

# INSTABANK ASA

INTERIM REPORT Q4 2020

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## Key highlights & developments:

- ★ **Profit before tax of 19.1 MNOK, after tax 14.3 MNOK**  
Total income increased, and loan losses were stable at a relatively low level
- ★ **The sale of part of the NPL portfolio confirms NPL valuation and reduces risk**  
The NPL ratio was nearly halved and fell to 5.6 % of gross loans
- ★ **Net loans growth of 137 MNOK adjusted for sold NPL portfolio and negative currency effects**  
Unadjusted, net loans decreased by 16 MNOK
- ★ **Mortgages growth more than doubled to 106 MNOK in Q4-20 from 52 MNOK in Q3-20**  
The new product performed better than planned at attractive yield and credit risk metrics



# We value progress

## INTERIM REPORT Q4 2020

### About Instabank ASA

Instabank is a Norwegian digital bank with offices in Oslo, Norway. Instabank ASA was granted a banking license by The Financial Supervisory Authority of Norway (Finanstilsynet) on September 19th, 2016. On September 23rd, 2016, the bank opened for business.

Instabank is listed on Euronext Growth at Oslo Børs, ticker INSTA.

Our aim has always been to make the customer experience as smooth as possible. The ability to grasp opportunities and quickly implement changes is at the heart of our culture. Our expertise within payment technology and sales financing often referred to as paytech, plays a key role in our continued progress.

Instabank operates in Norway, Finland and Sweden, offering competitive savings, insurance, point of sales (POS) financing, credit cards, mortgages and unsecured loan products to consumers who qualify after a credit evaluation. The loan product is designed to be highly customisable, and payment plans range from three to fifteen years, or alternatively, a flexible credit facility.

The bank continues to evolve its business strategy to a rapidly changing business environment. The trend of companies shifting from selling a product to selling product-as-a-service will often require a finance partner. Otherwise, the companies will need to make the investments upfront while the revenue streams will spread over time – for instance, as subscriptions. Our expertise within paytech makes Instabank an ideal partner for companies seeking to servitize and digitize their business models.

The bank's products and services are distributed primarily via 22 agents, through various paytech partners and the bank's website.

Instabank is a member of "Bankenes Sikringsfond", which secures all deposits up to 2 MNOK in Norway and EUR 100k in Sweden and Finland.

Instabank is primarily owned by Norwegian investors. By the end of Q4, Kistefos AS was the bank's largest shareholder owning 24.99 %. No other individual shareholders were holding more than 10 % of the shares.

At the end of Q4-20, Instabank had 34 full-time employees and 7 part-time employees.



## Operational Developments

At the end of the quarter, Instabank sold a non-performing loans (NPL) portfolio in Norway, representing a gross value of approximately 160 MNOK and a net value of 82 MNOK. Following the transaction, the bank's total NPL ratio dropped to 5.6 % at the end of Q4 from 10.4 % as per the end of the previous quarter, well below industry peers. The transaction was operating profit neutral and confirmed the valuation of impaired loans. The transaction improved capital ratios by approximately 0.7 % points representing an increased growth capacity of 110 MNOK if allocated to unsecured loans or 230 MNOK for mortgages.

Net loan volume decreased by 16 MNOK in Q4-20. However, adjusting for the net booked value of the NPL portfolio sale of 82 MNOK and negative currency effect of 71 MNOK, net loans grew by 137 MNOK.

In Norway, the second priority mortgage product, launched by the end of Q2-20, continued its strong performance. Volumes increased by 107 MNOK to 163 MNOK, and the average loan yield was stable at 7.3 % as per the previous quarter. Credit risk also performs very well. At the end of Q4-20, all mortgages were performing loans, and no loans were in the 60-90 days past due category. Alongside distribution thorough agents, Instabank offers the mortgage product to existing customers, delivering on the paytech strategy to acquire customers with low ticket sizes and convert them to higher ticket sizes.

As announced in August this year, Instabank entered into a sales finance agreement with Coop Norge's building warehouses Coop Byggmix and OBS Bygg. The Coop branded credit card was launched late in Q3-20, and we have issued more than 3,000 Coop branded credit cards. Additional sales finance products have been made available in the payment app "Coopay" early in 2021.

