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Plain. Simple. Banking.

Q3 2019 Results presentation

Summary of the quarter

Key figures

Figures in NOKm (excl. per share)	Q3-18	2018	Q2-19	Q3-19
Gross loans	611,1	646,6	644,3	664,8
Net interest income	12,3	46,0	14,2	14,0
Net other income[1)]	-2,2	-11,4	-5,3	-4,6
Operating costs ex. inv. portfolio	10,9	47,5	11,4	16,4
Loan losses incl. change in provisions	8,5	42,0	11,6	10,1
Profit before tax	-8,2	-53,7	-13,9	-16,7
CET-1 ratio	25,0 %	22,5 %	23,7 %	22,1 %
Book equity	195,7	202,2	208,7	196,4
Tangible book equity	163,2	158,8	166,2	146,2
Book equity per share	0,82	0,84	0,50	0,47
Tangible book equity per share	0,69	0,66	0,40	0,35

1) Net other income for Q3 2018 included a NOK 2.8m income from software sales

Comments

Restart loans are on track and ready to scale up

- The bank's processes – both technological and human - are ready to scale up, allowing us to process applications faster than competitors, at lower cost
- We have recruited the right personnel, including a new Chief Credit Officer with an excellent track record from restart loans at market leading competitor
- No further restructuring costs in Q4, focus on profitability by growing revenue while controlling costs

Reducing consumer loans, margins will improve

- As lower quality loans are paid back more slowly, this will mean higher non-performing loans as a percentage of the portfolio going forward
- Interest rates on existing portfolio have been significantly increased, improving income without clear signs of higher churn

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

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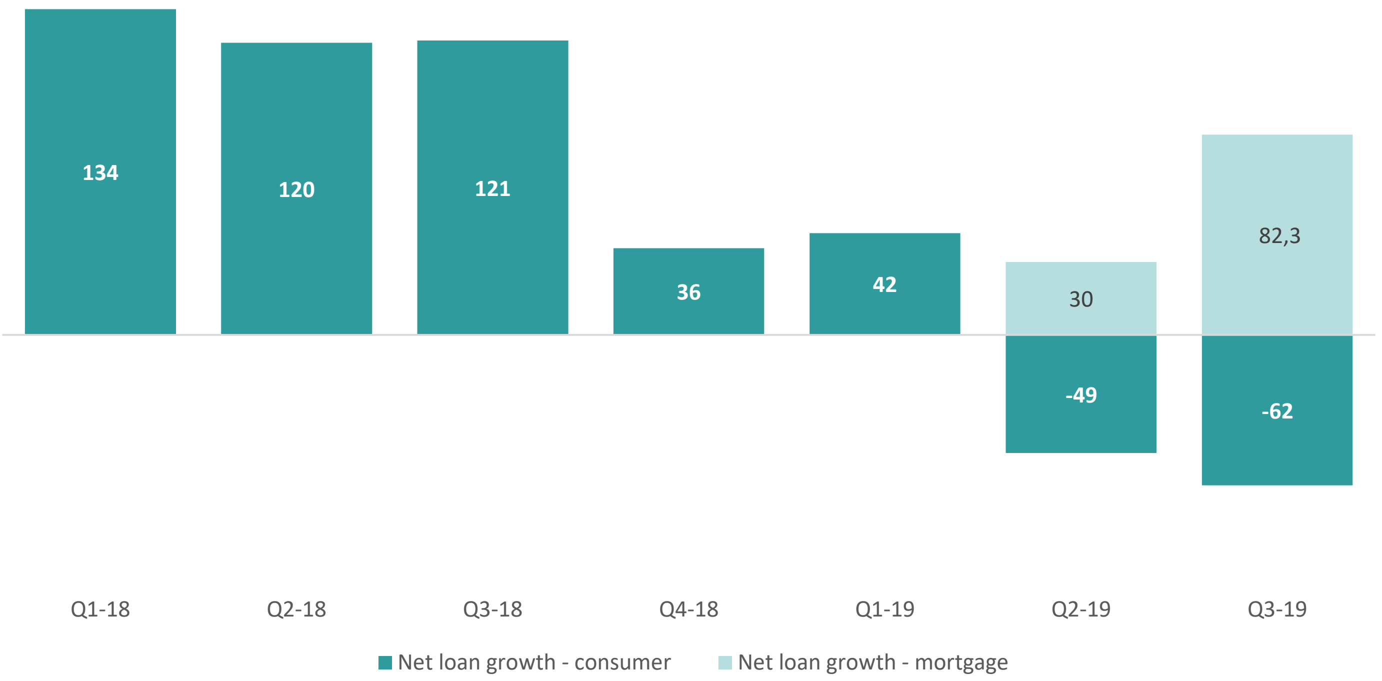
Financial summary

