

Interim Report of Inbank AS

9 months 2017

Inbank AS general information

| | | | |
|-------------------------------------|---|--|--|
| Business name | Inbank AS | Members of the Supervisory Board | Members of the Management Board |
| Address | Niine 11, 10414 Tallinn | Priit Põldoja, Chairman of the Supervisory Board | Jan Andresoo, Chairman of the Management Board |
| Registration date | 05.10.2010 | Roberto De Silvestri | Liina Sadrak |
| Registry code | 12001988 (Commercial Register of the Republic of Estonia) | Triinu Reinold | Marko Varik |
| Legal entity identifier | 2138005M92IEIQVEL297 (LEI code) | Raino Paron | Piret Paulus |
| VAT number | EE101400240 | Rain Rannu | |
| Telephone | +372 640 8080 | | |
| E-mail | info@inbank.ee | | |
| Website | www.inbank.ee | | |
| Balance sheet date of report | 30.09.2017 | | |
| Reporting period | 01.01.2017 – 30.09.2017 | | |

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

Inbank AS' interim report for nine months 2017 is unaudited.

The bank does not hold 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 2017, consisting of the management report and interim financial statements as at 30 September 2017, 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 2017, its financial performance and cash flows for the nine months of 2017;
- the accounting policies used in preparing the interim report comply with IAS 34 (EU);
- the interim report has been prepared using the policies of the annual report for the year ended 31 December 2016.

Inbank AS is a going concern.

Tallinn, 30 October 2017

| | |
|---------------------|----------------------------------|
| Jan Andresoo | Chairman of the Management Board |
| Liina Sadrak | Member of the Management Board |
| Marko Varik | Member of the Management Board |
| Piret Paulus | Member of the Management Board |

Management report

It was a very active summer for Inbank. Gratifying results and progress made gives reason to be content with Inbank's development.

Key events

As announced in our previous reports, 15th of March 2017 marked the launch of Inbank's business activities in Poland. At the outset of our actions, we devoted attention primarily to testing the solutions and products developed. This phase is now ending: business processes are functioning properly and the quality of credit decisions is per our expectations. We're pleased to see that the Polish team has been able to enter into a number of cooperation agreements with key partners, in order to start supplying financing solutions through a partner network in Q4 of 2017.

In August, Inbank sold a 30% holding in its subsidiary Veriff. Veriff, co-founded by Inbank, provides Internet-based authentication services. Considering Veriff's ambitions and our strategy, we deemed it wise to reduce our holding and enable the possibility for wider ownership structure. After the transaction and following expansion of Veriff's shareholder structure, Inbank's shareholding in the company is now at 21,68%. It

We completed a multi-stage transaction, selling affiliates Coop Finants AS and Krediidipank Finants AS. We re-invested the proceeds from the sale back into the company now operating under a new name: Coop Pank.

is good to see interest in Veriff from other investors – the company is doing well and Inbank had a chance to be a part of bringing this interesting business idea to life.

In the second half of the year, Inbank's Internal Capital Adequacy Assessment Process (ICAAP) reached its official completion. The Financial Supervision Authority approved Inbank's capital requirements which have decreased compared to the previous year. This fact attests to the bank's lower overall risk level.

In addition, we completed a multi-stage transaction, selling affiliates Coop Finants AS and Krediidipank Finants AS. We re-invested the proceeds from the sale back into the company now operating under a new name: Coop Pank. For this reason, the results of the former affiliates Coop Finants and Krediidipank Finants are no longer reflected in Inbank's reporting.

Inbank continues to work actively toward strengthening the organi-

sation in Latvia. In the third quarter a number of talented top-level specialists joined our team in Riga. The Estonian business unit managed to show very strong sales figures in both the hire-purchase and loan business.

In the third quarter, Inbank's traditional team event took place. During the two-day get-together, our fast-growing teams from Estonia, Latvia and Poland had the opportunity to meet co-workers from other countries and tackle various challenges together.

Business volumes

In total, the sales of various credit products in the third quarter amounted to 20.2 EURm, which was 32.5% more than in the third quarter of previous year. Estonian results stood out with sales volumes of 15.6 EURm, an increase of 36.5% from the year before. Sales results

in Latvia and Poland were good as well, where sales volumes were 2.42 EURm and 2.26 EURm, respectively.

In Latvia the sales volumes of hire-purchase product showed strong growth compared to the year before. This is an area that has been in sharper focus for us in recent periods. The Poland business activity was going through the initial test phase and thus we were being deliberately conservative in pursuing growth in sales volumes.

We raised 14.1 EURm in deposits in the third quarter, of which deposits collected in Estonia made up 5.11 EURm, deposits collected in Germany and Austria made up 4.94 EURm and deposits raised on the Polish market amounted to 4.07 EURm. The pace of growth in deposits was in balance with growth in volumes of lending activity.

Profit

The bank's total net income in the third quarter amounted to 3.02 EURm, which is 18% increase compared to the same period last year. Total operating expenses in the third quarter amounted to 1.71 EURm, resulting in a cost/income ratio of 56.6%. The bank's impairment expense amounted to 924 EURt and the quarterly profit was 1.58 EURm, which was 1.01 EURm increase compared to the third quarter last year. The bank's net profit for nine months was 7.28 EURm. It needs to be noted that the bank's profit was significantly influenced in the third quarter by the very strong profit of Coop Pank, which under the equity method had a positive impact on Inbank's result.



Summary

The third quarter was busy and filled with achievements. It was good to see the strengthening of the organisation and many growth-oriented development activities taking place which allow us to look to the future with optimism. In the following quarter, above all, we await news from Poland, where we are about to launch business activities through local partner network.

Jan Andresoo
Chairman of the Management Board

In August, Inbank's teams from Estonia, Latvia and Poland met at our traditional team event. At the two-day get-together, people participated in various team-building activities.

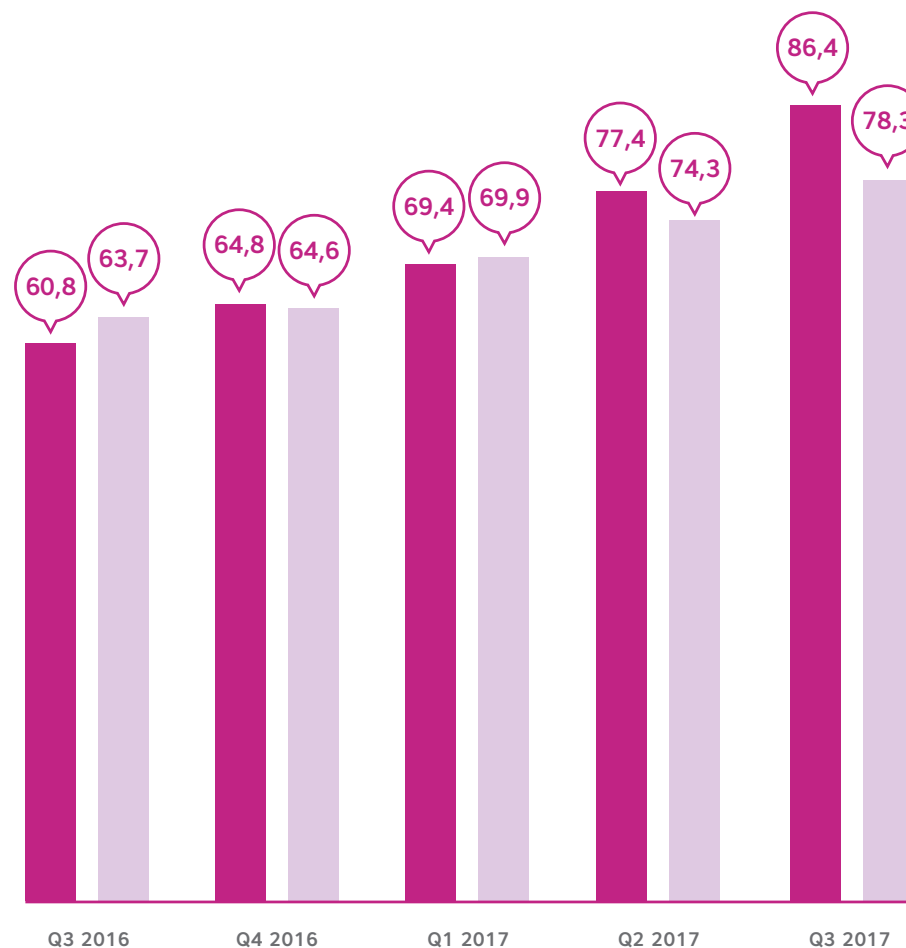
Key financial indicators and ratios

EURt

| Key financial indicators | 30.09.2017 | 30.09.2016 | |
|---|------------|------------|--------|
| Total assets | 108 927 | 82 569 | 31.9% |
| Total equity attributable to shareholders of the parent | 21 833 | 10 880 | 100.7% |
| Total comprehensive income attributable to owners of the parent | 7 277 | 1 712 | 325.1% |
| Loan portfolio | 86 411 | 60 805 | 42.1% |
| Deposit portfolio | 78 290 | 63 684 | 22.9% |

| Ratios | 30.09.2017 | 30.09.2016 |
|-------------------------------|------------|------------|
| Net return on equity | 57.9% | 24.1% |
| Net return on total assets | 10.0% | 3.7% |
| Net interest margin | 11.7% | 13.2% |
| Loan losses to loan portfolio | 4.7% | 7.0% |
| Cost/income ratio | 58.2% | 44.6% |
| Equity to total assets | 20.0% | 13.2% |

Volume of loan portfolio and deposit portfolio



■ Loan portfolio, EURm

■ Deposit portfolio, EURm

Net return on equity: comprehensive income attributable to owners of the parent / total equity attributable to shareholders of the parent (average over the period) annualised

Net return on total assets: total comprehensive income attributable to owners of the parent / total assets (average over the period) annualised

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

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

Cost/income ratio: total operating expenses / total income

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

Capital adequacy

| <i>EURt</i> | 30.09.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| Capital base | | |
| Paid-in share capital | 782 | 689 |
| Share premium | 9 068 | 6 361 |
| Statutory and other reserves | 1 441 | 1 418 |
| Retained earnings | 3 264 | 681 |
| Intangible assets (subtracted) | -799 | -902 |
| Profit for reporting period* | 7 271 | 2 647 |
| Shares in affiliates** | -7 745 | -1 673 |
| Total Tier 1 capital | 13 282 | 9 221 |
| Subordinated debt at nominal value | 6 503 | 6 503 |
| Total Tier 2 capital | 6 503 | 6 503 |
| Net own funds for capital adequacy calculation | 19 785 | 15 724 |
| Risk-weighted assets | | |
| Credit institutions, standardised approach | 1 752 | 391 |
| Non-financial customers, standardised approach | 3 301 | 3 037 |
| Retail claims, standardised approach*** | 60 716 | 44 818 |
| Claims past due, standardised approach*** | 1 624 | 1 095 |
| Equity items | 69 | 0 |
| Other assets, standardised approach | 3 081 | 1 562 |
| Total credit risk and counterparty credit risk | 70 543 | 50 903 |
| Operational risk, basic indicator approach | 9 765 | 4 701 |
| Total risk-weighted assets | 80 308 | 55 604 |
| Capital adequacy (%) | 24.64% | 28.28% |
| Regulative capital adequacy (%)** | 22.45% | 26.69% |
| Tier 1 capital ratio (%) | 16.54% | 16.58% |
| Regulative Tier 1 capital ratio (%) | 14.44% | 15.15% |

*In accordance with EU regulation, audited profit for the period may be included in retained earnings upon prior approval by competent authority. The calculations made in accordance with EU regulation include the profit for the first six month of 2017 in the amount of 5 719 EURt, and do not include the profit for Q3 in the amount of 1 553 EURt (2016: does not include profit for Q4 in the amount of 936 EURt, including the profit from affiliates using the equity method of 261 EURt).

**According to the reports submitted to the regulator, the capital adequacy ratio is 22,45% (31.12.2016: 26,69%) and the subtracted balance sheet value of "Shares in affiliates" is 7 745 EURt (31.12.2016: 1 411 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.

***In the reports submitted to the regulator as of 30.09.2017, the risk exposures take account of the credit portfolio impairment losses made in the reporting period in the amount of 924 EURt and yet to be confirmed by the external auditor. The external auditor has confirmed the 6-month profit, together with the impairment losses.

The directly applicable regulation obliges all credit institutions (and their consolidating 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% (in accordance with the law) 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 of the balance sheet date and as at the publication of the interim report.

An overview 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 conservation 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% |

Condensed consolidated interim financial statement

Condensed consolidated statement of financial position

| <i>EURt</i> | <i>Note</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
|---|-------------|-------------------|-------------------|
| Assets | | | |
| Cash in hand | | 4 | 4 |
| Due from central banks, including mandatory reserve | 9 | 7 613 | 14 680 |
| Due from credit institutions | 9 | 4 817 | 1 956 |
| Loans to and receivables from customers | 4 | 86 411 | 64 839 |
| Investments in affiliates | 11 | 7 791 | 1 |
| Tangible assets | | 198 | 183 |
| Intangible assets | | 799 | 902 |
| Other financial assets | | 45 | 43 |
| Other assets | | 237 | 214 |
| Deferred tax assets | 8 | 1 012 | 449 |
| Assets held for sale | 11 | 0 | 1 672 |
| Total assets | 3 | 108 927 | 84 943 |

| <i>EURt</i> | <i>Note</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
|--|-------------|-------------------|-------------------|
| Liabilities | | | |
| Customer deposits | 12 | 78 290 | 64 587 |
| Other financial liabilities | | 1 266 | 1 034 |
| Other liabilities | | 1 034 | 722 |
| Income tax liability | | 0 | 321 |
| Subordinated debt securities | 13 | 6 480 | 6 475 |
| Total liabilities | 3 | 87 070 | 73 139 |
| Equity | | | |
| Share capital | 16 | 782 | 689 |
| Share premium | 16 | 9 068 | 6 361 |
| Statutory reserve capital | | 57 | 57 |
| Other reserves | | 1 390 | 1 361 |
| Retained earnings | | 10 536 | 3 330 |
| Total equity attributable to the shareholders of parent company | | 21 833 | 11 798 |
| Non-controlling interest | | 24 | 6 |
| Total equity | | 21 857 | 11 804 |
| Total liabilities and equity | | 108 927 | 84 943 |

Notes set out on pages 14-38 form an integral part of the interim financial report.

Condensed consolidated statement of profit and loss and other comprehensive income

| <i>EURt</i> | <i>Note</i> | <i>Q3 2017</i> | <i>9 months 2017</i> | <i>Q3 2016</i> | <i>9 months 2016</i> |
|---|-------------|----------------|----------------------|----------------|----------------------|
| Interest income | 5 | 3 382 | 9 378 | 2 741 | 6 902 |
| Interest expense | 5 | -496 | -1 472 | -372 | -931 |
| Net interest income | | 2 886 | 7 906 | 2 369 | 5 971 |
| Fee income | 6 | 226 | 622 | 158 | 419 |
| Fee expense | 6 | -155 | -439 | -96 | -249 |
| Net fee and commission income | | 71 | 183 | 62 | 170 |
| Other operating income | | 66 | 319 | 131 | 444 |
| Total net interest, fee and other income | 5;6 | 3 023 | 8 408 | 2 562 | 6 585 |
| Staff costs | 7 | -1 029 | -2 908 | -699 | -1 779 |
| Marketing expenses | | -192 | -680 | -161 | -392 |
| Administrative expenses | | -437 | -1 145 | -214 | -631 |
| Depreciations, amortisation | | -53 | -157 | -44 | -135 |
| Total operating expenses | | -1 711 | -4 890 | -1 118 | -2 937 |
| Profit before impairment losses on loans | | 1 312 | 3 518 | 1 444 | 3 648 |
| Share of profit from affiliates | 11 | 1 123 | 6 188 | 239 | 512 |
| Impairment losses on loans | 4 | -924 | -2 655 | -1 101 | -2 503 |
| Profit before income tax | | 1 511 | 7 051 | 582 | 1 657 |
| Deferred income tax | 8 | 70 | 221 | 6 | 23 |
| Net profit for the reporting period | | 1 581 | 7 272 | 588 | 1 680 |

