



Krediidipank

**Public Interim Report
Quarter II 2016**



Table of Contents

General information	2
Statement of the Management Board	3
Management report	4
Legal structure of Eesti Krediidipank Group	4
Significant events	4
Ratios of Eesti Krediidipank Group	5
Indicators of capital adequacy of Eesti Krediidipank Group	6
Consolidated financial statements of Eesti Krediidipank Group Q2 2016	7
Consolidated statement of financial position of Eesti Krediidipank	7
Consolidated income statement and statement of comprehensive income of Eesti Krediidipank	8
Consolidated statement of changes in shareholders' equity of Eesti Krediidipank	9
Consolidated cash flow statement of Eesti Krediidipank	10
Notes to the interim report	11

General information

Business name	AS Eesti Krediidipank
Established	15.03.1992 in Tallinn
Address	Narva road 4, Tallinn 15014, Republic of Estonia
Registry code	10237832 (Estonian Commercial Register)
Registry date	19.08.1997
Telephone	+ 372 669 0900
Fax	+ 372 661 6037
SWIFT/BIC	EKRDEE22
e-mail address	info@krediidipank.ee
Internet homepage	www.krediidipank.ee
Auditor	AS PricewaterhouseCoopers
Auditor's registry code	10142876 (Estonian Commercial Register)
Auditor's address	Pärnu road 15, Tallinn 10141
Reporting date	30.06.2016
Reporting period	01.01.2016 - 30.06.2016
Reporting currency	Euro (EUR), thousands
Members of the Supervisory Board	Andrus Kluge, chairman of the Supervisory Board Timur Dyakov Arthur Klaos Boris Beliaev Ain Soidla
Members of the Management Board	Valmar Moritz, chairman of the Management Board Uku Tammaru, vice chairman of the Management Board Marina Laaneväli Janek Uiboupin Ieva Rācenāja (till 30.06.2016)

Statement of the Management Board

The Management Board of Eesti Krediidipank is of the opinion that information in this interim report, consisting of the management report and financial reports, is in conformity with requirements to interim reports and gives a true and fair view of the financial condition and results of operations of Eesti Krediidipank Group, all presented data and additional information is true and comprehensive.

Current interim report is not audited.

The General Meeting of Shareholders approved the Annual Report 2015 on 25 April 2016.

Valmar Moritz
Chairman of the Management Board

Uku Tammaru
Vice chairman of the Management Board

Marina Laaneväli
Member of the Management Board

Janek Uiboupin
Member of the Management Board

Management report

Legal structure of Eesti Krediidipank Group

As at 30.06.2016 following companies are enlisted in AS Eesti Krediidipank Group:

Company name	Address	Activity	Registry code Registry date	Holding
AS Eesti Krediidipank	Narva road 4, Tallinn	banking	10237832 19.08.1997	parent company
Krediidipanga Liisingu AS	Narva road 4, Tallinn	leasing	10079244 27.08.1996	100%
AS Martinoza	Narva road 4, Tallinn	real estate management	10078109 28.10.1996	100%
AS Krediidipank Finants	Narva road 4, Tallinn	other lending activities	12546980 03.10.2013	holding of AS Eesti Krediidipank 51%

All companies are registered in the Estonian Commercial Register; AS Eesti Krediidipank is parent company.

The aforementioned companies are consolidated line by line, by eliminating all intra-group receivables and liabilities, transactions between group companies and profits/losses.

AS Krediidipank Finants is included in the AS Eesti Krediidipank Group and it is considered to be a subsidiary since control over the company exists both on the level of shareholders as well as supervisory board.

The definition of group according to the Regulation (EU) No 575/2013 of the European Parliament and of the Council matches that of IFRS.

Significant events

Focus products in 2016

The most significant products that Krediidipank keeps offering and developing actively are following:

- Arveldaja package (Settlement package);
- Sihtlaen (Target loan);
- Mortgage loan;
- Home loan.

657 clients have joined **the Arveldaja package (Settlement package)** during the first half-year; a total of 5235 package agreements have been concluded.

During the first half of 2016 **3055 agreements of Sihtlaen (Target loan)** were concluded, in the total amount of ca 5.53 million euros. As at the end of June, the loan portfolio of Krediidipank Finants – bank's subsidiary – held 7091 clients and 9015 loan agreements.

In Q2 the real estate loan campaign ended. During the campaign 71 loan agreements were concluded in the total amount of 2.32 million euros. The amount of mortgage and home loans, issued during first half-year, totals 4.78 million euros.

New homepage of the bank and extended usability of the Internet bank

In February Krediidipank introduced its new homepage to the public, which can now be handled over computer as well as smart phone screen. In addition to this, new Krediidipank apps for Android and iOS platforms are available for more convenient usage of Internet bank.

Financial Literacy Month by the initiative of Estonian Banking Association

Within the Financial Literacy Month in March, organised by Estonian Banking Association, several Krediidipank employees went to Estonian schools to share financial wisdom to young people. The purpose of the Financial Literacy Month was to emphasize financial literacy and to increase awareness of Estonian people of the principles of reasonable financial behaviour.

At the end of April the General Meeting of Krediidipank Shareholders took place. The shareholders approved the Annual Report 2015 and decided to share approximately 1.1 million euros as dividends; whereupon the bank paid 274 thousand euros of income tax to state revenues.

Competition for three 2000 € scholarships

For the 10th time already the Rein Otsason Foundation together with Eesti Krediidipank gave out the traditional annual scholarships to students, whose studies in Estonia or abroad specialize on finance or economics. In May, when the anniversary of Rein Otsason's birth is celebrated, three 2000€ scholarships were announced to Sander Veges (Fudan University School of Economics), Renee Pesor (Estonian Business School) and Jelena Komendatova (Tallinn Technical University).

In June our clients received the first redesigned newsletter. From 1 June bank's renewed general terms and conditions as well as updated settlement agreement conditions came into effect.

From 1 July the Management Board of Krediidipank continues with four members. Ieva Rācenāja, member of the Management Board as well as head of the Latvian branch, resigned at her own request.

Ratios of Eesti Krediidipank Group

	30.06.2016	31.12.2015	30.06.2015
Ratios (year-on-year)			
Return on equity ROE			
Net profit/shareholders' equity	4.3%	6.3%	3.3%
Return on assets ROA			
Net profit/assets	0.4%	0.6%	0.3%
Equity multiplier EM			
Total assets/shareholders' equity	10.0	10.0	9.9
Profit margin PM			
Profit/total income	8.5%	10.4%	6.2%
Asset utilisation AU			
Total income/assets	5.1%	6.1%	5.4%
Earnings per share EPS (euros)			
Net profit per common share eligible for dividends	0.03	0.05	0.02

* Ratios have been calculated based on average balance sheet indicators of the reporting period

Indicators of capital adequacy of Eesti Krediidipank Group

In thousands of euros

Capital base	30.06.2016	31.12.2015
Tier 1 capital		
Paid-in share capital and share premium	25 175	25 175
Statutory reserve capital	1 970	1 844
Retained earnings	617	58
Intangible assets (-)	-721	-761
Deferred tax asset depending on future tax profits	-1	-1
Adjustment of value arising from requirements of reliable measurement (-)	-23	-17
Total Tier 1 capital	27 017	26 298
Subordinated debt	3 704	4 000
Total Tier 2 capital	3 704	4 000
Eligible capital for capital adequacy calculation	30 721	30 298
Risk-weighted assets		
Central government and central banks using the Standardised Approach	1 406	526
Credit institutions, investment companies and local governments using the Standardised Approach	13 926	13 774
Companies using the Standardised Approach	6 522	4 404
Retail claims using the Standardised Approach	18 405	16 718
Claims secured by mortgage on real estate using the Standardised Approach	53 911	55 353
Claims past due using the Standardised Approach	2 427	2 874
Items subject to particularly high risk using the Standardised Approach	7 182	9 962
Equity investments	13	13
Other assets using the Standardised Approach	18 068	18 771
Total credit risk and counter-party credit risk	121 860	122 395
Operational risk using the Basic Indicator Approach	16 132	18 272
Total risk-weighted assets (total risk exposure)	137 992	140 667
Capital adequacy (%)	22.26%	21.54%
Tier 1 Capital Ratio (%)	19.58%	18.69%

Own funds requirements:

Core Tier 1 capital ratio	4.50%	Core Tier 1 capital/total risk exposure
Tier 1 capital ratio	6.00%	Tier 1 capital/total risk exposure
Total capital ratio (capital adequacy)	8.00%	Total capital/total risk exposure
Systemic risk buffer	2.00%	of total risk exposure
Capital conservation buffer	2.50%	of total risk exposure

Consolidated financial statements of Eesti Krediidipank Group **Quarter II 2016**

