



# Regulatory update

9 May 2019

# FSA report received

Komplett Bank was one of several niche banks to receive an on-site inspection from the Norwegian FSA during 2018

Date	Description
October 2018	Q3 financial results with increase in loan losses, credit risk measures initiated
November 2018	FSA on-site inspection at Komplett Bank
December 2018	Preliminary report received
February 2019	Comprehensive response sent to the FSA
7 May 2019	Final report received from the FSA

- Following Q3 2018 results, prior to the on-site inspection, the Bank implemented credit measures to improve credit quality
- The preliminary FSA report received in December 2018 identified additional areas of improvement
- The board and management of Komplett Bank value the dialogue with the Norwegian FSA and the Bank will use the report to improve policies and routines and to close all possible deficiencies
- The Bank immediately initiated actions to address the improvement areas when receiving the preliminary report
- As a serious provider of banking services, Komplett Bank is committed to having thorough processes and routines ensuring good internal control and compliance with existing laws and regulations

# Key areas | Improvement measures implemented or ongoing

## Anti-Money Laundering

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- The FSA has identified improvement areas regarding Komplet Bank's anti-money laundering (AML) policies and processes
- The financial industry plays an increasingly important role in combating money laundering, in close cooperation with public authorities and other institutions
- Komplet Bank is strengthening and re-organising several AML functions and processes to further improve the bank's compliance with regulations. Actions include updating the bank's overall risk assessment, improving risk assessment of individual customer relationships, onboarding processes and transaction monitoring processes

## Governance and control systems

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- In a short period of time, Komplet Bank has grown from a small- to a mid-sized bank diversified across several markets and products
- Komplet Bank has and is in the process of implementing all measures required to ensure improvements to the bank's internal control functions in accordance with the FSA's remarks and recommendations
- This includes the establishment of a risk and audit committee and an internal audit function as well as separation of duties between first- and second line functions

# Key areas | Improvement measures implemented or ongoing

## Credit risk

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- We continuously strive to improve our operations. In Q3 2018, Komplett Bank experienced higher-than-expected losses on loans. As a result, a number of targeted credit measures had been implemented before the on-site inspection.
- The FSA remarked that, given its growth pace, Komplett Bank is exposed to credit risk and that existing forward flow sales reduces this risk, but that the bank is exposed to price risk in forward flow contracts
- The Bank is in the process of updating its credit risk policy and ICAAP process to reflect that the Bank utilises forward flow contracts on an ongoing basis

## Consumer lending regulation

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- The FSA remarked on Komplett Banks implementation of the consumer lending guidelines
- The guidelines have been replaced by regulations, which will come into effect on 15 May 2019 and apply until the end of 2020
- Komplett Bank welcomes the new regulation, which applies to both national and foreign banks, thus ensuring competition on equal terms. Komplett Bank will implement all changes required to comply with the new regulation

# Annuity loans to be launched in Norway

- The new lending regulation published in February specified how revolving credits must be amortized
- This impacts the competitiveness of Komplett Banks “Flexible loan” product in Norway
- Komplett Bank is therefore in process to expand the product portfolio, and will launch annuity loans in Norway

## May 2019

### Launch of new annuity loan product

- Compliant with new Norwegian law on consumer lending
- Ensures competitive offering in the Norwegian consumer lending market for new loans
- Expected to protect and increase current levels in new sales

## Q3 2019

### Annuity loan with refinance functionality

- Utilises exceptions provided in law enabling more than five years maturity in cases of loan refinancing
- Ensures competitive offering when refinancing old loans
- Expected to drive increased sales and lending growth, particularly from indirect sales channel

## H2 2019

### Flexible Loan 2.0

- Compliant with new Norwegian lending regulation on amortization of revolving credits
- Ensures differentiation and enables us to continue to offer customers an attractive flexible loan product
- Expected to drive increased sales and lending growth in all channels, including upsell

Komplett Bank’s new product suite ensures an even more competitive offering