



# Instabank

Investor presentation – 28 November 2016

# Today's agenda

1

## Instabank at a glance

*A digital bank with high ambitions*

2

## Trading update

*Well ahead of plan*

3

## Outlook and strategic priorities

*Continued focus on high quality growth*

A

## Additional materials

# Instabank presenting team



**Robert Berg – CEO**

**yA Bank (2014-2016) – CEO**

**Ikano Bank (2011-2014) – Commercial director**

**Santander Consumer Bank (2005-2010) – Director**

*Corporate Business*



**Gard Haugen – CFO**

**yA Bank (2013-2016) – CFO**

**ABG Sundal Collier (2004-2013) – Partner, Finance**

**EY (2000-2003) – Manager, Regional Finance**



# | Instabank at a glance

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# We believe that we live in a world driven by change

And that this pace of change creates unimagined possibilities. We will be part of the change, and even drive it forward.  
Actually, we live to move and remove established barriers complicating the flow between people, goods and values.

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# Our customer promise

Nyskapende  
*“Innovative”*

Åpen  
*“Open”*

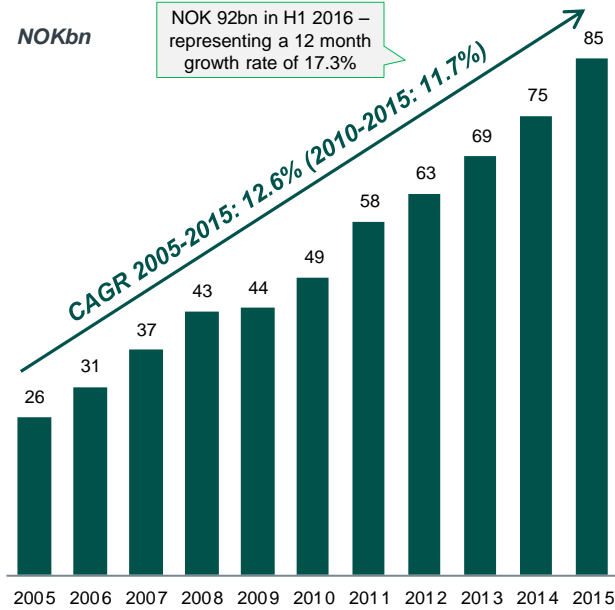
Kompetent  
*“Competent”*

*“Vi tenker ikke som en bank. Vi tenker som deg.”*

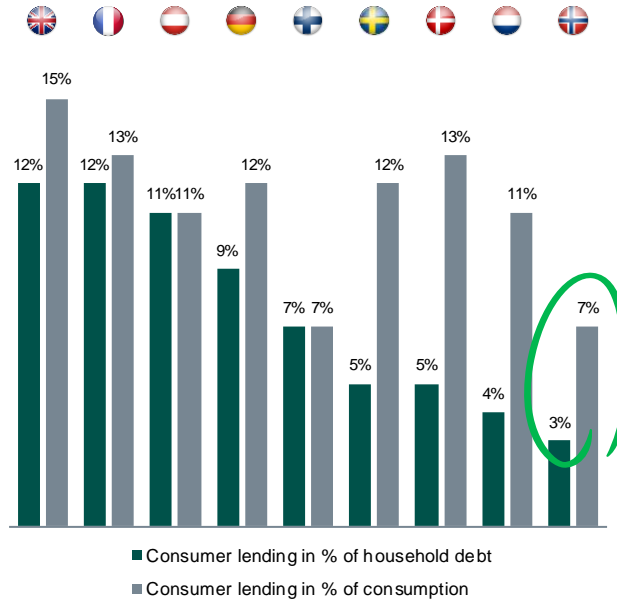


# Favorable market trends set to continue

## Strong growth in consumer lending



## Consumer finance remains underpenetrated in Norway



## Key comments

- ✓ Broadening services offering
- ✓ Low cost digital distribution platforms
- ✓ Growing public awareness and acceptance
- ✓ Regulatory pressure creating headwinds for traditional banks
- ? Negative media focus and possible regulatory changes

# Scalable platform with tailored product offering

2016

## Unsecured consumer loans

- One product, two variations:
  - Amortizing loan
  - Revolving credit and flexible repayment

### Loan amount

NOK  
5,000-500,000

### Pricing

7.9-19.99% p.a.

