



## Investor presentation

19 January 2018

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**BANK 2**  
Vi kan hjelpe

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# Important information (2)

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## **GOVERNING LAW AND JURISDICTION**

This Presentation is subject to Norwegian law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts.

# Risk factors (1)

*Investing in Bank2 involves inherent risks. Prospective investors should carefully consider, among other things, the risk factors set out herein in this Section before making an investment decision. The risks described below are not the only ones facing the Bank. Additional risks not presently known to the Bank or that the Bank currently deems immaterial, may also impair the Bank's business operations and adversely affect the price of the Bank's Shares. If any of the following risks occur, the Bank's business, financial position and operating results could be materially and adversely affected.*

*A prospective investor should consider carefully the factors set forth below, and elsewhere in the Presentation, and should consult his or her own expert advisors as to the suitability of an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.*

*The information herein is presented as of the date hereof and is subject to change, completion or amendment without notice.*

*All forward-looking statements included in this document are based on information available to the Bank on the date hereof, and the Bank assumes no obligation to update any such forward-looking statements. Forward-looking statements will however be updated if required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described in this Presentation.*

## **RISK RELATING TO THE BUSINESS OF THE BANK AND THE INDUSTRY IN WHICH THE BANK OPERATES**

### ***Market cyclical and general economic conditions***

The Norwegian banking market is historically cyclical with operating results of financial enterprises having fluctuated significantly because of volatile and sometimes unpredictable events, some of which are beyond direct control of the Bank. Thus, future events may have material adverse effect on the Bank's business, results of operations and overall financial condition.

Moreover, the Bank's profits are highly sensitive to the macroeconomic development such as GDP development, interest rate levels, and currency rate development. A decline in the economy may result in weaker growth, higher losses and weaker earnings, and it may make it difficult to raise capital at the same time. By way of examples, an increase in interest rate levels may reduce margins, increase the risk of credit losses and/or result in reduced willingness to take up new loans, increased unemployment is likely to increase overall loan losses, while lower economic activity dampens growth.

If the Norwegian economy weakens or if the financial markets exhibit uncertainty and/or volatility, this could result in a negative impact on consumers' disposable income, confidence, spending and/or demand for credit, which could in turn have a material adverse impact on the Bank's business, financial condition, results of operations and/or prospects. Higher levels of unemployment have historically resulted, for example, in a decrease in borrowing, lower deposit levels and reduced or deferred levels of spending, with adverse impact on fees and commissions received on credit and debit card transactions and demand for home loans and unsecured lending. Higher unemployment rates and decreasing real income among the Bank's customers is likely to have a negative impact on the Bank's results, including through an increase in arrears, forbearance, impairment provisions and defaults.

In addition, deterioration in economic conditions in the Eurozone, including a return to macroeconomic or financial market instability may pose a risk to the Bank's existing and planned business. Should the economic conditions in the Eurozone deteriorate, the macroeconomic risks faced by the Bank would be exacerbated given the influence the Eurozone has on performance of the Nordic economy, and may have an adverse impact on consumer confidence, spending and/or demand for credit in the Nordic countries, any of which could have material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

### ***Competition***

Bank2 faces competition from both domestic, Nordic and international banks and other suppliers of credit. If the Bank is unable or is perceived to be unable to compete efficiently, its competitive position may be adversely affected, which as a result, may have a material adverse effect on the Bank's business, results of operations and/or financial condition.

# Risk factors (2)

## ***The Bank relies heavily on IT systems and is exposed to the risk of failure or inadequacy in these systems***

Bank2's business concept is critically dependent upon an efficient and well-functioning, technological platform. This is a complex task driven by the Bank's product mix and the need for efficient customer interaction, risk management procedures and cooperation with suppliers. Thus, the Bank is exposed to operational risks such as failure or inadequacies in these internal processes and systems. Furthermore, Bank2 depends on third party providers for the supply of important IT services. Changes in regulatory or operational requirements may imply material changes to the Bank's current IT systems and could further lead to a change in the systems and solutions provided to the Bank by its third party providers.

The Bank seeks to reduce technological risk by adopting mostly proven systems and by maintaining highly competent technological staff within the organization. Despite the contingency plans and facilities that the Bank has in place, its ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the business of the Bank, some of which are beyond the Bank's control. Any failure, inadequacy, interruption or security failure of those systems, or the failure to seamlessly maintain, upgrade or introduce new systems, could harm the Bank's ability to effectively operate its business and increase its expenses and harm its reputation. These risks may in turn have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

## ***Vulnerability to cyber-attack and security breaches***

Like other financial enterprises, the Bank's activities have been, and are expected to continue to be, subject to an increasing risk of information and communication technology ("ICT") crime in the form of, for example, Trojan attacks and denial of service attacks, the nature of which is continually evolving. The protection of its customer and company data, and its customers' trust in the Bank's ability to protect such information, is of key importance to Bank2. The Bank relies in part on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as personal identifiable information, personal financial information, payment card data, account transcripts and loan and security data. Despite the security measures in place, the Bank's facilities and systems, and those of its third party service providers, may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events.

If one or more of such events occur, any one of them could potentially jeopardize confidential and other information related to the Bank, its customers and its counterparties. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by the Bank or its vendors, could damage the Bank's reputation, expose it to risk of litigation, increased capital requirements or sanctions from the Norwegian FSA and disrupt its operations. Bank2 may also be required to spend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. This could in turn have a material adverse effect on the Bank's business, financial position, results of operations and/or prospects.

## ***Service providers***

Bank2 may outsource certain key functions to external partners, including IT activities. In the event that the current outsourcing becomes unsatisfactory, or Bank2's third party suppliers are unable to fulfil their obligations, there is a risk that the Bank may be unable to locate new outsourcing partners on economically attractive terms.

## ***Key employees***

Bank2 is a relatively small company with a lean organization and is therefore sensitive to losing key employees and management. Loss of key employees and management could have a material adverse effect on the continued success of the Bank's business, financial position, results of operations and/or prospects.

In addition, the Bank's future development is dependent on the Bank's ability to attract and retain skilled personnel and to develop the level of expertise throughout its organization.

## ***Credit risk***

Credit risk is risk of losses due to failure of customers or other debtors to meet their obligations, and that collateral will not cover the outstanding claims, primarily from its lending activities. Adverse changes in the credit quality or behavior of the Bank's borrowers could reduce the value of the Bank's assets and increase the Bank's write-downs and allowances for impairment losses. The overall credit quality profile of the Bank's borrowers may also be affected by a range of macroeconomic events and other factors, including increased unemployment, reduced asset values, lower consumer spending, increased customer indebtedness, increased interest rates and/or higher default rates.

The Bank's business model is i.a. to provide secured credit (with security in real estate) to customers that need to refinance their existing loans. Consequently, the Bank is exposed to a fall in property values. A fall in property values could have a material adverse effect on the Bank's financial condition, results of operations and/or prospects.

## ***Liquidity risk***

The Bank is exposed to liquidity risk, which is the risk of losses due to a maturity mismatch between outstanding loans and deposits/funding. It is vital for Bank2 to be able to fund its outstanding loans through customer deposits and funding from the capital market, at any given point of time. The Bank will seek to develop and keep a deposit/funding base and a funding maturity structure that will be judged by the market as "robust".

The Bank may experience difficulties in attracting sufficient customer deposits and funding from the market to match a strong loan growth. In such cases, the Bank may have to reduce its loan growth or increase interest rates for deposits, and this may result in slower business growth and/or weaker earnings than forecasted.

# Risk factors (3)

In the case of turbulence in the capital market and/or if the Bank develops much weaker than expected in terms of profitability and loan losses, the liquidity/funding risk can be significant. Deposits from the public can be withdrawn quickly in a stressed situation. To counteract negative consequences of fluctuations in deposit volume, the Bank will establish a liquidity buffer to absorb expected fluctuations in deposit volume.

## **Market risk, hereunder interest rate risk**

The Bank is exposed to interest rate risk, which is the risk of losses due to changes in the general market interest rate level. Bank2's lending and deposits will predominantly be with floating interest rate. If the conditions in the capital market develop negatively and/or the Bank develops weaker than expected in terms of profitability and loan losses, the risk of losses can become substantial from the fact that funding costs increases more than is realistic to pass on to the borrowers.

## **Risk that capital in the future may not be available on attractive terms, or at all**

It cannot be ruled out that the Bank may need to obtain additional capital in the future, e.g. due to reduced margins, operational losses above expectations, negative credit risk migration, growth above expectations, or other factors affecting its capital adequacy and/or stricter capital adequacy requirements. Such capital, whether in the form of subordinated debt, hybrid capital or additional equity, may not be available on attractive terms, or at all. Further, any such development may expose the Bank to additional costs and liabilities and require it to change the manner in which it conducts its business or otherwise have a material adverse effect on its financial position, results of operations and/or prospects.

## **Foreign currency risk**

The Bank is exposed to currency risk, which is the risk of losses from fluctuations in the currencies. Bank2 will try to match its positions in foreign currencies and if needed use financial instruments to reduce currency risk.

## **Money laundering and/or identity fraud**

In general, the risk that banks will be subjected to or used for money laundering or identity fraud has increased worldwide. The turnover of employees can create challenges in consistently implementing related policies and technology systems. The risk of future incidents in relation to money laundering or identity fraud always exists for financial enterprises. Identity fraud incidents or any violation of anti-money laundering rules, or even the suggestion of violations, may have severe financial, legal and reputational consequences for the Bank and may, as a result, adversely affect the Bank's business and/or prospects.

## **Litigation, claims and compliance risks**

The Bank may in the future become involved in various disputes and legal, administrative and governmental proceedings in Norway and other jurisdictions that potentially could expose the Bank to losses and liabilities.

## **Operational risks related to systems and processes and inadequacy in internal control procedures**

The Bank's business is exposed to operational risks related to systems and processes, whether people related or external events, including the risk of fraud and other criminal acts carried out against the Bank. Its business is dependent upon accurate and efficient processing and reporting of a high volume of complex transactions across numerous and diverse products and services. Any weakness in these systems or processes could have an adverse effect on the Bank's results and on its ability to deliver appropriate customer service levels during the affected period. In addition, any breach in security systems, for example from increasingly sophisticated attacks by cybercrime groups could disrupt its business, result in the disclosure of confidential information and create significant financial and/or legal exposure and the possibility of damage to the Bank's reputation and/or brand.

There can be no assurance that the risk controls, loss mitigation and other internal controls or actions that are applied by the Bank could help prevent the occurrence of a serious disaster resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems. Further, some of the measures used by the Bank to mitigate risk are based on historical information, and there is a risk that such measures are inadequate in predicting future risk exposure. Furthermore, risk management methods may rely on estimates, assumptions and information that may be incorrect or outdated. If the risk management is insufficient or inadequate, this could have a material adverse effect on the Bank.

## **Inability to maintain sufficient insurance to cover all risks related to its operations**

The Bank's business is subject to a number of risks, including, but not limited to fraud, disruption in the infrastructure, human errors, litigation and changes in the regulatory environment. Such occurrences could result in financial losses and possible legal liability. Although the Bank seeks to maintain insurance or contractual coverage to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with the Bank's operations, which could have a material and adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# Risk factors (4)

## RISK RELATING TO LAWS AND REGULATIONS

### ***The Bank is exposed to changes in banking and financial services regulations and changes in the interpretation and operation of such regulations***

The Bank is subject to financial services laws, regulations, administrative actions and policies in Norway. Changes in supervision and regulation in Norway and in the European Union ("EU")/the European Economic Area ("EEA"), could materially affect the Bank's business, the products and services offered or the value of its assets. Future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Bank.

Areas where changes or developments in regulation and/or oversight could have a material adverse impact include, but are not limited to (i) changes in monetary, interest rate and other policies, (ii) general changes in government and regulatory policies or regimes which may significantly influence investor decisions or increase the costs of doing business in Norway, (iii) changes in competition and pricing environments, (iv) differentiation among financial enterprises with respect to the extension of guarantees to bank deposits and borrowings from customers and the terms attaching to such guarantees, (v) increased financial reporting requirements and (vi) changes in regulations affecting the Bank's current structure of operations. Financial regulators responding to future crisis or other concerns may adopt new or additional regulations, imposing restrictions or limitations on banks' operations, including, but not limited to, increased capital requirements, disclosure and/or reporting standards or restrictions on certain types of transaction structures.

Although the Bank works closely with its regulators and continues to monitor the legal framework, future changes in the Norwegian Financial Supervisory Authority's (the "Norwegian FSA") or other government agencies' interpretation or operation of existing legislation or regulation can be unpredictable and are beyond the control of the Bank.

### ***The Bank is subject to regulatory capital adequacy requirements and an increased level of expected risk or changes in the requirement as such could lead to an increase in its capital adequacy requirements***

The global financial market turbulence in 2008-2009 gave rise to international focus on certain issues identified as contributors to the crisis. This resulted in the Basel III accord and subsequent changes in the European regulatory framework including the new capital adequacy rules known as CRD IV/CRR, that are also implemented in Norway and which the Bank is subject to. These rules entail a step-up in the Tier 1/Tier 2 risk-weighted capital requirement, most of which are in force but where the counter-cyclical buffer is to increase to 2 % on 31 December 2017. The counter-cyclical buffer (maximum 2.5%) is to be re-assessed each quarter; an increase will normally be with 12 month notice. The new rules also include capital requirement on a non-risk weighted basis to be implemented by 2018.

Liquidity Coverage Ratio ("LCR") was introduced 2016 onwards, with gradual implementation. An additional Net Stable Funding Ratio ("NSFR") shall be implemented within 2018. In addition to these general "Pillar 1" requirements referred to above, CRD IV permits regulators to require additional capital calibrated individually to address the specific risk profile of each bank at any time.

The Bank may in the future be subject to further increases in capital and liquidity requirement as well as other regulatory requirements and constraints concerning increased capital requirements pursuant to Pillar 1.

Moreover, the Norwegian FSA may impose stricter capital requirements for the Bank pursuant to the specific risks relating to the Bank's operations under the Pillar 2 assessment. Moreover, the Bank is not regarded as a systemic important bank in Norway; however there can be no assurance that the regulator will change its view on the classification. Should the Bank be classified a systemic important bank it will be subject to stricter capital requirements. Any such requirements as mentioned above could have material adverse effect on the Bank's financial position and profitability.

### **The implementation of BRRD may impact the debt funding for the Bank**

It is expected that the implementation of the EU Banking Recovery and Resolutions Directive ("BRRD") will impact the debt funding for banks and lead to added regulatory requirements on a number of banks. BRRD requires banks to draw up recovery and resolution plans to be scrutinized by regulators, and introduces inter alia the bail-in tool here after the regulators can affect a write-off of unsecured debt or conversion into equity in a financial distress scenario. BRRD is expected to be implemented in Norway in 2018.

It is expected that BRRD will increase cost of unsecured bank debt, in particular as compared to secured debt exempted from bail-in. Consequently, under BRRD, any perceived uncertainty regarding a bank's financial position may significantly limit its access to debt funding.

Thus, the Bank may be subject to increased costs of unsecured bank debt in the future and this may adversely affect the Bank's access to debt funding.

Moreover, Directive 2014/749/EC imposed a harmonized level of deposit guarantee of EUR 100 000 which shall apply within the EU by 31 December 2018. It is currently unclear whether Norway may uphold its current level of deposit guarantee after this date. For the time being, the Norwegian guarantee scheme provides for a deposit guarantee corresponding to about EUR 250 000. The Norwegian Guarantee Fund provides banks deposit guarantees if banks are unable to meet its commitments. A change in the Norwegian deposit guarantee scheme may have a material adverse effect on the Bank's funding.

