INSTABANK ASA

INTERIM REPORT Q2 2019

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Key highlights & developments:

- Record high Q2 net profit of 12.7 MNOK
  Losses on loans came down to 15.7 MNOK or 2.4 % of gross loan balance

- Changes in credit assessment over the past year and improved pre-collection processes have had positive impact on share of loans past due, resulting in decreased loan losses in the quarter

- Strong operational focus on adapting to the new consumer finance by-law and both deliver *and* utilise data from the debt registers

- Net loan growth of 13 MNOK. Finland performed well with a net loan growth of 92 MNOK, net loans in Norway decreased by 99 MNOK, while net loans in Sweden grew by 21 MNOK

We think like you.

INTERIM REPORT Q2 2019

About Instabank ASA

Instabank is a 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 by simplifying banking services and Point of Sale (POS) financing. We aim to help customers achieve both large and small ambitions, and our partners to increase revenues through smoother user experiences.

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 Q2, Instabank had 28 employees.

Instabank operates in Norway, Finland and Sweden offering competitive savings, insurance, POS financing 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 3 to 5 years, or alternatively a flexible credit facility.

The bank's products and services are distributed primarily through the bank's website, retail partners and via agents. At the end of Q2, the bank had distribution through 22 agents, various retail partners as well as through our own website and marketing mix.

Instabank is a member of "Bankenes Sikringsfond", which secures all deposits up to 2 MNOK in Norway and EUR 100k in Sweden and Finland.

Instabank is primarily owned by Norwegian investors. By the end of Q2, Kistefos AS was the bank's largest shareholder owning 24.9 %. There were no other individual shareholders holding more than 10% of the shares.

Operational developments

In Norway, the bank's loan balance decreased by -99.6 MNOK in Q2. The decrease was both a result of the bank focusing on volume growth outside of Norway, where more attractive margins are attainable, as well as the new consumer finance by-law that came into effect on the 15th of May 2019.

In Norway, the POS financing solution continues to develop very well, attracting a large number of small-ticket customers representing a significant upsell potential to an attractive segment.

Finland continues to be a very attractive market and the bank achieved a loan balance growth of 91 MNOK in Q2 19, down from 148 MNOK in the previous quarter. The decrease was caused by loans sold under the forward flow agreement that was operative from March 2019, as well as a decision to prioritise margins over volume.

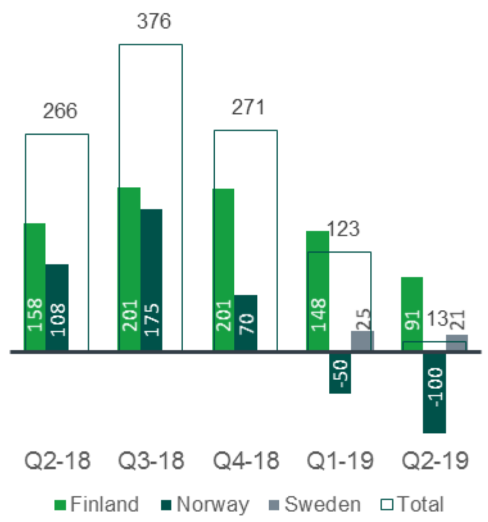
The bank entered the very competitive Swedish market at the very end of 2018, taking a cautious approach to credit risk and spending time to analyse application data and learn about the market. This has resulted in slow growth but with low credit and operational risk. Although the market is very competitive, the bank has identified attractive segments representing a good balance between risk and margins. At the very end of the quarter, Instabank also launched with Lendo, the largest agent in the Swedish market.

The quarter was characterised by a strong operational focus adapting to the new consumer finance by-law and both delivering data to, and utilising data from, the debt registers. In addition, the bank has taken a number measures to improve profitability. Interest rates were raised for selected customers in Norway due to a perceived increased probability of default from when loans were granted. New payment methods have been introduced in Norway like Vipps Faktura, improving payments ratios. The pre-collection activities have been optimised and new activities have been implemented. Together, these measures resulted in a significant decrease in share of past due volume by the end of the quarter.

Balance Sheet

Net loan balance increased by 13 MNOK/ 5 % to 2 618 MNOK by the end of Q2 19, down from a growth of 123 MNOK in the previous quarter mainly due to a decrease in net loan balance in Norway. Finland represented 34 % of the total loan balance at the end of Q2 19, up from 31 % at the end of the previous quarter.

Net loan balance growth:



Deposits from customers increased by 183 MNOK in Q2 19 as a result of a successful launch of savings accounts in Sweden at an attractive margin. The deposits/ net loans ratio increased to 112 % from 106 % by the end of the previous quarter. The bank has succeeded in shifting deposit volume from a higher deposit rate in Norway at 1.93 % to a more attractive deposit rate in Finland at 0.80 % and Sweden at 0.90 %. By the end of Q2 19 the bank had 2.934 MNOK in deposits of which 22 % was in Finland and 12 % in Sweden.

