



EcoSpark Advisory



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Here to guide Sbanken on their journey in repositioning consumer loans



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2. Sbanken App: Financials education program (II/II)
3. Sbanken App: Financials upgrading mobile application
4. Sbanken App: Financials marketing costs
5. Integration with shopping platforms (I/II)
6. 5. Integration with shopping platforms (II/II)

Situation

"You make smart choices easy"



Company overview

- Most satisfied customers in the last 19 year
- Challenged the market since 2000
- 470 000 customers
- Average ROE of 12,3% in the last four years
- ESG policy with focus on SDGs 5, 8, 9, 10, 13, 17

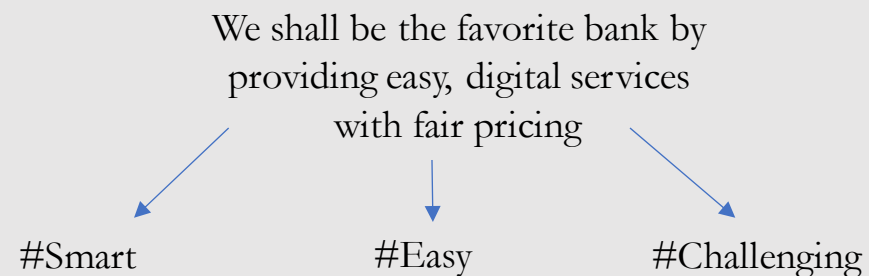
Vision

Make smart choices easy by disrupting the market on behalf of our customers

Industry overview

- Competitors closes down offices, reducing fee's, and utilizing digital concepts
- New customer demands fueled by digitalization
- Big data & analytic CRM
- Bad reputation around consumer loans

Strategy



Executive summary



*Repositioning Sbanken's consumer loans as the most **trustworthy** and **social sustainable***

Recommendation

Sbanken should

1. Invest in an education platform
2. Create incentive programs
3. Adopt a new marketing strategy

Key problems

Sustainable consumer loans

Profitability in consumer loans



Solutions

Inspired by the Fair Deal principle

Education program

Marketing campaigns & incentive programs



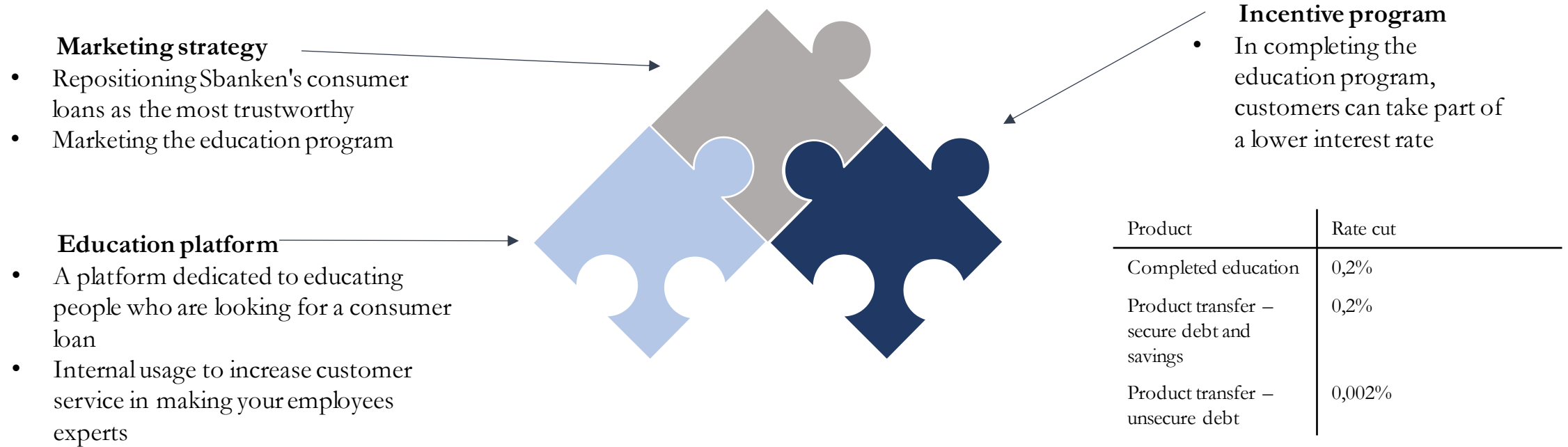
Implications for Sbanken

+ Strengthening ESG policy
+ Focus on SDGs 8 & 10
+ Customers making smart economic decisions

+ Sbanken as leaders within trustworthy consumer loans
+ Organically increased markets shares



















































Our Recommendation in 3 steps

Repositioning Sbanken's consumer loans as the most trustworthy, social sustainable and profitable on the market based on the **Fair Deal principle**



