

MyBank ASA

Quarterly Report
Q2 2017

Highlights of the Quarter

- Following initiation of commercial operations in March, MyBank continued to develop its online retail banking business in the second quarter. Growth in net loans amounted to NOK 58.9 million and pre-tax loss was NOK 1.87 million.
- In the second quarter, MyBank established its first loan broker on the bank's automated solution and a second broker was included after the end of the quarter. In addition, three more brokers will follow in the third quarter of 2017.
- Erik Selin Fastigheter's (ESF) increased ownership in MyBank to 20 percent from 10 percent. The additional NOK 33.3 million in equity increased MyBank's total equity to NOK 273.3 million.
- The Financial Supervisory Authority of Norway (FSA) introduced new regulations for financial institutions offering individuals unsecured credit. These are in line with MyBank's credit assessment model, and, as such, the regulations are not expected to adversely affect the bank's current or future prospects.

Comments from the CEO

"In the second quarter, MyBank's systems have been optimized in preparation for scale-up of our retail banking operations. We have evaluated several thousand consumer loan applicants and our credit quality is continuously being analyzed by third parties. Our models for pricing and credit scoring have proved to deliver margins as expected, combined with sound credit quality.

Importantly, we have succeeded in securing deposit customers at highly attractive terms, and the market's high level of liquidity demonstrates how flexible this funding source is.

I am particularly pleased that our first established loan broker has delivered as expected. Moving ahead, we look forward to welcome even more customers to our attractive offering.

MyBank's concept, 'simple and complete banking', is based on our low fixed cost base, automated processes and scalability. Significant progress has been made in automation of application processes, optimization of credit rating and pricing, and efficient internal and external processes.

Based on the first months of operations, we are enthusiastic about the bank's prospects for profitable growth in the attractive Norwegian consumer finance market."

Christen Fredriksen, CEO

About MyBank

MyBank is a newly established online retail bank offering consumer loans, refinancing loans and deposit accounts.

The bank was granted a commercial banking license in July 2016, completed a NOK 240 million equity issue in November 2016 and commenced operations during the first quarter of 2017. In May 2017, the bank's equity was further increased by the exercise of an option given during the November 2016 issuance process, taking the bank's total share capital to NOK 273.3 million.

The bank's shares trade on the NOTC list.

MyBank uses loan brokers as the sole sales channel, enabling an efficient and scalable setup – and a competitive customer offering over time.

Financial Information

MyBank ASA recorded income of NOK 0.8 million during the quarter, the majority of which was net interest income from the bank's customer deposit and lending activity.

The bank had operating expenses of NOK 4.9 million, of which NOK 2.7 million were staff costs and NOK 2.2 million were other administrative costs. In addition, the bank had a gain on the investment portfolio of NOK 1.5 million.

As of the end of the second quarter, the bank had made loans to customers of NOK 60.6 million (gross), and taken deposits of NOK 136.0 million. This reflects the process of fine-tuning the bank's credit policies, operational processes and technical infrastructure before increasing volumes in the second half of the year.

The bank's liquidity position was NOK 308.3 million, with inflows of customer deposits occurring at a rate which will allow the bank to fund significant loan growth.

Outlook

Following the equity raise completed in the first half, MyBank is well capitalized and has a capital base that enables significant loan growth over the first twelve months of operations. MyBank's secure and recently implemented IT systems to automate business processes enables the scalable growth that is at the core of MyBank's operations. In the coming months, the bank will fine-tune its systems to further optimize the pricing and portfolio risk profile.

In June, the FSA issued guidelines for the treatment of unsecured consumer loans for consultation. The guidelines imply regulatory changes in line with MyBank's expectations, which the bank is well prepared to meet.

MyBank focuses on solid credit risk management, and particularly documentation of the customer's debt service ability. Hence, MyBank's product offering is in compliance with the FSA's guidelines for banks' treatment of consumer loans.

Risks and Uncertainties

Risks and uncertainties include lower customer acquisition and volumes than expected, a reduced interest margin, a lack of cost-effectiveness and an inappropriate choice of technology. A macro recession may result in slower growth, higher loss and lower performance, and may make it difficult to raise further capital. Negative impacts from a decline in the economy should be partly offset by a lower level of interest rates, which in isolation would be positive for the bank's earnings.

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.

Oslo, 8 August 2017

The MyBank Board of Directors

Tom Knoff

Chairman of the Board

Beate Nygårdshaug

Board Member

Paal E Johnsen

Board Member

Knut Einar Rishovd

Board Member

Marit Lambrechts

Board Member

Christen Fredriksen

CEO

Financial Statement (Unaudited)

Income Statement

<i>Amounts in NOK 1000s</i>	<i>Note</i>	Q2 2017	Q1 2017	YTD 2017	2016
Interest income		1299.2	80.4	1379.6	-
Interest expense		-486.8	4	-482.8	-
Net interest income		812.4	76.4	896.8	-
Commissions and fee income	5	13.6	0.3	13.9	-
Commissions and fee expense	5	118.7	1.8	120.5	-
Net commissions and fee income		-105.2	-1.5	-106.7	-
Income/loss from trading activities	6	1 480.5	98	1 578.5	-
Staff costs	6	2 695.6	2 604.00	5299.6	9
Other administrative expenses	6	1 140.7	1 206.00	2346.7	1 798.00
Depreciation and amortisation		-	-	-	-
Total operating costs		2355.7	3 712.00	6 067.7	1 807.00
Profit (Loss) before loan impairments		-1 564,1	-3 637.10	-5 201,2	-1 807.00
Reserved for loan impairments	2	308.7	57	366.1	-
Profit (Loss) before tax		-1 872,8	-3 694.10	-5 567,3	-1 807.00
Tax		-	-	-	-
Profit (loss) for the period		-1 872,8	-3 694.10	-5 567,3	-1 807.00

Balance Sheet

Amounts in NOK 1000s

	Note	30.06.2017	31.03.2017	31.12.2016
Assets				
Loans to, and deposits at, credit institutions		81 443	56 374 1	24
Loans to customers	2, 3	60 559	329	-
Provision for impairment losses	2, 4	366	57	-
Net loans to customers		60 193	1 272	-
Short term financial investments		226 876	175 228	-
Other intangible assets		16 233	9 876	615
Property, plant and equipment		2 766	-	-
Receivables, prepayments, accrued income and other assets		1 296	782	2 894
Total assets		388 807	243 532	3 533
Liabilities				
Deposits from customers		135 994	20 833	-
Accounts payable		939	838	138
Taxes and employer contributions withheld for employees		689	407	-
Accrued expenses and unearned income received		108	53	-
Other current liabilities		467	298	-
Total liabilities		139 003	22 131	138
Equity				
Share capital		23 793	21 148	2 378
Share premium reserve		234 591	206 151	3 222
Retained earnings		-7 772	-5 899	-2 205
Total equity		250 611	221 400	3 395
Total liabilities and equity		388 807	243 531	3 533

Notes to the Condensed Consolidated Financial Statements

Note 1 Accounting Principles

This quarterly report has been prepared in accordance with Norwegian generally accepted accounting principles, and has not been audited.

Note 2 Loans to customers

<i>Amounts in NOK 1000s</i>	Q2 2017	Q1 2017
Loans to customers	60 559.36	1 329.00
Provision for impairment losses	308.69	57.40
Net loans to customers	60 250.67	1 271.60

Provisions for impairments on groups of loans		
Provisions at the beginning of the period	57.4	
Provisions (releases) during the period	308.69	57.40
Loans written off	-	-
Amounts recovered from previous write-offs	-	-
Provisions at the end of the period	366.09	57.40

The provisions for impairments are done in accordance with existing rules which require an objective indication of future losses. Using an expected loss methodology in line with IFRS 9, the provisions would be approximately NOK 1.2 million.

