

# **MONOBANK**

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**Interim report  
3rd quarter 2016**



# MONOBANK ASA

## Quarterly report September 2016

### Highlights

- Net profit after tax NOK 0.5 million, in line with expectations
- Continued strong demand and attractive growth opportunities within consumer credit
- Solid lending growth, NOK 624 million at the end of the period
- 30 per cent increase in total income, NOK 14.5 million, up from NOK 11.1 million in the second quarter
- Agreement with Widerøe Flyveselskap and SAS Euro-Bonus to develop credit card
- Ready to launch in Finland mid 2017
- Contemplated private placement of NOK 175 million

### About Monobank ASA

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

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

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

Monobank's largest owner is Prioritet Group AB of Gothenburg with a 9,9% ownership. Some 800 Norwegian investors own the rest of the share capital. The bank was registered with NOTC (a Norwegian information system for unlisted shares) on February 22 and the shares have been traded from that date under the ticker symbol MONO.

### Third quarter developments

Monobank's operating and marketing activities continue to perform well and according to plan. The bank's IT

systems have also continued to function well during the third quarter.

Third-quarter loans and advances to customers increased by NOK 179 million to NOK 624 million excluding prepaid agency commissions. Taking into account an anticipated seasonality in demand during the summer, this was well in line with expectations for the quarter.

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

### Financial figures

Total assets amounted to approximately NOK 808 million as of 30 September 2016, up from NOK 690 million from the end of the second quarter. The bank's net loan balance was NOK 624 million (NOK 445 million) excluding prepaid agency commissions and unspecified loss provisions. Deposits from customers were NOK 638 million (NOK 524 million). Monobank's bank deposits and liquid securities amounted to NOK 137.7 million. Total equity was NOK 156.8 million. For information about regulatory capital ratios, see the note 3.

Interest income for the third quarter was NOK 17.8 million compared to NOK 13.9 million in the second quarter. This is somewhat above budget. Average loan size continues to be higher than originally anticipated when the bank's business plan was developed last year. Compared to the original income projections, fewer loans adversely affect fee and commission income compared to the original business plan, but mitigating steps have been taken to reduce this effect.

Net interest income was NOK 15.2 million. Marketing and operating cost are in line with budget. Operating profit before impairment provisions was NOK 4.9 million compared to a loss of NOK 2.1 million in the previous quarter. The bank has decided to make NOK 4.2 million in provisions for loan losses for the third quarter, up from NOK 3.1 million in the previous quarter. The provision equal to 3% of average gross loans outstanding for the quarter down

from 3.4% in the previous quarter.

This resulted in a third quarter profit of NOK 0.7 million before taxes. The after tax profit of NOK 0.5 million is added to other equity.

### Outlook for Monobank

Monobank's loan portfolio is expected to continue to grow at a solid pace. Loans outstanding by year end are expected to be in the upper end of the previously guided range of NOK 750 - 800 million. Profits are expected to moderately increase in the fourth quarter. The bank has widened its distribution channels and is also increasing its direct marketing efforts to further build Monobank's brand. Credit and pricing models continue to be tuned to secure a healthy, strong growth rate into 2017. Accordingly, Monobank should reach YE 2017 domestic loans outstanding in the area of NOK 1.7 - 1.8 billion.

While Monobank will continue to focus on unsecured consumer and leisure financing in Norway, the bank has evaluated expansion of its core business into other geographical areas. A multi country IT platform is being developed, and the board has decided to commence loan business in Finland during the middle of 2017. This cross border launch is expected to achieve considerable operational synergies and further strengthen the bank's growth platform over time. It will also contribute to diversify business model risk.

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

### Significant events since end of quarter

In conjunction with the announcement of the third quarter report, the board has decided to announce a planned equity issue of up to NOK 175 million as well as an additional minor repair issue. The background for the increase is to fund the bank's successful domestic growth story as well as to provide the necessary capital for cross border and credit card expansions. The bank has entered a credit card cooperation agreement with Widerøe AS. The credit card will be offered to all Widerøe customers, and will allow credit card users to earn Eurobonus points through a firm agreement with SAS Eurobonus. The card is expected to be launched towards the end of 2017.

