



# INSTABANK ASA

INTERIM REPORT Q1 2021

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## Key highlights & developments:

- ★ **Strong net loans growth of 184 MNOK**  
Growth of 244 MNOK adjusted for negative currency effects
- ★ **Mortgage product growth of 177 MNOK, 70 % higher than Q4-20**  
Mortgage volume hits 19 % of total loans in Norway
- ★ **Profit before tax of 18.7 MNOK, after tax 14.0 MNOK**  
Increase in profits of 160 % from Q1-20
- ★ **Coop Byggekonto product roll-out completed**  
Customers can now choose between paying with the Coopay app, the Coop Byggekonto Mastercard or by mobile using an Instabank QR code. Customer's preference is 1/3 on each alternative



# We value progress

## INTERIM REPORT Q1 2021

### 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 Q1, 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 Q1-21, Instabank had 35 full-time employees and 7 part-time employees.



## Operational Developments

Instabank has a growth target of 1 billion NOK in net loans in 2021, and in the first quarter of 2021, Instabank delivered according to plan. Net loans growth in the quarter was 184 MNOK. Adjusted for negative currency effects, growth was 244 MNOK.

The mortgages product, launched in the middle of last year, more than doubled in net loans during Q1-21 to 340 MNOK by the end of the quarter, representing a quarterly growth of 177 MNOK. Increased direct marketing efforts, at an attractive acquisition cost, was the main driver behind the improved growth rate. Loan yield remains relatively stable above 7 % and credit risk measures in terms of loans past due is still strong as only 2.4 % of the volume is more than 30 days past due. By the end of the quarter, mortgages were 19 % of total net loans in Norway.

Instapay Mastercard continues its strong growth. Interest carrying balance reached 151 MNOK by the end of Q1-21, representing a growth of 23 MNOK in the quarter. 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.

Total net loans growth in Norway for all products came in at 215 MNOK.

In Finland, the government prolonged the interest cap of 10 % until the end of Q3-21. Along with restrictions on the marketing of consumer loans, this put margins and disbursed volume under pressure. However, adjusted for negative currency effects, Instabank managed to grow net loans by 29 MNOK. Unadjusted for currency effects, net loans were reduced by 30 MNOK.

In Sweden, net loans decreased by 1 MNOK, heavily affected by a negative currency effect of 7 MNOK. The Swedish market remains very competitive with a large risk and rate span, and therefore Instabank finds Sweden less attractive than other markets for the time being.

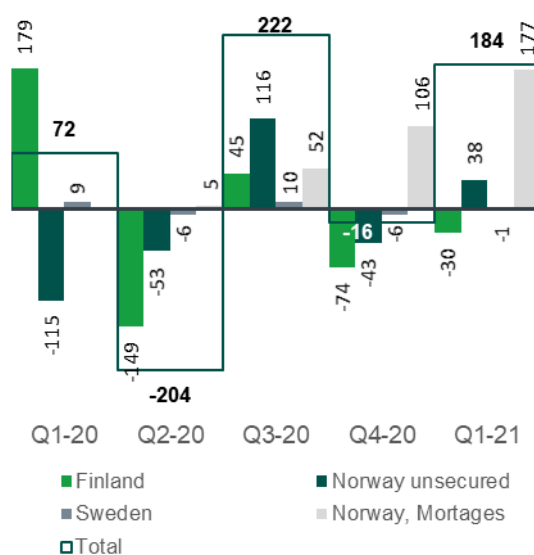
Until the reporting date, the pandemic's economic consequences have not negatively impacted the customers' payment behaviour.

Most of the bank's employees are still working from their homes and the employees have demonstrated high adaptability and flexibility to the situation. The bank has been fully operational during the pandemic.

## Balance Sheet

Net loans increased by 184.4 MNOK in Q1-21. Of total net loans of 2,955 MNOK, 40 % was outside Norway at the end of the quarter, down from 44 % at the end of Q4-20.

Net loan balance growth (MNOK):



Deposits from customers increased by 36 MNOK to 3,340 MNOK at 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 19.6 %, and the total capital ratio was 23.0 % at the end of Q1-21, 2.7 % points above the total regulatory capital requirement of 20.3 %.

