

**Presentation  
Q3 2020**

# ***En drivkraft for vekst på Helgeland***



# Presentation per 30.09.20 (HSB Group)

## Main Features

Events Q3

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices



Hanne Nordgaard  
Chief Executive Officer



Sverre Klausen  
Chief Financial Officer

# Main features per 30.09.20

Gross profit	MNOK 255 (274)
ROE*	8.4 (8.5) %
Total assets	33.6 (34.2) bn
Solidity	CET1 17.3 (14.8) %

\*Adjusted for hybrid capital

# Financial targets

ROE:  
11 %

CET1:  
17,0 %

Costs:  
 $C/I < 40 \%$

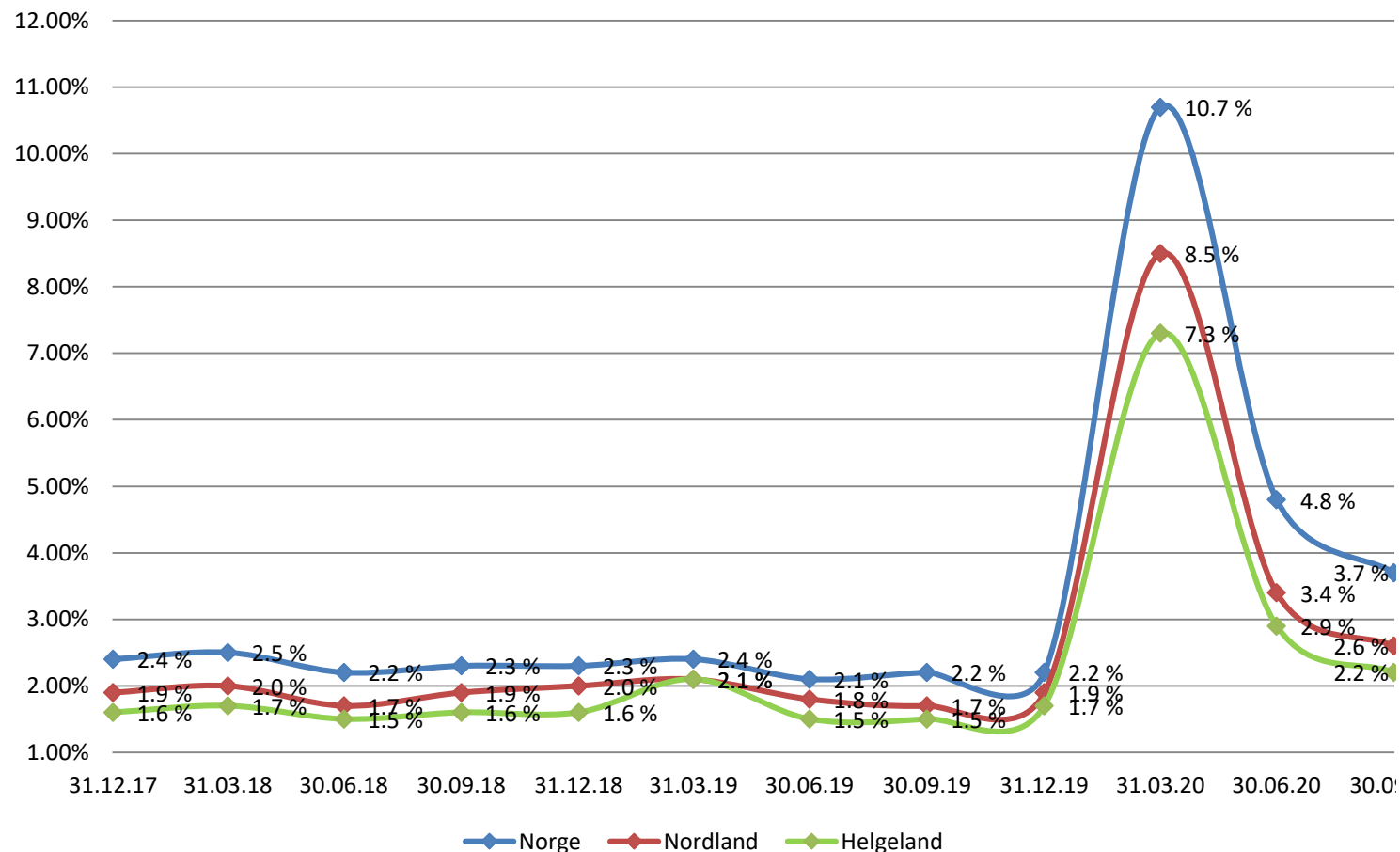
Dividend ratio:  
50 %  
Inntil av utbyttegrunnlaget

## Long term targets:

- ROE target of 11 % from 2023. In the years 2020, 2021, and the transformation year 2022 it is not expected to fulfil the long term target for ROE.
- New target for CET1 is fulfilled by the end of the quarter, and takes in to account expected increase in buffer targets (countercyclical and system risk)
- Long term cost target of 40 % of income. One time costs related to Helgeland 1 entails that the target can not be wxpected fulfilled in the years 2020 and 2021.
- Dividend ratio of up to 50 % of the dividend ratio.

# Unemployment

## Unemployment in %, Norge, Nordland og Helgeland



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

The development in Q2 and Q3 have been positive and is normalizing against the level we had in Q4 2019.

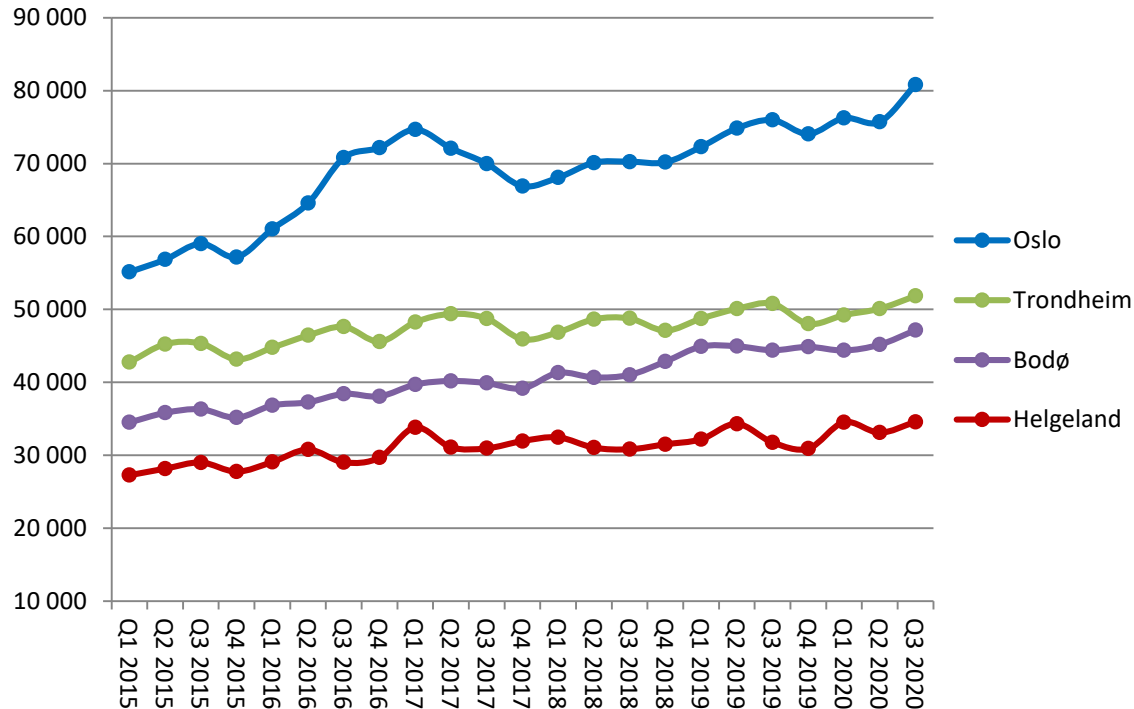
Nationally, 105 300 people, or 3.7 % of the work force was registered unemployed at the end of September. 25 300 of these are laid off.

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

- Norge 3.7 %
- Nordland 2.6 %
- Helgeland 2.2 %

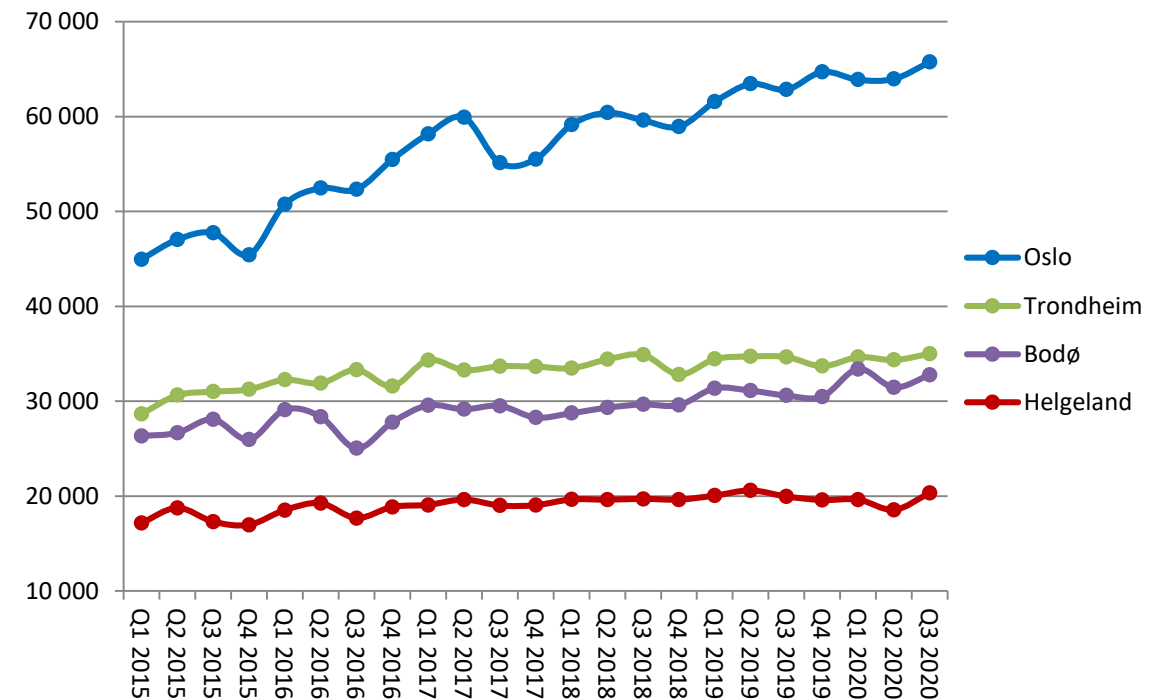
# Housing price development

Price development - sold apartments in NOK/sqm



Price development in Q3,  
4.4 % in Helgeland and 6.7 % in Oslo.  
The prices for sold apartments in Helgeland has increased compared to Q2.

