

*Delårspresentasjon
Q2 2020*

En drivkraft for vekst på Helgeland



HELGELAND
SPAREBANK

Presentation per 30.06.20 (HSB Group)

Main Features

Events Q2

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices



Hanne Nordgaard
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main features per 30.06.20

Gross profit	MNOK 190 (178)
ROE*	9.8 (8.5) %
Total assets	33.8 (34.1) bn
Solidity	CET1 17.3 (14.9) %

*Adjusted for hybrid capital

Financial targets

ROE:
10 %

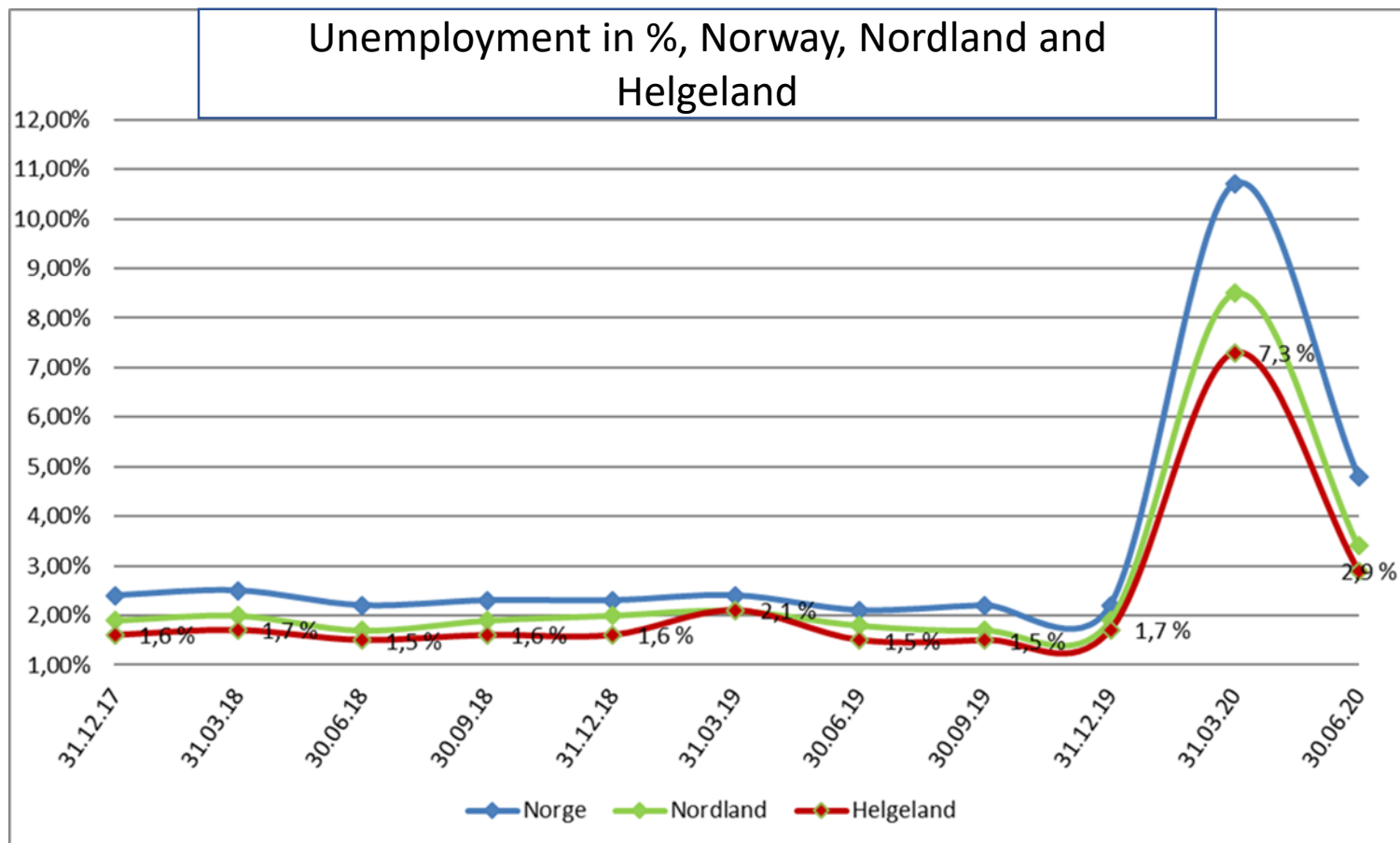
CET1:
16.0 %

Cost growth:
C/I < 40 %

Dividend ratio:
50 %
Of the dividend basis

The financial targets have not been changes after the countercyclical buffer requirement was reduced with 1.5 %. The financial targets is to be reviewed at the strategic board meeting in Q3.

Unemployment



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

The development in Q2 have been positive, and things are starting to go back to level of unemployment in Q4 2019.

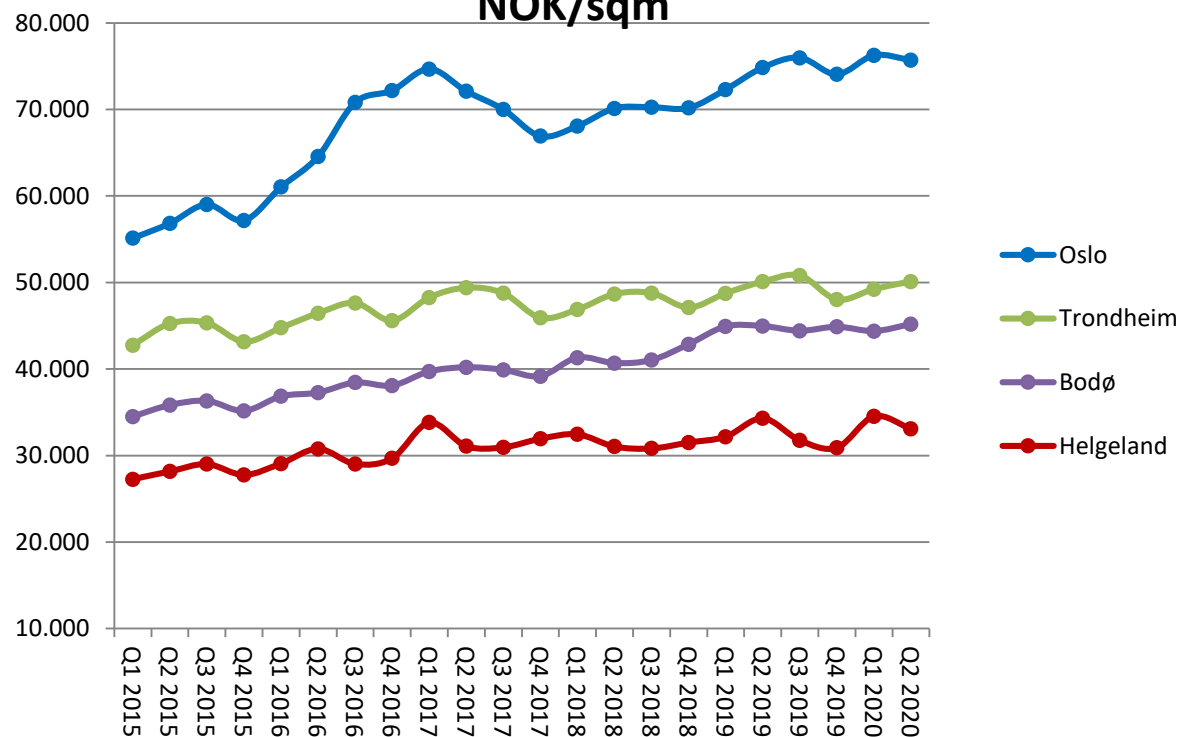
The main reason for this is that many of temporarily laid off is back at work after the gradual reopening of the community.

