

# Presentation Q4 2014

med  for  
HELGELAND



# Presentation Q4 2014 (HSB group)

Main features

Profit & Loss

Balance

Lending

Deposits

Funding

Solidity

Summary

Appendices

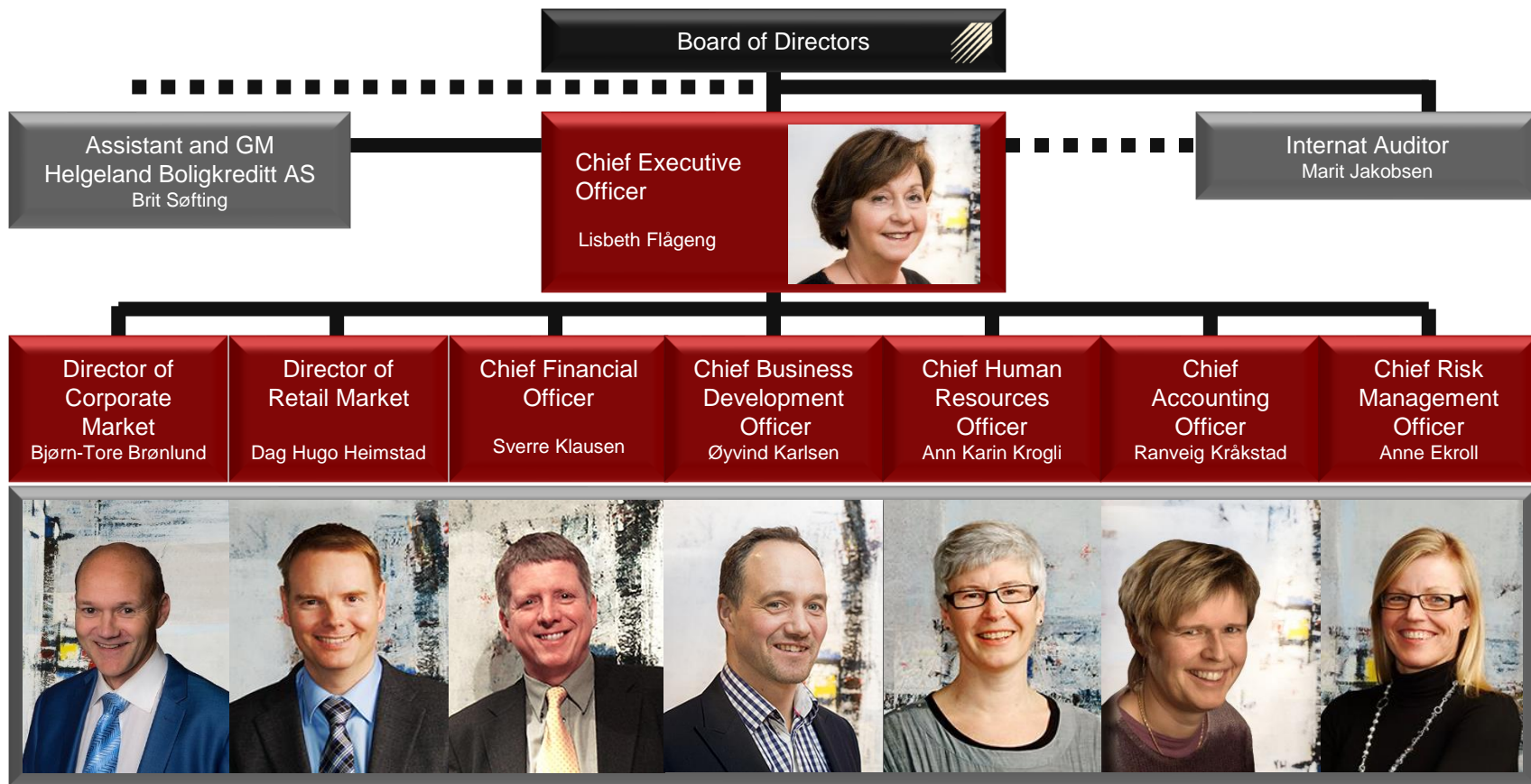


Lisbeth Flågeng  
Chief Executive Officer



Sverre Klausen  
Chief Financial Officer

# Management and organisational structure



# Theme

## Main features

Profit & Loss

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Lending

Deposits

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# Main features 4<sup>th</sup> quarter

## Result

Good basic operations – gross profit MNOK 283 (266) – improvement of MNOK 17

- Net interest increased by MNOK 19
- Return on financial investments increased by MNOK 30
- Increased costs in the last quarter – partly non-recurring costs
- Moderate losses on lending

## Profitability

Stable ROE (after tax) 10.5 (10.4) %

Suggested cash dividend NOK 2.5 per EC, pay-out ratio 31.8%

## Solidity

Strengthened capital adequacy – CET1 ratio 13.4 (12.3) % – total capital ratio 17.2 (16.0) %



# Main features 4<sup>th</sup> quarter

## Lending

Reduced 12-month growth 0.6 (4.4) %

- Retail market 3.0 (7.9) % - lower than expected
- Corporate market -3.9 (-0.4) % - reduced growth in line with the bank's targets

## Deposits

Increased 12-month growth 5.7 (15.9) % - good deposit ratio 65.9 (62.7) %

- Retail market 6.8 (7.8) %
- Corporate market 4.0 (31.1) %

## **New contract with EVRY – effective until end of 2019, with extension option until end of 2021**

The bank has in collaboration with 3 other banks renegotiated the agreement with Evry for deliverance of bank services. The agreement also include participation in renewal of Evry's core systems.

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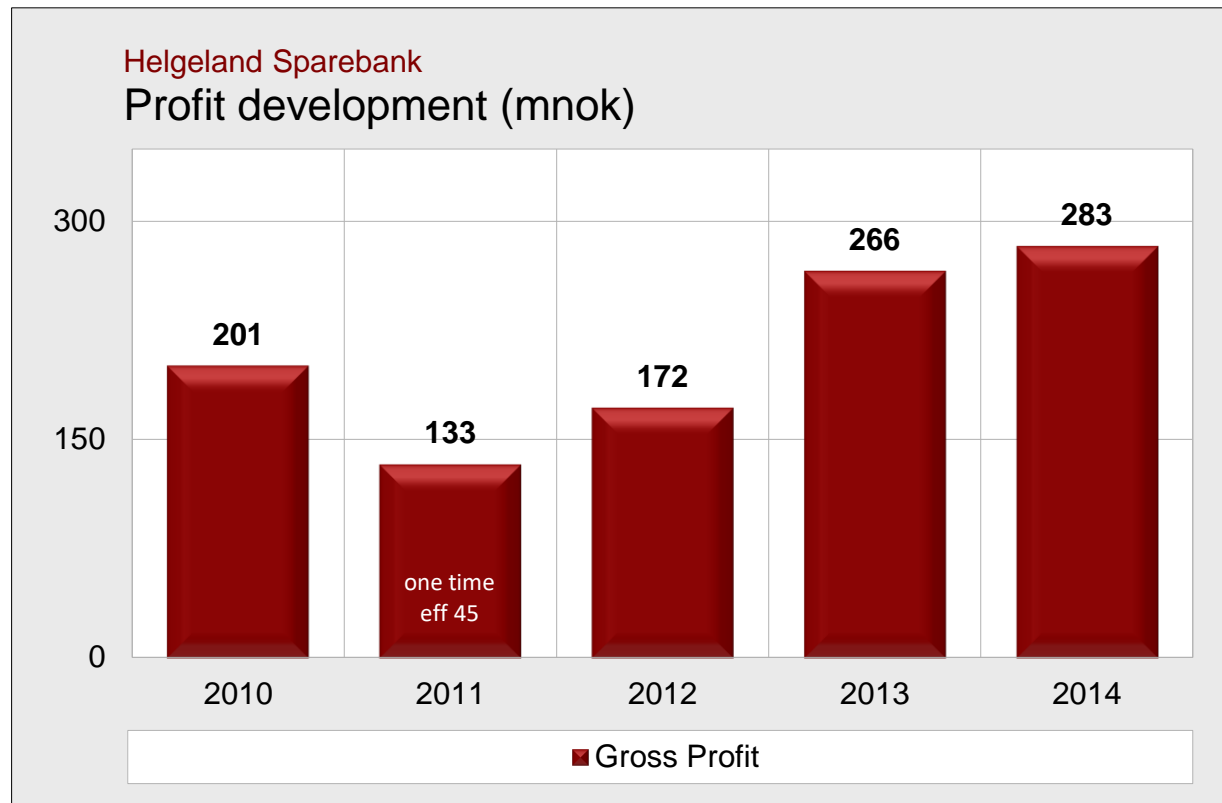
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# Profit & Loss



## Good result

Stable net interest

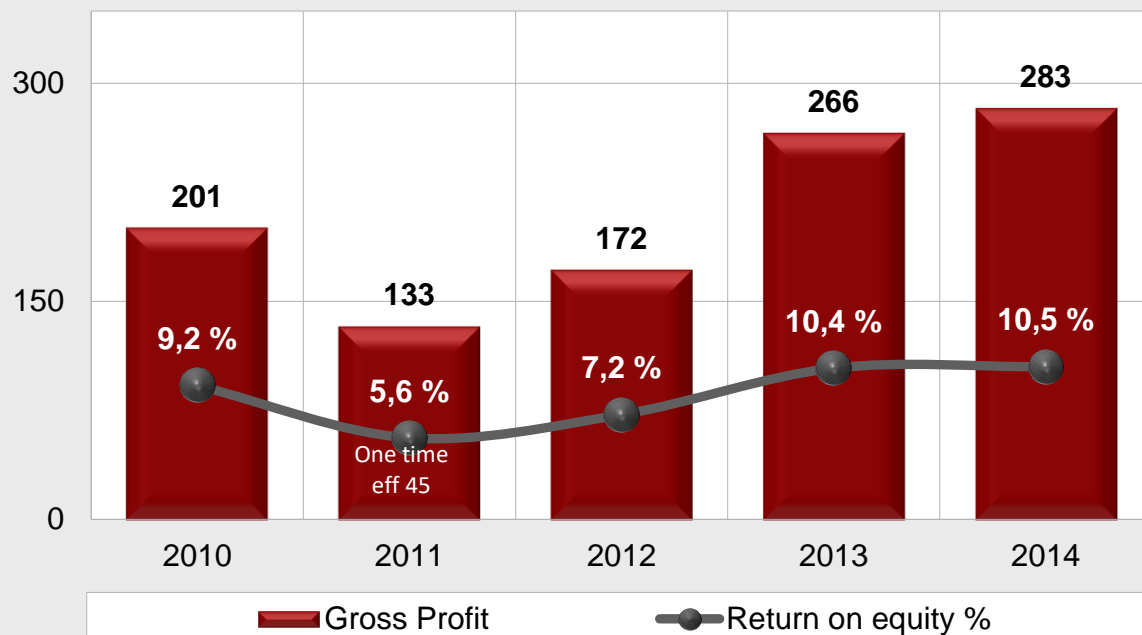
- Meeting the competition, lowering mortgage rates
- Reducing the deposit rate in the same period
- Net interest not weakened as a consequence of changes
- Adaption of individual commitments, especially in the corporate market
- Positive effect of reduction in Nibor



# Result

Helgeland Sparebank

Profit development(mnok) and return on equity %



## Good result

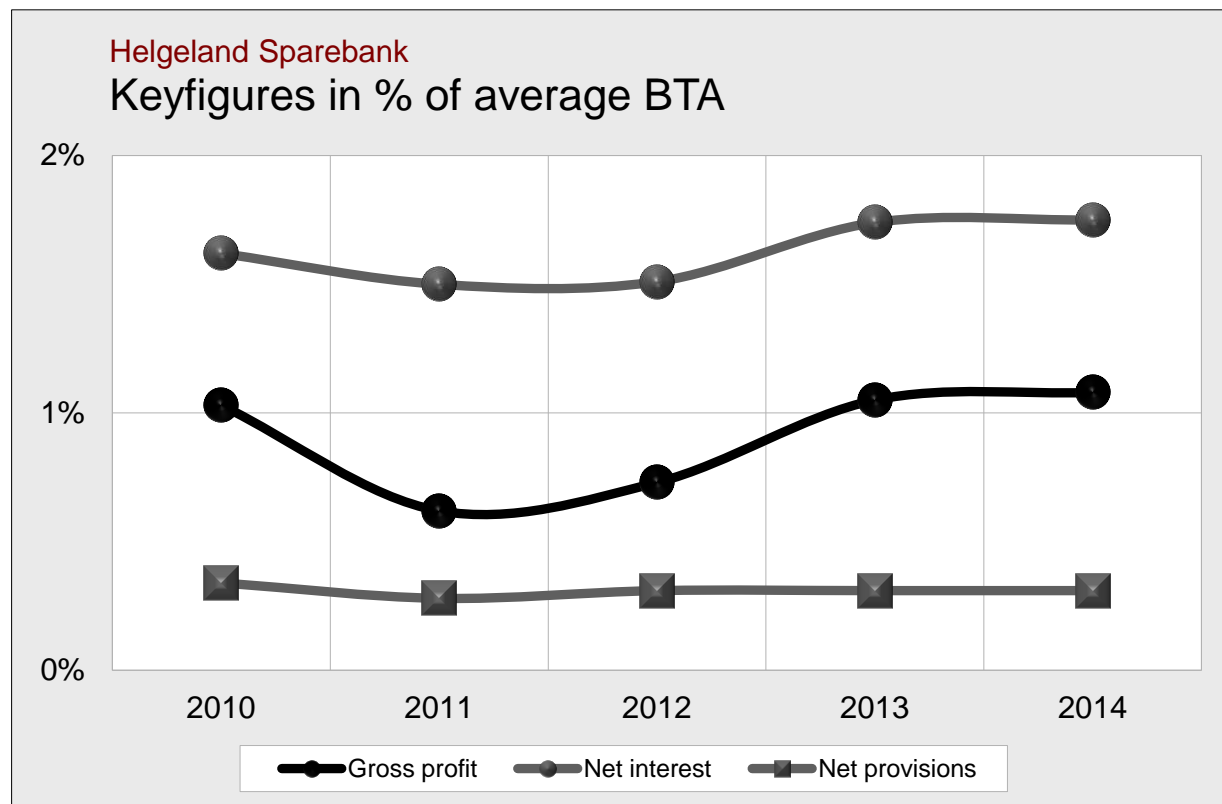
Stable net interest

- Meeting the competition, lowering mortgage rates
- Reducing the deposit rate in the same period
- Net interest not weakened as a consequence of changes
- Adaption of individual commitments, especially in the corporate market
- Positive effect of reduction in Nibor

ROE

- Target minimum 10 %
- Per Q4 2014 10.5 (10.4) %

# Key figures



## Commentary

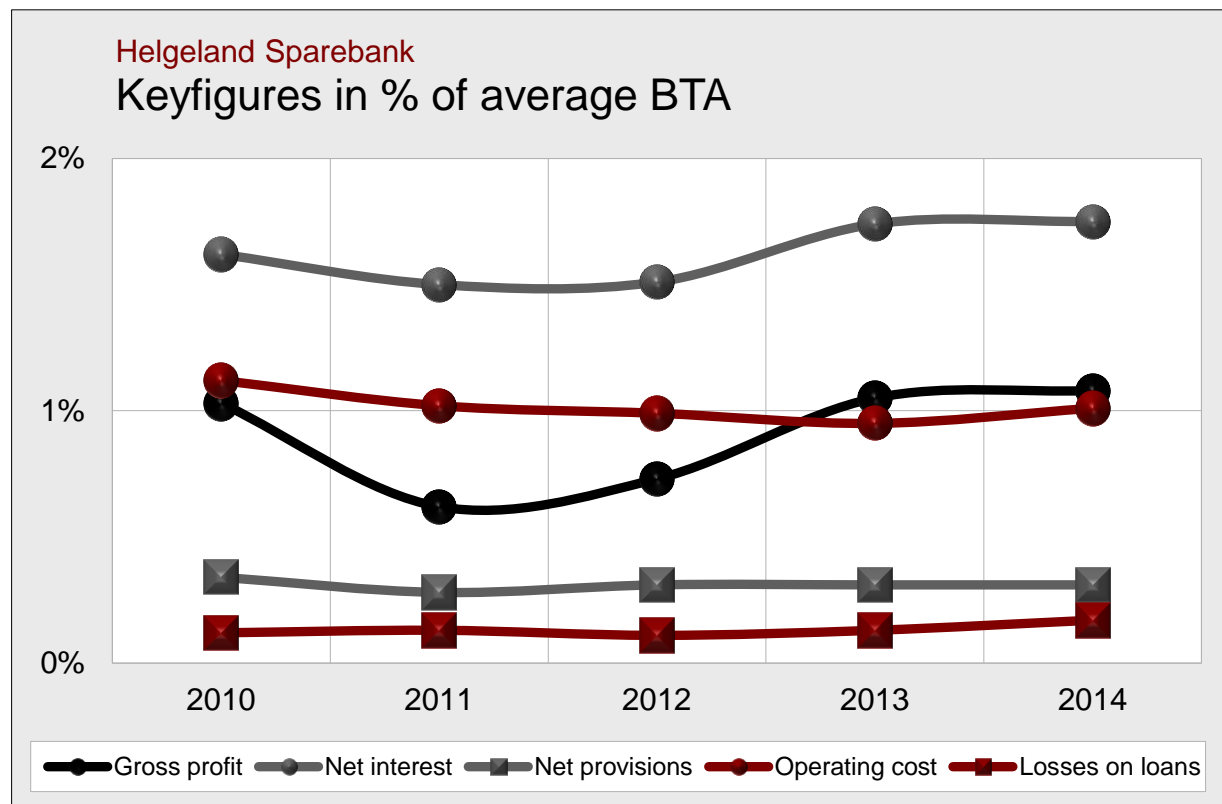
### Net interest

- Strengthened margin from 2011
- Unchanged last four quarters

### Net commissions

- Stable level from 2011
- 0.31 % - unchanged from 2013

# Key figures



## Commentary

### Net interest

- Strengthened margin from 2011
- Unchanged last four quarters

### Net commissions

- Stable level from 2011
- 0.31 % - unchanged from 2013

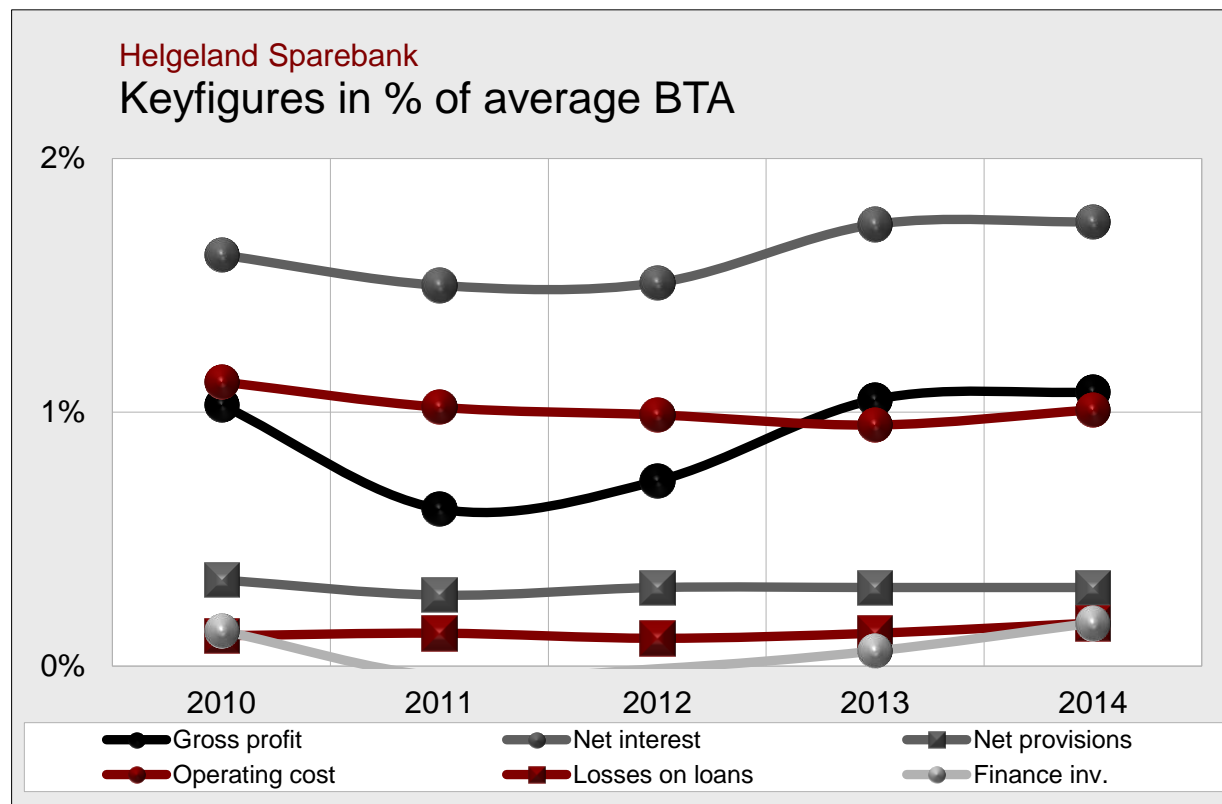
### Operating costs

- Falling level from 2010
- Increased in 2014

### Losses on lending

- Moderate level from 2010

# Key figures



## Commentary

### Net interest

- Strengthened margin from 2011
- Unchanged last four quarters

### Net commissions

- Stable level from 2011
- 0.31 % - unchanged from 2013

### Operating costs

- Falling level from 2010
- Increased in 2014

### Losses on lending

- Moderate level from 2010

### Financial investments

- Positive development in 2014

# Profit & Loss

Helgeland Sparebank (group)	Profit & loss (MNOK)				
	Q4/2013	Q1/2014	Q2/2014	Q3/2014	Q4/2014
Net interest- and credit provision earnings	118	113	114	116	115
Net provision earnings	20	19	22	22	19
Other operatios income	3	1	1	2	3
Ordinary operations cost	62	62	61	63	77
Result basic operations	79	71	76	77	60
Write-downs lending and warranties	12	11	18	6	9
Net value change financial instruments	6	6	23	17	-2
Gross profit	73	66	81	88	49
Net profit	56	48	59	73	35
Net extended income posts	41	13	-7	0	-39
Profit for the period	97	61	52	73	-4

## Commentary

Stable basic operations

Increased costs, especially in the last quarter

- Partly non-recurring costs, one year pay after termination of employment for former CEO and gift to the employees.
- Increased payroll tax and pension costs for employees

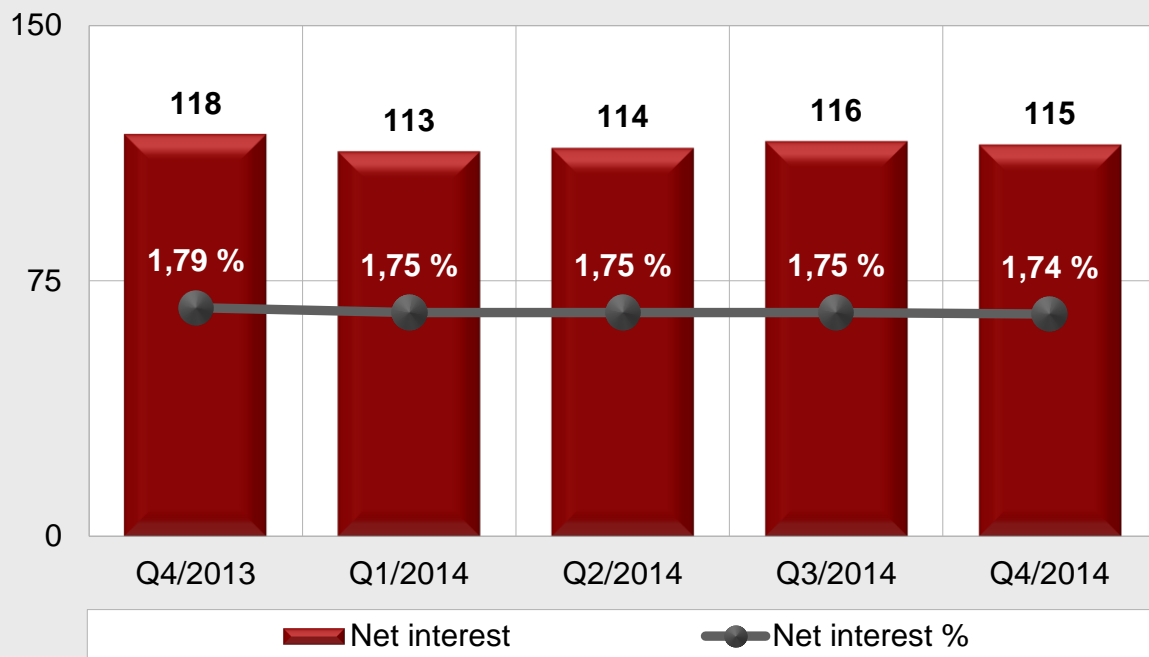
Pension commitments are entered into the comprehensive income statement over equity



