



# INSTABANK ASA

INTERIM REPORT Q1 2017

# INTERIM REPORT Q1-17

## Key highlights & developments



### Branding Campaign

The digital bank for loans & savings



### Distribution

Further strengthened in first quarter



### Credit Risk Management

Well balanced



### New Products

Car, boat and MC loans



### Loan Growth

Continued high loan growth



### Profitability

Well on track in 2017



# We think like you.

## INTERIM REPORT Q1 2017

### About Instabank ASA

Instabank is a new Norwegian digital bank with offices in Oslo, Norway. Instabank ASA was granted a banking license by Finanstilsynet (Norwegian FSA) 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 "taglines" are: "Vi tenker ikke som en bank, vi tenker som deg" (we don't think like a bank, we think like you) and "Når du er klar, er vi her" (when you are ready, we are here).

The bank project began on the 1st of March, 2016 under the registered business name ACE Prosjekt ASA. At the end of Q1, Instabank had 19 full-time and 4 part-time employees.

Instabank offers competitive savings products and unsecured loans to consumers who qualify after a credit evaluation. The loan product is designed to be highly customizable in order to match the consumer's preferences. Customers can choose a payment plan that ranges from three to 15 years, or alternatively opt for a fully flexible option, where they can choose the tempo at which they repay the loan.

The bank's products and services are distributed primarily through the bank's website and via agents. At the end of the Q1, 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. There are no individual shareholders owning more than 10% of the bank.



## Developments

Since launch, the bank's marketing and operations teams have functioned very well. A stronger focus on direct distribution has increased sales more than expected this quarter. This, in combination with introducing two new loan agents, has provided a very positive development in loan volume. New niche products have also been developed and launched during the quarter.

The new products (unsecured car loan and boat loan) were launched and developed with minimal investment to attract new market segments. These new products also give the bank a broader communication platform to reduce the one-sided focus on our core loan product.

Both loan and savings volume have exceeded plans made during the project phase. At the end of Q1, the bank had 3 443 loan customers and 1 098 deposit customers.

## Income Statement

In Q1, the bank achieved a net interest income of 8.9 MNOK, other net income of 6.1 MNOK, operating expenses of 15.9 MNOK and a result after tax of -3.2 MNOK.

In Q1, the bank wrote-off 3.3 MNOK in loan losses, in line with expectations.

## Balance Sheet

Total assets at the end of Q1 were 845.4 MNOK. Loans to customers before write-offs amounted to 526.3 MNOK (519.2 MNOK after 7.1 MNOK in write-offs).

Liquidity amounted to 288.9 MNOK. Customer deposits amounted to 594.7 MNOK. Total equity amounted to 233.7 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 fulfill loan obligations. Interest rates are expected to remain at the low level we have seen for some time. 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. Further regulation of the consumer loan sector

is expected, including regulations that already are decided, but not yet in force, as well as new measures which are currently out for consultation.

The Instabank management team believes that better regulation of the industry is positive. The team is dedicated to remaining highly informed 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 that Instabank is well positioned to grow volume and profitability according to our plans.

In Q2, 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. New products will also be launched during Q2. It is likely that growth will surpass forecasts communicated to the market prior to now. It is also expected that defaults and losses will increase in-line with the bank's increased loan volume and in line with expectations. It is expected that the after-tax result for Q2 will be better than previously communicated.

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 deficit for Q1 is entirely predisposed against retained earnings.

