



by DNB

Dear Investors and Stakeholders,

Norway is the country in the world with the lowest amount of cash usage, and back in 2015 we were already down to **6% of transactions** involving cash payments. However, wireless transfers were still not the preferred way to settle minor bills and payments between close acquaintances. That was until we launched *Vipps*, with a mission to allow for easier transfers between friends and family. Norwegians demand efficient, simple and safe payments - and that is exactly what we created back in 2015 and will continue to provide.

As we have seen, providing free transfers between friends and family does not provide enough revenue. Therefore, we needed to find profitable ways to utilize the platform to make it sustainable, something we have still not achieved, although we are getting closer every day. Utilizing our platform's reach in Norway we have managed to build the largest online payment application in Norway, as **9 out of 10 Norwegians** are using our app, with 50% of those being in the age between 18-33. This means that the easiest way for online stores in Norway to receive payment and have customers complete the checkout process is through Vipps, especially with the new regulations increasing the security on online payments, and adding barriers to complete a purchase with normal credit or debit card.

Norway's low amount of cash usage provides an ideal opportunity for Vipps to enter in-store contactless payments. However, as both Apple and Google reserve their NFC payments for their own services, Vipps has had a difficult time entering this space. QR code payment in stores has not been as popular as simply tapping your phone or card, something that **65% prefers as a payment method**. With this system there is no way for Vipps to successfully achieve the same amount of dominance here as in online and friend transfers.

From an operational point of view, Vipps are not able to deliver *split the payments and pay later* to the online checkout market, due to Vipps structural nature of being owned as a cooperation by most of Norway's banks, they do not want us to start blurring the lines as a bank, offering loans or credit to consumers or businesses. While this effectively invites and allows our competitors to operate these services without any competition from us, this would not have been a problem had it not been for the fact that these companies then also require the online store to allow their payment solution. This requires us to continually improve and make sure that our online payment service is more attractive than the competition, which currently holds a **satisfied rating of 97%**. However, our bill payment service is the most popular way to pay non monthly bills, meaning that our competitors' bills are most likely being paid through us.

The Pandemic reduced the need for our original services of easy transfer to friends and family, as this is a loss making service to attract customers to our platform, this is not necessarily a bad thing. On the contrary, the pandemic saw the rise of new ways of paying for services in stores and restaurants. Restaurants now take orders and payments via QR codes even when seated in the restaurants. Our new partnerships with services offering solutions for restaurants like these have helped us find a way into in-store payments, reducing the threat of Apple and Google in these places. Numbers from Norway's second largest retail group, Coop, shows that their new in-store checkout solution *ShopExpress* is already accounting for **16% of all payments** in their stores, and they are expecting the share to increase. This is a part of the new trend with Norwegians starting to utilize cell phone scanning and payment in-store. Therefore, we can say that the development accelerated by the pandemic has given Vipps a way into physical retail.

The path forward:

The following will be our main focuses moving forward:

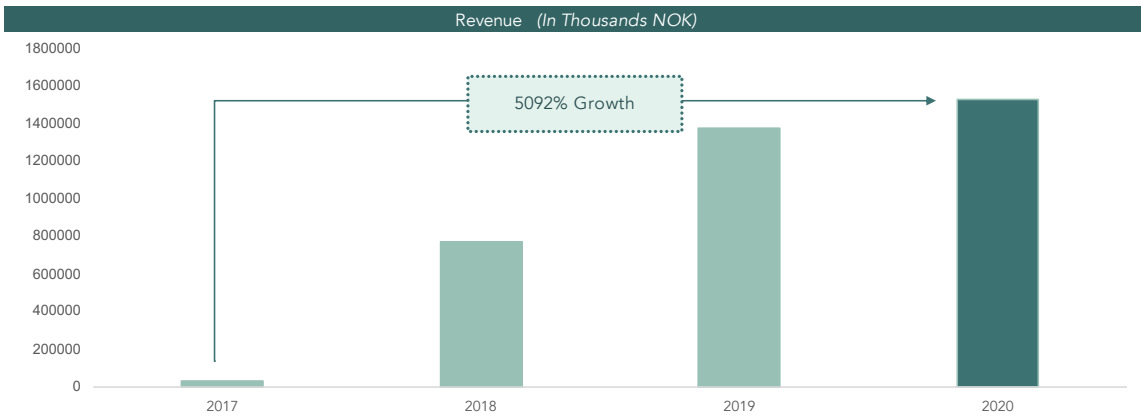
- Continue to promote the development of companies offering **in-store checkout solutions** for mobile phones either through app or QR code with vipps integrated
- Continue to **improve existing services** to maintain preferred status

With this we will continue to provide efficient, simple and safe payments adapted to the changes in the market. The next phase will be just as exciting as those that have been, and your support and engagement is driving us forward. Thank you all.

Sincerely,

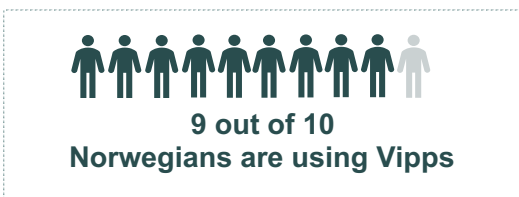
Martine Elisabeth Stø Johansen
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Performance Measures

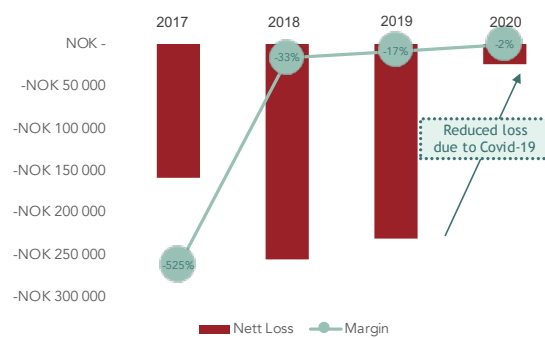


KPI's for Vipps

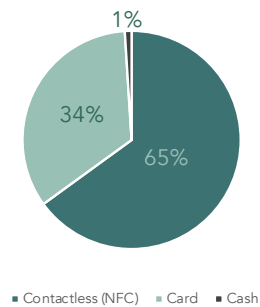
Metric	3Y Avg.	History	Flag
Operation Margin	-17%		
Return on Assets	0,481267		
Return on Equity	0,405746		
Debt/ Equity	0		



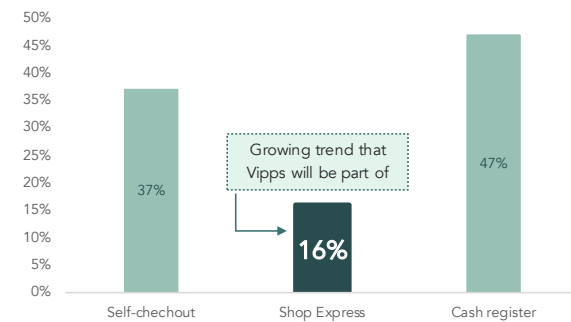
Nett Loss



Share of Payment Methods in Norway

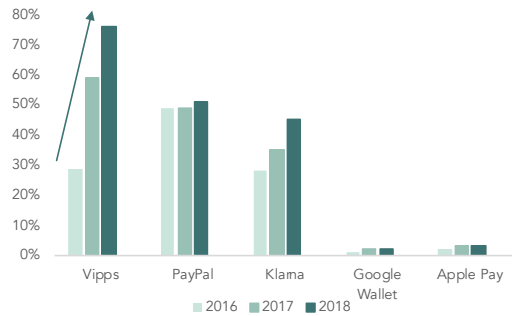


Distribution of Payment Methods (From Coop)

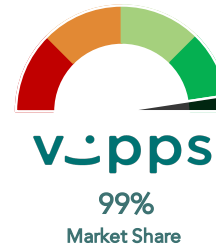


Customer Overview

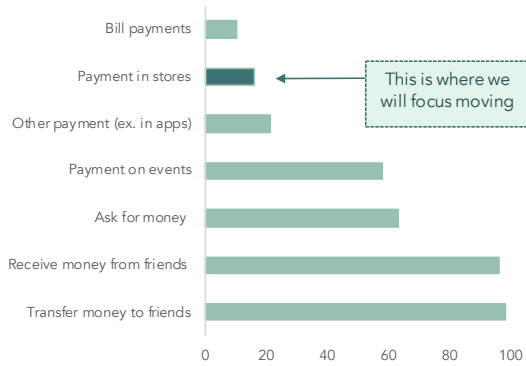
% of Norway's Population Use of Payment Solutions



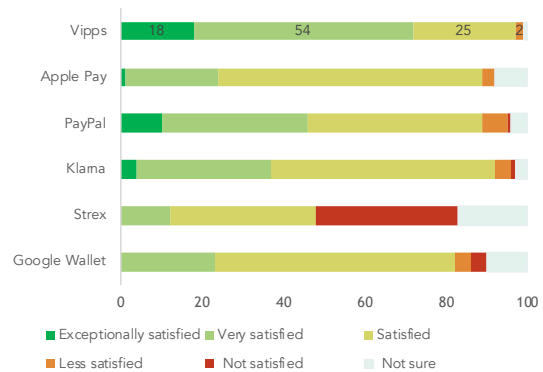
Market Dominance Peer-to-Peer Mobile Transfer 2020



User Level of Vipps Functionalities



Customer Satisfaction Online Payments



Age Distribution in %

