



Plain. Simple. Banking.

Q4 2019 Results presentation

# Summary of the quarter

## Key figures

<i>Figures in NOKm (excl. per share)</i>	2018	Q3-19	Q4-19	2019
Gross loans	646,6	664,8	675,0	675,0
Net interest income	46,0	14,0	17,3	60,7
Net other income	-11,4	-4,6	-2,7	-17,4
Operating costs ex. inv. portfolio	47,5	16,4	13,6	52,0
Loan losses incl. change in provisions	42,0	10,1	9,6	40,2
Profit before tax	-53,7	-16,7	-8,4	-47,9
CET-1 ratio	22,5 %	22,1 %	21,7 %	21,7 %
Book equity	202,2	196,4	189,8	189,8
Tangible book equity	158,8	146,2	135,2	135,2
Book equity per share	0,84	0,47	0,46	0,46
Tangible book equity per share	0,66	0,35	0,33	0,33

## Comments

### Restart loans are growing nicely

- In the fourth quarter we focused on tuning our existing assets – people and technology – to improve the restart loan business
- We have retrained existing personnel to improve capacity without adding significant headcount, and will continue to adjust staffing in coming quarters
- We are already starting to see some prepayments of restart loans, meaning that we have adjusted our gross lending targets – but this will also improve fee income

### Consumer loans still reducing at similar rates

- We have not yet seen a significant reduction in churn on the consumer loans portfolio, even as interest rates on existing portfolio have been significantly increased
- However, lower quality loans are paid back more slowly, and this will mean higher non-performing loans as a percentage of the portfolio going forward

### Outlook

- The bank expects to reach NOK 350 million of restart loans by end of Q1, and for these loans to make up more than 80% of the portfolio by Q4, by which time the bank will break even
- No new pillar II capital requirements received from NFSA, but expected level in line with peers will require additional capital to maintain required ratios

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



An aerial photograph of a city and a large body of water. The city is in the middle ground, with a dense urban area. The water is in the foreground and background, with some islands and peninsulas. The sky is blue with some clouds. The text "Financial summary" is overlaid in the center.

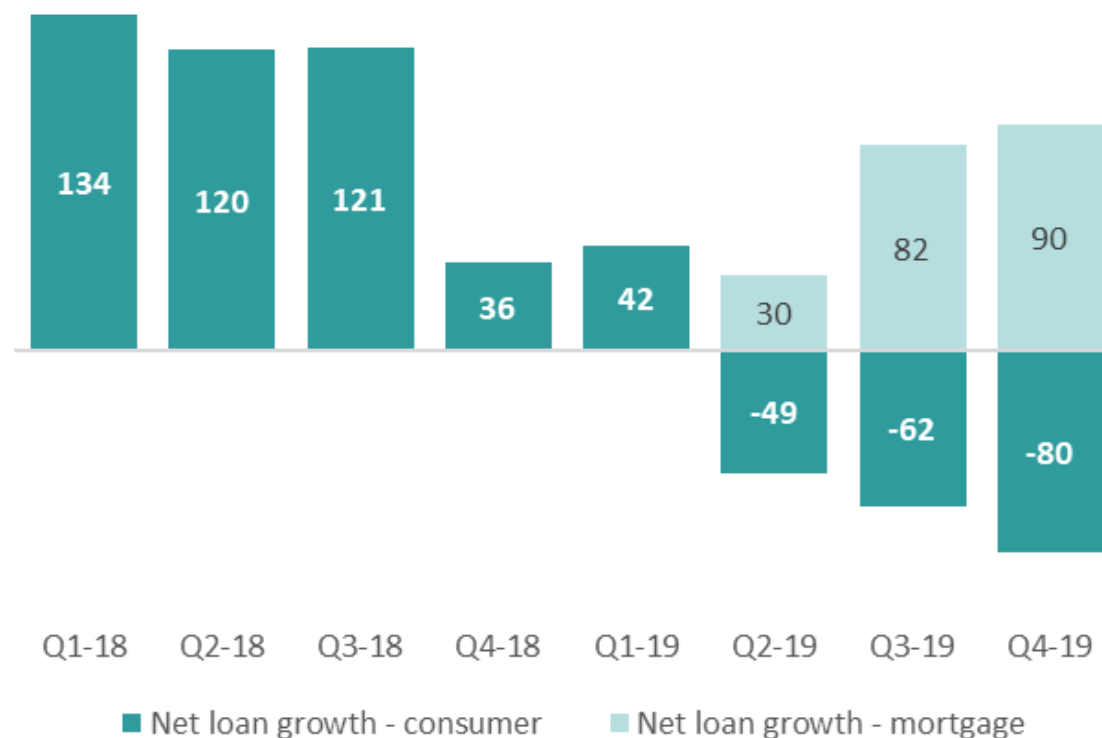
# Financial summary



# Loan growth

## Net loan growth

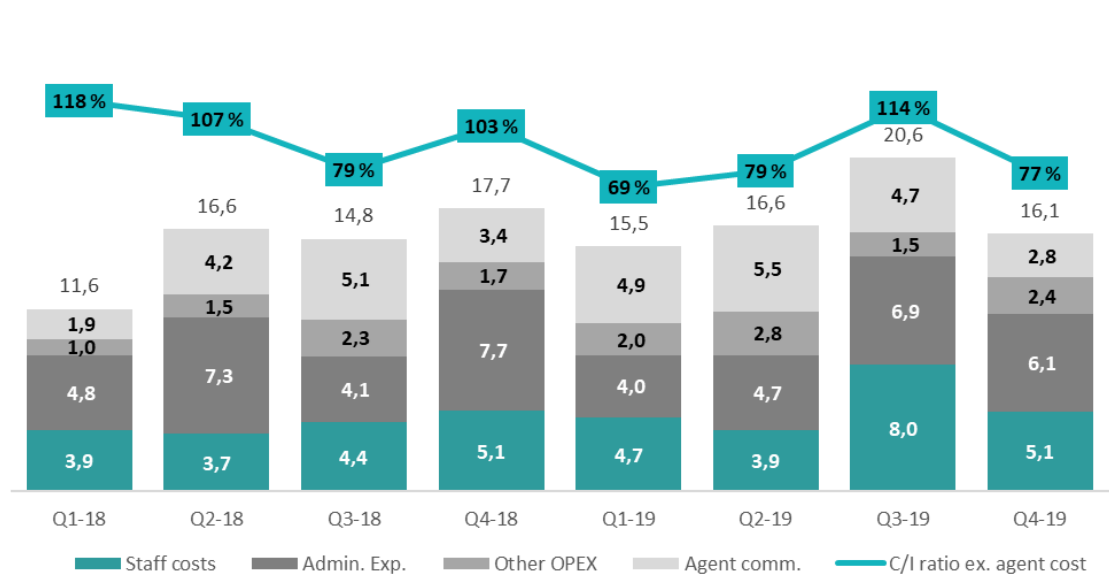
- Net loan growth for consumer loans was negative NOK 80m in Q4-2019, including a NOK 29m effect from NPL sales in relation to the forward flow agreement
- All loan growth was in restart mortgage loans, which grew by a net of NOK 90,2m
- These developments are expected to continue in the next few quarters, until most of the loan book is mortgages, and churn on the remaining consumer loans is reduced



# Q4 Presentation

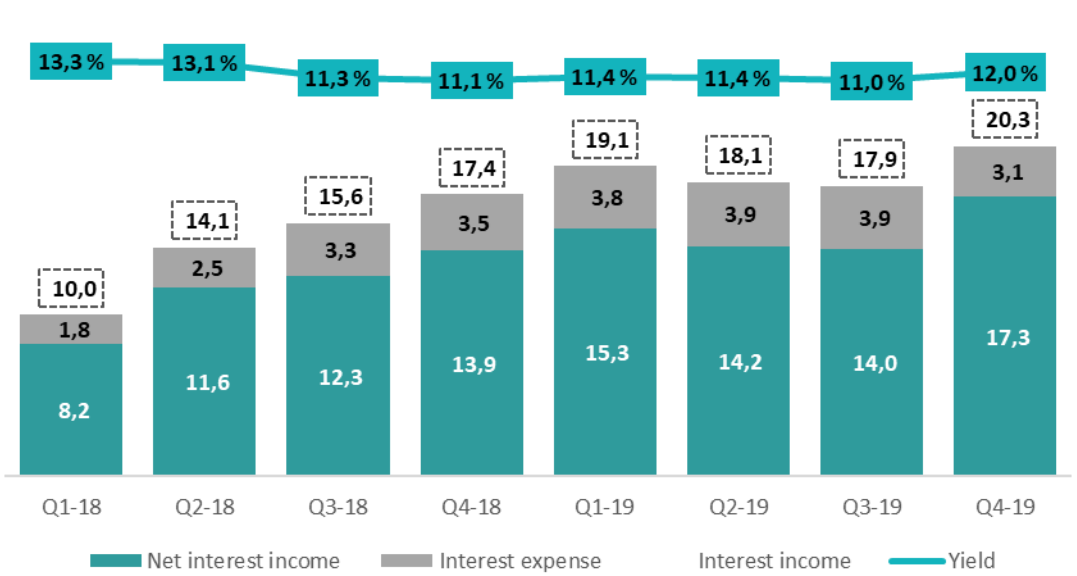
Good growth in Interest income after increase of interest rates on consumer loans combined with high growth in mortgage loans in Q4

## Operating costs and C/I ratio



- Staff costs normalized after one-off items related to restructuring in Q3
- Lower Agent commission costs due to year-end adjustments
- Total costs ex. agent provisions corresponds to a Cost/Income ratio of 77%

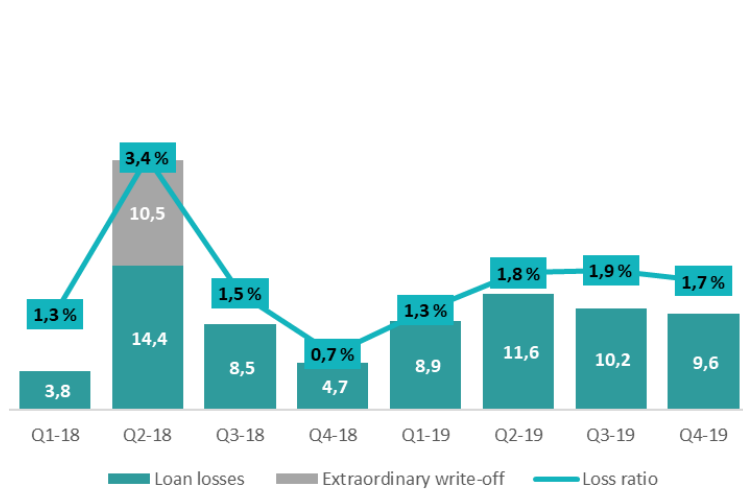
## Interest income



- Good growth in Interest income after increase of interest rates on consumer loans combined with high growth in mortgage loans in Q4
- Higher Yield on loans due to increased interest rates on consumer loans with effect from mid-October

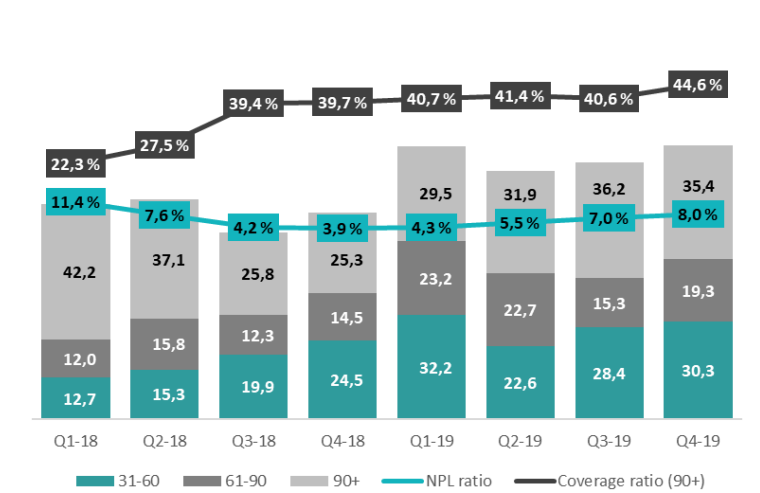
# Loan losses somewhat lower, but credit quality of consumer loans is not improving

Loan losses



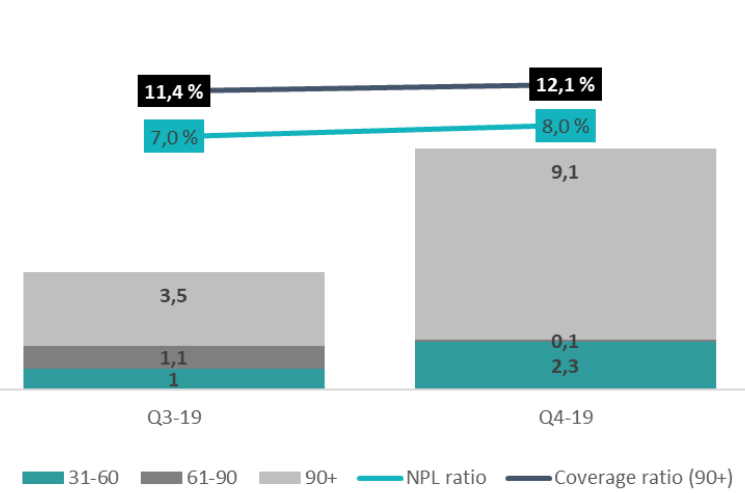
- Loan losses fell slightly in the quarter, as a result of slightly lower amount disposed of in forward flow
- Loan loss ratio expected to stabilize at approx. 1.0% - 1.25% (4.0% - 5.0% annually) in the medium term
- Loan losses include NOK 0.7m in model provisions on mortgage loans in arrears. Target 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 44.6% of non-performing loans (90+) and 3.59% 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



