MyBank

Plain. Simple. Banking.

Q4 2018 presentation

Agenda

1. **Q4 2018 update**
2. Restart loans
3. Appendix

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Highlights for the quarter

Key figures

Figures in NOKm (excl. per share)	Q1-18	Q2-18	Q3-18	Q4-18	2018
Gross loans	370	490	611	647	647
Net interest income	8	12	12	14	46
Net other income[1)]	-2	-4	-1	-3	-10
Operating costs	10	12	11	15	47
Provisions for loan impairments	4	25	9	5	42
Profit before tax	-7	-30	-8	-8	-54
CET-1 ratio	49.8 %	30.3 %	29.8 %	22.3 %	22.3 %
Book equity	234	204	196	201	201
Tangible book equity	209	178	164	158	158
Book equity per share	0.98	0.86	0.82	0.84	0.84
Tangible book equity per share	0.88	0.75	0.69	0.66	0.66

Comments

Low loan growth due to capital constraints

- High and stable flow of loan applications (currently 25,000+ per month)
- Gross loans of NOK 647m in Q4-18, up NOK 35m from Q3-18
- Operating costs of NOK 14.6m in Q4-18. The increase is partly a result of legal fees related to potential strategic options

New equity

- FSA rejected MyBank's use of mass market weights, reducing the growth capacity in Q4-18 by approx. NOK 200m
- Following a consultation with shareholders on an initial proposal of a NOK 50 million equity issue, the bank has revised its growth and capital forecasts and will now seek to raise NOK 25m during the course of the first quarter

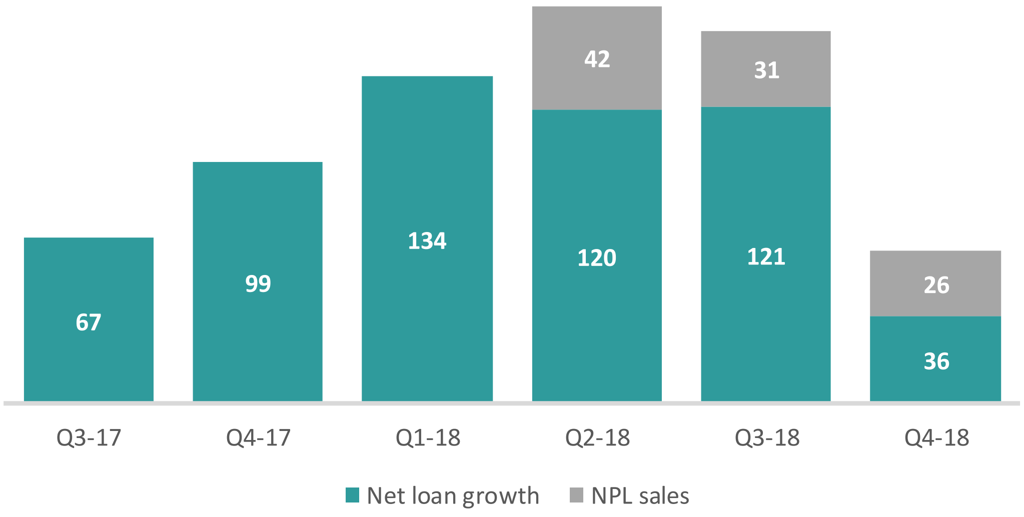
New credit scoring model implemented to strengthen credit quality

- During Q4-18 the bank developed a new and improved credit scoring model
- The model was implemented in the beginning of January and will contribute to further improve portfolio quality
- Total loan losses in Q4-18 of NOK 4.7m, down from 8.5m in Q3-18

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

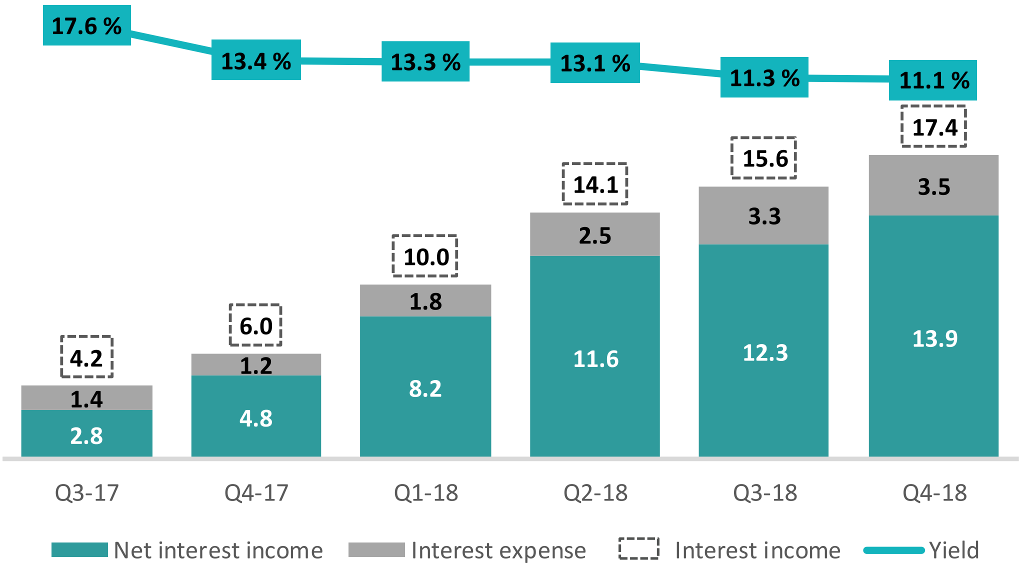
Low growth and stable yields – but expected to increase with new scorecard

