



Public Offering, Listing and Admission to Trading Prospectus of up to 6,500 Unsecured Subordinated Bonds of AS Inbank with Nominal Value of EUR 1,000, Interest Rate 6% per annum and Maturity Date 19 December 2029

This Public Offering, Listing and Admission to Trading Prospectus has been drawn up and published by AS Inbank (an Estonian public limited company, registered in the Estonian Commercial Register under register code 12001988, having its registered address at Niine 11, 10414 Tallinn, Estonia; the **Company**) in connection with the public offering, listing and the admission to trading of the Bonds issued by the Company on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange (the **Prospectus**).

The Company is publicly offering up to 6,500 bonds with the nominal value of EUR 1,000 (the **Bonds**) to institutional and retail investors in Estonia (the **Offering**). In case of over-subscription of the Bonds in the course of the Offering, the Company has the right to increase the Offering volume and issue up to 1,500 additional Bonds as a result of which the total number of the Bonds offered in the course of the Offering may be up to 8,000 and the total volume of the Offering up to EUR 8,000,000.

The Bonds are offered for the price of EUR 1,000 per one Bond (the **Offer Price**). The Bonds may be subscribed for during the period commencing on 3 December 2019 and ending on 13 December 2019 (the **Offering Period**) in accordance with the terms and conditions described in this Prospectus. The Company will, simultaneously with the Offering, apply for the listing and the admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

The Bonds will be publicly offered in Estonia and there will not be any public offering of the Bonds in any other jurisdiction. The Bonds may be offered to qualified investors or by private placement in compliance with Article 1(4)(a) and (b) of Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the **Prospectus Regulation**) also in other jurisdictions. This Prospectus has been compiled in accordance with the requirements of the Prospectus Regulation and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC (the **Delegated Regulation**), in particular the Annexes 6 and 14 thereof.

The Company reserves the right to cancel the Offering or change the terms and conditions thereof as described in this Prospectus.

It is estimated that trading with the Bonds will commence on or about 20 December 2019.

This Prospectus has been approved by the Estonian Financial Supervision Authority (the **EFSA**), as competent authority under the Prospectus Regulation, on 2 December 2019 under registration number 4.3-4.9/5016. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and should not be considered as an endorsement of the Company and the quality of the Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Bonds are subordinated to all unsubordinated claims against the Company. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due in accordance with the terms of the Bonds and shall be satisfied only after the full satisfaction of

all unsubordinated recognised claims against the Company in accordance with the applicable law. Consent of the bondholders is not necessary for effecting bail-in measures by the EFSA. The Bonds may be redeemed prematurely by the Company on the grounds set forth in the terms of the Bonds only if the EFSA has granted its consent to the early redemption. The decision on granting the consent involves certain amount of discretion by the competent authority and the early redemption is therefore beyond the control of the Company.

Investing into the Bonds involves risks. While every care has been taken to ensure that this Prospectus presents a fair and complete overview of the material risks related to the Company, the operations of the Company and its subsidiaries (the Group) and to the Bonds, the value of any investment in the Bonds may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

The Prospectus is valid until the end of the Offering Period or commencement of trading with the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange, whichever occurs later. The Company is obligated to update the Prospectus by publishing a supplement only in case new facts, material errors or inaccuracies occur, and such an obligation does not apply after the end of the validity period of the Prospectus.

The date of this Prospectus is 2 December 2019

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1. INTRODUCTORY INFORMATION

1.1. Applicable Law

The Prospectus has been drawn up in accordance with the Prospectus Regulation and in accordance with the Delegated Regulation. The Prospectus comprises of a summary of the Prospectus drawn up in accordance with Article 7 of the Prospectus Regulation, a registration document of the Company drawn up in accordance with Annex 6 of the Delegated Regulation and a securities note of the Bonds drawn up in accordance with Annex 14 of the Delegated Regulation.

This Prospectus is governed by Estonian law. Any disputes arising in connection with the Offering shall be settled by Harju County Court (*Harju maakohus*) in Estonia unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.

Before reading this Prospectus, please take notice of the following important introductory information.

1.2. Persons Responsible

The person responsible for the information given in this Prospectus is the Company. The Company accepts responsibility for the fullness and correctness of the information contained in this Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

AS Inbank Jan Andresoo Chairman of the Management Board	AS Inbank Marko Varik Member of the Management Board	AS Inbank Liina Sadrak Member of the Management Board	AS Inbank Piret Paulus Member of the Management Board	AS Inbank Jaanus Kõusaar Member of the Management Board
<i>[signed electronically]</i>	<i>[signed electronically]</i>	<i>[signed electronically]</i>	<i>[signed electronically]</i>	<i>[signed electronically]</i>

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, including any translation thereof, unless such summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in Bonds.

1.3. Presentation of Information

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the Financial Statements, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented in euro (EUR), the official currency of the European Union Member States in the Eurozone.

Date of Information. This Prospectus is drawn up based on information which was valid as of the date of the Prospectus. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than the date of the Prospectus, this is identified by specifying the relevant date.

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from third parties, a reference to the respective source has been provided together with such information where presented in this Prospectus. Certain information with respect to the markets in which the Company and its Subsidiaries (as defined in Section "Glossary") operate is based on the best assessment made by the Management (as defined in Section "Glossary"). With respect to the industry in which the Company and its Subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates. The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus (please see Section "Forward-Looking Statements" below).

Definitions of Terms. In this Prospectus, capitalized terms have the meaning ascribed to them in Section "Glossary", with the exception of such cases where the context evidently requires to the contrary, whereas the singular shall include plural and vice versa. Other terms may be defined elsewhere in the Prospectus.

Hyperlinks to Websites. This Prospectus contains hyperlinks to websites. The information on the websites does not form part of the Prospectus and has not been scrutinised or approved by the EFSA, except for hyperlinks to information that is incorporated by reference.

1.4. Documents Available

In addition to this Prospectus, certain additional documents and information on the Group, such as the up to date Articles of Association and historic financial data of the Company and the Subsidiaries may be obtained from the website of the Company at <https://www.inbank.ee/en/inside/investor/forinvestor/>. All information presented on the Company's website which has not been incorporated by reference into this Prospectus does not form part of the Prospectus.

1.5. Accounting Principles

The annual financial information included in this Prospectus has been extracted or derived from the consolidated audited financial statements of and for the year ended 31 December 2018 (Schedule 3), and the consolidated audited financial statement of and for the year ended 31 December 2017 (Schedule 2) (the **Audited Financial Statements**) of the Company prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union. The interim financial information included in this Prospectus as of and for the nine months ended 30 September 2019, including the comparative financial information as of and for the nine months ended on 30 September 2018, has been extracted and derived from the unaudited consolidated interim financial statements as of and for the period ended 30 September 2019 (Schedule 4) (the **Interim Financial Statements**) of the Company prepared in accordance with International Accounting Standards (**IAS**) 34, Interim Financial Reporting. The Audited Financial Statements are audited by AS PricewaterhouseCoopers.

The Financial Statements have been prepared under the historical cost convention, except for investments into equity instruments, which are recognized at fair value as disclosed in the respective accounting principles. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates.

The financial year starts on 1 January and ends on 31 December, the amounts are presented in thousand euros unless otherwise indicated. The official language of the Financial Statements of the Company is Estonian. The Estonian version must be proceeded from in the event of a conflict with English or any other language.

The Financial Statements include the financial performance indicators of Inbank AS (including its Poland branch), its subsidiaries SIA Inbank Lizings (as of 28 August 2018 SIA Inbank Latvia), AB Mokilizingas (starting from the financial year 2018), Inbank Liising AS, Inbank Payments OÜ (starting from the period ended 30 September 2019) and Inbank Technologies OÜ.

Consolidated financial statements

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Intercompany balances, transactions and unrealised gains and losses on transactions between Group companies are eliminated. For the consolidation of foreign subsidiaries and other business units (including branches), their financial reports are converted into the presentation currency of the parent company. All assets and liabilities have been translated based on the foreign currency exchange rates of the European Central Bank prevailing on the balance sheet date. All income, expenses and other changes in equity are translated based on weighted average exchange rate of the period. Foreign exchange gains and losses are recognised in the comprehensive income statement as "Currency translation differences". Accounting policies of Subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group. The financial years of the Subsidiaries coincide with the parent company's financial year.

The acquisition method of accounting is used for business combinations. The cost of acquisition of subsidiary is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The identifiable assets, liabilities and contingent liabilities of the acquired subsidiary are recognized at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is measured at fair value or the non-controlling interest's proportionate share of identifiable net assets of the acquiree.

The transactions with non-controlling interest are recognised in equity. The difference between carrying amount of net assets of share acquired from non-controlling interests and the purchase price of the acquisition is recognised in equity. Profit or loss from the sale of non-controlling interest is also recognised in equity. In consolidated statement of profit or loss and other comprehensive income, non-controlling interest share of profit is disclosed separately from owners of the parent. Non-controlling interests' share in subsidiary's results and equity is recognized in consolidated statement of financial position separately from the equity attributable to the shareholders of the parent company.

Changes in accounting policies

The Group has adopted IFRS 16, Leases for the first time starting from 1 January 2019. The other new standards that became effective since 1 January 2019 have had no impact on the Interim Financial Statements of the Company.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

The Group leases various properties. Rental contracts are typically made for fixed periods of up to 3 years but include, as a rule, extension and termination options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions. The details of the measurement process of the lease contracts according to IFRS 16 are described in the Interim Financial Statements included in this Prospectus.

The separate primary financial statements of the consolidating entity (the Company) are disclosed in the notes to the consolidated Financial Statements. In preparing the primary financial statements of the Company, the same accounting policies have been used as in preparing the consolidated Financial Statements.

1.6. Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections "Summary", "Risk Factors", "Business Overview", "Planned Growth Projects" and "Reasons for Offering and Use of Proceeds"). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see "Risk Factors" for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.7. Use of Prospectus

This Prospectus is prepared solely for the purposes of the Offering of the Bonds and listing and the admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The Prospectus is not published in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. This Prospectus may not be used for any other purpose than for making the decision of participating in the Offering or investing into the Bonds. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company.

1.8. Approval of Prospectus

This Prospectus has been approved by the EFSA, as competent authority under the Prospectus Regulation, on 2 December 2019 under registration number 4.3-4.9/5016. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and should not be considered as an endorsement of the Company and the quality of the Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds.

1.9. Availability of Prospectus

This Prospectus and its Estonian language summary will be published by means of a stock exchange release through the information system of Nasdaq Tallinn Stock Exchange. The Prospectus and its Estonian language summary are also available as of 2 December 2019 in an electronic format on the website of the EFSA (<https://www.fi.ee>) and on the website of the Company (<https://www.inbank.ee/en/inside/investor/forinvestor/>). Any interested party may request delivery of an electronic copy of the Prospectus and its Estonian language summary from the Company without charge. Paper copy of the Prospectus can be obtained at the premises of the Company (address Niine tn 11, Tallinn 10414, Estonia) by any interested party upon request. Delivery of the Prospectus is limited to the jurisdictions in which the offering to the public is being made, i.e. to Estonia.

2. SUMMARY

Introduction and warnings

This Summary (**Summary**) should be read as an introduction to Prospectus and any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the investor. The information in the Summary is presented as of the Prospectus registration date, unless indicated otherwise. Civil liability in relation to this Summary attaches only to those persons who have tabled the Summary, including any translation thereof, and only where the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Bonds. Investment into the Bonds involves risks and the investor may lose all or part of the investment. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.

Name and international securities identification number (ISIN) of the Bonds	Inbank subordinated bond 19.12.2029, ISIN EE3300001544 (the Bonds)
The identity and contact details of the issuer, including its legal entity identifier (LEI)	The business name of the issuer is AS Inbank (the Company). The Company is registered in the Estonian Commercial Register under the register code 12001988 and its LEI code is 2138005M92IEIQVEL297. The contact details of the Company are the following: address Niine tn 11, Tallinn 10414, Estonia, phone +372 640 8080, e-mail info@inbank.ee .
The identity and contact details of the competent authority approving the prospectus, date of approval of the prospectus	This Prospectus has been approved by the Estonian Financial Supervision Authority (the EFSA) under registration number 4.3-4.9/5016 on 2 December 2019. The contact details of the EFSA are the following: address Sakala 4, Tallinn 15030, Estonia, phone +372 668 0500, e-mail info@fi.ee .

Key information on the issuer

Who is the issuer of the securities?

The business name of the Company is AS Inbank (formerly Cofi AS). The Company was registered in the Estonian Commercial Register on 5 October 2010 under the register code 12001988 and its LEI code is 2138005M92IEIQVEL297. The Company has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or AS) and is established for an indefinite term. The Company's group includes the following consolidated subsidiaries (the **Group**): Inbank Latvia SIA, Inbank Liising AS, Mokilizingas AB, Inbank Payments OÜ and Inbank Technologies OÜ. Furthermore, the Company has branches in Lithuania and Poland. The Company is the holding company of the Group. As at the date of this Prospectus, the Group is operating in seven geographical markets, including in the three Baltic countries – Estonia, Latvia and Lithuania. In Estonia, the Group is engaged in providing consumer financing and accepting public deposits. In Latvia, the Group operates through Inbank Latvia SIA which offers consumer financing services. In Poland and Lithuania, the Group operates through branches which offer consumer financing and accept public deposits. The Group operates in Lithuania also through Mokilizingas AB, which is expected to be merged into the Company's Lithuanian branch. In addition to the abovementioned geographical markets and business segments, the Group accepts public deposits from Germany, Austria and the Netherlands. The Company itself is an Estonian licensed credit institution with a main focus of issuing consumer credit products and collecting deposits. The Company's activities are concentrated on certain market and product segments – deposits, consumer loans, hire-purchase, factoring – where the Company has a strong technological advantage over competitors. The banking services business segment can be further broken down into retail banking and corporate banking. The retail banking services are offered to private individuals, whereas the clients of the corporate banking services are small and medium-sized companies.

As at the date of this Prospectus, the shareholders holding directly over 5% of all shares in the Company are the following:

Name of shareholder	Number of shares	Proportion
Cofi Investeeringud OÜ	24,635	27.27%
Pershing Hall Holding Limited	23,858	26.41%
Roberto de Silvestri	5,928	6.56%
Elio Tomaso Giovanni Cravero	5,164	5.72%
Baltic Holdings Limited	4,909	5.43%

There are no persons who have an indirect qualifying holding in the Company.

The Company has a three-layer management. The Management Board is responsible for the day-to-day management of the Company and each of its member is eligible to represent the Company in keeping with the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the activities of the Company and for supervising the activities of the Management Board. The highest governing body of the Company is the general meeting of shareholders.

As of the date of this Prospectus, the Company has five members of the Management Board – Mr Jan Andresoo (Chairman of the Management Board, the authorities remain valid until 21 December 2021), Ms Liina Sadrak (the authorities remain valid until 18 March 2021), Ms Piret Paulus (the authorities remain valid until 5 May 2020), Jaanus Kõusaar (the authorities remain valid until 11 August 2022) and Mr Marko Varik (the authorities remain valid until 18 March 2021). The Supervisory Board of the Company includes five members – Mr Priit Põldoja (the Chairman of the Supervisory Board), Ms Triinu Reinold, Mr Raino Paron, Mr Rain Rannu and Mr Roberto De Silvestri. The authorities of all the above-mentioned persons as the members of the Supervisory Board will remain valid until 23 March 2021.

The statutory auditor of the Group for the financial years 2017–2019 is Aktsiaselts PricewaterhouseCoopers (registry code 10142876; having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia). Aktsiaselts PricewaterhouseCoopers is a member of the Estonian Auditing Board.

What is the key financial information regarding the issuer?

The Table 1 and Table 2 set forth the key financial information as at the end of each of the financial years ended 31 December 2018 and 31 December 2017 and the nine months ended 30 September 2019 and 30 September 2018 which have been extracted or derived from the Audited Financial Statements and Interim Financial Statements included in this Prospectus respectively. The information has been presented in accordance with Annex III of European Commission Delegated Regulation (EU) 2019/979 as deemed most appropriate in relation to the Bonds by the Company.

Table 1. Consolidated income statement (in thousands of euros)

Year	2018 Audited	2017 Audited	9M '19 Unaudited	9M '18 Unaudited
Net interest income	19,873	11,014	22,512	13,236
Net fee and commission income	-388	-56	-574	-197
Impairment losses on loans and advances	-2,686	-3,532	-4,845	-3,087
Net trading income	0	0	0	0
Total comprehensive income for the period	9,349	7,461	6,648	6,277
Profit for the period	9,276	7,499	6,566	6,225

Table 2. Consolidated balance sheet (in thousands of euros)

Year	30.09.2019 Unaudited	31.12.2018 Audited	31.12.2017 Audited
Total assets	445,968	318,044	125,981
Senior debt	0	10,429	0
Subordinated debt	9,551	9,528	6,480
Loans and advances	310,341	225,639	92,895
Deposits from customers	375,133	240,175	95,056
Total equity	43,949	36,465	22,046
Tier 1 capital ratio (%)	14.72%	15.55%	14.99%
Capital adequacy (%)	17.06%	18.68%	22.24%

There are no qualifications in the audit report pertaining to the Audited Financial Statements.

What are the key risks that are specific to the issuer?

Counterparty Credit Risk. As uncollateralized consumer lending to households is the Group's key activity, counterparty credit risk is inherent to the core operations of the Group, making the Group exposed to changes in the solvency of households that is impacted by the unemployment rate, level of wages etc. The Group considers credit risk as the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies. The Group makes provisions for potential credit losses in accordance with the applicable requirements; however, such provisions are made based on the available information, estimates and assumptions, which by definition are subject to certain amount of uncertainty. Therefore, there can be no assurance that provisions are sufficient to cover potential losses.

Market Risk. Market risk, the risk of potential loss which may arise from unfavourable changes in interest rates, foreign exchange rates or price of securities, arises primarily from the Group's mismatched interest rate exposures between loans and deposits, open foreign currency positions and shares of Coop Pank AS that are held for investment purposes.

Foreign Currency Risk. Foreign currency risk arises from the Group's activities through the Polish branch by offering consumer financing and accepting public deposits denominated in Polish zloty.

Interest Rate Risk. Interest rate risk is inherent to the operations of the Group, and foremost the operations of the Company, and arises due to the fluctuations of market interest rates over time, while the Group's business involves intermediation activity that produces exposures to both maturity mismatch and rate mismatch.

Liquidity Risk and Dependence on Access to Funding Resources. The Group's risk policies and internal procedures may not be adequate or sufficient in order to ensure the Group's access to funding resources when needed, to the extent needed or on favourable terms in order to ensure sufficient liquidity, which may affect the ability of the Group to realise its strategic plans, finance its capital needs and meet its contractual obligations on time.

Operational Risk. Operational risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition, the operational risk also embraces risk of corporate fraud and misconduct. For the Group, the realisation of such risks could lead to a disruption in provision of services, non-conformity with applicable requirements and financial losses. The prior is true especially due to the Group relying strongly on the effective functioning of its processes and systems.

Dependency on Information Technology Systems and Risk of Cyber-Attacks. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. The business model of the Group is specifically built upon providing its services with the help of innovative information technology solutions. Hence, any malfunctioning of the systems could potentially harm the operations of the Group and may lead to financial losses.

Dependency on Qualified Staff. The results of operations of the Group depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment where the Group companies operate and considering the Group's expansion targets, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel may have material adverse effect on the Group's operations, financial condition and results of operations.

Strategic Risk. For reasons of corporate growth, the Group's strategic risk is estimated to exceed the strategic risk of a bank positioned in a stable stage, which may result in losses arising from the pursuit of wrong strategic decisions.

Reputational Risk. In the banking sector, where the Group companies and most notably the Company operate, a good reputation is paramount. It affects the trustworthiness of the bank which is the basis for conducting the business in the sector. As the Company obtained a banking license and started operating under a new business name (Inbank) only four years ago, the development of a strong brand and good reputation is especially important for the Company, and thus the Company is more susceptible to reputational risk than older and well-established brands in the financial sector.

Maintaining Capital Adequacy Ratios. The Company and the Group must adhere to strict capital adequacy requirements subject to frequent reforms and changes, which may result in the need to increase capital, reduce leverage and risk weighted assets, modify the Group's legal structure or even change the Group's business model.

Exposure to Regulatory Changes. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice, which are subject to changes. The increased requirements and expectations, enhanced supervisory standards and uncertainty with regard to further changes may result in limitations of operating flexibility and certain lines of business, additional costs and liabilities, a necessity to change legal, capital or funding structures, and decisions to exit or not to engage in certain business activities.

