

Interim Report Q1 2021

Inbank AS

Inbank AS General Information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
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	01.01.2021-31.03.2021

Members of the Supervisory Board

Priit Põldoja, Chairman
Rain Rannu
Raino Paron
Roberto de Silvestri
Taavi Kotka
Triinu Reinold

Members of the Management Board

Priit Põldoja, Chairman
Benas Pavlauskas
Jaanus Kõusaar
Maciej Pieczkowski
Margus Kastein
Marko Varik
Piret Paulus

Inbank AS' interim report for Q1 2021 is unaudited.

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

Declaration of the Management Board

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

- the data and information presented in this interim report for the Q1 of 2021 consisting of the management report and financial statements as at 31 March 2021 are correct and complete;
- this interim report gives a true and fair view of the financial position of the Inbank AS consolidation group as at 31 March 2021, its financial performance and cash flows for the Q1 of 2021;
- 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 2020.

Inbank AS is a going concern.

Tallinn, 7 May 2021

Priit Põldoja

Chairman of the Management Board

Management report

The end of the first quarter of 2021 marked a year since the beginning of Covid-19 restrictions. As a result of the second virus wave, the Baltic and Polish economies were once again operating in a severely constrained environment. The vast majority of our retail partners could not open their stores to customers and looked for ways to continue their business digitally. However, if we compare the first quarter year on year, a lot has changed. While in March 2020, Inbank's sales fell by half, March this year was Inbank's best sales month ever.

In the first quarter of the year, Inbank sold 97 million euros worth of credit products, which is 49% more than last year. Since the second half of 2020, our growth has been driven by the Polish business unit, and this continued also in the first quarter, as the Polish unit contributed 43 million euros to total sales, which is 258% more than a year ago. Furthermore, during Q1 2021 the Polish unit reached profitability and is well positioned to contribute to Inbank's profit growth.

Looking at product segments, sales finance continued strong growth with sales amounting to 71 million euros. Inbank's total loan portfolio grew by 25% year on year to 433 million euros. Inbank's total assets grew by 29% year on year and amounted to 582 million euros by the end of the first quarter. In addition to growth in the loan portfolio, the right of use assets and other tangible assets increased by 36 million euros, which are predominantly full-service lease contracts of Mobire AS, acquired end of January. The bank's deposit portfolio grew by 22% year on year, reaching 453 million euros.

Both retailers and customers have clearly adapted to the new reality and found new channels to facilitate transactions. Throughout the past 12 months, Inbank has been developing digital products and solutions to support the sales of our partners in this difficult situation. It is gratifying to see that Inbank has successfully consolidated its position during the year, especially in partner-based channels. However, the crisis and continuing uncertainty have certainly left their mark on consumer confidence, and the volume of small loans has not reached the level of the first quarter last year. As a result of this and the increase in Polish volumes, the effective interest rate of the portfolio continues to fall, dropping to 10.8% by the end of the first quarter.

Inbank's net income increased by 6% year on year, but expenses increased by 15%. While revenue growth is held back by a decrease in the portfolio margin, the rising expenses were mainly caused by the increase in personnel costs and the consolidation of the results of Mobire AS. Mobire's full-service rental business model is slightly different from Inbank and it will affect several key ratios in comparison to last year. The purchase of 53% of Mobire AS shares was completed at the end of January.

At the same time, credit costs decreased by 25% year on year in the first quarter and amounted to 1.8 million euros. The lower credit costs were due to the continuing improvement in the quality of loans issued and an improved outlook concerning future loan losses. The trend of over 60-day past due debts has been steadily improving since the third quarter of 2020. Based on this, we can see that customers who had difficulties in spring 2020, and whose employers are struggling due to Covid-19 restrictions, continue to experience difficulties one year later. However, the pace of new overdue customers continues to decrease. Inbank's annual credit cost was 1.8% in the first quarter, which is significantly better than in recent quarters.

In total, Inbank earned 2.55 million euros of profit in the first quarter of 2021 – a 17% increase year on year. The share of the profit attributable to the shareholders of the parent company was 2.39 million euros. Return on equity for the quarter was 15,5%. For the first time since the onset of the coronavirus crisis, Inbank's profit growth is accelerating again. Business volumes grew vigorously and we continued to invest in people and product development. Although margins continue to decline, this is accompanied by lower loan losses. As the economy opens, we expect strong growth in retail consumption and a recovery in loan demand in the coming quarters. Inbank is in a solid position to support our partners and customers in all our markets.

Priit Põldoja

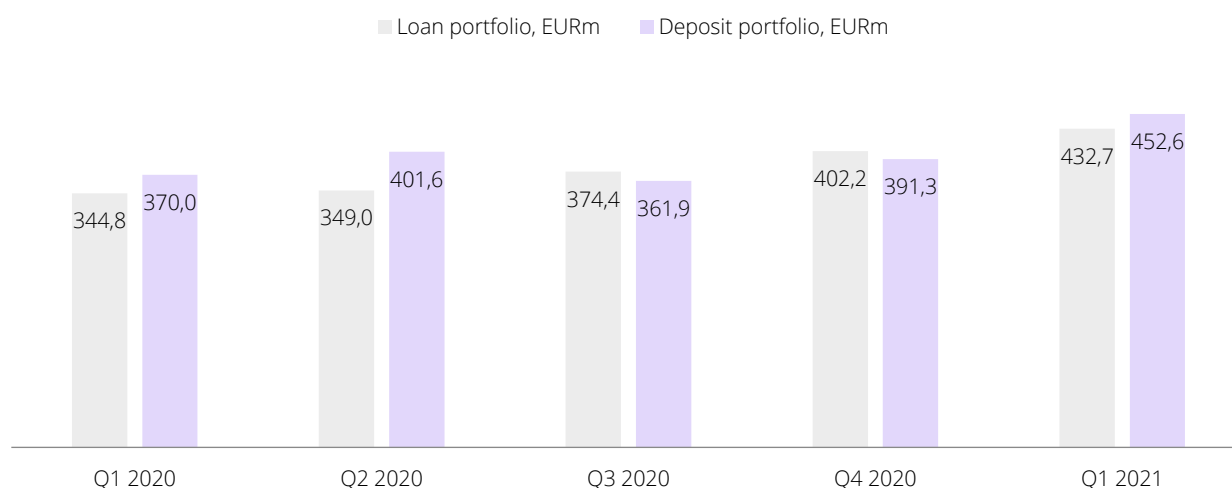
Chairman of the Management Board

Key financial indicators and ratios

Key financial indicators

In millions of euros	31.03.2021	31.03.2020	% change
Total assets	582.4	451.8	28.9%
Equity	66.9	49.4	35.4%
<i>incl. equity attributable to parent company</i>	63.5	49.4	28.5%
Net profit	2.5	2.2	13.6%
<i>incl. net profit attributable to parent company</i>	2.4	2.2	9.1%
Loan portfolio	432.7	344.8	25.5%
Deposit portfolio	452.6	370.0	22.3%

Loan and deposit portfolio development



Ratios

	3 months 2021	3 months 2020
Return on equity	15.5%	18.1%
Return on total assets	1.8%	1.9%
Net interest margin	7.4%	8.2%
Impairment losses to loan portfolio	1.8%	2.8%
Cost/income ratio	53.9%	49.8%
Equity to total assets	11.5%	10.9%

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: 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	31.03.2021	31.12.2020
Assets			
Due from central banks	8	50,349	27,445
Due from credit institutions	8	19,185	19,784
Investments in debt securities	9	15,205	13,618
Loans and advances	3; 7; 21	432,672	402,212
Investments in associates	10	4,238	4,026
Tangible assets		7,837	833
Right of use asset	11	29,809	1,157
Intangible assets	12	17,247	16,139
Other financial assets	13	1,231	1,350
Other assets	13	2,334	1,297
Deferred tax asset		2,250	2,170
Total assets	3	582,357	490,031
Liabilities			
Customer deposits	14; 21	452,592	391,341
Other financial liabilities	17; 21	40,816	12,218
Current Income tax liability	19	1,096	864
Other liabilities	17	3,343	2,810
Debt securities issued	15	0	4,010
Subordinated debt securities	16	17,573	17,563
Total liabilities	4	515,420	428,806
Equity			
Share capital	19	961	961
Share premium	19	23,865	23,865
Statutory reserve capital	20	96	90
Other reserves	20	1,364	1,438
Retained earnings		37,252	34,871
Non-controlling interest		3,399	0
Total equity		66,937	61,225
Total liabilities and equity		582,357	490,031

