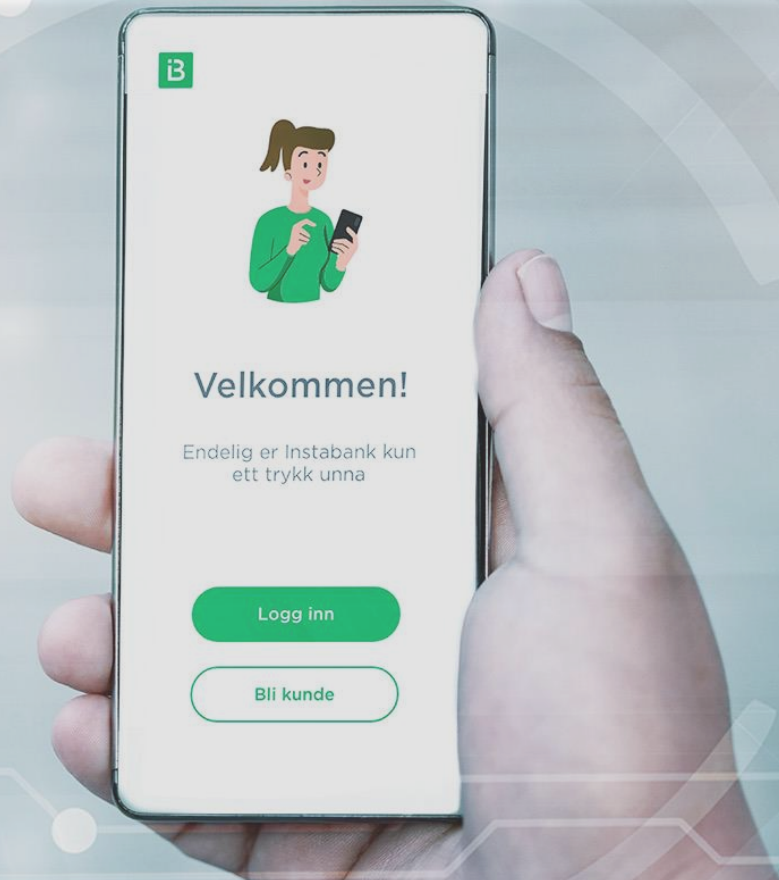


# Instabank

Interim Presentation Q4 – 2022  
February 8th, 2023



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# Key highlights Q4-22

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## **Profit before tax of 29.8 MNOK, after-tax 25.4 MNOK**

*Strong growth in Total income, cost to income ratio decreased to 36.8 % from 44.1 % in Q3-22*



## **Growth in net loans of 191 MNOK**

*Increased growth in Finland, net lending up 129 MNOK in the quarter*



## **Mortgages volume growth of 116 MNOK**

*Mortgages represents 38 % of total net loans and 58 % of net loans in Norway*



## **Rate hikes temporarily put pressure on the net interest margin**

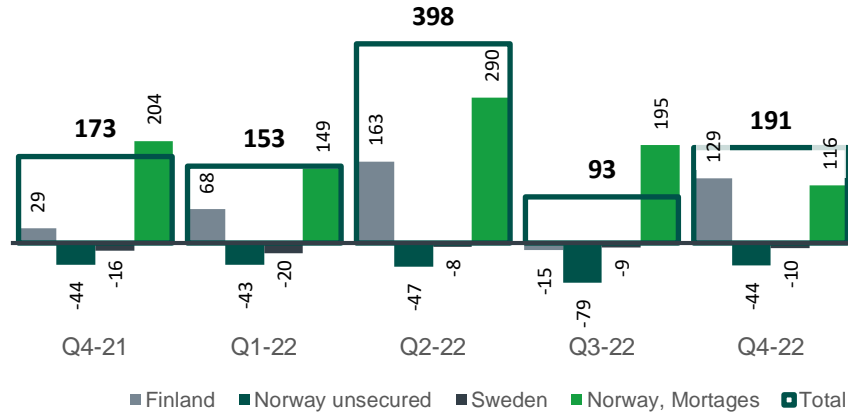
*Six-week notice period on loan interest rates increases*