Exposure to Regulatory Actions and Investigations. Several local and European authorities, including financial supervision, consumer protection, data protection, tax and other authorities regularly perform investigations, examinations, inspections and audits of the Group's business, including, but not limited to, regarding capital requirements, standards of consumer lending, anti-money laundering (the "AML"), payments, reporting, corporate governance, etc. Any determination by the authorities that the Company or any Group entities have not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields.

Exposure to Money Laundering and Terrorist Financing (the "ML/TF") Risks. The target customers, operating regions as well as the offered products and services of the Group include modest ML/TF risks compared to the majority in the banking sector. Nevertheless, failure to comply with AML requirements would most likely lead to implementation of strict supervisory measures, reputational damage and could result in business disruption.

Changes in Economic Environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions. The general economic environment on the one hand affects the demand for the services of the Group, but on the other hand negative trends in the economy increase the credit risks. Although the Group constantly monitors developments on both domestic and international markets, it is not possible to forecast the timing or extent of changes in the economic environment.

Key information on the securities

What are the main features of the securities?

The Bonds are subordinated bonds with the nominal value of EUR 1,000, denominated in euro. The Bonds represent unsecured debt obligation of the Company before the bondholder. The Bonds are in dematerialised book-entry form and are not numbered. The Bonds are registered in Nasdaq CSD under ISIN code EE3300001544.

The rights attached to the Bonds have been established by the Terms of the Bonds. The main rights of bondholders arising from the Bonds and the Terms of the Bonds are the right to the redemption of the Bonds and the right to receive payment of interest. In addition to the right to the redemption of the Bonds and the right to receive payment of interest, upon a delay in making any payments due under the Terms of the Bonds, the bondholders are entitled to a delay interest at the rate of 0.025% per each day in delay.

Interest and Yield

The Bonds carry an annual coupon interest at the rate of 6% per annum, calculated from the date of issue of the Bonds, i.e. 19 December 2019, until the date of redemption. The interest is paid quarterly on the following dates (starting from year 2020): 28 March, 28 June, 28 September and 28 December. The interest on the Bonds is calculated based on 30-day calendar month and 360-day calendar year (30/360).

Maturity Date

The maturity date of the Bonds is 19 December 2029.

According to the Terms of the Bonds, the Company is entitled to redeem the Bonds prematurely at any time after the lapse of 5 years as from the date of issue, i.e. at any time after 19 December 2024, by notifying the bondholders at least 30 days in advance. The Company is further entitled to redeem the Bonds prematurely before the lapse of the 5-year term if there is a change in the regulative classification of the Bonds resulting in the Bonds being, in the opinion of the Company, excluded from the classification as own funds of a credit institution or if there is a significant change in the taxation regime applicable in respect of the Bonds, provided that the Company was not in a position to foresee such changes upon the issue of the Bonds.

The Bonds may be redeemed prematurely by the Company on the above-described grounds only if the EFSA has granted its consent to the early redemption. The EFSA may grant its consent for the early redemption of the Bonds as from 19 December 2024 only if the conditions of Article 78(1) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the **CRR**) are met. The EFSA may grant its consent for the early redemption of the Bonds before 19 December 2024 only if the conditions of Article 78(4) of the CRR are met.

The bondholders are not entitled to claim early redemption of the Bonds under any circumstances.

Ranking and Subordination

The Bonds are subordinated to all unsubordinated claims against the Company. For the avoidance of doubt, the Bonds are not subordinated to the claims, which are subordinated to the Bonds or which rank *pari passu* with the Bonds. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due in accordance with the Terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Company, the bondholders of the Bonds are not entitled to any payments due under the Terms of the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company.

Furthermore, any liability arising under the Bonds may be subject to the exercise of Bail-In Powers by the relevant Resolution Authority in cases where a Group company meets the conditions for the initiation of resolution proceedings (i.e. fails or is likely to fail and certain other conditions are met). Exercising the Bail-in Powers is subject to numerous preconditions and will only be used as a last resort; however, if the powers are exercised, it is possible that: (a) the amount outstanding of the Bonds is reduced, including to zero; (b) the Bonds are converted into shares, other securities or other instruments of the Company or another person; (c) the Bonds or the outstanding amounts of the Bonds are cancelled; and/or (d) the terms of the Bonds are altered (e.g. the maturity date or interest rate of the Bonds could be changed). Therefore, if a Group company meets the conditions for the initiation of resolution proceedings, the exercising of the Bail-in Powers by the relevant Resolution Authority may result in material losses for the bondholders. Financial public support will only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool. Consent of the bondholders is not necessary for affecting bail-in measures by the Resolution Authority.

As long as there are no resolution, liquidation or bankruptcy proceedings initiated against the Company (or, as the case may be, Group company), all claims arising from the Bonds shall be satisfied in accordance with the Terms of the Bonds and the applicable law.

Transferability

The Bonds are freely transferrable; however, any bondholder wishing to transfer the Bonds must ensure that any offering related to such a transfer would not be qualified as requiring the publication of a prospectus in accordance with applicable law. According to the Terms of the Bonds, ensuring that any offering of the Bonds does not require the publication of a prospectus in accordance with the applicable law is the obligation and liability of the bondholder.

Where will the securities be traded?

The Company intends to apply for the listing and admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or about 20 December 2019. While every effort will be made and due care will be taken in order to ensure the listing and the admission to trading of the Bonds by the Company, the Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

What are the key risks that are specific to the securities?

Credit Risk. An investment into the Bonds is subject to credit risk, which means that the Company may fail to meet its obligations arising from the Bonds in a duly and timely manner.

Subordination Risk. The Bonds are subordinated to all unsubordinated claims against the Company, meaning that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due but shall be satisfied only after the full satisfaction of all recognised claims against the Company which do not qualify as own funds' instruments in accordance with the applicable law.

Early Redemption Risk. The Bonds may be redeemed prematurely on the initiative of the Company. The Bonds may, however, be redeemed prematurely by the Company only if the EFSA (or the European Central Bank if it is in the competence thereof) has granted its consent to the early redemption.

No Ownership Rights. An investment into the Bonds is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Company or any of the Subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments.

Tax Regime Risks. Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the bondholders and may therefore have adverse effect on the rate of return from the investment into the Bonds.

Cancellation of Offering. Although best efforts will be made by the Company to ensure that the Offering is successful, the Company cannot provide any assurance that the Offering will be successful and that the investors will receive the Bonds they subscribed for.

Bail-In Risk. If a Group company meets the conditions for the initiation of resolution proceedings (i.e. fails or is likely to fail and certain other conditions are met), the Bail-In Powers may be exercised by the relevant Resolution Authority, through which: (i) the amount outstanding of the Bonds could be reduced, including to zero; (ii) the Bonds could be converted into shares, other securities or other instruments of the Company or another person; (iii) the Bonds could be cancelled; and/or (iv) the terms of the Bonds could be varied (e.g. the maturity date or interest rate of the Bonds could be changed).

Bond Price and Limited Liquidity of Bonds. Although every effort will be made to ensure that the admission of the Bonds to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange will occur, the Company cannot provide any assurance in that respect. Further, the Estonian market has limited liquidity and the bondholders may not be able to sell their Bonds at the desired price, or at all. The value of the Bonds can fluctuate on the securities market due to events and the materialisation of risks related to the Group, but also because of events outside the Group's control.

Negative or Insufficient Analyst Coverage. There is no guarantee of continued (or any) analyst research coverage for the Company. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading.

Key information on the offer of securities to the public and admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

In the course of the Offering, up to 6,500 Bonds may be offered to retail and institutional investors in Estonia (the **Retail Offering**). In addition to the Retail Offering the Bonds may be offered in or outside Estonia to qualified investors or by private placement in accordance with Article 1(4)(a) and (b) of the Prospectus Regulation (the **Institutional Offering**); however, this Prospectus relates only to the Retail Offering. The Bonds are offered for the price of EUR 1,000 per one Bond. In case of over-subscription of the Bonds in the course of the Offering, the Company has the right to increase the Offering volume and issue up to 1,500 additional Bonds as a result of which the total number of the Bonds offered in the course of the Offering may be up to 8,000 and the total volume of the Offering up to EUR 8,000,000.

The Retail Offering is directed to all retail and institutional investors in Estonia. For the purposes of the Offering, a natural person is considered to be "in Estonia" if such person has a securities account with the Nasdaq CSD and such person's address recorded in Nasdaq CSD records in connection with such person's securities account is located in Estonia. A legal person is considered to be "in Estonia" if such person has a securities account with Nasdaq CSD and such person's address recorded in Nasdaq CSD records in connection with such person's securities account is located in Estonia or its registration code recorded in Nasdaq CSD records is the registration code of the Estonian Commercial Register.

Indicative timetable of the Offering

3 December 2019	Start of Offering Period
13 December 2019	End of Offering Period
No later than 17 December 2019	Announcement of the results of the Offering
On or about 19 December 2019	Settlement of the Offering
On or about 20 December 2019	First trading day of the Bonds on Nasdaq Tallinn Stock Exchange

Offering Period

The Offering Period is the period during which the persons who have the right to participate in the Retail Offering may submit Subscription Undertakings (please see Section "Subscription Undertakings" for further details) for the Bonds. The Offering Period commences on 3 December 2019 at 10:00 local time in Estonia and terminates on 13 December 2019 at 16:00 local time in Estonia (the **Offering Period**).

Subscription Undertakings

The Subscription Undertakings may be submitted only during the Offering Period. An investor participating in the Retail Offering may apply to subscribe for the Bonds only for the Offer Price. Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective account operator of Nasdaq CSD accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.

In order to subscribe for the Bonds, an investor must have a securities account with Nasdaq CSD Estonian settlement system. Such securities account may be opened through any account operator of Nasdaq CSD.

An investor wishing to subscribe for the Bonds should contact an account operator that operates such investor's Nasdaq CSD securities account and submit a Subscription Undertaking for the purchase of Bonds in the form set out below. The Subscription Undertaking must be submitted to the account operator by the end of the Offering Period. The investor may use any method that such investor's account operator offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the account operator, over the internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Account operator:	name of the investor's account operator
Security:	Inbank subordinated bond 19.12.2029
ISIN code:	EE3300001544
Amount of securities:	the nominal value of Bonds for which the investor wishes to subscribe (the number of Bonds multiplied by the Offer Price)
Price (per one offer Bond):	EUR 1,000
Transaction amount:	the number of Bonds for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	Inbank AS
Securities account of counterparty:	99102014361
Account operator of the counterparty:	AS LHV Pank
Date of the transaction	the date when the Subscription Undertaking was submitted by the investor
Value date of the transaction:	19 December 2019
Type of transaction:	"purchase"
Type of settlement:	"delivery versus payment"

A Subscription Undertaking is deemed submitted from the moment Nasdaq CSD receives a duly completed transaction instruction from the account operator of the respective investor. Investors have the right to amend or cancel their Subscription Undertakings at any time until the end of the Offering Period. To do so, the investor must contact its/his/her account operator through whom the Subscription Undertaking in question has been made and carry out the procedures required by the account operator for amending or cancelling a Subscription Undertaking (such procedures may differ between different account operators). This may result in costs and fees charged by the account operator through which the Subscription Undertaking is submitted.

An investor may submit a Subscription Undertaking through a nominee account only if such an investor authorises the owner of the nominee account to disclose the investor's identity, personal ID number or registration number, and address to the Company and Nasdaq CSD. Subscription Undertakings submitted through nominee accounts without the disclosure of the above information will be disregarded.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offering Period in accordance with all requirements set out in these terms and conditions.

Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's account operator) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price multiplied by the number of Bonds for which the investor subscribed. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her Nasdaq CSD securities account or its/his/her securities account to cover the whole transaction amount for that particular Subscription Undertaking.

Distribution and Allocation

The Company will decide on the allocation of the Bonds after the expiry of the Offering Period, and no later than on 17 December 2019. The Bonds will be allocated to the investors participating in the Offering in accordance with the following principles: (i) under the same circumstances, all investors shall be treated equally, whereas dependent on the number of investors and interest towards the Offering, the Company may set minimum and maximum number of the Bonds allocated to one investor; (ii) the Company shall be entitled to use different allocation principles between the groups of retail investors and institutional investors; (iii) the allocation shall be aimed to create a solid and reliable investor base for the Company; (iv) the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering; (v) the Company shall be entitled to prefer its existing shareholders and bondholders of the Company to other investors; and (vi) the Company shall be entitled to prefer the clients of the Company to other investors.

The results of the allocation process of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website <https://www.inbank.ee/en/inside/investor/forinvestor/> no later than on 17 December 2019, but in any case, before the Bonds are transferred to the investors' securities accounts. Therefore, dealing with the Bonds shall not begin before the allocation process has been announced.

Settlement and Trading

The Bonds allocated to investors will be transferred to their securities accounts on or about 19 December 2019 through the "delivery versus payment" method simultaneously with the transfer of payment for such Bonds. The title to the Bonds will pass to the relevant investors when the Bonds are transferred to their securities accounts. If an investor has submitted several Subscription Undertakings through several securities accounts, the Bonds allocated to such investor will be transferred to all such securities accounts proportionally to the number of the Bonds indicated in the Subscription Undertakings submitted for each account, rounded up or down as necessary. Trading with the Bonds is expected to commence on the Nasdaq Tallinn Stock Exchange on or about 20 December 2019.

Return of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor's Subscription Undertaking is rejected or if the allocation is less than the amount of Bonds applied for, the funds blocked on the investor's cash account, or the excess part thereof (the amount in excess of payment for the allocated Bonds), will be released by the respective financial institution. Regardless of the reason for which funds are released, the Company shall never be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked (if any).

Cancellation of Offering

The Company has the right to cancel the Offering in full or in part in its sole discretion, at any time until the end of the Offering Period. In particular, the Company may decide to cancel the Offering in the part not subscribed for. Any cancellation of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website <https://www.inbank.ee/en/inside/investor/forinvestor/>. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.

Why is this Prospectus being produced?

The primary purpose of the Offering is to strengthen the capital structure of the Group to retain a strong capital base in light of a growing risk weighted asset base. The Company is looking to engage additional capital in the amount of up to EUR 6,500,000 and should the Company choose to exercise the right to increase the number of Bonds and the volume of the Offering, in the amount of up to EUR 8,000,000. The proceeds from the Offering will be entirely used for strengthening the Tier 2 regulative capital base. Conservative capital buffers are needed in advance to support the general corporate purposes, further growth, strengthen the market position of the Group, finance launch of new products and increase the business volumes of the Group. The total amount of costs related to the Offering is estimated to be up to EUR 50,000, which will be deducted from the proceeds of the Offering before using the proceeds as described above.

According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.

The Offering is not subject to an underwriting agreement on a firm commitment basis.

3. RISK FACTORS

3.1. Introduction

Investing into the Bonds issued by the Company entails various risks. Each prospective investor in the Bonds should thoroughly consider all the information in this Prospectus, including the risk factors described below. Any of the risk factors described below, or additional risks not currently known to the Management or not considered significant by the Management, could have a material adverse effect on the business, financial condition, operations or prospects of the Company and its Group and result in a corresponding decline in the value of the Bonds or the ability of the Company to redeem the Bonds. As a result, investors could lose a part or all of the value of their investments. The Management believes that the factors described below present the principal risks inherent in investing into the Bonds. The risk factors are presented in categories and where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor. The most material risk factor in a category is presented first under that category, the assessment of materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact, disclosed by rating the relevant risk as low, medium or high. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence.

This Prospectus is not, and does not purport to be, investment advice or an investment recommendation to acquire the Bonds. Each prospective investor in the Bonds must determine, based on its own independent review and analysis and such professional advice as it deems necessary and appropriate, whether an investment into the Bonds is consistent with its financial needs and investment objectives and whether such investment is consistent with any rules, requirements and restrictions as may be applicable to that investor, such as investment policies and guidelines, laws and regulations of the relevant authorities, etc.

3.2. Risks Related to the Company's Financial Situation

Counterparty Credit Risk. Counterparty credit risk is inherent to the core operations of the Group. Uncollateralized consumer lending to households is the Group's key activity, accounting for 97% of total loan portfolio as of 30 September 2019. The Group considers credit risk as the risk of potential loss which may arise from counterparty's inability to meet its obligations to the Group companies. Credit risk affects cash and cash equivalents held with third parties (such as deposits with banks and other financial institutions) but mostly credit exposures to customers, including outstanding loans, as well as other receivables and commitments. Group may also be exposed to credit risk through potential investments in bonds, transactions with derivatives etc. The Group makes provisions for potential credit losses in accordance with the applicable requirements, including the IFRS requirements; however, such provisions are made based on the available information, estimates and assumptions, which by definition are subject to certain amount of uncertainty. Therefore, there can be no assurance that provisions are sufficient to cover potential losses. As of 30 September 2019, the Group's gross loan portfolio was EUR 318.3 million, whereas impairment allowances constituted EUR 8.0 million. In addition, the recoverability of the credit provided to customers may be adversely affected by negative changes in the overall economic, political or regulatory environment, decrease in collateral values and other circumstances beyond the control of the Group. Materialisation of credit risk may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for counterparty credit risk is considered as medium.

Concentration Risk. The Group considers concentration risk as part of counterparty credit risk, to which the Group is subject due to the operations of the Group. Concentration risk is a risk arising from a large risk exposure to one counterparty or related counterparties or multiple counterparties impacted by a single risk factor. The Group addresses assets associated with one counterparty, related counterparties and one industry, region or risk factor as part of concentration risk. As the Group's main business involves uncollateralized consumer lending to households, it makes the Group exposed to the changes in the solvency of households that is impacted by the unemployment rate, level of wages etc. Furthermore, as of 30 September 2019, the Group had two receivables that exceeded 10% of the Group's net own funds, both from credit institutions. The materialisation of

concentration risk may have a material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for concentration risk is considered as low.

Geographical Markets Risk. The Group offers loans on four geographical markets – Estonia, Latvia, Lithuania and Poland. As of 30 September 2019, the Group's loan portfolio attributable to the Estonian market was the highest accounting for 42.9% of the Group's total loan portfolio, followed by Lithuanian market with 30.2%, Latvian market with 17.2% and Polish market with 9.7%. Therefore, any adverse event or development especially in Estonia and Lithuania may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for geographical markets risk is considered as low.

Market Risk. Market risk arises primarily from the Group's mismatched interest rate exposures between loans and deposits, open foreign currency positions and shares of Coop Pank AS that are held for investment purposes. Market risk is the risk of potential loss which may arise from unfavourable changes in interest rates, foreign exchange rates or prices of securities. The Group is naturally exposed to the interest rate risk due to changes in the maturities and interest rates of loans and/or deposits. Within the Group, internal judgement and know-how is used to assess and avoid potential market losses; however, such internal judgement may turn out to be inaccurate due to changes in the financial markets not foreseen at the time of making the judgement. In order to mitigate the market risk, conservative limits have been established for open market risk and foreign currency exposures of the Group, but despite the measures taken by the Group, the market risk may have material adverse effect on the Group's operations, financial condition and results of operations. Further description of the types of market risk is provided below. The Group's risk profile for market risk is considered as medium.

Foreign Currency Risk. The Group operates in an international environment and, accordingly, is exposed to foreign currency risk. It arises from the Group's activities through the Polish branch by offering consumer financing and accepting public deposits denominated in Polish zloty. Foreign exchange rates may be affected by complex political and economic factors, including relative rates of inflation, interest rate levels, the balance of payments between countries, the extent of any governmental surplus or deficit, and from the monetary, fiscal and trade policies pursued by the governments of the relevant currencies. Devaluation, depreciation or appreciation of foreign currency may have significant adverse effect on the value of the Group's assets denominated in foreign currency or increase the euro value of the Group's foreign currency liabilities. Although the Group's foreign currency risk management is based on risk policies, limits and internal procedures, it may turn out to be inadequate and therefore, foreign currency risk may have material adverse effect on the Group's operations, financial condition and results of operations. According to the scenario analysis, as of 30 September 2019, the impact of a 10% exchange rate change in an unfavourable direction on all the Group's foreign currency positions would be EUR 25 thousand. The Group's risk profile for foreign currency risk is considered as low.

Interest Rate Risk. The operations of the Group and foremost the operations of the Company are inherently exposed to interest rate risk. Interest rate risk arises due to the fluctuations of market interest rates over time, while the Group's business involves intermediation activity that produces exposures to both maturity mismatch (e.g. long-maturity assets funded by short-maturity liabilities) and rate mismatch (e.g. variable rate loans funded by fixed rate deposits). The Company is responsible for the management of interest rate risk of the Subsidiaries. The profitability of the Group depends on the difference between the interest it charges from its debtors and the interest it pays to its creditors (net interest). The amount of net interest income earned by the Group companies materially affects the revenues and the profitability of the operations of the Group. Interest rates are affected by numerous factors beyond the control of the Group companies, which may not be estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, monetary policies of states, etc. Therefore, interest rate risk may have material adverse effect on the Group's operations, financial condition and results of operations. As of 30 September 2019, a 1 percentage point decrease in market interest rates would raise the Group's economic value, i.e. equity, by EUR +3 thousand. In the same time, an increase of 1 percentage point in market interest rates would affect the Group's economic value (equity) by EUR -133 thousand. A decrease of 1 percentage point in interest rates would affect the Group's annual net interest income and profit by EUR -44 thousand while an increase of 1 percentage point in interest rates would affect the

Group's annual net interest income (profit) by EUR +992 thousand. The Group's risk profile for interest rate risk is considered as medium.

