

A photograph of three people sitting on a wooden bench in a park, viewed from behind. They are looking out over a landscape with trees and a house in the distance under a soft, hazy sky. The scene is captured during the 'golden hour' of sunset or sunrise, with long shadows and a warm, muted color palette.

Instabank

Interim Presentation Q3 – 2019
October 28th 2019

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Key highlights Q3-19



Positive experiences from the new debt register

Having complete and “real time” information about the unsecured debt of applicants has improved the credit assessments significantly



Launch of Instapay Mastercard in additional distribution channels

Distribution extended from partner distribution to the direct and agent channel



Record high Q3 net profit before tax of 17.6 MNOK

Driven by volume growth, increased margins and low costs



Quarterly net loan growth of 101 MNOK

Finland performed well with a net loan growth of 155 MNOK, net loans in Norway decreased by 90 MNOK, while net loans in Sweden grew by 36 MNOK



Key figures Q3-2019



Net profit before tax of **17.6 MNOK** + 89 % vs Q3-18



Total income of **63.7 MNOK** + 22 % vs Q3-18



Losses on loans **2.5 %** vs 2.4 % Q3-18



Quarterly growth in net loans of **101 MNOK** - 73 % vs Q3-18



Outstanding net loans of **2,719 MNOK** + 23 % vs Q3-18



Equity per share of **1.66 NOK** vs 1.56 Q3-18



Return on Equity of **9.7 %** vs 7.3 % in Q3-18



Product portfolio

Unsecured consumer loans



Lån

Søk helt uforpliktet om beløpet du ønsker – få tilbud basert på din økonomi.

Søk om lån >

KEY METRICS

NOK 2,719m
in net loans

28,765
customers

NOK 95k
in avg. loan size

13,0 %
avg. loan yield

Deposit accounts



Sparekonto

Start din sparing hos oss i dag – og få en av markedets beste renter.

Start sparing >

KEY METRICS

NOK 2,891m
in deposits

8,450
customers

NOK 342k
avg. deposit size

1.93 % (NO) / 0,8 %
(FI) / 0,9 % (SE)

Point of sales financing

INSTORE

Credit cards

Direct Financing
Mobile – QR code

UPGRADE
Hybrid leasing

ONLINE

Credit Cards

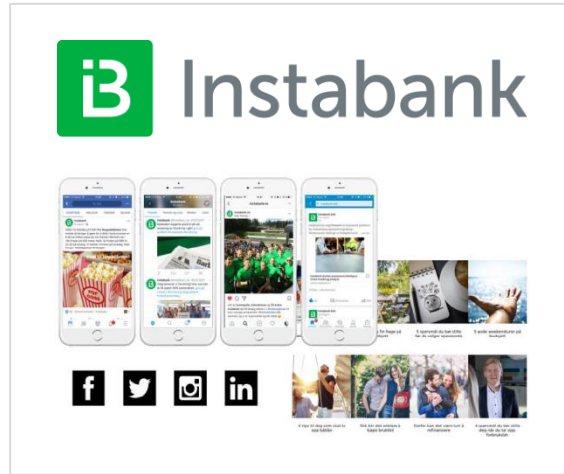
Invoice

"Handlekonto"

Deferred payment

Distribution channels

Brand distribution



Brand
distribution
volume
as of Q3-19

26 %

Agent distribution



Agent
distribution
volume
as of Q3-19

65 %

Partner distribution



Partner
distribution
volume
as of Q3-19

9 %

Instapay Mastercard

- Instabank launched the Instapay Mastercard credit card in Q1-19 as a payment instrument on top of the flexible loan product for POS finance customers at Skeidar
- Instabank has on October 15th launched the Instapay Mastercard in the direct and agent distribution channels

