



Krediidipank

6 MONTHS INTERIM REPORT
2014

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1. GENERAL INFORMATION

Business name:	AS Eesti Krediidipank
Established:	15.03.1992 in Tallinn
Address:	Narva mnt. 4, Tallinn 15014
Registry code:	10237832
Register:	The Commercial Register of the Register Department of the Harju County Court
Entry date:	19.08.1997
Telephone:	+372 669 0900
Telefax:	+372 661 6037
SWIFT/BIC:	EKRDEE22
E-mail address	info@krediidipank.ee
Internet homepage	http://www.krediidipank.ee
Auditor:	From 2014 AS PricewaterhouseCoopers
Auditor's registry code:	10142876
Auditor's address:	Pärnu mnt 15, Tallinn 10141
Reporting date:	30.06.2014
Reporting period:	01.01.2014 – 30.06.2014
Currency:	euro (EUR), thousands

2. 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 information is true and comprehensive.

Current interim report is not audited.

The General Meeting of Shareholders approved the Annual Report 2013 on April 22, 2014.

Valmar Moritz
Chairman of the
Management Board

Uku Tammaru
Vice Chairman of the
Management Board

Janek Uiboupin
Member of the
Management Board

Marina Laaneväli
Member of the
Management Board

3. MANAGEMENT REPORT

3.1. DESCRIPTION OF AS EESTI KREDIIDIPANK GROUP

As of 30.06.2014

Company name	Address	Field of activity	1. Registry code 2. Register 3. Reg. date	'articipation
AS Eesti Krediidipank	Narva mnt. 4, Tallinn	banking	1. 10237832 2. Tallinn CC RD 3. 19.08.1997	parent company
AS Martinoza	Narva mnt. 4, Tallinn	real estate management	1. 10078109 2. Tallinn CC RD 3. 28.10.1996	100%
Krediidipanga Liisingu AS	Narva mnt. 4, Tallinn	leasing	1. 10079244 2. Tallinn CC RD 3. 27.08.1996	100%
Äigrumäe Kinnisvara OÜ	Narva mnt. 4, Tallinn	real estate transactions	1. 11386600 2. Tallinn CC RD 3. 10.05.2007	share of AS Martinoza 100%
OÜ Murru-Murikatsi Põllumajandussaadused	Narva mnt. 4, Tallinn	production of agricultural products	1. 10828786 2. Tallinn CC RD 3. 03.12.2001	share of AS Martinoza 100%
AS Krediidipank Finants	Narva mnt. 4, Tallinn	financing	4. 12546980 5. Tallinn CC RD 6. 03.10.2013	51%

All companies are registered in the Commercial Register of the Republic of Estonia, the parent company is AS Eesti Krediidipank.

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

The consolidation group for the purposes of the Credit Institutions Act and consolidation within the Group, according to IFRS, have no distinctions.

3.2. SIGNIFICANT EVENTS

15.01.2014

New product – Target loan (Sihklaen). Krediidipank in co-operation with AS Cofi placed Target loan (Sihklaen) on the market. It is a small loan requiring no guarantee and response to loan application arrives in few moments after entering the data.

01.02.2014

Transition to SEPA and e-invoice standing orders. New EU directive coming into force brought forth longer account numbers, slower money transactions and e-invoice standing orders replacing former direct payment orders.

28.04.2014

Legitimacy of Krediidipank's Supervisory Board, elected in 2012, approved. The Supreme Court announced its decision to allow Krediidipank's appeal in cassation in court action against the Bank of Moscow about election of the Supervisory Board of Krediidipank. The judgement means that the election of Bank's Supervisory Board was fully legitimate.

23.05.2014

Scholarship laureates of ROF announced. The Rein Otsason Foundation awarded three traditional scholarships of 2000€ to young Estonian researchers. The scholarship laureates were Karoline Jostov, Sten Sonts and Jürgen Kaevats.

3.3 RATIOS OF AS EESTI KREDIIDIPANK GROUP

The ratios of Q2 have been calculated on the basis of Q2 indicators, i.e. the indicators of income statement date from April 2014 till June 2014 and the indicators of balance sheet are arithmetic means of the indicators of the end dates of last month of 2013 and each month of Q2 2014.

The ratios of 6 months are calculated on the basis of 6 months indicators, i.e. the indicators of income statement date from January 2014 till June 2014 and the indicators of balance sheet are arithmetic means of the indicators of the end dates of the same period.

The table presents ratios on yearly basis.

	Q2 2014	Q2 2013	6 months 2014	6 months 2013
Return on equity ROE net profit/shareholders' equity	8,4%	1,9%	3,5%	0,3%
Equity multiplier EM total assets/shareholders' equity	9,5	12,0	9,6	12,1
Profit margin PM profit/total revenue	12,8%	2,9%	6,2%	0,4%
Asset utilisation AU total revenue/assets	7,0%	5,5%	5,9%	5,1%
Return on assets ROA net profit/assets	0,9%	0,2%	0,4%	0,02%
Net interest margin NIM net interest income/interest-bearing assets	2,6%	1,6%	2,4%	1,6%
Earnings per share EPS	0,06 eur	0,01 eur	0,02eur	-0,002 eur
SPREAD interest income/interest-bearing assets - interest expense/interest-bearing liabilities	2,6%	1,6%	2,5%	1,6%

3.4 PENDING COURT CASES

As of June 30, 2014 the courts were proceeding 17 actions of the Group with total principal claims 580 thousand euros, to which fines for delay are added. The claims have positive legal perspective. These are mainly claims for fulfilling the obligations arising from loan and leasing agreements. Recourse to the court has been caused by undisciplined payment behaviour and solvency problems of debtors not by legal disputes.

Bank's shareholder and supervisory authority have disputed in court several decisions made in the general meeting of shareholders. The substantial dispute is held between the shareholders, bank serves as a respondent on procedural basis. No financial claims have been settled against the Bank.

4. FINANCIAL REPORTS

4.1. BALANCE SHEET OF AS EESTI KREDIIDIPANK GROUP

In thousands of euros

Assets	30.06.2014	31.12.2013
1. Cash and receivables from credit institutions	33 634	51 785
2. Financial assets measured at fair value	18 792	29 166
3. Available for sale financial assets	18	18
4. Loans and other similar receivables	153 612	143 205
5. Financial assets held to maturity	4 002	5 617
6. Fixed assets	6 320	6 207
7. Goodwill	4	4
8. Investment property	14 326	16 052
9. Other assets	8 786	7 593
Total assets	239 494	259 647
Liabilities		
1. Deposits of central banks	5 070	5 064
2. Deposits and other financial liabilities	203 815	226 190
incl. deposits of credit institutions	112	380
client deposits	190 594	211 853
subordinated liabilities	13 109	13 390
other financial liabilities	0	567
3. Other liabilities	4 455	2 656
Total liabilities	213 340	233 910
Shareholders' equity		
1. Share capital	25 001	25 001
2. Share premium	174	174
3. Mandatory reserve	2 057	2 027
4. Revaluation reserve	0	-11
5. Retained earnings	-1 563	-2 593
6. Profit/loss for the financial year (+/-)	459	1 060
7. Minority shareholding	26	79
Total shareholders' equity	26 154	25 737
Total liabilities and shareholders' equity	239 494	259 647

4.2. INCOME STATEMENT OF AS EESTI KREDIIDIPANK GROUP

In thousands of euros

Continued operations	6 months 2014	6 months 2013
1. Financial and operating income and expenses	3 780	3 428
1.1 Interest income	4 045	3 586
1.1.1 From cash and deposits with central banks	39	63
1.1.2 From trading portfolio	2	250
1.1.3 From financial assets at fair value with changes through profit and loss	302	246
1.1.4 From loans (incl. financial lease)	3 475	2 858
1.1.5 From financial investments held to maturity	227	169
1.2 Interest expense (-)	-1 389	-1 449
1.2.1 From trading portfolio	0	-68
1.2.2 From financial liabilities recorded based on the amortised acquisition cost method	-1 389	-1 381
1.3 Fee and commission income	1 310	1 723
1.4 Fee and commission expense (-)	-298	-401
1.5 Net profit/loss from financial assets and liabilities not recorded at fair value (+/-)	0	-28
1.6 Net profit/loss from financial assets and liabilities held for trading (+/-)	22	-20
1.7. Net foreign exchange gains/losses (+/-)	-1	-42
1.8 Profit/loss from assets not held for trading (+/-)	19	-1
1.9 Other operating income	1 932	1 968
1.10 Other operating expense (-)	-1 860	-1 909
2. Administrative expenses (-)	-3 152	-3 473
2.1 Wages and salaries	-2 521	-2 684
2.2 Administrative and general expenses	-631	-789
3. Depreciation of fixed assets (-)	-271	-266
4. Change in value of assets (+/-)	49	344
5. Profit/loss from continued operations, before income tax (+/-)	406	33
6. VAT expense of continued operations (-)	0	0
7. Net profit/loss from continued and discontinued operations (+/-)	406	33
8. Part of profit/loss of minority shareholding (+/-)	-53	0
9. Total profit/loss of parent company (+/-)	459	0
Total profit/loss of the Group (+/-)	459	33

In thousands of euros

Comprehensive income statement		
1. Net profit of the Group	459	33
2. . Other comprehensive income/expense	0	6
2.1. Difference of unrealised foreign exchange rate generated by recalculation of financial indicators of foreign business unit	0	6
2.2. Revaluation of available for sale financial assets	0	0
Total comprehensive income/expense of the Group	459	39

