



Presentation
Q2 2017



med  for
HELGELAND



Presentation per 30.06.17 (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 30.06.17

Result

Gross profit MNOK 175 (261)

- Adjusted for one-time effect pension, gross profit was MNOK 185 30.06.16.
- Good profitability in the banks basis operations, net interest increased in NOK and %
- Lower income from financial investments.
- Increased write-downs on lending

Profitability

- ROE after tax 8.7 (13.3) %

Solidity

Capital adequacy – CET1 ratio 15.7 (14.0)% – total capital ratio 19.1 (17,2)%

- This years profit is not included

Main features per 30.06.17

Lending

12-month growth 6.3 (10.7)%

- Retail market 6.3 (10.3)%
- Corporate market 6.3 (11.4)%

Weaker growth in RM, growth in CM is as expected

Deposits

12-month growth 9.1 (8.3)% – good deposit ratio 66.7 (65.0)%

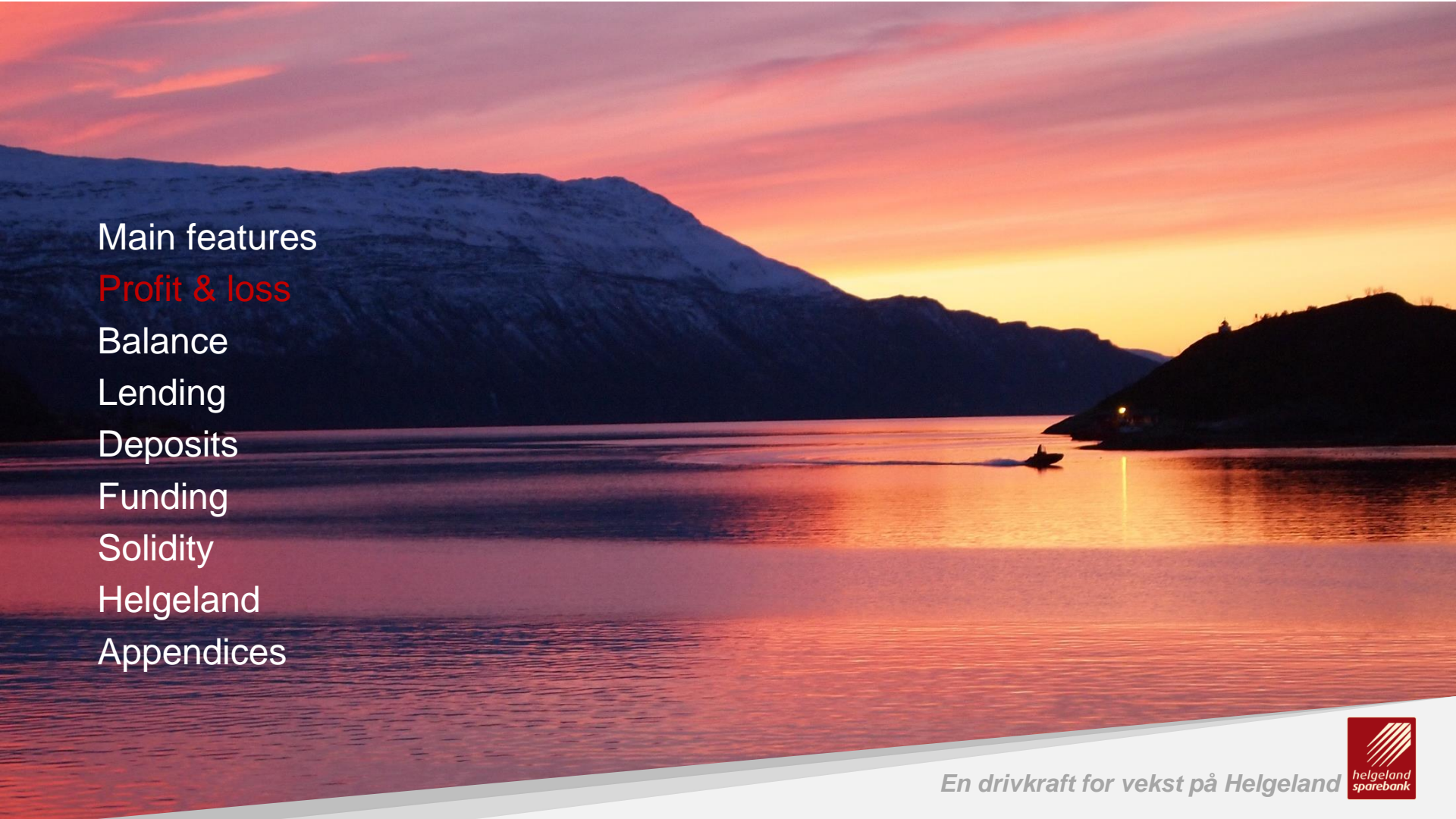
- Retail market 4.2 (7.4)%
- Corporate market 16.3 (9.6)%

Distribution net

Closure of the 6 smallest offices from July 1st this year

Program for sale of EC's for employees

More than 70 % of the bank's employees purchased EC's within the framework of the program.



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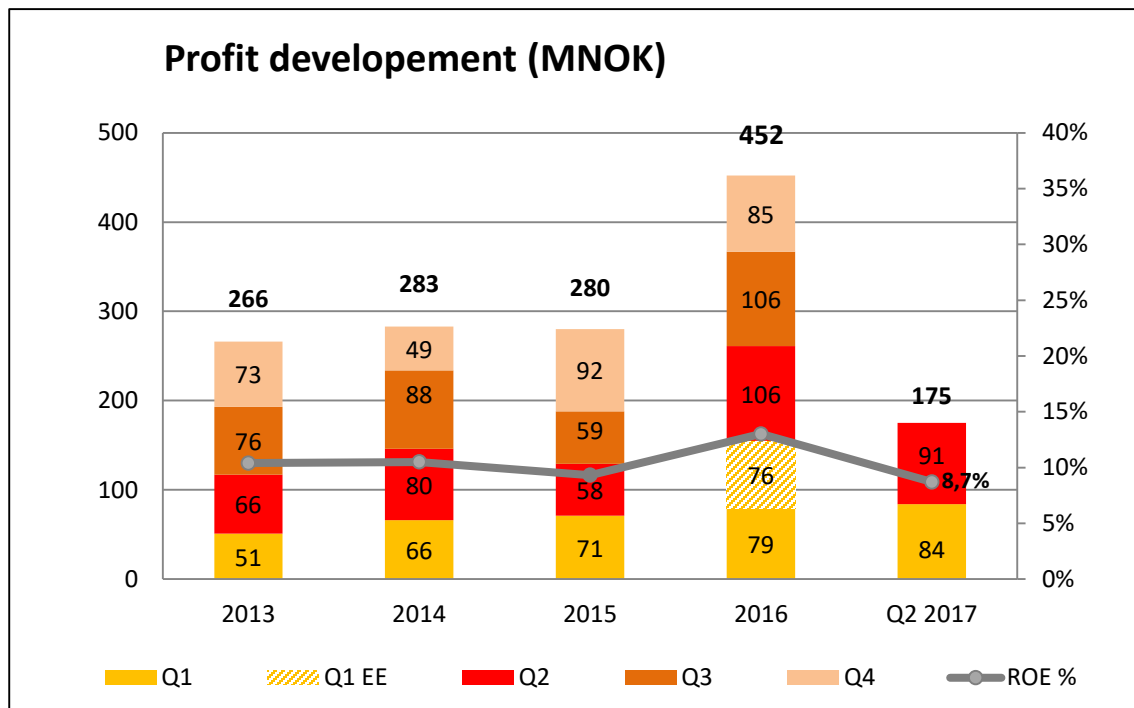
Helgeland

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En drivkraft for vekst på Helgeland



Profit



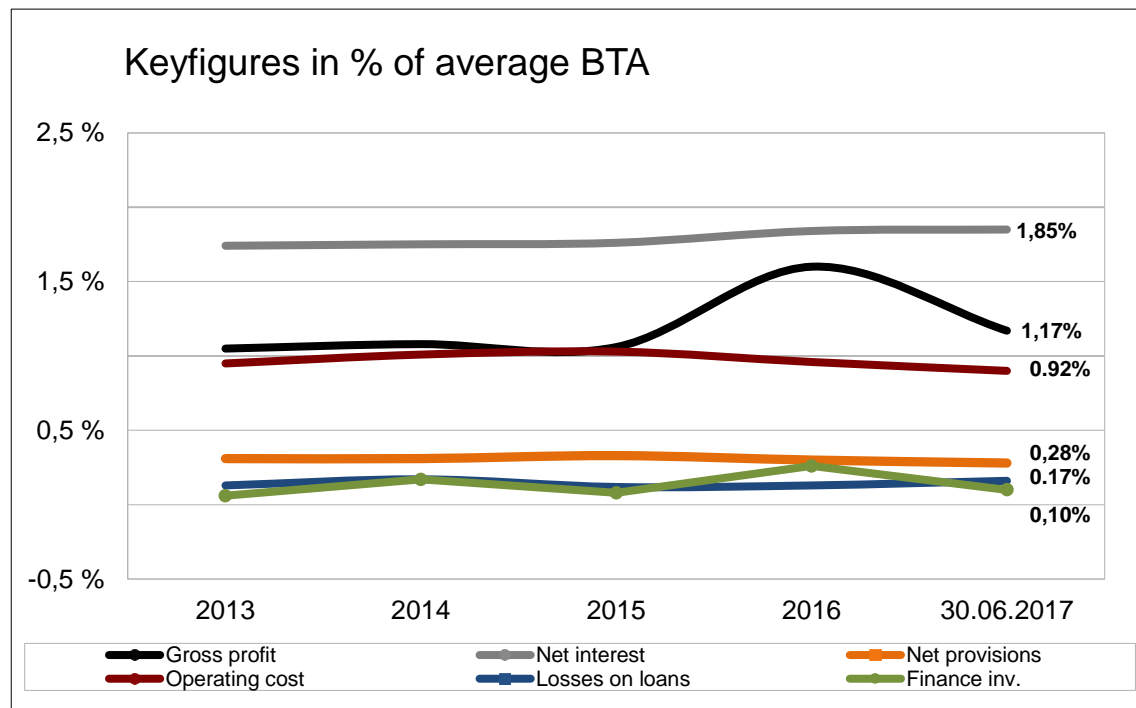
Good result Q2

Gross profit MNOK 175

- ROE after tax 8,7 %

Adjusted for one time effect pension (MNOK 76) profit per 30.06.16 was MNOK 185.