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

- Norge 4.8 %
- Nordland 3.4 %
- Helgeland 2.9 %

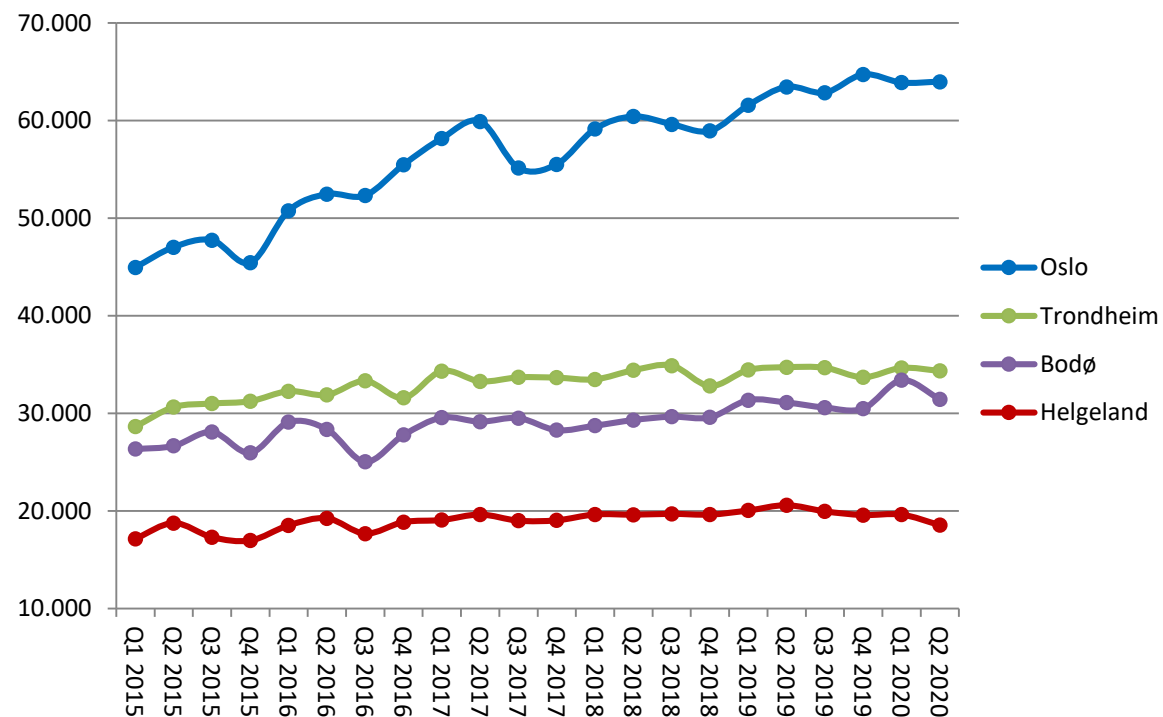
Boligprisutvikling

Price development - sold apartments in NOK/sqm



Price development in Q2,
-4.1 % in Helgeland and -0.7 % in Oslo.
The prices for sold apartments in Helgeland has declined compared to Q1.

Price development - sold villas in NOK/sqm



Price development in Q2, -5.5 % in Helgeland and 0.1 % in Oslo. The prices for sold Villas in Helgeland has declined compared to Q1.



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Event in Q2

- Deal has been made for the sale of shares in Frende Holding AS
 - Total volume of 7.88 % of the shares in Frende Holding AS with an positive increase in value of 84 MNOK.
 - The sale will be completed in two steps, in which one is completed in Q2 (3.88 % of the shares)
 - The profit of the sale is as a whole accounted for in Q2
- A hotel, linked to a bankruptcy from 2019 is sold in Q2, resulting in a loss of commitments of 17,5 MNOK
- The Norwegian competition authority finished the assessment of the bank collaboration (Helgeland 1) in Helgeland, and had no objection.
- First part of the downsizing of the workforce was signed in Q2, which resulted in severance packages for 20.5 FTE and at a cost of 21 MNOK.
- The changes to the IFRS 9 model in Q1 was kept, resulting in the 25 MNOK from Q1 in loss on commitments to stand
- HSB has made two interest rate adjustments which resulted in weakened interest margin around 15 MNOK in Q2, its excepted to cost additionally 2,5 MNOK in Q3.
- State guaranteed loans (Covid-19 loans) was at 40 MNOK, the granted amount from the state was 253 MNOK.

Events in Q2

- New head of treasury hired.
 - David Aakervik startet at the bank in july.
 - Education from London, with a bachelordegree in entrepreneurship (Roehampton) and a masterdegree in finance (Kingston Business School)
 - Worked in the finance department at Helgeland Sparebank from 2013 to 2015
 - Since then worked in Switzerland first at Finyon Consulting AG as senior consultant in treasury and risk toward large banks and insurance companies. Aakervik came from a position withing PostFinance AG where he worked within capital allocation
 - Moved back to Helgeland in the summer of 2020



A person in a blue jacket and dark shorts stands on a rocky mountain peak, arms outstretched in a celebratory gesture. The background features a vast landscape with a deep blue fjord, rugged mountains, and a clear sky with light clouds.

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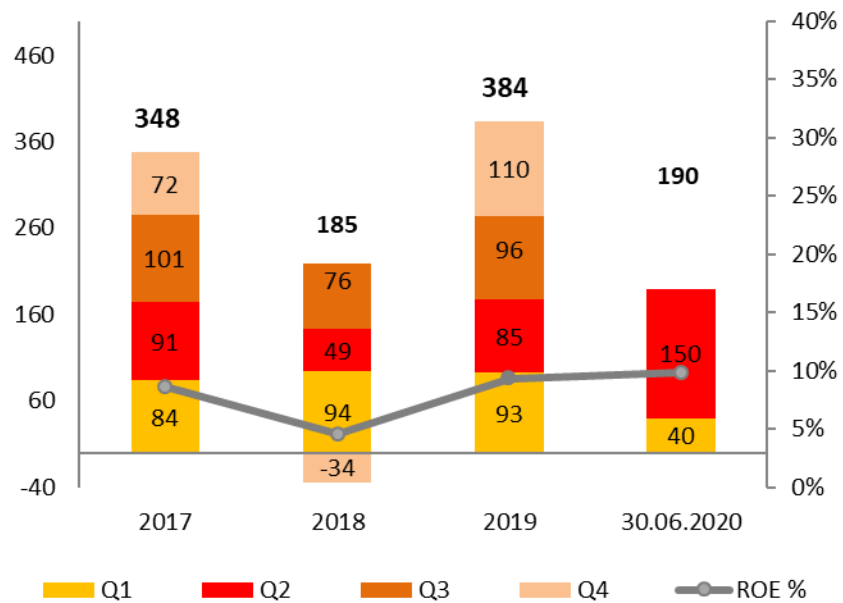
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Profit

Profit development (MNOK)



Profit Q1

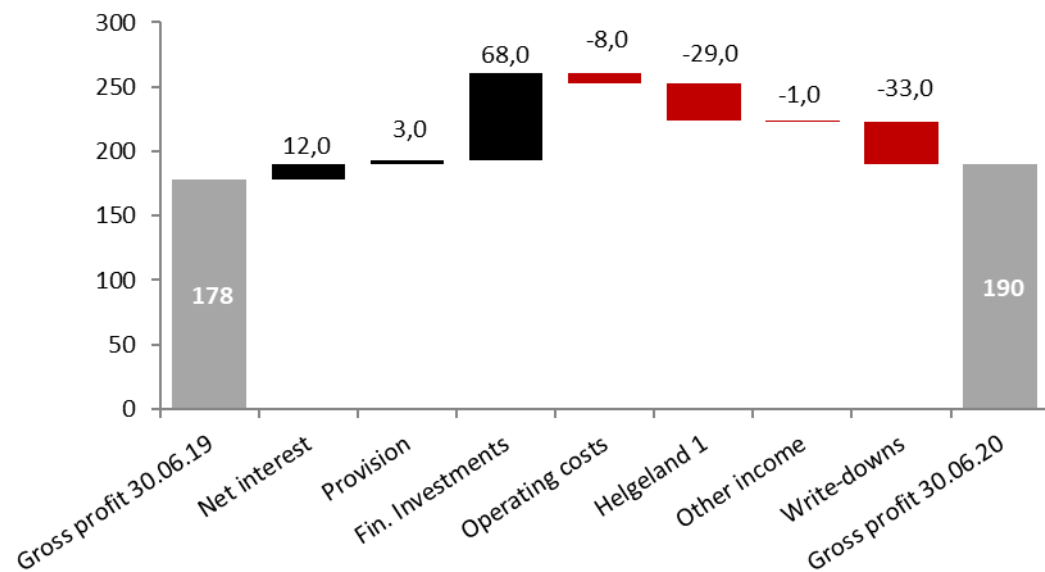
Gross profit MNOK 190

- Net ROE 9,8 % (hybrid included)
- The result is characterized by the following one time cost and income.

