

Instabank

Interim Presentation – Q4/2018 – February 8th 2019

Instabank

instabank.no

Important information and disclaimer

THIS PRESENTATION (THE "PRESENTATION") HAS BEEN PRODUCED BY INSTABANK ASA (THE "COMPANY" OR "INSTABANK"), SOLELY FOR USE AT THE PRESENTATION TO INVESTORS AND IS STRICTLY CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. TO THE BEST OF THE KNOWLEDGE OF THE COMPANY AND ITS BOARD OF DIRECTORS, THE INFORMATION CONTAINED IN THIS PRESENTATION IS IN ALL MATERIAL RESPECT IN ACCORDANCE WITH THE FACTS AS OF THE DATE HEREOF, AND CONTAINS NO MATERIAL OMISSIONS LIKELY TO AFFECT ITS IMPORT.

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS RELATING TO THE BUSINESS, FINANCIAL PERFORMANCE AND RESULTS OF THE COMPANY AND/OR THE INDUSTRY IN WHICH IT OPERATES. FORWARDLOOKING STATEMENTS CONCERN FUTURE CIRCUMSTANCES AND RESULTS AND OTHER STATEMENTS THAT ARE NOT HISTORICAL FACTS, SOMETIMES IDENTIFIED BY THE WORDS "BELIEVES", EXPECTS", "PREDICTS", "INTENDS", "PROJECTS", "PLANS", "ESTIMATES", "AIMS", "FORESEES", "ANTICIPATES", "TARGETS", AND SIMILAR EXPRESSIONS. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PRESENTATION, INCLUDING ASSUMPTIONS, OPINIONS AND VIEWS OF THE COMPANY OR CITED FROM THIRD PARTY SOURCES ARE SOLELY OPINIONS AND FORECASTS WHICH ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL EVENTS TO DIFFER MATERIALLY FROM ANY ANTICIPATED DEVELOPMENT. NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES PROVIDES ANY ASSURANCE THAT THE ASSUMPTIONS UNDERLYING SUCH FORWARD-LOOKING STATEMENTS ARE FREE FROM ERRORS NOR DOES ANY OF THEM ACCEPT ANY RESPONSIBILITY FOR THE FUTURE ACCURACY OF THE OPINIONS EXPRESSED IN THIS PRESENTATION OR THE ACTUAL OCCURRENCE OF THE FORECASTED DEVELOPMENTS. THE COMPANY ASSUMES NO OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR TO CONFORM THESE FORWARD-LOOKING STATEMENTS TO OUR ACTUAL RESULTS.

AN INVESTMENT IN THE COMPANY INVOLVES INHERENT RISKS AND IS SUITABLE ONLY FOR INVESTORS WHO UNDERSTAND THE RISKS ASSOCIATED WITH THIS TYPE OF INVESTMENT AND WHO CAN AFFORD A LOSS OF ALL OR PART OF THE INVESTMENT. SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION, INCLUDING, AMONG OTHERS, RISKS OR UNCERTAINTIES ASSOCIATED WITH THE COMPANY'S BUSINESS, ITS DEVELOPMENT, GROWTH MANAGEMENT, FINANCING, MARKET ACCEPTANCE AND RELATIONS WITH CUSTOMERS, AND, MORE GENERALLY, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN DOMESTIC AND FOREIGN LAWS AND REGULATIONS, TAXES, CHANGES IN COMPETITION AND PRICING ENVIRONMENTS AND OTHER FACTORS. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS DOCUMENT. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

NO REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, ANY INFORMATION, INCLUDING PROJECTIONS, ESTIMATES, TARGETS AND OPINIONS, CONTAINED HEREIN, AND NO LIABILITY WHATSOEVER IS ACCEPTED AS TO ANY ERRORS, OMISSIONS OR MISSTATEMENTS CONTAINED HEREIN, AND, ACCORDINGLY, NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES ACCEPTS ANY LIABILITY WHATSOEVER ARISING DIRECTLY OR INDIRECTLY FROM THE USE OF THIS DOCUMENT.

THERE MAY HAVE BEEN CHANGES IN MATTERS WHICH AFFECT THE COMPANY SUBSEQUENT TO THE DATE OF THIS PRESENTATION. NEITHER THE ISSUE NOR DELIVERY OF THIS PRESENTATION SHALL UNDER ANY CIRCUMSTANCE CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THE AFFAIRS OF THE COMPANY HAVE NOT SINCE CHANGED, AND THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT ANY INFORMATION INCLUDED IN THIS PRESENTATION. BY ATTENDING OR RECEIVING THIS PRESENTATION, YOU ACKNOWLEDGE THAT YOU WILL BE SOLELY RESPONSIBLE FOR FORMING YOUR OWN VIEW OF THE POTENTIAL FUTURE PERFORMANCE OF THE COMPANY.