Loan growth

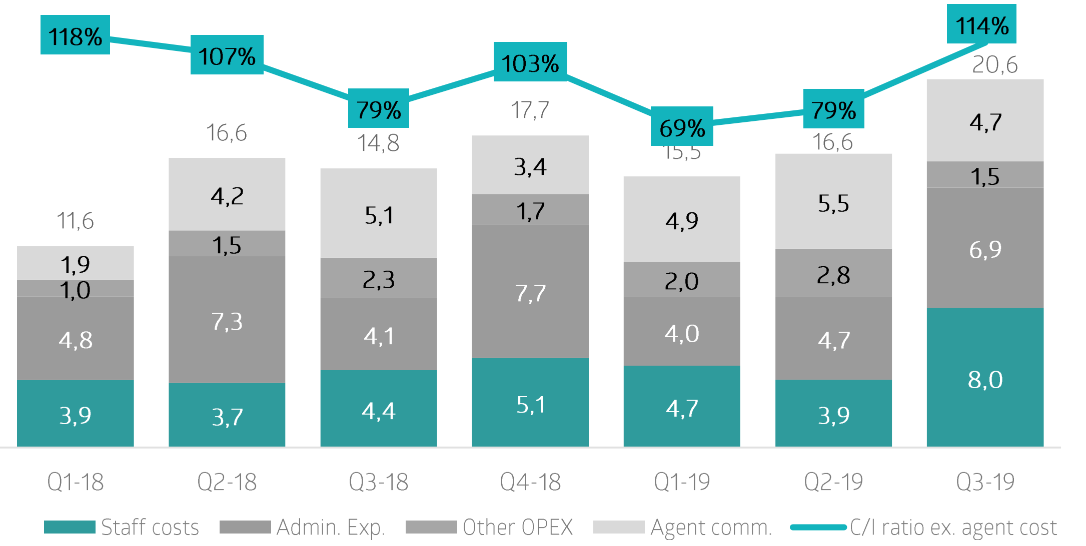
Net loan growth

- Net loan growth for consumer loans was negative NOK 62m in Q3-2019, including a NOK 31m effect from NPL sales in relation to the forward flow agreement
- All loan growth was in restart mortgage loans, which grew by a net of NOK 82,3m
- These developments are expected to continue in the next few quarters, until most of the loan book is mortgages, and churn on the remaining consumer loans is reduced



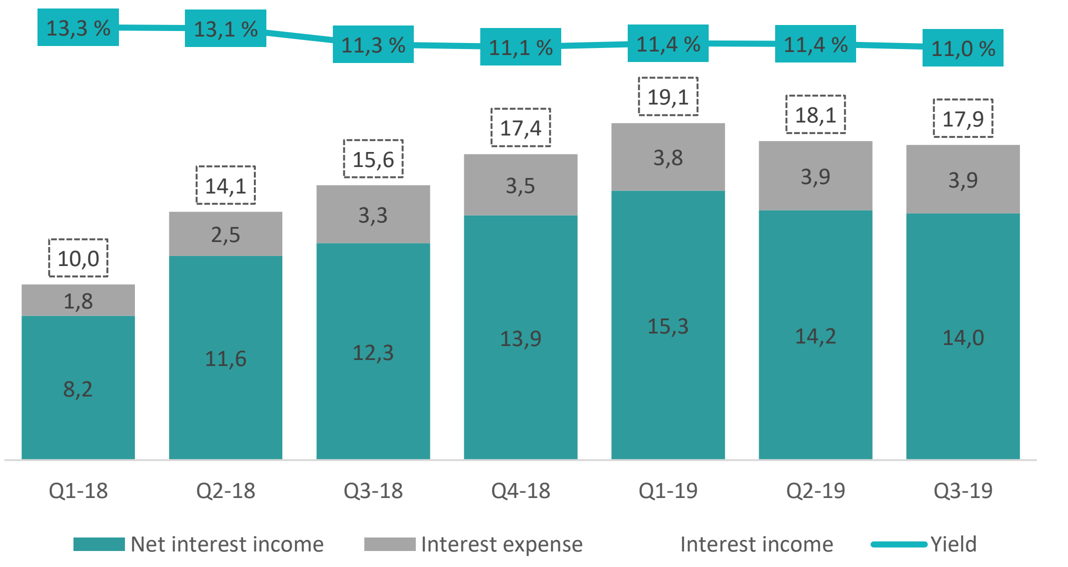
Operating expenses increased due to one-off restructuring costs

Operating costs and C/I ratio



- Administrative expenses increased, due to one-off or temporary items related to restructuring
- Increase in staff costs mostly reflects provisions for future (Q4) payments to former CEO and CCO, which means Q4 will be correspondingly lower
- Total costs ex. agent provisions are NOK 15.9, corresponding to a C/I ratio of 114%

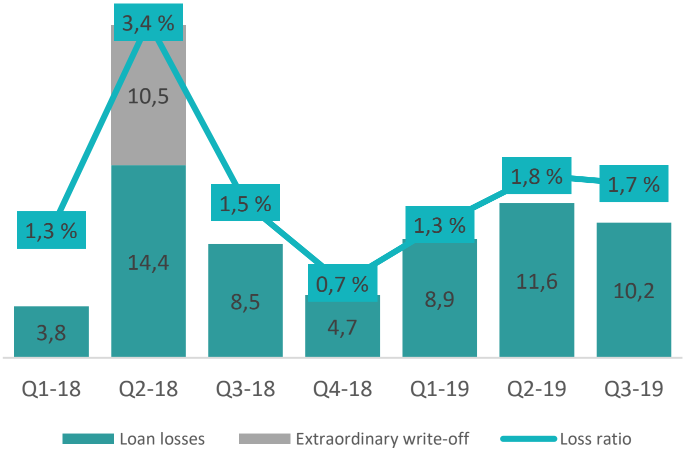
Interest income



- Interest income decreased from NOK 18.1 to NOK 17.9, a smaller decrease than in the previous quarter, as the growth of the mortgage portfolio accelerated
- Yield on loans falling slightly as mortgage loans grow to a bigger part of the portfolio – this fall will be temporarily reversed in Q4 as increased interest rates to existing customers takes effect from mid-October

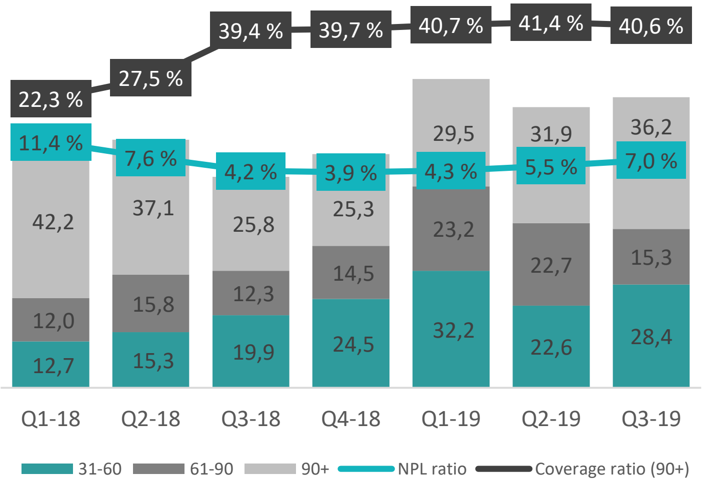
Loan losses somewhat lower, but credit quality of consumer loans is not improving

