

MyBank ASA

Quarterly Report
Q4 2017

Highlights of the Quarter

- Development of MyBank's online retail banking business continued in the quarter, with growth in net loans of NOK 98.7 million (compared to 67.9 million in the previous quarter) and pre-tax loss for the quarter of NOK 9.8 million including credit loss provisions of NOK 4.4 million (NOK 5.3 million for the full year, equivalent to 2.3% of gross loans).
- The improved loan growth came as a result of issues with the bank's automated loan processing systems being mostly resolved, and additional agents being added. In the latter half of the quarter, loan growth approached what the bank considers a steady-state run rate, and this is expected to be achieved in Q1 2018.
- MyBank has finalized the design of two additional, off-balance sheet products – car loans and payment protection insurance – which will be launched in Q1 2018 and 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. Further improvements were needed to our automated processes throughout the quarter, which had a negative impact on our loan volumes. However, we are now confident that we have the stability and functionality required to reach our run rate volumes and beyond.

We now have seven agents on the platform, and contracts signed with three more, including one of the largest in Norway, giving us confidence that our lending volumes will continue to grow.

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 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 a newly established 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 – Q4

MyBank ASA recorded income of NOK 4.8 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 9.99 million for the quarter, of which NOK 3.7 million were staff costs and NOK 5.17 million were other administrative costs. In addition, the bank had a gain on the investment portfolio of NOK 0.29 million.

Loan loss provisions were NOK 4.4 million for the quarter, bringing the total to NOK 5.32 million, representing 2.3 % 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.

As of the end of the quarter, the bank had made loans to customers of NOK 231.9 million (gross), and taken deposits of NOK 270.5 million.

The bank's liquidity position was NOK 256.5 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.

The bank's Chief Credit Officer has resigned, and will be leaving on or before May 1st, 2018. The bank is in the process of finding a replacement.

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, 5 February 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	Q4 2017	Q3 2017	YTD 2017
Interest income		6.02	4.17	11.56
Interest expense		1.23	1.37	3.08
Net interest income		4.78	2.80	8.48
Commissions and fee income		0.03	0.01	0.04
Commissions and fee expense		-0.27	-0.01	-0.30
Net other income		-0.24	0.00	-0.26
Total operating income		4.55	2.80	8.22
Income/loss from trading activities		-0.29	-0.48	-2.35
Staff costs		3.68	3.75	12.73
Other administrative expenses		5.17	2.24	9.76
Other operating costs		1.43	1.74	4.26
Total operating costs	5	9.99	7.25	24.40
Operating profit (Loss) before loan impairments		-5.44	-4.45	-16.18
Reserved for loan impairments		4.40	0.67	5.32
Profit (Loss) before tax		-9.84	-5.11	-21.50
Tax				-5.38
Profit (loss) for the period		-9.84	-5.11	-16.13

Balance Sheet

	Notes	31.12.2017	30.09.2017	31.12.2016
<u>Assets</u>				
Loans to, and deposits at, credit institutions		76.0	70.7	0.0
Net loans to customers	2, 4	226.3	127.6	0.0
Total loans		302.4	198.3	0.0
Short term financial investments		180.4	280.1	0.0
Other intangible assets incl. deferred tax		25.4	17.9	0.6
Prepaid agent commissions		6.6	3.6	0.0
Property, plant and equipment		0.0	0.0	0.0
Receivables, prepayments, accrued income and other assets		0.9	0.7	2.9
Sum other assets		213.3	302.3	3.5
Total assets		515.7	500.6	3.5
<u>Liabilities</u>				
Deposits from customers		270.5	252.3	0.0
Accounts payable		4.6	3.3	0.1
Total liabilities		275.1	255.6	0.1
<u>Equity</u>				
Share capital		256.7	256.7	5.6
Retained earnings		-16.1	-11.7	-2.2
Total equity		240.6	245.1	3.4
Total liabilities and equity		515.7	500.6	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>	Q4 2017	Q3 2017	Q2 2017
Loans to customers	231.8	128.5	60.6
Provision for impairment losses	5.5	0.9	0.3
Net loans to customers	226.3	127.6	60.3

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

Note 3 Risk classification

*Amounts in NOK
millions*

Gross loans to customers

Risk category	31.12.2017	30.09.2017	30.06.2017	31.03.2017
A	0.86	1.24	0.49	0
B	4.05	3.66	0.27	0
C	8.15	7.13	1.74	0
D	14.82	7.73	1.91	0
E	20.81	16.78	1.86	0
F	24.88	21.76	3.59	0.15
G	60.32	19.13	8.17	0
H	35.43	17.50	10.74	0.85
I	38.20	21.46	4.92	0.33
J	21.05	9.84	15.08	0
K	4.04	2.13	10.76	0

Customers are classified from class A (best, lowest risk) to K (worst, highest risk) 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>	31.12.2017	30.09.2017	30.06.2017
Gross non-performing and doubtful loans	30.2	5.4	0
Individual write-downs	4.6	0.4	0
Provisions for write-downs	0.9	0.5	0.3
Net non-performing and doubtful loans	24.7	4.6	0.3

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
31.12.2017	173.2	16.7	12.4	10.3	19.9	232.4

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

Note 5 Operating costs

Amounts in NOK millions

	Q4	Q3	Q2	Q1
Personnel expenses	3.7	3.8	2.7	2.6
Property, plant and equipment	0.4	0.4	0.5	0.4
External fees/services	4.0	1.8	1.0	0.6
Travel expenses	0.5	0.2	0.2	0.1
Sales and advertising	0.3	0.1	0.1	0.1
Other expenses	1.0	0.4	0.4	0.0
Non-personnel operating expenses	6.2	2.9	2.2	1.2

Note 6 Capital adequacy

Amounts in NOK millions

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Share capital	23.8	23.8	23.8	21.1
Share premium reserve	232.9	232.9	232.7	206.2
Retained earnings	-16.1	-11.7	-6.7	
Deduction of intangible assets	31.9	26.5	16.2	9.9
Core equity tier 1 capital	213.9	223.3	233.5	217.4

Additional tier 1 capital instruments	0.0	0.0	0.0	0.0
Tier 1 capital	213.9	223.3	233.5	217.4

Subordinated loans	0.0	0.0	0.0	0.0
Tier 2 capital	213.9	223.3	233.5	217.4

Capital requirements

Amounts in NOK 1000s

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Institutions	15.2	14.1	16.3	15.0
Unsecured loans to retail customers	215.8	127.8	60.6	1.3
Collective investments undertakings (CIU)	15.2	25.2	20.1	0.0
Other	24.8	25.2	4.0	0.0
Operational risk	19.7	19.7	19.7	0.0
Total risk-weighted assets	283.6	190.3	120.7	16.3

Core equity tier 1 capital ratio	75.4 %	117.3 %	193.5 %	1331.6 %
Tier 1 capital ratio	75.4 %	117.3 %	193.5 %	1331.6 %
Capital ratio	75.4 %	117.3 %	193.5 %	1331.6 %

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