



Interim Report
Quarter III 2017

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Management report

Structure of the group as at 30 September, 2017. First five companies are registered in Estonian Commercial Register and the last company in Latvian Commercial Register.

Company name	Activity	Holding
Coop Pank AS	banking	parent company
Coop Liising AS	leasing	100%
AS Krediidipank Finants	other lending activities	100%
Coop Finants AS	other lending activities	100%
AS Martinoza	real estate management	100%
SIA Prana Property	real estate management	100%

Since the end of January 2017 Coop Pank AS (former AS Eesti Krediidipank) has new majority shareholders. Shareholders elected new Supervisory Board of the bank and the latter appointed new Management Board (full information is available at the end of the report).

In May 2017, AS Krediidipank acquired 100% holding in Coop Finants AS from its current owners (Coop Eesti Keskühistu, AS Inbank) and in June 2017 the minority holding in AS Krediidipank Finants, formerly owned by AS Inbank. On 2 October 2017 the merger of Coop Finants AS and Krediidipank Finants took place, business activities continue under the name of Coop Finants AS. AS Krediidipank Finants is scheduled to close in the future.

In May 2017, the bank established a 100% subsidiary SIA Prana Property in the Republic of Latvia, that is operating the real estate, obtained as a guarantee to loan agreement, concluded in Latvian branch. Following the new strategy, bank closed its Latvian branch in Q3 2017. Bank terminated the fast money transfer service FIXI both in Latvia and Estonia.

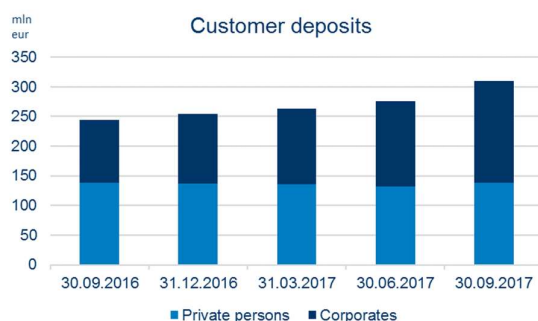
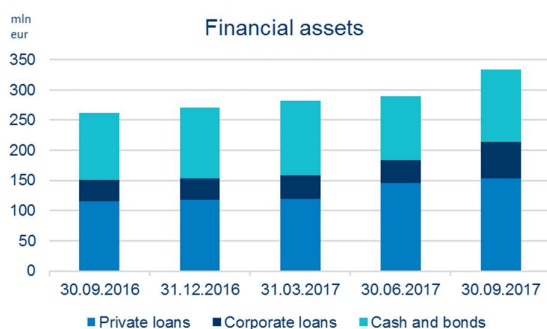
The 9-month reorganisation process of the bank resulted introducing new business name and trademark. From 2 October 2017 business name of the bank is Coop Pank AS. The strategy of new bank is to offer financial services to private clients of Coop, as well as to related small and middle size enterprises. In October, bank presented new settlement plans and internet bank to the clients, first mobile banking offices (banking points) were opened in Coop stores. We are successively going to offer the opportunity of cash withdrawal from Coop stores' cashiers all over Estonia, step-by-step, bank services will undergo the renewal process.

Overview of financial results

Income statement, EUR thousand*	Q3 2017	Q2 2017	quarterly change	Q3 2016	annual change
Net interest income	3 396	2 530	34%	1 961	73%
Net fee and commission income	598	507	18%	769	-22%
Other income	3 413	64	5 233%	203	1 581%
Total net operating income	7 407	3 101	139%	2 933	153%
Operating expenses	-2 892	-2 742	5%	-1 769	63%
Loan losses	-437	-275	59%	-21	1 981%
Income tax expense	0	0	0%	0	0%
Net profit	4 078	84	4 755%	1 143	257%
incl. attributable to owners of the parent	4 078	-28		1 056	

* Results of Coop Finants AS are consolidated from 01.06.2017

Business volumes, EUR thousand	Q3 2017	Q2 2017	quarterly change	Q3 2016	annual change
Loan portfolio	214 640	183 450	17%	150 965	42%
Cash and bonds	119 695	106 458	12%	111 542	7%
Deposits of customers	309 422	275 467	12%	244 622	26%
Equity (incl. minority shareholding)	45 072	40 994	10%	29 665	52%
Equity (attributable to owners of the parent)	45 072	40 994	10%	29 446	53%



Ratios (quarterly ratios, expressed on annualised basis)	Q3 2017	Q2 2017	quarterly change	Q3 2016	annual change
Average equity (attributable to parent company), EUR thousand	43 033	35 239	7 795	28 918	14 115
Return on equity ROE % (net profit / average equity)	37.9	-0.3	38.2	14.6	23.3
Cash and interest-bearing assets, average, EUR thousand	317 645	291 280	26 365	268 039	49 606
Net interest margin NIM % (net interest income / interest-bearing assets, average)	4.3	3.5	0.8	2.9	1.4
Cost/income ratio % (total operating cost / total income)	39.0	88.4	-49.4	60.3	-21.3

Capitalisation

Capital base, EUR thousand	30.09.2017	31.12.2016
Tier 1 capital		
Paid-in share capital and share premium	38 374	25 175
Statutory reserve capital	2 070	1 970
Retained earnings	387	617
Goodwill accounted for as intangible asset (-)	-6 757	0
Intangible assets (-)	-969	-687
Deferred tax asset depending on future tax profits (-)	0	-1
Adjustment of value arising from requirements of reliable measurement (-)	-18	-21
Other deductions from Tier 1 capital (-)	-797	-1 019
Total Tier 1 capital	32 289	26 034
Subordinated debt	2 703	3 299
Tier 2 capital	2 703	3 299
Net own funds for capital adequacy	34 992	29 333
Risk-weighted assets RWA		
Central government and central banks using standardised approach	1 440	1 452
Credit institutions, investment companies and local governments using standardised approach	7 755	11 581
Companies using standardised approach	17 924	8 323
Retail claims using standardised approach	39 346	17 371
Claims secured by mortgage on real estate using standardised approach	68 539	55 837
Claims past due using standardised approach	5 285	2 645
Items subject to particularly high risk using standardised approach	5 445	6 845
Other assets using standardised approach	19 366	18 035
Total credit risk and counter-party credit risk	165 100	122 089
Operational risk using basic indicator approach	17 734	16 132
Total risk-weighted assets (total risk exposure)	182 834	138 221
Capital adequacy ratio	19.14%	21.22%
Tier 1 capital ratio	17.66%	18.84%

Requirements to own funds:

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	1,00%	of total risk exposure
Capital conservation buffer	2,50%	of total risk exposure

As at the end of reporting period, the Group meets all regulative capital requirements.

In Q3 the capital adequacy ratio decreased to 19.1% due to increase of risk-weighted assets (21.4% in Q2).



Consolidated interim financial statements

Consolidated comprehensive income statement

EUR thousand	Note	Q3 2017	9 M 2017	Q3 2016	9 M 2016
Interest income		3 915	9 230	2 362	6 727
Interest expense		-519	-1 323	-401	-1 324
Net interest income	2	3 396	7 907	1 961	5 403
Fee and commission income		887	2 261	967	2 634
Fee and commission expense		-289	-717	-198	-547
Net fee and commission income	3	598	1 544	769	2 087
Revenue from sale of assets		123	496	49	952
Cost of assets sold		-96	-472	-33	-711
Rental income		133	478	204	582
Expense for receiving rental income		-104	-219	-62	-225
Change in fair value of investment property		109	109	0	0
Other income		3 319	3 463	37	98
Net gain on financial instruments designated at fair value	4	-71	-265	8	44
Other net income		3 413	3 586	203	740
Payroll expense		-1 805	-4 986	-1 118	-3 489
Operating expense		-975	-2 603	-540	-1 839
Depreciation		-112	-325	-111	-348
Operating income		4 515	5 123	1 164	2 554
Impairment losses on loans		-437	-768	-21	-603
Income tax expense		0	0	0	-120
Net profit from the reporting period		4 078	4 355	1 143	1 831
Other comprehensive income / expense		0	0	0	0
Comprehensive income for the reporting period		4 078	4 355	1 143	1 831
Net profit attributable to:					
Owners of parent company		4 078	4 242	1 056	1 684
Non-controlling interest		0	113	87	147
Net profit for the reporting period		4 078	4 355	1 143	1 831
Comprehensive income attributable to:					
Owners of parent company		4 078	4 242	1 056	1 684
Non-controlling interest		0	113	87	147
Comprehensive income for the reporting period		4 078	4 355	1 143	1 831