Total assets by the end of Q2 19 were 3 576 MNOK.

The total capital ratio for the bank was 23.7 % by the end of Q2 19 and common equity Tier 1 Capital ratio was 21.0 %, same as per Q1 19.
The bank received a Pilar 2 requirement of 6.2 % from the FSA (Finanstilsynet) on May 7th 2019 which came into effect from June 30th 2019 and increased the total capital requirement to 21.1 %.

At the end of Q2 19, the bank had a total of 35 171 customers, of which 27 046 were loan customers and 8 125 were deposit customers.

Profit and loss

Interest income increased by 1 MNOK from the previous quarter to 74.5 MNOK in Q2 19 as a result of loan balance growth. Despite an increase in deposit volume, interest expenses came in at 13.4 MNOK, 0.1 MNOK lower than the previous quarter as a result of a shift in the deposit mix between the countries in favour of Finland and Sweden.

Net other income was minus 2.7 MNOK, 1 MNOK lower than the previous quarter, negatively affected by a decrease in fee income and increased commission expenses,. Gain on foreign exchange and securities increased and contributed 3.2 MNOK.

Total income came in at 58.3 MNOK, same as the previous quarter.

Total operating expenses were reduced by 2.1 MNOK from the previous quarter to 29.8 MNOK in Q2 19 mainly as a result of decreased marketing costs. As in the previous quarter, administrative costs included one off advisory costs of approximately 1.5 MNOK.

Losses on loans came in at only 15.7 MNOK or 2.4 % of gross loan balance, significantly lower than the two previous quarters. There are several reasons for the low losses on loans: (1) Seasonal effects as a result of customers having better liquidity by the end of the quarter, (2) the introduction of new payment methods for Norwegian customers and (3) decreased credit risk as a result of credit assessment changes over the last year.

Net profit was 12.8 MNOK and net profit after tax was 9.6 MNOK, up from 3.3 MNOK in the previous quarter.

Outlook

Presence in three countries gives Instabank the strategic opportunity to focus its efforts where the most profitable growth can be achieved. The business model is set up to handle significantly higher volumes in all three countries without further investments or an increase in fixed costs

There has been, and is expected to still be, considerable focus on developments in Norwegian household borrowing and especially when it comes to consumer loans. The new consumer finance by-law was introduced on the 15th of May 2019 and the market is now characterised by competition on more equal terms, except for the capital requirement gap between Norwegian and foreign banks operating in Norway.

The authorities have been working for five years to put in place the debt register in Norway, and by July 1st it was finally operative. The debt register is expected to reduce the number of fraudulent applications, where loan applicants do not disclose all of their debt, and to provide more informed and accurate credit assessments of loan applicants. However, margins are expected to decrease as competition for the best customers is expected to increase as experienced in the Swedish market.

The bank considers Finland and Sweden to represent the best growth opportunities going forward, while volumes in Norway are expected to remain at current levels or decrease slightly.

Instabank has proven its ability to adapt to new regulations, technology and services fast.

Instabank is committed to continuing its profitable growth story, but the cost of capital may limit growth short term.

The bank’s liquidity situation and capital situation are 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.

Other information

There has been a limited review of the accounts in accordance with ISRE 2410 as of 30.06.19 by the bank’s auditors and the result after tax are added to retained earnings in full.

Oslo, August 15th, 2019
Board of Directors, Instabank ASA

INCOME STATEMENT

NOK 1000	Q2-2019	2019	2018	Q2-2018
Interest Income	74 466	147 817	222 546	49 926
Interest expenses	13 376	26 846	46 344	10 231
Net interest income	**61 090**	**120 970**	**176 202**	**39 695**
Income commissions and fees	7 843	16 611	35 238	8 344
Expenses commissions and fees	13 795	25 978	29 554	6 074
Net gains/loss on foreign exchange and securities classified as current assets	3 209	5 062	7 546	2 829
Other income	0	0	0	0
Net other income	**-2 742**	**-4 306**	**13 230**	**5 099**
Total income	**58 348**	**116 665**	**189 432**	**44 793**
Salary and other personnel expenses	10 248	20 317	30 871	6 287
Other administrative expenses, of which:	14 719	32 386	66 153	17 251
- direct marketing cost	4 513	*10 710*	*38 330*	*10 178*
Depreciation and amortisation	2 157	4 184	*6 138*	*1 415*
Other expenses	2 695	4 869	5 085	1 067
Total operating expenses	**29 818**	**61 755**	**108 246**	**26 019**
Losses on loans	15 772	37 744	47 189	9 831
Operating (loss)/profit before tax	**12 757**	**17 166**	**33 996**	**8 943**
Tax expenses	3 121	4 223	7 945	2 235
Profit/loss after tax	**9 636**	**12 942**	**26 051**	**6 708**

BALANCE SHEET

NOK 1000	30.06.2019	31.12.2018	30.06.2018
Loans and deposits with credit institutions	185 466	142 298	116 521
Loans to customers	2 617 991	2 481 880	1 834 682
Certificates and bonds	640 642	647 128	349 391
Deferred tax assets	0	89	4 055
Other intangible assets	28 962	27 339	22 613
Fixed assets	777	1 035	1 066
Other assets	3 150	0	0
Other receivables, of which:	98 514	115 692	65 972
- prepaid agent commission	*94 379*	*86 381*	*57 823*
Total assets	**3 575 503**	**3 415 461**	**2 394 299**
Deposit from and debt to customers	2 934 575	2 832 361	1 944 615
Other debts	23 171	22 284	18 896
Accrued expenses and liabilities	13 631	12 084	11 466
Subordinated loan and Tier 1 capital	65 000	65 000	65 000
Total liabilities	**3 036 377**	**2 931 729**	**2 039 977**
Share capital	510 834	468 651	354 161
Retained earnings	28 291	15 081	161
Total equity	**539 125**	**483 732**	**354 322**
Total liabilities and equity	**3 575 503**	**3 415 461**	**2 394 299**

NOTES

Note 1: General accounting principles

The interim report is prepared in accordance with the principles in the annual report for 2018.

Note 2: Loans to customers

Gross and net lending:

NOK 1000	30.06.2019	31.12.2018	30.06.2018
Revolving credit loans	659 135	635 095	492 737
Installment loans	2 033 446	1 900 112	1 374 610
Gross lending	**2 692 581**	**2 535 207**	**1 867 347**
Impairment of loans	-74 590	-53 327	-32 665
Net loans to customers	**2 617 991**	**2 481 880**	**1 834 682**

Defaults and losses

NOK 1000	30.06.2019	31.12.2018	30.06.2018
Gross defaulted loans	225 219	172 550	108 849
Individual impairment of loans	-64 384	-42 226	-28 303
Other impairment of loans	-10 207	-11 102	-4 362
Net defaulted loans	**150 629**	**119 223**	**76 184**

Specifications losses on loans

NOK 1000	Q2-2019	2018	Q2-2018
Realised losses in the period	-10 194	-19 549	-4 571
The period's change in individual impairment of loans	-7 177	-25 013	-9 026
The period's change in other impairment of loans	1 599	-2 627	3 765
Losses on loans in the period	**-15 772**	**-47 189**	**-9 831**

Ageing of loans

NOK 1000	30.06.2019	31.12.2018	30.06.2018
Loans not past due	1 961 921	1 742 943	1 424 818
Past due 1-30 days	385 050	481 232	249 242
Past due 31-60 days	87 799	109 281	60 309
Past due 61-90 days	32 592	29 915	23 521
Past due 91+ days	225 219	171 836	109 457
Total	**2 692 581**	**2 535 207**	**1 867 347**

Gross defaulted loans are loans which are more than 90 days in arrear in relation to the agreed payment schedule. The bank has a forward flow agreement with Axactor regarding monthly sale of part of the bank's non-performing loans.

Note 3: Regulatory capital and LCR

NOK 1000	30.06.2019	31.12.2018	30.06.2018
Share capital	332 642	305 000	236 215
Share premium	178 192	163 651	117 946
Other equity	28 291	15 081	-11 557
Deferred tax asset/intangible assets/other deductions	-29 602	-28 075	-27 017
Common equity tier 1 capital	**509 523**	**455 657**	**315 587**
Additional tier 1 capital	25 000	25 000	24 528
Core capital	**534 523**	**480 657**	**340 115**
Subordinated loan	40 000	40 000	32 703
Total capital	**574 523**	**520 657**	**372 818**
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	37 132	28 511	23 304
Loans to customers	1 842 866	1 763 667	1 299 418
Certificates and bonds	94 654	72 479	42 496
Other assets	263 277	247 051	169 163
Calculation basis credit risk	**2 237 930**	**2 111 708**	**1 534 381**
Calculation basis operational risk	185 587	185 587	100 789
Total calculation basis	**2 423 518**	**2 297 295**	**1 635 170**
Common equity Tier 1 Capital ratio	21,0 %	19,8 %	19,3 %
Tier 1 capital ratio	22,1 %	20,9 %	20,8 %
Total capital ratio	23,7 %	22,7 %	22,8 %
LCR	233,3 %	419,3 %	172,0 %