Pareto Securities AS and ABG Sundal Collier ASA are acting as Monobank's advisors in conjunction with the stock issue.

### Other information

A specific financial tax is introduced for companies within the financial sector from 2017. This tax consists of two elements; first a separate 5% tax on wage costs and separately the financial sector will not benefit from the decreased corporate tax rate but will still be taxed under a 25% corporate tax rate. The effect on staff costs for Monobank will be around NOK 1 million in 2017.

This interim report has not been audited by external auditors.

Bergen, 19 October 2016

Board of Directors, Monobank ASA

	Note	YTD 2016	Q3 2016	Q2 2016	Q1 2016	31.12.2015
<b>INCOME STATEMENT</b>						
<i>In NOK thousands</i>						
Interest income		36 865	17 815	13 875	5 175	509
Interest expenses		5 194	2 597	2 151	446	83
<b>Net interest income</b>		<b>31 671</b>	<b>15 218</b>	<b>11 723</b>	<b>4 730</b>	<b>427</b>
Income commissions and fees		3 546	1 286	1 124	1 137	127
Expenses commissions and fees		4 397	2 048	1 737	612	82
<b>Total income</b>		<b>30 820</b>	<b>14 456</b>	<b>11 110</b>	<b>5 254</b>	<b>472</b>
Income/loss from trading activities		-135	191	-257	-69	39
Staff costs		9 244	2 203	3 581	3 460	11 088
Other administrative expenses		23 592	6 999	8 709	7 883	10 333
- of which marketing expenses		12 074	3 610	4 227	4 237	1 308
Depreciation and amortisation		1 796	546	630	620	910
<b>Total operating costs</b>		<b>34 632</b>	<b>9 749</b>	<b>12 920</b>	<b>11 963</b>	<b>22 331</b>
<b>(Loss)/profit before impairment losses</b>		<b>-3 946</b>	<b>4 898</b>	<b>-2 067</b>	<b>-6 777</b>	<b>-21 820</b>
Impairment releases/(losses)	2	-9 207	-4 207	-3 100	-1 900	-700
<b>Operating (loss)/profit before tax</b>		<b>-13 153</b>	<b>692</b>	<b>-5 167</b>	<b>-8 677</b>	<b>-22 520</b>
Tax charge		3 271	-172	1 276	2 167	5 996
<b>Loss for the year</b>		<b>-9 881</b>	<b>520</b>	<b>-3 891</b>	<b>-6 510</b>	<b>-16 524</b>

**BALANCE SHEET**

<i>In NOK thousands</i>	Note	YTD 2016	Q3 2016	Q2 2016	Q1 2016	31.12.2015
<b>Assets</b>						
Loans and advances to banks		27 735	27 735	49 293	27 631	17 204
Loans and advances to customers	2	634 159	634 159	450 671	261 281	36 325
Provision for impairment losses	2	9 900	9 900	5 700	2 600	700
<b>Net loans and advances to customers</b>		<b>624 259</b>	<b>624 259</b>	<b>444 971</b>	<b>258 681</b>	<b>35 625</b>
Debt securities		110 002	110 002	158 215	101 177	114 583
		-	-	-	-	-
Deferred tax asset		10 989	10 989	11 161	9 885	7 717
Other intangible assets		9 835	9 835	7 635	7 384	7 123
Property, plant and equipment		166	166	260	137	157
Prepayments, accrued income and other assets		24 795	24 795	18 960	11 855	3 878
<i>- of which accrued commission to agents</i>		<i>22 225</i>	<i>22 225</i>	<i>15 971</i>	<i>8 969</i>	<i>1 525</i>
<b>Total assets</b>		<b>807 780</b>	<b>807 780</b>	<b>690 494</b>	<b>416 750</b>	<b>186 287</b>
<b>Liabilities</b>						
Deposits by customers		637 734	637 734	523 737	246 217	13 579
Provisions, accruals and other liabilities		13 289	13 289	10 519	11 905	7 570
<b>Total liabilities</b>		<b>651 024</b>	<b>651 024</b>	<b>534 257</b>	<b>258 122</b>	<b>21 149</b>
<b>Equity</b>						
Share capital	3	156 000	156 000	155 000	155 000	155 000
Surplus capital	3	756	756		3 628	10 138
Not registered capital	3	-	-	1 500		
Other equity	3			-263		
<b>Total equity</b>		<b>156 756</b>	<b>156 756</b>	<b>156 237</b>	<b>158 628</b>	<b>165 138</b>
<b>Total liabilities and equity</b>		<b>807 780</b>	<b>807 780</b>	<b>690 494</b>	<b>416 750</b>	<b>186 287</b>

## Note 1 Accounting standards

Monobank Q3 report is prepared in accordance with general accounting principles as described in the annual report for 2015. The report has not been audited.

## Note 2 Loans and advances to customers

<i>In NOK thousands</i>	30.09.2016	30.06.2016	2015
Loans and advances to customers	634 159	450 671	36 325
Provision for impairment losses	9 900	5 700	700
<b>Net loans and advances to customers</b>	<b>624 259</b>	<b>444 971</b>	<b>35 625</b>

<b>Provision for impairment losses - collectively assessed</b>	30.09.2016	30.06.2016	2015
Provision for impairment losses collectively assessed at 1 January	700	700	-
(Releases)/losses to income statement	9 207	5 000	700
Amounts written off	-	-	-
Recoveries of amounts previously written-off	-	-	-
<b>Provision for impairment losses collectively assessed at 31 December</b>	<b>9 907</b>	<b>5 700</b>	<b>700</b>

## Note 3 Capital adequacy

<i>In NOK thousands</i>	30.09.2016	30.06.2016	2015
Share capital	156 000	155 000	155 000
Surplus capital	756	-	10 138
Not registered capital		1 500	
Other equity		-263	-
- Deduction of deferred tax assets and other intangible assets	-18 186	-16 163	-14 955
<b>Common equity Tier 1 capital</b>	<b>138 570</b>	<b>141 574</b>	<b>150 183</b>
Additional Tier 1 capital instruments	-	-	-
<b>Tier 1 capital</b>	<b>138 570</b>	<b>141 574</b>	<b>150 183</b>
Subordinated loan capital	-	-	-
<b>Tier 2 capital</b>	<b>138 570</b>	<b>141 574</b>	<b>150 183</b>

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

**Capital requirements**

Institutions	7 635	15 716	29 570
Retail	641 314	484 715	41 989
Retail - Mortgage loans	-	-	-
In default	-	-	-
Covered bonds	2 017	2 007	8 110
Equity positions	-	-	-
Other assets	24 961	19 546	4 000
Corporate	1 573	51 791	21 865
Central governments	-	-	7 990
Regional governments or local authorities	7 546	9 910	64 249
<b>Market risk</b>	-	-	-
<b>Operational risk</b>	99 651	99 651	99 651
<b>Total risk-weighted volume and capital requirements</b>	<b>784 697</b>	<b>683 336</b>	<b>277 424</b>
Common equity Tier 1 capital ratio	17,7 %	20,5 %	54,1 %
Tier 1 capital ratio	17,7 %	20,5 %	54,1 %
Capital ratio	17,7 %	20,5 %	54,1 %

**Note 4 Staff costs**

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

1. Individual part: Individual assessment as of 50% pays in cash and 50% pays in shares within Monobank ASA. Maximum bonuses for all employees are a total of 4,3 MNOK, whereas maximum 50% of annual salary can be individual allocated.
2. General part: 1,5 months salary

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

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

**Note 5 Events after the balance sheet date**

To support further domestic growth as well as funding the strategy for cross boarder and credit card expansion, the Board of directors decided the 19.10.2016 to initiate an equity issue of NOK 175 million as well as an additional subsequent repair issue.

# MONOBANK

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