

Interim Report Q1 2023

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.eu
Reporting period	01.01.2023-31.03.2023

Members of the Supervisory Board

Jan Andresoo, Chairman

Roberto de Silvestri

Triinu Bucheton

Raino Paron

Rain Rannu

Taavi Kotka

Erkki Raasuke

Members of the Management Board

Priit Põldoja, Chairman

Marko Varik

Margus Kastein

Maciej Pieczkowski

Ivar Kurvits

Piret Paulus

Erik Kaju

AS Inbank interim report for Q1 2023 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 2023 consisting of the management report and financial statements as at 31 March 2023 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 2023, its financial performance and cash flows for the 3 months period ended 31 March 2023;
- 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 2022.

AS Inbank is a going concern.

Tallinn, 3 May 2023

Priit Põldoja

Chairman of the Management Board

Management report

In the first quarter of 2023 Inbank reported all-time high sales results and the best ever quarterly income. However, continued high-interest rates and investments in growth put pressure on Inbank's profitability. Our quarterly profit was 1.9 million euros, which is 37% lower than a year ago. Despite high inflation and higher interest rates, consumer spending and credit behaviour have remained surprisingly strong.

Inbank gross merchandise value (GMV) during the first quarter was 155 million euros, which is 14% more than a year ago. Our loan and subscription portfolio amounted to 856 million euros which is 26% more than a year ago. Sales results were especially strong in car finance totalling 32 million euros in sales, which is 65% more than a year ago. Merchant solutions continued to show strong results with 68 million euros worth of sales growing 15% year on year. Subscription solutions also recorded strong annual growth of 29%, reaching 13 million euros, while direct lending GMV grew 20% and reached 21 million. The only segment where we witnessed a drop was green finance where sales decreased by 31% to 20 million euros. The main reason for the drop was higher interest rates and regulatory changes in Poland. In total, we have reached 872 000 active customer contracts and continue to diversify and grow our business.

Inbank's main funding source is term deposits, and rates continued to be high during the first quarter putting further pressure on Inbank funding costs. Year on year our interest expense has increased by 218%, while interest income has increased by 49%. As a result, our net interest margin for the quarter dropped by slightly more than 1% to 4.95%. Looking forward, we see a stabilisation or even a slight decrease in zloty funding costs, while we expect euro funding costs to continue to climb for most of the year.

Despite high inflation and increasingly challenging economic conditions, Inbank loan impairment costs remained low. One of the main reasons for that is the low unemployment levels in all our markets. Our superior underwriting engine continues to produce excellent results, with a 1.6% impairment cost for the quarter. Inbank's net credit cost has remained below 2% for nine consecutive quarters. With temporarily lower margins, it is critical to continue to manage our credit costs well.

During the first quarter of 2023, we also completed the organisational change which started a year ago. The last part of the change involved merging our Product and Technology teams into one domain-based organisation with clear market-focused responsibilities for all the teams. The change will allow the teams to become more specialised and agile, where product leads, analysts, designers and engineers work as one unit to deliver business results. In the next couple of quarters, the organisation will be learning new ways of working. At the same time, we will continue to recruit more engineering talent to strengthen our tech architecture and increase development speed.

On 30 March, Inbank's shareholder meeting elected Erkki Raasuke as a Supervisory Board member and chair of its Audit Committee. Erkki will also chair our Audit Committee. With nearly 30 years of banking experience and having led such financial institutions as Swedbank, LHV and

Luminor in the Baltics, Erkki Raasuke will bring a wealth of experience and knowledge to the Inbank Supervisory Board to support our international growth ambitions.

Higher interest rates have put pressure on our performance and our profitability has dropped from the level we had aimed to be. At the same time, Inbank has been winning in the marketplace. Despite a more challenging pricing environment our partners and customers have chosen to trust Inbank. While we have been pickier about the business we are doing, we continue to grow at high speed. This is a testament to the strength of Inbank's embedded finance platform and the great job our sales organisations are doing in all countries.

We are likely to face some economic headwinds during the rest of 2023 of which we are mindful. At the same time, we continue to see good opportunities for Inbank in our current markets and beyond. We know that our business model is winning and we continue to invest to strengthen our international presence and product platform.

Priit Põldoja

Chairman of the Management Board, Founder

Inbank in numbers

Gross Merchandise Value

€155m

+14% year-on-year

Loan & subscription portfolio

€856m

+26% year-on-year

Deposit portfolio

€857m

+27% year-on-year

Active contracts

872,000

+9% year-on-year

New contracts quarterly

114,000

-3.5% year-on-year

Merchants

5,400

+6% year-on-year

Gross Merchandise Value

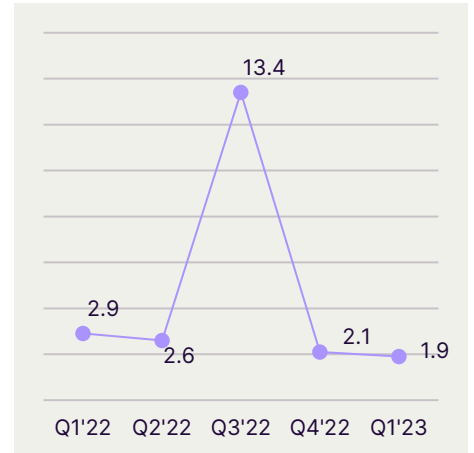
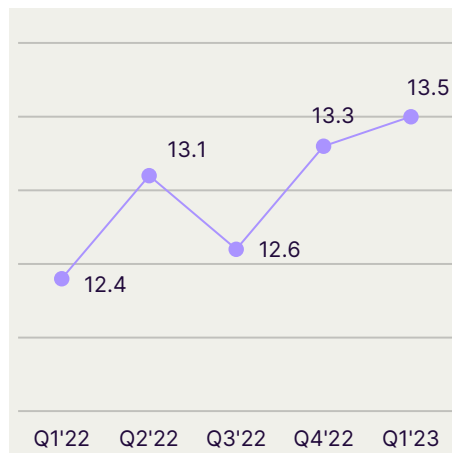
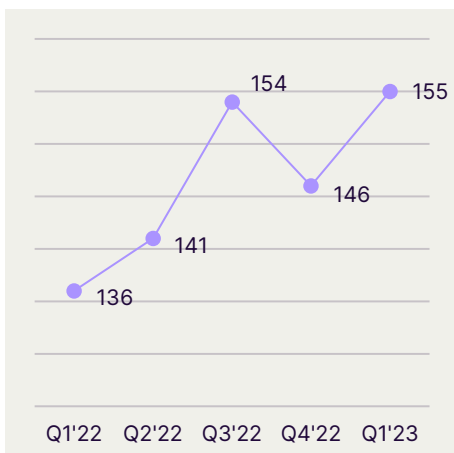
€155m

Total income

€13.5m

Net profit

€1.9m



(In millions of euros)

Key financial indicators and ratios

Key financial indicators

In millions of euros	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	% change YoY
Key financial indicators						
Total income	12.4	13.1	12.6	13.3	13.5	9%
Net profit	2.9	2.6	13.4	2.1	1.9	-37%
Total assets	846	876	913	1,020	1,050	24%
Equity	82	85	100	102	104	27%
Loan and subscription portfolio	681	723	766	816	856	26%
Deposit portfolio	677	709	728	829	857	27%

Ratios

Ratios	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Return on equity (ROE)	14.8%	12.6%	57.7%	8.4%	7.3%
Return on total assets	1.5%	1.2%	5.9%	0.9%	0.7%
Net interest margin	6.0%	5.8%	5.7%	5.5%	4.9%
Impairment losses to loan portfolio	1.7%	1.9%	1.7%	1.3%	1.6%
Cost/Income	53.7%	56.7%	60.9%	64.6%	64.0%
Equity to total assets	9.7%	9.7%	10.9%	10.0%	9.9%

Return on equity (ROE)	Profit for the period / total equity (average over the period)
Return on total assets	Profit for the period / 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 and advances / loans and advances (average over the period)
Cost/income ratio	Total net interest income, fee and other income and expenses
Equity to total assets	Total equity / total assets
Total income	Total net interest income, fee and other income and expenses
Loan and subscription portfolio	Total of loans and advances to households and subscription portfolio of Mobire Group (vehicles owned by Mobire Group companies and subscribed to individuals and businesses)
Gross merchandised value (GMV)	Total value of merchandise financed via Inbank embedded finance and direct- to- customer platforms
Net profit	Profit for the period

Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

In thousands of euros	Note	31.03.2023	31.12.2022	31.03.2022
Assets				
Due from central banks	9; 19	107,717	126,990	89,709
Due from credit institutions	9; 19	5,834	18,345	17,565
Investments in debt securities	10; 19	23,052	8,415	8,425
Financial assets designated at fair value through profit or loss		0	37	0
Loans and advances	8; 19	794,569	755,100	639,653
Investments in associates	11	1,098	1,065	716
Assets classified as held for sale		0	0	4,203
Other financial assets	12; 19	2,512	3,387	3,207
Tangible assets		54,017	48,533	25,982
Right of use assets		22,961	23,247	25,943
Intangible assets		27,270	26,249	23,224
Other assets	12	7,792	5,961	4,653
Deferred tax assets		3,481	3,166	2,601
Total assets		1,050,303	1,020,495	845,881
Liabilities				
Customer deposits	13; 19	857,013	828,894	676,918
Financial liabilities designated at fair value through profit or loss		20	0	184
Other financial liabilities	15; 19	54,490	55,240	46,203
Current tax liability		47	0	167
Deferred tax liability		106	187	89
Other liabilities	15	4,089	3,680	3,173
Subordinated debt securities	14; 19	30,581	30,570	37,041
Total liabilities		946,346	918,571	763,775
Equity				
Share capital	17	1,026	1,026	997
Share premium	17	31,855	31,855	30,436
Statutory reserve	18	100	100	100
Other reserves	18	1,529	1,421	1,773
Retained earnings		69,447	67,522	48,800
Total equity		103,957	101,924	82,106
Total liabilities and equity		1,050,303	1,020,495	845,881

Notes set out on pages 11 - 28 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 2023	3 months 2023	Q1 2022	3 months 2022
Interest income based on EIR	3; 4	20,604	20,604	13,821	13,821
Interest expense	3; 4	-9,379	-9,379	-2,947	-2,947
Net interest income	3; 4	11,225	11,225	10,874	10,874
Fee and commission income	3; 5	1,123	1,123	705	705
Fee and commission expenses	3; 5	-1,039	-1,039	-802	-802
Net fee and commission income/expenses	3; 5	84	84	-97	-97
Net gains from financial assets measured at fair value	3	-57	-57	-184	-184
Foreign exchange rate losses	3	83	83	-27	-27
Net losses from financial items		26	26	-211	-211
Other operating income	3; 6	8,247	8,247	5,897	5,897
Other operating expenses	3; 6	-6,091	-6,091	-4,112	-4,112
Total net interest, fee and other income and expenses		13,491	13,491	12,351	12,351
Personnel expenses	3; 7	-4,037	-4,037	-3,272	-3,272
Marketing expenses	3; 7	-798	-798	-563	-563
Administrative expenses	3; 7	-2,407	-2,407	-1,788	-1,788
Depreciations, amortisation	3	-1,394	-1,394	-1,009	-1,009
Total operating expenses		-8,636	-8,636	-6,632	-6,632
Profit before profit from associates and impairment losses on loans		4,855	4,855	5,719	5,719
Share of profit from associates	11	33	33	-58	-58
Impairment losses on loans and advances	8	-3,129	-3,129	-2,573	-2,573
Profit before income tax		1,759	1,759	3,088	3,088
Income tax		92	92	-147	-147
Profit for the period		1,851	1,851	2,941	2,941
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-45	-45	96	96
Total comprehensive income for the period		1,806	1,806	3,037	3,037

Notes set out on pages 11 - 28 form an integral part of the consolidated financial statements.

Condensed consolidated statement of cash flows

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Cash flows from operating activities				
Interest received	19,294	19,294	12,626	12,626
Interest paid	-7,603	-7,603	-2,759	-2,759
Fees received	1,334	1,334	705	705
Fees paid	-1,039	-1,039	-802	-802
Other operating income received	8,247	8,247	5,898	5,898
Other operating expense paid	-4,432	-4,432	-2,816	-2,816
Personnel expenses	-5,480	-5,480	-3,779	-3,779
Administrative and marketing expenses	-2,727	-2,727	-2,414	-2,414
Income tax paid	-257	-257	-186	-186
Cash flows from operating activities before changes in the operating assets and liabilities	7,337	7,337	6,473	6,473
Changes in operating assets				
Loans and advances	-41,692	-41,692	-33,345	-33,345
Mandatory reserve in central banks	-2,304	-2,304	-4,071	-4,071
Other financial assets	875	875	0	0
Other assets	-572	-572	-3,708	-3,708
Changes of operating liabilities				
Customer deposits	26,355	26,355	58,726	58,726
Other financial liabilities	1,731	1,731	0	0
Other liabilities	581	581	-2,458	-2,458
Net cash from operating activities	-7,689	-7,689	21,617	21,617
Cash flows from investing activities				
Investments in debt securities	-15,248	-15,248	0	0
Repayments of debt securities	804	804	0	0
Acquisition of tangible assets	-8,875	-8,875	-10,464	-10,464
Acquisition of intangible assets	-765	-765	0	0
Acquisition of subsidiaries	0	0	-345	-345
Net cash used in/from investing activities	-24,084	-24,084	-10,809	-10,809
Cash flows from financing activities				
Lease liability payments	-2,353	-2,353	-2,900	-2,900
Net cash used in/from financing activities	-2,353	-2,353	-2,900	-2,900
Effect of exchange rate changes	38	38	-28	-28
Cash and cash equivalents at the beginning of the reporting period	130,889	130,889	87,419	87,419
Net increase/decrease in cash and cash equivalents	-34,088	-34,088	7,880	7,880
Cash and cash equivalents at the end of the reporting period	96,801	96,801	95,299	95,299

Cash and cash equivalents

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Non-restricted current account with central banks	90,967	90,967	77,734	77,734
Due from other credit institutions within three months	5,834	5,834	17,565	17,565
Total cash and cash equivalents	96,801	96,801	95,299	95,299

Notes set out on pages 11 - 28 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, 01.01.2022	997	30,436	96	1,625	45,863	79,017
Share-based payment reserve	0	0	0	52	0	52
Statutory reserve	0	0	4	0	-4	0
Profit for the 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
Balance, 01.01.2023	1,026	31,855	100	1,421	67,522	101,924
Share-based payment reserve	0	0	0	153	74	227
Profit for the period	0	0	0	0	1,851	1,851
Other comprehensive income	0	0	0	-45	0	-45
Balance, 31.03.2023	1,026	31,855	100	1,529	69,447	103,957

Notes set out on pages 11 - 28 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 2022, 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 2022, 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)
AS Inbank filialas	2019	Lithuania	Banking, branch		
AS Inbank Spółka Akcyjna Oddział w Polsce	2016	Poland	Banking, branch		
AS Inbank, odštěpný závod	2021	Czechia	Banking, branch		
SIA Inbank Latvia	2014	Latvia	Financing	100	519
Inbank Ventures OÜ	2016	Estonia	Holding activity and hardware rental	100	6,665
Inbank Payments OÜ	2019	Estonia	Holding company	100	3
AS Inbank Finance	2021	Estonia	Financing	100	33,135
IBF Polska sp. z.o.o	2022	Poland	Financing	100	44
AS Inbank Rent	2023	Estonia	Subscription	100	500
Mobire Group OÜ	2021	Estonia	Subscription	53	9,660
Mobire Eesti AS	2021	Estonia	Subscription	53	
Mobire Latvija SIA	2021	Latvia	Subscription	53	
Mobire Lietuva UAB	2021	Lithuania	Subscription	53	
AS Aktiva Portfolio	2020	Estonia	Debt collection management	34	749
Paywerk AS	2021	Estonia	Payment services	29	316

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

On 21 March 2023 Inbank established subsidiary AS Inbank Rent which main activity is subscription business. For more details refer to Note 11.

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 business lines and the geographical location of activities in Estonia, Latvia, Lithuania, Poland and Czechia.

Inbank separates the following business lines: banking business, full service rent, investments. The banking business segment includes Inbank and its subsidiary Inbank Finance. Latvia, Lithuania, Poland and Czechia present separate units acting in those countries. The full service rent segment presents the Mobire business line in Inbank, which has consolidated this business in Estonian, Latvian and Lithuanian markets. Investments include companies that have investments in associates and subsidiaries.

The business segments are Inbank companies with separate financial data, which is also the basis for the regular monitoring of business results by the management at Inbank. Inbank monitors profitability, cost/income ratio, growth, and quality for each operational segment.

The banking business offers credit products with the largest product group being hire purchase. Inbank Ventures, which is part of the investment segment, offers hardware rental to Inbank companies and Mobire offers car full service rent.

The revenues of the reported segments contain revenues from transactions between the segments. Such transactions include loans given by Inbank and Inbank Finance, as well as services provided to the companies of the consolidation group by Inbank Ventures. 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.

The development of segment revenue and net profit is presented below, in which significant segments are presented separately.

Equity of major subsidiaries

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
SIA Inbank Latvia	6,738	6,295	5,148
Mobire Group OÜ	12,794	12,358	9,097
AS Inbank Finance	45,603	43,486	36,446
Inbank Technologies OÜ *	-	-	7,112
Maksekeskus Holding OÜ *	-	-	5,542
Inbank Ventures OÜ *	17,279	17,415	-
AS Inbank Rent *	500	-	-

* More information has been disclosed in Note 1.

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 2023	Estonia	Latvia	Lithuania	Poland	Czechia	Mobire	Investments	Eliminations	Total
Interest income based on EIR	9,839	2,020	4,439	7,948	28	0	0	-3,670	20,604
incl. income from external customers	6,169	2,020	4,439	7,948	28	0	0	0	20,604
incl. income from internal customers	3,670	0	0	0	0	0	0	-3,670	0
Fee and commission income	468	103	-6	556	2	0	0	0	1,123
Net gains from financial assets measured at fair value	-18	0	0	-39	0	0	0	0	-57
Other operating income	2,411	19	27	25	0	8,208	242	-2,685	8,247
incl. income from external customers	108	13	23	25	0	8,200	0	-122	8,247
incl. income from internal customers	2,303	6	4	0	0	8	242	-2,563	0
Total income	12,700	2,142	4,460	8,490	30	8,208	242	-6,355	29,917
Foreign exchange rate gains/losses	53	0	0	30	0	0	0	0	83
Interest expense	-4,466	-400	-899	-6,373	-24	-889	0	3,672	-9,379
Fee and commission expenses	-411	-84	-264	-276	-4	0	0	0	-1,039
Other operating expense	0	0	0	-1	0	-6,070	0	-20	-6,091
Total expenses	-4,824	-484	-1,163	-6,620	-28	-6,959	0	3,652	-16,426
Total net interest, fee and commission income and other income	7,876	1,658	3,297	1,870	2	1,249	242	-2,703	13,491
Operating expenses	-4,978	-951	-2,007	-1,799	-384	-843	-377	2,703	-8,636
incl. depreciations, amortisation	-1,000	-46	-192	-42	-19	-41	-72	18	-1,394
Profit before profit from associates and impairment losses on loans	2,898	707	1,290	71	-382	406	-135	0	4,855
Share of profit from associates	68	0	0	0	0	0	0	-35	33
Impairment losses on loans and advances	-1,268	-264	-407	-1,174	-16	0	0	0	-3,129
Profit before income tax	1,698	443	883	-1,103	-398	406	-135	-35	1,759
Income tax	0	0	-140	179	53	0	0	0	92
Net profit/loss	1,698	443	743	-924	-345	406	-135	-35	1,851
Total assets	907,424	76,564	179,971	364,246	2,859	81,945	26,464	-589,170	1,050,303
Total liabilities	807,326	69,826	159,004	369,667	4,104	69,152	8,681	-541,414	946,346
Total equity	100,098	6,738	20,967	-5,421	-1,245	12,793	17,783	-47,756	103,957

