

# Helt. Enkelt. Bank.

## Q1 2018 Presentation

26 April 2018

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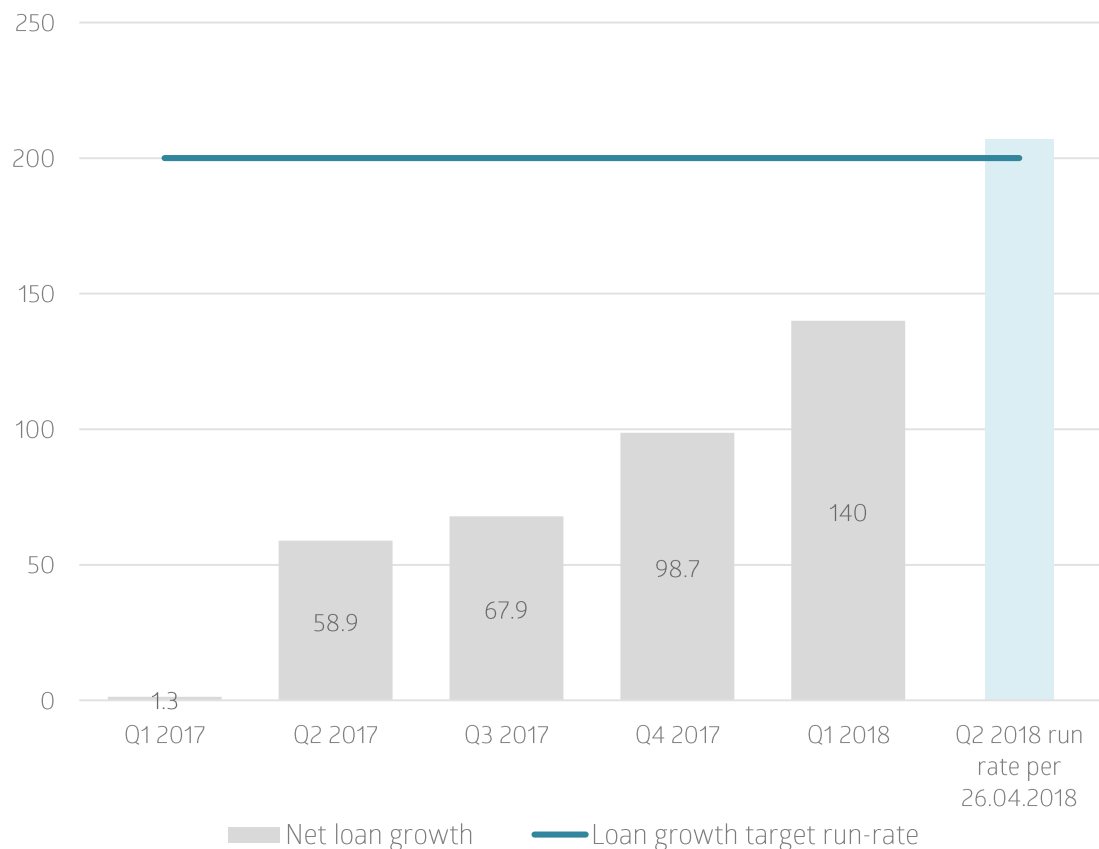
## Highlights of the quarter

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- Growth in net loans was NOK 133.2m in Q1 2018, up 35% from NOK 98.7m in Q4 2017. Net loans amounted to NOK 360.1m
- The improved loan growth came mostly as a result of more sophisticated pricing as well as an additional agent
- Pre-tax loss amounted to NOK 7.15m (9.8m) including credit loss provisions of NOK 3.8m (4.4m), representing 2.5% of gross loans
- Unsecured car loans was launched as an additional, off-balance sheet product towards the end of Q1 2018. Revenue effect from the new product is expected from Q2 2018







## Strong loan growth in Q1 2018

### Loan growth



- Improvements to the pricing matrix and additional IT-development release lead to strong loan growth of NOK 133.2m in Q1 2018
- Target run rate was reached at the end of Q1, and loan growth has remained at or above this level
- Additional loan products releases in Q1 and Q2 2018 to secure continued strong growth going forward
- After the balance sheet date, outstanding loans have increased by approximately NOK 54.1m (per 26.04.2018)

## Business model delivered on most aspects

	Agent distribution	<ul style="list-style-type: none"><li>• Ten agents under contract in Q1</li><li>• Automation enables scalability with low fixed costs</li></ul>
	Financing	<ul style="list-style-type: none"><li>• MyBank's capital base enables significant loan growth</li><li>• Strong inflow of deposits allows for significant loan growth</li></ul>
	Costs	<ul style="list-style-type: none"><li>• MyBank's distribution model ensures a low fixed cost base</li><li>• Current operational expenses close to original estimate</li></ul>
	Market	<ul style="list-style-type: none"><li>• Few indications that growth in market for unsecured loans is slowing down</li><li>• Regulation remains uncertain</li></ul>
	Processing system	<ul style="list-style-type: none"><li>• Operational improvements have been implemented to secure loan growth</li><li>• Continuous fine-tuning of credit-, pricing and product strategy</li></ul>
	Product diversification	<ul style="list-style-type: none"><li>• Car loans launched in Q1 and payment protection insurance to be launched in Q2</li><li>• High-margin mortgages to credit-impaired customers expected launch end-2018</li></ul>

## Operational improvements and product diversification

### System- and application process improvements in Q1 2018

- ✓ Additional IT-development release improved process flow
- ✓ Changes to pricing matrix to improved risk profile and competitiveness
- ✓ Migration to new rule- and scoring engine made future adjustments instantaneous

### Results

- Changes to pricing matrix improved competitiveness in 100K+ segment
- Growth in high-quality age-segments leads to improved portfolio credit quality

### Product diversification strategy implementation

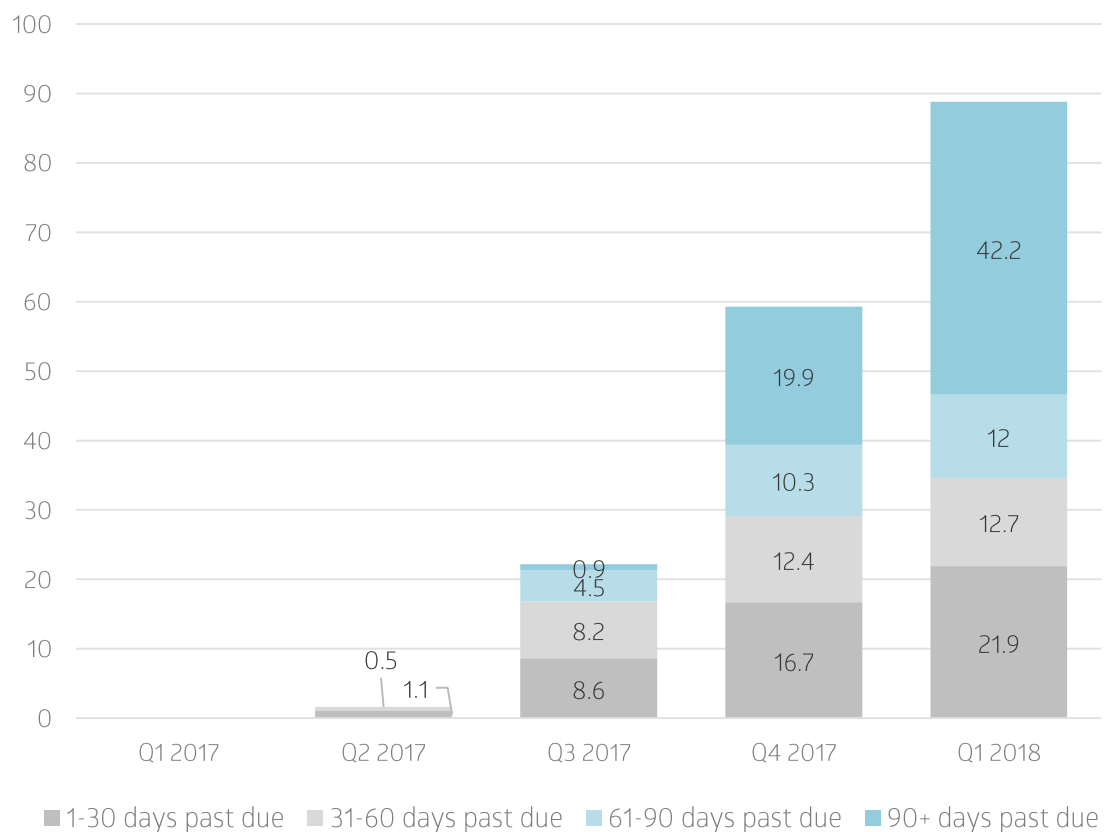
- 🕒 Car loans launched in Q1 2018 and additional off-balance sheet product, payment protection insurance, to be launched in Q2 2018
- 🕒 High-margin mortgages to credit-impaired customers are planned for Q3 2018