Instapay Mastercard continues its strong growth. Interest carrying balance reached 128 MNOK by the end of Q4-20, representing a growth of 31 MNOK in the quarter.

The total net loan growth in Norway was 64 MNOK, and adjusted growth, excluding the NPL portfolio sale, was 146 MNOK.

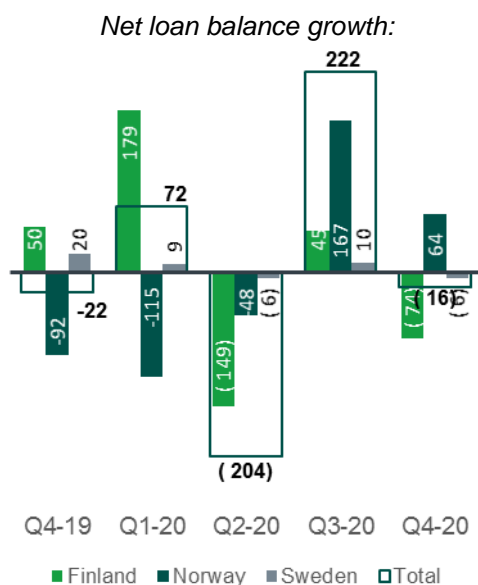
In Finland, the temporary interest cap of 10 % in Finland that was in effect throughout the second half of 2020, made this market less attractive. Along with increased competition, Instabank reduced the disbursed volume in Q4-20 and hence experienced a decrease in net loans of 74 MNOK, heavily affected by a negative currency effect of 70 MNOK.

Although the interest cap was no longer in effect per January 1<sup>st</sup>, 2021 for disbursed loans in the second half of 2020, the government in Finland prolonged the interest cap of 10 % for new loans until the end of Q3-21.

In Sweden, net loans decreased by 6 MNOK. The Swedish market remains very competitive with larger risk and rate span, and therefore Instabank finds Sweden less attractive than other markets for the time being.

## Balance Sheet

Net loans decreased by 16 MNOK in Q4-20 due to the sale of part of the NPL portfolio in Norway with a booked value of 82 MNOK net loan loss allowances. Of total net loans of 2,771 MNOK, 44 % was outside Norway at the end of the quarter, down from 46 % at the end of Q3-20.



Deposits from customers fell by 244 MNOK to 3,3043, MNOK by the end of the quarter. The deposit rates in all three markets have been reduced in the quarter following decreasing market rates.

Common equity Tier 1 Capital ratio was 19.9 %, and the total capital ratio was 23.3 % at the end of Q4-20, 3.1 % points above the total regulatory capital requirement of 20.3 %.

Total assets at the end of Q4-20 were 3,996 MNOK.

At the end of Q4-20, the bank had 46,814 customers, of which 34,697 were loan customers, and 12,117 were deposit customers.

## Profit and Loss

Interest income increased by 1.6 MNOK from Q3-20 to 84.1 MNOK in Q4-20 as the average loan balance was higher in Q4-20 than the previous quarter. A decrease in deposit volume of 244 MNOK and reduced deposit rates led to a reduction of interest expenses of 1.5 MNOK from the previous quarter to 12.0 MNOK in Q4-20. By the end of Q4-20, the average deposit rate was 1.0 % compared to 1.3 % at the end of Q3-20. Net interest income came in at 72.0 MNOK, up 3.2 MNOK from the previous quarter.

Net other income improved 1.0 MNOK from Q3-20 to minus 1.9 MNOK in Q4-20. Income commission and fees were up 1.9 MNOK to 13.0 MNOK hitting its highest level ever.

Total income came in at 70.1 MNOK, up 4.2 MNOK from the previous quarter.

Total operating expenses increased by 2.1 MNOK from the previous quarter to 31.7 MNOK mainly due to an increase in personnel expenses of 1.9 MNOK. The employee bonus provisions were 3.0 MNOK compared to 1.4 MNOK if the provisions had been distributed evenly throughout each quarter in 2020. The rest of the increase in personnel expenses resulted from an increase in FTEs from 31 per end of Q3-20 to 34 by the end of Q4-20.

Losses on loans continued to be relatively low and came in at 19.3 MNOK or 2.6 % of average gross loans compared to 18.8 MNOK/2.6 % in the previous quarter. The share of loans past due 1-30 days was 12.7 % per year-end 2020, significantly lower than 17.2 % per year-end 2019. The share of non-performing loans was only 5.6 %, down from 10.4 % per end of Q3-20 due to the sale of part of the NPL portfolio in Norway.

Profit before tax was 19.1 MNOK, and net profit was 14.3 MNOK, up from 13.2 MNOK in the previous quarter. Return on equity was 10.8 %, up from 10.1 % in the previous quarter.

## Outlook

The Covid-19 outbreak is still ongoing, and we have experienced that the government can be willing to intervene forcefully in daily life to avoid a serious health crisis, even if the economic consequences are severe. The pandemic affects the economy very skewed. Workplaces where physical attendance and contact between people are central are most vulnerable, while workplaces, where the home office works well, are the least exposed. It can be expected that the severity and length of the downturn, will mainly be a result from when enough people have been vaccinated. When that happens, restrictions can be eased, and experience indicates it will lead to a fast economic recovery.

Until the reporting date, the pandemic's economic consequences have not had any negative impact on Instabank customers' payment behaviour.

With a strong capital and liquidity situation, a flexible business model across three markets and low operating costs, Instabank is resilient to a downturn. Furthermore, Instabank is entering 2021 with less credit risk exposure as the NPL portfolio was nearly halved after the selloff in Q4-20.

Instabank is committed to developing the customer experience and bringing our expertise within paytech to companies seeking to innovate and digitize their business models as demonstrated with the new agreement with Coop Norge. This strengthens the bank's market position as a preferred paytech partner.

Alongside growth from the paytech partner strategy, Instabank expects the new easy-to-use mortgage loan product introduced in 2020 to contribute significantly to profitable growth, lowered credit risk as well as a diversified loan portfolio going forward.

The NPL portfolio sale in Q4-20 adds additional growth capacity on top of the target and represents an opportunity for higher growth than originally planned in Q1-21 and the ambitions for 2021 are growth in gross lending of 1 billion NOK and a Return on Equity (ROE) of 13 %.

The bank's liquidity and capital situation are expected to remain at a satisfactory level in the future. It should be noted that there is typically uncertainty related to assessments of future conditions.

## Other Information

The accounting profit for Q4-20 is entirely predisposed against retained earnings.

The presented figures are not audited by the bank's external auditor.

Oslo, February 9th, 2021  
Board of Directors, Instabank ASA

## Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	IFRS Q4-2020	NGAAP Q4-2019	IFRS 2020	NGAAP 2019
Interest Income using the effective interest method		84 080	79 957	329 515	305 752
Other interest income		33		400	
Interest expenses		12 053	12 952	51 346	53 158
<b>Net interest income</b>		<b>72 060</b>	<b>67 006</b>	<b>278 568</b>	<b>252 594</b>
Income commissions and fees		13 068	8 633	41 067	33 483
Expenses commissions and fees		16 064	16 216	64 888	57 411
Net gains/loss on foreign exchange and securities classified as current assets		1 054	2 314	8 380	13 500
<b>Net other income</b>		<b>-1 942</b>	<b>-5 269</b>	<b>-15 441</b>	<b>-10 429</b>
<b>Total income</b>		<b>70 118</b>	<b>61 737</b>	<b>263 127</b>	<b>242 165</b>
Salary and other personnel expenses		12 976	8 788	41 666	39 355
Other administrative expenses, of which:		13 885	12 438	52 920	62 384
- direct marketing cost		1 875	1 664	6 996	18 237
Depreciation and amortisation		3 385	2 306	12 742	8 719
Other expenses		1 452	1 458	5 878	5 302
<b>Total operating expenses</b>		<b>31 698</b>	<b>24 989</b>	<b>113 206</b>	<b>115 761</b>
Losses on loans	2	19 282	16 483	92 911	71 429
<b>Operating profit before tax</b>		<b>19 138</b>	<b>20 264</b>	<b>57 010</b>	<b>54 974</b>
Tax expenses		4 863	5 133	14 331	13 735
<b>Profit and other comprehensive income for the period</b>		<b>14 275</b>	<b>15 131</b>	<b>42 679</b>	<b>41 239</b>