Loan losses



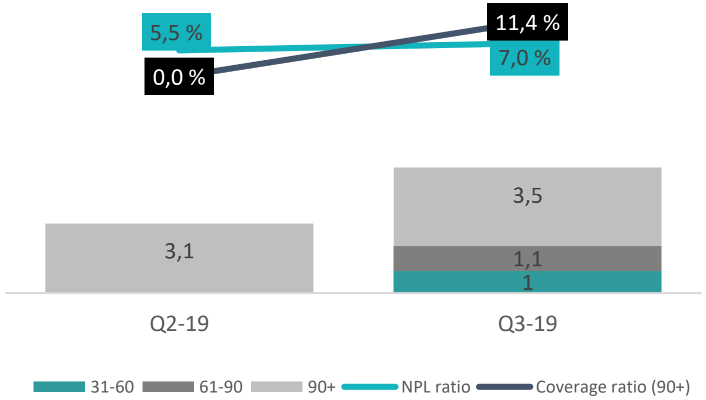
- Loan losses fell slightly in the quarter, as a result of slightly lower amount disposed of in forward flow
- Loan loss ratio expected to stabilise at approx. 1.0% - 1.25% (4.0% - 5.0% annually) in the short to medium term
- Loan losses include NOK 0.4m in model provisions on mortgage loans in arrears. Target provision level for mortgage loans is 0.75 - 1% of total loans

Loans by days past due - consumer



- Increase in NPL ratio as the portfolio is reduced, and some increase in absolute terms of past-due and doubtful loans seen during the quarter
- Total provisions represent 40.6% 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

Loans by days past due - restart



- Low level of non-performing and doubtful loans, but MyBank remains focused on credit quality and collections to ensure this continues
- Total provisions represent 11.4% of non-performing loans (90+) and 0.28% of gross loans.

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Operational update

Restart loans process is now at the point of scale-benefits

- We are adding significant processing capacity without adding many heads –
  - During the quarter, MyBank paid out approx. 90 million in new restart loans, with only two credit officers to process applications
  - New CCO came on board at the beginning of September, and is contributing to processing capacity
  - We are retraining existing staff to process restart loan applications, adding one or two heads of capacity
  - One additional credit officer starts January 1st, taking our capacity from two to four, while adding only one additional headcount

- IT-systems are approaching mature state:
  - New, low-cost CRM has been implemented both internally and with a number of loan agents – integrating them more closely and greatly improving efficiency by putting all the necessary information in one place
  - Repurposing of consumer loans system allows automatic document creation, debt-register checks and downloads of tax- and salary details – greatly reducing the potential time from application to loan disbursement

- Distribution is now delivering enough applications to grow according to plan:
  - Per balance sheet date we had 6 dedicated restart-loan agents, plus three consumer loan agents converted to restart loans
  - As of reporting date we have added three more, including market leader Eiendomsfinans
  - Future efforts focused on increasing conversion rates and reducing time from first contact to loan paid out

Consumer loans are reducing at expected rate, freeing up capital for restart loans

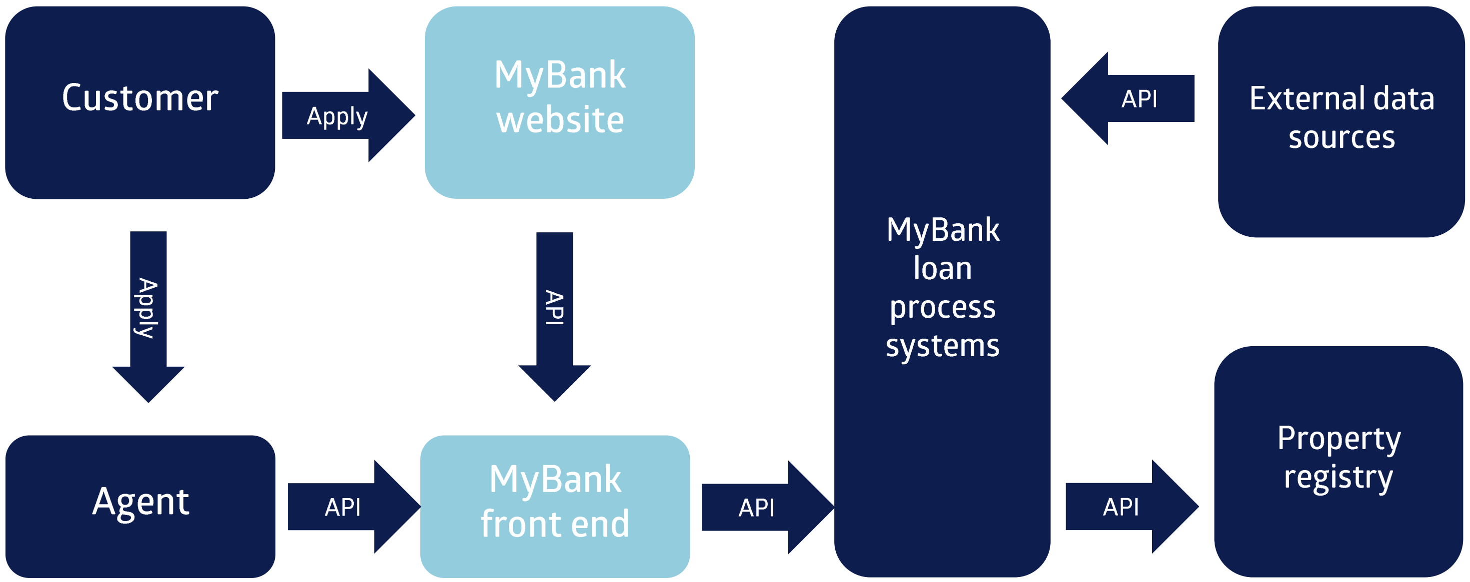
- Our consumer loan portfolio is now in run-off
  - Debt register, guidelines and capital shortages are slowing growth across most Norwegian banks
  - MyBank consumer loans portfolio is shrinking as almost no new loans approved

- Quality of the consumer loan portfolio is reasonably steady – income to increase in Q4 as interest increased
  - Customers were notified in Q3 of increased interest rates from mid-October – have seen little additional churn
  - Proportion of portfolio which is current has declined by approx. 2 percentage points on average during quarter
  - External valuation of the portfolio (by Kredinor) indicated a value slightly above par, based on cash flow analysis

- Transition from consumer to restart loans opens up several possibilities:
  - Lower risk weight and loan losses more than makes up for the slightly lower interest rate than consumer loans
  - Converting consumer loans to restart loans, for those of our customers who have payment problems, reduces losses on consumer loans
  - Consumer loan agents need a new source of revenue – and our technology lowers the barrier for them to do so

Reusing consumer loans process is scalable and better for bank, agent and customer

- MyBank's combination of full-service banking system and API-based automated application process is ideal for this product
- Process time can be reduced from competitors' 30 days (application to paid out) to less than one week –already down to 7 days
- Remaining lead times are mostly for customer and creditors to provide documentation



Quicker solution of customer's problem, less waste of agent and bank's time

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Appendix

Appendix 1: Income Statement and Balance Sheet

Income Statement

Amount in NOK thousands	Notes	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Interest income		17 921	15 602	55 179	39 667	57 045
Interest expense		-3 911	-3 291	-11 692	-7 573	-11 044
Net interest income		**14 010**	**12 310**	**43 487**	**32 094**	**46 000**
Commissions and fee income		105	58	346	54	158
Extraordinary fee income from software sales		-	2 820	-	2 820	2 820
Commissions and fee expense		-4 723	-5 108	-15 063	-11 203	-14 569
Net other income		**-4 618**	**-2 231**	**-14 717**	**-8 330**	**-11 591**
Total operating income		**9 392**	**10 079**	**28 770**	**23 764**	**34 409**
Income (loss) from trading activities		491	1 163	746	1 160	1 318
Staff costs		-7 964	-4 427	-16 526	-11 992	-15 487
Other administrative expenses		-6 913	-4 148	-15 603	-16 202	-23 598
Other operating costs		-1 530	-2 309	-6 302	-4 741	-6 430
Total operating costs	4	**-15 916**	**-9 722**	**-37 685**	**-31 776**	**-44 196**
Operating profit (Loss) before loan impairments		**-6 523**	**357**	**-8 915**	**-8 011**	**-9 787**
Loan losses	2	-10 148	-8 533	-30 644	-37 315	-42 004
Profit (Loss) before tax		**-16 671**	**-8 176**	**-39 559**	**-45 326**	**-51 791**
Tax		-4 168	-2 044	-9 890	-11 332	-12 948
Profit (loss) for the period		**-12 503**	**-6 132**	**-29 669**	**-33 995**	**-38 804**

Balance Sheet

Amount in NOK thousands	Note	30.09.2019	30.09.2018	31.12.2018
Assets				
Cash and central bank deposits		30 196	0	25 016
Loans to, and deposits at, credit institutions		70 424	83 192	63 227
Net loans to customers	2, 3, 4	649 660	600 972	636 596
Total loans		**750 280**	**684 165**	**724 839**
Short term financial investments		78 701	104 996	105 141
Other intangible assets incl. deferred tax		49 830	32 159	44 792
of which deferred tax asset		*-28 871*	*-17 366*	*-19 021*
Prepaid agent commissions		24 706	17 332	24 191
Fixed assets		59	0	69
Other assets		3 161	0	7 563
Receivables, prepayments and accrued income		2 238	19 597	735
Total other assets		**158 695**	**174 084**	**182 491**
Total assets		**908 975**	**858 249**	**907 330**
Liabilities				
Deposits from customers		701 032	653 473	695 220
Accounts payable		11 535	9 067	9 880
Total liabilities		**712 567**	**662 540**	**705 100**
Equity				
Share capital		282 996	241 035	259 151
Earlier retained earnings		-56 918	-45 326	-56 921
This years retained earnings		-29 669		
Total equity	5	**196 408**	**195 708**	**202 231**
Total liabilities and equity		**908 975**	**858 249**	**907 330**

Appendix 2: Capital Adequacy

Amounts in NOK millions	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Share capital	47,6	47,5	23,8	23,8	23,8
Share premium reserve	232,9	232,9	232,9	232,9	232,9
Retained earnings	-84,4	-71,9	-61,5	-51,7	-61,2
Deduction of intangible assets	-49,8	-42,3	41,3	43,0	32,1
Core equity tier 1 capital	146,2	166,2	153,8	158,8	163,2
Additional tier 1 capital instruments				0,0	0,0
Tier 1 capital	146,2	166,2	153,8	158,8	163,2
Subordinated loans				0,0	0,0
Tier 2 capital	146,2	166,2	153,8	158,8	163,2

Capital requirements *Amounts in NOK 1000s*	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Institutions	14,1	13,9	17,2	12,6	11,6
Unsecured loans to retail customers	508,3	570,6	649,0	635,1	600,9
Secured by mortgages	56,5	22,6	11,0	0,5	
Collective investments undertakings	2,7	2,6	2,8	2,8	2,7
Other	30,2	42,1	29,6	34,3	17,3
Operational risk	49,4	49,4	49,4	20,7	20,7
Total risk-weighted assets	661,2	701,2	759,1	706,0	653,2
Core equity tier 1 capital ratio	22,1 %	23,7 %	20,3 %	22,5 %	25,0 %
Tier 1 capital ratio	22,1 %	23,7 %	20,3 %	22,5 %	25,0 %
Capital ratio	22,1 %	23,7 %	20,3 %	22,5 %	25,0 %
Liquidity Coverage Ratio (LCR):	694 %	833 %	859 %	860 %	923 %

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