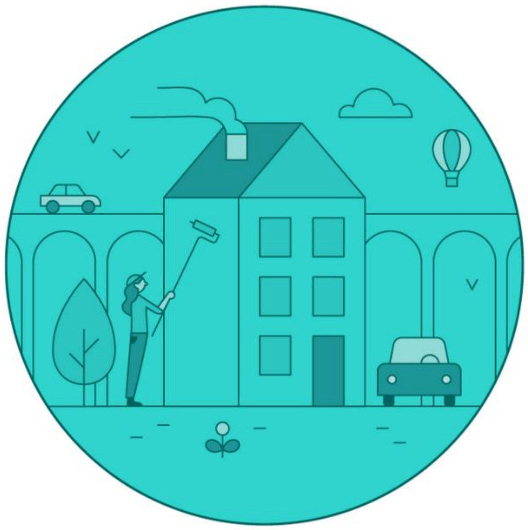
BRABANK



Annual report 2018

About BRAbank

BRAbank is a Norwegian consumer bank with business activities in Norway and Sweden. On 1 July, BRAbank opened for business in Norway. The bank's activities in Sweden are organised as a cross-border operation with all bank-related activities run from the office in Oslo.

BRAbank's ownership structure, IT solutions and competence amongst key employees are the main elements behind the ambition of becoming a "*Travel and retail bank*".

Initially, BRAbank has established itself on the Norwegian market with a consumer loan, distributed through brokers, and a deposit account. In late 2018, BRAbank launched BRA Mastercard in Sweden, in cooperation with the airline BRA. Thereafter, consumer loans are planned in Sweden from the first quarter of 2019.

The regulatory framework in current markets, particularly in Norway, is undergoing changes. From the start of business, BRAbank's credit policy has been adapted to the existing guidelines from the Norwegian FSA, which have been implemented in the form of regulations as of 12 February 2019.

BRAbank is a member of the Norwegian Banks' Guarantee Fund, which secures all deposits from Norwegian customers up to NOK 2 million and EUR 100 000 from Swedish customers.

At the end of 2018, the bank employs 10 full-time staff-members at the office in Oslo. The limited number of employees is made possible by extensive use of outsourcing partners in the areas of accounting, IT, marketing, underwriting services and customer service.

Board of Director's Report

In the bank's start-up year of 2018, BRAbank launched several products to the market. In Norway, BRAbank launched unsecured consumer lending and a savings product. In Sweden, BRA Mastercard was launched at the end of the year. In addition, BRAbank continuously added brokers to strengthen the consumer loan product and at year-end cooperated with 10 brokers in Norway and Sweden. Going into 2019, BRAbank continues the product development and roll-out according to plan.

2018 Highlights

- BRAbank obtained a banking license issued by The Norwegian Ministry of Finance on 7 May 2018. On 1 July, BRAbank opened for business in Norway
- BRAbank's shares were listed at Merkur Market at Oslo Stock Exchange on 29 August 2018
- During 2018, investments related to the core banking systems supporting six products in Norway and Sweden were completed
- In Norway, BRAbank launched two products, consumer loans and deposits
- In Sweden, BRA Mastercard was launched, and preparations for consumer loans intensified
- Eight brokers contracted to deliver lending growth from day one in Sweden. In total, 10 brokers worked with BRAbank at the end of the year

2018 financial review

BRAbank's operations commenced on 1 July 2018. Net interest income for the year amounted to NOK 2.6 million in 2018, net commission income was NOK -0.7 million and gains on securities amounted to NOK 0.9 million. Net result for the year was NOK - 47.7 million.

Loan sales in 2018 amounted to NOK 102.8 million, leaving a net loan book of NOK 97.4 million at the end of the year. Customer deposits amounted to NOK 51.2 at the end of the year. Lending operations were fully financed by equity and deposits from customers.

Liquid assets at end of the year consisted of deposits with banks at NOK 34.9 million and securities amounting to NOK 152.0 million. Liquid assets corresponded to 57 % of total assets. The liquidity buffer at year-end was NOK 16 million, which is above four times the expected net outflow. The Board of Directors regards this reserve to be satisfactory.

Total start-up and development investments amounted to NOK 44.7 million. These costs have been capitalised in the balance sheet with a 36-months depreciation period.

Total assets at year-end amounted to NOK 326.6 million.

Subsequent events

On 8 February 2019, BRAbank ASA and Monobank ASA (Monobank) entered into a merger agreement, with the intent to create a well-capitalised bank with a broad distribution platform and fully funded growth ambitions.

- The merger is intended to create significant value and benefits for both set of shareholders, from consolidating to one cost base and from generating revenue synergies from complementary distribution strengths
- If completed, BRAbank's shareholders will receive 9.25 shares in Monobank for each share in BRAbank, representing 34.3% of the total outstanding shares following the merger, prior to the equity issues
- In conjunction with the merger, Monobank will raise NOK 100-130 million of new equity, of which NOK 100m is underwritten by Braganza AB
- The transaction is unanimously recommended by the Board of Directors of both BRAbank and Monobank, and as of 8 February 2019, 59.4% of BRAbank shareholders and 47.2% of Monobank shareholders have pre-committed to vote in favour of the transaction
- The transaction is subject to shareholder approval from both Monobank and BRAbank, as well as regulatory approvals. The transaction is expected to close by the end of second quarter 2019
- Monobank CEO Bent Hilding Gjendem will be appointed CEO for the combined bank, which will be named BRAbank and be headquartered in Bergen. BRAbank's Chairman Geir Stormorken will be appointed Chairman for the combined bank, and Monobank's Chairman Jan Greve-Isdahl will continue as Vice Chairman

Risk factors and risk management

The Board of Directors is responsible for the overall risk governance including overseeing a robust and effective system of risk management that ensures that the level of capital and liquidity held is adequate and in line with the bank's risk profile. The bank's risk appetite and control measures are underpinned by a policy framework covering all central risk areas and has been approved by the Board of Directors.

Credit Risk

Credit risk represents the most important risk to the bank and is central to the day to day activities. Credit risk is defined as the risk of loss due to a customer defaulting on their debt by failing to make the contractually obligated payments. The bank manages credit risk in line with the approved Credit Risk policy and guidelines of responsible lending. All loan applications are processed through an automated decision system comprising policy rules, checks of creditworthiness and affordability of the consumer. The credit risk profile of the bank's portfolio is subject to constant monitoring and is overseen by the bank's credit committee.

Liquidity Risk

Liquidity risk is defined as the risk that the bank is not able to meet its obligations as they fall due. The bank has employed a liquidity risk policy including both regulatory and internal liquidity limits to ensure financial obligations can be met at all times, even under stress conditions. To ensure a high level of liquidity, the bank maintains a stock of high-quality liquid assets. A liquidity contingency plan has been established and liquidity is monitored daily with at least monthly reports to the Board of Directors. The bank's current liquidity is well within regulatory and internal limits, with a liquidity coverage ratio (LCR) of 464 %.

Market Risk

Market risk includes interest rate, foreign exchange rate, credit spread and equity -risk and is defined as a change or loss in value of earnings or capital due to movements in market rates or prices. A market risk policy has been established and clearly defines limits of investments as well as requirements of regular monitoring and reporting.

