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# INSTABANK ASA

INTERIM REPORT Q4 2022

# INTERIM REPORT Q4 2022

## Key highlights & developments:

- ★ **Profit before tax of 29.8 MNOK, after-tax 25.4 MNOK**  
*Strong growth in Total income, cost to income ratio decreased to 36.8 % from 44.1 % in Q3-22*
- ★ **Growth in net loans of 191 MNOK**  
*Increased growth in Finland, net lending up 129 MNOK in the quarter*
- ★ **Mortgages volume growth of 116 MNOK**  
*Mortgages represents 38 % of total net loans and 58 % 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 Q4 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 Q4-22, Instabank had 41 full-time and 12 part-time employees.

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

### Operational Developments

The inflationary pressure continued in the fourth quarter of 2022, and the Norwegian Central Bank introduced two new rate hikes. Market rates continued to increase, but the curves flattened out and even came slightly down by the end of the quarter. The rate hikes we notified our lending customers in Norway about in the third quarter came into effect in the fourth quarter. In Finland, the customer's offset rate is adjusted based on the 3 Months Euribor rate, which increased significantly during the fall. Consequently, the yield for unsecured loans increased to 12.0 % from 10.7 % in the previous quarter and mortgages yield increased to 7.1 % from 6.4 % in the previous quarter.

The increase in market rates also triggered increased funding costs. The Norwegian market has had the most significant increase in deposit rates, which also has been driven by increased competition. The bank's funding cost increased to 2.0 % from 1.2 % in the previous quarter. As the increased funding cost comes ahead of the increase in lending yield due to the notice period for rate hikes, the increased market rates have temporarily put pressure on the net interest margin.

In Q4-22, Instabank achieved a total growth in net loans of 191 MNOK to 4,618 in net loans.

Instabank experienced increased demand from the Finnish market for consumer loans, resulting in net loan growth of 129 MNOK in the quarter. We consider Finland to be more attractive than consumer loans in Norway in terms of profitability.

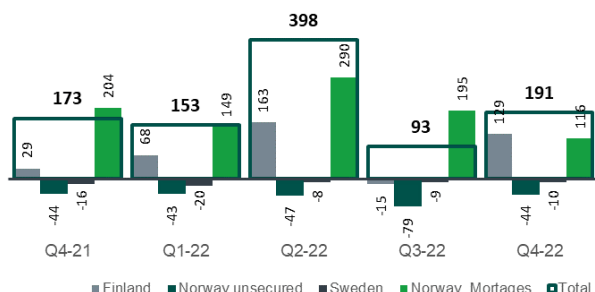
The mortgage lending increased by 116 MNOK in the quarter. The demand from homeowners for the second-priority mortgage product and from customers who want to lower their costs by refinancing unsecured loans into a mortgage remains satisfactory.

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 58 % of net loans in Norway and 38 % of total net loans, up from 55 %/37% at the end of Q3-22, and Instabank has achieved the target of becoming a well-diversified bank with lower credit risk.

## Balance Sheet

Net loans to customers increased by 191 MNOK in Q4-22 to 4,618 MNOK at the end of the quarter.

*Net loan balance growth (MNOK):*



Deposits from customers decreased by 149 MNOK to 4,852 MNOK at the end of the quarter.

Instabank improved its capital ratios during the quarter driven by a strong net profit after tax, transformation to the standardised approach to establish the risk-weighted volume for operational risk and issuance of Tier 1 and Tier 2 capital. Common equity Tier 1 Capital (CET1) ratio was 19.8 %, and the total capital ratio was 24.9 %, up from respectively 19.7 % and 22.5 % at the end of the previous quarter. The CET 1 ratio was 2.5 % above the regulatory CET1 requirement. The countercyclical buffer requirement increased by 0.5 percentage points for exposures in Norway at the end of the quarter.

Total assets at the end of Q4-22 were 5.799 MNOK.

At the end of Q4-22, the bank had 78,518 customers, of which 54,622 were loan customers and 23,896 were deposit customers.

## Profit and Loss

Instabank reports a profit before tax of 29.8 MNOK, and after-tax profit of 25.4 MNOK in Q4-22, up from 18.4 MNOK after-tax profit in the previous quarter.

Total interest income increased to 109.3 MNOK from 98.9 MNOK in the previous quarter. The increase was driven by net loan growth and increased loan yield to 10.3 % from 9.8 % in the previous quarter.

Interest expenses came in at 27.9 MNOK, up from 18.5 MNOK in the previous quarter following increased deposit rates.

Net interest income came in at 81.4 MNOK, up from 80.4 MNOK in the previous quarter.

Net other income has been negatively impacted by an unrealised loss on securities in 2022 until the Q4-22 when unrealised gains on securities were 7.2 MNOK. As a result, net other income increased to 16.6 MNOK from 5.7 MNOK in the previous quarter.

Total income came in at 97.9 MNOK, up from 86.2 MNOK in the previous quarter and 89.7 MNOK in the same quarter last year.

Total operating expenses came in at 36.1 MNOK, down from 38.0 MNOK in the previous quarter and up from 31.8 MNOK in the same quarter last year. The decrease in operational cost from the previous quarter resulted from low employee bonus provisions as well as reversal of provisions for social security on warrants.

Losses on loans came in at 32.0 MNOK or 2.7 % of gross loans to customers, up from 23.6 MNOK/ 2.1 % the previous quarter when gains from sales of the two NPL had a positive impact on losses on loans.

## Outlook

With a solid capital and liquidity situation, a flexible and scalable business model across three markets, an increasing share of mortgages and a low NPL ratio, Instabank is resilient to changing market conditions.

We expect continued high demand for our lending products in all markets and are also considering launching new products in existing markets to enhance diversification and profitability. We will continue to develop existing products and expects both mortgages in Norway and consumer loans in Finland to contribute considerably to the ambition to deliver growth in net loans of 1 billion NOK in 2023.

Still, there is uncertainty regarding how the macro situation will affect demand, credit performance and margins. The rate hikes by the Central Banks in 2022 have put the net interest margin under pressure as funding costs have increased ahead of increases in the lending yield. The inflation and increased interest rates have decreased customer's net disposable income, which could cause an increase in losses on loans, especially if the unemployment rate increases significantly and the economy faces a downturn. However, we expect continued profit growth, targeting a net profit after tax of 100 MNOK in 2023.

Instabank is resilient to changing market situations with a proven track record of an agile approach, quickly adapting to changes whenever required.

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

The accounting profit for Q4-22 is entirely predisposed against retained earnings.

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

Oslo, February 7th, 2023  
Board of Directors, Instabank ASA

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

NOK 1000	Note	Q4-2022	Q4-2021	YTD 2022	YTD 2021
Interest Income effective interest method		107 964	90 347	391 234	319 931
Other interest income		1 364	98	2 350	104
Interest expenses		27 952	10 474	73 890	38 608
<b>Net interest income</b>		<b>81 376</b>	<b>79 970</b>	<b>319 694</b>	<b>281 427</b>
Income commissions and fees		11 598	12 291	46 017	44 535
Expenses commissions and fees		2 236	2 138	9 213	6 858
Net gains/loss on foreign exchange and securities classified as current assets		7 258	-366	1 086	2 007
<b>Net other income</b>		<b>16 619</b>	<b>9 787</b>	<b>37 889</b>	<b>39 684</b>
<b>Total income</b>		<b>97 995</b>	<b>89 757</b>	<b>357 584</b>	<b>321 111</b>
Salary and other personnel expenses		11 592	12 345	55 498	50 324
Other administrative expenses, of which:		19 293	14 732	77 690	57 311
- <i>direct marketing cost</i>		2 962	1 868	17 843	7 275
Other expenses		1 915	1 374	7 789	6 315
Depreciation and amortisation		3 260	3 406	13 045	14 102
<b>Total operating expenses</b>		<b>36 059</b>	<b>31 856</b>	<b>154 023</b>	<b>128 052</b>
Losses on loans	2	32 053	23 021	100 230	80 882
<b>Operating profit before tax</b>		<b>29 884</b>	<b>34 880</b>	<b>103 331</b>	<b>112 177</b>
Tax expenses		4 480	9 402	21 091	28 726
<b>Profit and other comprehensive income for the period</b>		<b>25 403</b>	<b>25 478</b>	<b>82 240</b>	<b>83 451</b>
Earnings per share (NOK)		0,25	0,08	0,25	0,25
Diluted earnings per share (NOK)		0,25	0,08	0,25	0,25

## Condensed statement of financial position

NOK 1000	Note	31.12.2022	31.12.2021
Loans and deposits with credit institutions	3, 4	191 254	281 279
Loans to customers	3, 4	4 674 030	3 832 071
Certificates and bonds	3, 4	867 806	679 759
Other intangible assets	3, 5	21 197	25 098
Fixed assets	3	3 645	5 909
Derivatives	3	1 773	1 213
Other receivables	3, 4	39 527	6 323
<b>Total assets</b>		<b>5 799 233</b>	<b>4 831 653</b>
Deposit from and debt to customers	4	4 852 281	4 047 128
Other debts	4	20 491	10 942
Accrued expenses and liabilities		17 844	17 941
Derivatives		543	338
Deferred tax		734	2 957
Tax payable		25 065	30 241
Subordinated loan capital	3	96 000	56 000
<b>Total liabilities</b>		<b>5 012 958</b>	<b>4 165 546</b>
Share capital	3	332 642	332 642
Share premium reserve	3	178 192	178 192
Retained earnings	3	194 541	114 373
Additional Tier 1 capital	3	80 900	40 900
<b>Total equity</b>		<b>786 275</b>	<b>666 107</b>
<b>Total liabilities and equity</b>		<b>5 799 233</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>
Profit for the period				83 451	83 451
Changes in warrants				2 368	2 368
Paid interest on Tier 1 Capital				-3 390	-3 390
<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>
<b>Equity per 01.01.2022</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				82 240	82 240
Changes in warrants				2 352	2 352
Paid interest on Tier 1 Capital				-4 424	-4 424
Additional Tier 1 capital issued			40 000		40 000
<b>Equity per 31.12.2022</b>	<b>332 642</b>	<b>178 192</b>	<b>80 900</b>	<b>194 540</b>	<b>786 275</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 February 7<sup>th</sup>, 2023.

## Note 2: Loans to customers

### Gross and net lending:

NOK 1000	31.12.2022	31.12.2021
Unsecured consumer loans	3 060 236	2 963 544
Mortgages	1 758 131	1 002 255
Prepaid agent commission	129 360	104 218
Establishment fees	-73 118	-55 132
<b>Gross lending</b>	<b>4 874 609</b>	<b>4 014 886</b>
Impairment of loans	-200 579	-182 815
<b>Net loans to customers</b>	<b>4 674 030</b>	<b>3 832 071</b>

### Credit impaired and losses:

NOK 1000	31.12.2022	31.12.2021
Gross credit impaired loans (stage 3)	366 475	307 111
Individual impairment of credit impaired loans (stage 3)	-146 922	-125 436
<b>Net credit impaired loans</b>	<b>219 553</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	31.12.2022	31.12.2021
Loans not past due	3 597 043	3 082 109
Past due 1-30 days	663 461	433 659
Past due 31-60 days	156 549	114 066
Past due 61-90 days	34 838	28 855
Past due 91+ days	366 475	307 111
<b>Total</b>	<b>4 818 367</b>	<b>3 965 800</b>

	31.12.2022	31.12.2021
Loans not past due	74,7 %	77,7 %
Past due 1-30 days	13,8 %	10,9 %
Past due 31-60 days	3,2 %	2,9 %
Past due 61-90 days	0,7 %	0,7 %
Past due 91+ days	7,6 %	7,7 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

### Geographical distribution

NOK 1000	31.12.2022	31.12.2021
Norway	3 126 499	2 593 014
Finland	1 600 798	1 241 381
Sweden	91 070	131 405
<b>Gross lending excl. prepaid agent provisions and establishment fees</b>	<b>4 818 367</b>	<b>3 965 800</b>

## Reconciliation of gross lending to customers, total loans

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 30.09.22</b>	<b>3 878 846</b>	<b>412 365</b>	<b>305 934</b>	<b>4 597 145</b>
<i>Transfers in Q4 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-229 056	228 564	-	-492
Transfer from stage 1 to stage 3	-13 406	-	13 736	330
Transfer from stage 2 to stage 1	72 489	-81 508	-	-9 018
Transfer from stage 2 to stage 3	-	-67 543	67 182	-361
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 924	-2 211	-288
New assets	675 646	23 410	15	699 071
Assets derecognised	-412 943	-27 119	-21 320	-461 382
Changes in foreign exchange and other changes	-8 682	-1 097	3 141	-6 638
<b>Gross carrying amount as at 31.12.2022</b>	<b>3 962 894</b>	<b>488 997</b>	<b>366 475</b>	<b>4 818 367</b>

### Q4 2021:

<b>Gross carrying amount as at 30.09.21</b>	<b>3 064 705</b>	<b>451 613</b>	<b>268 671</b>	<b>3 784 989</b>
<i>Transfers in Q4 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-210 225	208 410	-	-1 815
Transfer from stage 1 to stage 3	-9 576	-	9 791	215
Transfer from stage 2 to stage 1	91 455	-102 287	-	-10 832
Transfer from stage 2 to stage 3	-	-54 486	54 080	-406
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	718	-1 081	-363
New assets	645 771	17 328	54	663 154
Assets derecognised	-361 913	-43 702	-41 387	-447 002
Changes in foreign exchange and other changes	-35 570	-3 554	16 984	-22 140
<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>

### 2022:

<b>Gross carrying amount as at 01.01.22</b>	<b>3 184 648</b>	<b>474 041</b>	<b>307 111</b>	<b>3 965 800</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-194 696	188 693	-	-6 003
Transfer from stage 1 to stage 3	-104 981	-	105 189	208
Transfer from stage 2 to stage 1	132 341	-148 621	-	-16 280
Transfer from stage 2 to stage 3	-	-89 363	83 856	-5 507
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	851	-857	-6
New assets	2 186 428	197 689	45 752	2 429 869
Assets derecognised	-1 275 748	-144 039	-180 875	-1 600 662
Changes in foreign exchange and other changes	34 902	9 746	6 300	50 948
<b>Gross carrying amount as at 31.12.22</b>	<b>3 962 894</b>	<b>488 997</b>	<b>366 475</b>	<b>4 818 367</b>

## Reconciliation of loan loss allowances, total loans

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 30.09.22</b>	<b>29 596</b>	<b>26 481</b>	<b>113 967</b>	<b>170 044</b>
<i>Transfers in Q4 2022:</i>	0	0	0	0
Transfer from stage 1 to stage 2	-2 835	11 508	-	8 672
Transfer from stage 1 to stage 3	-312	-	2 777	2 465
Transfer from stage 2 to stage 1	1 178	-4 088	-	-2 910
Transfer from stage 2 to stage 3	-	-6 001	14 490	8 489
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	158	-624	-465
New assets originated or change in provisions	4 319	1 439	3	5 761
Assets derecognised or change in provisions	-5 034	-2 479	12 503	4 989
Changes in foreign exchange and other changes	-158	-114	3 806	3 535
<b>Expected credit losses as at 31.12.22</b>	<b>26 754</b>	<b>26 903</b>	<b>146 922</b>	<b>200 579</b>

### Q4 2021:

<b>Expected credit losses as at 30.09.21</b>	<b>26 891</b>	<b>29 429</b>	<b>119 291</b>	<b>175 612</b>
<i>Transfers in Q4 2021:</i>				
Transfer from stage 1 to stage 2	-2 979	11 859	-	8 879
Transfer from stage 1 to stage 3	-227	-	2 087	1 860
Transfer from stage 2 to stage 1	1 605	-5 126	-	-3 521
Transfer from stage 2 to stage 3	-	-5 037	12 045	7 008
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	65	-370	-305
New assets originated or change in provisions	4 220	1 523	12	5 755
Assets derecognised or change in provisions	-1 907	-2 347	-10 762	-15 016
Changes in foreign exchange and other changes	-280	-311	3 132	2 542
<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>

### 2022:

<b>Expected credit losses as at 01.01.22</b>	<b>27 324</b>	<b>30 055</b>	<b>125 436</b>	<b>182 815</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-2 447	10 660	-	8 213
Transfer from stage 1 to stage 3	-1 779	-	30 894	29 116
Transfer from stage 2 to stage 1	1 789	-7 978	-	-6 189
Transfer from stage 2 to stage 3	-	-8 517	30 830	22 314
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	25	-651	-625
New assets originated or change in provisions	13 342	9 033	11 185	33 560
Assets derecognised or change in provisions	-12 356	-7 258	-53 976	-73 589
Changes in foreign exchange and other changes	881	883	3 203	4 966
<b>Expected credit losses as at 31.12.22</b>	<b>26 754</b>	<b>26 903</b>	<b>146 922</b>	<b>200 579</b>

## Reconciliation of gross lending to customers, unsecured consumer loans

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 30.09.22</b>	<b>2 411 128</b>	<b>261 370</b>	<b>283 383</b>	<b>2 955 881</b>
<i>Transfers in Q4 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-124 544	124 371	-	-172
Transfer from stage 1 to stage 3	-11 362	-	11 692	330
Transfer from stage 2 to stage 1	40 306	-45 963	-	-5 657
Transfer from stage 2 to stage 3	-	-53 666	53 312	-354
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 924	-2 211	-288
New assets	412 749	14 938	15	427 702
Assets derecognised	-276 368	-19 263	-14 179	-309 810
Changes in foreign exchange and other changes	-8 957	-1 097	2 658	-7 397
<b>Gross carrying amount as at 31.12.2022</b>	<b>2 442 953</b>	<b>282 614</b>	<b>334 670</b>	<b>3 060 236</b>

### Q4 2021:

<b>Gross carrying amount as at 30.09.21</b>	<b>2 340 055</b>	<b>380 001</b>	<b>264 407</b>	<b>2 984 463</b>
<i>Transfers in Q4 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-162 868	161 290	-	-1 578
Transfer from stage 1 to stage 3	-9 576	-	9 791	215
Transfer from stage 2 to stage 1	64 982	-73 427	-	-8 445
Transfer from stage 2 to stage 3	-	-48 553	48 469	-84
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	718	-1 081	-363
New assets	353 436	13 989	54	367 479
Assets derecognised	-279 292	-36 061	-40 448	-355 802
Changes in foreign exchange and other changes	-35 653	-3 554	16 866	-22 342
<b>Gross carrying amount as at 31.12.21</b>	<b>2 271 084</b>	<b>394 404</b>	<b>298 057</b>	<b>2 963 544</b>

### 2022:

<b>Gross carrying amount as at 01.01.22</b>	<b>2 271 084</b>	<b>394 404</b>	<b>298 057</b>	<b>2 963 544</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-124 095	119 036	-	-5 059
Transfer from stage 1 to stage 3	-89 664	-	90 129	465
Transfer from stage 2 to stage 1	119 814	-135 005	-	-15 191
Transfer from stage 2 to stage 3	-	-83 370	79 312	-4 058
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	851	-857	-6
New assets	1 142 914	85 598	39 207	1 267 719
Assets derecognised	-912 701	-108 647	-176 270	-1 197 618
Changes in foreign exchange and other changes	35 600	9 746	5 091	50 438
<b>Gross carrying amount as at 31.12.22</b>	<b>2 442 953</b>	<b>282 614</b>	<b>334 670</b>	<b>3 060 236</b>

## Reconciliation of loan loss allowances, unsecured consumer loans

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 30.09.22</b>	<b>27 078</b>	<b>23 727</b>	<b>109 988</b>	<b>160 792</b>
<i>Transfers in Q4 2022:</i>	0	0	0	0
Transfer from stage 1 to stage 2	-2 482	10 121	-	7 639
Transfer from stage 1 to stage 3	-303	-	2 663	2 359
Transfer from stage 2 to stage 1	1 073	-3 504	-	-2 432
Transfer from stage 2 to stage 3	-	-5 682	13 757	8 074
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	158	-624	-465
New assets originated or change in provisions	4 054	1 315	3	5 372
Assets derecognised or change in provisions	-4 656	-2 328	13 053	6 069
Changes in foreign exchange and other changes	-158	-114	3 322	3 051
<b>Expected credit losses as at 31.12.22</b>	<b>24 605</b>	<b>23 692</b>	<b>142 162</b>	<b>190 459</b>

### Q4 2021:

<b>Expected credit losses as at 30.09.21</b>	<b>25 699</b>	<b>28 167</b>	<b>118 689</b>	<b>172 554</b>
<i>Transfers in Q4 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-2 873	11 051	-	8 178
Transfer from stage 1 to stage 3	-227	-	2 087	1 860
Transfer from stage 2 to stage 1	1 483	-4 709	-	-3 226
Transfer from stage 2 to stage 3	-	-4 890	11 511	6 621
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	65	-370	-305
New assets originated or change in provisions	3 776	1 470	12	5 259
Assets derecognised or change in provisions	-1 979	-2 207	-10 777	-14 962
Changes in foreign exchange and other changes	-280	-311	3 014	2 422
<b>Expected credit losses as at 31.12.21</b>	<b>25 599</b>	<b>28 637</b>	<b>124 166</b>	<b>178 402</b>

### 2022:

<b>Expected credit losses as at 01.01.22</b>	<b>25 600</b>	<b>28 637</b>	<b>124 166</b>	<b>178 402</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-2 259	9 569	-	7 309
Transfer from stage 1 to stage 3	-1 714	-	29 410	27 696
Transfer from stage 2 to stage 1	1 778	-7 764	-	-5 986
Transfer from stage 2 to stage 3	-	-8 380	30 425	22 045
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	25	-651	-625
New assets originated or change in provisions	11 819	7 434	10 724	29 976
Assets derecognised or change in provisions	-11 500	-6 712	-53 906	-72 118
Changes in foreign exchange and other changes	881	883	1 994	3 758
<b>Expected credit losses as at 31.12.22</b>	<b>24 605</b>	<b>23 692</b>	<b>142 162</b>	<b>190 459</b>

## Reconciliation of gross lending to customers, mortgages

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 30.09.22</b>	<b>1 467 718</b>	<b>150 995</b>	<b>22 551</b>	<b>1 641 264</b>
<i>Transfers in Q4 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-104 513	104 193	-	-319
Transfer from stage 1 to stage 3	-2 044	-	2 044	-
Transfer from stage 2 to stage 1	32 183	-35 545	-	-3 362
Transfer from stage 2 to stage 3	-	-13 877	13 870	-7
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	262 897	8 472	-	271 369
Assets derecognised	-136 576	-7 856	-7 142	-151 573
Changes in foreign exchange and other changes	275	-	484	759
<b>Gross carrying amount as at 31.12.22</b>	<b>1 519 941</b>	<b>206 383</b>	<b>31 806</b>	<b>1 758 131</b>

### Q4 2021:

<b>Gross carrying amount as at 30.09.21</b>	<b>724 650</b>	<b>71 612</b>	<b>4 264</b>	<b>800 525</b>
<i>Transfers in Q4 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-47 356	47 120	-	-237
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	26 472	-28 860	-	-2 387
Transfer from stage 2 to stage 3	-	-5 933	5 611	-322
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	292 335	3 339	-	295 675
Assets derecognised	-82 621	-7 641	-939	-91 200
Changes in foreign exchange and other changes	84	-	118	202
<b>Gross carrying amount as at 31.12.21</b>	<b>913 564</b>	<b>79 637</b>	<b>9 054</b>	<b>1 002 255</b>

### 2022:

<b>Gross carrying amount as at 01.01.22</b>	<b>913 564</b>	<b>79 637</b>	<b>9 054</b>	<b>1 002 255</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-70 601	69 656	-	-944
Transfer from stage 1 to stage 3	-15 317	-	15 060	-257
Transfer from stage 2 to stage 1	12 527	-13 616	-	-1 089
Transfer from stage 2 to stage 3	-	-5 993	4 544	-1 449
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	1 043 514	112 091	6 545	1 162 149
Assets derecognised	-363 047	-35 392	-4 605	-403 044
Changes in foreign exchange and other changes	-698	-	1 208	510
<b>Gross carrying amount as at 31.12.22</b>	<b>1 519 941</b>	<b>206 383</b>	<b>31 806</b>	<b>1 758 131</b>

## Reconciliation of loan loss allowances, mortgages

### Q4 2022:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 30.09.22</b>	<b>2 519</b>	<b>2 754</b>	<b>3 979</b>	<b>9 252</b>
<i>Transfers in Q4 2022:</i>	0	0	0	0
Transfer from stage 1 to stage 2	-353	1 387	-	1 033
Transfer from stage 1 to stage 3	-9	-	114	105
Transfer from stage 2 to stage 1	106	-584	-	-478
Transfer from stage 2 to stage 3	-	-319	734	414
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	265	124	-	389
Assets derecognised or change in provisions	-379	-151	-550	-1 080
Changes in foreign exchange and other changes	-	-	484	484
<b>Expected credit losses as at 31.12.22</b>	<b>2 149</b>	<b>3 211</b>	<b>4 760</b>	<b>10 120</b>

### Q4 2021:

<b>Expected credit losses as at 30.09.21</b>	<b>1 193</b>	<b>1 263</b>	<b>602</b>	<b>3 058</b>
<i>Transfers in Q4 2021:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-106	807	-	701
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	122	-417	-	-295
Transfer from stage 2 to stage 3	-	-147	534	387
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	444	53	-	497
Assets derecognised or change in provisions	73	-141	15	-53
Changes in foreign exchange and other changes	-	-	118	119
<b>Expected credit losses as at 31.12.21</b>	<b>1 724</b>	<b>1 418</b>	<b>1 270</b>	<b>4 412</b>

### 2022:

<b>Expected credit losses as at 01.01.22</b>	<b>1 724</b>	<b>1 418</b>	<b>1 270</b>	<b>4 412</b>
<i>Transfers in 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-187	1 091	-	904
Transfer from stage 1 to stage 3	-65	-	1 484	1 419
Transfer from stage 2 to stage 1	11	-214	-	-203
Transfer from stage 2 to stage 3	-	-137	405	268
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	1 523	1 599	461	3 583
Assets derecognised or change in provisions	-856	-546	-70	-1 472
Changes in foreign exchange and other changes	-	-	1 208	1 208
<b>Expected credit losses as at 31.12.22</b>	<b>2 149</b>	<b>3 211</b>	<b>4 760</b>	<b>10 120</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 stageing 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. Loans that are more than 90 days past due transfer from Stage 2 to Stage 3. The below table show the trigger thresholds that define a significant increase in PD origination and the reporting date. The thresholds for high and low risk at origination are 10 %, 11 % and 5 % for Norway, Finland and Sweden respectively.

	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 employ macroeconomic models for each mass market product portfolio in measuring ECL which include a pessimistic, a baseline and an optimistic macroeconomic scenario. The macroeconomic projections in the scenarios are based on data from Moody's Analytics' Global Macroeconomic Model (GMM), which is a structural model that produce more than 16.000 interrelated macroeconomic time series spanning 73 countries and reflecting specific economic conditions and relationships. The output from GMM is a baseline scenario and 10 standard alternative scenario forecasts over a 30-year time horizon which are produced at a quarterly basis and updated at a monthly basis. Macroeconomic indicators that are expected to correlate with probability of default in terms of economic logic are the basis for discretionary setting factors used to adjust ECL by the scenarios. The indicators included are "Gross Domestic Product" (market exchange rate in bil. 2012 USD), "Unemployment Rate" (labor force survey, in %), "Consumer Price Index" (total index, 2010=100, 2015=100 and 1980=100 respectively for Finland, Norway and Sweden), "Interest Rate" (three month interbank offered rate, in %) and "House Price Index" (nominal index, 2010=100).

	Pessimistic scenario				Baseline scenario				Optimistic scenario			
	31.12.22	31.12.23	31.12.24	31.12.28	31.12.22	31.12.23	31.12.24	31.12.28	31.12.22	31.12.23	31.12.24	31.12.28
<b>NORWAY</b>												
Gross Domestic Product	591,8	570,3	589,4	637,1	597,6	603,9	616,5	660,9	600,5	612,1	623,6	668,2
Unemployment Rate	4,7	5,4	5,1	3,4	3,8	4,0	4,0	3,3	3,7	3,9	3,9	3,2
Consumer Price Index	126,0	126,7	126,7	138,1	124,1	125,4	127,2	139,7	124,1	125,3	127,1	139,6
Interest Rate	3,7	2,4	1,9	1,8	3,2	3,3	3,2	3,1	3,2	3,5	3,5	3,3
House Price Index	173,4	157,4	156,6	202,1	174,0	170,0	170,6	208,8	174,1	170,5	171,6	212,3
<b>FINLAND</b>												
Gross Domestic Product	284,1	271,3	280,4	297,1	287,8	293,2	297,6	311,4	290,8	297,8	300,9	314,6
Unemployment Rate	6,9	8,1	8,2	7,0	6,8	6,6	6,6	6,5	6,8	6,4	6,3	6,5
Consumer Price Index	127,6	130,7	130,9	139,3	125,7	129,4	131,5	140,9	125,9	129,4	131,4	140,8
Interest Rate	3,6	0,0	0,0	1,4	3,3	2,4	1,5	1,5	2,9	2,0	1,5	1,5
House Price Index	112,9	105,3	105,0	120,6	115,1	114,8	114,9	132,0	116,1	119,7	120,3	138,5
<b>SWEDEN</b>												
Gross Domestic Product	674,7	654,2	682,2	742,6	680,3	687,0	708,9	767,9	685,2	703,3	720,5	776,8
Unemployment Rate	4,7	5,4	5,1	3,4	3,8	4,0	4,0	3,3	3,7	3,9	3,9	3,2
Consumer Price Index	383,8	395,3	400,7	421,7	382,4	394,0	400,9	429,4	382,3	393,7	400,9	433,0
Interest Rate	3,2	0,8	0,7	2,6	3,1	2,6	2,5	2,7	2,8	2,3	2,5	2,7
House Price Index	191,2	184,1	193,7	227,9	191,2	191,4	200,5	246,1	191,5	196,1	205,3	254,7

Factors pr. 31.12.2022	Secured	Unsecured		
	Norway	Norway	Finland	Sweden
Pessimistic Scenario	1,25	1,15	1,20	1,20
Baseline Scenario	1,03	1,03	1,05	1,05
Optimistic Scenario	1,00	1,00	1,02	1,02

## ECL sensitivity between macro scenarios

The weighting of the scenarios is set at [30 % pessimistic - 40 % baseline - 30 % optimistic] for the unsecured portfolios and [10 % pessimistic - 80 % baseline - 10 % optimistic] for the secured portfolio. The indicators from the scenarios reflect the probability of the economy performing worse or better than the projection. For the baseline scenario, the probability that the economy performing better or worse than the projection is both equal at 50 % and is thereby the most likely outcome. For the optimistic scenario, there is a 10 % probability that the economy will perform better than projections and 90 % probability that it will perform worse and vice versa for the pessimistic scenario.

NOK 1000	Secured	Unsecured			Total
	Norway	Norway	Finland	Sweden	
Pessimistic scenario	11 780	99 791	91 833	15 412	<b>218 816</b>
Baseline scenario	9 963	91 035	80 674	13 689	<b>195 360</b>
Optimistic scenario	9 715	88 845	78 443	13 344	<b>190 347</b>
<b>Final ECL</b>	<b>10 120</b>	<b>93 005</b>	<b>83 352</b>	<b>14 102</b>	<b>200 579</b>

## Note 3: Regulatory capital and LCR

NOK 1000	31.12.2022	31.12.2021
Share capital	332 642	332 642
Share premium	178 192	178 192
Other equity	194 541	114 373
Phase in effects of IFRS 9	16 023	32 045
Deferred tax asset/intangible assets/other deductions	-22 065	-25 777
<b>Common equity tier 1 capital</b>	<b>699 333</b>	<b>631 476</b>
Additional tier 1 capital	80 900	40 900
<b>Core capital</b>	<b>780 233</b>	<b>672 376</b>
Subordinated loan	96 000	56 000
<b>Total capital</b>	<b>876 233</b>	<b>728 376</b>
Calculation basis - NOK 1000		
Credit risk:		
Loans and deposits with credit institutions	38 302	56 429
Exposures secured by mortgages	629 980	372 790
Retail exposures	2 040 938	2 030 087
Certificates and bonds	78 654	113 651
Other assets	44 945	13 446
Exposures in default	219 553	162 603
Calculation basis credit risk	<b>3 052 373</b>	<b>2 749 005</b>
Calculation basis operational risk	470 911	516 502
<b>Total calculation basis</b>	<b>3 523 284</b>	<b>3 265 507</b>
<b>Capital ratios including phase in impact of IFRS 9:</b>		
Common equity Tier 1 Capital ratio	19,8 %	19,3 %
Tier 1 capital ratio	22,1 %	20,6 %
<b>Total capital ratio</b>	<b>24,9 %</b>	<b>22,3 %</b>
<b>Capital ratios excluding phase in impact of IFRS 9:</b>		
Common equity Tier 1 Capital ratio	19,5 %	18,5 %
Tier 1 capital ratio	21,8 %	19,8 %
Total capital ratio	24,5 %	21,5 %
<b>Regulatory capital requirements:</b>		
Common equity Tier 1 Capital ratio	17,4 %	16,8 %
Tier 1 capital ratio	18,9 %	18,3 %
Total capital ratio	20,9 %	21,3 %
<b>Leverage ratio</b>	<b>13,4 %</b>	<b>13,9 %</b>
<b>LCR Total</b>	<b>307 %</b>	<b>193 %</b>
LCR NOK	383 %	136 %
LCR EUR	124 %	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.

<b>NOK 1000</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Certificates and bonds - level 2	867 806	679 759
Derivatives- level 2	1 773	1 213

#### Liabilities

<b>NOK 1000</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Derivatives - level 2	543	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>31.12.2022</b>	<b>31.12.2021</b>
Loans and deposits with credit institutions	191 254	281 279
Net loans to customers	4 674 030	3 832 071
Other receivables	39 527	6 323
<b>Total financial assets at amortised cost</b>	<b>4 904 811</b>	<b>4 119 673</b>
Deposits from and debt to customers	4 852 281	4 047 128
Other debt	46 098	41 521
Subordinated loans	96 000	56 000
<b>Total financial liabilities at amortised cost</b>	<b>4 994 379</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 3,8 MNOK and expires 30.06.2024. The right of use asset is 3,5 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.