Instabank

Interim Presentation – Q1/2017 – 27 April 2017

Important information and disclaimer

THIS PRESENTATION (THE "PRESENTATION") HAS BEEN PRODUCED BY INSTABANK ASA (THE "COMPANY" OR "INSTABANK"), SOLELY FOR USE AT THE PRESENTATION TO INVESTORS AND IS STRICTLY CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. TO THE BEST OF THE KNOWLEDGE OF THE COMPANY AND ITS BOARD OF DIRECTORS, THE INFORMATION CONTAINED IN THIS PRESENTATION IS IN ALL MATERIAL RESPECT IN ACCORDANCE WITH THE FACTS AS OF THE DATE HEREOF, AND CONTAINS NO MATERIAL OMISSIONS LIKELY TO AFFECT ITS IMPORT.

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS RELATING TO THE BUSINESS, FINANCIAL PERFORMANCE AND RESULTS OF THE COMPANY AND/OR THE INDUSTRY IN WHICH IT OPERATES. FORWARDLOOKING STATEMENTS CONCERN FUTURE CIRCUMSTANCES AND RESULTS AND OTHER STATEMENTS THAT ARE NOT HISTORICAL FACTS, SOMETIMES IDENTIFIED BY THE WORDS "BELIEVES", EXPECTS", "PREDICTS", "INTENDS", "PROJECTS", "PLANS", "ESTIMATES", "AIMS", "FORESEES", "ANTICIPATES", "TARGETS", AND SIMILAR EXPRESSIONS. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PRESENTATION, INCLUDING ASSUMPTIONS, OPINIONS AND VIEWS OF THE COMPANY OR CITED FROM THIRD PARTY SOURCES ARE SOLELY OPINIONS AND FORECASTS WHICH ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL EVENTS TO DIFFER MATERIALLY FROM ANY ANTICIPATED DEVELOPMENT. NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES PROVIDES ANY ASSURANCE THAT THE ASSUMPTIONS UNDERLYING SUCH FORWARD-LOOKING STATEMENTS ARE FREE FROM ERRORS NOR DOES ANY OF THEM ACCEPT ANY RESPONSIBILITY FOR THE FUTURE ACCURACY OF THE OPINIONS EXPRESSED IN THIS PRESENTATION OR THE ACTUAL OCCURRENCE OF THE FORECASTED DEVELOPMENTS. THE COMPANY ASSUMES NO OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR TO CONFORM THESE FORWARD-LOOKING STATEMENTS TO OUR ACTUAL RESULTS.

AN INVESTMENT IN THE COMPANY INVOLVES INHERENT RISKS AND IS SUITABLE ONLY FOR INVESTORS WHO UNDERSTAND THE RISKS ASSOCIATED WITH THIS TYPE OF INVESTMENT AND WHO CAN AFFORD A LOSS OF ALL OR PART OF THE INVESTMENT. SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION, INCLUDING, AMONG OTHERS, RISKS OR UNCERTAINTIES ASSOCIATED WITH THE COMPANY'S BUSINESS, ITS DEVELOPMENT, GROWTH MANAGEMENT, FINANCING, MARKET ACCEPTANCE AND RELATIONS WITH CUSTOMERS, AND, MORE GENERALLY, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN DOMESTIC AND FOREIGN LAWS AND REGULATIONS, TAXES, CHANGES IN COMPETITION AND PRICING ENVIRONMENTS AND OTHER FACTORS. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS DOCUMENT. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

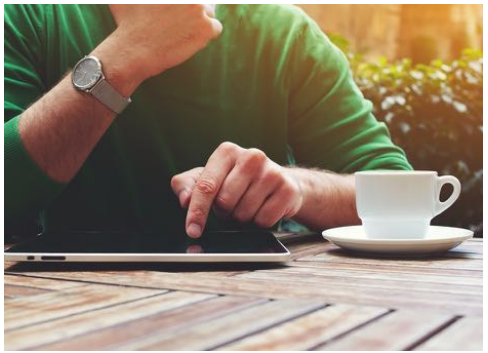
NO REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, ANY INFORMATION, INCLUDING PROJECTIONS, ESTIMATES, TARGETS AND OPINIONS, CONTAINED HEREIN, AND NO LIABILITY WHATSOEVER IS ACCEPTED AS TO ANY ERRORS, OMISSIONS OR MISSTATEMENTS CONTAINED HEREIN, AND, ACCORDINGLY, NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES ACCEPTS ANY LIABILITY WHATSOEVER ARISING DIRECTLY OR INDIRECTLY FROM THE USE OF THIS DOCUMENT.

THERE MAY HAVE BEEN CHANGES IN MATTERS WHICH AFFECT THE COMPANY SUBSEQUENT TO THE DATE OF THIS PRESENTATION. NEITHER THE ISSUE NOR DELIVERY OF THIS PRESENTATION SHALL UNDER ANY CIRCUMSTANCE CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THE AFFAIRS OF THE COMPANY HAVE NOT SINCE CHANGED, AND THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT ANY INFORMATION INCLUDED IN THIS PRESENTATION. BY ATTENDING OR RECEIVING THIS PRESENTATION, YOU ACKNOWLEDGE THAT YOU WILL BE SOLELY RESPONSIBLE FOR FORMING YOUR OWN VIEW OF THE POTENTIAL FUTURE PERFORMANCE OF THE COMPANY.

THIS PRESENTATION SPEAKS AS OF 31 DECEMBER 2016. NEITHER THE DELIVERY OF THIS PRESENTATION NOR ANY FURTHER DISCUSSIONS OF THE COMPANY WITH ANY OF THE RECIPIENTS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

Key highlights & developments Q1-2017

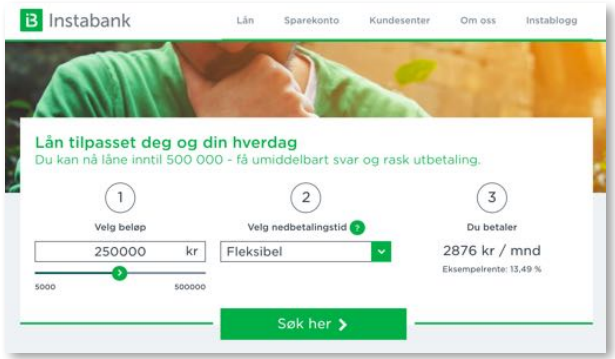
- **Branding campaign** – "*The digital bank for loans & savings*"
- **Distribution** further strengthened
- Well **balanced credit risk** management
- **New products** – *"båt, bil, MC"*
- Continued high **loan growth**
- Well on track to **profitability** in 2017



Instabank

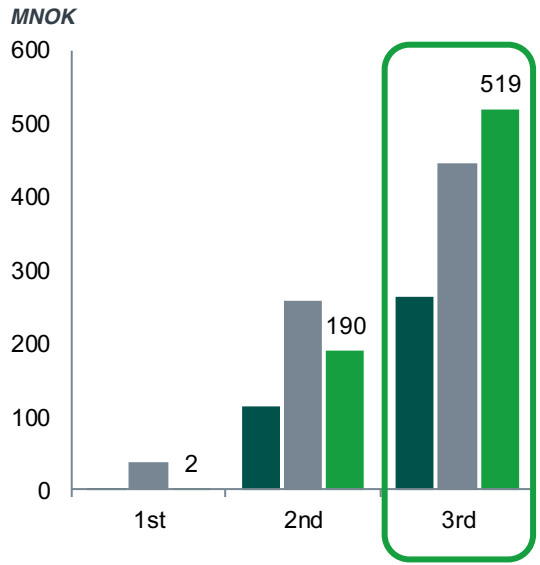
Key figures Q1-2017

- Quarterly growth in net loans of NOK 329 million
- Outstanding net loans of NOK 519 million
- Customer deposits of NOK 595 million
- Total income of NOK 15.0 million
- Net loss after tax of NOK 4.2 million
- Total equity of NOK 234 million
- Operating expenses & loan losses developing as planned

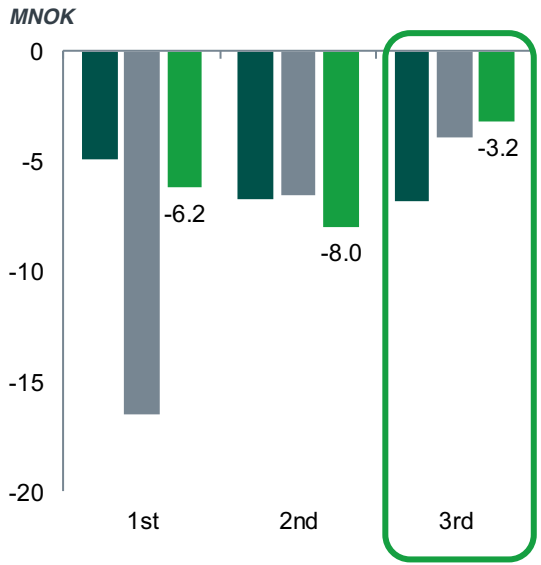


Strong start compared to peers

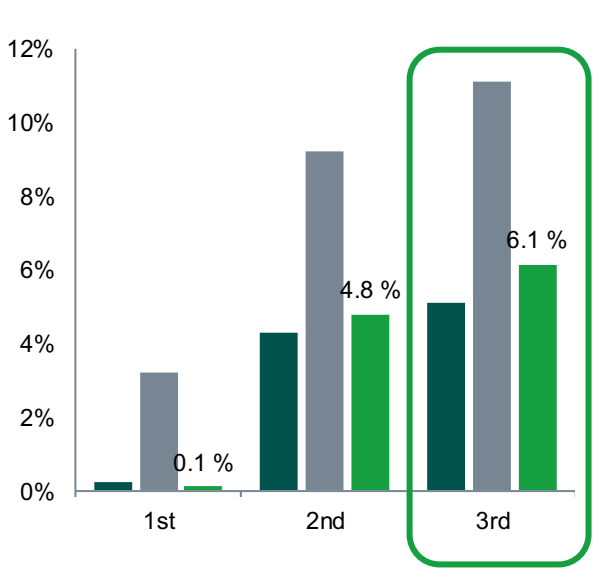
Outstanding loans first three quarters



Net result after tax first three quarters



Credit quality (Past due days > 30 days) first three quarters



Komplett Bank Monobank Instabank

Source: Company reports

Regulatory development

Invoicing of credit cards	▪ New government regulation as of April 2017 for invoicing of credit card debt – full outstanding amount must be filled out in advance by provider
Lending standards	▪ Proposed guidelines for issuance of consumer credit, including interest rate stress testing, max loan amount and amortizing periods
Marketing regulations	▪ Government proposal on regulation for invoicing and marketing of consumer credit including ease of access and balanced information
Debt register	▪ Government proposal to establish a debt register for unsecured credit

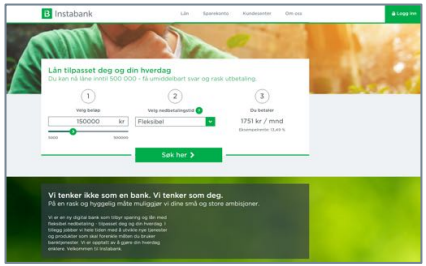
Instabank:

- *Likeable, less aggressive branding platform "Når du er klar, er vi her"*
- *Already compliant with most proposed regulations*
- *Provided FINFO with comments to FSA's proposals and separate written submission directly to the FSA*
- *Meeting at parliament with key decision makers*

Distribution further strengthened

Direct

Instabank.no



Targeted campaigns

Potential partners

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

50%

Indirect

Lendo · aconto · COMPARE KING.no · online24 · Zmarta GROUP · Eminentor For bedre råd · stk FINANS · Telefinans

Partners

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

50%

Kampanje i Q1-2017

Vi sponser verdenscupen og VM i skiskyting!

Instabank

nrk

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

Mortgage loans (not registered mortgage)
- Boat loans 6.99 – 12.99%
- Car loans 6.99 – 12.99%

Factoring
- Factoring 12.99%

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*

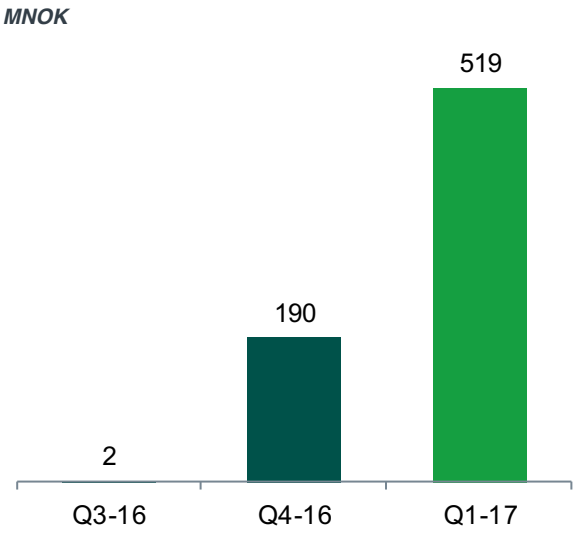
Current accounts
- *Conventional debit cards linked to deposit accounts*
- *Instant access and flexible repayment*
- *Bundle with overdraft facility*

Nordic growth ambitions
- *Next step probably Finland*

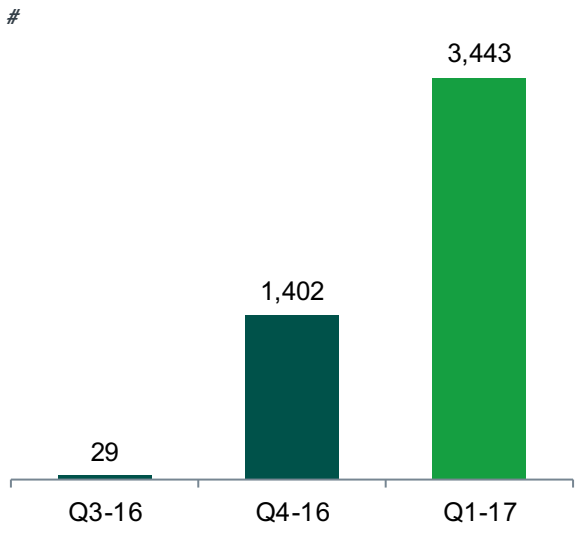
Note: Text in italics are products that have not yet been launched