The Bank does not have a trading book but is exposed to fluctuations in interest rates on its lending book as well as market risk in the assets held for liquidity purposes. Interest rate risk is very limited as the bank does not offer any fixed rate loans or deposits and the liquidity assets all have short durations. The bank's exposure to currency risk is limited to fluctuations in costs related to the core banking system (DKK).

Operational Risk

Operational risk, defined as losses from inadequate or failed internal processes, systems and people or from external events, is governed by the bank's operational risk policy. All processes are subject to continuous monitoring and control with risk reducing measures implemented as necessary.

Statement on Corporate Social Responsibility

BRAbank aims to be a responsible bank with a view to working conditions, human rights, the environment and anti-corruption efforts. BRAbank has not prepared any formal guidelines, principles, procedures or standards related to corporate social responsibility, as it is considered an extensive process that would be costly and resource-intensive in relation to the company's situation, results and type of business at current. BRAbank is not regulated by any environmental concessions or administrative orders.

BRAbanks has a responsibly in a rapidly growing consumer banking market as a provider of unsecured loans. The bank offers consumer loans as an integral part of the business and strives a to reduce risk for the borrower and the bank. As such, a responsible credit policy and strict guidelines for all new loans have been established.

The working environment and the employees

At the end of 2018, the bank employs 10 full-time staff at the offices in Oslo. The limited number of employees is made possible by extensive use of outsourcing partners in the areas of accounting, IT, marketing, underwriting services and customer service.

BRAbank aims to be a workplace with equal opportunities. Of BRAbank's 10 employees at the end of 2018, there were six men and four women. The bank aims to recruit from environments equally dominated by both men and women. Two of the five Board members were women and one of the six executives was a woman. The working environment is good, and efforts for improvements are made on an ongoing basis.

In 2018, leave of absence due to illness or children's illness totalled 60 possible work hours, this equals to an absence rate of less than 0.1%. BRAbank is satisfied with the results and strives to offer good working conditions through modern and spacious premises. The bank offers comprehensive insurance policies and pension plans for employees. No incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year.

Environmental footprint

BRAbank's operations have no direct negative impact on the environment. In the bank's opinion, its operations do not pollute the external environment. In addition, BRAbank encourages employees to travel by public transportation. The location of BRAbank's offices was chosen in part based on its proximity to public transportation. There is no dedicated car parking area for the company's employees, while bicycles can be parked for free. At the office, BRAbank practices waste sorting. Equipment for video conferences and telephone meetings is available to replace air travel and is the preferred choice at BRAbank.

Corporate governance

BRAbank's corporate governance is aligned to achieve the company's strategic objectives. BRAbank has only one class of share and all shares have the same rights. One share has one vote at the Annual General Meeting unless otherwise determined by law or governmental regulations. Board members are selected and proposed to the Annual General Meeting by an independent three-member Nomination Committee in accordance with the company's statutes. The Annual General Meeting elects the Nomination Committee.

The General Shareholder's Meeting is open and accessible to all shareholders. It shall convene every year by the end of May. BRAbank's statutes have neither provisions that limits or extends the rules and regulation of The Public Limited Liability Companies Act Chapter 5.

There is a statutory two-week deadline on Notice of the Annual General Meeting. Agenda and relevant documents will be made available on BRAbank's web site www.BRAbank.no. That notwithstanding, Shareholders may request relevant documents by mail without charge. Protocol from the Meeting will be made public on the Bank's website as soon as it is available. The documents shall be sufficiently comprehensive to provide a basis to decide on the issues that are being raised.

Going concern

The Board confirms that the bank satisfies the conditions to continue as a going concern. The Board is not aware of events after the reporting date of material importance for the annual financial statements.

Allocation of net income

The Board has proposed the net income of BRAbank ASA to be attributed to:

- Retained Earnings (NOK 47.7 million)
- Net income allocated (NOK 47.7 million)

Share information

As of 31 December 2018, BRAbank had issued 15,451,432 shares of stock, of which all shares were outstanding, and no shares were held by the company. The nominal value per share was NOK 6.50. BRAbank had 430 shareholders, and 81.6% of the shares were owned by the 20 largest shareholders. The largest shareholder Braganza AB held 19.4% of the shares. At the end of 2018, the share price was NOK 15.0 per share.

Outlook

With reference to the section "*Subsequent events*", BRAbank and Monobank informed on 8 February 2019 that the banks had entered into a merger agreement, with the intent to create a well-capitalised bank with a broad distribution platform and fully funded growth ambitions. The proposed merger agreement is subject to approval by both set of shareholders as well as the Norwegian Financial Supervisory Authority. The transaction is expected to close by the end of Q2 2019. Any outlook presented by BRAbank until a completed merger is based on stand-alone continuation.

Both the Norwegian and Swedish economies appear to be strong, with low unemployment and real household income on the rise. Consensus seems to expect interest rates to slowly start inclining, however from historically low levels. Increasing interest rates are expected to have a negative effect on the real estate market, with many analysts expecting flat or negative price development in 2019.

New regulations in Norway will be in place during Q2 2019, including guidelines for unsecured credits from the Norwegian Financial Supervisory Authority. The bank and the general lending market will adapt to the new regulations and focus on creating safe and responsible market for customers. The bank will continue to follow a cautious credit policy and distribution approach.

The introduction of the new NFSA regulations, based on existing guidelines for unsecured lending in Norway, was delayed but is now confirmed in February 2019. Going forward, the bank will increase its consumer loan volumes by implementing more and larger brokers, while continuing to follow a cautious credit policy.

BRA Mastercard is still in an early phase of introduction. Increased exposure in the communication channels controlled by Braathens Regional Airlines (BRA), digital marketing through retargeting on social media and a revised communication concept are concrete actions to be implemented. In addition, the bank will also conduct a test phase of face-to-face marketing at Bromma Stockholm Airport.

Based on the operational experience with consumer loans in Norway, coupled with a strong distribution network from the start, the bank is positive to the launch of consumer loans in Sweden. Early feed-back from Swedish brokers indicate a well-functioning IT set-up and a smooth application process for customers and loan brokers.

Oslo, 14 February 2019

The Board of Directors of BRAbank ASA

Geir Stormorken
Chairman

Cecilie Amdahl
Board member

Kristin Margrethe Krohn Devold
Board member

Tom Høiberg
Board member

Trond-Roger Johannessen
Board member

Morten Grusd
CEO

Declaration concerning annual financial statements and report from the Board of Directors

We confirm that the annual financial statements for the period 1 January to 31 December 2018 have, to the best of our belief, been prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true picture of the company's assets, liabilities, financial position and results as a whole, and that the information in the Report from the Board of Directors provides a true picture of the development, results and osition of the company, together with a description of the key risk and uncertainty factors the company faces.

Oslo, 14 February 2019

The Board of Directors of BRAbank ASA

Geir Stormorken
Chairman

Cecilie Amdahl
Board member

Kristin Margrethe Krohn Devold
Board member

Tom Høiberg
Board member

Trond-Roger Johannessen
Board member

Morten Grusd
CEO

Financial Statements

Statement of profit and loss

(Amount in NOK '000)	Note	YTD 31.12.18	YTD 31.12.17
Interest income, effective interest method	8	2 997	3
Interest expenses, effective interest method	8	-198	-116
Other interest expense	8	-229	-
Net interest income		**2 570**	**-113**
Commissions and fee income	8	34	-
Commissions and fees expense	8	-752	-6
Net commissions and fees		**-718**	**-6**
Net gains/losses (-) on financial instruments at fair value	3,19	905	-
Salary and other personnel expenses	15	-13 318	-3 404
General administrative expenses	9	-12 338	-1 670
Total salary and administrative expenses		**-25 656**	**-5 075**
Depreciation of assets	17	-6 450	-
Other expenses	10	-12 316	-4 029
Total operating expenses excl. impairment losses		**-44 422**	**-9 104**
Impairment losses	4	-6 048	-
Profit before tax		**-47 713**	**-9 223**
Tax expenses	16	-	-
Profit for the period		**-47 713**	**-9 223**
Earnings per share (NOK)		-5,47	-8,84
Diluted earnings per share (NOK)		-5,00	-8,84

Statement of comprehensive income			
Profit for the period		-47 713	-9 223
Other comprehensive income, net of tax		-	-
Comprehensive income for the period		**-47 713**	**-9 223**
Income/Total assets (annualised)		*-14,6 %*	*-93,8 %*

Balance sheet

(NOK 1.000)	Note	**31.12.2018**	**31.12.2017**	**01.01.2017**
Assets				
Deposits with credit institutions	3,6	34 877	5 845	61
Net loans to customers	3,4	97 413	-	-
Securities	3,19	152 047	-	-
Intangible assets	17	38 312	-	-
Other receivables	7	3 994	3 990	-
Total assets		326 642	9 835	61
Equity and liabilities				
Deposits from customers	3	51 220	-	-
Other liabilities	7	14 212	1 897	400
Total liabilities		65 432	1 897	400
Share capital	5,14	100 434	199	100
Share premium reserve	5	217 782	17 401	-
Other paid-in equity	5,15	369	-	-
Retained earnings	5	-57 375	-9 662	-439
Total equity		261 210	7 938	-339
Total equity and liabilities		326 642	9 835	61

Oslo, 14 February 2019

Board of Directors, BRAbank ASA

Geir Stormorken Chairman	Tom Høiberg Board Member	Trond R. Johannessen Board Member
Kristin M. Krohn Devold Board member	Cecilie Amdahl Board member	Morten Grusd CEO

Statement of cash flows

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Cash flow from operating activities		
Profit before tax	-47 713	-9 223
Tax expenses	-	-
Depreciation of assets	6 450	-
Change in net loans to customers	-99 928	-
Change in deposits from customers	51 220	-
Change in securities	-152 952	-
Change in other receivables and other liabilities	16 100	-2 093
Net cash flow from operating activities	**-226 822**	**-11 316**
Cash flow from investing activities		
Payment for acquisition of intangible assets	-44 762	-
Net cash flow used in investing activities	**-44 762**	**-**
Cash flows from financing activities		
Repayment of short-term debt	-	-400
Paid-in share capital and share premium	300 616	17 500
Net cash flow from financing activities	**300 616**	**17 100**
Net cash flow for the period	29 032	5 784
Cash and cash equivalents at the start of the period	5 845	61
Cash and cash equivalents at the end of the period	**34 877**	**5 845**

Statement of equity changes

(Amounts in NOK '000)	**Share capital**	**Share premium**	**Other paid-in equity**	**Other equity**	**Total equity**
Equity as at 31.12.2017	**199**	**17 401**	-	**-9 662**	**7 938**
Share capital increase	100 236	200 380	-	-	**300 616**
Changes in equity due to share options program	-	-	369	-	**369**
Profit for the period	-	-	-	-47 713	**-47 713**
Other comprehensive income, net of tax	-	-	-	-	**-**
Equity as at 31.12.2018	**100 434**	**217 782**	**369**	**-57 375**	**261 210**

Notes

Transition note to simplified IFRS

(Amounts in NOK '000)	**Share capital**	**Share premium**	**Uncovered loss**	**Total equity**
Equity NGAAP at 31.12.2016	100	0	-439	-339
IFRS adjustment	0	0	0	0
Equity IFRS at 01.01.2017	100	0	-439	-339
Equity NGAAP at 31.12.2017	199	17 401	-9 662	7 938
IFRS adjustment	0	0	0	0
Equity IFRS at 31.12.2017	199	17 401	-9 662	7 938

Note 1 – General accounting principles

1. Corporate information

BRAbank ("the Bank") offers consumer loans and deposit accounts for individuals in Norway and credit cards in cooperation with Braathens Aviation AB. The Bank will start up with consumer loans for private individuals in Sweden during the first quarter of 2019 and deposit accounts in Sweden in Q2 2019. The bank's head office is located in Drammensveien 151, 0277 Oslo, Norway. The shares are listed on Oslos stock Exchange' Merkur Market.

2. Basis of preparation

The financial statements have been prepared in according with the Norwegian Ministry of Finance's regulation on annual accounts, Section 1-6 "Simplified International Financial Reporting" (simplified IFRS). These are the first annual financial statements prepared in accordance with simplified IFRS. The accounts until 31 December 2017 were prepared in accordance with the Norwegian Accounting Act (NGAAP). Comparative figures have been prepared as if the Bank had implemented simplified IFRS from 1.1.2017.
There is no effect in the financial statement as a result of the transition from NGAAP to Simplified IFRS. The Bank has not applied any of the simplifications or exceptions under the regulation.

The financial statements have been prepared under the historical cost convention, except for certain financial assets measured at fair value.

2.1 New standards and interpretations not yet adopted

The Bank is required to adopt IFRS 16 Leases from 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting treatment for lessors will not be material changed. The bank has analyzed all leases in order to ensure that they meet the criteria as leases under IFRS 16 and it is only a lease agreement on office buildings that falls under the new standard. The Bank plan to apply IFRS 16 initially on 1January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance at 1 January 2019, with no restatement of comparative information.

The discount rate used to determine the present value of assets and liabilities is the best estimate of the bank's marginal interest rate. The estimated effect of IFRS 16 on the opening balance as of January 1, 2019 will be an increase of NOK 2.5 million in assets and liabilities.

3. Foreign currency

The presentation currency of the Bank is Norwegian kroner (NOK) which is also the functional currency. The Bank has a foreign branch whose functional currency is different from NOK.

Transactions in foreign currency are translated into their respective functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into NOK at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into NOK at the average exchange rate for the year. When applying this criterion, the Bank considers whether there have been significant changes in the exchange rates in the reporting period, in view of their materiality to the financial statements taken as a whole, would make it necessary to use the exchange rate at the transaction dates instead.

4. Financial assets and liabilities

4.1. Initial recognition and measurement

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

4.2. Derecognition of financial assets and liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

4.3. Classification and subsequent measurement

Financial assets

The Bank classifies its financial assets in the following measurements categories:

- Amortised cost;
- Fair value through profit or loss (FVPL);

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All other financial assets are measured at FVPL.

Business model assessment

The Bank assess the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model. It rather incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition adjusted for accrued effective interest and principle repayments. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. nonrecourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial assets measured at amortised cost consist of loans due from credit institutions and loans due from customers.

Financial assets measured at FVPL consist of investments in shares and funds.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities comprise of deposits from customers.

4.4. Measurement methods and presentation

Financial assets and liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortization using the effective interest method of any differences between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the financial asset is not credit-impaired) or to the amortised cost of the financial liability. When and financial asset become credit impaired the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset.

Interest income and expense calculated using the effective interest method is presented within 'Interest income- effective interest method' and 'interest expense- effective interest income' in the statement of comprehensive income.

Interest income – effective interest method' consist of interest income on deposits with credit institutions and interest on loans to customers. 'Interest expense – effective interest method' consist of interest expense on deposits from credit institutions and interest expense from deposits from credit institutions.

Financial assets measured at FVPL

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, expected discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. See note 19 for a description of fair value measurement.

Gains and losses on financial instruments at fair value comprise fair value gains and losses from shares and funds and presented within '"Net gains/losses on financial instruments at fair value".

4.5 Impairment on loans to customers

The Bank assess the expected credit losses ('ECL') on a forward-looking basis, associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Expected credit loss measurement

The Bank applies a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Bank
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please see below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If credit risk deteriorates further and the financial instrument is assessed to be credit-impaired, the financial instrument is moved to 'Stage 3'. Please see below for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured based on default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Measuring ECL – explanation of inputs, assumptions and estimation techniques

When assessing SICR the Bank uses both quantitative and qualitative factors. The triggers measure a degradation of credit quality by comparing the PD at origination against the PD calculated at the time of reporting, as well as observation of a forbearance flag, 30 days past due, cross product default or a history of delinquency over the past three months. The bank is utilizing explicit models for expected life-time on all unsecured loans, measured against the contractual life-time and current down payment schedule. The model is developed and managed by bank data central SDC A/S, Denmark and utilized by IFRS bank clients of SDC. The Bank is an IFRS bank client of SDC, and all customer data of the Bank are available for running the models.

IFRS9 requires that ECLs should reflect an unbiased and probability-weighted estimate of credit losses over the expected life of the financial instruments (i.e. the weighted average of credit losses with the respective risks of a default occurring as the weights), which require evaluating a range of possible outcomes. This involves identifying possible scenarios and consider whether the effect of non-linearity is material and whether the Bank has a reasonable and supportable basis for this multiple scenario analysis. After 6 months of operations, the bank does not possess a sufficient amount of relevant historical data to support such analysis. Further the Bank only originate unsecured loans which means that the effect of non-linearity will be much less severe than for secured loans. Scenario analysis for calculation of write-downs will be introduced and disclosed in future reporting – indicatively, first time in Q3 of 2019.

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next twelve months. After 30 days on book, each loan is given an initial PD, based on statistical features of the customer – age, gender, geography, time-on-book, loan size and status of any other accounts the customer has with the Bank. The actual PD is re-assessed monthly, based on customer behaviour –, late payments/ reminders, advance payments. With no historical data to support expected PD of any given loan, initial benchmark ratios have been applied. Each loan is also given an expected loss given default – LGD. The initial LGD has been fixed at 40 % for all loans.

At first recognition, the loan is defined to be in stage 1. If a significant increase in credit risk should occur the loan will migrate to stage 2. A significant increase in credit risk is assessed by using several criteria, including late payment beyond 30 days after maturity. The most important factor for the assessment is a comparison between the original probability of default and the probability of default at the reporting date. Each product has its own threshold values when one considers an increase to be significant. Products with absolute low application PDs therefore lead to high trigger requirements, as they are relative and come from a low level. The Bank will disclose such triggers in future reporting – indicatively, first time in the Q3 2019 reporting. Exposures move back from stage 2 to stage 1 once they no longer meet the criteria for a significant increase in credit risk. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

4.6 Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.
- Significant extension of the lean term when the borrower is not in financial difficulty.
- Significant change in interest rate.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

4.7 Write-off policy

The Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) insolvency of the borrower and (ii) realization of the collateral where the Bank's recovery method is foreclosing on collateral is such that there is no reasonable expectation of recovery in full. The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 31 December 2018 was TNOK 0. The Bank still seeks to recover amounts it is legally owed in full, but which have been partly written off due to no reasonable expectation of full recovery.

5. Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

6. Fees and commissions

Fees and commission income and expense that are an integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commissions income is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and services fees, which are expensed as the service are received.

7. Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Deferred tax is reflected at nominal value.

8. Intangible assets

Intangible assets consist of acquired and internally developed IT systems/software and rights. Acquired intangible assets are recognised at cost with the addition of expenses incurred to make the asset ready for use. Costs for internally developed software which are controlled by the Bank are recognised as intangible asset when the following criteria are met:

- Management intends to complete the software and use it
- There is an ability to use the software as it can be demonstrated how the software is contributing to probable future economic benefits and the expenditure attributable to the software during its development can be reliable measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The Bank amortises intangible assets with a limited useful life over three years, using the straight-line method.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

9. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with credit institutions with no agreed period of notice. This means that all cash and cash equivalents are immediately available. The statement of cash flows is prepared in accordance with the indirect method.

10. Pension benefit schemes

The Bank is subject to a compulsory occupational pension act and has a scheme that satisfies the legal requirements. The Bank has a defined contribution scheme that applies to all employees. Under the defined contribution plan the Bank pays contributions to an insurance company. After the contribution has been made the Bank has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

11. Share based payments

The Bank has a Employee Option Plan for the Bank's management team. The fair value of options granted under the Banks 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. 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 Bank 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.

12. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

13. Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the Bank's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of expected credit loss allowance for financial asses measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Note 2 – Subsequent events and contingent liabilities

Subsequent events

On 8 February 2019, BRAbank ASA and Monobank ASA (Monobank) entered into a merger agreement, with the intent to create a well-capitalised bank with a broad distribution platform and fully funded growth ambitions. The merger is intended to create significant value and benefits for both set of shareholders, from consolidating to one cost base and from generating revenue synergies from complementary distribution strengths. If completed, BRAbank's shareholders will receive 9.25 shares in Monobank for each share in BRAbank, representing 34.3% of the total outstanding shares following the merger, prior to the equity issues In conjunction with the merger, Monobank will raise NOK 100-130 million of new equity, of which NOK 100m is underwritten by Braganza AB. The transaction is unanimously recommended by the Board of Directors of both BRAbank and Monobank, and as of 8 February 2019, 59.4% of BRAbank shareholders and 47.2% of Monobank shareholders have pre-committed to vote in favour of the transaction. The transaction is subject to shareholder approval from both Monobank and BRAbank, as well as regulatory approvals. The transaction is expected to close by the end of second quarter 2019
Monobank CEO Bent Hilding Gjendem will be appointed CEO for the combined bank, which will be named BRAbank and be headquartered in Bergen. BRAbank's Chairman Geir Stormorken will be appointed Chairman for the combined bank, and Monobank's Chairman Jan Greve-Isdahl will continue as Vice Chairman.

Contingent liabilities

There are no contingent liabilities to disclose at 31 December 2018.

Note 3 - Financial instruments

Financial instruments at fair value

According to IFRS7 financial instruments at fair value should be measured at different levels:

Level 1: Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

Level 2: Financial instruments in level 2 are determined based on inputs other than quoted prices, but where prices are observable either directly or indirectly. These include quoted prices in markets that are not active.

Level 3: When valuation cannot be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Securities	**31.12.2018**	**31.12.2017**
Securities - Level 1	150 853	-
Total securities at fair value through profit and loss	**150 853**	**-**

The bond portfolio consists solely of shares in Bond Funds, managed by Norwegian asset managers. The portfolio is held for liquidity management purposes, and to satisfy CRD IV requirements regarding liquid assets and minimum Liquidity Coverage Ratio requirement.