In 2016 EBA disclosed its position on recognition of negative interest rate in financial reporting, for which reason the current interim report includes amended data on interest income and fee and commission income, distribution in income statement and cash flow statement (see also Note 2 and Note 3).

Consolidated statement of financial position

EUR thousand	Note	30.09.2017	31.12.2016
Assets			
Cash on hand		22 234	22 337
Balances with central banks	5	49 347	43 919
Loans and advances to credit institutions	6	37 748	39 293
Financial assets designated at fair value through profit or loss at inception	7	9 855	11 421
Loans and advances to customers	8,9,10,11	214 640	153 133
Held-to-maturity financial assets	7	511	503
Available-for-sale financial assets	7	13	13
Goodwill		6 757	0
Other assets	12	22 093	19 551
Total assets		363 198	290 170
Liabilities			
Due to credit institutions		0	185
Due to customers	13	309 422	253 812
Other liabilities	14	4 665	2 557
Subordinated debt		4 039	4 039
Total liabilities		318 126	260 593
Owner's equity			
Share capital		38 199	25 001
Share premium		174	174
Reserves		2 070	1 970
Retained earnings / accumulated loss (+/-)		4 629	2 146
Equity attributable to owners of the parent company		45 072	29 291
Non-controlling interest		0	286
Total equity		45 072	29 577
Total liabilities and equity		363 198	290 170

Consolidated cash flow statement

EUR thousand	9 M 2017	9 M 2016
Cash flows from operating activities		
Interest received	8 855	6 602
Interest paid	-1 332	-1 897
Fee and commission received	2 261	2 634
Fee and commission paid	-717	-547
Other income received	3 742	696
Payroll expense paid	-4 662	-3 453
Other operating expense paid	-2 823	-1 519
Cash flows from operating activities before the change of assets and liabilities related to operating activities	5 324	2 516
Change in assets related to operating activities:		
Loan receivables from customers	-61 952	1 099
Other assets	-8 380	1 362
Change in liabilities related to operating activities:		
Change in customer deposits and loans received	55 619	-22 199
Change in deposits of credit institutions	-185	-4
Other liabilities	1 995	-1 530
Net cash flows from operating activities	-7 579	-18 756
Cash flows from investment activities		
Property, plant and equipment, and investment property acquired	-864	-90
Property, plant and equipment, and investment property sold	6 487	26
Net change of investments designated at fair value	1 353	-4 946
Acquiring subsidiaries, net cash flow	-8 815	0
Total cash flows from investment activities	-1 839	-5 010
Cash flows from financing activities		
Contribution into share capital	13 198	0
Contribution of non-controlling interest into subsidiary's share capital	0	31
Dividends payout	0	-1 095
Total cash flows from financing activities	13 198	-1 064
Change in cash and cash equivalents	3 780	-24 830
Cash and cash equivalents at beginning of the period	105 549	124 684
Cash and cash equivalents at end of the period	109 329	99 854
Cash and cash equivalents include:	109 329	99 854
Cash on hand	22 234	12 022
Demand deposits in central banks	49 347	36 215
Demand and short-term deposits in credit institutions	37 748	51 617

Consolidated statement of changes in equity

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total share of parent company share-holders	Non-controlling interest	Total equity
Equity as at 01.01.2016	25 001	174	1 844	1 838	28 857	41	28 898
Dividends payout	0	0	0	-1 095	-1 095	0	-1 095
Changes in reserves	0	0	126	-126	0	0	0
Contribution of non-controlling interest into subsidiary's share capital	0	0	0	0	0	31	31
Net profit	0	0	0	1 684	1 684	147	1 831
Other comprehensive income	0	0	0	0	0	0	0
Comprehensive income for the reporting period	0	0	0	1 684	1 684	147	1 831
Equity as at 30.09.2016	25 001	174	1 970	2 301	29 446	219	29 665
Change in equity during 01.10.-31.12.2016	0	0	0	-155	-155	67	-88
Equity as at 01.01.2017	25 001	174	1 970	2 146	29 291	286	29 577
Increase of share capital	13 198	0	0	0	13 198	0	13 198
Changes in reserves	0	0	100	-100	0	0	0
Acquiring non-controlling interest	0	0	0	-1 659	-1 659	-399	-2 058
Net profit	0	0	0	4 242	4 242	113	4 355
Other comprehensive income	0	0	0	0	0	0	0
Comprehensive income for the reporting period	0	0	0	4 242	4 242	113	4 355
Equity as at 30.09.2017	38 199	174	2 070	4 629	45 072	0	45 072

Notes to consolidated financial statements

Note 1 Accounting principles

The interim report has been prepared in conformity with International Accounting Standard IAS 34 “Interim Financial Reporting” as approved by the EU. The interim report should be read parallel to the Annual Report 2016, prepared in conformity with International Financial Reporting Standards (IFRS).

Accounting principles, used in interim report of the Group for Quarter III 2017 are in conformity with the accounting principles used in annual report of economic year that ended on 31 December, 2016. Subsidiaries are consolidated line by line, by eliminating all intra-group transactions, receivables and liabilities, profits and losses. The definitions of consolidation group as established by EU Regulation No 575/2013 and by IFRS are the same.

All figures in financial statements are in thousands of euros unless noted otherwise.

Note 2 Net interest income

Interest income	Q3 2017	9 M 2017	Q3 2016	9 M 2016
Corporate loans	589	1 420	359	1 108
Loans to individuals	899	2 601	842	2 401
Leasing	290	766	248	745
Consumer loans and instalment	1 869	3 690	698	1 928
Bonds	152	436	156	375
Other assets	43	117	32	86
Interest income on liabilities	73	200	27	84
Total	3 915	9 230	2 362	6 727
Interest expense				
Customer deposits	-377	-935	-279	-963
Subordinated debt	-78	-233	-78	-233
Interest expense on assets	-64	-155	-44	-128
Total	-519	-1 323	-401	-1 324
Net interest income	3 396	7 907	1 961	5 403

Note 3 Net fee and commission income

Fee and commission income	Q3 2017	9 M 2017	Q3 2016	9 M 2016
Bank transfer fees	156	578	297	835
Gain on foreign exchange transactions	101	388	305	705
Account opening and management fees	129	366	109	329
Charges on card transactions	147	332	80	234
Other fee and commission income	354	597	176	531
Total	887	2 261	967	2 634
Fee and commission expense				
Charges on card transactions	-164	-412	-112	-323
Bank transfer fees	-62	-207	-73	-190
Other fee and commission expense	-63	-98	-13	-34
Total	-289	-717	-198	-547
Net fee and commission income	598	1 544	769	2 087

Note 4 Net gain on financial instruments designated at fair value

	Q3 2017	9 M 2017	Q3 2016	9 M 2016
Financial instruments designated at fair value	-71	-265	-70	-110
Currency-related derivative transactions	0	0	78	154
Total	-71	-265	8	44

Note 5 Balances with central banks

	30.09.2017	31.12.2016
Legal reserve	2 485	1 919
Demand deposits	46 862	42 000
Total	49 347	43 919

Note 6 Loans and advances to credit institutions

	30.09.2017	31.12.2016
EU member states, excl. Estonia	28 040	18 344
Estonia	9 468	20 167
All other countries	240	782
Total	37 748	39 293

Note 7 Financial investments

	30.09.2017	31.12.2016
Government bonds	2 881	2 904
Bonds of credit and financing institutions	0	3 073
Bonds of other non-financial companies	6 974	5 444
Financial assets designated at fair value	9 855	11 421
Bonds of other non-financial companies	511	503
Held-to-maturity financial assets	511	503
Shares of other non-financial companies	13	13
Available-for-sale financial assets	13	13

Note 8 Loans and advances to customers

	30.09.2017	31.12.2016
Total receivables from private individuals	156 368	119 261
Total receivables from corporates	61 649	36 125
Total receivables	218 017	155 386
Impairment of loans and advances	-3 377	-2 253
Total	214 640	153 133

Note 9 Impairment of loans and advances

Impairments	30.09.2017	31.12.2016
Balance at the beginning of the reporting period	-2 253	-2 494
Additional balance from acquiring the subsidiary	-1 050	0
Impairments posted during the reporting period	-966	-1 165
Loans written off during the reporting period	892	1 406
Balance at the end of the reporting period	-3 377	-2 253

Loan losses	9 kuud 2017	9 kuud 2016
Impairments posted during the reporting period (+)	966	715
Receipts from off-balance-sheet loan receivables (-)	-198	-110
Loan losses (+) or decrease of loan losses (-)	768	605

Note 10 Past due receivables from customers

	30.09.2017		31.12.2016	
Private individuals	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
1-30 days	9 660	36.8%	4 718	44.9%
31-60 days	1 752	21.6%	1 370	35.1%
61-90 days	620	16.2%	579	37.1%
over 90 days	4 129	15.6%	1 914	23.8%
Total *	16 161		8 581	

	30.09.2017		31.12.2016	
Corporates	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
1-30 days	938	58.5%	282	32.2%
31-60 days	175	68.1%	43	58.1%
61-90 days	31	26.1%	2 467	49.4%
over 90 days	348	64.0%	4 322	21.1%
Total	1 492		7 114	

* The increase in past due receivables from private individuals is caused by the consolidation of loan portfolio of acquired subsidiary Coop Finants.

Note 11 Distribution of financial assets and liabilities by maturity dates

The tables include future receivable and payable interests.

30.09.2017	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash on hand	22 234	0	0	0	22 234
Balances with central banks	49 347	0	0	0	49 347
Loans and advances to credit institutions	37 706	46	0	0	37 752
Financial assets designated at fair value through profit or loss at inception	0	3 143	6 712	0	9 855
Loans and advances to customers	21 896	36 811	112 180	111 051	281 938
Held to maturity financial assets	0	0	511	0	511
Available-for-sale financial assets	0	0	0	13	13
Other financial assets	374	0	0	170	544
Total financial assets	131 557	40 000	119 403	111 234	402 194
Liabilities					
Due to credit institutions	5 004	0	0	0	5 004
Due to customers	189 041	69 004	45 358	2 622	306 025
Other financial liabilities	3 023	0	0	0	3 023
Subordinated debt	78	232	4 737	0	5 047
Total financial liabilities	197 146	69 236	50 095	2 622	319 099
Off-balance-sheet liabilities					
Unused credit limits and overdrafts	28 918	0	0	0	28 918
Financial guarantees	1 377	0	0	0	1 377
Total of carrying and off-balance-sheet amounts of liabilities	227 441	69 236	50 095	2 622	349 394
Maturity gap between financial assets and liabilities	-95 884	-29 236	69 308	108 612	52 800

31.12.2016	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash on hand	22 337	0	0	0	22 337
Balances with central banks	43 919	0	0	0	43 919
Loans and advances to credit institutions	38 793	500	0	0	39 293
Financial assets designated at fair value through profit or loss at inception	1 037	5 457	4 927	0	11 421
Loans and advances to customers	15 220	21 271	73 399	92 503	202 393
Held to maturity financial assets	0	0	503	0	503
Available-for-sale financial assets	0	0	0	13	13
Other financial assets	431	0	0	283	714
Total financial assets	121 737	27 228	78 829	92 799	320 593
Liabilities					
Due to credit institutions	185	0	0	0	185
Due to customers	170 036	55 902	26 229	2 493	254 660
Other financial liabilities	1 433	0	0	0	1 433
Subordinated debt	76	234	4 969	0	5 279
Total financial liabilities	171 730	56 136	31 198	2 493	261 557
Off-balance-sheet liabilities					
Unused credit limits and overdrafts	3 708	0	0	0	3 708
Financial guarantees	1 355	0	0	0	1 355
Total of carrying and off-balance-sheet amounts of liabilities	176 793	56 136	31 198	2 493	266 620
Maturity gap between financial assets and liabilities	-55 056	-28 908	47 631	90 306	53 973

Note 12 Other assets

Other assets	30.09.2017	31.12.2016
Investment property	8 229	9 105
Property, plant and equipment	2 571	4 512
Assets held for sale	8 088	4 279
Intangible assets	969	687
Other financial assets	544	714
Other assets	1 692	254
Total	22 093	19 551

Note 13 Due to customers

Due to customers	30.09.2017	31.12.2016
Private individuals	138 489	136 686
Corporates	170 933	117 126
Total	309 422	253 812
Demand deposits	162 616	141 088
Term deposits	146 806	112 724
Total	309 422	253 812

Note 14 Other liabilities

Other liabilities	30.09.2017	31.12.2016
Other financial liabilities	3 023	1 433
Other liabilities	1 642	1 124
Total	4 665	2 557

Note 15 Contingent liabilities

	30.09.2017	31.12.2016
Financial guarantees	1 377	1 354
Credit lines and overdrafts	28 918	3 708
Total	30 295	5 062

Note 16 Related parties

Related parties are:

- a shareholder of significant influence and companies that are part of its group;
- management of the group: i.e. members of the Management Board and the Supervisory Board of parent company, head of internal audit and entities controlled by them;
- individuals, 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 regarding interest rates. Transactions with related parties are based on the price list and/or are carried out at market value.

	30.09.2017	30.09.2016
		Shareholders
Deposits	37	28
Subordinated loan	0	4 000
Interest expense of the reporting period	0	232

Members of the Management Board and Supervisory Board, and persons and companies associated with them		
Loans	111	111
Deposits	1 011	397
Interest income of the reporting period	2	3
Interest expense of the reporting period	0	3
Sale of other goods and services	1	2
Purchase of other goods and services	284	0
Compensation paid to members of the Management Board and Supervisory Board (incl. termination benefits paid)	516	304
Maximum termination benefits payable to members of the management board, on a contingent basis	172	141

Shareholders, Supervisory Board and Management Board of Coop Pank AS

Shareholders with over 10% holding as at 30.09.2017:

- Coop Investeeringud OÜ 38,5%
- Coop Eesti Keskühistu member cooperatives 15,5%
- AS INBANK 17,9%

Members of Supervisory and Management Boards do not hold shares of Coop Pank.

Chairman of the Supervisory Board: Jaanus Vihand

Members of the Supervisory Board: Priit Põldoja, Jaan Marjundi, Roman Provotorov, Marko Kairjak

Chairman of the Management Board: Margus Rink

Members of the Management Board: Hans Pajoma, Kerli Lõhmus, Janek Uiboupin

Statement of the Management Board of Coop Pank AS

The Management Board of Coop Pank 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 Coop Pank Group, the presented data and additional information is true and comprehensive. Current interim report is not audited.

15.11.2017

Margus Rink
Chairman of the Management Board

Hans Pajoma
Member of the Management Board

Kerli Lõhmus
Member of the Management Board

Janek Uiboupin
Member of the Management Board

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