

MyBank ASA

Quarterly Report
Q1 2018

Highlights of the Quarter

- Development of MyBank's online retail banking business continued in the quarter, with growth in net loans of NOK 133.2 million (compared to 98.7 million in the previous quarter) and pre-tax loss for the quarter of NOK 7.15 million including credit loss provisions of NOK 3.8 million (NOK 9.37 million for the last 12 months, equivalent to 2.5% of gross loans).
- The improved loan growth came mostly as a result of more sophisticated pricing, as well as an additional agent being added. Loan growth at the end of the quarter reached what the bank considers a steady-state run rate of NOK 200m per quarter, in line with the bank's guidance at the end of 2018.
- MyBank launched car loans as an additional, off-balance sheet product during the quarter. Payment protection insurance is expected to be launched in Q2 2018. After a ramp-up period these should provide additional income without impacting the bank's capital adequacy.

Comments from the CEO

"Since the very beginning MyBank has focused on building a solid banking platform that is sustainable and will stand the test of time. This applies to everything from our business model to our technological solutions.

MyBank's concept, 'simple and complete banking' is based on our low fixed cost base, automated processes and scalability. We saw the results of previous improvements to our automated processes throughout the quarter, culminating in reaching our target growth run-rate at the end of the quarter.

Our experience is that the market for unsecured loans is still highly attractive in Norway, and we also see several other promising opportunities, with refinancing and car loans being the closest ones. We will continue to fine-tune our credit-, pricing and product strategy to ensure continued growth in the future.

While we are impatient to increase our customer footprint, we are comfortable that our systems are robust, and that our offering and business model will prove its relevance in the quarters and years to come.

Christen Fredriksen, CEO

About MyBank

MyBank is an online retail bank offering consumer loans, refinancing loans and deposit accounts.

The bank was granted a 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 increased by the exercise of an option given during the 2016 issuance process, taking total share capital to NOK 273.3 million. The shares trade on the NOTC list.

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

Financial Information – Q1

MyBank ASA recorded income of NOK 7.26 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 10.57 million for the quarter, of which NOK 3.86 million were staff costs and NOK 4.77 million were other administrative costs.

Loan loss provisions were NOK 3.84 million for the quarter, representing 1% of gross loans. This is in line with peers, but the bank is making pricing and risk-selection changes aimed at improving credit quality. The bank is also improving payment and collection processes, and expects to enter into a forward flow agreement during the next 3 to 6 months.

As of the end of the quarter, the bank had made gross loans to customers of NOK 371.6 million, and taken deposits of NOK 385.2 million.

The bank's liquidity position was NOK 205.9 million, with inflows of customer deposits occurring at a rate which will allow the bank to fund significant loan growth.

Outlook

MyBank is well capitalized and has a capital base that enables significant loan growth. 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.

The recent FSA guidelines imply regulatory changes in line with MyBank's expectations. MyBank focuses on solid credit risk management, and particularly documentation of the customer's debt service ability, so these elements of the new guidelines do not represent a significant change.

The restriction of loan maturity, combined with the other guidelines, is expected to restrict the market growth in unsecured lending. The total effect on market development is of course uncertain and strongly dependent on how the banks will implement the new guidelines in their credit assessment.

After the balance sheet date

After the end of the quarter, the bank's loan growth has continued to improve, and the monthly run rate is now equivalent to NOK 200m per quarter. As of the reporting date, the bank had made NOK 54.1m new loans since the end of the first quarter. The board has recommended to the Annual General Meeting to allow the bank to issue subordinated and additional tier 1 capital instruments in the third quarter, to ensure continued compliance with capital requirements.

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, 26 April 2018

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>Amount in NOK millions</i>	Notes	Q1 2018	Q4 2017	Q3 2017	YTD 2017
Interest income		9.97	6.02	4.17	11.56
Interest expense		-1.78	1.23	1.37	3.08
Net interest income		8.19	4.78	2.80	8.48
Commissions and fee income		0.06	0.03	0.01	0.04
Commissions and fee expense		-0.99	-0.27	-0.01	-0.30
Net other income		-0.93	-0.24	0.00	-0.26
Total operating income		7.26	4.55	2.80	8.22
Income/loss from trading activities		-0.01	-0.29	-0.48	-2.35
Staff costs		3.87	3.68	3.75	12.73
Other administrative expenses		4.77	5.17	2.24	9.76
Other operating costs		1.92	1.43	1.74	4.26
Total operating costs	4	10.57	9.99	7.25	24.40
Operating profit (Loss) before loan impairments		-3.3	-5.44	-4.45	-16.18
Reserved for loan impairments		3.84	4.40	0.67	5.32
Profit (Loss) before tax		-7.15	-9.84	-5.11	-21.50
Tax					-5.38
Profit (loss) for the period		-7.15	-9.84	-5.11	-16.13