Net loan growth



- Net loan growth was NOK 36m in Q4-2018, including a NOK 26m effect from NPL sales in relation to the forward flow agreement

Interest income



- Interest income increased from NOK 15.6 to NOK 17.4
- Yield on loans relatively stable from Q3-18
- Interest yield on consumer loans going forward expected to increase as MyBank will be able to optimize its risk matrix due to improved scoring capabilities

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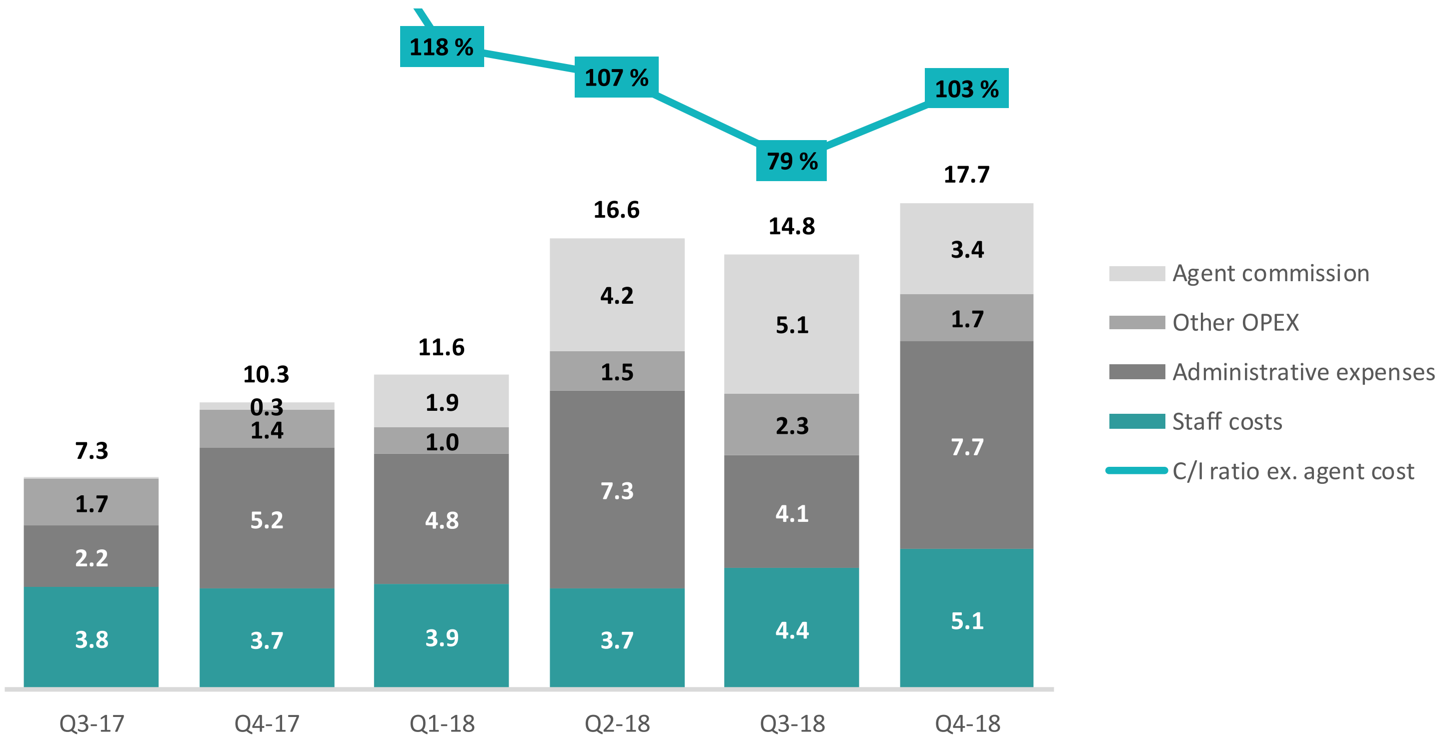
Low-cost banking setup with increased operational efficiency

Operating costs and C/I ratio



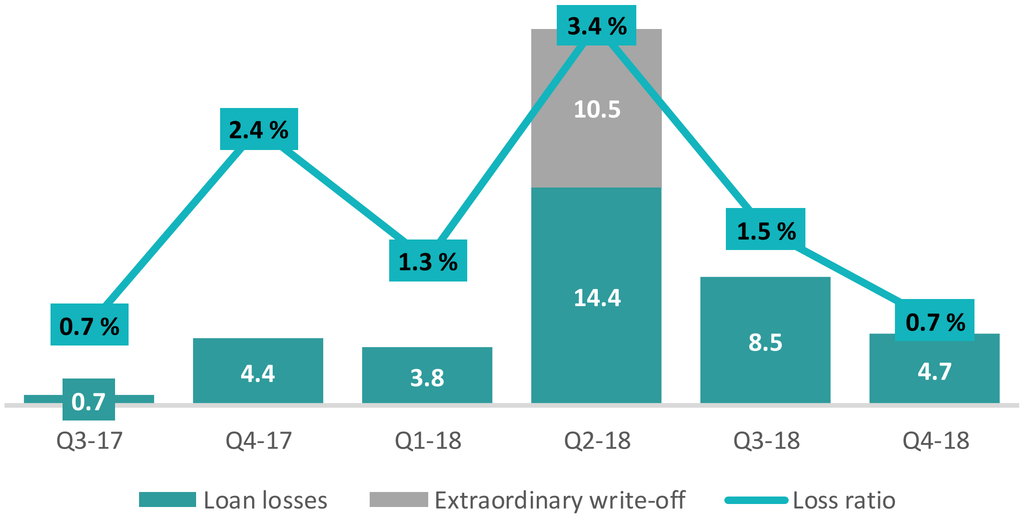
Comments

- Administrative costs decreased in Q3-18 due to reduction in temporary external staffing and general cost improvements
- Administrative expenses NOK 3.0m higher in Q4-18 than Q3-18, which is i.a. related to legal fees in exploring strategic options
- Total costs in Q4-18 of NOK 17.7m
- Total costs ex. agent provisions are NOK 14.6, corresponding to a C/I ratio of 103%
- Recent initiated cost efficiency actions have identified at least NOK 6.8m costs in 2018 that will not recur in 2019

*NII = Net Interest Income

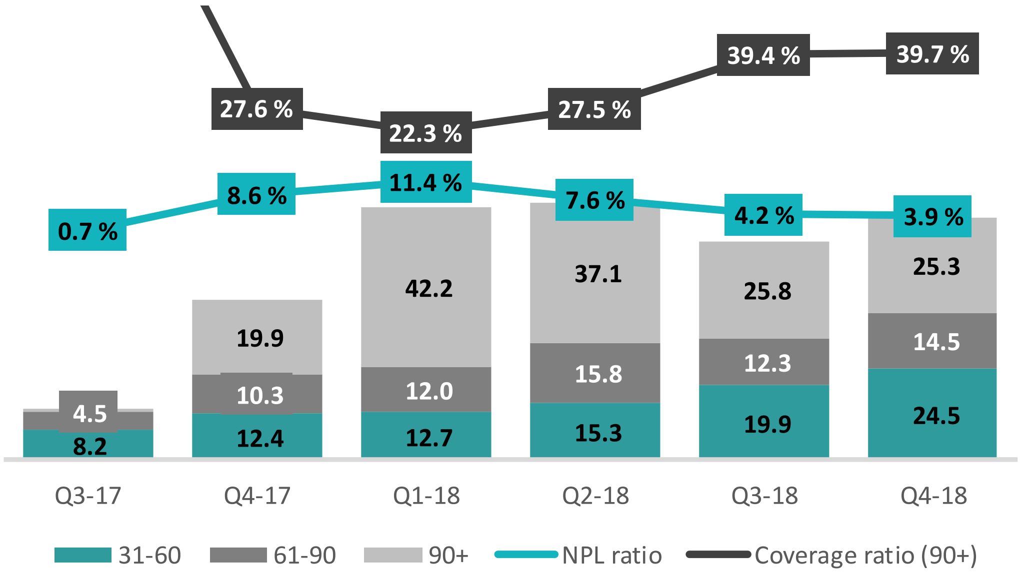
Normalized loan loss levels and steady improvement of portfolio quality

Quarterly loan losses*



- Loan losses normalized in the quarter, following high losses in Q2 due to a write-off related to a one-off NPL sale
- Loan loss ratio expected to remain stable at approx. 1.0% (4.0% annually) in the short to medium term

Loans by past due



- Fairly stable and low NPL ratio due to NPL sale from forward flow agreement and improved credit quality
- Total provisions represent 39.6% of non-performing loans (90+)
- Going forward, quarterly NPL sales through forward flow agreement are expected at NOK 25-30m

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

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In line with strategy and good market timing

What is it?

- Mortgage loan (secured) with maximum LTV of 85%
- Interest rates of 6% – 9%
- Amortized over 25 – 30 years
- Typically used to refinance individuals with payment remarks (transition solution)

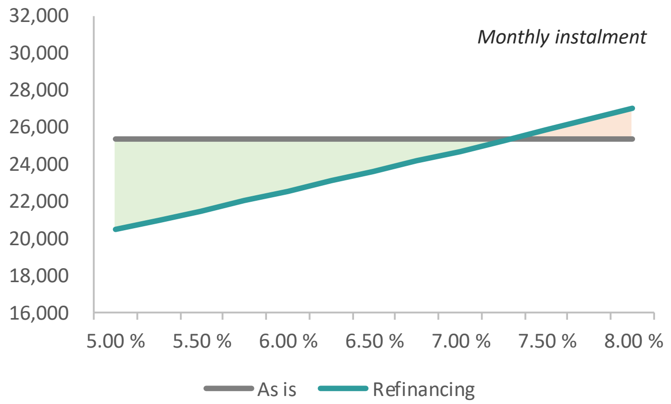
EXAMPLE

Mortgage loan: NOK 3m, 2.5% interest, 25 year maturity

Consumer loan: NOK 500k, 15% interest, 5 year maturity

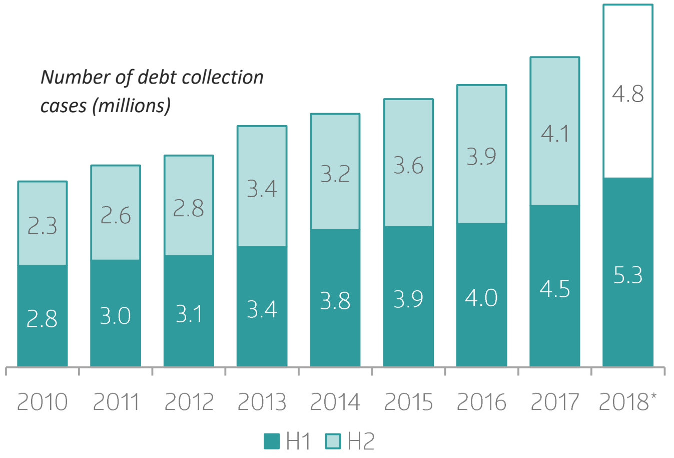
VS.

Refinancing into mortgage loan of NOK 3.5m, 25 year maturity at various interest rates



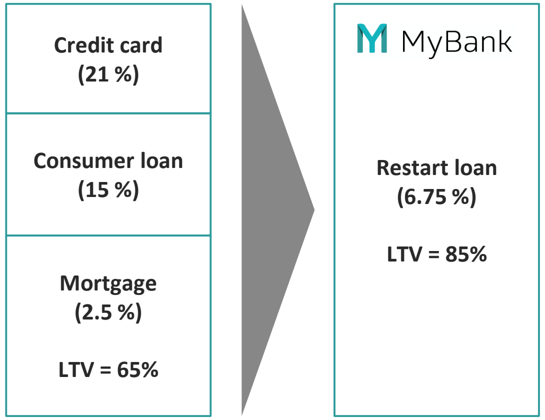
What's driving it?

- Number of debt collections is increasing rapidly. As of December 2018, 261k Norwegians had payment remarks (7.9% of credit eligible Norwegians)
- Guidelines have become regulations[1], prohibiting additional consumer loans for many customers, and will likely contribute to further increase in debt collection cases and payment remarks
- Payment remarks effectively remove standard financing (or top-up) option



Who is it for?

- Individuals with;
  - Payment remarks
  - Inability to get additional consumer loans
  - Reluctance (or unaware of possibility) of refinancing in existing bank
- MyBank can hold both first and second lien security
- Can be both top-up financing or pure refinancing

