Q2 2018 Presentation

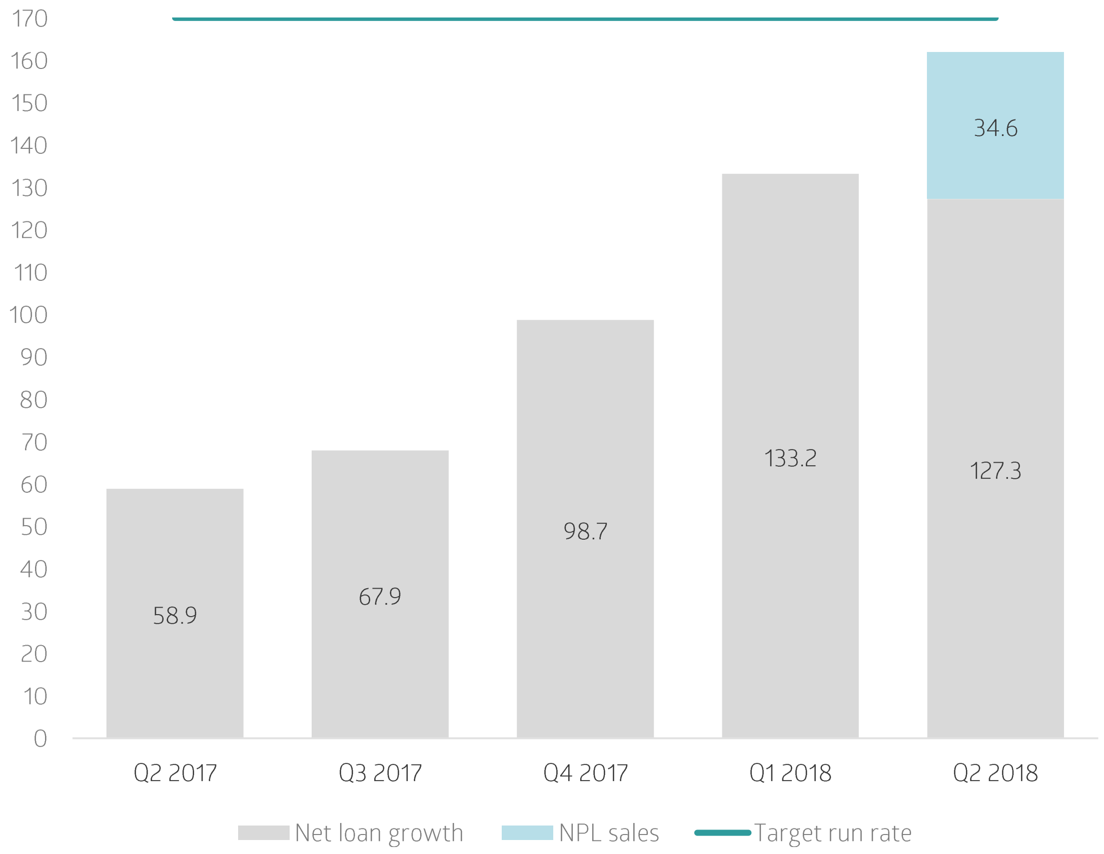
13 August 2018

Highlights of the quarter

- Strong growth in net loans of NOK 127.3m in Q2 2018, reduced by the one-off sale of NOK 34.6m in non-performing loans. Adjusted for non-performing loan sales, growth was 21.5% compared to NOK 133.2m Q1 2018
- Pre-tax loss in Q2 2018 was NOK 24.9m, increased from NOK 7.15m in Q1 2018. Loan losses were NOK 19.9m (3.80m), of which NOK 8.5m was a one-off expense in relation to the sale of an existing NPL portfolio
- New Chief Credit Officer and two additional credit specialists have been recruited, due to start in Q3, to continue improvements to the bank's credit quality
- Entered into attractive forward flow agreement with Lindorff for the sale of new 180+ days non-performing loans (NPL) on a monthly basis
- Improved IT systems and operational processes and additional agents allowed the bank to process nearly twice as many applications as in the previous quarter (more than 50 000 in Q2)