Continues on the next page

| | <i>Note</i> | <i>Q3 2017</i> | <i>9 months 2017</i> | <i>Q3 2016</i> | <i>9 months 2016</i> |
|--|-------------|----------------|----------------------|----------------|----------------------|
| Other comprehensive income/loss | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Unrealised foreign exchange gains/losses | | 19 | 6 | 0 | 0 |
| Total comprehensive income for the reporting period | | 1 600 | 7 278 | 588 | 1 680 |
| Profit is attributable to | | | | | |
| Owners of the parent | | 1 553 | 7 271 | 599 | 1 712 |
| Non-controlling interest | | 28 | 1 | -11 | -32 |
| Profit for the reporting period | | 1 581 | 7 272 | 588 | 1 680 |
| Total comprehensive income/loss is attributable to | | | | | |
| Owners of the parent | | 1 571 | 7 277 | 599 | 1 712 |
| Non-controlling interest | | 29 | 1 | -11 | -32 |
| Total comprehensive income for the reporting period | | 1 600 | 7 278 | 588 | 1 680 |
| Basic earnings per share | 15 | 19.86 | 98.86 | 9.53 | 27.23 |
| Diluted earnings per share | 15 | 18.72 | 92.86 | 8.83 | 25.25 |

Notes set out on pages 14-38 form an integral part of the interim financial report.

Condensed consolidated statement of cash flows

| <i>EURt</i> | <i>Note</i> | <i>9 months 2017</i> | <i>9 months 2016</i> |
|--|-------------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Interest received | 5 | 9 288 | 7 225 |
| Interest paid | 5 | -1 310 | -503 |
| Fees received | 6 | 622 | 419 |
| Fees paid | 6 | -439 | -249 |
| Other income received | | 319 | 444 |
| Staff costs paid | | -2 674 | -2 008 |
| Administrative and marketing expenses paid | | -1 609 | -810 |
| Cash flows from operating activities before changes in operating assets and liabilities | | 4 197 | 4 518 |
| Net increase/decrease in operating assets | | | |
| Loans to and receivables from customers | | -24 548 | -29 189 |
| Mandatory reserve in central bank | | -106 | -249 |
| Other assets | | -26 | 1 |
| Net increase/decrease in operating liabilities | | | |
| Customer deposits | | 13 541 | 34 129 |
| Other liabilities | | -98 | 130 |
| Net cash from/used in operating activities | | -7 040 | 9 340 |
| Cash flows from investing activities | | | |
| Acquisition of PPE and intangible assets | | -106 | -92 |
| Acquisition of subsidiaries and affiliates | 10;11 | -10 697 | -173 |
| Proceeds from disposal of subsidiaries | 10;11 | 300 | 0 |
| Proceeds from disposal of affiliates | 11 | 10 403 | 0 |
| Net cash from/used in investing activities | | -100 | -265 |

| <i>EURt</i> | <i>Note</i> | <i>9 months 2017</i> | <i>9 months 2016</i> |
|---|-------------|----------------------|----------------------|
| Cash flows from financing activities | | | |
| Proceeds from debt securities | | 0 | -3 114 |
| Debt securities issued | 13 | 0 | 6 473 |
| Repayments of loans received | | 0 | -110 |
| Share capital contribution (including share premium) | 16 | 2 800 | 1 113 |
| Net cash from/used in financing activities | | 2 800 | 4 362 |
| Effect of exchange rate changes | | 13 | 0 |
| Net increase/decrease in cash and cash equivalents | 9 | -4 327 | 13 437 |
| Cash and cash equivalents at the beginning of the reporting period | | 16 167 | 5 230 |
| Cash and cash equivalents at the end of the reporting period | 9 | 11 840 | 18 667 |

Notes set out on pages 14-38 form an integral part of the interim financial report.

Condensed consolidated statement of changes in equity

| <i>EURt</i> | <i>Note</i> | <i>Share capital</i> | <i>Share premium</i> | <i>Statutory reserve capital</i> | <i>Other reserves</i> | <i>Retained earnings/ accumulated loss</i> | <i>Total attributable to owners of the parent</i> | <i>Non-controlling interest</i> | <i>Total equity</i> |
|--|-------------|----------------------|----------------------|----------------------------------|-----------------------|--|---|---------------------------------|---------------------|
| Balance as of 01 January 2016 | | 569 | 5 393 | 30 | 1 330 | 708 | 8 030 | -22 | 8 008 |
| Paid in share capital | | 120 | 993 | 0 | 0 | 0 | 1 113 | 0 | 1 113 |
| Share-based payment reserve | | 0 | 0 | 0 | 25 | 0 | 25 | 0 | 25 |
| Statutory reserve capital | | 0 | 0 | 27 | 0 | -27 | 0 | 0 | 0 |
| Acquisition of non-controlling interest in subsidiaries | | 0 | 0 | 0 | 0 | 0 | 0 | 59 | 59 |
| Total profit/-loss and other comprehensive income for the reporting period | | 0 | 0 | 0 | 0 | 1 712 | 1 712 | -32 | 1 680 |
| Balance as of 30 September 2016 | | 689 | 6 386 | 57 | 1 355 | 2 393 | 10 880 | 5 | 10 885 |
| Balance as of 01 January 2017 | | 689 | 6 361 | 57 | 1 361 | 3 330 | 11 798 | 6 | 11 804 |
| Paid in share capital | 16 | 93 | 2 707 | 0 | 0 | 0 | 2 800 | 0 | 2 800 |
| Share-based payment reserve | | 0 | 0 | 0 | 23 | 0 | 23 | 0 | 23 |
| Statutory reserve capital | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Purchase of non-controlling interest in subsidiaries | | 0 | 0 | 0 | 0 | -65 | -65 | 46 | -19 |
| Disposal of subsidiary | | 0 | 0 | 0 | 0 | 0 | 0 | -29 | -29 |
| Total profit/-loss and other comprehensive income for the reporting period | | 0 | 0 | 0 | 6 | 7 271 | 7 277 | 1 | 7 278 |
| Balance as of 30 September 2017 | | 782 | 9 068 | 57 | 1 390 | 10 536 | 21 833 | 24 | 21 857 |

Notes set out on pages 14-38 form an integral part of the interim financial report.

Note 1 Accounting policies

The interim financial report has been prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting", as adopted by the EU, and consists of condensed financial statements and selected explanatory notes. The accounting policies used in the preparation of the interim report are the same as the accounting policies used in the annual report for the year ended 31 December 2016, which comply with the International Financial Reporting Standards (IFRS), as adopted by the European Commission.

The interim financial report is not audited, and does not contain the entire range of information required for the preparation of complete financial statements. The interim financial report should be read in conjunction with the Annual Report prepared for the year ended 31 December 2016, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

The amended standards that became effective since 1 January 2017 have had no impact on the 9-month interim financial report of Inbank.

In addition to Inbank AS, the Inbank AS consolidation group also includes the subsidiary Inbank

Lizings SIA (holding 100%), which was established in Latvia and provides financial services, the subsidiary Inbank Technologies AS (holding 100%), which develops software. Inbank Technologies sold part of the investment in its subsidiary Veriff OÜ and the investment is recognised as an affiliate (holding 21,68%). Inbank Liising AS (holding 80%) launched the provision of full service leasing to business customers in Q3 2016.

Inbank's Poland branch launched its activities on the Polish deposit and consumer financing market in Q1 2017. The economic results of the branch are presented in Inbank's interim financial report. The branch is obliged to submit regulatory reports to the Polish financial supervision authority (Komisja Nadzoru Finansowego).

Inbank's investments in affiliated companies Coop Finants AS (holding 49%) and Krediidipank Finants AS (holding 49%) were disposed in the first half of 2017. The bank acquired a holding (9.9995%) in Krediidipank in January 2017. The holding was increased in May and June, with the final participation amounting to 17.935%. The investment has been recognised as an affiliate. Investments in affiliates are recognised based on the equity method.

Note 2 Significant accounting estimates

According to the IFRS, many of the financial indicators given in the report are based on strictly accounting-related management estimates and opinions, which have an impact on the value of the assets and liabilities presented in the financial statements as of the balance sheet date and on the income and expenses of the subsequent financial years. Although these estimates are based on the best knowledge of the management and conclusions from ongoing events, the actual result may not coincide with them in the end, and may differ significantly from these estimates.

The management consistently reviews such decisions and estimates, including the ones that have an influence on the fair value of financial instruments, the write-down of impaired loans, impairment of tangible and intangible assets, deferred taxes and share-based payments.

The management relies on past experience and the other factors it considers reasonable in the given situation when making these decisions and estimates.

Note 3 Business segments

Inbank 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 intersegment transactions. Business segments are Inbank group companies that have separate financial data, which form the basis for regular monitoring of business results by the Group's decision-makers.

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

Inbank AS' (Estonia) "other operating 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. Also see Note 18.

Income of reportable segments

EURt

| 9 months 2017 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|------------------------|--------------------------------|--------------------------------|----------------------------|-------------------------------------|---------------|
| Interest income | 7 301 | 2 685 | 92 | 101 | 4 | 10 183 |
| Fee income | 418 | 201 | 2 | 1 | 0 | 622 |
| Other operating income | 160 | -1 | 0 | 13 | 230 | 402 |
| Inter-segment eliminations | -810 | 0 | 0 | 0 | -78 | -888 |
| Revenue from external customers | 7 069 | 2 885 | 94 | 115 | 156 | 10 319 |
| Interest expense | -1 424 | -731 | -51 | -53 | -20 | -2 279 |
| Fee expense | -223 | -88 | 0 | -133 | 0 | -444 |
| Inter-segment eliminations | 5 | 731 | 51 | 5 | 20 | 812 |
| Total expenses | -1 642 | -88 | 0 | -181 | 0 | -1 911 |
| Total net interest, fee and commission income and other income | 5 427 | 2 797 | 94 | -66 | 156 | 8 408 |

Net profit structure

EURt

| 9 months 2017 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|------------------------|--------------------------------|--------------------------------|----------------------------|-------------------------------------|--------------|
| Profit before impairment losses on loans | 3 343 | 1 327 | 38 | -1 027 | -163 | 3 518 |
| Profit from affiliates | 5 797 | 0 | 0 | 0 | 391 | 6 188 |
| Impairment losses on loans | -1 122 | -1 431 | -12 | -90 | 0 | -2 655 |
| Deferred income tax | 0 | 0 | 0 | 221 | 0 | 221 |
| Net profit/loss | 8 018 | -104 | 26 | -896 | 228 | 7 272 |

EURt

| Q3 2017 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|--------------|
| Interest income | 2 689 | 844 | 34 | 82 | 1 | 3 650 |
| Fee income | 161 | 63 | 1 | 1 | 0 | 226 |
| Other operating income | 14 | -2 | 0 | -11 | 92 | 93 |
| Inter-segment eliminations | -274 | 0 | 0 | 0 | -21 | -295 |
| Revenue from external customers | 2 590 | 905 | 35 | 72 | 72 | 3 674 |
| Interest expense | -467 | -239 | -20 | -34 | -8 | -768 |
| Fee expense | -75 | -36 | 0 | -44 | 0 | -155 |
| Inter-segment eliminations | 0 | 239 | 20 | 5 | 8 | 272 |
| Total expenses | -542 | -36 | 0 | -73 | 0 | -651 |
| Total net interest, fee and commission income and other income | 2 048 | 869 | 35 | -1 | 72 | 3 023 |

Net profit structure**EURt**

| Q3 2017 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|--------------|
| Profit before impairment losses on loans | 1 247 | 355 | 14 | -269 | -35 | 1 312 |
| Profit from affiliates | 732 | 0 | 0 | 0 | 391 | 1 123 |
| Impairment losses on loans | -442 | -429 | 5 | -58 | 0 | -924 |
| Deferred income tax | 0 | 7 | 0 | 63 | 0 | 70 |
| Net profit/loss | 1 537 | -67 | 19 | -264 | 356 | 1 581 |

EURt

| 9 months 2016 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|---------------|
| Interest income | 4 891 | 2 661 | 1 | 0 | 4 | 7 557 |
| Fee income | 283 | 136 | 0 | 0 | 0 | 419 |
| Other operating income | 241 | 0 | 0 | 0 | 311 | 552 |
| Inter-segment eliminations | -655 | 0 | 0 | 0 | -108 | -763 |
| Revenue from external customers | 4 760 | 2 797 | 1 | 0 | 207 | 7 765 |
| Interest expense | -931 | -655 | 0 | 0 | -8 | -1 594 |
| Fee expense | -197 | -52 | 0 | 0 | 0 | -249 |
| Inter-segment eliminations | 0 | 655 | 0 | 0 | 8 | 663 |
| Total expenses | -1 128 | -52 | 0 | 0 | 0 | -1 180 |
| Total net interest, fee and commission income and other income | 3 632 | 2 745 | 1 | 0 | 207 | 6 585 |

Net profit structure**EURt**

| 9 months 2016 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|---------------|
| Profit before impairment losses on loans | 2 221 | 1 526 | 1 | 0 | -100 | 3 648 |
| Profit from affiliates | 512 | 0 | 0 | 0 | 0 | 512 |
| Impairment losses on loans | -813 | -1 688 | -2 | 0 | 0 | -2 503 |
| Deferred income tax | 0 | 23 | 0 | 0 | 0 | 23 |
| Net profit/loss | 1 920 | -139 | -1 | 0 | -100 | 1 680 |

EURt

| Q3 2016 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|--------------|
| Interest income | 1 900 | 1 105 | 1 | 0 | 1 | 3 007 |
| Fee income | 97 | 61 | 0 | 0 | 0 | 158 |
| Other operating income | 89 | 0 | 0 | 0 | 99 | 188 |
| Inter-segment eliminations | -266 | 0 | 0 | 0 | -57 | -323 |
| Revenue from external customers | 1 820 | 1 166 | 1 | 0 | 43 | 3 030 |
| Interest expense | -375 | -269 | 0 | 0 | -5 | -649 |
| Fee expense | -76 | -20 | 0 | 0 | 0 | -96 |
| Inter-segment eliminations | 0 | 272 | 0 | 0 | 5 | 277 |
| Total expenses | -451 | -17 | 0 | 0 | 0 | -468 |
| Total net interest, fee and commission income and other income | 1 369 | 1 149 | 1 | 0 | 43 | 2 562 |

Net profit structure**EURt**

| Q3 2016 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|---------------|
| Profit before impairment losses on loans | 804 | 670 | 1 | 0 | -31 | 1 444 |
| Profit from affiliates | 239 | 0 | 0 | 0 | 0 | 239 |
| Impairment losses on loans | -397 | -702 | -2 | 0 | 0 | -1 101 |
| Deferred income tax | 0 | 6 | 0 | 0 | 0 | 6 |
| Net profit/loss | 646 | -26 | -1 | 0 | -31 | 588 |

EURt

| 30.09.2017 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | Intersegment eliminations | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|--------------------------------------|----------------|
| Cash in hand | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Due from central banks, incl mandatory reserve | 7 148 | 0 | 0 | 465 | 0 | 0 | 7 613 |
| Due from credit institutions | 1 269 | 486 | 112 | 2 627 | 323 | 0 | 4 817 |
| Loans and receivables | 85 647 | 14 783 | 1 100 | 3 373 | 127 | -18 619 | 86 411 |
| Investments in subsidiaries | 1 053 | 0 | 0 | 0 | 0 | -1 053 | 0 |
| Investments in affiliates | 7 744 | 0 | 0 | 0 | 1 | 46 | 7 791 |
| Tangible assets | 87 | 17 | 0 | 51 | 43 | 0 | 198 |
| Intangible assets | 412 | 99 | 0 | 23 | 311 | -46 | 799 |
| Other financial assets | 2 | 41 | 0 | 0 | 2 | 0 | 45 |
| Other assets | 47 | 7 | 168 | 7 | 8 | 0 | 237 |
| Deferred tax assets | 0 | 734 | 0 | 278 | 0 | 0 | 1 012 |
| Total assets | 103 413 | 16 167 | 1 380 | 6 824 | 815 | -19 672 | 108 927 |
| Loans received | 0 | 15 848 | 1 200 | 1 126 | 417 | -18 591 | 0 |
| Customer deposits | 71 537 | 0 | 0 | 6 753 | 0 | 0 | 78 290 |
| Subordinated debt securities | 6 480 | 0 | 0 | 0 | 0 | 0 | 6 480 |
| Other financial liabilities | 1 099 | 75 | 40 | 59 | 2 | -9 | 1 266 |
| Other liabilities | 634 | 271 | 0 | 78 | 51 | 0 | 1 034 |
| Total liabilities | 79 750 | 16 194 | 1 240 | 8 016 | 470 | -18 600 | 87 070 |

EURt

| 31.12.2016 | Inbank AS (Estonia) | Inbank Lizings SIA (Latvia) | Inbank Liising AS (Estonia) | Inbank AS Poland branch | Inbank Technologies OÜ (Estonia) | Intersegment eliminations | TOTAL |
|---|--------------------------------|--|--|------------------------------------|---|--------------------------------------|---------------|
| Cash in hand | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Due from central banks, incl mandatory reserve | 14 680 | 0 | 0 | 0 | 0 | 0 | 14 680 |
| Due from credit institutions | 875 | 900 | 23 | 88 | 70 | 0 | 1 956 |
| Loans and receivables | 66 391 | 16 687 | 606 | 0 | 92 | -18 937 | 64 839 |
| Investments in subsidiaries | 1 033 | 0 | 0 | 0 | 0 | -1 033 | 0 |
| Investments in affiliates | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Tangible assets | 84 | 15 | 0 | 37 | 47 | 0 | 183 |
| Intangible assets | 425 | 122 | 0 | 3 | 401 | -49 | 902 |
| Other financial assets | 2 | 7 | 0 | 19 | 25 | -10 | 43 |
| Other assets | 98 | 0 | 104 | 9 | 3 | 0 | 214 |
| Deferred tax assets | 0 | 390 | 0 | 59 | 0 | 0 | 449 |
| Assets held for sale | 1 672 | 0 | 0 | 0 | 0 | 0 | 1 672 |
| Total assets | 85 264 | 18 121 | 733 | 215 | 639 | -20 029 | 84 943 |
| Loans received | 0 | 17 600 | 600 | 395 | 342 | -18 937 | 0 |
| Customer deposits | 64 587 | 0 | 0 | 0 | 0 | 0 | 64 587 |
| Debt securities issued | 6 475 | 0 | 0 | 0 | 0 | 0 | 6 475 |
| Other financial liabilities | 865 | 74 | 40 | 55 | 9 | -9 | 1 034 |
| Other liabilities | 515 | 50 | 0 | 64 | 93 | 0 | 722 |
| Income tax liability | 0 | 321 | 0 | 0 | 0 | 0 | 321 |
| Total liabilities | 72 442 | 18 045 | 640 | 514 | 444 | -18 946 | 73 139 |

Note 4 Breakdown of loans and receivables by overdue days**EURt**

| Distribution of receivables as of 30.09.2017 | Due from households - gross basis | Portfolio provision | Special provision | Due from households - net basis | Coverage ratio |
|---|--|----------------------------|--------------------------|--|-----------------------|
| Overdue 0-89 days | 82 313 | -1 297 | -41 | 80 975 | 1.6% |
| Overdue 90-179 days | 1 534 | 0 | -1 019 | 515 | 66.4% |
| Overdue more than 180 days | 4 894 | 0 | -3 805 | 1 089 | 77.7% |
| Total receivables | 88 741 | -1 297 | -4 865 | 82 579 | 6.9% |

| Distribution of receivables as of 31.12.2016 | Due from households - gross basis | Portfolio provision | Special provision | Due from households - net basis | Coverage ratio |
|---|--|----------------------------|--------------------------|--|-----------------------|
| Overdue 0-89 days | 60 944 | -1 176 | -20 | 59 748 | 2.0% |
| Overdue 90-179 days | 1 591 | 0 | -1 012 | 579 | 63.6% |
| Overdue more than 180 days | 2 608 | 0 | -2 083 | 525 | 79.9% |
| Total receivables | 65 143 | -1 176 | -3 115 | 60 852 | 6.6% |

| Distribution of receivables as of 30.09.2017 | Due from corporates - gross basis | Portfolio provision | Special provision | Due from corporates - net basis | Coverage ratio |
|---|--|----------------------------|--------------------------|--|-----------------------|
| Overdue 0-89 days | 3 849 | -19 | 0 | 3 830 | 0.5% |
| Overdue 90-179 days | 0 | 0 | 0 | 0 | 0.0% |
| Overdue more than 180 days | 99 | 0 | -97 | 2 | 100.0% |
| Total receivables | 3 948 | -19 | -97 | 3 832 | 2.9% |

| Distribution of receivables as of 31.12.2016 | Due from corporates - gross basis | Portfolio provision | Special provision | Due from corporates - net basis | Coverage ratio |
|---|--|----------------------------|--------------------------|--|-----------------------|
| Overdue 0-89 days | 3 998 | -11 | 0 | 3 987 | 0.3% |
| Overdue 90-179 days | 0 | 0 | 0 | 0 | 0.0% |
| Overdue more than 180 days | 94 | 0 | -94 | 0 | 100.0% |
| Total receivables | 4 092 | -11 | -94 | 3 987 | 2.6% |

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 of 30th of September 2017.

| <i>Impairment losses on loans</i> | <i>9 months 2017</i> | <i>2016</i> | <i>9 months 2016</i> |
|---------------------------------------|----------------------|---------------|----------------------|
| Impairment losses of reporting period | -2 878 | -3 400 | -2 615 |
| Recoveries from write-offs | 223 | 181 | 112 |
| Total | -2 655 | -3 219 | -2 503 |

| <i>Changes in impairments</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
|--|-------------------|-------------------|
| As of January 1 | -4 396 | -1 156 |
| Impairment provisions set up during reporting period | -2 878 | -3 400 |
| Impairment provisions set up for interests and commissions | -355 | -426 |
| Written off from financial position during the period | 1 351 | 585 |
| Total | -6 278 | -4 397 |

Note 5 Net interest income

| <i>EURt</i> | <i>Q3 2017</i> | <i>9 months 2017</i> | <i>Q3 2016</i> | <i>9 months 2016</i> |
|---|----------------|----------------------|----------------|----------------------|
| Interest income | | | | |
| Loans to households | 3 314 | 9 179 | 2 699 | 6 728 |
| Loans to corporates | 46 | 115 | -3 | 33 |
| Due from financial and credit institutions | 22 | 84 | 45 | 141 |
| Total | 3 382 | 9 378 | 2 741 | 6 902 |
| Interest expense | | | | |
| Deposits received | -380 | -1 123 | -319 | -771 |
| Debt securities sold | -116 | -349 | -48 | -152 |
| Loans received | 0 | 0 | -5 | -8 |
| Total | -496 | -1 472 | -372 | -931 |
| Net interest income | 2 886 | 7 906 | 2 369 | 5 971 |
| Interest income by customer location | | | | |
| Estonia | 2 456 | 6 592 | 1 636 | 4 241 |
| Latvia | 844 | 2 685 | 1 105 | 2 661 |
| Poland | 82 | 101 | 0 | 0 |
| Total | 3 382 | 9 378 | 2 741 | 6 902 |

Note 6 Net fee income

| <i>EURt</i> | <i>Q3 2017</i> | <i>9 months 2017</i> | <i>Q3 2016</i> | <i>9 months 2016</i> |
|--|----------------|----------------------|----------------|----------------------|
| Fee income | | | | |
| Loans to households | 225 | 620 | 157 | 414 |
| Loans to corporates | 1 | 2 | 1 | 5 |
| Total | 226 | 622 | 158 | 419 |
| Fee expense | | | | |
| Loan administration costs | -155 | -439 | -85 | -217 |
| Security brokerage | 0 | 0 | -11 | -32 |
| Total | -155 | -439 | -96 | -249 |
| Net fee income | 71 | 183 | 62 | 170 |
| Fee income by customer location | | | | |
| Estonia | 162 | 420 | 97 | 283 |
| Latvia | 63 | 201 | 61 | 136 |
| Poland | 1 | 1 | 0 | 0 |
| Total | 226 | 622 | 158 | 419 |

Note 7 Staff costs

| <i>EURt</i> | <i>Q3 2017</i> | <i>9 months 2017</i> | <i>Q3 2016</i> | <i>9 months 2016</i> |
|------------------------------|----------------|----------------------|----------------|----------------------|
| Staff costs | 1 029 | 2 908 | 699 | 1 779 |
| incl. social tax | 179 | 538 | 123 | 344 |
| incl. unemployment insurance | 2 | 7 | 1 | 5 |

| <i>Number of employees</i> | <i>30.09.2017</i> | <i>30.09.2016</i> |
|----------------------------|-------------------|-------------------|
| | 82 | 62 |

Note 8 Income tax

EURt

| | 9 months 2017 | | | | 2016 | | | |
|--------------------------------------|---------------|------------|----------|------------|----------|------------|----------|------------|
| | Estonia | Latvia | Poland | Total | Estonia | Latvia | Poland | Total |
| Tax rates | 25% | 15% | 19% | | 25% | 15% | 19% | |
| Profit before income tax | 7 906 | 41 | -896 | 7 051 | 2 923 | -6 | -358 | 2 559 |
| Allocations to retained earnings | 0 | 0 | 0 | 0 | -2 923 | 0 | 0 | -2 923 |
| Non-deductible expenses | 0 | 909 | 0 | 909 | 0 | 2 205 | 43 | 2 248 |
| Accumulated deferred loss | 0 | 0 | -358 | -358 | 0 | -58 | 0 | -58 |
| Change in tax losses carried forward | 0 | -954 | -896 | -1 850 | 0 | -2 147 | -315 | -2 462 |
| Taxable income | 0 | 954 | 0 | 954 | 0 | 2 141 | 0 | 2 141 |
| Total income tax | 0 | 143 | 0 | 143 | 0 | 321 | 0 | 321 |

| | 9 months 2017 | | | | 2016 | | | |
|---|---------------|------------|------------|------------|----------|------------|-----------|------------|
| | Estonia | Latvia | Poland | Total | Estonia | Latvia | Poland | Total |
| Deferred tax assets | 0 | 390 | 59 | 449 | 0 | 71 | 0 | 71 |
| Deferred taxable losses | 0 | 3 552 | 1 211 | 4 763 | 0 | 2 598 | 315 | 2 913 |
| Total deferred tax assets | 0 | 533 | 279 | 812 | 0 | 390 | 59 | 449 |
| Income tax deductions reported in the income statement | 0 | 143 | 221 | 364 | 0 | 319 | 59 | 378 |
| Income tax | 0 | 0 | 221 | 221 | 0 | -2 | 59 | 57 |

Pursuant to the Income Tax Act of the Republic of Estonia, legal entities are not obliged to pay income tax on profit earned. Income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and non-business disbursements. Dividend is a disbursement made on the basis of the corresponding resolution of the shareholders of Inbank AS from net profit or retained earnings, in accordance with the dividend recipient's holding in Inbank AS. Inbank pays income tax on dividends upon their disbursement in monetary or non-monetary form. Pursuant to the Income Tax Act, the profit to be allocated as dividends is taxed at a rate of 20/80 of the net dividend to be paid. Corporate income tax on dividends is charged to income tax expenses in the profit or loss over the period of their announcement, regardless of the dividend announcement period or dividend payment period.

As of 30 September 2017, the bank's retained earnings amounted to 10 536 EURt (31.12.2016: 3 330 EURt). The potential income tax expenses related to the payment of dividends would amount to 2 107 EURt (31.12.2016: 666 EURt).

In Latvia, the company made advance income tax payments in the total amount of 200 EURt in the nine months of 2017. The advance payments are recognised under deferred tax assets in the balance sheet.

Note 9 Due from central banks and credit institutions

| <i>EURt</i> | 30.09.2017 | 31.12.2016 |
|-----------------------------------|-------------------|-------------------|
| Due from central banks | 7 019 | 14 192 |
| Mandatory reserve in central bank | 594 | 488 |
| Due from credit institutions | 4 817 | 1 956 |
| Total | 12 430 | 16 636 |

Cash and cash equivalents in the Statement of cash flows include cash in hand, receivables from central banks (excluding the mandatory reserve) and short-term (up to 3 months) receivables from other credit institutions.

Lisa 10 Shares of subsidiaries

Consolidated subsidiaries as at 30.09.2017 and 31.12.2016:

| <i>Commercial register number</i> | <i>Company name</i> | <i>Domicile</i> | <i>Main activity</i> | <i>Ownership interest %</i> | |
|-----------------------------------|-------------------------|-----------------|------------------------------------|-----------------------------|-------------------|
| | | | | <i>30.09.2017</i> | <i>31.12.2016</i> |
| 40103821436 | Inbank Lizings SIA | Latvia | Finance activities in Latvia | 100 | 90 |
| 12104213 | Inbank Technologies OÜ | Estonia | Information technology development | 100 | 100 |
| 12932944 | Veriff OÜ | Estonia | Video identification | 21.68* | 60 |
| 14028999 | Inbank Liising AS | Estonia | Leasing product | 80 | 80 |
| 0000635086 | AS Inbank Poland branch | Poland | Credit institution | | |

*Affiliate (see also Note 11)

Investments acquired and established

| <i>EURt</i> | | | |
|-----------------------------------|-----------------------------|-------------|--------------|
| <i>Name of subsidiary</i> | <i>Ownership interest %</i> | <i>Date</i> | <i>Cost</i> |
| Inbank Lizings SIA (established) | 90 | 21.08.2014 | 499 |
| Inbank Technologies OÜ (acquired) | 100 | 5.06.2015 | 454 |
| Inbank Liising AS (established) | 80 | 8.04.2016 | 80 |
| Total | | | 1 033 |

In 2014, AS Inbank established the subsidiary Inbank Lizings SIA by making a monetary contribution of EUR 499 thousand for the 90% holding and a monetary contribution of EUR 1 thousand for a non-controlling interest of 10%. Starting from May 2017 the ownership in Inbank Lizings is 100%.

In 2015, Inbank acquired a 100% stake in the software development company Desk Rock OÜ. Upon acquisition, the company was renamed Inbank Technologies OÜ. The goodwill generated by the purchase is the difference between the purchase price and fair value of the net assets. The recoverable amount of goodwill is measured in the end of reporting period. For this purpose a test for a use value is performed, based on the estimation of future revenue and expenditure. The value in use, as determined based on calculations, is measured against the cash-generated unit to which goodwill is allocated to the amount of companies equity, and adjusted where necessary.

In parent company's separate statement of financial position the investment in Inbank Technologies OÜ is adjusted when according to the value in use test the recoverable amount of goodwill is lower than the book value.

In the autumn of 2015, Inbank Technologies OÜ established the subsidiary Veriff OÜ by making a monetary contribution of EUR 100 thousand for a 60% stake. The objective of Veriff OÜ is to develop the technical solution for video banking and identification. In August 2017 part of the investment was sold and the investment was reclassified as affiliate. See also Note 11.

In 2016, the subsidiary Inbank Liising AS was established by making a monetary contribution of EUR 80 thousand for an 80% stake and a monetary contribution of EUR 20 thousand for a minority interest of 20%. The established company will be used for offering full service leasing to the company's customers. The provision of services was launched in Q3 last year.

Inbank's Poland branch was registered on 8 September 2016. The Polish financial supervision authority granted the activity licence on 10 January 2017. The branch will start offering consumer financing and deposit products on the Polish market. The legal form was chosen based on the principle of offering the entire product portfolio if Inbank, including term deposits.

Note 11 Shares of affiliates

| <i>Shares of affiliates, general information</i> | | | | <i>Ownership interest %</i> | |
|--|-------------------------|----------------------------|---------------------------------|-----------------------------|-------------------|
| <i>Commercial register number</i> | <i>Company name</i> | <i>Date of acquisition</i> | <i>Main activity</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
| 12257075 | Maksekeskus Holding OÜ | 28.02.2012 | Investment management | 40 | 40 |
| 12087992 | Coop Finants AS | 30.04.2011 | Finance activities in Estonia | 0 | 44 |
| 12546980 | Krediidipank Finants AS | 24.09.2013 | Finance activities in Estonia | 0 | 49 |
| 10237832 | Coop Pank AS | 30.01.2017 | Finance activities in Estonia | 17.94 | 0 |
| 12932944 | Veriff OÜ | 20.10.2015 | Video identification in Estonia | 21.68 | 60* |

*Subsidiary (see also Note 10)

| <i>Carrying amount of affiliates</i> | | |
|--------------------------------------|-------------------|-------------------|
| <i>EURt</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
| <i>Name of affiliate</i> | | |
| Maksekeskus Holding OÜ | 1 | 1 |
| Coop Pank AS | 7 744 | 0 |
| Coop Finants AS | 0 | 1 387 |
| Krediidipank Finants AS | 0 | 285 |
| Veriff OÜ | 46 | 0 |
| Total | 7 791 | 1 673 |

Affiliates have been accounted for using the equity method. In January 2017, Inbank AS increased its ownership in Coop Finants AS by 5%, after which the ownership was 49%. The bank disposed the affiliates Coop Finants AS and Krediidipank Finants AS in the first half of 2017. From 31 December 2016 up until the transaction, the investments have been recognised as non-current assets held for sale.

On 30 January, Inbank acquired 9.9995% of the shares of AS Eesti Krediidipank. After this transaction Eesti Krediidipank has been recognised as an affiliate. The proceeds from disposal of affiliates Coop Finants AS and Krediidipank Finants AS were invested in Eesti Krediidipank, participating in the share issue conducted in Q2 2017. As a result, Inbank holds 17.935% of Eesti Krediidipank. Unrealised profit from the disposal of affiliates has been eliminated. Starting from 2 October 2017 the company was renamed as Coop Pank AS. Inbank has not received dividends from the affiliate.

In the autumn of 2015, Inbank Technologies OÜ established the subsidiary Veriff OÜ which the ownership of 60%. After the sale of shares the holding is 21,68%. Company lost control but retained the significant impact. The investment is recognised as affiliate. The initial recognition of affiliate is at fair value. The fair value was determined on the bases of book value as there is no reliable information to determine it. The investment is recognised based on the equity method.

Disposal and acquisition of affiliates and subsidiary in 2017**EURt**

| | |
|---|---------------|
| Acquisition of holdings in affiliates | 3 229 |
| Proceeds from disposals of affiliates, and reinvestment | 7 448 |
| Purchase of non-controlling interest in the share capital of subsidiary | 20 |
| Total | 10 697 |
| Proceeds from disposals of subsidiary | 300 |
| Proceeds from disposals of affiliates | 7 448 |
| Proceeds from re-sale of holdings in affiliates | 2 955 |
| Total | 10 703 |

In 2016, a contribution to increase the shareholding of affiliate was made in the amount of 31 EURt and the ownership in a subsidiary increased by 80 EURt.

Overview of Coop Pank AS

| EURt | 6 months 2017 | 6 months 2016 | Q2 2017 | Q2 2016 |
|------------------------|----------------------|----------------------|----------------|----------------|
| Net interest income | 4 512 | 3 442 | 2 530 | 1 791 |
| Net fee income | 946 | 1 318 | 507 | 677 |
| Other operating income | 173 | 537 | 64 | 262 |
| Operating expenses | -5 023 | -3 907 | -2 742 | -1 968 |
| Credit losses on loans | -331 | -582 | -275 | -311 |
| Income tax | 0 | -120 | 0 | -120 |
| Net profit | 277 | 688 | 84 | 331 |

| | 30.06.2017 | 31.12.2016 |
|-------------------------------------|-------------------|-------------------|
| Cash | 94 874 | 105 549 |
| Securities | 11 081 | 11 937 |
| Loan and advances to customers | 183 450 | 153 133 |
| Goodwill | 6 757 | 0 |
| Other assets | 29 384 | 19 551 |
| Total assets | 325 546 | 290 170 |
| Due to customers | 275 467 | 253 812 |
| Subordinated loans | 4 040 | 4 039 |
| Other liabilities | 5 045 | 2 742 |
| Equity | 40 994 | 29 577 |
| Total liabilities and equity | 325 546 | 290 170 |

The interim financial report for Q3 of Coop Pank will be published at www.cooppank.ee on 30 November 2017 at the latest.

Note 12 Customer deposits

EURt

| Customer deposits | 30.09.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Deposits from households | 67 802 | 51 572 |
| Deposits from non-financial corporations | 9 447 | 8 054 |
| Deposits from other financial corporations | 1 041 | 4 961 |
| Total | 78 290 | 64 587 |

| Deposits by residence | 30.09.2017 | 31.12.2016 |
|------------------------------|-------------------|-------------------|
| Estonia | 63 047 | 64 111 |
| Germany | 7 657 | 56 |
| Poland | 6 670 | 0 |
| Other residence | 916 | 420 |
| Total | 78 290 | 64 587 |

Deposits include accrued interest liabilities in the amount of 1 313 EURt (31.12.2016: 985 EURt).

Deposits by contractual maturity

EURt

| 30.09.2017 | On demand | 1-90 days | 91-365 days | 1-5 years | Total |
|-------------------|------------------|------------------|--------------------|------------------|--------------|
| Customer deposits | 2 049 | 9 510 | 29 373 | 37 358 | 78 290 |

| 31.12.2016 | On demand | 1-90 days | 91-365 days | 1-5 years | Total |
|-------------------|------------------|------------------|--------------------|------------------|--------------|
| Customer deposits | 970 | 3 826 | 32 303 | 27 488 | 64 587 |

Note 13 Subordinated debt securities

| <i>Subordinated bonds</i> | <i>Nominal price</i> | <i>Amount</i> | <i>Interest rate</i> | <i>Maturity</i> |
|--------------------------------------|----------------------|---------------|----------------------|-----------------|
| Inbank subordinated bond INBB070026A | 1 000 EUR | 6 503 | 7% | 28.09.2026 |

On 28 September 2016, Inbank AS issued subordinated bonds, listed on the Nasdaq Tallinn Stock Exchange as of 3rd of 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 14 Contingent liabilities and loan commitments

Information on the Group's contingent liabilities arising from management contracts has been provided in Note 18.