Long-term equity shares	**31.12.2018**	**31.12.2017**
Shares in SDC A/S, Denmark - Level 3	1 194	-
Total shares at fair value through profit and loss	**1 194**	**-**

Financial instruments at amortised cost

Financial instruments at amortised cost are valued at originally determined cash flows, adjusted for any impairment losses.

Financial assets at amortised cost	**31.12.2018**	**31.12.2017**
Loans and deposits with credit institutions	34 877	5 845
Net loans to customers	97 413	-
Total financial assets at amortised cost	**132 290**	**5 845**
Deposits from customers	51 220	-
Total financial liabilities at amortised cost	**51 220**	**-**

Deposits from customers

Deposits from household customers are regular savings accounts, with variable interest and unrestricted access to withdrawal. Deposits up to NOK 2 million are guaranteed by "Norwegian Banks' Guarantee Fund". Besides equity, deposits from household customers is currently the most important funding source of the bank. The fee for participating in the deposit guarantee scheme was paid in Q3 2018 with an amount of NOK 229.000. The amount is accounted as interest costs.

	31.12.2018	**31.12.2017**
Deposit interest at end of quarter	1,98 %	
Number of deposit accounts EOP	95	
Total deposit amount in NOK	51 220 242	
Average deposit amount in NOK	539 160	

Note 4 - Loans to customers

Loans to customers at EOP consist of unsecured consumer lending to household customers in Norway, as well as credit card lending to consumers in Sweden. First loan payment in Norway was in July 2018. First credit card issued in Sweden was November 2018.

Risk class 1 - Unsecured consumer loans (Norway)
Consumer loans: Loan amount NOK 20.000 - NOK 500.000. Maximum tenure is five years. Pricing is risk based, with a minimum interest of 7.95 % and a maximum of 19.95 %.

Risk class 2 – Consumer credit cards (Sweden)
Credit card lending carries a maximum credit limit of SEK 50.000. Interest rate is fixed at 19,90 %. At end of quarter the credit card portfolio is not considered to be a significant part of the loan book.

Loans to customers (NOK '000)	31.12.2018	31.12.2017
Loan balance, unsecured consumer lending	96 917	-
Amortised loan broker commission	3 494	-
Gross loans, unsecured consumer lending	100 411	-
Gross loans, credit cards	3 011	-
Gross lending	103 422	-
Impairment of loans	(6 009)	-
Net loans to customers	**97 413**	**-**

Loan ageing at 31.12.2018	NOK '000	# accounts
Not Due	83 719	1 753
Past due 30 days	9 591	83
Past due 60 days	4 413	40
Past due 90 days +	5 808	49
Gross loans	**96 917**	**1 925**

Stage analysis

Stage 1: A new credit exposure is Initially recognised in Stage 1. If there is no significant increase in credit risk at next recognition, the exposure stays in Stage 1. The applied initial PD ratio for a Stage 1 credit shall reflect the probability of default within the next 12 months. The initial (12 months') PD is produced by the scorecard provided by Bisnode, reflecting large quantities of observed relevant default data over many years, at the time of on-boarding.

Stage 2: If there is a significant increase in credit risk since previous reporting period the exposure will be re-classed to Stage 2. Back-stop for Stage 2 assessment is the second reminder, which is presented 42 days past due. The applied PD ratio for Stage 2 exposures shall reflect the probility of default over the full lifetime of the exposure. The full exposures move back from stage 2 to stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Stage 3:
If credit risk deteriorates further and the financial instrument is assessed to be credit-impaired, the financial instrument is moved to Stage 3. Back-stop for Stage 3 exposures is unpaid 90 days past due. The applied PD ratio for Stage 3 exposures shall reflect the probility of default over the full lifetime of the exposure. If there is no evidence supporting that the PD should be lower, the applied lifetime PD for Stage 3 exposures is 1 (100 %).

Gross loans and ECL per stage at 31.12.2018

	Risk class 1			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount opening balance	-	-	-	**-**
New loans	96 917	-	-	**96 917**
Loans transfer from stage 1 to stage 2	(11 096)	11 096		**-**
Loans transfer from stage 2 to stage 3		(7 532)	7 532	**-**
Amortised loan broker commissions	3 094	128	272	**3 494**
Gross carrying amount closing balance	88 915	3 692	7 804	**100 411**
Expected credit loss (ECL)	(2 065)	(812)	(3 088)	**(5 965)**
Net carrying amount	**86 850**	**2 880**	**4 716**	**94 446**
Provision coverage ratio	**2,3 %**	**22,0 %**	**39,6 %**	**5,9 %**

	Risk class 2			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount opening balance	-	-	-	**-**
New loans	3 011	-	-	**3 011**
Loans transfer from stage 1 to stage 2	-	-	-	**-**
Loans transfer from stage 2 to stage 3	-	-	-	**-**
Gross carrying amount	3 011	-	-	**3 011**
Expected credit loss (ECL)	(44)	-	-	**(44)**
Net carrying amount	**2 967**	**-**	**-**	**2 967**
Provision coverage ratio	**1,5 %**			**1,5 %**

Geographical distribution of loans and credit limits

Region/county	**Gross lending**	**ECL**	**Net lending**	**Unused credit limits**
Akershus	11 869	-671	11 198	
Aust-Agder	1 043	-90	953	
Buskerud	4 090	-462	3 628	
Finnmark	2 458	-91	2 367	
Hedmark	4 145	-196	3 949	
Hordaland	6 646	-564	6 081	
Møre og Romsdal	3 368	-165	3 204	
Nordland	3 142	-289	2 853	
Oppland	2 465	-213	2 253	
Oslo	11 129	-683	10 447	
Rogaland	5 423	-374	5 049	
Sogn og fjordane	612	-116	496	
Telemark	2 952	-158	2 794	
Troms Romsa	2 592	-152	2 440	
Trøndelag	5 361	-194	5 167	
Vest-Agder	1 409	-83	1 326	
Vestfold	3 955	-189	3 765	
Østfold	5 678	-630	5 048	
Sweden	3 011	-44	2 967	33 959
Undistributed *)	22 073	-644	21 429	
Total loans excl amortised loan broker commissions	**103 423**	**-6 009**	**97 413**	**33 959**

*) Demographic coding and risk class for new loans are added to database <u>after</u> end of month.

