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INSTABANK ASA

INTERIM REPORT Q4 2019

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Key highlights & developments:

- ★ **Record high Q4 net profit before tax of 20.3 MNOK**
Driven by increased margins, low losses on loans and operational efficiency improvements
- ★ **Net loans decreased by 22 MNOK in Q4**
Temporarily decreased new loan volume to limit growth
- ★ **Strengthened capital adequacy by issuance of T1 & T2 capital**
T1 capital of 15,9 MNOK and additional T2 capital of 16 MNOK in in Q1/20
- ★ **Impairment losses according to IFRS 9 from 01.01.20**
One off impact on impairment losses of 85.5 MNOK and equity reduced by 64.1 MNOK.

We think like you.

INTERIM REPORT Q4 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 Q4, Instabank had 27 full time employees and 7 part-time employees, in total 29.6 FTEs.

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 three to five 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 Q4, the bank had distribution through 21 agents as well as through various retail partners and 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 Q4, 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

Instabank will continue developing its sales finance offerings and distribution and has entered into a pilot agreement with Conecto AS, a leading supplier of payment solutions and collection services. Instabank will facilitate financing of in store transactions at Conecto's retailer partners on Conecto's sales finance solution.

Instabank temporarily decreased new loan volume to limit growth for capital adequacy optimisation purpose as there were several uncertainties year-end that now have been clarified.

In Finland, the marketing spend was reduced and the offered interest rates were increased to limit growth short term resulting in a lower net loans growth of 50 MNOK in Q4-19 vs 155 MNOK the previous quarter. Among Instabank's three countries, Finland is the most attractive market with the highest margins and lowest capital requirements.

In Norway, net loans decreased by 92 MNOK, approximately at the same level as in the previous quarter. Except for the strengthened sales finance efforts, consumer loan sales are limited as other markets are more attractive both when it comes to margins and capital adequacy requirements. The new debt register that was introduced at the very beginning of Q3-19 has had a positive impact on the credit quality of new customers. So far, the bank has not experienced any negative effect of the debt register, other than that the register only includes unsecured loans. 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.

The Swedish market remains very competitive with large risk and rate span. However, the bank has identified attractive segments representing a good balance between risk and returns. In Sweden net loans grew by 20 MNOK in Q4-19, down from 36 MNOK in the previous quarter.

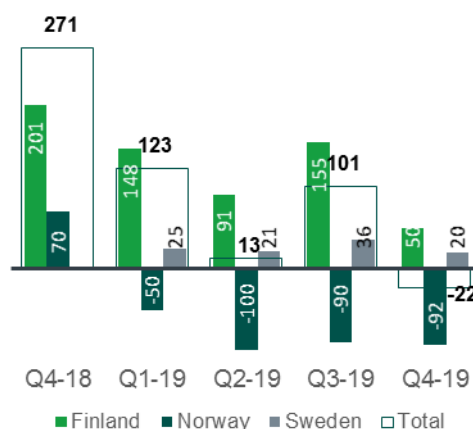
Balance Sheet

Net loan balance decreased by 22 MNOK in Q4-19. As the outcome of several factors influencing capital adequacy and capital requirement were unknown until late in the quarter, the bank steered towards a low growth but currency effects and low new volume by the very end of the quarter resulted in a decrease in volume.

In Norway, net loans decreased by 92 MNOK, while in Finland the growth in net loans was 50 MNOK and in Sweden growth in net loans was 20

MNOK. By the end of the quarter, net loans was at 2,697 MNOK. Net loans volume outside Norway amounted to 45 %, up from 26 % one year earlier.

Net loan balance growth:



Deposits from customers decreased by 47 MNOK in Q4 19, a result of a planned reduction of a high liquidity volume entering the quarter. The deposit mix has continued to change during the quarter in favour of Finland and Sweden with lower deposit rates than Norway. The share of deposits outside Norway increased to 40 % at the end of Q4-19, from 37 % at the end of the previous quarter. The average deposit rate fell to 1.47 % from 1.51 % from the previous quarter as a result of the favourable change in the deposit mix. By the end of Q4-19 the bank had 2,849 MNOK in deposits and a deposit/net loan ratio of 106 %, same as at the end of Q3-19.

Instabank issued Tier 1 capital of 15.9 MNOK in Q4-19 and also, after the balance date in February 2020, Tier 2 capital of 16 MNOK, both strengthening the capital adequacy ratio.

Total assets at the end of Q4-19 were 3,540 MNOK.

The total capital ratio was 23.5 % at the end of Q4-19, 2.3 % above the regulatory capital requirement of 21.2 %. The common equity Tier 1 Capital ratio was 20.5 %.

At the end of Q4-19, the bank had a total of 37,424 customers, of which 28,785 were loan customers and 8,639 were deposit customers.

Profit and Loss

Net interest income increased by 2.5 MNOK from the previous quarter to 67.0 MNOK in Q4-19 despite a decrease in net loans in the quarter, due to improved margins. The net interest margin was 9.8 %, up from 9.6 % in Q3-19.

Net other income was minus 5.3 MNOK, 4.4 MNOK less than the previous quarter as Q3-19 included high forex gains. Commission expenses (accrued agent commission) increased as expected by 1.0 MNOK to 16.2 MNOK from the previous quarter.

Total income came in at 61.7 MNOK, down from 63.7 MNOK in the previous quarter.

Total operating expenses were reduced by 3.9 MNOK from the previous quarter to 25.0 MNOK. Instabank has succeeded in bringing costs down by limiting external advisory costs as well as operational efficiency improvements mainly related to reduced credit assessment costs in Sweden and Finland where cost per application is quite expensive compared to Norway.

Salary and personnel expenses were reduced by 1.8 MNOK primarily as a result of provisions for personnel bonus were not increased in Q4-19.

Administrative cost came in at 12.4 MNOK, a 5.1 MNOK decrease from Q3-19, of which direct marketing costs were only 1.6 MNOK, representing a 4 MNOK decrease from Q3-19, as a result of managing volume growth.

Cost/income level hits 40 %, the lowest level since inception reflecting improved operational efficiency as well as economy of scale.

Losses on loans in Q4-19 decreased slightly from Q3-19 to 16.5 MNOK, 2.4 % of average gross loans. So far no significant negative impact from the introduction of the debt register has been observed for the Norwegian portfolio, losses on loans remain stable.

Loan losses have stabilised on a lower level the past three quarters compared to Q4-18 and Q1-19. This decrease is partly due to seasonal variations and partly due to the introduction of new payment methods for Norwegian customers as well as decreased credit risk as a result of credit assessment changes over the last year.

Net profit was 20.3 MNOK and net profit after tax was 15.1 MNOK, up from 13.3 MNOK in the previous quarter.

For the FY 2019 net profit came in at 55.3 MNOK and net profit after tax was 41.5 MNOK, up from 26 MNOK in the FY 2018.

Outlook

Instabank expects continued growth in lending volumes for 2020 based on surplus capital and profit generation throughout the year and expects net lending growth to be approximately 10 % in 2020. Instabank's scalable business model and presence in three markets enables growth beyond that but will require additional capital to be issued. Instabank will consider a share issue if the cost of capital improves during the year.

Instabank considers Finland to be the most attractive market for growth also in 2020 as Finland has the most favourable margins and capital requirements among the three countries.

Product expansion within the sales finance segment will continue and Instabank is committed to further enhancing its competitive position within sales finance. Instabank is also considering introduction of other loan product offerings to deliver on customers' demands as well as optimise offerings within the regulatory regime.

Instabank has prepared the transition to measure impairment losses according to IFRS 9, replacing the IAS 39 standard, which came into effect for the bank from 1st of January 2020. The transition from IAS 39 to IFRS 9 will, at the date of changeover, have a one off impact represented by an increase in impairment losses of 85.5 MNOK and reduce equity by 64.1 MNOK. The IFRS 9 transitional rules allow for a gradual phase-in of the one-off IFRS 9 effect on the Bank's capital adequacy over a three year period with 30 % in 2020.

The bank's liquidity 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

The accounting profit for Q4-19 is entirely predisposed against retained earnings. The presented figures are not audited by the bank's external auditor.

Oslo, February 11th, 2020
Board of Directors, Instabank ASA

INCOME STATEMENT

NOK 1000	Q4-2019	2019	2018	Q4-2018
Interest Income	79 957	305 752	222 546	70 207
Interest expenses	12 952	53 158	46 344	14 472
Net interest income	67 006	252 594	176 202	55 735
Income commissions and fees	8 633	33 483	35 238	8 791
Expenses commissions and fees	16 216	57 411	29 554	10 955
Net gains/loss on foreign exchange and securities classified as current assets	2 314	13 500	7 546	689
Other income	0	0	0	0
Net other income	-5 269	-10 429	13 230	-1 475
Total income	61 737	242 165	189 432	54 261
Salary and other personnel expenses	8 788	39 355	30 871	8 304
Other administrative expenses, of which:	12 438	62 384	66 153	14 584
- direct marketing cost	1 664	18 237	38 330	6 695
Depreciation and amortisation	2 306	8 719	6 138	1 923
Other expenses	1 458	5 302	5 085	1 548
Total operating expenses	24 989	115 761	108 246	26 358
Losses on loans	16 483	71 429	47 189	17 540
Operating (loss)/profit before tax	20 264	54 974	33 996	10 363
Tax expenses	5 133	13 735	7 945	2 038
Profit/loss after tax	15 131	41 239	26 051	8 326

BALANCE SHEET

NOK 1000	31.12.2019	31.12.2018
Loans and deposits with credit institutions	183 014	142 298
Loans to customers	2 696 724	2 481 880
Certificates and bonds	516 194	647 128
Deferred tax assets	0	89
Other intangible assets	29 804	27 339
Fixed assets	563	1 035
Other assets	12 407	0
Other receivables, of which:	102 113	115 692
- prepaid agent commission	93 216	86 381
Total assets	3 540 819	3 415 461
Deposit from and debt to customers	2 848 737	2 832 361
Other debts	22 378	22 284
Accrued expenses and liabilities	21 177	12 084
Ansvarlig kapital/lånekapital	80 900	65 000
Total liabilities	2 973 193	2 931 729
Share capital	510 834	468 651
Retained earnings	56 792	15 081
Total equity	567 626	483 732
Total liabilities and equity	3 540 819	3 415 461

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	31.12.2019	31.12.2018
Revolving credit loans	621 106	635 095
Installment loans	2 163 288	1 900 112
Gross lending	2 784 394	2 535 207
Impairment of loans	-87 670	-53 327
Net loans to customers	2 696 724	2 481 880

Defaults and losses

NOK 1000	31.12.2019	31.12.2018
Gross defaulted loans	261 646	172 550
Individual impairment of loans	-75 678	-42 226
Other impairment of loans	-11 992	-11 102
Net defaulted loans	173 976	119 223

Gross defaulted loans are loans which are more than 90 days in arrear in relation to the agreed payment schedule.

Specifications losses on loans

NOK 1000	Q4-2019	2018	Q4-2018
Realised losses in the period	-10 836	-19 549	-5 324
The period's change in individual impairment of loans	-5 322	-25 013	-9 886
The period's change in other impairment of loans	-285	-2 627	-2 252
Losses on loans in the period	-16 444	-47 189	-17 462

Ageing of loans

NOK 1000	31.12.2019	31.12.2018
Loans not past due	1 889 836	1 742 943
Past due 1-30 days	474 880	481 232
Past due 31-60 days	119 904	109 281
Past due 61-90 days	38 128	29 915
Past due 91+ days	261 646	171 836
Total	2 784 394	2 535 207

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 a monthly sale of part of the bank's non-performing loans.

Note 3: Regulatory capital and LCR

NOK 1000	31.12.2019	31.12.2018
Share capital	332 642	305 000
Share premium	178 192	163 651
Other equity	56 878	15 081
Deferred tax asset/intangible assets/other deductions	-30 319	-28 075
Common equity tier 1 capital	537 393	455 657
Additional tier 1 capital	39 359	25 000
Core capital	576 752	480 657
Subordinated loan	40 000	40 000
Total capital	616 752	520 657
Calculation basis - NOK 1000		
Credit risk:		
Loans and deposits with credit institutions	36 704	28 511
Loans to customers	1 883 067	1 763 667
Certificates and bonds	69 995	72 479
Other assets	301 052	247 051
Calculation basis credit risk	2 290 818	2 111 708
Calculation basis operational risk	333 110	185 587
Total calculation basis	2 623 928	2 297 295
Common equity Tier 1 Capital ratio	20,5 %	19,8 %
Tier 1 capital ratio	22,0 %	20,9 %
Total capital ratio	23,5 %	22,7 %
LCR	301 %	419 %