



Instabank

Interim Presentation Q3 – 2020
October 29th 2020

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Key highlights Q3-20



Profit before tax of 17.6 MNOK, after tax 13.2 MNOK

Total income increased and loan losses decreased from the previous quarter



Net loans increased by 222 MNOK

The Norwegian market with a strong comeback, while Finland has temporarily become less attractive



Mortgages loan balance reached 56 MNOK

Successful launch, disbursed volume increased throughout Q3-20



First Coop product launched

The Coop branded credit card has already reached its first customers. Additional sales finance products will follow and will be made available in the Coopay app



Key figures Q3-2020



Net profit before tax of **17.6 MNOK** + vs 17.6 Q3-19



Total income of **65.9 MNOK** + 3 % vs Q3-19



Losses on loans **2.6 %** vs 2.5 % Q3-19



Quarterly increase in net loans of **222 MNOK** vs +101 MNOK Q3-19



Outstanding net loans of **2,787 MNOK** vs 2,718 Q3-19







Equity per share of **1.59 NOK** vs 1.66 Q3-19







Return on Equity of **10.1 %** vs 9.7 % in Q3-19



Diversified loan portfolio

	<i>Net Loans</i>	<i># Customers</i>	<i>Avg Ticket Size</i>	<i>Yield</i>
 Consumer Loans	2 526''	21 691	98'	13.0 %
 Mortgages	56''	111	507'	7.3 %
 Sales Finance	108''	8 533	13'	15.1 %
 Credit Card	97''	2 926	33'	14.9 %
Total	2 787''	33 284	84'	13.0 %

Diversified high funding volume

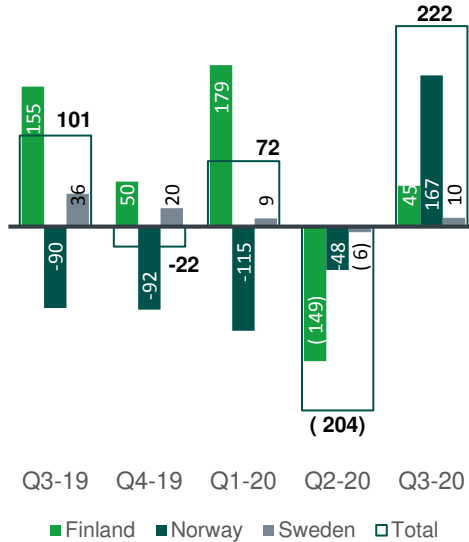
		<i>Volume</i>	<i>Deposit rates end Q3-20</i>	<i>Deposit rates end Q4-20*</i>
	Norway	1 998''	1.80 %	1.15 %
	Finland	1 084''	0.70 %	0.60 %
	Sweden	349''	0.75 %	0.55 %
	Germany	117''	0.20 %	0.18 %
	Total	3 548''	1.31 %	0.89 %

*) Implemented before 30.09.20. Two months notice period in Norway and Finland

Net loan development

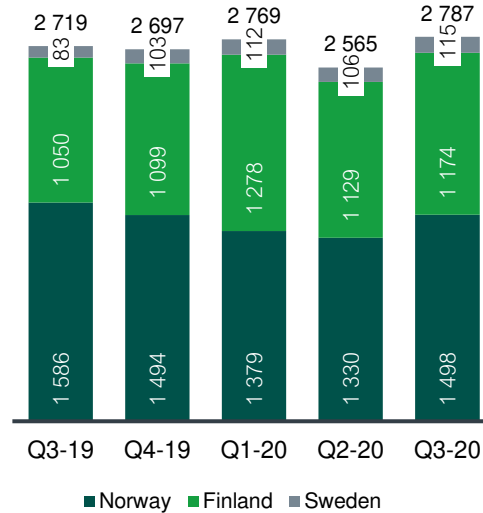
Net loan balance growth

MNOK



Net loans to customers

MNOK



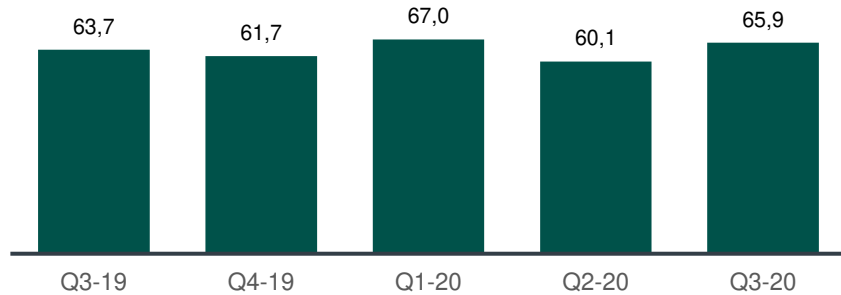
Key comments

- Instabank introduced second priority mortgage loans at the end of Q2-20. Through Q3-20, the distribution has been strengthened by agreements with several agents. The disbursed volumes of mortgages increased reached 56 MNOK at the end of the quarter
- In Finland, a temporary COVID-19 related interest cap law came into force July 1st along with restrictions on consumer loans marketing which resulted in decreased new volume in Q3-20
- The Swedish market remains very competitive with larger risk and rate span and as a consequence Instabank finds Sweden less attractive than other markets

Total income

Total income

MNOK

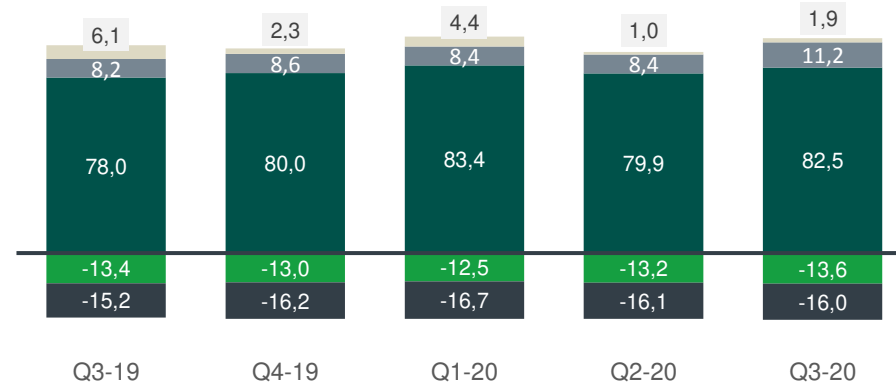


Key comments

- Interest income increased by 2.5 MNOK from Q2-20 to 82.4 MNOK in Q3-20 as a result of increased loan balance as well as increased loan yield.
- Income commission and fees was up 2.8 MNOK to 11.4 MNOK hitting its highest level ever as a result of increased sale of insurances.

Total income detailed

MNOK



■ Interest Income

■ Income commissions and fees

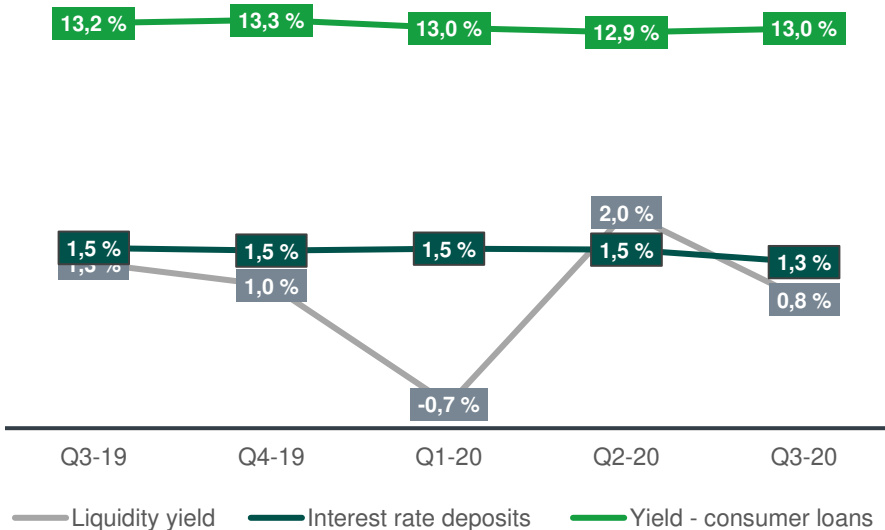
■ Net gains/loss on forex and securities

■ Interest expenses

■ Expenses commissions and fees

Funding cost and yields

Development in funding cost and yields

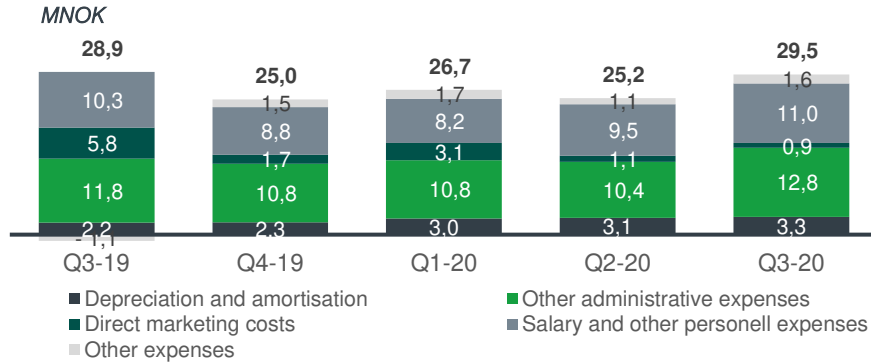


Key comments

- Although loan yield vary across markets and products and the mix among them changes, the total yield remains relatively stable.
- The deposit rates have dropped in all currencies, especially in Norway. Since Q2-20, Instabank has had three rate cuts from 2.03 % to 1.15 % that will take effect for existing customers in November following the two months notice period. This will decrease funding costs over the near term

Operating expenses

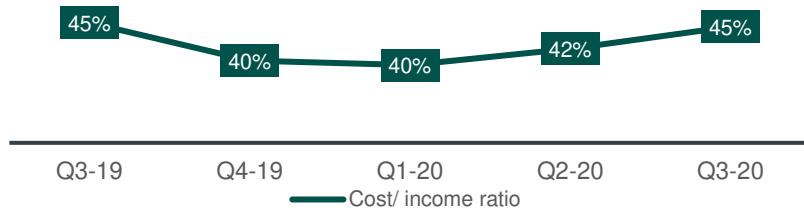
Operating expenses breakdown



Key comments

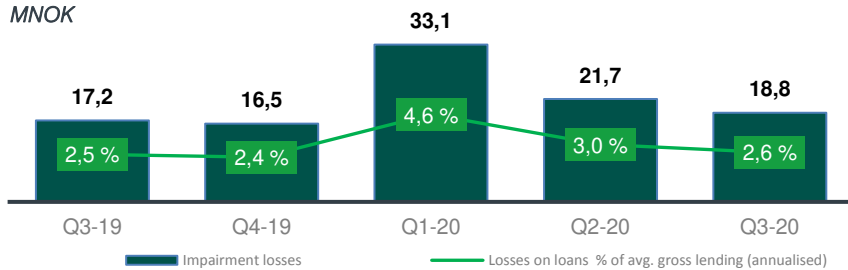
- Instabank maintain a strong focus on cost control and operational efficiency and had lower operating expenses in Q2-20 compared to the same quarter in both 2019 and 2018
- Personnel expenses increased by 1.5 MNOK as a result of increased employee bonus provisions and an increase in number of employees.
- Administrative expenses increased 2.4 MNOK from the previous quarter as a result of one-off expenses for the Merkur Market listing of 1.1 MNOK as well as increased credit expenses related to increased new sales volume.