	Q1	Q2
IFRS 9 model	- 25,0	
Cost bank collaboration	-6,1	-22,9
Sale of hotell		-17,5
Sale of shares in Frende		+84,0
Interest rate adjustments		-15,0

Gross profit

Change in gross profit (MNOK)

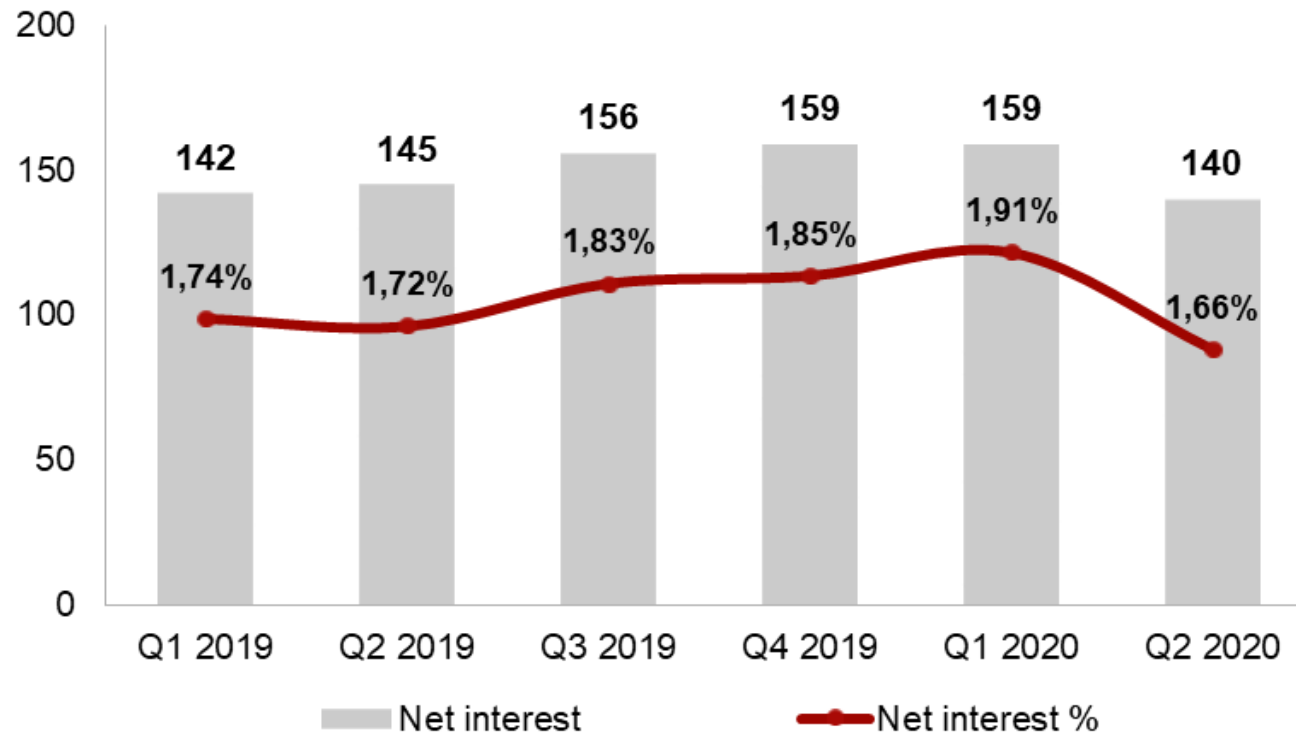


Gross profit MNOK 190

- Increased net interest due to low net interest in last period
- Increased income from financial investments due to the sale of Frende (84 MNOK)
- Increased costs due to write down of right to use and other property, and cost regarding new offices
- Cost regarding bank collaboration (Helgeland 1) 29 MNOK
- Increased write-downs of 33 MNOK

Net interest

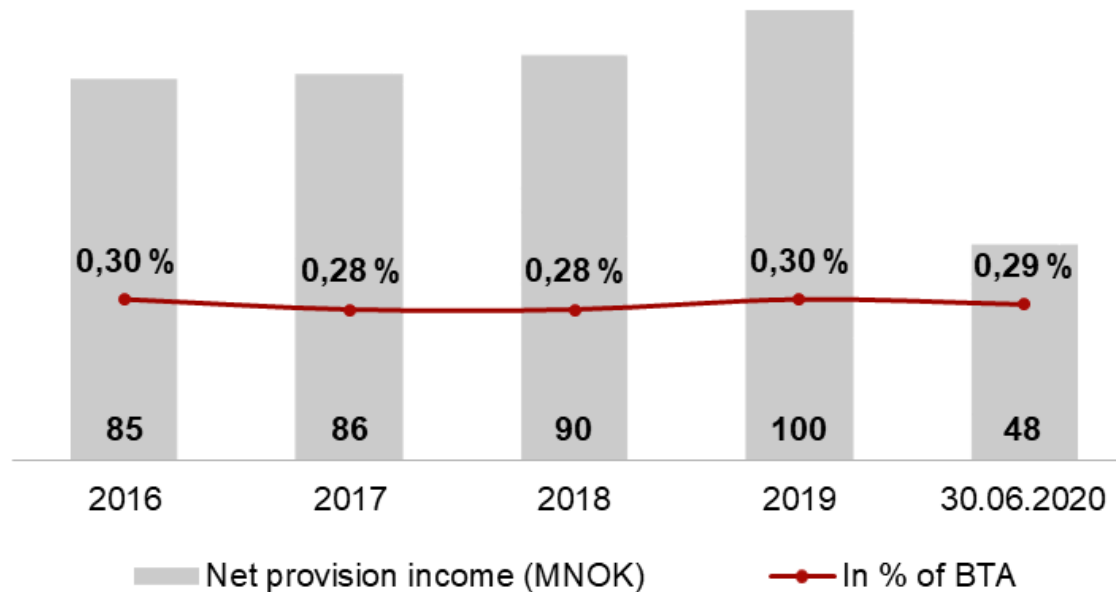
Development net intr.(mnok.) and % of average BTA



- Weakened net interest due to two interest adjustments in Q2
- Due to the mentioned interest adjustments interest margin reduced by approximately 15 MNOK in Q2 and it is expected a reduction of 2,5 MNOK in Q3.

Provision

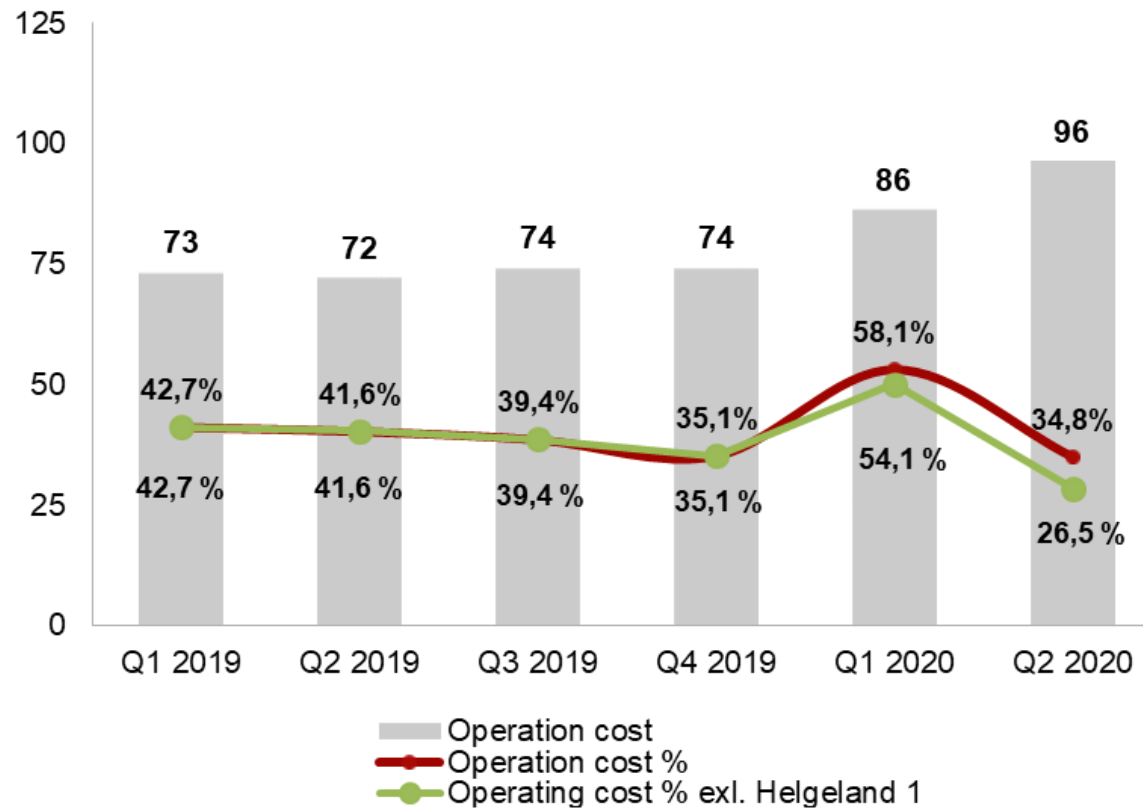
Development net provision income



- Stable provision income
- Expected to continue through the term of agreement with Frende

Operating costs

Operating cost (mnok) and % of income



Low operation cost in % is due to high income.