Note 3 Risk classification

<i>Amounts in NOK 1000s</i>	Gross loans to customers	
Risk category	30.06.2017	31.03.2017
A	1 242.77	
B	3 517.94	
C	4 306.45	
D	4 288.51	
E	7 392.42	
F	10 270.40	153
G	9 899.98	
H	6 174.76	848
I	9 487.57	325
J	3 735.68	
K	238.17	
N	-	0

Risk category N includes only non-performing loans. Customers are classified according to application scores combined with other data, as an integrated part of the credit assessment process and risk pricing. The bank only offers unsecured loans to retail customers, based on an automated process as well as manual assessments.

Note 4 Non-performing loans

Non-performing and doubtful loans

<i>Amounts in NOK 1000s</i>	30.06.2017	31.03.2017
Gross non-performing and doubtful loans	0	0
Individual write-downs	0	0
Provisions for write-downs	366.09	57.40
Net non-performing and doubtful loans	366.09	57.40

Due to the bank's short operating history, no individual loans had been written down as of the reporting date. The above provisions are based on the distribution across time-buckets in the following table.

Loans categorised by days past due

<i>Amounts in NOK 1000s</i>	Current	5 - 15 days	16 - 30 days	31 - 60 days	61+ days	Total
31.03.2017	1 329	0				1 329
30.06.2017	-58 672	0	-1 419	-468	0	-60 559

Note 5 Fee income and expenses

<i>Amounts in NOK 1000s</i>	Q2 2017	Q1 2017
Loan arrangement fees	13.56	0.16
Other fees	0	0
Total fee income	13.56	0.16
Payment service fees	0	0
Distribution fees	58.92	1.02
Other fees	59.81	0
Total fee expenses	118.73	1.02

Fees paid to distribution partners, and loan arrangement fees, are recognized on an accrual basis throughout the expected lifetime of the loan.

Note 6 Operating costs

<i>Amounts in NOK 1000s</i>	Q2 2017	Q1 2017
Payroll expenses	1 597	1 928
Employers contribution and pension expenses	745	490
Other personnel expenses	353	186
Total personnel expenses	2 695	2 604
Freight	1	
Costs related to premises	151	154
Acquisitions carried to expense	148	158
Repairs and maintenance	42	
External fees/services	1 039	560
Office expenses	101	64
Telephone, postage etc.	41	48
Travel expenses	173	122
Sales and advertising	109	77
Membership fees and donations	368	2
Insurance	43	23
Other expenses	12	16
Total operating expenses	2 232	1 225

Operating costs as shown in the Income Statement includes changes in the value of the bank's liquidity portfolio (which have been excluded from the above table), which saw substantial increases in valuation over the second quarter. The bank's operating costs for the second quarter are therefore reduced compared to the first quarter as a non-recurring effect. The Bank will begin depreciation of the core IT system in the third quarter, which will increase operating costs by approximately NOK 1 million per year.

Note 7 Capital adequacy

<i>Amounts in NOK 1000s</i>	Q2 2017	Q1 2017
Share capital	23 792.62	21 148.00
Share premium reserve	232 677,17	206 167.00
Retained earnings	-6 719,41	
Deduction of intangible assets	16 232,87	9 876.00
Core equity tier 1 capital	233 517,52	217 439.00
Additional tier 1 capital instruments	0.00	0.00
Tier 1 capital	233 517.52	217 439.00
Subordinated loans	0.00	0.00
Tier 2 capital	233 517.52	217 439.00
Capital requirements		
<i>Amounts in NOK 1000s</i>	Q2 2017	Q1 2017
Institutions	16 288.66	15 000.00
Unsecured loans to retail customers	60 559,36	1 329.00
Collective investments undertakings (CIU)	20 122,00	-
Other	4 004.68	
Operational risk	19 687,5	
Total risk-weighted assets	120 662,20	16 329.00
Core equity tier 1 capital ratio	193,53 %	1331.60 %
Tier 1 capital ratio	193,53 %	1331.60 %
Capital ratio	193.53 %	1331.60 %

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