
INTERIM REPORT OF INBANK AS

9 months 2016



INBANK AS

GENERAL INFORMATION

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	5 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee

Supervisory Board members:

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

Management Board members:

Jan Andresoo, CEO
Liina Sadrak
Marko Varik

Balance sheet date of report	30 September 2016
Reporting period	From 1 January 2016 to 30 September 2016

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

Inbank AS' financial position as at 30 September 2016, consolidated income statement and cash flow statement for the 9 months of 2016 as well as the notes to the interim report have been reviewed by the auditor.

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 nine months of 2016, consisting of the management report and financial statements as at 30 September 2016, are correct and complete;
- this interim report gives a true and fair view of the financial position of the Inbank AS consolidation group as at 30 September 2016, its financial performance and cash flows for the nine months of 2016;
- the accounting policies and procedures used in preparing the interim report comply with IAS 34;
- the interim report has been prepared using, in all material respects, the policies and procedures of the financial statements for the year ended 31 December 2015.

Inbank AS is a going concern.

Tallinn, 16 November 2016

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

CEO'S REPORT

The third quarter of 2016 was the beginning of a new era for Inbank. We are now a publicly traded company and have set our sights towards expansion beyond Estonian borders.



Highlights of the year

Issue of the subordinated bonds of Inbank

The subordinated bonds of Inbank were listed on the Nasdaq Tallinn Stock Exchange on 3 October. The successful public offering of our bonds has made us a publicly traded company. This entails open communication with investors and the public, as well as adherence to a range of additional conditions for everyday operations. We now have nearly 700 new investors who have contributed towards Inbank's future with a total of 6.5 million euros. This can be considered a sign of trust, and will surely serve as a great motivator in our future efforts.

The bond issue volume of 5 million euros was oversubscribed by 2.2 times, with the total subscription volume amounting to 11.089 million euros. Consequently, we increased

the final volume of the issue to 6.5 million euros. The investments will support the bank's quick growth on the domestic market, and expansion to new markets. The issue served the purpose of significantly expanding the investor base and opening up the company even further. A wide investor base will also contribute to our future growth.

Economic activities

In Q3, we started introducing changes in the sales strategy of our Latvia-based company. Upon successful launch of the hire-purchase product, we had also expanded our product portfolio towards credit mediators. At the present, we aim at issuing loans mainly via our internet bank and selected partners. We believe that this will help improve credit quality and marketing management. As expected, the decision to concentrate on own sales channels triggered a drop in sales volumes com-

pared to the previous quarter.

Other products continue showing steadily good results. Compared to the results for the first 9 months of 2015, we continued showing growing strong sales results for various products.

Inbank's total deposit volumes reached 63.7 million euros at the end of Q3, meaning that we are still able to finance growth in lending through Estonian retail deposits. With Inbank's reputation growing, the number of depositors is also showing a continual increase. Sales of deposits grew by 6.42% compared to the previous quarter and 133% year-over-year. Furthermore, we have also kept our promise of offering the best value on the Estonian deposit market.

As regards lending, we received positive news from the financial service market survey prepared by the Financial Supervision Authority – at the end of June, Inbank had gained the position of third-largest private consumer loan provider after Swedbank (72%) and SEB (11%),

Inbank's market share in the consumer loan segment has doubled compared to the previous period. This demonstrates our ability to gain market share, even in tight competition.

with an 8% market share (calculated based on portfolio balance). Inbank's market share in the consumer loan segment has doubled, compared to the previous period.

This demonstrates our ability to gain market share, even in tight competition.

Inbank's profit for 9 months amounted to 1,712 thousand euros (YoY growth: +301.9%).

Risk management

Against the backdrop of a significant growth in business volumes and pursuit of strategic internationalisation, we have also enhanced focus on risk management in recent quarters. In Q3, the bank implemented a new central module for credit management analysis, which allows improved analysis and monitoring of credit risk by products and sales channels.

The results with regard to credit risk met our expectations. The Estonian market continues to show excellent results for all products. We

should also be pleased with the new sales quality of the Latvia-based company. The aforementioned change in the Latvian strategy was inspired, among other things, by the results of the risk analysis, which showed that the credit risk stemming from credit mediators disagreed with our risk profile. At the same time, sales of previous periods continue to affect the present credit losses.

Overall, Inbank has made excellent progress in risk management and will continue to strongly contribute to the area in the future. Risk management results for Q3 met our expectations and the established objectives.

International activities

Inbank is currently actively operating in one foreign market – the Republic of Latvia.

Alongside Latvia, several other foreign markets were included in Inbank's activity plan in Q3.

Currently consisting of six members, a team was set up in Poland,

charged with the task of developing the capacity for offering consumer financing and deposit products on the Polish market as early as Q1 2017. The venture took the legal form of a Polish branch, allowing us to offer the entire range of our product portfolio in the foreign country, including term deposits. The corresponding application has been submitted to the Financial Supervision Authority.

In addition to making preparations for operations in Poland, we also entered into a strategic partnership agreement with the web-based deposit platform Raisin.com, with the aim of engaging deposits from the German and Austrian markets. We have started the technological development for launch of co-operation, and strive towards enhancing our capacity for engaging deposits with the aim of supporting internationalisation and minimising dependence on the Estonian deposit market.

Obviously, the internationalisation strategy will trigger rearrangements within the organisation. In order to

improve the division of labour, we have defined the intra-group roles of our staff members and units, and specified the rationale of the corporate operations in the new situation.

Affiliates

Coop Finants AS (Inbank AS holds 44%)

Coop Finants AS is mainly involved in offering financial products. The main products offered by the company are the payment and credit card Säästukaart Pluss for Coop Eesti's customers and the unsecured consumer loan to private persons. The number of the company's active customers reached 98 thousand in the first nine months of 2016. The size of the loan portfolio at the end of Q3 was 17.2 million euros (growth YTD: +17.8%) and the profit for the first 9 months amounted to 1,224 thousand euros.

Krediidipank Finants AS (Inbank AS holds 49%)

Krediidipank Finants AS is mainly involved in offering unsecured consumer loan to private persons (www.sihtlaen.ee). The number of the company's active customers reached 9,400. Loan portfolio stood at 13.9 million euros at the end of Q3 (growth YTD: +21%). The company accumulated a profit of 300 thousand euros for the first 9 months of the year.

Summary

For Inbank, Q3 was a quarter of major projects. The successful offering of subordinated bonds engaged 698 new investors, whose support will be used for achieving the next stage of development in pursuit of the internationalisation strategy.

Jan Andresoo
CEO

Nasdaq congratulates Inbank
on start of trade at the famous
MarketSite, Times Square.



Important financial indicators and ratios

EURt

Key financial indicators	30.09.2016	30.09.2015	annual change
Balance sheet total	82,569	31,220	164.5%
Equity	10,880	7,678	41.7%
Net profit for 9 months of current period	1,712	426	301.9%
Loan portfolio	60,805	25,701	136.6%
Deposit portfolio	63,684	19,456	227.3%
Ratios			
Net return on equity	24.1%	8.6%	
Net return on total assets	3.7%	2.4%	
Net interest margin	13.2%	13.5%	
Loan losses to loan portfolio	7.0%	3.7%	
Cost/income ratio	44.6%	66.2%	
Equity to balance sheet total	13.2%	24.6%	

Net return on equity

Net return on total assets

Net interest margin

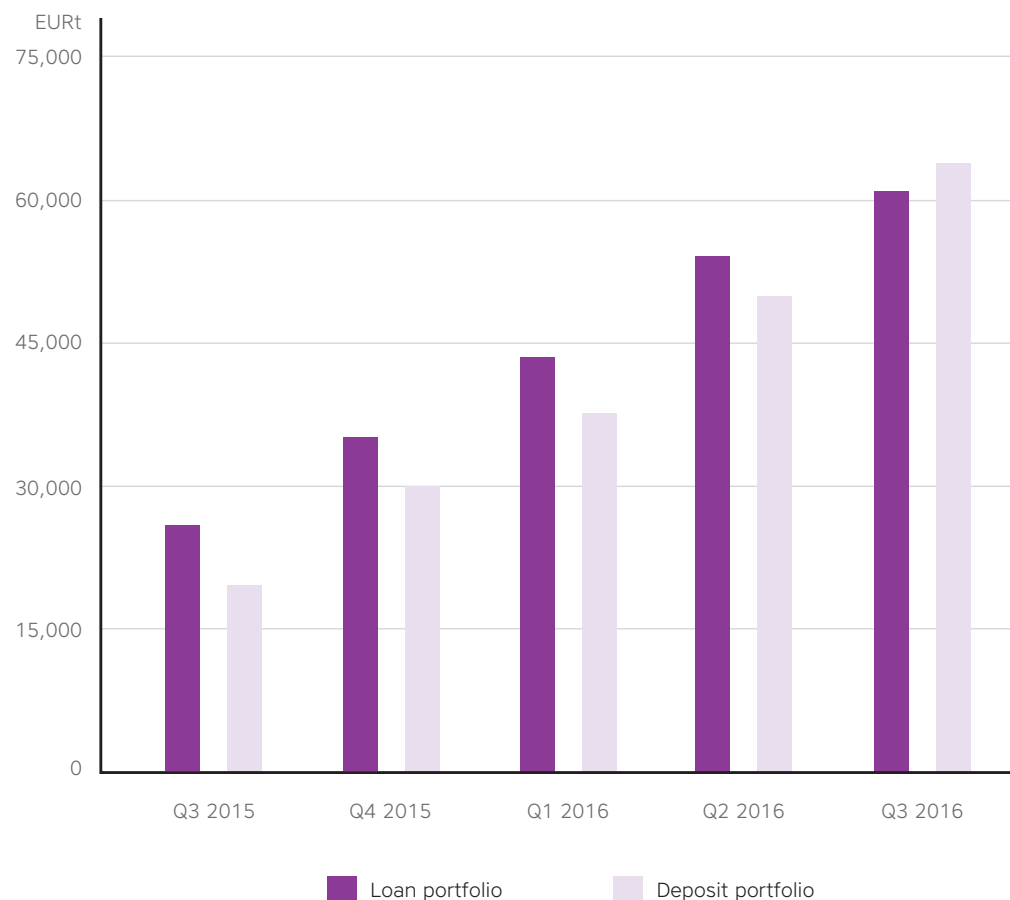
Loan losses to loan portfolio

Cost/income ratio

Equity to balance sheet total

net profit /
equity (period average), annualised
net profit /
balance sheet total (period average), annualised
net interest income / interest-earning assets
(period average), annualised
loan loss cost / total loan portfolio
(period average), annualised
total costs/total income
equity/balance sheet total

Loan and deposit portfolio volume



Consolidated financial position

EURt	Note	30.09.2016 (unaudited)	31.12.2015 (adjusted)
Assets			
Cash in hand		4	3
Due from central banks, reserve requirement	9	354	154
Due from central banks	9	14,540	345
Due from credit institutions	9	4,172	4,882
Loans and receivables	4;9;14	60,805	34,931
Investments in affiliates	9	1,411	868
Tangible assets		139	95
Intangible assets		836	760
Other assets	14	308	286
Total assets		82,569	42,324

EURt	Note	30.09.2016 (unaudited)	31.12.2015 (adjusted)
Liabilities			
Loans raised		0	110
Deposits	8;9	63,684	29,711
Debt securities issued	7; 9	0	3,114
Other liabilities	14	1,527	1,381
Subordinated debt securities	7; 9	6,473	0
Total liabilities		71,684	34,316
Equity			
Share capital	11	689	569
Share premium	11	6,386	5,393
Retained earnings/accumulated loss		681	-279
Reserves		1,387	1,360
Other reserves	11	25	0
Consolidated profit for reporting period		1,712	987
Total equity capital held by shareholders of parent company		10,880	8,030
Non-controlling interest		5	-22
Total equity		10,885	8,008
Total liabilities and equity		82,569	42,324

Consolidated statement of comprehensive income

EURt	Note	Q3 2016 (unaudited, unreviewed)	9M 2016 (unaudited)	Q3 2015 (unaudited, unreviewed)	9M 2015 (unaudited, unreviewed)
Continuing operations					
Interest income	5	2,741	6,902	1,090	2,693
Interest expenses	5	-372	-931	-169	-461
Net interest income		2,369	5,971	921	2,232
Fee and commission income	6	158	419	126	275
Fee and commission expense	6	-96	-249	-59	-169
Net fee and commission income		62	170	67	106
Other income related to operations		131	444	193	485
Total income	3	2,562	6,585	1,181	2,823
Personnel costs		-699	-1,779	-447	-1,030
Marketing expenses		-161	-392	-93	-204
Administrative expenses		-214	-631	-184	-532
Depreciation, amortisation and impairment		-44	-135	-37	-104
Total operating expenses		-1,118	-2,937	-761	-1,870
Operating profit	3	1,444	3,648	420	953
Profit from affiliates		239	512	-77	14
Profit before loan losses		1,683	4,160	343	967
Impairment losses on loans		-1,101	-2,503	-212	-557
Profit before income tax		582	1,657	131	410
Deferred income tax		6	23	0	0
Comprehensive income		588	1,680	131	410
Profit (loss) attributable to the parent company		599	1,712	132	426
Profit (loss) attributable to non-controlling interest		-11	-32	-1	-16
Total comprehensive income for the period		588	1,680	131	410

Consolidated cash flow statement

EURt	Note	9M 2016 (unaudited)	9M 2015 (unaudited, unreviewed)
Cash flows from operating activities			
Profit from operating activities		3,648	953
Interest income	5	-6,902	-2,693
Interest expense	5	931	461
Loan losses		-2,503	-557
Depreciation, amortisation and impairment		135	104
Cash flows from operating activities before change in operating assets and liabilities		-4,691	-1,732
Net increase/decrease in operating assets			
Loans and advances to customers		-25,425	-12,149
Other assets		-22	464
Net increase/decrease in operating liabilities			
Customer deposits		33,544	19,320
Other liabilities		146	141
Cash flow from operating activities		3,552	6,044
Adjustments to current assets and liabilities			
Interest received		6,453	2,615
Interest paid		-502	-330
Other adjustments		-27	41
Net adjustments to current assets and current liabilities		5,924	2,326
Net cash flow from operating activities		9,476	8,370

EURt	Note	9M 2016 (unaudited)	9M 2015 (unaudited, unreviewed)
Cash flows from investing activities			
Acquisition of non-current assets		-41	-190
Investment in affiliates		-111	-71
Net cash flow from investing activities		-152	-261
Cash flows from financing activities			
Debt securities sold	7	-3,114	-1,651
Debt securities issued	7	6,473	0
Loans received and repayments		-110	-4,522
Proceeds from issue of share capital		120	69
Proceeds from share premium		993	1,391
Net cash flow from financing activities		4,362	-4,713
Change in cash and cash equivalents		13,686	3,396
Cash and cash equivalents at the beginning of the year		5,384	397
Cash and cash equivalents at the end of the year		19,070	3,793

Consolidated statement of changes in equity

EURt	Note	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings/ accumulated loss	Total share attributable to shareholders of parent company	Non-controlling interest	Total equity
Balance as at 01.01.2015		500	4,002	30	0	1,051	5,583	-7	5,576
Share capital issued		69	1,391	0	0	0	1,460	0	1,460
Other reserves		0	0	1,330	0	-1,330	0	0	0
Net profit for the reporting period		0	0	0	0	426	426	-16	410
Balance as at 30.09.2015 (unaudited, unreviewed)		569	5,393	30	1,330	147	7,469	-23	7,446
Net profit for financial year		0	0	0	0	781	781	12	793
Balance as at 31.12.2015		569	5,393	30	1,330	928	8,250	-11	8,239
Adjustment		0	0	0	0	-220	-220	-11	-231
Adjusted balance as at 31.12.2015		569	5,393	30	1,330	708	8,030	-22	8,008
Balance as at 01.01.2016		569	5,393	30	1,330	708	8,030	-22	8,008
Contributions to share capital	11	120	993	0	0	0	1,113	0	1,113
Share-based payment reserve	11	0	0	0	25	0	25	0	25
Statutory reserve		0	0	27	0	-27	0	0	0
Contribution of non-controlling interest to share capital of subsidiary		0	0	0	0	0	0	59	59
Net profit for the reporting period		0	0	0	0	1,712	1,712	-32	1,680
Balance as at 30.09.2016 (unaudited)		689	6,386	57	1,355	2,393	10,880	5	10,885

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. In all material respects, the accounting policies and procedures used in the preparation of the interim report are the same as the accounting policies and procedures used in the annual report for the year ended 31 December 2015, which comply with the International Financial Reporting Standards (IFRS), as adopted by the European Commission.

The interim financial statements have not been audited and do not contain the entire range of information required for the preparation of complete 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, the subsidiary Inbank Technologies OÜ (holding 100%, acquired), which develops software, and its subsidiary Veriff OÜ (holding 60%). Established in April, Inbank Liising AS (holding 80%)

launched the provision of full service leasing to business customers in Q3.

In Q3, Inbank's Poland branch was registered, with the bank planning to launch activities on the Polish deposit and consumer financing market in Q1 2017. The financial results of the branch are presented in Inbank's statement of financial position; the branch also submits regulatory reports to the Polish financial supervision authority (Komisja Nadzoru Finansowego).

Investments in affiliates Coop Finants AS (holding 44%, formerly known as ETK Finants AS) and Krediidipank Finants AS (holding 49%) are recognised under "Investments in affiliates" in the balance sheet. Investments in affiliates are recognised based on the equity method. The value of affiliates has been adjusted in the 6M and 9M interim reports by the write-down for implementation of the effective interest rate and the incurred but not reported (IBNR) loan losses in accordance with IAS 39. The adjustments amount to a total of 128 thousand euros.

The method for accounting for the implementation of the effective interest rate has been adjusted in

this interim report, compared to the financial statements for the financial year ended 31 December 2015. The corresponding entries have been adjusted in the previous interim statements in accordance with IAS 34 and IAS 8.

The amounts to be adjusted have been disclosed in Notes 14 and 15.

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 for evaluating the solvency of a customer. In addition to the customer's prior payment behaviour and income, and existing loans, the model also evaluates other statistical parameters that have earlier been collected by customer type and indicate a strong connection with the customer's payment discipline. The bank's credit behaviour model constantly changes over time, so as to keep up with the changes in the information used for making credit decisions, as well as changes in the economic environment.

As the loans issued to households are homogeneous, the possible write-downs arising from loan losses are calculated on the basis of the historical payment behaviour of the homogeneous loans, with a write-down rate applied to the portfolio as at 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 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). Income of the reported segments include inter-segment transactions. Business segments form a part of Inbank but have separate financial data and the financial performance of the segments is being regularly reviewed by Inbank's Management 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) "other income" mainly includes consultancy services offered to the bank's affiliates. 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	9M 2016 (unaudited)						9M 2015 (unaudited, unreviewed)					
Income of reportable segments	Interest income	Fee and commission income	Interest expenses	Other income	Intersegment eliminations	Income from external customers	Interest income	Fee and commission income	Interest expenses	Other income	Intersegment eliminations	Income from external customers
Inbank AS (Estonia)	4,891	283	-920	241	-656	3,839	2,500	195	-460	96	-50	2,281
Inbank Lizings SIA (Latvia)	2,662	136	-657	1	655	2,797	243	81	-51	0	49	322
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0	0	0
Inbank AS Poland branch	0	0	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	4	0	-8	309	-107	198	0	0	0	412	-23	389
Total	7,557	419	-1,585	551	-108	6,834	2,743	276	-511	508	-24	2,992

EURt	Q3 2016 (unaudited, unreviewed)						Q3 2015 (unaudited, unreviewed)					
Income of reportable segments	Interest income	Fee and commission income	Interest expenses	Other income	Intersegment eliminations	Income from external customers	Interest income	Fee and commission income	Interest expenses	Other income	Intersegment eliminations	Income from external customers
Inbank AS (Estonia)	1,900	98	-365	89	-268	1,454	952	70	-170	61	-43	870
Inbank Lizings SIA (Latvia)	1,106	60	-270	1	269	1,166	181	57	-43	0	43	238
Inbank Liising AS (Estonia)	0	0	0	0	0	0	0	0	0	0	0	0
Inbank AS Poland branch	0	0	0	0	0	0	0	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	1	0	-4	95	-54	37	0	0	0	133	-1	132
Total	3,007	158	-639	185	-53	2,658	1,133	127	-213	194	-1	1,240

EURt	9M 2016 (unaudited)					9M 2015 (unaudited, unreviewed)				
Operating and net profit development	Operating profit	Write-downs	Profit from investments	Deferred income tax	Net profit/loss	Operating profit	Write-downs	Deferred income tax	Profit from investments	Net profit/loss
Inbank AS (Estonia)	2,338	-813	512	0	2,037	1,012	-532	0	14	494
Inbank Lizings SIA (Latvia)	1,525	-1,689	0	23	-141	-136	-25	0	0	-161
Inbank Liising AS (Estonia)	0	-1	0	0	-1	0	0	0	0	0
Inbank AS Poland branch	-115	0	0	0	-115	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	-100	0	0	0	-100	77	0	0	0	77
Total	3,648	-2,503	512	23	1,680	953	-557	0	14	410

EURt	Q3 2016 (unaudited, unreviewed)					Q3 2015 (unaudited, unreviewed)				
Operating and net profit development	Operating profit	Write-downs	Profit from investments	Deferred income tax	Net profit/loss	Operating profit	Write-downs	Deferred income tax	Profit from investments	Net profit/loss
Inbank AS (Estonia)	920	-397	239	0	762	384	-375	0	-77	-68
Inbank Lizings SIA (Latvia)	669	-703	0	6	-28	16	163	0	0	179
Inbank Liising AS (Estonia)	0	-1	0	0	-1	0	0	0	0	0
Inbank AS Poland branch	-115	0	0	0	-115	0	0	0	0	0
Inbank Technologies OÜ (Estonia)	-30	0	0	0	-30	20	0	0	0	20
Total	1,444	-1,101	239	6	588	420	-212	0	-77	131

EURt							
30.09.2016 (unaudited)	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising (Estonia)	Inbank AS Poland branch	Inbank Technologies AS (Estonia)	Intersegment eliminations	TOTAL
Cash in hand	4	0	0	0	0	0	4
Due from central banks, reserve required	354	0	0	0	0	0	354
Due from central banks	14,540	0	0	0	0	0	14,540
Due from credit institutions	3,409	586	35	0	142	0	4,172
Loans and receivables	61,714	17,609	63	0	91	-18,672	60,805
Investments in affiliates	2,443	0	0	0	1	-1,033	1,411
Tangible assets	70	16	0	11	42	0	139
Intangible assets	434	115	0	0	328	-41	836
Other assets	146	113	11	0	38	0	308
Total assets	83,114	18,439	109	11	642	-19,746	82,569
Deposits	63,684	18,333	0	0	0	-18,333	63,684
Debt securities issued	6,473	0	0	0	0	0	6,473
Other liabilities	1,275	158	11	0	83	0	1,527
Total liabilities	71,432	18,491	11	0	83	-18,333	71,684
EURt							
31.12.2015	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising (Estonia)	Inbank AS Poland branch	Inbank Technologies AS (Estonia)	Intersegment eliminations	TOTAL
Cash in hand	0	0	0	0	3	0	3
Due from central banks, reserve required	154	0	0	0	0	0	154
Due from central banks	345	0	0	0	0	0	345
Due from credit institutions	4,370	445	0	0	67	0	4,882
Loans and receivables	34,885	8,305	0	0	66	-8,325	34,931
Investments in affiliates	1,820	0	0	0	1	-953	868
Tangible assets	59	16	0	0	20	0	95
Intangible assets	451	71	0	0	238	0	760
Other assets	158	107	0	0	34	-13	286
Total assets	42,242	8,944	0	0	429	-9291	42,324
Loans received	0	8,214	0	0	0	-8,104	110
Deposits	29,711	0	0	0	0	0	29,711
Debt securities issued	2,111	1,003	0	0	0	0	3,114
Other liabilities	709	634	0	0	38	0	1,381
Total liabilities	32,531	9,851	0	0	38	-8,104	34,316

NOTE 4

Distribution of portfolio

EURt

Distribution of receivables as at 30.09.2016 (unaudited)	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	57,660	-1,342	-21	56,297	2.4%
90-179 days overdue	1,364	0	-910	454	66.7%
180+ days overdue	1,796	0	-1,492	304	83.1%
Total receivables	60,820	-1,342	-2,423	57,055	6.2%

Distribution of receivables as at 31.12.2015	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	32,054	-567	-27	31,460	1.9%
90-179 days overdue	296	0	-182	114	61.5%
180+ days overdue	422	0	-380	42	90.0%
Total receivables	32,535	-567	-589	31,616	3.6%

Distribution of receivables as at 30.09.2016 (unaudited)	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	3,750	0	0	3,750	0.0%
90-179 days overdue	0	0	0	0	0.0%
180+ days overdue	0	0	0	0	0.0%
Total receivables	3,750	0	0	3,750	0.0%

Distribution of receivables as at 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 subsequent 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 at 30 September 2016.

Change in write-downs

As at January 1	-1,156
Write-downs during the period	-3,008
Written off from financial position during the period	288
Collection of written-down receivables	112
As at 30.09.2016 (unaudited)	-3,764

NOTE 5

Net interest income

EURt

Interest income	Q3 2016 (unaudited, unreviewed)	9M 2016 (unaudited)	Q3 2015 (unaudited, unreviewed)	9M 2015 (unaudited, unreviewed)
Loans to households	2,699	6,728	992	2,542
Loans to businesses	-3	33	12	33
Due from financial and credit institutions	45	141	86	118
Total	2,741	6,902	1,090	2,693
Interest expense				
Deposits received	-319	-771	-4	-66
Debt securities sold	-48	-152	-54	-211
Loans received	-5	-8	-111	-184
Total	-372	-931	-169	-461
Net interest income	2,369	5,971	921	2,232
Interest income by customer location				
Estonia	2,293	4,898	959	2,500
Latvia	448	2,004	131	193
Total	2,741	6,902	1,090	2,693

NOTE 6

Net fee and commission income

EURt

Fee and commission income	Q3 2016 (unaudited, unreviewed)	9M 2016 (unaudited)	Q3 2015 (unaudited, unreviewed)	9M 2015 (unaudited, unreviewed)
Loans to households	157	414	126	275
Loans to businesses	1	5	0	0
Total	158	419	126	275
Fee and commission expense				
Loan administration costs	-85	-217	-37	-127
Security brokerage	-11	-32	-22	-42
Total	-96	-249	-59	-169
Net fee and commission income	62	170	67	106
Fee and commission income by customer location				
Estonia	149	335	79	215
Latvia	9	84	47	60
Total	158	419	126	275

NOTE 7

Debt securities

EURt

Debt securities	31.12.2015	Annual interest rate	Maturity
Debt securities - households	130	7%	2018
Debt securities - businesses	1,981	7%	2018
Debt securities - credit institutions	1,003	7%	2018
Total	3,114		

Transactions with bonds	9M 2016 (unaudited)
Opening balance as at 31.12.2015	3,114
Debt securities redeemed	-3,114
Closing balance 30.09.2016 (unaudited)	0

Transactions with subordinated bonds	9M 2016 (unaudited)
Opening balance as at 31.12.2015	0
Debt securities issued	6,473
Closing balance 30.09.2016 (unaudited)	6,473

Subordinated bonds	Nominal price	Amount	Interest rate	Maturity
Inbank subordinated bond INBB070026A	1,000	6,503	7%	28.09.2026

The debt securities issued were redeemed in January 2016, in the total amount of EUR 140 thousand. On June 6, the bank notified the investors of premature redemption of the bonds on 15 September 2016.

On 28 September 2016, Inbank AS issued subordinated bonds, listed on the Nasdaq Tallinn Stock Exchange as of 3 October 2016.

The annual fixed coupon interest rate is 7%, calculated from the date of issue of the bonds (28 September 2016).

The bonds have been issued for a term of ten years, with the right to redeem the bonds, on the previous approval of the Financial Supervision Authority, in 5 years after the date of issue (28 September 2021).

The bonds issued are recorded in the balance sheet at amortised cost, by using the effective interest rate.

In addition to coupon interest rate, the effective interest rate mainly depends on transaction costs, recognised as a change in nominal value of the bonds and charged to interest expense over a term of 5 years.

No restrictions have been established for the bonds.

NOTE 8 Deposits

EURt

Deposits	30.09.2016 (unaudited)	31.12.2015
Deposits from households	46,784	25,993
Deposits from non-financial corporations	7,071	3,178
Deposits from other financial corporations	9,829	540
Total	63,684	29,711

Deposits	30.09.2016 (unaudited)	31.12.2015
Estonia	63,684	29,711
Total	63,684	29,711

NOTE 9

Fair value of financial and non-financial instruments

EURt						
30.09.2016 (unaudited)				31.12.2015		
Assets	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Cash in hand	4	4	0	3	3	0
Due from credit institutions	19,066	19,066	0	5,381	5,381	0
Loans and receivables	60,805	60,805	0	35,058	34,931	127
Investments in affiliates	1,411	1,411	0	868	868	0
Total	81,286	81,286	0	41,310	41,183	127
Non-financial instruments	1,136	1,136	0	1,144	1,144	0
Total	82,422	82,422	0	42,454	42,327	254

30.09.2016 (unaudited)				31.12.2015		
Liabilities	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Deposits and loans received	63,684	63,684	0	29,828	29,821	7
Bonds issued	6,503	6,473	30	3,109	3,114	-5
Other financial liabilities	899	899	0	471	471	0
Total	71,086	71,056	30	33,408	33,406	2
Non-financial instruments	550	550	0	910	910	0
Total	71,636	71,606	30	34,318	34,316	2

The fair value measurement of financial instruments

Various methods are employed for the fair value measurement of financial instruments, with the fair value hierarchy 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 with other credit institutions and customer 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 on market inputs that are supplemented by the company's own estimates. Such financial instruments are loans and securities issued.

Bonds issued were listed on the Nasdaq Baltic Stock Exchange on 3 October 2016, and their fair value can be determined based on the transaction history.

No transactions were concluded with the subordinated bonds of Inbank in Q3, with the fair value equalling the quoted value.

Where market prices are used for determining the fair value of bonds, consideration must be given to the level of activity on the market, as well as whether or not a single transaction fairly represents the value of the security.

Small loan and hire-purchase products offered to customers have a relatively short term and have been issued on market conditions, meaning that the fair market interest and the fair value of the loan will not change significantly over 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.

As a result, the book value of the loans does not differ significantly from their fair value.

Fixed-interest customer deposits and loans usually have a short term, with the deposit pricing depending on the market conditions. The pricing of the deposit products offered has not changed significantly during the period of operation. Interest rates differ for campaign periods and non-campaign periods. The interest rates offered for campaign periods have remained on the same level during the period of operation. The same applies to the interest rates offered during non-campaign periods. The fair value of the deposit portfolio, determined by discounting future cash flows, does not thus significantly differ from the carrying amount.

EURt								
Fair value		30.09.2016 (unaudited)				31.12.2015		
Assets	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Cash in hand	4	3	0	0	3	3	0	0
Due from credit institutions	19,066	19,066	0	0	5,381	5,381	0	0
Loans and receivables	60,805	0	0	60,805	35,058	0	0	35,058
Investments in affiliates	1,411	0	0	1,411	868	0	0	868
Total	81,286	19,069	0	62,216	41,310	5,384	0	35,926

EURt								
Fair value		30.09.2016 (unaudited)				31.12.2015		
Liabilities	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Deposits and loans received	63,684	63,684	0	0	29,828	29,828	0	0
Debt securities	6,503	0	0	6,503	3,109	0	0	3,109
Other financial liabilities	899			899	471			471
Total	71,086	63,684	0	7,402	33,408	29,828	0	3,580

NOTE 10

Capital adequacy

EURt		
Capital base	30.09.2016 (unaudited)	31.12.2015 (adjusted)
Paid-in share capital	689	569
Share premium	6,386	5,393
Statutory and other reserves	1,412	1,360
Retained earnings	681	-279
Intangible assets (subtracted)	-836	-760
Profit for financial year*	1,712	987
Shares in affiliates**	-1,411	-868
Total Tier 1 capital	8,633	6,402
Subordinated debt at nominal value	6,503	0
Total Tier 2 capital	6,503	0
Net own funds for capital adequacy calculation	15,136	6,402
Risk-weighted assets		
Credit institutions, standardised approach	834	976
Non-financial customers, standardised approach	1,709	1,379
Claims secured by mortgage, standardised approach	1,148	1,148
Retail claims, standardised approach***	42,202	23,787
Claims past due, standardised approach***	784	156
Other assets, standardised approach	447	381
Total credit risk and counterparty credit risk	47,124	27,827
Operational risk, basic indicator approach	4,701	2,462
Total risk-weighted assets	51,825	30,289
Capital adequacy (%)	29.21%	21.14%
Regulative capital adequacy (%)**	25.75%	18.63%
Tier 1 capital ratio (%)	16.66%	21.14%
Regulative Tier 1 capital ratio (%)	13.73%	18.63%

*In accordance with EU regulation, audited profit for the period may be included in retained earnings upon prior approval by competent authority.

The profit for 9 months 2016 in the amount of 1,712 EURt (2015: 987 EURt) was unaudited in the calculations made in accordance with EU regulation upon prior approval by competent authorities, including the profit from affiliates using the equity method of accounting in the amount of 512 EURt (2015: 423 EURt), and such profit was not included in the capital base.

**According to the reports submitted to the regulator, the capital adequacy ratio is 25.75% (31.12.2015: 18.63%) and the subtracted balance sheet value of "Shares in affiliates" is 900 EURt (31.12.2015: 868 EURt). The value of the "Shares in affiliates", as submitted to the regulator, has been determined on the basis of the audited profit of the affiliates.

***According to the reports submitted to the regulator as at 30.09.2016, the risk-weighted assets related to retail claims amount to 42,862 EURt and the risk-weighted assets related to claims past due to 2,408 EURt. The credit portfolio write-downs made in the reporting period and unconfirmed by the external auditor have not been deducted from the risk positions submitted to the regulator.

The directly applicable regulation obliges all credit institutions (and their holding companies) and investment firms operating within the European Union to maintain a 4.5% common equity Tier 1 (CET 1) capital and a 6.0% Tier 1 capital with respect to risk assets. The capital adequacy requirement (CAD), covering both Tier 1 and Tier 2 capital, is maintained at 8.0%.

In addition to the principal requirements arising from the harmonised rules, the principles for establishing capital buffers are established with the corresponding directive. In addition to basic own funds requirement, Estonia has established capital preservation and systemic risk buffers for credit institutions at the respective level of 2.5% (established by the Financial Supervision Authority) and 1.0% (established by the Bank of Estonia). Since these buffers shall be added to both Tier 1 and total capital requirement, the minimum Tier 1 requirement in Estonia is 9.5% and the total capital requirement 11.5%. The credit-institution-specific Pillar 2 requirement shall be added. Inbank AS adheres to these requirements both as at the balance sheet date and as at the publication of the interim report.

An overview of the fulfilment of the capital requirements is provided in the table below:

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Basic requirement	4.50%	6.00%	8.00%
Capital preservation buffer	2.50%	2.50%	2.50%
Systemic risk buffer	1.00%	1.00%	1.00%
Minimum regulative capital requirement	8.00%	9.50%	11.50%

NOTE 11 Share capital

Share options

As at 31 December 2015 Inbank had issued remuneration-related share options for the acquisition of a total of 347 shares, 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 nine months of 2016, a total of 167 shares have been issued within the framework of the above option agreements. The options grant the right to acquire shares at a price of EUR 10 per share.

In 2016 the Supervisory Board granted permission to the issue of a remuneration-related options for the acquisition of a further 5,800 shares. As at 30 September 2016, options for the acquisition of 4,700 shares have been issued, with options for the acquisition of 1,000 shares to the members of the Bank's Management Board and options for the acquisition of 400 shares to the members of the Bank's Supervisory Board.

The options issued to members of the staff and management bodies in 2016 grant the right to acquire shares at a price of EUR 300 per share.

As at 30 September 2016, the Bank has issued option agreement for the acquisition of a total of 4,880 shares, granting the right to acquire shares at an average price of EUR 289.

The precondition for the realisation of

the share options is an ongoing employment relationship after a period of three years and the achievement of the particular financial targets set by the group.

Based on the equity amount per share, the Bank calculates the value of a share as at 30 September 2016 at EUR 151. The share-based payment reserve is recognised under "Other reserves" in equity. Personnel expenses related to the option agreements in 2016 amounted to a total of 51 EURt.

The options were realised via the issue of shares, with a monetary contribution made for the nominal price of the shares (EUR 10 per share). The transaction value of EUR 167 per share was calculated based on the equity amount per share as at 30 June 2016. The difference between the nominal price and the transaction value is recorded in the statement of financial position as a share premium of 26 EURt.

Increase of share capital

The increase of the share capital of Inbank was registered in the commercial register on 22 July 2016. As a result, the number of the shares of Inbank amount to 68,881 (previously 56,880), with a nominal value of EUR 10 per share. The share capital was increased by EUR 120,010, at a share premium of EUR 966,860. With the issue of shares, options issued to shareholders and management board members for the acquisition of 8,667 shares were realised.

NOTE 12 Contingent liabilities and loan commitments

The group has entered into a contract with a member of the Management Board, stipulating a severance pay upon termination of the contract equalling six times the monthly remuneration. The contracts entered into with the remaining members of the Management Board do not stipulate a severance pay upon termination of the contract. 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 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 at 30 September 2016, the Bank's retained earnings stand at 2,393 EURt (31.12.2015: 708 EURt), with the income tax expense payable upon dividend payment amounting to 598 EURt (31.12.2015: 177).

The group has no contingent loan commitments as at 30 September 2016.

NOTE 13

Events after the balance sheet date

On 28 September 2016, Inbank AS issued subordinated bonds, listed on the Nasdaq Tallinn Stock Exchange as of 3 October 2016.

The security information has been provided below:

ISIN	EE3300110964
Security code	INBB070026A
Number of securities issued	6503
Nominal	1 000 EUR
Issue volume	6 503 000 EUR
Date of listing	03.10.2016
Maturity	28.09.2026
Coupon (%)	7

In the period between October 3 and November 11, 17 transactions were made with 59 debt securities in the total amount of 64 EURt. A mere five weeks of trading does not allow to estimate the future trading price, or whether or not the transaction price can be used for determining the fair value of the bonds.

NOTE 14

Consolidated financial position (adjusted)

EURt

Assets	31.12.2015 (adjusted)	31.12.2015	30.06.2016 (adjusted, unreviewed)	30.06.2016 (adjusted, unreviewed)
Cash in hand	3	3	6	6
Due from central banks	499	499	4,898	4,898
Due from credit institutions	4,882	4,882	1,830	1,830
Loans and receivables	34,931	35,188	53,996	53,996
Investments in affiliates	868	868	1,173	1,173
Tangible assets	95	95	121	121
Intangible assets	760	760	788	788
Other assets	286	260	221	221
Total assets	42,324	42,555	63,033	63,033
Liabilities				
Loans raised	110	110	0	0
Deposits	29,711	29,711	49,702	49,702
Debt securities issued	3,114	3,114	2,974	2,974
Other liabilities	1,381	1,381	1,109	1,109
Total liabilities	34,316	34,316	53,785	53,785
Equity				
Share capital	569	569	569	569
Share premium	5,393	5,393	5,393	5,393
Retained earnings/accumulated loss	-279	-279	808	901
Other reserves	1,360	1,360	1,387	1,387
Profit for financial year	987	1,207	1,113	1,020
Total equity capital held by shareholders of parent company	8,030	8,250	9,270	9,270
Non-controlling interest	-22	-11	-22	-22
Total equity	8,008	8,239	9,248	9,248
Total liabilities and equity	42,324	42,555	63,033	63,033

Write-downs were recognised in the Annual Report of 31.12.2015 on the basis of experience of previous periods. Having received additional information after approval of the Annual Report, the Management Board sees the need for recognising a portion of the write-down for Q2 2016 as at 31.12.2015. The corresponding restatement also affects income tax calculation. The principle for accounting for the effective interest rate has been adjusted in this interim report, compared to the financial statements for the year ended 31.12.2015.

The adjustment of the financial positions of 31.12.2015 and 30.06.2016 has been presented below:

	31.12.2015 Adjusted	31.12.2015	Adjustment
Loans and receivables	34,931	35,188	-257
Other assets	286	260	26
Profit for the reporting period	987	1,207	-220
Non-controlling interest	-22	-11	-11
	30.06.2016 Adjusted	30.06.2016 (unaudited, unreviewed)	Adjustment
Retained earnings	808	901	-93
Profit for 6 months	1,113	1,020	93

NOTE 15

Consolidated statement of comprehensive income (adjusted)

EURt	Note	12M 2015 (adjusted)	12M 2015	6M 2016 (adjusted, unreviewed)	6M 2016 (unaudited, unreviewed)	Q2 2016 (adjusted)	Q2 2016 (unaudited, unreviewed)
Continuing operations							
Interest income	4	4,082	4,210	4,161	4,161	2,345	2,345
Interest expenses	4	-705	-705	-559	-559	-301	-301
Net interest income		3,377	3,505	3,602	3,602	2,044	2,044
Fee and commission income	5	273	273	261	261	141	141
Fee and commission expense	5	-246	-246	-153	-153	-81	-81
Net fee and commission income		27	27	108	108	60	60
Other income related to operations		644	644	313	313	142	142
Net profit from operations		644	644	313	313	142	142
Total income		4,048	4,176	4,023	4,023	2,246	2,246
Personnel costs		-1,505	-1,505	-1,080	-1,080	-580	-580
Marketing expenses		-222	-222	-231	-231	-143	-143
Administrative expenses		-675	-676	-417	-417	-266	-266
Depreciation, amortisation and impairment		-157	-157	-91	-91	-47	-47
Total operating expenses		-2,559	-2,560	-1,819	-1,819	-1,036	-1,036
Operating profit		1,489	1,616	2,204	2,204	1,210	1,210
Impairment losses on loans		-976	-846	-1,402	-1,532	-943	-1,073
Net profit for financial year before investments		513	770	802	672	267	137
Profit from investments		365	365	273	273	96	96
Profit before income tax		878	1,135	1,075	945	363	233
Deferred income tax		71	45	17	43	15	41
Comprehensive income		949	1,180	1,092	988	378	274
Profit/loss attributable to parent company		987	1,207	1,113	1,020	401	308
Profit/loss attributable to non-controlling interest		-38	-27	-21	-32	-23	-34
Total comprehensive income for the period		949	1,180	1,092	988	378	274

This statement of comprehensive income as at 31.12.2015 has been adjusted, compared to the previous version, with the following changes introduced:

EURt	12M 2016 Adjusted	12M 2016	Adjustment
Interest income	4,082	4,210	-128
Impairment losses on loans	-976	-846	-130
Deferred income tax	71	45	26
Profit/loss attributable to non-controlling interest	-38	-27	-11
Total comprehensive income for the period	949	1,180	-231

The adjustment also affected the consolidated statement of income as at 30.06.2016, with changes introduced in the 6M and Q2 income statement. In the Q1 report, the adjustment triggered a decrease in retained earnings by a total of 220 EURt.

EURt	6M 2016 Adjusted	6M 2016 (unaudited, unreviewed)	Adjustment
Impairment losses on loans	-1,402	-1,532	130
Deferred income tax	17	43	-26
Total comprehensive income for the period	1,092	988	104
Profit/loss attributable to non-controlling interest	-21	-32	11

EURt	Q2 2016 Adjusted	Q2 2016 (unaudited, unreviewed)	Adjustment
Impairment losses on loans	-943	-1,073	130
Deferred income tax	15	41	-26
Total comprehensive income for the period	378	274	104
Profit/loss attributable to non-controlling interest	-23	-34	11

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Auditor's Review Report on Interim Financial Information

To the Management Board of Inbank AS, to be submitted to the Financial Supervision Authority

Introduction

We have reviewed the consolidated financial position of Inbank AS at 30 September 2016 as well as the consolidated statement of comprehensive income, consolidated statement of changes in equity and the cash flow statement for the nine-month period then ended, as well as the accounting policies and principles and the explanatory notes. The management board of Inbank AS is responsible for the preparation and fair presentation of the above interim financial statements in accordance with the International Financial Reporting Standards (IAS 34), as adopted by the European Commission. Our responsibility is to present, based on our review, a summary of the interim financial statements.

Scope of the review

We have conducted our review in accordance with the international standard on review engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (Estonia). The review of the interim financial information entails submission of inquiries to persons responsible for finance and reporting, as well as implementation of analytic and other review procedures. The scope of the review is significantly smaller than the scope of an audit conducted in accordance with the International Standards on Auditing and does not consequently allow us to obtain reasonable assurance about significant circumstances which could be identified in the course of an audit. We will not thus provide an audit opinion.

Summary

Based on our review, we have not identified any circumstances which would prompt us to believe that the interim financial information does not provide a fair and true view of the consolidated financial position of Inbank AS as at 30 September 2016, the consolidated financial results and cash flows of Inbank AS for the nine-month period then ended in accordance with the International Financial Reporting Standards (IAS 34), as adopted by the European Commission.

17 November 2016

/digitally signed/
Monika Peetson
Authorised auditor (reg. no 555)
AS Deloitte Audit Eesti
Activity licence No 27