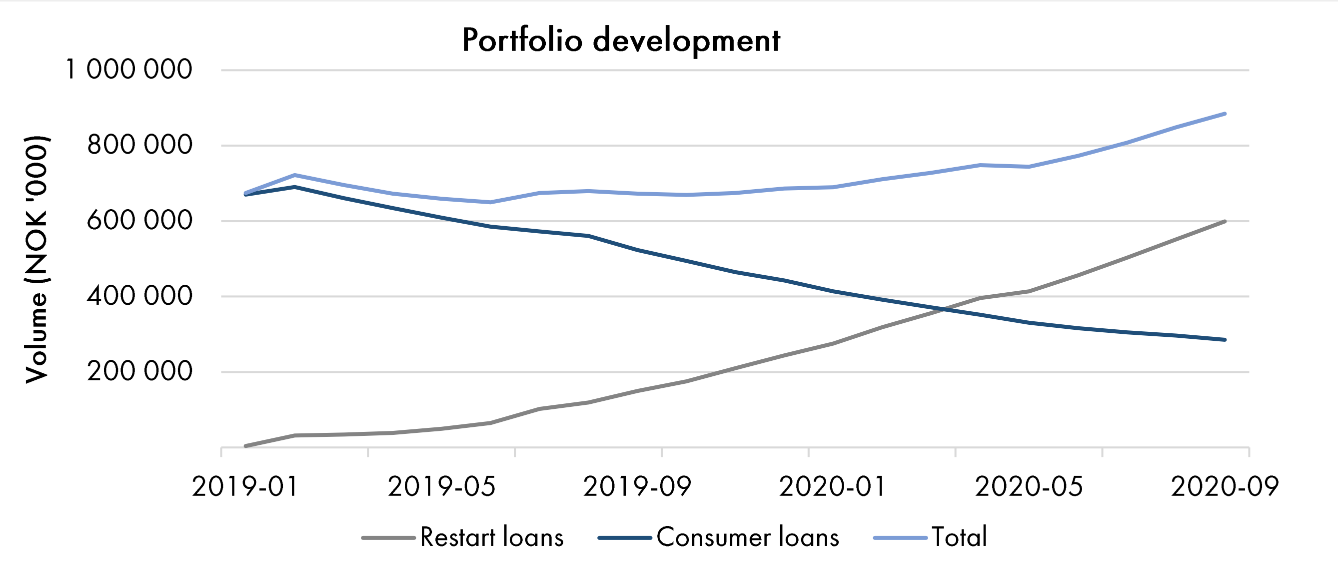
mybank

Interim Report for Q3 2020



Short summary of the quarter

The net increase in the bank's portfolio of restart loans was NOK 143 million (NOK 165 million in new loans, NOK 22 million repaid and amortized) in the third quarter. We have continued this strong growth in Q4, and as of October 31st the bank had increased gross volumes by an additional NOK 148 million.

The portfolio of unsecured loans has been reduced during the quarter according to the bank's strategy, in which **mybank** aims to withdraw from the unsecured loans segment.

Net interest income for the quarter was NOK 20.3 million, an increase of 8.2% from NOK 18.8 million in the previous quarter. The bank's net interest income continues to grow as the portfolio increases and funding costs are reduced.

Operating costs for the quarter were NOK 19.7 million, an increase of 60.2% from NOK 12.3 million last quarter. The increase was a result of non-recurring restructuring costs, including a write-down on intangible investments in IT-systems previously used for consumer loans. As of the fourth quarter the bank expects to be at the planned run-rate level of operating expenses.

Total loan losses were NOK 1.1 million this quarter, a decrease from NOK 6.6 mill last quarter. This corresponds to 0.13% of total net lending (compared to 0.92% of net lending last quarter) or 0.53% annualized (compared to 3.68% previous quarter).

Pre-tax profits for the quarter were NOK -11.9 mill, compared to NOK -5.8 mill last quarter and NOK -7.2 in the first quarter.

Comments from the CEO

I am very satisfied that growth in the third quarter was better than the previous quarter, even though it included the quiet summer period. We have worked hard to ensure our partners receive the level of service they have come to expect from us and provide us in return with the volume we need to grow into a profitable bank. To that end we have also made some changes this quarter, which though painful will provide cost savings in future quarters through lower external costs, depreciation and distribution costs. Low loan losses as the consumer loan portfolio matures and reduces also helped move the underlying result towards profitability.

We maintain our guidance that we will reach break-even on a quarterly basis in the fourth quarter.

About mybank

mybank is an online retail bank offering restart loans, which offer refinancing of consumer loans with security in real estate, and a deposit account with a high interest rate.

The bank fully withdrew from the unsecured consumer finance market in 2019, and the consumer loans portfolio therefore consists only of loans paid out in 2019 or earlier.

