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Q1 2019 presentation

# Summary of the quarter

## Key figures

<i>Figures in NOKm</i>	Q1-18	Q4-18	2018	Q1-19
Gross loans	369.5	646.6	646.6	690.4
Net interest income	8.2	13.9	46.0	15.3
Net other income <sup>1)</sup>	-1.9	-3.1	-10.3	-4.8
Operating costs	9.6	14.5	47.5	10.6
Provisions for loan impairments	3.8	4.7	42.0	8.9
Profit before tax	-7.1	-8.4	-53.7	-9.0
CET-1 ratio	49.8 %	22.3 %	22.3 %	20.3 % <sup>2)</sup>
Book equity	234	201	201	196 <sup>2)</sup>
Tangible book equity	209	158	158	154 <sup>2)</sup>

## Comments

### Low loan growth due to capital constraints and uncertainty

- High flow of loan applications (24,000+ per month) but some decrease in quality
- Gross loans up NOK 41.8m from Q4-18, of which NOK 31.9 were mortgages
- Loan losses increased to NOK 8.9m due to increase in loan loss reserves and somewhat higher NPL sales than previous quarter
- Operating costs NOK 10.6m in Q1-18. The decrease is partly a result of one-offs in Q4 and partly due to cost efficiencies

### New equity

- FSA previously rejected MyBank's use of mass market weights, accelerating the need for new capital
- Capital raising of NOK 26.4 million from new and existing shareholders completed
- Projected further need for additional capital from growth and increased regulatory requirements following SREP-process

### "Restart loans" launched successfully during quarter

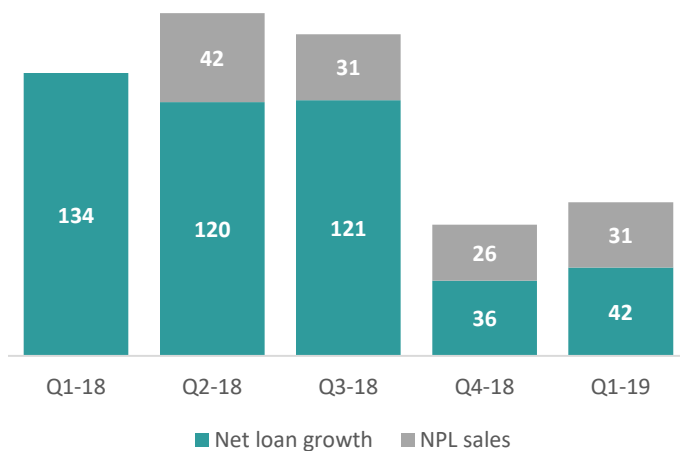
- Mortgages with higher interest rates, offered to customers with payment remarks or poor credit history
- As of the reporting date the bank had lent NOK 33.4 million, expect to reach NOK 240 million by end of Q4
- Additional agents brought on for restart loans, including Lendo, to pioneer use of increasingly automated application system for this product

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

2. Not including capital raise during Q1, which was pending approval by the NFSAs at the reporting date (and has since been approved). Including this capital raise CET-1 would have been 23.5%

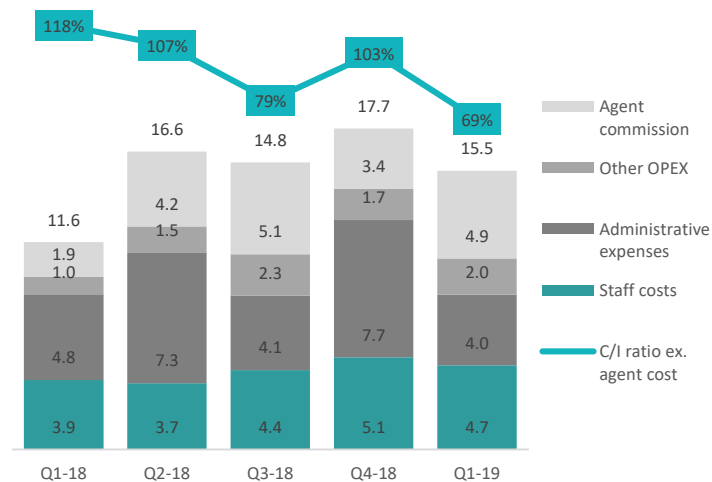
# Low growth and stable yields, strong improvement in operating costs

## Net loan growth



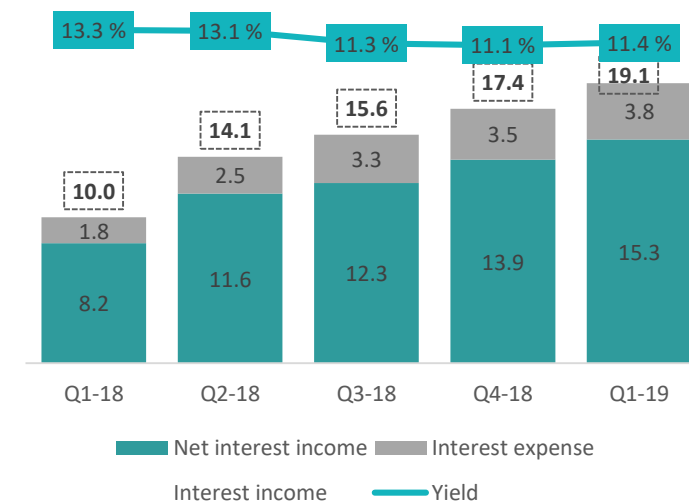
- Net loan growth was NOK 41.6m in Q4-2018, including a NOK 31m effect from NPL sales in relation to the forward flow agreement
- Average loan size: consumer loans NOK 110k, restart loans NOK 1.66m
- Majority of loan growth was in “restart loan” mortgage product

## Operating costs and C/I ratio



- Administrative expenses NOK 3.7m lower in Q1-19 than Q4-18, partly due to one-off costs related to strategic review in Q4
- Total costs incl. agent commissions of NOK 15.5m
- Total costs ex. agent provisions are NOK 10.6, corresponding to a C/I ratio of 69%

## Interest income

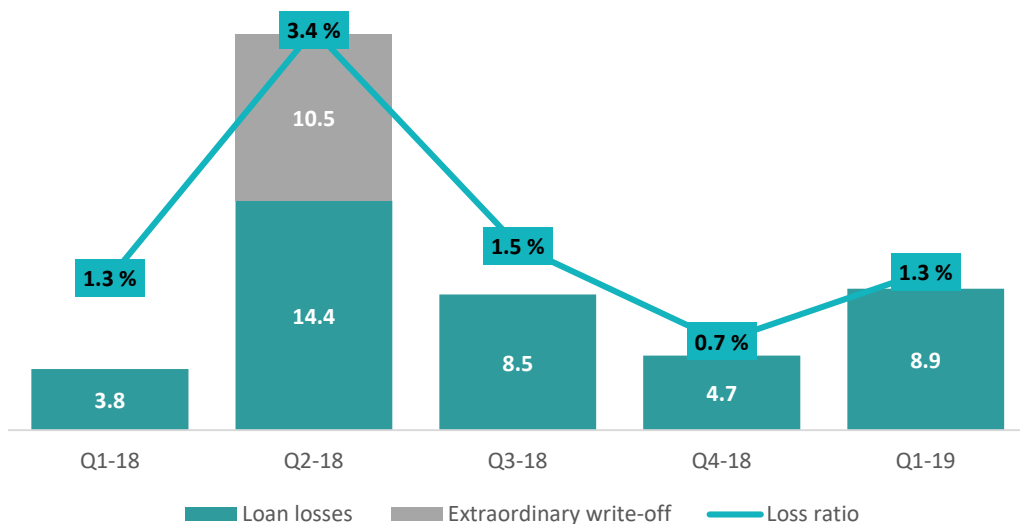


- Interest income increased from NOK 17.4 to NOK 19.1
- Yield on loans relatively stable from previous quarters
- Expected increase in yields has not yet materialized because of limited loan growth



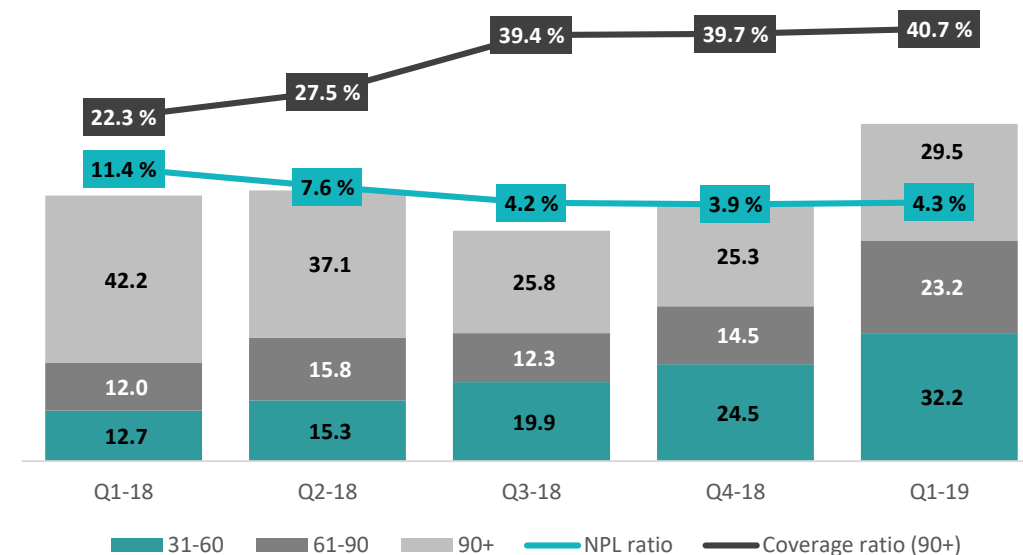
# Loan losses increased, mostly due to increase in provisions for past-due loans

Quarterly loan losses\*



- Loan losses increased in the quarter, mostly due to an increase in loan loss reserves due to higher non-performing loans in the 31-60 and 61-90 categories
- 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 and low 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

## Restart loans successfully launched based on consumer loan technology

### 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
- Contracts have been signed with several agents, including Lendo, and applications are coming through
- MyBank will also use a limited amount of online marketing to drive direct sales volumes

### 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

Amounts in NOK thousands	Q1 2019	Q1 2018	2018
Interest income	19 134	9 966	57 044
Interest expense	-3 842	-1 776	- 11 044
<b>Net interest income</b>	<b>15 292</b>	<b>8 190</b>	<b>46 000</b>
Commissions and fee income	106	58	158
Extraordinary fee income from software sales	0	0	2 820
Commissions and fee expense	-4 890	-1 926	-14 569
<b>Net other income</b>	<b>-4 783</b>	<b>-1 867</b>	<b>-11 591</b>
<b>Total operating income</b>	<b>10 510</b>	<b>6 322</b>	<b>34 409</b>
Income (loss) from trading activities	28	-6	1 318
Staff costs	-4 682	-3 868	-15 487
Other administrative expenses	-3 950	-4 773	-23 598
Other operating costs	-2 007	-979	-6 430
<b>Total operating costs</b>	<b>-10 611</b>	<b>-9 626</b>	<b>-44 196</b>
<b>Operating profit (Loss) before loan impairments</b>	<b>-101</b>	<b>-3 304</b>	<b>-9 787</b>
Loan losses	-8 898	-3 844	-42 004
<b>Profit (Loss) before tax</b>	<b>-8 998</b>	<b>-7 148</b>	<b>-51 791</b>
Tax	-2 250	-1 787	-12 987
<b>Profit (loss) for the period</b>	<b>-6 749</b>	<b>-5 361</b>	<b>-38 804</b>

## Balance Sheet

Amounts in NOK thousands	31.03.2019	31.03.2018	31.12.2018
<b>Assets</b>			
Cash and central bank deposits	50 045	0	25 016
Loans to, and deposits at, credit institutions	86 182	51 374	63 227
Net loans to customers	678 425	360 116	636 596
<b>Total loans</b>	<b>814 653</b>	<b>411 490</b>	<b>724 839</b>
Short term financial investments	80 200	175 999	105 141
Other intangible assets incl. deferred tax	41 373	24 859	44 792
of which deferred tax asset	- 21 231	-6 034	-19 021
Prepaid agent commissions	25 644	13 074	24 191
Fixed assets	68	0	69
Other assets	1 523	0	7 563
Receivables, prepayments and accrued income	2 393	1 028	735
<b>Total other assets</b>	<b>151 242</b>	<b>214 960</b>	<b>182 491</b>
<b>Total assets</b>	<b>965 895</b>	<b>626 451</b>	<b>907 330</b>
<b>Liabilities</b>			
Deposits from customers	751 988	385 258	695 220
Accounts payable	18 423	7 518	9 880
<b>Total liabilities</b>	<b>770 411</b>	<b>392 776</b>	<b>705 100</b>
<b>Equity</b>			
Share capital	259 151	258 938	259 151
Retained earnings, previous years	-56 918	-18 116	-18 116
Retained earnings, this year	-6 749	-7 148	-38 804
<b>Total equity</b>	<b>195 484</b>	<b>233 674</b>	<b>202 231</b>
<b>Total liabilities and equity</b>	<b>965 895</b>	<b>626 451</b>	<b>907 330</b>

## Appendix 2: Capital Adequacy

<i>Amounts in NOK 1000s</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Share capital	23.8	23.8	23.8	23.8	23.8
Share premium reserve	232.9	232.9	232.9	232.9	232.7
Retained earnings	-63.7	-54.7	-61.2	-53.0	-23.3
Deduction of intangible assets	38.9	43.0	32.1	26.0	37.9
Core equity tier 1 capital	154.1	158.8	163.2	177.6	195.5
Additional tier 1 capital instruments		0	0	0	0
Tier 1 capital	154.1	158.8	163.2	177.6	195.5
Subordinated loans		0	0	0	0
Tier 2 capital	154.1	158.8	163.2	177.6	195.5
Capital requirements					
<i>Amounts in NOK 1000s</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Institutions	17.2	12.6	11.6	10.1	10.2
Unsecured loans to retail customers	649.0	635.1	600.9	480.4	318.1
Secured by mortgages	11.0	0.5			
Collective investments undertakings	2.8	2.8	2.7	3.2	7.1
Other	29.6	34.3	17.3	54.3	41.3
Operational risk	49.4	20.7	20.7	20.7	19.7
Total risk-weighted assets	759.0	706.0	653.2	568.7	396.4
Core equity tier 1 capital ratio	20.3 %	22.5 %	25.0 %	30.3 %	46.9 %
Tier 1 capital ratio	20.3 %	22.5 %	25.0 %	30.3 %	46.9 %
Capital ratio	20.3 %	22.5 %	25.0 %	30.3 %	46.9 %
Liquidity Coverage Ratio (LCR):	859%	860%	923%	846%	1496%



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