## Saving accounts

- NOK 50,000 – 2,000,000
- Interest rate of 1.9%

## Payment protection insurances

- Prepaid insurance
- Covers instalments within the initial period of 36 months

## Online banking

- Deposit
- Loan and loan increases
- Invoice payments

2017 – 2018

## Sales Finance

- Web payment solutions
- Shop payment solutions
- Closed loop solutions

## Payment solutions

- Credit cards (Visa or MasterCard)
- Virtual cards
- Mobil payment applications

## Loyalty programs

- Personal loyalty through tailored solutions
- Online portal with special / limited offers



## Current accounts

- Conventional debit cards linked to deposit accounts
- Instant access and flexible repayment
- Bundle with overdraft facility

## Nordic growth ambitions

- Natural next step



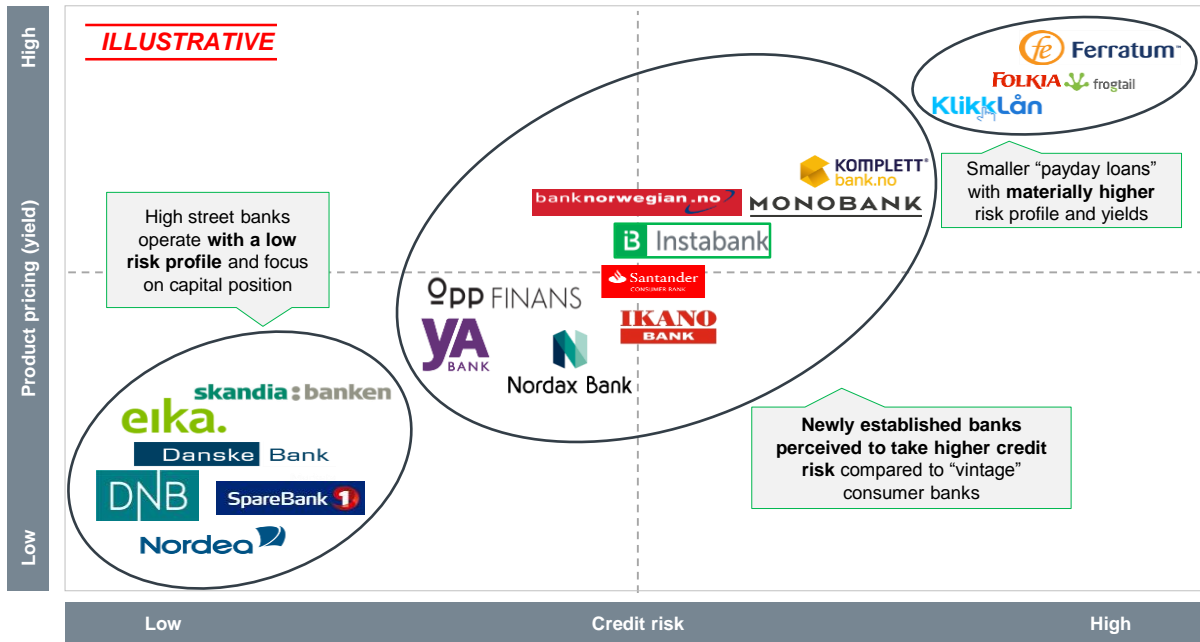


# Targeting the largest and most profitable segments

	Status	Age	Profile / typical use of funds	Targeting / Priority
1	Middle-aged men	40 - 59	<ul style="list-style-type: none"> <li>Liquidity for consumption to purchase durable goods such as a car, boat, cabin                             <ul style="list-style-type: none"> <li>Refinancing, unexpected expenses, refurbishment</li> </ul> </li> </ul>	Priority
2	Middle-aged women	40 - 59	<ul style="list-style-type: none"> <li>Liquidity for consumption or refurbishment of existing home                             <ul style="list-style-type: none"> <li>Refinancing, unexpected expenses, refurbishment</li> </ul> </li> </ul>	
3	Seniors – women & men	60 - 75	<ul style="list-style-type: none"> <li>Liquidity for consumption, refurbishment of existing home or purchase of durable goods                             <ul style="list-style-type: none"> <li>Refurbishment, unexpected expenses</li> </ul> </li> </ul>	