# Risk factors (5)

## ***The Bank is subject to the Norwegian provisions on ownership control***

Pursuant to the Act on Financial Enterprises and Financial Groups of 10 April 2015 No. 17 ("FEA"), acquisition of qualifying holdings in a financial enterprise is subject to prior approval by the Norwegian Ministry of Finance or the Norwegian FSA. A qualifying holding is a holding that represents 10% or more of the capital or voting rights in a financial enterprise or allows for the exercise of significant influence on the management of the enterprise and its business. Approval may only be granted if the acquirer is considered appropriate according to specific non-discriminatory tests described in the FEA (the so-called "fit and proper" test). Any person intending to acquire 10% or more of the capital or voting rights of the Bank, must be explicitly approved by the Norwegian FSA and/or the Norwegian Ministry of Finance, as applicable before the transaction can be carried through. Such persons run a risk that their application for approval is denied or that Norwegian authorities impose unfavorable conditions related to an approval.

## ***The share capital of the Bank may be written down by the Bank's shareholders or the Norwegian authorities under the Act on Financial Enterprises and Financial Groups***

The share capital of the Bank may be written down by the shareholders of the Bank or by the Norwegian authorities pursuant to powers granted to them under Chapter 21 of the Act on Financial Enterprises and Financial Groups (FEA).

## **RISK FACTORS RELATING TO SHARES**

The market price of the Bank's Shares may fluctuate significantly and rapidly as a result of, inter alia, the factors mentioned below:

- Differences between the actual financial & operating results and those expected by investors/analysts;
- Perceived prospects for the business and operations and the banking industry;
- Announcements by the Bank or competitors of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- Changes in operating results;
- Changes in securities analysts' estimates of financial performance and recommendations;
- Changes in market valuation of similar companies;
- Involvement in litigation;
- Additions or departures of key personnel; and
- Changes in general economic conditions.

Negative publicity or announcements, including those relating to any of the Bank's substantial shareholders or key personnel may adversely affect the Share price and the stock performance of the Bank, whether or not this is justifiable. Such negative publicity or announcement may include involvement in insolvency proceedings, failed attempts in takeovers or joint ventures etc.

Apart from the specific factors listed above and general business and economic conditions to which all commercial businesses are exposed to, the Board of Directors are of the view that the Bank is not vulnerable in any material way to any other factors which can be reasonably anticipated.

## **OTHER RISK**

### ***Difficulties for foreign investors to enforce non-Norwegian judgements***

The Bank is organized under the laws of Norway. Currently, the majority of the Bank's board of directors is residents of Norway, and the vast majority of its assets are in Norway. As a result, it may not be possible for non-Norwegian investors to affect service of process on the Bank or the Bank's directors in the investor's own jurisdiction, or to enforce against them judgments obtained in non-Norwegian courts. However, Norway is party to the Lugano Convention and a judgment obtained in another Lugano Convention state will in general be enforceable in Norway. However, there is no regulation providing for general recognition or enforceability in Norway of judgments of non-Lugano Convention state courts, such as the courts of the United States.

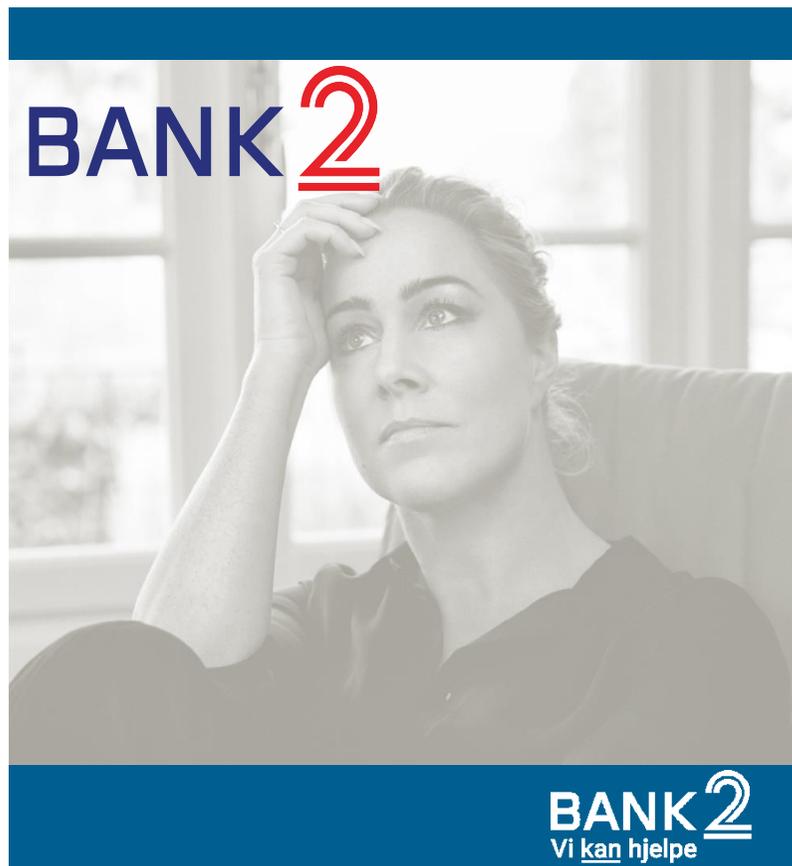
### ***Norwegian law may limit the shareholders' ability to bring an action against the Company***

The Bank is a public limited company incorporated under the laws of Norway. The rights of holders of Shares are governed by Norwegian law and by the Articles of Association. These rights differ from the rights of shareholders in typical US corporations. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. Under Norwegian law, any action brought by a company in respect of wrongful acts committed against the company takes priority over actions brought by shareholders in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, U.S. securities laws.

### ***Risk of consolidation of certain shareholders may increase supply of shares***

The Norwegian Ministry of Finance is assessing whether certain shareholders owning approx. 30 % of the shares of the Bank, shall be deemed to act in concert in relation to the current ownership control rules. If the Ministry of Finance concludes that they are acting in concert, one potential outcome

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# Experience executive management and chairman of the board



**Frode Ekeli**  
CEO Bank2



**Bo W. Kielland**  
Bank Manager,  
Bank2



**Sverre Gulbransen**  
CFO Bank2



**Tørres Grønseth**  
CEO Finans2



**Jon H. Nordbrekken**  
Chairman of the board



 = years experience

# A refinancing specialist with a tailor-made offering

## One of Norway's first specialist banks...

- Established in 2005 and registered on the NOTC since February 2016
- NOK ~900m market capitalization
- Total lending of NOK 2.8bn and total assets of NOK 3.6bn

## ... and a refinancing specialist...

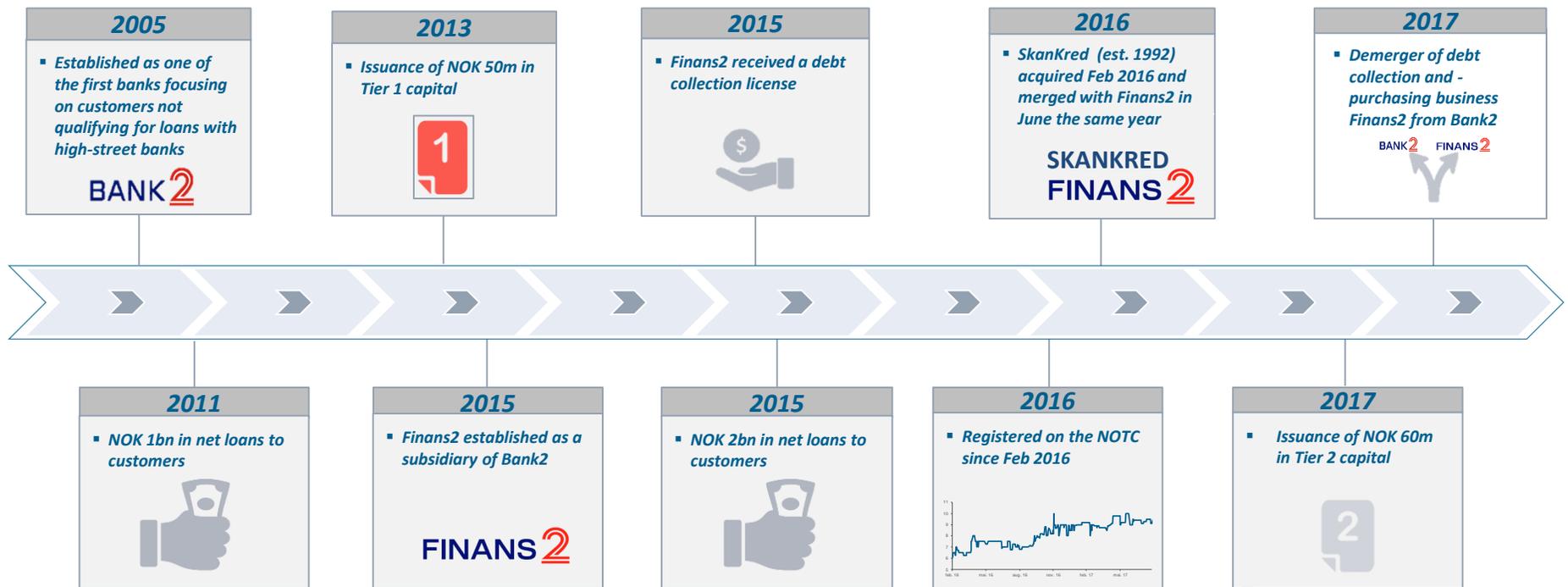
- Focus on credit worthy customers that do not qualify for loans with high-street banks
- Secured loans with comfortable loan to value
- Highly experienced staff with a broad business network
- Close cooperation with leading financial agents

## ... with tailor made solutions for selected profitable segments

- Refinancing for private individuals focusing on secured loans, with additional tailor-made solutions for bridge-financing and equity release
- Financing of smaller real estate projects in and around the greater Oslo area
- Finans2 present through the credit management and -administration value chain, now ready to accelerate invoice purchasing activity

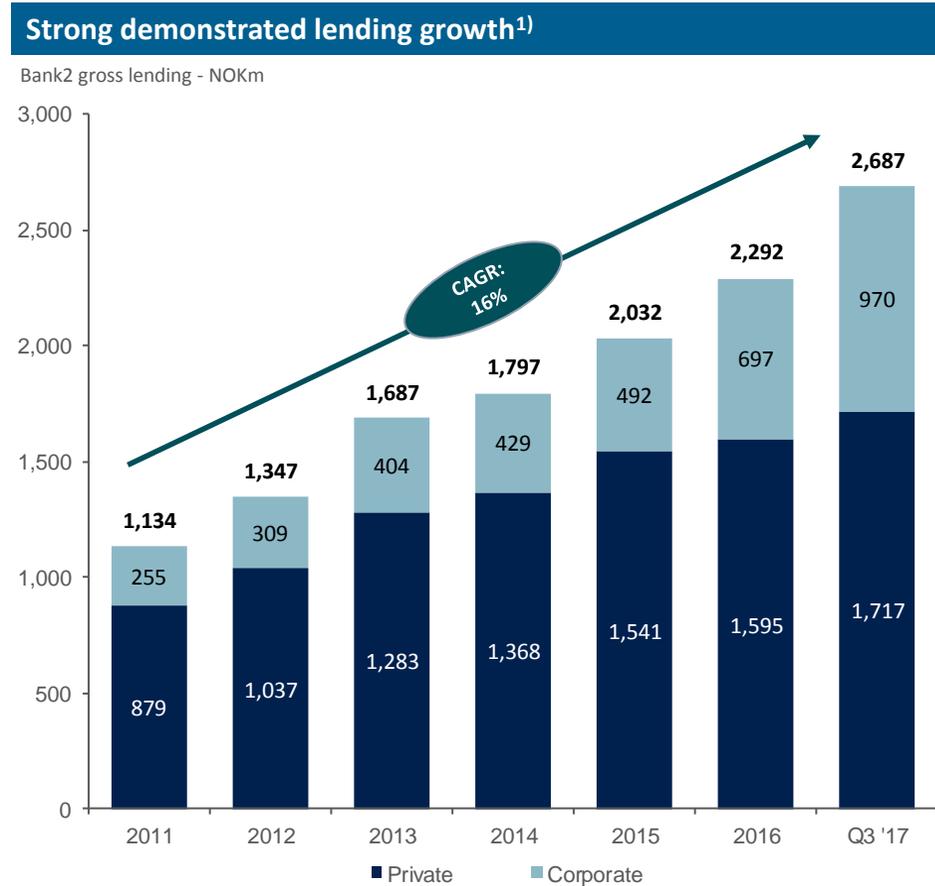
# >10 years history as a leading specialist player in Norway

## Key milestones since Bank2 was established in 2005



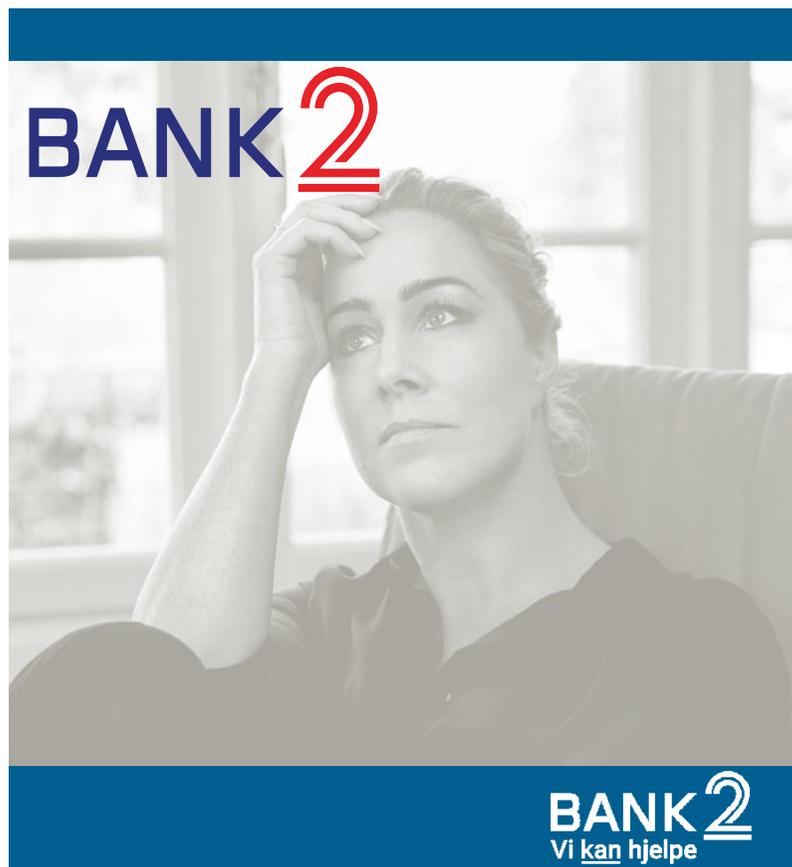
# Product offering supporting strong growth

Product offering	
<b>Retail segment</b> 	<ul style="list-style-type: none"> <li>• Refinancing solutions</li> <li>• Bridge financing</li> <li>• Equity release products</li> <li>• Deposits and current accounts</li> </ul>
<b>SMB/corporate</b> 	<ul style="list-style-type: none"> <li>• Financing of real estate projects</li> <li>• Focus on Oslo and surrounding areas</li> </ul>
<b>FINANS 2</b>	<ul style="list-style-type: none"> <li>• Invoice purchasing &amp; factoring</li> <li>• Debt portfolio acquisitions</li> <li>• Third-party debt collection</li> <li>• Administrative services</li> </ul>



1) Excluding purchased portfolios amounting to NOK 94 million as at Q3 2017

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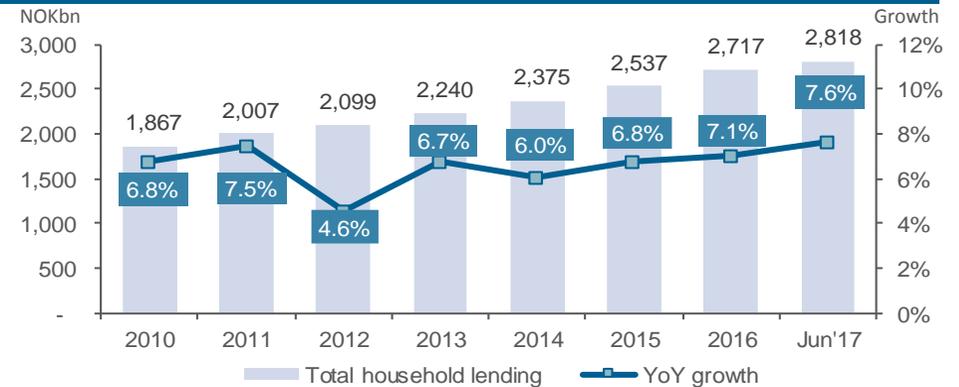
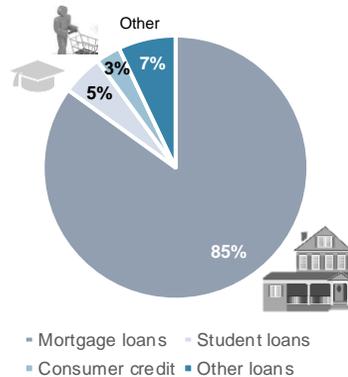


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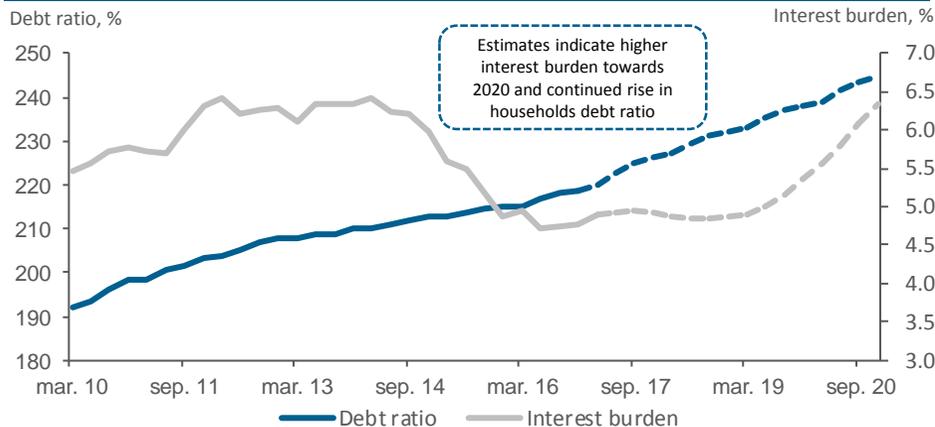
# Steadily growing lending market

## Strong growth in Norwegian household lending<sup>1)</sup> with mortgages comprising the vast majority

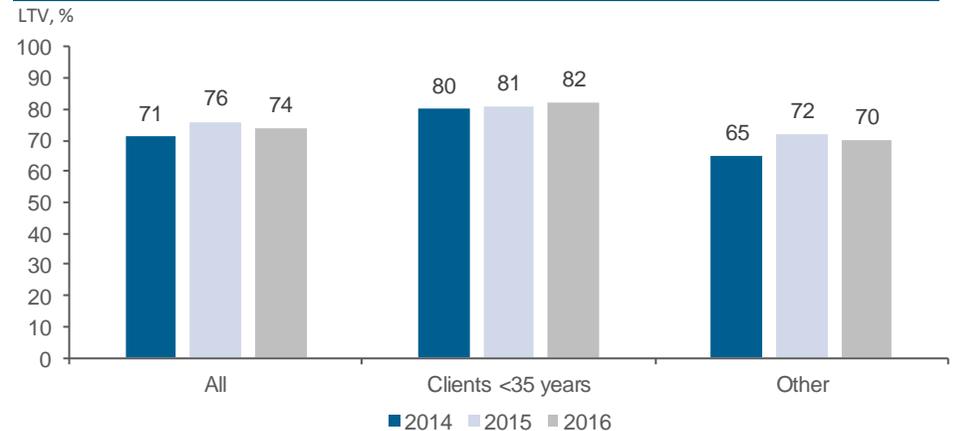
- Strong and consistent lending growth following the 2008-09 'financial crisis'
- Rising asset prices supporting solid growth in mortgage lending



## Households debt ratio<sup>2)</sup> continues to rise...



## ... and young borrowers have the highest loan to value ratio



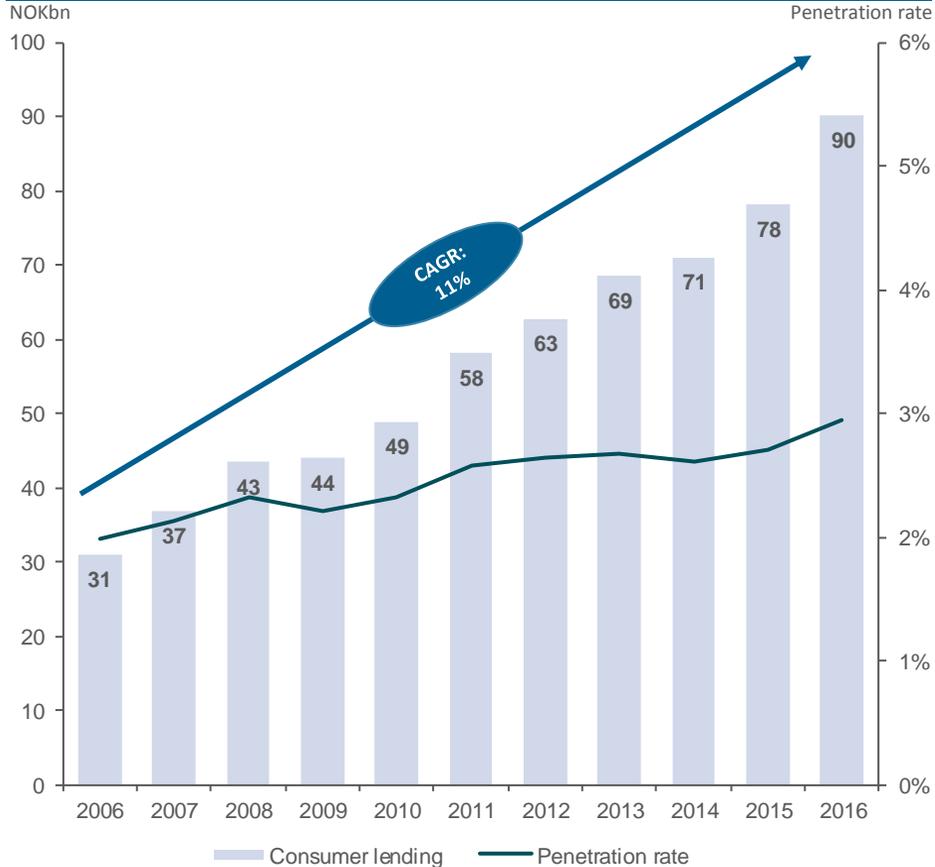
Source: SBB, Norges Bank

1) Total lending to households excluding state lending institutions

2) Debt ratio measured as loans as a percentage of disposable income, Interest burden measured as interest expenses as a percentage of disposable income plus interest expenses

# Consumer finance growth fuelling growth potential

## Strong growth in consumer credit<sup>1</sup>



## Increasing number of payment remarks



## Consumer loans portfolios coming to market


30.06.2017

Solgte ut dårlige lån

Ifølge resultatrapporten er det en diversifiseringsstrategi som bidrar til at banken klarer å møte kravene om kundene i Norge.

Banken - som blant annet eid av Stein Erik Hefstad og familien gjennom sin tidligere partner, er nå eid av entreprenør Erik Bøhler og familien gjennom sin tidligere partner. Men banken har fortsatt et stort utvalg av lån videre, noe som vil gi lavere tap og en gevinst.


31.03.2017

Nyheter Finans

### Bank Norwegian selger unna råtne lån

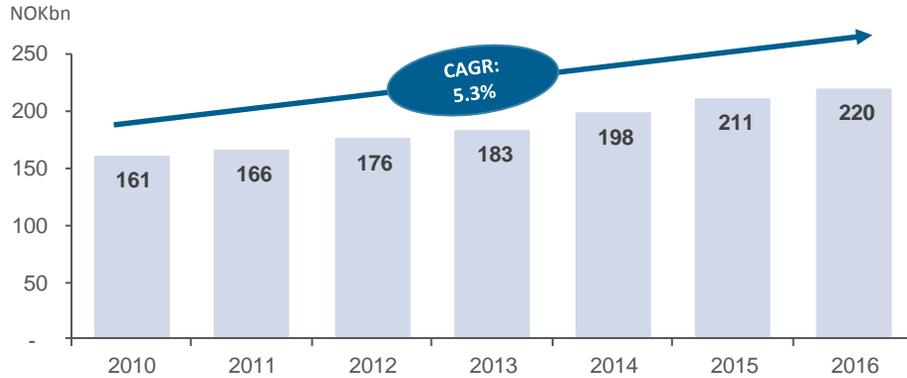
Forbruksbanken Bank Norwegian selger låneportefølje med misligholdte lån til inkassoselskapet Axactor for over en halv milliard kroner.

Source: FSA, Bisnode, press releases

1) Penetration rate is measured as consumer credit in percentage of total household debt

# Project financing segment supported by long term trends

## Lending to real estate related activities in Oslo<sup>1</sup>



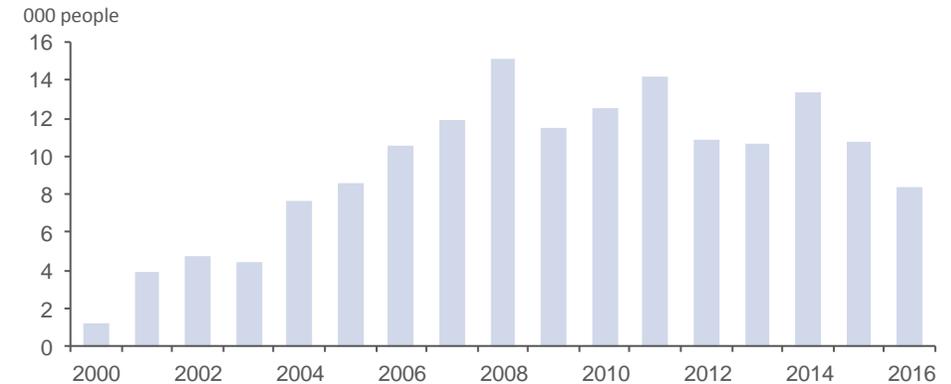
## Historically strong growth in housing prices in Oslo (incl. Bærum)<sup>2</sup>



## Housing construction in Oslo



## Net number of new inhabitants in Oslo



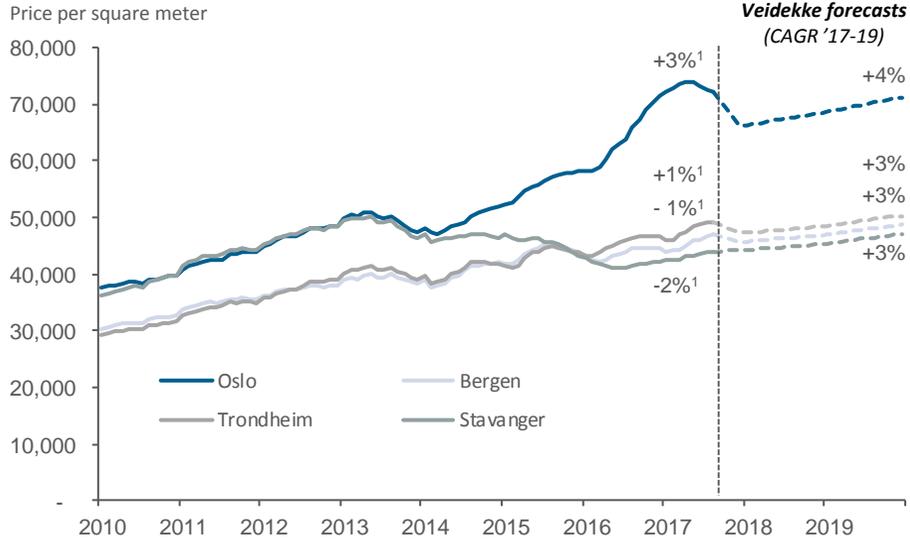
Source: Kommuneprofilen, SSB

1) Market size based on loans (excluding loans issued by State lending institutions) to households in Oslo

2) Numbers based on housing resale

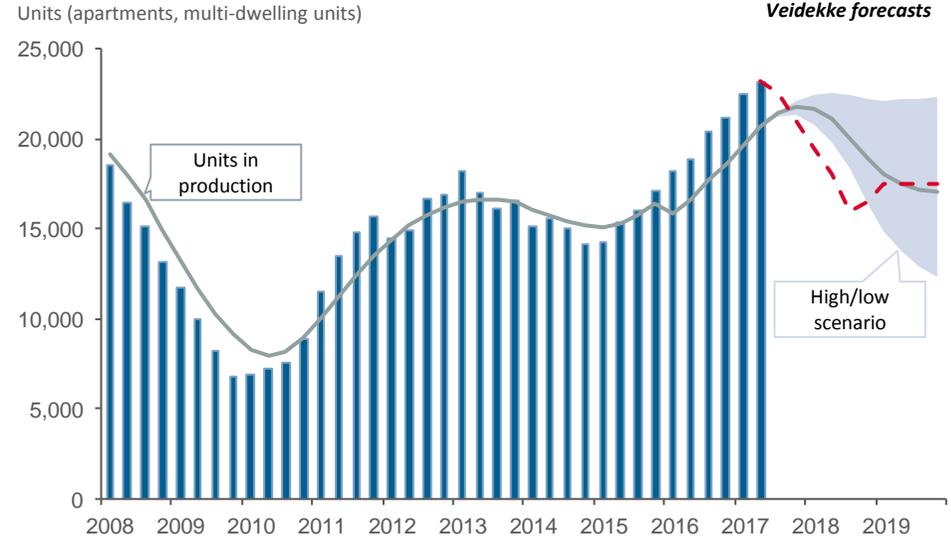
# Temporary market dip not expected to affect long term trend

## Price development for apartments



Annual growth	YoY Aug	YTD (Aug)	2017	2018	2019
Oslo	3%	-2%	-5%	3%	4%
Bergen	-1%	0%	-2%	2%	4%
Trondheim	1%	1%	-4%	2%	4%
Stavanger	-2%	0%	1%	2%	4%

