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## 3<sup>rd</sup> quarter result presentation

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# Easybank - Highlights Q3 2018

## Key highlights and developments

- 1 Profit before tax NOK 19,4 million, up NOK 15,3 million from Q3 last year
- 2 Continuous growth in net interest income to NOK 61,2 million, up NOK 27,2 million from Q3 last year
- 3 Annualized Q3 ROE 12,5% and EPS NOK 1,25, Book value of equity per share (BVPS) NOK 10,18
- 4  Solid growth in consumer loans of NOK 221 million  
Gross lending of NOK 2.388 million
- 5 Option to extend the forward flow agreement with Kredinor throughout 2023 with same (favorable) conditions as the initial agreement from July 2017
- 6 Launch of consent based loan application process (“Samtykkebasert lånesøknad”)
- 7 CET1 Capital ratio of 19,1% (20,9% including YTD profit)  
(SREP conducted in Q2, awaiting final report from the FSA)

## Key figures

	Q3	YTD
NII	61,2 MNOK	162,8 MNOK
PBT	19,4 MNOK	51,7 MNOK
ROE	12,5 %	12,7 %

## Focus

Competitive ROE

Stable OPEX  
development

Solid  
growth

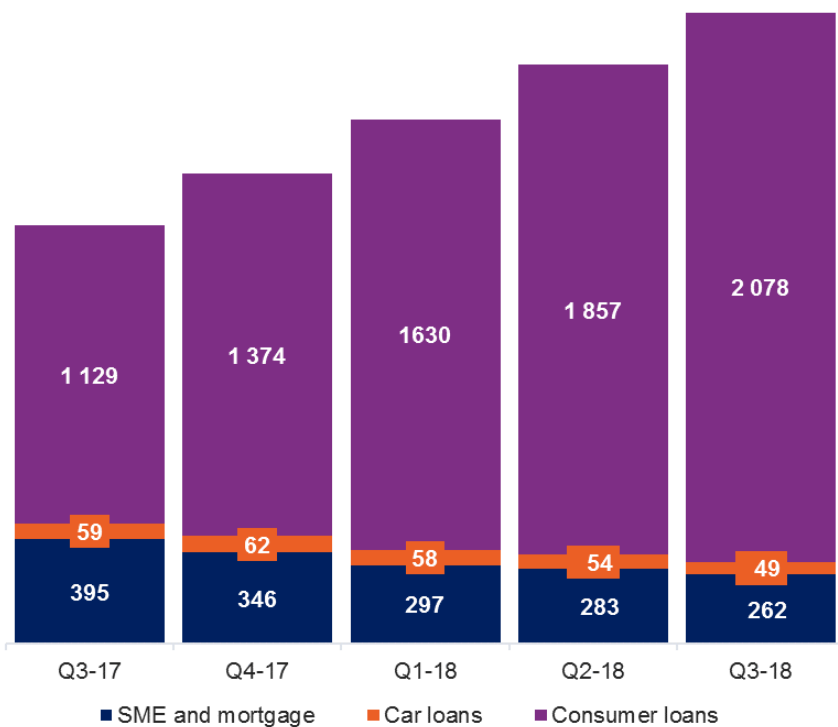
Favorable yield

# Gross lending & number of customers

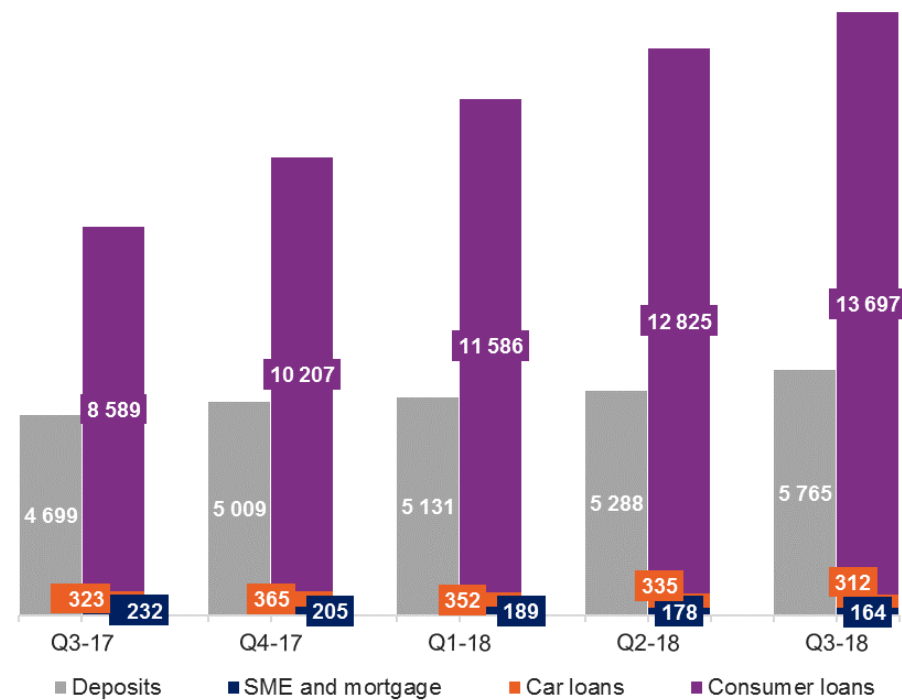
## Growth in volume and customers continues