4	Developing adults, women & men	25 - 39	<ul style="list-style-type: none"> <li>Liquidity for consumption, buying first home or refurbishment of existing home                             <ul style="list-style-type: none"> <li>Refurbishment, unexpected expenses</li> </ul> </li> </ul>	Increased focus
5	Expatriates	35 - 55	<ul style="list-style-type: none"> <li>Urban individuals who recently have moved to Norway and are settling down</li> </ul>	
6	New business / founders	25 - 45	<ul style="list-style-type: none"> <li>In need of investment funding</li> </ul>	Under development

# Clear risk positioning and pricing strategy

## Profile / typical use of funds



## Instabank positioning

- Targeting the low to mid risk segment within consumer lending
- Focus on adequate long-term credit risk
- Application of a risk based pricing model implies somewhat lower product yields and a positioning further down on the risk curve compared to competitors perceived to take higher credit risk

# Distribution strategy based on winning recipe

Indirect

**Lendo**

**COMPARE KING.no**

**online24**

**Zmarta GROUP**

**stk FINANS**

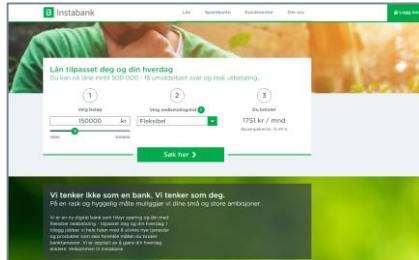
**Telefinans**

- Joint projects, activities and new projects
- On-going discussions to further expand network



Direct

**Instabank.no**



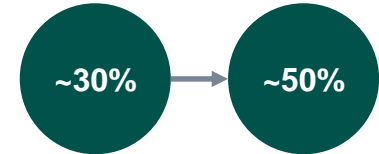
07:00-22:00 call center

**Directed campaigns**



**Potential partners**

- “Local” retail partners close to the customer
- Actively considering wider reaching partnerships