The bank was granted a banking license in July 2016 and commenced operations during the first quarter of 2017. The bank has previously raised a total share capital of NOK 273.3 million in 2016 and 2017. Following the capital raise in Q1 2019, the share capital increased to NOK 299.7 million. During 2020, the bank has raised an additional NOK 70 million in private placements. The shares are unlisted and are registered at NOTC.

mybank uses loan agents as the most important sales channel, and normally combine this with direct digital marketing. The bank has limited their digital marketing throughout third quarter to optimize the cooperation with the loan agents.

At the end of the quarter the bank had 17 employees.

Financial information for the quarter

Growth in net loans to customers was NOK 143 million during the quarter. Gross new mortgage loans paid out to customers during the quarter was NOK 165 million, compared to NOK 132.4 million the previous quarter. This is the first whole quarter without the forward flow agreement.

mybank recorded net interest income of NOK 20.3 million during the quarter. The bank had operating costs of NOK 19.7 million, of which NOK 8.1 million in staff costs and NOK 11.7 million in other operating expenses (including depreciation).

One-off restructuring costs amounted to NOK 2.0 million, including both staff and other operating expenses. In addition, we took a write-down on parts of our IT system, calculating to NOK 4.5 million. Lastly, we corrected previous depreciation on provisions, giving us an extra cost of NOK 6.0 million in this quarter.

At the end of the quarter, the bank's gross loans to customers totaled NOK 826.7 million, of which NOK 576.8 million in restart loans and NOK 249.9 million in consumer loans.

Gross deposits were NOK 958.0 million, hence deposit coverage is at 108.2%.

The bank's liquidity position was NOK 292.9 million at the end of the quarter, compared to NOK 293.1 million in the previous quarter.

Loan losses

Total loan losses for the quarter was NOK 1.1million, in which NOK 0.8 million changes in provisions and NOK 0.3 million write-downs of disposed loans. This represents 0.13% of net loans, compared to 0.92% last quarter. The main change between these quarters is the discontinued forward flow agreement which ended in May.

Of the total loan loss provisions, NOK 3.1 million related to restart loans and NOK 34.2 million related to consumer finance loans (the split and flow between stages are presented in note 2 and 3). Provisions represent 19.5% of non-performing loans and are representative of the quality in our portfolio.

mybank changed from NGAAP to IFRS regulation 01.01.2020. This resulted in increased provisions from NOK 19.4 million to NOK 36.5 million, and a reduction in equity of NOK 17.1 million. The bank uses the regulatory transitional arrangement to reduce the effect on capital adequacy in the period 2020 – 2022.

Regulatory developments

In Q1, **mybank** received an inquiry from the NFSA to send in the bank's ICAAP with additional information as a part of a SREP-process to use as base to determine the new Pillar 2 buffer requirements. The bank received a decision of 6.6% additional total buffer that take effect from September 30th, 2020. After this year's increase in share capital, **mybank** are well equipped going forward with a total Pillar 2-requirement of 21,10 %.

In 2019, the NFSA suggested in a letter to the Ministry of Finance that as part of the introduction to Norwegian Law of the EU's Mortgage Credit Directive (MCD), all loan agents should require permission from the NFSA (as opposed to registration under the current regime). This may make it more difficult for smaller loan agents to operate, potentially reducing the number of partners **mybank** can use to distribute its loans.

Prospects

mybank is now only a provider of mortgage loans. Lending volumes for the mortgage product are expected to match or exceed those outlined during the capital raises in 2020. The consumer loan portfolio is decreasing as expected after the expiration of the forward flow agreement and we have not seen the heavy impact on our customers from Covid-19 as we first predicted.

However, the bank considers it likely that the economic development after a prolonged pandemic such as Covid-19, in combination with the restrictions on consumer loans have high possibility to increase customers having payment difficulties. This can increase the banks loan losses but may also increase access to restart loan customers.

Post a quarter marked by significant restructuring costs and notable increase in sales growth the bank expects a material improvement in the cost efficiency in the coming quarters.

Risk and uncertainties factors

The most important risk factors for **mybank's** prospects includes:

- uncertainty around the banks' ability to attract new customers for future growth, as a result from increased competition or strategic and operational conditions in **mybank**,
- reduced growth capacity from high loan losses or market conditions preventing further capital raises,
- pressure on interest income as a result of price war in the market for restart loans, or higher funding costs for the bank or market in general,
- higher costs from a lack of cost-effectiveness or an inappropriate choice of technology, and
- lower growth and higher loan losses as a result of a strong economic macro recession

The discontinued forward flow agreement is likely to increase non-performing consumer loans. The long-term effect will depend on the degree of solution for non-performing loans and the possibilities for a similar agreement in the future.

