

Interim Report of Inbank AS

6 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	30.06.2017		
Reporting period	01.01.2017 – 30.06.2017		

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

Inbank AS' financial position as of 30th of June 2017, statement of comprehensive income and cash flow statement for the 6 months of 2017 as well as the notes to the interim report have been reviewed by the auditor.

The bank does not hold any ratings provided by international rating agencies.

Interim Report of Inbank AS for 6 months of 2017 is signed by management board of Inbank in Estonian version.

Declaration of the Management Board

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

- the data and information presented in this interim report for six months of 2017, consisting of the management report and interim financial statements as of 30th of June 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 of 30th of June 2017, its financial performance and cash flows for the six 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, 14 August 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

The second quarter of 2017 was a busy period at Inbank. We have rapidly grown into an international bank. This means that although the main focus of our activities is aimed at growing business volumes, we also must be able to deal with developing our bank's internal processes.

Key Events

We consider it important to offer convenient solutions where customer needs them. We are pleased to note that in the spring, Inbank entered into several new partnership projects. We launched cooperation via the Raisin deposit platform with the innovative N26 mobile bank, offering good deposit opportunities to their customers. In the field of hire-purchase, we launched a partnership with Samsung Electronics Baltics. In the field of loan operations, we further developed cooperation with a number of existing partners such as Bauhof, Hansapost and 1A.EE when we started offering consumer loans in these channels in addition to hire-purchase products.

Two transactions with significant importance for Inbank took place in the second quarter: we disposed the affiliates Coop Finants AS and Krediidipank Finants AS. Inbank's ownership in both companies was 49% and the acquirer was Eesti Krediidipank. We earned a one-off profit of 4.81 million euros on the transaction. In addition, we took part in increasing

New and positive developments took place for our Latvian subsidiary. Several top specialists joined the team and we developed a new operating strategy.

the share capital of Eesti Krediidipank, following which Inbank's holding in Krediidipank is 17.9%.

The second quarter also marked the annual Internal Capital Adequacy Assessment Process (ICAAP) along with Supervisory Review and Evaluation Process (SREP). We went through the process for the second time and concluded that our capacity for internal analysis and process management has improved significantly. We now have a stronger risk organisation, and the report for this time provides much more substantial information for both ourselves and the Financial Supervision Authority.

With the bank's activities moving from local towards international, we are devoting more and more attention to increasing our organisational capacity. We use unified IT solutions in all countries in which Inbank operates and due to this, technology and its development are a strategic area for Inbank. We are pleased that

Inbank's team has been increased by Chief Technology Officer Priit Pille, who will be in charge of the group's IT development.

Several other significant personnel changes took place in the second quarter. In early May, we decided to terminate a contract with the former head of the Latvian subsidiary, Artūrs Šaburovs, and we repurchased his holding in the subsidiary. Following the transaction, Inbank is now the sole shareholder of the company Inbank Lizings SIA. In May, the new business manager Girts Ledins started work at the Latvian subsidiary who has several years of managerial experience in the financial sector and his role will be to implement our new strategy in Latvia.

Business Volumes

The quarter was also a success in terms of sales volumes. The results in Estonia were extraordinarily strong for both: hire-purchase and lending activity.

