

Instabank

Interim Presentation Q2 – 2022

August 11th, 2022



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Key highlights Q2-22



Record-high net loans growth of 398 MNOK

Adjusted for positive currency effects, growth was 307 MNOK



Record-high mortgages volume growth of 290 MNOK

Mortgages now represents 33 % of total net loans and ss 51 % of net loans in Norway

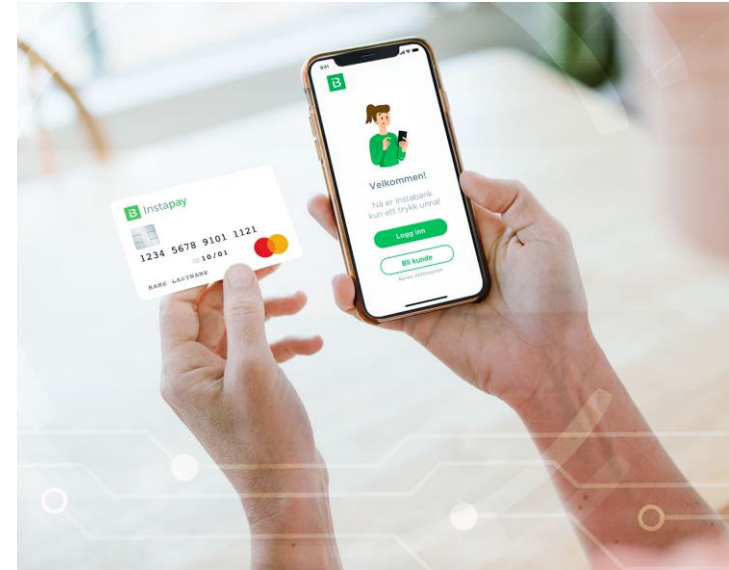


Profit before tax of 23.7 MNOK, after tax 17.8 MNOK

Impacted by high marketing cost



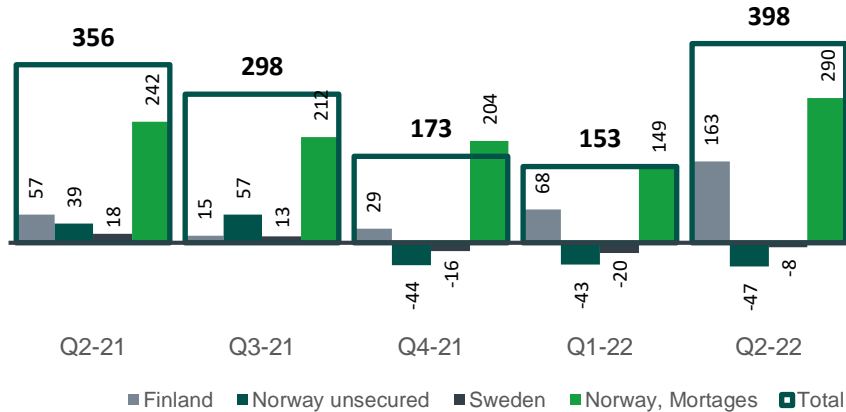
Lunar has difficulty raising the necessary capital to complete the transaction



Net loan development

Net loan balance growth

MNOK

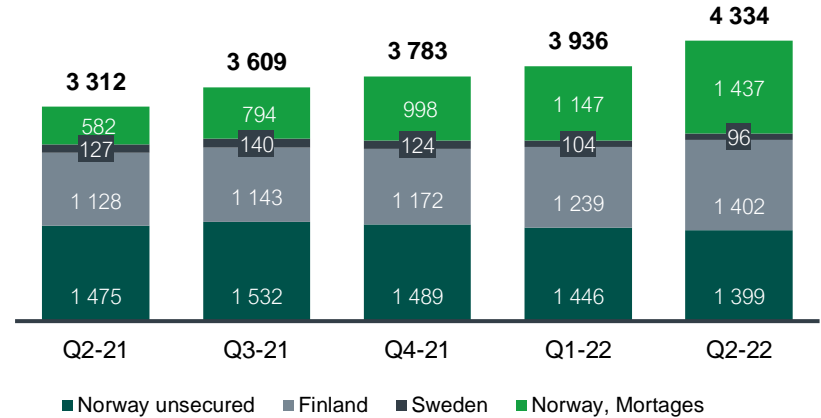


Key comments

- Record-high quarterly growth both for total net loans of 398 MNOK and for mortgages of 290 MNOK
- Adjusted for positive currency effects, growth was 307 MNOK