Key figures



Stable net interest

- 1.85% per 30.06.17

Net provisions

- Reduced from 0.30% 30.06.16 to 0.28%

Operating costs

- Reduced from 0.97% per 30.06.16 to 0.92

Increased write-downs on lending last quarter

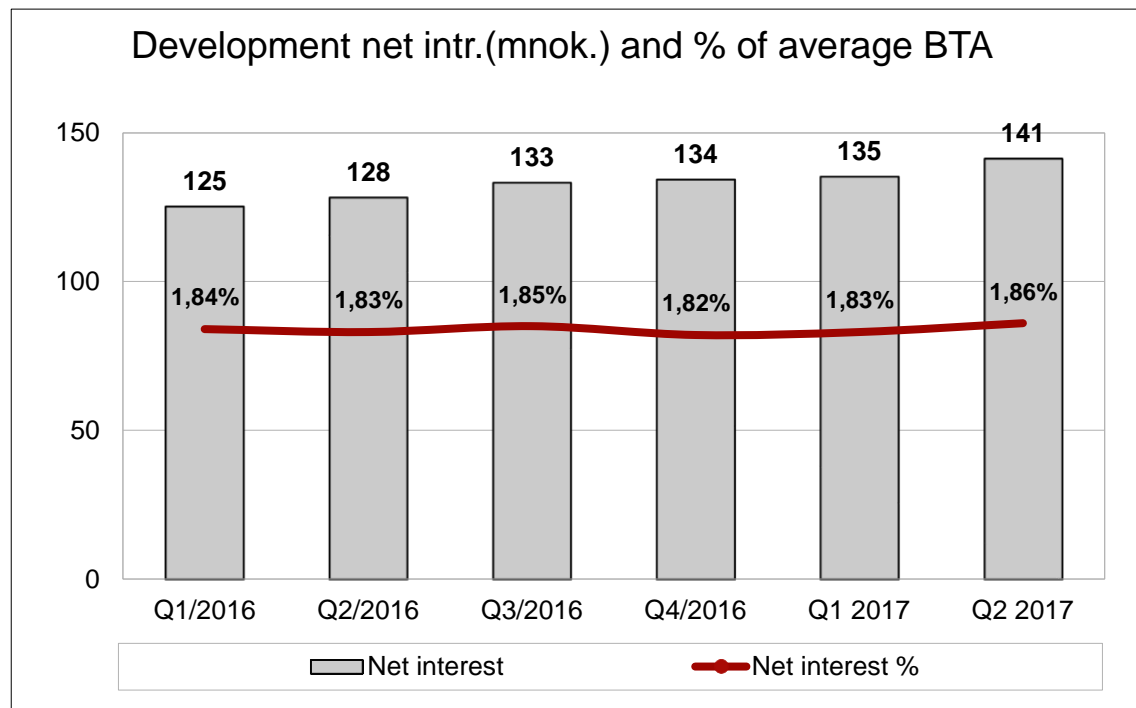
Profit & loss

Helgeland Sparebank (group)							
	Q4/2015	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1 2017	Q2 2017
Net interest- and credit provision earnings	121	125	128	133	134	135	141
Net provision earnings	22	20	22	22	21	20	22
Other operations income	2	2	1	1	2	1	1
Ordinary operations cost	66	65	69	65	72	69	68
Result basic operations	79	82	82	91	85	87	96
Write-downs lending and warranties	12	5	6	5	20	6	19
One-time cost	8						
Income by conversion to defined contribution		75	1		-2		
Net value change financial instruments	33	2	30	20	22	3	14
Gross profit	92	154	107	106	85	84	91
Net profit	70	117	85	84	69	64	73
Net extended income posts	36	1	-19	5	8	8	-1
Profit for the period	106	118	66	89	77	72	72

Commentary

- Stable and good basis operation
- New finance tax affected operating costs by MNOK 2.1 per 30.06.17
- Increased write-downs on lending in Q2. Total write-downs for the whole year is expected to lie on a moderate level
- Net value change financial instruments in Q2 ,profit share Helgeland Invest amounts to MNOK 8 (16) and dividend from Frende Holding AS amounts to MNOK 9.5 (MNOK 6.3 in Q3 2016)

Net interest

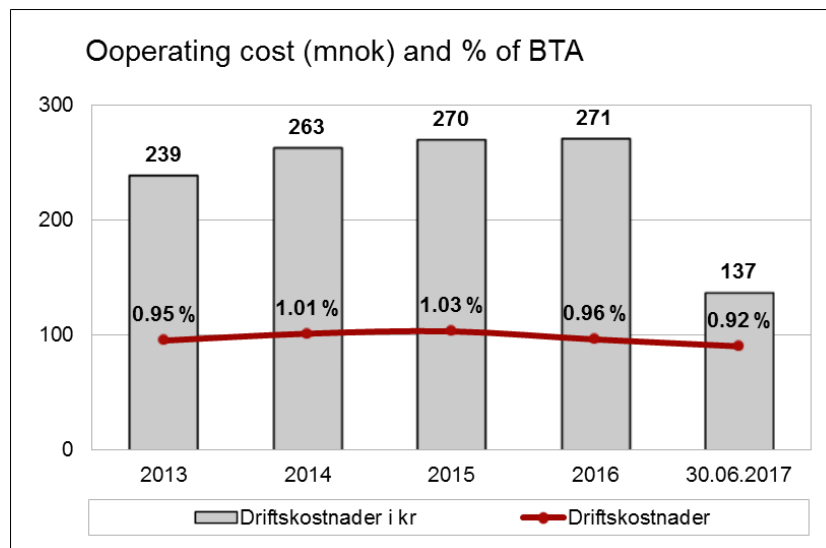
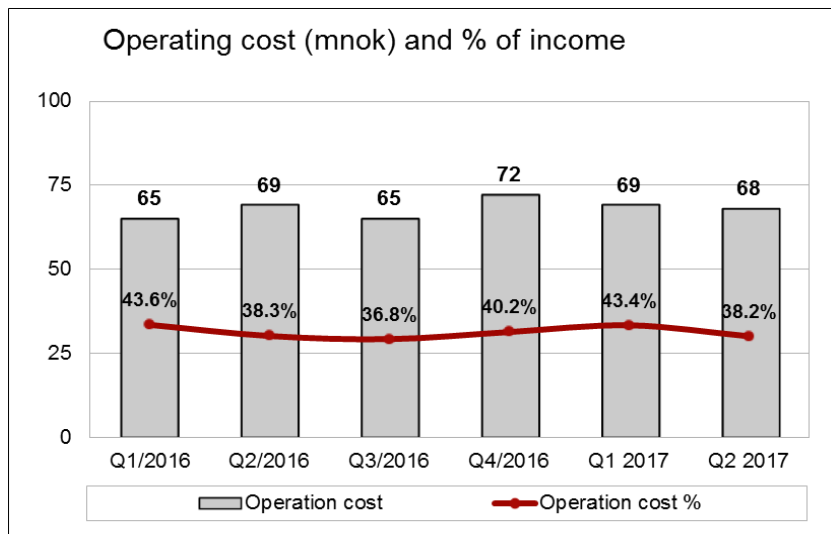


Commentary

Increased net interest

- Lower lending costs with falling Nibor
- Still strong competition regarding price

Operating costs



- Costs in % of BTA reduced in the quarter
- In costs, new finance tax of MNOK 2.1 per 30.06.17 is included (One time effect pension 2016 is not included in the calculation above)



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Balance

Helgeland Sparebank (group)

	30.06.17	30.06.16	Change
liquid assets	823	669	154
Net lending to customers	25 258	23 804	1 454
Certificates and shares	4 110	3 717	393
Other assets	323	346	-23
Assets	30 514	28 536	1 978
Deposits from customers	16 953	15 536	1 417
Money market financing	9 743	9 836	-93
Other liabilities	414	197	217
Subordinated debt	300	300	0
Equity	3 104	2 667	437
Liabilities and equity	30 514	28 536	1 978