Balance Sheet

	Notes	31.03.2018	31.12.2017	30.09.2017
<u>Assets</u>				
Loans to, and deposits at, credit institutions		49.29	76.0	70.7
Net loans to customers	2, 3	360.12	226.3	127.6
Total loans		409.41	302.4	198.3
Short term financial investments		176.0	180.4	280.1
Other intangible assets incl. deferred tax		25.13	25.4	17.9
Prepaid agent commissions		12.8	6.6	3.6
Property, plant and equipment		0.0	0.0	0.0
Receivables, prepayments, accrued income and other assets		1.0	0.9	0.7
Sum other assets		214.96	213.3	302.3
Total assets		626.45	515.7	500.6
<u>Liabilities</u>				
Deposits from customers		385.26	270.5	252.3
Accounts payable		7.52	4.6	3.3
Total liabilities		392.78	275.1	255.6
<u>Equity</u>				
Share capital		256.7	256.7	256.7
Retained earnings		-23.03	-16.1	-11.7
Total equity	5	233.67	240.6	245.1
Total liabilities and equity		626.45	515.7	500.6

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 millions</i>	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Loans to customers	369.5	231.8	128.5	60.6
Provision for impairment losses	9.4	5.5	0.9	0.3
Net loans to customers	360.1	226.3	127.6	60.3

Provisions for impairments on groups of loans	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Provisions at the beginning of the period	5.5	0.9	0.3	0.1
Provisions (releases) during the period	3.8	4.6	0.6	0.3
Loans written off	-	-	-	-
Amounts recovered from previous write-offs	-	-	-	-
Provisions at the end of the period	9.4	5.5	0.9	0.3

Note 3 Non-performing loans

Non-performing and doubtful loans

<i>Amounts in NOK millions</i>	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Gross non-performing and doubtful loans	54.3	30.2	5.4	0
Individual write-downs	7.3	4.6	0.4	0
Provisions for write-downs	2.1	0.9	0.5	0.3
Net non-performing and doubtful loans	44.9	24.7	4.6	0.3

Doubtful loans are loans which are 60 or more days past due. Non-performing loans are 90 or more days past due.

Loans categorised by days past due

<i>Amounts in NOK millions</i>	Current	1 - 30 days	31 – 60 days	61 – 90 Days	91+ days	Total
31.03.2017	1.3					1.3
30.06.2017	59.0	1.1	0.5	0.0	0.0	60.6
30.09.2017	106.5	8.6	8.2	4.5	0.9	128.5
31.12.2017	173.2	16.7	12.4	10.3	19.9	232.4
31.03.2018	282.7	21.9	12.7	12.0	42.2	371.6

Total includes interest due on outstanding loans which are less than 60 days overdue.

Note 4 Operating costs

	2018		2017		
<i>Amounts in NOK millions</i>	Q1	Q4	Q3	Q2	Q1
Personnel expenses	3.9	3.7	3.8	2.7	2.6
Property, plant and equipment	0.5	0.4	0.4	0.5	0.4
External fees/services	2.9	4.0	1.8	1.0	0.6
Travel expenses	0.3	0.5	0.2	0.2	0.1
Sales and advertising	0.1	0.3	0.1	0.1	0.1
Other expenses	1.8	1.0	0.4	0.4	0.0
Non-personnel operating expenses	5.7	6.2	2.9	2.2	1.2

Note 5 Capital adequacy

<i>Amounts in NOK millions</i>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Share capital	23.8	23.8	23.8	23.8	21.1
Share premium reserve	232.9	232.9	232.9	232.7	206.2
Retained earnings	-23.3	-16.1	-11.7	-6.7	
Deduction of intangible assets	37.9	31.9	26.5	16.2	9.9
Core equity tier 1 capital	198.0	213.9	223.3	233.5	217.4
Additional tier 1 capital instruments	0.0	0.0	0.0	0.0	0.0
Tier 1 capital	198.0	213.9	223.3	233.5	217.4
Subordinated loans	0.0	0.0	0.0	0.0	0.0
Tier 2 capital	198.0	213.9	223.3	233.5	217.4
Capital requirements					
<i>Amounts in NOK 1000s</i>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Institutions	12.6	15.2	14.1	16.3	15.0
Unsecured loans to retail customers	318.1	215.8	127.8	60.6	1.3
Collective investments undertakings (CIU)	2.3	15.2	25.2	20.1	0.0
Other	44.8	24.8	25.2	4.0	0.0
Operational risk	19.7	19.7	19.7	19.7	0.0
Total risk-weighted assets	397.5	283.6	190.3	120.7	16.3
Core equity tier 1 capital ratio	49.8 %	75.4 %	117.3 %	193.5 %	1331.6 %
Tier 1 capital ratio	49.8 %	75.4 %	117.3 %	193.5 %	1331.6 %
Capital ratio	49.8 %	75.4 %	117.3 %	193.5 %	1331.6 %

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