Price risk. Financial instruments bearing price risk at Group are securities held in investment portfolio. As of 30 September 2019, the Company holds 3.49% of Coop Pank AS shares with the total value of EUR 2.4 million for investment purposes which are subject to fluctuations in market price arising from various circumstances beyond the control of the Group. The price risk may have material adverse effect on the Group's operations, financial condition and results of operations. In line with the Group's strategy, the Group plans to completely liquidate Coop Pank AS's holding during 2019 by selling all Coop Pank AS shares in its investment portfolio. This, however, may turn out not to be successful (please refer to "Group Structure, Group Companies and Affiliated Companies of the Company" for further information). The Group's risk profile for price risk is considered as medium.

Liquidity Risk and Dependence on Access to Funding Resources. Liquidity risk relates to the ability of the Group to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities. Due to its business activities, the maturity of the assets of the Group (*e.g.* loans to its customers) tend to be longer than the maturity of its liabilities (*e.g.* term deposits). The Group's liquidity management and strategy is based on risk policies, resulting in various liquidity risk measures, limits and internal procedures. As per policy statements, the Group's liquidity management reflects a conservative approach towards liquidity risk. Such risk policies and internal procedures may, however, not be adequate or sufficient in order to ensure the Group's access to funding resources when needed, to the extent needed or on favourable terms in order to ensure sufficient liquidity. The Group is fully compliant with the Basel III metrics – the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The aim of the LCR standard is to ensure that the Group has an adequate amount of unencumbered assets of high quality and liquidity that could be monetised without incurring material losses to meet a liquidity requirement in a 30-day stress scenario while NSFR ensures adequate stable funding sources to finance longer-term assets. The Group's LCR and NSFR as of 30 September 2019 were respectively 3352% and 154% while the regulatory minimum requirement for both metrics is set at 100%. The Company's outstanding Tier 2 subordinated bonds (ISIN EE3300110964) with the total volume of EUR 6.5 million are about to mature on 28 September 2026. In order to meet its obligations before the holders of the bonds and to continue the growth and development in accordance with current strategy and business plan, the Group needs to raise additional funding, which may turn out not to be successful. Materialisation of the risks related to liquidity and failure to obtain sufficient funding for operations or the increased costs or unfavourable terms of financing or refinancing could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group may encounter difficulties in financing its capital needs, which may prevent the realisation of its strategic plans and could result in the Group having to forgo opportunities that may arise in the future. This, in turn, could have a material adverse effect on the Group's competitive position. The Group's risk profile for liquidity risk is considered as low.

3.3. Risks Related to the Company's and Subsidiaries' Business Activities and the Group's Industry

Operational Risk. Operational risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition, the operational risk also embraces risk of corporate fraud and misconduct. For the Group the realisation of such risks could lead to a disruption in provision of services, non-conformity with applicable requirements and financial losses. The prior is true especially due to the Group relying strongly on the effective functioning of its processes and systems. The Group manages operational risk based on an established operational risk policy. The Group's working procedures are reviewed periodically to ensure minimising human and process flaws, and the information systems and operations are monitored constantly in order to identify risks, flaws or fraud, to minimise the potential loss arising therefrom; however, the risk of such losses cannot be eliminated altogether. The Group may, despite its efforts, fail to mitigate all risks and the operational risk may have material adverse effect on the Group's operations, financial condition and results of operations. As of 30 September 2019, the Group's year-to-date operational risk losses accounted for 0.52% of the Group's own funds. The Group's risk profile for operational risk is considered as medium.

Dependency on Information Technology Systems and Risk of Cyber-Attacks. The Group has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its clients. The business model of the Group is specifically built upon providing its services with the help of innovative information technology solutions. The dependency on such systems is further increasing in time with the spread of online and mobile banking services and the development of cloud computing. This means that the Group is exceedingly open to risks over which it has no control, including system-wide failures of communication infrastructure, quality and reliability of equipment and software supplied by third parties and other similar risks. Furthermore, should the Group experience a significant security breakdown or other significant disruption to its information technology systems, sensitive information could be compromised, which in turn could result in civil and administrative liability of the Group companies before its customers, counterparties and state authorities, as well as in a general decrease in the trustworthiness of the Group and consequently in the demand for its services. The Group has made significant investments into developing well-functioning and secure information technology systems and is constantly working on improving such systems and developing adequate contingency procedures; however, the Group may, despite its efforts, fail to mitigate all risks or fail to take appropriate and effective countermeasures if its information technology systems fall under attack, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for information technology systems risk is considered as medium.

Dependency on Qualified Staff. The results of operations of the Group depend highly on the ability to engage and retain qualified, skilled and experienced staff. Aside from the information technological systems, the qualified, skilled and experienced staff is one of the other key factors enabling the Group companies to operate profitably and to grow further. In the highly competitive environment of the financial sector in which the Group companies compete and considering the Group's expansion targets, the Group companies must make continuous efforts to attract new qualified personnel and motivate existing management and employees. Regulatory restrictions applicable to the Company, such as the limits on certain types of remuneration paid by credit institutions and investment firms set forth in CRD IV¹ and further developed in CRD V², could adversely affect the Group's ability to attract new qualified personnel and retain and motivate existing employees. Each of the Group's employee has one's own responsibility area and speciality which only slightly overlap with other colleagues. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for dependency on qualified staff is considered as medium.

Strategic Risk. Strategic risk is a possible source of loss that might arise from the pursuit of wrong strategic decisions. For reasons of corporate growth, the Group's strategic risk is estimated to exceed the strategic risk of a bank positioned in a stable stage. The Group's strategic risk is mitigated through well-considered business plans and analyses, as well as engaging professionals with long-term experience in the banking sector and/or entrepreneurship as the members of management and supervisory boards of the Group companies. Further, entries into new markets and sectors are always preceded by an in-depth analysis and engaging experts in the particular field, where necessary. However, despite the measures taken by the Group, the materialisation of strategic risk may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for strategic risk is considered as medium.

Reputational Risk. Reputational risk is a risk of loss resulting from any deterioration of the Group's reputation. In the banking sector, where the Group companies and most notably the Company operate, a good reputation is paramount. As the Company obtained a banking license and started operating under a new business name (Inbank) only four years ago, the development of a strong brand and good reputation is especially important for

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the **CRD IV**).

² Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the **CRD V**).

the Company, and thus the Company is more susceptible to reputational risk than older and well-established brands in the financial sector. The reputation affects the trustworthiness of the Company which is the principal basis for conducting the business in the sector. Reputational risk can, above all, be attributed to the materialisation of other risks, such as operational, strategic, compliance risks or exposure to civil liability. The Group mitigates the reputational risk by carrying out regular risk management trainings as well as by continually improving the Group-wide risk management framework, thus ensuring a strong risk culture. However, the measures taken by the Group may prove to be ineffective or insufficient and further, in addition to factors directly attributable to the Group companies and their employees, the reputation of the Group is affected by circumstances beyond the control of the Group, such as the conduct of its business partners, whom the Group has over 2000, or information circulating in the media. Any deterioration of the Group's reputation in the eyes of customers, business partners, owners, employees, investors or supervisory authorities may have material adverse effect on the Group's operations, financial condition and results of operations, including the Company's ability to grow deposits and secure funding on favourable terms. The Group's risk profile for reputational risk is considered as low.

Competitive Market. The Group operates in the financial sector, which is on the four geographical markets where the Group is present – Estonia, Latvia, Lithuania and Poland – a highly competitive market. In addition to the licenced credit institutions and branches of foreign banks present in the geographical markets where the Group operates, there are market participants (financial institutions, e.g. creditors) who are not subject to regulatory and capital requirements as burdensome as the Group companies, and who therefore may have a competitive advantage over the Group companies on the relevant market. There are altogether 15 credit institutions (incl. branches) and 63 consumer credit providers on the Estonian market; 19 credit institutions (incl. branches) and 62 consumer credit providers on the Latvian market; 15 credit institutions (incl. branches) and 56 consumer credit providers on the Lithuanian market; and 606 credit institutions (incl. branches) and 471 consumer credit providers on the Polish market. Furthermore, recent trends in the crediting and lending market may be characterised by the development of new products and solutions, which compete with the more conservative and traditional products and services offered by the Group. Often such alternative service providers are able to offer more favourable terms than the Group companies, which may result in price pressure on the products and services offered by the Group. If the Group fails to respond to the competitive environment in its highly competitive target markets by offering attractive and profitable product and service solutions, it may face the decrease of its market shares or the overall profitability of the Group may suffer. The Group's risk profile for the risk stemming from competitive market is considered as low.

Exposure to Conduct of Other Market Participants. The Group's access to financing, investment and derivative transactions may be adversely affected by market practices of other market participants. Unfettered access to the financial markets is needed to ensure that the Group is able to finance its activities, when needed. Financial and securities markets are interrelated and defaults and failures to conduct sound business by other market players could lead to market-wide liquidity problems or other market-wide issues, which could adversely affect the Group's access to capital resources. Further, the Group companies have exposure to many counterparties arising from clearing, funding or other relationships with them. Failure of such market participants to meet their obligations may result in the default of the Group companies before other counterparties and clients, which in turn may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for the risk arising from the conduct of other market participants is considered as low.

Subsidiaries and Affiliated Companies. As of 30 September 2019, the Company holds indirect shareholding of 7,6% at Maksekeskus AS. The operations of this joint venture may be adversely affected by the other shareholders of the company. Despite the shareholders' agreement, it cannot be excluded that the joint venture partner exercises its voting rights for influencing management decisions in a direction with which the Company disagrees, or fails to exercise its voting rights to adopt management decisions that in the view of the Company are necessary in the interest of those companies. Furthermore, the joint venture partner may understand the terms of the shareholders' agreement differently from the Company or fail to perform the shareholders' agreement. Although the Management considers the materialisation of the above-described risks unlikely and has high confidence and trust in its joint venture partners, such behaviour by other shareholders, in theory,

cannot be excluded or prevented, and may have adverse effect on the financial position and results of operations of the subsidiaries and affiliated companies. Given that the financial results and the operations of the Group depend to an extent on the performance and the sound management of the subsidiaries and the affiliated companies, then this may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for the risk stemming from subsidiaries and affiliated companies is considered as low.

3.4. Legal and Regulatory Risks

Maintaining Capital Adequacy Ratios. Credit institutions and investment firms must adhere to strict capital adequacy requirements subject to frequent reforms and changes. Currently, the capital of banks and investment firms in the EU is subject to the legal framework of CRR³/CRD IV. These requirements are largely based on the Basel III framework that was agreed in the Basel Committee on Banking Supervision with the objective to strengthen the resilience of the financial sector to economic shocks and thereby ensure the adequate and sustainable financing of the economy, and are still subject to transitional arrangements (phase-in of deductions and capital buffers and phase-out of capital elements). In addition, the Council of the European Union has adopted, among others, reforms for both the CRR and CRD IV. In addition to basic own funds requirement, Estonia has established capital preservation buffer at the respective level of 2.5% and systemic risk buffer 1% (to risk exposure located in Estonia). The Group is obliged to keep an additional institution-specific countercyclical capital buffer: the corresponding rate currently applied in Lithuania is 1% and 0% in other countries where the Group operates. So far, the Group has complied with all applicable capital requirements. However, the capital requirements adopted in Estonia and the European Union may change, whether as a result of further changes of the EU or Estonian legislation, global standards or interpretation thereof. Such changes, either individually or in combination, may lead to unexpected increased requirements and have a material adverse effect on the business of the Company and the Group as a whole. This may result in the need to increase capital, reduce leverage and risk weighted assets, modify the Group's legal structure or even change the Group's business model. The Group's risk profile for the risk that stems from maintaining capital adequacy ratios is considered as medium.

Exposure to Regulative Changes. The Group operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice. The regulatory framework that was introduced after the global financial and economic crises of 2007-2009 (CRR, CRD IV, BRRD⁴, SRMR⁵) is currently being revised. The revised package on capital requirements (CRR II⁶ and CRD V⁷) and resolution (BRRD II⁸ and SRMR II⁹) has been adopted by the Council of the European Union. The proposed changes are awaiting to be implemented by national legal acts. As an example, the proposed changes introduce additional or amended capital and liquidity ratios that place further limitations to the flexibility of the funding of the Group. Although the Group does not offer products or services that are generally considered to entail high money

³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the **CRR**).

⁴ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (the **BRRD**).

⁵ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the **SRMR**).

⁶ Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (the **CRR II**).

⁷ Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the **CRD V**).

⁸ Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (the **BRRD II**).

⁹ Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the **SRMR II**).

laundering and terrorist financing risks, the recent developments in this area are likely to place additional strain to the operating processes of the Group. As the business model of the Group is centred around automated IT processes and is thus very dependent on data processing, the regulatory changes (e.g. GDPR¹⁰ that came into effect in 2018) related to data processing have a significant impact on the activities of the Group. One of the most important regulative changes that the Group is exposed to due to its customer target group may arise from the review of the Consumer Credit Directive¹¹ which is expected to be concluded by the end of 2019. At this time, it is still unclear what kind of new requirements may arise out of this review. Therefore, the increased requirements and expectations, enhanced supervisory standards and uncertainty with regard to further changes may result in limitations of operating flexibility and certain lines of business, additional costs and liabilities, a necessity to change legal, capital or funding structures, and decisions to exit or not to engage in certain business activities. The Group's risk profile for compliance risk is considered as low.

Tax Regime Risks. Tax regimes of the geographical markets where the Group operates are from time to time subject to change, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable. Any changes in the tax regimes in the jurisdictions where the Group companies operate or in the interpretation of such tax laws, regulations or treaties may have material adverse effect on the Group's operations, financial condition and results of operations. The Group's risk profile for tax regime risk is considered as low.

Exposure to Regulatory Actions and Investigations. The Group offers various financial services and products and is therefore subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Such risk arises mostly due to the sector in which the Company operates. Several local and European authorities, including financial supervision, consumer protection, data protection, tax and other authorities regularly perform investigations, examinations, inspections and audits of companies acting in the same sector as the Group. Such proceedings include, but are not limited to topics like capital requirements, standards of consumer lending, anti-money laundering ("AML"), anti-bribery, payments, reporting, corporate governance, data protection, etc. Any determination by the authorities that the Company or any Group entities have not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields. Any of these consequences may have material adverse effect on the Company's operations, financial condition and results of operations. The Group's risk profile for the risk arising from regulatory actions and investigations is considered as medium.

Exposure to Money Laundering and Terrorist Financing ("ML/TF") risks. The recent discoveries of the vulnerability of banks with regard to ML/TF, the regulatory environment as well as the supervisory approach have become very strict and focused on ML/TF risks. The target customers, operating regions as well as the offered products and services of the Group include modest ML/TF risks compared to the majority in the banking sector. Nevertheless, a significant portion of attention have to be put on these risks by the Group in order to meet its low risk appetite for ML/TF risk. Therefore, the Group must put significant effort to complying with AML requirements. Failure to do so would most likely lead to implementation of strict supervisory measures, reputational damage and could result in business disruption. The Group's risk profile for ML/TF risk is considered as low.

Contractual Risk. The operations of the Company are materially dependent on the validity and enforceability of the transactions and agreements entered into by it. These transactions and agreements may be subject to the laws of Estonia or foreign laws. While due care is taken to ensure that the terms of these transactions and agreements are fully enforceable under the laws applicable to them, occasional contradictions and variations of

¹⁰ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (the "GDPR").

¹¹ Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.

interpretation may occur. Consequently, the Company may not be able to always enforce their contractual rights. Moreover, the legal environment where such transactions are affected and agreements are entered into, which is primarily that of the Baltic states, is subject to changes, both through the enactment of new laws and regulations and through changes in interpretation by the competent authorities and courts. Therefore, it cannot be fully excluded that certain terms of the transactions and agreements entered into by the Company turn out to be unenforceable, which in turn may have material adverse effect on the Company's operations, financial condition and results of operations. Risk is magnified by the fact that most of the agreements the Company concludes with its customers are based on standard terms and conditions. Hence, any change in law or interpretation could affect a large number of agreements concluded with the customers. The Group's risk profile for contractual risk is considered as low.

Exposure to Civil Liability. The Company operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings. Due to the nature of its business (provision of consumer credit) use of court system for enforcing claims in arrears is a part of the day-to-day activity of the Company. The results of such disputes are inherently difficult to predict and even the disputes themselves, not only unfavourable outcomes, may result in the Company incurring significant expenses and damages, and have negative effects on the Company's reputation, which in turn may have material adverse effect on the Company's operations, financial condition and results of operations. The Group's risk profile for the risk stemming from civil liability is considered as low.

3.5. Political and Economic Risks

Changes in Economic Environment. Each of the Group's operating segments is affected by general economic and geopolitical conditions. The general economic environment on the one hand affects the demand for the services, but on the other hand negative trends in the economy increase the credit risks. Similarly, adverse changes in the economic environment, especially of countries where the Group companies operate, could negatively affect the operations of the Group in several ways, including significantly increase the credit risk stemming from the Group's loan portfolio and decrease the demand for the Group's services. According to IMF World Economic Outlook Update in October 2019, the global economy is expected to grow at 3.5% in 2019 and 3.6% in 2020. OECD Economic Outlook in September 2019 has stated that escalating trade policy tensions are taking an increasing toll of confidence and investment, adding to policy uncertainty, weighing on risk sentiment in financial markets, and endangering future growth prospects. Financial markets tend to behave unpredictably. Europe is struggling with the weakening of the euro, and uncertainties about the decision of the United Kingdom to leave the European Union can have a significant negative effect on the general economic situation in Europe, where the Group's business is concentrated. These or other, yet unknown, adverse developments of the global and local economies and of financial markets could have a degrading effect on the financial position of the Group. Any deterioration in the economic environment of the countries where the Group operates could have a direct negative impact on the financial position and profitability of the Group. The Baltic region is a small open economy that is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and Russia. Over the recent years, the Eurozone debt crisis has had an adverse effect on the Estonian economy. Due to economic downturn, households' capability to fulfil their obligations towards the Group may deteriorate, which may lead to increase in the Group's overdue loan portfolio. This in turn causes higher provisioning levels and loan losses to the Group. Although the Group constantly monitors developments on both domestic and international markets, it is not possible to forecast the timing or extent of changes in the economic environment. The Group's risk profile for the risk stemming from the changes in economic environment is considered as high.

3.6. Risks Related to Bonds

Credit Risk. An investment into the Bonds is subject to credit risk, which means that the Company may fail to meet its obligations arising from the Bonds in a duly and timely manner. The Company's ability to meet its obligations arising from the Bonds and the ability of the bondholders to receive payments arising from the Bonds depend on the financial position and the results of operations of the Company and the Group, which are subject

to other risks described in this Prospectus. The Bonds are not bank deposits in the Company and are not guaranteed by the Guarantee Fund (in Estonian: *Tagatisfond*). The risk profile of the Bonds for credit risk is considered as medium.

Subordination Risk. The Bonds are subordinated to all unsubordinated claims against the Company; however, not to the claims, which are subordinated to the Bonds or which rank *pari passu* with the Bonds. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due in accordance with the Terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Company, the holders of the Bonds are not entitled to any payments due under the Terms of the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company. The subordination may have adverse effect on the Company's ability to meet all its obligations arising from the Bonds. The risk profile of the Bonds for subordination risk is considered as medium.

Early Redemption Risk. According to the Terms of the Bonds, the Bonds may be redeemed prematurely on the initiative of the Company, at any time after the lapse of 5 years as from the date of issue of the Bonds as described in Section "Bonds". Further, according to the Terms of the Bonds, the Bonds may be redeemed by the Company even earlier than after the lapse of 5 years as from the date of issue of the Bonds as described in Section "Bonds" if amendments are made to the tax regulation that cause the Company to bear increased tax liability in regards of the Bonds, or if the Bonds cease or are likely to cease to be included in the Company's Tier 2 capital. If any of these early redemption rights is exercised by the Company, the rate of return from an investment into the Bonds may be lower than initially anticipated. Also, the investors might not have an option to invest in financial instruments offering the similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment. The Bonds may, however, be redeemed prematurely by the Company only if the EFSA (or the European Central Bank if it is in the competence thereof) has granted its consent to the early redemption. The decision on granting the consent involves certain amount of discretion by the competent authority and the early redemption is therefore beyond the control of the Company. The risk profile of the Bonds for early redemption risk is considered as low.

No Ownership Rights. An investment into the Bonds is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Company or any of the Subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Bonds represent an unsecured debt obligation of the Company, granting the bondholders only such rights as set forth in the Terms of the Bonds. The value of the Bonds might be affected by the actions of the shareholder of the Company over which the investors do not have control. The risk profile of the Bonds for the risk stemming from not having ownership rights is considered as low.

Tax Regime Risks. Adverse changes in the tax regime applicable in respect of transacting with the Bonds or receiving interest or principal payments based on the Bonds may result in an increased tax burden of the bondholders and may therefore have adverse effect on the rate of return from the investment into the Bonds. The risk profile of the Bonds for tax regime risk is considered as low.

Cancellation of Offering. Although best efforts will be made by the Company to ensure that the Offering is successful, the Company cannot provide any assurance that the Offering will be successful and that the investors will receive the Bonds they subscribed for. The Company is entitled to cancel the Offering on the terms and conditions described in the Section "Cancellation of Offering". The risk profile of the Bonds for the risk stemming from cancellation of Offering is considered as low.

Bail-In Risk. Any liability arising under the Bonds may be subject to the exercise of Bail-In Powers by the relevant Resolution Authority in cases where a Group company meets the conditions for the initiation of resolution proceedings (i.e. fails or is likely to fail and certain other conditions are met). Exercising the Bail-In Powers is subject to numerous preconditions and will only be used as a last resort; however, if the powers are exercised, it is possible that: (a) the amount outstanding of the Bonds is reduced, including to zero; (b) the Bonds are

converted into shares, other securities or other instruments of the Company or another person; (c) the Bonds are cancelled; and/or (d) the terms of the Bonds are altered (e.g. the maturity date or interest rate of the Bonds could be changed). Therefore, if a Group company meets the conditions for the initiation of resolution proceedings, the exercising of the Bail-in Powers by the relevant Resolution Authority may result in material losses for the bondholders. Financial public support will only be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool. Consent of the bondholders is not necessary for affecting bail-in measures by the Resolution Authority. The risk profile of the Bonds for bail-in risk is considered as medium.

3.7. Risks Related to Offering, Listing and Admission to Trading

Bond Price and Limited Liquidity of Bonds. The Company will apply for the listing of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange; however, although every effort will be made by the Company to ensure the listing of the Bonds as anticipated by the Company, no assurance can be provided that the Bonds will be listed and admitted to trading. Further, the Nasdaq Tallinn Stock Exchange is substantially less liquid and more volatile than established markets in other jurisdictions. The YTD turnover of bonds admitted to trading on Nasdaq Tallinn Stock Exchange is EUR 23,758,566, with 1,351 trades in total (as of 26 November 2019). The relatively small market capitalisation and low liquidity of the Nasdaq Tallinn Stock Exchange may impair the ability of the bondholders to sell their Bonds on the open market, use them as a collateral for other obligations or engage in other transactions requiring the existence of an active market, or could increase the volatility of the price of the Bonds. The value of the Bonds can fluctuate on the securities market due to events and the materialisation of risks related to the Group, but also because of events outside the Group's control, such as economic, financial or political events, changes of interest rate levels or currency exchange rates, policy of central banks, changes in the demand or supply of securities of the same type in general or of the Bonds. For instance, if at any point a person holding a large block of Bonds decided to sell such Bonds, the demand on the Nasdaq Tallinn Stock Exchange may not be sufficient to accommodate such a sale or issue and any sale may take longer than originally expected or a sale may take place at a lower price than expected. The risk profile of the Bonds for the risk stemming from bond price and limited liquidity of Bonds is considered as medium.

Negative or Insufficient Analyst Coverage. There is no guarantee of continued (or any) analyst research coverage for the Company. Over time, the amount of third-party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations, as the Company has no influence on the analysts who prepare such reports. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading volume of the Bonds. The risk profile of the Bonds for the risk stemming from negative or insufficient analyst coverage is considered as low.

4. TERMS AND CONDITIONS OF OFFERING

4.1. Offering

In the course of the Offering, up to 6,500 Bonds may be offered to retail and institutional investors in Estonia (the **Retail Offering**). In case of over-subscription of the Bonds in the course of the Offering, the Company has the right to increase the Offering volume and issue up to 1,500 additional Bonds as a result of which the total number of the Bonds offered in the course of the Offering may be up to 8,000 and the total volume of the Offering up to EUR 8,000,000. The additional Bonds will be allocated to the investors participating in the Offering in accordance with the principles described in Section "Distribution and Allocation".

In addition to the Retail Offering the Bonds may be offered in or outside Estonia to qualified investors or by private placement in accordance with Article 1(4)(a) and (b) of the Prospectus Regulation (the **Institutional Offering**); however, this Prospectus relates only to the Retail Offering. The division of the Bonds between the Institutional Offering and the Retail Offering has not been predetermined and will be determined by the Company in accordance with the principles described in Section "Distribution and Allocation" below. The total amount of Bonds may decrease in case any part of the Offering is cancelled – please see the Section "Cancellation of Offering" for further details.

4.2. Right to Participate in Offering

The Retail Offering is directed to all retail and institutional investors in Estonia. For the purposes of the Offering, a natural person is considered to be "in Estonia" if such person has a securities account with the Nasdaq CSD SE Estonian branch (register code 14306553, address Maakri tn 19/1, 10145 Tallinn, Estonia) acting as the operator of the Estonian securities register (**Nasdaq CSD**) and such person's address recorded in Nasdaq CSD records in connection with such person's securities account is located in Estonia. A legal person is considered to be "in Estonia" if such person has a securities account with Nasdaq CSD and such person's address recorded in Nasdaq CSD records in connection with such person's securities account is located in Estonia or its registration code recorded in Nasdaq CSD records is the registration code of the Estonian Commercial Register.

4.3. Offer Price

The Offer Price is EUR 1,000 per one Bond. The Offer Price will be the same in the Institutional Offering and in the Retail Offering.

4.4. Offering Period

The Offering Period is the period during which the persons who have the right to participate in the Retail Offering may submit Subscription Undertakings (please see Section "Subscription Undertakings" for further details) for the Bonds. The Offering Period commences on 3 December 2019 at 10:00 local time in Estonia and terminates on 13 December 2019 at 16:00 local time in Estonia.

4.5. Subscription Undertakings

Submitting Subscription Undertakings

The Subscription Undertakings may be submitted only during the Offering Period. An investor participating in the Retail Offering may apply to subscribe for the Bonds only for the Offer Price. Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective account operator of Nasdaq CSD accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.

In order to subscribe for the Bonds, an investor must have a securities account with Nasdaq CSD Estonian settlement system. Such securities account may be opened through any account operator of Nasdaq CSD. A

complete and up to date table of account operators of Nasdaq CSD can be found at the following address:
<https://nasdaqcsd.com/services/services-to-account-operators/list-of-account-operators/>.

Content of and Requirements for Subscription Undertakings

An investor wishing to subscribe for the Bonds should contact an account operator that operates such investor's Nasdaq CSD securities account and submit a Subscription Undertaking for the purchase of Bonds in the form set out below. The Subscription Undertaking must be submitted to the account operator by the end of the Offering Period. The investor may use any method that such investor's account operator offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the account operator, over the internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Account operator:	name of the investor's account operator
Security:	Inbank subordinated bond 19.12.2029
ISIN code:	EE3300001544
Amount of securities:	the nominal value of Bonds for which the investor wishes to subscribe (the number of Bonds multiplied by the Offer Price)
Price (per one offer Bond):	EUR 1,000
Transaction amount:	the number of Bonds for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	Inbank AS
Securities account of counterparty:	99102014361
Account operator of the counterparty:	AS LHV Pank
Date of the transaction	the date when the Subscription Undertaking was submitted by the investor
Value date of the transaction:	19 December 2019
Type of transaction:	"purchase"
Type of settlement:	"delivery versus payment"

A Subscription Undertaking is deemed submitted from the moment Nasdaq CSD receives a duly completed transaction instruction from the account operator of the respective investor.

Submission of Subscription Undertakings through Nominee Accounts

An investor may submit a Subscription Undertaking through a nominee account only if such an investor authorises the owner of the nominee account to disclose the investor's identity, personal ID number or registration number, and address to the Company and Nasdaq CSD. Subscription Undertakings submitted through nominee accounts without the disclosure of the above information will be disregarded.

Amendment and Cancellation of Subscription Undertakings

Investors have the right to amend or cancel their Subscription Undertakings at any time until the end of the Offering Period. To do so, the investor must contact its/his/her account operator through whom the Subscription Undertaking in question has been made and carry out the procedures required by the account operator for amending or cancelling a Subscription Undertaking (such procedures may differ between different account operators). This may result in costs and fees charged by the account operator through which the Subscription Undertaking is submitted.

Legal Effect of Subscription Undertakings

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect,

unclear or illegible, or which have not been completed and submitted during the Offering Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking, every investor:

- (i) accepts the terms and conditions of the Offering set out in this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Bonds;
- (ii) confirms that it/he/she has read the Terms of the Bonds and that the Terms of the Bonds are fully understandable and acceptable to it/him/her;
- (iii) accepts that the number of the Bonds indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Bonds which the investor wishes to acquire (the **Maximum Amount**) and that the investor may receive less (but not more) Bonds than the Maximum Amount subscribed for (please see Section "Distribution and Allocation");
- (iv) undertakes to acquire and pay for any number of Bonds allocated to them in accordance with these terms and conditions, up to the Maximum Amount;
- (v) authorises and instructs the account operator through which the Subscription Undertaking is submitted to arrange the settlement of the transaction on their behalf (taking such steps as are legally required to do so) and to forward the necessary information to the extent necessary for the completion of the transaction;
- (vi) authorises the account operator through which the Subscription Undertaking is submitted, and Nasdaq CSD, to amend the information contained in the Subscription Undertaking to (a) specify the value date of the transaction, (b) specify the number of Bonds to be purchased by the investor and the total amount of the transaction, up to the Maximum Amount times the Offer Price; (c) correct or clarify obvious mistakes or irregularities in the Subscription Undertakings, if any;
- (vii) acknowledges that the Retail Offering does not constitute an offer (in Estonian: *pakkumus*) of the Bonds by the Company in legal terms or otherwise, and that the submission of a Subscription Undertaking does not constitute the acceptance of an offer, and therefore does not in itself entitle the investor to acquire the Bonds, nor result in a contract for the sale of the Bonds between the Company and the investor.

4.6. Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's account operator) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her Nasdaq CSD securities account or its/his/her securities account to cover the whole transaction amount for that particular Subscription Undertaking.

4.7. Distribution and Allocation

The Company will decide on the allocation of the Offer Bonds after the expiry of the Offering Period, and no later than on 17 December 2019. The Bonds will be allocated to the investors participating in the Offering in accordance with the following principles:

- (i) under the same circumstances, all investors shall be treated equally, whereas dependent on the number of investors and interest towards the Offering, the Company may set minimum and maximum number of the Bonds allocated to one investor;
- (ii) the Company shall be entitled to use different allocation principles between the groups of retail investors and institutional investors;
- (iii) the allocation shall be aimed to create a solid and reliable investor base for the Company;

- (iv) the Company shall be entitled to prefer Estonian investors to foreign investors who may participate in the Institutional Offering;
- (v) the Company shall be entitled to prefer its existing shareholders and bondholders of the Company to other investors; and
- (vi) the Company shall be entitled to prefer the clients of the Company to other investors.

The results of the allocation process of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website <https://www.inbank.ee/en/inside/investor/forinvestor/> no later than on 17 December 2019, but in any case, before the Bonds are transferred to the investors' securities accounts. Therefore, dealing with the Bonds shall not begin before the allocation process has been announced.

4.8. Option to Increase Offering Volume

In case of over-subscription of the Bonds in the course of the Offering, the Company has the right to increase the Offering volume and issue up to 1,500 additional Bonds as a result of which the total number of the Bonds offered in the course of the Offering may be up to 8,000 and the total volume of the Offering up to EUR 8,000,000. The additional Bonds will be allocated to the investors participating in the Offering in accordance with the principles described in Section "Distribution and Allocation".

The final total Offering volume will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website <https://www.inbank.ee/en/inside/investor/forinvestor/> no later than on 17 December 2019.

4.9. Settlement and Trading

The Bonds allocated to investors will be transferred to their securities accounts on or about 19 December 2019 through the "delivery versus payment" method simultaneously with the transfer of payment for such Bonds. The title to the Bonds will pass to the relevant investors when the Bonds are transferred to their securities accounts. If an investor has submitted several Subscription Undertakings through several securities accounts, the Bonds allocated to such investor will be transferred to all such securities accounts proportionally to the number of the Bonds indicated in the Subscription Undertakings submitted for each account, rounded up or down as necessary. Trading with the Bonds is expected to commence on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange on or about 20 December 2019.

4.10. Return of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor's Subscription Undertaking is rejected or if the allocation is less than the amount of Bonds applied for, the funds blocked on the investor's cash account, or the excess part thereof (the amount in excess of payment for the allocated Bonds), will be released by the respective financial institution. Regardless of the reason for which funds are released, the Company shall never be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked (if any).

4.11. Cancellation of Offering

The Company has the right to cancel the Offering in full or in part in its sole discretion, at any time until the end of the Offering Period. In particular, the Company may decide to cancel the Offering in the part not subscribed for. Any cancellation of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Company's website <https://www.inbank.ee/en/inside/investor/forinvestor/>. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.

4.12. Conflicts of Interests

According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.

5. REASONS FOR OFFERING AND USE OF PROCEEDS

The primary purpose of the Offering is to strengthen the capital structure of the Group to retain a strong capital base in light of a growing risk weighted asset base. The proceeds from the Offering will be entirely used for strengthening the Tier 2 regulative capital base. Conservative capital buffers are needed in advance to support the general corporate purposes, further growth, strengthen the market position of the Group, finance launch of new products and increase the business volumes of the Group. During the first six months of 2019 the risk weighted assets of the Company have increased by nearly 33,3% from EUR 208 million to EUR 277 million¹². According to the EU legislation applicable to credit institutions the increase in risk weighted assets need to be covered by regulative capital.

The Company is looking to engage additional capital in the amount of up to EUR 6,500,000 and should the Company choose to exercise the right to increase the number of Offer Bonds and the volume of the Offering as described in Section "Option to Increase Offering Volume" in the amount of up to EUR 8,000,000. The total amount of costs related to the Offering is estimated to be up to EUR 50,000, which will be deducted from the proceeds of the Offering before using the proceeds as described above.

¹² These figures are based on Capital Adequacy Calculation in the Audited Financial Statements and the Interim Financial Statements.

6. BONDS

6.1. Bonds

Type and Class of Bonds

The Bonds are subordinated bonds with the nominal value of EUR 1,000. The Bonds represent unsecured debt obligation of the Company before the bondholder.

The Bonds will be issued by the relevant resolutions of the Management Board dated 29 November 2019 and of the Supervisory Board dated 8 August 2019. The issue date of the Bonds will be 19 December 2019.

Applicable Law

The Bonds will be issued in accordance with and are governed by the laws of the Republic of Estonia unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties.

Form and Registration

The Bonds are in dematerialised book-entry form and are not numbered. The Bonds are registered in Nasdaq CSD under ISIN code EE3300001544.

Currency

The Bonds are denominated in euro.

Ranking and Subordination

The Bonds have not been rated by any credit rating agencies.

The Bonds are subordinated to all unsubordinated claims against the Company. For the avoidance of doubt, the Bonds are not subordinated to the claims, which are subordinated to the Bonds or which rank *pari passu* with the Bonds. The subordination of the Bonds means that upon the liquidation or bankruptcy of the Company, all the claims arising from the Bonds shall fall due in accordance with the Terms of the Bonds and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Company, the bondholders of the Bonds are not entitled to any payments due under the Terms of the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company. As long as there are no liquidation or bankruptcy proceedings initiated against the Company, all claims arising from the Bonds shall be satisfied in accordance with the Terms of the Bonds and the applicable law.

Rights Attached to Bonds

The rights attached to the Bonds have been established by the Terms of the Bonds, which are included in this Prospectus as Annex 1. The main rights of bondholders arising from the Bonds and the Terms of the Bonds are the right to the redemption of the Bonds and the right to receive payment of interest.

In addition to the right to the redemption of the Bonds and the right to receive payment of interest, upon a delay in making any payments due under the Terms of the Bonds, the bondholders are entitled to a delay interest at the rate of 0.025% per each day in delay.

The rights arising from the Bonds can be exercised by the bondholders in accordance with the Terms of the Bonds and the applicable law. According to the Terms of the Bonds any dispute between the Company and a bondholder shall be solved by amicable negotiations and if the amicable negotiations have no outcome during a reasonable period of time, the dispute shall be settled by Estonian courts, whereas Harju County Court shall be the court of first instance. Claims arising from the Bonds shall expire in accordance with the statutory terms arising from applicable law.

After the contemplated listing of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange, information on the Company and the operations of the Group required to be disclosed in accordance with

applicable law and the Rules of the Nasdaq Tallinn Stock Exchange, including required financial statements, will be disclosed via the information system of the Nasdaq Tallinn Stock Exchange.

Interest and Yield

The Bonds carry an annual coupon interest at the rate of 6% per annum, calculated from the date of issue of the Bonds, i.e. 19 December 2019, until the date of redemption. The interest is paid quarterly on the following dates (starting from year 2020): 28 March, 28 June, 28 September and 28 December. The interest on the Bonds is calculated based on 30-day calendar month and 360-day calendar year (30/360).

Maturity Date

The maturity date of the Bonds is 19 December 2029.

According to the Terms of the Bonds, the Company is entitled to redeem the Bonds prematurely at any time after the lapse of 5 years as from the date of issue, i.e. at any time after 19 December 2024, by notifying the bondholders at least 30 days in advance. The Company is further entitled to redeem the Bonds prematurely before the lapse of the 5-year term if there is a change in the regulative classification of the Bonds resulting in the Bonds being, in the opinion of the Company, excluded from the classification as own funds of a credit institution or if there is a significant change in the taxation regime applicable in respect of the Bonds, provided that the Company was not in a position to foresee such changes upon the issue of the Bonds.

The Bonds may be redeemed prematurely by the Company on the above-described grounds only if the EFSA has granted its consent to the early redemption. The EFSA may grant its consent for the early redemption of the Bonds as from 19 December 2024 only if the conditions of Article 78(1) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 are met. The EFSA may grant its consent for the early redemption of the Bonds before 19 December 2024 only if the conditions of Article 78(4) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 are met.¹³

The bondholders are not entitled to claim early redemption of the Bonds under any circumstances.

Transferability

The Bonds are freely transferrable; however, any bondholder wishing to transfer the Bonds must ensure that any offering related to such a transfer would not be qualified as requiring the publication of a prospectus in accordance with the applicable law. According to the Terms of the Bonds, ensuring that any offering of the Bonds does require the publication of a prospectus in accordance with the applicable law is the obligation and liability of the bondholder.

6.2. Taxation

Introductory Remarks. The purpose of this section is to give an overview of the tax regime applicable to the bondholders and the Company. The below summary is in no way exhaustive and is not meant to constitute professional advice to any person. Tax legislation of the investor's member state and of the Company's country of incorporation may have an impact on the income received from the Bonds. In order to establish particular tax consequences of the Offering or the ownership of the Bonds, each individual investor is advised and strongly encouraged to seek specialist assistance.

Capital Gains from Sale or Exchange of Bonds. Gains realised by an Estonian resident individual are taxable on a cash-basis. Upon the sale or exchange of securities (including the Bonds) gains are subject to income tax at the rate of 20%. Since all earnings of resident legal persons, including capital gains, are taxed only upon distribution

¹³ Article 78 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 regulates the conditions of granting supervisory permission for reducing own funds, whereas the aim of the regulation as a whole is to ensure due compliance with the capital adequacy requirements applicable in respect of credit institutions and investment firms.

of profits, capital gains realised by resident legal persons are not subject to immediate taxation. As a rule, capital gains received by non-residents from the sale or exchange of securities are not taxed in Estonia (except for certain securities related to Estonian real estate). The non-resident bondholders receiving capital gains from the sale or exchange of the Bonds may be subject to declaring and paying income tax in their respective countries of residence. For the purposes of capital gains taxation, the gain derived from the sale of securities (including the Bonds) is the difference between the acquisition cost and the sales price of such securities. The gain derived from the exchange of securities is the difference between the acquisition cost of securities subject to exchange and the market price of the property received as the result of the exchange. The expenses directly related to the sale or exchange of shares may be deducted from the gains but are generally rather limited.

Taxation of Interest. Estonian resident individuals are subject to paying income tax (20%) on the interest received from loans, securities (including the Bonds) and other debt obligations. Therefore, interest (coupon payments) received by Estonian resident individuals from the Bonds is subject to income tax in Estonia. Income tax is withheld by the payor unless the resident individual notifies the Company that Bonds were acquired from funds held in the Investment Account. Since all earnings of resident legal persons are taxed only upon distribution (as described below), interest received by Estonian resident legal persons is not subject to immediate taxation. As a rule, interest payments received by non-residents are exempt in Estonia (i.e. no withholdings are made). Note, however, that non-resident bondholders receiving interest from the Bonds may be subject to declaring and paying income tax in their respective countries of residence.

Investment Account. Individuals may defer the taxation of their investment income by using an investment account (in Estonian: *investeerimiskonto*) for the purposes of making transactions with financial assets (including the Bonds). An investment account is a monetary account opened with an European Economic Area or the Organisation for Economic Co-operation and Development (OECD) member state credit institution, through which the transactions with the financial assets, taxation of income from which (e.g. capital gains, interest, etc.) a person wants to defer, shall be made. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e. the amount withdrawn from the account exceeds the amount which had been previously paid in to the account). Therefore, financial income held at the investment account may be reinvested tax-free until it is withdrawn from the account.

Corporate Income Tax. The system of taxation of corporate income currently in force in Estonia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of earning to the moment of distribution. Therefore, in Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of the reduction of share capital and acquisition of treasury shares when in excess of equity contributions, as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities of a company. All of the above profit distributions are taxed at the rate of 20/80 (25%) of the net amount of the distribution, i.e. 20% of the gross amount of the distribution. The corporate income tax charged on above profit distributions is payable only at the company level with the company being responsible for calculating, declaring and paying of the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax and thus is not influenced by the applicable international tax treaties. Payments made in the course of the reduction of share capital and redemption of shares are taxable at the company level only to the extent such payments exceed the monetary and in-kind contributions previously made by the shareholders into the company.

6.3. Listing and Admission to Trading

The Company intends to apply for the listing and admission to trading of the Bonds on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Bonds is on or about 20 December 2019. While every effort will be made and due care will be taken in order to ensure the listing and the admission to trading of the Bonds by the Company, the Company cannot ensure that the Bonds are listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

In addition to the Bonds, the Company's subordinated bonds with an interest rate of 7% and maturity date 28 September 2026 (ISIN EE3300110964) have been listed and admitted to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.

7. GENERAL CORPORATE INFORMATION AND ARTICLES OF ASSOCIATION

7.1. General Corporate Information

The business name of the Company is AS Inbank (formerly Cofi AS). The Company was registered in the Estonian Commercial Register on 5 October 2010 under the register code 12001988 and its legal entity identifier (LEI) code is 2138005M921EIQVEL297. The Company has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: aktsiaselts or AS) and is established for an indefinite term.

The contact details of the Company are the following:

Address: Niine tn 11, Tallinn 10414, Estonia

Phone: +372 640 8080

Fax: +372 640 8081

E-mail: info@inbank.ee

Website: <https://www.inbank.ee>

The information on the website does not form part of the prospectus unless that information is incorporated by reference into the Prospectus.

According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2018, the field of activity of the Company was "credit institutions (banks)" (EMTAK¹⁴ 64191).

7.2. Articles of Association

The latest version of the Articles of Association of the Company was adopted by the resolution of the General Meeting of shareholders of the Company, dated 28 March 2019, which is included in this Prospectus as Schedule 5. The main terms of the Articles of Association of the Company are the following:

- i. the minimum amount of the share capital of the Company is EUR 500,000 and the maximum amount of the share capital of the Company is EUR 2,000,000;
- ii. the Company has only one type of shares. The nominal value of the ordinary share of the Company is EUR 10 and each share grants the shareholder one vote at the General Meeting of shareholders;
- iii. the Shares may be paid in by monetary contribution and in non-monetary contribution only if allowed by the applicable law;
- iv. the Shares are freely transferrable and may be pledged in accordance with applicable law;
- v. the Company may issue convertible bonds the aggregate nominal value of which may not be more than 1/10 of the share capital of the Company;
- vi. the highest management body of the Company is the General Meeting of the shareholders of the Company. Annual General Meeting is convened during the first three months of the financial year. The annual General Meeting of the shareholders is operational if at least 2/3 of the votes represented by shares of the Company are present at the meeting. If the quorum is not met then the management convenes a new meeting, which is operational regardless of the number of votes present. A resolution of the General Meeting of the shareholders of the Company is adopted if 2/3 of the votes present at the

¹⁴ EMTAK (the Estonian Classification of Economic Activities) is the basis for determining the fields of activity of Estonian companies. EMTAK is the national version of the international harmonised NACE classification. As of 1 January 2007, the Estonian companies are, instead of providing their fields of activity in the Articles of Association, required to report them in their annual reports using EMTAK classification.

- General Meeting vote in favour of it, unless the law or the Article of Association specify otherwise. The persons are elected by a plurality of votes;
- vii. the Supervisory Board comprises of five to seven members elected by the Annual Meeting of the shareholder of the Company for a period of three years. The members of the Supervisory Board elect a chairman for the Supervisory Board. The Supervisory Board meets at least once per three months. The Supervisory Board meeting is operational if at least half of the members of the Supervisory Board are present. A member of the Supervisory Board may take part in the meeting via electronical means of communication. A resolution of the Supervisory Board is adopted if at least half of the members of the Supervisory Board taking part that at the voting voted in favour of the resolution. The Supervisory Board may adopt resolutions without convening a meeting;
 - viii. the Supervisory Board approves the strategy, general activity plan, credit and investment policy, principles of remuneration of the members of the Management Board and employees of the Company, risk management principles and strategy, structure of the Company and its general principles, principles of compliance of the Company, annual budget and investment plan of the Company, general order of the internal audit department and the appointment and recalling of the head of the audit department; the Supervisory Board also approves the opening and closing of foreign branches and acquisition and disposal of stakes in other corporations, if the amount of the transaction is in excess of 10% of the own capital of the Company or via a transaction this level of ownership is reached in another company; the Supervisory Board adopts resolutions in matters placed into its competence on the basis of the law and the Articles of Association (including the right to increase the share capital of the Company if so delegated by the General Meeting of shareholders of the Company); the Supervisory Board resolves the appointment and recalling the members of the Management Board;
 - ix. the Management Board comprises of three to seven members elected by the Supervisory Board for a period of three years, any member of the Management Board may represent the Company alone; Management Board organizes the everyday activities of the Company and prepares a report of its activities and the financial situation of the Company to the Supervisory Board at least once per three months;
 - x. the financial year of the Company is the calendar year.

8. SHARE CAPITAL, SHARES AND OWNERSHIP STRUCTURE

8.1. Share Capital and Shares

The current registered and fully paid-in share capital of the Company is EUR 903,340, which is divided into 90,334 ordinary shares of the Company (the **Shares**) with the nominal value of EUR 10. The Shares are registered in the Estonian securities register (the **ERS**) under ISIN code EE3100109232. The Shares are not admitted to trading on any regulated market.

For information on the management and employees share option program, please see Section “Management and Key Employees Share Option Program”.

8.2. Shareholders of Company

As at the date of this Prospectus, the Shareholders holding directly over 5% of all Shares in the Company are the following:

Name of Shareholder	Number of Shares	Proportion
Cofi Investeeringud OÜ	24,635	27.27%
Pershing Hall Holding Limited	23,858	26.41%
Roberto de Silvestri	5,928	6.56%
Elio Tomaso Giovanni Cravero	5,164	5.72%
Baltic Holdings Limited	4,909	5.43%

There are no persons who have an indirect qualifying holding in the Company.

The Management Board members and their related persons¹⁵ held Shares and options as of the date of this Prospectus as follows:

Management Board Member	Number of Shares		Share Options
	Held by Member	Held by Related Persons	
Jan Andresoo	-	10,354	250
Liina Sadrak	550	-	200
Marko Varik	-	1,231	200
Piret Paulus	-	1,240	200
Jaanus Kõusaar	-	80	200

The Supervisory Board members and their related persons held Shares and options as of the date of this Prospectus as follows:

Supervisory Board Member	Number of Shares		Share Options
	Held by Member	Held by Related Persons	
Priit Põldoja	250	11,531	250
Roberto de Silvestri	5,928	1,985	150
Rain Rannu	180	565	-
Raino Paron	-	5,669	100
Triinu Reinold	-	189	-

In addition to the Management Board and Supervisory Board members, including the founders of the Company

¹⁵ Related persons include the member’s spouse, underage child, persons sharing a household with the member for at least the past year and companies controlled by the member.

(Mr Jan Andersoo and Mr Priit Põldoja), and their related persons, the Company is owned by a number of foreign investors, of whom no one has an indirect qualifying holding in the Company.

The Company is as at the date of this Prospectus not aware of any person, directly or indirectly, controlling the Company or of any arrangements or circumstances, which may at a subsequent date result in a change in control over the Company.

8.3. Rights of Shareholders

General Remarks. This Section "Rights of Shareholders" aims to provide general overview of the rights of shareholders arising from Estonian law applicable in respect of the Shareholders of the Company.

Right to Participate in Corporate Governance. The shareholders of a public limited company are entitled to take part in the corporate governance of such company through the general meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as the amendment of the articles of association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the supervisory board and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. The general meeting of shareholders is the highest governing body of a public limited company.

The ordinary general meeting of shareholders must be held once a year pursuant to the procedure and at the time set forth by the law and the articles of association. Pursuant to the Estonian Commercial Code the ordinary general meeting of shareholders must be held within six months as from the end of a financial year. However, the Estonian Credit Institutions Act specifies that the audited annual report of a credit institution must be made public within four months as from the end of a financial year. According to the Estonian Commercial Code, before the ordinary general meeting of shareholders is held, supervisory board must review the annual report and provide the general meeting of shareholders with a written report on the annual report, indicating whether the supervisory board approves the report and providing information on how the supervisory board has organised and supervised the activities of the management of a public limited company in the respective year. In practice, the abovementioned report is made available together with the notice on convening the general meeting of shareholders.

An extraordinary general meeting of shareholders must be convened in the cases set forth in the articles of association of a public limited company but also: (i) in the event that the Company has insufficient own funds and the Company has not increased its own funds to the level required by the EFSA within the time period nominated by the EFSA; (ii) in the event where the net equity of the company decreases below the legally required minimum level, or (iii) if shareholders representing at least 1/10 of the share capital, the supervisory board, or the auditor request that a meeting is convened or (iii) if the meeting is required in the interests of the company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting of shareholders needs to be convened. Pursuant to applicable law, if the management board of a public limited company fails to convene the extraordinary general meeting within one month after the receipt of the relevant request from shareholders (or from the supervisory board or from the auditor), the shareholders (or, respectively, the supervisory board or the auditor) have the right to convene the meeting themselves.

The notice of an upcoming ordinary general meeting of shareholders must be sent to shareholders three weeks in advance. The notice of an upcoming extraordinary general meeting of shareholders must be sent to shareholders one week in advance. If in the future the Company will have more than 50 shareholders, notices of upcoming general meeting will not have to be sent to each shareholder, but such notice must be published in at least one national daily newspaper in Estonia. If there is a material breach of the requirements of convening a general meeting of shareholders, such meeting does not have the capacity to adopt resolutions, except if all the shareholders participate at the meeting. If the notice includes a proposal to amend the articles of association of the Company, a project of the planned amendments to the articles of association must be published through the

information system of the Nasdaq Tallinn Stock Exchange simultaneously with sending the notice of convening the general meeting to the shareholders.

As a rule, the agenda of a general meeting of shareholders is determined by the supervisory board. However, if the meeting is convened by the shareholders or by the auditor, the agenda is determined by them. Furthermore, the management board or the shareholders whose shares represent at least 1/10 of the share capital of a public limited company may demand the inclusion of a certain item into the agenda. An item which is initially not on the agenda of a general meeting of shareholders may be included in the agenda upon the consent of at least 9/10 of the shareholders who participate at the meeting if their shares represent at least 2/3 of the share capital of such company.

Under Estonian law a general meeting of shareholders of a public limited company is capable of passing resolutions if more than 1/2 of the votes represented by all shares held by shareholders are present at the meeting. The Company's articles of association have increased that threshold to 2/3. If this quorum requirement is not met, the management board is required to convene a new meeting not more than three weeks but not less than seven days after the date of the initial meeting. There are no quorum requirements for the newly convened general meetings of shareholders convened in such a manner.

Only those shareholders are eligible to attend and vote at a general meeting of shareholders who were on the list of shareholders as of the date falling seven calendar days before the meeting.

As a rule, under Estonian law, the resolutions of a general meeting of shareholders require the affirmative vote of the majority of the votes represented at the meeting. Certain resolutions, such as amending the articles of association, increasing or decreasing the share capital, resolutions relating to a merger or liquidation of the company, etc., require a qualified majority of 2/3 of the votes represented at the meeting of shareholders. According to the Company's articles of association an affirmative vote in all matters requires the votes of at least 2/3 of the votes represented at the meeting, unless prescribed otherwise by law. Under the law there are resolutions which require an even higher rate of affirmative votes of shareholders, such as excluding the shareholders' preferential right to subscribe for new shares upon an increase of the share capital, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders, and squeeze-out of minority shares, which requires the affirmative vote of 95/100 of the votes represented at the general meeting of shareholders.

Right to Information. Pursuant to the Estonian Commercial Code, the shareholders of a public limited company have the right to receive information on the activities of the company from the management board at the general meetings of shareholders. However, management board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the management board refuses to give information, shareholders may require the general meeting of shareholders to decide on the legality of such refusal or submit a respective claim to the competent court.

Right to Subscribe for New Shares. Pursuant to the Estonian Commercial Code, existing shareholders of a public limited company have, upon the increase of the share capital of the company and the issue of the new shares of the company, the preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in the company. Such preferential right can be excluded by the respective resolution of the general meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders.

Right to Dividends. All shareholders of a public limited company have the right to participate in the distribution of profit of the company and have the right to receive dividends proportionally to their shareholding in the company. Resolving the distribution of profit and the payment of dividends is in the competence of the general meeting of shareholders. The resolution of the distribution of profit and the payment of dividends is adopted on the basis of the approved annual report for the preceding financial year, whereas the management board is under the obligation to make a proposal for the distribution of profit and the payment of dividends in the annual

report or in a separate document accompanying the annual report, whereas such a proposal of the management board is subject to a review by supervisory board, which is in turn entitled to introduce amendments to the proposal. The resolution on the distribution of profit and on the payment of dividends must include the following information - (i) the amount of net profit; (ii) the payments into statutory capital reserve; (iii) the payments into other reserves if such exist according to the applicable law or the articles of association (which is not the case for the Company); (iv) the amount of profit being distributed among shareholders; and (v) using the profit for other purposes, if applicable. Shareholders who are entitled to participate in the distribution of profit and receive dividends shall be determined on the basis of the list of shareholders as maintained by the ERS, which is fixed on the date determined by the general meeting of shareholders resolving the distribution of profit, whereas in respect of companies listed on the Nasdaq Tallinn Stock Exchange, such date may not occur earlier than on the tenth trading day after the general meeting of shareholders. While distributing profit and making dividend payments to shareholders, a public limited company is under the obligation to treat all shareholders equally.

8.4. Shareholders' Agreements

The Company and its shareholders Cofi Investeeringud OÜ and Pershing Hall Holding Limited have on 8 September 2014 entered into a shareholders' agreement and on 9 December 2014 and 17 March 2015 amended the shareholders' agreement. The shareholders' agreement, as amended, provides, most importantly, the following:

- 80% quorum threshold for adopting resolutions at the Company's shareholders' meeting;
- each Cofi Investeeringud OÜ and Pershing Hall Holding Limited have a right to appoint one member of the Supervisory Board. As of the date of this Prospectus, members of the Supervisory Board Mr Priit Põldoja and Mr Roberto de Silvestri have been appointed under the shareholders' agreement. The other 3-4 members of the Supervisory Board are independent members;
- right of first refusal and tag-along right of other shareholders in case of sale of the shares in the Company by one shareholder. If one shareholder wishes to transfer its Shares, it shall notify the other shareholders of this intention, after which the other shareholders may (i) exercise their right of first refusal, upon which such shareholder who exercised its right of first refusal has a right and obligation to purchase the Shares from the shareholder wishing to sell its Shares; (ii) exercise the tag-along right, in which case such shareholder who exercised the tag-along right is entitled to sell also their Shares in such transaction on the same terms and conditions; or (iii) decide not to act to the notice.

8.5. Management and Key Employees' Share Option Program

In order to successfully carry out its expansion plans and implement the strategy for 2019-2022, the Company's Supervisory Board has decided to implement a management and key employees' option program to retain and motivate key people within the organisation and have the incentives to recruit new people for key functions. The options have been issued as follows:

- total number of options – 3,800;
- period for issuing of options and signing of option agreements – May 2019;
- issue price per option – options were issued for free;
- strike price per option (price for which shares of the Company would be purchased) – EUR 300 and EUR 675 per share;
- time when options can be exercised – starting three years from the date of the issue of the option and during six months thereafter;
- condition of the right to exercise an option is continued employment/service agreement with the Company or its subsidiary at the date of exercise;
- the specific terms and conditions for exercise of options would be determined by the Management Board of the Company.

The Company's Supervisory Board has also decided to implement a management option program for the managers of the Company's Lithuanian branch and Estonian business unit. The options to the three managers have been issued as follows:

- total number of options – 900;
- period for issuing of options and signing of option agreements – May 2018 until September 2019;
- issue price per option – options were issued for free;
- strike price per option (price for which shares of the Company would be purchased) – EUR 675 per share;
- time when options can be exercised – starting three years from the date of the issue of the option and during six months thereafter;
- condition of the right to exercise an option is continued employment/service agreement with the Company or its subsidiary at the date of exercise;
- the specific terms and conditions for exercise of options would be determined by the Management Board of the Company.

By the date of this Prospectus, the Company has granted options to altogether 5,050 Shares.

9. MANAGEMENT

9.1. Management Structure

The Company has a three-layer management. The Management Board is responsible for the day-to-day management of the Company and each of its member is eligible to represent the Company in keeping with the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the activities of the Company and for supervising the activities of the Management Board. The highest governing body of the Company is the general meeting of shareholders.

The address of operations of the Management Board and the Supervisory Board is Niine 11, 10414 Tallinn, Estonia (the registered address of the Company).

9.2. Management Board

Role. The Management Board of the Company is responsible for the day-to-day management of the Company's operations, representing the Company and for organising its accounting. Under the Credit Institutions Act the Management Board is, *inter alia*, responsible for:

- i. developing a business plan for implementation of the strategy approved by the Supervisory Board;
- ii. establishing and reviewing risk taking, management, monitoring and risk management principles and procedures which comprise both the current and also potential risks, including risks from macroeconomic environment;
- iii. determining the risk tolerance for each relevant business line and unit;
- iv. establishing the principles and procedures for the trading portfolio management;
- v. approving and submitting to the EFSA the financial position recovery plan prepared on the basis of the Financial Crisis Prevention and Resolution Act;
- vi. identifying and assessing regularly all risks involved in the activities of the credit institution and ensure the monitoring and control of the extent of such risks;
- vii. ensuring the existence of adequate financial instruments and members of staff or third persons for management of all the significant risks of the credit institution and for evaluation of the assets related to these risks, and for implementation of external credit quality assessments and internal models;
- viii. developing and approving the organisational structure on the basis of the principles provided for in the articles of association;
- ix. developing and implementing systems for monitoring the activities of the Company, ensuring adherence to such systems, assess the adequacy thereof regularly and improving them if necessary pursuant to the principles established by the Supervisory Board;
- x. ensuring that all members of staff of the credit institution are aware of the provisions of legislation relating to their duties of employment and of the principles provided for in the documents approved by the directing bodies of the Company;
- xi. organising the effective functioning of the internal control system and ensuring monitoring of the compliance of the activities of the Company and its managers and staff members with legislation and the documents approved by the directing bodies and with the principles of sound banking management;
- xii. ensuring the existence and functioning of systems to guarantee that information necessary for members of staff to perform their duties is communicated thereto in a timely manner;
- xiii. ensuring the safety and regular monitoring of information technology systems used by the Company and systems used for the safekeeping of assets of clients;
- xiv. informing the Supervisory Board to the extent and pursuant to the procedure established of all discovered violations of legislation or of internal rules or other rules established in the Company;

- xv. monitoring that adequate separation of functions is guaranteed in all the activities, and avoiding the creation of conflict of interests;
- xvi. arranging the disclosure of the required data by the Company;
- xvii. guaranteeing that the organisational structure of the Company is transparent, the areas of responsibility are clearly delineated and procedures for the identifying, measurement, management, constant monitoring and reporting of risks have been established and that such procedures are proportional to the nature, extent and level of complexity of the operation of the credit institution;
- xviii. in the case the standard approach to operational risk is used, approving of the general principles of mapping business lines;
- xix. ensuring the conforming functioning of the organisation of the management of the operational risk of the credit institution and to regularly appraise of the corresponding information;
- xx. ensuring the conforming functioning of the organisation of the liquidity risk management of the credit institution, including approval of the business continuity plan specified in subsection.