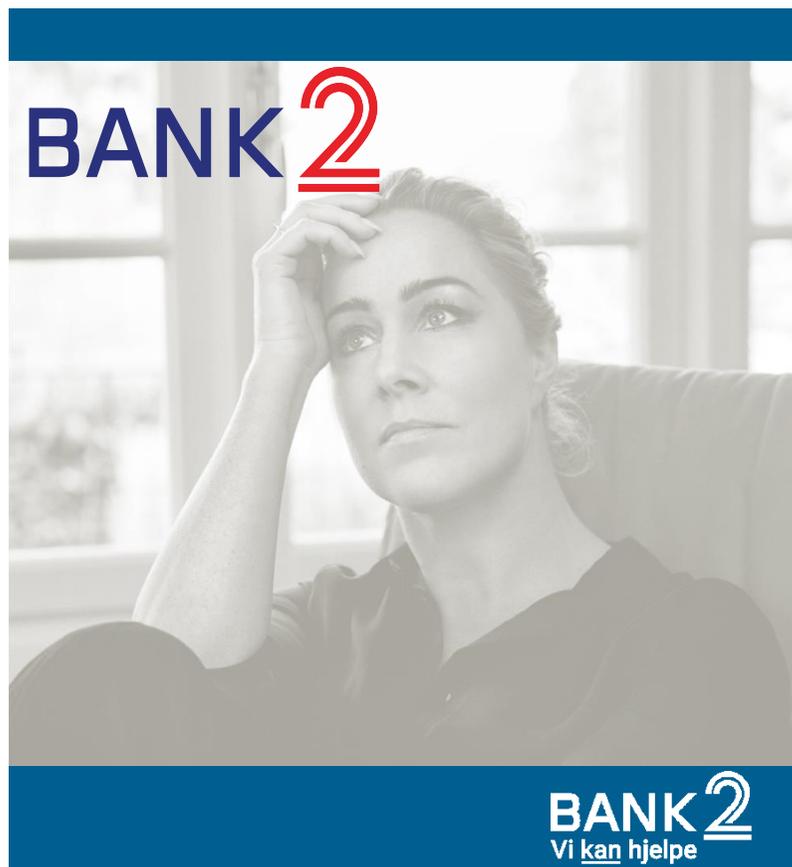
## Rolling 12month new building starts



Units / Growth	2016 (level)	2017E	2018E	2019E
Units (apartments, multi-dwelling)	21,144	-1%	-21%	6%
Units in production	18,647	22%	-2%	-15%
...Scenario 30 % lower building starts	18,647	20%	-9%	-29%
...Scenario 30 % higher building starts	18,647	22%	6%	-1%

Source: Veidekke, SSB, EFF  
1) y-o-y growth as of Aug '17

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# Executive management with a solid track-record

## Experienced executive management...



Position	Background	Years experience	Selected prior experience
 <b>CEO</b> Frode Ekeli	<ul style="list-style-type: none"> <li>Management experience from DNB and Danske Bank</li> <li>Previous positions; Head of Danske Bank Private Banking Norway, Managing director at DnB NOR Luxembourg</li> </ul>	>25	
 <b>Bank Manager</b> Bo Wilhelm Kielland	<ul style="list-style-type: none"> <li>Management experience from SEB and Privatbanken</li> <li>Previous positions; General manager at Pareto Bank, Head of Group Operations Norway at SEB, Private Banking head of products at Finansbanken</li> </ul>	~20	
 <b>CFO</b> Sverre Gulbrandsen	<ul style="list-style-type: none"> <li>Previous positions: CFO and Chief Actuary of Silver, Consultant, Business dev. positions and Chief Actuary of Storebrand</li> <li>MBA (BI Norwegian Business School), MSs in Actuarial Mathematics (UIO) and Certified Portfolio Manager (NHH Norwegian school of economics)</li> </ul>	>25	

## ..delivering strong performance<sup>1)</sup>

NOKm

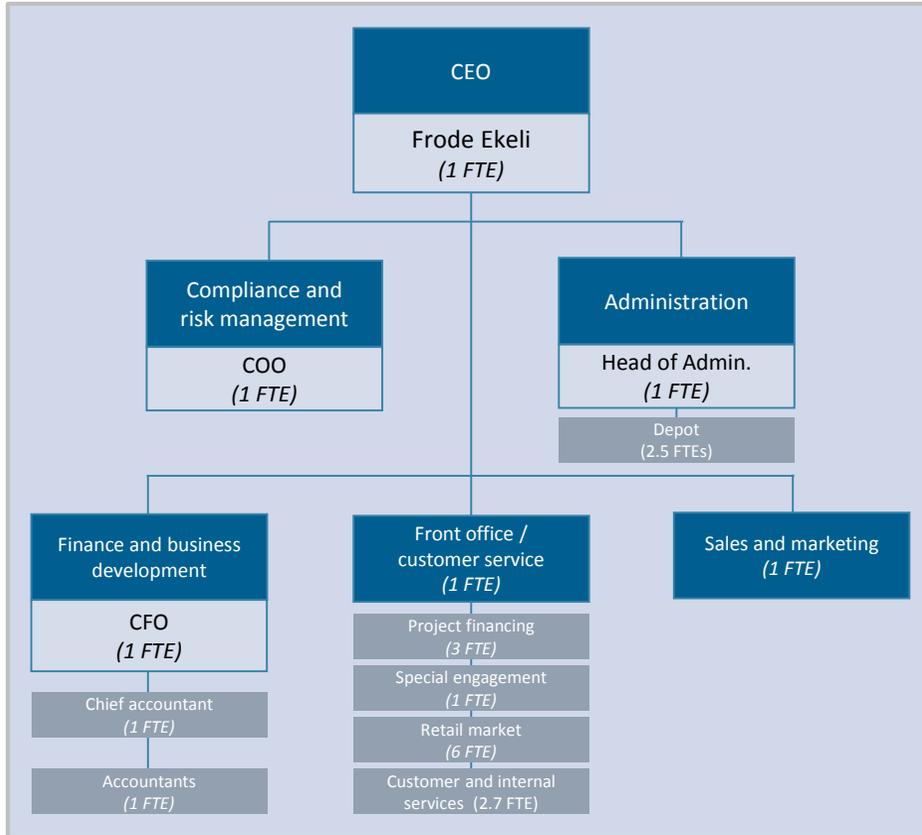
ROE, %



1) Based on net profit adjusted for write downs (including reversals) and gains/losses on fixed asset investments

# Lean organization and experienced board

## Organizational structure



## Board of Directors



**Chairman**  
Jon Harald Nordbrekken

- Other positions; Chairman B2 Holding, CEO Valsset Invest AS
- Founded; Aktiv Kapital (1991), Gothia (2005), Bank2 (2005) and B2Holding (2008)

Experience >30 yrs

BANK2 B2HOLDING



**Board member**  
Anne Lise Meyer

- Other positions; CEO of Hamang AS, Chairman Berner Gruppen, Board member of Norsk Tipping
- Education; BSc BI, NHH

Experience >15 yrs

BERNER GRUPPEN NORSK TIPPING



**Board member**  
Pål Eriksen

- Other positions; CEO of IPS Scandinavia AS
- Previous: Senior VP of Aker Solutions Drilling Technologies
- Education; EMBA from NHH and BSc from BI and HIOA

Experience >25 yrs

IPS AkerSolutions



**Board member**  
Elin Mack Løvdal

- Other positions; Partner at Advokatfirma CLP
- Previous: Senior lawyer at BA-HR
- Education; Cand.jur, UiO

Experience >10 yrs

CLP BAHR



**Board member**  
Tim Kristian Nilo

- Other positions; Client Partner Facebook Norway AS, Board member at Brandsdal Group AS and Venture Factory AS
- Education; BSc NHH

Experience >10 yrs

facebook VENTURE



**Board member**  
Andreas Gravalid

- Employee representative
- Other positions: Collateral Bank2
- Previous: Pareto Bank ASA, Kaupthing Bank, CitiBank Norway

Experience >20 yrs

BANK2 Pareto bank

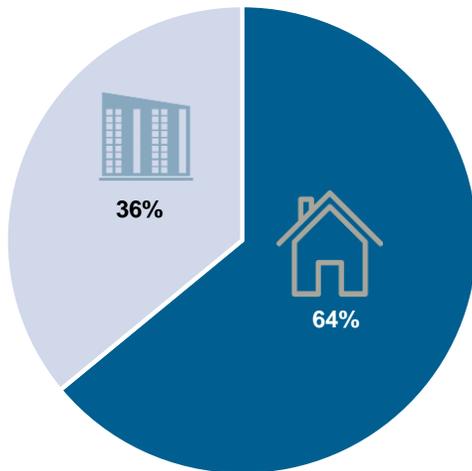
# Product offering focused on two market segments

Segment	Product offering
<p data-bbox="132 396 395 434"><b>Retail segment</b></p> 	<ul data-bbox="482 434 1529 696" style="list-style-type: none"><li>▪ <b>Refinancing – mortgage backed (secured) loans</b></li><li>▪ <b>Bridge financing</b></li><li>▪ <b>Equity release</b></li><li>▪ <b>Deposits and current accounts - general banking products</b></li></ul>
<p data-bbox="120 778 408 815"><b>SMB/corporates</b></p> 	<ul data-bbox="482 815 1680 1078" style="list-style-type: none"><li>▪ <b>Loans to fund acquisition of residential real estate</b></li><li>▪ <b>Loans to construction and rehabilitation of residential real estate</b></li><li>▪ <b>Other project financing (asset financing, short term financing etc.)</b></li><li>▪ <b>Deposits and current accounts - general banking products</b></li></ul>

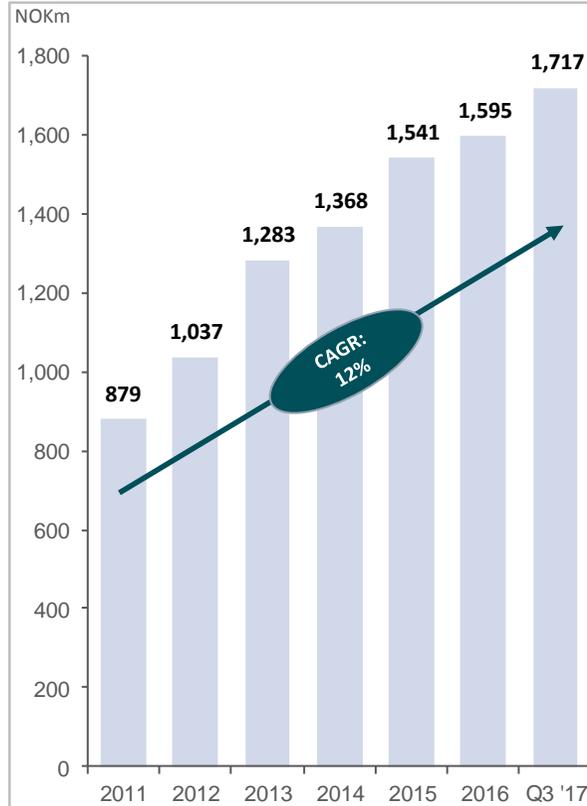
# Strong growth in both of market segments