Si hei til Instapay Mastercard

Et nytt kredittkort med lav rente

Kun 14,9 % rente fra kjøpsdatoen

- 0,- kr i etableringsavgift
- 0,- kr i årsgebyr
- Opptil 100 000,- kr i kreditt

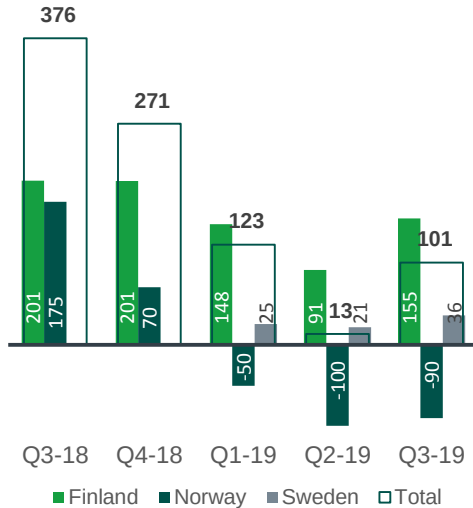
Det smarteste kortet for deg som betaler ned over tid



Net loan development

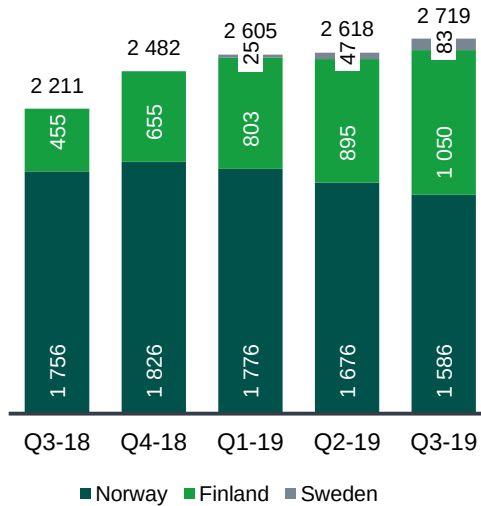
Net loan balance growth

MNOK



Net loans to customers

MNOK



Key comments

Finland

- Increased growth in Finland driven by direct marketing efforts as well as optimised pricing and process improvements. Finland is the most attractive market with the highest margins and lowest capital requirements

Norway

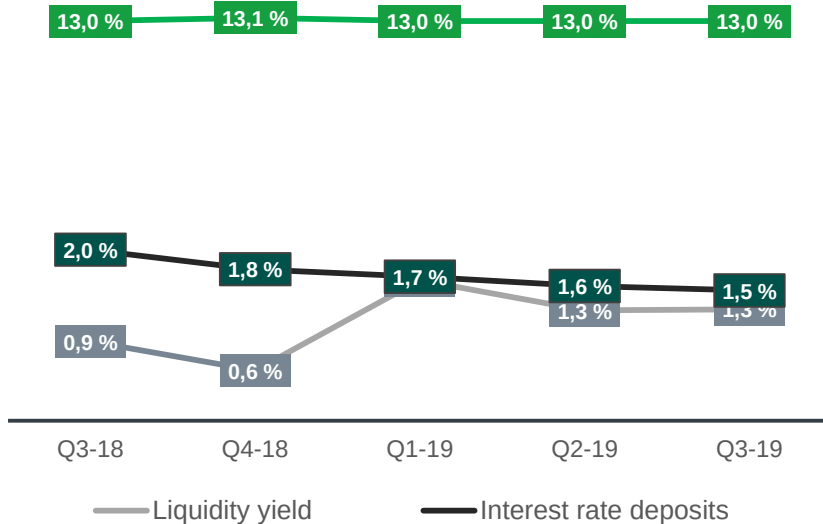
- Relatively low new volume as a result of decreased direct marketing and the new consumer finance by-law introduced in May. The stress test with a 5 % increase in interest rate on all debt has had the most significant impact

Sweden

- Slow growth as a result of a cautious approach, highly competitive market and less attractive margins

Funding cost and yields

Development in funding cost and yields



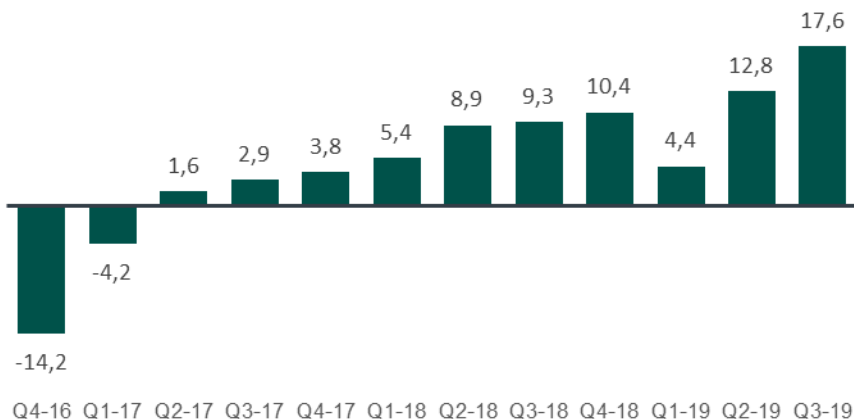
Key comments

- Attractive interest rate, affected by mix of products, distribution channel, and risk assessment
- Interest rate on deposits decreased as the deposit mix has changed in favor of EUR and SEK deposits at lower deposit rate than in Norway
- Share of deposits outside Norway has increased to 37 % from 14 % by year end 2018
- Liquidity yield up in 2019 compared to last year

Solid profit development

Net profit before tax

MNOK



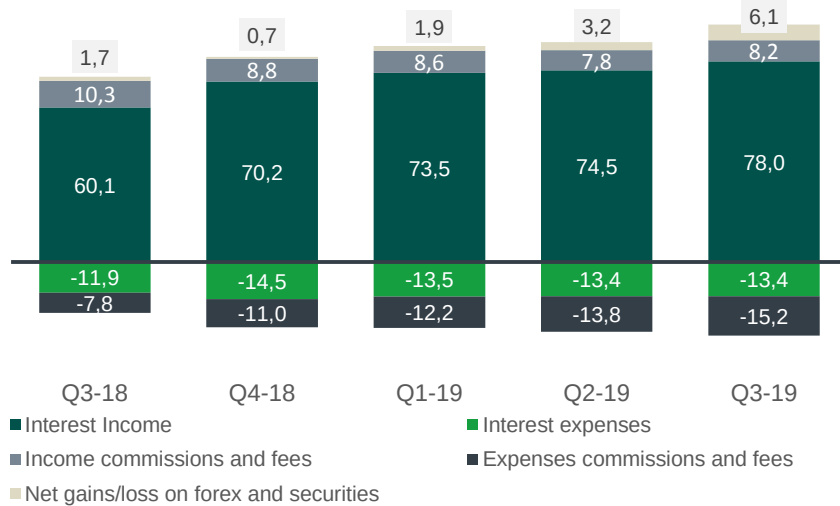
Key comments

- Instabank has been operative for three years this September and has a history of increased profit quarter by quarter, except for Q1-19 profit affected by a one-time adjustment of 5 MNOK in loan loss provisions
- In Q3-19, net profit before tax was positively impacted by one offs amounting to 2,7 MNOK
- Due to increased capital requirements, Instabank will continue to prioritise growth in profits above growth in volume in the near future:
 - Volume growth based on access to capital at an acceptable cost, growth capacity from capital surplus and profit generation
 - Operation efficiency and cost control
 - Credit risk and processes
 - Improving margins

Total income

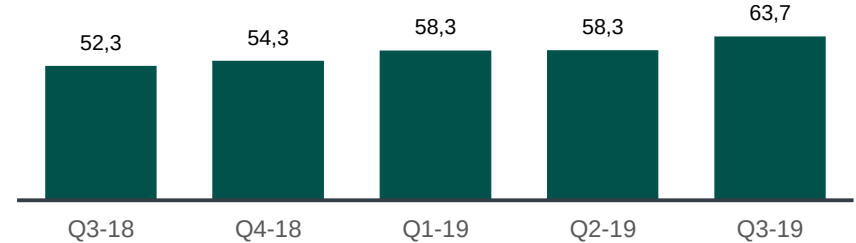
Total income detailed

MNOK



Total income

MNOK

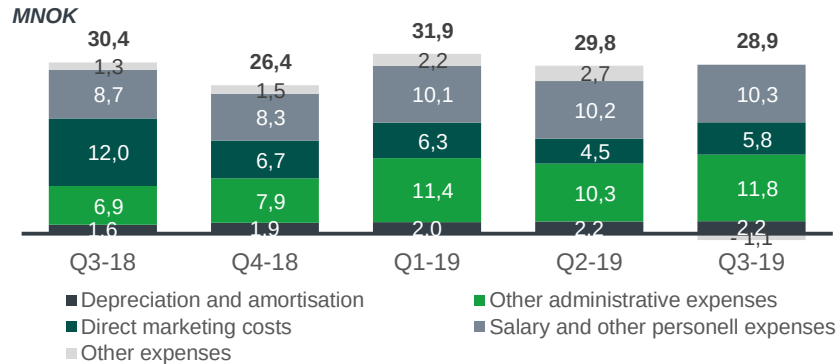


Key comments

- Increased total income in Q3 driven by increased margins, volume growth and one off currency gains
- Increase in expenses commissions and fees a result of accrued agent commissions