THIS PRESENTATION SPEAKS AS OF 31 DECEMBER 2016. NEITHER THE DELIVERY OF THIS PRESENTATION NOR ANY FURTHER DISCUSSIONS OF THE COMPANY WITH ANY OF THE RECIPIENTS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

Key figures Q4-2018

- Quarterly growth in net loans of 271 MNOK + 20 % vs Q4-17
- Outstanding net loans of 2,482 MNOK + 88 % vs Q4-17
- Customer deposits of 2,832 MNOK + 57 % vs Q4-17
- Total income of 54.2 MNOK + 69 % vs Q4-17
- Net profit before tax of 10.4 MNOK + 175 % vs Q4-17
- Total equity of 484 million MNOK + 71 % vs Q4-17
- Return on Equity of 7,5 % vs 3,2 % in Q4-17





Key highlights & developments Q4-18

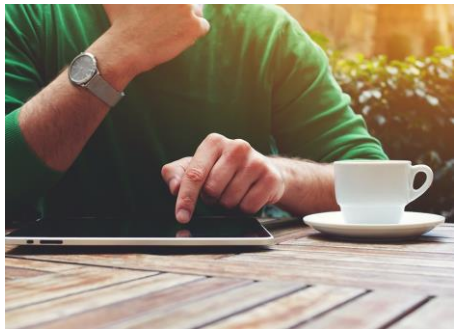
Q4 net profit of 10.4 MNOK before tax
Net profit after tax of NOK 8.3 MNOK, up 298 % versus Q4-17

Net loan growth of 271 MNOK, 12 % growth in Q4-18
Finland represented 74 % of quarterly loan balance growth

Soft launch of loan products in Sweden
Launched through a cross border operation late in Q4

Share issue to Kistefos AS through a private placement
Gross proceeds of 65.9 MNOK





Instabank

Product portfolio

Unsecured consumer loans

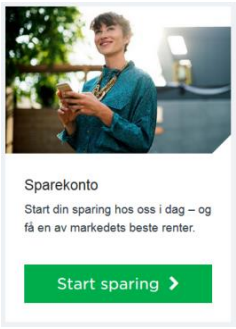
- Structured as either a revolving credit facility or an amortizing loan
- Upper credit limit of NOK 500,000 in Norway, EUR 50,000 in Finland and SEK 500,000 in Sweden



KEY METRICS
NOK 2,482m in net loans
24,023 loan customers
NOK 103k in avg. loan size
13,1 % in avg. loan yield

Deposit accounts

- Offered to private individuals in Norway and Finland.
- Deposits launched in Finland at an attractive funding margin of 0,80 %
- Deposits up to NOK 2m are 100% guaranteed by the Norwegian Banks' Guarantee Fund



KEY METRICS
NOK 2,832m in deposits
6,120 deposit customers
NOK 463k in avg. deposit size
1.93 % (NO) / 0,80 % (FI) deposit rate

Point of sales financing

- Complete offering already in place:
  - Web payment solutions
  - In-shop payment solutions
  - Closed loop solutions
  - Hybrid leasing solutions
- JV profit split agreement negotiated on a partner-to-partner basis

INSTORE	Credit cards (Q1 – 19)
	Direct Financing Mobile – QR code
	UPGRADE Hybrid leasing
ONLINE	Cards
	Invoice
	"Handlekonto"
	Deferred payment

Instabank

Distribution channels

Brand distribution

Instabank



Brand distribution volume as of Q4-18	32%

Agent distribution

Lendo · CENTUM · compare king.no · SALUS GROUP · Zmarta · STK FINANS · etua.fi · aconto · LVS brokers · [SAMBLA] · Telefinans · rahalaitos

Agent distribution volume as of Q4-18	61%

Partner distribution

SKEIDAR · eplehuset · Conmodo® · POWER · telering · telehuset · PiQPiN

+ potential new partners

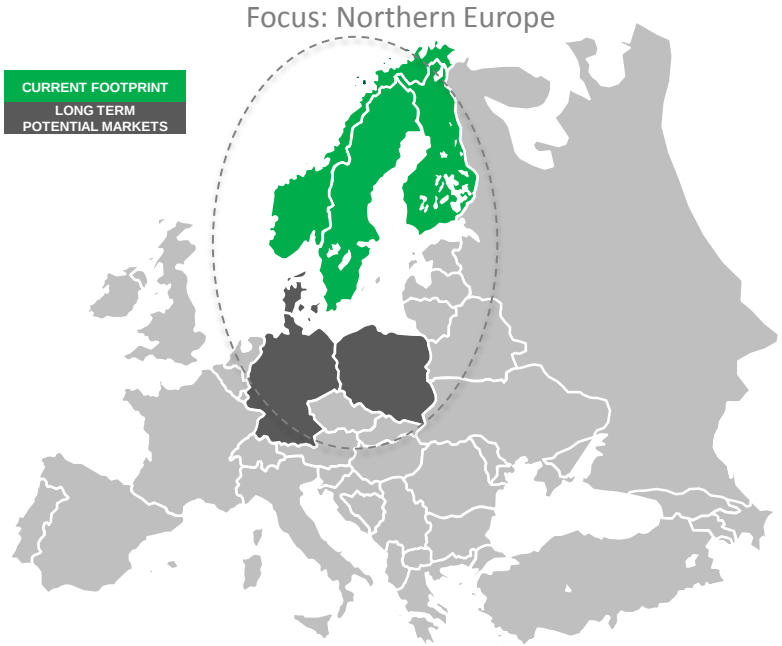
Partner distribution volume as of Q4-18	7%

Geographical presence & potential new markets

Cross-boarder expansion strategy

- Operational platform capable of fast, agile and cost-efficient cross-boarder expansion already in place
- Strong internal focus on further cross-boarder expansion in order to unlock operational synergies, strengthen growth prospects and diversify underlying portfolio risk
- Continuous exploration of new markets Northern Europe most interesting

Illustration of geographical presence



Launched operations in Finland

- Instabank introduced its unsecured consumer loan product in the Finnish market 22 November 2017
- Deposit launched in the Finnish market in July 2018
- The Finnish operations are run from the bank's headquarters in Oslo which underlines scalability

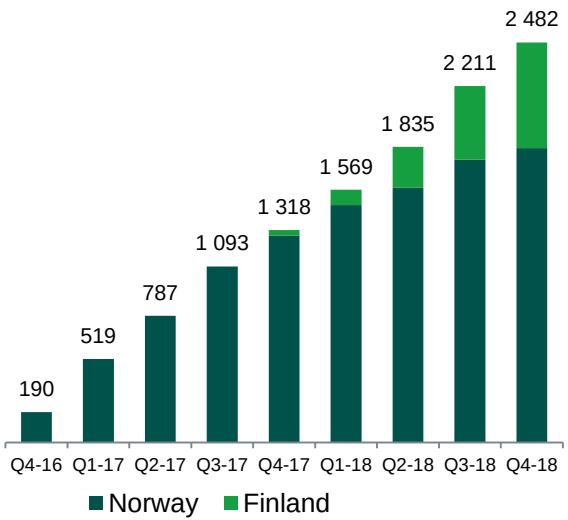
Launched operations in Sweden

- Instabank introduced its unsecured consumer loan product in the Swedish market 12 November 2017
- The Swedish operations are run from the bank's headquarters in Oslo which underlines scalability

