



## **Q3 2017 PRESENTATION**

18 October 2017

# Q3 2017 agenda

- Quarterly highlights
- Concept and business model
- Loan growth
- P&L
- Financial position
- Outlook
- Investment highlights



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# Quarterly highlights

- Growth in net loans was NOK 67.9 million (compared to 58.9 million in the second quarter) and pre-tax loss was NOK 5.1 million (NOK 2.8 million)
- The flat development in loan growth from the previous quarter was due to a threemonth delay in the technical development of a fully automated system. The issues have largely been solved as of the reporting date
- During the quarter, MyBank included three new brokers on its automated banking solution, bringing the total to four. Approaching run rate loan growth late Q4 or early Q1 2018
- Testing has been initiated on distribution of unsecured car loans by MyBank on third parties' balance sheets, with indications of competitive risk-reward. Possible commercial launch in Q1 2018 upon successful testing, diversifying revenue streams and supporting growth
- Further diversification through new products and geographies to be evaluated in 2018



# A unique distribution model that ensures low fixed costs and scalability

Current agent model is flawed...

### **AGENTS**

- Sales commission sole revenue stream
- Limited revenue predictability drives short-term customer focus

New loans

Sales commission

### **BANKS**

- Using agents as well as own distribution
- Double cost structure

Competition between the bank and the agent drives customer churn

...based on experience with an as agents, we have created the MyBank model

### **AGENTS**

- Sales commission and portfolio commission (ceases to apply if/when the customer leaves)
- Strong revenue predictability enables long-term customer focus

New loans Customer

Customer management

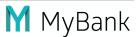
Sales commission

Portfolio commission

### **MYBANK**

- Agents only (no own distribution)
- Low fixed costs
- Strong distribution power

No competition secures loyal agents and low customer churn



# MyBank has a phased approach towards full-service retail banking

Unique agent distribution model Low costs Efficient distribution setup Loan agents distribute consumer loans, refinancing Distribution setup suitable for all markets loans and residential mortgages Target III Fee-Target I Target II revenues Flexible distribution allows Mortage -Consumer loans MyBank to target the most Mortgages Refinancing loans? Payment attractive segments at any protection time insurance • Projected loan portfolio based on market and • Car loans profitability assumptions Actual portfolio Covered composition depends on bonds continuous risk/reward analysis Year1 Year2 Year3 Year4 Year5 Year1 Year2 Year3 Year4 Year5 Year1 Year2 Year3 Year4 Year5



# Summary of our business model

Robust business model with Low-cost banking setup Interests aligned **Market opportunity** high profitability ■ 100 % agency-based Commission structure Highly attractive consumer Low-cost player targeting

- distribution secures low fixed-cost base
- No marketing or branding costs
- Standard banking products and established IT setup
- Cheap funding mainly through deposits

What the customer needs. At low cost

- enabling high growth and low churn
- No competition between bank and agent
- Fully scalable cost structure

Preferred partner for loan agents

- loans market. Loan agents represent more than 50% of volumes1
- Refinancing loans also attractive
- Mortgage loans a potential target market when risk/reward improves

Entering a highly profitable market

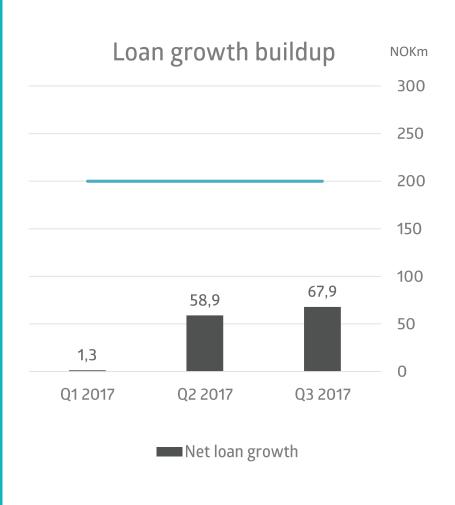
- high-return sector
- Agent model enabling unique combination of high growth, low churn and low fixed costs
- Possibility for diversification of revenue streams

...with a unique and flexible business model

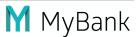
MyBank's goal is to provide all banking services that the typical retail customer needs, at a competitive price - over time



# Completion of automated solutions is key to reach loan growth target



- Current focus is to establish a solid sustainable banking platform that secures efficiency and scalability
- Limited loan growth in Q3 due to delay in delivery of automated IT-solution. The issues have largely been solved as of the reporting date
- Three more loan brokers was included on the new solution in Q3 – expected to be approaching run rate loan growth late Q4 or early Q1 2018
- MyBank targets run rate quarterly loan growth of approximately NOK 200 million