# Net loan development

## Net loan balance growth

MNOK

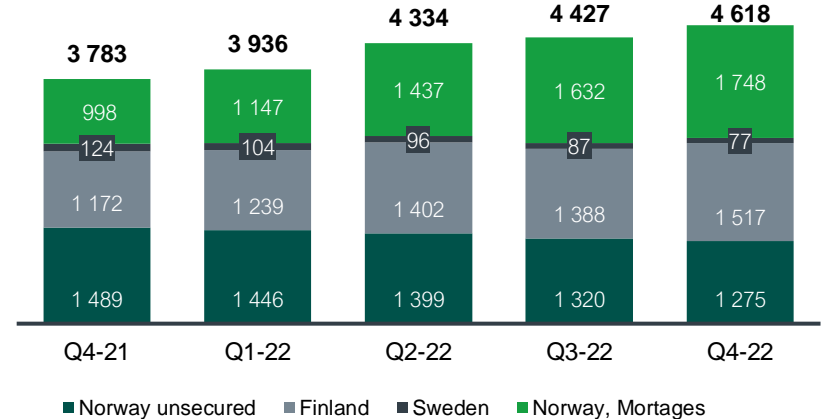


## Key comments

- Increased demand from the Finnish market for consumer loans, resulting in net loan growth of 129 MNOK in the quarter
- Finland more attractive than consumer loans in Norway in terms of profitability
- Mortgages increased by 116 MNOK in the quarter and 750 MNOK in 2022

## Net loans to customers

MNOK

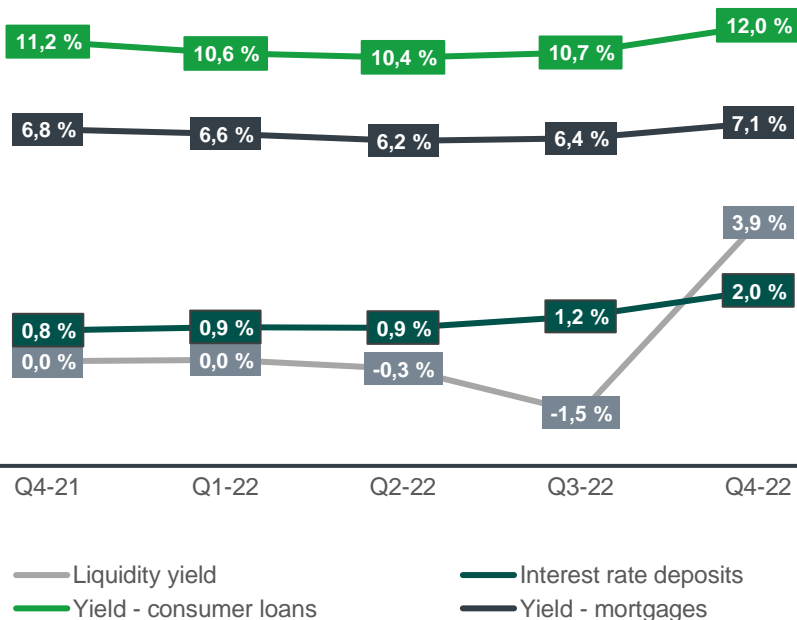


## Key comments

- Well diversified loan book across products and markets
- Mortgages represents 58 % of net loans in Norway and 38 % of total net loans

# Development in yields and funding cost





## Development in yields and funding cost



## Key comments

- The rate hikes we notified our lending customers in Norway about in the third quarter came into effect in the fourth quarter.
- In Finland, the customer's offset rate is adjusted based on the 3 Months Euribor rate, which increased significantly during the fall. Consequently, the yield for unsecured loans increased to 12.0 % in Q4-22 from 10.7 % in the previous quarter and mortgages yield increased to 7.1 % from 6.4 % in the previous quarter.
- The Norwegian market has had the most significant increase in deposit rates. The bank's funding cost increased to 2.0 % from 1.2 % in the previous quarter.
- The liquidity yield has until Q4-22 been negatively impacted by the market turmoil and increased market rate, but came back strong with unrealised gains of 7.2 MNOK in Q4-22 and a yield of 3.9 %

# Diversified loan portfolio

		Net Loans	# Customers*	Avg Ticket Size*	Yield
	Consumer Loans	2,417''	24,923	97'	12.0%
	Mortgages	1,748	1,959	892'	7.1 %
	Sales Finance	182''	21,925	8'	16.5 %
	Credit Card	270''	5,815	46'	14.9 %
Total		4,618''	54,622	85'	10.5 %

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

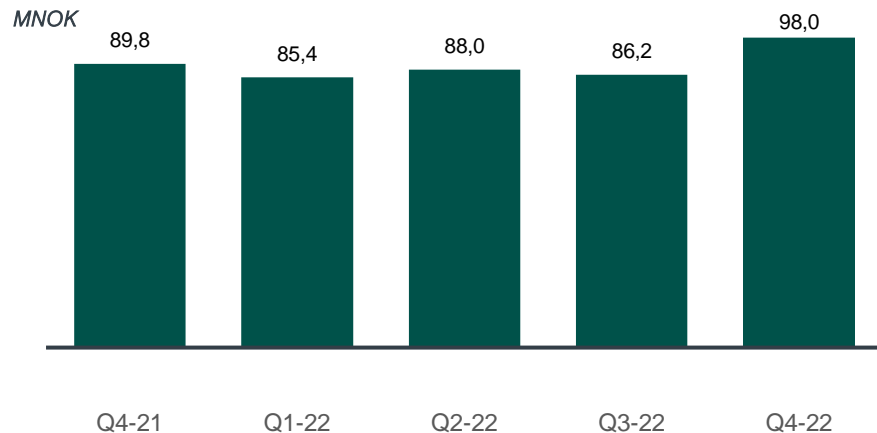
# Diversified funding volume

		<i>Volume</i>	<i># customers</i>	<i>Avg. deposit size</i>	<i>Avg. deposit rate in Q4-22</i>
	Norway	3,001''	10,580	284'	2.60 %
	Finland	332''	3,001	84'	0.58 %
	Germany	1,483''	7,630	194'	1.07 %*
	Sweden	37''	1,726	21'	0.53 %
Total		4,852''	23,896	203'	1,96 %

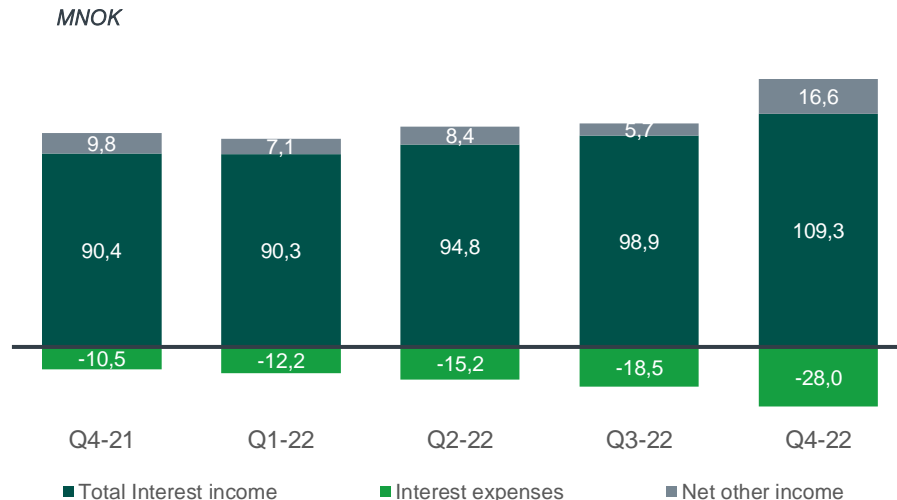
\*) Includes partner margin

# Total income

## Total income



## Total income detailed



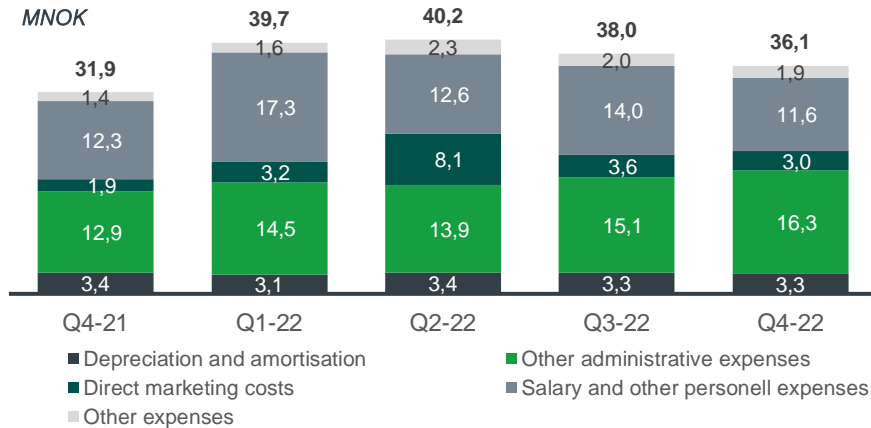
## Key comments

- Total interest income increased to 109.3 MNOK from 98.9 MNOK in the previous quarter, driven by growth in net loans and increased loan yield to 10.3 % from 9.8 % in the previous quarter.
- Interest expenses came in at 27.9 MNOK, up from 18.5 MNOK in the previous quarter following increased deposit rates.
- The increase in net other income came from improved yield on securities

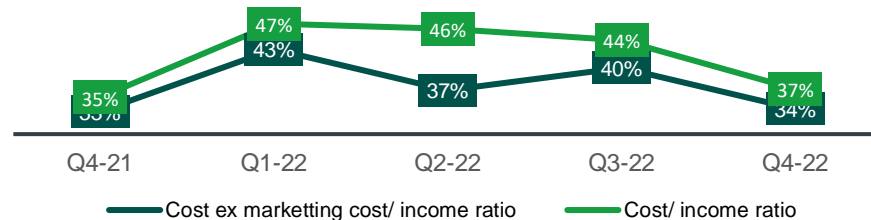


# Operating expenses

## Operating expenses breakdown



## Cost/income ratio



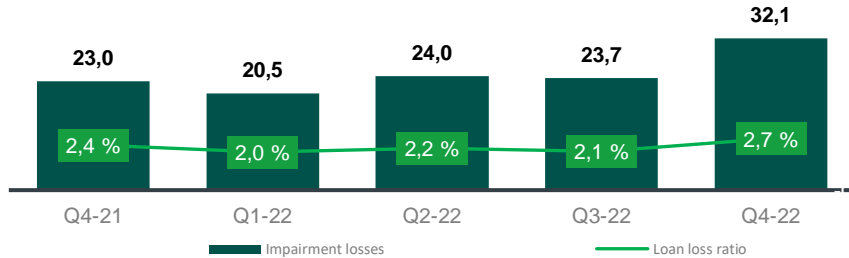
## Key comments

- The decrease in personnel expenses from the previous quarter resulted from low employee bonus provisions as well as a reversal of provisions for social security on warrants
- Administrative cost included 1.5 MNOK in one-off advisory cost
- The cost to income ratio decreased for the third consecutive quarter, demonstrating economy of scale

# Credit risk

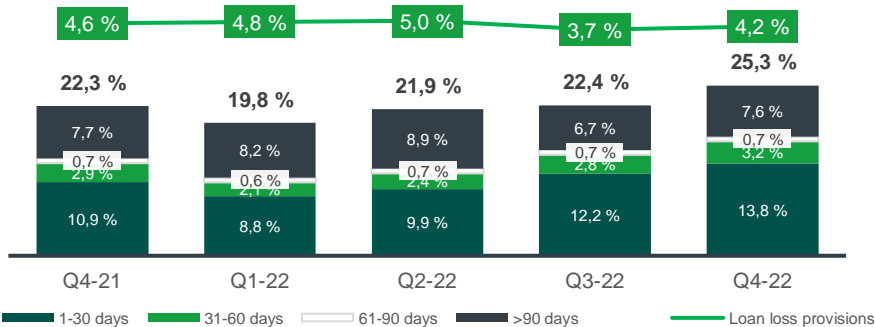
## Impairment losses

MNOK

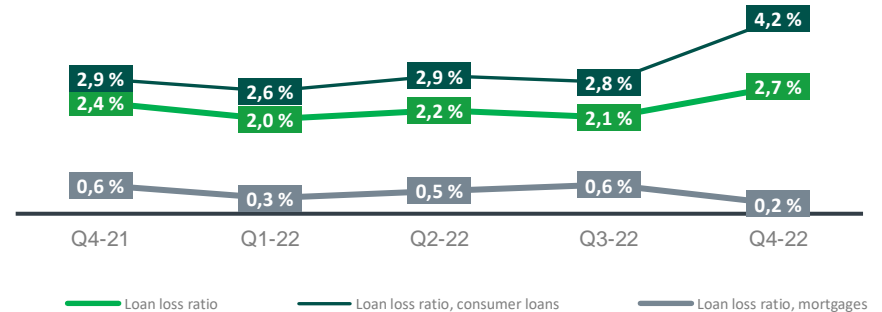


## Loans past due

% of gross lending



## Losses per loan type



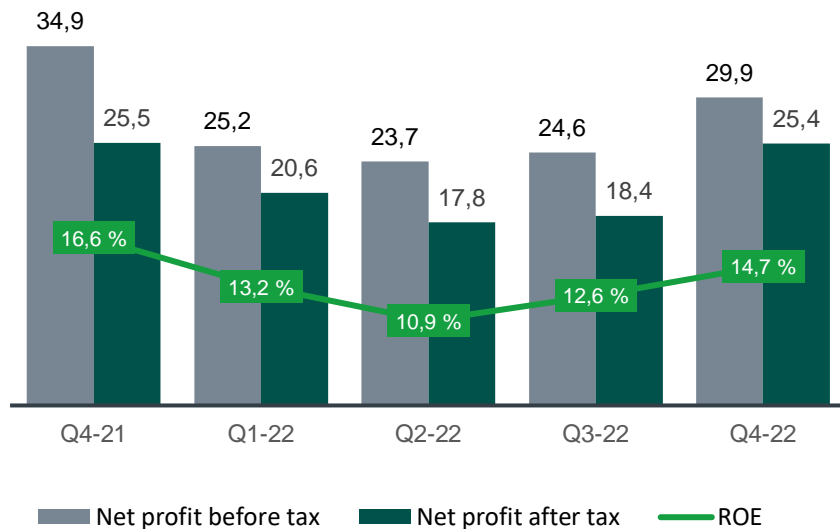
## Key comments

- Impairment losses for mortgages remained low at 0.9 MNOK or 0.2 % and was partly a result of changes in the IFRS 9 model
- Impairment losses for unsecured loans increased following the rise in loans past due, a seasonal variation that are expected to improve in Q1-23

# Profit development

## Net profit

MNOK

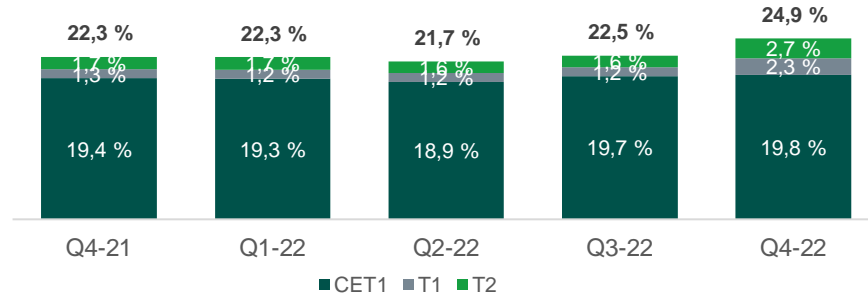


## Key comments

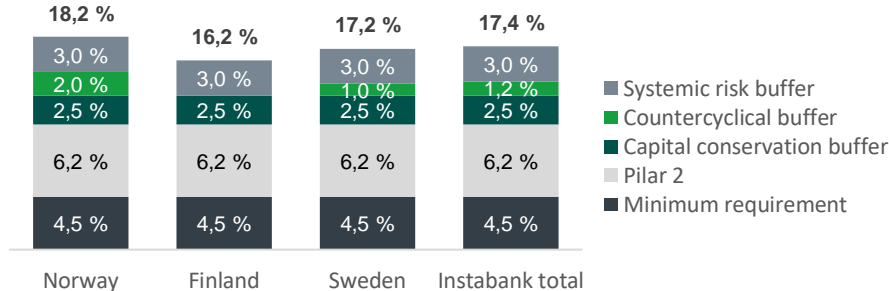
- Strong growth in total income as well as good cost control resulted in net profit before tax of 29.9 MNOK and 25.4 MNOK after-tax profits
- ROE was 14.7 %, up from 12.6 in the previous quarter

# Capital adequacy

## Developments in capital adequacy ratios



## CET1 requirement per country and total



## Key comments

- Instabank improved its capital ratios during the quarter, driven by a strong net profit after tax, transformation to the standardised approach to establish the risk-weighted volume for operational risk and issuance of Tier 1 and Tier 2 capital of 80 MNOK.
- Common Equity Tier 1 Capital (CET1) ratio was 19.8 %, and the total capital ratio was 24.9 %, up from 19.7 % and 22.5 % at the end of the previous quarter. The CET 1 ratio was 2.4 % above the regulatory CET1 requirement.
- The countercyclical buffer requirement increased by 0.5 percentage points for exposures in Norway at the end of the quarter.
- The Norwegian Ministry of Finance has decided to increase the countercyclical capital buffer to 2.5 per cent as of 31st March 2023



# About the surroundings

## International:

- The global economy is facing significant challenges. Growth has lost momentum, high inflation has broadened out across countries and products, and is proving persistent.
- Interest rates increases, necessary to curb inflation, heighten financial vulnerabilities.
- Russia's war in Ukraine is increasing the risks of debt distress in low-income countries and food insecurity

# Confronting the Crisis

OECD Economic Outlook, November 2022

## Demand for financing:

- The default rate for consumer loans to Norwegian customers was 11.2 % at the end of 2021, compared to 13.3 % the previous year. For Norwegian banks specialising in consumer loans, the default rate was 15.9 %, down from 19.3 % at the end of 2020.
- The number of debt collection cases related to consumer debt made up 10.7 % of the total cases for collection by all debt collection agencies in Norway at the end of 2021.
- It is reasonable to assume increased default given the decline in real wages and, not least, very high costs for energy, food, and debt servicing means that vulnerable customers can quickly lose their footing and that this will represent a brake on the market. The demand will probably be high, but the proportion who can get a loan will be all the lower.

## Norway:

- Inflation is still high, but on the way down
- Expected relatively flat interest rate development over the next 12 months, then a decline.
- After falling markedly from 2020 to 2022, the unemployment rate has risen slightly from the spring 2022 and was 3.4 % in December, but still lower than pre-pandemic levels
- Wages grew by 3.9 % in 2022. With inflation of 5.8 %, this means an overall real wage decrease of 1.9 %. In 2023, a small real wage decrease of 0.2 per cent is estimated
- Housing prices increased by 1.5 % % in 2022. The Norwegian Central Bank expects a decrease in housing prices at 4.3 % in 2023

## This probably means:

In 2023, there may be higher lending growth than in 2022, but in combination with higher funding costs, increasing defaults and losses that put pressure on profitability, the expectations are a moderate growth in lending and profit

# Overall product strategy

Continued transformation

From a specialised consumer finance bank

Evolution

To a focused commercial bank

B2C

Savings NO  
Consumer loans NO/FI  
POS Sales Finance NO

2016-2017

Savings FI/SE  
Consumer loans SE  
Credit cards NO  
Online Sales finance NO

2018-2019

Mortgages NO  
Sales finance FI  
Savings (Raisin) DE

2020-2021

Credit Card FI  
Multi product accounts NO

2022-2023

*Credit cards DE*  
*Consumer loans DE*  
*Mortgages FI*

2024-2025

B2B

Credit line NO  
Factoring NO

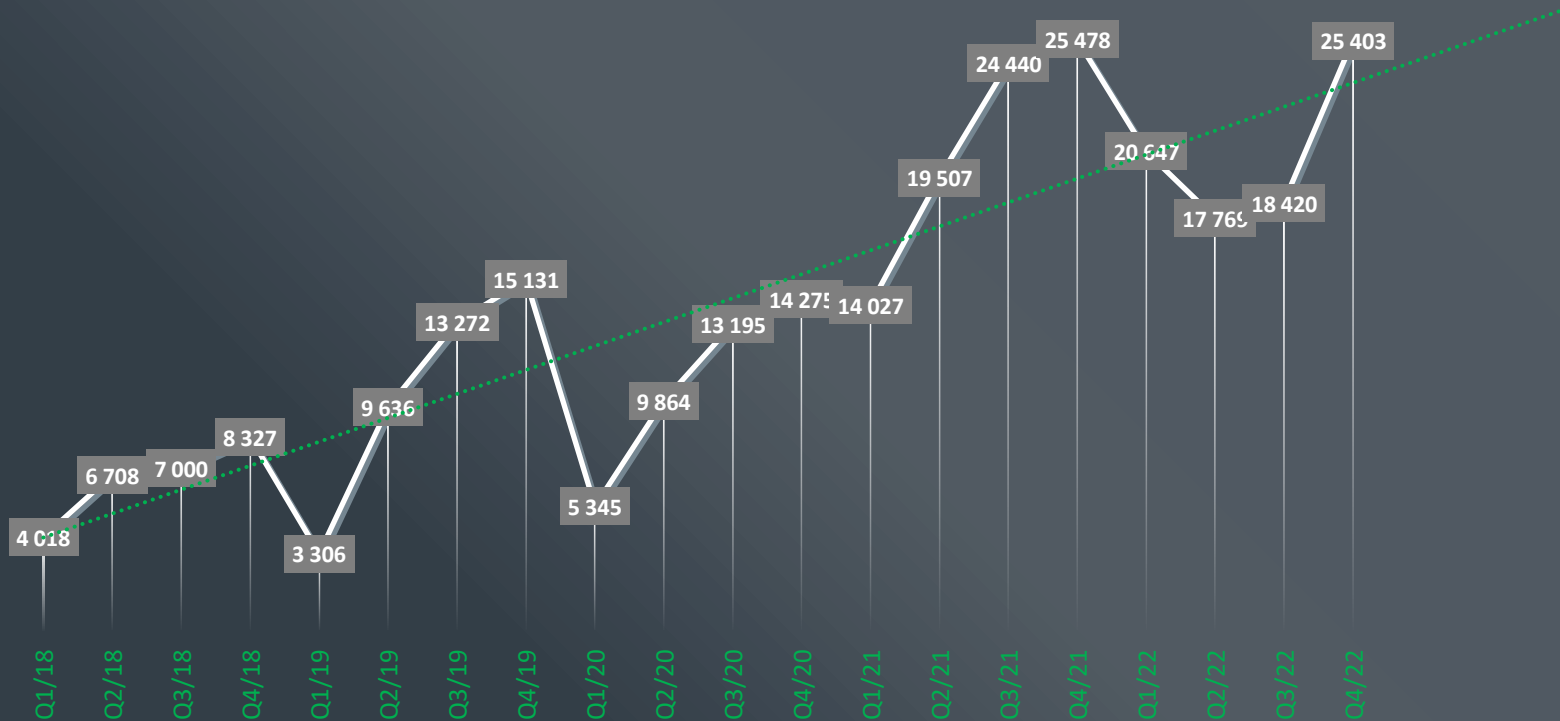
*Credit cards B2B NO*

**Strategy to deliver:**

High yield, convenient everyday products for B2C & B2B customers in northern Europe

# Profit after tax

Continued voyage





# Financials

## Outlook 2023

## Strategic ambitions

### Profit

Strong improvement in profits

~100 mill.

2023

Among the better

>210 mill.

Mid term

Proof of success

### ROE

Strong improvement in performance

>13 %

2023

Among the better

>19 %

Mid term

Proof of success

### Gross loans

Growth is necessary to improve profits

>5.7 Bn.

2023

Growth shows direction

>8.5 Bn.

Mid term

Proof of growth capacity

### Cost to income

Economies of scale reduce cost

< 40 %

2023

Heading in the right direction

~34 %

Mid term

Compares with industry leaders

# Targets for 2023

- **Increased diversification**  
*Repositioning from a typical consumer loans bank*
- **Growth in lending approx. 1.0 billion NOK**  
*Current excess equity and generated profits enable high growth*
- **Strong profit growth**  
*~ 20 % increase in result after-tax within reach*



# Share price and ownership

*Instabank is listed at Euronext Growth at Oslo Børs, ticker "INSTA"*

## Top 20 shareholders as of February 3<sup>rd</sup>, 2023

#	Shareholders	# of shares	%
1	KISTEFOS AS	83 126 568	24,99%
2	HODNE INVEST AS	33 088 311	9,95%
3	VELDE HOLDING AS	29 291 116	8,81%
4	BIRKELUNDEN INVESTINGSSKAP AS	18 305 911	5,50%
5	GOLDMAN SACHS BANK EUROPE SE	13 447 151	4,04%
6	BJELLA INVESTMENTS AS	13 112 021	3,94%
7	TORSTEIN TVENGE	10 000 000	3,01%
7	HJELLEGJERDE INVEST AS	9 161 000	2,75%
9	KRISTIAN FALNES AS	8 900 000	2,68%
10	LEIKVOLLBAKKEN AS	8 500 000	2,56%
11	MOROAND AS	8 500 000	2,56%
12	SONSINVEST AS	5 108 195	1,54%
13	ALTO HOLDING AS	5 000 000	1,50%
14	LEIRIN HOLDING AS	4 333 333	1,30%
15	BNP Paribas	4 226 851	1,27%
16	Morgan Stanley & Co. Int. Plc.	3 675 678	1,10%
17	CAHE FINANS AS	3 501 000	1,05%
18	Apollo Asset Limited	3 200 000	0,96%
19	BNP Paribas	2 302 489	0,69%
20	BNP Paribas	2 196 182	0,66%
<b>Sum Top 20</b>		<b>268 975 806</b>	<b>80,86%</b>
Other shareholders		63 666 233	19,14%
<b>Total</b>		<b>332 642 039</b>	<b>100,00%</b>

Position	Name	# of shares	% of total
CEO	Robert Berg (Sonsinvest AS)	5 708 195	1,7 %
COO	Eivind Sverdrup (Leirin Holding AS)	4 448 833	1,3 %
CTO	Jørgen Rui	1 407 864	0,4 %
CMO	Farzad Jalily	814 417	0,2 %
CFO	Per Kristian Haug	154 935	0,0 %
CRO	Kjetil Andre Welde Knudsen	123 028	0,0 %
COO	Anne Jørgensen	99 625	0,0 %
<b>Sum management</b>		<b>12 756 897</b>	<b>3,8 %</b>
Other employees		1 393 626	0,4 %
Board members		2 150 000	0,6 %
<b>Total</b>		<b>16 300 523</b>	<b>4,9 %</b>

