Annual report 2018

MONOBANK

Trust your goals

Content

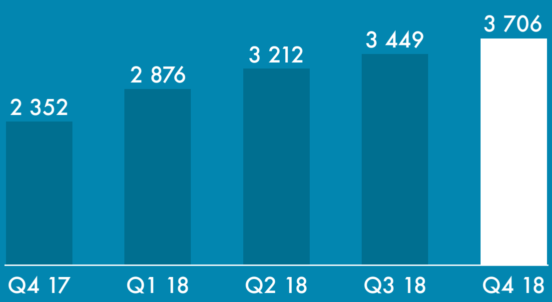
Key figures

(Unaudited)

In NOK thousands	Q4 2018	Q4 2017	2018	2017	2016
Net interest income	95 057	55 910	331 646	167 469	54 406
Total income	81 438	53 220	297 161	157 343	52 559
Total operating costs	31 912	29 227	133 640	94 168	50 415
Pre tax profit	-12 973	9 702	39 223	23 743	-10 993
Net loans and advances to customers			3 705 736	2 352 188	840 038

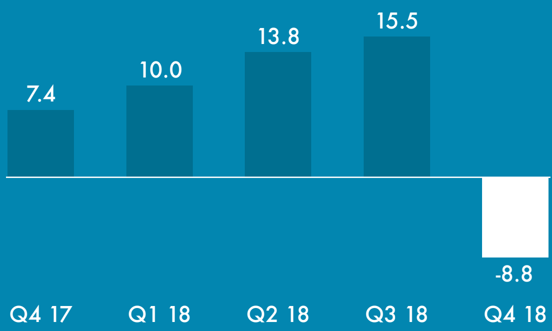
Net loans and advances to customers

NOK million



After tax profit

NOK million



About Monobank

Monobank ASA is a digital consumer lending bank offering products within consumer credit and savings, based on innovative, technological solutions.

Monobank aims to redefine bank services within consumer credit and saving for private individuals. The bank shall differentiate on availability and dominate on customer experience in its market.

Monobank shall:

1 Continue to develop innovative solutions to have to most satisfied customers in the segment

2 Ensure cost efficient operations with automated processes and optimised risk evaluations based on internally developed scoring- and pricing models

3 Commercialise and capitalise on own technology through cooperation with existing and new strategic partners

Monobank ASA started it's operation in November 2015 and the company's head quarter is in Bergen, where it's 50 employees work.

Monobank have been certified «Great Place to Work» twice, a proof of the Bank's attractiveness as a work place. In 2017, Monobank also made the top 10 of best work places in Norway.

Growth has been strong since the start and Monobank delivered positive results already after three quarter's operation. Speedy, online credit processes combined with simple and user-friendly products have contributed to Monobank's growth and subsequent strong position in the consumer financing bank market. At the end of 2018, the Bank had a loan portfolio of NOK 3.7 billion.

Monobank expanded in the Nordics by establishing operations in Finland in 2017, and will continue to grow by establishing operations in Sweden in 2019.

The Bank delivers services to the retail market. Primary products are loans, high-interest deposits, and credit cards. In 2018, the Bank launched its credit card platform in Norway, including the Mono Pay app together with the credit cards Monocard and the Widerøe card. Monobank will continue to develop new services based on its internally developed bank technology and will also commercialise the Bank's leading solutions together with existing and new partners going forward.

Monobank is an independent bank with approximately 1 000 shareholders. The stock was listed on Oslo Stock Market's Merkur Market in February 2017 with the ticker symbol MONO-ME.

The Board's report

Monobank ASA is a digital consumer lending bank offering products within consumer credit and savings.

The company aims to foster customer loyalty and an increased customer base by providing the best customer experience in its market segment.

By using speedy online lending processes and simple and user-friendly products, Monobank has gained a distinct position among Norwegian banks specialising in consumer finance. The Bank expanded its operations to include Finnish customers in May 2017 and will expand its Nordic footprint in 2019 by serving Swedish customers.

The Bank offers unsecured financing to private individuals who pass an automated credit evaluation. The loan products are distributed digitally, through loan agents and direct channels. Monobank aims to be a leader in digital solutions, customer satisfaction, cost-efficient operations and efficient risk assessment based on proprietary scoring and pricing models. Loans vary in size, normally between NOK 10 000 and 500 000, based on flexible and competitive terms tailor-made for the needs of individual customers. Credit cards vary between credit lines of NOK 10 000 and NOK 100 000.

The bank secures deposits by offering deposit to customers in their respective markets through its proprietary platforms and channels. Monobank also secures deposits in Euro through its European partner, Raisin. Raisin is a German fintech portal that facilitates Monobank's acceptance of deposits from private European individuals in Germany, Spain, Austria and France.

Going forward, Monobank will strive to grow through geographic expansion, expanding its credit card portfolio through innovative solutions and strategic partnership agreements, and by developing Monobank's financing activities with commercial partners.

Monobank will continue to develop new services based on newly developed banking technology, and will also commercialise the Bank's leading solutions along with new and existing partners by establishing new revenue streams.

Company information

Monobank ASA obtained a license to conduct banking activities in June 2015. After the conditions of the Financial Supervisory Authority of Norway were satisfied, permission was granted to begin banking activities in November 2015.

As of 31 December 2018, the largest owner was Prioritet Group AB in Gothenburg, with an 10.7% stake. The bank has approximately 1 000 shareholders.

Monobank is a member of the Norwegian Banks' Guarantee Fund. All deposits up to NOK 2 million are secured by the fund. Deposits in EUR through Raisin is covered up to EUR 100 000.

The bank's head quarter is at Starvhusgaten 4 in Bergen.

The year 2018

Growth driven by geographic expansion:

- Net lending growth of 58% to NOK 3.7 billion, including the transfer of loans in a forward flow agreement. The transfer reduced the loan balance by NOK 179 million.
- Solid growth in Finland during the year corresponding to NOK 849 million in new loans.
- The first six months saw good growth in Norway, but this became somewhat more conservative in the last six months due to regulatory uncertainty.
- Net interest income of NOK 332 million.
- ROE of 5.4%.

Increased profitability driven by economies of scale

- Profit after tax of NOK 30.6 million, a 70% increase on the corresponding period last year.
- Cost/income ratio down 15 percentage points driven by the scalable distribution model.

Monobank's seamless proprietary credit platform facilitates rapid geographic expansion and diversification:

- Geographic expansion by providing consumer loans in Sweden during Q1 2019.
- Deposits in Euro from private European individuals through the German deposit portal, Raisin.
- Monobank's credit platform was extended to include credit cards in May 2018, when the bank launched its own credit card. It is a combination of physical and digital credit cards in an app that provides good customer experience through innovative functionality.
- The Widerøe card was introduced in September 2018. The full launch of a physical and digital credit card with its own app was in October 2018. Campaigns in partnership with Widerøe are scheduled for 2019.
- November 2018 saw the introduction of Google Pay and Apple Pay, as well as watch payments from Fitbit and Garmin Sports watches.

Monobank enjoyed solid growth and profitability in 2018. In the Bank's third operational year, the Company focused on completing development processes and ongoing operations, which led to several launches towards the end of the year.

Net lending increased by 58% in 2018, which corresponded to NOK 1 353 million (NOK 2 352 million).

Monobank's forward flow agreement was put into effect at the end of the second quarter. The agreement increases the predictability of Monobank's future losses on loans. It has also had a positive impact on capital adequacy. Monobank transferred NOK 179 million in loans through the forward flow agreement in 2018.

At the end of the year, Monobank had 20 099 loan customers and 6 658 depositors.

Gross loans in Norway increased by NOK 592 million in 2018. Growth was affected by reduced marketing. Due to unequal practices with new guidelines among market players and continued uncertainty regarding the final regulations for consumer loans and credit cards from the Financial Supervisory Authority of Norway, Monobank chose a more conservative market approach pending clarity.

Monobank had 12 221 Norwegian consumer loan customers as of 31 December 2018. The average customer in Norway was 43 years of age, with an income of above NOK 600 000, owned their own home in an urban area, and had tertiary education. The average loan was approx. NOK 246 000.

Monobank opened to Finnish customers in May 2017, and the demand for loans has in general been good. After a cautious start, Monobank gained access to the local Finnish debt register in September 2017, which facilitated a larger customer flow. In 2018, new agents were engaged, and refined scoring and pricing models were introduced. As a result, growth through 2018 was high, and at the end of the year Monobank had NOK 1 256 million in Finnish loans, corresponding to 33% of the total loan portfolio.

Monobank had 7 878 Finnish consumer loan customers as at 31 December 2018. The average customer in Finland was 43 years of age, with an income of above NOK 400,000, owned their own home in an urban area, and had a third level education. The average loan was approx. NOK 167 000.

The bank manages loans and deposits on a proprietary platform handling several countries' local currencies and regulations in order to facilitate efficient and appropriate geographical expansion of the core activities. In the second quarter of the year, Monobank announced that it was preparing to launch in Sweden in the first quarter of 2019.

A growing database allows the fine tuning of the proprietary credit model. Customer support handles loan requests with an integrated pricing model, which measures the return on equity from individual loans. This allows Monobank to optimize overall credit quality and to offer selective pricing among different customer groups to further improve interest margins in a highly competitive market.

The Monobank platform was coupled with the deposit provider Raisin in the first quarter of 2018, and managed competitive deposits in Euro from Germany, Austria, France, and Spain in 2018. The setup with Raisin provides low financing costs for consumer loans in Euro. As of 31 December 2018, Monobank had NOK 4.125 billion in deposits, of which NOK 909 million was in Euro. The Bank does not accept deposits in Euro exceeding €100 000.

The bank launched a proprietary credit card platform in May 2018. The platform is a combination of a physical and digital credit card in an app that provides good customer experience through revolutionary functionality. The Monobank card was linked to Google Pay and Apple Pay, and it became possible to use Monobank's credit card through Fitbit and Garmin sports watches in the fourth quarter of 2018.

The bank introduced the Widerøe credit card on 27 September 2018. A Widerøe credit card was made available in combination with the Mono Pay app. The first step in the gradual launch was offered to all Widerøe employees. A separate Widerøe app was also made available towards the end of the year.

The cards have been welcomed by customers and enjoy a customer satisfaction score of over 80. During the implementation period, marketing was limited and the rejection proportion high. By the end of 2018, Monobank had issued 1 000 credit cards.

Profit and loss for 2018

Net interest income was NOK 331 million in 2018, almost a doubling from 2017 (NOK 167m).

Total income was NOK 297 million. Operating costs amounted to NOK 134 million. The cost/income ratio was down 15 percentage points compared to 2017, driven by Monobank's scalable operating model. Operating profit before impairments increased by 172% compared to 2017 and provided a profit of NOK 106 million (NOK 62m). Impairment losses were NOK 128 million in the period, compared to NOK 38 million in 2017. The increased provisions are mainly a result of increased portfolio insight and increased data on the historical Norwegian portfolio 90 days plus. These loans were already 90 days overdue when the forward flow agreement was entered, and they do not, therefore, qualify for sale. Losses on loans in the Norwegian portfolio will be moderated by the forward flow agreement in future. The reserves have also been strengthened in Finland, as Monobank adjusted the expected losses in line with the rest of the consumer finance segment. Loan losses accounted for 4.2% of net loans.

Profit before tax was NOK 39 million, an increase of 70% in comparison to 2017.

Monobank showed a net profit after tax of NOK 31 million for the year.

Balance sheet for 2018

Total equity amounted to NOK 609 million. The tier 1 capital ratio was 16.1% at year-end. For further information on the Tier 1 capital ratio, see note 5 in the financial statement.

Total assets totaled NOK 4 876 million. Net deposits from customers amounted to NOK 4 125 million.

Monobank adjusted its target for net lending in 2018 in the third quarter of 2018, from NOK 4.1 billion to between NOK 3.7 and 3.8 billion, due to, inter alia, uncertainty regarding the regulatory framework and the cautious launch of the Widerøe agreement. At year-end, net lending to customers amounted to NOK 3.7 billion, compared to NOK 2.35 billion in 2017.

Cash flow

Cash flow from operations amounted to NOK 35.5 million. The main items were loans to customers of NOK 1 441 million and deposits from customers amounting to NOK 1 474 million. Cash flow from investment and financing activities was NOK 17.3 million, which gave a net cash flow for the period of NOK 52.8 million.

Financial risk

The Board has adopted a policy for the business and risk management that describes the Bank's guidelines for the management of the business, internal controls, and risk management. In addition, the Board has adopted separate policy documents that cover credit risks, market risks, liquidity risks, and operational risks. Each of the policy documents describes guidelines, rules, and risk frameworks for the individual risk types. The Board meets regularly, reporting from the administration about the Bank's risk exposure to the different risk types. Each of the policy documents are reviewed at least once annually by the Board. The Board has established an auditing and risk committee that prepares and gives advice to the Board related to risk management and internal control.

Credit risk

Credit risk is the Bank's most important risk, and is the main source of the Bank's earnings. The relationship between risks and return in the Norwegian and Finnish market for unsecured loans is favourable. A risk framework has been established related to the probable weight for defaults in the portfolio to ensure that the Bank's moderate tolerance for credit risks is maintained. The decision to authorize or reject a loan application is based on information in the loan application associated with income, debt, living conditions, number of children and civil status in addition to data from credit agencies. The bank estimates the applicant's expected earning ability and estimates the probability that the customer will default on the loan. In addition, rules are established associated with income, degree of indebtedness, age and the least earning level to qualify for a loan.

Operational risk

The Board has established guidelines and frameworks for operational risk. These are subject to review and possible amendments at least once a year.

The bank has a moderate to low tolerance for operational risk. The bank offers simple and standardised products for the individual market. Critical processes are automated so that the effect of human error is reduced. The Bank's operating concept is based, to a large degree, on the purchasing of services from external suppliers, such as system operations, telecommunications, distribution, scorecards, and deposits. Agreements within the ICT-area is followed up continually in accordance with a policy for outsourcing. A risk framework is established for how large a financial loss the Bank accepts from events. Steps to reduce operational risk are implemented if it is profitable in a cost/benefit analysis. The bank uses operational events actively in improvement work. In 2018, there were no known significant operational disturbances or weaknesses identified in the Bank's operating processes.

Liquidity risk

The Board has established guidelines and a framework for controlling liquidity risk. These are subject to review and possible amendments at least once a year.

The Bank's goal is to have a low liquidity risk. The Bank controls the daily liquidity position by monitoring short term cash flow and maturity on investments in the certificate and bond markets. Routine stress tests are performed.

A significant part of the bank's assets consists of liquid bonds.

The Bank's ownership is financed by capital and deposits from the retail market. Deposits in financial institutions and investments in certificates and bonds with a high credit rating and with good liquidity forms a large percentage of all shares. An upper limit for deposits is set at two million, since a higher deposit is considered less stable. Frameworks for covering deposits, LCR, NSFR, and minimum liquidity as a part of the total ownership. Through 2018, the liquidity risk has been assessed as low.

Market risk

Market risk means the risk of a fall in the market value of the Bank's holdings of financial instruments, including interest risks and currency risks in the liquidity management. The bank's goal is to have a low market risk. The Board has established guidelines and frameworks for the placement of liquidity in different financial instruments. The Bank's liquidity portfolio consists of deposits in other finance institutions or certificates and bonds with short, fixed-rate interest and good liquidity.

The bank controls the counter-party risk (credit risk) in the liquidity management through risk frameworks. Rules are established for how much of the liquidity can be invested in different risk classes. Rules are also established for the maximum exposure against a single counter-party based on the counter-party's rating.

The Bank offers exclusive products with administratively established interest conditions, and does not offer fixed interest products. The interest rate fixing in the Bank's products is thereby limited to the warning deadline for interest changes that are disadvantageous for the customer. Risk frameworks are established for maximum interest risks based on stress testing for changes to the interest. The Bank's interest risk was low in 2018.

The Bank secures its currency exposure so that the currency risk is kept low. The holdings of financial instruments are secured through derivative contracts.

Work environment, equality and discrimination

Monobank had 54 employees, 32 men and 22 women at the end of the year. Monobank is a young operation, where a large portion of the employees are between 27 and 44 years.

The Board of Monobank consists of 5 members, 2 women and 3 men, of which one employee representative.

Sick leave was 2.0% in 2018. During the year, the bank has different activities and welfare activities to promote a good and physically active social environment, well-being in the workplace and to prevent sick leave. The Bank has established guidelines that shall ensure that there is no discrimination on the basis of ethnicity, nationality, heritage, skin colour, language, religion or spirituality. The same applies for gender, age, sexual orientation, political orientation or disability. There have been no work-related injuries or accidents during the year.

Monobank has a very good working environment, which is documented through certification by Great Place to Work.

Report on social responsibility

Monobank offers unsecured financing to individuals who are qualified according to an automated credit evaluation.

The Bank's social responsibility is grounded in its role as a rapid growing player within unsecured credit and it is integrated into the business operations. It has to do with how Monobank's business affects people, environment, and society.

The social role is reflected in Monobank's ethical regulations that apply to all employees and to the Board. This will ensure that Monobank has an ethical business operation. This document describes how a business should act and how it should behave towards employees, customers, suppliers, and society in general.

The Bank must follow laws and regulations, communicate openly, honourably, and clearly, not engage in marketing that is disturbing or conflicts in some other way with social norms.

To achieve this, the Company is dependent on good work frameworks and employees that exercise this in practice, either in their dialogue with customers, processing of loan applications, development of new products or negotiations with suppliers.

Controlling documents and guidelines for managing privacy, money-laundering, and corruption. The Company's CRO is responsible for enforcement and reporting. To strengthen focus on corporate social responsibility, Monobank has employed Nina Dyrøy as CSR-responsible, starting end of 2018.

Responsible lending- Consumer finance

Monobank's main product is consumer financing and unsecured loans to individuals. Monobank is dedicated to having a responsible loan policy. This shall both limit the consequences for consumers as regard fraud and limit loan losses for the Bank. By evaluating loan applications, information is obtained from both the customer and from external sources to discover whether the customer has the financial ability and will to repay the loan. This is incorporated into the customer score, and loans that are outside the terms will be immediately rejected.

Monobank shall follow laws and regulations for offering credit and marketing credit. Monobank is a member of Finance Norway and follows its guidelines. This is enforced through work instructions.

Environmental impact

Monobank's business has no direct environmentally damaging effects. The Company has no parking places available, neither for employees nor visitors. The workplace is designed to be bicycle and running-friendly, with closets/showers and bicycle parking. Each year, the Company participates in the "Cycle to work" initiative.

There is equipment available for video conferences and telephone meetings to replace air travel.

Work integration

Monobank wishes to be an inclusive business for all employees. The Company has established an international environment, with employees from 12 different countries, and has established collaboration with Hero and NAV to receive refugees from Syria with relevant work experience. One person worked in this collaboration the majority of 2018.

Report on corporate governance

The Board of Monobank shall ensure that the Company has appropriate business management to create value for interested parties and promote responsible business behaviour. Monobank's corporate governance is structured to achieve the Company's strategic goals.

Monobank ASA is listed on the Oslo Exchange's Merkur market and is subject to Norwegian securities legislation and stock exchange regulations. Monobank seeks to comply, where relevant, with Norwegian recommendations for corporate governance and company management; last revised on 17 October 2018 (the recommendation codex).

The recommendation is applied on the basis of the "adhere to or explain" principle, and any deviations from the recommendation are explained under each individual topic. Monobank ASA's governance framework is subject to an annual review by the Board (or "the Board") and the report can be found below.

The business

The object of Monobank ASA is defined in the Articles of Association, Article 1 (2), which states:

"Within the framework of the current regulations, the Bank can conduct all business and services that are normal or natural for a bank."

The Board has developed clear goals, strategies and risk profiles for the business within the framework of the definition of the business, to create value for its shareholders. Frameworks have been adopted by the Board for managing different operational and financial risks. The Company's goal, strategies, and risk profiles are subject to an annual review by the Board.

Deviations from recommendations: none.

Equity and dividends

The Board of Directors intends to maintain a satisfactory equity ratio in the Company in accordance with current regulations for equity requirements.

The Company is focused on increasing its consumer loan business and developing and commercialising its technology. That is why Monobank currently aims to maintain its earnings to support growth. Any future decision about dividends will be dependent on the Company's financial position, operating results, and capital needs.

The Board has the authority to raise the Company's share capital with up to NOK 905 097 of shares, with the issuance of 905 097 shares, each with a par value of NOK 1.0 in connection with the issuance of shares in the Bank's bonus and share option programme.

The Board has used its authority granted at an extraordinary AGM ("Annual General Meeting") on 8 November 2018, to issue 24 826 567 shares in an equity issue directed toward TBI Bank EAD. After the issue, TBI EAD will own 9.1% of Monobank.

Deviation from recommendations: The company does not have an explicit dividend policy.

Equal treatment of shareholders and transactions with related parties

The Company has only one share class, and all shares have the same rights in the company.

At the AGM, each of the shares have one vote, unless something else follows from law or public provisions.

The Board shall ensure that the Company maintains the Norwegian public limited liability companies act 3-8 and 3-9 in contracts between the Company and parties that are named there. When entering into non-material agreements between the Company and shareholders, related parties, Board members or members of the management or related parties thereof, the Board will obtain an independent third-party assessment.

Any Board member and member of the management shall immediately notify the Board if he or she has a direct or indirect interest in a transaction or agreement that is or may be considered to have been entered into by the Company. This applies even if the Board member is considered competent in the processing of the case.

The Company's transactions involving its own shares shall be done on the exchange or in another method at the exchange listed price.

Deviation from recommendations: none.

Shares and transferability

The shares in the Company are freely transferable with respect to the Articles of the Association. Monobank is a Norwegian financial institution. Norwegian framework legislation has general licensing rules that apply to all Norwegian financial institutions with large acquisitions of shares (ten percent or more).

Deviation from recommendation: None

Annual General Meeting

The AGM is the Company's highest authority. The Board works to ensure that the AGM is an effective forum for communication between shareholders and the Board, and encourages shareholders to participate in the meetings.

The AGM is normally held before the end of May each year, and no later than the end of June, which is the last permissible date in the Limited Liability Companies Act. At any time, the Board may call an extraordinary AGM.

The AGM is open and available to all shareholders. An AGM shall be held each year before the end of May. The Company has no provisions that exceed or deviate from the rules in Norwegian public limited liability companies act chapter 5.

The Board shall determine that the documents must be sufficiently detailed as to provide the basis for being able to decide on the issues raised on the AGM.

A deadline of two weeks for calling a meeting is established in the Articles of Association. The convening of a meeting and documents will be made available at the Company's homepage www.monobank.no. Shareholders can also require that documents be sent to them free of charge. The minutes will be published on the Company's internet pages as soon as it is available.

Shareholders may attend by proxy. The notice will contain further information on the procedure for attending using a proxy, including a proxy form. In addition, one or more people will be named to vote on behalf of shareholders as proxies.

The Bank Director and the Board's Chair has a duty to be present unless this is clearly unnecessary or there is a valid excuse.

The Company's auditor shall be present during the meeting

Deviation from recommendations: The recommendation is that the entire Board and management of the nominating committee attend the AGM. The bank director and the Board's Chair have been present, but not the Board's other representatives.

Nomination committee

The Company's Articles of Incorporation determine that the nomination committee shall have at least three members that are shareholders or representatives of shareholders. The nomination committee's members are elected at the AGM for a period of two years and can be re-elected.

The nominating committee shall recommend candidates for the election of Board members and chairperson of the Board, and make recommendations on remuneration to the Board members, including the Board's sub-committees, and to recommend members to the nomination committee.

As of 31 December 2018, the nomination committee consisted of:

- Petter Falck
- Mike Ljungberg-Tvedt
- Trond Erik Birkeland

The Board, composition and independence

The Board consists of 5 members, 2 women and 3 men, of which one employee representative. Emphasis has been placed on the Board having the necessary experience, expertise and capacity to perform the relevant positions in a satisfactory manner, and that they function well as collegial bodies.

None of the Company's management team are Board members. The Board's chairperson is hired in the company as a consultant.

2 of 5 members of the Board have shares in the company, see note 4. The Board members follow the general rules for primary insiders.

Deviation from recommendations: The Board's chairperson is hired in the Company as a consultant.

The Board's work

The Board's work follows an established schedule and is managed in accordance with established Board instructions.

The Board has regular, physical Board meetings and have 12 set meetings every year. Depending on the cases and situations, additional meetings may be held. These may be by telephone or through correspondence. In 2018, there were in total 18 Board meetings, of which 5 were extraordinary Board meetings. One of the general meetings was a strategy meeting.

The Board has established an auditing and risk committee that prepares and gives advice to the Board related to risk management and internal control.

Deviation from recommendations: The Board's chairperson is hired in the Company as a consultant and in many cases will be engaged in cases that are considered by the Board. This is resolved by allowing someone other than the Board's chairperson to lead the discussion of the case.

Risk management and internal control

The Board shall ensure that Monobank has appropriate internal controls and systems for risk management, which are appropriate given the scope and type of the company's business. The internal controls and systems shall also cover values and ethical guidelines.

The Board has adopted a policy for the business and risk management that describes the bank's guidelines for the management of the business, internal controls and risk management. In addition, the Board has adopted separate policy documents that cover credit risks, market risks, liquidity risks and operational risks. Each of the policy documents describes guidelines, rules and risk frameworks for the individual risk types. The Board meets regularly, reporting from the administration about the bank's risk exposure to the different risk types. Each of the policy documents are reviewed at least annually by the Board. The Board has established an auditing and risk committee that prepares and gives advice to the Board related to risk management and internal control.

The daily responsibility for risk management and internal controls is delegated to an independent function, CRO.

Deviation from recommendations: The Board has not adopted an overall policy for corporate governance.

Remuneration of the Board

The nominating committee recommends the remuneration of the Board, which is set by the AGM. The remuneration is not dependent on results.

The remuneration of the individual Board members is stated in note 9 in the annual report. The size of the fees reflects the Board's responsibility, competence, use of time and the complexity of the business.

Deviation from recommendations: The Board's chairperson has share options issued by the company. The Board's chairperson is also engaged on a permanent basis as a consultant. Fees are stated in note 9 in the annual report.

Remuneration of management employees

The Board determines salary and other remuneration for the CEO of Monobank. Monobank's salaries and bonuses are determined on the basis of an evaluation with an emphasis on specific factors established by the Board. The Board performs an annual evaluation of salary and other remuneration for the CEO.

The CEO determines salaries for the senior employees. The Board has issued guidelines for the remuneration of senior employees. The guidelines determine the main principles for the company's management salary policy.

Monobank operates in an industry where human capital is an important driver of success. Monobank ASA has prepared a remuneration scheme for employees in the bank that covers both variable salary, share options and favourable employee loans within given criteria. The scheme also covers senior employees. The remuneration scheme was adopted at the AGM on 17 March 2016.

The scheme aims to ensure that Monobank attracts and retains the cleverest employees who perform, evolve, learn, and share knowledge. For more information, see note 9 in the annual report.

Deviation from recommendations: None

Information and communication

Monobank is listed on Merkur at the Oslo Stock Exchange and is therefore subject to ongoing obligations for companies listed on this market. The company's dialogue with investors is based on openness and equal treatment. The Board has adopted financial reporting beyond the requirement that the company publish quarterly financial reports. The Board has delegated the responsibility for dialogue with investors and shareholders to the CEO in Monobank. The company holds web casts to reach out to the entire investor base at the same time.

Deviation from recommendations: None

Takeovers

If a takeover offer occurs, the Board will follow the general principle on equal treatment for all shareholders, and will seek to ensure that the business is not unnecessarily disrupted. The Board will attempt to ensure that the shareholders receive sufficient information and time to form an opinion about the offer.

The Board will not seek to prevent a takeover offer, unless it believes Monobank's interests and shareholders support such steps. The Board will not oppose any takeover offer, unless this is approved by the AGM. If a takeover offer occurs, the Board will issue a declaration in accordance with the legal requirements. In a takeover offer, the Board will evaluate the obtaining of a valuation from an independent expert. Any transaction which is actually a divestment of the Group's business will be presented to the AGM for approval.

Deviation from recommendations: None

Auditor

PWC is Monobank's auditor. The Board has ensured that an auditor has prepared an annual plan for the audit, and audits Monobank's accounts quarterly. An auditor takes part in Board meetings as needed. The Board has one meeting with the auditors at least once a year where the management is not present. An auditor presents a review of internal control procedures, including identified weaknesses and suggestions for improvement, to the Board at least once a year. There are guidelines for the use of an auditor by a CEO and CFO for other services besides auditing. With respect to the guidelines, auditors will provide the Board an annual overview of all services, in addition to audit work that is performed. Auditors provide an annual written confirmation that they continue to satisfy the requirements for independence. Information about the remuneration of auditors, including information about fees paid for audit work and any fees paid for other specific assignments are included in the notes on the accounting. At each AGM, the Board shall inform the AGM of all the services that are provided by auditors and their remuneration.

Deviation from recommendations: None

Outlook 2019

Monobank has adapted to the Norwegian regulatory guidelines for consumer banks which entered into effect on 01 October 2017. The Financial Supervisory Authority of Norway has indicated that further regulations will be introduced in accordance with the guidelines for responsible lending practices for unsecured credit. It is expected that the long-awaited debt register will be implemented in 2019. It is still not clear how these measures will affect the overall demand for consumer loans, but presumably the demand will slow down. As a result of increased competition from both Norwegian and foreign players, Monobank's customer-friendly, cloud-based business model and platform encompassing several countries will be of increased importance in the future, and growth opportunities are considered to be good.

In August 2018, the Board decided to launch consumer lending activities in Sweden in the first quarter of 2019, that will increase the banks growth opportunities and exploit the economies of scale in the business model. Monobank's operational platform is geared towards growth, and investments will be executed within the existing cost base and OPEX level. The expansion will diversify Monobank's business risk and regulatory risk exposure.

The company will primarily focus on core business and streamlining its operations with an existing cost base. Monobank will also continue to exploit its established position as a leading digital consumer bank to create new revenue streams using the Mono Pay app included in the Banking-as-a-Service platform.

Partnership with Widerøe began in the second half of 2018, with the introduction of the combined credit card and the Mono Pay app for Widerøe's employees. Campaigns will be gradually introduced throughout 2019, mainly with the help of Widerøe's proprietary marketing channels.

Monobank will consider switching to IFRS9 in 2019.

The Financial Supervisory Authority of Norway completed a local audit (SREP process) of Monobank in October 2018, and the Company received, before Christmas, a provisional Pillar II premium of 6.3%. Monobank does not agree with all of the Financial Supervisory Authority's assessments and will submit its reply before the deadline 21.02.2019.

Events occurred after the balance sheet date

On 8 February 2019, Monobank ASA and BRAbank ASA (BRAbank) entered into a merger agreement. The merger plan is scheduled to be adopted by the Board of Monobank and the Board of BRAbank on 14 February 2019, and will be processed during the AGM at the end of March 2019.

The merger entails that BRAbank's shareholders will receive 9.25 shares in Monobank per BRAbank share, which leads to the issuance of 142.9 million new shares in Monobank. Existing shareholders in BRAbank will hold 34.3% of total shares outstanding in Monobank after the merger. In connection to the merger, four directed equity issuances of between NOK 100 million and NOK 130 million at a share price of NOK 1.90 in Monobank will take place.

(i) A private placement of approximately NOK 58 million pre-accepted by BRAbank's largest owner Braganza AB,
(ii) A private placement of approximately NOK 37 million to BRAbank's largest owners after Braganza AB,
(iii) A private placement of approximately NOK 5 million to other BRAbank shareholders, and
(iv) A private placement towards Monobank's shareholders of up to NOK 30 million.

Braganza has pre-accepted and guaranteed the issuance (i), (ii), and (iii).

The merger is contingent on the approval of the Financial Supervisory Authority, and is expected to, given the fulfillment of all conditions and the implementation of the notice to creditor period, take effect within the first half year of 2019. The merged company will be named BRAbank.

The Chairperson of the Board of the merged company will be Geir Stormorken. Monobank's current Chairperson Jan Greve-Isdahl will be named Deputy Chairperson. The merged company will be headed by Bent Hilding Gjendem, and the headquarter will be in Bergen. For further information regarding the merger, reference is made to the stock exchange announcement of 8 February 2019.

Monobank and BRAbank possess complimentary advantages, and Monobank's already established platform combined with BRAbank's solid partner network add significant synergies. The merged company will also be capitalised sufficiently to reach NOK 10 billion in loans for the next five years. The goal is for this to be achieved through continued growth in consumer loans in Norway and Finland, a focus on consumer loans in Sweden, and growth from both Monobank's and BRAbank's credit card solutions.

In connection to the private placement of 23 October 2017, Monobank communicated its plans to apply for a listing on Oslo Stock Exchange's main market within the next twelve months, subject to market conditions. Due to the announced merger with BRAbank, the Bank will postpone its listing plans, and reevaluate them at a more appropriate point of time, subject to the integration between BRAbank and Monobank, the regulatory condition, and the market condition for consumer loans and credit cards in Norway, as well as the general capital market conditions.

Allocation of the annual profit/loss for 2018

It is proposed that the annual result after tax for 2018 be added, in its entirety, to other equity. The allocation increases other equity by NOK 31 million.

Bergen, 7 Februrary, 2019

Jan Greve-Isdahl	Tore Hopen	Mette Henriksen
Chairman of the Board		
Torhild Eide Torgersen	Tore Amundsen	Guro Røberg
		Deputy Board Member
Bent Gjendem		
CEO		

Result for Q4 2018 (unaudited)

Monobank had a deficit after tax of NOK 8.8 million, primarily as a result of increased loss provisions.

Net interest income totaled NOK 95.1 million, an increase of NOK 8.9 million in the 4th quarter. The net interest margin was 7.7%. Net commissions and fees were negative NOK 13.6 million. The increased commission costs were primarily due to the forward flow agreement. Net total income totaled NOK 81.4 million, compared with NOK 76.4 million in the 3rd quarter.

The interest rate premium in combination with the increased swap volume during the quarter resulted currency and securities gains of NOK 3.5 million.

Total operating expenses were NOK 31.9 million in the 4th quarter, a slight increase from the previous quarter. Reduced marketing expenses partly alleviated increased personnel expenses and depreciation. The increased depreciation is due to activation of development expenses related to the Mono Pay App and the Widerøe commitment.

This resulted in an operating profit before loss provisions of NOK 53.1 million for the quarter. In connection with the annual evaluation and impairment testing of the loan portfolio, loss provisions increased significantly and totaled NOK 66 million. Of the loss provisions, NOK 20 million were realised losses and NOK 46 million were unrealised loss provisions. The increased loss provisions are mainly a result of increased data and portfolio insight into the historic Norwegian portfolio 90 days +, which gave an increased provision of NOK 27 million. The adjustment of a previously inaccurate data set led to a one-time effect of NOK 11 million. These loans were already 90 days overdue when the forward flow agreement with Axactor was entered, and hence do not qualify for sale. Losses on loans from the Norwegian portfolio will be moderated by the forward flow agreement going forward. Loss provisions also increased in Finland because Monobank has adjusted expected losses in line with the rest of the consumer finance segment.

Net profit before taxes ended up at negative NOK 13 million for Q4, primarily driven by increased loss provisions.

Declaration from the Board of Directors of Monobank ASA and the CEO

Bergen, 7 February 2019

We hereby declare that, to the best of our knowledge, the Monobank ASA Annual Accounts for 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 of 31 December 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.

Jan Greve-Isdahl Chairman of the Board	Tore Hopen	Mette Henriksen
Torhild Eide Torgersen	Tore Amundsen	Guro Røberg Deputy Board Member
Bent Gjendem CEO		

Income Statement

In NOK thousands	**Note**	**2018**	**2017**
Interest income	14	403 642	201 202
Interest expenses	14	(71 996)	(33 733)
Net interest income		**331 646**	**167 469**
Fees and commissions receivable	14	25 970	14 857
Fees and commissions payable	14	(60 456)	(24 983)
Gain/(loss) from currency and securities	16	4 136	(1 456)
Staff costs	9	(42 423)	(26 503)
Other administrative expenses	9, 10	(80 361)	(61 708)
Depreciation and amortisation	8	(10 855)	(5 957)
Profit before impairment losses		**167 658**	**61 719**
Impairment releases/(losses)	2	(128 435)	(37 975)
Operating profit before tax		**39 223**	**23 743**
Tax charge	11	(86 55)	(5 784)
Profit for the year		**30 567**	**17 960**

Balance Sheet

In NOK thousands	Note	31.12.2018	31.12.2017
Assets			
Loans and deposits with credit institutions	6, 7, 12	108 790	56 000
Loans and advances to customers	2, 6, 7, 16	3 844 229	2 402 869
Provisions for impairment losses	2	138 493	50 681
Net loans and advances to customers		**3 705 736**	**2 352 188**
Debt securities	3, 6, 7	851 879	756 536
Deferred tax asset	11	2 791	8 592
Other intangible assets	6, 8	67 064	39 349
Property, plant and equipment	6, 8	2 681	1 755
Financial derivatives	6, 16	6 644	1 374
Prepayments, accrued income and other assets	6, 13	130 341	85 095
Total assets		**4 875 927**	**3 300 888**
Liabilities			
Deposits by customers	6, 7	4 125 245	2 651 861
Provisions, accruals and other liabilities	6, 13	40 668	28 797
Subordinated loan	6, 7, 17	98 739	98 399
Tax payable	11	2 105	0
Total liabilities		**4 266 756**	**2 779 057**
Equity			
Share capital	4, 5	274 023	248 318
Other equity	4, 5	286 621	273 129
Retained earnings	4, 5	48 527	0
Other equity (options)	4, 15	0	384
Total equity		**609 171**	**521 832**
Total liabilities and equity		**4 875 927**	**3 300 888**

Jan Greve-Isdahl
Chairman of the Board

Tore Hopen

Mette Henriksen

Torhild Eide Torgersen

Tore Amundsen

Guro Røberg
Deputy Board Member

Bent Gjendem
CEO

Cash Flow

In NOK thousands	**Note**	**2018**	**2017**
Cash flows from operating activities			
Operating profit before tax		39 222	23 743
Adjustment for change in provision for impairment losses		87 812	37 150
Adjustment for unrealised changes in fair value of financial instruments		4 158	7 311
Adjustment share option programme		0	0
Depreciation and amortisation	8	11 196	5 957
Changes in loans and advances to customers	2	(1 441 360)	(1 549 300)
Changes in deposits by customers		1 473 384	1 748 455
Changes in financial derivatives		(5 270)	(1 374)
Changes in debt securities	3	(100 253)	(462 582)
Changes in other operating assets and liabilities		(33 375)	(39 658)
Net cash flows from operating activities		35 513	(230 298)
Net cash flows from investing activities			
Purchase of property, plant and equipment	8	(2 008)	(1 810)
Investment in intangible assets	8	(37 489)	(32 008)
Net cash flows from investing activities		(39 497)	(33 818)
Cash flows from financing activities			
Issue of ordinary shares	4	56 773	170 498
Issue of subordinated debt			98 399
Net cash flows from financing activities		56 773	268 897
Net increase in cash and cash equivalents		52 790	4 781
Cash and cash equivalents at 1 January	12	56 000	51 219
Cash and cash equivalents at 31 December		108 790	56 000
Cash and cash equivalents consist of:			
Loans and advances from banks		108 790	56 000

Note 1 Accounting principles

Monobank ASA (formerly Zammut Prosjekt AS) was reorganised from a limited liability company to a public limited liability company 6 November 2015. The bank business was opened 19 November 2015.

The accounts are prepared in accordance with the Norwegian Accounting Act and the administrative guidelines for banks ("Forskrift om årsregnskap m.m. for banker, finansieringsforetak og morselskap for slike, Forskrift om regnskapsmessig behandling av utlån og garantier i finansinstitusjoner"). The reorganisation from Zammut Prosjekt AS to Monobank ASA is accounted for as a capital reorganisation where all book values, financial history, classification of equity and tax values are continued in the new legal entity.

1. Financial instruments

Financial instruments include loans and advances to customers, currency derivatives and debt securities with fixed and variable returns such as certificates, bonds and other short-term interest-bearing instruments.

1.1 Loans and advances to customers

Loans and advances to customers are recognised initially at fair value. Subsequently, loans are measured at amortised cost using the effective interest method. Amortised cost includes face value, fees (excluding arrangement fees that cover administrative expenses related to the loan) and transaction costs such as commission to loan agents/loan distributors. Commission to loan agents are accrued for and recognised as an expense over the expected time to maturity for each loan.

Interest income is recognised in the income statement using the effective interest method. The effective interest rate is the interest rate at which the discounted expected cash flow from the loan is equal to the amortised cost of the loan on initial recognition. Effective interest method implies recognition of interest income from impaired loans. For loans subject to impairment, interest income is adjusted based on the fair value of the impaired loan.

A provision for impairment loss is recognised when there exists objective evidence that a loan is impaired. The impairment charge is calculated as the difference between the amortised cost before impairment less the discounted value of estimated future cash flows from the loan, discounted using the effective interest rate as the discount rate.

In the income statement, impairment loss consists of both incurred losses and changes in the provision for impairment losses. The recognised impairment is based on a review of the bank’s loan portfolio.

A loan is deemed to be in default when it becomes 90 days past due, in addition to loans where bankruptcy or debt settlement procedures have been initiated.

1.2 Currency derivatives

Financial derivatives are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. Financial derivatives are reported net if there is a legal right to offset negative and positive positions. Changes in value of financial derivatives are recognised in the income statement in Gain/(loss) from currency and securities.

1.3 Debt securities

Certificates and bonds are defined as current assets and recognised in the balance sheet at fair value. The certificates and the bonds are part of the liquidity management of the bank. The debt securities are traded in an active and liquid market place.

2. Property, plant and equipment and intangible assets

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment. Depreciation is recognised in the income statement and is based on expected lifetime and residual value of each asset.

At each balance sheet date, the bank assesses whether there are indications that the asset has suffered an impairment loss. For impairment losses that are expected to be permanent, assets are measured at its recoverable amount which is defined as the higher of net realisable value and value in use.

Intangible assets are recognised in the balance sheet when it is probable that economic benefits will be realised from the asset. Intangible assets are recognised at acquisition cost less accumulated amortisation and impairment losses. Expenses related to maintenance of software, systems etc. is recognised in the income statement immediately as an expense. Intangible assets with a defined lifetime are amortised over its expected useful life.

3. Accruals

Commissions, interest and fees are recognised in the income statement when the entity is entitled to the benefits or the expenses are incurred. Prepayments and accrued expenses are recognised in the balance sheet.

4. Income tax

4.1 Deferred tax and deferred tax asset

Deferred tax and deferred tax asset are calculated using the statutory nominal tax rate of 25% based on temporary differences between book values and tax values at the end of each reporting period. Temporary differences are offset to the extent that they are expected to be realised in the same period. Deferred tax asset is recognised in the balance sheet when it is probable that the entity will be able to utilise the tax loss carry forwards.

4.2 Income tax charge

In the income statement, the income tax charge include both the change in deferred tax and the tax payable for the period which consist of tax on the periods taxable income.

5. Post-employment benefits

The bank is obliged to offer post-employment benefit arrangements for all its employees, in accordance with Norwegian law. The bank has a defined contribution arrangement for all its employees where an annual contribution is made to the insurance company. The bank has no other obligations, and as a result no provision for post-employment liabilities are recognised in the balance sheet.

6. Liabilities

Accounts payable and other liabilities are recognised at cost.

7. Currency and foreign exchange rate differences

The bank has Norwegian kroner as its functional currency. Income and expenses in other currencies are translated into the prevailing exchange rate on the date of transaction. Items in the balance sheet is translated into NOK on the date of the balance sheet

8. Statement of cash flows

The statement of cash flows is prepared based in the indirect method. Cash and cash equivalents consist of loans and advances to banks.

9. Share-based compensation

Monobank ASA has established an employee share option programme. Information relating to this scheme is set out in note 15. The fair value of options granted under the employee option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (eg the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

Note 2 Loans

In NOK thousands	**2018**	**2017**
Loans and advances to customers	3 738 112	2 353 964
Receivables	106 117	48 905
Provision for impairment losses – collectively assessed	(15 514)	(9 089)
Provision for impairment losses – individual assessment	(122 979)	(41 592)
Net loans and advances to customers	**3 705 736**	**2 352 188**

Provision for impairment losses – collectively assessed	**2018**	**2017**
Provision for impairment losses collectively assessed 1 January	9 089	13 530
Losses/(releases) to income statement	6 425	(4 441)
Provision for impairment losses collectively assessed at 31 December	**15 514**	**9 089**

Provision for impairment losses – individual assessment	**2018**	**2017**
Provision for impairment losses individual assessment 1 January	41 592	0
Losses/(releases) to income statement	81 388	41 592
Provision for impairment losses individual assessment at 31 December	**122 979**	**41 592**

Realised losses	**2018**	**2017**
Change in realised losses	40 623	0

Net loans and advances to customers for Norway reflects MNOK 179 of loans sold through forward flow agreement.

Loans and advances to customers by risk category	**31.12.2018**		**31.12.2017**	
In NOK thousands	**Gross loans and advances**	**Share**	**Gross loans and advances**	**Share**
Low risk (50+)	864 089	23%	624 300	27%
Medium risk (30 - 49)	1 672 667	45%	1 207 985	51%
Higher risk (1 -29)	765 246	20%	332 626	14%
Defaulted loans	436 110	12%	189 053	8%
Total	**3 738 112**	**100%**	**2 353 964**	**100%**

Risk categories are defined based on credit ratings obtained from external credit rating agencies. The table above does not include accounts receivable.

Loans to customers by geography

In NOK thousands	**31.12.2018**	**31.12.2017**
Norway		
Gross loans and receivables including invoiced interests and instalments	2 588 493	1 996 059
Provisions for impairment losses	108 671	47 603
Net loans and receivables to customers	2 479 822	1 948 455
Finland		
Gross loans and receivables including invoiced interests and instalments	1 255 737	406 810
Provisions for impairment losses	29 822	3 078
Net loans and receivables to customers	1 225 914	403 733
Total net loans and receivables to customers	**3 705 736**	**2 352 188**

Ageing of loans and advances to customers

In NOK thousands	**31.12.2018**	**31.12.2017**
Not due	2 607 203	1 658 472
Due 1-30 days	546 420	401 648
Due 31-60 days	178 298	111 676
Due 61-90 days	76 199	42 020
Due more than 90 days	436 110	189 053
Total	**3 844 229**	**2 402 869**

Booked interests on impaired loans

In NOK thousands	**31.12.2018**	**31.12.2017**
Booked interests on impaired loans	22 644	11 401

Note 3 Bonds

In NOK thousands	31.12.2018 Purchase price	Fair value	Recognised change in fair value	31.12.2017 Purchase price	Fair value	Recognised change in fair value
Risk-weight 0%	724 543	731 872	7 329	96 051	95 638	(414)
Risk-weight 10%	87 614	87 430	(184)	38 233	38 208	(25)
Risk-weight 20%	32 106	32 577	471	432 346	434 393	2 047
Risk-weight 50%	0	0	0	68 289	68 405	117
Risk-weight 100%	0	0	0	119 794	119 892	98
Total debt securities	**844 264**	**851 879**	**7 615**	**754 713**	**756 536**	**1 822**
Non-listed bonds	47 138	47 601	464	300 234	299 712	(522)
Bonds traded on Oslo Stock	797 127	804 278	7 151	454 479	456 824	2 345
Total debt securities	**844 264**	**851 879**	**7 615**	**754 713**	**756 536**	**1 822**
Bank	132 511	132 926	415	222 695	224 104	1 409
Other entities	9 125	8 743	(382)	98 802	98 463	(339)
Government	702 629	710 210	7 582	433 217	433 968	752
Total debt securities	**844 264**	**851 879**	**7 615**	**754 713**	**756 536**	**1 822**

Effective interest on the debt securities portfolio in 2018 was 0.74 % annualised (2017: 0.85% annualised).

Effective interest is calculated based on purchase price and interest income in the period the bank has held the debt securities.

Fair value is based on quoted prices on Oslo Stock Exchange. Non-listed securities are valued based on quotes obtained by DNB as of 31 December 2018.

Note 4 Equity

In NOK thousands	**Share capital**	**Surplus capital**	**Other paid-in capital (options)**	**Retained earnings**	**Total**
Equity at 01.01.2018	248 318	255 170	384	17 960	521 832
Profit for the year	0	0	0	30 567	30 567
Option programme	778	1 400	(384)	0	1 794
Dividends	0	0	0	0	0
Shares issued net of fees and tax	24 927	30 053	0	0	54 980
Equity at 31.12.2018	**274 022**	**286 623**	**0**	**48 527**	**609 171**

The share capital consists of 274 022 540 shares at nominal value NOK 1, -

	The Bank's 20 largest shareholders as of 31.12.18	**Role**	**Number of shares**	**Ownership share**
1	Prioritet Group AB		29 365 749	10.72%
2	Jo Capital AS	Board Member	27 544 935	10.05%
3	TBI Bank EAD		24 826 567	9.06%
4	Songa Trading Inc		19 865 063	7.25%
5	Hjellegjerde Invest AS		11 692 677	4.27%
6	Bara Eiendom AS		11 663 104	4.26%
7	7Fjell Ventures AS		6 400 000	2.34%
8	Sandsolo Holding AS		5 900 000	2.15%
9	Mike AS		5 400 451	1.97%
10	Citibank, N.A.		5 300 000	1.93%
11	Sportsmagasinet AS		5 175 883	1.89%
12	Ekrem AS		4 646 854	1.70%
13	Mj Capital AS		4 283 500	1.56%
14	Swedbank AB		4 000 000	1.46%
15	Finn Greve-Isdahl		3 953 782	1.44%
16	Hava Financials AS		3 535 494	1.29%
17	Stian Mikkelsen AS		3 454 347	1.26%
18	Bjørn Dahle		3 103 672	1.13%
19	Las Invest AS		3 100 000	1.13%
20	Høysæter T-Banecompagnie AS		2 841 464	1.04%
	Other shareholders		87 968 998	
	Total		**274 022 540**	

Shares held by Management, Board Members and other related parties at 31.12.18			Number of shares	Ownership shares
1	Bent H. Gjendem	CEO	2 290 266	0.84%
2	Tom Rimestad	COO	1 788 567	0.65%
3	Martin Valland	CTO	1 600 519	0.58%
4	Lene Sjøbakk	CFO	467 108	0.17%
5	Hans Ljøen	CRO	314 894	0.11%
6	Henriette Vartdal	CPO	334 898	0.12%
7	Jan Greve-Isdahl	Chairman of the Board	2 400 500	0.88%
8	Tore Amundsen	Member BoD	1 507 891	0.55%
9	Sigve Heldal	Deputy member of BoD	512 150	0.19%
10	Other related parties		28 000	0.01%
	Total		**11 244 793**	

Issued warrants:

There is a total of 19 900 000 issued warrants with a subscription price of NOK 1,50 per share.

Warrants held by Management, Board of Directors and related parties as of 31.12.18			Warrants
1	Bent H. Gjendem	CEO	2 875 000
2	Tom Rimestad	COO	1 800 000
3	Martin Valland	CTO	1 800 000
4	Jan Greve-Isdahl	Chairman of the Board	800 000
5	Hans Ljøen	CRO	500 000
6	Lene Sjøbakk	CFO	500 000
7	Henriette Vartdal	CPO	100 000
8	Tore Amundsen	Member of BoD	100 000
9	Sigve Heldal	Deputy member of BoD	100 000
	Total		**8 575 000**

Note 5 Capital

In NOK thousands	**31.12.2018**	**31.12.2017**
Share capital	274 023	248 318
Surplus capital	286 621	255 169
Result (revised)	48 527	17 960
Deduction of deferred tax assets and other intangible assets	(67 916)	(38 862)
Common equity Tier 1 capital	541 255	482 585
Additional Tier 1 capital instruments	50 000	50 000
Tier 1 capital	591 255	532 586
Subordinated loan capital	50 000	50 000
Tier 2 capital	641 255	582 586
Capital requirements		
Institutions	23 939	58 014
Retail	2 552 646	1 658 723
In default	313 130	147 462
Covered bonds	8 743	3 821
Other assets	135 813	86 850
Corporate	0	119 892
Regional governments or local authorities	4 506	63 380
Market risk	0	0
Operational risk	316 914	196 783
Credit Valuation Adjustment	239	414
Total risk-weighted volume and capital requirements	3 355 931	2 335 339
Common equity Tier 1 capital ratio	16.1%	20.6%
Tier 1 capital ratio	17.6%	22.8%
Capital ratio	19.1%	25.0%
LCR (Liquidity Coverage Ratio)	717%	
NSFR (Net stable funding ratio)	172%	

Note 6 Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its financial obligations as and when they fall due. Liquidity risk arises due to different maturities on assets and liabilities. Liquidity risk is considered low due to a large holdings of debt securities that are traded in an active and liquid marketplace.

Maturity analysis *In NOK thousands*	**Less than 1 month**	**1-2 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**No maturity**	**Total**
Loans and advances to banks	108 790	-	-	-	-	-	108 790
Loans and advances to customers	31 519	45 731	215 177	1 577 661	1 835 648	-	3 705 736
Financial derivatives	6 644	-	-	-	-	-	6 644
Debt securities	27 971	240 808	514 161	60 197	-	8 743	851 879
Other assets with maturity	-	-	-	200 087	-	-	200 087
Assets with no maturity	-	-	-	-	-	2 791	2 791
Total assets	**174 924**	**286 539**	**729 338**	**1 837 944**	**1 835 648**	**11 534**	**4 875 927**
Deposits by customers	-	-	-	-	-	4 125 245	4 125 245
Other debt with maturity	21 594	5 959	15 220	98 739	-	-	141 512
Total liabilities	**21 594**	**5 959**	**15 220**	**98 739**	**-**	**4 125 245**	**4 266 756**

Maturity analysis *In NOK thousands*	**Less than 1 month**	**1-2 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**No maturity**	**Total**
Loans and advances to banks	56 000	-	-	-	-	-	56 000
Loans and advances to customers	-	118 509	129 602	835 330	1 268 747	-	2 352 188
Financial derivatives	1 374	-	-	-	-	-	1 374
Debt securities	75 396	312 329	357 074	3 036	8 700	-	756 536
Other assets with maturity	-	-	-	126 199	-	-	126 199
Assets with no maturity	-	-	-	-	-	8 592	8 592
Total assets	**132 770**	**430 838**	**486 676**	**964 565**	**1 277 447**	**8 592**	**3 300 888**
Deposits by customers	-	-	-	-	-	2 651 861	2 651 861
Other debt with maturity	21 571	4 462	2 765	-	98 399	2 651 861	127 196
Total liabilities	**21 571**	**4 462**	**2 765**	**-**	**98 399**	**2 651 861**	**2 779 057**

For loans and advances to customers, the maturity analysis shows remaining balance allocated to the different categories based on agreed maturity date.

Note 7 Interest risk

The bank has no fixed interest rate assets or liabilities. Interest rate for the bank risk arises when assets and liabilities reset at different dates. These mismatches may give rise to net interest income and economic value volatility as interest rates vary. The table below analyses the timing of probable change of interest rate:

31.12.2018

In NOK thousands	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Mora than 5 years**	**No interest rate exposure**	**Total**
Loans and advances to banks	108 790	-	-	-	-	-	108 790
Loans and advances to customers	-	3 705 736	-	-	-	-	3 705 736
Financial derivatives	6 644	-	-	-	-	-	6 644
Debt securities	107 947	374 265	369 667	-	-	-	851 879
Non-interest-bearing assets	-	-	-	-	-	202 878	202 878
Total assets	**223 381**	**4 080 001**	**369 667**	**0**	**0**	**202 878**	**4 875 927**
Deposits by customers	909 474	3 215 771	-	-	-	-	4 125 245
Subordinated loan	-	98 739	-	-	-	-	98 739
Non-interest-bearing debt	-	-	-	-	-	42 772	42 772
Total liabilities	**909 474**	**3 314 510**	**0**	**0**	**0**	**42 772**	**4 266 756**

31.12.2017

In NOK thousands	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**No interest rate exposure**	**Total**
Deposits by customers	56 000	-	-	-	-	-	56 000
Loans and advances to customers	-	2 352 188	-	-	-	-	2 352 188
Financial derivatives	1 374	-	-	-	-	-	1 374
Debt securities	75 396	312 329	357 074	3 036	8 700	-	756 535
Non-interest-bearing assets	-	-	-	-	-	134 791	134 791
Total assets	**132 770**	**2 664 517**	**357 074**	**3 036**	**8 700**	**134 791**	**3 300 888**
Deposits by customers	-	2 651 861	-	-	-	-	2 651 861
Subordinated loan	-	98 399	-	-	-	-	98 399
Non-interest-bearing debt	-	-	-	-	-	28 797	28 797
Total liabilities	**0**	**2 750 260**	**0**	**0**	**0**	**28 797**	**2 779 057**

Sensitivity analysis

The sensitivity analysis below analyses the effect of a 1 percentage point increase in interest rate on interest-bearing assets and interest-bearing liabilities as of 31 December 2018. A reduced interest rate will have the same effect with opposite sign.

Effect of 1% increase in interest rate	**31.12.2018**	**31.12.2017**
Loan and advances to banks	10	70
Loan and advances to customers	3 903	2 940
Derivatives 1	1 069	0
Debt securities	2 524	2 431
Total interest rate risk assets	7 507	5 441
Deposits by customers	(5 269)	(4 420)
Derivatives 2	(1 109)	0
Subordinated loan	(117)	(246)
Total interest rate risk liabilities	(6 495)	(4 666)
Total interest rate risk	1 012	775

In the event of an increase of interest rate on funding, the bank has an opportunity to increase the interest rate charged to customers. However, depending on competition, this may have an effect on lending volume. As a result, the bank will consider interest rate hedging.

Note 8 Other intangible assets and property, plant and equipment

In NOK thousands	**IT software**	**Office, furniture etc.**	**Total**
Acquisition cost at 01.01.2018	47 697	2 407	50 103
Additions	37 489	2 008	39 497
Disposals			
Acquisition cost at 31.12.2018	85 186	4 414	89 600
Accumulated depreciation and amortisation 01.01.2018	(8 347)	(652)	(8 999)
Depreciation and amortisation in the period	(9 774)	(1 082)	(10 855)
Impairment in the period	-	-	-
Accumulated depreciation and amortisation 31.12.2018	(18 121)	(1 733)	(19 854)
Carrying amount 31.12.2018	67 064	2 681	69 745
Useful life	5 year	3-5 year	
Depreciation plan	Linear	Linear	

The IT software is related to the development of the IT system and platform used in the bank's operations, including loan process and integration with loan agents in Norway, Finland and Sweden. A credit card platform and the associated app is developed therein. The bank has been approved for a tax incentive scheme (Skattefunn) related to the development of the IT platform. For the fiscal year of 2018 intangible assets are reduced by NOK 2 954 thousand received from Skattefunn in 2018.

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Note 9 Staff costs

The bank had an average of 49 FTEs in 2018, compared to 29,4 FTEs in 2017.

In NOK thousands	**2018**	**2017**
Salaries	43 073	26 101
Social security	8 150	5 395
Post-employment benefits	2 802	1 490
Social costs	68	416
Other personnel costs	461	563
Capitalised staff costs IT development	(12 130)	(7 463)
Total	**42 423**	**26 503**

Employee compensation agreements

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

- Individual part: Bonus depending on individual assessment. 50% will be paid in cash and 50% by issuing new shares in Monobank ASA with subscription price equal to market price at the time of issue.
- General part 1: 1.5 month salary.

Maximal bonuses for all employees in 2018/2019 are a total of 2018/2019 NOK 9.5 million, whereas maximum bonus per employee is limited to 50% of annual salary

At 31.12.2018 provisions for employee bonuses was NOK 4.4 million in the P&L.

Share Options

In order to facilitate both the bonus and share option program, the Board has the power of attorney to issue 2.2 million new shares in the Company within 17 March 2018. 905 097 shares had not been issued by the deadline and the Company's General Assembly extended the Board's power of attorney with 2 years until 05.03.2020.

In 2016, 999 990 options were granted, see Note 15 for more information. During 2017, additional 284 953 shares were allocated to employees in connection with the 2016 bonus program. Thus far in 2018, no shares have yet been allocated to employees in connection with the 2017 bonus program.

Employee loans

Employee loans were approved at the board meeting in January 2018. The criteria are as follows:

- Loan amount is up to TNOK 450.
- The interest rate is based on the standard interest rate + 1% p.a. The standard rate can be adjusted up to six times a year without 6 weeks' notice. There is no fee associated with employee loans.

As of 31.12.18 employee loans in Monobank ASA totalled TNOK 4 411 with an interest rate of 3.1%.

Compensation to management

In NOK thousands	Base salary	Bonus	Value of distributed shares	Other	Post-employment benefits	Total compensation	Loans
CEO	1 354	156	39	14	106	1 669	200
CFO	1 111	119	39	13	102	1 384	-
Interim CFO	772	100	-	12	73	957	-
CPO	905	-	-	13	75	993	-
COO	1 258	144	39	13	105	1 559	442
CTO	1 258	144	39	13	105	1 559	251
CRO	1 273	144	39	13	105	1 574	377
Total	7 931	807	193	91	671	9 693	1 270

Compensation to Board of Directors

		2018			**2017**	
In NOK thousands	**Other**	**Fee**	**Total**	**Other**	**Fee**	**Total**
Jan Greve-Isdahl*	701	200	901	701	100	801
Mette Henriksen**	-	75	75	-	40	40
Sølvi Nyvoll Tangen**	-	75	75	-	40	40
Tore Amundsen	-	70	70	-	35	35
Tore Malme	-	5	5	-	20	20
Anders Silkesberg	-	15	15	-	35	35
Tore Hopen	-	70	70	-	35	35
Lars Arne Skår	-	40	40	-	-	-
Total fee and bonus	701	550	1 251	701	305	1 006

* Jan Greve-Isdahl is hired as an independent consultant and invoices Monobank ASA a monthly consultancy fee of TNOK 58.4 including VAT.

** Including compensation as a member of the bank's Audit and Risk Committee.

Audit fee

Total fee to the external auditor (incl. VAT)

In NOK thousands	**2018**	**2017**
Statutory audit	1 537	826
Tax advisory services	19	-
Other assurance services	310	553
Total	**1 865**	**1 379**

Note 10 Other administrative expenses

In NOK thousands	**2018**	**2017**
IT expenses	14 139	9 372
Sales and marketing expenses	41 393	35 141
Office rent and office related expenses	3 553	2 459
Travel, staff training and social expenses	4 113	2 751
Temporary staff	3 202	3 849
Other expenses	13 963	8 135
Total other administrative costs	**80 361**	**61 708**

Note 11 Income tax

In NOK thousands	**2018**	**2017**
Temporary differences		
Fixed assets	2 690	(2)
Debt securities	(13 855)	(9 726)
Net temporary differences	(11 165)	(9 728)
Tax loss carry forwards	-	(24 640)
Basis for deferred tax/(deferred tax asset)	(11 165)	(34 368)
Deferred tax asset net recognised	**2 791**	**8 592**
Profit/(loss) before tax	39 222	23 743
Permanent differences	(2 193)	35
Costs related to share capital issue, recognised directly to equity	(2 998)	(7 982)
Change in tax loss carry forwards	(24 640)	(22 426)
Change in temporary differences	(973)	6 629
Basis for tax payable	8 418	0
Tax payable in the balance sheet	**2 105**	**0**
Tax payable	2 105	0
Change in deferred tax/deferred tax asset	6 550	5 784
Income tax charge in the income statement	**8 655**	**5 784**

Reconciliation of income tax charge

Profit/(loss) before tax	39 222	23 743
Estimated tax payable/deferred tax	9 805	5 936
25% of permanent differences	(548)	9
Tax effect accrual of Tax incentive programme («Skattefunn»)	(602)	(161)
Income tax charge in the income statement	**8 655**	**5 784**

Note 12 Restricted cash, guarantees and off-balance sheet items

In NOK thousands	2018	2017
Withheld employee taxes	2 174	1 323
Deposit rent	1 920	1 269
Client funds - insurance	401	290
Total restricted cash	**4 495**	**2 882**
Loan granted and committed – not paid out	54 610	34 519
Total off-balance sheet items	**54 610**	**34 519**

Note 13 Other assets and liabilities

In NOK thousands	**2018**	**2017**
Distribution commissions	121 249	80 817
Prepaid expenses	2 038	1 133
Other prepayments, accrued income and other assets	7 054	3 145
Prepayments, accrued income and other assets	**130 341**	**85 095**
Accounts payable	7 570	10 365
Accrued holiday pay	12 108	2 330
Public duties payable	3 542	3 620
Withheld employee taxes	2 164	1 319
Accrued commissions	6 161	5 692
Accrued insurance premium – client funds obligations	159	119
Accrued interest subordinated loan	365	342
Other accrued expenses	8 599	5 010
Provisions, accruals and other liabilities	**40 668**	**28 797**

Note 14 Net interest income and fee income

In NOK thousands	2018	2017
Interest income from loans and advances to customers	392 516	195 301
Interest income from loans and advances to banks	160	106
Other interest income	10 966	5 795
Interest expense deposits by customers	(64 514)	(31 561)
Interest expense subordinated debt	(7 443)	(2 165)
Other interest expenses	(39)	(7)
Net interest income	**331 646**	**167 469**
Insurance commission	3 104	1 522
Arrangement fees	12 570	9 412
Other fees	10 296	3 924
Fees and commissions receivable	**25 970**	**14 857**
Commission fees	(59 896)	(24 983)
Other costs	(560)	-
Fees and commissions payable	**(60 456)**	**(24 983)**

Income by geography

	2018		2017	
In NOK thousands	**Norway**	**Finland**	**Norway**	**Finland**
Interest income	312 711	90 931	189 360	11 842
Fees and commissions receivable	16 028	9 942	11 887	2 970
Gain/(loss) from currency and securities	12 412	(8 276)	(2 372)	916

Note 15 Employee share option programme

The Board is granted power of attorney to issue up until 2.2 million shares in connection with the employee bonus and share option programme. In 2016, 999 990 shares were allocated to this purpose. Reference is made to note 9 for conditions and criteria related to the employee incentive programme.

The fair value of the employee share option programme is calculated using the Black-Scholes option pricing model. The cost has been recognised as staff cost, and the fair value is calculated based on the following assumptions:

- Options are only exercisable if certain criterions are met within March 28, 2018.
- The options are not valid for trading
- Volatility: 32.30 %
- Risk free interest rate: 2.00 %
- Exercise price: NOK 2.80 per share
- Share price at time of issue: NOK 2.80

Estimated fair value is NOK 0.38 per option. Total costs recognised in the income statement is NOK 384 thousand. Set out below are summaries of options granted under the plan:

		Avg exercise price per share option	**Number of options**
As at 1 January 2018	NOK	2.80	777 770
Granted during the year		-	-
Exercised during the year		-	777 770
Expired during the year		-	-
Forfeited during the year		-	-
As at 31. December 2018	NOK	**2.80**	**0**

Note 16 Market risk, Currency risk and Financial derivatives

The Board has established guidelines and a framework for Monobank's investments in bonds and financial instruments, as well as guidelines and framework for handling currency risk related to the Finnish operation.

The loan portfolio in Finland is exposed to fluctuations in EUR as all loans in Finland are issued in EUR. The bank seeks to mitigate this risk by using NOK/EUR forward contracts.

In NOK thousands	**2018**	**2017**
The current balance of loans in EUR at 31 December:	1 255 737	406 810

Book value of financial derivatives at		
In NOK thousands	**31.12.2018**	**31.12.2017**
NOK/EUR forward contracts	(11 086)	(8 376)
Deposits pledged as collateral	17 730	9 750
Net financial derivatives	**6 644**	**1 374**

Note 17 Subordinated loan

In NOK thousands

Monobank ASA have the following subordinated loans:	**ISIN**	**Rate**	**Maturity**	**Costs**	**2018**	**2017**
Tier 2 bond	NO0010804792	3 mnd Nibor + 5%	13.09.2027	851	50 000	50 000
Tier 1 bond	NO0010804784	3 mnd Nibor + 7%	Perpetual	851	50 000	50 000

Note 18 Subsequent events

On 8 February 2019, Monobank ASA and BRAbank ASA (BRAbank) entered into a merger agreement. The merger plan is scheduled to be adopted by the Board of Monobank and the Board of BRAbank on 14 February 2019, and will be processed during the AGM at the end of March 2019.

The merger entails that BRAbank's shareholders will receive 9.25 shares in Monobank per BRAbank share, which leads to the issuance of 142.9 million new shares in Monobank. Existing shareholders in BRAbank will hold 34.3% of total shares outstanding in Monobank after the merger. In connection to the merger, four directed equity issuances of between NOK 100 million and NOK 130 million at a share price of NOK 1.90 in Monobank will take place.

A directed equity issuance of approximately NOK 58 million pre-accepted by BRAbank's largest owner Braganza AB,

- A directed equity issuance of approximately NOK 37 million to BRAbank's largest owners after Braganza AB,
- A directed equity issuance of approximately NOK 5 million to other BRAbank shareholders, and
- A directed equity issuance towards Monobank's shareholders of up to NOK 30 million.
- Braganza has pre-accepted and guaranteed the issuance (i), (ii), and (iii).

The merger is contingent on the approval of the Financial Supervisory Authority, and is expected to, given the fulfilment of all conditions and the implementation of the notice to creditor period, take effect within the first semester of 2019. The merged company will be named BRAbank.

The Chairman of the Board of the merged company will be Geir Stormorken. Monobank's current Chairman Jan Greve-Isdahl will be named Deputy Chairman. The merged company will be headed by Bent Hilding Gjendem, and the headquarter will be in Bergen. For further information regarding the merger, reference is made to the stock exchange announcement of 8 February 2019.

Monobank and BRAbank possess complimentary advantages, and Monobank's already established platform combined with BRAbank's solid partner network add significant synergies. The merged company will also be capitalised sufficiently to reach NOK 10 billion in loans for the next five years. The goal is for this to be achieved through continued growth in consumer loans in Norway and Finland, a focus on consumer loans in Sweden, and growth from both Monobank's and BRAbank's credit card solutions.

In connection to the directed equity issuance of 23 October 2017, Monobank communicated its plans to apply for a listing on Oslo Stock Exchange's main market within the next twelve months, subject to market conditions. Due to the announced merger with BRAbank, the Bank will postpone its listing plans, and re-evaluate them at a more appropriate point of time, subject to the integration between BRAbank and Monobank, the regulatory condition, and the market condition for consumer loans and credit cards in Norway, as well as the general capital market conditions.

Auditor’s report

MONOBANK

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