Consolidated statement of financial position of Eesti Krediidipank

In thousands of euros

Assets	Note	30.06.2016	31.12.2015
Cash on hand		12 682	2 342
Balances with central banks	2	40 004	65 126
Loans and advances to credit institutions	3	47 831	57 716
Financial assets held for trading		28	28
Financial assets designated at fair value through profit or loss at inception	7	11 330	6 078
Loans and advances to customers	4,5,6	150 637	152 652
Held-to-maturity financial assets	7	503	503
Available-for-sale financial assets	7	13	13
Other assets	8	19 464	20 892
Total assets		282 492	305 350
Liabilities			
Financial liabilities at fair value through profit or loss		10	276
Due to credit institutions		103	115
Due to customers	9	247 112	267 395
Other liabilities	10	2 705	4 627
Subordinated debt		4 040	4 039
Total liabilities		253 970	276 452
Shareholders' equity			
Share capital		25 001	25 001
Share premium		174	174
Reserves		1 970	1 844
Retained earnings/accumulated loss		1 245	1 838
Shareholders' equity attributable to owners of the parent company		28 390	28 857
Non-controlling interest		132	41
Total shareholders' equity		28 522	28 898
Total liabilities and shareholders' equity		282 492	305 350

Consolidated income statement and statement of comprehensive income of Eesti Krediidipank

In thousands of euros

	Note	2016		2015	
		6 months	Q2	6 months	Q2
Interest income	12	4 308	2 195	4 069	2 073
Interest expense	13	-839	-392	-1 318	-640
Net interest income		3 469	1 803	2 751	1 433
Fee and commission income	14	1 724	892	1 502	812
Fee and commission expense	15	-433	-227	-312	-167
Net fee and commission income		1 291	665	1 190	645
Revenue from sale of assets		903	184	983	604
Cost of assets sold		-678	-114	-877	-520
Change in fair value of investment property		0	0	43	26
Net income/expense from financial instruments designated at fair value through profit or loss at inception	16	36	14	-210	-80
Payroll expenses		-2 371	-1 195	-2 407	-1 235
General and administrative expenses		-1 299	-661	-1 276	-679
Other income		448	258	443	233
Other expenses		-172	-80	-171	-72
Depreciation		-237	-115	-247	-122
Net impairment losses/ reversal of impairment losses on loans and advances		-582	-311	388	-334
Profit/loss before income tax		808	448	610	-101
Income tax		-120	-120	-154	-154
Net profit		688	328	456	-255
incl. share of profit/loss attributable to non-controlling interest		60	45	-7	-1
incl. share of profit/loss attributable to the owners of the parent company		628	283	463	-254
Other comprehensive income/ expense		0	0	0	0
Comprehensive income for the financial year		688	328	456	-255
incl. share of profit/loss attributable to non-controlling interest		60	45	-7	-1
incl. share of profit/loss attributable to the owners of the parent company		628	283	463	-254

Consolidated statement of changes in shareholders' equity of Eesti Krediidipank

In thousands of euros

	Share capital	Share premium	Reserves	Retained earnings	Total share of the share- holders of parent company	Non- controlling interest	Total share- holders' equity
Shareholder's equity as at 01.01.2015	25 001	174	1 813	89	27 077	49	27 126
Changes in reserves	0	0	31	-31	0	0	0
Net profit for the period	0	0	0	463	463	-7	456
Comprehensive income for the period	0	0	0	463	463	-7	456
Shareholder's equity as at 01.07.2015	25 001	174	1 844	521	27 540	42	27 582
Change in the balance of shareholder's equity during 01.07 - 31.12.2015	0	0	0	1 317	1 317	-1	1 316
Shareholder's equity as at 01.01.2016	25 001	174	1 844	1 838	28 857	41	28 898
Dividend payout	0	0	0	-1 095	-1 095	0	-1 095
Contribution to subsidiary's share capital by non-controlling interest	0	0	0	0	0	31	31
Changes in reserves	0	0	126	-126	0	0	0
Comprehensive income for the period	0	0	0	628	628	60	688
Shareholder's equity as at 01.07.2016	25 001	174	1 970	1 245	28 390	132	28 522

Consolidated cash flow statement of Eesti Krediidipank

In thousands of euros

Cash flows from operating activities (indirect method)	6 months 2016	6 months 2015
Net profit	628	463
Adjustments		
Change in provisions for loans and advances	582	-388
Depreciation and impairment of non-current assets	237	247
Change in fair value of financial assets designated at fair value through profit or loss at inception	40	210
Net gain/loss on sale of non-current assets	2	5
Effect of changes in currency exchange rates	7	-17
Net interest income	-3 469	-2 751
Interest received	4 074	3 717
Interest paid	-1 429	-978
Change in loans and advances related to customers of credit institutions and leasing companies	1 747	-357
Change of financial assets designated at fair value through profit or loss at inception	-5 595	4 451
Change in deposits of credit institutions	-12	-240
Change in deposits	-19 692	17 723
Assets for sale	639	85
Change in other assets and liabilities related to operating activities	-1 301	-141
Total cash flows from operating activities	-23 542	22 029
Cash flows from investment activities (direct method)		
Proceeds from sale of non-current assets and investment property	26	1 342
Expenses for obtaining non-current assets and investment property	-90	-268
Contribution to subsidiary's share capital by non-controlling interest	31	0
Total cash flows from investment activities	-33	1 074
Cash flows from financing activities (direct method)		
Dividend payout	-1 095	0
Repayment of loans to credit institutions	0	-14 000
Total cash flows from financing activities	- 1 095	-14 000
Total cash flows	-24 670	9 103
Change in cash and cash equivalents	-24 670	9 103
Cash and cash equivalents at beginning of the period	124 684	62 467
Cash and cash equivalents at end of the period	100 014	71 570
Cash and cash equivalents balance is comprised of:	100 014	71 570
Cash on hand	12 682	2 356
Demand deposits in central banks	40 004	14 549
Demand and short-term deposits in credit institutions	47 328	54 665

Notes to the interim report

Note 1. Accounting principles

The interim report of Eesti Krediidipank Group for Quarter II 2016 has been prepared in conformity with International Accounting Standard IAS 34 "Interim Financial Reporting" and the disclosure requirements, established by Eesti Pank.

The accounting principles, used in the interim report of Eesti Krediidipank Group for Quarter II 2016 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2015.

Note 2. Balances with central banks

In thousands of euros

	30.06.2016	31.12.2015
Demand deposits		
Incl. minimum reserve requirement	2 103	2 221
Incl. demand deposits, cash equivalents	37 901	62 905
Total	40 004	65 126

Note 3. Loans and advances to credit institutions

In thousands of euros

	30.06.2016	31.12.2015
EU countries, except Estonia	25 689	25 582
USA	12 812	19 316
Estonia	8 761	11 941
All other countries	569	877
Total	47 831	57 716

Note 4. Loans and advances to customers

In thousands of euros

	30.06.2016	31.12.2015
Total receivables from private individuals	117 285	116 245
Total receivables from corporates	36 212	38 901
Total receivables	153 497	155 146
Impairment of loans and advances (note 5)	-2 860	-2 494
Total	150 637	152 652

Note 5. Impairment of loans and advances

In thousands of euros

	30.06.2016	31.12.2015
Balance at the beginning of the reporting period	-2 494	-3 019
Impairments posted during the reporting period	-982	-1 600
Adjustment of previous impairments	397	1 425
Receipts from off-balance sheet loan receivables	-68	-176
Loans written off during the reporting period	287	876
Balance at the end of the reporting period	-2 860	-2 494

Note 6. Past due receivables

In thousands of euros

	30.06.2016		31.12.2015	
	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
Private individuals				
1-30 days	7 029	49.2%	3 814	47.6%
31-60 days	2 020	40.2%	1 391	36.0%
61-90 days	649	3.6%	395	24.2%
more than 90 days	3 201	44.4%	3 206	60.3%
Total	12 899		8 806	

	30.06.2016		31.12.2015	
	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
Corporates				
1-30 days	3 075	49.1%	593	42.7%
31-60 days	390	64.9%	410	79.5%
61-90 days	35	66.0%	2 285	19.3%
more than 90 days	4 052	24.8%	4 027	27.7%
Total	7 552		5 258	

The collateral coverage ratio is calculated as the receivable from the customer divided by the market value of collateral.