## Share price development last 12 months

Share price (NOK)



# Financial summary

## P&L (NOK '000)

P&L	FY 2022	Q4-22	Q3-22	Q2-22	Q1-22	FY 2021	Q4-21
<b>Total income:</b>							
Interest Income using the effective interest method	393 623	109 328	98 946	94 818	90 492	320 034	90 444
Interest expenses	73 890	27 952	18 456	15 234	12 248	38 608	10 474
<b>Net interest income</b>	<b>319 734</b>	<b>81 376</b>	<b>80 490</b>	<b>79 584</b>	<b>78 244</b>	<b>281 426</b>	<b>79 970</b>
Net other income	37 850	16 619	5 737	8 395	7 138	39 684	9 786
<b>Total income</b>	<b>357 584</b>	<b>97 995</b>	<b>86 227</b>	<b>87 979</b>	<b>85 382</b>	<b>321 110</b>	<b>89 756</b>
<b>Operating expenses:</b>							
Salary and other personnel expenses	55 498	11 592	14 048	12 567	17 291	50 324	12 345
Other administrative expenses, of which	77 690	19 293	18 658	21 965	17 775	57 311	14 732
- <i>direct marketing cost</i>	17 843	2 962	3 596	8 057	3 228	8 154	1 868
Other expenses	13 045	3 260	1 966	2 347	1 562	6 315	1 374
Depreciation and amortisation	7 789	1 915	3 338	3 366	3 082	14 102	3 406
<b>Total operating expenses</b>	<b>154 023</b>	<b>36 059</b>	<b>38 009</b>	<b>40 244</b>	<b>39 711</b>	<b>128 052</b>	<b>31 856</b>
Losses on loans	100 230	32 053	23 658	24 043	20 476	80 882	23 020
<b>Operating profit before tax</b>	<b>103 331</b>	<b>29 884</b>	<b>24 560</b>	<b>23 692</b>	<b>25 195</b>	<b>112 177</b>	<b>34 879</b>
Tax	21 091	4 480	6 140	5 923	4 548	28 726	9 402
<b>Profit and other comprehensive income</b>	<b>82 240</b>	<b>25 403</b>	<b>18 420</b>	<b>17 769</b>	<b>20 647</b>	<b>83 451</b>	<b>25 478</b>

## Balance sheet (NOK '000)

Balance Sheet	31.12.22	30.09.22	30.06.22	31.03.22	31.12.21
<b>Assets</b>					
Loans and deposits with credit institutions	191 254	265 388	288 835	191 450	281 279
Loans to customers	4 674 030	4 479 970	4 389 273	3 988 389	3 832 071
Certificates and bonds	867 806	755 391	842 237	933 611	679 759
Other intangible assets	21 197	21 567	22 904	25 064	25 098
Fixed assets	3 645	4 247	4 791	5 390	5 909
Derivatives	1 773	19 158	1 644	4 105	1 213
Other receivables	39 527	889	16 030	7 793	6 323
<b>Total assets</b>	<b>5 799 233</b>	<b>5 546 610</b>	<b>5 565 713</b>	<b>5 155 801</b>	<b>4 831 653</b>
<b>Liabilities</b>					
Deposits from and debt to customers	4 852 281	4 702 782	4 741 687	4 344 527	4 047 128
Other debts	20 491	24 584	1 706	11 123	10 942
Accrued expenses and liabilities	17 844	17 979	16 154	18 729	17 941
Derivatives	543	2 188	2 643	1 231	338
Deferred tax	734	2 957	2 957	2 957	2 957
Tax payable	25 065	18 362	40 712	34 789	30 241
Subordinated loan capital	96 000	56 000	56 000	56 000	56 000
<b>Total liabilities</b>	<b>5 012 958</b>	<b>4 824 853</b>	<b>4 861 859</b>	<b>4 469 356</b>	<b>4 165 546</b>
<b>Equity</b>					
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	194 541	170 022	152 120	134 710	114 373
Additional tier 1 capital	80 900	40 900	40 900	40 900	40 900
<b>Total equity</b>	<b>786 275</b>	<b>721 757</b>	<b>703 854</b>	<b>686 445</b>	<b>666 107</b>
<b>Total liabilities and equity</b>	<b>5 799 233</b>	<b>5 546 610</b>	<b>5 565 713</b>	<b>5 155 801</b>	<b>4 831 653</b>

# Thank You