In addition to having a flexible and scalable business model, the board and management have implemented sound practices for planning, control and adaptability in order to reduce any potential losses related to operational and strategic risks.

mybank

Financial statements

Income statement

Amounts in NOK '000	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Interest income	20 323	17 604	57 492	54 109	74 264
Credit commission income	2 125	317	5 659	1 070	1 390
Credit commission expense	-7 922	-4 673	-15 374	-14 693	-17 250
Interest expense	-4 685	-3 911	-14 217	-11 692	-14 773
Net interest income	9 841	9 337	33 560	28 794	43 631
Commissions and fee income from bank services	51	105	163	346	384
Commissions and fee expense from bank services	-1 323	-50	-1 519	-369	-568
Income (loss) from trading activities	385	491	2 045	746	700
Net other income	-888	547	690	723	516
Total operating income	8 953	9 884	34 249	29 516	44 147
Staff cost	-8 057	-7 964	-19 766	-16 526	-21 606
Other operating costs	-6 112	-7 537	-19 195	-19 229	-26 789
Depreciation	-5 563	-905	-7 496	-2 676	-3 600
Total operating costs	-19 732	-16 406	-46 457	-38 431	-51 995
Operating profit (loss) before loan impairments	-10 779	-6 523	-12 208	-8 915	-7 848
Loan losses	-1 105	-10 148	-12 698	-30 644	-42 671
Profit (loss) before tax	-11 885	-16 671	-24 906	-39 559	-50 519
Tax	0	-4 168	0	-9 890	18 981
Profit (loss) for the period	-11 885	-12 503	-24 906	-29 669	-69 501

mybank

Balance sheet

Amounts in NOK '000	30.09.2020	30.09.2019	31.12.2019
Assets			
Cash and central bank deposits	**50 326**	30 196	**30 295**
Loans to, and deposits at, credit institutions	**67 443**	70 424	**69 333**
Net loans to customers	**826 679**	649 660	**655 581**
Prepaid agent commissions	**14 740**	24 706	**23 310**
Total loans	**959 188**	774 987	**778 519**
Short term financial investments	**175 195**	78 701	**63 896**
Other intangible assets	**20 059**	49 830	**21 667**
of which deferred tax asset	***0***	28 871	**0**
Fixed assets	**0**	59	**54**
Other assets	**0**	3 161	**6 531**
Receivables, prepayments and accrued income	**2 744**	2 238	**2 050**
Total other assets	**197 998**	133 989	**94 198**
Total assets	**1 157 185**	908 975	**872 717**
Liabilities			
Deposits from customers	**958 009**	701 033	**708 528**
Accounts payable	**18 876**	11 535	**6 646**
Total liabilities	**976 885**	712 567	**715 174**
Equity			
Share capital	**82 070**	41 409	**41 409**
Share premium fund	**240 145**	242 548	**242 548**
Other equity	**-117 008**	-57 880	-56 913
Earned equity for the year	**-24 906**	-29 669	**-69 501**
Total equity	**180 301**	196 408	**157 543**
Total liabilities and equity	**1 157 185**	908 975	**872 717**

mybank

Cash flow

	Q3 2020	Q3 2019	FY 2019
Cash flow from operational activities			
Profit (loss) for the period	-24 906	-29 669	-69 500
Tax	-	9 890	18 981
Loan losses	17 891	5 106	9 377
Prepaid agent commissions	8 290	-515	881
Net cash flow from operational activities	1 2745	-15 189	-40 261

Cash flow from investment activities			
Net investments in trading activities	-111 385	26 440	41 331
Intangible assets	1 888	4 812	4 104
Net cash flow from investment activities	-109 497	31 252	45 435

Cash flow from financial activities			
Loans to customers	-188 988	-18 170	28 362
Deposits from customers	249 481	5 813	13 308
Accounts payable	10 059	1 655	1 600
Share capital	48 335	4 140	24 809
Receivables	7 476	2 880	1 941
Net cash flow from financial activities	126 363	-3 683	6 214

Net cash flow for the period	18 141	12 380	11 388

Net development in cash and cash equivalents	-	-	-
Holdings of cash and cash equivalents at the start of the period	99 628	88 240	88 240
Holdings of cash and cash equivalents at the end of the period	117 769	100 620	99 628

mybank

Changes in equity

Amounts in NOK '000

	Share capital	Share premium	Other equity	Total
Equity 31.12.2016	**2 380**	**3 200**	**-2 200**	**3 390**
Equity 31.12.2017	**23 790**	**235 150**	**-18 100**	**240 800**
Equity 31.12.2018	**23 810**	**235 340**	**-56 920**	**202 230**
Equity 31.12.2019	**41 409**	**242 548**	**-126 419**	**157 538**
Transition to IFRS	0	0	-19 569	-19 569
Adjusted equity 01.01.2020	**41 409**	**242 554**	**-145 988**	**137 969**
Capital reduction (share consolidation)	-28 986	0	28 986	0
Capital raise	60 000	-3 000	0	57 000
Equity 30.06.2020	**72 423**	**239 554**	**-117 002**	**194 969**
Capital raise	1 601	-80	0	1 520
Equity 31.07.2020	**74 023**	**239 474**	**-117 002**	**196 489**
Capital raise	8 047	671	0	8 718
Equity 31.08.2020	**82 070**	**240 145**	**-117 002**	**205 207**
Result of the year	0	0	-24 906	-24 906
Equity 30.09.2020	**82 070**	**240 145**	**-141 908**	**180 301**

Note 1 Accounting principles

The quarterly report has been prepared in accordance to IFRS with simplifications after regulation and has not been audited.