# Net interest

Helgeland Sparebank

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



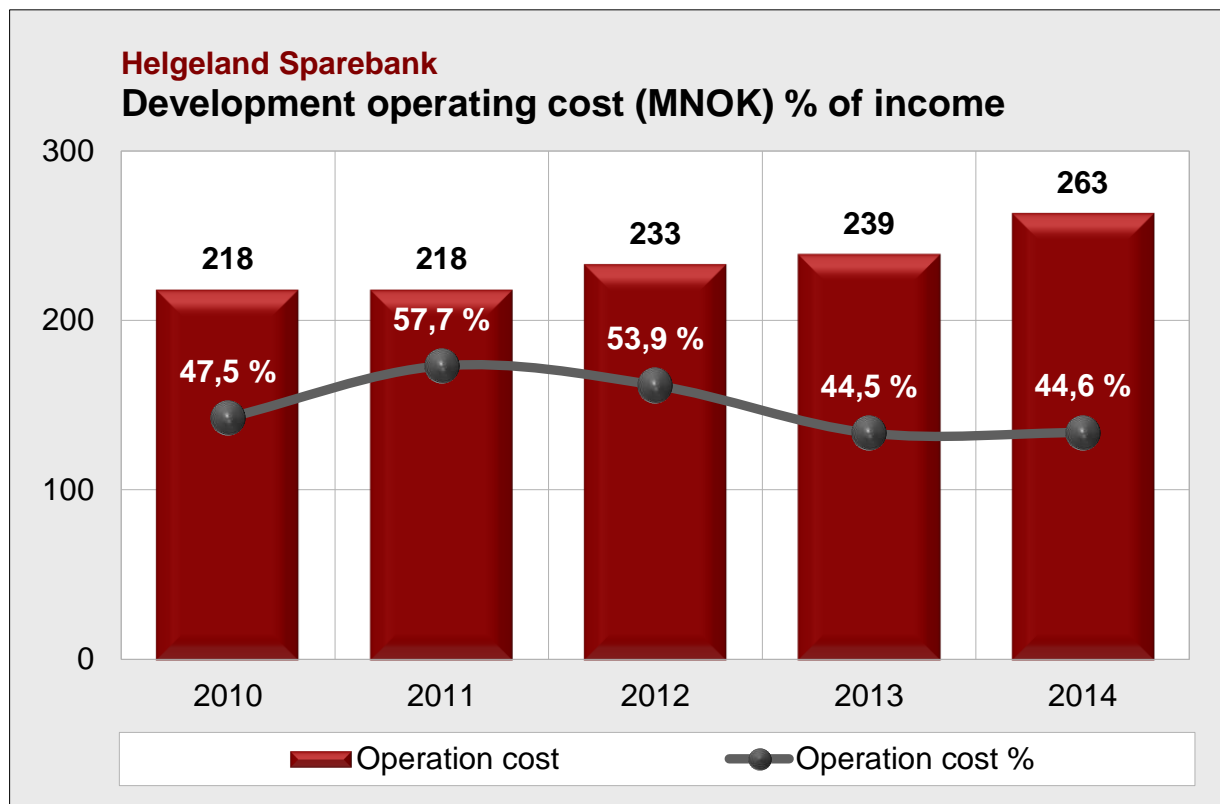
## Commentary

Net interest maintained from Q1 to Q4

Still strong price competition

- Latest reduction on mortgage rates is funded by reduction on deposit rates conducted 15.12.2014
- Net interest change is determined with effect from 15th of March. Also funded through reduction on deposit rates.
- Individual adaptations

# Operating cost



## Commentary

Increased costs in NOK. Costs in percent maintained relative to income.

- Annual positions reduced from 177 in 2013 to 168 by the end of 2014
  - Cash service at desks terminated
  - Natural resignations that are not replaced
- New agreement with IT supplier gives falling costs over the contract period

# Theme

Main features

Profit & loss

**Balance**

Lending

Deposits

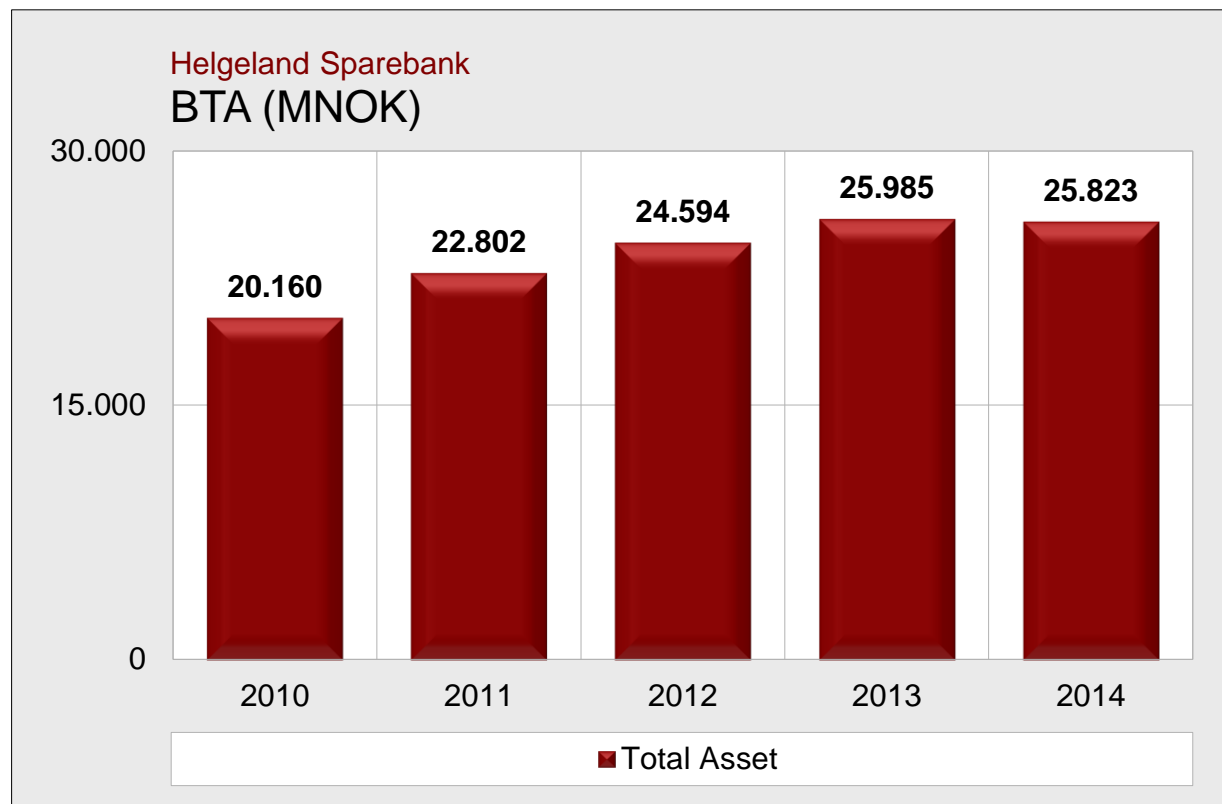
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# Total Assets

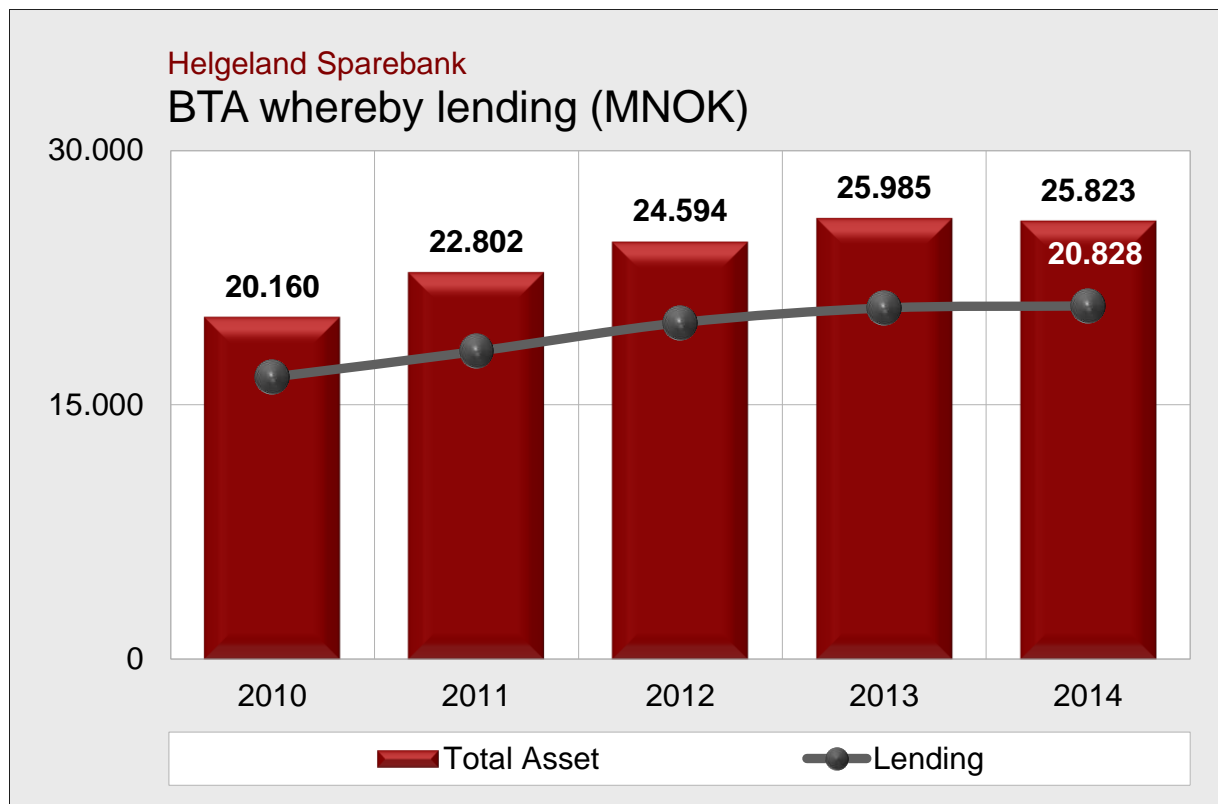


## Commentary

Controlled growth

- Disengagement of CM commitments
- Adapted liquidity reserve

# Total Assets



## Commentary

Controlled growth

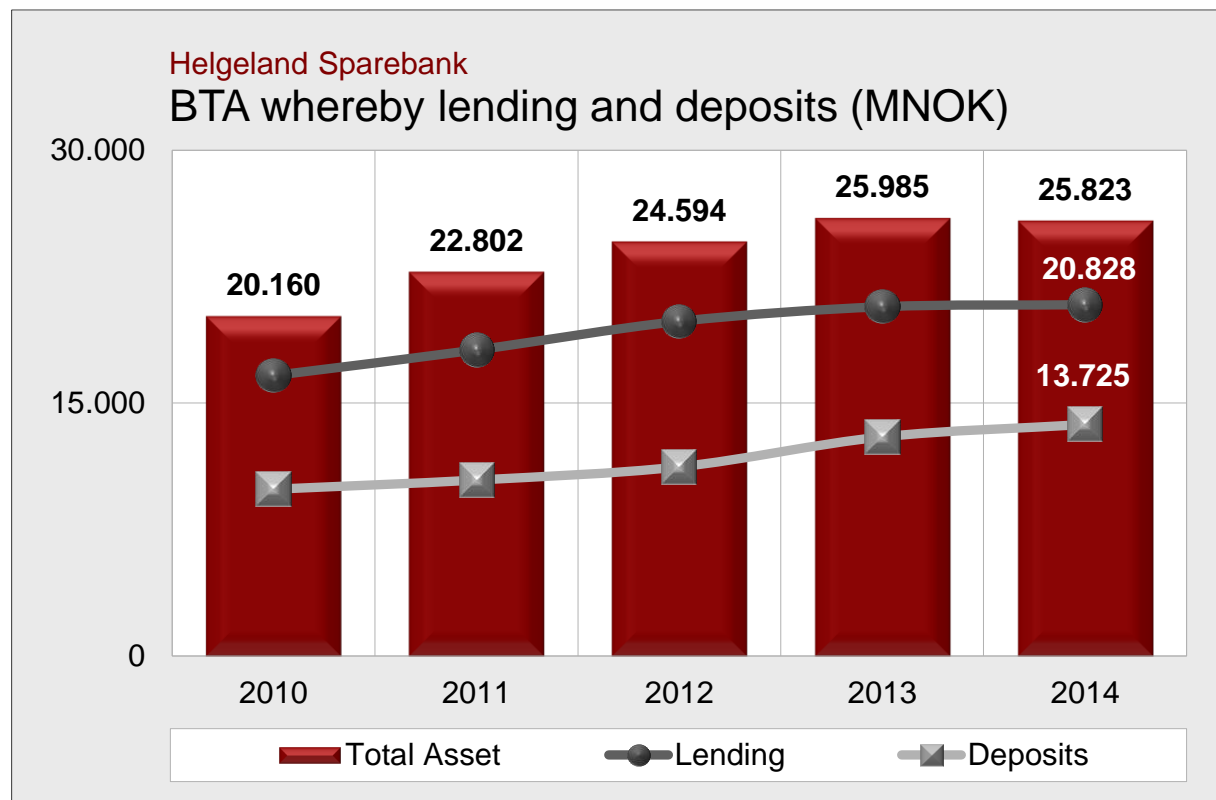
- Disengagement of CM commitments
- Adapted liquidity reserve

Lending

- Q4 NOK 20.8 (20.7) bn.
- 12-month growth MNOK 120



# Total Assets



## Commentary

Controlled growth

- Disengagement of CM commitments
- Adapted liquidity reserve

Lending

- Q4 NOK 20.8 (20.7) bn.
- 12-month growth MNOK 120

Deposits

- Q4 NOK 13.7 (13.0) bn.
- 12-month growth MNOK 736

# Theme

Main features

Profit & Loss

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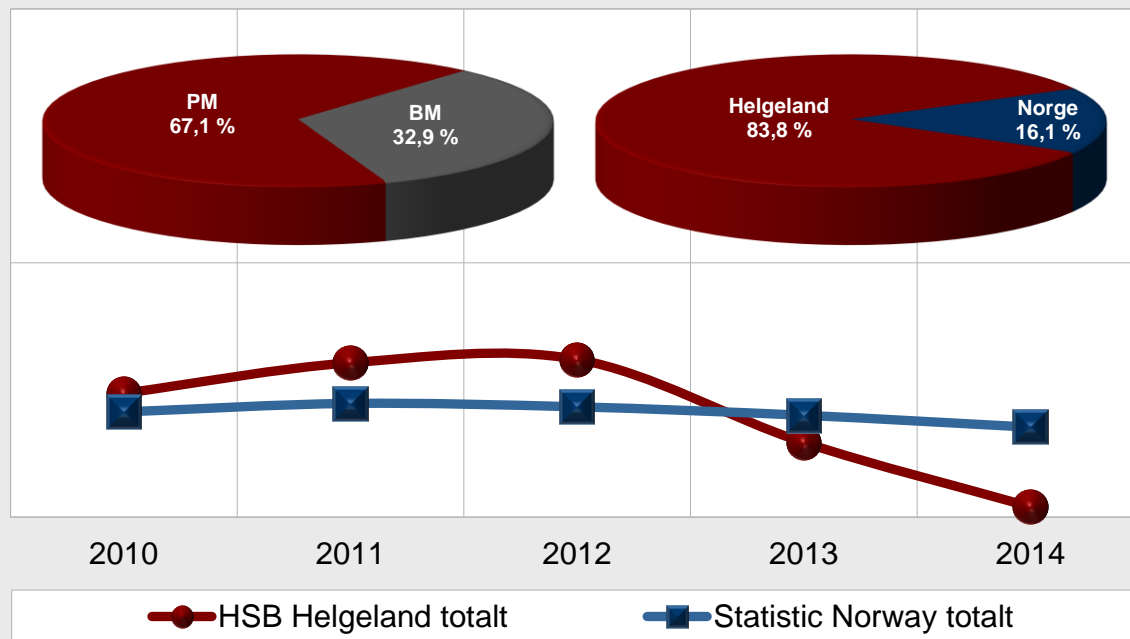
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# Credit growth

Helgeland Sparebank

12-month credit growth



## Commentary

Controlled lending growth

- 12-month growth 0.6 (4.4)%

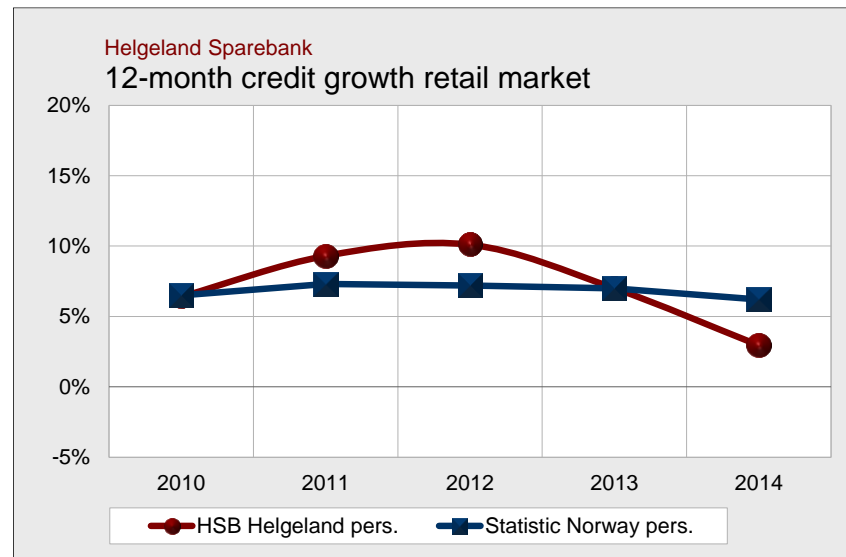
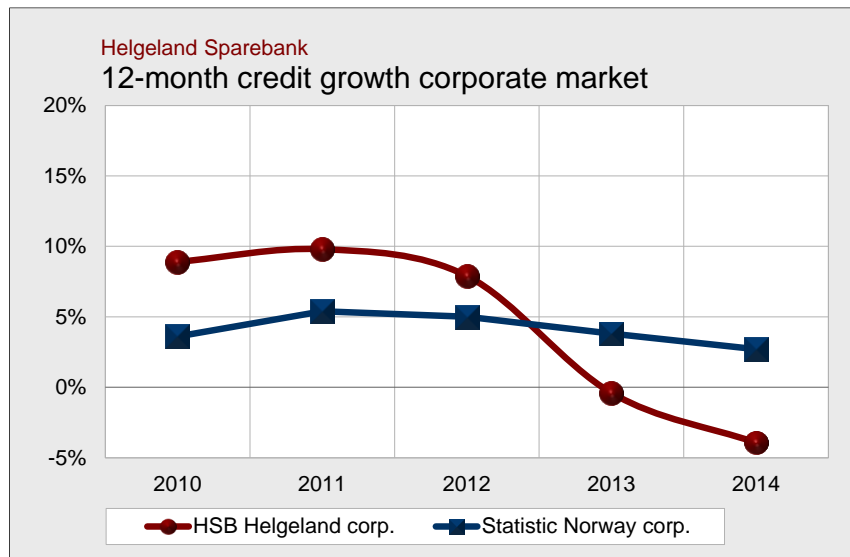
RM share

- Goal minimum 60%
- Per Q4 – 67.1 (65.6)%

Share in Helgeland region

- Per Q4 – 83.8 (83.2)%

# Credit growth CM and RM

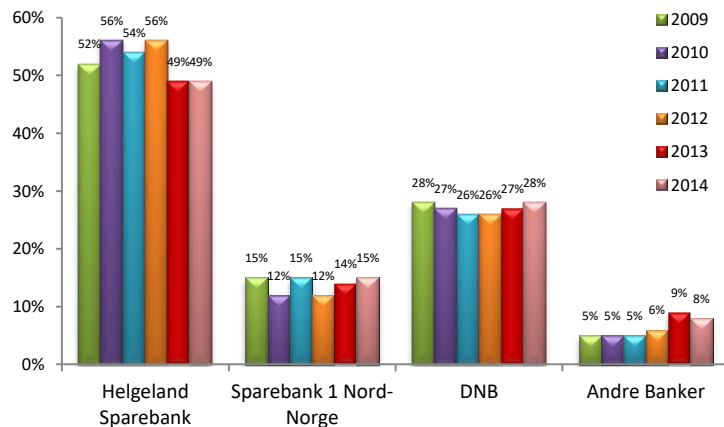


## Commentary

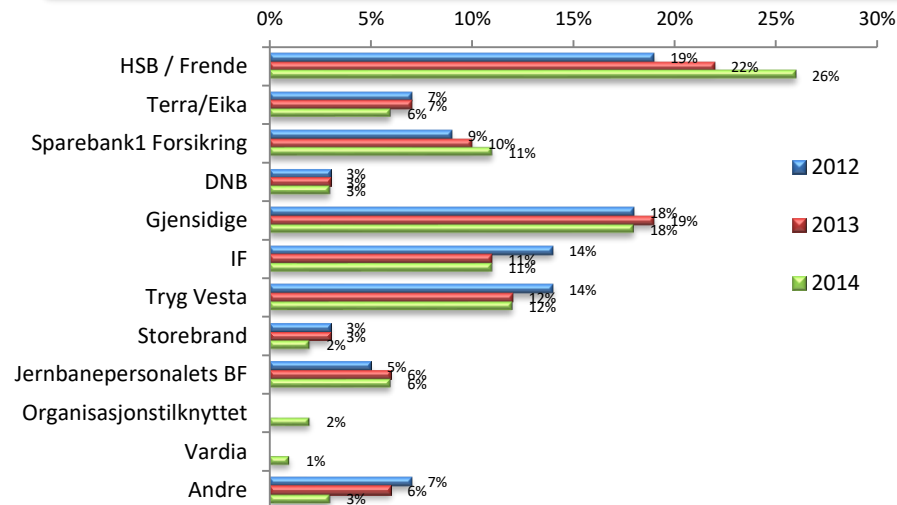
12-month growth 0.6 (4.4) % whereby CM -3.9 (-0.4) % and RM 3.0 (7.9) %

# The market in the Helgeland region

Market share in the main bank in Helgeland



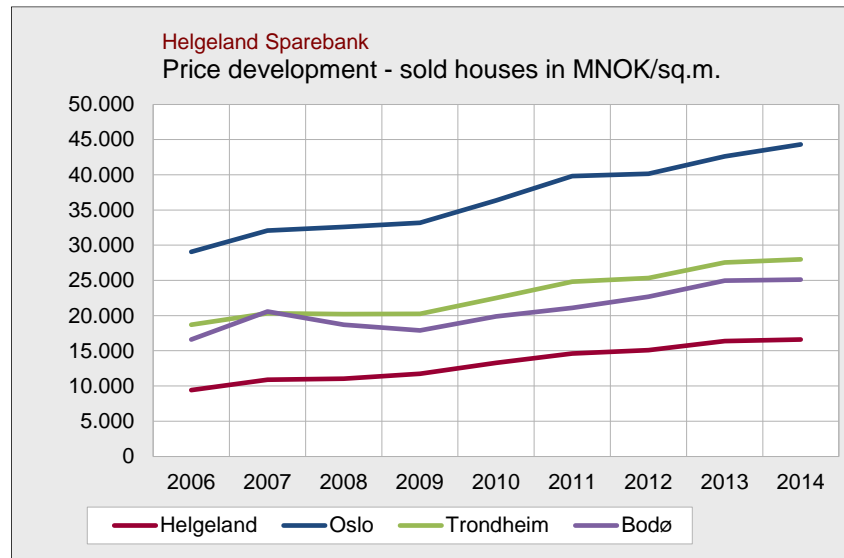
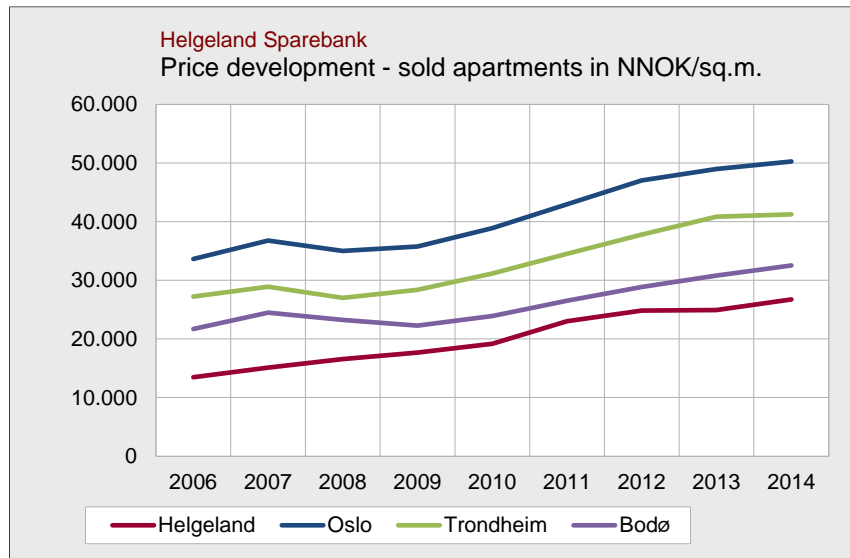
Market share housing insurance in Helgeland