## Split of total lending

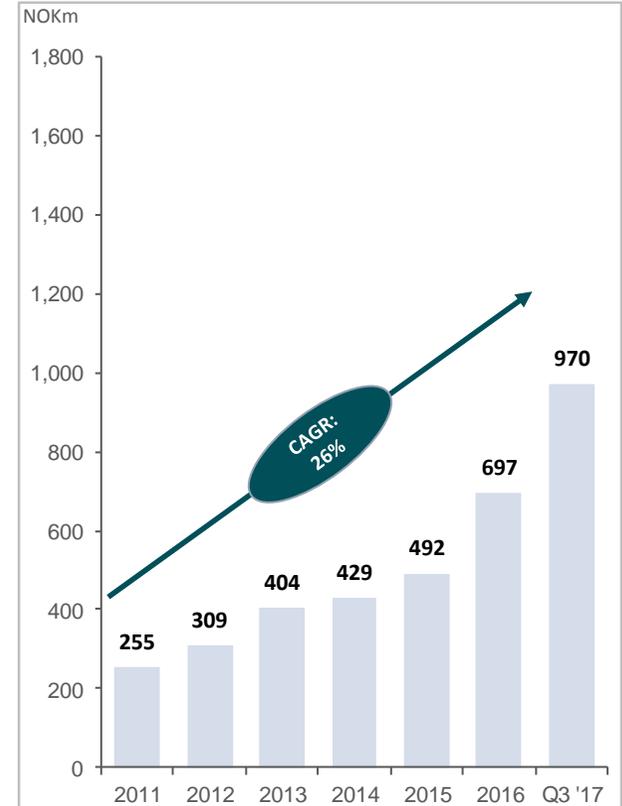
**NOK 2.8bn**  
Gross lending split



## Retail - Gross lending



## SMB/Corporate - Gross lending

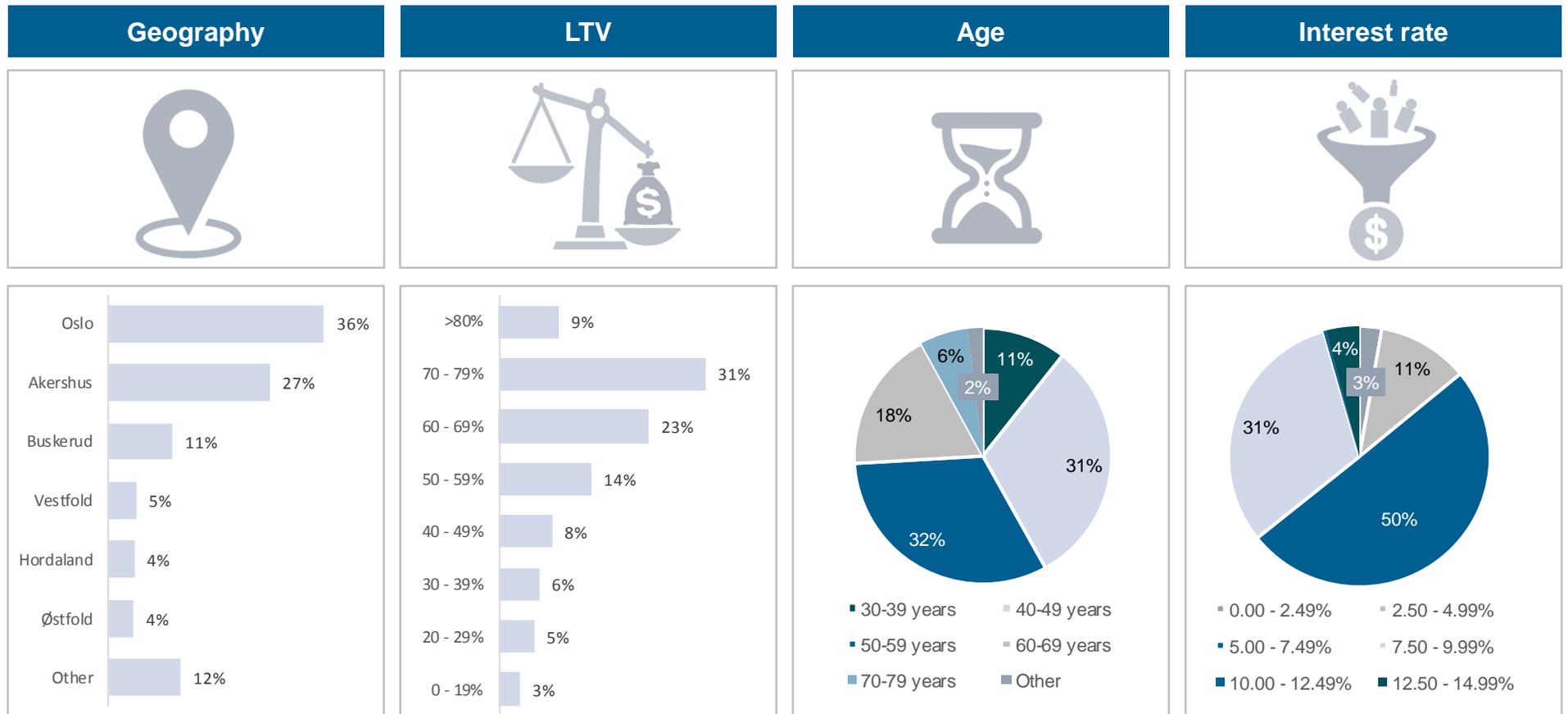


1) Excluding purchased portfolios amounting to NOK 94 million as at Q3 2017

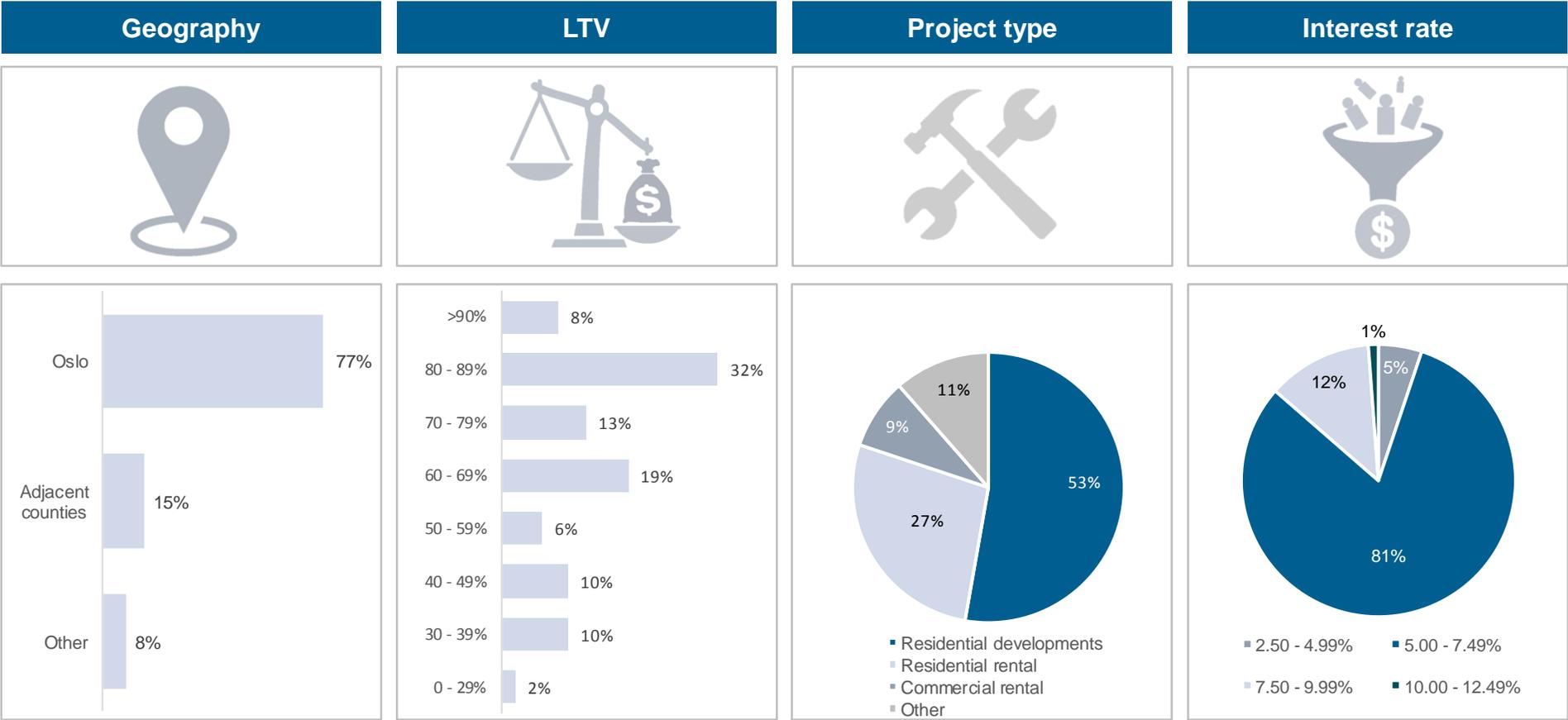
# Clear product strategy with further development potential

	 Retail segment	 SMB/corporates		
Offering:	<b>Refinancing solutions</b> 	<b>Bridge financing</b> 	<b>Equity release</b> 	<b>Project financing</b> 
Offering	<ul style="list-style-type: none"> <li>▪ Refinancing loans with mortgage collateral</li> <li>▪ Down-payment loans</li> <li>▪ Top-up loans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bridge financing with mortgage based collateral</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tailor-made financing solutions to customers with non-standard financial profiles</li> <li>▪ Mortgage based collateral</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project financing to SMB / corporates</li> <li>▪ For acquisition, development and refurbishment of real estate in and around Oslo</li> </ul>
Competitive advantage	<ul style="list-style-type: none"> <li>▪ Competent credit organization</li> <li>▪ Digitalized process</li> <li>▪ Rapid response</li> <li>▪ Well established network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competent credit organization</li> <li>▪ Digitized process</li> <li>▪ Rapid response</li> <li>▪ Well established network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competent credit organization</li> <li>▪ Valuation competence</li> <li>▪ Rapid response</li> <li>▪ Well established network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Competent credit organization</li> <li>▪ Digitalized process</li> <li>▪ Well established network</li> </ul>
Potential	<ul style="list-style-type: none"> <li>▪ Volume growth</li> <li>▪ Improved digital platform</li> <li>▪ Reduced costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full digitalization</li> <li>▪ Improved distribution network</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional banks focus on digital screening increases potential customer base</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growing market for tailor made project finance solutions</li> </ul>

# Retail segment – Loan portfolio composition



# SMB/corporates – Loan portfolio composition



# Strategic perspectives

## Strong consumption growth resulting in growing demand for financing and re-financing solutions

- Increasingly difficult for individuals to satisfy requirements set by high-street banks
- A significant number of new consumer banks established – strong growth in unsecured lending
- Still growth in non-performing loans – consumer bank lending growth fuelling market going forward

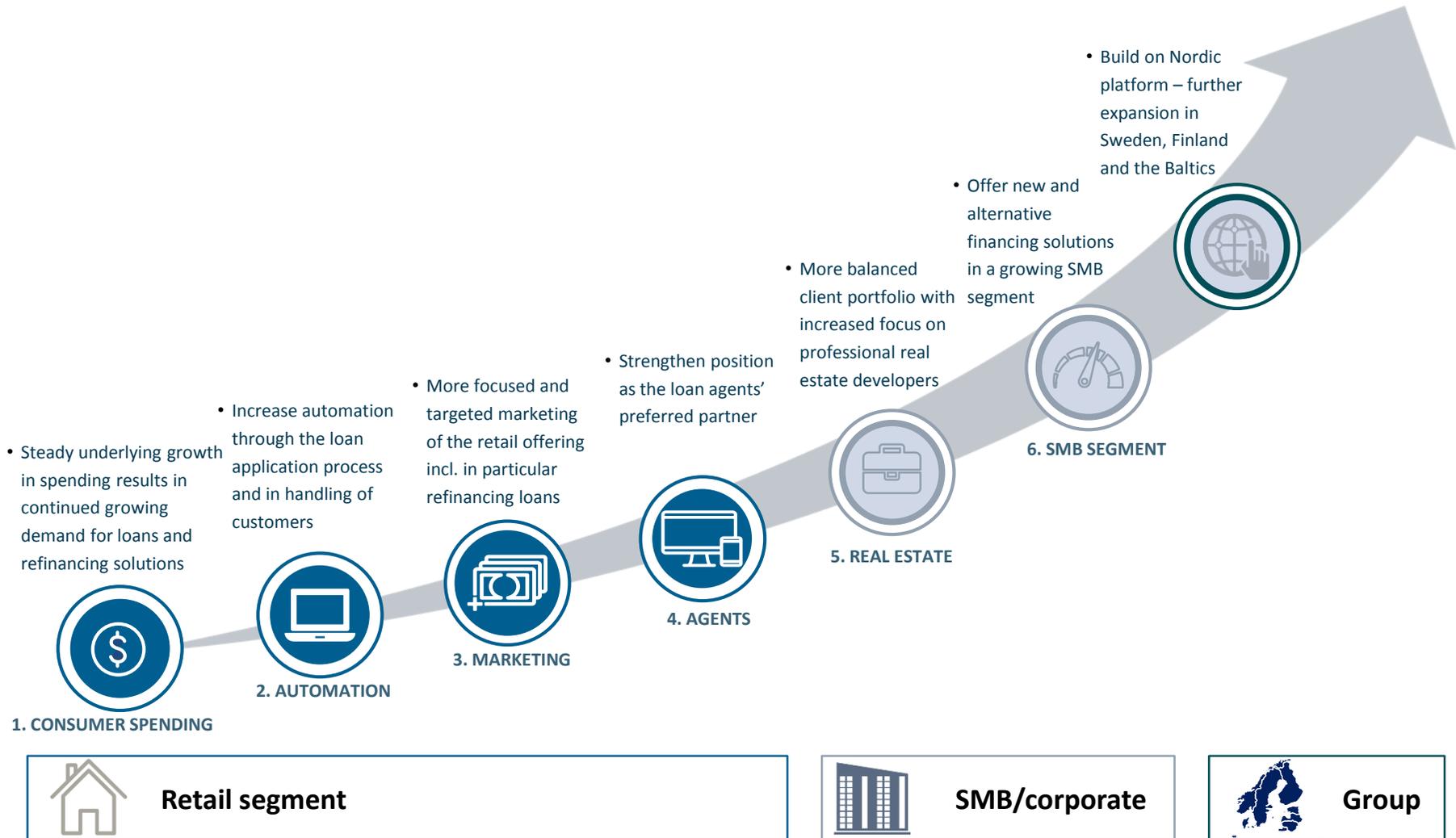
- Strengthen position within the refinancing segment
- Intensify efforts to market the bank's unique solutions towards retail customers
- Strengthen the position as a preferred partner to financial agents / loan brokers

## Small and medium sized real estate developers looking for tailor-made financing solutions

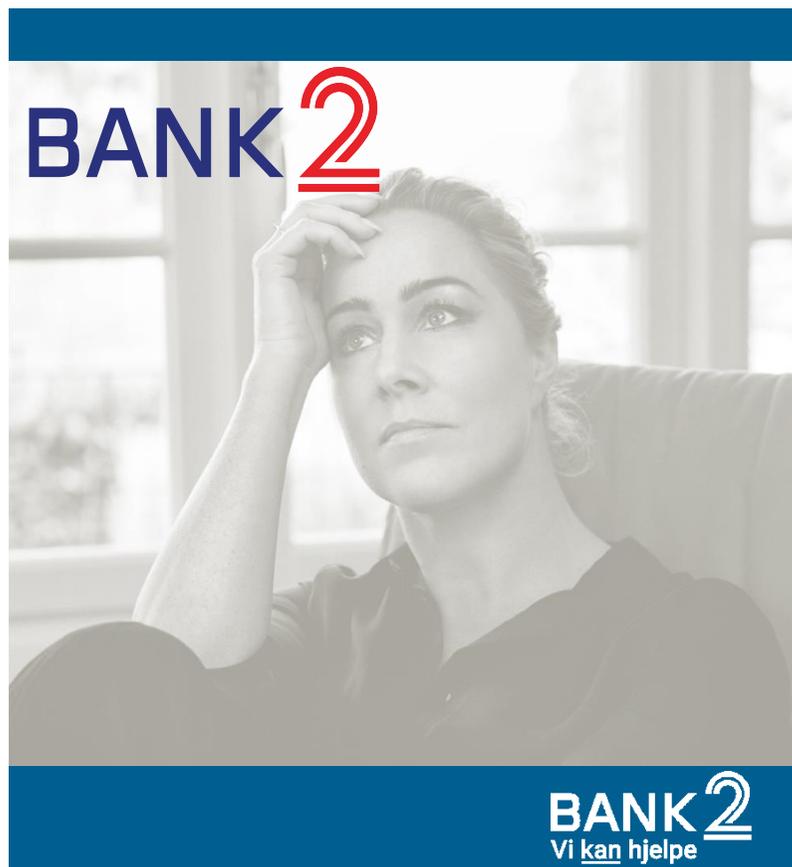
- Continued migration trend to the greater Oslo area
- Despite tightened mortgage regulations, still strong demand for objects in the right areas and price brackets
- Few banks offer tailor-made solutions targeting smaller property projects

- Continued main focus on the greater Oslo area
- Further develop the bank's profitable position within project financing
- Develop the bank's customer portfolio with focus on professional real estate developers

# Clear strategy to continue delivering profitable growth



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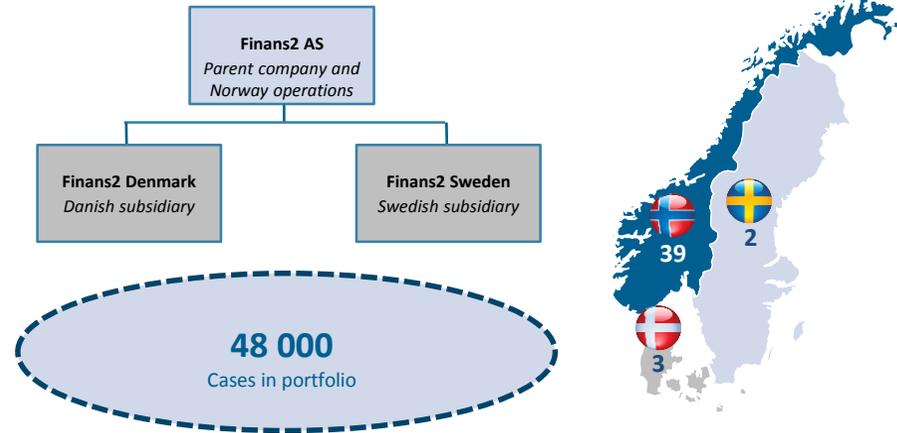
# Credit management services a new growth area

## Finans2 - highlights

- Recent ramp-up to handle growth with number of employees up from 4 in 2015 to current >40, including acquisition of SkanKred (established in 1992)
- Present through the value chain within credit management and -administration including invoice purchasing and portfolio acquisitions
- Offices in Norway, Denmark and Sweden
- Significant room to expand across the Nordic area



## Nordic organization in place



## Product offering supporting the entire value chain

### Value chain timeline



Source: Company information

# Finans2 management with solid experience

## Tørres Grønseth CEO



- 2017 –** CEO Finans2 Kapital
- 2015 –** CEO Finans2
- 2012 – 2015** Head of Collection Gjensidige Bank
- 2008 – 2012** Lindorff Group – various positions, including:  
Group Operation Manager  
Interim Country Manager Germany  
Head of Capital Denmark  
Head of Capital Collection Sweden  
Head of Group Capital Collection
- 2005 – 2008** Lindorff – Department head
- 2003 – 2005** Lindorff – Case officer
- Education:** Economics (UiO), Bachelor Credit management (BI)

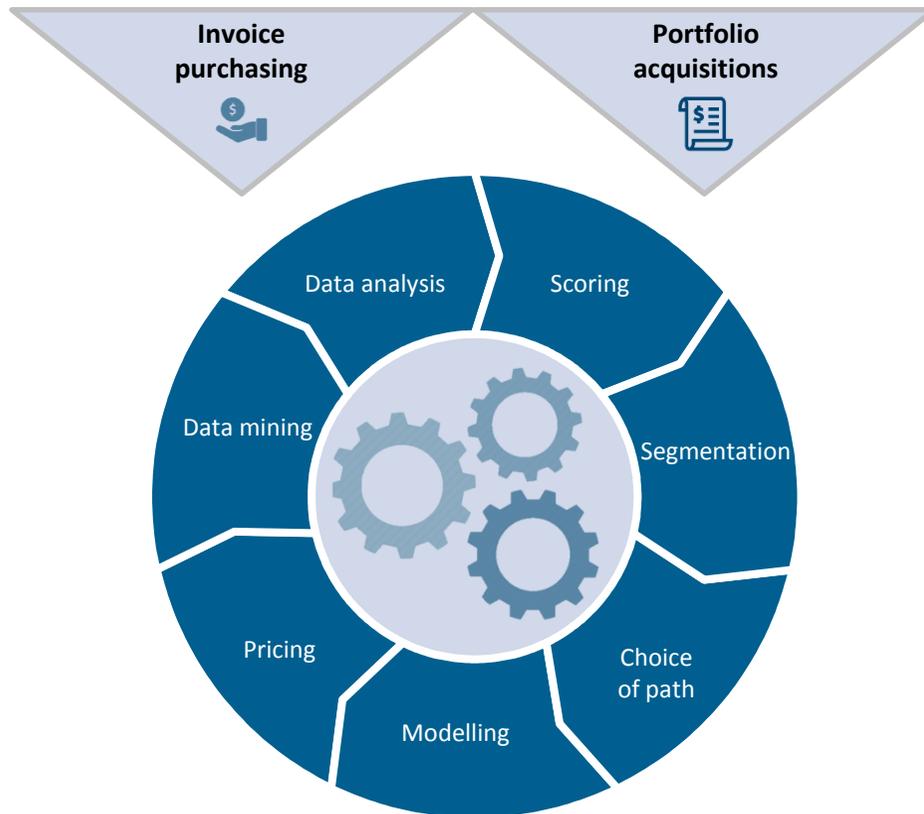
## Thomas Bråten Head of Sales and Marketing



- 2015 –**  
**Finans2**
- Building a invoice financing dep't with robust systems and a structure with a high-competence team ready for growth
  - Ensure flow between core systems
  - Focus on product development and customer acquisition
- 2009 – 2015**  
**Gothia – Arvato Bertelsmann**
- Built portfolio of large volume clients within invoice purchasing and third party debt collection
  - Worked with attracting VIP-clients (>1NOKm revenues p.a.)
  - Involved in the e-commerce project AfterPay
- Education:** Marketing courses (BI)

Source: Company information

# Vision and offering to the market



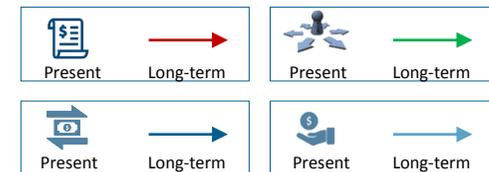
## Strategic focus and offering

- Delivering financial solutions with a Nordic footprint
- Presence in segments with drivers and focus on technology and volume based transactions
- A high-profiled supplier of integrated solutions across the whole value chain to its customers
- Open and transparent approach to operations providing the basis for long term and mutually beneficial customer relations
- Sizable investments in invoice purchasing and portfolio acquisitions – fuel the «engine» in operations
- Third party debt collection to support pricing and access to customers / portfolios with resulting revenue growth

# Product offering matching target customer segments

Overall strategy by product			Geography
Product	Segments	Opportunities	How
<b>Invoice purchasing and factoring</b> 		<ul style="list-style-type: none"> <li>Expand business - organic growth</li> <li>Diversify risk through volume and customer growth</li> <li>Increase brand awareness</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partners with market competence</li> <li>Customized segment solutions</li> <li>Proactive approach</li> </ul>
<b>Administrative services</b> 		<ul style="list-style-type: none"> <li>Customer access as early as possible</li> <li>Link customer to entire value chain</li> <li>Better overview of proper pricing and costs</li> <li>Long life of clients</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partners with market competence</li> <li>Customized segment solutions</li> <li>Proactive approach</li> </ul>
<b>Portfolio acquisition</b> 		<ul style="list-style-type: none"> <li>Forward flow purchasing</li> <li>Develop portfolios and company</li> <li>Long tail income</li> <li>Improved data quality and analysis</li> <li>Acquisitions</li> </ul>	Through; <ul style="list-style-type: none"> <li>contacts</li> <li>the value chain</li> <li>active follow-up from <i>Sales</i></li> </ul>
<b>Debt collection</b> 		<ul style="list-style-type: none"> <li>Group synergies</li> <li>Complete value chain supply, and better access to portfolios through data, analysis and pricing</li> <li>Organic growth</li> </ul>	<ul style="list-style-type: none"> <li>Relationship with Bank2</li> <li>Lawyers</li> <li>SMB banks</li> <li>Through portfolio acquisitions</li> </ul>

## Geography



# Finans2 expecting significant revenue growth from contracts and portfolio acquisitions secured in 2017

## Financial status per Q3 2017

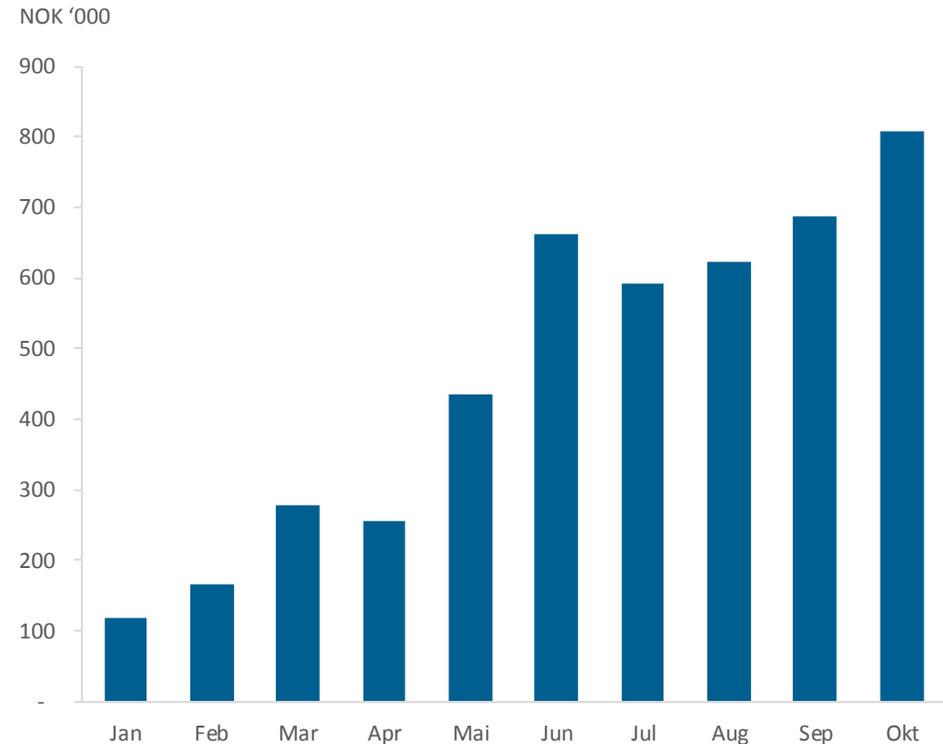
YTD Q3<sup>1</sup>  
(NOKm)

Revenue  
26.9m

Net profit  
-8.8m

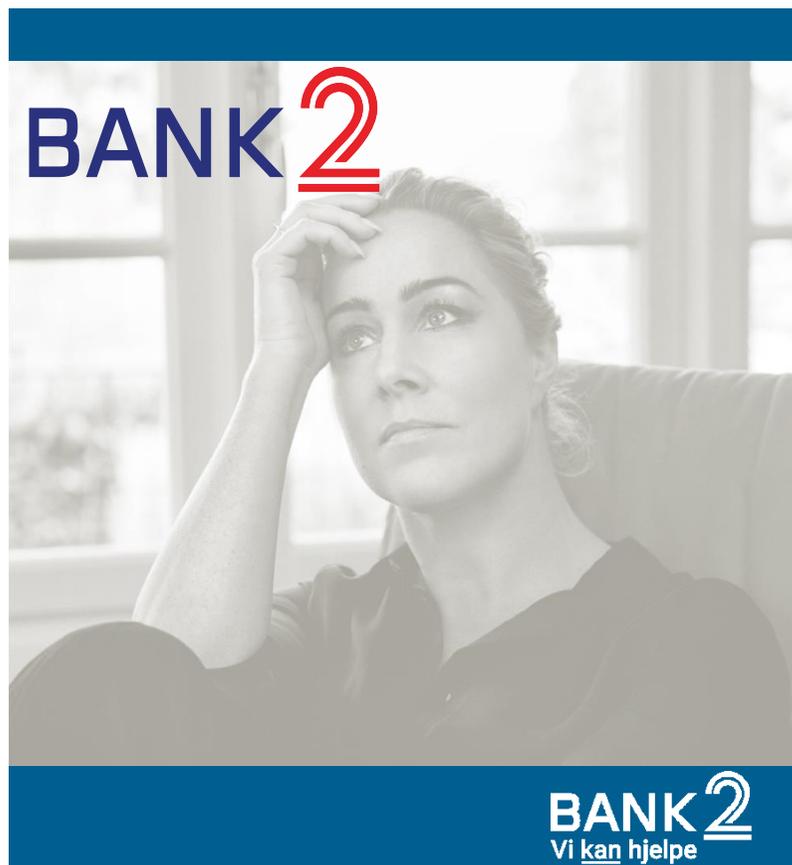
- Finans2 has during 2017 transitioned from focus on third party collection to invoice purchasing and portfolio acquisition, which has not been fully ramped up yet
- Strong momentum in all three business areas, with secured agreements delivering highly tangible growth into 2018
  - Numerous new third party collection agreements recently signed
  - Strong trajectory on invoice purchasing throughout the year, and multiple new agreements starting up
  - Three portfolio acquisitions in 2017 delivering full year revenue in 2018, plus one forward flow agreement starting up in 2018
- Finans2 numbers do not include financial income on invoice purchases and portfolios, as these are owned by Bank2 ASA for regulatory reasons
- Strong momentum in the business, with November on track to showing a profit, and combined with a gain on a contract as partly extraordinary income in Q4, Finans2 is expected to deliver a positive net profit for the year

## Development in invoice purchasing revenue per month



1) Equal to difference between group financials and parent company financials

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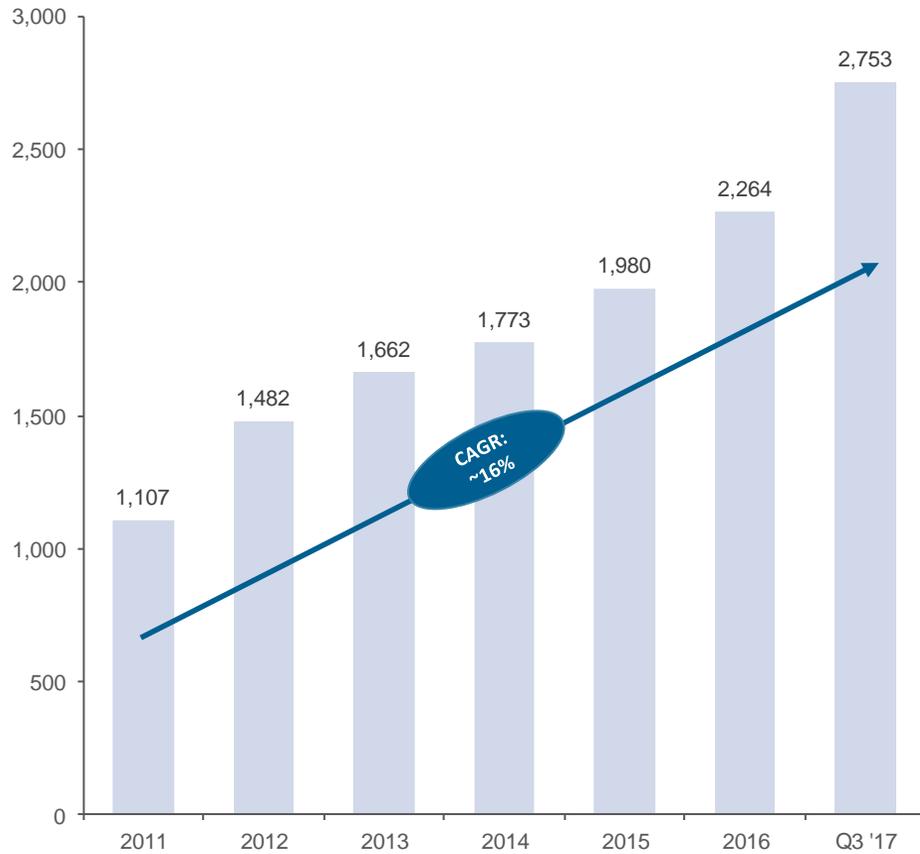


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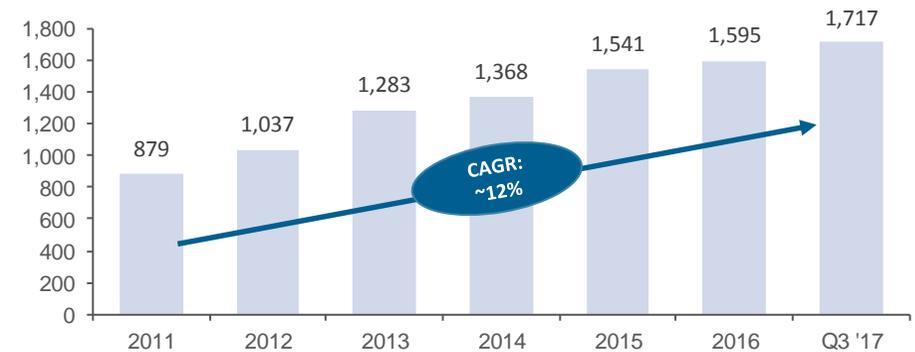
1) Financials for Bank2 ASA (parent company)

# Steady historic growth in portfolio

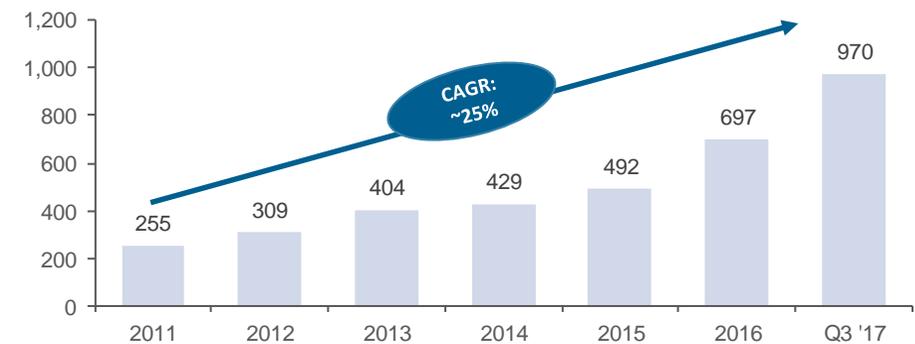
## Net lending development (NOKm)<sup>1)</sup>



## Retail - Gross lending development (NOKm)



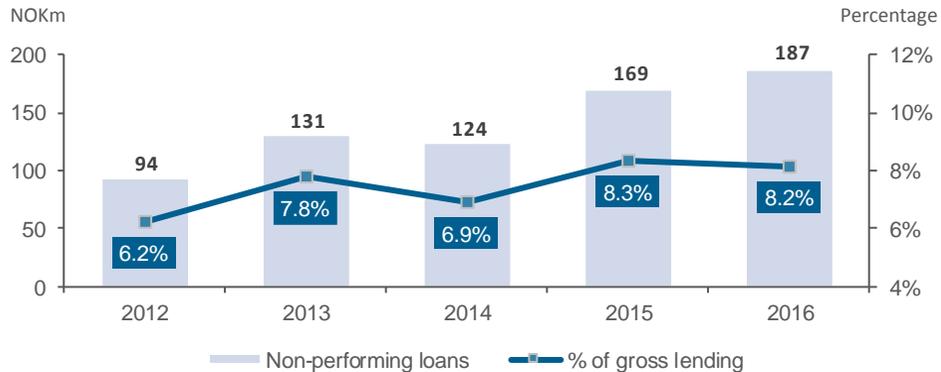
## SMB/Corporate - Gross lending development (NOKm)