If the sale of the shares in Frende is excluded the cost in % would be 38 % (exl. Helgeland 1) and 50 % (inc. Helgeland 1) for Q1.

In the second quarter the increase in operating cost is due is mainly due to Helgeland 1 (acquisition). Other increases is related to increased project cost relating to new office spaces, down-writing of right to use assets and other assets.

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

Loss on commitments

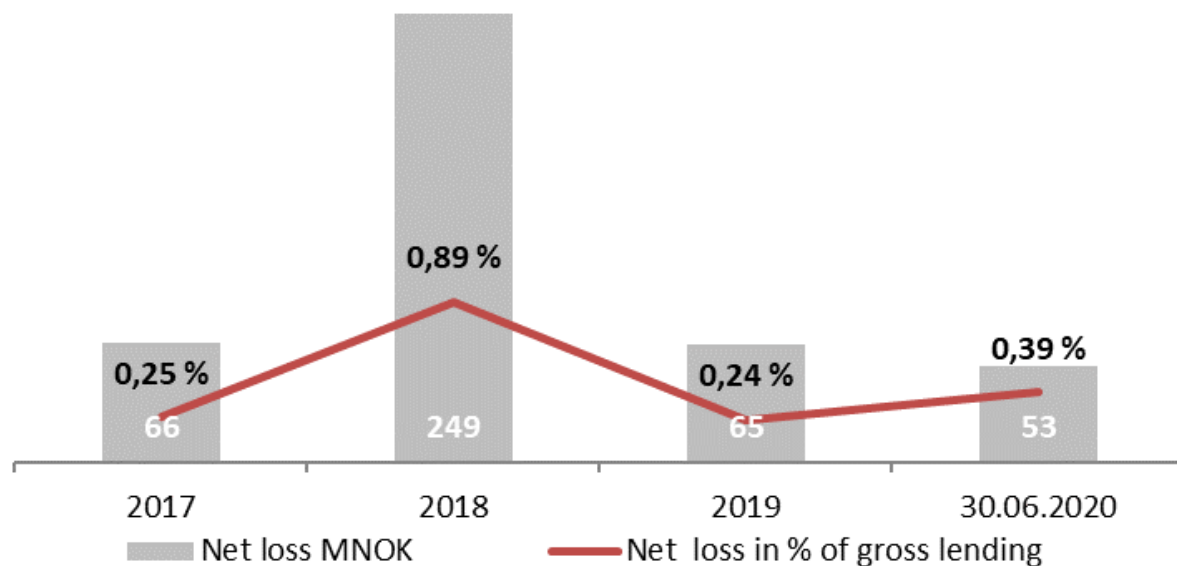
MNOK 53 in loss so far this year whereas 30 in Q2.

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

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

The high losses in Q2 is mainly driven by the sale of the Hotel which resulted in an additional cost of 17,5 MNOK.

Normalized losses is expected for the future (0,20 percent of loans)





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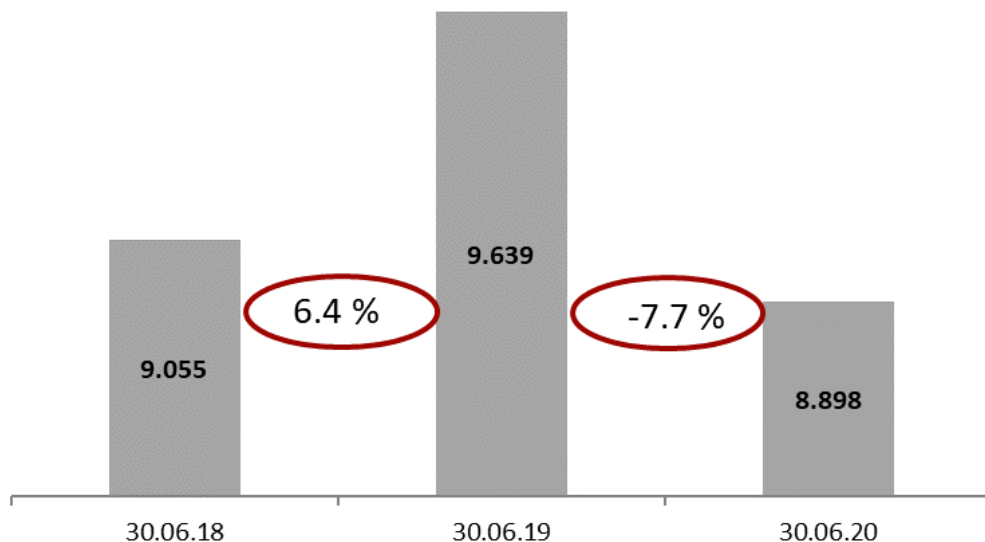
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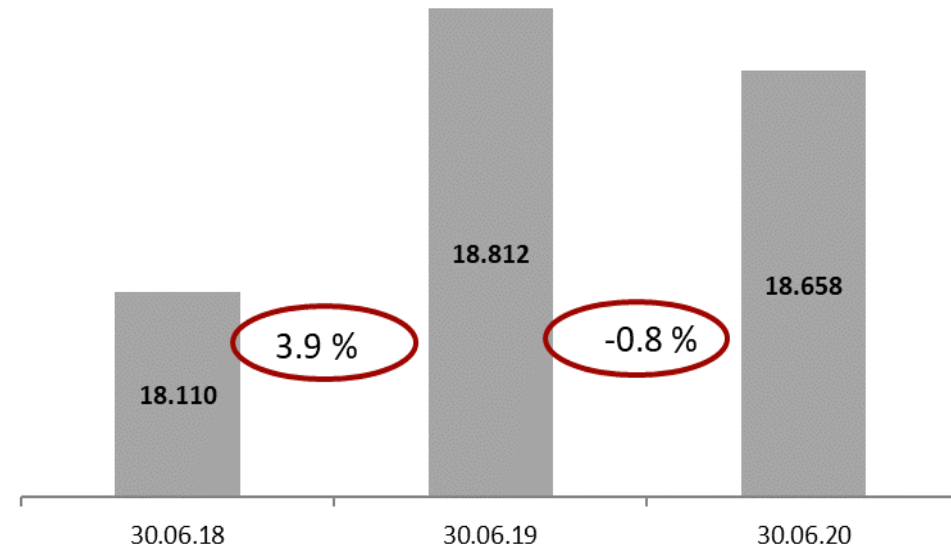
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12 month-credit growth

Lending corporate market



Lending retail market



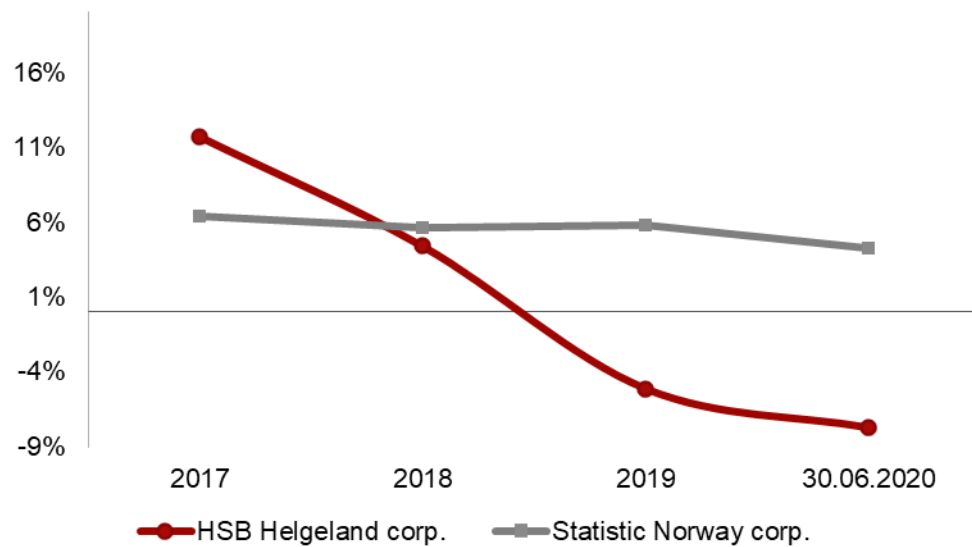
Controlled balance optimization provided negative growth in CM from 2019 to 2020.

High competition from national banks and union deals have increased the competition on retail clients.

