

Instabank

Interim Presentation Q1 – 2019
April 25th 2019

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Key figures Q1-2019

- Quarterly growth in net loans of 123 MNOK - 50% vs Q1-18
- Outstanding net loans of 2,604 MNOK + 66 % vs Q1-18
- Customer deposits of 2,751 MNOK + 49 % vs Q1-18
- Total income of 58.3 MNOK + 53 % vs Q1-18
- Net profit before tax of 4.4 MNOK - 18 % vs Q1-18
- Total equity of 529 MNOK + 84 % vs Q1-18
- Return on Equity of 2.6 % vs 5.6 % in Q1-18



Key highlights & developments Q1-19

Net loan growth of 123 MNOK/ 5 %.
Finland performed well with a net loan growth of 148 MNOK, while net loans in Norway decreased by 50 MNOK and net loans in Sweden grew by 25 MNOK

Q1 net profit of 4.4 MNOK
Weakened by administrative cost related to strategic initiatives and a one-off increase in loan loss provisions weekened

Launched Instapay Mastercard credit card
Initially targeted to POS finance customers

New share issue to existing shareholders
Gross proceeds of 42.8 MNOK





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Introducing Instapay MasterCard



Low interest rate

One of the market's lowest nominal interest rates at 14.9 %, but no interest free period



Distribution

Initially through Skeidar POS financing from March 19, followed by direct distribution to new and existing flexible loan customers



Setup

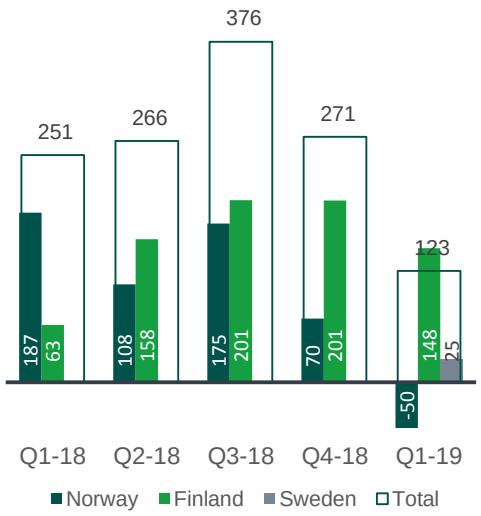
Instapay MasterCard is a payment instrument on top of the flexible loan product enabling customers easier access to their line of credit

