

Presentation
Q4 2020



HELGELAND
SPAREBANK

- A driving force for growth in Helgeland

Presentation per 31.12.20 (HSB Group)

Main Features

Events Q4

Profit & loss

Lending

Deposits

Funding

Solidity

Prospects and priorities

Appendices



Hanne Nordgaard
Chief Executive Officer



Sverre Klausen
Chief Financial Officer

Main features per 31.12.20

Gross profit	MNOK 390 (384)
ROE*	9.7 (9.3) %
Total assets	33.2 (34.1) bn
Solidity	CET1 18.8 (16.5) %

*Adjusted for hybrid capital

Financial targets

**ROE
>11 %**

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.

**CET1
>17 %**

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

**Cost growth
C/I: <40 %**

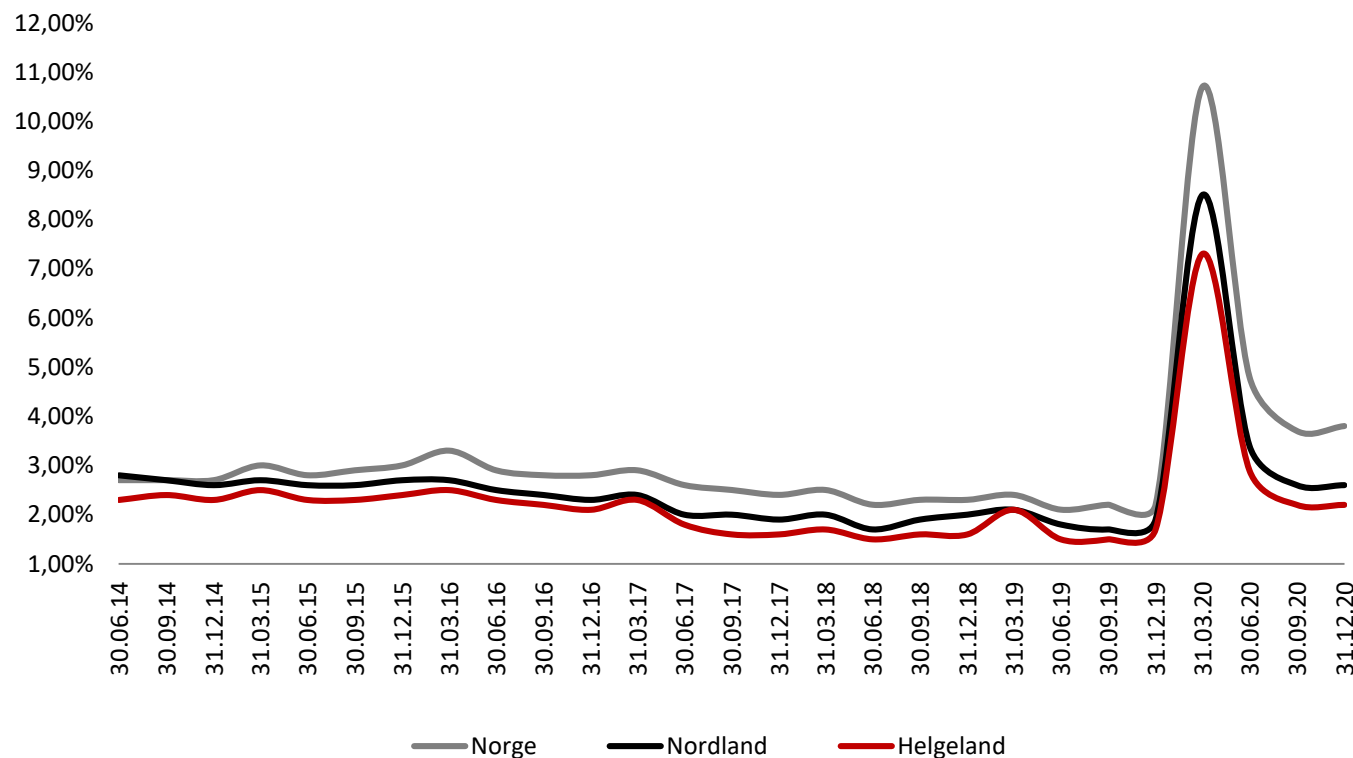
Long term cost target of 40 % of income. One time costs related to Helgeland 1 entails that the target can not be expected fulfilled in the years 2020 and 2021.

**Dividend ratio
Up to 50 %**

Dividend ratio of up to 50 % of the dividend ratio.

Unemployment

Unemployment in %, Norge, Nordland and Helgeland



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

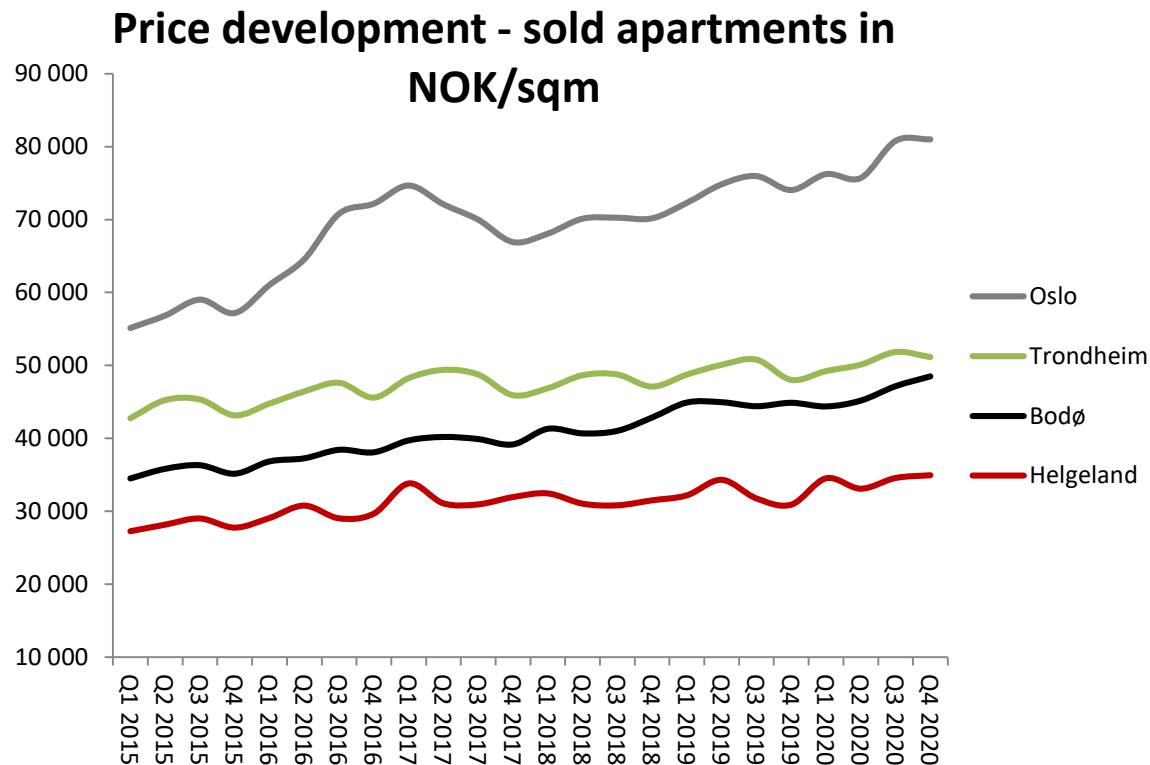
The development have been positive and is normalizing against the level we had in Q4 2019.

Nationally, 106 941 people, or 3.8 % of the work force was registered unemployed at the end of September. 29 500 of these are laid off.

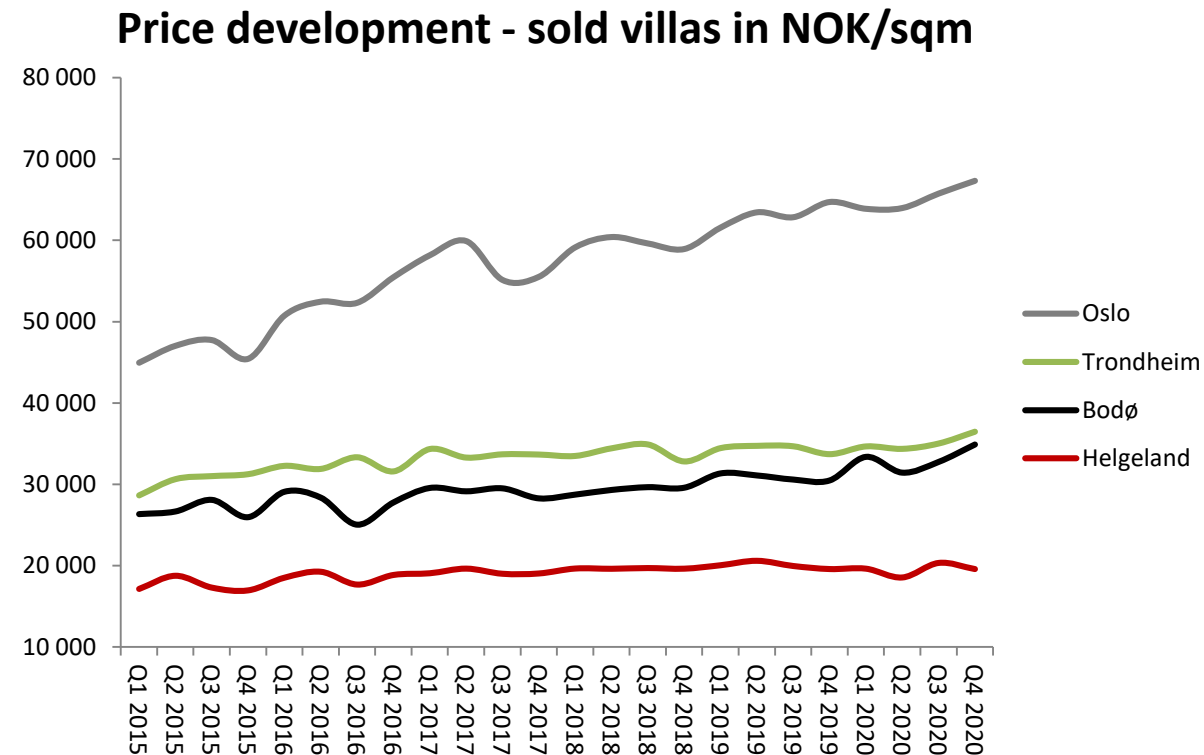
The unemployment in Helgeland and Nordland is lower than Norway overall.

