

A woman with brown hair and bangs, wearing a teal patterned button-down shirt and a multi-strand beaded necklace, is smiling and looking at a smartphone. The background is a blurred outdoor setting with green foliage.

INSTABANK ASA

INTERIM REPORT Q3 2017

INTERIM REPORT Q3-17

Key highlights & developments

-  **Q3 profit with NOK 2.2 million**
Year to date profit of NOK 0.2 million.
-  **Strengthened position within data and analysis**
Implemented Provenir risk decision-making platform.
-  **Project on target to launch in the Finnish market**
Estimated to launch early 2018.
-  **Continued high loan growth**
305.6 MNOK during Q3.
-  **Signed Skeidar agreement**
Signed exclusive distribution and strategic ownership agreement with Skeidar.
-  **Brand campaign on NRK**
High level brand exposure, particularly during 2017 Athletics World Cup, led to jump in brand awareness.



We think like you.

INTERIM REPORT Q3 2017

About Instabank ASA

Instabank is a new Norwegian digital bank with offices in Oslo, Norway. Instabank ASA was granted a banking license by The Financial Supervisory Authority of Norway (Finanstilsynet) on September 19th, 2016. On September 23rd, 2016, the bank opened for business.

Instabank has a vision to deliver the best user experience in our market and to simplify banking services. We aim to help our customers achieve both large and small ambitions. Our market promise is: "Vi tenker ikke som en bank, vi tenker som deg" (we don't think like a bank, we think like you).

The ability to quickly grasp opportunities, make fast decisions and immediately implement changes runs consistently through the bank's platform and culture. At the end of Q3, Instabank had 20 full-time and 4 part-time employees.

Instabank offers competitive savings, insurance, and unsecured loan products to consumers who qualify after a credit evaluation. The loan product is designed to be highly customisable in order to match the consumer's preferences. Customers can choose a payment plan that ranges from three to 5 years, or alternatively opt for a fully flexible credit facility.

The bank's products and services are distributed primarily through the bank's website and via agents. At the end of Q3, the bank had distribution through eight agents as well as through our own website and marketing mix.

Instabank is a member of "Bankenes Sikringsfond", which secures all deposits up to two million kroner.

Instabank is primarily owned by Norwegian investors. By the end of Q3, there were no individual shareholders owning more than 10% of the bank. The extraordinary general meeting held on October 4th, 2017 approved the issue of 20 million shares towards Skeidarliving Group AS ("Skeidar").

Skeidar is Norway's largest privately-owned retailer within the home furnishing segment. The company has 50 retail outlets spanning the length of the country and had a turnover of 2 100 MNOK in 2016. Instabank and Skeidar entered into an exclusive agreement where the bank will offer consumer-friendly financing products at all Skeidar retail outlets from January 1st, 2018. In addition, the two companies are working together to develop new solutions based on cutting edge technology, which will offer better user experiences at check-out for both in-store and online purchases.

Developments

The bank's marketing and operations teams have continued to function very well, with a strong focus on direct distribution combined with loan agents.

During the third quarter the bank made significant progress towards launching in the Finnish market in early 2018.

Also within Q3, Instabank initiated and completed activities to comply with the recent guidelines issued by The Financial Supervisory Authority of Norway, Finanstilsynet.

Both loan and savings volume have exceeded plans made during the bank's project phase. At the end of Q3, the bank had 6 700 loan customers and 2 150 deposit customers.

Income Statement

In Q3, the bank achieved a net interest income of 24.5 MNOK, other net income of 6 MNOK, operating expenses of 20 MNOK and a profit after tax of 2.2 MNOK.

In Q3, the bank wrote-off 7.6 MNOK in loan losses, in line with expectations.

Balance Sheet

Total assets at the end of Q3 were 1 323.6 MNOK. Loans to customers before write-offs amounted to 1 108.3 MNOK (1 092.6 MNOK after 14.1 MNOK in write-offs).

Liquidity amounted to 177.4 MNOK. Customer deposits amounted to 1 062.5 MNOK. Total equity amounted to 237.1 MNOK.

Future outlook

The Norwegian economy appears to be stable. There have been no significant changes during the last quarter which are seen to influence the ability or expectation for private households to fulfil loan obligations. Interest rates are expected to remain at the low level we have seen for some time. GDP growth in the first quarter of 2017 was stronger than last year, and unemployment has dropped from peak levels.

Competition in Norway is expected to cause some pressure on interest margins, particularly within the agent channel. There is still considerable focus on developments in Norwegian household borrowing and especially when it comes to consumer loans. New guidelines and further regulation of the consumer loan sector have been introduced by the regulators. Instabank believes that better regulation of the industry is positive. The bank is dedicated to remaining highly informed regarding current and future regulations, and to using available channels to ensure that regulations do not distort competition within the market. Proposed new guidelines and regulations will affect the

market for consumer loans in Norway. However, we still believe there will be room to grow sales volume and profitability according to our plans.

Geographical expansion has been part of the bank's plans ever since its inception. In order to ensure continued strong development in volume and profitability, these plans have been accelerated. The project to enter the Finnish market is on-going and the goal is to start lending operations in Finland early next year.

From January 1st, 2018, Instabank will have exclusive distribution of financing solutions to customers in the Skeidar Group. In cooperation with Skeidar, Instabank will develop new and customer-friendly financing products tailored to Skeidar's business, which will be launched throughout 2018.