Operating expenses

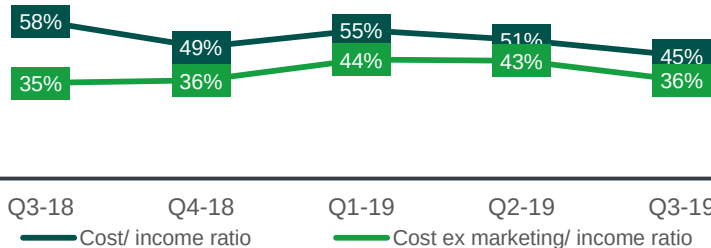
Operating expenses detailed



Key comments

- As in the previous quarter, Q3-19 administrative costs include one off advisory costs of approximately 1.4 MNOK
- Q3-19 Other expenses positively impacted by one offs amounting to 2,7 MNOK
- The increase in “Other administrative expenses” from the previous quarter was mainly driven by high credit information expenses in the Swedish market. This was significantly reduced by the end of the quarter.

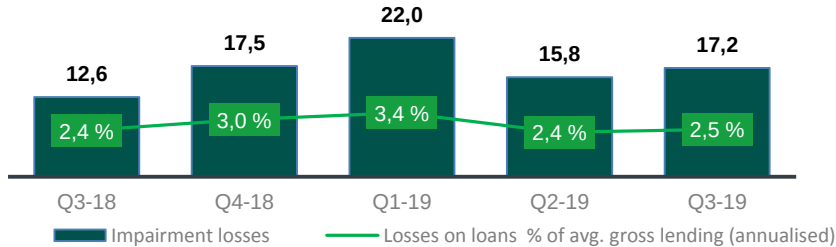
Cost/income ratio



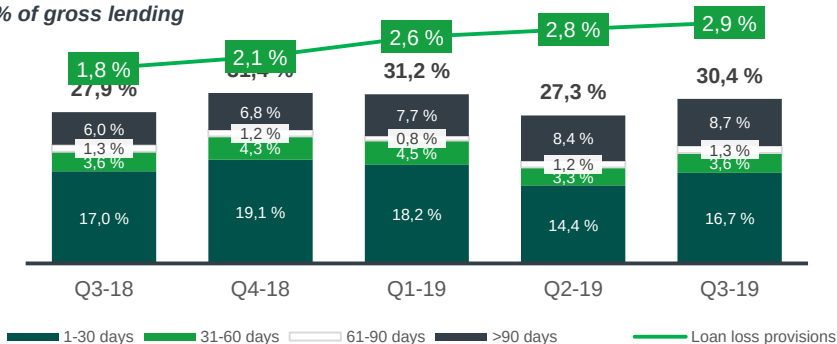
Credit risk developing well

Impairment losses

MNOK



% of gross lending

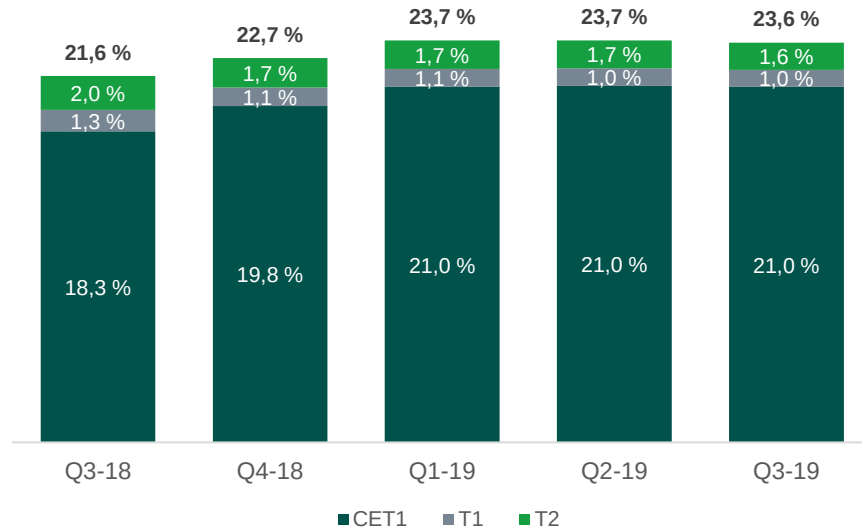


Key comments

- Losses on loans in Q3-19 increased slightly from a low level in the previous quarter
- Loan losses have decreased significantly over the past two quarters compared to Q4-18 and Q1-19. This decrease is partly due to seasonal variations and partly due to the introduction of new payment methods for Norwegian customers as well as decreased credit risk as a result of credit assessment changes over the last year.
- Share of loans past due of gross lending in each category are at the same levels in Q3-19 as Q3-18, except > 90 days.
- Past due 1-30 days increased from previous quarter due to seasonal variation

Capital adequacy

Developments in capital adequacy ratios

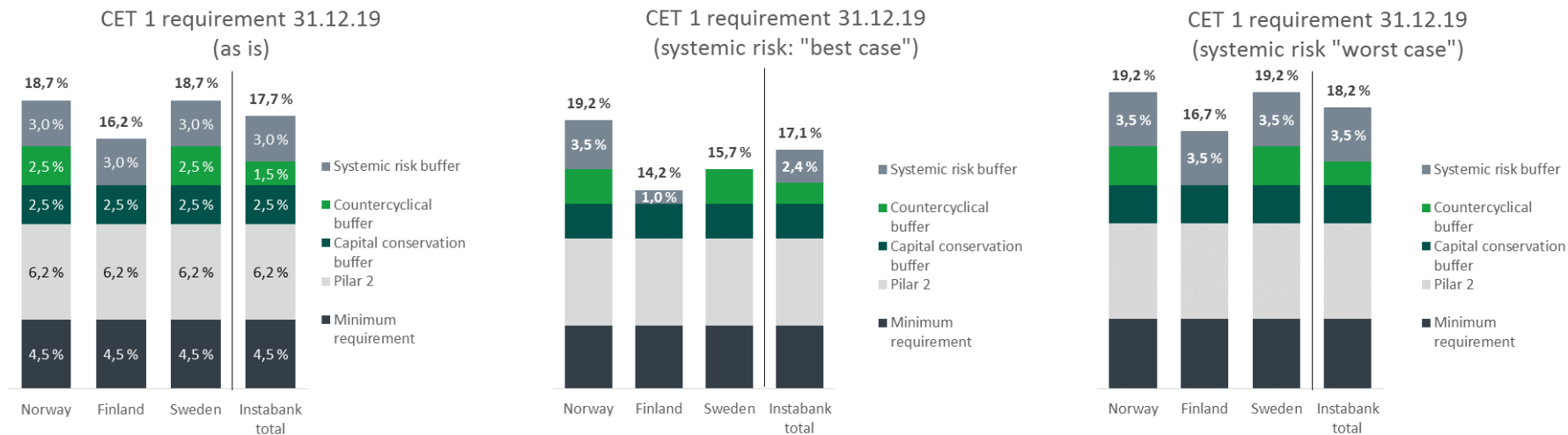


Key comments

- Total capital ratio was 23,6 % by the end of Q2, 2,6 % above the regulatory capital requirement of 21 %
- Instabank is committed to continuing its profitable growth story, but the cost of capital may limit growth short term
- As of Q3-19 the bank has excess total capital of 52 MNOK representing a growth capacity in net loans of about 300 MNOK
- Capital requirements will increase by year-end as the countercyclical buffer will increase for the Norwegian loan portfolio. There is also a proposal to change the systemic risk buffer requirement based on buffer rates applicable to exposures in different countries. If this proposal was to be implemented, the systemic risk buffer requirement for Instabank would decrease

Systemic risk buffer reciprocity would have a positive impact on the CET1 requirement

- Instabank already benefits from reciprocity rules for the countercyclical buffer
- If reciprocity rules also apply for the systemic risk buffer, Instabank will further benefit from having an increasing share of lending outside Norway, with a blended decrease in CET1 requirement of 0,6 % point
- However, an increased systemic risk in Norway, *without* reciprocity rules would increase the CET 1 requirement by 0,5 % point
- A decision from the Ministry of Finance is expected late in Q4



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 the last year. Instabank will continue driving innovation in the sector, as shown in recent POS financing product launches and partnerships
- 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)

Total growth

2016	2017	2018	2019
190	1,128	1,163	250-300

Net loans

2016	2017	2018	2019
190	1,318	2,482	2,750-2,800

= CONTINUED PROFITABLE GROWTH

Financial summary

P&L (NOK '000)

Items	TD 2019	Q3-19	Q2-19	Q1-19	FY 2018	Q4-18	Q3-18
Operating income							
Interest income	225 767	77 950	74 466	73 351	222 546	70 207	60 090
Interest expenses	40 206	13 360	13 376	13 470	46 344	14 472	11 931
Net interest income	185 561	64 590	61 090	59 881	176 202	55 735	48 159
Net commission fees and other income	-5 164	-858	-2 742	-1 563	13 230	-1 475	4 187
Total income	180 397	63 732	58 348	58 317	189 432	54 261	52 346
Operating expenses							
Salary and other personnel expenses	30 568	10 251	10 248	10 069	30 871	8 304	8 652
Other administrative expenses, of which	49 928	17 542	14 719	17 667	66 153	14 584	18 858
- direct marketing cost	16 566	5 751	4 513	6 303	38 330	6 695	11 971
Depreciation and amortisation	6 413	2 229	2 157	2 027	6 138	1 923	1 557
Other expenses	3 726	-1 143	2 695	2 174	5 085	1 548	1 345
Total operating expenses	90 635	28 879	29 818	31 937	108 246	26 358	30 413
Losses on loans	54 947	17 203	15 772	21 972	47 189	17 540	12 600
Operating (loss)/profit before tax	34 816	17 650	12 757	4 408	33 996	10 363	9 333
Tax	8 601	4 378	3 121	1 102	7 945	2 038	2 333
Profit/loss after tax	26 214	13 272	9 636	3 306	26 051	8 326	7 000

Balance sheet (NOK '000)

Items	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Assets					
Loans and deposits with credit institutions	155 611	185 466	150 497	142 298	145 110
Loans to customers	2 718 861	2 617 991	2 604 823	2 481 880	2 210 903
Certificates and bonds	534 400	640 642	488 971	647 128	595 383
Deferred tax assets	-	-	-	89	1 722
Other intangible assets	29 790	28 962	29 438	27 339	25 516
Fixed assets	657	777	912	1 035	1 031
Other receivables, of which:	116 060	101 665	104 737	115 692	80 360
- prepaid agent commissions	96 141	94 379	92 027	86 381	74 098
Total assets	3 555 379	3 575 503	3 379 379	3 415 461	3 060 024
Liabilities					
Deposits from and debt to customers	2 891 435	2 934 575	2 751 149	2 832 361	2 546 928
Other debts	31 311	23 171	19 941	14 313	24 844
Accrued expenses and liabilities	15 065	13 631	14 070	20 056	12 954
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	3 002 810	3 036 377	2 850 160	2 931 729	2 649 726
Equity					
Share capital	510 834	510 834	510 834	468 651	402 717
Retained earnings	41 734	28 291	18 385	15 081	7 581
Total equity	552 568	539 125	529 219	483 732	410 298
Total liabilities and equity	3 555 379	3 575 503	3 379 379	3 415 461	3 060 024

Share price and ownership

Top 20 shareholders as of 24.10.2019

#	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 INVESTINGSSKAP AS	18 305 911	5,5%
5	KAKB 2 AS	12 612 021	3,8%
6	HJELLEGJERDE INVEST AS	9 161 000	2,8%
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 EENDOM 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	2 887 406	0,9%
Sum Top20		249 662 535	75,1%
Other shareholders		82 979 504	24,9%
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	Farazd Jallily	675 757	0,2 %
Sum management		10 738 656	3,2 %
Other employees		1 529 622	0,5 %
Board members		2 150 000	0,6 %
Total		14 418 278	4,3 %

Share price development since OTC listing in October 2016

Share price (NOK)



Thank You