



Inbank AS

Interim Report

Q3 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)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Reporting period	01.01.2020-30.09.2020

Members of the Supervisory Board:

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

Members of the Management Board:

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

The reporting currency is the euro (EUR), with units presented in thousands.

Inbank AS' interim report for Q3 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 Q3 of 2020 consisting of the management report and financial statements as at 30 September 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 30 September 2020, its financial performance and cash flows for the Q3 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, 05 November 2020

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

Management report

In the previous quarterly report, we focused on assessing the impact of the global COVID-19 pandemic and admitted that we are living in a very special time. Even today, no one can accurately assess the real impact of the chain reaction that began with the crisis, but we can keep analysing the situation and make quick decisions. As an agile organisation, we are well prepared to do so.

The third quarter was very fast-paced and eventful, and certainly more successful than expected. We actively improved our existing products and prepared for the launch of our first credit card and mobile app.

Sales volumes

While in the second quarter we saw a sharp drop in sales volumes, the sales results of the third quarter were a positive surprise – the growth was 47% compared to the previous quarter. The total sales volume for all our markets amounted to 88.2 million euros and increased by 9% compared to the previous year.

The fact that we were able to grow compared to last year is undoubtedly gratifying and confirms that trade has recovered from the crisis. A major change occurred in the breakdown of sales volumes across products. The share of sales finance in total sales has significantly increased, while the share of loan products has decreased.

In the third quarter, the share of sales finance in total sales was 74% or 65.6 million euros. This is a 55% increase year-on-year. One of the reasons is certainly the Polish unit, which has done a great job with sales and was able to start cooperation with a large number of new sales finance partners. In the third quarter, Poland accounted for 46% of total sales finance sales volume.

The modest volumes of small loans were affected by our own decision to take a more conservative approach to credit underwriting. The quarterly sales of both car finance and small loans decreased significantly year-on-year: 18% and 63%, respectively. Although we were more conservative in credit underwriting, a general decline in demand was also noticeable.

Product development

In the third quarter, we made significant additions to the Indiy Pay Later platform that was launched in the spring. The new Indiy Go payment solution was added to the Indiy product family allowing customers to pay for their purchases next month at no extra charge. This way, buyers can first check the suitability of the goods ordered online, and only then decide whether they want to pay the full amount at once or pay in instalments later. The Indiy payment solutions Plan, Slice and Go are new generation commercial tools that help retailers boost sales and create an enjoyable shopping experience for consumers.

We also made preparations in the third quarter for launching our first card product. Inpay, which will be launched in the fourth quarter, is a payment app and card with a unique cashback programme in Estonia, with which the customer earns money back on everyday purchases. As we enter the cards and payments market, we are moving into the territory of everyday shopping and see great potential in building a bridge between our extensive network of retailers and our customer base. I will be happy to cover Inpay in greater detail in the next quarterly report.

Credit risk

In the third quarter, we closely monitored the credit behaviour of customers that have taken a grace period, which probably gives the best picture of the impact of the crisis in the current situation. As a large share of our customers applying for grace period in the spring preferred a three-month period, their next payment date after the grace period was in the third quarter. It is good to note that 87% of the customers continued to service their contracts as per usual.

The general payment discipline of customers can also be considered very good at the moment. During the third quarter, the share of the portfolio in short-term arrears (31–90 days overdue) decreased to 2.1% of the total portfolio. At the end of the second quarter, this indicator was 2.7%.

Another important area in terms of credit costs is the sale of debt claims. In the second quarter, we saw that the coronavirus caused a difficult situation in this market and some companies specialising in debt purchase were unable to finance themselves. This in turn led to a decline in the price of debt claims in the market. Nevertheless, in the third quarter we entered into a new debt sale agreement, which has helped us fix the terms of debt sales in the Baltic countries for the next two years. In light of this agreement, we also adjusted the book values of our loan portfolio to the new reality, which resulted in an extraordinary increase in credit costs. With the new agreement, we increased the share of the non-performing portfolio (91+ days overdue) in the total portfolio to 2.4% by the end of the third quarter (this indicator was 2.9% at the end of the second quarter).