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

Oslo, April 26th, 2017  
Instabank ASA, Board of Directors

# INCOME STATEMENT

Amounts in NOK 1 000	Note	Q1-2017	Q1-2016	2016
Interest income	2	11 107	1	3 147
Interest expenses		2 190	0	505
<b>Net interest income</b>		<b>8 917</b>	<b>1</b>	<b>2 641</b>
Income commissions and fees		7 199	0	3 985
Expenses commissions and fees		1 037	0	311
Net gains/loss on foreign exchange and securities classified as current assets		-58	0	-188
<b>Net other income</b>		<b>6 104</b>	<b>0</b>	<b>3 487</b>
<b>Total income</b>		<b>15 020</b>	<b>1</b>	<b>6 128</b>
Salary and other personnel expenses		4 982	437	12 368
Other administrative expenses, of which:		9 622	52	14 831
- <i>direct marketing cost</i>		6 024	0	6 414
Depreciation and amortisation		577	0	624
Other expenses		763	3	1 240
<b>Total operating expenses</b>		<b>15 943</b>	<b>493</b>	<b>29 062</b>
Losses on loans	2	3 296	0	3 852
<b>Operating (loss)/profit before tax</b>		<b>-4 219</b>	<b>-492</b>	<b>-26 787</b>
Tax expenses		-1 055	0	-9 380
<b>PROFIT/LOSS AFTER TAX</b>		<b>-3 165</b>	<b>-492</b>	<b>-17 407</b>

# BALANCE SHEET

Amounts in NOK 1 000	Note	31.03.2017	31.12.2016	31.03.2016
Loans and deposits with credit institutions		39 133	109 542	24 812
Loans to customers	2	519 198	190 310	0
Certificates and bonds		249 758	199 817	0
Deferred tax assets		10 435	9 380	0
Other intangible assets		9 007	8 791	0
Fixed assets		1 217	1 309	54
Other receivables, of which:		16 623	7 756	0
- prepaid agent commission		14 703	5 946	0
<b>TOTAL ASSETS</b>		<b>845 371</b>	<b>526 905</b>	<b>24 866</b>
Deposit from and debt to customers		594 736	277 802	0
Other debts		10 257	7 360	269
Accrued expenses and liabilities		6 684	4 884	95
<b>Total liabilities</b>		<b>611 677</b>	<b>290 046</b>	<b>364</b>
Share capital	3	254 266	254 266	24 994
Retained earnings	3	-20 571	-17 407	-492
<b>Total equity</b>		<b>233 695</b>	<b>236 859</b>	<b>24 502</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>845 371</b>	<b>526 905</b>	<b>24 866</b>

# 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	31.03.2017	31.12.2016	31.03.2016
Revolving credit loans	165 683	52 591	0
Installment loans	360 664	141 572	0
<b>Gross lending</b>	<b>526 347</b>	<b>194 162</b>	<b>0</b>
Individual impairment of loans	-5 141	-29	0
Other impairment of loans	-2 007	-3 823	0
<b>Net loans to customers</b>	<b>519 198</b>	<b>190 310</b>	<b>0</b>



### Note 3: Regulatory capital and LCR

Amounts in NOK 1 000	31.03.2017	31.12.2016	31.03.2016
Share capital	185 000	185 000	25 000
Share premium	69 266	69 266	-6
Other equity	-20 571	-17 407	-492
Deferred tax asset / intangible assets / other deductions	-19 442	-18 171	0
<b>Common equity tier 1 capital</b>	<b>214 253</b>	<b>218 688</b>	<b>24 502</b>
<b>Core capital</b>	<b>214 253</b>	<b>218 688</b>	<b>24 502</b>
<b>Total capital</b>	<b>214 253</b>	<b>218 688</b>	<b>24 502</b>
<i>Calculation basis</i>			
Credit risk:			
Loans and deposits with credit institutions	7 827	21 908	4 962
Loans to customers	519 198	190 310	0
Certificates and bonds	36 061	22 579	0
Other assets	17 840	9 065	54
<b>Calculation basis credit risk</b>	<b>580 926</b>	<b>243 863</b>	<b>5 017</b>
Calculation basis operational risk	76 429	76 429	76 429
<b>Total calculation basis</b>	<b>657 355</b>	<b>320 292</b>	<b>81 446</b>
Common equity tier 1 capital ratio	33 %	68 %	30 %
Tier 1 capital ratio	33 %	68 %	30 %
Total capital ratio	33 %	68 %	30 %
LCR	633 %	1 365 %	2 500 %