

# MONOBANK

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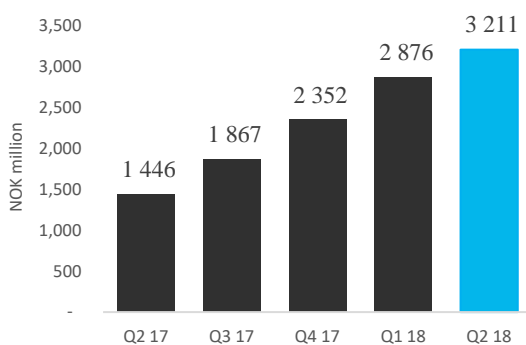
**Interim report  
2nd quarter and first  
half year 2018**



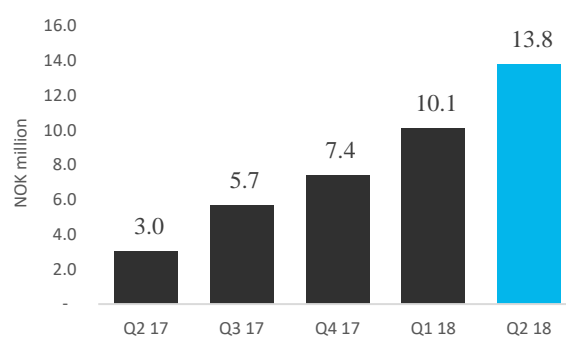
## Solid growth and improved profitability

- Loan growth up 12% in the quarter to a net loan balance of NOK 3 212 million
- Net interest income of NOK 81.7million, up 19% from Q1 2018 (NOK 68.8 million)
- Net profit after tax reached NOK 13.8 million, up 37% from Q1 2018 (NOK 10.0 million)
- Successful launch of Monobank’s unique and innovative credit card platform, a combined credit card and mobile payment app in late May Geographical expansion continues; quarterly loan growth mainly driven by Finland
- Euro denominated deposits from Germany, Austria, France and Spain through Raisin, a German online deposit platform
- The first sale of non-performing loans under the forward flow agreement with debt management company Axactor, took place June 6, supporting capital adequacy ratios

*Net loans and advances to customers*



*Net profit after tax*



## About Monobank ASA

Monobank ASA is a digital bank focused on consumer finance in the Nordics. Monobank is a cloud based bank with strong focus on customer experience and fintech solutions.

Monobank is based in Bergen, Norway and started operation in November 2015. The bank has experienced strong growth and went profitable after only three quarters. The bank offers unsecured lending to qualified private individuals in Norway and Finland. The screening process is based on an automated evaluation system. Loans are granted up to NOK 500 000. 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 is an independent bank with approximately 1 000 shareholders and was listed on the Oslo Stock Exchange's Merkur Market on 16th February 2017 under the ticker symbol MONO-ME. Monobank has been awarded with "Great Place to Work" twice since the start.

## Second quarter 2018 developments

Monobank had a solid quarter with positive operational development and solid progress on strategic initiatives. Growth in net loans continued at a satisfactory pace driven mainly by strong demand in Finland.

Monobank's operations and marketing activities continued to perform well during the period. The bank handles loans and deposits from an internally developed multi country platform to facilitate efficient and expedient geographical expansion of its core business.

Loan operations in Finland concluded its first year in operation in May and continued to grow at a solid pace compared to the last quarter with an increase in net loans of 33%. The multi country platform was connected to the deposit provider Raisin in the first quarter 2018, and handled competitive Euro denominated deposits from Germany, Austria, France and Spain in the second quarter 2018. Cost of customer acquisition in Finland remained favorable compared to the Norwegian market and the set up with Raisin provide low funding costs for Euro denominated consumer loans.

Second quarter loans and advances to customers increased by NOK 353 million to NOK 3 298 million (from 2 945 million) excluding

provision for loan losses and prepaid agency commissions.

