Interim report of Inbank AS

3 months 2019

Inbank AS General information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	5 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Balance sheet date of report	31 March 2019
Reporting period	From 1 January 2019 to 31 March 2019

Members of the Supervisory Board

Priit Põldoja, Chairman of the Supervisory Board
Roberto De Silvestri
Triinu Reinold
Raino Paron
Rain Rannu

Members of the Management Board

Jan Andresoo, Chairman of the Management Board
Liina Sadrak
Marko Varik
Piret Paulus
Ivar Kallast

The reporting currency is the euro (EUR), with units presented in thousands.
Inbank AS' financial position as at 31 March 2019, consolidated income statement and cash flow statement for the 3 months of 2019 as well as the notes to the interim report have been reviewed by the auditor.
The bank does not hold any ratings provided 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 three months of 2019, consisting of the management report and financial statements as at 31 March 2019, 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 2019, its financial performance and cash flows for the three months of 2019;
- 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 ended 31 December 2018.

Inbank AS is a going concern.

Tallinn, 27 May 2019

Jan Andresoo	Chairman of the Management Board
Liina Sadrak	Member of the Management Board
Marko Varik	Member of the Management Board
Piret Paulus	Member of the Management Board
Ivar Kallast	Member of the Management Board

Management report

The first quarter of 2019 has passed. The organisation has actively been working towards implementing the strategy defined last year.

Main activities

In my last report, I highlighted the main areas that Inbank was focusing on. For relevance, I will point them out also in this report since these topics are relevant all year long:

- The development and implementation of a technological tool supporting retailers' omnichannel needs;
- Opening a branch in Lithuania;
- Breaking-even in Poland;
- Development of data management capabilities;
- Increasing IT capabilities.

In the first quarter, we managed to finish the analytical stage of new technological developments, and now IT can take over. We can report being on schedule and would soon like to surprise our partners.

Regarding opening the Lithuanian branch, we are ready to file all needed documents and start the official process. Meanwhile, the preparation of the practical side is in focus: we are working on developing the channel and products.

Poland was also picking up pace, and sales projections were backed with real results. Compared to the first quarter of 2018, the sales grew by 450% reaching 8.2 million euros (last year Q1 1.5 million euros). There were still some risk management topics to solve, such as the need for establishing solid partnerships in the field of overdue management. This is also an important prerequisite for achieving our objectives.

In the area of data management, we achieved and observed the first practical outcomes of the workstream. We now have a much better understanding of our products and channel profitability. In the current competitive landscape, it gives us better manoeuvrability in making decisions.

Last but not least, our IT team was growing, which indicates that the improved hiring method was effective. Due to the increase in IT personnel, teams can work on multiple strategic projects at the same time, increasing efficiency. As today's bank is very IT driven, it is one of the crucial areas to manage.

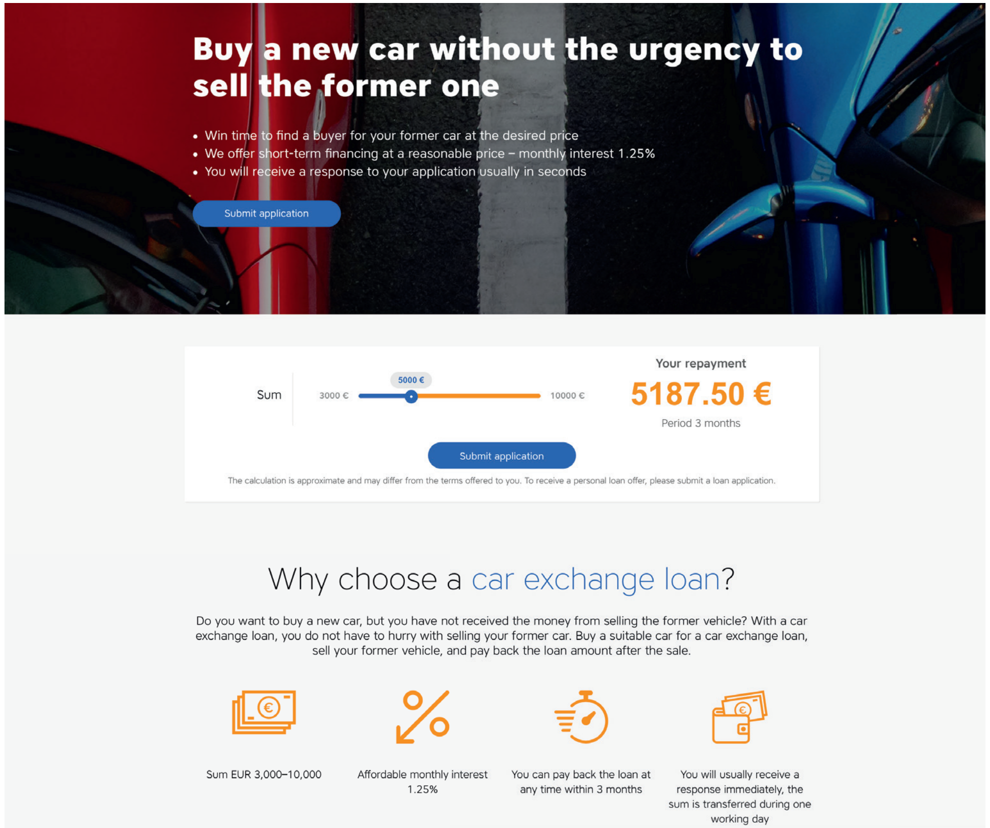
Regarding regulatory topics, we can inform that annual SREP (Supervisory Review and Evaluation Process) started again, and by the end of March, ICAAP (Internal Capital Adequacy Assessment Process) report of the Group was completed.

Business activity

Regarding everyday economic activity, the most important highlight to share is strong sales in all countries. For a specialised bank like us, sales volumes are a strategic indicator. In Q1, our sales growth was 46% (also taking into account Mokilizingas' 2018 Q1 results), from 41 million euros to 59 million euros.

In Estonia, the growth was 38%, in Lithuania 26%, in Latvia 26% and in Poland 450%. By the end of the quarter, our loan portfolio was 246 million euros (2018 year-end portfolio was 226 million euros). Behind the good results were some trends and achievements which we would like to highlight:

- In Estonia, car loan products showed nice growth. Also, we introduced a new product called car exchange loan, which might be beneficial for the growth of the area in the future as well.
- In Latvia, the good results were driven by hire-purchase area (growth of 143% compared to last year). Many new partnerships boosted the numbers, which supported our annual goal of increasing the customer base;
- In Lithuania, the small loan product contributed to the sales growth;



- In Poland, the growth came from hire-purchase area, as partnerships started to open up. In the first half of last year we didn't have the product available and the results were even more satisfying for this reason, indicating that our offering can be competitive in tough markets like Poland.

In March, we introduced a new product called car exchange loan which gives the customer a chance to buy a new car without the urgency of selling the former one.

Regarding opening the Lithuanian branch, we are ready to file all needed documents and start the official process.

Financial results

Financial results of the first quarter were also strong. Inbank reported 2 million euros in profit in Q1. In comparison to last year, we have to face the fact that the indicator is lower by 48% (last year 3.9 million euros). However, we have to point out that last year the result was influenced by two one-off deals which contributed 3.2 million euros out of 3.9 million euros. If the one-offs were not taken into account and adding Mokilizingas' 2018 Q1 result, we could report a 38% increase in income, a 15% increase in costs and a 102% increase in profits.

This proves that our core business is solid and improving nicely. The best results were delivered by Latvia (0.45 million euros, change +192%) and Lithuania (1 million euros, change +314%), Estonia added 1.1 million euros and Poland's result was -0.5 million euros.

Our balance sheet grew by 7% and was 341 million euros at the end of March. Deposit portfolio grew by 15% and was 276 million euros at the end of the quarter. The deposit growth conformed to our expectations and supported our portfolio growth needs.

Jan Andresoo
Chairman of the Management Board

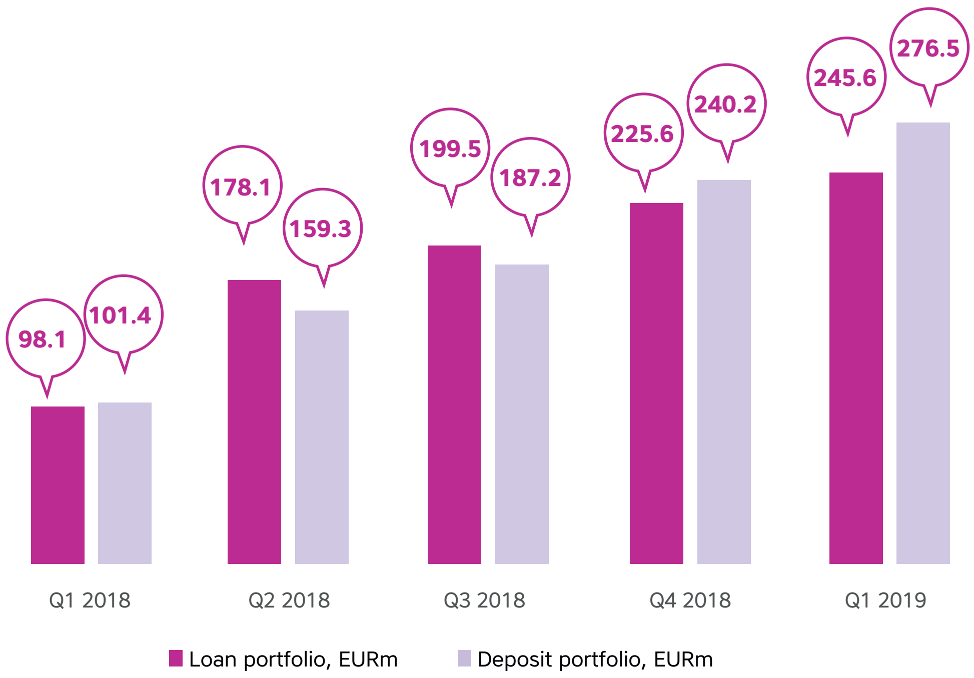
Key financial indicators and ratios

EURt

Key financial indicators	31.03.2019	31.03.2018	
Total assets	340 684	134 929	152.5%
Total equity attributable to shareholders of the parent	38 377	24 904	54.1%
Total comprehensive income attributable to owners of the parent	2 021	3 905	-48.2%
Loan portfolio	245 563	98 059	150.4%
Deposit portfolio	276 460	101 372	172.7%

Ratios	3 months 2019	3 months 2018
Return on equity	21.9%	67.5%
Return on total assets	2.5%	12.1%
Net interest margin	8.7%	10.7%
Impairment losses to loan portfolio	2.1%	3.6%
Cost/income ratio	48.6%	41.4%
Equity to total assets	11.3%	18.5%

Volume of loan portfolio and deposit portfolio



Return on equity: total comprehensive income attributable to owners of the parent / total equity attributable to the shareholders of parent company (average over the period), annualised
Return on total assets: total comprehensive income attributable to owners of the parent / total assets (average over the period) annualised
Net interest margin: net interest income / interest-bearing assets (average over the period) annualised
Impairment losses to loan portfolio: impairment losses on loans / loan portfolio (average over the period) annualised
Cost/income ratio: total operating expenses / total income
Equity to total assets: total equity attributable to shareholders of parent company / total assets

Capital adequacy

EURt	*31.03.2019*	*31.12.2018*
Capital base		
Paid-in share capital	874	874
Share premium	15 053	15 053
Statutory and other reserves	1 461	1 446
Retained earnings	18 930	9 756
Intangible assets (subtracted)	-8 073	-7 697
Profit for reporting period*	2 022	9 261
Other comprehensive income*	36	35
Other deductions	-1 666	-1 824
Adjustments due to IFRS 9 transitional arrangements	2 636	2 308
Total Common Equity Tier 1 capital	**31 273**	**29 212**
Additional Tier 1 capital	3 150	3 150
Total Tier 1 capital	**34 423**	**32 362**
Total Tier 2 capital	6 503	6 503
Net own funds for capital adequacy calculation	**40 926**	**38 865**
Risk-weighted assets		
Credit institutions, standardised approach	3 622	3 401
Non-financial customers, standardised approach	1 756	1 706
Retail claims, standardised approach**	182 482	167 208
Claims past due, standardised approach**	3 134	3 297
Other assets, standardised approach	8 139	6 844
Total credit risk and counterparty credit risk	**199 133**	**182 456**
Operational risk, basic indicator approach	25 648	25 648
Total risk-weighted assets	**224 781**	**208 104**

Capital adequacy (%)	18.21%	18.68%
Regulative capital adequacy (%)	17.13%	15.73%
Tier 1 capital ratio (%)	15.31%	15.55%
Regulative Tier 1 capital ratio (%)	14.25%	12.62%

* In accordance with EU regulation, audited profit for the period may be included in retained earnings upon prior approval by competent authorities. The calculations made in accordance with EU regulation do not include the profit earned during Q1 in the amount of 2 022 EURt (31.12.2018: Q2, Q3 and Q4 in the amount of 5 376 EURt).

** In the reports submitted to the regulator as of 31.03.2019, the risk exposures take account of the credit portfolio impairment losses made in the reporting period in the amount of 1 195 EURt and are yet to be confirmed by the external auditor (31.12.2018: 1 917 EURt).

The external auditor has confirmed the profit of 2018, together with the impairment losses.

The directly applicable regulation obliges all credit institutions (and their consolidating holding companies) and investment firms operating within the European Union to maintain a 4.5% Common Equity Tier 1 (CET 1) capital and a 6.0% Tier 1 capital with respect to risk assets. The capital adequacy requirement (CAD), covering both Tier 1 and Tier 2 capital, is maintained at 8.0%.

In addition to the principal requirements arising from the harmonised rules, the principles for establishing capital buffers are established with the corresponding directive. In addition to basic own funds requirement, Estonia has established capital preservation buffer at the respective level of 2.5% and systemic risk buffer 1% (to risk exposure located in Estonia). The total amount of the systemic risk buffer depends on the ratio between the Estonia and whole Group exposures.

The Group is obliged to keep the additional institution-specific countercyclical capital buffer which rate is the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. The countercyclical capital buffer rate currently applied in Lithuania is 0.5%. In other countries where the Group operates, the corresponding capital buffer rate is 0%.

These buffers are added to both Tier 1 and the total own funds requirements.
Overview of the capital requirement as at 31.03.2019 shown in the table below:

	Common Equity Tier 1 capital ratio	*Tier 1 capital ratio*	*Total capital ratio*
Base requirement	4.50%	6.00%	8.00%
Capital conservation buffer	2.50%	2.50%	2.50%
Countercyclical capital buffer	0.15%	0.15%	0.15%
Systemic risk buffer	0.48%	0.48%	0.48%
Minimum regulative capital requirement	**7.63%**	**9.13%**	**11.13%**

Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

EURt	Note	31.03.2019	31.12.2018
Assets			
Cash in hand		4	4
Due from central banks	8	66 289	64 620
Due from credit institutions	8	13 312	13 700
Financial assets at fair value through profit and loss	22	4 600	4 600
Loans and advances	3;7;22	245 563	225 639
Investments in associates	9	97	97
Tangible assets		581	545
Right of use asset		992	0
Intangible assets	10	8 073	7 697
Other financial assets	11	63	64
Other assets	11	546	514
Deferred tax asset		564	564
Total assets	**3**	**340 684**	**318 044**