Segment information

Operating segments are reported so that they are in accordance with reportable segments and internal reporting in the bank.

Revenue recognition

Interest rates is recognized as income using the effective interest method. This involves current income recognition of interest rates with the addition of amortized establishment fees. The effective interest rate is determined by discounting contractual cash flows within the expected lifecycle of the loan. Cash flows include start-up fees, as well as any residual value at the end of the expected loan cycle.

Income recognition of interest rate according to the effective interest method is used for balance sheet items that are valued at amortized cost. For interest-bearing balance sheet items that are valued at fair value through profit or loss, the nominal interest rate is recognized on an ongoing basis, while changes in value are recognized at the end of the period. Interest income on written-down exposures is calculated as the effective interest rate of written-down value. Fees and commissions are recognized in the income statement as the service is provided. Agent commissions are included in the cash flows when calculating amortized cost and are recognized as income under net interest income according to the effective interest method. Other income includes fees and commissions from bank services, such as payment services, credit services and investment services. The recognition of the result takes place when the services have been delivered.

Financial instruments – recognition and derecognition

Financial assets and liabilities are recognized when the bank becomes a party to the instrument's contractual terms.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the bank transfers the financial assets in a transaction where all or substantially all risk and profit opportunities linked to the ownership of the assets transfers to the bank. Financial liabilities are derecognized when the contractual terms are fulfilled, cancelled, or expired.

Financial instruments - classification

At initial recognition, financial instruments are classified into different categories depending on the contractual term of instrument and the purpose of the investment.

Financial assets are classified in the following groups:

- Amortized cost
- Fair value with change in value through other comprehensive income
- Fair value with change in value through the profit and loss

Financial liabilities are classified in the following groups:

- Financial liabilities at fair value with changes in value through profit and loss
- Other financial liabilities measured at amortized cost

Regarding classification and measurement, IFRS 9 requires that all financial assets that are debt instruments are being classified based on an assessment of the bank's business model and the cash flows associated with the various instruments. Loans with floating interest rates are classified at amortized cost.

The bank's liquidity portfolio is classified at fair value through profit or loss according to the business model that governs the liquidity portfolio.

Equity instruments that are strategic investments are classified at amortized cost. These equity instruments are not derivatives or held for trading purposes.

Financial liabilities are measured at amortized cost using the effective interest method. The financial liabilities at amortized cost includes the loan portfolio and deposits from credit institutions, and deposits from and debt to customers.

Measurements

Measurements to fair value

The fair value of financial instruments that are traded in active markets is determined at the end of the reporting period with reference to quoted market prices or prices from traders of financial instruments, without deduction of transaction costs. The market is active if it is possible to obtain externally observable prices, exchange rates or interest rates, and these prices represent actual and frequent market transactions.

For financial instrument that are not traded in an active market, the fair value is determined using an appropriate valuation method. Such valuation methods include the use of recent market transactions at an arm's length distance between well-informed and voluntary parties, if available, in reference to the current fair value of another instrument that is practically the same, discounted cash flow calculations or other valuation methods. To the extent that observable market prices are available for variables that are included in valuation models, these are used.

An analysis of fair value of financial instruments and further details on the measurements of these are stated in a separate note in the annual statement report for 2019.

Measurements of amortized cost

Financial instruments that are not measured at fair value are measured at amortized cost, and income is calculated according to the instrument's effective interest rate. The effective interest rate is determined by discounting contractual cash flows within the expected life of the instrument.

Cash flows include set-up fees and direct, marginal transaction costs that are not directly paid by the customer, as well as any residual value at the end of the expected cycle. Amortized cost is the present value of such cash flows, discounted with the effective interest rate.

Measurements of financial guarantees

Issued financial guarantees are valued at fair value, which on initial recognition is the consideration received for the guarantee. Upon subsequent measurement, issued financial guarantees are assessed at the highest amount of consideration received for the guarantee with the deduction of any recognized amortization in the income statement and the best estimate or consideration in the event of redemption of the guarantee.

Impairment of financial assets

Provisions for losses are recognized under IFRS 9 based on expected credit losses. The general model for write-downs of financial assets comprises financial assets that are measured at amortized cost or at fair value with changes in value through other comprehensive income.

In the case of initial recognition, a loss corresponding to the 12-month expected loss shall be recognized. 12-month expected loss is the loss that is expected to occur over the life of the instrument, but which can be linked to default events that occur in the first 12 months.

If the credit risk for an asset or group of assets is considered to have increased significantly since the initial recognition, a loss provision corresponding to losses during the entire expected life of the asset shall be made. If a credit loss occurs, interest income shall be recognized based on the balanced amount after adjustment for loss provisions.