Further, according to the Commercial Code, it is the obligation of the Management Board to coordinate preparation of the annual reports and submit the reports to the Supervisory Board for review and to the General Meeting of shareholders for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions and to the strategy of the Company approved by the Supervisory Board.

Duties. The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every three months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may only enter into transactions that lie outside the Company's ordinary scope of business with the consent of the Supervisory Board.

Members of Management Board. According to the Articles of Association, the Management Board comprises of three to seven members who are appointed by the Supervisory Board for a term of three years.

The Supervisory Board has appointed five members to the Management Board – Mr Jan Andresoo (Chairman of the Management Board, the authorities remain valid until 21 December 2021), Ms Liina Sadrak (the authorities remain valid until 18 March 2021), Ms Piret Paulus (the authorities remain valid until 5 May 2020), Jaanus Kõusaar (the authorities remain valid until 11 August 2022) and Mr Marko Varik (the authorities remain valid until 18 March 2021).

Mr Jan Andresoo. Mr Andresoo is the chairman of the Management Board, who is responsible for the strategic management of the company and implementation of the short- and long-term plans. Mr Andresoo was born in 1975. Mr Andresoo was awarded a bachelor's degree in International Business Administration in 1998 and a master's degree in International Business Administration in 2002 from the Estonian Business School. Between 1996 and 1998 he worked for Hansapanga Kindlustuse AS, between 1998 and 1999 for EstIB-Talinvest Varahaldus AS, between 1999 and 2004 for EBS Juhtimiskoolituse Keskus OÜ, between 2004 and 2006 for Estonian Business School and between 2009 and 2010 for Swedbank AS. Within the Group, in addition to holding the position of the Chairman of the Management Board, Mr Andresoo is also a member of the Supervisory Board of Inbank Liising AS, SIA "Inbank Latvia" and AB Mokilizingas. Mr Andresoo is additionally a member of the Management Board of Eesti Pangaliit.

Ms Liina Sadrak. Ms Sadrak is responsible for the fields of business operations and IT development and customer service. Ms Sadrak was born in 1976. Ms Sadrak was awarded a bachelor's degree in Marketing and Foreign Economics from the Tallinn University of Technology in 2000. Between 1997 and 2008 she worked for Swedbank

Liising AS, between 2008 and 2010 for Swedbank AS, in 2010 for Eesti Kvaliteediühing and in 2011 for Amserv Grupi AS. Within the Group, in addition to holding the position of member of the Management Board, Ms Sadrak is also a member of the Supervisory Board of Inbank Liising AS and AB Mokilizingas.

Mr Marko Varik. Mr Varik is the CRO of the Company, responsible for risk management in the Company. Mr Varik was born in 1984. Mr Varik was awarded a bachelor's degree in Mathematical Statistics and Economics from the University of Tartu in 2009. Between 2005 and 2006 he worked for AS Lõhmus, Haavel ja Viiseman, between 2006 and 2007 for Orthoclear Inc. and between 2007 and 2010 for Swedbank AS. Within the Group, in addition to holding the position of member of the Management Board, Ms Varik is also a member of the Supervisory Board of Inbank Liising AS, SIA Inbank Latvia and AB Mokilizingas.

Mr Jaanus Kõusaar. Mr Kõusaar is the CFO of the Company, responsible for financial management of the Company. Mr Kõusaar was born in 1976. Mr Kõusaar was awarded a diploma (equivalent to master's degree) in Economics from the Tallinn University of Technology in 1999, and an MBA degree from the Alliance Manchester Business School in 2006. Between 1997 and 2001 he worked for AS PricewaterhouseCoopers, between 2001 and 2004 for Estonian Television, between 2006 and 2011 for Alvarez & Marsal Europe LLP, between 2012 and 2016 for Saku Õlletehase AS and Aldaris A/S and in 2017 for AS Eesti Meedia. Within the Group, in addition to holding the position of member of the Management Board, Mr Kõusaar is also a member of the Management Board of Inbank Payments OÜ.

Ms Piret Paulus. Ms Piret Paulus is responsible for the fields of business and product development in the Company. Ms Paulus was born in 1979. Ms Paulus was awarded a bachelor's degree in Mathematical Statistics and Economics from the University of Tartu in 2002. Between 2004 and 2010 she worked for Swedbank AS, between 2011 and 2016 for Coop Finants AS. Within the Group, in addition to holding the position of member of the Management Board, Ms Paulus is also a member of the Management Board of SIA Inbank Latvia and AB Mokilizingas.

9.3. Supervisory Board

Role. In accordance with the Commercial Code, the Supervisory Board is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is elected by and accountable to the Shareholders of the Company (acting in the form of the General Meeting).

According to the Credit Institutions Act the Supervisory Board's role includes:

- i. approving the strategy and general principles of the Company's activities;
- ii. approving the general principles of risk management;
- iii. approving the principles of remuneration of the members of the management board and members of staff of the Company;
- iv. approving the principles of the organisational structure;
- v. approving the general principles of monitoring of the activities of the Company;
- vi. approving the statutes of the internal audit unit;
- vii. electing and remove the chairman and members of the Management Board;
- viii. appointing and removing from office the head of the internal audit unit and, on the proposal of the head of the internal audit unit, appointing and removing from office members of staff of the internal audit unit;
- ix. approving the budget and the investment plan;
- x. deciding on the foundation or closure of foreign branches;
- xi. approving the general principles of the activities and the competence of the credit committee;
- xii. deciding on the conclusion of transactions with members of the Management Board, and appointing the representative of the Company in such transactions;

- xiii. filing claims against members of the Management Board, and appointing the representative in such claims;
- xiv. approving the financial position recovery plan prepared on the basis of the Financial Crisis Prevention and Resolution Act;
- xv. deciding on other matters placed in the competence of the Supervisory Board by the articles of association.

Duties. In accordance with the Commercial Code, before the ordinary General Meeting of shareholders is held, the Supervisory Board must review the annual report and provide the General Meeting of shareholders with a written report on the annual report, indicating whether the Supervisory Board approves the report and also provide information on how the Supervisory Board has organized the supervision of the activities of the Company during the year. According to the Articles of Association the Supervisory Board is responsible for:

- i. approving the strategy and general principles of the Company;
- ii. approving the credit and investment policies of the Company;
- iii. approving and evaluating the execution of the remuneration principles of the members of the Management Board and employees of the Company;
- iv. approving the general risk management policies and strategy of the Company;
- v. approving the organizational structure of the Company and its general principles;
- vi. approving the general principles of supervising the activities of the Company;
- vii. electing, recalling and deciding upon the remuneration of the members of the Management Board, Chairman of the Management Board, co-Chairman of the Management Board and procurator of the Company;
- viii. approving the statutes of the internal audit unit, electing and recalling the head of the internal audit unit and based on the suggestion of the head of the internal audit unit, hiring and firing the members of the internal audit unit;
- ix. approving the budget and the planned investments of the Company;
- x. deciding the opening and closing of branches in foreign countries;
- xi. approving the purchasing (also increasing) and selling (also decreasing) stakes in other corporations (also founding and liquidating corporations), if the value of the transaction increases 10% of the own funds of the Company or the share capital of the other corporation or the transaction would lead to reaching the referred holding threshold;
- xii. approving the general principles of operation and authorities of the credit committee;
- xiii. approving the transactions that go outside the day-to-day management of the Company;
- xiv. deciding upon conducting transactions with the members of the Management Board and appointing a representative of the Company for such transactions;
- xv. filing claims against the members of the Management Board and appointing a representative of the Company for such claims;
- xvi. determining the agenda for the General Meeting (except when otherwise provided by law);
- xvii. deciding other questions over which the Supervisory Board has authority under the law and the Articles of Association.

Members of Supervisory Board. According to the Articles of Association, the Supervisory Board consists of five to seven members who are appointed by the General Meeting of shareholders for a period of three years. The members of the Supervisory Board elect among themselves a Chairman of the Supervisory Board who is responsible for organizing the activities of the Supervisory Board. The roles of each member of the supervisory board are not specified within the Company and the supervisory board members perform their duties as supervisory board members in accordance with the Articles of Association and applicable legislation. According to the Articles of Association, meetings of the Supervisory Board are held according to the actual necessity, but at least once per three months. A meeting of the Supervisory Board has quorum if more than one half of the members of the Supervisory Board participate and a resolution of the Supervisory Board is adopted if more than one half of the members of the Supervisory Board who participate in the meeting vote in favour. A member of

the Supervisory Board may participate via electronic means. In case of a tied vote, the Chairman of the Supervisory Board has a casting vote. As at the date of this Prospectus there are five members in the Supervisory Board - Mr Priit Põldoja (the Chairman of the Supervisory Board), Ms Triinu Reinold, Mr Raino Paron, Mr Rain Rannu and Mr Roberto De Silvestri. The authorities of all the above-mentioned persons as the members of the Supervisory Board will remain valid until 23 March 2021.

Mr Priit Põldoja. Mr Põldoja was born in 1969. Mr Põldoja was awarded a bachelor's degree in Business and Finance from the University Mount Saint Mary's College in 1994. Between 1995 and 1996 he worked for The Dai-ichi Kangyo Bank, between 1996 and 1997 for Tallinna Panga Liisingu AS, between 1997 and 1998 for AS Tallinna Pank, between 1998 and 2000 for Hansabank Markets, between 2000 and 2006 for Hansapank AS and between 2008 and 2009 for Alta Capital Partners. Mr Põldoja is also a member of the Supervisory Board of AB Mokilizingas and SIA Inbank Latvia. Mr Põldoja is additionally a member of the Supervisory Board of Coop Pank aktsiaselts, AS SmartCap and Maksekeskus AS and member of the Management Board of Cofi Investeeringud OÜ, Lamu Investeeringud OÜ, Maksekeskus Holding OÜ, MTÜ Eesti Tennise Liit and MTÜ FinanceEstonia.

Ms Triinu Reinold. Ms Reinold was born in 1985. Ms Reinold was awarded in 2006 a bachelor's degree on Social Sciences (Law) and in 2009 a master's degree in Law from the University of Tartu. In addition, Ms Reinold has been awarded in 2013 a Master of Business Administration (MBA) degree from the Estonian Business School. Between 2009 and 2012 she worked for Raidla Lejins & Norcous Advokaadibüroo OÜ (currently Ellex Raidla Advokaadibüroo OÜ). Since 2012 she is working for Colonna Varahaldus OÜ. Ms Reinold is additionally a member of the Management Board of a number of Estonian holding companies managing real estate and other investments, and a member of the Supervisory Board of AS ISS Eesti, ISS Haldus OÜ and Sihtasutus Colonna Heategevusfond. In addition, Ms. Reinold is a member of the Management Board of Skantes 12 SIA, Skantes 12 Holding SIA, Sarl Segognol and Sarl Rouen.

Mr Raino Paron. Mr Paron was born in 1965. Mr Paron was awarded a BA degree in Law (equal to MA degree) from the Tartu University in 1993 and an LL.M from Georgetown University, USA in 1992. Between 1993 and 1995 he worked in the legal department of World Bank and the IMF. Since 1995 he is working in law firm Osaühing Advokaadibüroo Raidla & Partnerid (currently Ellex Raidla Advokaadibüroo OÜ) as the head of the banking and financing practice group. Mr Paron is also a member of the Management Board of MTÜ FinanceEstonia and a member of the Supervisory Board of AS Tallink Grupp.

Mr Rain Rannu. Mr Rannu was born in 1980. Mr Rannu was awarded in 2002 a bachelor's degree in Public Administration and in 2007 a master's degree in Business and Technology Management from the University of Tartu. He is co-founder and partner at Mobi Solutions since 2001 and founder and board member of Fortumo since 2007, where he also served as a CEO between 2007 and 2015. Mr Rannu is also a co-founder Garage 48 Foundation and member of the Supervisory Board of Tulundusühistu Tuleva. Mr Rannu is a management board member of Superangels OÜ and Superange1 GP OÜ, which are focused on making investments into start-up companies.

Mr Roberto de Silvestri. Mr de Silvestri was born in 1977. Mr Silvestri was awarded a Law degree in 2002 from the Università di Giurisprudenza di Genova and a degree in Asset Management in 2003 from the SDA Bocconi in Milan. Between 2003 and 2005 he worked for Finter Bank Zurich, between 2005 and 2009 for Fininvest Monaco SAM. Between 2009 and 2017 Mr de Silvestri was working for G&G Private Finance SAM. Since 2017 Mr. de Silvestri is working for CGM Monaco SAM. Mr Silvestri is also a member of the Management Board of a number of Estonian holding companies managing real estate and other investments, and a member of the Supervisory Board of Sihtasutus Colonna Heategevusfond. In addition, Mr. de Silvestri is a member of the Management Board of CGM Monaco SAM, Valdemara Biroji SIA, SCI Petite Maison 2013, SCI Cap d'Ail 2018, SCI Ile de France, Stabu 10 Holdings SIA, Latvian Investments Vainodes SIA.

9.4. Audit Committee

Role and Duties. The Audit Committee is an advisory body to the Supervisory Board. The Audit Committee was formed to exercise oversight over the Management Board. The function of the Audit Committee is to verify and analyse the processing of financial information, efficiency of risk management and internal control, the process of auditing the financial statements and consolidated reports, and the independence of the external auditor in the fields of accounting, audit, risk management, internal control and internal audit, supervision, budgeting and compliance with legal requirements.

Members of Audit Committee. The Audit Committee of the Company currently has three members. The members of the Audit Committee are elected for a term of 3 years by the Supervisory Board. Currently, the Audit Committee consists of Raino Paron (chairman), Priit Põldoja and Triinu Reinold.

9.5. Remuneration Committee

Role and Duties. The Remuneration Committee is a corporate governance body formed by the Supervisory Board. The Remuneration Committee is formed for the purpose of assessing the principles of remuneration applied within the Company, developing a remuneration strategy for the members of the Management Board as well as for exercising supervision over the compliance with the applicable legal requirements in respect of risk management and capital adequacy.

Members of Remuneration Committee. The Remuneration Committee comprises of three members. According to the 12 February 2016 decision of the Supervisory Board, currently, the members of the Remuneration Committee are Priit Põldoja, Rain Rannu and Roberto de Silvestri.

9.6. Credit Committee

Role and Duties. The Credit Committee is a corporate governance body formed by the Management Board. The Credit Committee is formed for the purposes of overseeing the Company's credit risk profile and framework, approve credit risk of products and of credit procedures.

Members of Credit Committee. The Credit Committee comprises of six or more members. Currently the members of the Credit Committee are Jan Andresoo, Priit Põldoja, Jaanus Kõusaar, Marko Varik, Liina Sadrak and Piret Paulus.

9.7. Asset and Liability Management Committee

Role and Duties. The Asset and Liability Management Committee is a corporate governance body formed by the Management Board of the Company. The Asset and Liability Management Committee is formed for the purpose of ensuring adequate liquidity while managing the Company's spread between the interest income and interest expense, to ensure that all assets and liability management risks remain within the Company's risk appetite approved by the Supervisory Board of the Company, and to evaluate and assess the impact of other potential drivers of earning volatility.

Members of Asset Liability Committee. The Asset and Liability Management Committee comprises of six or more members. Currently the members of the Asset and Liability Management Committee are Jan Andresoo, Priit Põldoja, Jaanus Kõusaar, Marko Varik, Tõnis Rätsep and Nataly Abel.

Mr Tõnis Rätsep. Mr Rätsep is the Head of Group Treasury of the Company, responsible for funding and liquidity management of the Company. Mr Rätsep was born in 1969. Mr Rätsep was awarded a bachelor's degree in International Business Management from the Estonian Business School. Between 1999 and 2011 he worked for AS Hansapank and Swedbank AS in Estonia as Fund Manager, Head of Portfolio Management and Head of Investments and between 2011 and 2019 for Luminor Bank AS as Head of Markets.

Ms Nataly Abel. Ms Abel is the risk analyst of the Company, responsible for the management and control of the Group's market and liquidity risk as well as capital adequacy assessment. Ms Abel was born in 1988. Ms Abel was awarded a BSc degree in Business Studies from Lancaster University in 2013. Since obtaining her degree, she has worked in risk management for State Treasury of the Ministry of Finance and SEB Pank AS until 2018 when Ms Abel joined with the Company's Risk Management team.

9.8. Remuneration and Benefits

In remunerating its personnel, the Company's decisions are based on the principles arising from the Credit Institutions Act and Company's recruitment and remuneration policy. The principles for remunerating personnel stimulate sustainable growth and customer satisfaction, and are relying on trustworthy and effective risk management. In remuneration, the Company considers its employees' personal contribution and job performance as well as the Company's economic results.

The structure of employee remuneration consists of two parts:

- basic salary (fixed);
- performance pay (decided separately for each employee).

Basic salary and performance pay are in reasonable balance and the basic salary makes up a sufficiently high share of total remuneration so to enable non-payment of the bonus if needed. The basis for determining performance pay is a combination of the results by employees and the unit and Company's overall results.

Outside consultants are not involved in determining remuneration principles.

The Company follows the provisions of the Credit Institutions Act in determining severance pay. No severance pay was paid in 2018.

The total amount of remuneration and benefits paid to the members of the supervisory and management bodies of the Company during the financial year 2017 was EUR 617,000 (including applicable taxes) and for financial year 2018 this was EUR 771,000 (including applicable taxes). In addition to monetary remuneration, several members of the management bodies have been issued share options described in detail in Section "Management and Key Employees Share Option Program".

The Company has chosen not to disclose the amounts of remuneration and benefits of each single member of the supervisory and management bodies of the Group companies in order to protect the privacy and personal rights of the relevant persons.

9.9. Share Ownership

The Management Board members and their related persons¹⁶ held Shares and options as of the date of this Prospectus as follows:

Management Board Member	Number of Shares		Share Options
	Held by Member	Held by Related Persons	
Jan Andresoo	-	10,354	250
Liina Sadrak	550	-	200
Marko Varik	-	1,231	200
Piret Paulus	-	1,240	200
Jaanus Kõusaar	-	80	200

¹⁶ Related persons include the member's spouse, underage child, persons sharing a household with the member for at least the past year and companies controlled by the member.

The Supervisory Board members and their related persons held Shares and options as of the date of this Prospectus as follows:

Supervisory Board Member	Number of Shares		Share Options
	Held by Member	Held by Related Persons	
Priit Põldoja	250	11,531	250
Roberto de Silvestri	5,928	1,985	150
Rain Rannu	180	565	-
Raino Paron	-	5,669	100
Triinu Reinold	-	189	-

9.10. Conflicts of Interests

According to the knowledge of the Management, there are no known actual or potential conflicts of interest between the duties of any of the members of the Management Board and the Supervisory Board to the Company or to any Group company, and their private interests or other duties.

9.11. Statement of Compliance with Corporate Governance

The Company complies with the corporate governance regime of the Republic of Estonia. The Company adheres to the Good Corporate Governance Code as approved by the EFSA. The Good Corporate Governance Code is intended mostly for publicly listed companies and is designed for companies with a wide ownership. The Company has thus adapted the Good Corporate Governance Code to its own specifics.

The Good Corporate Governance Code is binding on the basis of "comply or explain principle". The requirements, which are currently not fully followed by the Company have been described in the latest Good Corporate Governance Report made available in the audited consolidated financial statements of the Group for the year ended on 31 December 2018.

9.12. Statutory Auditors

According to the Articles of Association, the General Meeting of shareholders appoint an external auditor for up to five years. The General Meeting of shareholders held on 19 April 2018 appointed Aktsiaselts PricewaterhouseCoopers (registry code 10142876; having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia) to act as the statutory auditor of the Group for the financial years 2018–2019. Aktsiaselts PricewaterhouseCoopers has also previously been appointed as the statutory auditor of the Group for the financial year 2017. Aktsiaselts PricewaterhouseCoopers is a member of the Estonian Auditing Board.

The Audited Financial Statements have also been audited by sworn auditors Tiit Raimla (sworn auditor number 287) and Evelin Lindvers (sworn auditor number 622) from the audit company Aktsiaselts PricewaterhouseCoopers.