Notes set out on pages 10-26 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 2021	3 months 2021	Q1 2020	3 months 2020
Interest income based on EIR	4	11,116	11,116	10,887	10,887
Interest expense	4	-2,143	-2,143	-1,936	-1,936
Net interest income		8,973	8,973	8,951	8,951
Fee income	5	449	449	294	294
Fee expense	5	-789	-789	-490	-490
Net fee and commission income		-340	-340	-196	-196
Other operating income		3,522	3,522	140	140
Other operating expense		-2,721	-2,721	0	0
Total net interest, fee and other income		9,434	9,434	8,895	8,895
Personnel expenses	6	-2,751	-2,751	-2,399	-2,399
Marketing expenses	6	-543	-543	-507	-507
Administrative expenses	6	-1,054	-1,054	-1,047	-1,047
Depreciations, amortisation	12	-740	-740	-479	-479
Total operating expenses		-5,088	-5,088	-4,432	-4,432
Profit before profit from associates and impairment losses on loans		4,346	4,346	4,463	4,463
Share of profit from subsidiaries and associates	10	336	336	416	416
Impairment losses on loans and advances	7	-1,805	-1,805	-2,419	-2,419
Profit before income tax		2,877	2,877	2,460	2,460
Income tax		-331	-331	-279	-279
Profit for the period		2,546	2,546	2,181	2,181
incl. shareholders of parent company		2,387	2,387	2,181	2,181
incl. non-controlling interest		159	159	0	0
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-126	-126	-116	-116
Total comprehensive income for the period		2,420	2,420	2,065	2,065
incl. shareholders of parent company		2,261	2,261	2,065	2,065
incl. non-controlling interest		159	159	0	0

Notes set out on pages 10-26 form an integral part of the consolidated financial statements.

Condensed consolidated statement of cash flows

In thousands of euros	Note	3 months 2021	3 months 2020
Cash flows from operating activities			
Interest received	4	11,061	11,214
Interest paid	4	-1,212	-1,143
Fees received	5	449	294
Fees paid	5	-789	-490
Other income received		3,522	140
Personnel expenses	6	-3,014	-2,756
Administrative and marketing expenses	6	-3,907	-1,738
Corporate income tax paid		-152	-285
Cash flows from operating activities before changes in the operating assets and liabilities		5,958	5,236
Changes in operating assets			
Loans and advances		-30,470	-9,218
Mandatory reserve in central banks		-80	299
Other assets		416	871
Changes of operating liabilities			
Customer deposits		59,946	-8,713
Other liabilities		-1,560	-5,021
Net cash from operating activities		34,210	-16,546
Cash flows from investing activities			
Investments in debt securities		-1,591	0
Acquisition of tangible and intangible assets	12	-3,253	-1,578
Acquisition of subsidiaries and associates	10	-3,201	400
Net cash used in investing activities		-8,045	-1,178
Cash flows from financing activities			
Repayments of debt securities		-4,000	0
Net cash used in financing activities		-4,000	0
Effect of exchange rate changes		60	132
Cash and cash equivalents at the beginning of the reporting period	8	44,476	99,168
Net increase/decrease in cash and cash equivalents		22,225	-17,592
Cash and cash equivalents at the end of the reporting period	8	66,701	81,576

Notes set out on pages 10-26 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 attributable to owners of the parent	Non-controlling interest	Total equity
Balance, 01.01.2020	903	15,908	88	1,463	28,958	47,320	0	47,320
Paid in share capital		0	0	0	0	0	0	0
Share-based payment reserve	0	0	0	53	0	53	0	53
Statutory reserve capital	0	0	2	0	-2	0	0	0
Total profit for the reporting period	0	0	0	0	2,181	2,181	0	2,181
Other comprehensive income	0	0	0	-116	0	-116	0	-116
Balance, 31.03.2020	903	15,908	90	1,400	31,137	49,438	0	49,438
Balance, 01.01.2021	961	23,865	90	1,438	34,871	61,225	0	61,225
Paid in share capital	0	0	0	0	0	0	0	0
Share-based payment reserve	0	0	0	52	0	52	0	52
Statutory reserve capital	0	0	6	0	-6	0	0	0
Total profit for the reporting period	0	0	0	0	2,387	2,387	3,399	5,786
Other comprehensive income	0	0	0	-126	0	-126	0	-126
Balance, 31.03.2021	961	23,865	96	1,364	37,252	63,538	3,399	66,937

Notes set out on pages 10-26 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 2020, 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 2020, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

Company name	Year of purchase/founded	Location	Activity	Holding (%)	Cost (EURt)
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		
Inbank Technologies OÜ	2015	Estonia	Hardware rental	100	2,915
Maksekeskus Holding OÜ	2015	Estonia	Holding company	100	3,276
Inbank Payments OÜ	2019	Estonia	Holding company	100	3
AS Aktiva Portfolio	2020	Estonia	Debt collection management	34	337
Maksekeskus AS	2016	Estonia	Payment services	30	3,689
Mobire Group OÜ	2001	Estonia	Full service rent	53	3,445

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

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 past 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 financing activities into segments according to the geographical location of activities in Estonia, Latvia, Lithuania and Poland. Investments in other companies are considered separately. 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/benefit ratio, growth and quality of loan portfolio and impairment losses for each operating segment.

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.

Income of reported segments and net profit structure

In thousands of euros

	Estonia	Latvia	Lithuania	Poland	Investments	Inter-segment eliminations	Total
3 months 2021							
Interest income based on EIR	5,043	1,080	3,963	1,696	5	-671	11,116
incl. interest income from external customers	4,366	1,080	3,963	1,696	4	0	11,109
incl. internal interest income	677	0	0	0	1	-671	7
Fee income	301	55	0	93	0	0	449
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0
Other operating income	544	19	39	28	3,717	-825	3,522
Total income	5,888	1,154	4,002	1,817	3,722	-1,496	15,087
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	0	-2,721
Total expenses	-1,758	-188	-774	-748	-3,032	847	-2,932
Total net interest, fee and commission income and other income	4,130	966	3,228	1,069	690	-649	9,434
Operating expenses	-2,732	-530	-1,565	-567	-343	649	-5,088
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
Income tax	-43	0	-265	-10	-13	0	-331
Net profit/loss	265	379	1,176	23	703	649	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

3 months 2020	Estonia	Latvia	Lithuania	Poland	Investment s	Inter- segment elimination s	Total
Interest income based on EIR	5,840	1,296	4,138	991	29	-1,407	10,887
incl. interest income from external customers	4,462	1,296	4,138	991	29	0	10,916
incl. internal interest income	1,407	0	0	0	0	-1,407	0
Fee income	224	64	0	5	1	0	294
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0
Other operating income	98	24	15	3	70	-70	140
Total income	6,162	1,384	4,153	999	100	-1,477	11,321
Interest expense	-1,609	-216	-1,192	-317	-9	1,407	-1,936
Fee expense	-97	-41	-240	-112	0	0	-490
Total expenses	-1,706	-257	-1,432	-429	-9	1,407	-2,426
Total net interest, fee and commission income and other income	4,456	1,127	2,721	570	91	-70	8,895
Operating expenses	-2,399	-425	-1,266	-339	-73	70	-4,432
incl. depreciations, amortisation	-286	-37	-129	-27	0	0	-479
Profit before profit from associates and impairment losses on loans	2,057	702	1,455	231	18	0	4,463
Profit of subsidiaries and associates	375	0	0	0	41	0	416
Impairment losses on loans and advances	-933	-134	-784	-568	0	0	-2,419
Income tax	-238	0	-99	58	0	0	-279
Net profit/loss	1,261	568	572	-279	59	0	2,181
Total assets	389,984	30,126	141,867	49,727	0	-159,863	451,841
Total liabilities	347,453	27,055	127,661	55,352	0	-155,118	415,447

Equity of major subsidiaries

Equity

In thousands of euros

	31.03.2021	31.12.2020
SIA Inbank Latvia	4,369	2,501
Mobire Group OÜ	7,232	-

Note 4 Net interest income

In thousands of euros	Q1 2021	3 months 2021	Q1 2020	3 months 2020
Interest income based on EIR				
Loans to households	10,988	10,988	10,821	10,821
Loans to corporates	68	68	29	29
Due from financial and credit institutions	60	60	37	37
Total interest income	11,061	11,061	10,887	10,887
Interest expense				
Deposits received	-1,683	-1,683	-1,593	-1,593
Debt securities sold	-334	-334	-337	-337
Lease liability	-126	-126	-6	-6
Total interest expense	-1,945	-1,945	-1,936	-1,936
Net interest income	9,116	9,116	8,951	8,951
In thousands of euros	Q1 2021	3 months 2021	Q1 2020	3 months 2020
Interest income by customer location				
Estonia	4,322	4,322	4,462	4,462
Latvia	1,080	1,080	1,296	1,296
Lithuania	3,963	3,963	4,138	4,138
Poland	1,696	1,696	991	991
Total interest income by customer location	11,061	11,061	10,887	10,887

Note 5 Net fee and commission income

In thousands of euros	Q1 2021	3 months 2021	Q1 2020	3 months 2020
Fee income				
Households	449	449	292	292
Corporates	0	0	2	2
Total fee income	449	449	294	294
Fee expense				
Loan administration expenses	-544	-544	-490	-490
Security brokerage	-245	-245	0	0
Total fee expense	-789	-789	-490	-490
Net fee income	-340	-340	-196	-196
In thousands of euros	Q1 2021	3 months 2021	Q1 2020	3 months 2020
Fee income by customer location				
Estonia	301	301	225	225
Latvia	55	55	64	64
Poland	93	93	5	5
Total fee income by customer location	449	449	294	294

Note 6 Operating expenses

In thousands of euros	Q1 2021	3 months 2021	Q1 2020	3 months 2020
Personnel expenses				
Personnel expense	2,207	2,207	1,964	1,964
Social and other taxes	544	544	435	435
Total personnel expenses	2,751	2,751	2,399	2,399
Marketing expenses				
Advertising and marketing	477	477	413	413
Sales costs	66	66	94	94
Total marketing expenses	543	543	507	507
Administrative expenses				
Office maintenance and workplace expenses	148	148	150	150
IT expenses	384	384	355	355
Legal and recovery proceeding expenses	132	132	98	98
Training and business trip expenses	14	14	82	82
Supervision expenses	117	117	72	72
Transportation expenses	22	22	48	48
Other	237	237	242	242
Total administrative expenses	1,054	1,054	1,047	1,047

Note 7 Loans and advances

In thousands of euros	31.03.2021	31.12.2020
Distribution of receivables by customer sector		
Households	434,084	403,861
Corporates	10,949	11,593
Loans and advances before impairment allowance	445,033	415,454
Impairment allowance	-12,361	-13,242
Total loans and advances	432,672	402,212

In thousands of euros	3 months 2021	3 months 2020
Impairment losses on loans and advances		
Impairment losses of reporting period	-3,329	-3,295
Recoveries from written off from financial position	1,524	876
Total impairment losses on loans and advances	-1,805	-2,419

In thousands of euros	31.03.2021	31.12.2020
Changes in impairments		
Impairment allowance balance in the beginning of the period	-13,242	-12,712
Impairment provisions set up during reporting period	-3,329	-18,719
Written off from financial position during the period	4,208	18,189
Total impairment	-12,363	-13,242

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						
31.03.2021	Gross	Impairment allowance			Net	Impairment
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	392,339	-3,336	-70	-158	388,775	0.9%
4-30 days	27,376	-1,577	-44	-117	25,638	6.3%
31-89 days	7,572	-4	-1,407	-238	5,923	21.8%
90-179 days	1,243	0	0	-762	481	61.3%
180+ days	5,554	0	0	-4,614	940	83.1%
Total receivables	434,084	-4,917	-1,521	-5,889	421,757	2.8%

31.12.2020						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	360,075	-3,286	-49	-126	356,614	1.0%
4-30 days	27,698	-1,722	-51	-124	25,801	6.8%
31-89 days	8,173	-5	-1,640	-201	6,327	22.6%
90-179 days	1,238	0	0	-711	527	57.4%
180+ days	6,677	0	0	-5,289	1,388	79.2%
Total receivables	403,861	-5,013	-1,740	-6,451	390,657	3.3%

Distribution of receivables from corporates

In thousands of euros						
31.03.2021	Gross	Impairment allowance			Net	Impairment
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	10,941	-34	0	0	10,907	0.3%
4-30 days	3	0	0	0	3	0.0%
31-89 days	3	0	0	0	3	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	2	0	0	0	2	0.0%
Total receivables	10,949	-34	0	0	10,915	0.3%

31.12.2020						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	11,544	-33	0	0	11,511	0.3%
4-30 days	4	0	0	0	4	0.0%
31-89 days	1	0	0	0	1	0.0%
90-179 days	9	0	0	-2	7	22.2%
180+ days	35	0	0	-3	32	8.6%
Total receivables	11,593	-33	0	-5	11,555	0.3%

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

Note 8 Due from central banks and credit institutions

In thousands of euros	31.03.2021	31.12.2020
Due from central banks	47,516	24,692
Mandatory reserve in central banks	2,833	2,753
Due from credit institutions	19,185	19,784
Total due from central banks and credit institutions	69,534	47,229

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 9 Investments in debt securities

In thousands of euros	31.03.2021	31.12.2020
Investments in debt securities	15,173	13,582
incl. investments in central government debt securities	10,003	10,009
incl. investments in credit institution debt securities	100	0
incl. investments in corporate debt securities	5,092	3,537
Corrections	32	36
Total investments in debt securities	15,205	13,618

Note 10 Business combinations

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

Inbank has a 29.8% stake in AS Maksekeskus and a 34% stake in AS Aktiva Portfolio. Closer cooperation with Maksekeskus allows Inbank offer our products to the customers of Maksekeskus. AS Aktiva Portfolio has been established for more efficient management of debt portfolio.

Investments are accounted for using the equity method. Income from equity investments accounted for EUR 127 thousand (Q1 2020: EUR 42 thousand).

Acquisitions and disposals of associates

Balance sheet values of associates

In thousands of euros	31.03.2021	31.12.2020
Maksekeskus AS	3,850	3,689
AS Aktiva Portfolio	388	337
Total value of associates in the balance sheet	4,238	4,026

In thousands of euros	3 months 2021	3 months 2020
Acquisitions		
Equity contribution, financial assets at fair value through profit and loss	3,150	0
Equity contribution, associates	51	110
Total acquisitions	3,201	110

Disposals		
Received from disposals of subsidiary	0	780
Total disposals	0	780

On 14 December 2020 Inbank signed an agreement to acquire 53% of the full-service vehicle lease Mobire Group OÜ. The transaction was completed on 26 January 2021. The purpose of the transaction is to strengthen Inbank's position in the car financing market and enter into an innovative subscription-based business model. The acquisition of a stake in the mobire group will not have a significant impact on the economic activities of Inbank. The price of the transaction was EUR 3,4 million.

Name of acquired company	Mobire Group OÜ
Share %	22.02.1900
Acquisition date	25.01.2021
	Fair value acquired
Cash and cash equivalents	313
Loans and advances	200
Non-current asset	36,899
Other financial and non-financial liabilities	3,326
Loans received	-136
Other liabilities	-33,754
Total net assets acquired	3,653
Total consideration paid	3,445
Goodwill	-208

Inbank has not received dividends from its associates.

Note 11 Right of use asset

Inbank rents different office spaces. Leases have been entered into for a fixed period of 1 to 5 years. Under "Additions" are recognised the vehicle lease contracts through the acquisition of the subsidiary.

Distribution of right to use asset

In thousands of euros	Buldings	Vehicles	Total
Carrying amount, 01.01.2020	912	99	1,011
Additions	733	0	733
Depreciation charge	-400	-99	-499
Effect of translation to presentation currency	1	0	1
Carrying amount, 31.12.2020	1,246	0	1,246
Carrying amount, 01.01.2021	1,022	135	1,157
Additions	332	30,732	31,064
Disposals	0	-1,376	-1,376
Depreciation charge	-136	-900	-1,036
Effect of translation to presentation currency	0	0	0
Carrying amount, 31.03.2021	1,218	28,591	29,809

Interest expense from lease liability of the reporting period was EUR 125 thousand (Q1 20: EUR 6 thousand).

Note 12 Intangible assets

In thousands of euros	Licences	Software	Internally generated software*	Goodwill	Total
Cost, 01.01.2021	164	9,275	3,101	6,157	18,697
Accumulated amortisation	-114	-1,771	-673	0	-2,558
Opening carrying value	50	7,504	2,428	6,157	16,139
Additions	0	1,030	589	0	1,619
Amortisation charge	-2	-391	-118	0	-511
Closing carrying value	48	8,143	2,899	6,157	17,247
Cost, 31.03.2021	164	10,305	3,690	6,157	20,316
Accumulated amortisation	-116	-2,162	-791	0	-3,069
Carrying value	48	8,143	2,899	6,157	17,247

* Internally generated software consists of capitalised development costs.

Management has carried out tests of recoverable amount of goodwill as at 31 March 2021 and 31 December 2020. The cash generating units of goodwill are segments, which are entities of Inbank group. The breakdown of goodwill between segments is as follows:

In thousands of euros	31.03.2021	31.12.2020
Business segment		
Estonia	238	238
Lithuania	5,919	5,919
Total	6,157	6,157

The recoverable amount of goodwill was identified by value in use, which was determined using detailed pre-tax operating cash flow estimates for the next three years. Discounted cash flow method (DCF) was used for the value in use assessment. The growth rates (8.93%) used for estimates have been derived from the past experience of the growth in respective industry and the management's expectations of the respective growth rates in the estimated future periods in the respective region.

The recoverable amount of the unit does not significantly differ from its carrying amount (including goodwill), therefore, no adjustments have been made to the consolidated statement of financial position.

Note 13 Other assets

In thousands of euros	31.03.2021	31.12.2020
Financial assets		
Prepaid guarantee amounts	305	149
Accrued receivables	926	1,201
Total financial assets	1,231	1,350
Non-financial assets		
Prepaid expenses	1,282	772
Prepaid taxes	599	182
Other assets	453	343
Total non-financial assets	2,334	1,297

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

Note 14 Customer deposits

In thousands of euros	31.03.2021	31.12.2020
Customer deposits		
Deposits from households	443,158	377,757
Deposits from non-financial corporates	9,221	9,357
Deposits from financial corporates	213	4,227
Total customer deposits	452,592	391,341
In thousands of euros	31.03.2021	31.12.2020
Deposits by clients' residency		
Estonia	62,615	66,900
Germany	218,589	186,587
Poland	133,466	106,365
Austria	10,506	10,072
Netherlands	24,588	18,687
Lithuania	2,727	2,523
Other residence	101	207
Total deposits by clients' residency	452,592	391,341
In thousands of euros	31.03.2021	31.12.2020
Deposits by contractual maturity		
On demand	9,819	8,616
1-90 days	54,974	33,683
91-365 days	186,663	160,755
1-5 years	201,136	188,287
Total deposits by contractual maturity	452,592	391,341

Deposits include accrued interest liabilities in the amount of EUR 6 567 thousand (31.12.2020: EUR 5 636 thousand).

Note 15 Debt securities

In thousands of euros	31.03.2021	31.12.2020
Debt securities issued	0	4,000
Corrections	0	10
Total debt securities	0	4,010

Debt securities	Nominal value	Amount	Issue date	Maturity date
EE3300111673	250,000 EUR	16	28.02.2019	01.03.2021

The debt securities issued are recorded in the balance sheet at amortised cost.

Note 16 Subordinated debt securities

In thousands of euros	31.03.2021	31.12.2020
Subordinated debt securities issued	17,653	17,653
Adjustments	-80	-90
Total subordinated debt securities	17,573	17,563

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

Inbank issued 10-year subordinated debt securities with fixed interest rate of 7% on 28 September 2016. The debt securities are listed on Nasdaq Tallinn Stock Exchange. On the prior approval of the Financial Supervision Authority Inbank has the right to redeem the debt securities in five years from the date of issue (28 September 2021).

Inbank issued AT1 bonds (part of Tier 1 capital) on 19 December 2018, raising capital in the amount of EUR 3.15 million with private placement. AT1 capital instrument is a perpetual subordinated financial instrument, for which Inbank AS is obliged to pay quarterly perpetual coupon payments. The coupon payments may be deferred or cancelled at the discretion of Inbank AS. The AT1 bond is accounted for as liability because in specific circumstances Inbank AS is obliged to pay back the debt instrument to investors.

Inbank issued 10-year subordinated debt securities with fixed interest rate of 6% on 19 December 2019. The debt securities are listed on Nasdaq Tallinn Stock Exchange. On the prior approval of the Financial Supervision Authority Inbank has the right to redeem the debt securities in five years from the date of issue (19 December 2024).

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.

Note 17 Other liabilities

In thousands of euros	31.03.2021	31.12.2020
Financial liabilities		
Accounts payable	10,704	10,068
Lease liability	28,807	1,168
Client prepayments	1,305	982
Total financial liabilities	40,816	12,218
Other liabilities		
Payables to employees	1,995	1,964
Payroll taxes	480	480
Tax liability	758	864
Other liabilities	1,206	366
Total other liabilities	4,439	3,674

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses. Of the amount, EUR 5 645 thousand is Inbank's branch and subsidiaries liability to partners for loan granting activities (31.12.2020 EUR 6 484 thousand).

Note 18 Contingent liabilities

Inbank had the following loan commitments:

In thousands of euros	31.03.2021	31.12.2020
Revocable commitments		
Liability in contractual amount	5,574	7,448
incl. unused credit card limits	3,438	5,111

Note 19 Share capital

	No of shares	Nominal value (EURt)	Share premium (EURt)	Total
Balance, 01.01.2021	9,610,530	961	23,865	24,826
incl transaction costs arising on share issues	-	-	165	165
Balance, 31.03.2021	9,610,530	961	23,865	24,826

Inbank's share capital consists of 9,610,530 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 20 Reserves

In thousands of euros	31.03.2021	31.12.2020
Statutory reserve	96	90
Voluntary reserve	1,330	1,330
Share based payments reserve	398	346
Other accumulated comprehensive income	-364	-238
Total reserves	1,460	1,528

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

The general meeting of Inbank AS 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 21 Fair value of financial assets and liabilities

In thousands of euros	31.03.2021			31.12.2020		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
Assets						
Due from central banks	50,349	50,349	2	27,445	27,445	2
Due from credit institutions	19,185	19,185	2	19,784	19,784	2
Investments in debt securities	15,205	15,205	3	13,618	13,618	3
Loans and advances	432,672	432,672	3	402,212	402,212	3
Other financial assets	1,231	1,231	3	1,350	1,350	3
Total assets	518,642	518,642		464,409	464,409	
Liabilities						
Customer deposits	452,592	452,592	2	391,341	391,341	2
Debt securities issued	0	0	3	4,010	4,010	3
Subordinated debt securities	15,033	14,480	2	14,954	14,476	2
Subordinated debt securities (AT1)	3,093	3,093	3	3,087	3,087	3
Other financial liabilities	40,816	40,816	3	12,218	12,218	3
Total liabilities	511,534	510,981		425,610	425,132	

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

The fair value in 3 were 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 fair market interest 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 fair market interest 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. Management estimates that the interest rates today are comparable therefore fair value of the securities equals carrying amount, 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 22 Related parties

In thousands of euros	3 months 2021	3 months 2020
Remuneration of the Management Board and Supervisory Board	364	277

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.

In thousands of euros	31.03.2021			31.12.2020		
	Management	Associates	Total	Management	Associates	Total
Balances as of end of reporting period						
Investments in debt securities	0	5,092	5,092	0	3,537	3,537
Loans and advances	36	0	36	17	0	17
Deposits and subordinated debt securities	1,263	0	1,263	1,266	0	1,266

In thousands of euros	3 months 2021			3 months 2020		
	Management	Associates	Total	Management	Associates	Total
Transactions						
Interest income	0	31	31	0	0	0
Interest expenses	21	0	21	35	0	35
Services purchased	126	0	126	13	0	13

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. Interest rates are in between 1.85 and 5% (2020: 1.85 and 5%). Such loans are eliminated from the consolidated financial statements. Loans given to management members are issued on market terms, with an interest rate between 5.9 and 9.9% (2020: 0 and 10.9%). Debt claims in the amount of 2,922 thousand euros have been sold to associate (2020: EUR 3,958 thousand). The interest rate of deposits received from related parties matches with the interest rate offered to customers, interest rates are in between 1% and 2.25% (2020: 0.6 and 2.6%).

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