



INSTABANK ASA

INTERIM REPORT Q3 2022

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Key highlights & developments:

- ★ **Profit before tax of 24.6 MNOK, after-tax 18.4 MNOK**
Impacted by loss on securities of 4.5 MNOK and legal advisory cost of 1 MNOK
- ★ **Growth in net loans of 93 MNOK**
Adjusted for NPL portfolio sales growth was 159 MNOK
- ★ **Mortgages volume growth of 195 MNOK**
Mortgages represent 37 % of total net loans and 55 % of net loans in Norway
- ★ **Rate hikes temporarily put pressure on the net interest margin**
Six-week notice period on loan interest rates increases



We value progress

INTERIM REPORT Q3 2022

About Instabank ASA

Instabank is a Norwegian digital bank with offices in Oslo, Norway and has been operating since 2016.

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. Instabank also offers deposits in Germany through a partnership with Raisin Bank.

The bank's products and services are distributed primarily via 26 agents, various retail partners and directly on the bank's website and mobile app.

At the end of Q3-22, Instabank had 40 full-time and 13 part-time employees.

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

Operational Developments

The Norwegian central bank introduced several rate hikes in the third quarter of 2022 to fight inflationary pressure. Higher interest rates have substantially increased our funding cost, putting pressure on our net interest margin in the short term. Our loan interest rates have also increased following the rate hikes from the central banks. As there is a six-week notice period in Norway, the rate increases in August and September were not effective in Q3-22.

As in the previous quarters, we experienced strong demand from homeowners for our second-priority mortgage product and from customers that want to lower their costs by refinancing unsecured loans into a mortgage. Instabank experienced increased competition in terms of pricing in the quarter but considers it a temporary situation and expects increased interest rates going forward. However, mortgages had a strong growth in net loans of 195 MNOK in the quarter.

In the third quarter, we sold two non-performing loans (NPL) portfolios in Norway and Finland, representing a net value of 66 MNOK reducing risk, improving capital ratios and with a positive P&L effect as the prices we achieved were higher than the booked value. Non-performing loans (NPL) volume was 305 MNOK at the end of the quarter, down from 404 MNOK at the end of Q2-22, representing only 6.7 % of total gross loans.

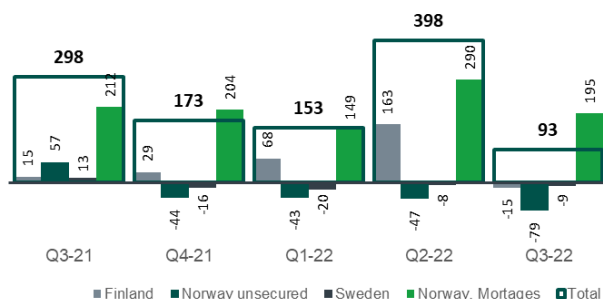
In Q3-22, Instabank achieved a total growth in net loans of 93 MNOK. Adjusted for the sales of the NPL portfolio, growth was 159 MNOK.

The growth comes from solid performance throughout the organisation, successfully delivering on the strategy, effective operations, distribution, and product offerings meeting customer demands. The mortgage product increased to 55 % of net loans in Norway and 37 % of total net loans, up from 51 %/ 33 % at the end of Q2-22, and Instabank continued its path towards becoming a well-diversified bank with lower credit risk.

Balance Sheet

Net loans to customers increased by 93 MNOK in Q3-22 to 4,427 MNOK at the end of the quarter.

Net loan balance growth (MNOK):



Deposits from customers decreased by 39 MNOK to 4,703 MNOK at the end of the quarter.

Common equity Tier 1 Capital ratio was 19.7 %, and the total capital ratio was 22.5 % at the end of Q3-22, up from 21.7 % at the end of the previous quarter, 1.9 % points above the total regulatory capital requirement of 20.6 %. The countercyclical buffer requirement increased to 1 % for exposures in Sweden at the end of the quarter.

Total assets at the end of Q3-22 were 5,546 MNOK.

