



# Instabank

Interim Presentation – Q3/2018 – October 29<sup>th</sup> 2018

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# Key figures Q3-2018



Quarterly growth in net loans of **376 MNOK** + 23 % vs Q3-17



Outstanding net loans of **2,211 MNOK** + 102 % vs Q3-17



Customer deposits of **2,547 MNOK** + 140 % vs Q3-17



Total income of **52.3 MNOK** + 71 % vs Q3-17



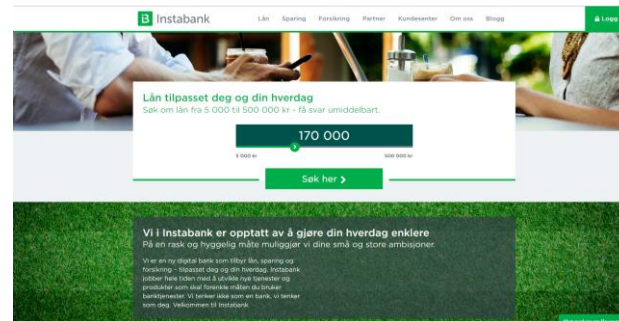
Net profit before tax of **9.3 MNOK** + 225 % vs Q3-17



Total equity of **435 million MNOK** + 84 % vs Q3-17



Return on Equity of **7,3 %** vs 3,5 % in Q3-17



# Key highlights & developments Q3-2018

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## **Q3 net profit of 9.3 MNOK before tax**

Net profit after tax of NOK 7 MNOK, up 225 % versus Q3/17



## **Increased net loan growth by 376 MNOK, 20 % growth in Q3/18**

Finland represented 53 % of quarterly loan balance growth



## **Deposits launched in Finland**

Deposits in Finland representing an attractive funding margin of 0,75%



## **Marketing campaign launched in Finland**

Including National Ice Hockey League TV sponsorship and radio commercials



## **Sales financing volume increased by 69 % from the previous quarter**

Driven by increased penetration at Skeidar, Instabank's largest sales finance partner



## **Share issue to Kistefos AS through a private placement**

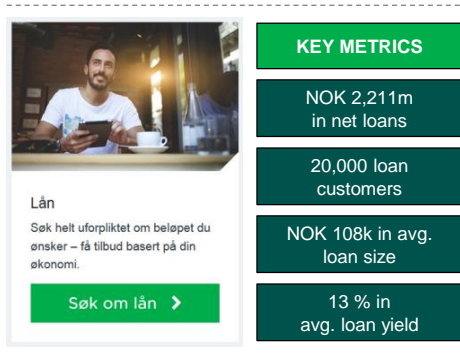
Gross proceeds of 48.5 MNOK



# Product portfolio

## Unsecured consumer loans

- Structured as either a revolving credit facility or an amortizing loan
- Upper credit limit of NOK 500,000 in Norway and EUR 50,000 in Finland

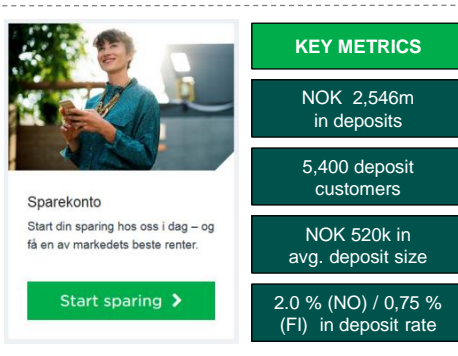


The screenshot shows a mobile app interface for applying for a loan. It features a photo of a man, a title 'Lån', and a description: 'Søk helt uforpliktet om beløpet du ønsker – få tilbud basert på din økonomi.' Below this is a green button 'Søk om lån >'. To the right, a 'KEY METRICS' section lists: NOK 2,211m in net loans, 20,000 loan customers, NOK 108k in avg. loan size, and 13 % in avg. loan yield.