# | Trading update

# Key highlights since inception

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Full organisation in place



Loan growth well ahead of plan



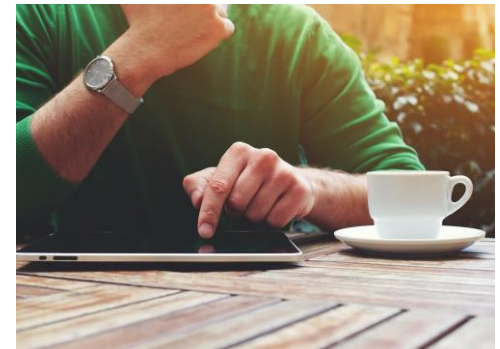
Well balanced credit risk management



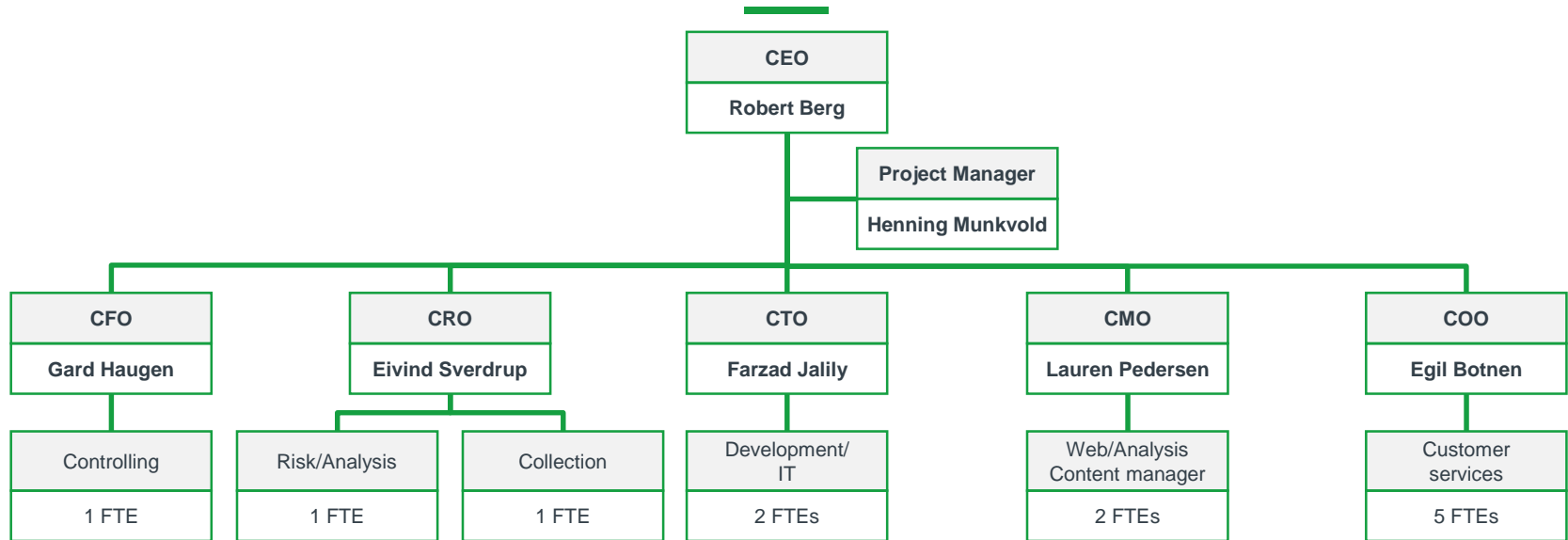
Established strong distribution



Balanced cost control



# Full organisation in place

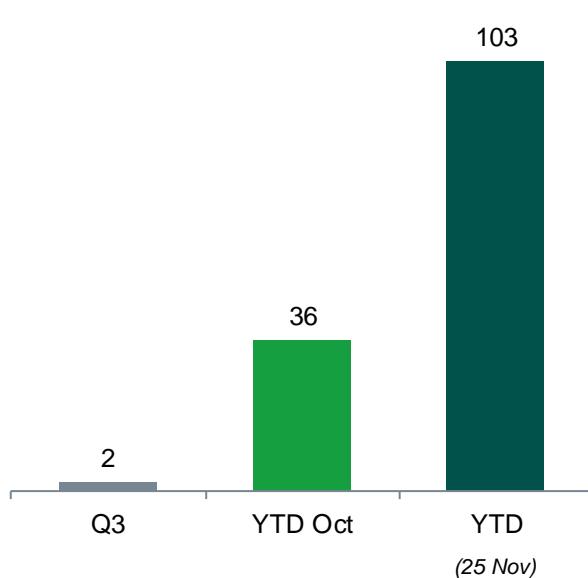


- Significant focus on innovation made visible with a dedicated project manager (former Partner in Absalon and Team Leader Financial Services at Devoteam)
- Focusing on data management/analysis – Data Information Manager Ingrid Hermanrud Rasmussen (former Chief Data Officer at Santander)
- Analysis and digital competence – Stian Rismyhr (former Chief Analyst at iProspect)

