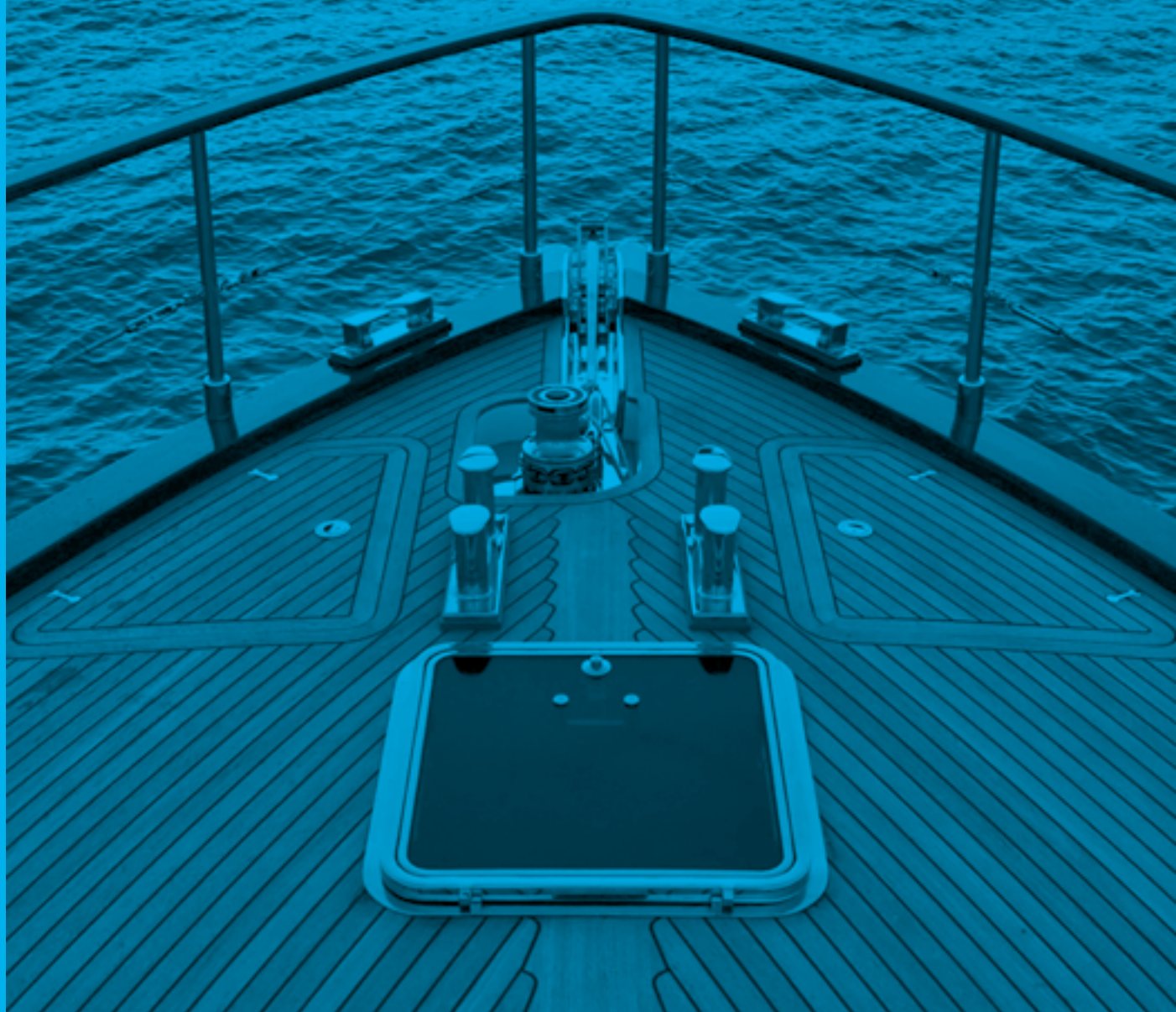


MONOBANK

**Interim report
2nd quarter 2016**



MONOBANK ASA

Quarterly report June 2016

Second-quarter highlights

- High demand and attractive growth opportunities within consumer credit
- Solid loan growth, ending on NOK 451 million
- Total income increased to NOK 11.1 million, up from NOK 5.3 million in Q1
- Operating expenses in line with budgets
- Break even result to be reached during Q3 2016
- Credit quality in line with projections

About Monobank ASA

Monobank ASA received its banking licence from the Financial Supervisory Authority of Norway on November 11 2015, and commenced regular banking operations on November 19th.

The bank offers unsecured lending to qualified private individuals in Norway. The screening process is based on an automated evaluation system. However, during the start-up phase a final, manual review of each applicant has been conducted. Loans are granted in sizes from NOK 25.000 to NOK 500.000 on flexible terms adapted to the applicants needs as well as their financial ability to service the loan. In exceptional circumstances loans up to NOK 700.000 may be granted.

The bank also offers attractive deposit rates on its savings accounts. Deposits up to NOK 2 million are guaranteed by the Norwegian Banks' Guarantee Fund, of which Monobank is a member.

Monobank's largest owner is Prioritet Group AB of Gøttenburg with a 9,9% ownership. Some 700 Norwegian investors own the rest of the share capital. The bank was registered with NOTC (a Norwegian information system for unlisted shares) on February 22 and the shares have been publicly traded from that date under the ticker symbol MONO.

Second-quarter developments

Monobank's operating and marketing activities continues to perform well and according to plan. The bank's IT systems have also continued to function well during the second-quarter.

Second-quarter loans and advances to customers increased

by NOK 189 million to NOK 451 million excluding prepaid agency commissions. Taking into account an anticipated seasonality in demand for loans, this was in line with expectations for the quarter.

With a rapidly growing data base, the quality of the loan portfolio has been monitored closely. The credit quality has developed according to plan. Ongoing adjustments to internal credit and pricing models continue with the aim to further optimize pricing among different customer groups. The bank expects to see the effects of this work as the third quarter progresses.

Financial figures

Total assets amounted to approximately NOK 690 million as of 30 June 2016, up from NOK 417 million from the end of the first quarter. The bank's net loan balance was NOK 451 million (NOK 261 million) excluding prepaid agency commissions and unspecified loss provisions. Deposits from customers were around NOK 524 million (NOK 246 million). Monobank's bank deposits and liquid securities amounted to NOK 208 million. The allocation of securities among various approved risk categories reflects Monobank's desire to maximize financial income while maintaining a prudent core capital ratio.

Total equity was NOK 156 million. For information about regulatory capital ratios, see the note 3.

Interest income for the second quarter was NOK 13.9 million compared to NOK 5.2 million in the first quarter. This is in line with the budget. Average loan size continues to be higher than originally anticipated when the bank's business plan was developed last year. Compared to the original income projections, fewer loans will increasingly affect fee and commission income as the year progresses. Mitigating steps have been taken.

Net interest income was NOK 11.7 million. Marketing and operating cost are in line with budget. Operating loss before impairment provisions was NOK 2.1 million compared to a loss of NOK 6.8 million in the previous quarter. The bank has decided to make NOK 3.1 million in provisions for loan losses for the second quarter. The level is in line with expectations. This resulted in a second quarter net loss of NOK 5.2 million before taxes, largely in line with budget.

The after tax loss of NOK 3.9 million is charged against other equity.

2016 Outlook for Monobank

In a market with numerous participants, Monobank's loan growth has continued at a solid pace and the trend is expected to continue. In this environment, Monobank is increasing marketing efforts and seeking to widen its distribution channels. This is however balanced by Monobank using this year to tune the credit models to secure a healthy, long term growth rate.

Monobank expects net loans outstanding to be in the area of NOK 750 – 800 million by year end compared to NOK 674 million in the October 2015 presentation to investors. However, note that guidance on loan growth going forward is subject to considerable uncertainty. The bank expects to reach break-even during the third quarter of 2016 and be profitable thereafter.

While Monobank will continue to focus on unsecured consumer and leisure financing in Norway, the bank is evaluating expansion of its core business into other geographical areas. Considerable operational synergies may be realized through such a move. Further development of the Monobank's product portfolio is also being explored.

The board will continue to monitor the bank's capital structure and capital adequacy to ensure that liquidity and capital position are maintained at satisfactory levels.

Other matters

1 million warrants have been exercised at NOK 1.50 per share. The transaction was approved and paid to Monobank as of second-quarter but was registered formally in Brønnøysundregisterene at August 4th, 2016.

This interim report has not been audited by external auditors.

Bergen, August 10th, 2016

Board of Directors, Monobank ASA

	Note	YTD 2016	Q2 2016	Q1 2016
INCOME STATEMENT				
<i>In NOK thousands</i>				
Interest income		19 050	13 875	5 175
Interest expenses		2 597	2 151	446
Net interest income		16 453	11 723	4 730
Income commissions and fees		2 260	1 124	1 137
Expenses commissions and fees		2 349	1 737	612
Total income		16 365	11 110	5 254
Income/loss from trading activities		-326	-257	-69
Staff costs		7 041	3 581	3 460
Other administrative expenses		16 592	8 709	7 883
- of which marketing expenses		8 464	4 227	4 237
Depreciation and amortisation		1 250	630	620
Total operating costs		24 883	12 920	11 963
(Loss)/profit before impairment losses		-8 844	-2 067	-6 777
Impairment releases/(losses)	2	-5 000	-3 100	-1 900
Operating (loss)/profit before tax		-13 844	-5 167	-8 677
Tax charge		3 443	1 276	2 167
Loss for the year		-10 401	-3 891	-6 510

BALANCE SHEET

<i>In NOK thousands</i>	Note	Q2 2016	Q1 2016
Assets			
Loans and advances to banks		49 293	27 631
Loans and advances to customers	2	450 671	261 281
Provision for impairment losses	2	5 700	2 600
Net loans and advances to customers		444 971	258 681
Debt securities		158 215	101 177
		-	-
Deferred tax asset		11 161	9 885
Other intangible assets		7 635	7 384
Property, plant and equipment		260	137
Prepayments, accrued income and other assets		18 960	11 855
<i>- of which accrued commission to agents</i>		<i>15 971</i>	<i>8 969</i>
Total assets		690 494	416 750
Liabilities			
Deposits by customers		523 737	246 217
Provisions, accruals and other liabilities		10 519	11 905
Total liabilities		534 257	258 122
Equity			
Share capital	3	155 000	155 000
Surplus capital	3		3 628
Not registered capital	3	1 500	
Other equity	3	-263	
Total equity		156 237	158 628
Total liabilities and equity		690 494	416 750

Note 1 Accounting standards

Monobank Q2 report is prepared in accordance with general accounting principles as described in the annual report for 2015.

The report has not been audited.

Note 2 Loans and advances to customers

<i>In NOK thousands</i>	30.06.2016	2015
Loans and advances to customers	450 671	36 325
Provision for impairment losses	5 700	700
Net loans and advances to customers	444 971	35 625
Provision for impairment losses - collectively assessed	30.06.2016	2015
Provision for impairment losses collectively assessed at 1 January	700	-
(Releases)/losses to income statement	5 000	700
Amounts written off	-	-
Recoveries of amounts previously written-off	-	-
Provision for impairment losses collectively assessed at 31 December	5 700	700

Note 3 Capital adequacy

<i>In NOK thousands</i>	30.06.2016	2015
Share capital	155 000	155 000
Surplus capital	-	10 138
Not registered capital	1 500	
Other equity	-263	-
- Deduction of deferred tax assets and other intangible assets	-16 163	-14 955
Common equity Tier 1 capital	140 074	150 183
Additional Tier 1 capital instruments	-	-
Tier 1 capital	140 074	150 183
Subordinated loan capital	-	-
Tier 2 capital	140 074	150 183

Not registered capital 1,5 MNOK 30.06.2016 is a result of exercise of 1 000 000 warrants at 1,5 NOK per share. The transaction is approved and paid to Monobank as of Q2 but still not registered in Brønnøysundregisterene. The registration took place the 04.08.2016.

Capital requirements

Institutions	15 716	29 570
Retail	484 715	41 989
Retail - Mortgage loans	-	-
In default	-	-
Covered bonds	2 007	8 110
Equity positions	-	-
Other assets	19 546	4 000
Corporate	51 791	21 865
Central governments	-	7 990
Regional governments or local authorities	9 910	64 249
Market risk	-	-
Operational risk	99 651	99 651
Total risk-weighted volume and capital requirements	683 336	277 424

Common equity Tier 1 capital ratio	20,5 %	54,1 %
Tier 1 capital ratio	20,5 %	54,1 %
Capital ratio	20,5 %	54,1 %

Note 4 Staff costs

The employee compensation arrangements (variable incentive compensation) was approved at the annual meeting on 17th march 2016. The program consists of two parts:

1. Individual part: Based on the performance of each employee. 50% of this compensation is paid in cash and the remainder in shares in Monobank ASA. Maximum bonuses for all employees are a total of 4,3 MNOK, whereas maximum 50% of annual salary can be individual allocated.

2. General part: 1,5 months salary

The following criteria needs to be fulfilled before the employee compensation arrangement takes place

1. Two quarters in a row with a positive result
2. Customer satisfaction survey has been conducted in 2016 and 2017
3. Employee satisfaction survey has been conducted during 2016

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