Price development - sold villas in NOK/sqm



Price development in Q3:  
9.6 % in Helgeland and 2.8 % in Oslo. The prices for sold Villas in Helgeland has increased compared to Q2.



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Funding

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Prospects and priorities

Appendices



# Events in Q3

- Costs related to Helgeland 1 amounted to MNOK 40 this quarter, hereunder write-down of IT system of MNOK 30 in accordance to business case. So far this year it has been expensed MNOK 69 associated this project.
- Low losses in lending as a consequence of entrance on confirmed loss in addition to positive development in model calculated losses.
- Profit share from associated companies of MNOK 14 in the third quarter
- The adjustment of the parameters in the loss models initiated in relation to covid-19 is maintained. Effect of these amounts to MNOK 20 so far this year, down by MNK 5 from last quarter.
- HSB had two interest rate adjustments in Q2. The difference in time for changing the lending and deposit interest rates has weakened the interest margin of around MNOK 2.5 in Q3.



# Status entrance in SpareBank1/SamSpar and the acquisition from SNN

- The project “Helgeland 1” is established with Sparebank1 Utvikling, SamSpar, SpareBank1 NordNorge and Tieto Evry
  - It has been established program office, program management and project organization
- It's currently undergoing a process to determine a final schedule and quality testing of cost/income estimates. This will be available during 4<sup>th</sup> quarter.
  - The different transaction and migration will happen over a timeline from the middle of 1<sup>st</sup> quarter to the middle of 2<sup>nd</sup> quarter 2021.
  - So far it looks like the project can be delivered in accordance to business case.

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, steep mountains, and a clear sky with light clouds.

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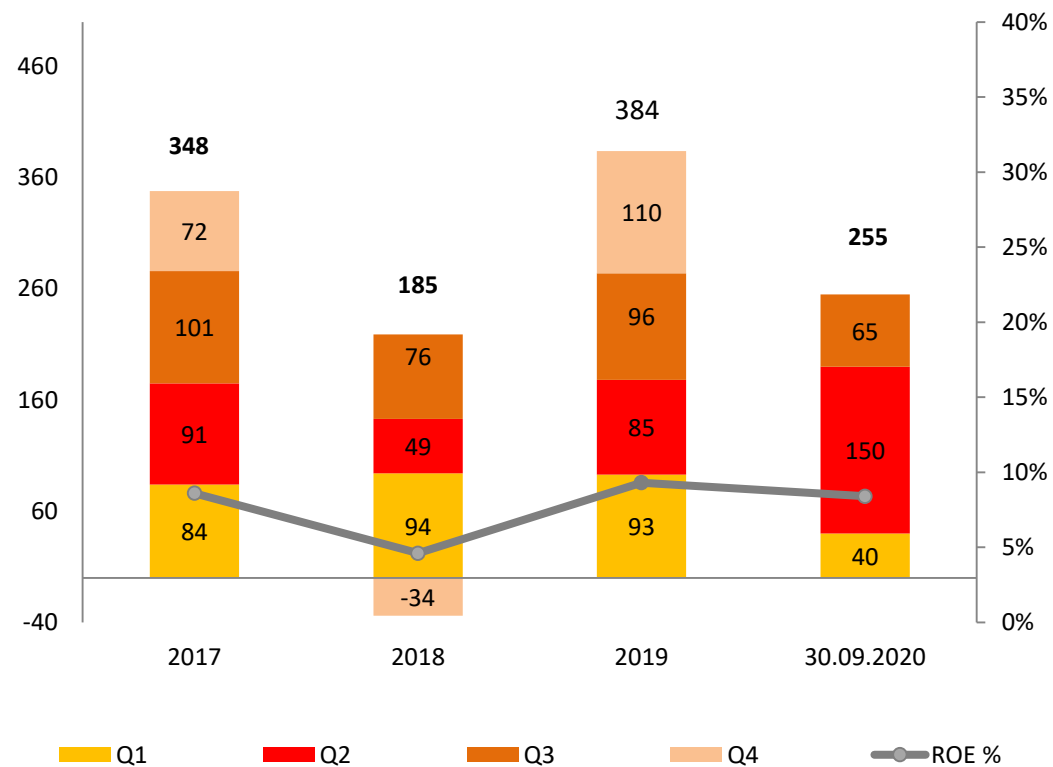
Solidity

Prospects and priorities

Appendices

# Profit

## Profit development (MNOK)



## Profit Q3

Gross profit MNOK 255

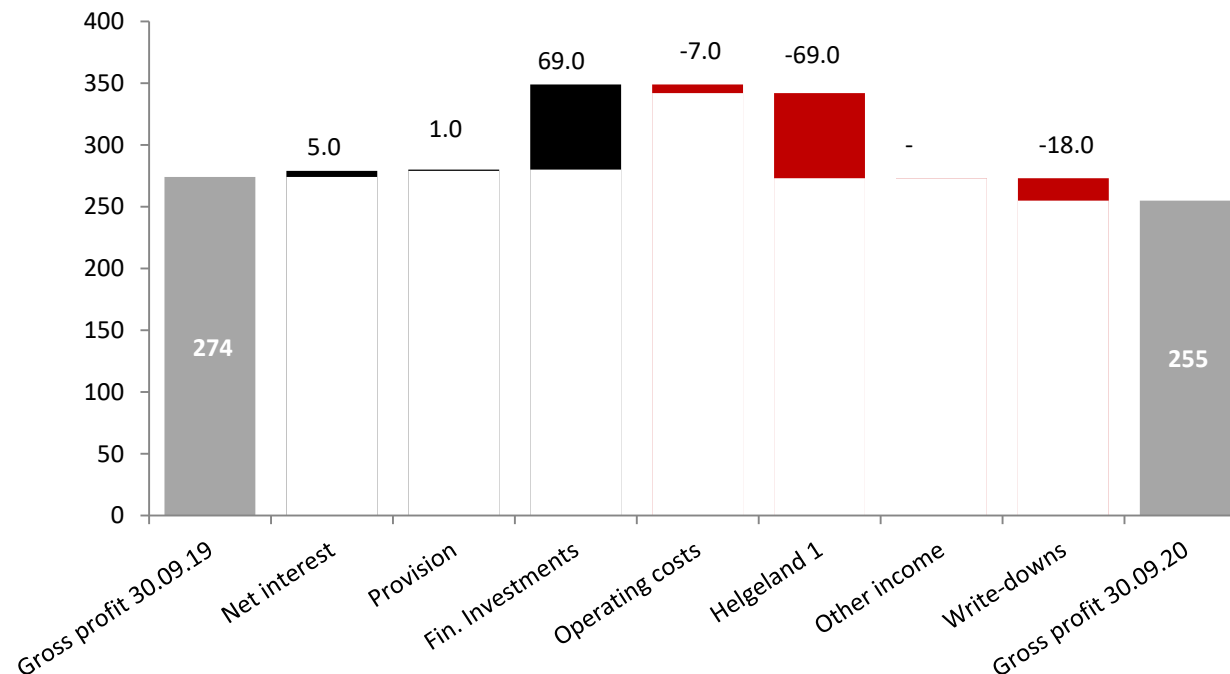
- Net ROE 8,4 % (hybrid excluded)
- The result is characterized by the following one time cost and income.