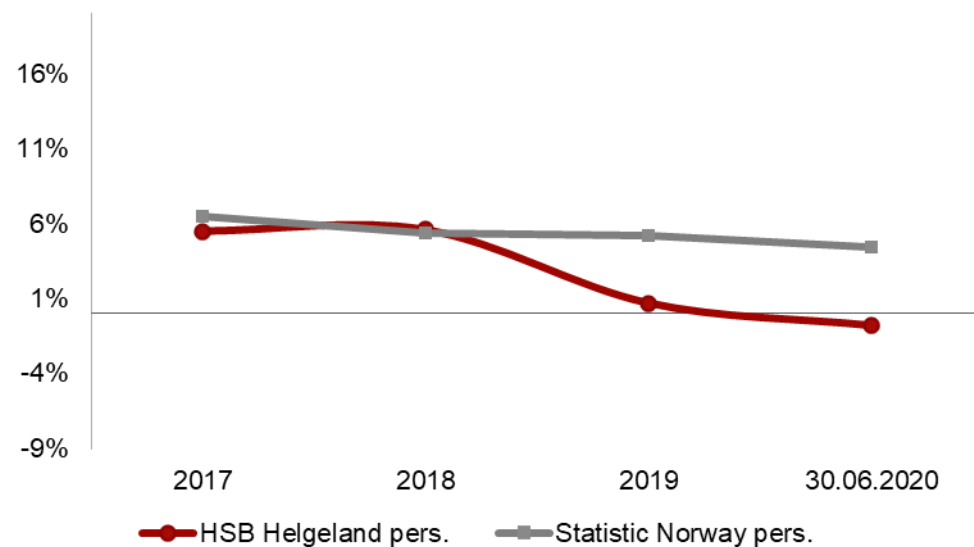
Benefits from the bank collaboration in Helgeland is expected to increase Helgeland Sparebanks competitiveness.

Credit growth

12-month credit growth corporate market



12-month credit growth retail market

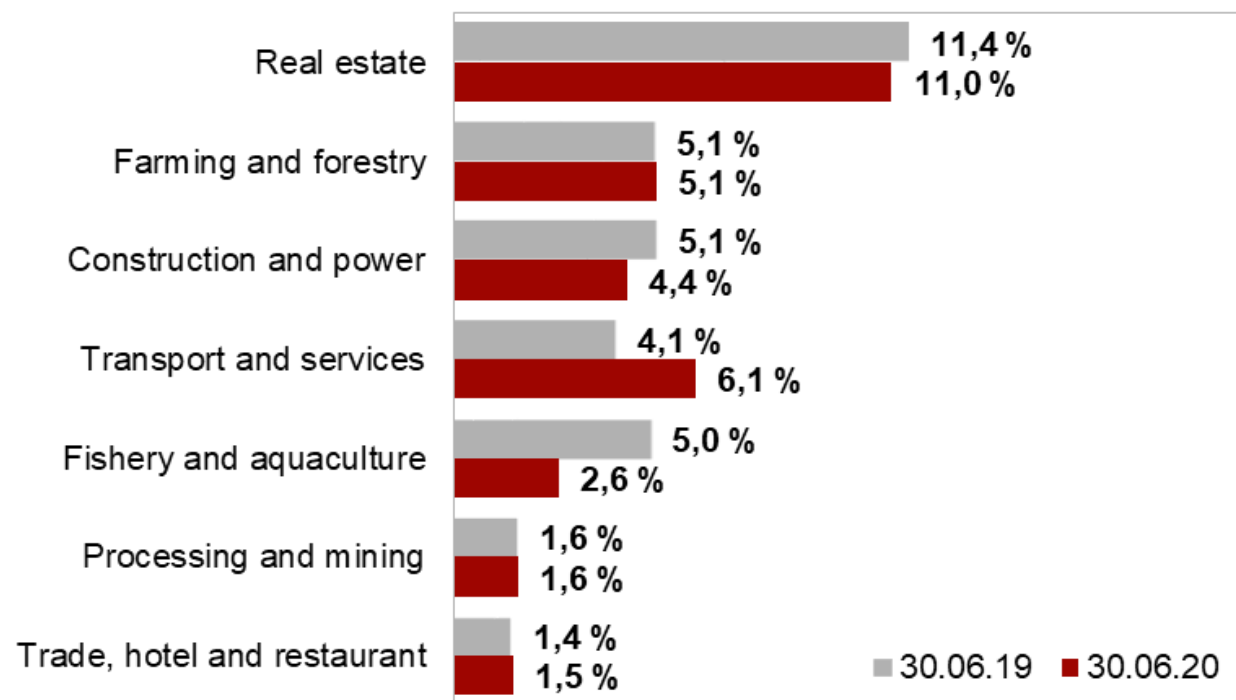


12-month growth credit growth HSB -3.1 (4.7) % hereby CM -7.7 (6.4) % and RM -0.8 (3.9) %.

Controlled balance optimization in Q2 provided lower growth in CM in Q2

Lending CM

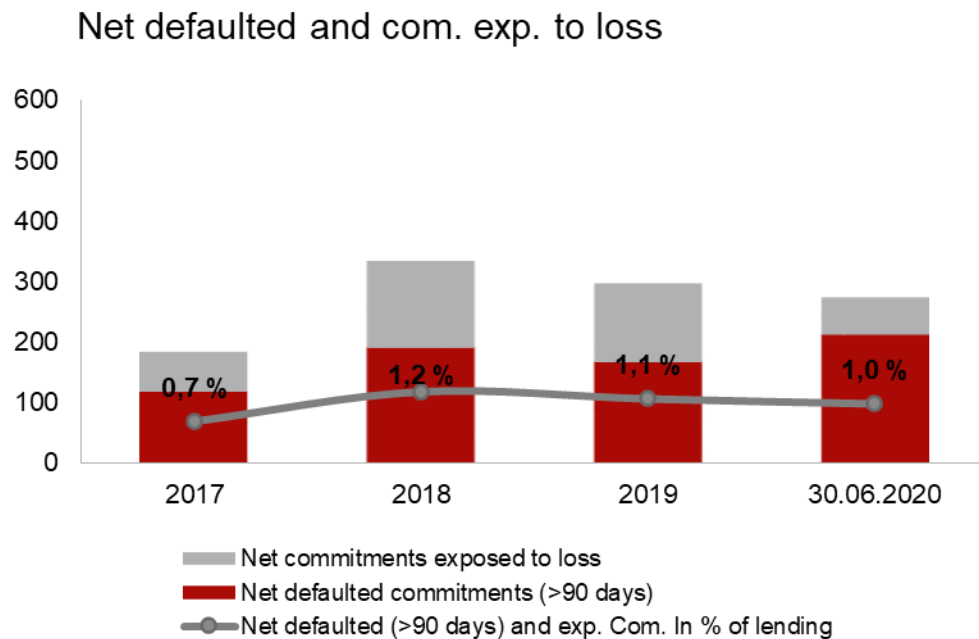
Lending distributed in sector



Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 32.3 (33.7)% or MNOK 8 898 (9 496)

Non-performing and other impaired commitments



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

The volume of impaired commitments has declined due to the sale of the hotel.

The increase in net defaulted is due to two new clients in default.



