INSTABANK ASA

INTERIM REPORT Q2 2020

Instabank

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Key highlights & developments:

- **Profit before tax of 13.1 MNOK, after tax 9.9 MNOK**
  Interest income has decreased as volume has fallen. However, with still low costs and relatively low losses given the Covid-19 pandemic, profit after tax increased from 5.3 MNOK in the previous quarter to 9.9 MNOK this quarter.

- **Launch of second priority mortgage loans**
  Instabank introduced mortgage loans during Q2 and is currently in a process of scaling up distribution. Mortgage loans will improve capital utilization and reduce credit risk.

- **Early July Coop and Instabank signed a long-term cooperation agreement**
  The parties will cooperate in developing new financing solutions for Obs Bygg and Coop Byggmix, to be launched in September.

- **Gross loans decreased by 201 MNOK in Q2-20**
  The decrease is a result of negative currency effects of 69.3 MNOK and limited new sales activities from mid-March. Volumes increased again from June, a development that continues into Q3.

- **Instabank is admitted to be listed at Merkur Market**
  First day of trading will be 17th of August.

We value progress

INTERIM REPORT Q2 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 always 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, credit cards, mortgages 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 Q2, 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 Q2, Instabank had 29 full time employees and 7 part-time employees.

Operational Developments

In competition with several other banks, Instabank acquired a new sales finance contract with Coop Norge's building warehouses Coop Byggmix and OBS Bygg. Instabank will deliver several sales finance products that will be distributed in-store, through the payment app "Coopay" and as a Coop branded credit card. In total, all the chains in Coop represent an annual turnover of more than fifty billion NOK. Obs BYGG and Coop Byggmix are a large player in building materials with 106 warehouses in Norway. This agreement further strengthens Instabank´s position as a major paytech player.

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.

Instabank introduced mortgage loans two weeks before the end of Q2 2020 and is currently in a process of scaling up the segment. After the balance date in July, 12 MNOK were disbursed by the bank as mortgage loans. The loans will have second priority in customers' property. Mortgage loans represent better capital utilization and reduced credit risk. Property-backed loans are expected to have equal or a higher return on equity even with significantly lower interest rates. This is due to lower risk weights and lower loan losses.

The Covid-19 pandemic created a sudden shock in the economy three weeks before the end of Q1-20 and Q2-20 started as a turbulent quarter and a rapidly declining economy. Although unemployment hiked significantly there have also been significant measures from the governments to ease the situation.

In mid- March, Instabank suspended all new loans sales, except for sales financing through paytech partners, in conjunction with risk associated with the Covid-19 outbreak and the possible economic consequences for loan applicants. Through Q2-20, the strict credit policy introduced in March has gradually been lifted in line with the gradually recovery. The decrease in net loans volume has turned to an increase in volume from June.

Up until the reporting date, Instabank has not observed any worsening in customer's payment behaviour, but rather the opposite. Share of volume past due is at its lowest levels for the categories up to 90 days compared to all previous quarters back to 2017. However, we experienced a sudden increase in customers requesting payment reliefs at the end of March. Through Q2-20, the volume has dropped and at the reporting date the volume of payments reliefs represents 1.9 % of total loan volume, down from 4.6 % per end of Q1-20.

Total net loans decreased by 204 MNOK, of which 69 MNOK was a result of negative currency effects.

In Norway, net loans decreased by 48 MNOK. Although only a limited amount of unsecured loans have been granted in the quarter, sales financing through paytech partners, which is Instabank´s main focus in Norway, developed very well in the quarter. Mortgage loans, launched two weeks before the end of the quarter, is expected to represent a significant share of new volume in Norway going forward. Instapay Mastercard is developing very promising. Interest carrying balance reached 50 MNOK by the end of Q2-20. The current growth rate is approximately 15 MNOK monthly.

In Finland, net loans decreased by 149 MNOK as a result of limited new sales and negative currency effects of 69 MNOK.

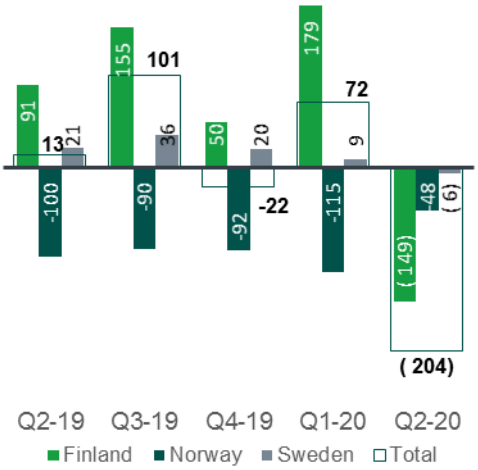
The Swedish market remains very competitive with larger risk and rate span. However, the bank has identified attractive segments representing a good balance between risk and returns. In Sweden net loans decreased by 6 MNOK in Q2-20 as a result of limited new sales

Instabank is admitted to be listed at Merkur Market and first day of trading will be 17th of August. The purpose of the listing is to provide investors with orderly and transparent trading of the company's shares in an efficient electronic order system and is expected to make the shares more liquid. Instabank expects first day of trading to be August 17th.

Balance Sheet

Net loans decreased by 204 MNOK in Q2-20 as a result of limited new sales and negative currency effects of 69 MNOK. Of total net loans of 2,565, 48 % was outside Norway at the end of the quarter, down from 50 % at the end of Q1-20.

Net loan balance growth:



Deposits from customers grew by 241 MNOK to 3,129 MNOK by the end of the quarter. The deposit rates in all three markets have been reduced in the quarter following decreasing market rates.

Common equity Tier 1 Capital ratio was 19.7 % and the total capital ratio was 23.3 % at the end of Q2-20, 3.1 % points above the total regulatory capital requirement of 20.2 %.

Total assets at the end of Q2-20 were 3,779 MNOK.

At the end of Q2-20, the bank had a total of 40,563 customers, of which 30,239 were loan customers and 10,324 were deposit customers.

Profit and Loss

Interest income decreased by 3.5 MNOK from Q1-20 to 79.9 MNOK in Q2-20 as a result of decreased loan balance and negative currency effects. A growth in deposit volume of 241 MNOK resulted in an increased in interest expenses of 0.6 MNOK while the funding cost remained at 1.5 %. As the surplus liquidity created by increased deposit volume yielded at 2.6 % in Q2 versus a funding cost of 1.7 %, the deposit increase had a positive profit contribution. Net interest income came in at 66.7 MNOK versus 70.9 MNOK in Q1-20.

Net other income was minus 6.6 MNOK. A loss on foreign exchange of 2.9 MNOK contributed negatively, while gain on bonds of 3.9 MNOK had a positive contribution. Expenses commission and fees dropped for the first time and was down 0.6 MNOK from the previous quarter as a result of reduced agent distributed volume.

Total income came in at 60 MNOK, down 6.9 MNOK from the previous quarter.

Total operating expenses decreased by 1.5 MNOK from the previous quarter to 25.2 MNOK. Personnel expenses increased by 1.3 MNOK as a result of booked bonus provisions and an increase in number of employees. Instabank maintain a strong focus on cost control and operational efficiency and had lower operating expenses this quarter compared to the same quarter in both 2019 and 2018.

The cost/income level was 42 %, versus 51 % in Q2-19, reflecting improved operational efficiency, prudent cost control as well as economies of scale.

Losses on loans came in at 21.7 MNOK/ 3.0 % of gross loans, down from 33.1 MNOK/ 4.6 % in the previous quarter when an extra provisions for loan losses related to Covid-19 of 5 MNOK was included. The IFRS 9 impairment loss model have been updated in the quarter for future projections of macroeconomic indicators, including short- and long-term effects of Covid-19. The new projections reflect a worsening in all employment and consumption based indicators, especially in shorter term

We refer to note 2 for additional information about loan losses.

Net profit was 13.1 MNOK and net profit after tax was 9.9 MNOK, up from 5.3 MNOK in the previous quarter and 9.8 NOK 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 still difficult to assess, although the recovery has been better than expected.

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

However, for a small part of the customers in vulnerable industries, the long term Covid-19 effects can be severe. These effects are reflected in the loan loss provision.

With a strong capital and liquidity situation, a flexible business model across three markets as well as low operating cost, Instabank is resilient to a downturn.

Instabank is committed to continue to develop the customer experience as well as bringing our expertise within paytech to companies seeking to innovate and digitize their business models as shown with the new agreement with Coop Norge. This strengthen the bank's market position as a preferred paytech partner.

Alongside growth from the paytech partner strategy, Instabank expects the new easy-to-use mortgage loan product introduced in Q2-20 to contribute to profitable growth and lowered credit risk going forward.

Instabank expects growth in lending volumes for the second half of 2020 based on surplus capital and profit generation throughout the year and expects net lending growth to be approximately 250 - 300 MNOK for the rest of the year.

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

Oslo, August 12th, 2020
Board of Directors, Instabank ASA

Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	*IFRS* Q2-2020	*IFRS* YTD 2020	*NGAAP* Year 2019	*NGAAP* Q2-2019
Interest Income using the effective interest method		79 854	162 957	305 752	74 466
Other interest income		37	367		
Interest expenses		13 164	25 695	53 158	13 376
Net interest income		**66 727**	**137 628**	**252 594**	**61 090**
Income commissions and fees		8 423	16 834	33 483	7 843
Expenses commissions and fees		16 093	32 823	57 411	13 795
Net gains/loss on foreign exchange and securities classified as current assets		1 022	5 441	13 500	3 209
Other income		0	0	0	0
Net other income		**-6 648**	**-10 548**	**-10 429**	**-2 742**
Total income		**60 079**	**127 080**	**242 165**	**58 348**
Salary and other personnel expenses		9 507	17 671	39 355	10 248
Other administrative expenses, of which:		11 466	25 391	62 384	14 719
- direct marketing cost		*1 105*	*4 241*	*18 237*	*4 513*
Depreciation and amortisation		3 106	6 086	8 719	2 157
Other expenses		1 144	2 818	5 302	2 695
Total operating expenses		**25 223**	**51 966**	**115 761**	**29 818**
Losses on loans	2	21 704	54 835	71 429	15 772
Operating (loss)/profit before tax		**13 152**	**20 279**	**54 974**	**12 757**
Tax expenses		3 288	5 070	13 735	3 121
Profit and other comprehensive income for the period		**9 864**	**15 209**	**41 239**	**9 636**

Condensed statement of financial position

NOK 1000	Note	*IFRS* 30.06.2020	*NGAAP* 31.12.2019	*NGAAP* 30.06.2019
Loans and deposits with credit institutions	3, 4	165 812	183 014	185 466
Loans to customers, of which;	3, 4	2 644 120	2 696 724	2 617 991
- prepaid agent commssion		*79 006*		
Certificates and bonds	3, 4	863 415	516 194	640 642
Deferred tax assets		16 527	0	0
Other intangible assets	3, 5	29 434	29 804	28 962
Fixed assets	3	9 740	563	777
Other assets	3	5 213	12 407	3 150
Other receivables, of which:	3, 4	45 291	102 113	98 514
- prepaid agent commission			*93 216*	*94 379*
Total assets		**3 779 552**	**3 540 819**	**3 575 503**
Deposit from and debt to customers	4	3 129 285	2 848 737	2 934 575
Other debts	4	9 973	22 378	23 171
Accrued expenses and liabilities		26 279	21 177	13 631
Subordinated loans	3	56 000	80 900	65 000
Total liabilities		**3 221 537**	**2 973 193**	**3 036 377**
Share capital	3	510 834	510 834	510 834
Retained earnings	3	6 280	56 792	28 291
Additional Tier 1 capital	3	40 900		
Total equity		**558 014**	**567 626**	**539 125**
Total liabilities and equity		**3 779 552**	**3 540 819**	**3 575 503**

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		**40 900**
Implementation of IFRS 9*				-64 091	**-64 091**
Equity per. 01.01.2020	**332 642**	**178 192**	**40 900**	**-7 299**	**544 435**
Net profit for the period				15 209	**15 209**
Changes in warrants				54	**54**
Paid interest on Tier 1 Capital				-1 685	**-1 685**
Equity per 30.06.2020	**332 642**	**178 192**	**40 900**	**6 279**	**558 014**

*) 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 12th of August 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	30.06.2020	31.12.2019	30.06.2019
Revolving credit loans	594 147	621 106	659 135
Installment loans	2 175 656	2 163 288	2 033 446
Prepaid agent commission	79 006		
Gross lending	**2 848 809**	**2 784 394**	**2 692 581**
Impairment of loans	-204 689	-87 670	-74 590
Net loans to customers	**2 644 120**	**2 696 724**	**2 617 991**

Defaults and losses:

NOK 1000	30.06.2020	31.12.2019	30.06.2019
Gross defaulted loans (stage 3 from 01.01.20)	312 384	261 646	225 219
Individual impairment of defaulated loans (stage 3 from 01.01.20)	-139 317	-75 678	-64 384
Net defaulted loans	**173 067**	**185 968**	**160 835**

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	30.06.2020	31.12.2019	30.06.2019
Loans not past due	2 080 587	1 889 836	1 961 921
Past due 1-30 days	342 133	474 880	385 050
Past due 31-60 days	87 484	119 904	87 799
Past due 61-90 days	26 857	38 128	32 592
Past due 91+ days	311 747	261 646	225 219
Total	**2 848 809**	**2 784 394**	**2 692 581**

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**
Transfers in Q2 2020:				
Transfer from stage 1 to stage 2	-159 772	158 690	-	-1 081
Transfer from stage 1 to stage 3	-3 639	-	3 715	75
Transfer from stage 2 to stage 1	83 141	-90 884	-	-7 743
Transfer from stage 2 to stage 3	-	-32 247	32 339	92
Transfer from stage 3 to stage 1	-	781	-939	-158
Transfer from stage 3 to stage 2	-	3 330	-3 753	-423
New assets	145 721	2 732	-	148 453
Assets derognised	-195 401	-71 244	-17 236	-283 880
Changes in foreign exchange and other changes	-39 739	-13 808	-2 430	-55 978
Gross carrying amount as at 30.06.2020	**1 960 559**	**496 860**	**312 384**	**2 769 803**

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**
Transfers in Q2 2020:				
Transfer from stage 1 to stage 2	-3 383	13 158	-	9 775
Transfer from stage 1 to stage 3	-130	-	827	697
Transfer from stage 2 to stage 1	2 117	-7 605	-	-5 488
Transfer from stage 2 to stage 3	-	-3 395	7 779	4 383
Transfer from stage 3 to stage 1	-	111	-244	-133
Transfer from stage 3 to stage 2	-	211	-946	-735
New assets originated or change in provisions	1 402	224	-	1 626
Assets derognised or change in provisions	-2 699	-6 311	960	-8 049
Changes in foreign exchange and other changes	-917	-1 555	3 594	1 122
Impairment as at 30.06.2020	**24 619**	**40 753**	**139 317**	**204 689**

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 scenarios 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	77,87 %	77,87 %	78,16 %	78,53 %	78,47 %	78,67 %	79,34 %	79,53 %	79,56 %
3-Month NIBOR	0,65	0,65	1,27	0,65	0,65	1,52	0,65	0,66	1,81

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	9,70 %	7,88 %	6,83 %	7,69 %	6,80 %	6,38 %	7,08 %	6,43 %	6,20 %
Consumption	8 702	9 073	9 426	9 034	9 181	9 699	9 163	9 364	9 981

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	9,37 %	8,58 %	7,01 %	8,43 %	7,45 %	6,76 %	7,90 %	7,12 %	6,56 %
Consumption	175 495	179 465	188 260	180 380	184 764	200 207	184 598	191 356	213 810

ECL sensitivity between macro scenarios

The weighting of the scenarios was changed during the quarter from [100 % pessimistic - 0 % baseline - 0 % optimistic] to [30 % pessimistic - 40 % baseline - 30 % optimistic] due to an update of future projection of macroeconomic indicators, including short and long term effects of Covid-19. The new projections reflect a worsening in all employment and consumption based indicators, especially in shorter term, and in addition cause ECL per scenario to differ to a greater extent. The projections of macroeconomic indicators including impacts due to Covid-19 and its impact on defaults are still uncertain at this time due to the net effect of worsening macroeconomic conditions and the numerous government supports at different levels, hence the equal probability weighting of the pessimistic and optimistic scenario occurring in the final ECL.

NOK 1000	Norway	Finland	Sweden	SUM
Pessimistic scenario	153 148	61 564	4 012	218 724
Baseline scenario	140 311	58 584	3 132	202 027
Optimistic scenario	134 587	57 219	2 398	194 204
Final ECL	142 445	59 068	3 176	204 689

Note 3: Regulatory capital and LCR

NOK 1000	30.06.2020	31.12.2019	30.06.2019
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	6 280	56 792	28 291
Phase in effects of IFRS 9	45 394		
Deferred tax asset/intangible assets/other deductions	-30 296	-30 319	-29 602
Common equity tier 1 capital	**532 212**	**537 307**	**509 523**
Additional tier 1 capital	40 900	40 900	25 000
Core capital	**573 112**	**578 207**	**534 523**
Subordinated loan	56 000	40 000	40 000
Total capital	**629 112**	**618 207**	**574 523**
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	33 366	36 704	37 132
Loans to customers and IFRS 9 phase in effects	1 831 317	1 883 067	1 842 866
Certificates and bonds	149 409	69 995	94 654
Other assets	311 680	301 052	263 277
Deferred tax IFRS 9 phase inn effect	40 735		
Calculation basis credit risk	**2 366 507**	**2 290 818**	**2 237 930**
Calculation basis operational risk	333 110	333 110	185 587
Total calculation basis	**2 699 617**	**2 623 928**	**2 423 518**
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	19,7 %	20,5 %	21,0 %
Tier 1 capital ratio	21,2 %	22,0 %	22,1 %
Total capital ratio	23,3 %	23,6 %	23,7 %
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	18,3 %		
Tier 1 capital ratio	19,8 %		
Total capital ratio	21,9 %		
Regulatory capital requirements:			
Common equity Tier 1 Capital ratio	16,7 %	17,7 %	17,5 %
Tier 1 capital ratio	18,2 %	19,2 %	19,0 %
Total capital ratio	20,2 %	21,2 %	21,0 %
LCR Total	292 %	301 %	233 %
LCR NOK	240 %	202 %	151 %
LCR EUR	101 %	122 %	121 %
LCR SEK	172 %	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	**30.06.20**	**01.01.20**
Certificates and bonds - level 2	863 415	516 194
Derivates - level 2	5 213	12 407

Liabilities

NOK 1000	**30.06.20**	**01.01.20**
Derivaties - level 2	827	381

Financial instruments at amortized cost

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

NOK 1000	**30.06.20**	**01.01.20**
Loans and deposits with credit institutions	165 812	183 014
Net loans to customers	2 565 114	2 696 724
Other receivables	124 297	102 113
Total financial assets at amortised cost	**2 855 223**	**2 981 852**
Deposits from and debt to customers	3 129 285	2 848 737
Other debt	9 973	22 378
Subordinated loans	56 000	40 000
Total financial liabilitiies at amortised cost	**3 195 258**	**2 911 115**

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 8.9 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 Information

Introduction

We have reviewed the accompanying interim balance sheet of Instabank ASA as of 30 June 2020, the income statement and the statement of changes in equity for the six-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 give a true and fair view of the financial position of the entity as at 30 June 2020, and of its financial performance for the six-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 12 August 2020
KPMG AS

Svein A Lyngroth

Svein Arthur Lyngroth
State Authorised Public Accountant