Net loans to customers





MNOK



Key comments

- The mortgages volume represents one third of total net loans and half of net loans in Norway

Diversified loan portfolio

		Net Loans	# Customers*	Avg Ticket Size*	Yield
	Consumer Loans	2,493''	24,682	101'	10.6 %
	Mortgages	1,437''	1,858	773'	6.2 %
	Sales Finance	172''	20,697	8'	15.8 %
	Credit Card	233''	5,235	45'	14.9 %
Total		4,334''	52,472	83'	9.6 %

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

Diversified funding volume

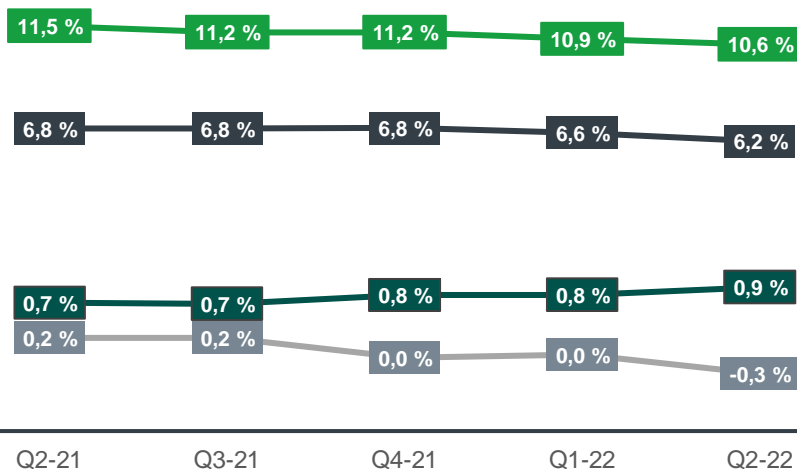
		<i>Volume</i>	<i># customers</i>	<i>Avg. deposit size</i>	<i>Deposit rates end Q2-22</i>
	Norway	2,902''	8,713	333'	1.32 %*
	Finland	489''	489	125'	0.38 %
	Germany	1,283''	5,497	233'	0.18 %**
	Sweden	67''	1,715	39'	0.55 %
Total		4,742''	19,849	239'	0.88 %

*) Up to NOK 1,000', 1,20 % for deposits between NOK 1,000' – 2,000'