	Q1	Q2	Q3	30.09.20
IFRS 9 model	-25		5	-20
Helgeland 1	-6.1	-22.9	-10	-39
Impairment of fixed assets			-30	-30
Sale of hotel		-17.5		-17.5
Sale of shares in frende		84		84
Interest rate adjustments		-15	-2.5	-17.5
<b>Totalt</b>	<b>-31.1</b>	<b>28.6</b>	<b>-37.5</b>	<b>-40</b>



# Gross profit

## Change in gross profit (MNOK)

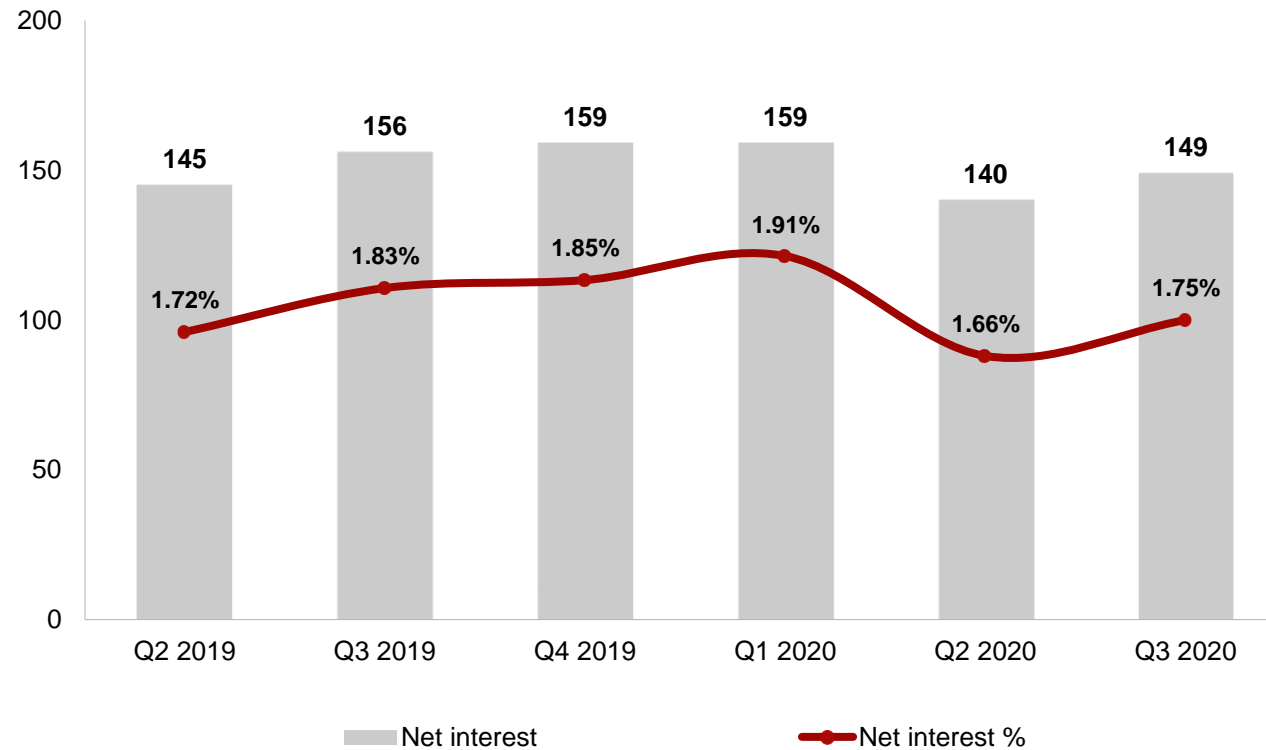


## Gross profit MNOK 255

- Increased net interest due to a weak net interest in the corresponding period last year
- Increased income from financial investments due to the sale of Frende with MNOK 69
- Increased costs due to write down of right to use I in leasing and other property, and cost regarding new offices
- Cost regarding Helgeland 1 amounts to MNOK 69 by the end of third quarter
- Increased write-downs on lending
  - Change in the loss model as a consequence of covid-19 amounts to write-downs of MNOK 20 per 30.09.20
  - Sale of hotel resulted in further write-downs in lending by MNOK 17.5.

# Net interest

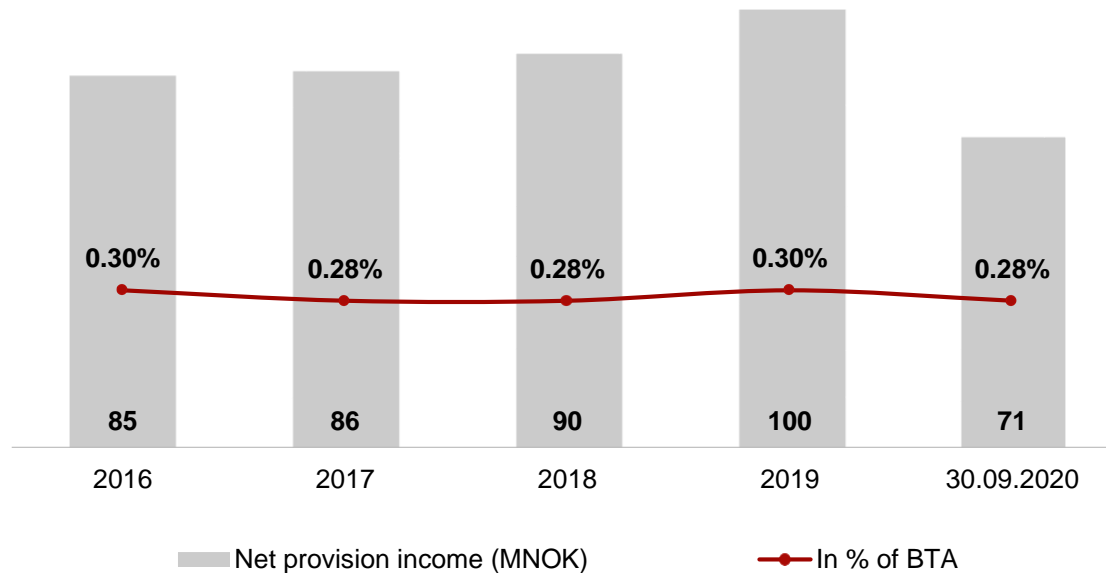
Development net intr.(mnok.) and % of average BTA



- Weakened net interest in Q2 due to two interest rate changes where lending- and deposit interests were reduced at different times.
- Lending interest rates were reduced in the end of april and in the end of may while the deposit interest rates were reduced from June 1<sup>st</sup> and in the middle of July.
- This has weakened the interest margin by MNOK 17.5 whereof MNOK 2.5 in the third quarter.
- Net interest is expected to be stable in the rest of 2020 and in 2021.

# Provision

## Development net provision income



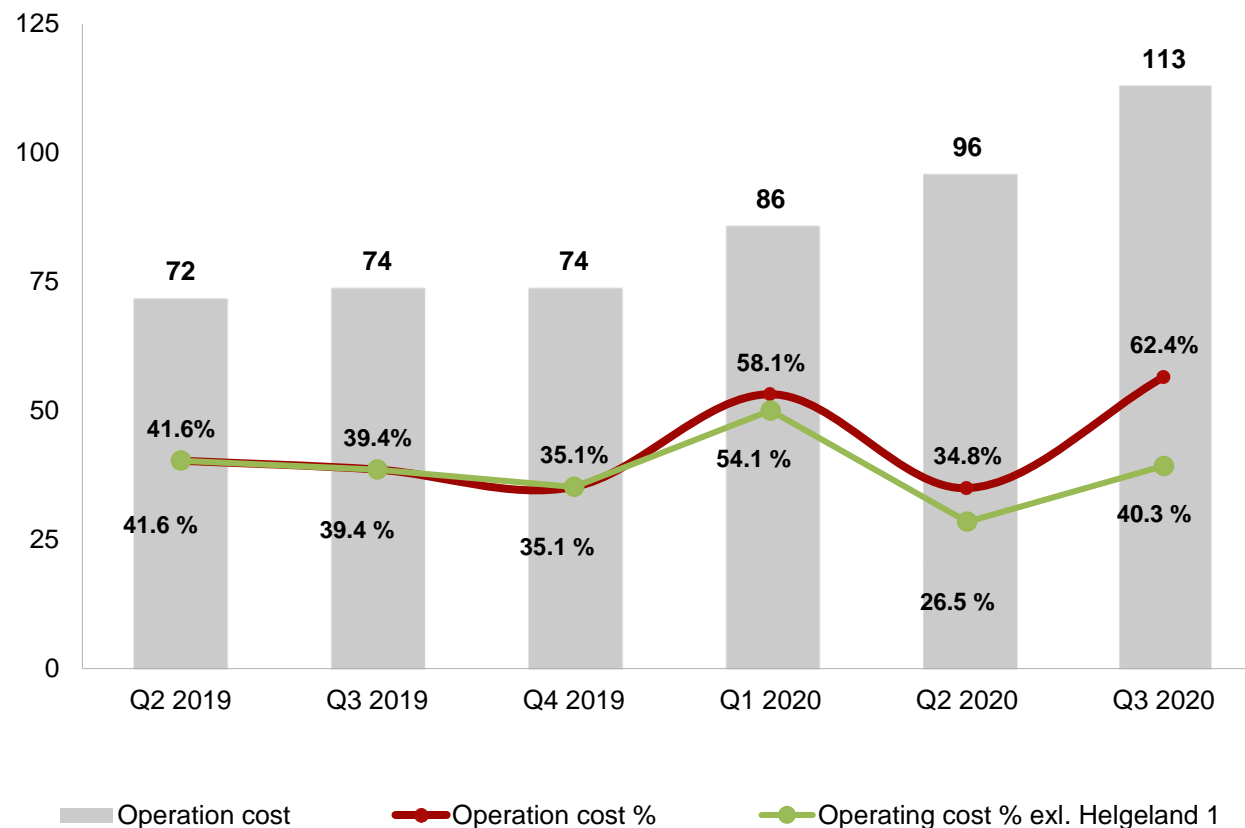
Provision income is stable. Decrease from corresponding period last year is mainly related to reduced travelling activities as a consequence of the corona pandemic.

Provision is expected to maintain stable also in the coming quarter and in to 2021.