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Net loan development

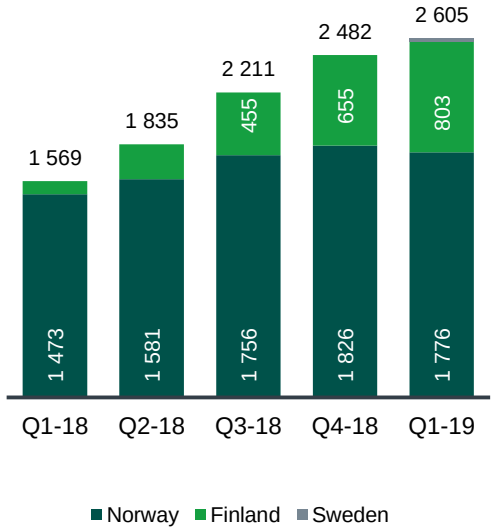
Net loan balance growth

MNOK



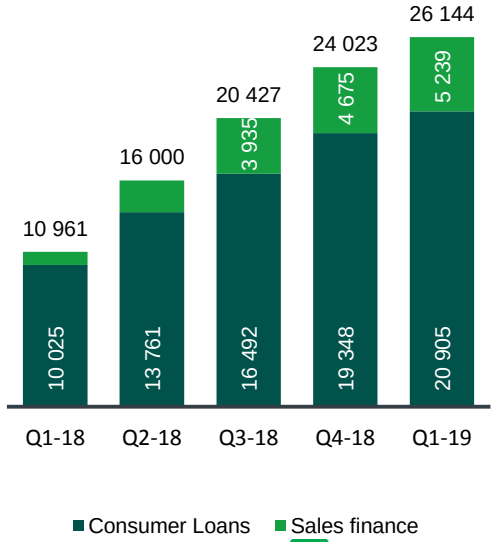
Net loans to customers

MNOK



Number of loan customers

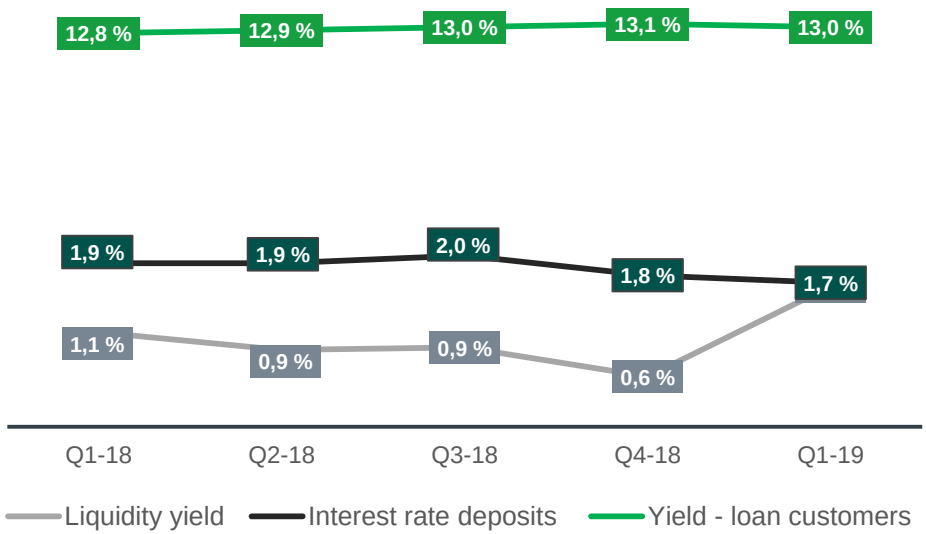
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Funding costs and yields

Development in yields and funding costs



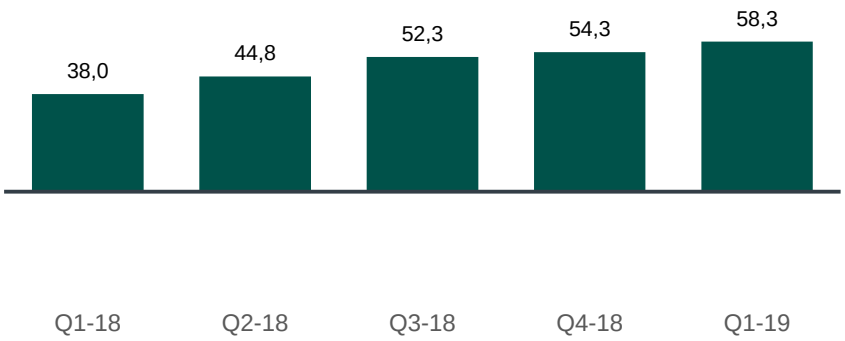
Key comments

- 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
- Increased liquidity yield in Q1 19

Total income

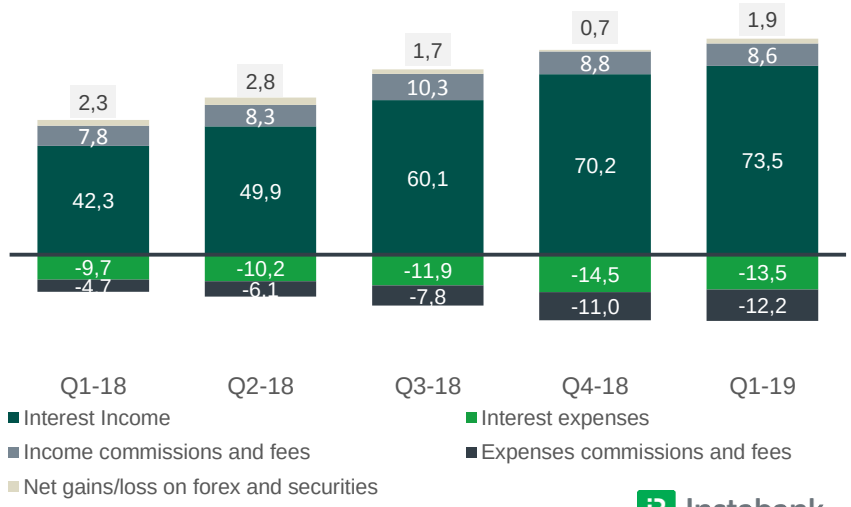
Total income

MNOK



Total income detailed

MNOK

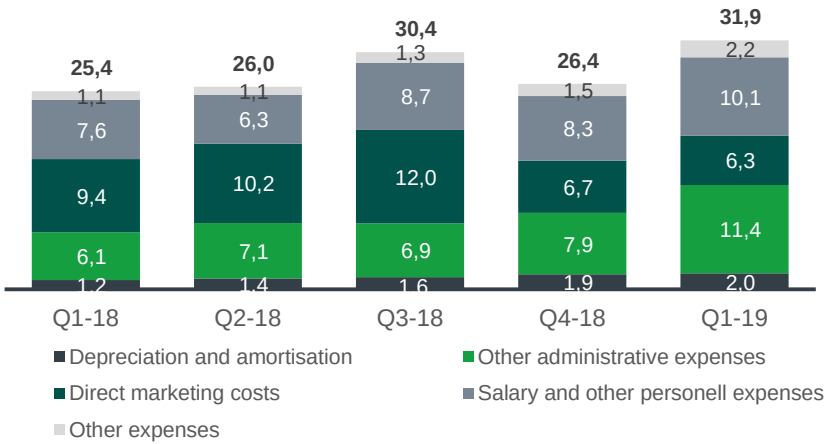


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Operating expenses

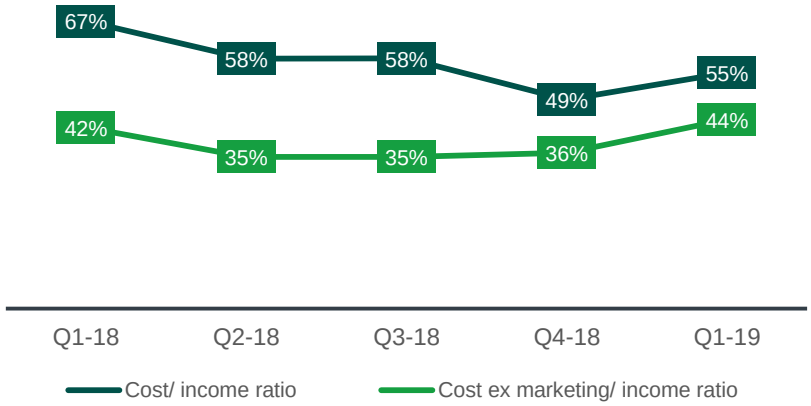
Operating expenses detailed

MNOK



Cost/income ratio

MNOK

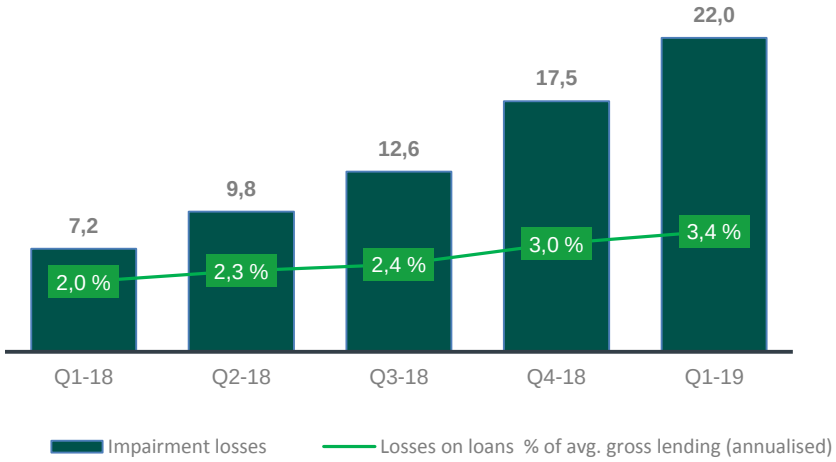


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Credit risk development

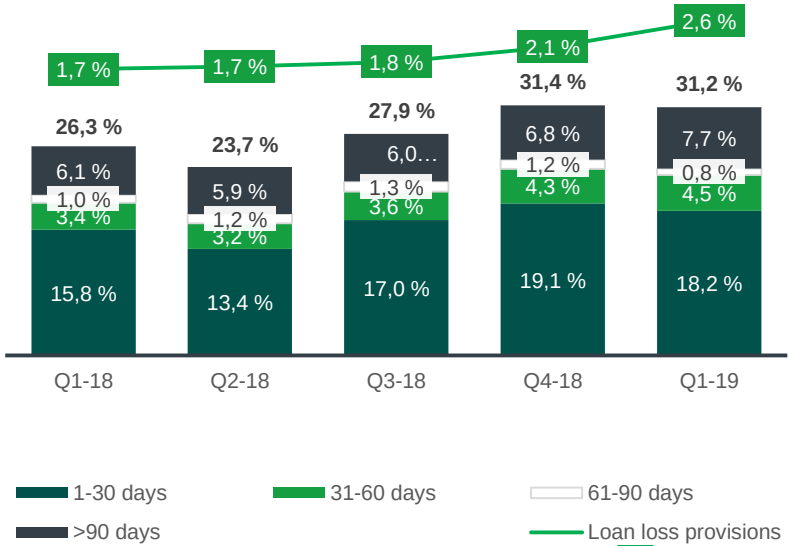
Impairment losses

MNOK



Past due days at end of quarter

% of gross lending

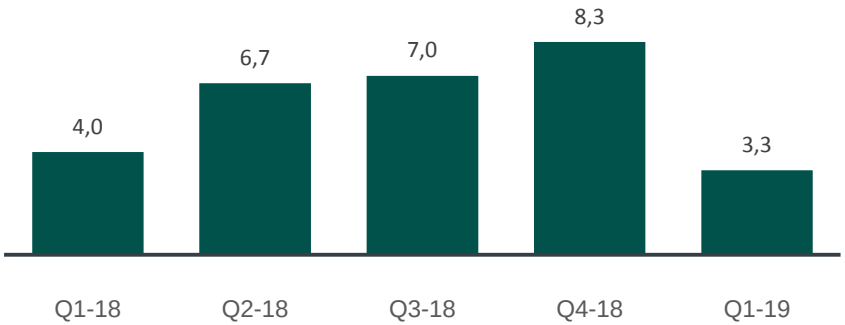


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Net profit

Net profit after tax

MNOK



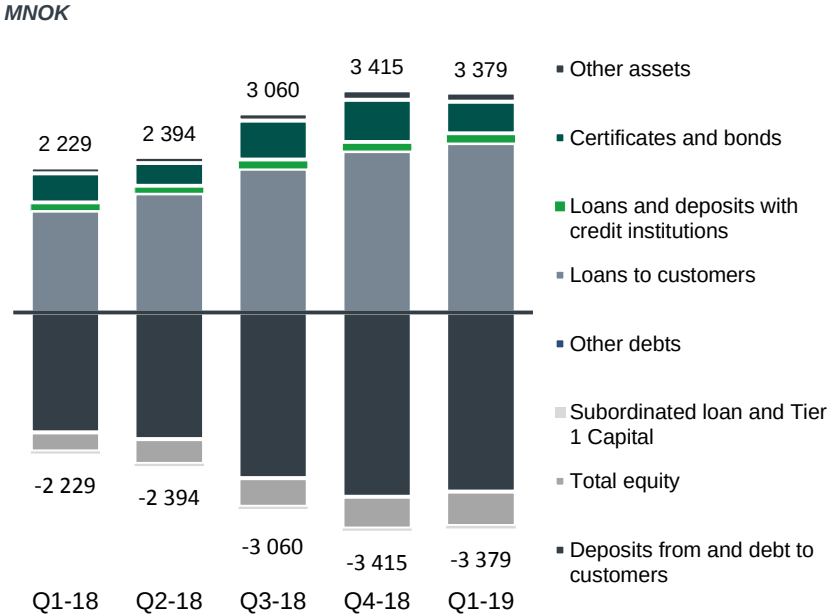
Key comments

Net profit weakened by one-off effects;

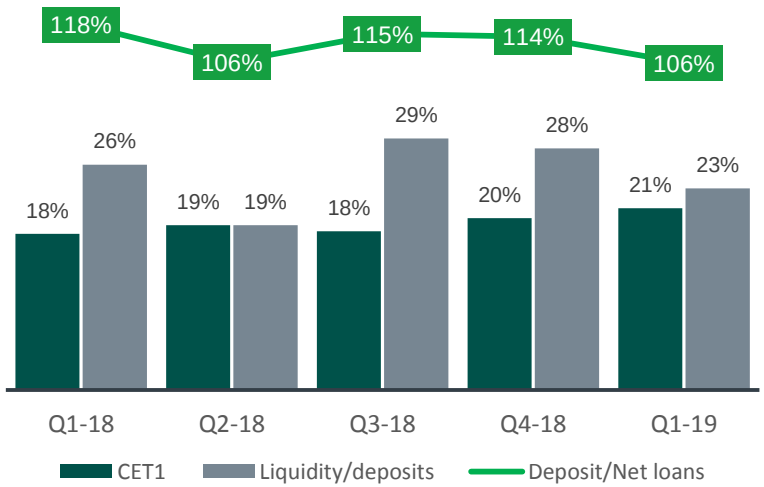
- Advisory costs of approx. 1,5 MNOK
- The bank entered into a forward flow agreement with Axactor for Finland in the quarter, leading to a reassessment of the loan loss provision ratio for non-performing loans in Finland, resulting in a one-off adjustment of 5 MNOK.

Balance sheet structure

Assets and liabilities & equity



Key financial ratios



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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 2,605m in net loans
26,144 loan customers
NOK 100k in avg. loan size
13,0 % in avg. loan yield

Deposit accounts

- Offered to private individuals in Norway, Finland and Sweden.
- Deposits in Finland and Sweden at attractive margins of 0.8 % and 1.0 %
- Deposits up to NOK 2m are 100% guaranteed by the Norwegian Banks' Guarantee Fund



KEY METRICS
NOK 2,751m in deposits
6,682 deposit customers
NOK 412k in avg. deposit size
1.93 % (NO) / 0,8 % (FI) / 1,0 % (SE)

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
	Direct Financing Mobile – QR code
	UPGRADE Hybrid leasing
ONLINE	Cards
	Invoice
	"Handlekonto"
	Deferred payment

Distribution channels

Brand distribution

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Brand distribution volume as of Q1-19	29 %

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 Q1-19	61 %

Partner distribution

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

+ potential new partners

Partner distribution volume as of Q1-19	10 %

Outlook and strategy going forward

Continue growth story

- Continued focus on profitability and volume growth leveraging economy of scale of current platform
- Growth is essential because solid long term profitability will be achieved through economies of scale
- Growth in existing markets, product expansion as well as long term geographical expansion

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 further growth in Sweden and Finland, Northern Europe to follow long term
- 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
- Distribute Instapay MasterCard to new and existing customers
- 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

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Financial summary

P&L (NOK ‘000)

Items	*Q1-19*	*FY 2018*	*Q4-18*	*Q3-18*	*Q2-18*	*Q1-18*
Operating income						
Interest income	73 351	222 546	70 207	60 090	49 926	42 323
Interest expenses	13 470	46 344	14 472	11 931	10 231	9 710
Net interest income	**59 881**	**176 202**	**55 735**	**48 159**	**39 695**	**32 614**
Net commission fees and other income	-1 563	13 230	-1 475	4 187	5 099	5 418
Total income	**58 317**	**189 432**	**54 261**	**52 346**	**44 793**	**38 032**
Operating expenses						
Salary and other personnel expenses	10 069	30 871	8 304	8 652	6 287	7 629
Other administrative expenses, of which	17 667	66 153	14 584	18 858	17 251	15 460
- direct marketing cost	6 303	38 330	6 695	*11 971*	*10 178*	*9 401*
Depreciation and amortisation	2 027	6 138	1 923	1 557	1 415	1 243
Other expenses	2 174	5 085	1 548	1 345	1 067	1 125
Total operating expenses	**31 937**	**108 246**	**26 358**	**30 413**	**26 019**	**25 457**
Losses on loans	21 972	47 189	17 540	12 600	9 831	7 218
Operating (loss)/profit before tax	**4 408**	**33 996**	**10 363**	**9 333**	**8 943**	**5 357**
Tax	1 102	7 945	2 038	2 333	2 235	1 339
Profit/loss after tax	**3 306**	**26 051**	**8 326**	**7 000**	**6 708**	**4 018**

Balance sheet (NOK ‘000)

Items	*Q1-19*	*Q4-18*	*Q3-18*	*Q2-18*	*Q1-18*
Assets					
Loans and deposits with credit institutions	150 497	142 298	145 110	116 521	127 704
Loans to customers	2 604 823	2 481 880	2 210 903	1 834 682	1 568 603
Certificates and bonds	488 971	647 128	595 383	349 391	448 195
Deferred tax assets	-	89	1 722	4 055	6 290
Other intangible assets	29 438	27 339	25 516	22 613	20 151
Fixed assets	912	1 035	1 031	1 066	1 137
Other receivables, of which:	104 737	115 692	80 360	65 972	56 637
- prepaid agent commissions	*92 027*	*86 381*	*74 098*	*57 823*	*42 698*
Total assets	**3 379 379**	**3 415 461**	**3 060 024**	**2 394 299**	**2 228 717**
Liabilities					
Deposits from and debt to customers	2 751 149	2 832 361	2 546 928	1 944 615	1 843 890
Other debts	19 941	14 313	24 844	18 896	21 470
Accrued expenses and liabilities	14 070	20 056	12 954	11 466	11 174
Subordinated capital	40 000	40 000	40 000	40 000	40 000
Tier 1 Capital	25 000	25 000	25 000	25 000	25 000
Total liabilities	**2 850 160**	**2 931 729**	**2 649 726**	**2 039 977**	**1 941 534**
Equity					
Share capital	510 834	468 651	402 717	354 161	294 228
Retained earnings	18 385	15 081	7 581	161	(7 045)
Total equity	**529 219**	**483 732**	**410 298**	**354 322**	**287 183**
Total liabilities and equity	**3 379**	**3 415 461**	**3 060 024**	**2 394 299**	**2 228 717**

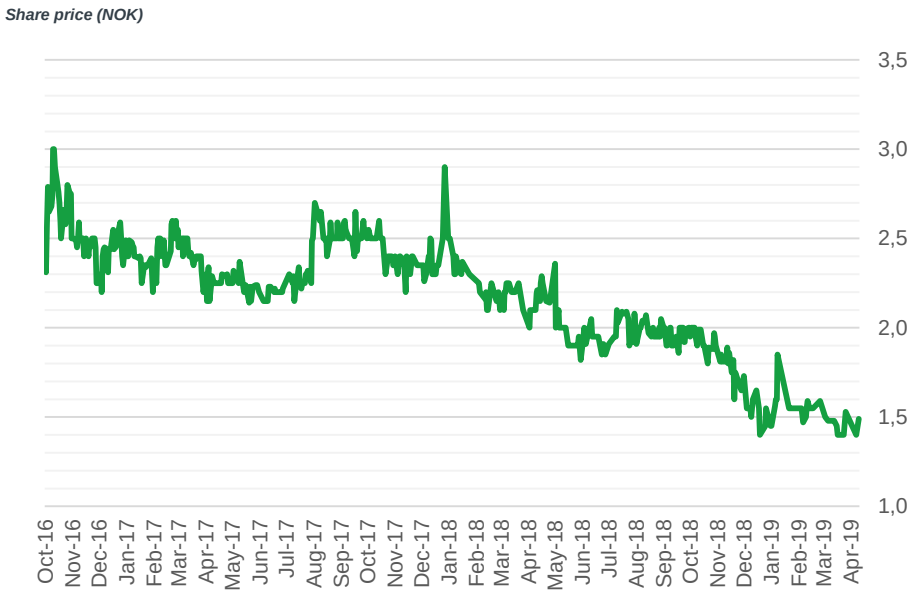
Share price and ownership

Top 20 shareholders as of 24.04.2019

#	Shareholders	# of shares	%
1	KISTEFOS AS	83 126 568	25,0%
2	HODNE INVEST AS	27 254 360	8,2%
3	VELDE HOLDING AS	23 270 000	7,0%
4	BIRKELUNDEN INVESTERINGSSELSKAP AS	18 305 911	5,5%
5	KAKB 2 AS	12 612 021	3,8%
6	KRISTIAN FALNES AS	9 000 000	2,7%
7	LEIKVOLLBAKKEN AS	8 500 000	2,6%
7	MOROAND AS	8 500 000	2,6%
9	APOLLO ASSET LIMITED	6 562 741	2,0%
10	NYE IDE HOLDING AS	6 276 000	1,9%
11	HJELLEGJERDE INVEST AS	6 000 000	1,8%
12	ALTO HOLDING AS	5 900 000	1,8%
13	SONSINVEST AS	5 108 195	1,5%
14	ENZIAN AS	5 000 000	1,5%
15	T SANDVIK AS	4 546 897	1,4%
16	LEIRIN HOLDING AS	4 333 333	1,3%
17	CAHE FINANS AS	3 500 000	1,1%
18	VELDE EIENDOM INVEST AS	3 050 000	0,9%
19	GRUNNFJELLET AS	3 010 000	0,9%
20	VENADIS FORVALTNING AS	3 000 000	0,9%
	Sum Top20	**246 856 026**	**74,2%**
	Other shareholders	85 786 013	25,8%
	Total	**332 642 039**	**100,0%**

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5 108 195	1,5 %
CRO	Eivind Sverdrup (Leirin Holding AS)	4 343 833	1,3 %
CMO	Lauren Pedersen	610 871	0,2 %
CTO	Farzad Jalily	675 757	0,2 %
COO	Egil Botnen	200 800	0,1 %
	Sum management	**10 939 456**	**3,3 %**
	Other employees	1 523 622	0,5 %
	Board members	2 150 000	0,6 %
	Total	**14 613 078**	**4,4 %**

Share price development since OTC listing in October 2016



Thank You

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