KEY METRICS
NOK 2,211m in net loans
20,000 loan customers
NOK 108k in avg. loan size
13 % in avg. loan yield

## Deposit accounts

- Offered to private individuals in Norway and Finland.
- Deposits launched in Finland at an attractive funding margin of 0,75 %
- Deposits up to NOK 2m are 100% guaranteed by the Norwegian Banks' Guarantee Fund

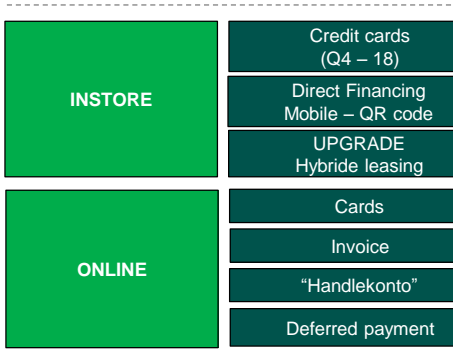


The screenshot shows a mobile app interface for opening a deposit account. It features a photo of a woman, a title 'Sparekonto', and a description: 'Start din sparing hos oss i dag – og få en av markedets beste renter.' Below this is a green button 'Start sparing >'. To the right, a 'KEY METRICS' section lists: NOK 2,546m in deposits, 5,400 deposit customers, NOK 520k in avg. deposit size, and 2.0 % (NO) / 0,75 % (FI) in deposit rate.

KEY METRICS
NOK 2,546m in deposits
5,400 deposit customers
NOK 520k in avg. deposit size
2.0 % (NO) / 0,75 % (FI) in deposit rate

## Point of sales financing

- Complete offering already in place:
  - Web payment solutions
  - In-shop payment solutions
  - Closed loop solutions
  - Hybrid leasing solutions
- JV profit split agreement negotiated on a partner-to-partner basis




The diagram illustrates the Point of Sales Financing channels, divided into INSTORE and ONLINE. The INSTORE channel includes Credit cards (Q4 – 18), Direct Financing Mobile – QR code, and UPGRADE Hybride leasing. The ONLINE channel includes Cards, Invoice, "Handlekonto", and Deferred payment.

Channel	Services
INSTORE	Credit cards (Q4 – 18) Direct Financing Mobile – QR code UPGRADE Hybride leasing
ONLINE	Cards Invoice "Handlekonto" Deferred payment






# Distribution channels

## Brand distribution



**iB** Instabank



Brand  
distribution  
volume  
as of Q3-18

34%

## Agent distribution




**Lendo** **CENTUM** **compare king.no**  
**SALUS GROUP** **Zmarta** **STK FINANS**  
**etua.fi** **aconto**  
**LVSbrokers** **[SAMBLA]** **Telefinans**  
**rahalaivos**

Agent  
distribution  
volume  
as of Q3-18

60%

## Partner distribution



**SKEIDAR** **eplehuset**  
**Conmodo** **POWER**  
**telering** **telehuset** **PIPIPI**

+ potential new partners

Partner  
distribution  
volume  
as of Q3-18

6%

# Geographical presence & potential new markets

## Cross-boarder expansion strategy

- Operational platform capable of fast, agile and cost-efficient cross-boarder expansion already in place
- Strong internal focus on further cross-boarder expansion in order to unlock operational synergies, strengthen growth prospects and diversify underlying portfolio risk
- Continuous exploration of new markets Northern Europe most interesting

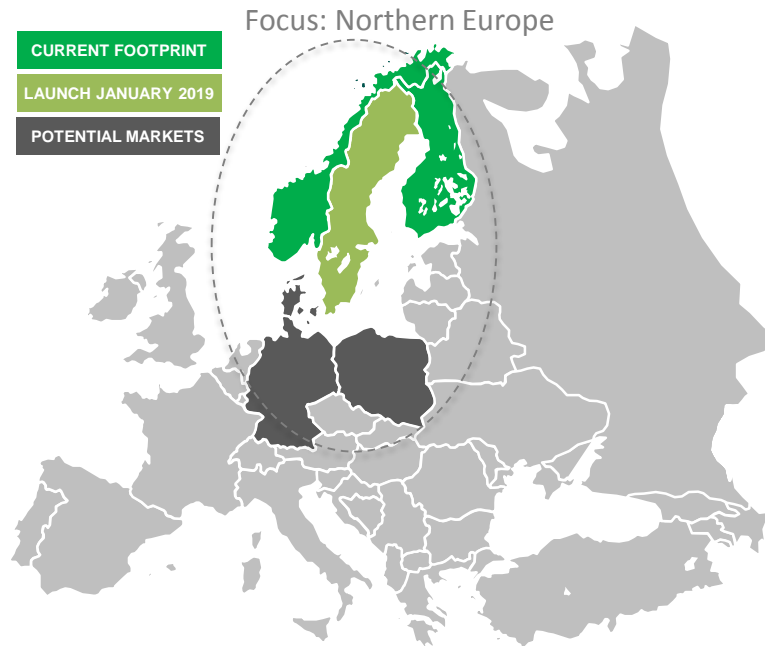
## Launched operations in Finland

- Instabank introduced its unsecured consumer loan product in the Finnish market 22 November 2017
- Deposit launched in the Finnish market in July 2018
- The Finnish operations are run from the bank's headquarters in Oslo which underlines scalability

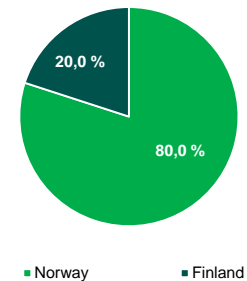
## Project launched to enter Sweden

- Sweden will be the next market entered (Q1 2019). The operation will be run from the bank's headquarters in Oslo

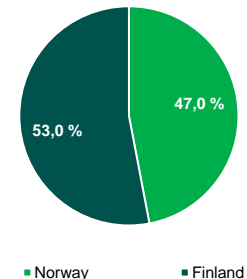
## Illustration of geographical presence



## Net loans distribution (%) \*



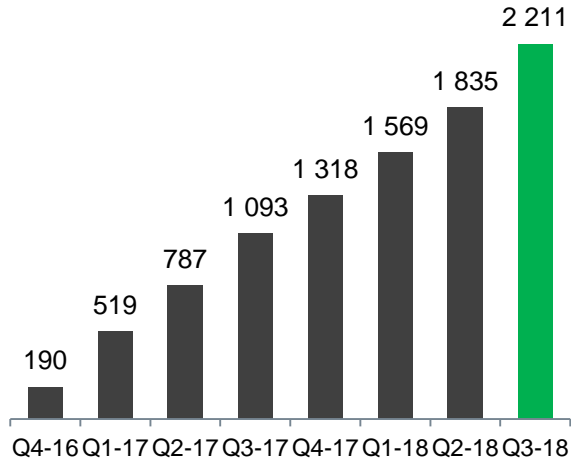
## Net loan growth distribution (%) \*



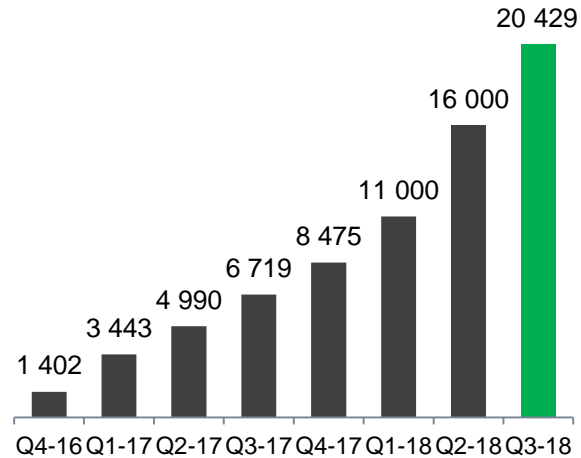
# Continued high loan growth

## Net loans to customers

MNOK



## Number of loan customers



## Key comments

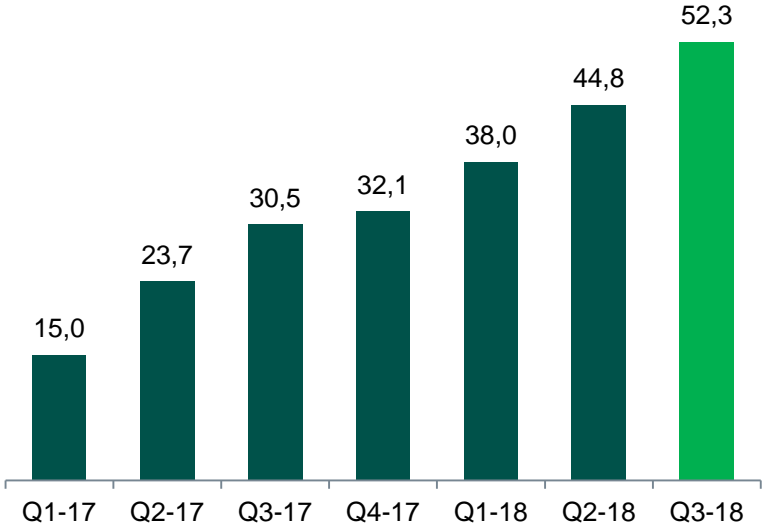
- Strong emphasis on marketing to strengthen brand awareness and to boost sales in Finland
- Strong focus on sales finance through Skeidar
- Brand campaign launched and new agents onboarded in Finland



# Continued profitability

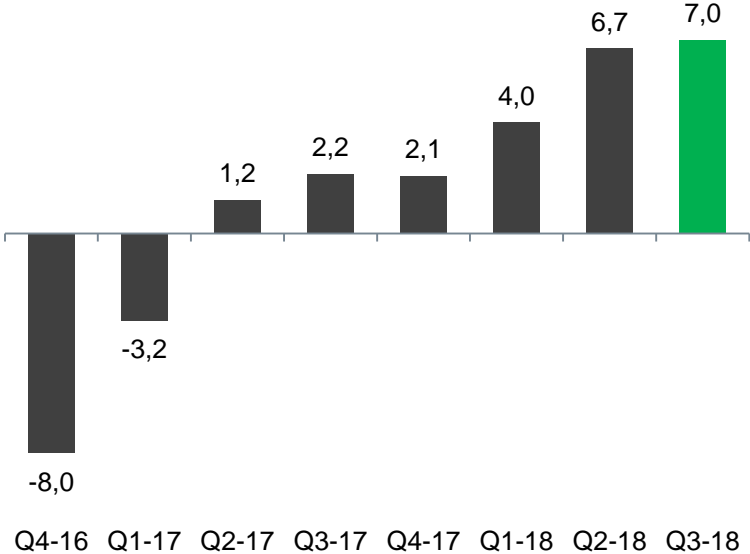
## Total income

MNOK



## Net result after tax

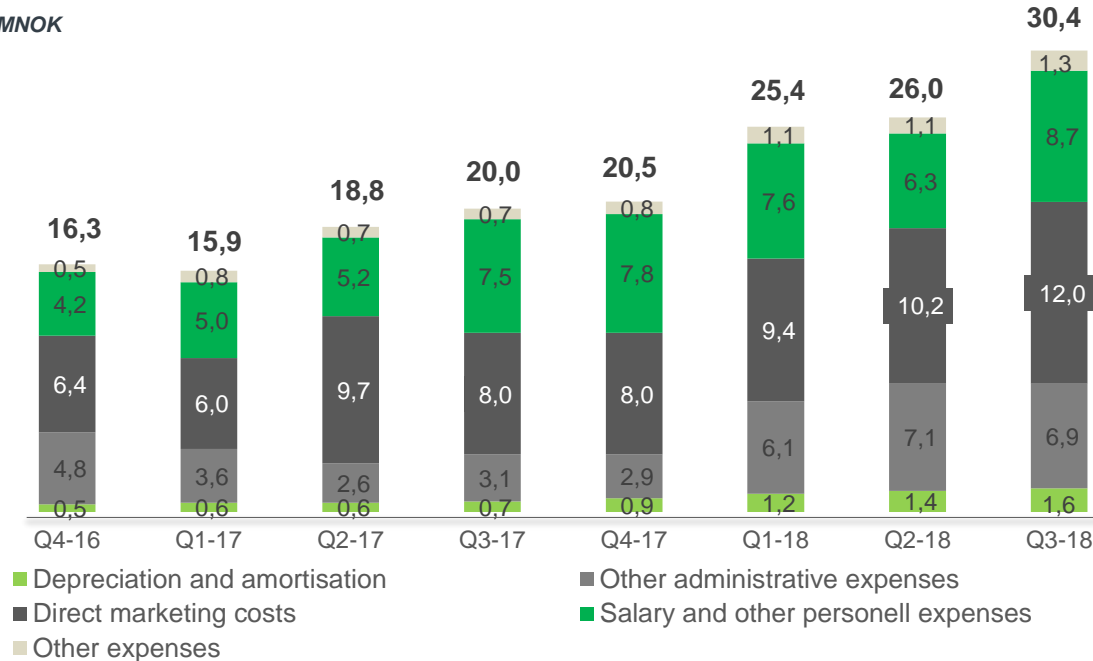
MNOK



# Disciplined cost control

## Operating expenses by category

MNOK



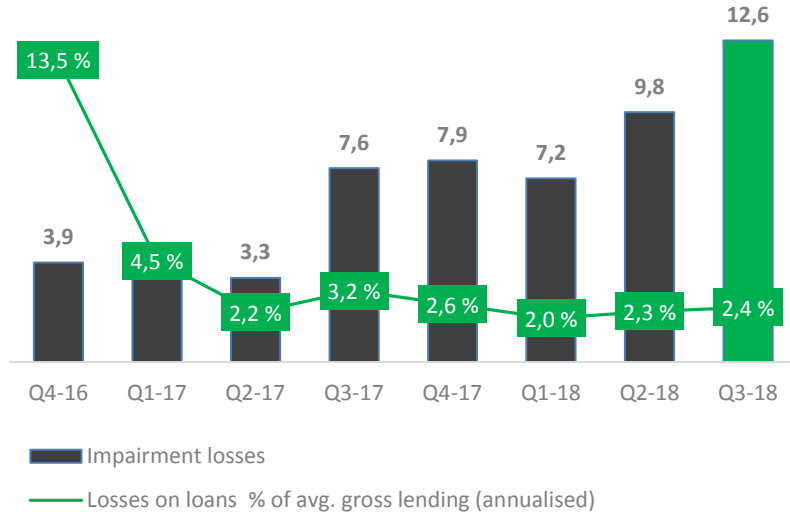
## Key comments

- Operating expenses developing according to plan
- Increased «Other administrative expenses» due to investments in marketing campaigns in Finland and project costs related to preparations for the Swedish operation.