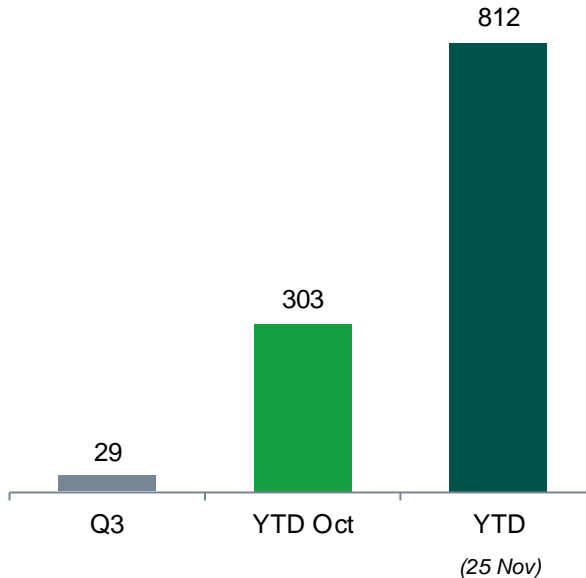
# Loan growth well ahead of plan

## Net loans to customers

*NOKm*



## Number of customers

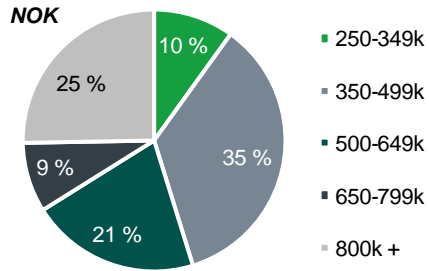


## Key comments

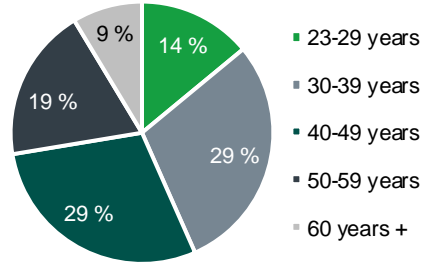
- Limited marketing through initial start up phase, in order to ensure satisfactory score results
- Launch campaign initiated on 28 October with successful results
- Current run rate ahead of plan
- Lean startup – only 6 months from start to first customer on-board

# Well balanced credit risk management and customer segmentation

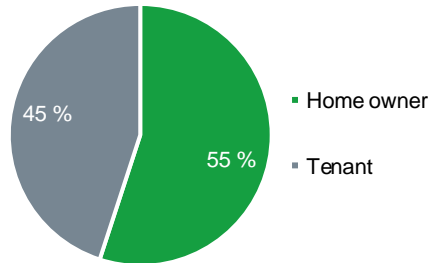
## Income



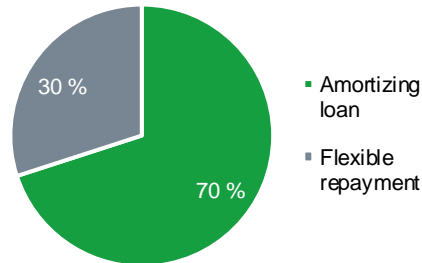
## Age



## Housing



## Consumer loans



Yield net loan  
to customers

14%

Interest rate  
on deposits

1.9%

Yield on  
liquidity balance

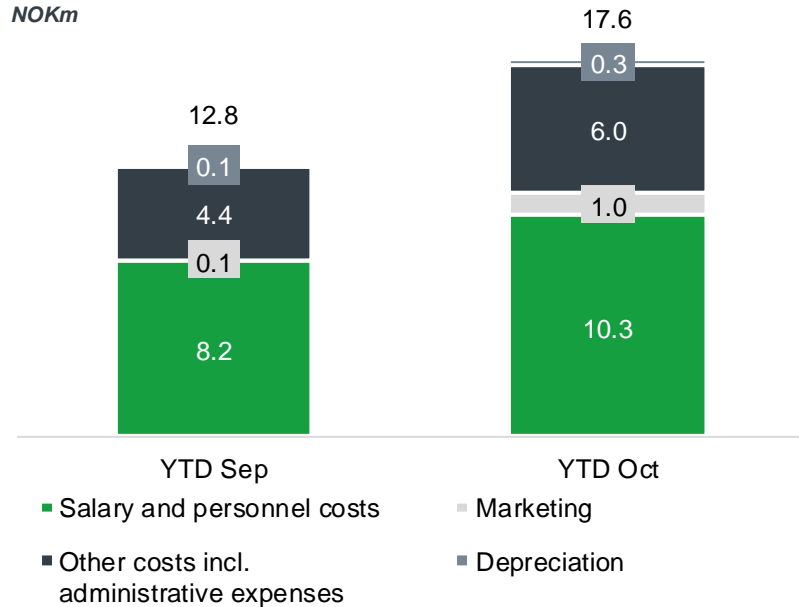
1.1%

Note: All figures as of 25 November



# Balanced cost control

## Operating expenses by category



## Key comments

- Salary and personnel costs – now close to run rate
- Marketing started in October; launch campaign initiated, and spending now at run rate of approximately NOK 25m per annum
- OPEX to income ratio expected to decrease to around 100% in 2017, and further down to around 30% in 2019/2020

# | Outlook and strategic priorities



# Current strategic priorities

- I Distribution
- II Insight
- III Process / stability
- IV Customer Communication / CRM
- V Innovation
- VI Focus on results

# Near term outlook

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Continued growth in the market for unsecured lending in Norway.



Increase number of agents and continue direct marketing efforts.



Loan growth well ahead of plan – likely to increase our first full year loan estimate of NOK 550m by around 30% (ytd.31.12.17 > NOK 900m).



Well on track to reach profitability within second full year of operations.

# | Additional materials

# Key financials

## P&L (NOK '000)

Items	YTD Sep	YTD Oct
<b>Operating income</b>		
Interest income	128	328
Interest expenses	11	52
<b>Net interest income</b>	<b>118</b>	<b>276</b>
Net commission fees and other income	50	1,005
<b>Total income</b>	<b>168</b>	<b>1,281</b>
<b>Operating expenses</b>		
Salary and other personnel costs	8,211	10,330
Administrative expenses	3,651	6,159
Depreciation	147	295
Other costs	763	862
<b>Total opex</b>	<b>12,772</b>	<b>17,646</b>
Loan losses	0	0
<b>Profit before tax</b>	<b>(12,605)</b>	<b>(16,365)</b>
Tax	(3,151)	(4,644)
<b>Profit after tax</b>	<b>(9,453)</b>	<b>(11,721)</b>

## Balance sheet (NOK '000)

Items	YTD Sep	YTD Oct
<b>Assets</b>		
Loans and deposits with Central Bank	0	0
Loans and deposits with Credit Institutions	142,595	110,156
Loans to customers	2,247	36,264
Certificates and Bonds	0	0
Shares and other securities with variable yield	100,000	100,246
Other intangible assets	9,545	11,592
Deferred tax asset	0	0
Fixed assets	1,303	1,328
Prepaid agent commissions	198	1,453
PP&E	0	0
<b>Total assets</b>	<b>255,888</b>	<b>261,039</b>
<b>Liabilities</b>		
Deposits from and debt to customers	1,215	9,185
Other debt	6,218	4,440
Deferred revenue	0	0
Deposits for accrued expenses and liabilities	3,642	4,869
Taxes payable	0	0
Subordinated debt	0	0
<b>Total liabilities</b>	<b>11,076</b>	<b>18,494</b>
<b>Equity</b>		
Share capital	254,266	254,266
Retained earnings	(9,453)	(11,721)
<b>Total equity</b>	<b>244,813</b>	<b>242,545</b>
<b>Total liabilities and equity</b>	<b>255,888</b>	<b>261,039</b>

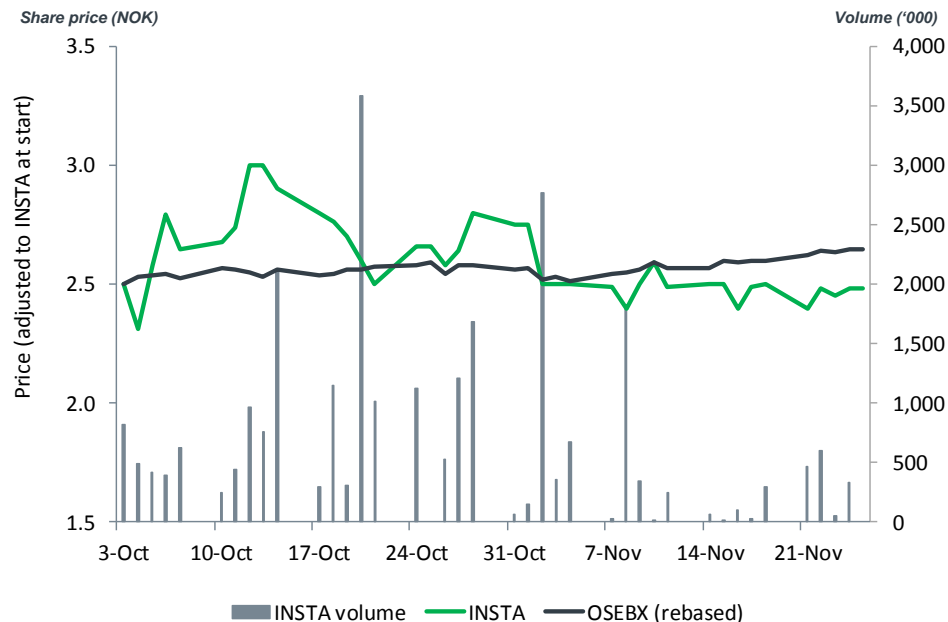
# Share price and ownership

## Top 20 shareholders as of 25.11.2016

#	Shareholders	# of shares	%
1	Hodne Holding AS	13,148,668	7.1%
2	Velde Holding AS	11,479,367	6.2%
3	Kjb Holding AS	10,362,021	5.6%
4	Apollo Asset Limited	10,000,000	5.4%
5	T Sandvik AS	8,725,500	4.7%
6	Moroand AS	8,500,000	4.6%
7	Leikvollbakken AS	8,500,000	4.6%
8	Kristian Falnes AS	8,000,000	4.3%
9	Alto Holding AS	6,550,000	3.5%
10	Sonsinvest AS	5,000,000	2.7%
11	Leirin Holding AS	4,333,333	2.3%
12	Haugen Nichola Helen	3,666,667	2.0%
13	Hava Financials AS	3,147,678	1.7%
14	Venadis AS	3,000,000	1.6%
15	Erzian AS	3,000,000	1.6%
16	Likholmen Invest AS	3,000,000	1.6%
17	Cahe Finans AS	3,000,000	1.6%
18	Etek Holding AS	2,095,626	1.1%
19	Grimstad Lill Anita	2,000,000	1.1%
20	Hanasand Morten	1,893,130	1.0%
<b>Sum Top20</b>		<b>119,401,990</b>	<b>64.5%</b>
Other shareholders		66,598,010	35.5%
<b>Total</b>		<b>185,000,000</b>	<b>100.0%</b>

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5,000,000	2.7%
CFO	Gard Haugen (Likholmen Invest AS)	4,700,000	2.5%
CRO	Evind Sverdrup (Leirin Holding AS)	4,333,333	2.3%
CMO	Lauren Pedersen	1,200,000	0.6%
CTO	Farzad Jalily	666,667	0.4%
COO	Egil Botnen	500,000	0.3%
<b>Sum mgmt</b>		<b>16,400,000</b>	<b>8.9%</b>
Other employees		1,303,934	0.7%
<b>Total</b>		<b>17,703,934</b>	<b>9.6%</b>

## Share price development since OTC listing in October



# Thank You