4.3. CASH FLOW STATEMENT OF AS EESTI KREDIIDIPANK GROUP

In thousands of euros

	Group 6 months 2014	Group 6 months 2013
a) Cash flow from operating activities		
Net profit	459	33
+ correction of profit with non-cash expenses and losses	4 346	3 977
- correction of profit with non-cash incomes and profits	-4 172	-6 525
- change in assets related to operating activities	96	-5 197
- change in liabilities related to operating activities	-20 227	-17 132
Net cash flow from operating activities	-19 498	-24 844
b) Cash flow from investing activities		
+ contributions	1 810	680
- disbursements	-463	-75
Net cash flow from investing activities	1 347	605
c) Cash flow from financing activities		
+ contributions	0	0
- disbursements	0	0
Net cash flow from financing activities	0	0
d) Net change in cash and cash equivalents	-18 151	-24 239
cash and cash equivalents at the beginning of the period	51 785	109 627
cash and cash equivalents at the end of the period	33 634	85 388
Balance of cash and cash equivalents:	33 634	85 388
Cash in hand	1 954	2 105
Demand deposits with Central Bank	6 093	52 905
Demand deposits and short-term deposits with credit institutions	25 587	30 378

4.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF AS EESTI KREDIIDIPANK GROUP

In thousands of euros

Group	Share capital	Share premium	Reserves	Revaluation reserve	Retained earnings/ accumulated loss (+/-)	Minority shareholding	Total shareholders' equity
Shareholder's equity 31.12.2013	25 001	174	2 027	-11	-1 533	79	25 737
Formation of reserves	0	0	30	0	-30	0	0
Difference of unrealised foreign exchange rate generated by recalculation of financial indicators of foreign business unit	0	0	0	11	0	0	11
Profit/loss from the period (+/-)	0	0	0	0	459	0	459
Minority shareholding	0	0	0	0	0	-53	-53
Shareholder's equity 30.06.2014	25 001	174	2 057	0	-1 104	26	26 154

In thousands of euros

Group	Share capital	Share premium	Reserves	Revaluation reserve	Retained earnings/ accumulated loss (+/-)	Minority shareholding	Total shareholders' equity
Shareholder's equity 31.12.2012	25 001	174	1 908	-130	-2 474	0	24 479
Formation of reserves	0	0	119	0	-119	0	0
Difference of unrealised foreign exchange rate generated by recalculation of financial indicators of foreign business unit	0	0	0	136	0	0	136
Rounding	0	0	0	-1	0	0	-1
Profit/loss from the period (+/-)	0	0	0	0	33	0	33
Shareholder's equity 30.06.2013	25 001	174	2 027	5	-2 560	0	24 647

5. NOTES TO THE INTERIM REPORT

Note 1. Accounting policies used

The accounting policies, used in current interim report are in conformity with the accounting policies, used in the Annual Report 2013.

The balance sheet and income statement reflect the assets, liabilities, shareholders' equity, income and expenses in conformity with the procedure provided by the European Parliament and the Council of Europe, based on International Accounting Standards ratified by the European Commission.

Note 2. Provision for loan loss allowances of AS Eesti Krediidipank Group

In thousands of euros

Provision for loan loss allowances	30.06.2014	30.06.2013
Balance of allowance made for uncollectible loans and claims at the beginning of the period	-3 249	-3 529
Write-downs of the period	-600	-618
Correction of previous write-downs	653	970
Repayment of off-balance sheet loans	-99	-208
Loans written off from the balance sheet during the period	203	228
Change in currency exchange rates	0	0
Balance of allowance made for uncollectible loans and claims at the end of the period	-3 092	-3 157

Note 3. Receivables due for payment of AS Eesti Krediidipank Group

In thousands of euros

Due for	30.06.2014	30.06.2013
up to 30 days	10 342	14 090
31 - 60 days	2 075	2 474
61 - 90 days	421	1 399
over 90 days	5 836	9 076
Total receivables due for payment	18 674	27 039

Note 4. Related parties of AS Eesti Krediidipank Group

For the purposes of this Note, the following shall be considered related parties:

- credit institution with qualifying holding and credit institutions of its group;
- members of Management Board and Supervisory Board of the companies in the Group, head of internal audit (hereinafter the directors) and companies related to them;
- those who have similar economic interests to directors and companies related to them.

Loans issued to related parties do not differ in terms from these given to other customers.

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

In thousands of euros

	2014	2013
Credit institution with qualifying holding		
Deposits with credit institution with qualifying holding 30.06	15	122
Deposits of credit institution with qualifying holding 30. 06	30	110
Subordinated loan 30. 06	13 000	13 000
Interest income calculated during the period	0	0
Interest expenses calculated during the period	430	440
Directors and persons / companies related to them		
Loans 30. 06	230	222
Deposits 30. 06	742	969
Interest income calculated during the period	5	4
Interest expenses calculated during the period	4	6
Management Board and Supervisory Board members' remuneration	312	274