INTERIM REPORT OF INBANK AS

6 months 2016

INBANK AS
GENERAL INFORMATION

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	05.10.2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal Entity identifier	2138005M92IEIQVEL297 (LEI code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Balance sheet date of report	30.06.2016
Reporting period	01.01.2016 - 30.06.2016

Supervisory Board Members:

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

Management Board Members:

Jan Andresoo, CEO
Liina Sadrak
Marko Varik

The reporting currency is euro (EUR), the units are in thousands.
The interim report for six months of 2016 of Inbank AS has not been audited.
The bank does not have any ratings provided by international rating agencies.

DECLARATION OF THE MANAGEMENT BOARD

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

- the data and information presented in this interim report for six months of 2016, which consists of the management report and financial statements as of 30 June 2016, are true and complete;
- this interim report gives a true and fair view of the financial status of the AS Inbank consolidation group as of 30 June 2016, its financial performance and cash flows for the first six months of 2016;
- the account policies and procedures used to prepare the interim report comply with IAS 34;
- the interim report was prepared using the policies and procedures of the financial statements of 31 December 2015 in all material respects.

Inbank AS is a going concern.

Tallinn, 24 August 2016

Jan Andresoo CEO
Liina Sadrak Member of Management Board
Marko Varik Member of Management Board

CEO'S REPORT

The second quarter of 2016 went as expected for Inbank. The planned strong growth in the area of loans and a more moderate growth in hire purchase were achieved.

Economic Activities

Business Volumes

In our last quarterly report, we announced that Inbank will start offering the small loan product in Estonia and Latvia. In addition to the auto24 loan launched in 2015, we also started selling unsecured small loans to private persons at the end of April and the results achieved in the first months are encouraging: the volume of small loans issued was 1.6 million euros in Estonia and 3.5 million euros in Latvia. In total, we sold loan products for 18 million euros in Estonia and Latvia in Q2, which mean a 185% growth in sales.

Q2 was successful in the area of hire purchase. The usual high season of hire purchase products in spring also supported the good sales results. Inbank's results on the Estonian hire purchase market confirm that our strategic decision to continue focusing on the development of partner relations and the area of hire purchase is the right one and guarantees success. We are particularly pleased about the fact that our first and most mature product line is still demonstrating considerable growth: the volume of new hire purchase sales exceeded 2 million euros in May.

In the area of deposits, our goal is to ensure an increase in the portfolio according to the increase in the loans issued. We changed the strategy of offering deposits in Q2 and focused on offers aimed at smaller target groups instead of large campaigns. We also dealt actively with the general introduction of depositing opportunities. We still strive to offer the best deposit interest in Estonia and be an attractive alternative to large commercial banks. The volume of the Inbank deposit portfolio amounted to 49.7 million euros by the end of Q2.

Risk Management

We carried out the regular analysis of our credit portfolio on the basis of the data for the first six months in order to make the provisioning of the portfolios correspond to the expected losses. The analysis covered all of the offered retail products in Estonia and Latvia.

The quality of credit in Estonia continued to be good and in terms of the car loan launched last August, the results exceeded expectations in terms of credit quality. The risk level of the Latvian portfolio, however, was higher than expected. As a result of this, we defined the segments where credit risk management requires more attention and made the relevant change in the loan decision process. We can already see the risk levels of new sales dropping as a result of the changes. In the meantime, we also increased the provisioning of the Latvian credit portfolio from the pre-

We have been actively preparing for launching our operations on the Polish market in the first half of the year. We have already found an experienced and ambitious management team who are ready start their work soon.

sent 1.9% to 4.2% in June to cover potential loan losses. The change influenced the results of the Latvian subsidiary in the amount of 401 thousand euros. Until now, Inbank has carried out a statistical revaluation of its general provisions once every six months. This is why the reasons for Q2 partly also reflect the impact of the loan losses of previous periods. In the future, we plan to update this estimate quarterly in all material respects.

The first Internal Capital Adequacy Process (ICAAP) in Inbank was completed in Q2. The analysis covered all of the bank's risk factors and assessment of their significance. The assessment result of Inbank was satisfactory for a bank at the start of its operations. We identified some areas that need to be perfected and developed, primarily to establish a stronger connection between risk and capital management.

Other Information

The main focus of Inbank in Q2 remained on strategically important development projects that support growth. The internationalisation strategy of the bank was decided in late 2015. Our earlier entry to the Latvian market confirmed that international expansion has a good potential for success with central product development, technology and financing, and a team that knows the local conditions. Poland will be the next target market of Inbank, as it is attractive and rich in opportunities in the area of consumer financing. We are actively preparing for launching our operations on the Polish market since the first half of 2016. We have already found an experienced and ambitious management team who are ready start their work soon.

In April 2016, Inbank and Fusion Varahalduse AS established the subsidiary Inbank Liising AS. The company's objective is to provide full service leasing, which covers both financing and insurance of property, to corporate customers. The company plans to sign the first full service lease contracts in August 2016. Inbank's holding in the company is 80%.

In terms of innovation, it is important to highlight that in June we introduced Inbank's subsidiary Veriff, whose main area of activity is to offer innovative and highly secure virtual identification solutions.

In addition to the above, we are pleased to say that Inbank continues to be an attractive employer. Several capable and talented specialists joined the bank's team in Q2.

Affiliates

Coop Finants AS (Inbank AS holds 44%)

The main area of activity of Coop Finants AS is to offer financial products. The main products of the company are the payment and credit card Säästukaart Pluss for Coop Eesti customers and the unsecured consumer loan to private persons. The number of the company's active customers reached 95 thousand by the end of the first half of the year. The size of the loan portfolio at the end of Q2 was 16.3 million euros (growth YTD +14%) and the profit for the first 6 months amounted to 815 thousand euros.

Krediidipank Finants AS (Inbank AS holds 49%)

The main area of activity of Krediidipank Finants AS is to offer consumer loans to private persons (www.siht-laen.ee). The number of the company's active customers exceeded 9000. The size of the loan portfolio at the end of Q2 was 13.5 million euros (growth YTD +20%). The company's profit for the first 6 months amounted to 123 thousand euros.

Summary

Q2 was very busy for Inbank. A lot of preparations were completed, which create the preconditions for further development. The bank's financial results remain strong and in line with the established goals. Several important projects lie ahead for Inbank in Q3, the most important of which are the listing of subordinated bonds at the stock exchange and preparing to enter the Polish market.

Jan Andresoo
CEO

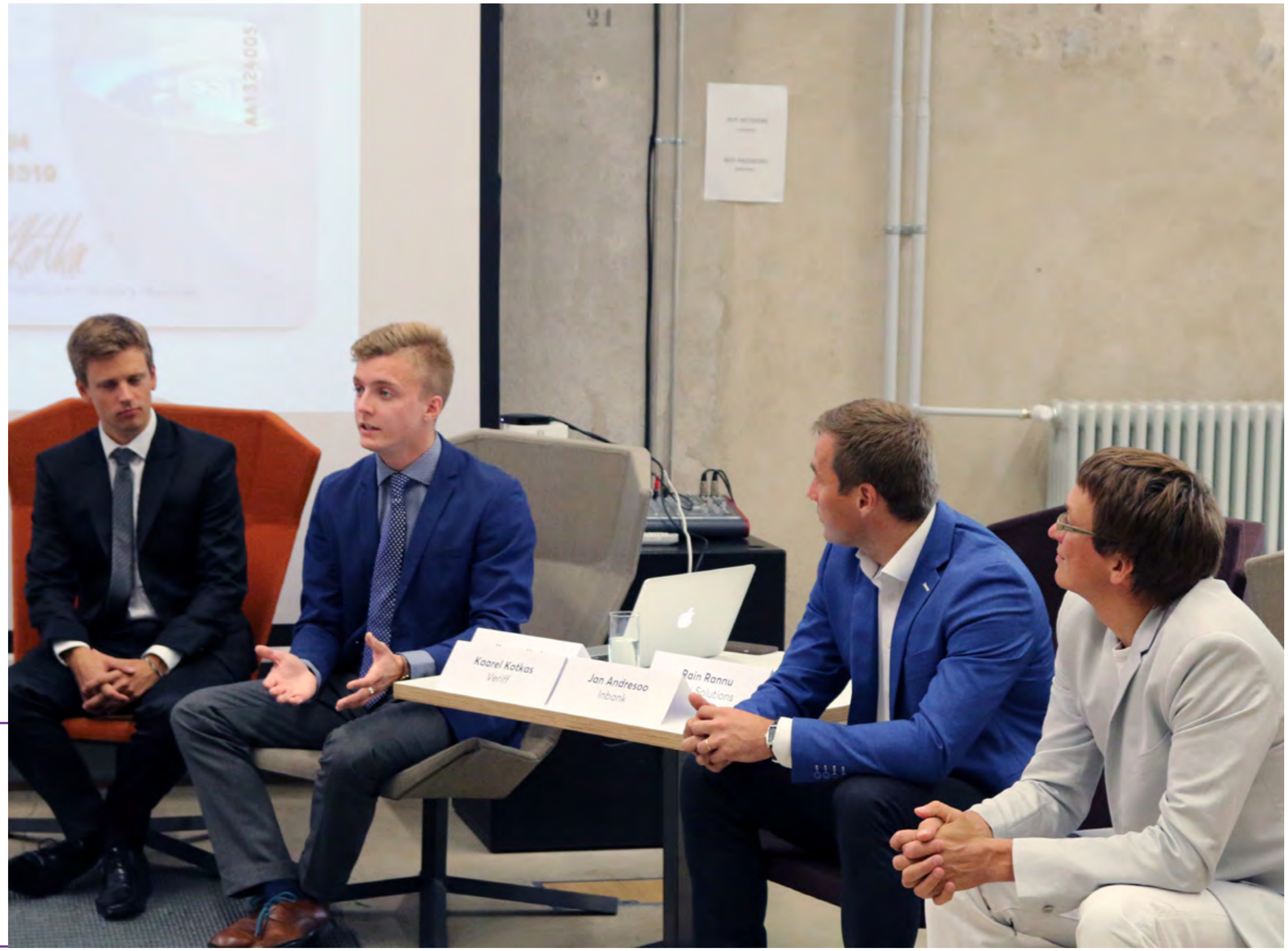


Photo: At the press conference of the launch of Veriff, the options offered by the solution to users were explained by the e-Residency Programme Director Kaspar Korjus, founder of Veriff Kaarel Kotkas, CEO of Inbank Jan Andresoo and one of the owners of Mobi Solutions Rain Rannu.

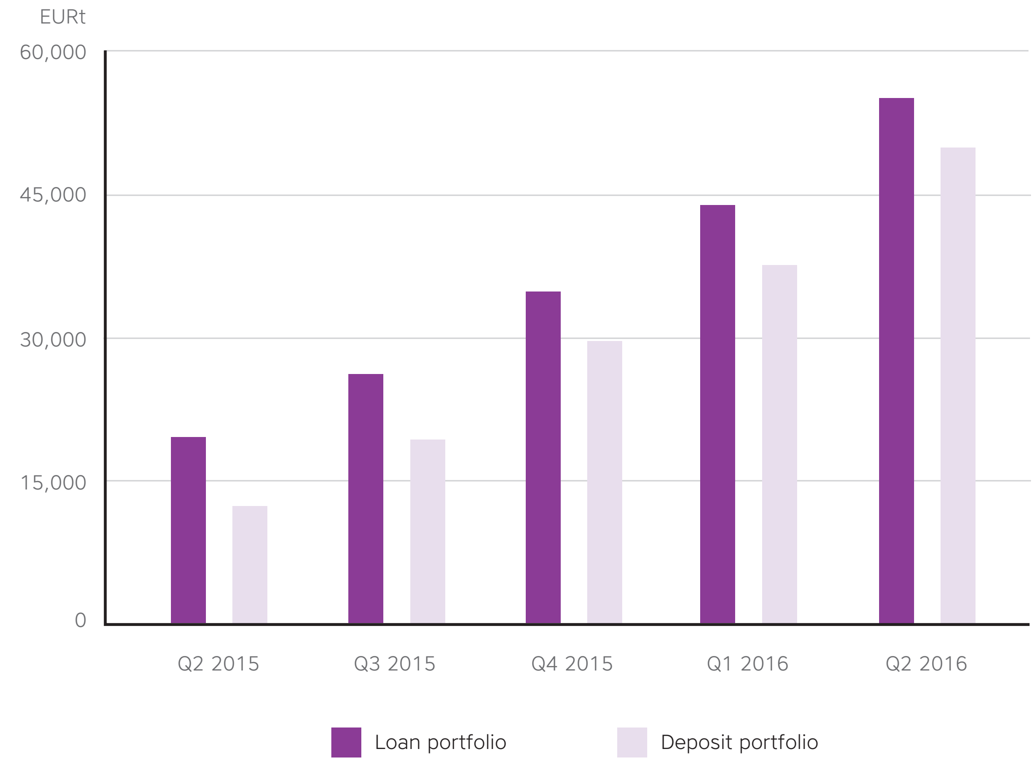
Important financial indicators and ratios

EURt

Key financial indicators	30.06.2016	30.06.2015	annual change
Balance sheet total	63,033	23,546	167.7%
Equity	9,270	7,338	26.0%
Net profit for 6 months of current period	1,020	294	246.9%
Loan portfolio	53,996	17,840	202.7%
Deposit portfolio	49,702	12,442	305.3%
Ratios			
Net return on equity	23.4%	9.2%	
Net return on total assets	3.9%	3.0%	
Net interest margin	14.3%	15.1%	
Loan losses to loan portfolio	6.9%	4.3%	
Cost/income ratio	45.2%	67.6%	
Equity to balance sheet total	14.7%	31.2%	

Net return on equity	net profit / equity (period average), annualised
Net return on total assets	net profit / balance sheet total (period average), annualised
Net interest margin	net interest income / interest-earning assets (period average), annualised
Loan losses to loan portfolio	loan loss cost / total loan portfolio (period average), annualised
Cost/income ratio	total costs/total income
Equity to balance sheet total	equity/balance sheet total

Loan and deposit portfolio volume



Consolidated financial position

EURt	Note	30.06.2016	31.12.2015
Assets			
Cash in hand		6	3
Due from central banks, legal reserve	9	299	154
Due from central banks	9	4,599	345
Due from credit institutions	9	1,830	4,882
Loans and receivables	4; 9; 13	53,996	35,188
Investments in affiliates	9	1,173	868
Tangible assets		121	95
Intangible assets		788	760
Other assets	13	221	260
Total assets	**3**	**63,033**	**42,555**
Liabilities			
Loans raised		0	110
Deposits	8; 9	49,702	29,711
Debt securities issued	7; 9	2,974	3,114
Other liabilities	13	1,109	1,381
Total liabilities	**3**	**53,785**	**34,316**
Equity			
Share capital	11	569	569
Share premium	11	5,393	5,393
Retained profit/loss		901	-279
Reserves		1,387	1,360
Consolidated profit for reporting period		1,020	1,207
Total equity capital held by shareholders of parent company		**9,270**	**8,250**
Non-controlling interest		-22	-11
Total equity		**9,248**	**8,239**
Total liabilities and equity		**63,033**	**42,555**

See also Note 13, which shows the adjustments in earlier reporting periods caused by changes in accounting policies and procedures.
The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets and revenue recognition of financial assets. Restatement was needed as earlier financial information was presented with statement error.

Consolidated statement of comprehensive income

EURt	Note	Q2 2016	6 months 2016	Q2 2015	6 months 2015
Continuing operations					
Interest income	5	2,345	4,161	861	1,603
Interest expenses	5	-301	-559	-155	-292
Net interest income		**2,044**	**3,602**	**706**	**1,311**
Fee and commission income	6	141	261	88	149
Fee and commission expense	6	-81	-153	-61	-110
Net fee and commission income		**60**	**108**	**27**	**39**
Other income related to operations		142	313	82	292
Total income	**3**	**2,246**	**4,023**	**815**	**1,642**
Personnel costs		-580	-1,080	-325	-583
Marketing expenses		-143	-231	-89	-111
Administrative expenses		-266	-417	-163	-348
Depreciation, amortisation and impairment		-47	-91	-35	-67
Total operating expenses		**-1,036**	**-1,819**	**-612**	**-1,109**
Operating profit	**3**	**1,210**	**2,204**	**203**	**533**
Loan losses		-1,073	-1,532	-98	-345
Net profit for financial year before investments		**137**	**672**	**105**	**188**
Profit/loss from investments		96	273	30	91
Profit before income tax		**233**	**945**	**135**	**279**
Deferred income tax		41	43	0	0
Comprehensive income		**274**	**988**	**135**	**279**
Profit (loss) attributable to the parent company		308	1,020	142	294
Profit (loss) attributable to non-controlling interest		-34	-32	-7	-15
Total comprehensive income for the period		**274**	**988**	**135**	**279**

See also Note 14, which shows the adjustments in earlier reporting periods caused by changes in accounting policies and procedures.
The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets and revenue recognition of financial assets.
Restatement was needed as earlier financial information was presented with statement error.

Consolidated cash flow statement

EURt	Note	6 months 2016	6 months 2015
Cash flows from operating activities			
Profit from operating activities		2,204	533
Interest income	5	-4,161	-1,603
Interest expense	5	559	292
Loan losses		-1,532	-345
Depreciation, amortisation and impairment		91	67
Cash flows from/used in operating activities before change in operating assets and liabilities		**-2,839**	**-1,056**
Net increase/decrease in operating assets:			
Loans and advances to customers		-18,808	-5,096
Other assets		59	-98
Net increase/decrease in operating liabilities:			
Customer deposits		19,991	12,263
Other liabilities		-272	472
Cash flow from operating activities		**-1,869**	**6,485**
Adjustments to current assets and current liabilities			
Interest received		4,161	1,603
Interest paid		-559	-292
Other adjustments		43	-2
Net adjustments to current assets and current liabilities		**3,645**	**1,309**
Net cash flow from operating activities		**1,776**	**7,794**
Cash flows from investing activities			
Acquisition of non-current assets		-145	-675
Investment in associates		-31	-57
Net cash flow from investing activities		**-176**	**-732**

EURt	Note	6 months 2016	6 months 2015
Cash flows from financing activities			
Redemption of debt securities	7	-140	-1,656
Loans received and repayments		-110	-4,543
Proceeds from issue of share capital		0	69
Proceeds from share premium		0	1,391
Net cash flow from financing activities		**-250**	**-4,739**
Net increase in cash and cash equivalents		**1,350**	**2,323**
Cash and cash equivalents at the beginning of the year		5,384	376
Cash and cash equivalents at the end of the year		**6,734**	**2,699**

Consolidated statement of changes in equity

EURt	Share capital	Share premium	Legal reserve	Voluntary reserve	Retained earnings (accumulated loss)	Total share attributable to the shareholders of the parent company	Non-controlling interest	Total equity
Balance as of 01.01.2015	**500**	**4,002**	**30**	**0**	**-278**	**4,254**	**-7**	**4,247**
Share capital issued	69	1,391	0	0	0	1,460		1,460
Net profit of the reporting period	0	0	0	0	294	294	-15	279
Legal reserve	0	0	0	1,330	0	1,330	0	1,330
Balance as of 30.06.2015	**569**	**5,393**	**30**	**1,330**	**16**	**7,338**	**-22**	**7,316**
Balance as of 01.01.2016	**569**	**5,393**	**30**	**1,330**	**928**	**8,250**	**-11**	**8,239**
Net profit of the reporting period	0	0	0	0	1,020	1,020	-11	1,009
Legal reserve	0	0	27	0	-27	0	0	0
Balance as of 30.06.2016	**569**	**5,393**	**57**	**1,330**	**1,921**	**9,270**	**-22**	**9,248**

NOTE 1
Accounting policies and procedures

The interim financial report has been prepared in accordance with the International Accounting Standard IAS 34 Interim Financial Reporting, and consists of condensed financial statements and selected explanatory notes. The accounting policies and procedures used in the preparation of the interim report are largely the same as the accounting policies and procedures used in the annual report for the year that ended on 31 December 2015, which comply with the International Financial Reporting Standards (IFRS) as adopted by the European Commission.

The interim financial report has not been audited and does not contain all of the information required for the presentation of complete annual financial statements.

In addition to Inbank AS, the Inbank AS consolidation group also includes the subsidiary Inbank Lizings SIA (holding 90%), which was established in Latvia and provides financial services, and Inbank Liising AS (holding 80%); subsidiary Inbank Technologies AS (holding 100%, acquired), which develops software, and the latter's subsidiary Veriff OÜ (holding 60%). Investments in subsidiaries Coop Finants AS (holding 44%, former name ETK Finants AS) and Krediidipank Finants AS (holding 49%) are recognised on the balance sheet under investments in affiliates.

The manner of presentation of the report has been adjusted in this interim report when compared to the annual report of 31 December 2015.

The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets and revenue recognition of financial assets.

The respective rows in the report have been adjusted in previous interim reports in accordance with IAS 34 and IAS 8. The amounts to be adjusted are shown in Note 13 and Note 14.

NOTE 2
Important accounting estimates and forecasts

The impact of the management's estimates is the most significant in the case of loan write-downs.

The credit behaviour model is used to evaluate the solvency of a customer. In addition to the customer's prior payment behaviour and income, and their existing loans, the model also evaluates other statistical parameters that have earlier been collected by customer type and indicate a string connection with the customer's payment discipline. The bank's credit behaviour model is constantly changing and keeps up with the changes in the information used to make credit decisions and the changes in the economic environment.

As the loans issued to households are homogeneous, then the possible write-downs arising from loan losses are calculated on the basis of the historical payment behaviour of these homogeneous loans and the write-down rate is applied to the portfolio of the balance sheet date.

The decisions about financial reports are constantly reviewed proceeding from past experience and expectations of future events, which seem justified in light of the present circumstances.

NOTE 3
Business segments

Inbank AS divides its business activities into segments based on its legal entities and nature of its product lines (consumer finance, IT services, leasing), whereas consumer finance segment is built up by hire purchase and small loan products. Income of the reported segments includes inter-segment transactions. Business segments are parts of bank`s business having separate financial accounting data and performance of which is being regularly reviewed by Inbank managment board.

Income of the reported segments include such inter-segment transactions as loans given by Inbank AS to its group companies and IT services provided by Inbank Technologies to group companies. None of Inbank AS sole counterparty have income over 10% of its respective income of the consolidation group.

Inbank AS (Estonia) Line "other income" presents mainly consultancy services offered to bank`s associated companies. Intersegment transactions constitute mainly of loan interests on loans given to subsidiaries. All named intercompany transactions are accounted for at market prices, including IT services.

EURt			6M 2016							6M 2015		
Income of reportable segments	**Interest income**	**Fee and commission income**	**Interest and commission expense**	**Other income**	**Intersegment income**	**Income from external customers**	**Interest income**	**Fee and commission income**	**Interest and commission expense**	**Other income**	**Intersegment income**	**Income from external customers**
Inbank AS (Estonia)	2,991	185	-709	152	-385	2,234	1,548	125	-387	35	-7	1,314
Inbank Lizings SIA (Latvia)	1,556	75	-3	0	0	1,628	62	24	-8	0	-7	71
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	3	0	0	212	-54	161	0	0	0	257	0	257
Total	**4,550**	**260**	**-712**	**364**	**-439**	**4,023**	**1,610**	**149**	**-395**	**292**	**-14**	**1,642**

EURt			Q2 2016							Q2 2015		
Income of reportable segments	**Interest income**	**Fee and commission income**	**Interest and commission expense**	**Other income**	**Intersegment income**	**Income from external customers**	**Interest income**	**Fee and commission income**	**Interest and commission expense**	**Other income**	**Intersegment income**	**Income from external customers**
Inbank AS (Estonia)	1,642	98	-382	81	-228	1,211	828	65	-203	82	-21	751
Inbank Lizings SIA (Latvia)	931	43	0	0	0	974	54	23	-8	0	-5	64
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	0		0	90	-29	61	0	0	0	0	0	0
Total	**2,573**	**141**	**-382**	**171**	**-257**	**2,246**	**882**	**88**	**-211**	**82**	**-26**	**815**

EURt	6M 2016					6M 2015				
Operating and net profit development	**Operating profit**	**Loan losses**	**Profit from investments**	**Deferred income tax**	**Net profit**	**Operating profit**	**Loan losses**	**Profit from investments**	**Deferred income tax**	**Net profit**
Inbank AS (Estonia)	1,418	-416	273	0	1,275	628	-157	0	91	562
Inbank Lizings SIA (Latvia)	856	-1,116	0	43	-217	-152	-188	0	0	-340
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	-70	0	0	0	-70	57	0	0	0	57
Total	**2,204**	**-1,532**	**273**	**43**	**988**	**533**	**-345**	**0**	**91**	**279**

EURt	Q2 2016					Q2 2015				
Operating and net profit development	**Operating profit**	**Loan losses**	**Profit from investments**	**Deferred income tax**	**Net profit**	**Operating profit**	**Loan losses**	**Profit from investments**	**Deferred income tax**	**Net profit**
Inbank AS (Estonia)	748	-212	96	0	632	214	-98	0	30	146
Inbank Lizings SIA (Latvia)	503	-861	0	41	-317	-68	0	0	0	-68
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	-41	0	0	0	-41	57	0	0	0	57
Total	**1,210**	**-1,073**	**96**	**41**	**274**	**203**	**-98**	**0**	**30**	**135**

EURt

30.06.2016	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising (Estonia)	Inbank Technologies OÜ (Estonia)	TOTAL
Cash on hand	3	0	0	3	**6**
Due from central banks; mandatory reserve	299	0	0	0	**299**
Due from central banks	4,599	0	0	0	**4,599**
Due from credit institutions	1,063	591	100	76	**1,830**
Loans and receivables	37,739	16,257	0	0	**53,996**
Investments in associates	1,172	0	0	1	**1,173**
Property, plant and equipment	69	16	0	36	**121**
Intangible assets	442	0	104	242	**788**
Other assets	105	87	0	29	**221**
Total assets	**45,491**	**16,951**	**204**	**387**	**63,033**
Deposits	49,702	0	0	0	**49,702**
Debt securities issued	2,974	0	0	0	**2,974**
Other liabilities	878	165	0	66	**1,109**
Total liabilities	**53,554**	**165**	**0**	**66**	**53,785**

EURt

31.12.2015	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising (Estonia)	Inbank Technologies OÜ (Estonia)	TOTAL
Cash on hand	0	0	0	3	**3**
Due from central banks; mandatory reserve	154	0	0	0	**154**
Due from central banks	345	0	0	0	**345**
Due from credit institutions	4,370	445	0	67	**4,882**
Loans and receivables	26,687	8,435	0	66	**35,188**
Investments in associates	867	0	0	1	**868**
Property, plant and equipment	59	16	0	20	**95**
Intangible assets	451	71	0	238	**760**
Other assets	190	36	0	34	**260**
Total assets	**33,123**	**9,003**	**0**	**429**	**42,555**
Loans	0	110	0	0	**110**
Deposits	29,711	0	0	0	**29,711**
Debt securities issued	2,111	1,003	0	0	**3,114**
Other liabilities	709	634	0	38	**1,381**
Total liabilities	**32,531**	**1,747**	**0**	**38**	**34,316**

NOTE 4
Distribution of portfolio

EURt

Distribution of receivables as of 30.06.2016	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	50,947	-1,124	-21	49,802	2.2%
90-179 days overdue	1,040	0	-662	378	63.7%
180+ days overdue	992	0	-804	188	81.1%
Total receivables	**52,979**	**-1,124**	**-1,488**	**50,367**	**4.9%**

Distribution of receivables as of 31.12.2015	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	32,181	-437	-27	31,717	1.4%
90-179 days overdue	296	0	-182	114	61.5%
180+ days overdue	422	0	-380	42	90.0%
Total receivables	**32,535**	**-437**	**-589**	**31,873**	**3.2%**

Distribution of receivables as of 30.06.2016	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	3,629	0	0	3,629	0.0%
90-179 days overdue	0	0	0	0	0.0%
180+ days overdue	0	0	0	0	0.0%
Total receivables	**3,629**	**0**	**0**	**3,629**	**0.0%**

Distribution of receivables as of 31.12.2015	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	3,315	0	0	3,315	0.0%
90-179 days overdue	0	0	0	0	0.0%
180+ days overdue	0	0	0	0	0.0%
Total receivables	**3,315**	**0**	**0**	**3,315**	**0.0%**

The credit products offered by the bank are largely very young, as sales of the products started in 2015 or 2016. The only exception is the hire purchase product offered in Estonia, which became available in 2011. Because of this, the information describing the payment behaviour of portfolios is partially incomplete. The statistical basis for recalculation of agreement provisioning rates will improve via recalculations in the next periods. Market information, management estimates and information from similar products of the products offered by the bank have been used in places where information about payment behaviour is incomplete as of 30th of June 2016.

NOTE 5
Net interest income

EURt

Interest income	Q2 2016	6 months 2016	Q2 2015	6 months 2015
Loans to households	2,265	4,029	825	1,550
Loans to businesses	32	36	16	21
Due from credit institutions	48	96	20	32
Total	**2,345**	**4,161**	**861**	**1,603**
Interest expense				
Deposits received	-248	-452	-62	-62
Debt securities issued	-51	-104	-74	-157
Loans	-2	-3	-19	-73
Total	**-301**	**-559**	**-155**	**-292**
Net interest income	**2,044**	**3,602**	**706**	**1,311**

Interest income by customer location:	Q2 2016	6 months 2016	Q2 2015	6 months 2015
Estonia	1,301	2,605	807	1,541
Latvia	1,044	1,556	54	62
Total	**2,345**	**4,161**	**861**	**1,603**

NOTE 6
Net fee and commission income

EURt

Fee and commission income	Q2 2016	6 months 2016	Q2 2015	6 months 2015
Loans to households	138	257	88	149
Loans to businesses	3	4	0	0
Total	**141**	**261**	**88**	**149**
Fee and commission expense				
Loans received	-71	-132	-51	-90
Security brokerage	-10	-21	-10	-20
Total	**-81**	**-153**	**-61**	**-110**
Net fee and commission income	**60**	**108**	**27**	**39**

Fee and commission income by customer location:	Q2 2016	6 months 2016	Q2 2015	6 months 2015
Estonia	97	186	75	136
Latvia	44	75	13	13
Total	**141**	**261**	**88**	**149**

NOTE 7
Debt securities issued

EURt

Debt securities	30.06.2016	Interest rate	Maturity
Debt securities - households	130	7%	2016
Debt securities - companies	1,841	7%	2016
Debt securities - credit institutions	1,003	7%	2016
Total	**2,974**		

Debt securities	31.12.2015	Interest rate	Maturity
Debt securities - households	130	7%	2018
Debt securities - companies	1,981	7%	2018
Debt securities - credit institutions	1,003	7%	2018
Total	**3,114**		

The issued bonds are secured with receivables from households.

The rules of the bonds stipulate that the share of equity capital in the consolidated balance sheet will not drop below 20%. As of 30th of June 2016, the share of equity capital in the consolidated balance sheet was 14.4% (19% as of 31st of December 2015).

Bond holders were informed about breach of the rule and their right to terminate their investment early on 5th of May 2016. Same contract breach was also disclosed in the Q1 report for 2015. Right for early termination had not been exercised by the moment the interim report was published.

According to the bond rules, an unsecured claim against a private person may not exceed 10 thousand euros. Inbank has issued three such claims as of 30th of June 2016 (none as of 31st of December 2015).

On 6th of June the bank sent to bond investors a notice about the early redemption of bonds. Early redemption will take place on 15th of September 2016. Bank has the funds required for the early redemption.

Issued debt securities were redeemed in January 2016 in the amount of 140 thousand euros.

NOTE 8
Deposits

EURt

Deposits	30.06.2016	31.12.2015
Deposits from households	38,463	25,993
Deposits from non-financial businesses	5,556	3,178
Deposits from other financial businesses	5,683	540
Total	**49,702**	**29,711**

Deposits	30.06.2016	31.12.2015
Estonia	49,702	29,711
Total	**49,702**	**29,711**

NOTE 9
Fair value of financial and non-financial instruments

EURt	30.06.2016			31.12.2015		
Assets	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Due from credit institutions	6,728	6,728	0	5,381	5,381	0
Loans and receivables	53,996	53,996	0	35,188	35,188	0
Investments in associates	1,173	1,173	0	868	868	0
Total	**61,897**	**61,897**	**0**	**41,437**	**41,437**	**0**
Non-financial instruments	1,136	1,136	0	1,115	1,115	0
Total	**63,033**	**63,033**	**0**	**42,552**	**42,552**	**0**

	30.06.2016			31.12.2015		
Liabilities	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Deposits and loans received	49,702	49,702	0	29,828	29,821	7
Debt securities issued	2,989	2,974	15	3,109	3,114	-5
Other financial liabilities	559	559	0	471	471	0
Total	**53,250**	**53,235**	**15**	**33,408**	**33,406**	**2**
Non-financial instruments	550	550	0	883	910	-27
Total	**53,800**	**53,785**	**15**	**34,291**	**34,316**	**-25**

The comparison of carrying amount and fair value of the financial assets and liabilities of Inbank AS is provided in the table above. The carrying amounts and fair values are generally the same. The carrying amount of loans and deposits equals their fair value due to the fact that they have been issued at interest rates set on market terms.

The fair value measurement of financial instruments
Various methods are employed for the fair value measurement of financial instruments, the fair value hierarchy is divided into three levels.
Level 1 includes financial instruments where fair value can be determined on the basis of prices quoted on an active market. At Inbank, financial instruments on this level are deposits.
Level 2 is made up of such financial instruments where valuation models based upon observable market inputs are used for the determination of fair value.
Observable market inputs are market prices for financial instruments as similar as possible in actually executed transactions. Inbank does not have any such financial instruments.
Level 3 is comprised of financial instruments where fair value is determined through the use of valuation models based upon market inputs that are supplemented by the company's own estimates. Such financial instruments are issued securities and loans.

The contract term of the small loan and hire purchase products are relatively short and contracts have been issued on market conditions. Meaning that the fair market interest and the fair value of the loan do not change signifcantly during the loan period. The effective interest rate of the issued consumer loans is at the same tier as the interest rate offered to similar loan products on the market. Resulting that the book value of the loans does not differ significantly from their fair value.

Finding the fair value of issued bonds requires determining the present return of a comparable instrument. As there is no comparable instrument on the market in the region, it is determined with a management estimate considering similar instruments offered on the market. The return on the given instrument remains between the interest rate of subordinated bonds and term deposits offered by credit institutions. Due to the above, 4.5% has been used as the annual market interest rate in order to find the fair value. The fair value of the secured bond as of 30th of June 2016 is 15 thousand euros (0.5%) higher than the book value.

Customer deposits with fixed interest rates and loans received are largely for the short term and deposits are priced according to market conditions. The pricing of the offered deposits has not changed significantly during the 15 months of the bank's operations. Interest rates differ depending whether deposit campaign is run or not. Interest rates during campaigns have been similar during the 15 months of operations. The same applies to interest rates of deposits offered outside of campaign periods. The fair value of the deposit portfolio found as a result of the discounting of future cash flows is therefore not significantly different from their book value.

EURt

Fair value	Fair value as of 30.06.2016				Fair value as of 31.12.2015			
Assets	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Due from credit institutions	6,728	6,728	0	0	5,381	5,381	0	0
Loans and receivables	53,966	0	0	53,966	35,188	0	0	34,826
Investments in associates	1,173	0	0	1,173	868	0	0	868
Total	**61,867**	**6,728**	**0**	**55,139**	**41,437**	**5,381**	**0**	**35,694**

EURt

Fair value	Fair value as of 30.06.2016				Fair value as of 31.12.2015			
Assets	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Deposits and loans received	49,702	49,702	0	0	29,821	29,828	0	0
Debt securities issued	2,974	0	0	2,989	3,114	0	0	3,109
Total	**52,676**	**49,702**	**0**	**2,989**	**32,935**	**29,828**	**0**	**3,109**

NOTE 10
Capital adequacy

EURt

Capital base	30.06.2016	31.12.2015
Paid-in share capital	569	569
Share premium	5,393	5,393
Statutory reserve capital	1,387	1,360
Retained earnings	901	-279
Intangible assets (subtracted)	-788	-760
Profit for financial year*	1,020	1,207
Shares in affiliates*	-1,173	-868
Total Tier 1 capital	**7,309**	**6,622**
Subordinated debt	0	0
Total Tier 2 capital	**0**	**0**
Net own funds for capital adequacy calculation	**7,309**	**6,622**
Risk-weighted assets		
Credit institutions, standardised approach	366	976
Non-financial customers, standardised approach	1,618	1,379
Claims secured by mortgage, standardised approach	1,148	1,148
Retail claims, standardised approach	37,353	23,758
Claims past due, standardised approach	561	195
Other assets, standardised approach	342	355
Total credit risk and counterparty credit risk	**41,388**	**27,811**
Operational risk, basic indicator approach	4,396	2,462
Total risk-weighted assets	**45,784**	**30,273**

Capital adequacy (%)**	15.96%	21.87%
Regulative capital adequacy (%)	13.62%	18.13%
Tier 1 Capital Ratio (%)	15.96%	21.87%
Regulative Tier 1 Capital Ratio (%)	13.62%	18.13%

* In accordance with EU regulation, audited and approved profit for the period may be included in retained earnings upon prior approval by competent agencies.
The profit for 6 months 2016 in the amount of 1020 EURt (2015;1207 EURt) was unaudited and unapproved in the calculations made in accordance with the EU regulation and such profit was not included in the capital base as submitting regulatory capital adequacy reporting. The profit form affiliates using the equity method of accounting in the amount of 273 EURt (2015: 423 EURt) was not included in the capital base as submitting regulatory capital adequacy reporting.
According to the reports submitted to the regulator the regulative capital adequacy ratio is 13,62% (31.12.2016: 18,13%) and the subtracted balance sheet value of „shares in affiliates“ is 900 EURt (31.12.2015: 868 EURt).

Total capital requirement that includes both Tier 1 and Tier 2 own funds is 8,0%.

** The capital adequacy calculation includes the profit for the period in Tier 1 capital for the use of which at the presented date there was no prior consent from competent authorities.

Capital adequacy note of 31 December 2015 have been adjusted in comparison with the previous ones, which resulted in changes in the following rows:

	31.12.2015 Adjusted	31.12.2015	Adjustment
Retail claims, standardised approach	23,758	23,486	272
Other assets, standardised approach	355	1,440	-1,085

The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets.

NOTE 11
Share capital

Risk Management

As of 31 December 2015 Inbank had issued remuneration-related share options for the acquisition of 347 shares in total, 167 of which had been issued to the member of the Management Board and 180 to the member of the Supervisory Board.

In the first half of 2016, the Supervisory Board of Inbank decided to issue additional options for the acquisition of 2500 additional shares in relation to remuneration. As of 30 June 2016, such options have been issued for the acquisition of 2400 shares. Options for the acquisition of 1000 shares were issued to the members of the Management Board and options for the acquisition of 400 shares to the members of the Supervisory Board.

Shareholders have also entered into mutual option contracts on the basis of which Inbank is obliged to issue up to 8500 additional shares by 2017, depending on the company's performance. Shares were issued within the scope of said option contract during the share capital extension in July 2016.

The options granted to employees and management bodies in 2016 give the right to acquire shares for the price of 300 euros per share. The value of a share calculated by the bank as of 30 June 2016 is 163 euros, which is based on the amount of equity capital per share.

Increase of share capital

Inbank has 56,880 shares as of 30 June 2016 and their nominal value is 10 euros. On 30 June 2016 the shareholders of Inbank decided to increase the share capital by 12,001 shares. The share capital will thereby be increased by 120,010 euros and the issue premium to be paid is 966,860 euros. Options for the acquisition of 8,667 shares issued to shareholders and members of the Management Board will be realised with the share issue.

Contributions to share capital were made by 15 July 2016. The increase of share capital was registered with the Commercial Register on 22 July 2016.

NOTE 12
Potential liabilities

The group has entered into a contract with a member of the Management Board, which stipulates a severance pay on the termination of the contact equalling six times the monthly remuneration. The contracts entered into with the remaining members of the Management Board do not stipulate a severance pay on the termination of the contracts. The parties have agreed to proceed from the legislation effective in the Republic of Estonia in the event of disputes concerning areas that have not been regulated in the contract. The Management Board is of the opinion that the occurrence of such a situation is highly unlikely.

Pursuant to the Income Tax Act effective in Estonia, legal entities do not pay income tax on the profit they have earned. Income tax is paid on fringe benefits, gifts, donations, reception costs, dividends and payments not associated with business activities. Dividend is a payout made on the basis of a resolution of the shareholders of Inbank AS from net profit or retained earnings, which is based on the holding of the recipient of the dividends in Inbank AS. Inbank pays income tax on dividends when they are paid out in monetary or non-monetary format. Pursuant to the effective Income Tax Act, profit distributed as dividends is subject to income tax at the rate of 20/80 of the amount paid out as net dividends.

Corporate income tax calculated on dividends is recognised in the income statement as income tax expense in the same period when the dividends were declared, regardless of the period for which they were declared or when they are actually paid out.

As of 30 June 2016 the retained earnings of the bank amount to 1,921 thousand euros (a loss of 928 thousand euros on 31 December 2015) and the income tax payable if they were distributed as dividends would be 480 thousand euros (232 thousand euros on 31 December 2015).

The bank's potential obligations to grant loans amount to 108 thousand euros.

NOTE 13
Consolidated financial position

EURt

Assets	31.03.2016	31.12.2015
Cash in hand	3	3
Due from central banks, legal reserve	204	154
Due from central banks	1,545	345
Due from credit institutions	3,358	4,882
Loans and receivables	43,428	35,188
Investments in affiliates	1,045	868
Tangible assets	108	95
Intangible assets	807	760
Other assets	281	260
Total assets	**50,779**	**42,555**
Liabilities		
Loans raised	112	110
Deposits	37,473	29,711
Debt securities issued	2,973	3,114
Other liabilities	1,268	1,381
Total liabilities	**41,826**	**34,316**
Equity		
Share capital	569	569
Share premium	5,393	5,393
Retained profit/loss	928	-279
Reserves	1,360	1,360
Consolidated profit for reporting period	712	1,207
Total equity capital held by shareholders of parent company	**8,962**	**8,250**
Non-controlling interest	-9	-11
Total equity	**8,953**	**8,239**
Total liabilities and equity	**50,779**	**42,555**

The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets and revenue recognition of financial assets. Restatement was needed as earlier financial information was presented with statement error.

Restatement in accounting principles of financial assets is done as follows:
1. Prepaid sales channel fee in connection with Loans and receivables that has been paid but not recorded as cost in accordance with effective interest rate method is moved from Other assets to Loans and receivables
2. Income components connected with Loans and receivables that have been collected but not recognized as income in accordance with effective interest rate method is moved with minus from Other liabilities to Loans and receivables.

	31.03.2016 Adjusted	31.03.2016	Adjustment
Loans and receivables	43,428	43,747	-319
Other assets	281	1,636	-1,355
Other liabilities	1,268	2,942	-1,674

	31.12.2015 Adjusted	31.12.2015	Adjustment
Loans and receivables	35,188	34,825	363
Other assets	260	1,345	-1,085
Other liabilities	1,381	2,103	-722

NOTE 14
Consolidated statement of comprehensive income

EURt	Note	Q1 2016	3 months 2016	Q2 2015	Q1 2015	6 months 2015
Continuing operations						
Interest income	5	1,816	1,816	861	742	1,603
Interest expenses	5	-258	-258	-155	-137	-292
Net interest income		**1,558**	**1,558**	**706**	**605**	**1,311**
Fee and commission income	6	120	120	88	61	149
Fee and commission expense	6	-72	-72	-61	-49	-110
Net fee and commission income		**48**	**48**	**27**	**12**	**39**
Other income related to operations		171	171	82	210	292
Total income		**1,777**	**1,777**	**815**	**827**	**1,642**
Personnel costs		-500	-500	-325	-258	-583
Marketing expenses		-88	-88	-89	-22	-111
Administrative expenses		-151	-151	-163	-185	-348
Depreciation, amortisation and impairment		-44	-44	-35	-32	-67
Total operating expenses		**-783**	**-783**	**-612**	**-497**	**-1,109**
Operating profit		**994**	**994**	**203**	**330**	**533**
Loan losses		-459	-459	-98	-247	-345
Net profit for financial year before investments		**535**	**535**	**105**	**83**	**188**
Profit/loss from investments		177	177	30	61	91
Profit before income tax		**712**	**712**	**135**	**144**	**279**
Deferred income tax		2	2	0	0	0
Comprehensive income		**714**	**714**	**135**	**144**	**279**
Profit (loss) attributable to the parent company		712	712	142	152	294
Profit (loss) attributable to non-controlling interest		2	2	-7	-8	-15
Total comprehensive income for the period		**714**	**714**	**135**	**144**	**279**

The restatements are in accordance with International Financial Reporting Standards (IFRS) to ensure conformity of the accounting principles of financial assets and revenue recognition of financial assets. Restatement was needed as earlier financial information was presented with statement error.

Restatement in revenue recognition is done as follows:
1. Commission income connected to Loans and receivables was moved from Fee and commission income to Interest income in accordance with effective interest rate method
2. Sales channel fee connected to Loans and receivables was moved with minus from Marketing expenses to Interest income in accordance with effective interest rate method
3. Other income related to operations and Personnel costs are corrected in first three months of 2016 due to consolidation error
In addition restatement is needed in 2015 statement of comprehensive income as consolidation effect of Inbank Technologies (acquired in Q2 2015) has been applied in first six months of 2015. Due to that restatement of "Interest expense", "Other income related to operations", "Personnel costs", "Administrative expenses" and "Depreciation, amortisation and impairment" rows in 2015 three and six months statement of comprehensive income.

EURt	3 months 2016 Adjusted	3 months 2016	Adjustment
Interest income	1,816	1,871	-55
Fee and commission income	120	302	-182
Other income related to operations	173	204	-31
Personnel costs	-500	-531	31
Marketing expenses	-88	-325	237

EURt	3 months 2015 Adjusted	3 months 2015	Adjustment
Interest income	742	749	-7
Interest expenses	-137	-136	-1
Fee and commission income	61	121	-60
Other income related to operations	210	40	170
Personnel costs	-258	-176	-82
Marketing expenses	-22	-89	67
Administrative expenses	-185	-116	-69
Depreciation, amortisation and impairment	-32	-14	-18

EURt	6 months 2015 Adjusted	6 months 2015	Adjustment
Interest income	1,603	1,619	-16
Fee and commission income	149	274	-125
Other income related to operations	292	302	-10
Personnel costs	-583	-630	47
Marketing expenses	-111	-252	141
Administrative expenses	-348	-311	-37

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