In Q4, additional actions will be taken within the bank's marketing and operational set-up to provide a basis for strong growth in loan volume. Our focus on distribution will still be the number one strategic, tactical and operational focus in the quarter. It is also expected that defaults and losses will increase in-line with the bank's increased loan volume and in line with expectations.

The bank's liquidity and capital situation is expected to remain at a satisfactory level in the future. It should be noted that there is typically uncertainty related to assessments of future conditions. The team will continuously evaluate new products and distribution channels that can supplement the bank's current platform.

For information relating to capital requirements and liquidity coverage ratio, refer to the notes.

The accounting profit for Q3 is entirely pre-disposed against retained earnings.

The presented figures are not audited by the company's external auditor.

Oslo, October 19th, 2017
Instabank ASA, Board of Directors

INCOME STATEMENT

Amounts in NOK 1 000	Q3-2017	Q1-Q3 2017	2016	Q3 2016	Q1-Q3 2016
Interest income	29 074	61 119	3 147	103	128
Interest expenses	4 592	10 018	505	11	11
Net interest income	24 482	51 102	2 641	92	118
Income commissions and fees	8 355	22 421	3 985	53	53
Expenses commissions and fees	2 585	5 318	311	0	0
Net gains/loss on foreign exchange and securities classified as current assets	273	1 082	-188	0	0
Net other income	6 043	18 185	3 487	50	50
Total income	30 525	69 287	6 128	142	168
Salary and other personnel expenses	7 493	17 692	12 368	5 528	8 211
Other administrative expenses, of which:	11 097	32 997	14 831	2 089	3 651
- <i>direct marketing cost</i>	8 033	23 728	6 414	0	0
Depreciation and amortisation	672	1 866	624	137	147
Other expenses	743	2 199	1 240	596	763
Total operating expenses	20 006	54 754	29 062	8 350	12 772
Losses on loans	7 644	14 252	3 852	0	0
Operating (loss)/profit before tax	2 875	281	-26 787	-8 208	-12 605
Tax expenses	719	70	-9 380	-2 052	-3 151
PROFIT/LOSS AFTER TAX	2 156	211	-17 407	-6 156	-9 453

BALANCE SHEET

Amounts in NOK 1 000	30.09.2017	31.12.2016	30.09.2016
Loans and deposits with credit institutions	46 456	109 542	142 595
Loans to customers	1 092 977	190 310	2 247
Certificates and bonds	130 896	199 817	100 000
Deferred tax assets	9 310	9 380	3 151
Other intangible assets	9 810	8 791	6 394
Fixed assets	1 228	1 309	1 303
Other receivables, of which:	31 960	7 756	198
- prepaid agent commission	29 798	5 946	0
TOTAL ASSETS	1 322 636	526 905	255 888
Deposit from and debt to customers	1 062 458	277 802	1 215
Other debts	12 328	7 360	6 218
Accrued expenses and liabilities	10 780	4 884	3 642
Total liabilities	1 085 567	290 046	11 075
Share capital	254 266	254 266	254 266
Retained earnings	-17 196	-17 407	-9 453
Total equity	237 070	236 859	244 813
TOTAL LIABILITIES AND EQUITY	1 322 636	526 905	255 888

NOTES

Note 1: General accounting principles

The interim report is prepared in accordance with the principles in the annual report for 2016.

Note 2: Loans to customers

Amounts in NOK 1 000	30.09.2017	31.12.2016	30.09.2016
<u>Gross and net lending</u>			
Revolving credit loans	310 817	52 591	166
Installment loans	797 498	141 572	2 081
Gross lending	1 108 314	194 162	2 247
Impairment of loans	-15 710	-3 852	0
Net loans to customers	1 092 604	190 310	2 247
<u>Defaults and losses</u>			
Gross defaulted loans	47 166	73	0
Individual impairment of loans	-14 569	-29	0
Other impairment of loans	-1 141	-3 823	0
Net defaulted loans	31 455	-3 779	0

Gross defaulted loans are loans which are more than 90 days in arrear in relation to the agreed payment schedule.

Note 3: Regulatory capital and LCR

Amounts in NOK 1 000	30.09.2017	31.12.2016	30.09.2016
Share capital	185 000	185 000	185 000
Share premium	69 266	69 266	69 266
Other equity	-17 407	-17 407	-9 453
Deferred tax asset / intangible assets / other deductions	-19 119	-18 171	-9 545
Common equity tier 1 capital	217 740	218 688	235 268
Core capital	217 740	218 688	235 268
Total capital	217 740	218 688	235 268
<i>Calculation basis</i>			
Credit risk:			
Loans and deposits with credit institutions	9 291	21 908	28 519
Loans to customers	784 358	190 310	2 247
Certificates and bonds	19 738	22 629	0
Other assets	80 354	9 065	1 501
Calculation basis credit risk	893 742	243 913	32 267
Calculation basis operational risk	76 429	76 429	76 429
Total calculation basis	970 171	320 342	108 696
Common equity tier 1 capital ratio	22 %	68 %	216 %
Tier 1 capital ratio	22 %	68 %	216 %
Total capital ratio	22 %	68 %	216 %
LCR	162 %	1 365 %	482 %