

Instabank

Interim Presentation Q2 – 2019
August 16th 2019

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Key highlights & developments Q2-19

Record high Q2 net profit of 12.7 MNOK
Losses on loans came down to 15.7 MNOK or 2.4 % of gross loan balance

Net loan growth of 13 MNOK
Finland performed well with a net loan growth of 92 MNOK, net loans in Norway decreased by 99 MNOK, while net loans in Sweden grew by 21 MNOK

Improved credit quality
Changes in credit assessment over the past year and improved pre-collection processes have had a positive impact on share of loans past due, resulting in decreased loan losses in the quarter

Operational focus
Strong operational focus on adapting to the new consumer finance by-law and both deliver and utilise data from the debt registers





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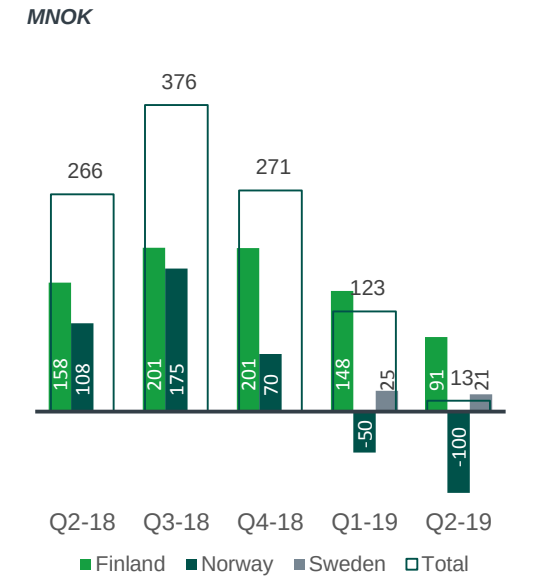
Key figures Q2-2019

- Net profit before tax of 12.8 MNOK + 43 % vs Q2-18
- Total income of 61.1 MNOK + 30 % vs Q2-18
- Losses on loans 2.4 % vs 2.3 % Q2-18
- Quarterly growth in net loans of 13 MNOK - 95 % vs Q2-18
- Outstanding net loans of 2,618 MNOK + 43 % vs Q2-18
- Total equity of 539 MNOK + 52 % vs Q2-18
- Return on Equity of 7.2 % vs 8.4 % in Q2-18