Continued high loan growth

Net loans to customers



Number of customers

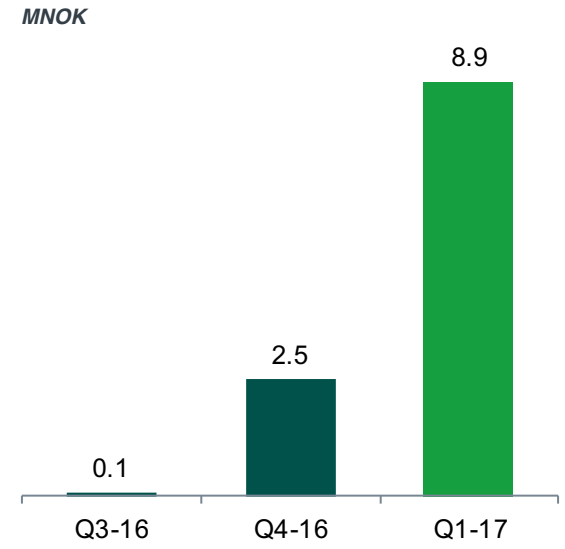


Key comments

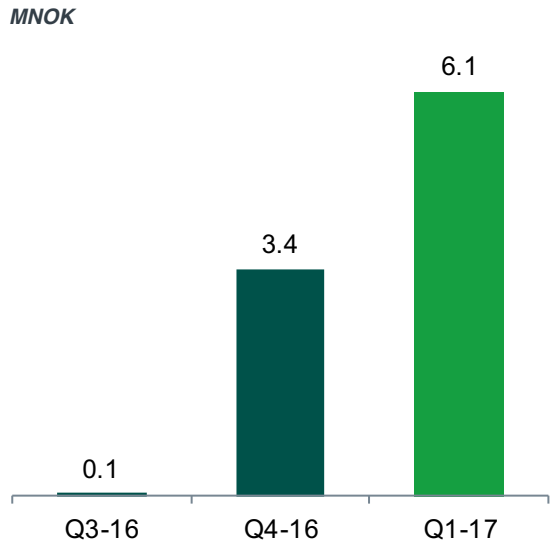
- Strong emphasis on marketing through Q1 to strengthen brand awareness and to boost sales in the direct channel
- Significant growth in brand awareness after NRK Sponsorship
- Cost per acquisition significantly improved in performance marketing during Q1
- New agents launched

Income development

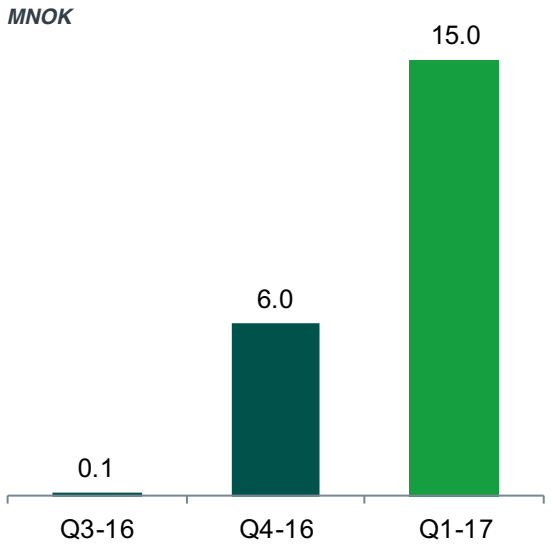
Net interest income



Net commission fees and other income

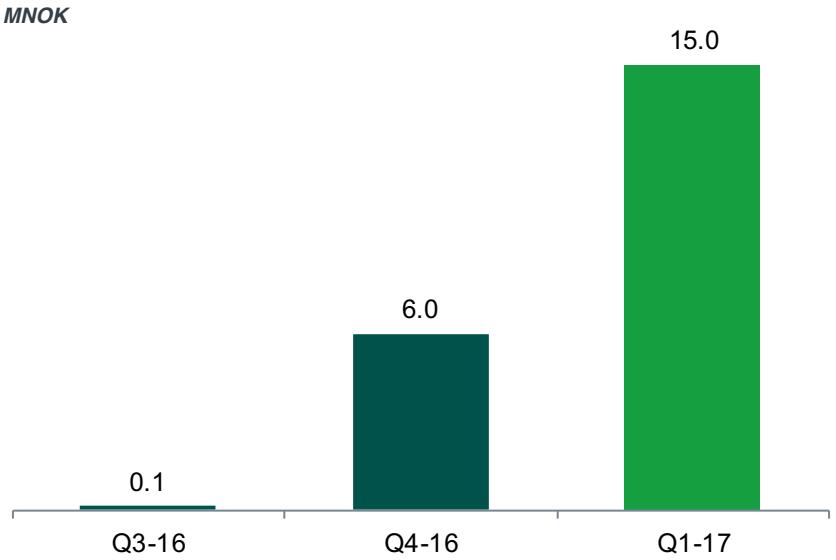


Total income

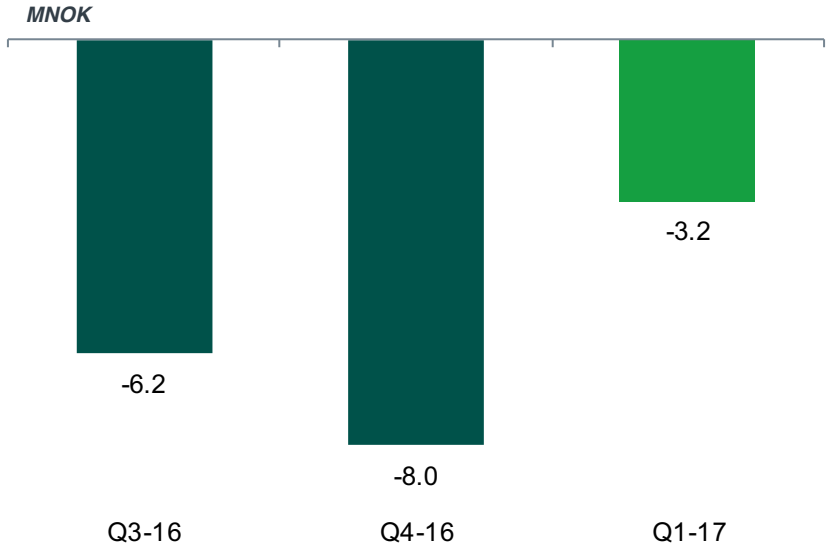


Well on track to profitability in 2017

Total income

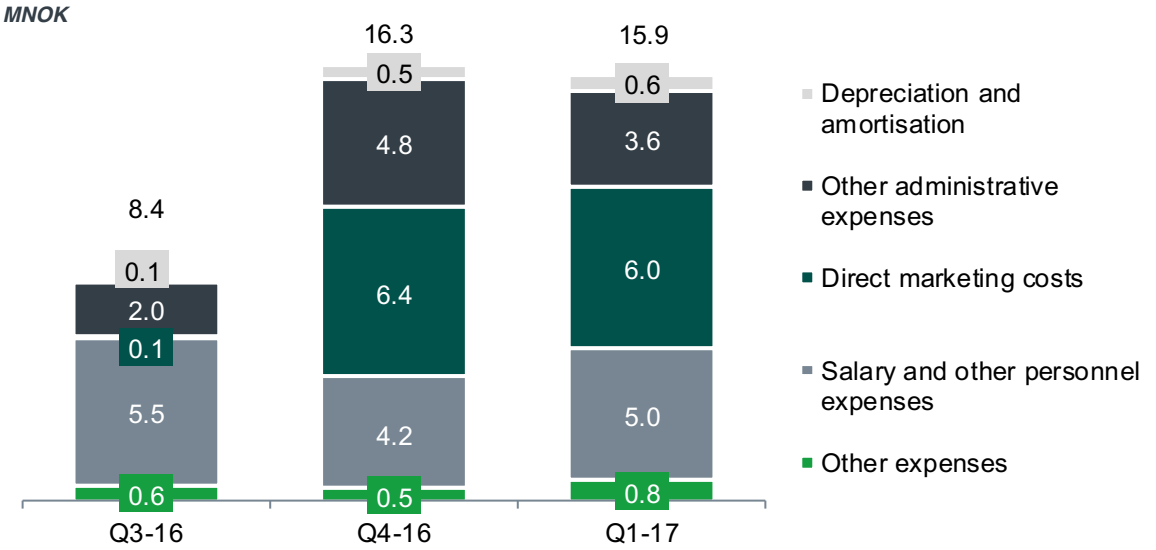


Net result after tax



Disciplined cost control

Operating expenses by category

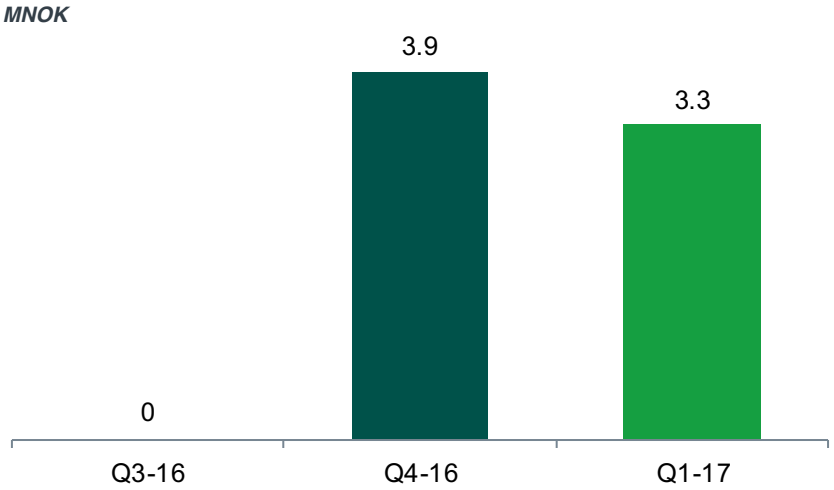


Key comments

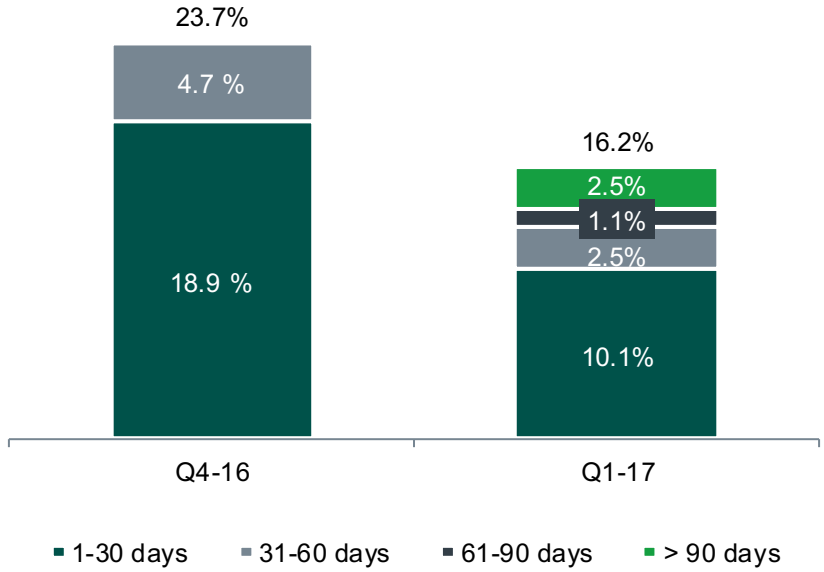
- Operating expenses developing according to plan
- Admin cost decreased and salaries increased as a result of moving some personnel from contracts to permanent employment
- Headcount not expected to increase in the short term

Well balanced credit risk management

Impairment losses[1]