EURt	Note	31.03.2019	31.12.2018
Liabilities			
Loan from credit institution	12	0	10 429
Customer deposits	13;22	276 460	240 175
Other financial liabilities	16;22	10 264	8 776
Other liabilities	16	2 039	2 654
Debt securities issued	14	4 009	10 017
Subordinated debt securities	15	9 535	9 528
Total liabilities	**3**	**302 307**	**281 579**
Equity			
Share capital	18;19	874	874
Share premium		15 053	15 053
Statutory reserve capital	21	88	79
Other reserves	20;21	1 410	1 401
Retained earnings		20 952	19 018
Total equity attributable to the share-holders of parent company		**38 377**	**36 425**
Non-controlling interest		0	40
Total equity		**38 377**	**36 465**
Total liabilities and equity		**340 684**	**318 044**

Notes set out on pages 14-47 form an integral part of the consolidated financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income

EURt	Note	Q1 2019	3 months 2019	Q1 2018	3 months 2018
Interest income	4	8 155	8 155	3 797	3 797
Interest expense	4	-1 390	-1 390	-571	-571
Net interest income		**6 765**	**6 765**	**3 226**	**3 226**
Fee income	5	204	204	161	161
Fee expense	5	-375	-375	-154	-154
Net fee and commission income		**-171**	**-171**	**7**	**7**
Net gains from financial assets measured at fair value		0	0	1 204	1 204
Other operating income		245	245	84	84
Total net interest, fee and other income		**6 839**	**6 839**	**4 521**	**4 521**
Personnel expenses	6	-1 856	-1 856	-1 211	-1 211
Marketing expenses	6	-391	-391	-126	-126
Administrative expenses	6	-799	-799	-466	-466
Depreciations, amortisation	10	-277	-277	-67	-67
Total operating expenses		**-3 323**	**-3 323**	**-1 870**	**-1 870**
Profit before profit from associates and impairment losses on loans		**3 516**	**3 516**	**2 651**	**2 651**
Share of profit from associates	9	0	0	1 986	1 986
Impairment losses on loans and advances	7	-1 195	-1 195	-852	-852
Profit before income tax		**2 321**	**2 321**	**3 785**	**3 785**
Income tax		-299	-299	103	103
Profit for the period		**2 022**	**2 022**	**3 888**	**3 888**

Continues on the next page

	Note	Q1 2019	3 months 2019	Q1 2018	3 months 2018
Other comprehensive income/loss					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		-1	-1	20	20
Total comprehensive income for the period		**2 021**	**2 021**	**3 908**	**3 908**
Net profit attributable to					
Shareholders of parent company		2 022	2 022	3 885	3 885
Non-controlling interest		0	0	3	3
Profit for the reporting period		**2 022**	**2 022**	**3 888**	**3 888**
Total comprehensive income/loss is attributable to					
Shareholders of parent company		2 021	2 021	3 905	3 905
Non-controlling interest		0	0	3	3
Total comprehensive income for the reporting period		**2 021**	**2 021**	**3 908**	**3 908**
Basic earnings per share	18	23.14	23.14	49.67	49.67
Diluted earnings per share	18	21.80	21.80	46.73	46.73

Notes set out on pages 14-47 form an integral part of the consolidated financial statements.

Condensed consolidated statement of cash flows

EURt	Note	3 months 2019	3 months 2018
Cash flows from operating activities			
Interest received	4	8 099	4 076
Interest paid	4	-1 339	-737
Fees received	5	204	161
Fees paid	5	-375	-154
Other income received		245	84
Personnel expenses	6	-1 737	-1 336
Administrative and marketing expenses	6	-1 376	-645
Corporate income tax paid		-387	-27
Cash flows from operating activities before changes in the operating assets and liabilities		**3 334**	**1 422**
Changes in operating assets			
Loans and advances		-20 527	-5 514
Mandatory reserve in central banks		-659	-189
Other assets		-31	-100
Changes of operating liabilities			
Loans from credit institution		-10 429	0
Customer deposits		35 691	5 086
Other liabilities		-40	-82
Net cash from operating activities		**7 339**	**623**

EURt	Note	3 months 2019	3 months 2018
Cash flows from investing activities			
Acquisition of tangible and intangible assets	10	-598	-175
Acquisition of subsidiaries and associates	9	-118	0
Proceeds from disposal of associates	9	0	6 269
Net cash used in investing activities		**-716**	**6 094**
Cash flows from financing activities			
Debt securities issued		4 000	0
Repayments of debt securities		-10 000	0
Net cash used in financing activities		**-6 000**	**0**
Effect of exchange rate changes		-1	-17
Cash and cash equivalents at the beginning of the reporting period		**76 372**	**22 600**
Net increase/decrease in cash and cash equivalents	8	622	6 700
Cash and cash equivalents at the end of the reporting period	**8**	**76 994**	**29 300**

Notes set out on pages 14-47 form an integral part of the consolidated financial report.

Condensed consolidated statement of changes in equity

EURt	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 as of 01 January 2018	**782**	**9 068**	**79**	**1 352**	**10 739**	**22 020**	**26**	**22 046**
Changes on initial application of IFRS 9	0	0	0	0	-1 026	-1 026	0	-1 026
Adjusted balance as at 01 January 2018	**782**	**9 068**	**79**	**1 352**	**9 713**	**20 994**	**26**	**21 020**
Share-based payment reserve	0	0	0	5	0	5	0	5
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	20	3 885	3 905	3	3 908
Balance as at 31 March 2018	**782**	**9 068**	**79**	**1 377**	**13 598**	**24 904**	**29**	**24 933**
Balance as at 01 January 2019	**874**	**15 053**	**79**	**1 401**	**19 018**	**36 425**	**40**	**36 465**
Share-based payment reserve	0	0	0	9	0	9	0	9
Statutory reserve capital	0	0	9	0	-9	0	0	0
Purchase of non-controlling interest in subsidiaries	0	0	0	0	-78	-78	-40	-118
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	0	2 021	2 021	0	2 021
Balance as at 31 March 2019	**874**	**15 053**	**88**	**1 410**	**20 952**	**38 377**	**0**	**38 377**

Notes set out on pages 14-47 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 2018, which comply with the International Financial Reporting Standards, as adopted by the European Commission (IFRS EU), with the exception of accounting principles changed as of 1 January 2019 in related to newly enforced IFRS EU standards. The changes in accounting principles are disclosed in Note 1, subsection "Changes in accounting principles".

The interim financial report has been reviewed but 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 31.12.2018, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

Company Name	Registry code	Date of purchase/ founded	Address	Activity	Holding (%)	Cost EURt
Maksekeskus Holding OÜ*	12257075	05.06.2015	Niine 11, Tallinn	Investment management	37.48	97
SIA Inbank Latvia	40103821436	21.08.2014	Akmenu iela 14, Riga	Financing	100	519
Inbank Technologies OÜ	12104213	05.06.2015	Niine 11, Tallinn	Hardware rental	100	454
Inbank Liising AS	14028999	08.04.2016	Niine 11, Tallinn	Leasing	100	198
UAB Mokilizingas**	124926897	22.05.2018	Kareiviu 11B, Vilnius	Financing	100	15 068
AS Inbank Spółka Akcyjna Oddział w Polsce	0000635086	08.09.2016	Riverside Park, Ul. Fabryczna 5A, Warszawa	Banking		

*Associate, Maksekeskus Holding OÜ has 20.3% shareholding in Maksekeskus AS, making Inbank a 7.6% shareholder in the payment consolidator.
**UAB Mokilizingas has branch in Latvia.

Changes in accounting policies

The Group has adopted IFRS 16, Leases for the first time starting from 01.01.2019. The other new standards that became effective since 1 January 2019 have had no impact on the 3-month interim financial report of Inbank.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Lessees will be required to recognise:
(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognized fixed assets and lease liabilities in relation to leases, which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases.

The Group leases various properties. Rental contracts are typically made for fixed periods of up to 3 years but include, as a rule extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

The Group recognises leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities were recognised in the balance sheet at net present value of lease payments. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis (except for exceptions). Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on some kind an index (for example inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease or the Group’s incremental borrowing rate. The alternative interest rate is the interest rate that the Group would have to pay if it financed the purchase of a similar right to use the asset with a loan.

Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and small items of office furniture. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed (for example, Group has exercised an option, which initially was considered reasonably uncertain or has not exercised an option, which was initially considered reasonably certain).