# Operating costs

Operating cost (mnok) and % of income



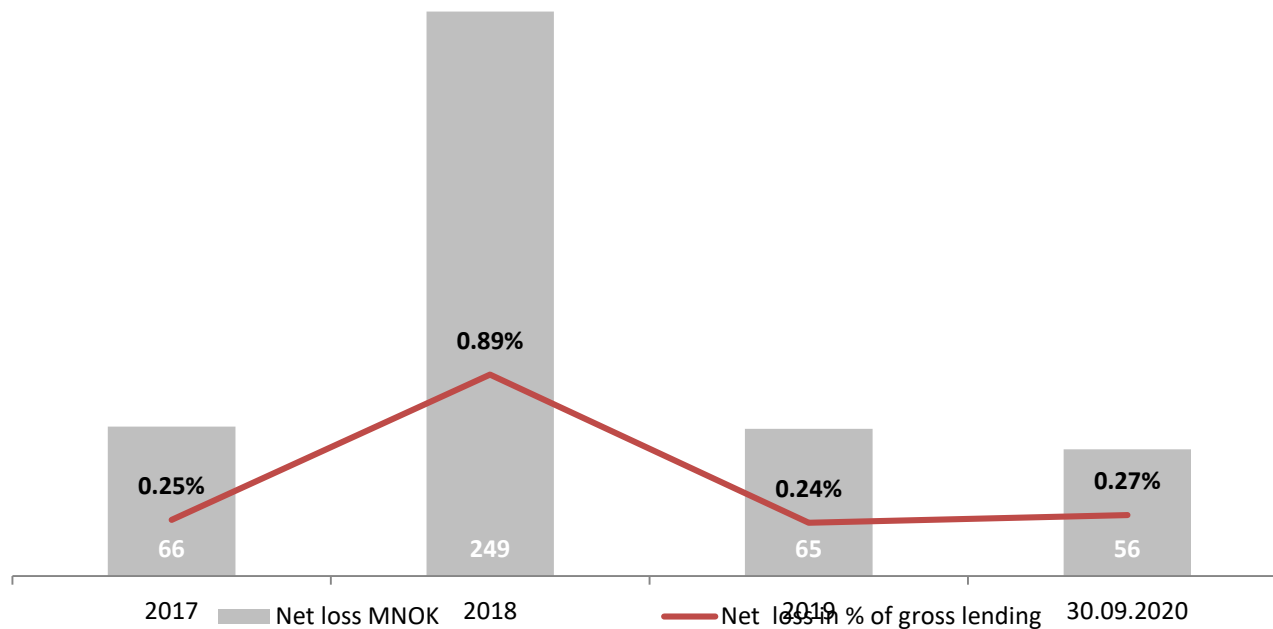
So far this year it has been expensed MNOK 69 on Helgeland 1.

- MNOK 20.5 accrual severance packages
- MNOK 30.5 write-down GRS
- MNOK 18 IT, legal and other costs

So far this year, the costs excl. Helgeland 1 has been slightly higher than on the same time last year. This is due to project cost relating to new office offices, write-downs of right to use assets and other real estate.

New target to keep cost in % of income under 40 % from 2020. The bank expect to be within target exclusive the costs of Helgeland 1.

# Loss on commitments



MNOK 56 in loss so far this year  
whereas MNOK 3 in Q3.

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 20 per 30.09.20, down  
MNOK 5 from second quarter.

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.

It is expected normalized losses  
overall for 2020 and 2021 (0,20 %  
of gross loans)



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Appendices

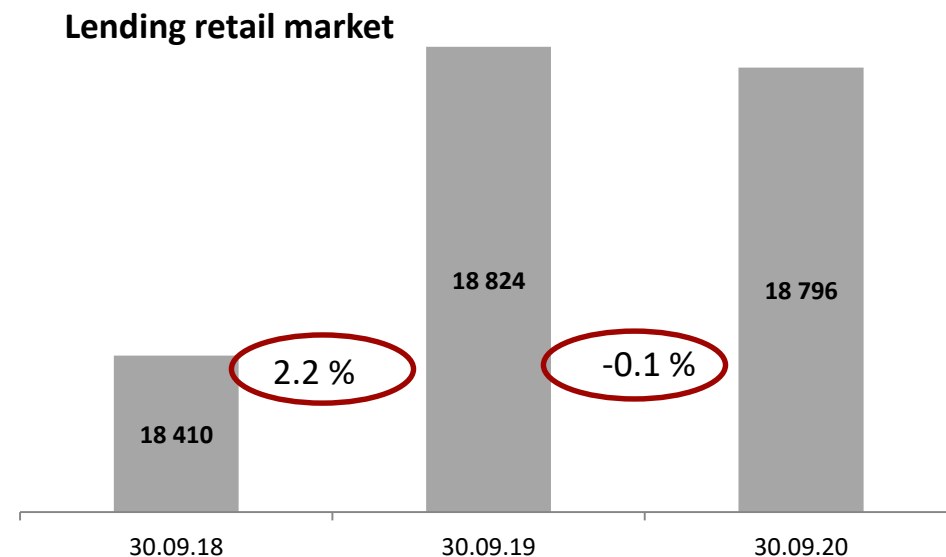
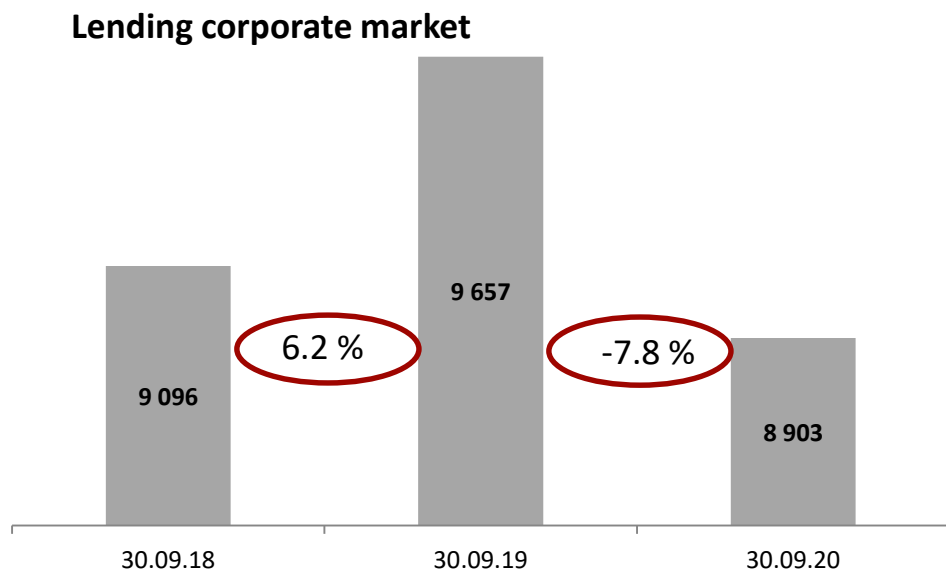
Foto: Tore Schøning-Olsen

En drivkraft for vekst på Helgeland





# 12 month-credit growth



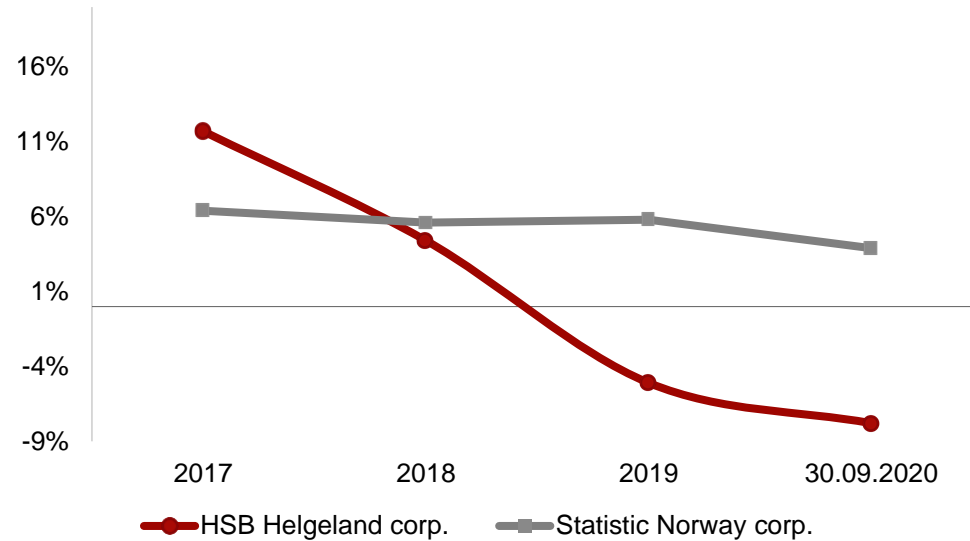
Controlled balance optimization provided negative growth in CM from 2019 to 2020.

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

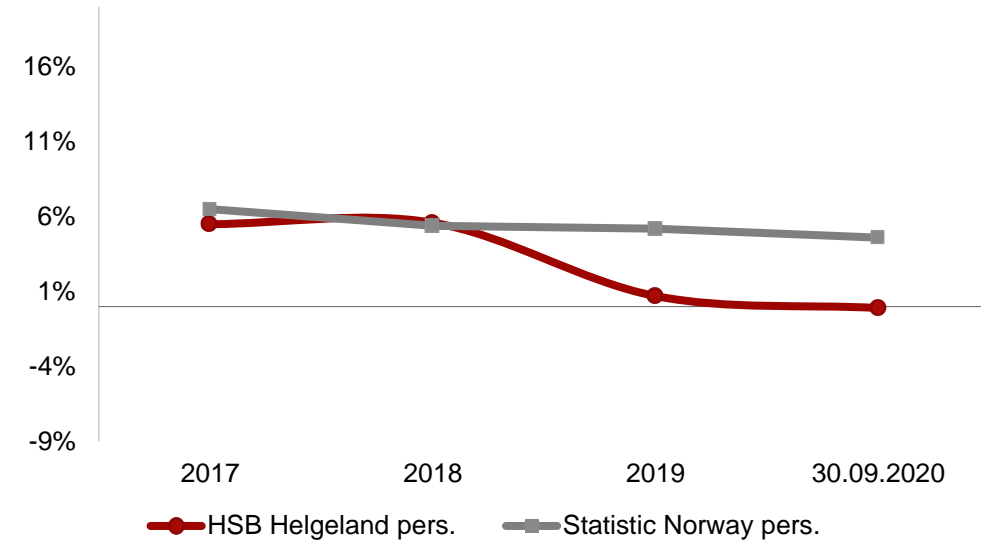
Benefits from the bank collaboration in Helgeland is expected to strengthen Helgeland Sparebanks competitiveness.