- Norge 3.8 %
- Nordland 2.6 %
- Helgeland 2.2 %

Housing price development



Price development in Q4,
1.1 % in Helgeland and 0.3 % in Oslo.
A weak increase in prices for sold apartments in Helgeland compared to Q3.



Price development in Q4:
-3.7 % in Helgeland and 0.3 % in Oslo. The prices for sold
Decrease in prices for sold Villas in Helgeland compared to Q3.



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Foto: Jan Inge Larsen

En drivkraft for vekst på Helgeland



Events Q4

- Costs related to Helgeland 1 amounted to MNOK 146 this quarter, hereunder provision of estimated projects and final provision on the severance packages. So far this year MNOK 146 related to Helgeland 1 has been expensed.
- Entrance in lending losses as a consequence of advantageous migrations in the loss model, mainly related to two large commitments with associated reduced loss in loans provisions.
- Gains on financial investments of MNOK 119
- The adjustment of the parameters in the loss model implemented in relation to covid-19 is maintained. Effect of these amounts to MNOK 22 this year, up by MNOK 2 from last quarter
- Suggested cash dividend of NOK 3.1 per EC
- MNOK 20 suggested to socially beneficial purpose and gifts

Status entrance in SpareBank1/SamSpar and the acquisition from SNN

- Approximately 300 coworkers in Helgeland Sparebank, Sparebank 1 Utvikling, SamSpar, SpareBank 1 NordNorge and Tieto-Evry is involved in this project.
- **Milestones 2021:**
 - 1. mars Helgeland Sparebank buys 15 % of the shares in Eiendomsmegler 1 Nord-Norge and Regnskapshuset Nord-Norge.
 - 15. mars Helgeland Sparebank enters the SpareBank 1 alliance and changes name to SpareBank 1 Helgeland.
 - Change of digital platform for Helgeland Sparebanks customers and employees.
 - Buys 3 % of the shares in SamSpar
 - The period Mars – October: Preparations, testing and test conversions for the migration of customers from SpareBank 1 Nord-Norge.
 - Emission is planned completed in Q3
 - 16.-17. October: The acquisition happens: Helgeland employees and Helgeland customers in SpareBank 1 Nord-Norge is moved over to SpareBank 1 Helgeland.
 - SpareBank 1 Nord-Norge becomes owner of 19.9 % of the EC's in SpareBank1 Helgeland
 - SpareBank 1 Helgeland buys 15 % of the shares in SNN Finans
- It is expensed MNO 146 mill on this project in 2020, and it is additional expected costs of MNOK 50 in 2021.
 - **So far, it seems that the project can be delivered according to business case.**



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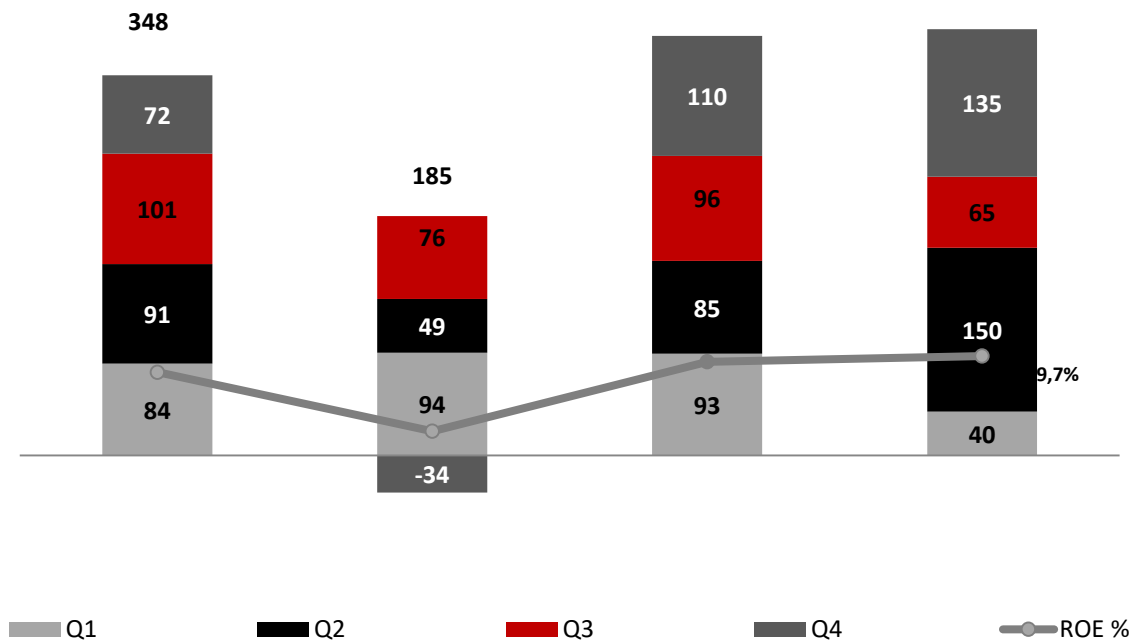
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Profit

Profit development



Profit Q4

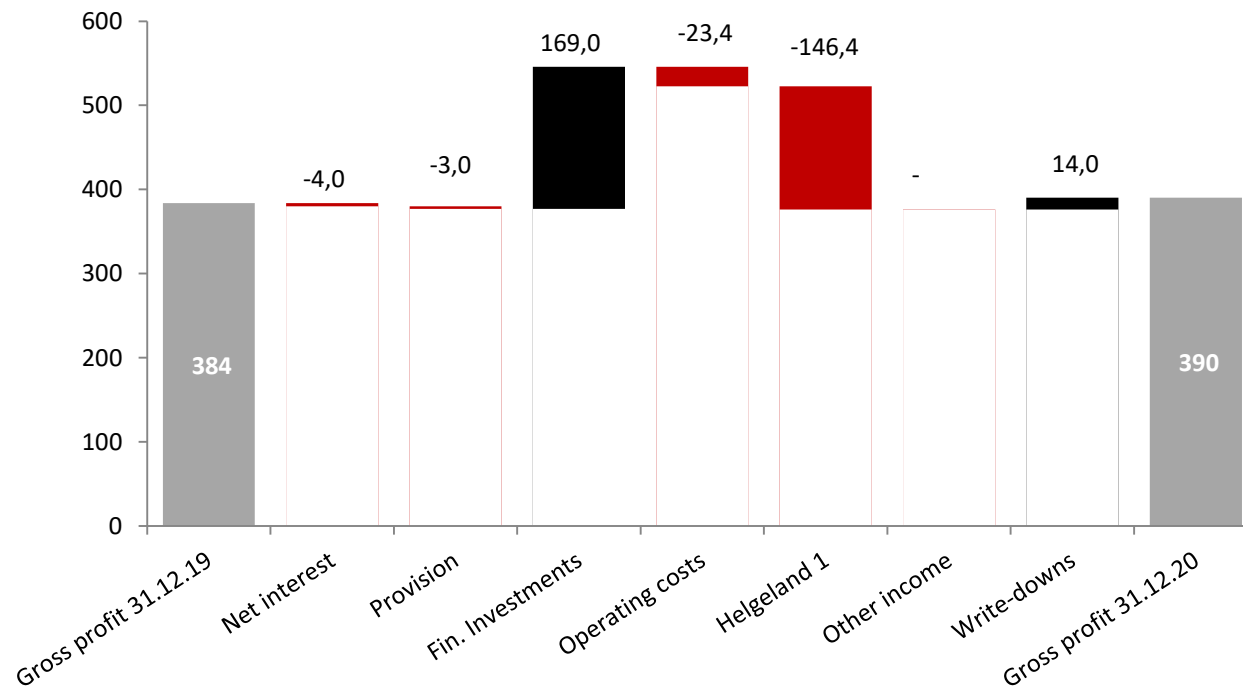
Gross profit MNOK 390

- Net ROE 9,7 % (hybrid excluded)
- The result is characterized by the following one time cost and income:

	Q1	Q2	Q3	Q4	31.12.20
IFRS 9 model (Covid-19)	-25		5	-2	-22
Helgeland 1	-6.1	-22.9	-10	-77	-116
Impairment of fixed assets			-30		-30
Sale of hotel		-17.5			-17.5
Value change and sale of shares		84		94	178
Interest rate adjustments		-15	-2.5		-17.5

Gross profit

Change in gross profit (MNOK)

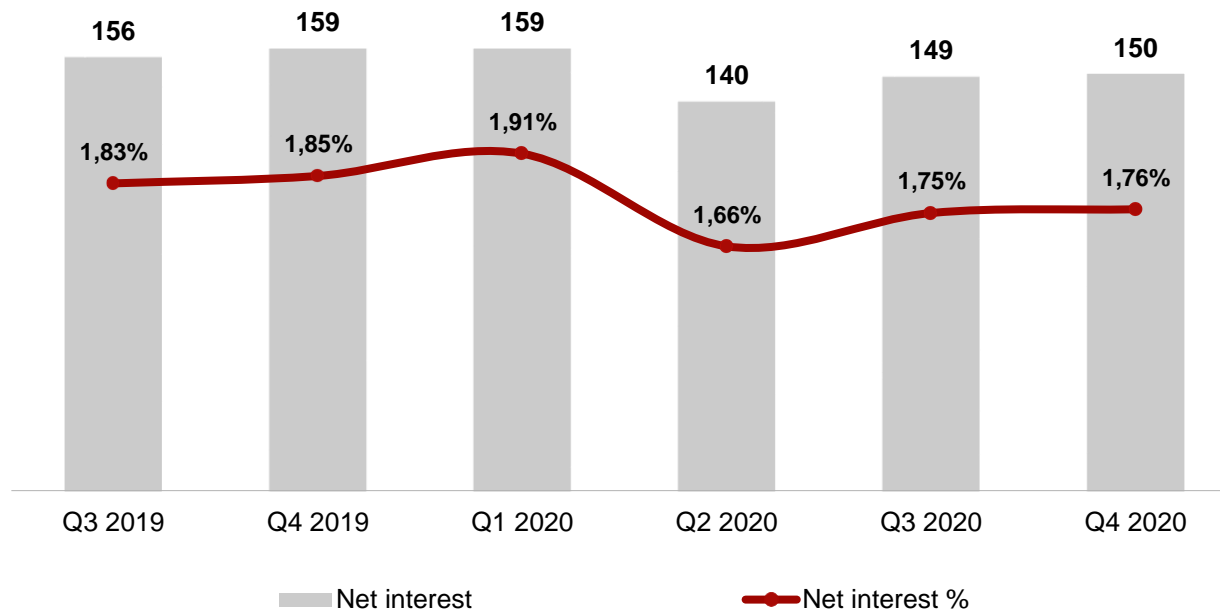


Gross profit MNOK 390

- Increased income from financial investments. Value change and sale of shares in Frende Holding AS with MNOK 84 and sale of shares in Helgeland Invest with MNOK 76. Value change Brage Finans MNOK 18 agreed realized in Q1 2021.
- Increased costs due to write down of right to use I in leasing and other property, and cost regarding new offices. In addition, the subsidiary company Strendene Utviklingsselskap AS has written down property with MNOK 20.
- Cost regarding Helgeland 1 amounts to MNOK 146 by the end of the year
- Increased write-downs on lending
 - Change in the loss model as a consequence of covid-19 amounts to write-downs of MNOK 22 per 31.12.20
 - Sale of hotel resulted in further write-downs in lending by MNOK 17.5
 - In Q4 losses in lending has been recognized as income with MNOK 5 and is mainly related to advantageous migrations in the loss model where two large commitments have had a significant reduction in loss provision.

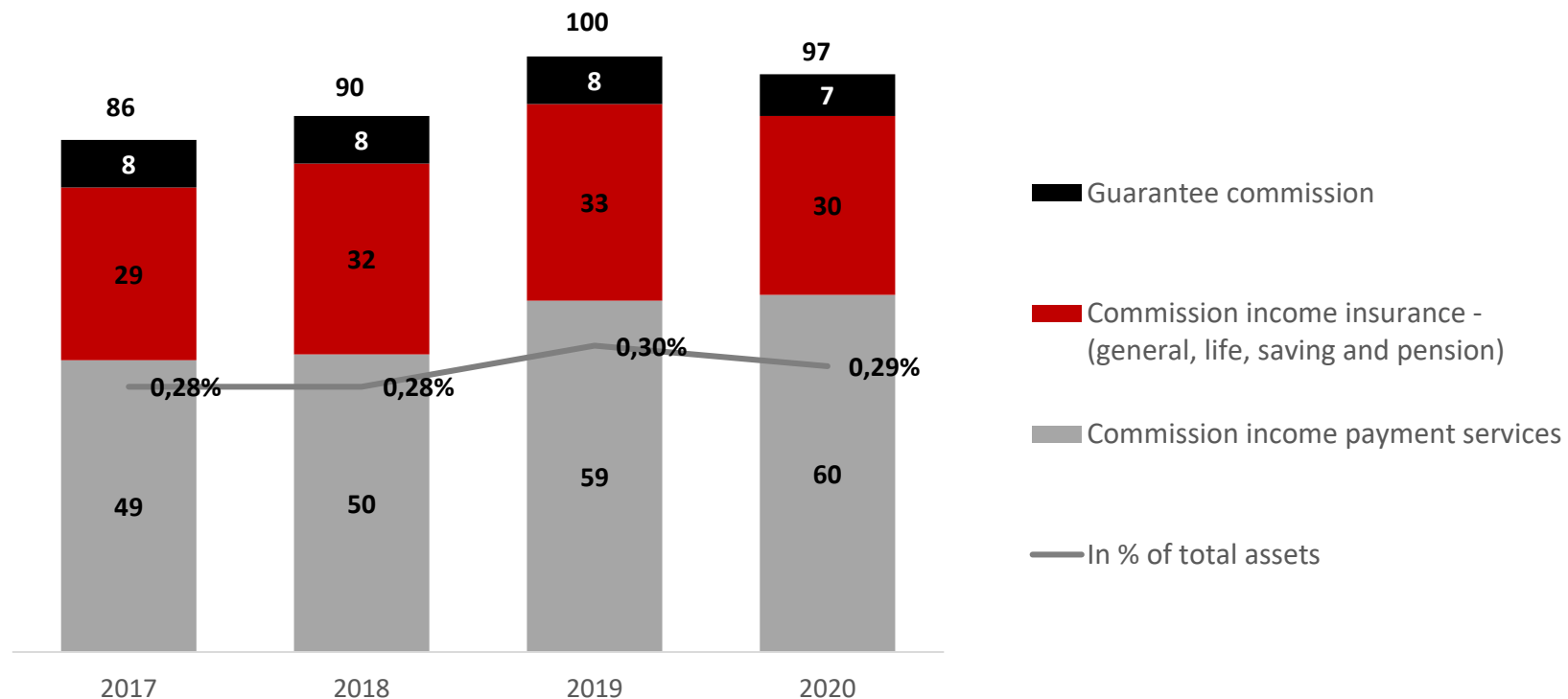
Net interest

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 1st and in the middle of July.
- This has weakened the interest margin by MNOK 17.5 this year.
- Net interest is expected to be stable into 2021.

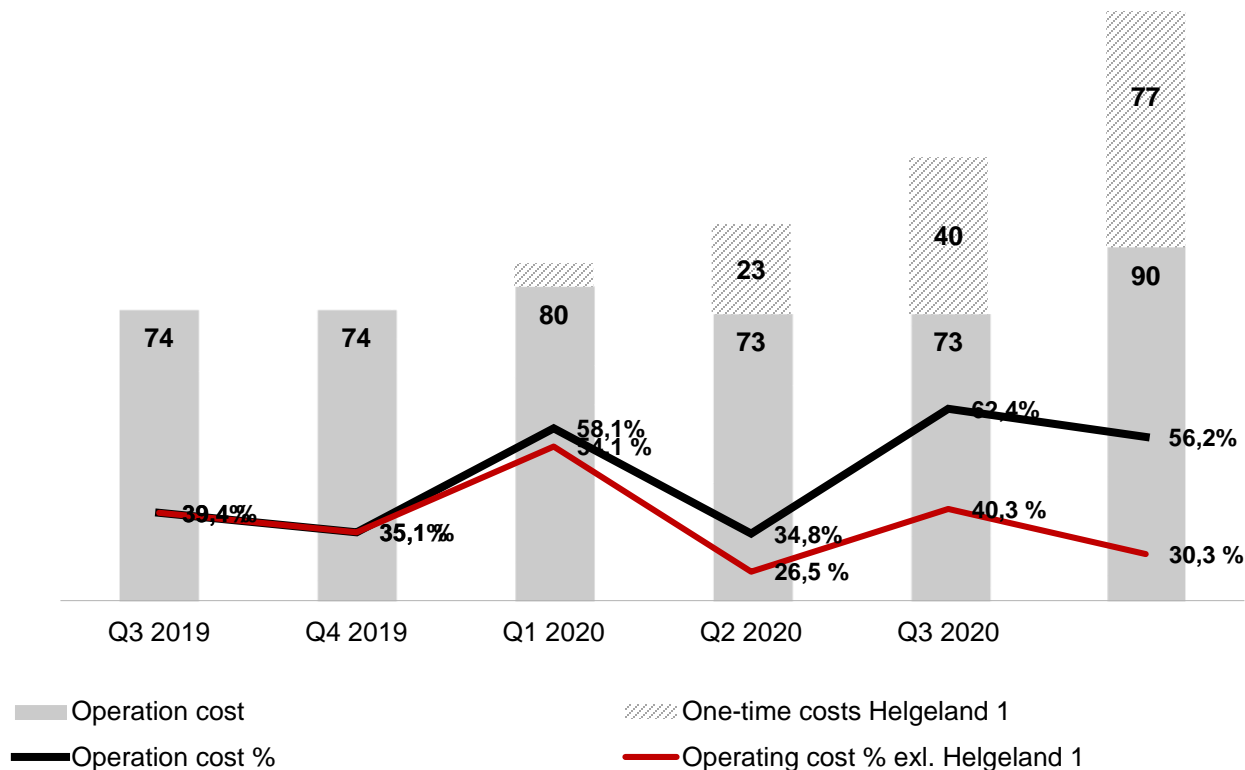
Commission income (MNOK)



Commission income is stable and is expected to maintain stable into 2021. Transfer to new product suppliers in 2021 is not expected to provide significant effect on the commission income.

Operating costs

Operating cost (mnok) and % of income

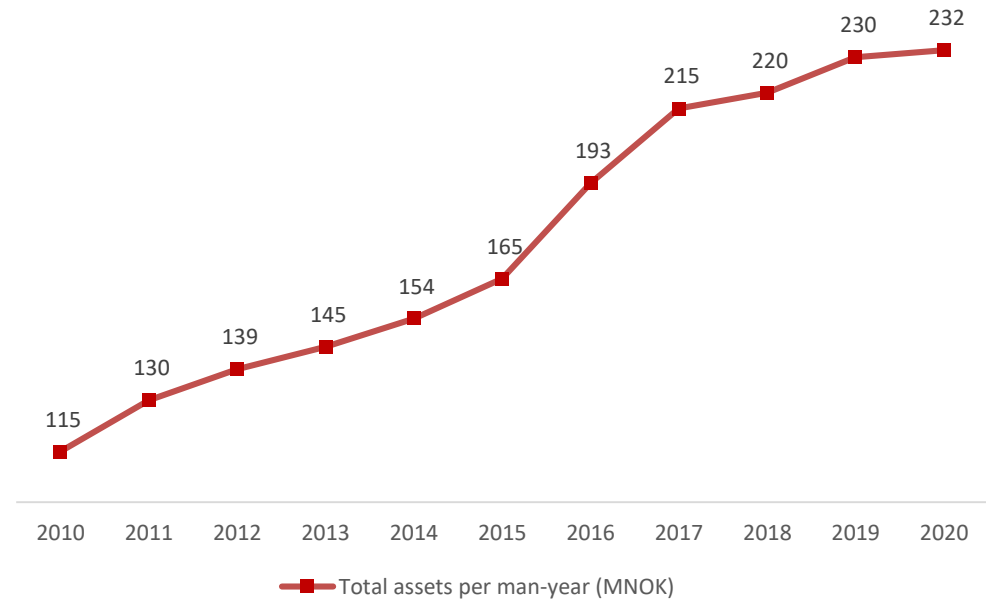
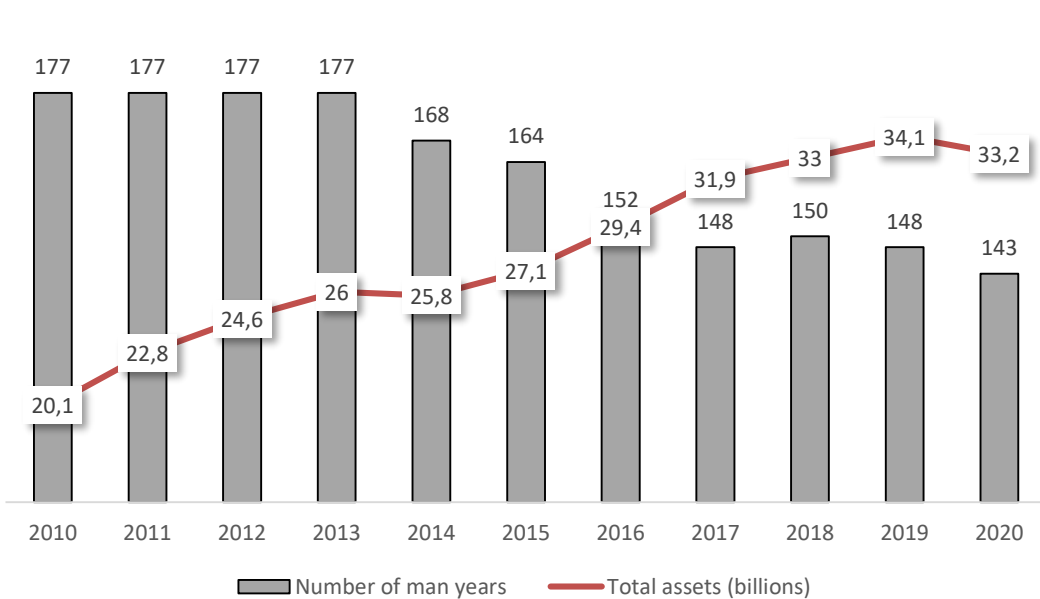


By the end of the MNOK 146 has been expensed related to Helgeland 1.

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. In addition the subsidiary company Stendene Utviklingsselskap AS has written down property with MNOK 20 in the fourth quarter.

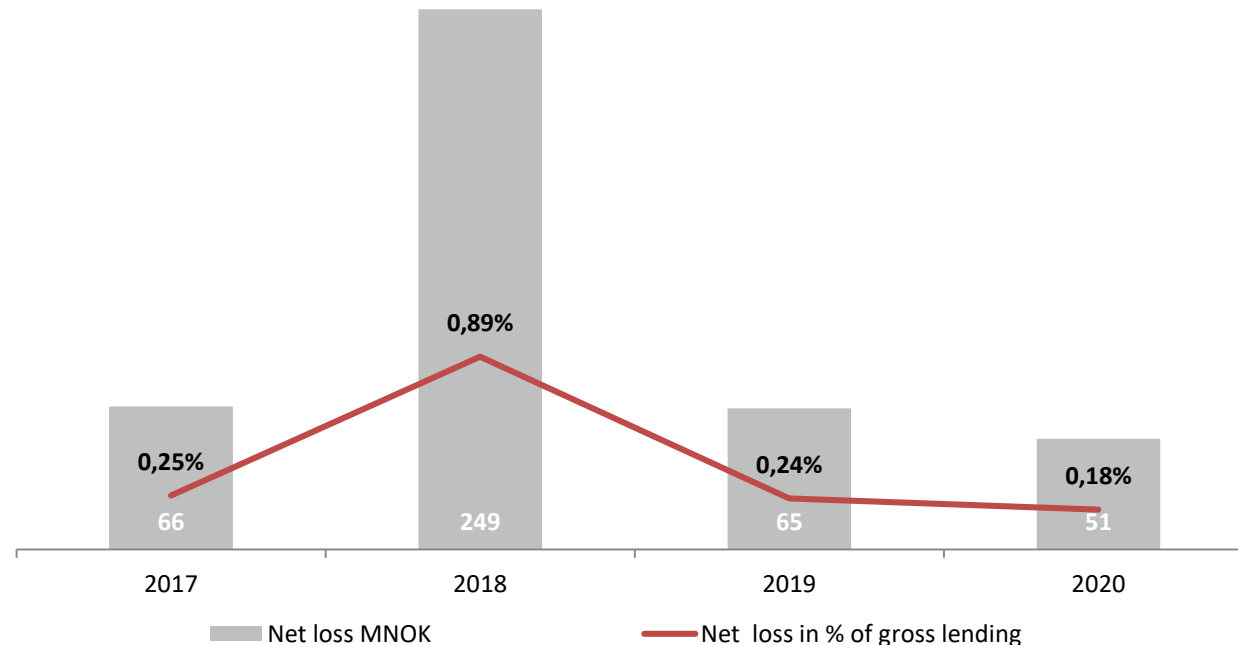
New target to keep cost in % of income under 40 % from 2020. The bank expect a slightly higher cost percent in the conversion year after the acquisition.

Development total assets and man-years



The bank continuously and systematically work with measures to increase efficiency and profitability. From 2010 to the end of 2020 total assets per man-year has increased from MNOK 115 to MNOK 232 or 102.2 %. The consumer price index has in comparison increased by 20.3 % from 2010 to 2019.

Loss on commitments



MNOK 51 in loss so far this year.

In 4th quarter losses in lending is recognized as income with MNOK 5 and is mainly related to advantageous migrations in the loss model where two larger commitments has had a significant reduction in loss deduction.

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 22 per 31.12.20, up MNOK 2 from third quarter.

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.

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

A wide-angle photograph of a winter landscape. In the foreground, a snow-covered shore with some dark rocks and footprints leads to a calm body of water. In the background, a range of rugged, snow-capped mountains rises against a clear blue sky.

Main features

Events Q4

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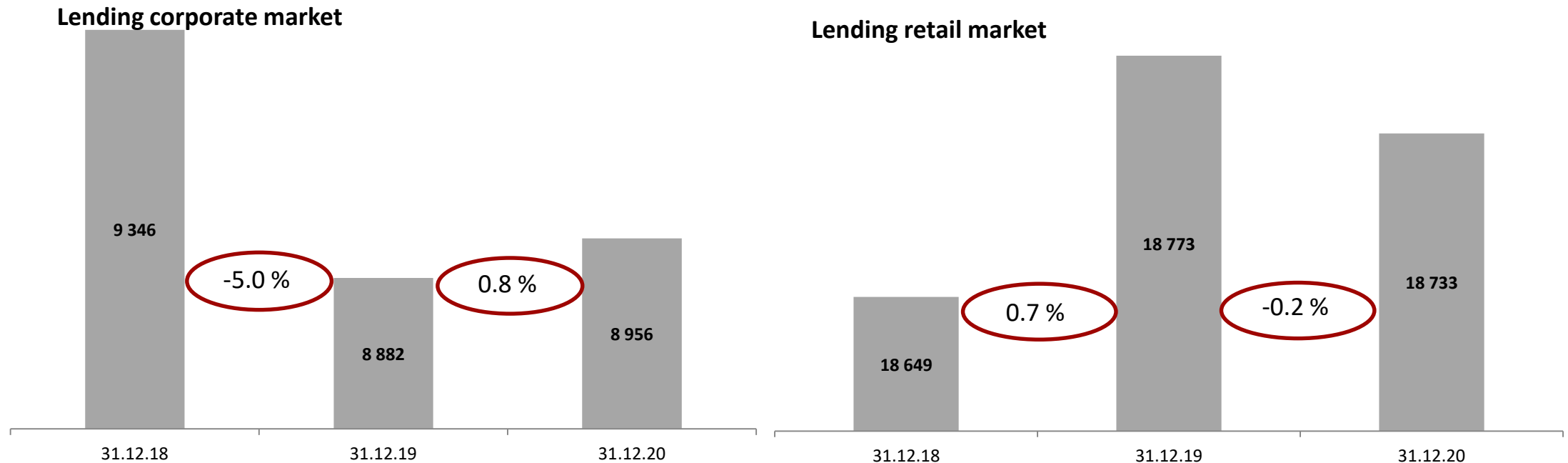
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Foto: Sigrid Haarberg

En drivkraft for vekst på Helgeland



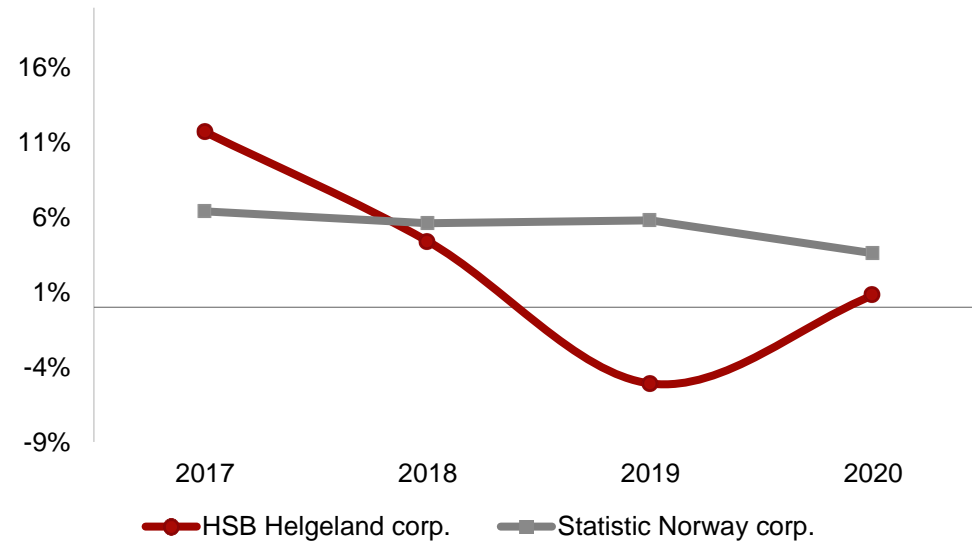
12-month credit development



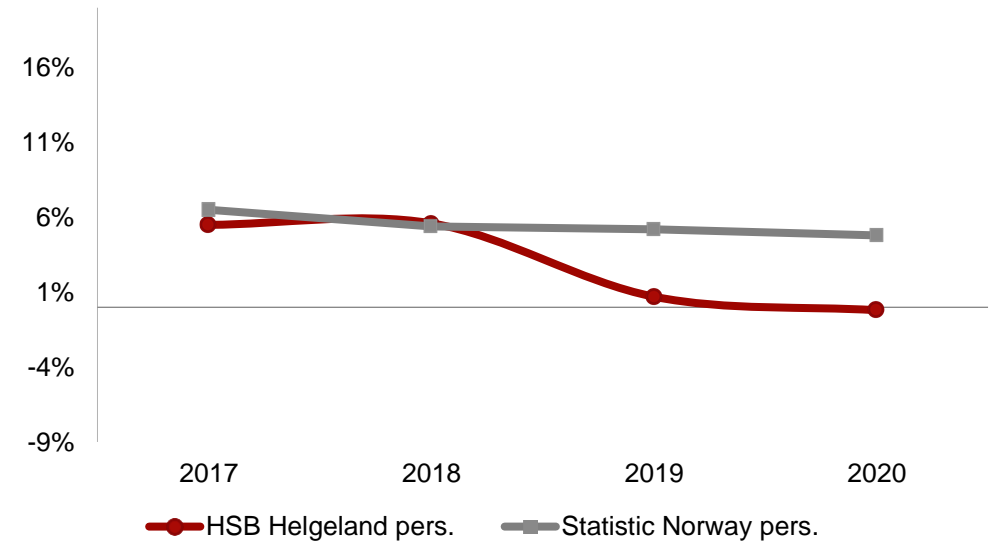
High competition from national banks and “union deals” have increased the competition on retail clients.

