

A photograph of people walking on a paved path. In the center, a person is walking away from the camera, carrying two brown paper shopping bags filled with groceries like bread and leafy greens. To the right, another person is standing near a metal pole with a sign. The background is slightly blurred, showing other pedestrians and park benches.

Instabank

Interim Presentation Q1 – 2022

May 6th, 2022

Important information and disclaimer

THIS PRESENTATION (THE "PRESENTATION") HAS BEEN PRODUCED BY INSTABANK ASA (THE "COMPANY" OR "INSTABANK"), SOLELY FOR USE AT THE PRESENTATION TO INVESTORS AND IS STRICTLY CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. TO THE BEST OF THE KNOWLEDGE OF THE COMPANY AND ITS BOARD OF DIRECTORS, THE INFORMATION CONTAINED IN THIS PRESENTATION IS IN ALL MATERIAL RESPECT IN ACCORDANCE WITH THE FACTS AS OF THE DATE HEREOF, AND CONTAINS NO MATERIAL OMISSIONS LIKELY TO AFFECT ITS IMPORT.

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS RELATING TO THE BUSINESS, FINANCIAL PERFORMANCE AND RESULTS OF THE COMPANY AND/OR THE INDUSTRY IN WHICH IT OPERATES. FORWARDLOOKING STATEMENTS CONCERN FUTURE CIRCUMSTANCES AND RESULTS AND OTHER STATEMENTS THAT ARE NOT HISTORICAL FACTS, SOMETIMES IDENTIFIED BY THE WORDS "BELIEVES", "EXPECTS", "PREDICTS", "INTENDS", "PROJECTS", "PLANS", "ESTIMATES", "AIMS", "FORESEES", "ANTICIPATES", "TARGETS", AND SIMILAR EXPRESSIONS. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PRESENTATION, INCLUDING ASSUMPTIONS, OPINIONS AND VIEWS OF THE COMPANY OR CITED FROM THIRD PARTY SOURCES ARE SOLELY OPINIONS AND FORECASTS WHICH ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL EVENTS TO DIFFER MATERIALLY FROM ANY ANTICIPATED DEVELOPMENT. NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES PROVIDES ANY ASSURANCE THAT THE ASSUMPTIONS UNDERLYING SUCH FORWARD-LOOKING STATEMENTS ARE FREE FROM ERRORS NOR DOES ANY OF THEM ACCEPT ANY RESPONSIBILITY FOR THE FUTURE ACCURACY OF THE OPINIONS EXPRESSED IN THIS PRESENTATION OR THE ACTUAL OCCURRENCE OF THE FORECASTED DEVELOPMENTS. THE COMPANY ASSUMES NO OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR TO CONFORM THESE FORWARD-LOOKING STATEMENTS TO OUR ACTUAL RESULTS.

AN INVESTMENT IN THE COMPANY INVOLVES INHERENT RISKS AND IS SUITABLE ONLY FOR INVESTORS WHO UNDERSTAND THE RISKS ASSOCIATED WITH THIS TYPE OF INVESTMENT AND WHO CAN AFFORD A LOSS OF ALL OR PART OF THE INVESTMENT. SEVERAL FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY STATEMENTS AND INFORMATION IN THIS PRESENTATION, INCLUDING, AMONG OTHERS, RISKS OR UNCERTAINTIES ASSOCIATED WITH THE COMPANY'S BUSINESS, ITS DEVELOPMENT, GROWTH MANAGEMENT, FINANCING, MARKET ACCEPTANCE AND RELATIONS WITH CUSTOMERS, AND, MORE GENERALLY, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN DOMESTIC AND FOREIGN LAWS AND REGULATIONS, TAXES, CHANGES IN COMPETITION AND PRICING ENVIRONMENTS AND OTHER FACTORS. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED IN THIS DOCUMENT. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT THE INFORMATION INCLUDED IN THIS PRESENTATION.

