

# Presentation Q3 2014

med  for  
HELGELAND



# Presentation Q3 2014 (HSB group)

Main features

Profit & Loss

Balance

Lending

Deposits

Funding

Solidity

Summary

Appendices



Lisbeth Flågeng  
Acting Chief Executive  
Officer



Ranveig Kråkstad  
Acting Chief Financial  
Officer

# Theme

## Main features

Profit & Loss

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# Main features 3rd quarter

## Result

Good basic operations – gross profit MNOK 235 (193)

- Net interest increased by MNOK 22
- Return on financial investments increased by MNOK 38
- Some increased losses on loans and operating costs
- Normalised losses in Q3

## Profitability

Improved return on equity 11,7 (9,9) %

## Solvency

Strengthened capital adequacy – CET1 ratio 12,5 (11,2) % – total capital ratio 16,0 (14,9) %

# Main features 3<sup>rd</sup> quarter

## Lending

Reduced 12-month growth 0,8 (7,4) % – reduced growth in CM in line with the bank's targets

- Retail Market 3,3 (7,9) %
- Corporate Market -3,6 (6,4) %

## Deposits

Increased 12-month growth 10,9 (13,0) % – deposit ratio 66,4 (60,3) %

- Retail Market 9,3 (6,6) %
- Corporate Market 13,5 (25,3) %



# Theme

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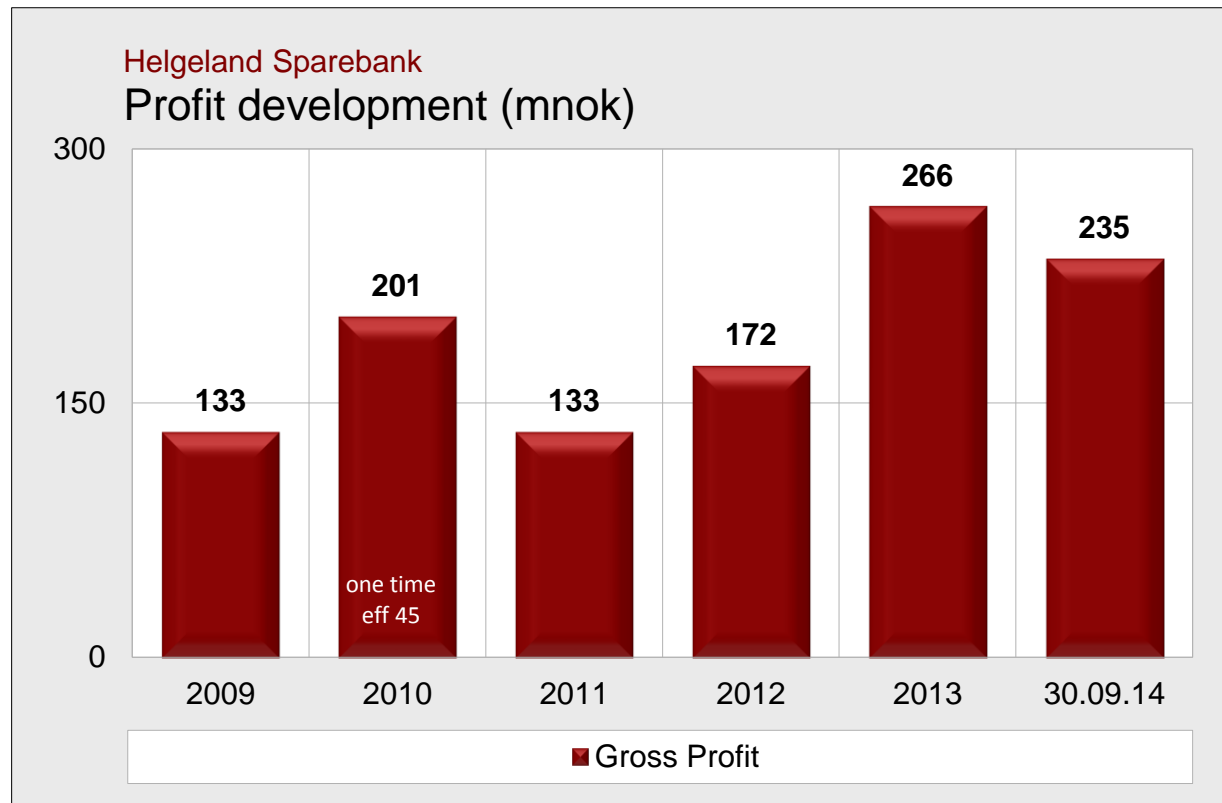
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Brønnøysundregistrene

# Profit & Loss

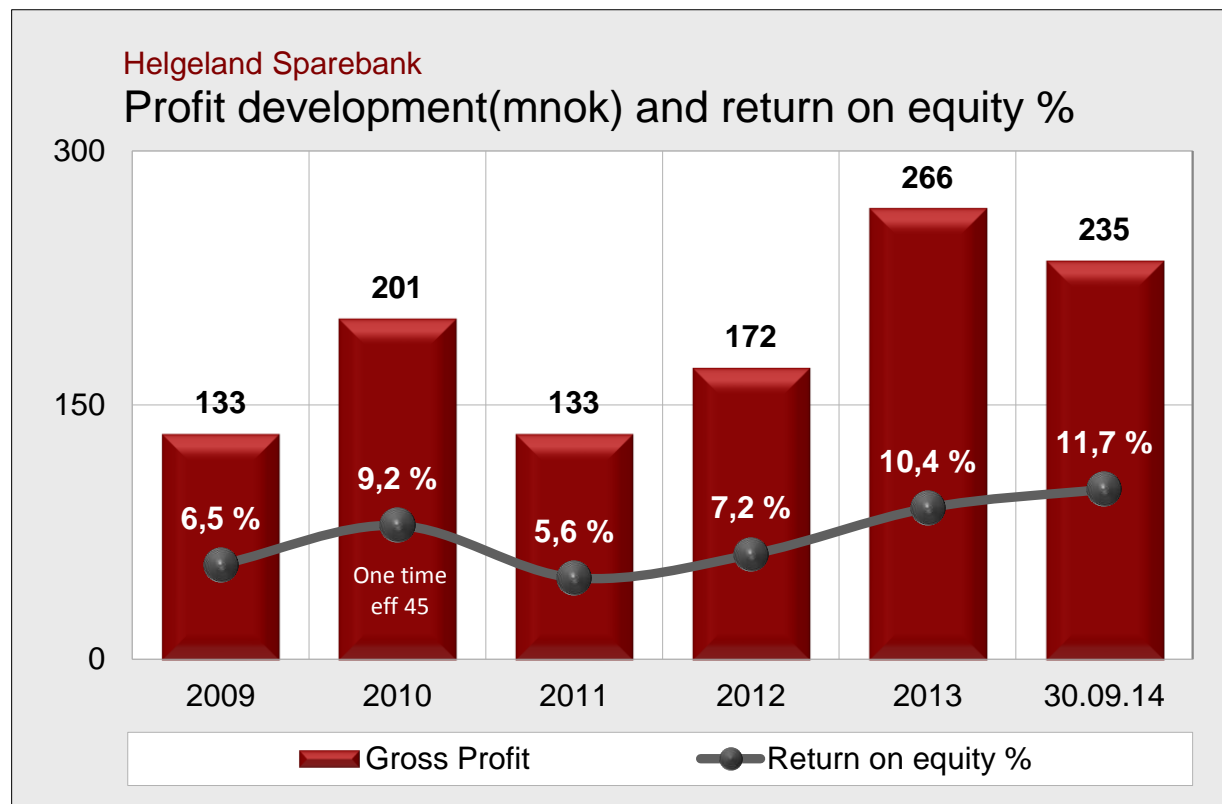


## Good result so far this year

Stable net interest

- Meeting pricing competition by reducing interest rates on mortgages
- Reduction on deposits in the same period
- Net effect should not lower the net interest
- Individual adaption of commitments, particularly in the corporate market
- Positive effect from official rating

# Result



## Good result so far this year

Stable net interest

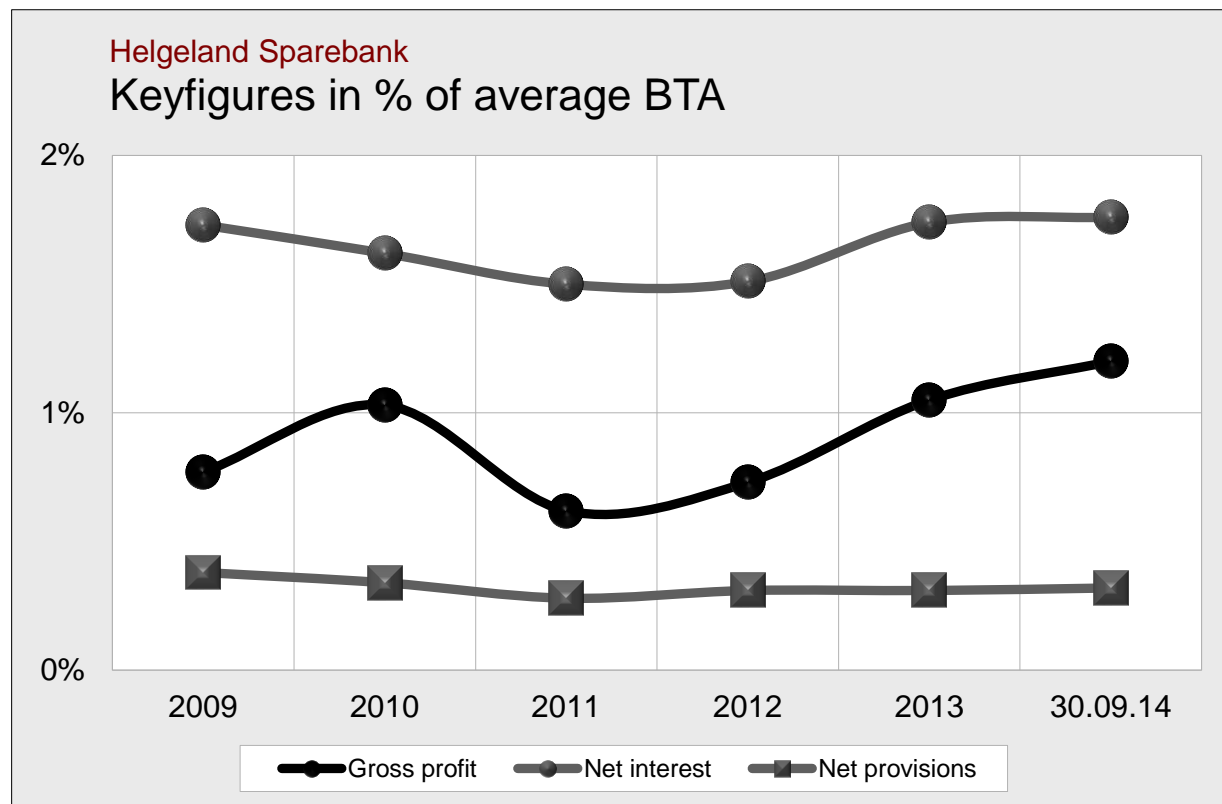
- Meeting pricing competition by reducing interest rates on mortgages
- Reduction on deposits in the same period
- Net effect should not lower the net interest
- Individual adaption of commitments, particularly in the corporate market
- Positive effect from official rating