In thousands of euros

3 months 2022	Estonia	Latvia	Lithuania	Poland	Czechia	Mobire	Invest-ments	Elimina-tions	Total*
Interest income based on EIR	6,539	1,415	3,638	4,107	0	0	1	-1,879	13,821
incl. income from external customers	4,660	1,415	3,638	4,107	0	0	1	0	13,821
incl. income from internal customers	1,879	0	0	0	0	0	0	-1,879	0
Fee and commission income	361	56	-7	295	0	0	0	0	705
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0	0	0
Other operating income	2,365	15	69	32	0	0	5,980	-2,564	5,897
incl. income from external customers	71	7	58	10	0	0	5,751	0	5,897
incl. income from internal customers	2,294	8	11	22	0	0	229	-2,564	0
Total income	9,265	1,486	3,700	4,434	0	0	5,981	-4,443	20,423
Foreign exchange rate gains/losses	-2	0	0	-25	0	0	0	0	-27
Interest expense	-2,687	-220	-694	-941	0	0	-269	1,864	-2,947
Fee and commission expenses	-338	-58	-206	-200	0	0	0	0	-802
Other operating expense	0	0	0	0	0	0	-4,160	48	-4,112
Total expenses	-3,030	-278	-900	-1,347	0	0	-4,429	1,912	-8,072
Total net interest, fee and commission income and other income	6,235	1,208	2,800	3,087	0	0	1,552	-2,531	12,351
Operating expenses	-4,099	-761	-2,023	-1,437	0	0	-846	2,534	-6,632
incl. depreciations, amortisation	-685	-47	-195	-30	0	0	-64	12	-1,009
Profit before profit from associates and impairment losses on loans	2,136	447	777	1,650	0	0	706	3	5,719
Share of profit from associates	10	0	0	0	0	0	-68	0	-58
Impairment losses on loans and advances	-788	-201	-471	-1,113	0	0	0	0	-2,573
Profit before income tax	1,358	246	306	537	0	0	637	4	3,088
Income tax	15	0	10	-172	0	0	0	0	-147
Net profit/loss	1,373	246	316	365	0	0	637	4	2,941
Total assets	678,365	50,017	151,784	287,005	0	0	71,042	-392,332	845,881
Total liabilities	586,878	44,624	132,787	291,021	0	0	48,041	-339,576	763,775
Total equity	91,487	5,393	18,997	-4,016	0	0	23,001	-52,756	82,106

Note 4 Net interest income

Net interest income

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Interest income based on EIR				
Loans to households	19,362	19,362	13,709	13,709
Loans to corporates	166	166	82	82
Due from central banks, financial and credit institutions	1,076	1,076	30	30
Total interest income	20,604	20,604	13,821	13,821
Interest expense				
Deposits received	-8,642	-8,642	-2,203	-2,203
Debt securities sold	-485	-485	-592	-592
Lease liability	-252	-252	-152	-152
Total interest expense	-9,379	-9,379	-2,947	-2,947
Net interest income	11,225	11,225	10,874	10,874

Note 5 Net fee and commission income

Net fee and commission income

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Fee and commission income				
Households	1,121	1,121	705	705
Corporates	2	2	0	0
Total fee and commission income	1,123	1,123	705	705
Fee and commission expenses				
Loan administration expenses	-810	-810	-572	-572
Other fee expenses	-229	-229	-230	-230
Total fee and commission expenses	-1,039	-1,039	-802	-802
Net fee and commission income/expenses	84	84	-97	-97

Note 6 Other operating income and expenses

Other operating income and expenses

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Other operating income				
Income from subscription	8,070	8,070	5,744	5,744
Fines and penalties	172	172	148	148
Other income	5	5	5	5
Total other operating income	8,247	8,247	5,897	5,897
Other operating expense				
Sales, cars	-2,483	-2,483	-1,575	-1,575
Depreciations, cars for rental	-2,484	-2,484	-1,762	-1,762
Other costs, subscription	-1,124	-1,124	-775	-775
Total other operating expense	-6,091	-6,091	-4,112	-4,112

Full service rent income is generated from cars rented to customers. Cars are both purchased and leased through financial lease or operating lease agreements. It is possible to sell cars rented through operating lease agreements back to the merchant. Financial lease agreements also include car repurchase obligations, where the company partly has additional agreements with car dealers.

Note 7 Operating expenses

Operating expenses

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Personnel expenses				
Personnel expense	3,183	3,183	2,591	2,591
Social and other taxes	854	854	681	681
Total personnel expenses	4,037	4,037	3,272	3,272
Marketing expenses				
Advertising and marketing	658	658	440	440
Sales costs	140	140	123	123
Total marketing expenses	798	798	563	563
Administrative expenses				
IT expenses	569	569	504	504
Office maintenance and workplace expenses	398	398	283	283
Legal and recovery proceeding expenses	207	207	176	176
Employee related expenses	181	181	0	0
Supervision expenses	549	549	143	143
Training and business trip expenses	170	170	116	116
Outsourced services	88	88	0	0
Transportation expenses	70	70	48	48
Tax expenses	46	46	0	0
Other	129	129	518	518
Total administrative expenses	2,407	2,407	1,788	1,788

Note 8 Loans and advances

Distribution of receivables by customer sector

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Distribution of receivables by customer sector			
Households	799,406	762,560	643,840
Corporates	12,841	8,731	8,634
Loans and advances before impairment allowance	812,247	771,291	652,474
Impairment allowance	-17,678	-16,191	-12,821
Total loans and advances	794,569	755,100	639,653

Changes in impairments

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Changes in impairments			
Impairment allowance balance in the beginning of the period	-16,191	-11,343	-11,343
Impairment provisions set up during reporting period	-5,728	-19,215	4,106
Written off from financial position during the period	4,241	14,367	-5,584
Total impairment	-17,678	-16,191	-12,821

Impairment losses on loans and advances

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Impairment losses on loans and advances				
Impairment losses of reporting period	-5,728	-5,728	-4,106	-4,106
Recoveries from written off from financial position	2,599	2,599	1,533	1,533
Total impairment losses on loans and advances	-3,129	-3,129	-2,573	-2,573

Inbank regularly sells receivables that are more than 90 days overdue, with no obligation to repurchase (except in the case of fraud or the death of the customer). The difference between the sale price and the carrying amount of debt is recognised in the 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

31.03.2023	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
Distribution of receivables						
0-3 days	754,207	-4,973	-54	-507	748,673	0.7%
4-30 days	20,518	-1,428	-94	-176	18,820	8.3%
31-89 days	13,917	-1	-2,578	-379	10,959	21.3%
90-179 days	3,063	0	0	-1,798	1,265	58.7%
180+ days	7,701	0	0	-5,668	2,033	73.6%
Total receivables	799,406	-6,402	-2,726	-8,528	781,750	2.2%

31.12.2022	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
Distribution of receivables						
0-3 days	720,227	-4,953	-72	-419	714,783	0.8%
4-30 days	21,050	-1,601	-100	-154	19,195	8.8%
31-89 days	12,587	0	-2,407	-301	9,879	21.5%
90-179 days	2,626	0	0	-1,555	1,071	59.2%
180+ days	6,070	0	0	-4,607	1,463	75.9%
Total receivables	762,560	-6,554	-2,579	-7,036	746,391	2.1%

31.03.2022	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
Distribution of receivables						
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%

Distribution of receivables from corporates

In thousands of euros						
31.03.2023	Gross	Impairment allowance			Net	Impairment
Distribution of receivables	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	12,838	-22	0	0	12,816	0.2%
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	12,841	-22	0	0	12,819	0.2%

31.12.2022						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	8,250	-18	0	0	8,232	0.2%
4-30 days	480	-4	0	0	476	0.8%
31-89 days	1	0	0	0	1	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	8,731	-22	0	0	8,709	0.3%

31.03.2022						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
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%

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	31.03.2023	31.12.2022	31.03.2022
Due from central banks	90,967	112,544	77,734
Mandatory reserve in central banks	16,750	14,446	11,975
Due from credit institutions	5,834	18,345	17,565
Total due from central banks and credit institutions	113,551	145,335	107,274

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	31.03.2023	31.12.2022	31.03.2022
Investments in debt securities	22,820	8,378	8,393
incl. investments in central government debt securities	14,276	0	0
incl. investments in corporate debt securities	8,544	8,378	8,393
Interest accruals	232	37	32
Total investments in debt securities	23,052	8,415	8,425

Maturity and yield of debt securities

	Maturity from/to	Yield
Investments in debt securities		
investments in central government debt securities	04.08.2025	3.46% - 3.61%
investments in corporate debt securities	01.12.2023 / 01.08.2029	6.3% - 14.5%

Note 11 Business combinations and investments to associates

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

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. On 1 July 2022, Inbank successfully completed sale of a 29.8% stake in Maksekeskus AS.

On 27 July 2022, Maksekeskus Holding OÜ acquired 100% of the shares of Inbank Technologies OÜ. After the acquisition, Inbank Technologies OÜ was merged in to Maksekeskus Holding OÜ. As a result of the merger, Inbank Technologies OÜ shall cease to exist and Maksekeskus Holding OÜ shall continue, as the legal successor of the association being acquired.

Upon the merger, Maksekeskus Holding OÜ shall continue to operate under the business name Inbank Ventures OÜ. The transaction took place in September 2022. The transaction does not affect Inbank's business.

On 3 December 2021 Inbank established its branch in Czechia under name of „AS Inbank, odštěpný závod“. 20 June 2022 Czech national bank granted a banking licence to operate in the Czech Republic as a bank. Licence is issued for an indefinite period.

On 5 August 2022 AS Inbank established its subsidiary IBF Polska Sp. z o.o. in Poland. This entity's key activities include but are not limited to: other financial service activities, other activities supporting financial services and data processing; website management (hosting) and similar activities among others.

On 21 March 2023 Inbank established its subsidiary in Estonia under name of AS Inbank Rent. Key activity of subsidiary is subscription business.

AS Aktiva Portfolio has been established for more efficient management of debt portfolio.

Paywerk AS is a start-up company that offers a cross-border "buy now, pay later" service.

These two investments are accounted for using the equity method. In 3 months of 2023, income from equity investments was calculated in the amount of EUR 33 thousand (3 months 2022: profit EUR 58 thousand).

Acquisitions of associates

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Acquisitions				
Equity contribution, subsidiaries	500	500	345	345
Equity contribution, associates	68	68	0	0
Total contributions	568	568	345	345

Inbank has not received dividends from its associates.

Note 12 Other financial assets and other assets

Other financial assets and other assets

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Other financial assets			
Prepaid guarantee amounts	406	358	350
Accrued receivables	2,106	3,029	2,857
Total other financial assets	2,512	3,387	3,207
Other assets			
Prepaid expenses	6,518	4,838	3,988
Prepaid taxes	594	576	637
Other assets	680	547	28
Total other assets	7,792	5,961	4,653

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

Note 13 Customer deposits

Deposits

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Customer deposits			
Deposits from households	846,439	814,057	666,005
Deposits from non-financial corporates	10,322	14,547	10,798
Deposits from financial corporates	252	290	115
Total customer deposits	857,013	828,894	676,918

Deposits by clients' residency

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Deposits by clients' residency			
Estonia	59,619	62,988	59,326
Germany	313,888	353,109	310,836
Poland	357,313	312,356	263,634
Austria	16,561	16,358	11,815
Netherlands	106,091	81,218	28,605
Lithuania	3,420	2,721	2,317
Other residence	121	144	385
Total deposits by clients' residency	857,013	828,894	676,918

Deposits by contractual maturity

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Deposits by contractual maturity			
On demand	2,262	4,719	20,748
1-90 days	315,192	317,622	151,520
91-365 days	310,628	270,127	274,631
1-5 years	228,931	236,426	230,019
Total deposits by contractual maturity	857,013	828,894	676,918

Deposits include accrued interest liabilities in the amount of EUR 13,721 thousand (31.03.2022: EUR 8,162 thousand).

Note 14 Subordinated debt securities

Subordinated debt securities

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Subordinated debt securities issued	30,650	30,650	37,153
Interest accruals	-69	-80	-112
Total subordinated debt securities	30,581	30,570	37,041

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

The subordinated debt securities issued are recorded 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 15 Other financial liabilities and other liabilities

Other financial liabilities and other liabilities

In thousands of euros	31.03.2023	31.12.2022	31.03.2022
Financial liabilities			
Accounts payable	29,742	29,933	19,300
Lease liability	21,935	22,403	25,168
Client prepayments	2,813	2,904	1,735
Total financial liabilities	54,490	55,240	46,203
Other liabilities			
Payables to employees	2,024	2,360	1,673
Payroll taxes	1,427	864	1,205
Other liabilities	638	456	295
Total other liabilities	4,089	3,680	3,173

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	31.03.2023	31.12.2022	31.03.2022
Revocable commitments			
Liability in contractual amount	4,660	4,986	5,719
incl. unused credit card limits	4,410	4,136	3,719

Note 17 Share capital

Share capital

	No of shares	Nominal value (thou. EUR)	Share premium (thou. EUR)	Total
Balance, 01.01.2022	9,967,197	997	30,436	31,433
Balance, 31.03.2022	9,967,197	997	30,436	31,433
Balance, 01.01.2023	10,262,197	1,026	31,855	32,881
Balance, 31.03.2023	10,262,197	1,026	31,855	32,881

Biggest shareholders who hold more than 5% of company shares

Shareholder name	Holding amount 31.03.2023
Cofi Investeeringud OÜ	25.28%
Luciano Orsero	9.21%
Andrea Agostinone	8.05%
Elio Tomaso Giovanni Cravero	7.62%
Roberto de Silvestri	5.41%
SCI IN Holding	5.04%

Inbank's share capital consists of 10,262 thousand shares (31.03.2022: 9,967 thousand 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	31.03.2023	31.12.2022	31.03.2022
Statutory reserve	100	100	100
Voluntary reserve	1,330	1,329	1,330
Share based payments reserve	542	389	643
Other accumulated comprehensive income	-343	-297	-200
Total reserves	1,629	1,521	1,873

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

The financial instruments at each balance sheet date are summarized in the table below. For those measured at fair value, to provide an indication of the reliability of the inputs used in determining fair value, Inbank has classified its financial instruments in to the levels described below. All other financial instruments on the balance sheet meet the requirements of the contractual cash flow and characteristics test to be measured at amortized cost. Furthermore, the classification is based on the business model test.

Fair value of financial assets and liabilities

In thousands of euros		31.03.2023			31.12.2022			31.03.2022		
Assets	Note	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
Due from central banks	3; 11	107,717	107,717	2	126,990	126,990	2	89,709	89,709	2
Due from credit institutions	3; 11	5,834	5,834	2	18,345	18,345	2	17,565	17,565	2
Investments in debt securities	3; 12	23,052	23,052	3	8,415	8,415	3	8,425	8,425	3
Loans and advances	3; 9	794,569	794,569	3	755,100	755,100	3	639,653	639,653	3
Other financial assets	3; 17	2,512	2,512	3	3,387	3,387	3	3,207	3,207	3
Total assets		933,684	933,684		912,237	912,237		758,559	758,559	
Liabilities										
Customer deposits	18	829,732	857,013	3	798,444	828,894	2	676,918	676,918	2
Subordinated debt securities	19	22,591	22,956	2	20,216	22,952	2	30,199	29,913	2
Subordinated debt securities (AT1)	19	6,935	7,625	3	6,858	7,618	3	7,128	7,128	3
Other financial liabilities	20	54,490	54,490	3	55,240	55,240	3	46,203	46,203	3
Total liabilities		913,748	942,084		880,758	914,704		760,448	760,162	

Instruments are classified as level 1 when the fair value of financial instruments traded in active markets is based on quoted active market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all the significant inputs required to fair value an instrument are directly or indirectly observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. 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 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 are either sufficiently short-term or use a floating interest rate mechanism. Therefore, in the management's opinion, their fair value does not significantly differ from the net book value. The investments in debt securities are classified as level 3.

The small loans and hire-purchase products granted to customers are mainly 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. The increase in benchmark interest rates that started in 2022 has not thus far had a significant impact on the new sales price levels of consumer finance products. In general, the market interest rate and the fair value of loans have not significantly changed. 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 either sufficiently short-term or use a floating interest rate mechanism. Therefore, in the management's opinion, their fair value does not significantly differ from the net book value. Loans to corporates are classified as level 3.

Fixed-interest customer deposits. The fair value of term deposits accepted, and loans received by Inbank were estimated based on estimated future cash flows discounted at current interest rates for new instruments with a similar credit risk and remaining maturity. In the fair value hierarchy the given instruments were reclassified from level 2 to level 3.

Subordinated debt securities are listed on the Nasdaq Baltic Stock Exchange and their fair value can be determined based on the transaction history. The average transaction price for the last 12-months has been used to determine the fair value of the instruments. As a result, the debt security is classified as level 2 in the fair value hierarchy.

Subordinated debt securities (AT1) are not quoted in an active market. The fair value was estimated based on estimated future cash flows discounted at current interest rates for new instruments with a similar credit risk and remaining maturity. These are classified as level 3 in the fair value hierarchy.

Note 20 Related parties

Remuneration of the Management Board and Supervisory Board

In thousands of euros	Q1 2023	3 months 2023	Q1 2022	3 months 2022
Remuneration of the Management Board and Supervisory Board	410	410	342	342

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

- Shareholders with significant influence or control over Inbank,
- Members of the Management Board and legal entities controlled by them (hereinafter the management),
- Members of the Supervisory Board,
- Associates,
- Close relatives of the persons mentioned above and the legal entities related to them.

Balances as of end of reporting period

In thousands of euros	31.03.2023			31.12.2022		
	Management	Associates	Total	Management	Associates	Total
Balances as of end of reporting period						
Investments in debt securities	0	6,612	6,612	0	7,684	7,684
Loans and advances	91	0	91	84	0	84
Deposits and subordinated debt securities	1,118	0	1,118	1,100	0	1,100

Transactions

In thousands of euros	3 months 2023			3 months 2022		
	Management	Associates	Total	Management	Associates	Total
Transactions						
Interest income	3	105	108	1	172	173
Interest expenses	21	0	21	80	0	80
Services purchased	47	0	47	434	0	434

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 at the time where deposit contract was concluded, interest rates are in between 1.8% and 8% (2022: 1.8% and 2.25%). Such loans are eliminated from the consolidated financial statements.

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