MyBank

Plain. Simple. Banking.

Q2 2019 Results presentation

Summary of the quarter

Key figures

Figures in NOKm (excl. per share)	Q2-18	2018	Q1-19	Q2-19
Gross loans	490.2	646.6	690.4	644.3
Net interest income	11.6	46.0	15.3	14.2
Net other income[1)]	-4.2	-10.3	-4.8	-5.1
Operating costs	12.4	47.5	10.6	11.4
Provisions for loan impairments	24.9	42.0	8.9	11.6
Profit before tax	-30.0	-53.7	-9.0	-13.9
CET-1 ratio	30.3 %	22.5 %	20.3 %	23.7 %
Book equity	204	201	195	209
Tangible book equity	178	158	154	166
Book equity per share	0.86	0.84	0.82	0.50
Tangible book equity per share	0.75	0.66	0.65	0.40

Comments

Lending focused on restart loans – consumer loans reduced

- Unsecured loans reduced to NOK 581.9 million (down NOK 75.6 million from previous quarter) due to strict credit policy and reduced application flow
- Total loan losses were NOK 11.6 million (previous quarter: NOK 8.9 million), corresponds to 1,84% of total net loans outstanding (previous quarter: 1,31%)
- Expected to remain in run-off unless market conditions change significantly

"Restart loans" optimized, at run-rate after balance-sheet date

- Restart loans increased to NOK 62.4 million (up NOK 29.5 million from Q1).
- Significant improvements made in June, including process optimization, targeted online advertising, introduction of new CRM system and temporary additional staff – but effect first seen after the balance sheet date
- As of the reporting date the bank had lent NOK 109.2 million

Outlook

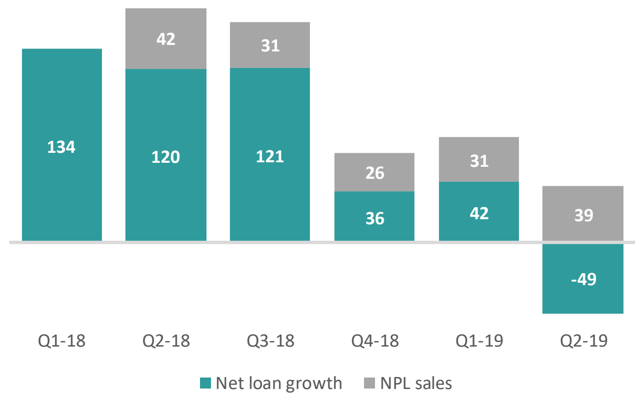
- The bank expects to reach at least NOK 250 million of restart loans by end of Q4 2019, and for these loans to make up more than 80% of the portfolio by Q4 2020, by which time the bank will break even
- No new pillar II capital requirements received from NFSA , but expected level in line with peers may require additional AT1 and T2 capital to maintain required ratios

1. Income / loss from trading activities included in net other income

MyBank

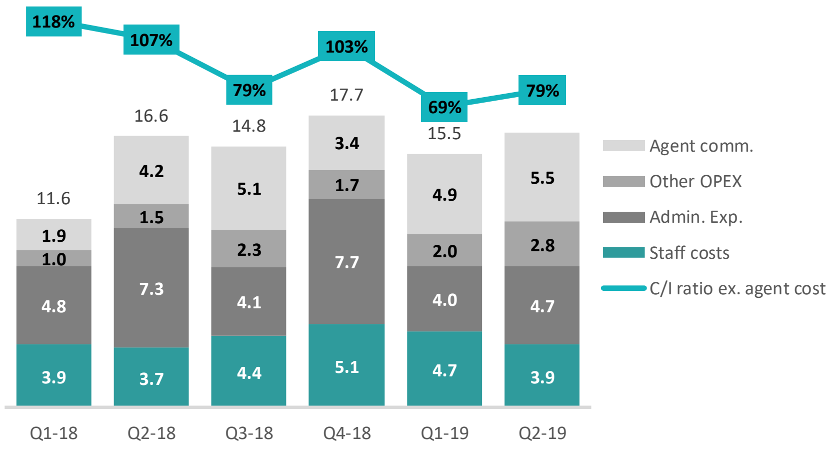
Low growth and stable yields, strong improvement in operating costs