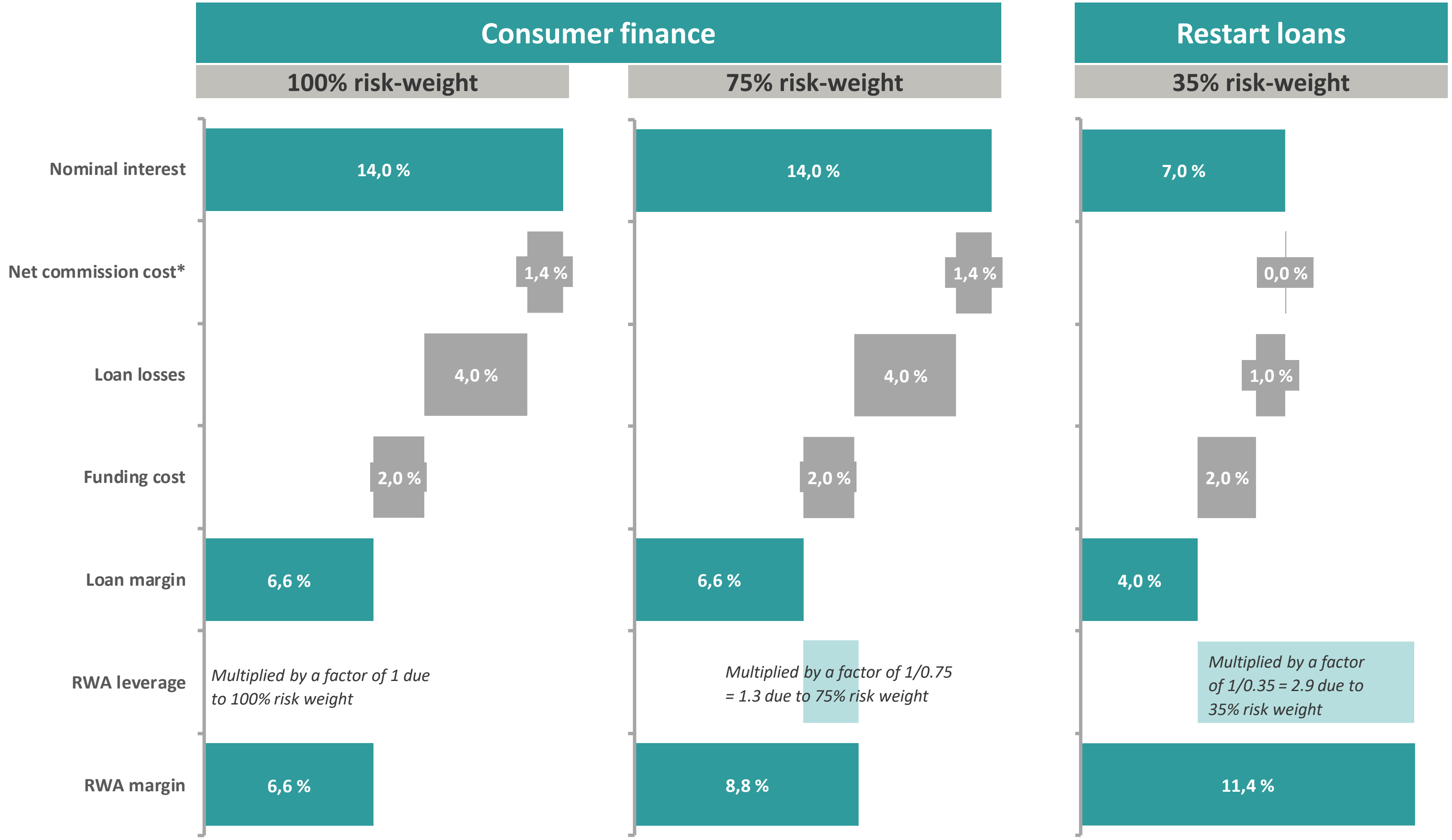


1) Maximum five year maturity for new consumer loans. Total debt maximum 5x gross income. Debt register to be launched summer 2019

* H2-18 estimated based on annualized H1-18

Higher marginal return from restart loans due to lower risk-weights

ILLUSTRATIVE



Comments

- Illustrative example to visualize marginal annual return on risk-weighted assets (RWA) excluding fixed cost
- Lower expected loss rates and risk-weights on restart loans (mortgages with LTV < 85%) than consumer loans
- MyBank will use existing automated processes from consumer loans to minimize manual processes on restart loans – larger average loan size and high margin still allow for necessary manual checks

- MyBank expects NOK 1.25m in annual fixed cost increase from launch of restart-loans, of which;
  - NOK 0.2mm from IT investments (NOK 1m amortized over 5 years)
  - NOK 0.75m in personnel expenses (one FTE)
  - NOK 0.3m in other OPEX

* Net commission cost: Consumer finance: Yearly net commission calculated as 5% distribution cost less start-up and term fees (all amortized over 2.5 years except from term fees)
Restart loans: Yearly net commission calculated as set-up fee less distribution cost (conservatively as set-up fee is usually higher than distribution cost)

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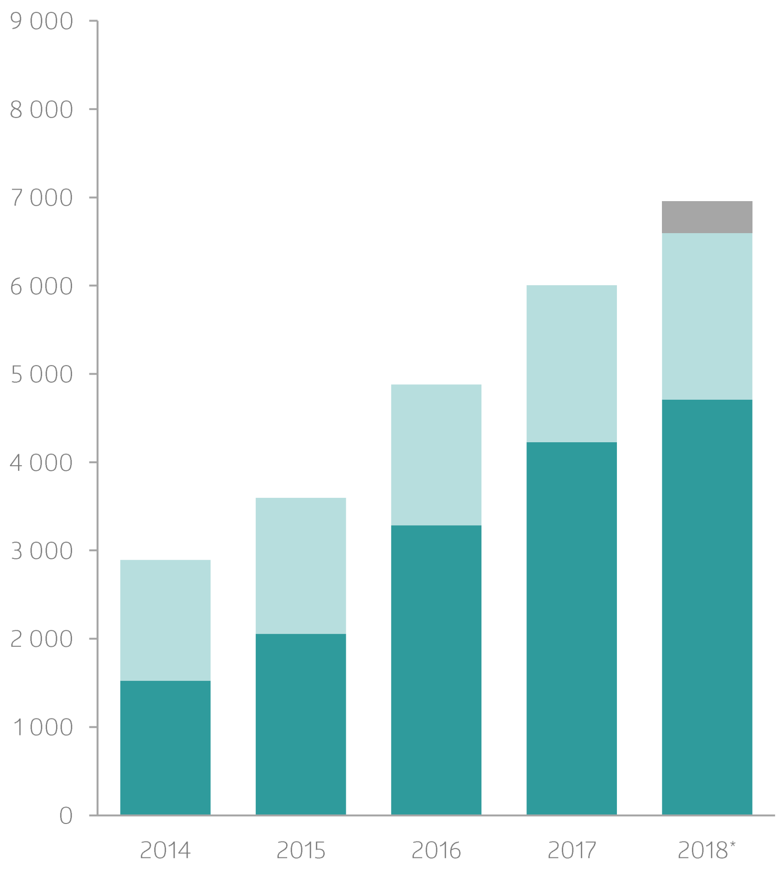
An existing market with a few incumbent and new players

Loan development high-interest mortgages for selected players in the Norwegian market (NOKm)



BALANSE – Part of Sandnes Sparebank

- Established in 2015 as part of Sandnes Sparebank, a local Norwegian savings bank
- Loan balance last reported 2018: N/A
- Average loan size: N/A

Kraft Bank

- Established in May 2018 by former Sandnes Sparebank management team
- Loan balance last reported 2018: NOK 0.4bn
- Average loan size 2018: NOK 2.9m

BANK2

- Established in 2005, listed on N-OTC in 2016
- Loan balance last reported 2018: NOK 1.9bn (mortgages only)
- Average loan size 2018: NOK 1.2m

BlueStep Bank

- Established in 2005, entered Norway in 2010, acquired by EQT in 2017
- Loan balance last reported 2018: NOK 4.7bn
- Average loan size 2018: NOK 1.5m

*) Bank2 per Q3-18, Bluestep Bank Norway per Q2-18, Kraft Bank per Q4-18. Loan volumes for Balanse by Sandnes Sparebank are not available

Restart loans to be launched based on automated consumer loan technology

Consumer loans

In-house technology delivering 25k+ applications per month | Technology sold to other banks

	FSA regulations	New scorecard	Disposible income tool	Altinn integration
PROGRAM DETAILS	• Full automation of new regulations	• Developed by MyBank Chief Credit Officer in cooperation with Lindorff and Experian • Based on own customer data • Proven by back-testing with old portfolio	• In-house developed statistical model superior to standard SIFO models at predicting a customer's monthly disposable income	• Retrieve and process applicant salary and tax data directly from Altinn[1]
RESULTS	• Secures efficient compliance with new regulations at low cost	• Improved credit scoring and thus expected risk / reward	• Better pre-scoring, reducing credit check costs (external sources) as more applicants get rejected early • Leaner processes	• Reduces fraud • Confirms employment • Increases automation

Restart loans

Largely reuse of technology

- High-interest mortgage loans with up to 85% LTV
- All technological solutions developed for consumer loans can be utilized, securing a high degree of automation
- Improves portfolio quality and hedges against expected consumer loan market contraction

1. Requires customer consent as with a regular external credit check

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Income Statement and Balance Sheet

Amount in NOK thousands	Q4 2018	Q3 2018	YTD 2018
Interest income	17 377	15 602	57 045
Interest expense	-3 471	-3 291	-11 044
Net interest income	13 906	12 310	46 000
Commissions and fee income	104	58	158
Extraordinary fee income from software sales	0	2 820	2 820
Commissions and fee expense	-3 365	-5 108	-14 569
Net other income	-3 261	-2 231	-11 591
Total operating income	10 645	10 079	34 409
Income (loss) from trading activities	158	1 163	1 318
Staff costs	-5 128	-4 427	-17 120
Other administrative expenses	-7 651	-4 148	-23 854
Other operating costs	-1 748	-2 309	-6 489
Total operating costs	-14 369	-9 722	-46 144
Operating profit (Loss) before loan impairments	-3 724	357	-11 408
Loan losses	-4 689	-8 533	-42 004
Profit (Loss) before tax	-8 413	-8 176	-53 739
Tax	-2 103	-2 044	-13 435
Profit (loss) for the period	-6 310	-6 132	-40 304

	31.12.2018	30.09.2018	31.12.2017
Assets			
Cash and central bank deposits	25 016	25 000	0
Loans to, and deposits at, credit institutions	63 228	58 192	76 044
Net loans to customers	636 596	600 972	226 328
Total loans	724 839	684 165	302 372
Short term financial investments	105 141	104 996	180 431
Other intangible assets incl. deferred tax	43 081	32 159	19 995
Prepaid agent commissions	25 894	17 332	6 551
Other assets	6 057	17 987	0
Receivables, prepayments and accrued income	735	19 597	927
Total other assets	180 909	174 084	207 904
Total assets	905 748	858 249	510 276
Liabilities			
Deposits from customers	695 220	653 473	270463
Accounts payable	9 553	9 067	4597
Total liabilities	704 772	662 540	275060
Equity			
Share capital	241 035	241 035	256 717
Retained earnings	-40 059	-45 326	-21 501
Total equity	200 976	195 708	235 216
Total liabilities and equity	905 748	858 249	510 276

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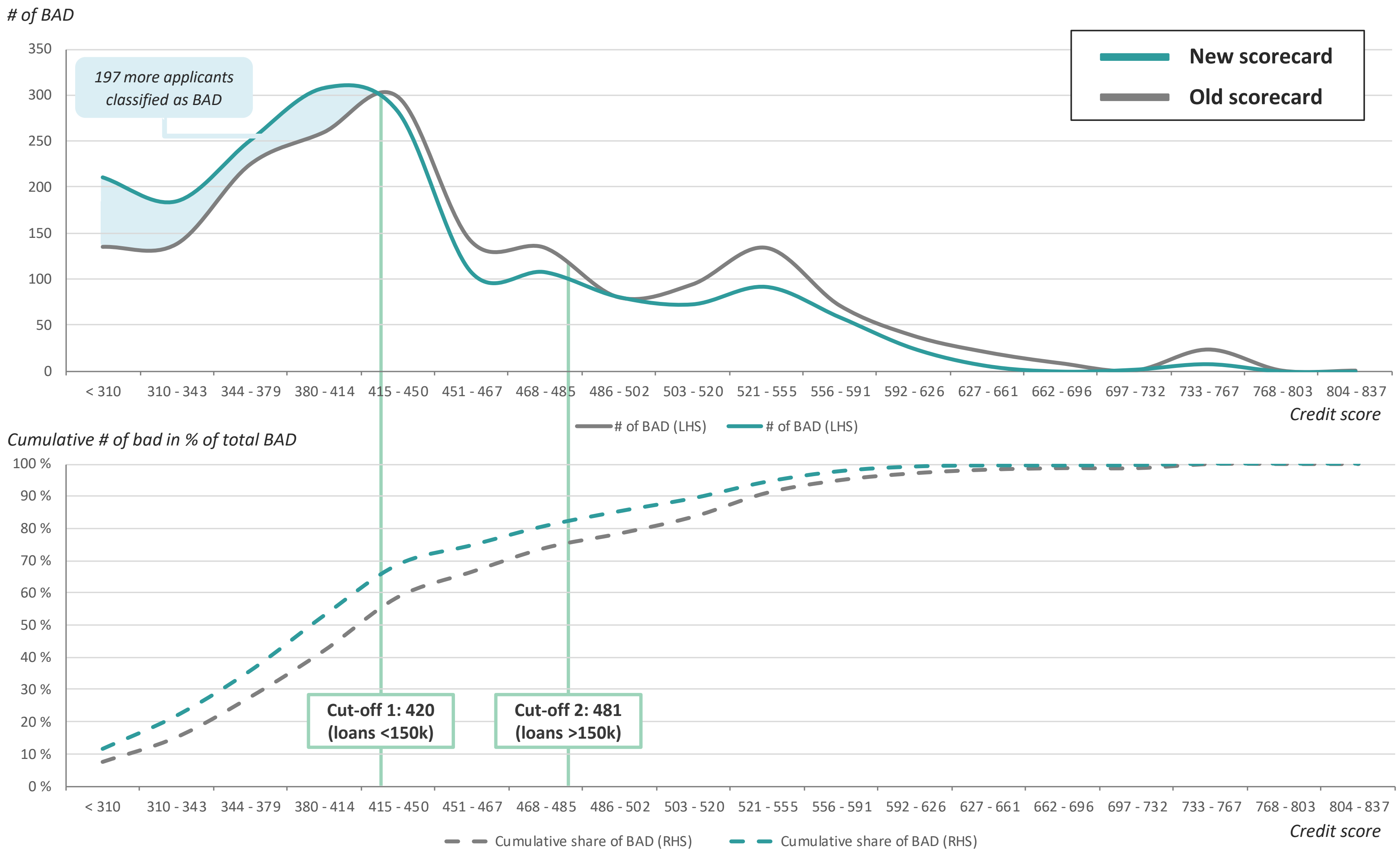
Capital Adequacy

Amounts in NOK millions	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Share capital	23.8	23.8	23.8	23.8	23.8
Share premium reserve	232.9	232.9	232.9	232.7	232.7
Retained earnings	-69.6	-61.2	-53.0	-23.3	-16.1
Deduction of intangible assets	29.7	32.1	26.0	37.9	26.5
Core equity tier 1 capital	157.2	163.2	177.6	195.5	213.9
Additional tier 1 capital instruments	0	0	0	0	0
Tier 1 capital	157.2	163.2	177.6	195.5	213.9
Subordinated loans	0	0	0	0	0
Tier 2 capital	157.2	163.2	177.6	195.5	213.9

Capital requirements

Amounts in NOK 1000s	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Institutions	12.6	11.6	10.1	10.2	15.2
Unsecured loans to retail customers	635.6	600.9	480.4	318.1	215.8
Collective investments undertakings	2.8	2.7	3.2	7.1	8.1
Other	32.7	17.3	54.3	41.3	24.8
Operational risk	20.7	20.7	20.7	19.7	19.7
Total risk-weighted assets	704.4	653.2	568.7	396.4	283.6
Core equity tier 1 capital ratio	22.3 %	25.0 %	30.3 %	46.9 %	75.4 %
Tier 1 capital ratio	22.3 %	25.0 %	30.3 %	46.9 %	75.4 %
Capital ratio	22.3 %	25.0 %	30.3 %	46.9 %	75.4 %

New scorecard drastically improves predictability



- The upper graph shows that the new scorecard puts a significantly higher number of BAD customers in low-score categories
- The bottom graph shows the cumulative number of BAD applications in % of total BAD, meaning MyBank is able to identify and reject BAD applications in a significantly larger degree than before
- Based on a sample of applications (7,797) from 4 – 17 December 2018 (with old scorecard), MyBank observes the following:
  - 76% of approved loans would also be approved with new scorecard, while 24% would be rejected
  - 60% of applications gets lower score with new model, 40% gets higher score
  - 18% of rejections would be approved
  - In total, the new scorecard increases the approval rate in the sample by 28%

With the new scorecard, MyBank would be able to optimize the interest matrix continuously based on new win-rates, effectively increasing interests on new loans

BAD = a loss-making customer as defined by MyBank

Historical analysis based on 24,061 applications to MyBank with at least 8 months of historical data. 1,800 in the category BAD (either as customer in MyBank or other financial institutions)

Shareholders and share price development

Shareholders per 25 February 2019

#	Investor	Shares	%
1	SKANDINAVISKA ENSKILDA BANKEN AB	54,464,190	22.9%
2	DANSKE BANK A/S	25,786,177	10.8%
3	BIMO KAPITAL AS	14,000,000	5.9%
4	ATOM INVEST AS	13,333,333	5.6%
5	J AANERØD & SØNN AS	11,955,000	5.0%
6	NORDNET BANK AB	11,903,529	5.0%
7	SEB LIFE INTERN ASSUR COMPANY DAC	11,267,655	4.7%
8	DOBER AS	10,333,866	4.3%
9	EUROPA LINK AS	9,911,424	4.2%
10	SWEDBANK AB	6,265,000	2.6%
11	GRAFFA AS	6,180,000	2.6%
12	DATSUN AS	5,098,307	2.1%
13	EUROPA LINK AS	4,933,316	2.1%
14	GJERSVIK KARSTEIN	4,904,925	2.1%
15	ØSTERLUND INVEST AS	4,180,000	1.8%
16	CRESCENT BELL & HARE LTD	2,100,000	0.9%
17	KG INVESTMENT COMP AS	2,000,000	0.8%
18	SVENSKA HANDELSBANKEN AB	1,825,000	0.8%
19	BES INVEST AS	1,600,000	0.7%
20	AGAT AS	1,584,000	0.7%
21	AVANZA BANK AB	1,514,810	0.6%
22	SKANDINAVISKA ENSKILDA BANKEN S.A.	1,500,000	0.6%
23	CMD AS	1,412,500	0.6%
24	OMA INVEST AS	1,400,000	0.6%
25	MAVENHEAD II LIMITED	1,309,524	0.5%
26	LANGE-NIELSEN HELGE	1,253,500	0.5%
27	AANERØD LISA KRISTINE	1,200,000	0.5%
28	GRUNNFJELLET AS	1,133,228	0.5%
29	VIGEN INVEST AS	999,250	0.4%
30	SILVERCOIN INDUSTRIES AS	954,690	0.4%
	Total top 30	216,303,224	90.8%
	Rest	21,807,967	9.2%
	Grand total	238,111,191	100.0%

Share price development

Source: Oslo Børs VPS Arena, Factset as of 26 February 2019

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