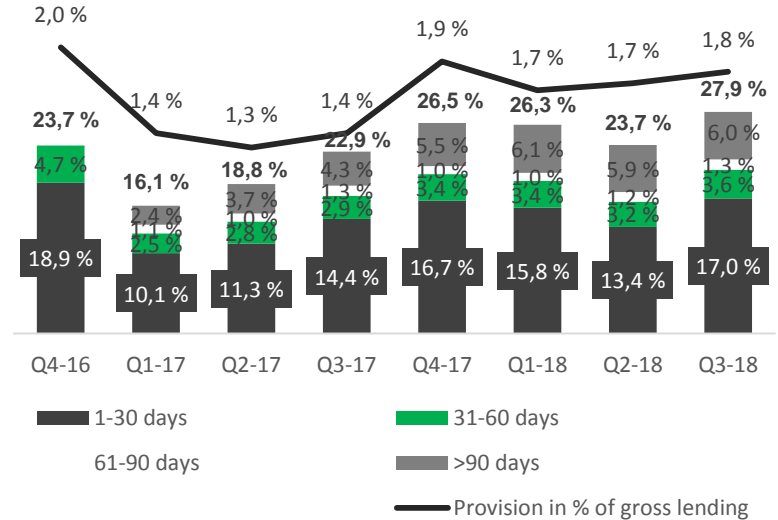
# Well balanced credit risk management

## Impairment losses

MNOK

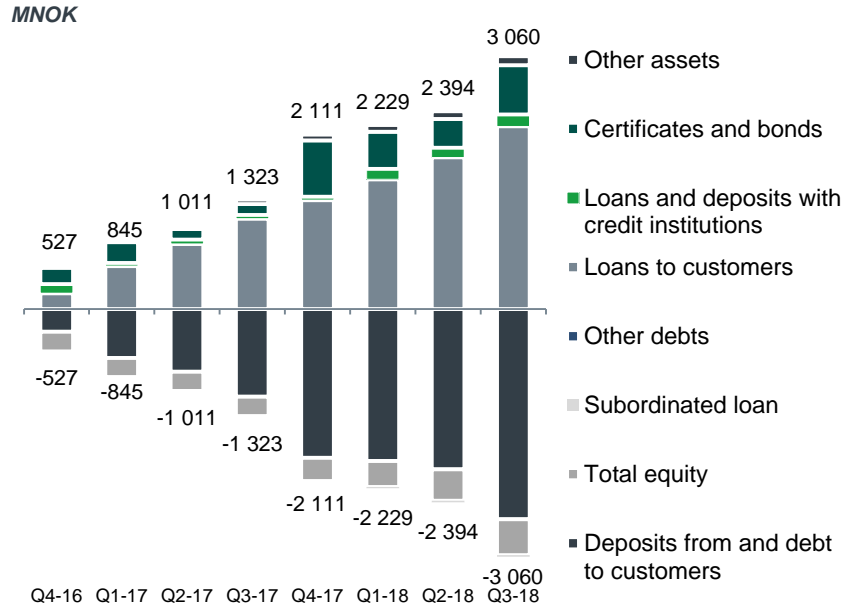


## Past due days at end of quarter

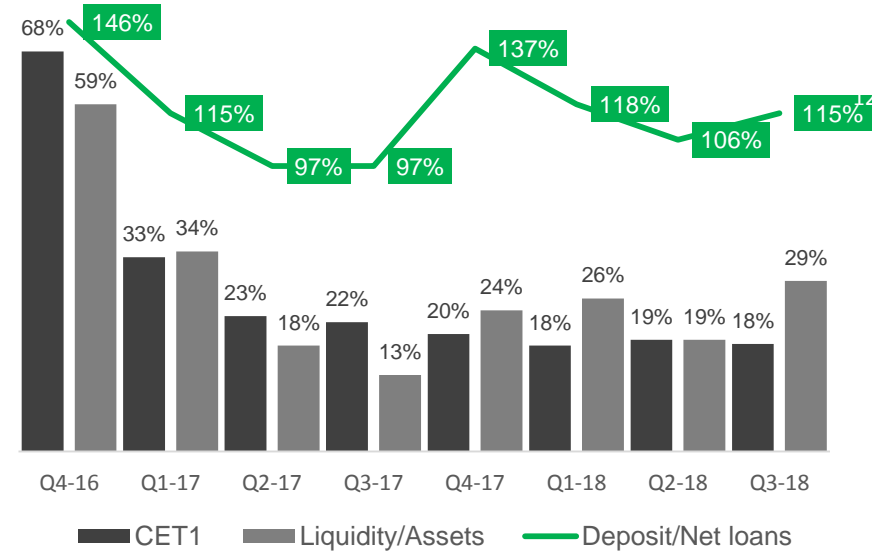


# Balance sheet structure

## Assets and liabilities & equity

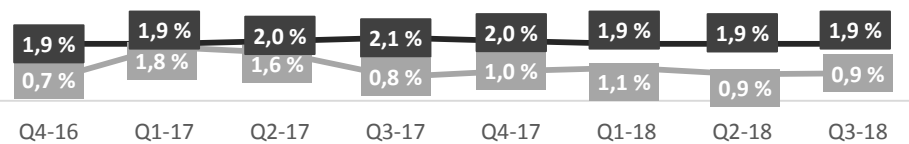


## Key financial ratios



# Funding costs and yields

## Development in yields and funding costs



- Liquidity yield
- Yield - loan customers
- Interest rate deposits at end of quarter

## Key comments

- Attractive interest rate, affected by mix of products, distribution channel, and risk assessment
- Stable funding cost
- Low yield on liquidity, reflecting risk profile on portfolio

# Outlook and strategy going forward

## Continue growth story

- Continued growth and profitability growth will be given priority
- Growth is essential because solid long term profitability will be achieved through economies of scale
- Key initiatives are product & geographical expansion as well as continued growth in existing markets

## Operational efficiency

- Maintain efficient and scalable operations through innovative and flexible IT infrastructure
- Fully automated decision engine based on machine learning will ensure diligent credit risk selection
- Continued focus on data insight, analytical capabilities and 100% digital internal / external processes

## Geographical expansion

- Further expansion across geographies to facilitate continued growth and risk diversification
- Current focus on Northern Europe – Sweden with entry in January 2019
- Full scale up of the Finnish operations after gaining key business relations, experience and data

## Product expansion

- Further expansion of product portfolio to facilitate continued growth and risk diversification
- Launch of an Instabank Credit Card in cooperation with Mastercard within Q4-18
- Distribution of related products as an aggregator for subcontractors

## Strengthened distribution

- Continue efforts to establish Instabank as a well-known and trusted brand in all active markets
- Identify and secure additional partners for the already developed point of sales financing platform
- Continuous optimization of the agent distribution network – develop new relationships in new markets

## Outlook for growth and net loans in MNOK

	2016	2017	YTD 18	Total 18
<b>Total growth</b>	190	1128	893	1100-1300
<b>Net loans</b>	190	1318	2211	Total 18 2400-2600

= CONTINUED PROFITABLE GROWTH



# Appendix



# Financial summary

## P&L (NOK '000)

Items	Q3-18	Q2-18	Q1-18	FY 2017	Q4-17	Q3-17
<b>Operating income</b>						
Interest income	60 090	49 926	42 323	97 536	36 416	29 074
Interest expenses	11 931	10 231	9 710	17 948	7 930	4 592
<b>Net interest income</b>	<b>48 159</b>	<b>39 695</b>	<b>32 614</b>	<b>79 587</b>	<b>28 486</b>	<b>24 482</b>
Net commission fees and other income	4 187	5 099	5 418	21 793	3 608	6 043
<b>Total income</b>	<b>52 346</b>	<b>44 793</b>	<b>38 032</b>	<b>101 380</b>	<b>32 094</b>	<b>30 525</b>
<b>Operating expenses</b>						
Salary and other personnel expenses	8 652	6 287	7 629	25 459	7 767	7 493
Other administrative expenses, of which	18 858	17 251	15 460	43 917	10 919	11 097
- direct marketing cost	11 971	10 178	9 401	31 705	7 977	8 033
Depreciation and amortisation	1 557	1 415	1 243	2 784	919	672
Other expenses	1 345	1 067	1 125	3 044	845	743
<b>Total operating expenses</b>	<b>30 413</b>	<b>26 019</b>	<b>25 457</b>	<b>75 204</b>	<b>20 450</b>	<b>20 006</b>
Losses on loans	12 600	9 831	7 218	22 125	7 873	7 644
<b>Operating (loss)/profit before tax</b>	<b>9 333</b>	<b>8 943</b>	<b>5 357</b>	<b>4 051</b>	<b>3 770</b>	<b>2 875</b>
Tax	2 333	2 235	1 339	1 751	1 680	719
<b>Profit/loss after tax</b>	<b>7 000</b>	<b>6 708</b>	<b>4 018</b>	<b>2 301</b>	<b>2 090</b>	<b>2 156</b>

## Balance sheet (NOK '000)

Items	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
<b>Assets</b>					
Loans and deposits with credit institutions	145 110	116 521	127 704	40 929	46 456
Loans to customers	2 210 903	1 834 682	1 568 603	1 317 942	1 092 977
Certificates and bonds	595 383	349 391	448 195	682 091	130 896
Deferred tax assets	1 722	4 055	6 290	7 629	9 310
Other intangible assets	25 516	22 613	20 151	17 175	9 810
Fixed assets	1 031	1 066	1 137	1 228	1 228
Other receivables, of which:	80 360	65 972	56 637	44 007	31 960
- prepaid agent commissions	54 387	46 953	42 698	36 706	29 798
<b>Total assets</b>	<b>3 060 024</b>	<b>2 394 299</b>	<b>2 228 717</b>	<b>2 111 002</b>	<b>1 322 636</b>
<b>Liabilities</b>					
Deposits from and debt to customers	2 546 928	1 944 615	1 843 890	1 804 600	1 062 458
Other debts	24 844	18 896	21 470	12 313	12 328
Accrued expenses and liabilities	12 954	11 466	11 174	11 420	10 780
Subordinated capital	40 000	40 000	40 000		
<b>Total liabilities</b>	<b>2 624 726</b>	<b>2 014 977</b>	<b>1 916 534</b>	<b>1 828 332</b>	<b>1 085 567</b>
<b>Equity</b>					
Share capital	402 717	354 161	294 228	294 228	254 266
Retained earnings	7 581	161	(7 045)	(11 557)	(17 196)
Tier 1 Capital	25 000	25 000	25 000		
<b>Total equity</b>	<b>435 298</b>	<b>379 322</b>	<b>312 183</b>	<b>282 670</b>	<b>237 070</b>
<b>Total liabilities and equity</b>	<b>3 060 024</b>	<b>2 394 299</b>	<b>2 228 717</b>	<b>2 111 002</b>	<b>1 322 636</b>

# Share price and ownership

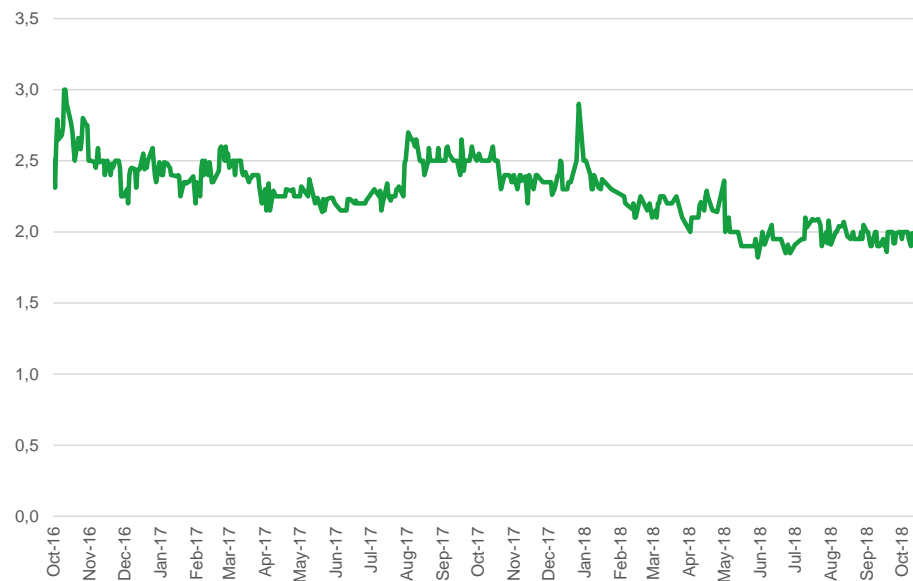
## Top 20 shareholders as of 24.10.2018

#	Shareholders	# of shares	%
1	KISTEFOS AS	26 246 150	10,0%
2	VELDE HOLDING AS	20 200 000	7,7%
3	BIRKELUNDEN INVESTERINGSSKAP AS	16 667 911	6,4%
4	HODNE HOLDING AS	14 385 419	5,5%
5	KAKB 2 AS	12 612 021	4,8%
6	HODNE INVEST AS	8 605 287	3,3%
7	LEIKVOLLBAKKEN A/S	8 500 000	3,2%
8	KRISTIAN FALNES AS	8 500 000	3,2%
9	MOROAND AS	8 500 000	3,2%
10	APOLLO ASSET LIMITED	8 062 741	3,1%
11	T SANDVIK AS	8 016 897	3,1%
12	NYE IDE HOLDING AS	6 276 000	2,4%
13	ALTO HOLDING AS	6 000 000	2,3%
14	SONSINVEST AS	5 108 195	1,9%
15	LEIRIN HOLDING AS	4 343 833	1,7%
16	ENZIAN AS	4 300 000	1,6%
17	CAHE FINANS AS	3 500 000	1,3%
18	VELDE EIENDOM INVEST AS	3 050 000	1,2%
19	GRUNNFJELLET AS	3 010 000	1,1%
20	HJELLEGERDE INVEST AS	3 000 000	1,1%
<b>Sum Top20</b>		<b>178 873 954</b>	<b>68,2%</b>
Other shareholders		83 587 628	31,8%
<b>Total</b>		<b>262 461 582</b>	<b>100,0%</b>

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5 108 195	1,9 %
CRO	Eivind Sverdrup (Leirin Holding AS)	4 343 833	1,7 %
CMO	Lauren Pedersen	610 871	0,2 %
CTO	Farzad Jalily	675 757	0,3 %
COO	Egil Botnen	510 800	0,2 %
<b>Sum management</b>		<b>11 249 456</b>	<b>4,3 %</b>
Other employees		6 154 650	2,3 %
Board members		2 096 200	0,8 %
<b>Total</b>		<b>19 500 306</b>	<b>7,4 %</b>

## Share price development since OTC listing in October 2016

Share price (NOK)



# Thank You