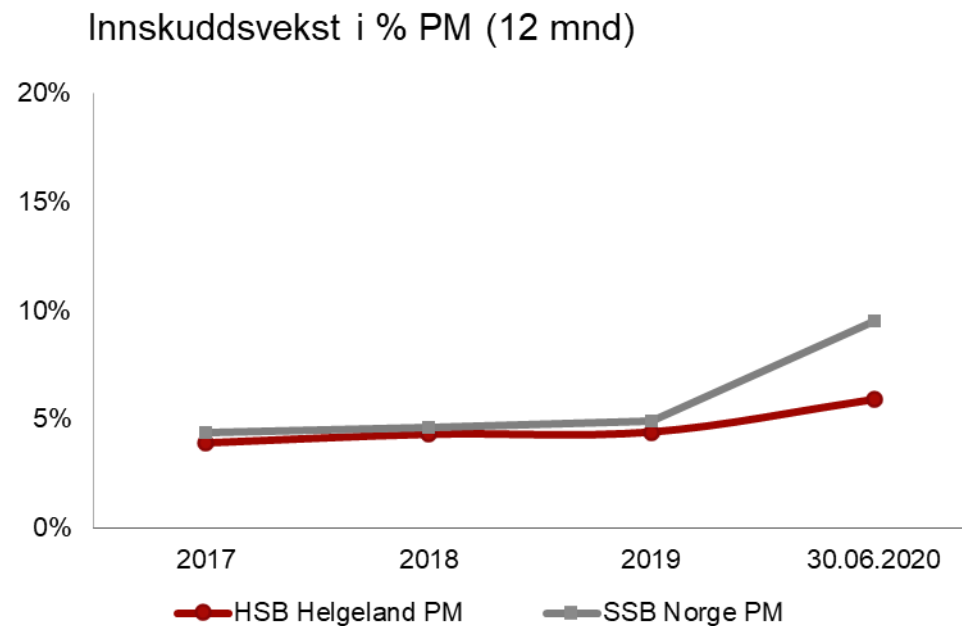
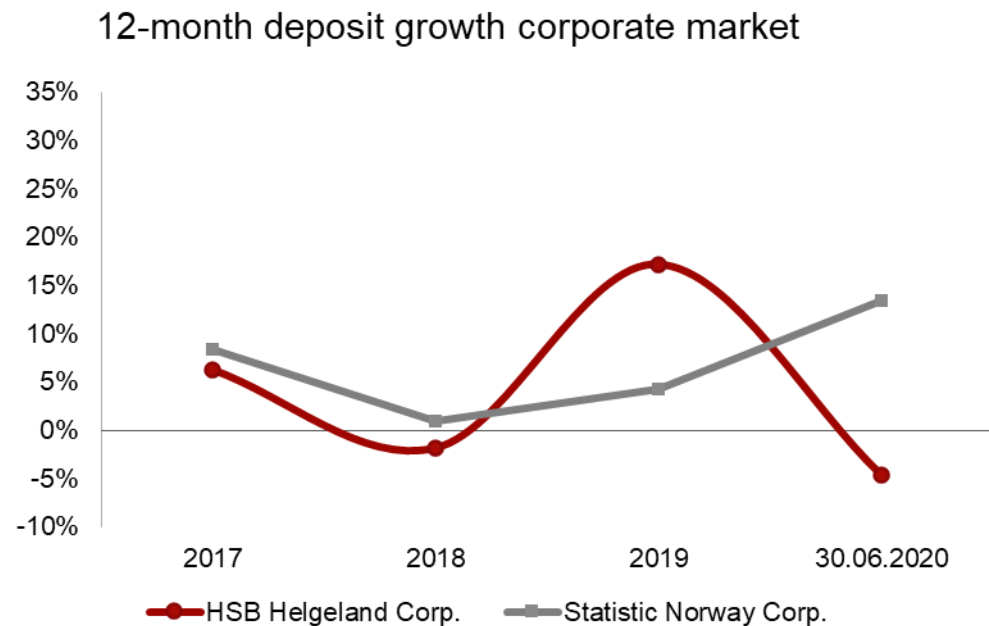
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Foto: Terje Rakke

En drivkraft for vekst på Helgeland



Deposit growth

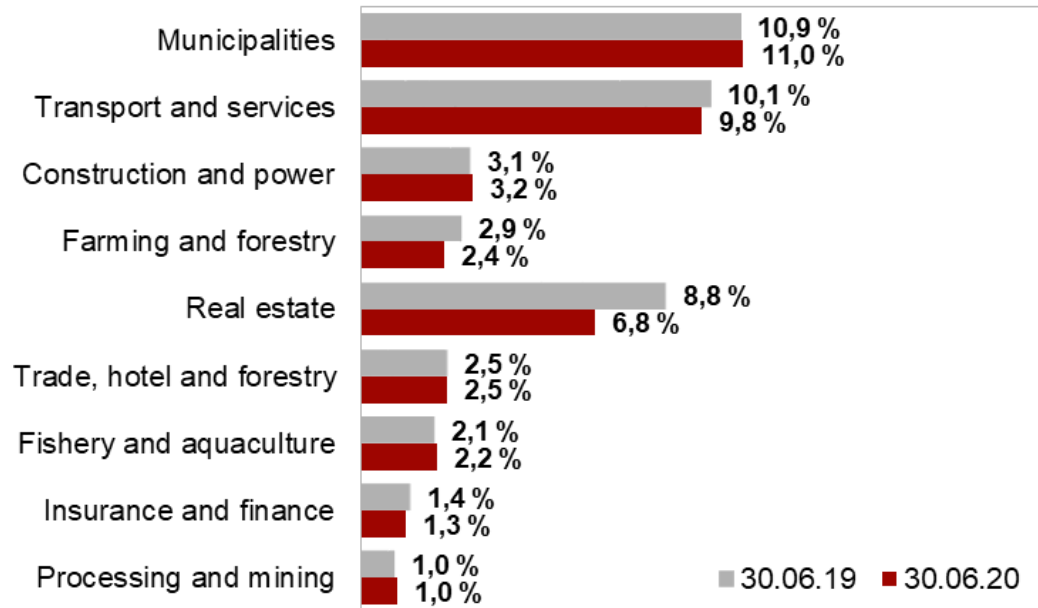


12-month deposit growth HSB 1.4 (7.7) %, hereby CM -4.6 (13.7) % and RM 5.9 (3.6) %.

The reduction is mainly due to balance optimization in Q4 2019.

Deposits CM

Customer deposits



Well diversified deposit portfolio in the CM

Share CM 40.3 (42.8)% or MNOK 7 483 (7 843) of total deposits

Deposits from municipalities constitute 27 % of the CM deposits. Helgeland Sparebank has won a bid to continue serving 4 municipalities in Helgeland during Q2.

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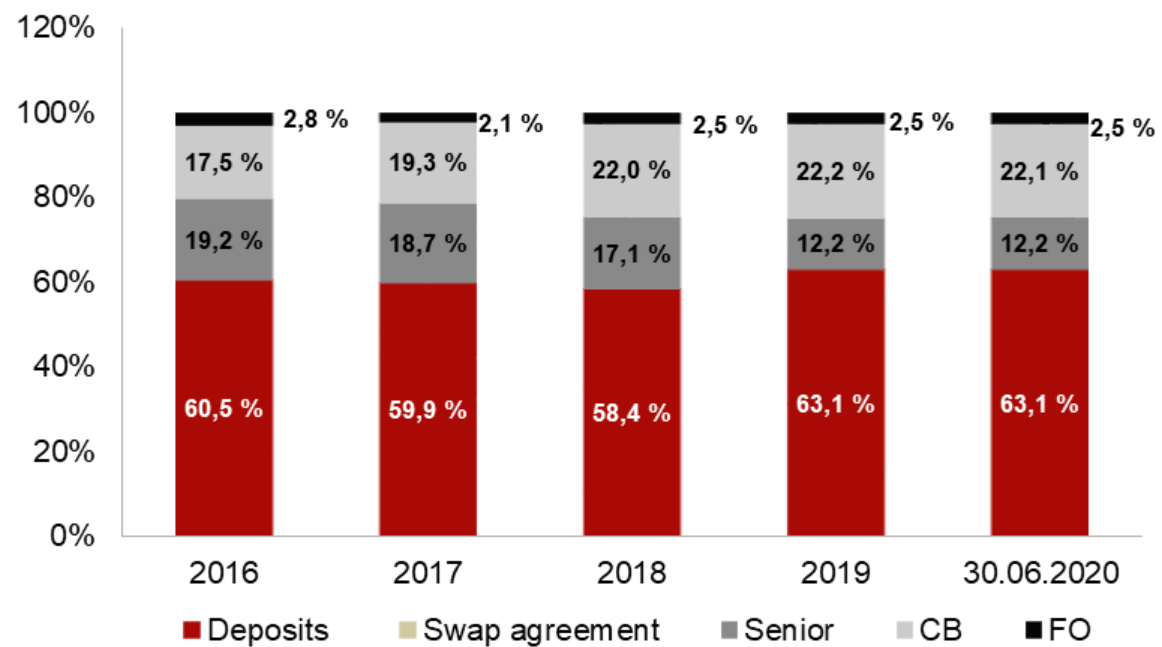
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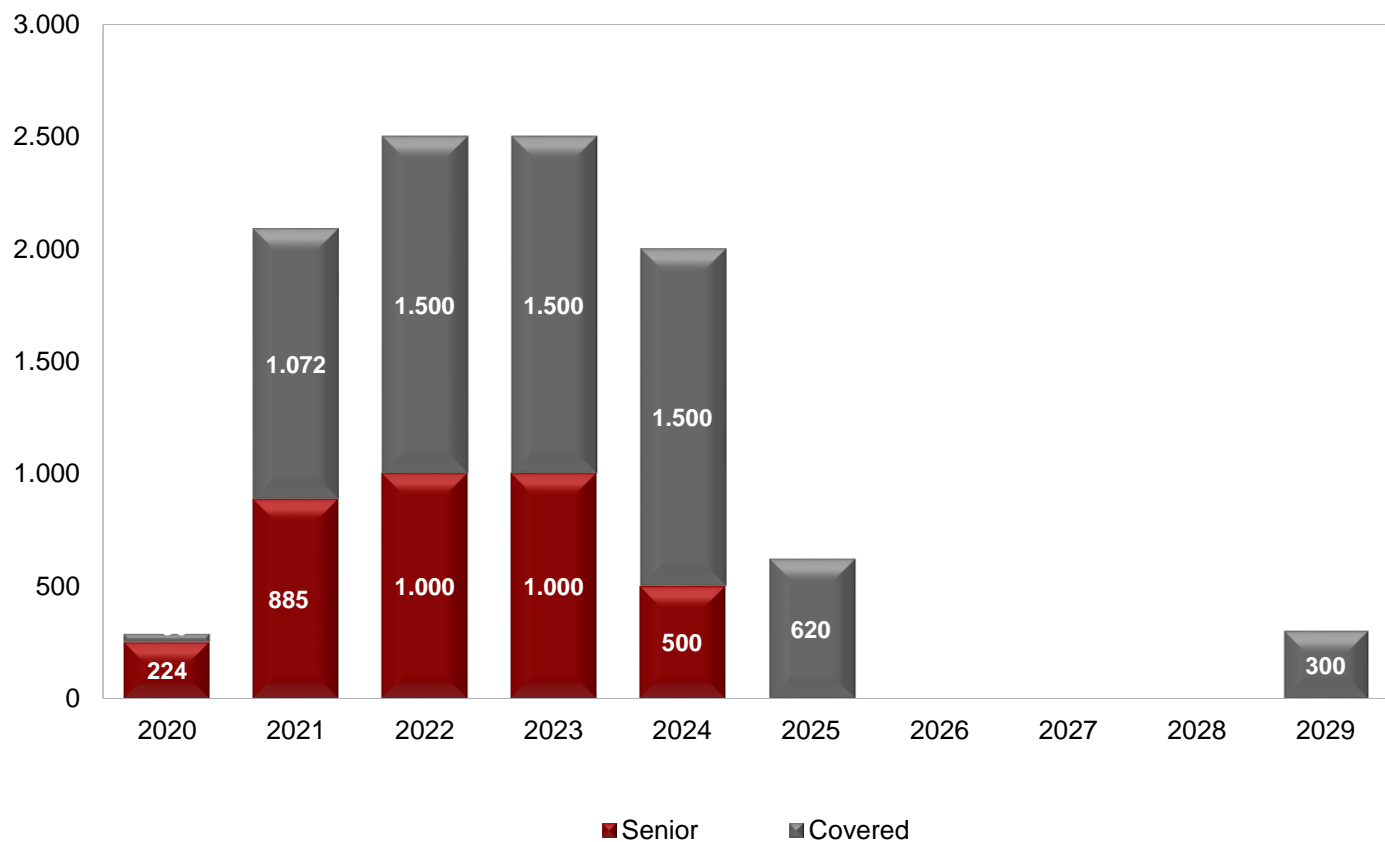
Funding