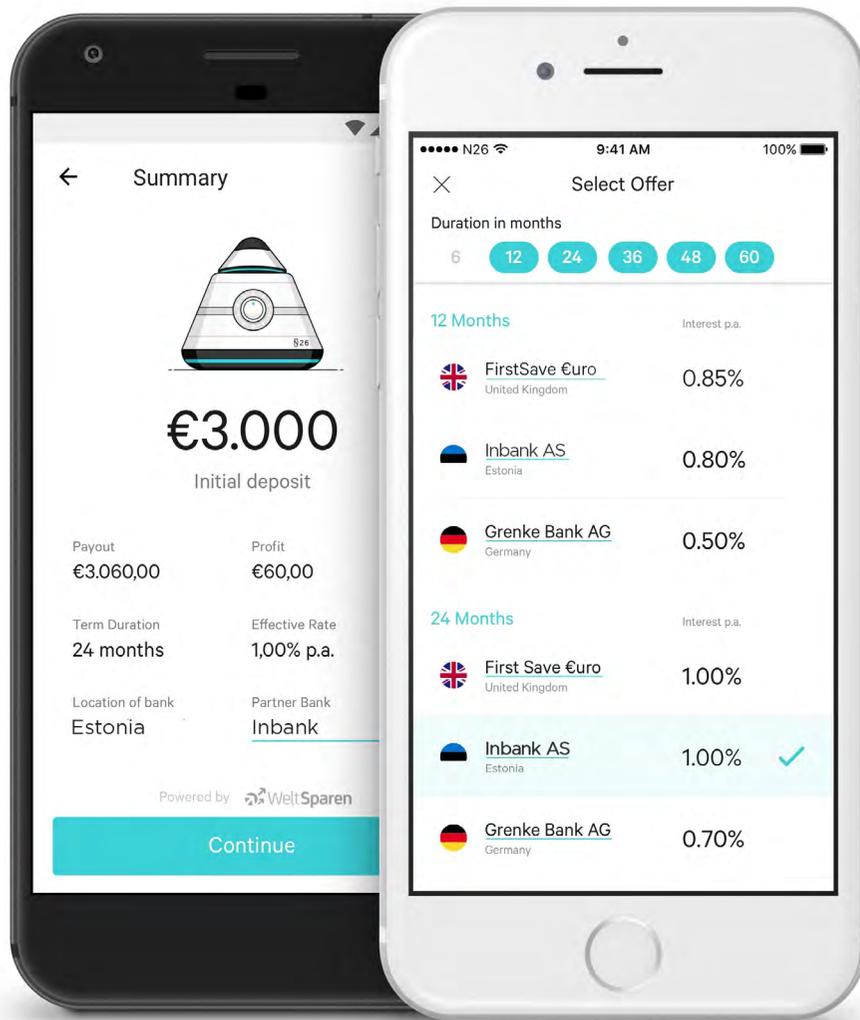
The second quarter brought new and positive developments for our Latvian subsidiary. Several top specialists joined the team and we developed a new operating strategy. The focus was on development of the hire-purchase product and own sales channels and in this segment results showed promising progress.

Business volumes also grew in Poland. Yet considering the size and potential of the market as well as the risks related to entering a new market, we consciously defined the first full quarter of operations as a test period. We are taking time to evaluate the quality of credit decisions and the functioning of sales channels and IT processes. In addition,

our team was focused on developing partner-based business model in Poland, which is the strategic cornerstone of Inbank's operations. We have found very interesting business opportunities in this field, and we hope to make a public announcement soon.

Inbank's total sales for six months of 2017 were 33.4 million euros, of which Estonian sales accounted for 28.5 million euros, Latvian sales were 3.2 million euros and Polish sales were 1.6 million euros. Sales grew 1.0% year-over-year. The Estonian sales volumes deserve to be highlighted as it grew by 35.6% compared to the same period the year before.

10.8 million euros worth of new deposits were engaged in the second quarter of 2017. The deposits volume meets our expectations and allows us to continue issuing credit in the desired volume.



Profit

The bank's total income in the second quarter amounted to 2.73 million euros, growing 21.7% year over year. Total income in the first half-year stood at 5.39 million euros – a 33.9% increase year-over-year. Loan losses in the second quarter were 805 thousand euros, decreasing 14.6% compared to last year. The loan losses for the half-year were 1.7 million euros, an increase of 23.5% year-over-year. Inbank's profit including the income from the sale of affiliated companies was 5.04 million euros in the second quarter and 5.69 million euros in the first half-year.

Leading German financial technology companies Raisin and N26 have joined forces to offer mobile banking customers good terms on deposits at selected European banks. Inbank became one of the banks that offer deposits to N26's customers.

Summary

The end of the second quarter of 2017 also marked the end of an important phase in the history of Inbank: Inbank disposed its affiliates. From here on, we will focus on the international development of the bank, which is where we see the primary growth opportunity in the near future.

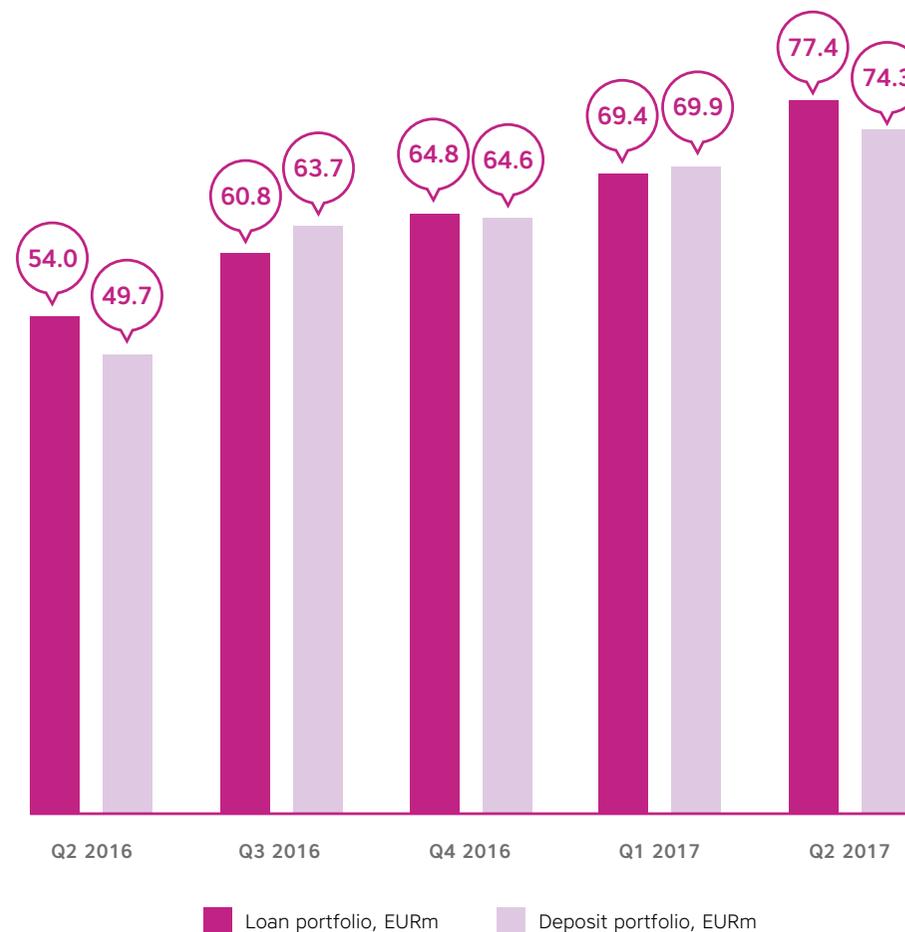
Jan Andresoo
Chairman of the
Management Board

Key financial indicators and ratios

EURt				
Key financial indicators	30.06.2017	30.06.2016		
Total assets	102 990	63 033	63.4%	
Total equity attributable to shareholders of the parent	20 253	9 143		121.5%
Total comprehensive income attributable to owners of the parent	5 706	1 113		412.7%
Loan portfolio	77 439	53 996		43.4%
Deposit portfolio	74 345	49 702		49.6%

Ratios	30.06.2017	30.06.2016
Net return on equity	71.8%	26.0%
Net return on total assets	12.2%	4.2%
Net interest margin	11.6%	14.3%
Loan losses to loan portfolio	4.9%	6.3%
Cost/income ratio	59.0%	45.2%
Equity to total assets	19.7%	14.7%

Volume of loan portfolio and deposit portfolio



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>	30.06.2017	31.12.2016
Capital base		
Paid-in share capital	782	689
Share premium	9 068	6 361
Statutory and other reserves	1 433	1 418
Retained earnings	3 264	681
Intangible assets (subtracted)	-980	-902
Profit for reporting period*	5 718	2 647
Other comprehensive income	-13	0
Shares in affiliates**	-7 013	-1 673
Total Tier 1 capital	12 259	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	18 762	15 724
Risk-weighted assets		
Credit institutions, standardised approach	515	391
Non-financial customers, standardised approach	3 120	3 037
Retail claims, standardised approach***	54 370	44 818
Claims past due, standardised approach***	1 351	1 095
Other assets, standardised approach	2 518	1 562
Total credit risk and counterparty credit risk	61 874	50 903
Operational risk, basic indicator approach	9 765	4 701
Total risk-weighted assets	71 639	55 604
Capital adequacy (%)	26.19%	28.28%
Regulative capital adequacy (%)**	23.44%	26.69%
Tier 1 capital ratio (%)	17.11%	16.58%
Regulative Tier 1 capital ratio (%)	14.40%	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 five month of 2017 in the amount of 3 819 EURt, and do not include the profit for June in the amount of 1 899 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 23.44% (31.12.2016: 26.69%) and the subtracted balance sheet value of "Shares in affiliates" is 7 013 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 30.06.2017, the risk exposures take account of the credit portfolio impairment losses made in the reporting period in the amount of 297 EURt and yet to be confirmed by the external auditor. The external auditor has confirmed the 5-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>30.06.2017</i>	<i>31.12.2016</i>
Assets			
Cash in hand		4	4
Due from central banks, including mandatory reserve	8	13 937	14 680
Due from credit institutions	8	2 308	1 956
Loans to and receivables from customers	4	77 439	64 839
Investments in affiliates	9	7 013	1
Tangible assets		228	183
Intangible assets		980	902
Other financial assets		41	43
Other assets		234	214
Deferred tax assets	7	806	449
Assets held for sale	9	0	1 672
Total assets	3	102 990	84 943