In May this year, Monobank announced that the company had launched its innovative credit card platform, a combined credit card and mobile payment application. The mobile app connected to the card is a vital part of the platform. It contains user friendly features that materially differentiate the card from the competitors. The App and its unique features have been very well received by its users.

The credit quality has developed in line with expectations. A growing data base allows for further fine-tuning of the internally developed credit model. An integrated pricing model has been implemented. Customer support measures return on equity on individual loans This enables Monobank to optimize credit quality overall and selective pricing among different customer groups to further improve net interest margins in a highly competitive environment.

Monobank's two year forward flow agreement with Axactor was implemented effective end of the second quarter. The agreement will enhance the predictability of the Bank's future loan losses. It will also have a positive impact on capital adequacy ratios.

## Financial figures

### Q2 2018 results

Interest income for the quarter was NOK 98.0 million, an increase of 16% compared to previous quarter (84.7) Average loan size in Norway is stable around NOK 222 000, while the corresponding figure in Finland is NOK 145 000.

Total income was NOK 75.0 million. Operating costs amounted to NOK 36.7 million. Cost/income ratio was down 4 percentage points compared to last quarter, mainly driven by more efficient marketing spending.

Operating profit before impairment provisions was NOK 37.2 million compared to a profit of NOK 32.2 million in the previous quarter. Provisions for loan losses was NOK 18.8 million in the quarter, at the same level as the previous quarter.

This resulted in a second quarter profit of NOK 18.4 million before taxes. The after-tax profit of NOK 13.8 million has been added to other equity.

The loan loss ratio<sup>1</sup> was 2.7% in the quarter, compared to 2.6% in the previous quarter.

<sup>1</sup> Loan loss ratio: Last twelve months impairment losses/average net loans to customer LTM. The

methodology used in determining loss provision have been constant since inception.

## YTD 2018

Interest income for the first half year was NOK 182.8 million, an increase of 136% compared to first half year 2017 (77.4).

Total income was NOK 139 million. Operating costs amounted to NOK 70.9 million. Cost/income ratio was down 11 percentage points compared first half year 2017 driven by the scalable operating model. Operating profit before impairment provisions was NOK 69.4 million compared to a profit of NOK 19.7 million in the first half year of 2017. Provisions for loan losses was NOK 37.9 million in the period, compared to NOK 13 million in the previous period.

This resulted in a profit of NOK 31.5 million before taxes. The after-tax profit of NOK 23.8 million has been added to other equity.

## Financial position

Total assets amounted to NOK 4 212 million as of 30 June 2018, up from NOK 3 724 million at the end of the first quarter 2018. The bank's net loan balance was NOK 3 212 million (NOK 2 876 million) including unspecified loss provisions but excluding prepaid agency commissions. Of net loans outstanding at 30 June NOK 774 million was extended to Finnish customers, representing 24% of total net loans.

Deposits from customers were NOK 3 434 million (NOK 3 057 million). Monobank's bank deposits and liquid securities amounted to NOK 737 million. Within policy guidelines, the bank seeks to optimize interest income through diversified placement of liquidity within eligible investment instruments. Accordingly, a portion of the bank's liquidity is placed in approved higher weighted instruments. Total equity was NOK 548 million and CET1 was 17.2 %. Assuming debt securities were placed entirely in zero weighted instruments, the CET1 would be 17.9%. Minimum weighted CET1 is 13.6%. For further information about regulatory capital ratios, see note 3.

## Market developments and outlook

Monobank is adapting to regulatory guidelines for consumer banks which took effect on 1 October 2017. The FSA has announced that additional regulations will be introduced, and has until 1 September 2018 to prepare a draft regulation in accordance with the guidelines for responsible lending practices for unsecured credit. It is not clear to what extent such measures will affect overall demand for consumer loans, but Monobank welcomes regulations that will contribute to more consistent practice for all consumer banks in Norway.