The model of impairments in the bank

The bank's data center, SDC, has developed its own models for calculating the probability of default (PD) and loss given default (LGD). SDC has further developed a solution for exposure in the event of default (EAD), calculation of losses, and a model for assessing whether a commitment has had significant increase since the first recognition. The bank has decided to use this model in its calculations of impairments.

Description of the PD model

The PD model provided by SDC estimates the probability of default by estimating statistical correlations between default and the customer's financial position, demographic data and payment behavior. Default is defined as an overdraft of at least NOK 1,000 for 90 consecutive days, in addition to other qualitative indicators that indicate that the commitment has defaulted, cf. the Capital Requirements Regulations §10-1.

Relative increase in credit risk

Significant increase in credit risk is measured based on developments in PD. The bank has defined a significant increase in credit risk as an increase from the original PD on initial recognition (PD ini) for various levels for the model to capture relative developments in credit risk.

For exposures that originally had PD 12 months (PD 12 months ini) less than 1%, a significant increase in credit risk is defined as:

PD 12 months > PD 12 months ini + 0,5 %

and

PD life > PD rest life ini *2

For exposures that originally had PD 12 months (PD 12 months ini) above or equal to 1%, a significant increase in credit risk is defined as:

PD 12 months > PD 12 months ini + 2 %

and

PD life > PD rest life ini *2

Measurement of LGD

Estimates for LGD are based on historical losses in all SDC banks. The model differentiates between retail and corporate customers. The value of the collateral is based on the estimated realizable value.

EAD

EAD for agreements in step 1 consists of outstanding receivables or liabilities adjusted for cash flows over the next 12 months, and step 2 consist of the discounted cash flows for the expected life of the arrangement.

For guarantees, EAD is equal to the outstanding liability on the reporting date multiplied by a conversion factor of 1 or 0.5 depending on the type of guarantee.

Unused credits have EAD equal to outstanding unused credit at the time of reporting.

The expected life of an agreement is calculated based on the historical average life of similar agreements. Agreements that are modified are measured from the original grant date even if the agreement is given new conditions.

Expected credit loss based on expectations for the future

Mybank has not prepared its own expectations for the future as of 30 June 2020. The bank has a neutral view on future developments but monitors macro effects closely in case of factors impacting losses on our agreements.

Takeover of assets

Assets that are taken over in connection with follow-up of non-performing and written-down exposures are valued at fair value upon acquisition. Such assets are classified in the balance sheet by type. Subsequent valuation and classification of profit effects follow the principles for the asset in question.

Presentation of profit and loss items related to financial assets and liabilities at fair value

Realized gains and losses, as well as changes in estimated values of financial instruments at fair value through profit or loss, are included in the accounts under "Income (loss) from trading activities" in the period in which they arise. Gains, losses and changes in the value of financial instruments classified as fair value in the comprehensive income statement are recognized in the comprehensive income statement. Dividends on shares and other equity instruments are recognized in profit and loss when the bank's right to dividends has been determined.

Offsetting

Financial assets and financial liabilities are set off and presented only when the bank has a legally enforceable right to set off and when the bank intends to settle on a net basis. Revenues and expenses are not offset unless required or permitted in accordance with IFRS.

Currency

Transactions in foreign currency are converted to Norwegian kroner from the exchange rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the exchange rate on the reporting date. Non-monetary items measured at the historical exchange rate expressed in foreign currency are converted into Norwegian kroner using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair value expressed in foreign currency are converted at the current exchange rate at reporting date. Exchange rate fluctuations are recognized in the income statement on an ongoing basis during the accounting period.

The accounts are presented in Norwegian kroner, which is the bank's functional currency.

Fixed assets

Fixed assets include moveables and are valued at acquisition cost considering the accumulated depreciation and write-downs. Acquisition cost for fixed assets are the purchase price, including fees, taxes and costs directly related to enabling the fixed asset to be used. Expenses incurred after the fixed asset is taken into use, such as ongoing maintenance, are recognized in the income statement, while other expenses that are expected to provide future financial benefits are recognized in the balance sheet.

Linear depreciation has been used to allocate cost over the operating assets' life cycle.

Intangible assets

Software development is capitalized and classified as intangible assets if it is probable that the expected future value of the asset can contribute to and increase the value of the bank and that the acquisition cost can be measured reliably. When developing software, the use of own resources, pre-engineering, implementation and training are expensed.

Capitalized, proprietary software is depreciated linearly over its estimated life cycle.

Impairment of fixed and intangible assets

At each reporting date, and if there are indications of a decrease in value of the asset, the recoverable amount of the asset will be estimated to calculate any write-down. The recoverable amount is the higher of the asset's fair value minus the eventual expense of selling it, and the value in use. The balanced amount it written down if the balanced amount is higher than the estimated recoverable amount.

Leases

A lease is classified as a financial lease if it substantially transfers the risks and rewards of ownership. Other leases are classified as operating leases.

The bank will implement IFRS 16 for leases in their balance from Q1 2021.

Tax

The tax expense consists of tax payable and change in deferred tax. Deferred tax/tax benefit is calculated on all differences between the accounting and tax value of assets and liabilities. Deferred tax assets are recognized when it is probable that the bank will have sufficient taxable profits in later periods to utilize the tax asset. The bank realized their deferred tax in 2019 and do not have a deferred tax in the balance sheet in 2020.

Deferred tax and deferred tax assets are measured based on expected future tax rates and tax rules that apply on the reporting date, or which are in all probability expected to be adopted, and which are assumed to be used when the deferred tax asset is realized or when the deferred tax is settled.

Tax payable and deferred tax are recognized directly in equity to the extent that the tax items relate to equity transactions.

Pension obligations

Pension costs and liabilities comply with IAS 19. The bank has a defined contribution pension for all employees. The bank pays deposits to a privately administered life and pension insurance company who handles the pension plan for each employee.

The bank has no further payment obligations after the deposits have been paid to the insurance company. The deposits are expensed on an ongoing basis and are accounted for as a part of staff costs.

Events after reporting date

New information after the reporting date about the bank's financial position on the reporting date will be considered in the interim financial statements. Events after reporting date that do not affect the bank's financial position in the future will be disclosed if this is significant.

mybank

Note 2 Loans to customers

Amounts in NOK ‘000

Unsecured loans

	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2020	292 203	99 477	50 780	422 460
Transfers				
Transfer from stage 1 to stage 2	-23 150	21 262	0	-1 888
Transfer from stage 1 to stage 3	-20 935	0	22 277	1 342
Transfer from stage 2 to stage 1	11 71	-14 306	0	-2 635
Transfer from stage 2 to stage 3	0	-14 154	14 739	585
Transfer from stage 3 to stage 1	1 919	0	-3 429	-1 510
Transfer from stage 3 to stage 2	0	2 826	-3 173	-347
New loans	0	0	0	0
Repaid loans	-66 205	-25 821	-31 668	-123 694
Changes in not migrated loans	-22 710	-6 814	642	-28 882
Gross loans per 30.09.2020	172 791	62 470	50 168	285 429

Restart loans

	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2020	223 863	10 532	9 168	243 563
Transfers				
Transfer from stage 1 to stage 2	-62 487	62 400	0	-87
Transfer from stage 1 to stage 3	-14 974	0	15 459	485
Transfer from stage 2 to stage 1	1 801	-1 823	0	-22
Transfer from stage 2 to stage 3	0	-2 625	2 616	-9
Transfer from stage 3 to stage 1	608	0	-637	-29
Transfer from stage 3 to stage 2	0	191	-208	-17
New loans	335 206	51 577	10 536	397 319
Repaid loans	-41 359	-1 579	0	-42 938
Changes in loans not migrated	557	-22	442	977
Gross loans per 30.09.2020	443 215	118 651	37 376	599 242

mybank

Unsecured loans

	Stage 1	Stage 2	Stage 3	Total
Gross loans per 30.06.2020	201 390	72 487	42 860	316 737
Transfers				
Transfer from stage 1 to stage 2	-8 395	8 219	0	-176
Transfer from stage 1 to stage 3	-3 473	0	3 546	73
Transfer from stage 2 to stage 1	5 628	-5 857	0	-229
Transfer from stage 2 to stage 3	0	-8 600	8 834	234
Transfer from stage 3 to stage 1	1 696	0	-2 444	-748
Transfer from stage 3 to stage 2	0	2 653	-2 948	-295
New loans	0	0	0	0
Repaid loans	-14 485	-2 760	-757	-18 002
Changes in not migrated loans	-5 670	-3 672	1 077	-8 265
Gross loans per 30.09.2020	172 791	62 470	50 168	285 429

Restart loans

	Stage 1	Stage 2	Stage 3	Total
Gross loans per 30.06.2020	350 049	66 878	39 480	456 407
Transfers				
Transfer from stage 1 to stage 2	-44 509	44 497	0	-12
Transfer from stage 1 to stage 3	-337	0	345	8
Transfer from stage 2 to stage 1	5 874	-5 891	0	-17
Transfer from stage 2 to stage 3	0	-8 038	8 126	88
Transfer from stage 3 to stage 1	1 295	0	-1 304	-9
Transfer from stage 3 to stage 2	0	8 340	-8 350	-15
New loans	147 567	17 193	0	164 760
Repaid loans	-16 674	-4 264	-1 344	-22 282
Changes in not migrated loans	-50	-62	426	314
Gross loans per 30.09.2020	443 215	118 653	37 374	599 242