Net loan growth



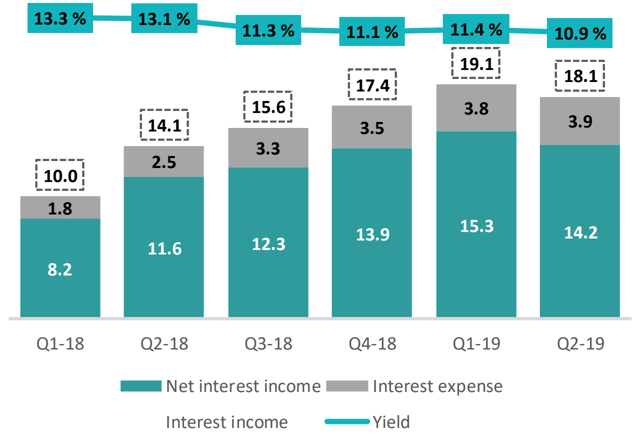
- Net loan growth was negative NOK 48.6m in Q2-2019, including a NOK 39m effect from NPL sales in relation to the forward flow agreement
- All loan growth was in "restart loan" mortgage product

Operating costs and C/I ratio



- Administrative expenses NOK 0.6m higher in Q2-19, partly due to one-off costs related to senior management change
- Total costs incl. agent commissions of NOK 16.5m
- Total costs ex. agent provisions are NOK 11.2, corresponding to a C/I ratio of 79%
- Agent provisions expected to fall due to the withdrawal of portfolio fees to almost all agents

Interest income

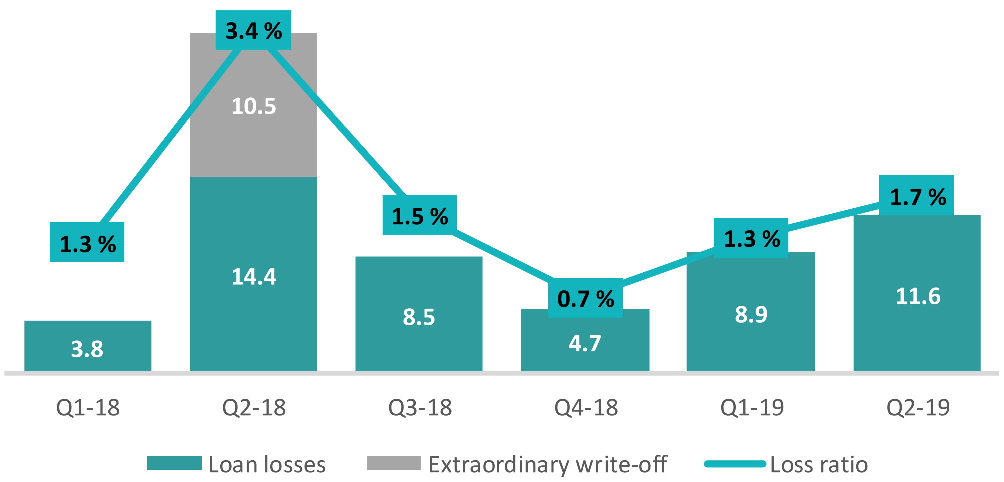


- Interest income decreased from NOK 19.1 to NOK 18.1
- Yield on loans falling slightly as mortgage loans grow to a bigger part of the portfolio

MyBank

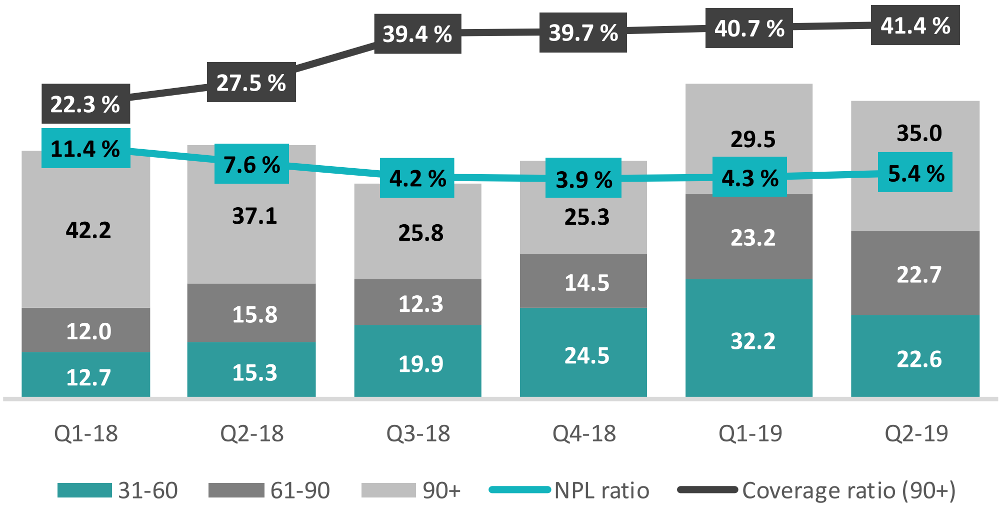
Loan losses increased, mostly due to increase in provisions for past-due loans

Quarterly loan losses*



- Loan losses further increased in the quarter, largely as a result of the poor credit quality of loans paid out in late Q4 2018 and early Q1 2019
- Loan loss ratio expected to stabilise at approx. 1.0% - 1.25% (4.0% - 5.0% annually) in the short to medium term

Loans by past due



- Fairly stable NPL ratio due to NPL sale from forward flow agreement and improved credit quality, however some increase in past-due and doubtful loans seen during the quarter
- Total provisions represent 40.7% of non-performing loans (90+) and 1.74% of gross loans
- Going forward, quarterly NPL sales through forward flow agreement are still expected at NOK 25-30m

*Loan loss ratio = quarterly losses / average gross loans (not annualized)

Restart loans now growing rapidly

Market opportunity is clear

- Stricter consumer lending guidelines prevent over-extended borrowers from refinancing without security
- Approximately half of consumer loan borrowers own their home
- Refinancing unsecured loans improves household liquidity to regain control of their finances

Technology is largely reusable

- MyBank's combination of full-service banking system and API-based automated application process is ideal for this product
- Additional APIs (Eiendomsverdi, debt register, Altinn) will provide value to both consumer loans and restart loans, reducing processing times and improving quality

Distribution leverages MyBank's strengths

- Several consumer loan agents have shown interest in using automated processing to tap this growing market
- Applications are coming through from both consumer loan and mortgage agents
- A very limited amount of online marketing provided more than 60% of applications direct to MyBank website

Risk-weighted profitability better than consumer loans

- Lower risk weights for mortgages (35% vs. 100% for consumer loans, 75% with retail exposure classification) means more efficient use of limited capital
- Security in property means significantly lower loan losses than for consumer loans
- High level of fee income, paid by clients up front

Appendix 1: Income Statement and Balance Sheet

Income Statement

Amount in NOK thousands	Notes	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Interest income		18 125	14 100	37 259	24 066	57 044
Interest expense		-3 940	-2 506	-7 782	-4 282	- 11 044
Net interest income		**14 185**	**11 594**	**29 477**	**19 784**	**46 000**
Commissions and fee income		134	-62	241	-4	158
Extraordinary fee income from software sales		0	0	0	0	2 820
Commissions and fee expense		-5 451	-4 169	-10 340	-6 095	-14 569
Net other income		**-5 317**	**-4 231**	**-10 099**	**-6 099**	**-11 591**
Total operating income		8 868	7 363	19 378	13 685	34 409
Income (loss) from trading activities		226	4	254	-3	1 318
Staff costs		-3 880	-3 697	-8 562	-7 565	-15 487
Other administrative expenses		-4 741	-7 282	-8 690	-12 054	-23 598
Other operating costs		-2 766	-1 453	-4 773	-2 432	-6 430
Total operating costs	4	-11 160	-12 427	-21 771	-22 054	-44 196
Operating profit (Loss) before loan impairments		-2 292	-5 064	-2 393	-8 369	-9 787
Loan losses	2	-11 598	-24 937	-20 496	-28 782	-42 004
Profit (Loss) before tax		-13 890	-30 002	-22 888	-37 150	-51 791
Tax		-3 472	-7 500	-5 722	-9 288	-12 987
Profit (loss) for the period		-10 417	-22 501	-17 166	-27 863	-38 804

Balance Sheet

	Note	30.06.2019	30.06.2018	31.12.2018
Assets				
Cash and central bank deposits		50 115	0	25 016
Loans to, and deposits at, credit institutions		69 364	154 526	63 227
Net loans to customers	2, 3, 4	629 817	480 040	636 596
Total loans		749 296	634 566	724 839
Short term financial investments		90 210	154 100	105 141
Other intangible assets incl. deferred tax		42 271	26 017	44 792
of which deferred tax asset		*24 703*	*6 034*	*19 021*
Prepaid agent commissions		24 517	17 231	24 191
Fixed assets		63	0	69
Other assets		11 872	0	7 563
Receivables, prepayments and accrued income		2 155	20 399	735
Total other assets		171 088	211 713	182 491
Total assets		920 383	846 279	907 330
Liabilities				
Deposits from customers		694 835	637 465	695 220
Accounts payable		16 871	10 963	9 880
Total liabilities		711 707	648 428	705 100
Equity				
Share capital		282 761	241 035	259 151
Earlier retained earnings		-56 918	-37 150	-56 921
This year's retained earnings		-17 166	0	0
Total equity	5	208 677	203 884	202 231
Total liabilities and equity		920 383	852 312	907 330

MyBank

Appendix 2: Capital Adequacy

Amounts in NOK millions	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Share capital	47.5	23.8	23.8	23.8	23.8
Share premium reserve	232.9	232.9	232.9	232.9	232.9
Retained earnings	-71.9	-61.5	-54.7	-61.2	-53.0
Deduction of intangible assets	-42.3	41.3	43.0	32.1	26.0
Core equity tier 1 capital	166.2	153.8	158.8	163.2	177.6
Additional tier 1 capital instruments			0	0	0
Tier 1 capital	166.2	153.8	158.8	163.2	177.6
Subordinated loans			0	0	0
Tier 2 capital	166.2	153.8	158.8	163.2	177.6

Capital requirements *Amounts in NOK 1000s*	Q1 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Institutions	13.9	17.2	12.6	11.6	10.1
Unsecured loans to retail customers	570.6	649.0	635.1	600.9	480.4
Secured by mortgages	22.6	11.0	0.5		
Collective investments undertakings	2.6	2.8	2.8	2.7	3.2
Other	42.1	29.6	34.3	17.3	54.3
Operational risk	49.4	49.4	20.7	20.7	20.7
Total risk-weighted assets	701.2	759.0	706.0	653.2	568.7
Core equity tier 1 capital ratio	23.7 %	20.3 %	22.5 %	25.0 %	30.3 %
Tier 1 capital ratio	23.7 %	20.3 %	22.5 %	25.0 %	30.3 %
Capital ratio	23.7 %	20.3 %	22.5 %	25.0 %	30.3 %
Liquidity Coverage Ratio (LCR):	833%	859%	860%	923%	846%

Disclaimer

This presentation (the “Presentation”) has been produced by MyBank ASA (“MyBank” or the “Company”) for information purposes only and does not in itself constitute an offer to sell or a solicitation of an offer to buy any Shares in the Company. This Presentation has not been approved or reviewed by, or registered with, any public or regulatory authority or stock exchange. This Presentation is not a prospectus and does not contain the same level of information as a prospectus. The Presentation is strictly confidential and may not be reproduced or redistributed, in whole or in part, to any other person. This Presentation contains information obtained from third parties. Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading, but the Company has not independently verified any such information nor any other information in this Presentation.

This Presentation includes, and is based on, among other things forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, reflect the current views with respect to future events and are subject to material risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither the Company nor any of their parent or subsidiary undertakings or any such person’s officers or employees provide any assurance as to the correctness of such forward-looking information and statements. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to its actual results.

AN INVESTMENT IN THE COMPANY INVOLVES SIGNIFICANT RISK, AND SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION. A NON-EXHAUSTIVE OVERVIEW OF RELEVANT RISK FACTORS THAT SHOULD BE TAKEN INTO ACCOUNT WHEN CONSIDERING AN INVESTMENT IN THE SHARES ISSUED BY THE COMPANY IS INCLUDED IN THIS PRESENTATION. SHOULD ONE OR MORE OF THESE, OR ANY ADDITIONAL, RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS PRESENTATION. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including but not limited to projections, estimates, targets and opinions, contained herein, and no liability or responsibility whatsoever is accepted as to the accuracy or completeness of this Presentation or for any errors, omissions or misstatements contained herein, and, accordingly, none of the Company nor any of their parent or subsidiary undertakings or any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this Presentation. This Presentation does not purport to contain all of the information that may be required to evaluate the Company and its Shares and should not be relied on in connection with an investment in the Company.

MyBank