### Gross lending per product

NOK million



### Customers per product

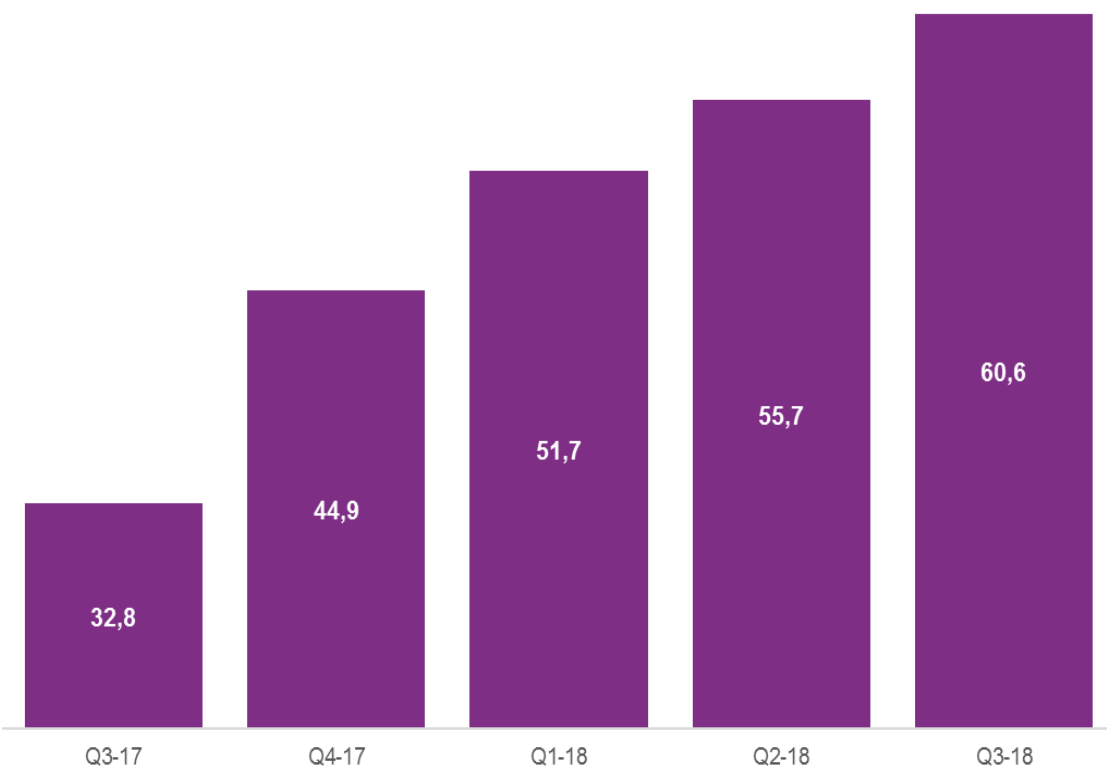


## Total income & profit before tax

# Increasing total income and solid profit in Q3

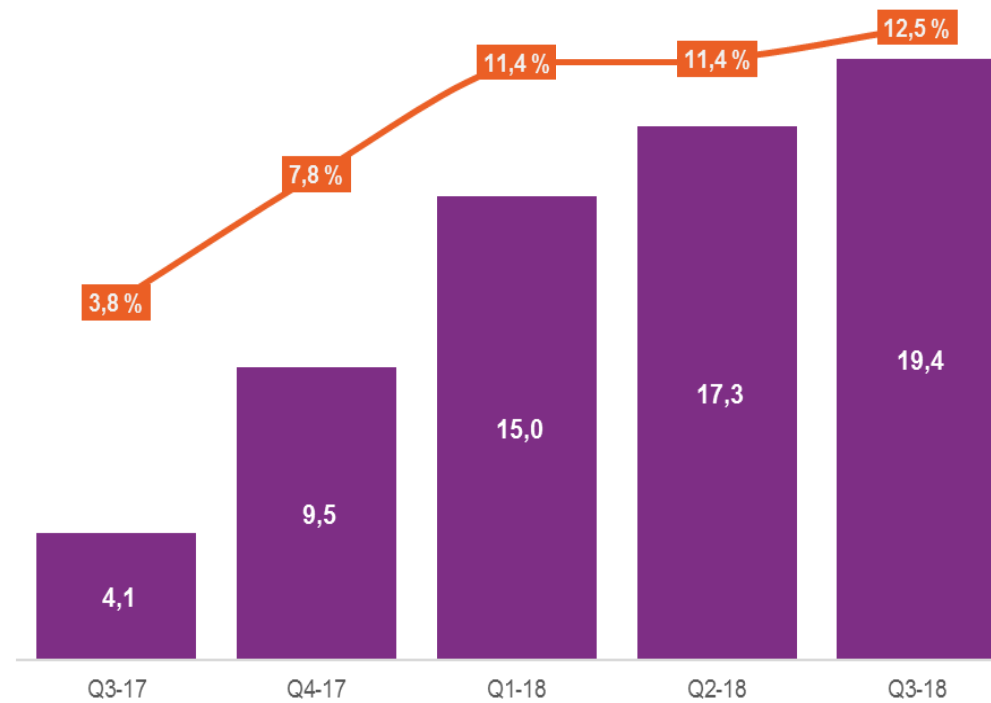
### Total income

NOK million



### Profit before tax

NOK million

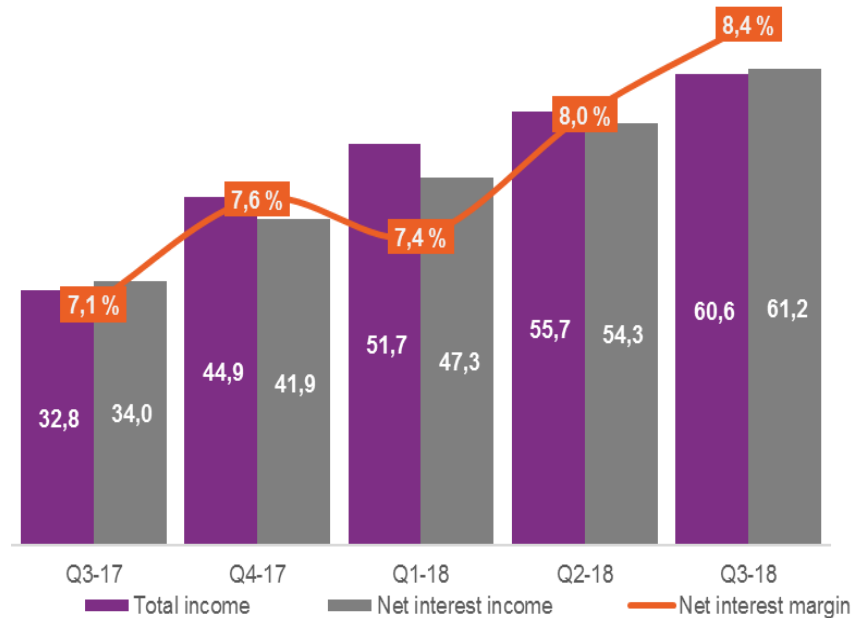


# Net interest income & yields

## Increasing interest income and favorable margins

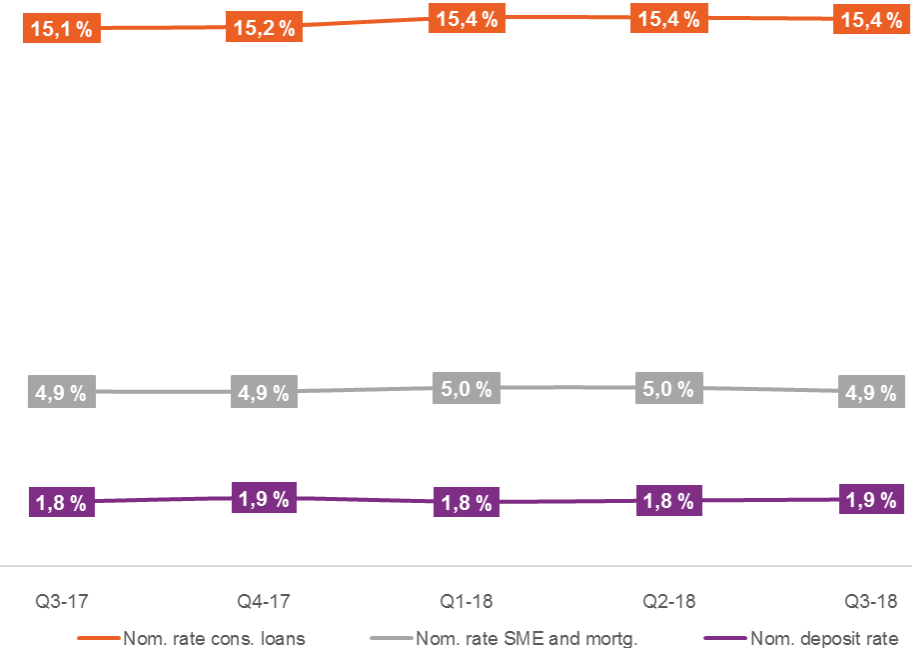