## Condensed statement of financial position

NOK 1000	Note	IFRS	NGAAP
		31.12.2020	31.12.2019
Loans and deposits with credit institutions	3, 4	202 601	183 014
Loans to customers, of which;	3, 4	2 852 172	2 696 724
- prepaid agent commission		81 236	
Certificates and bonds	3, 4	889 664	516 194
Deferred tax assets		0	0
Other intangible assets	3, 5	29 478	29 804
Fixed assets	3	8 414	563
Other assets	3	1 972	12 407
Other receivables, of which:	3, 4	11 829	102 113
- prepaid agent commission			93 216
<b>Total assets</b>		<b>3 996 129</b>	<b>3 540 819</b>
Deposit from and debt to customers	4	3 303 998	2 848 737
Other debts	4	14 706	22 378
Accrued expenses and liabilities		37 747	21 177
Subordinated loans	3	56 000	80 900
<b>Total liabilities</b>		<b>3 412 451</b>	<b>2 973 193</b>
Share capital	3	332 642	332 642
Share premium reserve	3	178 192	178 192
Retained earnings	3	31 944	56 792
Additional Tier 1 capital	3	40 900	
<b>Total equity</b>		<b>583 679</b>	<b>567 626</b>
<b>Total liabilities and equity</b>		<b>3 996 129</b>	<b>3 540 819</b>

## Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
<b>Equity per 31.12.2018</b>	<b>305 000</b>	<b>163 651</b>		<b>15 081</b>	<b>483 732</b>
Capital issuance	27 642	14 541			42 183
Net profit for the period				41 239	41 239
Changes in warrants				471	471
<b>Equity per 31.12.2019</b>	<b>332 642</b>	<b>178 192</b>	-	<b>56 792</b>	<b>567 626</b>
Tier 1 capital 31.12.2019			40 900		40 900
Implementation of IFRS 9				-64 091	-64 091
<b>Equity per. 01.01.2020</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>-7 299</b>	<b>544 435</b>
Net profit for the period				42 679	42 679
Changes in warrants				177	177
Paid interest on Tier 1 Capital				-3 612	-3 612
<b>Equity per 31.12.2020</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>31 944</b>	<b>583 679</b>

# NOTES

## Note 1: General accounting principles

The interim report is prepared in accordance with chapter 8 in regulations for annual accounts of banks, credit companies and financial institutions, which means interim financial statement in accordance with IAS 34 and those exceptions included in the regulations for annual accounts of banks, credit companies and financial institutions. Instabank has adapted to the accounting standard IFRS from 01.01.20. The annual accounts of 2019 were prepared according to NGAAP. The bank have made use of the exemption in the regulations for annual accounts of banks, credit companies and financial institutions and have not restated historical figures in accordance to the standard IFRS. For further information, see note 1 accounting principles in the annual report of 2019.

The interim report was approved by the board of directors at 9th of February, 2021.

## Note 2: Loans to customers

### Implementation of IFRS 9:

<b>NOK 1000</b>	<i>NGAAP</i> <b>31.12.2019</b>	<b>Re- measurement</b>	<i>IFRS 9</i> <b>01.01.2020</b>
Impairment of loans	-87 670	-85 454	-173 124

Loans to customers was the only financial instrument that was remeasured as a result of implementing IFRS 9 from January 1st 2020

### Gross and net lending:

<b>NOK 1000</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Revolving credit loans	548 789	621 106
Installment loans, unsecured	2 190 544	2 163 288
Installment loans, secured	162 956	
Prepaid agent commission	81 236	
<b>Gross lending</b>	<b>2 983 524</b>	<b>2 784 394</b>
Impairment of loans	-131 353	-87 670
<b>Net loans to customers</b>	<b>2 852 172</b>	<b>2 696 724</b>

### Credit impaired and losses:

<b>NOK 1000</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Gross credit impaired loans (stage 3 from 01.01.20)	161 957	261 646
Individual impairment of credit impaired loans (stage 3 from 01.01.20)	-72 867	-75 678
<b>Net credit impaired loans</b>	<b>89 090</b>	<b>185 968</b>

Gross credit impaired loans are loans which are more than 90 days in arrear in relation to the agreed payment schedule.

## Ageing of loans:

<b>NOK 1000</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Loans not past due	2 254 712	1 889 836
Past due 1-30 days	364 889	474 880
Past due 31-60 days	87 209	119 904
Past due 61-90 days	33 765	38 128
Past due 91+ days	161 714	261 646
<b>Total</b>	<b>2 902 289</b>	<b>2 784 394</b>

	<b>31.12.2020</b>	<b>31.12.2019</b>
Loans not past due	77,7 %	67,9 %
Past due 1-30 days	12,6 %	17,1 %
Past due 31-60 days	3,0 %	4,3 %
Past due 61-90 days	1,2 %	1,4 %
Past due 91+ days	5,6 %	9,4 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

## Reconciliation of gross lending to customers

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01.01.2020</b>	<b>2 215 266</b>	<b>469 945</b>	<b>315 270</b>	<b>3 000 481</b>
<i>Transfers in Q1 2020:</i>				
Transfer from stage 1 to stage 2	-223 709	220 816	-	-2 893
Transfer from stage 1 to stage 3	-6 617	-	6 702	85
Transfer from stage 2 to stage 1	71 421	-80 121	-	-8 700
Transfer from stage 2 to stage 3	-	-34 985	35 159	174
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	971	-2 478	-1 506
New assets	333 755	23 790	-	357 545
Assets derognised	-212 935	-83 678	-15 576	-312 189
Changes in foreign exchange and other changes	114 444	31 961	7 131	153 536
<b>Gross carrying amount as at 31.03.2020</b>	<b>2 130 248</b>	<b>539 510</b>	<b>300 688</b>	<b>2 970 446</b>
<i>Transfers in Q2 2020:</i>				
Transfer from stage 1 to stage 2	-159 772	158 690	-	-1 081
Transfer from stage 1 to stage 3	-3 639	-	3 715	75
Transfer from stage 2 to stage 1	83 141	-90 884	-	-7 743
Transfer from stage 2 to stage 3	-	-32 247	32 339	92
Transfer from stage 3 to stage 1	-	781	-939	-158
Transfer from stage 3 to stage 2	-	3 330	-3 753	-423
New assets	145 721	2 732	-	148 453
Assets derognised	-195 401	-71 244	-17 236	-283 880
Changes in foreign exchange and other changes	-39 739	-13 808	-2 430	-55 978
<b>Gross carrying amount as at 30.06.2020</b>	<b>1 960 559</b>	<b>496 860</b>	<b>312 384</b>	<b>2 769 803</b>
<i>Transfers in Q3 2020:</i>				
Transfer from stage 1 to stage 2	-104 650	104 087	-	-563
Transfer from stage 1 to stage 3	-4 079	-	4 625	546
Transfer from stage 2 to stage 1	68 115	-74 749	-	-6 634
Transfer from stage 2 to stage 3	-	-16 966	17 012	46
Transfer from stage 3 to stage 1	-	581	-659	-78
Transfer from stage 3 to stage 2	-	1 160	-2 163	-1 004
New assets	464 476	14 724	-	479 199
Assets derognised	-185 463	-59 998	-20 388	-265 849
Changes in foreign exchange and other changes	16 309	4 247	4 459	25 015
<b>Gross carrying amount as at 30.09.2020</b>	<b>2 215 266</b>	<b>469 945</b>	<b>315 270</b>	<b>3 000 481</b>
<i>Transfers in Q4 2020:</i>				
Transfer from stage 1 to stage 2	-110 739	111 163	-	424
Transfer from stage 1 to stage 3	-3 648	-	3 743	94
Transfer from stage 2 to stage 1	163 208	-171 246	-	-8 038
Transfer from stage 2 to stage 3	-	-22 397	22 530	133
Transfer from stage 3 to stage 1	-	553	-2 785	-2 233
Transfer from stage 3 to stage 2	-	455	-525	-70
New assets	405 840	8 539	1 358	415 738
Assets derognised	-205 947	-59 742	-171 080	-436 769
Changes in foreign exchange and other changes	-54 104	-13 106	-261	-67 471
<b>Gross carrying amount as at 31.12.2020</b>	<b>2 409 876</b>	<b>324 163</b>	<b>168 250</b>	<b>2 902 289</b>

## Reconciliation of loan loss allowances

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 01.01.2020</b>	<b>24 774</b>	<b>39 604</b>	<b>108 762</b>	<b>173 139</b>
<i>Transfers in Q1 2020:</i>				
Transfer from stage 1 to stage 2	-4 120	18 435	-	14 315
Transfer from stage 1 to stage 3	-154	-	1 485	1 331
Transfer from stage 2 to stage 1	1 954	-6 268	-	-4 315
Transfer from stage 2 to stage 3	-	-2 897	8 304	5 407
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	119	-776	-657
New assets originated or change in provisions	3 861	2 289	-	6 150
Assets derognised or change in provisions	-408	-8 981	1 773	-7 616
Changes in foreign exchange and other changes	2 321	3 614	7 802	13 737
<b>Expected credit losses as at 31.03.2020</b>	<b>28 229</b>	<b>45 914</b>	<b>127 349</b>	<b>201 491</b>
<i>Transfers in Q2 2020:</i>				
Transfer from stage 1 to stage 2	-3 383	13 158	-	9 775
Transfer from stage 1 to stage 3	-130	-	827	697
Transfer from stage 2 to stage 1	2 117	-7 605	-	-5 488
Transfer from stage 2 to stage 3	-	-3 395	7 779	4 383
Transfer from stage 3 to stage 1	-	111	-244	-133
Transfer from stage 3 to stage 2	-	211	-946	-735
New assets originated or change in provisions	1 402	224	-	1 626
Assets derognised or change in provisions	-2 699	-6 311	960	-8 049
Changes in foreign exchange and other changes	-917	-1 555	3 594	1 122
<b>Expected credit losses as at 30.06.2020</b>	<b>24 619</b>	<b>40 753</b>	<b>139 318</b>	<b>204 689</b>
<i>Transfers in Q3 2020:</i>				
Transfer from stage 1 to stage 2	-2 359	9 859	-	7 500
Transfer from stage 1 to stage 3	-21	-	1 078	1 056
Transfer from stage 2 to stage 1	1 668	-6 038	-	-4 370
Transfer from stage 2 to stage 3	-	-1 676	4 009	2 334
Transfer from stage 3 to stage 1	-	47	-165	-118
Transfer from stage 3 to stage 2	-	93	-771	-678
New assets originated or change in provisions	4 714	1 398	-	6 112
Assets derognised or change in provisions	-2 169	-5 874	-17	-8 059
Changes in foreign exchange and other changes	139	432	4 284	4 855
<b>Expected credit losses as at 30.09.2020</b>	<b>26 591</b>	<b>38 996</b>	<b>147 735</b>	<b>213 322</b>
<i>Transfers in Q4 2020:</i>				
Transfer from stage 1 to stage 2	-2 320	10 549	-	8 229
Transfer from stage 1 to stage 3	-82	-	850	768
Transfer from stage 2 to stage 1	2 873	-8 688	-	-5 815
Transfer from stage 2 to stage 3	-	-2 359	5 231	2 871
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	63	-1 208	-1 144
New assets originated or change in provisions	3 096	721	120	3 936
Assets derognised or change in provisions	-2 181	-6 254	-72 052	-80 487
Changes in foreign exchange and other changes	-731	-1 326	-8 269	-10 326
<b>Expected credit losses as at 31.12.2020</b>	<b>27 246</b>	<b>31 700</b>	<b>72 407</b>	<b>131 353</b>

## Expected Credit Loss

Instabank apply the IFRS9 framework and methodology consisting of three stages of impairment when calculating Expected Credit Loss (ECL). The three stages include Stage 1 which consist of non-impaired exposure, Stage 2 which consist of exposure where credit risk has significantly increased since origination and Stage 3 which consist of observed impairment exposure following a 90 days past due definition. Following the non-observed and observed default definition, LGD is approached by separating pre-default and post-default LGD where the latter is used for Stage 3 ECL calculation. The overall staging criteria is based on a combination of observed events, past due observations and submodels predicting the probability of default (PD), exposure at default (EAD) and loss given default (LGD). Predictions follow a 12-month accumulation in Stage 1, while Stage 2 and 3 follow a lifetime approach.

## Significant increase in credit risk

Stage 2 consist of exposure where credit risk has significantly increased since origination following several different criteria, including early past due observations (30 - 90 days), current forbearance history and increase in probability of default (PD) between origination and the reporting date. The latter predictive model employs historical behavior data in order to predict the probability of default in the next 12 months, where default is defined as 90 days past due. The below table show the trigger thresholds that define a significant increase in PD origination and the reporting date.

	Norway	Finland	Sweden
Low Risk at origination	300 %	300 %	300 %
High Risk at origination	150 %	110 %	110 %

## Macroeconomic input to ECL model

Instabank has employed three macroeconomic models for each country in measuring ECL in accordance with difference macroeconomic scenarios, including a pessimistic, baseline and optimistic scenario. The models explain historical correlation between macroeconomic indicators and portfolio default levels and future projection of the macroeconomic indicators in turn adjust PD according to model correlations and the model variables. The macroeconomic projections are based on the NiGEM-model developed by UK's Institute of Economic and Social Research and the model parameters vary per country due to differences in goodness-of-fit between macroeconomic indicators and the portfolio default levels and its development. In addition, macroeconomic indicators are evaluated in terms of economic logic towards probability of default. In the Norway model, "Employment Rate" is the ratio between the Employment and the Population Working Age, and in the Sweden and Finland model, Consumption is shown in millions and employed as the increase of the Consumption being an indicator for improving economic conditions and incomes with a further expectancy of a decrease in probability of default.

NORWAY	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
<i>Employment rate</i>	77,87 %	77,83 %	78,14 %	78,50 %	78,52 %	78,64 %	79,47 %	79,58 %	79,59 %
<i>3-Month NIBOR</i>	0,65	0,65	1,37	0,65	0,65	1,66	0,65	0,72	1,95

FINLAND	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
<i>Unemployment rate</i>	8,53 %	7,72 %	6,76 %	7,17 %	6,69 %	6,41 %	6,66 %	6,26 %	6,19 %
<i>Consumption</i>	8 927	9 140	9 476	9 099	9 246	9 765	9 284	9 439	10 058

SWEDEN	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
<i>Unemployment rate</i>	8,89 %	8,35 %	7,01 %	7,62 %	7,31 %	6,76 %	7,31 %	6,97 %	6,56 %
<i>Consumption</i>	178 329	180 390	189 985	182 546	186 601	202 192	188 329	194 333	214 708

## ECL sensitivity between macro scenarios

The weighting of the scenarios was unaltered at [30 % pessimistic - 40 % baseline - 30 % optimistic] during Q4 after an update in Q2 of future projection of macroeconomic indicators, including short and long term effects of COVID-19. The projections reflect a worsening in all employment and consumption based indicators, especially in shorter term, and in addition cause ECL per scenario to differ to a greater extent. The projections of macroeconomic indicators including impacts due to COVID-19 and its impact on defaults are still uncertain at this time due to the net effect of worsening macroeconomic conditions and the numerous governments supports at different levels, hence the equal probability weighting of the pessimistic and optimistic scenario occurring in the final ECL.

<b>NOK 1000</b>	<b>Norway</b>	<b>Finland</b>	<b>Sweden</b>	<b>SUM</b>
Pessimistic scenario	86 173	55 739	3 863	145 775
Baseline scenario	72 235	53 901	2 886	129 022
Optimistic scenario	66 299	51 430	2 310	120 038
Final ECL	74 636	53 711	3 006	131 353

## Note 3: Regulatory capital and LCR

<b>NOK 1000</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Share capital	332 642	332 642
Share premium	178 192	178 192
Other equity	31 944	56 792
Phase in effects of IFRS 9	44 863	
Deferred tax asset/intangible assets/other deductions	-30 367	-30 319
<b>Common equity tier 1 capital</b>	<b>557 275</b>	<b>537 307</b>
Additional tier 1 capital	40 900	40 900
<b>Core capital</b>	<b>598 175</b>	<b>578 207</b>
Subordinated loan	56 000	40 000
<b>Total capital</b>	<b>654 175</b>	<b>618 207</b>
Calculation basis - NOK 1000		
Credit risk:		
Loans and deposits with credit institutions	40 624	36 704
Exposures secured by mortgages	60 331	
Retail exposures	1 927 423	1 883 067
Certificates and bonds	149 499	69 995
Other assets	103 451	115 084
Exposures in default	89 308	185 968
Calculation basis credit risk	<b>2 370 635</b>	<b>2 290 818</b>
Calculation basis operational risk	434 202	333 110
<b>Total calculation basis</b>	<b>2 804 837</b>	<b>2 623 928</b>
<b>Capital ratios including phase in impact of IFRS 9:</b>		
Common equity Tier 1 Capital ratio	19,9 %	20,5 %
Tier 1 capital ratio	21,3 %	22,0 %
<b>Total capital ratio</b>	<b>23,3 %</b>	<b>23,6 %</b>
<b>Capital ratios excluding phase in impact of IFRS 9:</b>		
Common equity Tier 1 Capital ratio	18,5 %	
Tier 1 capital ratio	20,0 %	
Total capital ratio	22,0 %	
<b>Regulatory capital requirements:</b>		
Common equity Tier 1 Capital ratio	16,8 %	17,7 %
Tier 1 capital ratio	18,3 %	19,2 %
Total capital ratio	20,3 %	21,2 %
<b>LCR Total</b>	<b>258 %</b>	<b>301 %</b>
LCR NOK	165 %	202 %
LCR EUR	221 %	122 %
LCR SEK	564 %	242 %

## Note 4: Financial instruments

### Financial instruments at fair value

Level 1: Valuation based on quoted prices in an active market.

Level 2: Valuation is based on observable market data, other than quoted prices. For derivatives, the fair value is determined by using valuation models where the price of underlying factors, such as currencies. For certificates and bonds, valuation is based on market value reported from the fund and asset managers.

Level 3: Valuation based on unobservable market data when valuation cannot be determined in level 1 or 2.

#### Assets

<b>NOK 1000</b>	<b>31.12.20</b>	<b>01.01.20</b>
Certificates and bonds - level 2	889 664	516 194
Derivates - level 2	1 972	12 407

#### Liabilities

<b>NOK 1000</b>	<b>31.12.20</b>	<b>01.01.20</b>
Derivatives - level 2	123	381

### Financial instruments at amortized cost

Financial instruments at amortized cost are valued at originally determined cash flows, adjusted for any impairment losses.

<b>NOK 1000</b>	<b>31.12.20</b>	<b>01.01.20</b>
Loans and deposits with credit institutions	202 601	183 014
Net loans to customers	2 770 936	2 696 724
Other receivables	93 065	102 113
<b>Total financial assets at amortised cost</b>	<b>3 066 602</b>	<b>2 981 852</b>
Deposits from and debt to customers	3 303 998	2 848 737
Other debt	14 706	22 378
Subordinated loans	56 000	40 000
<b>Total financial liabilities at amortised cost</b>	<b>3 374 704</b>	<b>2 911 115</b>

## Note 5: Leasing obligation

The bank has a right to use asset for lease of offices in Drammensveien 175 in Oslo. The leases liability is 7.8 MNOK and expires 30.06.2024. The right of use asset is 8.2 MNOK and is measured at amortised cost using the effective interest method and is depreciated using the straight-line method. Instabank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.