Interim report of Inbank AS

9 months 2018

Inbank AS General information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	5 October 2010
Registry code	12001988 (Commercial Register of the Republic of Estonia)
Legal entity identifier	2138005M92IEIQVEL297 (LEI code)
VAT number	EE101400240
Telephone	+372 640 8080
E-mail	info@inbank.ee
Website	www.inbank.ee
Balance sheet date of report	30 September 2018
Reporting period	From 1 January 2018 to 30 September 2018

Members of the Supervisory Board

Priit Põldoja, Chairman of the Supervisory Board
Roberto De Silvestri
Triinu Reinold
Raino Paron
Rain Rannu

Members of the Management Board

Jan Andresoo, Chairman of the Management Board
Liina Sadrak
Marko Varik
Piret Paulus
Ivar Kallast

The reporting currency is the euro (EUR), with units presented in thousands.
Inbank AS' interim report for nine months 2018 is unaudited.
The bank does not hold any ratings provided by international rating agencies.

Declaration of the management board

The Management Board of Inbank AS is of the opinion

- the data and information presented in this interim report for nine months of 2018, consisting of the management report and financial statements as at 30 September 2018, are correct and complete;
- this interim report gives a true and fair view of the financial position of the Inbank AS consolidation group as at 30 September 2018, its financial performance and cash flows for the nine months of 2018;
- the accounting policies and procedures used in preparing the interim report comply with IAS 34;
- the interim report has been prepared using the policies and procedures of the financial statements for the year ended 31 December 2017.

Inbank AS is a going concern.

Tallinn, 05.11.2018

Jan Andresoo	Chairman of the Management Board
Liina Sadrak	Member of the Management Board
Marko Varik	Member of the Management Board
Piret Paulus	Member of the Management Board
Ivar Kallast	Member of the Management Board

Management Report

It is autumn again and looking back at the beautiful summer months, we can conclude that they were successful. Although this is generally a somewhat quieter period, our lending volumes reached an all-time high.

Key events

In Q3, our priority was to support the organisational development of the group. In Q2, Inbank Group acquired the Lithuanian hire-purchase provider Mokilizingas, as a result of which our team grew by 51 employees. Due to increasing business volumes, we also hired new staff in our other countries of operation.

In the context of the rapid growth of the team and business volumes, we decided to enhance our organisational structure and management. To that end, we defined our central and local functions and responsibilities. As Inbank is a specialised product-based bank, we find that it is important to lay the foundation for a scalable business model. In order to achieve this, we established three group-wide units: Business Development, Risk and Finance. In August, Ivar Kallast, who has lengthy experience in the field of banking, took up employment as Chief Risk Officer in the newly established group-wide risk unit. Ivar Kallast also became the fifth member of Inbank's Management Board.

As regards Mokilizingas, which operates in Lithuania, it was interesting to observe whether and in what way the performance of the company would be affected by the change of ownership. We were pleased to see that the sales of Mokilizingas remained strong and that all of its existing partners and team members continued their work with us.

Apart from the described changes in the group, we also set ourselves the goal of strengthening the Estonian business unit, which is our most profitable business with the largest market share. Since September, the Estonian business unit has been led by Managing Director Margus Kastein, who has previously worked as a CEO in various international companies for nearly twenty years. We believe that the new more clearly structured set-up will serve as a foundation for sustainable growth.

In Q3, we also hired several top specialists. One of them is Head of HR Martina Põldvere who started work in August and who is responsible for ensuring that the processes of recruitment and onboarding of new employees run smoothly. Inbank is constantly changing and evolving, and we are pleased that we are still able to attract and retain talent.

Apart from strengthening the organisation, we also achieved solid sales in all our countries of operation. As expected, sales growth in Estonia and Latvia was strong. As regards Mokilizingas, which operates in Lithuania, it was interesting to observe whether and in what way the performance of the company would be affected by the change of ownership. We were pleased to see that the sales of Mokilizingas remained strong and that all of its existing partners and team members continued their work with us. Furthermore, after a long preparatory period, the Poland branch finally started showing the first long-awaited results.

Business volumes

The total Q3 sales volume of Inbank was 53.1 million euros (49 million euros in Q2). In the first nine months of the year, we sold 142.9 million euros worth of credit products. This translates into a year-on-year sales growth of 68.4%.

The distribution of the nine months' sales by country was as follows: Estonia 52.5 million euros (growth 19.1%), Latvia 29.9 million euros (growth 394.8%, including the sale of Mokilizingas in Latvia), Lithuania 54.8 million euros (growth 77.4%) and Poland 5.7 million euros (growth 46.3%).

In Q3, we accepted deposits in the amount of 32.8 million euros, which was in line with the growth of our business volumes and needs. We received the largest volume of deposits in Germany (26.4 million euros), followed by Estonia (4.2 million euros) and Poland (2.2 million euros).

Profit

Inbank's profit in Q3 was 1.5 million euros (0.8 million euros in Q2). Compared to Q3 2017, revenue growth was 100% and expense growth 71%, which indicates improved efficiency. The cost of risk increased 35% year-on-year but was significantly lower than portfolio growth. Inbank's profit in the first nine months of 2018 was 6.3 million euros.

Jan Andresoo
Chairman of the Management Board

In Q3, Inbank team was joined by two new members who have lengthy experience as senior managers: CRO Ivar Kallast and Managing Director of Inbank Estonia Margus Kastein.

Key financial indicators and ratios

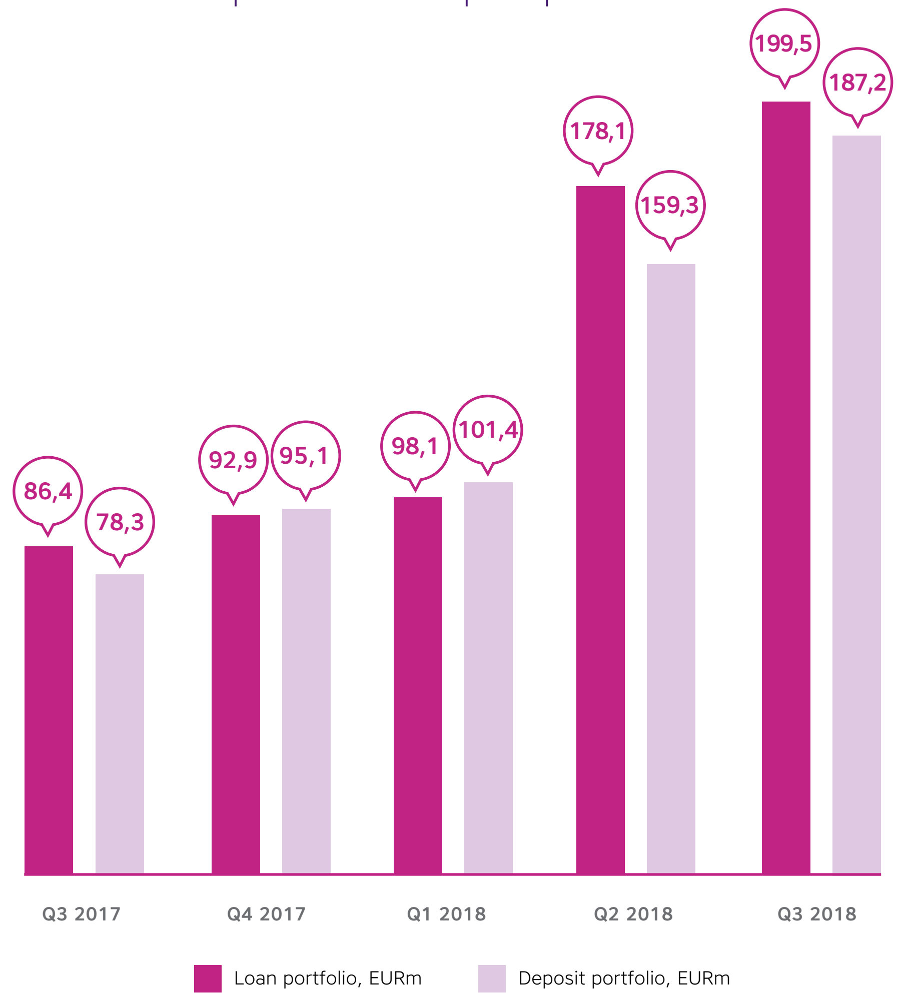
EURt

Key financial indicators	9 months 2018	9 months 2017	
Total assets	262 831	108 927	141.3%
Total equity attributable to shareholders of the parent	33 352	21 833	52.8%
Total comprehensive income attributable to owners of the parent (9 months)	6 266	7 277	-13.9%
Loan portfolio	199 534	86 411	130.9%
Deposit portfolio	187 209	78 290	139.1%

Ratios	9 months 2018	9 months 2017
Net return on equity	30.3%	57.9%
Net return on total assets	4.3%	10.0%
Net interest margin	9.7%	11.7%
Loan losses to loan portfolio	2.8%	4.7%
Cost/income ratio	48.3%	58.2%
Equity to total assets (30.09.2018; 30.09.2017)	12.7%	20.0%

Net return on equity: comprehensive income attributable to owners of the parent / total equity attributable to shareholders of the parent (average over the period) annualised
Net return on total assets: total comprehensive income attributable to owners of the parent / total assets (average over the period) annualised
Net interest margin: net interest income / interest-bearing assets (average over the period) annualised
Loan losses to loan portfolio: impairment losses on loans / loan portfolio (average over the period) annualised
Cost/income ratio: total operating expenses / total income
Equity to total assets: total equity attributable to shareholders of the parent / total assets

Volume of loan portfolio and deposit portfolio



Capital adequacy

EURt	30.09.2018	31.12.2017
Capital base		
Paid-in share capital	874	782
Share premium	15 053	9 068
Statutory and other reserves	1 484	1 431
Retained earnings	9 713	3 243
Intangible assets (subtracted)	-7 199	-816
Profit for reporting period*	6 214	7 496
Other comprehensive income	13	0
Other deductions	-2 315	-7 763
Adjustments due to IFRS 9 transitional arrangements	2 819	0
Total Tier 1 capital	**26 656**	**13 441**
Subordinated debt at nominal value	6 503	6 503
Total Tier 2 capital	**6 503**	**6 503**
Net own funds for capital adequacy calculation	**33 159**	**19 944**
Risk-weighted assets		
Credit institutions, standardised approach	3 254	2 216
Non-financial customers, standardised approach	1 646	1 595
Retail claims, standardised approach**	147 669	67 499
Claims past due, standardised approach**	3 815	1 301
Other assets, standardised approach	7 061	1 494
Total credit risk and counterparty credit risk	**163 445**	**74 105**
Operational risk, basic indicator approach	15 584	15 584
Total risk-weighted assets	**179 029**	**89 689**

Capital adequacy (%)	18.52%	22.24%
Regulative capital adequacy (%)	17.02%	19.86%
Tier 1 capital ratio (%)	14.89%	14.99%
Regulative Tier 1 capital ratio (%)	13.43%	12.75%

* In accordance with EU regulation, audited profit for the period may be included in retained earnings upon prior approval by competent authority. The calculations made in accordance with EU regulation do not include the profit earned during Q2 and Q3 in the amount of 2 329 EURt, (2017: does not include profit for H2 in the amount of 1 777 EURt).

**In the reports submitted to the regulator as of 30.09.2018, the risk exposures take account of the credit portfolio impairment losses made in the reporting period in the amount of 2 049 EURt and are yet to be confirmed by the external auditor (31.12.2017: 1 801 EURt). The external auditor has confirmed the profit of the 3 months of 2018, together with the impairment losses.

The directly applicable regulation obliges all credit institutions (and their consolidating holding companies) and investment firms operating within the European Union to maintain a 4.5% common equity Tier 1 (CET 1) capital and a 6.0% Tier 1 capital with respect to risk assets. The capital adequacy requirement (CAD), covering both Tier 1 and Tier 2 capital, is maintained at 8.0%.

In addition to the principal requirements arising from the harmonised rules, the principles for establishing capital buffers are established with the corresponding directive. In addition to basic own funds requirement, Estonia has established capital preservation buffer at the respective level of 2,5% and and systemic risk buffer 1% (to risk exposure located in Estonia) The total amount of the systemic risk buffer depends on the ratio between the Estonia and whole Group exposures. These buffers are added to both Tier 1 and the total own funds requirements. Inbank AS adheres to these requirements both as of the balance sheet date and as at the publication of the interim report.

	Common equity Tier 1 capital ratio	*Tier 1 capital ratio*	*Total capital ratio*
Basic requirement	4.50%	6.00%	8.00%
Capital conservation buffer	2.50%	2.50%	2.50%
Systemic risk buffer	0.51%	0.51%	0.51%
Minimum regulative capital requirement	**7.51%**	**9.01%**	**11.01%**

Condensed consolidated interim financial statement

Condensed consolidated statement of financial position

EURt	Note	30.09.2018	31.12.2017
Assets			
Cash in hand		4	4
Due from central banks, including mandatory reserve	8	35 825	14 767
Due from credit institutions	8	12 934	8 530
Financial assets at fair value through profit and loss		4 600	0
Loans and advances to customers	7;17	199 534	92 895
Investments in associates	10	97	7 806
Tangible assets		526	279
Intangible assets		7 199	816
Other financial assets	17	61	61
Other assets		1 480	459
Deferred tax asset		571	364
Total assets	**3**	**262 831**	**125 981**

EURt	Note	30.09.2018	31.12.2017
Liabilities			
Loan from credit institution	11	16 683	0
Customer deposits	12;17	187 209	95 056
Other financial liabilities	17	7 003	1 263
Other liabilities	17	2 043	1 136
Debt securities issued	13	10 017	0
Subordinated debt securities		6 487	6 480
Total liabilities	**3**	**229 442**	**103 935**
Equity			
Share capital	16	874	782
Share premium	16	15 053	9 068
Statutory reserve capital		79	79
Other reserves		1 419	1 352
Retained earnings		15 927	10 739
Total equity attributable to the share-holders of parent company		**33 352**	**22 020**
Non-controlling interest		37	26
Total equity		**33 389**	**22 046**
Total liabilities and equity		**262 831**	**125 981**

Notes set out on pages 14-41 form an integral part of the interim financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income

EURt	*Note*	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Interest income	4	7 079	15 785	3 382	9 378
Interest expense	4	-1 151	-2 549	-496	-1 472
Net interest income		**5 928**	**13 236**	**2 886**	**7 906**
Fee income	5	188	523	144	398
Fee expense	5	-370	-720	-155	-439
Net fee and commission income		**-182**	**-197**	**-11**	**-41**
Net gains from financial assets measured at fair value		0	1 204	0	0
Other operating income		277	452	148	543
Total net interest, fee and other income		**6 023**	**14 695**	**3 023**	**8 408**
Personnel expenses	6	-1 509	-4 034	-1 029	-2 908
Marketing expenses	6	-474	-945	-192	-680
Administrative expenses	6	-800	-1 832	-437	-1 145
Depreciations, amortisation		-124	-284	-53	-157
Total operating expenses		**-2 907**	**-7 095**	**-1 711**	**-4 890**
Profit before impairment losses on loans		**3 116**	**7 600**	**1 312**	**3 518**
Share of profit from associates	10	0	1 986	1 123	6 188
Impairment losses on loans and advances	7	-1 248	-3 087	-924	-2 655
Profit before income tax		**1 868**	**6 499**	**1 511**	**7 051**

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	Note	Q3 2018	9 months 2018	Q3 2017	9 months 2017
Income tax		-322	-274	70	221
Profit for the period		**1 546**	**6 225**	**1 581**	**7 272**
Other comprehensive income/loss					
Items that may be reclassified subsequently to profit or loss					
Unrealised foreign exchange gains/losses		-58	52	19	6
Total comprehensive income for the period		**1 488**	**6 277**	**1 600**	**7 278**
Profit is attributable to					
Owners of the parent		1 541	6 214	1 553	7 271
Non-controlling interest		4	11	28	1
Profit for the reporting period		**1 545**	**6 225**	**1 581**	**7 272**
Total comprehensive income/loss is attributable to					
Owners of the parent		1 483	6 266	1 571	7 277
Non-controlling interest		5	11	29	1
Total comprehensive income for the reporting period		**1 488**	**6 277**	**1 600**	**7 278**
Basic earnings per share	15	17.63	75.04	19.86	98.86
Diluted earnings per share	15	16.67	70.73	18.72	92.86

Notes set out on pages 14-41 form an integral part of the interim financial statements.

Condensed consolidated statement of cash flows

EURt	Note	9 months 2018	9 months 2017
Cash flows from operating activities			
Interest received	4	15 509	9 288
Interest paid	4	-1 884	-1 310
Fees received	5	523	622
Fees paid	5	-720	-439
Other income received		452	319
Personnel expenses		-4 103	-2 674
Administrative and marketing expenses		-2 666	-1 609
Returned tax prepayments		285	0
Corporate income tax paid		-247	-200
Cash flows from operating activities before changes in the operating assets and liabilities		**7 149**	**3 997**
Changes in operating assets:			
Loans and advances to customers		-43 436	-24 548
Mandatory reserve in central bank		-1 006	-106
Other assets		164	174
Changes of operating liabilities:			
Loans from credit institutions		-39 533	0
Customer deposits		91 064	13 541
Other liabilities		1 626	-98
Net cash from operating activities		**16 028**	**-7 040**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		-741	-106
Acquisition of subsidiaries and associates	9;10	-13 134	-10 697
Proceeds from disposal of subsidiaries	9	0	300
Proceeds from disposal of associates	10	6 269	10 403
Net cash used in investing activities		**-7 606**	**-100**

EURt	Note	9 months 2018	9 months 2017
Cash flows from financing activities			
Share capital contribution (including share premium)		6 077	2 800
Debt securities issued		10 000	0
Net cash from financing activities		**16 077**	**2 800**
Effect of exchange rate changes		-47	13
Net increase/decrease in cash and cash equivalents	**8**	**24 452**	**-4 327**
Cash and cash equivalents at the beginning of the reporting period		22 600	16 167
Cash and cash equivalents at the end of the reporting period	**8**	**47 052**	**11 840**

Notes set out on pages 14-41 form an integral part of the interim financial statements.

Condensed consolidated statement of changes in equity

EURt	Note	Share capital	Share premium	Statutory reserve capital	Other reserve	Retained earnings/ accumulated loss	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as of 01 January 2017		**689**	**6 361**	**57**	**1 361**	**3 330**	**11 798**	**6**	**11 804**
Paid in share capital		93	2 707	0	0	0	2 800	0	2 800
Share-based payment reserve		0	0	0	23	0	23	0	23
Purchase of non-controlling interest in subsidiaries		0	0	0	0	-65	-65	46	-19
Sale of subsidiary		0	0	0	0	0	0	-29	-29
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	6	7 271	7 277	1	7 278
Balance as of 30 September 2017		**782**	**9 068**	**57**	**1 390**	**10 536**	**21 833**	**24**	**21 857**
Balance as of 01 January 2018		**782**	**9 068**	**79**	**1 352**	**10 739**	**22 020**	**26**	**22 046**
Changes on initial application of IFRS 9	1	0	0	0	0	-1 026	-1 026	0	-1 026
Restated balance as 1 January 2018		**782**	**9 068**	**79**	**1 352**	**9 713**	**20 994**	**26**	**21 020**
Paid in share capital	16	92	5 985	0	0	0	6 077		6 077
Share-based payment reserve		0	0	0	15	0	15	0	15
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	52	6 214	6 266	11	6 277
Balance as of 30 September 2018		**874**	**15 053**	**79**	**1 419**	**15 927**	**33 352**	**37**	**33 389**

Notes set out on pages 14-41 form an integral part of the interim financial statements.

Note 1 Accounting policies

The interim financial report has been prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting", as adopted by the EU, and consists of condensed financial statements and selected explanatory notes. The accunting policies used in the preparation of the interim report are the same as the accounting policies used in the annual report for the year ended 31 December 2017, which comply with the International Financial Reporting Standards, as adopted by the European Commission (IFRS EU), with the exception of accounting principles changed as of 1 January 2018 in related to newly enforced IFRS EU standards. The changes in accounting principles are disclosed in Note 1, subsection "Changes in accounting principles".

The interim financial report is not audited, and does not contain the entire range of information required for the preparation of complete financial statements. The interim financial report should be read in conjuction with the Annual Report prepared for the year ended 31 December 2017, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

The amended standards that became effective since 1 January 2018 have had no impact on the 9-month interim financial report of Inbank.

In addition to Inbank AS, the Inbank AS consolidation group (hereinafter Group) includes the following companies:

The new business name of Inbank Lizings is starting from August 28, 2018 SIA Inbank Latvia.

Company Name	*Registry code*	*Date of purchase/ founded*	*Address*	*Activity*	*Holding (%)*	*Cost (30.09.2018) EURt*
Maksekeskus Holding OÜ*	12257075	05.06.2015	Niine 11, Tallinn	Investment management	37,48	97
SIA Inbank Latvia	40103821436	21.08.2014	Akmenu iela 14, Riga	Financing	100	519
Inbank Technologies OÜ	12104213	05.06.2015	Niine 11, Tallinn	Hardware rental	100	454
Inbank Liising AS	14028999	08.04.2016	Niine 11, Tallinn	Leasing	80	80
UAB Mokilizingas	124926897	22.05.2018	Kareiviu 11B, Vilnius	Financing	100	15 068
AS Inbank Spółka Akcyjna Oddział w Polsce	0000635086	08.09.2016	Riverside Park, Ul. Fabryczna 5A, Warszawa	Banking		

*Associates

Changes in accounting policies

Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets

Classification and subsequent measurement

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example: the Group's business model for unsecured consumer loans is to hold to collect contractual cash flows, sales only occur when there has been a significant increase in credit risk. Therefore, the business model for the portfolio is hold to collect.

Cash flow characteristics of the asset: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Based on these factors, the Group classifies its debt instruments into one of the three measurement categories:

1) Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit and loss (FVPL), are measured at amortised cost.

2) Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

3) Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

During the accounting period, the Group has measured all its debt instruments at amortised cost.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group has decided to subsequently measure all equity investments at fair value through profit or loss. Gains and losses on equity investments at FVPL are included in the Net gains from financial assets measured at fair value line in the statement of profit or loss.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. If the new terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognises a modification gain or loss in profit or loss.

Derecognition other than on a modification

Financial assets, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or

(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Financial liabilities

In both the current and prior period, financial liabilities of the Group are classified as subsequently measured at amortised cost. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when there have been adverse changes in the economic environment, which are known to the Group and affect the specific borrower performance (eg. adverse changes in regional unemployment rate).

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Group has not used the low credit risk exemption for any financial instruments in the year.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments or when the borrower is in significant financial difficulty. These are instances where the borrower is deceased, is insolvent or is marked as in proceeding in case of retail loans or liquidation, execution or going through reorganisation proceedings in case of non-retail loans.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis. PD is estimated using a Markov chain framework, where transition matrices from maximum last 12 available periods are used to extrapolate the cumulative transition probabilities forward in time.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The LGDs are determined based on the factors which impact the recoveries made post default. LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group on a quarterly basis.

In addition to the base economic scenario, the Group also provides other possible scenarios along with scenario weightings. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.
In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are: product type, contract type, market, number of overdue days of the contract, contract age as months in book. The appropriateness of groupings is monitored and reviewed on a periodic basis.

Accounting of income and expenses

Interest income and expenses

Interest income and expenses are calculated by applying the effective interest rate to the gross carrying amount of financial assets or liabilities, except for:

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

See further details in accounting policy section 'Amortised cost and effective interest rate'.

Fee and commission income and expenses

The recognition of revenue from contracts with customers is reported as fee and commission income. Fee and commission income is recognised to depict the transfer of promised services to the customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the service.

Expenses that are directly related to the generation of fee and commission income are recognised as fee and commission expense.

Other income

Gains and losses arising from changes in fair value of financial assets and liabilities measured at fair value through profit or loss are reported under the item Net gains from financial assets measured at fair value.

Dividends are recognised when the entity's legal right to receive payment is established.

Note 2 Significant accounting estimates

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

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

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

Measurement of the expected credit loss allowancecredit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note "Changes in accounting policies".

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk,
- Choosing appropriate models and assumptions for the measurement of ECL,
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Note 3 Business segments

Inbank AS divides its business activities into segments based on its legal entities and nature of its product lines (consumer finance, IT services, leasing). Income of the reported segments include intersegment transactions. Business segments are Inbank group companies that have separate financial data, which form the basis for regular monitoring of business results by the Group's decision-makers. The Group monitors following indicators of different legal entities and business lines active in lending business: profitability, return on equity, cost/income ratio, growth and quality of new sales and credit portfolios. In the IT sector revenue and expenditures are monitored.

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

Inbank AS' (Estonia) "other operating income" mainly includes consultancy services offered to the bank`s affiliates. Intersegment transactions constitute mainly of loan interests on loans given to subsidiaries. All named intercompany transactions are accounted for at market prices, including IT services. Also see Note 16.

Income of reportable segments

EURt

9 months 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Interest income	10 070	2 598	3 491	158	500	7	**16 824**
Fee income	380	127	11	4	1	0	**523**
Other operating income	1 509	47	170	0	-46	72	**1 752**
Inter-segment eliminations	-1 086	0	0	0	0	-49	**-1 135**
Revenue from external customers	**10 873**	**2 772**	**3 672**	**162**	**455**	**30**	**17 964**
Interest expense	-2 027	-400	-875	-76	-194	-15	**-3 587**
Fee expense	-281	-100	-208	0	-131	0	**-720**
Inter-segment eliminations	0	400	547	76	0	15	**1 038**
Total expenses	**-2 308**	**-100**	**-536**	**0**	**-325**	**0**	**-3 269**
Total net interest, fee and commission income and other income	**8 565**	**2 672**	**3 136**	**162**	**130**	**30**	**14 695**

Net profit structure

EURt

9 months 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Profit before impairment losses on loans	**5 922**	**1 297**	**1 430**	**75**	**-966**	**-158**	**7 600**
Profit of associates	1 552	0	0	0	0	434	**1 986**
Impairment losses on loans and advances	-1 327	-462	-676	-21	-609	8	**-3 087**
Income tax	-328	0	-160	0	214	0	**-274**
Net profit/loss	**5 819**	**835**	**594**	**54**	**-1 361**	**284**	**6 225**

Income of reportable segments

EURt

Q3 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Interest income	3 826	913	2 688	59	206	0	**7 692**
Fee income	137	41	8	2	0	0	**188**
Other operating income	129	15	100	0	57	8	**309**
Inter-segment eliminations	-636	0	0	0	0	-9	**-645**
Revenue from external customers	**3 456**	**969**	**2 796**	**61**	**263**	**-1**	**7 544**
Interest expense	-841	-140	-678	-28	-72	-5	**-1 764**
Fee expense	-104	-34	-181	0	-51	0	**-370**
Inter-segment eliminations	0	140	440	28	0	5	**613**
Total expenses	**-945**	**-34**	**-419**	**0**	**-123**	**0**	**-1 521**
Total net interest, fee and commission income and other income	**2 511**	**935**	**2 377**	**61**	**140**	**-1**	**6 023**

Net profit structure

EURt

Q3 2018	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Profit before impairment losses on loans	**1 794**	**479**	**1 086**	**30**	**-229**	**-44**	**3 116**
Profit of associates	0	0	0	0	0	0	**0**
Impairment losses on loans and advances	-418	-53	-550	-5	-222	0	**-1 248**
Income tax	-192	0	-130	0	0	0	**-322**
Net profit/loss	**1 184**	**426**	**406**	**25**	**-451**	**-44**	**1 546**

Income of reportable segments

EURt

9 months 2017	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Interest income	7 301	2 685	0	92	101	4	**10 183**
Fee income	263	132	0	2	1	0	**398**
Other operating income	315	68	0	0	13	230	**626**
Inter-segment eliminations	-810	0	0	0	0	-78	**-888**
Revenue from external customers	**7 069**	**2 885**	**0**	**94**	**115**	**156**	**10 319**
Interest expense	-1 424	-731	0	-51	-53	-20	**-2 279**
Fee expense	-223	-88	0	0	-133	0	**-444**
Inter-segment eliminations	5	731	0	51	5	20	**812**
Total expenses	**-1 642**	**-88**	**0**	**0**	**-181**	**0**	**-1 911**
Total net interest, fee and commission income and other income	**5 427**	**2 797**	**0**	**94**	**-66**	**156**	**8 408**

Net profit structure

EURt

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

Income of reportable segments

EURt

Q3 2017	*Inbank AS (Estonia)*	*SIA Inbank Latvia (Latvia)*	*UAB Mokilizingas (Lithuania)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Interest income	2 689	844	0	34	82	1	**3 650**
Fee income	6	-6	0	1	1	0	**2**
Other operating income	169	67	0	0	-11	92	**317**
Inter-segment eliminations	-274	0	0	0	0	-21	**-295**
Revenue from external customers	**2 590**	**905**	**0**	**35**	**72**	**72**	**3 674**
Interest expense	-467	-239	0	-20	-34	-8	**-768**
Fee expense	-75	-36	0	0	-44	0	**-155**
Inter-segment eliminations	0	239	0	20	5	8	**272**
Total expenses	**-542**	**-36**	**0**	**0**	**-73**	**0**	**-651**
Total net interest, fee and commission income and other income	**2 048**	**869**	**0**	**35**	**-1**	**72**	**3 023**

Net profit structure

EURt

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

Assets and liabilities of reportable segments

EURt 30.09.2018	Inbank AS (Estonia)	SIA Inbank Latvia (Latvia)	UAB Mokilizingas (Lithuania)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	Intersegment eliminations	TOTAL
Cash in hand	4	0	0	0	0	0	0	**4**
Due from central banks, including mandatory reserve	35 358	0	0	0	467	0	0	**35 825**
Due from credit institutions	4 969	391	2 520	115	4 147	792	0	**12 934**
Financial assets at fair value through profit and loss	4 600	0	0	0	0	0	0	**4 600**
Loans and advances to customers	168 591	17 691	81 862	1 702	6 524	13	-76 849	**199 534**
Investments in subsidiaries	16 122	0	0	0	0	0	-16 122	**0**
Investments in affiliates	0	0	0	0	0	97	0	**97**
Tangible assets	119	83	142	0	43	139	0	**526**
Intangible assets	6 989	99	130	0	18	0	-37	**7 199**
Other financial assets	11	28	0	0	20	2	0	**61**
Other assets	248	5	1 084	30	100	18	-5	**1 480**
Deferred tax assets	0	0	4	0	567	0	0	**571**
Total assets	**237 011**	**18 297**	**85 742**	**1 847**	**11 886**	**1 061**	**-93 013**	**262 831**
Loans from credit institutions	0	17 948	69 627	1 628	3 630	417	-76 567	**16 683**
Customer deposits	176 012	0	0	0	11 197	0	0	**187 209**
Debt securities issued	10 017	0	0	0	0	0	0	**10 017**
Subordinated debt securities	6 487	0	0	0	0	0	0	**6 487**
Other financial liabilities	1 402	81	5 447	24	57	7	-15	**7 003**
Other liabilities	1 025	161	920	0	186	20	-269	**2 043**
Total liabilities	**194 943**	**18 190**	**75 994**	**1 652**	**15 070**	**444**	**-76 851**	**229 442**

Assets and liabilities of reportable segments

EURt 31.12.2017	Inbank AS (Estonia)	SIA Inbank Latvia (Latvia)	UAB Mokilizingas (Lithuania)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	Intersegment eliminations	TOTAL
Cash in hand	4	0	0	0	0	0	0	**4**
Due from central banks, including mandatory reserve	14 289	0	0	0	478	0	0	**14 767**
Due from credit institutions	3 769	794	0	89	3 608	270	0	**8 530**
Loans and advances to customers	91 860	14 400	0	1 266	4 516	104	-19 251	**92 895**
Investments in subsidiaries	1 053	0	0	0	0	0	-1 053	**0**
Investments in affiliates	7 763	0	0	0	0	43	0	**7 806**
Tangible assets	111	43	0	0	58	67	0	**279**
Intangible assets	161	113	0	0	23	322	197	**816**
Other financial assets	2	66	0	0	7	2	-16	**61**
Other assets	126	283	0	23	20	7	0	**459**
Deferred tax assets	0	0	0	0	364	0	0	**364**
Total assets	**119 138**	**15 699**	**0**	**1 378**	**9 074**	**815**	**-20 123**	**125 981**
Loans from credit institutions	0	15 770	0	1 221	1 839	418	-19 248	**0**
Customer deposits	86 379	0	0	0	8 677	0	0	**95 056**
Subordinated debt securities	6 480	0	0	0	0	0	0	**6 480**
Other financial liabilities	1 067	118	0	25	58	14	-19	**1 263**
Other liabilities	807	189	0	0	89	51	0	**1 136**
Total liabilities	**94 733**	**16 077**	**0**	**1 246**	**10 663**	**483**	**-19 267**	**103 935**

Equity	*30.09.2018*	*31.12.2017*
SIA Inbank Latvia	-110	-378
UAB Mokilizingas*	9 744	

*Inbank aquired UAB Mokilizingas on 22.05.2018.

Note 4 Net interest income

EURt	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Interest income				
Loans to households	7 080	15 598	3 314	9 179
Loans to corporates	17	187	46	115
Due from financial and credit institutions	-18	0	22	84
Total	**7 079**	**15 785**	**3 382**	**9 378**
Interest expense				
Deposits received	-1 002	-2 151	-380	-1 123
Debt securities sold	-149	-398	-116	-349
Total	**-1 151**	**-2 549**	**-496**	**-1 472**
Net interest income	**5 928**	**13 236**	**2 886**	**7 906**

Interest income by customer location	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Estonia	3 272	9 196	2 456	6 592
Latvia	1 299	3 084	844	2 685
Lithuania	2 303	3 006	0	0
Poland	205	499	82	101
Total	**7 079**	**15 785**	**3 382**	**9 378**

Interest income on impaired loans in Q3 2018 was 28 EURt; 9 months 2018: 264 EURt (Q3 2017: 28 EURt; 9 months 2017: 283 EURt)

Note 5 Net fee income

EURt	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Fee income				
Households	177	512	143	396
Corporates	11	11	1	2
Total	**188**	**523**	**144**	**398**
Fee expense				
Loan administration costs	-370	-720	-155	-439
Total	**-370**	**-720**	**-155**	**-439**
Net fee income	**-182**	**-197**	**-11**	**-41**

Fee income by customer location	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Estonia	139	384	101	265
Latvia	41	127	42	132
Lithuania	8	11	0	0
Poland	0	1	1	1
Total	**188**	**523**	**144**	**398**

Note 6 Operating expenses

EURt	*Q3 2018*	*9 months 2018*	*Q3 2017*	*9 months 2017*
Personnel expenses				
Personnel expense	1 230	3 292	847	2 363
Social and other taxes	279	742	182	545
Total personnel expenses	**1 509**	**4 034**	**1 029**	**2 908**
Marketing Expenses				
Advertising and marketing	377	705	110	471
Sales costs	97	240	82	209
Total marketing expenses	**474**	**945**	**192**	**680**
Administrative expenses				
Rental and maintenance expenses	149	353	54	164
IT expenses	195	417	72	214
Legal expenses	18	42	21	100
Office expenses	54	144	38	95
Training and business trip expenses	56	95	83	136
Other tax expenses	62	120	41	82
Supervision expenses	39	100	20	53
Recovery proceeding expenses	26	75	12	40
Consultation expenses	19	61	9	31
Other administrative expenses	182	425	87	230
Total administrative expenses	**800**	**1 832**	**437**	**1 145**

Note 7 Loans and advances to customers

EURt

Distribution of receivables as of 30.09.2018	*Due from households - gross basis*	*Portfolio provision*	*Special provision*	*Due from households - net basis*	*Coverage ratio*
Overdue 0-3 days	176 720	-1 658	-68	174 994	1.0%
Overdue 4-89 days	16 508	-968	-75	15 465	6.3%
Overdue 90-179 days	1 350	-2	-629	719	46.7%
Overdue more than 180 days	3 847	0	-2 647	1 200	68.8%
Total receivables	**198 425**	**-2 628**	**-3 419**	**192 378**	**3.0%**

Distribution of receivables as of 31.12.2017	*Due from households - gross basis*	*Portfolio provision*	*Special provision*	*Due from households - net basis*	*Coverage ratio*
Overdue 0-3 days	82 307	-505	-22	81 780	0.6%
Overdue 4-89 days	6 762	-783	-29	5 950	12.0%
Overdue 90-179 days	1 518	0	-704	814	46.4%
Overdue more than 180 days	1 542	0	-1 084	458	70.3%
Total receivables	**92 129**	**-1 288**	**-1 839**	**89 002**	**3.4%**

Distribution of receivables as of 30.09.2018	*Due from corporates - gross basis*	*Portfolio provision*	*Special provision*	*Due from corporates - net basis*	*Coverage ratio*
Overdue 0-3 days	6 626	-5	-10	6 611	0.2%
Overdue 4-89 days	524	-17	0	507	3.2%
Overdue 90-179 days	39	0	-15	24	38.5%
Overdue more than 180 days	28	0	-14	14	50.0%
Total receivables	**7 217**	**-22**	**-39**	**7 156**	**0.8%**

Distribution of receivables as of 31.12.2017	*Due from corporates - gross basis*	*Portfolio provision*	*Special provision*	*Due from corporates - net basis*	*Coverage ratio*
Overdue 0-3 days	3 561	-16	-17	3 528	0.9%
Overdue 4-89 days	363	-6	0	357	1.7%
Overdue 90-179 days	10	0	-4	6	40.1%
Overdue more than 180 days	5	0	-3	2	66.4%
Total receivables	**3 939**	**-22**	**-24**	**3 893**	**1.2%**

According to the opinion of management board, payment delay of up to 3 days does not objectively reflect customer's payment behavior. Very short payment disturbances may occur, for example, because of delays caused by interbank payments.

Distribution of receivables according to customer sector

	30.09.2018	31.12.2017
Households	198 425	92 129
Non-financial companies	2 884	2 241
Other financial companies	1 649	1 606
Other advances	2 684	92
Total	**205 642**	**96 068**
Impairment allowance	-6 108	-3 173
Total	**199 534**	**92 895**

Impairment losses on loans and advances	*9 months 2018*	*2017*	*9 months 2017*
Impairment losses of reporting period	-4 646	-4 578	-2 878
Recoveries from written off from financial position	1 559	1 046	223
Total	**-3 087**	**-3 532**	**-2 655**

Changes in impairments	*9 months 2018*	*2017*	*9 months 2017*
As of January 1	-3 173	-4 396	-4 396
Impact of IFRS 9	-901	0	0
Impairment provisions set up during reporting period	-4 646	-4 578	-2 878
Impairment provisions set up for interests and commissions	0	-414	-355
Written off from financial position during the period	2 612	6 215	1 351
Total	**-6 108**	**-3 173**	**-6 278**

Note 8 Due from central banks and credit institutions

EURt	*30.09.2018*	*31.12.2017*
Due from central banks	34 118	14 066
Mandatory reserve in central bank	1 707	701
Due from credit institutions	12 934	8 530
Total	**48 759**	**23 297**

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

Note 9 Shares of subsidiaries

On May 22, 2018 Inbank AS acquired a consumer loan company UAB Mokilizingas in Lithuania, with a purchase price of EUR 15 million. At acquisition, assets and liabilities were acquired at their fair value.

This purchase enabled Inbank to significantly widen its operations geographically, as more than half of Inbank's loan portfolio will located outside Estonia.

This purchase enabled Inbank to significantly widen its operations geographically, as more than half of Inbank's loan portfolio Inbank AS recognised the acquisition of UAB Mokilizingas in accordance with requirements of IFRS 3 by carrying out purchase price allocation. In the course of te purchase price allocation, the value of assets of UAB Mokilizingas was assessed and the assets were recognised in the fair value on the transaction date.

UAB Mokilizingas purchase price allocation, EURt

Name of acquired company	*UAB Mokilizingas*
Share %	100
Acquisition date	22.05.2018
Fair value of acquired assets	70 650
Fair value of acquired liabilities	-61 500
Fair value of acquired net assets	9 150
Amount paid by the Company	15 068
Goodwill	5 918

Note 10 Shares of associates

Carrying amount of associates

EURt	***30.09.2018***	***31.12.2017***
Name of associates		
Maksekeskus Holding OÜ	97	1
Coop Pank AS	0	7 762
Veriff OÜ	0	43
Total	**97**	**7 806**

Further information on associates has been disclosed in Note 1.

Associates have been accounted for using the equity method. Income from equity method was 36 EURt (9 month 2017: 984 EURt) and proceeds from the disposal of associate for amount 1 950 EURt (9 months 2017: 5 204 EURt) are recorded in income statement line "Share of profit of associates".

Inbank has not received dividends from the accociate.

Disposal and acquisition of associates in 2018

EURt	
Equity contribution	96
Total	**96**
Proceed from disposal of associate	476
Proceed from partly disposal of associate	5 793
Total	**6 269**

Note 11 Loans from credit institutions

EURt	*30.09.2018*	*31.12.2017*
Loans received		
Loans from credit institution	16 683	0
Total	**16 683**	**0**

In May 2018 LHV issued a loan of 25 million euros to UAB Mokilizingas with the maturity of 1 year.

Accrued interest liability is in the amount of 17 EURt (31.12.2017: 0 EURt).

Note 12 Customer deposits

EURt		
Customer deposits	***30.09.2018***	***31.12.2017***
Deposits from households	187 209	93 900
Total	**187 209**	**93 900**

Deposits include accrued interest liabilities in the amount of 1 530 EURt (31.12.2017: 864 EURt).

EURt		
Customer deposits	***30.09.2018***	***31.12.2017***
Deposits from households	175 935	84 450
Deposits from non-financial corporations	10 107	9 450
Deposits from other financial corporations	1 167	1 156
Total	**187 209**	**95 056**

Deposits by clients' residence	***30.09.2018***	***31.12.2017***
Estonia	70 261	67 483
Germany	102 685	17 666
Poland	11 118	8 677
Austria	2 468	559
Other residence	677	671
Total	**187 209**	**95 056**

Deposits by contractual maturity

EURt					
30.09.2018	***On demand***	***1-90 days***	***91-365 days***	***1-5 years***	***Total***
Customer deposits	2 193	16 302	70 960	97 754	**187 209**
31.12.2017	***On demand***	***1-90 days***	***91-365 days***	***1-5 years***	***Total***
Customer deposits	2 541	7 210	31 098	54 207	**95 056**

Note 13 Debt securities

EURt

Transactions with debt securities	2018
Issued debt securities	10 000
Accrued interest	17
Closing balance 30.09.2018	**10 017**

Inbank issued unsecured debt securities in total amount of 10 million euros on May 14 2018.

Nominal value	Amount	Maturity
250 000	40	14.03.2019

The investment has been made by Swedbank's pension funds via a private palcement. The issue of new debt securities does not affect the terms of previously issued debt securities.

The bonds will be redeemed in three equal installments starting from January 2019.

The debt securities issued are recorded in the balance sheet at amortised cost.

Note 14 Contingent liabilities and loan commitments

Inbank had the following loan commitments:

EURt	
Irrevocable commitments	
Liability in contractual amount as of 30 September 2018	742
Liability in contractual amount as of 31 December 2017	635
Revocable commitments	
Liability in contractual amount as of 30 September 2018	13 550
incl unused credit card limits	13 490
Liability in contractual amount as of 31 December 2017	0

Note 15 Basic and diluted earnings per share

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

	Q3 2018	***9 months 2018***	***Q3 2017***	***9 months 2017***
Total profit attributable to owners of the parent (EUR thousand)	1 541	6 214	1 553	7 271
Weighted average number of shares	87 394	82 805	78 215	73 548
Basic earnings per share (EUR)	17.63	75.04	19.86	98.86
Weighted average number of shares used for calculating the diluted earnings per shares	92 444	87 855	82 965	78 298
Diluted earnings per share (EUR)	16.67	70.73	18.72	92.86

Note 16 Share capital

	30.09.2018	*31.12.2017*
Share capital	874	782
Number of shares outstanding	87 394	78 215
Nominal share value (EUR)	10	10

In April the option was realised for the purchase of 180 shares with the nominal price 10 euros per share.

The share capital increase was registered in the commercial register on 25 April 2018.

In May the share capital increased by 8 999 shares.
The share capital was thus increased by 6 074 325 euros, of which the share capital increased for 89 990 euros and the share premium was 5 984 335 euros.

The share capital increase was registered in the commercial register on 16 May 2018.

Note 17 Fair value of financial assets and liabilities

EURt		*30.09.2018*			*31.12.2017*	
Assets	***Fair value***	***Carrying amount***	***Level***	***Fair value***	***Carrying amount***	***Level***
Cash in hand	4	4	1	4	4	1
Due from central banks, including mandatory reserve	35 825	35 825	2	14 767	14 767	2
Due from credit institutions	12 934	12 934	2	8 530	8 530	2
Financial assets at fair value through profit and loss	4 600	4 600	3	0	0	3
Loans to and receivables from customers	199 534	199 534	3	92 895	92 895	3
Other financial assets	61	61	3	61	61	3
Total	**252 958**	**252 958**		**116 257**	**116 257**	

		30.09.2018			*31.12.2017*	
Customer deposits	***Fair value***	***Carrying amount***	***Level***	***Fair value***	***Carrying amount***	***Level***
Loans from credit institutions	16 683	16 683	2	0	0	
Customer deposits	187 209	187 209	2	95 056	95 056	2
Debt securities issued	10 017	10 017	3	0	0	
Subordinated debt securities	6 952	6 487	2	6 952	6 480	2
Other financial liabilities	7 003	7 003	3	1 263	1 263	3
Total	**227 864**	**227 399**		**103 271**	**102 799**	

Subordinated debt securities were listed on the Nasdaq Baltic Stock Exchange on 3 October 2016, and their fair value can be determined based on the transaction history.

Unlisted debt securities are short-term and issued with the interest rate which is at the market level.

To measure the fair value of **investments not actively traded on the market,** the latest transaction price between non-related parties is used.

Loans granted to companies are sufficiently short-term and the interest environment has remained stable ever since the issue of loans. In the management's opinion, their fair value does not therefore significantly differ from the net book value. **The small loans and hire-purchase** products granted to customers are short-term. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. In general, the fair market interest and the fair value of loans has not significantly changed over the loan period. The carrying amount of loans does not therefore significantly differ from their fair value.

Fixed-interest customer deposits are mostly short-term. The interest rate of term deposits accepted and loans received by Inbank is comparable to the comparable contract interest rates on the market. In general, the fair market interest and the fair value of deposits has not significantly changed over the deposit period. The carrying amount of deposits does not therefore significantly differ from their fair value.

Note 18 Related parties

EURt	*9 months 2018*	*9 months 2017*	*2017*
Remuneration of the Management Board and Supervisory Board	487	431	617

The following are considered to be the Group's related parties:
- members of the Management Board and Supervisory Board, their family members and related companies (hereinafter the management),
- associates
- parent company or owners the parent company that have control or significant influence over the Parent company

Balances	*30.09.2018*	*31.12.2017*
Loans and receivables as of end of reporting period	**475**	**191**
management	475	1
associates	0	190
Deposits and subordinated debt securities as of end of reporting period	**222**	**265**
management	222	265

Transactions	*9 months 2018*	*9 months 2017*	*2017*
Interest income	**19**	**4**	**9**
management	12	0	1
associates	7	4	8
Interest expenses	**14**	**9**	**12**
management	14	9	12
associates	0	0	0
Services purchased	**34**	**34**	**48**
management	34	33	44
associates	0	1	4
Services sold	**44**	**233**	**287**
management	0	0	0
associates	44	233	287

The table provides an overview of the significant transactions and balances with related parties. The Group finances the Group's subsidiaries and branches with long-term loans issued under market conditions, interest rates are in between 3,31% and 7% (2017: 5-7%).
Such loans are eliminated from the consolidated financial statements.

Loans given to management (hire-purchase incl.) are issued under market conditions, interest rates are between 5-14,65% (2017: 0-12,5%). The interest rate of deposits received from related parties matches with the interest rate offered to the client, interest rates are in between 1,25% and 3% (2017: 0.6-3%).

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

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

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