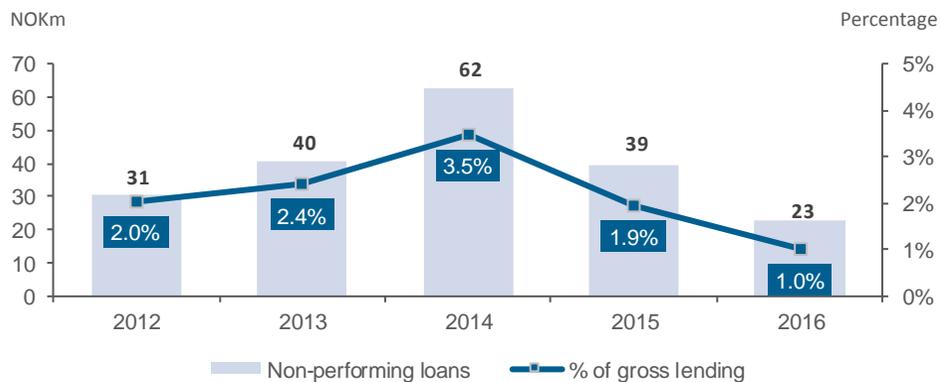
1) Includes purchased debt portfolios amounting to NOK 94m as at Q3 2017

# Healthy loan portfolio with low loan losses

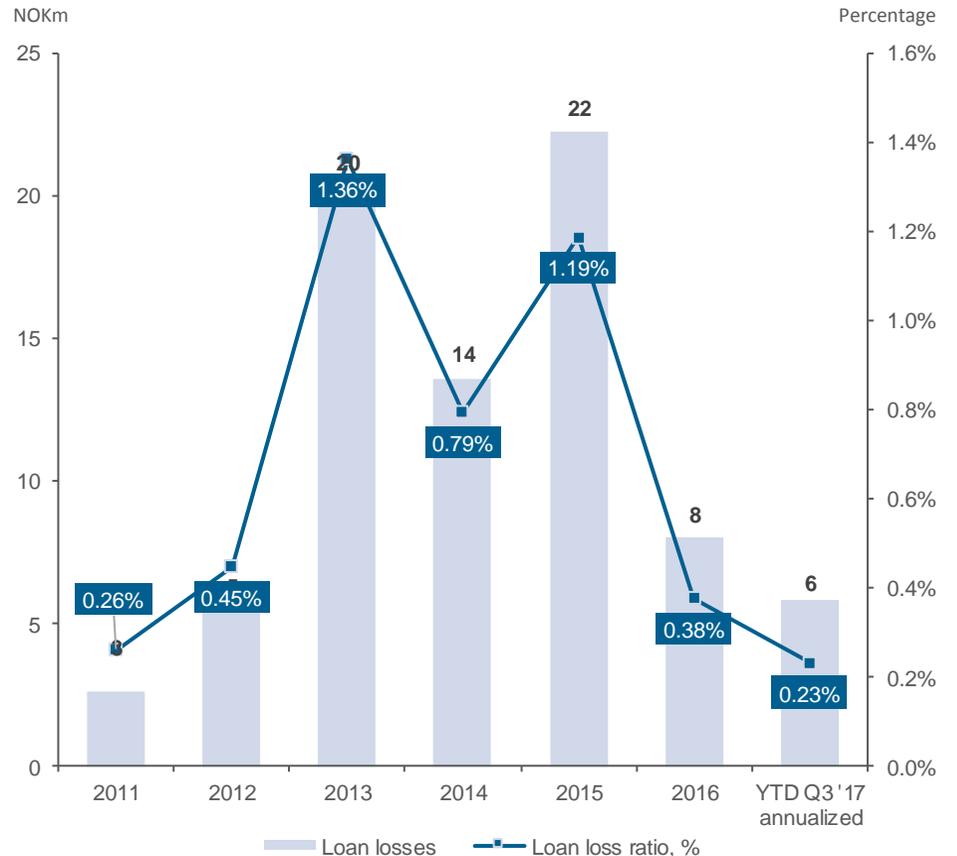
## Non-performing loans - Retail



## Non-performing loans - SMB/corporate

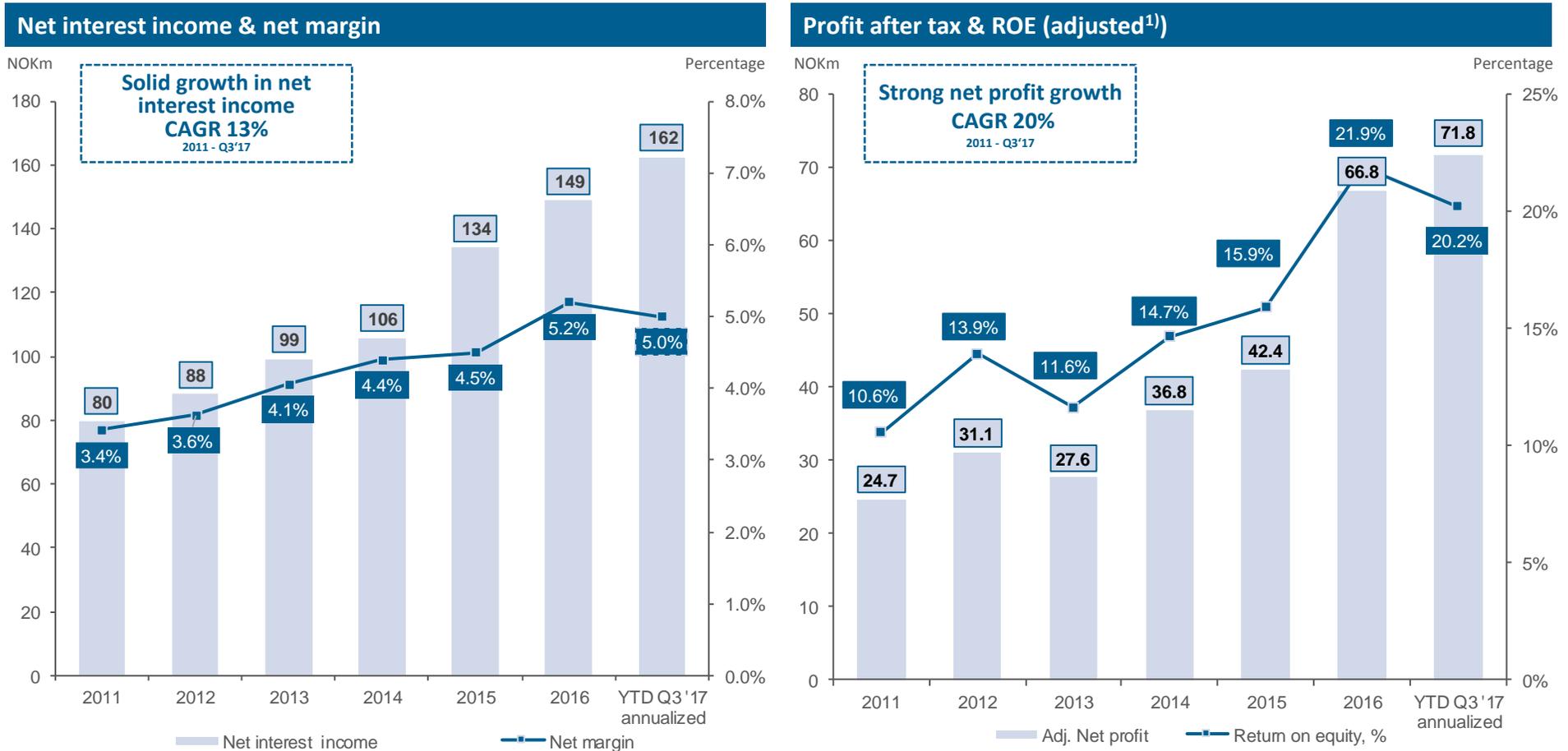


## Loan losses and loss ratio<sup>1)</sup>



1) Q3 '17 adjusted with NOK 5.7m in collection on purchased invoices and portfolios (previously reported as other income)

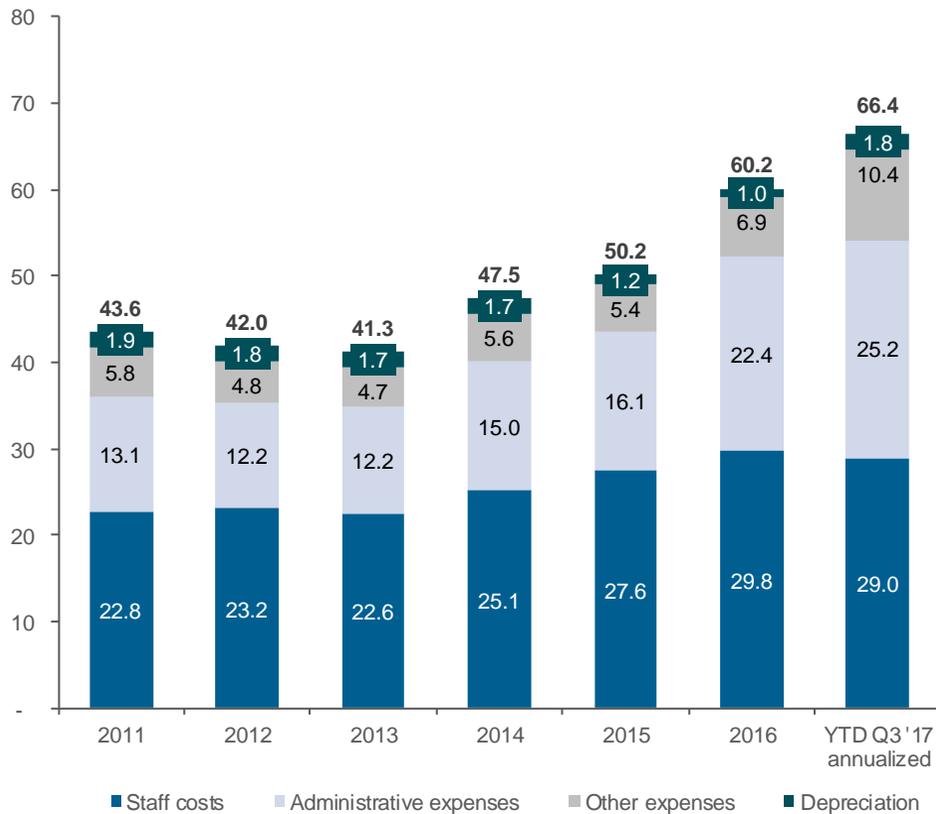
# Solid net interest margin supporting strong profitability



1) Adjusted for write downs (including reversals) and gains/losses on fixed asset investments

# Efficient operations with capacity to handle growth

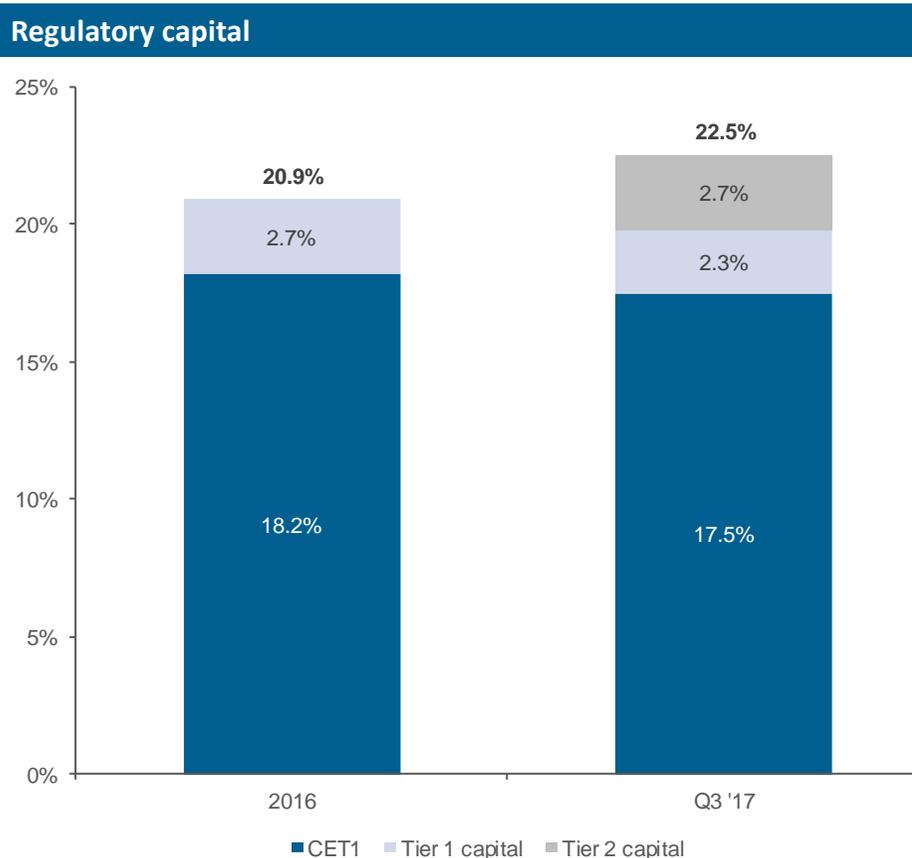
Cost base (NOKm)



Cost/income ratio



# Regulatory capital requirements



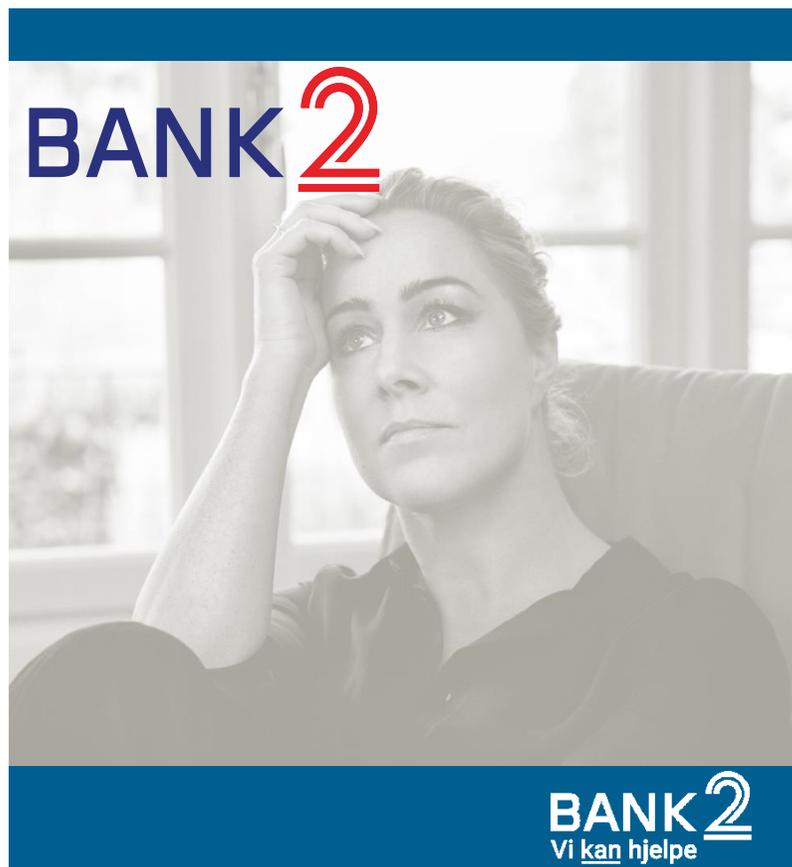
- CET 1 capital requirement for Bank2 (excl. pillar-2)
  - Minimum requirement: 4.5%
  - Capital conservation buffer: 2.5%
  - Systemic risk buffer: 3.0%
  - Counter-cyclical buffer: 1.5%
- Increased counter-cyclical buffer of 0.5%-points with effect from yr-end 2017 takes the CET requirement (excl. pillar-2) to 12.0%
- The NFSA has set a pillar-2 requirement (on top of the minimum capital and buffer requirements) of 5.5% with effect from 30 September 2017
- Implied total CET1 requirement of 17.5% and total capital requirement of 21.0%
- Bank2 has filed a complaint on the 5.5% pillar-2 requirement with the Ministry of Finance

