Annual Report 2022

AS Inbank

General information

Consolidated Annual Report

01.01.2022 – 31.12.2022

Business name	AS Inbank
Address	Niine 11, 10414 Tallinn, Estonia
Registration date	05.10.2010
Registration code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI-code)
VAT number	EE101400240
Phone	+372 640 8080
Email	info@inbank.ee
Website	www.inbank.ee
Auditor	PricewaterhouseCoopers AS

Members of the Supervisory Board	**Members of the Management Board**
Jan Andresoo, Chairman	Priit Põldoja, Chairman
Roberto de Silvestri	Marko Varik
Triinu Bucheton	Margus Kastein
Raino Paron	Maciej Pieczkowski
Rain Rannu	Ivar Kurvits
Taavi Kotka	Piret Paulus
	Erik Kaju

Translation of the company's consolidated annual report in .pdf format without European Single Electronic Format (ESEF) markups.
The original document is submitted in Estonian in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed.
Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3300001544/reports

AS Inbank

Contents

2022 Highlights

Inbank *in numbers*

865,000+
Active customer contracts

5,400+
Active retail partners integrated in embedded finance platform

42,000+
New contracts monthly

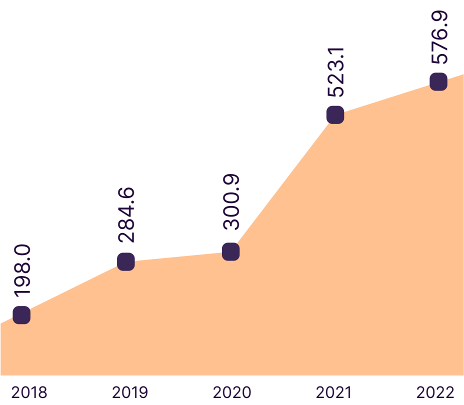
300+
People from 17 nationalities

5
Markets across Baltics and CEE, also collecting deposits in Germany, Austria, and the Netherlands

78%
Sales originated at partner channels

Gross Merchandise Value

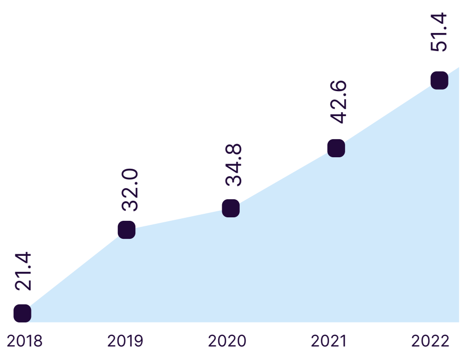
€577m



(In millions of euros)

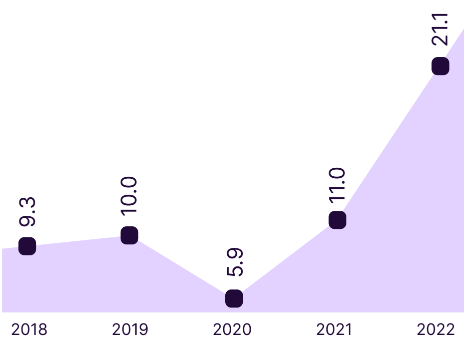
Total income

€51m



Net profit

€21m

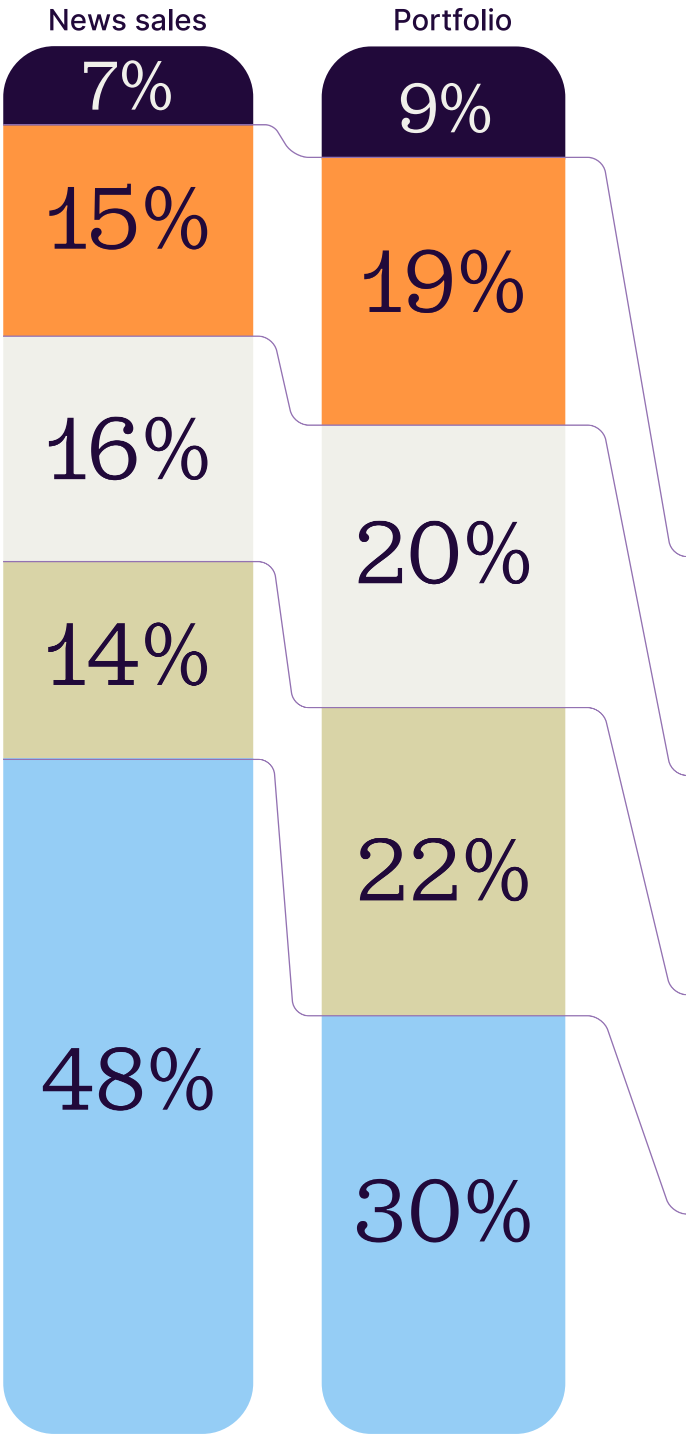


Embedded finance platform *designed for retail*

At Inbank, everything we do is designed for the ultimate retail experience. We understood from early on that when it comes to consumer financing, distribution and accessibility are always the key drivers. So we started innovating by taking financing out of traditional banking to the point of sale, right where everyday commerce happens.

Today, we provide frictionless financing solutions for retail in all shapes and sizes, from bricks-and-mortar to cutting-edge business models and platforms online and offline. That way, financing anything from sneakers to solar panels happens exactly when and where it's needed. By making financing an integral part of a product or service, we help our 5,400+ merchant partners thrive.

Financing solutions fit for any business model



We are building products around our partner's businesses. From car classifieds to seamless merchant multichannel solutions to turn-key subscription solutions - our modular product platform and vertical specific credit underwriting system can be easily tailored to the specific needs of any merchant.

Subscription

Focusing on e-mobility, electronics and energy, our easily integrated turn-key subscription solutions manage the customer lifecycle end-to-end.

Direct lending

Multi-purpose personal loans are offered directly to end-consumers through a fast and easy online process where 90% credit decisions are made within seconds.

Auto marketplaces and dealers

Offering best-in-class customer journey, our digital car financing solutions can be scaled to car classifieds and dealers across Europe.

Green finance

Capturing the green energy trend, we offer financing for residential solar panels and heat pumps through a fully automated process at the vendors' point of sale.

Merchant solutions

We embed financing into a product or service enabling merchants to offer their customers a seamless shopping experience both online and offline with quick and easy integrations.

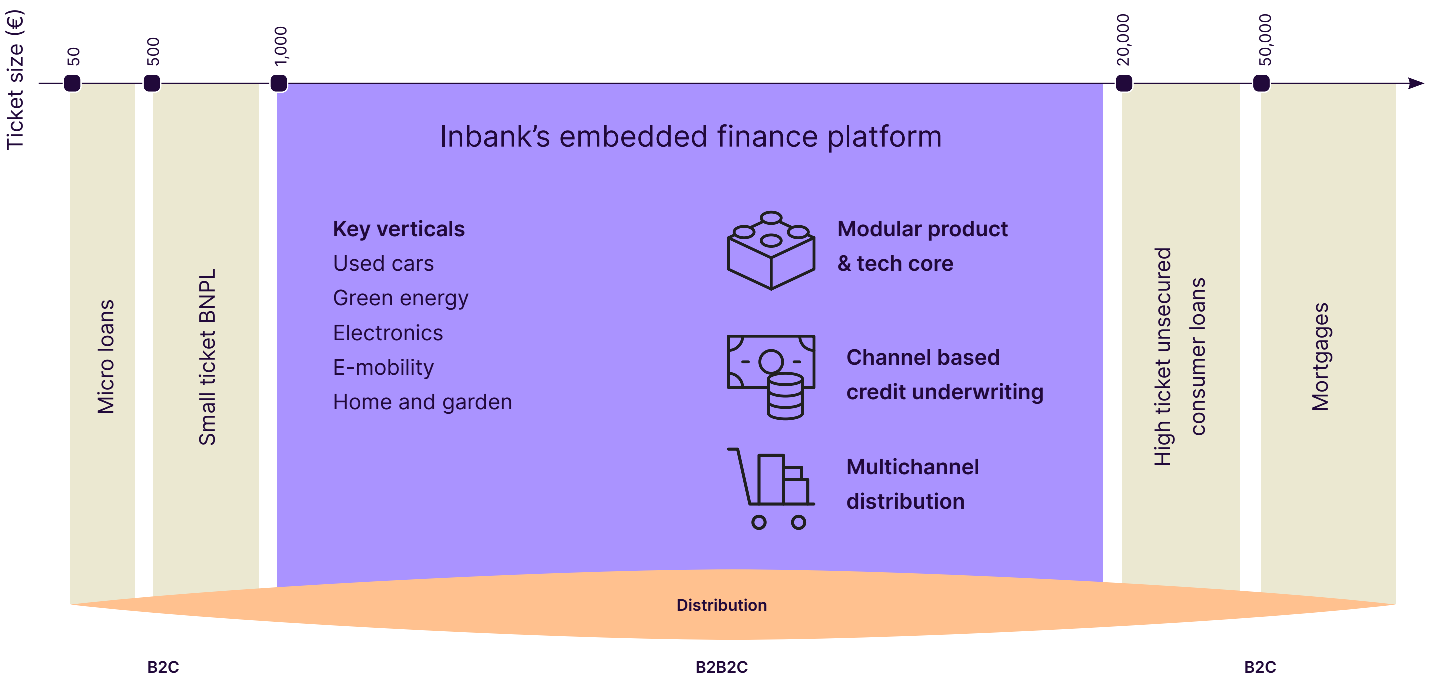
Uniquely positioned in the European market

Looking at our historical performance in financing cars, electronics, and solar panels, we see great potential in positioning ourselves in segments with higher average tickets in European markets. Our partner specific credit underwriting allows us to embed suitable financing into merchant business models from any vertical.

~90%
Credit decisions made in under 30 seconds

<1.6%
Credit losses to loan portfolio

1,000+
Product combinations set up in 30 minutes



Message from the *Chairman of the Supervisory Board*

The year 2022 was extraordinary in many respects. We saw war break out in Europe, and also witnessed energy crises, inflation and interest rate hikes. This combination created a complicated environment that we all had to learn to navigate. As a bank operating in many markets, we also had to adapt to the new reality and define our way forward.

Historically, Inbank has shown annual growth of 44% (total income growth since becoming a bank), and we have managed to gain market share in all markets we have entered. Compared to traditional banks, we have clearly set ourselves apart in terms of how we operate. Our partnership-based distribution model in combination with our product platform and unique credit underwriting solution has created a winning formula. Looking around us, we see that banking is undergoing some significant changes. Nobody wants to simply consume banking products. Willingness to approach banks in their traditional channels is clearly decreasing. The future potential lies in integration – products and services paired with financing at the point of sale. This sounds logical and easy enough, but in reality, operating outside the traditional banking value chain requires a fundamentally different business model and technological architecture.

“Our partnership-based distribution model in combination with product platform and unique credit underwriting solution has created a winning formula.

Why is Inbank winning? From the beginning, this is what we have been doing – our platform was built for integration and our credit underwriting logic was designed to work outside the traditional banking stack.

As I mentioned earlier, the environment around us is challenging. The interest rate environment is exerting pressure on our profitability, and inflation and economic slowdown are making consumers cautious. How should we react? In times of uncertainty,

everybody needs an anchor to rely on. I am glad to see that Inbank keeps on doing what it does best and continues to reshape banking from the traditional towards the embedded. We have unique technology to offer, our own unique way to operate it and experience in how to do this profitably. This gives us the confidence to continue developing new functionalities for our platform and enter new markets.

Many fintech companies are struggling to reach profitability while Inbank has been profitable for more than a decade. In 2022, Inbank reported a record profit of €21.1 million. It's always important to know where your competitive advantage lies. Looking

> Inbank keeps on doing what it does best and continues to reshape banking from the traditional towards the embedded.

at the historic growth of Inbank, our biggest success stories are in the segments where people buy more expensive items – cars, electronics, and solar panels, where the average ticket is higher, transactions are EU-regulated, credit underwriting is essential, and the funding needed compared to Buy Now Pay Later is massive. Obviously, traditional banks are also operating in that territory, but there are other important factors which matter – technology and automation in credit underwriting. Our platform is built for integration into partner distribution channels. Our tech and product architecture is better suited to the new embedded finance reality. Managing complexity in combination with credit underwriting and product standardisation is where we excel. What next? Inbank has a great modular product platform, innovative credit underwriting system, EU banking licence, a highly motivated team, and a proven track-record in multiple markets. This is clearly a strong foundation to build on. I am happy to see that our team at Inbank is keen to expand to new European markets with a next-generation embedded finance platform. This is a choice towards growth and investing in the future!

It was a challenging year, but it taught us to focus on our uniqueness and strengths, gave us confidence that our service is competitive, and assured us that we are well equipped for future opportunities.

Jan Andresoo
Chairman of the Supervisory Board, Founder

Statement of the CEO

In many respects 2022 was an extraordinary year for Inbank. We made a record profit of 21.1 million euros, our assets reached over 1 billion euros and we have served more than 2 million unique customers. We pursued our international expansion by entering the Czech market. We continued our embedded finance strategy with close to 80% of our 577 million euro annual sales originating through partner channels. By the end of the year our platform was serving more than 5,400 merchants.

While this was another successful year for Inbank, the environment around us was anything but normal. For the third consecutive year after the start of the pandemic in March 2020, we have had to navigate extraordinary circumstances. While the pandemic was easing in early 2022, we saw a tragic war break out in Ukraine. The direct impact of the war for our business was mainly contained to the immediate aftermath of the initial attack on Ukraine. However, with the inflationary pressures already building from loose monetary and fiscal policy during the pandemic, the war further disrupted energy supplies and fuelled unprecedented inflation in our region. As a result, we saw a sharp rise in interest rates, first in Poland and then in the Eurozone.

Interest rates and business volumes

Since Inbank funds itself through term deposits, we saw a significant rise in our funding costs during 2022. The rise in funding costs was predominantly driven by a very sharp rise in interest rates in Poland. The Polish Central Bank started to raise rates early and as a result from September 2021 to September 2022 the benchmark reference rate in Poland was raised from 0.1% to 6.75%. This has obviously had a significant impact on Inbank with our total funding cost rising from 1.80% in 2021 to 2.66% in 2022. Moreover, our zloty funding cost rose from 1.46% in 2021 to 4.00% in 2022.

While the rise in rates has been challenging for our business, we have managed our growth in Poland responsibly. The effective interest rate on our Polish loan portfolio of 309 million euros has risen from 6.7% at the end of 2021 to 10.2% at the end of 2022. As a result of a more disciplined approach to sales and pricing, our new sales volumes in Poland also suffered compared to 2021. Overall new sales in Poland dropped 13% to 200 million euros in 2022. The main drop was caused by reduced appetite for green finance sales, where higher rates were an impediment to growth.

At the same time, Inbank posted record sales in the Baltics. With very strong growth across different product groups, sales in the Baltics rose 24% to 341 million euros. In addition, we saw very strong performance by Inbank car subscription subsidiary Mobire, where sales nearly doubled to 41 million euros. The effective interest rate on the Baltic portfolio has remained quite stable with the change in product mix bringing the effective interest rate down from 12.1% in 2021 to 11.7% in 2022.

In terms of product groups, we continued to see the highest volumes in our merchant omni-channel platform. The amount of GMV through our merchant platform reached 278 million euros, which is 19% more than a year ago. The strongest growth was recorded by our auto financing channel, where GMV grew 41% to 92 million euros. Direct lending also recorded strong annual growth of 25%, reaching 86 million euros. However, new green finance GMV volumes dropped 40% to 80 million euros in 2022.

> The ability to manage credit risk dynamically during changing market conditions is a core capability of our platform.

Financial results

While the external environment in 2022 has given Inbank its share of challenges, we finished with the 11th consecutive year of profitability. Inbank recorded a record profit of 21.1 million euros in 2022. As a result of the sale of our 29.8% stake in Maksekeskus, Inbank recorded an extraordinary 11.4 million euro profit during last year. Maksekesus was established by Inbank founders in 2012 and after 10 years of development reached a leading position among Baltic payment service providers. While this can be considered an extraordinary profit for 2022, for Inbank the business was developed in cooperation with Maksekeskus management over the last 10 years and was part of our core business in the Baltics. Although we sold our shares to Luminor Bank, we continue to co-operate as financing partners with Maksekeskus.

During 2022, Inbank showed strong revenue growth. Our interest income rose 36% and our fee and commission income rose 62%. However, due to the sharp rise in Polish rates, our interest expenses rose by 110% compared to a year ago. As a result, our total income increased by 21% in 2022. With continued investment in geographic expansion and technology, our operating expenses grew by 26% in 2022.

Despite high inflation and low consumer confidence, our credit portfolio has remained resilient. Our impairment losses increased compared to the record low in 2021 by 68% to 11.2 million euros. However, the impairment loss to the average credit portfolio remained at the 1.6% level. This result is a testament to our strong credit underwriting capabilities. The ability to manage credit risk dynamically during changing market conditions is a core capability of our platform. This allows Inbank to provide long-term value to our partners while keeping prices competitive for our end customers.

Overall, profit growth for 2022 was 92%. Return on equity reached 23.3%. At the end of 2022, Inbank reached owner's equity of 101.9 million euros. Our total capital adequacy at the end of 2022 was 15.6%.

> Inbank has been growing from the Baltics to Central Europe and now we are ready to take our platform to Europe.

Growth strategy

Since receiving a European banking licence in 2015, we have continued to run a growth-oriented and responsible business model. Our total income has grown by 44% annually over this period and we have always remained profitable and well capitalised. Today, we operate our core business in 5 European countries and collect deposits from another 4 EU countries. We have been investing our profits in home markets to open up new countries and to develop new products. As a result, today we have 865 thousand active contracts through more than 5,400 active partners. Our platform has already been used by more than 2 million customers.

Besides taking market share in all the countries we operate in, we have also learned in the last couple of years that the Inbank business model is winning in more complex use cases. Many of our most successful partnerships; for example, with the car classifieds portal auto24, are true examples of embedded finance. This is a trend which is gaining momentum in many markets and verticals. As a result, we have started to define Inbank's future strategy around becoming a European embedded finance platform.

