

Inbank AS

# Interim Report

Q4 2020

# Inbank AS General Information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	05 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI-code)
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Reporting period	01.01.2020-31.12.2020

## Members of the Supervisory Board:

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

## Members of the Management Board:

Jan Andresoo, Chairman  
Benas Pavlauskas  
Jaanus Kõusaar  
Maciej Pieczkowski  
Margus Kastein  
Marko Varik  
Piret Paulus

Inbank AS' interim report for Q4 2020 is unaudited.

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

# Declaration of the Management Board

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

- the data and information presented in this interim report for the Q4 of 2020 consisting of the management report and financial statements as at 31 December 2020 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 December 2020, its financial performance and cash flows for the Q4 of 2020;
- 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 2019.

Inbank AS is a going concern.

Tallinn, 26 February 2021

Jan Andresoo	Chairman of the Management Board
Benas Pavlauskas	Member of the Management Board
Jaanus Kõusaar	Member of the Management Board
Maciej Pieczkowski	Member of the Management Board
Margus Kastein	Member of the Management Board
Marko Varik	Member of the Management Board
Piret Paulus	Member of the Management Board

# Management report

While the third quarter ended on a predominantly positive note, the fourth quarter was already marked by the second wave of the coronavirus crisis and new restrictions. However, the second wave had a much smaller impact on our financial results than the first one. In a way, entrepreneurs seemed to have adapted to the new reality and found new formats of operation.

Inbank also continued to invest in product development and innovation. In the fourth quarter, we launched the app and credit card Inpay, which is the first in Estonia to give customers cashback on their purchases.

## Important events

In October, we celebrated Inbank's 10th anniversary. Looking back, all we had at the time of inception was an idea. Today, Inbank is a viable organisation operating in seven markets, employing more than 240 talented people, serving more than 3,800 partners and nearly 500,000 customers. These figures alone are gratifying! Viability is also evidenced by the fact that we continue to grow, even in this difficult year.

In order to support rapid development and future growth, we decided in November to raise new capital through a share issue. The issue turned out to be very successful – we raised 8 million euros of new capital and issued 516,130 new shares. The price of each share offered was 15.50 euros, and the market value of Inbank's equity after the issue is 149 million euros. This clearly shows that investors trust Inbank and our strategy.

At the end of the year, we decided to acquire 53% of the full-service car rental company Mobire. Since the start of cooperation with the Auto24 portal, car financing has been a very important part of our business. Looking at the strong growth of the subscription-based business model globally, the acquisition of a holding in Mobire is a major step forward in strengthening our position in the Baltic car financing market and an opportunity to enter a rapidly growing innovative business model.

## Sales volumes

The second wave of the coronavirus pandemic had an obvious impact on the fourth quarter financial results. Restrictions imposed by countries reduced economic activity and therefore our sales. In total, we sold credit products worth 89 million euros in the fourth quarter, which is 12% more than in the fourth quarter of 2019. Considering the circumstances, we can be satisfied with this result.

More specifically, the growth was driven by the Polish business unit, which grew by 110% year-on-year and contributed 30.7 million euros to total sales. In terms of products, the sales finance product line had the strongest results and accounted for 74% or 66 million euros in total sales (44% more than in the fourth quarter of 2019). It also means that the volumes of both car financing and small loan products decreased compared to the

same period last year. The sales volumes of small loans and car financing were 8.5 million and 14.6 million euros or 54% and 6% less, respectively, than in the last quarter of 2019.

## Credit risk

Credit costs in the fourth quarter increased by 92% year-on-year to 2.3 million euros. On the positive side, credit costs decreased by 25% compared to the third quarter of 2020. In a quarterly comparison, credit costs have decreased, as by the end of the third quarter we had adjusted the value of our credit portfolio to the changes that occurred in the past due claims market during 2020.

The part of the portfolio that participated in the moratoria on loan repayments in the first half of 2020 gave a somewhat more negative tone to the fourth quarter credit costs figure than expected. Although 83% of customers who have taken part in the moratorium serve their schedule as expected, there are still 17% of those that have extended their payment holiday or have difficulty servicing the changed schedule. The provisions for future credit losses were also increased for this part of the portfolio in the fourth quarter of 2020.

Although the coronavirus crisis that hit our region in the first half of the year had a strong impact on our credit costs throughout the year, it has not had a significant impact on customer payment discipline. The ability of customers to make their monthly payments deteriorated in the short term between March and April 2020, but has since shown a significant improvement and reached levels better than before the crisis by the last quarter of the year. This fact together with the hitherto more limited effects of the second wave of the pandemic on our daily business allow us to look to the future with more optimism than we were able to do during the first wave nine months ago.

## Financial results

The main factor that influenced our revenue was the change in the sales structure – sales finance increased while loan sales decreased (historically, loan products have had a higher margin). In addition, we continued strong growth in the Polish market, where competition is the toughest of all our markets and this is also reflected in the price of product offerings. As a result, the effective interest rate of the portfolio fell from 12.9% to 11.3%, which in turn slowed down revenue growth. Overall, revenue in the fourth quarter was at the same level as in the same period last year – 9.1 million euros. At the same time, we were able to reduce costs by 3% compared to the fourth quarter of 2019. The total costs were 4.6 million euros. The operating profit before loan losses was 4.5 million euros.

In total, Inbank earned a net profit of 1.7 million euros in the fourth quarter, which is 50% less year-on-year, but given the exceptional circumstances, we consider the result to be good. As

of 31 December 2020, the bank's balance sheet total was 490 million euros, deposits increased by 4% year-on-year and amounted to 391 million euros, while the loan portfolio increased by 19% and amounted to 402 million euros. In 2020, Inbank earned a net profit of 5.9 million euros, which is 41% less than last year.

## Summary

All in all, the last quarter of 2020 was very busy and in many ways surprising. We launched a new generation credit card and app Inpay, continued strong growth in Poland and decided to enter the subscription-based car rental business. The impact of the pandemic and the restrictions on our business was also significantly smaller than expected. It became even clearer to us that the impact of digital solutions on companies' business models is becoming increasingly important. Inbank bets on the right trends and, after a difficult year, moves into a new year with a positive outlook.

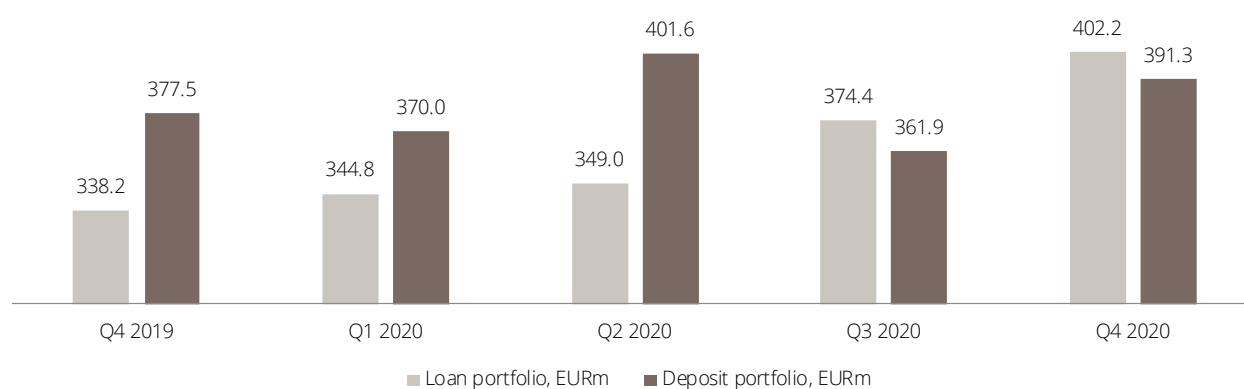
Jan Andresoo  
Chairman of the Management Board

# Key financial indicators and ratios

## Key financial indicators

In millions of euros	31.12.2020	31.12.2019	% change
Total assets	490.0	462.8	5.9%
Equity	61.2	47.3	29.4%
Net profit	5.9	10.0	-41.0%
Loan portfolio	402.2	338.2	18.9%
Deposit portfolio	391.3	377.5	3.7%

## Loan and deposit portfolio development



## Ratios

	12 months 2020	12 months 2019
Return on equity	10.8%	23.9%
Return on total assets	1.2%	2.6%
Net interest margin	7.8%	8.4%
Impairment losses to loan portfolio	3.1%	2.1%
Cost/income ratio	49.7%	49.9%
Equity to total assets	12.5%	10.2%

Explanations (key ratios are annualized):

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

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

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

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

**Cost/income ratio:** total operating expenses / total income

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

# Condensed consolidated interim financial statements

## Condensed consolidated statement of financial position

In thousands of euros	Note	31.12.2020	31.12.2019
<b>Assets</b>			
Due from central banks	8	27,445	83,080
Due from credit institutions	8	19,784	20,655
Investments in debt securities	9	13,618	0
Loans and advances	3; 7; 20	402,212	338,157
Investments in associates	10	4,026	3,276
Tangible assets		833	840
Right of use asset		1,157	773
Intangible assets	11	16,139	11,721
Other financial assets	12	165	1,692
Other assets	12	2,482	588
Deferred tax asset		2,170	1,985
<b>Total assets</b>	<b>3</b>	<b>490,031</b>	<b>462,767</b>
<b>Liabilities</b>			
Customer deposits	13; 20	391,341	377,518
Other financial liabilities	16; 20	12,218	13,545
Current Income tax liability	16	864	269
Other liabilities	16	2,810	2,568
Debt securities issued	14	4,010	4,010
Subordinated debt securities	15	17,563	17,537
<b>Total liabilities</b>	<b>3</b>	<b>428,806</b>	<b>415,447</b>
<b>Equity</b>			
Share capital	18	961	903
Share premium	18	23,865	15,908
Statutory reserve capital	19	90	88
Other reserves	19	1,438	1,463
Retained earnings		34,871	28,958
<b>Total equity</b>		<b>61,225</b>	<b>47,320</b>
<b>Total liabilities and equity</b>		<b>490,031</b>	<b>462,767</b>

Notes set out on pages 11-24 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	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Interest income based on EIR	4	11,061	43,035	10,577	37,560
Interest expense	4	-1,945	-7,855	-1,909	-6,380
Net interest income		9,116	35,180	8,668	31,180
Fee income	5	551	1,362	278	965
Fee expense	5	-915	-2,463	-481	-1,742
Net fee and commission income		-364	-1,101	-203	-777
Net gains from financial assets measured at fair value		0	0	204	743
Other operating income		299	768	307	885
Total net interest, fee and other income		9,051	34,847	8,976	32,031
Personnel expenses	6	-2,199	-9,207	-2,128	-8,026
Marketing expenses	6	-556	-1,557	-896	-2,583
Administrative expenses	6	-1,162	-4,223	-1,345	-4,084
Depreciations, amortisation	11	-707	-2,334	-389	-1,301
Total operating expenses		-4,624	-17,321	-4,758	-15,994
Profit before profit from associates and impairment losses on loans		4,427	17,526	4,218	16,037
Share of profit from subsidiaries and associates	10	121	789	720	720
Impairment losses on loans and advances	7	-2,317	-11,546	-1,204	-6,049
Profit before income tax		2,231	6,769	3,734	10,708
Income tax	3	-517	-867	-290	-698
Profit for the period		1,714	5,902	3,444	10,010
incl. shareholders of parent company		1,714	5,902	3,444	10,010
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-24	-219	-135	-53
Total comprehensive income for the period		1,690	5,683	3,309	9,957
incl. shareholders of parent company		1,690	5,683	3,309	9,957

Notes set out on pages 11-24 form an integral part of the consolidated financial statements.



## Condensed consolidated statement of cash flows

In thousands of euros	Note	12 months 2020	12 months 2019
Cash flows from operating activities			
Interest received	4	43,258	37,316
Interest paid	4	-5,938	-4,481
Fees received	5	1,362	965
Fees paid	5	-2,463	-1,742
Other income received		768	885
Personnel expenses	6	-9,190	-7,172
Administrative and marketing expenses	6	-6,878	-6,365
Corporate income tax paid		-693	-3,296
Cash flows from operating activities before changes in the operating assets and liabilities		20,226	16,110
Changes in operating assets			
Loans and advances		-78,400	-114,999
Mandatory reserve in central banks		1,812	-2,613
Other assets		-552	-3,123
Changes of operating liabilities			
Loan from credit institution		0	-10,429
Customer deposits		11,905	135,047
Other liabilities		1,271	3,797
Net cash from operating activities		-43,738	23,790
Cash flows from investing activities			
Investments in debt securities		-13,627	0
Acquisition of tangible and intangible assets	11	-6,142	-5,179
Acquisition of subsidiaries and associates	10	334	-2,472
Net change of investments at fair value through profit or loss		0	3,819
Net cash used in investing activities		-19,435	-3,832
Cash flows from financing activities			
Share capital contribution (including share premium)		8,180	884
Subordinated debt securities issued		0	8,000
Debt securities issued		0	4,000
Repayments of debt securities		0	-10,000
Net cash used in financing activities		8,180	2,884
Effect of exchange rate changes		301	-46
Cash and cash equivalents at the beginning of the reporting period	8	99,168	76,372
Net increase/decrease in cash and cash equivalents		-54,692	22,796
Cash and cash equivalents at the end of the reporting period	8	44,476	99,168

Notes set out on pages 11-24 form an integral part of the consolidated financial statements.

## Condensed consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ accumulated loss	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance, 01.01.2019	874	15,053	79	1,401	19,018	36,425	40	36,465
Paid in share capital	29	855	0	0	0	884	0	884
Share-based payment reserve	0	0	0	115	17	132	0	132
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 for the reporting period	0	0	0	0	10,010	10,010	0	10,010
Other comprehensive income	0	0	0	-53	0	-53	0	-53
Balance, 31.12.2019	903	15,908	88	1,463	28,958	47,320	0	47,320
Balance, 01.01.2020	903	15,908	88	1,463	28,958	47,320	0	47,320
Paid in share capital	58	8,122	0	0	0	8,180	0	8,180
Share-based payment reserve	0	0	0	194	13	207	0	207
Statutory reserve capital	0	0	2	0	-2	0	0	0
Total profit for the reporting period	0	0	0	0	5,902	5,902	0	5,902
Other comprehensive income	0	0	0	-219	0	-219	0	-219
Total	961	24,030	90	1,438	34,871	61,390	0	61,390
Less: Transaction costs arising on share issues	0	-165	0	0	0	-165	0	-165
Balance, 31.12.2020	961	23,865	90	1,438	34,871	61,225	0	61,225

Notes set out on pages 11-24 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 2019, 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 2019, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

Company name	Date of purchase/founded	Location	Activity	Holding (%)	Cost (EURt)
SIA Inbank Latvia	21.08.2014	Latvia	Financing	100	519
AS Inbank filialas	15.11.2019	Lithuania	Banking, branch		
AS Inbank Spółka Akcyjna Oddział w Polsce	08.09.2016	Poland	Banking, branch		
Inbank Technologies OÜ	05.06.2015	Estonia	Hardware rental	100	2,915
Maksekiskus Holding OÜ *	05.06.2015	Estonia	Holding company	100	3,276
Inbank Payments OÜ	27.08.2019	Estonia	Holding company	100	3
AS Aktiva Portfolio *	21.07.2020	Estonia	Debt collection management	34	337

\* Maksekiskus Holding OÜ has 29.8% shareholding in Maksekiskus AS (associate). Associated companies Maksekiskus AS and AS Aktiva Portfolio are accounted for using the equity method.

## Note 2 Significant accounting estimates

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

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

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

## Note 3 Business segments

Inbank divides its business activities into segments according to the geographical location of activities in Estonia, Latvia, Lithuania and Poland. Business segments are Inbank companies with separate financial data, which is also the basis upon the regular monitoring of business results by the decision makers of Inbank. Inbank monitors profitability, cost/benefit ratio, growth and quality of loan portfolio and impairment losses for each operating segment.

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

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

### Income of reported segments and net profit structure

In thousands of euros

12 months 2020	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income based on EIR	21,892	4,828	15,953	4,665	-4,303	43,035
incl. interest income from external customers	17,589	4,828	15,953	4,665	0	43,035
incl. internal interest income	4,303	0	0	0	0	4,303
Fee income	1,052	242	0	68	0	1,362
Net gains from financial assets measured at fair value	0	0	0	0	0	0
Other operating income	1,954	69	143	80	-1,478	768
<b>Total income</b>	<b>24,898</b>	<b>5,139</b>	<b>16,096</b>	<b>4,813</b>	<b>-5,781</b>	<b>45,165</b>
Interest expense	-6,315	-698	-3,644	-1,501	4,303	-7,855
Fee expense	-769	-159	-976	-559	0	-2,463
<b>Total expenses</b>	<b>-7,084</b>	<b>-857</b>	<b>-4,620</b>	<b>-2,060</b>	<b>4,303</b>	<b>-10,318</b>
<b>Total net interest, fee and commission income and other income</b>	<b>17,814</b>	<b>4,282</b>	<b>11,476</b>	<b>2,753</b>	<b>-1,478</b>	<b>34,847</b>
Operating expenses	-10,100	-1,908	-5,060	-1,731	1,478	-17,321
incl. depreciations, amortisation	-1,513	-151	-567	-103	0	-2,334
Profit before profit from associates and impairment losses on loans	7,714	2,374	6,416	1,022	0	17,526
Profit of subsidiaries and associates	789	0	0	0	0	789
Impairment losses on loans and advances	-5,452	-885	-3,170	-2,039	0	-11,546
Income tax	-496	0	-552	181	0	-867
<b>Net profit/loss</b>	<b>2,555</b>	<b>1,489</b>	<b>2,694</b>	<b>-836</b>	<b>0</b>	<b>5,902</b>
Total assets	360,289	28,573	144,238	114,099	-157,168	490,031
Total liabilities	308,350	24,582	127,913	120,384	-152,423	428,806

In thousands of euros

Q4 2020	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income based on EIR	5,169	1,136	3,927	1,508	-679	11,061
incl. interest income from external customers	4,490	1,136	3,927	1,508	0	11,061
incl. internal interest income	679	0	0	0	0	679
Fee income	453	56	0	42	0	551
Net gains from financial assets measured at fair value	0	0	0	0	0	0
Other operating income	1,262	18	69	5	-1,055	299
<b>Total income</b>	<b>6,884</b>	<b>1,210</b>	<b>3,996</b>	<b>1,555</b>	<b>-1,734</b>	<b>11,911</b>
Interest expense	-1,462	-122	-570	-470	679	-1,945
Fee expense	-446	-41	-248	-180	0	-915
<b>Total expenses</b>	<b>-1,908</b>	<b>-163</b>	<b>-818</b>	<b>-650</b>	<b>679</b>	<b>-2,860</b>
<b>Total net interest, fee and commission income and other income</b>	<b>4,976</b>	<b>1,047</b>	<b>3,178</b>	<b>905</b>	<b>-1,055</b>	<b>9,051</b>
Operating expenses	-2,698	-750	-1,810	-421	1,055	-4,624
incl. depreciations, amortisation	-489	-39	-154	-25	0	-707
Profit before profit from associates and impairment losses on loans	2,278	297	1,368	484	0	4,427
Profit of subsidiaries and associates	121	0	0	0	0	121
Impairment losses on loans and advances	-1,209	-197	-452	-459	0	-2,317
Income tax	-250	0	-739	472	0	-517
<b>Net profit/loss</b>	<b>940</b>	<b>100</b>	<b>177</b>	<b>497</b>	<b>0</b>	<b>1,714</b>

In thousands of euros

12 months 2019	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income based on EIR	20,556	4,789	13,891	2,934	-4,610	37,560
incl. interest income from external customers	15,946	4,789	13,891	2,934	0	37,560
incl. internal interest income	4,610	0	0	0	0	4,610
Fee income	737	220	0	8	0	965
Net gains from financial assets measured at fair value	743	0	0	0	0	743
Other operating income	505	87	430	52	-189	885
<b>Total income</b>	<b>22,541</b>	<b>5,096</b>	<b>14,321</b>	<b>2,994</b>	<b>-4,799</b>	<b>40,153</b>
Interest expense	-5,366	-780	-3,805	-1,039	4,610	-6,380
Fee expense	-411	-161	-757	-413	0	-1,742
<b>Total expenses</b>	<b>-5,777</b>	<b>-941</b>	<b>-4,562</b>	<b>-1,452</b>	<b>4,610</b>	<b>-8,122</b>
<b>Total net interest, fee and commission income and other income</b>	<b>16,764</b>	<b>4,155</b>	<b>9,759</b>	<b>1,542</b>	<b>-189</b>	<b>32,031</b>
Operating expenses	-8,225	-1,654	-4,764	-1,546	195	-15,994
incl. depreciations, amortisation	-683	-156	-394	-74	6	-1,301
Profit before profit from associates and impairment losses on loans	8,539	2,501	4,995	-4	6	16,037
Profit of subsidiaries and associates	720	0	0	0	0	720
Impairment losses on loans and advances	-1,894	-683	-1,491	-1,981	0	-6,049
Income tax	-920	0	-359	581	0	-698
<b>Net profit/loss</b>	<b>6,445</b>	<b>1,818</b>	<b>3,145</b>	<b>-1,404</b>	<b>6</b>	<b>10,010</b>
<b>Total assets</b>	<b>396,332</b>	<b>29,540</b>	<b>135,115</b>	<b>53,250</b>	<b>-151,470</b>	<b>462,767</b>
<b>Total liabilities</b>	<b>356,252</b>	<b>27,039</b>	<b>121,482</b>	<b>58,480</b>	<b>-147,806</b>	<b>415,447</b>

In thousands of euros

Q4 2019	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Interest income based on EIR	5,713	1,292	3,792	1,106	-1,326	10,577
incl. interest income from external customers	4,387	1,292	3,792	1,106	0	10,577
incl. internal interest income	1,326	0	0	0	0	1,326
Fee income	213	62	0	3	0	278
Net gains from financial assets measured at fair value	204	0	0	0	0	204
Other operating income	134	27	65	136	-55	307
<b>Total income</b>	<b>6,264</b>	<b>1,381</b>	<b>3,857</b>	<b>1,245</b>	<b>-1,381</b>	<b>11,366</b>
Interest expense	-1,574	-221	-1,088	-352	1,326	-1,909
Fee expense	-107	-41	-200	-133	0	-481
<b>Total expenses</b>	<b>-1,681</b>	<b>-262</b>	<b>-1,288</b>	<b>-485</b>	<b>1,326</b>	<b>-2,390</b>
<b>Total net interest, fee and commission income and other income</b>	<b>4,583</b>	<b>1,119</b>	<b>2,569</b>	<b>760</b>	<b>-55</b>	<b>8,976</b>
Operating expenses	-2,573	-389	-1,427	-433	64	-4,758
incl. depreciations, amortisation	-212	-39	-114	-26	9	-382
Profit before profit from associates and impairment losses on loans	2,010	730	1,142	327	9	4,218
Profit of subsidiaries and associates	720	0	0	0	0	720
Impairment losses on loans and advances	-439	-173	-219	-373	0	-1,204
Income tax	-212	0	-100	22	0	-290
<b>Net profit/loss</b>	<b>2,079</b>	<b>557</b>	<b>823</b>	<b>-24</b>	<b>9</b>	<b>3,444</b>

## Equity of major subsidiary

In thousands of euros

SIA Inbank Latvia

31.12.2020

3,991

31.12.2019

2,501

## Note 4 Net interest income

In thousands of euros	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Interest income based on EIR				
Loans to households	10,913	42,640	10,290	36,989
Loans to corporates	147	522	221	533
Due from financial and credit institutions	1	-127	66	38
<b>Total interest income</b>	<b>11,061</b>	<b>43,035</b>	<b>10,577</b>	<b>37,560</b>
Interest expense				
Deposits received	-1,595	-6,458	-1,673	-5,489
Debt securities sold	-343	-1,372	-230	-875
Lease liability	-7	-25	-6	-16
<b>Total interest expense</b>	<b>-1,945</b>	<b>-7,855</b>	<b>-1,909</b>	<b>-6,380</b>
<b>Net interest income</b>	<b>9,116</b>	<b>35,180</b>	<b>8,668</b>	<b>31,180</b>
In thousands of euros	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Interest income by customer location				
Estonia	4,490	17,589	4,388	15,946
Latvia	1,136	4,828	1,778	6,968
Lithuania	3,927	15,953	3,306	11,712
Poland	1,508	4,665	1,105	2,934
<b>Total interest income by customer location</b>	<b>11,061</b>	<b>43,035</b>	<b>10,577</b>	<b>37,560</b>

## Note 5 Net fee and commission income

In thousands of euros	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Fee income				
Households	550	1,358	275	953
Corporates	1	4	3	12
<b>Total fee income</b>	<b>551</b>	<b>1,362</b>	<b>278</b>	<b>965</b>
Fee expense				
Loan administration expenses	-915	-2,463	-481	-1,742
<b>Total fee expense</b>	<b>-915</b>	<b>-2,463</b>	<b>-481</b>	<b>-1,742</b>
<b>Net fee income</b>	<b>-364</b>	<b>-1,101</b>	<b>-203</b>	<b>-777</b>
In thousands of euros	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Fee income by customer location				
Estonia	453	1,052	213	737
Latvia	57	243	62	220
Poland	41	67	3	8
<b>Total fee income by customer location</b>	<b>551</b>	<b>1,362</b>	<b>278</b>	<b>965</b>

## Note 6 Operating expenses

In thousands of euros	Q4 2020	12 months 2020	Q4 2019	12 months 2019
Personnel expenses				
Personnel expense	1,739	7,448	1,731	6,639
Social and other taxes	460	1,759	397	1,387
<b>Total personnel expenses</b>	<b>2,199</b>	<b>9,207</b>	<b>2,128</b>	<b>8,026</b>
Marketing expenses				
Advertising and marketing	394	1,136	853	2,240
Sales costs	162	421	43	343
<b>Total marketing expenses</b>	<b>556</b>	<b>1,557</b>	<b>896</b>	<b>2,583</b>
Administrative expenses				
Office maintenance and workplace expenses	158	601	215	664
IT expenses	501	1,534	376	1,135
Legal and recovery proceeding expenses	129	461	67	308
Training and business trip expenses	20	207	144	429
Supervision expenses	119	341	100	296
Transportation expenses	40	168	50	196
Other	195	911	393	1,056
<b>Total administrative expenses</b>	<b>1,162</b>	<b>4,223</b>	<b>1,345</b>	<b>4,084</b>

## Note 7 Loans and advances

In thousands of euros	31.12.2020	31.12.2019
Distribution of receivables by customer sector		
Households	403,861	333,014
Corporates	11,593	13,438
Loans and advances before impairment allowance	415,454	346,452
Impairment allowance	-13,242	-8,295
<b>Total loans and advances</b>	<b>402,212</b>	<b>338,157</b>

In thousands of euros	12 months 2020	12 months 2019
Impairment losses on loans and advances		
Impairment losses of reporting period	-18,713	-10,652
Recoveries from written off from financial position	7,167	4,603
<b>Total impairment losses on loans and advances</b>	<b>-11,546</b>	<b>-6,049</b>

In thousands of euros	31.12.2020	31.12.2019
Changes in impairments		
Impairment allowance balance in the beginning of the period	-8,295	-5,604
Impairment provisions set up during reporting period	-18,713	-10,652
Written off from financial position during the period	13,766	7,961
<b>Total impairment</b>	<b>-13,242</b>	<b>-8,295</b>

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



## Distribution of receivables from households

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

31.12.2019						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	294,981	-2,206	-25	-117	292,633	0.8%
4-30 days	23,874	-957	-17	-65	22,835	4.4%
31-89 days	8,781	-5	-1,026	-105	7,645	12.9%
90-179 days	2,018	0	0	-1,079	939	53.5%
180+ days	3,360	0	0	-2,596	764	77.3%
<b>Total receivables</b>	<b>333,014</b>	<b>-3,168</b>	<b>-1,068</b>	<b>-3,962</b>	<b>324,816</b>	<b>2.5%</b>

## Distribution of receivables from corporates

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

31.12.2019						
Distribution of receivables	Gross	Impairment allowance			Net	Impairment
	receivables	Stage 1	Stage 2	Stage 3	receivables	coverage
0-3 days	12,788	-30	0	0	12,758	0.2%
4-30 days	375	-7	0	0	368	1.9%
31-89 days	154	0	-9	-2	143	7.1%
90-179 days	13	0	0	-5	8	38.5%
180+ days	108	0	0	-44	64	40.7%
<b>Total receivables</b>	<b>13,438</b>	<b>-37</b>	<b>-9</b>	<b>-51</b>	<b>13,341</b>	<b>0.7%</b>

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

## Note 8 Due from central banks and credit institutions

In thousands of euros	31.12.2020	31.12.2019
Due from central banks	24,692	78,515
Mandatory reserve in central banks	2,753	4,565
Due from credit institutions	19,784	20,655
<b>Total due from central banks and credit institutions</b>	<b>47,229</b>	<b>103,735</b>

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

## Note 9 Investments in debt securities

In thousands of euros	31.12.2020	31.12.2019
Investments in debt securities	13,582	0
incl. investments in central government debt securities	10,009	0
incl. investments in corporate debt securities	3,573	0
Corrections	36	0
<b>Total investments in debt securities</b>	<b>13,618</b>	<b>0</b>

## Note 10 Acquisition and disposal of associates and subsidiaries

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

Inbank has a 29.8% stake in AS Maksekeskus and a 34% stake in AS Aktiva Portfolio. Closer cooperation with Maksekeskus allows Inbank offer our products to the customers of Maksekeskus. AS Aktiva Portfolio has been established for more efficient management of debt portfolio. Investments are accounted for using the equity method. In 2020, income from equity investments accounted for 414 thousand euros and in Q4 for 121 thousand euros (2019: 0 euros and Q4: 0 euros).

### Maksekeskus AS overview

In thousands of euros	31.12.2020	31.12.2019
Summarised financial information		
Cash and cash equivalents	3,770	2,086
Non-current asset	782	502
Other financial and non-financial liabilities	1,423	850
Equity	3,128	1,739
Revenue	4,849	2,731
Profit/loss for the year	1,389	635

## AS Aktiva Portfolio overview

In thousands of euros	31.12.2020	31.12.2019
Summarised financial information		
Cash and cash equivalents	1,498	0
Non-current asset	3,012	0
Short-term liabilities	1,003	0
Long-term liabilities	2,585	0
Equity	922	0
Revenue	67	0
Profit/loss for the year	-69	0

In 2020, Inbank sold its 100% stake in the full-service leasing company Inbank Liising AS (now named Täisteenusliisingu AS). Revenue from sales in the amount of 375 thousand euros is recognised in the income statement under 'Share of profit from subsidiaries and associates' (2019: 0 euros).

## Acquisitions and disposals of associates

In thousands of euros	12 months 2020	12 months 2019
Acquisitions		
Equity contribution, financial assets at fair value through profit and loss	0	321
Equity contribution, subsidiaries and associates	305	2,351
<b>Total acquisitions</b>	<b>305</b>	<b>2,672</b>
Disposals		
Proceeds from disposals in financial investment	0	3,320
Received from disposals of subsidiary	780	0
<b>Total disposals</b>	<b>780</b>	<b>3,320</b>

Inbank has not received dividends from its associates.

## Note 11 Intangible assets

In thousands of euros	Licences	Software	Goodwill	Total
Cost, 01.01.2020	143	6,512	6,157	12,812
Accumulated amortisation	-102	-989	0	-1,091
<b>Opening carrying value</b>	<b>41</b>	<b>5,523</b>	<b>6,157</b>	<b>11,721</b>
Additions	21	5,864	0	5,885
Amortisation charge	-12	-1,455	0	-1,467
<b>Closing carrying value</b>	<b>50</b>	<b>9,932</b>	<b>6,157</b>	<b>16,139</b>
Cost, 31.12.2020	164	12,376	6,157	18,697
Accumulated amortisation	-114	-2,444	0	-2,558
<b>Carrying value</b>	<b>50</b>	<b>9,932</b>	<b>6,157</b>	<b>16,139</b>

Management has carried out tests of recoverable amount of goodwill as at 31 December 2020 and 31 December 2019. The cash-generating units of goodwill are segments, which are entities of Inbank group. The breakdown of goodwill between segments is as follows:

In thousands of euros	31.12.2020	31.12.2019
Business segment		
Estonia	238	238
Lithuania	5,919	5,919
<b>Total</b>	<b>6,157</b>	<b>6,157</b>

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

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

## Note 12 Other assets

In thousands of euros	31.12.2020	31.12.2019
Financial assets		
Prepaid guarantee amounts	149	70
Accrued receivables	16	1,622
<b>Total financial assets</b>	<b>165</b>	<b>1,692</b>
Non-financial assets		
Prepaid expenses	1,957	527
Prepaid taxes	182	61
Other assets	343	0
<b>Total non-financial assets</b>	<b>2,482</b>	<b>588</b>

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

## Note 13 Customer deposits

In thousands of euros	31.12.2020	31.12.2019
Customer deposits		
Deposits from households	377,757	360,125
Deposits from non-financial corporates	9,357	11,997
Deposits from financial corporates	4,227	5,396
<b>Total customer deposits</b>	<b>391,341</b>	<b>377,518</b>
In thousands of euros	31.12.2020	31.12.2019
Deposits by clients' residency		
Estonia	66,900	76,624
Germany	186,587	225,229
Poland	106,365	49,537
Austria	10,072	9,033
Netherlands	18,687	16,586
Lithuania	2,523	339
Other residence	207	170
<b>Total deposits by clients' residency</b>	<b>391,341</b>	<b>377,518</b>

In thousands of euros	31.12.2020	31.12.2019
Deposits by contractual maturity		
On demand	8,616	4,242
1-90 days	33,683	30,828
91-365 days	160,755	181,093
1-5 years	188,287	161,355
<b>Total deposits by contractual maturity</b>	<b>391,341</b>	<b>377,518</b>

Deposits include accrued interest liabilities in the amount of EUR 5 636 thousand (31.12.2019: EUR 3 718 thousand).

## Note 14 Debt securities

In thousands of euros	31.12.2020	31.12.2019
Debt securities issued	4,000	4,000
Corrections	10	10
<b>Total debt securities</b>	<b>4,010</b>	<b>4,010</b>

Debt securities	Nominal value	Amount	Issue date	Maturity date
EE3300111483	250,000 EUR	40	14.05.2018	14.03.2019
EE3300111673	250,000 EUR	16	28.02.2019	01.03.2021

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

## Note 15 Subordinated debt securities

In thousands of euros	31.12.2020	31.12.2019
Subordinated debt securities issued	17,653	17,653
Adjustments	-90	-116
<b>Total subordinated debt securities</b>	<b>17,563</b>	<b>17,537</b>

Subordinated debt securities	Nominal price	Amount	Interest rate	Issue date	Maturity date
EE3300110964	1 000 EUR	6,503	7.0%	28.09.2016	28.09.2026
EE3300111590	10 000 EUR	315	8.5%	19.12.2018	perpetual
EE3300001544	1 000 EUR	8,000	6.0%	19.12.2019	19.12.2029

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

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

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

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

## Note 16 Other liabilities

In thousands of euros	31.12.2020	31.12.2019
<b>Financial liabilities</b>		
Accounts payable	10,068	11,516
Lease liability	1,168	757
Client prepayments	982	1,272
<b>Total financial liabilities</b>	<b>12,218</b>	<b>13,545</b>
<b>Other liabilities</b>		
Payables to employees	1,964	1,978
Payroll taxes	480	482
Tax liability	864	277
Other liabilities	366	100
<b>Total other liabilities</b>	<b>3,674</b>	<b>2,837</b>

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses. Of the amount, EUR 6 484 thousand is Lithuanian branch liability to partners for loan granting activities (31.12.2019 EUR 6 810 thousand).

## Note 17 Contingent liabilities

Inbank had the following loan commitments:

In thousands of euros	31.12.2020	31.12.2019
<b>Revocable commitments</b>		
Liability in contractual amount	7,448	9,992
incl. unused credit card limits	5,111	9,975

## Note 18 Share capital

	No of shares	Nominal value (EURt)	Share premium (EURt)	Total
Balance, 01.01.2019	87,394	874	15,053	15,927
Share based payment	2,950	29	855	884
<b>Balance, 31.12.2019</b>	<b>90,344</b>	<b>903</b>	<b>15,908</b>	<b>16,811</b>
Share based payment	600	6	174	180
<b>Total</b>	<b>90,944</b>	<b>909</b>	<b>16,082</b>	<b>16,991</b>
Change in nominal value of shares, 17.07.2020	9,094,400	909	0	909
Share issue	516,130	52	7,948	8,000
<b>Total</b>	<b>9,610,530</b>	<b>961</b>	<b>24,030</b>	<b>24,991</b>
Less: Transaction costs arising on share issues	-	-	-165	-165
<b>Balance, 31.12.2020</b>	<b>9,610,530</b>	<b>961</b>	<b>23,865</b>	<b>24,826</b>

On 17 July 2020, the nominal value of Inbank's share was changed from 10 euros to 0.10 euros without changing the size of the share capital. The existing shares with a nominal value of 10 euros per share were replaced in such a way that each shareholder who owned an Inbank share with a nominal value of 10 euros received 100 Inbank shares with a nominal value of 0.10 euros.

Inbank's share capital consists of 9,611 thousand shares (2019: 903 thousand shares) with a nominal value of 0.10 euros (2019: nominal value of a share of 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 19 Reserves

In thousands of euros	31.12.2020	31.12.2019
Statutory reserve	90	88
Voluntary reserve	1,330	1,330
Share based payments reserve	346	151
Other accumulated comprehensive income	-238	-18
<b>Total reserves</b>	<b>1,528</b>	<b>1,551</b>

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

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

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

## Note 20 Fair value of financial assets and liabilities

In thousands of euros	31.12.2020			31.12.2019		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
<b>Assets</b>						
Due from central banks	27,445	27,445	2	83,080	83,080	2
Due from credit institutions	19,784	19,784	2	20,655	20,655	2
Investments in debt securities	13,618	13,618	3	0	0	
Loans and advances	402,212	402,212	3	338,157	338,157	3
Other financial assets	165	165	3	1,692	1,692	3
<b>Total assets</b>	<b>463,224</b>	<b>463,224</b>		<b>443,584</b>	<b>443,584</b>	
<b>Liabilities</b>						
Customer deposits	391,341	391,341	2	377,518	377,518	2
Debt securities issued	4,010	4,010	3	4,010	4,010	3
Subordinated debt securities	14,954	14,476	2	15,403	14,474	2
Subordinated debt securities (AT1)	3,087	3,087	3	3,063	3,063	3
Other financial liabilities	12,218	12,218	3	13,545	13,545	3
<b>Total liabilities</b>	<b>425,610</b>	<b>425,132</b>		<b>413,539</b>	<b>412,610</b>	

The fair value in level 2 and level 3 were estimated using the discounted cash flow valuation technique. The fair value of fixed rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

**The investments in debt securities** are issued on market terms, therefore their fair value does not differ significantly from the book value, classified as level 3 in fair value hierarchy.

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

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

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

**Debt securities** were issued at market terms. Management estimates that the interest rates today are comparable therefore fair value of the securities equals carrying amount, classified as level 3 in fair value hierarchy.

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

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

## Note 21 Related parties

In thousands of euros	12 months 2020	12 months 2019
Remuneration of the Management Board and Supervisory Board	897	954

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

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

In thousands of euros	31.12.2020			31.12.2019		
	Management	Associates	Total	Management	Associates	Total
Balances as of end of reporting period						
Investments in debt securities	0	3,537	3,537	0	0	0
Loans and advances	17	0	17	1	0	1
Deposits and subordinated debt securities	1,266	0	1,266	2,096	0	2,096

In thousands of euros	12 months 2020			12 months 2019		
	Management	Associates	Total	Management	Associates	Total
Transactions						
Interest income	0	28	28	12	1	13
Interest expenses	83	0	83	53	0	53
Services purchased	754	0	754	44	0	44

The interest rate of deposits received from related parties matches with the interest rate offered to customers, interest rates are in between 0.6% and 2.6% (2019: 0.5 and 3.25%).

## Note 22 Events after the reporting period

On 14 December 2020, Inbank signed an agreement to acquire 53% of the full-service vehicle rental company Mobire Group OÜ. Transaction was closed on 26 January 2021.



Inbank AS

Niine 11, 10414 Tallinn

[info@inbank.ee](mailto:info@inbank.ee)

+372 640 8080

[www.inbank.ee](http://www.inbank.ee)