



# INSTABANK ASA

## INTERIM REPORT Q1 2023

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Key highlights & developments:

- ★ **Profit before tax increased 25 % to 31.6 MNOK from the same quarter last year**  
*Strong growth in Total income, cost to income ratio decreased to 38 % from 46 % in Q1-22*
- ★ **Record-high growth in net loans of 438 MNOK**  
*Net lending exceeds 5 billion NOK*
- ★ **Strong mortgages volume growth of 207 MNOK**  
*Mortgages represents 39 % of total net loans and 61 % of net loans in Norway*
- ★ **Instabank to offer lending to small and medium sized businesses**  
*Further strengthening the position as a Nordic challenger bank*



# We value progress

## INTERIM REPORT Q1 2023

### 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 Q1-23, Instabank had 42 full-time and 11 part-time employees.

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

### Operational Developments

Instabank delivered a record-high growth in net loans of 438 MNOK in the first quarter of 2023. The growth comes from solid organisational performance, successfully delivering on the strategy, effective operations, distribution, product offerings meeting customer demands and changes in foreign exchange.

There is still a strong demand for the mortgage product representing an attractive yield, low risk and requiring less capital than for unsecured loans. The growth in mortgage lending was 207 MNOK in the quarter, up from 116 MNOK in the previous quarter. At the end of Q1-23, mortgage lending amounted to 1,955 MNOK, representing 39 % of total lending.

The Finnish market remained strong and delivered growth in net loans of 266 MNOK, of which 145 MNOK came because of changes in currency exchange rates.

Unsecured loans in Norway decreased by 34 MNOK in the quarter as we have prioritised growth in mortgages and unsecured lending in Finland, representing a more attractive return on equity.

Instabank has, in Q1-23, continued to increase the interest rates for existing lending customers and new loans resulting in increased loan yields. For mortgages, the loan yield increased to 7.6 % by the end of Q1-23 from 7.1 % by the end of the previous quarter, and for consumer loans yield increased to 11.6 % from 11.3 %

The increase in market rates also triggered increased funding costs. While the Norwegian market had the most significant increase in deposit rates during the fall last year, The Euro deposit rates rose during Q1-23 from a very low level. Consequently, the bank's funding cost increased to 2.5 % in Q1-23 from 2.0 % in the previous quarter. Although the increased funding cost comes ahead of the increase in lending yield due to a 6-week notice period for rate hikes, the increased market rates had a minimal negative impact on the net interest income and margin in Q1-23.

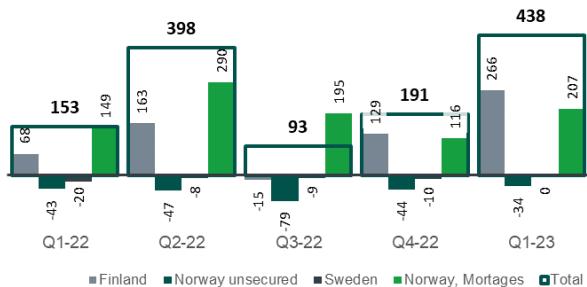
The credit risk continues to remain at a satisfactory level, and the rise we observed in the share of loans past due 1-30 days at the end of Q4-22 came down to 10.6 % at the end of Q1-23 from 13.8 % at the end of Q4-22.

At the end of Q1-23 the bank had 82,098 customers, of which 55,807 were loan customers and 26,291 were deposit customers.

## Balance Sheet

Net loans to customers increased by 438 MNOK in Q1-23 to 5,056 MNOK at the end of the quarter. Mortgages increased by 207 MNOK, and unsecured loans increased by 232 MNOK, off which 145 MNOK came because of changes in currency exchange rates.

*Net loan balance growth (MNOK):*



Deposits from customers decreased by 382 MNOK to 5,235 MNOK at the end of the quarter.

Instabank called subordinated Tier 1 and Tier 2 bonds of 25 MNOK and 40 MNOK in March and issued new Tier 1 and Tier 2 bonds at the same amount, maintaining a solid capital structure. Common equity Tier 1 Capital (CET1) ratio was 18.6 %, and the total capital ratio was 23.3 %. The countercyclical buffer requirement increased by 0.5 percentage points for exposures in Norway at the end of the quarter and the regulatory CET1 requirement increased from 17,4 % at the end of Q4-22 to 17.6 % at the end of Q1-23.

Total assets at the end of Q1-23 were 6,205 MNOK.

## Profit and Loss

Instabank reports a profit before tax of 31.6 MNOK, up 6.4 MNOK / 25 % from the same quarter last year, and after-tax profit of 23.7 MNOK in Q1-23.

Total interest income increased by 30 MNOK from the same quarter last year to 121 MNOK in Q1-23. The increase was driven by a 12-month net loan growth of 1,120 MNOK and increased loan yield to 10.0 % from 9.50 % in the same quarter last year despite an increased share of mortgages to total net loans from 29 % to 39 %.

Interest expenses came in at 37.9 MNOK, up from 27.9 MNOK in the previous quarter following an increase in deposits volume and rates.

Net other income increased by 9.8 MNOK from the same quarter last year to 16.9 MNOK in Q1-23 following increased yield on securities.

For the first time, Total income exceeded the 100 MNOK mark and came in at 100.8 MNOK, up 15,4 MNOK / 18 % from the same quarter last year.

Despite high growth in net loans over the last year, the operating expenses were 1.4 MNOK below the same quarter the previous year and came in at 38.4 MNOK in Q1-23. The cost-to-income ratio was 38 % versus 46 % in the same quarter last year, demonstrating economy of scale.

Losses on loans came in at 30.8 MNOK or 2.4 % of average gross loans to customers, down from 32.0 MNOK / 2.7 % in the previous quarter. The decrease came from continued low losses on loans for mortgages of 0.2 MNOK / 0,1 %. Losses on loans for unsecured lending was 30.6 MNOK or 3.8 %. Changes in the IFRS 9 model during the quarter had a positive impact on impairment for mortgages, offset by a negative impact on unsecured lending.

## Outlook

Instabank's success story is built on a flexible and scalable business model and a very competent group of employees that have demonstrated the ability to act fast on changes in market conditions and pursue opportunities. The Instabank team is committed to continuing to develop Instabank as a leading Nordic challenger bank.

In the first quarter, Instabank initiated a project developing a credit line offering for small and medium-sized businesses. Although we expect business lending to contribute substantially to growth in lending and profit in the years ahead, we will, in 2023, start slowly in terms of lending growth to make sure the credit risk is managed well before we allow for growth to accelerate. The business lending product will further improve our diversity and enhance our ability to focus our efforts on the most attractive products and markets in our portfolio at any given time under changing market conditions to achieve optimised growth in lending and profitability.

For Instabank's existing lending products, we expect continued high demand and reiterate the growth target of 1 billion NOK in net loans for 2023. The lending growth in the first quarter of 438 MNOK more than demonstrated the ability to achieve the 2023 target. For the remainder of the year, we expect mortgages to contribute the most to achieve the growth target, as mortgages benefit from more than half the risk-weight of unsecured loans in terms of capital adequacy, allowing us to achieve the 2023 growth target based on capital generated from profits.

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 31.03.2023 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, April 26th, 2023  
Board of Directors, Instabank ASA

# Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	Q1-2023	Q1-2022	YTD 2023	YTD 2022	Year 2022
Interest Income effective interest method		119 664	90 297	119 664	90 297	391 234
Other interest income		1 262	196	1 262	196	2 350
Interest expenses		37 130	12 248	37 130	12 248	73 890
<b>Net interest income</b>		<b>83 796</b>	<b>78 244</b>	<b>83 796</b>	<b>78 244</b>	<b>319 694</b>
Income commissions and fees		12 222	11 473	12 222	11 473	46 017
Expenses commissions and fees		2 109	1 790	2 109	1 790	9 213
Net gains/loss on foreign exchange and securities classified as current assets		6 854	-2 546	6 854	-2 546	1 086
<b>Net other income</b>		<b>16 967</b>	<b>7 138</b>	<b>16 967</b>	<b>7 138</b>	<b>37 889</b>
<b>Total income</b>		<b>100 763</b>	<b>85 382</b>	<b>100 763</b>	<b>85 382</b>	<b>357 584</b>
Salary and other personnel expenses		15 199	17 291	15 199	17 291	55 498
Other administrative expenses, of which:		18 406	17 775	18 406	17 775	77 690
- <i>direct marketing cost</i>		2 716	3 228	2 716	3 228	7 275
Other expenses		1 797	1 562	1 797	1 562	7 789
Depreciation and amortisation		2 947	3 082	2 947	3 082	13 045
<b>Total operating expenses</b>		<b>38 350</b>	<b>39 711</b>	<b>38 350</b>	<b>39 711</b>	<b>154 023</b>
Losses on loans	2	30 849	20 476	30 849	20 476	100 230
<b>Operating profit before tax</b>		<b>31 564</b>	<b>25 195</b>	<b>31 564</b>	<b>25 195</b>	<b>103 331</b>
Tax expenses		7 891	4 548	7 891	4 548	21 091
<b>Profit and other comprehensive income for the period</b>		<b>23 673</b>	<b>20 647</b>	<b>23 673</b>	<b>20 647</b>	<b>82 240</b>
Earnings per share (NOK)		0,07	0,06	0,07	0,06	0,25
Diluted earnings per share (NOK)		0,07	0,06	0,07	0,06	0,23

# Condensed statement of financial position

NOK 1000	Note	31.03.2023	31.03.2022	31.12.2022
Loans and deposits with credit institutions	3, 4	174 078	191 450	191 254
Loans to customers	3, 4	5 115 359	3 988 389	4 674 030
Certificates and bonds	3, 4	848 185	933 611	867 806
Other intangible assets	3, 5	22 756	25 064	21 197
Fixed assets		3 623	5 390	3 645
Derivatives		4 002	4 105	1 773
Other receivables	3, 4	36 735	7 793	39 527
<b>Total assets</b>		<b>6 204 739</b>	<b>5 155 801</b>	<b>5 799 233</b>
Deposit from and debt to customers	4	5 234 665	4 344 527	4 852 281
Other debts	4	15 145	11 123	20 491
Accrued expenses and liabilities		13 461	18 729	17 844
Derivatives		3 361	1 231	543
Deferred tax		734	2 957	734
Tax payable		32 956	34 789	25 065
Subordinated loan capital	3, 4	96 000	56 000	96 000
<b>Total liabilities</b>		<b>5 396 323</b>	<b>4 469 356</b>	<b>5 012 958</b>
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	216 682	134 710	194 541
Additional Tier 1 capital	3	80 900	40 900	80 900
<b>Total equity</b>		<b>808 417</b>	<b>686 445</b>	<b>786 275</b>
<b>Total liabilities and equity</b>		<b>6 204 739</b>	<b>5 155 801</b>	<b>5 799 233</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 01.01.2022</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	<b>82 240</b>
Changes in warrants				2 352	<b>2 352</b>
Paid interest on Tier 1 Capital				-4 424	<b>-4 424</b>
Additional Tier 1 capital issued			40 000		<b>40 000</b>
<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>
<b>Equity per 01.01.2023</b>	<b>332 642</b>	<b>178 192</b>	<b>80 900</b>	<b>194 540</b>	<b>786 275</b>
Profit for the period				23 673	<b>23 673</b>
Changes in warrants				832	<b>832</b>
Paid interest on Tier 1 Capital				-2 363	<b>-2 363</b>
<b>Equity per 31.03.2023</b>	<b>332 642</b>	<b>178 192</b>	<b>80 900</b>	<b>216 682</b>	<b>808 417</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 2022. The interim report was approved by the board of directors on April 26th, 2023.

## Note 2: Loans to customers

### Gross and net lending:

NOK 1000	31.03.2023	31.03.2022	31.12.2022
Unsecured consumer loans	3 329 812	2 983 922	3 060 236
Mortgages	1 965 052	1 151 902	1 758 131
Prepaid agent commission	136 658	112 471	129 360
Establishment fees	-77 282	-60 272	-73 118
<b>Gross lending</b>	<b>5 354 240</b>	<b>4 188 022</b>	<b>4 874 609</b>
Impairment of loans	-238 881	-199 633	-200 579
<b>Net loans to customers</b>	<b>5 115 359</b>	<b>3 988 389</b>	<b>4 674 030</b>

### Credit impaired and losses:

NOK 1000	31.03.2023	31.03.2022	31.12.2022
Gross credit impaired loans (stage 3)	443 387	339 051	366 475
Individual impairment of credit impaired loans (stage 3)	-181 500	-145 687	-146 922
<b>Net credit impaired loans</b>	<b>261 887</b>	<b>193 365</b>	<b>219 553</b>

### Ageing of loans:

NOK 1000	31.03.2023	31.03.2022	31.12.2022
Loans not past due	4 037 420	3 316 882	3 597 043
Past due 1-30 days	563 293	365 354	663 461
Past due 31-60 days	209 790	87 697	156 549
Past due 61-90 days	40 974	26 839	34 838
Past due 91+ days	443 387	339 051	366 475
<b>Total</b>	<b>5 294 864</b>	<b>4 135 824</b>	<b>4 818 367</b>

	31.03.2023	31.03.2022	31.12.2022
Loans not past due	76,3 %	80,2 %	74,7 %
Past due 1-30 days	10,6 %	8,8 %	13,8 %
Past due 31-60 days	4,0 %	2,1 %	3,2 %
Past due 61-90 days	0,8 %	0,6 %	0,7 %
Past due 91+ days	8,4 %	8,2 %	7,6 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

### Geographical distribution

NOK 1000	31.03.2023	31.03.2022	31.12.2022
Norway	3 309 250	2 709 804	3 126 499
Finland	1 892 457	1 313 199	1 600 798
Sweden	93 157	112 821	91 070
<b>Gross lending excl. prepaid agent provisions and establishment fees</b>	<b>5 294 864</b>	<b>4 135 824</b>	<b>4 818 367</b>

## Reconciliation of gross lending to customers, total loans

### Q1 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01.01.23</b>	<b>3 962 894</b>	<b>488 997</b>	<b>366 475</b>	<b>4 818 367</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-247 376	248 167	-	791
Transfer from stage 1 to stage 3	-16 475	-	16 882	407
Transfer from stage 2 to stage 1	102 224	-107 587	-	-5 363
Transfer from stage 2 to stage 3	-	-66 002	65 881	-120
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	2 600	-2 732	-132
New assets	800 703	18 677	217	819 597
Assets derecognised	-443 428	-44 066	-20 107	-507 600
Changes in foreign exchange and other changes	137 893	14 255	16 771	168 919
<b>Gross carrying amount as at 31.03.23</b>	<b>4 296 435</b>	<b>555 042</b>	<b>443 387</b>	<b>5 294 864</b>

### Q1 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 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 31.03.22</b>	<b>3 332 874</b>	<b>463 898</b>	<b>339 051</b>	<b>4 135 824</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

### Q1 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 01.01.23</b>	<b>26 754</b>	<b>26 903</b>	<b>146 922</b>	<b>200 579</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-3 073	12 166	-	9 092
Transfer from stage 1 to stage 3	-311	-	3 756	3 445
Transfer from stage 2 to stage 1	1 308	-4 858	-	-3 550
Transfer from stage 2 to stage 3	-	-4 998	14 202	9 204
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	15	-172	-157
New assets originated or change in provisions	4 611	1 202	68	5 880
Assets derecognised or change in provisions	-2 541	-2 495	7 589	2 553
Changes in foreign exchange and other changes	1 377	1 321	9 135	11 834
<b>Expected credit losses as at 31.03.23</b>	<b>28 125</b>	<b>29 256</b>	<b>181 500</b>	<b>238 881</b>

### Q1 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 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 31.03.22</b>	<b>25 943</b>	<b>28 004</b>	<b>145 687</b>	<b>199 633</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

**Q1 2023:**

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01.01.23</b>	<b>2 442 953</b>	<b>282 614</b>	<b>334 670</b>	<b>3 060 236</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-131 702	132 910	-	1 208
Transfer from stage 1 to stage 3	-11 539	-	11 956	417
Transfer from stage 2 to stage 1	53 638	-58 797	-	-5 159
Transfer from stage 2 to stage 3	-	-49 800	49 683	-118
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	167	-288	-121
New assets	438 647	12 925	217	451 789
Assets derecognised	-300 358	-23 511	-15 648	-339 517
Changes in foreign exchange and other changes	130 497	14 255	16 325	161 076
<b>Gross carrying amount as at 31.03.23</b>	<b>2 622 135</b>	<b>310 763</b>	<b>396 914</b>	<b>3 329 812</b>

**Q1 2022:**

Gross carrying amount as at 01.01.22	2 271 084	394 404	298 057	2 963 544
<i>Transfers in Q1 2022:</i>				
Transfer from stage 1 to stage 2	-144 151	141 940	-	-2 211
Transfer from stage 1 to stage 3	-5 996	-	6 148	152
Transfer from stage 2 to stage 1	72 807	-82 046	-	-9 239
Transfer from stage 2 to stage 3	-	-43 183	42 509	-675
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1 131	-2 048	-918
New assets	410 286	7 356	108	417 751
Assets derecognised	-283 828	-34 814	-14 355	-332 997
Changes in foreign exchange and other changes	-44 135	-5 837	-3 375	-53 346
<b>Gross carrying amount as at 31.03.22</b>	<b>2 276 067</b>	<b>378 950</b>	<b>327 045</b>	<b>2 982 062</b>

**2022:**

Gross carrying amount as at 01.01.22	2 271 084	394 404	298 057	2 963 544
<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

### Q1 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 01.01.23</b>	<b>24 605</b>	<b>23 692</b>	<b>142 162</b>	<b>190 460</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-2 776	11 026	-	8 250
Transfer from stage 1 to stage 3	-306	-	3 635	3 329
Transfer from stage 2 to stage 1	1 249	-4 349	-	-3 101
Transfer from stage 2 to stage 3	-	-4 655	13 150	8 495
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	5	-140	-135
New assets originated or change in provisions	4 359	1 149	68	5 576
Assets derecognised or change in provisions	-1 669	-1 594	7 520	4 257
Changes in foreign exchange and other changes	1 377	1 321	8 688	11 387
<b>Expected credit losses as at 31.03.23</b>	<b>26 839</b>	<b>26 595</b>	<b>175 083</b>	<b>228 517</b>

### Q1 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 Q1 2022:</i>				
Transfer from stage 1 to stage 2	-2 612	9 977	-	7 365
Transfer from stage 1 to stage 3	-151	-	1 300	1 149
Transfer from stage 2 to stage 1	1 598	-5 549	-	-3 952
Transfer from stage 2 to stage 3	-	-4 602	10 118	5 515
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	72	-689	-617
New assets originated or change in provisions	3 933	741	24	4 699
Assets derecognised or change in provisions	-3 654	-2 296	5 536	-415
Changes in foreign exchange and other changes	-531	-513	3 234	2 190
<b>Expected credit losses as at 31.03.22</b>	<b>24 181</b>	<b>26 468</b>	<b>143 688</b>	<b>194 337</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

**Q1 2023:**

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01.01.23</b>	<b>1 519 941</b>	<b>206 383</b>	<b>31 806</b>	<b>1 758 131</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-115 674	115 257	-	-417
Transfer from stage 1 to stage 3	-4 936	-	4 925	-10
Transfer from stage 2 to stage 1	48 586	-48 790	-	-204
Transfer from stage 2 to stage 3	-	-16 201	16 198	-3
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	2 433	-2 444	-11
New assets	362 056	5 752	-	367 807
Assets derecognised	-143 070	-20 555	-4 459	-168 083
Changes in foreign exchange and other changes	7 396	-	447	7 843
<b>Gross carrying amount as at 31.03.23</b>	<b>1 674 300</b>	<b>244 278</b>	<b>46 473</b>	<b>1 965 052</b>

**Q1 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 Q1 2022:</i>				
Transfer from stage 1 to stage 2	-38 035	37 935	-	-100
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	14 450	-18 558	-	-4 108
Transfer from stage 2 to stage 3	-	-4 213	4 213	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	279 853	4 042	-	283 895
Assets derecognised	-114 362	-13 896	-1 441	-129 699
Changes in foreign exchange and other changes	1 337	-	181	1 518
<b>Gross carrying amount as at 31.03.22</b>	<b>1 056 806</b>	<b>84 948</b>	<b>12 007</b>	<b>1 153 761</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

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 01.01.23</b>	<b>2 149</b>	<b>3 211</b>	<b>4 760</b>	<b>10 120</b>
<i>Transfers in Q1 2023:</i>				
Transfer from stage 1 to stage 2	-297	1 140	-	843
Transfer from stage 1 to stage 3	-5	-	121	116
Transfer from stage 2 to stage 1	59	-508	-	-449
Transfer from stage 2 to stage 3	-	-343	1 052	709
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	10	-32	-22
New assets originated or change in provisions	252	52	-	304
Assets derecognised or change in provisions	-872	-901	69	-1 704
Changes in foreign exchange and other changes	-	-	447	447
<b>Expected credit losses as at 31.03.23</b>	<b>1 286</b>	<b>2 661</b>	<b>6 417</b>	<b>10 364</b>

### Q1 2022:

Expected credit losses as at 01.01.22	1 724	1 418	1 270	4 412
<i>Transfers in Q1 2022:</i>				
Transfer from stage 1 to stage 2	-147	678	-	530
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	35	-287	-	-252
Transfer from stage 2 to stage 3	-	-83	437	355
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	364	72	-	436
Assets derecognised or change in provisions	-214	-261	110	-364
Changes in foreign exchange and other changes	-1	-	181	180
<b>Expected credit losses as at 31.03.22</b>	<b>1 762</b>	<b>1 536</b>	<b>1 999</b>	<b>5 297</b>

### 2022:

Expected credit losses as at 01.01.22	1 724	1 418	1 270	4 412
<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 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. 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 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 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 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).

NORWAY	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28
Gross Domestic Product	589,1	601,9	653,4	621,3	631,6	677,8	629,7	639,1	685,3
Unemployment Rate	5,4	5,3	3,5	4,0	4,1	3,3	3,9	3,9	3,2
Consumer Price Index	122,8	122,8	133,8	127,1	128,8	141,1	126,8	128,7	141,0
Interest Rate	2,4	2,0	1,7	3,2	3,2	3,1	3,3	3,4	3,4
House Price Index	158,9	156,8	201,3	170,4	170,8	209,6	171,3	171,9	212,9

FINLAND	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28
Gross Domestic Product	269,8	275,7	294,8	289,9	294,0	309,0	296,6	299,6	314,5
Unemployment Rate	8,5	8,7	7,1	7,2	7,0	6,5	6,9	6,9	6,5
Consumer Price Index	126,6	126,8	135,5	131,0	133,1	142,9	131,0	133,0	142,8
Interest Rate	1,1	-0,2	1,2	2,8	1,8	1,5	2,9	1,8	1,5
House Price Index	104,2	101,3	117,2	112,0	110,8	128,3	115,8	116,0	134,6

SWEDEN	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28	31.12.23	31.12.24	31.12.28
Gross Domestic Product	658,8	673,8	736,0	687,2	699,9	758,8	704,3	712,2	767,6
Unemployment Rate	5,4	5,3	3,5	4,0	4,1	3,3	3,9	3,9	3,2
Consumer Price Index	378,9	381,6	415,5	392,1	400,2	438,0	392,4	399,8	436,9
Interest Rate	1,3	0,5	2,1	2,9	2,4	2,4	3,1	2,4	2,4
House Price Index	163,9	169,6	214,9	180,6	190,0	238,6	184,4	194,9	244,9

<b>Factors per 31.12.2023</b>	<b>Secured</b> Norway	<b>Unsecured</b>		
		<b>Norway</b>	<b>Finland</b>	<b>Sweden</b>
Pessimistic Scenario	1,25	1,15	1,22	1,20
Baseline Scenario	1,03	1,03	1,06	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 probability of the outer scenarios occurring for the secured portfolio is therefore assumed to be lower due to the mortgage securities and the economic indicator scenario levels and factor levels further reflect the aforementioned. 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.

<b>NOK 1000</b>	<b>Secured</b> Norway	<b>Unsecured</b>			<b>Total</b>
		<b>Norway</b>	<b>Finland</b>	<b>Sweden</b>	
Pessimistic scenario	11 985	110 518	120 958	17 853	<b>261 314</b>
Baseline scenario	10 210	100 969	105 409	15 871	<b>232 459</b>
Optimistic scenario	9 968	98 581	102 008	15 474	<b>226 032</b>
<b>Final ECL</b>	<b>10 364</b>	<b>103 117</b>	<b>109 054</b>	<b>16 346</b>	<b>238 881</b>

## Note 3: Regulatory capital and LCR

NOK 1000	31.03.2023	31.03.2022	31.12.2022
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	216 682	134 710	194 541
Phase in effects of IFRS 9	0	16 023	16 023
Deferred tax asset/intangible assets/other deductions	-23 602	-25 997	-22 065
<b>Common equity tier 1 capital</b>	<b>703 915</b>	<b>635 571</b>	<b>699 333</b>
Additional tier 1 capital	80 900	40 900	80 900
<b>Core capital</b>	<b>784 815</b>	<b>676 471</b>	<b>780 233</b>
Subordinated loan	96 000	56 000	96 000
<b>Total capital</b>	<b>880 815</b>	<b>732 471</b>	<b>876 233</b>

Calculation basis - NOK 1000

Credit risk:

Loans and deposits with credit institutions	35 271	38 502	38 302
Exposures secured by mortgages	709 213	428 717	629 980
Retail exposures	2 210 170	2 012 863	2 040 938
Certificates and bonds	54 864	101 456	78 654
Other assets	44 361	17 287	44 945
Exposures in default	251 141	174 485	219 553
Calculation basis credit risk	<b>3 305 019</b>	<b>2 773 310</b>	<b>3 052 373</b>
Calculation basis operational risk	470 911	516 502	470 911
<b>Total calculation basis</b>	<b>3 775 930</b>	<b>3 289 812</b>	<b>3 523 284</b>

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

Common equity Tier 1 Capital ratio	18,6 %	19,3 %	19,8 %
Tier 1 capital ratio	20,8 %	20,6 %	22,1 %
<b>Total capital ratio</b>	<b>23,3 %</b>	<b>22,3 %</b>	<b>24,9 %</b>

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

Common equity Tier 1 Capital ratio	18,6 %	18,9 %	19,5 %
Tier 1 capital ratio	20,8 %	20,2 %	21,8 %
Total capital ratio	23,3 %	21,9 %	24,5 %

**Regulatory capital requirements:**

Common equity Tier 1 Capital ratio	17,6 %	16,8 %	17,4 %
Tier 1 capital ratio	19,1 %	18,3 %	18,9 %
Total capital ratio	21,1 %	20,3 %	20,9 %

**Leverage ratio**

<b>LCR Total</b>	<b>195 %</b>	<b>391 %</b>	<b>307 %</b>
LCR NOK	228 %	404 %	383 %
LCR EUR	138 %	121 %	124 %

## 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>31.03.2023</b>	<b>31.03.2022</b>	<b>31.12.2022</b>
Certificates and bonds - level 1	848 185	933 611	867 806
Derivatives- level 2	4 002	4 105	1 773

#### Liabilities

<b>NOK 1000</b>	<b>31.03.2023</b>	<b>31.03.2022</b>	<b>31.12.2022</b>
Derivatives - level 2	3 361	1 231	543

### 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>31.03.2023</b>	<b>31.03.2022</b>	<b>31.12.2022</b>
Loans and deposits with credit institutions	174 078	191 450	191 254
Net loans to customers	5 115 359	3 988 389	4 674 030
Other receivables	36 735	7 793	39 527
<b>Total financial assets at amortised cost</b>	<b>5 326 173</b>	<b>4 187 632</b>	<b>4 904 811</b>
Deposits from and debt to customers	5 234 665	4 344 527	4 852 281
Other debt	51 462	47 143	46 098
Subordinated loans	96 000	56 000	96 000
<b>Total financial liabilities at amortised cost</b>	<b>5 382 127</b>	<b>4 447 670</b>	<b>4 994 379</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 3,1 MNOK and expires 30.06.2024. The right of use asset is 2,9 MNOK and is measured at amortised cost using the effective interest method and is depreciated using the straight-line method. Instabank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.



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To the Board of Directors of Instabank ASA

## Report on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Instabank ASA as of 31 March 2023, 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 2023, and its financial performance for the three-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 26 April 2023  
KPMG AS

Anders Sjöström  
*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