# Credit growth

12-month credit growth corporate market



12-month credit growth retail market

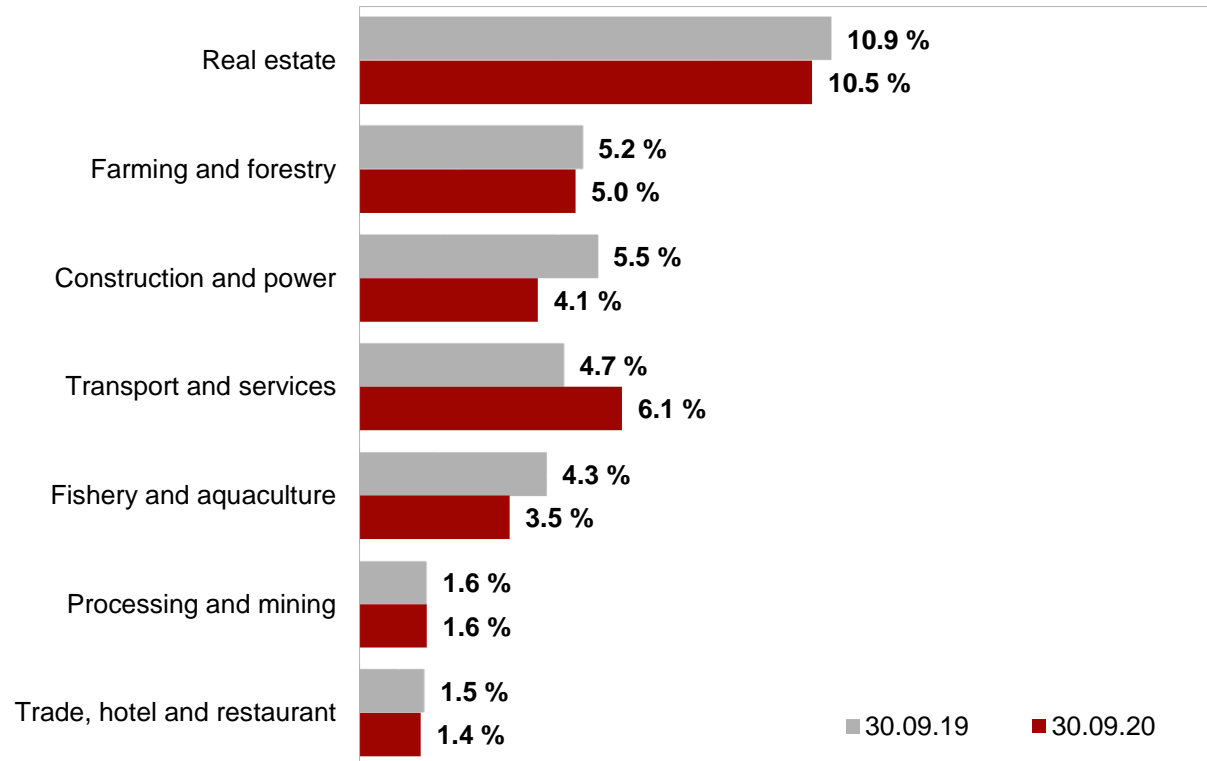


12-month growth credit growth HSB -2.7 (3.5) % hereby CM -7.8 (6.2) % and RM -0.1 (2.2) %.

Controlled balance optimization in Q4 provided lower growth in CM

# Lending CM

Lending distributed in sector



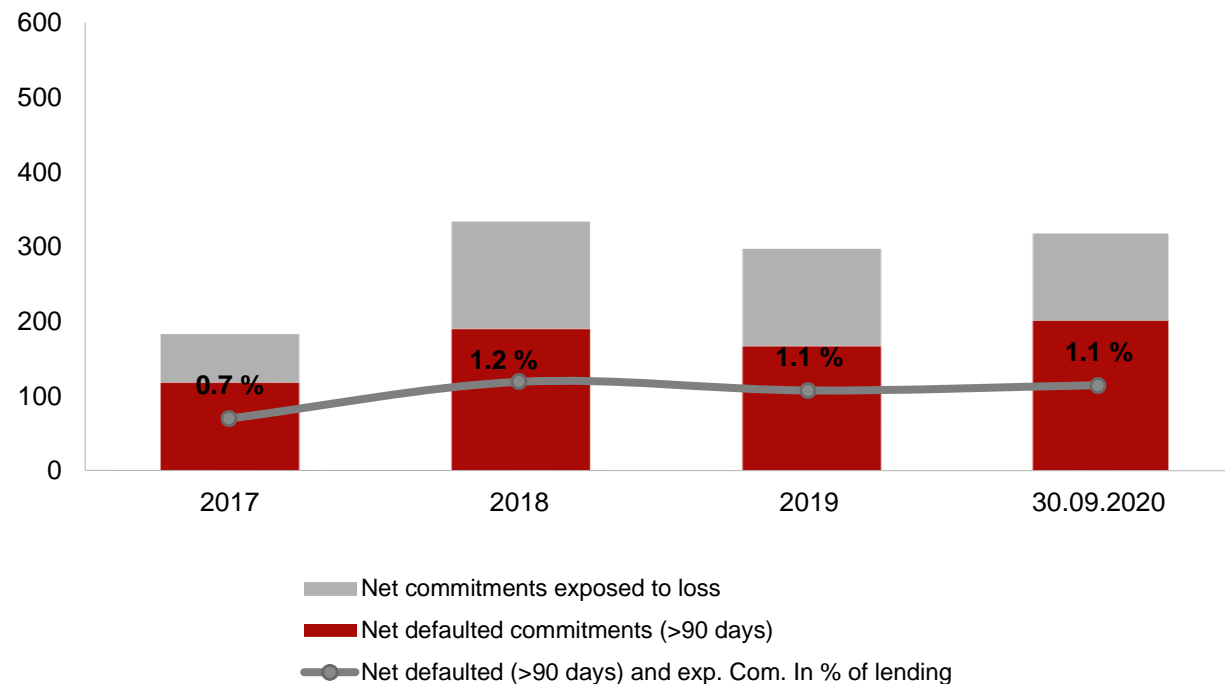
Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 32.1 (33.9)% or MNOK 8 903 (9 657)



# Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 317, an increase of MNOK 20 from year end.

The volume of impaired commitments amounts to MNOK 116, which equals a reduction of MNOK 14 from the same period last year. This is mainly related to sale of the hotel.

Net non-performing loans over 90 days amounts per 30.09.20 to MNOK 201, and amounts to an increase of MNOK 29 compared to the same period last year. This is mainly related to one large commitment transferred to default, but is expected to be repaid in full.

Gross lending allocated in step 2 in the loss model has had an increase of 1.4 bn. This is mainly change of parameters as a consequence of covid-19.



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Funding

Solidity

Prospects and priorities

Appendices

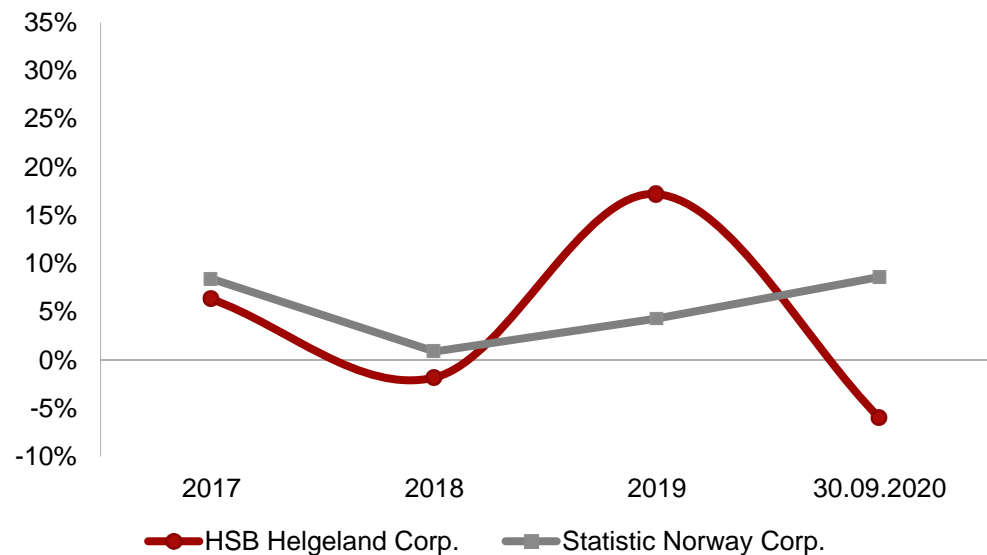
Foto: Terje Rakke

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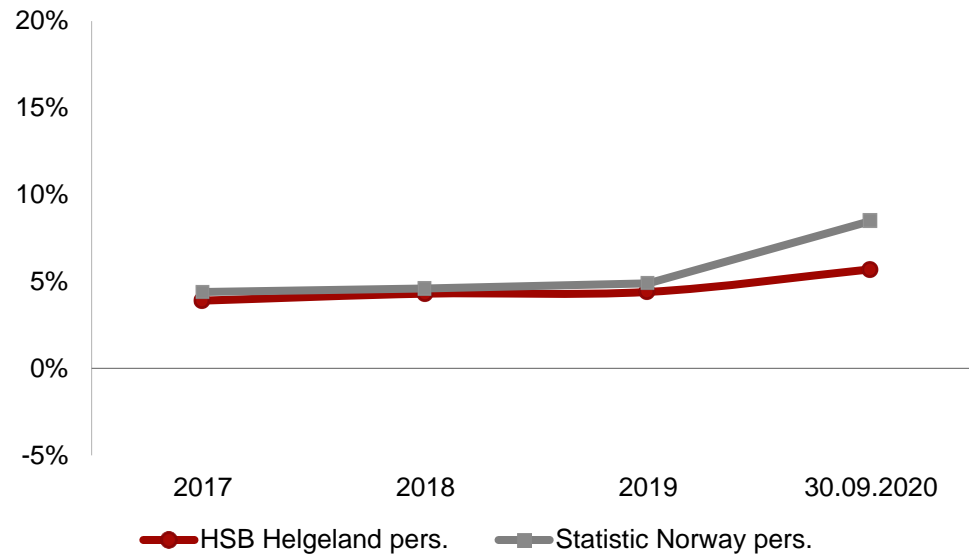


# Deposit growth

12-month deposit growth corporate market



12-month deposit growth retail market

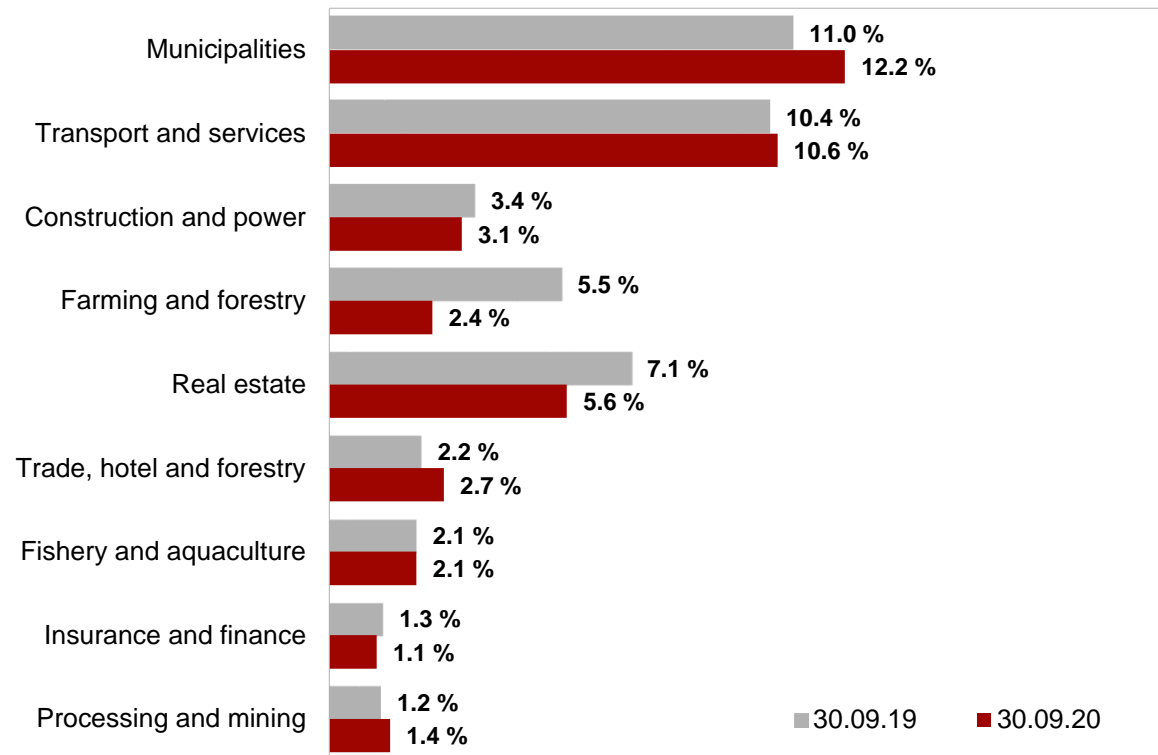


12-month deposit growth HSB 0.5 (8.3) %, hereby CM -5.9 (14.3) % and RM 5.7 (4.6) %.

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

# Deposits CM

## Customer deposits



Well diversified deposit portfolio in the CM

Share CM 41.3 (44.1)% or MNOK 7 670 (8 159) of total deposits

Deposits from municipalities constitute 29 % of the CM deposits.



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Events Q3

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**Funding**

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Prospects and priorities

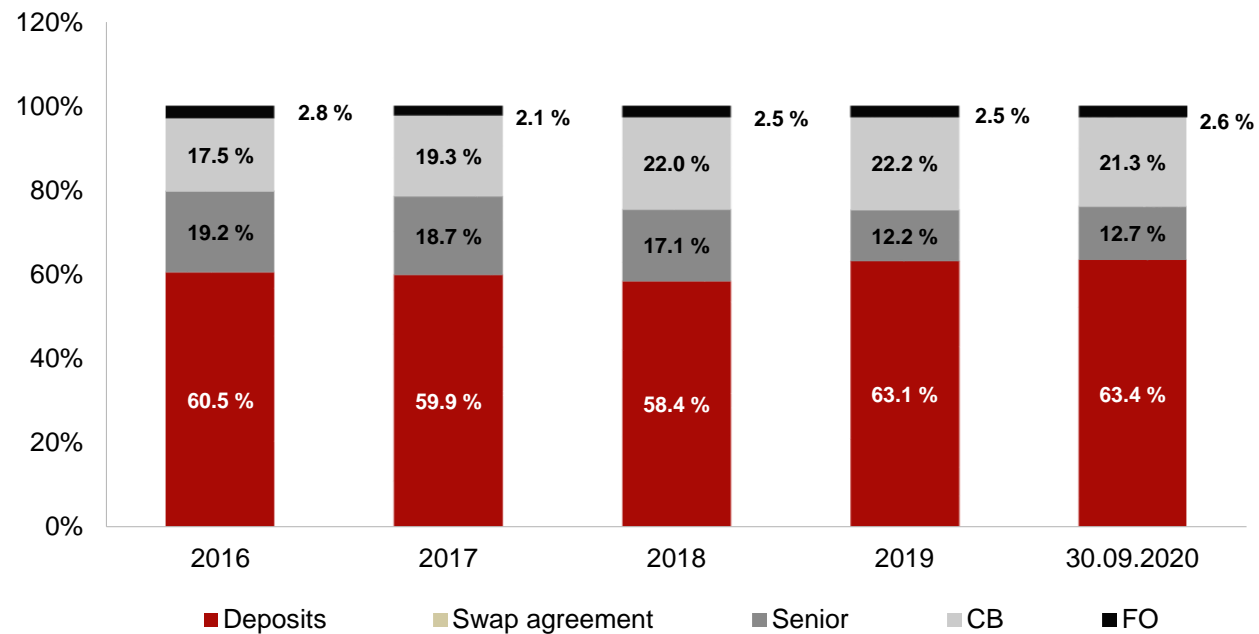
Appendices

Foto: Terje Rakke

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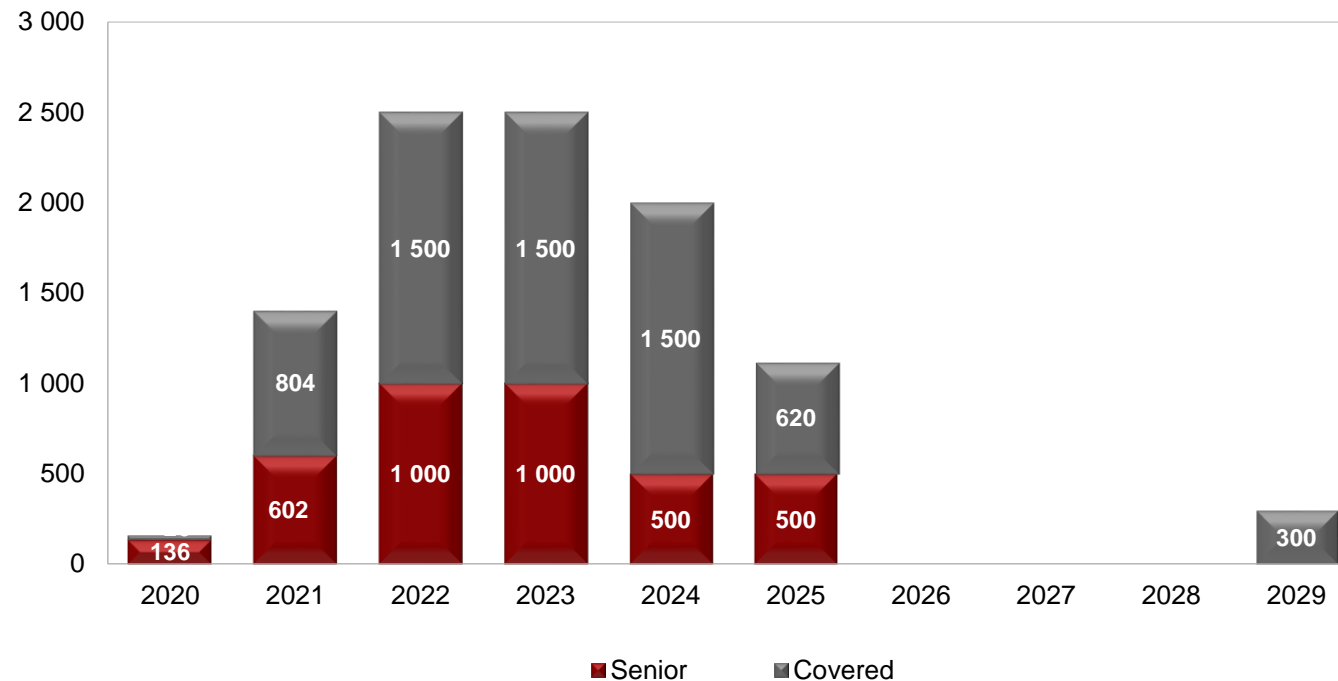
# Funding

Funding development (MNOK)



# Funding

Innlån forfallstruktur per år (mill. kr.)

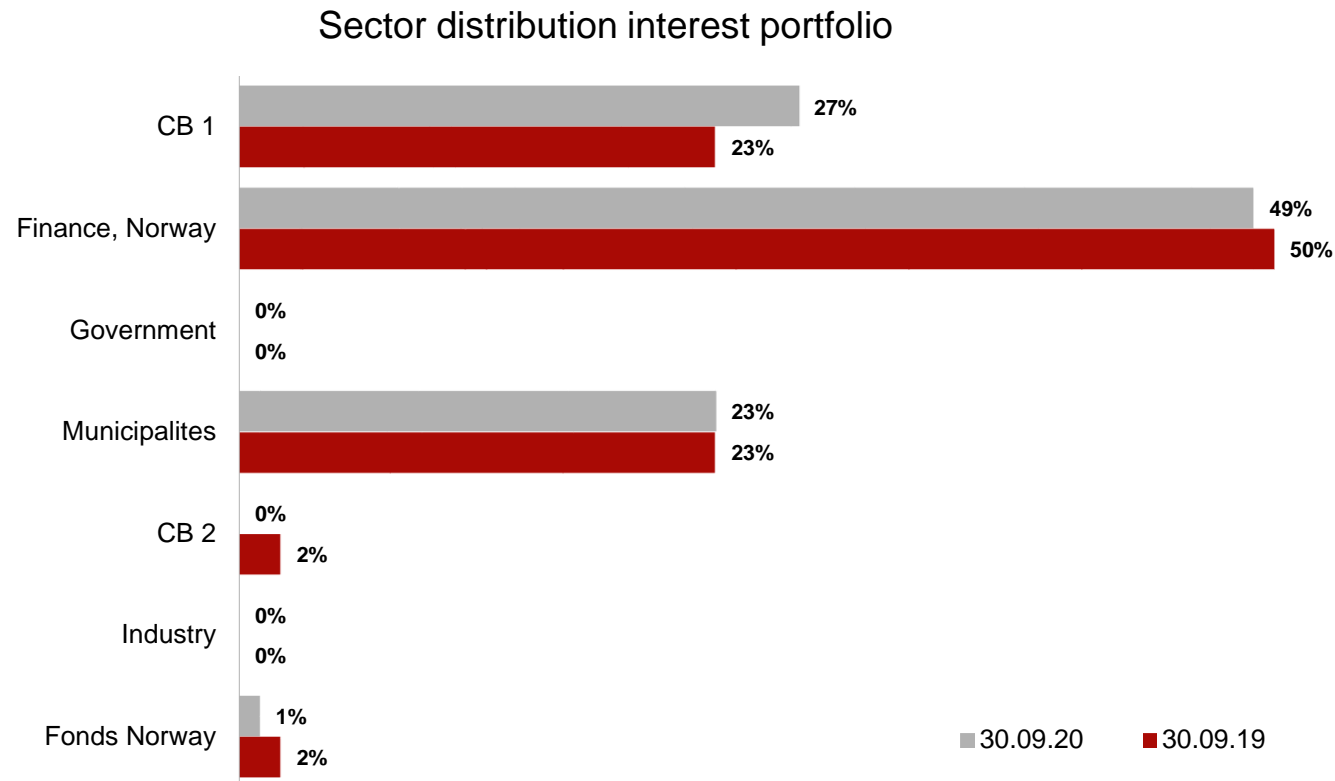


Good and long term funding

Share long term funding  
97.5% (92.9)%

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

# Liquidity buffer



Interest bearing securities:

- Duration portfolio 1.5 (1.7) years
- 98.8 % rated A- or better
- 98.8 % 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 50.9 (39.6)
- CET1 ratio of 17.3 (17.7)%
  - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 659 (7 664) and CB MNOK 6 361 (6 857)

### Good security in the lending portfolio

- Cover pool ratio of fullness 26 (17)%
- Combined LTV 55 (55)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 26 to 12 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 30.09.20 transfer degree is 27.7 and 40.7%





Main features

Events Q3

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices

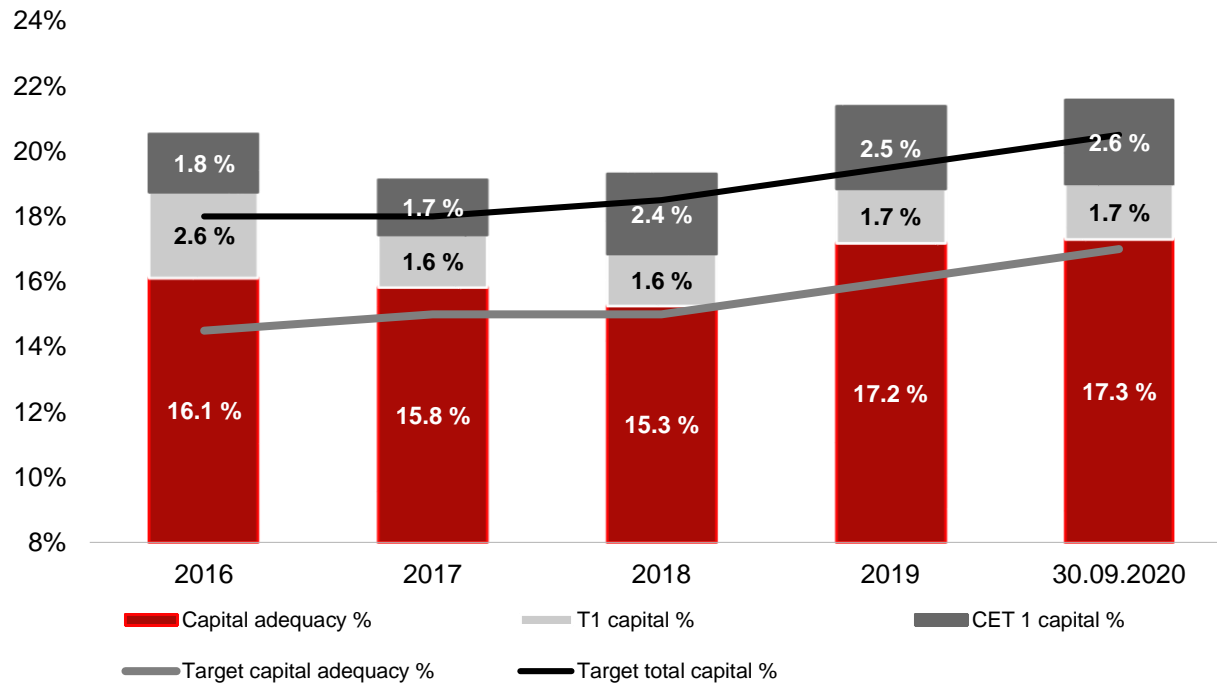
Foto: Jan Inge Larsen

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# Capital adequacy

## Development capital adequacy



### Capital ratio

- CET1 17.3 (14.8)%
- Core capital 19.0 (16.4)%
- Total capital 21.6 (18.8)%

Leverage ratio: 9.8 (8.8)%.

Accounting for the years profit CET1 ratio would be 19.1 %, including consolidated groups.

# HELG – the 20 largest owners

			<i>Morbank</i>	
<b>Per 30.09.20</b>	<b>Antall</b>	<b>%-andel</b>	<b>Antall</b>	<b>%-andel</b>
Sparebankstiftelsen Helgeland	7 315 020	35.0 %	VPF Nordea Avkastning	240 370 1.2 %
Pareto AS	1 948 330	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	957 229	4.6 %	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 %
U.S Bank National Association	387 173	1.9 %	Nima Invest AS	126 063 0.6 %
MP Pensjon PK	384 203	1.8 %	VPF Nordea Norge Pluss	123 527 0.6 %
Helgeland Kraft AS	377 691	1.8 %	Nervik Steffen	120 000 0.6 %
Catilina Invest AS	314 046	1.5 %	Merrill Lynch Prof.	108 156 0.5 %
<b>Sum 10 største eiere</b>	<b>14 006 170</b>	<b>67.1 %</b>	<b>Sum 20 største eiere</b>	<b>15 608 245 74.8 %</b>

Banken har utstedt totalt 20.871.427 stk egenkapitalbevis pålydende kr. 10,- .

# HELG – the 20 largest local owners

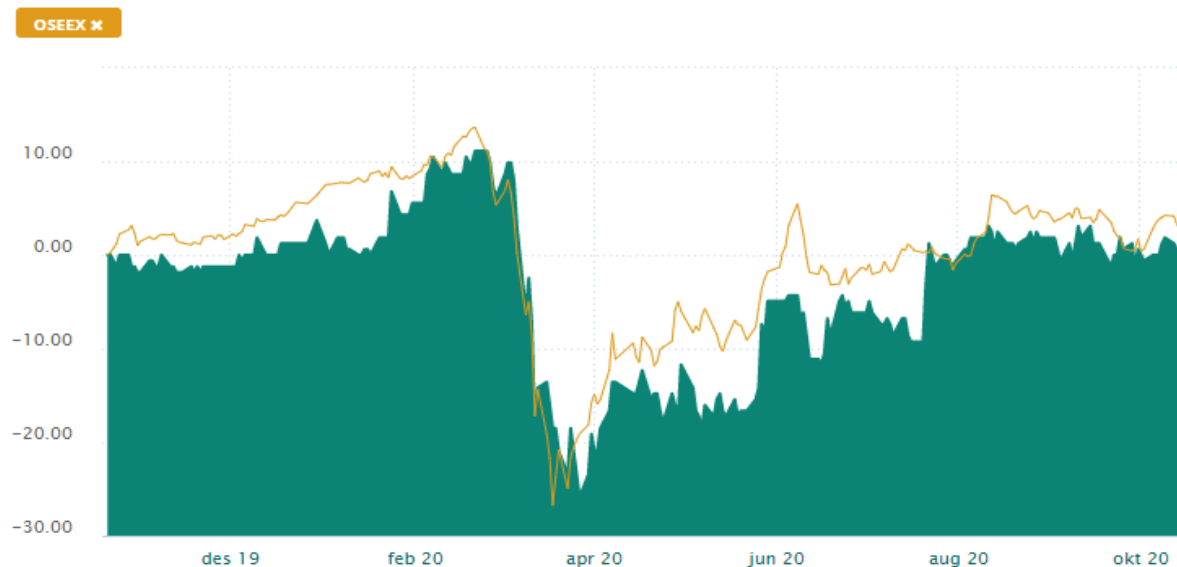
			Morbank			
Per 30.09.20	Antall	%-andel		Antall	%	%-andel
Sparebankstiftelsen Helgeland	7 315 020	35.05 %	Bjørn Rune Sørensen	14 700	0.07 %	
Helgeland Kraft AS	377 691	1.81 %	Harald Svendsen	13 710	0.07 %	
Vigner Olaisen AS	144 653	0.69 %	Sniptind Holding AS	13 000	0.06 %	
Steffen Nervik	120 000	0.57 %	Dan Erik Kjellnø	13 000	0.06 %	
Lars Aage Andersson	43 400	0.21 %	John Arne Warholm	12 640	0.06 %	
Reinfjell Holding AS	37 108	0.18 %	Sally Helene Øyjord	12 000	0.06 %	
RWH AS	31 447	0.15 %	Astrid Øyen	11 200	0.05 %	
Coop Helgeland	23 421	0.11 %	Helgelands Blad	10 914	0.05 %	
Svenningdal Trevarefabrikk AS	21 964	0.11 %	Leif Martinsen	10 484	0.05 %	
Bakeriet Mo i Rana AS	19 998	0.10 %	Helgeland Sparebank	10 342	0.05 %	
Sum 10 største eiere	8 134 702	39.0 %	Sum 20 største eiere	8 256 692	39.6 %	

Employees owners share has increased through continued employee program.  
Per 30.09.20, 113 512 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	30.09.2020
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	81.5
Stock value	1 839.2	1 452.6	1 755.6	1 703.4
Accounted equity per EC	108	110	119	124
Profit per EC	9.5	5	10.6	7.3
Dividend per EC	4.00	1.60	5.35	
Price/Accounted EC	0.8	0.6	0.7	0.7





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Foto: Emil Sollie

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# Prospects ahead

- Positive future ahead despite of corona
  - Low unemployment, large public and private projects, rising housing prices and stable turnover numbers is factors that supports this.
- Entrance in the SpareBank1 alliance.
  - The associated transactions will affect the operations and increase the costs in 2020 and 2021, and the groups long term profitability targets can not be expected fulfilled in this period.
  - Profitability is expected strengthened in a long term perspective
- Net interest is expected to stabilize at current level in the coming quarters.
- The level of commission income is overall satisfying and is expected to maintain stable the rest of 2020
- Operation cost is expected to maintain stable and some under upper target of 40 %.
- Normalized losses (0,20 %) is expected in 2020 and 2021
- The board expect a relative weak market growth in the retail market.
  - Profitability is prioritized before growth
- Helgeland 1: The board expect that the measures now initiated will strengthen the groups position as a profitable and future headed local bank, and also further contribute to that Helgeland Sparebank will represent a driving force for growth in Helgeland ahead.



**HELGELAND**  
SPAREBANK



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Foto: Liv Ask og Matis S. Mathisen

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# Profit & loss

Helgeland Sparebank (group)									
	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Net interest- and credit provision earnings	140	145	142	145	156	159	159	140	149
Net provision earnings	22	24	23	22	25	30	24	24	23
Other operatios income	6	6	2	0	1	2	1	0	2
Ordinary operations cost	71	74	73	72	74	74	86	96	113
Result basic operations	97	101	94	95	108	117	98	68	61
Write-downs lending and warranties	20	138	5	15	18	27	23	30	3
Net value change financial instruments	-1	4	4	5	6	19	-35	112	7
Gross profit	75	-34	93	85	96	110	40	150	65
Net profit	62	-28	71	66	73	95	23	139	49
Net extended income posts	0	0	0	0	0	-2	0	0	0
Profit for the period	62	-28	71	66	73	93	23	139	49

# 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.

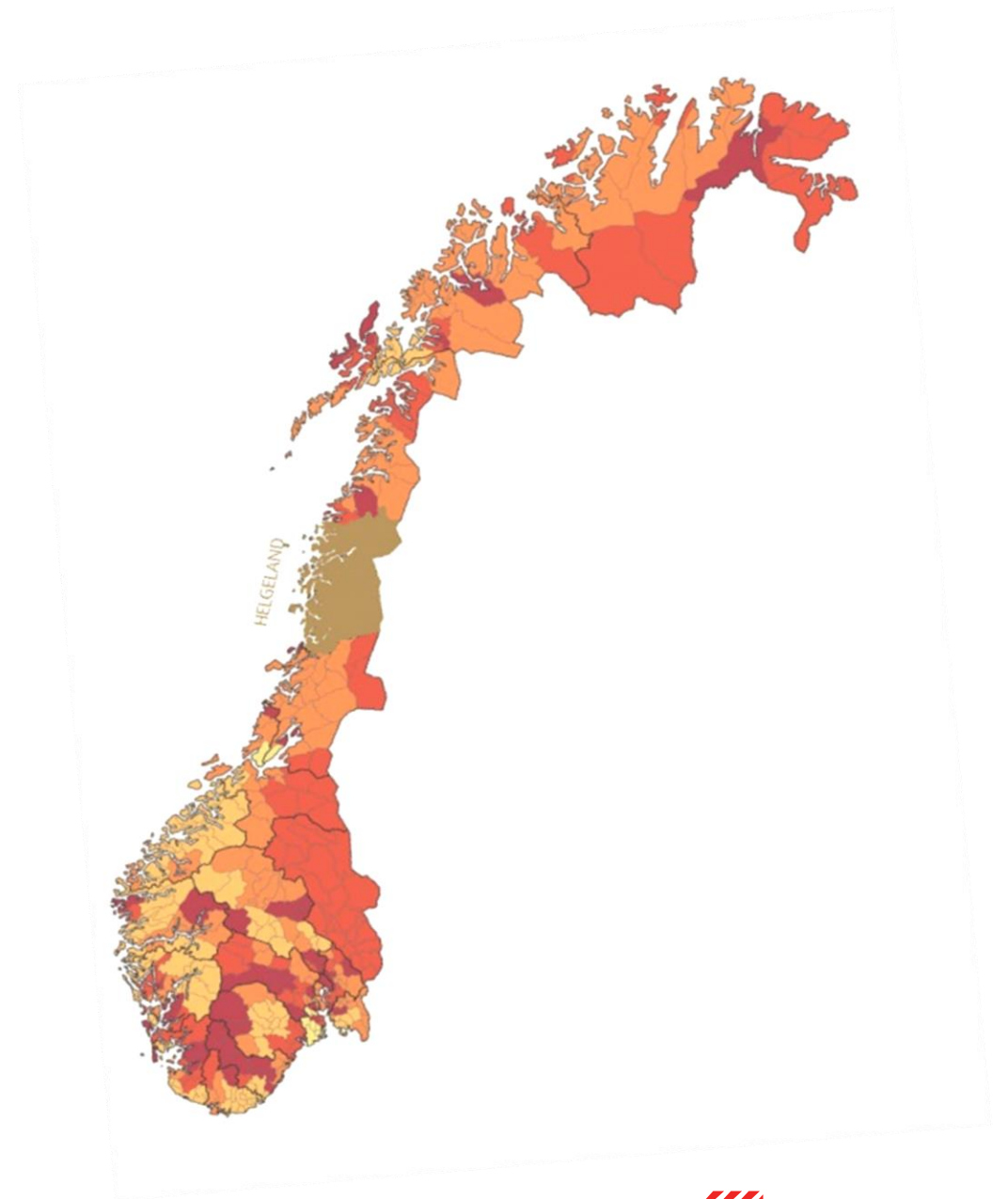


REDE Eiendomsmegling AS. The company is market leading on Helgeland and is the banks cooperation partner. The company has 25 employees with offices in the banks premises in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.

# 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 33 648
- Employees, annual positions: 143
- 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

## Management

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

## Investor Relations

Sverre Klausen, CFO, 916 88 286 – sverre.klausen@hsb.no  
David Aakervik, Head of Treasury, 475 18 552 – david.aakervik@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