NO REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, ANY INFORMATION, INCLUDING PROJECTIONS, ESTIMATES, TARGETS AND OPINIONS, CONTAINED HEREIN, AND NO LIABILITY WHATSOEVER IS ACCEPTED AS TO ANY ERRORS, OMISSIONS OR MISSTATEMENTS CONTAINED HEREIN, AND, ACCORDINGLY, NONE OF THE COMPANY OR ANY OF THEIR PARENT OR SUBSIDIARY UNDERTAKINGS OR ANY SUCH PERSON'S OFFICERS OR EMPLOYEES ACCEPTS ANY LIABILITY WHATSOEVER ARISING DIRECTLY OR INDIRECTLY FROM THE USE OF THIS DOCUMENT.

THERE MAY HAVE BEEN CHANGES IN MATTERS WHICH AFFECT THE COMPANY SUBSEQUENT TO THE DATE OF THIS PRESENTATION. NEITHER THE ISSUE NOR DELIVERY OF THIS PRESENTATION SHALL UNDER ANY CIRCUMSTANCE CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THE AFFAIRS OF THE COMPANY HAVE NOT SINCE CHANGED, AND THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE OR CORRECT ANY INFORMATION INCLUDED IN THIS PRESENTATION. BY ATTENDING OR RECEIVING THIS PRESENTATION, YOU ACKNOWLEDGE THAT YOU WILL BE SOLELY RESPONSIBLE FOR FORMING YOUR OWN VIEW OF THE POTENTIAL FUTURE PERFORMANCE OF THE COMPANY.

THIS PRESENTATION SPEAKS AS OF 31 DECEMBER 2016. NEITHER THE DELIVERY OF THIS PRESENTATION NOR ANY FURTHER DISCUSSIONS OF THE COMPANY WITH ANY OF THE RECIPIENTS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

Key highlights Q1-22



Profit before tax of 25.2 MNOK, after tax 20.6 MNOK
Profit after tax up 47 % from Q1-21



Net loans growth of 153 MNOK
Adjusted for negative currency effects, growth was 194 MNOK



Mortgages volume growth of 149 MNOK
Mortgages represents 29 % of total net loans and 44 % of net loans in Norway



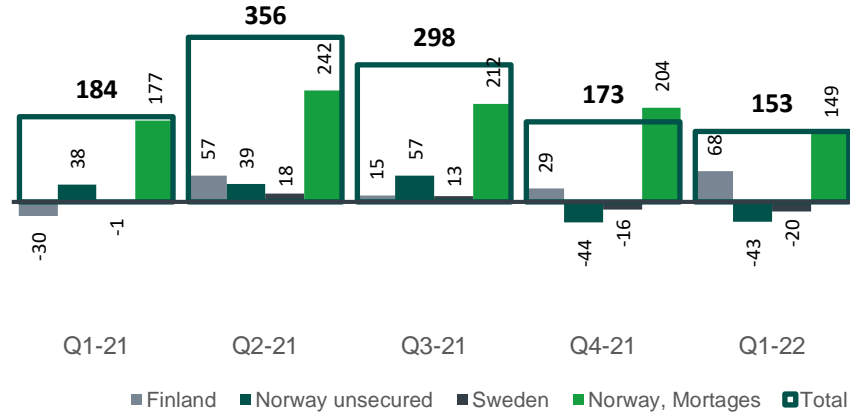
Instabank is likely to become a part of Lunar after successful bid
The completion of the offer is subject to regulatory approval



Net loan development

Net loan balance growth

MNOK

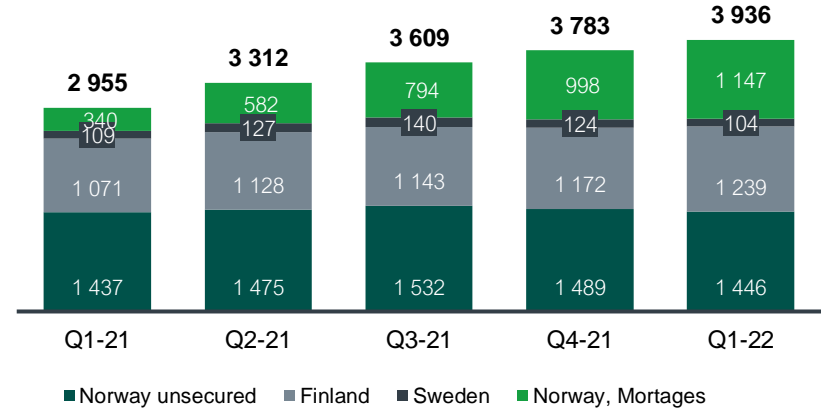


Key comments

- Growth in net loans adjusted for negative currency effects was 194 MNOK
- The mortgage volume increased by 149 MNOK

Net loans to customers





MNOK



Key comments

- Mortgages to total net loans grew to 29 % end Q1-22 from 26 % per end Q4-21
- In Norway, mortgages is 44 % of total net loans, representing increased diversification and reduced credit risk in the Norwegian loan portfolio

Diversified loan portfolio

		Net Loans	# Customers*	Avg Ticket Size*	Yield
	Consumer Loans	2,398''	24,051	98'	10.9 %
	Mortgages	1,147''	1,628	704'	6.6 %
	Sales Finance	176''	17,328	10'	15,3 %
	Credit Card	216''	4,815	45'	14.9 %
Total		3,936''	50,134	79'	10.0 %

*) Includes accounts with zero balance with an available credit limit

Diversified funding volume

		<i>Volume</i>	<i># customers</i>	<i>Avg. deposit size</i>	<i>Deposit rates end Q4-21</i>
	Norway	2,991''	8,467	353'	1.10 %*
	Finland	496''	3,231	154'	0.45 %
	Germany	783''	4,135	189'	0.09 %**
	Sweden	74''	1,711	43'	0.55 %
Total		4,345''	17,544	248'	0.78 %

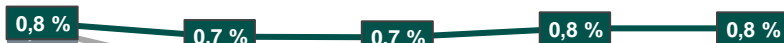
*) Up to NOK 500', 1,05 % for deposits between NOK 500' – 2,000'

**) Does not include partner margin

Development in yields and funding cost

Development in yields and funding cost

Key comments



— Liquidity yield

— Yield - consumer loans

— Interest rate deposits

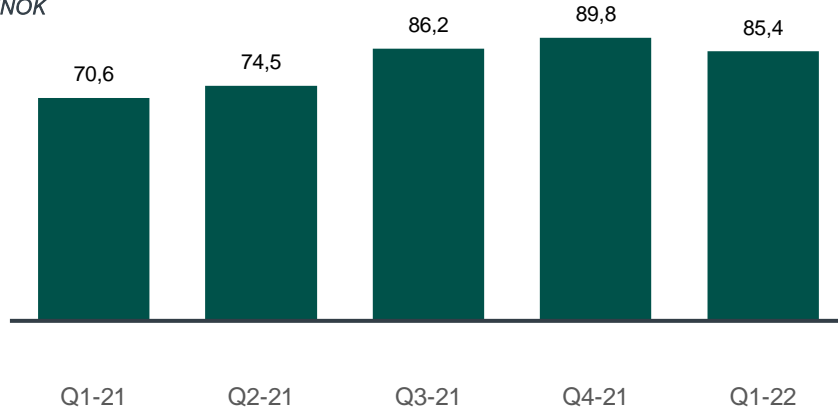
— Yield - mortgages

- Yield for mortgages and consumer loans decreased slightly from the previous quarter
- The liquidity yield was negatively impacted by the market turmoil caused by the ongoing war in Ukraine

