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# INBANK AS

Investor presentation, September 2016

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# INTRODUCTION

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The following presentation has been prepared to introduce the planned subordinated bond issue by Inbank AS („Inbank”; “the Bank”; „the Company” and „The Group” if referring to Inbank AS with all its subsidiaries) to provide the potential investors with information to make an educated investment decision. Detailed information on the subordinated bond offering is provided in the Inbank AS Subordinated Bonds Public Offering, Listing and Admission to Trading prospectus, which has been published and is available, *inter alia*, at the website of the Company ([Link](#)).

The Company is publicly offering up to 5 000 subordinated bonds with the nominal value of EUR 1 000 („the Bonds”) to institutional and retail investors in Estonia („the Offering”) with a total volume of up to EUR 5 million. In case of over-subscription of the Bonds in the course of the Offering, the Company has the right to increase the Offering volume and issue up to 2 000 additional Bonds as a result of which the total number of the Bonds offered in the course of the Offering may be up to 7 000 and the total volume of the Offering up to EUR 7 million.

The Offering Period commences on 12 September 2016 at 12.00 local time in Estonia and terminates on 23 September 2016 at 12.00 local time in Estonia.

The Company will decide on the allocation of the Bonds after the expiry of the Offering Period, and no later than on 27 September 2016. The Bonds will be allocated to the investors participating in the Offering in accordance with the following principles:

- i. the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering;
- ii. the Company shall be entitled to prefer its existing shareholders and bondholders to other investors;
- iii. the Company shall be entitled to use different allocation principles between the groups of retail investors and institutional investors;
- iv. the allocation shall be aimed to create a solid and reliable investor base for the Company; and
- v. under the same circumstances, all investors shall be treated equally.

The Bonds allocated to investors will be transferred to their securities accounts on or about 28 September 2016 through the "delivery versus payment" method simultaneously with the transfer of payment for such Bonds.

In addition to other cancellation rights, the Company has reserved the right to cancel the Offering in the part not subscribed for in the course of the Offering.

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# RISKS SUMMARY (1)

## KEY RISKS SPECIFIC TO THE COMPANY

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Investing in the subordinated bonds of Inbank entails various risks. All potential investor should thoroughly consider the risks involved, the scope and probability of the risks, and other relevant circumstances. If the risks are realized, investors may lose a part or all of the value of their investment. Below, please find examples of risks which, if realized, may reduce the value of Inbank and the subordinated bonds issued by Inbank.

### Counterparty Credit Risk

Due to the core operations of the Company and its Group (mostly provision of consumer credit) the financial performance of the Group companies could be severely affected by counterparty's not being able to meet their obligations to the Group companies.

### Concentration Risk

Some of the receivables of the Company are due from concentrated number of counterparties. Financial difficulties of such counterparties could negatively affect the financial status of the Company.

### Foreign Currency Risk

The Company is considering entering to the Polish market, which would expose the Group and its financial performance to foreign exchange risk related to the Polish zloty.

### Interest Rate Risk

The amount of net interest income earned by the Group companies materially affects the revenues and the profitability of the

operations of the Group. At the same time the interest rates are affected by numerous factors beyond the control of the Group companies. Adverse changes in interest rates could lead to diminishing financial performance of the Company.

### Liquidity Risk

Due to the nature of the business of the Company there is a mismatch between maturities of its assets and liabilities. This mismatch could lead to the Company and its Group not being able to meet their contractual obligations on time.

### Operating Risk

The Company could face financial losses due to human, process or information system failures and flaws, including due to corporate fraud and misconduct.

### Dependency on Information Technology Systems

The specific business model of the Company relies extensively on a variety of custom-made information technology systems and web-based solutions. Failures of or material disruptions to the Company's information technology systems could prevent it from conducting its business operations.

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# RISKS SUMMARY (2)

## KEY RISKS SPECIFIC TO THE COMPANY

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### Dependency on Qualified Staff

The Company and the Group are operating in an highly competitive environment and they have set ambitious expansion targets. Aside from information technology systems, the qualified, skilled and experienced staff is one of the most important factors enabling the activities of the Company. The loss of or the failure to attract qualified personnel could limit the activities and affect the financial performance of the Company.

### Exposure to Conduct of Other Market Participants

The Company might not be able to finance all of its activities, if due to the actions of other market participants it is not able to obtain financing on reasonable terms. Previous could amplify the liquidity risk.

### Subsidiaries and affiliated companies

The Company holds minority shareholdings in Coop Finants AS and in Krediidipank Finants AS and a 90% shareholding in Inbank Līzings SIA and an 80% shareholding in Inbank Liising AS. Actions of the other shareholders may affect the financial results of these joint ventures and in the end the financial results of the Company.

### Changes in Economic Environment

Every business segment where the Company and the Group operates is affected by general economic and geopolitical conditions. Negative developments in the general economic conditions could lead to less demand for the services offered and also cause the realisation of counterparty credit risk.

### Maintaining Capital Adequacy Ratios

The Company as a credit institution is subject to capital adequacy requirements, which in turn are affected by frequent reforms and changes. Rise of requirements could limit the operations of the Company and negatively affect the financial performance of the Company.

### Exposure to Regulatory Actions and Investigations

The Company as a credit institution is subject to the supervisory actions of numerous authorities. Any determination by the authorities that the Company or any of its Group companies has not acted in compliance with all the applicable laws and regulations or issuance prescript could have serious legal and reputational consequences for the Company, which in turn could affect the financial position of the Company.



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# RISKS SUMMARY (3)

## KEY RISKS SPECIFIC TO THE BONDS

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### Credit Risk

An investment into the Bonds is subject to credit risk, *i.e.* the Company may fail to meet its obligations arising from the Bonds in a duly and timely manner.

### Subordination Risk

The Bonds are subordinated to all unsubordinated claims against the Company. Hence, in case of liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company.

### Early Redemption Risk

The Bonds may be redeemed prematurely on the initiative of the Company, if the FSA has granted its consent to the early redemption. The investors might not be able to invest the funds to an instrument offering the same risk/return characteristics.

### No Ownership Rights

Ownership of the Bonds does not confer any legal or beneficial interest in the equity of the Company or any of the subsidiaries thereof or any voting rights or other rights which may arise from equity instruments.

The value of the Bonds might be affected by the actions of the shareholders of the Company.

### Highly Volatile and Illiquid Market

The Company will apply for the listing of the Bonds in the Nasdaq Tallinn Stock Exchange. However, the Company cannot assure that the Bonds will be listed and admitted to trading. Even if the Bonds are listed, there is no assurance that an active market for the Bonds will develop. This could affect the resale value of the Bonds

### Bail-In Risk

In the event that write-down or conversion powers deriving from the Bank Recovery and Resolution Directive (Directive 2014/59/EU) are exercised by a resolution authority („bail-in”), it is possible that: (a) the amount outstanding of the Bonds is reduced, including to zero; (b) the Bonds are converted into ordinary shares or other instruments of ownership; (c) the terms of the Bonds are varied. Consent of the bond-holders is not necessary for effecting bail-in measures by the resolution authority.

# OVERVIEW OF INBANK

Inbank is an Estonian licensed credit institution with a main focus of issuing consumer credit products and collecting term deposits.

The company has a subsidiary Inbank Lizings in Latvia that offers car loan, small loan and hire-purchase products.

The company also has two affiliate companies Coop Finants AS with Coop Eesti Keskühistu and Krediidipank Finants AS with Krediidipank AS

Together with affiliated companies the number of credit agreements is over 150 thousand and a total loan portfolio of 85 EURm.

The whole Group employs 81 people.

Photo: Inbank launch campaign  
in April 2015

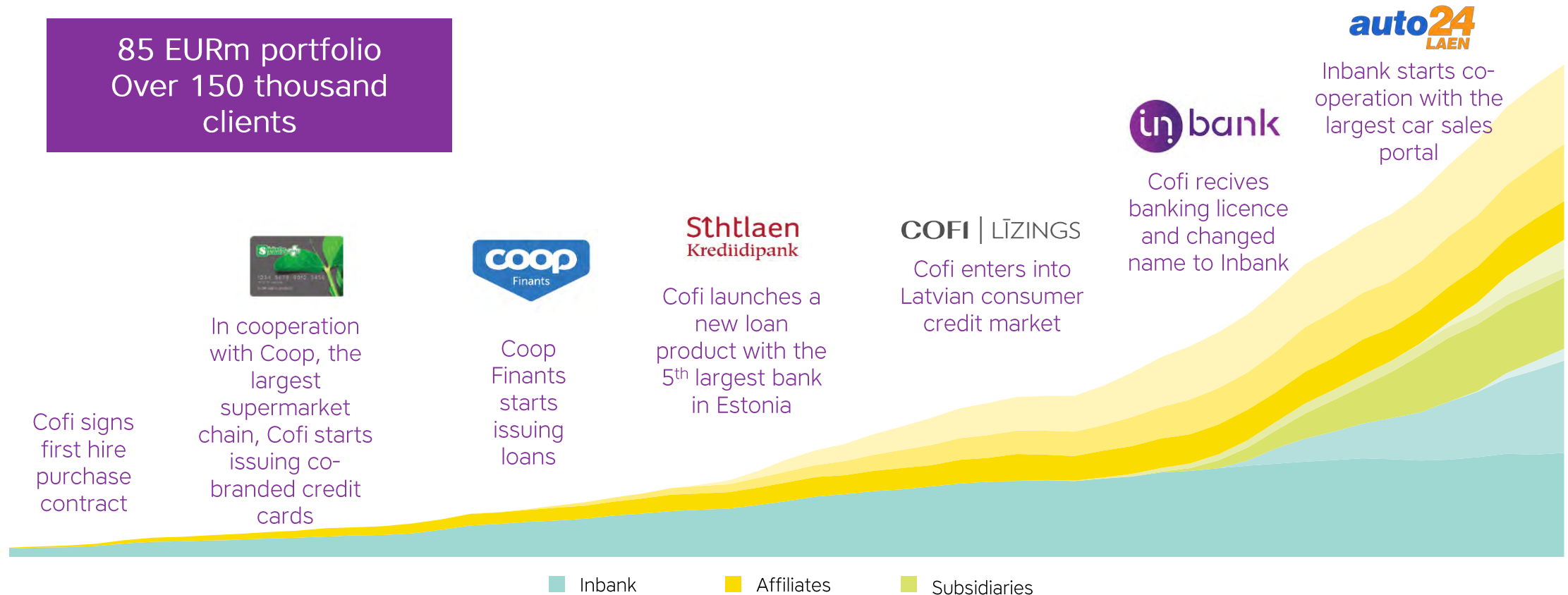


# EXECUTIVE SUMMARY

- Inbank AS, a consumer finance focused bank, is raising capital through a subordinated bond issue
- Inbank (previously named Cofi) was founded in 2010 by former banking executives Priit Põldoja and Jan Andresoo and it offers innovative consumer credit solutions: hire-purchase to retail companies, private label credit cards for merchants and small loans for private individuals
- In order to distribute its products the bank has signed distribution agreements with more than 250 retailers and has established joint ventures with Coop Estonia (formerly ETK), one of the leading retail companies in Estonia, and Krediidipank, a TOP 5 bank in Estonia
- At the end of 2014 Inbank expanded to Latvia with a subsidiary Inbank Lizings receiving a lending company license.
- In April 2015 the company previously named Cofi received a banking licence and rebranded itself to Inbank.
- Inbank aims to further strengthen the position in the existing markets and seize opportunities in the potential target markets. In Q1 2017 Inbank will be entering Polish market
- The bank owns and develops a proprietary and innovative technology platform for its banking services
- Financially the Company enjoys very strong growth, backed by solid capital and funding base
  - Inbank together with affiliates has more than doubled its credit portfolio each year since its launch, currently standing already at 85 EURm
  - The growth has been funded by solid equity position from local and international private investors as well as customer deposits
- In order to finance its further growth and strengthen its capital base, Inbank is raising new funds through a subordinated bond issue.

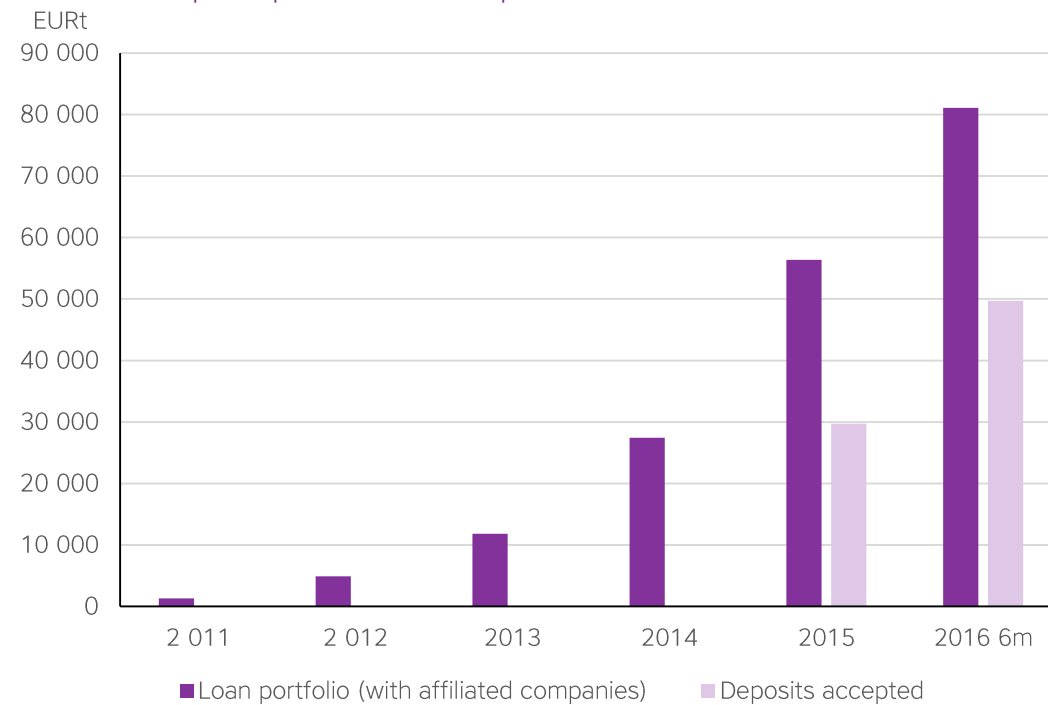


# MAIN MILESTONES

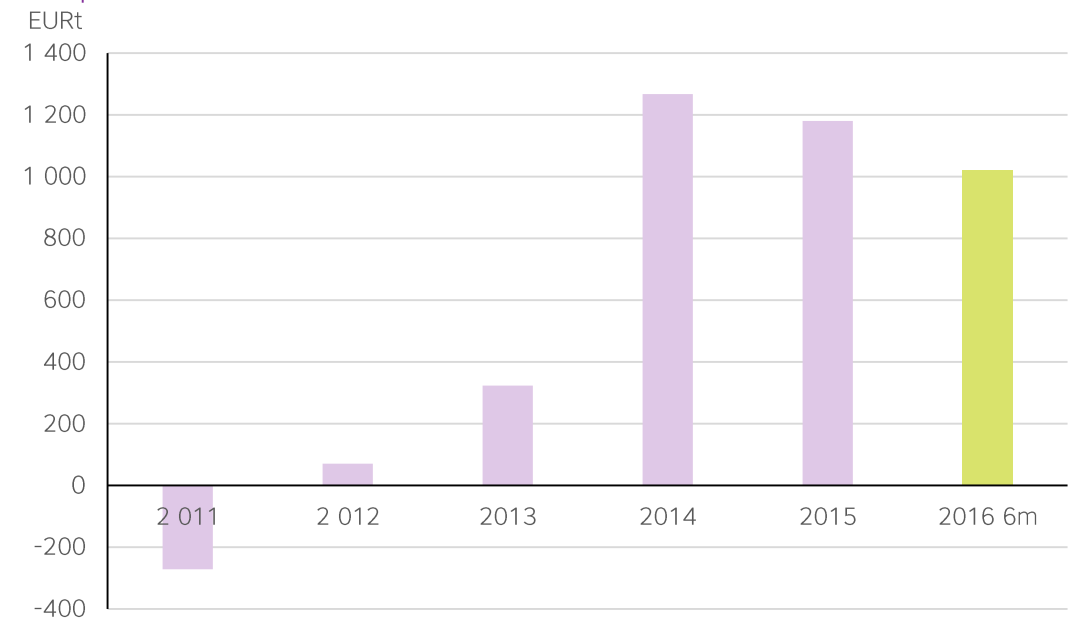


# DEVELOPMENT OF INBANK\*

Loan and deposit portfolio development



Net profit



\* - The financial information in this presentation have been corrected to be in line with the accounting principles used in the 2016 6-month financial report. Audited information is available in the prospectus and the company website: [www.inbank.ee](http://www.inbank.ee)

# GROUP STRUCTURE AND SHAREHOLDERS

Inbank has 68 881 shares outstanding as of 05.09.2016.