Monobank has built and invested in a technology driven multi country platform and a credit card platform.

A key element of Monobank's strategy is to leverage its established position in digital consumer banking to create new revenue

streams using the Mono Pay app which is included in the credit card platform. The first partner roll-out is with Scandinavia's largest regional airline Widerøe, where Monobank will launch a Widerøe branded credit and loyalty card in September this year. In addition to consumer loans and credit cards, the bank is looking into other areas for business development, for instance purchase financing delivered on a digital platform.

The bank's multi country platform offers considerable operational synergies and adds strength to the bank's growth platform. The bank's Opex is now scaled for further growth, and the board has therefore decided to launch consumer loan business in Sweden in Q1 2019. The expansion will further contribute to diversify the business model and regulatory risk exposure.

Increased focus on efficient use of marketing resources as well as leveraging on its developed distribution platforms to increase operational efficiencies should improve the bank's profitability going forward. For the full year 2018, the Bank expects a profit after tax in a range of NOK 55 – 60 million. This includes a negative net effect resulting from the introduction of the Widerøe credit card, in addition to expenses related to the continued development of the Monobank platform.

The adaption to IFRS9 will continue. The FSA has selected Monobank for an SREP with estimated completion by year end 2018.

Monobank communicated in relation to the private placement of 23 October 2017 its plans to apply for a listing on Oslo Stock Exchange' main market within the next 12 months, subject to equity market conditions. Based on uncertainties related to the regulatory framework for consumer lending and credit cards in Norway, Monobank continues to evaluate timing for a listing at Oslo Stock Exchange' main market until the Bank has more clarity on these topics.

Accordingly, the bank wants to maintain full flexibility for the timing of accessing the capital markets to fund accretive growth.”

In total, Monobank is well positioned to continue to progress within established business areas.

## Events after the balance date

Monobank has received objections to its registration and use of trademarks in certain EU countries from the French company Monabanq SA. Monobank does not agree with these objections and will take all steps necessary to defend its rights.

## Other information

This interim report has been reviewed in accordance with ISRE 2410 (International Standard on Review Engagement). The review report is enclosed to this report

## Risk, uncertainties and additional factors impacting Monobank

Monobank is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operations. The description of principal risks and uncertainties in the Financial statements and Board of Directors' Report 2017 gives a fair description of principal risks and uncertainties that may affect Monobank in the second half of 2018. The company is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties.

## Financial statement

### Statement of comprehensive income

<i>In NOK thousands</i>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>1H 2018</b>	<b>1H 2017</b>	<b>2017</b>
Interest income	98 055	43 218	182 757	77 392	201 202
Interest expenses	16 358	6 110	32 298	10 415	33 733
<b>Net interest income</b>	<b>81 697</b>	<b>37 108</b>	<b>150 459</b>	<b>66 977</b>	<b>167 469</b>
Income commissions and fees	6 255	2 931	12 740	5 572	14 857
Expenses commissions and fees	12 888	5 533	23 876	9 884	24 983
<b>Total income</b>	<b>75 064</b>	<b>34 505</b>	<b>139 323</b>	<b>62 665</b>	<b>157 343</b>
Income/loss from trading activities	(1 182)	(246)	955	(718)	(1 456)
Staff costs	12 675	6 162	20 468	11 676	26 503
Other administrative expenses	21 663	14 284	45 896	28 020	61 708
- of which marketing expenses	12 018	7 992	26 616	16 125	35 141
Depreciation and amortisation	2 364	1 500	4 495	2 579	5 957
<b>Total operating costs</b>	<b>36 702</b>	<b>21 946</b>	<b>70 860</b>	<b>42 275</b>	<b>94 168</b>
<b>Profit/(loss) before impairment losses</b>	<b>37 181</b>	<b>12 313</b>	<b>69 418</b>	<b>19 672</b>	<b>61 719</b>
Impairment releases/(losses)	(18 825)	(8 277)	(37 882)	(13 195)	(37 975)
<b>Operating profit/(loss) before tax</b>	<b>18 356</b>	<b>4 036</b>	<b>31 536</b>	<b>6 476</b>	<b>23 743</b>
Tax charge	(4 563)	(1 009)	(7 685)	(1 620)	(5 784)
<b>Profit/Loss for the year</b>	<b>13 793</b>	<b>3 027</b>	<b>23 850</b>	<b>4 856</b>	<b>17 960</b>

## Statement of financial position

<i>NOK million</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
<b>Assets</b>			
Loans and advances to banks	49 906	52 081	56 000
Loans and advances to customers	3 298 138	1 472 644	2 402 869
Provision for impairment losses	86 419	26 340	50 681
<b>Net loans and advances to customers</b>	<b>3 211 719</b>	<b>1 446 304</b>	<b>2 352 188</b>
Debt securities	686 825	324 510	756 536
Deferred tax asset	907	10 760	8 592
Other intangible assets	55 669	27 042	39 349
Property, plant and equipment	2 072	1 513	1 755
Financial derivatives	0	0	1 374
Prepayments, accrued income and other assets	113 827	52 525	85 095
- of which accrued commission to agents	107 773	49 677	80 817
<b>Total assets</b>	<b>4 120 925</b>	<b>1 914 735</b>	<b>3 300 888</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Deposits by customers	3 433 627	1 556 326	2 651 861
Provisions, accruals and other liabilities	38 458	19 512	28 797
Financial derivatives	2 670	0	0
Subordinated loan	98 568	0	98 399
<b>Total liabilities</b>	<b>3 573 323</b>	<b>1 575 838</b>	<b>2 779 057</b>
<b>Equity</b>			
Share capital	249 196	200 746	248 318
Surplus capital	274 555	137 767	273 129
Retained Earnings	23 850		0
Not registered capital	0	0	0
Other paid in capital (options)	0	384	384
<b>Total equity</b>	<b>547 602</b>	<b>338 897</b>	<b>521 832</b>
<b>Total equity and liabilities</b>	<b>4 120 925</b>	<b>1 914 735</b>	<b>3 300 888</b>

Jan Greve-Isdahl  
Chairman of the Board

Tore Hopen

Mette Henriksen

Guro Røberg

Torhild Eide Torgersen

Tore Amundsen  
Employee representative

Bent Gjendem  
CEO

Statement of changes in equity

<i>In NOK thousands</i>	Share capital	Surplus capital	Other paid-in capital (options)	Not registered capital	Retained earnings	Total
<b>Equity at 01.01.2018</b>	<b>248 318</b>	<b>273 129</b>	<b>384</b>			<b>521 830</b>
Profit/(loss) for the period					23 850	23 850
Option programme	778	1 400	(384)			1 794
Shares issued net of fees and tax	100	27				127
<b>Equity at 30.06.2018</b>	<b>249 196</b>	<b>274 556</b>	<b>0</b>	<b>0</b>	<b>23 850</b>	<b>547 602</b>



## Statement of cash flows

<i>In NOK thousands</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>2017</b>
<i>Cash flows from operating activities</i>			
Operating profit/(loss) before tax	18 356	4 036	23 743
Adjustment for change in provision for impairment losses	16 948	7 900	37 150
Adjustment for unrealised changes in fair value of financial instruments	1 587	(164)	7 311
Adjustment share option programme	-	-	0
Depreciation and amortisation	2 449	1 500	5 957
Changes in loans and advances to customers	(353 112)	(292 054)	(1 549 300)
Changes in deposits by customers	376 507	418 636	1 748 455
Changes in financial derivatives	(1 819)	194	(1 374)
Changes in debt securities	(63 324)	(104 066)	(462 582)
Changes in other operating assets and liabilities	(2 275)	(9 111)	(39 658)
<b>Net cash flows from operating activities</b>	<b>(4 683)</b>	<b>26 872</b>	<b>(230 298)</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	(233)	(1 149)	(1 810)
Investment in intangible assets	(10 622)	(9 340)	(32 008)
<b>Net cash flows from investing activities</b>	<b>(10 854)</b>	<b>(10 489)</b>	<b>(33 818)</b>
<i>Cash flows from financing activities</i>			
Issue of ordinary shares	4	1 163	170 498
Issued Tier 1 and Tier 2 capital			98 399
<b>Net cash flows from financing activities</b>	<b>4</b>	<b>1 163</b>	<b>268 897</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(15 533)</b>	<b>17 545</b>	<b>4 781</b>
Cash and cash equivalents at period start	65 439	34 536	51 219
<b>Cash and cash equivalents at period end</b>	<b>49 906</b>	<b>52 081</b>	<b>56 000</b>
Cash and cash equivalents consists of:			
Loans and advances from banks	49 906	52 081	56 000

## Notes to the financial statements

### Note 1 Accounting principles

Monobank Q2 2018 report is prepared in accordance with general accounting principles as described in the annual report for 2017. This interim report has been reviewed in accordance with ISRE 2410 (International Standard on Review Engagement).

### Note 2 Loans and advances to customers

<i>In NOK thousands</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
Loans and advances to customers	3 298 138	1 472 644	2 402 869
Provision for impairment losses	86 419	26 340	50 681
<b>Net loans and advances to customers</b>	<b>3 211 719</b>	<b>1 446 304</b>	<b>2 352 188</b>

<i>In NOK thousands</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
Realized losses in the period	1 876	376	431
The period's change on individual impairment of loans	17 767	7 917	11 748
The period's change on impairment of loans - collectively assessed	(819)	(16)	1 655
<b>Write downs on loans</b>	<b>18 825</b>	<b>8 277</b>	<b>13 834</b>

<b>Defaulted loans and losses</b>			
<i>In NOK thousands</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
Defaulted loans	332 505	94 653	189 053
Individual impairment of loans	73 151	20 824	41 592
<b>Net defaulted loans</b>	<b>259 354</b>	<b>73 829</b>	<b>147 462</b>
Impairment of loans - collectively assessed	13 267	5 516	9 089

### Note 3 Capital adequacy

<i>In NOK thousands</i>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
Share capital	249 196	200 746	248 318
Surplus capital	274 555	132 911	273 129
Retained Earnings	23 850		
- Deduction of deferred tax assets, other intangible assets and additional valuation adjustments	(41 458)	(31 366)	(38 862)
<b>Common equity Tier 1 capital</b>	<b>504 256</b>	<b>302 291</b>	<b>482 585</b>
Additional Tier 1 capital instruments	50 000	-	50 000
<b>Tier 1 capital</b>	<b>554 256</b>	<b>302 291</b>	<b>532 585</b>
Subordinated loan capital	50 000	-	50 000
<b>Tier 2 capital</b>	<b>604 256</b>	<b>302 291</b>	<b>582 585</b>

<b>Capital requirements</b>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
Institutions	46 501	33 371	58 014
Loans to customers 75% as of 25.04.17	2 228 829	1 041 597	1 658 723
Defaulted loans 100%	259 354	73 829	147 462
Covered bonds	6 704	2 616	3 821
Other assets	115 898	54 039	86 850
Corporate	34 487	74 579	119 892
Regional governments or local authorities	50 363	22 212	63 380
<b>Market risk</b>			
<b>Operational risk</b>	196 783	98 548	196 783
<b>CVA risk</b>	1 089	9	414
<b>Total risk-weighted volume and capital requirements</b>	<b>2 940 008</b>	<b>1 400 800</b>	<b>2 335 339</b>

Common equity Tier 1 capital ratio	17.2 %	21.6 %	20.7 %
Tier 1 capital ratio	18.9 %	21.6 %	22.8 %
Capital ratio	20.6 %	21.6 %	25.0 %

Minimum CET 1 capital ratio requirement	13.6%	13.5%	13.7%
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LCR (Liquidity Coverage Ratio) 214% and NSFR (Net stable funding ratio) 163% as of 30.06.2018

### Note 4 Events after the balance sheet date

No events have occurred after June 30, 2018 which may materially affect the assessment of the financial statements.

## Decalation from the Board of Directors of Monobank ASA and the CEO

*Bergen, 14. August 2018*

We hereby declare that, to the best of our knowledge, the Monobank ASA condensed half-year financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with current accounting standards, and the disclosures in the accounts provide a true and fair view of the company's assets, liabilities, financial position and result as a whole as at 30 June 2018. We also declare that the annual report gives a true and fair view of the company's development, results and position, as well as the most important risk and uncertainty factors facing the company.

Bergen, 14. August, 2018

Jan Greve-Isdahl  
Chairman of the Board

Tore Hopen

Mette Henriksen

Guro Røberg

Torhild Eide Torgersen

Tore Amundsen  
Employee representative

Bent Gjendem  
CEO

Til Finanstilsynet

## Uttalelse om forenklet revisorkontroll av delårsregnskapet

Vi har utført forenklet revisorkontroll av balanse for Monobank ASA pr 30. juni 2018 som viser en egenkapital på kr 547 602 000, tilhørende resultatoppstilling for 6 månedersperioden 1. januar 2018 - 30. juni 2018 som viser et delårsresultat før skatt på kr 31 536 000, oppstilling over endringer i egenkapital, kontantstrømoppstilling og noteopplysninger (delårsregnskapet). Ledelsen har utarbeidet delårsregnskapet. Prinsippene beskrevet i note er anvendt ved utarbeidelsen. Vår oppgave er å avgi en uttalelse om delårsregnskapet basert på vår forenklete revisorkontroll, herunder bekrefte at regnskapsmessig nedskrivningsvurdering på utlån og garantier er foretatt i samsvar med Forskrift om regnskapsmessig behandling av utlån og garantier i finansinstitusjoner.

### *Styrets og daglig leders ansvar for delårsregnskapet*

Ledelsen er ansvarlig for utarbeidelsen og fremstillingen av delårsregnskapet i samsvar med prinsipper for utarbeidelse beskrevet i note.

### *Omfanget av den forenklete revisorkontrollen*

Vi har utført vår forenklete revisorkontroll i samsvar med lov, forskrifter og god revisjonsskikk i Norge, herunder den internasjonale standarden, ISRE 2410 "Forenklet revisorkontroll av delårsregnskaper utført av foretakets valgte revisor".

En forenklet revisorkontroll av et delårsregnskap består i å rette forespørsler, primært til personer med ansvar for økonomi og regnskap, og å gjennomføre analytiske og andre kontrollhandlinger. En forenklet revisorkontroll av delårsregnskap har et betydelig mindre omfang enn en revisjon utført i samsvar med de internasjonale revisjonsstandardene og gjør oss følgelig ikke i stand til å oppnå sikkerhet om at vi er blitt oppmerksomme på alle vesentlige forhold som kunne ha blitt avdekket i en revisjon. Vi avgir derfor ikke revisjonsberetning.

### *Konklusjon*

Vi har ved vår forenklete revisorkontroll ikke blitt oppmerksomme på noe som gir oss grunn til å tro at delårsregnskapet i det alt vesentlige ikke er utarbeidet i samsvar med prinsipper beskrevet i note, eller at regnskapsmessige nedskrivningsvurderinger på utlån og garantier i det alt vesentlige ikke er gjennomført i samsvar med Forskrift om regnskapsmessig behandling av utlån og garantier i finansinstitusjoner.

Bergen, 14. august 2018  
**PricewaterhouseCoopers AS**

Jon Haugervåg  
Statsautorisert revisor

# MONOBANK

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