**) Does not include partner margin

Development in yields and funding cost

Development in yields and funding cost



— Liquidity yield
— Yield - consumer loans

— Interest rate deposits
— Yield - mortgages

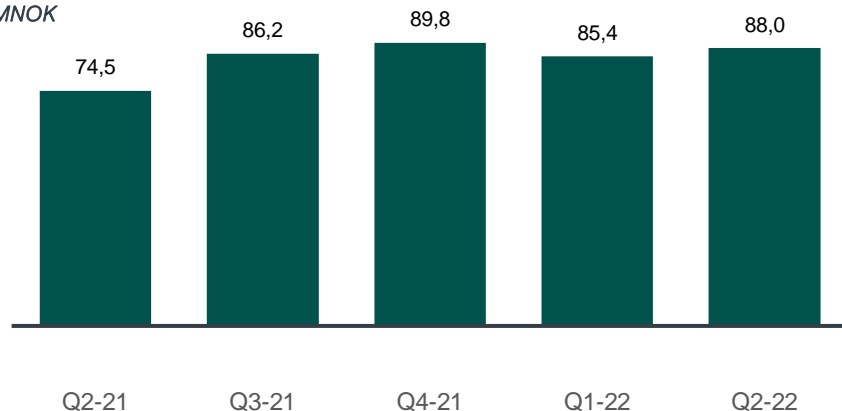
Key comments

- Pressure on margins continued in Q2-22 as yield for unsecured loans and mortgages continued a downward path
- Interest rates on deposits increased in Norway following the rate hike by the Norwegian Central Bank as well as increased market rates
- Liquidity yield was, as in in the previous quarter, negatively impacted by the market turmoil and increased interest rates. The latter influence yield on securities negatively short term, but has a long-term positive effect on yield

Total income

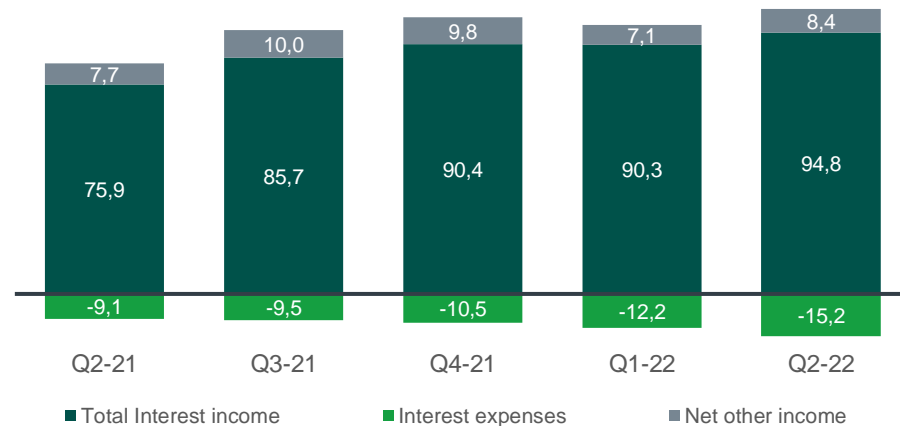
Total income

MNOK



Total income detailed*

MNOK

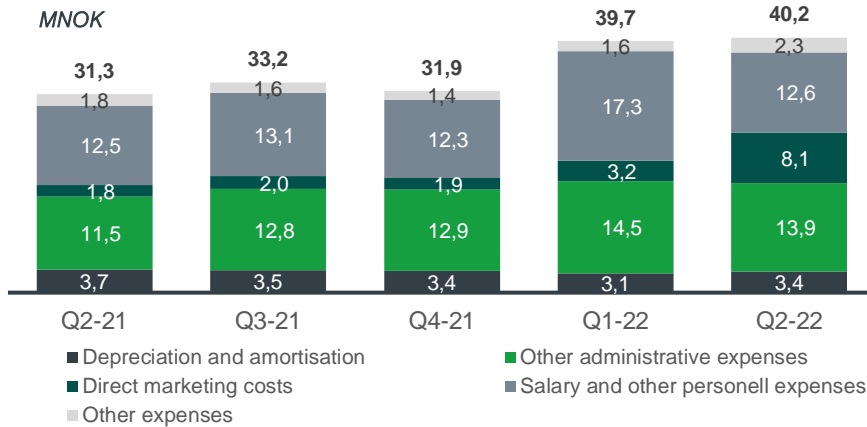


Key comments

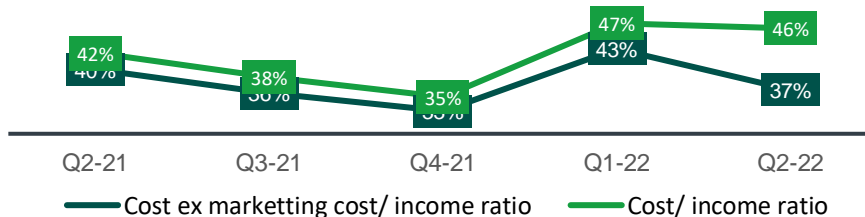
- Total interest income increased to 94.5 MNOK, up by 18.6 MNOK/ 24 % from the same quarter last year following the growth in net loans.
- Interest expenses increased because of increases deposit rate in Norway as well as a one off related to a higher than expected contribution to the Norwegian Banks guarantee fund
- Net other income was negatively impacted by an unrealised loss on securities of 0.7 MNOK