Total income

Total income

MNOK

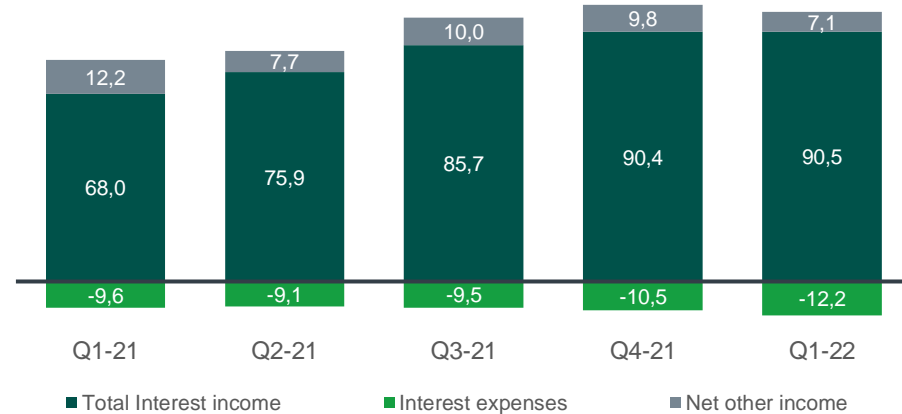


Key comments

- The interest income was impacted by fewer interest days in Q1-22
- Interest expenses increased from the previous quarter as deposit volumes increased by 297 MNOK
- Net other income was negatively impacted by a decline in the value of securities of 2.5 MNOK due to market turmoil caused by the ongoing war in Ukraine

Total income detailed*

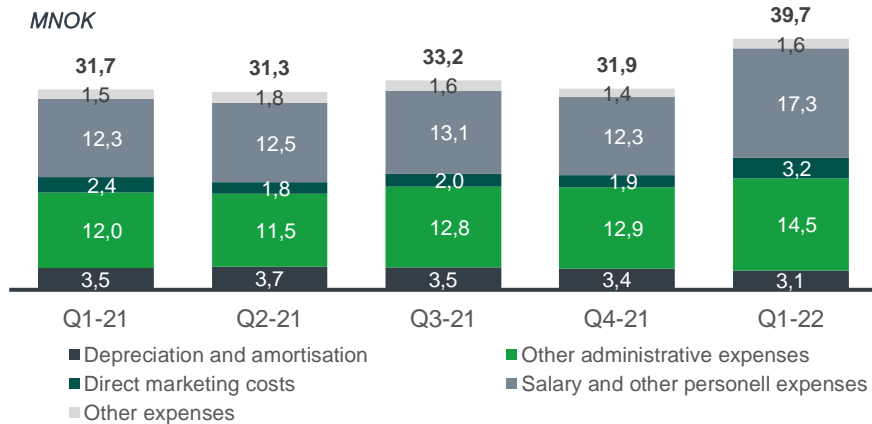
MNOK



**) Previously, agent commission and establishment fees were booked against expenses commission and fees and income commission and fees. From Q2-21, both are included in the interest income and historical figures have been restated.*

Operating expenses

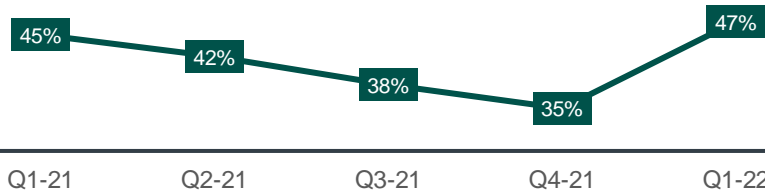
Operating expenses breakdown



Key comments

- Operating expenses was impacted by the Lunar bid process
- When the Lunar bid for all shares in Instabank was announced, the share price increased, causing an increase in provisions for social security cost for the warrants of 3.2 MNOK
- Advisory expenses related to the due diligence process in the quarter amounted to 1 MNOK

