

Presentation  
Q1 2020

# *En drivkraft for vekst på Helgeland*

# Presentation per 31.03.20 (HSB Group)



Hanne Nordgaard  
Chief Executive Officer



Sverre Klausen  
Chief Financial Officer

## Main Features

Events Q1

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices

# Main features per 31.03.20

| Gross profit | MNOK 40 (93)       |
|--------------|--------------------|
| ROE*         | 2.8 (9.6) %        |
| Total assets | 33.6 (33.4) bn     |
| Solidity     | CET1 17.2 (15.1) % |

\*Adjusted for hybrid capital

# Financial targets

ROE:  
10 %

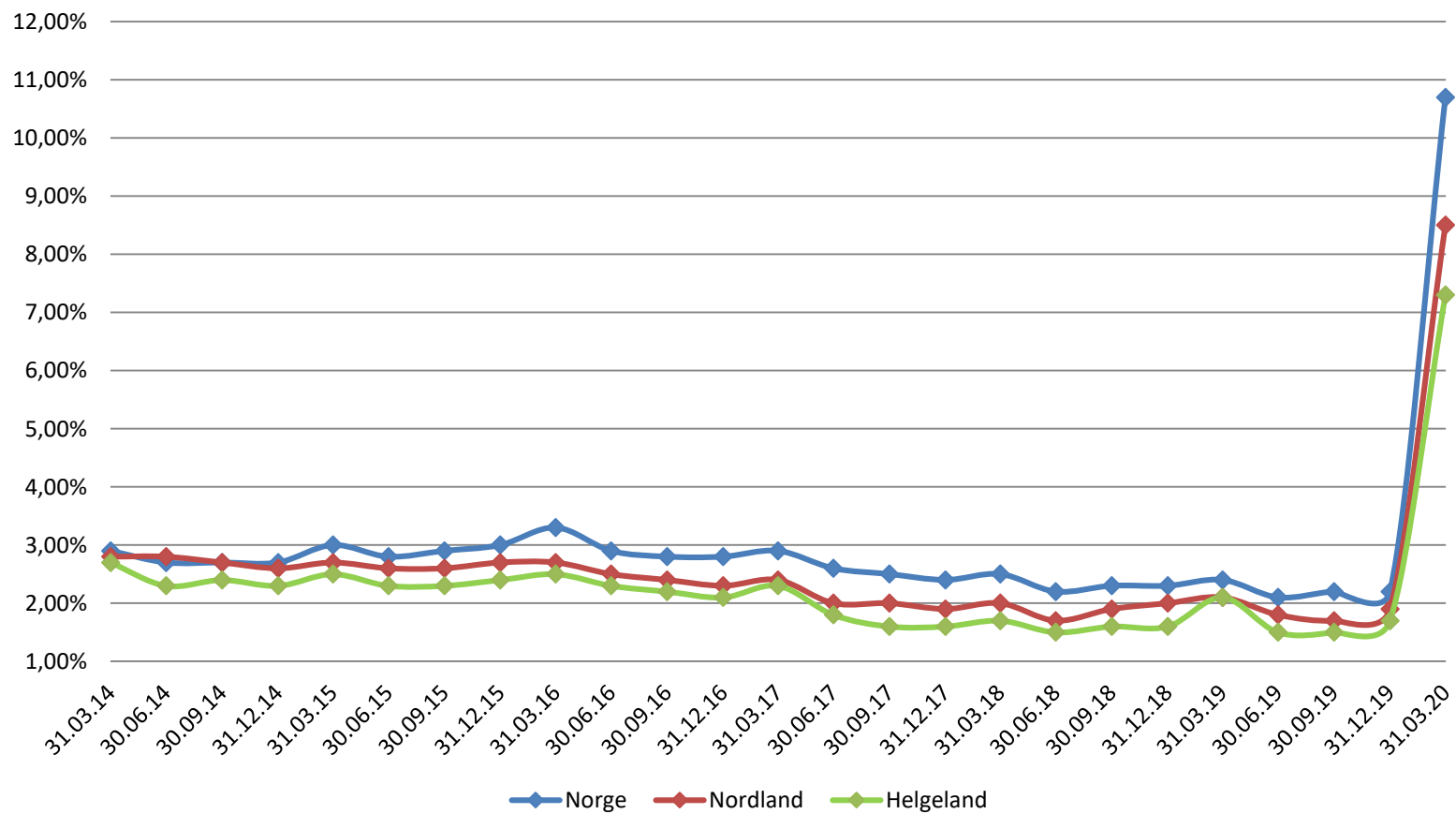
CET1:  
16.0 %

Cost growth:  
C/I < 40 %

Dividend ratio:  
50 %  
Of the dividend basis

# Unemployment

## Unemployment in %, Norge, Nordland og Helgeland



Under the covid-19 pandemic, the unemployment has increased significant from Q4 2019 to Q1 2020.

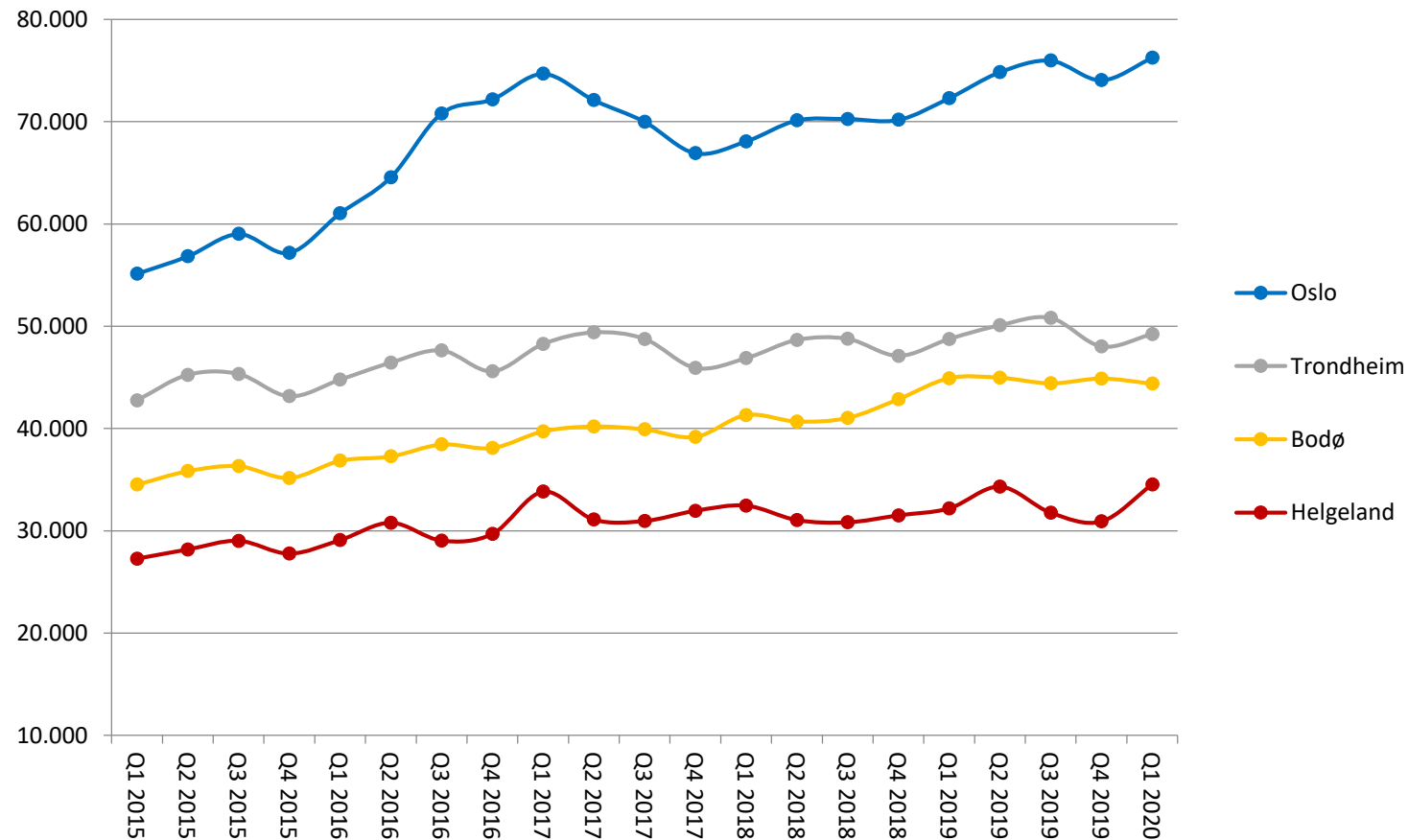
The society has from April 20th started to open, and it is expected that several on leave enters their jobs again.

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

- Norge 10,7 %
- Nordland 8,5 %
- Helgeland 7,3 %

# Stabile property price development

Price development - sold apartments in NOK/sqm

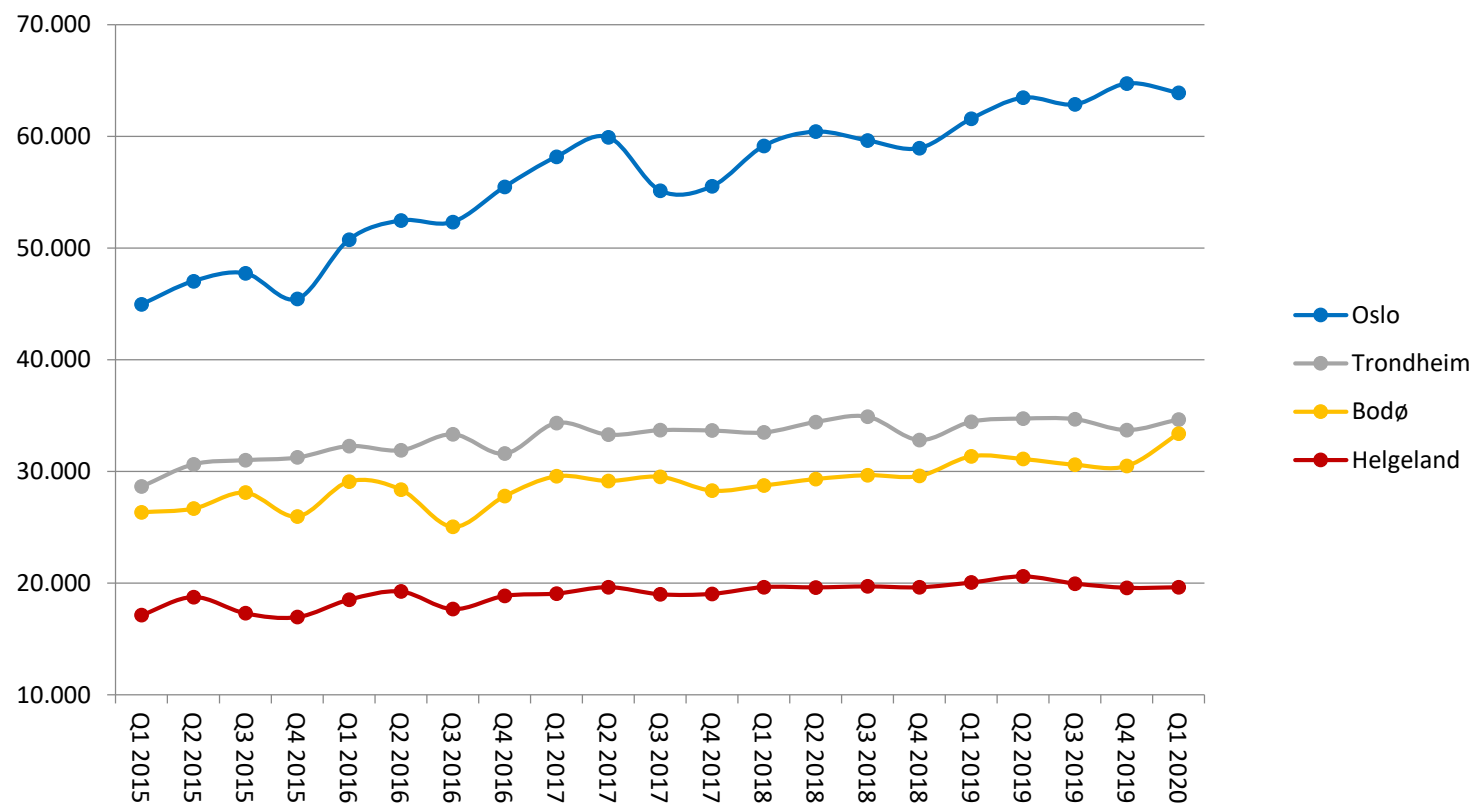


Price development in 1st quarter, 11.7 % in Helgeland and 3.0 % in Oslo.

The price level on apartments in Helgeland is now normalized after price decline in Q3 and Q4. The level is now the same as in Q2 2019.

# Property price development

Price development - sold villas in NOK/sqm



Price development in 1st quarter, 0.2 % in Helgeland and - 1.3 % in Oslo.





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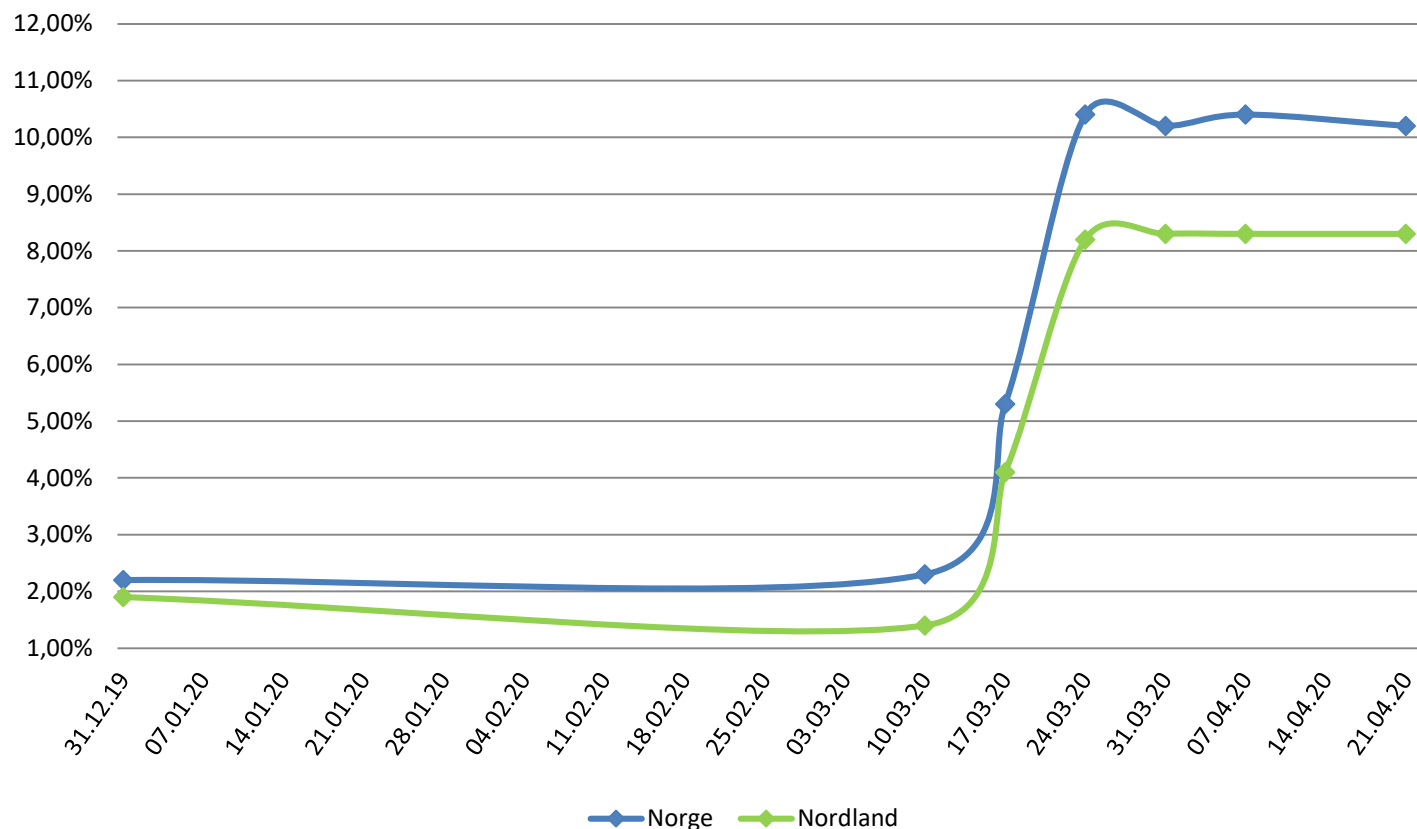


# Helgeland and the Covid-19 pandemic

- It has been few cases of infected in Helgeland.
- Covid-19 is not expected to provide significant changes in price development in Helgeland.
- Unemployment in Helgeland is low, considering the crisis; 7,3 % in the 1<sup>st</sup> quarter against 10,7 % nationally.
  - Export-oriented business with steel/aluminum and salmon which so far is little affected by the crisis and benefits from low exchange rates.
  - Large public sector stabilizing the economy.
  - Little oil related industry, and also little dependent on tourism.
  - Helgeland has several public infrastructure projects which can contribute to a faster turnover when the activity in the society resumes.
  - Helgeland Sparebank has done a survey with their customers. 60 % of the businesses says that they expect the same or increased income for 2020 as before covid-19, and investment plans are relatively unchanged.

# Helgeland and the Covid-19 pandemic

Unemployment in %, Norge, Nordland og Helgeland



**March 10th:**

Nordland: 1.4 %  
Norway: 2.3 %

**March 17th:**

Nordland: 4.1 %  
Norway: 5.3 %

**march 24th:**

Nordland: 8.2 %  
Norway: 10.4 %

**April 7th:**

Nordland: 8.3, %  
Norway: 10.4 %

**April 21st:**

Nordland: 8.3 %  
Norway: 10.2 %

After the covid19 pandemic, the unemployment has increased significant from the beginning of March with 7.9 %. At the same time, new numbers from April 21<sup>st</sup> show a slightly positive trend and a small decrease in the unemployment.

The unemployment in March, with 235 000 several registered unemployed, is the highest in only one month ever. Layoffs represents most of the increase. Unemployment numbers from NAV shows that 87 % of the new job seekers in March is layoffs.

Source: NAV, Hovedtall om arbeidsmarkedet. Uke. Regjeringen

# Helgeland Sparebank and the Covid-19 pandemic

- Moderate effect on the banking operation.
  - Value change financial instruments
  - Write-downs
  - Operational activities
    - Interest rate lowering
    - Installment postponement/liquidity loans:
      - 550 retail customers has applied for installment relief.
      - CM commitments of MNOK 30 of assigned frame of MNOK 253 under the loan guarantee arrangement. (0,16 % of gross loans CM)
      - It has been given installment relief on commitments of MNOK 18 in the corporate market.
      - MNOK 10 is approved as temporary additional credits in the corporate market.
    - Other adoptions (Closed bank premises and other virus spread reducing measures)
  - It has not been registered significant changes in the demand of products and services as a consequence of the crisis, and the bank's ability to cover future demand of services will be good.
  - The bank has relatively little exposure against especially exposed business groups within oil, tourism, hotel, and the restaurant business.
  - Total effect of the pandemic is uncertain and related to the time perspective of the measures initiated, both nationally and internationally.



*Creating bank history together  
– Stronger local bank in  
Helgeland*



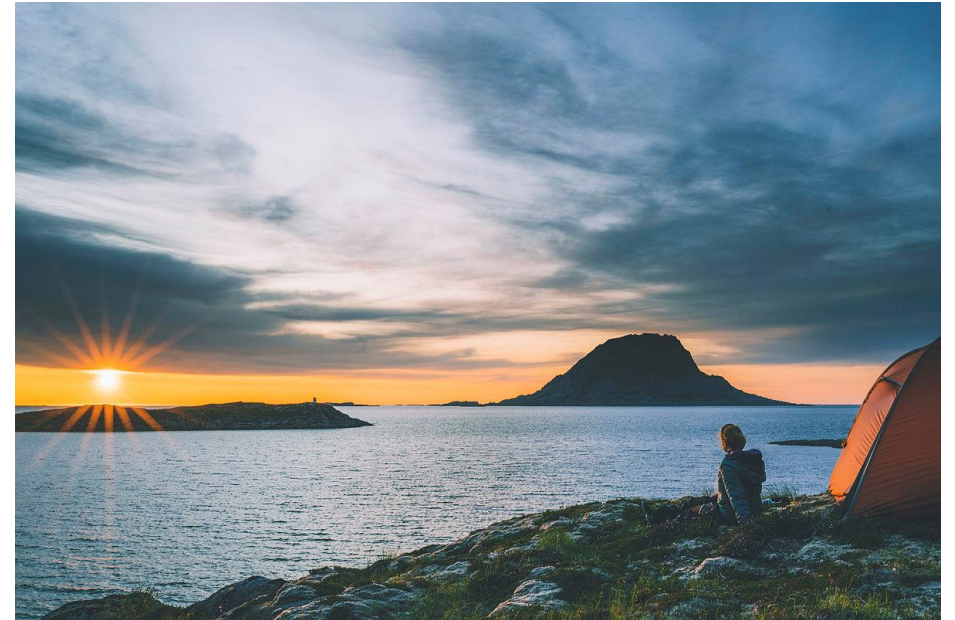
**HELGELAND**  
SPAREBANK

**SpareBank**  
NORD-NORGE 



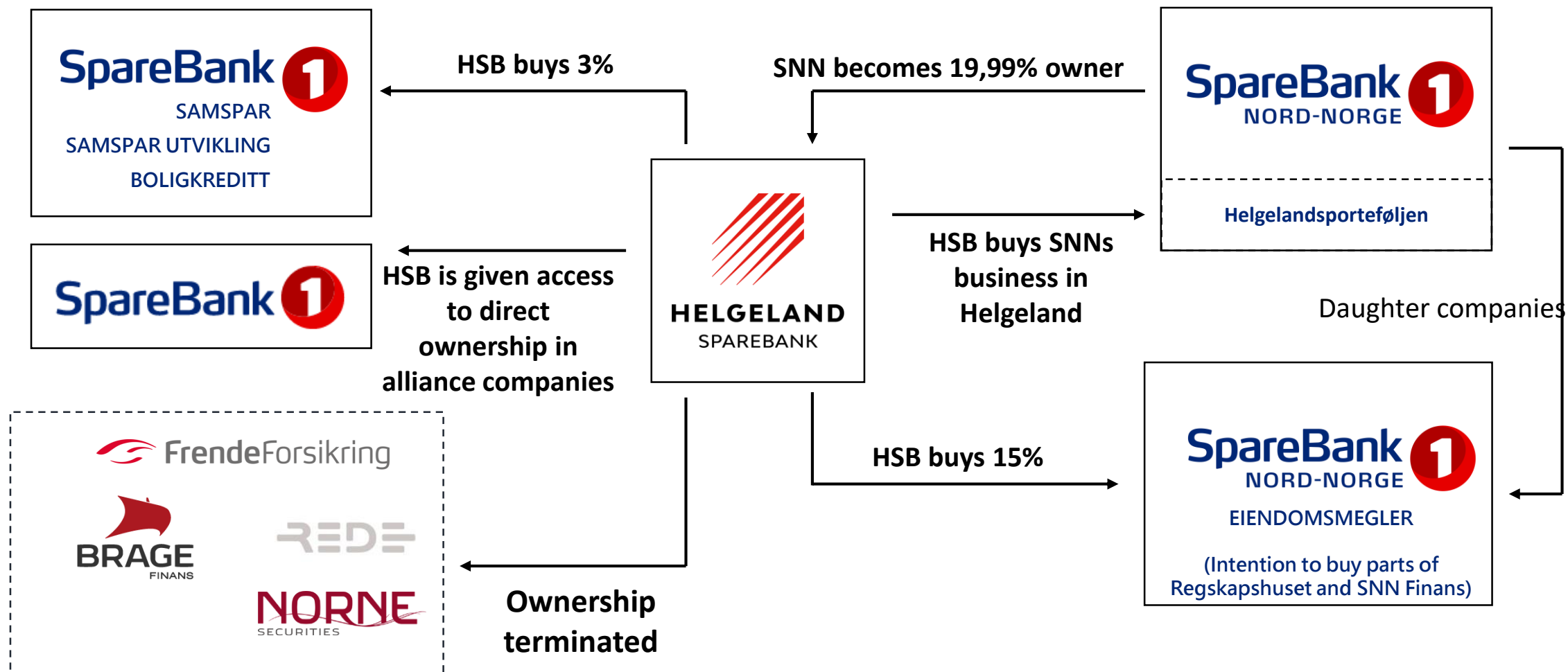
# Future focused bank cooperation in Helgeland

- Helgeland Sparebank («HSB») and SpareBank 1 Nord-Norge («SNN») strengthens its efforts for the local population and the businesses in the region as HSB takes over SNNs banking operations in Helgeland
- SNN becomes a long term owner of 19,99% of the ECC's in HSB and the banks attach closer bond to strengthen bank operations in the northern Norway.
  - HSB buys 15 % of the shares in SNNs whole owned daughter company within real estate, and has an intention to buy parts of their two whole owned daughter companies within accounting, finance and leasing services.
  - The banks will develop a business cooperation where SNN delivers services to HSB
  - SNN will still be present and employ significant capital in Helgeland through the ownership in HSB, daughter companies and larger corporate commitments.
  - HSB enters the SpareBank 1 alliance at the same time
  - Will strengthen and expand the services to the banks customers
  - The SpareBank 1 alliance represents a network of strong supporters in the Norwegian bank cooperation.
  - Strong developing environment in IT, branding and streamlining



*Den common commitment in Helgeland is expected to provide basis for larger commitments, increased income, lower costs and more effective use of the banks equity.*

# Overview of the transactions



*SNN will be present and activate significant capital in Helgeland, both direct through larger business commitments and daughter companies, but further also through the ownership in HSB.*

# The cooperation permits significant savings, synergies and increased income ahead.



- Expected annual synergies in about MNOK 60-70 from 2023
  - Cost synergies will lie within the areas office structure, employees, IT and more effective use of the equity
  - Increased income possibilities through a strengthened offer of financial services in Helgeland
- HSBs integration costs related to the implementation is calculated to be approximately MNOK 90-110
- In addition, the transactions will provide write-downs of IT systems

*HSB will consider to increase the annual ROE target from 10 % to 11 % from 2023.*



- SNN will have released a significant equity binding related to the banking operation in Helgeland, Approximately around MNOK 300

*The ownership in HSB is expected to have positive PLA effect for SNN from 2022*

# SNNs banking operation in Helgeland

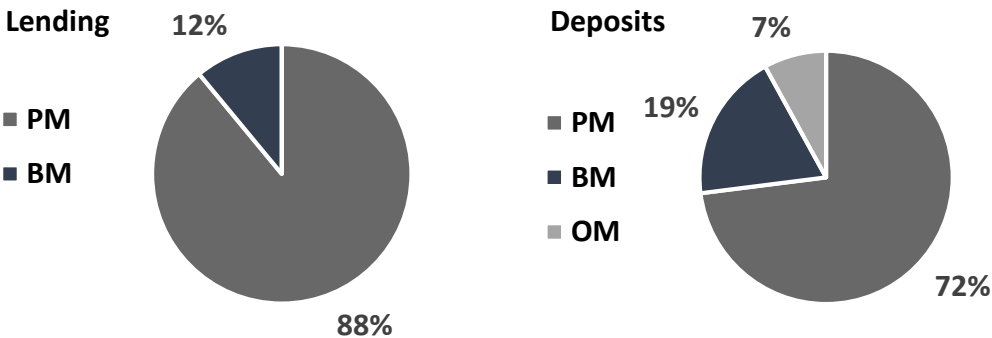
## Description

- SNNs banking operation in Helgeland consist of several offices with associated lending, deposit and insurance portfolio.
- The lending portfolio being transferred consisted per December 31th 2019 of about NOK 8.9 billions in commitments to the retail market and NOK 1,2 billions. in commitments to the corporate market.
- Deposits was on the same time about NOK 3,5 billions.
- At the same time, management rights is transferred and duties related to SNNs insurance portfolio in Helgeland

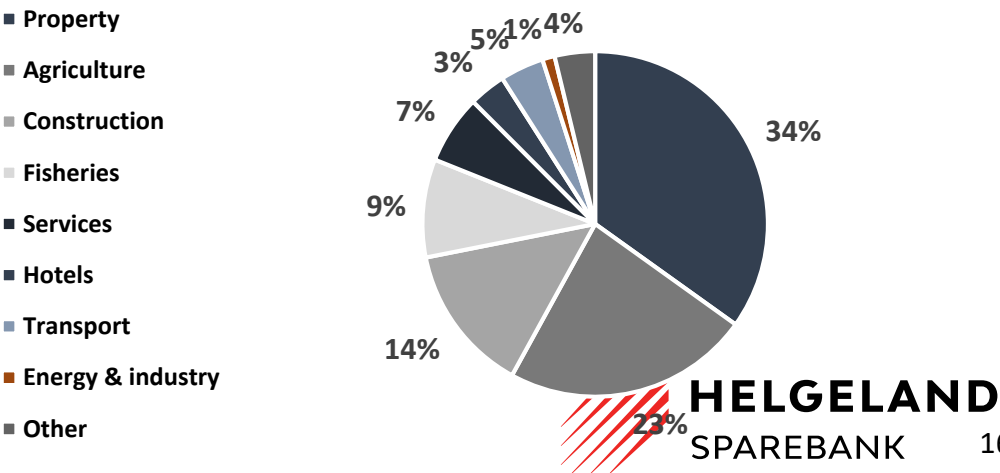
## Net lending and number of customers



## Allocation of lending and deposits per segment



## Sector allocation of the CM portfolio



Note: 1) All numbers is per December 31st 2019









Main features

Events Q1

**Profit & loss**

Lending

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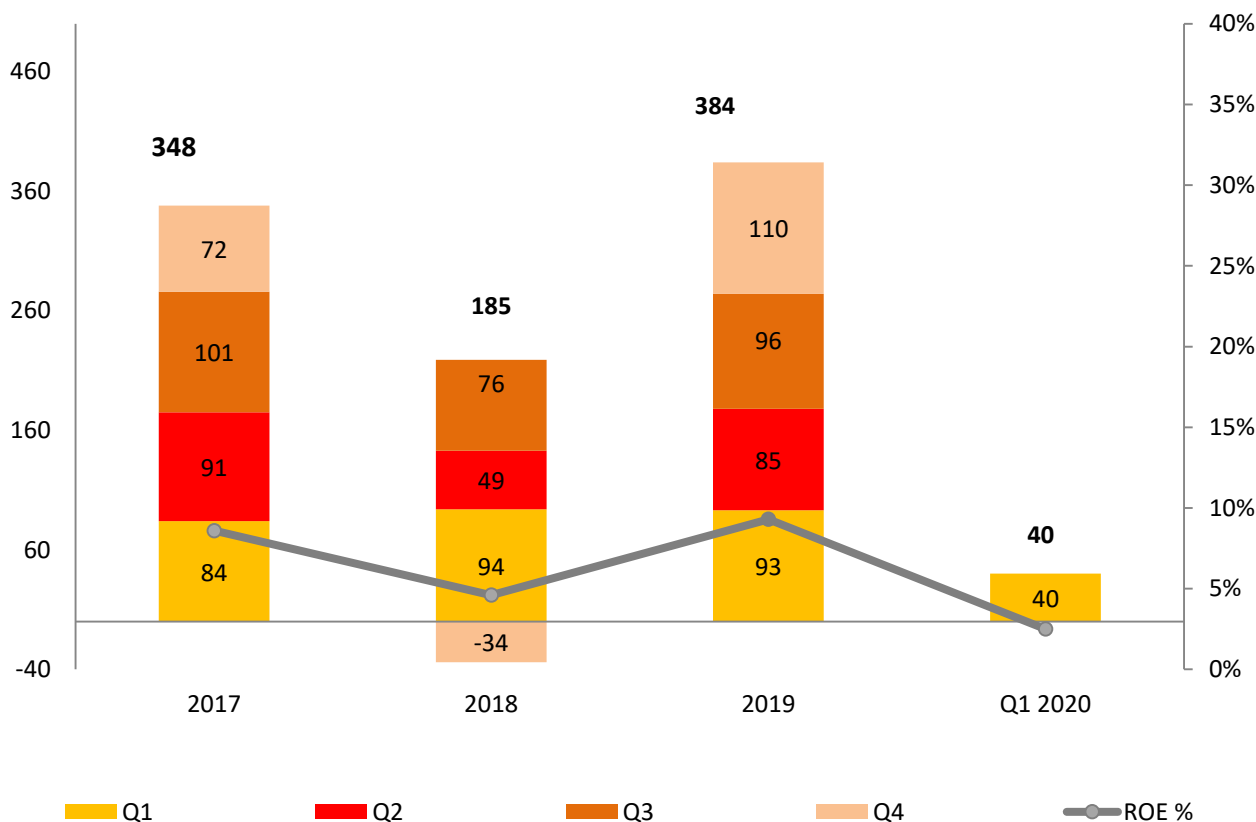
Solidity

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Appendices

# Profit

Profit development (MNOK)



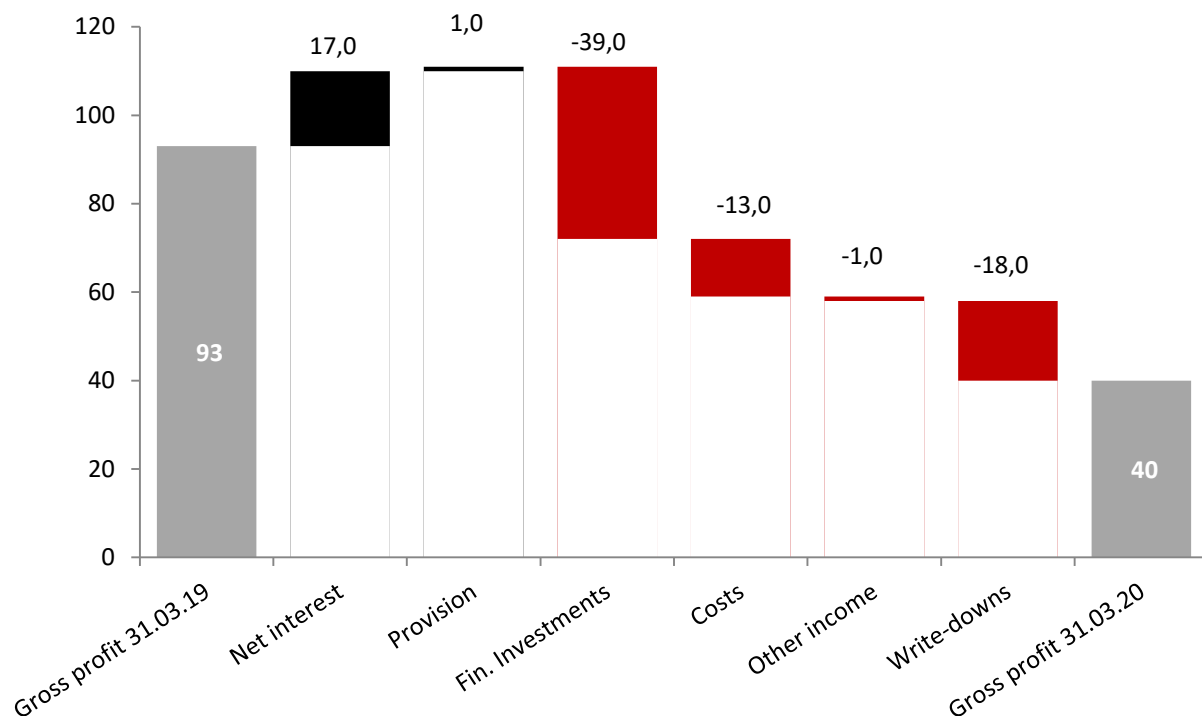
Profit Q1

Gross profit MNOK 40  
• Net ROE 2.5 %  
(hybrid included)



# Gross profit

## Change in gross profit (MNOK)



## Good result

Gross profit MNOK 40

- Increased net interest
- Decreased income from financial investments.
- Increased costs
- Increased write-downs on lending