Return on Equity

- Goal at least 10.0 %
- Per Q3 11.7 (9.9) %



# Key figures



## Commentary

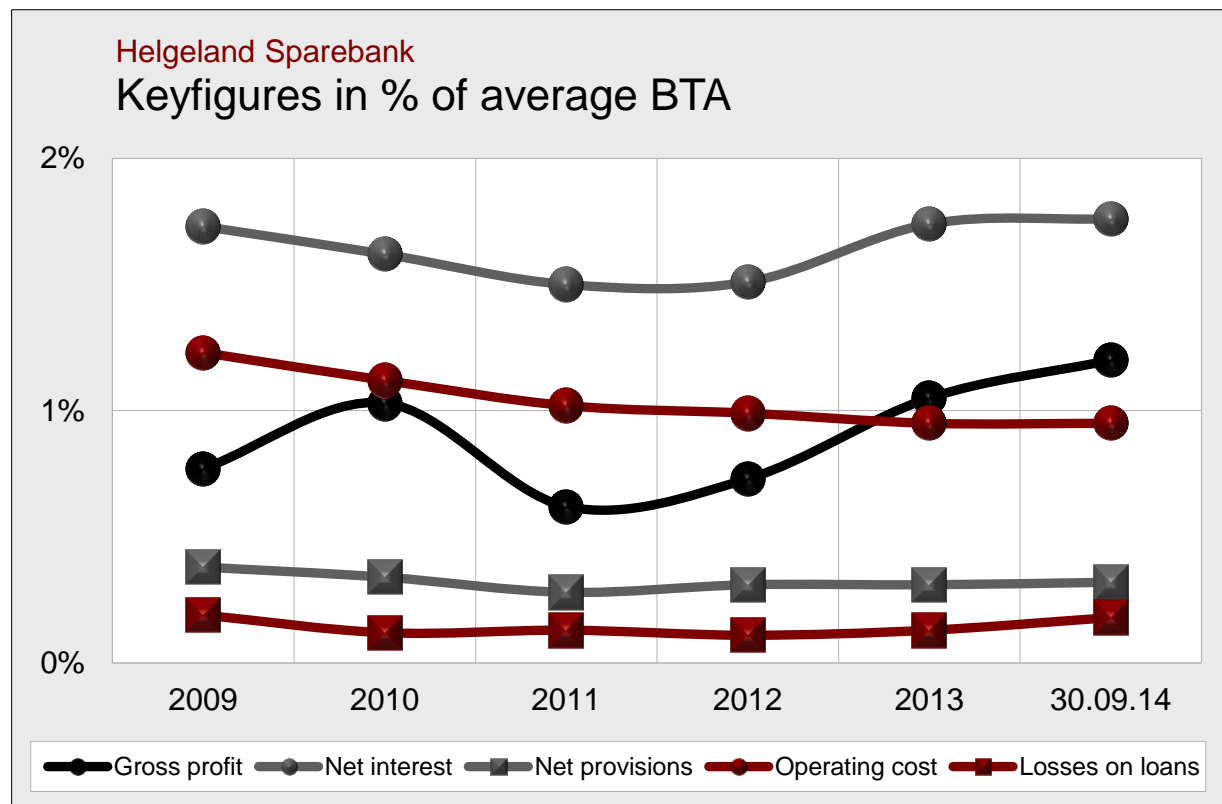
### Net interest

- Improved margin from 2011
- Unchanged in last three quarters

### Net commissions

- Stable level from 2011
- Same level as last quarter

# Key figures



## Commentary

### Net interest

- Improved margin from 2011
- Unchanged in last three quarters

### Net commissions

- Stable level from 2011
- Same level as last quarter

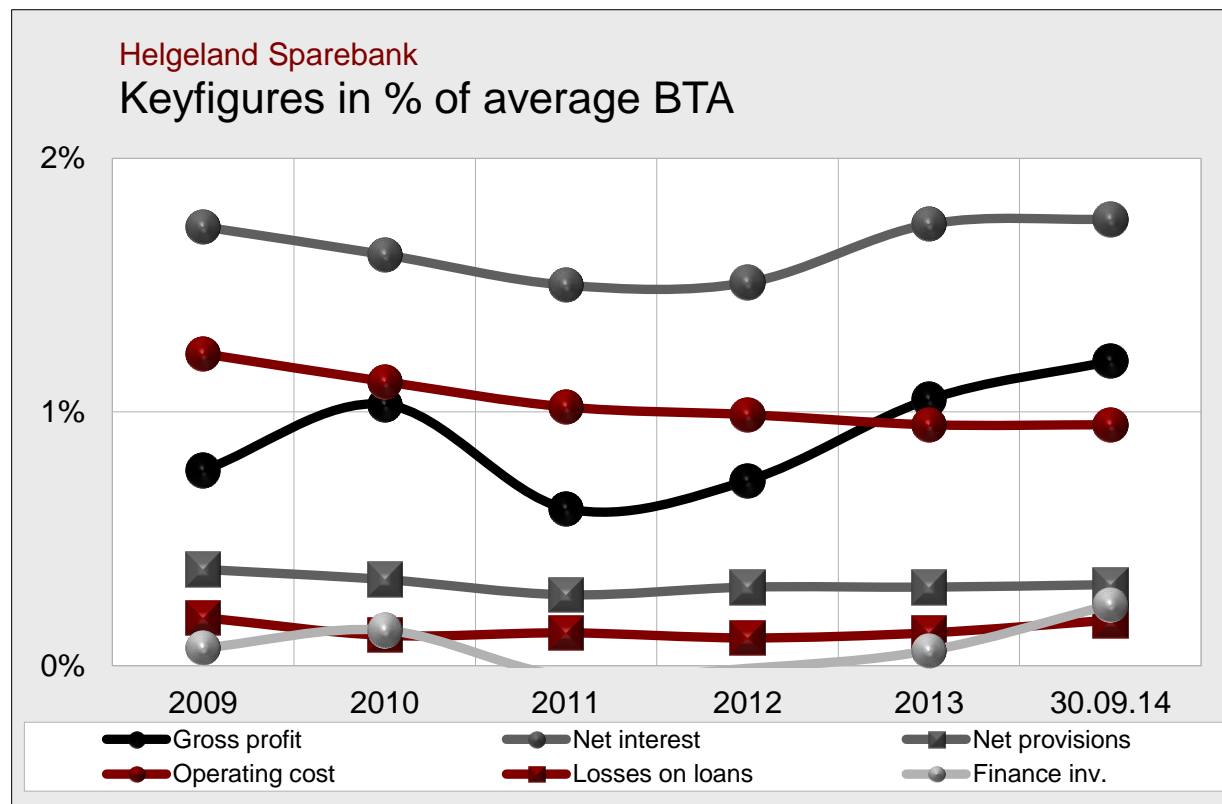
### Operating costs

- Decreasing costs from 2009
- Flattening in 2014

### Losses on loans

- Relatively low level since 2009
- increase in Q2 2014, normal in Q3

# Key figures



## Commentary

### Net interest

- Improved margin from 2011
- Unchanged in last three quarters

### Net commissions

- Stable level from 2011
- Same level as last quarter

### Operating costs

- Decreasing costs from 2009
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- Relatively low level since 2009
- increase in Q2 2014, normal in Q3

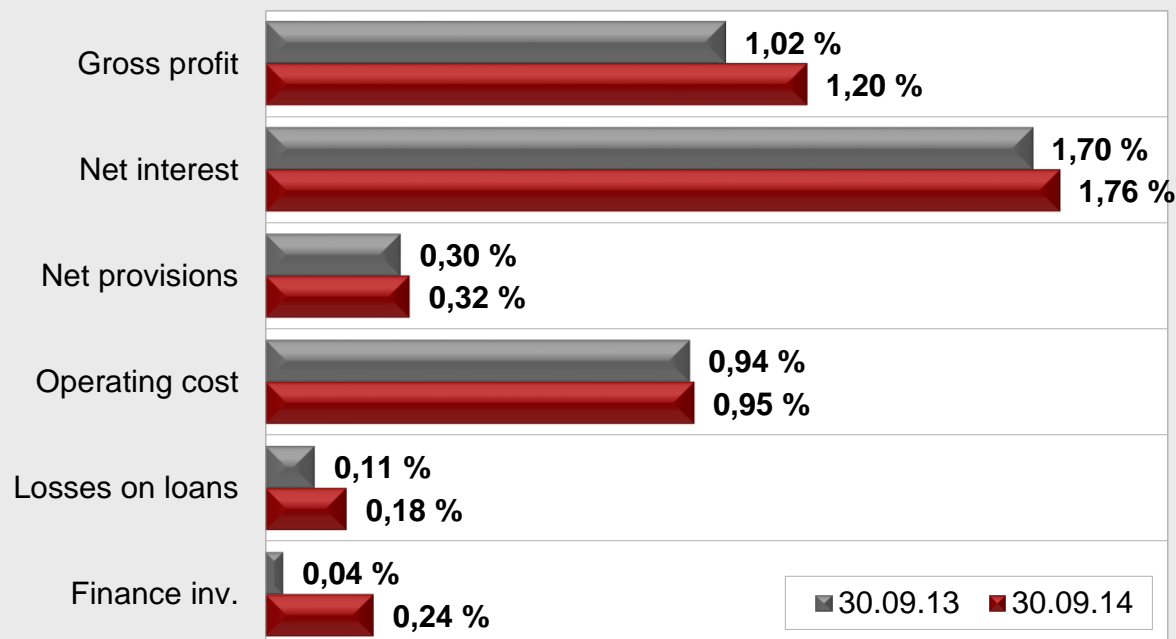
### Financial investments

- Positive development in 2014

# Key figures

Helgeland Sparebank

Keyfigures in % of average BTA



## Commentary

Result, net interest, net-commission and financial investments improved

Operating costs almost unchanged and somewhat increased losses on lending (individual commitment Q2)

# Profit & Loss

Helgeland Sparebank (group)	Profit & loss (MNOK)				
	Q3/2013	Q4/2013	Q1/2014	Q2/2014	Q3/2014
Net interest- and credit provision earnings	117	118	113	114	116
Net provision earnings	22	20	19	22	22
Other operatios income	1	3	1	1	2
Ordinary operations cost	59	62	62	61	63
Result basic operations	81	79	71	76	77
Write-downs lending and warranties	7	12	11	18	6
Net value change financial instruments	2	6	6	23	17
Gross profit	76	73	66	81	88
Net profit	54	56	48	59	73
Net extended income posts	2	41	13	-7	2
Profit for the period	56	97	61	52	75