## P&L

#### **Amounts in NOK 1000s**

Interest income         4.17         1.37         0.01         5.55           Interest expense         1.37         0.48         0.00         1.85           Net interest income         2.80         0.89         0.00         3.70           Commissions and fee income         0.01         0.00         0.00         0.01           Commissions and fee expense         -0.27         -0.02         0.00         -0.29           Net commissions and fee income         -0.25         -0.02         0.00         -0.28           Total operating income         2.55         0.87         0.00         3.42           Staff costs         3.75         2.70         2.60         9.05           Other administrative expenses         2.24         1.14         1.21         4.59           Other operating costs         1.48         1.10         2.58           Total operating profit (Loss) before loan impairments and financial income         -4.93         -4.06         -3.81         -12.80           Reserved for loan impairments         0.67         0.25         0.00         0.92           Income/loss from trading activities         0.48         1.48         0.10         2.06	Amounts in NOK millions	Q3 2017	Q2 2017	Q1 2017	YTD 2017
Interest expense         1.37         0.48         0.00         1.85           Net interest income         2.80         0.89         0.00         3.70           Commissions and fee income         0.01         0.00         0.00         0.01           Commissions and fee expense         -0.27         -0.02         0.00         -0.29           Net commissions and fee income         -0.25         -0.02         0.00         -0.28           Total operating income         2.55         0.87         0.00         3.42           Staff costs         3.75         2.70         2.60         9.05           Other administrative expenses         2.24         1.14         1.21         4.59           Other operating costs         1.48         1.10         2.58           Total operating costs         7.47         4.94         3.81         16.22           Operating profit (Loss) before loan impairments and financial income         -4.93         -4.06         -3.81         -12.80           Reserved for loan impairments         0.67         0.25         0.00         0.92           Income/loss from trading activities         0.48         1.48         0.10         2.06		<u> </u>	•		
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Other administrative expenses  Other operating costs  1.48  1.10  2.58  Total operating costs  7.47  4.94  3.81  16.22  Operating profit (Loss) before loan impairments and financial income  Reserved for loan impairments  0.67  0.25  0.00  0.92  Income/loss from trading activities  0.48  1.48  0.10  2.06	Total operating income	2.55	0.87	0.00	3.42
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Other operating costs1.481.102.58Total operating costs7.474.943.8116.22Operating profit (Loss) before loan impairments and financial income-4.93-4.06-3.81-12.80Reserved for loan impairments0.670.250.000.92Income/loss from trading activities0.481.480.102.06	Staff costs	3.75	2.70	2.60	9.05
Total operating costs 7,47 4.94 3.81 16.22  Operating profit (Loss) before loan impairments and financial income -4.93 -4.06 -3.81 -12.80  Reserved for loan impairments 0.67 0.25 0.00 0.92 Income/loss from trading activities 0.48 1.48 0.10 2.06	Other administrative expenses	2.24	1.14	1.21	4.59
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Profit (Loss) before tay	Income/loss from trading activities	0.48	1.48	0.10	2.06
-5.11 -2.84 -3.71 -11.00	Profit (Loss) before tax	-5.11	-2.84	-3.71	-11.66
Tax 0 0 0 0	Tax	0	0	0	0
Profit (loss) for the period -5.11 -2.84 -3.71 -11.66	Profit (loss) for the period	-5.11	-2.84	-3.71	-11.66

- The main cost driver was hire of key personnel as operations commenced
- Depreciation of IT-system and other immaterial assets started in O3
- Other operating expenses mainly related to consulting fees in the start-up phase
- Total cost base expected to increase in the coming quarters along with higher lending activity with cost/income to decline
- On track for profitability during 2018 following initial ramp-up and investments



## Financial position

#### **Amounts in NOK 1000s**

Amounts in NOK millions	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Assets				
Loans to, and deposits at, credit institutions	70.7	81.4	56.4	0.0
Loans to customers	128.5	60.6	1.3	0.0
Provision for impairment losses	0.9	0.4	0.1	0.0
Net loans to customers	127.6	60.2	1.3	0.0
Short term financial investments	280.1	226.9	175.2	0.0
Other intangible assets	21.5	16.2	9.9	0.6
Property, plant and equipment	0.0	2.8	0.0	0.0
Receivables, prepayments, accrued income and other assets	0.7	1.3	0.8	2.9
Total assets	500.6	388.8	243.5	3.5
Liabilities				
Deposits from customers	252.3	136.0	20.8	0.0
Accounts payable	3.3	2.2	1.6	0.1
Total liabilities	255.6	139.0	22.1	0.1
Equity				
Share capital	256.7	258.4	227.3	5.6
Retained earnings	-11.7	-7.8	-5.9	-2.2
Total equity	245.1	250.6	221.4	3.4
Total liabilities and equity	500.6	388.8	243.5	3.5

- Total assets amounted to NOK 500.6 million by end of the first quarter
- Loans to customers amounted to NOK 127.6 million after provisions of NOK 0.9 million
- Deposits accounted for NOK 252.3 million, equity for NOK 245.1 million
- Liquidity position of NOK 348.1 million included NOK 70.7 million in bank deposits and NOK 277.4 million in bond and money market funds



### Outlook



- The no. 1 priority currently is to establish efficient and solid banking systems to secure credit quality and long term profitability
- MyBank will allocate capital to the markets that yield the best risk-adjusted returns at any given time – currently consumer loans
- Diversification through new products and geographies to be evaluated in 2018, refinancing mortgages set to be first in line