- Helgeland Sparebank is still by far the largest bank in the region
- The market situation is relatively stable, but with growing competition in the larger towns
- HSB is, after several years focus on insurance, now the largest provider within all insurance areas in Helgeland



# Property price development



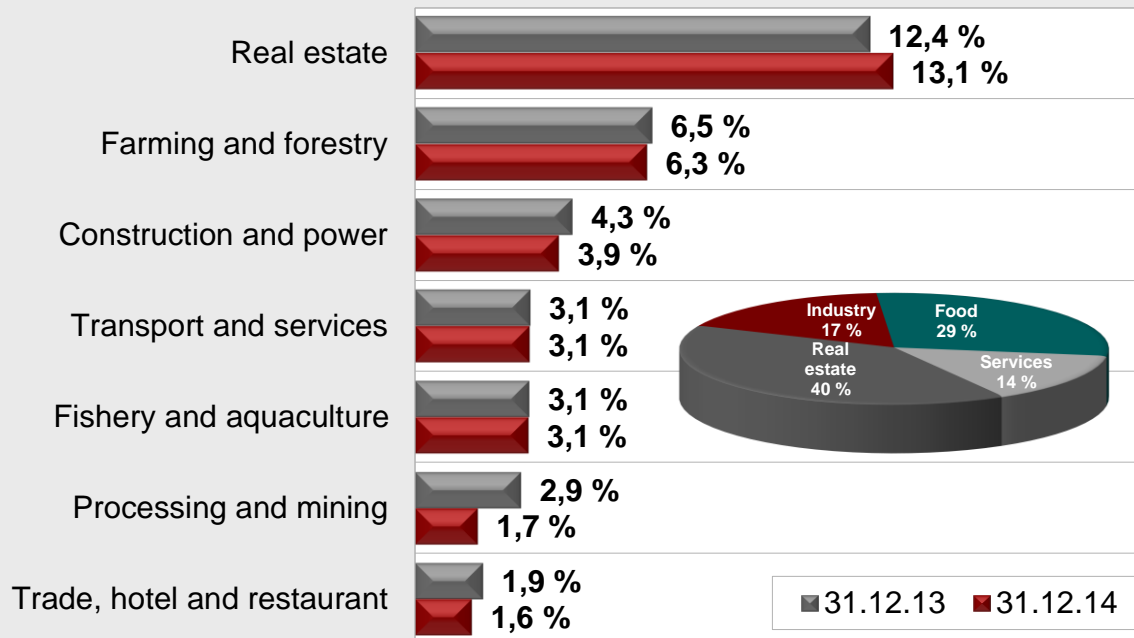
## Commentary

Average national price increase for apartments in 2014 was 8.7%, while the prices in the Helgeland region increased by 7.1% in the same period. The national average price increase for sold houses in 2014 was 8.2%, while the prices in the Helgeland region increased by 1.5% in the same period (Source: Eiendomsverdi)

# Lending CM

Helgeland Sparebank

## Lending distributed in sector



## Commentary

Good diversification in the CM lending portfolio and very loyal corporate customers

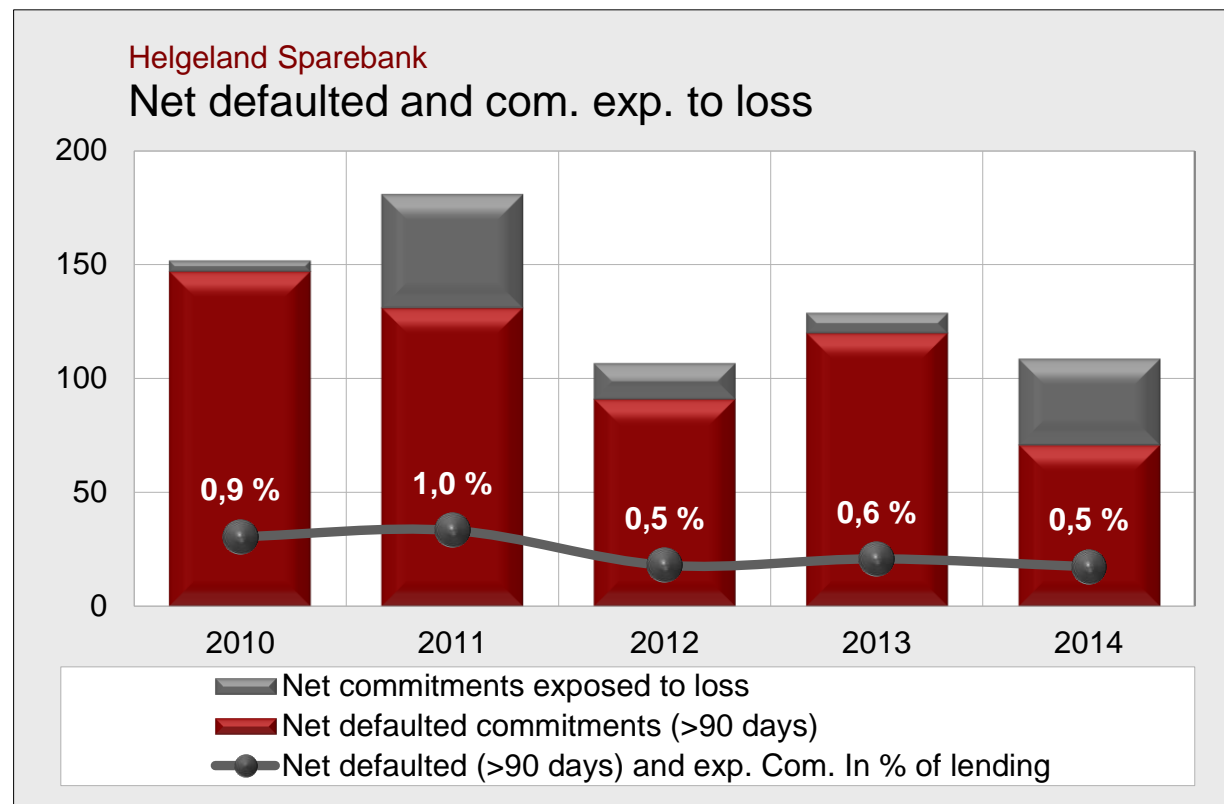
Lending CM constitute NOK 6.8 (7.2) bn.

CM share of total lending 32.9 (34.4) %

Food production consisting of agri/aquaculture, and forestry, make up 29% of CM lending

Guarantee obligation FX loans constituted MNOK 140 per 31.12.14 – secured in property/deposits

# Non-performing and other impaired commitments



## Commentary

Still good portfolio quality

Flattening of net non-performing and other impaired commitments

The development of defaults in the portfolio and on individual commitments is monitored closely. Continuous follow-up through concrete measures.

# Theme

Main features

Profit & Loss

Balance

Lending

**Deposits**

Funding

Solidity

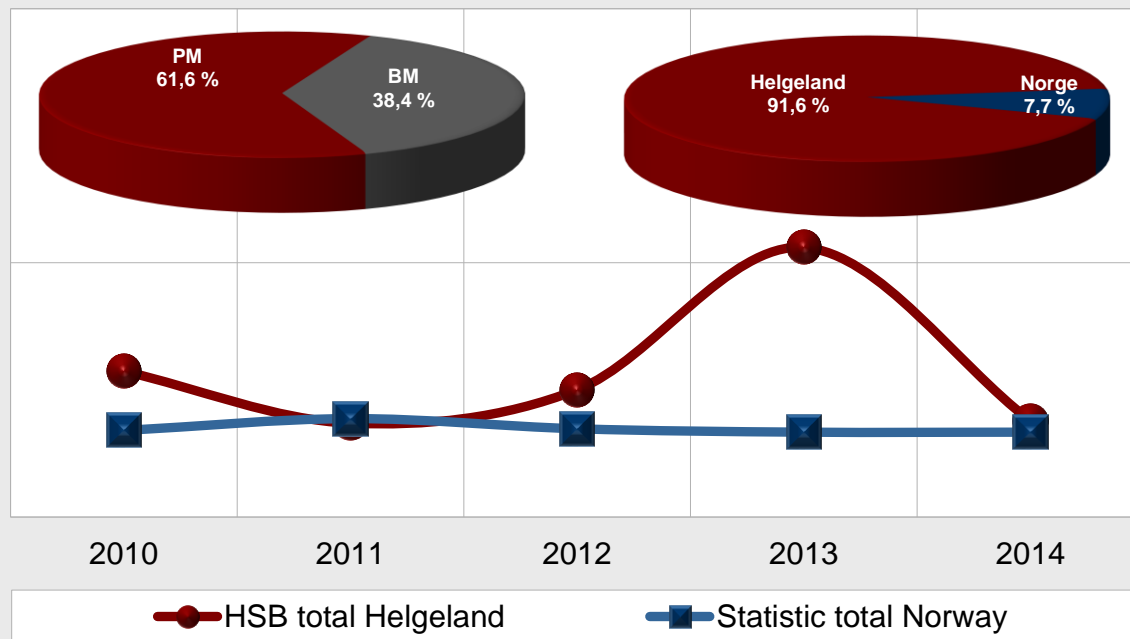
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# Total deposit growth

Helgeland Sparebank

12-month deposit growth



## Commentary

Good deposit growth

- 12-months growth 5.7 (15.9) %

RM share

- Per Q4 – 61.6 (61.0) %

Share from Helgeland region

- Per Q4 – 91.6 (92.2) %

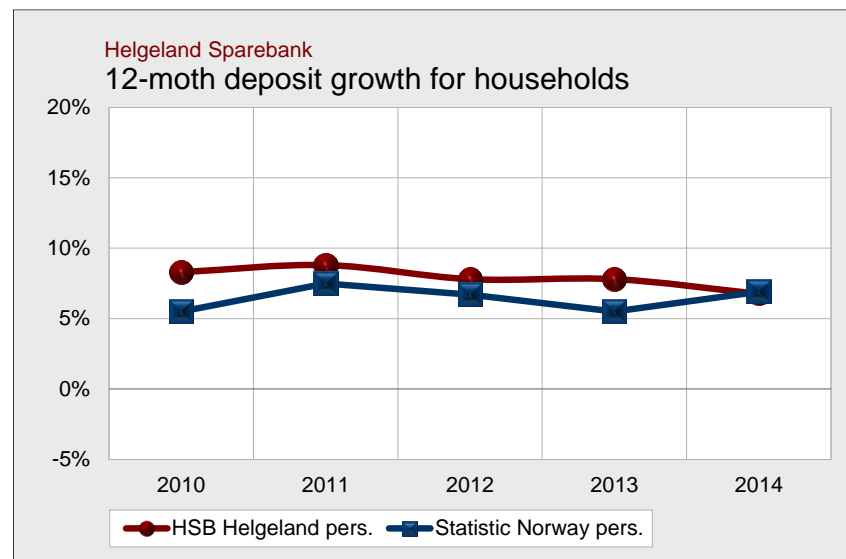
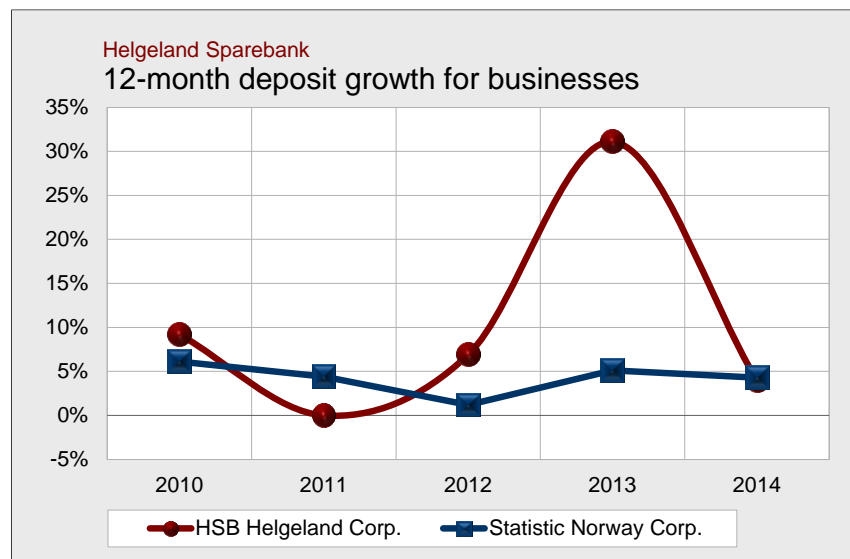
Deposit ratio