Funding development (MNOK)



Funding

Maturity of loans per year (MNOK)



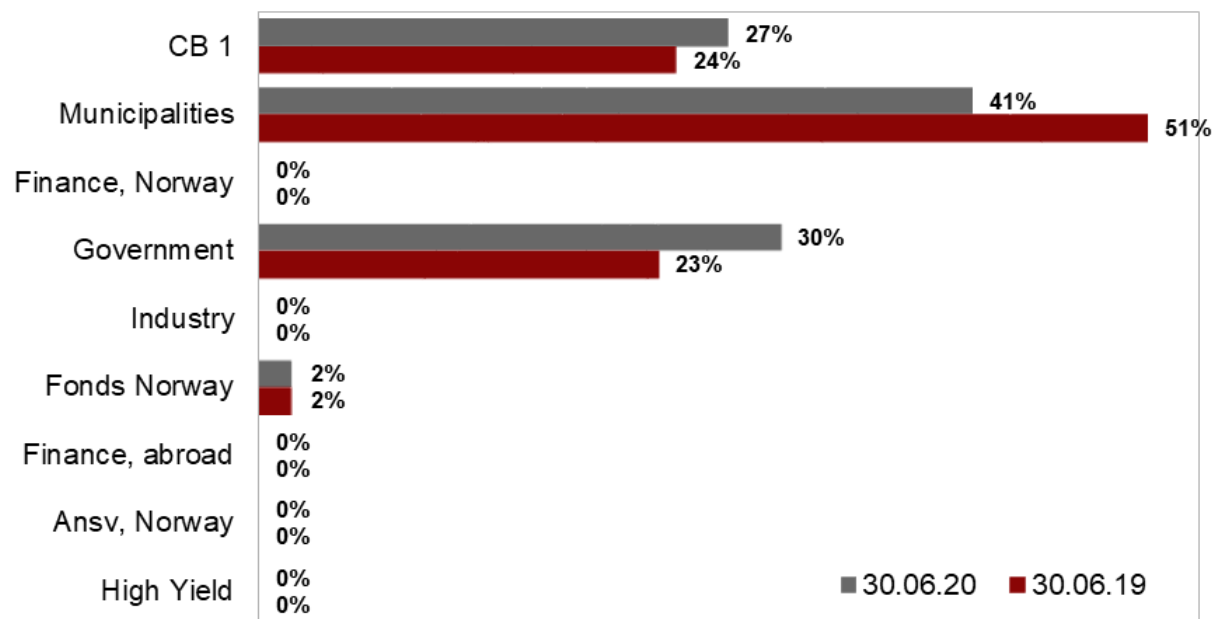
Good and long term funding

Share long term funding
87.9% (94.1)%

Combined duration of 2.7
(2.8) years. Duration in the
mortgage company 3.0 years

Liquidity buffer

Sector distribution interest portfolio



Interest bearing securities:

- Duration portfolio 1.7 (2.0) years
- 98.9 % rated A- or better
- 98.0 % CB or state-/ municipal guaranteed bonds

Municipality papers are actively used as short term liquidity placements.

Helgeland Boligkreditt AS



Helgeland boligkreditt AS, fully owned by Helgeland Sparebank

- Net profit MNOK 30.4 (26.1)
- CET1 ratio of 17.4 (17.8)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 664 (7 637) and CB MNOK 6 763 (6 842)

Good security in the lending portfolio

- Cover pool ratio of fullness 18 (17)%
- Combined LTV 56 (55)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 18 to 4 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 30.06.20 transfer degree is 27.8 and 41.1%

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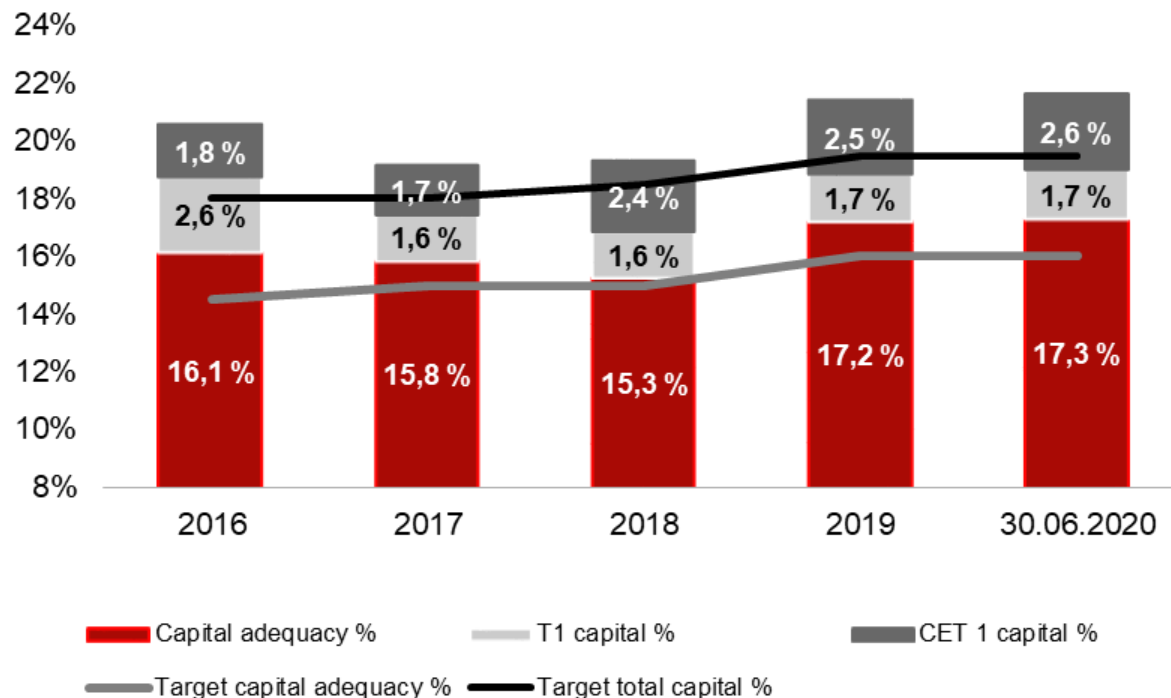
Foto: Jan Inge Larsen

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Capital adequacy

Development capital adequacy



Capital ratio

- CET1 17.3 (14.9)%
- Core capital 19.0 (16.4)%
- Total capital 21.6 (18.8)%

Leverage ratio: 9.6 (8.9)%.