# Financial investments

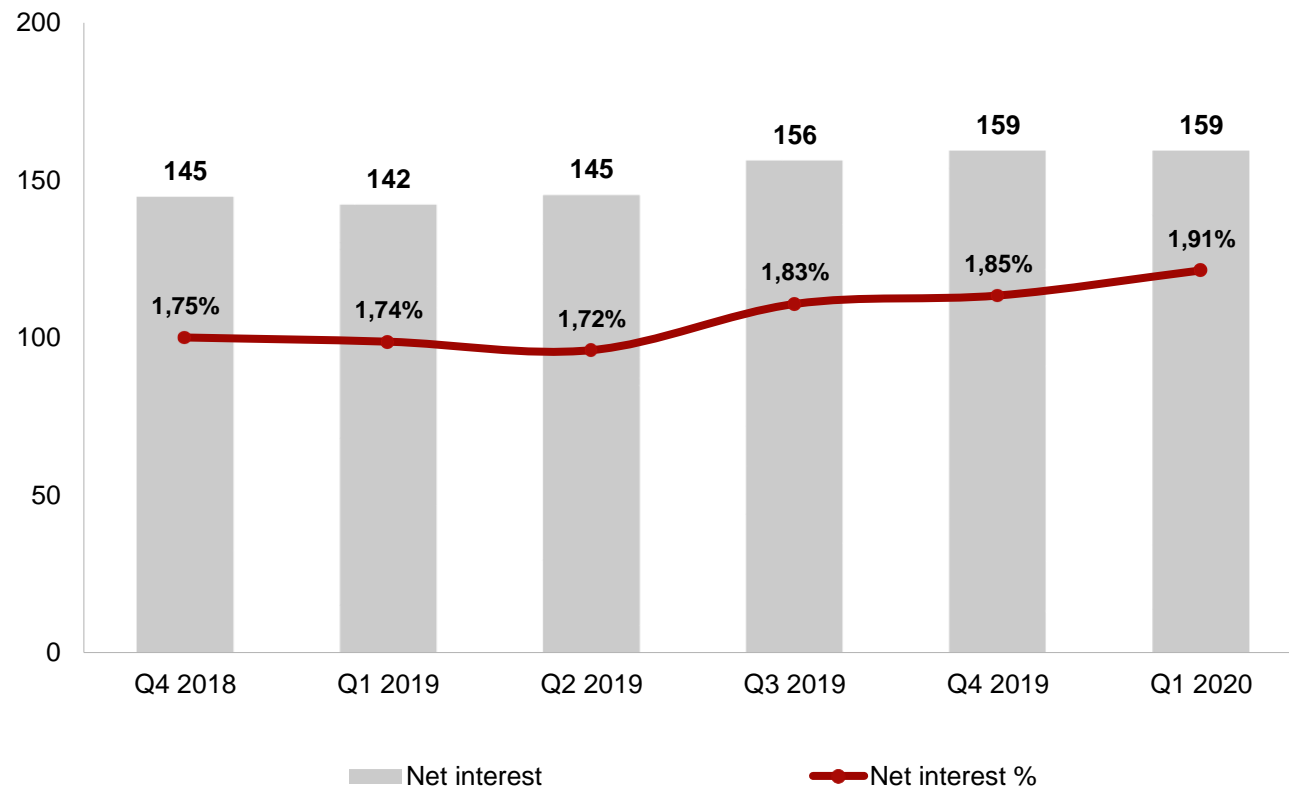
Write-downs and profit from associated companies MNOK 4

Value change financial instruments and shares MNOK 31

- Market based instruments MNOK 10
- Net value change fixes rate loans MNOK 14
- Write-downs other financial assets and shares MNOK 7

# Net interest

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

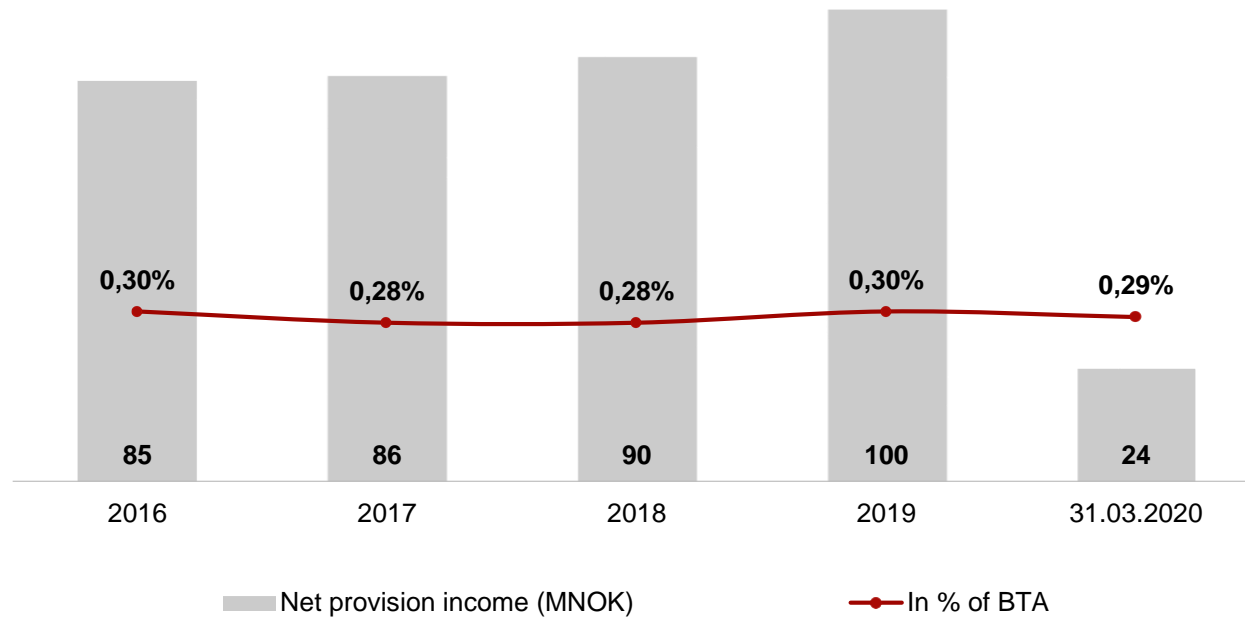


- Interest rate change in May, August and November have provided positive effect
- We will see a decrease of the net interest in May as lending interests are reduced from the end of April and the deposit rates are reduced from June 1<sup>st</sup>

# Provision

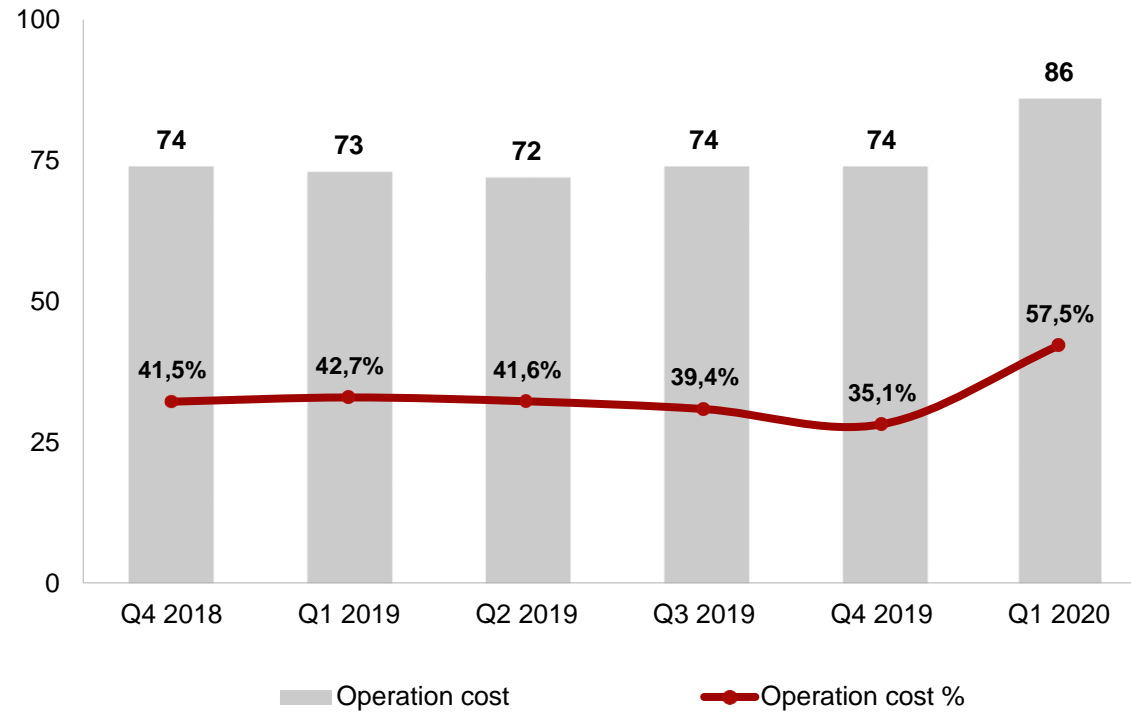
## Development net provision income

- Stable provision income



# Operating costs

Operating cost (mnok) and % of income

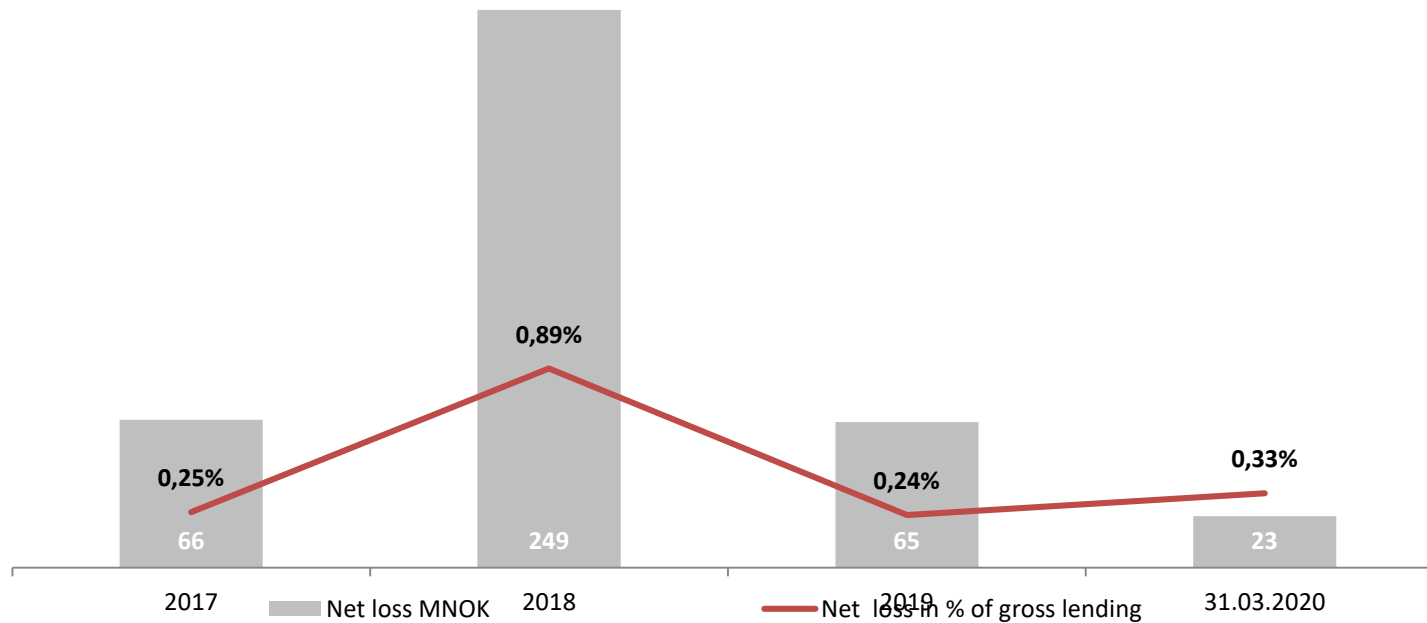


The increased is related to one-time costs of acquisition and bank cooperation of MNOK 6.1 and one-time costs of buildings/repossessed real estate of MNOK 2.1.

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



# Loss on commitments



MNOK 65 in loss so far this year

In the first quarter, some parameters in the loss model have been adjusted as a consequence of covid-19. The effect in the model amounts to a model write-down of MNOK 25.

Reduced individual and other model write-downs of MNOK 2.

With background in the information available on presentation of the quarterly report, the bank is in perception that the change in the model sufficiently catches the change of expected loss.





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Appendices

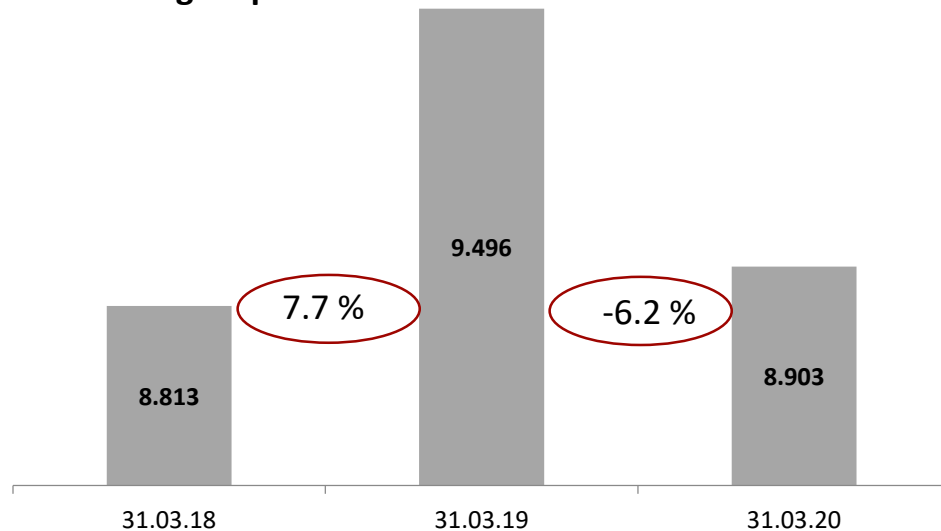
Foto: Susann Sivertsen – Mo i Rana

En drivkraft for vekst på Helgeland

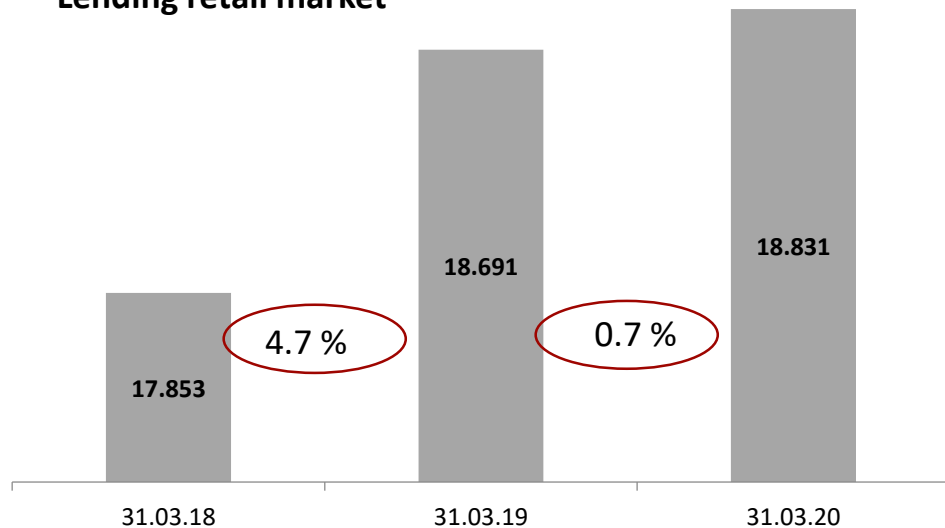


# 12 month-credit growth

Lending corporate market



Lending retail market

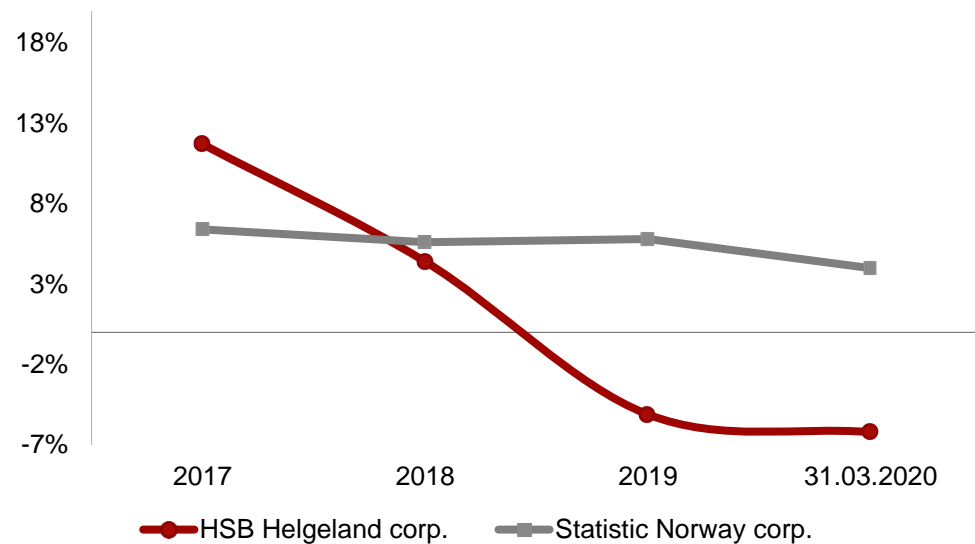


Controlled balance optimization provided negative growth in CM from 2019 to 2020-

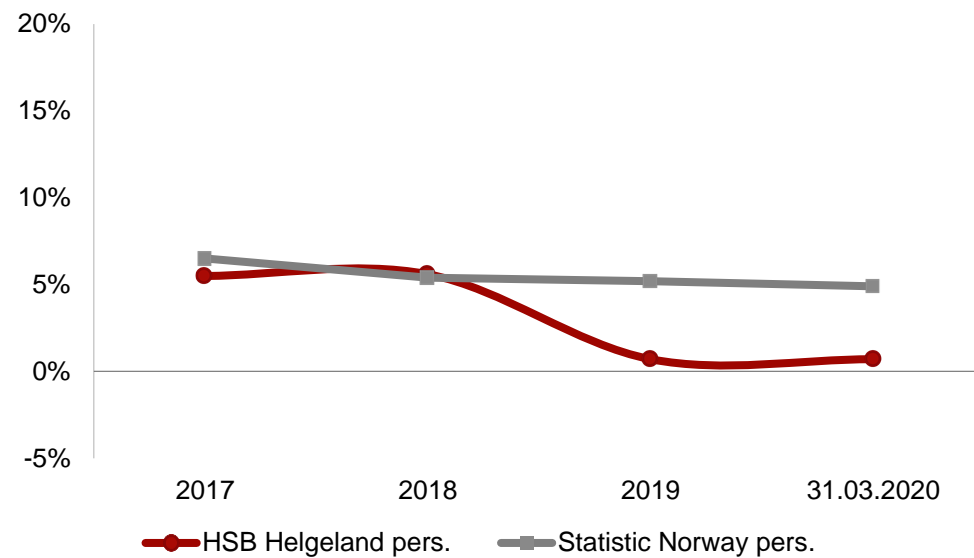


# Credit growth

12-month credit growth corporate market



12-month credit growth retail market



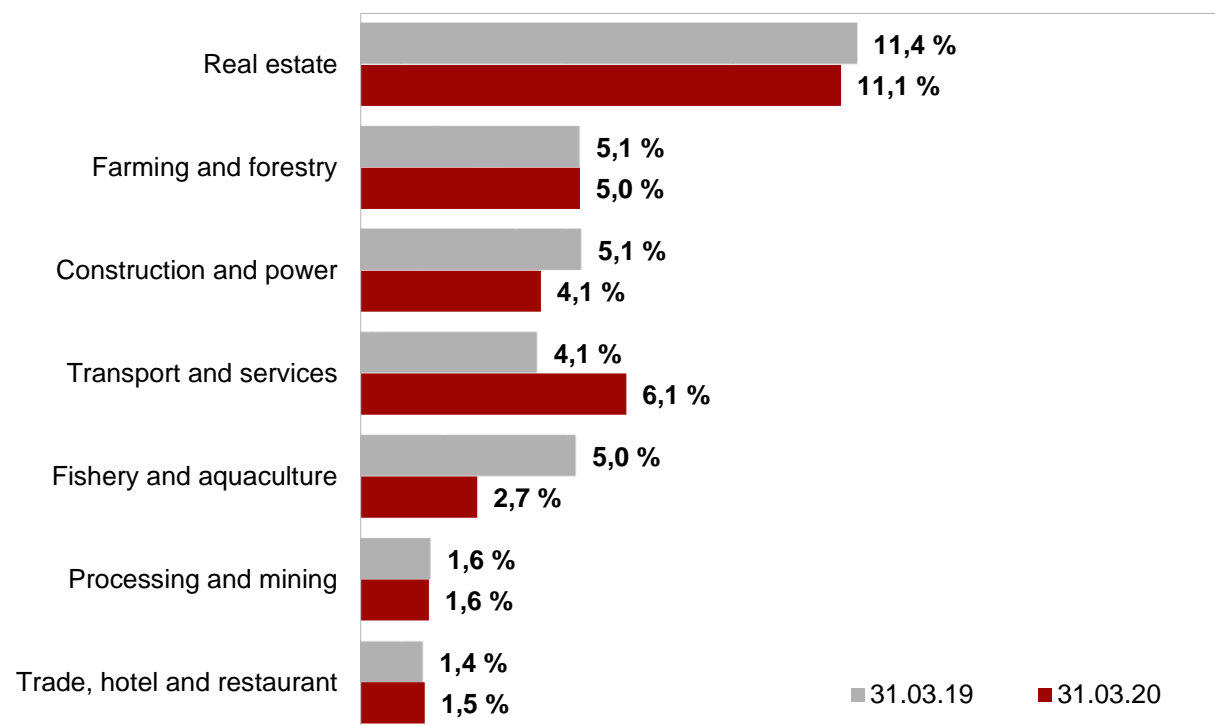
12-month growth credit growth HSB -1.6 (5.7) % hereby CM -6.2 (7.7) % and RM 0.7 (4.7) %.

Controlled balance optimization provided lower growth in CM in Q4



# Lending CM

Lending distributed in sector

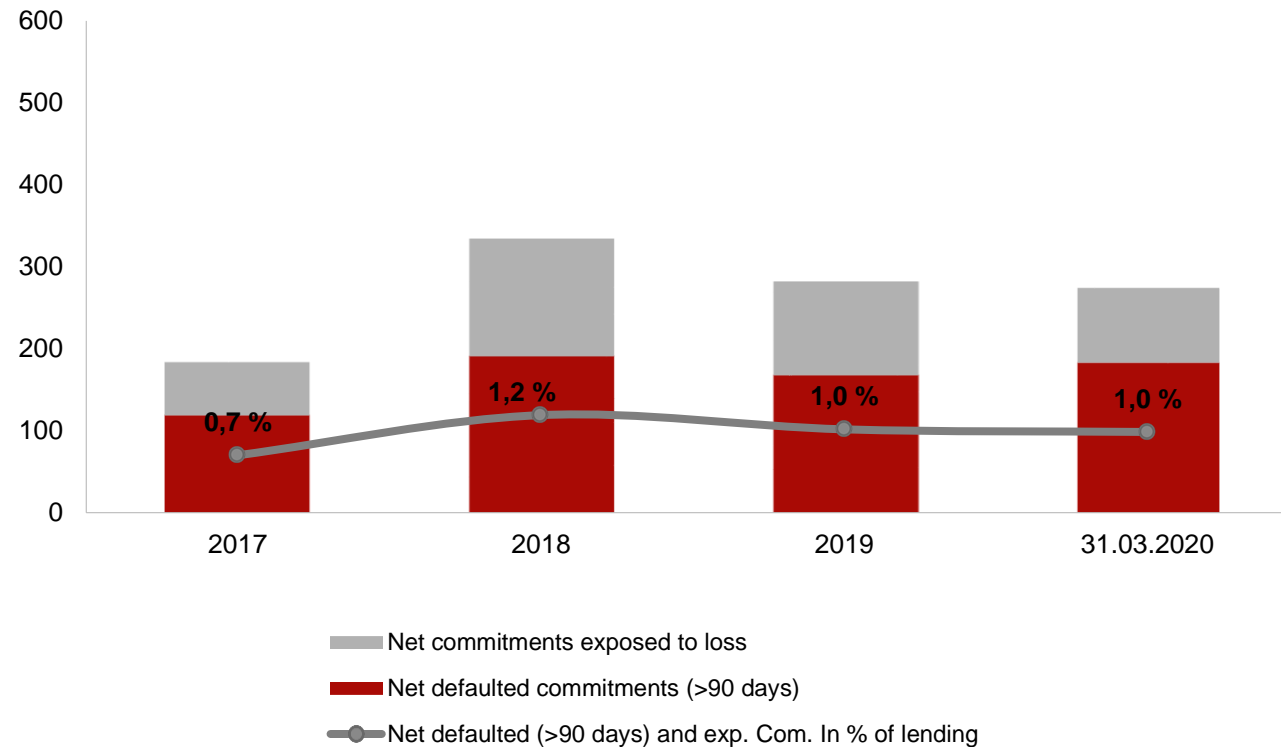


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 32.1 (33.7)% or MNOK 8 903 (9 496)

# Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 273, a reduction of MNOK 8 from year end.

A full-page background image showing a sunset over the ocean. The sun is a bright, glowing orb in the upper right, casting a long, shimmering reflection on the water's surface. The sky is filled with soft, golden clouds. In the distance, a dark, rocky island is visible on the horizon.

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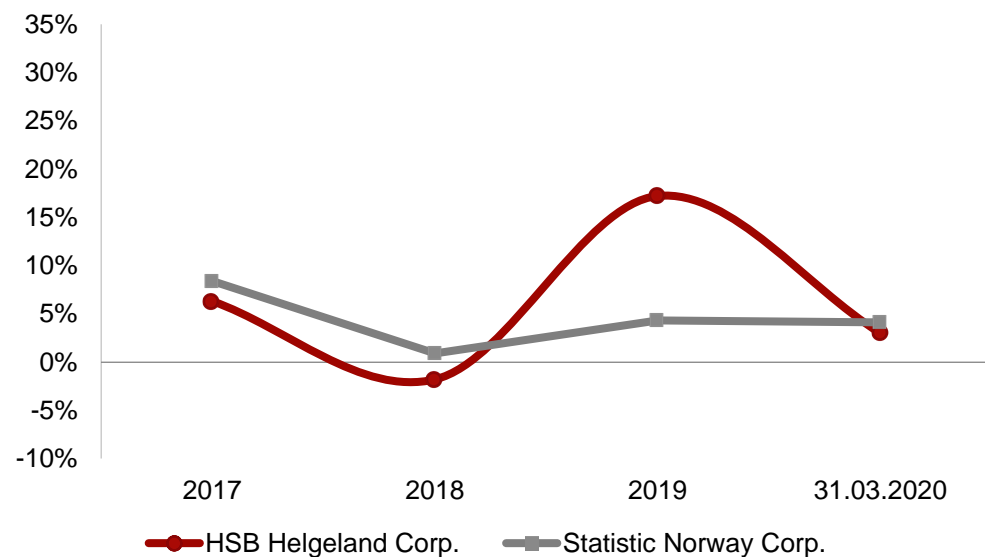
Solidity

Prospects and priorities

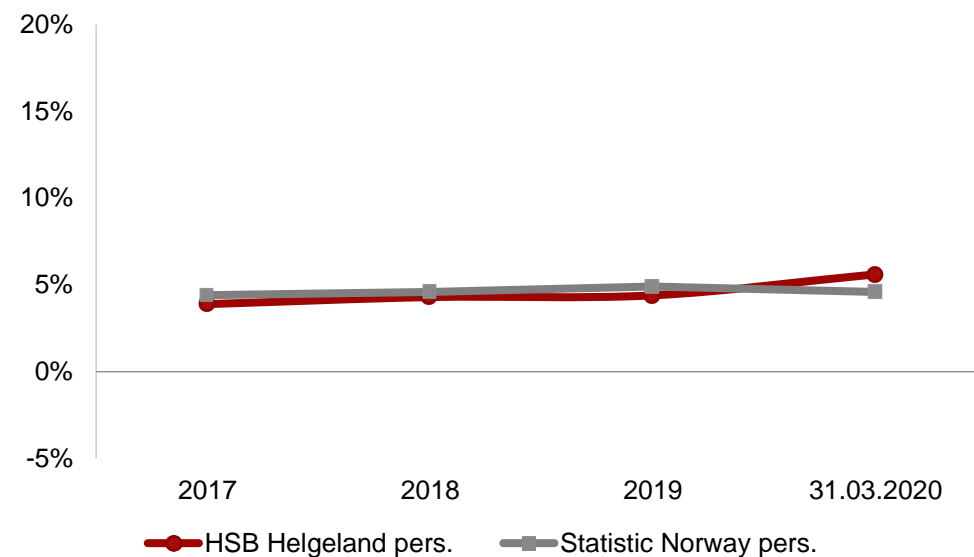
Appendices

# Deposit growth

12-month deposit growth corporate market



12-month deposit growth retail market

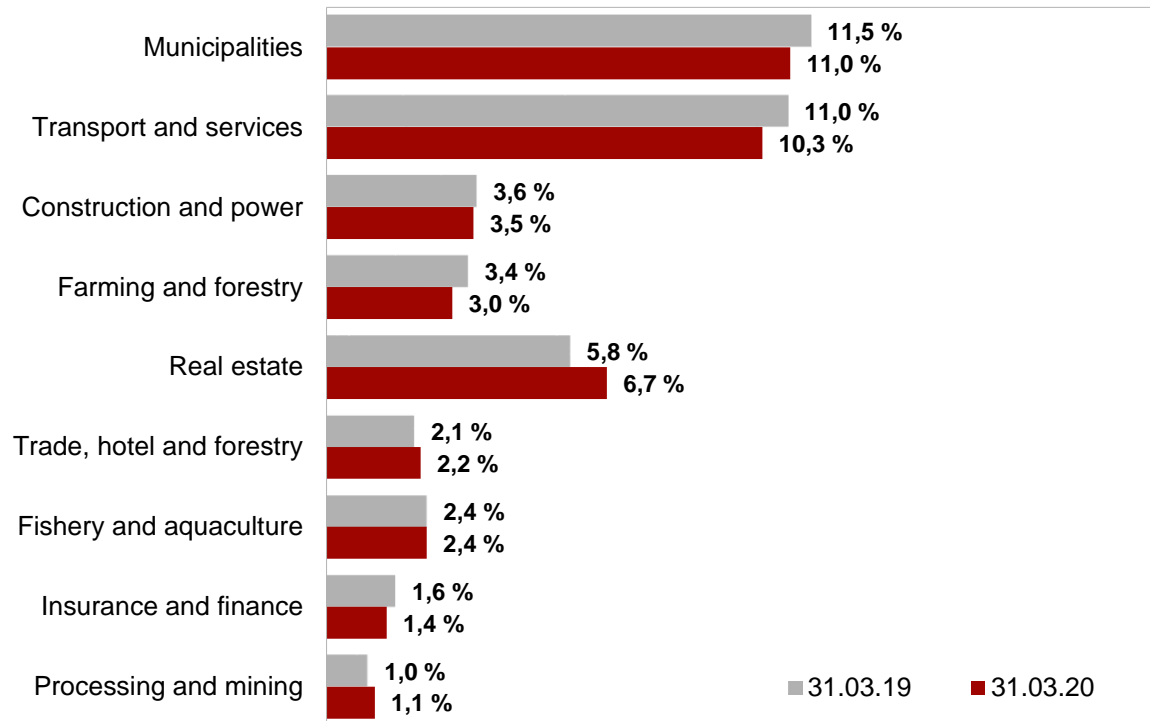


12-month deposit growth HSB 4.5 (2.6) %, hereby CM 3.0 (-0.2) % and RM 5.6 (4.8) %



# Deposits CM

## Customer deposits



Well diversified deposit portfolio in the CM

Share CM 41.7 (42.3)% or MNOK 7 523 (7 303) of total deposits

Deposits from municipalities constitute 26 % of the CM deposits



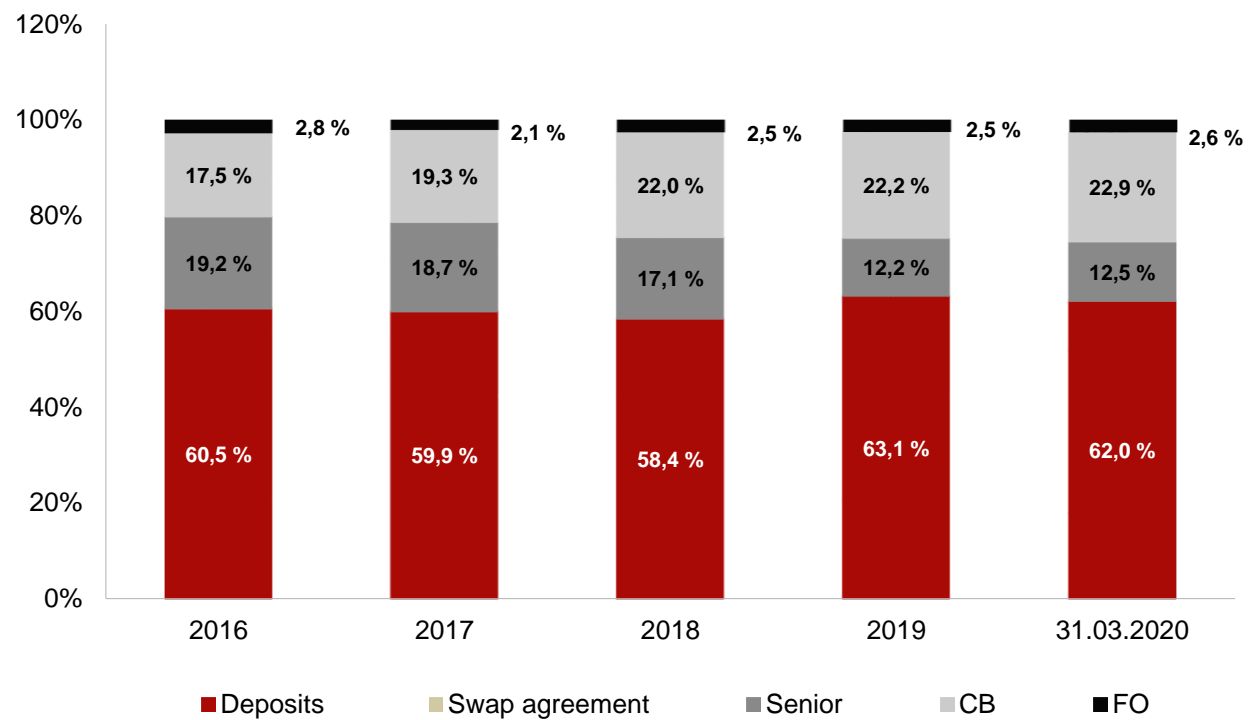
Marknadsforhold  
Events Q1  
Profit & Loss  
Lending  
Deposits  
**Funding**  
Solvency  
Prospects and priorities  
Appendices