Since launching the company in 2010, we have always believed that financial services are moving out of traditional banks. In recent years this trend has only gained strength. On one hand,

new technologies like digitalisation and open banking allow for better integration, and on the other hand, the higher regulatory burden is making product innovation for traditional banks more difficult. And finally, it is the customers who are choosing more convenient solutions. The new generation does not want to own things, and are much more likely to "subscribe" to products and services. Inbank has been embedding financing in the customer journeys of merchants and platforms since 2012, when we launched the first fully integrated end-to-end digital embedded finance solution in Estonia.

"Record profitability in 2022 allows us to invest in the future and we will remain attentive to the external environment while planning our next steps.

Embedded finance is a familiar territory for us and investing in technology and product innovation is in our DNA. Inbank has been growing from the Baltics to Central Europe and now we are ready to take our platform to Europe. This is not a decision we are making lightly. 2023 will be a challenging year with continued geopolitical uncertainties, rising interest rates in the Eurozone and a possible economic downturn later in the year. Inbank's performance will likely be impacted by all these trends. However, we operate a profitable business model and the winds of secular change like digitalization and the green energy transition are at our back.

We believe that our long-term opportunity in embedded finance is substantial, and we will continue to invest in a focused way. Becoming a European embedded finance platform will require capital, talent and the further internationalisation of the Inbank organisation. These will be the focal points moving into 2023. While preparing a new growth strategy, Inbank continues to successfully operate in existing markets. Record profitability in 2022 allows us to invest in the future and we will remain attentive to the external environment while planning our next steps. Both product innovation and profitable growth are at the core of Inbank's winning approach. This is how we will continue to carve out our niche in the European financial services landscape.

Priit Põldoja
Chairman of the Management Board, Founder

People and culture

Following our previous organisational change from a market-centric setup to a borderless product organisation in 2020, our new and more ambitious growth strategy calls for further adaptation. In March 2022, we made further adjustments to the corporate structure to improve performance focus and accountability, drive down complexity, and strengthen our product and tech capabilities.

Everything we do is designed around the success of our merchant partners and the focus on further scaling the Inbank embedded finance platform. This means sales are an integral part of our business, and therefore best managed locally. As of March 2022, sales, marketing and customer service teams are managed by country managers that belong to two larger business units – Baltics and Central and Eastern Europe, including our Polish operations and the newly established Czech branch.

To further strengthen product focus and deliver on our strategy, we also merged our product development and technology units. The new unit is headed by Erik Kaju, who has spent 8 years managing technology teams at the London-based fintech Wise. He was also appointed as a Member of the Board in November 2022.

In 2022, Inbank also welcomed two more board members, Ivar Kurvits, who joined the management board from his position as Head of HR and Legal at Inbank, and Piret Paulus, who returned from a 6-month sabbatical to resume her duties as a member of Inbank's management board. She now heads Inbank's Growth and Business Development unit.

At the end of the year, Inbank employed a total of 300+ people from 17 different nationalities working across 8 offices in 5 countries in the Baltics and CEE.

Gender diversity (% of total FTE)

45%
Male

55%
Female

Manager gender diversity (% of total FTE)

47%
Male

53%
Female

Working at Inbank
We know that our ambitious growth strategy needs a strong international team of skilled professionals that work across teams and borders. Now that the years of the pandemic are hopefully behind us, the remote work trend is still going strong. While we continue to offer flexible working conditions both in terms of place and time, we are also seeing in-person office attendance increasing. It seems, however, that we have found the right balance between remote work and face-to-face formats to foster our culture of collaboration and innovation.

Flexibility. While remote work has become the new normal across the board, we are now looking at flexibility more broadly. Whether working from home a few days each week, relocating fully for a few months, keeping flexible hours every day or working part-time, we are open to and support individual arrangements. Our flexibility also extends to gadgets from laptops to screens to headphones, we will provide you with whatever suits your personal needs so you can do your best work.

Wellbeing. To promote mental and physical well-being, we provide our team with a range of different benefits: sports compensation, additional health insurance, paid health days, psychological support or yoga classes. We have also launched new initiatives like

Mental Health Month as well as continuing what already works, such as the Inbank Walks challenge and an extra week of paid leave after the third year at Inbank. To help our valued employees to charge their batteries, we decided to introduce a 6-week fully paid sabbatical leave for key employees to be rolled out in 2023.

Transparency. We believe the road to mediocrity is paved with information silos, hierarchy and gatekeeping. This is why we strive to be open about everything that is happening at Inbank. On top of regular public reporting, Nasdaq announcements and actively posting news on the Intranet and Slack, we also have bi-weekly all-hands meetings, where the CEO keeps everyone in the loop.

Compensation. Here at Inbank, you will be challenged, but also rewarded. We reward and promote based on merit. In addition to a competitive compensation package, each team member is eligible for annual bonuses based on individual contributions and performance discussed within the annual review process. In addition, we have a stock option programme for key employees.

Events. We know it's not all about work so we never miss an opportunity to have a good time, whether playing sports (tennis, running, yoga), spending active time outdoors or keeping the office lively by celebrating holidays and achievements. We believe in celebrating success from product launches to project milestones, as well as thanking people who have gone the extra mile through the Employee Awards.

Charity. Following Russia's aggression in Ukraine, we donated a total of 40,000 euros to the Red Cross in March 2022, of which 13,016 euros was collected from individual donations by Inbank employees to support the people of Ukraine. In addition, we annually donate to the Colonna Charity Foundation that supports the health and well-being of children through numerous projects.

Our values
In 2022, we took a fresh look at our values and focused on strengthening our culture. We have always valued entrepreneurship, professionalism and focus on growth to make Inbank an attractive workplace for talented professionals. We want to make sure that while growing fast, we do not water down our DNA but maintain what keeps us unique.

Smart

At Inbank, we tend to attract people who are naturally curious, and who like to open things up and see what makes them tick. We value the ability to take initiative, adapt to change, and learn on the go. We believe in hiring specialists with a passion for their craft and giving them the space to do their best work.

Active

We like to say that we have a bias for action. We are an ambitious, results-oriented company with big plans and a long list of ideas to try. At Inbank, we love a bit of intellectual banter – but we've learned that taking action is the only way to find out what works.

Open

We believe the road to average is paved with information silos, hierarchy and gatekeeping. That is why we aim to be open here at Inbank, by freely sharing what we are thinking and feeling. We like staying curious by always asking "What if?" and by making sure good ideas don't exclusively come from the C-suite.

Talent development
While we're working every day to reinvent the industry, we encourage our people to also be reinventing themselves. Here at Inbank, people are challenged but also supported. We reward and promote based on contribution and results, not politics or tenure. You'll be encouraged to explore different career paths, find what you're great at, and grow into your true potential.

The following initiatives help us to ensure we are able to attract and retain top talent as we keep growing.

Onboarding. We organise regular 2-day onboarding events at our HQ in Tallinn where founders and key stakeholders brief all new employees on Inbank business, strategy and culture. In 2022, we also introduced a buddy programme to bring newcomers up to speed with how things work and receive the encouragement they need to get settled.

Internal mobility. We highly value continuous self-development and support internal mobility. Whether it’s a promotion or a completely new challenge in another area, we have a step-by-step internal application process in place to facilitate the transition. We believe that the best talent acquisition strategy is word-of-mouth, that’s why we offer referral bonuses to Inbankers who help us grow our talent pool.

Growth. We believe initiative is taken, not given. We provide personal development opportunities for all employees based on their needs and interests from acquiring new professional skills to learning languages or personal coaching. Centred around mitigating risks and ensuring the proper management of the bank, we run a number of courses for all staff members — including data protection, AML, operational risk and compliance training.

Stock options. You can't build something truly great unless you have skin in the game. This is why we have committed to an employee option programme launched in 2021. We allocate up to 1.25 percent of the company’s equity annually to motivate top talent through a sense of ownership. By the end of 2022, we had issued 549,600 stock options to 59 people (20% of total headcount).

Next generation. We make it a priority to work across teams and borders to ensure we're growing together, not apart. Our bi-annual strategy days (Group Management Meetings) align managers and top specialists with the Inbank strategy, business model and performance, while fostering collaboration and building strong bonds.

New talent. In 2022 we welcomed 13 young talents to our internship programme to give them the opportunity to learn alongside the best in the business and for us to learn mentoring skills. Each intern is allocated a dedicated mentor with the opportunity to take part in different courses and events.

Environmental, social and governance (ESG) risks

Risks arising from environmental, social and governance (ESG) issues are essential to an institution's long-term financial success, and these risks are considered across the business activities and business strategy of Inbank.

The regulatory environment in this area is still developing and several new standards are currently being prepared. Even though it is not yet mandatory for Inbank to prepare and publish sustainability reports, the Bank is taking steps to implement ESG principles at every step of its operations. Considering the services that Inbank provides customers, the Bank is also not in the scope of the SFDR (Sustainable Finance Disclosure Regulation, Regulation (EU) 2019/2088)). Under these circumstances, the Bank has prioritised focusing on the sustainability of the Bank's own operations.

ESG topics will be further incorporated into Inbank's strategy for 2023-2025 as the Bank considers it crucial to set clear goals in relevant ESG areas and take the proper path to achieve these goals.

Environmental criteria address Inbank's impact on the environment and the risks arising from associated events. Those can be further broken down into climate change, use of natural resources, pollution and waste, environmental opportunities. Risks related to climate change are driven from two sources: Physical risk and Transition risk. Inbank does not have assets that would be vulnerable to physical risk related to climate change, and transition risk drivers, use of natural resources, pollution and waste are not significant, given the nature of Inbank's business activities.

Inbank continues to explore business segments that include environmental opportunities, and our client offerings focus more on a sustainable society. One great example is our green financing products with a focus of financing solar panels and other energy efficiency solutions. Green financing covers 22% of our loan and subscription portfolio as at 31.12.2022 (31.12.2021: 24%). At the same time Inbank refrains from financing customers with any involvement in the military, tobacco, gambling and fossil fuel production.

Social criteria are maintained at a high standard in the organisation. The greatest efforts are exerted to ensure that Human Resource management achieves the company's objectives to provide health and safety to all employees, training and development opportunities, and a positive work-life balance. In addition, Inbank has established solid foundations for data security and privacy for its customers, the quality of its products and provides social opportunities offering access to finance for individual customers. The risks in this area that are inherent to the Bank are related to employment and safety practices, relationships with customers and with regulators.

Governance criteria represent the integrity and highest ethical standards of the management, honest and transparent financial reporting practices and regulatory compliance, which are also part of Inbank's core operating principles.

Inbank's bonds are listed on the Nasdaq Baltic Stock Exchange. It is our priority to provide fair and timely information to all our stakeholders concerning the strategy, business and financial performance of Inbank at all times.

Inbank's management culture is modern and open, guided by laws, regulations and international standards. In its operations, Inbank follows the best practices in fintech and banking management, the principles of responsible lending and all other relevant guidelines for the financial sector. Inbank is in continuous dialogue with the financial supervision authorities in all its countries of operation. Risk management is an essential part of responsible governance and is therefore incorporated into daily business activities and strategic planning.

We are members of several professional networks and associations such as the Estonian Banking Association and have a seat at the board of FinanceEstonia, which supports the development of the sector in the region.

Inbank's governance principles are further described in more detail in the "Corporate Governance Report" and risk management principles in Note 3 in the Consolidated Financial Statements.

Governance

Supervisory Board

The Inbank Supervisory Board consists of six members.

Jan Andresoo
Chairman of the Supervisory Board

Rain Rannu
Member of the Supervisory Board

Roberto de Silvestri
Member of the Supervisory Board

Triinu Bucheton
Member of the Supervisory Board

Raino Paron
Member of the Supervisory Board

Taavi Kotka
Member of the Supervisory Board

Management Board

The Inbank Management Board consists of seven members.

Priit Põldoja
Chairman of the Management Board

Marko Varik
Member of the Management Board

Margus Kastein
Member of the Management Board

Maciej Pieczkowski
Member of the Management Board

Ivar Kurvits
Member of the Management Board

Piret Paulus
Member of the Management Board

Erik Kaju
Member of the Management Board

Corporate governance *report*

Inbank adheres to the Corporate Governance Recommendations (CGR), as set by advisory guidelines adopted by the Financial Supervisory Authority. The Code is based on companies with a wide range of shareholders; therefore, Inbank applies the Code according to its specific characteristics. The following is an overview of the implementation of CGR and the recommendations that Inbank does not adhere to, along with explanations.

Inbank applies the principle of consolidation in its activities, which means that the key management and strategic decisions of the companies belonging to the Group are taken by the management bodies of Inbank. Thus, Inbank's General Meeting, the Supervisory Board, Management Board and, for the most important credit decisions, Credit Committee are involved in the decision-making process. This allows Inbank to proceed from a unified set of objectives and operating policies as a consolidated group.

General Meeting

The General Meeting of the shareholders is the highest governing body of Inbank. The competence of the General meeting is laid down in legislation. Each shareholder has the right to participate in the General Meeting, to speak out at the General Meeting on the topics presented on the agenda, to submit substantiated questions, and make recommendations. Inbank's Articles of Association do not grant specific controlling or voting rights to different types of shares.

A resolution on the amendment of the Articles of Association is adopted when at least two-thirds of the votes represented at the General Meeting are in favour. A resolution on the amendment of the Articles of Association enters into force as of the making of a corresponding entry in the commercial register. The resolution of the General Meeting on the amendment of the Articles of Association, the minutes of the General Meeting and the new text of the Articles of Association are attached to the application filed with the commercial register.

The General Meeting of Inbank is called by the Management Board. Ordinary General Meetings are announced to the shareholders at least three weeks before and an extraordinary General Meeting – at least one week before.

A notice of the General Meeting shall be sent to the shareholders by registered letter to the address entered in the share register or published in a daily national newspaper. The notice of the General Meeting may also be sent by standard letter, electronically or by fax, if a notice of the obligation to return an acknowledgement of receipt has been attached to the letter, e-mail or fax. Inbank can also make decisions without calling a General Meeting.

One ordinary and one extraordinary General Meetings of the shareholders were held in 2022.

Inbank does not implement clause 1.2.2 of CGR according to which at the convening of the General Meeting reasons and explanations on subjects on the agenda, which are substantially amended, are presented. In practice, communication between Inbank and its shareholders is carried out promptly and immediately; therefore, it is also ensured that any questions from shareholders are answered and any clarifications to the items on the agenda are given either directly to the shareholder or at the General Meeting.

Inbank complies with clause 1.2.2 (information is provided to shareholders in Estonian), when appropriate. Information is provided primarily in English, since several shareholders are from foreign countries and local shareholders agree with the English communication. Inbank executes section 1.3.1 (the language of the General Meeting is Estonian) of CGR. In this case, shareholders will be given an English translation on request.

In addition, Inbank has not implemented the recommendation in clause 1.3.1 of CGR that the Management Board member cannot be elected as the chairman of the General Meeting. As the Chairman of the Management Board is also a representative of shareholders and is well informed acting as the Chairman of the Management Board of Inbank, it is not necessary for Inbank's current shareholding and organisational structure to elect an outside party for the General Meeting. The chairman of the General Meeting has always been elected unanimously.

Inbank partially complies with clause 1.3.2 of CGR, according to which the members of the Management Board, the Chairman of the Supervisory Board and, if possible, members of the Supervisory Board and at least one of the auditors participate in the General Meeting. The participation of all members of the Supervisory Board depends on the topics covered in the meeting; the Chairman of the Management Board and the Management Board member responsible for finance are always present. The attendance of all members of the Supervisory Board has not been necessary at the meeting, as the Chairman of the Supervisory Board participates at the meeting. The auditor did not attend the meetings because the meetings did not address issues that would require the auditor to attend.

Management Board

The Articles of Association, the Commercial Code and the Credit Institutions Act regulate the functions of the Management Board of Inbank. Since 2022 The Management Board of Inbank consists of seven members (three to seven members according to the articles of association), elected by the Supervisory Board for a period of three years. The Management Board members are:

Priit Põldoja – Chairman of the Management Board;
Marko Varik – Member of the Management Board;
Margus Kastein - Member of the Management Board;
Maciej Pieczkowski - Member of the Management Board;
Ivar Kurvits – Member of the Management Board;
Piret Paulus – Member of the Management Board;
Erik Kaju - Member of the Management Board;

Number of shares and share options held by the members of Management Board:

Member of the Management	Number of Shares		Issued share options
	Belonging to the member	Belonging to related parties	
Priit Põldoja	41,448	1,210,484	45,000
Marko Varik	20,000	153,989	43,500
Margus Kastein	29,478	3,604	42,500
Maciej Pieczkowski	69,899	0	43,500
Ivar Kurvits	15,000	62,208	43,500
Piret Paulus	20,000	126,000	28,500
Erik Kaju	0	0	50,000

Inbank does not implement clause 2.2.7 of CGR recommending to disclose information about benefits and bonus principles of members of the Management Board on their website because the remuneration paid to the Management Board members is disclosed in Note 26 of the financial statements in the total amount of remuneration paid to members of the senior management, Management and Supervisory boards' members. In addition, this is private information and disclosing it is not inevitably necessary in order to assess the activities of Inbank. Inbank does not implement clause 2.2.7 of the Code recommending to introduce more important aspects and changes made in management remunerations at the General Meeting because there have been no significant changes in the remuneration of the Management Board during 2022.

The Management Board members present a declaration of economic interests and conflict of economic interests once a year. Transactions with the members of the Management Board are disclosed in Note 26 of the financial statements and are entered into under market conditions. The members of the Management Board are the members of the management bodies in the following companies belonging to the consolidation group of Inbank:

Priit Põldoja:
Chairman of the Supervisory Board of Paywerk AS, Chairman of the Supervisory Board of AS Inbank Finance;

Marko Varik:
Member of the Supervisory Board Mobire Group OÜ, Member of the Management Board of Inbank Ventures OÜ, Member of the Supervisory Board of Paywerk AS, Member of the Supervisory Board of AS Inbank Finance;

Margus Kastein:
Member of the Management Board of AS Inbank Finance, Chairman of the Supervisory Board Mobire Group OÜ, Member of the Management Board of SIA "Inbank Latvia";

Maciej Jerzy Pieczkowski:
Member of the Management Board of IBF Polska Sp. z o.o.

Ivar Kurvits:
Member of the Supervisory Board Mobire Group OÜ, Member of the Supervisory Board of AS Inbank Finance, Member of the Management Board of Inbank Payments OÜ;

Piret Paulus:
Member of the Management Board of AS Inbank Finance;

The members of the Management Board have not received any severance payments in 2022.

Supervisory Board
Inbank's Supervisory Board plans the activities of Inbank, gives instructions to the Management Board for the organisation of the management of Inbank, supervises the activities of Inbank and its Management Board as well as takes decisions on matters set forth in the legislation or the articles of association.

Inbank's Supervisory Board consists of six members (according to the articles of association five to seven members), who are elected for three years by the General meeting:

Jan Andresoo – Chairman of the Supervisory Board;
Roberto de Silvestri – Member of the Supervisory Board;
Rain Rannu – Member of the Supervisory Board;
Triinu Bucheton– Member of the Supervisory Board;
Raino Paron – Member of the Supervisory Board;
Taavi Kotka - Member of the Supervisory Board.

In 2022, there were 20 Supervisory Board meetings and in 13 cases the necessary decisions were taken without calling a meeting. All the Supervisory Board members have attended at least half of the meetings held in 2022.

Inbank's Audit Committee has three members. The Chairman of the Audit Committee is Raino Paron and members are Jan Andresoo and Triinu Bucheton. The Audit Committee has been established to supervise the activities of the Management Board. The responsibilities of the Committee include monitoring and analysing financial data processing, effectiveness and efficiency of risk management and internal control, the process of auditing the annual report and consolidated financial statements and the independence of the external auditor. The members of the Committee do not receive any remuneration. There is no information disclosed about the Audit Committee on the website (clause 3.1.3 of CGR), as Inbank does not consider it necessary in respect of the work performed by the Committee and ensuring the interests of the shareholders.

A Remuneration Committee consisting of three members has been established on the basis of the members of the Supervisory

Board. The Chairman of the Remuneration Committee is Jan Andresoo and members are Roberto de Silvestri and Rain Rannu. The responsibilities of the Committee include evaluating the implementation of the remuneration principles of Inbank and the impact of decisions related to remuneration on compliance with the requirements of risk management, own funds and liquidity. The members of the Committee do not receive any remuneration. There is no information disclosed about the Remuneration Committee on the website (clause 3.1.3 of CGR), as Inbank does not consider it necessary in respect of the work performed by the Committee and ensuring the interests of Inbank.

Number of shares held by and share options issued to the members of the Supervisory Board of Inbank:

Member of the Supervisory	Number of Shares		Issued share options
	Belonging to the member	Belonging to related parties	
Jan Andresoo	25,000	1,068,012	27,500
Roberto de Silvestri	868,710	0	13,000
Rain Rannu	18,000	90,122	3,000
Triinu Bucheton	0	63,435	0
Taavi Kotka	0	3,250	5,000
Raino Paron	10,000	315,425	3,000

Jan Andresoo and Triinu Bucheton are the members of the Supervisory Board who receive remuneration. Inbank does not consider it necessary to disclose detailed information about the remuneration paid to each member of the Supervisory Board recommended by clause 3.2.5 of CGR, because the impact of the remuneration of the Supervisory Board is not significant to Inbank's financial results. The remuneration paid to the members of the Supervisory Board is disclosed in Note 26 of the financial statements in the total amount of remuneration paid to senior management, and members of the Management and Supervisory boards.

The members of the Supervisory Board present a declaration of economic interests and conflict of economic interests once a year. Transactions with the members of the Supervisory Board are disclosed in Note 26 of the financial statements and are entered into under market conditions.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work in close cooperation to protect Inbank's best interests. The basis of the cooperation is open communication between as well as within the Management and the Supervisory boards. The Management Board ensures the availability of timely management information for the Supervisory Board. The Management Board and the Supervisory Board develop Inbank's operational objectives and strategy jointly. The Management Board considers strategic guidance from the Supervisory Board in the decision-making process at Inbank and periodically discusses strategic management issues with the Supervisory Board.

Recruitment principles for selecting a member of the management and the principles of diversity

Recruitment of the members of management bodies complies with the requirements and procedures set out in the Credit Institutions Act. In determining the suitability of the members of the management, Inbank relies on the relevant internal procedures. The recruiting body evaluates the suitability of the new member. The candidate shall meet the requirements arising from laws and regulations, complement the management body in terms of knowledge, skills and experience, have sufficient time to perform his or her duties and be competent to fulfil the responsibilities of a member of the management body. The suitability of new members of the management is considered by examining their reputation, expertise, skills, managerial experience and managerial suitability in terms of other criteria (conflicts of interest, independence) and any other relevant factors.

Inbank relies on the principle of diversity in selecting the members of management bodies, which ensures that the management has the required knowledge, experience, competence and personal skills in order to fulfil its obligations. Inbank also focuses on the diversity of the management body on the basis of age, gender, educational and professional background and geographical origin. Inbank has not set a target for gender diversity.

Disclosing information

Inbank treats all shareholders equally and informs all the shareholders of important circumstances. Inbank relies above all on e-mail to notify shareholders. Inbank publishes its reports on its website, which is also available in English (www.inbank.ee/en). The annual reports and interim reports are published in Estonian and English.

Inbank has not prepared a separate website for its shareholders, but there are separate tabs for investors, a tab with reports (annual report with information on CGR as well as interim reports), announcements and an overview of Inbank's team (incl. Management and Supervisory boards). Inbank does not disclose a financial calendar (clause 5.2 of CGR), information on responses to questions presented by analysts and shareholders (clause 5.5 of CGR) and the dates of meetings with analysts, investors and the press (clause 5.6 of CGR), as these are not necessary considering Inbank's current activities and the substantial emphasis on keeping shareholders notified through other channels.

Financial reporting and auditing

Every year Inbank prepares and publishes its annual report and quarterly interim reports. The annual report is audited. The Supervisory Board members do not sign the annual report together with the members of the Management Board (clause 6.1.1 of CGR). The Supervisory Board's statement is presented as a written report on the annual report and the report is approved by the decision of the Supervisory Board.

Inbank presents an annual report signed by the Chairman of the Management Board, which has been previously approved by the Management Board of AS Inbank, to shareholders at the General Meeting (therefore Inbank does not comply with the requirement to present a report to the shareholders signed by the members of Management and the Supervisory boards – clause 6.1.1 of CGR) but a proposal prepared by the Supervisory Board on the approval of the annual report is submitted to the General Meeting. The General Meeting has selected PricewaterhouseCoopers AS (registry code 10142876) as the auditor for the financial year 01.01.2022 – 31.12.2022. Inbank follows the auditor rotation principle.

The auditor has provided other assurance services to Inbank in 2022, as required by the Credit Institutions Act and the Securities Markets Act, and has provided other services in compliance with the requirements of the Auditors Activities Act.

Dividend policy

Inbank is a credit institution and the most important prerequisite for the payment of dividends is both external and internal regulatory standards related to capital, which must be met in a sustainable manner. Inbank has not yet paid dividends and has used the earned profit to expand its operations. This policy will continue in the future.

Remuneration principles

Inbank's remuneration of personnel is based on Inbank's recruitment and remuneration policy drawn up on the basis of the principles of the Credit Institutions Act. Principles of staff remuneration stimulate sustainable growth for Inbank and customer satisfaction and rely on prudentially sound and efficient risk management. The personnel remuneration mechanism supports the business strategy, goals, values and long-term interests of Inbank. The remuneration is based on the individual contribution of Inbank employees, their job performance and the company's financial results.

The structure of employee remuneration consists of two parts:

- Basic salary (fixed);
- Performance pay (decided for each employee separately).

The basic remuneration and performance pay are reasonably balanced and the basic salary represents a sufficiently large part of the total remuneration to allow for the non-payment of performance pay, if necessary. The performance pay is based on the combination of the performance of employees and the business unit and the overall performance of Inbank.

External consultants are not involved in determining remuneration policies.

Options for acquiring a total of 431,000 shares have been issued during 2022, of which 275,000 are issued to members of the Management Board and 32,500 to members of the Supervisory Board (see Note 23). These Option contracts can be realised in the period from 2024 to 2026. In 2022 there were 17 occasions when Option contracts were realised.

Inbank proceeds from the provisions of the Credit Institutions Act in determining severance payments. No severance payments were paid in 2022.

Key financial indicators and ratios

(In millions of euros)

Key financial indicators	2020	2021	2022	Change 2022/2021
Total income	34.8	42.6	51.4	20.5%
Net profit	5.9	11.0	21.1	92.4%
Total assets	490.0	787.0	1,020.5	29.7%
Equity	61.2	79.0	101.9	29.0%
Loan and subscription portfolio	389.2	640.5	815.9	27.4%
Deposit portfolio	391.3	617.8	828.9	34.2%

Ratios	2020	2021	2022
Return on equity (ROE)	10.8%	15.6%	23.3%
Return on total assets	1.2%	1.7%	2.3%
Net interest margin	7.8%	6.6%	5.6%
Impairment losses to loan portfolio	3.1%	1.3%	1.6%
Cost/income ratio	49.7%	56.3%	59.0%
Equity to total assets	12.5%	10.0%	10.0%

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

Consolidated financial statements

Consolidated statement of financial position

In thousands of euros	Note	31.12.2022	31.12.2021
Assets			
Due from central banks	3; 11; 25	126,990	77,453
Due from credit institutions	3; 11; 25	18,345	17,870
Financial assets designated at fair value through profit or loss		37	0
Investments in debt securities	3; 12	8,415	7,684
Loans and advances	3; 9; 25	755,100	604,848
Investments in associates	13	1,065	774
Assets classified as held for sale	27	0	4,203
Other financial assets	3; 17; 25	3,387	2,151
Tangible assets	14	48,533	19,147
Right of use assets	15	23,247	25,231
Intangible assets	16	26,249	22,423
Other assets	17	5,961	2,769
Deferred tax assets	10	3,166	2,401
Total assets	**4**	**1,020,495**	**786,954**
Liabilities			
Customer deposits	18; 25	828,894	617,857
Other financial liabilities	20; 25	55,240	49,188
Current tax liability		0	284
Deferred tax liability		187	125
Other liabilities	20	3,680	3,296
Subordinated debt securities	19	30,570	37,187
Total liabilities	**4**	**918,571**	**707,937**
Equity			
Share capital	22	1,026	997
Share premium	22	31,855	30,436
Statutory reserve	24	100	96
Other reserves	24	1,421	1,625
Retained earnings		67,522	45,863
Total equity		**101,924**	**79,017**
Total liabilities and equity		**1,020,495**	**786,954**

Notes set out on pages 41-110 form an integral part of the consolidated annual report.

Consolidated statement of profit and loss and other comprehensive income

In thousands of euros	Note	2022	2021
Interest income based on EIR	4; 5	65,392	48,038
Interest expense	4; 5	-20,152	-9,590
Net interest income	**4; 5**	**45,240**	**38,448**
Fee and commission income	4; 6	3,560	2,200
Fee and commission expenses	4; 6	-3,636	-3,117
Net fee and commission income/expenses	**4; 6**	**-76**	**-917**
Net gains from financial assets measured at fair value	4	32	0
Foreign exchange rate losses	4	-780	-23
Net losses from financial items		**-748**	**-23**
Other operating income	4; 7	28,621	19,347
Other operating expenses	4; 7	-21,680	-14,251
Total net interest, fee and other income and expenses		**51,357**	**42,604**
Personnel expenses	4; 8	-13,822	-11,623
Marketing expenses	4; 8	-3,350	-2,829
Administrative expenses	4; 8	-8,675	-6,186
Depreciations, amortisation	4	-4,472	-3,360
Total operating expenses		**-30,319**	**-23,998**
Profit before profit from associates and impairment losses on loans		**21,038**	**18,606**
Share of profit from associates	13	11,419	335
Impairment losses on loans and advances	9	-11,170	-6,668
Profit before income tax		**21,287**	**12,273**
Income tax	10	-196	-1,310
Profit for the period		**21,091**	**10,963**
Other comprehensive income that may be reclassified subsequently to profit or loss			
Currency translation differences		-2	-59
Total comprehensive income for the period		**21,089**	**10,904**

Notes set out on pages 41-110 form an integral part of the consolidated annual report.

Consolidated statement of cash flows

In thousands of euros	Note	2022	2021
Cash flows from operating activities			
Interest received	5	60,479	47,450
Interest paid	5	-16,024	-7,465
Fees received	6	3,902	2,200
Fees paid	6	-3,636	-3,117
Other operating income received	7	28,621	19,347
Other operating expense paid	7	-21,680	-7,593
Personnel expenses	8	-13,844	-11,503
Administrative and marketing expenses	8	-13,934	-7,619
Income tax paid	10	-2,108	-1,943
Cash flows from operating activities before changes in the operating assets and liabilities		**21,776**	**29,757**
Changes in operating assets			
Loans and advances	9	-156,851	-210,218
Mandatory reserve in central banks	11	-6,542	-5,151
Other financial assets	17	-1,236	873
Other assets	17	-10,507	231
Changes of operating liabilities			
Customer deposits	18	206,795	224,505
Other financial liabilities	20	19,509	0
Other liabilities	20	4,309	10,156
Net cash from operating activities		**77,253**	**50,153**
Cash flows from investing activities			
Investments in debt securities		-4,133	-6,279
Repayments of debt securities		3,342	12,236
Acquisition of tangible assets		-27,717	-18,993
Acquisition of intangible assets		-3,245	-2,863
Acquisition of subsidiaries		-290	-3,405
Sale of associates		15,577	0
Net cash used in/from investing activities		**-16,466**	**-19,304**
Cash flows from financing activities			
Share capital contribution (including share premium)	22	1,448	6,607
Subordinated debt securities issued		0	19,500
Repayments of debt securities	19	-6,503	-4,000
Lease liability payments	20	-11,473	-9,990
Net cash used in/from financing activities		**-16,528**	**12,117**
Effect of exchange rate changes		-789	-23
Cash and cash equivalents at the beginning of the reporting period	**11**	**87,419**	**44,476**
Net increase/decrease in cash and cash equivalents	11	43,470	42,943
Cash and cash equivalents at the end of the reporting period	**11**	**130,889**	**87,419**

Cash and cash equivalents

In thousands of euros	2022	2021
Non-restricted current account with central banks	112,544	69,549
Due from other credit institutions within three months	18,345	17,870
Total cash and cash equivalents	**130,889**	**87,419**

Notes set out on pages 41-110 form an integral part of the consolidated annual report.

Consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ accumulated loss	Total equity
Balance, 01.01.2021	**961**	**23,865**	**90**	**1,438**	**34,871**	**61,225**
Paid in share capital	36	6,571	0	0	0	6,607
Share-based payment reserve	0	0	0	246	35	281
Statutory reserve	0	0	6	0	-6	0
Profit for the period	0	0	0	0	10,963	10,963
Other comprehensive income	0	0	0	-59	0	-59
Balance, 31.12.2021	**997**	**30,436**	**96**	**1,625**	**45,863**	**79,017**
Balance, 01.01.2022	**997**	**30,436**	**96**	**1,625**	**45,863**	**79,017**
Paid in share capital	29	1,419	0	0	0	1,448
Share-based payment reserve	0	0	0	-206	572	366
Statutory reserve	0	0	4	0	-4	0
Profit for the period	0	0	0	0	21,091	21,091
Other comprehensive income	0	0	0	2	0	2
Balance, 31.12.2022	**1,026**	**31,855**	**100**	**1,421**	**67,522**	**101,924**

See also notes 22 and 23.

Notes set out on pages 41-110 form an integral part of the consolidated annual report.

Note 1 Summary of significant accounting policies

General information

AS Inbank is a licensed credit institution registered in Estonia, which is operating in addition to Estonia also in Latvia, Lithuania, Poland, and Czechia.

Inbank consolidated financial statements have been approved by the Management Board and will be presented to shareholders for approval at the general meeting. The shareholders have the right not to approve the consolidated financial statements.

Change in classification

To provide a better overview, an adjustment was made in the 31 December 2021 report, which resulted in the reclassification of the subsidiary's 100% buyout option expense, which is now reflected in the same expense group as the subsidiary's other operating expense. In addition, due to the growth of Polish and Czech business and foreign currency transactions, foreign exchange gains and losses were reclassified from administrative expenses and are reported under "Foreign exchange rate revaluation losses/gains". The effect of the change on the report and the numerical indicators are presented in the table below:

In thousands of euros	**31.12.2021**	**Reclassification**	**31.12.2021 restated**
Foreign exchange rate losses	0	-23	-23
Other operating expenses	-13,833	-418	-14,251
Administrative expenses	-6,627	441	-6,186

Significant accounting principles

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union, for the year ended 31 December 2022 for AS Inbank (hereinafter: AS Inbank) and its subsidiaries (hereinafter: Inbank).

These financial statements have been prepared under the historical cost convention, except for some accounting policies disclosed below (the initial recognition of financial instruments at fair value, and financial instruments categorised at fair value through profit or loss (“FVTPL”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of consolidated annual report in accordance with IFRS requires the management to use critical accounting estimates in certain areas. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual report, are disclosed in Note 2.

The financial year starts on 1 January and ends on 31 December, the amounts are presented in thousand euros unless otherwise indicated. The official language of the consolidated annual report of Inbank is Estonian. The Estonian version must be proceeded from in the event of a conflict with English or any other language.

Consolidated financial statements

Subsidiaries

Subsidiaries are all entities which AS Inbank controls. AS Inbank controls an entity when AS Inbank has power to direct relevant activities that significantly affect the returns, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to AS Inbank and are de-consolidated from the date that control ceases. Intergroup receivables and liabilities, transactions and unrealised gains and losses on transactions between Inbank companies are eliminated upon consolidation. For the consolidation of foreign subsidiaries and other business units (including the AS Inbank branches), their financial reports are converted into the presentation currency of the parent company. The functional and presentation currency of Inbank is the euro except for the branches in Poland and Czechia which use the Polish zloty and the Czech koruna as their functional currencies.

All assets and liabilities have been revalued based on the foreign currency exchange rates of the European Central Bank prevailing on the balance sheet date. All income, expenses and other changes in equity are revalued based on average exchange rate of the period. Differences resulting from revaluation are recognised in the consolidated statement of profit and loss and other comprehensive income as “Currency translation differences”. Financial statements of subsidiaries have been amended, where necessary, to bring their accounting principles into conformity with the accounting principles adopted by AS Inbank. The financial years of the subsidiaries coincide with the parent company’s financial year.

The acquisition method is used for accounting of business combinations. The consideration transferred on acquisition of a subsidiary is measured at the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognised at their fair values at the acquisition date. For each business combination, non-controlling interest in the subsidiary acquired is measured at fair value or the non-controlling interest’s proportionate share of identifiable net assets of the acquiree.

Investments in associates

Associates are entities over which Inbank has significant influence, but which it does not control. Investments in associates are accounted for under the equity method of accounting. The investment is initially recognised at cost, which is the fair value of the transaction cost and other costs directly associated with the acquisition.

Under equity method, cost is adjusted for post-acquisition changes in the investor's share of the associates profits or losses and with the elimination or amortisation of differences between the fair values and carrying amounts of the associate's assets, liabilities and contingent liabilities as determined in the purchase price allocation analysis. Unrealized gains on transactions between Inbank and its associates are eliminated to the extent of Inbank's interest in the associates.

Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the assets. If Inbank's share of losses in the associate accounted under the equity method exceeds the carrying amount of the associate, the carrying amount of the associate is reduced to zero and such long-term receivables that in substance form a part of the associate are written down. Any further losses are carried off-balance sheet. If the investor has guaranteed or incurred obligations on behalf of the investment object, the respective liability is recorded in the balance sheet.

The parent company's separate financial statements are presented in notes 27-30 of the consolidated financial statements.

Pursuant to the Estonian Accounting Act, the separate primary financial statements of the parent of the consolidation group shall be disclosed in the notes to the annual report. The parent company's primary financial statements are prepared using the same accounting principles as those that have been used for preparing the consolidated annual report, except for the investments in subsidiaries that in separate financial statements are accounted for at cost less any accumulated impairment recognised.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits in the central bank and other banks, that are available for use without restriction.

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Mandatory cash balances with central banks are carried at amortised cost and represent mandatory reserve deposits, which are not available to finance Inbank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Accounting principles of financial assets and financial liabilities

Initial recognition

Financial assets and financial liabilities are recognised when Inbank becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets under normal market conditions are recognised on the trade date, the date on which Inbank commits to the purchase or sale of the asset.

Financial instruments at FVTPL are initially recorded at fair value.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for assets measured at amortised cost and at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognised in the income statement when an asset is newly originated.

Financial assets

Classification and subsequent measurement

Debt instruments (loans and advances and debt securities)

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- Inbank's business model for managing financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model: the business model reflects how Inbank manages the financial assets to generate cash flows. That is, whether Inbank's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "Other" business model and measured at fair value through profit or loss. Factors considered by Inbank in determining the business model for management of assets include experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of Inbank are compensated. For example: Inbank's business model for unsecured consumer loans is to collect contractual cash flows, sales only occur when there has been a significant increase in credit risk. Therefore, the business model for the portfolio is to hold assets to collect contractual cash flows.

Cash flow characteristics of the asset: where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, Inbank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, Inbank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to additional risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Based on these factors, Inbank classifies its debt instruments into one of the three measurement categories:

1. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss, are measured at amortised cost.
2. Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income.
3. Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

During the reporting period, Inbank has measured all its debt instruments at amortised cost.

Inbank reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the reporting period.

There were no changes in the classification and measurement of financial assets.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability was recognised at initial recognition less the principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial instrument. The calculation does not consider expected credit losses and includes all fees paid and received between contracting parties, transaction costs, premiums or discounts that are integral to the effective interest rate. For purchased or originated credit-impaired (POCI) financial assets – assets that are credit-impaired at initial recognition – Inbank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets or assets after deducting all the liabilities.

Inbank has decided to measure all equity investments at fair value through profit or loss. Gains and losses on equity investments at fair value are included in the "Net gains from financial assets measured at fair value" line in the statement of profit and loss and other comprehensive income.

Derivative financial instruments

Derivative financial instruments, including forward transactions are carried at their fair value. All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in the profit or loss for the year.

Modification of financial assets

Inbank can renegotiate or otherwise modify the contractual terms and conditions of financial assets. If the new terms are substantially different, Inbank derecognises the original financial asset and recognises a new asset at fair value and calculates a new effective interest rate for the asset. Inbank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are recognised in the profit or loss.

When Inbank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes in value are recognised in the income statement.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. Inbank recalculates the gross carrying amount of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognises a modification gain or loss in the profit or loss.

Derecognition other than modification

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or when they have been transferred and either:

1. Inbank transfers substantially all the risks and rewards of ownership, or
2. Inbank neither transfers nor retains substantially all the risks and rewards of ownership and Inbank has not retained control.

Write-off policy

Inbank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Financial liabilities

In both the current and prior period, financial liabilities of Inbank are classified at amortised cost.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when and only when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

Impairment of financial assets

Inbank assesses, on a forward-looking basis, the expected credit losses (ECL) for any debt instrument carried at amortised cost and FVOCI. Inbank recognises a loss allowance for such losses at each reporting date. The measurement of ECL considers:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

IFRS 9 provides a three-phase model for measuring credit losses that takes into account changes in credit quality since initial recognition as follows:

- Stage 1 – includes financial assets for which the credit risk has not increased significantly since initial recognition. ECL is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months.
- Stage 2 - includes financial assets for which there has been a significant increase in credit risk since initial recognition, but which do not have objective evidence of impairment. The expected credit losses are determined on a lifetime basis.
- Stage 3 – includes financial assets that are defaulted (the detailed description of when Inbank considers the financial asset as defaulted, are described as Definition of default below). The expected credit losses are measured as lifetime expected credit losses.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis and considered under stage 3.

ECL is measured on either a 12-month (12M) or Lifetime basis according to whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" that is described in the paragraphs below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD component is segmented by geographical region, product type, overdue days and by months since origination. PD is estimated using a Markov chain framework, where transition matrices from a maximum of the last 24 available periods are used to extrapolate the cumulative transition probabilities forward in time.
- EAD is expressed by Inbank's assessment of the amounts Inbank expects to be owed at the time of default. For off-balance-sheet items, the EAD shall include an estimate of what amounts will be taken into account at the time of the default.
- Loss Given Default (LGD) represents Inbank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage of loss per unit of exposure at the time of the default (EAD).

The ECL is calculated as a product of the main inputs - PD, LGD and EAD, discounted by portfolio original effective interest rate (EIR). Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

Inbank calculates the impairment of financial assets according to the IFRS 9 standard, based on the expected credit loss (ECL) model. For estimating credit loss Inbank analyses historical data, considers overall economic environment, and makes predictions for the future economic development. From the latter, Inbank has provided estimates for the key inputs which are required to assess the expected credit loss, and which are described below:

- *Definition of default*. Inbank considers the financial asset as defaulted when the instrument is 90 or more days past due (considering the threshold of 5 EUR in case of retail receivables and 500 EUR for non-retail receivables) or the financial instrument in which borrower is in significant financial difficulty and thus meets the unlikeliness to pay criteria, including the borrower being in bankruptcy, deceased, in court proceedings or classified as fraudulent. The criteria above have been applied to all financial instruments held by Inbank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Inbank's expected credit loss calculations.

  An instrument is no longer considered to be in default when it no longer meets any of the default criteria for at least three consecutive months. When a loan is in default due to a non-performing forbearance measure having been applied, longer probation periods are applied.
- *Significant increase in credit risk* (SICR). Inbank assesses at the end of each reporting date whether the credit risk of a financial instrument has increased significantly since initial recognition. For retail receivables, the significant increase in credit risk is assumed to occur at more than 30 days past due. Additionally, if forbearance measures have been applied to the

receivable due to the financial difficulties and the obligation is served properly, it is also considered the increase in credit risk. For the receivables classified as performing forborne the probation period is 24 months. Considering Inbank's usual business practise, the ability to collect information concerning customer financial behaviour is limited, which makes it difficult to apply other criteria with reasonable effort. For non-retail receivables, the significant increase in credit risk is also assessed qualitatively, based on the financial statements submitted by counterparties on regular basis.

Inbank has not used the low credit risk exemption for any financial assets in the year.

- *LGD levels*. Loss Given Default (LGD) represents Inbank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. The LGDs are determined based on the factors which impact the recoveries made post default. The LGD component is segmented by geographical region, product type and collection strategy. LGD's are influenced by collection strategies, including contracted debt sales and price. During 2022, the previous agreements for sale of overdue receivables, which were concluded during the Covid-19 pandemic, ended and Inbank concluded new agreements. With the new agreements, Inbank has managed to improve the expected proceeds from the sale of overdue loans to third parties and as the new agreements also cover 2023, Inbank does not expect a significant impact to LGDs in 2023.
- *The assessment of macroeconomic impact*. To assess macroeconomic impact Inbank has developed a model which incorporates developments in the future economic environment in the expected credit loss calculation. The impact of different economic variables (incl. GDP change, inflation, unemployment rate) on portfolio PD was analysed using regression analysis across countries in the portfolio. The macroeconomic projections are based on the latest available macroeconomic analysis by the national central banks of the portfolio countries and the major commercial banks and European banking institutions. For an objective estimation of credit loss, Inbank uses three scenarios which include forward looking information for baseline, positive and negative scenarios. Inbank estimates that the baseline and negative scenarios are more probable and relevant, the weight of the probability of the positive scenario is less significant. Perspectives for the development of economic environment and previous experience in the countries where Inbank operates are considered when assigning weights to the scenarios. As at 31 December 2022 the probability of the baseline scenario was estimated to be 45% (2021: 60%), positive scenario probability 10% (2021: 20%) and negative scenario probability 45% (2021: 20%); the scenario estimates have changed compared to 2021. Inbank updates forecasts of economic indicators and probabilities of scenarios at least once a year. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Inbank considers these forecasts to represent its best estimate of the possible outcomes. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not considered to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

  Inbank has carried out a sensitivity analysis on key assumptions, which according to Inbank assessment have the most impact on the expected credit loss. In terms of macroeconomics, the impact of changes in the unemployment rate on the portfolio has been analyzed. The result of the analysis, which are in an unfavourable direction for Inbank, shows that if:

- PD rates increase by 10%, the impact on the ECL is 0.6 million euros (2021: 0.5 million euros).
- LGD rates valid in the debt claim sales market increase by 10 p.p., the impact on the ECL is 2.1 million euros (2021: 1.2 million euros).
- unemployment rate increases by 50%, the impact on the ECL is 3.7 million euros. In the 2021 analysis, the unemployment rate increase was considered as 5 p.p. and the impact was 2.4 million euros.
- Scenario weights are adjusted by 35%/5%/60% (base/ positive/ negative scenario respectively), the impact on the ECL is 0.4 million euros. In the 2021 analysis, the scenario weights were adjusted by 60%/5%/35% respectively and the impact on ECL was 0.5 million euros.

- *Debt management*. Inbank offers its customers a flexible approach in dealing with debts, the main supporting activity is the possibility to change the payment schedule, which would correspond to the changed solvency of the customer. More attention is continually paid to the development of the practise of inhouse collection. New reports and views have been created to monitor the quality of the portfolio and movements between overdue groups. Inbank regularly sells past due loans, the internal processing of which is no longer expedient.

- *Grouping of instruments for loss measured on a collective basis.* For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on the shared risk characteristics, such that risk exposures within a group are homogeneous. For the grouping, there must be sufficient information available for Inbank to be statistically credible. Where sufficient information is not available internally, Inbank has considered benchmarking internal/ external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are product type, contract type, market, number of overdue days of the contract, contract age as months in book. The appropriateness of groupings is monitored and reviewed on a periodic basis.

The components of expected credit loss calculations (PD, LGD and EAD) for retail exposures are derived from the internal historical data. Due to retail exposures being homogeneous, allowances resulting from expected credit loss are calculated based on historical payment behaviour of those homogeneous loans and based on forward looking information. Allowances for non-retail exposures are calculated based on forward-looking information individually, depending on the probability of default and financial strength of the counterparty as well as the value of the collateral.

Inbank's collaterals portfolio is immaterial because the majority of Inbank's loan portfolio is represented by unsecured retail exposures (hire-purchase, loans, credit cards), issued based on an analysis of the customer's solvency. However, Inbank has issued a small volume of loans also to corporates and private persons, where the risk is hedged by various collaterals. As at 31 December 2022, the volume of secured loans was 6 million euros, which makes 0.8% (31.12.2021: 1.2%) of the total portfolio.

Financial liabilities

Inbank has received subordinated debt instruments in order to increase long-term capital. The subordinated debts are those liabilities, which in the case of a liquidation of a credit institution or declaration of bankruptcy, are settled after the satisfaction of the justifiable claims of other creditors.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows.

Tangible assets

Tangible assets are non-current assets used in the operating activities of Inbank with a useful life of more than one year. An item of tangible assets is initially recognised at its cost, which consists of the purchase price (incl. customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost of the item can be measured reliably. All other repairs and maintenance are charged to operating expenses during the reporting period in which they are incurred.

An item of tangible assets is carried in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis. The amortization period for tangible assets is 2-8 years.

Depreciation is calculated starting from the next month of acquisition until the carrying amount reaches the residual value of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in operating expenses or other income in the statement of profit and loss for the reporting period.

Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, it is controlled by Inbank as a result of past events, and it is probable that the expected future economic benefits that are attributable to it will flow to Inbank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any provision for impairment (if any).

Expenditure on internally developed software is recognised as an asset when Inbank is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss as it is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised using the straight–line method over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end in order to reflect the pattern of consumption of the asset. The amortization period for intangible assets is 3-10 years.

Assets with an indefinite useful life, including goodwill, are not subject to amortization. Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the event of such circumstances, the recoverable amount of the asset is assessed and is compared with the carrying amount.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of the asset is the higher of an asset's fair value less costs to sell and value in use.

Goodwill arising on acquisition of a business is carried at cost as established as of the date of acquisition of the business less accumulated impairment losses, if any.

Inbank tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which Inbank monitors goodwill and are not larger than an operating segment. When the recoverable amount of the cash-generating unit is lower than its carrying amount (incl. goodwill), an impairment loss for goodwill and proportionally other assets is recognised. Impairment losses on goodwill are not subsequently reversed. Goodwill is reported in the statement of financial position at the carrying amount (acquisition cost less any impairment losses). When determining gains and losses on the disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is regarded as part of the carrying amount of the subsidiary.

Provisions and contingent liabilities

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. A provision is recognised if Inbank has a legal or factual liability, which arose from an obligating event that occurred prior to the balance sheet date, the realisation of which is probable and the amount of which can reliably be measured. A provision is recognised in the statement of financial position in the amount, which according to the management, is necessary as at the balance sheet date for the meeting of the obligation arising from the provision. If a provision is expected to be settled later than

12 months after the balance sheet date, it is recognised at the discounted value (i.e., at the present value of payments relating to the provision) unless the effect of discounting is immaterial. Other possible or existing obligations, the settlement of which is less than likely or the related expenditures of which cannot be determined with sufficient reliability, are disclosed in the notes to the consolidated annual report as contingent liabilities.

Reserves

Statutory reserve

According to the articles of association of Inbank, during each financial year, at least 1/20 of the net profit shall be transferred to the statutory reserve, until the statutory and other reserves reach 1/10 of share capital. Statutory reserve may be used to cover a loss, or to increase share capital. Payments to shareholders from statutory and other reserves are not allowed.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Other reserves

The general meeting of Inbank may decide that other amounts are also transferred to the statutory and other reserves. Statutory and other reserves may also be used to increase the share capital and it may not be used for making payouts to shareholders.

Accounting of income and expenses

Interest income and expenses

Interest income and expenses are calculated by applying the effective interest rate to the gross carrying amount of financial assets or liabilities, except for:

1. Purchased or originated credit impaired (POCI) financial assets, for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset.
2. Financial assets that are not POCI but have subsequently become credit-impaired (stage 3), for which the effective interest rate is applied to the amortised cost of the financial asset on subsequent reporting periods.

See further details in accounting principles note section “Amortised cost and effective interest rate”.

Fee and commission income and expenses

The recognition of revenue from contracts with customers is reported as fee and commission income. Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which Inbank expects to be entitled in exchange for the service.

Fee and commission income is recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by Inbank's performance. Such income includes for example monthly loan maintenance fee. Variable fees are recognised in revenue only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when Inbank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee and commission received, or receivable represents the total transaction price for the services identified as distinct performance obligations. Such income includes fee for early termination of contract, fee for confirmation letter.

Expenses that are directly related to the generation of fee and commission income are recognised as fee expense.

Other operating income and expenses

Revenue from the sale of goods is recognized at the fair value of the received amount or receivable amount, considering any discounts and rebates granted. Revenue from the sale of goods is recognized when all significant risks and rewards of ownership have been transferred from the seller to the buyer, the revenue and costs associated with the transaction can be measured reliably and it is probable that the future economic benefit associated with the transaction will flow to the entity.

Revenue from the sale of a service is recognized in the same period as the service is incurred.

Revenue from operating leases is recognized on a straight-line basis over the term of the lease.

Share-based payments

Inbank receives services from its employees and pays for them by issuing options for acquiring the shares of Inbank. The fair value of the issued options is recognised as a payroll expense and a change in equity (share-based payments reserve) during the period of the option contract. The total amount of expenses is determined by the fair value at the date when the grant is made using an appropriate valuation model.

Income tax

Income tax in Estonia

Income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and payments not associated with business activities. There are no differences in Estonia between the tax bases and residual book values of assets that could cause temporary differences and entail deferred income tax.

Dividend is a disbursement made on the basis of the corresponding resolution of the shareholders of Inbank from net profit or retained earnings, in accordance with the dividend recipient's holding in Inbank. Pursuant to the Income Tax Act currently in effect, profit distributed as dividends is taxed at the rate of 20/80 on the amount paid out as net dividends. The income tax arising from the payment of dividends is recognised as income tax expense in the income statement of the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date. The maximum amount of income tax payable, which would arise from paying out the retained earnings as dividends, is disclosed in Note 10 to the financial statements.

In Estonia, the credit institutions pay 14% advance dividend income tax on their profits earned based on the previous quarter. When distributing profits and calculating the related income tax liability, the credit institution can consider the payment made. Only companies with profits are taxed.

Tax rate of 14/86 can be applied to dividend payments. That beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding financial years that were taxed with the tax rate of 20/80.

Income tax in other countries

Income tax in Poland

In accordance with the local income tax law, the net profit of the Polish branch, which has been adjusted for the permanent and temporary differences as stipulated by law is subject to income tax. The main temporary differences arise from credit losses, depreciation of fixed assets and tax loss carry-forward. Deferred tax balances are measured at 19% tax rate enacted or substantively enacted at the balance sheet date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry-forward will be utilised. Deferred tax is recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Income tax in Latvia

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Income Tax Law of the Republic of Latvia. Income tax is paid on distributed profits and deemed profit distributions. Consequently, current tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of the net expense. Income tax on dividends is recognized in the separate statement of comprehensive income as an expense in the reporting period when the respective dividends are declared, while, in regard to other deemed profit items, at the time when the expense is incurred in the reporting year.

No provision is recognized for income tax payable on a dividend distribution before dividends are declared.

As income tax has to be paid on distributed profits and deemed profit distributions, no temporary differences are arising between the tax bases of assets and liabilities and their carrying values for accounting purposes. Therefore, deferred tax assets and liabilities are not recognized.

Income tax in Lithuania

Income tax is calculated on the basis of annual profit and deferred tax is also taken into account. The income tax rate is 15%. Credit institutions pay 20% income tax on the part of the profit that exceeds 2 million euros. Tax losses may be carried forward for an indefinite period, except for losses resulting from the transfer of securities and/or derivatives that can be carried forward for five consecutive years and that can only be used to reduce similar taxable income.

Deferred income tax is calculated using the balance sheet liability method and represents a temporary difference between the tax bases of assets and liabilities and the balance sheets. Income tax assets and liabilities are determined using the tax rate that is expected to be used for deferred tax assets or for deferred tax liabilities, taking into account the tax rates adopted or actually applied at the date of the financial statements. Deferred tax assets are recognised in the statement of financial position to the extent that the management of the enterprise expects to use the assets in the near future, taking into account the taxable profit forecasts. If it is probable that part of the deferred tax will not be used, this portion of the deferred tax is not recognised in the financial statements.

Income tax in Czechia

Current and deferred taxes are recognised as income or an expense and included in the profit and loss for the period.

Current income tax expense approximates amounts to be paid or refunded for taxes for the appropriate period. Current tax assets and liabilities for the current and previous years are measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

Deferred tax assets and liabilities are recognised due to differences between the tax bases of assets and liabilities and their respective carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income taxes are calculated on all temporary differences under the liability method using the income tax rate of 19%.

Lease accounting

Inbank acts both as a lessor and as a lessee. Inbank leases various properties and subsidiary of Inbank, Mobire leases vehicles.

Inbank as a lessee

Lessees are required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

Rental contracts are typically made for fixed periods of 2-5 years but include, as a rule extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

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

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Short-term leases are leases with a lease term of 12 months or less. Short-term leases and low value assets are recognized as expense on a straight-line basis over the lease term. Low value assets comprise IT-equipment and small items of office furniture.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The management reviews the assessment if a significant event or a significant change in circumstances occurs which affects the probability of using options and that is within the control of the management. Alternatively, the extension period of the contract has changed (for example, Inbank has exercised an option, which initially was considered reasonably uncertain or has not exercised an option, which was initially considered reasonably certain).

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

Inbank as a lessor

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for Inbank from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant or equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit and loss. An entity has to use IAS 2 to measure the cost of those items. The cost does not include the depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by the management and subject to depreciation before it has achieved the level of operating performance expected by the management.

The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to its fulfillment. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting and to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for the derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

The illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The new standard is not expected to have a material impact on Inbank.

The following new or amended standards and interpretations have been issued that become mandatory for Inbank in subsequent periods and have not been adopted early:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, "Making Materiality Judgements" was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Inbank is analysing the impact of the amendment on the financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Inbank is analysing the impact of the amendment on the financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Inbank is analysing the impact of the amendment on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023).

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Inbank is analysing the impact of the amendment on the financial statements.

Other new or amended standards or interpretations that are not yet effective are not expected to have a material impact on Inbank.

Note 2 Significant accounting estimates

In accordance with the IFRS, the preparation of financial statements requires the use of accounting estimates. Several financial items presented in consolidated financial statements are based on management estimates and assumptions. These judgements have an impact on the carrying amounts of assets and liabilities within the next financial year. Although these estimates are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the actual results may differ significantly from these estimates.

The management continually evaluates such estimates and judgements, including those that have an impact on the fair value of financial instruments (more info is presented in Note 25), the write-down of impaired loans (Note 9), non-controlling interest redemption liability (Note 13), impairment of tangible and intangible assets (Note 14 and Note 16), goodwill (Note 16), deferred taxes (Note 10) and share-based payments (Note 23). The management relies on experience and other factors reasonable in the given the situation when making these decisions and estimates.

The significant management judgements and assumptions are related to the IFRS 9 standard and mainly concern inputs for measuring expected credit loss (ECL), including LGD, macroeconomic impact and increased credit risk (SICR) criteria. Models, estimates and inputs are regularly reviewed by the risk control unit of Inbank. Expected credit loss (ECL) estimates are vague in nature and require the use of complex models and significant estimates of future economic conditions and customer behaviour. The inputs, assumptions and estimates of expected credit loss are described in more detail in "Note 1. Summary of significant accounting policies".

Note 3 Risk management

General information

Risk is defined as the possibility of a negative deviation from the expected financial results. Through its business activities, Inbank is associated with a wide range of different risks, predominantly credit risk, market risk, liquidity risk, and operational risk. Other risks include business risk, including strategic risk and reputational risk, and capital risk.

Acceptable risks, their levels and nature, as well as their consistency with both the bank's business model and strategic goals are defined as part of the risk appetite statement established by the Supervisory Board of Inbank AS. Risk management principles, requirements and areas of responsibility are described in the respective internal regulations. In accordance with the established capital management principles, Inbank must have a sufficient amount of eligible own funds to cover the risks in order to execute Inbank's strategic plan.

The purpose of Inbank's risk management framework is to identify risks and to measure and manage them appropriately. In the broader sense, the objective of risk management is to optimize Inbank's risk/return trade-off and to increase the value of the company through minimisation of losses and reducing of the volatility of results. The first principle of Inbank's risk management framework is based on a solid risk culture and built on the principles of the three lines of defence. The first line of defence includes the business lines responsible for taking risks and managing them on a daily basis. The second line of defence is the risk control unit, responsible for establishing risk management methodologies and risk reporting. The third line of defence is the internal audit, performing independent oversight for the entire organisation, including the risk control unit. The second principle of Inbank's risk management framework is based on managing risks in a centralised and cohesive structure on the basis of the Enterprise risk management (ERM) foundation, which accounts for the possibility of correlation between different business lines and risks.

The compliance of all defined risk tolerance limits is reported at least quarterly to the Supervisory Board of AS Inbank by the risk control unit. Any limit breaches are escalated immediately.

A more detailed overview of the risks is available on Inbank's homepage www.inbank.ee in the Risk Management and Capital Adequacy Report.

Credit risk

Credit risk reflects the potential loss, which arises from the counterparty's inability or unwillingness to meet its contractual obligations towards Inbank. Credit risk arises primarily from the loans and receivables issued to households, and to some extent, also to corporates, credit institutions, and central banks.

Inbank issues loans in five countries: Estonia, Latvia, Lithuania, Poland and Czechia. It is important for Inbank to monitor credit risk by country, as credit risk is strongly related to what is happening in the economic environment, including legislation, which may differ in the markets of the portfolio countries. The allocation of Inbank's receivables portfolio by assets and countries is outlined in the following table.

Allocation of assets exposed to credit risk by country

In thousands of euros						
31.12.2022	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Czechia**	**Total**
Receivables from central banks	114,708	0	0	9,825	0	124,533
Receivables from credit institutions	10,282	1,393	2,471	6,510	146	20,802
Receivables from investments in debt securities	8,415	0	0	0	0	8,415
Receivables from households	200,441	69,770	166,939	308,961	280	746,391
Receivables from non-financial corporates	1,222	0	106	0	0	1,328
Receivables from other financial corporates	5,406	0	0	0	0	5,406
Other advances	183	432	1,154	205	1	1,975
Other financial assets	1,776	287	1,057	254	13	3,387
Total receivables	**342,433**	**71,882**	**171,727**	**325,755**	**440**	**912,237**

In thousands of euros						
31.12.2021	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Czechia**	**Total**
Receivables from central banks	68,861	0	0	8,592	0	77,453
Receivables from credit institutions	12,329	499	2,966	2,076	0	17,870
Receivables from investments in debt securities	7,684	0	0	0	0	7,684
Receivables from households	165,423	45,037	142,578	242,987	0	596,025
Receivables from non-financial corporates	1,553	0	114	0	0	1,667
Receivables from other financial corporates	5,363	0	0	0	0	5,363
Other advances	175	362	1,028	228	0	1,793
Other financial assets	988	131	755	98	0	1,972
Total receivables	**262,376**	**46,029**	**147,441**	**253,981**	**0**	**709,827**

Credit risk management of Inbank in all its countries of operation is primarily governed by the various legal acts and guidelines established in accordance with the EU Consumer Credit Directive, as well as the corresponding internal provisions of Inbank, the core principle of which is responsible lending.

Inbank considers loan portfolio risk, concentration risk, country risk, and counterparty risk as part of credit risk. Inbank's credit risk management focuses on the avoidance of excessive risk and risk mitigation, using the following measures:

- below average contract maturity of issued loans;
- significantly below average amounts of issued loans;
- well diversified portfolio and limited risk exposures;
- optimal risk/return ratio for issued loans;
- taking of controlled risks and continuous risk profile monitoring;
- regularly carried out stress tests and scenario analyses.

Classification of receivables

Inbank's receivables are classified according to the credit decision and issuing process into retail receivables i.e., receivables from households and non-retail receivables i.e., receivables from corporates.

In Inbank, an exposure is classified as a retail exposure, i.e. the exposure to households, if the credit is issued to private individuals. In most cases, retail exposures are unsecured. Credit decisions are made, and loans are issued by using automated IT solutions, standardised processes and standard contractual terms. Individually, the retail exposures are immaterial but as a whole, constitute a large part of the portfolio and possess inherently similar characteristics. It significantly reduces the risks associated with granting such loans.

Exposures that do not comply with the requirements for retail exposures are considered as non-retail exposures, which are issued to the corporates and the credit decisions of which are, therefore, made individually by the Credit Committee and the risks of which are predominately hedged by various collaterals.

Receivables from households

The core business of Inbank involves offering consumer finance solutions to households. By focusing on this, a high diversification of the loan portfolio and a low average loan amount have been achieved. In assessing private customers' credit solvency, credit behaviour modelling is used that, in addition to customer's previous payment behaviour, income and obligations, takes into account also other parameters associated with the customer's payment discipline. Inbank's credit behaviour models are constantly changing in time and are updated according to the changes in the composition of the information used to make credit decisions and according to the changes in the economic environment.

Allocation of receivables from households in arrears by days is outlined in the following table.

Receivables from households

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

In thousands of euros 31.12.2021 Distribution of receivables	**Gross receivables**	**Impairment allowance Stage 1**	**Stage 2**	**Stage 3**	**Net receivables**	**Impairment coverage**
0-3 days	580,325	-4,036	-113	-353	575,823	0.8%
4-30 days	13,606	-923	-116	-108	12,459	8.4%
31-89 days	8,201	-1	-1,412	-207	6,581	19.8%
90-179 days	1,341	0	0	-860	481	64.1%
180+ days	3,870	0	0	-3,189	681	82.4%
Total receivables	**607,343**	**-4,960**	**-1,641**	**-4,717**	**596,025**	**1.9%**

Inbank focuses on a region-based growth strategy. Inbank's receivables from households increased by 25% compared to 31 December 2021. The main growth came from the Baltics region portfolio. For future portfolio growth and credit portfolio diversification, an important step was the successful transition of the Polish business strategy and green hire purchase product to Czechia, activating cooperation with existing vendors who are operating in the Central Europe region. While the credit portfolio remains on good quality, there has been a slight increase in the impairment coverage in 2022 due to the changes in product mix and in anticipation of increased expected credit losses due to complicated economic environment. Extent of actual realisation of expected credit losses will become evident in the future and it may remain below expectation.

Receivables from non-financial corporates and financial corporates

Inbank has also issued loans to corporates. Concerning loans to corporates, credit decisions are in each case made individually by the Credit Committee based on customer’s solvency assessment. Additionally, risks related to the loans to corporates are mitigated by various collaterals.

Allocation of receivables from corporates in arrears by days is outlined in the following table.

Receivables from non-financial and financial corporates

In thousands of euros						
31.12.2022	**Gross**	**Impairment allowance**			**Net**	**Impairment**
Distribution of receivables	**receivables**	**Stage 1**	**Stage 2**	**Stage 3**	**receivables**	**coverage**
0-3 days	8,730	-22	0	0	8,708	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	1	0	0	0	1	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	**8,731**	**-22**	**0**	**0**	**8,709**	**0.3%**

In thousands of euros						
31.12.2021	**Gross**	**Impairment allowance**			**Net**	**Impairment**
Distribution of receivables	**receivables**	**Stage 1**	**Stage 2**	**Stage 3**	**receivables**	**coverage**
0-3 days	8,801	-25	0	0	8,776	0.3%
4-30 days	47	0	0	0	47	0.0%
31-89 days	0	0	0	0	0	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	**8,848**	**-25**	**0**	**0**	**8,823**	**0.3%**

The quality of Inbank's non-retail receivables portfolio has been at a good level during the reporting period, the portfolio has decreased compared to 2021. As this is not the company's core business, no significant portfolio growth has been expected.

Division of portfolio between stages and changes in the loss allowance

The division of portfolio between stages and the changes in the loss allowance are outlined in the following tables.

Movement of household portfolio between stages

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Gross carrying amount, 31.12.2020	**385,031**	**10,108**	**8,722**	**403,861**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-16,105	16,105	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-3,594	-593	4,187	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	1,923	-1,877	-46	**0**
From Stage 3 to Stage 2	0	18	-18	**0**
New originated or purchased	407,636	0	0	**407,636**
Derecognised during the period	-95,174	-1,664	-690	**-97,528**
Changes to ECL measurement model assumption	-90,001	-3,090	-545	**-93,636**
Total movements with impact on credit loss allowance charge for the period	**204,685**	**8,899**	**2,888**	**216,472**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-4,596	-3,049	-5,345	**-12,990**
Gross carrying amount, 31.12.2021	**585,120**	**15,958**	**6,265**	**607,343**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-15,373	15,373	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-6,813	-1,072	7,885	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	3,782	-3,585	-197	**0**
From Stage 3 to Stage 2	0	141	-141	**0**
New originated or purchased	432,198	0	0	**432,198**
Derecognised during the period	-129,976	-3,279	-402	**-133,657**
Changes to ECL measurement model assumption	-127,912	-3,184	-1,015	**-132,111**
Total movements with impact on credit loss allowance charge for the period	**155,906**	**4,394**	**6,130**	**166,430**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-5,646	-3,006	-2,561	**-11,213**
Gross carrying amount, 31.12.2022	**735,380**	**17,346**	**9,834**	**762,560**

Changes in loss allowance of household portfolio

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Impairment allowance, 31.12.2020	**5,013**	**1,740**	**6,451**	**13,204**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1,243	1,243	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-1,069	-144	1,213	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	267	-262	-5	**0**
From Stage 3 to Stage 2	0	3	-3	**0**
New originated or purchased	5,386	0	0	**5,386**
Derecognised during the period	1,572	953	5,127	**7,652**
Changes to ECL measurement model assumption	-2,076	73	1,431	**-572**
Total movements with impact on credit loss allowance charge for the period	**2,837**	**1,866**	**7,763**	**12,466**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-2,890	-1,965	-9,497	**-14,352**
Impairment allowance, 31.12.2021	**4,960**	**1,641**	**4,717**	**11,318**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1,626	1,626	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-1,887	-277	2,163	**-1**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	427	-337	-90	**0**
From Stage 3 to Stage 2	0	63	-63	**0**
New originated or purchased	7,456	0	0	**7,456**
Derecognised during the period	4,067	2,049	4,215	**10,331**
Changes to ECL measurement model assumption	-1,576	644	2,363	**1,431**
Total movements with impact on credit loss allowance charge for the period	**6,861**	**3,768**	**8,588**	**19,217**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-5,267	-2,830	-6,269	**-14,366**
Impairment allowance, 31.12.2022	**6,554**	**2,579**	**7,036**	**16,169**

Movement of corporates portfolio between stages

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Gross carrying amount, 31.12.2020	**11,550**	**0**	**43**	**11,593**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	**0**
From Stage 3 to Stage 2	0	0	0	**0**
New originated or purchased	5,746	0	0	**5,746**
Derecognised during the period	-7,604	0	6	**-7,598**
Changes to ECL measurement model assumption	-844	0	0	**-844**
Total movements with impact on credit loss allowance charge for the period	**-2,702**	**0**	**6**	**-2,696**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-49	**-49**
Gross carrying amount, 31.12.2021	**8,848**	**0**	**0**	**8,848**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1	1	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	**0**
From Stage 3 to Stage 2	0	0	0	**0**
New originated or purchased	564	0	0	**564**
Derecognised during the period	-98	0	1	**-97**
Changes to ECL measurement model assumption	-583	0	0	**-583**
Total movements with impact on credit loss allowance charge for the period	**-118**	**1**	**1**	**-116**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-1	-1
Gross carrying amount, 31.12.2022	**8,730**	**1**	**0**	**8,731**

Changes in loss allowance of corporates portfolio

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Impairment allowance, 31.12.2020	**34**	**0**	**4**	**38**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	**0**
From Stage 3 to Stage 2	0	0	0	**0**
New originated or purchased	12	0	0	**12**
Derecognised during the period	-12	0	8	**-4**
Changes to ECL measurement model assumption	-9	0	1	**-8**
Total movements with impact on credit loss allowance charge for the period	**-9**	**0**	**9**	**0**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-13	**-13**
Impairment allowance, 31.12.2021	**25**	**0**	**0**	**25**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	**0**
From Stage 3 to Stage 2	0	0	0	**0**
New originated or purchased	3	0	0	**3**
Derecognised during the period	0	0	1	**1**
Changes to ECL measurement model assumption	-6	0	0	**-6**
Total movements with impact on credit loss allowance charge for the period	**-3**	**0**	**1**	**-2**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-1	**-1**
Impairment allowance, 31.12.2022	**22**	**0**	**0**	**22**

Investments in debt securities

Limits on the credit risk of the debt securities are set according to the issuer in the Credit Committee. As at 31 December 2022, Inbank has invested in debt securities in the amount of 8.4 million euros (31 December 2021: 7.7 million euros), and Inbank's debt portfolio measured at amortised cost is allocated accordingly:

Investments in debt securities

In thousands of euros			
Counterparty type	**Credit rating**	**31.12.2022**	**31.12.2021**
Corporate	Not rated	8,415	7,684
Total investments in debt securities		**8,415**	**7,684**

As of 31 December 2022, Inbank's bond portfolio consists of long-term securities of Aktiva Porfolio AS with different maturities between 29 September 2027 and 1 August 2029 with a coupon rate of 3% + 12-month Euribor. The Aktiva Portfolio AS debt securities balance is decreasing as Inbank has stopped buying new debt securities from August 2022 and redemption of purchased debt securities is according to the due dates above.

As of 31 December 2022, the bond portfolio also includes debt securities of other corporates with a maturity date of 1 December 2023, coupon rate of 11.5% and yield 14.5%.

The majority of the corporate bonds in the portfolio are secured more than double by consumer credit claims, majority of which are initially originated by Inbank. The statistical models used by Inbank indicate that the majority of the bonds will be repaid prematurely in full from the cash flows collected from the collateral. Considering the latter, the expected credit loss from the investments in these secured debt securities as of 31 December 2022 is immaterial and no allowance has been recognised in the statement of financial position. For other corporate debt securities, an allowance of 10 thousand euros has been recognised in the statement of financial position.

Due from central banks and credit institutions

The management estimates that exposure to cash and cash equivalents, held at central banks and other credit institutions, inherently carries a low credit risk. This is achieved through the risk management policies of Inbank, which favour credit institutions with higher level of equity and strong credit rating for the placement of its liquid assets. Based on available market information, Inbank considers the credit quality of those financial institutions to be good.

Exposures to central banks and credit institutions according to Moody's or Fitch short-term credit rating classes (credit rating of the counterparty or, failing that, the credit rating of the counterparty's parent) are outlined in the following table.

Receivables from central banks and credit institutions by credit ratings

In thousands of euros	31.12.2022	31.12.2021
P-1/F1+	142,015	89,297
P-2/F1	1,054	1,183
Not rated	2,266	4,843
Total receivables from central banks and credit institutions	**145,335**	**95,323**

In assessing the expected credit loss on the receivables from central banks and credit institutions, Inbank takes into account the credit ratings of the countries and credit institutions provided by external credit assessment Institutions and also possible payment delays are considered. As at 31 December 2022 and 31 December 2021, the receivables from central banks and credit institutions were not overdue. Considering the latter, the expected credit loss of the receivables from central banks and credit institutions is immaterial and therefore, no allowance has been recognised in the statement of financial position.

Concentration risk

Concentration risk, as an integral part of credit risk, arises from large exposures to an individual counterparty, to groups of connected counterparties or groups of unrelated counterparties, whose risk is affected by a common risk factor. Under concentration risk, Inbank considers the assets of one counterparty, related counterparties as well as those associated with one industry, geographical territory, or risk factor.

In its everyday business activities, Inbank avoids taking a concentration risk, focusing mainly on small and medium loans to avoid large exposure. Inbank does not rule out issuing large loans in the existence of sufficient collateral or compliance with other required conditions. As at 31 December 2022 and 31 December 2021, Inbank had no counterparties with the total exposure of greater than 10% of its own funds.

Market risk

Market risk is defined as the possibility of the value of Inbank's assets and liabilities or the value of their expected future cash flows to change adversely as a result of changes in market conditions.

The emergence of market risk is associated with Inbank's core business, but taking this risk is not an end in itself. The nature of Inbank's business activities implies that it has no commodity risk and equity risk exposures. Thus, the only types of market risk that Inbank is exposed to as a result of its current business activities, are the interest rate risk and currency risk. The management of these risks is described in the sections below.

Interest rate risk

Interest rate risk is a current or potential risk that unfavourable changes in the interest rates of Inbank's assets and liabilities may negatively affect its profit and equity.

Inbank is exposed to interest rate risk if the timings of revaluation of its main assets and liabilities as well as the maturity dates are different, if the interest rates of assets and liabilities can be adjusted at different time intervals or if the structure of assets and liabilities differs in currencies.

Inbank strives to secure low interest rate risk through limiting and matching the structure and maturities of interest-sensitive assets and liabilities. Interest income from issued loans significantly exceeds the interest expense paid for deposits, which allows to offset the potential adverse effect of interest rate risk to Inbank.

Inbank monitors and manages the interest rate risk pursuant to internal limits set by the Supervisory Board of Inbank AS. To comply with the limits, Inbank can adjust the rates on its loans or enter into hedging instruments such as interest rate swaps. Inbank calculates and monitors its interest rate risk on a continuous basis. At the end of both 2022 and 2021, Inbank had not entered into any financial instruments to mitigate interest rate risk.

As at 31 December 2022, a 1 percentage point increase in market interest rates would decrease Inbank's equity, that is, economic value, by -2,133 thousand euros (31 December 2021: increase by +783 thousand euros) and increase the annual profit by +0.1 thousand euros (31 December 2021: increase by +1,041 thousand euros). At the same time, a 1 percentage point decrease in market interest rates would increase Inbank's equity (economic value) by +1,993 thousand euros (31 December 2021: decrease by -312 thousand euros) and decrease the annual profit by -703 thousand euros (31 December 2021: decrease by -422 thousand euros).

Currency risk

Currency risk is a risk arising from the different currency structures of Inbank's assets and liabilities. Changes in foreign exchange rates will change the value of assets and liabilities, as well as the value of income and expenses, calculated in the functional currency.

Currency risk arises from Inbank's operations in Poland and Czechia. Inbank generally holds the minimum foreign currency positions necessary for rendering services to customers. Inbank holds no assets or liabilities in currencies other than the euro, the Polish zloty, and the Czech koruna as at 31 December 2022. Inbank avoids excessive currency risk and mitigates it to a reasonable extent by maintaining the necessary balance between loans and deposits. When maintaining balance sheet items is not enough to mitigate the currency risk below the risk appetite limit, derivative instruments, such as Foreign Exchange Forwards are used to protect Inbank against unwanted market movements. At the end of 2022, Inbank had an outstanding off-balance derivatives commitment of 7,280 thousand euros FX Forward transactions, marked to a market net value of 37 thousand euros. Inbank uses foreign currency net open position monitoring, sensitivity analysis and stress testing to assess the impact of unfavourable changes in exchange rates, as well as measure and evaluate currency risk. The test scenario contains a simultaneous 10% adverse change of all currency positions in which Inbank holds a net open foreign currency position (euro positions are not considered as foreign currency positions).

Inbank's open currency positions and the results of the sensitivity analysis are presented in the table below.

Open currency exposures

In thousands of euros				
31.12.2022	**EUR**	**PLN**	**CZK**	**Total**
Assets bearing currency risk	689,851	329,754	890	1,020,495
Liabilities bearing currency risk	595,797	322,461	312	918,570
Open position of derivative assets	7,256	0	0	7,256
Open position of derivative liabilities	0	7,256	0	7,256
Open currency position	**101,310**	**37**	**578**	**101,925**
Impact on a 10% adverse change of FX rate		**4**	**58**	**62**
31.12.2021	**EUR**	**PLN**	**CZK**	**Total**
Assets bearing currency risk	530,138	256,805	11	786,954
Liabilities bearing currency risk	453,791	254,095	51	707,937
Open position of derivative assets	0	0	0	0
Open position of derivative liabilities	0	0	0	0
Open currency position	**76,347**	**2,710**	**-40**	**79,017**
Impact on a 10% adverse change of FX rate		**271**	**-4**	**267**

Liquidity risk

Liquidity risk is defined as a risk that Inbank's solvency is not sufficient to meet the contractual obligations within the time limit set without incurring significant costs, i.e. Inbank's companies cannot finance their activities sustainably and in a timely manner or they cannot liquidate their positions for fulfilment of their contractual obligations.

Inbank considers within liquidity reserves the balances with central banks and credit institutions, and debt securities of high quality and liquidity, which as at 31 December 2022 accounted for a total of 14% of the balance sheet size (31 December 2021: 12%). Inbank's main funding source is retail deposits, which are attracted from the home markets of the parent company and branches, and through a deposit gathering platform from Germany, Austria, and the Netherlands to diversify risks. To a lesser extent, bank financing and subordinated bonds are used for funding.

The key measure used to manage Inbank's liquidity position is the approach based on the analysis of the maturity mismatch of assets and liabilities. In addition, liquidity risk is mitigated by maintaining liquidity reserves to be able to manage imbalances in the duration. Within the liquidity risk management framework, the main liquidity ratios as well as the proportions of assets and liabilities maturity dates are also regularly fixed. Inbank conducts stress tests on a regular basis and has established an effective contingency plan for addressing liquidity shortfalls in crisis situations. Liquidity risk management methodologies are based on liquidity risk policy and other internal regulations. Inbank has established internal limits for all key liquidity indicators.

The distribution of Inbank assets and liabilities by contractual maturities on the basis of undiscounted cash flows is outlined in the following table.

Allocation of undiscounted cash flows from assets and liabilities by contractual maturity

In thousands of euros **31.12.2022**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**	**Carrying amount**
Assets							
Due from central banks and credit institutions	145,335	0	0	0	0	**145,335**	145,335
Investments in debt securities	128	255	1,136	5,625	824	**7,969**	8,415
Loans and advances	33,132	63,653	233,571	534,570	136,358	**1,001,284**	755,100
Other financial assets	2,697	237	179	58	216	**3,387**	3,387
Total assets	**181,292**	**64,145**	**234,886**	**540,253**	**137,398**	**1,157,975**	**912,237**
Liabilities							
Customer deposits	95,836	228,717	275,126	246,581	0	**846,260**	828,894
Subordinated debt securities	0	478	4,583	31,468	0	**36,529**	30,570
Other financial liabilities	20,382	9,122	991	1,651	691	**32,837**	32,837
Lease liability	745	1,726	5,946	16,929	0	**25,346**	22,403
Total liabilities	**116,963**	**240,043**	**286,646**	**296,629**	**691**	**940,972**	**914,704**
Maturity gap of assets and liabilities	**64,329**	**-175,898**	**-51,760**	**243,624**	**136,707**	**217,003**	**-2,467**

In thousands of euros **31.12.2021**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**	**Carrying amount**
Assets							
Due from central banks and credit institutions	90,823	4,500	0	0	0	**95,323**	95,323
Investments in debt securities	119	238	1,058	5,298	1,585	**8,298**	7,684
Loans and advances	24,267	53,597	184,415	384,549	99,102	**745,930**	604,848
Other financial assets	1,729	167	105	42	108	**2,151**	2,151
Total assets	**116,938**	**58,502**	**185,578**	**389,889**	**100,795**	**851,702**	**710,006**
Liabilities							
Customer deposits	86,533	78,990	224,691	237,365	0	**627,579**	617,857
Subordinated debt securities	6,617	561	1,433	5,060	31,348	**45,019**	37,187
Other financial liabilities	20,748	1,713	205	28	0	**22,694**	22,694
Lease liability	92	2,396	5,533	20,896	10	**28,927**	26,494
Total liabilities	**113,990**	**83,660**	**231,862**	**263,349**	**31,358**	**724,219**	**704,232**
Maturity gap of assets and liabilities	**2,948**	**-25,158**	**-46,284**	**126,540**	**69,437**	**127,483**	**5,774**

Operational risk

Operational risk is a risk of incurring a loss from the inadequacy of internal processes, people or systems not operating in the manner expected or from external events. Operational risk includes legal and compliance risk, personnel risk, and information technology risk.

The main operational risks that Inbank faces are associated with the company's significant growth. An increasing number of employees, growing volume of transactions and introduction of new products mean a constant need for new structures and processes as well as development of systems.

Operational risk management includes the identification of key business processes and the key risks in each process, the implementation of adequate controls and their follow-up checks. Its purpose is to create and implement a stronger control framework in the area of operational risks. Inbank has an Operational Risk Board, which coordinates operational risk management with the aim of managing operational risks better and more efficiently. It develops and implements the internal processes and regulations necessary for the implementation of the policy, as well as the operational risk management processes and systems. Inbank has implemented processes to manage incidents and approve new products as well as established a business continuity plan for crisis situations. In addition, Inbank conducts annual operational risk trainings for all Inbank employees to raise awareness and mitigate and manage operational risks.

Capital

Inbank's own funds provide the capacity to absorb unexpected losses that cannot be avoided or mitigated and ensure that at all times a sufficient buffer of financial resources exists to meet obligations to stakeholders. In this way, Inbank's capital functions as a last resort protection against risk.

The following tables outline Inbank's constitution of own funds and the minimum requirements for bank-specific capital buffers as at 31 December 2022.

Own funds

In thousands of euros	**31.12.2022**	**31.12.2021**
Equity as reported in consolidated balance sheet	101,924	79,017
Regulatory adjustments	-13,203	-10,006
Intangible assets	-17,445	-13,523
Adjustments due to IFRS 9 transitional arrangements	4,242	3,517
Common Equity Tier 1 capital	**88,721**	**69,011**
Additional Tier 1 capital	7,650	7,650
Tier 1 capital	**96,371**	**76,661**
Tier 2 capital	23,000	29,168
Own funds	**119,371**	**105,829**

In accordance with EU regulation, audited profit for the reporting period may be included in retained earnings upon prior approval by the competent authorities. The above calculations include the net profit earned but not yet approved by the competent authorities in the last two months of 2022 in the amount of 1,225 thousand euros (31 December 2021: earned but not yet approved in the last three months of 2021 in the amount of 2,937 thousand euros). Should the aforementioned profit be excluded from Inbank's own funds, it would decrease the own funds to 118,146 thousand euros (31 December 2021: to 102,893 thousand euros).

Capital buffers

	31.12.2022	**31.12.2021**
Institution-specific buffer requirement (as a percentage of total risk exposure amount)	2.85%	2.50%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.35%	0.00%
of which: systemic risk buffer	0.00%	0.00%

The Supervisory Board of AS Inbank is responsible for the overall planning of the capital structure. Relevant capital planning contributes to Inbank being well-equipped to meet a situation that requires additional capital, and to provide an adequate buffer to support growth in existing markets as well as to enter new markets. Inbank's capital planning takes into consideration the following factors:

- the minimum capital required by laws and regulations, including buffers;
- the level of capital that is needed to cope with contingencies and stress situations;
- the shareholders' required rate of return and effective capital management;
- the level of capital required for counterparts to consider Inbank a reliable partner and to ensure a more efficient access to the funding market.

Inbank's financial and risk control units constantly monitor capital adequacy to ensure that the regulatory capital, leverage requirements and the capital threshold established by the Supervisory Board of AS Inbank are complied with. In addition, Inbank's financial recovery plan provides Inbank's management with wide range of actions to implement in case of capital stress.

During the financial year and the comparative period, Inbank has complied with all capital requirements.

Other information required under the Pillar III framework is available on Inbank's homepage www.inbank.ee in the Risk Management and Capital Adequacy Report.

Note 4 Business segments

Inbank divides its business activities into segments according to business lines and the geographical location of activities in Estonia, Latvia, Lithuania, Poland and Czechia.

Inbank separates the following business lines: banking business, subscription, investments. The banking business segment includes Inbank and its subsidiary Inbank Finance. Latvia, Lithuania, Poland and Czechia present separate units acting in those countries. The subscription segment presents the Mobire business line in Inbank, which has consolidated this business in Estonian, Latvian and Lithuanian markets. Investments business segment include all remaining entities not mentioned before. Key activity for those company is holding company and hardware rental.

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

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

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

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

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

In thousands of euros 2022	Estonia	Latvia	Lithuania	Poland	Czechia	Mobire	Invest-ments	Elimina-tions	Total
Interest income based on EIR	29,546	6,552	15,673	22,489	4	4	0	-8,876	65,392
incl. income from external customers	20,670	6,552	15,673	22,489	4	4	0	0	65,392
incl. income from internal customers	8,876	0	0	0	0	0	0	-8,876	0
Fee and commission income	1,640	289	-3	1,634	0	0	0	0	3,560
Net gains from financial assets measured at fair value	-15	0	0	47	0	0	0	0	32
Other operating income	9,236	71	112	152	0	28,583	817	-10,350	28,621
incl. income from external customers	357	50	79	69	0	28,514	8	-470	28,607
incl. income from internal customers	8,879	21	33	83	0	69	809	-9,881	13
Total income	**40,407**	**6,912**	**15,782**	**24,322**	**4**	**28,587**	**817**	**-19,226**	**97,605**
Foreign exchange rate gains/losses	359	0	0	-1,136	-3	0	0	0	-780
Interest expense	-12,258	-1,039	-3,005	-11,280	-21	-1,404	-10	8,865	-20,152
Fee and commission expenses	-1,588	-250	-895	-899	-4	0	0	0	-3,636
Other operating expense	0	0	0	-3	0	-20,486	-1	-1,190	-21,680
Total expenses	**-13,487**	**-1,289**	**-3,900**	**-13,318**	**-28**	**-21,890**	**-11**	**7,675**	**-46,248**
Total net interest, fee and commission income and other income	**26,920**	**5,623**	**11,882**	**11,004**	**-24**	**6,697**	**806**	**-11,551**	**51,357**
Operating expenses	-16,661	-3,259	-7,864	-7,138	-915	-3,464	-2,571	11,553	-30,319
incl. depreciations, amortisation	-3,092	-180	-792	-146	-47	-18	-252	55	-4,472
Profit before profit from associates and impairment losses on loans	10,259	2,364	4,018	3,866	-939	3,233	-1,765	2	21,038
Share of profit from associates	-3	0	0	0	0	0	12,381	-959	11,419
Impairment losses on loans and advances	-3,961	-1,217	-2,351	-3,640	-1	0	0	0	-11,170
Profit before income tax	**6,295**	**1,147**	**1,667**	**226**	**-940**	**3,233**	**10,616**	**-957**	**21,287**
Income tax	-2	0	-125	-194	125	0	0	0	-196
Net profit/loss	**6,293**	**1,147**	**1,542**	**32**	**-815**	**3,233**	**10,616**	**-957**	**21,091**
Total assets	**913,985**	**71,830**	**174,357**	**329,822**	**890**	**75,774**	**25,930**	**-572,093**	**1,020,495**
Total liabilities	**815,707**	**65,535**	**154,135**	**334,302**	**1,761**	**63,416**	**8,513**	**-524,798**	**918,571**
Total equity	**98,278**	**6,295**	**20,222**	**-4,480**	**-871**	**12,358**	**17,417**	**-47,295**	**101,924**

More details about interest income based on EIR and interest expense disclosed in Note 5.

More details about fee and commission income and expense disclosed in Note 6.

More details about other operating income and expense disclosed in Note 7.

More details about operating expenses disclosed in Note 8.

More details about impairment losses on loans and advances disclosed in Note 9.

More details about income tax disclosed in Note 10.

More details about share of profit from associates disclosed in Note 13.

In thousands of euros

2021	Estonia	Latvia	Lithuania	Poland	Czechia	Mobire	Invest-ments	Elimina-tions	Total*
Interest income based on EIR	22,183	4,775	15,197	10,107	0	20	0	-4,244	48,038
incl. income from external customers	17,939	4,775	15,197	10,107	0	20	0	0	48,038
incl. income from internal customers	4,244	0	0	0	0	0	0	-4,244	0
Fee and commission income	1,313	214	19	654	0	0	0	0	2,200
Net gains from financial assets measured at fair value	0	0	0	0	0	0	0	0	0
Other operating income	5,936	51	220	146	0	19,397	647	-7,050	19,347
incl. income from external customers	321	41	146	24	0	19,397	5	-587	19,347
incl. income from internal customers	5,615	10	74	122	0	0	642	-6,463	0
Total income	**29,432**	**5,040**	**15,436**	**10,907**	**0**	**19,417**	**647**	**-11,294**	**69,585**
Foreign exchange rate gains/losses	0	0	0	-22	0	-1	0	0	-23
Interest expense	-7,622	-571	-2,220	-2,615	0	-796	-10	4,244	-9,590
Fee and commission expenses	-1,129	-184	-966	-838	0	0	0	0	-3,117
Other operating expense	0	0	0	0	0	-14,423	0	172	-14,251
Total expenses	**-8,751**	**-755**	**-3,186**	**-3,475**	**0**	**-15,220**	**-10**	**4,416**	**-26,981**
Total net interest, fee and commission income and other income	**20,681**	**4,285**	**12,250**	**7,432**	**0**	**4,197**	**637**	**-6,878**	**42,604**
Operating expenses	-14,158	-2,652	-7,675	-3,269	-40	-1,998	-619	6,413	-23,998
incl. depreciations, amortisation	-2,150	-195	-737	-90	0	-16	-196	24	-3,360
Profit before profit from associates and impairment losses on loans	6,523	1,633	4,575	4,163	-40	2,199	18	-465	18,606
Share of profit from associates	-150	0	0	0	0	2	483	0	335
Impairment losses on loans and advances	-2,758	-475	-1,483	-1,952	0	0	0	0	-6,668
Profit before income tax	**3,615**	**1,158**	**3,092**	**2,211**	**-40**	**2,201**	**501**	**-465**	**12,273**
Income tax	-143	0	-736	-457	0	0	26	0	-1,310
Net profit/loss	**3,472**	**1,158**	**2,356**	**1,754**	**-40**	**2,201**	**527**	**-465**	**10,963**
Total assets	**630,780**	**46,081**	**149,963**	**262,894**	**11**	**53,390**	**13,400**	**-369,565**	**786,954**
Total liabilities	**540,583**	**40,933**	**131,283**	**267,462**	**51**	**44,294**	**744**	**-317,413**	**707,937**
Total equity	**90,197**	**5,148**	**18,680**	**-4,568**	**-40**	**9,096**	**12,656**	**-52,152**	**79,017**

* 2021 comparative figures were changed. For more details refer to Note 1, part “Change in classification”.

Note 5 Net interest income

Net interest income

In thousands of euros	2022	2021
Interest income based on EIR		
Loans to households	64,220	47,675
Loans to corporates	117	314
Central banks, financial and credit institutions	1,055	49
Total interest income	**65,392**	**48,038**
Interest expense		
Deposits received	-17,441	-7,625
Debt securities sold	-2,112	-1,356
Lease liability	-599	-609
Total interest expense	**-20,152**	**-9,590**
Net interest income	**45,240**	**38,448**

More details about interest income and expense based on business disclosed in Note 4.

Note 6 Net fee and commission income

Net fee and commission income

In thousands of euros	2022	2021
Fee and commission income		
Households	3,560	2,200
Total fee and commission income	**3,560**	**2,200**
Fee and commission expenses		
Loan administration expenses	-2,658	-2,330
Other fee expenses	-978	-787
Total fee and commission expenses	**-3,636**	**-3,117**
Net fee and commission income/expenses	**-76**	**-917**

More details about fee and commission income and expense based on business segments disclosed in Note 4.

Note 7 Other operating income and expenses

Other operating income and expenses

In thousands of euros	2022	2021
Other operating income		
Income from subscription	28,080	18,713
Fines and penalties	525	484
Other income	16	150
Total other operating income	**28,621**	**19,347**
Other operating expense		
Sales, cars	8,363	7,042
Depreciations, cars for rental	8,065	5,822
Other costs, subscription	5,252	1,387
Total other operating expense	**21,680**	**14,251**

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

More details about other operating income and expense based on business segments disclosed in Note 4.

Note 8 Operating expenses

Operating expenses

In thousands of euros	2022	2021
Personnel expenses		
Personnel expense	10,971	9,367
Social and other taxes	2,851	2,256
Total personnel expenses	**13,822**	**11,623**
Marketing expenses		
Advertising and marketing	2,625	2,255
Sales costs	725	574
Total marketing expenses	**3,350**	**2,829**
Administrative expenses		
IT expenses	2,244	1,819
Office maintenance and workplace expenses	1,269	779
Legal and recovery proceeding expenses	1,140	631
Employee related expenses	760	595
Supervision expenses	608	500
Training and business trip expenses	539	216
Outsourced services	354	368
Transportation expenses	262	185
Tax expenses	189	165
Fines	118	0
Other	1,192	928
Total administrative expenses	**8,675**	**6,186**

More details about operating expenses based on business segments disclosed in Note 4.

Average number of employees

Average number of employees	31.12.2022	31.12.2021
Estonia	154	151
Lithuania	56	68
Latvia	34	29
Poland	61	45
Czechia	12	0
Total	**317**	**293**

Personnel expenses include the bonus reserve of 1,504 thousand euros (2021: 1,169 thousand euros) which makes 11% of total personnel expenses (2021: 10%).

In the 2022 financial year, Inbank capitalised 4,073 thousand euros (2021: 3,093 thousand euros) of personnel expenses as intangible assets.

For the services provided by the auditor in 2022, the total amount of fees paid is 354 thousand euros (2021: 195 thousand euros).

Note 9 Loans and advances

Distribution of receivables by customer sector

In thousands of euros	**31.12.2022**	**31.12.2021**
Distribution of receivables by customer sector		
Households	762,560	607,343
Corporates	8,731	8,848
Loans and advances before impairment allowance	**771,291**	**616,191**
Impairment allowance	-16,191	-11,343
Total loans and advances	**755,100**	**604,848**

More details about loans and advances disclosed in Note 3 and 25.

Changes in impairments

In thousands of euros	**31.12.2022**	**31.12.2021**
Changes in impairments		
Impairment allowance balance in the beginning of the period	-11,343	-13,242
Impairment provisions set up during reporting period	-19,215	12,690
Written off from financial position during the period	14,367	-10,791
Total impairment	**-16,191**	**-11,343**

Impairment losses on loans and advances

In thousands of euros	**2022**	**2021**
Impairment losses on loans and advances		
Impairment losses of reporting period	-19,215	-12,690
Recoveries from written off from financial position	8,045	6,022
Total impairment losses on loans and advances	**-11,170**	**-6,668**

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

More details about impairment losses on loans and advances based on business segments disclosed in Note 4.

Note 10 Income tax

Income tax

In thousands of euros	2022	2021
Income tax recognized in income statement	-998	-1,513
Deferred tax assets	802	203
Total	**-196**	**-1,310**

Income tax expense for the year

In thousands of euros	2022	2021
Profit before taxes	21,287	12,273
Theoretical tax charge at statutory rate (14%)	-2,980	-1,718
Non-taxable profit of subsidiaries	12	952
Non-deductible expenses	-898	-96
Effects of different tax rates in other countries	2,791	-238
Other adjustments	-120	0
Unrecognised other potential deferred tax assets	999	-210
Income tax expense for the year	**-196**	**-1,310**

Deferred tax asset

In thousands of euros	2022	2021
Deferred taxes analysed by type of temporary difference		
Deferred tax assets:		
Tax effect of deductible / (taxable) differences and tax loss carry forwards	129	0
Credit loss allowance of loans and advances	1,105	753
Deferred income	2,888	1,357
Other	213	291
Deferred tax asset	**4,335**	**2,401**
Deferred expenses	1,277	51
Other	79	74
Deferred tax liabilities	**1,356**	**125**
Net deferred tax position	**2,979**	**2,276**

The tax asset resulting from Poland can be used to reduce future tax liability.

The distribution of retained earnings as dividends to the owners is subject to income tax at the maximum rate of 20/80 on the amount paid out as net dividends. As of 31 December 2022, Inbank's retained earnings amounted to 67,522 thousand euros, from which 4,548 thousand euros would be possible to distribute as dividends, taking into account the capital requirements. The corresponding income tax would amount to 1,137 thousand euros.

More details about income tax based on business segments disclosed in Note 4.

Note 11 Due from central banks and credit institutions

Due from central banks and credit institutions

In thousands of euros	31.12.2022	31.12.2021
Due from central banks	112,544	69,549
Mandatory reserve in central banks	14,446	7,904
Due from credit institutions	18,345	17,870
Total due from central banks and credit institutions	**145,335**	**95,323**

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.

Due to the short duration of the cash and cash equivalents (less than 3 months), the fair value approximates the carrying value.

During the year ended 31 December 2022, the cash held at central banks incurred interest in the amount of 648 thousand euros (2021: interest expense -180 thousand euros).

Of the cash held at banks, other than central banks, 484 thousand euros (31 December 2021: none) are pledged and are therefore not available for general use by Inbank. The restricted cash relates to the pledge required under derivatives trading agreements.

More details about amounts due from central banks and credit institutions disclosed in Note 3.

Note 12 Investments in debt securities

Investments in debt securities

In thousands of euros	31.12.2022	31.12.2021
Investments in debt securities	8,378	7,589
incl. investments in corporate debt securities	8,379	7,589
Interest accruals	37	95
Total investments in debt securities	**8,415**	**7,684**

As of 31 December 2022, Inbank's debt securities portfolio consists of securities with different maturities between 1 December 2023 and 1 August 2029, with a coupon rate from 3% + 12-month Euribor to 11.5% and yield from 3% + 12-month Euribor to 14.5%.

More details about investments in debt securities disclosed in Note 3.

Note 13 Business combinations and investments in associates and subsidiaries

The companies listed below belong to the consolidation group of AS Inbank as at 31 December 2022:

Company name	Year of purchase/ founded	Location	Activity	Holding (%)	Cost (thou. EUR)
AS Inbank filialas	2019	Lithuania	Banking, branch		
AS Inbank Spółka Akcyjna Oddział w Polsce	2016	Poland	Banking, branch		
AS Inbank, odštěpný závod	2021	Czechia	Banking, branch		
SIA Inbank Latvia	2014	Latvia	Financing	100	519
Inbank Ventures OÜ	2016	Estonia	Holding activity and hardware rental	100	6,665
Inbank Payments OÜ	2019	Estonia	Holding company	100	3
AS Inbank Finance	2021	Estonia	Financing	100	33,135
IBF Polska sp. z.o.o	2022	Poland	Financing	100	44
Mobire Group OÜ	2021	Estonia	Subscription	53	9,660
Mobire Eesti AS	2021	Estonia	Subscription	53	
Mobire Latvija SIA	2021	Latvia	Subscription	53	
Mobire Lietuva UAB	2021	Lithuania	Subscription	53	
AS Aktiva Portfolio	2020	Estonia	Debt collection management	34	749
Paywerk AS	2021	Estonia	Payment services	29	316

Equity of major subsidiaries

In thousands of euros	31.12.2022	31.12.2021
SIA Inbank Latvia	6,295	5,148
Mobire Group OÜ	12,358	9,097
AS Inbank Finance	43,486	36,446
Inbank Technologies OÜ *	-	7,112
Maksekeskus Holding OÜ *	-	5,542
Inbank Ventures OÜ *	17,415	-

Maksekeskus AS is one of the largest payment services providers in Estonia, also operating in Latvia and Lithuania. As of 31 December 2021, the investment was classified as an asset held for sale and was reported as "Associates held for sale". On 1 July 2022, Inbank successfully completed sale of a 29.8% stake in Maksekeskus AS.

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

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

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

AS Aktiva Portfolio was established to facilitate the management of the debt portfolio.

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

AS Aktiva Portfolio and Paywerk AS are associates of the Inbank consolidation group and the rest of the companies are subsidiaries. In 2022, income from equity investments was calculated in the amount of 44 thousand euros (2021: 335 thousand euros).

On 3 December 2021 Inbank established its branch in Czechia under the name of „AS Inbank, odštěpný závod“. On 20 June 2022, the Czechia national bank granted a banking licence to operate in the Czech Republic as a bank. Licence is issued for an indefinite period. By the end of 2022, the branch in Czechia already had a loan portfolio exceeding 280 thousand euros.

Investments in associates

In thousands of euros	2022	2021
Acquisitions		
Equity contribution, subsidiaries	349	3,100
Equity contribution, associates	246	619
Total acquisitions	**595**	**3,719**

Financial information of associates

In thousands of euros			
31.12.2022	**Maksekeskus AS**	**AS Aktiva Portfolio**	**Paywerk AS**
Current assets	0	3,110	629
Fixed assets	0	6,488	958
Current liabilities	0	2,160	92
Non-current liabilities	0	5,236	0
Revenue	0	1,601	1
Retained earnings	0	-449	-1,355
31.12.2021			
Current assets	5,101	2,727	744
Fixed assets	1,109	6,456	541
Current liabilities	1,483	2,110	150
Non-current liabilities	0	5,494	0
Revenue	6,090	680	0
Retained earnings	3,679	-349	-175

Inbank has not received dividends from associates.

Mobire Group OÜ purchase price allocation

In January 2021, Inbank acquired 53% of the shares in Mobire, a subscription company. The purpose of the transaction was to strengthen Inbank's position in the car financing market and to enter an innovative fixed use car business model. Joint synergies are seen in the growth opportunities in the Latvian, Lithuanian and rest of the European markets.

Share %	53
Acquisition date	25.01.2021
	Fair value acquired
Cash and cash equivalents	313
Loans and advances	200
Non-current asset	35,003
Other financial and non-financial liabilities	3,376
Loans received	-136
Other liabilities	-31,862
Net identified assets and liabilities	6,894
Goodwill	2,766
Redemption liability	-6,215
Net assets acquired	3,445
Purchase price	
Total consideration paid	-3,100
Consideration future payment 2022, financial liability	-345
Total price	-3,445

The goodwill is attributable to the workforce and the profitability of the acquired business. No goodwill impairment indications were noted as at 31 December 2022. For more details about goodwill impairments testing refer to Note 16.

In addition to the purchase and sale agreement, Inbank signed an option agreement to acquire 100% of the shares of Mobire Group OÜ, therefore the non-controlling interest is recognized as a buyout obligation. Repurchase obligation was estimated in the amount of 8,480 thousand euros (2021: 6,726 thousand euros) amount, which has been adjusted by future profit assumptions with post-tax discount rate 20.8%. The discount rate is determined by considering interest rate, country and equity premiums. In addition to that, the management includes volatility assumptions, possible war risk and discount for lack of marketability in the final discount rate calculation. An increase of the discount rate by 1 percentage point would imply a decrease of the repurchase obligation by -40 thousand euros while the same change in annual inflation assumption for the next 3 years would imply a decrease of -30 thousand euros.

Repurchase obligation is mainly linked to the equity of Mobire Group OÜ at the end of the 2025 financial year. Management derived its best estimate of the future profits from expected sales volumes and fees determined in the merchant contract, net of directly attributable costs. In addition to that, the management uses different scenarios considering different economic conditions within the next 3 years. Key factors in future forecasts are the Euribor change which affects Mobire Group OÜ's funding cost and inflation which impacts operating costs. Euribor estimate for the next three years, depending on the scenario, falls in the range of 2.5% to 6%, inflation - from 2.5% to 16.5%.

The discount rate for the defined repurchase obligation is revised quarterly and other assumptions are revised each year or when a significant change has occurred. When using the main assumptions, the management used previous years' experience and its best estimate in respect of probable expectations. Expectations are more conservative due to the changes in the market situation and uncertainty.

Note 14 Tangible assets

Tangible assets

In thousands of euros	**Cars**	***of which rented cars***	**Other tangible assets**	**Total**
Cost, 01.01.2022	20,415	*20,206*	2,219	22,634
Accumulated amortisation	-2,145	*-2,067*	-1,342	-3,487
Opening carrying value	**18,270**	***18,139***	**877**	**19,147**
Additions	27,182	*27,182*	535	27,717
Write-offs	0	*0*	-150	-150
Write-offs (accumulated amortisation)	0	*0*	140	140
Amortisation charge	-4,503	*-4,468*	-369	-4,872
Other movements	6,551	*6,550*	0	6,551
Closing carrying value	**47,500**	***47,403***	**1,033**	**48,533**
Cost, 31.12.2022	53,233	*53,025*	2,335	55,568
Accumulated amortisation	-5,733	*-5,622*	-1,302	-7,035
Carrying value	**47,500**	***47,403***	**1,033**	**48,533**

In thousands of euros	**Cars**	***of which rented cars***	**Other tangible assets**	**Total**
Cost, 01.01.2021	274	*0*	1,458	1,732
Accumulated amortisation	-66	*0*	-833	-899
Opening carrying value	**208**	***0***	**625**	**833**
Acquired through business combinations	3,760	*3,760*	159	3,919
Additions	18,306	*17,589*	627	18,933
Write-offs and reclassifications	-1,925	*-1,860*	-25	-1,950
Write-offs and reclassifications (accumulated amortisation)	452	*424*	0	452
Amortisation charge	-2,531	*-1,774*	-509	-3,040
Closing carrying value	**18,270**	***18,139***	**877**	**19,147**
Cost, 31.12.2021	20,415	*20,206*	2,219	22,634
Accumulated amortisation	-2,145	*-2,067*	-1,342	-3,487
Carrying value	**18,270**	***18,139***	**877**	**19,147**

Depreciation of Mobire's property, plant and equipment is included in other operating expenses from the perspective of the consolidation group.

Note 15 Right of use assets and lease liability

Inbank rents different office spaces. Leases have been entered into for a fixed period of 1 to 5 years. Comparatives for additions of the cars include also leases which are entered in with the acquisition of a Mobire Group OÜ in 2021.

Distribution of right to use assets

In thousands of euros	Buildings	Vehicles	Total
Carrying amount, 01.01.2021	**1,022**	**135**	**1,157**
Additions through business combinations	0	33,156	33,156
Additions	1,429	0	1,429
Amortisation charge	0	-5,945	-5,945
Termination of lease agreements	-509	-4,057	-4,566
Carrying amount, 31.12.2021	**1,942**	**23,289**	**25,231**
Carrying amount, 01.01.2022	**1,942**	**23,289**	**25,231**
Additions through business combinations	0	0	0
Additions	1,003	8,118	9,121
Amortisation charge	-614	-3,446	-4,060
Termination and modification of lease agreements	-429	-6,616	-7,045
Carrying amount, 31.12.2022	**1,902**	**21,345**	**23,247**

Interest expense from lease liability of the financial year was 599 thousand euros (2021: 609 thousand euros) and lease payments paid 11 million euros (2021: 10 million euros). Rental expenses related to short-term leases are recognised under operating expenses and were 128 thousand euros in 2022 (2021: 102 thousand euros).

Undiscounted lease payments expected after reporting date

In thousands of euros	31.12.2022	31.12.2021
Year 1	7,470	11,849
Year 2	5,465	9,214
Year 3	4,020	6,343
Year 4	2,667	3,902
Year 5	2,362	1,783
Year >5	0	19
Total undiscounted lease payments receivable	**21,984**	**33,110**

Note 16 Intangible assets

Intangible assets

In thousands of euros	Licences	Software	Goodwill	Total
Cost, 01.01.2022	163	18,299	8,923	27,385
Accumulated amortisation	-125	-4,837	0	-4,962
Opening carrying value	**38**	**13,462**	**8,923**	**22,423**
Additions	0	7,319	0	7,319
Write-offs	0	-33	0	-33
Amortisation charge	-8	-3,452	0	-3,460
Closing carrying value	**30**	**17,296**	**8,923**	**26,249**
Cost, 31.12.2022	163	25,071	8,923	34,157
Accumulated amortisation	-133	-7,775	0	-7,908
Carrying value	**30**	**17,296**	**8,923**	**26,249**

In thousands of euros	Licences	Software	Goodwill	Total
Cost, 01.01.2021	164	12,376	6,157	19,890
Accumulated amortisation	-114	-2,444	0	-2,906
Opening carrying value	**50**	**9,932**	**6,157**	**16,984**
Acquired through business combinations	0	113	0	113
Additions	0	5,810	2,766	10,484
Write-offs	-1	0	0	-1
Amortisation charge	-11	-2,393	0	-2,729
Closing carrying value	**38**	**13,462**	**6,157**	**24,851**
Cost, 31.12.2021	163	18,299	8,923	27,385
Accumulated amortisation	-125	-4,837	0	-4,962
Carrying value	**38**	**13,462**	**8,923**	**22,423**

Management has carried out tests of recoverable amount of goodwill as of 31 December 2022 and 31 December 2021. The cash-generating units of goodwill are segments, which are entities of Inbank. The breakdown of goodwill between segments is as follows:

The breakdown of goodwill between segments

In thousands of euros	31.12.2022	31.12.2021
Business segment		
Estonia	3,004	3,004
Lithuania	5,919	5,919
Total	**8,923**	**8,923**

For 31 December 2022, the management tested goodwill by comparing the value in use of business with its carrying amount. Value in use was calculated using a discounted cash flow model (DCF model).

The calculations use the projections based on financial budgets approved by the management covering a three year period. Any forecast earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate or business growth and expansion plans. The most important assumptions in the three-year plan are the executive management’s estimate of net profit, including credit impairments, growth in each economy, interest rate environment and the trend in risk weighted assets. The present value of such perpetual earnings growing at a sustainable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows. Inbank uses 3% as the sustainable growth rate in the reporting year modelling (2021: 2%).

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the business. The discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). In addition to that, Estonian goodwill test considers country-risk and war-risk premiums, a non-marketability component and volatility when calculating the discount rate, and also takes into account the actual funding cost. The values used to establish the discount rates are determined using external and internal sources of information. For Lithuania goodwill testing, a after-tax discount rate of 10.9% was used (2021: 7.8%). For Estonia goodwill testing, a after-tax discount rate of 8.8% was used (2021: 13.5%).

Given a reasonable change in any of the above assumptions there would be no impairment indication for any business segment. An increase in the discount rate by 1 percentage point would decrease the recoverable amount of the Lithuanian business segment by 7.5 million euros (2021: 19 million euros). An increase in the discount rate by 1 percentage point would decrease the recoverable amount of the Estonian business segment by 30 million euros (2021: 5.5 million euros). Inbank is also confident there is room for a reasonable change in the net profit assumption for these units without causing an impairment loss.

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 17 Other financial assets and other assets

Other financial assets and other assets

In thousands of euros	31.12.2022	31.12.2021
Other financial assets		
Prepaid guarantee amounts	358	295
Accrued receivables	3,029	1,856
Total other financial assets	**3,387**	**2,151**
Other assets		
Prepaid expenses	4,838	2,525
Prepaid taxes	576	6
Other assets	547	238
Total other assets	**5,961**	**2,769**

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

More details about other financial asset and other asset disclosed in Note 3 and 25.

Note 18 Customer deposits

Deposits

In thousands of euros	**31.12.2022**	**31.12.2021**
Customer deposits		
Deposits from households	814,057	607,597
Deposits from non-financial corporates	14,547	8,142
Deposits from financial corporates	290	2,118
Total customer deposits	**828,894**	**617,857**

Deposits by clients' residency

In thousands of euros	**31.12.2022**	**31.12.2021**
Deposits by clients' residency		
Estonia	62,988	60,253
Germany	353,109	264,731
Poland	312,356	251,335
Austria	16,358	11,122
Netherlands	81,218	27,678
Lithuania	2,721	2,404
Other residence	144	334
Total deposits by clients' residency	**828,894**	**617,857**

Deposits also include an accrued interest liability in the amount of 11,945 thousand euros (2021: 7,728 thousand euros).

More details about customer deposits disclosed in Note 25.

Note 19 Subordinated debt securities

Subordinated debt securities

In thousands of euros	31.12.2022	31.12.2021
Subordinated debt securities issued	30,650	37,153
Interest accruals	-80	34
Total subordinated debt securities	**30,570**	**37,187**

Subordinated debt securities detailed information

Subordinated debt securities	Nominal price	Amount	Interest rate	Issue date	Maturity date
EE3300111590	10,000 EUR	315	8.5%	19.12.2018	perpetual
EE3300001544	1,000 EUR	8,000	6.0%	19.12.2019	19.12.2029
EE3300002286	10,000 EUR	450	7.5%	01.11.2021	perpetual
EE3300002302	1,000 EUR	15,000	5.5%	16.12.2021	15.12.2031

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

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

On 14 April 2022 AS Inbank announced its decision to redeem, pre-term, the subordinated bonds issued on 28 September 2016, registered under ISIN code EE3300110964. Bonds were redeemed and paid on 19 May 2022.

Note 20 Other financial liabilities and other liabilities

Other financial liabilities and other liabilities

In thousands of euros	31.12.2022	31.12.2021
Financial liabilities		
Accounts payable	29,933	21,292
Lease liability	22,403	26,494
Client prepayments	2,904	1,402
Total financial liabilities	**55,240**	**49,188**
Other liabilities		
Payables to employees	2,360	2,147
Payroll taxes	864	711
Other liabilities	456	438
Total other liabilities	**3,680**	**3,296**

The accounts payable includes liabilities to customers and partners related loan granting activities and payments for operating expenses.

More information about lease liability disclosed in Note 15.

More details about other financial liabilities and other liabilities disclosed in Note 25.

Note 21 Contingent liabilities

Contingent liabilities

In thousands of euros	31.12.2022	31.12.2021
Revocable commitments		
Liability in contractual amount	4,986	5,485
incl. unused credit card limits	4,136	3,460

In different countries where Inbank operates, the Tax authority has the right to inspect the company's tax records within 3 to 10 years after submitting the tax return and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits at Inbank during 2022 and 2021.

Inbank’s management estimates that in 2022 there are no such circumstances that may lead the tax authorities to impose significant additional taxes on Inbank.

Note 22 Share capital

Share capital

	No of shares	Nominal value (thou. EUR)	Share premium (thou. EUR)	Total
Balance, 01.01.2021	**9,610,530**	**961**	**23,865**	**24,826**
Share based payment	90,000	9	598	607
Share issue	266,667	27	5,973	6,000
incl. transaction costs arising on share issues	0	0	165	165
Balance, 31.12.2021	**9,967,197**	**997**	**30,436**	**31,433**
Balance, 01.01.2022	**9,967,197**	**997**	**30,436**	**31,433**
Share based payment	295,000	29	1,419	1,448
Balance, 31.12.2022	**10,262,197**	**1,026**	**31,855**	**32,881**

More information on shares issued under employee stock options presented in Note 23.

Biggest shareholders who hold more than 5% of company shares

Shareholder name	Holding amount 31.12.2022
Cofi Investeeringud OÜ	25.28%
Luciano Orsero	9.21%
Andrea Agostinone	8.05%
Elio Tomaso Giovanni Cravero	7.62%
Roberto de Silvestri	5.41%
SCI IN Holding	5.04%

Inbank's share capital consists of 10,262 thousand shares (2021: 9,967 thousand shares) with a nominal value of 0.10 euros. All issued shares have been paid. The share premium reflects the difference between the nominal value of the shares and the contributions received.

Note 23 Share-based payments

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

During 2022, Inbank signed 1 new equity share options program with management as part of their share-based compensation.

Employee share options

	2022		2021	
	Average exercise price per share (EUR)	Number of shares to be issued	Average exercise price per share (EUR)	Number of shares to be issued
As at 1 January	**7.60**	**433,400**	**5.30**	**375,000**
Granted during the year	9.10	431,000	12.50	150,400
Excercised during the year	4.84	-295,000	6.75	-90,000
Forfeited during the year	13.03	-19,800	12.90	-2,000
As at 31 December	**9.77**	**549,600**	**7.60**	**433,400**

Outstanding share options

Grant date	Expiry date	Average exercise price per share (EUR)	Number of options, 31.12.2022	Number of options, 31.12.2021
2019	2022	4.84	-	285,000
2021	2024	12.96	131,600	148,400
2022	2025	9.10	418,000	-
Total			**549,600**	**433,400**

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

The fair value of the share options is determined on the date of issuance of the option. The date of issuance of the option is the date on which the parties mutually agreed on the terms and conditions of the option. Inbank uses the Black-Scholes model in determining the fair value of the option, considering the terms and conditions related to the issuance of the option. The following inputs have been used for options issued in 2022:

- Weighted-average share price: 16.24 EUR
- Assumed average volatility: 24.3% (average listed peers banks volatility in past 3 years)
- Option lifetime: 3 years
- Average risk-free interest rate: 1.94%.

The share-based payment reserve is recorded under other reserves in equity over a period of three years. At the end of each reporting period, Inbank estimates how many shares will be realised at non-market prices and adjusts the reserve accordingly. As at 31 December 2022, the reserve amounted to 389 thousand euros (31 December 2021: 591 thousand euros).

Personnel expenses related to the option agreements in 2022 amounted to a total of 474 thousand euros (2021: 281 thousand euros).

Note 24 Reserves

Reserves

In thousands of euros	31.12.2022	31.12.2021
Statutory reserve	100	96
Voluntary reserve	1,329	1,330
Share based payments reserve	389	591
Other accumulated comprehensive income	-297	-296
Total reserves	**1,521**	**1,721**

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

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

Note 25 Fair value of financial assets and liabilities

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

Fair value of financial assets and liabilities

In thousands of euros		31.12.2022			31.12.2021		
Assets	**Note**	**Fair value**	**Carrying amount**	**Level**	**Fair value**	**Carrying amount**	**Level**
Due from central banks	3; 11	126,990	126,990	2	77,453	77,453	2
Due from credit institutions	3; 11	18,345	18,345	2	17,870	17,870	2
Investments in debt securities	3; 12	8,415	8,415	3	7,684	7,684	3
Loans and advances	3; 9	755,100	755,100	3	604,848	604,848	3
Other financial assets	3; 17	3,387	3,387	3	2,151	2,151	3
Total assets		**912,237**	**912,237**		**710,006**	**710,006**	
Liabilities							
Customer deposits	18	798,444	828,894	3	617,857	617,857	2
Subordinated debt securities	19	20,216	22,952	2	30,382	29,524	2
Subordinated debt securities (AT1)	19	6,858	7,618	3	7,663	7,663	3
Other financial liabilities	20	55,240	55,240	3	49,188	49,188	3
Total liabilities		**880,758**	**914,704**		**705,090**	**704,232**	

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The fair value in level 3 was estimated using the discounted cash flow valuation technique. The fair value of fixed rate instruments that are not quoted in an active market was estimated based on estimated future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The investments in debt securities are either sufficiently short-term or use a floating interest rate mechanism. Therefore, in the management's opinion, their fair value does not significantly differ from the net book value. The investments in debt securities are classified as level 3.

The small loans and hire-purchase products granted to customers are mainly short-term. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. The increase in benchmark interest rates that started in 2022 has not thus far had a significant impact on the new sales price levels of consumer finance products. In general, the market interest rate and the fair value of loans have not significantly changed. The carrying amount of loans does not therefore significantly differ from their fair value. Loans to customers are classified as level 3.

Loans granted to corporates are either sufficiently short-term or use a floating interest rate mechanism. Therefore, in the management's opinion, their fair value does not significantly differ from the net book value. Loans to corporates are classified as level 3.

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

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

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

Note 26 Related parties

Remuneration of the Management Board and Supervisory Board

In thousands of euros	2022	2021
Remuneration of the Management Board and Supervisory Board	1,036	1,189

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

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

Balances as of end of reporting period

In thousands of euros	31.12.2022			31.12.2021		
Balances as of end of reporting period	**Management**	**Associates**	**Total**	**Management**	**Associates**	**Total**
Investments in debt securities	0	7,400	**7,400**	0	7,684	**7,684**
Loans and advances	106	0	**106**	84	0	**84**
Deposits and subordinated debt securities	1,100	0	**1,100**	1,100	0	**1,100**

Transactions

In thousands of euros	2022			2021		
Transactions	**Management**	**Associates**	**Total**	**Management**	**Associates**	**Total**
Interest income	25	258	**283**	1	172	**173**
Interest expenses	82	0	**82**	80	0	**80**
Services purchased	97	0	**97**	434	0	**434**

The table provides an overview of the significant transactions and balances with related parties. Inbank finances its subsidiaries and branches with loans issued under market conditions. Interest rates are in between 0% and 5.2% (2021: 0.58 and 4%). Such loans are eliminated from the consolidated financial statements.

Loans given to management board members are issued on market terms, with an interest rate 5.9%-20% (2021: 5.9%). Debt claims in the amount of EUR 12,481 thousand have been sold to associated company in 2022 (2021: EUR 5,776 thousand). The interest rate of deposits received from related parties matches with the interest rate offered to customers, interest rates are in between 1.8% and 2.25% (2021: 1.1 and 2.25%).

In 2022 members of the Management Board and Supervisory Board exercised options for the purchase of 135,000 shares (in 2021: 60,000 shares).

Note 27 Parent company's separate statement of financial position

In thousands of euros	31.12.2022	31.12.2021
Assets		
Due from central banks	126,989	77,453
Due from credit institutions	13,582	14,217
Financial assets designated at fair value through profit or loss	37	0
Investments in debt securities	8,415	7,684
Loans and advances	740,821	571,560
Investments in subsidiaries and associates	41,114	40,522
Other financial assets	3,241	2,767
Tangible assets	361	360
Right of use assets	1,728	1,863
Intangible assets	23,233	19,527
Other assets	2,853	1,493
Deferred tax assets	3,166	2,402
Total assets	**965,540**	**739,848**
Liabilities		
Customer deposits	844,095	617,834
Other financial liabilities	18,303	14,203
Current tax liability	0	280
Deferred tax liability	113	51
Other liabilities	2,853	2,472
Subordinated debt securities	30,570	37,187
Total liabilities	**895,934**	**672,027**
Equity		
Share capital	1,026	997
Share premium	31,855	30,437
Statutory reserve	100	96
Other reserves	1,392	1,625
Retained earnings	35,233	34,666
Total equity	**69,606**	**67,821**
Total liabilities and equity	**965,540**	**739,848**

On 1 July 2021, Inbank Finance AS, a 100% subsidiary of AS Inbank, started operating, through which consumer finance products are offered on the Estonian market. The restructuring affected Inbank's separate financial statements but has no effect on the consolidated view.

Note 28 Parent company’s separate statement of comprehensive income

In thousands of euros	2022	2021
Interest income based on EIR	45,634	36,670
Interest expense	-19,582	-8,982
Net interest income	**26,052**	**27,688**
Fee and commission income	2,000	1,393
Fee and commission expenses	-3,144	-2,803
Net fee and commission income/expenses	**-1,144**	**-1,410**
Net gains from financial assets measured at fair value	32	0
Foreign exchange rate losses	-783	-23
Net losses from financial items	**-751**	**-23**
Other operating income	3,843	3,458
Other operating expenses	-3	0
Total net interest, fee and other income and expenses	**27,997**	**29,713**
Personnel expenses	-9,078	-8,764
Marketing expenses	-1,979	-2,072
Administrative expenses	-6,399	-4,689
Depreciations, amortisation	-4,035	-2,902
Total operating expenses	**-21,491**	**-18,427**
Profit before profit from associates and impairment losses on loans	**6,506**	**11,286**
Share of loss from associates	-3	-150
Impairment losses on loans and advances	-6,312	-5,551
Profit before income tax	**191**	**5,585**
Income tax	-196	-1,336
Profit for the period	**-5**	**4,249**
Other comprehensive income that may be reclassified subsequently to profit or loss		
Currency translation differences	-1	-58
Total comprehensive income for the period	**-6**	**4,191**

Note 29 Parent company's separate statement of cash flows

In thousands of euros	2022	2021
Cash flows from operating activities		
Interest received	45,634	37,087
Interest paid	-15,454	-6,857
Fees received	2,000	1,393
Fees paid	-3,144	-2,803
Other operating income received	3,846	3,458
Other operating expense paid	-3	0
Personnel expenses	-9,174	-8,969
Administrative and marketing expenses	-14,126	-4,830
Income tax paid	-2,097	-1,939
Cash flows from operating activities before changes in the operating assets and liabilities	**7,482**	**16,540**
Changes in operating assets		
Loans and advances	-175,573	-212,623
Mandatory reserve in central banks	-6,542	-5,151
Other financial assets	-474	2,624
Other assets	-2,124	-3,583
Changes of operating liabilities		
Customer deposits	222,019	224,482
Other financial liabilities	5,607	2,142
Other liabilities	3,859	-2,799
Net cash from operating activities	**54,254**	**21,632**
Cash flows from investing activities		
Investments in debt securities	-4,133	-6,279
Repayments of debt securities	3,342	12,236
Acquisition of tangible assets	-166	-627
Acquisition of intangible assets	-3,125	-5,241
Acquisition of subsidiaries	-595	-3,814
Net cash used in/from investing activities	**-4,677**	**-3,725**
Cash flows from financing activities		
Share capital contribution (including share premium)	1,447	6,607
Subordinated debt securities issued	0	19,500
Repayments of debt securities	-6,503	-4,000
Lease liability payments	-1,372	-623
Net cash used in/from financing activities	**-6,428**	**21,484**
Effect of exchange rate changes	-790	-23
Cash and cash equivalents at the beginning of the reporting period	**83,766**	**44,398**
Net increase/decrease in cash and cash equivalents	42,359	39,368
Cash and cash equivalents at the end of the reporting period	**126,125**	**83,766**

Cash and cash equivalents

In thousands of euros	2022	2021
Non-restricted current account with central banks	112,543	69,549
Due from other credit institutions within three months	13,582	14,217
Total cash and cash equivalents	**126,125**	**83,766**

Note 30 Parent company’s separate statement of changes in equity

In thousands of euros	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings/ accumulated loss	Total equity
Balance, 01.01.2021	**961**	**23,865**	**90**	**1,438**	**30,388**	**56,742**
Paid in share capital	36	6,572	0	0	0	6,608
Share-based payment reserve	0	0	0	246	35	281
Statutory reserve	0	0	6	0	-6	0
Profit for the period	0	0	0	0	4,249	4,249
Other comprehensive income	0	0	0	-59	0	-59
Balance, 31.12.2021	**997**	**30,437**	**96**	**1,625**	**34,666**	**67,821**
Carrying amount of holdings under control and significant influence					-40,522	-40,522
Value of holdings under control and significant influence under equity method					51,718	51,718
Adjusted unconsolidated equity, 31.12.2021					**45,862**	**79,017**
Balance, 01.01.2022	**997**	**30,437**	**96**	**1,625**	**34,666**	**67,821**
Paid in share capital	29	1,418	0	0	0	1,447
Share-based payment reserve	0	0	0	-232	576	344
Statutory reserve	0	0	4	0	-4	0
Profit for the period	0	0	0	0	-5	-5
Other comprehensive income	0	0	0	-1	0	-1
Balance, 31.12.2022	**1,026**	**31,855**	**100**	**1,392**	**35,233**	**69,606**
Carrying amount of holdings under control and significant influence					-41,114	-41,114
Value of holdings under control and significant influence under equity method					73,432	73,432
Adjusted unconsolidated equity, 31.12.2022					**67,551**	**101,924**

Management Board declaration

The Management Board of AS Inbank declares its responsibility for preparing the Consolidated Annual Report for Inbank for the financial year of 2022 and confirms that:

- According to the Management Board's best knowledge the consolidated annual report gives a true and fair view of assets, liabilities, statement of financial position and profit and loss from entities included in the AS Inbank consolidation group as a whole and the management report provides a true and fair view of the development of the business operations and results as well as its financial position and includes a description of the main risks and uncertainties in AS Inbank and AS Inbank consolidation group as a whole;
- Inbank's Consolidated Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

7 March 2023

/signed digitally/

Priit Põldoja

Chairman of the Management Board

Independent auditor's report

To the Shareholders of AS Inbank

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Inbank (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 7 March 2023.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Company and its parent and subsidiaries in the period from 1 January 2022 to 31 December 2022 are disclosed in the management report.

AS PricewaterhouseCoopers
Tatari 1, 10116 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, www.pwc.ee

Translation note:

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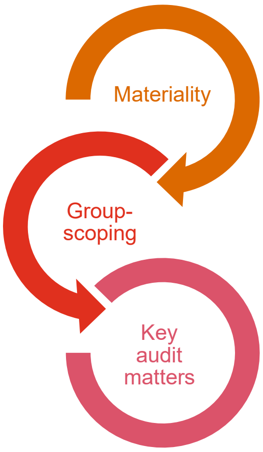
Our audit approach

Overview



- Overall group audit materiality is EUR 1,019 thousand, which represents 1% of the Group's net assets.

- We tailored our audit scope based on the risk and size of entities within the Group and performed either a full scope audit or specific audit procedures over material income statement and balance sheet line items. At the Group level, we tested the consolidation process to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements.

- Valuation of loans and advances to retail customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group audit materiality	EUR 1,019 thousand
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We have applied this benchmark, as the Group is going through rapid growth investing heavily in subsidiaries and branches. Therefore, net assets is a relevant measure used by investors, regulators and other stakeholders when assessing the

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performance of the Group. We chose 1%, which is consistent with quantitative materiality thresholds used for this benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of loans and advances to retail customers (refer to Note 1 "Significant accounting policies", Note 3 "Risk Management" and Note 9 "Impairment of loans and advances" for further details).

As of 31 December 2022, gross loans and advances to the retail customers amount to EUR 762,560 thousand against which credit loss allowance in the amount of EUR 16,169 thousand has been recognised.

We focused on this area because application of IFRS 9 "Financial instruments" 3-stage expected credit loss (ECL) model requires management to use complex calculations with subjective inputs to assess the timing and the amount of expected credit losses.

The key features of the ECL model include:

- classification of loans to 3 stages based on the assessment of significant increase in credit risk;
- assessment of credit risk parameters such as probability of default (PD), loss given default (LGD) and exposure at default (EAD) based on complex modelling techniques and estimates determined by the management;
- application of forward looking and probability-weighted information in the ECL assessment.

</td><td>

We assessed whether the Group's accounting policies in relation to assessing the impairment of loans and advances to retail customers complied with International Financial Reporting Standards as adopted by European Union.

We assessed the design and operating effectiveness of the controls over expected credit loss data and calculations.

We performed procedures to test the significant inputs used in the expected credit loss (ECL) model, such as probability of default (PD), exposure at default (EAD) and loss given default (LGD).

We performed detailed audit procedures in the following areas:

- the completeness and accuracy of data used in the ECL calculation;
- the compliance of key inputs used in ECL calculation system with ECL methodology;
- the accuracy and compliance of 12-month and lifetime ECL calculations with the Group ECL methodology;
- the accuracy of discounting in the ECL calculations;
- the accuracy and completeness of data used for staging of loans (including applying the criteria for determining significant increase in credit risk and definition of default).

We have assessed the reasonableness of key assumptions made by management, which serve as critical inputs in the allowance model, such as weights of different scenarios and forecasts of key macroeconomic information.

</td></tr>
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How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In order to achieve this objective, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following entities within the Group: AS Inbank (Estonia head quarter and branches in Lithuania and Poland), AS Inbank Finance, Inbank Latvia SIA (Latvia) and Mobire Group OÜ. Additionally, we performed an audit of specific balance sheet and income statement line items for Inbank Ventures OÜ.

At the Group level we tested the consolidation process and performed additional analytical procedures over the components in scope to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. Information describing the structure of the Group is included in note 13 of the consolidated financial statements.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Inbank in numbers, Our business, Message from the Chairman of the Supervisory Board and Management report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based our agreement by the Management Board of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of AS Inbank for the year ended 31 December 2022 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board of the Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

Translation note:

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

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: https://www.inbank.ee/investor/aruanded).

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of management control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the electronic reporting format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and

- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Appointment and period of our audit engagement

We were first appointed as auditors of AS Inbank, as a public interest entity, on 29 March 2017 for the financial year ended 31 December 2017. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for AS Inbank, as public interest entity, of 6 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AS Inbank can be extended for up to the financial year ending 31 December 2036.

AS PricewaterhouseCoopers

/signed digitally/

Lauri Past
Certified auditor in charge, auditor’s certificate no. 567

7 March 2023
Tallinn, Estonia

Translation note:

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

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Profit allocation proposal

The Management Board of AS Inbank proposes to the general meeting of shareholders to allocate the profit as follows:

- EUR 21,088 thousand to retained earnings;
- EUR 3 thousand to statutory reserve.