Note 3 Loan losses and loss provisions

Amounts in NOK ’000

Unsecured loans

	Stage 1	Stage 2	Stage 3	Total
Loss provisions per 01.01.2020	9 558	12 922	14 726	37 206
Transfers				
Transfer from stage 1 to stage 2	-1 553	2 823	0	1 270
Transfer from stage 1 to stage 3	-1 026	0	8 462	7 436
Transfer from stage 2 to stage 1	873	-1 442	0	-569
Transfer from stage 2 to stage 3	0	-1 958	5 736	3 778
Transfer from stage 3 to stage 1	302	0	-703	-401
Transfer from stage 3 to stage 2	0	619	-668	-49
Provisions new loans	0	0	0	0
Provision repaid loans	-2 095	-3 262	-9 211	-14 568
Changes in not migrated loans	-197	-867	1 137	73
Loss provisions per 30.09.2020	5 862	8 835	19 479	34 176
This period’s change in provisions	-3 696	-4 087	4 753	-3 030
Provisions in % of total loans	3,39%	14,14%	38,83%	11,97%

Restart loans

	Stage 1	Stage 2	Stage 3	Total
Loss provisions per 01.01.2020	1 531	5	0	1 536
Transfers				
Transfer from stage 1 to stage 2	-47	503	0	456
Transfer from stage 1 to stage 3	0	0	353	353
Transfer from stage 2 to stage 1	43	-4	0	39
Transfer from stage 2 to stage 3	0	0	201	201
Transfer from stage 3 to stage 1	0	0	0	0
Transfer from stage 3 to stage 2	0	28	0	28
Provisions new loans	-966	-314	0	-1 280
Provision repaid loans	-1 215	0	0	-1 215
Changes in not migrated loans	2 225	649	119	2 993
Loss provisions per 30.09.2020	1 571	867	673	3 111
This period’s change in provisions	40	862	673	1 575
Provisions in % of total loans	0,35%	0,73%	1,80%	0,52%

mybank

Unsecured loans

	Stage 1	Stage 2	Stage 3	Total
Loss provisions per 30.06.2020	6 847	10 388	16 379	33 614
Transfers				
Transfer from stage 1 to stage 2	-1 124	1 197	0	73
Transfer from stage 1 to stage 3	-544	0	1 128	584
Transfer from stage 2 to stage 1	577	-733	0	-156
Transfer from stage 2 to stage 3	0	-1 410	3 118	1 708
Transfer from stage 3 to stage 1	519	0	-911	-392
Transfer from stage 3 to stage 2	0	552	-919	-367
Provisions new loans	0	0	0	0
Provision repaid loans	-407	-348	-222	-977
Changes in not migrated loans	-7	-810	906	89
Loss provisions per 30.09.2020	5 861	8 836	19 479	34 176
This period change in provisions	-986	-1 552	3 100	562
Provisions in % of total loans	3,396%	14,14%	38,83%	0

Restart loans

	Stage 1	Stage 2	Stage 3	Total
Loss provisions per 30.06.2020	895	1 366	586	2 847
Transfers				
Transfer from stage 1 to stage 2	-131	217	0	86
Transfer from stage 1 to stage 3	-8	0	8	0
Transfer from stage 2 to stage 1	473	-472	0	1
Transfer from stage 2 to stage 3	0	-342	368	26
Transfer from stage 3 to stage 1	43	0	-139	-96
Transfer from stage 3 to stage 2	0	75	-155	-80
Provisions new loans	-138	-57	0	-195
Provision repaid loans	-33	20	0	-13
Changes in not migrated loans	470	60	5	535
Loss provisions per 30.09.2020	1 571	867	673	3 111
This period’s change in provisions	676	-499	87	264
Provisions in % of total loans	0,35%	0,73%	1,80%	0,52%

mybank

Note 4 Operating costs excluding deprecation

Amounts in NOK '000

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Personnel expenses	8 057	5 683	6 025	5 080	7 964	3 880	4 682
Property, plant and equipment	170	157	350	500	310	510	405
External fees/services	2 731	1 022	3 242	3 860	4 207	3 472	1 427
Travel expenses	162	226	317	700	90	190	295
Sales and advertising	-196	758	405	400	990	300	0
IT and other expenses	3 245	3 444	3 162	2100	1 940	1 892	3 200
Non-personnel operating expenses	6 112	5 607	7 476	7 560	7 537	6 364	5 327

Note 5 Net change in value of financial instruments at fair value

Amounts in NOK '000

	3rd quarter 2020	2nd quarter 2020	1st quarter 2020	Full year 2019
Net change in value of shares / units in funds	385	195	1466	700
Net change in value of financial instruments at fair value	385	195	1466	700

The bank's liquidity portfolio is invested in fixed income funds adapted to the regulations for liquidity management for banks.