### Outcome

- Off-balance sheet products create revenue growth without capital charges
- Loans with lower risk weights and high margins provide equivalent return on capital

# Non-performing loans

## Non-performing loan development



- Gross non-performing and doubtful loans amounted to 54.3m at the end of Q1 2018
- Loan losses last twelve months were 2.6% of average gross loans at the end of the period
- Beginning to see the effects of a wider portfolio selection in improving credit quality, as well as the impact of operational measures to reduce non-payment of loans
- Only minor increase expected from transition to IFRS reporting (IFRS 9)

# Profit & Loss

## Amounts in NOK NOKm

	Q1 2018	Q4 2017	Q3 2017
Interest income	9.97	6.02	4.17
Interest expense	1.78	1.23	1.37
<b>Net interest income</b>	<b>8.19</b>	<b>4.78</b>	<b>2.80</b>
Commissions and fee income	0.06	0.03	0.01
Commissions and fee expense	-0.99	-0.27	-0.01
<b>Total operating income</b>	<b>7.26</b>	<b>4.55</b>	<b>2.80</b>
Income/loss from trading activities	-0.01	-0.29	-0.48
Staff costs	3.87	3.68	3.75
Other administrative expenses	4.77	5.17	2.24
Other operating costs	1.92	1.43	1.74
<b>Total operating costs</b>	<b>10.57</b>	<b>9.99</b>	<b>7.25</b>
<b>Profit / loss (-) before loan impairments</b>	<b>-3.3</b>	<b>-5.44</b>	<b>-4.45</b>
Provisions for loan impairments	3.84	4.40	0.67
<b>Profit / loss (-) before tax</b>	<b>-7.15</b>	<b>-9.84</b>	<b>-5.11</b>
Tax		-5.38	
<b>Profit / loss (-) for the period</b>	<b>-7.15</b>	<b>-4.47</b>	<b>-5.11</b>

- Q1 saw provisions for loan impairments of NOK 3.8m. The reduction is partly due to improvements in pricing, risk selection and loss estimation models
- Quarterly provisions for loan impairments represent approximately 1% of gross loans, in line with peers
- With increasing loan growth and a low cost base, MyBank is on track for profitability in 2018



# Balance Sheet

Amounts in NOK NOKm

	31.03.2018	31.12.2017	30.09.2017
<b>Assets</b>			
Loans to, and deposits at, credit institutions	49.3	76.0	70.7
Net loans to customers	360.1	226.3	127.6
<b>Total loans</b>	<b>409.4</b>	<b>302.4</b>	<b>198.3</b>
Short term financial investments	176.0	180.4	280.1
Other intangible assets incl. deferred tax	25.1	25.4	17.9
Prepaid agent commissions	12.8	6.6	3.6
Property, plant and equipment	0.0	0.0	0.0
Receivables, prepayments and other assets	1.0	0.9	0.7
<b>Sum other assets</b>	<b>215</b>	<b>213.3</b>	<b>302.3</b>
<b>Total assets</b>	<b>626.5</b>	<b>515.7</b>	<b>500.6</b>
<b>Liabilities</b>			
Deposits from customers	385.3	270.5	252.3
Accounts payable	7.5	4.6	3.3
<b>Total liabilities</b>	<b>392.8</b>	<b>275.1</b>	<b>255.6</b>
<b>Equity</b>			
Share capital	256.7	256.7	256.7
Retained earnings	-23.0	-16.1	-11.7
<b>Total equity</b>	<b>233.7</b>	<b>240.6</b>	<b>245.1</b>
<b>Total liabilities and equity</b>	<b>626.5</b>	<b>515.7</b>	<b>500.6</b>

- Loans to customers amounted to NOK 360.1m in the quarter, net of NOK 9.4m in provisions for impairment losses
- Deposits from customers reached NOK 385.26m. Equity was NOK 233.7m
- Liquidity position remains strong at NOK 205.9m.

## Outlook

Q1 2018

- Additional agents added and change to repricing matrix implemented
- Unsecured car loans launched end of the quarter

Q2 2018

- Launch of payment protection insurance product
- Continuous improvements to responsiveness of IT systems and operational processes

Q3 2018

- Likely issuance of subordinated- and additional tier 1 capital instruments

Q4 2018

- Launch of high-margin mortgages to credit-impaired customers (on-balance sheet)