According to the contracts, Group has not granted any carrying value of the rental assets in the end of the contract.

On applying the standard as at 01.01.2019, the lease payments were discounted at the Group’s incremental borrowing rate of 3,21% on average. For a portfolio of rental contracts with sufficiently similar conditions, the same discount rate has been used as a simplification.

The Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- lease agreements for low value assets are excluded;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. As the result of application, the Group’s total assets in the balance sheet as at 01.01.2019 increased 1 070 thousand euros and liabilities increased 1 070 thousand euros.

EURt	Borrowings due within 1 year	Borrowings due after 1 year	Total
IFRS 16 initial application	401	669	1 070

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.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 1 "Summary of significant accounting policies".

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk,
- Choosing appropriate models and assumptions for the measurement of ECL,
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Note 3 Business segments

Inbank AS divides its business activities into segments based on its legal entities and nature of its product lines (consumer finance, IT services, leasing). Income of the reported segments include transactions between the segments. Business segments are Inbank group companies that have separate financial data, which form the basis for regular monitoring of business results by the Group's decision-makers. The Group monitors the profitability, the cost/income ratio, the growth and quality of the credit portfolio, and the allowance of the portfolio for each segment. In the information technology sector, revenue and expenditure are monitored.

Income of the reported segments include such inter-segment transactions as loans given by Inbank AS to its group companies and hardware rental services provided by Inbank Technologies to group companies. None of Inbank AS counterparties have income over 10% of its respective income of the consolidation group. Intersegment transactions constitute mainly of loan interests on loans given to subsidiaries. These intercompany transactions are accounted for at market prices, including IT services.

Income of reportable segments

EURt

3 months 2019	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Interest income	4 415	1 072	3 102	70	445	0	**9 104**
Fee income	157	45	0	2	0	0	**204**
Other operating income	114	20	134	0	0	15	**283**
Inter-segment eliminations	-972	0	0	0	0	-15	**-987**
Revenue from external customers	**3 714**	**1 137**	**3 236**	**72**	**445**	**0**	**8 604**
Interest expense	-1 183	-164	-819	-32	-141	0	**-2 339**
Fee expense	-95	-37	-183	0	-60	0	**-375**
Inter-segment eliminations	0	164	753	32	0	0	**949**
Total expenses	**-1 278**	**-37**	**-249**	**0**	**-201**	**0**	**-1 765**
Total net interest, fee and commission income and other income	**2 436**	**1 100**	**2 987**	**72**	**244**	**0**	**6 839**

Net profit structure

EURt

3 months 2019	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Profit before profit from associates and impairment losses on loans	**1 852**	**547**	**1 251**	**37**	**-130**	**-41**	**3 516**
Profit of associates	0	0	0	0	0	0	**0**
Impairment losses on loans and advances	-558	-96	-123	-25	-393	0	**-1 195**
Income tax	-181	0	-118	0	0	0	**-299**
Net profit/loss	**1 113**	**451**	**1 010**	**12**	**-523**	**-41**	**2 022**

Income of reportable segments

EURt							
Q1 2019	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Interest income	4 415	1 072	3 102	70	445	0	**9 104**
Fee income	157	45	0	2	0	0	**204**
Other operating income	114	20	134	0	0	15	**283**
Inter-segment eliminations	-972	0	0	0	0	-15	**-987**
Revenue from external customers	**3 714**	**1 137**	**3 236**	**72**	**445**	**0**	**8 604**
Interest expense	-1 183	-164	-819	-32	-141	0	**-2 339**
Fee expense	-95	-37	-183	0	-60	0	**-375**
Inter-segment eliminations	0	164	753	32	0	0	**949**
Total expenses	**-1 278**	**-37**	**-249**	**0**	**-201**	**0**	**-1 765**
Total net interest, fee and commission income and other income	**2 436**	**1 100**	**2 987**	**72**	**244**	**0**	**6 839**

Net profit structure

EURt							
Q1 2019	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Profit before profit from associates and impairment losses on loans	**1 852**	**547**	**1 251**	**37**	**-130**	**-41**	**3 516**
impairment losses on loans	0	0	0	0	0	0	**0**
Impairment losses on loans and advances	-558	-96	-123	-25	-393	0	**-1 195**
Income tax	-181	0	-118	0	0	0	**-299**
Net profit/loss	**1 113**	**451**	**1 010**	**12**	**-523**	**-41**	**2 022**

Income of reportable segments

EURt

3 months 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*Total*
Interest income	2 933	839	0	45	135	1	**3 953**
Fee income	116	43	0	1	1	0	**161**
Other operating income	1 267	15	0	3	-18	55	**1 322**
Inter-segment eliminations	-156	0	0	0	0	-34	**-190**
Revenue from external customers	**4 160**	**897**	**0**	**49**	**118**	**22**	**5 246**
Interest expense	-512	-128	0	-22	-59	-5	**-726**
Fee expense	-85	-33	0	0	-36	0	**-154**
Inter-segment eliminations	0	128	0	22	0	5	**155**
Total expenses	**-597**	**-33**	**0**	**0**	**-95**	**0**	**-725**
Total net interest, fee and commission income and other income	**3 563**	**864**	**0**	**49**	**23**	**22**	**4 521**

Net profit structure

EURt

3 months 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*Total*
Profit before profit from associates and impairment losses on loans	**2 648**	**409**	**0**	**21**	**-353**	**-74**	**2 651**
Profit of associates	1 552	0	0	0	0	434	**1 986**
Impairment losses on loans and advances	-397	-254	0	-8	-193	0	**-852**
Income tax	0	0	0	0	103	0	**103**
Net profit/loss	**3 803**	**155**	**0**	**13**	**-443**	**360**	**3 888**

Income of reportable segments

EURt							
Q1 2018	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Interest income	2 933	839	0	45	135	1	**3 953**
Fee income	116	43	0	1	1	0	**161**
Other operating income	1 267	15	0	3	-18	55	**1 322**
Inter-segment eliminations	-156	0	0	0	0	-34	**-190**
Revenue from external customers	**4 160**	**897**	**0**	**49**	**118**	**22**	**5 246**
Interest expense	-512	-128	0	-22	-59	-5	**-726**
Fee expense	-85	-33	0	0	-36	0	**-154**
Inter-segment eliminations	0	128	0	22	0	5	**155**
Total expenses	**-597**	**-33**	**0**	**0**	**-95**	**0**	**-725**
Total net interest, fee and commission income and other income	**3 563**	**864**	**0**	**49**	**23**	**22**	**4 521**

Net profit structure

EURt							
Q1 2018	***Inbank AS (Estonia)***	***SIA Inbank Latvia (Latvia)***	***UAB Mokilizingas (Lithuania)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Total***
Profit before profit from associates and impairment losses on loans	**2 648**	**409**	**0**	**21**	**-353**	**-74**	**2 651**
Profit of associates	1 552	0	0	0	0	434	**1 986**
Impairment losses on loans and advances	-397	-254	0	-8	-193	0	**-852**
Income tax	0	0	0	0	103	0	**103**
Net profit/loss	**3 803**	**155**	**0**	**13**	**-443**	**360**	**3 888**

Assets and liabilities of reportable segments

EURt 31.03.2019	Inbank AS (Estonia)	SIA Inbank Latvia (Latvia)	UAB Mokilizingas (Lithuania)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	Intersegment eliminations	Total
Cash in hand	4	0	0	0	0	0	0	**4**
Due from central banks	62 569	0	0	0	3 720	0	0	**66 289**
Due from credit institutions	4 206	256	1 338	94	7 174	244	0	**13 312**
Financial assets at fair value through profit and loss	4 600	0	0	0	0	0	0	**4 600**
Loans and advances	218 655	21 998	101 011	2 124	14 342	26	-112 593	**245 563**
Investments in subsidiaries	16 240	0	0	0	0	0	-16 240	**0**
Investments in associates	0	0	0	0	0	97	0	**97**
Tangible assets	114	72	165	0	22	208	0	**581**
Right to use asset	164	151	495	0	140	42	0	**992**
Intangible assets	7 600	91	401	0	15	0	-34	**8 073**
Other financial assets	10	31	0	0	20	2	0	**63**
Other assets	136	14	296	59	44	4	-7	**546**
Deferred tax assets	0	0	0	0	564	0	0	**564**
Total assets	**314 298**	**22 613**	**103 706**	**2 277**	**26 041**	**623**	**-128 874**	**340 684**
Loans received	0	20 863	84 993	2 000	4 622	0	-112 478	**0**
Customer deposits	252 230	0	0	0	24 230	0	0	**276 460**
Debt securities issued	4 009	0	0	0	0	0	0	**4 009**
Subordinated debt securities	9 535	0	0	0	0	0	0	**9 535**
Other financial liabilities	1 549	510	6 666	55	1 456	62	-34	**10 264**
Other liabilities	1 407	106	549	0	31	34	-88	**2 039**
Total liabilities	**268 730**	**21 479**	**92 208**	**2 055**	**30 339**	**96**	**-112 600**	**302 307**

Assets and liabilities of reportable segments

EURt

31.12.2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*Intersegment eliminations*	*Total*
Cash in hand	4	0	0	0	0	0	0	**4**
Due from central banks	62 993	0	0	0	1 627	0	0	**64 620**
Due from credit institutions	5 691	448	1 427	48	5 747	339	0	**13 700**
Financial assets at fair value through profit and loss	4 600	0	0	0	0	0	0	**4 600**
Loans and advances	192 332	19 753	93 786	1 856	10 230	21	-92 339	**225 639**
Investments in subsidiaries	16 122	0	0	0	0	0	-16 122	**0**
Investments in associates	0	0	0	0	0	97	0	**97**
Tangible assets	111	78	169	0	40	147	0	**545**
Intangible assets	7 300	101	315	0	17	0	-36	**7 697**
Other financial assets	12	30	0	0	20	2	0	**64**
Other assets	179	5	238	34	60	8	-10	**514**
Deferred tax assets	0	0	0	0	564	0	0	**564**
Total assets	**289 344**	**20 415**	**95 935**	**1 938**	**18 305**	**614**	**-108 507**	**318 044**
Loans received	0	19 400	77 372	1 700	4 186	0	-92 229	**10 429**
Customer deposits	222 611	0	0	0	17 564	0	0	**240 175**
Debt securities issued	10 017	0	0	0	0	0	0	**10 017**
Subordinated debt securities	9 528	0	0	0	0	0	0	**9 528**
Other financial liabilities	1 290	144	7 314	28	11	12	-23	**8 776**
Other liabilities	1 442	197	760	0	317	33	-95	**2 654**
Total liabilities	**244 888**	**19 741**	**85 446**	**1 728**	**22 078**	**45**	**-92 347**	**281 579**

Equity	*31.03.2019*	*31.12.2018*
SIA Inbank Latvia	1 134	683
UAB Mokilizingas*	11 498	10 489

* Inbank acquired UAB Mokilizingas on 22.05.2018.

Note 4 Net interest income

EURt	*Q1 2019*	*3 months 2019*	*Q1 2018*	*3 months 2018*
Interest income				
Loans to households	8 082	8 082	3 722	3 722
Loans to corporates	85	85	54	54
Due from financial and credit institutions	-12	-12	21	21
Total	**8 155**	**8 155**	**3 797**	**3 797**
Interest expense				
Deposits received	-1 175	-1 175	-455	-455
Debt securities sold	-214	-214	-116	-116
Lease liability	-1	-1	0	0
Total	**-1 390**	**-1 390**	**-571**	**-571**
Net interest income	**6 765**	**6 765**	**3 226**	**3 226**
Interest income by customer location				
Estonia	3 536	3 536	2 824	2 824
Latvia	1 587	1 587	838	838
Lithuania	2 587	2 587	0	0
Poland	445	445	135	135
Total	**8 155**	**8 155**	**3 797**	**3 797**

Interest income from stage 3 loans in Q1 2019 was 10 EURt (Q1 2018: 186 EURt).

Note 5 Net fee income

EURt	*Q1 2019*	*3 months 2019*	*Q1 2018*	*3 months 2018*
Fee income				
Households	204	204	161	161
Corporates	0	0	0	0
Total	**204**	**204**	**161**	**161**
Fee expense				
Loan administration expenses	-375	-375	-154	-154
Total	**-375**	**-375**	**-154**	**-154**
Net fee income	**-171**	**-171**	**7**	**7**
Fee income by customer location				
Estonia	158	158	117	117
Latvia	45	45	43	43
Lithuania	0	0	0	0
Poland	1	1	1	1
Total	**204**	**204**	**161**	**161**

Note 6 Operating expenses

EURt	*Q1 2019*	*3 months 2019*	*Q1 2018*	*3 months 2018*
Personnel expenses				
Personnel expense	1 578	1 578	986	986
Social and other taxes	278	278	225	225
Total personnel expenses	**1 856**	**1 856**	**1 211**	**1 211**
Marketing Expenses				
Advertising and marketing	270	270	75	75
Sales costs	121	121	51	51
Total marketing expenses	**391**	**391**	**126**	**126**
Administrative expenses				
Rental and maintenance expenses	69	69	92	92
IT expenses	216	216	91	91
Legal expenses	19	19	12	12
Office expenses	79	79	47	47
Training and business trip expenses	69	69	28	28
Other tax expenses	49	49	17	17
Supervision expenses	47	47	32	32
Recovery proceeding expenses	17	17	23	23
Consultation expenses	42	42	15	15
Transportation expenses	46	46	8	8
Other bought services	30	30	28	28
Other administrative expenses	116	116	73	73
Total administrative expenses	**799**	**799**	**466**	**466**

Note 7 Loans and advances

EURt

Distribution of receivables as of 31.03.2019	Gross receivables from households	Stage 1 and 2	Stage 3	Net receivables from households	Allowance coverage
Portfolio in overdue 0-3 days	214 263	-1 331	-53	212 879	0.6%
Portfolio in overdue 4-30 days	15 694	-616	-36	15 042	4.2%
Portfolio in overdue 31-89 days	6 862	-957	-112	5 793	15.6%
Portfolio in overdue 90-179 days	1 552	-2	-597	953	38.6%
Portfolio in overdue 180+ days	3 154	0	-2 475	679	78.5%
Total receivables	**241 525**	**-2 906**	**-3 273**	**235 346**	**2.6%**

Distribution of receivables as of 31.12.2018	Gross receivables from households	Stage 1 and 2	Stage 3	Net receivables from households	Allowance coverage
Portfolio in overdue 0-3 days	195 675	-1 450	-51	194 174	0.8%
Portfolio in overdue 4-30 days	15 212	-645	-32	14 535	4.5%
Portfolio in overdue 31-89 days	6 231	-834	-47	5 350	14.1%
Portfolio in overdue 90-179 days	1 525	0	-608	917	39.9%
Portfolio in overdue 180+ days	2 948	0	-1 870	1 078	63.4%
Total receivables	**221 591**	**-2 929**	**-2 608**	**216 054**	**2.5%**

Distribution of receivables as of 31.03.2019	Gross receivables from corporates	Stage 1 and 2	Stage 3	Net receivables from corporates	Allowance coverage
Portfolio in overdue 0-3 days	9 399	-20	-6	9 373	0.3%
Portfolio in overdue 4-30 days	542	-11	0	531	2.0%
Portfolio in overdue 31-89 days	222	-9	0	213	4.1%
Portfolio in overdue 90-179 days	40	0	-18	22	45.0%
Portfolio in overdue 180+ days	110	0	-32	78	29.1%
Total receivables	**10 313**	**-40**	**-56**	**10 217**	**0.9%**

EURt

Distribution of receivables as of 31.12.2018	Gross receivables from corporates	Stage 1 and 2	Stage 3	Net receivables from corporates	Allowance coverage
Portfolio in overdue 0-3 days	8 974	-10	-8	8 956	0.2%
Portfolio in overdue 4-30 days	395	-7	0	388	1.8%
Portfolio in overdue 31-89 days	164	-16	0	148	9.8%
Portfolio in overdue 90-179 days	42	0	-16	26	38.1%
Portfolio in overdue 180+ days	77	0	-10	67	13.0%
Total receivables	**9 652**	**-33**	**-34**	**9 585**	**0.7%**

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.

Distribution of receivables by customer sector	*31.03.2019*	*31.12.2018*
Households	241 525	221 591
Non-financial companies	3 552	3 470
Other financial companies	1 758	1 709
Other advances	5 003	4 473
Total	**251 838**	**231 243**
Impairment allowance	-6 275	-5 604
Total	**245 563**	**225 639**

Impairment losses on loans and advances	*3 months 2019*	*2018*
Impairment losses of reporting period	-2 070	-5 681
Recoveries from written off from financial position	875	2 995
Total	**-1 195**	**-2 686**

Changes in impairments	*31.03.2019*	*2018*
Impairment allowance balance in the beginning of the period	-5 604	-3 173
Impact of IFRS 9	-	-901
Impairment provisions set up during reporting period	-2 070	-5 681
Written off from financial position during the period	1 399	4 151
Total	**-6 275**	**-5 604**

The Group 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 from the statement of financial position.

Note 8 Due from central banks and credit institutions

EURt	*31.03.2019*	*31.12.2018*
Due from central banks	63 678	62 668
Mandatory reserve in central banks	2 611	1 952
Due from credit institutions	13 312	13 700
Total	**79 601**	**78 320**

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

Note 9 Disposal and acquisition of associates and subsidiaries

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

On 22 January 2019 an agreement entered into force under which Inbank AS purchased from Fairown Finance OÜ a 20% holding in Inbank Liising AS, a company which offers full service leasing, and became the sole holder of the company as a result of the transaction. The main goal of the transaction was to improve the focus of Inbank Liising and standardise the product.

On 22 May 2018 Inbank AS acquired a consumer lending company UAB Mokilizingas in Lithuania, with a purchase price of EUR 15 million. At acquisition, assets and liabilities were acquired at their fair value. Further information has been disclosed in Note 13 of the Annual report for the year ended 31 December 2018.
On 15 May 2019 AS Inbank and Mokilizingas signed a cross-border merger agreement. All the assets, rights and obligations of Mokilizingas shall be transferred to Inbank on the date of entry of the merger in the Estonian Commercial Register.

On 29 March 2018 Inbank disposed 10% of the shares in Coop Pank AS, 5% of the shares were acquired by shareholders of Coop Pank and 5% of the shares were acquired by TÜ Eesti Ühistukapital. After the transaction Inbank holds 7.94% shares of Coop Pank. Subsequently the investment is recognised as financial investment at fair value. Profit from the remeasurement of the investment in amount 1 204 EURt is recognised in income statement as “Net gains from financial assets measured at fair value”.

On 5 January 2018 Inbank Technologies sold its entire holding of shares 21.68% in start-up entity Veriff OÜ.

Inbank has not received dividends from its associates.

Disposal and acquisition of associates

EURt	***3 months 2019***	***2018***
Equity contribution	0	96
Proceeds from disposals of associates, and reinvestment	0	13 038
Purchase of non-controlling interest in the share capital of subsidiary	118	0
Total	**118**	**13 134**
Proceeds from disposals of associates	0	476
Proceeds from disposals of partial holdings in associates	0	5 793
Total	**0**	**6 269**

Note 10 Intangible assets

EURt	*Licences*	*Software*	*Goodwill*	*Total*
At the beginning of period (01.01.2018)				
Cost	114	783	238	1 135
Accumulated amortisation	-62	-257	0	-319
Net book amount	**52**	**526**	**238**	**816**
Opening carrying value	**52**	**526**	**238**	**816**
Acquisitions through business combinations	0	49	5 919	5 968
Additions	19	1 161	0	1 180
Write-offs	0	-147	0	-147
Write-offs (accumulated amortisation)	0	147	0	147
Amortisation charge	-21	-246	0	-267
Closing carrying value	**50**	**1 490**	**6 157**	**7 697**
At the end of period (31.12.2018)				
Cost	133	1 846	6 157	8 136
Accumulated amortisation	-83	-356	0	-439
Carrying value	**50**	**1 490**	**6 157**	**7 697**

EURt	*Licences*	*Software*	*Goodwill*	*Total*
At the beginning of period (01.01.2019)				
Cost	133	1 846	6 157	8 136
Accumulated amortisation	-83	-356	0	-439
Net book amount	**50**	**1 490**	**6 157**	**7 697**
Opening carrying value	**50**	**1 490**	**6 157**	**7 697**
Additions	0	489	0	489
Amortisation charge	-28	-85	0	-113
Closing carrying value	**22**	**1 894**	**6 157**	**8 073**
At the end of period (31.03.2019)				
Cost	133	2 335	6 157	8 625
Accumulated amortisation	-111	-441	0	-552
Carrying value	**22**	**1 894**	**6 157**	**8 073**

Management has carried through goodwill impairment tests as at 31.03.2019 and as at 31.12.2018.
The cash-generating units of goodwill are segments, which are entities of Inbank group.

The break-down of goodwill between segments is as follows:

Business segment	***31.03.2019***	***31.12.2018***
Estonia	238	238
Lithuania	5 919	5 919

The majority of goodwill is from the purchase of Mokilizingas. 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. Growth rates used in the forecast are based on management's expectations and past experience in the respective region.

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

Note 11 Other assets

EURt	*31.03.2019*	*31.12.2018*
Financial assets		
Prepaid guarantee amounts	63	64
Total	**63**	**64**
Non-financial assets		
Prepaid expenses	402	444
Prepaid taxes	140	66
Income tax liabilities due to be paid	4	4
Total	**546**	**514**

Prepaid taxes includes prepaid VAT.

Note 12 Loan from credit institution

EURt

Loan received	***31.03.2019***	***31.12.2018***
Loan from credit institution	0	10 429
Total	**0**	**10 429**

In May 2018 LHV issued a loan of 25 million euros to UAB Mokilizingas with the maturity of 1 year. Inbank returned the loan prematurely in March 2019.

Note 13 Customer deposits

EURt	*31.03.2019*	*31.12.2018*
Customer deposits		
Deposits from households	262 266	226 544
Deposits from non-financial corporations	11 510	10 834
Deposits from other financial corporations	2 684	2 797
Total	**276 460**	**240 175**

EURt	*31.03.2019*	*31.12.2018*
Deposits by clients' residence		
Estonia	78 297	73 300
Germany	168 058	145 409
Poland	24 283	17 563
Austria	5 575	3 832
Other residence	247	71
Total	**276 460**	**240 175**

Deposits include accrued interest liabilities in the amount of 1 771 EURt (31.12.2018: 1 821 EURt).

Deposits by contractual maturity					
EURt					
31.03.2019	*On demand*	*1-90 days*	*91-365 days*	*1-5 years*	*Total*
Customer deposits	3 063	51 913	87 465	134 019	**276 460**
31.12.2018	*On demand*	*1-90 days*	*91-365 days*	*1-5 years*	*Total*
Customer deposits	4 452	10 427	110 043	115 253	**240 175**

Note 14 Debt securities

EURt	*31.03.2019*	*31.12.2018*
Debt securities issued	4 000	10 000
Accrued interest	9	17
Total	**4 009**	**10 017**

Nominal value	*Amount*	*Issue date*	*Maturity*
250 000	40	14.05.2018	14.03.2019
250 000	16	28.02.2019	1.03.2021

The investment has been made by Swedbank Investeerimisfond AS's pension funds via a private placement.
The issue of new debt securities does not affect the terms of previously issued debt securities.
The debt securities issued are recorded in the balance sheet at amortised cost.

Note 15 Subordinated debt securities

EURt	*31.03.2019*	*31.12.2018*
Subordinated debt securities issued	9 653	9 653
Adjustments	-118	-125
Total	**9 535**	**9 528**

Subordinated debt securities	*Nominal price*	*Amount*	*Interest rate*	*Maturity*
Inbank subordinated bond INBB070026A	1 000 EUR	6 503	7%	28.09.2026
Inbank subordinated bond EE3300111590	10 000 EUR	315	8.5%	perpetual

On 28 September 2016, Inbank AS issued subordinated bonds, listed on the Nasdaq Tallinn Stock Exchange as of 3 October 2016. The annual fixed coupon interest rate is 7%, calculated from the date of issue of the bonds (28 September 2016). The bonds have been issued for a term of ten years, with the right to redeem the bonds, on the previous approval of the Financial Supervision Authority, in 5 years after the date of issue (28 September 2021).

On 19 December 2018, Inbank issued AT1 bonds (part of Tier 1 capital), raising capital in the amount of 3.15 million EUR. AT1 capital instrument is perpetual financial instrument, for which Inbank AS is obliged to pay 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.

The bonds 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 bonds and charged to interest expense over a term of 5 years.

Note 16 Other liabilities

EURt	*31.03.2019*	*31.12.2018*
Financial liabilities		
Accounts payable	8 534	8 072
Lease liability	980	0
Client prepayments	750	704
Total financial liabilities	**10 264**	**8 776**
Other liabilities		
Payables to employees	1 016	1 124
Payroll taxes	581	443
Other liabilities	442	1 087
Total other liabilities	**2 039**	**2 654**

The accounts payable includes liabilities to customers and partners for loan granting activities and payments for operating expenses. Of the amount, 4 826 EURt is Mokilizingas liability to partners for loan granting activities (2018: 6 403 EURt).
Other liabilities include income tax liabilities in the amount of 406 EURt (2018: 496 EURt).

Note 17 Contingent liabilities

Inbank had the following loan commitments:

EURt	
Revocable commitments	
Liability in contractual amount as of 31 March 2019	13 734
incl unused credit card limits	13 217
Liability in contractual amount as of 31 December 2018	13 826
incl unused credit card limits	13 326

Note 18 Basic and diluted earnings per share

To calculate basic earnings per share the profit attributable to owners of the parent company is divided with the weighted average number of shares outstanding.

	Q1 2019	***3 months 2019***	***Q1 2018***	***3 months 2018***
Total profit attributable to owners of the parent (EUR thousand)	2 022	2 022	3 885	3 885
Weighted average number of shares	87 394	87 394	78 215	78 215
Basic earnings per share (EUR)	23.14	23.14	49.67	49.67
Weighted average number of shares used for calculating the diluted earnings per shares	92 744	92 744	83 145	83 145
Diluted earnings per share (EUR)	21.80	21.80	46.73	46.73

Note 19 Share capital

EURt	*31.03.2019*	*31.12.2018*
Share capital	874	874
Number of shares issued	87 394	87 394
Nominal share value (EUR)	10	10

Note 20 Share-based payments

Inbank has entered into option agreements with members of the Management Board and equivalent staff, granting the right to acquire the company's shares at the previously agreed terms and conditions.

	No of shares	Unit subscription price	Option issuing year	The year in which the right to realize the option arises	Number of people to whom the option was issued
Supervisory Board	400	300	2016	2019	1
Management	1 000	300	2016	2019	3
Employees	2 150	300	2016	2019	8
Employees	500	300	2016	2020	2
Employees	100	300	2017	2020	1
Employees	900	675	2018	2021	3
Management	300	675	2018	2021	1
Total	**5 350**				

The precondition for the realisation of the share options is an ongoing employment relationship after a period of three years has elapsed and the achievement of certain financial targets established by the group. The share options cannot be redeemed for cash.

The fair value of the share options is determined on the date of issue of the option. The date of issue of the option is the date on which the parties mutually agreed on the terms and conditions of the option. The bank uses the Black-Scholes model in determining the fair value of the option, considering the terms and conditions related to the issue of the option.

The share-based payment reserve is recorded under other reserves in equity over a period of three years. At the end of each reporting period, the bank will estimate how many shares will be realised at non-market prices and adjust the reserve accordingly. As at 31.03.2019, the reserve amounted to 44 EURt (2018: 37 EURt).

Personnel expenses related to the option agreements in Q1 2019 amounted to a total of 9 EURt (2018: 19 EURt).

In April 2018 an option was realised for the purchase of 180 shares.

Note 21 Reserves

EURt	***31.03.2019***	***31.12.2018***
Statutory reserve	88	79
Voluntary reserve	1 330	1 330
Share based payments reserve	44	37
Other accumulated comprehensive income	36	34
Total	**1 498**	**1 480**

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 may decide to transfer other amounts to the reserve. The reserve may also be used for increasing the share capital, but not for making disbursements to shareholders.

The fair value of share options issued to employees is charged to personnel expenses over the term of the option programme, and to equity as an increase in the share-based payments reserve.

Note 22 Fair value of financial assets and liabilities

EURt		*31.03.2019*			*31.12.2018*	
Assets	***Fair value***	***Carrying amount***	***Level***	***Fair value***	***Carrying amount***	***Level***
Cash in hand	4	4	1	4	4	1
Due from central banks	66 289	66 289	2	64 620	64 620	2
Due from credit institutions	13 312	13 312	2	13 700	13 700	2
Financial assets at fair value through profit and loss	4 600	4 600	3	4 600	4 600	3
Loans and advances	245 563	245 563	3	225 639	225 639	3
Other financial assets	63	63	3	64	64	3
Total	**329 831**	**329 831**		**308 627**	**308 627**	

		31.03.2019			*31.12.2018*	
Liabilities	***Fair value***	***Carrying amount***	***Level***	***Fair value***	***Carrying amount***	***Level***
Loans from credit institutions	0	0	2	10 429	10 429	2
Customer deposits	276 460	276 460	2	240 175	240 175	2
Debt securities issued	4 009	4 009	3	10 017	10 017	3
Subordinated debt securities	6 968	6 490	2	6 954	6 489	2
Subordinated debt securities (AT1)	3 045	3 045	3	3 039	3 039	3
Other financial liabilities	10 264	10 264	3	8 776	8 776	3
Total	**300 746**	**300 268**		**279 390**	**278 925**	

The fair values in level 2 and level 3 were estimated using the discounted cash flows 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 expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Subordinated debt securities were listed on the Nasdaq Baltic Stock Exchange on 3 October 2016, and their fair value can be determined based on the transaction history. As a result the debt security is level 2 in fair value hierarchy.

Subordinated debt securities (AT1) were issued in December 2018 on market terms and as a result the management estimates that the fair value is close to the carrying value, classified as level 3 in fair value hierarchy.

In February 2019 **debt securities** were issued on market terms, maturity of these securities is 01.03.2021. 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.

To measure the fair value of **investments not actively traded on the market** (financial assets at fair value through profit and loss) we have used the market approach valuation method (with comparable companies).

Loans granted to companies are 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.

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 has 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.

Fixed-interest customer deposits are mostly short-term. The interest rate of term deposits accepted and loans received by Inbank is comparable to the comparable contract interest rates on the market. In general, the fair market interest and the fair value of deposits has 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.

Note 23 Related parties

EURt	*31.03.2019*	*2018*
Remuneration of the Management Board and Supervisory Board	391	771

The following are considered to be the Group's related parties:
- members of the Management Board and Supervisory Board, their family members and related companies (hereinafter the management),
- associates
- parent company or owners the parent company that have control or significant influence over the Parent company

Balances	*31.03.2019*	*31.12.2018*
Loans and receivables as of end of reporting period	**475**	**475**
Management	475	475
Deposits and subordinated debt securities as of end of reporting period	**745**	**742**
Management	745	742

Transactions	*3 months 2019*	*2018*
Interest income	**6**	**7**
Management	6	0
Associates	0	7
Interest expenses	**20**	**23**
Management	20	23
Services purchased	**11**	**45**
Management	11	45
Services sold	**0**	**21**
Management	0	0
Associates	0	21

The table provides an overview of the significant transactions and balances with related parties. The Group finances the Group's subsidiaries and branches with short- and long-term loans issued under market conditions, interest rates are in between 3.34% and 7% (2018: 3.31-7%). Such loans are eliminated from the consolidated financial statements. Loans to management (including hire-purchase) are issued under market conditions, interest rates are between 0-5% (2018: 5-14.65%). The interest rate of deposits received from related parties matches with the interest rate offered to the client, interest rates are in between 0.85% and 2.85% (2018: 1.05-3%).

The Group has entered into an agreement with a member of the Management Board, stipulating a severance compensation equalling to a six-month monthly remuneration. The agreements with other members of the Management Board do not stipulate any severance compensation. In issues not regulated in the agreement, the related parties have agreed to be governed by the laws of the Republic of Estonia.

The management estimates the probability of realisation of the contingent liability to be very low.

Note 24 Parent company's separate statement of financial position

The parent company's unconsolidated primary financial statements have been prepared in accordance with the Accounting Act of the Republic of Estonia, and do not constitute the Inbank AS separate financial statements in the meaning of IAS 27 "Separate financial statements".

EURt	Note	31.03.2019	31.12.2018
Assets			
Cash in hand		4	4
Due from central banks		66 289	64 620
Due from credit institutions		11 379	11 438
Financial assets at fair value through profit and loss		4 600	4 600
Loans and advances		228 374	198 375
Investments in subsidiaries		16 240	16 122
Investments in associates		0	0
Tangible assets		136	150
Right to use asset		304	0
Intangible assets		1 696	1 398
Other financial assets		31	33
Other assets		180	229
Deferred tax assets		564	564
Total assets		**329 797**	**297 533**
Liabilities			
Customer deposits		276 460	240 175
Other financial liabilities		3 005	1 301
Other liabilities		1 437	1 759
Debt securities issued		4 009	10 017
Subordinated debt securities		9 535	9 528
Total liabilities		**294 446**	**262 780**

EURt	Note	31.03.2019	31.12.2018
Equity			
Share capital	18;19	874	874
Share premium	18;19	15 053	15 053
Statutory reserve capital		88	79
Other reserves	20;21	1 411	1 402
Retained earnings		17 925	17 345
Total equity		**35 351**	**34 753**
Total liabilities and equity		**329 797**	**297 533**

Note 25 Parent company's separate statement of profit and loss and comprehensive income

EURt	*Q1 2019*	*3 months 2019*	*Q1 2018*	*3 months 2018*
Interest income	4 860	4 860	3 068	3 068
Interest expenses	-1 324	-1 324	-571	-571
Net interest income	**3 536**	**3 536**	**2 497**	**2 497**
Fee income	158	158	116	116
Fee expense	-155	-155	-120	-120
Net fee and commission income	**3**	**3**	**-4**	**-4**
Net gains from financial assets measured at fair value	0	0	1 204	1 204
Other operating income	113	113	47	47
Total income	**3 652**	**3 652**	**3 744**	**3 744**
Personnel expenses	-1 196	-1 196	-985	-985
Marketing expenses	-161	-161	-110	-110
Administrative expenses	-444	-444	-323	-323
Depreciations, amortisation	-129	-129	-32	-32
Total operating expenses	**-1 930**	**-1 930**	**-1 450**	**-1 450**
Profit before profit from associates and impairment losses on loans	**1 722**	**1 722**	**2 294**	**2 294**
Share of profit of associates	0	0	1 552	1 552
Impairment losses on loans and advances	-951	-951	-590	-590
Profit before income tax	**771**	**771**	**3 256**	**3 256**
Income tax	-181	-181	104	104
Profit for the period	**590**	**590**	**3 360**	**3 360**
Other comprehensive income/loss				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	-1	-1	20	20
Total comprehensive income for the period	**589**	**589**	**3 380**	**3 380**

Note 26 Parent company's separate condensed statement of cash flows

EURt	Note	3 months 2019	3 months 2018
Cash flows from operating activities			
Interest received	4	4 895	2 977
Interest paid	4	-1 273	-737
Fees received	5	158	116
Fees paid	5	-155	-578
Other income received		113	-120
Personnel expenses		-1 233	-1 259
Administrative and marketing expenses		-593	-218
Corporate income tax paid		-387	0
Cash flows from operating activities before changes in operating assets and liabilities		**1 525**	**181**
Changes in operating assets			
Loans and advances		-30 266	-4 208
Mandatory reserve in central banks		-659	-189
Other assets		53	-118
Change in operating liabilities			
Customer deposits		35 691	5 088
Other liabilities		1 116	243
Net cash from operating activities		**7 460**	**997**
Cash flows from investing activities			
Acquisition of tangible and intangible assets	9	-392	-404
Acquisition of subsidiaries and associates	9	-118	0
Proceeds from disposal of associates		0	6 269
Net cash used in investing activities		**-510**	**5 865**

EURt	Note	3 months 2019	3 months 2018
Cash flows from financing activities			
Debt securities issued		4 000	0
Repayments of debt securities		-10 000	0
Net cash used in financing activities		**-6 000**	**0**
Effect of exchange rate changes		1	-17
Cash and cash equivalents at the beginning of the reporting period		**74 110**	**21 554**
Net increase/decrease in cash and cash equivalents	8	951	6 845
Cash and cash equivalents at the end of the reporting period	**8**	**75 061**	**28 399**

Note 27 Parent company's separate statement of changes in equity

EURt	*Share capital*	*Share premium*	*Statutory reserve capital*	*Other reserves*	*Retained earnings/ accumulated loss*	*Total equity*
Balance as of 01.01.2018	**782**	**9 068**	**79**	**1 352**	**11 534**	**22 815**
Changes on initial application of IFRS 9					-691	-691
Adjusted balance as of 01.01.2018	**782**	**9 068**	**79**	**1 352**	**10 843**	**22 124**
Share-based payment reserve	0	0	0	5	0	5
Purchase of business line	0	0	0	0	238	238
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	20	3 360	3 380
Balance as of 31.03.2018	**782**	**9 068**	**79**	**1 377**	**14 441**	**25 747**
Carrying amount of holdings under control and significant influence					-1 053	-1 053
Value of holdings under control and significant influence under equity method					240	240
Adjusted unconsolidated equity 31.03.2018	**782**	**9 068**	**79**	**1 377**	**13 628**	**24 934**
Balance as of 01.01.2019	**874**	**15 053**	**79**	**1 402**	**17 345**	**34 753**
Share-based payment reserve	0	0	0	9	0	9
Statutory reserve capital	0	0	9	0	-9	0
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	0	589	589
Balance as of 31.03.2019	**874**	**15 053**	**88**	**1 411**	**17 925**	**35 351**
Carrying amount of holdings under control and significant influence					-16 240	-16 240
Value of holdings under control and significant influence under equity method					19 266	19 266
Adjusted unconsolidated equity 31.03.2019	**874**	**15 053**	**88**	**1 411**	**20 951**	**38 377**

AS PricewaterhouseCoopers
Pärnu mnt 15, 10141 Tallinn
tegevusluba nr 6; registrikood: 10142876

T: 614 1800
F: 614 1900
www.pwc.ee

Independent auditor's report on review of condensed consolidated interim financial statements (Translation of the Estonian original)*

To the Shareholders of AS Inbank

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AS Inbank (the Company) and its subsidiaries (together – the Group) as at 31 March 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the three-month period then ended, and the related explanatory notes. Management Board is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) (Estonia) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union.

AS PricewaterhouseCoopers

Tiit Raimla
Auditor's certificate no. 287

Evelin Lindvers
Auditor's certificate no. 622

27 May 2019

* This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's review report (translation of the Estonian original) should only be used with a condensed consolidated interim financial statements signed digitally by AS PricewaterhouseCoopers.

Inbank AS
Niine 11, 10414 Tallinn
info@inbank.ee
+372 640 8080
www.inbank.ee