It is important to mention that due to the coronavirus crisis, we have created an additional macroeconomic buffer for our entire loan portfolio – a provision to cover possible future credit costs. In other words, although the information available today shows the quality of the portfolio as being much higher than we expected in the spring, we have also prepared ourselves financially for possible negative developments.

Provisions for loan losses amounted to 3.1 million euros in the third quarter and accounted for 3.4% of the loan portfolio (annualised). In the second quarter, provisions for loan losses were 3.7 million euros – 4.3% of the loan portfolio. In 2019, the average impairment losses on loans accounted for 2.1% of the

loan portfolio. The increase in provisions over the past two quarters has been mainly due to the adjustment of the book value of the debt portfolio to match the terms of the new debt sale agreement and the proactive increasing of the macroeconomic reserve to cover possible future loan losses.

Q3 financial results

The total revenue for the quarter was 8.5 million euros, having increased by 3% year-on-year. Expenses, which were mainly affected by personnel costs, increased by 6% year-on-year. The increase in personnel costs was largely due to our decision to increase our technology team, and the Polish business unit also needed additional staff to support rapid growth. In total, we earned a net profit of 1.45 million euros at a risk cost of 3.1 million euros.

At the end of the reporting period, our balance sheet total was 449 million euros, an increase of 1% year-on-year. The main reason for the modest growth of the balance sheet volume was the 3.5% decrease in the deposit portfolio; total deposits amounted to 362 million euros at the end of the quarter. The

decrease was due to more efficient liquidity management, and the fact that the concentration of deposits ending in July and August was higher than usual in the portfolio.

The bank's loan portfolio increased by 21% year-on-year and amounted to 374 million euros. Equity was 51.6 million euros and return on equity in the third quarter was 11.3%.

Summary

The coronavirus crisis naturally impacted our financial results, but sales volumes have recovered faster than expected and the third quarter ended with a clear positive note. Also, the crisis has not affected our product development and innovation capacity or reduced our investment. As an organisation, we continue to be growth-oriented and believe that new products will help us increase our growth rate again.

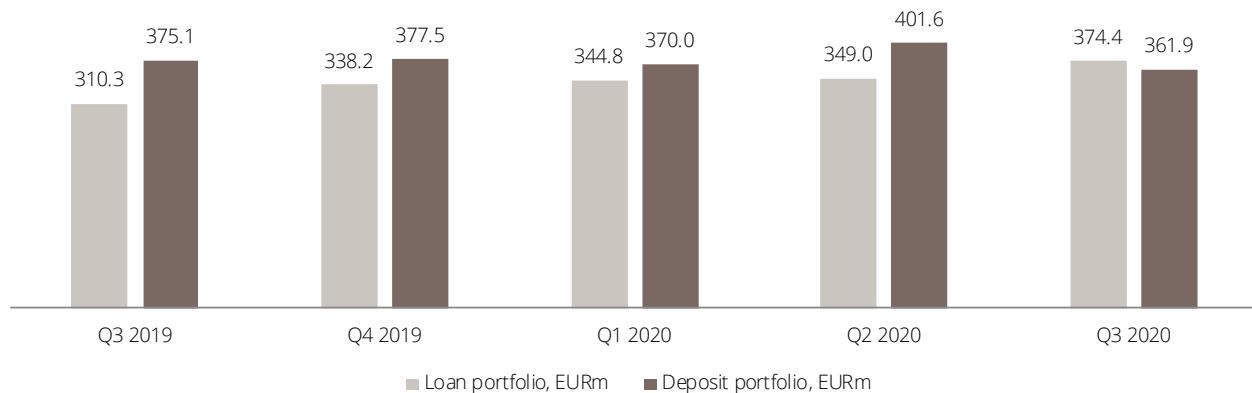
Jan Andresoo
Chairman of the Management Board

Key financial indicators

Key financial indicators and ratios

In millions of euros	30.09.2020	30.09.2019	% change
Total assets	449.1	446.0	0.7%
Equity	51.6	43.9	17.5%
Net profit	4.2	6.6	-36.4%
Loan portfolio	374.4	310.3	20.7%
Deposit portfolio	361.9	375.1	-3.5%

Loan and deposit portfolio development



Ratios

	9 months 2020	9 months 2019
Return on equity	11.3%	21.8%
Return on total assets	1.2%	2.3%
Net interest margin	8.0%	8.2%
Impairment losses to loan portfolio	3.5%	2.4%
Cost/income ratio	49.2%	48.7%
Equity to total assets	11.5%	9.9%

Explanations (key ratios are annualized):

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

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

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

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

Cost/income ratio: total operating expenses / total income

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

Condensed consolidated interim financial statements

Condensed consolidated statement of financial position

In thousands of euros	Note	30.09.2020	31.12.2019
Assets			
Due from central banks	8	22,563	83,080
Due from credit institutions	8	16,580	20,655
Investments in debt securities	9	11,567	0
Loans and advances	7; 21	374,424	338,157
Investments in associates	10	3,763	3,276
Tangible assets		864	840
Right of use asset		445	773
Intangible assets	11	14,927	11,721
Other financial assets	12	837	1,692
Other assets	12	1,095	588
Deferred tax asset		1,993	1,985
Total assets	3	449,058	462,767
Liabilities			
Customer deposits	13; 21	361,854	377,518
Other financial liabilities	16; 21	11,279	13,545
Other liabilities	16	2,712	2,837
Debt securities issued	14	4,010	4,010
Subordinated debt securities	15	17,554	17,537
Total liabilities	3	397,409	415,447
Equity			
Share capital	19	909	903
Share premium		16,082	15,908
Statutory reserve capital	20	90	88
Other reserves	20	1,411	1,463
Retained earnings		33,157	28,958
Total equity		51,649	47,320
Total liabilities and equity		449,058	462,767

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	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Interest income	4	10,694	31,974	9,854	26,983
Interest expense	4	-1,969	-5,910	-1,685	-4,471
Net interest income		8,725	26,064	8,169	22,512
Fee income	5	254	811	255	687
Fee expense	5	-546	-1,548	-459	-1,261
Net fee and commission income		-292	-737	-204	-574
Net gains from financial assets measured at fair value		0	0	273	539
Other operating income		107	469	25	578
Total net interest, fee and other income		8,540	25,796	8,263	23,055
Personnel expenses	6	-2,152	-7,008	-2,001	-5,898
Marketing expenses	6	-301	-1,001	-518	-1,687
Administrative expenses	6	-962	-3,061	-1,009	-2,739
Depreciations, amortisation	11	-606	-1,627	-333	-912
Total operating expenses		-4,021	-12,697	-3,861	-11,236
Profit before profit from associates and impairment losses on loans		4,519	13,099	4,402	11,819
Share of profit from associates		76	668	0	0
Impairment losses on loans and advances	7	-3,070	-9,229	-1,898	-4,845
Profit before income tax		1,525	4,538	2,504	6,974
Income tax	3	-74	-350	-283	-408
Profit for the period		1,451	4,188	2,221	6,566
incl. shareholders of parent company		1,451	4,188	2,221	6,566
Other comprehensive income that may be reclassified subsequently to profit or loss					
Currency translation differences		-119	-195	133	82
Total comprehensive income for the period		1,332	3,993	2,354	6,648
incl. shareholders of parent company		1,332	3,993	2,354	6,648

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	9 months 2020	9 months 2019
Cash flows from operating activities			
Interest received	4	31,950	26,867
Interest paid	4	-5,983	-3,342
Fees received	5	811	687
Fees paid	5	-1,548	-1,261
Other income received		469	578
Personnel expenses	6	-6,841	-5,427
Administrative and marketing expenses	6	-4,403	-4,179
Corporate income tax paid		-618	-630
Cash flows from operating activities before changes in the operating assets and liabilities		13,837	13,293
Changes in operating assets			
Loans and advances		-45,727	-88,620
Mandatory reserve in central banks		1,404	-1,599
Other assets		341	-976
Changes of operating liabilities			
Loan from credit institution		0	-10,429
Customer deposits		-15,682	132,327
Other liabilities		-2,402	1,179
Net cash from operating activities		-48,229	45,175
Cash flows from investing activities			
Investments in debt securities		-11,575	0
Acquisition of tangible and intangible assets	11	-4,416	-3,603
Disposal of subsidiaries	10	671	-121
Net change of investments at fair value through profit or loss		0	2,999
Net cash used in investing activities		-15,320	-725
Cash flows from financing activities			
Share capital contribution (including share premium)		180	884
Debt securities issued		0	4,000
Repayments of debt securities		0	-10,000
Net cash used in financing activities		180	-5,116
Effect of exchange rate changes		183	-88
Cash and cash equivalents at the beginning of the reporting period	8	99,168	76,372
Net increase/decrease in cash and cash equivalents		-63,186	39,246
Cash and cash equivalents at the end of the reporting period	8	35,982	115,618

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	53	17	70	0	70
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	6,566	6,566	0	6,566
Other comprehensive income	0	0	0	82	0	82	0	82
Balance, 30.09.2019	903	15,908	88	1,536	25,514	43,949	0	43,949
Balance, 01.01.2020	903	15,908	88	1,463	28,958	47,320	0	47,320
Paid in share capital	6	174	0	0	0	180	0	180
Share-based payment reserve	0	0	0	143	13	156	0	156
Statutory reserve capital	0	0	2	0	-2	0	0	0
Total profit for the reporting period	0	0	0	0	4,188	4,188	0	4,188
Other comprehensive income	0	0	0	-195	0	-195	0	-195
Balance, 30.09.2020	909	16,082	90	1,411	33,157	51,649	0	51,649

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
Maksekeskus 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	Collection	34	195

* Maksekeskus Holding OÜ has 29.8% shareholding in Maksekeskus AS.

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

	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
9 months 2020						
Interest income	16,723	3,692	12,026	3,157	-3,624	31,974
incl. interest income from external customers	13,099	3,692	12,026	3,157	0	31,974
incl. internal interest income	3,624	0	0	0	0	3,624
Fee income	599	186	0	26	0	811
Net gains from financial assets measured at fair value	0	0	0	0	0	0
Other operating income	692	51	74	75	-423	469
Total income	18,014	3,929	12,100	3,258	-4,047	33,254
Interest expense	-4,853	-576	-3,074	-1,031	3,624	-5,910
Fee expense	-323	-118	-728	-379	0	-1,548
Total expenses	-5,176	-694	-3,802	-1,410	3,624	-7,458
Total net interest, fee and commission income and other income	12,838	3,235	8,298	1,848	-423	25,796
Operating expenses	-7,402	-1,158	-3,250	-1,310	423	-12,697
incl. depreciations, amortisation	-1,024	-112	-413	-78	0	-1,627
Profit before profit from associates and impairment losses on loans	5,436	2,077	5,048	538	0	13,099
Profit of associates	668	0	0	0	0	668
Impairment losses on loans and advances	-4,243	-688	-2,718	-1,580	0	-9,229
Income tax	-246	0	187	-291	0	-350
Net profit/loss	1,615	1,389	2,517	-1,333	0	4,188
Total assets	350,457	28,482	137,907	84,320	-152,108	449,058
Total liabilities	307,346	24,593	122,235	90,597	-147,362	397,409

In thousands of euros

	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Q3 2020						
Interest income	5,228	1,167	3,892	1,262	-855	10,694
incl. interest income from external customers	4,373	1,167	3,892	1,262	0	10,694
incl. internal interest income	855	0	0	0	0	855
Fee income	183	59	0	12	0	254
Net gains from financial assets measured at fair value	0	0	0	0	0	0
Other operating income	284	14	29	5	-225	107
Total income	5,695	1,240	3,921	1,279	-1,080	11,055
Interest expense	-1,572	-156	-713	-383	855	-1,969
Fee expense	-120	-39	-237	-150	0	-546
Total expenses	-1,692	-195	-950	-533	855	-2,515
Total net interest, fee and commission income and other income	4,003	1,045	2,971	746	-225	8,540
Operating expenses	-2,419	-371	-1,023	-250	225	-3,838
incl. depreciations, amortisation	-397	-38	-146	-25	0	-606
Profit before profit from associates and impairment losses on loans	1,584	674	1,948	313	0	4,519
Profit of associates	76	0	0	0	0	76
Impairment losses on loans and advances	-1,242	-119	-1,063	-646	0	-3,070
Income tax	-8	0	321	-387	0	-74
Net profit/loss	410	555	1,206	-720	0	1,451

In thousands of euros

	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
9 months 2019						
Interest income	14,843	3,497	10,099	1,828	-3,284	26,983
incl. interest income from external customers	11,559	3,497	10,099	1,828	0	26,983
incl. internal interest income	3,284	0	0	0	0	3,284
Fee income	524	158	0	5	0	687
Net gains from financial assets measured at fair value	539	0	0	0	0	539
Other operating income	371	60	365	-84	-134	578
Total income	16,277	3,715	10,464	1,749	-3,418	28,787
Interest expense	-3,792	-559	-2,717	-687	3,284	-4,471
Fee expense	-304	-120	-557	-280	0	-1,261
Total expenses	-4,096	-679	-3,274	-967	3,284	-5,732
Total net interest, fee and commission income and other income	12,181	3,036	7,190	782	-134	23,055
Operating expenses	-5,652	-1,265	-3,337	-1,113	131	-11,236
incl. depreciations, amortisation	-471	-117	-280	-48	-3	-919
Profit before profit from associates and impairment losses on loans	6,529	1,771	3,853	-331	-3	11,819
Profit of associates	0	0	0	0	0	0
Impairment losses on loans and advances	-1,455	-510	-1,272	-1,608	0	-4,845
Income tax	-708	0	-259	559	0	-408
Net profit/loss	4,366	1,261	2,322	-1,380	-3	6,566
Total assets	389,759	28,375	122,803	52,971	-147,939	445,969
Total liabilities	345,133	26,438	109,991	58,042	-137,584	402,020

In thousands of euros

	Estonia	Latvia	Lithuania	Poland	Inter-segment eliminations	Total
Q3 2019						
Interest income	5,405	1,256	3,588	834	-1,229	9,854
incl. interest income from external customers	4,176	1,256	3,588	834	0	9,854
incl. internal interest income	1,229	0	0	0	0	1,229
Fee income	194	60	0	1	0	255
Net gains from financial assets measured at fair value	539	0	0	0	0	539
Other operating income	-143	20	67	-133	-52	-241
Total income	5,995	1,336	3,655	702	-1,281	10,407
Interest expense	-1,379	-210	-996	-329	1,229	-1,685
Fee expense	-108	-42	-185	-124	0	-459
Total expenses	-1,487	-252	-1,181	-453	1,229	-2,144
Total net interest, fee and commission income and other income	4,508	1,084	2,474	249	-52	8,263
Operating expenses	-1,982	-422	-1,158	-348	49	-3,861
incl. depreciations, amortisation	-179	-41	-98	-16	-6	-340
Profit before profit from associates and impairment losses on loans	2,528	661	1,316	-100	-3	4,402
Profit of associates	0	0	0	0	0	0
Impairment losses on loans and advances	-362	-306	-572	-658	0	-1,898
Income tax	-295	0	-95	107	0	-283
Net profit/loss	1,871	355	649	-651	-3	2,221

Equity of major subsidiary

	30.09.2020	31.12.2019
SIA Inbank Latvia	3,889	2,501

Note 4 Net interest income

In thousands of euros	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Interest income				
Loans to households	10,601	31,727	9,735	26,699
Loans to corporates	128	375	131	312
Due from financial and credit institutions	-35	-128	-12	-28
Total interest income	10,694	31,974	9,854	26,983
 Interest expense				
Deposits received	-1,615	-4,863	-1,464	-3,816
Debt securities sold	-348	-1,029	-216	-645
Lease liability	-6	-18	-5	-10
Total interest expense	-1,969	-5,910	-1,685	-4,471
 Net interest income	8,725	26,064	8,169	22,512
 In thousands of euros	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Interest income by customer location				
Estonia	4,494	13,099	4,175	11,558
Latvia	1,167	3,692	1,874	5,190
Lithuania	3,892	12,026	2,970	8,406
Poland	1,141	3,157	835	1,829
Total interest income by customer location	10,694	31,974	9,854	26,983

Note 5 Net fee and commission income

In thousands of euros	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Fee income				
Households	254	808	252	678
Corporates	0	3	3	9
Total fee income	254	811	255	687
 Fee expense				
Loan administration expenses	-546	-1,548	-459	-1,261
Total fee expense	-546	-1,548	-459	-1,261
 Net fee income	-292	-737	-204	-574
 In thousands of euros	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Fee income by customer location				
Estonia	183	599	194	524
Latvia	59	186	60	158
Lithuania	0	0	0	0
Poland	12	26	1	5
Total fee income by customer location	254	811	255	687

Note 6 Operating expenses

In thousands of euros	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Personnel expenses				
Personnel expense	1,731	5,709	1,631	4,908
Social and other taxes	421	1,299	370	990
Total personnel expenses	2,152	7,008	2,001	5,898
Marketing expenses				
Advertising and marketing	206	742	417	1,387
Sales costs	95	259	101	300
Total marketing expenses	301	1,001	518	1,687
Administrative expenses				
Office maintenance and workplace expenses	164	443	147	449
IT expenses	333	1,033	295	759
Legal and recovery proceeding expenses	101	332	78	241
Training and business trip expenses	75	187	105	285
Supervision expenses	76	222	105	196
Transportation expenses	46	128	52	146
Other	167	716	227	663
Total administrative expenses	962	3,061	1,009	2,739

Note 7 Loans and advances

In thousands of euros	30.09.2020	31.12.2019
Distribution of receivables by customer sector		
Households	375,429	333,014
Corporates	11,707	13,438
Loans and advances before impairment allowance	387,136	346,452
Impairment allowance	-12,712	-8,295
Total loans and advances	374,424	338,157
In thousands of euros	9 months 2020	9 months 2019
Impairment losses on loans and advances		
Impairment losses of reporting period	-12,643	-8,320
Recoveries from written off from financial position	3,414	3,475
Total impairment losses on loans and advances	-9,229	-4,845
In thousands of euros	30.09.2020	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	-12,643	-8,320
Written off from financial position during the period	8,226	5,629
Total impairment	-12,712	-8,295

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

Distribution of receivables from households

In thousands of euros

30.09.2020	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
0-3 days	333,307	-3,032	-70	-200	330,005	1.0%
4-30 days	26,318	-1,646	-52	-125	24,495	6.9%
31-89 days	7,886	-4	-1,610	-178	6,094	22.7%
90-179 days	1,563	0	0	-992	571	63.5%
180+ days	6,355	0	0	-4,762	1,593	74.9%
Total receivables	375,429	-4,682	-1,732	-6,257	362,758	3.4%

31.12.2019	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
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%
Total receivables	333,014	-3,168	-1,068	-3,962	324,816	2.5%

Distribution of receivables from corporates

In thousands of euros

30.09.2020	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
0-3 days	11,665	-38	0	0	11,627	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	8	0	0	0	8	0.0%
90-179 days	1	0	0	0	1	0.0%
180+ days	33	0	0	-3	30	9.1%
Total receivables	11,707	-38	0	-3	11,666	0.4%

31.12.2019	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
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%
Total receivables	13,438	-37	-9	-51	13,341	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.

Note 8 Due from central banks and credit institutions

In thousands of euros	30.09.2020	31.12.2019
Due from central banks	13,419	78,515
Mandatory reserve in central banks	3,161	4,565
Due from credit institutions	22,563	20,653
Total due from central banks and credit institutions	39,143	103,733

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	30.09.2020	31.12.2019
Investments in debt securities	11,552	0
Corrections	15	0
Total investments in debt securities	11,567	0

Note 10 Business combinations

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

Acquisitions and disposals of associates

In thousands of euros	9 months 2020	9 months 2019
Acquisitions		
Equity contribution, financial assets at fair value through profit and loss	0	321
Equity contribution, subsidiaries and associates	305	0
Purchase of non-controlling interest in the share capital of subsidiary	0	118
Total acquisitions	305	439

Disposals

Proceeds from disposals in financial investment	0	3,320
Received from disposals of subsidiary	780	0
Total disposals	780	3,320

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
Opening carrying value	41	5,523	6,157	11,721
Additions	17	4,182	0	4,199
Amortisation charge	-6	-987	0	-993
Closing carrying value	52	8,718	6,157	14,927
Cost, 30.09.2020	160	10,694	6,157	17,011
Accumulated amortisation	-108	-1,976	0	-2,084
Carrying value	52	8,718	6,157	14,927

Management has carried out tests of recoverable amount of goodwill as at 30 September 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	30.09.2020	31.12.2019
Business segment		
Estonia	238	238
Lithuania	5,919	5,919
Total	6,157	6,157

The recoverable amount of goodwill was identified by value in use, which was determined using detailed pre-tax operating cash flow estimates for the next three years. Discounted cash flow method (DCF) was used for the value in use assessment. The growth rates 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	30.09.2020	31.12.2019
Financial assets		
Prepaid guarantee amounts	164	70
Accrued receivables	673	1,622
Total financial assets	837	1,692
Non-financial assets		
Prepaid expenses	864	527
Prepaid taxes	0	61
Other assets	231	0
Total non-financial assets	1,095	588

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

Note 13 Customer deposits

In thousands of euros	30.09.2020	31.12.2019
Customer deposits		
Deposits from households	351,251	360,125
Deposits from non-financial corporates	10,185	11,997
Deposits from financial corporates	418	5,396
Total customer deposits	361,854	377,518
In thousands of euros	30.09.2020	31.12.2019
Deposits by clients' residency		
Estonia	67,299	76,624
Germany	188,361	225,229
Poland	77,320	49,537
Austria	9,762	9,033
Netherlands	16,675	16,586
Lithuania	2,235	339
Other residence	202	170
Total deposits by clients' residency	361,854	377,518
In thousands of euros	30.09.2020	31.12.2019
Deposits by contractual maturity		
On demand	3,708	4,242
1-90 days	51,680	30,828
91-365 days	126,065	181,093
1-5 years	180,401	161,355
Total deposits by contractual maturity	361,854	377,518

Deposits include accrued interest liabilities in the amount of EUR 5 090 thousand (31.12.2019: EUR 3 719 thousand).

Note 14 Debt securities

In thousands of euros	30.09.2020	31.12.2019
Debt securities issued	4,000	4,000
Corrections	10	10
Total debt securities	4,010	4,010

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	30.09.2020	31.12.2019
Subordinated debt securities issued	17,653	17,653
Adjustments	-99	-116
Total subordinated debt securities	17,554	17,537

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	1000 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	30.09.2020	31.12.2019
Financial liabilities		
Accounts payable	9,617	11,516
Lease liability	450	757
Client prepayments	1,212	1,272
Total financial liabilities	11,279	13,545
 Other liabilities		
Payables to employees	1,799	1,978
Payroll taxes	497	482
Tax liability	400	277
Other liabilities	16	100
Total other liabilities	2,712	2,837

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses. Of the amount, EUR 5 716 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:

	30.09.2020	31.12.2019
In thousands of euros		
Revocable commitments		
Liability in contractual amount	6,075	9,992
incl. unused credit card limits	5,490	9,975
Irrevocable commitments		
Liability in contractual amount	2,342	0

Note 18 Basic and diluted earnings per share

	Q3 2020	9 months 2020	Q3 2019	9 months 2019
Net profit attributable to owners of the parent (EURt)	1,451	4,188	2,221	6,566
Weighted average number of shares	4,592,672	4,592,372	88,869	88,869
Basic earnings per share (EUR)	0.32	0.91	24.99	73.88
Weighted average number of shares used for calculating the diluted earnings per shares	4,596,622	4,596,322	93,619	93,619
Diluted earnings per share (EUR)	0.32	0.91	23.72	70.14

Basic earnings per share is calculated by dividing the net profit by the weighted average number of shares outstanding. For more information on the change in the nominal value of the number of shares, see Note 19.

Note 19 Share capital

	30.09.2020	31.12.2019
Share capital	909	903
Number of shares issued	9,094,400	90,344
Nominal share value (EUR)	0.10	10

On 17 July 2020, the nominal value of Inbank's share was changed from 10 euros to 0.10 euros without changing the share capital. Each share with a nominal value of 10 euros was replaced by 100 shares with a nominal value of 0.10 euros.

Note 20 Reserves

	30.09.2020	31.12.2019
In thousands of euros		
Statutory reserve	90	88
Voluntary reserve	1,330	1,330
Share based payments reserve	294	151
Other accumulated comprehensive income	-213	-18
Total reserves	1,501	1,551

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

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

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

Note 21 Fair value of financial assets and liabilities

	30.09.2020			31.12.2019		
	Fair value	Carrying amount	Level	Fair value	Carrying amount	Level
Assets						
Due from central banks	22,563	22,563	2	83,080	83,080	2
Due from credit institutions	16,580	16,580	2	20,655	20,655	2
Investments in debt securities	11,567	11,567	3	0	0	
Loans and advances	374,424	374,424	3	338,157	338,157	3
Other financial assets	837	837	3	1,692	1,692	3
Total assets	425,971	425,971		443,584	443,584	
Liabilities						
Customer deposits	361,854	361,854	2	377,518	377,518	2
Debt securities issued	4,010	4,010	3	4,010	4,010	3
Subordinated debt securities	14,989	14,491	2	15,403	14,498	2
Subordinated debt securities (AT1)	3,063	3,063	3	3,039	3,039	3
Other financial liabilities	11,279	11,279	3	13,545	13,545	3
Total liabilities	395,195	394,697		413,515	412,610	

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 22 Related parties

In thousands of euros	9 months 2020	9 months 2019
Remuneration of the Management Board and Supervisory Board	653	772

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	30.09.2020			31.12.2019		
	Management	Associates	Total	Management	Associates	Total
Balances as of end of reporting period						
Investments in debt securities	0	1,552	1,552	0	0	0
Loans and advances	0	657	657	1	0	1
Deposits and subordinated debt securities	1,188	0	1,188	2,595	0	2,595

In thousands of euros	9 months 2020			9 months 2019		
	Management	Associates	Total	Management	Associates	Total
Transactions						
Interest income	0	7	7	12	0	12
Interest expenses	56	0	56	38	0	38
Services purchased	520	0	520	33	0	33

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 2.25% (2019: 0.5 and 3.25%).

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