Foto: Eskil Olsen

*En drivkraft for vekst på Helgeland*

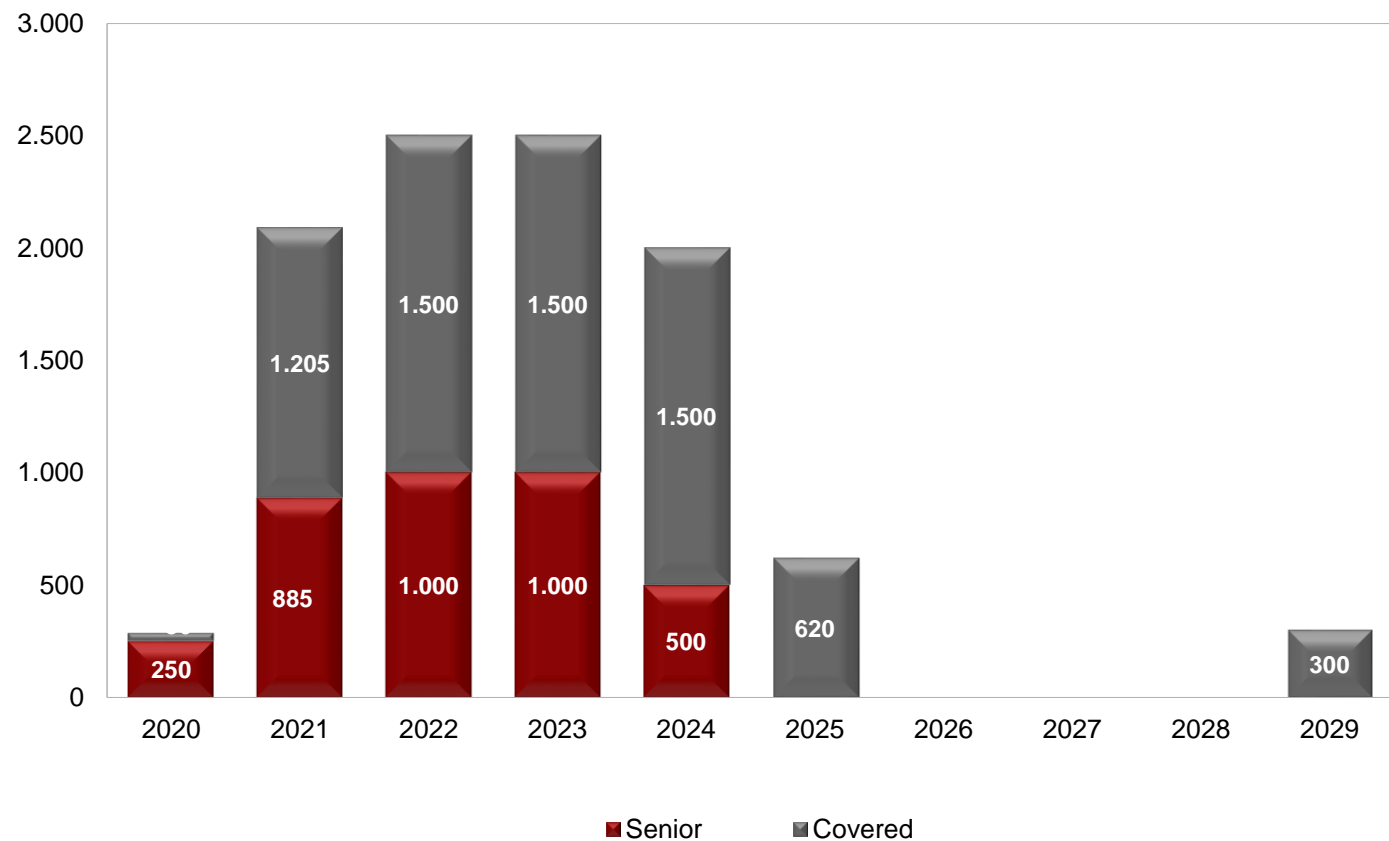
# Funding

Funding development (MNOK)



# Funding

Maturity of loans per year (MNOK)



Good and long term funding

Share long term funding  
93.1% (94.3)%

Combined duration of 2.7  
(2.9) years. Duration in the  
mortgage company 3.2 years



# Helgeland Boligkreditt AS



## Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 15.7 (12.6).
- CET1 ratio of 17.3 (18.1)%
  - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 753 (7 494) and CB MNOK 6 773 (6 836)

### Good security in the lending portfolio

- Cover pool ratio of fullness 18 (15)%
- Combined LTV 56 (56)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 18 to 5 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 31.03.20 transfer degree is 28.0 and 41.2%



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**Solidity**

Prospects and priorities

Appendices



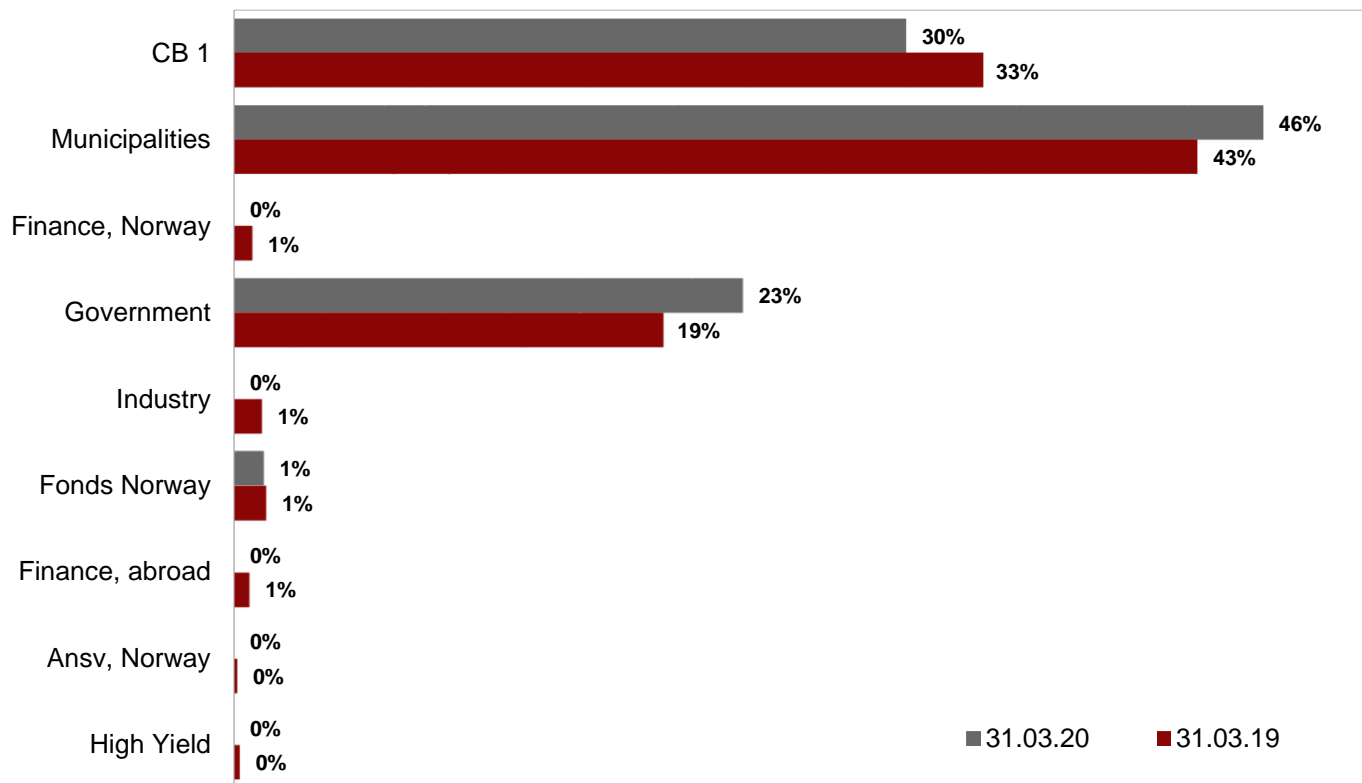
Foto: Simon Fossheim - snøfjellet

*En drivkraft for vekst på Helgeland*



# Liquidity buffer

Sector distribution interest portfolio

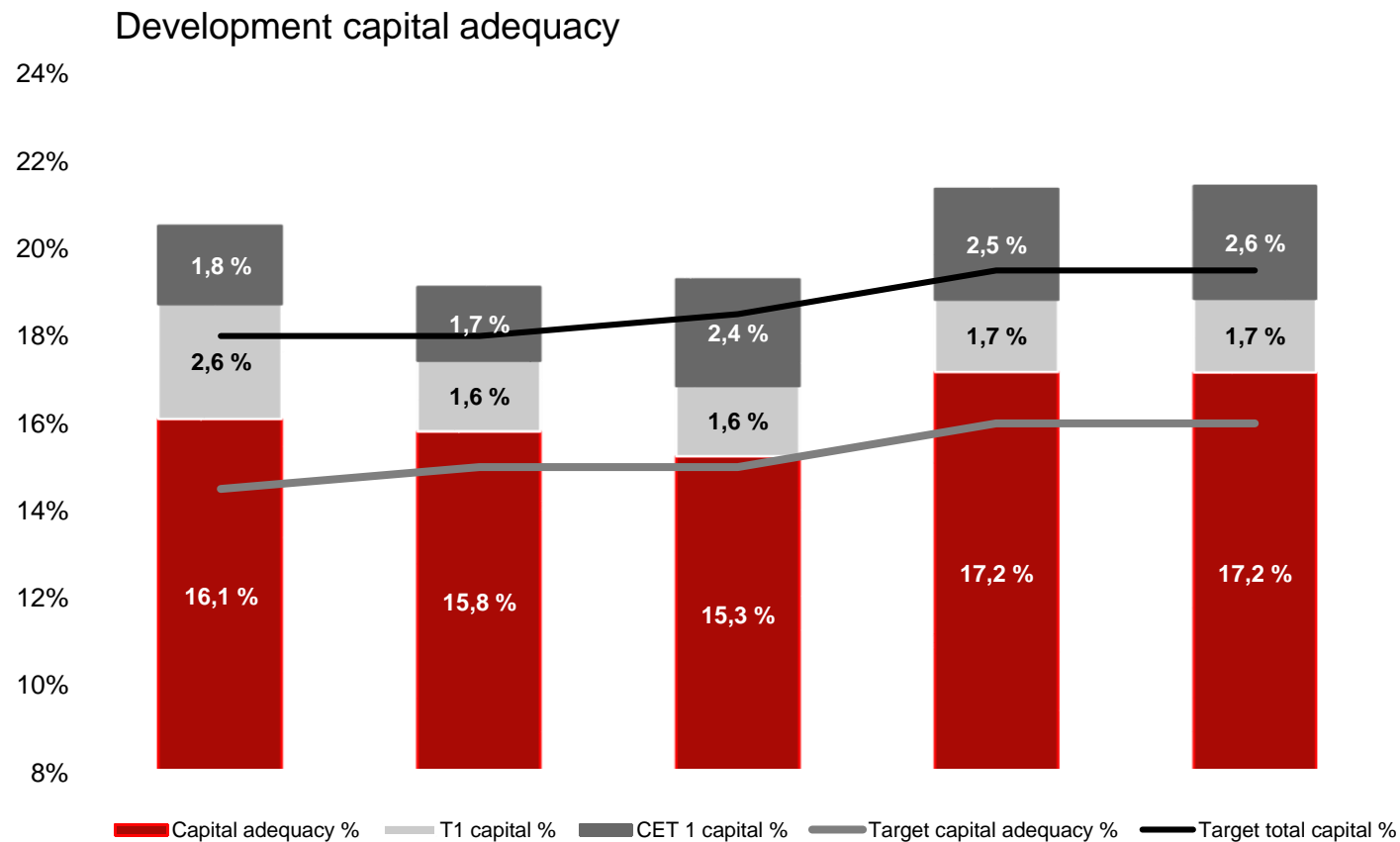


Interest bearing securities:

- 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 17.2 (15.1)%
- Core capital 18.9 (16.7)%
- Total capital 21.4 (19.1)%

Leverage ratio: 9.8 (9.2)%.



