INSTABANK ASA

INTERIM REPORT Q1 2020

Instabank

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Key highlights & developments:

- **No negative effects on payments related to Covid-19 observed**
  No observation of changed payment behaviour following Covid-19, however profit before tax of 7.1 MNOK negatively affected by an increase in loan loss allowances related to Covid-19 of 5 MNOK

- **Strategy transition towards a paytech partner position**
  We aim to establish Instabank as a paytech partner for companies seeking to innovate and digitize their business models leveraging our existing core competences in paytech and sales financing

- **Gross loans increased by 186 MNOK in Q1-20 as a result of positive currency effects**
  Net loans increased by 72 MNOK, one off IFRS9 impact of 85.5 MNOK

- **One new partner agreement signed and a new sales finance solution launched**
  Conecto AS are signed and pilot launch already executed – full launch in Q2. Launched sales finance solution at Elektroimportøren

We value progress

INTERIM REPORT Q1 2020

About Instabank ASA

Instabank is a Norwegian digital bank with offices in Oslo, Norway. Instabank ASA was granted a banking license by The Financial Supervisory Authority of Norway (Finanstilsynet) on September 19th, 2016. On September 23rd, 2016, the bank opened for business.

Our aim has constantly been to make the customer experience as smooth as possible. The ability to grasp opportunities and quickly implement changes are at the heart of our culture, and our expertise within payment technology and sales financing, often referred to as paytech, plays a key role in our progress.

Instabank operates in Norway, Finland and Sweden offering competitive savings, insurance, point of sales (POS) financing and unsecured loan products to consumers who qualify after a credit evaluation. The loan product is designed to be highly customisable and payment plans ranges from three to fifteen years, or alternatively a flexible credit facility.

The bank continues to evolve it`s business strategy to a rapidly changing business environment. The trend of companies shifting from selling a product to selling product-as-a-service will often require a finance partner, otherwise the companies will need to do the investments up front while the revenue streams will spread over time – for instance as subscriptions. Our expertise within paytech makes Instabank an ideal partner for companies seeking to innovate and digitize their business models. This is our aim going forward.

The bank's products and services are distributed primarily via 22 agents, through various paytech partners and the bank's website.

Instabank is a member of ”Bankenes Sikringsfond”, which secures all deposits up to 2 MNOK in Norway and EUR 100k in Sweden and Finland.

Instabank is primarily owned by Norwegian investors. By the end of Q1, Kistefos AS was the bank's largest shareholder owning 24.9 %. There were no other individual shareholders holding more than 10% of the shares.

At the end of Q1, Instabank had 26 full time employees and 6 part-time employees.

Operational Developments

The Covid-19 pandemic created a sudden shock in the economy three weeks before the end of the quarter. Although unemployment hiked significantly there have also been significant measures from the governments to ease the situation.

Up until the reporting date, Instabank has not observed any worsening in customer's payment behaviour. However, we experienced a sudden increase in customers requesting payments reliefs at the end of March. After that, through April, the volume of requests have dropped and at the reporting date the volume of payments reliefs represents 4.6 % of total loan volume.

Instabank suspended all new loans sales, except for sales financing through paytech partners, in mid-March in conjunction with risk associated with the Covid-19 outbreak and the possible economic consequences for the loan applicants. This had a negative impact on loan growth in the quarter.

In Finland, net loans grew by 179 MNOK primarily as a result of positive currency effects.

In Norway, net loans decreased by 115 MNOK. Sales financing through paytech partners, which is Instabank´s main focus in Norway, continues to develop very well, attracting a large number of small-ticket customers, representing a significant upsell potential to an attractive segment.

Instabank has started on a strategy transition towards a paytech partner position. We seek partners that want to innovate and digitize their business models. In doing this we are leveraging our existing core competences in paytech and sales financing.

The benefits of this strategy are multiple. It supports a growing trend where companies reinvent themselves, changing from selling products to product-as-a-service, a clear growth opportunity. This creates a long term relationship with partners and clients, and significantly lower acquisition cost. Risk will be reduced as loans on average will be smaller, and there is a large potential for recurring revenue streams. The strategy will reposition and differentiate the bank.

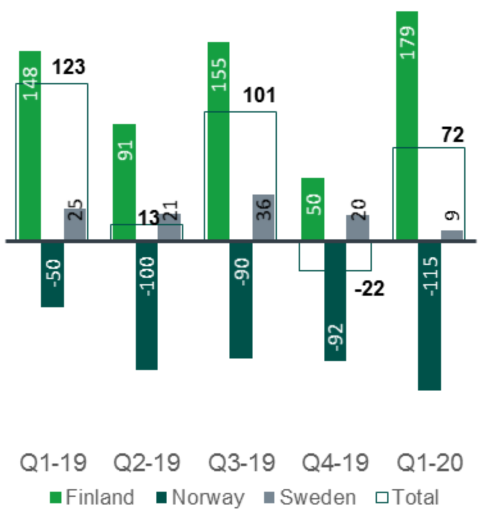
As an example of the partner strategy Instabank has during Q1 launched a new sales finance solution in co-operation with Conecto AS, a leading supplier of payment solutions and collection services in the Norwegian market. Instabank is facilitating financing of in-store transactions at Conecto's retailer partners on Conecto's sales finance solution. Instabank has also launched new sales finance products with Skeidar, including both invoices and an interest and fee free down payment product.

The Swedish market remains very competitive with larger risk and rate span. However, the bank has identified attractive segments representing a good balance between risk and returns. In Sweden net loans grew by 9 MNOK in Q1-20, down from 20 MNOK in the previous quarter.

Balance Sheet

Gross loans increased by 186 MNOK in Q1-20 as a result of positive currency effects of approximately 180 MNOK, while the net loan balance increase of 72 MNOK was affected by the one off impact of IFRS 9 implementation of 85.5 MNOK and other changes in loan loss provisions. Of the total net loan balance of 2,769 MNOK, 50 % was outside Norway at the end of the quarter, up from 45 % at the end of 2019.

Net loan balance growth:



Deposits from customers grew by 72 MNOK to 2,768 MNOK by the end of the quarter. The deposit mix has continued to change in favour of Finland and Sweden, markets with lower deposit rates than Norway. The share of deposits outside Norway increased to 47 % at the end of Q1-20, up from 40 % at the end of the previous quarter.

Instabank issued Tier 2 capital of 16 MNOK in the quarter, strengthening the capital adequacy ratio.

Common equity Tier 1 Capital ratio was 18.7 % and the total capital ratio was 22.1 % at the end of Q1-20, 1.9 % points above the total regulatory capital requirement of 20.2 %.
The capital requirement was reduced by 0.9 % points as a result of the decision to reduce the countercyclical buffer requirement by the Norwegian and Swedish governments from 2.5 % to 1 % in Norway and 2.5 % to 0 % in Sweden.

Total assets at the end of Q1-20 were 3,557 MNOK.

At the end of Q1-20, the bank had a total of 42,411 customers, of which 33,005 were loan customers and 9,406 were deposit customers.

Profit and Loss

Interest income increased by 3.5 MNOK from Q4-19 to 83.4 MNOK in Q1-20. A new principle for calculating interest on loans in debt collection was implemented in Q1-20 replacing the principle of only booking paid interests on loans in debt collection, resulting in a net increase in interest income of 4.7 MNOK in the quarter.
Net interest income increased by 3.9 MNOK from the previous quarter to 70.9 MNOK in Q1-20.

Net other income was minus 3.9 MNOK, compared to minus 5.3 in the previous quarter. The Covid-19 impact resulted in a loss on bonds of 2.1 MNOK in March and a loss of 0.5 MNOK in the quarter. Gains on foreign exchange amounted to 4.9 MNOK.

Total income came in at 67 MNOK, up from 61.7 MNOK in the previous quarter.

Total operating expenses increased by 1.7 MNOK from the previous quarter to 26.7 MNOK, as marketing spending increased to 3.1 MNOK. This is still low compared to previous periods in 2019 and 2018. Total operating expenses were 5.2 MNOK lower than the same quarter last year.

The reduction in operating expenses is due to less external advisory costs as well as operational efficiency improvements. This is mainly related to decreased credit assessment costs in Sweden and Finland, where cost per application is high compared to Norway.

The cost/income level was 40 %, the same as in the previous quarter and the lowest level since inception reflecting improved operational efficiency as well as economies of scale.

Losses on loans came in at 33.1 MNOK/ 4.6 % of gross loans, up from 21.9 MNOK/ 3.4 % in the same quarter last year. The increase is mainly due to extra provisions for loan losses related to Covid-19 of 5 MNOK, as well as a new principle of calculating interest on loans in debt collection amounting to 4.7 MNOK. The latter has no impact on net profit as the interest is also added to interest income as stated above.

We refer to note 2 for additional information about the Covid-19 impact on loan loss provisions.

Net profit was 7.1 MNOK and net profit after tax was 5.3 MNOK, up from 3.3 MNOK in the same quarter last year.

Outlook

The consequences of the Covid-19 outbreak, both in terms of severity and length of the down turn, are difficult to assess.

The effects in the coming months may not be significant in terms of customer's payment behaviour, as unemployment benefits are extensive.

However, the possible long-term effects can be severe among a small portion of our customers employed in especially vulnerable industries. For some of these, the Covid-19 outbreak can thus be expected to have a negative effect on loan loss provisions. Instabank is committed to provide assistance to our customers in a difficult time offering payments reliefs.

Instabank has a strong capital situation, a flexible business model as well as low operating cost that make the bank resilient to a downturn.

The key priority going forward is to safeguard employee's health and safety, continue to conduct responsible credit lending and continue to develop the business. One such development will be the introduction of easy-to-use mortgage loans in Q2, which will improve capital utilization and reduce risk.

Instabank is committed to continue to develop the customer experience to be as smooth as possible as well as bringing our expertise within paytech to companies seeking to innovate and digitize their business models. This is our core strategy, and further partner agreements will be signed in Q2 and during the remainder of 2020. This will gradually move the bank towards a market position as a preferred paytech partner.

Instabank expects continued growth in lending volumes for 2020 based on surplus capital and profit generation throughout the year and expects net lending growth to be approximately 10 % in 2020. However, opportunity of growth can be affected by the Covid-19 outbreak in terms of credit quality of loan applicants.

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

Other Information

There has been a limited review of the accounts in accordance with ISRE 2410 as of 31.03.20 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, May 6th, 2020
Board of Directors, Instabank ASA

Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	*IFRS* Q1-2020	*IFRS* YTD 2020	*NGAAP* Year 2019	*NGAAP* Q1-2019
Interest Income		83 432	83 432	305 752	73 351
Interest expenses		12 531	12 531	53 158	13 470
Net interest income		**70 901**	**70 901**	**252 594**	**59 881**
Income commissions and fees		8 411	8 411	33 483	8 768
Expenses commissions and fees		16 730	16 730	57 411	12 183
Net gains/loss on foreign exchange and securities classified as current assets		4 419	4 419	13 500	1 853
Other income		0	0	0	0
Net other income		**-3 900**	**-3 900**	**-10 429**	**-1 563**
Total income		**67 001**	**67 001**	**242 165**	**58 317**
Salary and other personnel expenses		8 164	8 164	39 355	10 069
Other administrative expenses, of which:		13 925	13 925	62 384	17 667
- direct marketing cost		*3 136*	*3 136*	*18 237*	*6 303*
Depreciation and amortisation		2 980	2 980	8 719	2 027
Other expenses		1 674	1 674	5 302	2 174
Total operating expenses		**26 743**	**26 743**	**115 761**	**31 937**
Losses on loans	2	33 131	33 131	71 429	21 972
Operating (loss)/profit before tax		**7 127**	**7 127**	**54 974**	**4 408**
Tax expenses		1 782	1 782	13 735	1 102
Profit and other compehensive income for the period		**5 345**	**5 345**	**41 239**	**3 306**

Condensed statement of financial position

NOK 1000	Note	*IFRS* 31.03.2020	*NGAAP* 31.12.2019	*NGAAP* 31.03.2019
Loans and deposits with credit institutions	3, 4	229 380	183 014	150 497
Loans to customers, of which;	3, 4	2 859 294	2 696 724	2 604 823
- prepaid agent commssion		*90 339*		
Certificates and bonds	3, 4	328 138	516 194	488 971
Deferred tax assets		0	0	0
Other intangible assets	3, 5	28 703	29 804	29 438
Fixed assets	3	10 414	563	912
Other assets	3	2 069	12 407	1 033
Other receivables, of which:	3, 4	99 758	102 113	103 704
- prepaid agent commission			*93 216*	*92 027*
Total assets		**3 557 756**	**3 540 819**	**3 379 379**
Deposit from and debt to customers	4	2 887 298	2 848 737	2 751 149
Other debts	4	38 565	22 378	19 941
Accrued expenses and liabilities		26 780	21 177	14 070
Subordinated loans	3	56 000	80 900	65 000
Total liabilities		**3 008 644**	**2 973 193**	**2 850 160**
Share capital	3	510 834	510 834	510 834
Retained earnings	3	-2 622	56 792	18 385
Additional Tier 1 capital	3	40 900		
Total equity		**549 113**	**567 626**	**529 219**
Total liabilities and equity		**3 557 756**	**3 540 819**	**3 379 379**

Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 31.12.2018	**305 000**	**163 651**		**15 081**	**483 732**
Capital issuanse	27 642	14 541			**42 183**
Net profit for the period				41 239	**41 239**
Changes in warrants				471	**471**
Equity per 31.12.2019	**332 642**	**178 192**	**-**	**56 792**	**567 626**
Tier 1 capital 31.12.2019			40 900		
Implementation of IFRS 9*				-64 091	**-64 091**
Equity per. 01.01.2020	**332 642**	**178 192**	**40 900**	**-7 299**	**544 436**
Net profit for the period				5 345	**5 345**
Changes in warrants				32	**32**
Paid interest on Tier 1 Capital				-701	**-701**
Equity per 31.03.2020	**332 642**	**178 192**	**40 900**	**-2 622**	**549 113**

*) applies in full to the valuation of loans

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. Instabank has adapted to the accounting standard IFRS from 01.01.20. The annual accounts of 2019 was prepared according to NGAAP. The bank have made use of the exemption in the regulations for annual accounts of banks, credit companies and financial institutions and have not restated historical figures in accordance to the standard IFRS. For further information see note 1 accounting principles in the annual report of 2019.

The interim report was approved by the board of directors at 6th of May 2020

Note 2: Loans to customers

Implementation of IFRS 9:

NOK 1000	NGAAP 31.12.2019	Re-measurement	IFRS 9 01.01.2020
Impairment of loans	-87 670	-85 454	-173 124

Loans to customers is the only financial instrument that is remeasured as a result of implementing IFRS 9 from January 1st 2020

Gross and net lending:

NOK 1000	31.03.2020	31.12.2019	31.03.2019
Revolving credit loans	610 702	621 106	666 600
Installment loans	2 359 744	2 163 288	2 007 244
Prepaid agent commission	90 339		
Gross lending	**3 060 785**	**2 784 394**	**2 673 844**
Impairment of loans	-201 491	-87 670	-69 021
Net loans to customers	**2 859 294**	**2 696 724**	**2 604 823**

Defaults and losses:

NOK 1000	31.03.2020	31.12.2019	31.03.2019
Gross defaulted loans (stage 3 from 01.01.20)	300 688	261 646	205 189
Individual impairment of defaulated loans (stage 3 from 01.01.20)	-127 347	-75 678	-57 234
Net defaulted loans	**173 340**	**185 968**	**147 956**

Gross defaulted loans are loans which are more than 90 days in arrear in relation to the agreed payment schedule.

Ageing of loans:

NOK 1000	31.03.2020	31.12.2019	31.03.2019
Loans not past due	2 095 268	1 889 836	1 845 856
Past due 1-30 days	491 351	474 880	482 427
Past due 31-60 days	131 807	119 904	119 422
Past due 61-90 days	41 672	38 128	20 840
Past due 91+ days	300 688	261 646	205 299
Total	**3 060 785**	**2 784 394**	**2 673 844**

Reconciliation of gross lending to customers

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01.01.2020	2 053 890	460 755	269 750	2 784 394
Transfers in Q1 2020:				
Transfer from stage 1 to stage 2	-223 709	220 816	-	-2 893
Transfer from stage 1 to stage 3	-6 617	-	6 702	85
Transfer from stage 2 to stage 1	71 421	-80 121	-	-8 700
Transfer from stage 2 to stage 3	-	-34 985	35 159	174
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	971	-2 478	-1 506
New assets	333 755	23 790	-	357 545
Assets derognised	-212 935	-83 678	-15 576	-312 189
Changes in foreign exchange and other changes	114 444	31 961	7 131	153 536
Gross carrying amount as at 31.03.2020	2 130 248	539 510	300 688	2 970 446

Reconciliation of loan loss allowances

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Impairment as at 01.01.2020	24 774	39 604	108 762	173 139
Transfers in Q1 2020:				
Transfer from stage 1 to stage 2	-4 120	18 435	-	14 315
Transfer from stage 1 to stage 3	-154	-	1 485	1 331
Transfer from stage 2 to stage 1	1 954	-6 268	-	-4 315
Transfer from stage 2 to stage 3	-	-2 897	8 304	5 407
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	119	-776	-657
New assets originated or change in provisions	3 861	2 289	-	6 150
Assets derognised or change in provisions	-408	-8 981	1 773	-7 616
Changes in foreign exchange and other changes	2 321	3 614	7 802	13 737
Impairment as at 31.03.2020	28 229	45 914	127 349	201 491

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. Following the non-observed and observed default definition, LGD is approached by separating pre-default and post-default LGD where the latter is used for Stage 3 ECL calculation. 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 employ historical behavior data in order to predict the probability of default in the next 12 months, where default is defined as 90 days past due. The below table show the trigger thresholds that define a significant increase in PD origination and the reporting date.

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

Macroeconomic input to ECL model

Instabank has employed three macroeconomic models for each country in measuring ECL in accordance with difference macroeconomic scenarios, including a pessimistic, baseline and optimistic scenario. The models explain historical correlation between macroeconomic indicators and portfolio default levels and future projection of the macroeconomic indicators in turn adjust PD according to model correlations and the model variables. The macroeconomic projections are based on the NiGEM-model developed by UK's Institute of Economic and Social Research and the model parameters vary per country due to differences in goodness-of-fit between macroeconomic indicators and the portfolio default levels and its development. In addition, macroeconomic indicators are evaluated in terms of economic logic towards probability of default. In the Norway model, "Employment Rate" is the ratio between the Employment and the Population Working Age and in the Sweden and Finland model, Consumption is shown in millions and employed as the increase of the Consumption being an indicator for improving economic conditions and incomes with a further expectancy of a decrease probability of default.

NORWAY	**Pessimistic scenario**			**Baseline scenario**			**Optimistic scenario**		
	31.12.20	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**
Emplyment rate	79,28 %	78,80 %	78,37 %	79,69 %	79,58 %	79,59 %	80,09 %	80,37 %	80,82 %
3-Month NIBOR	1,71	1,69	2,86	1,96	1,94	3,11	2,64	2,68	3,76

FINLAND	**Pessimistic scenario**			**Baseline scenario**			**Optimistic scenario**		
	31.12.20	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**
Unemployment rate	8,61 %	7,59 %	6,52 %	6,63 %	6,51 %	6,06 %	4,94 %	5,32 %	5,66 %
Consumption	9 308	9 363	9 660	9 430	9 562	10 073	9 556	9 770	10 512

SWEDEN	**Pessimistic scenario**			**Baseline scenario**			**Optimistic scenario**		
	31.12.20	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**	**31.12.20**	**31.12.21**	**31.12.25**
Unemployment rate	7,62 %	7,70 %	7,29 %	6,96 %	7,04 %	6,64 %	6,19 %	6,20 %	5,88 %
Consumption	184 435	186 798	200 621	186 536	190 541	206 493	187 511	192 266	209 328

ECL sensitivity between macro scenarios

The weighting of the scenarios was changed during the quarter from [30 % pessimistic - 40 % baseline - 30 % optimistic] to [100 % pessimistic - 0 % baseline - 0 % optimistic] as a response to the potential increase in defaults due to COVID-19. The impact of the change in weighting on the loan loss allowances amounts to 5 MNOK. Several alternative and/or additional measures could have been employed in reflecting a potential increase in expected losses due to COVID-19 such as remodeling, manual adjustment of macroeconomic projections and the attempt of a further loss expectancy calculation outside of the IFRS9 framework resulting in a management overlay. Both internal and external input is however limited and highly uncertain as all macro-data are lagging in terms of observed COVID-19 impact, the projections of macroeconomic indicators is highly uncertain at this time and it is still too early to evaluate impact on defaults due to the net effect of worsening macroeconomic conditions and the numerous government supports at different levels.