<i>EURt</i>	<i>Note</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
Liabilities			
Customer deposits	10	74 345	64 587
Other financial liabilities		1 009	1 034
Other liabilities		882	722
Income tax liability		0	321
Subordinated debt securities	11	6 477	6 475
Total liabilities	3	82 713	73 139
Equity			
Share capital	14	782	689
Share premium	14	9 068	6 361
Statutory reserve capital		57	57
Other reserves		1 363	1 361
Retained earnings		8 983	3 330
Total equity attributable to the shareholders of parent company		20 253	11 798
Non-controlling interest		24	6
Total equity		20 277	11 804
Total liabilities and equity		102 990	84 943

Notes set out on pages 14-37 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>Q2 2017</i>	<i>6 months 2017</i>	<i>Q2 2016</i>	<i>6 months 2016</i>
Interest income	5	3 061	5 996	2 345	4 161
Interest expense	5	-492	-976	-301	-559
Net interest income	3	2 569	5 020	2 044	3 602
Fee income	6	204	396	141	261
Fee expense	6	-144	-284	-81	-153
Net fee and commission income	3	60	112	60	108
Other operating income		104	253	142	313
Total net interest, fee and other income	3;5;6	2 733	5 385	2 246	4 023
Staff costs	17	-994	-1 879	-580	-1 080
Marketing expenses		-380	-488	-143	-231
Administrative expenses		-354	-708	-266	-417
Depreciations, amortisation		-55	-104	-47	-91
Total operating expenses		-1 783	-3 179	-1 036	-1 819
Profit before impairment losses on loans		950	2 206	1 210	2 204
Share of profit from affiliates	9	4 797	5 065	96	273
Impairment losses on loans	4	-805	-1 731	-943	-1 402
Profit before income tax		4 942	5 540	363	1 075
Deferred income tax	7	93	151	15	17
Net profit for the reporting period		5 035	5 691	378	1 092

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	<i>Note</i>	<i>Q2 2017</i>	<i>6 months 2017</i>	<i>Q2 2016</i>	<i>6 months 2016</i>
Other comprehensive income/loss					
Items that may be reclassified subsequently to profit or loss					
Unrealised foreign exchange gains/losses		3	-13	0	0
Total comprehensive income for the reporting period		5 038	5 678	378	1 092
Profit is attributable to:					
Owners of the parent		5 050	5 718	401	1 113
Non-controlling interest		-16	-28	-23	-21
Profit for the reporting period		5 034	5 690	378	1 092
Total comprehensive income/loss is attributable to:					
Owners of the parent		5 054	5 706	401	1 113
Non-controlling interest		-16	-28	-23	-21
Total comprehensive income for the reporting period		5 038	5 678	378	1 092
Basic earnings per share	13	64.57	77.75	7.05	19.57
Diluted earnings per share	13	60.74	72.86	6.74	18.71

Notes set out on pages 14-37 form an integral part of the interim financial report.

Condensed consolidated statement of cash flows

<i>EURt</i>	<i>Note</i>	<i>6 months 2017</i>	<i>6 months 2016</i>
Cash flows from operating activities			
Interest received	5	6 232	4 041
Interest paid	5	-726	-351
Fees received	6	396	261
Fees paid	6	-284	-153
Other income received		229	313
Staff costs paid		-1 819	-986
Administrative and marketing expenses paid		-1 189	-1 027
Cash flows from operating activities before changes in operating assets and liabilities		2 839	2 098
Net increase/decrease in operating assets			
Loans to and receivables from customers		-15 082	-20 138
Mandatory reserve in central bank		-89	-168
Other assets		-19	125
Net increase/decrease in operating liabilities			
Customer deposits		9 508	19 783
Other liabilities		-71	-12
Net cash from/used in operating activities		-2 914	1 688
Cash flows from investing activities			
Acquisition of PPE and intangible assets		-110	-145
Acquisition of subsidiaries and affiliates	9	-10 697	-111
Proceeds from disposal of affiliates	9	10 402	0
Net cash from/used in investing activities		-405	-256

<i>EURt</i>	<i>Note</i>	<i>6 months 2017</i>	<i>6 months 2016</i>
Cash flows from financing activities			
Proceeds from debt securities		0	-140
Repayments of loans received		0	-110
Share capital contribution (including share premium)	14	2 800	0
Net cash from/used in financing activities		2 800	-250
Effect of exchange rate changes		24	0
Net increase/decrease in cash and cash equivalents	8	-495	1 182
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	8	15 672	6 412

Notes set out on pages 14-37 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		0	0	0	0	0	0	0	0
Statutory reserve capital		0	0	27	0	-27	0	0	0
Acquisition of non-controlling interest in subsidiaries		0	0	0	0	0	0	22	22
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	0	1 113	1 113	-21	1 092
Balance as of 30 June 2016		569	5 393	57	1 330	1 794	9 143	-21	9 122
Balance as of 01 January 2017		689	6 361	57	1 361	3 330	11 798	6	11 804
Paid in share capital	14	93	2 707	0	0	0	2 800	0	2 800
Share-based payment reserve		0	0	0	15	0	15	0	15
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
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	-13	5 718	5 705	-28	5 677
Balance as of 30 June 2017		782	9 068	57	1 363	8 983	20 253	24	20 277

Notes set out on pages 14-37 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 has been reviewed but 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 6-month interim financial report of Inbank. Changes have been intro-

duced in the presentation of some financial statements in this report (e.g. statement of financial position, income statement, cash flow statement, business segments), with the data for previous periods made comparable. In the statement of financial position as of 31 December 2016, other assets in the amount of 706 EURt have been divided into other financial assets in the amount of 43 EURt and other assets in the amount of 214 EURt, as well as deferred income tax assets in the amount of 449 EURt. Other liabilities recorded in the statement of financial position in the amount of 2 077 EURt have been divided into other liabilities in the amount of 722 EURt and other financial liabilities in the amount of 1 034 EURt, as well as income tax liability in the amount of 321 EURt.

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%, acquired), which develops software, and its subsidiary Veriff OÜ (holding 60%). Inbank Liising AS (holding 80%) launched the provi-

sion of full service leasing to corporate 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 inter-segment 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. Veriff provides the video identification service. 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 16.

Income of reportable segments

EURt

6 months 2017	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	TOTAL
Interest income	4 612	1 841	58	19	3	6 533
Fee income	257	138	1	0	0	396
Other operating income	146	1	0	24	138	309
Inter-segment eliminations	-536	0	0	0	-57	-593
Revenue from external customers	4 479	1 980	59	43	84	6 645
Interest expense	-957	-492	-31	-19	-12	-1 511
Fee expense	-148	-52	0	-89	0	-289
Inter-segment eliminations	5	492	31	0	12	540
Total expenses	-1 100	-52	0	-108	0	-1 260
Total net interest, fee and commission income and other income	3 379	1 928	59	-65	84	5 385

Net profit structure

EURt

6 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	2 096	972	24	-758	-128	2 206
Profit from affiliates	5 065	0	0	0	0	5 065
Impairment losses on loans	-680	-1 002	-17	-32	0	-1 731
Deferred income tax	0	-7	0	158	0	151
Net profit/loss	6 481	-37	7	-632	-128	5 691

EURt

Q2 2017	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	TOTAL
Interest income	2 413	863	33	19	2	3 330
Fee income	137	66	1	0	0	204
Other operating income	63	0	0	-1	70	132
Inter-segment eliminations	-269	0	0	0	-28	-297
Revenue from external customers	2 344	929	34	18	44	3 369
Interest expense	-474	-242	-19	-19	-7	-761
Fee expense	-79	-22	0	-44	0	-145
Inter-segment eliminations	2	242	19	0	7	270
Total expenses	-551	-22	0	-63	0	-636
Total net interest, fee and commission income and other income	1 793	907	34	-45	44	2 733

Net profit structure**EURt**

Q2 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	1 098	418	11	-501	-76	950
Profit from affiliates	4 797	0	0	0	0	4 797
Impairment losses on loans	-362	-398	-13	-32	0	-805
Deferred income tax	0	-16	0	109	0	93
Net profit/loss	5 533	4	-2	-424	-76	5 035

EURt

6 months 2016	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	TOTAL
Interest income	2 991	1 556	0	0	3	4 550
Fee income	186	75	0	0	0	261
Other operating income	152	0	0	0	212	364
Inter-segment eliminations	-389	0	0	0	-51	-440
Revenue from external customers	2 940	1 631	0	0	164	4 735
Interest expense	-556	-386	0	0	-3	-945
Fee expense	-121	-32	0	0	0	-153
Inter-segment eliminations	0	383	0	0	3	386
Total expenses	-677	-35	0	0	0	-712
Total net interest, fee and commission income and other income	2 263	1 596	0	0	164	4 023

Net profit structure**EURt**

6 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	1 417	856	0	0	-69	2 204
Profit from affiliates	273	0	0	0	0	273
Impairment losses on loans	-416	-986	0	0	0	-1 402
Deferred income tax	0	17	0	0	0	17
Net profit/loss	1 274	-113	0	0	-69	1 092

EURt

Q2 2016	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	TOTAL
Interest income	1 532	1 044	0	0	2	2 578
Fee income	98	44	0	0	0	142
Other operating income	82	0	0	0	90	172
Inter-segment eliminations	-232	0	0	0	-32	-264
Revenue from external customers	1 480	1 088	0	0	60	2 628
Interest expense	-301	-229	0	0	-2	-532
Fee expense	-63	-18	0	0	0	-81
Inter-segment eliminations	0	229	0	0	2	231
Total expenses	-364	-18	0	0	0	-382
Total net interest, fee and commission income and other income	1 116	1 070	0	0	60	2 246

Net profit structure**EURt**

Q2 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	746	548	0	0	-84	1 210
Profit from affiliates	96	0	0	0	0	96
Impairment losses on loans	-212	-731	0	0	0	-943
Deferred income tax	0	15	0	0	0	15
Net profit/loss	630	-168	0	0	-84	378

EURt

30.06.2017	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	12 754	0	0	1 183	0	0	13 937
Due from credit institutions	1 045	919	96	177	71	0	2 308
Loans and receivables	78 525	14 925	970	1 527	126	-18 634	77 439
Investments in subsidiaries	1 053	0	0	0	0	-1 053	0
Investments in affiliates	7 012	0	0	0	1	0	7 013
Tangible assets	88	17	0	52	71	0	228
Intangible assets	410	109	0	22	489	-50	980
Other financial assets	2	35	0	0	4	0	41
Other assets	63	1	153	13	4	0	234
Deferred tax assets	0	585	0	221	0	0	806
Total assets	100 956	16 591	1 219	3 195	766	-19 737	102 990
Loans received	0	16 250	1 119	637	617	-18 623	0
Customer deposits	70 941	0	0	3 404	0	0	74 345
Subordinated debt securities	6 477	0	0	0	0	0	6 477
Other financial liabilities	930	58	0	22	8	-9	1 009
Other liabilities	488	241	0	78	75	0	882
Total liabilities	78 836	16 549	1 119	4 141	700	-18 632	82 713

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

<i>Distribution of receivables as of 30.06.2017</i>	<i>Due from households - gross basis</i>	<i>Portfolio provision</i>	<i>Special provision</i>	<i>Due from households - net basis</i>	<i>Coverage ratio</i>
Overdue 0-89 days	73 761	-1 249	-37	72 475	1.7%
Overdue 90-179 days	1 470	-15	-961	494	66.4%
Overdue more than 180 days	4 121	0	-3 254	867	79.0%
Total receivables	79 352	-1 264	-4 252	73 836	7.0%

<i>Distribution of receivables as of 31.12.2016</i>	<i>Due from households - gross basis</i>	<i>Portfolio provision</i>	<i>Special provision</i>	<i>Due from households - net basis</i>	<i>Coverage ratio</i>
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%

<i>Distribution of receivables as of 30.06.2017</i>	<i>Due from corporates - gross basis</i>	<i>Portfolio provision</i>	<i>Special provision</i>	<i>Due from corporates - net basis</i>	<i>Coverage ratio</i>
Overdue 0-89 days	3 617	-17	-9	3 600	0.7%
Overdue 90-179 days	5	0	-2	3	40.0%
Overdue more than 180 days	94	0	-94	0	100.0%
Total receivables	3 716	-17	-105	3 603	3.3%

<i>Distribution of receivables as of 31.12.2016</i>	<i>Due from corporates - gross basis</i>	<i>Portfolio provision</i>	<i>Special provision</i>	<i>Due from corporates - net basis</i>	<i>Coverage ratio</i>
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 June 2017.

<i>Impairment losses on loans</i>	<i>6 months 2017</i>	<i>2016</i>	<i>6 months 2016</i>
Impairment losses of reporting period	-1 912	-3 400	-1 471
Recoveries from write-offs	181	181	69
Total	-1 731	-3 219	-1 402

<i>Changes in impairments</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
As of January 1	-4 396	-1 156
Impairment provisions set up during reporting period	-1 912	-3 400
Impairment provisions set up for interests and commissions	-270	-426
Written off from financial position during the period	940	585
Total	-5 638	-4 397

Note 5 Net interest income

<i>EURt</i>	<i>Q2 2017</i>	<i>6 months 2017</i>	<i>Q2 2016</i>	<i>6 months 2016</i>
Interest income				
Loans to households	2 993	5 865	2 265	4 029
Loans to corporates	39	69	32	36
Due from financial and credit institutions	29	62	48	96
Total	3 061	5 996	2 345	4 161
Interest expense				
Deposits received	-376	-743	-248	-452
Debt securities sold	-116	-233	-51	-104
Loans received	0	0	-2	-3
Total	-492	-976	-301	-559
Net interest income	2 569	5 020	2 044	3 602
Interest income by customer location				
Estonia	2 179	4 136	1 301	2 605
Latvia	863	1 841	1 044	1 556
Poland	19	19	0	0
Total	3 061	5 996	2 345	4 161

Note 6 Net fee income

<i>EURt</i>	<i>Q2 2017</i>	<i>6 months 2017</i>	<i>Q2 2016</i>	<i>6 months 2016</i>
Fee income				
Loans to households	204	395	138	257
Loans to corporates	0	1	3	4
Total	204	396	141	261
Fee expense				
Loan administration costs	-144	-284	-71	-132
Security brokerage	0	0	-10	-21
Total	-144	-284	-81	-153
Net fee income	60	112	60	108
Fee income by customer location				
Estonia	138	258	97	186
Latvia	66	138	44	75
Total	204	396	141	261

Note 7 Income tax

EURt

	6 months 2017				2016			
	Estonia	Latvia	Poland	Total	Estonia	Latvia	Poland	Total
Tax rates	25%	15%	19%		25%	15%	19%	
Profit before income tax	6 215	115	-790	5 540	2 923	-6	-358	2 559
Allocations to retained earnings	0	0	0	0	-2 923	0	0	-2 923
Non-deductible expenses	0	698	0	698	0	2 205	43	2 248
Accumulated deferred loss	0	0	-358	-358	0	-58	0	-58
Change in tax losses carried forward	0	-767	-790	-1 557	0	-2 147	-315	-2 462
Taxable income	0	813	0	813	0	2 141	0	2 141
Total income tax	0	122	0	122	0	321	0	321

	6 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	3 365	1 105	4 470	0	2 598	315	2 913
Total deferred tax assets	0	505	221	726	0	390	59	449
Income tax deductions reported in the income statement	0	115	158	273	0	319	59	378
Income tax	0	-7	158	151	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 June 2017, the bank's retained earnings amounted to 5 718 EURt (31.12.2016: 3 330 EURt). The potential income tax expenses related to the payment of dividends would amount to 1 144 EURt (31.12.2016: 666 EURt).

In Latvia, the company made advance income tax payments in the total amount of 80 EURt in the six months of 2017. The advance payments are recognised under deferred tax assets in the balance sheet.

Note 8 Due from central banks and credit institutions

<i>EURt</i>	30.06.2017	31.12.2016
Due from central banks	13 360	14 192
Mandatory reserve in central bank	577	488
Due from credit institutions	2 308	1 956
Total	16 245	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.

Note 9 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>30.06.2017</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	Eesti Krediidipank AS	30.01.2017	Finance activities in Estonia	17.935	0

<i>Carrying amount of affiliates</i>		
<i>EURt</i>	<i>30.06.2017</i>	<i>31.12.2016</i>
<i>Name of affiliate</i>		
Maksekeskus Holding OÜ	1	1
Eesti Krediidipank AS	7 012	0
Coop Finants AS	0	1 387
Krediidipank Finants AS	0	285
Total	7 013	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. Inbank has not received dividends from the affiliate.

Disposal and acquisition of affiliates 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
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Proceeds from disposals of affiliates	7 448
Proceeds from re-sale of holdings in affiliates	2 954

Total	10 402
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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 AS Eesti Krediidipank

EURt	3 months 2017	3 months 2016	Q1 2017	Q1 2016
Net interest income	1 982	1 651	1 982	1 651
Net fee income	439	641	439	641
Other operating income	104	275	104	275
Operating expenses	-2 279	-1 937	-2 279	-1 937
Credit losses on loans	-53	-270	-53	-270
Net profit	193	360	193	360

	31.03.2017	31.12.2016
Cash	112 840	105 549
Securities	10 285	11 937
Loan and advances to customers	158 705	153 133
Other assets	20 025	19 551
Total assets	301 855	290 170
Due to customers	263 734	253 812
Subordinated loans	4 038	4 039
Other liabilities	4 313	2 742
Equity	29 770	29 577
Total liabilities and equity	301 855	290 170

The interim financial report for Q2 of Eesti Krediidipank will be published at www.krediidipank.ee on 31 August 2017 at the latest.

Note 10 Customer deposits

EURt

Customer deposits	30.06.2017	31.12.2016
Deposits from households	60 462	51 572
Deposits from non-financial corporations	9 876	8 054
Deposits from other financial corporations	4 007	4 961
Total	74 345	64 587

Customer deposits	30.06.2017	31.12.2016
Estonia	70 941	64 587
Poland	3 404	0
Total	74 345	64 587

Deposits include accrued interest liabilities in the amount of 1237 EURt. (31.12.2016: 985 EURt).

Deposits by contractual maturity

EURt

30.06.2017	On demand	1-90 days	91-365 days	1-5 years	Total
Customer deposits	1 442	13 007	24 930	34 966	74 345
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 11 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 12 Contingent liabilities and loan commitments

Information on the Group's contingent liabilities arising from management contracts has been provided in Note 16.

Inbank had the following loan commitments:

Irrevocable commitments

EURt

Liability in contractual amount as of 30 June 2017	451
Liability in contractual amount as of 31 December 2016	432

Note 13 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.

	Q2 2017	6 months 2017	Q2 2016	6 months 2016
Total profit attributable to owners of the parent (EUR thousand)	5 050	5 718	401	1 113
Weighted average number of shares	78 215	73 548	56 880	56 880
Basic earnings per share (EUR)	64.57	77.75	7.05	19.57
Weighted average number of shares used for calculating the diluted earnings per shares	83 145	78 478	59 477	59 477
Diluted earnings per share (EUR)	60.74	72.86	6.74	18.71

Note 14 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>30.06.2017</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 15 Fair value of financial instruments

<i>EURt</i>	30.06.2017			31.12.2016		
	<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	13 937	13 937	0	14 680	14 680	0
Due from credit institutions	2 308	2 308	0	1 956	1 956	0
Loans to and receivables from customers	77 439	77 439	0	64 839	64 839	0
Other financial assets	41	41	0	43	43	0
Total	93 729	93 729	0	81 522	81 522	0
	30.06.2017			31.12.2016		
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	74 345	74 345	0	64 587	64 587	0
Debt securities	7 088	6 477	611	6 503	6 475	28
Other financial liabilities	1 009	1 009	0	1 034	1 034	0
Total	82 442	81 831	611	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. Financial instruments on this level are customer deposits. Until now, Inbank's deposits with other credit institutions were classified as Level 1. They have now been classified as Level 2 in the hierarchy.

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 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 June 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 14.51 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 0.45 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	30.06.2017				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	13 937	0	13 937	0	14 680	0	14 680	0
Due from credit institutions	2 308	0	2 308	0	1 956	0	1 956	0
Loans to and receivables from customers	77 439	0	0	77 439	64 839	0	0	64 839
Other financial assets	41	0	0	41	43	0	0	43
Total	93 729	4	16 245	77 480	81 522	4	16 636	64 882

EURt

Fair value	30.06.2017				31.12.2016			
Liabilities	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Customer deposits	74 345	0	74 345	0	64 587	0	64 587	0
Subordinated debt securities	7 088	0	7 088	0	6 503	0	0	6 503
Other financial liabilities	1 009	0	0	1 009	1 034	0	0	1 034
Total	82 442	0	81 433	1 009	72 124	0	64 587	7 537

Note 16 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	6 months 2017	2016
Remuneration	330	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	30.06.2017	31.12.2016
Loans and receivables as of end of reporting period	2	1 027
management	1	1
shareholders and their companies and family members	1	1 026
Deposits and debt securities as of end of reporting period	294	249
management	239	180
shareholders and their companies and family members	55	69

Transactions	6 months 2017	2016
Interest income	28	82
management	0	0
shareholders and their companies and family members	28	82
Interest expenses	7	6
management	5	4
shareholders and their companies and family members	2	2
Services purchased	14	24
management	7	7
shareholders and their companies and family members	7	17
Services sold	173	531
management	0	0
shareholders and their companies and family members	173	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 Q2 amounted to two thousand euros (Q2 2016: 10 EURt).

Share options issued (number of shares)	30.06.2017	31.12.2016
management	1 000	1 000
shareholders and their companies and family members	580	580
Total	1 580	1 580
Share options realised	6 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.

Note 17 Staff costs

<i>EURt</i>	<i>Q2 2017</i>	<i>6 months 2017</i>	<i>Q2 2016</i>	<i>6 months 2016</i>
Staff costs	994	1 879	580	1 080
incl. social tax	208	359	117	221
incl. unemployment insurance	3	5	2	4

<i>Number of employees</i>	<i>30.06.2017</i>	<i>30.06.2016</i>
	85	51

Independent auditor's review report on review of interim financial statements

(Translation of the Estonian original)*

To the Shareholders of AS Inbank

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of AS Inbank (the Company) and its subsidiaries (the Group) as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. Management Board is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Account-

ing Standard 34, 'Interim financial reporting', as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) (Estonia) 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable

us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union.

Other matter

The comparative information for the statement of financial position is based on the audited financial

statements of the year ended 31 December 2016. Other comparative information - for the statement of profit or loss and other comprehensive income for the three- and six-month periods ended 30 June 2016, and for the statements of changes in equity and cash flows for the six-month period ended 30 June 2016, and related explanatory notes - has not been audited or reviewed.

AS PricewaterhouseCoopers

/signed/
Tiit Raimla
Auditor's certificate no.287

14 August 2017

*This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



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