- Goal minimum 60%
- Per Q4 – 65.9 (62.7) %

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



# Deposits CM and RM



## Commentary

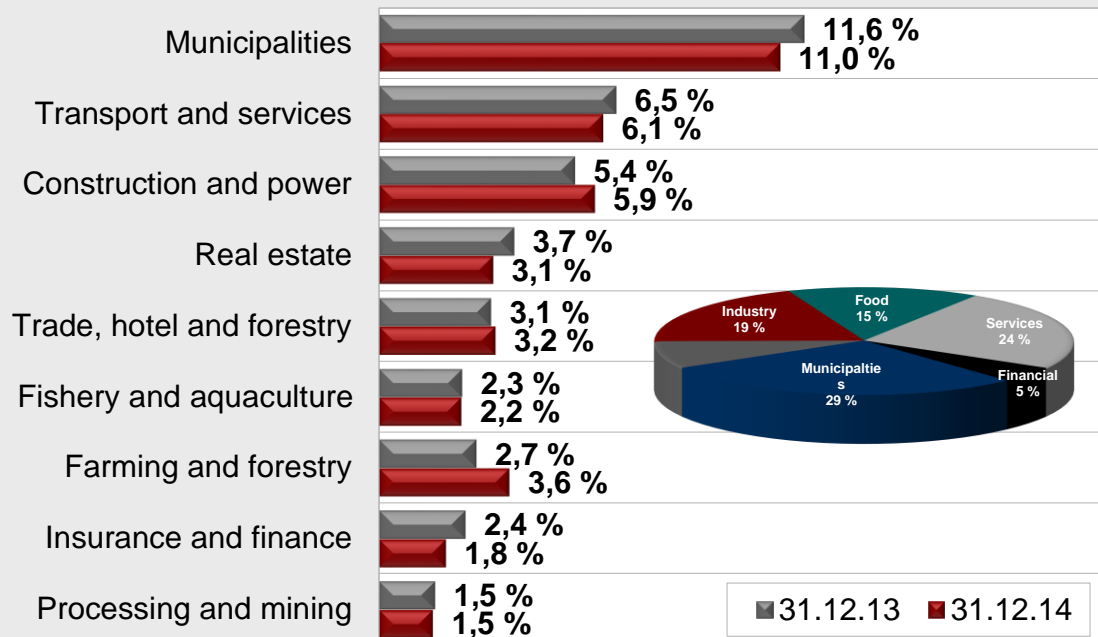
12-month growth 5.7 (15.9) % whereby CM 4.0 (31.1) % and RM 6.8 (7.8) %.

Large municipal deposit in 2013.

Deposit growth both for corporate customers and retail customers on level with the national average

# Deposits CM

## Helgeland Sparebank Customer deposits



## Commentary

Well diversified deposit portfolio in the CM

Deposits from CM constitute NOK 5.3 (5.1) bn.

CM share 38.4 (39.0) % of total deposits

Deposits from municipalities constitute 29% of the CM deposits

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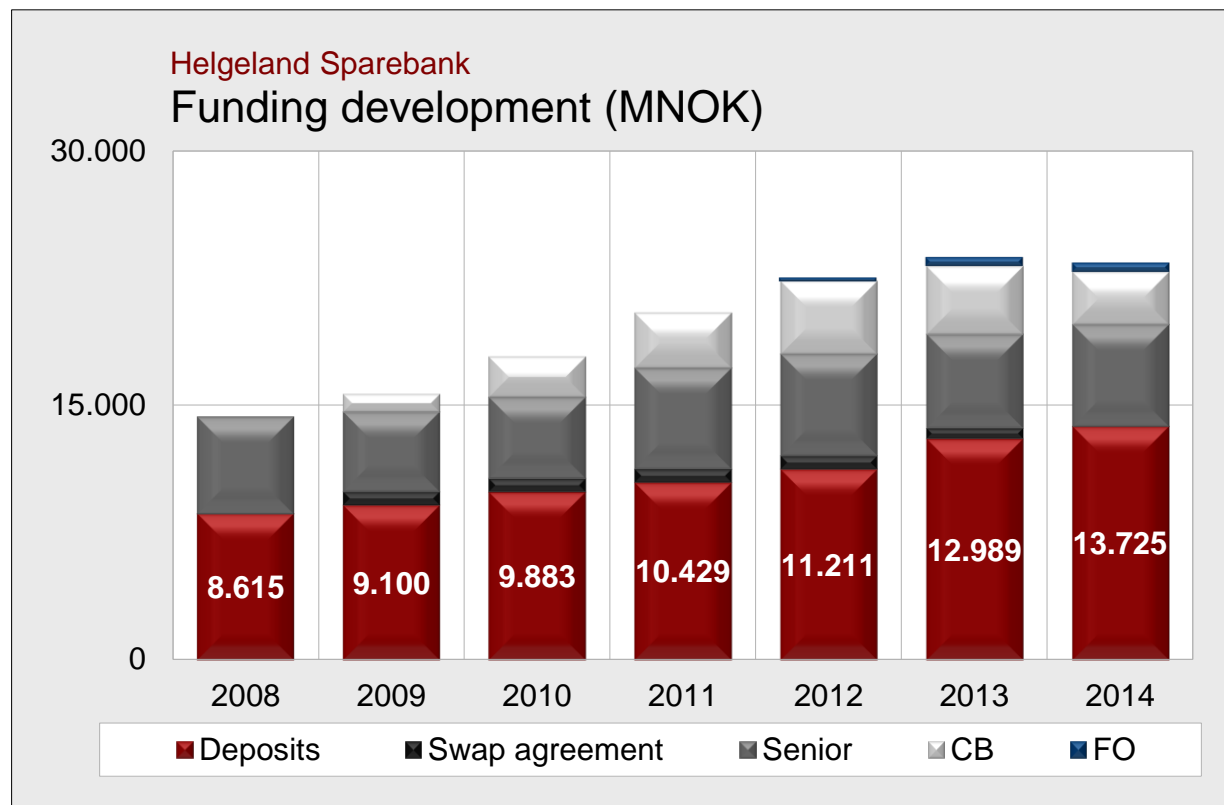
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# Funding

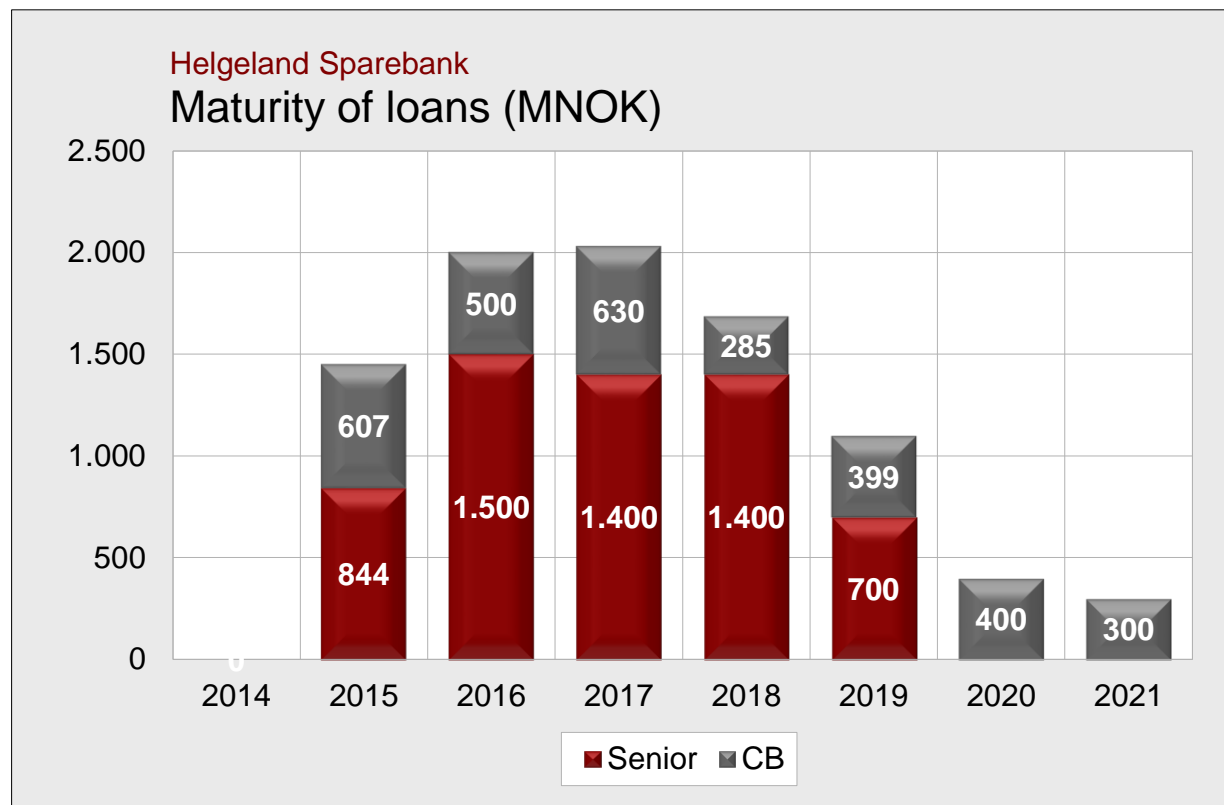


## Commentary

The deposits are the most important source for funding

The bank's mortgage company is rated 'Aaa' and will be an important source for funding in the time ahead

# Funding



## Commentary

Good and long term funding

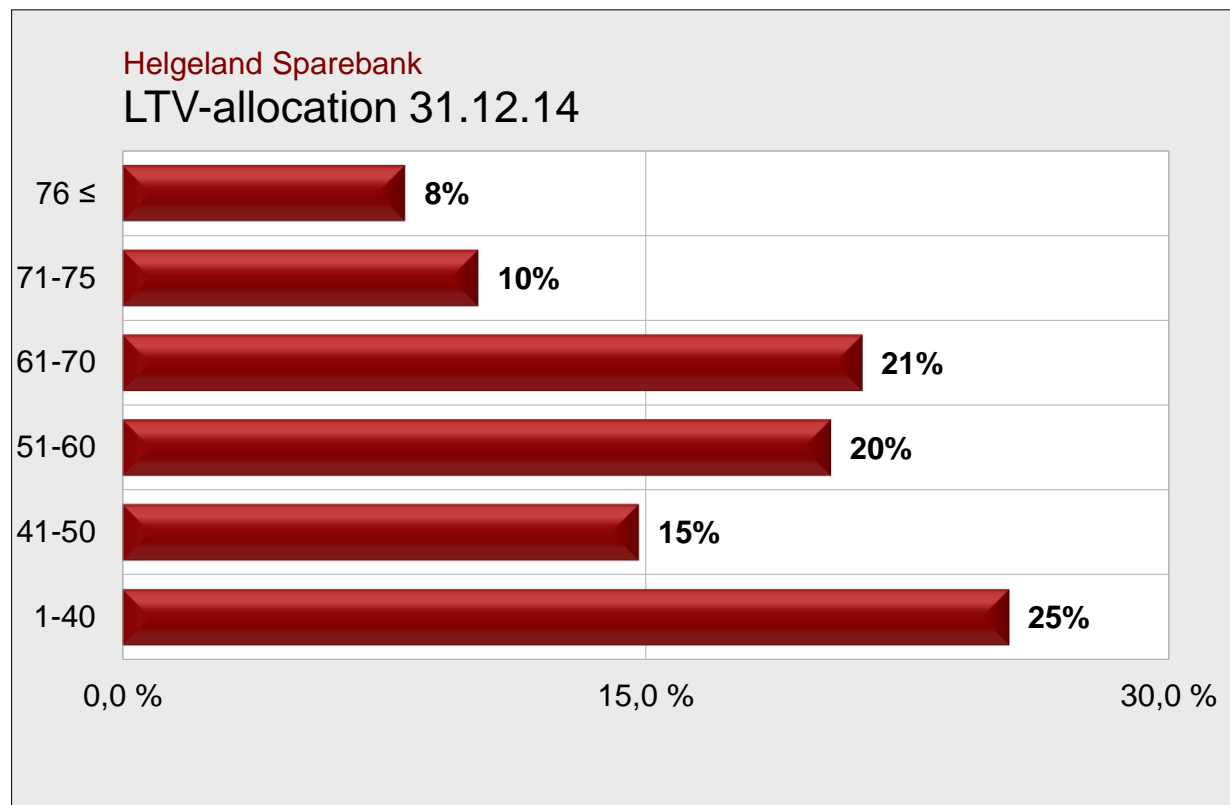
Share long term funding 83.8 (80.7) %

Combined duration of 2.6 (2.5) years

Planning a gradual increase of duration in the mortgage company

Maximum limit for transferring to the mortgage company is 30% of gross lending. Per 31.12.14, 20.3% are transferred

# Helgeland Boligkreditt AS



## Commentary

Combined LTV 52 (52) %

Cover pool

- Qualified loans MNOK 4,150 (4,698)
- Deposits MNOK 224 (238)
- OC level 29 (23) %

CB loans NOK 3.4 bn.  
(whereby 0.3 in the ownership  
of the parent bank)

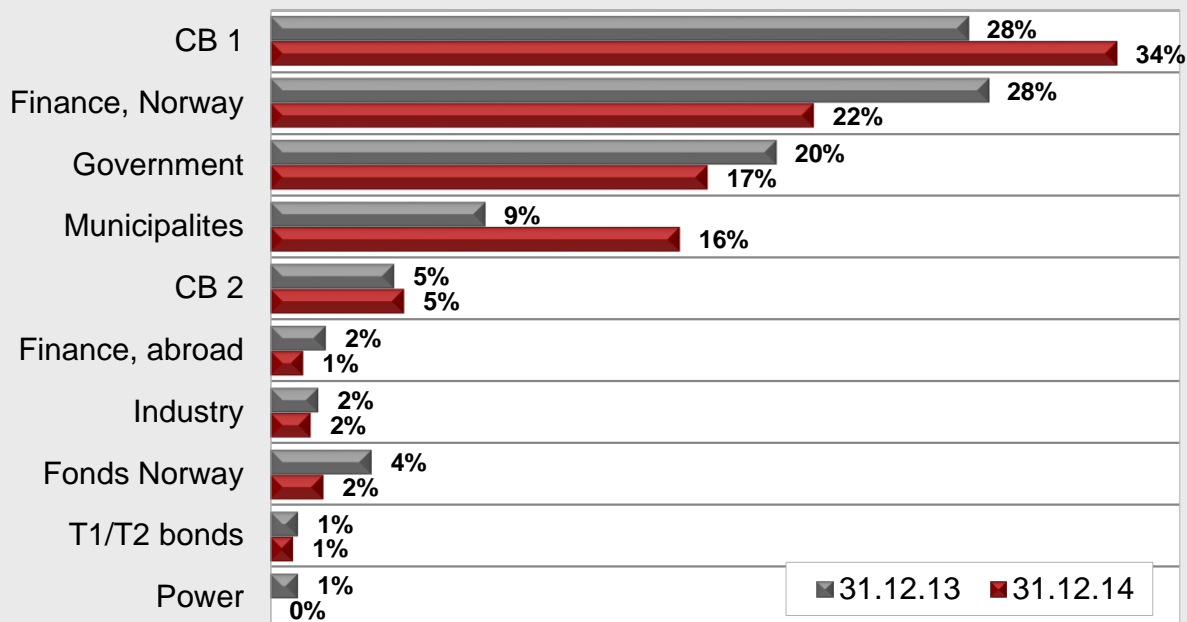
Net profit MNOK 48 (50)

CET1 ratio 16.7 (15.1) %  
(standard method with 35%  
mortgage weights)

# Liquidity buffers

Helgeland Sparebank

## Securities distributed in sectors



## Commentary

The liquidity buffers constitute NOK 4.3 (4.5) bn. – equal to 16.7 (17.4) % of total assets

The buffer capital consists of cash, deposits in Bank of Norway/banks and interest paying securities

The HSB group has increased the quality of the liquidity buffers and is gradually adapting the buffers to Basel III/LCR

Interest paying securities:

- Portfolio duration 2.1 (2.0) yrs.
- 70 % CB or Govt./municipal bonds
- 90% are rated A- or better



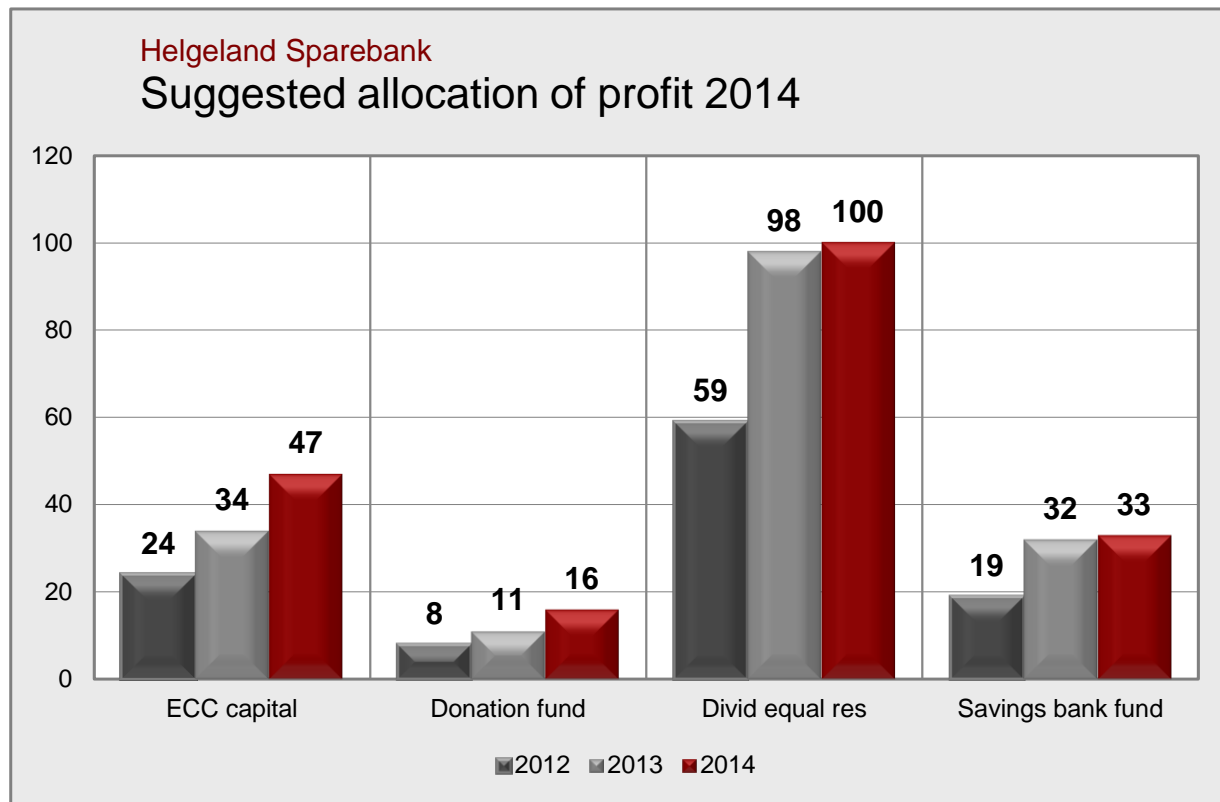
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# Suggested profit allocation



## Commentary

Increased pay-out ratio

- 31.8 (25.7) %

Profit per equity certificate

- NOK 7.90 in the parent bank and NOK 8.7 in the group

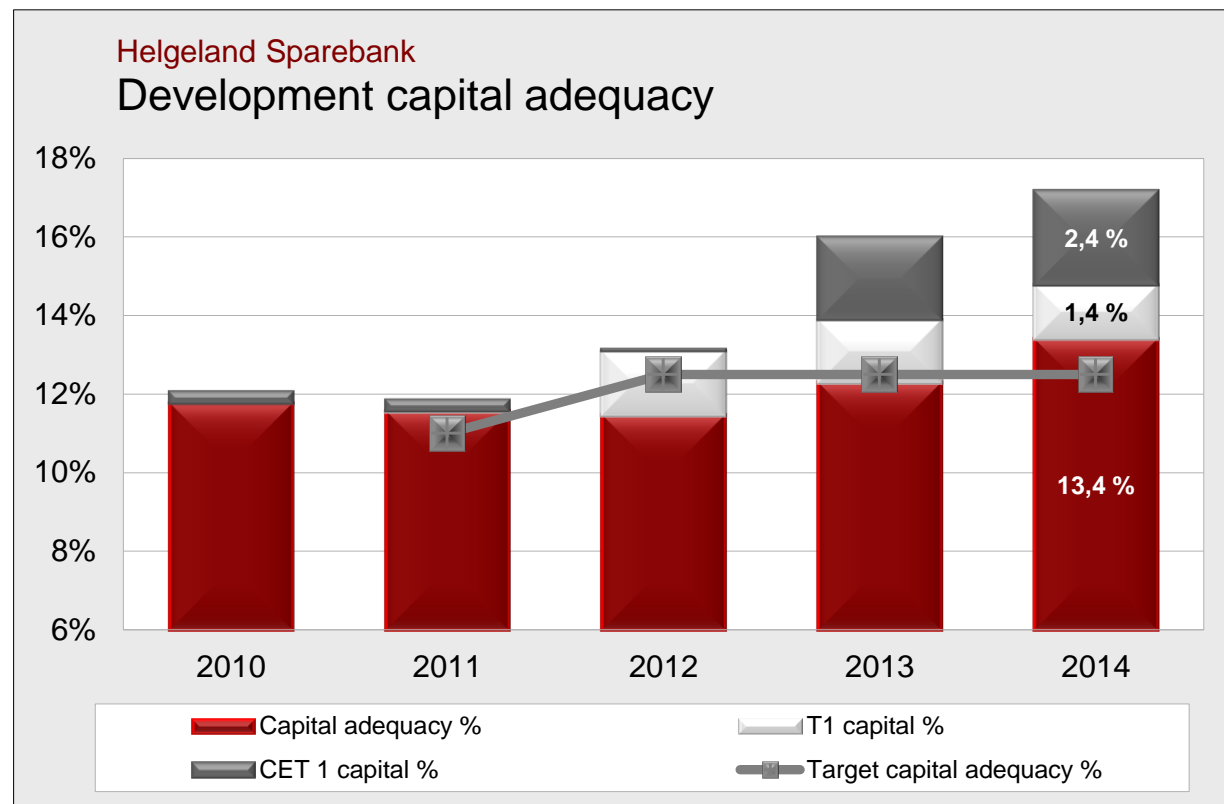
Suggested dividend for 2014:

- Basis for dividends in the parent bank MNOK 196.
- Cash dividend NOK 2.50 (1.80) per EC

Dividend and appropriation to the adjustment fund mirrors the EC owners' share of the bank's equity

- Unchanged equation 75.1%

# Capital ratio



## Commentary

### Capital ratio

- CET1 13.4 (12.3) %
- Core capital 14.8 (13.9) %
- Total capital 17.2 (16.0) %

Increased pension commitments is charged to the equity in 2014 with MNOK 44

CET1 capital will be further strengthened through ordinary operations

New target requirements are revised according to CRD IV requirements, strategy process spring 2015

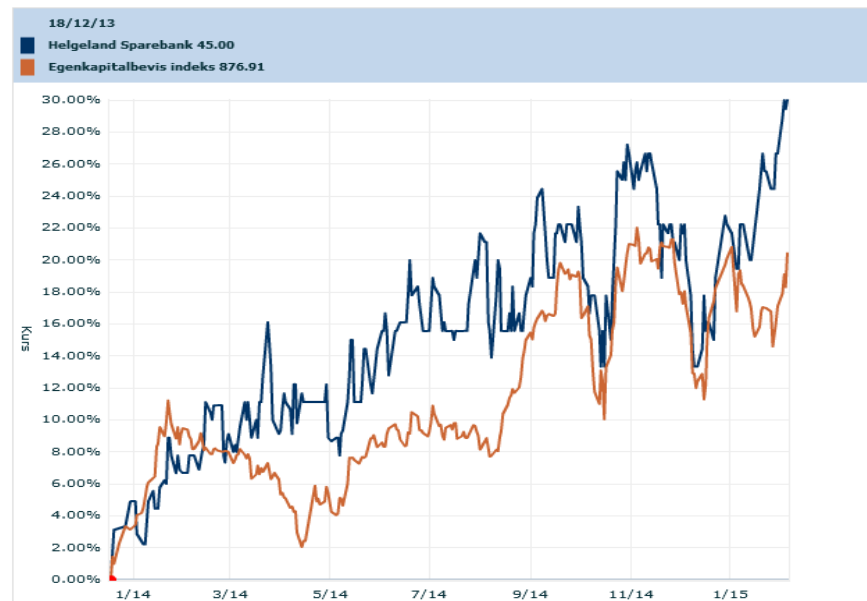
The total capital can be strengthened further by new subordinated/T1 loans

# HELG – 20 largest owners

Per 31.12.14	Numbers	% share	Parent bank		
				Numbers	% share
Sparebankstiftelsen Helgeland	6 599 598	35.3 %	Lamholmen AS	366 734	2.0 %
Pareto AS	1 070 836	5.7 %	Helgelandskraft AS	340 494	1.8 %
MP Pensjon PK	1 032 203	5.5 %	AS Atlantis Vest	335 000	1.8 %
UBS AG, London Branc A/C	1 000 000	5.3 %	Bergen Kommunale pensj.	250 000	1.3 %
Citibank	776 441	4.2 %	Sniptind Holding AS	201 801	1.1 %
VPF Nordea Norge	570 365	3.1 %	Verdipapirfondet	153 000	0.8 %
Merrill Lynch Prof.	530 113	2.8 %	Johs. Haugerudsvei AS	141 081	0.8 %
Pareto online AS	500 000	2.7 %	Melum Mølle AS	124 000	0.7 %
Sparebankstiftelsen DNB	442 724	2.4 %	Mellem Nes invest	118 200	0.6 %
Verdipapirfondet Eik	415 954	2.2 %	Steffen Nervik	110 000	0.6 %
<b>Total 10 biggest owners</b>	<b>12 938 234</b>	<b>69.2 %</b>	<b>Total 20 biggest owners</b>	<b>15 078 544</b>	<b>80.6 %</b>

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

# EC development and liquidity HELG



## The good price development has continued also in Q4 2014

A down-sale from Sparebankstiftelsen in 2014 contributes to an increased number of tradable ECs on the Oslo Stock Exchange – 5.7 million ECs are traded so far this year, whereby 3 million from Sparebankstiftelsen

The price for HELG per 31.12.2014 was NOK 55.00 per EC. This is an increase of NOK 7.80, or 16.5% in one year.