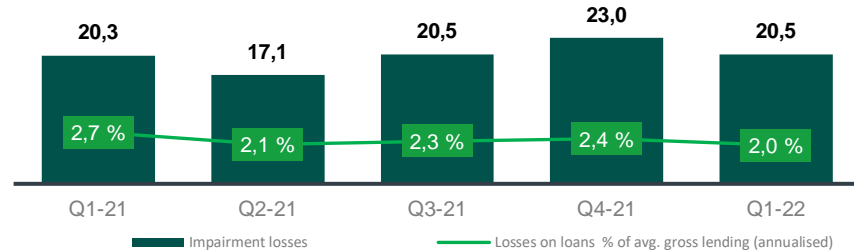
Cost/income ratio



Credit risk

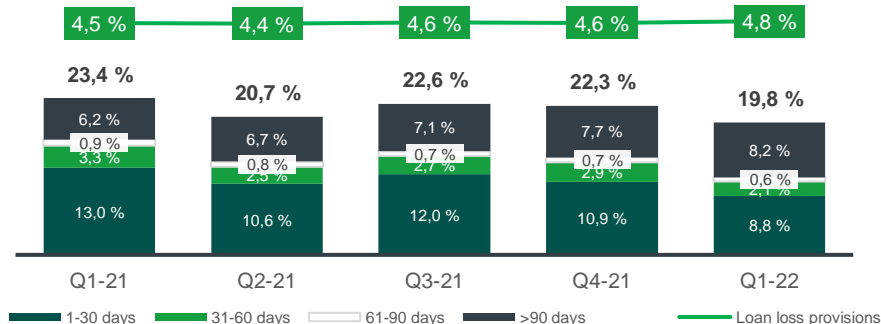
Impairment losses

MNOK



Loans past due

% of gross lending



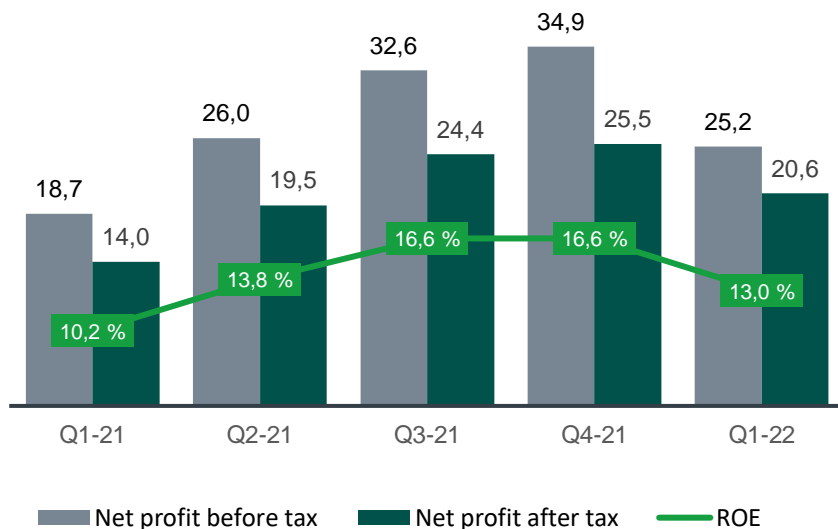
Key comments

- Losses on loans came in at 20.5 MNOK or 2.0 % of gross loans to customers, down from 2.7 % in the same quarter last year
- The decrease in loan losses from the previous quarter is because of an increased share of low-risk mortgages in the quarter and historical low share loans past due 1-30 days
- By the end of Q1-22, only 8.8 % of total loans were 1-30 days past due, hitting its lowest level since end Q1-17
- Non-performing loans (NPL) volume were 339 MNOK at the end of the quarter, only 8.2 % of total gross loans

Profit development

Net profit

MNOK

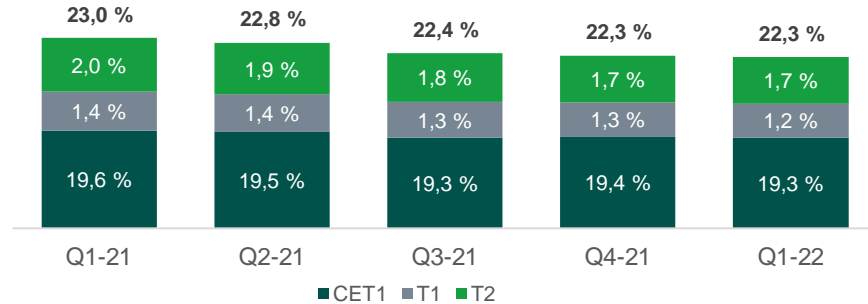


Key comments

- Profits was impacted by fewer interest days, decline in value of securities and the Lunar bidding process
- Profit after tax increased 47 % from the same quarter last year

Capital adequacy

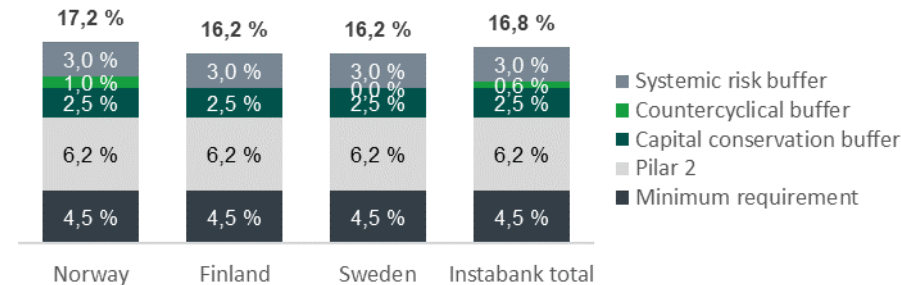
Developments in capital adequacy ratios



Key comments

- Common equity Tier 1 Capital ratio was 19.3 %, and the total capital ratio was 22.3 % at the end of Q1-22, 2.0 % points above the total regulatory capital requirement of 20.3 %
- The Norwegian Ministry of Finance has decided to increase the countercyclical capital buffer to 1.5 per cent as of 30th June 2022, followed by an increase to 2.0 per cent as of 31st December 2022 and to 2.5 per cent as of 31st March 2023

CET1 requirement per country and total



Financial summary

P&L (NOK '000)

P&L	Q1-22	FY 2021	Q4-21	Q3-21	Q2-21	Q1-21
Total income:						
Interest Income using the effective interest method	90 492	320 034	90 444	85 705	75 886	67 999
Interest expenses	12 248	38 608	10 474	9 451	9 096	9 587
Net interest income	78 244	281 426	79 970	76 254	66 791	58 412
Net other income	7 138	39 684	9 786	9 969	7 695	12 233
Total income	85 382	321 110	89 756	86 223	74 486	70 646
Operating expenses:						
Salary and other personnel expenses	17 291	50 324	12 345	13 136	12 516	12 327
Other administrative expenses, of which	17 775	57 311	14 732	14 848	13 371	14 360
- direct marketing cost	3 228	8 154	1 868	2 044	1 849	2 393
Other expenses	1 562	6 315	1 374	1 644	1 785	1 511
Depreciation and amortisation	3 082	14 102	3 406	3 545	3 662	3 490
Total operating expenses	39 711	128 052	31 856	33 174	31 335	31 687
Losses on loans	20 476	80 882	23 020	20 463	17 143	20 256
Operating profit before tax	25 195	112 177	34 879	32 586	26 009	18 702
Tax	4 548	28 726	9 402	8 147	6 502	4 676
Profit and other comprehensive income	20 647	83 451	25 478	24 440	19 507	14 027

Balance sheet (NOK '000)

Balance Sheet	31.03.22	31.12.21	30.09.21	30.06.21	31.03.21
Assets					
Loans and deposits with credit institutions	191 450	281 279	226 519	212 392	209 131
Loans to customers	3 988 389	3 832 071	3 659 766	3 366 753	3 015 839
Certificates and bonds	933 611	679 759	682 558	632 290	754 657
Other intangible assets	25 064	25 098	25 848	27 441	28 752
Fixed assets	5 390	5 909	6 512	7 175	7 827
Derivatives	4 105	1 213	1 116	65	1 623
Other receivables	7 793	6 323	5 590	10 672	17 327
Total assets	5 155 801	4 831 653	4 607 910	4 256 788	4 035 157
Liabilities					
Deposits from and debt to customers	4 344 527	4 047 128	3 852 877	3 540 343	3 340 513
Other debts	11 123	10 942	18 034	14 627	17 620
Accrued expenses and liabilities	18 729	17 941	15 817	13 754	15 087
Derivatives	1 231	338	483	593	233
Deferred tax	2 957	2 957	3 569	3 569	3 569
Tax payable	34 789	30 241	20 227	11 178	4 676
Subordinated loan capital	56 000	56 000	56 000	56 000	56 000
Total liabilities	4 469 356	4 165 546	3 967 008	3 640 064	3 437 698
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	134 710	114 373	89 167	64 989	45 724
Additional tier 1 capital	40 900	40 900	40 900	40 900	40 900
Total equity	686 445	666 107	640 901	616 723	597 459
Total liabilities and equity	5 155 801	4 831 653	4 607 910	4 256 788	4 035 157

Thank You