10. PRINCIPAL MARKETS

Introduction. As at the date of this Prospectus, the Group is operating in seven geographical markets, in the three Baltic countries – Estonia, Latvia and Lithuania, and Poland. In Estonia, the Group is engaged in providing consumer financing and accepting public deposits. In Latvia the Group operates through a Latvian subsidiary to the Company which offers consumer financing services. In Poland and Lithuania, the Group operates through a branch which offers consumer financing and accepts public deposits. In Lithuania the Group also operates through a Lithuanian subsidiary Mokilizingas AB, which is scheduled to be merged with the Company's Lithuanian branch by Q1, 2020. In addition to the above-mentioned geographical markets and business segments, the Group accepts public deposits from Germany, Austria and the Netherlands.

Estonian banking sector. There are altogether 8 licenced credit institutions in Estonia, and a further seven branches of foreign credit institutions operate in the Estonian banking market. The Estonian banking market is highly consolidated and is dominated by the credit institutions belonging to Nordic banking groups (e.g. Swedbank AS, AS SEB Pank).

The two main metrics for assessing a banking market are the total volume of loan portfolios and the total volume of deposits. In Estonia, the three largest banking groups hold a 82% combined market share in loans and 84% combined market share in deposits. The Company's main point of competition with the large retail banks is on the private deposit market. By the end of 2017, the total volume of deposits of the credit institutions operating in the Estonian market stood at EUR 17.3 billion, of which the deposits of private persons formed EUR 7.8 billion. By the end of 2018, the total volume of deposits of the credit institutions operating in the Estonian market stood at EUR 17.7 billion, of which the deposits of private persons formed EUR 8.3 billion. The total volume of deposits has been growing year by year for almost two decades, forming a very stable funding source for the credit institutions operating in the Estonian banking market.

Source: <https://www.fi.ee/en/publications/estonian-financial-services-market-31-december-2018>

Estonian Consumer Financing Market.

As of 31 December 2018, the public list of consumer credit providers in Estonia included 51 companies (other than credit institutions) authorised to provide consumer credit by the Bank of Estonia. In addition, there were 12 creditors related to banks, subjected to consolidated supervision, and 8 credit intermediaries on the market

The volume of consumer loans provided by those companies totalled EUR 1,036 million at the end of 2018.

Year-on-year, the credit portfolio increased by approximately 19.5%. Recent years have shown the continuous increase on the consumer credit market which is mainly a result of favourable macroeconomic conditions. GDP growth in 2017 was 5.7% and 4.8% in 2018.

Source: *Facts and data from the market statistics by the EFSA, available at <https://www.fi.ee/en/publications/estonian-financial-services-market-31-december-2018>*

Latvian Consumer Financing Market: There are altogether 13 licensed credit institutions in Latvia and a further 6 branches of foreign credit institutions operate in the Latvian banking market. According to the Central Bank of Latvia, in 2018 consumer loans portfolio reached EUR 730 million by +14.48% compared to 2017. In addition to the licensed credit institutions consumer financing in the Latvian market is offered also by credit providers, which are authorised to provide consumer credit by Consumer Rights Protection Centre (CRPC). As of 31 December 2018, the public list of consumer credit providers in Latvia included 62 companies, where 18 of them specialized in consumer loan lending. According to CRPC overview of "Non-Bank Consumer Lending Market 2018" the volume of loans provided by credit providers to consumers in 2018 totalled EUR 630 million, EUR 129 million of which is consumer loans. CRPC authorised credit provider consumer loans credit portfolio in 2018 increased by approximately 13% and totalled EUR 147 million.

Source:

<https://www.fktk.lv/tirgus-dalibnieki/kreditiestades/>

<https://www.bank.lv/statistika/dati-statistika/kr-statistika>

http://www.ptac.gov.lv/sites/default/files/2018_gada_parskats_par_nebanku_kredit_tirgu.pdf

Polish banking sector: Poland is the largest economy in Central and Eastern Europe. According to Eurostat and the European Commission, its economy has been one of the fastest growing among the EU Member States. Significant domestic demand drove economic growth to 5.1% in 2018, the fastest pace in more than a decade. Favourable labour market developments and strong consumer confidence are key factors supporting private consumption. These trends, with quite strong credit demand, makes Poland a potentially favourable destination for development of the banking sector.

Positive economic growth and improvement of the situation on the labour market has positively translated into rising wealth of the Polish households, which is shown as a systematic increase in the value of deposits in the same client segment. The retail deposit market increased by approximately EUR 18 billion (10.30% per annum), to a total of EUR 196 billion at the end of 2018, following a growth by EUR 9 billion (5.30% per annum) in 2017. The deposit value increased as well as average interest rates for newly opened deposits. In 2018, an average interest rate for new agreements increased from 1.35% to 1.39%.

In 2018, the Polish banking sector's assets totalled EUR 443 billion. The value of the total balance sheet increased by 6.7% compared to the previous year. The size of the banking sector, relative to GDP, remains quite low in comparison to other EU economies (89.6% at the end of 2018) and this ratio remained unchanged in 2018. As of the end of 2018, Polish banking sector extended the total of over EUR 303 billion worth of loans, i.e. EUR 18.5 billion more than in the preceding year.

Information disclosed regarding Polish banking sector is not directly comparable to Estonian and Lithuanian sector overviews due to market-specific characteristics.

Polish Consumer Financing Market: At the end of 2018, the Polish financial landscape was made up of 32 commercial banks, 543 cooperative banks, 31 branches of credit institutions, 25 credit unions and 471 consumer credit providers. At yearend of 2018, the consumer loans portfolio held by monetary financial institutions totalled EUR 44.5 billion and by consumer credit providers totalled EUR 1.2 billion. The value of newly granted loans in 2018 by monetary financial institutions accounted for EUR 21.7 billion and by consumer credit providers for EUR 1.7 billion. By far the top selling loan product was cash loan with sales totalling EUR 16.5 billion and representing a 6.8% growth year-over-year in 2018, compared to 2.2% growth year-over-year in 2017. Cash loan sales were followed by hire purchase products with the amount of EUR 3.1 billion in sales, representing a growth of 4% year-over-year (compared to 10.4% growth year-over-year in 2017).

Source:

<https://media.bik.pl/publikacje/att/1395669>

https://www.knf.gov.pl/knf/pl/komponenty/img/RAPORT_O_SYTUACJI_BANKOW_2018_65694.pdf

Lithuanian banking sector: There are altogether 7 licensed credit institutions in Lithuania, and a further 8 branches of foreign credit institutions operate in the Lithuanian banking market. The Lithuanian banking market is highly consolidated and is dominated by the credit institutions belonging to Nordic banking groups (Swedbank, SEB, Luminor Bank).

The two main metrics for assessing a banking market are the total volume of loan portfolios and the total volume of deposits. In Lithuania, the three largest banking groups hold a 60% combined market share in loans and 86% combined market share in deposits. The Company's main point of competition with the large retail banks is on the private deposit market. By the end of 2018, the total volume of deposits of the credit institutions operating in the Lithuanian market stood at EUR 21.813 billion, of which the deposits of private persons was EUR 13.401 billion.

million. By the end of 2018, the total volume of deposits of the credit institutions operating in the Lithuanian market and the Lithuanian branches of foreign credit institutions stood at EUR 22.324 billion, of which the deposits of private persons formed EUR 8.89 billion. The total volume of deposits has been growing year by year for almost two decades, forming a very stable funding source for the credit institutions operating in the Lithuanian banking market.

Source: <https://www.lb.lt/en/main-indicators-of-banking-sector-activities>

Lithuanian Consumer Financing Market: As of 31 December 2018, the public list of consumer credit providers in Lithuania included 56 companies (other than credit institutions) authorised to provide consumer credit by the Bank of Lithuania.

The volume of consumer loans provided by those companies totalled EUR 563.51 million at the end of 2018, an increase of 10% during first 6 months in 2019. The volume of credit extended to consumers totalled EUR 571.27 million as of 31 December 2018.

Year-on-year, the credit portfolio increased by approximately 33.66%. Recent years have shown the continuous increase on the consumer credit market which is mainly a result of favourable macroeconomic conditions. GDP growth in 2017 was 4.14% and 3.49% in 2018.

Source: <https://www.lb.lt/lt/vkd-veiklos-rodikliai>

German, Austrian and Netherland Deposit Markets: The Company uses the German, Austrian and Netherlands deposit markets as markets where it, along Estonian, Polish and Lithuanian markets, raises deposits but it does not conduct any consumer finance activities on those markets.

The size of the German deposit market is EUR 2370 billion and the average \leq 1-year interest rate as of June 2019 was 0.15%. The top interest rate offers in Germany on 23 August 2019 for 1 year and 3-year deposits were 0.92% and 1.14%, respectively.

The size of the Austrian deposit market is EUR 269 billion and the average \leq 1-year interest rate as of June 2019 was 0.15%. The top interest rate offers in Austria on 23 August 2019 for 1 year and 3-year deposits were 0.90% and 1.10%, respectively.

The size of the Netherlands deposit market is EUR 458 billion and the average \leq 1-year interest rate as of June 2019 was 1.29%. The top interest rate offers in Netherlands on 23 August 2019 for 1 year and 3-year deposits were 0.65% and 0.90%, respectively.

Source:

<https://www.euro-area-statistics.org/banks-balance-sheet-deposits?cr=eur&lg=en>

<http://sdw.ecb.europa.eu/reports.do?node=1000005757>

<https://www.raisin.com/press/interest-rate-radar-september-2019/>

11. BUSINESS OVERVIEW

11.1. History and Development of Group

The Group's history goes back to 2010, the year in which a hire-purchase financing provider Cofi AS was founded. From the outset, the Company evolved out of the idea that banking should be local and product-based and that success hinges on having a precise focus. The Company was originally established by Mr Priit Põldoja and Mr Jan Andresoo who both are continuously actively contributing to the management of the Company as the Chairman of the Supervisory Board and as the Chairman of the Management Board.

The Company launched their first hire-purchase product in 2011. Only three years later, the Company assessed itself to be a probable market leader in consumer financing in this field. As hire-purchase was ideal for implementing a technology- and partner-based business model, the Company has thereafter broadened its partner-based cooperation model.

In late 2011, in cooperation with ETK, the Estonian consumers' cooperative (now known as Coop), the Company introduced Säästukaart Pluss – the first payment/loyalty/credit card of its kind in Estonia.

In 2014 the Company introduced a loan product – Target Loan (in Estonian: *Sihtlaen*) – in cooperation with Krediidipank AS (now Coop Pank AS).

In 2014 the Company entered into its first foreign market – Latvia – by establishing Cofi Lizings (now known as Inbank Latvia). The loan portfolio of the Latvian subsidiary at 30 September 2019 was 9% of the total loan portfolio of the Group.

On 10 April 2015 the Company obtained a banking license and started operating under a business name AS Inbank. During the first campaign to collect deposits the Company collected EUR 11 million of deposits in three days.

In May 2015 the Company purchased Desk Rock OÜ and changed its name to Inbank Technologies OÜ.

In the second half of 2015, the Company partnered with Sanoma Baltics AS to offer the auto24 car loan in Estonia.

In April 2016, the Company founded Inbank Liising to provide its corporate clients with asset-based financing.

In September 2016, the Company became public by listing its subordinated bonds on Nasdaq Tallinn Stock Exchange.

In the end of 2016, the Company entered into its second foreign market – Poland – by establishing a Polish branch. The loan portfolio of the Polish branch at 30 September 2019 was 10% of the total loan portfolio of the Group.

In the beginning of 2017, the Company and Coop purchased Krediidipank AS (now Coop Pank AS) and during 2017 the Company sold its shareholdings in Coop Finants AS and Krediidipank Finants AS to Krediidipank AS (now Coop Pank AS). As a result of those transactions, the Company acquired as a financial investment a 18% shareholding in Krediidipank AS (now Coop Pank AS).

In January 2018, the Company sold its shareholding in Veriff OÜ - a video banking and video identification solution provider it had founded in 2015.

In May 2018, the Company entered into its third foreign market – Lithuania – by acquiring 100% of Mokilizingas UAB (later transformed into Mokilizingas AB) which is a consumer finance provider in Lithuania. The loan portfolio of the Lithuanian subsidiary at 30 September 2019 was 39% of the total loan portfolio of the Group.

In December 2018, the Company issued an innovative hybrid instrument for Estonian investors, AT1 or additional Tier 1 bond, in order to strengthen its capital structure and support fast growth. This bond has the features of

both a subordinated loan as well as equity, but it is part of Tier 1 capital in the Company's capital management. The Company was able to raise EUR 3.15 million of additional capital with the successful issue.

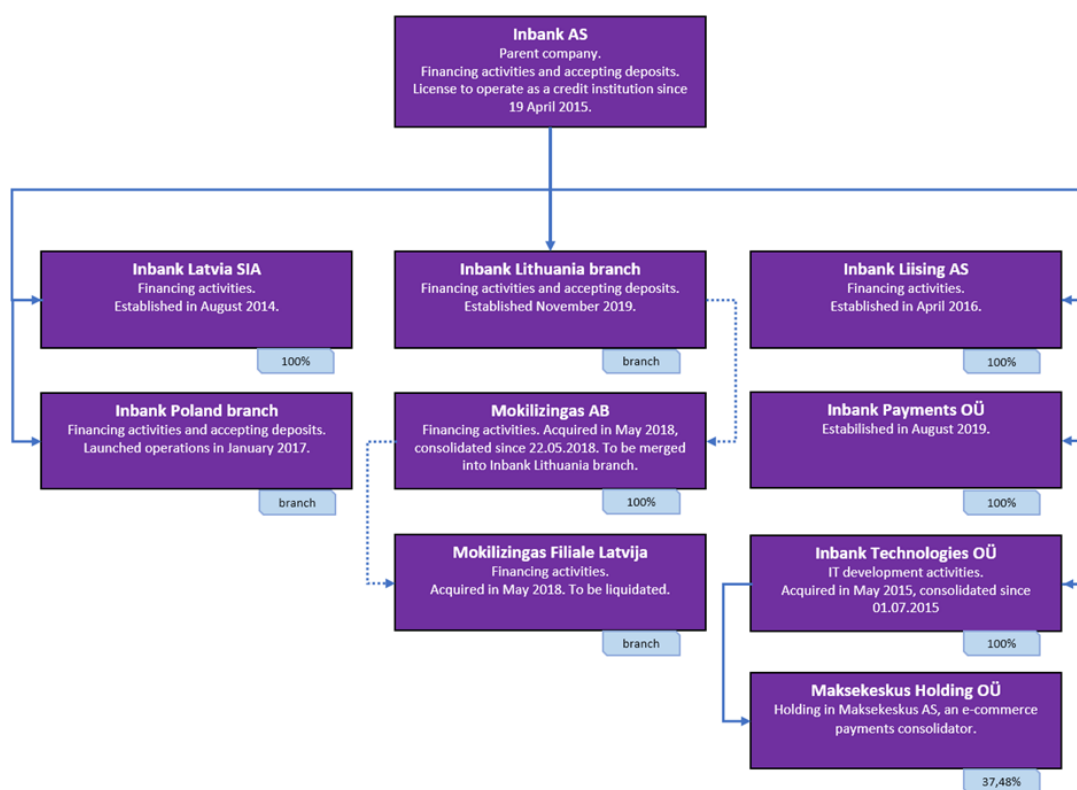
In November 2019, the Company established a branch in Lithuania and plans to merge Mokilizingas AB's assets into its Lithuanian branch by Q1, 2020.

The Group gathers deposits to finance the consumer financing business in Group companies. The deposit portfolio increased from EUR 95 million at the end of 2017 to EUR 240 million at the end of 2018 in line with the overall credit Portfolio growth within the Group. As of 30 September 2019, the deposit portfolio amounts to EUR 375 million. Deposits are offered in euro in Estonia, Germany, Austria and the Netherlands and in Polish zloty in Poland. After the establishment of a branch in Lithuania in Q4 2019 the Group will also start collecting deposits from Lithuanian market. All deposits the Group receives are guaranteed by the Deposit Guarantee Sectoral Fund up to the amount of EUR 100 thousand euros.

11.2. Group Structure, Group Companies and Affiliated Companies of the Company

Group Structure:

As at the date of this Prospectus, the Group structure is the following:



Group Companies:

AS Inbank. AS Inbank (the Company) is the holding company of the Group. The Company is an Estonian licensed credit institution with a main focus of issuing consumer credit products and collecting deposits. The whole Group employs 215 people. As at 30 September 2019 the consolidation group has a portfolio of nearly 520,000 active consumer credit agreements of which 70,000 have been entered into by the Company. By the end of the third quarter of 2019, the total loan portfolio of the Company's consolidation group stood at EUR 310 million and the total amount of deposits was EUR 375 million. By the end of the third quarter of 2019, the total loan portfolio of the Company on a non-consolidated basis stood at EUR 448 million.

Inbank Liising AS. The Company was founded in April 2016 and the main purpose is to provide corporate clients with asset-based financing.

Inbank Latvia SIA. Inbank Latvia SIA is a 100% held subsidiary of the Company. The main products of Inbank Latvia SIA are car loan, small loan and hire-purchase products. By the end of third quarter of 2019 the size of the company's loan portfolio was EUR 28 million. The near-term objectives of Inbank Latvia SIA are to continue its strong growth by seeking new partners for the hire-purchase and small loan product in order to increase its presence in those segments.

Mokilizingas AB. Mokilizingas AB is a 100% held subsidiary of the Company. The main products of Mokilizingas AB are hire-purchase, car loan, small loan products, claims purchase and credit card which it is offering under an e-money license. By the end of third quarter of 2019 the size of the company's loan portfolio was EUR 120 million. The near-term objectives of Mokilizingas AB is to liquidate its branch in Latvia (Mokilizingas Filijale Latvia), merge with Inbank Lithuanian branch by Q1, 2020 and to continue its strong growth by seeking new partners for the hire-purchase and small loan product in order to increase its presence in those segments.

Inbank Lithuanian branch. Inbank Lithuanian branch was established on 15 November 2019. The main products of Inbank Lithuanian branch are small loan products and deposit collection. The near-term objective of Inbank Lithuanian branch is to merge the business of Mokilizingas AB into the branch and continue to offer various consumer finance products on the Lithuanian market.

Inbank Poland branch. Inbank Poland branch was established in January 2017. The main products of Inbank Poland branch are hire-purchase, car loan and small loan products and collecting deposits. The near-term objectives of Inbank Poland are to continue its strong growth by seeking new partners for the hire-purchase, car loan and small loan products in order to increase its presence in those segments.

Inbank Technologies OÜ. Inbank Technologies OÜ (formerly known as Desk Rock OÜ) was purchased by the Company in 2015 and is providing IT hardware services for other Group entities.

Coop Pank AS. The Company has a minority shareholding of 3.49% at Coop Pank AS and it has positioned itself as a financial investor at that bank. In line with the Company's strategy, the Company has decided to divest its shareholding in Coop Pank AS, and for the purposes of this, offered its stake in Coop Pank AS to the public in the course of the initial public offering of shares of Coop Pank AS. The Company has agreed to allocate shares amounting to 1.2% into the base offer, whereas the remaining 2,29% shareholding is allocated as over-allotment shares for the purposes of stabilisation. Therefore, should the stabilising manager, at its sole discretion, deem necessary to enter into stabilisation transactions for the purposes of supporting the market price of the shares of Coop Pank AS on the Nasdaq Tallinn Stock Exchange, it may happen that a part or all of the shares allocated for the purposes of stabilisation is returned to the Company at the end of the 30-day stabilisation period. Should the remaining shareholding (if any) of the Company in Coop Pank AS exceed 1% after the end of the stabilisation period, the Company has agreed to be bound by a 180-day lock-up period, during which the Company may not offer, sell, and contract to sell, or otherwise dispose of its shares in Coop Pank AS without the prior written consent of AS LHV Pank (in its capacity as the Joint Lead Manager and Stabilising Manager for the public offering of the shares of Coop Pank AS). Where relevant, further information as to the outcome of the above will be disclosed by the Company by means of a stock exchange notice through the Nasdaq Tallinn Stock Exchange information system.

Inbank Payments OÜ. Inbank Payments OÜ is a holding company which was established in September 2019 and its purpose is to, by way of corporate restructuring, to hold the shares of Maksekeskus AS, a payment institution operating as a payment facilitator under the trade mark Make Commerce.

11.3. Business Segments

Banking Services. The Company's main business segment is the banking services business segment. The Company's activities are concentrated on certain market and product segments – deposits, consumer loans, hire-

purchase, factoring – where the Company has a strong technological advantage over competitors. The Company also has a number of strategic cooperation partnerships which enable the Company to sell its products by using the sale and marketing channels of those partners. The banking services business segment can be further broken down into retail banking and corporate banking. The retail banking services are offered to private individuals, whereas the clients of the corporate banking services are small and medium-sized companies. The Company's loan portfolio as at 30 September 2019 comprised of 95% of consumer lending and 5% of corporate lending.