# HELG – the 20 largest owners

|                                |                   |                | <i>Parent bank</i>             |                   |                |
|--------------------------------|-------------------|----------------|--------------------------------|-------------------|----------------|
| <b>Per 31.03.20</b>            | <b>Number</b>     | <b>%-share</b> |                                | <b>Number</b>     | <b>%-share</b> |
| Sparebankstiftelsen Helgeland  | 7.315.020         | 35,0 %         | VPF Nordea Avkastning          | 240.370           | 1,2 %          |
| Pareto AS                      | 1.949.392         | 9,3 %          | VPF Nordea Kapital             | 238.245           | 1,1 %          |
| VPF Nordea Norge               | 1.407.987         | 6,7 %          | AF Kapital Managemet           | 181.749           | 0,9 %          |
| VPF Eika Egenkapital           | 867.663           | 4,2 %          | Melum Mølle AS                 | 177.000           | 0,8 %          |
| Lamholmen Invest AS            | 464.491           | 2,2 %          | Vigner Olaisen AS              | 144.653           | 0,7 %          |
| U.S Bank National Association  | 462.673           | 2,2 %          | Melesio Invest AS              | 142312            | 0,7 %          |
| Bergen Kommunale Pensjon.      | 450.000           | 2,2 %          | VPF Nordea Norge Pluss         | 123.527           | 0,6 %          |
| MP Pensjon PK                  | 389.203           | 1,9 %          | Nervik Steffen                 | 120.000           | 0,6 %          |
| Helgeland Kraft AS             | 377.691           | 1,8 %          | Merrill Lynch Prof.            | 108.156           | 0,5 %          |
| Catilina Invest AS             | 314.046           | 1,5 %          | DNB Markets Aksjehandel/-an    | 93.277            | 0,4 %          |
| <b>Total 10 largest owners</b> | <b>13.998.166</b> | <b>67,1 %</b>  | <b>Total 20 largest owners</b> | <b>15.567.455</b> | <b>74,6 %</b>  |

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

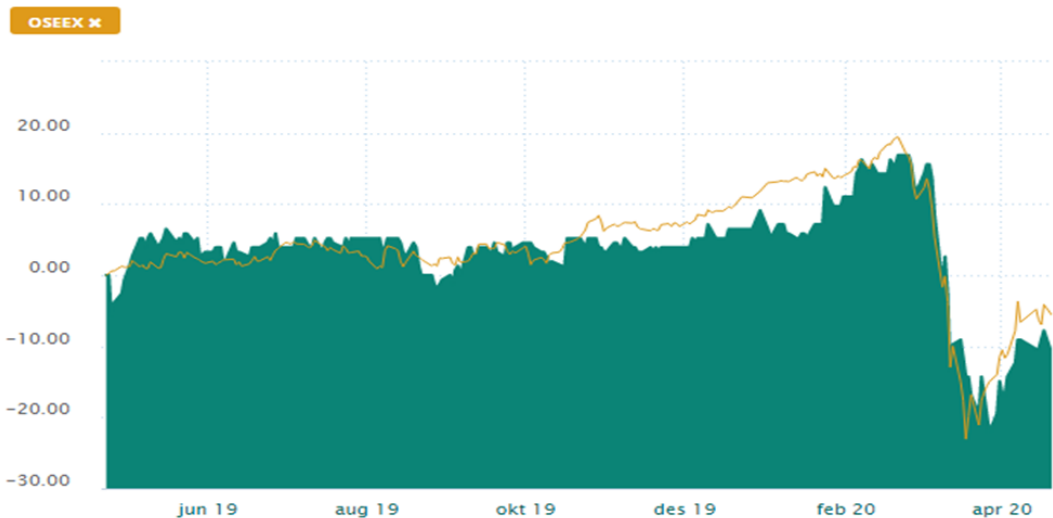
# HELG – the 20 largest local owners

| Per 31.03.20                   | Number           | %-share       |                                | Antall           | % | Parent bank<br>% 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          | 0,57 %        | Snipstind Holding AS           | 13.000           |   | 0,06 %                 |
| Lars Aage Andersson            | 43.000           | 0,21 %        | Finn Mørk                      | 13.000           |   | 0,06 %                 |
| Reinfjell Holding AS           | 37.108           | 0,18 %        | John Arne Warholm              | 12.640           |   | 0,06 %                 |
| Torghatten ASA                 | 36.360           | 0,17 %        | Bjørn-Tore Øyen                | 12.175           |   | 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 %        | Astrid Øyen                    | 10.600           |   | 0,05 %                 |
| <b>Total 10 largest owners</b> | <b>8.150.664</b> | <b>39,1 %</b> | <b>Total 20 largest owners</b> | <b>8.281.701</b> |   | <b>39,7 %</b>          |

Employees owners share has also in 2019 increased through continued employee program. Per 31.03.20, 117 118 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.



|                             | 2017    | 2018    | 2019    | Q1 2020 |
|-----------------------------|---------|---------|---------|---------|
| EC fraction opening balance | 76,5 %  | 76,3 %  | 76,4 %  | 76,4 %  |
| EC fraction closing balance |         | 76,4 %  |         | 76,4 %  |
| Number of EC's              | 20,9    | 20,9    | 20,9    | 20,9    |
| Stock exchange price        | 88,0    | 69,5    | 84,0    | 65,5    |
| Stock value                 | 1.839,2 | 1.452,6 | 1.755,6 | 1.369,0 |
| Accounted equity per EC     | 108     | 110     | 119     | 121     |
| Profit per EC               | 9,5     | 5       | 10,6    | 0,7     |
| Dividend per EC             | 4,00    | 1,60    | 5,35    |         |
| Price/Accounted EC          | 0,8     | 0,6     | 0,7     | 0,5     |

EC fraction opening balance  
EC fraction closing balance  
Number of EC's  
Stock exchange price  
Stock value  
Accounted equity per EC  
Profit per EC  
Dividend per EC  
Price/Accounted EC

|                             | 2017    | 2018    | 2019    | Q1 2020 |
|-----------------------------|---------|---------|---------|---------|
| EC fraction opening balance | 76,5 %  | 76,3 %  | 76,4 %  | 76,4 %  |
| EC fraction closing balance |         | 76,4 %  |         |         |
| Number of EC's              | 20,9    | 20,9    | 20,9    | 20,9    |
| Stock exchange price        | 88,0    | 69,5    | 84,0    | 65,5    |
| Stock value                 | 1.839,2 | 1.452,6 | 1.755,6 | 1.369,0 |
| Accounted equity per EC     | 108     | 110     | 119     | 120     |
| Profit per EC               | 9,5     | 5       | 10,6    | 0,7     |
| Dividend per EC             | 4,00    | 1,60    | 5,35    |         |
| Price/Accounted EC          | 0,8     | 0,6     | 0,7     | 0,5     |

A photograph of a fishing boat on a body of water, with steep, snow-dusted mountains in the background. Two people are on the deck of the boat. The text is overlaid on the left side of the image.

Main features

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Foto: Simon Fossheim

*En drivkraft for vekst på Helgeland*





# Priorities 2020



- Prepare the merging of SNN's offices in Helgeland with HSB's offices
- Prepare entry in the SparBank1 alliance
- Handle the local effects of the current corona crisis
- Continue the job with the profitability program
  - Width focus, streamlining, self-service and automation
- Profitable growth and maintenance of the market position in both RM and CM segment.





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Prospects and priorities

Appendices

Foto: Simon Fossheim - Aldersundet

*En drivkraft for vekst på Helgeland*



# Profit & loss

| Helgeland Sparebank (group)                 |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 |
| Net interest- and credit provision earnings | 141     | 141     | 140     | 145     | 142     | 145     | 156     | 159     | 159     |
| Net provision earnings                      | 22      | 22      | 22      | 24      | 23      | 22      | 25      | 30      | 24      |
| Other operatios income                      | 1       | 3       | 6       | 6       | 2       | 0       | 1       | 2       | 1       |
| Ordinary operations cost                    | 72      | 69      | 71      | 74      | 73      | 72      | 74      | 74      | 86      |
| Result basic operations                     | 92      | 97      | 97      | 101     | 94      | 95      | 108     | 117     | 98      |
| Write-downs lending and warranties          | 8       | 83      | 20      | 138     | 5       | 15      | 18      | 27      | 23      |
| Net value change financial instruments      | 10      | 35      | -1      | 4       | 4       | 5       | 6       | 19      | -35     |
| Gross profit                                | 94      | 49      | 75      | -34     | 93      | 85      | 96      | 110     | 40      |
| Net profit                                  | 73      | 42      | 62      | -28     | 71      | 66      | 73      | 95      | 23      |
| Net extended income posts                   | 0       | 0       | 0       | 0       | 0       | 0       | 0       | -2      | 0       |
| Profit for the period                       | 73      | 42      | 62      | -28     | 71      | 66      | 73      | 93      | 23      |

# 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.



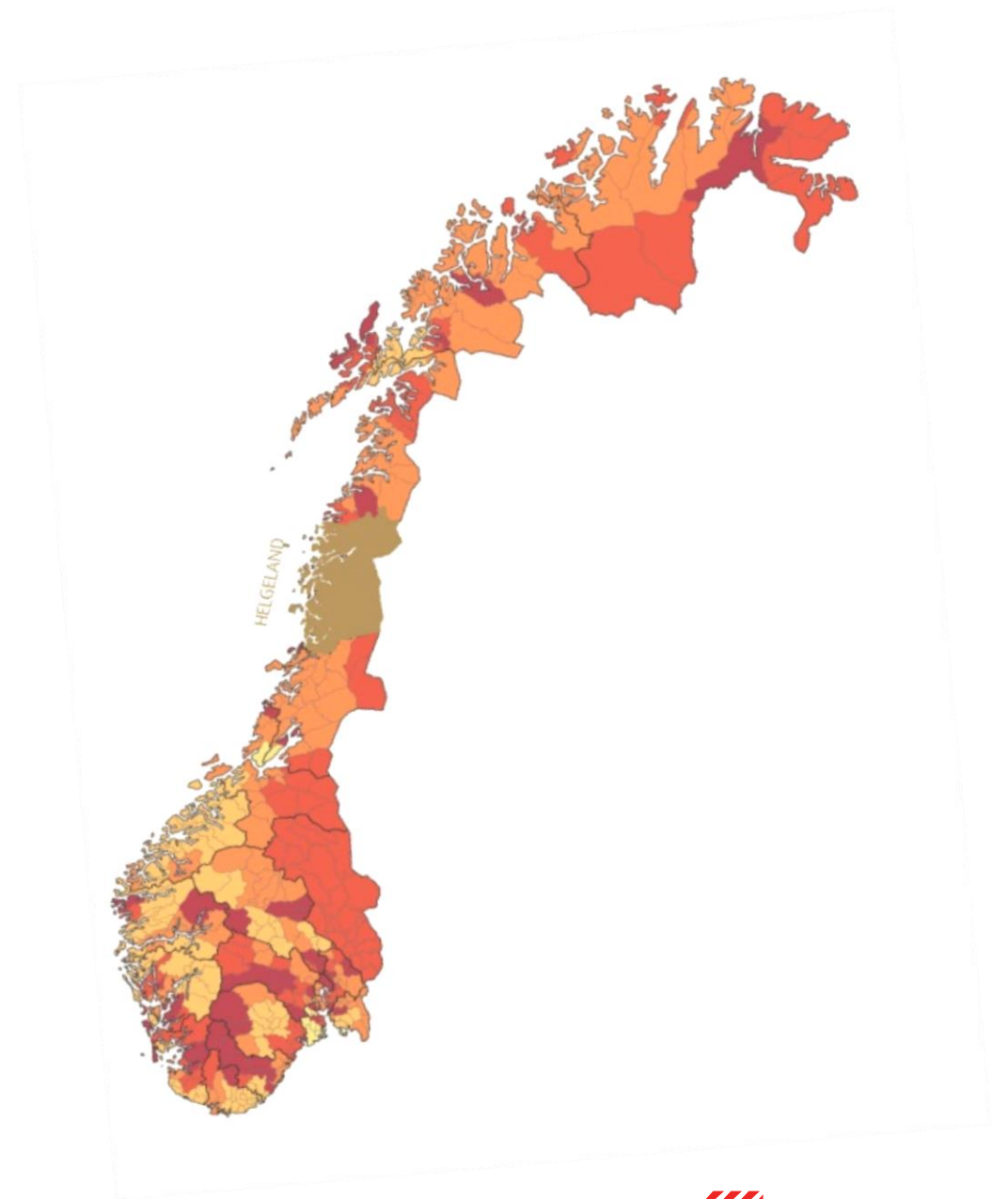
Helgeland Invest AS is an investment company localized in Helgeland.



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 4 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 33 554
- Employees, annual positions: 148
- Moodys rating: A3 – Stable outlook. Ticker: HELG



# Contact information

## Head office

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Visiting address                  Jernbanegata 15, 8622 Mo i Rana

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Web                                  [www.hsb.no](http://www.hsb.no)

Organization number      937904029

## Management

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## Investor Relations

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Tore Stamnes, Head of Treasury, 415 086 60 – [tore.stamnes@hsb.no](mailto:tore.stamnes@hsb.no)

## Board of directors

Stein Andre Herigstad-Olsen, chairman  
Bjørn Krane, deputy chairman  
Marianne Terese Steinmo  
Siw Moxness  
Tone Helen Hauge  
Birgitte Lorentzen  
Geir Pedersen  
Rolf Eigil Bygdnes