

MyBank ASA

Quarterly Report
Q3 2017

Highlights of the Quarter

- Development of MyBank's online retail banking business continued in the third quarter, with growth in net loans of NOK 67.9 million (compared to 58.9 million in the second quarter) and pre-tax loss for the quarter of NOK 5.1 million.
- The flat development in loan growth from the previous quarter is due to a delay in the technical development of a fully automated system. The issues have largely been solved as of the reporting date.
- During the quarter, MyBank included three new brokers on its automated banking solution, bringing the total to four. This, in combination with completion of the technical solution, means the company expects to approach run rate loan growth late Q4 or early Q1 2018.
- Testing has been initiated on distribution of unsecured car loans by MyBank on third parties' balance sheets, with indications of competitive risk-reward. Possible commercial launch in Q1 upon successful testing, diversifying revenue streams and supporting growth.

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.

Our highly automated broker solution was first delivered in September, three months later than planned. This has had a negative impact on our loan volumes in the quarter, as we could not ramp up the production as quickly as we had hoped. The upside of this delay, however, is that the solution is more automated and more secure. This means that the security of communications between the loan brokers and MyBank will be compliant with new regulations introduced in 2018, and the increased automation will secure efficiency and scalability.

MyBank's concept, 'simple and complete banking', is based on our low fixed cost base, automated processes and scalability. Automatisations is absolutely core to our business model, which means that these challenges needed to be solved. Importantly, since the end of the quarter, all of our four brokers have completed integration on the upgraded systems with the earlier issues now largely solved.

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. While we are impatient to increase our customer footprint, we are confident 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 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 2.8 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 7.7 million, of which NOK 3.75 million were staff costs and NOK 2.24 million were other administrative costs. In addition, the bank had a gain on the investment portfolio of NOK 0.48 million.

As of the end of the third quarter, the bank had made loans to customers of NOK 128.5 million (gross), and taken deposits of NOK 252.3 million. This reflects the process of fine-tuning the bank's credit policies, operational processes and technical infrastructure before increasing volumes in the final quarter of the year.

The bank's liquidity position was NOK 348.1 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.

MyBank focuses on solid credit risk management, and particularly documentation of the customer's debt service ability, so that 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.

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, 17 October 2017

The MyBank Board of Directors

[Electronic signature]

Tom Knoff

Chairman of the Board

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Knut Einar Rishovd

Board Member

[Electronic signature]

Beate Nygårdshaug

Board Member

[Electronic signature]

Marit Lambrechts

Board Member

[Electronic signature]

Paal E Johnsen

Board Member

[Electronic signature]

Christen Fredriksen

CEO

Financial Statement (Unaudited)

Income Statement

Amounts in NOK millions	Q3 2017	Q2 2017	Q1 2017	YTD 2017
Interest income	4.17	1.37	0.01	5.55
Interest expense	1.37	0.48	0.00	1.85
Net interest income	2.80	0.89	0.00	3.70
Commissions and fee income	0.01	0.00	0.00	0.01
Commissions and fee expense	-0.27	-0.02	0.00	-0.29
Net commissions and fee income	-0.25	-0.02	0.00	-0.28
Total operating income	2.55	0.87	0.00	3.42
Staff costs	3.75	2.70	2.60	9.05
Other administrative expenses	2.24	1.14	1.21	4.59
Other operating costs	1.48	1.10		2.58
Total operating costs	7.47	4.94	3.81	16.22
Operating profit (Loss) before loan impairments and financial income	-4.93	-4.06	-3.81	-12.80
Reserved for loan impairments	0.67	0.25	0.00	0.92
Income/loss from trading activities	0.48	1.48	0.10	2.06
Profit (Loss) before tax	-5.11	-2.84	-3.71	-11.66
Tax	0	0	0	0
Profit (loss) for the period	-5.11	-2.84	-3.71	-11.66

Balance Sheet

Amounts in NOK millions

	Note	30.09.2017	30.06.2017	31.03.2017	31.12.2016
Assets					
Loans to, and deposits at, credit institutions		70.7	81.4	56.4	0.0
Loans to customers	2, 3	128.5	60.6	1.3	0.0
Provision for impairment losses	2, 4	0.9	0.4	0.1	0.0
Net loans to customers		127.6	60.2	1.3	0.0
Short term financial investments		280.1	226.9	175.2	0.0
Other intangible assets		21.5	16.2	9.9	0.6
Property, plant and equipment		0.0	2.8	0.0	0.0
Receivables, prepayments, accrued income and other assets		0.7	1.3	0.8	2.9
Total assets		500.6	388.8	243.5	3.5
Liabilities					
Deposits from customers		252.3	136.0	20.8	0.0
Accounts payable		3.3	2.2	1.6	0.1
Total liabilities		255.6	139.0	22.1	0.1
Equity					
Share capital		256.7	258.4	227.3	5.6
Retained earnings		-11.7	-7.8	-5.9	-2.2
Total equity		245.1	250.6	221.4	3.4
Total liabilities and equity		500.6	388.8	243.5	3.5

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>	Q3 2017	Q2 2017	Q1 2017
Loans to customers	128.5	60.6	1.3
Provision for impairment losses	0.9	0.3	0.1
Net loans to customers	127.6	60.3	1.3

Provisions for impairments on groups of loans	Q3 2017	Q2 2017	Q1 2017
Provisions at the beginning of the period	0.3	0.1	0
Provisions (releases) during the period	0.6	0.3	0.1
Loans written off	-	-	-
Amounts recovered from previous write-offs	-	-	-
Provisions at the end of the period	0.9	0.3	0.1

Note 3 Risk classification

	30.09.2017	30.06.2017	31.03.2017
High risk	3.4	0.1	0.0
High/medium risk	33.9	17.4	0.7
Medium risk	54.5	25.1	0.0
Low risk	27.4	12.9	0.4
Very low risk	9.2	4.5	0.2
Uncategorised	0.0	0.0	0.0

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 millions</i>	30.09.2017	30.06.2017	31.03.2017
Gross non-performing and doubtful loans	5.4	0	0
Individual write-downs	0.4	0	0
Provisions for write-downs	0.5	0.3	0.1
Net non-performing and doubtful loans	4.6	-0.3	-0.1

The provision for write-downs are based on the distribution across time-buckets in the following table.

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

Note 5 Operating costs

<i>Amounts in NOK millions</i>	Q3	Q2	Q1
Total personnel expenses	3.7	2.7	2.6
Property, plant and equipment	0.4	0.5	0.4
External fees/services	1.8	1.0	0.6
Travel expenses	0.2	0.2	0.1
Sales and advertising	0.1	0.1	0.1
Other expenses	0.4	0.4	0.0
Total operating expenses	2.9	2.2	1.2

Note 6 Capital adequacy

<i>Amounts in NOK millions</i>	Q3 2017	Q2 2017	Q1 2017
Share capital	23.8	23.8	21.1
Share premium reserve	232.9	232.7	206.2
Retained earnings	-11.7	-6.7	0.0
Deduction of intangible assets	-21.8	-16.2	-9.9
Core equity tier 1 capital	223.3	233.5	217.4
Additional tier 1 capital instruments	0.0	0.0	0.0
Tier 1 capital	223.3	233.5	217.4
Subordinated loans	0.0	0.0	0.0
Tier 2 capital	223.3	233.5	217.4
Capital requirements			
<i>Amounts in NOK 1000s</i>	Q3 2017	Q2 2017	Q1 2017
Institutions	14.1	16.3	15.0
Unsecured loans to retail customers	127.8	60.6	1.3
Collective investments undertakings (CIU)	25.2	20.1	0.0
Other	3.5	4.0	0.0
Operational risk	19.7	19.7	0.0
Total risk-weighted assets	170.6	120.7	16.3
Core equity tier 1 capital ratio	117.3 %	193.5 %	1331.6 %
Tier 1 capital ratio	117.3 %	193.5 %	1331.6 %
Capital ratio	117.3 %	193.5 %	1331.6 %

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