# Other regulatory issues

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- Shareholders of Bank2 are subject to regular provisions on ownership control when acquiring shares that represent 10 % or more of the votes or capital of the bank
- These rules also apply to a group of shareholders that act in concert with each other
- The Norwegian FSA has advised the Ministry of Finance to issue a decision that the following shareholders of Bank2 shall be deemed to be a group acting in concert with each other:
  - Jon Harald Nordbrekken (incl. through Valset Invest AS) holding 10.18%
  - Jon Are Nordbrekken (incl. through Cryptic AS) holding 9.99%
  - Bjørg Bystrøm through Fjelltunveien Invest AS holding 4.65%
- These shareholders have maintained that they are not acting in concert with each other
- The Ministry of Finance will make a decision in the matter – the timing of this decision is uncertain
- If the Ministry of Finance make a decision in line with the advise of the Norwegian FSA (i.e. that the relevant shareholders are deemed to act in concert), one potential outcome is that the combined shareholding of the three shareholders must be reduced to less than 10 %

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# Strategic roadmap and outlook

## Strategic roadmap and options

- Continued focus on current strong market positions within secured refinancing solutions to private individuals and project financing to the SMB market - significant potential to grow
- Execute growth strategy for Finans2 – solid pipe-line and vast client network already in place
- Build on Nordic platform – consider further expansion in Sweden, Finland and the Baltics
- Consider strategic alliances – also to secure capital to fund accelerated growth

## Financial targets<sup>1)</sup>

### Growth

- Net lending growth in line with historic level

### Costs

- A cost income ratio well below 40%

### Profitability and capitalization

- RoE in the level of 18-20%
- CET1 ratio >18.0%

1) Bank2 ASA (parent company) targets

# Key investment highlights

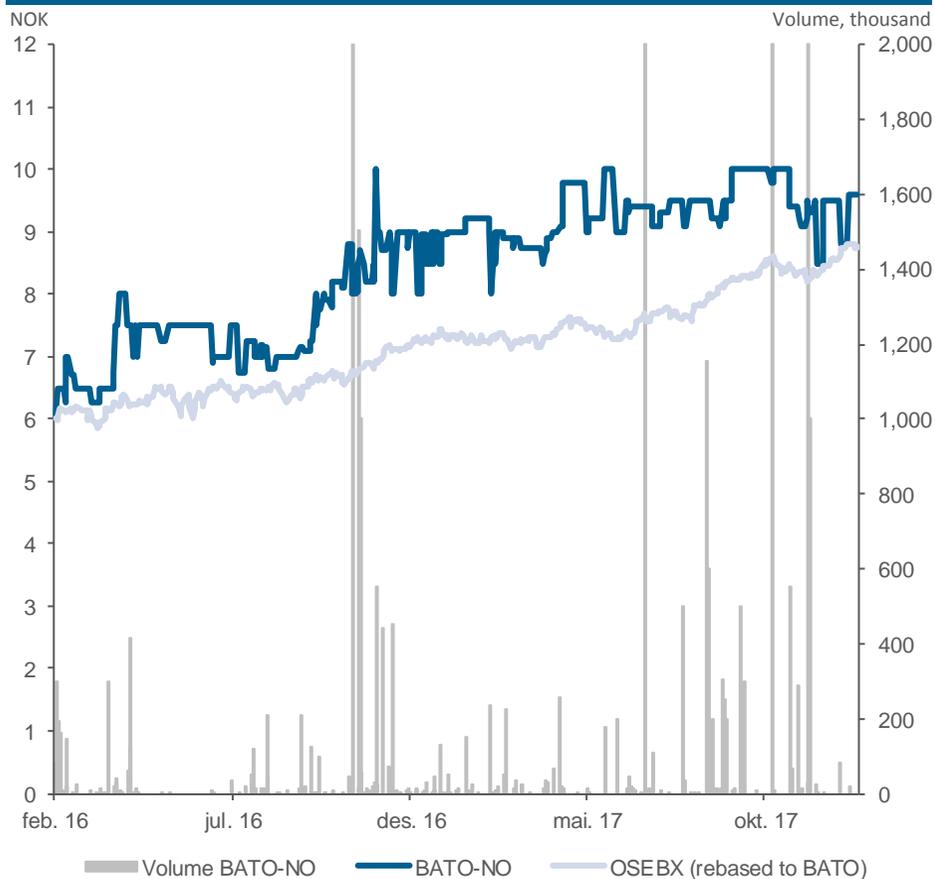
**BANK 2**



Source: Company information

# Shareholders and share price development

## Share price development

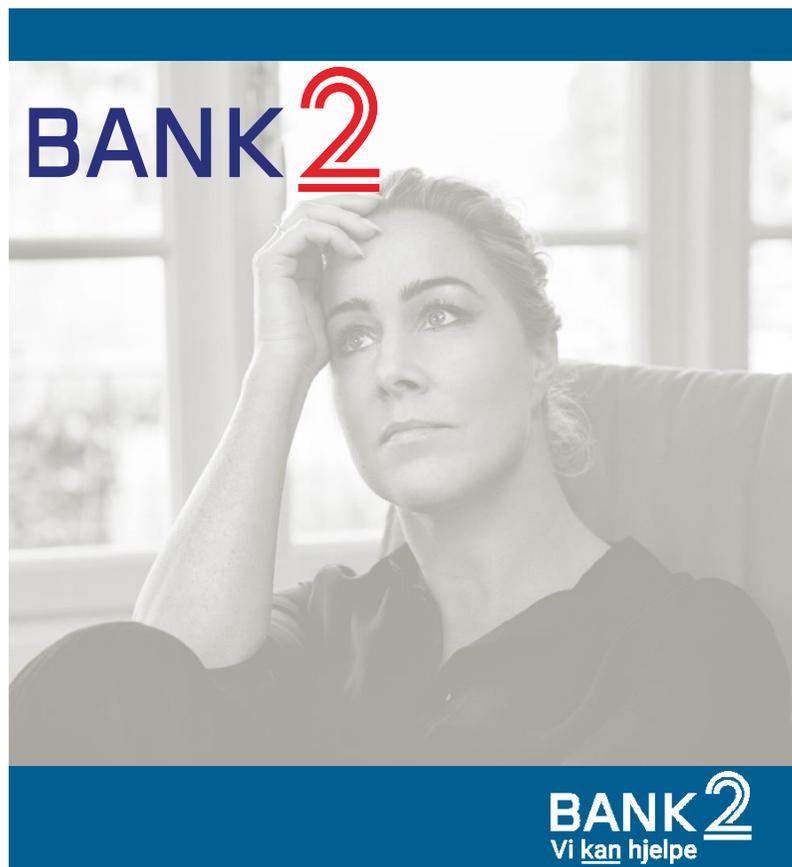


## Shareholders as of 15 January 2018

Shareholder	# shares	%
Vaset Invest AS and Jon Harald Nordbrekken	10,571,197	10.18%
Cryptic AS and Jon Are Nordbrekken	10,384,881	10.00%
Carlot AS	10,323,267	9.94%
Moro AS	10,081,209	9.71%
Bryn Invest AS	8,921,344	8.59%
Sundt AS	6,487,498	6.25%
Fjelltnunveien Invest AS	4,833,055	4.65%
Hamang AS	4,634,854	4.46%
Artel AS	4,238,202	4.08%
J.S Sedal Invest AS	2,753,784	2.65%
Redback AS	2,088,410	2.01%
Viddas AS	1,836,712	1.77%
Private Investor	1,815,060	1.75%
Eriksen Consult & Holding AS	1,776,446	1.71%
Verdipapirfondet Alfred Berg Gambak	1,697,308	1.63%
Indigo Invest AS	1,319,796	1.27%
Ivar S Løge AS	1,200,000	1.16%
Vida-Holding AS	1,065,000	1.03%
Fjordsyn AS	1,042,200	1.00%
Verdipapirfondet Alfred Berg Norge	1,014,602	0.98%
<b>Top 20</b>	<b>88,084,825</b>	<b>84.82%</b>
Other	15,766,396	15.18%
<b>Total</b>	<b>103,851,221</b>	<b>100.00%</b>

Source: Factset, Company information

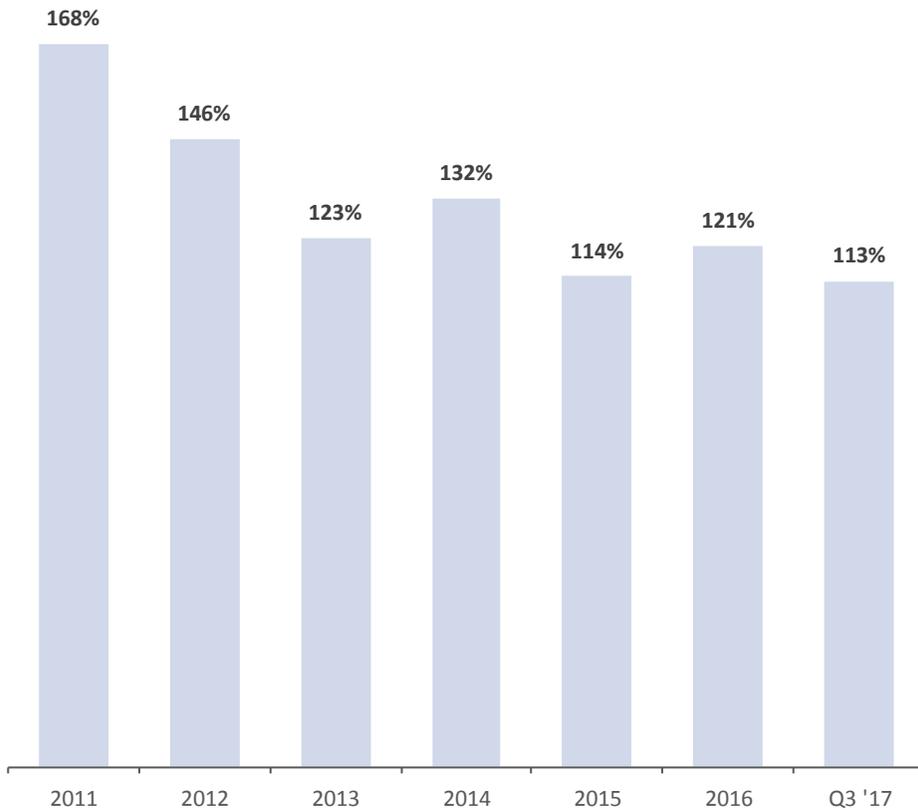
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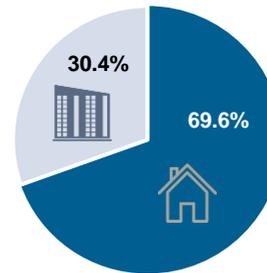
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# Diversified deposits the main funding source

## Deposits to net loans ratio



## Deposits mix (31 July 2017)



**83%**  
covered by deposits  
amounting to  
less NOK 2m

Year end 2016

■ Private ■ Corporate

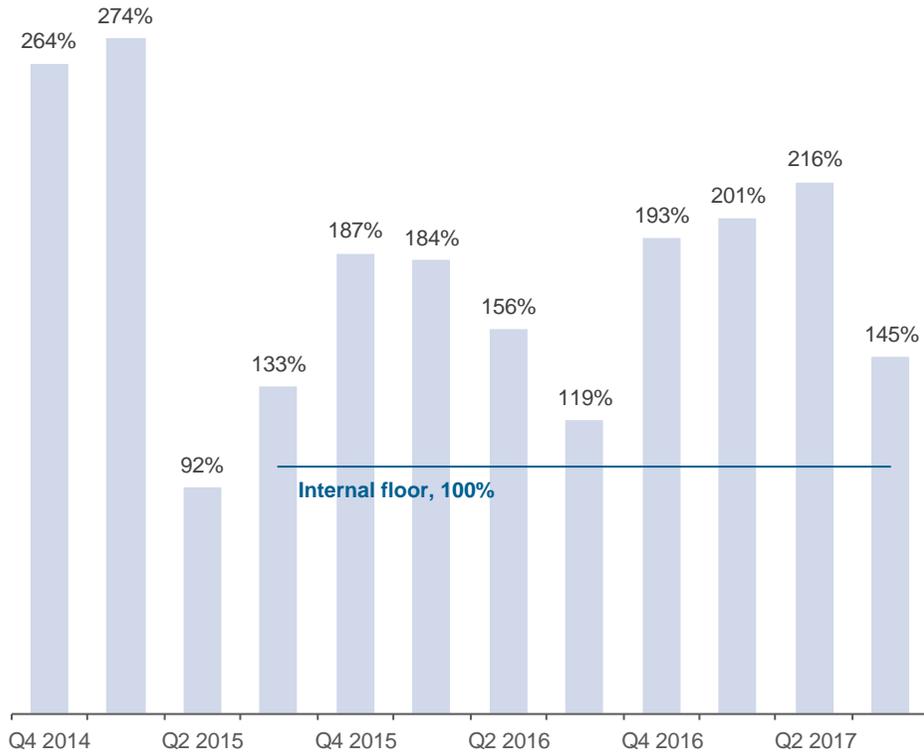
## Overview of 10 largest deposits (31 July 2017)

Amount (NOK m)	% of tot
27.4	0.96%
26.0	0.91%
19.7	0.69%
19.3	0.68%
17.4	0.61%
15.5	0.54%
14.2	0.50%
13.5	0.47%
13.1	0.46%
12.4	0.43%

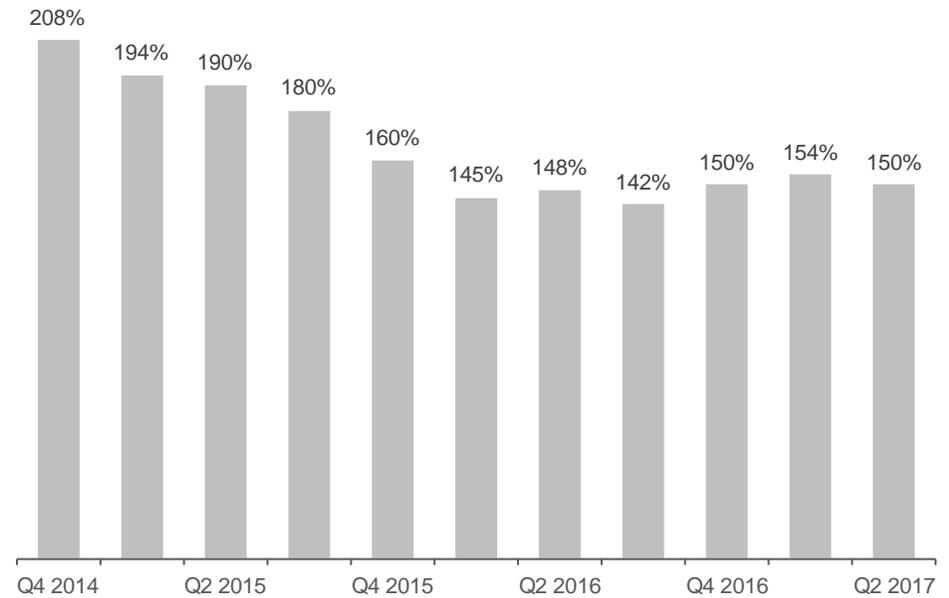
Source: Company information

# LCR and NSFR with significant headroom vs floors

## LCR regulatory requirement (LCR)



## Net Stable Funding Ratio (NSFR)



Source: Company information

**BANK** 