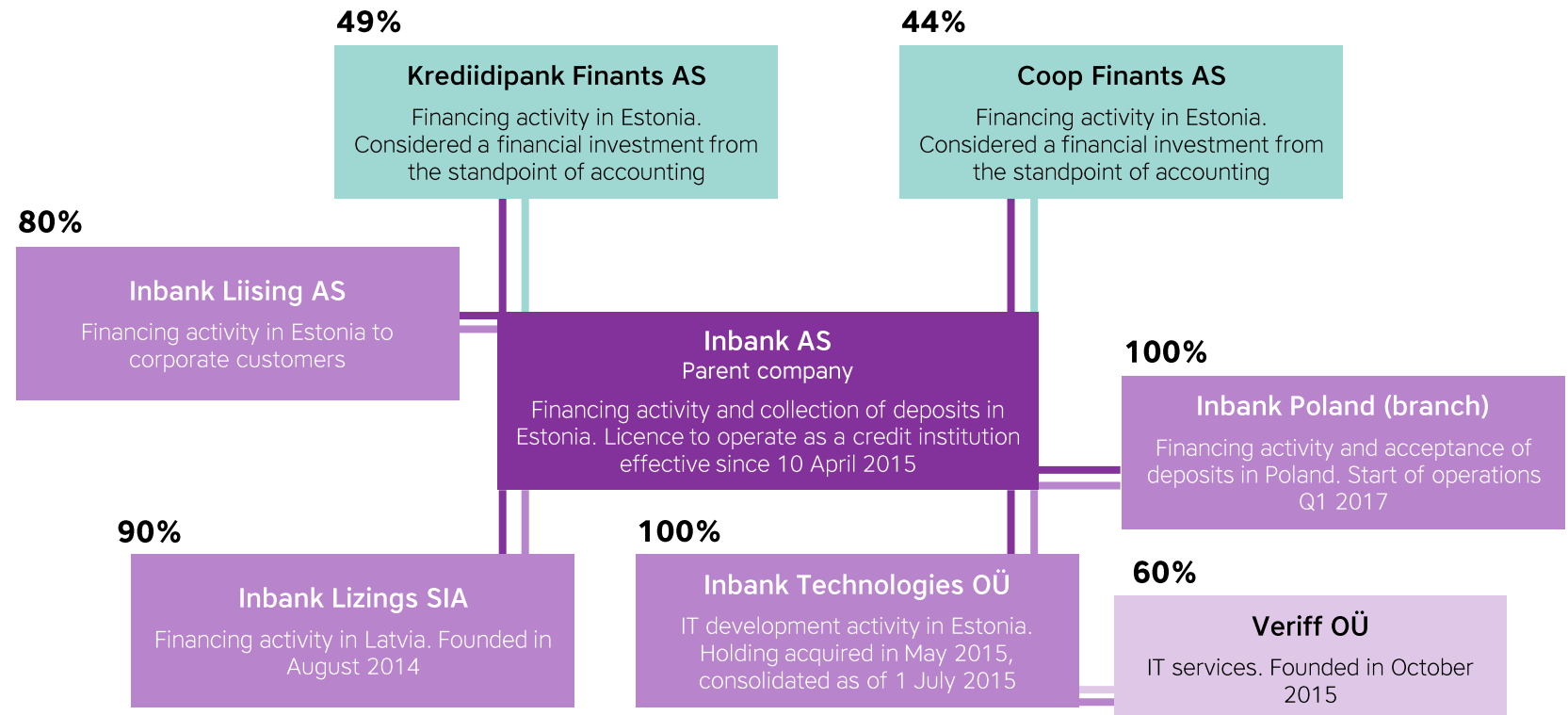
The founders and employees of Inbank own 24 883 shares which is 36,1% of all outstanding shares.

Rest of the shares are owned by Supervisory board members and Monaco based private individuals directly or through investment companies.

Currently Inbank options outstanding for management and key employees to acquire 4 480 additional shares.

Largest shareholders:

Shareholders with above 10% holding	No. of shares	% of holding
Pershing Hall Holding Limited	21 676	31,47%
Cofi Investeeringud OÜ	21 371	31,03%



# INBANK BUSINESS FOCUS



We believe our advantage lies in **clear focus and product-based approach**. We intend on continuing this approach.



Successful banking is implemented by people. Our success is ensured by our **ability to draw on talent and motivate the talented people**. It's something we want to do in every new market we enter.



We believe that technology makes up 90% of banking. As a result, we want to **develop a proprietary technology** and keep it centralized in our organization.



Our experience is that the key to **success lies in cooperation**. We are prepared for partnership with other enterprises and talents so that we can establish new companies and successful business structures.



We know that the basis for long-term growth is our strong shareholder base and access to financing. A **European Union banking licence** gives us security for growth.



We have decided that it is **better to grow by extending our existing products to new markets** than add new products to existing markets. In every market we expand to, we want to be innovation leaders.



# EFFICIENT AND AUTOMATED BUSINESS MODEL

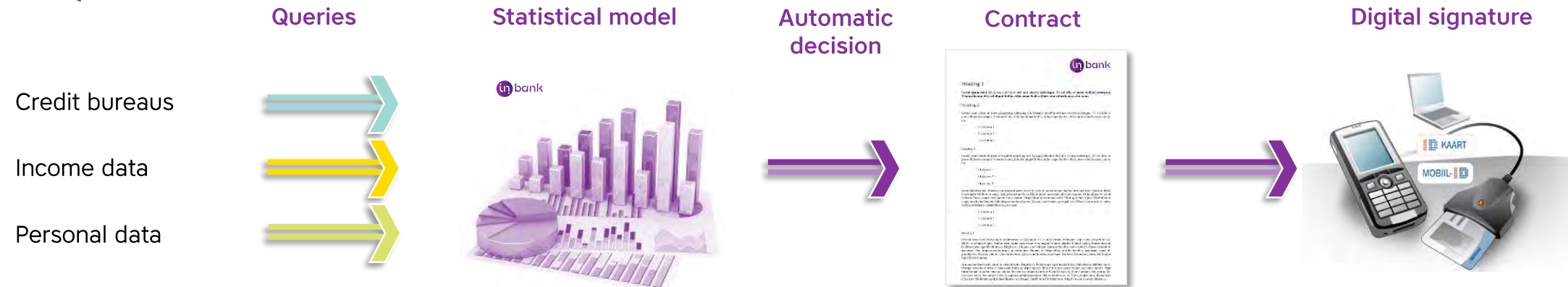
## Automatic scoring and contract completion

- Over 90% of contracts completed automatically online or at point-of-sale

## Partner-based distribution model

- 3 strategic distribution partners- a supermarket chain, a bank, an online marketplace
- Over 250 partner merchants
- Financing solution fully integrated into partners' business processes

## Loan process overview:



# PARTNER-BASED BUSINESS MODEL

We realized right in the beginning that in addition to technology one of the cornerstones in our strategy is a partner-based customer service network.

In today's digital world, customers don't need to go to a bank in person to get service.

Our goal is to offer customers financial products where they need them and to do this in cooperation with our partners.

We launched a new hire-purchase product in 2011. Only three years later, we became one of the market leaders in this field.

partner-based business model, we have successfully broadened our partner-based cooperation model in the last five years of activity.

Already in late 2011, in cooperation with Coop we introduced Säästukaart Pluss – the first payment/loyalty/credit card of its kind in Estonia.

Today Coop Finants has over 80,000 card holders, which makes up 20% of the credit cards in private hands in Estonia.

A loan product – Sihtlaen – introduced in cooperation with Krediidipank in 2014 proved just as successful, and in late 2015, we partnered with Sanoma Baltics AS to offer the auto24 car loan.

Photo: Hire-purchase is ideal for implementing a partner-based business model

[illegible]

# CONSOLIDATED MAIN FINANCIALS\*

Compared to 2015 annual report Inbank has changed accounting principles related to revenue recognition.

Total revenue continues to increase rapidly with the growth of loan portfolio. In 2015 revenues were up by 96%. 6M 2016 revenues increased 145% compared to 6M 2015.

The decline in 2015 profit resulted from the increase in total costs by 237%. The significant growth of labour costs resulted from the acquisition of the IT company, the launch of the subsidiary in Latvia and considerable expansion of operations in Estonia.

The increase in other revenue results from the inclusion of the turnover of Inbank Technologies OÜ in the consolidation group, and from the growth of service fees attributable to affiliates.

Loan losses have increased due to higher general provisioning and weaker credit quality in Latvia.

EURt	2014	2015	'14 vs '15	2015 6m	2016 6m	'15 vs '16
Net interest income	2 011	3 504	74%	1 311	3 602	175%
Net income from service fees	53	28	-47%	39	108	177%
Net Other other from principal activity	94	689	633%	292	313	7%
<b>Total income</b>	<b>2 158</b>	<b>4 221</b>	<b>96%</b>	<b>1 642</b>	<b>4 023</b>	<b>145%</b>
Labour costs	-383	-1 505	293%	-583	-1 080	85%
Sales and marketing expenses	-73	-222	204%	-111	-231	108%
Other expenses	-316	-878	178%	-415	-508	22%
<b>Total costs</b>	<b>-772</b>	<b>-2 605</b>	<b>237%</b>	<b>-1 109</b>	<b>-1 819</b>	<b>64%</b>
<b>Operating profit</b>	<b>1 386</b>	<b>1 616</b>	<b>17%</b>	<b>533</b>	<b>2 204</b>	<b>314%</b>
Gains/losses from the revaluation of loans	-278	-846	204%	-345	-1 532	344%
<b>Net profit for the accounting period before investments</b>	<b>1 108</b>	<b>770</b>	<b>-31%</b>	<b>188</b>	<b>672</b>	<b>257%</b>
Profit/loss from investments	159	365	130%	91	273	200%
Deferred tax	0	45	n.a.	0	43	n.a.
<b>Net profit</b>	<b>1 267</b>	<b>1 180</b>	<b>-7%</b>	<b>279</b>	<b>988</b>	<b>254%</b>
incl. the share attributable to the shareholders of the Parent company	1 275	1 207	-5%	294	1 020	247%
EURt	31.12.'14	31.12.'15	'14 vs '15	30.06.'15	30.06.'16	'15 vs '16
Loans granted	14 204	35 188	148%	17 840	53 996	203%
incl. loans to households	13 443	31 873	137%	16 157	50 367	212%
Deposits accepted	0	29 711	n.a.	12 442	49 702	299%
<b>Equity</b>	<b>5 576</b>	<b>8 239</b>	<b>48%</b>	<b>7 315</b>	<b>9 248</b>	<b>26%</b>

\* - The financial information in this presentation have been corrected to be in line with the accounting principles used in the 2016 6-month financial report. Audited information is available in the prospectus and the company website: [www.inbank.ee](http://www.inbank.ee)



# FIVE QUARTERS – KEY FIGURES AND RATIOS\*

## Comments to key figures:

Very strong portfolio growth in the past five quarters

Net income in Q2 2016 was mostly affected by increase in Latvian general provisioning rate

