



INSTABANK ASA

INTERIM REPORT Q4 2017

INTERIM REPORT Q4-17

Key highlights & developments



Q4 profit of NOK 2.1 million

Full year profit of NOK 2.3 million.



Continued high loan growth

221.5 MNOK during Q4.



Successful launch in the Finnish market - low cost to scale

Soft launch late Q4. 1 000 customers and subsequent entrance to debt registry late January 2018.



Successful launch of retail finance in partnership with Skeidar

Continuous focus on business development within retail financing.



Brand awareness has grown quickly

After just over a year in operation we have 20% brand awareness in our core target audience.



We think like you.

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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 Q4, Instabank had 24 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 are offered a payment plan that ranges from three to 5 years, or alternatively 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 Q4, the bank had distribution through 12 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 Q4, there were no individual shareholders owning more than 10% of the bank.



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 and distribution partners.

During the fourth quarter, the bank successfully launched its products in the Finnish market. As of today, the bank has acquired more than 1 000 customers in Finland, which is the entry requirement to gain access to the Finnish debt registry.

In Q4, Instabank made adjustments to comply with the recent guidelines issued by The Financial Supervisory Authority of Norway, Finanstilsynet.

The extraordinary general meeting held on October 4th, 2017 approved the issue of 20 million shares towards Skeidarliving Group AS ("Skeidar").

The bank launched its sales financing solutions in partnership with Skeidar at the end of the quarter.

Both loan and savings volume have exceeded plans made during the bank's project phase. At the end of Q4, the bank had 8 500 loan customers and 3 200 deposit customers.

Income Statement

In Q4, the bank achieved a net interest income of 28.5 MNOK, other net income of 3.6 MNOK, operating expenses of 20.5 MNOK and a profit after tax of 2.1 MNOK.

In Q4, the bank wrote-off 7.9 MNOK in loan losses.

Balance Sheet

Total assets at the end of Q4 were 2 111 MNOK. Loans to customers before write-offs amounted to 1 343.7 MNOK (1 317.9 MNOK after 25.8 MNOK in loss provisions).

Liquidity amounted to 723 MNOK. Customer deposits amounted to 1 804.6 MNOK. Total equity amounted to 282.7 MNOK.

Future outlook

The Norwegian economy appears to be stable. The GDP for mainland Norway increased by 1.8% in 2017 compared to 1.0% in 2016. Growth is anticipated to rise to around 2% in 2018. The unemployment ratio has declined during 2017.

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. We still believe there will be room to grow sales volume and profitability according to our plans.

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 expects net loans to customers to reach NOK 2.4 – 2.6 billion towards the end of 2018.

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.

The total unaudited capital ratio for the bank was 20.3% at end of Q4 (including the full year result, the capital ratio was 20.4%). The bank has initiated a project intending to undertake an additional Tier 1 and Tier 2 bond issue through a private placement during Q1.

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

The accounting profit for Q4 is entirely pre-disposed against retained earnings.

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

Oslo, February 8th, 2018
Instabank ASA, Board of Directors

INCOME STATEMENT

Amounts in NOK 1 000	Q4-2017	2017	2016	Q4-2016
Interest income	36 416	97 536	3 147	3 018
Interest expenses	7 930	17 948	505	495
Net interest income	28 486	79 587	2 641	2 524
Income commissions and fees	5 958	28 379	3 985	3 932
Expenses commissions and fees	3 559	8 877	311	308
Net gains/loss on foreign exchange and securities classified as current assets	1 209	2 291	-188	-188
Net other income	3 608	21 793	3 487	3 436
Total income	32 094	101 380	6 128	5 960
Salary and other personnel expenses	7 767	25 459	12 368	4 157
Other administrative expenses, of which:	10 919	43 917	14 831	11 179
- <i>direct marketing cost</i>	7 977	31 705	6 414	6 360
Depreciation and amortisation	919	2 784	624	477
Other expenses	845	3 044	1 240	477
Total operating expenses	20 450	75 204	29 062	16 290
Losses on loans	7 873	22 125	3 852	3 852
Operating (loss)/profit before tax	3 770	4 051	-26 787	-14 182
Tax expenses	1 680	1 751	-9 380	-6 229
PROFIT/LOSS AFTER TAX	2 090	2 301	-17 407	-7 953

BALANCE SHEET

Amounts in NOK 1 000	31.12.2017	31.12.2016
Loans and deposits with credit institutions	40 929	109 542
Loans to customers	1 317 942	190 310
Certificates and bonds	682 091	199 817
Deferred tax assets	7 629	9 380
Other intangible assets	17 175	8 791
Fixed assets	1 228	1 309
Other receivables, of which:	44 007	7 756
- prepaid agent commission	36 706	5 946
TOTAL ASSETS	2 111 002	526 905
Deposit from and debt to customers	1 804 600	277 802
Other debts	12 313	7 360
Accrued expenses and liabilities	11 420	4 884
Total liabilities	1 828 332	290 046
Share capital	294 228	254 266
Retained earnings	-11 557	-17 407
Total equity	282 670	236 859
TOTAL LIABILITIES AND EQUITY	2 111 002	526 905

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	31.12.2017	31.12.2016
<u>Gross and net lending</u>		
Revolving credit loans	356 801	52 591
Installment loans	986 893	141 572
Gross lending	1 343 694	194 162
Impairment of loans	-25 752	-3 852
Net loans to customers	1 317 942	190 310
<u>Defaults and losses</u>		
Gross defaulted loans	73 301	73
Individual impairment of loans	-19 991	-29
Other impairment of loans	-5 761	-3 823
Net defaulted loans	47 549	-3 779

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	31.12.2017	31.12.2016
Share capital	205 000	185 000
Share premium	89 228	69 266
Other equity	-17 407	-17 407
Deferred tax asset / intangible assets / other deductions	-25 487	-18 171
Common equity tier 1 capital	251 334	218 688
Core capital	251 334	218 688
Total capital	251 334	218 688
<i>Calculation basis</i>		
Credit risk:		
Loans and deposits with credit institutions	8 186	21 908
Loans to customers	1 006 782	190 310
Certificates and bonds	98 875	22 629
Other assets	45 235	9 065
Calculation basis credit risk	1 159 078	243 913
Calculation basis operational risk	76 429	76 429
Total calculation basis	1 235 507	320 342
Common equity tier 1 capital ratio*	20,3 %	68,3 %
Tier 1 capital ratio*	20,3 %	68,3 %
Total capital ratio*	20,3 %	68,3 %
<i>*Including full year result the capital ratios are 20,4 %</i>		
LCR	389,4 %	1 365,0 %