Continued high loan growth

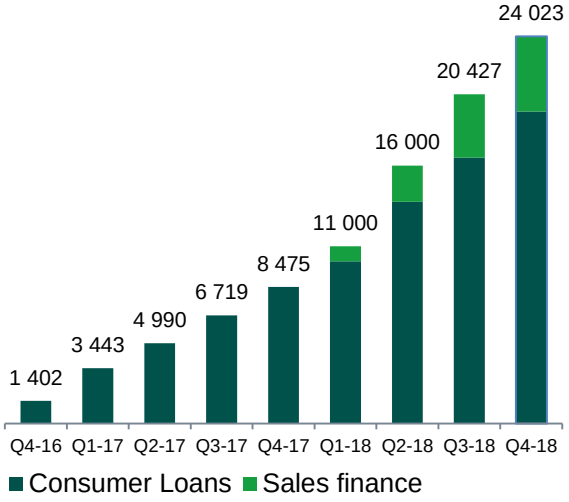
Net loans to customers

MNOK

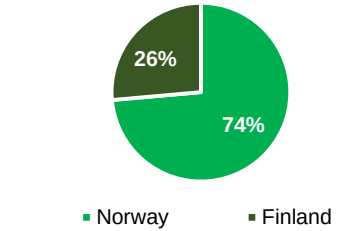


Number of loan customers

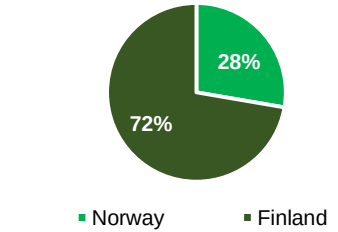
#



Net loans distribution (%) *



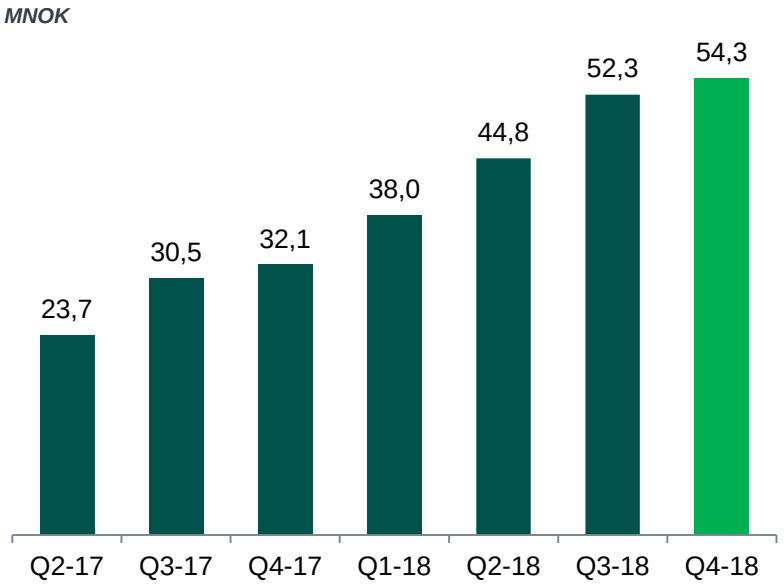
Net loan growth distribution (%) *



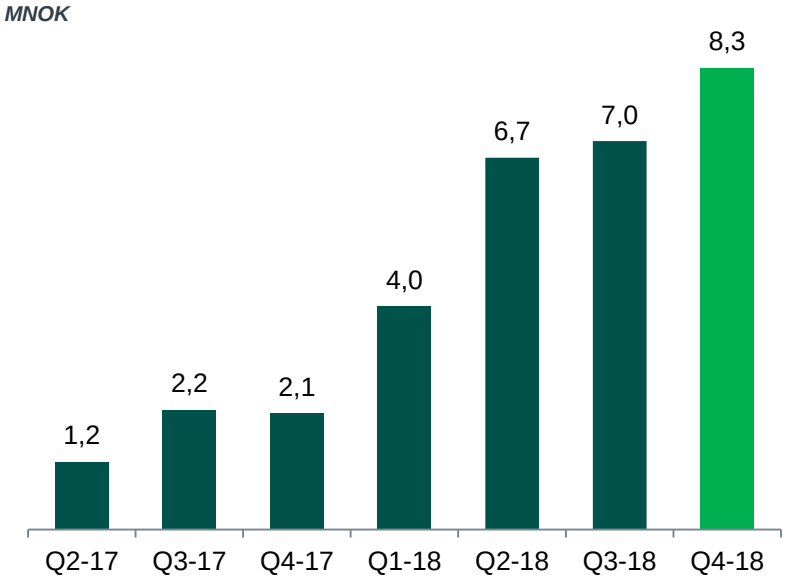
Note(*):as of Q4-18

Continued profitability

Total income



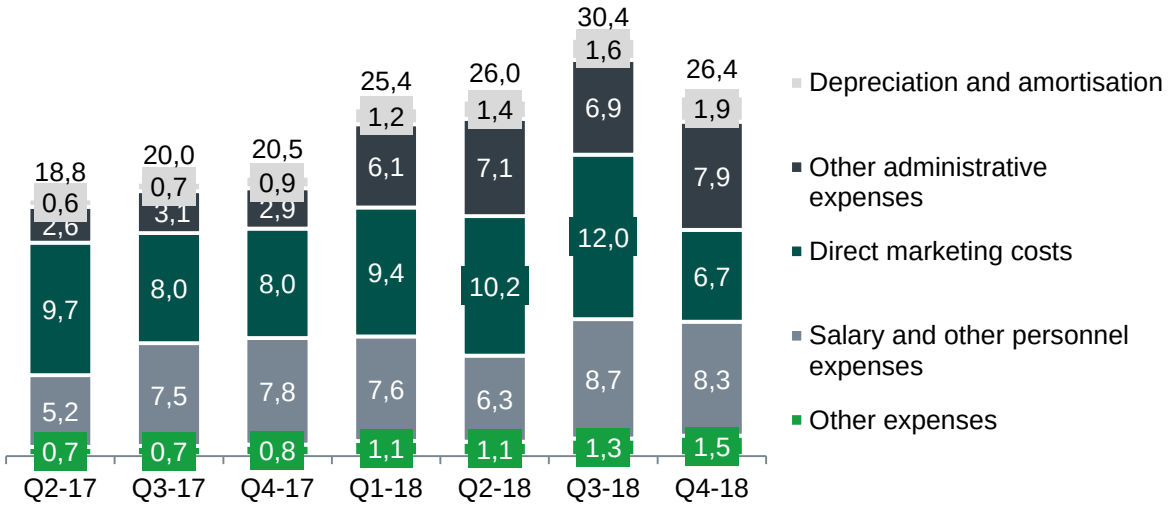
Net result after tax



Disciplined cost control

Operating expenses by category

MNOK

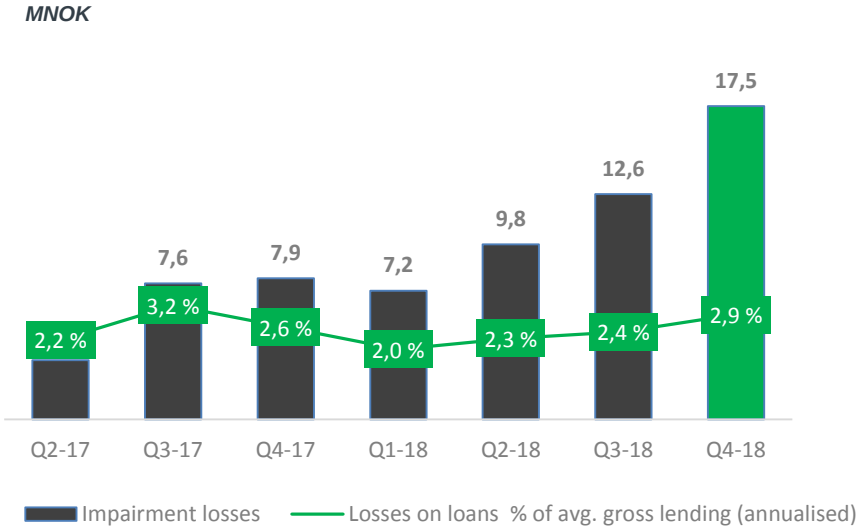


Key comments

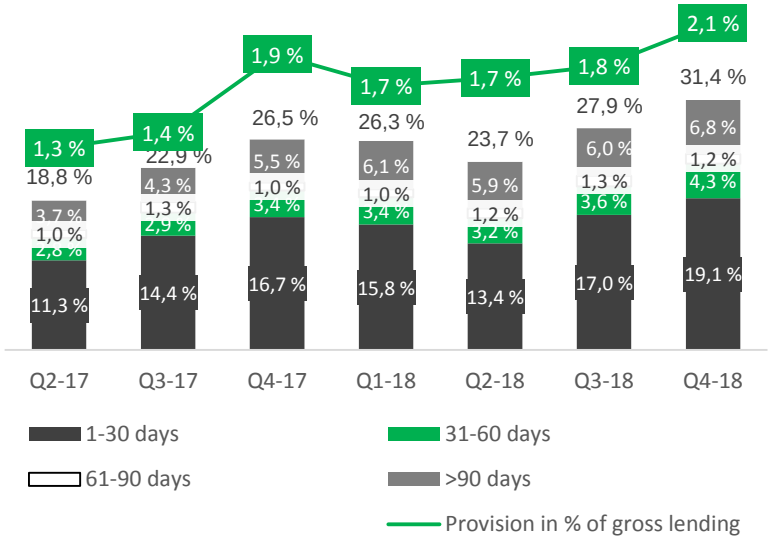
- Decrease in total operating expenses driven by less marketing expenses as activities slowed down late in the quarter and decreased customer acquisition cost
- Increase in «Other administrative expenses» as a result of entering the swedish market

Credit risk development

Impairment losses

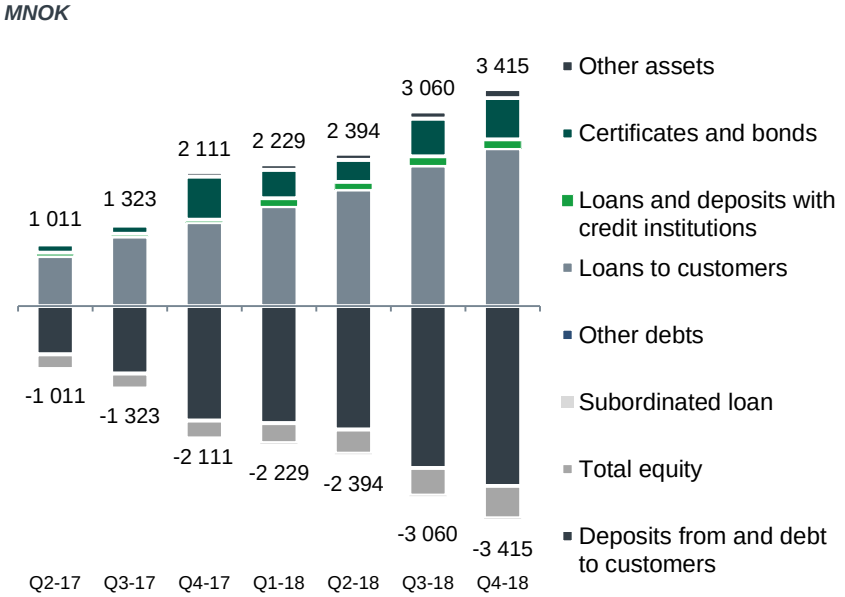


Past due days at end of quarter

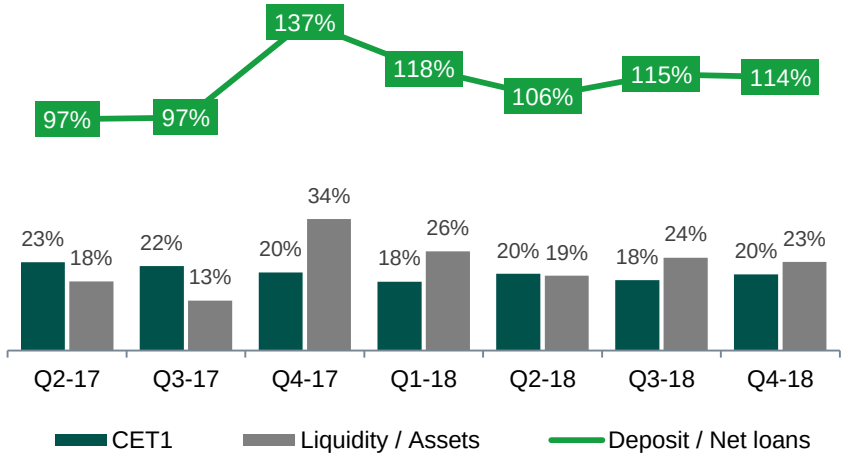


Balance sheet structure

Assets and liabilities & equity



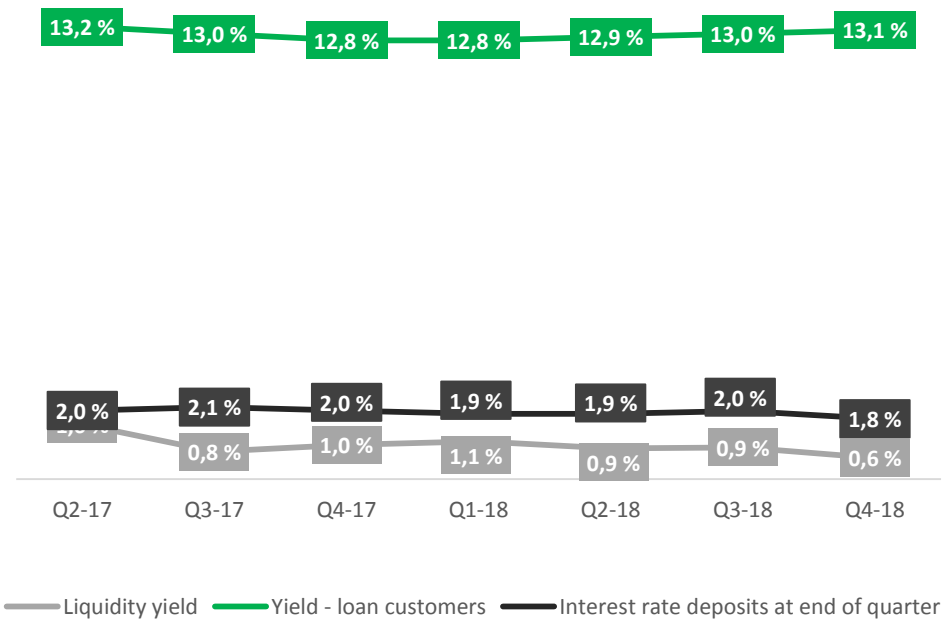
Key financial ratios



Instabank

Funding costs and yields

Development in yields and funding costs



Key comments

- Attractive interest rate, affected by mix of products, distribution channel, and risk assessment
- Funding cost decreased as deposit rates have been lowered and deposit mix have changed in favor of EUR deposits at lower deposit rate than in Norway
- Low yield on liquidity, reflecting risk profile on portfolio and capital market movements in Q4

Outlook and strategy going forward

Continue growth story

- Continued focus on profitability growth and volume growth
- Growth is essential because solid long term profitability will be achieved through economies of scale
- Key initiatives are product & geographical expansion as well as continued growth in existing markets

Operational efficiency

- Maintain efficient and scalable operations through innovative and flexible IT infrastructure
- Fully automated decision engine based on machine learning will ensure diligent credit risk selection
- Continued focus on data insight, analytical capabilities and 100% digital internal / external processes

Geographical expansion

- Further expansion across geographies to facilitate continued growth and risk diversification
- Current focus on Northern Europe
- Full scale up of the Swedish operations after gaining key business relations, experience and data

Product expansion

- Further expansion of product portfolio to facilitate continued growth and risk diversification
- Launch of an Instabank Credit Card in cooperation with Mastercard within Q1-19
- Distribution of related products as an aggregator for subcontractors

Strengthened distribution

- Continue efforts to establish Instabank as a well-known and trusted brand in all active markets
- Identify and secure additional partners for the already developed point of sales financing platform
- Continuous optimization of the agent distribution network – develop new relationships in new markets

Outlook for growth and net loans in MNOK

	2016	2017	2018	2019
Total growth	190	1128	1163	800-1000
Net loans	190	1318	2482	3300-3500

= CONTINUED PROFITABLE GROWTH

Instabank



Appendix

Financial summary

P&L (NOK ‘000)

Items	FY 2018	Q4-18	Q3-18	Q2-18	Q1-18	FY 2017	Q4-17
Operating income							
Interest income	222 546	70 207	60 090	49 926	42 323	97 536	36 416
Interest expenses	46 344	14 472	11 931	10 231	9 710	17 948	7 930
Net interest income	**176 203**	**55 735**	**48 159**	**39 695**	**32 614**	**79 587**	**28 486**
Net commission fees and other income	13 230	-1 475	4 187	5 099	5 418	21 793	3 608
Total income	**189 432**	**54 261**	**52 346**	**44 793**	**38 032**	**101 380**	**32 094**
Operating expenses							
Salary and other personnel expenses	30 871	8 304	8 652	6 287	7 629	25 459	7 767
Other administrative expenses, of which	66 153	14 584	18 858	17 251	15 460	43 917	10 919
- direct marketing cost	38 330	6 695	*11 971*	*10 178*	*9 401*	31 705	7 977
Depreciation and amortisation	6 138	1 923	1 557	1 415	1 243	2 784	919
Other expenses	5 085	1 548	1 345	1 067	1 125	3 044	845
Total operating expenses	**108 246**	**26 358**	**30 413**	**26 019**	**25 457**	**75 204**	**20 450**
Losses on loans	47 189	17 540	12 600	9 831	7 218	22 125	7 873
Operating (loss)/profit before tax	**33 996**	**10 363**	**9 333**	**8 943**	**5 357**	**4 051**	**3 770**
Tax	7 945	2 038	2 333	2 235	1 339	1 751	1 680
Profit/loss after tax	**26 051**	**8 326**	**7 000**	**6 708**	**4 018**	**2 301**	**2 090**

Balance sheet (NOK ‘000)

Items	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17
Assets					
Loans and deposits with credit institutions	142 298	145 110	116 521	127 704	40 929
Loans to customers	2 481 880	2 210 903	1 834 682	1 568 603	1 317 942
Certificates and bonds	647 128	595 383	349 391	448 195	682 091
Deferred tax assets	89	1 722	4 055	6 290	7 629
Other intangible assets	27 339	25 516	22 613	20 151	17 175
Fixed assets	1 035	1 031	1 066	1 137	1 228
Other receivables, of which:	115 692	80 360	65 972	56 637	44 007
- prepaid agent commissions	*86 381*	*74 098*	*57 823*	*42 698*	*36 706*
Total assets	**3 415 461**	**3 060 024**	**2 394 299**	**2 228 717**	**2 111 002**
Liabilities					
Deposits from and debt to customers	2 832 361	2 546 928	1 944 615	1 843 890	1 804 600
Other debts	14 313	24 844	18 896	21 470	12 313
Accrued expenses and liabilities	20 056	12 954	11 466	11 174	11 420
Subordinated capital	40 000	40 000	40 000	40 000	
Tier 1 Capital	25 000	25 000	25 000	25 000	
Total liabilities	**2 931 729**	**2 649 726**	**2 039 977**	**1 941 534**	**1 828 333**
Equity					
Share capital	468 651	402 717	354 161	294 228	294 228
Retained earnings	15 081	7 581	161	(7 045)	(11 557)
Total equity	**483 732**	**410 298**	**354 322**	**287 183**	**282 671**
Total liabilities and equity	**3 415 461**	**3 060 024**	**2 394 299**	**2 228 717**	**2 111 002**

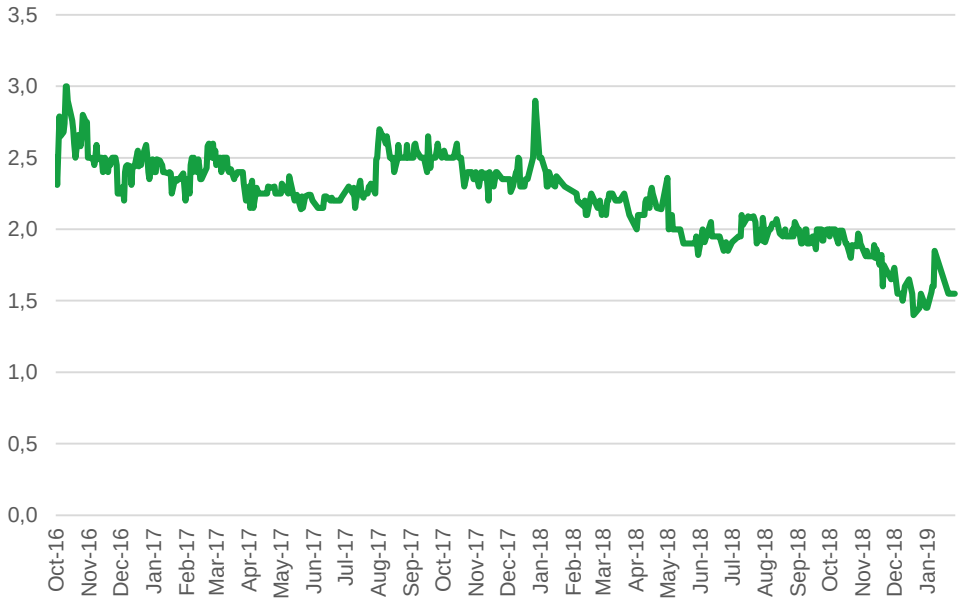
Share price and ownership

Top 20 shareholders as of 06.02.2019

#	Shareholders	# of shares	%
1	KISTEFOS AS	68 784 568	22,6%
2	HODNE INVEST AS	23 454 360	7,7%
3	VELDE HOLDING AS	20 220 000	6,6%
4	BIRKELUNDEN INVESTERINGSSELSKAP AS	16 667 911	5,5%
5	KAKB 2 AS	12 612 021	4,1%
6	LEIKVOLLBAKKEN AS	8 500 000	2,8%
6	KRISTIAN FALNES AS	8 500 000	2,8%
6	MOROAND AS	8 500 000	2,8%
9	T SANDVIK AS	8 001 897	2,6%
10	NYE IDE HOLDING AS	6 276 000	2,1%
11	ALTO HOLDING AS	5 900 000	1,9%
12	APOLLO ASSET LIMITED	5 562 741	1,8%
13	SONSINVEST AS	5 108 195	1,7%
14	LEIRIN HOLDING AS	4 333 333	1,4%
15	ENZIAN AS	4 300 000	1,4%
16	CAHE FINANS AS	3 500 000	1,1%
17	VELDE EIENDOM INVEST AS	3 050 000	1,0%
18	GRUNNFJELLET AS	3 010 000	1,0%
19	HJELLEGJERDE INVEST AS	3 000 000	1,0%
19	VENADIS FORVALTNING AS	3 000 000	1,0%
	Sum Top20	**222 281 026**	**72,9%**
	Other shareholders	82 718 974	27,1%
	Total	**305 000 000**	**100,0%**

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5 108 195	1,7 %
CRO	Eivind Sverdrup (Leirin Holding AS)	4 343 833	1,4 %
CMO	Lauren Pedersen	610 871	0,2 %
CTO	Farzad Jalily	675 757	0,2 %
COO	Egil Botnen	510 800	0,2 %
	Sum management	**11 249 456**	**3,7 %**
	Other employees	6 154 650	2,0 %
	Board members	2 096 200	0,7 %
	Total	**19 500 306**	**6,4 %**

Share price development since OTC listing in October 2016



Thank You

Instabank

instabank.no