With five quarters the bank has raised 49.7 EURm of deposits

## Comments to ratios:

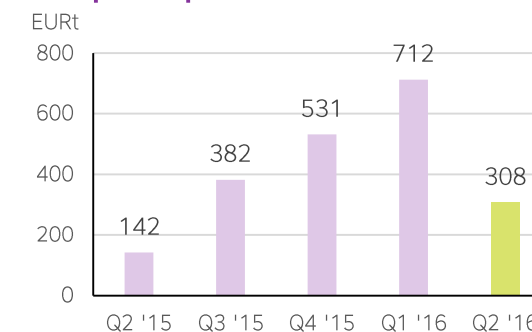
Cost/income ratio continues to improve as volumes catch up with increased organizational costs

Fast growth of loan portfolio has driven up general loan provisions, which has increased loan loss ratio

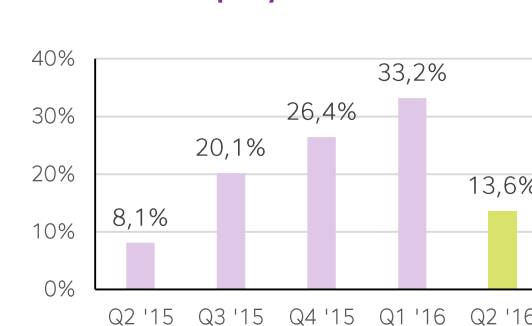
Key financial indicators	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16
Balance sheet amount	23 546	31 406	42 555	50 779	63 033
Equity	7 337	7 719	8 250	8 962	9 270
Net profit for the current period	142	382	531	712	308
Loan portfolio	17 840	25 887	35 188	43 428	53 996
Deposit portfolio	12 442	19 282	29 712	37 473	49 702

Ratios	Q2 '15	Q3 '15	Q4 '15	Q1 '16	Q2 '16
Net return on equity (ROE)	8,1%	20,1%	26,4%	33,2%	13,6%
Net return on total assets (ROA)	2,8%	5,5%	5,7%	6,1%	2,2%
Net interest margin	15,4%	14,5%	14,4%	14,0%	15,0%
Rate of credit losses to loan portfolio	2,4%	3,9%	3,7%	4,7%	8,8%
Cost/Income ratio	75,1%	64,5%	52,5%	44,1%	46,1%
Ratio of equity in the balance sheet amount	31,2%	24,6%	19,4%	17,6%	14,7%

## Net profit period



## Return on equity





# FUNDING AND CAPITAL\*

Total balance sheet amount at 30.06.2016 was 63 EURm  
In July 2016 additional equity in the amount of 1,1 EURm was invested into the company

In July Inbank earned an unaudited monthly profit of 351 EURt

At the end of July Inbank shareholder equity was 10.7 EURm

Other assets include investments into affiliated companies in the amount of 1,2 EURm, at the same time these companies have earned in 6M 2016 a profit of 0,95 EURm

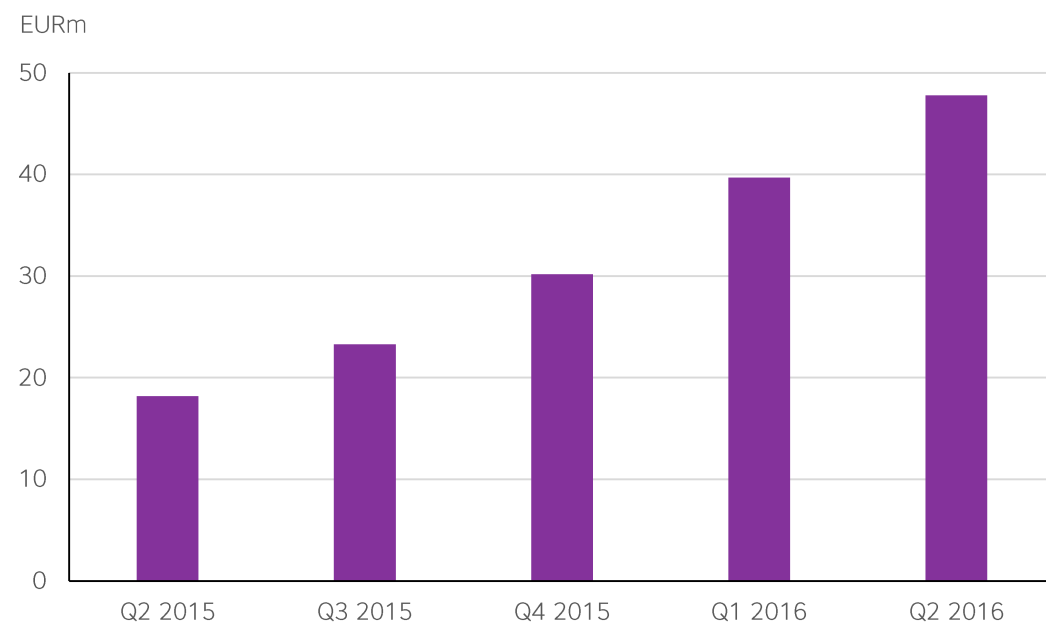
## Simplified balance sheet – June 2016



\* - The financial information in this presentation have been corrected to be in line with the accounting principles used in the 2016 6-month financial report. Audited information is available in the prospectus and the company website: [www.inbank.ee](http://www.inbank.ee)

# CAPITAL ADEQUACY\*

## Risk weighted assets



## Capital adequacy

EURt	30.06.2016
Gross Tier 1 capital	9 270
incl. Profit for the period	1 020
Subtractions from Tier 1 capital	-1 961
Total Tier 1 capital	7 309
Subordinated debt	0
Net own funds for capital adequacy calculation	7 309
Total credit risk and counterparty credit risk	41 388
Operational risk, basic indicator approach	4 396
Total risk-weighted assets	45 784
Capital adequacy (%)	15,96%
Tier 1 Capital Ratio (%)	15,96%

\* - The financial information in this presentation have been corrected to be in line with the accounting principles used in the 2016 6-month financial report. Audited information is available in the prospectus and the company website: [www.inbank.ee](http://www.inbank.ee)

# MANAGEMENT OF INBANK AND SUBSIDIARIES

## Priit Põldoja

Chairman of Supervisory Board, Founder



Mr Põldoja is responsible for the strategic planning, new business initiatives and investor relations of Inbank and supervising the activities of the Management Board

## Liina Sadrak

Development and Service Manager, Member of Management Board



Ms Sadrak is responsible for the fields of product development and business processes of Inbank

## Artūrs Šaburovs

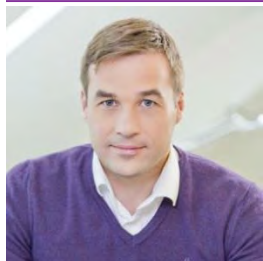
Chief Executive Officer of Inbank Lizings



Mr Šaburovs is responsible for the day-to-day management of Inbank Lizings and implementation of the short and long term plans in Latvia

## Jan Andresoo

Chief Executive Officer, Chairman of Management Board, Founder



Mr Andresoo is responsible for the strategic and operational management of the Bank and coordinating the activities of Management Board

## Marko Varik

Chief Financial and Risk Officer, Member of Management Board



Mr Varik is the CFO of the Company, responsible for financial and risk management in the Company.

## Maciej Pieczkowski

Head of Branch, Inbank Poland



Mr Pieczkowski is responsible for setting up the Polish branch of Inbank and day-to-day management of Inbank Poland

# INBANK AS

Inbank is a successor of hire purchase company Cofi, which started operations in January 2011. Inbank received a banking license in April 2015.

The company focuses on hire purchase, car loan and small loan products and on collecting deposits. Inbank is also a financial, risk management and product development center of the Group.

As of 6M 2016 Inbank had a hire purchase portfolio of 18 EURm and car/small loan portfolio of 16 EURm. Inbank had gathered nearly 50 EURm term deposits by 6M 2016.

Inbank Estonia employs 35 people.



# MARKET OVERVIEW – CONSUMER CREDIT

In addition to the licensed credit institutions, consumer financing is offered by several market participants who are not subject to as extensive financial supervision as licensed credit institutions.

This is the main reason why it is difficult to determine the exact size and credit volumes of the consumer financing market.

In the end of 2013, the Estonian Ministry of Economic Affairs and Communications estimated the total size of the Estonian consumer financing market to be around 709 EURm, of which 591 EURm was provided by licensed credit institutions.

In the end of 2015 the consumer loans provided by credit institutions increased to 632 EURm

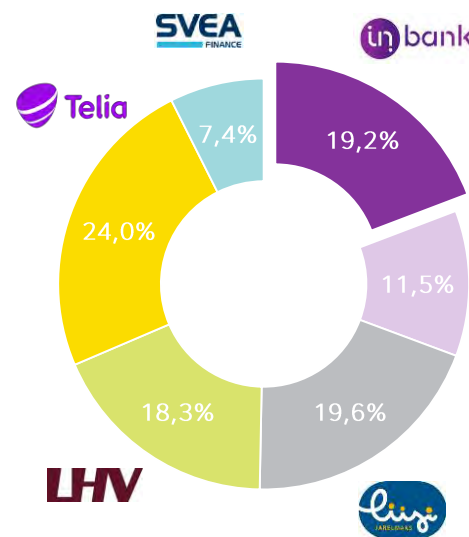
The volumes provided by other creditors cannot be monitored but our

estimation is that the growth has been significant with 20-30% annually.

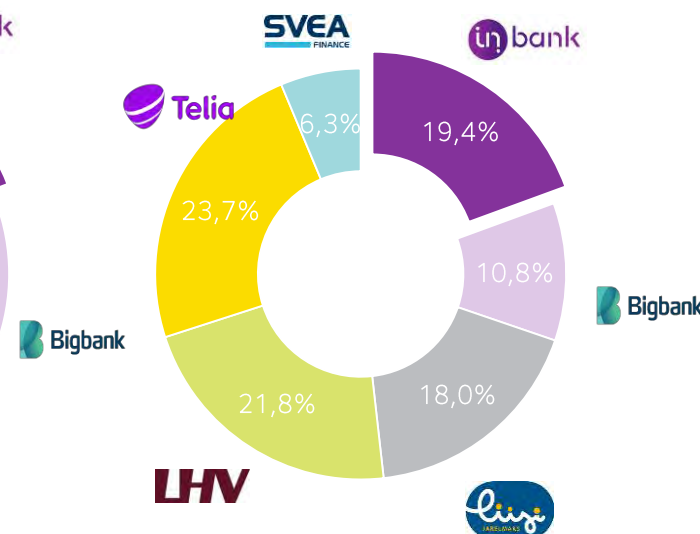
In February 2015, the Estonian Creditors and Credit Intermediaries Act was adopted by the Estonian Parliament. It established extensive restrictions on the unlicensed credit providers and intermediaries; most notably, credit intermediaries became subject to licensing by the FSA, as of 21 March 2016.

There were over 100 credit firms and intermediaries operating in the Estonian market, by 28 June 2016, 39 credit providers and intermediaries had obtained the required license.

2014 Hire purchase market share\*



2015 Hire purchase market share\*



\* - Managment estimation based on annual report portfolio figures of the named companies

# MARKET OVERVIEW – SMALL LOAN

The statistics for small loans are much more inclusive than that of the consumer financing data.

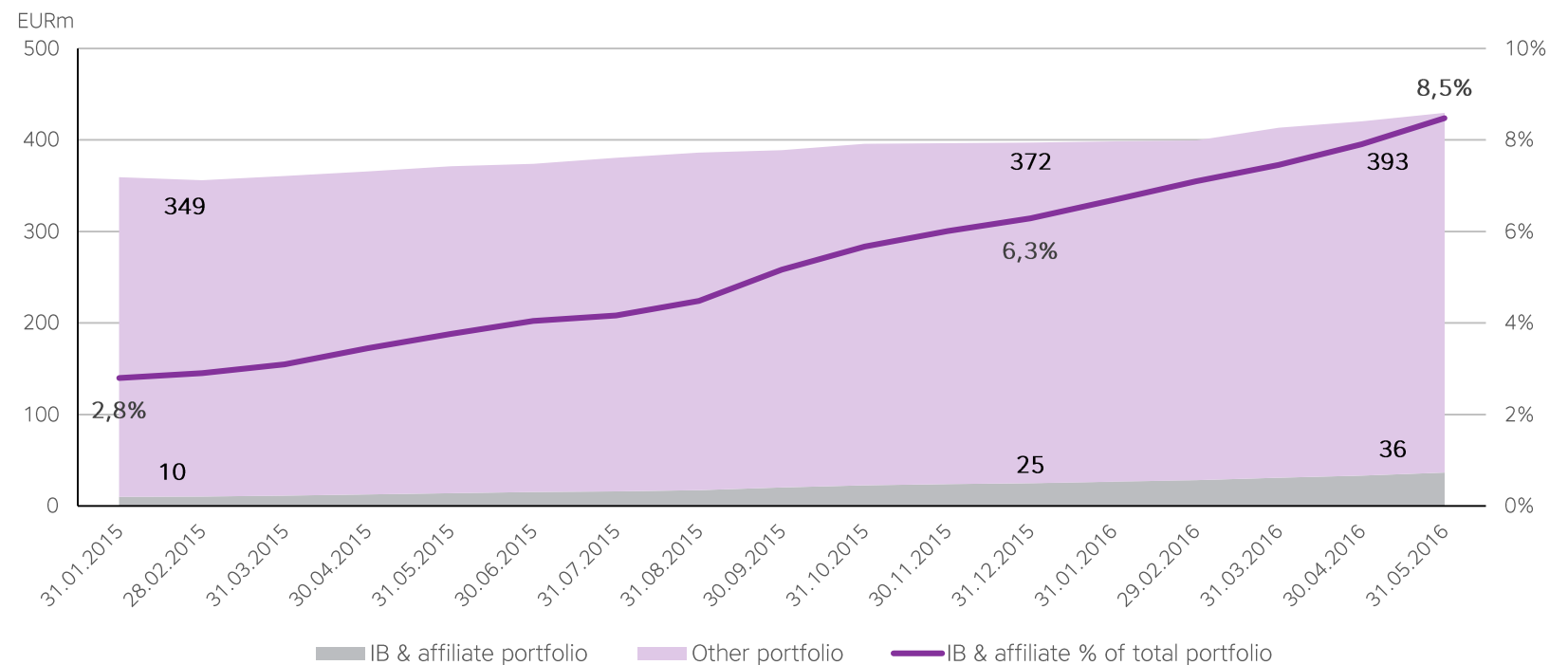
Consumer credit without collateral has been growing steadily since 2011. Total portfolio has increased from 307 EURm to 396 EURm at the end of 2015

The yearly turnover has increased from 70 EURm in 2011 to 149 EURm

Together with affiliates Inbank's market share of the total loan portfolio in the small loan sector has grown from 2,8% in 2015 to 8,5% as of May 2016.

We predict that our market share together with affiliates based on loan turnover is currently at around 20%.

Portfolio of consumer credit without collateral



# MARKET OVERVIEW – TERM DEPOSITS

The Estonian banking market is highly consolidated and is dominated by the credit institutions belonging to Nordic banking groups. Four largest banking groups hold a 86% combined market share in deposits.

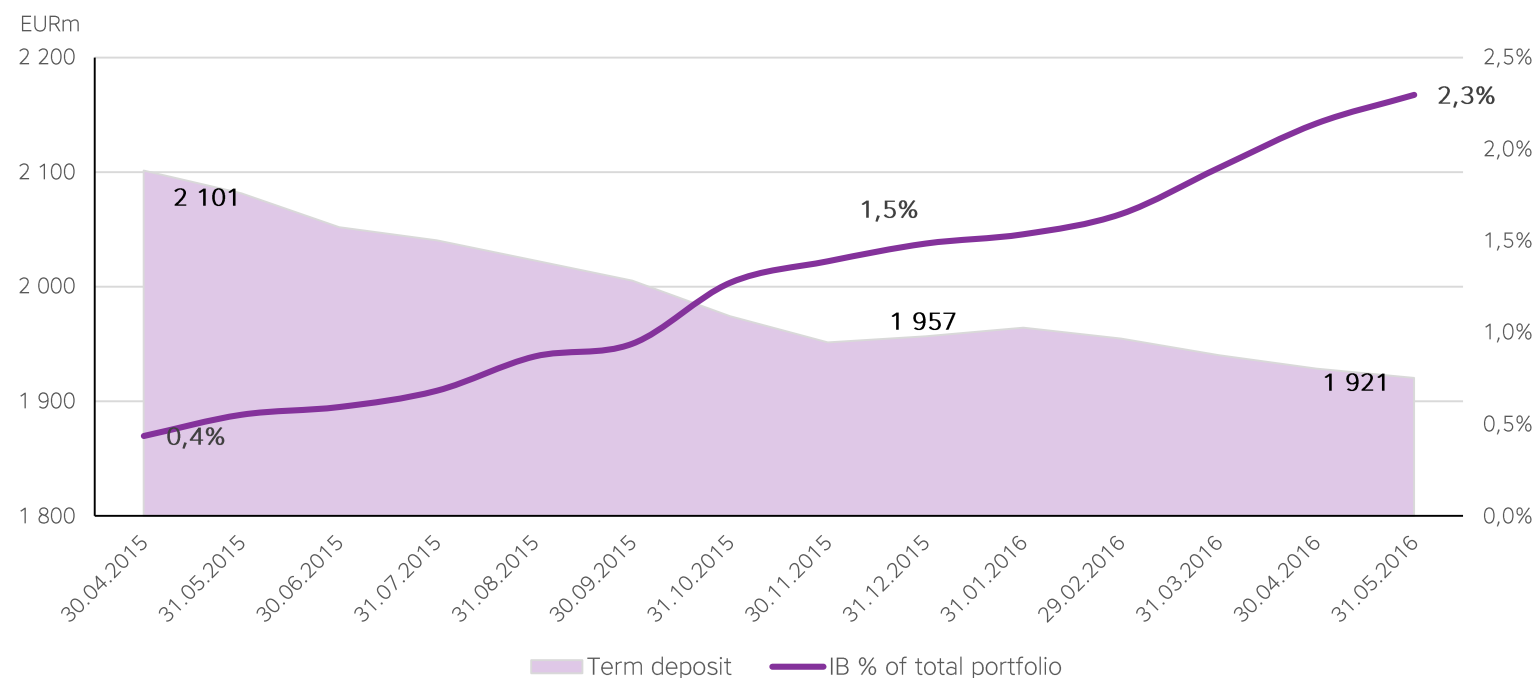
Inbank mainly competes with the large retail banks on the private deposit market by offering best term deposit rates in the market.

By the end of 2015, the total volume of deposits of the credit institutions operating in the Estonian market stood at 15 536 EURm, of which the deposits of private persons was EUR 6 380.

Volume of term deposits has steadily decreased as interest rates have come down. At the end of May 2015 total term deposits were 1 920 EURm.

The total volume of deposits has been growing year by year for the past 16 years, forming a very stable funding source for the credit institutions operating in the Estonian banking market.

## Term deposit development



# INBANK ESTONIA FACT SHEET\*

The average interest rate of new sales has declined in 2015 and 2016 in connection with the new car loan product.

Total new sales in 2016 6m amounted to 21 million euros.

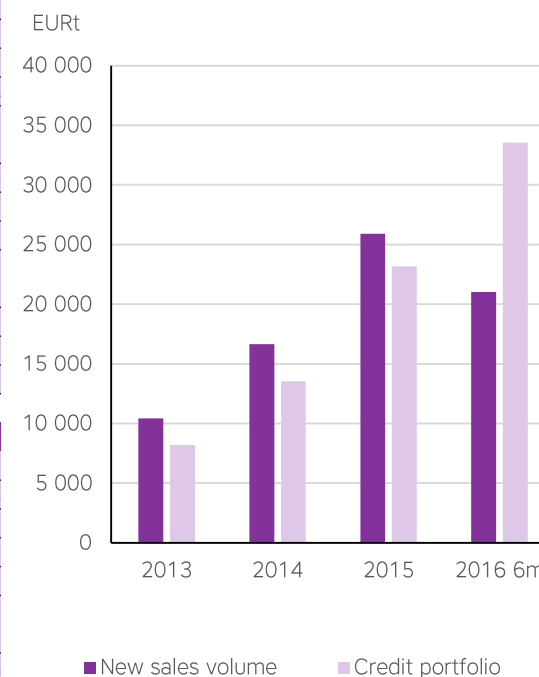
For 2016, it can be forecasted that in connection with the changing dynamics of the portfolio, the average interest rate will decline and the value of loan contracts will continue to increase.

Deposits have grown to 50 million euros and Inbank had entered into over 1700 deposit contracts during 6m 2016.

The average value of deposit contracts stood at 15 EURt and the average interest rate on deposits was 2.2%.

EURt	2013	2014	2015	2016 6m
New sales volume	10 422	16 647	25 915	21 015
New sales of product (items)	24 703	37 419	40 522	21 728
Average value of new sales contracts	422	445	640	967
Average interest rate of new sales	24,3%	23,5%	20,8%	20,1%
Average period of new sales (months)	22	20	30	38
Credit portfolio	8 215	13 538	23 176	33 556
Credit products in portfolio(items)	23 248	35 798	41 846	46 054
Average value of contracts in portfolio	353	378	554	729
Average interest rate of portfolio	21,8%	21,5%	20,4%	20,7%
Share of portfolio in 90+ days overdue	0,6%	0,7%	0,4%	0,9%
Share of portfolio in 180+ days overdue	0,0%	0,0%	0,1%	0,4%
Net loan losses to period end portfolio**	2,9%	2,1%	2,4%	2,5%
Total provisions to portfolio in 90+ days OD	79,8%	76,3%	139,1%	112,3%
Attraction of deposits	2013	2014	2015	2016 6m
Volume of new deposit contracts entered into	0	0	30 769	25 918
Number of new deposit contracts entered into	0	0	2 533	1 715
Value of average deposit contract	0	0	12 147	15 113
Average interest rate of contracts entered into	0,0%	0,0%	2,5%	1,8%
Average period of contracts entered into (months)	0	0	21	17
Deposit portfolio	0	0	29 712	49 681
Number of deposit contracts	0	0	2 506	3 835
Average interest rate of portfolio	0,0%	0,0%	2,6%	2,2%

New sales & portfolio



\* - The financial information in this presentation have been corrected to be in line with the accounting principles used in the 2016 6-month financial report. Audited information is available in the prospectus and the company website: [www.inbank.ee](http://www.inbank.ee)

\*\* - Includes effect from restating of general provision rates



# INBANK LIZINGS

Company was founded in October 2014 as a subsidiary of Inbank AS

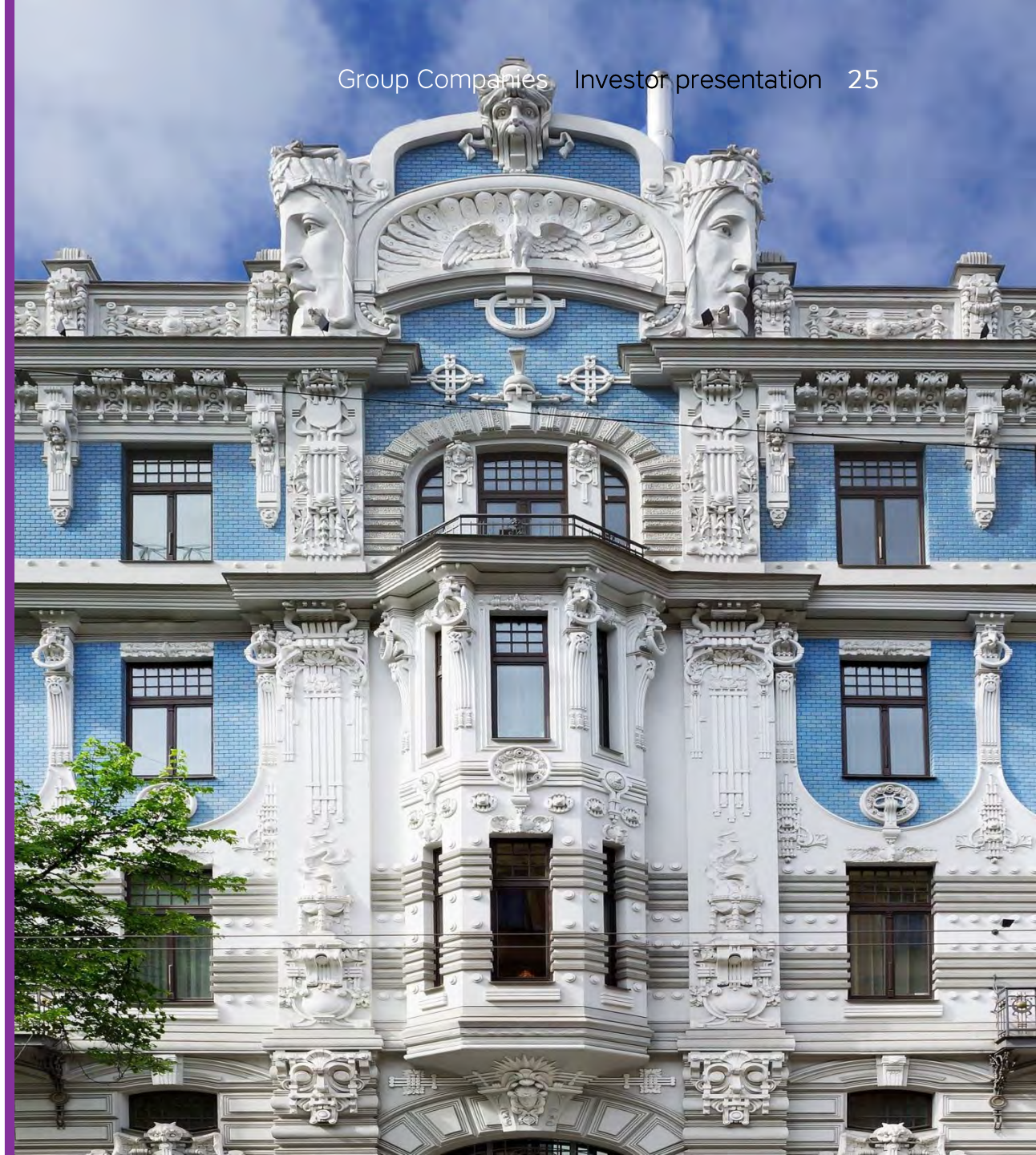
Inbank has 90% shareholding in company. 10% shareholder is CEO of the company Arturs Šaburovs

Company has a credit institution licence from Latvian Consumer Rights Protection Centre (PTAC)

Company offers three products: hire-purchase, car loan and small loan

Current credit portfolio is 16,9EURm

Company has 13 employees



# MARKET OVERVIEW – CONSUMER CREDIT

As of 31 December 2015, the public list of credit institutions in Latvia includes 24 companies, 8 of which are foreign bank branches.

According to the Association of Latvian Commercial Banks and Central Bank of Latvia statistic in 2015 there was a total of 579 EURm of consumer loans provided by credit institutions.

Consumer loan portfolio has increased the last 3 consecutive years. In 2015 loan portfolio increased by 11%.

In addition to the licensed credit institutions consumer financing in the Latvian market is offered also by authorized non-banking credit providers.

The public list of consumer credit providers included 57 companies, where 19 of them specialized on consumer loan lending.

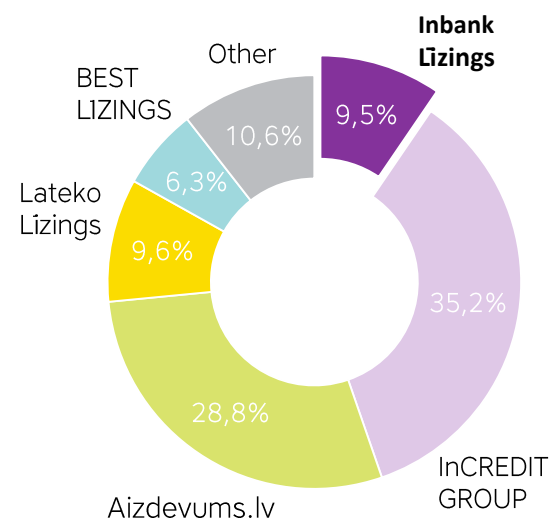
Non-Bank Consumer Lending Market

2015 the volume of loans provided by credit providers to consumers in 2015 totaled EUR 468 EURm.

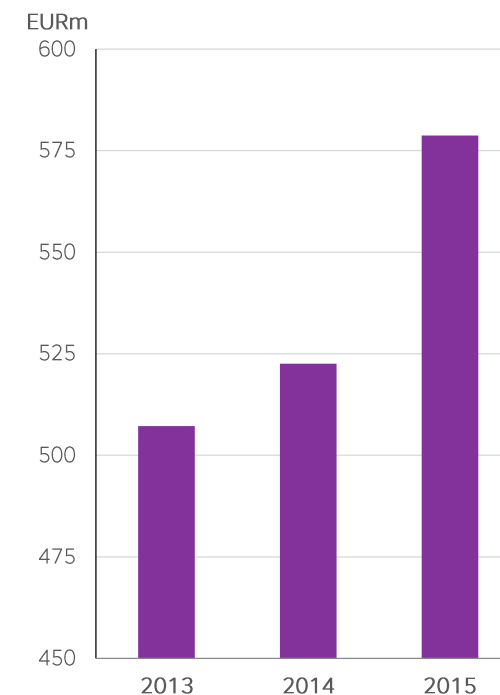
Consumer loans credit group portfolio in 2015 increased by approximately 18% and totaled 89 EURm.

Consumer loans volume increase was observed for the third consecutive year, but the growth rate has become slower: 2014 comparing with 2013 amount increased by 15,8%, while in 2015 to 2014 the amount increased 8.7%.

2015 Non-banking market share



Banking consumer loan portfolio



\* - Management estimation based on annual report portfolio figures of the named companies

# INBANK LIZINGS FACT SHEET\*

Compared to Estonian loan portfolio, the Latvia has considerably higher fees and average interest rate. New sales average APR is 37,6%. At the same time Latvian portfolio also has much higher loan losses.

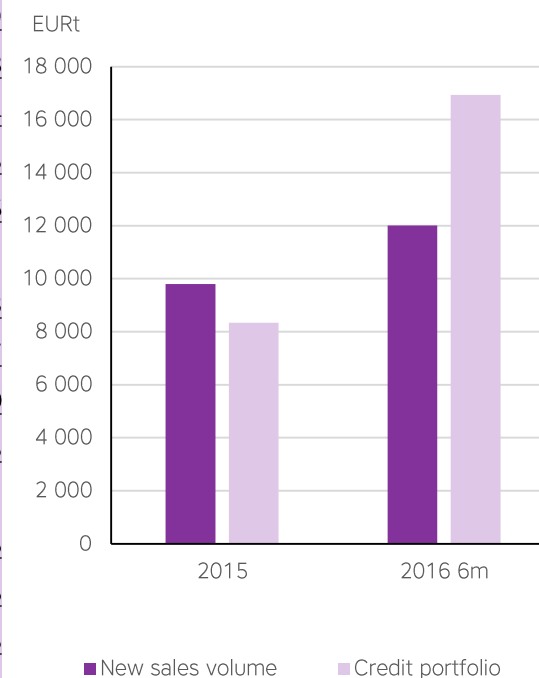
After an analysis of loan portfolio in 2Q 2016 Inbank has had to increase Latvian provisions more than expected. Provisions as a ratio to portfolio in 90+ days OD is at 132%.

In long term Latvian loan portfolio is profitable even at current loss levels. However, since March 2016 Inbank decided to tighten credit conditions in Latvia. As a result overdue performance in new loans has improved.

Besides focusing on credit quality, during 2H of 2016, Inbank Lizings will mainly focus on two aspects. First, to continue its growth on the car loan market and secondly, to seek new partners for the hire-purchase.

EURt	2013	2014	2015	2016 6m
New sales volume	0	2	9 795	12 009
New sales of product (items)	0	5	7 581	5 848
Average value of new sales contracts	-	339	1 292	2 054
Average interest rate of new sales	0,0%	22,9%	23,6%	25,3%
Average period of new sales (months)	0	13	43	45
Credit portfolio	0	2	8 335	16 933
Credit products in portfolio(items)	0	5	6 289	10 137
Average value of contracts in portfolio	-	339	1 325	1 670
Average interest rate of portfolio	0,0%	22,9%	22,5%	23,8%
Share of portfolio in 90+ days overdue	-	0,0%	0,7%	2,1%
Share of portfolio in 180+ days overdue	-	0,0%	0,1%	0,7%
Net loan losses to period end portfolio**	-	0,0%	3,5%	13,2%
Total provisions to portfolio in 90+ days OD	-	0,0%	153,2%	131,9%

## New sales & portfolio



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\*\* - Includes effect from restating of general provision rates



## AFFILIATED COMPANIES

Coop Finants was established in April 2011 and it started operations in December 2011. The main focus of the company is to offer private label credit and payment cards to Coop customers. The company also has a unique card acquiring technology and offers customers to withdraw cash from over 360 Coop shops.

In July 2013 the company started offering small loans to its client base.

In 6M 2016 the company had over 80 000 active cards and a credit portfolio of 16 EURm. Company employs 20 people.

Krediidipank Finants was established in October 2014 and started operations in January 2015. The main focus of the company is to sell small loans.

Inbank offers technology and automatic credit algorithms to the company. As part of the agreement, Inbank receives a monthly fee for these services.

In 6M 2016 the company had a portfolio of over 13 EURm. Company employs 3 people.

# AFFILIATES FACT SHEET\*

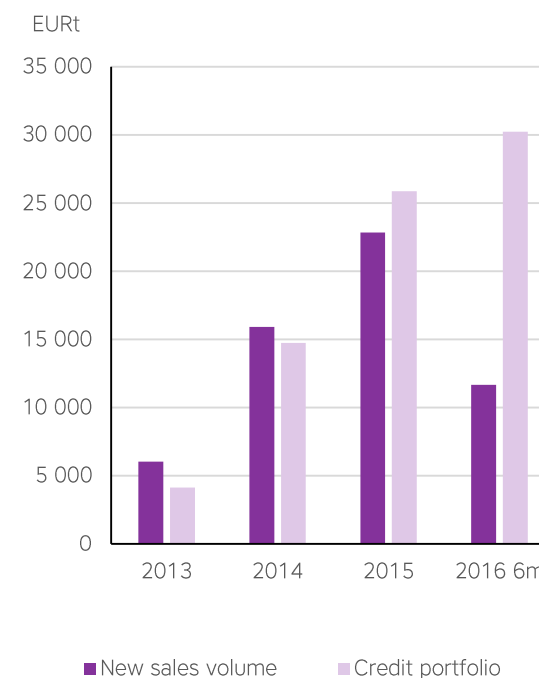
Coop Finants and Krediidipank Finants (KPF) have shown a very strong growth since launch. Total new sales in 2016 6m was 11,7 EURm

Cooperation with Coop is particularly valuable for Inbank due to the fact that they have over 500 000 loyal customers to whom financing products can be offered. In 2015, the main engine of sales growth was the increasing sale of small loans. The solid sale of small loans was the main reason for increase in loan portfolio and the average interest rate of sales contracts, which reached 18% in 2015.

The credit losses of the affiliates increased in 2015 as projected, because the companies entered into the segment of consumer loan products that have a higher interest rate and higher risk cost.

EURt	2013	2014	2015	2016 6m
New sales volume	6 019	15 915	22 838	11 667
New sales of product (items)	23 189	27 090	31 693	14 205
Average value of new sales contracts	260	587	721	821
Average interest rate of new sales	12,5%	17,4%	18,2%	19,3%
Average period of new sales (months)	35	39	39	39
Credit portfolio	4 117	14 741	25 873	30 230
Credit products in portfolio(items)	41 783	65 021	87 610	96 379
Average value of contracts in portfolio	99	227	295	314
Average interest rate of portfolio	13,1%	16,9%	18,0%	18,2%
Share of portfolio in 90+ days overdue	0,4%	0,9%	0,9%	1,7%
Share of portfolio in 180+ days overdue	0,0%	0,1%	0,2%	0,5%
Net loan losses to period end portfolio	1,3%	2,5%	4,1%	4,3%
Total provisions to portfolio in 90+ days OD	75,4%	92,8%	99,2%	91,6%

## New sales & portfolio





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# GROWTH PLANS

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*We look boldly to 2016 and beyond. We have experienced that success is quiet in coming, a result of laying brick after brick, but we are motivated not by what we are today but where we want to go.*

*Priit Põldoja ja Jan Andresoo, founders of Inbank*

# MAIN GROWTH DRIVERS

- Notification to establish Inbank Poland branch submitted to Estonian FSA on 05.08.2016
- Management team recruited from GE Money Poland and started working in August 2016
- Polish branch will focus on consumer loans and hire purchase and also collect term deposits
- The size of the Polish consumer finance market is 35 EURb, with monthly sales of 1.5-1.7 EURb
- The start of business activities is planned Q1 2017

- Passporting application to Estonian FSA was filed in July 2016
- Strategic cooperation with *Raisin.com* was initiated
- Start of activities is planned 4Q 2016
- Goal to diversify deposit funding base and lower average interest rate

## INBANK EXPANSION INTO POLAND

## BUILDING ORGANIZATIONAL CAPABILITIES

## THE MAIN GROWTH FACTORS FOR INBANK GROUP IN 2016-2018

## GERMAN AND AUSTRIAN DEPOSIT MARKET

## ORGANIC GROWTH OF CURRENT OPERATIONS

- Implement new organizational structure, developing group level functions to support international growth
- Strengthen the risk organization and capital management skills
- Increase the IT development team and capabilities

- Strengthen partner relations by introducing a small leasing product for companies
- Increase car and consumer loan portfolio
- Increase the process efficiency by integrating online identification solution
- Increase the brand recognition to support deposit collection from Estonian market

# POLAND MARKET OVERVIEW

## Consumer Loans Market:

The Polish consumer credit market is one of the most dynamically developing in the European Union. Taking into consideration the aggregate data for the years 2008-2014, Poland is the fourth European market in terms of dynamics of the growth of retail receivables (avg. 9.2% p.a.).

Consumer loans origination was steadily growing and totalled 16 EURb in 2013, 17.7 EURb in 2014 and 17.9 EURb in 2015 leading to total portfolio in 2015 of 32EURb.

Growing volumes were achieved due to favorable macroeconomic situation reflected in continuous GDP growth by more than 3% and decreasing unemployment rate (under 9% in 2015).

As a result of National Bank of Poland monetary easing started in 2012 an average actual percentage rate for credit agreements decreased from 20.8% in 2013 to 15.6% in 2015.

Parallel to portfolio growth, credit

quality improved. The share of overdue portfolio (30 days+) decreased from 3.4% in 2013 to 2.7% in 2015.

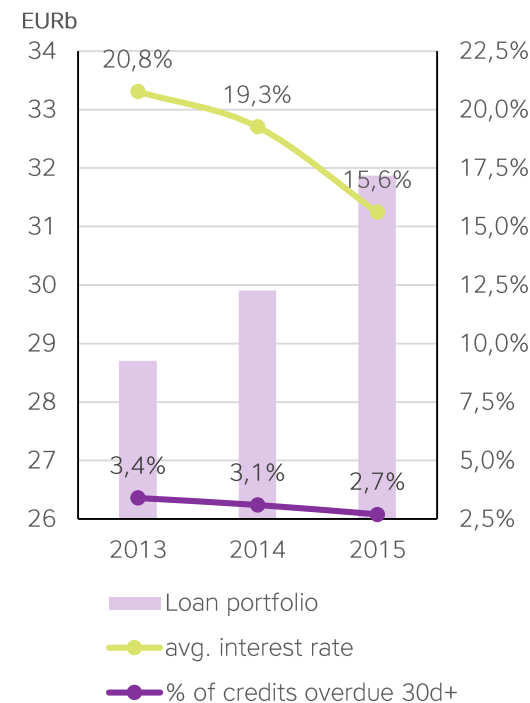
## Consumer Deposits Market:

Total household savings reached their historical height in 2015 totaling 151 EURb.

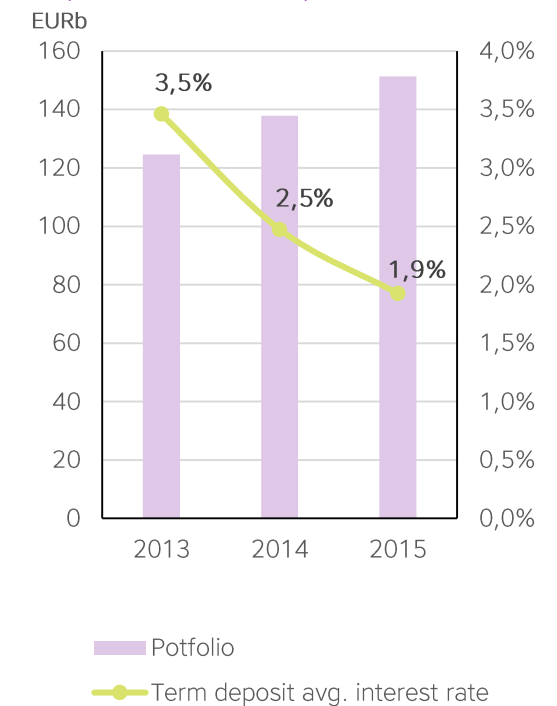
The growth in value was achieved in spite of the loose monetary policy of the National Bank of Poland. Retail deposit interest rates decreased over last 3 years from an average level of 3.5% in 2013 to 1.9% in 2015.

Both consumer finance and deposit markets in Poland are well established and competitive with ca 40 banking players.

## Consumer Loan Market



## Deposit Portfolio Dynamics



# INBANK POLAND BUSINESS PLAN SUMMARY



## THE STRATEGY FOR INBANK POLAND ASSUMES

- Start of operations in Q1 2017, and break-even in Q1 2018
- Focus on consumer finance: small loan and hire purchase
- Collecting retail deposits in PLN to finance its lending activity
- Reaching 0.5% share in Polish consumer loan market by 2019
- Polish loan portfolio is projected to reach close to 40% of Inbank Group total loan portfolio by end of 2019



## THE DISTRIBUTION MODEL FOR POLAND'S OPERATIONS WILL INVOLVE

- No own customer service points
- Using the Internet as the only deposit distribution channel and leading loan distribution channel
- Using duly selected partnership network as a supplementary channel in the cash loan distribution area (including refinancing loans)
- Using duly selected chain of online and regular shops to distribute instalment loans (hire purchase)



## INBANK POLAND COMPETITIVE POSITION WILL BE GROUNDED UPON

- Simplicity and transparency of the product offer and its price competitiveness
- Effectiveness of customer service process
- Strategic distribution partnerships
- Proprietary technology platform and innovative product solutions
- Experienced personnel (former executives of GE Money Poland)
- Know-how in the consumer finance area of the companies of the Inbank Group

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# INVESTMENT HIGHLIGHTS

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Profitable consumer finance business model

Proven track record with strong market position in Estonia

EU banking license for accessing sustainable funding

Strong international investor base to support the growth of the bank

Excellent proprietary technology and innovative digital solutions

Experienced and professional team

Potential to take the business model into more countries



# SUBORDINATED BOND ISSUE

Inbank has decided to issue public traded subordinated bonds on the Nasdaq Tallinn Stock Exchange, Baltic Bond List

The primary purpose of the Offering is to strengthen the capital structure of the Bank to retain a strong capital base in light of a growing risk weighted asset base.

Inbank is looking to engage additional capital in the amount of 5EURm and in case of over-subscription the Company can exercise the right to increase the volume up to 7EURm.

The maturity date of the Bonds is 28 September 2026 with a nominal value of 1000 EUR.

The Bonds carry an annual coupon interest at a rate of 7% per annum paid quarterly.

The bonds are being offered to retail and institutional investors in Estonia and to institutional investors outside Estonia.

The expected date of listing and the admission to trading of the Bonds is on or about 30 September 2016.

# SUBORDNATED BOND 28.09.2026

Nominal value	1 000 EUR
Interest	<p>Annual coupon interest at a rate of 7% per annum, calculated from the date of issue of the Bonds on 28 September 2016</p> <p>The interest is paid quarterly on the following dates - 28 March, 28 June, 28 September and 28 December</p>
Period	The bonds are issued for a 10 year period (28.09.2016 – 28.09.2026), with the consent from the Financial Supervisory Authority the the bonds may be redeemed prematurely after 5 years (28.09.2021)
Issue amount	Up to 5 EURm, in case of over-subscription up to 7 EURm

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# SUBORDINATION

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## Subordination

The rights associated with the Bonds are subordinated to all unsubordinated claims against the Bank. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Bank, all the claims arising from the Bonds shall fall due in accordance with the terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Bank in accordance with the applicable law.

## Use of proceeds

The primary purpose of the Offering is to strengthen the capital structure of the Bank to retain a strong capital base in light of a growing risk weighted asset base.

According to the EU legislation applicable to credit institutions the increase in risk weighted assets need to be covered by regulative capital. The proceeds from the Offering will be entirely used for strengthening the Tier 2 regulative capital base.

Conservative capital buffers are needed in advance to support the general corporate purposes, further growth, strengthen the market position of the Bank, finance expansion into new markets and increase the business volumes of the Group.

# SUBSCRIPTION UNDERTAKINGS

Period	12 September 2016 at 12.00 local time in Estonia and terminates on 23 September 2016 at 12.00 local time in Estonia.
Participation	The transaction order for purchasing the bonds can be placed in all the banks in Estonia
Prerequisite	In order to subscribe for the Bonds, an investor must have a securities account with the Estonian Central Register of Securities (ECRS). Such securities account may be opened through any custodian of the ECRS. Availability of the transaction amount, which will be reserved at subscription
Issue amount	Up to 5 EURm, in case of over-subscription up to 7 EURm
Allocation	The Company will decide on the allocation of the Bonds after the expiry of the Offering Period, and no later than on 27 September 2016.
Value date	28 September 2016
Expected trading date	30 September 2016

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