At the end of Q3-22, the bank had 74,044 customers, of which 52,577 were loan customers and 21,467 were deposit customers.

Profit and Loss

Instabank reports a profit before tax of 24.6 MNOK, and after-tax profit of 18.4 MNOK in Q3-22, up from 17.8 MNOK after-tax profit in Q2-22.

Total interest income increased to 98.9 MNOK from 94.8 MNOK in the previous quarter and 85.7 MNOK in the same quarter last year, representing a growth of 13.2 MNOK/ 15 %.

Interest expenses came in at 18.5 MNOK, up from 15.2 MNOK in the previous quarter following increased deposit rates.

Net interest income came in at 80.5 MNOK, up from 76.2 MNOK in the same quarter last year and 79,5 MNOK in Q2-22.

Net other income was negatively impacted by an unrealised loss on securities of 4.5 MNOK and came in at 5.7 MNOK, down from 9.9 MNOK in the same quarter last year and 8.4 MNOK in the previous quarter when there also was a loss on securities holdings.

Total income came in at 86.2 MNOK, down from 87.9 MNOK in the previous quarter and unchanged from the same quarter last year.

Total operating expenses came in at 38 MNOK, down from 40.2 MNOK in the previous quarter and up from 33.2 MNOK in the same quarter last year. Off the increase in operating cost of 4.9 MNOK from the same quarter last year, 1 MNOK came from legal advisory costs related to the Lunar legal proceedings and 1.6 MNOK from increased marketing costs.

Losses on loans came in at 23.6 MNOK or 2.1 % of gross loans to customers, down from 24.0 MNOK/ 2.2 % the previous quarter. The sales of the two NPL portfolios in the quarter positively impacted losses on loans.

Outlook

We expect continued high demand for our lending products in all markets. Still, there is uncertainty regarding how the macro situation will affect demand and credit assessments. Instabank is resilient to changing market situations with a proven track record of an agile approach, quickly adapting to changes whenever required.

For more than two years, the mortgage product has contributed considerably to growth in net loans, reduced risk, and increased diversification. We expect continued strong demand as inflation, driven by the war in Ukraine and high electricity prices, is expected to increase demand from customers seeking to refinance unsecured loans to a mortgage and thus decrease their loan costs.

Instabank operation has been impacted by the acquisition process by Lunar as we have yet to be able to develop the bank as we otherwise would have done in 2022. Instabank has been unable to execute the capital plans for 2022 and all other aspects of such a process. Although legal proceedings against Lunar are ongoing from the shareholders of Instabank, Instabank is now able to execute on the strategy and plans.

After the balance date on November 2nd, the board of directors decided that the bank would change to the standardised approach to establish the risk-weighted volume for operational risk, resulting in a positive impact on the capital adequacy by 0.7 % points based on the situation pr. 30.09.22

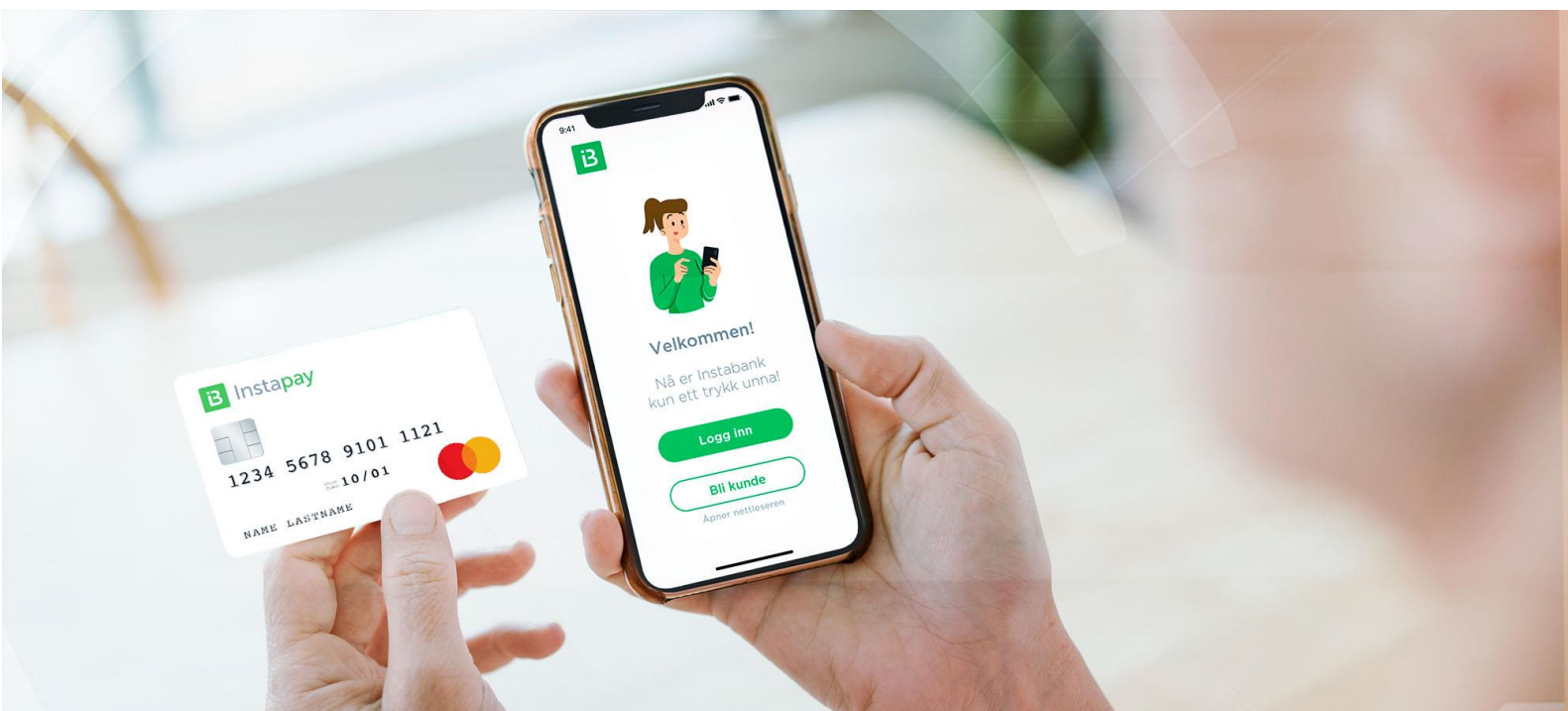
The bank's liquidity and capital situation are expected to remain satisfactory. It should be noted that there is typically uncertainty related to assessments of future conditions.

Other Information

Regarding capital requirement, there has been a limited review of the accounts in accordance with ISRE 2410 as of 30.09.22 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, November 2nd, 2022

Board of Directors, Instabank ASA



Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	Q3-2022	Q3-2021	YTD 2022	YTD 2021	Year 2021
Interest Income effective interest method		98 416	85 699	283 271	229 585	319 931
Other interest income		530	5	986	5	104
Interest expenses		18 456	9 451	45 938	28 133	38 608
Net interest income		80 490	76 254	238 318	201 457	281 427
Income commissions and fees		11 972	12 086	34 419	32 244	44 535
Expenses commissions and fees		2 901	2 276	6 977	4 719	7 977
Net gains/loss on foreign exchange and securities classified as current assets		-3 334	159	-6 172	2 373	2 007
Net other income		5 737	9 969	21 270	29 898	38 565
Total income		86 227	86 223	259 588	231 354	319 992
Salary and other personnel expenses		14 048	13 136	43 906	37 979	50 324
Other administrative expenses, of which:		18 658	14 848	58 397	42 579	56 191
- direct marketing cost		3 596	2 044	14 881	5 407	7 275
Other expenses		1 966	1 644	5 875	4 941	6 315
Depreciation and amortisation		3 338	3 545	9 786	10 696	14 102
Total operating expenses		38 009	33 174	117 964	96 196	126 932
Losses on loans	2	23 658	20 463	68 177	57 862	80 882
Operating profit before tax		24 560	32 586	73 447	77 297	112 177
Tax expenses		6 140	8 147	16 611	19 324	28 726
Profit and other comprehensive income for the period		18 420	24 440	56 836	57 973	83 451
Earnings per share (NOK)		0,17	0,07	0,17	0,17	0,25
Diluted earnings per share (NOK)		0,17	0,07	0,17	0,17	0,24

