

Presentation
Q4 2019

En drivkraft for vekst på Helgeland

Presentation per 31.12.19 (HSB Group)

Main Features

Helgeland

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices



Hanne Nordgaard
Chief Executive Officer



Georg Tande
Finance manager

Main features per 31.12.19

Gross profit	MNOK 384 (185)
ROE*	9.3 (4.6) %
Total assets	34.1 (33.0) bn
Solidity	CET1 16.5 (15.3) %

*Adjusted for hybrid capital

Financial targets

ROE:
10 %

CET1:
16.0 %

Cost growth:
 $\leq 1 \%$

Dividend ratio:
50 %
Of the dividend basis

Unemployment

Unemployment in %, Norge, Nordland og Helgeland

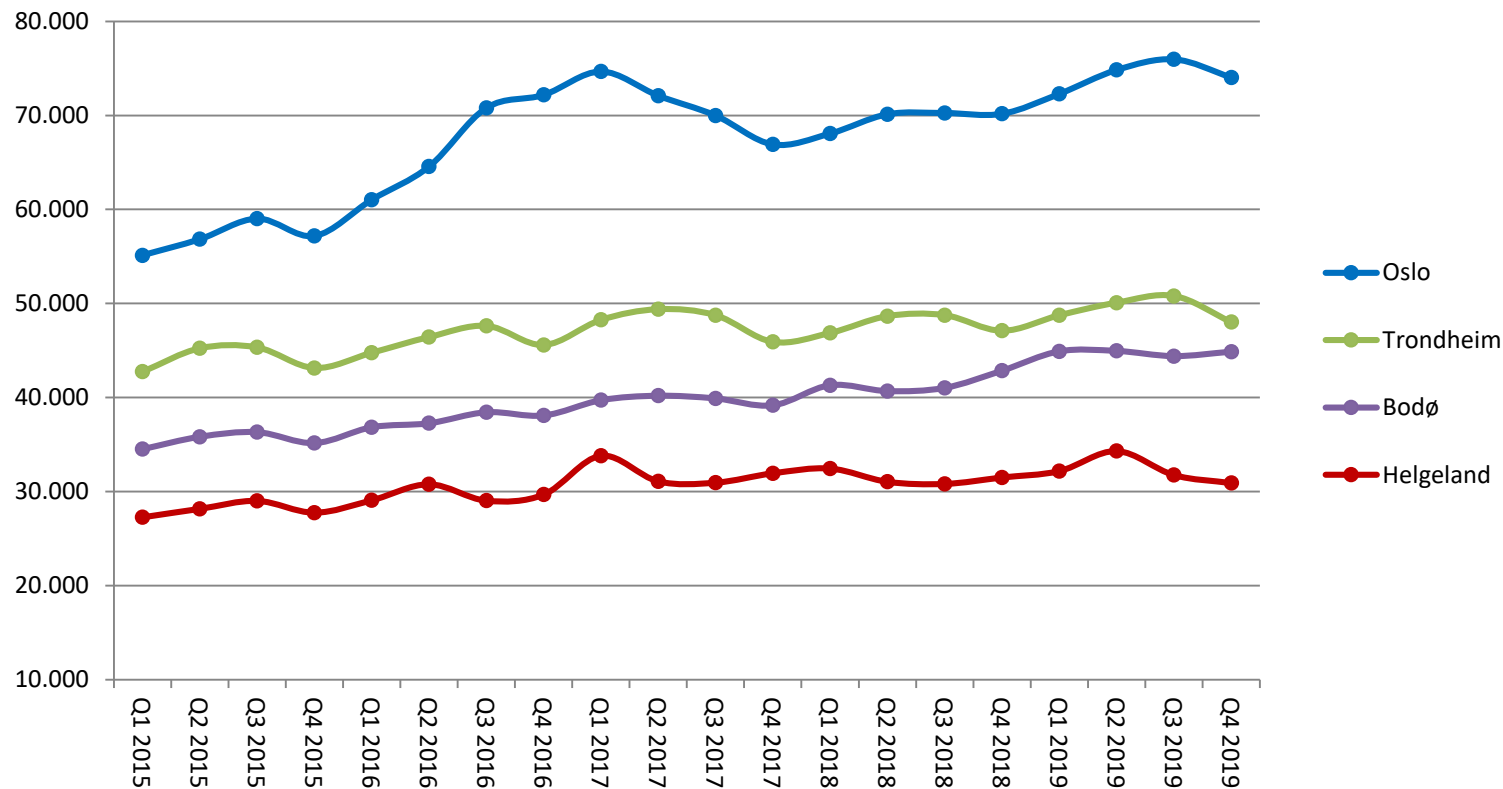


The unemployment in Helgeland and Nordland is lower than Norway overall.

- Norge 2,2 %
- Nordland 1,9 %
- Helgeland 1,7 %

Stabile property price development

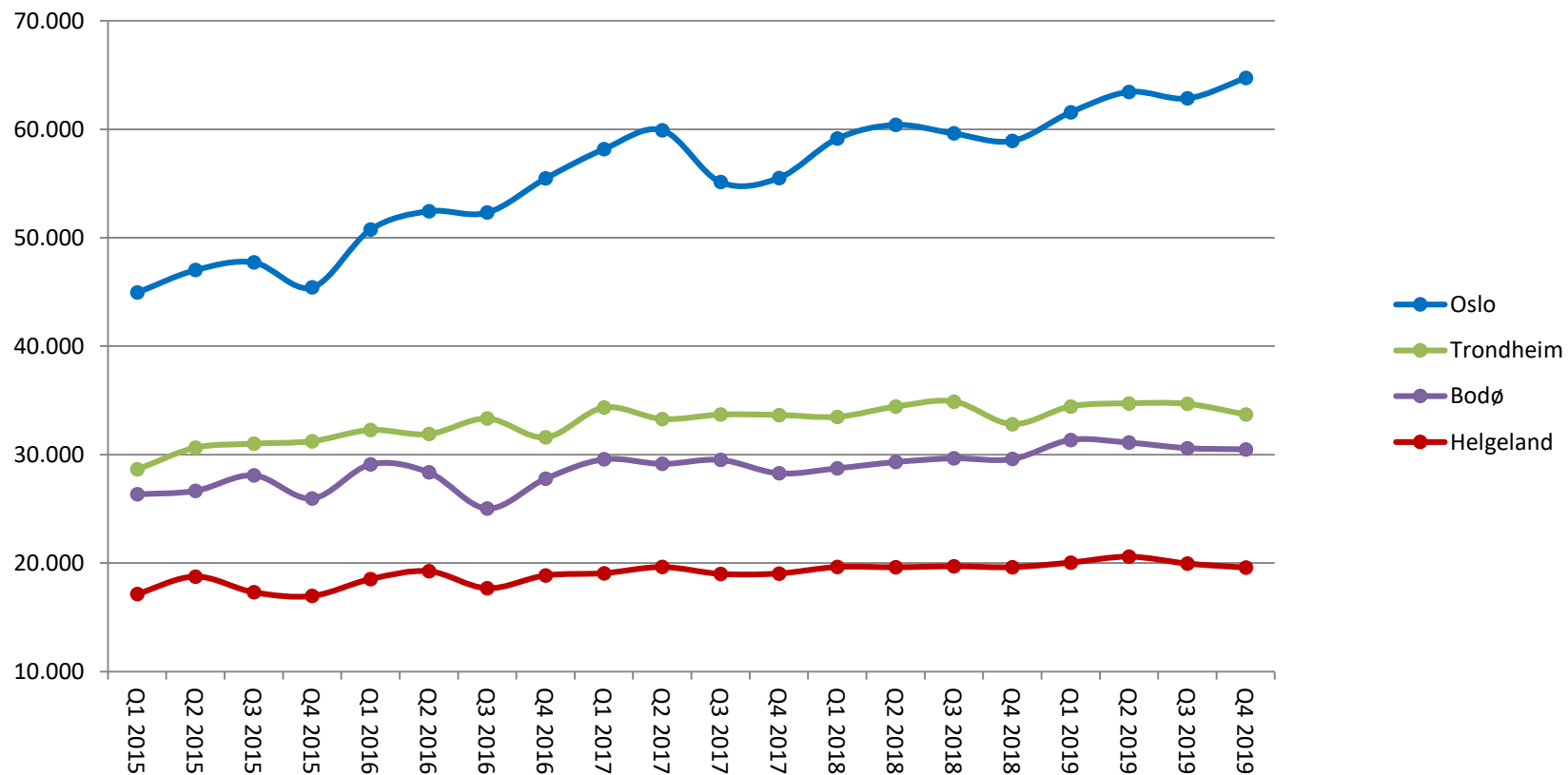
Price development - sold apartments in NOK/sqm



Price development in 4. quarter, -2.7 % in Helgeland and -2.5 % in Oslo.

Property price development

Price development - sold villas in NOK/sqm



Price development in 4. quarter, -1.9 % in Helgeland and 3.0 % in Oslo.

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Foto: Sigrid Haarberg - de syv søstre
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En drivkraft for vekst på Helgeland



Re-design of Helgelands most important brand

Far more important than a new logo



Helgeland Sparebank

A brand is a name with power to influence:

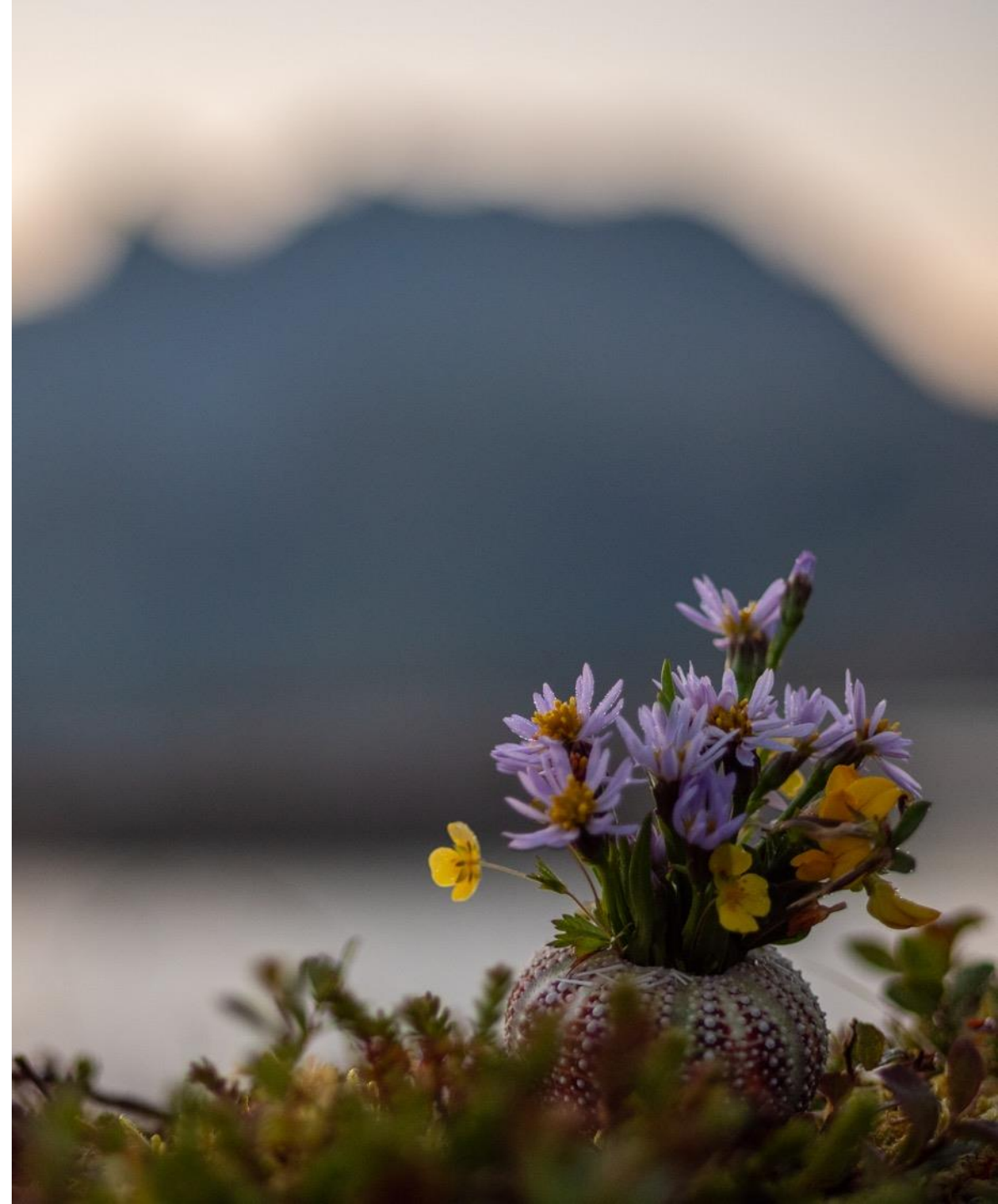
The local bank will do that!

Good communication should be the most important tool for achieving the bank's goals:

- reputation, branding and sales activities where we communicate stories about the bank and society and the bank and the customer. Always with local roots -

To be a brand with power we must:

- Perform visually in line with our strategy and our messages
- **Distinguish** more
- Be more **modern**
- Grab attention especially to **younger customers**
- Appear in a good way in **digital** surfaces



Identity, values and good communication

The employees must live out the new brand and new values

Genuine and committed

- Less complicated (venter en oversettelse på denne fra marked)



Our digital channels – increased self service

- **Open banking** – Access to accounts in other banks included payment
- **Vipps payment in the stores** with QR code is on its way
- **PFM-solutions** – working on consumption categorization and budget functionality
- **Solutions for subscription management** – considering
- **BankID-app** – on its way



Cards and payment

- **Helgeland Kvikk** launched in 2019 - a success. Understandable and simple
- **Age limit on cards** – lowered to 6 years
- **Age limit online shopping** – lowered to 13 years
- **New card design** – on its way
- **Cash service stores** – on its way
- **Visa Account Update** – concidered



A photograph of the Aurora Borealis (Northern Lights) in green, dancing across a dark night sky. Below the lights, a city is illuminated with warm yellow and white lights, with mountains visible in the background.

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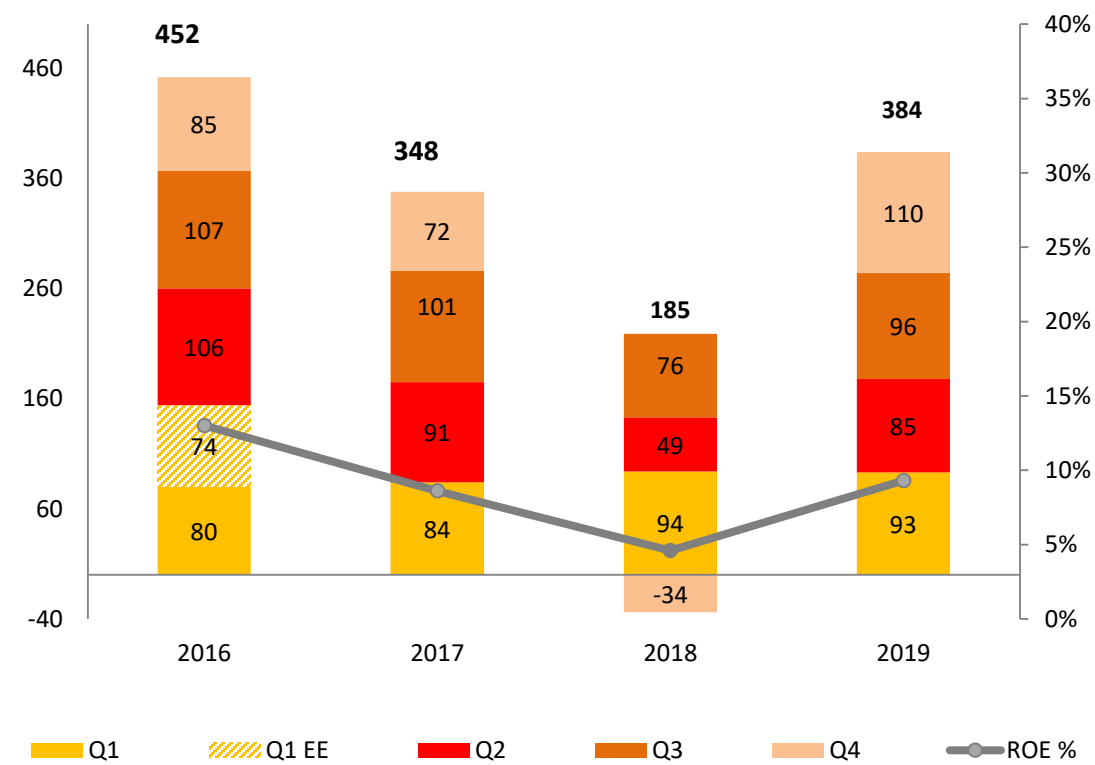
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Profit

Profit development (MNOK)



Profit Q4

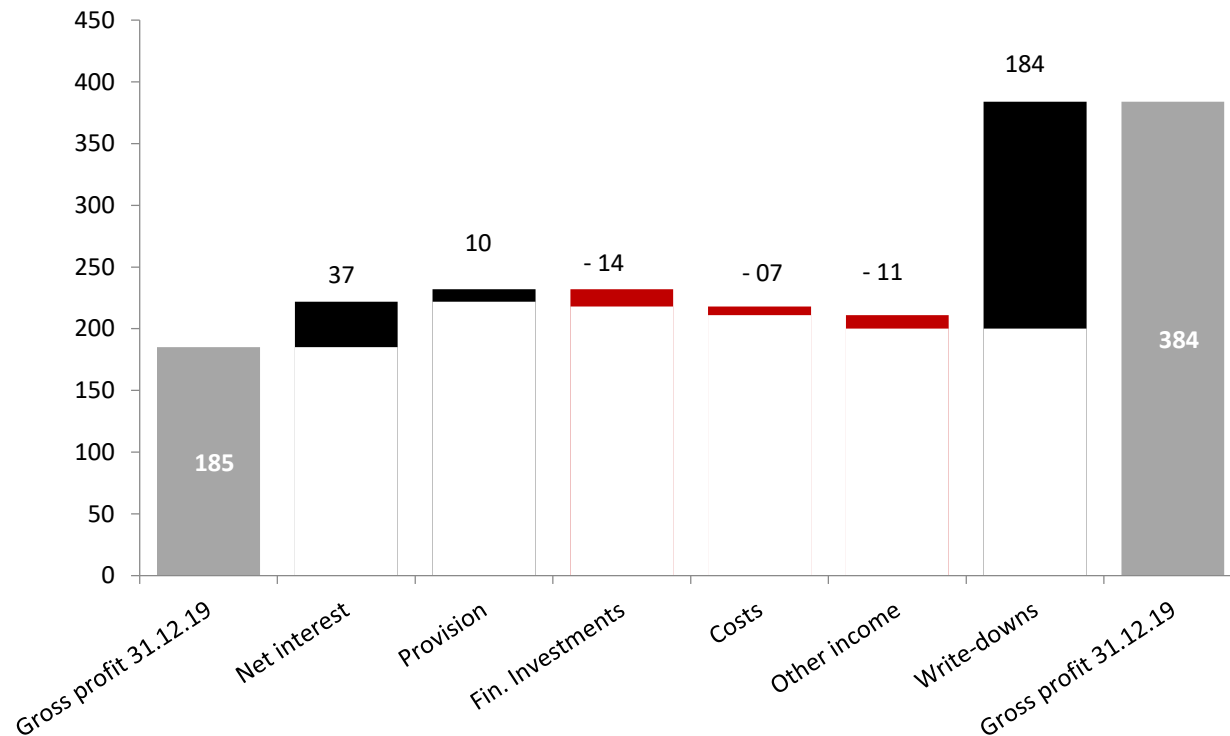
Gross profit MNOK 384

- Net ROE 9.3 %

(One time effect pension MNOK 74 in Q1 2016)

Result

Change in gross profit (MNOK)



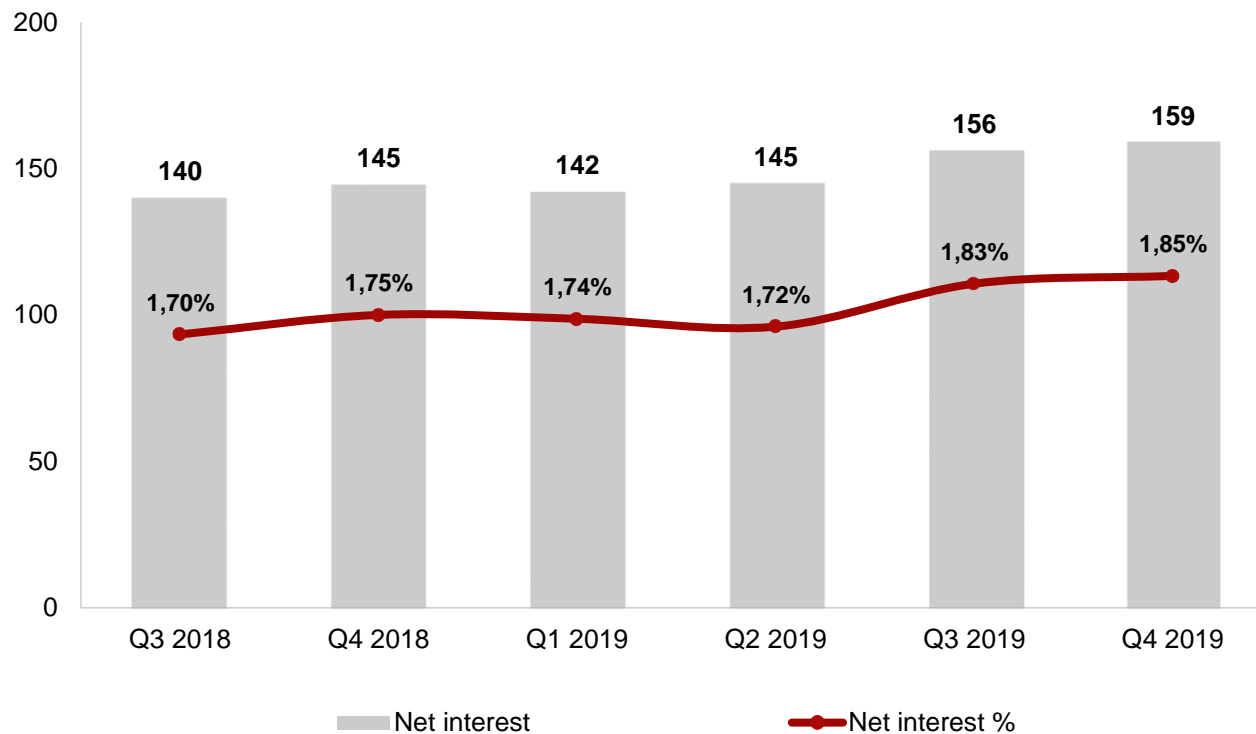
Good result

Gross profit MNOK 384

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

Net interest

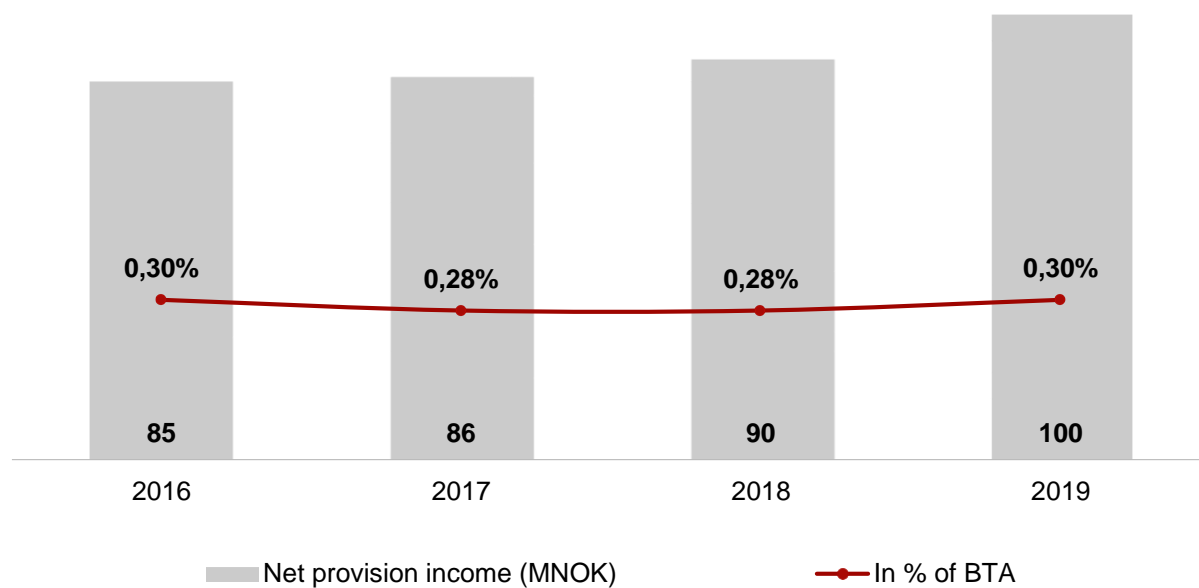
Development net intr.(mnok.) and % of average BTA



- Interest rate change in May, August and November have provided positive effect

Provision

Development net provision income



- Positive trend in 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.

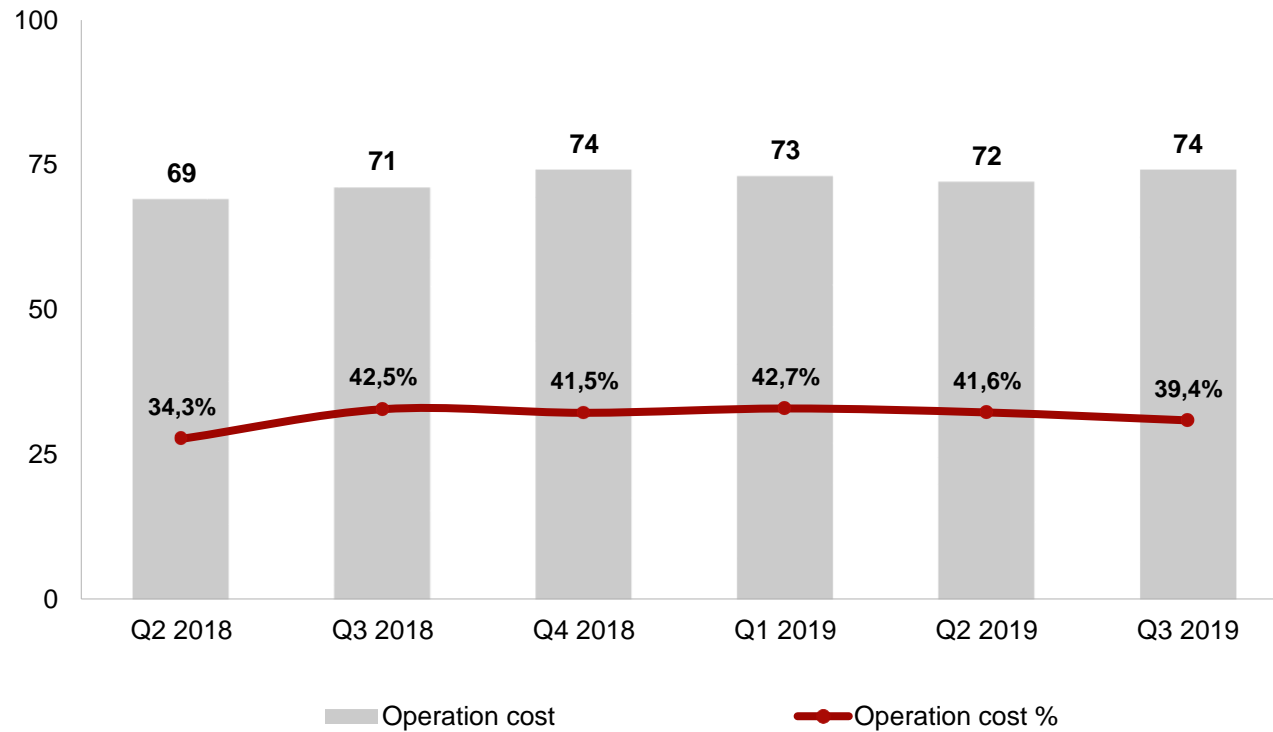


6.9 %

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

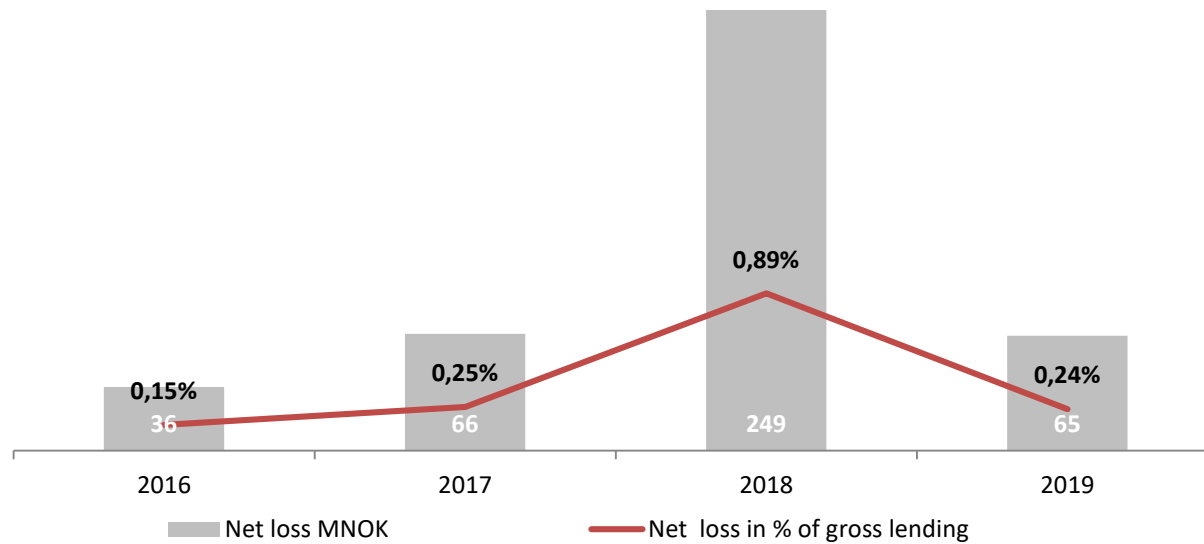


Stable costs in NOK

- Increased net interest in the two last quarters provides lower cost %.
- Costs in % of income so far this year 39.5 %

New target to keep cost in % of income under 40 % from 2020

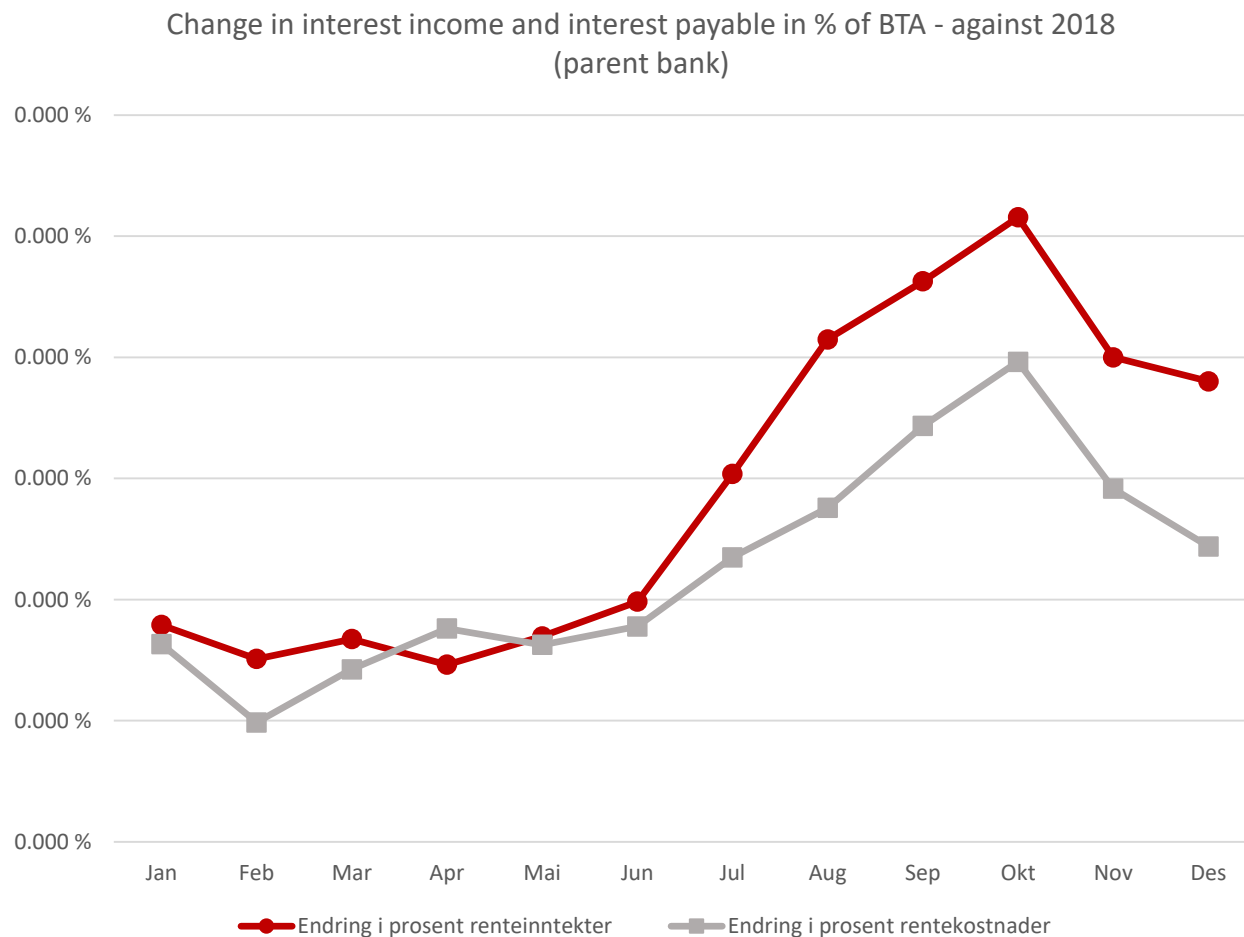
Loss on commitments



Normalized losses

- MNOK 65 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 Q4 2019 is expected to gain continued positive effect on the net interest

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



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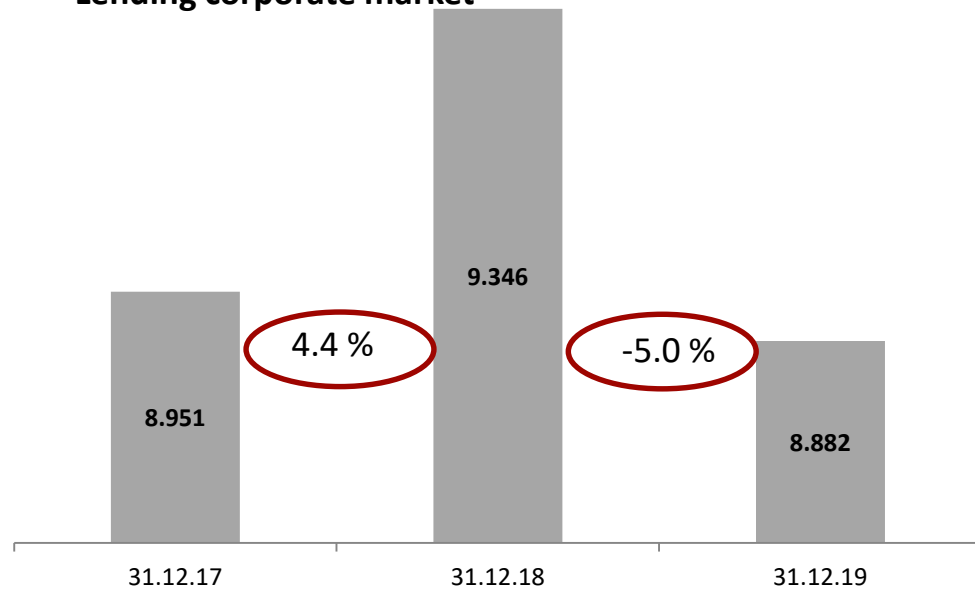
Foto: Erik D. Harvey - Brønnøysund

En drivkraft for vekst på Helgeland

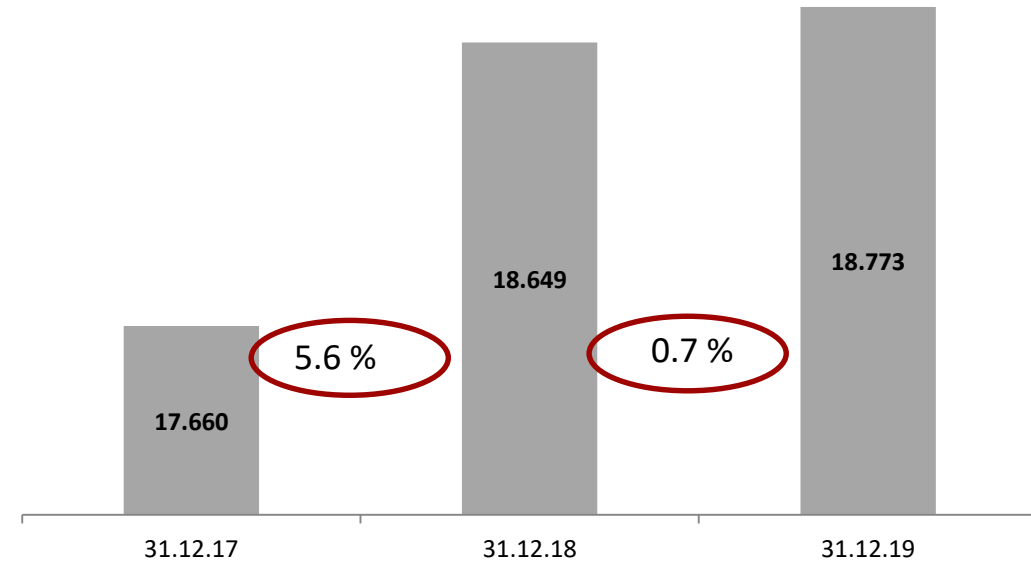


Growth

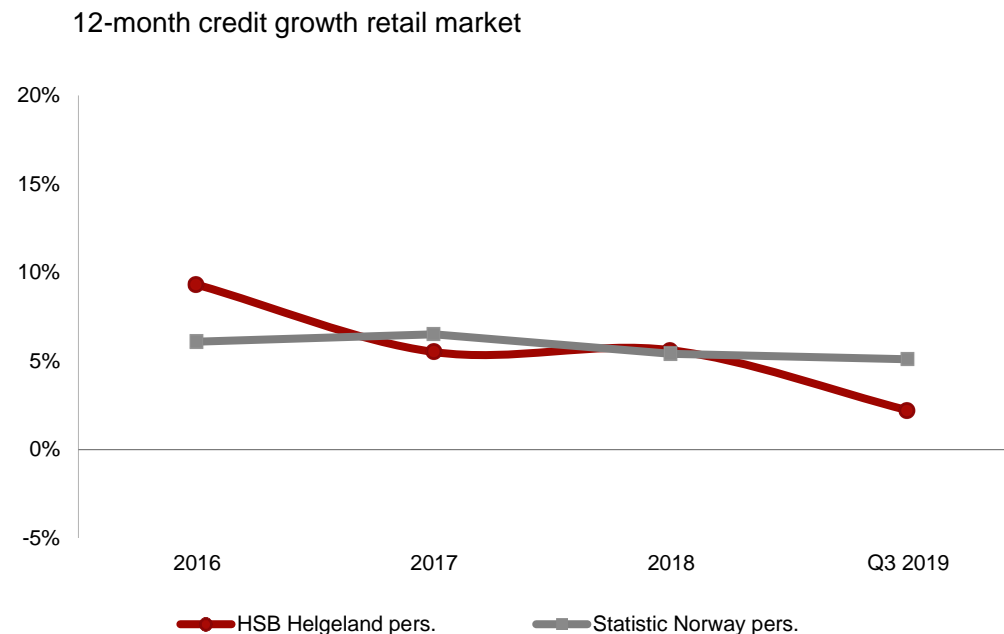
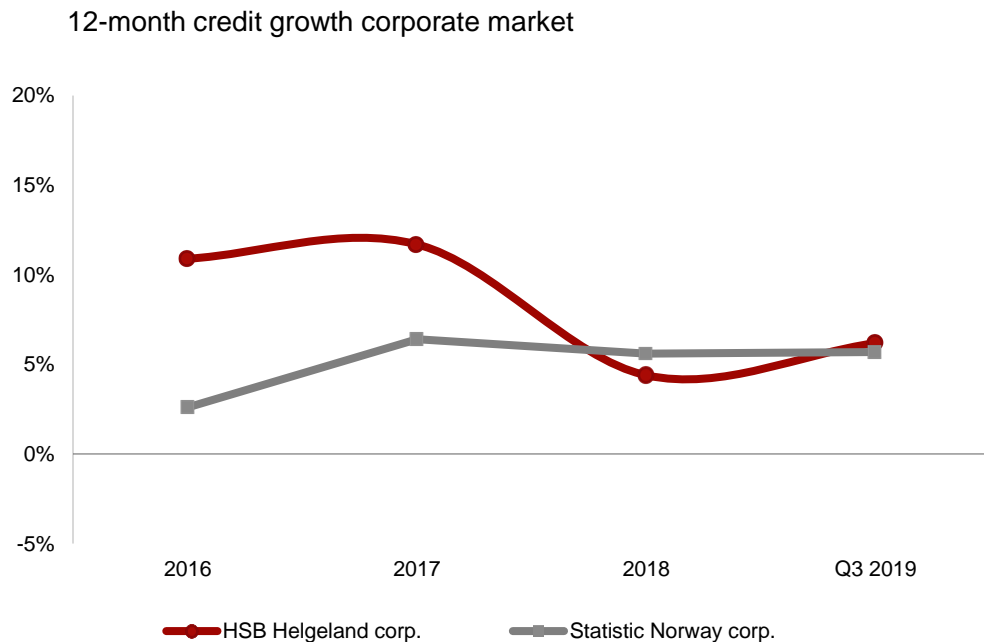
Lending corporate market



Lending retail market



Credit growth

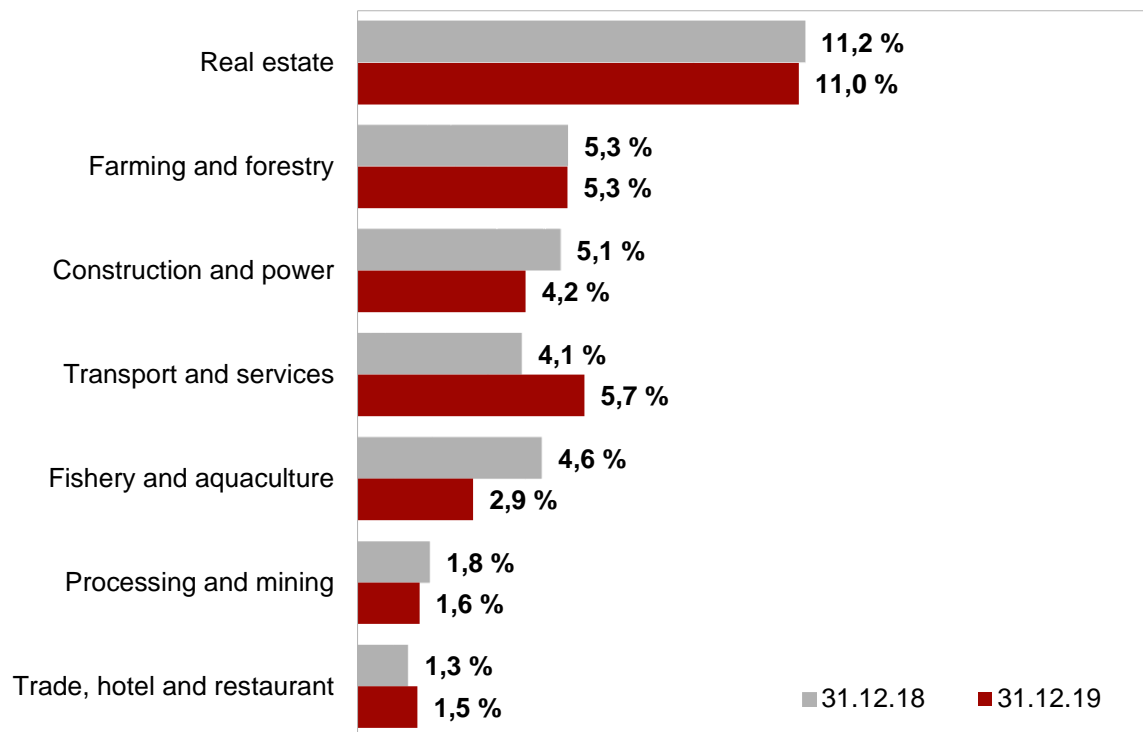


12-month growth credit growth HSB -1.2 (5.2) % hereby CM -5.0 (4.4) % and RM 0.7 (5.6) %.

Controlled balance optimization will provided lower growth in CM in Q4

Lending CM

Lending distributed in sector

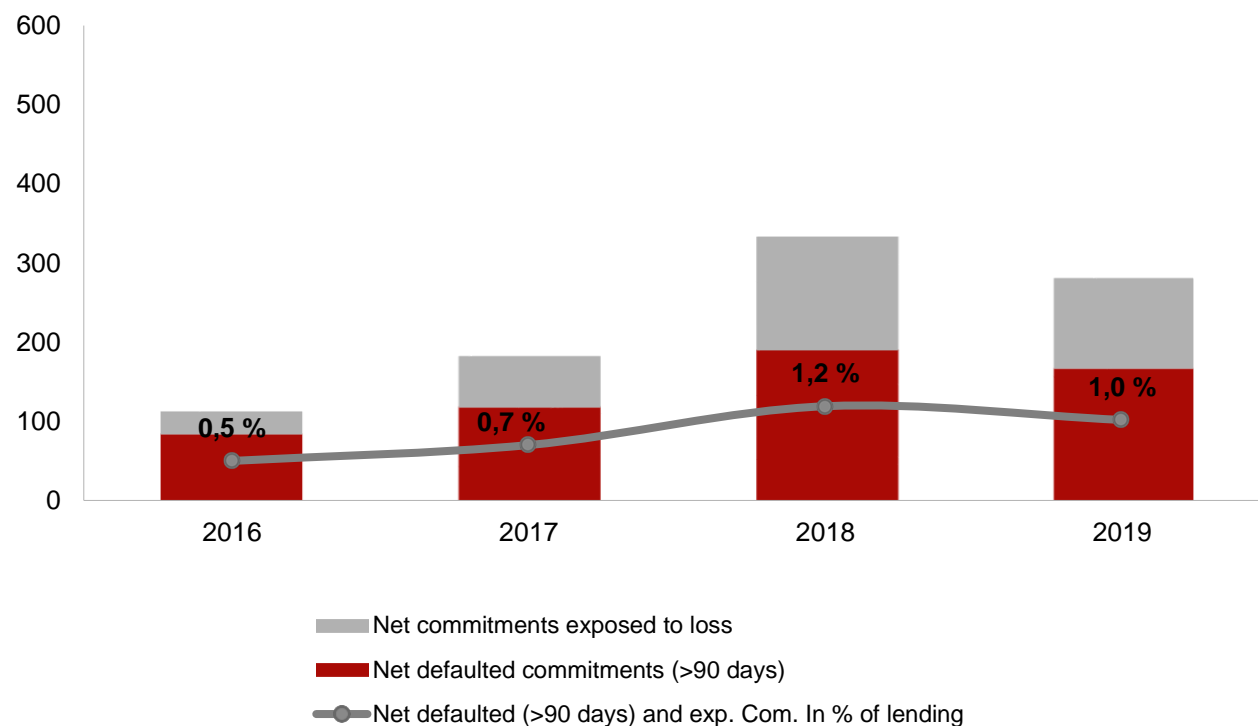


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 32.1 (33.5)% or MNOK 8 882 (9 346)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 281, a decrease of MNOK 52 in 2019. The sale of the hotel has reduced net default and doubtful commitments.



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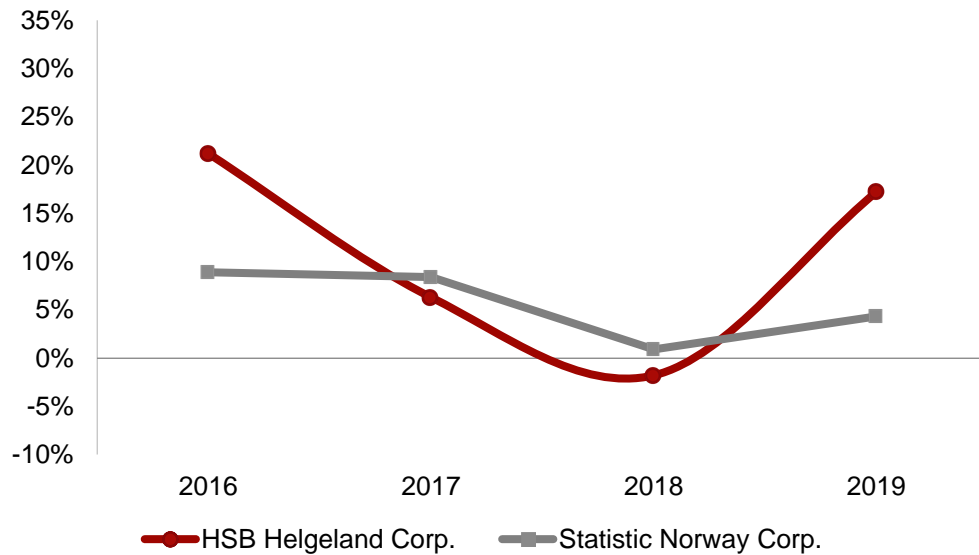
Foto: Simon Fossheim - Rødøyløva

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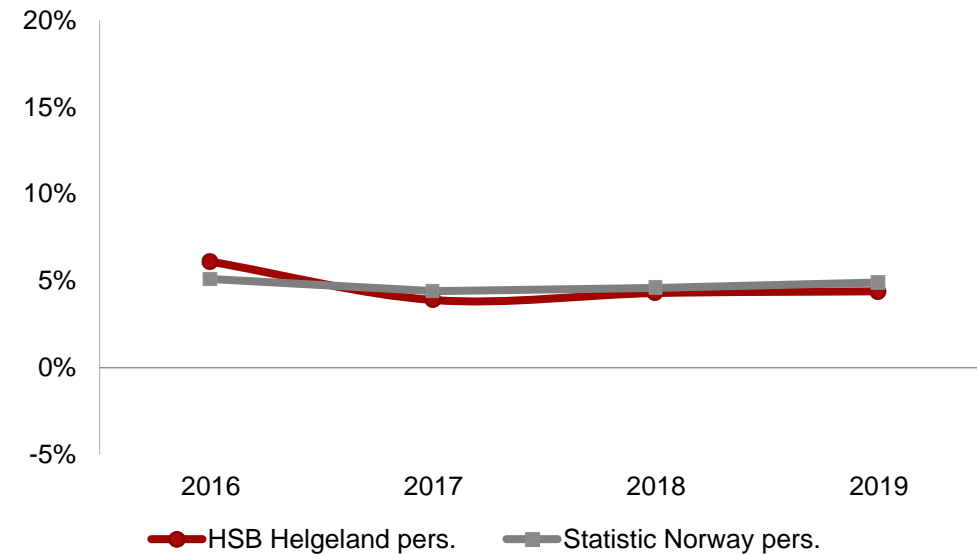


Deposit growth

12-month deposit growth corporate market



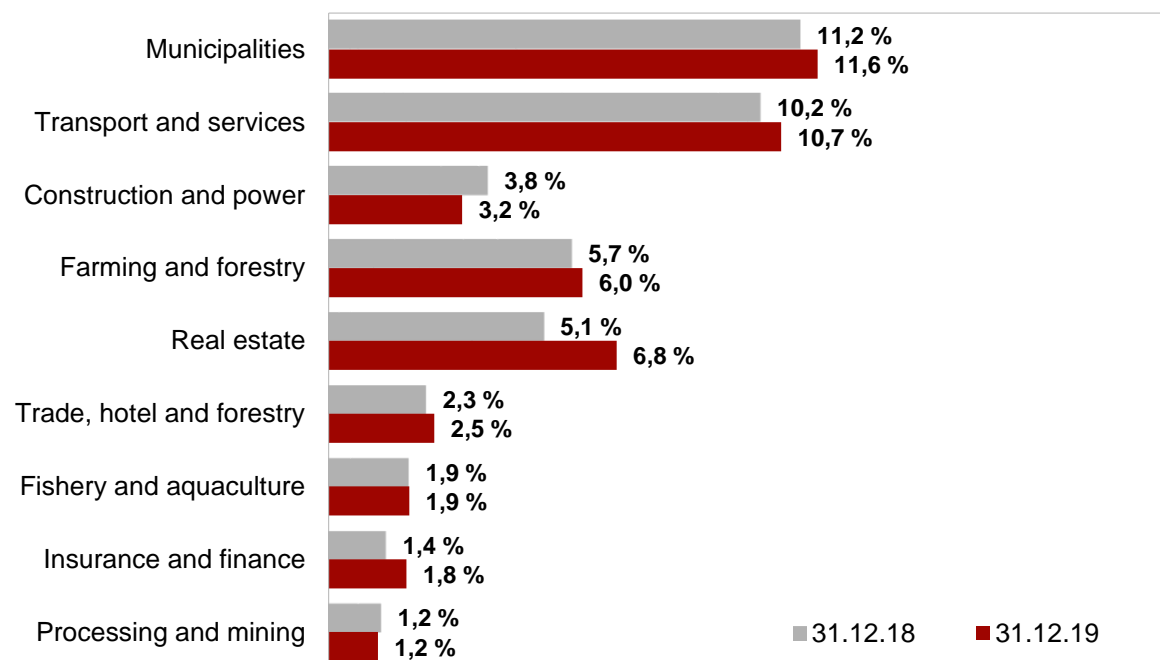
12-month deposit growth retail market



12-month deposit growth HSB 9.9 (1.6) %, hereby CM 17.2 (-1.8) % and RM 4.4 (4.3) %

Deposits CM


Customer deposits



Well diversified deposit portfolio in the CM

Share CM 45.6 (42.8)% or MNOK 8 653 (7 381) of total deposits

Deposits from municipalities constitute 25 % of the CM deposits



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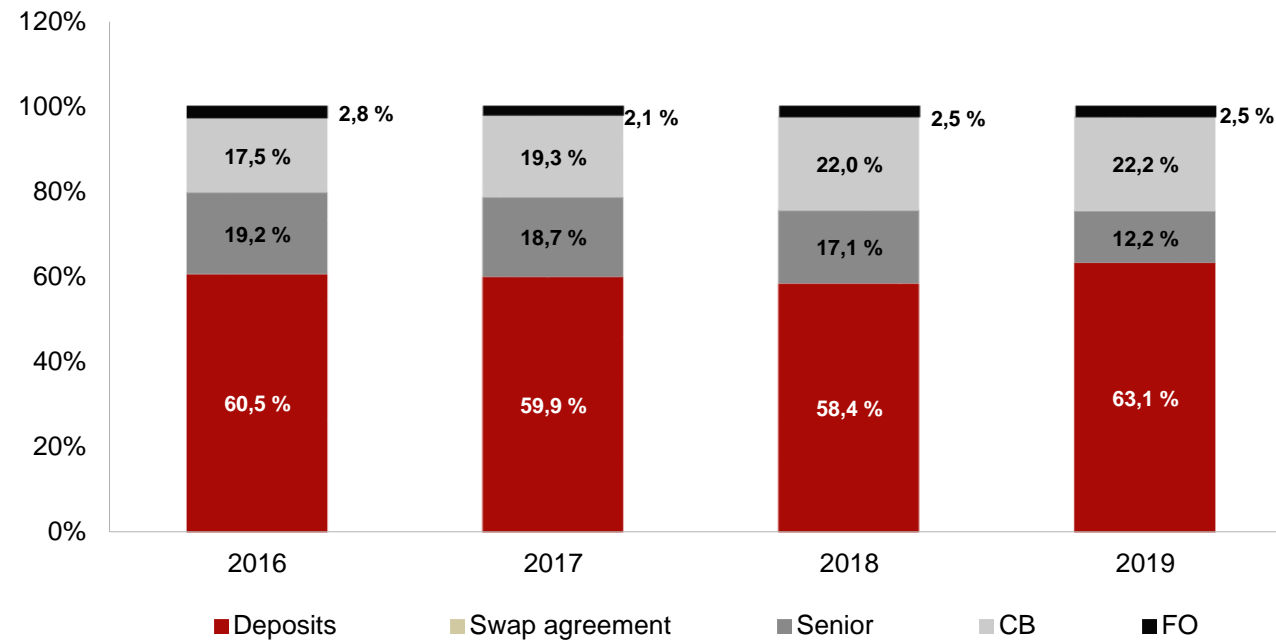
Foto: Eskil Olsen

En drivkraft for vekst på Helgeland

Foto Eskil Olsen

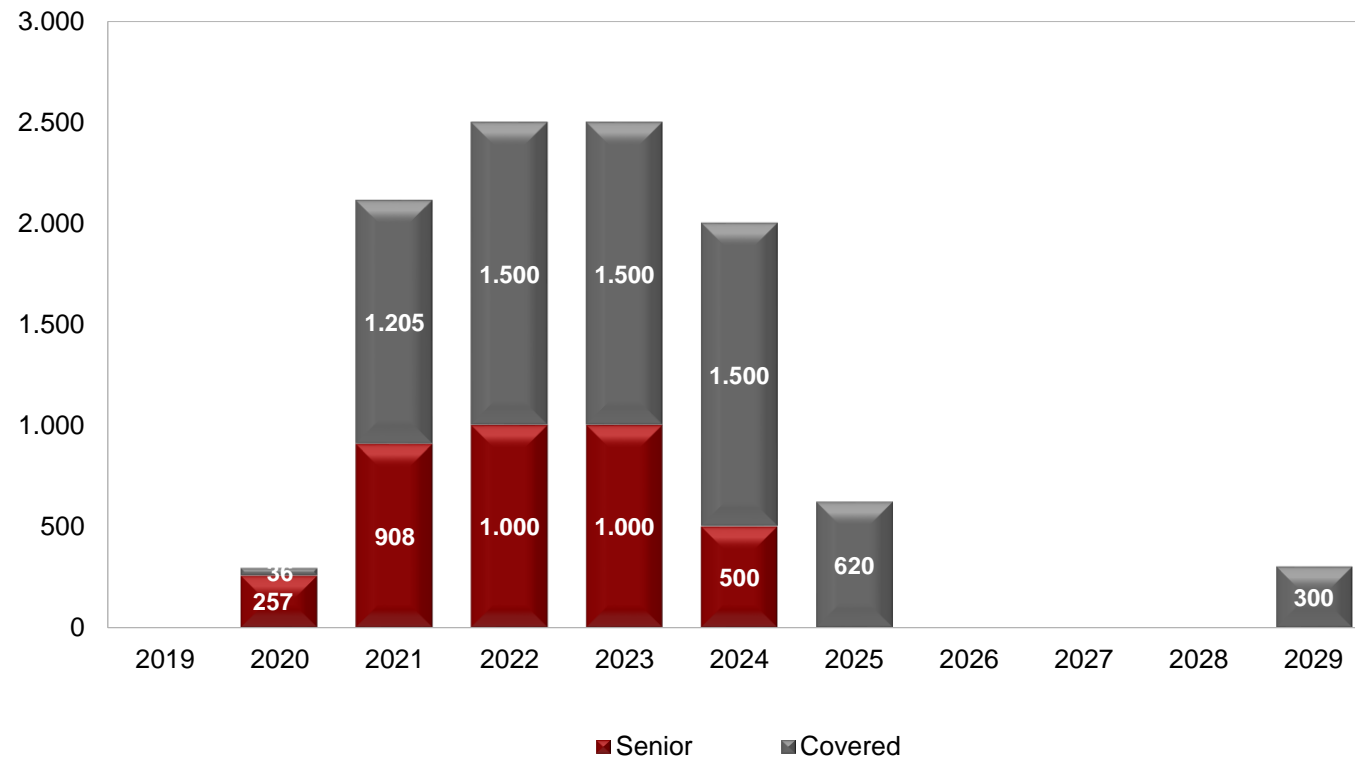
Funding

Funding development (MNOK)



Funding

Maturity of loans per year (MNOK)



Good and long term funding

Share long term funding
97.3% (92.2)%

Combined duration of 3.0
(2.9) years. Duration in the
mortgage company 3.4 years

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank


- Net profit MNOK 49.6 (52.7).
- CET1 ratio of 17.5 (18.5)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 600 (6 385) and CB MNOK 6 745 (6 498)

Good security in the lending portfolio

- Cover pool ratio of fullness 17 (19)%
- Combined LTV 57 (56)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 17 to 3 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 31.12.19 transfer degree is 27.5 and 40.6%



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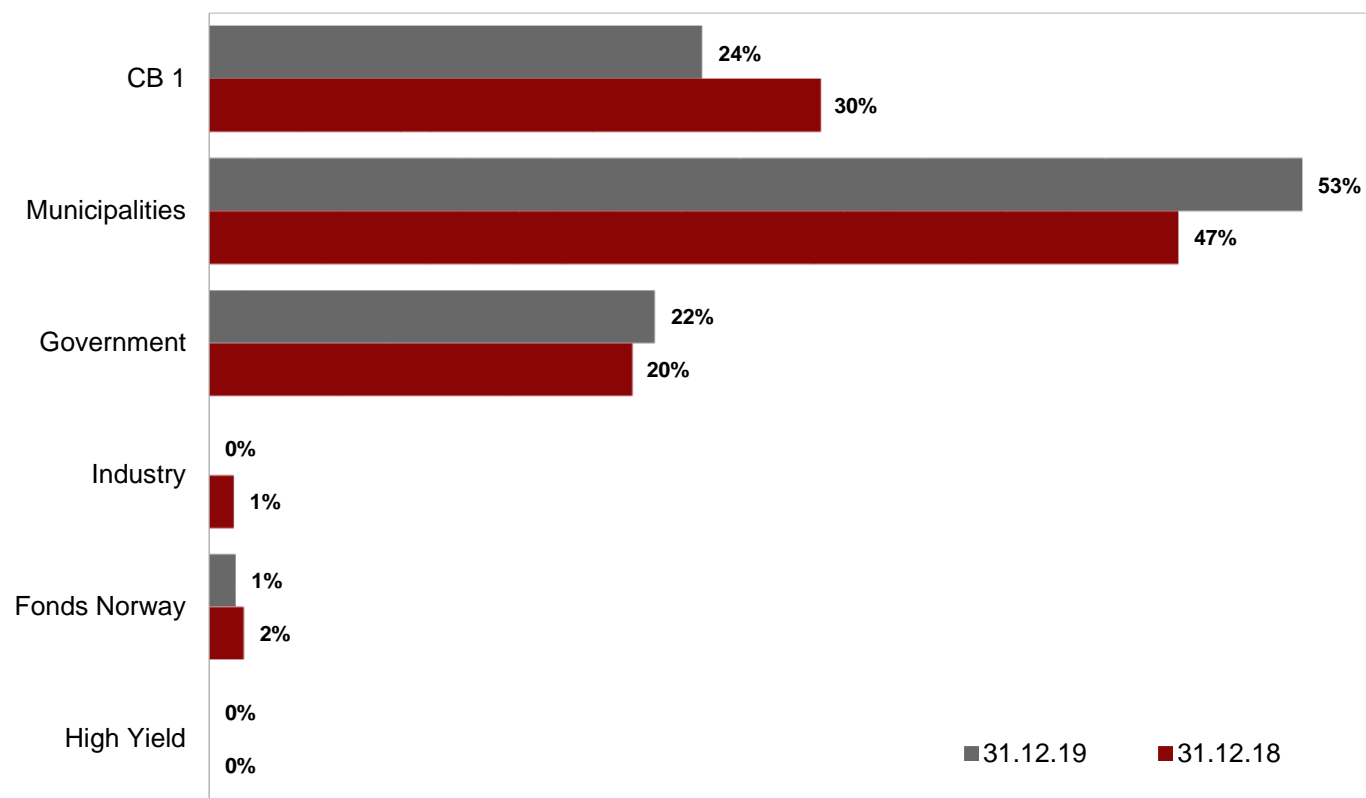
Foto: Simon Fossheim - snøfjellet

En drivkraft for vekst på Helgeland



Liquidity buffer

Sector distribution interest portfolio

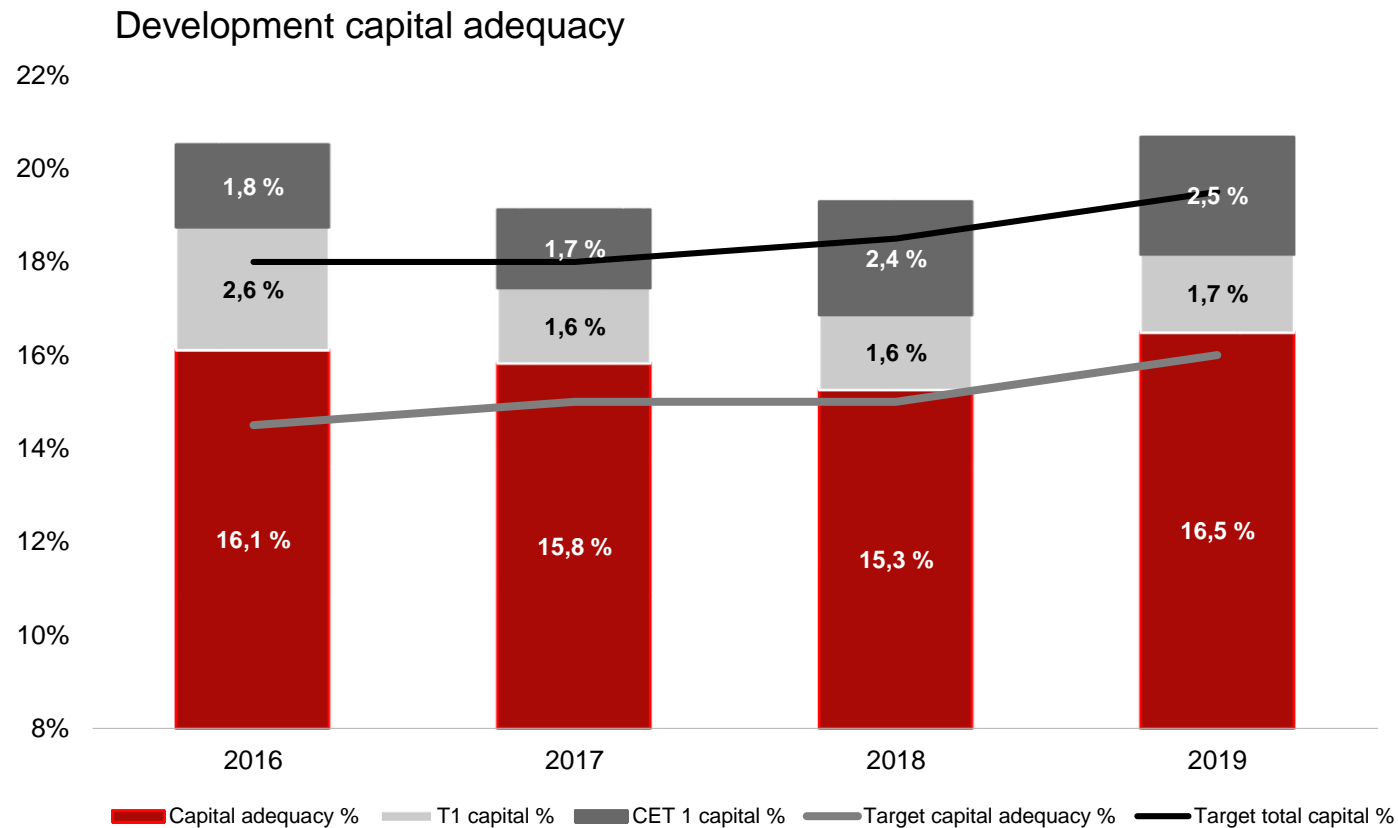


Interest bearing securities:

- Duration portfolio 1.7 (2.0) years
- 98.9 % rated A- or better
- 98.7 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Capital adequacy



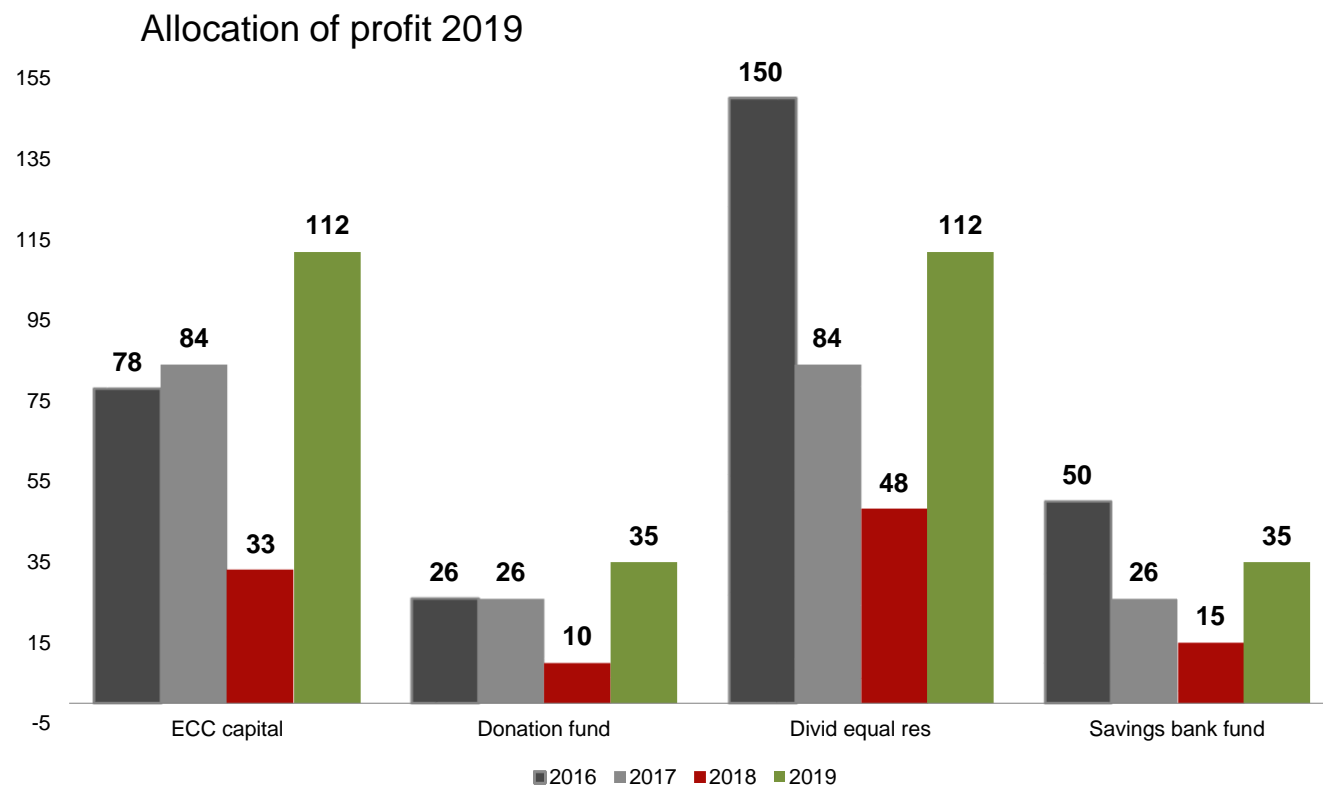
Capital ratio

- CET1 16.5 (15.3)%
- Core capital 18.2 (16.9)%
- Total capital 20.7 (19.3)%

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

Leverage ratio: 9.4 (9.2)%.

Proposed allocation of profit 2019



Commentary

Increased distribution ratio

- 50.0 (41.0) %.

Dividend basis is MNOK 294

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

The board proposes dividend for 2019:

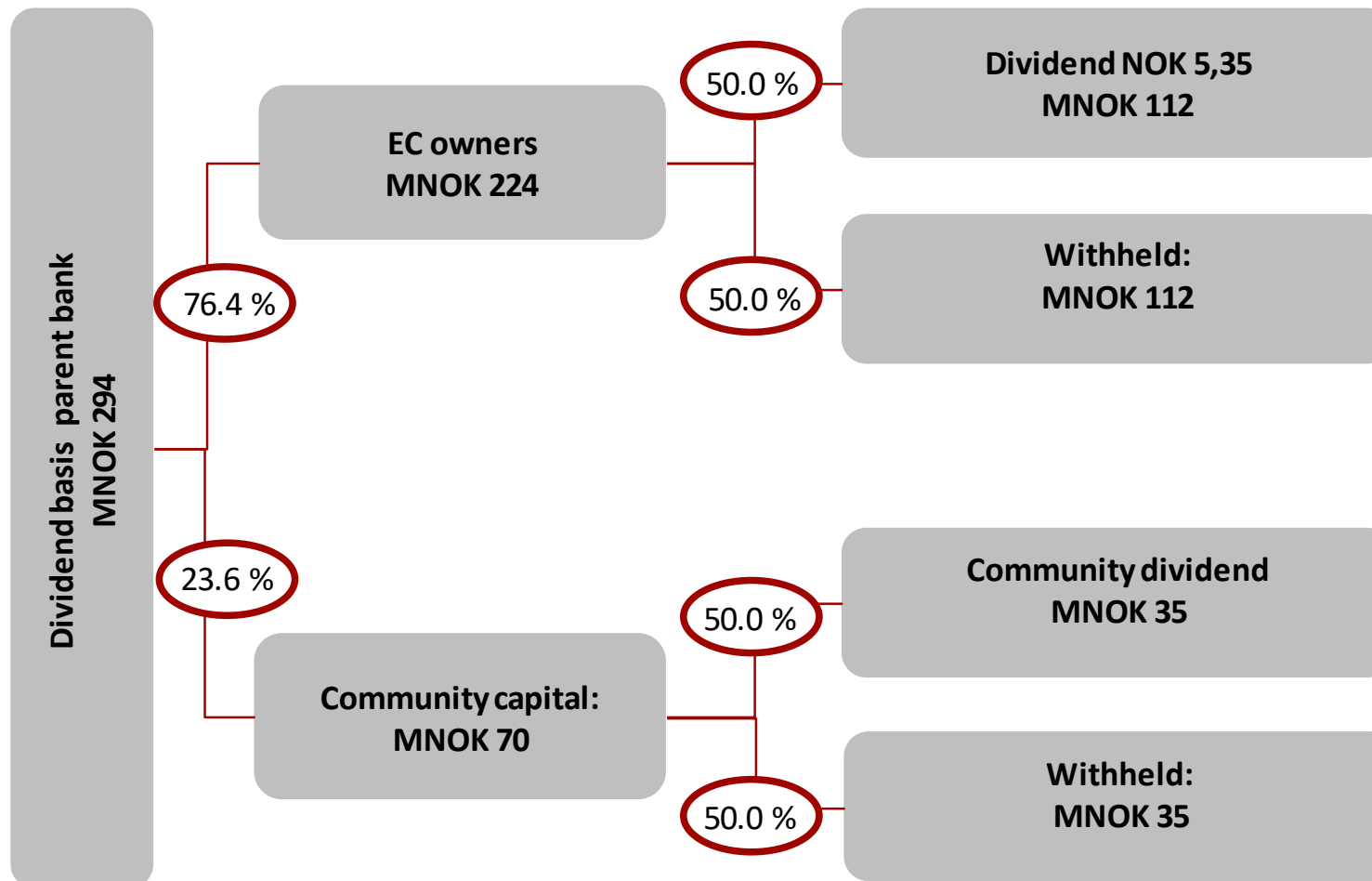
- Cash dividend NOK 5.35 (1.60) per equity certificate

One time effect pension added to the equity in 2016

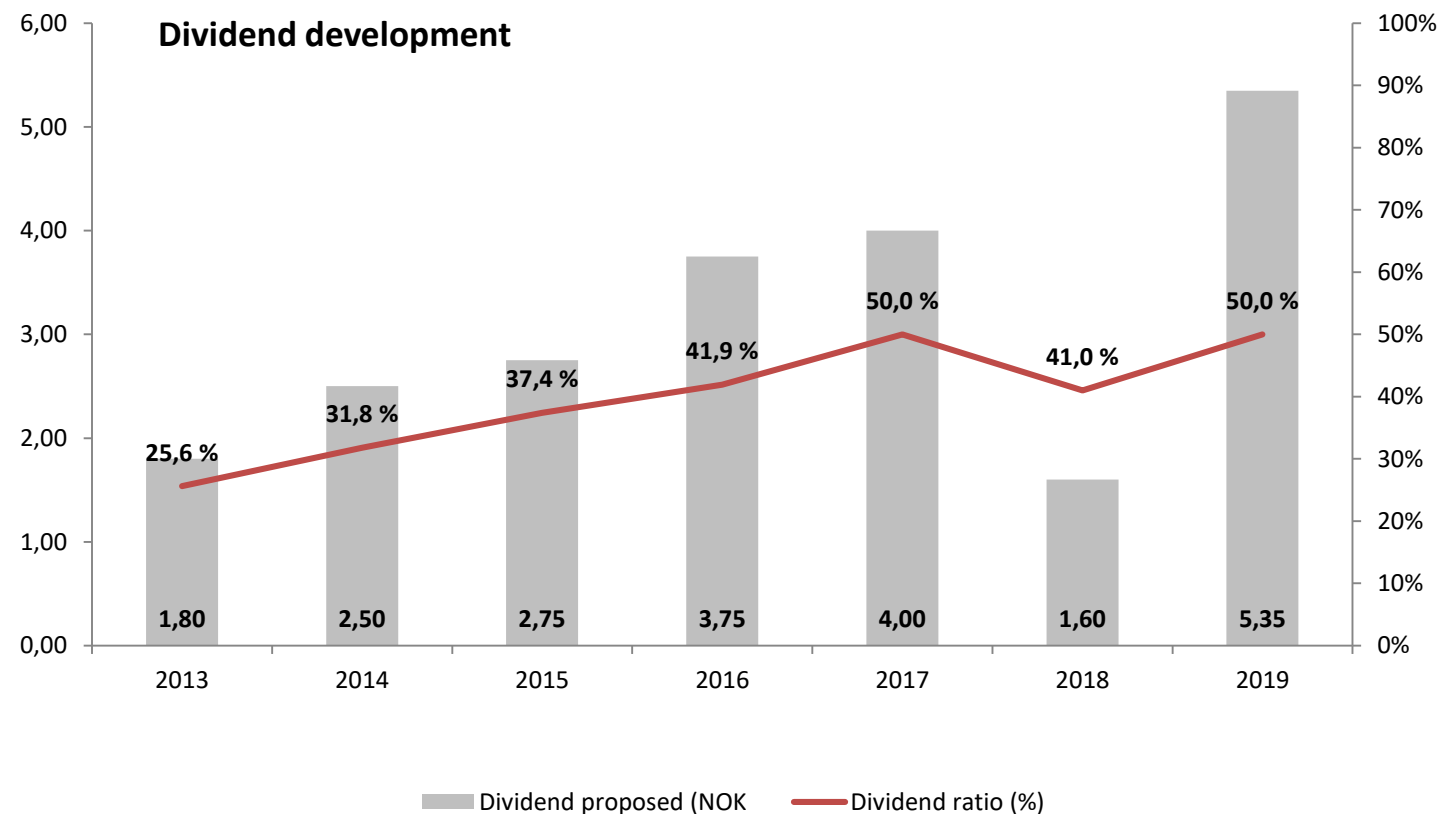
Dividends and allocations to the equalization reserve reflects the equity certificate holders' share of the banks equity.

- 01.01.18 equation 76.3%

Proposed allocation of profit 2019



Dividend development



HELG – the 20 largest owners

Parent bank

Per 31.12.19	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	825 339	4.0 %	AF Kapital Managemet	181 749	0.9 %
Bergen Kommunale Pensjon.	550 000	2.6 %	Melum Mølle AS	177 000	0.8 %
Merrill Lynch Prof.	532 995	2.6 %	Vigner Olaisen AS	144 653	0.7 %
U.S Bank National Association	507 173	2.4 %	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	389 203	1.9 %	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	14 319 291	68.6 %	Total 20 biggest owners	16 136 069	77.3 %

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

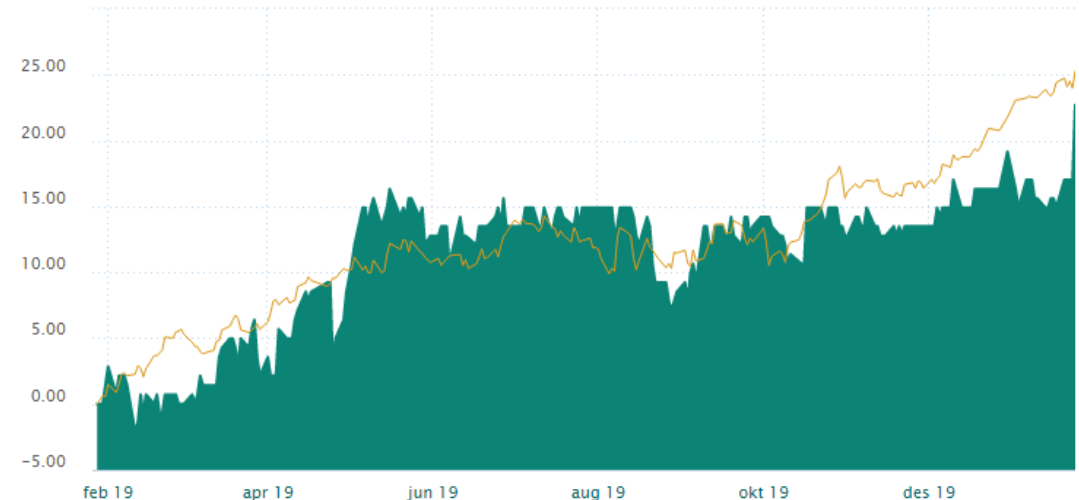
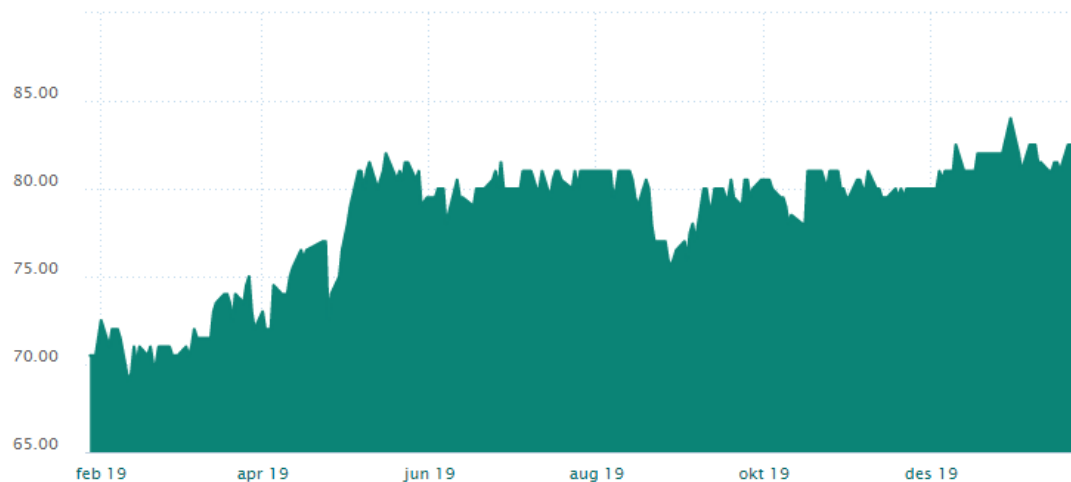
HELG – the 20 largest local owners

			<i>Parent bank</i>		
Per 31.12.19	Numbers	% share	Antall	%	% share
Sparebankstiftelsen Helgeland	7 315 020	35.05 %	Harald Svendsen	13 710	0.07 %
Helgeland Kraft AS	377 691	1.81 %	Finn Mørk	13 000	0.06 %
Vigner Olaisen AS	144 653	0.69 %	Sniptind Holding AS	13 000	0.06 %
Steffen Nervik	120 000	0.57 %	Dan Erik Kjellnø	13 000	0.06 %
Lars Aage Andersson	43 000	0.21 %	John Arne Warholm	12 640	0.06 %
Reinfjell Holding AS	35 608	0.17 %	Sally Helene Øyjord	12 000	0.06 %
RWH AS	31 447	0.15 %	Bjørn-Tore Øyen	11 600	0.06 %
Coop Helgeland	23 421	0.11 %	Helgelands Blad	10 914	0.05 %
Svenningdal Trevarefabrikk AS	21 964	0.11 %	Øijord & Ånes AS	10 342	0.05 %
Bakeriet Mo i Rana AS	19 998	0.10 %	Ove Arnstein Brattbakk	10288	0.05 %
Total 10 biggest owners	8 132 802	39.0 %	Total 20 biggest owners	8 243 008	39.5 %

Employees owners share has also in 2019 increased through continued employee program. Per 31.12.19, 117 192 ECC's are owned by HSB's employees. This equals 0.56 %.

HELG – EC development and liquidity

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



	2016	2017	2018	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	84.0
Stock value	1 692.9	1 839.2	1 452.6	1 755.6
Accounted equity per EC	101	108	110	120
Profit per EC	13.5	9.5	5	10.6
Dividend per EC	3.75	4.00	1.60	5.35
Price/Accounted EC	0.8	0.8	0.6	0.7



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Foto: Simon Fossheim

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Priorities 2020



- Continue the effort on the 3 year long profitability program.
 - width focus, streamlining.
- Increase volume in the RM; but have profitable growth and maintain market position.
- profitable growth and moderate growth in the CM; maintain market position.
- Continue the job of increasing commission and fee income.
- Continue the focus on good self-service solutions and effective use of the advisor stab, and also simplify and automate work processes.



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Foto: Simon Fossheim - Aldersundet

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Profit & loss

Helgeland Sparebank (group)									
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Net interest- and credit provision earnings	147	141	141	140	145	142	145	156	159
Net provision earnings	23	22	22	22	24	23	22	25	30
Other operatios income	2	1	3	6	6	2	0	1	2
Ordinary operations cost	67	72	69	71	74	73	72	74	74
Result basic operations	105	92	97	97	101	94	95	108	117
Write-downs lending and warranties	30	8	83	20	138	5	15	18	27
Net value change financial instruments	-3	10	35	-1	4	4	5	6	19
Gross profit	72	94	49	75	-34	93	85	96	110
Net profit	55	73	42	62	-28	71	66	73	95
Net extended income posts	51	0	0	0	0	0	0	0	-2
Profit for the period	106	73	42	62	-28	71	66	73	93

Helgeland Sparebank – Subsidiary and associated companies



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.



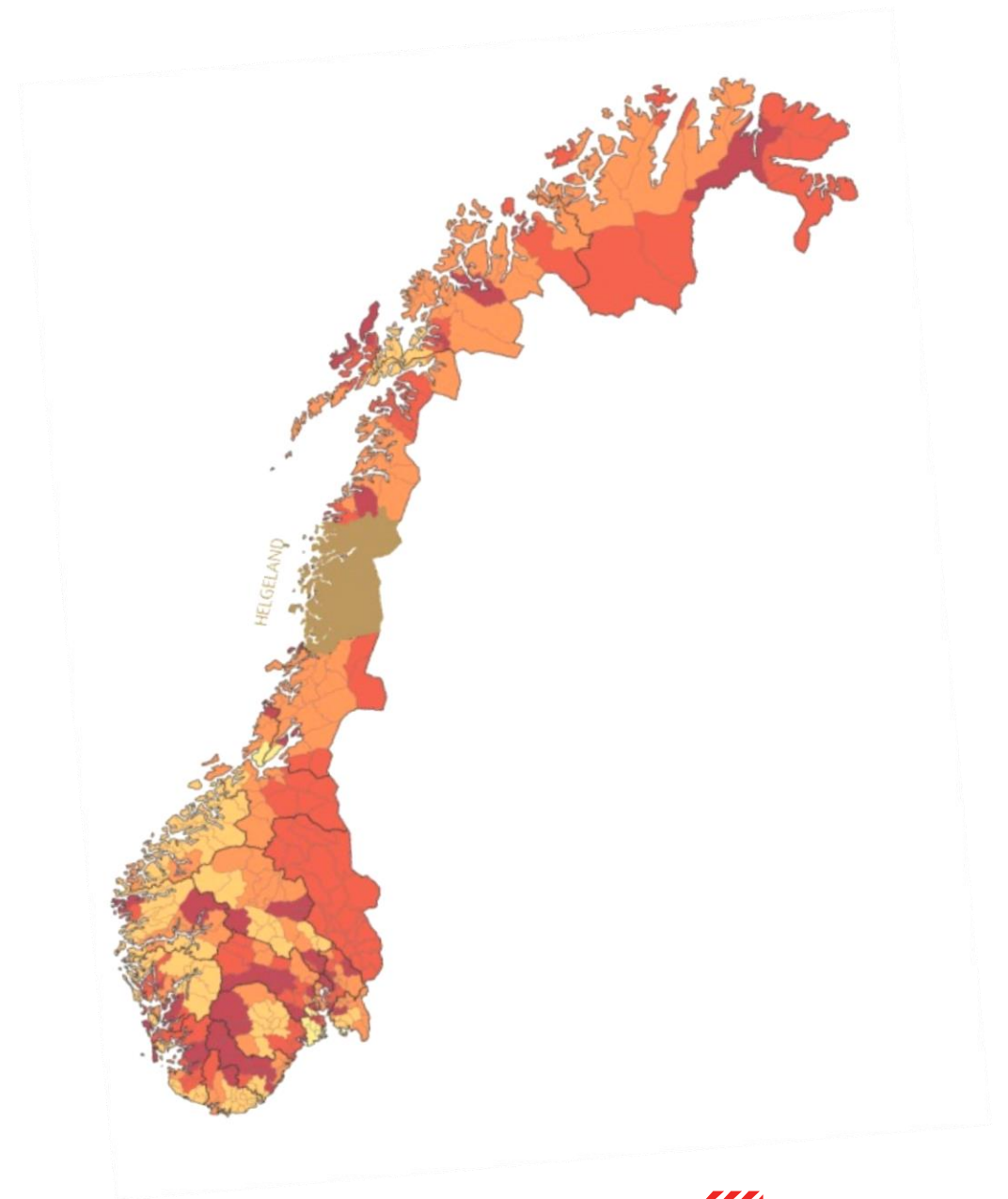
Helgeland Invest AS is an investment company localized in Helgeland.



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 local bank building future Helgeland.
- Offices: The Bank has four full service offices. These are located in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.
- Helgeland Sparebank is the 11th. largest savings bank in Norway.
- Total assets: MNOK 34 068
- Employees, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



Contact information

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Bjørn Audun Risøy, deputy chairman
Marianne Terese Steinmo
Siw Moxness
Nils Terje Furunes
Tone Helen Hauge
Birgitte Lorentzen
Geir Pedersen