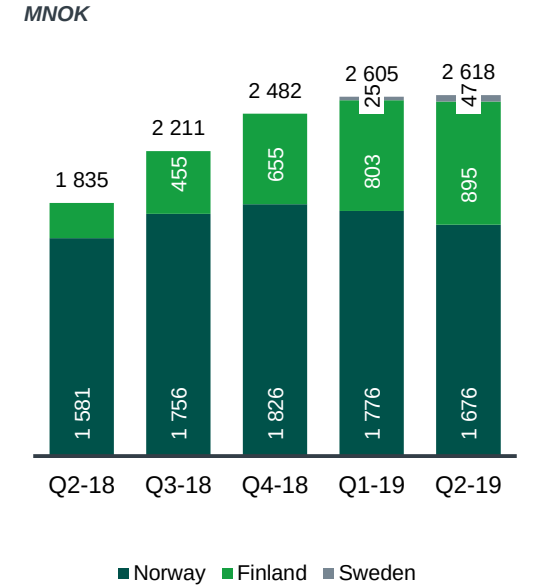


Net loan development

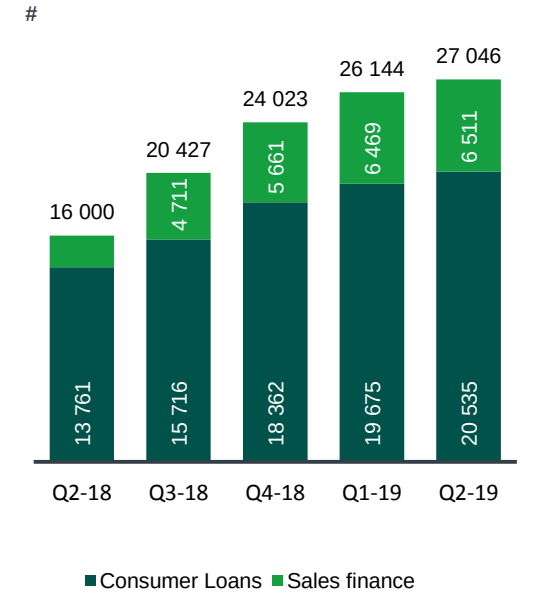
Net loan balance growth



Net loans to customers



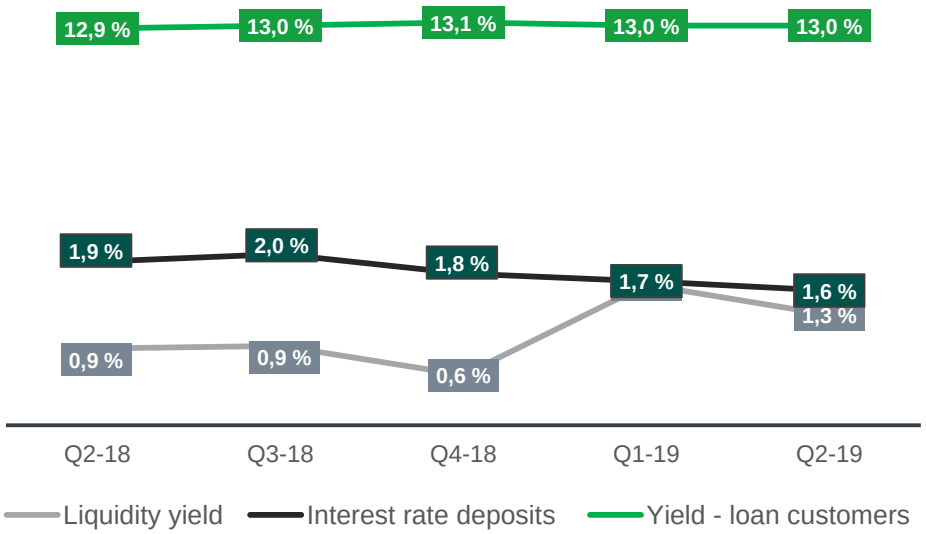
Number of loan customers



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Funding costs and yields

Development in yields and funding costs



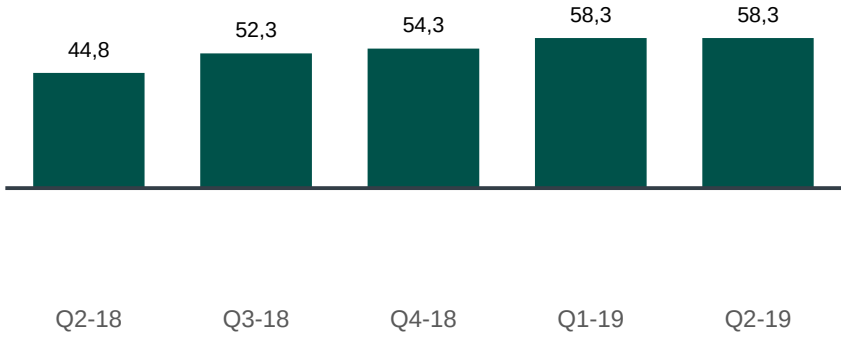
Key comments

- Attractive interest rate, affected by mix of products, distribution channel, and risk assessment
- Interest rate on deposits decreased as deposit mix changed in favor of EUR and SEK deposits at lower deposit rate than in Norway
- Liquidity yield up in 2019 compared to last year

Total income

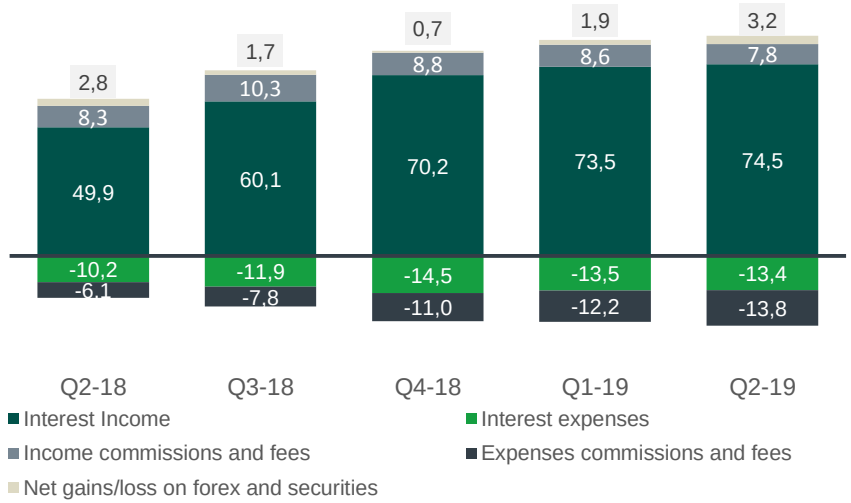
Total income

MNOK



Total income detailed

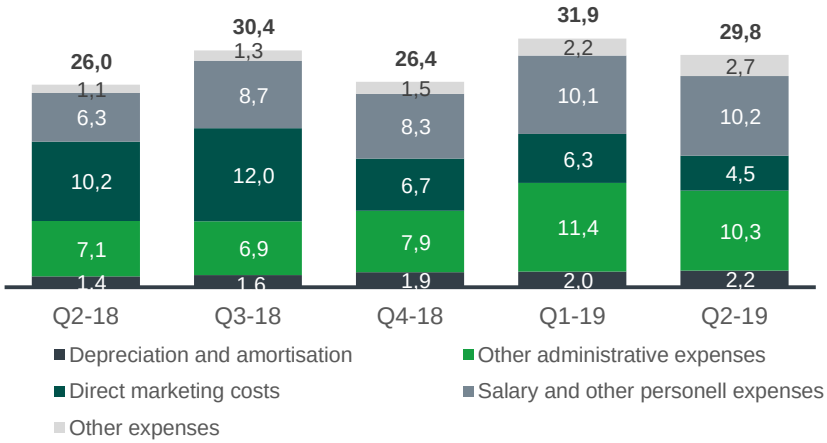
MNOK



Operating expenses

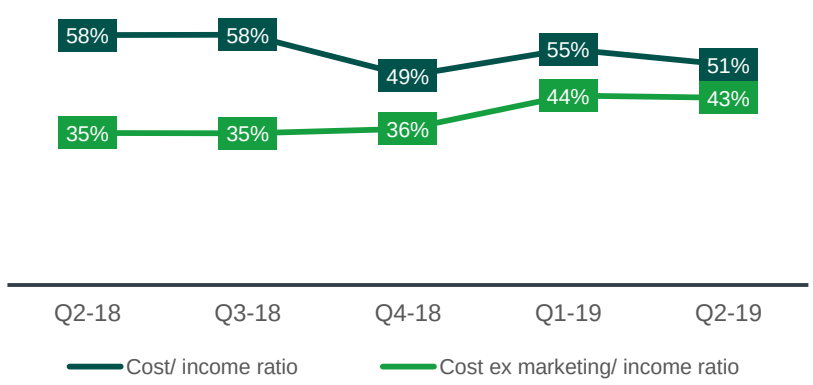
Operating expenses detailed

MNOK



Cost/income ratio

MNOK

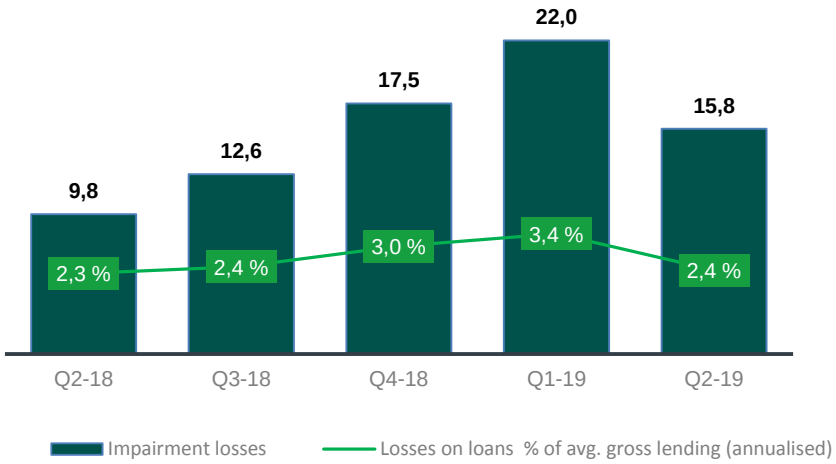


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Credit risk development

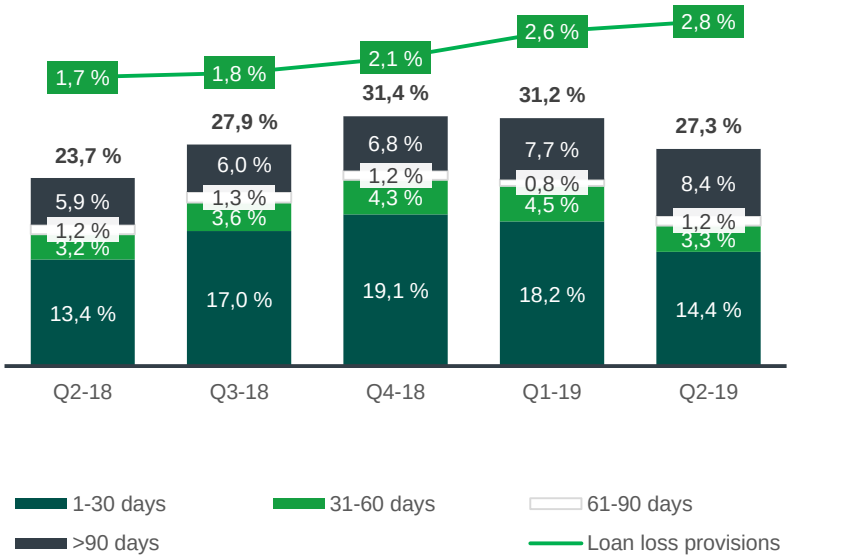
Impairment losses

MNOK



Past due days at end of quarter

% of gross lending

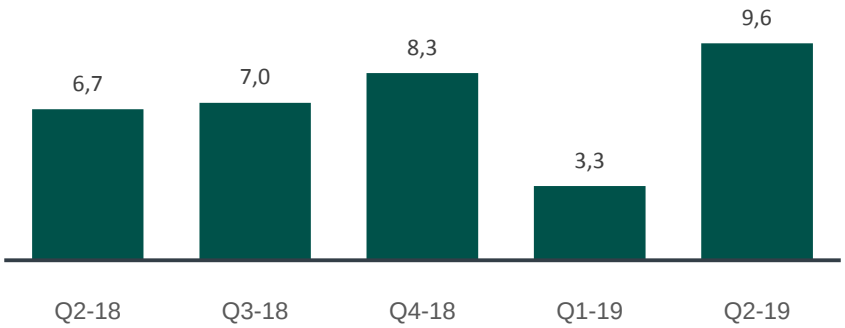


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Net profit

Net profit after tax

MNOK



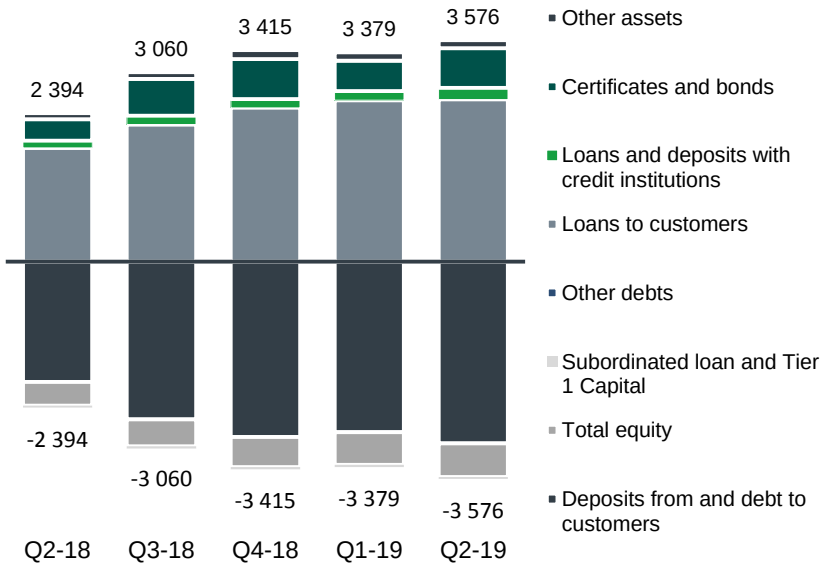
Key comments

- Net profit after tax increased from the previous quarter primarily as Q1 19 included a one-time adjustment of 5 MNOK in loan loss provisions
- While total income remained the same as in the previous quarter, operating cost decreased by 2 MNOK mainly as a result of reduced marketing cost

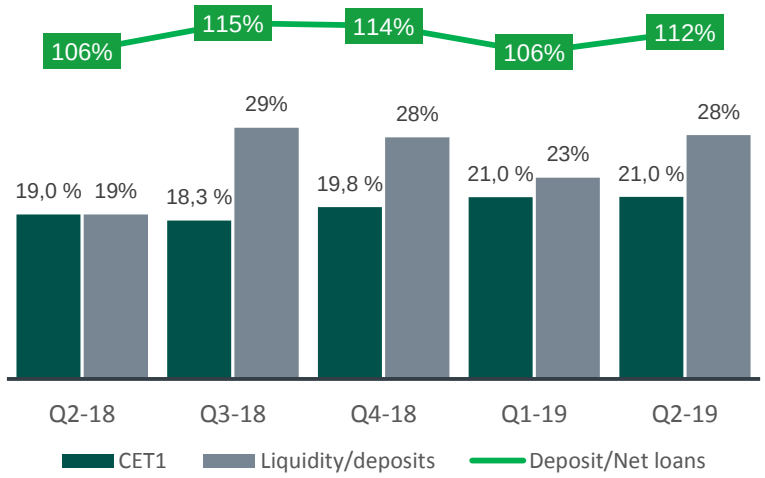
Balance sheet structure

Assets and liabilities & equity

MNOK



Key financial ratios



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Product portfolio

Unsecured consumer loans

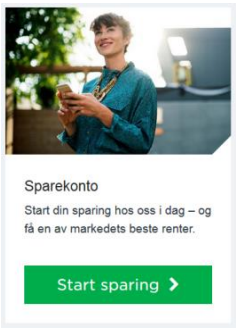
- Structured as either a revolving credit facility or an amortizing loan
- Upper credit limit of NOK 500,000 in Norway, EUR 50,000 in Finland and SEK 500,000 in Sweden



KEY METRICS
NOK 2,618m in net loans
27,046 loan customers
NOK 97k 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 0.9 %
- Deposits guaranteed by the Norwegian Banks' Guarantee Fund



KEY METRICS
NOK 2,935m in deposits
8,125 deposit customers
NOK 361k in avg. deposit size
1.93 % (NO) / 0,8 % (FI) / 0,9 % (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 Q2-19	27 %

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 Q2-19	63 %

Partner distribution

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

+ potential new partners

Partner distribution volume as of Q2-19	10 %

Outlook

Profitability and scalability

- Presence in three countries gives Instabank the strategic opportunity to focus its efforts where the most profitable growth can be achieved.
- The business setup is able to handle significantly higher volumes in all three countries without further investments or an increase in fixed costs

Growth limited short term

- The bank considers Finland and Sweden to represent the best growth opportunities going forward, while volumes in Norway are expected to remain at current levels or decrease slightly.
- Instabank is committed to continuing its profitable growth story, but the current cost of capital limits growth short term, thus we have updated the outlook for net loan growth in 2019 to 250-300 MNOK

Regulatory risk reduced

- The new consumer finance by-law was introduced on the 15th of May 2019 and the market is now characterised by competition on more equal terms, except for the capital requirement gap between Norwegian and foreign banks operating in Norway.
- The debt register is expected to reduce the number of fraudulent applications and to provide more informed and accurate credit assessments of loan applicants.

Product innovation

- Market conditions have changed considerably in Norway over last year and Instabank will continue driving innovation in the sector as we have done with POS financing
- We believe mass distribution of generic consumer loans competing on interest rate only is history in Norway and that competing on other factors in the future is key

Updated outlook for growth and net loans (MNOK)

	2016	2017	2018	2019
Total growth	190	1,128	1,163	250-300
Net loans	190	1,318	2,482	2,750-2,800

= CONTINUED PROFITABLE GROWTH

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Appendix

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Financial summary

P&L (NOK ‘000)

Items	*Q2-19*	*Q1-19*	*FY 2018*	*Q4-18*	*Q3-18*	*Q2-18*
Operating income						
Interest income	74 466	73 351	222 546	70 207	60 090	49 926
Interest expenses	13 376	13 470	46 344	14 472	11 931	10 231
Net interest income	**61 090**	**59 881**	**176 202**	**55 735**	**48 159**	**39 695**
Net commission fees and other income	-2 742	-1 563	13 230	-1 475	4 187	5 099
Total income	**58 348**	**58 317**	**189 432**	**54 261**	**52 346**	**44 793**
Operating expenses						
Salary and other personnel expenses	10 248	10 069	30 871	8 304	8 652	6 287
Other administrative expenses, of which	14 719	17 667	66 153	14 584	18 858	17 251
- direct marketing cost	*4 513*	6 303	38 330	6 695	*11 971*	*10 178*
Depreciation and amortisation	2 157	2 027	6 138	1 923	1 557	1 415
Other expenses	2 695	2 174	5 085	1 548	1 345	1 067
Total operating expenses	**29 818**	**31 937**	**108 246**	**26 358**	**30 413**	**26 019**
Losses on loans	15 772	21 972	47 189	17 540	12 600	9 831
Operating (loss)/profit before tax	**12 757**	**4 408**	**33 996**	**10 363**	**9 333**	**8 943**
Tax	3 121	1 102	7 945	2 038	2 333	2 235
Profit/loss after tax	**9 636**	**3 306**	**26 051**	**8 326**	**7 000**	**6 708**

Balance sheet (NOK ‘000)

Items	*Q2-19*	*Q1-19*	*Q4-18*	*Q3-18*	*Q2-18*
Assets					
Loans and deposits with credit institutions	185 466	150 497	142 298	145 110	116 521
Loans to customers	2 617 991	2 604 823	2 481 880	2 210 903	1 834 682
Certificates and bonds	640 642	488 971	647 128	595 383	349 391
Deferred tax assets	-	-	89	1 722	4 055
Other intangible assets	28 962	29 438	27 339	25 516	22 613
Fixed assets	777	912	1 035	1 031	1 066
Other receivables, of which:	101 665	104 737	115 692	80 360	65 972
- prepaid agent commissions	94 379	*92 027*	*86 381*	*74 098*	*57 823*
Total assets	**3 575 503**	**3 379 379**	**3 415 461**	**3 060 024**	**2 394 299**
Liabilities					
Deposits from and debt to customers	2 934 575	2 751 149	2 832 361	2 546 928	1 944 615
Other debts	23 171	19 941	14 313	24 844	18 896
Accrued expenses and liabilities	13 631	14 070	20 056	12 954	11 466
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	**3 036 377**	**2 850 160**	**2 931 729**	**2 649 726**	**2 039 977**
Equity					
Share capital	510 834	510 834	468 651	402 717	354 161
Retained earnings	28 291	18 385	15 081	7 581	161
Total equity	**539 125**	**529 219**	**483 732**	**410 298**	**354 322**
Total liabilities and equity	**3 575 503**	**3 379 379**	**3 415 461**	**3 060 024**	**2 394 299**

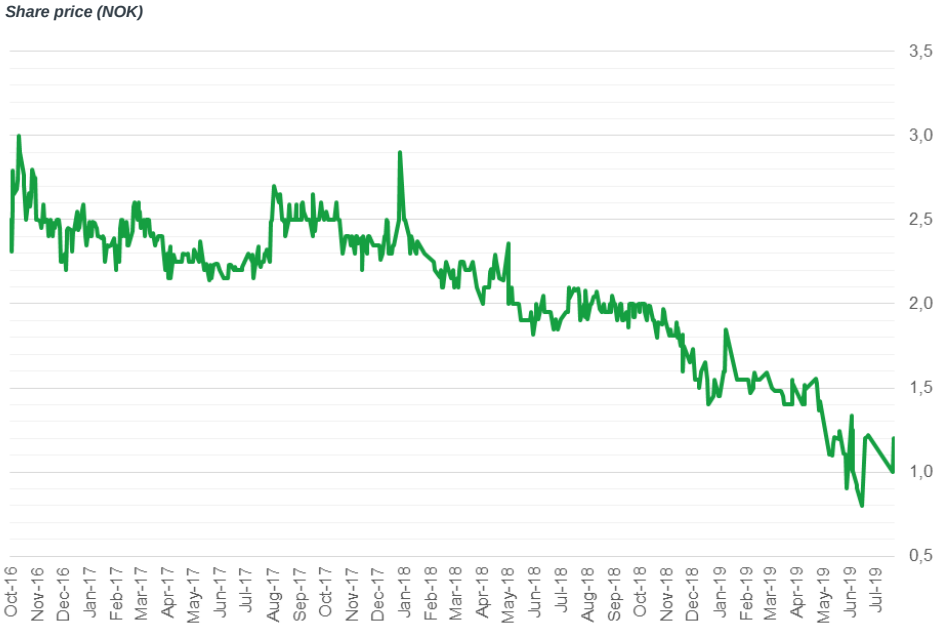
Share price and ownership

Top 20 shareholders as of 13.08.2019

#	Shareholders	# of shares	%
1	KISTEFOS AS	83 126 568	25,0%
2	HODNE INVEST AS	28 054 360	8,4%
3	VELDE HOLDING AS	23 775 000	7,1%
4	BIRKELUNDEN INVESTERINGSSELSKAP AS	18 305 911	5,5%
5	KAKB 2 AS	12 612 021	3,8%
6	HJELLEGJERDE INVEST AS	9 025 000	2,7%
7	KRISTIAN FALNES AS	9 000 000	2,7%
7	LEIKVOLLBAKKEN AS	8 500 000	2,6%
9	MOROAND AS	8 500 000	2,6%
10	APOLLO ASSET LIMITED	6 562 741	2,0%
11	NYE IDE HOLDING AS	6 276 000	1,9%
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	LEIRIN HOLDING AS	4 333 333	1,3%
16	CAHE FINANS AS	3 500 000	1,1%
17	VELDE EIENDOM INVEST AS	3 050 000	0,9%
18	GRUNNFJELLET AS	3 010 000	0,9%
19	VENADIS FORVALTNING AS	3 000 000	0,9%
20	MAGDALENA HOLDING AS	2 807 500	0,8%
	Sum Top20	**249 446 629**	**75,0%**
	Other shareholders	83 195 410	25,0%
	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 %
	Sum management	**10 738 656**	**3,2 %**
	Other employees	1 789 522	0,5 %
	Board members	2 150 000	0,6 %
	Total	**14 678 178**	**4,4 %**

Share price development since OTC listing in October 2016



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Thank You

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