Inbank had the following loan commitments:

Irrevocable commitments

EURt

| | |
|---|-----|
| Liability in contractual amount as of 30 September 2017 | 567 |
| Liability in contractual amount as of 31 December 2016 | 432 |

Note 15 Basic earnings and diluted earnings per share

To calculate basic earnings per share the profit attributable to owners of the parent company is divided with the weighted average number of shares outstanding.

| | Q3 2017 | 9 months 2017 | Q3 2016 | 9 months 2016 |
|--|----------------|----------------------|----------------|----------------------|
| Total profit attributable to owners of the parent (EUR thousand) | 1 553 | 7 271 | 599 | 1 712 |
| Weighted average number of shares | 78 215 | 73 548 | 62 881 | 62 881 |
| Basic earnings per share (EUR) | 19.86 | 98.86 | 9.53 | 27.23 |
| Weighted average number of shares used for calculating the diluted earnings per shares | 82 965 | 78 298 | 67 811 | 67 811 |
| Diluted earnings per share (EUR) | 18.72 | 92.86 | 8.83 | 25.25 |

Note 16 Share capital

To calculate basic earnings per share the profit attributable to owners of the parent company is divided with the weighted average number of shares outstanding.

| <i>EURt</i> | <i>30.09.2017</i> | <i>31.12.2016</i> |
|------------------------------|-------------------|-------------------|
| Share capital | 782 | 689 |
| Number of shares outstanding | 78 215 | 68 881 |
| Nominal share value (EUR) | 10 | 10 |

On 11 January 2017 the shareholders of Inbank resolved to increase the share capital by 9 334 shares. The share capital was thus increased by EUR 93 340, with the share premium amounting to EUR 2 706 860.

Contributions to the share capital were made between January 11 and January 18, 2017. The share capital increase was registered in the commercial register on 9 February 2017.

Note 17 Fair value of financial instruments

| <i>EURt</i> | <i>30.09.2017</i> | | | <i>31.12.2016</i> | | |
|---|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | <i>Fair value</i> | <i>Carrying amount</i> | <i>Difference</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Difference</i> |
| Assets | | | | | | |
| Cash in hand | 4 | 4 | 0 | 4 | 4 | 0 |
| Due from central banks, including mandatory reserve | 7 613 | 7 613 | 0 | 14 680 | 14 680 | 0 |
| Due from credit institutions | 4 817 | 4 817 | 0 | 1 956 | 1 956 | 0 |
| Loans to and receivables from customers | 86 411 | 86 411 | 0 | 64 839 | 64 839 | 0 |
| Other financial assets | 45 | 45 | 0 | 43 | 43 | 0 |
| Total | 98 890 | 98 890 | 0 | 81 522 | 81 522 | 0 |
| | | | | | | |
| | <i>30.09.2017</i> | | | <i>31.12.2016</i> | | |
| Liabilities | <i>Fair value</i> | <i>Carrying amount</i> | <i>Difference</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Difference</i> |
| Customer deposits | 78 290 | 78 290 | 0 | 64 587 | 64 587 | 0 |
| Debt securities | 7 074 | 6 480 | 594 | 6 503 | 6 475 | 28 |
| Other financial liabilities | 1 266 | 1 266 | 0 | 1 034 | 1 034 | 0 |
| Total | 86 630 | 86 036 | 594 | 72 124 | 72 096 | 28 |

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 market prices.

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. Financial instruments on this level are deposits in other credit institutions and central banks as well as customer deposits and securities issued.

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 granted.

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. Previously, the bonds issued by Inbank were classified as Level 3. However, the transaction history is brief and insufficient for using this level of fair value. As of 30 September 2017, the weighted average price of purchase and sales transactions is used for determination of the fair value of debt securities. The debt securities are classified as Level 2 in the fair value hierarchy.

Loans granted to companies are sufficiently short-term and the interest environment has remained stable ever since the issue of loans. In the management's opinion, their fair value does not therefore significantly differ from the net book value.

The small loans and hire-purchase products granted to customers are short-term. The average term of the hire-purchase product is 18-24 months and that of loan products 42-54 months. Inbank started offering loan products in April 2015. According to the Bank of Estonia, the average interest rates of unsecured consumer loans ranged from 14.42 to 15.46% in 2015-2017. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. In general, the fair market interest and the fair value of loans has not significantly changed over the loan period. The carrying amount of loans does not therefore significantly differ from their fair value.

Fixed-interest customer deposits are mostly short-term. The average term of deposits accepted ranges from 15 to 21 months. Inbank started offering the deposit product in April 2015. According to the Bank of Estonia, the average interest rate of new term deposits ranged from 0.49 to 0.72% in 2015-2017. The interest rate of term deposits accepted and loans received by Inbank is comparable to the comparable contract interest rates on the market. In general, the fair market interest and the fair value of deposits has not significantly changed over the deposit period. The carrying amount of deposits does not therefore significantly differ from their fair value.

EURt

| Fair value | 30.09.2017 | | | | 31.12.2016 | | | |
|--|-------------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|
| Assets | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
| Cash | 4 | 4 | 0 | 0 | 4 | 4 | 0 | 0 |
| Due from central banks, including mandatory reserve | 7 613 | 0 | 7 613 | 0 | 14 680 | 0 | 14 680 | 0 |
| Due from credit institutions | 4 817 | 0 | 4 817 | 0 | 1 956 | 0 | 1 956 | 0 |
| Loans to and receivables from customers | 86 411 | 0 | 0 | 86 411 | 64 839 | 0 | 0 | 64 839 |
| Other financial assets | 45 | 0 | 0 | 45 | 43 | 0 | 0 | 43 |
| Total | 98 890 | 4 | 12 430 | 86 456 | 81 522 | 4 | 16 636 | 64 882 |

EURt

| Fair value | 30.09.2017 | | | | 31.12.2016 | | | |
|------------------------------|-------------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|
| Liabilities | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
| Customer deposits | 78 290 | 0 | 78 290 | 0 | 64 587 | 0 | 64 587 | 0 |
| Subordinated debt securities | 7 074 | 0 | 7 074 | 0 | 6 503 | 0 | 0 | 6 503 |
| Other financial liabilities | 1 266 | 0 | 0 | 1 266 | 1 034 | 0 | 0 | 1 034 |
| Total | 86 630 | 0 | 85 364 | 1 266 | 72 124 | 0 | 64 587 | 7 537 |

Note 18 Related parties

| | | |
|---|---------------------------|--|
| Parent company of reporting entity | Pershing Hall Holding Ltd | |
| Country of registration of the parent company of reporting entity | Malta | |

| Management remuneration and other significant benefits | 9 months 2017 | 2016 |
|---|----------------------|-------------|
| Remuneration | 431 | 404 |

The following are considered the group's related parties:

| |
|--|
| members of the Management Board and their family members and companies (hereinafter the management), |
| shareholders and their family members and companies |

| Balances | 30.09.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| Loans and receivables as of end of reporting period | 2 | 1027 |
| management | 1 | 1 |
| shareholders and their companies and family members | 1 | 1 026 |
| Deposits and debt securities as of end of reporting period | 229 | 249 |
| management | 209 | 180 |
| shareholders and their companies and family members | 20 | 69 |

| Transactions | 9 months 2017 | 2016 |
|---|----------------------|-------------|
| Interest income | 1 | 82 |
| management | 0 | 0 |
| shareholders and their companies and family members | 1 | 82 |
| Interest expenses | 5 | 6 |
| management | 4 | 4 |
| shareholders and their companies and family members | 1 | 2 |
| Services purchased | 22 | 24 |
| management | 10 | 7 |
| shareholders and their companies and family members | 12 | 17 |
| Services sold | 231 | 531 |
| management | 0 | 0 |
| shareholders and their companies and family members | 231 | 531 |

The table provides an overview of the significant transactions and balances with related parties. Loans to related parties have been granted on market terms. The interest rate of deposits engaged from related parties equals the interest rate offered to customers.

A share option programme has been established for the management. The share options costs for Q3 amounted to seven thousand euros (Q3 2016: 8 EURt).

| Share options issued (number of shares) | 30.09.2017 | 31.12.2016 |
|---|----------------------|-------------------|
| management | 1000 | 1000 |
| shareholders and their companies and family members | 580 | 580 |
| Total | 1580 | 1580 |
| Share options realised | 9 months 2017 | 2016 |
| management | 0 | 167 |
| Total | 0 | 167 |

The Group has entered into an agreement with a member of the Management Board, stipulating a severance compensation equalling to a six-month monthly remuneration. The agreements with other members of the Management Board do not stipulate any severance compensation. In issues not regulated in the agreement, the related parties have agreed to be governed by the laws of the Republic of Estonia.

The management estimates the probability of realisation of the contingent liability to be very low.



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