Cost/income ratio

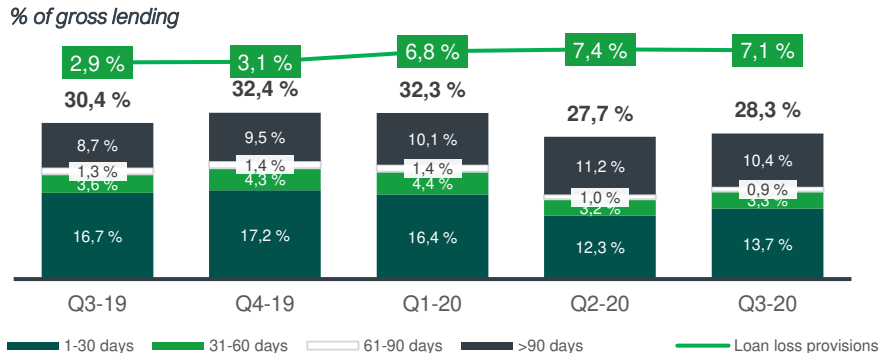


Credit risk

Impairment losses



Loans past due



Key comments

- Instabank has not observed any negative effects in the customer's payment behaviour as a consequence of the Covid-19 outbreak
- The relatively low loan losses provisions of 18.8 MNOK / 2.6 % is a result of good performance in the Norwegian portfolio in terms of loans past due
- Normally, loans past due increase in the third quarter. This year we have seen a decline
- Share of loans past due 1-30 days at the end of Q3-20 was 13.7 % of total volume, down from 16.7 % a year ago
- The growth in loans past due > 90 days in previous quarters have flattened and turned to a decrease from 11.2 % at the end of Q2-20 to 10.4 % at the end of Q3-20

IFRS 9 volume distribution and ECL %

IFRS 9 Impairment losses

In 2020, the bank transitioned from IAS 39 to IFRS 9

- Whereas IAS 39 is an incurred loss model based on objective evidence, the standard IFRS 9 includes an expected credit loss model
- IFRS 9 produce higher losses on loans for the total portfolio compared to IAS 39 as impairments are also recognized for the loans in Stage 1 and Stage 2 in addition to those in Stage 3

Expected credit losses (ECL)

- ECL is the probability-weighted estimate of credit losses over the expected life of the financial instrument
- $ECL = PD \times EAD \times LGD$

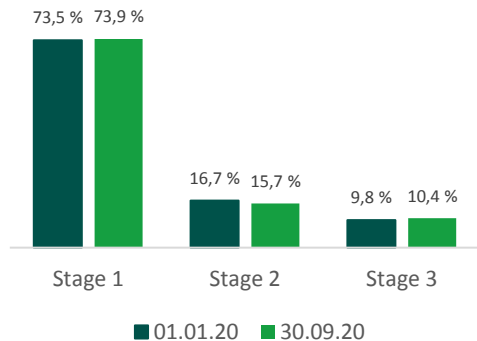
PD = Probability of default

EAD = Exposure at default

LGD = Loss given default

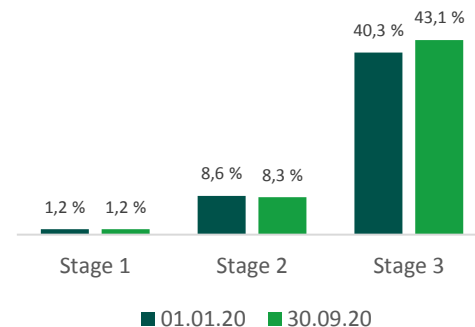
Volume distribution %

- Stage 1: Performing loans, past due <30 days
- Stage 2: Past due 30-90 days *or* significant increase in credit risk
- Stage 3: Defaulted



Expected Credit Losses (ECL) %

- Stage 1: ECL next 12 months
- Stage 2: ECL lifetime
- Stage 3: ECL lifetime

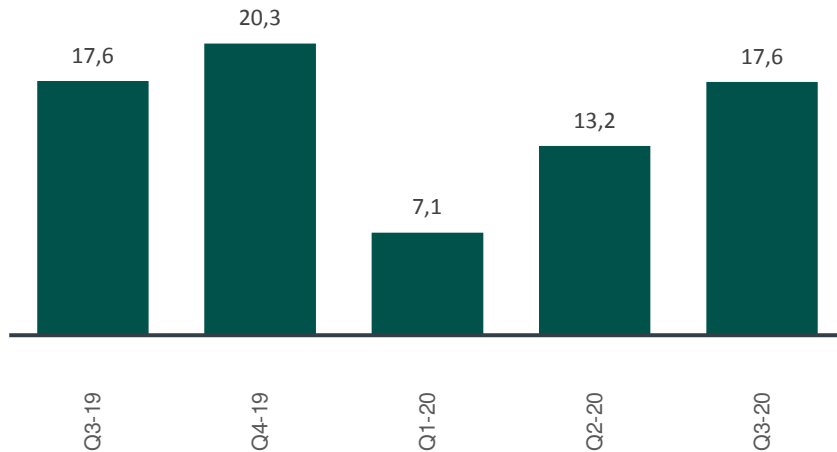


The transition from IAS 39 to IFRS 9 at the date of changeover 01.01.2020 increased loan loss provisions by 85.5 MNOK. The effect was treated as a balance sheet transaction which also reduces equity by 64.1 MNOK (the after tax effect of the increased provisions). The IFRS 9 transitional rules allow for a gradual phase-in of this "one-off" IFRS 9 effect on the Bank's capital adequacy over a three year period with 30 % in 2020..

Profit development

Net profit before tax

MNOK

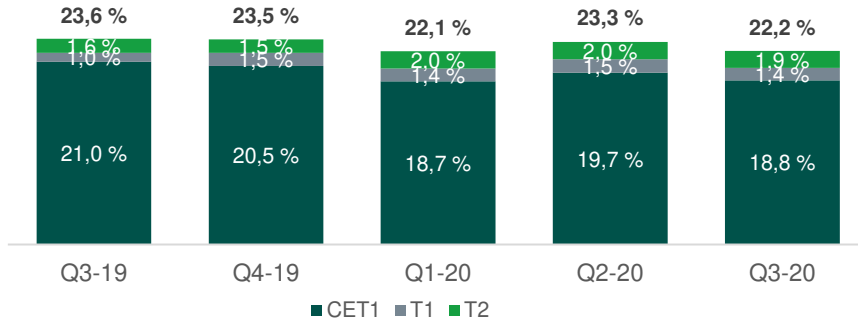


Key comments

- The increase in total income and relatively low losses on loans had a positive effect, while increased operating expenses partly due to one-offs had a negative effect on the net profit
- Net profit after tax was 13.2 MNOK, up from 9.9 MNOK in the previous quarter
- Return on equity was 10.1 %, up from 7.7 % in the previous quarter.

Capital adequacy

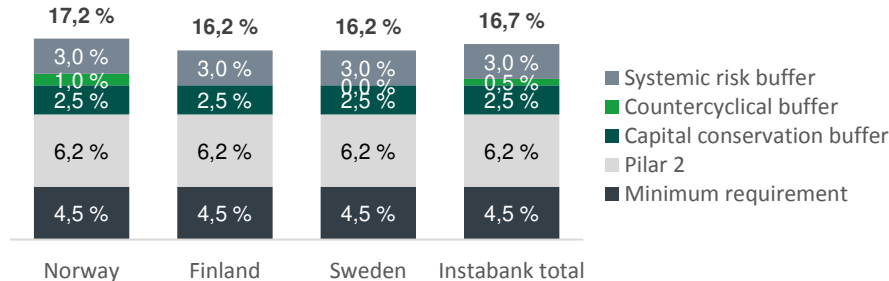
Developments in capital adequacy ratios



Key comments

- Common equity Tier 1 Capital ratio was 18.8 % and the total capital ratio was 22.2 % at the end of Q3-20, 1.9 % points above the total regulatory capital requirement of 20.2 %.
- The total capital ratio was reduced from last quarter due to high growth in lending as well as growth in other financial assets as a result of an high increase in deposits
- The surplus capital above the total regulatory capital requirement was 60 MNOK at the end of Q3-20

CET1 requirement per country and total



From startup to economies of scale

START UP 2016 | 2017

Establish core capabilities
Ensure profitability
Focus on loans and deposits

EXPANSION 2018 | 2020

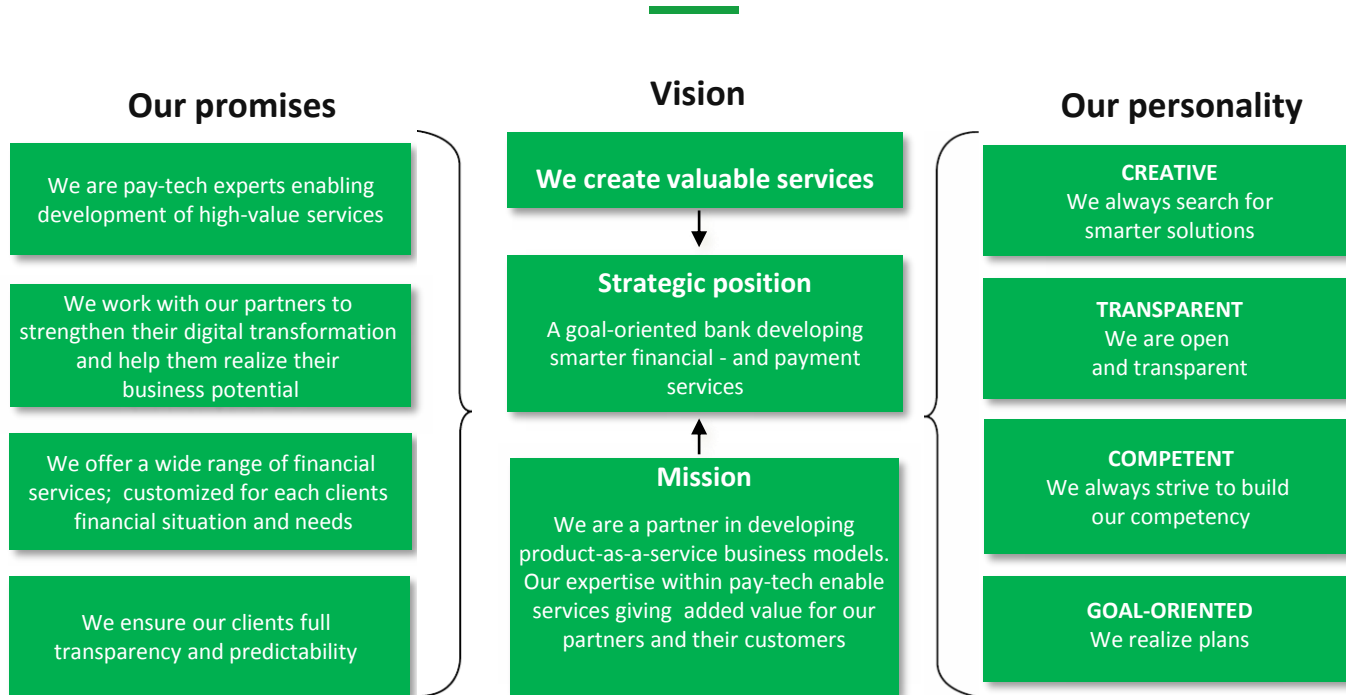
Build and develop capabilities to enable product- and geographical expansion

ECONOMIES OF SCALE 2021 | 2023

Capitalize on strategic and operational platform;
Economies of scale, profitability & solidity







Instabank strategy chart



Markets and products

Target growth in markets with highest ROE at any given time

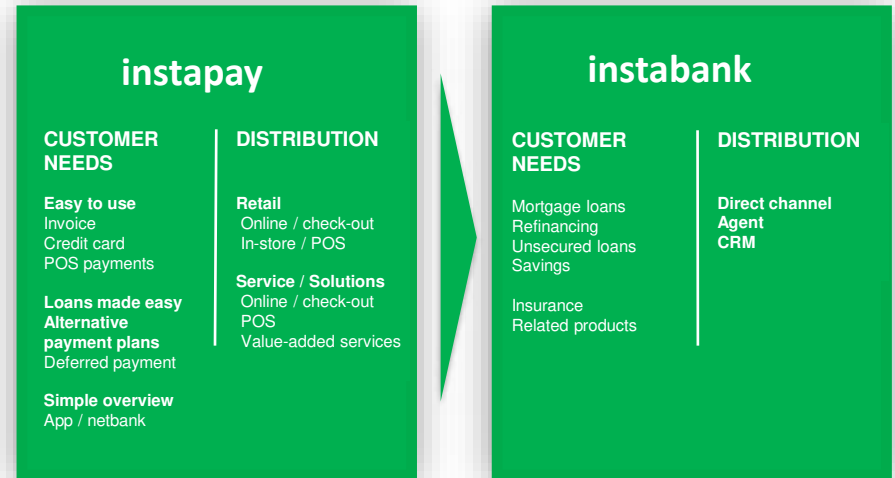
	Unsecured	Mortgage	Deposits	Retail	Online	Cards
	Q3-2016	Q2-2020	Q3-2016	Q4-2017	Q4-2018	Q2-2019
	Q4-2017	Tbd	Q3-2018	Q2-2020	Q2-2020	Tbd
	Q4-2018	Tbd	Q1-2019	Tbd	Tbd	Tbd
	na	na	Q3-2020	na	na	na

Our target is to achieve a more diversified portfolio by prioritizing mortgage loans going forward. This will reduce risk and improve profits.

Instabank`s distribution model

*Multi-brand strategy will be continued.
Growth supported by Instapay (POS)*

- **Core products**
Loans, POS/Sales financing, Credit cards, Savings
- **Instapay (POS)**
A profitable business area in itself and a core recruitment channel
- **Payment services and POS**
Core to our distribution strategy



Financials

ROE

Strong improvement in profits

Outlook

>10 %

2021

- Heading in the right direction

Strategic ambitions

15-20 %

Mid term

- Proof of success

Net loans

Growth is necessary to improve profits

3.5 Bn.

2021

- Growth shows direction

~ 6.0 Bn.

Mid term

- Proof of growth capacity

Cost to income

Economies of scale reduce cost

< 40 %

2021

- Among the better

~ 30 %

Mid term

- Compares with industry leaders

Financial summary

P&L (NOK '000)

	Q3-20	Q2-20	Q1-20	FY 2019	Q4-19	Q3-19
Total income:						
Interest Income using the effective interest method	82 478	79 854	83 102	305 752	79 957	77 950
Other interest income	0	37	330			
Interest expenses	13 598	13 164	12 531	53 158	12 952	13 360
Net interest income	68 880	66 727	70 901	252 594	67 006	64 590
Net commission fees and other income	-2 951	-6 648	-3 900	-10 429	-5 269	-858
Total income	65 929	60 079	67 001	242 165	61 737	63 732
Operating expenses:						
Salary and other personnel expenses	11 019	9 507	8 164	39 355	8 788	10 251
Other administrative expenses, of which	13 644	11 466	13 925	62 384	12 438	17 542
- <i>direct marketing cost</i>	880	1 105	3 136	18 231	1 664	5 751
Depreciation and amortisation	3 271	3 106	2 980	8 719	2 306	2 229
Other expenses	1 608	1 144	1 674	5 302	1 458	-1 143
Total operating expenses	29 542	25 223	26 743	115 761	24 989	28 879
Losses on loans	18 794	21 704	33 131	71 429	16 483	17 203
Operating profit before tax	17 593	13 152	7 127	54 974	20 264	17 650
Tax	4 398	3 288	1 782	13 735	5 133	4 378
Profit and other comprehensive income	13 195	9 864	5 345	41 239	15 131	13 272

Balance sheet (NOK '000)

	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Assets					
Loans and deposits with credit institutions	222 177	165 812	229 380	183 014	155 611
Loans to customers, of which	2 869 717	2 644 120	2 859 294	2 696 724	2 718 861
- <i>prepaid agent commissions</i>	82 557	79 006	90 339		
Certificates and bonds	1 035 261	863 415	328 138	516 194	534 400
Deferred tax assets	12 129	16 527	-	-	
Other intangible assets	30 227	29 434	28 703	29 804	29 790
Fixed assets	9 067	9 740	10 414	563	657
Other receivables, of which:	57 128	50 504	101 827	114 520	116 060
- <i>prepaid agent commissions</i>				93 216	96 141
Total assets	4 235 706	3 779 552	3 557 756	3 540 819	3 555 379
Liabilities					
Deposits from and debt to customers	3 548 363	3 129 285	2 887 298	2 848 737	2 891 435
Other debts	28 122	9 973	38 565	22 378	31 311
Accrued expenses and liabilities	32 840	26 279	26 780	21 177	15 065
Subordinated loans	56 000	56 000	56 000	80 900	65 000
Total liabilities	3 665 326	3 221 537	3 008 644	2 973 193	3 002 810
Equity					
Share capital	332 642	332 642	332 642	332 642	332 642
Share premium reserve	178 192	178 192	178 192	178 192	178 192
Retained earnings	178 192	6 280	-2 622	56 792	41 734
Tier 1 capital	40 900	40 900	40 900		
Total equity	729 927	558 014	549 113	567 626	552 568
Total liabilities and equity	4 395 253	3 779 552	3 557 756	3 540 819	3 555 379

Share price and ownership

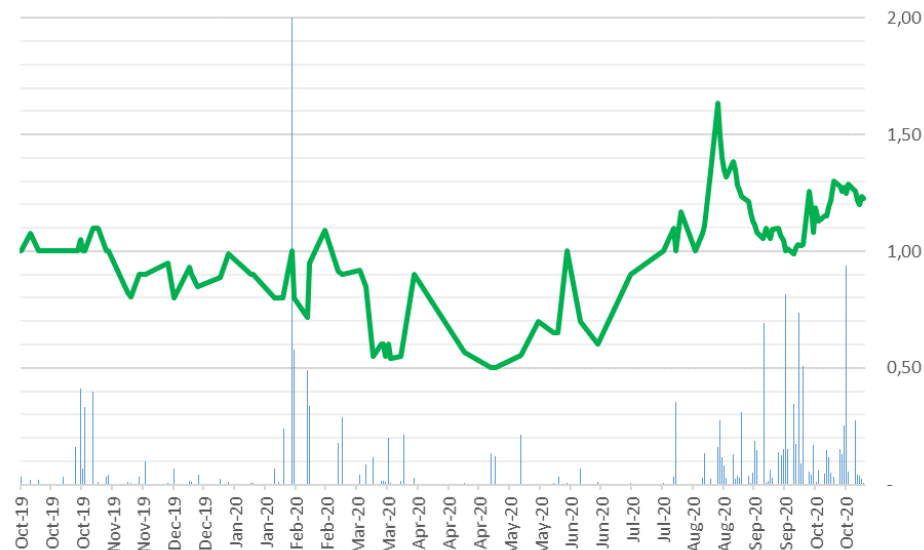
Top 20 shareholders as of 27.10.2020

#	Shareholders	# of shares	%
1	KISTEFOS AS	83 126 568	24,99%
2	HODNE INVEST AS	30 588 311	9,20%
3	VELDE HOLDING AS	23 775 000	7,15%
4	BIRKELUNDEN INVESTINGSSKAP AS	18 305 911	5,50%
5	KAKB 2 AS	12 612 021	3,79%
6	HJELLEGJERDE INVEST AS	9 161 000	2,75%
7	KRISTIAN FALNES AS	9 000 000	2,71%
7	LEIKVOLLBAKKEN AS	8 500 000	2,56%
9	MOROAND AS	8 500 000	2,56%
10	AFOLLO ASSET LIMITED	6 562 741	1,97%
11	ALTO HOLDING AS	5 770 000	1,73%
12	SONSINVEST AS	5 108 195	1,54%
13	ENZIAN AS	5 000 000	1,50%
14	VENDETTA AS	4 397 632	1,32%
15	LEIRIN HOLDING AS	4 333 333	1,30%
16	MAGDALENA HOLDING AS	3 529 000	1,06%
17	CAHE FINANS AS	3 503 000	1,05%
18	TVEDT INVESTERING AS	3 138 000	0,94%
19	VELDE BENDOM INVEST AS	3 050 000	0,92%
20	GRUNNFJELLET AS	3 010 000	0,90%
Sum Top20		250 970 712	75,45%
Other shareholders		81 671 327	24,55%
Total		332 642 039	100,00%

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5 217 195	1,6 %
COO	Eivind Sverdrup (Leirin Holding AS)	4 403 833	1,3 %
CTO	Farzad Jalily	742 417	0,2 %
CFO	Per Kristian Haug	95 000	0,0 %
CRO	Kjetil Andre Welde Knudsen	70 000	0,0 %
COO	Anne Jørgensen	35 000	0,0 %
CMO	Jørgen Rui	234 011	0,1 %
Sum management		10 797 456	3,2 %
Other employees		1 547 548	0,5 %
Board members		2 150 000	0,6 %
Total		14 495 004	4,4 %

Share price development last year

Share price (NOK)



Thank You