Past due days at end of quarter

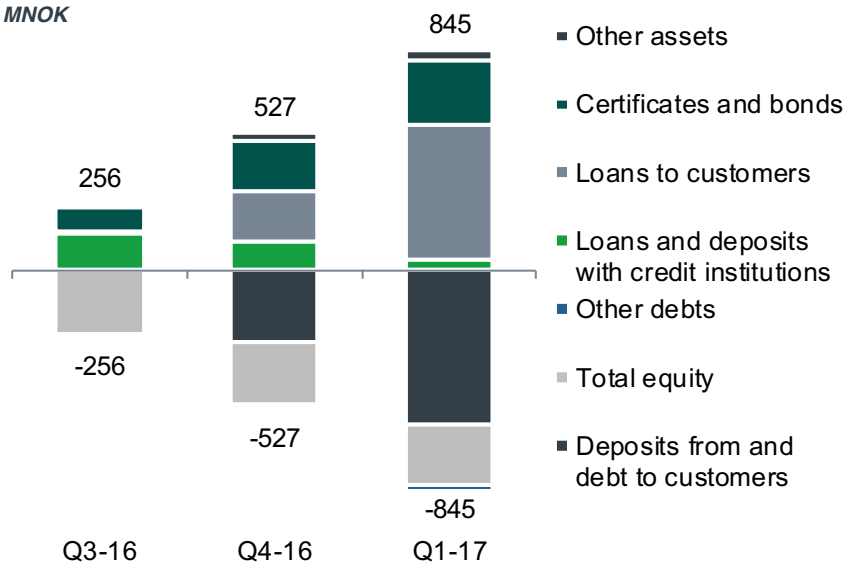


Note 1: Loan losses represents mainly provisions as actual losses are negligible

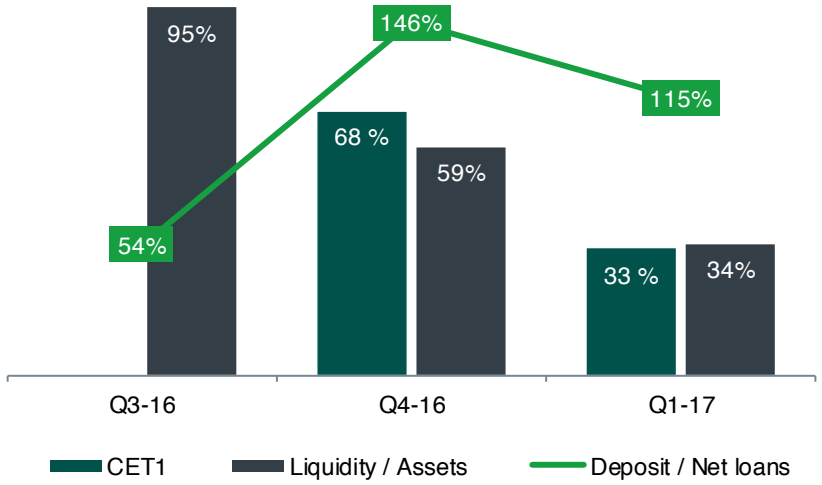
Instabank

Balance sheet structure

Assets and liabilities & equity

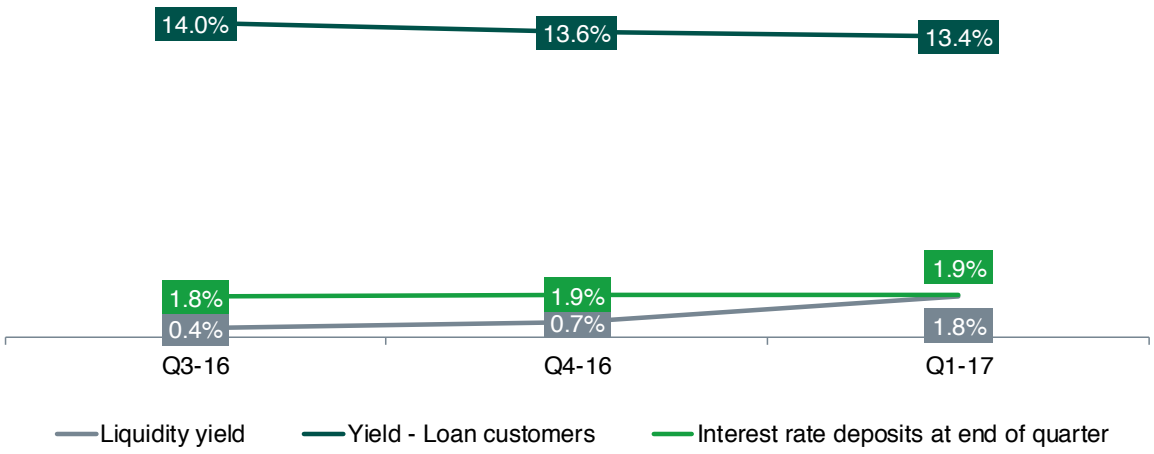


Key financial ratios



Stable funding costs and attractive yields

Development in yields and funding costs



Key comments

- Yield on loans in accordance with plan
- Stable funding cost
- Liquidity placed with low risk, dominated by bank deposits and funds investing in low risk bonds/treasury bonds

Current strategic priorities

I Distribution

II Insight

III Process / stability

IV Customer Communication / CRM

V Innovation

VI Focus on results

Instabank

Near term outlook

- Continued growth in the market for unsecured lending in Norway
- Strengthening and building the Instabank brand
- Loan growth well ahead of plan – approx. NOK 1,100 million in net loan balance at end of 2017
- Well on track to reach profitability in 2017
- New products to be launched (factoring, sales finance)

Instapay

Appendix

Financial summary since start of operations

P&L (NOK '000)

Items	Q1-17	FY 2016	Q4-16	Q3-16
Operating income				
Interest income	11,107	3,147	3,018	103
Interest expenses	2,190	505	495	11
Net interest income	**8,917**	**2,641**	**2,524**	**92**
Net commission fees and other income	6,104	3,487	3,436	50
Total income	**15,020**	**6,128**	**5,960**	**142**
Operating expenses				
Salary and other personnel expenses	4,982	12,368	4,157	5,528
Other administrative expenses, of which	9,622	14,831	11,179	2,089
- direct marketing cost	*6,024*	*6,414*	*6,360*	*54*
Depreciation and amortisation	577	624	477	137
Other expenses	763	1,240	477	596
Total operating expenses	**15,943**	**29,062**	**16,290**	**8,350**
Losses on loans	3,296	3,852	3,852	0
Operating (loss)/profit before tax	**(4,219)**	**(26,787)**	**(14,182)**	**(8,208)**
Tax	(1,055)	(9,380)	(6,229)	(2,052)
Profit/loss after tax	**(3,165)**	**(17,407)**	**(7,953)**	**(6,156)**

Balance sheet (NOK '000)

Items	Q1-17	Q4-16	Q3-16
Assets			
Loans and deposits with credit institutions	39,133	109,542	142,595
Loans to customers	519,198	190,310	2,247
Certificates and bonds	249,758	199,817	100,000
Deferred tax assets	10,435	9,380	3,151
Other intangible assets	9,007	8,791	6,394
Fixed assets	1,217	1,309	1,303
Other receivables, of which:	16,623	7,756	198
- prepaid agent commissions	*14,703*	*5,946*	*104*
Total assets	**845,371**	**526,905**	**255,888**
Liabilities			
Deposits from and debt to customers	594,736	277,802	1,215
Other debts	10,257	7,360	6,218
Accrued expenses and liabilities	6,684	4,884	3,642
Total liabilities	**611,677**	**290,046**	**11,076**
Equity			
Share capital	254,266	254,266	254,266
Retained earnings	(20,571)	(17,407)	(9,453)
Total equity	**233,695**	**236,859**	**244,813**
Total liabilities and equity	**845,371**	**526,905**	**255,888**

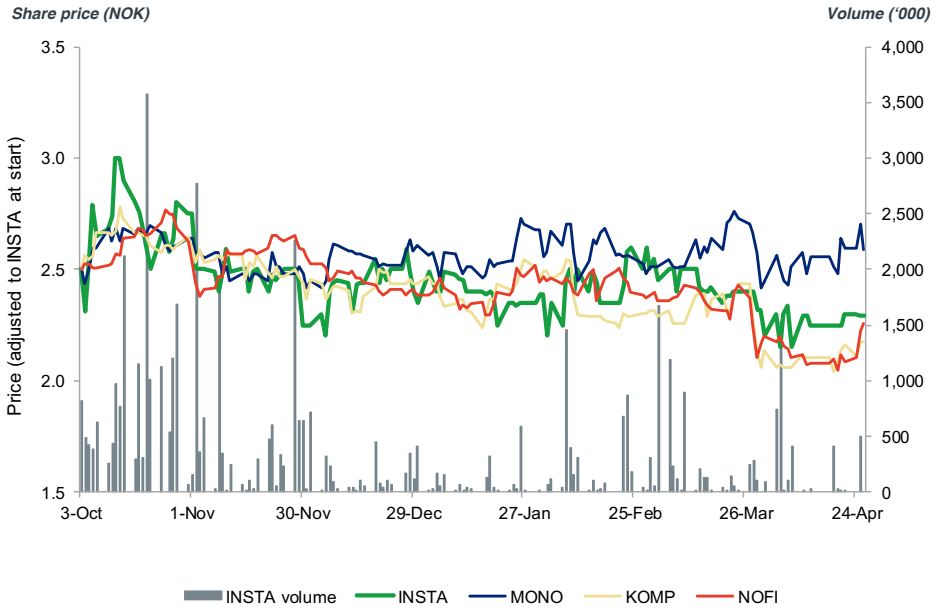
Share price and ownership

Top 20 shareholders as of 25.04.2017

#	Shareholders	# of shares	%
1	Hodne Holding AS	14,385,419	7.8%
2	Velde Holding AS	12,000,000	6.5%
3	Kjb Holding AS	10,362,021	5.6%
4	Leikvollbakken AS	8,500,000	4.6%
5	Moroand AS	8,500,000	4.6%
6	Kristian Falnes AS	8,000,000	4.3%
7	T Sandvik AS	7,930,837	4.3%
8	Apollo Asset Limited	7,000,000	3.8%
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	3,047,678	1.6%
14	Enzian AS	3,000,000	1.6%
15	Likholmen Invest AS	3,000,000	1.6%
16	Venadis AS	3,000,000	1.6%
17	Cahe Finans AS	3,000,000	1.6%
18	Grimstad Lill Anita Skålbones	2,070,000	1.1%
19	Velcon AS	2,000,000	1.1%
20	Hanasand Morten	1,893,130	1.0%
	Sum Top20	**117,239,085**	**63.4%**
	Other shareholders	67,760,915	36.6%
	Total	**185,000,000**	**100.0%**

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	Eivind 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 %
	Sum mgmt	**16,400,000**	**8.9 %**
	Other employees	1,303,934	0.7 %
	Total	**17,703,934**	**9.6 %**

Share price development since OTC listing in October



Instabank

Thank You

Instabank

instabank.no