- Increased level of non-performing and doubtful loans, and MyBank remains focused on credit quality and collections to ensure minimal losses
- Total provisions represent 12.1% of non-performing loans (90+) and 0.47% of gross loans.





# Operational update



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

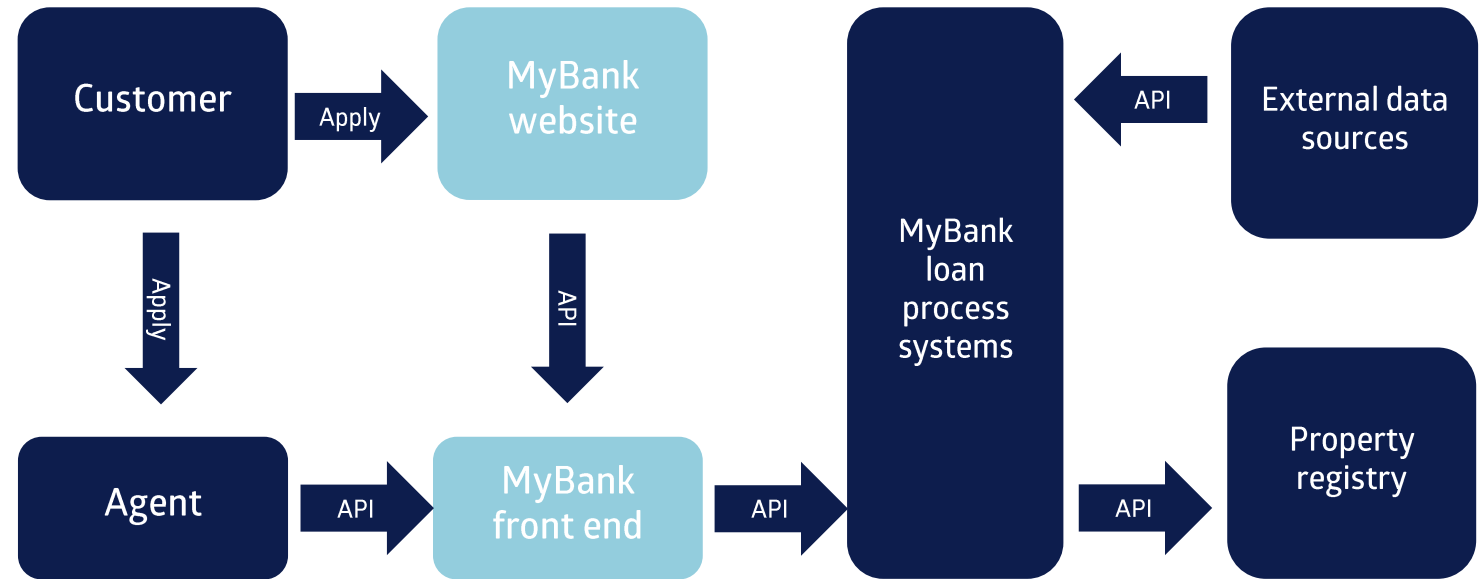
---

- We are adding significant processing capacity without adding many heads –
  - During the quarter, MyBank paid out approx. 110 million in new restart loans, with only three credit officers (including the CCO) to process applications
  - We are continuing to retrain existing staff to process restart mortgages, and an additional credit officer starts March 1st, further improving our capacity.
- Our IT-systems are improving underwriting efficiency, but will be further enhanced in Q1-Q2:
  - 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 reporting date we had 12 dedicated restart-loan agents, compared to 6 at the end of Q3
  - Future efforts will be focused on increasing conversion rates of direct marketing, and reducing time from first contact to loan paid out



## 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**

# Appendix

CONNECTION  
ANALYSIS  
DATA



# Appendix 1: Income Statement and Balance Sheet

## Income Statement

Amount in NOK thousands	Notes	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Interest income		20 336	17 377	75 515	57 045
Interest expense		-3 081	-3 471	-14 773	-11 044
<b>Net interest income</b>		<b>17 255</b>	<b>13 906</b>	<b>60 742</b>	<b>46 000</b>
Commissions and fee income		39	104	385	158
Extraordinary fee income from software sales		-	-	-	2 820
Commissions and fee expense		-2 756	-3 365	-17 819	-14 569
<b>Net other income</b>		<b>-2 717</b>	<b>-3 261</b>	<b>-17 434</b>	<b>-11 592</b>
<b>Total operating income</b>		<b>14 538</b>	<b>10 645</b>	<b>43 308</b>	<b>34 409</b>
Income (loss) from trading activities		199	158	944	1 318
Staff costs		-5 080	-5 128	-21 606	-15 487
Other administrative expenses		-6 118	-7 651	-21 721	-23 598
Other operating costs		-2 365	-1 748	-8 667	-6 430
<b>Total operating costs</b>	<b>4</b>	<b>-13 365</b>	<b>-14 369</b>	<b>-51 050</b>	<b>-44 196</b>
<b>Operating profit (Loss) before loan impairments</b>		<b>1 173</b>	<b>-3 724</b>	<b>-7 742</b>	<b>-9 787</b>
Loan losses	2	-9 557	-4 689	-40 201	-42 004
<b>Profit (Loss) before tax</b>		<b>-8 384</b>	<b>-8 413</b>	<b>-47 943</b>	<b>-51 791</b>
Tax		-2 096	-2 103	-11 986	-12 948
<b>Profit (loss) for the period</b>		<b>-6 288</b>	<b>-6 310</b>	<b>-35 957</b>	<b>-38 804</b>

## Balance Sheet

	Note	31.12.2019	31.12.2018
<b>Assets</b>			
Cash and central bank deposits		30 295	25 016
Loans to, and deposits at, credit institutions		67 934	63 227
Net loans to customers	2, 3,	658 051	636 596
<b>Total loans</b>		<b>756 280</b>	<b>724 839</b>
Short term financial investments		64 141	105 141
Other intangible assets incl. deferred tax		54 607	44 792
of which deferred tax asset		-30 967	-19 021
Prepaid agent commissions		21 337	24 191
Fixed assets		54	69
Other assets		9 749	7 563
Receivables, prepayments and accrued income		2 050	735
<b>Total other assets</b>		<b>151 938</b>	<b>182 491</b>
<b>Total assets</b>		<b>908 218</b>	<b>907 330</b>
<b>Liabilities</b>			
Deposits from customers		708 528	695 220
Accounts payable		9 864	9 880
<b>Total liabilities</b>		<b>718 392</b>	<b>705 100</b>
<b>Equity</b>			
Share capital		282 702	259 151
Earlier retained earnings		-56 918	-56 921
This years retained earnings		-35 958	
<b>Total equity</b>	<b>5</b>	<b>189 826</b>	<b>202 231</b>
<b>Total liabilities and equity</b>		<b>908 218</b>	<b>907 330</b>

## Appendix 2: Capital Adequacy

<i>Amounts in NOK millions</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Share capital	47,5	47,6	47,5	23,8	23,8
Share premium reserve	232,9	232,9	232,9	232,9	232,9
Retained earnings	-90,7	-84,4	-71,9	-61,5	-51,7
Deduction of intangible assets	-52,6	-49,8	-42,3	41,3	43,0
Core equity tier 1 capital	137,1	146,2	166,2	153,8	158,8
Additional tier 1 capital instruments					0,0
Tier 1 capital	137,1	146,2	166,2	153,8	158,8
Subordinated loans					0,0
Tier 2 capital	137,1	146,2	166,2	153,8	158,8
Capital requirements					
<i>Amounts in NOK 1000s</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Institutions	13,6	14,1	13,9	17,2	12,6
Unsecured loans to retail customers	447,1	508,3	570,6	649,0	635,1
Secured by mortgages	85,0	56,5	22,6	11,0	0,5
Collective investments undertakings	2,6	2,7	2,6	2,8	2,8
Other	35,2	30,2	42,1	29,6	34,3
Operational risk	49,4	49,4	49,4	49,4	20,7
Total risk-weighted assets	633,0	661,2	701,2	759,1	706,0
Core equity tier 1 capital ratio	21,7 %	22,1 %	23,7 %	20,3 %	22,5 %
Tier 1 capital ratio	21,7 %	22,1 %	23,7 %	20,3 %	22,5 %
Capital ratio	21,7 %	22,1 %	23,7 %	20,3 %	22,5 %
Liquidity Coverage Ratio (LCR):	738,0 %	694,0 %	833,0 %	859,0 %	860,0 %



# 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.