Condensed statement of financial position

NOK 1000	Note	30.09.2022	30.09.2021	31.12.2021
Loans and deposits with credit institutions	3, 4	265 388	226 519	281 279
Loans to customers	3, 4	4 479 970	3 659 766	3 832 071
Certificates and bonds	3, 4	755 391	682 558	679 759
Other intangible assets	3, 5	21 567	25 848	25 098
Fixed assets	3	4 247	6 512	5 909
Derivatives	3	19 158	1 116	1 213
Other receivables	3, 4	889	5 590	6 323
Total assets		5 546 610	4 607 910	4 831 653
Deposit from and debt to customers	4	4 702 782	3 852 877	4 047 128
Other debts	4	24 584	18 034	10 942
Accrued expenses and liabilities		17 979	15 817	18 844
Derivatives		2 188	483	338
Deferred tax		2 957	3 569	2 957
Tax payable		18 362	20 227	29 338
Subordinated loan capital	3	56 000	56 000	56 000
Total liabilities		4 824 853	3 967 008	4 165 546
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	170 022	89 167	114 373
Additional Tier 1 capital	3	40 900	40 900	40 900
Total equity		721 757	640 901	666 107
Total liabilities and equity		5 546 610	4 607 910	4 831 653

Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 01.01.2021	332 642	178 192	40 900	31 944	583 678
Profit for the period				57 973	57 973
Changes in warrants				1 771	1 771
Paid interest on Tier 1 Capital				-2 521	-2 521
Equity per 30.09.2021	332 642	178 192	40 900	89 167	640 901
Equity per 01.01.2022	332 642	178 192	40 900	114 373	666 107
Profit for the period				56 836	56 836
Changes in warrants				1 643	1 643
Paid interest on Tier 1 Capital				-2 829	-2 829
Equity per 30.09.2022	332 642	178 192	40 900	170 022	721 757

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 November 2nd, 2022

Note 2: Loans to customers

Gross and net lending:

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Unsecured consumer loans	2 955 501	2 983 565	2 962 151
Mortgages	1 641 644	801 423	1 003 649
Prepaid agent commission	123 712	97 925	104 218
Establishment fees	-70 844	-47 535	-55 132
Gross lending	4 650 014	3 835 378	4 014 886
Impairment of loans	-170 044	-175 612	-182 815
Net loans to customers	4 479 970	3 659 766	3 832 071

Credit impaired and losses:

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Gross credit impaired loans (stage 3)	305 934	268 671	307 111
Individual impairment of credit impaired loans (stage 3)	-113 967	-119 291	-125 436
Net credit impaired loans	191 967	149 379	181 675

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	30.09.2022	30.09.2021	31.12.2021
Loans not past due	3 785 568	2 931 149	3 082 109
Past due 1-30 days	387 193	454 312	433 659
Past due 31-60 days	93 316	103 169	114 066
Past due 61-90 days	25 135	27 688	28 855
Past due 91+ days	305 934	268 671	307 111
Total	4 597 145	3 784 988	3 965 800

	30.09.2022	30.09.2021	31.12.2021
Loans not past due	82,3 %	77,4 %	77,7 %
Past due 1-30 days	8,4 %	12,0 %	10,9 %
Past due 31-60 days	2,0 %	2,7 %	2,9 %
Past due 61-90 days	0,5 %	0,7 %	0,7 %
Past due 91+ days	6,7 %	7,1 %	7,7 %
Total	100,0 %	100,0 %	100,0 %

Geographical distribution

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Norway	3 038 782	2 419 514	2 593 014
Finland	1 459 581	1 219 148	1 241 381
Sweden	98 782	146 326	131 405
Gross lending excl. prepaid agent provisions and establishment fees	4 597 145	3 784 988	3 965 800

Reconciliation of gross lending to customers, total loans

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30.06.22	3 794 763	362 369	404 808	4 561 940
<i>Transfers in Q3 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-186 576	187 572	-	996
Transfer from stage 1 to stage 3	-12 751	-	12 917	166
Transfer from stage 2 to stage 1	70 701	-77 282	-	-6 582
Transfer from stage 2 to stage 3	-	-55 486	55 293	-193
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	798	-1 790	-991
New assets	637 071	16 079	21	653 171
Assets derecognised	-452 646	-24 506	-155 320	-632 471
Changes in foreign exchange and other changes	28 284	2 821	-9 996	21 109
Gross carrying amount as at 30.09.2022	3 878 846	412 365	305 934	4 597 145

Q3 2021:

Gross carrying amount as at 30.06.22	2 811 806	423 183	232 841	3 467 830
<i>Transfers in Q3 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-180 906	176 691	-	-4 215
Transfer from stage 1 to stage 3	-6 504	-	6 092	-412
Transfer from stage 2 to stage 1	84 497	-92 793	-	-8 296
Transfer from stage 2 to stage 3	-	-43 093	42 431	-662
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	878	-1 637	-759
New assets	673 721	16 302	74	690 097
Assets derecognised	-326 447	-28 357	-10 607	-365 410
Changes in foreign exchange and other changes	8 538	-1 197	-525	6 817
Gross carrying amount as at 30.09.22	3 064 705	451 613	268 671	3 784 989

2021:

Gross carrying amount as at 01.01.2021	2 409 875	324 163	168 250	2 902 289
<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
Gross carrying amount as at 31.12.2021	3 184 648	474 041	307 111	3 965 800

Reconciliation of loan loss allowances, total loans

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 30.06.22	29 467	24 190	173 814	227 471
<i>Transfers in Q3 2022:</i>	0	0	0	0
Transfer from stage 1 to stage 2	-2 479	11 787	-	9 308
Transfer from stage 1 to stage 3	-295	-	2 583	2 288
Transfer from stage 2 to stage 1	1 188	-4 190	-	-3 002
Transfer from stage 2 to stage 3	-	-4 995	11 988	6 993
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	31	-495	-464
New assets originated or change in provisions	3 259	970	5	4 234
Assets derecognised or change in provisions	-2 000	-1 619	-62 696	-66 316
Changes in foreign exchange and other changes	456	308	-11 232	-10 468
Expected credit losses as at 30.09.22	29 596	26 481	113 967	170 044

Q3 2021:

Expected credit losses as at 30.06.21	25 817	29 629	100 727	156 173
<i>Transfers in Q3 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-2 347	9 887	-	7 540
Transfer from stage 1 to stage 3	-153	-	1 246	1 093
Transfer from stage 2 to stage 1	1 616	-5 338	-	-3 722
Transfer from stage 2 to stage 3	-	-4 283	9 768	5 486
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	83	-426	-342
New assets originated or change in provisions	3 763	980	14	4 757
Assets derecognised or change in provisions	-1 914	-1 562	4 258	782
Changes in foreign exchange and other changes	110	32	3 703	3 846
Expected credit losses as at 30.09.21	26 891	29 429	119 291	175 612

2021:

Expected credit losses as at 01.01.2021	27 246	31 699	72 407	131 353
<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
Expected credit losses as at 31.12.2021	27 324	30 055	125 436	182 815

Reconciliation of gross lending to customers, unsecured consumer loans

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30.06.22	2 481 693	245 489	390 085	3 117 267
<i>Transfers in Q3 2022:</i>				
Transfer from stage 1 to stage 2	-115 545	116 456	-	911
Transfer from stage 1 to stage 3	-10 935	-	11 101	166
Transfer from stage 2 to stage 1	44 126	-48 212	-	-4 086
Transfer from stage 2 to stage 3	-	-45 311	45 122	-189
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	798	-1 790	-991
New assets	303 737	8 136	21	311 895
Assets derecognised	-320 232	-18 808	-150 862	-489 902
Changes in foreign exchange and other changes	28 284	2 821	-10 295	20 810
Gross carrying amount as at 30.09.2022	2 411 128	261 370	283 383	2 955 881

Q3 2021:

Gross carrying amount as at 30.06.22	2 271 337	380 262	230 625	2 882 224
<i>Transfers in Q3 2021:</i>				
Transfer from stage 1 to stage 2	-135 892	131 811	-	-4 081
Transfer from stage 1 to stage 3	-6 167	-	5 754	-412
Transfer from stage 2 to stage 1	68 574	-74 651	-	-6 077
Transfer from stage 2 to stage 3	-	-40 445	39 783	-662
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	878	-1 637	-759
New assets	412 023	9 690	74	421 788
Assets derecognised	-270 531	-26 346	-9 616	-306 494
Changes in foreign exchange and other changes	711	-1 197	-577	-1 063
Gross carrying amount as at 30.09.22	2 340 055	380 001	264 407	2 984 463

2021:

Gross carrying amount as at 01.01.2021	2 252 485	318 707	168 250	2 739 442
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-206 671	192 623	-	-14 048
Transfer from stage 1 to stage 3	-81 711	-	81 266	-446
Transfer from stage 2 to stage 1	56 243	-67 482	-	-11 240
Transfer from stage 2 to stage 3	-	-66 406	62 904	-3 502
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 730	-1 816	-86
New assets	1 134 555	112 348	32 152	1 279 055
Assets derecognised	-826 005	-89 296	-54 555	-969 855
Changes in foreign exchange and other changes	-56 838	-7 820	10 104	-54 555
Gross carrying amount as at 31.12.2021	2 272 057	394 404	298 304	2 964 765

Reconciliation of loan loss allowances, unsecured consumer loans

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 30.06.22	27 297	22 049	171 241	220 587
<i>Transfers in Q3 2022:</i>				
Transfer from stage 1 to stage 2	-2 278	10 603	-	8 325
Transfer from stage 1 to stage 3	-283	-	2 432	2 149
Transfer from stage 2 to stage 1	1 100	-3 749	-	-2 648
Transfer from stage 2 to stage 3	-	-4 783	10 902	6 120
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	31	-495	-464
New assets originated or change in provisions	2 818	836	5	3 659
Assets derecognised or change in provisions	-2 032	-1 568	-62 567	-66 167
Changes in foreign exchange and other changes	456	308	-11 531	-10 767
Expected credit losses as at 30.09.22	27 078	23 727	109 988	160 792

Q3 2021:

Expected credit losses as at 30.06.21	24 925	28 925	100 423	154 274
<i>Transfers in Q3 2021:</i>				
Transfer from stage 1 to stage 2	-2 242	9 160	-	6 918
Transfer from stage 1 to stage 3	-151	-	1 218	1 068
Transfer from stage 2 to stage 1	1 572	-5 070	-	-3 498
Transfer from stage 2 to stage 3	-	-4 233	9 505	5 272
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	83	-426	-342
New assets originated or change in provisions	3 413	864	14	4 291
Assets derecognised or change in provisions	-1 928	-1 595	4 303	780
Changes in foreign exchange and other changes	110	32	3 651	3 793
Expected credit losses as at 30.09.21	25 699	28 167	118 689	172 554

2021:

Expected credit losses as at 01.01.2021	26 874	31 611	72 407	130 892
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-3 432	12 649	-	9 217
Transfer from stage 1 to stage 3	-1 500	-	24 577	23 077
Transfer from stage 2 to stage 1	1 100	-5 782	-	-4 682
Transfer from stage 2 to stage 3	-	-7 123	21 423	14 300
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	115	-568	-453
New assets originated or change in provisions	11 651	8 671	8 262	28 585
Assets derecognised or change in provisions	-8 449	-10 589	-13 673	-32 711
Changes in foreign exchange and other changes	-645	-915	11 984	10 425
Expected credit losses as at 31.12.2021	25 600	28 637	124 412	178 650

Reconciliation of gross lending to customers, mortgages

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30.06.22	1 313 070	116 880	14 723	1 444 674
<i>Transfers in Q3 2022:</i>				
Transfer from stage 1 to stage 2	-71 031	71 116	-	85
Transfer from stage 1 to stage 3	-1 816	-	1 816	-
Transfer from stage 2 to stage 1	26 575	-29 070	-	-2 496
Transfer from stage 2 to stage 3	-	-10 175	10 171	-4
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	333 334	7 942	-	341 277
Assets derecognised	-132 413	-5 698	-4 458	-142 570
Changes in foreign exchange and other changes	-	-	299	299
Gross carrying amount as at 30.09.2022	1 467 718	150 995	22 551	1 641 264

Q3 2021:

Gross carrying amount as at 30.06.22	540 469	42 921	2 215	585 606
<i>Transfers in Q3 2021:</i>				
Transfer from stage 1 to stage 2	-45 014	44 880	-	-134
Transfer from stage 1 to stage 3	-338	-	338	-
Transfer from stage 2 to stage 1	15 923	-18 142	-	-2 219
Transfer from stage 2 to stage 3	-	-2 648	2 648	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	261 697	6 611	-	268 309
Assets derecognised	-55 915	-2 011	-990	-58 916
Changes in foreign exchange and other changes	7 828	-	52	7 880
Gross carrying amount as at 30.09.22	724 650	71 612	4 264	800 525

2021:

Gross carrying amount as at 01.01.2021	157 391	5 456	0	162 847
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-16 739	16 405	-	-334
Transfer from stage 1 to stage 3	-2 486	-	2 165	-321
Transfer from stage 2 to stage 1	2 279	-2 809	-	-530
Transfer from stage 2 to stage 3	-	-1 805	1 781	-24
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	828 703	63 232	4 861	896 796
Assets derecognised	-56 358	-842	-	-57 200
Changes in foreign exchange and other changes	-200	-	-	-200
Gross carrying amount as at 31.12.2021	912 591	79 637	8 807	1 001 035

Reconciliation of loan loss allowances, mortgages

Q3 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 30.06.22	2 170	2 141	2 573	6 884
<i>Transfers in Q3 2022:</i>				
Transfer from stage 1 to stage 2	-201	1 184	-	983
Transfer from stage 1 to stage 3	-12	-	151	139
Transfer from stage 2 to stage 1	88	-442	-	-354
Transfer from stage 2 to stage 3	-	-213	1 086	873
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	441	135	-	575
Assets derecognised or change in provisions	33	-51	-130	-148
Changes in foreign exchange and other changes	-	-	299	299
Expected credit losses as at 30.09.22	2 519	2 754	3 979	9 252

Q3 2021:

Expected credit losses as at 30.06.21	892	704	304	1 899
<i>Transfers in Q3 2021:</i>				
Transfer from stage 1 to stage 2	-105	727	-	622
Transfer from stage 1 to stage 3	-2	-	28	26
Transfer from stage 2 to stage 1	44	-268	-	-223
Transfer from stage 2 to stage 3	-	-49	263	214
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	350	116	-	466
Assets derecognised or change in provisions	14	33	-45	2
Changes in foreign exchange and other changes	-	-	52	52
Expected credit losses as at 30.09.21	1 193	1 263	602	3 058

2021:

Expected credit losses as at 01.01.2021	372	89	0	460
<i>Transfers in 2021:</i>				
Transfer from stage 1 to stage 2	-50	295	-	245
Transfer from stage 1 to stage 3	-4	-	210	206
Transfer from stage 2 to stage 1	2	-45	-	-44
Transfer from stage 2 to stage 3	-	-32	271	239
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	1 561	1 123	543	3 227
Assets derecognised or change in provisions	-157	-12	-	-168
Changes in foreign exchange and other changes	-	-	-	-
Expected credit losses as at 31.12.2021	1 724	1 418	1 024	4 165

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 criterias, 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	Unsecured		
	Norway	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
Employment rate	77,78 %	77,85 %	78,15 %	78,51 %	78,49 %	78,66 %	79,11 %	79,51 %	79,57 %
3-Month NIBOR	0,65	0,65	1,23	0,65	0,65	1,44	0,65	0,65	1,73

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
Unemployment rate	10,36 %	8,16 %	6,90 %	8,29 %	6,97 %	6,38 %	7,52 %	6,51 %	6,20 %
Consumption	8 386	9 005	9 402	8 609	9 141	9 666	9 097	9 328	9 942

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
Unemployment rate	9,69 %	8,72 %	7,03 %	8,96 %	7,55 %	6,77 %	8,04 %	7,24 %	6,57 %
Consumption	172 738	179 067	187 452	177 352	183 687	199 208	182 963	189 817	212 466

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 governments 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	93 040	74 284	12 661	179 986
Baseline scenario	85 918	71 654	11 610	169 181
Optimistic scenario	81 374	68 865	11 012	161 251
Final ECL	86 692	71 606	11 746	170 044

Note 3: Regulatory capital and LCR

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	170 022	89 167	114 373
Phase in effects of IFRS 9	16 023	32 045	32 045
Deferred tax asset/intangible assets/other deductions	-22 321	-26 529	-25 777
Common equity tier 1 capital	674 558	605 517	631 476
Additional tier 1 capital	40 900	40 900	40 900
Core capital	715 458	646 417	672 376
Subordinated loan	56 000	56 000	56 000
Total capital	771 458	702 417	728 376
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	53 364	45 518	56 429
Exposures secured by mortgages	590 883	316 326	372 790
Retail exposures	2 002 902	2 061 473	2 030 087
Certificates and bonds	50 631	113 739	113 651
Other assets	24 294	13 218	13 446
Exposures in default	192 124	149 354	162 603
Deferred tax IFRS 9 phase inn effect			
Calculation basis credit risk	2 914 198	2 699 628	2 749 005
Calculation basis operational risk	516 502	434 202	516 502
Total calculation basis	3 430 700	3 133 830	3 265 507
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	19,7 %	19,3 %	19,3 %
Tier 1 capital ratio	20,9 %	20,6 %	20,6 %
Total capital ratio	22,5 %	22,4 %	22,3 %
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	19,3 %	18,5 %	18,5 %
Tier 1 capital ratio	20,5 %	19,8 %	19,8 %
Total capital ratio	22,1 %	21,6 %	21,5 %
Regulatory capital requirements:			
Common equity Tier 1 Capital ratio	17,1 %	16,8 %	16,8 %
Tier 1 capital ratio	18,6 %	18,3 %	18,3 %
Total capital ratio	20,6 %	20,3 %	20,3 %
LCR Total	275 %	225 %	193 %
LCR NOK	351 %	166 %	136 %
LCR EUR	177 %	221 %	128 %

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

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Certificates and bonds - level 2	755 391	682 558	679 759
Derivatives- level 2	19 158	1 116	1 213

Liabilities

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Derivatives - level 2	2 188	483	338

Financial instruments at amortized cost

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

NOK 1000	30.09.2022	30.09.2021	31.12.2021
Loans and deposits with credit institutions	265 388	226 519	281 279
Net loans to customers	4 479 970	3 659 766	3 832 071
Other receivables	889	5 590	6 323
Total financial assets at amortised cost	4 746 248	3 891 876	4 119 673
Deposits from and debt to customers	4 702 782	3 852 877	4 047 128
Other debt	45 135	18 034	41 521
Subordinated loans	56 000	56 000	56 000
Total financial liabilities at amortised cost	4 803 917	3 926 912	4 144 648

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 4,4 MNOK and expires 30.06.2024. The right of use asset is 4,1 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 30 September 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 30 September 2022, and its financial performance for the nine-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 2. November 2022
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant