



Alt blir litt lettere

INSTABANK ASA  
INTERIM REPORT Q1 2022

# INTERIM REPORT Q1 2022

Key highlights & developments:

- ★ **Profit before tax of 25.2 MNOK, after tax 20.6 MNOK**  
*Profit after tax up 47 % from Q1-21*
- ★ **Net loans growth of 153 MNOK**  
*Adjusted for negative currency effects, growth was 194 MNOK*
- ★ **Mortgages volume growth of 149 MNOK**  
*Mortgages now represents 29 % of total net loans and 44 % of net loans in Norway*
- ★ **Instabank is likely to become a part of Lunar after successful bid**  
*The completion of the offer is subject to regulatory approval*



# We value progress

## INTERIM REPORT Q1 2022

### 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.

At the end of Q1-22, Instabank had 37 full-time employees and 15 part-time employees.

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 highly customisable, and payment plans range from three to fifteen years, or a flexible credit facility. Instabank also offers deposits in Germany through a partnership with Raisin Bank.

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.

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 invest 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 26 agents, 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.

On 28th of March, Lunar Bank launched an offer to acquire all shares of Instabank. On the 12th of April Lunar announced that the minimum 90% acceptance condition was met. The completion of the offer is subject to regulatory approval.



Alt blir litt lettere



## Operational Developments

The growth in net loans came in at 153 MNOK in Q1-22, or 194 MNOK adjusted for negative currency effects. The mortgage volume increased by 149 MNOK in the quarter.

The growth comes as a result of solid performance throughout the organisation who successfully delivers on the strategy, effective operations, distribution, and product offerings meeting customer demands. Instabank continued its path towards becoming a well-diversified bank with lower credit risk as the mortgage product increased to 44 % of net loans in Norway and 29 % of total net loans, up from 40 %/ 26 % per the end of Q4-2021.

The mortgage product has proven to be an attractive and simple solution for those seeking to refinance unsecured loans and are homeowners. We offer them a solution where they utilise the value of their home to achieve a lower interest rate and thus increased disposable income. We do not demand that customers do a complete restructuring of their debt, including their current mortgage, and do not offer the product to high-risk customers with loans in default. Depending on what is the best economic solution for the customer, we offer to refinance their unsecured debt in a second- or first-priority mortgage. Up until now, the majority of Instabank's disbursed mortgages are refinancing of unsecured debt.

In Finland, the market has improved after the governmental restrictions on consumer loans with an interest cap of 10 % and restrictions for the marketing of consumer loans, ended by the end of Q3-21. Growth in net loans in the quarter came in at 68 MNOK or 104 MNOK adjusted for negative currency effects, up 50 MNOK from the previous quarter.

In Sweden, Instabank does not allocate capital to growth as the loan yield is the lowest among the three countries Instabank operates in. As a result, net loans declined by 20 MNOK.

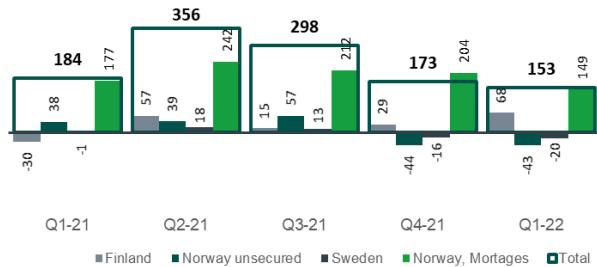
Although our customers have experienced increased electricity prices and interest rates on lending, share of loans past due had good performance in the quarter. By the end of Q1-22, only 8.8 % of total loans were 1-30 days past due, hitting its lowest level since Q1-17.

Non-performing loans (NPL) volume was 339 MNOK at the end of the quarter, only 8.2 % of total gross loans. Instabank does not currently have any forward flows agreement as we find it more attractive to make one-off NPL sales. On 24th of February 2022, Instabank announced an agreement to sell a NPL portfolio in Norway representing a gross value of 93 MNOK. The transaction is expected to be closed in the second quarter of 2022.

## Balance Sheet

Net loans to customers increased by 153 MNOK in Q1-22 to 3,936 MNOK.

*Net loan balance growth (MNOK):*



Deposits from customers increased by 297 MNOK to 4,344 MNOK at the end of the quarter.

Common equity Tier 1 Capital ratio was 19.3 %, and the total capital ratio was 22.3 % at the end of Q1-22, 2.0 % points above the total regulatory capital requirement of 20.3 %.

Total assets at the end of Q1-22 were 5,155 MNOK.

At the end of Q1-22, the bank had 67,678 customers, of which 50,134 were loan customers and 17,544 were deposit customers.

## Profit and Loss

Net interest income came in at 78,2 MNOK, down from 79.9 MNOK in the previous quarter and up from 58,4 MNOK compared to Q1-21 (up 34%). The decrease from previous quarter resulted from fewer interest days in Q1-22 and increased interest expenses as deposit volumes increased by 297 MNOK.

Net other income was negatively impacted by a decline in the value of securities of 2.5 MNOK due to market turmoil caused by the ongoing war in Ukraine. Net other income came in at 7.1 MNOK, down from 9.8 MNOK in the previous quarter.

Total income came in at 85,4 MNOK, down from 89.8 MNOK in the previous quarter and up 14 MNOK/ 21 % from the same quarter last year following growth in net loans.

The Lunar bid process impacted operating expenses. When the Lunar bid for all shares in Instabank was announced, the share price increased, causing an increase in provisions for social security cost for the warrants of 3.2 MNOK. Advisory expenses related to the due diligence process in the quarter amounted to 1 MNOK. Total operating expenses came in at 39.7 MNOK and adjusted for one-offs, 35.4 MNOK.

Losses on loans came in at 20.5 MNOK or 2.0 % of gross loans to customers, down from 23. MNOK/ 2.4 % in Q4-21. The decrease is because of an increased share of low-risk mortgages in the quarter and historical low share loans past due 1-30 days.

Instabank reports a profit before tax of 25.2 MNOK, and after-tax of 20.6 MNOK in Q1-22, representing a 47 % increase in net profit before tax from the same quarter last year when net profit after tax came in at 14.0 MNOK.

## Outlook

On 28th of March, Lunar Bank launched an offer to acquire all shares of Instabank. On the 12th of April Lunar announced that the minimum 90% acceptance condition was met. The completion of the offer is subject to regulatory approval.

The Instabank team are excited over the opportunity to become part of Lunar and together challenge, innovate and build an even stronger Nordic entity. We are convinced that the joint companies will benefit our customers, employees and stakeholders. We are impressed with the Lunar team, products and customer solutions and their remarkable achievements in the tech and banking sectors. Teamed together, we will lead the transformation of the Nordic banking markets, both for private and business customers, and offer banking services in a new and better way.

The Norwegian Ministry of Finance has decided to increase the countercyclical capital buffer to 1.5 per cent as of 30th June 2022, followed by an increase to 2.0 per cent as of 31st December 2022 and to 2.5 per cent as of 31st March 2023.

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 31.03.22 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, May 5th, 2022  
Board of Directors, Instabank ASA

# Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	Q1-2022	Q1-2021	YTD 2022	YTD 2021	Year 2021
Interest Income effective interest method	6	90 297	67 999	90 297	67 999	319 931
Other interest income		196	0	196	0	104
Interest expenses		12 248	9 587	12 248	9 587	38 608
<b>Net interest income</b>		<b>78 244</b>	<b>58 412</b>	<b>78 244</b>	<b>58 412</b>	<b>281 427</b>
Income commissions and fees	6	11 473	10 492	11 473	10 492	44 535
Expenses commissions and fees	6	1 790	124	1 790	124	7 977
Net gains/loss on foreign exchange and securities classified as current assets		-2 546	1 865	-2 546	1 865	2 007
<b>Net other income</b>		<b>7 138</b>	<b>12 233</b>	<b>7 138</b>	<b>12 233</b>	<b>38 565</b>
<b>Total income</b>		<b>85 382</b>	<b>70 646</b>	<b>85 382</b>	<b>70 646</b>	<b>319 992</b>
Salary and other personnel expenses		17 291	12 327	17 291	12 327	50 324
Other administrative expenses, of which:		17 775	14 360	17 775	14 360	56 191
- <i>direct marketing cost</i>		3 228	2 393	3 228	2 393	6 996
Other expenses		1 562	1 511	1 562	1 511	6 315
Depreciation and amortisation		3 082	3 490	3 082	3 490	14 102
<b>Total operating expenses</b>		<b>39 711</b>	<b>31 687</b>	<b>39 711</b>	<b>31 687</b>	<b>126 932</b>
Losses on loans	2	20 476	20 256	20 476	20 256	80 882
<b>Operating profit before tax</b>		<b>25 195</b>	<b>18 702</b>	<b>25 195</b>	<b>18 702</b>	<b>112 177</b>
Tax expenses		4 548	4 676	4 548	4 676	28 726
<b>Profit and other comprehensive income for the period</b>		<b>20 647</b>	<b>14 027</b>	<b>20 647</b>	<b>14 027</b>	<b>83 451</b>
Earnings per share (NOK)		0,06	0,04	0,06	0,04	0,25
Diluted earnings per share (NOK)		0,06	0,04	0,06	0,04	0,25

# Condensed statement of financial position

NOK 1000	Note	31.03.2022	31.03.2021	31.12.2021
Loans and deposits with credit institutions	3, 4	191 450	209 131	281 279
Loans to customers	3, 4	3 988 389	3 015 839	3 832 071
Certificates and bonds	3, 4	933 611	754 657	679 759
Other intangible assets	3, 5	25 064	28 752	25 098
Fixed assets	3	5 390	7 827	5 909
Derivatives	3	4 105	1 623	1 213
Other receivables	3, 4	7 793	17 327	6 323
<b>Total assets</b>		<b>5 155 801</b>	<b>4 035 157</b>	<b>4 831 653</b>
Deposit from and debt to customers	4	4 344 527	3 340 513	4 047 128
Other debts	4	11 123	17 620	18 524
Accrued expenses and liabilities		18 729	15 087	11 261
Derivatives		1 231	233	338
Deferred tax		2 957	3 569	2 957
Tax payable		34 789	4 676	29 338
Subordinated loan capital	3	56 000	56 000	56 000
<b>Total liabilities</b>		<b>4 469 356</b>	<b>3 437 698</b>	<b>4 165 546</b>
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	134 710	45 724	114 373
Additional Tier 1 capital	3	40 900	40 900	40 900
<b>Total equity</b>		<b>686 445</b>	<b>597 459</b>	<b>666 107</b>
<b>Total liabilities and equity</b>		<b>5 155 801</b>	<b>4 035 157</b>	<b>4 831 653</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 01.01.2021</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>31 944</b>	<b>583 678</b>
Capital issuance					-
Profit for the period				83 451	<b>83 451</b>
Changes in warrants				2 368	<b>2 368</b>
Paid interest on Tier 1 Capital				-3 390	<b>-3 390</b>
<b>Equity per 31.12.2021</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>114 373</b>	<b>666 107</b>
Profit for the period				20 647	<b>20 647</b>
Changes in warrants				584	<b>584</b>
Paid interest on Tier 1 Capital				-893	<b>-893</b>
<b>Equity per 31.03.2022</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>134 710</b>	<b>686 445</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 2021. The interim report was approved by the board of directors on May 5<sup>th</sup>, 2022

## Note 2: Loans to customers

### Gross and net lending:

NOK 1000	31.03.2022	31.03.2021	31.12.2021
Revolving credit loans	595 048	546 522	599 994
Installment loans, unsecured	2 387 015	2 205 648	2 362 157
Installment loans, secured	1 153 761	343 372	1 003 649
Prepaid agent commission	112 471	84 795	104 218
Establishment fees	-60 272	-24 332	-55 132
<b>Gross lending</b>	<b>4 188 022</b>	<b>3 156 004</b>	<b>4 014 886</b>
Impairment of loans	-199 633	-140 166	-182 815
<b>Net loans to customers</b>	<b>3 988 389</b>	<b>3 015 839</b>	<b>3 832 071</b>

### Credit impaired and losses:

NOK 1000	31.03.2022	31.03.2021	31.12.2021
Gross credit impaired loans (stage 3)	339 051	196 226	307 111
Individual impairment of credit impaired loans (stage 3)	-199 633	-81 709	-125 436
<b>Net credit impaired loans</b>	<b>139 418</b>	<b>114 517</b>	<b>181 675</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:

NOK 1000	31.03.2022	31.03.2021	31.12.2021
Loans not past due	3 316 882	2 371 475	3 082 109
Past due 1-30 days	365 354	398 201	433 659
Past due 31-60 days	87 697	102 084	114 066
Past due 61-90 days	26 839	27 556	28 855
Past due 91+ days	339 051	196 226	307 111
<b>Total</b>	<b>4 135 824</b>	<b>3 095 542</b>	<b>3 965 800</b>

	31.03.2022	31.03.2021	31.12.2021
Loans not past due	80,2 %	76,6 %	77,7 %
Past due 1-30 days	8,8 %	12,9 %	10,9 %
Past due 31-60 days	2,1 %	3,3 %	2,9 %
Past due 61-90 days	0,6 %	0,9 %	0,7 %
Past due 91+ days	8,2 %	6,3 %	7,7 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

### Geographical distribution

NOK 1000	31.03.2022	31.03.2021	31.12.2021
Norway	2 709 804	1 852 383	2 593 014
Finland	1 313 199	1 130 625	1 241 381
Sweden	112 821	112 534	131 405
<b>Gross lending excl. prepaid agent provisions and establishment fees</b>	<b>4 135 824</b>	<b>3 095 542</b>	<b>3 965 800</b>

## Reconciliation of gross lending to customers

### Q1 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31.12.2021</b>	<b>3 184 648</b>	<b>474 041</b>	<b>307 111</b>	<b>3 965 800</b>
<i>Transfers in Q1 2022:</i>				
Transfer from stage 1 to stage 2	-182 186	179 875	-	-2 311
Transfer from stage 1 to stage 3	-5 996	-	6 148	152
Transfer from stage 2 to stage 1	87 257	-100 604	-	-13 347
Transfer from stage 2 to stage 3	-	-47 396	46 722	-675
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 131	-2 048	-918
New assets	690 139	11 398	108	701 646
Assets derecognised	-398 190	-48 710	-15 796	-462 696
Changes in foreign exchange and other changes	-42 798	-5 837	-3 194	-51 828
<b>Gross carrying amount as at 31.03.2022</b>	<b>3 332 874</b>	<b>463 898</b>	<b>339 051</b>	<b>4 135 824</b>

### Q1 2021:

<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>

### 2021:

<b>Gross carrying amount as at 01.01.21</b>	<b>2 409 875</b>	<b>324 163</b>	<b>168 250</b>	<b>2 902 289</b>
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-223 409	209 028	-	-14 382
Transfer from stage 1 to stage 3	-84 198	-	83 430	-767
Transfer from stage 2 to stage 1	58 522	-70 291	-	-11 769
Transfer from stage 2 to stage 3	-	-68 211	64 685	-3 526
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 730	-1 816	-86
New assets	1 963 258	175 580	37 013	2 175 851
Assets derecognised	-882 362	-90 138	-54 555	-1 027 055
Changes in foreign exchange and other changes	-57 038	-7 820	10 104	-54 754
<b>Gross carrying amount as at 31.12.21</b>	<b>3 184 648</b>	<b>474 041</b>	<b>307 111</b>	<b>3 965 800</b>

## Reconciliation of loan loss allowances

### Q1 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 31.12.2021</b>	<b>27 324</b>	<b>30 055</b>	<b>125 436</b>	<b>182 815</b>
<i>Transfers in Q1 2022:</i>				
Transfer from stage 1 to stage 2	-2 759	10 655	-	7 896
Transfer from stage 1 to stage 3	-151	-	1 300	1 149
Transfer from stage 2 to stage 1	1 632	-5 836	-	-4 204
Transfer from stage 2 to stage 3	-	-4 685	10 555	5 870
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	72	-689	-617
New assets originated or change in provisions	4 297	813	24	5 135
Assets derecognised or change in provisions	-3 868	-2 557	5 646	-779
Changes in foreign exchange and other changes	-532	-513	3 415	2 370
<b>Expected credit losses as at 31.03.2022</b>	<b>25 943</b>	<b>28 004</b>	<b>145 687</b>	<b>199 633</b>

### Q1 2021:

<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>

### 2021:

<b>Expected credit losses as at 01.01.21</b>	<b>27 246</b>	<b>31 699</b>	<b>72 407</b>	<b>131 353</b>
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-3 482	12 944	-	9 461
Transfer from stage 1 to stage 3	-1 504	-	24 787	23 283
Transfer from stage 2 to stage 1	1 102	-5 828	-	-4 726
Transfer from stage 2 to stage 3	-	-7 154	21 694	14 539
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	115	-568	-453
New assets originated or change in provisions	13 212	9 794	8 805	31 812
Assets derecognised or change in provisions	-8 606	-10 600	-13 673	-32 880
Changes in foreign exchange and other changes	-645	-915	11 984	10 425
<b>Expected credit losses as at 31.12.21</b>	<b>27 324</b>	<b>30 055</b>	<b>125 436</b>	<b>182 815</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.

	Secured Norway	Unsecured		
		Norway	Finland	Sweden
Low Risk at origination	200 %	300 %	300 %	300 %
High Risk at origination	150 %	150 %	110 %	110 %

## Macroeconomic input to ECL model

Instabank has employed one 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		
	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27
<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		
	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27
<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		
	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27	31.12.22	31.12.23	31.12.27
<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 Q2-2021 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. These macroeconomic projections were utilized during 2021 due to uncertainty and volatility, especially regarding the net effect of worsening macroeconomic conditions and the numerous government supports at different levels, hence the equal probability weighting of the pessimistic and optimistic scenario occurring in the final ECL.

NOK 1000	Norway	Finland	Sweden	SUM
Pessimistic scenario	123 418	76 289	9 779	209 486
Baseline scenario	116 556	73 794	8 397	198 746
Optimistic scenario	112 194	71 170	7 599	190 964
<b>Final ECL</b>	<b>117 306</b>	<b>73 755</b>	<b>8 572</b>	<b>199 633</b>

## Note 3: Regulatory capital and LCR

NOK 1000	31.03.2022	31.03.2021	31.12.2021
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	134 710	45 724	114 373
Phase in effects of IFRS 9	16 023	32 045	32 045
Deferred tax asset/intangible assets/other deductions	-25 997	-29 506	-25 777
<b>Common equity tier 1 capital</b>	<b>635 571</b>	<b>559 098</b>	<b>631 476</b>
Additional tier 1 capital	40 900	40 900	40 900
<b>Core capital</b>	<b>676 471</b>	<b>599 998</b>	<b>672 376</b>
Subordinated loan	56 000	56 000	56 000
<b>Total capital</b>	<b>732 471</b>	<b>655 998</b>	<b>728 376</b>

Calculation basis - NOK 1000

Credit risk:

Loans and deposits with credit institutions	38 502	42 052	56 429
Exposures secured by mortgages	428 717	127 188	372 790
Retail exposures	2 012 863	1 906 234	2 030 087
Certificates and bonds	101 456	126 863	113 651
Other assets	17 287	111 572	13 446
Exposures in default	174 485	107 733	162 603
Deferred tax IFRS 9 phase inn effect			
Calculation basis credit risk	<b>2 773 310</b>	<b>2 421 642</b>	<b>2 749 005</b>
Calculation basis operational risk	516 502	434 202	516 502
<b>Total calculation basis</b>	<b>3 289 812</b>	<b>2 855 844</b>	<b>3 265 507</b>

**Capital ratios including phase in impact of IFRS 9:**

Common equity Tier 1 Capital ratio	19,3 %	19,6 %	19,3 %
Tier 1 capital ratio	20,6 %	21,0 %	20,6 %
<b>Total capital ratio</b>	<b>22,3 %</b>	<b>23,0 %</b>	<b>22,3 %</b>

**Capital ratios excluding phase in impact of IFRS 9:**

Common equity Tier 1 Capital ratio	18,9 %	18,6 %	18,5 %
Tier 1 capital ratio	20,2 %	20,1 %	19,8 %
Total capital ratio	21,9 %	22,1 %	21,5 %

**Regulatory capital requirements:**

Common equity Tier 1 Capital ratio	16,8 %	16,8 %	16,8 %
Tier 1 capital ratio	18,3 %	18,3 %	18,3 %
Total capital ratio	20,3 %	20,3 %	20,3 %

<b>LCR Total</b>	391 %	251 %	193 %
LCR NOK	404 %	189 %	136 %
LCR EUR	121 %	133 %	128 %
LCR SEK	376 %	595 %	796 %

## 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>31.03.22</b>	<b>31.03.21</b>	<b>31.12.21</b>
Certificates and bonds - level 2	933 611	754 657	679 759
Derivatives- level 2	4 105	1 623	1 213

#### Liabilities

<b>NOK 1000</b>	<b>31.03.22</b>	<b>31.03.21</b>	<b>31.12.21</b>
Derivatives - level 2	1 231	233	338

### 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>31.03.22</b>	<b>31.03.21</b>	<b>31.12.21</b>
Loans and deposits with credit institutions	191 450	209 131	281 279
Net loans to customers	3 988 389	3 015 839	3 832 071
Other receivables	7 793	17 327	6 323
<b>Total financial assets at amortised cost</b>	<b>4 187 632</b>	<b>3 242 297</b>	<b>4 119 673</b>
Deposits from and debt to customers	4 344 527	3 340 513	4 047 128
Other debt	47 143	22 528	41 521
Subordinated loans	56 000	56 000	56 000
<b>Total financial liabilities at amortised cost</b>	<b>4 447 670</b>	<b>3 419 042</b>	<b>4 144 648</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 5,0 MNOK and expires 30.06.2024. The right of use asset is 5,3 MNOK 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.

## Note 6: Restated financial figures for comparison purposes

The bank changed the accounting practices of commission to agents and establishment fees effective from Q2 2021. Previously agent commission and establishment fees were booked against expenses commission and fees and income commission and fees. From Q2 2021 both were booked against interest income. The following table illustrates the changes for comparative figures for Q1 2021 in the condensed statements of profit or loss and other comprehensive income. Total income was not affected by these changes.

NOK 1000	Q1 2021 restated	Q1 2021 original	Change
Interest income	67 999	80 501	-12 502
Interest expenses	9 587	9 587	-
<b>Net interest income</b>	<b>58 412</b>	<b>70 914</b>	<b>-12 502</b>
Income commissions and fees	10 492	13 621	-3 129
Expenses commissions and fees	124	15 755	-15 631
<b>Net commissions and fees</b>	<b>10 368</b>	<b>-2 134</b>	<b>12 502</b>
Net gains/loss on foreign exchange and securities classified as current assets	1 865	1 865	-
<b>Total income</b>	<b>70 646</b>	<b>70 646</b>	<b>-</b>



**KPMG AS**  
Sørkedalsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 45 40 40 63  
Fax  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

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 2022, 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 2022, and its financial performance for the three-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 4 May 2022  
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.

Statsautoriserte 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