Inbank AS

Consolidated annual report 2015

Inbank AS

General information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Date of registration	05.10.2010
Registry code	12001988
Legal entity identifier	2138005M92IEIQVEL297 (LEI-code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Homepage	www.inbank.ee
Balance sheet date	31.12.2015
Reporting period	01.01.2015 - 31.12.2015

Reporting currency euro (EUR), units in thousands.

Inbank's consolidated annual results for 2015 are audited.
Annual report for 2015 is signed in Estonian version.
This is an unofficial translation into English.

Members of Supervisory Board:

Priit Põldoja,
Chairman of Supervisory Board

Roberto De Silvestri

Triinu Reinold

Reimo Hammerberg

Rain Rannu

Members of Management Board:

Jan Andresoo,
Chairman of Management Board

Liina Sadrak

Marko Varik

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Founders' statement

This is the first annual report we have prepared as a full-fledged bank. Inbank's roots actually go back to 2010, the year in which we founded the hire-purchase financing provider Cofi. In fact, we had a say in the development of the Estonian banking system already in the mid-1990s, when we had a hand in building the Estonian and Baltic retail banking sector. That experience, changes in the competition situation and technological environment have given us a great opportunity to establish a new kind of bank. Inbank evolved out of the idea that banking should be local and product-based and that success hinges on having a precise focus.

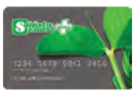
We realized right in the beginning that the banking of the future will have technology at its core. Another cornerstone in our strategy is a partner-based customer service network. In today's digital world, customers don't need to go to a bank in person to get service. Our goal is to offer customers financial products where they need them and to do this in cooperation with our partners.

Considering the banking landscape in post-recession Estonia and our strategy, we launched a new hire-purchase product in 2011. Only three years later, we are the market leaders in this field. As hire-purchase was ideal for implementing a technology- and 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 ETK, the Estonian consumers' cooperative (now known as Coop), we introduced Säästukaart Pluss – the first payment/loyalty/credit card of its kind in Estonia.

Today Coop Finants has around 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.

COFI

Cofi made a first hire-purchase agreement



Cofi started issuing credit cards in cooperation with Coop, the biggest retail chain in Estonia (former ETK)

Coop Finants

Coop Finants (former ETK Finants) started offering hire-purchase and small loan

Sihtlaen Krediidipank

Cofi launched a small loan product in cooperation with the fifth largest bank in Estonia

COFI | LĪZINGS

Cofi expanded its activities to Latvian consumer financing market

inbank

Cofi received a banking licence and started operating under the name of Inbank

auto24 LAEN

Inbank started cooperating with the largest car sales portal auto24

We have enjoyed successful growth through investing into partnership and technology. But the primary guarantee of our success is the people who work for us. Ever since we were founded, we have considered it important to establish a company where we ourselves would like to work at for the rest of our lives and to create an environment that talented people find appealing. With the same idea in mind, we expanded to Latvia in 2014, our first foreign market. We believe that banking should be local and operated by local experts. The Latvian company founded on these principles made a current profit already in its first year of activity.

With our confidence bolstered by successes on the hire-purchase and consumer finance market, in 2014 we started considering applying for a banking licence. Every successful financial institution in the world relies on independent and sustainable financing. As we grew rapidly, we had to start thinking about accepting deposits. Although there were many ways in which last year was successful for us, our top achievement came on 10 April when we received the banking licence. Besides making long-term growth possible, the licence is undoubtedly also a mark of quality that will ensure we are seen as trustworthy by our partners and customers.

Having operated as a bank successfully for close to a year, it is now time to set goals for the more distant future. Although we have been growing rapidly for nearly five years, we see ourselves as just starting off on a long journey. We have realized some important truths – the product-based business model works, investments into technology confers advantages for our future in banking, and it is important to be attractive to talent. This allows a few hypotheses about Inbank's future:

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

But successful banking is also implemented by people. Our success is ensured by our ability to draw on talent and motivate the talented. 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 technology and keep it front and centre 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 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. In every market we expand to, we want to be innovation leaders.

Standing for these principles, 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

Interview

On developments in 2015 with Inbank's Chief Executive Officer Jan Andresoo and Chairman of the Supervisory Board Priit Põldoja

You've had a busy year. Where was Inbank a year ago and what were your expectations in February 2015?

Priit: The event that defined 2015 was the banking licence. Obtaining the licence was a milestone because we went from being a financing company to a bank. Our company's growth prospects have improved appreciably, because we can now accept deposits from the market.

Jan: A second important achievement was that we entered the Latvian market in 2014, where we have managed to build an 8-million-euro portfolio over the year and developed a firm foothold in the automotive financing market in that country. We validated the effectiveness of the business model we developed for Estonia in Latvia as well. It is important to emphasize that the Latvian business model works as well as it does precisely because of the local team.

A year ago, a range of active preparations had to take place: a change in corporate identity, planning the launch of the deposit product, creating technical infrastructure... When did the preparations begin?

Priit: We made the decision to become a bank in December 2013 and we filed the application with the Financial Supervision Authority on 11 April 2014. It's an important fact that throughout the preparatory period, we developed our IT systems, worked on a deposit product development, dealt with creation and preparation for the launch of the new brand. As a result, we were prepared to enter the deposit and online banking market only 10 days after the approval of our licence.

You must have been very certain that you would receive the licence.

Jan: Let's say it was a calculated risk. The Financial Supervision Authority is extremely conservative in its positions and it isn't possible to get direct feedback as to whether you qualify for a banking licence or not. We analysed the situation from a common-sense perspective – if they continue asking us questions and the questions were new ones, that should mean all was well. And as events showed, that was the case.

Why is a banking licence so important for you?

Priit: The banking licence has two important implications – first our capitalization improved significantly, rising to 8.5 million euros by the end of the year, including profits. A second important issue is that the deposits at our bank are guaranteed by the Guarantee Fund. These factors did a great deal to improve our capability to accept the capital. On one hand, the licence means increased reporting burden, but on the other hand, the deposits are guaranteed and we have a much stronger balance sheet than we did a year ago.

Your goal at launch was to accept at least 10 million euros in deposits. Were you surprised that it went even faster than you expected?

Jan: Yes. Our main goal in becoming a bank was to start accepting deposits. That's why we prepared our campaign in advance – not a very broad-based campaign, to be sure, but we sent out a clear message. Our terms were clearly the best on the market. We thought it would take us several weeks to bring in 10 million but we reached that level in two days. This shows the high interest and trust customers had in us.

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In May 2015, Inbank bought Desk Rock, whose team was connected with Inbank's financial technology development right from the start. When did you launch preparations for the purchase transaction?

Priit: We have always considered it very important for the bank to be close to information technology. By its nature, our bank is a synthesis of information technology and a contract. When we became a bank, Desk Rock's workload from us became so great that it was wise to join forces. And so Desk Rock became Inbank Technologies, which continues to be a separate company, providing services outside the group as well.

So the company Inbank Technologies is not just a donor – they also have business on the side?

Priit: The goal of Inbank Technologies is to develop a good banking information system for us. Why not consider offering the same system outside the group? Inbank Technologies doesn't support just Inbank's technological development; it could be a market leader in its own right in the field of banking technology. Actually, already today Inbank Technologies has been developing all the IT solutions for companies affiliated with us.

Let's talk about the services you offer depositors – how do you intend to motivate people to bring their money to Inbank?

Jan: We're able to offer good terms by showing that more money is better than less money. We've said that the goal of Inbank is to participate in fields where we can offer the best product. We try to be a focused service provider. Time has shown that we have won the market by offering the best products.

Investments led to a big leap in your cost base, which ate into your profit margin. Is improving the margin a clear goal in 2016?

Priit: Looking at our 2015 report, you'll see that our expenses grew 200 percent and income 100 percent. In reality, we laid a very strong base and that is how we are building growth. In 2015, many investments coincided in one period – the launch of the bank and setting up the Latvian subsidiary.

Jan: We operate on the presumption that our efficiency will improve. Our bank now has a higher state of readiness in terms of the basic functions, and that allows us to increase volumes. When volumes grow, efficacy and return on equity will also improve. We are in an investment phase – we will continue investing into information technology, hiring talent, looking toward developing new products and expanding into new markets.

Let's talk more about the Latvian branch, Inbank Lizings, which is already making a current profit after just one year. What was the basis for the quick success?

Priit: It is a very unique situation for Latvia to reach current profit in less than a year. It took longer in Estonia. Our business logic is that first we build the "machine" and then we start growing our portfolio. And at some point, the income from our loan portfolio starts covering the fixed costs.

Jan: One reason things went well for us in Latvia is that we found some very adept executives who brought on capable people and got the business to start growing. Second, we were able to adapt our technological edge to the market in four months. Third, we have central access to deposit financing.

This year you teamed up with auto24. Are new partnerships expected this year?

Jan: Yes. It's important to add that thanks to partnerships, we are engaged in very good cooperation. The entire hire-purchase business goes through partners and in the case of auto24, sales happen purely through partners. We also have two joint enterprises – Coop Finants and Krediidipank Finants, where we have provided IT solutions very successfully both to the bank and Estonia's largest retail chain. This is also part of flexibility – we don't think we're the best at doing everything ourselves. We are ready to form joint enterprises that give us access to much bigger clienteles and distribution networks.

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Do you plan to launch any new products in 2016?

Priit: Yes, but I don't want to say what they are exactly yet. We've realized however that it is likely wiser to transfer our business model to new markets than to add new products on our existing market. We have to see how we can bring aboard talent better and how to even better integrate technology into the provision of financial products. We will definitely continue focusing on the partner-based business model and retain our place as the best bank for depositors.

The number of Inbank's employees is up 50% over the year. Do you have a very clear recruitment strategy in that you always find the right personnel?

Jan: We want talent. To put it plainly, a business leader's main job is to find good people. That for us is a daily; extremely important job. Making it a good, interesting, cool place for people to work. Talent has good personal traits to develop even further. Yet we're still a small organization, so when we hire someone, that person has to be completely on top of their line of work. At job interviews, we say that all of the members of the Inbank team have some special skill that the others lack. Then we ask: what do you do better than all of the other people in the room?

Looking back at the last five years, how satisfied are you with how far the company formerly known as Cofi has come?

Jan: The success of our business model has been proved in a number of contexts. While we signed a total of 45 contracts in the first quarter of 2011, we're currently at 7,000 a month.

Priit: It's been great to see the progress from five years ago, when Jan and I started assembling desks in an empty office, and today, now that we have developed a thriving company. Our organization, including affiliated companies, now consists of 65 people who are able to develop and grow our company on a daily basis. That creates significant synergy and creates prospects for continued growth.

The economic environment

As of the end of 2015, Inbank operated in two countries: Estonia and Latvia. Assets related to Estonia made up 80% of the balance sheet as of the end of the year. As a result, Inbank's performance at the end of the year depended most on how the Estonian economy fared. At the end of 2015, consumer loans issued in Estonia made up more than 55% of the balance sheet volume, so consumer confidence in the economy was a particularly important factor for Inbank.

Inbank was pleased to see that 2015 was a positive year for Estonian consumers. The employment rate reached 65.2% by the end of 2015, which is the highest level in the history of Estonia since restoration of independence (comparison: at the end of 2014, total employment stood at 63%). The unemployment rate fell from 7.4% at the end of 2014 to 6.2% in late 2015. The developments exerted a strong influence on income, which grew by close to 6% year-on-year.

While developments on the Estonian internal market boosted employment and incomes among private households, developments in the world economy helped keep consumer prices in check. Thanks to the rapid decrease in commodities prices, the consumer price index in Estonia remained pretty much unchanged, dropping 0.5%.

Rapidly growing incomes coupled with low inflation showed up in Estonian consumer confidence and were reflected in turn in saving and spending patterns. The deposit balance of private households continued to grow year-on-year, rising 7.4% in the year to reach almost 5.8 billion euros. A trend change took place as regards loan balance. While the balance of loans granted by credit institutions to households was in steady decline or stable ever since the global financial crisis up to 2013, the indicator turned to growth in 2015. The balance of loans granted to households grew to 4% in 2015; among other things the consumer loan balance increased by 5% last year.

Although the Estonian consumer could breathe easily in 2015, macroeconomically there were a number of noteworthy risks in the air in both Estonia and the rest of the world. The relatively weak 1.1% economic growth result also underscores this in Estonia's case.

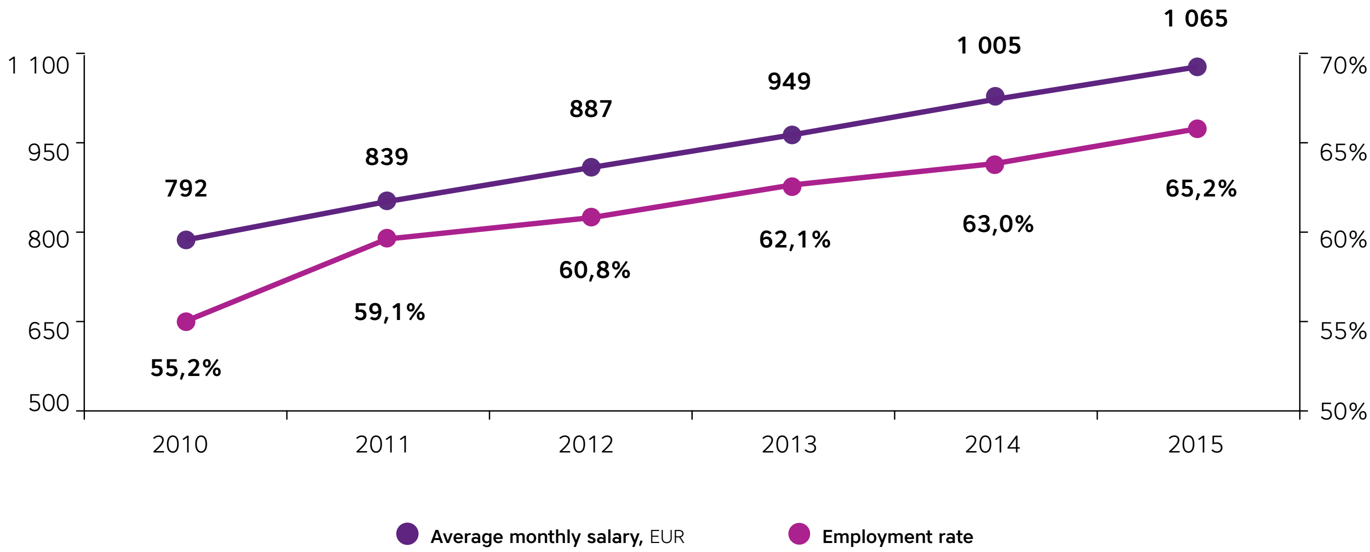
Although the Estonian consumer could breathe easily in 2015, macroeconomically there were a number of noteworthy risks in the air in both Estonia and the rest of the world.

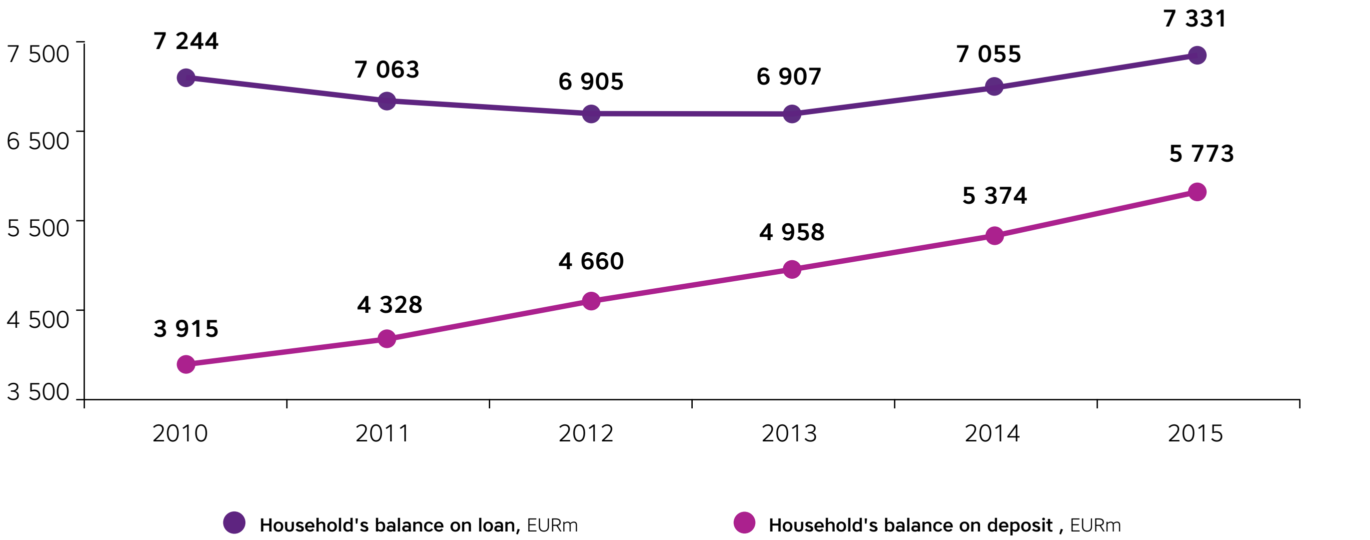
A key risk for the Estonian economy stems from the fact that the rapid wage growth has taken place due to increase in total employment, rather than additional value added by local companies. The rapid wage growth has taken place in a situation where real economic growth has been close to zero and companies' output per employee, investments and export have all fallen year-on-year. Companies' profitability has also dropped. Thus a problem that will need to be solved in the Estonian economy is how to increase efficiency and move to industries generating more added value and through that finance the growth in workforce expenses that have taken place in past years. Otherwise, our companies' competitiveness and sustainability of wage growth may suffer significantly.

On the backdrop of the world economic risks, we have to admit that Estonian economic growth has slowed down, but the economy is in financial balance and there are no bigger fundamental risks.

As to the world economy, a key risk is uncertainty hanging in the air due to the monetary policy implemented by central banks recently. The government bond purchasing programs carried out so far have pushed interest rates down to record lows, but have not resulted in growth in the economy or consumer prices. One reason is the falling commodities prices, but also the fact that the money injected into the system has ended up in various asset classes like stock, bonds and real estate, raising their prices, rather than making it into the real economy. The foregoing leads to two possible dangers macroeconomically. First of all, the money pumped into the system could at some point end up in the real economy and, combined with the influence of the drop in commodities prices, result in unexpected levels of inflation. Second, the asset classes that raised the cash injection from the central banks and thus rose in value were occasionally pushed to untenable levels. Another major influence on the world's economy is the increased geopolitical risks, and also tensions in the Middle East and China's economy.

We can conclude that the world economic growth is fragile and potentially exposed to financial and political risks. On the backdrop of the world economic risks, we have to admit that Estonian economic growth has slowed down, but the economy is in financial balance and there are no bigger fundamental risks.

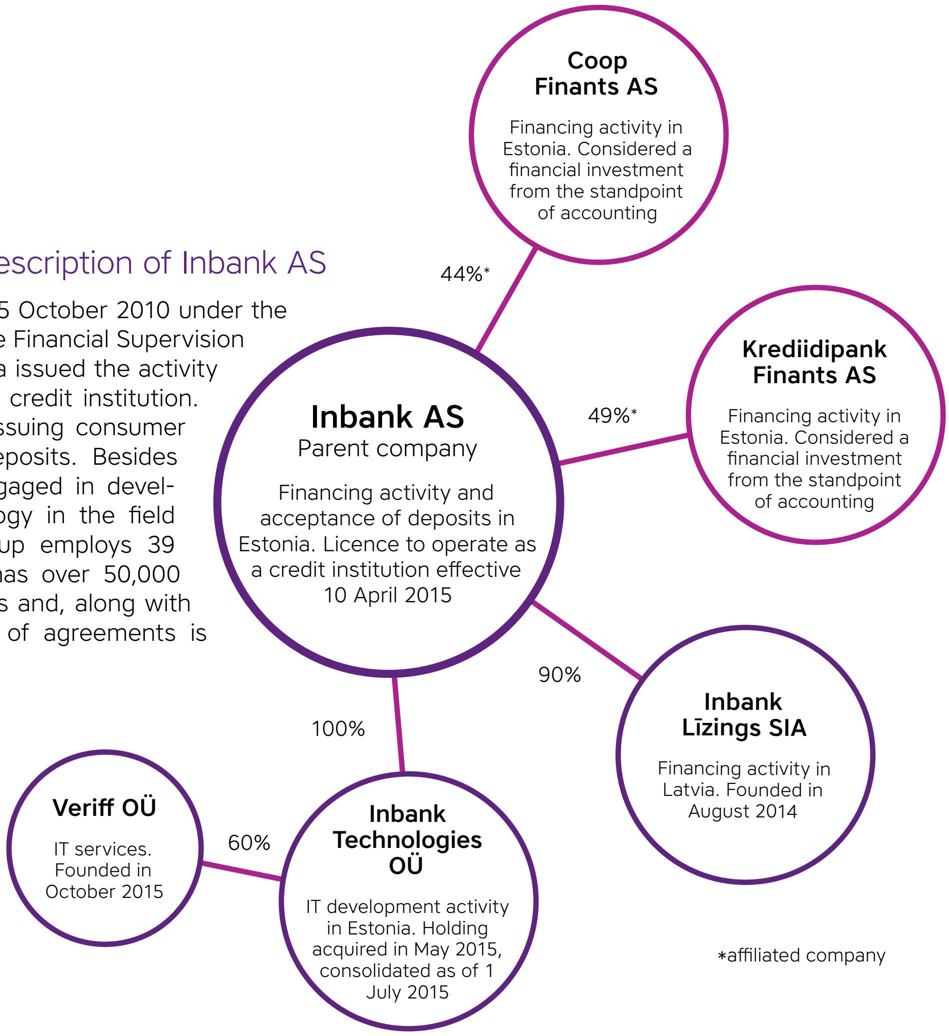




Management report

Legal structure and brief description of Inbank AS

Inbank was founded in Estonia on 5 October 2010 under the name Cofi AS. On 10 April 2015, the Financial Supervision Authority of the Republic of Estonia issued the activity licence allowing it to operate as a credit institution. The main focus of Inbank AS is issuing consumer credit products and collecting deposits. Besides its main focus, Inbank is also engaged in development of software and technology in the field of finance. The consolidated group employs 39 people. The consolidated group has over 50,000 active consumer credit agreements and, along with affiliated companies, the number of agreements is over 120,000.



inbank

April

10.04 – Cofi AS receives activity licence for a credit institution and changes its business name to Inbank AS

20.04 – Inbank holds first deposit campaign; as a result 11 million euros in deposits is accepted

Inbank repays 6.45 million euros in credit

May

28.05 – Inbank buys 100% of the technology company Desk Rock OÜ and changes that company's business name to Inbank Technologies OÜ

inbank tech

June

Inbank buys back 1.85 million euros in bonds

17.06 – Inbank becomes a member of the Estonian Banking Association

July

Beginning of a successful campaign that results in acceptance of 5 million euros in term deposits

August

17.08 – Inbank introduces a loan product to market in cooperation with Sanoma Baltics AS – the auto24 loan

September

Inbank AS's Latvian subsidiary changes its business name to Inbank Lizings SIA

inbank lizings

October

Inbank Technologies OÜ establishes a subsidiary, Veriff OÜ

Beginning of a successful campaign that results in acceptance of 13 million euros in deposits

November

Priit Põldoja and Jan Andresoo are finalists in the 2015 Ernst & Young Entrepreneur of the Year competition

December

04.12 The Republic of Latvia extends the activity licence for Inbank Lizings SIA

Product-based discounting rates for the credit portfolio are updated

Developments in business activity

The company's main field of activity since 2011 has been providing hire-purchase service. Considering that Inbank AS had become the biggest provider of hire-purchase service in Estonia as of 2014, more modest growth was expected in 2015 compared to the previous year. Sales of hire-purchase products increased by 17.3% compared to 2014 and reached a level of 19.2 million euros (the figure for 2014 was 16.37 million euros). In 2014, hire-purchase made up nearly 100% of the company's income. The hire-purchase field continued to be important in 2015, but was joined by Inbank's expansion into consumer loan and deposit products.

At the end of 2014, Inbank started activity in Latvia, with the founding of the subsidiary Inbank Lizings SIA.

The first product in Inbank's consumer loans segment was the car loan. In 2015, Inbank entered into a cooperation agreement with AS Sanoma Baltics and together an innovative car loan product was introduced – auto24 loan. The special feature of this loan is that it can be applied for online through an interface that was integrated into the auto24.ee sale environment. The new product was unveiled in September 2015. The market was very receptive to the new loan and the original forecasts were exceeded several times over. As of year's end, the car loan portfolio was 6 million euros, which was 17.2% of the bank's entire loan portfolio.

In April 2015, Inbank started accepting deposits from the public. In the field of deposits, Inbank's goal has been to offer an interest rate that is more attractive than that of competitors. The strategy proved successful and the deposits portfolio grew to 30 million euros over the year.

New markets

At the end of 2014, Inbank started activity in Latvia, with the founding of the subsidiary Inbank Lizings SIA (in which Inbank AS has a 90% holding). The company's main field of activity is provision of hire-purchase and financing products. While the main focus in 2014 lay on preparations for entering the market, 2015 was devoted to growing business volumes. The management considers the Latvian company's results to be excellent and business volumes have so far exceeded the planned growth rate. The success is mainly due to technological automation, which made it possible for partners to conclude agreements more conveniently and rapidly. The team in Latvia should be credited separately – they are typified by professionalism and extensive experience in their field. As of the end of the year, the organization in Latvia has 11 employees. The company reached current profit in 2015. As of the end of the year, the group had a loan portfolio of 8.3 million euros and the number of active contracts was 6,300.

As the end result, Veriff's product is a video banking and video identification solution that can be marketed in Estonian and foreign markets.

Affiliated companies

Coop Finants AS (formerly known as ETK Finants AS). In 2011, AS ETK (new business name Coop Eesti Keskühistu) and Inbank AS founded the company ETK Finants AS (presently named as Coop Finants AS), the main goal of which was to provide various financial services to Coop clients: the payment card Säästukaart Pluss, consumer loans and hire-purchase. 2015 was a very successful year for Coop Finants AS – by the end of the year, the number of Säästukaart Pluss cards had risen from 60,000 to 77,000. The size of the company's financial portfolio at the end of 2015 was 14.6 million euros and the profit for the year was 843 thousand (2014: 473 thousand euros). 2014. The equity of Coop Finants AS as of the end of the year was 1.8 million euros. Inbank's holding in the company was 44% and the main objective of the investment was to achieve a growth in the long-term value.

Krediidipank Finants AS. n 2013, Krediidipank AS (51% holding) and Inbank AS (49% holding) founded a new company, the main goal of which was to provide unsecured consumer loans to individuals. The company started offering the loan product in January 2014. By the end of that year, the company's financing portfolio was 5.8 million euros and the

loss for that year was 121 thousand. The rapid growth in the company's business volumes continued in 2015. By the end of 2015, the company's financing portfolio was 11.3 million euros and the profit was 132 thousand euros. Shareholders invested a total 200 thousand into the company's equity.

Priorities for 2016

In 2015, Inbank defined its strategy for the next period. Considering the new reality brought by becoming a bank and the larger organization, the main focus is on growth of amount of business. The key question for Inbank will be how to enjoy continued growth. Analysing Inbank's strengths and organizational specifics, a decision was made to continue as a specialized bank mainly operating in the consumer financing area (hire-purchase, loan, credit cards). Specialization gives the organization the possibility to develop universal and standardized technological solutions that can be exported to other markets. The success of the Latvian business project was practical proof that the logic worked.

On the strength of the success, the bank concluded that it should export the practice to at least one other new country. There is also work on developing additional products that could be released on all target markets regardless of the country.

In 2015, a new company was founded – Veriff OÜ (Inbank's holding 60%), whose main goal is to develop a technical solution for video banking and identification. For customers, this project will lead to additional channels for communicating with the bank and increase satisfaction and ease of use of services. As the end result, Veriff's product is a video banking and video identification solution that can be marketed in Estonian and foreign markets.

Inbank's shareholders

As of the end of 2015, Inbank had two shareholders with a more than 10% share in the company.

Name of shareholder	Number of shares	Amount of holding
Pershing Hall Holding Limited	20 000	35,16%
Cofi Investeeringud OÜ	16 150	28,39%

The founders of Inbank and related persons held 16,450 shares as of 31 December 2015. This is 28.92% of all shares issued.

The management board and supervisory board members of Inbank and related persons held 42,075 shares as of 31 December 2015. This is 73.97% of all shares issued.

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

Financial results

Summary of the balance sheet

EURt	2013	2014	2015
Loans granted	8 420	14 322	34 825
incl. loans to households	8 210	13 583	31 509
Deposits accepted	0	0	29 711
Equity	**306**	**5 576**	**8 239**

Summary of the income statement

EURt	2013	2014	2015
Net interest income	890	1 932	3 532
Net revenue from service fees	205	324	465
Other net revenue from principal activity	36	94	689
Total net income	**1 131**	**2 350**	**4 686**
Labour costs	-243	-383	-1 505
Sales and marketing expenses	-126	-265	-687
Other expenses	-149	-317	-878
Total costs	**-518**	**-965**	**-3 070**
Operating profit	**613**	**1 385**	**1 616**
Gains/losses from the revaluation of loans	-239	-277	-846
Net profit for the accounting period before investments	**374**	**1 108**	**770**
Profit/loss from investments	-51	159	365
Deferred tax	0	0	45
Net profit	**323**	**1 267**	**1 180**
incl. the share attributable to the shareholders of the Parent company	323	1 275	1 207

Inbank's net profit before investments amounted at 770 thousand euros and the net profit at 1.2 million euros for 2015, which is 7% less than in 2014 (1.3 million euros). The decline in profit resulted from the increase in the total costs by 218% as compared to 2014, which was caused by becoming a bank. This increase in expenses was foreseen and it laid the basis for the rise of business volumes in the forthcoming years.

Net interest income and net revenue from service fees increased by 83% and 44%, respectively. Other net revenue from principal activity increased by 633%, i.e. to 689 thousand euros. 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. The volume of Inbank's loan portfolio as of the end of the year was 34.8 million euros, which means that the entire portfolio grew by approximately 143%. The majority of the loans granted (nearly 90%) have been issued to households. The main sources of growth were the sale of hire-purchase products and a new consumer loan product.

After the granting of a banking license, Inbank launched its first deposit product in April 2015. As of the end of the year, the volume of deposits in the Bank had increased to 29.7 euros million and the average deposit interest rate was 2.6%.

Labour costs, which were by 293% higher than the year before, accounted for the majority of total costs. 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.

Ratios

Key financial indicators, EURt	**2013**	**2014**	**2015**
Balance sheet amount	8 977	15 708	43 277
Equity	306	5 576	8 239
Net profit/loss for the current period	323	1 267	1 180
Loan portfolio	8 420	14 343	34 825
Deposit portfolio	0	0	29 711
Ratios			
Net return on equity (ROE)	223,5%	43,1%	17,1%
Net return on total assets (ROA)	5,1%	10,3%	4,0%
Net interest margin	14,9%	16,7%	12,9%
Rate of credit losses to loan portfolio	4,0%	2,4%	3,4%
Cost/income ratio	45,8%	41,1%	64,6%
Ratio of equity in the balance sheet amout	3,4%	35,5%	19,0%

Explanation of ratios

Return on equity:	net profit / equity (average over the period)
Return on total assets:	net profit / total assets (average over the period)
Net interest margin:	net interest income / interest-bearing assets and liquid assets (average over the period)
Rate of credit losses to loan portfolio:	losses from the impairment of loans / loan portfolio (average over the period), annualised
Cost/income ratio:	total cost / total income
Ratio of equity in the balance sheet amout:	equity / total assets

Risk management

The objective of risk management is to identify, assess, monitor and control the risks that are related to the business operations of Inbank and its subsidiaries. Business and risk management departments are responsible for the daily management of risks. A broader objective of risk management is to ensure the stability and credible reputation of Inbank and the sustainable growth of the value of the company. Risk management is based on robust risk culture and has been built on the principle of the three lines of defence. The first line of defence, i.e. business divisions are responsible for risk taking and their daily management. The second line of defence, i.e. independent risk management department is responsible for the development of risk management methods and risk reporting. The third line of defence, i.e. internal audit exercises independent oversight of the entire organisation, including the risk management function. The processes and rules of risk management are reviewed on a regular basis and updated as applicable.

A detailed overview of the risks taken by Inbank has been presented in Note 3 to the financial statements.

Capital base, EURt	**31.12.2015**	**31.12.2014**
Paid-in share capital	569	500
Share premium	5 393	4 002
Statutory reserve capital	1 360	30
Retained profit	-279	-224
Intangible assets (substracted)	-760	-189
Profit for financial year*	1 207	1 275
Shares in affiliates**	-868	0
Total Tier 1 own funds	6 622	5 394
Subordinated liabilities	0	0
Total Tier 2 own funds	0	0
Net own funds for the calculation of capital adequacy	**6 622**	**5 394**
Risk-weighted assets		
Credit institutions, standardised approach	976	75
Non-financial customers, standardised approach	1 379	579
Claims secured by mortgage, standardised approach	1 148	0
Retail claims, standardised approach	23 486	10 049
Claims past due, standardised approach	195	92
Equity investments	0	1 112
Other assets, standardised approach	1 440	356
Total credit risk and counterparty credit risk	**28 624**	**12 263**
Operational risk, basic indicator approach	2 462	1 046
Total risk-weighted assets	**31 086**	**13 309**
Capital adequacy (%)	21,30%	40,53%
Tier 1 capital ratio (%)	21,30%	40,53%

* In accordance with EU regulation, audited and approved profit for the financial year may be included in retained earnings upon prior approval by competent agencies. The profit for the financial year was unaudited and unapproved in the calculations made in accordance with the EU regulation and such profit was not included in the capital base as submitting regulatory capital adequacy reporting.
** In accordance with EU regulation, shares in affiliates were included in the risk-weighted assets as of 31.12.2014.

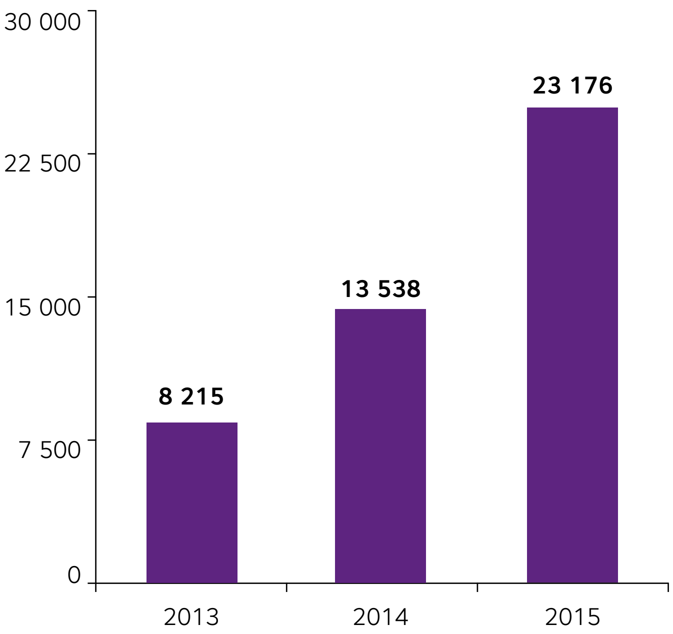
Overview of the subsidiaries and affiliates of Inbank in 2015

Estonia: Inbank AS

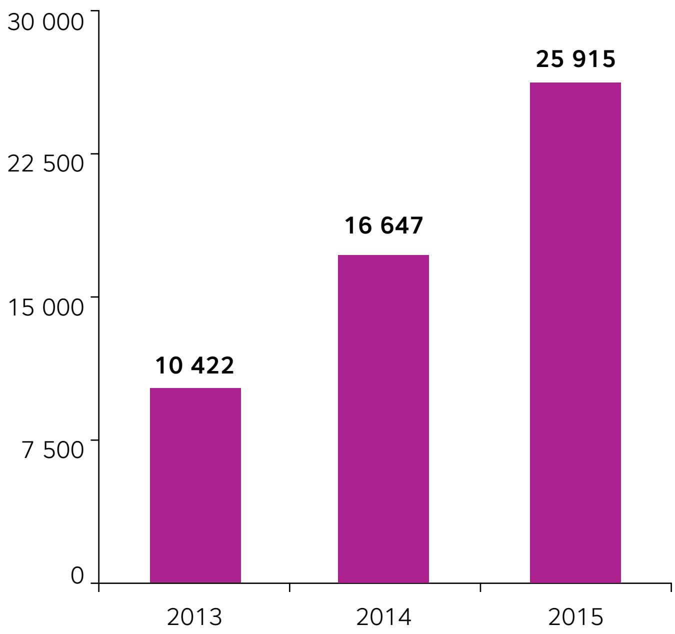
The average interest rate of new sales has declined in 2015 in connection with the new car loan product. This was mainly caused by the lower average interest rate of the auto24 loan (14.6%), whereas the average interest rate for hire-purchase offers is 22.5%. The provision of the auto24 loan is also the reason why the average value of contracts has increased. While the average value of contracts for hire-purchase is 400 euros and the duration is 20 months, the same figures for car loan are 4,000 euros and 36 months, respectively. Total new sales in 2015 amounted to 25.9 million euros and hire-purchase accounted for the majority of the total.

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. Also, the sales will primarily continue to grow on the account of car loans and the growth in the sale of hire-purchase will be steadier than in the previous years.

In April 2015, Inbank launched a new deposit product. As of the end of the year, the volume of deposits had grown to 29.7 million euros and Inbank had entered into 2,506 deposit contracts. The average value of deposit contracts stood at 12,147 euros and the average interest rate on deposits was 2.6%.



Portfolio volume, EURt



Volume of new sales, EURt

EURt	2013	2014	2015
Volume of new sales	10 422	16 647	25 915
New sales of product (items)	24 703	37 419	40 522
Average value of new sales contracts	422	445	640
Average interest rate of new sales	24,3%	23,5%	20,8%
Average period of new sales (months)	22	20	30
Volume of credit portfolio	8 215	13 538	23 176
Number of credit products in portfolio(items)	23 248	35 798	41 846
Average value of contracts in portfolio	353	378	554
Average interest rate of portfolio	21,8%	21,5%	20,4%
Share of portfolio in 90+ days overdue	0,6%	0,7%	0,4%
Share of portfolio in 180+ days overdueo	0,0%	0,0%	0,1%
The ratio of net loan losses to yearly average credit portfolio	4,1%	2,6%	3,0%
Attraction of deposits			
Volume of new deposit contracts entered into			30 769
Number of new deposit contracts entered into			2 533
Value of average deposit contract			12 147
Average interest rate of contracts entered into			2,5%
Average period of contracts entered into (months)			21
Volume of deposit portfolio			29 711
Number of deposit contracts			2 506
Average interest rate of portfolio			2,6%

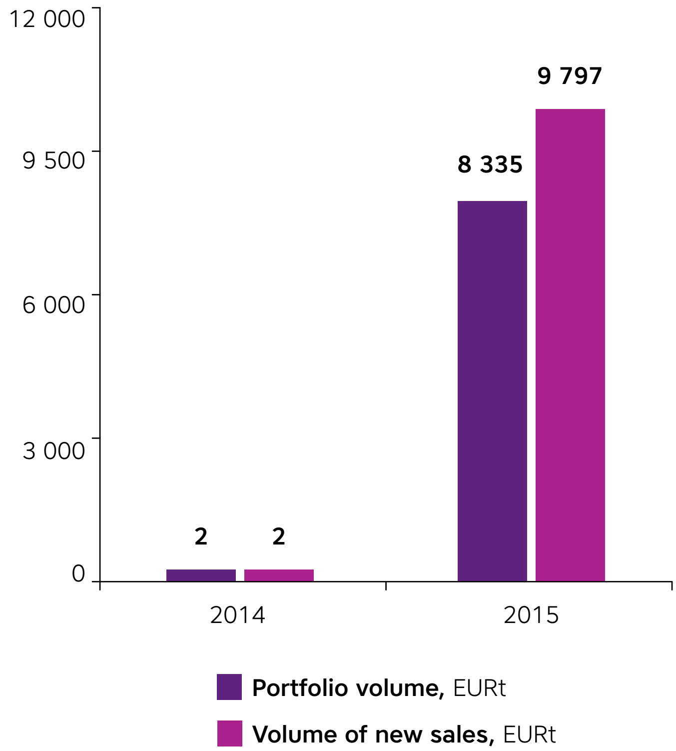
Latvia: Inbank Lizings SIA

The main products of the Latvian subsidiary of Inbank are car loan and hire-purchase products, whereas the sale of the former showed particularly good results. The average value of loan contracts in the Latvian subsidiary was thus over two times higher than in Estonia: 1,292 euros and 640 euros, respectively.

Another important aspect with regard to the Latvian market was the average interest rate, which was considerably higher than in Estonia. While the estimated interest rate of car loans in Estonia was 15%, the same on the Latvian market stood at 25%. And thus, the average interest rate of the Latvian subsidiary of Inbank amounted to ca. 22.5% in 2015.

In 2016, Inbank Lizings SIA will mainly focus on two aspects. First, to continue its strong growth on the car loan market and secondly, to seek new partners for the hire-purchase product in order to increase its presence in the segment.

While the credit loss of 7% in the Table is correct calculation-wise, it is also somewhat misleading. The reason is that the Bank assigns a sales provision on new sales, which adds up as a credit loss. As the corresponding ratio of credit loss is calculated as a ratio to average portfolio, which was virtually nil in the beginning of the year, the rate of credit is seemingly high.

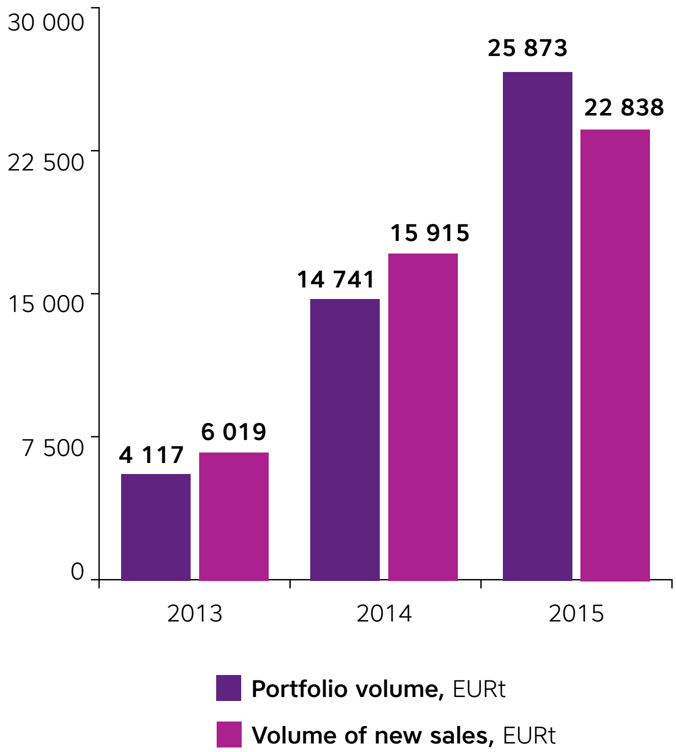


EURt	2014	2015
Volume of new sales	2	9 795
New sales of product(items)	5	7 581
Average value of new sales contracts	339	1 292
Average interest rate of new sales	22,9%	23,6%
Average period of new sales (months)	13	43
Volume of credit portfolio	2	8335
Number of credit products in portfolio(items)	5	6 289
Average value of contracts in portfolio	339	1 325
Average interest rate of portfolio	22,9%	22,5%
Share of portfolio in 90+ days overdue	0,0%	0,7%
Share of portfolio in 180+ days overdue	0,0%	0,1%
The ratio of net loan losses to yearly average credit portfolio	0,0%	7,0%

Affiliates: Coop Finants AS and Krediidipank Finants AS

Coop Finants AS and Krediidipank Finants AS (KPF) worked hard during the year and their sales volumes increased by 44% and the volume of their portfolio even as much as by 76% as compared to 2014. Cooperation with Coop and Krediidipank was particularly valuable for Inbank due to the fact that they have a strong base of existing customers to whom small loan product 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 also the main reason why the average value of sales contracts increased to 721 euros as compared to 587 euros in 2014. The sales of small loans also led to the increase in the average interest rate of sales contracts, which stood above 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, but which also entail higher risks. The main reason behind the growth of credit losses was KPF's higher rate of general provisions.



EURt	2013	2014	2015
Volume of new sales	6 019	15 915	22 384
New sales of product (items)	23 189	27 090	31 693
Average value of new sales contracts	260	587	721
Average interest rate of new sales	12,5%	17,4%	18,2%
Average period of new sales (months)	35	39	39
Volume of credit portfolio	4 117	14 741	25 873
Number of credit products in portfolio(items)	41 783	65 021	87 610
Average value of contracts in portfolio	99	227	295
Average interest rate of portfolio	13,1%	16,9%	18,0%
Share of portfolio in 90+ days overdue	0,4%	0,9%	0,9%
Share of portfolio in 180+ days overdue	0,0%	0,1%	0,2%
The ratio of net loan losses to yearly average credit portfolio	1,9%	3,9%	5,3%

Corporate governance

Supervisory board

The supervisory board of Inbank AS has five members

Priit Põldoja
is the chairman of the supervisory board of Inbank

Rain Rannu
is a member of the supervisory board of Inbank

Roberto de Silvestri
is a member of the supervisory board of Inbank

Triinu Reinold
is a member of the supervisory board of Inbank

Reimo Hammerberg
is a member of the supervisory board of Inbank

Management board

The management board of Inbank AS has three members

Jan Andresoo
is chairman of the management board of Inbank

Liina Sadrak
is a member of the management board of Inbank

Marko Varik
is a member of the management board of Inbank

Description of general management principles

Inbank AS structures its activities on the principle of consolidation, meaning the governance bodies of Inbank make the most important management and strategic decisions for the companies in the consolidated group. Inbank's general meeting, supervisory board and, for some decisions related to credit, the Inbank credit committee, are thus involved in decision-making. This allows Inbank as a consolidated group to proceed from a unified set of objectives and operating principles.

Principles for remuneration

In remunerating its personnel, Inbank proceeds from the principles arising from the Credit Institutions Act and Inbank's recruitment and remuneration policy. The principles for remunerating personnel stimulate sustainable growth and customer satisfaction, and are relying on trustworthy and effective risk management. In remuneration, Inbank considers its employees' personal contribution and job performance as well as the company's economic results.

The structure of employee remuneration consists of two parts:

- basic salary (fixed);
- performance pay (decided separately for each employee).

Basic salary and performance pay are in reasonable balance and the basic salary makes up a sufficiently high share of total remuneration so to enable non-payment of the bonus if needed. The basis for determining performance pay is a combination of the results by employees and the unit and Inbank's overall results.

Outside consultants are not involved in determining remuneration principles.

In 2015, an employee stock option agreement concluded in 2012 was implemented as part of the performance pay framework, under which 600 shares were acquired. In addition, an option agreement was signed with one management board member for issuing 167 shares and this will be implemented on 31 December 2016.

Inbank proceeds from the provisions of the Credit Institutions Act in determining severance pay. No severance pay was paid in 2015.

Stock options

In 2015, a stock option agreement concluded in 2012 with an employee was realized. Under the agreement, the eligible employee had the option of receiving 600 shares at par value in exchange for a monetary contribution. Inbank's share capital was increased as a result. In addition, shareholders have entered into mutual option agreements under which, depending on performance, Inbank is obliged to issue up to 8,500 additional shares in 2017. Likewise, remuneration-related options for acquisition of a total 347 shares were issued; 167 of these were issued to management board members and 180 to supervisory board members. No additional stock option programmes were approved by the Inbank general meeting in 2015.

Corporate governance report

Inbank adheres to the Corporate Governance Code (hereinafter "Code"), a set of advisory guidelines adopted by the Financial Supervisory Authority. The Code is above all intended for publicly listed companies and is designed for companies with a wide ownership. Inbank has thus adapted the Code to its own specifics. The following is an overview of compliance with the Code and of the recommendations that Inbank does not fulfil, along with the reasons.

General meeting

The general meeting of shareholders is the highest management body of Inbank. The competence of the general meeting stems from legal acts. Each shareholder has the right to take part in the general meeting, speak at the general meeting on the topics on the agenda, and submit reasoned questions and make proposals. Under Inbank's articles of association, specific types of shares do not confer specific control or voting rights.

The general meeting is called by the management board. Ordinary general meetings are announced to shareholders at least three weeks before the general meeting is to take place, and extraordinary general meetings are announced at least one week before.

The notice regarding the general meeting is sent to shareholders by registered post to the address entered in the share register. The notice of general meeting may also be sent by ordinary mail, electronically or by fax, if accompanied a note regarding the obligation of immediately sending a confirmation of receipt of the document. Inbank also has the possibility of adopting decisions without calling a general meeting.

In 2015, one ordinary and three extraordinary general meetings of shareholders took place. The ordinary meeting approved the 2014 annual report and adopted a resolution to transfer retained earnings to reserve capital, selected an auditor (the new auditor was appointed at the extraordinary meeting as a result of receiving the activity licence) and approved the remuneration agreements with supervisory board members. At the extraordinary meetings, it was decided to amend the articles of association on two occasions, and on two occasions to increase the share capital and to remove and elect supervisory board members.

Inbank is not in compliance with clause 1.1.1 of the Code, which advises a company to include in the notice calling the general meeting the address or e-mail address to which the shareholders can send questions regarding agenda items. Nor is there compliance with clause 1.2.2 of the code, under which reasons and explanations are provided upon calling the general meeting on agenda items concerning material changes. In practice, interaction between Inbank and its shareholders takes place efficiently and directly, and this guarantees that any and all shareholder questions are answered and agenda items explained either directly to shareholders or at the general meeting.

Inbank does not comply with clauses 1.2.1, 1.2.3 and 1.2.4 of the Code, which recommend that information related to general meeting be disclosed on the website. This is because effective e-mail communication takes place with Inbank shareholders and all of the required information is made available to shareholders via e-mail. The invitation to general meeting is not published in a daily newspaper with national circulation, due to the small number of shareholders.

Inbank does not comply with clause 1.2.2 of the Code (information is to be presented to shareholders in Estonian) and 1.3.1 (the general meeting is to be conducted in Estonian). At Inbank, information is presented and the general meeting takes place above all in English, as some shareholders are from foreign countries and the local shareholders are willing to communicate in English. If the meeting or information is presented in Estonian, shareholders are given the opportunity for a translation into English.

In addition, Inbank is not in compliance with the recommendation in clause 1.3.1 of the Code that the chairman of the supervisory board cannot be elected as chair of the general meeting. As the supervisory board chairman is also a representative of a shareholder and, being the chairman of the supervisory board, is well informed regarding the activity of Inbank, it has not been deemed necessary, given Inbank's current organizational and shareholder structure to elect someone from outside the organization as chair of the general meeting. The chair of the general meeting has always been elected unanimously.

Inbank is in partial compliance with clause 1.3.2 of the Code, in accordance with which the management board members, supervisory board chairman and, if possible, the supervisory board members and at least one of the auditors shall take part in the general meeting. The participation of all of the management board members depends on the topics covered at the meeting. The chairman of the management board and the member of the management board responsible for financial affairs are always present at the meeting. It is not necessary for all of the supervisory board members to take part at the meeting, as the supervisory board is represented at the meeting by the chairman of the supervisory board. The auditor has not taken part in the meetings as the auditor's election took place at the last meeting and since the shareholders were up to date with the experiences and activities of the auditor association and the specific auditors, it was not deemed necessary to invite the auditor candidate to the meeting.

Inbank does not enable watching or participating in the general meeting (clause 1.3.3 of the Code) via telecommunication solutions as all shareholders have been represented at the general meetings and there has been no need for remote solutions.

Management board

The functions of Inbank's management board are governed by the articles of association, the Commercial Code and the Credit Institutions Act.

Inbank's management board consists of three members (three to seven members according to the articles of association) who are elected by the supervisory board for three years. The members of the management board are:

- Jan Andresoo – chairman of the management board;
- Liina Sadrak – member of the management board;
- Marko Varik – member of the management board

Liina Sadrak and Marko Varik were elected as members of the management board in 2015. Jan Andresoo's term was extended.

Inbank does not adhere to the recommendation in clause 2.2.7 of the Code that management board members' benefits and bonus schemes be published on the website, as the annual report discloses the total amount of benefits paid to the management board, and the fees payable to the board can be seen from this. This is also personal information that is not indispensably essential in order to assess the activity of Inbank. Total remuneration paid to the management board members in 2015 amounted to 189,000 euros. Inbank has not complied with clause 2.2.7 – which recommends that essential aspects of management board remuneration and changes in it be presented to the general meeting – as there were no changes in 2015 in relation to remuneration of the management board.

Once a year, board members file a declaration on economic interests and conflict of interest. Transactions executed with management board members are provided in Note 22 and are entered into on market terms. The management board members are not members of the management board or supervisory board in other companies, except for Marko Varik, who is a management board member in the Inbank subsidiary Inbank Līzings, SIA.

Management board members have not been paid severance pay as none of the members have left.

Supervisory board

Inbank's supervisory board plans the activities of Inbank, issues operating guidelines for the management board in organizing management of Inbank, performs oversight regarding the activities of Inbank and its management board, and takes decisions on matters set forth in legislation or the articles of association.

Inbank's supervisory board consists of five members (five to seven members according to the articles of association) who are elected by the general meeting for three years:

- Priit Põldoja – chairman of the supervisory board;
- Roberto de Silvestri – member of the supervisory board;
- Rain Rannu – member of the supervisory board;
- Triinu Reinold – member of the supervisory board;
- Reimo Hammerberg – member of the supervisory board.

All of the supervisory board members participated in at least half of the meetings in 2015.

Six meetings of the supervisory board took place in 2015 and on five occasions, the necessary decisions were taken without calling a meeting. At the meetings, the supervisory board received an overview of the financial results and activities of Inbank, its subsidiaries and affiliates. The supervisory board also approved strategic decisions of Inbank, including the acquisition of Desk Rock OÜ (now Inbank Technologies OÜ). Among other things, the supervisory board approved Inbank's internal rules along with the relevant annexes, approved a stock option programme for key personnel, set the agenda for general meetings and made proposals on agenda items, decided on pledging the shares of Coop Finants AS (formerly ETK Finants AS), elected the chairman of the supervisory board, new management board members, and extended the term of the chairman of the management board.

The audit committee has three members. The audit committee was formed to exercise oversight over the management board. The function of the committee is to verify and analyse the processing of financial information, efficiency of risk management and internal control, the process of auditing the financial statements and consolidated reports, and the independence of external auditor. The committee members are not paid. Information on the audit committee is not disclosed on the website (as urged by clause 3.1.3 of the Code) as Inbank AS does not consider this necessary for ensuring the work of the committee and shareholders' interests.

Of the supervisory board members, Priit Põldoja, Reimo Hammerberg and Triinu Reinold receive remuneration. Total remuneration paid to the supervisory board members in 2015 amounted to 102,000 euros. Inbank does not deem it necessary to publish the amount of remuneration of members of the supervisory board in detail as recommended in clause 3.2.5 of the Code, as the remuneration exerts an insignificant impact on the financial results of Inbank.

Once a year, the supervisory board members file a declaration on economic interests and economic conflicts of interest. The transactions entered into with supervisory board members are listed in Note 22 and were entered into at market conditions.

Inbank complies with the principle listed in clause 3.2.2 of the Code under which at least half of the members of the issuer's supervisory board shall be independent. As there is an odd number of supervisory board members, Inbank applies the second sentence of clause 3.2.2 of the Code, under which, in such a case, there may be one independent member less than the number of dependent members.

Cooperation between management board and supervisory board

The management board and supervisory board work together closely for the purpose of optimum protection of the interests of Inbank. The basis of the cooperation is open communication between the management board and the supervisory board as well as within the management board and supervisory board. The management board ensures the availability of the latest updated management information to the supervisory board. The management board and supervisory board jointly develop the activity objectives and strategy of Inbank. The management board shall proceed from the strategic guidelines issued by the supervisory board and discuss strategic management issues with the supervisory board at a set interval.

Disclosure of information

Inbank treats all shareholders equally and notifies all shareholders of material circumstances. Inbank relies above all on e-mail to notify shareholders. Inbank publishes reports on its website, which is also available in English (www.inbank.ee/en). The annual report for 2015 is originally published and audited in Estonian and translated into English. Interim reports for 2015 were not published in English (clause 5.2 of the Code recommends that published information also be made available in English) as the shareholders receive an overview of published information through the supervisory board and the general meeting. Inbank also arranges for shareholders to receive information in English when requested.

Inbank has not prepared a separate website for shareholders and does not disclose on the website the information listed in 5.2 and 5.3 of the Code (except for the report on Corporate Governance Recommendations and annual report, membership of the management board and supervisory board, and interim reports). The "financial calendar" (clause 5.2 of the Code), information in response to questions presented by analysts shareholders (clause 5.5 of the Code) and the dates of meetings with analysts, investors and the press (clause 5.6 of the Code) are not disclosed as these are not necessary considering Inbank's current activities and the substantial emphasis on keeping shareholders notified through other channels.

Financial reporting and auditing

Inbank prepares the annual report once a year. 2015 is the first year that Inbank is publishing the annual report on its website. Interim reports are published for three quarters (Inbank did not have an obligation to prepare or disclose the interim report for the first quarter of 2015, as it received the licence to operate as a credit institution in April 2015). The annual report is audited.

The general meeting has, as a result of a tender, appointed AS Deloitte Audit Eesti (register code 10687819) as the auditor for the financial year from 1 January 2015 to 31 December 2015.

Consolidated financial statements

Consolidated financial position

EURt	Note	31.12.2015	31.12.2014	01.01.2014
Assets				
Cash on hand		3	0	0
Due from central banks		499	0	0
Due from credit institutions		4 882	376	22
Loans and receivables	4	34 825	14 343	8 420
Investments in affiliates	7	868	444	285
Property, plant and equipment	8	95	30	16
Intangible assets	9	760	189	107
Income tax assets	5	45	0	0
Other assets	10	1 300	326	127
Total assets		**43 277**	**15 708**	**8 977**
Liabilities				
Loans	11	110	4 543	5 680
Deposits	12	29 711	0	0
Debt securities issued	13	3 114	4 770	2 086
Other liabilities	14	2 103	819	905
Total liabilities		**35 038**	**10 132**	**8 671**
Equity				
Share capital	15	569	500	300
Share premium		5 393	4 002	200
Other reserves	16	1 360	30	0
Accumulated loss		-279	-224	-194
Profit/loss for the financial year (+/-)		1 207	1 275	0
Total equity attributable to shareholders of the parent		**8 250**	**5 583**	**306**
Non-controlling interest		-11	-7	0
Total equity		**8 239**	**5 576**	**306**
Total liabilities and equity		**43 277**	**15 708**	**8 977**

Consolidated statement of comprehensive income

EURt	Note	2015	2014
Continuing operations			
Interest income	19	4 237	2 412
Interest expense	19	-705	-480
Net interest income		**3 532**	**1 932**
Fee and commission income	20	711	455
Fee and commission expense	20	-246	-131
Net fee and commission income		**465**	**324**
Other income related to operations		689	94
Net income from other operations		**689**	**94**
Total income		**4 686**	**2 350**
IT services purchased		-51	0
Personnel costs	21	-1 505	-383
Marketing expenses		-687	-265
Administrative expenses		-153	-68
Depreciation, amortisation and impairment	8; 9	-154	-27
Other income and expenses		-520	-221
Total operating expenses		**-3070**	**-964**
Operating profit		**1 616**	**1 386**
Loan losses	4	-846	-278
Net profit for financial year before investments		**770**	**1108**
Profit/loss from investments		365	159
Profit before income tax		**1 135**	**1 267**
Deferred income tax		45	0
Comprehensive income		**1 180**	**1 267**
Profit (loss) attributable to the parent company		1 207	1 275
Profit (loss) attributable to non-controlling interest		-27	-8
Total comprehensive income for the period		**1 180**	**1 267**

Consolidated statement of cash flows

EURt	Note	2015	2014
Cash flows from operating activities			
Profit from operating activities		**1 661**	**1 386**
Interest income	19	-4 237	-2 412
Interest expense	19	705	480
Loan losses		-846	-278
Depreciation, amortisation and impairment	8; 9	154	27
Cash flows from/used in operating activities before change in operating assets and liabilities		**-2 563**	**-797**
Net increase/decrease in operating assets:			
Loans and advances to customers		-20 482	-5 923
Other assets		-974	-199
Net increase/decrease in operating liabilities:			
Customer deposits		29 711	0
Other liabilities		1 284	-86
Change in assets and liabilities related to operating activities		**9 539**	**-6 208**
Adjustments to current assets and current liabilities			
Interest received		4 237	2 412
Interest paid		-705	-480
Other adjustments		-22	1
Net adjustments to current assets and current liabilities		**3 510**	**1 933**
Cash flows from investing activities			
Acquisition of non-current assets	8; 9	-790	-123
Investment in affiliates		-59	0
Net cash from / used in investing activities		**-849**	**-123**
Cash flows from financing activities			
Redemption of debt securities		-1 656	2 684
Loans received and repayments		-4 433	-1 137
Proceeds from issue of share capital		69	200
Proceeds from share premium		1 391	3 802
Net cash from / used in investing activities		**-4 629**	**5 549**
Net increase in cash and cash equivalents		**5 008**	**354**
Cash and cash equivalents at the beginning of the year		376	22
Cash and cash equivalents at the end of the year		**5 384**	**376**

Consolidated statement of changes in equity

EURt	Share capital	Share premium	Legal reserve	Voluntary reserve	Retained earnings (accumulated loss)	Total share attributable to the shareholders of the parent company	Non-controlling interest	Total equity
Balance as at 01.01.2014	**300**	**200**	**0**	**0**	**-194**	**306**	**0**	**306**
Share capital issued	200	3 802	0	0	0	4 002	0	4 002
Comprehensive income of the reporting period	0	0	0	0	1 275	1 275	-7	1 268
Legal reserve	0	0	30	0	-30	0	0	0
Balance as at 31.12.2014	**500**	**4 002**	**30**	**0**	**1 051**	**5 583**	**-7**	**5 576**
Balance as at 01.01.2015	**500**	**4 002**	**30**	**0**	**1 051**	**5 583**	**-7**	**5 576**
Share capital issued	69	1 391	0	0	0	1 460	0	1 460
Comprehensive income of the reporting period	0	0	0	0	1 207	965	-4	1 203
Voluntary reserve	0	0	0	1 330	-1 330	0	0	0
Balance as at 31.12.2015	**569**	**5 393**	**30**	**1 330**	**928**	**8 008**	**-11**	**8 239**

The profit for the year 2014 and the capital raise were approved on 09 April 2015.
See also Note 15.

Note 1
Accounting policies

General information

The consolidated financial statements of Inbank AS (hereinafter referred to as the parent company) for the financial year 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union and interpretations to such standards (IFRIC). International Financial Reporting Standards are applied for the first time in these consolidated financial statements for the year 2015.

The consolidated financial statements include the financial performance indicators of Inbank AS, its subsidiaries SIA Inbank Lizings and Inbank Technologies OÜ and affiliates Coop Finants OÜ and Krediidipank Finants OÜ.

The start of the financial year is 1 January and the end of the financial year is 31 December; numbers are presented in thousands of euros, unless otherwise indicated.

The consolidated financial statements of Inbank AS have been approved by the management board and will be submitted for approval to the shareholders on 22 April 2016.

Significant accounting policies

Presentation of the financial statements

The set of financial statements is comprised of the following:

- Consolidated statement of financial position as at the end of the financial period;
- Statement of comprehensive income for the financial period;
- Statement of changes in equity for the financial period;
- Statement of cash flows for the financial period;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

The objective of the financial statements is to provide information to users on the financial position, financial results and cash flows necessary for making financial decisions.

Consolidated financial statements

The consolidated financial statements are comprised of the financial statements of the parent company and the subsidiaries controlled by the parent company. The criterion is that Inbank AS holds more than 50% of the voting rights in the subsidiary. Control also exists when the parent company owns half or less of the voting rights of the subsidiary when the parent company:

A. has actual control over more than half of the voting rights by virtue of an agreement with other investors;

B. controls the financial and operating policies of the entity under the articles of association or an agreement;

C. has the power to appoint or remove the majority of the members of the management and the highest governing body (e.g. the management board and the supervisory board of a business entity);

D. has the power to determine the decision making of the management and the highest directing body.

Intra-group receivables and liabilities, transactions between group entities and the resulting unrealised gains and losses have been eliminated. The share of the non-controlling interests in the profit or loss and equity of the subsidiaries is presented in the consolidated balance sheet within equity, separately from the equity attributable to the owners of the parent company, and as a separate line item in the consolidated statement of comprehensive income.

The acquisition of subsidiaries is accounted for using the purchase method from the day that control is established. According to the purchase method of accounting, the cost is allocated to the fair value of the subsidiary's assets acquired, liabilities and contingent liabilities assumed; the difference between the cost of the acquisition and the fair value of acquired net assets is recognised either as a positive or negative goodwill. From the date of acquisition, the assets of subsidiaries that are acquired, the liabilities and contingent liabilities that are assumed and the goodwill that is generated are included in the consolidated balance sheet and the share in the income and expenses of the acquired subsidiary is included in the consolidated income statement. Negative goodwill is immediately recognised as income of the period.

Affiliates are all entities in which Inbank AS has significant influence but not control. Significant influence is generally presumed to exist when the company owns between 20% and 50% of the voting rights. Investments in affiliates are included in the consolidated balance sheet using the equity method of accounting.

In case of transactions involving minority interest, any difference between the transaction price and the changed carrying amount of minority interest is recognised directly in equity. Unconsolidated financial statements of the parent company presented in the notes to the consolidated financial statements

The separate primary financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company the same accounting policies have been used as in preparing the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise short-term highly liquid investments (generally with a term of up to three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value.

The indirect method has been used for the preparation of the cash flow statement whereby the profit for the financial year is adjusted by the effect of non-cash transactions, changes in the balances of assets and liabilities related to operating activities and income and expenses related to investing and financing activities.

Transactions and financial assets and liabilities denominated in foreign currency

The functional currency of the company is the euro, which is also the presentation currency of the financial statements. All other currencies are classified as foreign currencies.

Monetary assets and liabilities denominated in foreign currency are translated at balance sheet date into euros based on the official foreign exchange reference rates of the European Central Bank.

Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period, other currency-related gains and losses are recognised in financial income and expenses.

Loans and receivables

Loans and receivables are recognised in the balance sheet on the date that the bank provides the funds to the debtor until such funds are repaid or written off. After initial recognition, the bank measures loan receivable at amortised cost (less principal repayments and any potential impairment losses).

Impairments

If there is objective evidence that loans and receivables measured at amortised cost have been impaired, the amount of the impairment loss is measured as the difference of the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of an asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in the income statement.

The group first evaluates whether there is any objective evidence indicating impairment of assets involving such financial assets that are individually significant and collectively involving such financial assets that are not individually significant.

Potential credit loss allowances from homogeneous financial assets are made by grouping the assets into subcategories by product type, geographical location and historical credit performance and the relevant provisions are applied. For the financial assets that have been grouped, the amount of the impairment loss is the multiple of the carrying amount of the receivables in the group and the allowance rate. In order to determine the relevant allowance rates, the probability of default, loss given default and exposure at default have been determined.

In case the impairment loss on an asset previously written down is reduced the subsequent period and this reduction can objectively be attributed to an event that occurred after recording the impairment loss, the previously recognised impairment loss is reversed either directly or by way of adjustment to the allowance account. The amount of the reversal is recognised in the income statement.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially recognised at its cost, comprised of its purchase price and any expenditures directly attributable to the acquisition. The assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for depreciation of property, plant and equipment and amortisation of intangible assets with an estimated residual value of zero.

Property, plant and equipment is comprised of significant assets that have useful lives in excess of one year. Immaterial items and assets with a shorter useful life are expensed as incurred.

The intangible assets of the group have a specific useful life and it primarily encompasses capitalised computer software. Capitalised expenses include wages and salaries attributable to software development and outsourced development costs. All other expenses related to software, such as maintenance expenses, are recognised in the income statement of the reporting period. Capitalised expenses are amortised over the estimated useful life of the software but not for a period longer than ten years.

The useful life of goodwill is indefinite and its recoverable amount is tested on each balance sheet date.

The bank reviews property, plant and equipment and intangible assets for impairment losses on each balance sheet date when changes in circumstances indicate that the carrying amount may not be recoverable. Where an asset's carrying amount is greater than the two relevant indicators (higher of an asset's fair value less costs to sell and its value in use), such non-current asset is written down immediately to its recoverable amount, recognising an impairment loss in the statement of comprehensive income for the financial period.

Financial liabilities

Financial liabilities are initially recognised at cost which is the fair value of the consideration received for the financial liability. Financial liabilities are subsequently measured at amortised cost, adjusted by principal repayments and, where necessary, any write-down arising from impairment or uncollectibility. Such financial liabilities are typically funds received from customers and credit institutions. The interest expense incurred on financial liabilities is recognised on an accrual basis as an expense for the period on the income statement line "Financial income and expenses". A financial liability is derecognised when it is discharged, cancelled or it expires.

Fair value of financial instruments

Fair value is a price obtained upon sale of an asset or paid upon transfer of a liability on the date of valuation in a transaction between market participants. The fair value of assets and liabilities is determined under the assumption that market participants are guided by their own financial interest in the determination of the price of the asset or liability.

For the determination of fair value, the bank employs methods that are appropriate in the given circumstances and when sufficient information is available for being able to determine fair value.

More detailed information on the fair value of financial instruments is provided in Note 18.

Provisions and contingent liabilities

Provisions are recognised when the entity has a present legal or constructive obligation as a result of events that occurred before the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation, a reliable estimate can be made of the amount of the obligation. A provision is recognised in the balance sheet in the amount which according to the management is necessary as at the balance sheet date for the meeting of the obligation arising from the provision. If a provision is expected to be settled later than 12 months after the balance sheet date, it is recognised at the discounted value (at the present value of payments relating to the provision) unless the effect of discounting is immaterial. Other possible or existing obligations, the settlement of which is less than likely or the related expenditures of which cannot be determined with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Legal reserve

According to the articles of association of Inbank AS, during each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. The legal reserve may be used to cover a loss, or to increase share capital. Payments to shareholders from legal reserve are not allowed.

Voluntary reserve

The Inbank AS general meeting of shareholders may decide to allocate other amounts to reserves. The legal reserve may alternatively be used to increase share capital.

Revenue and expense recognition

Revenue is recognised when it is probable and can be measured reliably.

Interest income and expense is recognised on an accrual basis using the effective interest rate method for all interest-bearing financial assets and liabilities that are measured at amortised cost. The effective interest rate method is a method for the measurement of amortised cost of financial assets and liabilities and for the allocation of interest income and interest expense over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability in a manner that reflects a constant discount rate for the balance of the principal amount. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit impairment losses. The calculation includes all significant fees paid by parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and interest expense are reported in the income statement on the line “Financial income and expenses”.

Revenue from services rendered in the ordinary course of business is recognised at fair value of the fee received or receivable on an accrual basis.

Channel fees paid to merchants are paid in full upon entry into the contract and the amount is thereafter expensed over the contract term based on the effective interest rate methodology and reported in the income statement.

Income and expenses from other fees are recognised on an accrual basis at the time of rendering the service.

Dividend income is recognised when a right of claim is obtained with respect to the dividends.

Corporate income tax

According to the Income Tax Act of the Republic of Estonia, legal entities are not subject to income tax on profits earned. Corporate income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and payments not related to business operations. Thus, in Estonia there are no differences between the tax bases and the carrying amounts of assets which would give rise to deferred income tax.

Dividends are a distribution made from net profit or retained earnings from previous financial years on the basis of a resolution by the shareholders of Inbank AS and that are contingent on the dividend recipient’s ownership interest in Inbank AS. Inbank pays income tax on dividends upon the distribution of such dividends in cash or in kind. Pursuant to the Income Tax Act currently in effect, profit distributed as dividends is taxed at the rate of 20/80 (the applicable income tax rate until 31 December 2014 was 21/79) on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is recognised as income tax expense in the income statement of the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date.

In accordance with the local income tax laws, the net profit of companies located in Latvia that has been adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax. The main temporary differences arise from depreciation and tax loss carry-forwards. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry-forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Related parties

Related parties of the company are:

- Owners who are legal entities with a significant ownership stake and entities under their control or significant influence and their executives and senior management;
- Other entities in the same group of companies (e.g. fellow subsidiaries of the parent entity);
- Affiliates;
- Executives and senior management;
- Close family members of the aforementioned persons and companies controlled by them or under their significant influence.

Events after the balance sheet date

Material events that have an effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of authorising the financial statements for issue but that are related to transactions in the reporting period or earlier periods, are reported in the financial statements.

Events after the balance sheet date that have not been taken into account for evaluating assets and liabilities but have a material impact on the results of the next financial year are disclosed in the financial statements.

Significant management estimates and assumptions

The effect of management estimates is most significant in the case of loan loss allowances. The accounting policies for the valuation of loans are provided in further detail under the heading Impairments. The bank had no other significant investments or receivables that could or should be subject to management estimates.

The management estimate for the useful life of intangible assets included in the statement of financial position is 10 years. The intangible assets are measured based on the established amortisation rate that is disclosed in further detail in the subsection "Property, plant and equipment and intangible assets".

Judgments related to financial statements are continually reviewed based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

Adoption of new standards

The new or revised standards that are effective in the European Union for the first time for the financial year beginning on or after 1 January 2015 are not expected to have a material effect on the financial statements of the bank.

Certain new or revised standards have been issued that are mandatory for the bank's annual periods beginning on or after 1 January 2016 and thereafter.

IFRS 9 Financial Instruments
(effective for annual periods beginning on or after 1 January 2018 after approval by the European Union)

IFRS 9 replaces the standard IAS 39. The standard establishes a new framework for the measurement and classification of financial assets, the requirements of recognition for accounting purposes, the special rules for impairment of financial assets and hedge accounting. The application of the standard has an effect on the bank's accounting policies.

IFRS 15 — Revenue from Contracts with Customers
(effective for annual periods beginning on or after 1 January 2018 after approval by the European Union)

The IFRS 15 standard establishes a five-step model that will be applicable to revenue from contracts with customers without regard to the industry and type of revenue generated. The standard establishes stricter requirements with regard to disclosure. The bank estimates that the standard has an immaterial effect on fee-based revenue.

IFRS 16 Leases
(effective for annual periods beginning on or after 1 January 2019 after approval by the European Union)

The standard establishes a framework for the measurement, recognition and disclosure of rent. The standard provides a model, upon the application of which lessees must generally recognise in their balance sheet the leased asset and liability, except in cases when the lease term is less than 12 months or is immaterial. The application of the standard may have an effect on the bank›s accounting policies and information subject to disclosure and financial position and performance.

Certain new or revised standards and interpretations have been issued that are mandatory for the bank's annual periods beginning on or after January 2016 or subsequent periods, and which the bank has not early adopted and which are not expected to have a material effect on the bank›s financial statements:

Amendments to IAS 1 Presentation of Financial Statements: Disclosure initiative (effective for annual periods beginning on or after 1 January 2016 after approval by the European Union). The amendments clarify the IAS 1 standard in order to simplify the provision of estimates made regarding the presentation of financial statements. The bank has not evaluated the effect of the application of the standard.

Amendments to IAS 16 — Property, Plant and Equipment and IAS 38 — Intangible Assets: Clarification of acceptable methods of depreciation and amortisation.

Amendments to IAS 19 — Employee Benefits.

Note 2
Effect of transition to IFRS

EURt	IFRS 31.12.2014	Estonian GAAP 31.12.2014	IFRS 01.01.2014	Estonian GAAP 01.01.2014
Assets				
Due from credit institutions	376	376	22	22
Loans and receivables	14 343	14 343	8 420	8 420
Investments in affiliates and subsidiaries	444	654	285	653
Property, plant and equipment	30	30	16	16
Intangible assets	189	189	107	107
Other assets	326	326	127	127
Total assets	**15 708**	**15 918**	**8 977**	**9 345**
Liabilities				
Loans	4 543	4 543	5 680	5 680
Debt securities issued	4 770	4 770	2 086	2 086
Other liabilities	819	819	905	905
Total liabilities	10 132	10 132	8 671	8 671
Equity				
Share capital	500	500	300	300
Share premium	4 002	4 002	200	200
Retained earnings	-224	145	-194	174
Other reserves	30	30	0	0
Profit/loss for the financial year (+/-)	1 275	1 116	0	0
Total equity attributable to shareholders of the parent	**5 583**	**5 793**	**306**	**674**
Non-controlling interest	-7	-7	0	0
Total equity	**5 576**	**5 786**	**306**	**674**
Total liabilities and equity	**15 708**	**15 918**	**8 977**	**9 345**

The present financial statements prepared for the financial year ended 31 December 2015 are the first financial statements prepared by the group in accordance with the Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations to such standards (IFRIC). The financial statements of the group through 31 December 2014 were prepared in accordance with the accounting principles generally accepted in Estonia (Estonian GAAP). The generally accepted accounting principles of Estonia are accounting principles based on international accounting and reporting principles whose main requirements are prescribed by law and that are supplemented by the guidelines of the Accounting Standards Board.

Effective from the financial period ended 31 December 2015 and thereafter, the group prepares its financial statements in accordance with IFRS in conjunction with comparative information for the financial year ended 31 December 2014, as described in the summary of important accounting policies.

The data on the financial position from the start of the previous period as at 1 January 2014, deemed as the transition date to IFRS, were used as a basis for these financial statements.

This section describes the main changes made by the company in relation to the restatement of the statement of financial position prepared as at 1 January 2014 and of the restatement of financial statements for the financial year ended 31 December 2014 that were prepared according to local generally accepted accounting principles.

The change has an impact on the accounting for affiliates. According to the accounting principles generally accepted in Estonia, investments in affiliates were measured at cost. According to IFRS, affiliates are accounted for in the consolidated statement of financial position and statement of comprehensive income using the equity method of accounting. The change does not impact the statement of cash flows.

NOTE 3
RISK MANAGEMENT

Concept of risk and objective of risk management

Risk is defined as a potential negative deviation from expected financial results. Inbank encounters several risks in its day-to-day operations. The objective of risk management at the bank is to recognise the risks, to measure them appropriately and to manage them. More broadly, the aim of risk management is to increase the value of the company by minimising losses and reducing the volatility of results. Risk management is based upon a strong risk culture and is built on the principle of three lines of defence. The first line of defence or business segments are responsible for the assumption and management of risks on a day-to-day basis. The second line of defence, the independent risk management department, is responsible for the development of risk management methodologies and for the reporting of risks. The third line of defence, the internal audit, exercises independent oversight over the entire organisation, including the risk management function. Risk management principles, requirements and areas of responsibility are described in policies and procedures. In accordance with the capital management principles that the company has adopted, it must have adequate capital to support risks. The management board of Inbank AS estimates that the risk management systems that the company has adopted are adequate in view of the profile and strategy of Inbank.

Principles of risk management

The risk management system of Inbank is centralised, thus the same principles of risk management are used on the parent company level and on subsidiary level at Inbank. Risk management duties and control functions are carried out by risk department and various committees responsible for risk management at the parent company level.

- Risk management encompasses all activities aimed at the identification, measurement, assessment, monitoring and control of risks, as well as measures for the limitation and mitigation of consequences from the materialization of risks.
- Risk management is forward-looking, places emphasis on risk awareness and also involves personnel selection, awareness and training.
- The bank maintains a high level of risk management by employing relevant processes, techniques and methods as necessary in a cost-efficient manner. The process of risk management is deemed to be a natural component and cost of doing business.
- All risks are included in the process of planning, monitoring and resource allocation and are monitored by the supervisory board.

Risk management structure

The management board of Inbank is responsible for the management and control of the risks related to all activities of the bank, implementation of the risk management principles, processes and methods, and performance. According to the risk management policy and risk appetite statement as approved by the management board, the following departments and committees established at Inbank exercise the risk management and control function on a day-to-day basis:

- The supervisory board provides oversight that adequate risk assessment and management activities are functional in the bank, ensuring that the bank's credit organisation, credit monitoring organisation and risk management organisation have a relevant and effective structure and sufficient and independent resources for the adequate functioning of risk assessment and management.
- The main functions of the risk management department are the identification and evaluation of risks, performance of regular stress tests with respect to liquidity, credit and main market risks, as well as the preparation of the corresponding risk reports to the management board and supervisory board, development of risk management methodology, evaluation of the credit risk of major credit projects, as well as monitoring and analysis of the credit portfolio.
- The credit committee is the bank's highest operational body responsible for credit risk management. The credit committee is responsible for the development and maintenance of the credit risk policy. The credit committee, through its credit risk policy, will oversee that the bank's activities in issuing credit comply with the requirements set out in law, correspond to the bank's risk appetite statement and are profitable.
- The audit committee advises the supervisory board in matters related to risk management. For that purpose, the audit committee monitors and analyses the effectiveness of the risk management process.
- One of the objectives of internal audit is to provide assurances to the management board and supervisory board regarding the adequacy and effectiveness of the bank's internal control and risk management policy in managing risk and ensuring that the strategy and objectives of Inbank are implemented.
- The compliance function is responsible for the monitoring of compliance of risk assessment and ensuring the effective management of operational and legislative compliance risk and legal risk.

Management of own funds

The bank employs risk-based management of own funds, ensuring that all risks arising from the business activities of Inbank are at all times adequately backed with own funds.

Management of own funds takes place on the basis of balance sheet and profit forecasts that take into account the strategy, future expectations, risk profile and risk appetite of the bank. Own funds are considered to be comprised of Tier 1 capital and Tier 2 capital.

Capital base, EURt	31.12.2015	31.12.2014
Paid-in share capital	569	500
Share premium	5 393	4 002
Statutory reserve capital	1 360	30
Retained earnings	-279	-224
Intangible assets (subtracted)	-760	-189
Profit for financial year*	1 207	1 275
Shares in affiliates**	-868	0
Total Tier 1 capital	6 622	5 394
Subordinated debt	0	0
Total Tier 2 capital	0	0
Net own funds for capital adequacy calculation	**6 622**	**5 394**

* In accordance with EU regulation, audited and approved profit for the financial year may be included in retained earnings upon prior approval by competent agencies. The profit for the financial year was unaudited and unapproved in the calculations made in accordance with the EU regulation and such profit was not included in the capital base as submitting regulatory capital adequacy reporting.

** In accordance with EU regulation, shares in affiliates were included in the risk-weighted assets as of 31.12.2014.

The own funds of a credit institution must at all times be equal to or exceed the minimum amount of initial share capital prescribed in the Credit Institutions Act (5 million euros). At the start of the year 2014, the capital of banks and investment firms in the European Union became subject to a new legal framework (CRD IV/CRR), largely based on the Basel III framework that was agreed in the Basel Committee on Banking Supervision. The objective of the new legal framework is to strengthen the resilience of the financial sector to adverse economic shocks and thereby ensure an adequate and sustainable financing of the economy. Significant changes implemented by the new requirements include the requirement for credit institutions to maintain a higher level and quality of capital than before and a unified framework for designing liquidity buffers. The new capital requirements directive also define measures for macro-financial supervision that member states can use to control the behaviour of credit institutions in amplifying the cycles and to alleviate risks arising from market structure.

The regulation, which is directly applicable in the member states, obligates all credit institutions operating in the European Union (including their consolidating holding companies) and investment firms to maintain 4.5% of common equity tier 1 (CET 1) and 6% of Tier 1 Capital against risk assets. The overall capital adequacy requirement (CAD), including both Tier 1 and Tier 2 capital, remains at the existing 8% level. In addition to the main requirements based on uniform rules, the directive defines the principles for forming capital buffers. In Estonia, in addition to the baseline capital requirements, credit institutions have been subjected to capital maintenance and systemic risk buffers, which are 2.5% (imposed by the Financial Supervisory Authority) and 2% (imposed by Eesti Pank), respectively. As the aforementioned buffers are incremental to the Tier 1 and the total baseline capital requirements, the minimum Tier 1 requirement in Estonia is 10.5% and the total capital requirement is 12.5%. The latter is also subject to the specific supplementary Pillar 2 requirement applicable to credit institutions. An overview of capital requirements is provided in the table below:

	Core Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Baseline requirement	4,5%	6,0%	8,0%
Capital maintenance buffer	2,5%	2,5%	2,5%
Systemic risk buffer	2,0%	2,0%	2,0%
Minimum regulatory capital requirement	9,0%	10,5%	12,5%

As at 31 December 2015, Inbank meets all the regulatory capital requirements. The capital base in this report includes profit for the financial year, which has been audited and approved as of publication date of the annual report.

The internal capital adequacy assessment process (ICAAP) is a continuous process with the objective of evaluating the risk profile of the bank and the corresponding capital requirement. The bank ensures adequate capital coverage of aggregated risks at all times.

The management board of Inbank is responsible for the management of capital. ICAAP is the basis for the management of capital on a regular basis. The management and forecasting of the capital needs is carried out on the basis of regular calculation of capital adequacy, to which the capital requirements are added for covering additional risks that are not taken into account within the framework of regulatory capital requirements.

The risk profile of the bank is mainly assessed regarding the following risks: credit risk, market risk, concentration risk, liquidity risk, interest rate risk of the bank portfolio, operational risk and strategic risk.

The minimum desirable level of capital adequacy is the minimum required level of capital adequacy determined by the supervisory review and evaluation process assessment, to which a buffer necessary for the growth of operational volumes or other implementation of a strategic plan is added as required in accordance with the effective operational strategy and balance sheet forecasts of the bank. The bank's option to raise additional capital on the market is also taken into account in the capital management process, above all by way of new share issuance or subordinate debt issuance.

Capital needs are determined by way of forecasting balance sheet exposures by using changes in various risk-weighted assets and equity line items as a basis. In addition, the necessary equity buffer is determined in order to ensure the internally desired capital adequacy level for the materialisation of alternative and risk scenarios. The bank ensures adequate capital coverage of all risks at all times.

Credit risk

Credit risk reflects the probable loss that may be incurred as a result of failure by a counterparty to perform obligations that they have undertaken and, in the case of insolvency, the pledged collateral, guarantees issued and other methods of collection are insufficient to recover the bank's claims. Credit risk mainly arises from loans issued and funds due from credit institutions. In order to mitigate credit risk, Inbank analyses the financial performance and financial position of its counterparties. After a loan is issued, the compliance with contract terms on part of the counterparty is regularly monitored.

The responsibility for taking and managing of credit risk is on the level of the management board of the parent company and the credit committee. Subsidiaries and lines of business under the parent company make proposals to the credit committee of the parent company with regard to the adoption of policies and rules regarding credit risk that concern the business operations of a specific subsidiary or line of business. Decisions on the policies for assuming risk are made in the credit committee.

The management of credit risk is handled in accordance with the stipulations of the Credit Institutions Act, Law of Obligations Act, Creditors and Credit Intermediaries Act, the guidelines issued by the Financial Supervision Authority of Estonia titled "Responsible lending regulations", regulations of the President of Eesti Pank and local regulations applicable to business units domiciled in foreign countries, as well as the principles set forth in the bank's credit risk policy. Credit risk policy, loan analysis and lending principles are regularly reviewed and verified against the economic situation and actual payment history.

The following principles set forth in the risk appetite statement are an important part of the bank's credit policy and used by the bank in its management of credit risk:

- Diversification of the loan portfolio,
- Low average loan amount,
- Constant monitoring of the quality of the loan portfolio.

Distribution of credit risks

Maximum (net) credit risk exposure, EURt	**31.12.2015**	**31.12.2014**
Credit institutions	5 381	376
Households	31 509	13 583
Non-financial customers	774	200
Other financial customers	2 542	560
Total assets	**40 206**	**14 719**

Due from banks

Management estimates that the credit risk exposure from cash and cash equivalents held at the central bank and other correspondent banks has inherently low credit risk. All loans and advances to the central bank and credit institutions are current and none are overdue. The bank's risk management policy prefers credit institutions with higher equity levels and, where possible, strong credit ratings for the depositing of funds.

Due from households

The bank has been engaged in providing hire-purchase services in Estonia since the year 2011. In the year 2013, the bank also started to issue consumer loans in Estonia in small volumes through a partner company. At the end of 2014, Inbank also entered the consumer finance market in Latvia by providing a special-purpose consumer loan in that market, which is similar by nature to the hire-purchase product being offered in Estonia.

Distribution of receivables as at 31.12.2015, EURt	Estonia	Latvia	Total
Hire-purchase receivables	16 969	0	16 969
Special-purpose consumer loans receivable	6 000	8 335	14 335
Consumer loans receivable	205	0	205
Total receivables	**23 174**	**8 335**	**31 509**

Distribution of receivables as at 31.12.2014, EURt	Estonia	Latvia	Total
Hire-purchase receivables	13 201	0	13 201
Special-purpose consumer loans receivable	0	2	2
Consumer loans receivable	380	0	380
Total receivables	**13 582**	**2**	**13 583**

The core business of Inbank is to provide consumer loans to households. Due to the bank's focus on this area of activity, the loan portfolio is diversified and the average loan amount is low. The bank's portfolio is comprised of 48,000 contracts as at year-end 2015, which means the average amount contractually due is 655 euros.

The credit scoring model is being used to assess customers' creditworthiness. In addition to evaluating the customer's previous payment history, income and existing loans, the aforementioned model also takes into account other statistical parameters, which have previously been collected by types of customer and which have proved to have a strong link to customer payment performance. The bank's credit scoring model is continually changing over time and adjusted to reflect changes in the volume of information used to make credit decisions and in the economic environment.

As consumer loans provided to households are homogeneous loans, provisions for potential credit loss level is calculated based on historical performance of these homogeneous loans and applied to current portfolio at the balance sheet date. In order to determine the most accurate loan loss provisions, receivables are divided into subcategories by product type, geographical distribution, customer payment history and overdue days. For the receivables that have been grouped, the amount of the impairment loss is the multiple of the carrying amount of the receivables in the group and the percentage rate of impairment loss. The framework is based on the classic method of calculating the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Distribution of receivables as at 31.12.2015, EURt	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	31 817	-437	-27	31 353	1,5%
90-179 days overdue	296	0	-182	114	61,5%
180+ days overdue	422	0	-380	42	90,0%
Total receivables	**32 535**	**-437**	**-589**	**31 509**	**3,2%**

Distribution of receivables as at 31.12.2014, EURt	Due from households - gross basis	General provision	Special provision	Due from households - net basis	Provision coverage ratio
0-89 days overdue	13 491	0	0	13 491	0,0%
90-179 days overdue	189	0	-97	92	51,3%
180+ days overdue	198	0	-198	0	100,0%
Total receivables	**13 878**	**0**	**-295**	**13 583**	**2,1%**

Receivables from non-financial customers and other financial customers

The issuance of loans is regulated by the Inbank credit risk policy and other internal rules and regulations. The maximum limit of a loan issued to a single counterparty is 25% of net own funds.

Credit decisions for the issuance of loans to businesses are made on an individual basis in the credit committee. Business loans that are issued can be divided into three primary categories based upon their objective:

- Loans to the bank's business partners,
- Loans to affiliate companies,
- Loans to third parties.

Depending upon the objective of the loan, the following criteria are analysed when the credit decision is made:

- Financial strength of the counterparty,
- Security of the claim,
- Counterparty's business volume with the bank,
- Term of the contract being concluded,
- Scope of the contract being concluded,
- Rate of return of the contract being concluded.

Loan loss allowances on business loans are recognised at Inbank on an individual basis depending upon the non-performing status of the counterparty's loan, reasons therefor and its financial strength. As at 31 December 2015, Inbank had not recognised loan loss allowances on any business loans on an individual basis due to the absence of a loss event.

Concentration risk

Concentration risk is risk arising from a large risk exposure to one counterparty or related counterparty or multiple counterparties impacted by a single risk factor. The bank addresses assets associated with one counterparty, related counterparties and one industry, region or risk factor as part of concentration risk.

In its business operations Inbank avoids the assumption of concentration risk by focusing above all on medium-sized and smaller loans in order to prevent high risk concentration levels. However, the bank does not exclude the issuance of larger loan amounts in case of adequate collateral or if other required conditions are met. In the case of collateral requirements applicable to large loans, one exception is liquid funds deposited with credit institutions for a term of up to three months. In such cases the bank relies on information regarding the financial strength of the counterparty and credit ratings assigned by international credit rating agencies to the counterparty in its risk management.

As at 31 December 2015, the bank had five receivables that exceeded 10% of the bank's net own funds. Three of such receivables were from credit institutions.

Receivables exceeding 10% of net own funds	Total receivables EURt 2015	Total number of receivables 2015	Total receivables EURt 2014	Total number of receivables 2014
Credit institutions	4 882	3	0	0
Other financial businesses	2 476	2	560	1
Total	**7 358**	**5**	**560**	**1**

Market risk

Market risk is defined as risk arising from an adverse change in market prices. The bank's business is so far geographically limited to eurozone countries. All of the bank's assets and liabilities are denominated in euros. In addition, the bank does not have a portfolio of stocks or bonds that is traded on a market. As a result of this, interest rate risk is the only market risk that Inbank's business is exposed to.

Interest rate risk

Interest rate risk is defined as a risk of unexpected unfavourable changes in interest rates that might affect the revenue generated by the bank. The bank is exposed to interest rate risk if the maturities of its principal assets and liabilities are different or if the interest rates of assets and liabilities can be adjusted at different intervals of time.

Generally, management estimates that the effect of interest rate risk on the business of Inbank is low for the following reasons outlined below:

- Both the bank's assets and liabilities are almost entirely at fixed interest rates. The sole exception is an overdraft facility at the Latvian subsidiary, which is drawn in the amount of 110,000 euros as at the 31 December 2015 balance sheet date, accounting for 0.3% of the bank's total assets.
- Inbank has focused its business on the issuance of unsecured consumer loans. As a result, the bank's assets earn relatively high rates of return. This provides an adequate buffer to mitigate any change in interest rates both on the bank's liabilities side and assets side.
- The deposits portfolio of Inbank is fully comprised of term deposits that carry fixed rates of interest until the end of the deposit term.
- The assets and liabilities of Inbank have relatively similar and short maturities. This provides the bank an opportunity to react to changes in interest rates by adjusting interest rates on new sales.

The parent company is responsible for the management of interest rate risk at subsidiaries. Interest rate risk is generally managed by the bank's management board and directly by the Finance and Risk Manager. Interest rate risk is managed through impact assessment by forecasting how a shift in the interest rate curve would impact the net interest income of Inbank and thereby also the bank's economic value.

Liquidity risk

Liquidity risk is the risk of insufficient solvency on behalf of the bank to perform its contractual obligations on a timely basis, which means that the bank's companies are unable to timely and sustainably finance various assets, or to liquidate their positions in order to perform contractual obligations. The management of liquidity risk is based on liquidity risk strategy and the internal rules and regulations that address liquidity management. The objective of liquidity management in the bank is to guarantee, at any given moment, the timely and complete performance of the obligations assumed by the bank while optimising the liquidity risk in such a manner as to achieve maximum and stable profitability on investments with different maturities.

The long-term liquidity of the bank is managed by the management board and liquidity risk management is overseen by the management board. The Finance and Risk Manager is responsible for the day-to-day and short-term management of liquidity risk at Inbank.

The primary measure employed for the management of the bank's liquidity exposure is an approach based on the maturity gap analysis of assets and liabilities. An overview of the division of assets and liabilities by maturity has been provided in the table. This model is also used for determining the main observable liquidity ratios and term proportions of assets and liabilities, as well as for conducting stress tests. Internal limits have been established for all major liquidity indicators.

Assets by contractual maturity dates, EURt	0-90 days	91-365 days	1-5 years	5+ years	Total
Loans and receivables	6 253	13 346	24 960	862	45 421
Cash and due from central banks	5 383	0	0	0	5 383
Other assets	110	0	0	0	110
Total assets	**11 746**	**13 346**	**24 960**	**862**	**50 914**

Liabilities by contractual maturity dates, EURt	0-90 days	91-365 days	1-5 years	5+ years	Total
Deposits/loans	367	13 875	16 769	0	31 011
Debt securities issued	54	550	2 906	0	3 510
Other liabilities	1 350	0	0	0	1 350
Total liabilities	**1 771**	**14 425**	**19 675**	**0**	**35 871**
Maturity gap from assets and liabilities	**9 975**	**-1 079**	**5 285**	**862**	**15 043**

Inbank has established a liquidity business continuity plan for conduct in a liquidity crisis, specifying the actions to be taken for covering a cash flow deficit even in extraordinary circumstances.

Due to the current business model of Inbank, the maturity gap of the bank in total for the period of up to 30 days, up to 90 days and up to 12 months is positive. This means that the bank has less liabilities compared to receivables in the period of up to 30 days, up to 90 days and up to 12 months. This is due to the fact that a very substantial portion of the bank's assets are consumer finance receivables that are of a short-term duration by nature. Liabilities, however, are almost entirely comprised of term deposits and the bank's pricing on deposits has been set in a manner that customers prefer periods longer than 12 months. The primary focus on term deposits also improves the bank's ability to forecast its cash flows.

Operational risk

Operational risk is risk arising from malfunctions or deficiencies in the bank's information systems, errors in personnel policy, negligence or wrongful behaviour of staff members, inadequate rules of procedure or external factors that cause damage to or disturb the bank's daily business activities. Operational risk encompasses information technology risk, control risk and management risk, model risk, procedural risk, personnel risk and legal risk and regulatory risk. The bank manages operational risk on the basis of established operational risk policy.

Operational risk is viewed at Inbank as a separate risk management area within the group, with the required resources allocated and an adequate amount of own funds provided for covering potential losses. The management of operational risk is integrated within the bank's day-to-day activities. The nature, impact and need to control the operational risk must be acknowledged by all employees within the bank.

The evaluation of operational risk is, above all, carried out qualitatively at Inbank, as the organisation is relatively small and simple and therefore seldom experiences actual loss events. The loss events are recorded in the operational risk database, specifying the amount of loss that was incurred. The bank monitors the dynamics of operational risk by analysing the main risk indicators on a quarterly basis. Reports are submitted to the management board on the loss events related to operational risk events and the main risk indicators on a regular basis at least once a quarter. The bank uses the basic indicator approach for the calculation of operational risk capital requirements.

Total risk exposure

The methods employed by the bank for the calculation of the total risk exposure and individual risk exposures are set forth in Regulation No. 575/2013 of the European Parliament and of the Council. The bank uses the standardised approach for the calculation of risk-weighted assets and risk exposure applicable to credit risk.

Risk-weighted assets, EURt	31.12.2015	31.12.2014
Credit institutions, standardised approach	976	75
Non-financial customers, standardised approach	1 379	579
Claims secured by mortgage, standardised approach	1 148	0
Retail claims, standardised approach	23 486	10 049
Claims past due, standardised approach	195	92
Equity investments	0	1 112
Other assets, standardised approach	1 440	356
Total credit risk and counterparty credit risk	**28 624**	**12 263**
Operational risk, basic Indicator Approach	2 462	1 046
Total risk-weighted assets	**31 086**	**13 309**

Capital adequacy (%)	21,30%	40,45%
Tier 1 Capital Ratio (%)	21,30%	40,45%

Note 4
Loans and receivables

Measurement category, financial assets EURt	31.12.2015	31.12.2014	01.01.2014
Loans to households	31 509	13 583	8 211
Loans to other financial businesses	2 542	560	50
Loans to non-financial businesses	774	200	159
Total	**34 825**	**14 343**	**8 420**

Loans and receivables by customer location:	31.12.2015	31.12.2014	01.01.2014
Estonia	26 452	14 341	8 420
Latvia	8 373	2	0
Total	**34 825**	**14 343**	**8 420**

Loans and receivables by due date: EURt	31.12.2015	0-90 days	91-365 days	1-5 years	5+ years
Loans to households	31 509	4 516	10 280	16 396	317
Loans to other financial businesses	2 542	1	3	2 038	500
Loans to non-financial businesses	774	53	128	593	0
Total	**34 825**	**4 570**	**10 411**	**19 027**	**817**

	31.12.2014	0-90 days	91-365 days	1-5 years	5+ years
Loans to households	13 583	160	8 826	4 597	0
Loans to other financial businesses	560	10	0	0	550
Loans to non-financial businesses	200	0	200	0	0
Total	**14 343**	**170**	**9 026**	**4 597**	**550**

Impairments

EURt

Allowance for doubtful receivables	31.12.2015	31.12.2014
Allowance for doubtful receivables at beginning of the period	-294	-200
Allowance for doubtful receivables	-846	-278
Write-off of doubtful receivables	-7	73
Doubtful receivables collected	121	110
Total	**-1 027**	**-294**

Note 5
Prepaid taxes and tax liabilities

	31.12.2015		31.12.2014		01.01.2014	
EURt	**Prepayment**	**Tax liability**	**Prepayment**	**Tax liability**	**Prepayment**	**Tax liability**
Value added tax		25		17		8
Personal income tax		30		6		5
Income tax on fringe benefits		0		1		0
Social tax		55		11		9
Mandatory funded pension		4		1		1
Unemployment insurance premiums		4		1		1
Prepayment account balance	2		5		0	
Deferred income tax	45		0		0	
Total	**47**	**118**	**5**	**37**	**0**	**24**

Tax authorities have the right to examine the company's tax accounting within a period of 3+2 years (+2 in case of suspicion) after the tax return is due to be filed and upon detecting errors, assess additional taxes, interest and fines. The group's management estimates that there are not any circumstances which might lead the tax authorities to assess additional significant taxes on the company. Deferred tax assets arise in Latvia and it is probable that it can be utilised.

Corporate income tax rates	2015	2014
Estonia	20 / 80	20 / 80
Latvia	15%	15%

See also Note 1 - Accounting Policies.

Note 6
Shares of subsidiaries

Shares of subsidiaries, general information, EURt

Commercial register number	Company name	Domicile	Main activity	Ownership interest % 31.21.2015	31.12.2014	01.01.2014
40103821436	Inbank Lizings SIA	Latvia	Finance activities in Latvia	90	90	0
12104213	Inbank Technologies OÜ	Estonia	Information technology development	100	0	0

Stakes acquired

Name of subsidiary	% stake acquired	Date of acquisition	Cost of the stake acquired
Inbank Lizings SIA	90	21.08.2014	499
Inbank Technologies OÜ	100	05.06.2015	454
Total			**953**

In 2014, AS Inbank formed its subsidiary, Inbank Lizings SIA, making a monetary contribution of 499 thousand euros in exchange for a 90% ownership interest and non-controlling interest made a monetary contribution of 1 thousand euros in exchange for a 10% ownership interest.

Inbank Technologies OÜ purchase price allocation, EURt

Name of acquired company	Inbank Technologies OÜ
Ownership interest %	100
Date of acquisition of acquiree	05.06.2015
Carrying amounts of acquired assets and assumed liabilities	216
Cost of the stake acquired	454
Goodwill	238

Due to the focus of its activities on providing flexible and modern consumer financing solutions, the business of Inbank AS is highly technology intensive. It is largely due to the fact that automated and efficient business processes are of a very high importance in order to achieve success in this market segment. Inbank AS had previously outsourced software development, however, as it posed a strategic risk for the company, it was decided in 2015 to establish a stronger link to a software development company, therefore a 100% ownership interest was acquired in Desk Rock OÜ. After the close of the acquisition, the company name was changed to Inbank Technologies OÜ.
This enabled to secure high quality IT development resources for the company. No material one-time transaction or event that would have significantly impacted acquired net assets occurred in the period between the acquisition date (05/06/2015) and the financial information date constituting the closest financial information with reliable data used as a basis for carrying out the purchase price allocation (30/06/2015). The goodwill generated as a result of the acquisition is the difference between the equity acquired and the present value of future cash flows.

The value in use test is based upon the following assumptions:
Average revenue growth of 10% per annum
Increase in expenses is estimated to be 21% in the next year and on average 10% per annum thereafter
The discount rate used for discounting cash flows is 15%.

As at 31 December 2015, an impairment test for goodwill was performed. The recoverable amount of the unit does not materially differ from its carrying amount, therefore no adjustments have been made in the balance sheet.

Note 7
Shares of affiliates

Shares of affiliates, general information, EURt

Commercial register number	Company name	Date of acquisition	Domicile	Main activity	Ownership interest % 31.12.2015	Ownership interest % 31.12.2014	Ownership interest % 01.01.2014
12087992	Coop Finants AS	30.04.2011	Estonia	Finance activities in Estonia	44	46	46
12546980	Krediidipank Finants AS	24.09.2013	Estonia	Finance activities in Estonia	49	49	49

Carrying amount of affiliates, EURt

Name of affiliate	31.12.2015	31.12.2014	01.01.2014
Coop Finants AS	783	425	206
Krediidipank Finants AS	85	19	79
Total	**868**	**444**	**285**

Affiliates have been accounted for using the equity method of accounting.
The ownership interest in Coop Finants AS has changed as a result of the exercise of an option issued to management.
The issue price was 10 euros per share.

Note 8
Property, plant and equipment

EURt	31.12.14			change				31.12.15		
	Cost	**Depreciation**	**Carrying amount**	**Acquisition**	**Sale/ retirement**	**Depreciation on sale/retirement**	**Depreciation in 2015**	**Cost**	**Depreciation**	**Carrying amount**
Computers and office equipment	50	-29	21	117	-49	49	-61	118	-41	77
Art	0	0	0	12	0	0	0	12	0	12
Vehicles	9	0	9	1	0	0	-4	10	-4	6
Total	**59**	**-29**	**30**	**130**	**-49**	**49**	**-65**	**140**	**-45**	**95**

	01.01.14			change				31.12.14		
	Cost	**Depreciation**	**Carrying amount**	**Acquisition**	**Disposals**	**Depreciation on sale**	**Depreciation in 2014**	**Cost**	**Depreciation**	**Carrying amount**
Computers and office equipment	36	-20	16	14	0	0	-9	50	-29	21
Vehicles	0	0	0	9	0	0	0	9	0	9
Total	**36**	**-20**	**16**	**23**	**0**	**0**	**-9**	**59**	**-29**	**30**

Note 9
Intangible assets

EURt	31.12.14			change				31.12.15		
	Cost	Depreciation	Carrying amount	Acquisition	Disposals	Depreciation on sale	Deprecia-tion in 2015	Cost	Depreciation	Carrying amount
Licences	2		1	166	0	0	-48	168	-49	119
Software	236	-48	188	256	0	0	-41	492	-89	403
Goodwill	0	0	0	238	0	0	0	238	0	238
Total	**238**	**-49**	**189**	**660**	**0**	**0**	**-89**	**898**	**-138**	**760**

	01.01.14			change				31.12.14		
	Cost	Depreciation	Carrying amount	Acquisition	Disposals	Depreciation on sale	Deprecia-tion in 2014	Cost	Depreciation	Carrying amount
Software	138	-31	107	98	0	0	-17	236	-48	188
Licences	0	0	0	2	0	0		2		1
Total	**138**	**-31**	**107**	**100**	**0**	**0**	**-18**	**238**	**-49**	**189**

See also Note 6.

Note 10
Other assets

EURt	Notes	31.12.2015	31.12.2014	01.01.2014
Channel fees paid to merchant	1	1 177	237	113
Accounts receivable		93	82	12
Resale costs		10	0	0
Prepaid taxes	5	2	5	0
Prepaid deposits		3	2	0
Other assets		15	0	2
Total		**1 300**	**326**	**127**

Note 11
Loans received

Measurement category, financial liabilities, EURt	31.12.15	Interest rate	Underlying currency	Maturity
Loan from credit institutions	110	6,93%	EUR	2016
Total	**110**			

The loan is secured by the following:
1. 9,000 shares of Inbank Lizings SIA
2. Assets of Inbank Lizings SIA in the amount of 4,550 thousand euros

Measurement category, financial liabilities, EURt	31.12.14	Interest rate	Underlying currency	Maturity
Overdraft from credit institutions	4 543	5%+6 month Euribor	EUR	2015
Total	**4 543**			

Measurement category, financial liabilities, EURt	01.01.14	Interest rate	Underlying currency	Maturity
Overdraft from credit institutions	5 680	5%+6 month Euribor	EUR	2014
Total	**5 680**			

Note 12
Deposits

Measurement category, financial liabilities, EURt	31.12.2015	31.12.2014	01.01.2014
Deposits from households	25 993	0	0
Deposits from non-financial businesses	3 178	0	0
Deposits from other financial businesses	540	0	0
Total	**29 711**	**0**	**0**

Measurement category, financial liabilities, EURt	31.12.2015	31.12.2014	01.01.2014
Estonia	29 711	0	0
Total	**29 711**	**0**	**0**

Note 13
Debt securities issued

Measurement category, financial liabilities, EURt	31.12.15	Interest rate	Maturity
Debt securities - households	130	7%	2018
Debt securities - companies	1 981	7%	2018
Debt securities - credit institutions	1 003	7%	2018
Total	**3 114**		

Measurement category, financial liabilities, EURt	31.12.14	Interest rate	Maturity
Debt securities - households	130	7%	2018
Debt securities - companies	3 637	7%	2018
Debt securities - credit institutions	1 003	7%	2018
Total	**4 770**		

Measurement category, financial liabilities, EURt	01.01.14	Interest rate	Maturity
Debt securities - companies	2 086	7%	2016
Total	**2 086**		

Debts securities issued by customer location:	31.12.2015	31.12.2014	01.01.2014
Estonia	2 111	3 767	0
Malta	0	0	2 086
Latvia	1 003	1 003	0
Total	**3 114**	**4 770**	**2 086**

Debt securities issued to households are secured by claims.
Conditions of the debt securities stipulate that the ratio of equity to assets does not fall below 20%. As at 31 December 2015, the ratio of equity to consolidated assets stood at 19% and the ratio of equity to company assets stood at 19.4%.

Note 14
Other liabilities

EURt	Notes	31.12.2015	31.12.2014	01.01.2014
Accounts payable		482	454	734
Customer prepayments		512	222	93
Deferred income		753	77	34
Tax liabilities	5	118	37	24
Payables to employees		227	26	10
Other liabilities		11	3	10
Total		**2 103**	**819**	**905**

Note 15
Share capital

EURt	31.12.2015	31.12.2014	01.01.2014
Share capital	569	500	300
Number of shares (pcs)	56 880	50 010	30 000
Nominal value of shares (EUR)	10	10	10

According to options agreements entered into by the company, the company is obligated to issue up to 8,847 additional shares during the years 2016 to 2018 at the nominal value of 10 euros per share, depending upon the performance of the company. As at 31 December 2015, the shares have been paid for in full.

Stock options
In 2015, a stock options agreement was exercised, which was entered into in 2012 and according to which the option holder had the right to acquire 600 shares in exchange for a monetary contribution corresponding to the nominal value of such shares. As a result, the share capital of Inbank was increased. In addition, shareholders have entered into mutual options agreements, according to which Inbank has the obligation to issue up to 8,500 additional shares in the year 2017, depending upon performance. Additionally, options related to remunerations have been issued for the acquisition of a total of 347 shares, of which 167 have been issued to a member of the management board and 180 to a member of the supervisory board. In 2015, the Inbank general meeting of shareholders did not approve any additional stock option programmes.

Note 16
Reserves

EURt	31.12.2015	31.12.2014	01.01.2014
Legal reserve	30	30	0
Voluntary reserve	1 330	0	0

The Inbank AS general meeting of shareholders may decide to allocate other amounts to reserves.
Legal reserve may alternatively be used to increase share capital.
Payments to shareholders from legal reserve are not allowed.

Note 17
Financial assets and liabilities by country

EURt

31.12.2015	**Note**	**Estonia**	**Latvia**	**TOTAL**
Cash on hand		3	0	3
Due from central banks		499	0	499
Due from credit institutions		4 437	445	4 882
Loans and receivables	4	26 452	8 373	34 825
Investments in affiliates	7	868	0	868
Total financial assets		**32 259**	**8 818**	**41 077**
Loans	11	0	110	110
Deposits	12	29 711	0	29 711
Debt securities issued	13	2 111	1 003	3 114
Accounts payable	14	423	59	482
Total financial liabilities		**32 245**	**1 172**	**33 417**

31.12.2014	**Note**	**Estonia**	**Latvia**	**TOTAL**
Due from central banks		0	0	0
Due from credit institutions		28	348	376
Loans and receivables	4	14 341	2	14 343
Investments in affiliates	7	444	0	444
Total financial assets		**14 813**	**350**	**15 163**
Loans	11	4 543	0	4 543
Debt securities issued	13	3 767	1 003	4 770
Accounts payable	14	449	5	454
Total financial liabilities		**8 759**	**1 008**	**9 767**

Note 18
Fair value of financial and non-financial instruments

EURt	31.12.2015			31.12.2014		
Assets	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Cash on hand and due from credit institutions	5 384	5 384	0	376	376	0
Loans and receivables	34 825	34 825	0	14 343	14 343	0
Investments in affiliates	868	868	0	444	444	0
Non-financial instruments	2 200	2 200	0	545	545	0
Total	**43 277**	**43 277**	**0**	**15 708**	**15 708**	**0**

	31.12.2015			31.12.2014		
Liabilities	**Fair value**	**Carrying amount**	**Difference**	**Fair value**	**Carrying amount**	**Difference**
Deposits and loans received	29 828	29 828	0	4 542	4 542	0
Debt securities issued	3 109	3 114	-5	4 759	4 769	-10
Other financial liabilities	471	471	0	459	459	0
Non-financial instruments	1 625	1 625	0	362	362	0
Total	**35 038**	**35 038**	**-5**	**10 122**	**10 132**	**-10**

The comparison of carrying amount and fair value of the financial assets and liabilities of Inbank AS is provided in the table above. The carrying amounts and fair values are generally the same. The carrying amount of loans and deposits equals their fair value due to the fact that they have been issued at interest rates set on market terms.

Determination of the fair value of financial instruments
Various methods are employed for the fair value measurement of financial instruments, the fair value hierarchy is divided into three levels.
Level 1 includes financial instruments where fair value can be determined on the basis of prices quoted on an active market. At Inbank, financial instruments on this level are deposits.
Level 2 is made up of such financial instruments where valuation models based upon observable market inputs are used for the determination of fair value. Observable market inputs are market prices for financial instruments as similar as possible in actually executed transactions. Inbank does not have any such financial instruments.
Level 3 is comprised of financial instruments where fair value is determined through the use of valuation models based upon market inputs that are supplemented by the company's own estimates. Such financial instruments are issued securities and loans.

Fair value

Assets EURt	Carrying amount	Level 1	Level 2	Level 3
Deposits	5 381	5 381	0	0
Loans and receivables	34 826	0	0	34 826
Non-financial assets	3 070	0	0	3 070
Total	**43 277**	**5 381**	**0**	**37 896**

Note 19
Net interest income

EURt

Interest income	**2015**	**2014**
Loans to households	3 685	2 302
Loans to businesses	552	110
Total	**4 237**	**2 412**
Interest expense		
Deposits received	-349	0
Debt securities issued	-265	-151
Loans	-91	-329
Total	**-705**	**-480**
Net interest income	**3 532**	**1 932**

Interest income by customer location:	**12 months 2015**	**12 months 2014**
Estonia	3 760	2 412
Latvia	477	0
Total	**4 237**	**2 412**

Note 20
Net fee and commission income

EURt

Fee and commission income	**2015**	**2014**
Loans to households	706	455
Loans to businesses	5	0
Total	**711**	**455**
Fee and commission expense		
Banking services	-164	-84
Register queries	-40	-38
Security brokerage	-42	-9
Total	**-246**	**-131**
Net fee and commission income	**465**	**324**

Fee and commission income by customer location:	**12 months 2015**	**12 months 2014**
Estonia	538	455
Latvia	173	0
Total	**711**	**455**

Note 21
Staff costs

EURt	**2015**	**2014**
Salaries and wages	1 505	228
incl. social tax	294	73
incl. unemployment insurance	5	2

Number of employees	**31.12.2015**	**31.12.2014**
	39	13

Note 22
Related parties

The group's related parties are the members of the management board, supervisory board and audit committee of AS Inbank, their family members and the entities related to them. Loans issued to related parties were issued on market terms.

Compensation and other significant benefits calculated to the management and senior management, EURt	2015	2014
Remuneration	291	56

Balances, EURt	2015	2014
Loans and receivables as at the year-end	**1 036**	**567**
Management	0	1
Shareholders, entities related to them and family members	1 036	566
Deposits and debt securities as at the year-end	**349**	**50**
Management	136	0
Shareholders, entities related to them and family members	213	50

Transactions, EURt	2015	2014
Loans granted	**800**	**0**
Management	0	0
Shareholders, entities related to them and family members	800	0
Loans	**0**	**7 483**
Management	0	0
Shareholders, entities related to them and family members	0	7 483
Deposits and debt securities issued	**190**	**50**
Management	136	0
Shareholders, entities related to them and family members	54	50
Accrued interest income	**24**	**18**
Management	0	0
Shareholders, entities related to them and family members	24	18
Accrued interest expense	**13**	**1**
Management	1	0
Shareholders, entities related to them and family members	12	1
Services purchased	**32**	**114**
Management	0	0
Shareholders, entities related to them and family members	32	114
Services sold	**233**	**105**
Management	0	0
Shareholders, entities related to them and family members	233	105

See Note 15 for information on stock options.

Note 23
Capital adequacy

EURt

Capital base	**31.12.2015**	**31.12.2014**
Paid-in share capital	569	500
Share premium	5 393	4 002
Statutory reserve capital	1 360	30
Retained earnings	-279	-224
Intangible assets (subtracted)	-760	-189
Profit for financial year *	1 207	1 275
Shares in affiliates**	-868	0
Total Tier 1 capital	**6 622**	**5 394**
Subordinated debt	0	0
Total Tier 2 capital	**0**	**0**
Net own funds for capital adequacy calculation	**6 622**	**5 394**
Risk-weighted assets		
Credit institutions, standardised approach	976	75
Non-financial customers, standardised approach	1 379	579
Claims secured by mortgage, standardised approach	1 148	0
Retail claims, standardised approach	23 486	10 049
Claims past due, standardised approach	195	92
Equity investments	0	1 112
Other assets, standardised approach	1 440	356
Total credit risk and counterparty credit risk	**28 624**	**12 263**
Operational risk, basic indicator approach	2 462	1 046
Total risk-weighted assets	**31 086**	**13 309**
Capital adequacy (%)	21,30%	40,53%
Tier 1 Capital Ratio (%)	21,30%	40,53%

* In accordance with EU regulation, audited and approved profit for the financial year may be included in retained earnings upon prior approval by competent agencies. The profit for the financial year was unaudited and unapproved in the calculations made in accordance with the EU regulation and such profit was not included in the capital base as submitting regulatory capital adequacy reporting.

** In accordance with EU regulation, shares in affiliates were included in the risk-weighted assets as of 31.12.2014

Note 24
Parent company's separate statement of financial position

Pursuant to the Accounting Act of Estonia, financial statements of the parent company are presented in the notes to consolidated financial statements

EURt	Notes	31.12.2015	31.12.2014	01.01.2014
Assets				
Due from central banks		499	0	0
Due from credit institutions		4 369	28	22
Loans and receivables		34 581	14 351	8 420
Investments in affiliates and subsidiaries	6; 7	1 817	943	285
Property, plant and equipment		59	16	16
Intangible assets		221	119	107
Other assets		1 032	321	127
Total assets		**42 578**	**15 778**	**8 977**
Liabilities				
Loans		0	4 542	5 680
Deposits		29 660	0	0
Debt securities issued	13	3 114	4 770	2 086
Other liabilities		1 282	814	905
Total liabilities		**34 056**	**10 126**	**8 671**
Equity				
Share capital	15	569	500	300
Share premium		5 393	4 002	200
Other reserves	16	1 360	30	0
Retained earnings		-210	-224	-194
Profit/loss for the financial year (+/-)		1 410	1 344	0
Total equity		**8 522**	**5 652**	**306**
Total liabilities and equity		**42 578**	**15 778**	**8 977**

Note 25
Parent company's separate statement of comprehensive income

EURt	2015	2014
Continuing operations		
Interest income	3 757	2 412
Interest expense	-694	-486
Net interest income	**3 063**	**1 926**
Fee and commission income	537	457
Fee and commission expense	-204	-129
Net fee and commission income	**333**	**328**
Other income related to operations	167	93
Net income from other operations	**167**	**93**
Total income	**3 563**	**2 347**
Other income and expenses	-340	-212
Personnel costs	-996	-334
Marketing expenses	-560	-265
Administrative expenses	-73	-48
Depreciation	-51	-25
Total operating expenses	**-2 020**	**-884**
Operating profit	**1 543**	**1 463**
Loan losses	-553	-278
Net profit for financial year before investments	**990**	**1185**
Profit/loss from investments	420	159
Net profit for financial year	**1 410**	**1 344**

Note 26
Parent company's separate statement of cash flows

EURt	2015	2014
Cash flows from operating activities		
Profit from operating activities	1 963	1 622
Interest received	-3 757	-2 412
Interest paid	694	486
Loan losses	-553	-278
Depreciation	51	25
Cash flows from/used in operating activities before change in operating assets and liabilities	**-1 602**	**-557**
Net increase/decrease in operating assets:		
Loans and advances to customers	-20 230	-5 931
Other assets	-711	-194
Net increase/decrease in operating liabilities:		
Customer deposits	29 660	0
Other liabilities	468	-91
Net cash used in / generated from operating activities	**9 187**	**-6 216**
Adjustments to current assets and current liabilities		
Interest received	3 757	2 412
Interest paid	-694	-486
Net adjustments to current assets and current liabilities	**3 063**	**1 926**
Cash flows from investing activities		
Acquisition of non-current assets	-196	-37
Disposal of non-current assets	0	0
Investments in affiliates and subsidiaries	-874	-658
Net cash from / used in investing activities	**-1 070**	**-695**
Cash flows from financing activities		
Debt securities sold	-1 656	2 684
Loans received and repayments	-4 542	-1 138
Proceeds from issue of share capital	69	200
Proceeds from share premium	1 391	3 802
Net cash generated from financing activities	**-4 738**	**5 548**
Net increase in cash and cash equivalents	**4 840**	**6**
Cash and cash equivalents at the beginning of the year	28	22
Cash and cash equivalents at the end of the year	**4 868**	**28**

Note 27
Parent company's separate statement of changes in equity

EURt	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (accumula-ted loss)	Total equity
Balance as at 01.01.2014	**300**	**200**	**0**	**0**	**-194**	**306**
Share capital issued	200	3 802	0	0	0	4 002
Profit for financial period	0	0	0	0	1 344	1 344
Legal reserve	0	0	30	0	-30	0
Balance as at 31.12.2014	**500**	**4 002**	**30**	**0**	**1 120**	**5 652**
Balance as at 01.01.2015	**500**	**4 002**	**30**	**0**	**1 120**	**5 652**
Share capital issued	69	1 391	0	0	0	1 460
Profit for financial period	0	0	0	0	1 410	1 410
Other reserves	0	0	0	1 330	-1 330	0
Legal reserve	0	0	0	0	0	0
Balance as at 31.12.2015	**569**	**5 393**	**30**	**1 330**	**1 200**	**8 522**
Carrying amount of holdings under control and significant influence					-1 605	-1 605
Value of holdings under control and significant influence under equity method					1 322	1 322
Adjusted unconsolidated equity 31.12.2015	**569**	**5 393**	**30**	**1 330**	**917**	**8 239**

Signatures of the Management Board to the Consolidated Annual Report

The Management Board has prepared the management report and the consolidated financial statements of Inbank AS for the financial year ended on 31 December 2015. The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the bank.

30.03.2016

Jan Andresoo Chairman of the Management Board	Liina Sadrak Member of the Management Board	Marko Varik Member of the Management Board
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Independent auditor's report

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Reg.no. 10687819

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Inbank AS:

We have audited the accompanying consolidated financial statements (pages 26-63) of Inbank AS, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act of Estonia and International Financial Reporting Standards as adopted by the European Commission, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Inbank AS as of 31 December 2015, its financial performance and cash flows for the financial year then ended in accordance with the Accounting Act of Estonia and International Financial Reporting Standards as adopted by the European Commission.

30 March 2016

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Veiko Hintsov
Certified Auditor No. 328

/English translation has not been signed/
Monika Peetson
Certified Auditor No. 555

AS Deloitte Audit Eesti
Licence No. 27

Profit allocation proposal

The Management Board of Inbank AS proposes to the general meeting of shareholders to allocate profit as follows:

- allocate 27 thousand euros to legal reserve,
- allocate 901 thousand euros to retained earnings.

Statement by the Supervisory Board

The Management Board has prepared the management report and the consolidated financial statements of Inbank AS for the financial year ended on 31 December 2015.

The Supervisory Board has reviewed the annual report which consists of the management report and the financial statements, the independent auditor's report and the profit allocation proposal, and approved it for presentation at the General Meeting of Shareholders. All members of the Supervisory Board have signed the annual report.

Priit Põldoja
Chairman of the
Supervisory Board
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Roberto De Silvestri
Member of the
Supervisory Board
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has not been signed/

Triinu Reinold
Member of the
Supervisory Board
/English translation
has not been signed/

Reimo Hammerberg
Member of the
Supervisory Board
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Rain Rannu
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