### Net interest income and net interest margin of total assets

NOK million / % of total assets



### Yields (end of quarter)

% of relevant balance



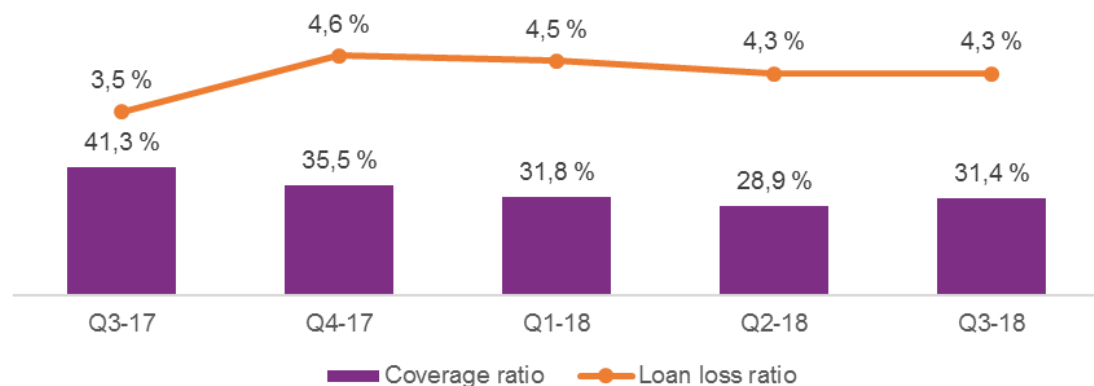
- Net interest margin up due to lower NPL ratio
- Good margins and ROE from SME & mortgage loans

- Increased consumer loan volume without compromising on margin
- Attractive funding rate due to multiple deposit products

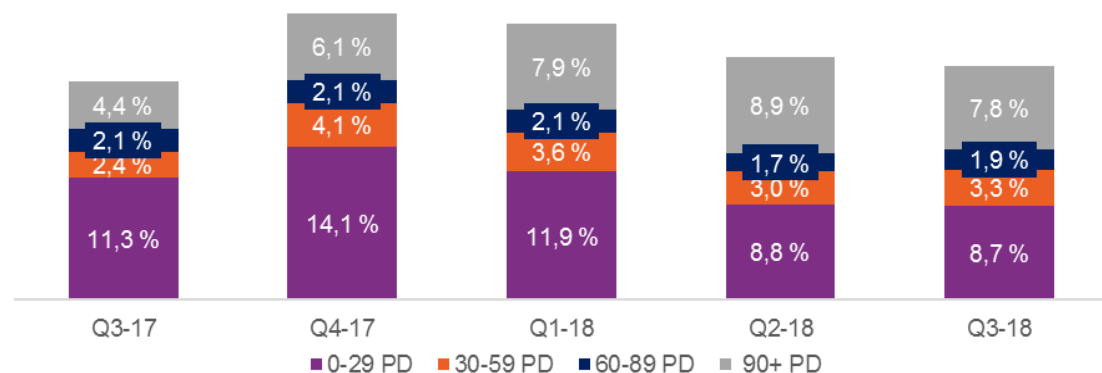
# Credit quality - Consumer loans

## Satisfactory risk reward and forward flow agreement reduces downside risk

### Coverage<sup>1</sup> and loan loss ratio<sup>2</sup>



### Loans past due



### Comments

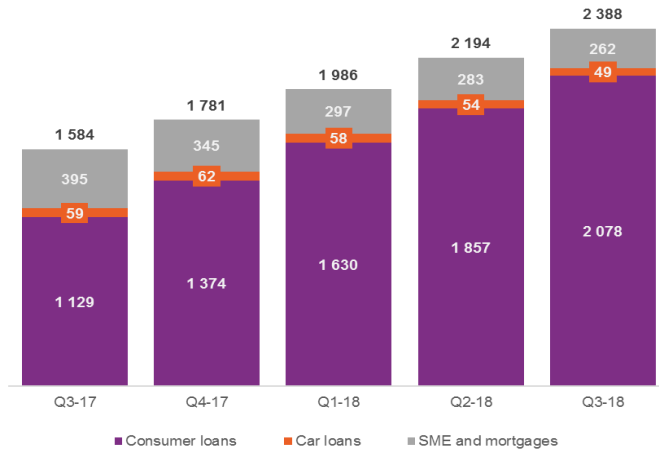
- Satisfactory risk-reward taken into account margin level on consumer loans.
- Sale of part of NPL portfolio as a result of the Forward-flow agreement with Kreditor in Q3 2018 contributes to decreased NPL ratio.
- The forward-flow agreement, entered into with Kreditor July 2017, reduces downside risk for Easybank as it transfers risk to Kreditor. The agreement is not one-time transaction, but ongoing sales of loans and receivables.
- The forward flow agreement is fully operational and long term coverage rate decreases as a result of improvement of LGD values in Loss-model. However, coverage ratio increases slightly from Q2 2018 to Q3 2018 due to increased arrears.
- Option to extend the forward flow agreement with Kreditor throughout 2023 with same (favorable) conditions as the initial agreement from July 2017.



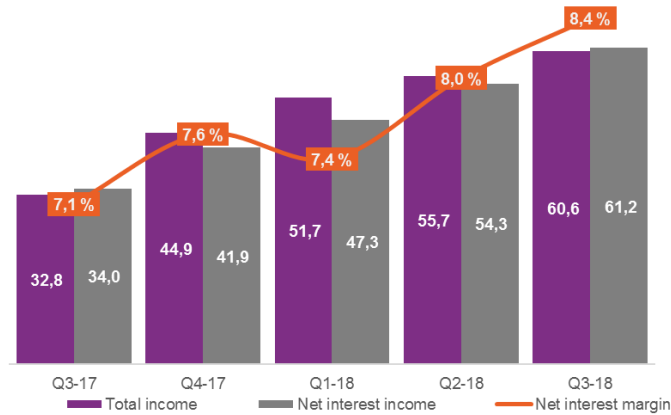
# Overview

## Good profitability and improved cost/ income ratio

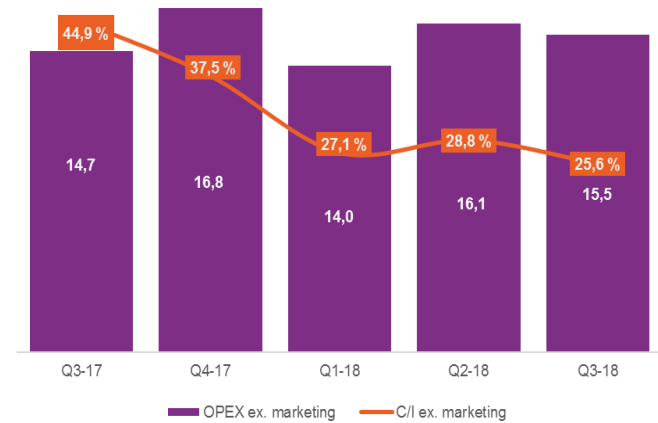
### Gross lending



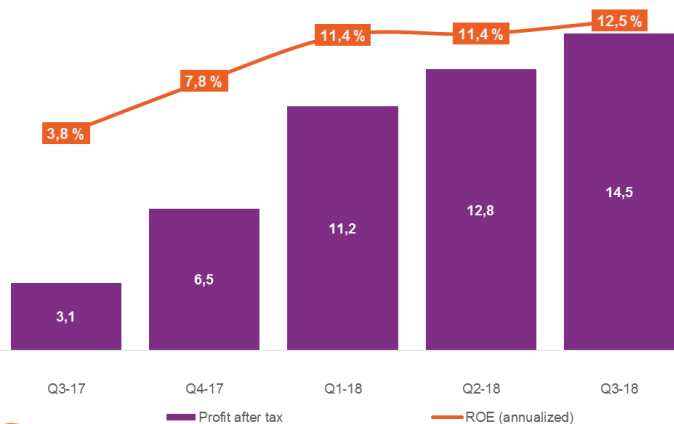
### Income and interest margin



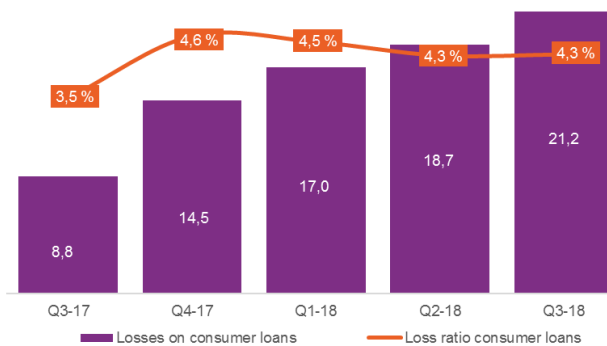
### OPEX and C/I ratio



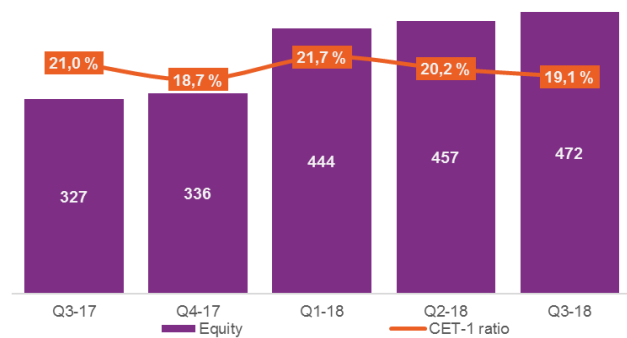
### Profit after tax and ROE



### Losses and loss ratio consumer loans



### Equity and CET-1 ratio \*



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# Income statement

<i>(Amounts in thousands)</i>	Q3 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017	Full year 2017
Interest income	73 862	41 592	198 019	104 012	155 427
Interest expense	-12 656	-7 583	-35 173	-19 599	-29 085
<b>Net interest income</b>	<b>61 206</b>	<b>34 009</b>	<b>162 846</b>	<b>84 413</b>	<b>126 342</b>
Comission and fee income	11 469	4 733	35 759	11 371	21 692
Comission and fee expenses	-12 297	-6 158	-31 321	-14 739	-22 398
Net change in value on securities and currency	182	218	697	878	1 131
Other income	0	30	35	54	88
<b>Net other income</b>	<b>-646</b>	<b>-1 178</b>	<b>5 170</b>	<b>-2 436</b>	<b>513</b>
<b>Total income</b>	<b>60 560</b>	<b>32 831</b>	<b>168 016</b>	<b>81 977</b>	<b>126 855</b>
Salary and other personell expenses	-7 875	-7 720	-22 205	-21 922	-30 641
Other administrative expenses	-7 763	-7 893	-24 487	-19 629	-27 283
- of which marketing expences	-3 458	-4 267	-11 179	-8 442	-11 465
Depreciation	-1 236	-1 032	-3 605	-2 887	-4 051
Other expenses	-2 112	-2 367	-6 485	-7 396	-9 728
<b>Total operating expenses</b>	<b>-18 985</b>	<b>-19 012</b>	<b>-56 782</b>	<b>-51 835</b>	<b>-71 704</b>
<b>Profit before loan losses</b>	<b>41 575</b>	<b>13 819</b>	<b>111 233</b>	<b>30 142</b>	<b>55 151</b>
Loan losses	-22 135	-9 710	-59 516	-23 969	-39 512
<b>Profit before tax</b>	<b>19 440</b>	<b>4 109</b>	<b>51 718</b>	<b>6 172</b>	<b>15 639</b>
Tax	-4 958	-1 027	-13 224	-1 543	-4 533
<b>Profit after tax</b>	<b>14 482</b>	<b>3 082</b>	<b>38 494</b>	<b>4 629</b>	<b>11 106</b>

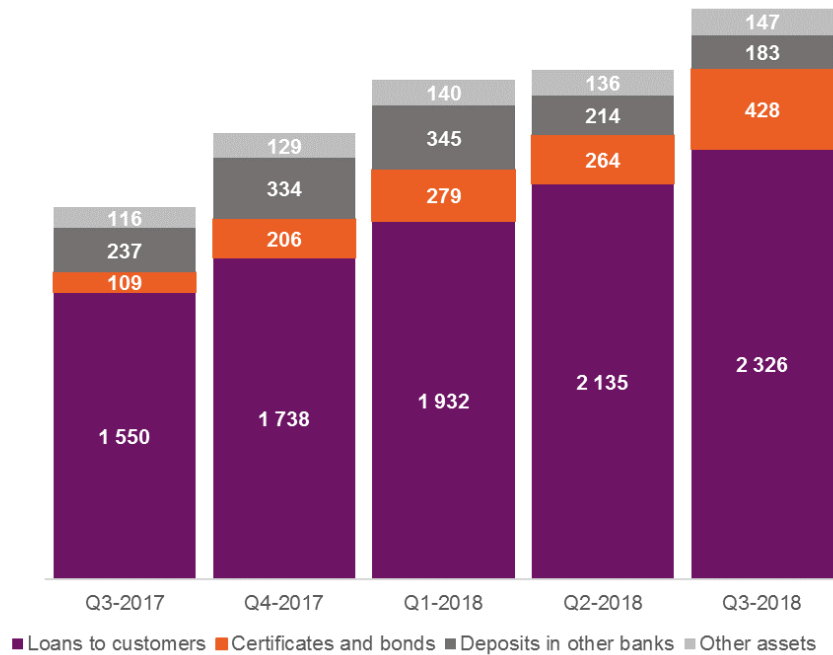
# Balance sheet

<i>(Amounts in thousands)</i>	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>31.12.2017</b>
<b>Assets</b>			
Cash and deposits with the central bank	53 794	53 643	53 680
Loans and deposits with credit institutions	128 951	183 039	280 309
Loans to customers	2 388 346	1 583 576	1 780 862
- Loan impairment	-62 530	-33 737	-42 851
Certificates and bonds	374 069	55 021	152 017
Shares and other securities	54 413	53 637	53 869
Shareholding in group companies	192	192	192
Deferred tax asset	6 772	22 986	19 996
Other intangible assets	19 910	20 176	20 398
Fixed assets	1 201	1 344	1 191
Other assets	125	1 049	1 576
Other receivables	118 640	70 234	86 022
- of which agent commissions	67 582	43 954	50 475
<b>Total assets</b>	<b>3 083 883</b>	<b>2 011 162</b>	<b>2 407 262</b>
<b>Equity and liabilities</b>			
Deposits from customers	2 488 322	1 629 868	1 967 508
Other liabilities	28 739	19 391	18 508
Accrued expenses and deferred revenue	19 453	25 386	10 015
Tier 1 and tier 2 capital bond	75 000	10 000	75 000
<b>Total liabilities</b>	<b>2 611 514</b>	<b>1 684 645</b>	<b>2 071 031</b>
Share capital	324 326	259 990	260 690
Share premium reserve	124 510	91 481	91 681
Other paid-in equity	6 418	2 900	5 238
Other equity	17 116	-27 854	-21 378
<b>Total equity</b>	<b>472 369</b>	<b>326 516</b>	<b>336 231</b>
<b>Total equity and liabilities</b>	<b>3 083 883</b>	<b>2 011 162</b>	<b>2 407 262</b>

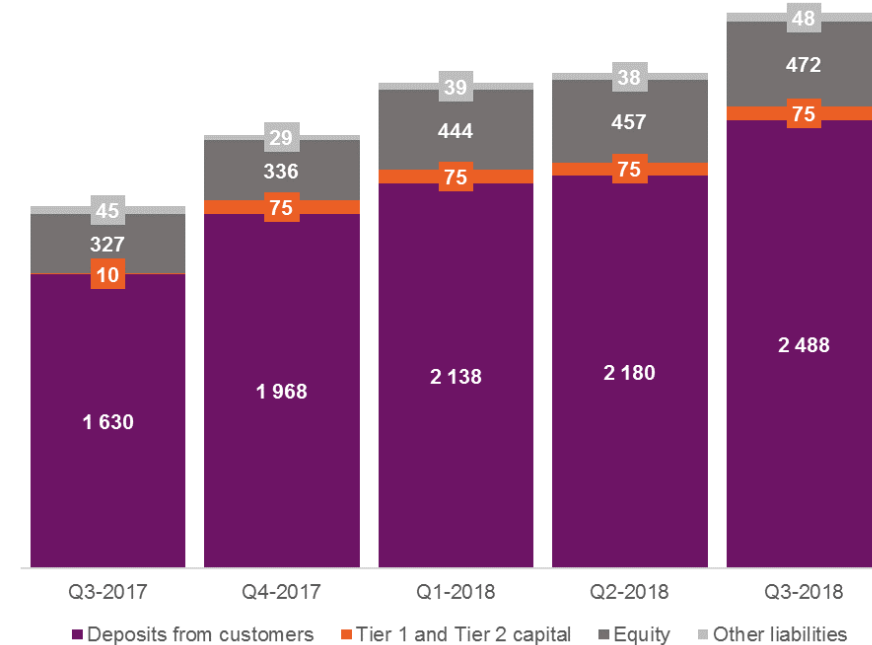
## Balance sheet structure

# Strong funding and liquidity position

### Total assets



### Equity and liabilities



- Deposit ratio: 104 %
- Liquidity Coverage Ratio: 982 %
- Net Stable Funding Ratio: 170 %

- Diversified customers deposits. 60 % of deposits with 35 days+ notice period
- MNOK 611 in surplus liquidity placed in Norges Bank, other banks and positions with short duration and low risk

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## Outlook

# Secure profitability before expansion to match capital and ROE targets

*Focused step-by-step expansion*

**Phase 1**

  
**Setup  
business**

- ✓ *Turnaround existing portfolio*
- ✓ *Develop technical platform and internal & external capabilities*
- ✓ *Launch consumer loans and car loans*

**Phase 2**

  
**Build  
profitability**

- Growth with scalable cost base
- Continue build on underlying run rate to deliver ROE growth

**Phase 3**

  
**Product &  
distribution  
expansion**

- Initiatives taken towards potential partners to broaden product mix and distribution
- Improved customer acquisition cost ratio

**Phase 4**

  
**Geographical  
expansion**

- Evaluate geographical expansion depending on growth possibilities in home market
- Geographical expansion preferably together with partners that can create competitive advantage

***Continue building on underlying run rate and secure competitive ROE***

## Shareholders & share price

# Strong shareholder base

### Top 30 shareholders as of 18 October 2018

# Investor	Shares	Shares %
1 Skagerrak Sparebank	4 311 980	9,3%
2 Verdipapirfondet Alfred Berg	3 344 349	7,2%
3 Fondsavanse AS	2 773 330	6,0%
4 Umico - Gruppen AS	2 618 779	5,6%
5 Ladegaard AS	2 325 032	5,0%
6 Nordic Private Equity	1 669 205	3,6%
7 Lindbank AS	1 655 985	3,6%
8 MP Pensjon PK	1 458 738	3,1%
9 Shelter AS	1 392 727	3,0%
10 Jenssen & Co A/S	1 287 879	2,8%
11 Krogsrud Invest AS	1 250 000	2,7%
12 Jolly Roger AS	1 145 630	2,5%
13 Hjellegjerde Invest	1 000 000	2,2%
14 GH Holding AS	909 090	2,0%
15 Independent Oil & Re	900 000	1,9%
16 Byholt AS	787 159	1,7%
17 Whitetail Webservice	705 009	1,5%
18 Jaras Invest AS	440 909	1,0%
19 Ulltveit-Moe Hildegunn	400 222	0,9%
20 B Finans AS	400 000	0,9%
21 Juul-Vadem Holding AS	400 000	0,9%
22 HHG Invest AS	400 000	0,9%
23 Trippel-L AS	387 225	0,8%
24 Motor-Trade Eiendom	365 878	0,8%
25 Lindbak Gruppen AS	364 045	0,8%
26 Wist Holding AS	338 000	0,7%
27 Truls AS	310 000	0,7%
28 Arild Hest?S Invest	301 250	0,6%
29 Autobahn AS	287 584	0,6%
30 Haukvik Svein Ola	260 000	0,6%
<b>Total top 20</b>	<b>34 190 005</b>	<b>73,7%</b>
<b>Other</b>	<b>12 200 834</b>	<b>26,3%</b>
<b>Grand total</b>	<b>46 390 839</b>	<b>100,0%</b>

- 442 shareholders as of 18 October 2018
- The EASY share was registered on NOTC on 15 November 2016.
- Management holds a total of 2,477,623 shares, corresponding to 5.3% of shares outstanding
- Members of the board represents a total of 2,558,607 shares, corresponding to 5.5% of shares outstanding
- Current market capitalization of approx. NOK 450