Competitor Analysis



	Competitors								
									
Mainly Digital	✗	✗	✗	✗	✓	✓	✓	✓	 Non-Competitive
Market Share of Industry								?	 Mildly Competitive
Average effective interest rate	 2					 2		?	 Moderately Competitive
Number of Customers								 4	 Highly Competitive
Number of Consumer Loanees	 1				 1			?	 Extremely Competitive
Customer Loyalty	 3			 3					

Situation

Recommendation

Analysis

Implementation

Financials

Risks & mitigation

Implications

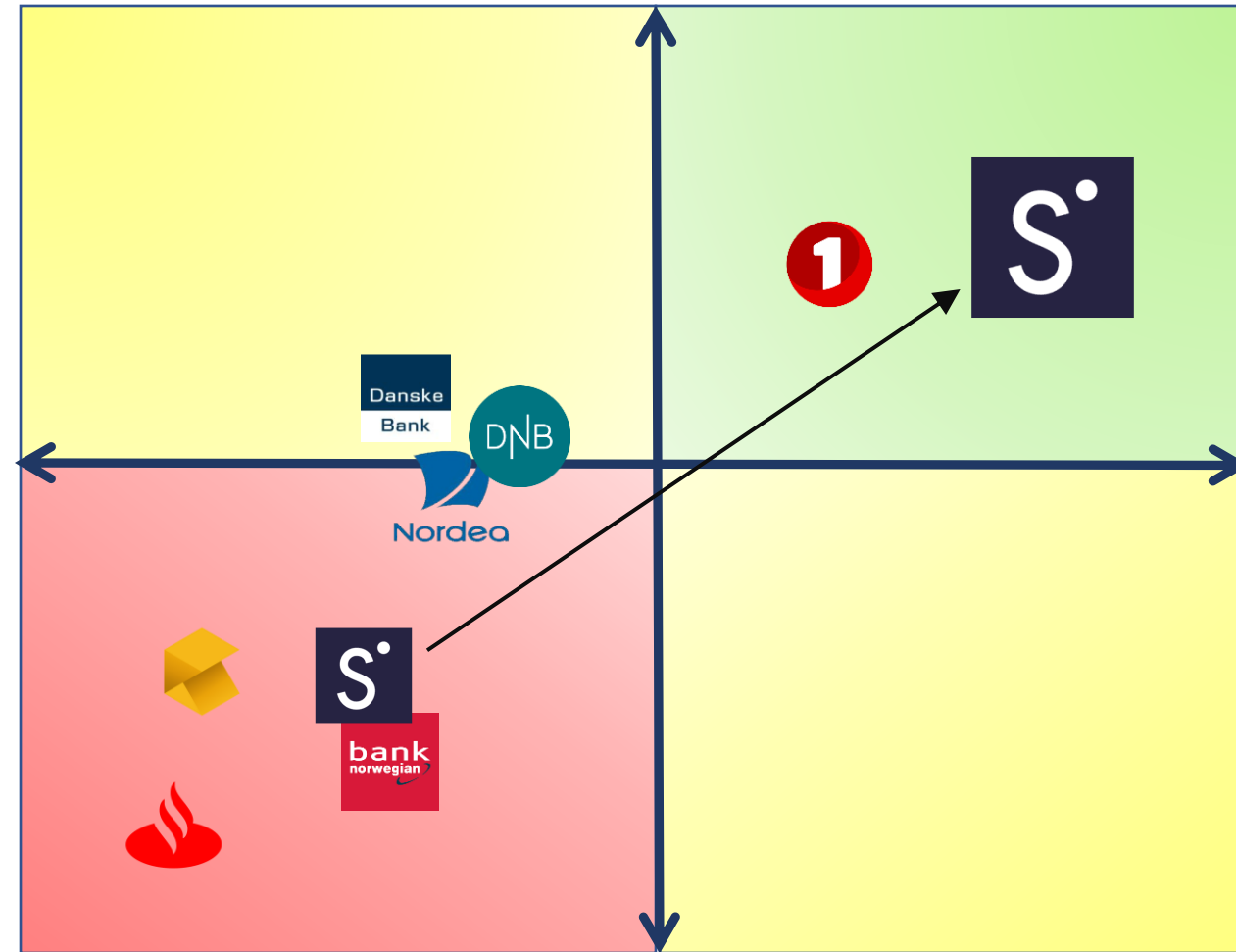
Appendix



Repositioning of Consumer Loans

Make Smart Economic Decisions

Reposition consumer loans
from **product** to **solution**



Socially
Sustainable

Situation

Recommendation

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Implementation

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Appendix



Implementation schedule for the upcoming 3 years

"Ideas are useless unless they are used. The proof of their value is in their implementation. Until then, they are in a limbo" - Theodore Levitt

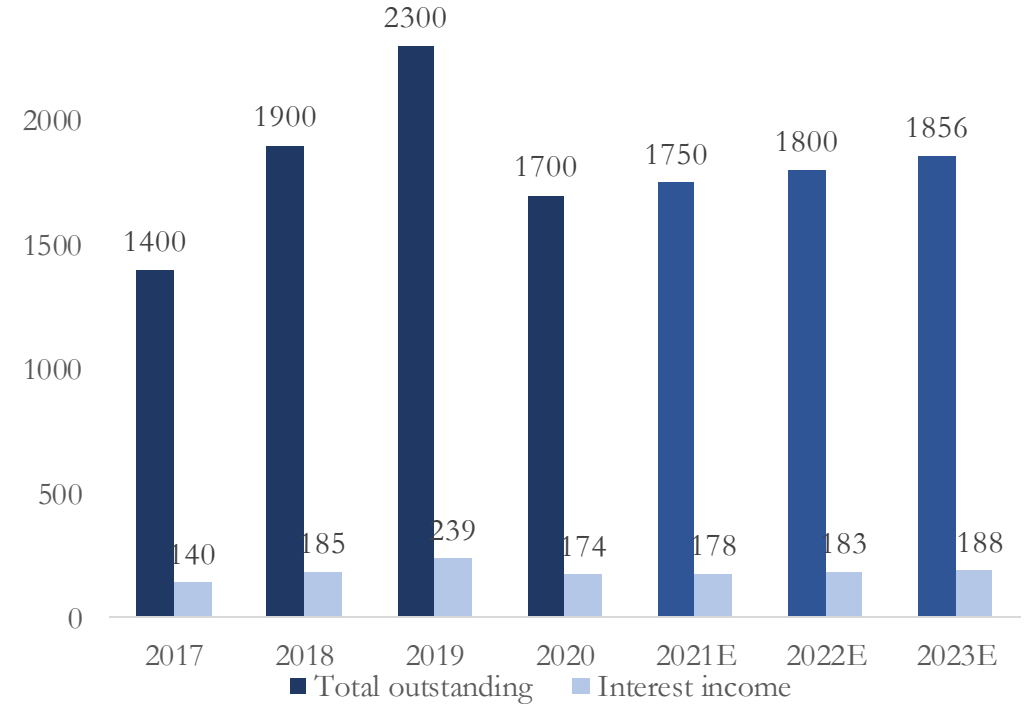
<i>Process</i>	2021	2022	2023
Develop the education platform			
Integrate platform with Sbanken app			
Continuous evaluation of the education platform			
Marketing of the new app function			
Develop marketing strategy for consumer loans			
Initiate marketing strategy for consumer loans			

Total revenue effect based on offering utilization

Offering utilization

Product	Low	Middle	High
Education program	✗	✓	✓
Product transfer	✓	✓	✓
Network effects	✗	✓	✓
Weight in calc. %	40	40	20
Total impact on rates	-1,1%		

Consumer loan volume and revenue



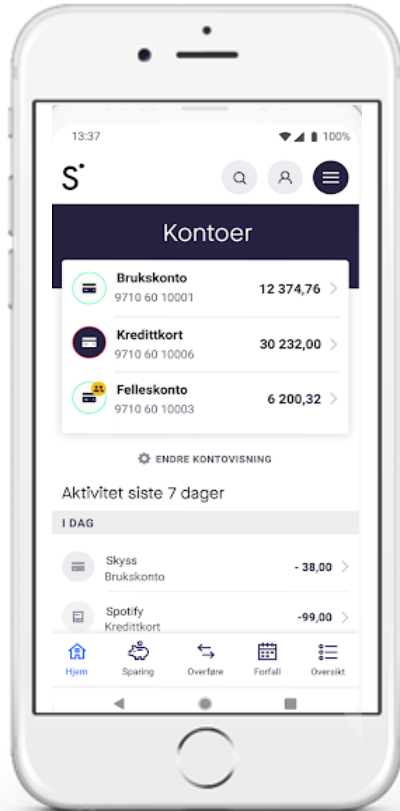
Comment

- The total impact from the incentives program is increased consumer loan volumes of 156 MNOK which will yield 14,5 MNOK over 3 years.
- Revenue from network effects provides the significant increase of ~37 MNOK, adding up to a total of ~51,5 MNOK in increased revenue.
- Numbers are calculated as expected value with offering utilization estimated according to the weights seen in the table to the right.

- Amount of outstanding loans will increase in a steady pace and approach the levels of 2018.
- Yield on consumer loans will decrease but since we do not want to push the consumer loans on customers not really needing them, we see them mainly as enablers of the network effects and as a mean to increase the number of total customers.