Continued strong loan growth, somewhat reduced by portfolio sale

Net loan growth



- Net loan growth was NOK 127.3m in the Q2 2018. Adjusted for one-off portfolio sale, net loan growth was NOK 161.9m, up 21.5% compared to Q1 2018
- Target run rate net of expected quarterly forward flow sales will be approximately NOK 170m going forward
- Release of high-margin mortgage product in Q4 2018 expected to contribute to strong growth going forward
- After the balance sheet date, gross outstanding loans have increased to approximately NOK 575.4 million (per 10.08.2018)

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Profit & loss

Amounts in NOKm	Q2 2018	Q1 2018	YTD 2018	FY 2017
Interest income	14.10	9.97	24.07	11.56
Interest expense	2.51	1.78	4.28	3.08
Net interest income	**11.59**	**8.19**	**19.78**	**8.48**
Commissions and fee income	-0.06	0.06	0.00	0.04
Commissions and fee expense	4.17	1.93	6.09	-0.30
Total operating income	**7.36**	**6.32**	**13.69**	**8.22**
Income/loss from trading activities	-0.004	0.006	-0.003	-2.35
Staff costs	3.70	3.87	7.56	12.73
Other administrative expenses	7.28	4.77	12.05	9.76
Other operating costs	1.45	0.98	2.43	4.26
Total operating costs	**12.43**	**9.63**	**22.05**	**24.40**
Profit / loss (-) before loan impairments	-5.06	-3.30	-8.37	-16.18
Provisions for loan impairments	19.87	3.84	23.72	5.32
Profit / loss (-) before tax	**-24.94**	**-7.15**	**-32.09**	**-21.50**
Tax				-5.38
Profit / loss (-) for the period	**-24.94**	**-7.15**	**-32.09**	**-16.13**

- Q2 saw provisions for loan impairments of NOK 19.87m, compared to NOK 3.84m in Q1. The difference is due to more conservative estimates used for impairment reserves, and a NOK 8.5m one-off effect of the portfolio sale.
- Increased administrative costs driven by fees for recruitment and temporary external staffing, and measures have been taken to reduce costs in the third quarter.
- The provisions for loan impairments, adjusted for the NOK 8.5m one-off expense represent approximately 2.3% of gross loans, in line with peers
- With increasing loan growth, a low cost base and improving loan portfolio quality, MyBank expects to show profitable quarterly results in early 2019

Improved portfolio quality and disposal agreements will significantly reduce future loan losses

FORWARD FLOW AGREEMENT

- The sale of all new 180+ days non-performing loans
- Entered into at a highly attractive price level
- Is a third-party confirmation of MyBank's loan portfolio quality

BENEFITS

- Provides greater certainty concerning future loan losses
- Strengthens capital base and frees up funds for new lending
- Provides a monthly confirmation of MyBank's provision levels

ONE-OFF PORTFOLIO SALE

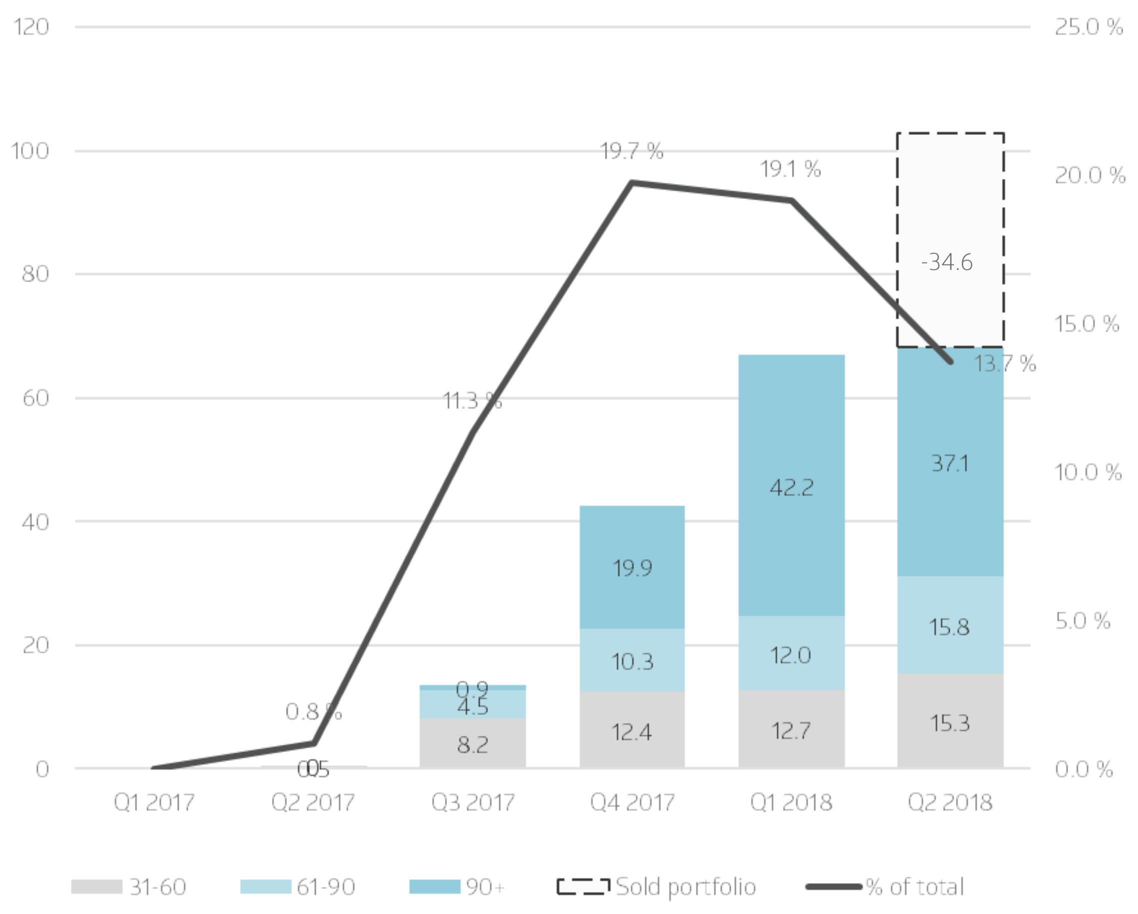
- For loans made prior to November 2017, adverse selection had a negative impact on loan portfolio quality
- The portfolio of loans more than 180 days past due, comprising only of Aug-Oct 2017 loans, was sold and a one-off impairment expense recognized

BENEFITS

- Reduces non-performing loans on the balance sheet
- Frees up capital for new loans with higher quality, improving overall portfolio quality
- The lowest cost alternative for dealing with older non-performing loans

Credit- and portfolio quality further improved by sale of non-performing loans

Loans categorized by days past due (mkr and % of total portfolio)



- Gross non-performing and doubtful loans amounted to NOK 52.9m at the end of Q2 2018, a reduction of 2.6% compared to the previous quarter
- Quarterly loan losses of NOK 19.9m is the equivalent of 4.1% of EOP gross loans
- NOK 34.6m reduction in 90+ past due as a result of the 180+ non-performing loan portfolio sale
- NOK 25 - 30m in non-performing loans are estimated to be sold on a quarterly basis through forward flow agreement

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Outlook

Q2 2018

- Entered into forward flow agreement to sell off 180+ days NPLs on a monthly basis

Q3 2018

- Launch of payment protection insurance product
- Continued loan growth and credit quality enhancement
- Pilot of new high-margin mortgage product

Q4 2018

- Launch of new high-margin mortgage product
- Expect to have fully implemented FSA guidelines in IT systems

Q1 2019

- Aligned for profit in 2019

New high-margin mortgages launch planned for Q4 2018

The product → Benefits to MyBank → Q3 pilot and Q4 product launch

A high margin product with low capital requirement

- "Omstartslån" are loans given to customers with poor payment history, secured on their property
- Because the mortgage is secured on the customer's home, the risk weight for capital requirements is only 35%, compared to 100% for unsecured loans
- Combined with interest rates of 7%, this makes the product very capital efficient for MyBank

Strong synergies from existing infrastructure and increased diversification

- Requires very little additional IT spend due to full-service SDC banking system
- Will re-use parts of application processing system to give competitive advantage
- Good fit with part of the existing customer base
- Provides product diversification in case of further adverse regulatory changes

Pilot program in Q3 will allow lessons to be learnt prior to increasing volumes

- MyBank management and staff have extensive experience with the product, but will begin a test period aimed at existing customers during Q3
- Lessons learnt will help to automate more of the process prior to full-scale launch in Q4

Appendix

- Balance sheet
- Capital adequacy
- Disclaimer

Balance sheet

Amounts in NOKm	30.06.2018	31.03.2018	31.12.2017
Assets			
Loans to, and deposits at, credit institutions	154.53	49.29	76.0
Net loans to customers	487.44	360.12	226.3
Total loans	**641.97**	**409.41**	**302.4**
Short term financial investments	154.10	176.0	180.4
Other intangible assets incl. deferred tax	21.74	23.11	25.4
Prepaid agent commissions	21.51	14.82	6.6
Property, plant and equipment	0.00	0.0	0.0
Receivables, prepayments and other assets	18.06	1.0	0.9
Sum other assets	**215.41**	**214.96**	**213.3**
Total assets	**857.38**	**626.45**	**515.7**
Liabilities			
Deposits from customers	637.46	385.26	270.5
Accounts payable	10.96	7.52	4.6
Total liabilities	**648.43**	**392.78**	**275.1**
Equity			
Share capital	241.03	256.7	256.7
Retained earnings	-32.09	-23.03	-16.1
Total equity	**208.95**	**233.67**	**240.6**
Total liabilities and equity	**857.38**	**626.45**	**515.7**

- Loans to customers amounted to NOK 487.4m in the quarter, net of NOK 10.2 million in provisions for impairment losses
- Deposits from customers reached NOK 637.5m, up 65% from NOK 385.3m in Q1 2018
- Equity was NOK 209m in Q2 2018, down from NOK 233.7m in Q1 2018 as a result of the NOK 24.9m in net loss for the period
- Liquidity position remained strong at NOK 308.6m

Capital adequacy

Amounts in NOK millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Share capital	23.8	23.8	23.8	23.8	23.8
Share premium reserve	232.9	232.9	232.9	232.9	232.7
Retained earnings	-40.88	-23.3	-16.1	-11.7	-6.7
Deduction of intangible assets	37.2	37.9	31.9	26.5	16.2
Core equity tier 1 capital	**172.5**	**198.0**	**213.9**	**223.3**	**233.5**
Capital requirements					
Institutions	8.0	12.6	15.2	14.1	16.3
Unsecured loans to retail customers	470.4	318.1	215.8	127.8	60.6
Collective investments undertakings (CIU)	3.2	2.3	15.2	25.2	20.1
Other	66.9	44.8	24.8	25.2	4.0
Operational risk	20.7	19.7	19.7	19.7	19.7
Total risk-weighted assets	**568.8**	**397.5**	**283.6**	**190.3**	**120.7**
Core equity tier 1 capital ratio	30.32%	49.8 %	75.4 %	117.3 %	193.5 %

MyBank's regulatory requirement for total capital ratio is 19.5% and the bank aims for a target 1% above this. The bank aims to recategorise the unsecured loan portfolio to mass market as of Q3 2018.

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