mybank

Note 6 Classification of financial instruments in the balance sheet

Amounts in NOK '000

30.09.2020

Assets	Valued at fair value through profit and loss	Assessed at amortized cost	Non-financial
Cash and cash equivalents		50 326	
Loans and advances to credit institutions		67 443	
Loans and receivables from customers		826 679	
Shares and units in funds	175 195		
Other assets		17 483	20 059
Total Assets	175 195	961 931	20 059
Liabilities			
Deposits from customers		958 009	
Other debt		18 876	
Accrued expenses and received, unearned income			
Rental obligation			
Total liabilities		976 885	

30.06.2020

Assets	Valued at fair value through profit and loss	Assessed at amortized cost	Non-financial
Cash and cash equivalents		50 390	
Loans and advances to credit institutions		78 131	
Loans and receivables from customers		719 117	
Shares and units in funds	164 569		
Other assets		27 465	21 124
Total Assets	164 569	875 103	21 124
Liabilities			
Deposits from customers		914 293	
Other debt		21 583	
Accrued expenses and received, unearned income			
Rental obligation			
Total liabilities		935 876	

Note 7 Fair value of financial instruments

Amounts in NOK '000

Fair value of financial instruments ranked at fair value

	30.09.2020			30.06.2020		
Assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Shares or units in funds		175 195			164 569	
Total Assets	175 195			164 569		

Fair value of financial instruments ranked at fair value

The valuation hierarchy used in the table above is as follows:

Level 1: Assets that have observable trading prices in active markets.

Level 2: Assets that have observable trading prices in less active markets, or that are calculated by direct or indirect use of such observable trading prices.

Level 3: Assets that do not have observable trading prices.

mybank

Note 8 Capital adequacy

Amounts in NOK '000	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Share capital	82 070	41 410	41 410	41 410
Share premium reserve	240 145	242 550	242 550	242 550
Retained earnings	-141 914	-159 009	-153 167	-126 420
Deduction of intangible assets	-20 059	-21 079	-19 043	-21 667
CET 1 capital	173 765	117 406	125 323	135 809
Tier 1 capital	173 765	117 406	125 323	135 809
Tier 2 capital	173 765	117 406	125 323	135 809
Capital requirement, including buffer requirements	21,10 %	18,50 %	18,50 %	20,00 %

	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Institutions	13 489	15 626	16 855	13 867
Unsecured retail loans	249 924	293 680	362 007	422 696
Loans secured by mortgages	236 495	186 609	117 134	104 013
Collective investments undertakings	0	0	0	2 056
Equity	2 798	2 746	3 059	2 621
Operational risk	56 238	56 238	56 238	56 238
Other	8 824	13 812	23 689	31 945
Total risk-weighted assets	567 766	566 575	578 981	633 435
Core equity tier 1 capital ratio	30,60 %	21,09 %	21,65 %	21,44 %
Tier 1 capital ratio	30,60 %	21,09 %	21,65 %	21,44 %
Capital ratio	30,60 %	21,09 %	21,65 %	21,44 %
Leverage ratio	14,21 %	10,10 %	11,98 %	20,30 %
Excluding transitional arrangements for IFRS 9				
Core equity tier 1 capital ratio	28,00 %	18,19 %	19,28 %	-
Tier 1 capital ratio	28,00 %	18,19 %	19,28 %	-
Capital ratio	28,00 %	18,19 %	19,28 %	-
Leverage ratio	14,01%	9,97 %	11,58 %	-

mybank

Note 9 Overview of largest shareholders

Mybank has a share capital of NOK 82.07 million, divided into 7.599.105 shares. The bank had a total of 188 shareholders.

Largest shareholders as of 30.09.2020

	Name	Number of shares	%	Nom.	Board/ management
1	Skandinaviska Enskilda Banken AB*	1 376 029	18,11	Yes	Yes
2	DAIMYO AS	863 944	11,37		Yes
3	COMPANY ONE AS	745 089	9,80		Yes
4	DANSKE BANK A/S	584 435	7,69	Yes	
5	EUROPA LINK AS	535 589	7,05		
6	NORDIC FRONTIER AS	519 128	6,83		
7	NORDIC PROPERTY HOLDING AS	466 411	6,13		
8	BIMO KAPITAL AS	323 236	4,25		
9	NORDNET BANK AS	296 543	3,90	Yes	
10	DOBER AS	233 798	3,08		
11	Swedbank AB	149 509	1,97	Yes	
12	Skandinaviska Enskilda Banken AB	148 277	1,95	Yes	
13	Mavenhead II Limited	110 323	1,45		
14	ART GROUP AS	92 593	1,22		
14	TITAN VENTURE AS	92 593	1,22		
14	MORCO HOLDING AS	92 593	1,22		
17	GRUNNFJELLET AS	77 650	1,02		
18	SILVERCOIN INDUSTRIES AS	68 153	0,90		
19	MP CAPITAL AS	61 729	0,81		
20	CRESCENT BELL & HARE LTD	47 500	0,63		Yes

* Holdings by Skandinaviska Enskilda Banken AB include shares owned by Erik Selin Fastigheter AB (ESF) and held in nominee. ESF is represented on the board of directors by Jesper Mårtensson.