NOK 1000	**Norway**	**Finland**	**Sweden**
Pessimistic scenario	124 267	68 699	3 330
Baseline scenario	123 793	65 287	2 836
Optimistic scenario	121 408	62 595	2 482
Final ECL	124 267	68 699	3 330

Note 3: Regulatory capital and LCR

NOK 1000	31.03.2020	31.12.2019	31.03.2019
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	-2 622	56 792	18 385
Phase in effects of IFRS 9	49 998		
Deferred tax asset/intangible assets/other deductions	-29 030	-30 319	-29 927
Common equity tier 1 capital	**529 180**	**537 307**	**499 292**
Additional tier 1 capital	40 900	40 900	25 000
Core capital	**570 080**	**578 207**	**524 292**
Subordinated loan	56 000	40 000	40 000
Total capital	**626 080**	**618 207**	**564 292**
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	46 067	36 704	30 187
Loans to customers and IFRS 9 phase in effects	1 988 552	1 883 067	1 842 650
Certificates and bonds	29 671	69 995	67 987
Other assets	375 920	301 052	253 605
Deferred tax IFRS 9 phase inn effect	53 409		
Calculation basis credit risk	**2 493 619**	**2 290 818**	**2 194 429**
Calculation basis operational risk	333 110	333 110	185 587
Total calculation basis	**2 826 729**	**2 623 928**	**2 380 016**
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	18,7 %	20,5 %	21,0 %
Tier 1 capital ratio	20,2 %	22,0 %	22,0 %
Total capital ratio	22,1 %	23,6 %	23,7 %
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	17,2 %		
Tier 1 capital ratio	18,7 %		
Total capital ratio	20,7 %		
Regulatory capital requirements:			
Common equity Tier 1 Capital ratio	16,7 %	17,7 %	16,1 %
Tier 1 capital ratio	18,2 %	19,2 %	17,6 %
Total capital ratio	20,2 %	21,2 %	19,6 %
LCR Total	282 %	301 %	227 %
LCR NOK	200 %	202 %	144 %
LCR EUR	209 %	122 %	162 %
LCR SEK	305 %	242 %	

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	**31.03.2020**
Certificates and bonds - level 2	328 138

Liabilities

NOK 1000	**31.03.2020**
Derivaties - level 2	36 396

Financial instruments at amortized cost

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

NOK 1000	**31.03.2020**
Loans and deposits with credit institutions	229 380
Net loans to customers	2 768 955
Other receivables	190 097
Total financial assets at amortised cost	**3 188 432**
Deposits from and debt to customers	2 887 298
Other debt	38 565
Subordinated loans	56 000
Total financial liabilitiies at amortised cost	**2 981 863**

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 9.9 MNOK and expires 30.06.2024. The right of use asset 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 statement

We have reviewed the accompanying condensed statement of financial position of Instabank ASA as of 31 March 2020 which shows an equity of TNOK 549 113, and the related condensed statement of profit or loss for the three-month period of 1 January 2020 - 31 March 2020 which shows an interim profit before tax of TNOK 7 127, statement of changes in equity and explanatory notes (Interim Financial Statement). The Interim Financial Statement has been prepared by the management. The principles set out in the explanatory notes are used in the preparation of the interim financial statement. Our responsibility is to express a conclusion on this interim financial statement based on our review.

Responsibilities of the Board of Directors and the Managing Director for the Interim Financial statement

The management is responsible for the preparation and fair presentation of the Interim Financial Statement in accordance with the principles set out in the explanatory notes.

Scope of Review

We conducted our review in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including the international standard 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity".*

A review of interim financial statement 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 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 statement is not prepared, in all material respects, in accordance with the principles set out in the explanatory notes.

Emphasis of Matter – Estimation uncertainty

We draw attention to Note 2 in the Interim Financial Statement, which describes increased estimation uncertainty in the preparation of the Interim Financial Statement, specifically as it relates to the potential impacts of Coronavirus (COVID-19) on the bank's expected credit losses (ECL). This disclosure includes key judgements and assumptions in relation to the ECL model inputs and the interdependencies between those inputs, and management's judgments made during the quarter ended 31 March 2020. As described in Note 2, the underlying forecasts and assumptions are subject to uncertainties which are often outside the control of the bank and actual economic conditions are likely to be different from those forecasted.

In our view, this issue is fundamental to the users' understanding of the financial statement and the financial position and performance of the bank.

Our opinion is not modified in respect of this matter.

Oslo, 6 May 2020
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant