

Future-oriented bank collaboration in the Helgeland region

18. March 2020



HELGELAND
SPAREBANK

SpareBank
NORD-NORGE



Important information

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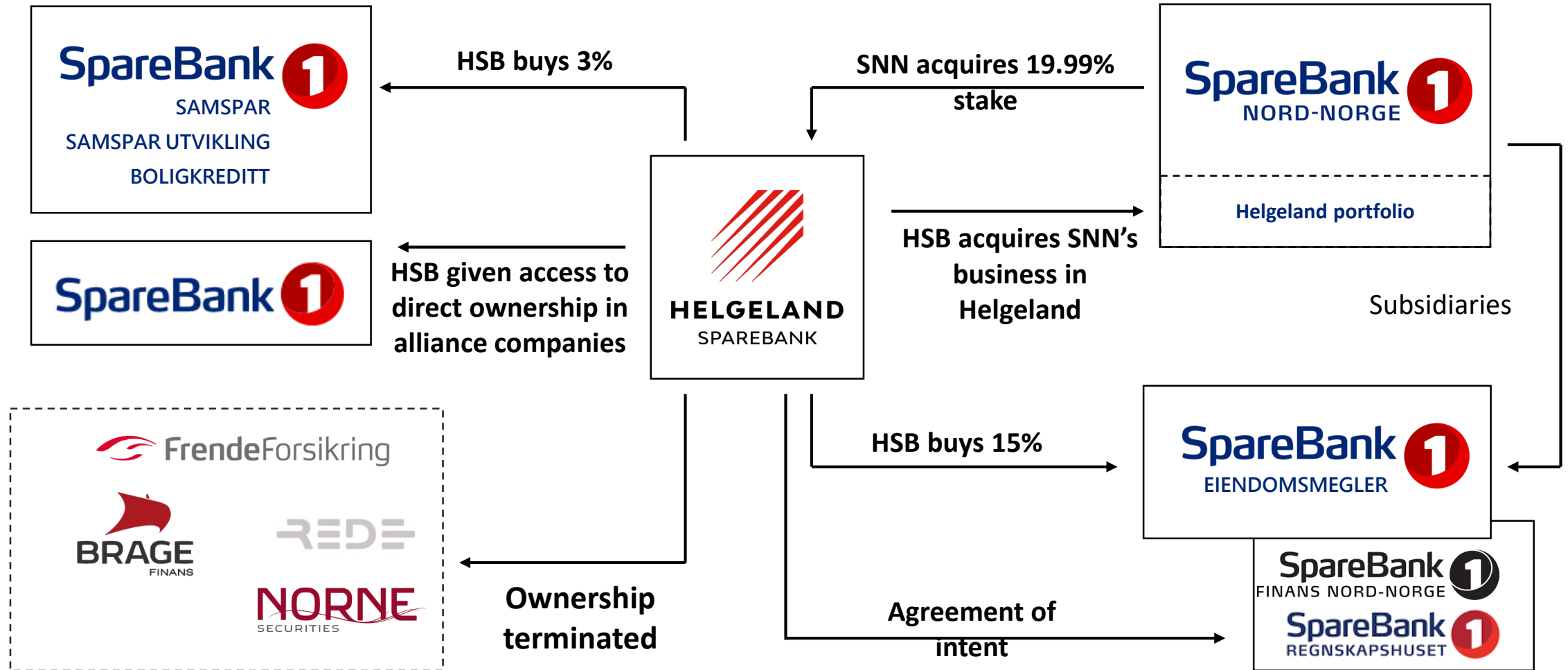
Future-oriented bank collaboration in Helgeland

- Helgeland Sparebank ("HSB") and SpareBank 1 Nord-Norge ("SNN") are establishing a forward-looking bank collaboration to ensure continued growth and development in the Helgeland region.
- HSB is to acquire SNN's banking business linked to the branches in Helgeland and 15% of the shares of the subsidiary EiendomsMegler 1 Nord-Norge AS
 - The parties have agreed an intention regarding the purchase of shares of SpareBank 1 Finans Nord-Norge AS and SpareBank 1 Regnskapshuset Nord-Norge AS
 - SNN will become a long-term owner of 19.99% of the equity certificates of HSB, and the two banks will develop a business collaboration whereby SNN delivers a number of services, in particular in the capital markets sphere, to HSB
- Through its ownership in SamSpar, HSB concurrently enters the SpareBank 1 Alliance whose presence in North Norway is thereby strengthened
 - Will strengthen and expand products and services to all the bank's customers



The joint focus on the Helgeland region is altogether expected to provide a basis for greater lending, increased incomes, lower costs and more efficient use of the banks' equity capital

Closer collaboration between HSB and SNN



SNN will be present, and will have substantial capital employed, in the Helgeland region – both directly through major corporate exposures and subsidiaries, but ahead also through its ownership in HSB

Strengthened position and profitability for SNN

- SNN to become a long-term owner of 19.99% of the equity certificates of HSB, employing substantial capital in a continuingly important region for SNN.
- SNN will develop and deliver services to HSB and their customers in areas such as settlements, international payments, fixed-interest, forex and other capital market products
- Through HSB's ownership of EiendomsMegler 1 Nord-Norge and distribution and reference agreements with, respectively, SpareBank 1 Finans Nord-Norge and SpareBank 1 Regnskapshuset Nord-Norge, the customer base and cost efficiency of the product companies are increased
- The sale of the bank's portfolio in Helgeland to HSB provides increased profitability and enhanced capital efficiency for SNN
 - The equity capital tie-up is reduced by just over NOK 300 million
 - The transactions are calculated to strengthen SNN's annual earnings by about NOK 25-35 million in the period 2022-2024 as a result of inter alia ownership in HSB, reduced joint costs and sale of services directly or through HSB's subsidiaries
 - The overall accounting gain comes to about NOK 50 million

New strategic direction for Helgeland Sparebank

- HSB to join the SpareBank 1 Alliance and become a member of SamSpar
 - This will ensure access to competitive product companies and services in addition to more capital efficient solutions and a lower funding costs through SpareBank 1 Boligkreditt AS
 - Name to be changed to SpareBank 1 Helgeland
- SNN and HSB to initiate a strategic collaboration
 - HSB to take over the business of SNN's branches in the Helgeland region
 - SNN to become a long-term owner of 19.99% of the equity certificates of HSB
 - HSB to purchase 15% of EiendomsMegler 1 Nord-Norge, and the parties' shared intention is that HSB shall become an owner of SpareBank 1 Finans Nord-Norge and SpareBank 1 Regnskapshuset Nord-Norge.
- The transaction strengthens the bank's income base and creates a more efficient platform for banking operations.
- The present ownership in Frende Forsikring, Brage Finans, Norne Securities and Rede Eiendomsmegling to be disposed of in collaboration with the current owners



HSB's position strengthened in the Helgeland region

**HSB to take over
SNN's banking
operations in
Helgeland**

**HSB to enter the
SpareBank 1
Alliance through
ownership position
in SamSpar**

- The bank portfolio to be taken over by Helgeland Sparebank comprised as at 31.12.19 NOK 10.2 billion in loans (of which about NOK 3.2 billion had been transferred to SpareBank 1 Boligkreditt) and about NOK 3.5 billion in deposits
 - Exposures with individual loss provisions will not be taken over
 - The bank portfolio to be transferred from SNN has a higher proportion of commission income from non-life and life insurance than does HSB's existing bank portfolio
 - The proportion of loans transferred to the residential mortgage company will increase in the run-up to the transaction
- The business covers altogether 4 branches with overlapping locations in, respectively, Brønnøysund, Mo i Rana, Mosjøen and Sandnessjøen. The business will continue with one branch in each town.
- The transactions and the integration process are expected to be completed in the first half of 2021
- HSB will also become part of the SpareBank 1 Alliance through the purchase of 3% of the ownership participations in Samarbeidende Sparebanker AS and Samarbeidende Sparebanker Utvikling DA (together known as "SamSpar")
- Through its entry into SamSpar, HSB acquires:
 - Ownership and distribution rights for products from inter alia the insurance company Fremtind AS
 - Access to the SpareBank 1 Alliance's IT systems, joint development etc., which will further strengthen the bank's competitive power
 - Entry into SamSpar will be completed as soon as practically possible and in conjunction with the transfer of business

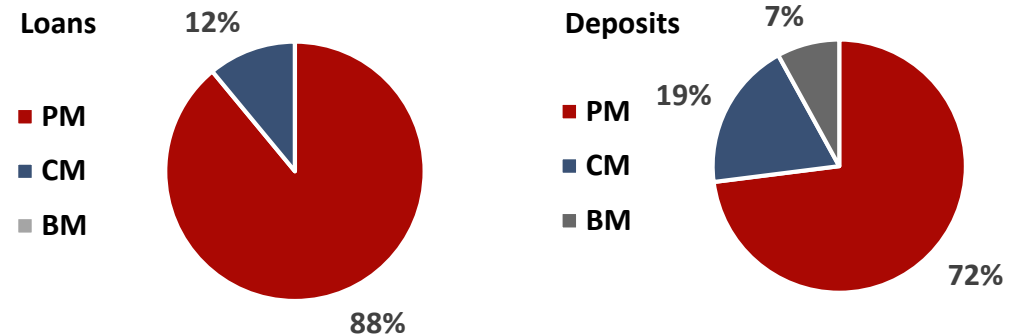
More about SNN's banking business in Helgeland

- SNN's banking business in Helgeland, which is to be transferred, comprises four branches with associated loan, deposit and insurance portfolios
- The loan portfolio to be transferred comprised as at 31 December 2019 about NOK 8.9 billion in loans to the personal market and NOK 1.2 billion in loans to the corporate market
- Deposits totalled about NOK 3.5 billion at the same point in time
- In addition to the banking business, management rights and obligations related to SNN's non-life and life portfolio in Helgeland will be transferred

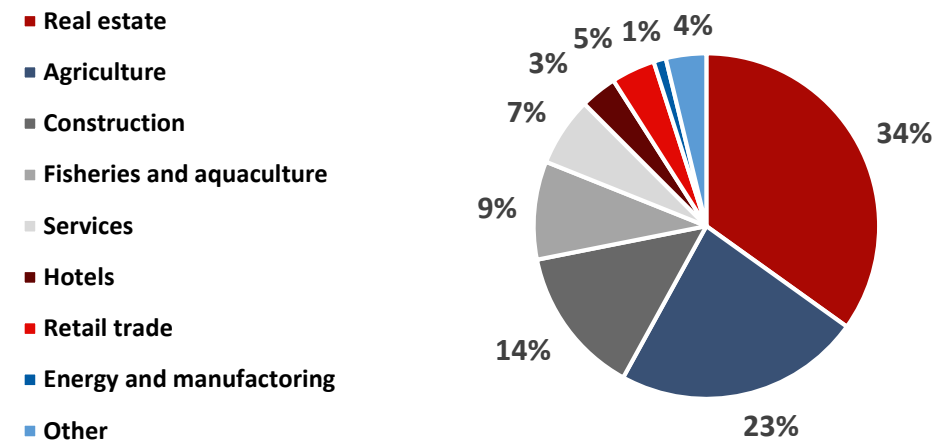
Net loans
NOK **10.2bn**

6,800
borrowers

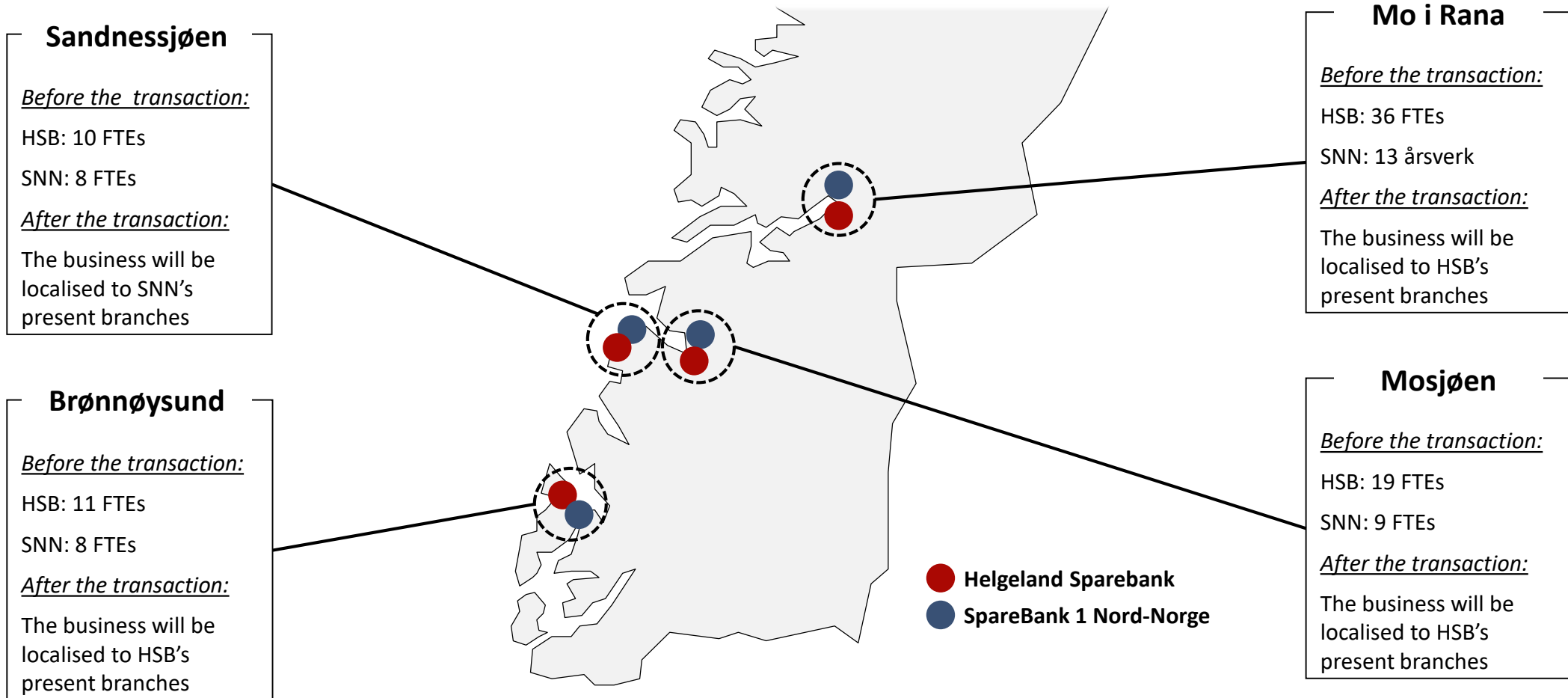
Distribution of loans by segment



Sector distribution CM portfolio



Branch amalgamations create greater critical mass and strengthen HSB's presence in the region

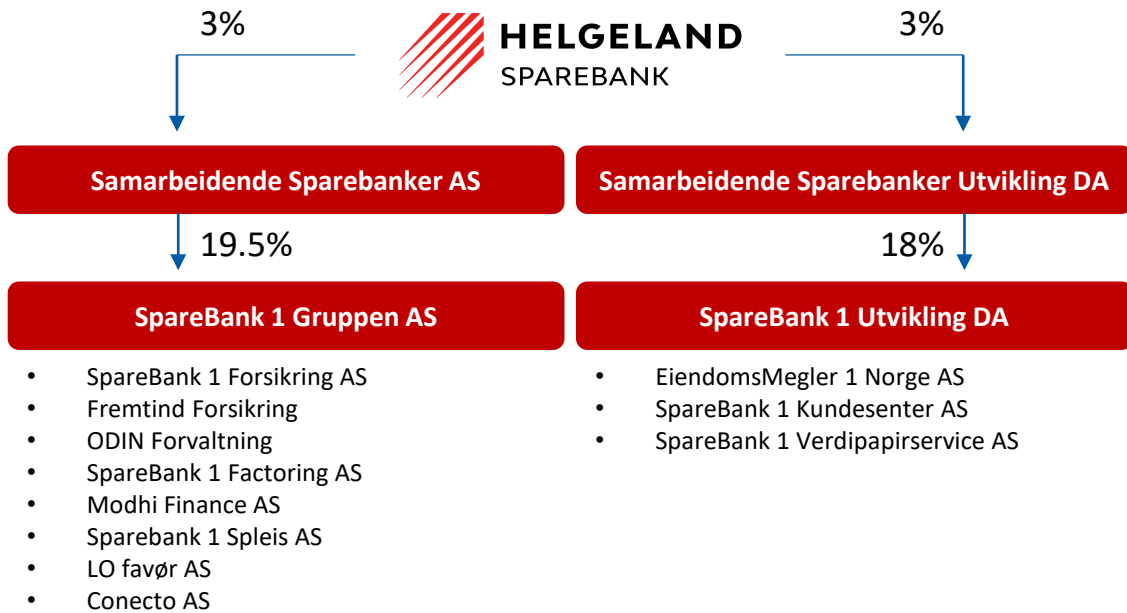


- After the transfer of business HSB expects to have about 30 redundant employees
- Staff reductions will be sought through voluntary resignations and natural wastage, and a process has been initiated with union representatives to ensure that the interests of all employees are attended to in the best possible manner

HSB's entry into the SpareBank 1 Alliance

SamSpar and the SpareBank 1 Alliance

HSB to buy 3% of the shares of Samarbeidende SpareBanker AS («SamSpar») and Samarbeidende SpareBanker Utvikling DA for a total price of of NOK 150 million



Today's SamSpar banks



A better and more complete financial offering for HSB's customers

Solid banking has passed down the generations in Helgeland – despite 150 years of history, HSB and SNN have chosen to come together to create a joint banking collaboration in the Helgeland region

Uniting efforts in a strategic collaboration will strengthen both HSB and SNN, bringing increased profitability as a result of substantial synergies

- Fremtind Forsikring is the country's third largest insurance company, with the largest distribution volume via a bank
- A new and complete offering of accounting, finance and leasing services, as well as estate agency services, through SNN-affiliated companies
- Improved arrangements for additional services such as saving and investment, insurance and pensions for individuals and companies
- The banks will develop a business collaboration whereby SNN delivers a number of services to HSB
- The SpareBank 1 Alliance represents a larger and broader income base for HSB
- The SpareBank 1 Alliance operates an extensive and efficient IT collaboration in which the banks utilise a common digital platform and share development costs, thereby ensuring a more efficient platform for banking operations

Helgeland Sparebank steps out of the “Frende collaboration”

- Helgeland Sparebank is to terminate its ownership participation in Frende Forsikring, Brage Finans, Norne Securities and Balder Betaling as a consequence of its entry into the SpareBank 1 Alliance
- Frende Forsikring is owned by 15 independent savings banks and comprises the life company Frende Livsforsikring and Frende Skadeforsikring
 - HSB's stake: 7.9%
 - The offering to be replaced by Fremtind Forsikring
- Brage Finans is owned by 12 independent savings banks
 - Stake: 8.6%
 - The offering to be replaced by SpareBank 1 Finans Nord-Norge
- Norne Securities is owned by 14 independent savings banks and Must Invest AS
 - Stake: 7.5%
 - The offering to be replaced by services from, among others, SpareBank 1 Nord-Norge
- Balder Betaling is owned by 15 savings banks managing a participation of about 10.5% in Vipps AS
 - Stake: 6.85%
 - Upon stepping out, HSB will receive its proportionate share of Balder's stake in Vipps
- The above processes are planned to be carried out in the course of 2020

Financial effects of the transaction

Public issue

- A public issue of up to NOK 800 million
- The issue is subscribed and underwritten by SNN and the foundation Sparebankstiftelsen Helgeland respectively
- Up to NOK 220 million underwritten by Sparebankstiftelsen Helgeland – will be offered to all the bank's owners
- The issue will be carried out at a price corresponding to 0.75x of the book value of owners' capital as at the end of the latest completed quarter prior to the transfer
- SNN has undertaken to subscribe equity certificates such that after the issue SNN will own a 19.99% of the equity certificates of HSB

Transfer of business and buying into product companies

- HSB to purchase SNN's business in the Helgeland region for a cash consideration of NOK 100 million, corresponding to excess of purchase price over net assets acquired (incl. a share of synergies)
- HSB to join SamSpar and the SpareBank 1 Alliance by acquiring 3% of the shares and units of SamSpar for a cash consideration of NOK 150 million
- HSB to purchase 15% of the shares of SNN's wholly-owned subsidiary EiendomsMegler 1 Nord-Norge AS for NOK 20 million with the intention of purchasing shares of SpareBank 1 Regnskapshuset Nord-Norge AS and SpareBank 1 Finans Nord-Norge AS
- HSB to terminate its participation in the companies Frende, Brage, Balder, Norne and Rede.

Attractive synergies

- The carrying through of the transactions is calculated to strengthen HSB's annual earnings by about NOK 80-120 million in the period 2022-2024
- The increased earnings include cost synergies as well as more and larger income opportunities for the bank
- HSB's one-time integration costs related to the carrying through of the transactions are calculated at about NOK 90-110 million
- The transactions will in addition entail some accounting write-downs of IT systems
- The effect on earnings per equity certificate is expected to be approximately earnings neutral in 2022, thereafter gradually turning positive with full effect as from 2024

The way ahead for Helgeland Sparebank

- HSB to join the SpareBank 1 Alliance and become a member of SamSpar
 - This will provide a strengthened income base through additional services in, among other areas, saving and investment, insurance and pensions to individuals and companies, along with a more efficient platform for banking operations
 - Name to be changed to SpareBank 1 Helgeland
- SNN and HSB to initiate a strategic collaboration
 - The two banks will develop a business collaboration whereby SNN delivers a number of services, in particular in the capital market sphere, to HSB
 - The offering in the Helgeland region, inter alia in accounting, finance and leasing and estate agency services, will be expanded
- Customers will altogether be afforded an improved and more complete financial offering
- A new strategic direction for HSB through an improved and broader banking platform geared to the future, and strengthened capacity for earnings and profitability. HSB will consider raising the annual return-on-equity target from 10% to 11% as from 2023.



The joint focus on the Helgeland region is altogether expected to provide a basis for greater lending, increased incomes, lower costs and more efficient use of the banks' equity capital