Note 7. Financial investments

In thousands of euros

	30.06.2016	31.12.2015
Financial assets held for trading	28	28
Currency-related derivative agreements with credit institutions	28	28
Financial assets designated at fair value through profit or loss at inception	11 330	6 078
Government bonds	2 813	1 053
Bonds of credit institutions and financing institutions	3 797	1 327
Bonds of other non-financial companies	4 720	3 698
Held-to-maturity financial assets	503	503
Bonds of other non-financial companies	503	503
Available-for-sale financial assets	13	13
Shares of other non-financial companies	13	13

Note 8. Other assets

In thousands of euros

	30.06.2016	31.12.2015
Investment property	11 219	11 220
Property, plant and equipment	4 955	5 088
Assets held for sale	1 783	2 422
Intangible assets	721	761
Other financial assets	590	1 161
Other assets	196	240
Total	19 464	20 892

Note 9. Due to customers

In thousands of euros		
	30.06.2016	31.12.2015
Private individuals	140 854	151 633
Corporates	106 258	115 762
Total	247 112	267 395
Demand deposits	135 016	105 386
Term deposits	112 096	162 009
Total	247 112	267 395

Note 10. Other liabilities

In thousands of euros		
	30.06.2016	31.12.2015
Other financial liabilities	2 021	3 928
Other liabilities	684	699
Total	2 705	4 627

Note 11. Contingent assets and liabilities

In thousands of euros		
30.06.2016	Assets	Liabilities
Financial assets held for trading	26 618	26 600
incl. underlying assets of currency related derivatives	26 618	26 600
Contingent liabilities	0	5 566
incl. financial guarantees	0	1 378
incl. lines of credit and overdraft facilities	0	4 188
31.12.2015		
Financial assets held for trading	20 437	20 685
incl. underlying assets of currency related derivatives	20 437	20 685
Contingent liabilities	0	7 871
incl. financial guarantees	0	1 253
incl. lines of credit and overdraft facilities	0	6 618

Note 12. Interest income

In thousands of euros				
	2016		2015	
	6 months	Q2	6 months	Q2
On loans and lease receivables	4 035	2 042	3 708	1 905
On financial assets measured at fair value	202	118	254	114
On held-to-maturity financial assets	16	8	100	52
On cash and loans and advances to banks	55	27	7	2
Total	4 308	2 195	4 069	2 073

Note 13. Interest expense

In thousands of euros

	2016		2015	
	6 months	Q2	6 months	Q2
On term deposits	672	308	910	448
On subordinated loans	155	78	403	188
On loans	10	5	3	3
On demand deposits	2	1	2	1
Total	839	392	1 318	640

Note 14. Fee and commission income

In thousands of euros

	2016		2015	
	6 months	Q2	6 months	Q2
Bank transfer fees	538	288	511	246
Gains from foreign exchange transactions	400	202	341	209
Account opening and management fees	220	111	209	109
Charges on card transactions	154	78	178	91
Fees related to securities	16	11	12	5
Other fees	396	202	251	152
Total	1 724	892	1 502	812

Note 15. Fee and commission expense

In thousands of euros

	2016		2015	
	6 months	Q2	6 months	Q2
Charges on card transactions	211	114	183	94
Bank transfer fees	117	65	93	47
Securities transaction and custodial fees	5	3	5	3
Other fees	100	45	31	23
Total	433	227	312	167

Note 16. Net income/expense from financial instruments designated at fair value

In thousands of euros

	2016		2015	
	6 months	Q2	6 months	Q2
Derivative transactions	76	20	0	0
Currency-related derivative transactions	76	20	0	0
Financial assets designated at fair value	-40	-6	-210	-80
Change in fair value of financial assets designated at fair value through profit or loss at inception	-40	-6	-210	-80
Total	36	14	-210	-80

Note 17. Related parties

For the purposes of this Note, the following have been considered related parties:

- a shareholder of significant influence and companies that are part of its group;
- management of the group: members of the Management Board and the Supervisory Board of parent company, head of internal audit and entities controlled by them;
- those, who have the same economic interest as management, and entities related to them.

The terms of the loans granted to related parties do not differ from the loans granted to other customers with regard to interest rates.

Transactions with related parties are based on the price list and/or are carried out at market value.

In thousands of euros

	30.06.2016	30.06.2015
Credit institution with significant interest		
Deposits in credit institution with significant interest	0	24
Deposits from credit institution with significant interest	28	28
Subordinated loan	4 000	4 000
Interest expense of reporting period	154	403
Members of the management board and supervisory board, and persons and companies associated with them		
Loans	129	138
Deposits	409	370
Interest income of the reporting period	2	4
Interest expense of the reporting period	2	3
Sale of other goods and services	2	13
Purchase of other goods and services	0	0
Compensation paid and payable to members of the Management Board and Supervisory Board	236	210
Maximum termination benefits payable to members of the management board, on a contingent basis	141	141