

Company AS Inbank
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Today, Inbank issued AT1 bonds through private placement in the amount of 3.15 million euros. AT1 is a novelty for Estonian investors, which belongs to Tier 1 capital of the bank.

According to Priit Põldoja, Chairman of Supervisory Board of Inbank, the raised capital will be used for strengthening the capital structure of Inbank and supporting its fast growth. "Inbank loan portfolio more than doubled in 2018, exceeding 200 million euros. We issued AT1 bonds in the amount of 3.15 million euros to achieve a more diverse and effective capital structure," Põldoja said.

AT1 or Additional Tier 1 is a novel hybrid instrument in Estonian banking, having characteristics of both subordinated debt and equity, but belonging to Tier 1 capital in terms of capital adequacy calculation. For the investor, risk level and also the yield of AT1 bond is higher than that of an ordinary subordinated bond. For example, the issuer of the AT1 bond has the right to cancel the interest payment temporarily or permanently in case the capital ratios of the bank weaken.

The coupon rate of AT1 bonds issued by Inbank is 8.5% and interest payments are made quarterly. The issued bonds are perpetual, however, Inbank has the right to call the bonds from the investors after five years from the issuing.

"AT1 bond is a complex instrument, issued in Estonia for the first time. With the issue, we wanted to test investors' interest for bonds with perpetual term and higher risk. We are happy to announce that investors' interest in our bond was higher than expected and we raised more capital than we initially anticipated," Põldoja said.

Elsewhere in Europe, the issuing of AT1 bonds by banks is quite widespread, as it allows to comply with capital requirements set by regulators, but it does not affect the return on equity earned by bank's shareholders. AT1 bond-style instruments were first issued in Europe in 2009.



Launched as a bank in 2015, Inbank provides services through its Internet bank and partner network. Inbank operates in the Estonian, Latvian, Lithuanian and Polish consumer financing market. In addition, Inbank raises international deposits from the German and Austrian market.

Additional information

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