Main features

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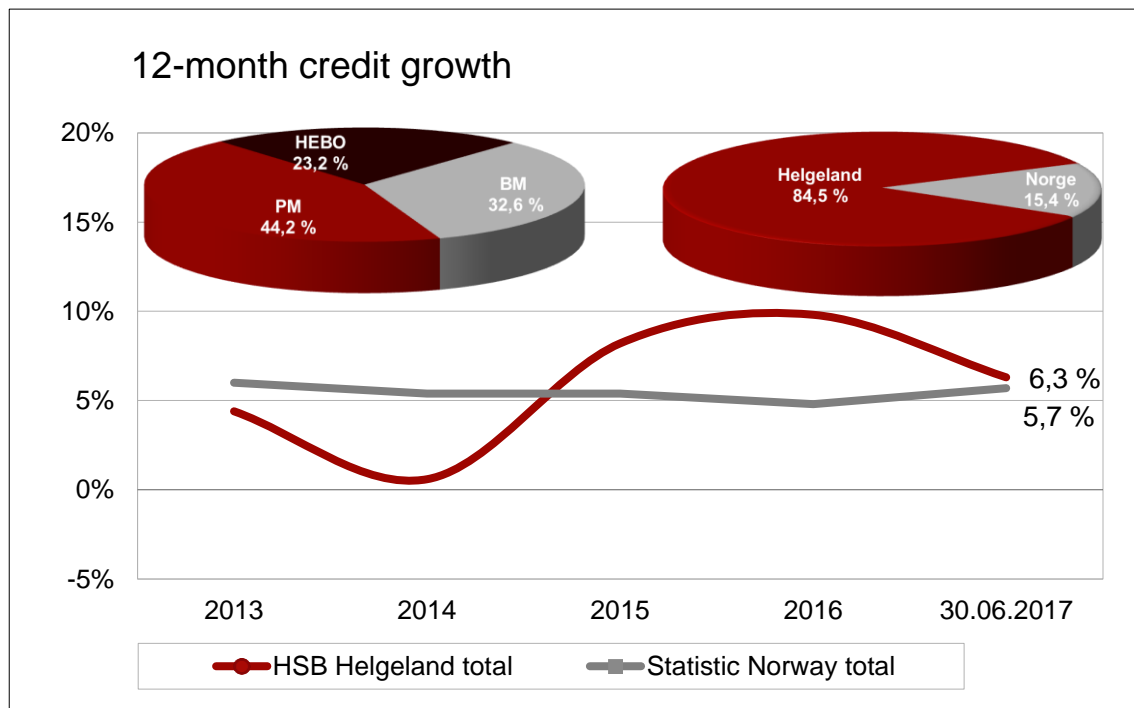
Helgeland

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En drivkraft for vekst på Helgeland



Credit growth



Commentary

Credit growth

- 12-month growth 6.3 (10.7)%

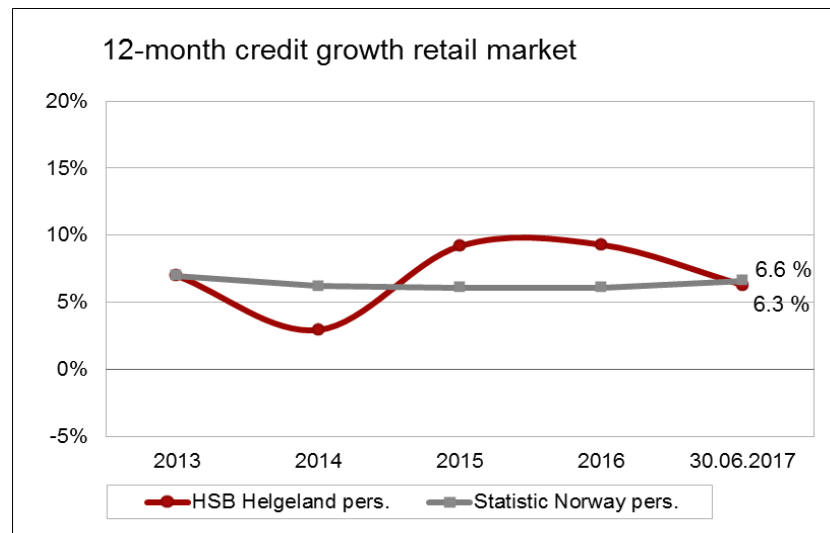
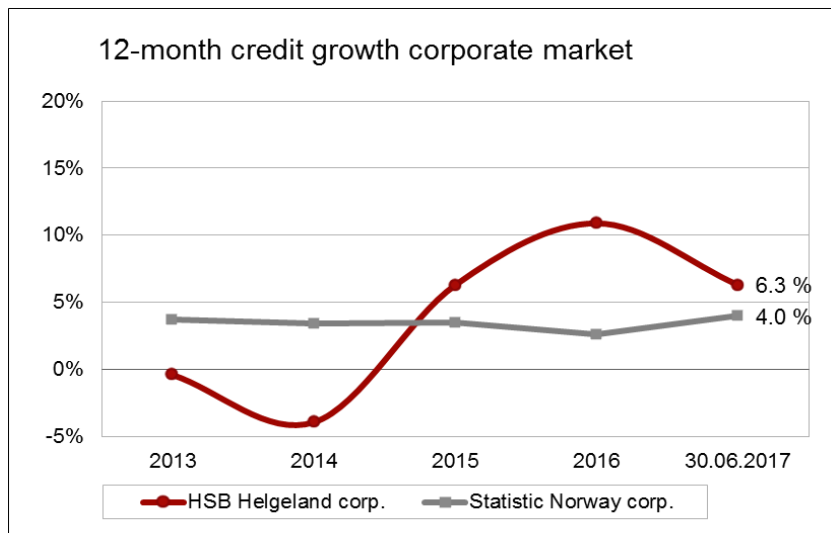
PM share

- Target minimum 60%
- Per Q2 67.4 (67.4)%

Locally in Helgeland

- Per Q2 84.5 (84.0)%

Credit growth CM and RM

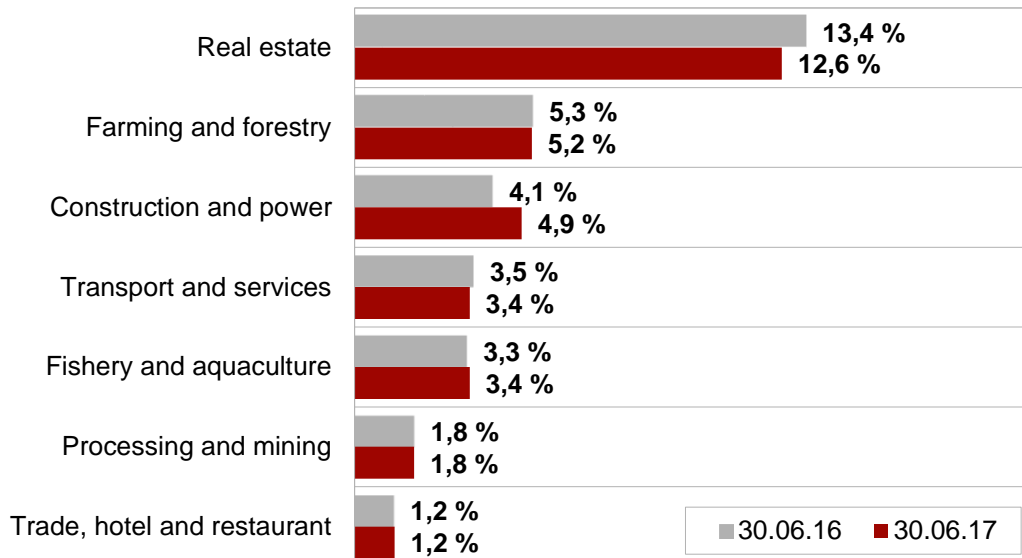


Commentary

12-month growth 6.3 (10.7)% whereby CM 6.3 (11.4)% and RM 6.3 (10.3)% - last 3 months, the growth is on national level

Lending CM

Lending distributed in sector

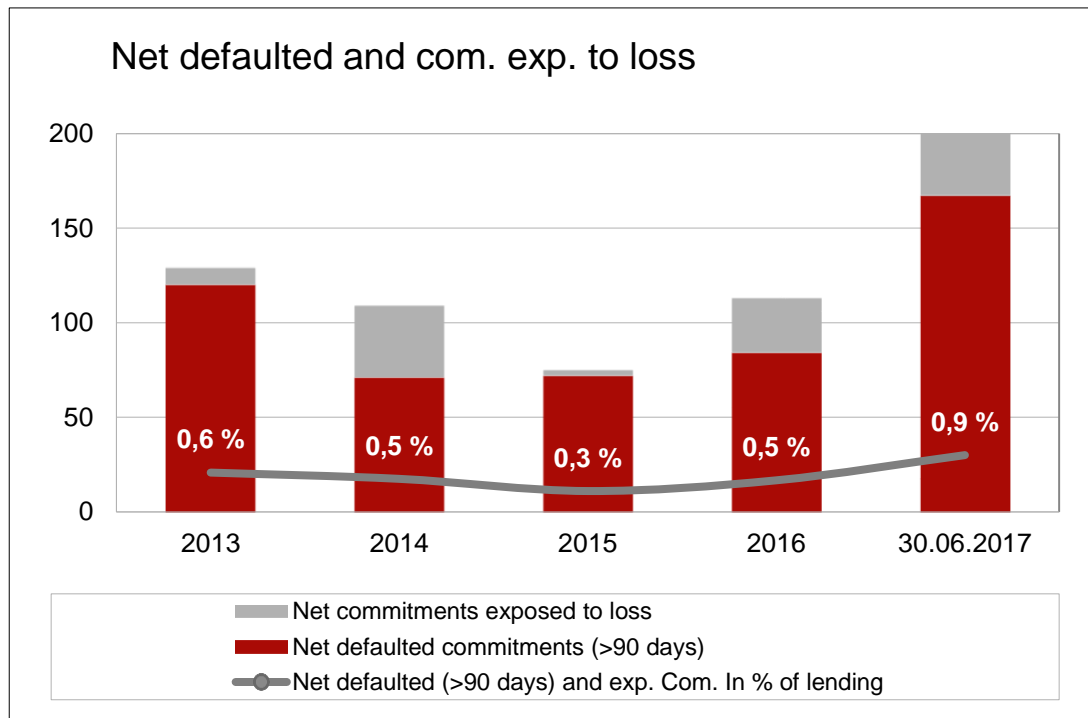


Commentary

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

Share CM of total lending 32.6 (32.6)% or MNOK 8 273 (7 783)

Non-performing and other impaired commitments



Commentary

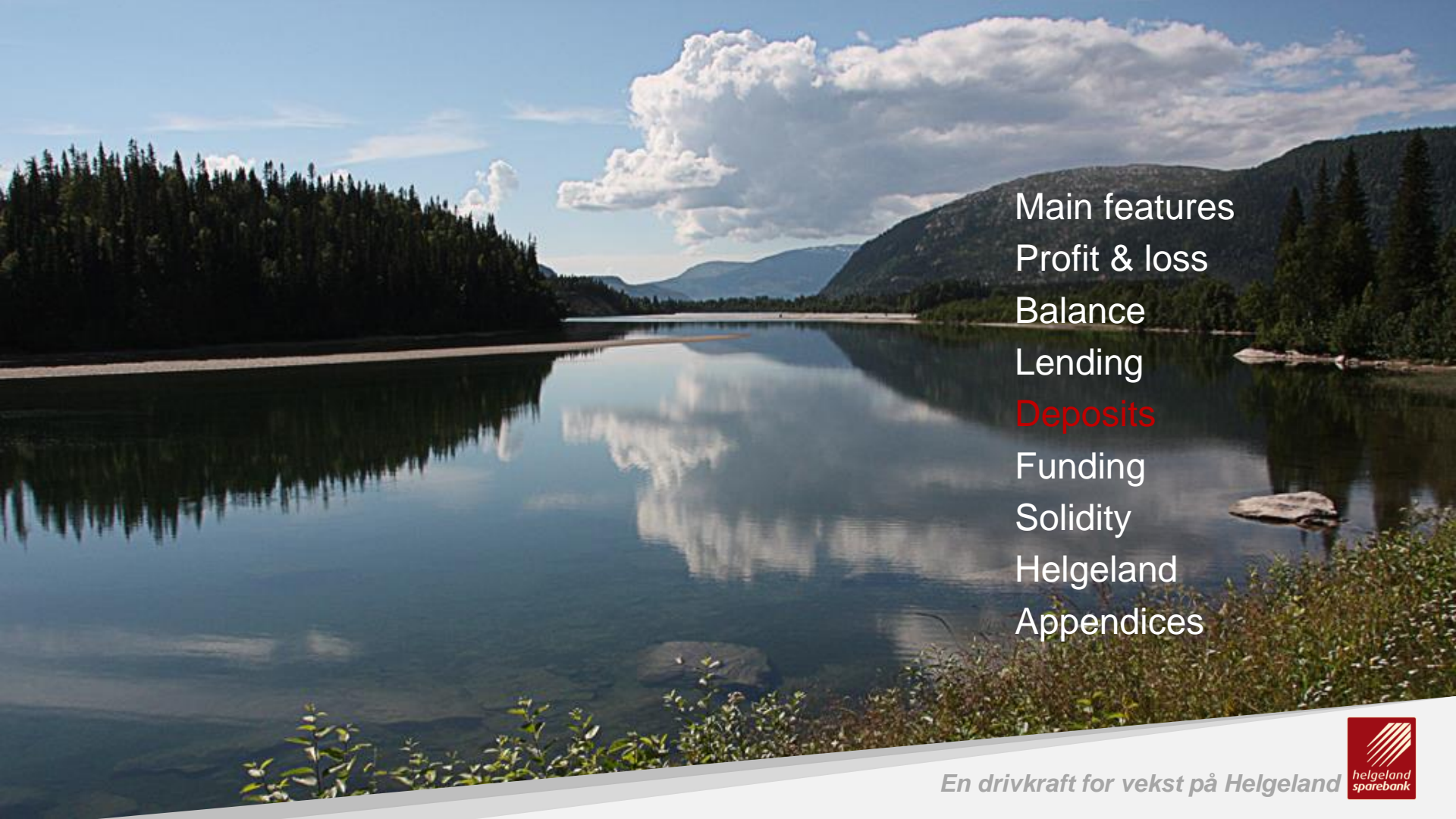
Net non-performing and other impaired commitments amounts to MNOK 228 (98) Which equals 0.9 (0.4)% of gross loans

Increased non-performing commitments

- Two individual commitments, one of them is updated through supply of new capital from owners. The other one is under closure with good coverage

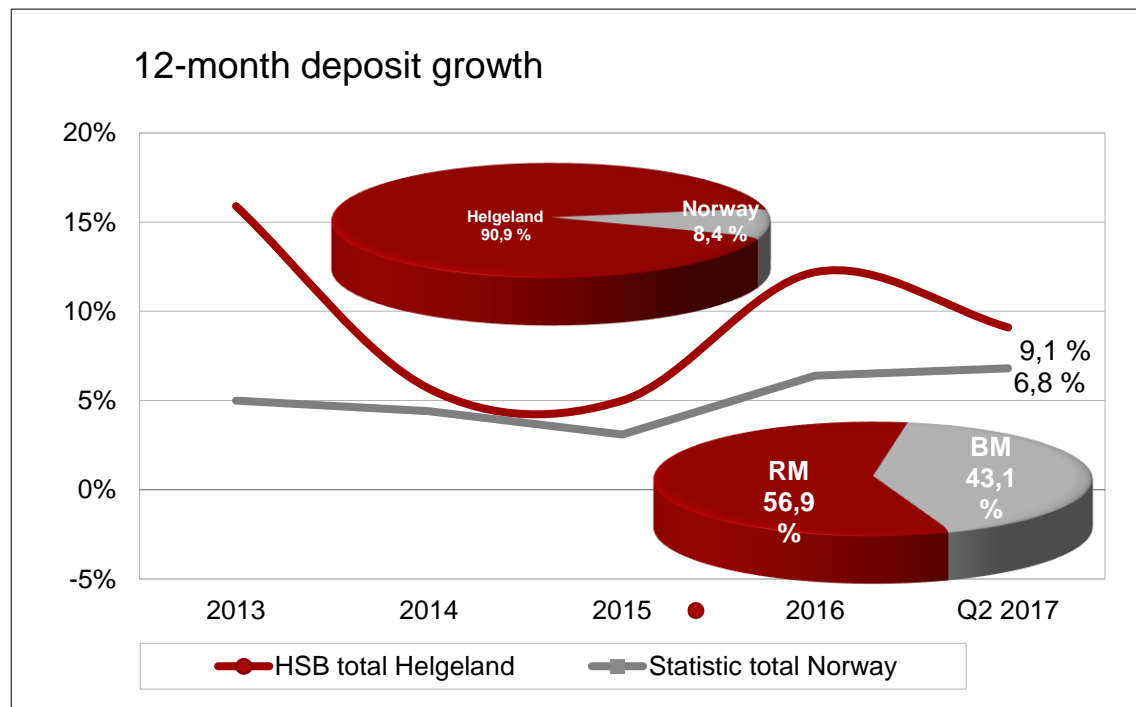
Increase in impaired commitments

- Restructured individual commitment



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Deposit growth



Commentary

12-month growth 9.1 (8.3)%

RM share

- Per Q2 56.9 (59.5)%

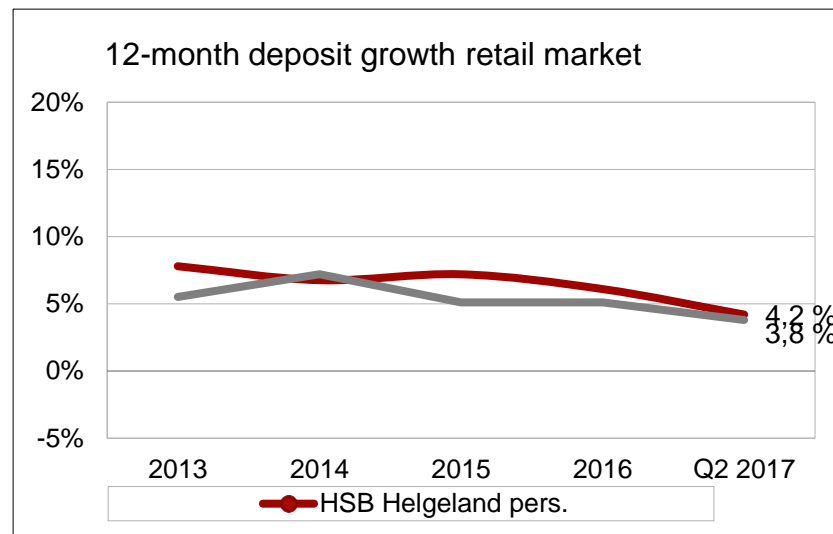
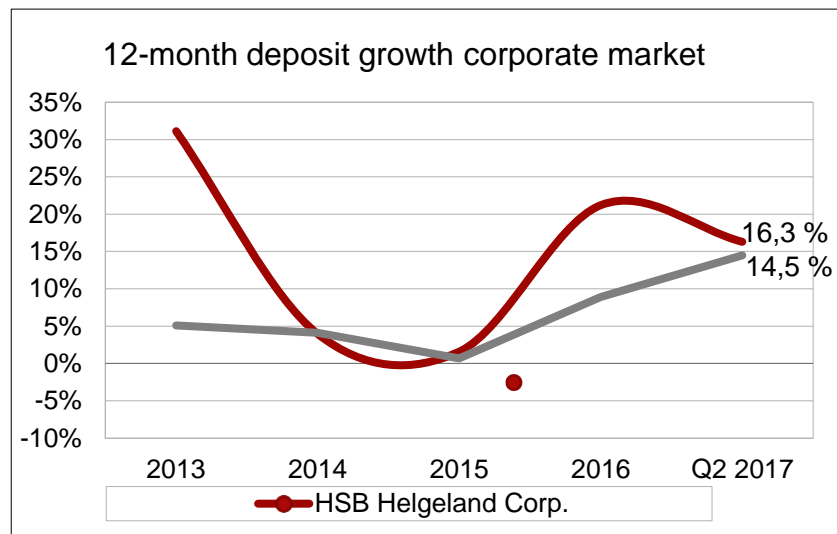
Locally in Helgeland

- Per Q2 90.9 (90.6)%

Deposit ratio

- Target minimum 60%
- Per Q2 66.7 (65.0)%

Deposit growth CM and RM

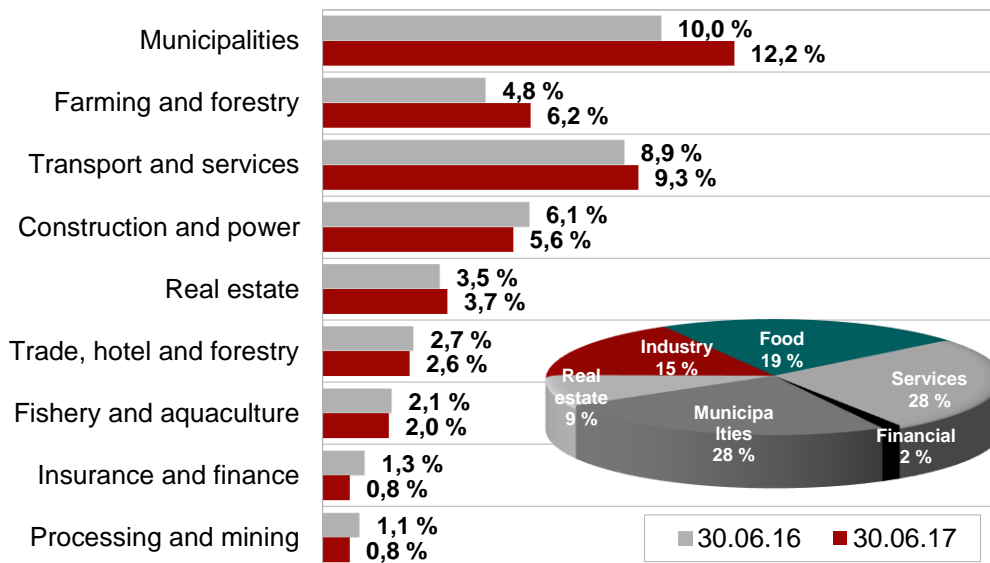


Commentary

12-month growth 9.1 (8.3)% whereby CM 16.3 (9.6)% and RM 4.2 (7.4)%

Deposits CM

Customer deposits



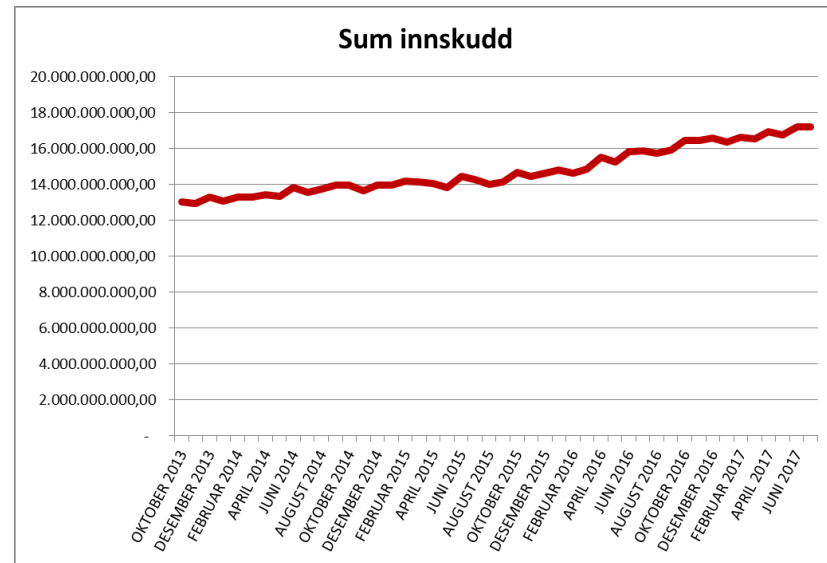
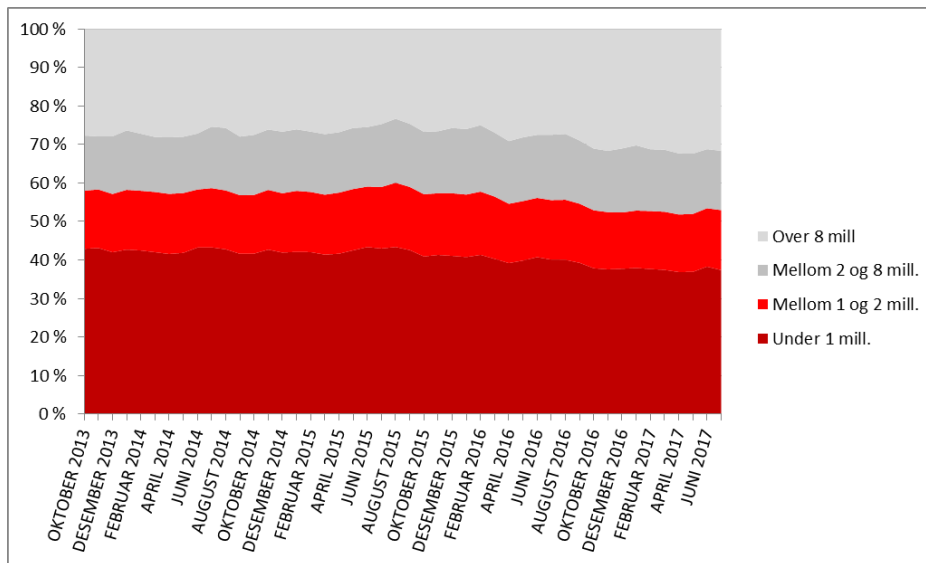
Commentary

Well diversified deposit portfolio in the CM

Share CM 43.1 (40.5)% or MNOK 7 313 (6 287) of total deposits

Deposits from municipalities constitute 28% of the CM deposits

Deposit development



A large share of PM deposits is under MNOK 2 (53 % of total deposits). The level is marginally higher than last quarter end, but slightly declining last 12 months because of the strong growth in corporate deposits. 60.5 % of the deposit is covered by the guarantee scheme

Main features

Profit & Loss

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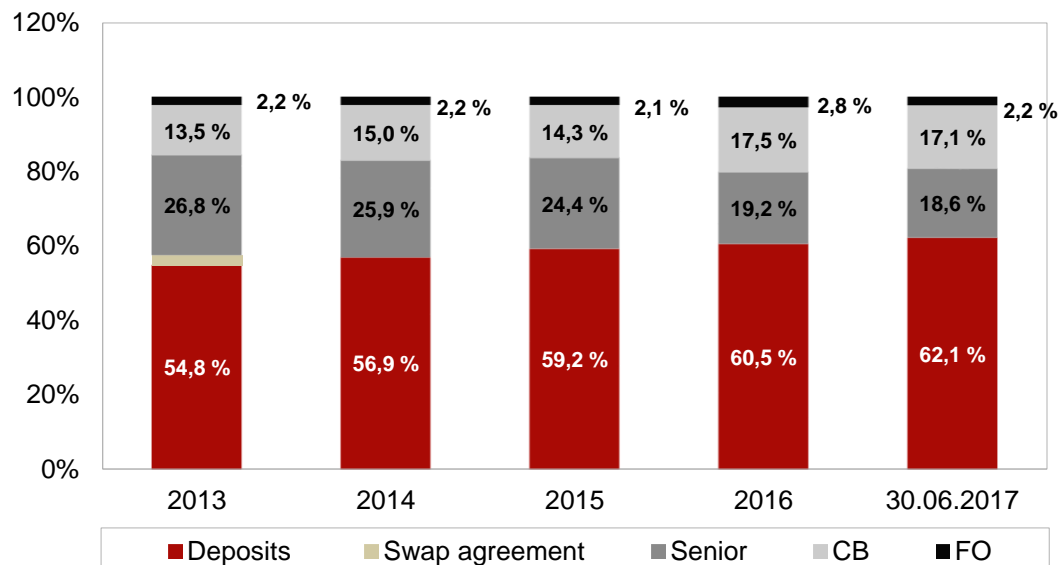
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Funding

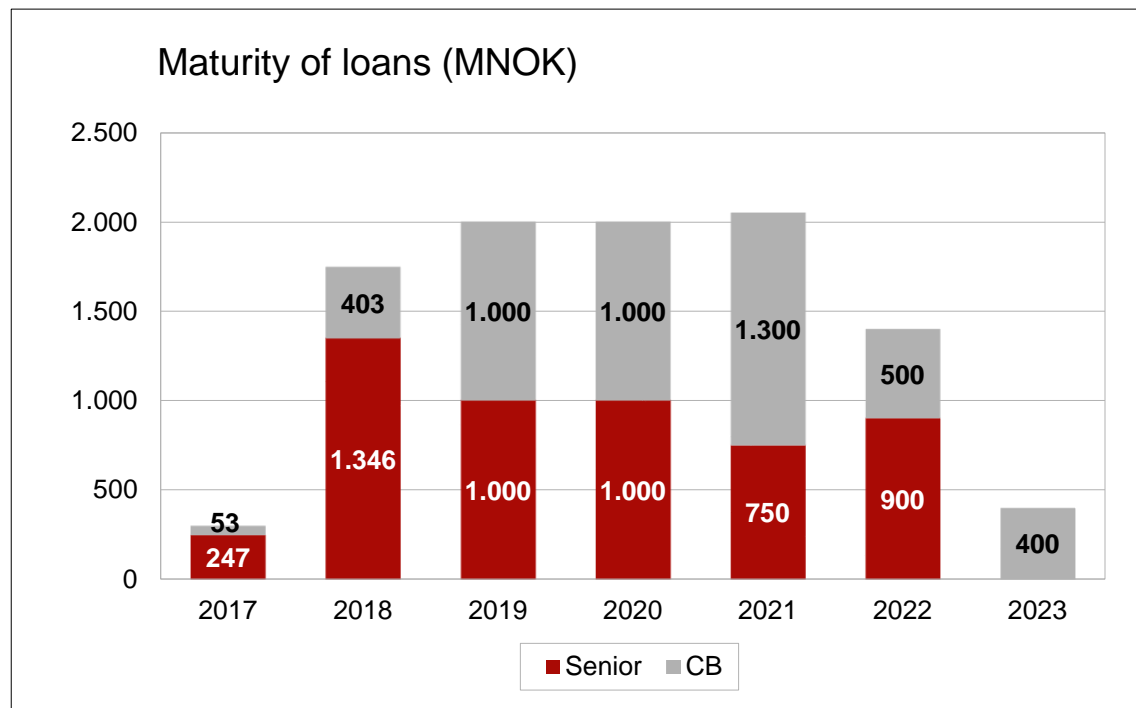
Funding development (MNOK)



Commentary

Deposits are the most important source for funding.

Funding



Commentary

Good and long term funding

Share long term funding
84.4% (79.3)%

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

Helgeland Boligkreditt AS

Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 20.8 (18.1).
- CET1 ratio of 16.3 (19.2)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 5 896 (4 898) and CB MNOK 4 756 (4 033)

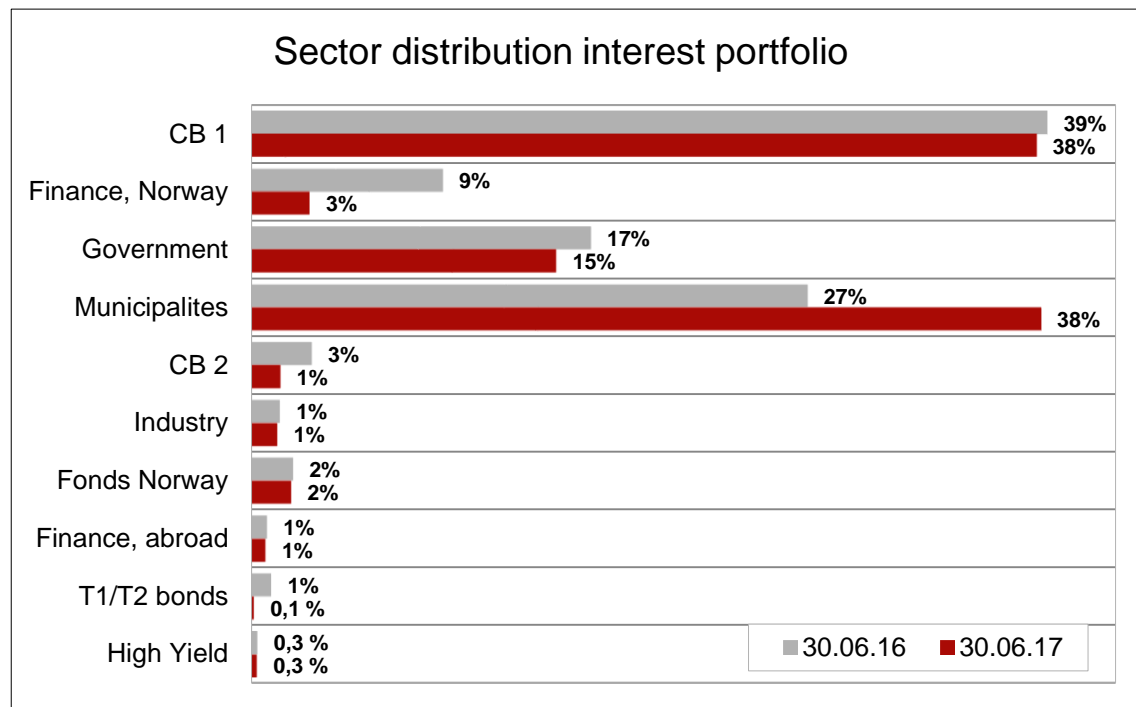
Good security in the lending portfolio

- Cover pool ratio of fullness 29 (28)%
- Combined LTV 53 (52)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 29% to 17%

Maximum limit for transferring is 30% of the Group's gross lending, transferred loans 23 (21)%

Liquidity buffers



Commentary

The liquidity buffers amounts to NOK 4.3 (3.9) bn. – equal 14.3 (13.6)% 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 3.5 bn.

Interest paying securities:

- Portfolio duration 2.1 (2.1) years
- 97% are rated A- or better
- 93% CB or Govt./municipal bonds

Municipal securities are actively used as short-term liquidity placement

A scenic view of a lake framed by trees, with a small boat in the distance. The water is calm and reflects the surrounding greenery. The scene is framed by the dark silhouettes of trees in the foreground.

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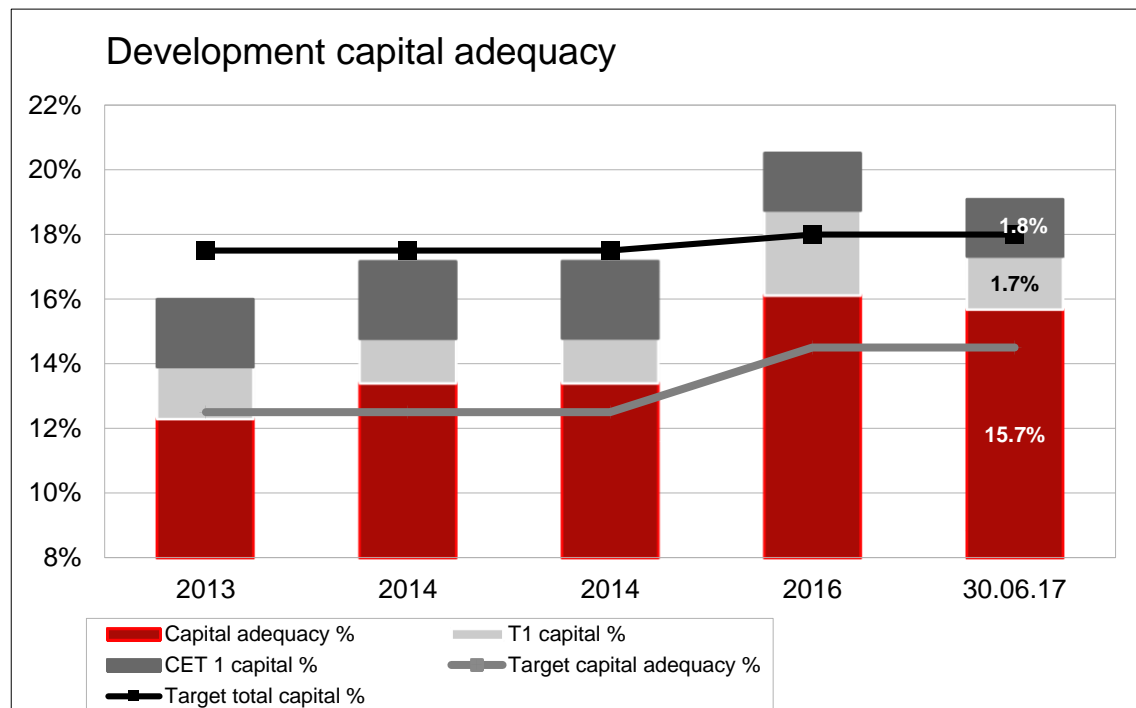
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En drivkraft for vekst på Helgeland



Capital adequacy



Commentary

Capital ratio (excl. profit 2017)

- CET1 15.7 (14.0)%
- Core capital 17.3 (15.4)%
- Total capital 19.1 (17.2)%

Well capitalized after placements in 2016. Repaid CB of MNOK 150 in 2017

The bank's targets, CET1 of minimum 14.5% and total capital of minimum 18.0%

The bank is considering new capital goals in September 2017

The Group's capital goals included Pillar 2 addition of 2.2% amounts to 14.2% per 31.12.17

Leverage ratio: 9.2 (7.7) %.



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HELG – the 20 largest owners

Per 30.06.17	Numbers	% share		Numbers	% share
Sparebankstiftelsen Helgeland	7 255 020	34.8 %	Vigner Olaisen AS	294 650	1.4 %
Pareto AS	1 949 392	9.3 %	Catilina invest AS	231 860	1.1 %
Merrill Lynch Prof.	1 253 462	6.0 %	Landkreditt utbytte	225 000	1.1 %
UBS AG, London Branc A/C	997 010	4.8 %	Apollo asset Limited	181 750	0.9 %
VPF Nordea Norge	972 840	4.7 %	Melum Mølle AS	166 680	0.8 %
Pope Asset Management BNY	651 840	3.1 %	Forte Trønder	135 210	0.6 %
VPF Eika egenkapital	536 050	2.6 %	Verdipapirfondet Pareto	126 000	0.6 %
MP Pensjon PK	462 200	2.2 %	Melesio Capital AS	113 000	0.5 %
Lamholmen AS	442 350	2.1 %	Nervik Steffen	110 510	0.5 %
Helgeland Kraft AS	377 690	1.8 %	Nordenfjelske Bykreditt	110 000	0.5 %
Total 10 biggest owners	14 897 854	71.4 %	Total 20 biggest owners	16 592 514	79.5 %

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

HELG – EC development and liquidity



	Q2 2017	Q2 2016	2016	2015
EC fraction	76.5 %	75.1 %	75.1 %	75.1 %
Number of EC's	20.9	18.7	20.9	18.7
Stock exchange price	84	62	81	59
Stock value	1755.6	1159.4	1692.9	1103.3
Accounted equity per EC	105.7	98.2	101	93.7
Profit per EC	4.7	8,0	13.5	8.4
Dividend per EC			3.75	2.75
Total return			43,6 %	12,3 %
Price/accounted equity	0.79	0.63	0.80	0.63



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Prospects and priorities

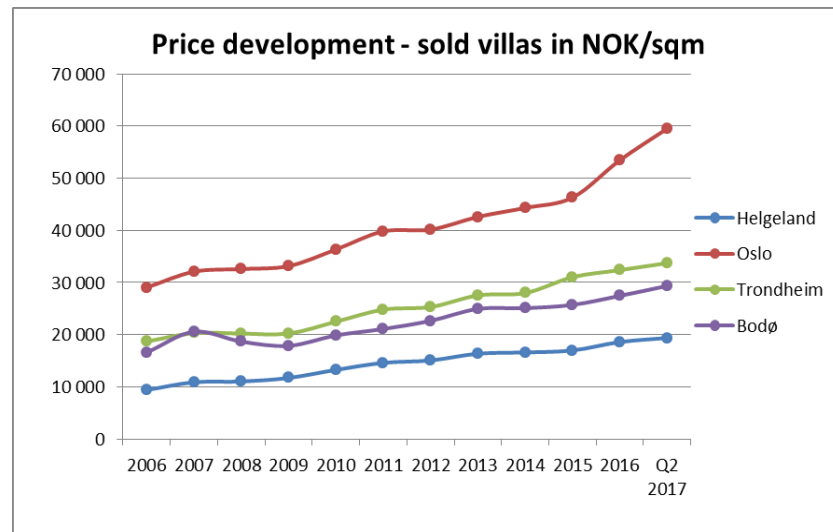
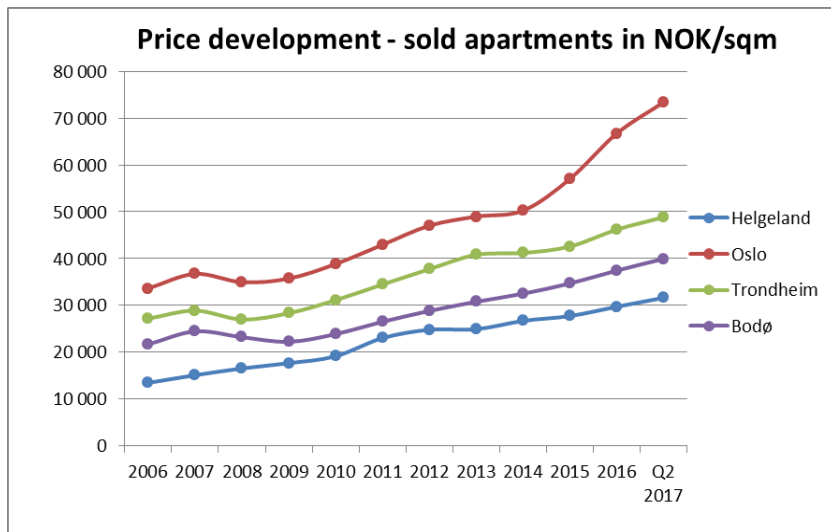
Result

- Profitable growth - strong focus on offensive measures in the retail market
 - Increased RM resources after closure of 6 small offices
 - Expatriate people from Helgeland
 - Cooperation with mortgage brokers
 - Offensive sales organization ensures width sale and commission income
 - Focus on good consulting in the customer dialogue
 - Exploit the implementation of CRM
 - The bank's significance for Helgeland
 - Increased visibility on social media
 - Important part of the customer dialogue and big influence for the customer loyalty
- Maintaining the net interest.
 - Still unexploited potential in the mortgage company
- Efficiency
 - Expected growth is handled without increased man years
 - Ongoing robotization of repetitive work processes
 - Investments in robot technology and CRM are cost challenging
- Low / moderate losses

Balance

- The high activity and willingness to invest in the business community is expected to continue
- Lower growth than expected in the RM – intensified competition challenges the opportunity to profitable growth, some flattening of housing prices combined with slower turnover on houses in parts of the market area
 - Overall slightly lower credit growth in 2017 than 2016
- 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 first half of 2017 was -0.2% (price index).

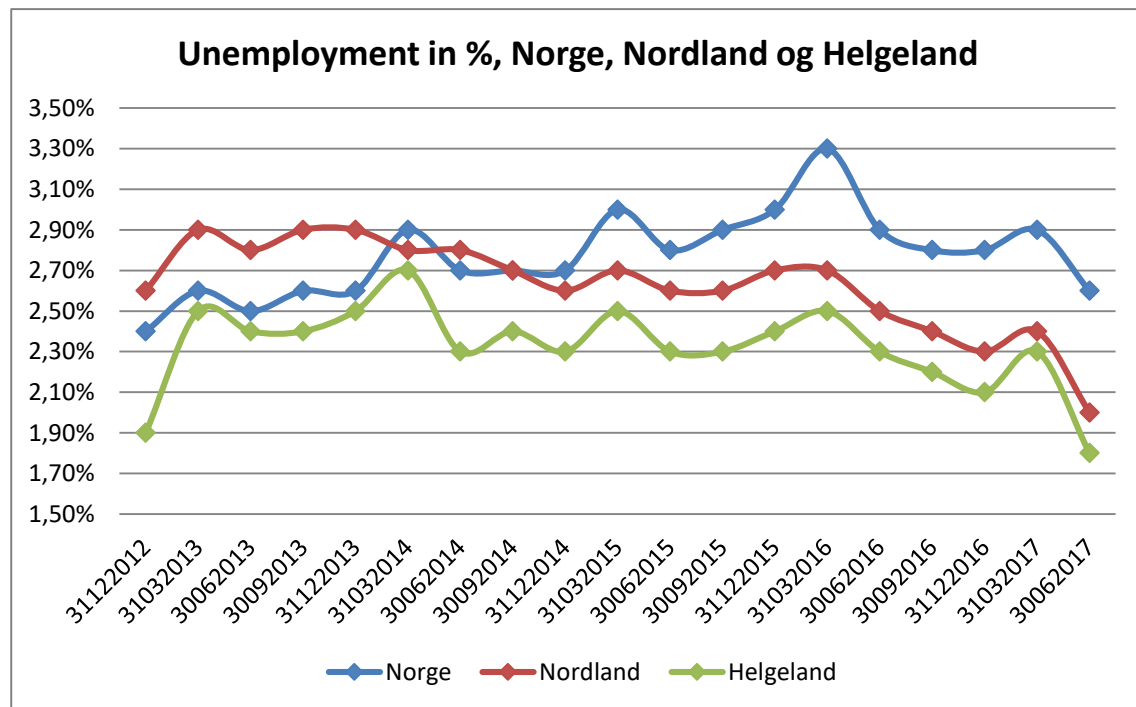
- Property price increase in Helgeland was 6.4% in the same period. Bodø 6.7% and Oslo 10.0%

Villas first half of 2017 had a national average price increase of 6,0% (price index).

- Property price increase in Helgeland was 4.2% in the same period. Bodø 6.9% and Oslo 11.3%

The price growth in 2nd quarter is very low and in some areas negative.

Unemployment



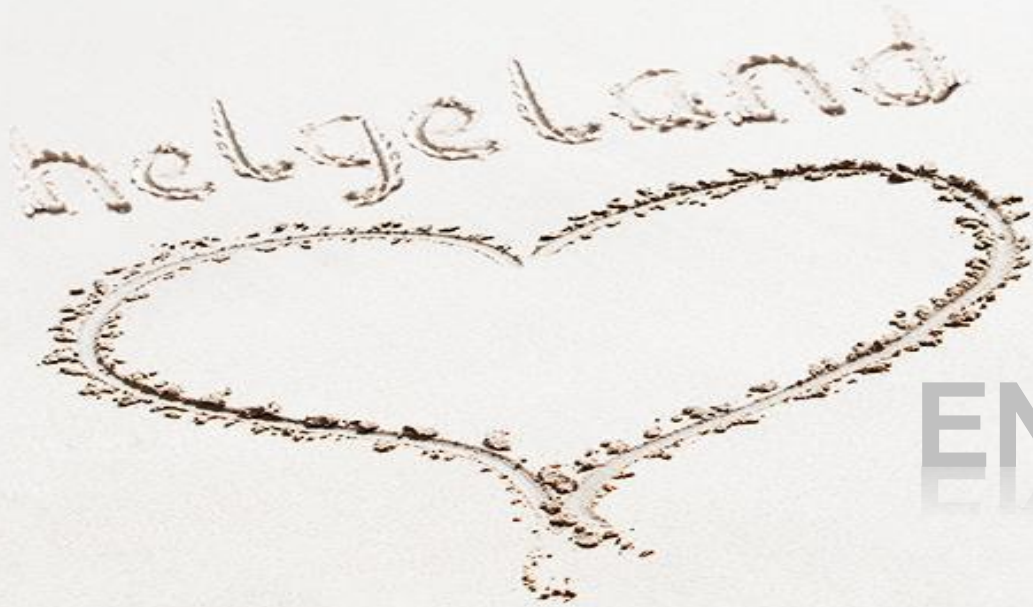
Commentary

Unemployment in Helgeland and in Nordland is by the end of June 2017 slightly lower Norway overall.


Overall unemployment in Helgeland is 1.8% which is 0.2%-points under the average for Nordland.

At the same time, unemployment nationally was 2.6%. This is a reduction of 0.3%-points from 31.03.17.

The future is in North!
Thank you for your attention!



EN DRIVKRAFT
FOR VEKST



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Helgeland Sparebank

helgelanboligkreditt 100%

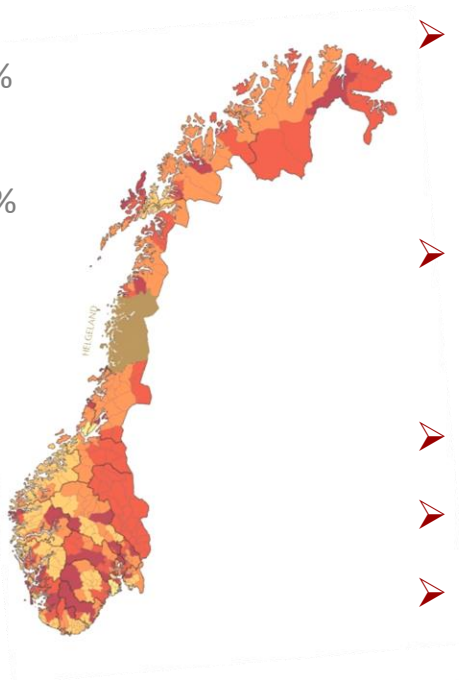
HELGELAND INVEST 48%

REDE EIENDOMSMEGLING 40%

FrendeForsikring 7,9%

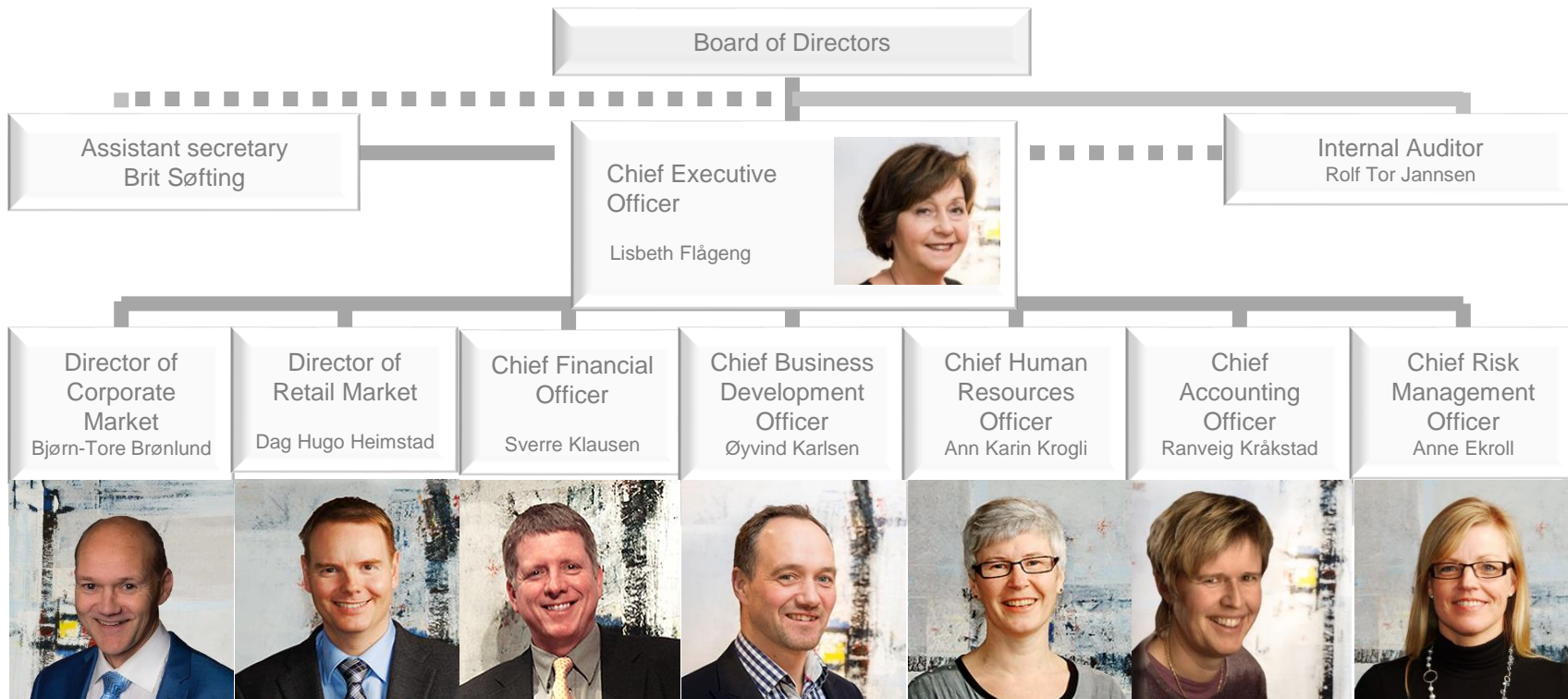
NORNE SECURITIES 7,5%

BRAGE FINANS 10%



- Helgeland Sparebank is the 10th. 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 and Brønnøysund. The bank have also 2 minor offices.
- Total assets: MNOK 30 514
- Employes, annual positions: 151
- Moodys rating: A3 – Stable outlook. Ticker: HELG, owner fraction 76,5%.

The bank's organization



Contact information

Head office

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Visiting address Jernbanegata 15, 8622 Mo i Rana
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Web www.hsb.no
Organization number 937904029

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Board of directors

Ove Brattbakk, leder
Stein Andre Herigstad-Olsen, nestleder
Eva Monica Hestvik
Bjørn Audun Risøy
Inga Marie Lund
Nils Terje Furunes
Marianne Terese Steinmo
Birgitte Lorentzen
Geir Pedersen