Credit development

12-month credit development corporate market



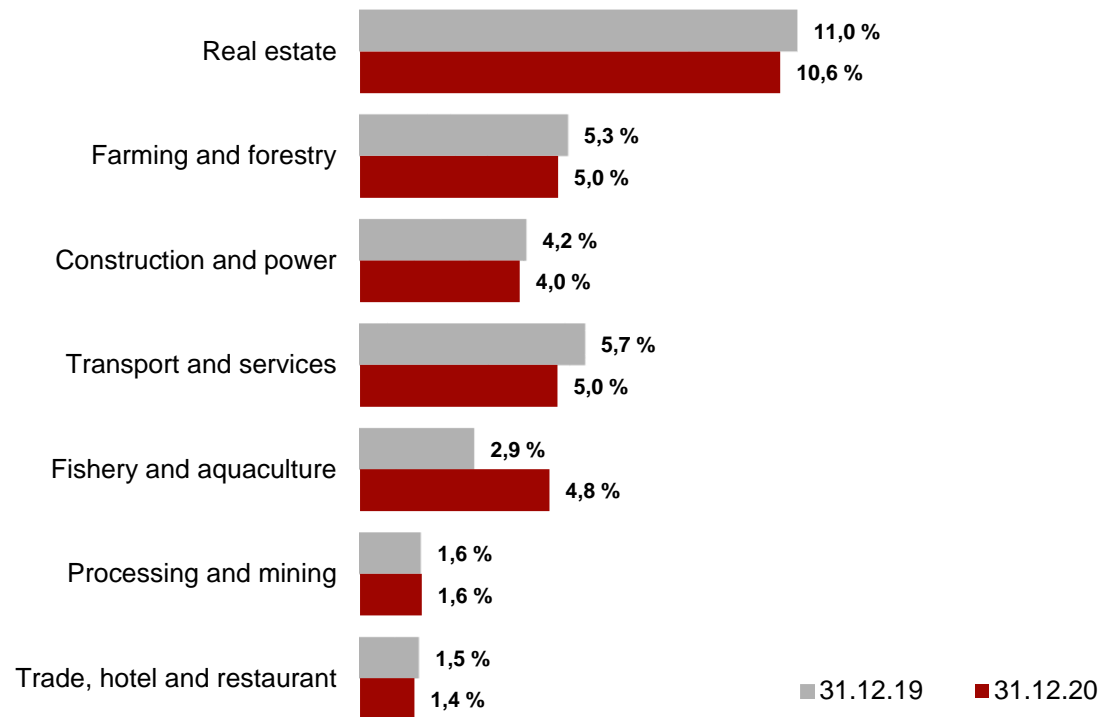
12-month credit development retail market



12-month growth credit delvelopment HSB 0.1 (-1.2) % hereby CM 0.8 (-5.0) % and RM -0.2 (0.7) %.

Lending CM

Lending distributed in sector

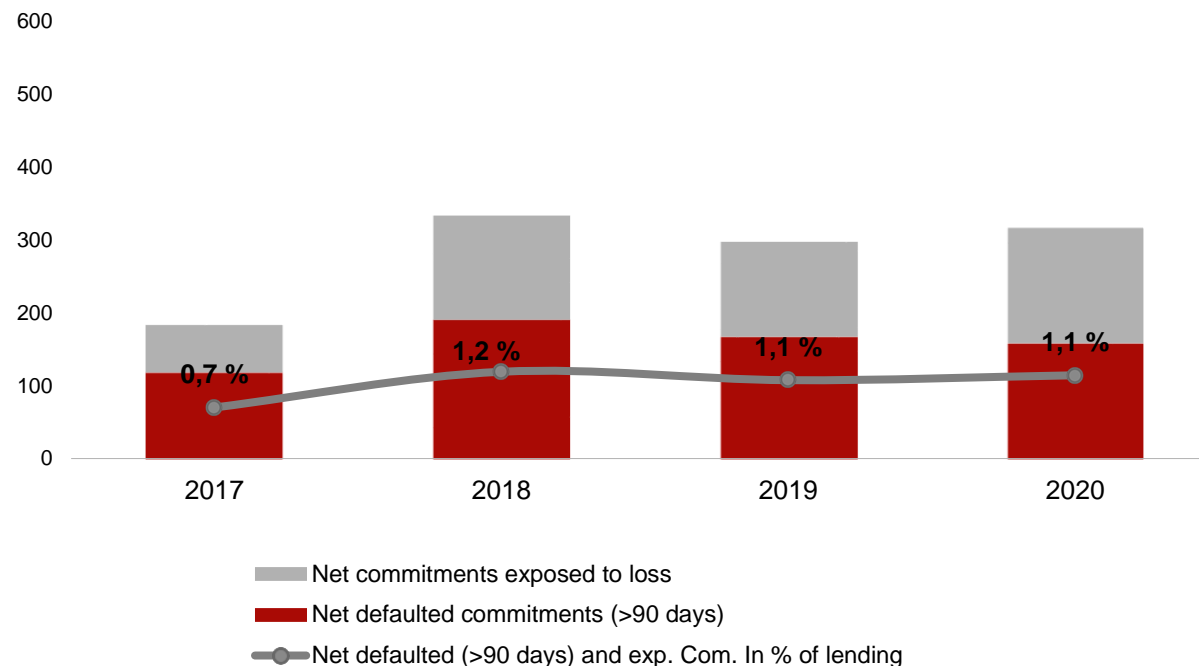


Good diversification in the CM lending portfolio and loyal corporate customers

Share CM of total lending 32.3 (32.1)% or MNOK 8 956 (8 882)

Non-performing and other impaired commitments

Net defaulted and com. exp. to loss



Net non-performing and other impaired commitments amounts to MNOK 316, an increase of MNOK 19 from year end.

The volume of impaired commitments amounts to MNOK 158, which equals an increase of MNOK 28 from the same period last year.

Net non-performing loans over 90 days amounts per 31.12.20 to MNOK 158, which is a reduction of MNOK 11 compared to the same period last year.

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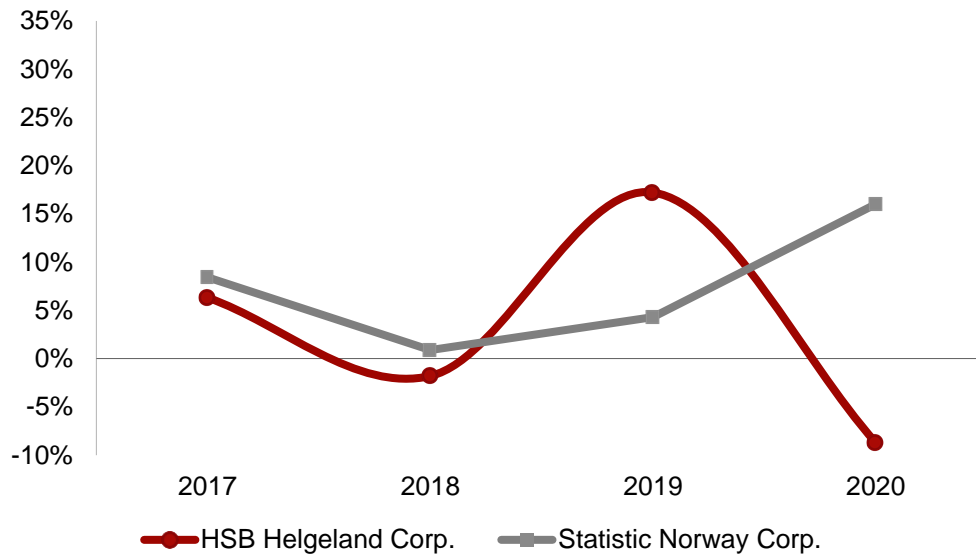
Foto: Hans Petter Sørensen

En drivkraft for vekst på Helgeland



Deposit development

Deposit development corporate market (12-month)

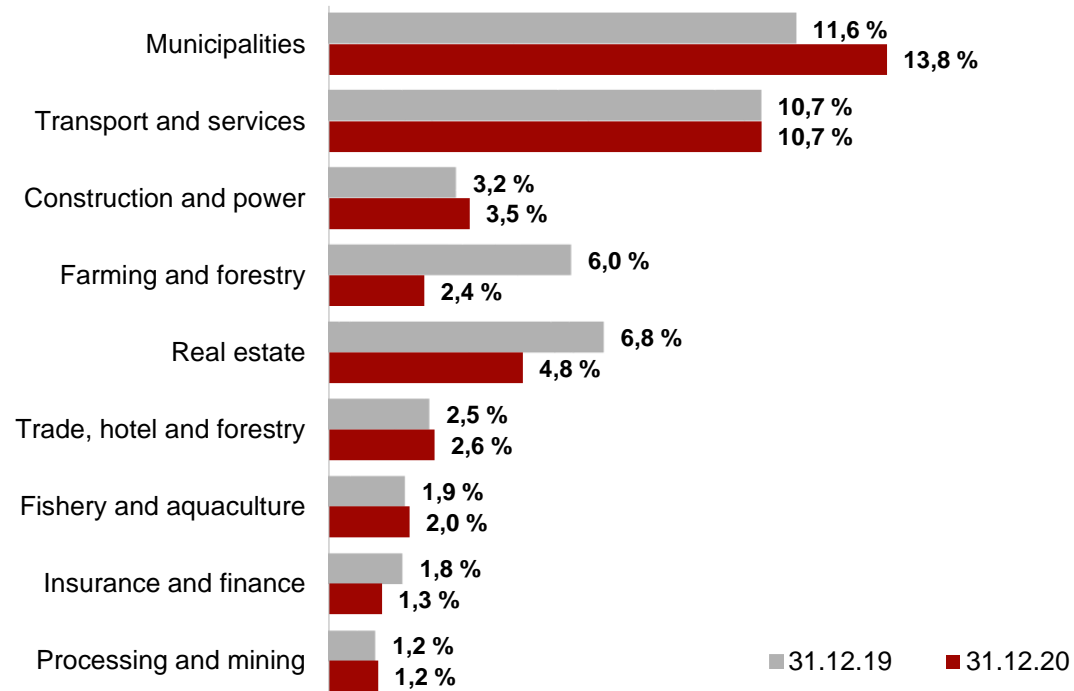


12-month deposit growth HSB -1.5 (9.9) %, hereby CM -8.7 (17.2) % and RM 4.6 (4.4) %.

The reduction is mainly due to balance optimization in Q1 2020.

Deposits CM

Customer deposits



Well diversified deposit portfolio in the CM

Share CM 42.3 (45.6)% or MNOK 7 902 (10 782) of total deposits

Deposits from municipalities constitute 33 % of the CM deposits.

A full-page background image showing a winter scene on a frozen lake at night. Several people are cross-country skiing across the ice. The ice is covered with patches of snow and small, glowing orange lights. In the background, there are snow-covered hills under a dark blue sky with a bright full moon.

Main features

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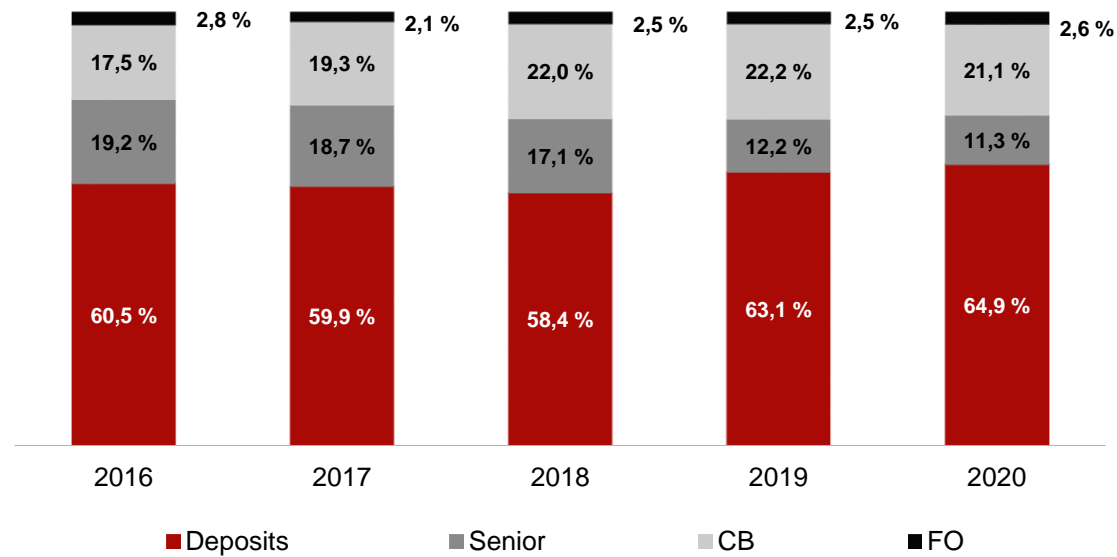
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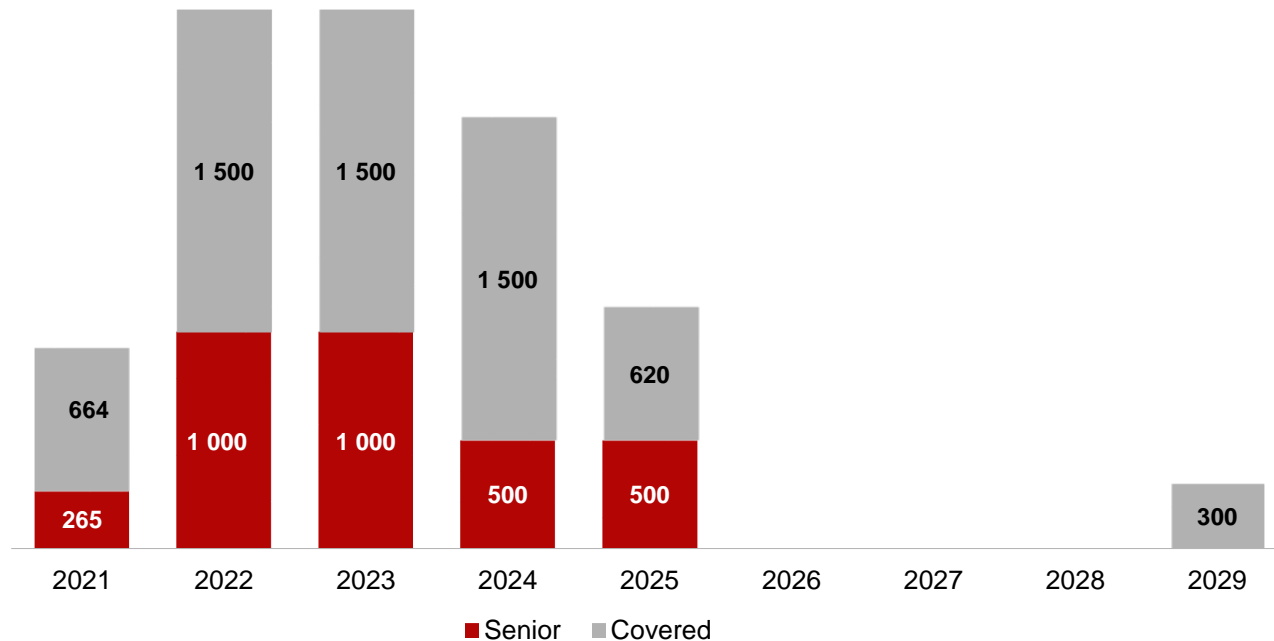
Funding

Funding development



Funding due

MNOK

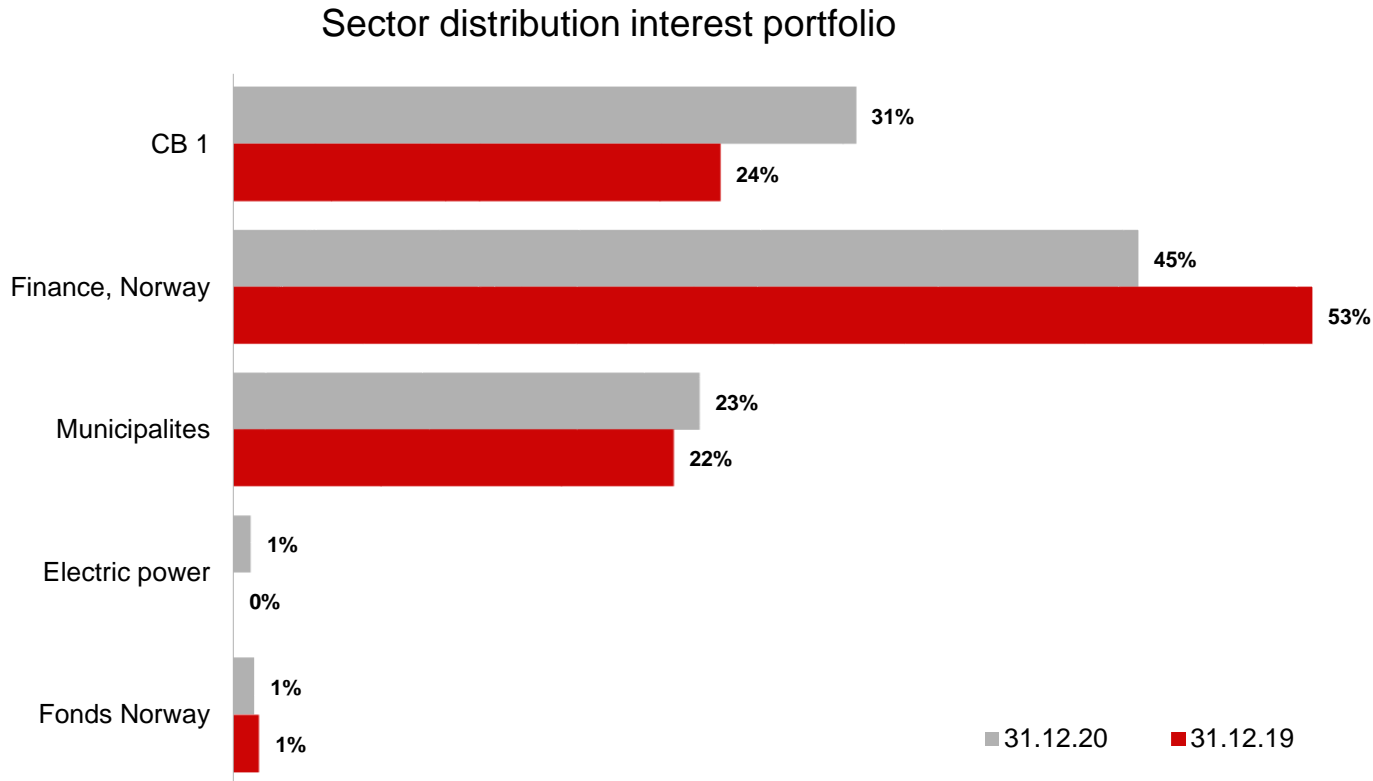


Good and long term funding

Share long term funding
87.6% (97.3)%

Combined duration of 2.6
(3.0) years. Duration in the
mortgage company 2.7 years

Liquidity buffer



Interest bearing securities:

- Duration portfolio 1.5 (1.5) years
- 98.5 % rated A- or better
- 98.1 % 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 68.1 (49.6)
- CET1 ratio of 18.6 (17.5)%
 - standard method with 35% mortgage weights
- Gross loans amounts to MNOK 7 232 (7 600) and CB MNOK 6 179 (6 745)

Good security in the lending portfolio

- Cover pool ratio of fullness 23 (17)%
- Combined LTV 54 (57)%

Stress test HEBO – with a housing price fall of 40%. The cover pool ratio is reduced from 23 to 10 %

Maximum limit for transferring is 35% of the Group's gross lending, and 50 % of gross lending RM. Per 31.12.20 transfer degree is 26.1 and 38.6%



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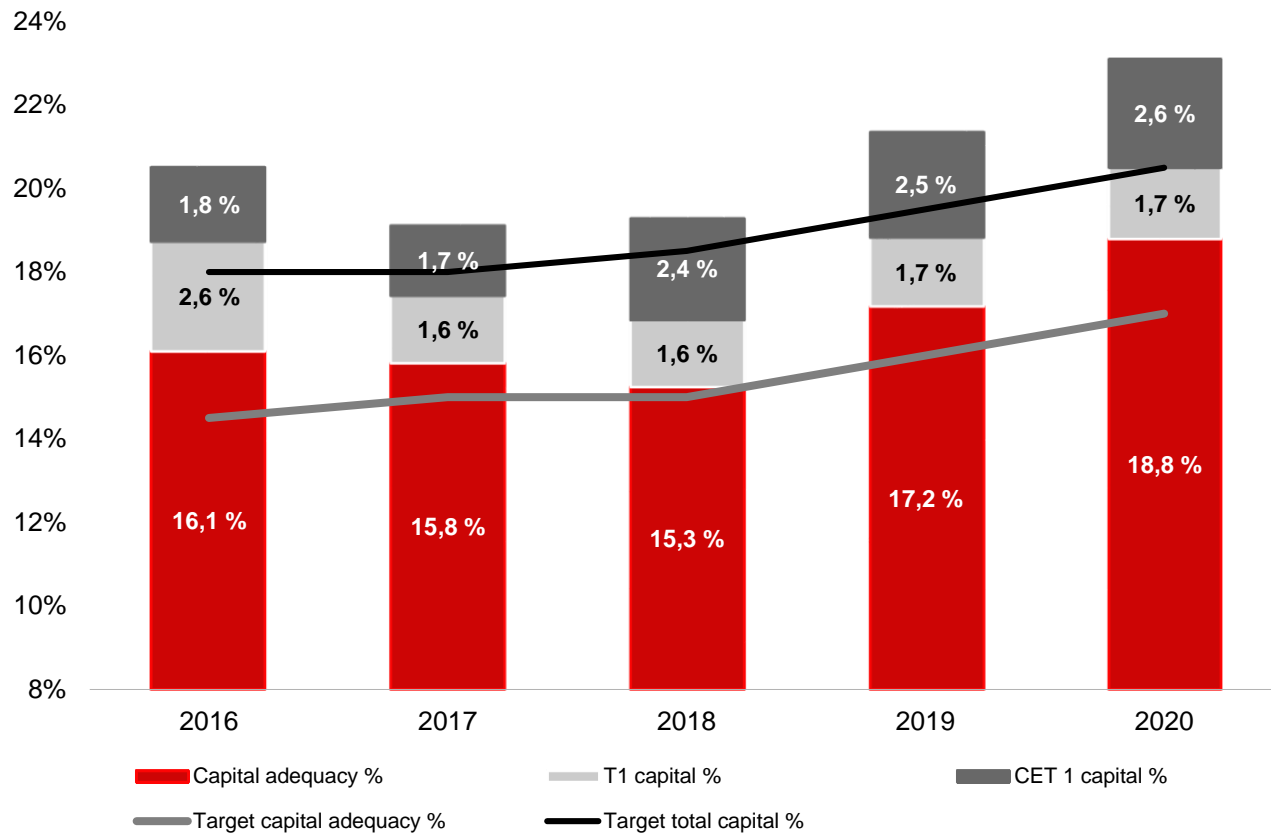
Foto: Hans Petter Sørensen

En drivkraft for vekst på Helgeland



Capital adequacy

Development capital adequacy



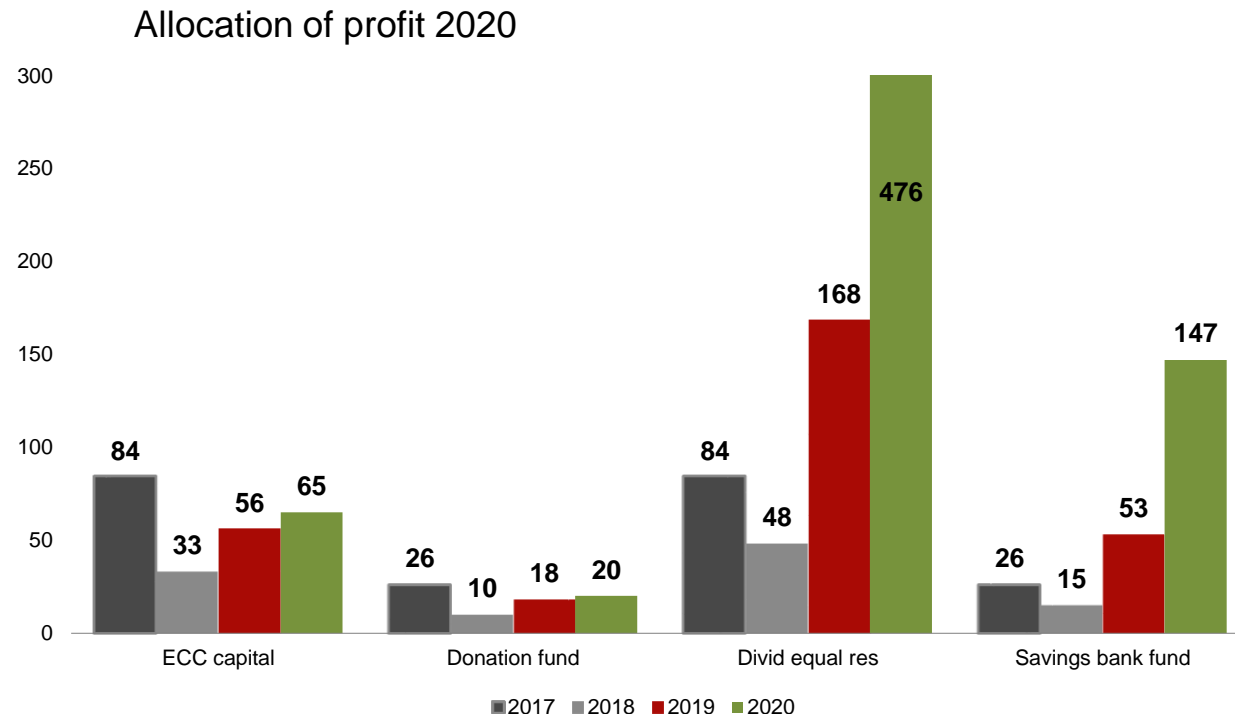
Capital ratio

- CET1 18.8 (16.5)%
- Core capital 20.5 (18.2)%
- Total capital 23.1 (20.7)%

Leverage ratio: 10.5 (9.3)%.

Accounting for the years suggested allocation of profit CET1 ratio is 18.8 %, including consolidated groups by the end of the year.

Proposed allocation of profit 2020



Reduced distribution ratio

- 12.0 (25.0) %.

Dividend basis is MNOK 708

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

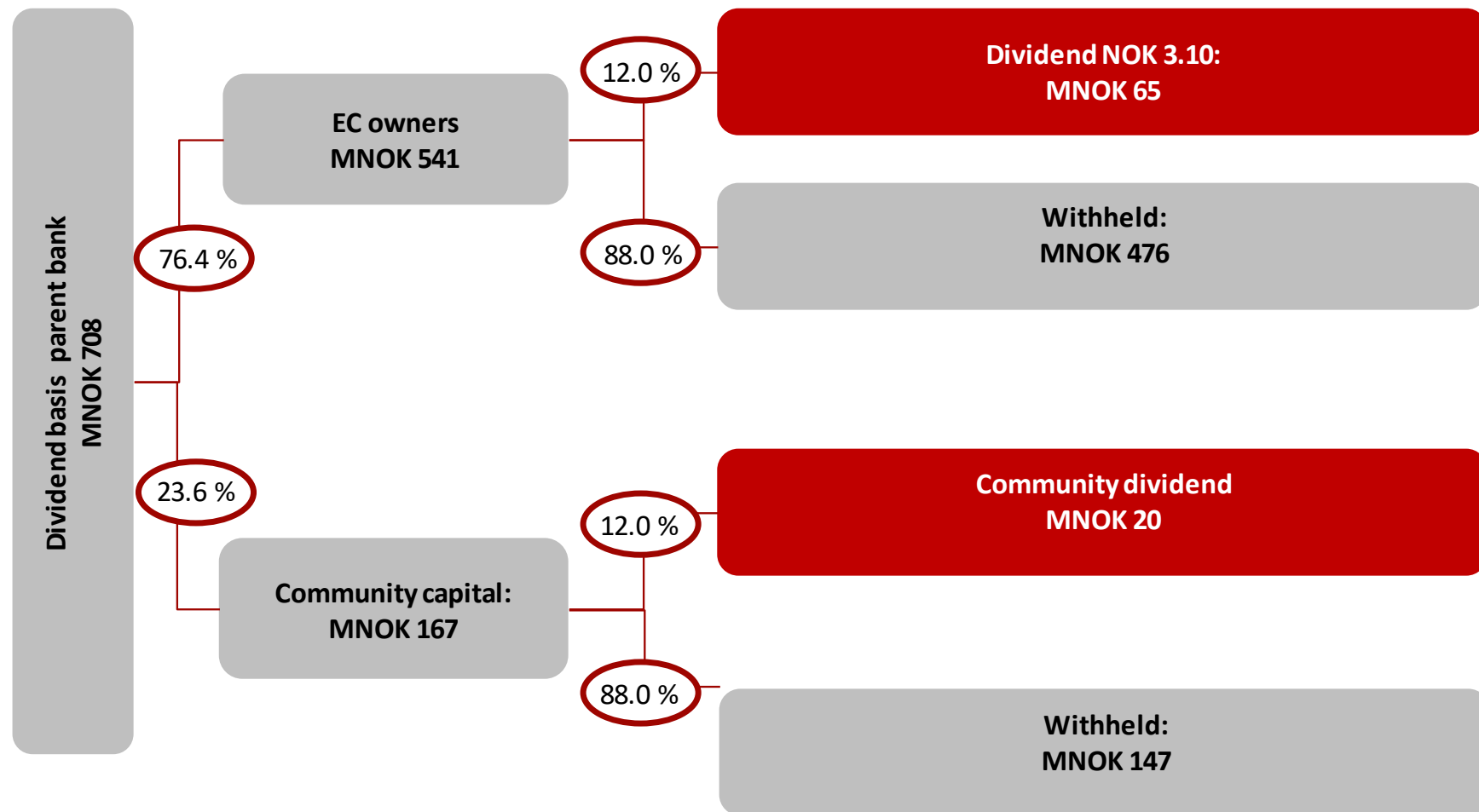
The board proposes dividend for 2020:

