

Interim Report Q1 2022

AS Inbank

AS Inbank General Information

Business name	AS Inbank
Address	Niine 11, 10414 Tallinn, Estonia
Registration date	05 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI-code)
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Reporting period	01.01.2022-31.03.2022

Members of the Supervisory Board

Jan Andresoo, Chairman
Rain Rannu
Raino Paron
Roberto de Silvestri
Taavi Kotka
Triinu Bucheton

Members of the Management Board

Priit Põldoja, Chairman
Ivar Kurvits
Maciej Pieczkowski
Margus Kastein
Marko Varik

AS Inbank interim report for Q1 2022 is unaudited.

The bank does not hold any ratings assigned by international rating agencies.

Declaration of the Management Board

The Management Board of AS Inbank is of the opinion that:

- the data and information presented in this interim report for the Q1 of 2022 consisting of the management report and financial statements as at 31 March 2022 are correct and complete;
- this interim report gives a true and fair view of the financial position of the AS Inbank consolidation group as at 31 March 2022, its financial performance and cash flows for the Q1 of 2022;
- the accounting policies and procedures used in preparing the interim report comply with IAS 34;
- the interim report has been prepared using the policies and procedures of the financial statements for the year concluded on 31 December 2021.

AS Inbank is a going concern.

Tallinn, 11 May 2022

Priit Põldoja

Chairman of the Management Board

Management report

The first quarter started strongly for Inbank, supported by the same trends we saw in late 2021. However, the situation changed overnight when Russia launched the war against Ukraine on 24 February. In the first weeks of the war, consumer behaviour changed drastically, and this had an impact on Inbank's first-quarter sales results. By the end of March, the situation stabilised and we expect sales to recover starting from the beginning of the second quarter. However, high inflation and the related sharp rises in interest rates in the Polish market will have an impact on Inbank's operations.

Sales of Inbank's credit products in the first quarter amounted to 125 million euros, which is 29% more than a year ago. Inbank's loan portfolio grew by 48% and amounted to 639.7 million euros at the end of the quarter. The bank received a record amount of deposits in the first quarter, and by the end of the quarter the volume of deposits reached 676.9 million euros. Inbank earned a profit of 2.94 million euros in the first quarter, which is 16% more than a year ago. The bank's return on equity was 14.8% in the first quarter.

Across products, sales finance continued to grow the most, reaching 86 million euros in the first quarter. However, its growth rate slowed slightly to 22%. The main factor that impacted sales finance growth is related to the rapid rise in interest rates in the Polish market, where growth has slowed since February due to higher pricing. The Central Bank of Poland interest rate grew from 0.25% in September 2021 to 4.5% at the end of the first quarter of 2022. The dramatic changes in the interest rate environment makes it more difficult to sell and to attract deposits. Since early January, we have gradually re-priced most of our product groups and moved most of our Polish sales to floating interest rate contracts. This, in turn, is especially affecting the sales of green finance in the Polish market. At the same time, we saw a strong recovery in Baltic sales at the end of the first quarter, which has partially offset the decline in sales growth in Poland.

In the first quarter, Inbank was pleased with the good results of its subsidiary Mobire. Full-service leasing is becoming more and more popular among customers, and the Mobire team has also made progress in the Latvian and Lithuanian markets, where sales have started to grow gradually. Mobire's assets grew by 40% year-on-year to 57.4 million euros at the end of the first quarter.

In early February 2022, the shareholders of Makseksekus AS signed an agreement to sell 99% of their shares to Luminor Bank AS. Therefore, Inbank is also selling its 29.8% stake in Makseksekus AS. The transaction is scheduled to be closed by the end of the second quarter. Inbank's partnership with Makseksekus AS will continue after the sale.

At the end of 2020, Inbank launched a new generation credit card and the Inpay payment app. The credit card, which offers cashback and discounts with merchants, has received positive feedback from many customers. More than 5,000 customers have been onboarded to Inpay by the end of the first quarter. Although the pace of sales has been slower than planned, the active use and the profitability of the product have exceeded our initial expectations. We plan

to continue Inpay's sales growth and develop greater integration with Inbank's other products in the coming quarters.

In recent years, Inbank has gone through a period of rapid growth, and this summer we plan to enter the Czech market. We have managed our organisation based on both markets and products. What has not changed since the establishment of Inbank is that our main focus is on a product-centred strategy. Having analysed the functioning and efficiency of Inbank's organisation, we decided to make another minor change from 15 March, so as to better consolidate the bank's management and decision-making processes. We therefore formed two sales-oriented units – Baltics and Central Europe – and consolidated our product development and technology units into one. The new organisation will have a clearer mandate to grow the business in different markets while a central product development unit together with finance and risk teams will support growth across these markets.

All in all, the first quarter of 2022 was once again full of challenges, which the external environment has presented to us since the beginning of the health crisis. However, with our flexible structure and focus on partners and customers, Inbank has been able to respond promptly to all changes. As the war in Ukraine continues, it is expected that higher inflation will change the interest rate environment, to which the bank must respond. Although the payment behaviour of customers has remained sound, the effects of the war are expected to affect credit quality in the second half of the year, which is why we increased our provisions for credit risk in the first quarter. Forecasting has once again become more complicated in a rapidly changing environment. Inbank's focus in the coming quarters will be on providing high-quality services to our partners, maintaining profitability and successfully entering the Czech market.

