

Interim Report Q2 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	01.01.2022-30.06.2022

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 Q2 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 Q2 of 2022 consisting of the management report and financial statements as at 30 June 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 30 June 2022, its financial performance and cash flows for the 6 months period ended 30 June 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, 3 August 2022

Priit Põldoja

Chairman of the Management Board

Management report

For the tenth consecutive calendar quarter, Inbank is operating in a rather unclear environment. The war in Ukraine continues, global inflation has risen to record levels, with rising interest rates and declining consumer confidence. At the same time, our business volumes continue to reach new records and the labour market is suffering from a lack of talent rather than unemployment. In such a contradictory situation, Inbank continues to navigate between balancing potential risks and growing business opportunities.

The second quarter of 2022 was again successful for Inbank. We sold credit products worth 129.6 million euros. Over the year, our credit portfolio has grown by 37% to 673.6 million euros. A closer look reveals a clear change of trend in Inbank's sales volumes since March. While in the past two years, Inbank's growth was driven by the Polish market, the Baltic countries were once again the bank's growth engine in the past quarter. The main reason for the change is the rise in interest rates up to 7% in the Polish market. Higher interest rates and rise in the cost of living have clearly reduced growth volumes in Poland. We are glad to see that Inbank's diversified business model is working well and the decline in growth in Poland was compensated by record sales in the Baltics.

Inbank made a profit of 2.6 million euros in the second quarter of 2022, which is 45% more than a year ago. In the first half of the year, Inbank earned 5.6 million euros in net profit.

Car financing showed a solid growth trend, reaching 31 million euros. Supported by a strong demand the full-service leasing company Mobire showed also strong sales results. The small loan product line also grew nicely, with the largest volumes for the past 2.5 years, reaching 23 million euros. The extension of our cooperation with Polkomtel, the second largest telecom company in Poland, has certainly helped here. Sales finance was the only product line that decreased, resulting in 15% lower sales of 76 million euros in the second quarter.

In the second quarter, Inbank's results were affected by rapidly increasing interest rates in the Polish market. Since the Polish deposit market is relatively short by nature, the rising deposit prices also became quite quickly reflected in Inbank's funding costs. Inbank's second quarter average funding cost rate was 2.11% compared to 1.80% a year ago. At the same time, income on loans issued increased to an average of 9.1%, increasing by 0.1% quarter on quarter. As interest rates rise, we expect the trend to continue. The net interest margin decreased to 5.8% in the second quarter, but we expect this to improve as floating rate assets are repriced. A recent decision of the European Central Bank to abandon the monetary policy of negative interest rates will also improve the return on liquid assets in the euro area.

Navigating a complex environment has been part of Inbank's growth story. And while the outlook for the future remains uncertain and by no means cloudless, our success has been driven mainly by product development, investments in technology, and growth in new markets. Many of these investments have proven to be fruitful and we have always been able to successfully reinvest the proceeds in growth. We did the same this time. On 1 July, the sale of Inbank's 29.8% stake in Maksekeskus was finalised. As a result, Inbank will earn an

extraordinary profit of 11.5 million euros in the third quarter. This is the result of a venture that we had been building together with our partners for 10 years. In June Inbank was approved by the Czech National Bank to provide financial services in the Czech Republic. Already in July, Inbank signed its first sales finance partner contract there which lays the foundation for Inbank's growth in yet another European market.

The capital earned from the sale of Maksekeskus will serve Inbank as a good buffer to cope in a more complex environment. Inflation and rising interest rates reduce investment and make it more difficult for customers to meet their obligations. We are making additional provisions in our loan portfolio to account for this risk. At the same time, we have not yet noted any significant changes in the payment behaviour of our customers, and the labour market remains strong.

Just like the coronavirus crisis, the coming economic situation will be extraordinary. In addition to several risks, we also see great opportunities for Inbank in the near future. The increase in energy prices motivates people to shift toward a more efficient and greener production portfolio. Paying for larger purchases over time and subscription services offer new opportunities to improve the quality of life. Inbank's products and growth continue to focus on developing the best solutions for partners and customers. If we do our job well and adapt to market changes, the difficult times will rather strengthen our position in the European financial services market.

Priit Põldoja

Chairman of the Management Board, Founder

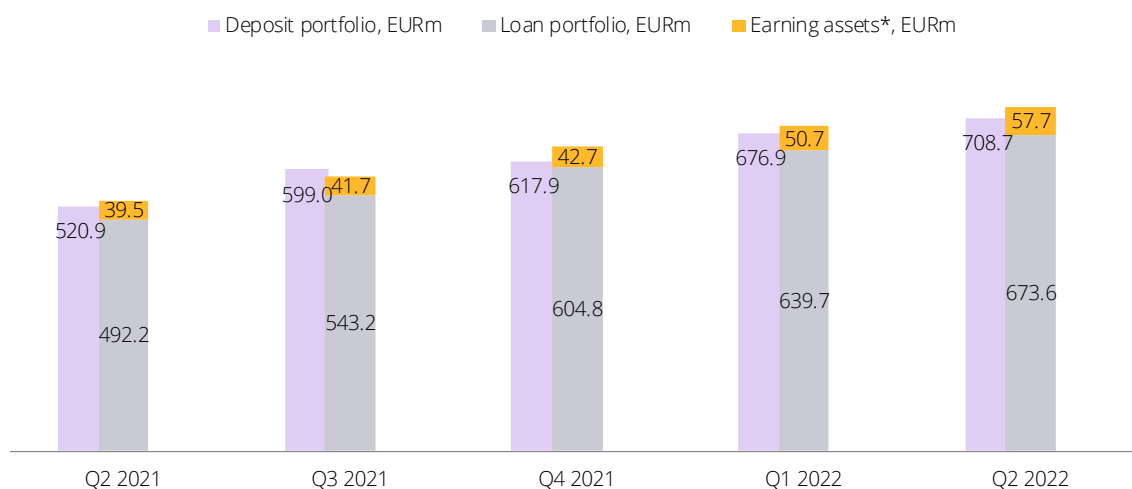
Key financial indicators and ratios

Key financial indicators

In millions of euros	30.06.2022	31.12.2021	% change	30.06.2021	% change
Total assets	876.4	787.0	13.7%	653.8	34.1%
Earning assets *	57.7	42.7	38.2%	39.5	46.4%
Loan portfolio	673.6	604.8	14.0%	492.2	36.8%
Deposit portfolio	708.7	617.9	17.4%	520.9	36.1%
Equity	84.7	79.0	8.7%	65.8	28.8%

In millions of euros	6 months 2022	6 months 2021	% change	Q2 2022	Q2 2021	% change
Total net income	25.4	19.5	30.2%	13.1	10.0	30.4%
Net profit	5.6	4.4	27.6%	2.6	1.8	44.7%

Earning assets, loan and deposit portfolio development



* 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. Here earning assets include only vehicles owned by Mobire Group companies. Cars are both purchased and leased through capital lease or operating lease agreements. Other assets which generate income for group is disclosed separately and is not included under this earning asset category.

Ratios

	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Return on equity	12.5%	13.7%	10.9%	14.3%
Return on total assets	1.2%	1.3%	1.2%	1.6%
Net interest margin	5.8%	6.0%	6.7%	7.0%
Impairment losses to loan portfolio (risk expense)	1.9%	1.8%	1.7%	1.7%
Cost/income ratio	56.7%	55.2%	58.3%	56.3%

	30.06.2022	31.12.2021	30.06.2021
Equity to total assets	9.7%	10.0%	10.1%
Liquidity coverage ratio	1096.0%	1144.0%	1568.0%
Net stable funding ratio	125.0%	123.0%	119.0%

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

Liquidity coverage ratio: dividing a bank's high-quality liquid assets by its total net cash flows, over a 30-day stress period.

Net stable funding ratio: the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon.

Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

In thousands of euros	Note	30.06.2022	31.12.2021	30.06.2021
Assets				
Due from central banks	9	79,484	77,453	64,123
Due from credit institutions	9	13,442	17,870	18,881
Investments in debt securities	10	8,994	7,684	6,194
Financial assets designated at fair value through profit or loss		153	0	0
Loans and advances	3; 8	673,566	604,848	492,211
Investments in associates	11	816	774	4,429
Tangible assets		34,368	19,147	12,563
Right of use asset		25,354	25,231	27,385
Intangible assets		24,265	22,423	21,043
Other financial assets	12	2,350	2,151	1,388
Other assets	12	6,690	2,769	3,326
Deferred tax asset		2,764	2,401	2,258
Assets held for sale	1; 11	4,203	4,203	0
Total assets	3	876,449	786,954	653,801
Liabilities				
Customer deposits	13	708,727	617,857	520,907
Other financial liabilities	15	49,417	49,188	45,027
Current tax liability		95	284	637
Deferred tax liability		73	125	0
Other liabilities	15	2,871	3,296	3,891
Subordinated debt securities	14	30,540	37,187	17,582
Total liabilities	3	791,723	707,937	588,044
Equity				
Share capital	17	997	997	961
Share premium	17	30,436	30,436	23,865
Statutory reserve capital	18	100	96	96
Other reserves	18	1,782	1,625	1,619
Retained earnings		51,411	45,863	39,216
Total equity		84,726	79,017	65,757
Total liabilities and equity		876,449	786,954	653,801

Notes set out on pages 11 - 32 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	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Interest income based on EIR	4	14,937	28,758	11,473	22,589
Interest expense	4	-3,817	-6,764	-2,264	-4,407
Net interest income	4	11,120	21,994	9,209	18,182
Fee income	5	826	1,531	486	935
Fee expense	5	-789	-1,591	-783	-1,572
Net fee and commission income	5	37	-60	-297	-637
Net gains from financial assets measured at fair value		342	158	0	0
Foreign exchange rate gains/losses		-226	-253	-191	-131
Net gains/losses from financial items		116	-95	-191	-131
Other operating income	6	6,437	12,096	5,031	8,553
Other operating expense	6	-4,614	-8,488	-3,707	-6,428
Total net interest, fee and other income and expenses		13,096	25,447	10,045	19,539
Personnel expenses	7	-3,476	-6,748	-2,832	-5,583
Marketing expenses	7	-783	-1,346	-657	-1,200
Administrative expenses	7	-2,071	-3,859	-1,582	-2,696
Depreciations, amortisation		-1,094	-2,103	-805	-1,545
Total operating expenses		-7,424	-14,056	-5,876	-11,024
Profit before profit from associates and impairment losses on loans		5,672	11,391	4,169	8,515
Share of profit from subsidiaries and associates	11	-82	-140	-79	257
Impairment losses on loans and advances	8	-3,087	-5,660	-1,941	-3,746
Profit before income tax		2,503	5,591	2,149	5,026
Income tax		108	-39	-344	-675
Profit for the period		2,611	5,552	1,805	4,351
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-61	35	185	59
Total comprehensive income for the period		2,550	5,587	1,990	4,410

Notes set out on pages 11 - 32 form an integral part of the consolidated financial statements.

Condensed consolidated statement of cash flows

In thousands of euros	Note	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Cash flows from operating activities					
Interest received		14,032	26,658	11,386	22,447
Interest paid		-2,680	-5,439	-1,793	-3,005
Fees received	5	826	1,531	486	935
Fees paid	5	-789	-1,591	-783	-1,572
Other operating income received	6	6,437	12,096	5,031	8,553
Other operating expense paid		-2,264	-4,842	-6,428	-6,428
Personnel expenses		-5,401	-9,180	-2,883	-5,897
Administrative and marketing expenses		-2,792	-5,206	-124	-4,031
Corporate income tax paid		-568	-754	-683	-835
Cash flows from operating activities before changes from the operating assets and liabilities		6,801	13,273	4,209	10,167
Changes in operating assets					
Loans and advances		-32,394	-65,739	-58,989	-89,459
Mandatory reserve in central banks	9	-568	-4,639	-211	-291
Other assets		-775	-4,483	776	1,192
Changes of operating liabilities					
Customer deposits		30,675	89,401	67,844	127,790
Other liabilities		2,667	210	-827	-2,387
Net cash from operating activities		6,406	28,023	12,802	47,012
Cash flows from investing activities					
Investments in debt securities		-2,919	-2,919	9,009	7,418
Acquisition of tangible and intangible assets		-8,937	-19,401	-8,267	-11,520
Acquisition of subsidiaries and associates		164	-181	-93	-3,294
Net cash used in investing activities		-11,692	-22,501	649	-7,396
Cash flows from financing activities					
Repayments of debt securities	14	-6,503	-6,503	0	-4,000
Lease liability payments		-2,902	-5,802	0	0
Net cash used in financing activities		-9,405	-12,305	0	-4,000
Effect of exchange rate changes		-225	-253	-192	-132
Cash and cash equivalents at the beginning of the reporting period	9	95,299	87,419	66,701	44,476
Net increase/decrease in cash and cash equivalents	9	-14,916	-7,036	13,259	35,484
Cash and cash equivalents at the end of the reporting period	9	80,383	80,383	79,960	79,960

Notes set out on pages 11 - 32 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	122	0	122
Statutory reserve capital	0	0	6	0	-6	0
Total profit for the reporting period	0	0	0	0	4,351	4,351
Other comprehensive income	0	0	0	59	0	59
Balance, 30.06.2021	961	23,865	96	1,619	39,216	65,757
Balance, 01.01.2022	997	30,436	96	1,625	45,863	79,017
Share-based payment reserve	0	0	0	122	0	122
Statutory reserve capital	0	0	4	0	-4	0
Total profit for the reporting period	0	0	0	0	5,552	5,552
Other comprehensive income	0	0	0	35	0	35
Balance, 30.06.2022	997	30,436	100	1,782	51,411	84,726

Notes set out on pages 11 - 32 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).

To provide better overview, an adjustment was made in the 31.12.2021 report, which resulted in reclassification of the subsidiary's 100% buyout option expense which is now reflected in the same expense group as the subsidiary's other operating expense. In addition, due to the growth of Polish and Czech business and foreign currency transactions, foreign exchange gains and losses were reclassified from administrative expenses and are reported under "Foreign exchange rate revaluation losses/gains". The effect of the change on the report and the numerical indicators are presented in the table below:

In thousands of euros	31.12.2021	Reclassification	31.12.2021 restated
Foreign exchange rate gains/losses	0	-23	-23
Other operating expense	-13,833	-418	-14,251
Administrative expenses	-6,627	441	-6,186

According to the abovementioned change, 30.06.2021 is adjusted as follows:

In thousands of euros	6 months 2021	Reclassification	6 months 2021 restated
Foreign exchange rate gains/losses	0	-131	-131
Other operating expense	-6,313	-115	-6,428
Administrative expenses	-2,942	246	-2,696

In thousands of euros	Q2 2021	Reclassification	Q2 2021 restated
Foreign exchange rate gains/losses	0	-191	-191
Other operating expense	-3,592	-115	-3,707
Administrative expenses	-1,888	306	-1,582

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		
AS Inbank Spółka Akcyjna Oddział w Polsce	2016	Poland	Banking, branch		
AS Inbank, odštěpný závod	2021	Czech	Banking, branch		
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
IBF Polska sp. z.o.o	2022	Poland	Financing	100	44
Mobire Group OÜ	2021	Estonia	Full service rent	53	3,445
Mobire Eesti AS	2021	Estonia	Full service rent	53	
Mobire Latvija SIA	2021	Latvia	Full service rent	53	
Mobire Lietuva UAB	2021	Lithuania	Full service rent	53	
AS Aktiva Portfolio	2020	Estonia	Debt collection management	34	705
Maksekeskus AS	2016	Estonia	Payment services	30	4,203
Paywerk AS	2021	Estonia	Payment services	29	110

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 are 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	30.06.2022	31.12.2021	30.06.2021
SIA Inbank Latvia	5,463	5,148	4,649
Mobire Group OÜ	10,707	9,097	7,652
AS Inbank Finance	38,915	36,446	50
Inbank Technologies OÜ	7,410	7,112	7,091
Maksekeskus Holding OÜ	5,687	5,542	5,337

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

Income of reported segments and net profit structure

In thousands of euros							
6 months 2022	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	13,652	2,945	7,357	8,889	2	-4,087	28,758
incl. income from external customers	9,565	2,945	7,357	8,889	2	0	28,758
incl. income from internal customers	4,087	0	0	0	0	-4,087	0
Fee income	746	119	-5	671	0	0	1,531
Net gains from financial assets measured at fair value	-2	0	0	160	0	0	158
Other operating income	4,738	36	98	69	12,180	-5,025	12,096
incl. income from external customers	180	27	75	24	11,801	-11	12,096
incl. income from internal customers	4,558	9	23	45	379	-5,014	0
Total income	19,134	3,100	7,450	9,789	12,182	-9,112	42,543
Foreign exchange rate gains/losses	472	0	0	-725	0	0	-253
Interest expense	-5,581	-487	-1,481	-2,690	-597	4,072	-6,764
Fee expense	-700	-118	-430	-343	0	0	-1,591
Other operating expense	0	0	0	0	-8,488	0	-8,488
Total expenses	-5,809	-605	-1,911	-3,758	-9,085	4,072	-17,096
Total net interest, fee and commission income and other income	13,325	2,495	5,539	6,031	3,097	-5,040	25,447
Operating expenses	-8,646	-1,570	-3,995	-2,974	-1,912	5,041	-14,056
incl. depreciations, amortisation	-1,453	-92	-385	-67	-106	0	-2,103
Profit before profit from associates and impairment losses on loans	4,679	925	1,544	3,057	1,185	1	11,391
Profit of subsidiaries and associates	19	0	0	0	-159	0	-140
Impairment losses on loans and advances	-1,935	-610	-923	-2,192	0	0	-5,660
Profit before income tax	2,763	315	621	865	1,026	1	5,591
Income tax	-2	0	118	-155	0	0	-39
Net profit/loss	2,761	315	739	710	1,026	1	5,552
Total assets	715,051	56,598	157,928	315,680	32,360	-401,168	876,449
Total liabilities	622,010	51,134	138,510	319,462	61,731	-401,124	791,723

In thousands of euros							
Q2 2022	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	7,113	1,530	3,719	4,782	1	-2,208	14,937
incl. income from external customers	4,905	1,530	3,719	4,782	1	0	14,937
incl. Income from internal customers	2,208	0	0	0	0	-2,208	0
Fee income	385	63	2	376	0	0	826
Net gains from financial assets measured at fair value	1	0	0	341	0	0	342
Other operating income	2,373	21	29	37	6,438	-2,461	6,437
incl. income from external customers	109	20	17	14	6,288	-11	6,437
incl. Income from internal customers	2,264	1	12	23	150	-2,450	0
Total income	9,872	1,614	3,750	5,536	6,439	-4,669	22,542
Foreign exchange rate gains/losses	474	0	0	-700	0	0	-226
Interest expense	-2,894	-267	-787	-1,749	-328	2,208	-3,817
Fee expense	-362	-60	-224	-143	0	0	-789
Other operating expense	0	0	0	0	-4,566	-48	-4,614
Total expenses	-2,782	-327	-1,011	-2,592	-4,894	2,160	-9,446
Total net interest, fee and commission income and other income	7,090	1,287	2,739	2,944	1,545	-2,509	13,096
Operating expenses	-4,547	-809	-1,972	-1,537	-1,066	2,507	-7,424
incl. depreciations, amortisation	-768	-45	-190	-37	-42	-12	-1,094
Profit before profit from associates and impairment losses on loans	2,543	478	767	1,407	479	-2	5,672
Profit of subsidiaries and associates	9	0	0	0	-91	0	-82
Impairment losses on loans and advances	-1,147	-409	-452	-1,079	0	0	-3,087
Profit before income tax	1,405	69	315	328	388	-2	2,503
Income tax	-17	0	108	17	0	0	108
Net profit/loss	1,388	69	423	345	388	-2	2,611

In thousands of euros							
6 months 2021	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	10,184	2,214	7,656	3,919	8	-1,392	22,589
incl. income from external customers	8,792	2,214	7,656	3,919	8	0	22,589
incl. Income from internal customers	1,392	0	0	0	0	-1,392	0
Fee income	586	108	0	241	0	0	935
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0
Other operating income	1,280	34	94	94	8,586	-1,535	8,553
incl. income from external customers	157	23	42	12	8,555	-236	8,553
incl. Income from internal customers	1,123	10	51	83	397	-1,664	0
Total income	12,050	2,356	7,750	4,254	8,594	-2,927	32,077
Foreign exchange rate gains/losses	0	0	0	-131	0	0	-131
Interest expense	-2,958	-288	-1,075	-1,131	-347	1,392	-4,407
Fee expense	-582	-90	-501	-399	0	0	-1,572
Other operating expense	0	0	0	0	-6,428	0	-6,428
Total expenses	-3,540	-378	-1,576	-1,661	-6,775	1,392	-12,538
Total net interest, fee and commission income and other income	8,510	1,978	6,174	2,593	1,819	-1,535	19,539
Operating expenses	-5,647	-1,145	-3,412	-1,427	-928	1,535	-11,024
incl. depreciations, amortisation	-955	-102	-349	-48	-96	5	-1,545
Profit before profit from associates and impairment losses on loans	2,863	833	2,762	1,166	891	0	8,515
Profit of subsidiaries and associates	-72	0	0	0	329	0	257
Impairment losses on loans and advances	-2,035	-174	-651	-886	0	0	-3,746
Profit before income tax	756	659	2,111	280	1,220	0	5,026
Income tax	-127	0	-391	-130	-27	0	-675
Net profit/loss	629	659	1,720	150	1,193	0	4,351
Total assets	424,501	34,844	143,261	172,782	57,133	-178,720	653,801
Total liabilities	377,047	30,195	125,220	178,728	37,000	-160,146	588,044

In thousands of euros

Q2 2021	Estonia	Latvia	Lithuania	Poland	Investments	Eliminations	Total
Interest income based on EIR	5,141	1,134	3,693	2,223	3	-721	11,473
incl. income from external customers	4,426	1,134	3,693	2,223	-3	0	11,473
incl. Income from internal customers	715	0	0	0	6	-721	0
Fee income	285	53	0	148	0	0	486
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0
Other operating income	736	15	55	66	4,869	-710	5,031
incl. income from external customers	66	12	27	6	5,156	-236	5,031
incl. Income from internal customers	670	2	27	61	79	-839	0
Total income	6,162	1,202	3,748	2,437	4,872	-1,431	16,990
Foreign exchange rate gains/losses	0	0	0	-191	0	0	-191
Interest expense	-1,504	-141	-550	-578	-212	721	-2,264
Fee expense	-278	-49	-252	-204	0	0	-783
Other operating expense	0	0	0	0	-3,531	-176	-3,707
Total expenses	-1,782	-190	-802	-689	-3,743	545	-6,945
Total net interest, fee and commission income and other income	4,380	1,012	2,946	1,464	1,129	-886	10,045
Operating expenses	-2,914	-615	-1,847	-620	-766	886	-5,876
incl. depreciations, amortisation	-504	-51	-179	-24	-52	5	-805
Profit before profit from associates and impairment losses on loans	1,466	397	1,099	844	363	0	4,169
Profit of subsidiaries and associates	-39	0	0	0	-40	0	-79
Impairment losses on loans and advances	-978	-117	-429	-417	0	0	-1,941
Profit before income tax	449	280	670	427	323	0	2,149
Income tax	-84	0	-126	-120	-14	0	-344
Net profit/loss	365	280	544	307	309	0	1,805

Note 4 Net interest income

Net interest income

In thousands of euros	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Interest income based on EIR				
Loans to households	14,773	28,482	11,382	22,370
Loans to corporates	-22	60	-55	13
Due from financial and credit institutions	186	216	146	206
Total interest income	14,937	28,758	11,473	22,589
Interest expense				
Deposits received	-3,131	-5,334	-1,781	-3,464
Debt securities sold	-543	-1,135	-312	-646
Lease liability	-143	-295	-171	-297
Total interest expense	-3,817	-6,764	-2,264	-4,407
Net interest income	11,120	21,994	9,209	18,182

Note 5 Net fee and commission income

Net fee income

In thousands of euros	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Fee income				
Households	826	1,531	486	935
Total fee income	826	1,531	486	935
Fee expense				
Loan administration expenses	-593	-1,165	-561	-1,105
Other fee expenses	-196	-426	-222	-467
Total fee expense	-789	-1,591	-783	-1,572
Net fee income	37	-60	-297	-637

Note 6 Other operating income and expenses

Other operating income and expenses

In thousands of euros	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Other operating income				
Income from full service rent	6,310	11,816	4,864	8,255
Fines and penalties	125	273	118	230
Other income	2	7	49	68
Total other operating income	6,437	12,096	5,031	8,553
Other operating expense				
Sales, cars	1,785	3,440	1,779	3,155
Depreciations, cars for rental	1,883	3,645	1,411	2,486
Other costs, full service rent	946	1,403	517	827
Total other operating expense	4,614	8,488	3,707	6,468

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	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Personnel expenses				
Personnel expense	2,767	5,358	2,740	4,947
Social and other taxes	709	1,390	92	636
Total personnel expenses	3,476	6,748	2,832	5,583
Marketing expenses				
Advertising and marketing	630	1,070	537	1,014
Sales costs	153	276	120	186
Total marketing expenses	783	1,346	657	1,200
Administrative expenses				
Office maintenance and workplace expenses	298	581	173	321
IT expenses	561	1,065	456	840
Legal and recovery proceeding expenses	273	449	139	271
Training and business trip expenses	119	235	27	41
Supervision expenses	130	273	120	237
Transportation expenses	81	129	46	68
Other	609	1,127	621	918
Total administrative expenses	2,071	3,859	1,582	2,696

Note 8 Loans and advances

Distribution of receivables by customer sector

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Distribution of receivables by customer sector			
Households	679,607	607,343	493,227
Corporates	8,554	8,848	10,497
Loans and advances before impairment allowance	688,161	616,191	503,724
Impairment allowance	-14,595	-11,343	-11,513
Total loans and advances	673,566	604,848	492,211

Changes in impairments

In thousands of euros	6 months 2022	12 months 2021	6 months 2021
Changes in impairments			
Impairment allowance balance in the beginning of the period	-11,343	-13,242	-13,242
Impairment provisions set up during reporting period	8,711	12,690	-7,353
Written off from financial position during the period	-11,963	-10,791	9,082
Total impairment	-14,595	-11,343	-11,513

Impairment losses on loans and advances

In thousands of euros	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Impairment losses on loans and advances				
Impairment losses of reporting period	-4,605	-8,711	-4,024	-7,353
Recoveries from written off from financial position	1,518	3,051	2,083	3,607
Total impairment losses on loans and advances	-3,087	-5,660	-1,941	-3,746

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						
30.06.2022	Gross	Impairment allowance			Net receivables	Impairment coverage
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	642,260	-4,808	-86	-341	637,025	0.8%
4-30 days	21,079	-1,674	-105	-135	19,165	9.1%
31-89 days	8,980	0	-1,990	-221	6,769	24.6%
90-179 days	2,054	0	0	-1,026	1,028	50.0%
180+ days	5,234	0	0	-4,186	1,048	80.0%
Total receivables	679,607	-6,482	-2,181	-5,909	665,035	2.1%
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%
30.06.2021						
Distribution of receivables	Gross	Impairment allowance			Net receivables	Impairment coverage
	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	448,039	-3,547	-102	-194	444,196	0.9%
4-30 days	31,391	-1,852	-37	-61	29,441	6.2%
31-89 days	8,813	-5	-1,740	-175	6,893	21.8%
90-179 days	1,214	0	-7	-795	412	66.1%
180+ days	3,770	0	0	-2,968	802	78.7%
Total receivables	493,227	-5,404	-1,886	-4,193	481,744	2.3%

Distribution of receivables from corporates

In thousands of euros						
30.06.2022	Gross	Impairment allowance			Net receivables	Impairment coverage
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	8,540	-23	0	0	8,517	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	7	0	0	0	7	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	7	0	0	0	7	0.0%
Total receivables	8,554	-23	0	0	8,531	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%

30.06.2021						
Distribution of receivables	Gross	Impairment allowance			Net receivables	Impairment coverage
	receivables	Stage 1	Stage 2	Stage 3		
0-3 days	10,495	-29	0	0	10,466	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	1	0	0	0	1	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	1	0	0	-1	0	100.0%
Total receivables	10,497	-29	0	-1	10,467	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	30.06.2022	31.12.2021	30.06.2021
Due from central banks	66,941	69,549	61,079
Mandatory reserve in central banks	12,543	7,904	3,044
Due from credit institutions	13,442	17,870	18,881
Total due from central banks and credit institutions	92,926	95,323	83,004

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	30.06.2022	31.12.2021	30.06.2021
Investments in debt securities	8,962	7,589	6,163
incl. investments in corporate debt securities	8,962	7,589	6,063
Interest accruals	32	95	31
Total investments in debt securities	8,994	7,684	6,194

As of 30.06.2022, Inbank's debt securities portfolio consists of long-term securities with different maturities between 29.09.2027 and 29.06.2029 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 was completed on 1 of July 2022. For 30 June 2022 reporting purposes investment in to Maksekeskus AS is classified as asset held for sale and measured at its carrying amount which is lower than its fair value EUR 4,203 thousand.

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 "buy now, 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. These two investments are accounted for using the equity method. In 6 months of 2022, loss from equity investments was calculated in the amount of EUR 140 thousand (6 months 2021: profit EUR 257 thousand).

Acquisitions of associates

In thousands of euros	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Acquisitions				
Equity contribution, financial assets at fair value through profit and loss	4	349	0	3,150
Equity contribution, associates	181	181	93	144
Total acquisitions	185	530	93	3,294

Inbank has not received dividends from its associates.

Note 12 Other assets

Other assets

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Other financial assets			
Prepaid guarantee amounts	343	295	249
Accrued receivables	2,007	1,856	1,139
Total other financial assets	2,350	2,151	1,388
Other assets			
Prepaid expenses	5,614	2,525	1,663
Prepaid taxes	612	6	393
Other assets	464	238	1,270
Total other assets	6,690	2,769	3,326

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

Note 13 Customer deposits

Deposits

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Customer deposits			
Deposits from households	698,364	607,597	497,654
Deposits from non-financial corporates	10,249	8,142	8,039
Deposits from financial corporates	114	2,118	15,214
Total customer deposits	708,727	617,857	520,907

Deposits by clients' residency

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Deposits by clients' residency			
Estonia	56,821	60,253	75,643
Germany	319,844	264,731	241,223
Poland	286,626	251,335	160,026
Austria	12,214	11,122	10,955
Netherlands	30,591	27,678	27,337
Lithuania	2,346	2,404	2,617
Other residence	285	334	3,106
Total deposits by clients' residency	708,727	617,857	520,907

Deposits by contractual maturity

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Deposits by contractual maturity			
On demand	70,506	29,611	10,995
1-90 days	176,030	135,444	81,210
91-365 days	238,987	222,863	203,330
1-5 years	223,204	229,939	225,372
Total deposits by contractual maturity	708,727	617,857	520,907

Deposits include accrued interest liabilities in the amount of EUR 9,343 thousand (31.12.2021: EUR 7,728 thousand, 30.06.2021: EUR 7,038 thousand).

Note 14 Subordinated debt securities

Subordinated debt securities

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Subordinated debt securities issued	30,650	37,153	17,653
Interest accruals	-110	34	-71
Total subordinated debt securities	30,540	37,187	17,582

Subordinated debt securities detailed information

Subordinated debt securities	Nominal price	Amount	Interest rate	Issue date	Maturity date
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. Bonds were redeemed and paid on 19 of May 2022.

Note 15 Other liabilities

Other liabilities

In thousands of euros	30.06.2022	31.12.2021	30.06.2021
Financial liabilities			
Accounts payable	22,613	21,292	17,209
Lease liability	24,448	26,494	26,236
Client prepayments	2,356	1,402	1,582
Total financial liabilities	49,417	49,188	45,027
Other liabilities			
Payables to employees	1,721	2,147	1,995
Payroll taxes	896	711	480
Other liabilities	254	438	1,416
Total other liabilities	2,871	3,296	3,891

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	30.06.2022	31.12.2021	30.06.2021
Revocable commitments			
Liability in contractual amount	5,660	5,485	5,079
incl. unused credit card limits	3,660	3,460	2,992

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
Balance, 30.06.2021	9,610,530	961	23,865	24,826
Balance, 01.01.2022	9,967,197	997	30,436	31,433
Balance, 30.06.2022	9,967,197	997	30,436	31,433

Biggest shareholders who hold more than 5% of company shares

Shareholder name	Holding amount 30.06.2022
Cofi Investeeringud OÜ	25.91%
Luciano Orsero	9.31%
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	30.06.2022	31.12.2021	30.06.2021
Statutory reserve	100	96	96
Voluntary reserve	1,330	1,330	1,330
Share based payments reserve	714	591	467
Other accumulated comprehensive income	-262	-296	-178
Total reserves	1,882	1,721	1,715

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	30.06.2022			31.12.2021			30.06.2021		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
Assets									
Due from central banks	79,484	79,484	2	77,453	77,453	2	64,123	64,123	2
Due from credit institutions	13,442	13,442	2	17,870	17,870	2	18,881	18,881	2
Investments in debt securities	8,994	8,994	3	7,684	7,684	3	6,194	6,194	3
Loans and advances	673,566	673,566	3	604,848	604,848	3	492,211	492,211	3
Other financial assets	2,350	2,350	3	2,151	2,151	3	1,388	1,388	3
Total assets	777,836	777,836		710,006	710,006		582,797	582,797	
Liabilities									
Customer deposits	708,727	708,727	2	617,857	617,857	2	520,907	520,907	2
Subordinated debt securities	23,361	22,938	2	30,382	29,524	2	15,271	14,489	2
Subordinated debt securities (AT1)	7,602	7,602	3	7,663	7,663	3	3,093	3,093	3
Other financial liabilities	49,417	49,417	3	49,188	49,188	3	45,027	45,027	3
Total liabilities	789,107	788,684		705,090	704,232		584,298	583,516	

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	Q2 2022	6 months 2022	Q2 2021	6 months 2021
Remuneration of the Management Board and Supervisory Board	162	470	311	675

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 Balances as of end of reporting period	30.06.2022			31.12.2021		
	Management	Associates	Total	Management	Associates	Total
Investments in debt securities	0	8,994	8,994	0	7,684	7,684
Loans and advances	30	0	30	84	0	84
Deposits and subordinated debt securities	1,211	0	1,211	1,100	0	1,100

Transactions

In thousands of euros Transactions	6 months 2022			6 months 2021		
	Management	Associates	Total	Management	Associates	Total
Interest income	22	122	144	0	63	63
Interest expenses	42	0	42	21	0	21
Services purchased	67	0	67	300	0	300

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%).

Note 21 Events after the reporting period

1 of July 2022 Inbank has completed sale of its 29.8% stake in the Maksekeskus. For more details refer to Note 11.

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