INSTABANK ASA

INTERIM REPORT Q3 2021

Instabank

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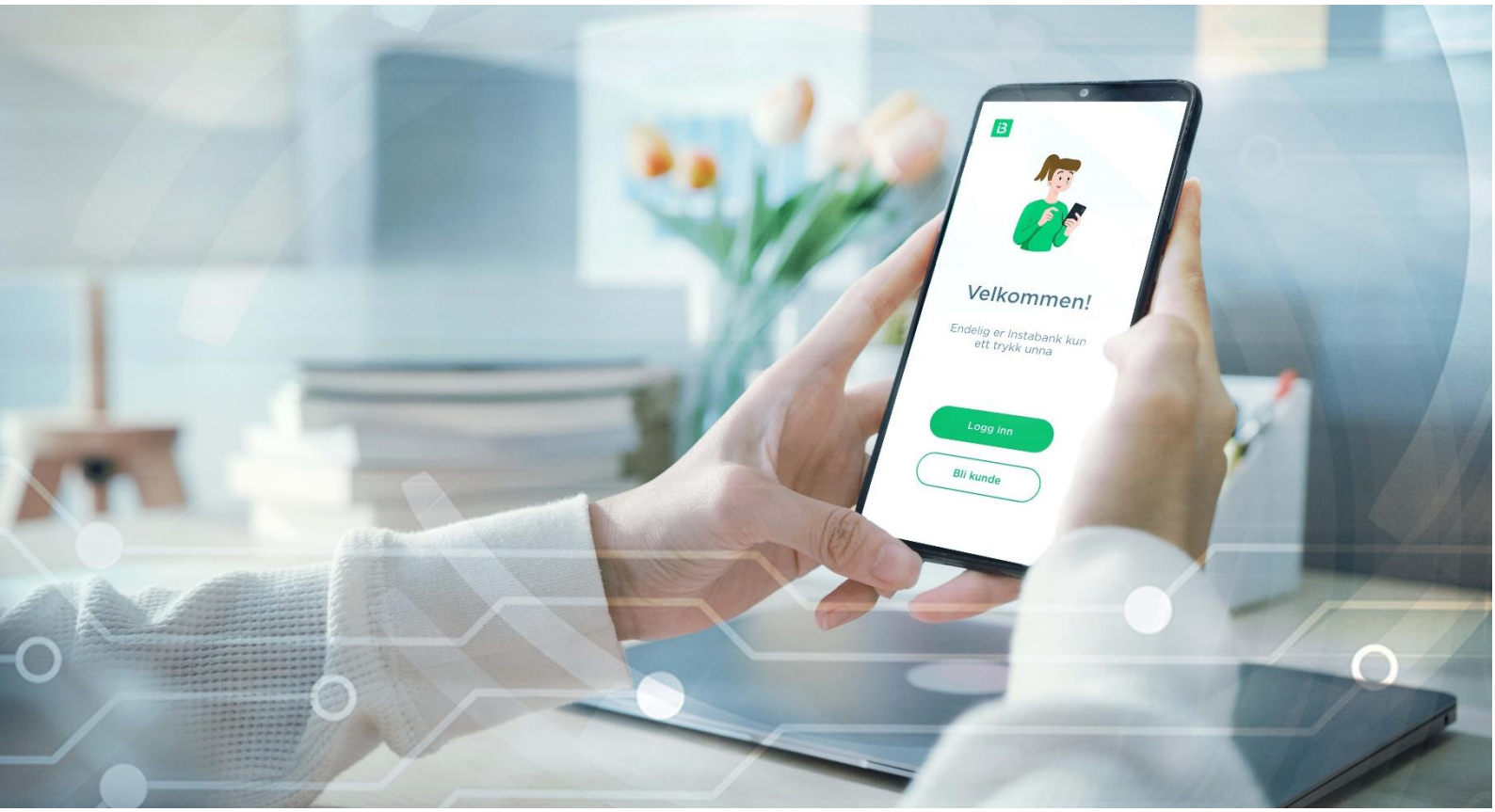
Key highlights & developments:

- **Record high profit before tax of 32.6 MNOK, after tax 24.4 MNOK**
  Profits up 85 % from the same quarter last year

- **Strong net loans growth of 298 MNOK**
  Net loans growth year to date of 838 MNOK

- **Mortgages volume growth of 212 MNOK**
  Mortgages now represents one third of total net loans in Norway

- **Return on Equity of 16.6 % in Q3-21 brings Instabank at the top among Norwegian Banks**
  Return on equity year-to-date is 13.6 %, well above target for 2021 of 13 %



We value progress

INTERIM REPORT Q3 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.

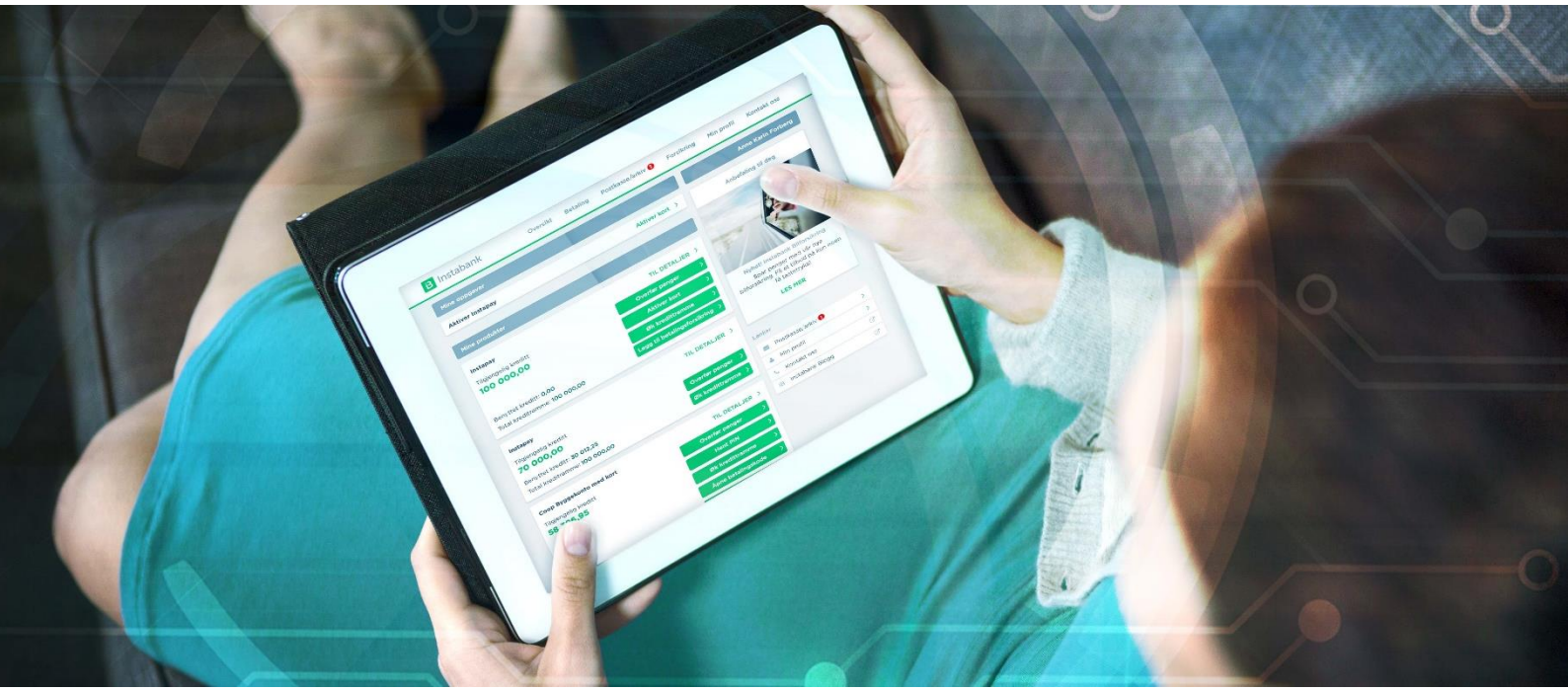
The bank continues to evolve it`s business strategy to a rapidly changing business environment. The trend of companies shifting from selling a product to selling product-as-a-service will often require a finance partner. Otherwise, the companies will need to make the investments upfront while the revenue 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 26 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 %. No other individual shareholders were holding more than 10 % of the shares.

At the end of Q3-21, Instabank had 34 full-time employees and 10 part-time employees.



Operational Developments

Instabank continued to deliver on the growth story with an increase in net loans of 298 MNOK in the quarter. Growth in net loans year to date reached 838 MNOK and Instabank expects to surpass the growth target of 1 billion NOK for 2021. The growth is a result of strong performance throughout the organisation who is successfully delivering on the strategy, effective operations, distribution and product offerings meeting customer demands. Instabank continued its path towards becoming a well-diversified bank with lower credit risk as the mortgage product increased to 34 % of net loans in Norway and 22 % of total net loans, up from 28 %/ 18 % per the end of the second quarter.

The mortgages product has proven to represent an attractive and simple solution for those seeking to refinance unsecured loans and are homeowners. We offer them a solution where they utilise the value of their home to achieve a lower interest rate and thus increased disposable income. Unlike some other banks operating in this segment, we do not demand that customers do a full restructuring of their debt including their current mortgage and do not offer the product to high-risk customers with loans in default. We typically offer refinancing of their unsecured debt in a second priority mortgage. For customers with a fully utilised mortgage credit line with their main bank of 60 %, refinancing their unsecured debt in a second priority mortgage with Instabank is often the best solution. Up until now, 85 % of Instabank's disbursed mortgages are refinancing of unsecured debt.

The mortgages volume grew by 212 MNOK or 36 % in the third quarter to 794 MNOK in net loans by the end of the quarter. Loan yield remained at 6.8 % and credit risk measures in terms of loans past due are still strong and better than expected, with only 0.4 % of total gross loans more than 60 days past due, same as per end of the previous quarter.

Total net loans growth in Norway for all products came in at 269 MNOK, of which 57 MNOK from unsecured loans, including sales finance.

In Finland, the market was still influenced by governmental restrictions on consumer loans with an interest cap of 10 % along with restrictions for the marketing of consumer loans, which both ended by the end of the third quarter. Anyhow, Instabank was able to grow net loans by 15 MNOK.

In Sweden, net loans grew by 15 MNOK to 140 MNOK. The Swedish market remained very competitive in terms of low yield relative to risk compared to the other two countries and Sweden is not a high priority for Instabank.

During the third quarter, Covid-19 restrictions were lifted, and the society went back to normal after about one and half year with Covid-19 restrictions. 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 third quarter, loans past due 1-30 days were 12.0 % versus 13.7 % one year earlier, and loans past due 31-60 days also improved to 2.7 % versus 3.3 % one year ago.

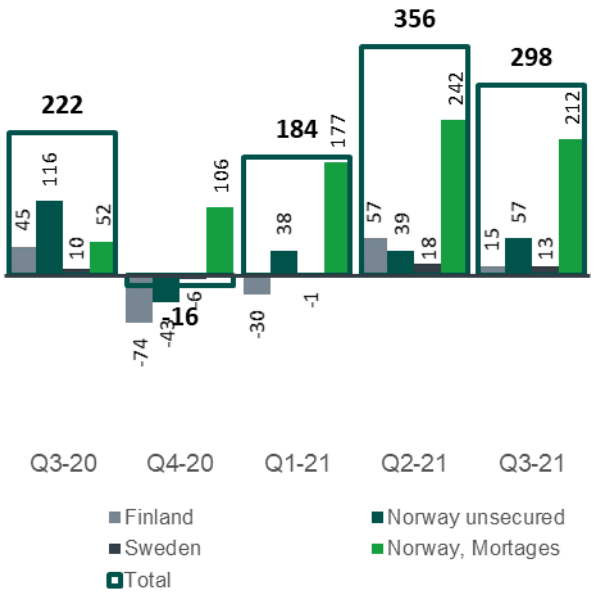
Non-performing loans (NPL) volume were 268 MNOK at the end of the quarter, only 7.1 % of total gross loans, down from 315 MNOK/ 10.5 % one year ago.

For mortgages, only 4 MNOK or 0.2 % of total gross loans of 800 MNOK are non-performing loans.

Balance Sheet

Net loans to customers increased by 298 MNOK in Q3-21 to 3,609 MNOK. Of total net loans, 36 % was outside Norway at the end of the quarter, down from 38 % at the end of Q2-21.

Net loan balance growth (MNOK):



Deposits from customers increased by 312 MNOK to 3,853 MNOK at the end of the quarter, representing a well-balanced growth of deposits and loan volumes.

Common equity Tier 1 Capital ratio was 19.3 %, and the total capital ratio was 22.4 % at the end of Q3-21, 2.0 % points above the total regulatory capital requirement of 20.3 %.

Total assets at the end of Q3-21 were 4.608 MNOK.

At the end of Q3-21, the bank had 64,464 customers, of which 48,822 were loan customers and 15,642 were deposit customers.

Profit and Loss

Instabank reports a record-high net profit after tax of 24.4 MNOK in Q3-21, up from 19.5 MNOK in the previous quarter and an 85 % increase from the same quarter last year when net profit came in at 13.2 MNOK.

Total interest income increased by 9.8 MNOK from Q2-21 to 85.7 MNOK in Q3-21 following the strong growth in net loans. Instabank acquired a portfolio of unsecured loans at a principal value of 47.7 MNOK from Optin Bank ASA in June 2021. The purchase price was 85 % of face value. The discount value is recognised as interest income during the expected lifetime of the loan portfolio of which 1.5 MNOK was booked in Q3-21.

Although deposit volumes increased by 312 MNOK, Interest expense increased only 0.4 MNOK from Q2-21 to 9.5 MNOK in Q3-21 as the funding cost margin decreased by 0.1 % points to 1.0 %.

Net interest income came in at 76.3 MNOK, up 9,5 MNOK from the previous quarter.

Net other income was 9.9 MNOK, up from 7.7 MNOK in the previous quarter mainly because of solid insurance sales.

Total income came in at 86.2 MNOK, a solid increase of 11.7 MNOK from the previous quarter.

Total operating expenses came in at 33.2 MNOK, representing an increase of 1.8 MNOK from the previous quarter. The increase was related to personnel expenses, marketing, and other administrative expenses. Cost to income improved significantly from the previous quarter by 3.6 % points down to 38.5 %, demonstrating economy of scale.

Losses on loans came in 20.4 MNOK or 2.3 % off gross loans to customers, up from 17.1 MNOK/ 2.1 % in Q2-21. The increase is because of seasonal effects, partly offset by an increased share of low-risk mortgages in the quarter. The loan loss ratio for mortgages remained stable at 0.7 % in Q3-21.

Profit before tax was 32.6 MNOK, and net profit was 24.4 MNOK, up from 13.2 MNOK in the same quarter last year. The quarter's return on equity (ROE) was 16.6 %, up from 10.1 % in Q3-20. ROE year-to-date is 13.6 %, well above the target of 13.0 % for the year 2021.

Outlook

The economy has recovered after the Covid-19 restrictions have been eased, and unemployment ratios are at approximately the same low levels as before the pandemic.

15 months after launch, the mortgage product have proven to represent low risk growth, an attractive yield and a positive contribution to the overall ROE as mortgages require less capital than unsecured loans.

Instabank is confident that the targets for 2021 of 1 billion NOK growth in gross loans and ROE of 13 % will be met. After three quarters, gross loans have already increased by 882 MNOK, and ROE is 13.6 %.

Instabank will continue 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.

With a solid capital and liquidity situation, a flexible and scalable business model across three markets, an increasing share of mortgages and a low NPL ratio, 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 30.09.21 by the bank's auditors and the result after tax is added to retained earnings in full.

Oslo, November 3rd, 2021
Board of Directors, Instabank ASA

Condensed statements of profit or loss and other comprehensive income

NOK 1000	Note	Q3-2021	Q3-2020	YTD 2021	YTD 2020	Year 2020
Interest Income effective interest method	6	85 699	68 187	229 585	201 329	329 515
Other interest income		5	0	0	367	400
Interest expenses		9 451	13 598	28 133	39 293	51 346
Net interest income		**76 254**	**54 590**	**201 451**	**162 403**	**278 568**
Income commissions and fees	6	12 086	9 455	32 244	23 281	41 067
Expenses commissions and fees	6	2 311	0	4 719	0	64 888
Net gains/loss on foreign exchange and securities classified as current assets		159	1 885	2 373	7 326	8 380
Net other income		**9 933**	**11 339**	**29 898**	**30 606**	**-15 441**
Total income		**86 187**	**65 929**	**231 349**	**193 009**	**263 127**
Salary and other personnel expenses		13 136	11 019	37 979	28 690	41 666
Other administrative expenses, of which:		14 848	13 644	42 579	39 035	52 920
- direct marketing cost		*2 044*	*880*	*5 407*	*5 121*	*6 996*
Other expenses		1 644	1 608	4 941	4 426	5 878
Depreciation and amortisation		3 545	3 271	10 696	9 357	12 742
Total operating expenses		**33 174**	**29 542**	**96 196**	**81 508**	**113 206**
Losses on loans	2	20 463	18 794	57 862	73 629	92 911
Operating profit before tax		**32 551**	**17 593**	**77 297**	**37 872**	**57 010**
Tax expenses		8 147	4 398	19 324	9 468	14 331
Profit and other comprehensive income for the period		**24 404**	**13 195**	**57 973**	**28 404**	**42 679**
Earnings per share (NOK)		0,07	0,04	0,17	0,09	0,13
Diluted earnings per share (NOK)		0,07	0,04	0,17	0,09	0,13

Condensed statement of financial position

NOK 1000	Note	30.09.2021	30.09.2020	31.12.2020
Loans and deposits with credit institutions	3, 4	226 519	222 177	202 601
Loans to customers	3, 4	3 659 766	2 858 740	2 836 451
Certificates and bonds	3, 4	682 558	1 035 261	889 664
Other intangible assets	3, 5	25 848	42 356	29 478
Fixed assets	3	6 512	9 067	8 414
Derivatives	3	1 116	4 049	1 972
Other receivables	3, 4	5 590	53 079	11 829
Total assets		**4 607 910**	**4 224 728**	**3 980 409**
Deposit from and debt to customers	4	3 852 877	3 548 363	3 303 998
Other debts	4	18 034	16 782	14 583
Accrued expenses and liabilities		15 817	21 863	18 457
Derivatives		483	6 445	123
Deferred tax		3 569	4 895	3 569
Tax payable		20 227	-	-
Subordinated loan capital	3	56 000	56 000	56 000
Total liabilities		**3 967 008**	**3 654 349**	**3 396 730**
Share capital	3	332 642	332 642	332 642
Share premium reserve	3	178 192	178 192	178 192
Retained earnings	3	89 167	18 645	31 944
Additional Tier 1 capital	3	40 900	40 900	40 900
Total equity		**640 901**	**570 380**	**583 679**
Total liabilities and equity		**4 607 910**	**4 224 728**	**3 980 409**

Statement of changes in equity

NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Equity per 01.01.21	**332 642**	**178 192**	**40 900**	**31 944**	**583 678**
Profit for the period				57 973	**57 973**
Changes in warrants				1 771	**1 771**
Paid interest on Tier 1 Capital				-2 521	**-2 521**
Equity per 30.09.2021	**332 642**	**178 192**	**40 900**	**89 167**	**640 901**
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, 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 November 3rd, 2021.

Note 2: Loans to customers

Gross and net lending:

NOK 1000	30.09.2021	30.09.2020	31.12.2020
Revolving credit loans	590 414	617 073	548 789
Installament loans, unsecured	2 393 151	2 327 128	2 190 544
Installment loans, secured	801 423	56 280	162 956
Prepaid agent commission	97 925	82 557	81 236
Establishment fees	-47 535	-10 977	-15 720
Gross lending	**3 835 378**	**3 072 061**	**2 967 804**
Impairment of loans	-175 612	-213 321	-131 353
Net loans to customers	**3 659 766**	**2 858 740**	**2 836 451**

Credit impaired and losses:

NOK 1000	30.09.2021	30.09.2020	31.12.2020
Gross credit impaired loans (stage 3)	268 671	315 270	168 250
Individual impairment of credit impaired loans (stage 3)	-119 291	-147 735	-72 407
Net credit impaired loans	**149 379**	**167 535**	**95 843**

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

Ageing of loans:

NOK 1000	30.09.2021	30.09.2020	31.12.2020
Loans not past due	2 931 149	2 146 307	2 254 712
Past due 1-30 days	454 312	411 610	364 889
Past due 31-60 days	103 169	98 842	87 209
Past due 61-90 days	27 688	28 453	33 765
Past due 91+ days	268 671	315 270	161 714
Total	**3 784 988**	**3 000 481**	**2 902 289**

	30.09.2021	30.09.2020	31.12.2020
Loans not past due	77,4 %	71,5 %	77,7 %
Past due 1-30 days	12,0 %	13,7 %	12,6 %
Past due 31-60 days	2,7 %	3,3 %	3,0 %
Past due 61-90 days	0,7 %	0,9 %	1,2 %
Past due 91+ days	7,1 %	10,5 %	5,6 %
Total	**100,0 %**	**100,0 %**	**100,0 %**

Geographical distribution

NOK 1000	30.09.2021	30.09.2020	31.12.2020
Norway	2 419 514	1 649 159	1 635 958
Finland	1 219 148	1 232 649	1 154 044
Sweden	146 326	118 673	112 286
Gross lending excl. prepaid agent provisions and establishment fees	**3 784 988**	**3 000 481**	**2 902 289**

Reconciliation of gross lending to customers

Q3 2021:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 30.06.2021	**2 811 806**	**423 183**	**232 841**	**3 467 830**
Transfers in Q3 2021:				
Transfer from stage 1 to stage 2	-180 906	176 691	-	-4 215
Transfer from stage 1 to stage 3	-6 504	-	6 092	-412
Transfer from stage 2 to stage 1	84 497	-92 793	-	-8 296
Transfer from stage 2 to stage 3	-	-43 093	42 431	-662
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	878	-1 637	-759
New assets	673 721	16 302	74	690 097
Assets derecognised	-326 447	-28 357	-10 607	-365 410
Changes in foreign exchange and other changes	8 538	-1 197	-525	6 817
Gross carrying amount as at 30.09.2021	**3 064 705**	**451 613**	**268 671**	**3 784 988**

Q3-2020:

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 derecognised	-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**

2020:

Gross carrying amount as at 01.01.2020	**2 053 890**	**460 755**	**269 750**	**2 784 394**
Transfers in 2020:	-	-	-	-
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
Gross carrying amount as at 31.12.2020	**2 409 875**	**324 163**	**168 250**	**2 902 289**

Reconciliation of loan loss allowances

Q3 2021:

NOK 1000	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 30.06.2021	**25 817**	**29 629**	**100 727**	**156 173**
Transfers in Q3 2021:				
Transfer from stage 1 to stage 2	-2 347	9 887	-	7 540
Transfer from stage 1 to stage 3	-153	-	1 246	1 093
Transfer from stage 2 to stage 1	1 616	-5 338	-	-3 722
Transfer from stage 2 to stage 3	-	-4 283	9 768	5 486
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	83	-426	-342
New assets originated or change in provisions	3 763	980	14	4 757
Assets derecognised or change in provisions	-1 914	-1 562	4 258	782
Changes in foreign exchange and other changes	110	32	3 703	3 846
Expected credit losses as at 30.09.2021	**26 891**	**29 429**	**119 291**	**175 612**
			44,4 %	

Q3 2020:

Expected credit losses as at 30.06.2020	**24 619**	**40 753**	**139 317**	**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 derecognised 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**	**213 321**

2020:

Expected credit losses as at 01.01.2020	**24 774**	**39 604**	**108 762**	**173 139**
Transfers in 2020:	-	-	-	-
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
Expected credit losses as at 31.12.2020	**27 246**	**31 699**	**72 407**	**131 353**

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 stageing 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 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.

Trigger tresholds significant increase in PD	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
Emplyment rate	77,78 %	77,85 %	78,15 %	78,51 %	78,49 %	78,66 %	79,11 %	79,51 %	79,57 %
3-Month NIBOR	0,65	0,65	1,23	0,65	0,65	1,44	0,65	0,65	1,73

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	10,36 %	8,16 %	6,90 %	8,29 %	6,97 %	6,38 %	7,52 %	6,51 %	6,20 %
Consumption	8 386	9 005	9 402	8 609	9 141	9 666	9 097	9 328	9 942

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	9,69 %	8,72 %	7,03 %	8,96 %	7,55 %	6,77 %	8,04 %	7,24 %	6,57 %
Consumption	172 738	179 067	187 452	177 352	183 687	199 208	182 963	189 817	212 466

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 governments 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	Total
Pessimistic scenario	99 593	78 767	7 483	185 844
Baseline scenario	92 414	76 202	6 107	174 722
Optimistic scenario	87 778	73 465	5 324	166 568
Final ECL	**93 177**	**76 150**	**6 285**	**175 612**

Note 3: Regulatory capital and LCR

NOK 1000	30.09.2021	30.09.2020	31.12.2020
Share capital	332 642	332 642	332 642
Share premium	178 192	178 192	178 192
Other equity	89 167	18 645	31 944
Phase in effects of IFRS 9	32 045	45 506	44 863
Deferred tax asset/intangible assets/other deductions	-26 529	-31 262	-30 367
Common equity tier 1 capital	**605 517**	**543 724**	**557 275**
Additional tier 1 capital	40 900	40 900	40 900
Core capital	**646 417**	**584 624**	**598 175**
Subordinated loan	56 000	56 000	56 000
Total capital	**702 417**	**640 624**	**654 175**
Risk-weighted assets:			
Credit risk:			
Loans and deposits with credit institutions	45 518	44 514	40 624
Exposures secured by mortgages	316 326	56 280	60 331
Retail exposures	2 061 473	1 927 075	1 927 423
Certificates and bonds	113 739	184 892	149 499
Other assets	13 218	145 183	103 451
Exposures in default	149 354	167 535	89 308
Deferred tax IFRS 9 phase inn effect		29 739	
Total credit risk	**2 699 628**	**2 555 218**	**2 370 635**
Operational risk	434 202	333 110	434 202
Total risk-weighted assets	**3 133 830**	**2 888 328**	**2 804 837**
Capital ratios including phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	19,3 %	18,8 %	19,9 %
Tier 1 capital ratio	20,6 %	20,2 %	21,3 %
Total capital ratio	**22,4 %**	**22,2 %**	**23,3 %**
Capital ratios excluding phase in impact of IFRS 9:			
Common equity Tier 1 Capital ratio	18,5 %	17,5 %	18,5 %
Tier 1 capital ratio	19,8 %	18,9 %	20,0 %
Total capital ratio	21,6 %	20,9 %	22,0 %
Regulatory capital requirements:			
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 %
LCR Total	225 %	233 %	258 %
LCR NOK	166 %	178 %	165 %
LCR EUR	221 %	107 %	221 %
LCR SEK	688 %	146 %	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.

NOK 1000	30.09.21	30.09.20	31.12.20
Certificates and bonds - level 2	682 558	1 035 261	889 664
Derivatives- level 2	1 116	4 049	1 972
Total financial assets at fair value	**683 674**	**1 039 310**	**891 636**

Liabilities

NOK 1000	30.09.21	30.09.20	31.12.20
Derivatives - level 2	483	6 445	123
Total financial liabilities at fair value	**483**	**6 445**	**123**

Financial instruments at amortized cost

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

NOK 1000	30.09.21	30.09.20	31.12.20
Loans and deposits with credit institutions	226 519	222 177	202 601
Net loans to customers	3 659 766	2 787 160	2 770 936
Other receivables	5 590	135 636	93 065
Total financial assets at amortised cost	**3 891 876**	**3 144 973**	**3 066 602**
Deposits from and debt to customers	3 852 877	3 548 363	3 303 998
Other debt	18 034	28 122	14 706
Subordinated loans	56 000	56 000	56 000
Total financial liabilities at amortised cost	**3 926 912**	**3 632 486**	**3 374 704**

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 6,2 MNOK and expires 30.06.2024. The right of use asset is 6,4 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 effective from Q2 2021. Previously agent commission and establishment fees were booked against expenses commission and fees and income commission and fees. From Q2 2021 both were booked against interest income. The following table illustrates the changes for comparative figures for year 2020 in the condensed statements of profit or loss and other comprehensive income. Total income was not affected by these changes.

NOK 1000	Q3 2020 Restated	Q3 2020 original	*Change*	YTD 2020 restated	YTD 2020 original	*Change*
Interest income	68 187	82 478	*-14 291*	201 329	245 435	*-44 105*
	0	0	-	367	367	-
Interest expenses	13 598	13 598	-	39 293	39 293	-
Net interest income	**54 590**	**68 880**	***-14 291***	**162 403**	**206 508**	***-44 105***
Income commissions and fees	9 455	11 165	*-1 711*	23 281	27 999	*-4 719*
Expenses commisions and fees	-	16 001	*-16 001*	-	48 824	*-48 824*
Net commissions and fees	**9 455**	**-4 836**	***14 291***	**23 281**	**-20 825**	***44 105***
Net gains/loss on foreign exchange and securities classified as current assets	1 885	1 885	-	7 326	7 326	-
Total income	**65 929**	**65 929**	**-**	**193 009**	**193 009**	**-**

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To the Board of Directors of Instabank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Instabank ASA as of 30 September 2021, the condensed statements of profit or loss and other comprehensive income 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 present fairly, in all material respects, the financial position of the entity as at 30 September 2021, and its financial performance for the three-month period then ended in accordance with the accounting policies described in note 1.

Oslo, 3 November 2021
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	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund