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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.



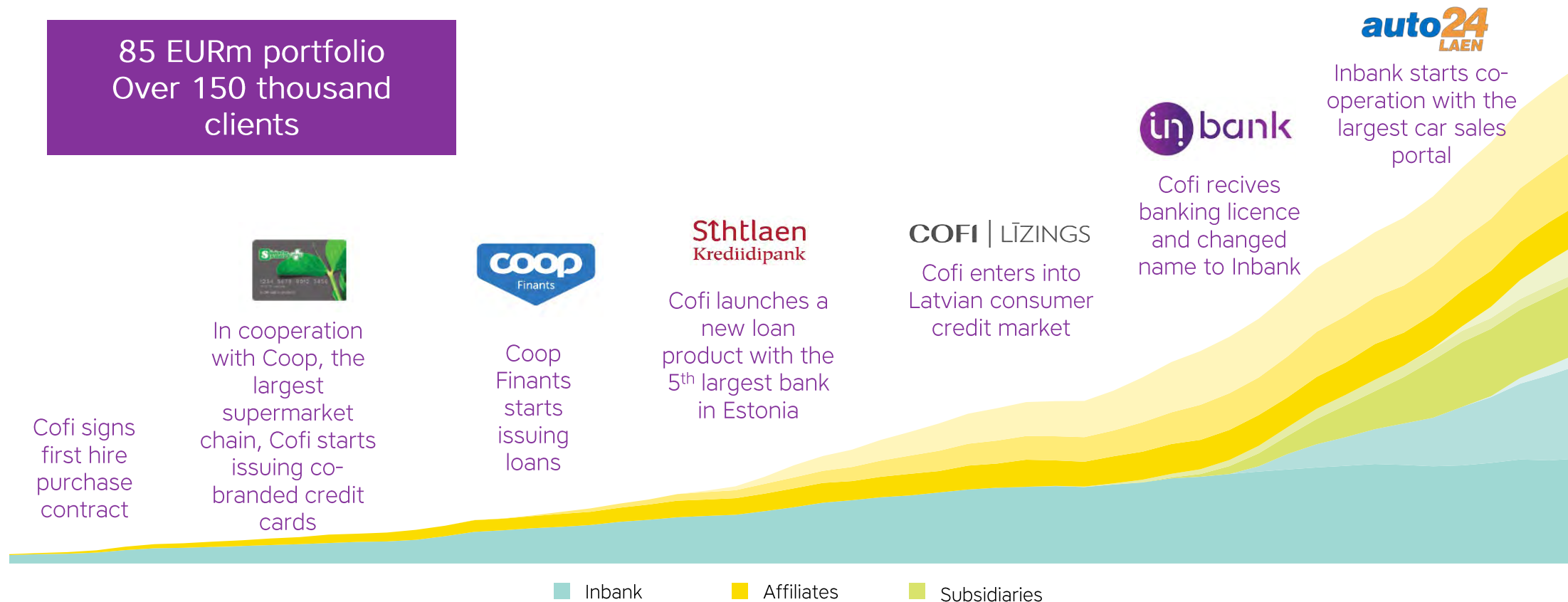
# OVERVIEW OF INBANK

- Inbank is a licensed credit institution with a main focus of issuing consumer credit products and collecting term deposits.
- Inbank (previously named Cofi) was founded in 2010 by former banking executives Priit Põldoja and Jan Andresoo
- The company has two affiliate companies Coop Finants AS and Krediidipank Finants AS with Krediidipank AS
- At the end of 2014 Inbank expanded to Latvia with a subsidiary Inbank Lizings
- In April 2015 the Company received a banking licence and rebranded itself to Inbank.
- In Q1 2017 Inbank will be entering Polish market
- The whole group currently employs 81 people

Photo: Inbank launch campaign in April 2015

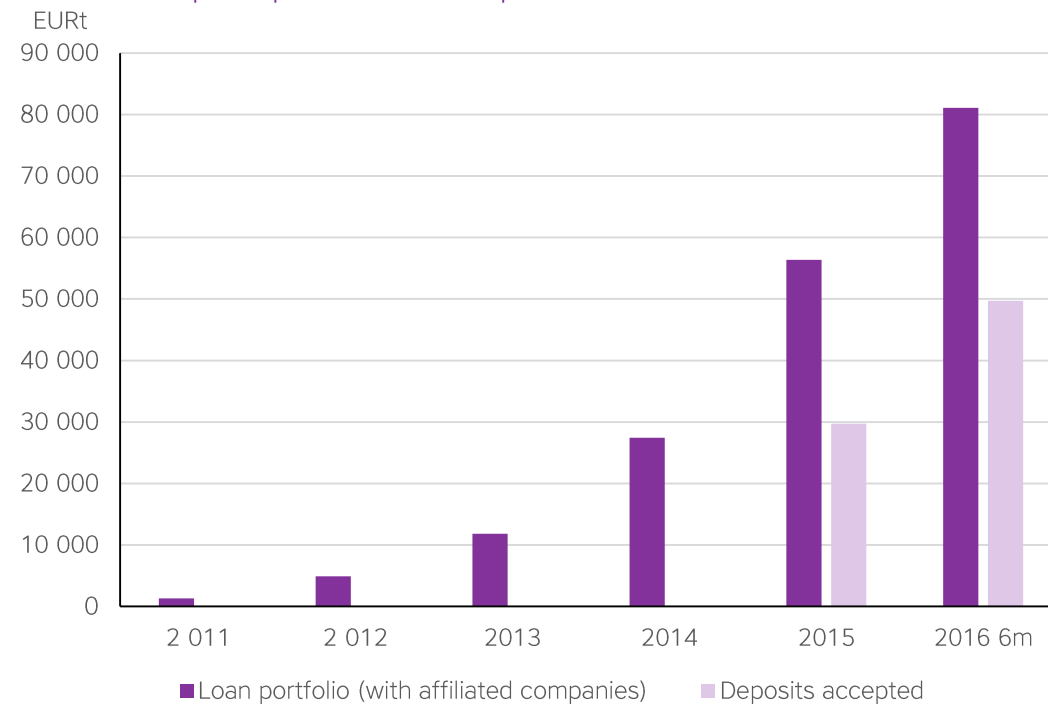


# MAIN MILESTONES

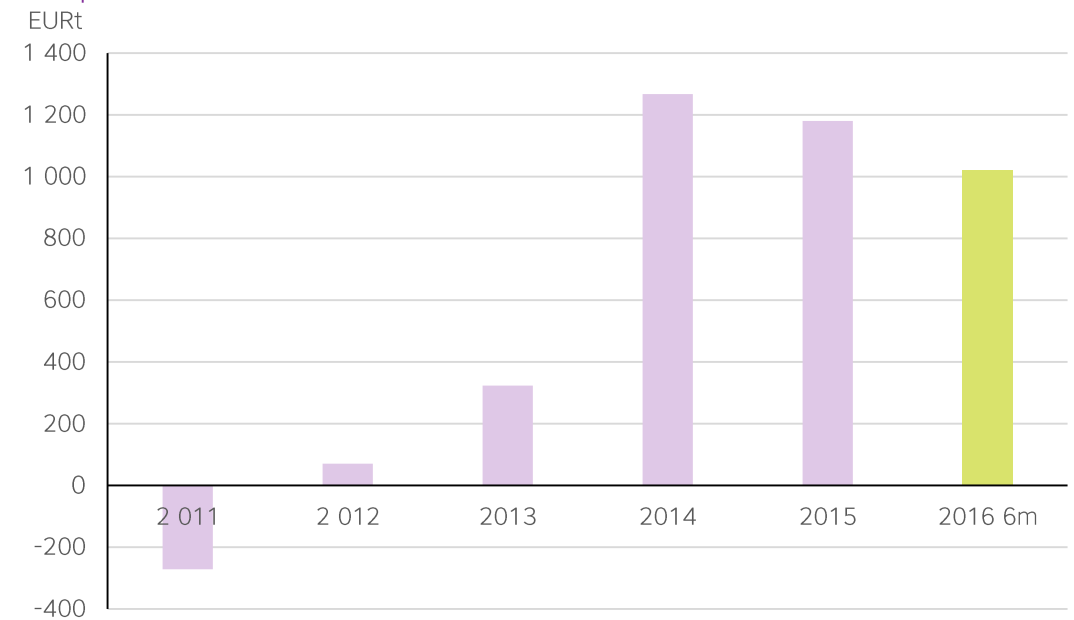


# DEVELOPMENT OF INBANK\*

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)

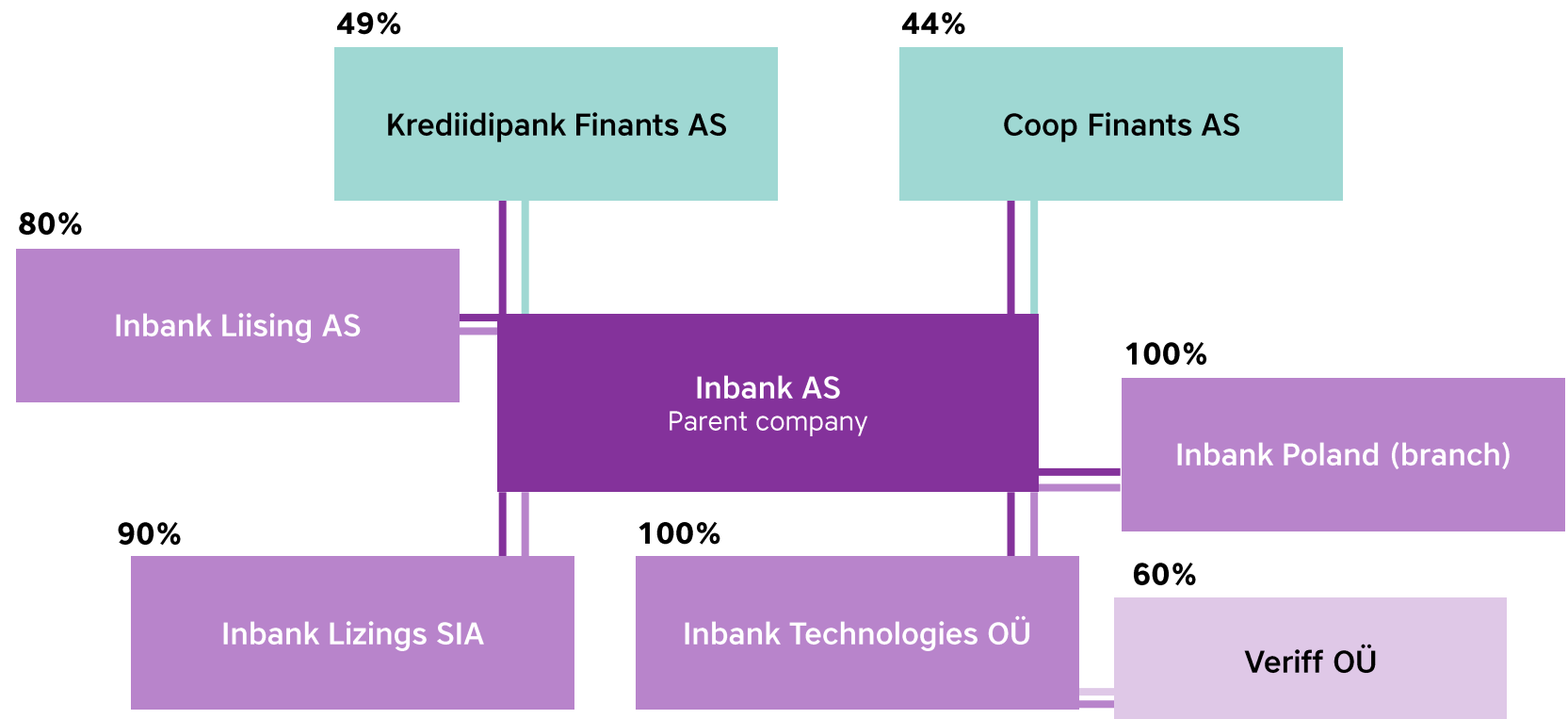


# GROUP STRUCTURE AND SHAREHOLDERS

The founders and employees of Inbank own 36,1% of the 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



Clear focus and product-based approach



Ability to recruit and motivate the talent



Develop a proprietary technology and keep it centralized



Flexibility and success in partnerships



Access to financing through European Union banking license



Grow by extending our existing business model to new markets

# EFFICIENT AND AUTOMATED BUSINESS MODEL

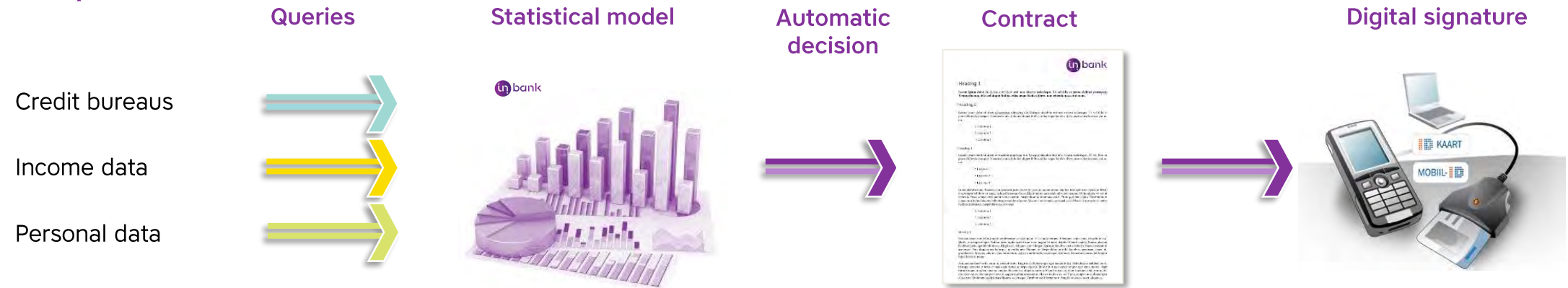
## Automatic scoring and contract completion

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

## Partner-based distribution model

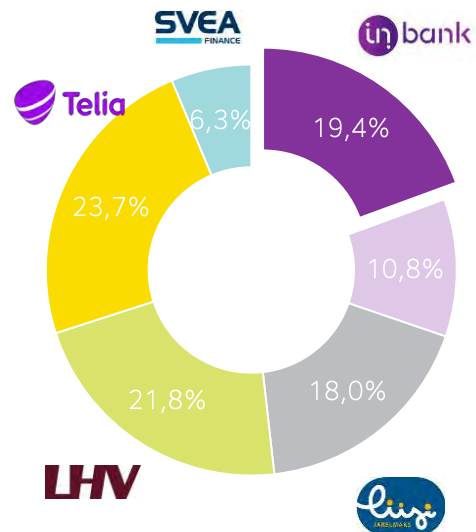
- 3 strategic distribution partners- a supermarket chain, a bank, an online marketplace
- Over 250 partner merchants
- Financing solution fully integrated into partners' business processes

## Loan process overview:

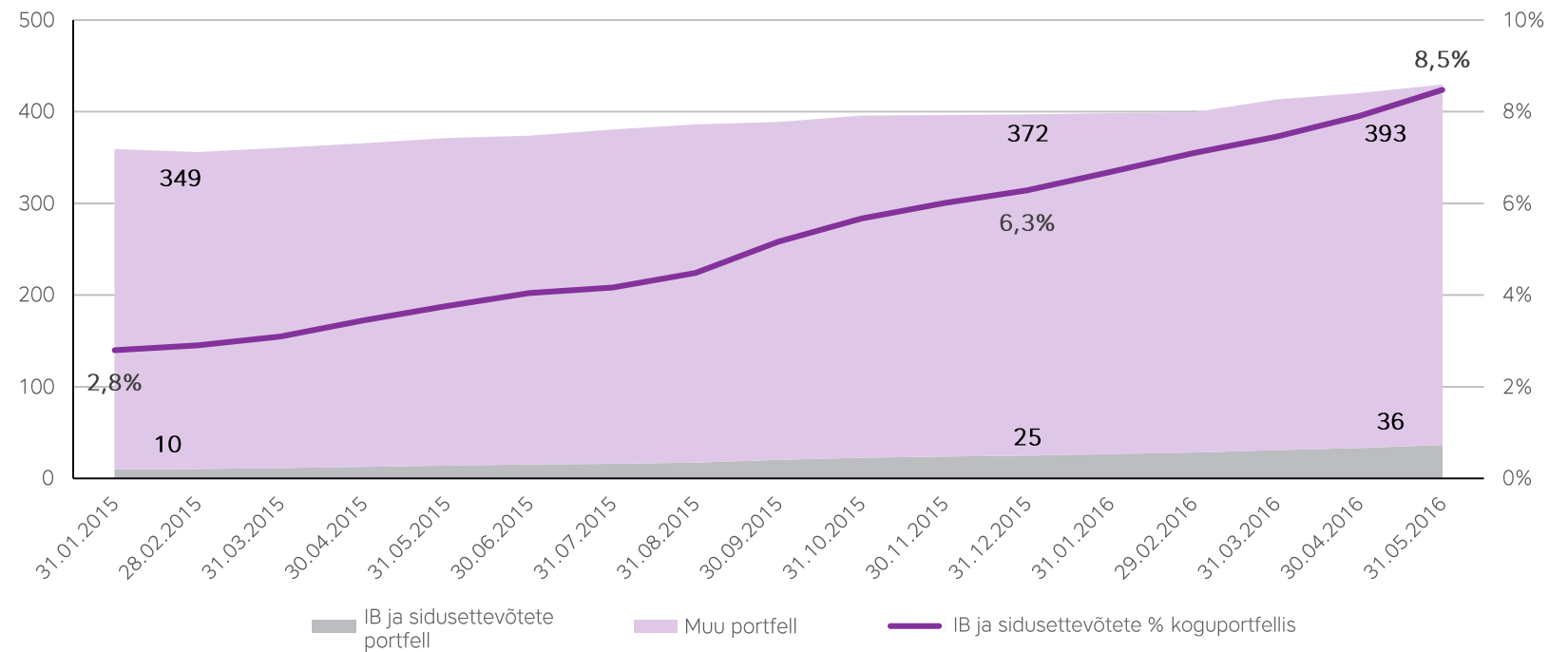


# MARKET POSITION

2015 Hire purchase market share\*



Portfolio of consumer credit without collateral (small loan)



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

# CONSOLIDATED MAIN FINANCIALS\*

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.

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

2015 Net profit development (EURt)



2016 6m Net profit development (EURt)



2014 vs. 2015	Growth
Total Income	96%
Profit from investments	130%
Total costs	237%
Loan losses	204%
Net profit	-5%

2015 6m vs. 2016 6m	Growth
Total Income	145%
Profit from investments	200%
Total costs	64%
Loan losses	344%
Net profit	254%

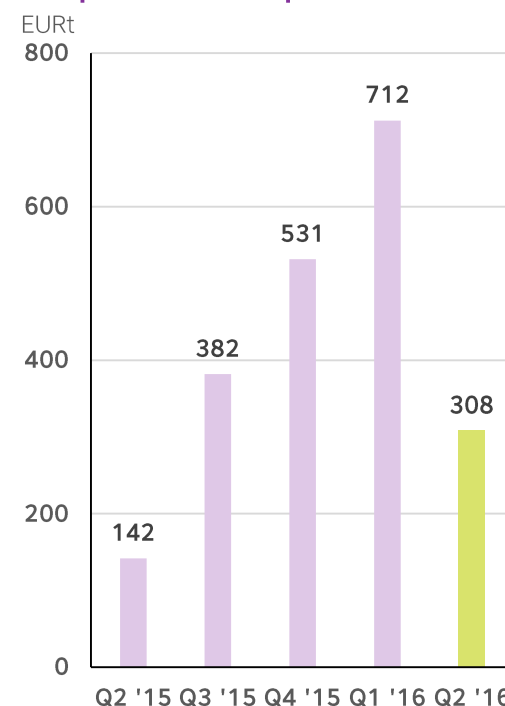
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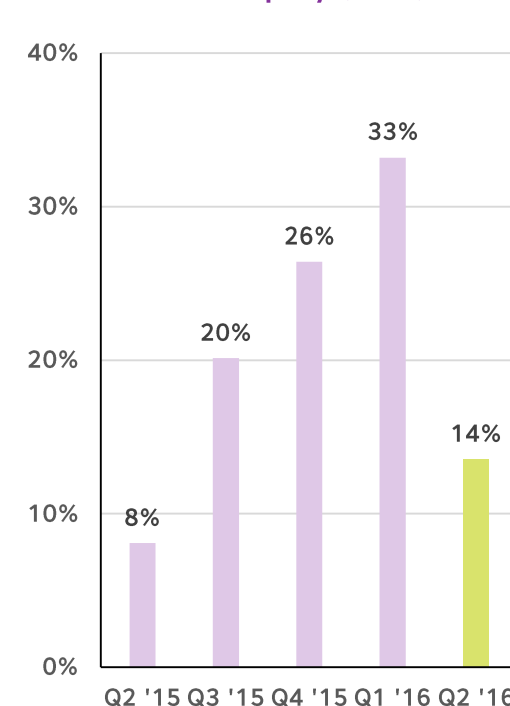
# FIVE QUARTERS – KEY FIGURES AND RATIOS\*

- Net income in Q2 2016 was mostly affected by increase in Latvian general provisioning rate
- The increased general provision was also the main reason for declining ROE
- Cost/income ratio continues to improve as volumes catch up with increased organizational costs

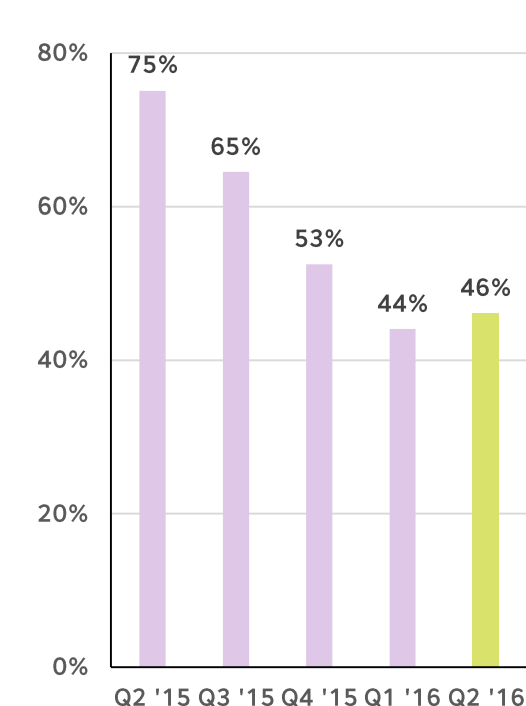
Net profit for the period



Net return on equity (ROE)



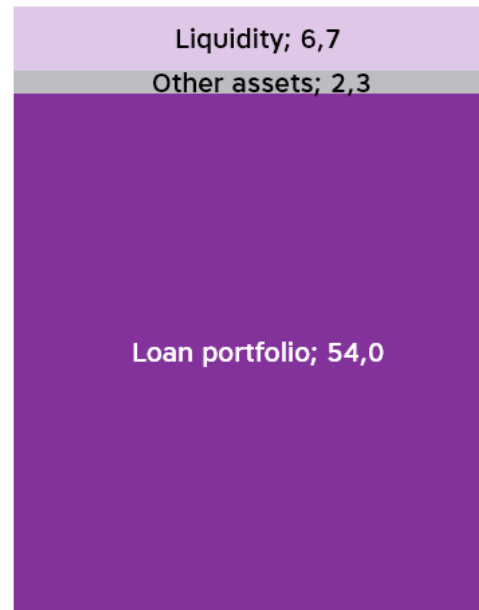
Cost/Income ratio



# 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
- 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
- Inbank capital adequacy ratio is 15,96%

## Simplified balance sheet – June 2016



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# MANAGEMENT

## 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

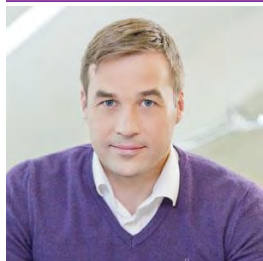
Chief Executive Officer of Inbank Lizings



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

# GROUP COMPANIES

## Inbank Estonia

- Focus on hire purchase, car loan and small loan products and on collecting deposits.
- Financial, risk management and product development centre of the Group

## Inbank Lizings

- Subsidiary of Inbank
- Three main products hire-purchase, car loan and small loan

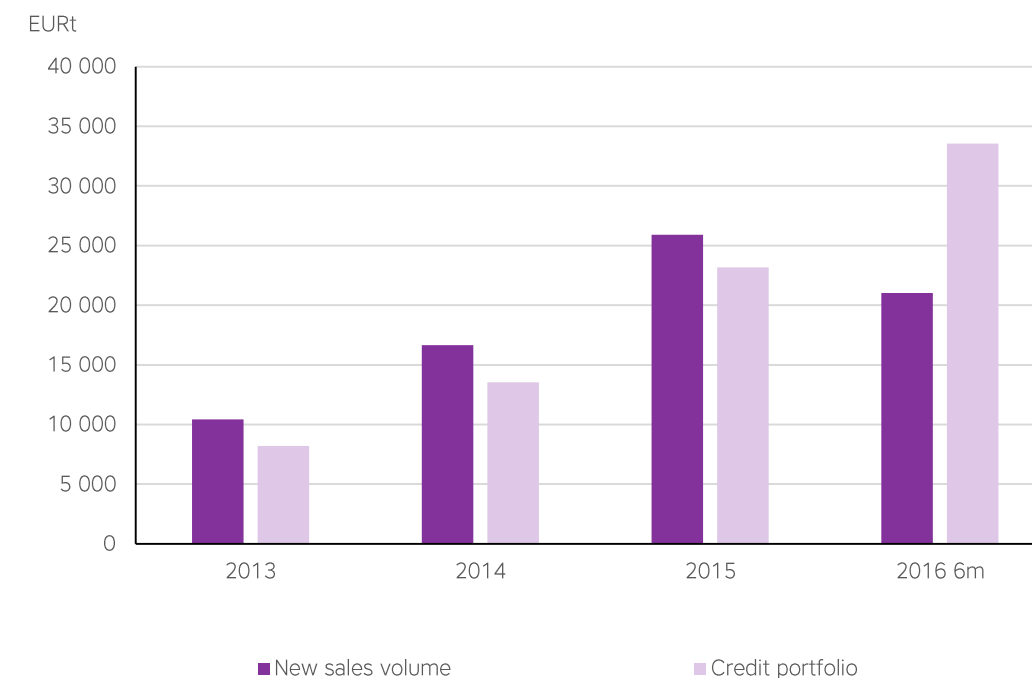
## Affiliates

- Coop Finants
  - Focuses on offering private label credit and payment cards to Coop customers and selling small loans
  - Proprietary card acquiring technology and unique offer to customers for cash withdrawal from over 360 Coop shops.
- Krediidipank Finants
  - Main focus is on offering small loans
  - Technology and credit decision algorithms from Inbank

# INBANK ESTONIA FACT SHEET\*

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 interest rate of new sales	24,3%	23,5%	20,8%	20,1%
Credit portfolio	8 215	13 538	23 176	33 556
Credit products in portfolio (items)	23 248	35 798	41 846	46 054
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%
Attraction of deposits	2013	2014	2015	2016 6m
Volume of new deposit contracts entered into	0	0	30 769	25 918
Average interest rate of contracts entered into	0,0%	0,0%	2,5%	1,8%
Deposit portfolio	0	0	29 712	49 681
Average interest rate of portfolio	0,0%	0,0%	2,6%	2,2%

## New sales & portfolio



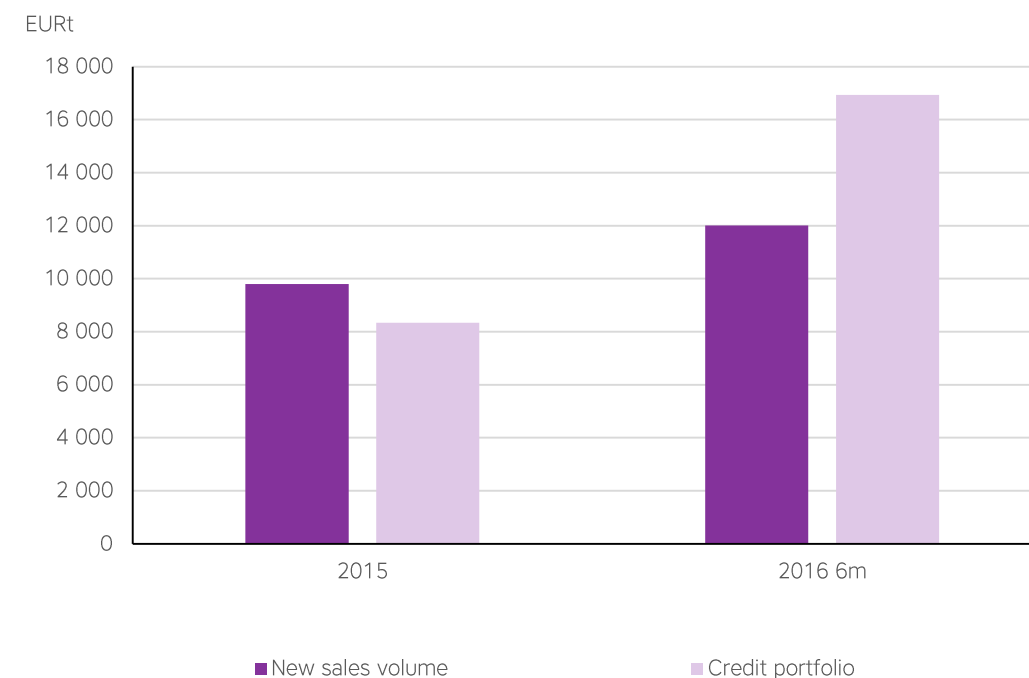
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# INBANK LIZINGS FACT SHEET\*

EURt	2014	2015	2016 6m
New sales volume	2	9 795	12 009
New sales of product (items)	5	7 581	5 848
Average interest rate of new sales	22,9%	23,6%	25,3%
Credit portfolio	2	8 335	16 933
Credit products in portfolio(items)	5	6 289	10 137
Average interest rate of portfolio	22,9%	22,5%	23,8%
Share of portfolio in 90+ days overdue	0,0%	0,7%	2,1%

## New sales & portfolio

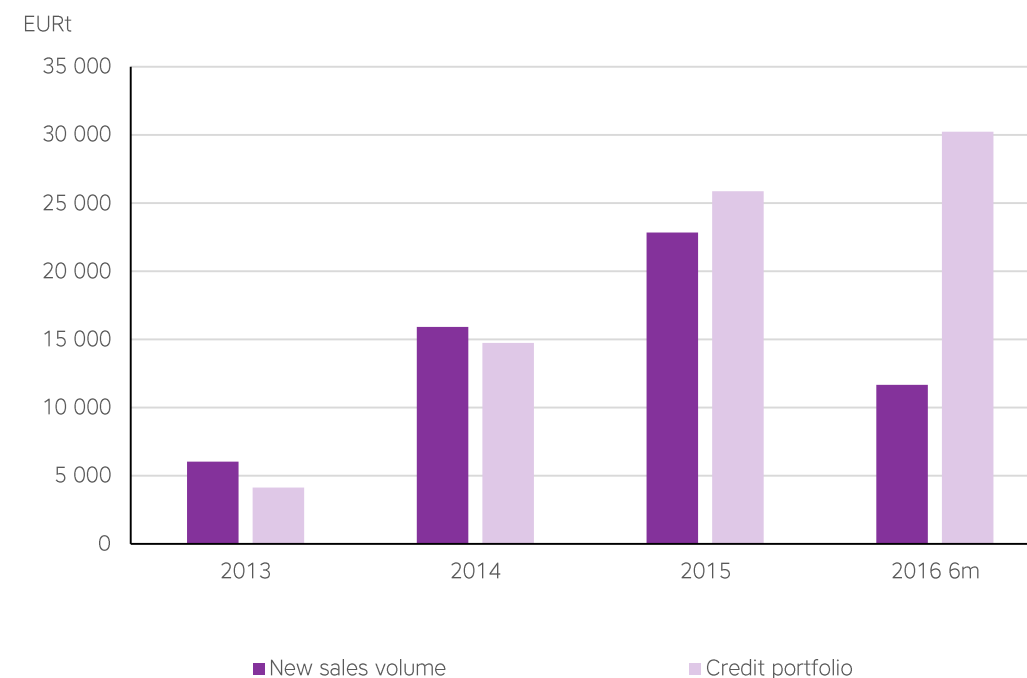


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# AFFILIATES FACT SHEET\*

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 interest rate of new sales	12,5%	17,4%	18,2%	19,3%
Credit portfolio	4 117	14 741	25 873	30 230
Credit products in portfolio (items)	41 783	65 021	87 610	96 379
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%

## 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 Q1'17

- 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

- 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

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

## GERMAN AND AUSTRIAN DEPOSIT MARKET

## ORGANIC GROWTH OF CURRENT OPERATIONS

- 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.

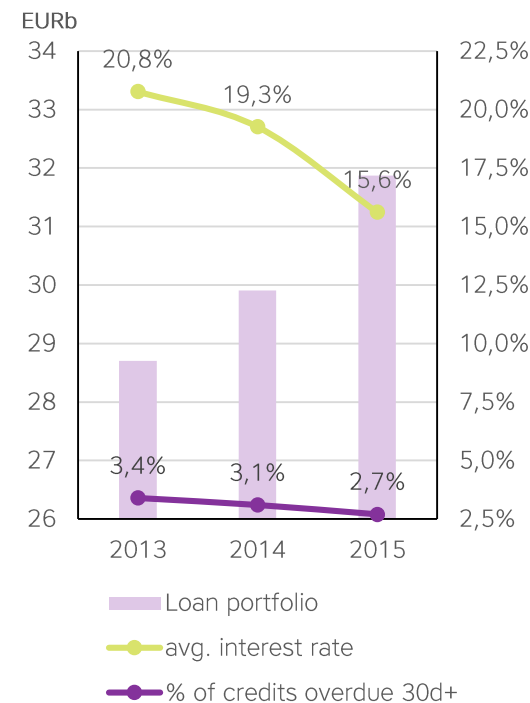
## Consumer Deposits Market:

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

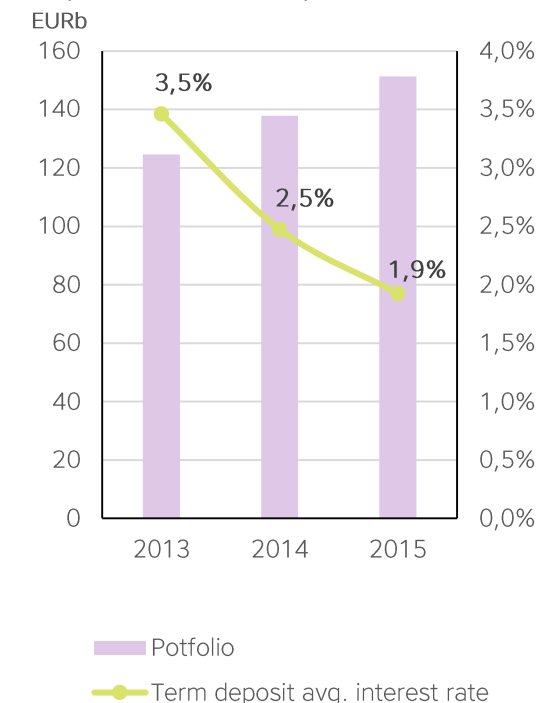
The growth in value was achieved in spite of the loose monetary policy of the National Bank of Poland. Retail deposit interest rates decreased over last 3 years from an average level of 3.5% in 2013 to 1.9% in 2015.

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

## Consumer Loan Market



## Deposit Portfolio Dynamics





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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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Inbank AS

Niine 11, 10414 Tallinn

info@inbank.ee

+372 640 8080

www.inbank.ee

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