- Cash dividend NOK 3.10 (5.35) per equity certificate

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

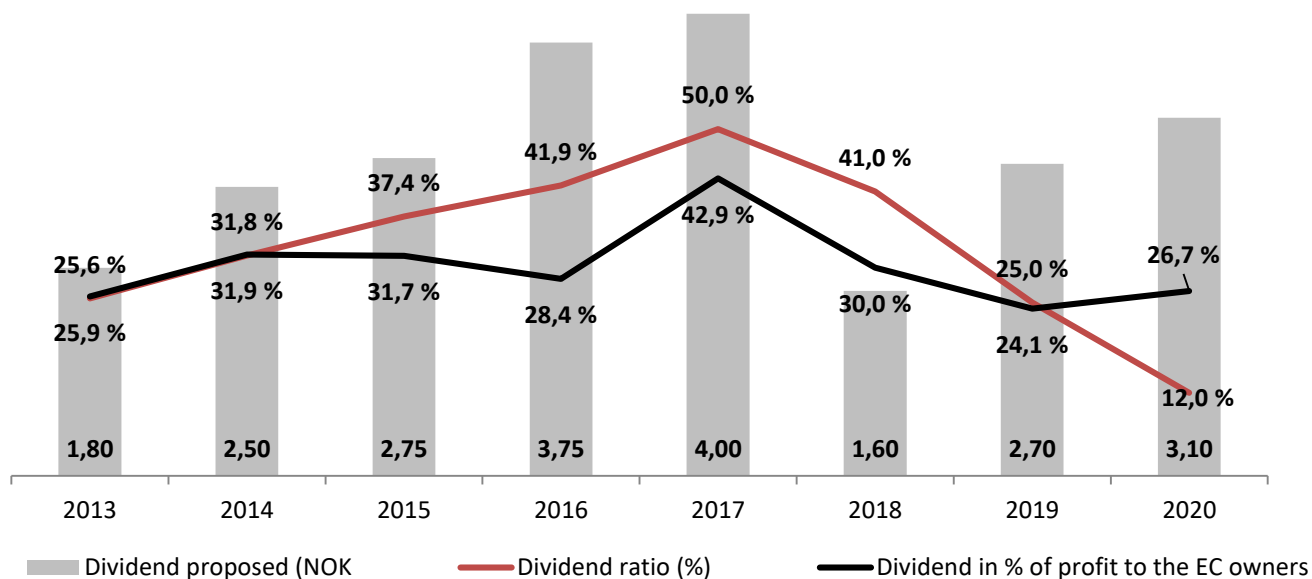
- IB equation 76.4 %

Proposed allocation of profit 2020



Dividend development

Dividend development



Total distribution 2019 and 2020:
MNOK 174.

Net profit 2019 and 2020:
MNOK 623

Total distribution in % of profit
(decided or paid out):
27.9 %

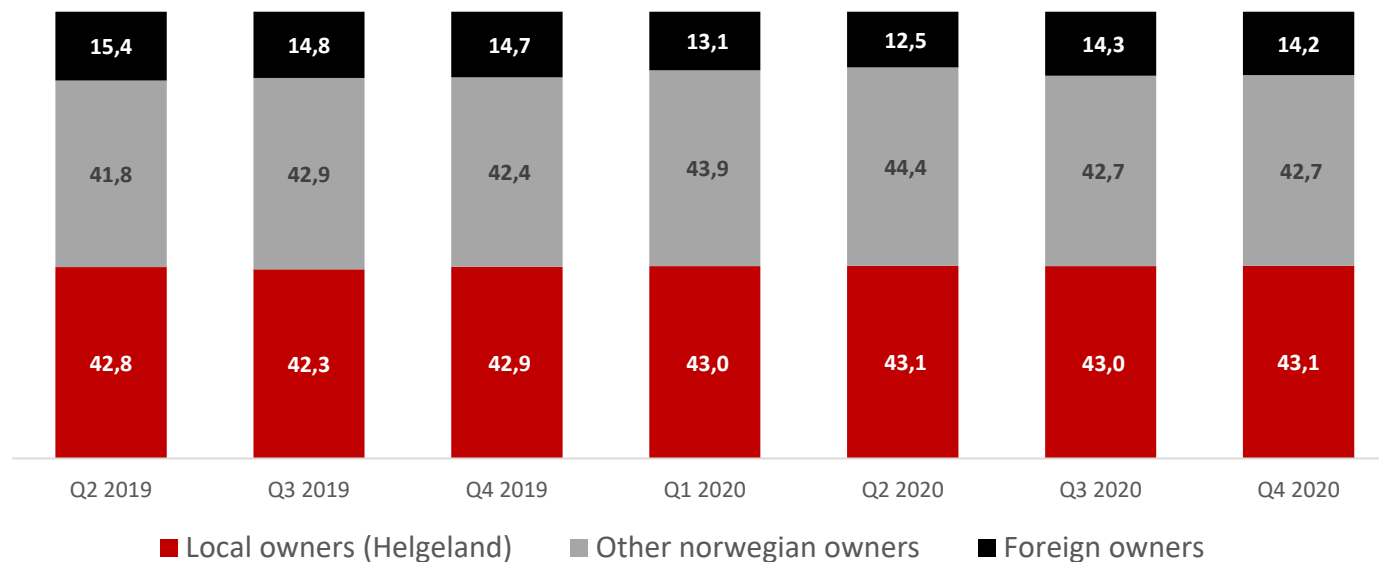
HELG – the 20 largest owners

			<i>Morbank</i>	
Per 31.12.20	Number	% share	Number	% share
Sparebankstiftelsen Helgeland	7 315 020	35,0 %	VPF Nordea Avkastning	240 370 1,2 %
Pareto Invest AS	1 948 414	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	994 471	4,8 %	Melum Mølle AS	177 000 0,8 %
Lamholmen Invest AS	464 491	2,2 %	Melesio Invest AS	153 147 0,7 %
Bergen Kommunale Pensjon.	462 650	2,2 %	Vigner Olaisen AS	144 653 0,7 %
U.S Bank National Association	384 273	1,8 %	Nima Invest AS	126 063 0,6 %
MP Pensjon PK	379 203	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 %
Total 10 largest owners	14 048 246	67,3 %	Total 20 largest owners	15 661 156 75,0 %

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

HELG – the 20 largest local owners

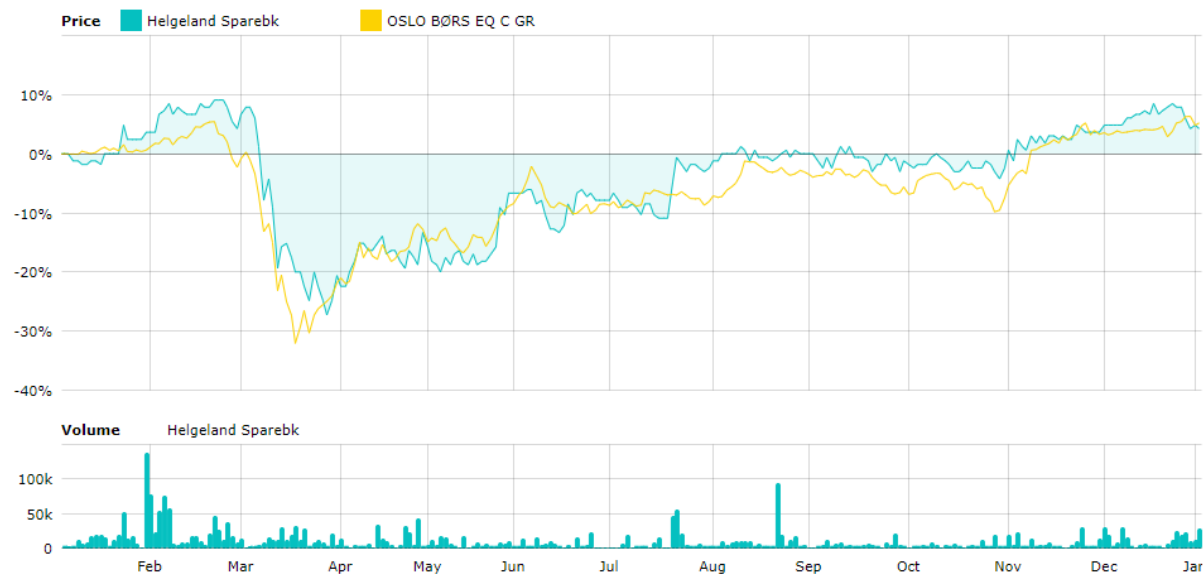
Geografical owner structure (%)



Employees owners share has increased through continued employee program.
Per 31.12.20, 124 506 EC's are owned by HSB's employees. This equals 0.60 %.

HELG – EC development and liquidity

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



	2017	2018	2019	2020
EC fraction opening balance	76.5 %	76.3 %	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	86.0
Stock value	1 839	1 453	1 756	1 797
Accounted equity per EC	108	110	119	129
Profit per EC	9.5	5	10.6	12
Dividend per EC	4.00	1.60	5.35	
Price/Accounted EC	0.8	0.6	0.7	0.7

A woman with blonde hair, wearing a bright pink winter jacket and a blue headband with a black cross-like symbol, is holding a white dog in a wooden sled. The dog is looking towards the camera. The scene is set in a snowy landscape under a clear blue sky with the sun low on the horizon, creating a strong lens flare. The sled is made of wood and has colorful ropes (blue, yellow, green) attached to it. In the background, there are snow-covered hills and some bare trees.

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Foto: Hans Petter Sørensen

En drivkraft for vekst på Helgeland



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 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, and the group has a long term net ROE target of 11 % from 2023.
- 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 2021
- Operation cost is expected to maintain stable but slightly over upper target of 40 %. This is mainly related to increased costs in a transition phase after entrance in the SpareBank 1 alliance and the acquisition
- Normalized losses (0,20 %) is expected in 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.





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Profit & loss

Helgeland Sparebank (group)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Net interest- and credit provision earnings	145	142	145	156	159	159	140	149	150
Net provision earnings	24	23	22	25	30	24	24	23	26
Other operatios income	6	2	0	1	2	1	0	2	2
Ordinary operations cost	74	73	72	74	74	86	96	113	167
Result basic operations	101	94	95	108	117	98	68	61	11
Write-downs lending and warranties	138	5	15	18	27	23	30	3	-5
Net value change financial instruments	4	4	5	6	19	-35	112	7	119
Gross profit	-34	93	85	96	110	40	150	65	135
Net profit	-28	71	66	73	95	23	139	49	130
Net extended income posts	0	0	0	0	-2	0	0	0	-1
Profit for the period	-28	71	66	73	93	23	139	49	129

Helgeland Sparebank

- Vision: a driving force for growth in Helgeland.
- Business concept: Helgeland Sparebank is the profitable and leading local bank building future Helgeland.
- Offices: The Bank has 4 offices in Mo i Rana, Mosjøen, Sandnessjøen and Brønnøysund.
- Helgeland Sparebank is the 11th. largest savings bank in Norway.
- Total assets: MNOK 33 207
- Employes, annual positions: 143
- 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