Financials Project Sbanken App



Social Solution Sharing with Sbanken App

Further developing Sbanken's
mobile application
7,3 – 7,5 million NOK



Education Program

Starting the education program development from Q3 2021 and forward, with the total cost over the next 3 years of 1 432 834 million NOK.



Sbanken App and API's for e-commerce

In order to update the application and create the API's from Q3 2021 and forward, the total cost over 3 years if calculated to be 3 913 890 million NOK.



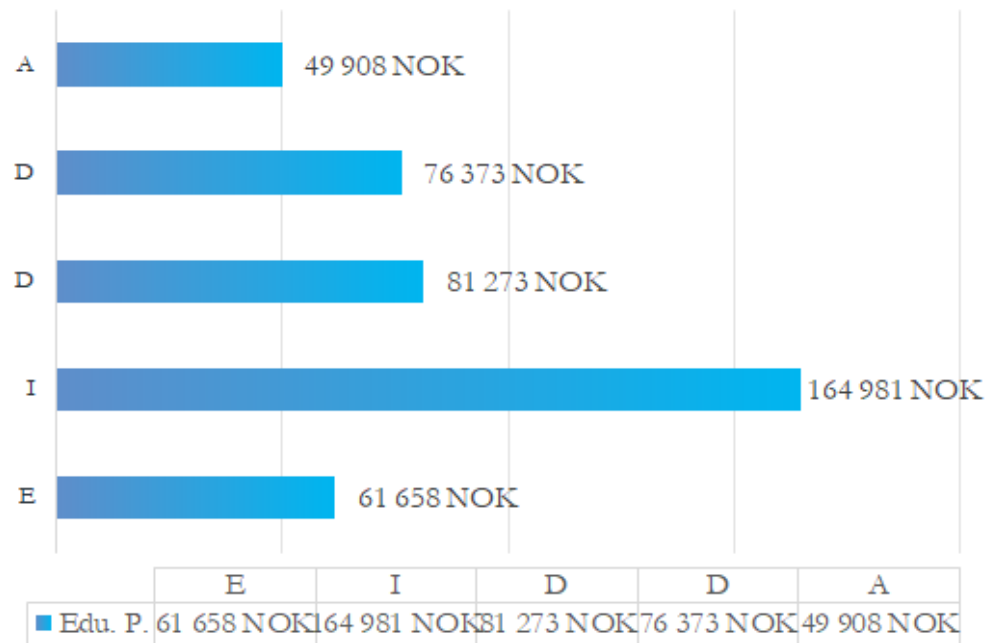
Marketing Plan

In order to make clients aware of the new education program and the new social positioning on the consumer loan market, a marketing plan costing 1 307 958 NOK over the incoming three years is planned.

Financials Education Program

The ADDIE model

Cost per stage of the development process. Estimates for 1 hour content for one year.



A: Research and Analytical Expenses

Course Owner, Marketing Specialist

D: Time and Money Invested in Online

SME, Lecturer, Content Creation, Designing Lecture, Digital Content, Infographics, Graphs, Images

D: Time and Money Invested in eLearning

Video Guideline, Design, Shooting Videos, Intro Design, Editing Videos

I: Course Content Deployment

QA process, Course Creation Monitoring, Project Management

E: Evaluation stage

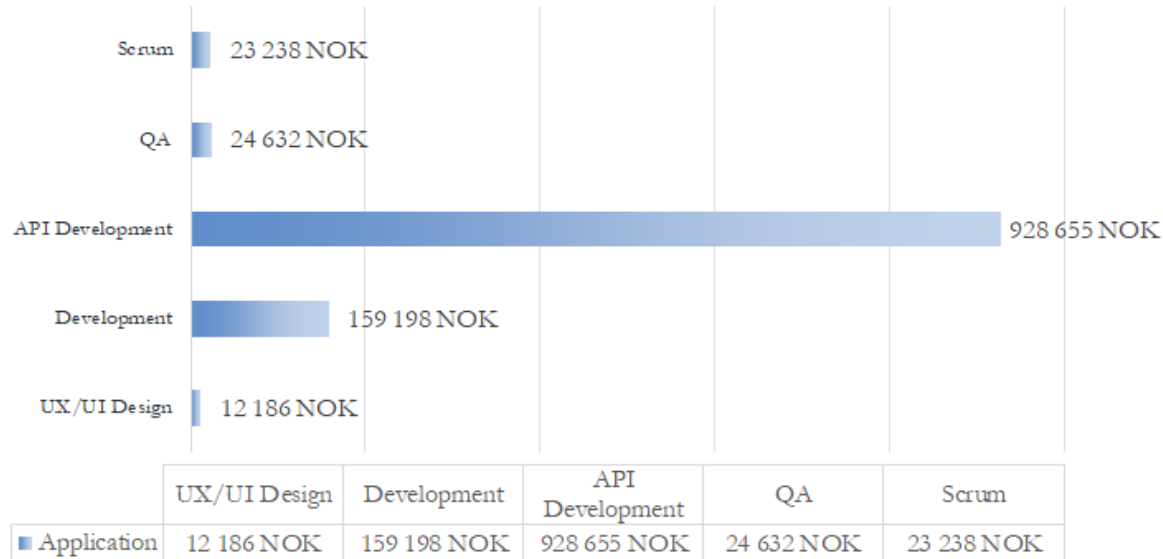
Monitoring Course Performance, Feedback and Comments, Adjustments to Reach maximum ROI



Financials: Application, API Update and Yearly Costs For Marketing Plan

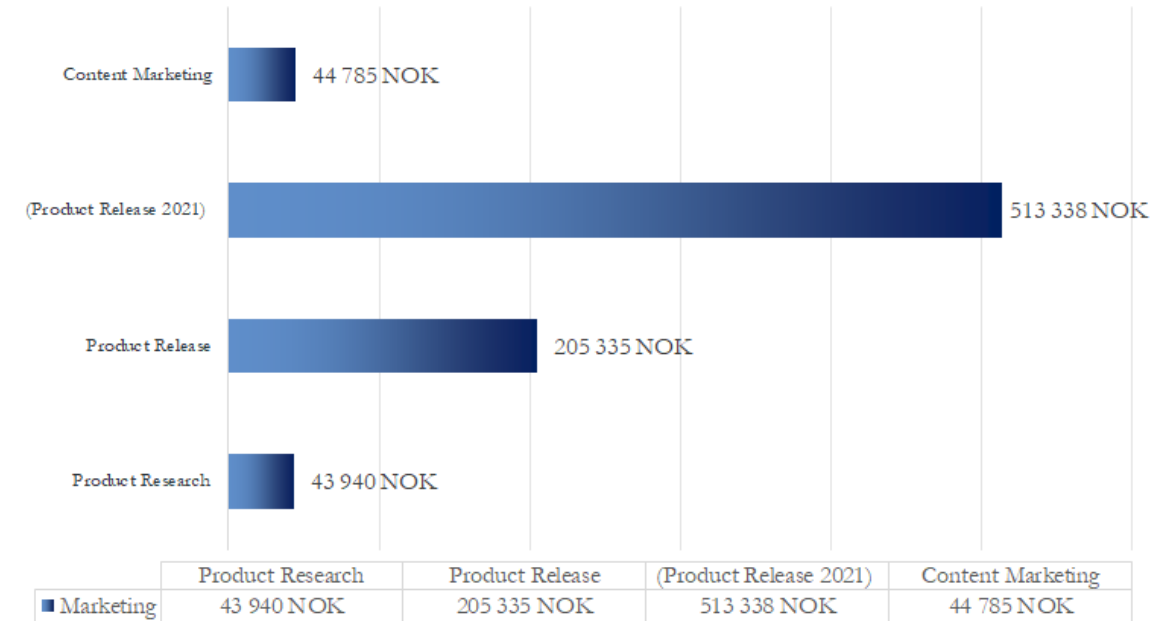
The Application Development

Based on 2 iOS developers, 1 UX/UI designer, 1 QA, 1 SM. Estimates for one year.



Marketing Plan

Focus Groups, Launch Events, Press Releases, Public Relations, Advertising, Webinars, White Papers. Estimates for one year.





Risks and Mitigation

Risks

Mitigation



Rate cuts too small and therefore are not increasing the customer base.

→ **Thorough interest rate elasticity studies** has been performed to mitigate this risk. However, an agile pricing model enables further rate adjustments if the volumes are too small.



Klarna push us out by creating their own consumer loans payment solution.

→ Consulting market experts and being fast to market.
Launch within six months to catch early adopters and first mover advantages.



Education not setting through. People are not absorbing the information and get the rate cut without actually learning something.

→ **Update education program yearly** to keep content up to date and update parts where we see lower engagement.



Declining economic cycle due to a larger impact from Covid-19 than anticipated. Will lead to diminishing volumes in consumer loans.

→ Network effects will lead to **larger equity base** added to already strong equity standpoint.



Implementation process fails

→ EcoSpark Advisory stays with you throughout the implementation process.

Executive summary



Repositioning Sbanken's consumer loans as the most trustworthy and social sustainable

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+ Focus on SDGs 8 & 10
+ Customers making smart economic decisions

+ Sbanken as leaders within trustworthy consumer loans
+ Organically increased markets shares

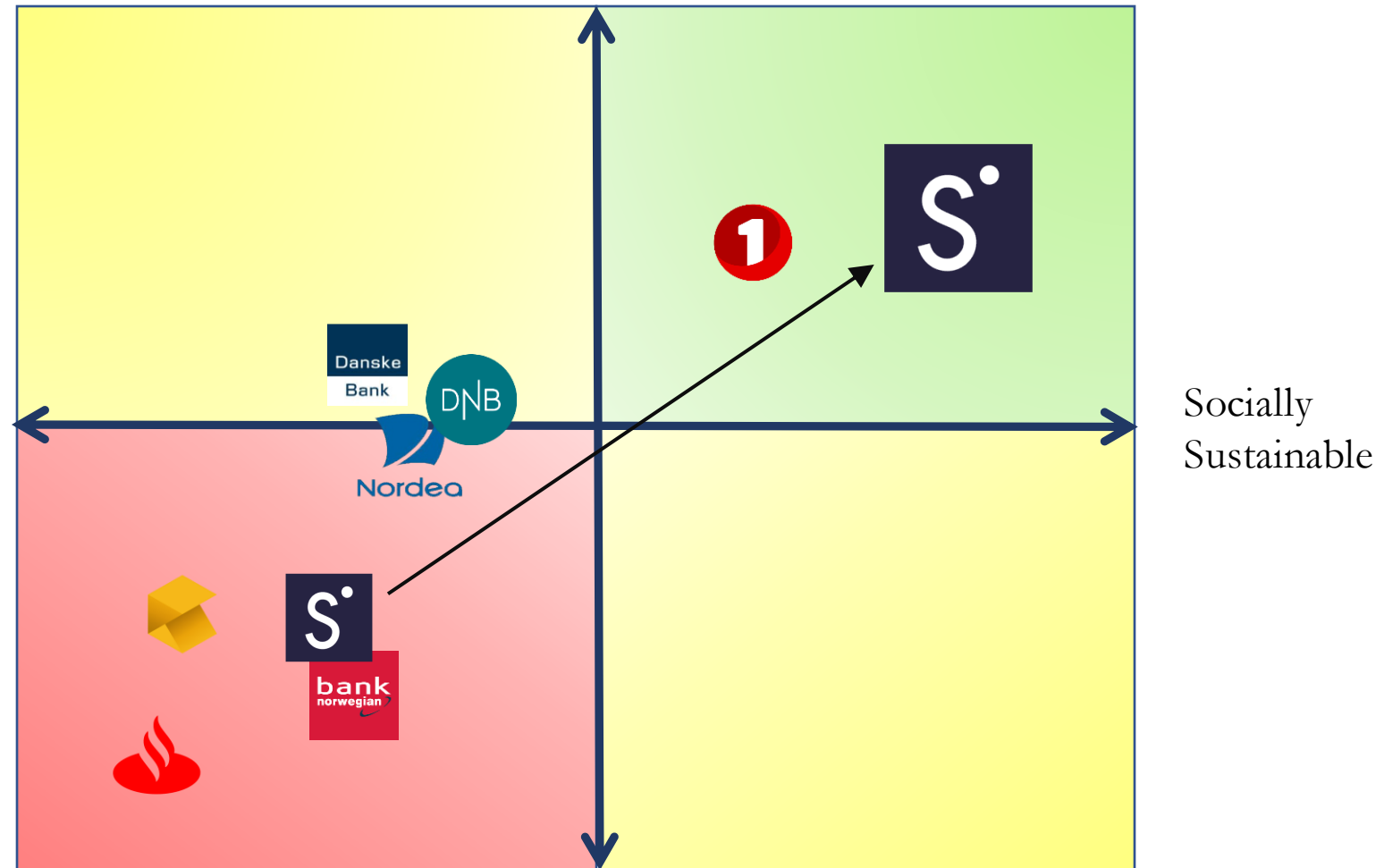
The challenge for banks isn't becoming "digital" - it's providing value that is perceived to be in line with the cost – or better yet, providing value that consumers are comfortable paying for"

- Ron Shelvin



Repositioning of Consumer Loans

Make Smart Economic Decisions



Situation

Recommendation

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Risks & mitigation

Implications

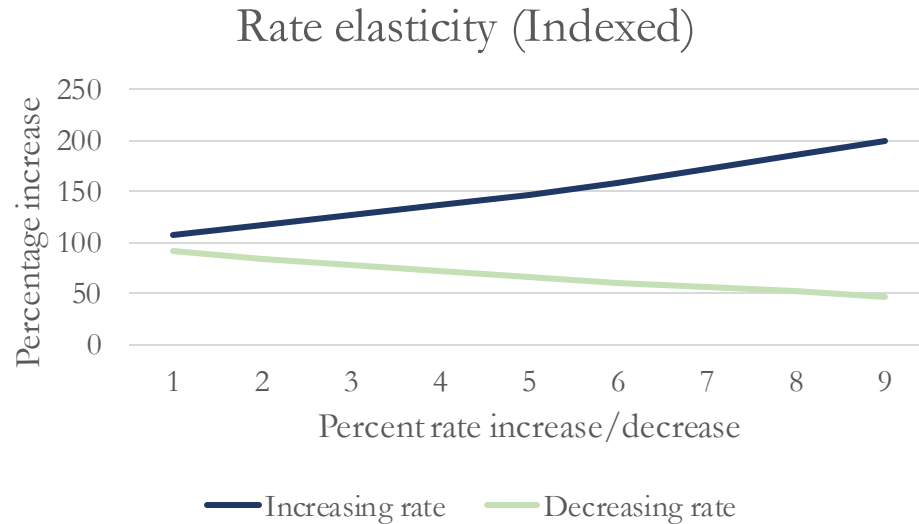
Appendix

Appendix



~More insights~

Financials: Calculations on added revenue



	TNOK
Expected value from network effects	36 897
Expected value from consumer loans	14 488
Total increased revenue TNOK	51 386
Higher estimate	61 663
Lower estimate	30 831
 Cost to income ratio	 0,398
Profit base case TNOK	30 934
Higher estimate	37 121
Lower estimate	18 560

Comment

- The numbers are subset of the revenue calculations related to slide 9 and indicate total revenue effects from the incentive and education programs. Total revenue will increase by 51 386 TNOK, mainly generated from network effects. The high and low estimates are derived through taking the revenue generated and adding 20% for the high estimation and subtracting 40% for the lower estimation. This is done to show that costs will be covered even if the strategy would be 40% less efficient than estimated.
- **Price elasticity** has been researched and a consensus of 8% increased loan volume based on a 1 percentage point interest rate decrease has been found.

Sbanken: Financials education program (I/II)

Taxes + extra 1,35

ADDIE model

"A" stage: Research and Analytical Expenses

Team roles	Involvement stages	Time, hrs / 1 course	Hourly rate \$	Hourly rate inc. Res	Overall check \$
Course Owner	All	35	70	95	3 308
Marketing Specialist	Analysis	35	55	74	2 599
					\$ 5 906,25
					49 907,81 NOK

"D stage": Time and Money Invested in Online Course Design

Phase name	Specialist	Time, hrs / 1 course	Hourly rate \$	Hourly rate inc. Res	Overall cost \$
Consultations with SME or lecturer on content creation	SME	13	55	74	965
	Psycholinguist	13	35	47	614
	Lecutrer	13	38	51	667
	Project Manager	13	45	61	790
Designing lecture visual content	Instructual Designer	13	35	47	614
	Lecutrer	30	38	51	1 539
	Instructional Designer	30	35	47	1 418
Designing practical tasks, quizzes, tests	Graphic deginer	30	43	58	1 742
	Lecturer	7	38	51	359
	Instructinal desinger	7	35	47	331
					\$ 9 038,25
					76 373,21 NOK

"D" stage: Time and Money Invested in eLearning Content Development

Phase name	Specialist involved	Time, hrs / 1 course	Hourly rate \$	Hourly rate inc. Res	Overall cost \$
Writing lecture notes	Lecturer	15	38	51	770
	Instructional Designer	15	35	47	709
	Psychologist	15	33	45	668
Video Guideline Design	Graphic Designer	17,5	43	58	1 016
	Video Editor	17,5	38	51	898
Shooting the Videos	Lecturer	4	38	51	205
	Video Operator	4	40	54	216
	Director	4	65	88	351
Intro design	Graphic Designer	25	43	58	1 451
	Viddeo editor	25	38	51	1 283
Editing the videos (inserting all elements into the ready videos according to the guideline)	Video editor	38	40	54	2 052
					\$ 9 618,08
					81 272,73 NOK

Sbanken: Financials education program (II/II)

"I" stage: Course Content Deployment

Phase name	Specialist Involved	Time, hrs / 1 course	Hourly rate \$	Hourly rate inc. Res	Overall cost \$
Course upload	Content Manager	3	45	61	152
QA process (quality assurance of the ready course, including feedback from the pilot run)	Content Manager	35	45	61	2 126
	Project Manager	35	40	54	1 890
	Course Owner	35	70	95	3 308
Course Creation	Course Owner	35	70	95	3 308
Project	Project Manager	50	50	68	3 375
					14 158

*LMS Installation and setup (implementation stage)

Team member	Involvement length,	Hourly rate \$	Hourly rate inc. Res	Overall cost \$
Deployment team (DevO)	65	45	61	3 949
QA specialist	35	30	41	1 418
				5 366
				\$ 19 524,38
				164 980,97 NOK

"E" stage: Evaluation stage

Phase name	Specialist Involved	Time, hrs / 1 course	Hourly rate \$	Hourly rate inc. Res	Overall cost \$
Monitoring the Monitoring	Course Owner	35	70	95	3 308
feedback and comments from learners	Project Manager	20	40	54	1 080
	Lecturer	15	38	51	770
	Psychologist	15	33	45	668
Adjusting the content to reach maximum ROI	Lecturer	15	38	51	770
	Director	8	65	88	702
					\$ 7 296,75
HOUR VIDEO					\$ 51 383,70
					434 192,27 NOK

Sbanken: Financials upgrading mobile application and API development

A personal finance app offering loans

TEAM SETUP

2 iOS developers, 1 UX/UI designer, 1 QA, 1 SM

TIME

~ 6 months

Roles	Average Development time	Average cost / hour	Total Cost
UX/UI Design	120	60	7 200
Android app	1 570	60	94 200
QA	265	55	14 575
SM (scrum master)	250	55	13 750
SUM	2 205	230 \$	129 725,00

Based on

<https://www.softwareforenterprise.us/how-much-does-it-cost-to-update-an-app/>

"A golden rule for estimating the costs of app maintain, including updates, is 20% per year of the primary app development costs"

20%

Roles	Average Development time	Average cost / hour	Total Cost
UX/UI Design	24	60 \$	1 440,00
Android app	314	60 \$	18 840,00
API Development	1 570	70 \$	109 900,00
QA	53	55 \$	2 915,00
SM (scrum master)	50	55 \$	2 750,00
SUM	2 011	300 \$	135 845,00

Buffert

40%

Added a buffert \$ 190 183,00

1 607 046,35 NOK

Sbanken: Marketing Plan

	Q3 TOTALS 2021 Projected		Q4 TOTALS 2021 Projected		Q1 TOTALS 2022 Projected		Total Projected Cost	
Product Research								
Focus Groups	\$	4 000,00	\$	1 200,00	\$	-	\$	5 200,00
								43 940,00 NOK
Product Release								<i>Special cost for repositioning 2021</i>
Launch Events	\$	-	\$	3 300,00	\$	2 000,00	\$	5 300,00 \$ 13 250,00
Press Releases	\$	-	\$	1 500,00	\$	-	\$	1 500,00 \$ 3 750,00
Public Relations	\$	-	\$	2 000,00	\$	5 000,00	\$	7 000,00 \$ 17 500,00
Advertising (SEO and social	\$	-	\$	3 500,00	\$	7 000,00	\$	10 500,00 \$ 26 250,00
								205 335,00 NOK 513 337,50 NOK
Content Marketing								
Webinars			\$	400,00	\$	400,00	\$	800,00
Press Releases	\$	-	\$	1 500,00	\$	-	\$	1 500,00
White Papers	\$	-	\$	3 000,00	\$	-	\$	3 000,00
								44 785,00 NOK
Total For Marketing								294 060,00 NOK 602 062,50 NOK
Buffert								20% 20%
								303 017,00 NOK 611 019,50 NOK

Company Financials

	Q4 2020	Q4 2019	12-month growth		
Net interest income (NOK million)	407,3	429,1	-5,10%	Annual lending growth	2,40%
Net fee and commission (NOK million)	49,6	53,5	-7,40%	Cost-to-income ratio	39,80%
Net profit (NOK million)	221,4	163	35,80%	ROE	12,50%
Earning per share (NOK)	2,01	1,44		Net interest margin	1,60%
ROE (percent)	12,5	10		Loan loss ratio	0,02%
Cost-to-income (percent)	39,8	45,4		CET1 ratio	15,50%
Loan-loss-ratio (percent)	0,02	0,24			
NIM (percent)	1,6	1,81			
CET1 (percent)	15,5 (*)	15,6			
FuM (NOK billion)	23,2	15,8			

Net profit after tax

NOK 783.0 million in 2020

NOK 710.1 million in 2019

Outstanding Consumer Loans

NOK 2,3 billion 2020

-7%

Integration to the shopping platforms



01

Get test credentials

Create a playground account to get test credentials and get familiar with the test environment.

02

Check out SDKs and follow the integration guide

S'banken provides SDKs and Libraries for environments like: JavaScript, iOS, Android. Follow the instructions to make sure your payment process works as needed.

03

Get Live Credentials

Go through S'banken sign-up to create a merchant account and get live credentials.

04

Done

Transactions is enabled.

Integration to the shopping platforms



Inspiration from Klarna:

Cost for the customer:

Partnership

Max payment delay
3 business days after order is shipped

Standard term of agreement

36 months

Monthly cost

\$25 (cheaper than Klarna)

```
1 <script>
2 window.sbankenAsyncCallback =
function () {
3 // This is where you start calling
Instant Shopping JS SDK functions
4//sbanken.InstantShopping.load({...})
5
/instantshopping/v1/buttons/123e4567
-e89b-12d3-a456-426655440000
6 { "button_key": "123e4567-e89b-
12d3-a456-426655440000",
```