




INTERIM REPORT

Instabank ASA

Key highlights



Net profit after tax increased 34 % to 23.8 MNOK from the same quarter last year

- Strong growth in Total income, cost to income ratio decreased to 38 % from 46 % in Q2-22.



Growth in net loans of 109 MNOK in the quarter, YTD 547 MNOK

- Capital constraints hampered growth in the quarter.



Mortgages volume growth of 120 MNOK to 2,075 MNOK

- Mortgages represents 40 % of total net loans and 63 % of net loans in Norway.



Instabank ready to offer lending to small and medium sized businesses

- Further strengthening the position as a Nordic challenger bank.



We value progress

About Instabank ASA

Instabank - the Nordic challenger bank – was established as a fully digital bank in the autumn of 2016. We are dedicated to improving the banking experience for both business and private customers. We believe in challenging established norms and finding agile solutions where others create complexity. Our goal is to make everyday life easier for our customers through better products, technology, and personal contact. In a short time, we have achieved a strong position in the Nordic market and are proud to have over 80,000 customers who have chosen us for their lending and deposit needs.

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 and small and medium-sized businesses 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 through 26 agents, various retail partners and directly on the bank's website and mobile app.

At the end of Q2-23, Instabank had 45 full-time and 11 part-time employees.

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

Operational Developments

In Q2-23, Instabank successfully executed the Small & Medium Sized Enterprise (SME) lending offering project. At the end of the quarter, we were ready to enter a pilot phase followed by a full launch in mid-Q3-23. Instabank considers lending to SMEs an underserved market with attractive margins and volumes. When applying for a loan, SMEs often struggle to get attention in traditional banks and face a cumbersome onboarding and credit process that takes time and resources.

+ 547 MNOK

Growth in net loans YTD-23

After the high growth in net loans in the first quarter, we had to temporarily pause the lending growth in the first half of Q2-23 because of capital constraints. Following the successful share issue in May, we ended the quarter with solid growth in net loans, and Q2-23 came in at an increase of 109 MNOK in net loans. After the first half of 2023, Instabank has reached a growth of 547 MNOK and is well underway to achieve the updated growth target of 1.2 billion NOK for 2023. The growth comes from solid organisational performance, successfully delivering on the strategy, effective operations, distribution, and 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 require less capital than for unsecured loans. The growth in mortgage lending was 120 MNOK in the quarter, down from 207 MNOK in the previous quarter. While new sales were almost as high as in the first quarter, we experienced increased churn resulting in decreased growth. At the end of Q2-23, mortgage lending amounted to 2,075 MNOK, representing 40 % of total lending.

Instabank has, as in the previous quarters, 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 8.3 % by the end of Q2-23 from 7.6 % by the end of the previous quarter, and for consumer loans yield increased to 12.0 % from 11.6 %

The increase in market rates also triggered increased funding costs, and the average deposit rate was 2.9 % in Q2.23, up from 2.5 % in the previous quarter.

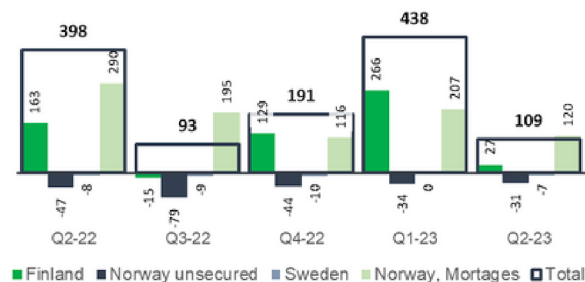
The credit risk remains at a satisfactory level, and we even observed an improvement in the share of loans past due 1-30 days, hitting 9.2 % at the end of Q2-23, down from 10.6 % the previous quarter and 9.9 % the same quarter last year.

At the end of Q2-23, the bank had 81,859 customers, of which 54,287 were loan customers and 27,572 were deposit customers.

Balance Sheet

Net loans to customers increased by 109 MNOK in Q2-23 to 5,165 MNOK at the end of the quarter. Mortgages increased by 120 MNOK, and unsecured loans decreased by 11 MNOK.

Growth in net loans (MNOK):



Deposits from customers increased by 63,792 MNOK to 5,298 MNOK at the end of the quarter.

Instabank successfully completed a private placement in Q2-23 of new shares, raising 70 MNOK in gross proceeds. The private placement improved capital ratios, and the CET1 ratio was 20.5 % at the end of the quarter, 3.0 % above the regulatory capital requirement.

Total assets at the end of Q2-23 were 6,339 MNOK.



Profit and Loss

Instabank reports a profit before tax of 30.1 MNOK and after-tax of 23.8 MNOK, up 6.1 MNOK/ 34 % from the same quarter last year.

+ 34 %

Growth in net profit

Total interest income increased by 38.2 MNOK from the same quarter last year to 132.7 MNOK in Q2-23. The increase was driven by a 12-month net loan growth of 830 MNOK and increased loan yield to 10.4 % from 9.2 % in the same quarter last year despite an increased share of mortgages to total net loans from 33 % to 40 %.

Interest expenses came in at 45.0 MNOK, up from 37.1 MNOK in the previous quarter, following an increase in deposit volume and rates.

Net other income increased by 5.2 MNOK from the same quarter last year to 13.6 MNOK in Q2-23 following increased yield on securities.

Total income came in at 102.8 MNOK, up 14.8 MNOK / 17 % from the same quarter last year.

+ 17 %

Growth in Total Income

Despite high growth in net loans over the last year, the operating expenses were 0.5 MNOK below the same quarter the previous year and came in at 39.7 MNOK in Q2-23. 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 32.9 MNOK or 2.5 % of average gross loans to customers, up from 30.8 MNOK/ 2.4 % in the previous quarter.

Outlook

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

In Q3-23, Instabank is entering the business lending market with a credit line product for Small & Medium Sized Businesses (SMEs) to help them achieve their growth targets and scale their businesses. This initiative will significantly contribute to volume growth and profits for Instabank.

We expect continued high demand for Instabank's existing lending products and update the target for growth in total net loans to 1.2 billion NOK for 2023.

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 June 30th, 2023 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, August 9th, 2023

Board of Directors, Instabank ASA

Condensed statements of profit or loss and other comprehensive income:

NOK 1000	Note	Q2-2023	Q2-2022	YTD 2023	YTD 2022	Year 2022
Interest Income effective interest method		132,754	94,558	252,418	184,855	391,234
Other interest income		1,501	260	2,763	456	2,350
Interest expenses		45,088	15,234	82,218	27,482	73,890
Net interest income		89,167	79,584	172,963	157,828	319,694
Income commissions and fees		12,320	10,974	24,542	22,447	46,017
Expenses commissions and fees		2,914	2,286	5,023	4,076	9,213
Net gains/loss on foreign exchange and securities classified as current assets		4,207	-292	11,061	-2,838	1,086
Net other income		13,613	8,395	30,581	15,533	37,889
Total income		102,780	87,979	203,544	173,361	357,584
Salary and other personnel expenses		16,015	12,567	31,214	29,858	55,498
Other administrative expenses, of which:		18,258	21,965	36,664	39,740	77,690
- direct marketing cost		2,836	8,057	5,552	11,285	7,275
Other expenses		2,328	2,347	4,125	3,909	7,789
Depreciation and amortisation		3,146	3,366	6,094	6,448	13,045
Total operating expenses		39,747	40,244	78,098	79,955	154,023
Losses on loans	2	32,936	24,043	63,785	44,520	100,230
Operating profit before tax		30,097	23,692	61,661	48,887	103,331
Tax expenses		6,250	5,923	14,141	10,471	21,091
Profit and other comprehensive income for the period		23,847	17,769	47,520	38,416	82,240
Earnings per share (NOK)		0.05	0.05	0.13	0.12	0.25
Diluted earnings per share (NOK)		0.05	0.05	0.12	0.12	0.23





Condensed statement of financial position:

NOK 1000	Note	30.06.2023	30.06.2022	31.12.2022
Loans and deposits with credit institutions	3, 4	187,278	288,835	191,254
Loans to customers	3, 4	5,221,209	4,389,273	4,674,030
Certificates and bonds	3, 4	868,090	842,237	867,806
Other intangible assets	3, 5	23,865	22,904	21,197
Fixed assets		3,083	4,791	3,645
Derivatives		2,197	1,644	1,773
Other receivables	3, 4	32,849	16,030	39,527
Total assets		6,338,571	5,565,713	5,799,233
Deposit from and debt to customers	4	5,298,457	4,741,687	4,852,281
Other debts	4	23,810	1,706	20,491
Accrued expenses and liabilities		11,686	16,154	17,844
Derivatives		-0	2,643	543
Deferred tax		413	2,957	734
Tax payable		11,037	40,712	25,065
Subordinated loan capital	3, 4	96,000	56,000	96,000
Total liabilities		5,441,403	4,861,859	5,012,958
Share capital	3	377,228	332,642	332,642
Share premium reserve	3	200,081	178,192	178,192
Retained earnings	3	238,959	152,120	194,541
Additional Tier 1 capital	3	80,900	40,900	80,900
Total equity		897,168	703,854	786,275
Total liabilities and equity		6,338,571	5,565,713	5,799,233



Statement of changes in equity:

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 01.01.2022	332,642	178,192	40,900	114,373	666,107
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
Equity per 31.12.2022	332,642	178,192	80,900	194,540	786,275
Equity per 01.01.2023	332,642	178,192	80,900	194,540	786,275
Capital issuance	44,586	21,889			66,475
Profit for the period				47,520	47,520
Changes in warrants				1,673	1,673
Paid interest on Tier 1 Capital				-4,775	-4,775
Equity per 30.06.2023	377,228	200,081	80,900	238,959	897,168

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 August 9th, 2023.

Note 2: Loans to customers

GROSS AND NET LENDING;

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Unsecured consumer loans	3,348,483	3,117,954	3,060,236
Mortgages	2,087,778	1,443,986	1,758,131
Prepaid agent commission	134,912	121,858	129,360
Establishment fees	-78,399	-67,055	-73,118
Gross lending	5,492,774	4,616,744	4,874,609
Impairment of loans	-271,565	-227,471	-200,579
Net loans to customers	5,221,209	4,389,273	4,674,030

CREDIT IMPAIRED AND LOSSES:

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Gross credit impaired loans (stage 3)	522,094	404,808	366,475
Individual impairment of credit impaired loans (stage 3)	-214,083	-173,814	-146,922
Net credit impaired loans	308,011	230,994	219,553

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	30.06.2023	30.06.2022	31.12.2022
Loans not past due	4,189,934	3,563,774	3,597,043
Past due 1-30 days	501,120	453,449	663,461
Past due 31-60 days	182,873	107,740	156,549
Past due 61-90 days	40,240	32,170	34,838
Past due 91+ days	522,094	404,808	366,475
Total	5,436,261	4,561,940	4,818,367

	30.06.2023	30.06.2022	31.12.2022
Loans not past due	77.1 %	78.1 %	74.7 %
Past due 1-30 days	9.2 %	9.9 %	13.8 %
Past due 31-60 days	3.4 %	2.4 %	3.2 %
Past due 61-90 days	0.7 %	0.7 %	0.7 %
Past due 91+ days	9.6 %	8.9 %	7.6 %
Total	100.0 %	100.0 %	100.0 %

GEOGRAPHIC DISTRIBUTION:

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Norway	3,409,965	2,965,368	3,126,499
Finland	1,938,330	1,490,376	1,600,798
Sweden	87,967	106,196	91,070
Gross lending excl. prepaid agent provisions and establishment fees	5,436,262	4,561,940	4,818,367

RECONCILIATION OF GROSS LENDING TO CUSTOMERS, TOTAL LOANS

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01.04.23	4,296,435	555,042	443,387	5,294,864
<i>Transfers in Q2 2023:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-280,707	280,410	-	-297
Transfer from stage 1 to stage 3	-15,747	-	15,925	179
Transfer from stage 2 to stage 1	92,397	-103,231	-	-10,834
Transfer from stage 2 to stage 3	-	-86,325	85,793	-532
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	367	-976	-609
New assets	624,717	9,883	432	635,033
Assets derecognised	-463,223	-42,379	-30,783	-536,385
Changes in foreign exchange and other changes	41,633	4,895	8,315	54,843
Gross carrying amount as at 30.06.23	4,295,505	618,662	522,094	5,436,262

Q2 2022:

Gross carrying amount as at 31.03.2022	3,332,874	463,898	339,051	4,135,824
<i>Transfers in Q2 2022:</i>	-	-	-	-
Transfer from stage 1 to stage 2	-148,337	147,882	-	-454
Transfer from stage 1 to stage 3	-7,560	-	7,815	255
Transfer from stage 2 to stage 1	173,988	-186,938	-	-12,950
Transfer from stage 2 to stage 3	-	-60,504	60,222	-282
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1,124	-1,425	-301
New assets	803,104	16,870	66	820,040
Assets derecognised	-427,706	-32,597	-18,997	-479,300
Changes in foreign exchange and other changes	68,400	12,633	18,076	99,108
Gross carrying amount as at 30.06.2022	3,794,763	362,369	404,808	4,561,940

2022:

Gross carrying amount as at 01.01.22	3,184,648	474,041	307,111	3,965,800
<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
Gross carrying amount as at 31.12.22	3,962,894	488,997	366,475	4,818,367

RECONCILIATION OF LOAN LOSS ALLOWANCES, TOTAL LOANS

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 01.04.23	28,125	29,256	181,500	238,881
<i>Transfers in Q2 2023:</i>				
Transfer from stage 1 to stage 2	-3,021	12,352	-	9,330
Transfer from stage 1 to stage 3	-309	-	2,850	2,541
Transfer from stage 2 to stage 1	1,446	-4,730	-	-3,285
Transfer from stage 2 to stage 3	-	-6,286	16,978	10,692
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	74	-344	-270
New assets originated or change in provisions	2,308	513	194	3,016
Assets derecognised or change in provisions	-1,446	-1,739	7,177	3,991
Changes in foreign exchange and other changes	494	447	5,728	6,669
Expected credit losses as at 30.06.23	27,596	29,886	214,083	271,565

Q2 2022:

Expected credit losses as at 31.03.2022	25,943	28,004	145,687	199,633
<i>Transfers in Q2 2022:</i>				
Transfer from stage 1 to stage 2	-2,068	8,969	-	6,901
Transfer from stage 1 to stage 3	-190	-	1,607	1,417
Transfer from stage 2 to stage 1	2,711	-8,154	-	-5,443
Transfer from stage 2 to stage 3	-	-5,680	13,542	7,862
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	41	-385	-344
New assets originated or change in provisions	4,541	1,005	15	5,561
Assets derecognised or change in provisions	-2,565	-1,062	5,324	1,697
Changes in foreign exchange and other changes	1,096	1,066	8,024	10,187
Expected credit losses as at 30.06.2022	29,467	24,190	173,814	227,471

2022:

Expected credit losses as at 01.01.22	27,324	30,055	125,436	182,815
<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
Expected credit losses as at 31.12.22	26,754	26,903	146,922	200,579

RECONCILIATION OF GROSS LENDING TO CUSTOMERS, UNSECURED CONSUMER LOANS

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01.04.23	2,622,135	310,763	396,914	3,329,812
<i>Transfers in Q2 2023:</i>				
Transfer from stage 1 to stage 2	-131,728	131,614	-	-114
Transfer from stage 1 to stage 3	-10,687	-	10,869	181
Transfer from stage 2 to stage 1	55,599	-61,612	-	-6,013
Transfer from stage 2 to stage 3	-	-61,671	61,161	-510
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	367	-976	-609
New assets	275,465	6,642	432	282,538
Assets derecognised	-269,287	-21,276	-19,698	-310,262
Changes in foreign exchange and other changes	40,756	4,895	7,808	53,459
Gross carrying amount as at 30.06.23	2,582,252	309,723	456,508	3,348,483

Q2 2022:

Gross carrying amount as at 01.04.22	2,276,067	378,950	327,045	2,982,062
<i>Transfers in Q2 2022:</i>				
Transfer from stage 1 to stage 2	-91,898	91,635	-	-264
Transfer from stage 1 to stage 3	-6,962	-	7,217	255
Transfer from stage 2 to stage 1	154,492	-166,776	-	-12,284
Transfer from stage 2 to stage 3	-	-53,508	53,229	-279
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	1,124	-1,425	-301
New assets	386,262	8,293	66	394,621
Assets derecognised	-306,978	-26,861	-13,878	-347,717
Changes in foreign exchange and other changes	70,710	12,633	18,503	101,846
Gross carrying amount as at 30.06.22	2,481,693	245,489	390,757	3,117,939

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
Gross carrying amount as at 31.12.22	2,442,953	282,614	334,670	3,060,236

RECONCILIATION OF LOAN LOSS ALLOWANCES, UNSECURED CONSUMER LOANS

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 01.04.23	26,839	26,595	175,083	228,517
<i>Transfers in Q2 2023:</i>				
Transfer from stage 1 to stage 2	-2,765	10,899	-	8,134
Transfer from stage 1 to stage 3	-306	-	2,800	2,495
Transfer from stage 2 to stage 1	1,386	-4,383	-	-2,997
Transfer from stage 2 to stage 3	-	-6,019	15,859	9,839
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	74	-344	-270
New assets originated or change in provisions	2,237	500	194	2,931
Assets derecognised or change in provisions	-1,398	-1,642	6,838	3,797
Changes in foreign exchange and other changes	494	447	5,221	6,162
Expected credit losses as at 30.06.23	26,487	26,470	205,651	258,608

Q2 2022:

Expected credit losses as at 01.04.22	24,181	26,468	143,688	194,337
<i>Transfers in Q2 2022:</i>				
Transfer from stage 1 to stage 2	-1,874	7,954	-	6,080
Transfer from stage 1 to stage 3	-189	-	1,541	1,353
Transfer from stage 2 to stage 1	2,658	-7,854	-	-5,196
Transfer from stage 2 to stage 3	-	-5,527	12,874	7,348
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	41	-385	-344
New assets originated or change in provisions	4,025	883	15	4,923
Assets derecognised or change in provisions	-2,600	-982	5,728	2,146
Changes in foreign exchange and other changes	1,096	1,066	7,779	9,941
Expected credit losses as at 30.06.22	27,297	22,049	171,240	220,587

2022:

Expected credit losses as at 01.01.22	25,600	28,637	124,166	178,402
<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
Expected credit losses as at 31.12.22	24,605	23,692	142,162	190,459

RECONCILIATION OF GROSS LENDING TO CUSTOMERS, MORTGAGES

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01.04.23	1,674,300	244,278	46,473	1,965,052
<i>Transfers in Q2 2023:</i>				
Transfer from stage 1 to stage 2	-148,979	148,796	-	-183
Transfer from stage 1 to stage 3	-5,059	-	5,057	-2
Transfer from stage 2 to stage 1	36,798	-41,620	-	-4,822
Transfer from stage 2 to stage 3	-	-24,654	24,633	-22
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	349,253	3,242	-	352,495
Assets derecognised	-193,936	-21,103	-11,085	-226,124
Changes in foreign exchange and other changes	877	-	507	1,384
Gross carrying amount as at 30.06.23	1,713,253	308,939	65,586	2,087,778

Q2 2022:

Gross carrying amount as at 01.04.22	1,056,806	84,948	12,007	1,153,761
<i>Transfers in Q2 2022:</i>				
Transfer from stage 1 to stage 2	-56,438	56,248	-	-191
Transfer from stage 1 to stage 3	-597	-	597	-
Transfer from stage 2 to stage 1	19,496	-20,162	-	-666
Transfer from stage 2 to stage 3	-	-6,996	6,993	-3
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets	416,842	8,577	-	425,419
Assets derecognised	-120,728	-5,735	-5,119	-131,582
Changes in foreign exchange and other changes	-2,311	-	-427	-2,738
Gross carrying amount as at 30.06.22	1,313,070	116,880	14,051	1,444,001

2022:

Gross carrying amount as at 01.01.22	913,564	79,637	9,054	1,002,255
<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
Gross carrying amount as at 31.12.22	1,519,941	206,383	31,806	1,758,131

RECONCILIATION OF LOAN LOSS ALLOWANCES, MORTGAGES

Q2 2023:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 01.04.23	1,286	2,661	6,417	10,364
<i>Transfers in Q2 2023:</i>				
Transfer from stage 1 to stage 2	-256	1,452	-	1,196
Transfer from stage 1 to stage 3	-3	-	49	47
Transfer from stage 2 to stage 1	59	-347	-	-288
Transfer from stage 2 to stage 3	-	-266	1,119	852
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	72	13	-	85
Assets derecognised or change in provisions	-48	-97	339	194
Changes in foreign exchange and other changes	-	-	507	507
Expected credit losses as at 30.06.23	1,109	3,415	8,432	12,956

Q2 2022:

Expected credit losses as at 01.04.22	1,762	1,536	1,999	5,297
<i>Transfers in Q2 2022:</i>				
Transfer from stage 1 to stage 2	-194	1,015	-	821
Transfer from stage 1 to stage 3	-1	-	66	64
Transfer from stage 2 to stage 1	52	-299	-	-247
Transfer from stage 2 to stage 3	-	-153	667	514
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New assets originated or change in provisions	516	122	-	638
Assets derecognised or change in provisions	35	-80	-404	-449
Changes in foreign exchange and other changes	0	-	245	245
Expected credit losses as at 30.06.22	2,170	2,141	2,573	6,884

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
Expected credit losses as at 31.12.22	2,149	3,211	4,760	10,120

EXPECTED CREDIT LOSS

Instabank apply the IFRS9 framework and methodology consisting of three stages of impairment when calculating Expected Credit Loss (ECL). The three stages include Stage 1 which consist of non-impaired exposure, Stage 2 which consist of exposure where credit risk has significantly increased since origination and Stage 3 which consist of observed impairment exposure following a 90 days past due definition. The overall staging criteria is based on a combination of observed events, past due observations and submodels predicting the probability of default (PD), exposure at default (EAD) and loss given default (LGD). Predictions follow a 12-month accumulation in Stage 1, while Stage 2 and 3 follow a lifetime approach.

SIGNIFICANT INCREASE IN CREDIT RISK

Stage 2 consist of exposure where credit risk has significantly increased since origination following several different criteria, including early past due observations (30 - 90 days), current forbearance history and increase in probability of default (PD) between origination and the reporting date. The latter predictive model employs historical behavior data in order to predict the probability of default in the next 12 months, where default is defined as 90 days past due. 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).

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	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
NORWAY									
Gross Domestic Product	592.2	597.3	652.1	619.2	628.8	676.7	626.7	637.3	684.0
Unemployment Rate	5.3	5.3	3.5	4.0	4.0	3.3	3.9	3.9	3.2
Consumer Price Index	124.3	123.7	135.0	128.3	130.1	142.6	127.7	129.5	142.2
Interest Rate	2.5	2.1	1.6	3.3	3.4	3.2	3.2	3.4	3.5
House Price Index	166.4	161.4	205.6	173.4	173.5	213.2	174.5	175.0	217.3
FINLAND									
Gross Domestic Product	271.6	272.1	290.6	289.1	292.4	305.9	295.3	297.9	310.0
Unemployment Rate	8.2	8.7	7.1	7.3	7.0	6.5	7.0	6.8	6.5
Consumer Price Index	130.0	130.5	140.3	131.4	132.9	142.8	131.1	132.7	142.8
Interest Rate	1.6	0.2	1.1	3.2	2.5	1.9	3.3	2.6	2.0
House Price Index	106.3	104.3	116.5	109.4	107.0	120.4	110.5	109.2	122.2
SWEDEN									
Gross Domestic Product	664.2	669.8	733.9	687.2	698.0	757.3	702.8	711.7	765.6
Unemployment Rate	5.3	5.3	3.5	4.0	4.0	3.3	3.9	3.9	3.2
Consumer Price Index	390.8	391.8	426.9	404.1	413.0	452.7	402.3	410.2	448.9
Interest Rate	3.1	1.5	1.8	4.2	2.8	2.5	4.3	3.6	2.5
House Price Index	170.0	174.0	211.8	178.5	187.8	237.1	179.5	190.1	239.3
Factors pr. 30.06.2023									
	Mortgages			Unsecured consumer loans					
	Norway			Norway			Finland	Sweden	
Pessimistic Scenario	1.15			1.15			1.22	1.24	
Baseline Scenario	1.03			1.03			1.06	1.09	
Optimistic Scenario	1.00			1.00			1.02	1.08	

ECL SENSITIVITY BETWEEN MACRO SCENARIOS

The weighting of the scenarios is set at [30 % pessimistic - 40 % baseline - 30 % optimistic] for all portfolios. 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	Mortgages	Unsecured consumer loans			Total
	Norway	Norway	Finland	Sweden	
Pessimistic scenario	13,884	120,491	141,999	19,560	295,935
Baseline scenario	12,687	110,209	123,753	17,478	264,126
Optimistic scenario	12,387	107,639	119,762	17,325	257,113
Final ECL	12,956	112,523	128,029	18,057	271,565

Note 3: Regulatory capital and LCR

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Share capital	377,228	332,642	332,642
Share premium	200,081	178,192	178,192
Other equity	238,959	152,120	194,541
Phase in effects of IFRS 9	0	16,023	16,023
Deferred tax asset/intangible assets/other deductions	-24,731	-23,745	-22,065
Common equity tier 1 capital	791,537	655,232	699,333
Additional tier 1 capital	80,900	40,900	80,900
Core capital	872,437	696,132	780,233
Subordinated loan	96,000	56,000	96,000
Total capital	968,437	752,132	876,233
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	37,744	58,039	38,302
Exposures secured by mortgages	732,013	528,250	629,980
Retail exposures	2,178,615	2,075,376	2,040,938
Certificates and bonds	98,087	70,439	78,654
Other assets	38,129	22,464	44,945
Exposures in default	298,563	201,246	219,553
Calculation basis credit risk	3,383,151	2,955,815	3,052,373
Calculation basis operational risk	470,911	516,502	470,911
Total calculation basis	3,854,062	3,472,317	3,523,284
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	20.5 %	18.9 %	19.8 %
Tier 1 capital ratio	22.6 %	20.0 %	22.1 %
Total capital ratio	25.1 %	21.7 %	24.9 %
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	20.5 %	18.5 %	19.5 %
Tier 1 capital ratio	22.6 %	19.7 %	21.8 %
Total capital ratio	25.1 %	21.3 %	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	13.8 %	12.5 %	13.4 %
LCR Total	287 %	385 %	307 %
LCR NOK	238 %	397 %	383 %
LCR EUR	141 %	252 %	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

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Certificates and bonds - level 1	868,090	842,237	867,806
Derivatives- level 2	2,197	1,644	1,773

Liabilities

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Derivatives - level 2	0	2,643	543

Financial instruments at amortized cost

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

NOK 1000	30.06.2023	30.06.2022	31.12.2022
Loans and deposits with credit institutions	187,278	288,835	191,254
Net loans to customers	5,221,209	4,389,273	4,674,030
Other receivables	32,849	16,030	39,527
Total financial assets at amortised cost	5,441,336	4,694,137	4,904,811
Deposits from and debt to customers	5,298,457	4,741,687	4,852,281
Other debt	34,847	45,062	46,098
Subordinated loans	96,000	56,000	96,000
Total financial liabilities at amortised cost	5,429,304	4,842,748	4,994,379

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 2,4 MNOK and expires 30.06.2024. The right of use asset is 2,3 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 June 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 of this interim financial information that gives a true and fair view in accordance with IAS 34 Interim Financial Reporting. 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 June 2023, and its financial performance for the three-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 09.08.2023
KPMG AS

Anders Sjöström
State Authorised Public Accountant

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Nils Anders Sjöström

Statsautorisert revisor

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