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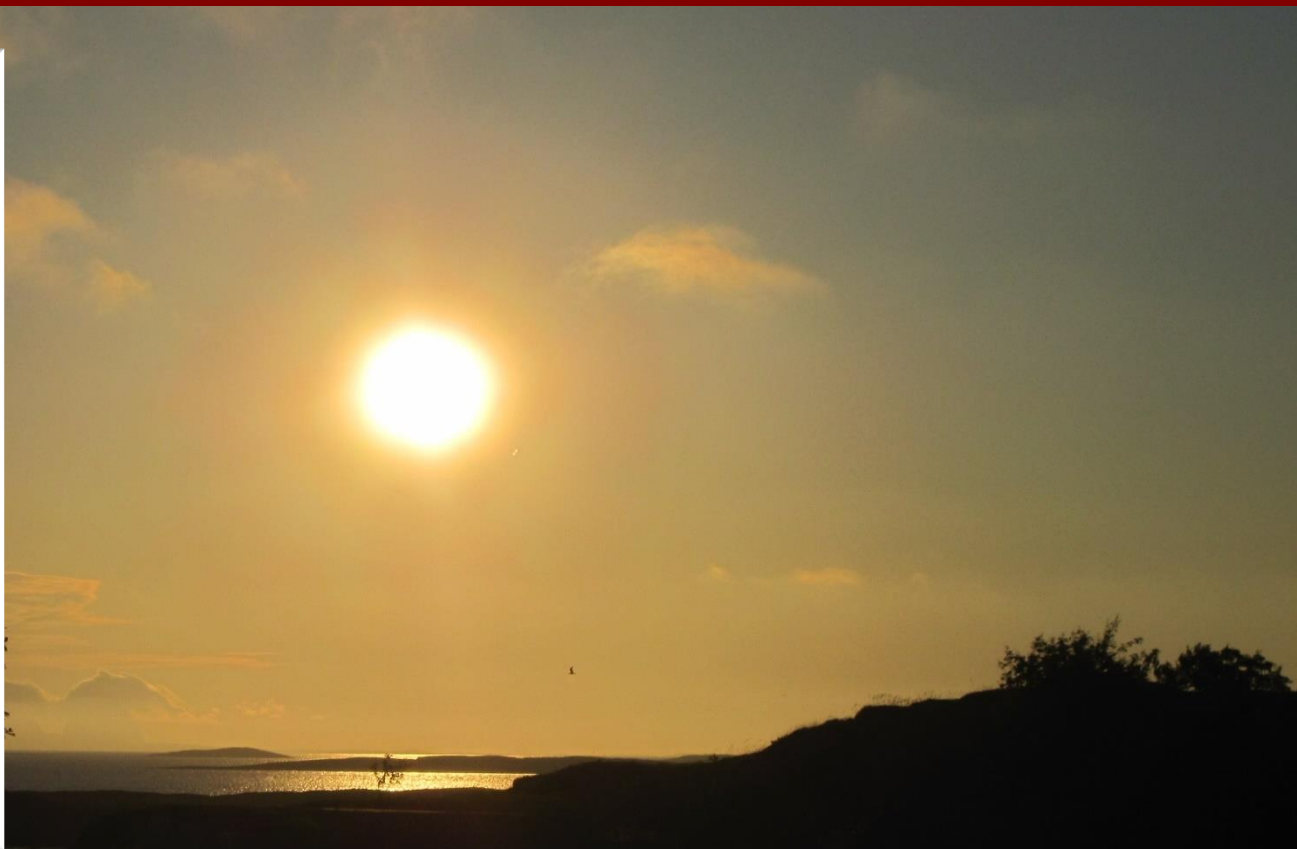
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# Prospects and priorities

## Increased competitiveness

- Adapted mortgage interest rates and deposit rates in the retail- and corporate market
- Improved competitiveness against Statens Pensjonskasse
- Concrete measures to increase the growth in the retail market
  - Shifted focus from deposits to lending in personal budgets and measurements
- Increasing awareness of content in «Best in customer experiences»
- New leaders in the CM with sharp competency and large networks

## A future oriented bank

- Larger digital focus together with three other savings banks
- Terminated the cash service at the desks
- Increased accessibility for customer service
- New and improved online portal
- Bank ID on mobile phone
- E-signing completely implemented by first half of 2015

# Prospects and priorities

## Result

- Still good basic operations
- Maintenance of the net interest
- Level of commission earnings is expected to remain
- Good results in the product companies, Frende and Brage
- Challenges on the cost area are met with a number of measures
  - Reduction of annual positions (9) as a consequence of termination of cash services/natural resignations
  - Additional reduction of annual positions is considered continuously
  - New evaluation of the bank's pension scheme
  - New agreement with IT supplier gives reduced costs toward 2019-2021
  - Internal focus on rational operations and correct cost usage
- Write-downs on lending on level with the industry

## Balance

- Future growth in line with the industry
- Low interest level could make other forms of saving than deposits more attractive and thereby affect the deposit growth

# Prospects and priorities

## The Helgeland region

- Low oil price and a weak exchange rate is positive for the large export businesses in the region (industrial and fish farming) – several large investments have been determined and are partly started.
- The changing business cycle increases the availability of qualified labour and engineers.
- Increased focus on renewable energy gives opportunities for combining the region's natural resources, such as hydro power, with metal production.
- Increased focus on research and development in the marine industries increases the value creation within the marine sector.
- Good prospects for the construction sector in 2015 / first half of 2016 – several large public construction projects – schools, care homes, new facilities for Brønnøysundregistrene, large investments in infrastructure.
- The municipality reform will be demanding, but should result in stronger municipalities and thereby improved ability to promote business development.
- No signs of increased unemployment – varying within the region, governmental organisations contribute to stability.
- The housing prices is expected to remain at a stable level – significantly lower than the larger cities.
- Population growth – but weaker than the national average
- A remaining low oil price and weak business cycle will require restructuring in the long term also in our region.



# Thank you for your attention!

**A DRIVING FORCE  
FOR GROWTH**

*En drivkraft for vekst på Helgeland*

*helgelandsparebank* 

# Theme

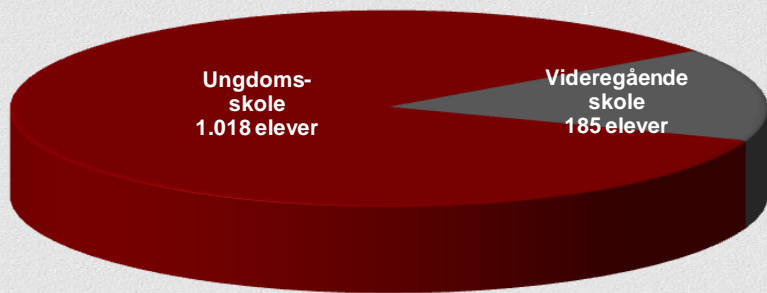
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# HSB – wide ranging investment in knowledge

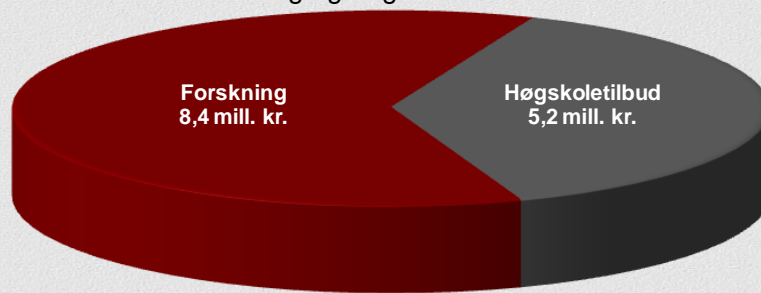
Helgeland Sparebank

Antall underviste elever skoleåret 2013/14



Helgeland Sparebank

Millionstøtte til forskning og høgskelelilbud 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.

# A driving force for growth on Helgeland

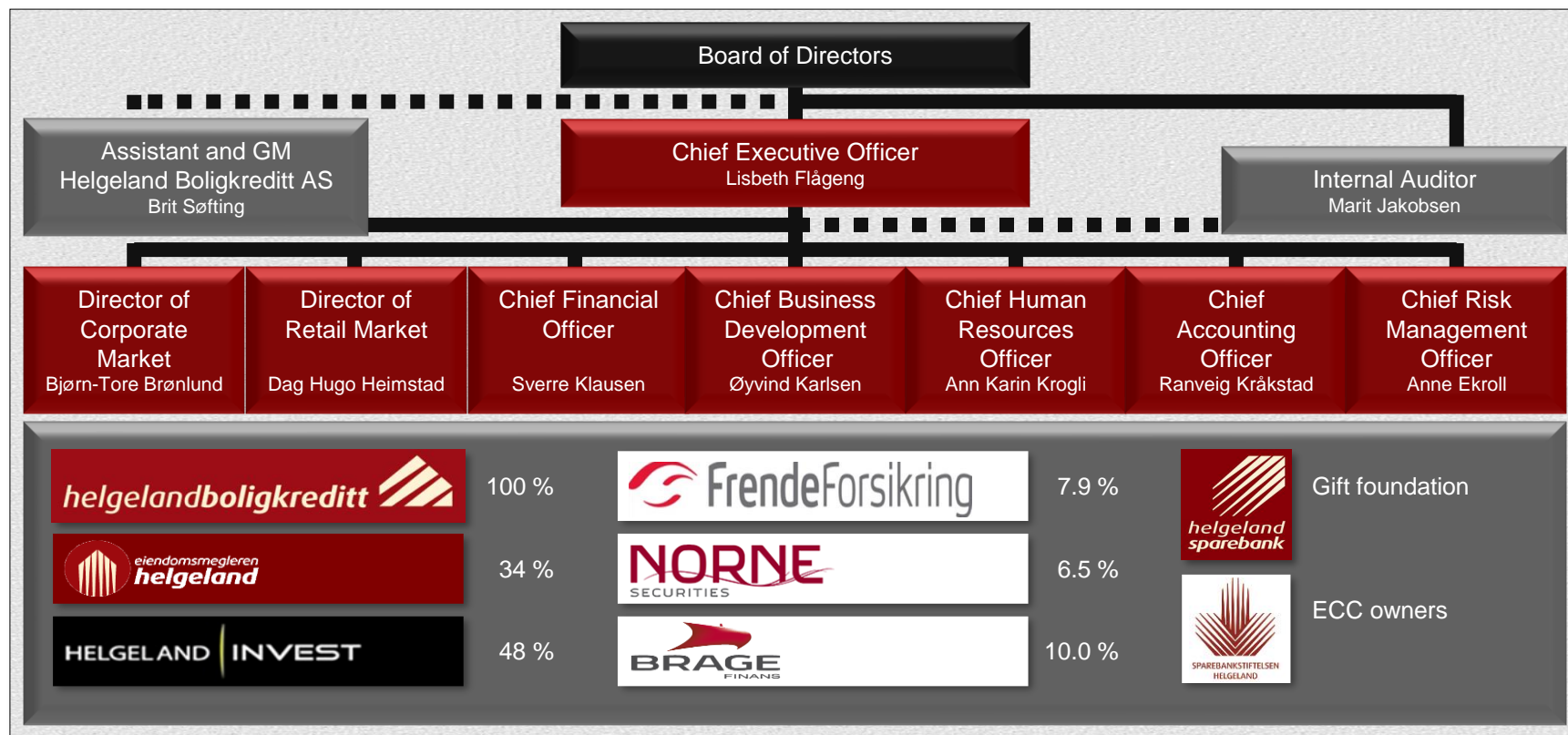


Norway's **12th largest savings** bank of 108 banks – 15 offices in 13 municipalities in the Helgeland region

- ✓ 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



# 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	<a href="http://www.hsb.no">www.hsb.no</a>
Organisation number	937904029

## Board of Directors

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

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