



# INSTABANK ASA

INTERIM REPORT Q2 2021

# INTERIM REPORT Q2 2021

## Key highlights & developments:

- ★ **Record high profit before tax of 26.0 MNOK, after tax 19.5 MNOK**  
Profits nearly doubled from the same quarter last year
- ★ **Strong net loans growth of 356 MNOK**  
Growth of 541 MNOK for the first half of 2021
- ★ **Mortgages volume growth of 242 MNOK, 37 % higher than the previous quarter**  
Mortgages hit 28 % of total loans in Norway
- ★ **Credit losses continue to improve**  
Improvements in payment behavior for all products and all markets, only 1.4 % of the mortgages volume were more than 30 days past due



# We value progress

## INTERIM REPORT Q2 2021

### 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.

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

Our aim has always been to make the customer experience as smooth as possible. The ability to grasp opportunities and quickly implement changes is at the heart of our culture. Our expertise within payment technology and sales financing often referred to as paytech, plays a key role in our continued 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 range from three to fifteen years, or alternatively, a flexible credit facility.

The bank continues to evolve its 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 make the investments upfront 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 servitize and digitize their business models.

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 24.99 %. No other individual shareholders were holding more than 10 % of the shares.

At the end of Q2-21, Instabank had 37 full-time employees and 9 part-time employees.





## Operational Developments

Instabank continued in Q2-21 the transformation towards a more diversified loan book and the successful mortgages product delivered growth and profits above expectations. With growth in total net loans of 356 MNOK in the second quarter and 541 MNOK in the first half of 2021, the bank is well underway to achieve the yearly growth target in net loans of 1 billion NOK in 2021.

The mortgages product, launched a year ago, grew by 242 MNOK or 42 % in net loans in the second quarter and reached a net loan balance of 582 MNOK by the end of the quarter. The growth was then 37 % higher than in the first quarter. Loan yield remains relatively stable at about 7 % and credit risk measures in terms of loans past due are still strong and better than expected, with only 1.4 % of total gross loans more than 30 days past due. By the end of the quarter, mortgages represented 18 % of total net loans in Instabank, up from 11 % per first quarter-end.

Instabank acquired a portfolio of unsecured loans at a principal value of 47.7 MNOK from Optin Bank ASA in the end of the quarter. The purchase price was 85 % of face value. The discount value will be recognised as interest income during the expected lifetime of the loan portfolio.

Total net loans growth in Norway for all products came in at 281 MNOK.

In Finland, the government prolonged the interest cap of 10 % until the end of Q3-21. Along with restrictions on the marketing of consumer loans, this put margins and disbursed volume under pressure. However, adjusted for positive currency effects, Instabank managed to grow net loans by 37 MNOK. Unadjusted for currency effects, growth in net loans were 57 MNOK.

In Sweden, net loans increased by 18 MNOK. The Swedish market remains very competitive with a large risk and rate span, and therefore Instabank finds Sweden less attractive than other markets for the time being.

Until the reporting date, the pandemic's economic consequences have not negatively impacted the customers' payment behaviour, rather the opposite. By the end of the second quarter, loans past due 1-30 days were as low as 10.5 % versus 12.6 % one year earlier and loans past due 31-60 was 2.5 % versus 3.0 %. While the increased share of mortgages had a

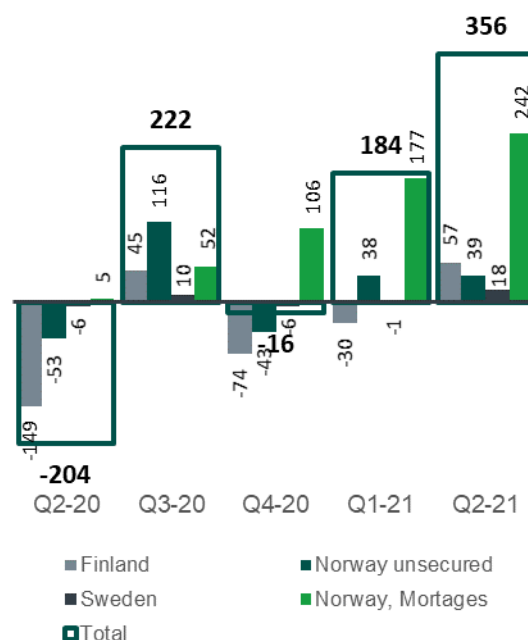
positive impact of loans past due, there were improved performance also for unsecured loans.

Most of the bank's employees were still working from their homes in the second quarter and they have demonstrated high adaptability and flexibility to the situation. The bank has been fully operational during the pandemic.

## Balance Sheet

Net loans to customers increased by 356 MNOK in Q2-21 to 3,312 MNOK. Of total net loans, 38 % was outside Norway at the end of the quarter, down from 40 % at the end of Q1-21.

Net loan balance growth (MNOK):



Deposits from customers increased by 200 MNOK to 3,540 MNOK at the end of the quarter. The deposit rates in Norway, Finland and Germany have been reduced in the quarter.

Common equity Tier 1 Capital ratio was 19.5 %, and the total capital ratio was 22.8 % at the end of Q2-21, 2.5 % points above the total regulatory capital requirement of 20.3 %.

Total assets at the end of Q2-21 were 4.257 MNOK.

At the end of Q2-21, the bank had 60,388 customers, of which 45,998 were loan customers, and 14,390 were deposit customers.

## Profit and Loss

Instabank reports a record-high net profit of 19.5 MNOK, up from 14.0 MNOK in the previous quarter and about twice as high as the same quarter last year when net profit came in at 9.9 MNOK. The solid net profit growth was driven by increased Net interest income, relatively low losses on loans as well as stable operating expenses compared to the previous quarter.

Interest income increased by 7.9 MNOK from Q1-21 to 75.9 MNOK in Q2-21 following the high growth in net loans. There shall be noted that the bank has changed the accounting practices of commission to agents and establishment fees in Q2-21. Previously agent commission and establishment fees were booked against expenses commission and fees and income commission and fees. From Q2-21, both are included in the interest income and historical figures have been restated. Total income and net profit are not affected by these changes.

Although deposits volume increased by 200 MNOK, the interest expenses were reduced by 0.5 MNOK to 9,1 MNOK in Q2-21 because of decreased deposit rates. The average deposit rate was 0.71 % at the end of the quarter, compared to 0.90 % at the end of the previous quarter. Net interest income came in at 66.8 MNOK, up 8.4 MNOK from the previous quarter.

Net other income was 7.7 MNOK, down from 12.2 MNOK in the previous quarter as the yield on securities decreased and increased partner commission fees.

Total income came in at 74.5 MNOK, up 3.8 MNOK from the previous quarter.

Total operating expenses were 0.3 MNOK down from the previous quarter and came in at 31.3 MNOK.

Losses on loans came in at only 17.1 MNOK or 2.1 % off gross loans to customers. The bank has observed stable and good payment behaviour from the customers during the quarter resulting in a historically low share of loans past due by the end of the quarter, which had a positive impact on the loan loss allowances. The improvement in payment behaviour is assumed to be a consequence of an increased share of mortgages in the loan portfolio, improved liquidity for most of our customers, as they receive holiday pay and some tax back payment in June, and improved credit quality.

Profit before tax was 26.0 MNOK, and net profit was 19.5 MNOK, up from 9.9 MNOK in the same quarter last year. Return on equity (ROE) in the quarter was 13.8 %, up from 7.7 % in Q2-20. ROE year-to-date is 12.0 % compared to a target of above 13.0 % for the year 2021.

## Outlook

The Covid-19 restrictions have gradually been eased along with increased vaccination rate among the population and society is opening. The economic recovery is expected to continue but will potentially be negatively impacted by an increase in infections. More than a year into the pandemic, the bank has not experienced any worsening of payment behaviour, rather the opposite as most of our customers have improved their liquidity during the pandemic as interest rates have decreased and leisure spending have been reduced.

Instabank expects the mortgage product to contribute significantly to profitable growth, lowered credit risk, and an increasingly diversified loan book going forward. Increased competition and margin pressure may limit growth in volume and profits in the longer term.

Instabank is committed to developing the customer experience and bringing our expertise within paytech to companies seeking to innovate and digitize their business models and strengthen the bank's market position as a preferred paytech partner.

Instabank reiterates the ambitions for 2021 with a growth in gross lending of 1 billion NOK and a Return on Equity (ROE) of 13 %.

With a strong capital and liquidity situation, a flexible business model across three markets, a rapidly increasing share of secured loans and low operating costs, Instabank is resilient to changing market conditions.

The Ministry of Finance has decided to increase the countercyclical capital buffer to 1.5 per cent as of 30 June 2022, in line with guidance from the Norwegian central bank, Norges Bank. In its capital planning, the bank has factored in a further increase to 2.0 % in 2023.

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

Oslo, August 11th, 2021  
Board of Directors, Instabank ASA



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

NOK 1000	Note	Q2-2021	Q2-2020	YTD 2021	YTD 2020	Year 2020
Interest Income effective interest method	6	75 886	65 261	143 885	133 142	329 515
Other interest income		0	37	0	367	400
Interest expenses		9 096	13 164	18 682	25 695	51 346
<b>Net interest income</b>		<b>66 791</b>	<b>52 134</b>	<b>125 203</b>	<b>107 813</b>	<b>278 568</b>
Income commissions and fees	6	9 666	6 923	20 158	13 826	41 067
Expenses commissions and fees	6	2 320	0	2 444	0	64 888
Net gains/loss on foreign exchange and securities classified as current assets		349	1 022	2 214	5 441	8 380
<b>Net other income</b>		<b>7 695</b>	<b>7 945</b>	<b>19 929</b>	<b>19 267</b>	<b>-15 441</b>
<b>Total income</b>		<b>74 486</b>	<b>60 079</b>	<b>145 132</b>	<b>127 080</b>	<b>263 127</b>
Salary and other personnel expenses		12 516	9 507	24 843	17 671	41 666
Other administrative expenses, of which:		13 371	11 466	27 731	25 391	52 920
- direct marketing cost		2 535	1 105	4 928	4 241	6 996
Other expenses		1 785	1 144	3 296	2 818	5 878
Depreciation and amortisation		3 662	3 106	7 151	6 086	12 742
<b>Total operating expenses</b>		<b>31 335</b>	<b>25 223</b>	<b>63 022</b>	<b>51 966</b>	<b>113 206</b>
Losses on loans	2	17 143	21 704	37 399	54 835	92 911
<b>Operating profit before tax</b>		<b>26 009</b>	<b>13 152</b>	<b>44 711</b>	<b>20 279</b>	<b>57 010</b>
Tax expenses		6 502	3 288	11 178	5 070	14 331
<b>Profit and other comprehensive income for the period</b>		<b>19 506</b>	<b>9 864</b>	<b>33 533</b>	<b>15 209</b>	<b>42 679</b>
Earnings per share (NOK)		0,06	0,03	0,10	0,05	0,13
Diluted earnings per share (NOK)		0,06	0,03	0,10	0,05	0,13

## Condensed statement of financial position

NOK 1000	Note	30.06.2021	30.06.2020	31.12.2020
Loans and deposits with credit institutions	3, 4	212 392	165 812	202 601
Loans to customers	3, 4	3 366 753	2 636 782	2 836 451
Certificates and bonds	3, 4	632 290	863 415	889 664
Other intangible assets	3, 5	27 441	45 961	29 478
Fixed assets	3	7 175	9 740	8 414
Derivatives	3	65	5 213	1 972
Other receivables	3, 4	10 672	45 291	11 829
<b>Total assets</b>		<b>4 256 788</b>	<b>3 772 214</b>	<b>3 980 409</b>
Deposit from and debt to customers	4	3 540 343	3 129 285	3 303 998
Other debts	4	14 627	9 146	14 583
Accrued expenses and liabilities		13 754	14 046	18 457
Derivatives		593	827	123
Deferred tax		3 569	4 895	3 569
Tax payable		11 178	-	-
Subordinated loan capital	3	56 000	56 000	56 000
<b>Total liabilities</b>		<b>3 640 064</b>	<b>3 214 200</b>	<b>3 396 730</b>
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	64 989	6 280	31 944
Additional Tier 1 capital	3	40 900	40 900	40 900
<b>Total equity</b>		<b>616 723</b>	<b>558 014</b>	<b>583 679</b>
<b>Total liabilities and equity</b>		<b>4 256 788</b>	<b>3 772 214</b>	<b>3 980 409</b>

## Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 01.01.2020	332 642	178 192	40 900	-7 299	544 435
Capital issuance					-
Profit for the period				42 679	42 679
Changes in warrants				177	177
Paid interest on Tier 1 Capital				-3 612	-3 612
<b>Equity per 31.12.2020</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>31 944</b>	<b>583 678</b>
Profit for the period				33 533	33 533
Changes in warrants				1 198	1 198
Paid interest on Tier 1 Capital				-1 686	-1 686
<b>Equity per 30.06.2021</b>	<b>332 642</b>	<b>178 192</b>	<b>40 900</b>	<b>64 989</b>	<b>616 723</b>



# NOTES

## Note 1: General accounting principles

The interim report is prepared in accordance with chapter 8 in regulations for annual accounts of banks, credit companies and financial institutions, which means interim financial statement in accordance with IAS 34 and those exceptions included in the regulations for annual accounts of banks, credit companies and financial institutions, as presentation of statement of cashflows. For further information see note 1 accounting principles in the annual report of 2020.

The interim report was approved by the board of directors on August 11th, 2021.

## Note 2: Loans to customers

### Gross and net lending:

<b>NOK 1000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Revolving credit loans	550 587	594 147	548 789
Installment loans, unsecured	2 331 181	2 175 656	2 190 544
Installment loans, secured	586 061		162 956
Prepaid agent commission	91 052	79 006	81 236
Establishment fees	-36 013	-7 338	-15 720
<b>Gross lending</b>	<b>3 522 869</b>	<b>2 841 471</b>	<b>2 967 804</b>
Impairment of loans	-156 116	-204 689	-131 353
<b>Net loans to customers</b>	<b>3 366 753</b>	<b>2 636 782</b>	<b>2 836 451</b>

### Credit impaired and losses:

<b>NOK 1000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Gross credit impaired loans (stage 3)	232 841	312 384	161 957
Individual impairment of credit impaired loans (stage 3)	-100 727	-139 317	-72 867
<b>Net credit impaired loans</b>	<b>132 113</b>	<b>173 067</b>	<b>89 090</b>

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

### Ageing of loans:

<b>NOK 1000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Loans not past due	2 755 099	2 001 581	2 254 712
Past due 1-30 days	365 354	342 133	364 889
Past due 31-60 days	87 697	87 484	87 209
Past due 61-90 days	26 839	26 857	33 765
Past due 91+ days	232 841	311 747	161 714
<b>Total</b>	<b>3 467 830</b>	<b>2 769 803</b>	<b>2 902 289</b>

	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Loans not past due	79,4 %	72,3 %	77,7 %
Past due 1-30 days	10,5 %	12,4 %	12,6 %
Past due 31-60 days	2,5 %	3,2 %	3,0 %
Past due 61-90 days	0,8 %	1,0 %	1,2 %
Past due 91+ days	6,7 %	11,3 %	5,6 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

### Geographical distribution:

<b>NOK 1000</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Norway	2 138 938	1 472 875	1 635 958
Finland	1 197 339	1 188 025	1 154 044
Sweden	131 553	108 903	112 286
<b>Gross lending excl. prepaid agent provisions and establishment fees</b>	<b>3 467 830</b>	<b>2 769 802</b>	<b>2 902 289</b>

## Reconciliation of gross lending to customers

### Q2 2021:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 31.03.2021</b>	<b>2 504 242</b>	<b>395 074</b>	<b>196 226</b>	<b>3 095 542</b>
<i>Transfers in Q1 2022:</i>				
Transfer from stage 1 to stage 2	-168 397	165 153	-	-3 244
Transfer from stage 1 to stage 3	-9 564	-	9 787	223
Transfer from stage 2 to stage 1	78 440	-86 766	-	-8 326
Transfer from stage 2 to stage 3	-	-48 656	48 369	-287
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	2 341	-3 411	-1 070
New assets	680 301	16 731	302	697 333
Assets derecognised	-290 432	-25 490	-13 194	-329 117
Changes in foreign exchange and other changes	17 217	4 795	-5 238	16 774
<b>Gross carrying amount as at 30.06.2021</b>	<b>2 811 806</b>	<b>423 183</b>	<b>232 841</b>	<b>3 467 830</b>

### Q2-2020:

<b>Gross carrying amount as at 31.03.2020</b>	<b>2 130 248</b>	<b>539 510</b>	<b>300 688</b>	<b>2 970 446</b>
<i>Transfers in Q2 2020:</i>				
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 derecognised	-195 401	-71 244	-17 236	-283 880
Changes in foreign exchange and other changes	-39 739	-13 808	-2 430	-55 978
<b>Gross carrying amount as at 30.06.2020</b>	<b>1 960 559</b>	<b>496 860</b>	<b>312 384</b>	<b>2 769 803</b>

### 2020:

<b>Gross carrying amount as at 01.01.2020</b>	<b>2 053 890</b>	<b>460 755</b>	<b>269 750</b>	<b>2 784 394</b>
<i>Transfers in 2020:</i>				
Transfer from stage 1 to stage 2	-158 153	146 031	-	-12 122
Transfer from stage 1 to stage 3	-34 674	-	25 271	-9 403
Transfer from stage 2 to stage 1	130 444	-153 030	-	-22 586
Transfer from stage 2 to stage 3	-	-45 576	29 321	-16 255
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	725	-4 861	-4 135
New assets	1 121 459	74 681	9 637	1 205 777
Assets derecognised	-737 988	-171 576	-170 252	-1 079 816
Changes in foreign exchange and other changes	34 898	12 154	9 383	56 435
<b>Gross carrying amount as at 31.12.2020</b>	<b>2 409 875</b>	<b>324 163</b>	<b>168 250</b>	<b>2 902 289</b>

## Reconciliation of loan loss allowances

### Q2 2021:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Expected credit losses as at 31.03.2021</b>	<b>26 885</b>	<b>31 571</b>	<b>81 709</b>	<b>140 166</b>
<i>Transfers in Q2 2021:</i>				
Transfer from stage 1 to stage 2	-2 936	10 294	-	7 358
Transfer from stage 1 to stage 3	-246	-	1 979	1 733
Transfer from stage 2 to stage 1	1 598	-5 750	-	-4 152
Transfer from stage 2 to stage 3	-	-5 545	11 584	6 039
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	188	-814	-626
New assets originated or change in provisions	3 784	934	131	4 849
Assets derecognised or change in provisions	-3 426	-2 387	2 194	-3 619
Changes in foreign exchange and other changes	158	324	3 944	4 426
<b>Expected credit losses as at 30.06.2021</b>	<b>25 817</b>	<b>29 629</b>	<b>100 727</b>	<b>156 173</b>

### Q2 2020:

<b>Expected credit losses as at 31.03.2020</b>	<b>28 229</b>	<b>45 914</b>	<b>127 349</b>	<b>201 491</b>
<i>Transfers in Q2 2020:</i>				
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 derecognised 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
<b>Expected credit losses as at 30.06.2020</b>	<b>24 619</b>	<b>40 753</b>	<b>139 318</b>	<b>204 689</b>

### 2020:

<b>Expected credit losses as at 01.01.2020</b>	<b>24 774</b>	<b>39 604</b>	<b>108 762</b>	<b>173 139</b>
<i>Transfers in 2020:</i>				
Transfer from stage 1 to stage 2	-2 888	14 409	-	11 521
Transfer from stage 1 to stage 3	-563	-	6 956	6 392
Transfer from stage 2 to stage 1	2 277	-10 466	-	-8 189
Transfer from stage 2 to stage 3	-	-3 781	9 307	5 526
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	74	-1 765	-1 691
New assets originated or change in provisions	11 461	7 383	2 145	20 989
Assets derecognised or change in provisions	-8 687	-16 871	-60 490	-86 048
Changes in foreign exchange and other changes	872	1 347	7 494	9 713
<b>Expected credit losses as at 31.12.2020</b>	<b>27 246</b>	<b>31 699</b>	<b>72 407</b>	<b>131 353</b>

## Expected Credit Loss

Instabank apply the IFRS9 framework and methodology consisting of three stages of impairment when calculating Expected Credit Loss (ECL). The three stages include Stage 1 which consist of non-impaired exposure, Stage 2 which consist of exposure where credit risk has significantly increased since origination and Stage 3 which consist of observed impairment exposure following a 90 days past due definition. The overall 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. Instabank acquired a 47.7 MNOK portfolio of unsecured loans from Optin Bank ASA in June 2021. The portfolio was converted into the core system prior to month end and the ECL calculation for the portfolio thereby followed Instabank's IFRS9 system.

## Significant increase in credit risk

Stage 2 consist of exposure where credit risk has significantly increased since origination following several different criterias, 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. 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 one macroeconomic model 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 in probability of default.

NORWAY	Pessimistic scenario			Baseline scenario			Optimistic scenario		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
Employment 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		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
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		
	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26	31.12.21	31.12.22	31.12.26
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 unaltered at [30 % pessimistic - 40 % baseline - 30 % optimistic] during Q2-2021 after an update in Q2-2020 of future projection of macroeconomic indicators, including short- and long-term effects of COVID-19. The 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.

<b>NOK 1000</b>	<b>Norway</b>	<b>Finland</b>	<b>Sweden</b>	<b>Total</b>
Pessimistic scenario	87 654	72 095	6 002	165 751
Baseline scenario	81 064	69 562	4 650	155 276
Optimistic scenario	76 860	66 875	3 864	147 599
Final ECL	81 780	69 516	4 820	156 115

## Note 3: Regulatory capital and LCR

NOK 1000	30.06.2021	30.06.2020	31.12.2020
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	64 989	6 280	31 944
Phase in effects of IFRS 9	32 045	45 394	44 863
Deferred tax asset/intangible assets/other deductions	-28 072	-30 296	-30 367
<b>Common equity tier 1 capital</b>	<b>579 797</b>	<b>532 212</b>	<b>557 275</b>
Additional tier 1 capital	40 900	40 900	40 900
<b>Core capital</b>	<b>620 697</b>	<b>573 112</b>	<b>598 175</b>
Subordinated loan	56 000	56 000	56 000
<b>Total capital</b>	<b>676 697</b>	<b>629 112</b>	<b>654 175</b>
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	42 708	33 366	40 624
Exposures secured by mortgages	225 871	1 594	60 331
Retail exposures	2 015 388	1 829 723	1 927 423
Certificates and bonds	101 352	149 409	149 499
Other assets	17 912	139 250	103 451
Exposures in default	131 843	172 430	89 308
Deferred tax IFRS 9 phase inn effect		40 735	
Calculation basis credit risk	<b>2 535 074</b>	<b>2 366 507</b>	<b>2 370 635</b>
Calculation basis operational risk	434 202	333 110	434 202
<b>Total calculation basis</b>	<b>2 969 276</b>	<b>2 699 617</b>	<b>2 804 837</b>
<b>Capital ratios including phase in impact of IFRS 9:</b>			
Common equity Tier 1 Capital ratio	19,5 %	19,7 %	19,9 %
Tier 1 capital ratio	20,9 %	21,2 %	21,3 %
<b>Total capital ratio</b>	<b>22,8 %</b>	<b>23,3 %</b>	<b>23,3 %</b>
<b>Capital ratios excluding phase in impact of IFRS 9:</b>			
Common equity Tier 1 Capital ratio	18,6 %		
Tier 1 capital ratio	20,0 %		
Total capital ratio	21,9 %		
<b>Regulatory capital requirements:</b>			
Common equity Tier 1 Capital ratio	16,8 %	16,7 %	16,8 %
Tier 1 capital ratio	18,3 %	18,2 %	18,3 %
Total capital ratio	20,3 %	20,2 %	20,3 %
<b>LCR Total</b>	<b>251 %</b>	<b>282 %</b>	<b>258 %</b>
LCR NOK	189 %	200 %	165 %
LCR EUR	133 %	209 %	221 %
LCR SEK	595 %	305 %	564 %

## Note 4: Financial instruments

### Financial instruments at fair value

Level 1: Valuation based on quoted prices in an active market.

Level 2: Valuation is based on observable market data, other than quoted prices. For derivatives, the fair value is determined by using valuation models where the price of underlying factors, such as currencies. For certificates and bonds, valuation is based on market value reported from the fund and asset managers.

Level 3: Valuation based on unobservable market data when valuation cannot be determined in level 1 or 2.

<b>NOK 1000</b>	<b>30.06.21</b>	<b>31.03.21</b>	<b>31.12.20</b>
Certificates and bonds - level 2	632 290	754 657	889 664
Derivatives- level 2	65	1 623	1 972

#### Liabilities

<b>NOK 1000</b>	<b>30.06.21</b>	<b>31.03.21</b>	<b>31.12.20</b>
Derivatives - level 2	593	233	123

### Financial instruments at amortized cost

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

<b>NOK 1000</b>	<b>30.06.21</b>	<b>31.03.21</b>	<b>31.12.20</b>
Loans and deposits with credit institutions	212 392	209 131	202 601
Net loans to customers	3 366 753	2 955 376	2 770 936
Other receivables	10 672	102 122	93 065
<b>Total financial assets at amortised cost</b>	<b>3 589 818</b>	<b>3 266 629</b>	<b>3 066 602</b>
Deposits from and debt to customers	3 540 343	3 340 513	3 303 998
Other debt	26 398	22 528	14 706
Subordinated loans	56 000	56 000	56 000
<b>Total financial liabilities at amortised cost</b>	<b>3 622 741</b>	<b>3 419 042</b>	<b>3 374 704</b>

## Note 5: Leasing obligation

The bank has a right to use asset for lease of offices in Drammensveien 175 in Oslo. The leases liability is 6,7 MNOK and expires 30.06.2024. The right of use asset is 7,0 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.

## Note 6: Restated financial figures for comparison purposes

The bank changed the accounting practices of commission to agents and establishment fees in Q2 2021. Previously agent commission and establishment fees were booked against expenses commission and fees and income commission and fees. From Q2 2021 both these items are booked against interest income. The following table illustrates the changes. Total income is not affected by these changes.

<b>NOK 1000</b>	<b>Q2 2021 New</b>	<b>Q2 2021 original</b>	<b>Change</b>
Interest income	75 886	87 494	-11 608
Interest expenses	9 096	9 096	-
<b>Net interest income</b>	<b>66 791</b>	<b>78 399</b>	<b>-11 608</b>
Income commissions and fees	9 666	13 823	-4 157
Expenses commissions and fees	2 320	18 084	-15 765
<b>Net commissions and fees</b>	<b>7 347</b>	<b>-4 261</b>	<b>11 608</b>
Net gains/loss on foreign exchange and securities classified as current assets	349	349	-
<b>Total income</b>	<b>74 486</b>	<b>74 486</b>	<b>-</b>

<b>NOK 1000</b>	<b>Q2 2020 restated</b>	<b>Q2 2020 original</b>	<b>Change</b>
Interest income	65 298	79 891	-14 593
Interest expenses	13 164	13 164	-
<b>Net interest income</b>	<b>52 134</b>	<b>66 727</b>	<b>-14 593</b>
Income commissions and fees	6 923	8 423	-1 499
Expenses commissions and fees	-	16 093	-16 093
<b>Net commissions and fees</b>	<b>6 923</b>	<b>-7 670</b>	<b>14 593</b>
Net gains/loss on foreign exchange and securities classified as current assets	1 022	1 022	-
<b>Total income</b>	<b>60 079</b>	<b>60 079</b>	<b>-</b>





**KPMG AS**  
Sørkedalsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 45 40 40 63  
Fax  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

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 2021, the condensed statements of profit or loss and other comprehensive income and the statement of changes in equity for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the accounting policies described in note 1. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2021, and its financial performance for the three-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 11 August 2021  
KPMG AS

Svein Arthur Lyngroth  
State Authorised Public Accountant