Total assets at the end of Q1-21 were 4.059 MNOK.

At the end of Q1-21, the bank had 56,652 customers, of which 43,289 were loan customers, and 13,363 were deposit customers.

## Profit and Loss

Interest income decreased by 3.6 MNOK from Q4-20 to 80.5 MNOK in Q1-21 as the quarter had two fewer interest days than the previous quarter and a decrease in average loan yield as the share of mortgages volume increased. Although deposits volume increased, the interest expenses were reduced by 2,5 MNOK or 20 % from the previous quarter to 9,6 MNOK in Q1-21. As a result of decreased deposit rates. The average deposit rate was 0.90 % in the quarter, compared to 1.15 % in the previous quarter. Net interest income came in at 70.9 MNOK, compared to 72.0 MNOK in Q4-20.

Net other income improved 1.7 MNOK from Q4-20 to minus 0.3 MNOK in Q1-21. Income commission and fees were up 0.5 MNOK to 13.6 MNOK, hitting its highest level ever, due to strong insurance sales.

Total income came in at 70.6 MNOK, up 0.5 MNOK from the previous quarter.

Total operating expenses were stable compared to the previous quarter and came in at 31.7 MNOK. Increased marketing expenses offset a decrease in employee bonus provisions.

Losses on loans remained relatively low and were 20.2 MNOK or 2.7 % off average gross loans in the period, compared to 19,3 MNOK/ 2.6 % in the previous quarter. The share of loans past due 1-30 by the end of the quarter was 12.9 %, significantly lower than one year earlier when it was 16.5 %. The improvement in payment behavior is assumed to be a consequence of an increased share of mortgages in the loan portfolio, improved liquidity for most of our customers, and improved credit quality.

The share of non-performing loans was only 6.3 %, up from 5.6 % per end of Q4-20. The increase is mainly because the forward flow agreements in all three countries ended during the quarter and were not prolonged.

Profit before tax was 18.7 MNOK, and net profit was 14.0 MNOK, up from 5,3 MNOK in the same quarter last year. Return on equity was 10.2 %, up from 4.0 % in Q1-20.

## Outlook

The Covid-19 outbreak is still ongoing. We have experienced that the government is willing to intervene forcefully in daily life to avoid a severe 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. The severity and length of the downturn will mainly result from when enough people have been vaccinated, which is expected to occur during Q3-21. When that happens, restrictions are expected to be eased, and experience indicates it will lead to a fast economic recovery.

With a strong capital and liquidity situation, a flexible business model across three markets, a rapidly increasing share of secured loans 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 mortgage product introduced in 2020 to contribute significantly to profitable growth, lowered credit risk, and an increasingly diversified loan book going forward.

Instabank reiterates the ambitions for 2021 with a 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

There has been a limited review of the accounts in accordance with ISRE 2410 as of 31.03.21 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, May 5th, 2021  
Board of Directors, Instabank ASA

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

NOK 1000	Note	Q1-2021	Q1-2020	YTD 2021	YTD 2020	Year 2020
Interest Income using the effective interest method		80 501	83 432	80 501	83 432	329 515
Other interest income		0	0	0	0	400
Interest expenses		9 587	12 531	9 587	12 531	51 346
<b>Net interest income</b>		<b>70 914</b>	<b>70 901</b>	<b>70 914</b>	<b>70 901</b>	<b>278 568</b>
Income commissions and fees		13 621	8 411	13 621	8 411	41 067
Expenses commissions and fees		15 755	16 730	15 755	16 730	64 888
Net gains/loss on foreign exchange and securities classified as current assets		1 865	4 419	1 865	4 419	8 380
<b>Net other income</b>		<b>-268</b>	<b>-3 900</b>	<b>-268</b>	<b>-3 900</b>	<b>-15 441</b>
<b>Total income</b>		<b>70 646</b>	<b>67 001</b>	<b>70 646</b>	<b>67 001</b>	<b>263 127</b>
Salary and other personnel expenses		12 327	8 164	12 327	8 164	41 666
Other administrative expenses, of which:		14 360	13 925	14 360	13 925	52 920
- <i>direct marketing cost</i>		2 393	3 136	2 393	3 136	6 996
Other expenses		1 511	1 674	1 511	1 674	5 878
Depreciation and amortisation		3 490	2 980	3 490	2 980	12 742
<b>Total operating expenses</b>		<b>31 687</b>	<b>26 743</b>	<b>31 687</b>	<b>26 743</b>	<b>113 206</b>
Losses on loans	2	20 256	33 131	20 256	33 131	92 911
<b>Operating profit before tax</b>		<b>18 702</b>	<b>7 127</b>	<b>18 702</b>	<b>7 127</b>	<b>57 010</b>
Tax expenses		4 676	1 782	4 676	1 782	14 331
<b>Profit and other comprehensive income for the period</b>		<b>14 027</b>	<b>5 345</b>	<b>14 027</b>	<b>5 345</b>	<b>42 679</b>
Earnings per share (NOK)		0,04	0,02	0,04	0,02	0,13
Diluted earnings per share (NOK)		0,04	0,02	0,04	0,02	0,13

## Condensed statement of financial position

NOK 1000	Note	31.03.2021	31.03.2020	31.12.2020
Loans and deposits with credit institutions	3, 4	209 131	229 380	202 601
Loans to customers	3, 4	3 040 171	2 859 294	2 852 172
Certificates and bonds	3, 4	754 657	328 138	889 664
Other intangible assets	3, 5	28 752	28 703	29 478
Fixed assets	3	7 827	10 414	8 414
Derivatives	3	1 623	2 069	1 972
Other receivables	3, 4	17 327	99 758	11 829
<b>Total assets</b>		<b>4 059 489</b>	<b>3 557 756</b>	<b>3 996 129</b>
Deposit from and debt to customers	4	3 340 513	2 887 298	3 303 998
Other debts	4	17 620	2 168	14 583
Accrued expenses and liabilities		39 420	21 885	34 178
Derivatives		233	36 396	123
Deferred tax		3 569	4 895	3 569
Tax payable		4 676	-	-
Subordinated loan capital	3	56 000	56 000	56 000
<b>Total liabilities</b>		<b>3 462 031</b>	<b>3 008 644</b>	<b>3 412 451</b>
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	45 724	-2 622	31 944
Additional Tier 1 capital	3	40 900	40 900	40 900
<b>Total equity</b>		<b>597 459</b>	<b>549 113</b>	<b>583 679</b>
<b>Total liabilities and equity</b>		<b>4 059 489</b>	<b>3 557 756</b>	<b>3 996 129</b>

## Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 01.01.2020	332 642	178 192	40 900	-7 299	544 435
Capital issuance					-
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>583 678</b>
Profit for the period				14 027	14 027
Changes in warrants				596	596
Paid interest on Tier 1 Capital				-842	-842
<b>Equity per 31.03.2021</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>45 724</b>	<b>597 459</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, as presentation of statement of cashflows. For further information see note 1 accounting principles in the annual report of 2020.

The interim report was approved by the board of directors on May 5th, 2021.

## Note 2: Loans to customers

### Gross and net lending:

<b>NOK 1000</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Revolving credit loans	546 522	610 702	548 789
Installment loans, unsecured	2 205 648	2 359 744	2 190 544
Installment loans, secured	343 372		162 956
Prepaid agent commission	84 795	90 339	81 236
<b>Gross lending</b>	<b>3 180 337</b>	<b>3 060 785</b>	<b>2 983 524</b>
Impairment of loans	-140 166	-201 491	-131 353
<b>Net loans to customers</b>	<b>3 040 171</b>	<b>2 859 294</b>	<b>2 852 172</b>

### Credit impaired and losses:

<b>NOK 1000</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Gross credit impaired loans (stage 3 from 01.01.20)	196 226	300 688	161 957
Individual impairment of credit impaired loans (stage 3 from 01.01.20)	-81 709	-127 347	-72 867
<b>Net credit impaired loans</b>	<b>114 517</b>	<b>173 340</b>	<b>89 090</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>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Loans not past due	2 371 475	2 004 929	2 254 712
Past due 1-30 days	398 201	491 351	364 889
Past due 31-60 days	102 084	131 807	87 209
Past due 61-90 days	27 556	41 672	33 765
Past due 91+ days	196 226	300 688	161 714
<b>Total</b>	<b>3 095 542</b>	<b>2 970 446</b>	<b>2 902 289</b>

	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Loans not past due	76,6 %	67,5 %	77,7 %
Past due 1-30 days	12,9 %	16,5 %	12,6 %
Past due 31-60 days	3,3 %	4,4 %	3,0 %
Past due 61-90 days	0,9 %	1,4 %	1,2 %
Past due 91+ days	6,3 %	10,1 %	5,6 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

### Geographical distribution:

<b>NOK 1000</b>	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.12.2020</b>
Norway	1 852 383	1 507 893	1 635 958
Finland	1 130 625	1 347 101	1 154 044
Sweden	112 534	115 451	112 286
<b>Gross lending excl. prepaid agent provisions</b>	<b>3 095 542</b>	<b>2 970 445</b>	<b>2 902 289</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>
<i>Transfers in Q1 2021:</i>				
Transfer from stage 1 to stage 2	-202 969	200 131	-	-2 838
Transfer from stage 1 to stage 3	-10 703	-	10 922	220
Transfer from stage 2 to stage 1	56 907	-64 562	-	-7 656
Transfer from stage 2 to stage 3	-	-32 063	32 039	-24
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 522	-1 895	-373
New assets	527 015	11 706	101	538 821
Assets derognised	-227 132	-38 135	-11 045	-276 312
Changes in foreign exchange and other changes	-48 751	-7 687	-2 146	-58 585
<b>Gross carrying amount as at 31.03.2021</b>	<b>2 504 242</b>	<b>395 074</b>	<b>196 226</b>	<b>3 095 542</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>
<i>Transfers in Q1 2021:</i>				
Transfer from stage 1 to stage 2	-3 509	14 345	-	10 836
Transfer from stage 1 to stage 3	-271	-	2 195	1 924
Transfer from stage 2 to stage 1	1 457	-5 338	-	-3 881
Transfer from stage 2 to stage 3	-	-3 441	7 364	3 923
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	114	-428	-314
New assets originated or change in provisions	3 593	883	25	4 500
Assets derognised or change in provisions	-994	-5 790	-668	-7 453
Changes in foreign exchange and other changes	-636	-901	815	-723
<b>Expected credit losses as at 31.03.2021</b>	<b>26 885</b>	<b>31 571</b>	<b>81 709</b>	<b>140 166</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. 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 %	77,86 %	78,18 %	78,51 %	78,46 %	78,69 %	79,39 %	79,51 %	79,57 %
<i>3-Month NIBOR</i>	0,65	0,65	1,31	0,65	0,65	1,59	0,65	0,67	1,88

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>	8,96 %	7,85 %	6,84 %	7,32 %	6,75 %	6,43 %	6,83 %	6,39 %	6,20 %
<i>Consumption</i>	8 807	9 119	9 450	9 041	9 216	9 732	9 234	9 401	10 020

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>	9,11 %	8,43 %	7,02 %	7,86 %	7,37 %	6,76 %	7,55 %	7,06 %	6,56 %
<i>Consumption</i>	177 513	179 938	189 092	181 242	185 738	201 201	186 733	192 869	215 162

## ECL sensitivity between macro scenarios

The weighting of the scenarios was unaltered at [30 % pessimistic - 40 % baseline - 30 % optimistic] during Q1-2021 after an update in Q2-2020 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	82 601	62 567	5 095	150 263
Baseline scenario	75 490	59 978	3 830	139 299
Optimistic scenario	70 959	57 178	3 086	131 224
Final ECL	76 264	59 915	3 987	140 166

## Note 3: Regulatory capital and LCR

NOK 1000	31.03.2021	31.03.2020	31.12.2020
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	45 724	-2 622	31 944
Phase in effects of IFRS 9	32 045	49 998	44 863
Deferred tax asset/intangible assets/other deductions	-29 506	-29 030	-30 367
<b>Common equity tier 1 capital</b>	<b>559 098</b>	<b>529 180</b>	<b>557 275</b>
Additional tier 1 capital	40 900	40 900	40 900
<b>Core capital</b>	<b>599 998</b>	<b>570 080</b>	<b>598 175</b>
Subordinated loan	56 000	56 000	56 000
<b>Total capital</b>	<b>655 998</b>	<b>626 080</b>	<b>654 175</b>
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	42 052	46 067	40 624
Exposures secured by mortgages	127 188		60 331
Retail exposures	1 906 234	1 988 552	1 927 423
Certificates and bonds	126 863	29 671	149 499
Other assets	111 572	202 580	103 451
Exposures in default	107 733	173 340	89 308
Deferred tax IFRS 9 phase inn effect		53 409	
Calculation basis credit risk	<b>2 421 642</b>	<b>2 493 619</b>	<b>2 370 635</b>
Calculation basis operational risk	434 202	333 110	434 202
<b>Total calculation basis</b>	<b>2 855 844</b>	<b>2 826 729</b>	<b>2 804 837</b>
<b>Capital ratios including phase in impact of IFRS 9:</b>			
Common equity Tier 1 Capital ratio	19,6 %	18,7 %	19,9 %
Tier 1 capital ratio	21,0 %	20,2 %	21,3 %
<b>Total capital ratio</b>	<b>23,0 %</b>	<b>22,1 %</b>	<b>23,3 %</b>
<b>Capital ratios excluding phase in impact of IFRS 9:</b>			
Common equity Tier 1 Capital ratio	18,6 %		
Tier 1 capital ratio	20,1 %		
Total capital ratio	22,1 %		
<b>Regulatory capital requirements:</b>			
Common equity Tier 1 Capital ratio	16,8 %	16,7 %	16,8 %
Tier 1 capital ratio	18,3 %	18,2 %	18,3 %
Total capital ratio	20,3 %	20,2 %	20,3 %
<b>LCR Total</b>	<b>251 %</b>	<b>282 %</b>	<b>258 %</b>
LCR NOK	189 %	200 %	165 %
LCR EUR	133 %	209 %	221 %
LCR SEK	595 %	305 %	564 %

## 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.

<b>NOK 1000</b>	<b>31.03.21</b>	<b>31.03.20</b>	<b>31.12.20</b>
Certificates and bonds - level 2	754 657	328 138	889 664
Derivatives- level 2	1 623	2 069	1 972

#### Liabilities

<b>NOK 1000</b>	<b>31.03.21</b>	<b>31.03.20</b>	<b>31.12.20</b>
Derivatives - level 2	233	36 396	123

### 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>31.03.21</b>	<b>31.03.20</b>	<b>31.12.20</b>
Loans and deposits with credit institutions	209 131	229 380	202 601
Net loans to customers	2 955 376	2 768 955	2 770 936
Other receivables	102 122	190 097	93 065
<b>Total financial assets at amortised cost</b>	<b>3 266 629</b>	<b>3 188 432</b>	<b>3 066 602</b>
Deposits from and debt to customers	3 340 513	2 887 298	3 303 998
Other debt	22 528	38 565	14 706
Subordinated loans	56 000	56 000	56 000
<b>Total financial liabilities at amortised cost</b>	<b>3 419 042</b>	<b>2 981 863</b>	<b>3 374 704</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 7,9 MNOK and expires 30.06.2024. The right of use asset is 7,6 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.



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To the Board of Directors of Instabank ASA

## Report on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Instabank ASA as of 31 March 2021, the condensed statements of profit or loss and other comprehensive income and the statement of changes in equity for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the accounting policies described in note 1. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 31 March 2021, and its financial performance for the three-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 5 May 2021  
KPMG AS

Svein Arthur Lyngroth  
*State Authorised Public Accountant*

#### Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund