



Public Interim Report
Quarter IV **2016**



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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	31.12.2016
Reporting period	01.01.2016 - 31.12.2016
Reporting currency	Euro (EUR), thousands
Members of the Supervisory Board	Jaanus Vihand, chairman of the Supervisory Board (from 10.02.2017) Jaan Marjundi (from 10.02.2017) Roman Provotorov (from 10.02.2017) Priit Põldoja (from 10.02.2017) Marko Kairjak (from 10.02.2017) Andrus Kluge, chairman of the Supervisory Board (until 10.02.2017) Timur Dyakov (until 10.02.2017) Arthur Klaos (until 10.02.2017) Boris Beliaev (until 10.02.2017) Ain Soidla (until 10.02.2017)
Members of the Management Board	Margus Rink, chairman of the Management Board (from 13.02.2017) Janek Uiboupin Kerli Lõhmus (from 13.02.2017) Valmar Moritz, chairman of the Management Board (until 13.02.2017) Marina Laaneväli, vice chairman of the Management Board (from 20.10.2016 until 13.02.2017, formerly member of the Management Board) Uku Tammaru, vice chairman of the Management Board (until 13.10.2016) Karin Ossipova (from 14.10.2016 until 13.02.2017) Helo Koskinen (from 14.10.2016 until 13.02.2017) Ieva Rācenāja (until 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.

Margus Rink
Chairman of the Management Board (from 13.02.2017)

Janek Uiboupin
Member of the Management Board

Kerli Lõhmus
Member of the Management Board (from 13.02.2017)

Management report

Legal structure of Eesti Krediidipank Group

As at 31.12.2016 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 Estonian Commercial Register; AS Eesti Krediidipank is parent company.

The afore-mentioned 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 AS Eesti Krediidipank Group and is considered as 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.

1579 clients have joined the **Arveldaja package (Settlement package)** during the year; a total of 5828 package agreements have been concluded.

By the end of 2016 the Sihtlaen (Target loan) loan portfolio of bank's subsidiary Krediidipank Finants held 7739 clients and 10 026 loan agreements.

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.

Sõle branch office shut down

In accordance with the optimisation plan of branch office network, the Sõle branch in Tallinn was shut down on 14 September.

Bank's majority shareholder transferred its shares of Krediidipank

In its Quarter III interim report the Russian bank VTB announced that the majority shareholding of BM-Bank JSC in Eesti Krediidipank has been reclassified into asset held for sale.

On 27 January 2017 Coop Investeeringud OÜ – a company with owners of Estonian background - obtained the 59.7% shareholding in Eesti Krediidipank, formerly owned by BM-Bank JSC.

Ratios of Eesti Krediidipank Group

	31.12.2016	31.12.2015
Ratios (year-on-year)		
Return on equity ROE		
Net profit/shareholders' equity	6.0%	6.3%
Return on assets ROA		
Net profit/assets	0.6%	0.6%
Equity multiplier EM		
Total assets/shareholders' equity	10.2	10.0
Profit margin PM		
Profit/total income	11.9%	10.4%
Asset utilisation AU		
Total income/assets	4,9%	6.1%
Earnings per share EPS (euros)		
Net profit per common share eligible for dividends	0.04	0.05

* 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	31.12.2016	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 (-)	-692	-761
Deferred tax asset depending on future tax profits	-1	-1
Adjustment of value arising from requirements of reliable measurement (-)	-20	-17
Other deductions from Tier 1 capital (-)	-1 019	0
Total Tier 1 capital	26 034	26 298
Subordinated debt	3 299	4 000
Total Tier 2 capital	3 299	4 000
Eligible capital for capital adequacy calculation	29 333	30 298
Risk-weighted assets		
Central government and central banks using the Standardised Approach	1 452	526
Credit institutions, investment companies and local governments using the Standardised Approach	11 581	13 774
Companies using the Standardised Approach	8 323	4 404
Retail claims using the Standardised Approach	17 371	16 718
Claims secured by mortgage on real estate using the Standardised Approach	55 837	55 353
Claims past due using the Standardised Approach	2 645	2 874
Items subject to particularly high risk using the Standardised Approach	6 845	9 962
Other assets using the Standardised Approach	18 035	18 784
Total credit risk and counter-party credit risk	122 089	122 395
Operational risk using the Basic Indicator Approach	16 132	18 272
Total risk-weighted assets (total risk exposure)	138 221	140 667
Capital adequacy (%)	21.22%	21.54%
Tier 1 Capital Ratio (%)	18.84%	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	1.00%	of total risk exposure
Capital conservation buffer	2.50%	of total risk exposure

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

Consolidated statement of financial position of Eesti Krediidipank

In thousands of euros

Assets	Note	31.12.2016	31.12.2015
Cash on hand		22 337	2 342
Balances with central banks	2	43 919	65 126
Loans and advances to credit institutions	3	51 622	57 716
Financial assets held for trading		0	28
Financial assets designated at fair value through profit or loss at inception	7	11 421	6 078
Loans and advances to customers	4,5,6	153 133	152 652
Held-to-maturity financial assets	7	503	503
Available-for-sale financial assets	7	13	13
Other assets	8	19 551	20 892
Total assets		290 170	305 350

Liabilities

Financial liabilities at fair value through profit or loss		0	276
Due to credit institutions		185	115
Due to customers	9	253 812	267 395
Other liabilities	10	2 557	4 627
Subordinated debt		4 039	4 039
Total liabilities		260 593	276 452

Shareholders' equity

Share capital		25 001	25 001
Share premium		174	174
Reserves		1 970	1 844
Retained earnings/accumulated loss		2 146	1 838
Shareholders' equity attributable to owners of the parent company		29 291	28 857
Non-controlling interest		286	41
Total shareholders' equity		29 577	28 898
Total liabilities and shareholders' equity		290 170	305 350

Consolidated income statement and statement of comprehensive income of Eesti Krediidipank

In thousands of euros

	Note	2016		2015	
		12 months	Q4	12 months	Q4
Interest income*	12	9 119	2 392	8 307	2 126
Interest expense*	13	-1 721	-397	-2 419	-552
Net interest income		7 398	1 995	5 888	1 574
Fee and commission income*	14	3 488	854	3 318	1 004
Fee and commission expense*	15	-751	-204	-661	-213
Net fee and commission income		2 737	650	2 657	791
Revenue from sale of assets		975	23	3 609	776
Cost of assets sold		-809	-98	-3 143	-850
Change in fair value of investment property		108	108	115	75
Net income/expense from financial instruments designated at fair value through profit or loss at inception	16	-32	-76	-353	-22
Payroll expenses		-5 160	-1 671	-4 978	-1 407
General and administrative expenses		-2 474	-635	-2 565	-697
Other income		906	219	1 727	226
Other expenses		-323	-91	-376	-109
Depreciation		-454	-106	-486	-120
Net impairment losses/ reversal of impairment losses on loans and advances		-1 009	-406	-169	-373
Profit/loss before income tax		1 863	-88	1 926	-136
Income tax		-120	0	-154	0
Net profit		1 743	-88	1 772	-136
incl. share of profit/loss attributable to non-controlling interest		214	67	-8	-48
incl. share of profit/loss attributable to the owners of the parent company		1 529	-155	1 780	-88
Other comprehensive income/ expense		0	0	0	0
Comprehensive income for the financial year		1 743	-88	1 772	-136
incl. share of profit/loss attributable to non-controlling interest		214	67	-8	-48
incl. share of profit/loss attributable to the owners of the parent company		1 529	-155	1 780	-88

* Interest income on liabilities in the amount of 46 thousand euros was reflected as the fee and commission income in financial report 2015. Interest expense on assets in the amount of 52 thousand euros was reflected as fee and commission expense in financial report 2015. In 2016 EBA published its position on reflecting negative interest rate as interest income and expense in financial reports. Therefore, the mentioned indicator has been corrected in respective comparative 2015 columns of the current 2016 financial report.

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 31.12.2014	25 001	174	1 813	89	27 077	49	27 126
Net profit for the period	0	0	0	1 780	1 780	-8	1 772
Comprehensive income for the period	0	0	0	1 780	1 780	-8	1 772
Changes in reserves	0	0	31	-31	0	0	0
Shareholder's equity as at 31.12.2015	25 001	174	1 844	1 838	28 857	41	28 898
Dividends paid	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
Net profit for the period	0	0	0	1 529	1 529	214	1 743
Comprehensive income for the period	0	0	0	1 529	1 529	214	1 743
Changes in reserves	0	0	126	-126	0	0	0
Shareholder's equity as at 31.12.2016	25 001	174	1 970	2 146	29 291	286	29 577

Consolidated cash flow statement of Eesti Krediidipank

In thousands of euros

Cash flows from operating activities (indirect method)	12 months 2016	12 months 2015
Net profit	1 529	1 780
Adjustments		
Change in provisions for loans and advances	735	169
Depreciation and impairment of non-current assets	456	499
Impairment of available-for-sale financial assets	82	171
Change in fair value of financial assets designated at fair value through profit or loss at inception	186	372
Revaluation of investment property	-108	-115
Net gain/loss on sale of non-current assets	12	-2
Effect of changes in currency exchange rates	5	-1
Net interest income	-7 398	-5 887
Interest received	8 571	6 873
Interest paid	-2 293	-2 666
Change in loans and advances related to customers of credit institutions and leasing companies	-66	-1 320
Change in financial assets designated at fair value through profit or loss at inception	-6 040	7 307
Change of long-term deposits in credit institutions	0	-80
Change in deposits of credit institutions	70	-241
Change in deposits	-13 010	59 439
Change in assets for sale	-1 857	2 116
Change in other assets and liabilities related to operating activities	379	1 234
Total cash flows from operating activities	-18 473	69 648
Cash flows from investment activities (direct method)		
Redemption and sale of held-to-maturity financial assets	0	4 412
Proceeds from sale of non-current assets and investment property	37	2 474
Expenses for obtaining non-current assets and investment property	-144	-317
Contribution to subsidiary's share capital by non-controlling interest	31	0
Total cash flows from investment activities	-76	6 559
Cash flows from financing activities (direct method)		
Dividends paid	-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	-19 644	62 217
Change in cash and cash equivalents	-19 644	62 217
Cash and cash equivalents at beginning of the period	124 684	62 467
Cash and cash equivalents at end of the period	105 040	124 684
Cash and cash equivalents balance is comprised of:	105 040	124 684
Cash on hand	22 337	2 342
Demand deposits in central banks	43 919	65 126
Demand and short-term deposits in credit institutions	38 784	57 216

Notes to the interim report

Note 1. Accounting principles

The interim report of Eesti Krediidipank Group for Quarter IV 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 IV 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	31.12.2016	31.12.2015
Demand deposits		
Incl. minimum reserve requirement	1 919	2 221
Incl. demand deposits, cash equivalents	42 000	62 905
Total	43 919	65 126

Note 3. Loans and advances to credit institutions

In thousands of euros	31.12.2016	31.12.2015
EU countries, except Estonia	18 344	25 582
Estonia	20 167	11 941
USA	0	19 316
All other countries	782	877
Total	39 293	57 716

Note 4. Loans and advances to customers

In thousands of euros	31.12.2016	31.12.2015
Total receivables from private individuals	119 261	116 245
Total receivables from corporates	36 125	38 901
Total receivables	155 386	155 146
Impairment of loans and advances (note 5)	-2 253	-2 494
Total	153 133	152 652

Note 5. Impairment of loans and advances

In thousands of euros	31.12.2016	31.12.2015
Balance at the beginning of the reporting period	-2 494	-3 019
Impairments posted during the reporting period	-2 055	-1 600
Adjustment of previous impairments	1 036	1 425
Receipts from off-balance sheet loan receivables	-146	-176
Loans written off during the reporting period	1 406	876
Balance at the end of the reporting period	-2 253	-2 494

Note 6. Past due receivables

In thousands of euros

	31.12.2016		31.12.2015	
	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
Private individuals				
1-30 days	4 718	44.9%	3 814	47.6%
31-60 days	1 370	35.1%	1 391	36.0%
61-90 days	579	37.1%	395	24.2%
more than 90 days	1 914	23.8%	3 206	60.3%
Total	8 581		8 806	

	31.12.2016		31.12.2015	
	Loan balance	Collateral coverage ratio	Loan balance	Collateral coverage ratio
Corporates				
1-30 days	282	32.2%	593	42.7%
31-60 days	43	58.1%	410	79.5%
61-90 days	2 467	49.4%	2 285	19.3%
more than 90 days	4 322	21.1%	4 027	27.7%
Total	7 114		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

	31.12.2016	31.12.2015
Financial assets held for trading	0	28
Currency-related derivative agreements with credit institutions	0	28
Financial assets designated at fair value through profit or loss at inception	11 421	6 078
Government bonds	2 904	1 053
Bonds of credit institutions and financing institutions	3 073	1 327
Bonds of other non-financial companies	5 444	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

	31.12.2016	31.12.2015
Investment property	9 105	11 220
Property, plant and equipment	4 512	5 088
Assets held for sale	4 279	2 422
Intangible assets	687	761
Other financial assets	714	1 161
Other assets	254	240
Total	19 551	20 892

Note 9. Due to customers

In thousands of euros		
	31.12.2016	31.12.2015
Private individuals	136 686	151 633
Corporates	117 126	115 762
Total	253 812	267 395
Demand deposits	141 088	105 386
Term deposits	112 724	162 009
Total	253 812	267 395

Note 10. Other liabilities

In thousands of euros		
	31.12.2016	31.12.2015
Other financial liabilities	1 433	3 928
Other liabilities	1 124	699
Total	2 557	4 627

Note 11. Contingent assets and liabilities

In thousands of euros		
31.12.2016	Assets	Liabilities
Contingent liabilities	0	5 062
incl. financial guarantees	0	1 354
incl. lines of credit and overdraft facilities	0	3 708
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	
	12 months	Q4	12 months	Q4
On loans and lease receivables	8 331	2 149	7 665	2 012
On financial assets measured at fair value	511	161	423	79
On held-to-maturity financial assets	33	8	160	8
On other liabilities	244	74	59	27
incl. Interest income on liabilities*	130	46	46	22
Total	9 119	2 392	8 307	2 126

* Interest income on liabilities in the amount of 46 thousand euros was reflected under fee and commission income as other fees in Annual Report 2015.

Note 13. Interest expense

In thousands of euros

	2016		2015	
	12 months	Q4	12 months	Q4
On term deposits	1 244	284	1 804	453
On subordinated loans	310	77	558	78
On demand deposits	5	2	4	1
On loans	0	0	1	0
Interest expense on assets	162	34	52	20
Total	1 721	397	2 419	552

* Interest expense on assets in the amount of 52 thousand euros was reflected under fee and commission expense as other fees in Annual Report 2015.

Note 14. Fee and commission income

In thousands of euros

	2016		2015	
	12 months	Q4	12 months	Q4
Bank transfer fees	1 115	280	1 139	343
Gains from foreign exchange transactions	942	236	808	291
Charges on card transactions	314	80	368	97
Account opening and management fees	438	109	450	122
Fees related to securities	26	6	21	6
Other fees*	653	143	532	145
Total	3 488	854	3 318	1 004

Note 15. Fee and commission expense

In thousands of euros

	2016		2015	
	12 months	Q4	12 months	Q4
Charges on card transactions	437	113	435	151
Bank transfer fees	266	77	192	51
Securities transaction and custodial fees	11	3	10	3
Other fees*	37	12	24	8
Total	751	205	661	213

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

In thousands of euros

	2016		2015	
	12 months	Q4	12 months	Q4
Derivative transactions	154	0	19	19
Currency-related derivative transactions	154	0	19	19
Financial assets designated at fair value	-186	-76	-372	-41
Change in fair value of financial assets designated at fair value through profit or loss at inception	-186	-76	-372	-41
Total	-32	-76	-353	-22

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 regarding interest rates.

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

In thousands of euros

	31.12.2016	30.09.2015
Credit institution with significant interest		
Deposits in credit institution with significant interest	0	30
Deposits from credit institution with significant interest	28	28
Subordinated loan	4 000	4 000
Interest expense of reporting period	310	534
Members of the management board and supervisory board, and persons and companies associated with them		
Loans	128	131
Deposits	236	158
Interest income of the reporting period	3	4
Interest expense of the reporting period	0	0
Sale of other goods and services	2	14
Purchase of other goods and services	0	0
Compensation paid and payable to members of the Management Board and Supervisory Board	469	423
Maximum termination benefits payable to members of the management board, on a contingent basis	30	156