Accounting for the years profit CET1 ratio would be 18.1 %, including consolidated groups.

HELG – the 20 largest owners

				Morbank	
Per 30.06.20	Quantity	Percent		Quantity	Percent
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	945.198	4,5 %	Melum Mølle AS	177.000	0,8 %
Lamholmen Invest AS	464.491	2,2 %	Vigner Olaisen AS	144.653	0,7 %
Bergen Kommunale Pensjon.	450.000	2,2 %	Melesio Invest AS	142.312	0,7 %
MP Pensjon PK	389.203	1,9 %	VPF Nordea Norge Pluss	123.527	0,6 %
U.S Bank National Association	387.173	1,9 %	Nervik Steffen	120.000	0,6 %
Helgeland Kraft AS	377.691	1,8 %	Nima Invest AS	117.736	0,6 %
Catilina Invest AS	314.046	1,5 %	Merrill Lynch Prof.	108.156	0,5 %
Sum 10 largest owners	14.000.201	67,1 %	Sum 20 largest owners	15.593.949	74,7 %

The bank has issued a total of 20.871.427 primary certificates value of NOK 10,- .

HELG – the 20 largest local owners

			<i>Morbank</i>		
Per 30.06.20	Quantity	Percent		Quantity	Percent
Sparebankstiftelsen Helgeland	7.315.020	35,05 %	Bjørn Rune Sørensen	14.700	0,07 %
Helgeland Kraft AS	377.691	1,81 %	Harald Svendsen	13.710	0,07 %
Vigner Olaisen AS	144.653	0,69 %	Finn Mørk	13.050	0,06 %
Steffen Nervik	120.000	0,57 %	Sniptind Holding AS	13.000	0,06 %
Lars Aage Andersson	43.353	0,21 %	Dan Erik Kjellnø	13.000	0,06 %
Reinfjell Holding AS	37.108	0,18 %	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 %	Bjørn Tore Øyen	11.500	0,06 %
Svenningdal Trevarefabrikk AS	21.964	0,11 %	Astrid Øyen	11.000	0,05 %
Bakeriet Mo i Rana AS	19.998	0,10 %	Helgelands Blad	10.914	0,05 %
Sum 10 largest owners	8.134.655	39,0 %	Sum 20 largest owners	8.260.169	39,6 %

Employees owners share has also in 2019 increased through continued employee program. Per 30.06.20, 111 941 ECC's are owned by HSB's employees. This equals 0.54 %.

HELG – EC development and liquidity

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



	2017	2018	2019	Q2 2020
EC fraction opening balance	76,5 %	76,3 %	76,4 %	76,4 %
EC fraction closing balance		76,4 %		76,7 %
Number of EC's	20,9	20,9	20,9	20,9
Stock exchange price	88,0	69,5	84,0	76,0
Stock value	1.839,2	1.452,6	1.755,6	1.588,4
Accounted equity per EC	108	110	119	123
Profit per EC	9,5	5	10,6	5,6
Dividend per EC	4,00	1,60	5,35	
Price/Accounted EC	0,8	0,6	0,7	0,6

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Foto: Halvor Hilmersen

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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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Foto: Liv Ask og Matis S. Mathisen

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Profit & loss

Helgeland Sparebank (group)									
	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Net interest- and credit provision earnings	141	140	145	142	145	156	159	159	140
Net provision earnings	22	22	24	23	22	25	30	24	24
Other operatios income	3	6	6	2	0	1	2	1	0
Ordinary operations cost	69	71	74	73	72	74	74	86	96
Result basic operations	97	97	101	94	95	108	117	98	68
Write-downs lending and warranties	83	20	138	5	15	18	27	23	30
Net value change financial instruments	35	-1	4	4	5	6	19	-35	112
Gross profit	49	75	-34	93	85	96	110	40	150
Net profit	42	62	-28	71	66	73	95	23	139
Net extended income posts	0	0	0	0	0	0	-2	0	0
Profit for the period	42	62	-28	71	66	73	93	23	139

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.



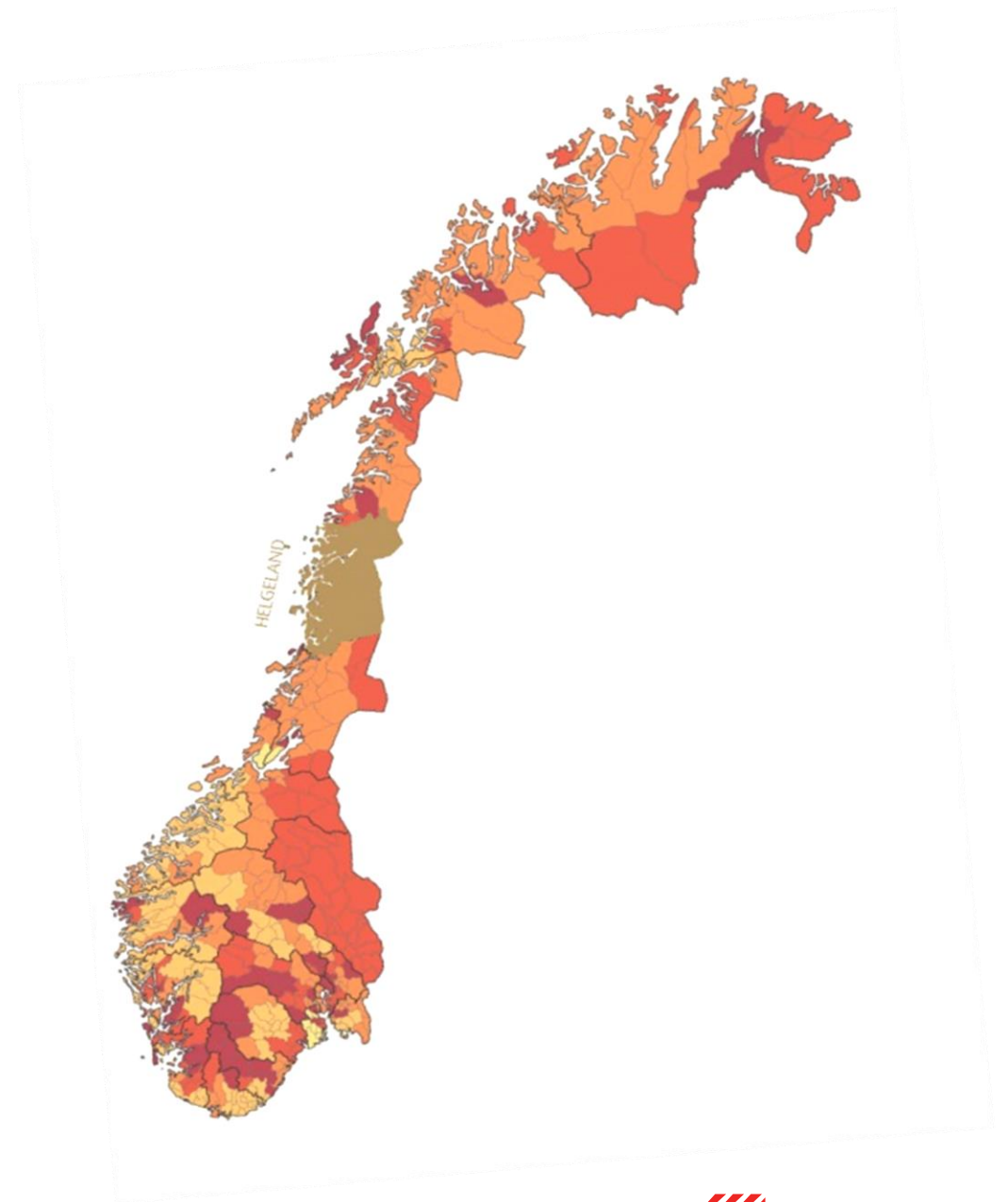
Helgeland Invest AS is an investment company localized in Helgeland.



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 33 834
- Employees, annual positions: 141
- Moodys rating: A3 – Stable outlook. Ticker: HELG



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