## Commentary

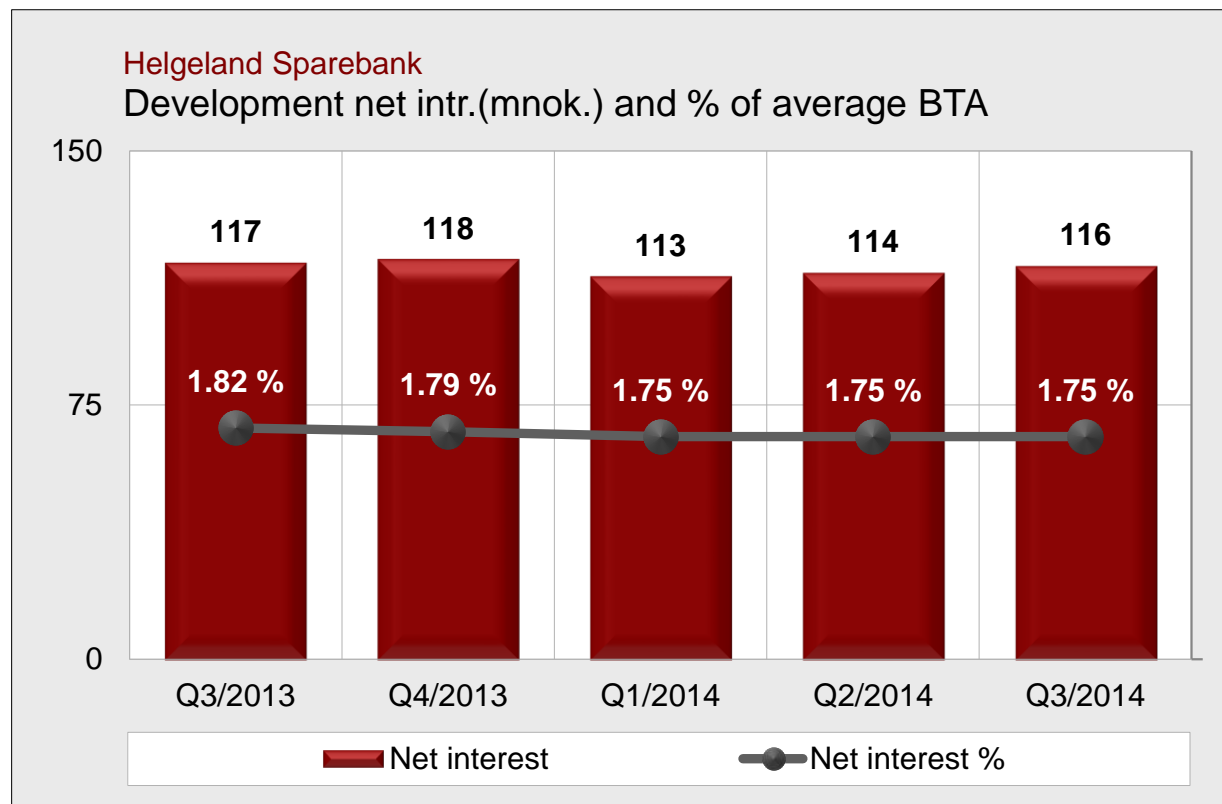
Still good and stable core operations

Normalised losses

Net value increase on financial investments last quarter – increased P&L contribution from associated company



# Net interest



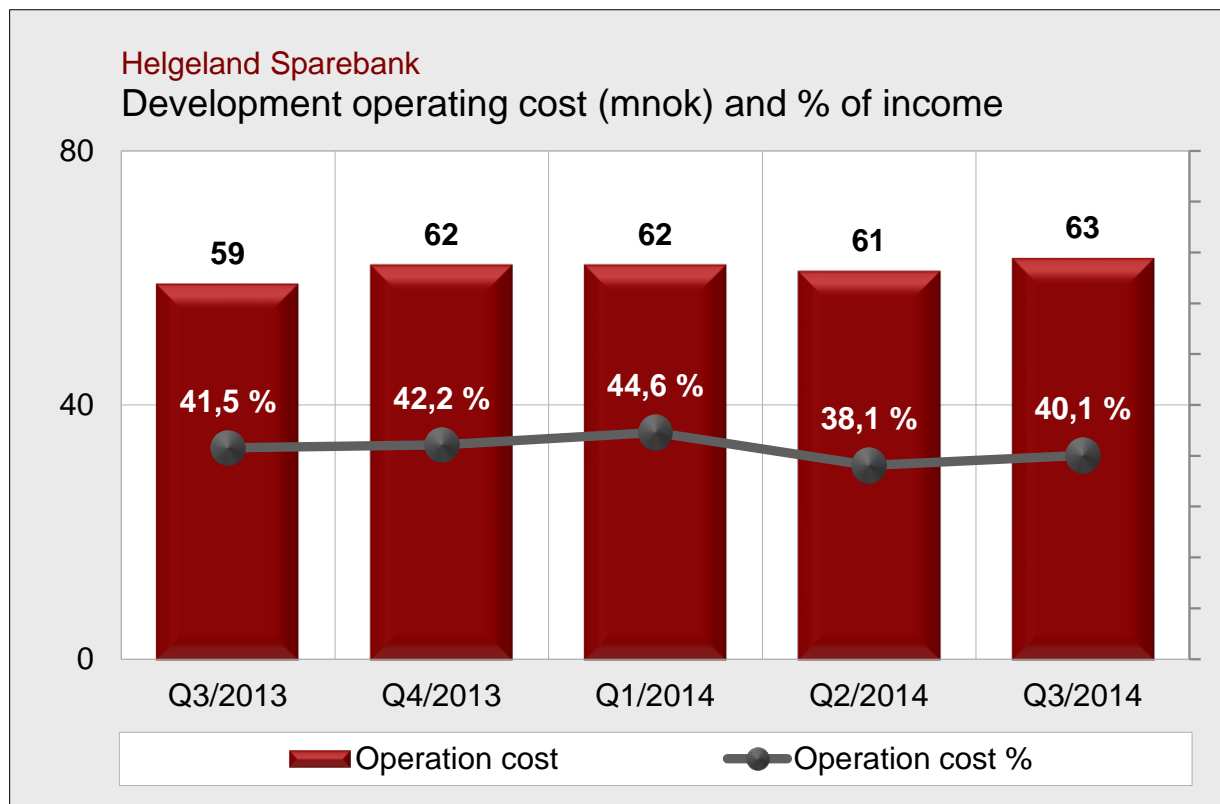
## Commentary

Net interest somewhat down toward 2014, maintained from Q1 to Q3

Still strong price competition

- The bank has signalled a reduction on the mortgage interest rate. This is funded by a reduction on deposit rates (15.12.14)
- Individual adaptations.

# Operating cost



## Commentary

Relatively flat cost development in NOK toward 2014. The cost percent still at a low level.

The challenge is increased payroll tax from 01.07. The HSB group will end up with a higher cost level than target figure for 2014

# Theme

Main features

Profit & loss

**Balance**

Lending

Deposits

Funding

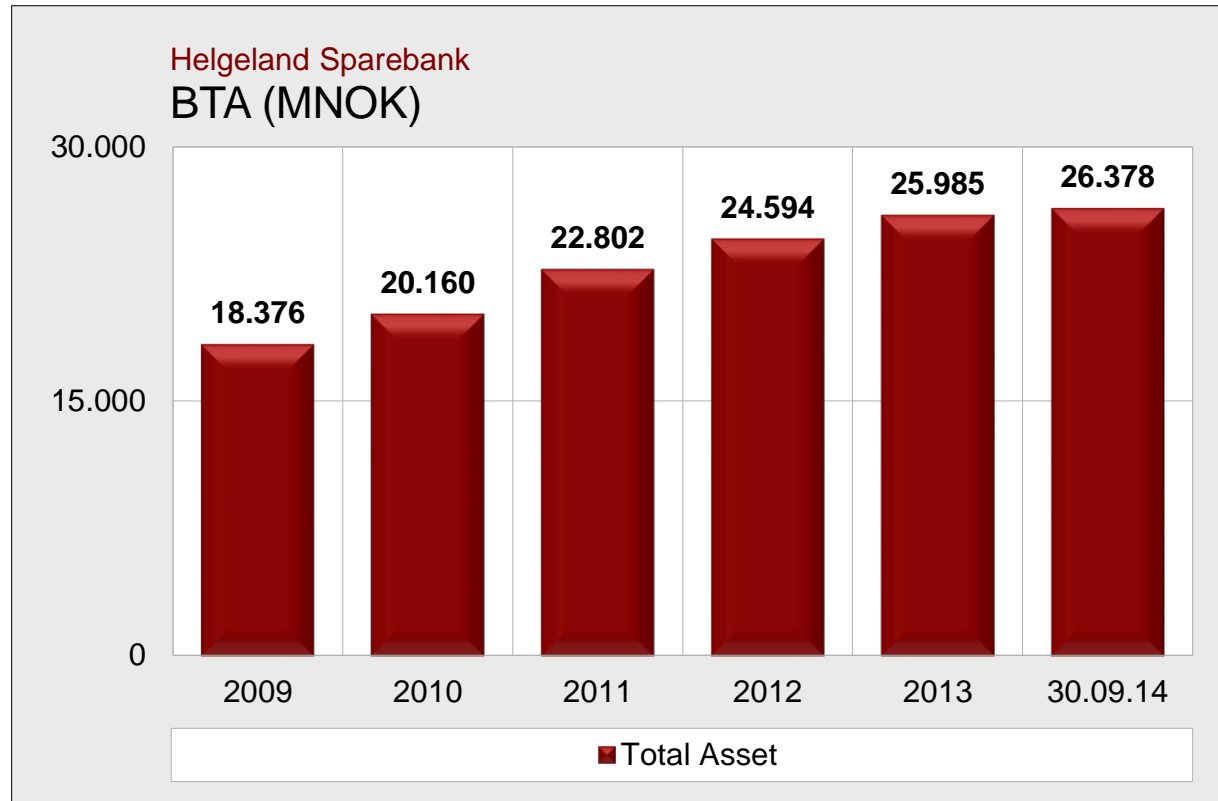
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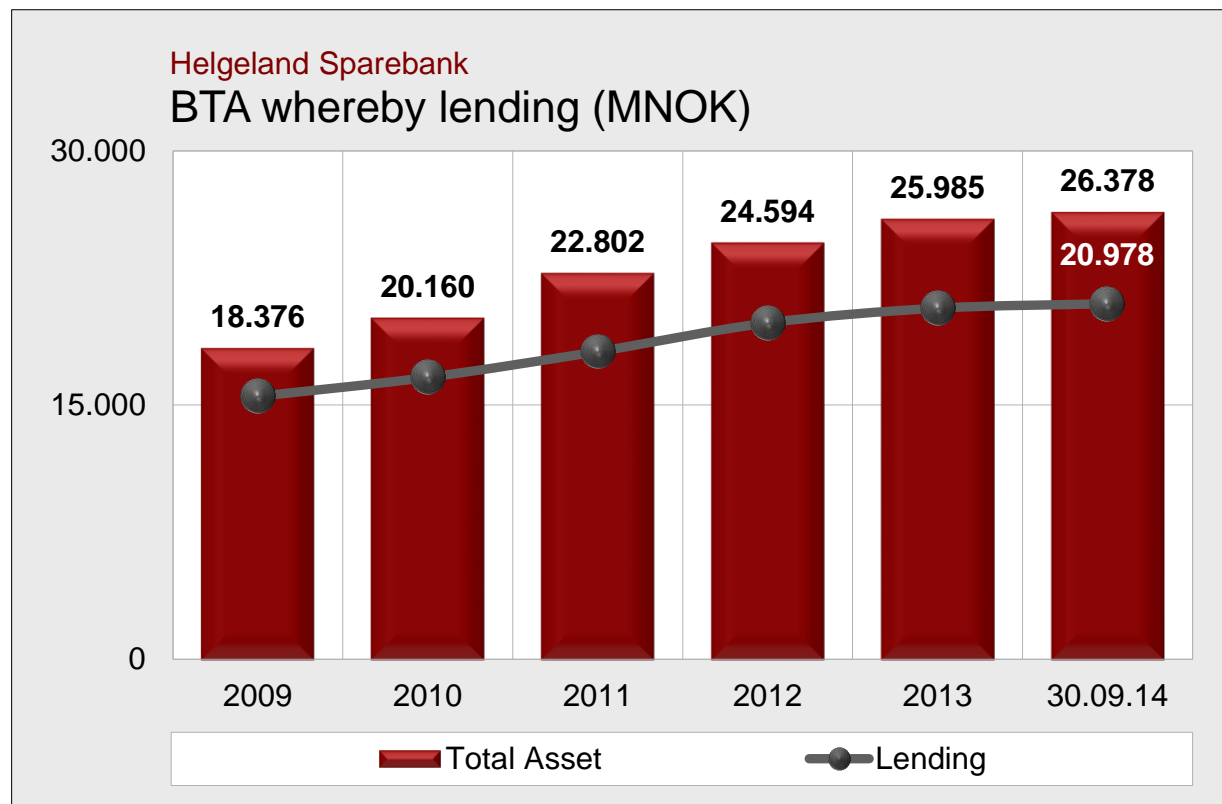
# Total Assets



## Commentary

Controlled growth – reduction of corporate commitments

# Total Assets



## Commentary

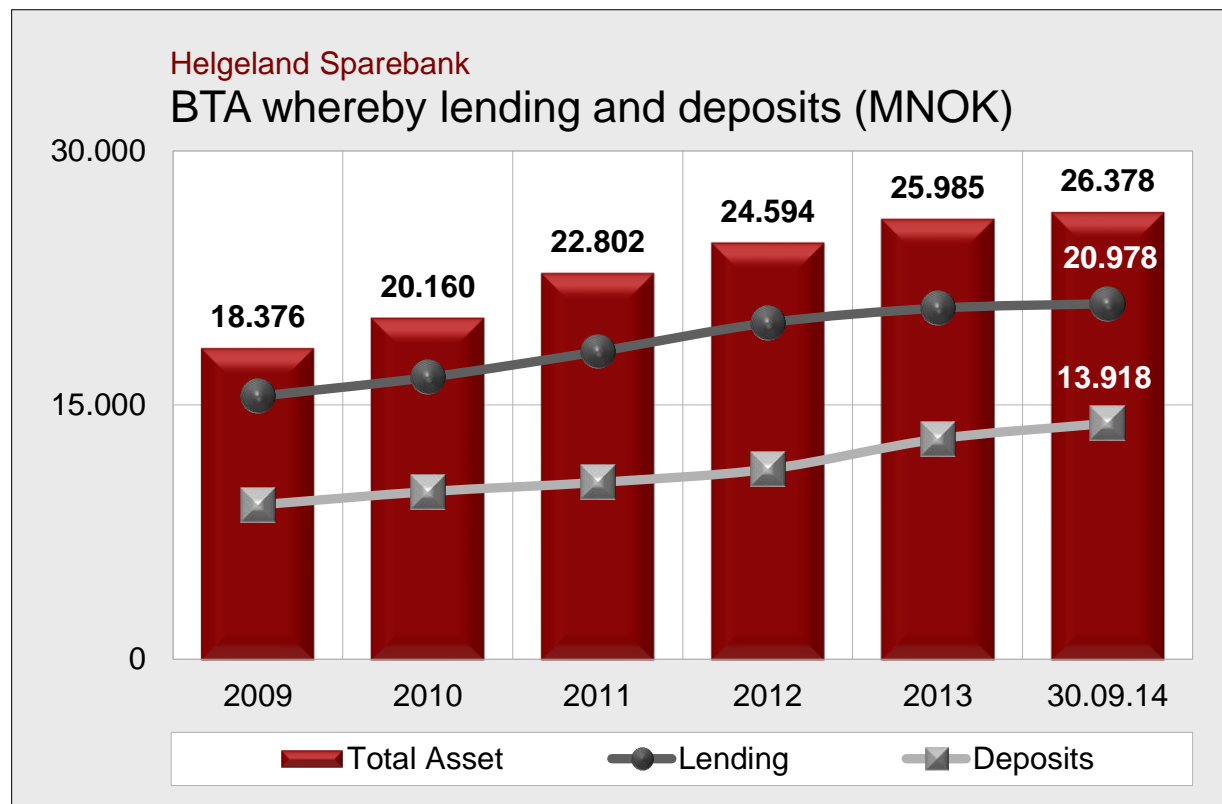
The reason for a flattening BTA is the reduction in corporate commitments

### Lending

- Q3 NOK 20.9 (20.8)bn.
- 12-month growth MNOK 175
- 9-month growth MNOK 270



# Total Assets



## Commentary

The reason for a flattening BTA is the reduction in corporate commitments

### Lending

- Q3 NOK 20.9 (20.8)bn.
- 12-month growth MNOK 175
- 9-month growth MNOK 270

### Deposits

- Q3 NOK 13.9 (12.6)bn.
- 12-month growth MNOK 1,365
- 9-month growth MNOK 929

# Theme

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Profit & Loss

Balance

**Lending**

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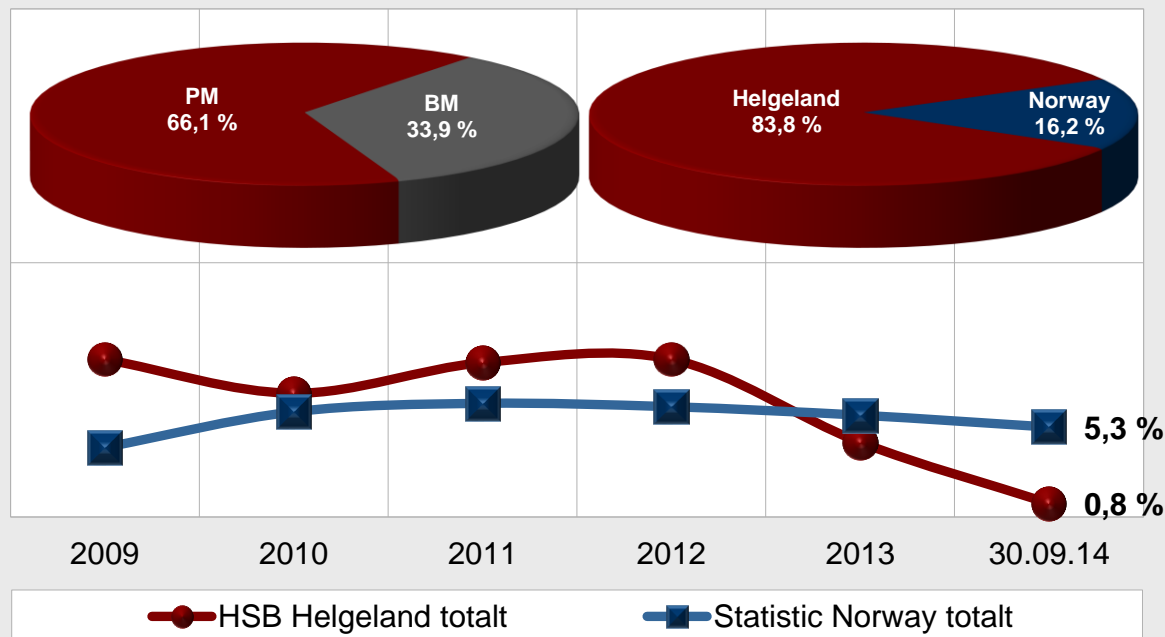
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# Credit growth

Helgeland Sparebank

12-month credit growth



## Commentary

Controlled lending growth

- 12-month growth 0.8 (7.4)%
- 9-month growth 1.3 (4.2)%

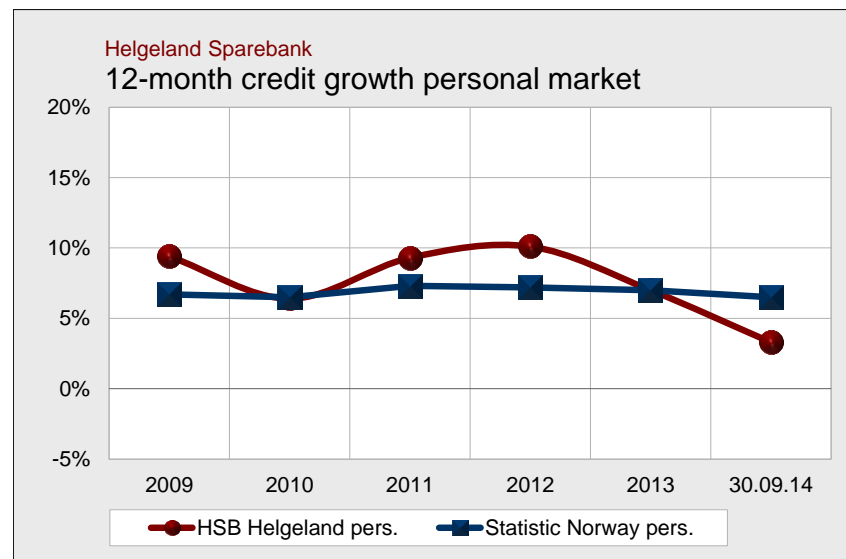
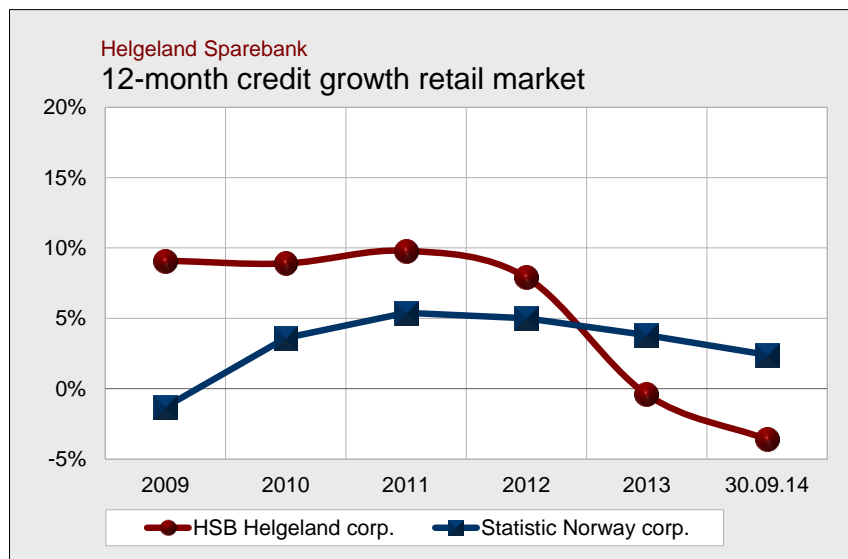
RM-share

- Goal at least 60 %
- Per Q3 – 66.1 (64.6) %

Helgeland's share

- Per Q3 – 83.8 (83.0) %

# Credit growth CM and RM



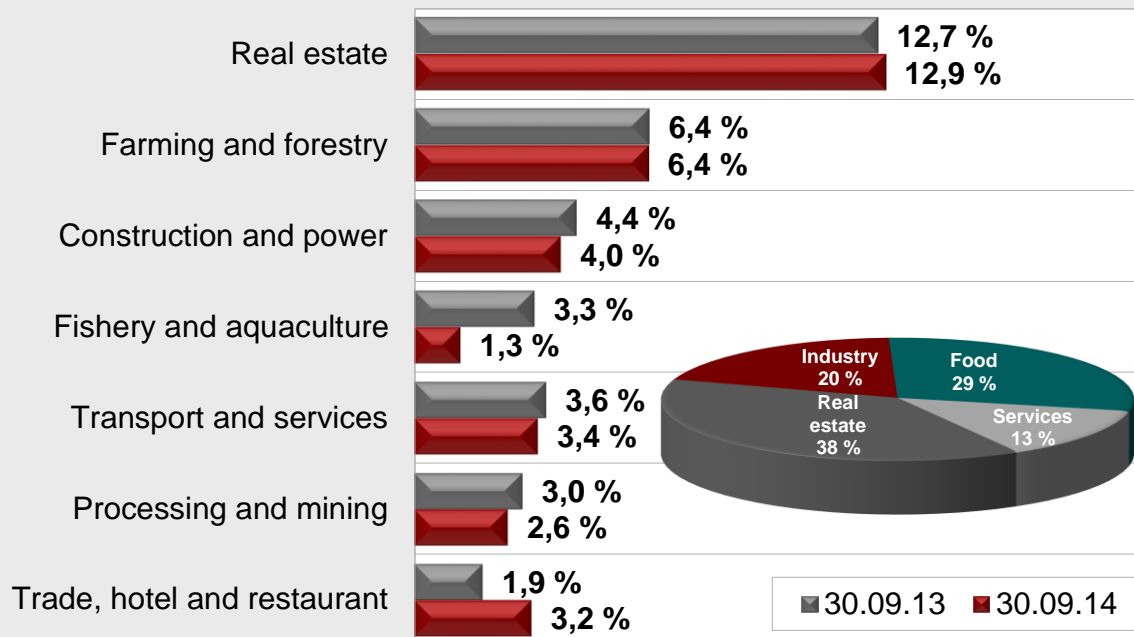
## Commentary

12 month growth 0.8 (7.4) % of which CM -3.6 (6.4) % and RM 3.3 (7.9) %

# Lending CM

Helgeland Sparebank

## Lending distributed in sector



## Commentary

Well diversified lending portfolio in CM and very loyal customers.

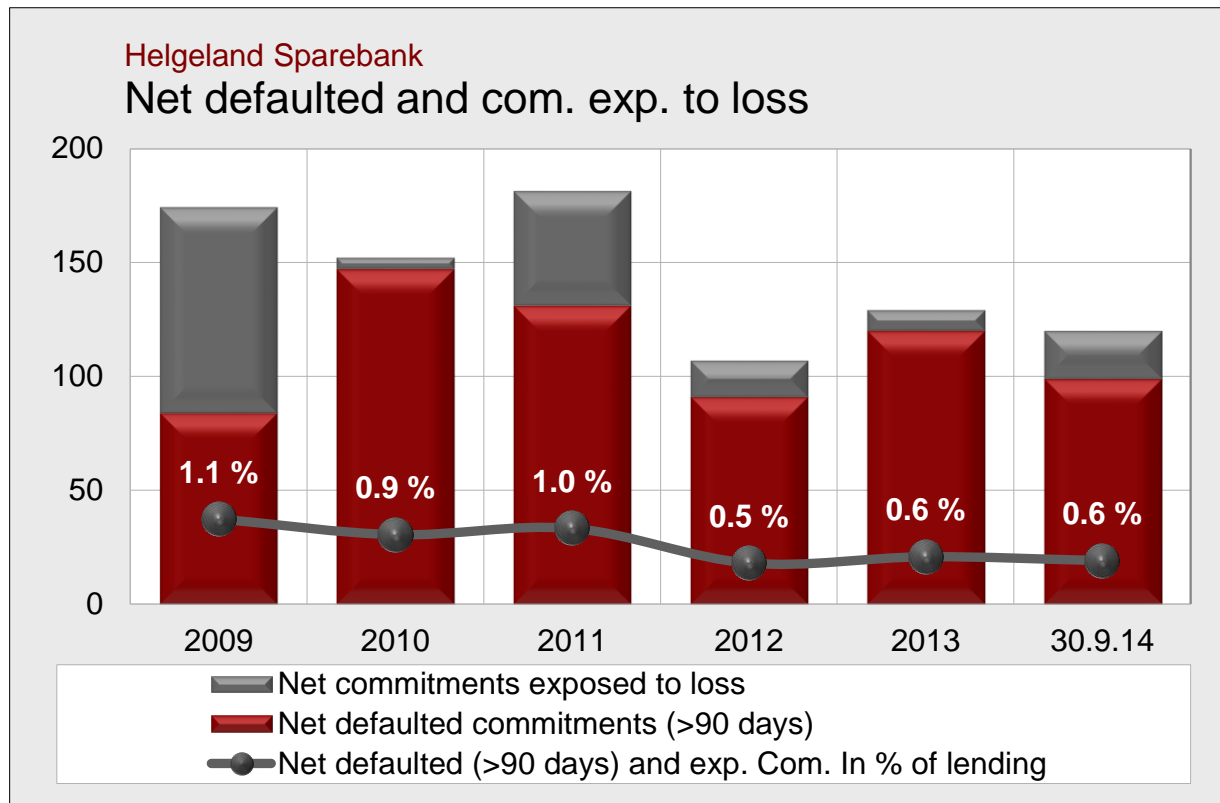
Lending to CM constitute NOK 7.1 (7.4) bn.

CM share of total lending 33.9 (35.4) %

Food production consisting of agriculture, forestry and aquaculture constitute 29% of the CM loans.



# Non-performing and other impaired commitments



## Commentary

Still good portfolio quality

Non-performing and other impaired commitments are levelling out

The development of defaults in the portfolio is monitored closely. Consistent follow-up through concrete measures

# Theme

Main features

Profit & Loss

Balance

Lending

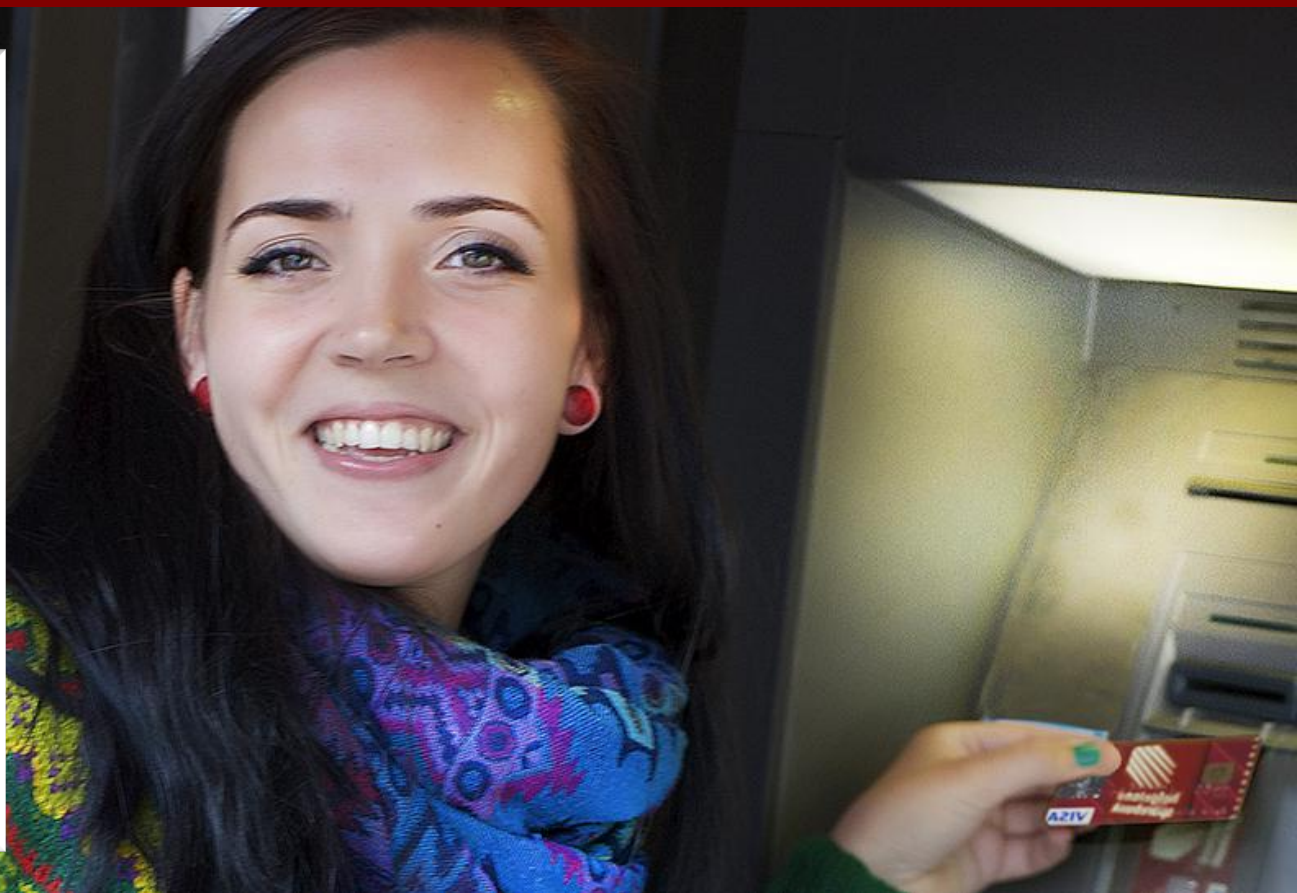
**Deposits**

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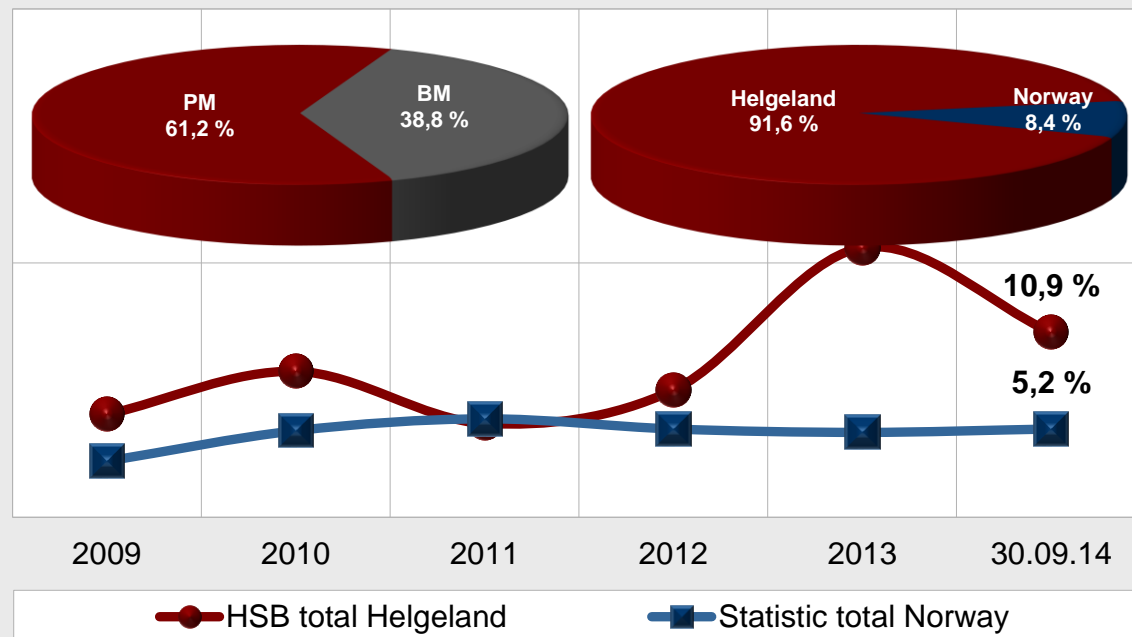
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# Total deposit growth

Helgeland Sparebank

12-month deposit growth



## Commentary

Very good deposit growth

- 12-month growth 10.9 (13.0) %
- 9-month growth 7.2 (12.0)%

RM-share

- Per Q3 – 61.2 (62.1) %

Helgeland's share

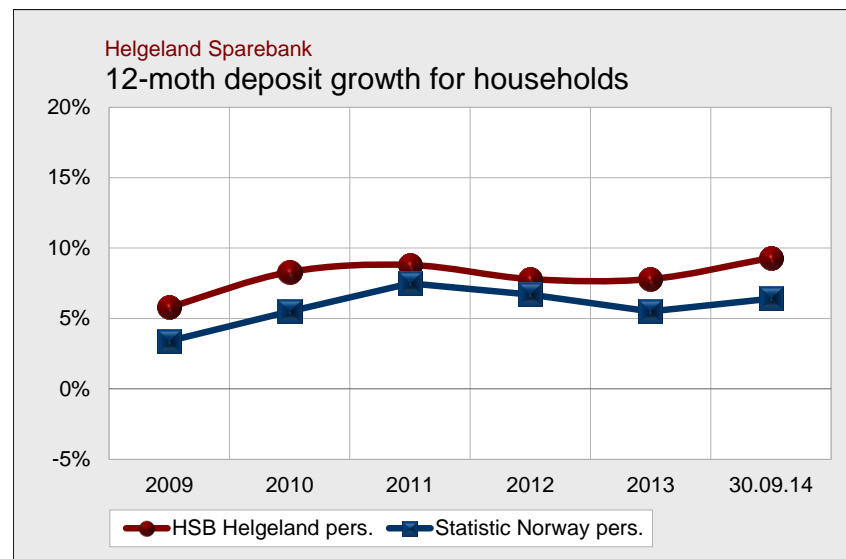
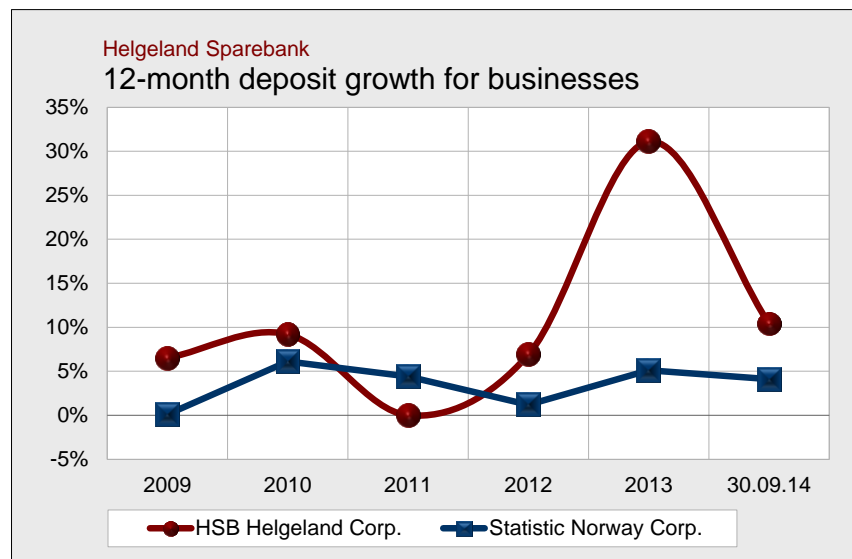
- Per Q3 – 91.6 (92.0) %

Deposit ratio

- Goal at least 60 %
- Per Q3 – 66.4 (60.3) %

Large share of RM-deposits under MNOK 2 (ca. 60 % of total deposits)

# Deposits CM and RM



## Commentary

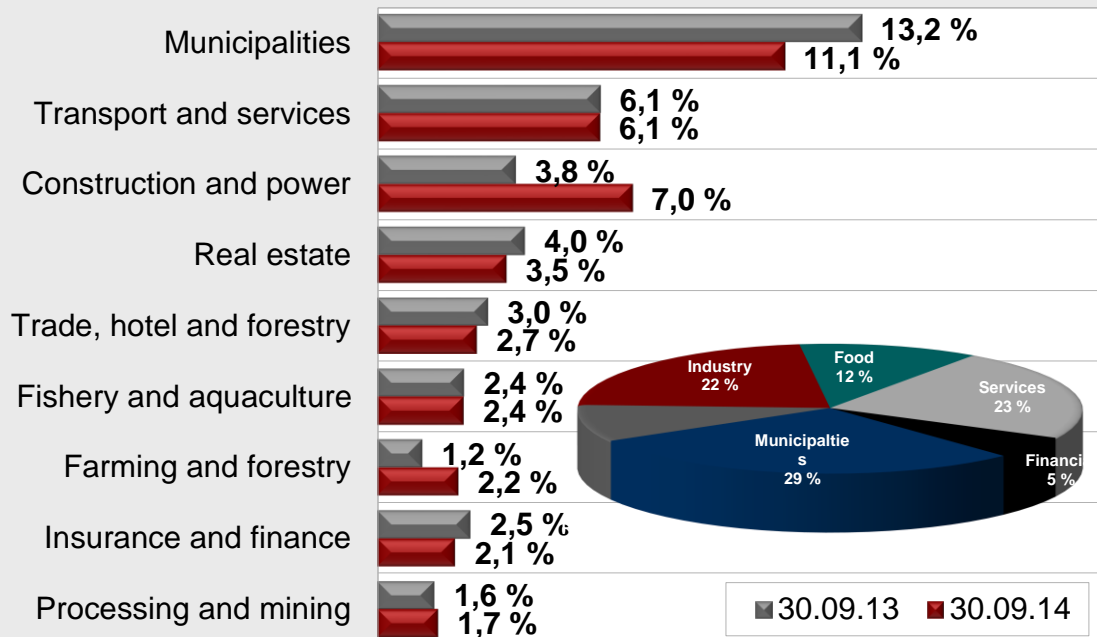
12-month growth 10.9 (13.0) % of which CM 13.5 (25.3) % and RM 9.3 (6.6) %

Larger municipal deposits in 2013

Good deposit growth from retail customers

# Deposits CM

## Helgeland Sparebank Customer deposits



## Commentary

Well diversified deposit portfolio in CM

Deposits from CM constitute NOK 5.4 (4.8) bn.

CM share 38.8 (37.9) % of total deposits

Deposits from municipalities constitute 29% of the CM deposits



# Theme

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**Funding**

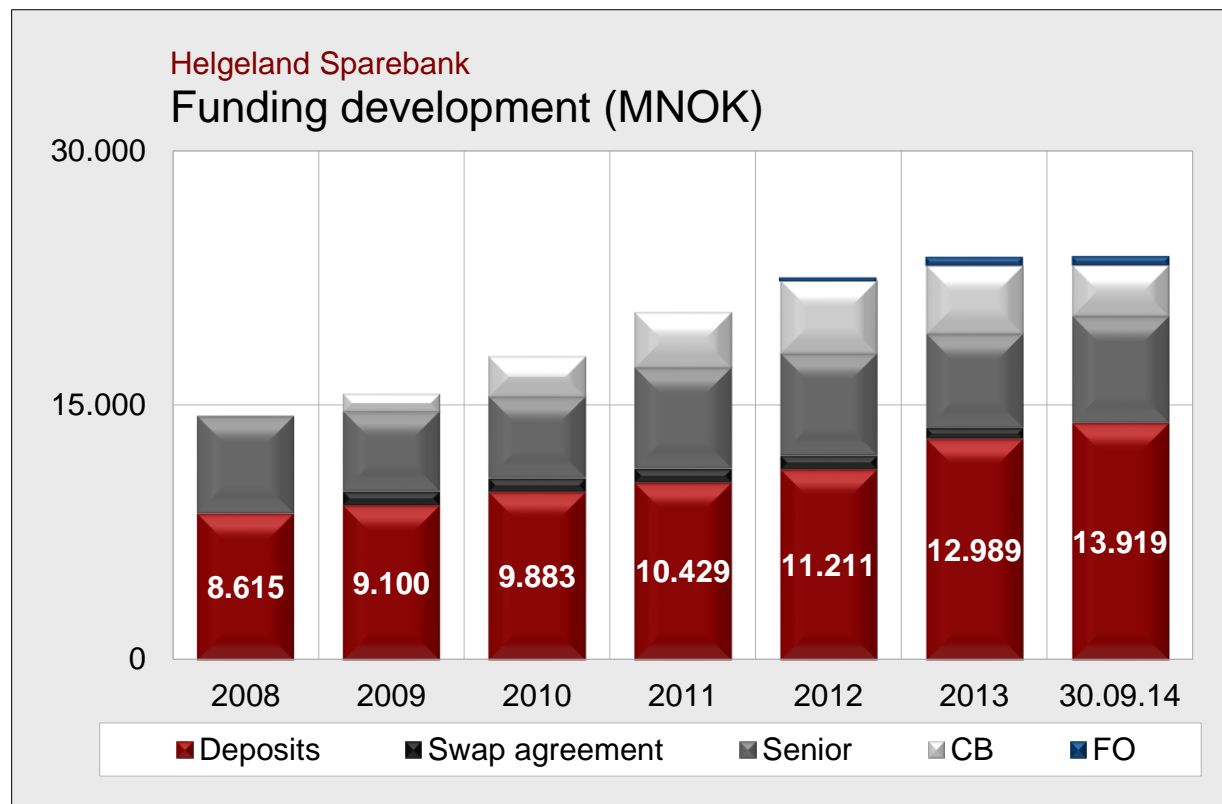
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# Funding

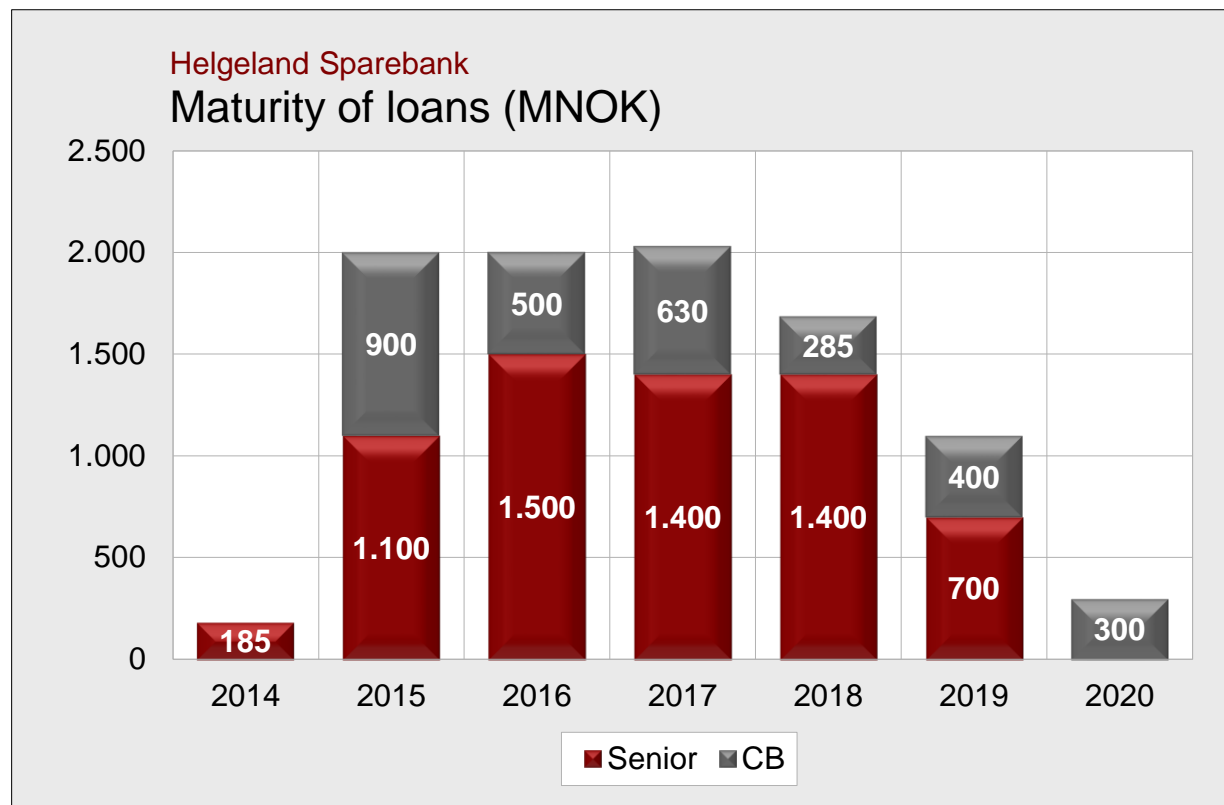


## Commentary

Deposits are the main source for funding

The Bank's covered bond company is rated Aaa, and will continue to be an important source for funding ahead

# Funding



## Commentary

Strong and long-term funding

Share of long-term funding  
85.0 % (78.4) %

Combined duration of 2.5 (2.5)  
years

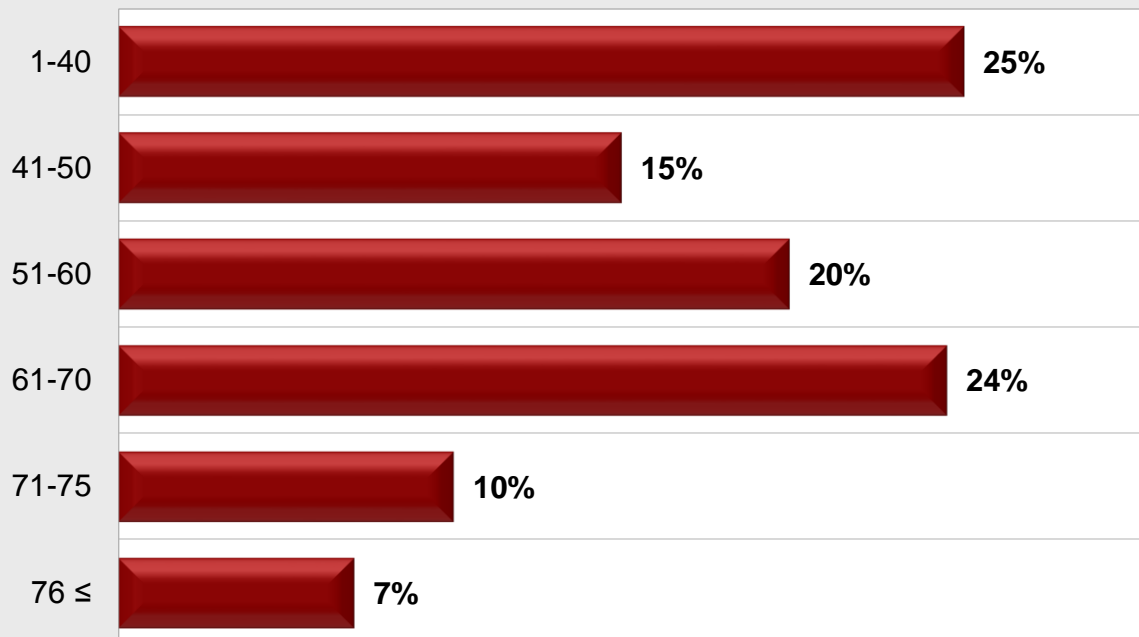
Planning a gradually increased  
duration in the covered bond  
company

Maximum limit for transfers to  
Helgeland Boligkreditt, 30% of  
gross lending

# Helgeland Boligkreditt AS

Helgeland Sparebank

LTV-allocation 30.09.14



## Commentary

Combined LTV 53 (51) %

Cover pool

- Qualified loans MNOK 4,179 (4,745)
- Deposits MNOK 230 (246)
- OC-level 33 (24) %

CB loans NOK 3.3bn. (of which MOK 0.3bn. are owned by the parent bank)

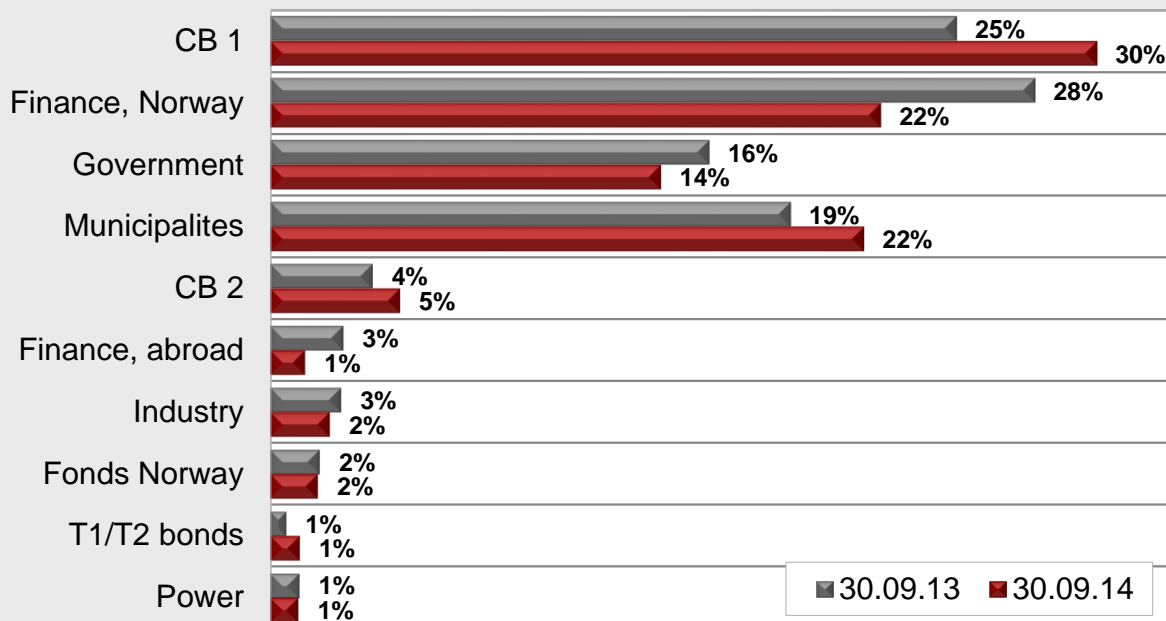
Net profits MNOK 37.2 (35.1)

CET1-ratio of 16.6 %  
(standard method with 35 % mortgage weights)

# Liquidity buffers

Helgeland Sparebank

## Securities distributed in sectors



## Commentary

The liquidity buffers constitute NOK 4.6 (4.5) bn. – equal to 17.5 (17.4) % of Total Assets

The buffer capital consists of cash, deposits in BoN/banks and fixed income securities

The HSB group has gradually increased the quality of the liquidity buffers, and will additionally adapt them to Basel III/LCR

Interest bearing assets:

- Portfolio duration 1.9 (1.7) years
- 70 % CB or government-/municipality bonds
- 91.3% are rated A- or better

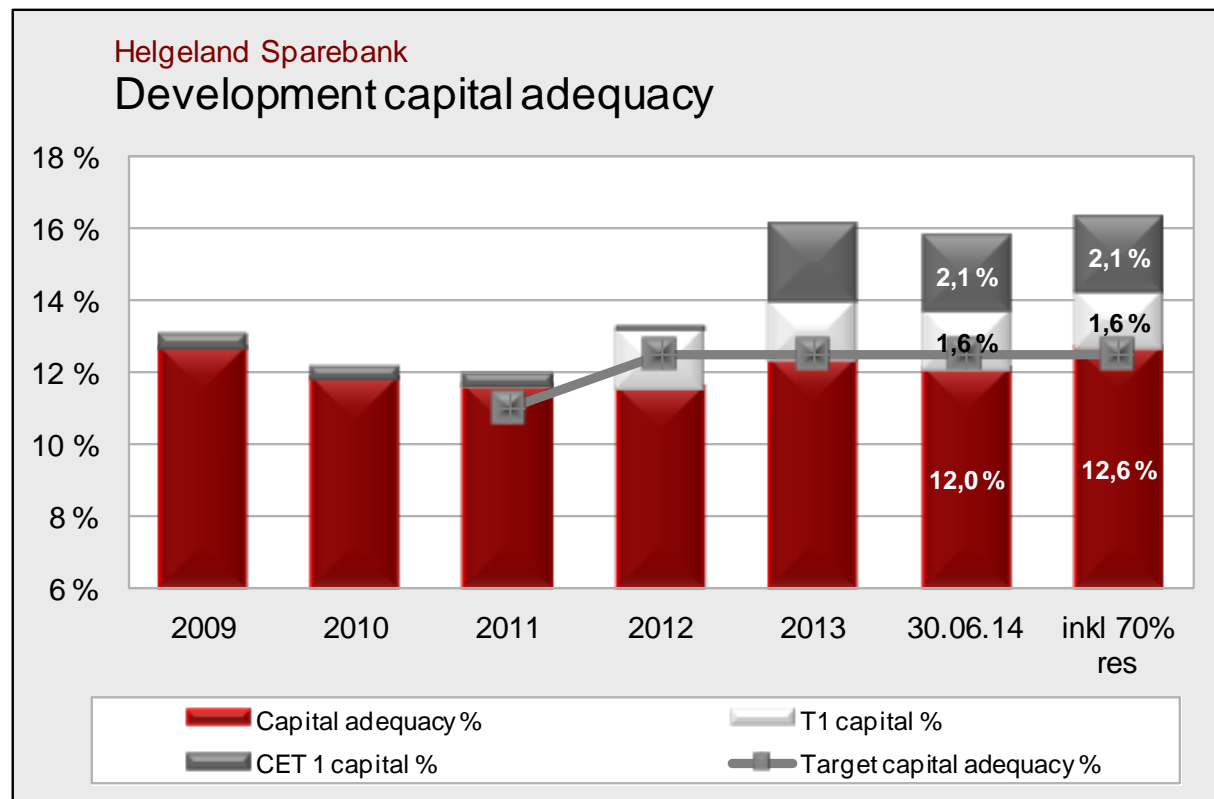
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# Capital adequacy



## Commentary

Capital ratio

- CET1 12.5 (11.2) %
- Core capital 13.7 (12.8) %
- Total capital 16.0 (14.9) %

Positive effect from Basel III - transitional rules are gradually neutralised from CET1 to core/-additional capital toward 2019

CET1 will still be strengthened through ordinary operations

The total capital can be additionally improved with new subord. loans and T1-loans toward 2018

Conservative mortgage weights of 35% (standard method)

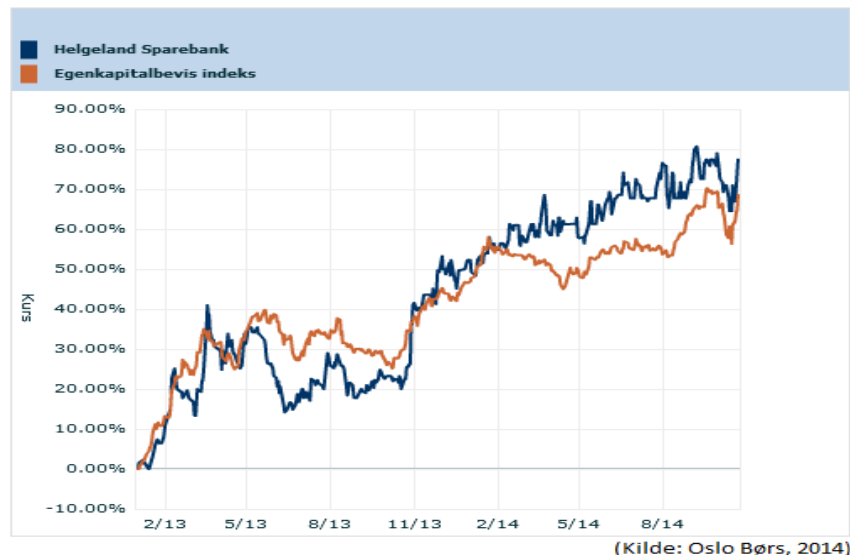


# HELG – 20 largest owners

Per 30.09.14			<i>Parent bank</i>	
	Numbers	% share	Numbers	% share
Sparebankstiftelsen Helgeland	6 599 598	35.3 %	Helgelandskraft As	340 494 1.8 %
MP Pensjon PK	1 032 203	5.5 %	Lamholmen AS	315 389 1.7 %
USB AG, London Branc A/C	1 000 000	5.3 %	Merill Lynch Prof.	208 500 1.1 %
Pareto AS	970 836	5.2 %	Sniptind Holding AS	201 801 1.1 %
Citibank, N.A.	830 941	4.4 %	Bergen kommunale pensjonsk	200 000 1.1 %
Pareto Online AS	500 000	2.7 %	Holberg Norge Verdipapirfond	190 000 1.0 %
VPF Nordea Norge	448 550	2.4 %	Johs. Haugerudsvei AS	145 992 0.8 %
AS Atlantis Vest	448 481	2.4 %	Mellem Nes Invest	118 200 0.6 %
Sparebankstiftelsen DNB	442 724	2.4 %	Melum Mølle AS	110 240 0.6 %
Verdipapirfondet Eika utbytte	352 079	1.9 %	Steffen Nervik	110 000 0.6 %
<b>Total 10 largest owners</b>	<b>12 625 412</b>	<b>67.5 %</b>	<b>Total 20 largest owners</b>	<b>14 566 028 77.9 %</b>

The bank has issued a total og 18 700 000 primary certificates value of NOK 10,-

# EC development and liquidity HELG



## The good price development have continued also into Q3 2014

A completed down-sale from Sparebankstiftelsen in 2014 contributes to increasing the number of ECs in circulation – so far this year there have been traded 5,750 million ECs, where 3,000 million were from Sparebankstiftelsen

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# Prospects and priorities

## **Increased competitiveness**

- Adapted mortgage interest rates and deposit rates in the retail- and corporate market
- Increasing awareness of content in «Best in customer experiences»
- Concrete measures to increase the growth in the retail market

## **Technology innovation – a future oriented bank**

- Terminating the cash services from 01.01.2015 – training internally and with customers
- Increased availability for customer service
- New and improved net portal
- More new card types
- Mobile wallet
- Fund/online trade solution
- E-signing

# Prospects and priorities

## Result

- Still good basic operations
- Maintaining the net interest
- Good results in production companies
- Official rating – strengthened position in the capital market
- Increased payroll tax challenges the bank's target achievement on the cost area
- Reduced number of annual positions (7) as a result of terminating the cash services / natural decline
- Combined loss in the year in line with the industry

## Balance

- 12-month growth in 2014 additionally reduced to combined 2-3 %
- Future growth in line with the industry

# Prospects and priorities

## **The Helgeland region**

Helgeland is defined by a stable and diverse labour market, with a combination of solid export businesses and large governmental enterprises

- No sign of increased unemployment
- Large construction activity in private and public sectors
- Solid income in the aquaculture industry despite the challenging salmon louse situation
- Increased demand for «Helgeland» as a destination for tourism
- Reduced herring quotas increases the insecurity in the pelagic industry
- Structural changes in traditional fishing challenges the local white fish processors



# Thank you for your attention!

A DRIVING FORCE  
FOR GROWTH



# Theme

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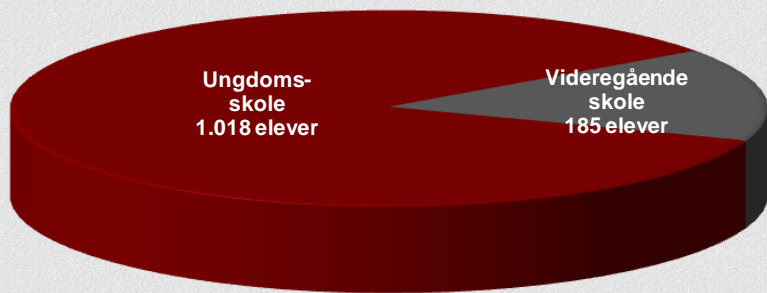
# Helgeland – The most beautiful coastline in Norway



# HSB – wide ranging investment in knowledge

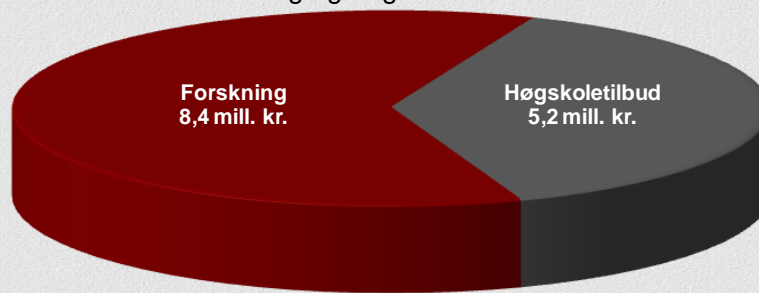
Helgeland Sparebank

Antall underviste elever skoleåret 2013/14



Helgeland Sparebank

Millionstøtte til forskning og høgscholetilbud siden 2010



## Knowledge focus middle / high school

In keeping with a long tradition of savings banks, the Bank has taught personal finance to more than 1,200 students in lower and upper secondary school on the year 2013/14.

The initiative is a partnership with Ungt Entreprenørskap in Nordland county, and is based on the teaching programme for FNO. It is the first time the bank is investing heavily in this segment.

## Knowledge focus research / study programmes

The Bank's gift allocation has since 2012 increasingly shifted towards research and study programs organized by among others Campus Helgeland (cooperation between colleges and universities).

Research activities include research fellowships in technology and industrial business as well as newly established SINTEF activity directed towards industry.

# HSB – a documented driving force



## **The association's 100 year anniversary: Stories of the bank**

"Throughout the development of Nova Sea, the company has benefited greatly from working with Helgeland Sparebank. In spite of difficult times and balancing on the brink of bankruptcy, the bank has contributed with capital, risk appetite and visions. Particularly, the former CEO, Arnt Krane. The importance of having a bank that has been close to the company is indisputable. "

**Aino Olaisen on behalf of Vigner Olaisen AS**



## **The association's 100 year anniversary: Stories of the bank**

"We are so grateful to have HSB as a partner and contributor. When we arrange horseback riding competitions, the sports team and village here in Utskarpen are entirely dependent on HSB and their economic contribution to make to such a convention possible - it would not be possible without the HSB . They contribute to the community and without them we would not be able to live and arrange this here. All of us here appreciate that very much! "

**Karina Langstrand on behalf of Hestesportgruppa in Utskarpen IL**

# A driving force for growth on Helgeland



Norway's **12th largest savings** bank of 108 banks – 15 offices in 13 municipalities in the Helgeland region

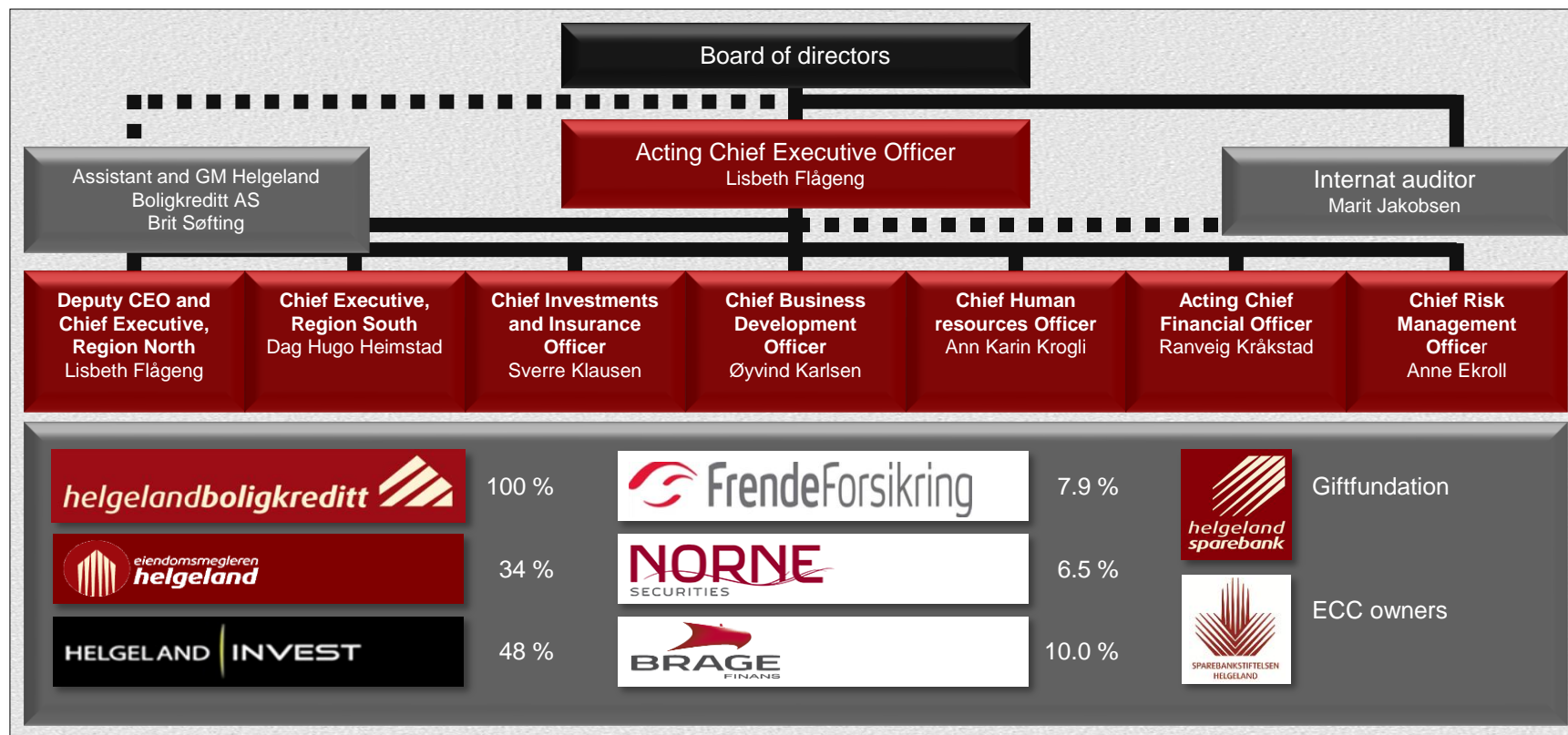
- ✓ Bank total assets of NOK 26 billion and a market share of 50%
- An **independent regional bank** with no alliances and quoted on the stock exchange
  - The only bank with head office in the region
- **Complete local bank** and largest advisory environment
  - good competence and quick processing locally
- A **solid equity** of NOK 2.0 billion
  - Locally based financial strength in the development of the region
- An **active supporter** for sports, culture and knowledge
  - annual contribution of MNOK 15
- A **central owner** in Helgeland Invest
  - one of the largest investment companies in Northern-Norway



# Management and organisational structure



# Business development and ownership



# Contact information

## Head office

Postal address            Postboks 68, 8601 Mo i Rana  
Visiting address        Jernbanegata 15, 8622 Mo i Rana  
Phone                    75 11 90 00  
Web                      www.hsb.no  
Organisation number    937904029

## Board of Directors

Thore Michalsen, Chair  
Ove Brattbakk, Deputy Chair  
Gislaug Øygarden  
Monica Skjellstad  
Stein Andre Herigstad-Olsen  
May Heimdal

## Management

Lisbeth Flågeng, Acting CEO – 75 12 83 01 / 416 85 777 – lisbeth.flageng@hsb.no

## Investor Relations

Ranveig Kråkstad, Acting CFO – 75 11 83 32 / 905 04 579 – ranveig.krakstad@hsb.no  
Tore Stamnes, Head of Treasury – 75 11 90 91 / 41 50 86 60 – tore.stamnes@hsb.no