Interim Report of Inbank AS

3 months 2018

Inbank AS general information

Business name	Inbank AS
Address	Niine 11, 10414 Tallinn
Registration date	05.10.2010
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	31 March 2018
Reporting period	From 1 January 2018 to 31 March 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

The reporting currency is the euro (EUR), with units presented in thousands.
Inbank AS' interim report for three months 2018 is unaudited.
The bank does not hold any ratings provided by international rating agencies.
Interim Report of Inbank AS for three months of 2018 is signed by management board of Inbank in Estonian version.

Declaration of the Management Board

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

- the data and information presented in this interim report for three months of 2018, consisting of the management report and financial statements as at 31 March 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 31 March 2018, its financial performance and cash flows for the three 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, 29 May 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

Management report

The strategy of international growth defined at the end of last year dictated the activities of Inbank in the first quarter to a major extent. We launched several important strategic projects but at the same time were able to grow our existing business.

Significant events

The most significant of our projects in the first quarter was the commencement of negotiations for the purchase of the company SIA Mokilizingas, currently holding the second largest market share on the Lithuanian hire purchase market at 40%. At the end of March we made a binding offer to the current owners of the company for the purchase of 100% shareholding in Mokilizingas.

We completed the transaction during May 2018. After the completion of the transaction, Lithuania was added to the list of countries in which Inbank operates, giving us the capacity to provide services to partners in all three Baltic States.

We used two sources to finance the transaction amounting to 15 million euros. Firstly, we sold 10% of the shares of Coop Pank in the first quarter of 2018. Secondly, we raised capital in the amount of 6 million euros in order to possess sufficient buffers for supporting growth needs on other markets. We have planned to conduct capital increase in the second quarter.

As a result of the transaction, Lithuania was added to the list of countries in which Inbank operates, giving us the capacity to provide services to partners in all three Baltic States.

In the first quarter, we also renewed our cooperation agreement with the auto24 web portal in Estonia. In the course of joint discussions, we mapped new and interesting financing solutions and we are hoping to use them to surprise the market very soon.

In addition to initiating important projects, the Estonian company continued to perform very well in terms of sales in the fields of hire purchase and loans. The quarterly sales volume of the quarter in Estonia amounted to 14.5 million euros (+14.3% YTY).

Inbank's Polish branch entered into cooperation agreements with two new partners, AXA and Allianz insurance companies. The nature of the cooperation is the solution of the distribution of insurance contracts into instalments, which is an innovative product on the Polish market. We will be able to make conclusions in the near future as to how successful this convenience service has turned out to be. Additionally, we continued development activities in Poland for launching our hire purchase product on the market.

The Latvian company showed stable growth and good profitability in the first quarter. During the first three months of the year, the Latvian business of Inbank earned a profit of 154 thousand euros.

There are 55 employees working at Mokilizingas who are now a part of Inbank team.

Business volumes

In the first quarter of the year, we sold credit products in the amount of 18.9 million euros, which is 34.2% more than in the first quarter of the previous year. Estonian sales amounted to 14.5 million euros, Latvian sales to 2.9 million euros and Polish sales to 1.5 million euros, respectively.

We raised 13.1 million euros worth of deposits in the first three months of the year.

Profit

The profit of Inbank in the first quarter was 3.9 million euros. Thanks to the sale of Coop Pank shareholding at a higher price than the book value of the investment, we earned an extraordinary profit in the amount of 3.2 million euros. This contains the profit from the transaction as well as the profit from the revaluation of the remaining investment.

Jan Andresoo
Chairman of the Management Board

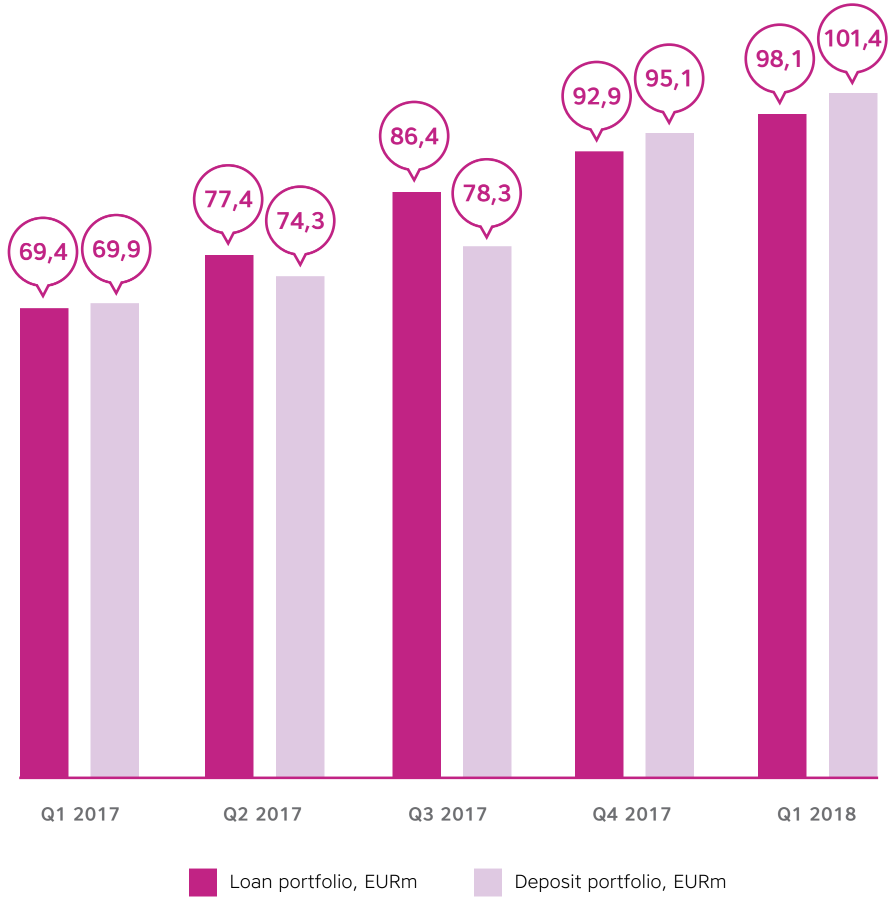
Key financial indicators and ratios

EURt

Key financial indicators	31.03.2018	31.03.2017	
Total assets	134 929	93 864	43.7%
Total equity attributable to shareholders of the parent	24 904	15 250	63.3%
Total comprehensive income attributable to owners of the parent	3 905	652	498.9%
Loan portfolio	98 059	69 424	41.2%
Deposit portfolio	101 372	69 871	45.1%

Ratios	31.03.2018	31.03.2017
Net return on equity	67.5%	19.6%
Net return on total assets	12.1%	3.0%
Net interest margin	10.7%	11.8%
Loan losses to loan portfolio	3.6%	5.6%
Cost/income ratio	41.4%	52.6%
Equity to total assets	18.5%	16.2%

Volume of loan portfolio and deposit portfolio



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

Capital adequacy

EURt	31.03.2018	31.12.2017
Capital base		
Paid-in share capital	782	782
Share premium	9 068	9 068
Statutory and other reserves	1 474	1 431
Retained earnings	9 713	3 243
Intangible assets (subtracted)	-857	-816
Profit for reporting period*	3 885	7 496
Other comprehensive income	-18	0
Other deductions	-2 751	-7 763
Adjustments due to IFRS 9 transitional arrangements	1 685	0
Total Tier 1 capital	**22 981**	**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	**29 484**	**19 944**
Risk-weighted assets		
Credit institutions, standardised approach	2 090	2 216
Non-financial customers, standardised approach	1 596	1 595
Retail claims, standardised approach**	72 028	67 499
Claims past due, standardised approach**	2 111	1 301
Other assets, standardised approach	4 518	1 494
Total credit risk and counterparty credit risk	**82 342**	**74 105**
Operational risk, basic indicator approach	15 584	15 584
Total risk-weighted assets	**97 927**	**89 689**

Capital adequacy (%)	30.11%	22.24%
Regulative capital adequacy (%)	23.81%	19.86%
Tier 1 capital ratio (%)	23.47%	14.99%
Regulative Tier 1 capital ratio (%)	17.34%	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 2018 in the amount of 3 885 EURt, and does not include the profit for H2 2017 in the amount of 1 777 EURt (2017: does not include profit for H2 in the amount of 1 777 EURt).

**In the reports submitted to the regulator as of 31.03.2018, the risk exposures take account of the credit portfolio impairment losses made in the reporting period in the amount of 2 653 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 6 months of 2017, together with the impairment losses.

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

In addition to the principal requirements arising from the harmonised rules, the principles for establishing capital buffers are established with the corresponding directive. In addition to basic own funds requirement, Estonia has established capital preservation and systemic risk buffers for credit institutions at the respective level of 2.5% (in accordance with the law) and 1.0% (established by the Bank of Estonia). The Bank's Polish assets were subject to a systemic risk buffer rate of 3% since 01.01.2018 (2017: 0%). Therefore, the total amount of the systemic risk buffer depends on the ratio between the Bank's exposures to Estonia, Latvia and Poland. 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	1.00%	1.00%	1.00%
Minimum regulative capital requirement	**8.00%**	**9.50%**	**11.50%**

Condensed consolidated interim financial statement

Condensed consolidated statement of financial position

EURt	Note	31.03.2018	31.12.2017
Assets			
Cash in hand		4	4
Due from central banks, including mandatory reserve	8	21 934	14 767
Due from credit institutions	8	8 145	8 530
Financial assets at fair value through profit and loss	9	4 600	0
Loans and advances to customers	7;13	98 059	92 895
Investments in associates	9	1	7 806
Tangible assets		345	279
Intangible assets		857	816
Other financial assets	13	60	61
Other assets		175	459
Deferred tax asset		749	364
Total assets	**3**	**134 929**	**125 981**

EURt	Note	31.03.2018	31.12.2017
Liabilities			
Customer deposits	10	101 372	95 056
Other financial liabilities	13	1 159	1 263
Other liabilities		980	1 136
Subordinated debt securities		6 485	6 480
Total liabilities	**3**	**109 996**	**103 935**
Equity			
Share capital		782	782
Share premium		9 068	9 068
Statutory reserve capital		79	79
Other reserves		1 377	1 352
Retained earnings		13 598	10 739
Total equity attributable to the shareholders of parent company		**24 904**	**22 020**
Non-controlling interest		29	26
Total equity		**24 933**	**22 046**
Total liabilities and equity		**134 929**	**125 981**

Notes set out on pages 13-35 form an integral part of the interim financial statements.

Condensed consolidated statement of profit and loss and other comprehensive income

EURt	*Note*	*Q1 2018*	*3 months 2018*	*Q1 2017*	*3 months 2017*
Interest income	4	3 797	3 797	2 935	2 935
Interest expense	4	-571	-571	-484	-484
Net interest income		**3 226**	**3 226**	**2 451**	**2 451**
Fee income	5	161	161	125	125
Fee expense	5	-154	-154	-140	-140
Net fee and commission income		**7**	**7**	**-15**	**-15**
Net gains from financial assets measured at fair value		1 204	1 204	0	0
Other operating income		84	84	216	216
Total net interest, fee and other income		**4 521**	**4 521**	**2 652**	**2 652**
Personnel expenses	6	-1 211	-1 211	-885	-885
Marketing expenses	6	-126	-126	-108	-108
Administrative expenses	6	-466	-466	-354	-354
Depreciations, amortisation		-67	-67	-49	-49
Total operating expenses		**-1 870**	**-1 870**	**-1 396**	**-1 396**
Profit before impairment losses on loans		**2 651**	**2 651**	**1 256**	**1 256**
Share of profit from associates	9	1 986	1 986	268	268
Impairment losses on loans and advances	7	-852	-852	-926	-926
Profit before income tax		**3 785**	**3 785**	**598**	**598**

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	Note	Q1 2018	3 months 2018	Q1 2017	3 months 2017
Income tax		103	103	58	58
Profit for the period		**3 888**	**3 888**	**656**	**656**
Other comprehensive income/loss					
Items that may be reclassified subsequently to profit or loss					
Unrealised foreign exchange gains/losses		20	20	-16	-16
Total comprehensive income for the period		**3 908**	**3 908**	**640**	**640**
Profit is attributable to					
Owners of the parent		3 885	3 885	668	668
Non-controlling interest		3	3	-12	-12
Profit for the reporting period		**3 888**	**3 888**	**656**	**656**
Total comprehensive income/loss is attributable to					
Owners of the parent		3 905	3 905	652	652
Non-controlling interest		3	3	-12	-12
Total comprehensive income for the reporting period		**3 908**	**3 908**	**640**	**640**
Basic earnings per share	12	49.67	49.67	9.08	9.08
Diluted earnings per share	12	46.73	46.73	8.51	8.51

Notes set out on pages 13-35 form an integral part of the interim financial statements.

Condensed consolidated statement of cash flows

EURt	*Note*	*3 months 2018*	*3 months 2017*
Cash flows from operating activities			
Interest received	4	4 076	3 170
Interest paid	4	-737	-779
Fees received	5	161	125
Fees paid	5	-154	-140
Other income received		84	216
Personnel expenses		-1 336	-1 037
Administrative and marketing expenses		-645	-341
Corporate income tax paid		-27	0
Cash flows from operating activities before changes in the operating assets and liabilities		**1 422**	**1 214**
Changes in operating assets:			
Loans and advances to customers		-5 514	-5 448
Mandatory reserve in central bank		-189	-67
Other assets		-100	-175
Changes of operating liabilities:			
Customer deposits		5 086	5 579
Other liabilities		-82	229
Net cash from operating activities		**623**	**1 332**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		-175	-125
Acquisition of subsidiaries and associates	9	0	-3 497
Proceeds from disposal of associates	9	6 269	0
Net cash from (used in) investing activities		**6 094**	**-3 622**

EURt	*Note*	*3 months 2018*	*3 months 2017*
Cash flows from financing activities			
Share capital contribution (including share premium)		0	2 800
Net cash from financing activities		**0**	**2 800**
Effect of exchange rate changes		-17	25
Net increase/decrease in cash and cash equivalents	**8**	**6 700**	**535**
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**	**29 300**	**16 702**

Notes set out on pages 13-35 form an integral part of the interim financial report.

Condensed consolidated statement of changes in equity

EURt	Note	Share capital	Share premium	Statutory reserve capital	Other reserves	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	0	0	0	0	0
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	0	652	652	-12	640
Balance as of 31 March 2017		**782**	**9 068**	**57**	**1 361**	**3 982**	**15 250**	**-6**	**15 244**
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**
Share-based payment reserve		0	0	0	5	0	5	0	5
Total profit/-loss and other comprehensive income for the reporting period		0	0	0	20	3 885	3 905	3	3 908
Balance as of 31 March 2018		**782**	**9 068**	**79**	**1 377**	**13 598**	**24 904**	**29**	**24 933**

Notes set out on pages 13-35 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 3-month interim financial report of Inbank.

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

Company Name	Registry code	Date of purchase/ founded	Address	Activity	Holding (%)	Cost (31.03.2018) EURt
Maksekeskus Holding OÜ*	12257075	05.06.2015	Niine 11, Tallinn	Investment management	40	1
Inbank Lizings SIA	40103821436	21.08.2014	Akmenu iela 14, Riga	Financing	100	519
Inbank Technologies OÜ	12104213	05.06.2015	Niine 11, Tallinn	IT development	100	454
Inbank Liising AS	14028999	08.04.2016	Niine 11, Tallinn	Leasing	80	80
AS Inbank Spółka Akcyjna Oddział w Polsce	0000635086	08.09.2016	Riverside Park, Ul. Fabryczna 5A, Warszawa	Banking		

*Associates

Inbank sold part of it’s holding in affiliate Coop Pank (holding before 17,935%). The investment is recognised as financial investment.

In January 2018, a holding in Veriff OÜ was sold (participation before sales was 21,68%).

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

(i) 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.

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 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 transactions between the segments. 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 the profitability, the revenue / cost ratio, the growth and quality of the credit portfolio, and the allowance of the portfolio for each financial activity segment. In the information technology sector, revenue and expenditure 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 counterparties have income over 10% of its respective income of the consolidation group.

Inbank AS' (Estonia) "other operating income" mainly includes consulting services offered to the bank`s associates. Intersegment transactions constitute mainly of loan interests on loans given to subsidiaries. These intercompany transactions are accounted for at market prices, including IT services. See also Note 14.

Income of reportable segments

EURt

3 months 2018	***Inbank AS (Estonia)***	***Inbank Lizings SIA (Latvia)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***TOTAL***
Interest income	2 933	839	45	135	1	**3 953**
Fee income	116	43	1	1	0	**161**
Other operating income	1 267	15	3	-18	55	**1 322**
Inter-segment eliminations	-156	0	0	0	-34	**-190**
Revenue from external customers	**4 160**	**897**	**49**	**118**	**22**	**5 246**
Interest expense	-512	-128	-22	-59	-5	**-726**
Fee expense	-85	-33	0	-36	0	**-154**
Inter-segment eliminations	0	128	22	0	5	**155**
Total expenses	**-597**	**-33**	**0**	**-95**	**0**	**-725**
Total net interest, fee and commission income and other income	**3 563**	**864**	**49**	**23**	**22**	**4 521**

Net profit structure

EURt

3 months 2018	***Inbank AS (Estonia)***	***Inbank Lizings SIA (Latvia)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***TOTAL***
Profit before impairment losses on loans	**2 648**	**409**	**21**	**-353**	**-74**	**2 651**
Profit of associates	1 552	0	0	0	434	**1 986**
Impairment losses on loans and advances	-397	-254	-8	-193	0	**-852**
Income tax	0	0	0	103	0	**103**
Net profit/loss	**3 803**	**155**	**13**	**-443**	**360**	**3 888**

Income of reportable segments

EURt

3 months 2017	*Inbank AS (Estonia)*	*Inbank Lizings SIA (Latvia)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Interest income	2 198	978	25	0	1	**3 202**
Fee income	78	46	1	0	0	**125**
Other operating income	125	26	0	26	67	**244**
Inter-segment eliminations	-267	0	0	0	-28	**-295**
Revenue from external customers	**2 134**	**1 050**	**26**	**26**	**40**	**3 276**
Interest expense	-483	-250	-11	-1	-5	**-750**
Fee expense	-69	-29	0	-44	0	**-142**
Inter-segment eliminations	0	250	11	0	7	**268**
Total expenses	**-552**	**-29**	**0**	**-45**	**2**	**-624**
Total net interest, fee and commission income and other income	**1 582**	**1 021**	**26**	**-19**	**42**	**2 652**

Net profit structure

EURt

3 months 2017	*Inbank AS (Estonia)*	*Inbank Lizings SIA (Latvia)*	*Inbank Liising AS (Estonia)*	*Inbank AS Poland branch*	*Inbank Technologies OÜ (Estonia)*	*TOTAL*
Profit before impairment losses on loans	**998**	**554**	**13**	**-257**	**-52**	**1 256**
Profit of associates	268	0	0	0	0	**268**
Impairment losses on loans and advances	-318	-604	-4	0	0	**-926**
Income tax	0	9	0	49	0	**58**
Net profit/loss	**948**	**-41**	**9**	**-208**	**-52**	**656**

Assets and liabilities of reportable segments

EURt							
31.03.2018	***Inbank AS (Estonia)***	***Inbank Lizings SIA (Latvia)***	***Inbank Liising AS (Estonia)***	***Inbank AS Poland branch***	***Inbank Technologies OÜ (Estonia)***	***Inter-segment eliminations***	***TOTAL***
Cash in hand	4	0	0	0	0	0	**4**
Due from central banks, incl mandatory reserve	20 866	0	0	1 068	0	0	**21 934**
Due from credit institutions	3 987	215	70	3 257	616	0	**8 145**
Financial assets at fair value through profit and loss	4 600	0	0	0	0	0	**4 600**
Loans and receivables	97 419	14 451	1 421	4 772	441	-20 445	**98 059**
Investments in subsidiaries	0	0	0	0	0	0	**0**
Investments in affiliates	0	0	0	0	1	0	**1**
Tangible assets	124	81	0	52	88	0	**345**
Intangible assets	742	108	0	21	0	-40	**831**
Other financial assets	10	54	0	0	2	-6	**60**
Other assets	95	2	13	60	5	0	**175**
Deferred tax assets	0	285	0	464	0	0	**749**
Assets held for sale	0	0	0	0	0	0	**0**
Total assets	**127 847**	**15 196**	**1 504**	**9 694**	**1 153**	**-20 491**	**134 903**
Loans received	0	15 544	1 322	2 809	415	-20 090	**0**
Customer deposits	92 316	0	0	9 056	0	0	**101 372**
Subordinated debt securities	6 485	0	0	0	0	0	**6 485**
Other financial liabilities	1 351	80	28	15	20	-361	**1 133**
Other liabilities	706	137	0	112	25	0	**980**
Total liabilities	**100 858**	**15 761**	**1 350**	**11 992**	**460**	**-20 451**	**109 970**

Assets and liabilities of reportable segments

EURt 31.03.2017	Inbank AS (Estonia)	Inbank Lizings SIA (Latvia)	Inbank Liising AS (Estonia)	Inbank AS Poland branch	Inbank Technologies OÜ (Estonia)	Inter-segment eliminations	TOTAL
Cash in hand	4	0	0	0	0	0	**4**
Due from central banks, incl mandatory reserve	13 966	0	0	0	0	0	**13 966**
Due from credit institutions	839	804	91	1 472	66	0	**3 272**
Financial assets at fair value through profit and loss	0	0	0	0	0	0	**0**
Loans and receivables	71 874	15 380	807	4	127	-18 768	**69 424**
Investments in subsidiaries	1 033	0	0	0	0	-1 033	**0**
Investments in affiliates	2 947	0	0	0	1	0	**2 948**
Tangible assets	89	18	0	45	51	0	**203**
Intangible assets	179	116	0	4	457	188	**944**
Other financial assets	2	11	0	43	5	0	**61**
Other assets	77	1	130	4	3	0	**215**
Deferred tax assets	0	493	0	112	0	0	**605**
Assets held for sale	2 222	0	0	0	0	0	**2 222**
Total assets	**93 232**	**16 823**	**1 028**	**1 684**	**710**	**-19 613**	**93 864**
Loans received	0	16 253	912	1 137	466	-18 768	**0**
Customer deposits	68 835	0	0	1 036	0	0	**69 871**
Subordinated debt securities	6 475	0	0	0	0	0	**6 475**
Other financial liabilities	1 066	48	12	8	6	0	**1 140**
Other liabilities	526	487	0	29	92	0	**1 134**
Total liabilities	**76 902**	**16 788**	**924**	**2 210**	**564**	**-18 768**	**78 620**

Inbank Lizings SIA equity as at 31.03.2018 was -40 EURt (31.03.2017: 35 EURt).

Note 4 Net interest income

EURt	*Q1 2018*	*3 months 2018*	*Q1 2017*	*3 months 2017*
Interest income				
Loans to households	3 722	3 722	2 823	2 823
Loans to corporates	54	54	79	79
Due from financial and credit institutions	21	21	33	33
Total	**3 797**	**3 797**	**2 935**	**2 935**
Interest expense				
Deposits received	-455	-455	-367	-367
Debt securities sold	-116	-116	-117	-117
Total	**-571**	**-571**	**-484**	**-484**
Net interest income	**3 226**	**3 226**	**2 451**	**2 451**
Interest income by customer location				
Estonia	2 824	2 824	1 957	1 957
Latvia	838	838	978	978
Poland	135	135	0	0
Total	**3 797**	**3 797**	**2 935**	**2 935**

Interest income on impaired loans in Q1 2018 is 186 EURt (Q1 2017: 534 EURt)

Note 5 Net fee income

EURt	*Q1 2018*	*3 months 2018*	*Q1 2017*	*3 months 2017*
Fee income				
Households	161	161	124	124
Corporates	0	0	1	1
Total	**161**	**161**	**125**	**125**
Fee expense				
Loan administration costs	-154	-154	-140	-140
Total	**-154**	**-154**	**-140**	**-140**
Net fee income	**7**	**7**	**-15**	**-15**
Fee income by customer location				
Estonia	117	117	79	79
Latvia	43	43	46	46
Poland	1	1	0	0
Total	**161**	**161**	**125**	**125**

Note 6 Operating expenses

Personnel expenses	*Q1 2018*	*3 months 2018*	*Q1 2017*	*3 months 2017*
Personnel expense	986	986	732	732
Social and other taxes	225	225	153	153
Total personnel expenses	**1 211**	**1 211**	**885**	**885**

Marketing Expenses				
Advertising and marketing	75	75	55	55
Sales costs	51	51	53	53
Total marketing expenses	**126**	**126**	**108**	**108**

Administrative expenses				
Rental and maintenance expenses	92	92	56	56
IT expenses	91	91	82	82
Legal expenses	12	12	45	45
Office expenses	47	47	23	23
Training and business trip expenses	28	28	21	21
Other tax expenses	17	17	12	12
Supervision expenses	32	32	19	19
Recovery proceeding expenses	23	23	10	10
Consultation expenses	15	15	14	14
Other administrative expenses	109	109	72	72
Total administrative expenses	**466**	**466**	**354**	**354**

Note 7 Loans and advances to customers

EURt

Distribution of receivables as of 31.03.2018	***Due from households - gross basis***	***Portfolio provision***	***Special provision***	***Due from households - net basis***	***Coverage ratio***
Overdue 0-3 days	87 629	-1 499	-6	86 124	1.7%
Overdue 4-89 days	7 063	-803	-14	6 246	11.6%
Overdue 90-179 days	1 440	-254	-690	496	65.6%
Overdue more than 180 days	2 696	-62	-1 574	1 060	60.7%
Total receivables	**98 828**	**-2 618**	**-2 284**	**93 926**	**5.0%**

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 31.03.2018	***Due from corporates - gross basis***	***Portfolio provision***	***Special provision***	***Due from corporates - net basis***	***Coverage ratio***
Overdue 0-3 days	3 764	-5	-17	3 742	0.6%
Overdue 4-89 days	388	-15	0	373	3.9%
Overdue 90-179 days	22	-5	0	17	22.7%
Overdue more than 180 days	5	0	-4	1	80.0%
Total receivables	**4 179**	**-25**	**-21**	**4 133**	**1.1%**

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%**

Distribution of receivables according to customer sector

	31.03.2018	*31.12.2017*
Households	98 828	92 129
Non-financial companies	2 500	2 241
Other financial companies	1 607	1 606
Other advances	72	92
Total	**103 007**	**96 068**
Impairment allowance	-4 948	-3 173
Total	**98 059**	**92 895**

Impairment losses on loans and advances	*3 months 2018*	*2017*	*3 months 2017*
Impairment losses of reporting period	-849	-4 578	-926
Recoveries from written off from financial position	-3	1 046	0
Total	**-852**	**-3 532**	**-926**

Changes in impairments	*3 months 2018*	*2017*	*3 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	-849	-4 578	-926
Impairment provisions set up for interests and commissions	0	-414	-99
Written off from financial position during the period	-25	6 215	-15
Total	**-4 948**	**-3 173**	**-5 436**

Note 8 Due from central banks and credit institutions

EURt	*31.03.2018*	*31.12.2017*
Due from central banks	21 151	14 066
Mandatory reserve in central bank	783	701
Due from credit institutions	8 145	8 530
Total	**30 079**	**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 associates

Carrying amount of associates

EURt	***31.03.2018***	***31.12.2017***
Name of associates		
Maksekeskus Holding OÜ	1	1
Coop Pank AS	0	7 762
Veriff OÜ	0	43
Total	**1**	**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 (3 months 2017: 268 EURt) and proceeds from the disposal of associate for amount 1 950 EURt (3 months 2017: 0 EURt) are recorded in income statement line "Share of profit of associates".

On 5 January, Inbank's subsidiary Inbank Technologies sold its entire 21,68% shareholding in the start-up company Veriff OÜ. The shares were purchased by Bevoke Estonia OÜ, owned by Veriff's CEO and founder Kaarel Kotkas.

On 29 March Inbank AS sold 10% of Coop Pank AS's shares. A 5% share was acquired by current shareholders of Coop Pank and a 5% share by TÜ Eesti Ühistukapital. After the transaction, Inbank's stake in Coop Pank is 7.94%. The investment is recognised as a financial investment at fair value.

Inbank has not received dividends from associates.

Note 10 Customer deposits

EURt		
Customer deposits	***31.03.2018***	***31.12.2017***
Deposits from households	90 458	84 450
Deposits from non-financial corporations	9 756	9 450
Deposits from other financial corporations	1 158	1 156
Total	**101 372**	**95 056**

Deposits by clients' residence	***31.03.2018***	***31.12.2017***
Estonia	67 296	67 483
Germany	23 438	17 666
Poland	9 056	8 677
Other residence	1 582	1 230
Total	**101 372**	**95 056**

Deposits include accrued interest liabilities in the amount of 1 031 EURt. (31.12.2017: 864 EURt).

Deposits by contractual maturity

EURt					
31.03.2018	***On demand***	***1-90 days***	***91-365 days***	***1-5 years***	***Total***
Customer deposits	1 740	9 174	31 456	59 002	101 372

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 11 Contingent liabilities and loan commitments

Inbank had the following loan commitments:

EURt	
Irrevocable commitments	
Liability in contractual amount as of 31 March 2018	478
Liability in contractual amount as of 31 December 2017	635
Revocable commitments	
Liability in contractual amount as of 31 March 2018	200
Liability in contractual amount as of 31 December 2017	0

Note 12 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.

	Q1 2018	***3 months 2018***	***Q1 2017***	***3 months 2017***
Total profit attributable to owners of the parent (EUR thousand)	3 885	3 885	668	668
Weighted average number of shares	78 215	78 215	73 548	73 548
Basic earnings per share (EUR)	49.67	49.67	9.08	9.08
Weighted average number of shares used for calculating the diluted earnings per shares	83 145	83 145	78 478	78 478
Diluted earnings per share (EUR)	46.73	46.73	8.51	8.51

Note 13 Fair value of financial assets and liabilities

EURt		31.03.2018			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	21 934	21 934	2	14 767	14 767	2
Due from credit institutions	8 145	8 145	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	98 059	98 059	3	92 895	92 895	3
Other financial assets	60	60	3	61	61	3
Total	**132 802**	**132 802**		**116 257**	**116 257**	

		31.03.2018			31.12.2017	
Liabilities	**Fair value**	**Carrying amount**	**Level**	**Fair value**	**Carrying amount**	**Level**
Customer deposits	101 372	101 372	2	95 056	95 056	2
Debt securities	6 920	6 485	2	6 952	6 480	2
Other financial liabilities	1 159	1 159	3	1 263	1 263	3
Total	**109 451**	**109 016**		**103 271**	**102 799**	

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

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 average term of the hire-purchase product is 18-23 months and that of loan products 49-53 months. Inbank started offering loan products in April 2015. According to the Bank of Estonia, the average interest rates of unsecured consumer loans ranged from 14.44 to 15.46% in 2015-2017. The effective interest rate of consumer loans granted by Inbank is comparable to the interest rates of comparable loan products offered on the market. In general, the fair market interest and the fair value of loans has not significantly changed over the loan period. The carrying amount of loans does not therefore significantly differ from their fair value.

Fixed-interest customer deposits are mostly short-term. The average term of deposits accepted ranges from 16 to 27 months. Inbank started offering the deposit product in April 2015. According to the Bank of Estonia, the average interest rate of new term deposits ranged from 0.55 to 0.62% in 2015-2017. The interest rate of term deposits accepted and loans received by Inbank is comparable to the comparable contract interest rates on the market. In general, the fair market interest and the fair value of deposits has not significantly changed over the deposit period. The carrying amount of deposits does not therefore significantly differ from their fair value.

Note 14 Related parties

EURt	*3 months 2018*	*3 months 2017*
Remuneration of the Management Board and Supervisory Board	315	207

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	*3 months 2018*	*3 months 2017*
Loans and receivables as of end of reporting period	**574**	**191**
management	476	1
associates	98	190
Deposits and subordinated debt securities as of end of reporting period	**227**	**265**
management	227	265

Transactions	*3 months 2018*	*3 months 2017*
Interest income	**1**	**23**
management	0	0
associates	1	23
Interest expenses	**2**	**2**
management	2	2
associates	0	0
Services purchased	**11**	**9**
management	11	9
associates	0	0
Services sold	**23**	**204**
management	0	0
associates	23	204

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.

Note 15 Events after the balance sheet date

Inbank AS made an offer to acquire 100% holding in Lithuanian consumer financing company Mokilizingas UAB from its current owners AS LHV Group and UAB Inovatyvus Prekybos Sprendimai. The price of the transaction was 15 million euros. The transaction was completed during in May 2018.

To partially finance the transaction Inbank raised capital from existing and new investors via a non-public share issue in April, issuing 8 900 shares in the amount of 6 007 500 euros.

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