INSTABANK ASA

INTERIM REPORT Q3 2020

Instabank

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Key highlights & developments:

- **Profit before tax of 17.6 MNOK, after tax 13.2 MNOK**
  Total income increased and loan losses decreased from the previous quarter

- **Net loans increased by 222 MNOK**
  The Norwegian market with a strong comeback, while Finland has temporarily become less attractive

- **Mortgages loan balance reached 56 MNOK**
  Successful launch, disbursed volume increased throughout Q3-20

- **First Coop product launched**
  The Coop branded credit card has already reached its first customers. Additional sales finance products will follow and will be made available in the Coopay app

We value progress

INTERIM REPORT Q3 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.

Instabank is listed at Merkur Market, ticker INSTA-ME.

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 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 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 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 Q3, Kistefos AS was the bank's largest shareholder owning 24.99 %. There were no other individual shareholders holding more than 10 % of the shares.

At the end of Q3, Instabank had 31 full time employees and 6 part-time employees.

Operational Developments

After a drop in net loans in Q2-20 as a result of a cautious approach given the Covid-19 pandemic, Instabank came back with a strong growth in net loans of 222 MNOK in Q3-20.

Presence in three countries and a flexible business models gives Instabank the strategic and tactical opportunity to focus its efforts where the most profitable growth can be achieved. In Q3-20, when the temporarily interest cap of 10 % was introduced in Finland, Instabank allocated capital to growth in the Norwegian market for mortgages, the Instapay credit card and sales financing.

In Norway, net loans grew by 167 MNOK in Q3-20. Instabank introduced second priority mortgage loans at the end of Q2-20. Through Q3-20, the distribution has been strengthened by agreements with several agents. Instabank is providing an automated digital process from application to loan disbursement. The result is an attractive product offering for agents as well as customers that is highly scalable. Alongside distribution thorough agents, Instabank is also offering the mortgages product to existing customers, delivering on the paytech strategy to acquire customers with low ticket sizes and convert them to higher ticket sizes.

The disbursed volumes of mortgages loans increased during the quarter and at the end of Q3-20 the loan balance reached 56 MNOK. Although interest rates are lower than for unsecured loans, the risk weights are lower and loan losses are expected to be significantly lower. This drives attractive unit economics for Mortgage loans, which are expected to contribute positively to the banks overall return on equity (ROE).

Instapay Mastercard continues its strong growth. Interest carrying balance reached 97 MNOK by the end of Q3-20 representing a growth of 47 MNOK in the quarter.

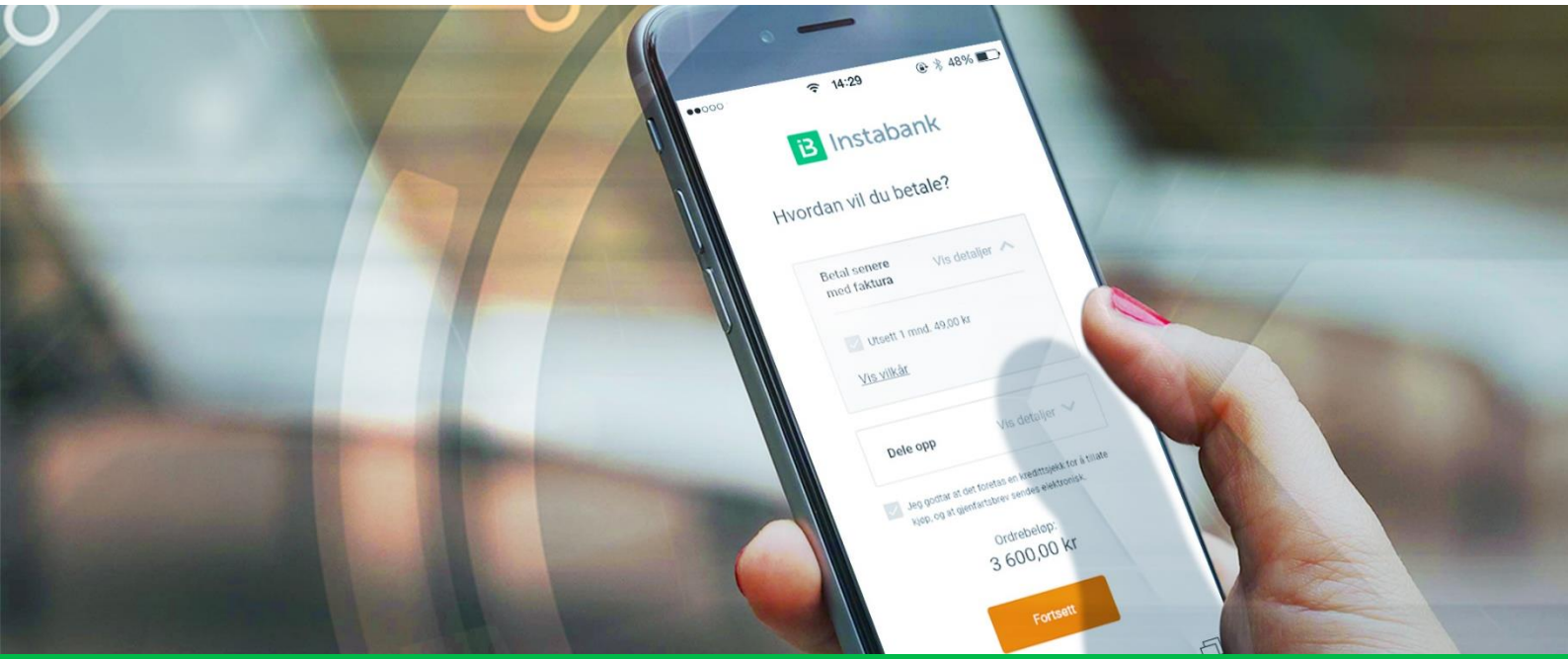
As announced in August this year, Instabank entered into a sales finance agreement with Coop Norge's building warehouses Coop Byggmix and OBS Bygg. The Coop branded credit card is already launched and have reached its first customers. Additional sales finance products will follow and will be made available in the payment app "Coopay" that has been in the market for two years.

In Finland, net loans increased by 45 MNOK including a positive currency effects of 21 MNOK. A temporary COVID-19 related interest cap law came into force July 1st along with restrictions on consumer loans marketing which resulted in decreased new volume in Q3-20.

In Sweden, net loans increased by 10 MNOK, following a decrease of 6 MNOK in Q2-20. The Swedish market remains very competitive with larger risk and rate span and as a consequence Instabank finds Sweden less attractive than other markets.

Instabank has not observed any negative effects in customer's payment behaviour as a consequence of the COVID-19 outbreak. Normally loans past due increase in the third quarter. This year we have seen a decline. Share of loans past due 1-30 days at the end of Q3-20 was 13.7 % of total volume, down from 16.7 % in Q3-19.

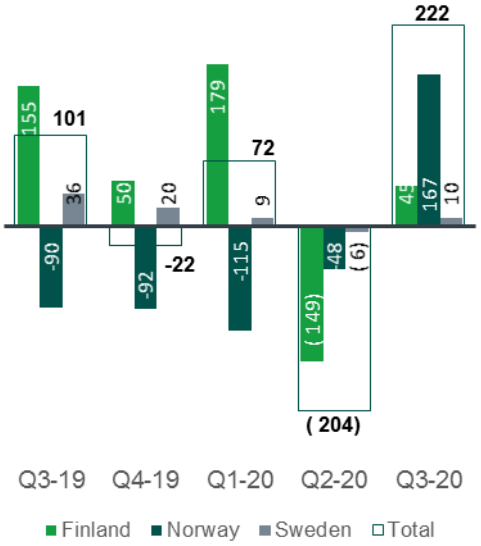
The Instabank share was admitted to listing at Merkur Market on 17th of August resulting in significant higher trading volumes compared to when the share was listed at N-OTC.



Balance Sheet

Net loans increased by 222 MNOK in Q3-20 as a result of strong growth in the Norwegian market representing a comeback after net loans declined in the previous six consecutive quarters. Of total net loans of 2.787 MNOK, 46 % was outside Norway at the end of the quarter, down from 48 % at the end of Q2-20.

Net loan balance growth:



Deposits from customers grew by 419 MNOK to 3,548 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 18.8 % and the total capital ratio was 22.2 % at the end of Q3-20, 1.9 % points above the total regulatory capital requirement of 20.2 %.

Total assets at the end of Q3-20 were 4.236 MNOK.

At the end of Q3-20, the bank had a total of 44,156 customers, of which 33,284 were loan customers and 10,872 were deposit customers.

Profit and Loss

Interest income increased by 2.5 MNOK from Q2-20 to 82.4 MNOK in Q3-20 as a result of increased loan balance as well as increased loan yield. A growth in deposit volume of 419 MNOK resulted in increased interest expenses of only 0.4 MNOK as the deposit rates offered have dropped in all currencies. Net interest income came in at 68.8 MNOK, up 2.1 MNOK from the previous quarter.

Net other income improved 3.8 MNOK from Q2-20 to minus 2.8 MNOK in Q3-20. Income commission and fees was up 2.8 MNOK to 11.4 MNOK hitting its highest level ever as a result of increased sale of insurances.

Total income came in at 65.9 MNOK, up 5.9 MNOK from the previous quarter.

Total operating expenses increased by 4.3 MNOK from the previous quarter to 29.5 MNOK. Personnel expenses increased by 1.5 MNOK as a result of increased employee bonus provisions and an increase in number of employees. The increase in other administrative expenses of 2.2 MNOK from the previous quarter was partly a result of one-off expenses for the Merkur Market listing of 1.1 MNOK as well as increased credit expenses related to increased new sales volume.

Losses on loans developed very well and came in at 18.8 MNOK/ 2.6 % of gross loans, down from 21.7 MNOK/ 3.0 % in the previous quarter. The relatively low loan losses is a result of good performance in the Norwegian portfolio in terms of loans past due as well as the fact that growth in Stage 3 volumes in previous quarters have flattened. This now represents 10.4 % of total volume, down from 11.2 % at the end of Q2-20. We refer to note 2 for additional information about loan losses.

Profit before tax was 17.6 MNOK and net profit was 13.2 MNOK, up from 9.9 MNOK in the previous quarter. Return on equity was 10.1 %, up from 7.7 % in the previous quarter.

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 after the sudden shock in the economy has been better than expected, the pandemic is still ongoing. Potential negative effects are reflected in the loan loss provisions

With a strong capital and liquidity situation, a flexible business model across three markets and low operating costs, 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 demonstrated 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 significantly to profitable growth, lowered credit risk as well as a diversified loan portfolio going forward.

Instabank expects to surpass the growth target in net lending for second half of 2020 of 250-300 MNOK and are targeting a growth in net lending of 100 MNOK in Q4-20.

In 2021, Instabank target a growth of 600 MNOK in net lending and return on equity (ROE) above 10 %.

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

Oslo, October 28th, 2020
Board of Directors, Instabank ASA

Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	*IFRS* Q3-2020	*NGAAP* Q3-2019	*IFRS* YTD 2020	*NGAAP* YTD 2019	*NGAAP* Year 2019
Interest Income using the effective interest method		82 478	77 950	245 435	225 767	305 752
Other interest income		0		367		
Interest expenses		13 598	13 360	39 293	40 206	53 158
Net interest income		**68 880**	**64 590**	**206 508**	**185 561**	**252 594**
Income commissions and fees		11 165	8 235	27 999	24 846	33 483
Expenses commissions and fees		16 001	15 217	48 824	41 195	57 411
Net gains/loss on foreign exchange and securities classified as current assets		1 885	6 124	7 326	11 186	13 500
Net other income		**-2 951**	**-858**	**-13 499**	**-5 164**	**-10 429**
Total income		**65 929**	**63 732**	**193 009**	**180 397**	**242 165**
Salary and other personnel expenses		11 019	10 251	28 690	30 568	39 355
Other administrative expenses, of which:		13 644	17 542	39 035	49 928	62 384
- direct marketing cost		*880*	*5 751*	*5 121*	*16 460*	*18 237*
Depreciation and amortisation		3 271	2 229	9 357	6 413	8 719
Other expenses		1 608	-1 143	4 426	3 726	5 302
Total operating expenses		**29 542**	**28 879**	**81 508**	**90 635**	**115 761**
Losses on loans	2	18 794	17 203	73 629	54 947	71 429
Operating profit before tax		**17 593**	**17 650**	**37 872**	**34 816**	**54 974**
Tax expenses		4 398	4 378	9 468	8 601	13 735
Profit and other comprehensive income for the period		**13 195**	**13 272**	**28 404**	**26 214**	**41 239**

Condensed statement of financial position

NOK 1000	Note	*IFRS* 30.09.2020	*NGAAP* 30.09.2019	*NGAAP* 31.12.2019
Loans and deposits with credit institutions	3, 4	222 177	155 611	183 014
Loans to customers, of which;	3, 4	2 869 717	2 718 861	2 696 724
- prepaid agent commssion		*82 557*		
Certificates and bonds	3, 4	1 035 261	534 400	516 194
Deferred tax assets		12 129	0	0
Other intangible assets	3, 5	30 227	29 790	29 804
Fixed assets	3	9 067	657	563
Other assets	3	4 049	2 844	12 407
Other receivables, of which:	3, 4	53 079	113 216	102 113
- prepaid agent commission			*96 141*	*93 216*
Total assets		**4 235 706**	**3 555 379**	**3 540 819**
Deposit from and debt to customers	4	3 548 363	2 891 435	2 848 737
Other debts	4	28 122	31 311	22 378
Accrued expenses and liabilities		32 840	15 065	21 177
Subordinated loans	3	56 000	65 000	80 900
Total liabilities		**3 665 326**	**3 002 810**	**2 973 193**
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	18 645	41 734	56 792
Additional Tier 1 capital	3	40 900		
Total equity		**570 380**	**552 568**	**567 626**
Total liabilities and equity		**4 235 706**	**3 555 379**	**3 540 819**

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				28 404	**28 404**
Changes in warrants				76	**76**
Paid interest on Tier 1 Capital				-2 536	**-2 536**
Equity per 30.09.2020	**332 642**	**178 192**	**40 900**	**18 645**	**570 379**

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 28th of October 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:

Gross and net lending:

NOK 1000	30.09.2020	30.09.2019	31.12.2019
Revolving credit loans	617 073	646 423	621 106
Installament loans, unsecured	2 327 128	2 154 461	2 163 288
Installment loans, secured	56 280		
Prepaid agent commission	82 557		
Gross lending	**3 083 038**	**2 800 884**	**2 784 394**
Impairment of loans	-213 321	-82 023	-87 670
Net loans to customers	**2 869 717**	**2 718 861**	**2 696 724**

Credit impaired and losses:

NOK 1000	30.09.2020	30.09.2019	31.12.2019
Gross credit impaired loans (stage 3 from 01.01.20)	312 133	241 440	261 646
Individual impairment of credit impaired loans (stage 3 from 01.01.20)	-147 735	-70 356	-75 678
Net credit impaired loans	**164 398**	**171 084**	**185 968**

Ageing of loans:

NOK 1000	30.09.2020	30.09.2019	31.12.2019
Loans not past due	2 149 444	1 958 162	1 889 836
Past due 1-30 days	411 610	464 359	474 880
Past due 31-60 days	98 842	100 331	119 904
Past due 61-90 days	28 453	36 592	38 128
Past due 91+ days	312 133	241 440	261 646
Total	**3 000 481**	**2 800 884**	**2 784 394**

	30.09.2020	30.09.2019	31.12.2019
Loans not past due	71,6 %	69,9 %	67,9 %
Past due 1-30 days	13,7 %	16,6 %	17,1 %
Past due 31-60 days	3,3 %	3,6 %	4,3 %
Past due 61-90 days	0,9 %	1,3 %	1,4 %
Past due 91+ days	10,4 %	8,6 %	9,4 %
Total	**100,0 %**	**100,0 %**	**100,0 %**

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**
Transfers in Q3 2020:				
Transfer from stage 1 to stage 2	-104 650	104 087	-	-563
Transfer from stage 1 to stage 3	-4 079	-	4 625	546
Transfer from stage 2 to stage 1	68 115	-74 749	-	-6 634
Transfer from stage 2 to stage 3	-	-16 966	17 012	46
Transfer from stage 3 to stage 1	-	581	-659	-78
Transfer from stage 3 to stage 2	-	1 160	-2 163	-1 004
New assets	464 476	14 724	-	479 199
Assets derognised	-185 463	-59 998	-20 388	-265 849
Changes in foreign exchange and other changes	16 309	4 247	4 459	25 015
Gross carrying amount as at 30.09.2020	**2 215 266**	**469 945**	**315 270**	**3 000 481**

Reconciliation of loan loss allowances

Reconciliation of loan loss allowances

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected creditt losses 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
Expected credit losses 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
Expected credit losses as at 30.06.2020	**24 619**	**40 753**	**139 318**	**204 689**
Transfers in Q3 2020:				
Transfer from stage 1 to stage 2	-2 359	9 859	-	7 500
Transfer from stage 1 to stage 3	-21	-	1 078	1 056
Transfer from stage 2 to stage 1	1 668	-6 038	-	-4 370
Transfer from stage 2 to stage 3	-	-1 676	4 009	2 334
Transfer from stage 3 to stage 1	-	47	-165	-118
Transfer from stage 3 to stage 2	-	93	-771	-678
New assets originated or change in provisions	4 714	1 398	-	6 112
Assets derognised or change in provisions	-2 169	-5 874	-17	-8 059
Changes in foreign exchange and other changes	139	432	4 284	4 855
Expected credit losses as at 30.09.2020	**26 591**	**38 996**	**147 735**	**213 322**

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 in 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 scenarioes was unaltered at [30 % pessimistic - 40 % baseline - 30 % optimistic] during Q3 after an update in Q2 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

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NOK 1000	Norway	Finland	Sweden	SUM
Pessimistic scenario	163 028	60 928	4 042	227 998
Baseline scenario	148 326	58 128	3 254	209 708
Optimistic scenario	141 855	57 171	2 731	201 758
Final ECL	151 306	58 681	3 333	213 321

Note 3: Regulatory capital and LCR

NOK 1000	30.09.2020	30.09.2019	31.12.2019
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	18 645	41 734	56 792
Phase in effects of IFRS 9	45 506		
Deferred tax asset/intangible assets/other deductions	-31 262	-30 324	-30 319
Common equity tier 1 capital	**543 724**	**522 244**	**537 307**
Additional tier 1 capital	40 900	25 000	40 900
Core capital	**584 624**	**547 244**	**578 207**
Subordinated loan	56 000	40 000	40 000
Total capital	**640 624**	**587 244**	**618 207**
Calculation basis - NOK 1000			
Credit risk:			
Loans and deposits with credit institutions	44 514	31 214	36 704
Loans to customers and IFRS 9 phase in effects	1 983 355	1 910 833	1 883 067
Certificates and bonds	184 892	75 647	69 995
Other assets	312 718	287 801	301 052
Deferred tax IFRS 9 phase inn effect	29 739		
Calculation basis credit risk	**2 555 218**	**2 305 494**	**2 290 818**
Calculation basis operational risk	333 110	185 587	333 110
Total calculation basis	**2 888 328**	**2 491 081**	**2 623 928**
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	18,8 %	21,0 %	20,5 %
Tier 1 capital ratio	20,2 %	22,0 %	22,0 %
Total capital ratio	**22,2 %**	**23,6 %**	**23,6 %**
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	17,5 %		
Tier 1 capital ratio	18,9 %		
Total capital ratio	20,9 %		
Regulatory capital requirements:			
Common equity Tier 1 Capital ratio	16,7 %	17,5 %	17,7 %
Tier 1 capital ratio	18,2 %	19,0 %	19,2 %
Total capital ratio	20,2 %	21,0 %	21,2 %
LCR Total	292 %	233 %	301 %
LCR NOK	233 %	178 %	202 %
LCR EUR	149 %	107 %	122 %
LCR SEK	424 %	146 %	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	30.09.20	01.01.20
Certificates and bonds - level 2	1 035 261	516 194
Derivates - level 2	4 049	12 407

Liabilities

NOK 1000	30.09.20	01.01.20
Derivaties - level 2	6 445	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	30.09.20	01.01.20
Loans and deposits with credit institutions	222 177	183 014
Net loans to customers	2 787 160	2 696 724
Other receivables	135 636	102 113
Total financial assets at amortised cost	**3 144 973**	**2 981 852**
Deposits from and debt to customers	3 548 363	2 848 737
Other debt	28 122	22 378
Subordinated loans	56 000	40 000
Total financial liabilitiies at amortised cost	**3 632 486**	**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 8,4 MNOK and expires 30.06.2024. The right of use asset is 8,8 MNOK and is measured at amortised cost using the effective interest method and is depreciated using the straight line method. Instabank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated..

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To the Board of Directors of Instabank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim balance sheet of Instabank ASA as of 30 September 2020, the income statement and the statement of changes in equity for the nine-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 September 2020, and of its financial performance for the nine-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 28 October 2020
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo, Alta, Arendal, Bergen, Bodø, Drammen, Elverum, Finnsnes, Hamar, Haugesund, Knarvik, Kristiansand, Mo i Rana, Molde, Skien, Sandefjord, Sandnessjøen, Stavanger, Stord, Straume, Tromsø, Trondheim, Tynset, Ålesund