Priit Põldoja

Chairman of the Management Board, Founder

Key financial indicators and ratios

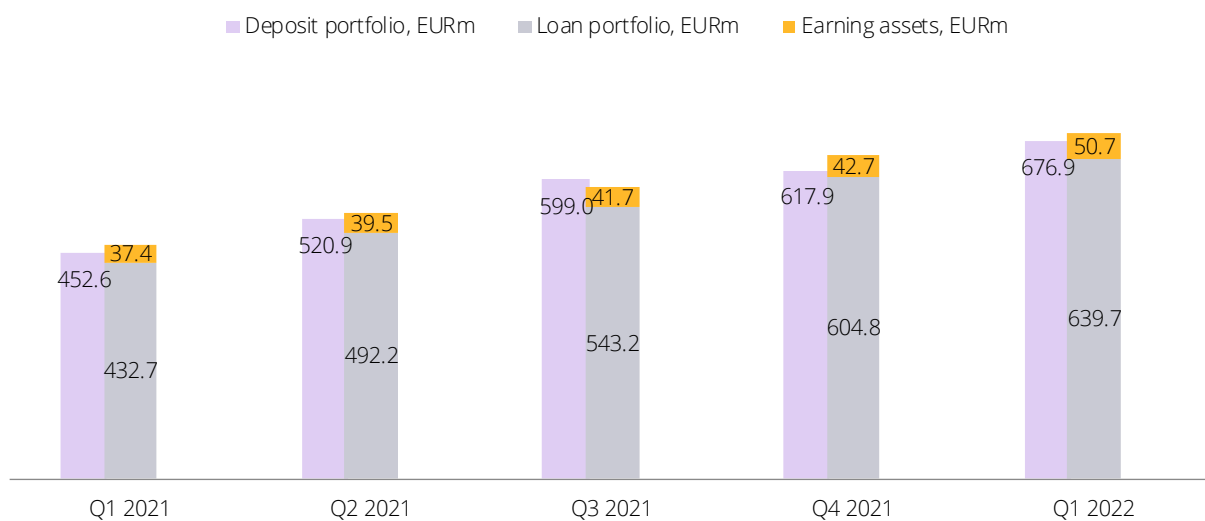
Key financial indicators

In millions of euros	31.03.2022	31.12.2021	% change
Total assets	845.9	787.0	7.5%
Earning assets *	50.7	42.7	18.9%
Loan portfolio	639.7	604.8	5.8%
Deposit portfolio	676.9	617.9	9.6%
Equity	82.1	79.0	3.9%

In millions of euros	3 months 2022	3 months 2021	% change
Total net income	12.4	9.5	30.9%
Net profit	2.9	2.5	15.5%

* Earning assets are income-producing investments that are owned by a business. These assets also have a base value and the ability to produce additional funds beyond the inherent value for the investment holder. Earning assets include vehicles owned by Mobire Group companies, Cars are both purchased and leased through capital lease or operating lease agreements.

Earning assets, loan and deposit portfolio development



Ratios

	3 months 2022	3 months 2021
Return on equity	14.8%	15.5%
Return on total assets	1.5%	1.8%
Net interest margin	6.1%	7.4%
Impairment losses to loan portfolio (risk expense)	1.7%	1.8%
Cost/income ratio	53.6%	53.9%
Equity to total assets	9.7%	11.5%

Explanations (key ratios are annualized):

Return on equity: net profit attributable to owners of the parent / total equity attributable to owners of the parent (average over the period)

Return on total assets: net profit attributable to owners of the parent / total assets (average over the period)

Net interest margin: net interest income / interest-bearing assets (average over the period)

Impairment losses to loan portfolio (risk expense): impairment losses on loans / loan portfolio (average over the period)

Cost/income ratio: total operating expenses / total income

Equity to total assets: total equity attributable to shareholders of parent company / total assets

Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

In thousands of euros	Note	31.03.2022	31.12.2021
Assets			
Due from central banks	9	89,709	77,453
Due from credit institutions	9	17,565	17,870
Investments in debt securities	10	8,425	7,684
Loans and advances	3; 8	639,653	604,848
Investments in associates	11	716	774
Tangible assets		25,982	19,147
Right of use asset		25,943	25,231
Intangible assets		23,224	22,423
Other financial assets	12	3,207	2,151
Other assets	12	4,653	2,769
Deferred tax asset		2,601	2,401
Assets held for sale	1; 11	4,203	4,203
Total assets	3	845,881	786,954
Liabilities			
Customer deposits	13	676,918	617,857
Financial liabilities designated at fair value through profit or loss		184	0
Other financial liabilities	15	46,203	49,188
Current tax liability		167	284
Deferred tax liability		89	125
Other liabilities	15	3,173	3,296
Subordinated debt securities	14	37,041	37,187
Total liabilities	3	763,775	707,937
Equity			
Share capital	17	997	997
Share premium	17	30,436	30,436
Statutory reserve capital	18	100	96
Other reserves	18	1,773	1,625
Retained earnings		48,800	45,863
Total equity		82,106	79,017
Total liabilities and equity		845,881	786,954

Notes set out on pages 11 - 27 form an integral part of the consolidated financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income

In thousands of euros	Note	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Interest income based on EIR	4	13,821	13,821	11,116	11,116
Interest expense	4	-2,947	-2,947	-2,143	-2,143
Net interest income	4	10,874	10,874	8,973	8,973
Fee income	5	705	705	449	449
Fee expense	5	-802	-802	-789	-789
Net fee and commission income	5	-97	-97	-340	-340
Net gains from financial assets measured at fair value		-184	-184	0	0
Foreign exchange rate gains/losses		-27	-27	60	60
Net gains/losses from financial items		-211	-211	60	60
Other operating income	6	5,659	5,659	3,522	3,522
Other operating expense	6	-3,794	-3,794	-2,721	-2,721
Total net interest, fee and other income and expenses		12,431	12,431	9,494	9,494
Personnel expenses	7	-3,289	-3,289	-2,751	-2,751
Marketing expenses	7	-563	-563	-543	-543
Administrative expenses	7	-1,851	-1,851	-1,114	-1,114
Depreciations, amortisation		-1,009	-1,009	-740	-740
Total operating expenses		-6,712	-6,712	-5,148	-5,148
Profit before profit from associates and impairment losses on loans		5,719	5,719	4,346	4,346
Share of profit from subsidiaries and associates	11	-58	-58	336	336
Impairment losses on loans and advances	8	-2,573	-2,573	-1,805	-1,805
Profit before income tax		3,088	3,088	2,877	2,877
Income tax		-147	-147	-331	-331
Profit for the period		2,941	2,941	2,546	2,546
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		96	96	-126	-126
Total comprehensive income for the period		3,037	3,037	2,420	2,420

Notes set out on pages 11 - 27 form an integral part of the consolidated financial statements.

Condensed consolidated statement of cash flows

In thousands of euros	Note	3 months 2022	3 months 2021
Cash flows from operating activities			
Interest received		12,626	11,061
Interest paid		-2,759	-1,212
Fees received	5	705	449
Fees paid	5	-802	-789
Other operating income received		5,660	3,522
Other operating expense paid		-2,578	0
Personnel expenses		-3,779	-3,014
Administrative and marketing expenses		-2,414	-3,907
Corporate income tax paid		-186	-152
Cash flows from operating activities before changes from the operating assets and liabilities		6,473	5,958
Changes in operating assets			
Loans and advances		-33,345	-30,470
Mandatory reserve in central banks	9	-4,071	-80
Other assets		-3,708	416
Changes of operating liabilities			
Customer deposits		58,726	59,946
Other liabilities		-2,458	-1,560
Net cash from operating activities		21,617	34,210
Cash flows from investing activities			
Investments in debt securities		0	-1,591
Acquisition of tangible and intangible assets	12	-10,464	-3,253
Acquisition of subsidiaries and associates	10	-345	-3,201
Net cash used in investing activities		-10,809	-8,045
Cash flows from financing activities			
Repayments of debt securities		0	-4,000
Lease liability payments		-2,900	0
Net cash used in financing activities		-2,900	-4,000
Effect of exchange rate changes		-28	60
Cash and cash equivalents at the beginning of the reporting period	9	87,419	44,476
Net increase/decrease in cash and cash equivalents	9	7,880	22,225
Cash and cash equivalents at the end of the reporting period	9	95,299	66,701

Notes set out on pages 11 - 27 form an integral part of the consolidated financial statements.

Condensed consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ accumulated loss	Total equity
Balance, 01.01.2021	961	23,865	90	1,438	34,871	61,225
Share-based payment reserve	0	0	0	52	0	52
Statutory reserve capital	0	0	6	0	-6	0
Total profit for the reporting period	0	0	0	0	2,387	2,387
Other comprehensive income	0	0	0	-126	0	-126
Balance, 31.03.2021	961	23,865	96	1,364	37,252	63,538
Balance, 01.01.2022	997	30,436	96	1,625	45,863	79,017
Share-based payment reserve	0	0	0	52	0	52
Statutory reserve capital	0	0	4	0	-4	0
Total profit for the reporting period	0	0	0	0	2,941	2,941
Other comprehensive income	0	0	0	96	0	96
Balance, 31.03.2022	997	30,436	100	1,773	48,800	82,106

Notes set out on pages 11 - 27 form an integral part of the consolidated financial statements.

Note 1 Accounting policies

The interim financial report has been prepared in accordance with the International Accounting Standard IAS 34 “Interim Financial Reporting”, as adopted by the EU, and consists of condensed financial statements and selected explanatory notes. The accounting policies used in the preparation of the interim report are the same as the accounting policies used in the annual report for the year ended 31 December 2021, which comply with the International Financial Reporting Standards, as adopted by the European Commission (IFRS EU).

The interim financial report is not audited and does not contain the entire range of information required for the preparation of complete financial statements. The interim financial report should be read in conjunction with the Annual Report prepared for the year ended 31 December 2021, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

In addition to AS Inbank, the Inbank consolidation group includes following companies:

Company name	Year of purchase/founded	Location	Activity	Holding (%)	Cost (thou. EUR)
SIA Inbank Latvia	2014	Latvia	Financing	100	519
AS Inbank filialas	2019	Lithuania	Banking, branch		0
AS Inbank Spółka Akcyjna Oddział w Polsce	2016	Poland	Banking, branch		0
AS Inbank, odštěpný závod	2021	Czech	Banking, branch		0
Inbank Technologies OÜ	2015	Estonia	Hardware rental	100	6,665
Maksekeskus Holding OÜ	2015	Estonia	Holding company	100	7,027
Inbank Payments OÜ	2019	Estonia	Holding company	100	3
Inbank Finance AS	2021	Estonia	Financing	100	33,135
Mobire Group OÜ	2021	Estonia	Full service rent	53	3,445
Mobire Eesti AS	2021	Estonia	Full service rent	53	0
Mobire Latvija SIA	2021	Latvia	Full service rent	53	0
Mobire Lietuva UAB	2021	Lithuania	Full service rent	53	0
AS Aktiva Portfolio	2020	Estonia	Debt collection management	34	515
Maksekeskus AS	2016	Estonia	Payment services	30	4,203
Paywerk AS	2021	Estonia	Payment services	29	200

Associated companies AS Aktiva Portfolio and Paywerk AS are accounted for using the equity method.

Maksekeskus AS is associated company but classified as held for sale (for more details refer to Note 11). Non-current assets that is classified as held for sale is measured at the lower of carrying amount and fair value less costs to sell.

Note 2 Significant accounting estimates

According to the IFRS, many of the financial indicators given in the report are based on strictly accounting-related management estimates and opinions, which have an impact on the value of the assets and liabilities presented in the financial statements as of the balance sheet date and on the income and expenses of the subsequent financial years. Although these estimates are based on the best knowledge of the management and conclusions from ongoing events, the actual result may not coincide with them in the end and may differ significantly from these estimates.

The management consistently reviews such decisions and estimates, including the ones that have an influence on the fair value of financial instruments, the write-down of impaired loans, impairment of tangible and intangible assets, deferred taxes and share-based payments.

The management relies on experience and the other factors it considers reasonable in the given situation when making these decisions and estimates.

Note 3 Business segments

Inbank divides its business activities into segments according to the geographical location of activities in Estonia, Latvia, Lithuania and Poland. The Estonian business segment includes Inbank and its subsidiary Inbank Finance. The financial indicators of the newly started Czech branch are insignificant; thus, they have been included in the Estonian business. Investments segments include companies that have investments in associates and subsidiaries, including Mobire, together with its subsidiaries in Latvia and Lithuania. Business segments are Inbank companies with separate financial data, which is also the basis upon the regular monitoring of business results by the decision makers of Inbank. Inbank monitors profitability, cost/income ratio, growth and quality of credit portfolio and impairment losses for each operating segment.

The business of Estonia, Latvia, Lithuania, and Poland is the offering of credit products with the largest product group being hire purchase. Inbank Technologies, which is part of the investment segment, offers hardware rental to the consolidation group companies and Mobire offers full-service car rental services.

The revenues of the reported segments contain revenues from transactions between the segments. Such transactions include loans given by Inbank, as well as services provided to the companies of the consolidation group by Inbank Technologies. The above transactions are accounted for at market prices.

Inbank does not have any customers, whose income accounts for more than 10% of the respective type of Inbank consolidated income.

Equity of major subsidiaries

In thousands of euros	31.03.2022	31.12.2021
SIA Inbank Latvia	5,393	5,148
Mobire Group OÜ	9,806	9,097
AS Inbank Finance	37,742	36,446
Inbank Technologies OÜ	7,414	7,112
Maksekeskus Holding OÜ	5,778	5,542

The development of segment revenue and net profit is presented below.

Income of reported segments and net profit structure

In thousands of euros							
3 months 2022	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	6,539	1,415	3,638	4,107	1	-1,879	13,821
incl. income from external customers	4,660	1,415	3,638	4,107	1	0	13,821
incl. income from internal customers	1,879	0	0	0	0	-1,879	0
Fee income	361	56	-7	295	0	0	705
Other operating income	2,365	15	69	32	5,742	-2,564	5,659
incl. income from external customers	71	7	58	10	5,513	0	5,659
incl. income from internal customers	2,294	8	11	22	229	-2,564	0
Total income	9,265	1,486	3,700	4,434	5,743	-4,443	20,185
Net gains from financial assets measured at fair value	-3	0	0	-181	0	0	-184
Foreign exchange rate gains/losses	-2	0	0	-25	0	0	-27
Interest expense	-2,687	-220	-694	-941	-269	1,864	-2,947
Fee expense	-338	-58	-206	-200	0	0	-802
Other operating expense	0	0	0	0	-3,843	49	-3,794
Total expenses	-3,030	-278	-900	-1,347	-4,112	1,913	-7,754
Total net interest, fee and commission income and other income	6,235	1,208	2,800	3,087	1,631	-2,530	12,431
Operating expenses	-4,099	-761	-2,023	-1,437	-926	2,534	-6,712
incl. depreciations, amortisation	-685	-47	-195	-30	-64	12	-1,009
Profit before profit from associates and impairment losses on loans	2,136	447	777	1,650	705	4	5,719
Profit of subsidiaries and associates	10	0	0	0	-68	0	-58
Impairment losses on loans and advances	-788	-201	-471	-1,113	0	0	-2,573
Profit before income tax	1,358	246	306	537	637	4	3,088
Income tax	15	0	10	-172	0	0	-147
Net profit/loss	1,373	246	316	365	637	4	2,941
Total assets	678,365	50,017	151,784	287,005	71,042	-392,332	845,881
Total liabilities	586,878	44,624	132,787	291,021	48,041	-339,576	763,775

In thousands of euros							
3 months 2021	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	5,043	1,080	3,963	1,696	5	-671	11,116
incl. income from external customers	4,366	1,080	3,963	1,696	4	0	11,109
incl. Income from internal customers	677	0	0	0	1	-671	7
Fee income	301	55	0	93	0	0	449
Other operating income	544	19	39	28	3,717	-825	3,522
incl. income from external customers	91	11	15	6	3,399	0	3,522
incl. Income from internal customers	453	8	24	22	318	-825	0
Total income	5,888	1,154	4,002	1,817	3,722	-1,496	15,087
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0
Foreign exchange rate gains/losses	1	0	0	59	0	0	60
Interest expense	-1,454	-147	-525	-553	-135	671	-2,143
Fee expense	-304	-41	-249	-195	0	0	-789
Other operating expense	0	0	0	0	-2,897	176	-2,721
Total expenses	-1,757	-188	-774	-689	-3,032	847	-5,593
Total net interest, fee and commission income and other income	4,131	966	3,228	1,128	690	-649	9,494
Operating expenses	-2,733	-530	-1,565	-626	-343	649	-5,148
incl. depreciations, amortisation	-451	-51	-170	-24	-44	0	-740
Profit before profit from associates and impairment losses on loans	1,398	436	1,663	502	347	0	4,346
Profit of subsidiaries and associates	-33	0	0	0	369	0	336
Impairment losses on loans and advances	-1,057	-57	-222	-469	0	0	-1,805
Profit before income tax	308	379	1,441	33	716	0	2,877
Income tax	-43	0	-265	-10	-13	0	-331
Net profit/loss	265	379	1,176	23	703	0	2,546
Total assets	383,448	30,555	141,593	142,406	56,690	-172,335	582,357
Total liabilities	336,429	26,186	124,092	148,784	36,705	-156,776	515,420

Note 4 Net interest income

Net interest income

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Interest income based on EIR				
Loans to households	13,709	13,709	10,988	10,988
Loans to corporates	82	82	68	68
Due from financial and credit institutions	30	30	60	60
Total interest income	13,821	13,821	11,116	11,116
Interest expense				
Deposits received	-2,203	-2,203	-1,683	-1,683
Debt securities sold	-592	-592	-334	-334
Lease liability	-152	-152	-126	-126
Total interest expense	-2,947	-2,947	-2,143	-2,143
Net interest income	10,874	10,874	8,973	8,973

Interest income by customer location

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Estonia	4,661	4,661	4,377	4,377
Latvia	1,415	1,415	1,080	1,080
Lithuania	3,638	3,638	3,963	3,963
Poland	4,107	4,107	1,696	1,696
Total interest income by customer location	13,821	13,821	11,116	11,116

Note 5 Net fee and commission income

Net fee income

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Fee income				
Households	705	705	449	449
Total fee income	705	705	449	449
Fee expense				
Loan administration expenses	-572	-572	-544	-544
Other fee expenses	-230	-230	-245	-245
Total fee expense	-802	-802	-789	-789
Net fee income	-97	-97	-340	-340

Loan administration expenses comprise of loan administration costs, e.g. cost related to sending of notifications, etc..

Fee income by customer location

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Estonia	361	361	301	301
Latvia	56	56	55	55
Lithuania	-7	-7	0	0
Poland	295	295	93	93
Total fee income by customer location	705	705	449	449

Note 6 Other operating income and expenses

Other operating income and expenses

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Other operating income				
Income from full service rent	5,506	5,506	3,391	3,391
Fines and penalties	148	148	112	112
Other income	5	5	19	19
Total other operating income	5,659	5,659	3,522	3,522
Other operating expense				
Sales, cars	1,575	1,575	498	498
Depreciations, cars for rental	1,762	1,762	370	370
Other costs, full service rent	457	457	1,853	1,853
Total other operating expense	3,794	3,794	2,721	2,721

Full-service rental income is generated from cars rented to customers. Cars are both purchased and leased through capital lease or operating lease agreements. Cars rented through operating lease agreements are sold back to the merchant. Capital lease agreements also include car's repurchase obligation. This obligation will be used when full-service rental period ends.

Note 7 Operating expenses

Operating expenses

In thousands of euros	Q1 2022	3 months 2022	Q1 2021	3 months 2021
Personnel expenses				
Personnel expense	2,608	2,608	2,207	2,207
Social and other taxes	681	681	544	544
Total personnel expenses	3,289	3,289	2,751	2,751
Marketing expenses				
Advertising and marketing	440	440	477	477
Sales costs	123	123	66	66
Total marketing expenses	563	563	543	543
Administrative expenses				
Office maintenance and workplace expenses	283	283	148	148
IT expenses	504	504	384	384
Legal and recovery proceeding expenses	176	176	132	132
Training and business trip expenses	116	116	14	14
Supervision expenses	143	143	117	117
Transportation expenses	48	48	22	22
Other	581	581	297	297
Total administrative expenses	1,851	1,851	1,114	1,114

Note 8 Loans and advances

Distribution of receivables by customer sector

In thousands of euros	31.03.2022	31.12.2021
Distribution of receivables by customer sector		
Households	643,840	607,343
Corporates	8,634	8,848
Loans and advances before impairment allowance	652,474	616,191
Impairment allowance	-12,821	-11,343
Total loans and advances	639,653	604,848

Impairment losses on loans and advances

In thousands of euros	3 months 2022	3 months 2021
Impairment losses on loans and advances		
Impairment losses of reporting period	-4,106	-3,329
Recoveries from written off from financial position	1,533	1,524
Total impairment losses on loans and advances	-2,573	-1,805

Changes in impairments

In thousands of euros	31.03.2022	31.12.2021
Changes in impairments		
Impairment allowance balance in the beginning of the period	-11,343	-13,242
Impairment provisions set up during reporting period	4,106	12,690
Written off from financial position during the period	-5,584	-10,791
Total impairment	-12,821	-11,343

Inbank regularly sells receivables that are more than 90 days overdue, with no obligation to repurchase (except for fraud or death of the customer). The difference between pre-transaction and post transaction debt carrying amount is recognised in income statement and the total amount of debt is written off in the statement of financial position.

Distribution of receivables from households

In thousands of euros						
31.03.2022	Gross	Impairment allowance			Net receivables	Impairment coverage
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	613,280	-4,461	-105	-344	608,370	0.8%
4-30 days	15,219	-1,161	-115	-144	13,799	9.3%
31-89 days	9,456	-1	-1,673	-272	7,510	20.6%
90-179 days	1,511	0	0	-882	629	58.4%
180+ days	4,374	0	0	-3,640	734	83.2%
Total receivables	643,840	-5,623	-1,893	-5,282	631,042	2.0%
31.12.2021						
Distribution of receivables	Gross	Impairment allowance			Net receivables	Impairment coverage
	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	580,325	-4,036	-113	-353	575,823	0.8%
4-30 days	13,606	-923	-116	-108	12,459	8.4%
31-89 days	8,201	-1	-1,412	-207	6,581	19.8%
90-179 days	1,341	0	0	-860	481	64.1%
180+ days	3,870	0	0	-3,189	681	82.4%
Total receivables	607,343	-4,960	-1,641	-4,717	596,025	1.9%

Distribution of receivables from corporates

In thousands of euros						
31.03.2022	Gross	Impairment allowance			Net receivables	Impairment coverage
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	8,631	-23	0	0	8,608	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	3	0	0	0	3	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	8,634	-23	0	0	8,611	0.3%

31.12.2021						
Distribution of receivables	Gross	Impairment allowance			Net receivables	Impairment coverage
	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	8,801	-25	0	0	8,776	0.3%
4-30 days	47	0	0	0	47	0.0%
31-89 days	0	0	0	0	0	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	8,848	-25	0	0	8,823	0.3%

According to management's estimates, overdue up to 3 days do not objectively reflect the quality of customer receivables as overdue of that tenure are often the result of interbank payments processing rules.

Note 9 Due from central banks and credit institutions

Due from central banks and credit institutions

In thousands of euros	31.03.2022	31.12.2021
Due from central banks	77,734	69,549
Mandatory reserve in central banks	11,975	7,904
Due from credit institutions	17,565	17,870
Total due from central banks and credit institutions	107,274	95,323

Cash and cash equivalents in the statement of cash flows include cash in hand, receivables from central banks (excluding the statutory reserve) and short-term (up to 3 months) receivables from other credit institutions.

Note 10 Investments in debt securities

Investments in debt securities

In thousands of euros	31.03.2022	31.12.2021
Investments in debt securities	8,393	7,589
incl. investments in corporate debt securities	8,393	7,589
Interest accruals	32	95
Total investments in debt securities	8,425	7,684

As of 31.03.2022, Inbank's debt securities portfolio consists of long-term securities with different maturities between 29.09.2027 and 29.03.2029 with an interest rate of 3% p.a. + 12 months Euribor.

Note 11 Business combinations and investments to associates

Further information on Inbank consolidation group has been disclosed in Note 1.

Maksekeskus AS, AS Aktiva Portfolio and Paywerk AS are associates of the Inbank consolidation group and the rest of the companies are subsidiaries.

Maksekeskus AS is one of the largest payment services providers in Estonia, also operating in Latvia and Lithuania. Inbank has signed agreement to sell its 29.8% stake in the Maksekeskus, the sale transaction is expected to be completed by the end of the second quarter of 2022. Inbank invests the proceeds of the sale in the international expansion of the Central and Eastern European region. AS Aktiva Portfolio has been established for more efficient management of debt portfolio. Paywerk AS is a start-up company that will offer a cross-border "pay later" service. Inbank has several synergies with the new company that may support the bank's growth in both existing and new markets in the future.

Investments are accounted for using the equity method. In first quarter of 2022, loss from equity investments was calculated in the amount of EUR 58 thousand (Q1 2021: profit EUR 336 thousand).

Acquisitions of associates

In thousands of euros	3 months 2022	3 months 2021
Acquisitions		
Equity contribution, financial assets at fair value through profit and loss	345	3,150
Equity contribution, associates	0	51
Total acquisitions	345	3,201

Inbank has not received dividends from its associates.

Note 12 Other assets

Other assets

In thousands of euros	31.03.2022	31.12.2021
Other financial assets		
Prepaid guarantee amounts	350	295
Accrued receivables	2,857	1,856
Total other financial assets	3,207	2,151
Other assets		
Prepaid expenses	3,988	2,525
Prepaid taxes	637	6
Other assets	28	238
Total other assets	4,653	2,769

Prepaid taxes include prepaid VAT. Accrued receivables are of short-term nature (1 – 30 days).

Note 13 Customer deposits

Deposits

In thousands of euros	31.03.2022	31.12.2021
Customer deposits		
Deposits from households	666,005	607,597
Deposits from non-financial corporates	10,798	8,142
Deposits from financial corporates	115	2,118
Total customer deposits	676,918	617,857

Deposits by clients' residency

In thousands of euros	31.03.2022	31.12.2021
Deposits by clients' residency		
Estonia	59,326	60,253
Germany	310,836	264,731
Poland	263,634	251,335
Austria	11,815	11,122
Netherlands	28,605	27,678
Lithuania	2,317	2,404
Other residence	385	334
Total deposits by clients' residency	676,918	617,857

Deposits by contractual maturity

In thousands of euros	31.03.2022	31.12.2021
Deposits by contractual maturity		
On demand	20,748	29,611
1-90 days	151,520	135,444
91-365 days	274,631	222,863
1-5 years	230,019	229,939
Total deposits by contractual maturity	676,918	617,857

Deposits include accrued interest liabilities in the amount of EUR 8,162 thousand (31.12.2021: EUR 7,728 thousand).

Note 14 Subordinated debt securities

Subordinated debt securities

In thousands of euros	31.03.2022	31.12.2021
Subordinated debt securities issued	37,153	37,153
Interest accruals	-112	34
Total subordinated debt securities	37,041	37,187

Subordinated debt securities detailed information

Subordinated debt securities	Nominal price	Amount	Interest rate	Issue date	Maturity date
EE3300110964	1,000 EUR	6,503	7.0%	28.09.2016	28.09.2026
EE3300111590	10,000 EUR	315	8.5%	19.12.2018	perpetual
EE3300001544	1,000 EUR	8,000	6.0%	19.12.2019	19.12.2029
EE3300002286	10,000 EUR	450	7.5%	01.11.2021	perpetual
EE3300002302	1,000 EUR	15,000	5.5%	16.12.2021	15.12.2031

Inbank's subordinated bonds include AT1 bonds included in Tier 1 capital. AT1 bond is a perpetual subordinated financial instrument, for which AS Inbank is obliged to pay quarterly perpetual coupon payments. The coupon payments may be deferred or cancelled at the discretion of AS Inbank. The AT1 bond is accounted for as liability because in specific circumstances AS Inbank is obliged to pay back the debt instrument to investors.

The subordinated debt securities issued are recorded in the balance sheet at amortised cost by using the effective interest rate method. In addition to coupon interest rate, the effective interest rate mainly depends on transaction costs, recognised as a change in nominal value of the debt securities and charged to interest expense over a term of five years.

On 14 of April AS Inbank announced its decision to redeem, pre-term, the subordinated bonds issued on 28 September 2016, registered under ISIN code EE3300110964. The payment date shall be 19 May 2022.

Note 15 Other liabilities

Other liabilities

In thousands of euros	31.03.2022	31.12.2021
Financial liabilities		
Accounts payable	19,300	21,292
Lease liability	25,168	26,494
Client prepayments	1,735	1,402
Total financial liabilities	46,203	49,188
Other liabilities		
Payables to employees	1,673	2,147
Payroll taxes	1,205	711
Other liabilities	295	438
Total other liabilities	3,173	3,296

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses.

Note 16 Contingent liabilities

Contingent liabilities

In thousands of euros	31.03.2022	31.12.2021
Revocable commitments		
Liability in contractual amount	5,719	5,485
incl. unused credit card limits	3,719	3,460

Note 17 Share capital

Share capital

	No of shares	Nominal value (thou. EUR)	Share premium (thou. EUR)	Total
Balance, 01.01.2021	9,610,530	961	23,865	24,826
incl. transaction costs arising on share issues	0	0	165	165
Balance, 31.03.2021	9,610,530	961	23,865	24,826
Balance, 01.01.2021	9,967,197	997	30,436	31,433
Balance, 31.03.2022	9,967,197	997	30,436	31,433

Biggest shareholders who hold more than 5% of company shares

Shareholder name	Holding amount 31.03.2022
Cofi Investeeringud OÜ	25.91%
Luciano Orsero	9.17%
Andrea Agostinone	8.24%
Elio Tomaso Giovanni Cravero	7.84%
Roberto de Silvestri	5.57%
SCI IN Holding	5.19%
Patrizia Salice	5.03%

Inbank's share capital consists of 9,967,197 shares with a nominal value of 0.10 euros. All issued shares have been paid. The share premium reflects the difference between the nominal value of the shares and the contributions received.

Note 18 Reserves

Reserves

In thousands of euros	31.03.2022	31.12.2021
Statutory reserve	100	96
Voluntary reserve	1,330	1,330
Share based payments reserve	643	591
Other accumulated comprehensive income	-200	-296
Total reserves	1,873	1,721

A part of the annual net profit is transferred to the statutory reserve in accordance with the Commercial Code.

The general meeting of AS Inbank has previously decided to increase the reserves through voluntary increase of reserves. The voluntary reserve may also be used for increasing the share capital, but not for making payouts to shareholders.

The fair value of share options issued to employees is recognised as a payroll expense over the term of the option programme, and in equity as share-based payments reserve.

Note 19 Fair value of financial assets and liabilities

Fair value of financial assets and liabilities

In thousands of euros	31.03.2022			31.12.2021		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
Assets						
Due from central banks	89,709	89,709	2	77,453	77,453	2
Due from credit institutions	17,565	17,565	2	17,870	17,870	2
Investments in debt securities	8,425	8,425	3	7,684	7,684	3
Loans and advances	639,653	639,653	3	604,848	604,848	3
Other financial assets	3,207	3,207	3	2,151	2,151	3
Total assets	758,559	758,559		710,006	710,006	
Liabilities						
Customer deposits	676,918	676,918	2	617,857	617,857	2
Subordinated debt securities	30,199	29,913	2	30,382	29,524	2
Subordinated debt securities (AT1)	7,128	7,128	3	7,663	7,663	3
Other financial liabilities	46,203	46,203	3	49,188	49,188	3
Total liabilities	760,448	760,162		705,090	704,232	

Level 2 fair value is estimated using market information (rates and interest rate curves for similar transactions).

The fair value in level 3 was estimated using the discounted cash flow valuation technique. The fair value of fixed rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The investments in debt securities fair value does not differ significantly from the book value, classified as level 3 in fair value hierarchy.

The small loans and hire-purchase products granted to customers are short-term. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. In general, the market interest rate and the fair value of loans have not significantly changed over the loan period. The carrying amount of loans does not therefore significantly differ from their fair value. Loans to customers are classified as level 3.

Loans granted to corporates are sufficiently short-term and the interest environment has remained stable ever since the issue of loans. In the management's opinion, their fair value does not therefore significantly differ from the net book value. Loans to corporates are classified as level 3.

Fixed-interest customer deposits are mostly short-term. The interest rate of term deposits accepted, and loans received by Inbank are comparable to the comparable contract interest rates on the market. In general, the market interest rate and the fair value of deposits have not significantly changed over the deposit period. The carrying amount of deposits does not therefore significantly differ from their fair value. These are classified as level 2 in fair value hierarchy.

Debt securities were issued at market terms, classified as level 3 in fair value hierarchy.

Subordinated debt securities are listed on the Nasdaq Baltic Stock Exchange and their fair value can be determined based on the transaction history. As a result the debt security is classified as level 2 in fair value hierarchy.

Subordinated debt securities (AT1) were issued at market terms and considering that the interest rate environment has been relatively stable, consequently the fair value is close to the carrying value, classified as level 3 in fair value hierarchy.

Note 20 Related parties

Remuneration of the Management Board and Supervisory Board

In thousands of euros	3 months 2022	3 months 2021
Remuneration of the Management Board and Supervisory Board	308	364

The following are considered to be the Inbank's related parties:

- members of the Management Board and Supervisory Board, their family members and related companies (hereinafter the management),
- associates,
- parent company or persons that have control or significant influence over the parent company.

Balances as of end of reporting period

In thousands of euros	31.03.2022			31.12.2021		
	Management	Associates	Total	Management	Associates	Total
Balances as of end of reporting period						
Investments in debt securities	0	8,425	8,425	0	7,684	7,684
Loans and advances	0	0	0	84	0	84
Deposits and subordinated debt securities	1,200	0	1,200	1,100	0	1,100

Transactions

In thousands of euros	3 months 2022			3 months 2021		
	Management	Associates	Total	Management	Associates	Total
Transactions						
Interest income	0	57	57	0	31	31
Interest expenses	25	0	25	21	0	21
Services purchased	39	0	39	126	0	126

The table provides an overview of the significant transactions and balances with related parties. Inbank finances its subsidiaries and branches with short- and long-term loans issued under market conditions. The interest rate of deposits received from related parties matches with the interest rate offered to customers, interest rates are in between 1.8% and 2.25% (2021: 1% and 2.25%).

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