Note 5 – Capital adequacy

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Share capital	100 434	-
Share premium	217 782	-
Other paid-in equity	369	-
Retained earnings	-57 375	-
Deductions of intangible assets	-38 312	-
Common equity Tier 1 capital	**222 899**	-
Additional Tier 1 capital	0	-
Tier 1 capital	**222 899**	-
Subordinated loans	0	-
Tier 2 capital	**222 899**	-

Capital requirements

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Institutions	6 975	-
Equity instruments	1 163	-
Collective investments undertakings (CIU)	49 392	-
Other items	106 865	-
Operational risk	5 170	-
Total risk-weighted assets	**169 565**	-
Core equity tier 1 capital ratio	131,5 %	-
Tier 1 capital ratio	131,5 %	-
Capital ratio	131,5 %	-

Note 6 – Deposits with credit institutions

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Non-restricted deposits	23 790	5 589
Restricted tax withholding funds	441	256
Other restricted funds	10 647	-
Deposits with credit institutions	**34 877**	**5 845**

Note 7 – Other receivables and other liabilities

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Prepaid expenses	3 984	3 895
Other short-term assets	10	95
Total other receivables	**3 994**	**3 990**

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Payables to suppliers	5 969	939
Holiday pay	929	332
Public taxes	1 774	419
Other accrued expenses	5 540	206
Total other liabilities	**14 212**	**1 897**

Note 8 – Interest and fees

(Amounts in NOK '000)	**FY 2018**	**FY 2017**
Interest income from loans to and deposits with credit institutions	50	3
Interest income from loans to customers	2 947	-
Interest income, effective interest method	**2 997**	**3**
Interest expense from deposits from customers	156	-
Interest expense on short-term liquidity loan	42	116
Interest expense, effective interest method	**198**	**116**
Fee to Norwegian Banks' Guarantee Fund	229	-
Other interest expenses	**229**	**-**
Interest expenses	**427**	**116**
Net interest income	**2 570**	**-113**
Fees	34	-
Total commission and fees	**34**	**-**
Commission paid to Braathens Regional Airlines	586	-
Other expenses commissions and fees	166	6
Total expenses commissions and fees	**752**	**6**
Net commissions and fees	**-718**	**-6**

Note 9 – General administrative expenses

(Amounts in NOK '000)	**FY 2018**	**FY 2017**
Sales and marketing	4 004	10
IT operations	3 111	1 574
Rental of premises	875	79
Insurance	60	0
Office expenses	222	7
Other administrative expenses	4 065	0
Total general administrative expenses	**12 338**	**1 670**

Note 10 – Other expenses

(Amounts in NOK '000)	**FY 2018**	**FY 2017**
External services fees	10 939	3 681
Currency gain/loss (-) on currency transactions	88	-
Other operating expenses	625	284
Auditor	665	64
Total other expenses	**12 316**	**4 029**

Note 11 – Related parties

The bank has only one related party at the end of 2018; Braathens Regional Airlines AB ("BRA"). This company is fully owned by Braganza AB, which hold 19.38 % of the shares of BRAbank ASA. The nature of the relation with BRA is a cooperation agreement to issue co-branded loyalty/credit cards to the customers of the airline. The bank pays a royalty fee of 0.7% of interest bearing balances to the airline, as well as a SEK 250 reward per BRA customer that signs up for a credit card with the bank. Transactions between the parties will be part of daily operations and at arms length prices.

Transactions (NOK '000):

Counterpart	**Period**	**Sales to related party**	**Purchase from related party**	**Amount**
Braathens Regional Airlines AB	Nov-Dec 2018	-	Royalty and reward	586

Transactions with related parties included in the balance sheet (NOK '000)

	31.12.2018	**31.12.2017**
Debt to related parties	445	-

Note 12 – Alternative performance measures

Alternative performance measures are often used by investors, financial analysts and others for decision-making purposes by contributing to a deeper insight into the operational and financial aspects of a company. Alternative performance measures can provide reinforcing information on the company's historical and present situation, and the company's future prospects. After six months of operation, and relatively modest revenue streams, it is our opinion that alternative performance measures, such as Cost/Income ratio and Return on Equity do not provide any additional value to investors or analysts at this stage.

BRAbank will develop and assess such measures going forward.

Note 13 – Currency risk

31.12.2018

(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	1 194	-	-
Deposits with credit institutions	-	4 611	-
Net loans to customers	-	2 979	-
Debt in foreign currency	-	78	-
Net	**1 194**	**7 668**	**-**

31.12.2017

(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	-	-	-
Deposits with credit institutions	-	-	-
Debt in foreign currency	-	-	75
Net	**-**	**-**	**75**

Note 14 – Shares, warrants and options

Nominal value of the company shares is NOK 6,50. All shares have the same share class and voting rights. On 23-Feb-2018, 1,500,000 independent subscription rights [warrants] were issued to the existing shareholders of the company. The rights are freely tradable. Subscription can be exercised 1-Mar-2021, 1-Mar-2022 and 23-Feb-2023. The BoD can decide to accept exercise of subscription rights at other dates, but no later than 23-Feb-2023. Subscription price is set at NOK 23,50 + 5% step-up per year proceeding 23-Feb-2018.

Top 20 shareholders

Investor	Country	Number of shares	Ownership	Warrants
Braganza AB	Sweden	2 994 533	19,38 %	901 714
Thon Holding AS	Norway	1 543 598	9,99 %	
Westindia AB	Sweden	1 543 598	9,99 %	
Netrom AS	Norway	1 219 403	7,89 %	
Goosacker Invest AB	Sweden	550 000	3,56 %	
Allba Holding	Sweden	500 000	3,24 %	
MP Pensjon AS	Norway	476 983	3,09 %	
PB Banking AS	Norway	475 096	3,07 %	257 390
Must Invest AS	Norway	425 531	2,75 %	
Wenaas Capital	Norway	425 531	2,75 %	
Varner Invest AS	Norway	425 531	2,75 %	
JCE Group	Sweden	425 531	2,75 %	
Hjellegjerde Invest AS	Norway	250 000	1,62 %	
OG Invest AS	Norway	215 000	1,39 %	
JJ Advokat AB	Sweden	212 765	1,38 %	
Provobis Invest AB	Sweden	215 000	1,39 %	
EMT Invest	Norway	193 670	1,25 %	
Halfdan Holme AS	Norway	189 125	1,22 %	
Mellem Nes Invest AS	Norway	170 212	1,10 %	
Steian Invest AS	Norway	163 656	1,06 %	67 912
Total TOP 20		**12 614 763**	**81,64 %**	**1 227 016**
Other shareholders		2 836 669	18,36 %	272 984
Total		**15 451 432**	**100,00 %**	**1 500 000**
Of which:				
Held by management team and BoD of BRAbank:		**322 134**	**2,08 %**	**4,51 %**

Shares & options held by management or members of the BoD at 31.12.2018

May 2018 the company established a three-year stock option programme for the management team. Strike price of the options are based on the planned share issue price (NOK 23,50) as stated in the IPO and the Black and Scholes's option pricing model. Strike price is stepped up by 5 % yearly. First possible exercise date in March-2019.

Name	Title/role	# shares	# options
Morten Grusd	CEO	144 210	32 604
Kjersti Præsttun Ruben	CRO	10 000	21 170
Jamal Hussain	CCrO	5 320	18 085
Karl-Richard Floer	COO	20 000	27 170
Marius Hansen Brislöv	CCO	2 484	23 404
Sven Arnesen	CFO	55 000	27 567
Geir Stormorken	BoD chair	53 200	
Kristin Krohn-Devold	BoD mbr	5 320	
Tom Høiberg	BoD mbr	26 600	
Total		**322 134**	**150 000**

Note 15 - Salary, remuneration, benefits and auditor fees

Staff costs (NOK '000)	FY 2018	FY 2017
Salaries	10 014	2 904
Management stock options	369	-
Other benefits	217	-
Employment tax	2 005	432
Defined contribution pensions	467	40
Other staff costs	246	28
Total salaries and other staff costs	**13 318**	**3 404**
Employees EOP	9	4
External employees EOP	1	-
Total employed	**10**	**4**
Average FTE	9	2

Salary and benefits YTD 31-Dec 2018	Salary + holiday pay	Value of stock options	Variable salary	Other remune-rations	Pension contribution	Total
Management team						
Chief Executive Officer	1 548	80	480	100	66	2 274
Chief Risk Officer	963	52		17	57	1 089
Chief Credit Risk Officer	656	45		15	42	758
Chief Operations Officer	1 277	67		17	69	1 429
Chief Commercial Officer *)	930	58		166	22	1 176
Chief Financial Officer	1 144	68		101	66	1 378
Sum	**6 518**	**369**	**480**	**415**	**322**	**8 105**

*) CCO lives in Stockholm and is a Swedish tax payer. His salary is paid in SEK. Recalc rate NOK/SEK = 96

Loans and guarantees to key personnel

No loans or guarantees have been granted to management, employees, representatives, related parties or their employees.

Variable salaries

No remuneration or benefits has been paid to members of the board of directors or any other trustee of the company in 2018. A provision of NOK 643.000 has been made in the 2018 accounts to cover BoD remuneration incl. taxes.

The variable salary of the CEO was a one-off bonus, directly tied to completion of the project of building a new bank, paid in July 2018.

Defined contribution pension scheme

Until 31-May 2018 the company offered an Obligatory occupational pension scheme "OTP" to Norwegian employees. As of 1-June 2018 the scheme was upgraded to a defined contribution pension scheme including disability coverage. The following contribution levels apply:

Until 31-May 2018: 2 % of salaries between 1 G and 12 G (1 G equals NOK 96.883)
As of 1-June-2018: 6 % of salary between 0 G and 7.1 G
10 % of salary between 7.1 G and 12 G

The defined contribution pension applied to 8 employees in Norway at year end.

The company employs one FTE in Sweden. The defined pension contribution to this employee is 7,6 % of fixed annual salary.

Pension cost *(NOK '000)*	**FY 2018**	**FY 2017**
2 % OTP	47	40
Defined contribution pension	420	-
Total pension cost	**467**	**40**

Management stock options scheme

In May 2018 the company established a three-year stock option programme for the management team. The purpose of the programme was to motivate and, hopefully, reward the management team for taking the risk to join a start-up business venture. The strike price of the options are based on the planned share issue price (NOK 23,50) as stated in the IPO and the Black and Scholes's option pricing model. The first possible exercise date in March-2019. Key parameters for pricing the options:

Stock price:	NOK 23,50
Annual step-up rate:	5 %
Exercising price:	NOK 24,70 in 2019, NOK 25,90 in 2020 and NOK 27,20 in 2021
Expected volatility:	40
Variance:	16 %
Risk-free interest rate:	1 %
Value of the option:	NOK 5,17
Number of options:	150.000, of which 1/3 of the options can be exercised each of the three years

The value of granted stock options is accounted as other paid-in equity. The company's variable salaries related to stock options releases the options in accordance with Chapter

15 of the Act on financial institutions and financial groups, with regulations and other applicable regulations for bank remuneration.

Statement on remuneration of executive management in previous accounting year

The remuneration policy in 2018 has complied with the provisions set out in chapter 15 of the Financial Institutions Act with regulations.

In connection with the commencement of the bank business in June 2018, the Company established a share option scheme for the members of the executive management. Under the share option scheme, participants may exercise options pro rata over the course of 3 years. The first exercise date for options granted in 2018 will be after the Ordinary General Meeting to be held in 2019.

Information regarding remuneration for members of the executive management in 2018 is set out in note 15 in the 2018 annual accounts.

The Board of Directors is of the opinion that the agreements entered into in 2018 regarding remuneration are in the interest of the Company and the shareholders.

Auditor fees

(Amounts in NOK '000)	**YTD 31.12.18**	**YTD 31.12.17**
Audit	289	19
Other services *)	376	45
Total	**665**	**64**

* Associated law firm has provided advice in connection with management stock option programme   Other services also include assignments connected to listing at Merkur Market, as well as implementing new reporting standards, IFRS

Note 16 - Income tax

(Amount in NOK '000)

Income tax expense	**31.12.2018**	**31.12.2017**
Current tax:		
Tax payable	-	-
Correction of previous years income taxes	-	-
Deferred tax		
Changes in deferred tax	-	-
Tax expense	**-**	**-**

	31.12.2018	**31.12.2018**
Pre-tax profit (including discontinued operations)	-47 713	-9 223
Income taxes calculated at 25 %	-	-
Tax expense	**-**	**-**
Income tax expense reported in consolidated income statement	-	-
Tax expense attributable to discontinued operation	-	-
Income tax expense	**-**	**-**

Deferred tax		
Deferred tax assets as at 01.01.2018	**-**	**-**
Deferred tax assets as at 31.12.2018	**-**	**-**

The company has a total loss carried forward of TNOK 57.375 as at 31 December 2018 in which non of it has been recognised as an asset in the balance sheet.

Note 17 – Intangible assets

(Amounts in NOK '000)	**31.12.2018**	**31.12.2017**
Intangible assets cost price at start of period	-	-
Additions		
Setting up BRAbank core banking system for Norway and Sweden at the Scandinavian Data Centre in Denmark	26 316	
Development of the digital customer front-end system	12 680	
Connecting BRAbank to the Norwegian national clearing and settlement infrastructure (NICS)	6 304	
Setting up BRAbank for international credit card issuing, BankID and electronic archives at Nets	1 488	
Other start-up investments	278	
Public tax relief for R&D activities ("SkatteFUNN")	(2 304)	
Disposals	-	-
Intangible assets cost price at end of period	**44 762**	**-**
Cumulative depreciations at start of period	-	-
Write downs	-	-
Cumulative depreciation during the period	(6 450)	-
Cumulative depreciation at end of period	**(6 450)**	**-**
Book value of intangible assets at end of period	**38 312**	**-**

Value assessment

There are no identifiable parts of the revenue stream of the bank that can be tied to any of these investments, as they are all basic infrastructure investments to be able to provide financial services, such as lending and payments. A revenue-based assessment of the asset values is therefore not applicable.

The major share of this investment package (Core system + Digital Front-end) are tied to three-year contracts - hence a 36 month depreciation profile has been decided. On an on-going basis there will be future needs for new functionality, upgrades, maintenance and re-design. An economic lifetime of these assets could be projected to be 3-5 years.

No impairments have been recognised for the intangible assets in the period. Although the announced merger plan of Monobank and BRAbank indicates that the combined bank shall run its operations on the Monobank platform and solutions, it is still to soon to translate the announcement into financial transactions in the BRAbank accounts.

Note 18 – Risk management

The Board of Directors is responsible for the overall risk governance including overseeing a robust and effective system of risk management that ensures that the level of capital and liquidity held is adequate and in line with the bank's risk profile. The bank's risk appetite and control measures are underpinned by a policy framework covering all central risk areas and has been approved by the Board of Directors. The policy framework will be reviewed by the Board of Directors at least annually.

Credit Risk

Credit risk represents the most important risk to the bank and is central to the day to day activities. Credit risk is defined as the risk of loss due to a customer defaulting on their debt by failing to make the contractually obligated payments. The bank manages credit risk in line with the approved Credit Risk policy and guidelines of responsible lending. All loan applications are processed through an automated decision system comprising policy rules, checks of creditworthiness and affordability of the consumer. The credit risk profile of the bank's portfolio is subject to constant monitoring and is overseen by the bank's credit committee.

Liquidity Risk

Liquidity risk is defined as the risk that the bank is not able to meet its obligations as they fall due. The bank has employed a liquidity risk policy including both regulatory and internal liquidity limits to ensure financial obligations can be met at all times, even under stress conditions. To ensure a high level of liquidity, the bank maintains a stock of high quality liquid assets. A liquidity contingency plan has been established and liquidity is monitored daily with at least monthly reports to the Board of Directors. The bank's current liquidity is well within regulatory and internal limits, with a liquidity coverage ratio (LCR) of 464 %.

Market Risk

Market risk includes interest rate, foreign exchange rate, credit spread and equity -risk and is defined as a change or loss in value of earnings or capital due to movements in market rates or prices. A market risk policy has been established and clearly defines limits of investments as well as requirements of regular monitoring and reporting.

The Bank does not have a trading book but is exposed to fluctuations in interest rates on its lending book as well as market risk in the assets held for liquidity purposes. Interest rate risk is very limited as the bank does not offer any fixed rate loans or deposits and the liquidity assets all have short durations. The bank's exposure to currency risk is limited to fluctuations in costs related to the core banking system (DKK).

Operational Risk

Operational risk, defined as losses from inadequate or failed internal processes, systems and people or from external events, is governed by the bank's operational risk policy. All processes are subject to continuous monitoring and control with risk reducing measures implemented as necessary.

Note 19 – Securities

Securities and equity instruments measured at fair value

	31.12.2018	31.12.2017
Bond funds measured at fair value	150 853	-
Long-term equity shares at fair value	1 194	-
Total securities and equity instruments measured at fair value	**152 047**	**-**

The bond portfolio consists solely of shares in Bond Funds, managed by Norwegian asset managers. The portfolio is held for liquidity management purposes, and to satisfy CRD IV requirements regarding liquid assets and minimum Liquidity Coverage Ratio requirement.

Bond fund	ISIN	Issued bonds in fund	Currency	CRD IV Risk weight	Min. rating
DNB Global Treasury	NO0010756281	Government guaranteed bonds	NOK	0 %	
DNB Likviditet 20 (IV)	NO0010337652	State, Municipal and Credit institutions	NOK	20 %	
Alfred Berg OMF Kort Inst.	NO0010655152	Preferential Asset backed securities	NOK	10 %	
Alfred Berg Nordisk Likviditet Pluss	NO0010821226	Nordic governm, and private issuers	NOK *)	100 %	BBB-/Baa3

*) Securities in SEK, EUR and DKK are hedged to NOK

Securities measured at fair valu	# shares	Cost price	Book value	Market value	Unrealised profit/loss	Accrued yield	Yield to maturity
DNB Global Treasury	10 384	10 248	10 027	10 027	(216)	32	1,44 %
DNB Likviditet 20 (IV)	8 053	80 520	80 404	80 404	(97)	422	1,66 %
Alfred Berg OMF Kort Inst.	29 824	30 620	30 123	30 123	(119)	(119)	1,47 %
Alfred Berg Nordisk Likviditet Pluss	301 842	30 189	30 299	30 299	118	118	N.A.
Total securities at fair value		**151 577**	**150 853**	**150 853**	**(315)**	**453**	

Total composure and performance of these actively managed bond funds can be found on the home page of the asset managers; DNB Asset Management AS and Alfred Berg Kapitalforvaltning AS. Fund units are valued at the official NAV prices.

Equity instruments

Long-term equity shares at fair	# shares	Cost price	Book value	Market value
Shares in SDC A/S, Denmark	2 334	1 141	1 194	1 194
Total shares		**1 141**	**1 194**	**1 194**
Total equity instruments at fair value		**1 141**	**1 194**	**1 194**

The price of the shares in SDC A/S, Denmark are re-valued annually, to reflect the asset value of SDC in the annual accounts. The shares are denoted in DKK, hence exposed to daily currency fluctuations

Note 20 – Liquidity risk

The liquidity risk is the risk that the bank is not capable of covering all its financial obligations as they fall due. The liquidity risk is considered low at the time of this report, since a large portion of the bank's assets consists of easily transferable securities. The bank manages its liquidity position by short-term cash flow forecasts and liquidity due date summaries.

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. There should be liquidity buffers for any currency where the bank has a significant exposure. The bank does not have significant exposures in other currencies than Norwegian kroner at year end. Total liquidity coverage ratio (LCR) of the bank was 464 % and net stable funding ratio (NSFR) is 211 % at year end.

Remaining time to maturity for main items — **31.12.2018**

(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Deposits with credit institutions	34 877	-	-	-	-	-	**34 877**
Net loans to customers	5 649	-	-	303	73 266	18 195	**97 413**
Securities	1 193	-	-	150 854	-	-	**152 047**
Intangible assets	38 312						**38 312**
Assets without remaining term to maturity	3 994	-	-	-	-	-	**3 994**
Total assets	**84 025**	**-**	**-**	**151 157**	**73 266**	**18 195**	**326 642**
Deposits from customers	51 220	-	-	-	-	-	**51 220**
Other liabilities	5 000	6 907	569	1 735	-	-	**14 212**
Equtiy	261 210	-	-	-	-	-	**261 210**
Total liabilities	**317 430**	**6 907**	**569**	**1 735**	**-**	**-**	**326 642**

Remaining time to maturity for main items — **31.12.2017**

(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Loans and deposits with credit institutions	5 845	-	-	-	-	-	**5 845**
Assets without remaining term to maturity	3 990	-	-	-	-	-	**3 990**
Total assets	**9 835**	**-**	**-**	**-**	**-**	**-**	**9 835**
Non interest-bearing liabilities	206	960	375	355	-	-	**1 897**
Equity	7 938	-	-	-	-	-	**7 938**
Total liabilities	**8 144**	**960**	**375**	**355**	**-**	**-**	**9 835**

Note 21 – Interest rate risk

Different fixed-rate periods for assets and liabilities will lead to an interest rate risk for the Bank. A summary of the remaining period for agreed/probable interest rate adjustments for assets and liabilities is provided below

Figures in NOK '000

As at 31 December 2018 **Assets**	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	Total
Loans and deposits with credit institutions	-	34 877	-	-	**34 877**
Net loans to customers	3 494	-	93 919	-	**97 413**
Securities	-	-	-	152 047	**152 047**
Intangible assets	38 312				**38 312**
Other receivables	3 994	-	-	-	**3 994**
Total	**45 800**	**34 877**	**93 919**	**152 047**	**326 642**
Liabilities					
Deposits from customers	-	-	51 220	-	**51 220**
Other liabilities	14 212				**14 212**
Equity	261 210	-	-	-	**261 210**
Total	**275 422**	**-**	**51 220**	**-**	**326 642**

As at 31 December 2017 **Assets**	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	Total
Loans and deposits with credit institutions	-	5 845	-	-	**5 845**
Other assets	3 990	-	-	-	**3 990**
Total	**3 990**	**5 845**	**-**	**-**	**9 835**
Liabilities					
Other debt	1 897	-	-	-	**1 897**
Total	**1 897**	**-**	**-**	**-**	**1 897**

Interest rate risk - Sensitivity of 1 % point change in the yield curve

	31.12.2018	**31.12.2017**
Deposits with credit institutions	320	54
Net loans to customers	812	-
Securities	(1 257)	-
Total for assets	**(126)**	**54**
Deposits from and debt to customers	(512)	-
Total from debt	**(512)**	**-**
Total interest rate risk	**(638)**	**54**

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