Operating expenses

Operating expenses breakdown



Cost/income ratio



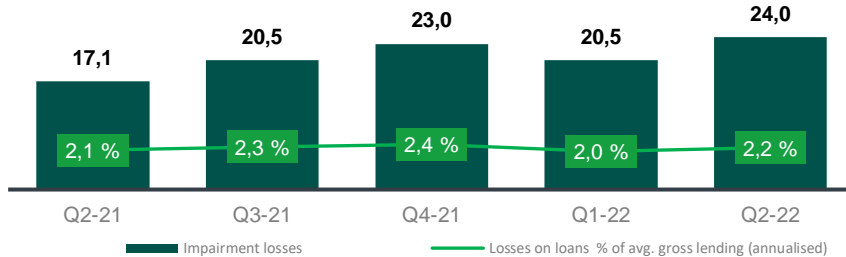
Key comments

- Personnel expenses were positively impacted by a reversal of provisions for social security cost on warrants following the decrease in share price by the end of the quarter
- A marketing campaign, contributing to the strong growth in mortgages, led to an increase in marketing cost to 8.1 MNOK from 3.2 MNOK in the previous quarter
- The cost/income ratio exclusive of marketing cost came down to 37 % from 40 % the same quarter last year

Credit risk

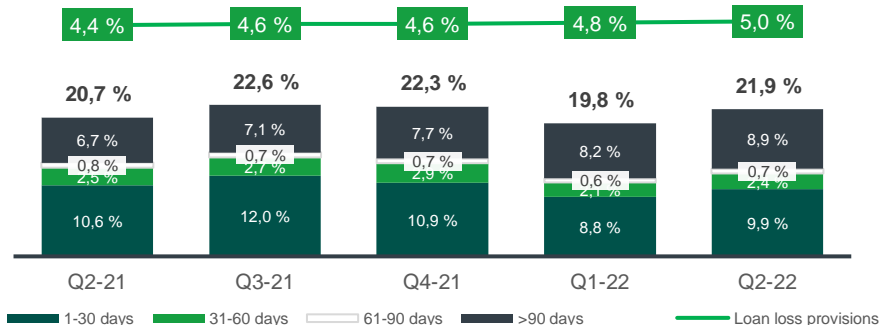
Impairment losses

MNOK



Loans past due

% of gross lending



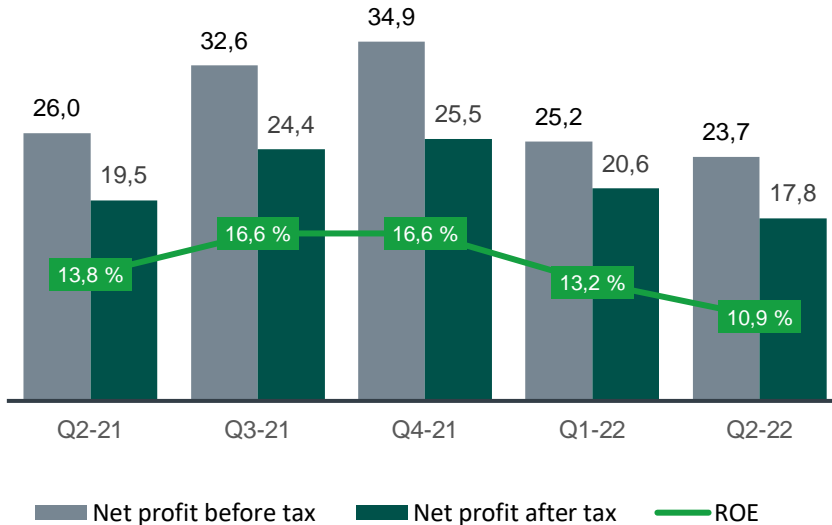
Key comments

- Losses on loans came in at 24.0 MNOK or 2.2 % of gross loans to customers, versus 17.1 MNOK/ 2.1 % in the same quarter last year
- Losses on loans for the mortgage product remained at the same level as previous quarters measured in percentage and was only 1.6 MNOK or 0.5 % of gross loans
- By the end of Q2-22, 9.9 % of total loans were 1-30 days past due, versus 10.6 % same quarter last year. There was also a reduction in 30-60 days past due to 2.4 % versus 2.5 % by the end of the same quarter last year.
- Non-performing loans (NPL) volume was 404 MNOK at the end of the quarter, only 8.9 % of total gross loans. Instabank does not currently have any forward flows agreement as we find it more attractive to make one-off NPL sales. In Q3-22, Instabank will complete a sale of a NPL portfolio in Norway representing a gross value of about 85 MNOK.

Profit development

Net profit

MNOK

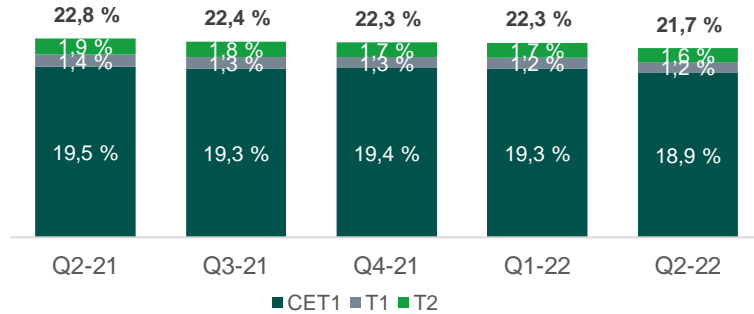


Key comments

- Instabank reports a profit before tax of 23.7 MNOK, and after-tax profit of 17.8 MNOK in Q2-22, versus 20.6 MNOK after-tax profit in Q1-22 and 19.5 MNOK in the same quarter last year.
- A high marketing cost explains the decrease in profits in the quarter, which typically will vary from quarter to quarter

Capital adequacy

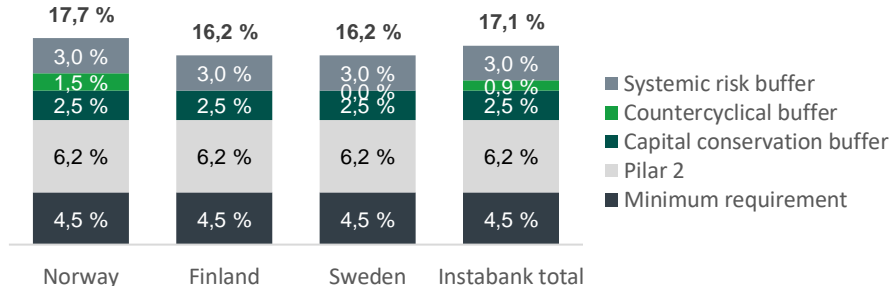
Developments in capital adequacy ratios



Key comments

- Common equity Tier 1 Capital ratio was 18.9 %, and the total capital ratio was 21.7 % at the end of Q2-22, 1,1 % points above the total regulatory capital requirement of 20.6 %.
- The countercyclical buffer requirement increased 0.5 % points to 1.50 % for exposure in Norway per the end of the quarter.
- The Norwegian Ministry of Finance has decided to increase the countercyclical capital buffer 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	Q2-22	Q1-22	FY 2021	Q4-21	Q3-21	Q2-21
Total income:						
Interest Income using the effective interest method	94 818	90 492	320 034	90 444	85 705	75 886
Interest expenses	15 234	12 248	38 608	10 474	9 451	9 096
Net interest income	79 584	78 244	281 426	79 970	76 254	66 791
Net other income	8 395	7 138	39 684	9 786	9 969	7 695
Total income	87 979	85 382	321 110	89 756	86 223	74 486
Operating expenses:						
Salary and other personnel expenses	12 567	17 291	50 324	12 345	13 136	12 516
Other administrative expenses, of which	21 965	17 775	57 311	14 732	14 848	13 371
- direct marketing cost	8 057	3 228	8 154	1 868	2 044	1 849
Other expenses	2 347	1 562	6 315	1 374	1 644	1 785
Depreciation and amortisation	3 366	3 082	14 102	3 406	3 545	3 662
Total operating expenses	40 244	39 711	128 052	31 856	33 174	31 335
Losses on loans	24 043	20 476	80 882	23 020	20 463	17 143
Operating profit before tax	23 692	25 195	112 177	34 879	32 586	26 009
Tax	5 923	4 548	28 726	9 402	8 147	6 502
Profit and other comprehensive income	17 769	20 647	83 451	25 478	24 440	19 507

Balance sheet (NOK '000)

Balance Sheet	30.06.22	31.03.22	31.12.21	30.09.21	30.06.21
Assets					
Loans and deposits with credit institutions	288 835	191 450	281 279	226 519	212 392
Loans to customers	4 389 273	3 988 389	3 832 071	3 659 766	3 366 753
Certificates and bonds	842 237	933 611	679 759	682 558	632 290
Other intangible assets	22 904	25 064	25 098	25 848	27 441
Fixed assets	4 791	5 390	5 909	6 512	7 175
Derivatives	1 644	4 105	1 213	1 116	65
Other receivables	16 030	7 793	6 323	5 590	10 672
Total assets	5 565 713	5 155 801	4 831 653	4 607 910	4 256 788
Liabilities					
Deposits from and debt to customers	4 741 687	4 344 527	4 047 128	3 852 877	3 540 343
Other debts	1 706	11 123	10 942	18 034	14 627
Accrued expenses and liabilities	16 154	18 729	17 941	15 817	13 754
Derivatives	2 643	1 231	338	483	593
Deferred tax	2 957	2 957	2 957	3 569	3 569
Tax payable	40 712	34 789	30 241	20 227	11 178
Subordinated loan capital	56 000	56 000	56 000	56 000	56 000
Total liabilities	4 861 859	4 469 356	4 165 546	3 967 008	3 640 064
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	152 120	134 710	114 373	89 167	64 989
Additional tier 1 capital	40 900	40 900	40 900	40 900	40 900
Total equity	703 854	686 445	666 107	640 901	616 723
Total liabilities and equity	5 565 713	5 155 801	4 831 653	4 607 910	4 256 788

The acquisition of Instabank by Lunar

Timeline

- 28th March: Lunar Bank launched an offer to acquire all shares of Instabank under the conditions of 90 % acceptance by shareholders and regulatory approval
- 12th April: Lunar announced that the minimum 90% acceptance condition was met
- 29th June: Lunar informed Instabank that it is looking *increasingly difficult* to be able to complete a transaction raising the necessary capital to meet the Norwegian FSA and the Danish FSA's requirements in time to be able to file a new application and receive approval ahead of long-stop date of 30 September 2022
- 4th August: Lunar informed Instabank that Lunar's management deems it *unlikely* that Lunar will be able to raise the required capital and complete the regulatory approval process before the long-stop date for the offer of 30 September 2022

Instabank's assessment of the situation

- Instabank notes that there are no conditions in Lunar's offer relating to Lunar's capitalization or any capital raise by Lunar
- Instabank will continue to assess the situation and any steps to be taken by Instabank to protect the interests of Instabank and its shareholders
- Instabank operation throughout 2022 has been impacted by the acquisition process by Lunar primarily, Instabank has not been able to execute the capital plans for 2022 and all other aspects of such a process. The result is limited excess capital by the end of Q2-22, restraining the ability to continue the strong growth in net loans in the third quarter.
- Instabank expects Lunar to use all efforts to obtain the required approvals from the Norwegian FSA and the Danish FSA within the long-stop date

Thank You