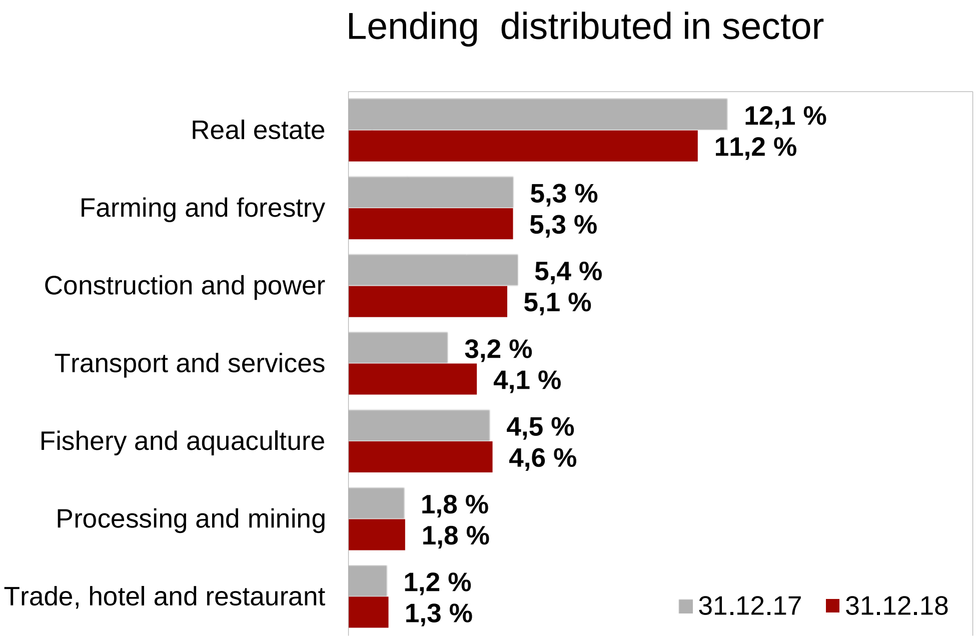
Credit growth RM



12 month growth RM 5.6 (5.5) %

- The bank’s market shares are stable

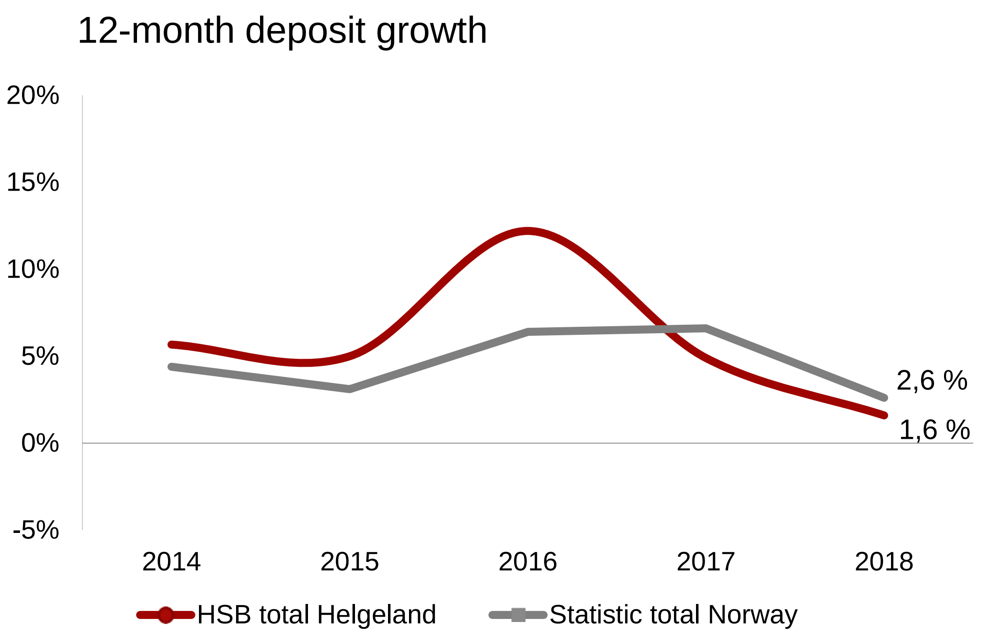
Lending CM



Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 33.4 (33.6)% or MNOK 9 346 (8 951)

Deposit growth



12-month growth 1.6 (4.9)%

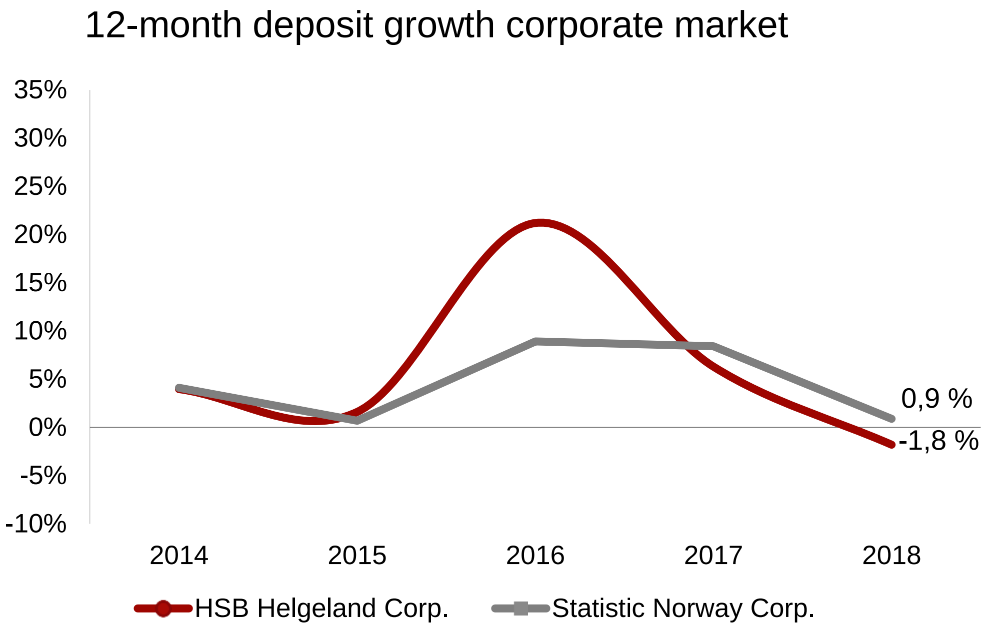
RM share
- Per Q4 57.2 (55.7)%

Locally in Helgeland
- Per Q4 89.7 (90.2)%

Deposit ratio
- Target minimum 60%
- Per Q4 61.6 (63.8)%

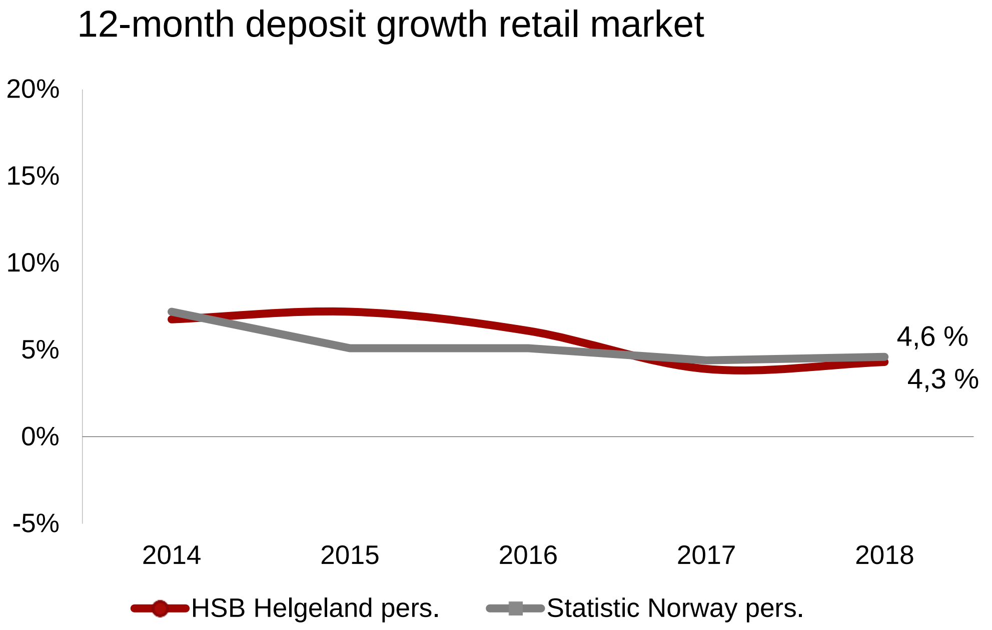
helgeland sparebank

Deposit growth CM



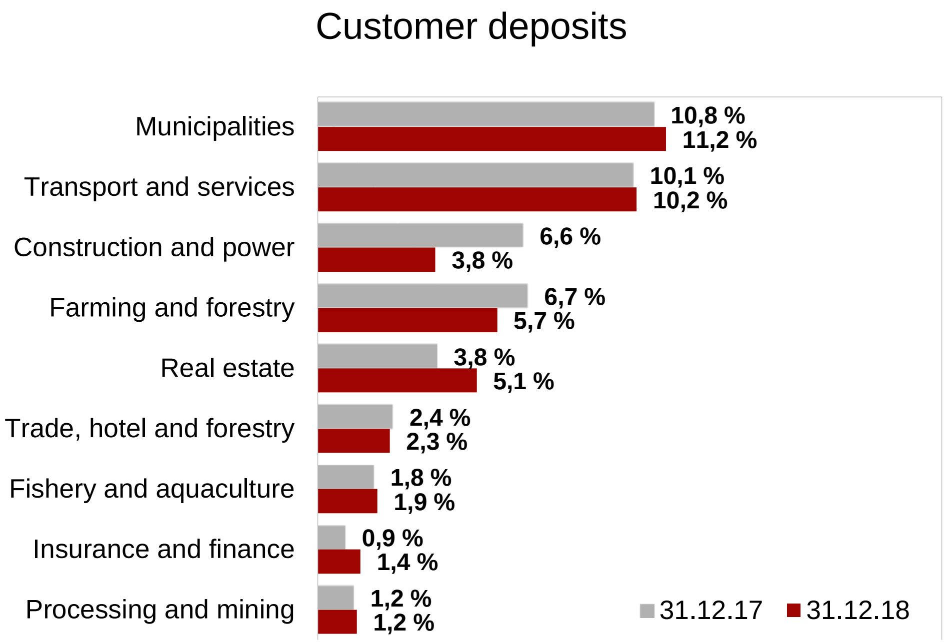
12-month growth CM -1.8 (6.3)%

Deposit growth RM



12-month growth RM 4.3 (3.9)%

Deposits CM

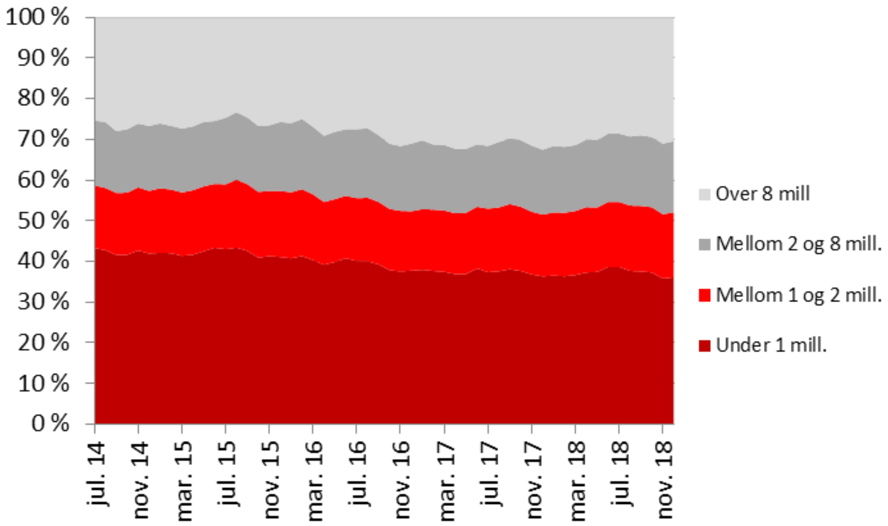


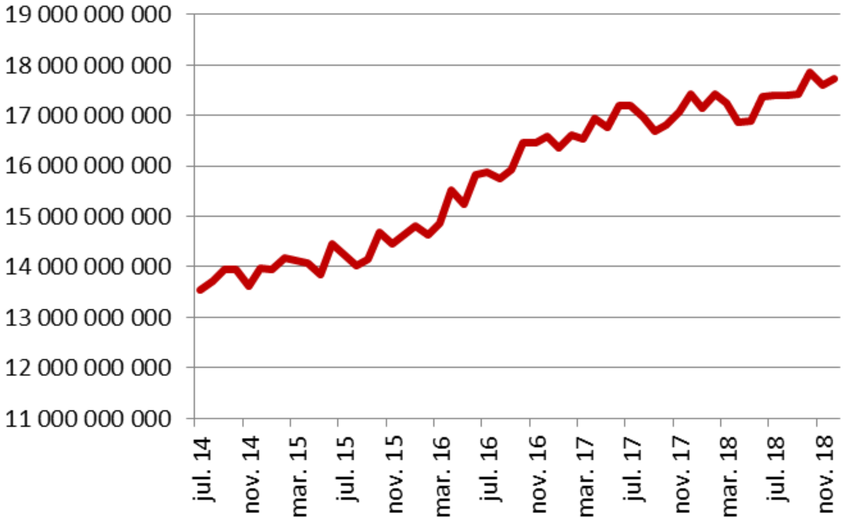
Well diversified deposit portfolio in the CM

Share CM 42.8 (44.3)% or MNOK 7 381 (7 516) of total deposits

Deposits from municipalities constitute 26 % of the CM deposits

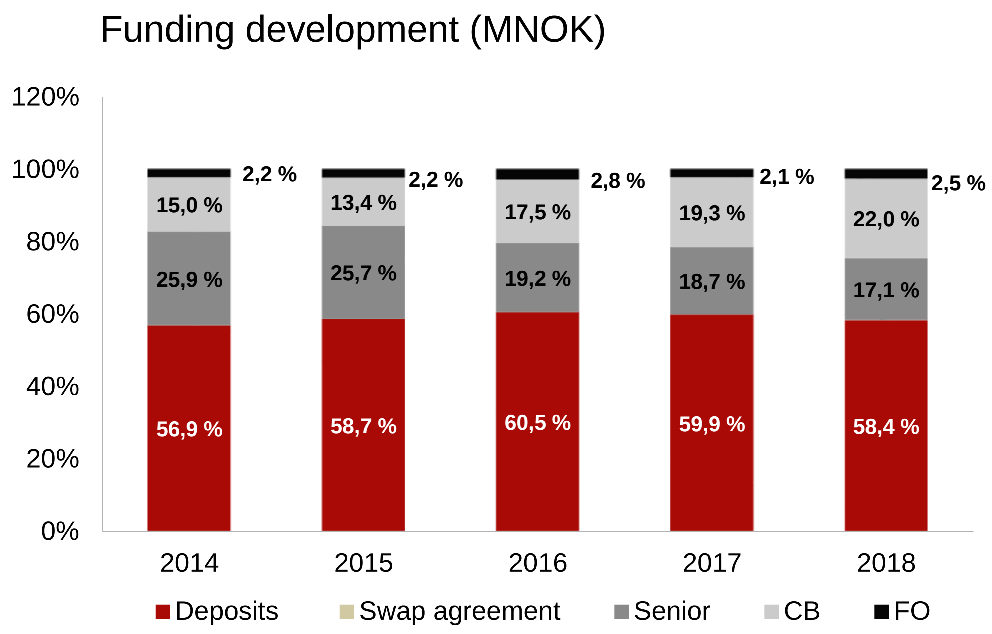
Deposit development





A large share of deposits are under MNOK 2 (52 % of total deposits).
58.5 % of the deposits are covered by the guarantee scheme

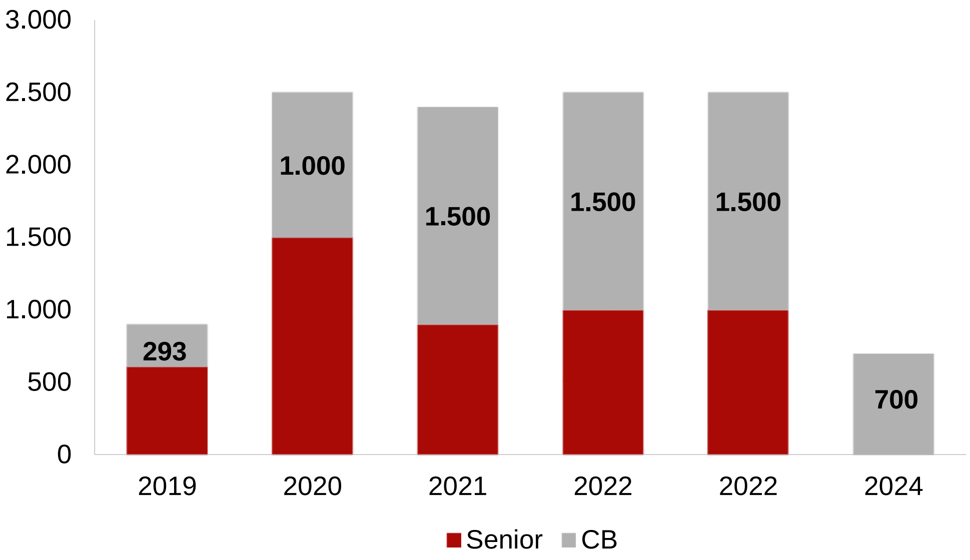
Funding



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 %
2,5 %
22,0 %
17,1 %
58,4 %
2014
2015
2016
2017
2018
Deposits
Swap agreement
Senior
CB
FO

Funding

Maturity of loans (MNOK)



Good and long term funding

Share long term funding 92.2% (87.8)%

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

Helgeland Boligkreditt AS

Helgeland boligkreditt AS is fully owned by Helgeland Sparebank

- Net profit MNOK 52.7 (48.9).
- CET1 ratio of 18.6 (19.9)%
  - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 385 (6 634) and CB MNOK 6 498 (5 476)

Good security in the lending portfolio

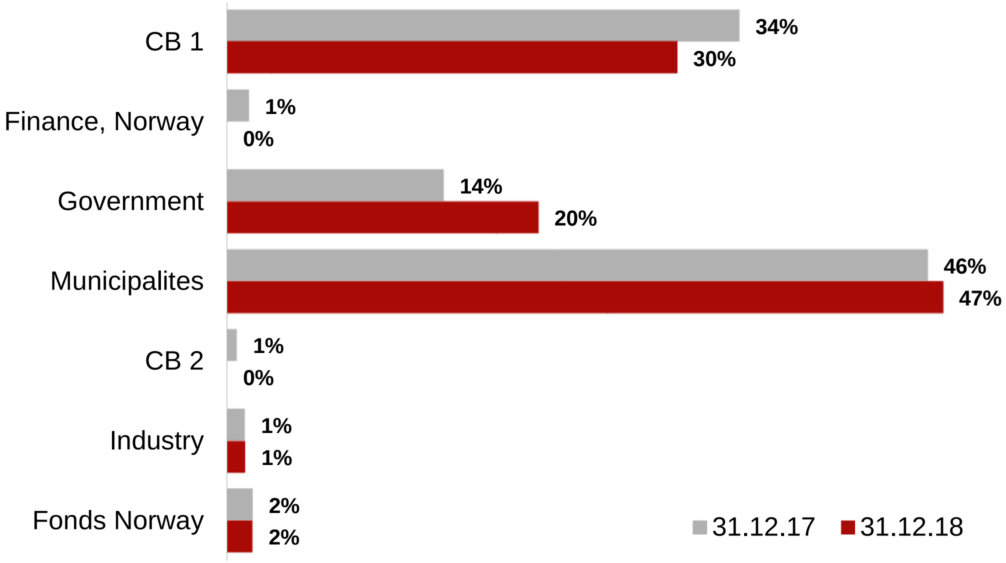
- Cover pool ratio of fullness 19 (28)%
- Combined LTV 56 (52)%

Stress test HEBO – with a housing price fall of 40%: The cover pool ratio is reduced from 19 (28) % to 5 (15) %

Maximum limit for transferring is 30% of the Group’s gross lending, and 50 % of gross lending RM. Per 30.12.18 transfer degree is 26.4 and 39.6%

Liquidity buffer

Sector distribution interest portfolio

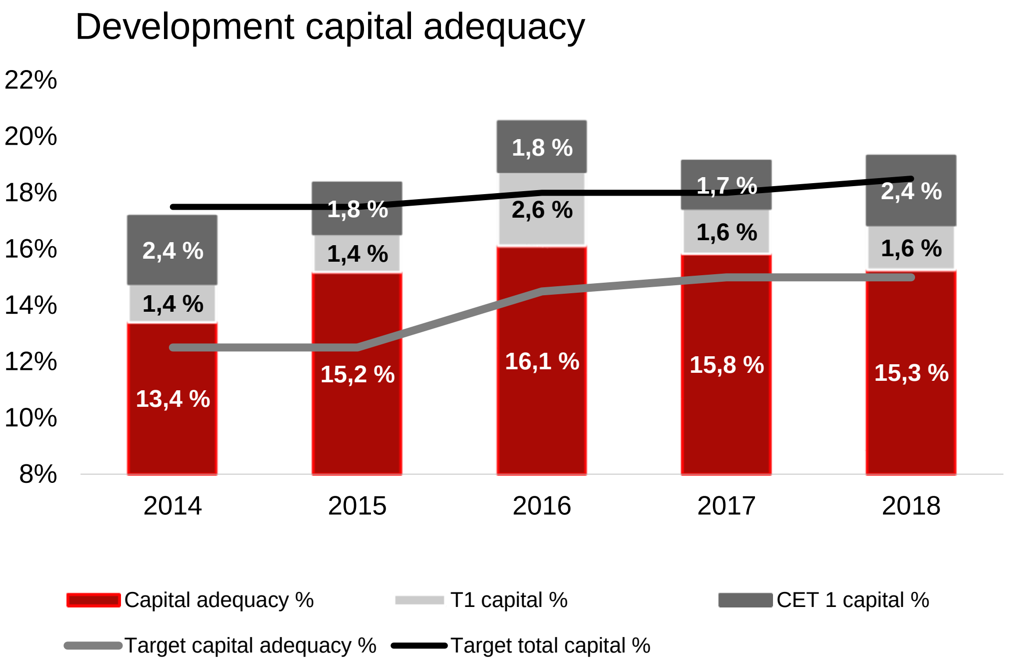


Interest bearing securities:

- Duration portfolio 2.0 (2.0) 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 (incl. cooperative group)

- CET1 15.3 (15.5)%
- Core capital 16.9 (17.2)%
- Total capital 19.3 (18.9)%

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

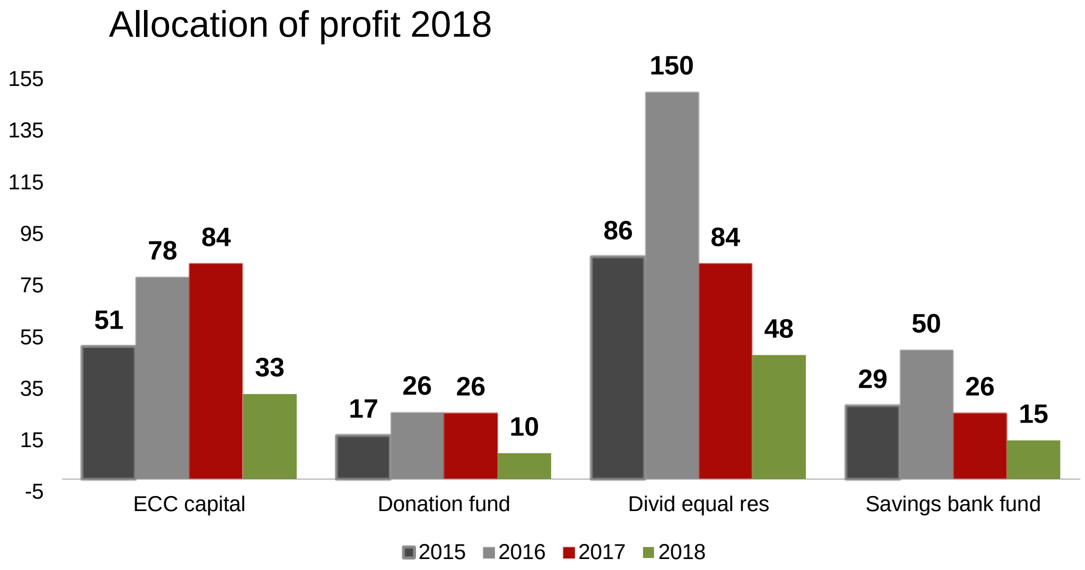
Internal capital target:

- CET1 15.0 %
- Total capital ratio 18.5 %

Leverage ratio: 9.2 (9.3)%.

Refinanced subordinated loan 2018

Proposed disposal of profit 2018



Commentary

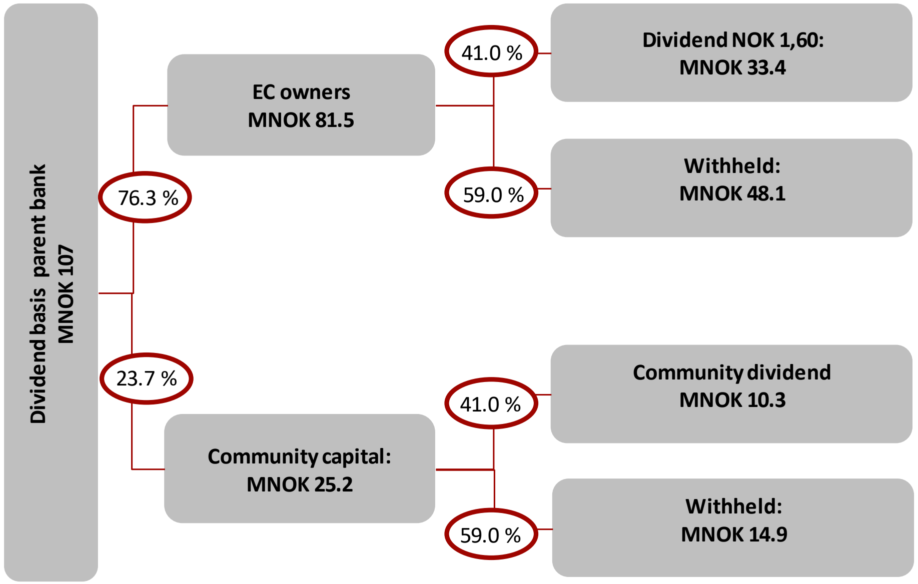
Distribution ratio
- 41.0 (50.0)%.

Dividend basis is MNOK 107
- The parent bank's result is adjusted for unrealized gains and interests perpetual bonds

The board proposes dividend for 2018:
- Cash dividend NOK 1.60 (4.0) per equity certificate

Dividends and allocations to the equalization reserve reflects the equity certificate holders' share of the banks equity
- 01.01.18 equation 76.3%

Proposed disposal of profit 2018



HELG – the 20 largest owners

Parent bank

Per 31.12.18	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 %	Landkreditt Utbytte	250.000	1,2 %
VPF Nordea Norge	1.407.987	6,7 %	VPF Nordea Avkastning	244.270	1,2 %
Merrill Lynch Prof.	1.140.092	5,5 %	VPF Nordea Kapital	238.245	1,1 %
VPF Eika Egenkapital	593.823	2,8 %	AF Kapital Managemet	181.749	0,9 %
Pope Asset Management BNY	559.313	2,7 %	Melum Mølle AS	177.000	0,8 %
Bergen Kommunale Pensjon.	475.000	2,3 %	Vigner Olaisen AS	144.653	0,7 %
MP Pensjon PK	462.203	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	**14.727.874**	**70,6 %**	**Total 20 biggest owners**	**16.577.252**	**79,4 %**

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

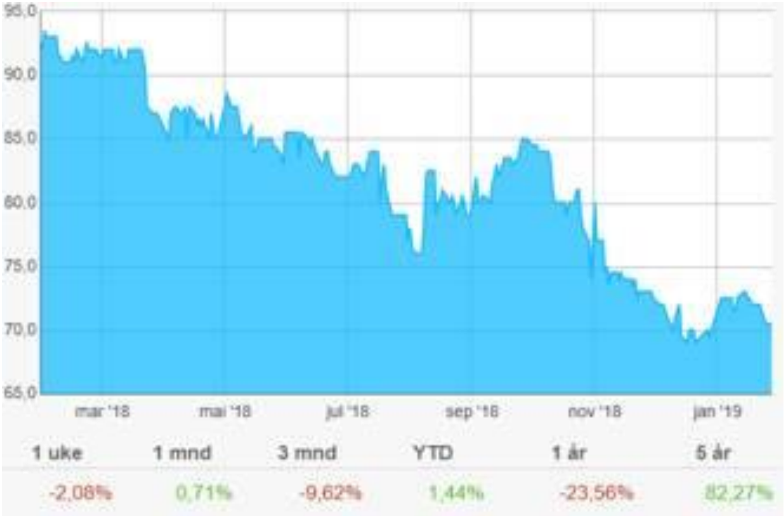
HELG – the 20 largest local owners

Per 31.12.18	Numbers	% share		Antall	%	% share
Sparebankstiftelsen Helgeland	7 315 020	35.05 %	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 %	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 %
Coop Helgeland	23 421	0.11 %	Helgelands Blad		10 914	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.11 %	Øijord & Aanes AS		10 288	0.05 %
Bakeriet Mo i Rana AS	19 998	0.10 %	Bjørnar Olaisen		10 000	0.05 %
Total 10 biggest owners	**8 124 802**	**38.9 %**	**Total 20 biggest owners**		**8 250 178**	**39.5 %**

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**	**2018**
EC fraction 01.01	75,1 %	76,5 %	76,3 %
EC fraction 31.12			76,4 %
Number of EC's	20,9	20,9	20,9
Stock exchange price	81,0	88,0	69,5
Stock value	1.692,9	1.839,2	1.452,6
Accounted equity per EC	101	108	110
Profit per EC	13,5	9,5	5
Dividend per EC	3,75	4,00	1,60

Main features
Helgeland
Profit & loss
Lending
Deposits
Funding
Solidity
Prospects and priorities
Appendices

Priorities 2019

- Adapt the calculation basis for capital ratio 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 profitability in the corporate market.
- Simplify and improve work processes.
- Streamline and automate the support functions.

Helgeland

South Helgeland

- Brønnøy, Vega, Sømna, Vevelstad, Bindal (total of 13 181 residents)
- Region center: Brønnøysund
- Torghatten, Vega world heritage area
- Largest employers: Brønnøysundregistrene, Brønnøy municipality
- Main office of Torghatten ASA
- Helicopter base for the oil fields
- Sømna: Northern Norways largest agricultural municipality
- Salmon farming

Outer Helgeland

- Alstahaug, Herøy, Dønna and leirfjord (total of 12 950 residents)
- Region center: Sandessjøen
- The Seven Sisters, Dønnamannen, Petter Dass museum
- Largest employers: Alstahaug municipality, Marine Harvest, the hospital
- Supply bases for Norne, Skarv and Åsta Hansteen
- Salmon farming

Helgeland

Middle Helgeland

- Grane, Hattfjelldal, Vefsn (total of 16 322 residents)
- Region center: Mosjøen
- Sjøgato. Entrance to Børgefjell national park and Lomsdal-Visten national park
- Largest employers: Alcoa aluminium including anode bakery, Vefsn municipality, the hospital
- Main office Helgeland Kraft

North Helgeland

- Hemnes, Rana, Nesna, Lurøy, Rødøy, Træna, Meløy (total of 42 507 residents)
- Region center: Mo I Rana
- Lovund. Træna. Hestmannen. Svartisen. Cave areas
- Largest employers: Mo industry parks companies, Statens Innkrevningsentral, National library, NRK licence office, Rana municipality, the hospital
- Salmon farming

- Main features
- Helgeland
- Profit & loss
- Lending
- Deposits
- Funding
- Solidity
- Prospects and priorities
- **Appendices**

Helgeland Sparebank – Subsidiary and associated companies

helgelandboligkreditt

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.

HELGELAND INVEST

48 %

Helgeland Invest AS is an investment company localized in Helgeland.

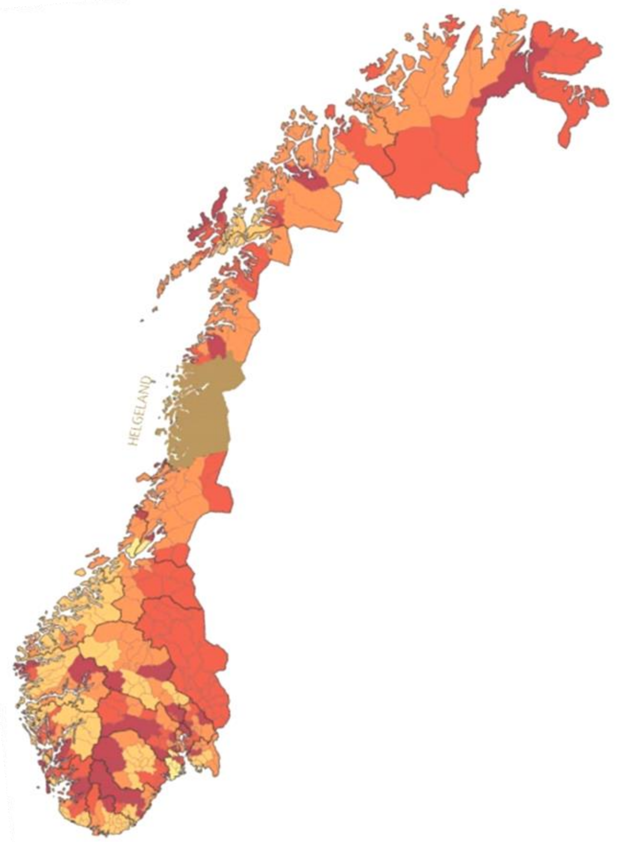
REDE EIENDOMSMEGLING

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 also have 2 minor offices.
- Helgeland Sparebank is the 11th largest savings bank in Norway.
- Total assets: MNOK 32 969
- Employes, annual positions: 150
- 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
Birgitte Lorentzen
Geir Pedersen

Management
Hanne J. Nordgaard, CEO, 416 85 777 – Hanne.Nordgaard@hsb.no

Investor Relations
Sverre Klausen, CFO, 916 88 286 – sverre.klausen@hsb.no
Tore Stamnes, Head of Treasury, 415 086 60 – tore.stamnes@hsb.no