11.4. Geographical Markets

As described in the previous Section "Principal Markets", as at the date of this Prospectus, the Group is operating in seven geographical markets – Estonia, Latvia, Lithuania, Poland, Germany, Austria and the Netherlands.

11.5. Competitive Position and Competitive Strengths

Assessment of Competitive Position. The Group monitors and analyses its competitive position and developments on the market on the basis of publicly available data and statistics, e.g. market analysis and statistics prepared by the EFSA, Central Bank of Estonia and the local financial supervisors of the geographical markets where the Group companies operate. All statements made in this Prospectus in respect of the competitive position of the Group are based on such publicly available information.

Competitive Strengths. The Management believes the Group to have the following competitive strengths:

Focused business model – the Company clearly defines that it is a specialized digital bank, providing mainly uncollateralized credit products to private individuals. The main products are – hire purchase and consumer loans.

The Company strongly believes that being excellent specialized consumer finance bank is dependent on following aspects:

1. Business process automation
 - a. Automated credit decision process
 - b. Automated agreement administrations process
 - c. Easy contract origination and completion process

The Company understands that in order to be able to compete in consumer finance market the Company as a bank needs to build efficient and automated business processes in order to originate and administrate a large number of relatively small credit contracts.

2. Technology
 - a. In-house IT architecture competence
 - b. In-house IT development competence
 - c. In-house IT analysis competence

The Company understands that modern banking is a combination of banking competence, process competence and technological competence. Therefore, from the beginning Inbank made a strategic decision to build our own technological competence in-house. The company has also built a dedicated business development team with a deep knowledge of its products and processes to support product development and business growth across all existing markets.

3. Attractive to talent
 - a. Strong, experienced team of professionals
 - b. Entrepreneurial culture
 - c. Attractive ownership-based motivation scheme

The Company understands that business is done by people. Taking into account that the Company is mainly building systems and processes, the Company needs specialised and highly professional people. The Company wants to build an organisation with purpose and wants to provide the people an interesting and development-oriented environment. The Company also wants to see that key people are also owners in the Company and therefore an option based motivational scheme has been introduced.

4. Unique distribution model
 - a. Partner based distribution strategy
 - b. Strategic partnerships
 - c. Technological integration with partner channels

The Company understands that financing products are a tool for supporting partners' business. Therefore, the Company is constantly seeking new opportunities to help partners to succeed and sell more by looking for new and unique distribution opportunities, where the Company can integrate its automated credit origination solution in its cooperation partners' everyday business. The whole Group has more than 2000 merchants as its cooperation partners who are using its technological credit origination solution in Estonia, Latvia, Lithuania and Poland. The Company has two successful strategic partnerships with Auto24 and Bite, where in the former channel it provides consumer loans to Auto24 end-customers and in the latter, purchases Bite Latvian and Lithuanian business units' financing claims against its customers.

5. Financing capabilities
 - a. Strong capital base
 - b. Profitable business model
 - c. Access to deposit market
 - d. Strong owners

The Company understands that the capability to grow is strongly dependent on availability of financing and strength of the own capital base. European banking licence creates an opportunity to enter into European deposit market and therefore gives the Company a source to provide credit products to the clients. The ownership structure of the Company and the commitment of the shareholders give the Company comfort that our growth is supported by necessary equity. To further strengthen the capital base and ensure that the bank is sufficiently capitalized the Company is also utilising subordinated debt instruments.

6. Internationalization strategy
 - a. Centralized technological solution
 - b. Centralized banking licence, access to funding and capital
 - c. Local professional team and risk-taking competence

The Company understands that success is dependent on the growth strategy. The Company believes that it is better to grow with existing products to new markets. Entering into Latvian, Lithuanian and Polish markets has shown that the combination of centralized financing and technology and local management has provided a working formula of success and very quick time-to-market.

11.6. Investments

The Group companies have made no significant investments since date of the last published financial statements (Q3, 2019; Interim Financial Statements). The Interim Financial Statements are incorporated into this Prospectus.

The Group companies are continuously seeking for opportunities for the expansion of their business operations by investing into organic growth or seeking possible acquisition targets.

As a general rule, the investments made by the Group companies are financed by own funds or by additional capital engaged from the shareholders or bondholders of the subordinated bonds of the Company.

11.7. Material Agreements

Introductory Remarks. The Group companies are not parties to any material agreements outside of their ordinary course of business, which may result in the Group companies being under an obligation or entitlement that is material to the Group company's ability to meet its obligations to bondholders in respect of the Bonds. Nevertheless, this Section provides a general description of most relevant agreements. The level of detail of the information provided is limited due to the confidentiality provisions included in agreements. However, the Management believes that the provided data is sufficient for comprehending the overall contents of the agreements.

Shareholders' agreement regarding Coop Pank AS. On 30 January 2017 the Company, Coop Eesti Keskühistu and Coop Investeeringud OÜ concluded a shareholders' agreement under which the governance of Coop Pank AS was agreed. The shareholders' agreement regulates, *inter alia*, the obligations of the parties with regard to the activities, decision making and financing of Coop Pank AS. In the opinion of the Management, the parties' agreements contained in the shareholders' agreement are in compliance with market practice for similar agreements. Should the shares of Coop Pank AS be successfully listed and admitted to trading on the Baltic Main List of Nasdaq Tallinn Stock Exchange, as contemplated, the shareholders' agreement shall terminate automatically as per the agreement between the parties to the shareholders' agreement.

Cooperation agreement with auto24 AS (former business name Sanoma Baltics AS). In 2015 the Company and auto24 AS concluded a cooperation agreement with regard to offering auto24 car loan. The agreement regulates the parties' obligations in connection with the cooperation, including developing obligations, compensation matters and includes confidentiality clauses. The Management finds that the agreement protects the interests of the Company as it is detailed and the obligations of the parties are in balance.

Cooperation agreement with Bite Lietuva UAB. In 2017 the Mokilizingas AB and Bite Lietuva UAB concluded a cooperation agreement with regard to purchasing Bite Lietuva UAB's claims which it has with its end-customers. The agreement regulates the parties' obligations in connection with the cooperation, including developing obligations, compensation matters and includes confidentiality clauses. The Management finds that the agreement protects the interests of the Mokilizingas AB as it is detailed and the obligations of the parties' are in balance.

The above-described agreements have not been concluded between persons acting in concert.

11.8. Planned Growth Projects

There are two noteworthy projects that in the near future will or may influence the growth of the Company going forward:

Establishment of a branch in Lithuania and transfer of the assets of Mokilizingas AB to the Lithuanian branch

The Company notified the EFSA on 30 April 2019 about its plans to establish a branch in Lithuania. The EFSA approved the establishment of a branch in Lithuania on 9 September 2019 and the branch was established on 15 November 2019.

The Lithuanian branch of Inbank will focus on consumer loans and hire purchase and will also collect term deposits. In the near term, the assets of Mokilizingas AB will be transferred to the Company's Lithuanian branch by way of cross-border merger transaction which is scheduled to be completed latest by the end of Q1, 2020.

The size of the Lithuanian branch's loan portfolio, following the merger with Mokilizingas AB, is estimated to reach approximately EUR 130 million and form 37% of the Company's total portfolio by the end of 2019. However, as the above-described transaction is an internal restructuring within the Group, it does not affect the consolidated financial statements or indicators of the size of the business of the Company.

Increase of shareholding in Maksekeskus AS

The Company is seeking to increase its shareholding in Maksekeskus AS by the end of 2020, although no binding commitments have been made as of the date of this Prospectus. Growing the shareholding in Maksekeskus AS is in line with the Company's strategy and overall market trends where the combination of payment processing and short-term financing products has become more prevalent.

The materialisation of both projects is subject to the EFSA approval. Where relevant, advances in the above-described projects (if any) will be disclosed by means of a stock exchange notice through the Nasdaq Tallinn Stock Exchange information system.

11.9. Trend Information

There has been no material adverse change in the prospects of Group since 30 September 2019.

There has been no significant change in the financial performance of the Group since 30 September 2019 to the date of the Prospectus.

As described under Section "Planned Growth Projects", during Q1, 2020 Mokilizingas AB is scheduled to merge with Inbank Lithuanian branch. The Company submitted the application for the merger between the Company and Mokilizingas AB to the EFSA on 15 August 2019. As a result, and prior to the completion of the merger, Mokilizingas AB shall also liquidate its branch in Latvia, Mokilizingas Filijale Latvia. However, as the above-described transaction is an internal restructuring within the Group, it does not affect the consolidated financial statements or indicators of the size of the business of the Company.

11.10. Legal Proceedings

In the course of its everyday business operations, the Group companies are customarily parties to legal and administrative proceedings.

In legal proceedings (court proceedings) the Group companies act, in general, as plaintiffs seeking to recover debts from customers in default. Such debt recovery proceedings are part of everyday business operations of the Group companies. As at the date of this Prospectus, in all on-going legal proceedings, Group companies involved are acting as plaintiffs and all such proceedings concern debt recovery.

Since the Group companies (most relevantly the Company) operate in the fields subject to extensive legal regulation, they are subject to numerous administrative proceedings initiated primarily by the EFSA in the course of ordinary financial supervision.

As of the date of this Prospectus, none of the legal or administrative proceedings to which a Group company is a party to (including any such proceedings which are pending or threatened of which the Management is aware) are considered likely to have any significant effects on the Group's financial position and there are no governmental, legal or administrative proceedings to which a Group company has been party to (including any such proceedings which are pending or threatened of which the Management is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, significant effects on the Group's financial position or profitability.

12. SELECTED FINANCIAL INFORMATION

12.1. Introduction

The following summary of the selected consolidated financial information of the Group should be read in conjunction with the Financial Statements, included in this Prospectus as Schedules 2–4. The below tables present only certain selected audited consolidated financial data as of and for the years ended on 31 December 2017 and 31 December 2018, extracted and derived from the Audited Financial Statements, and certain selected unaudited interim consolidated financial data as of 30 September 2019 and for the nine-month period ended on 30 September 2018, extracted and derived from the Interim Financial Statements of the Company.

12.2. Selected Financial Information

Consolidated statement of profit and loss and other comprehensive income

EURt	2018 Audited	2017 Audited	9M '19 Unaudited	9M '18 Unaudited
Interest income	23,633	13,023	26,983	15,785
Interest expense	-3,760	-2,009	-4,471	-2,549
Net interest income	19,873	11,014	22,512	13,236
Fee income	703	551	687	523
Fee expense	-1,091	-607	-1,261	-720
Net fee and commission income	-388	-56	-574	-197
Net gains from financial assets measured at fair value	1,204	0	375	1,204
Other operating income	666	705	578	452
Total net interest, fee and other income	21,355	11,663	22,891	14,695
Personnel expenses	-5,795	-3,997	-5,898	-4,034
Marketing expenses	-1,592	-929	-1,687	-945
Administrative expenses	-2,814	-1,602	-2,739	-1,832
Depreciations, amortisation	-445	-215	-912	-284
Total operating expenses	-10,646	-6,743	-11,236	-7,095
Profit before impairment losses on loans	10,709	4,920	11,655	7,600
Share of profit from associates	1,986	6,203	164	1,986
Impairment losses on loans and advances	-2,686	-3,532	-4,845	-3,087
Profit before income tax	10,009	7,591	6,974	6,499
Income tax	-733	-92	-408	-274
Profit for the period	9,276	7,499	6,566	6,225
Other comprehensive income/loss				
Items that may be reclassified subsequently to profit or loss				
Currency translation differences	73	-38	82	52
Total comprehensive income for the period	9,349	7,461	6,648	6,277
Net profit attributable to				
Shareholders of parent company	9,262	7,496	6,566	6,214
Non-controlling interest	14	3	0	11
Profit for the reporting period	9,276	7,499	6,566	6,225
Total comprehensive income/loss attributable to				
Shareholders of parent company	9,335	7,458	6,648	6,266
Non-controlling interest	14	3	0	11
Total comprehensive income	9,349	7,461	6,648	6,277
Basic earnings per share	111.85	101.92	73.88	75.04
Diluted earnings per share	105.06	95.52	70.14	70.73

Consolidated statement of financial position

EURt	30.09.2019 Unaudited	31.12.2018 Audited	31.12.2017 Audited
Assets			
Cash in hand	4	4	4
Due from central banks including mandatory reserve	89,754	64,620	14,767
Due from credit institutions	29,411	13,700	8,530
Financial assets at fair value through profit and loss	2,390	4,600	0
Loans and advances	310,341	225,639	92,895
Investments in associates	97	97	7,806
Tangible assets	725	545	279
Right of use asset	764	0	0
Intangible assets	10,365	7,697	816
Other financial assets	83	64	61
Other assets	462	514	459
Deferred tax asset	1,573	564	364
Total assets	445,969	318,044	125,981
Liabilities			
Loan from credit institution	0	10,429	0
Customer deposits	375,133	240,175	95,056
Other financial liabilities	10,801	8,776	1,263
Other liabilities	2,526	2,654	1,136
Debt securities issued	4,009	10,017	0
Subordinated debt securities	9,551	9,528	6,480
Total liabilities	402,020	281,579	103,935
Equity			
Share capital	903	874	782
Share premium	15,908	15,053	9,068
Statutory reserve capital	88	79	79
Other reserves	1,536	1,444	1,352
Retained earnings	25,514	19,018	10,739
Total equity attributable to the shareholders of parent company	43,949	36,425	22,020
Non-controlling interest	0	40	26
Total equity	43,949	36,465	22,046
Total liabilities and equity	445,969	318,044	125,981

Consolidated statement of cash flows

EURt	2018 Audited	2017 Audited	9M '19 Unaudited	9M '18 Unaudited
Cash flows from operating activities				
Interest received	22,940	14,034	26,867	15,509
Interest paid	-2,245	-3,527	-3,342	-1,884
Fees received	703	551	687	523
Fees paid	-1,091	-607	-1,261	-720
Other income received	666	705	578	452
Personnel expenses	-5,686	-3,685	-5,427	-4,103
Administrative and marketing expenses	-3,811	-2,412	-4,179	-2,666
Returned advance income tax payments	285	0	0	285
Corporate income tax paid	-512	-602	-630	-247
Cash flows from operating activities before changes in the operating assets and liabilities	11,249	4,457	13,293	7,149
Changes in operating assets:				
Loans and advances to customers	-69,827	-31,968	-88,620	-43,436
Mandatory reserve in central bank	-1,251	-213	-1,599	-1,006
Other assets	-716	-178	-976	164
Changes of operating liabilities:				
Loan from credit institution	-45,783	0	-10,429	-39,533
Customer deposits	143,604	31,987	132,327	91,064
Other liabilities	5,645	-108	1,179	1,626
Net cash from operating activities	42,921	3,977	45,175	16,028
Cash flows from investing activities				
Acquisition of tangible and intangible assets	-1,325	-387	-3,603	-741
Acquisition of subsidiaries and associates	-13,134	-10,697	-121	-13,134
Proceeds from disposal of subsidiaries	0	300	2,999	0
Proceeds from disposal of associates	6,269	10,403	0	6,269
Net cash used in investing activities	-8,190	-381	-725	-7,606
Cash flows from financing activities				
Share capital contribution (including share premium)	6,077	2,800	884	6,077
Subordinated debt securities issued	3,033	0	0	0
Debt securities issued	10,000	0	4,000	10,000
Repayments of debt securities	0	0	-10,000	0
Net cash from financing activities	19,110	2,800	-5,116	16,077
Effect of exchange rate changes	-69	52	-88	-47
Net increase/decrease in cash and cash equivalents	53,772	6,448	39,246	24,452
Cash and cash equivalents at the beginning of the reporting period	22,600	16,152	76,372	22,600
Cash and cash equivalents at the end of the reporting period	76,372	22,600	115,618	47,052

Cash and cash equivalents are measured as the balance of cash from central bank and credit institutions less the mandatory reserve in central banks

Consolidated Statements of Changes in Equity

EURt	Share capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
Balance as at 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	29	0	29	0	29
Statutory reserve capital	0	0	22	0	-22	0	0	0
Purchase of non-controlling interest in subsidiaries	0	0	0	0	-65	-65	46	-19
Sale of subsidiary	0	0	0	0	0	0	-29	-29
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	-38	7,496	7,458	3	7,461
Balance as at 31 December 2017	782	9,068	79	1,352	10,739	22,020	26	22,046
Balance as at 01 January 2018	782	9,068	79	1,352	10,739	22,020	26	22,046
Changes on initial application of IFRS 9	0	0	0	0	-1,026	-1,026	0	-1,026
Restated balance as at 01 January 2018	782	9,068	79	1,352	9,713	20,994	26	21,020
Paid in share capital	92	5,985	0	0	0	6,077	0	6,077
Share-based payment reserve	0	0	0	-24	43	19	0	19
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	73	9,262	9,355	14	9,349
Balance as at 31 December 2018	874	15,053	79	1,401	19,018	36,425	40	36,465
Balance as at 01 January 2019	874	15,053	79	1,401	19,018	36,425	40	36,465
Paid in share capital	29	855	0	0	0	884	0	884
Share-based payment reserve	0	0	0	53	17	70	0	70
Statutory reserve capital	0	0	9	0	-9	0	0	0
Purchase of non-controlling interest in subsidiaries	0	0	0	0	-78	-78	-40	-118
Total profit/-loss and other comprehensive income for the reporting period	0	0	0	82	6,566	6,648	0	6,648
Balance as at 30 September 2019	903	15,908	88	1,536	25,514	43,949	0	43,949

Capital adequacy

EURt	30.09.2019	31.12.2018	31.12.2017
Capital base			
Paid-in share capital	903	874	782
Share premium	15,908	15,053	9,068
Statutory and other reserves	1,516	1,446	1,431
Retained earnings	18,938	9,756	3,243
Intangible assets (subtracted)	-10,365	-7,697	-816
Profit for reporting period	6,566	9,261	7,496
Other comprehensive income	118	35	0
Other deductions	0	-1,824	-7,763
Adjustments due to IFRS 9 transitional arrangements	4,084	2,308	0
Total Common Equity Tier 1 capital	37,668	29,212	13,441
Additional Tier 1 capital	3,150	3,150	0
Total Tier 1 capital	40,818	32,362	13,441
Total Tier 2 capital	6,503	6,503	6,503
Net own funds for capital adequacy calculation	47,321	38,865	19,944
Risk-weighted assets			
Credit institutions standardised approach	6,615	3,401	2,216
Non-financial customers standardised approach	8,188	1,706	1,595
Retail claims standardised approach	223,151	167,208	67,499
Claims past due standardised approach	3,980	3,297	1,301
Other assets standardised approach	9,794	6,844	1,494
Total credit risk and counterparty credit risk	251,728	182,456	74,105
Operational risk basic indicator approach	25,648	25,648	15,584
Total risk-weighted assets	277,376	208,104	89,689
Capital adequacy (%)	17.06%	18.68%	22.24%
Regulative capital adequacy (%)	16.11%	15.73%	19.86%
Tier 1 capital ratio (%)	14.72%	15.55%	14.99%
Regulative Tier 1 capital ratio (%)	13.78%	12.62%	12.75%

Key financial indicators	2018	2017	9M '19	9M '18
	Audited	Audited	Unaudited	Unaudited
Total assets	318,044	125,981	445,968	262,831
Total equity attributable to shareholders of the parent	36,425	22,020	43,949	33,352
Total profit attributable to shareholders of the parent	9,262	7,496	6,566	6,214
Loan portfolio	225,639	92,895	310,341	199,534
Deposit portfolio	240,175	95,056	375,133	187,209
Ratios	<i>(unaudited)</i>	<i>(unaudited)</i>		
Return on equity	31.7%	44.3%	21.8%	30.0%
Return on total assets	4.2%	7.1%	2.3%	4.3%
Net interest margin	9.5%	11.1%	8.2%	9.7%
Impairment losses to loan portfolio	1.7%	4.5%	2.4%	2.8%
Cost/income ratio	49.9%	57.8%	48.7%	48.3%
Equity to total assets	11.5%	17.5%	9.9%	12.7%

The above table "Ratios" includes certain data which the Company considers to constitute alternative performance measures (the **APMs**) as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015. These APMs are not audited nor defined by, or presented in accordance with, IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Group's liquidity. The Company's use and method of calculation of APMs may vary from other companies' use and calculation of such measures.

Return on equity	total profit attributable to owners of the parent / total equity attributable to the shareholders of parent company (average over the period), annualised
Return on total assets	total profit 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
Impairment 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 the shareholders of parent company / total assets

12.3. Changes in Financial Position

There have been no significant changes in the financial or trading position of the Group since 30 September 2019.

13. GLOSSARY

Term	Definition
Audited Financial Statements	shall mean the audited consolidated financial statements of and for the year ended 31 December 2018, and the audited consolidated financial statements of and for the year ended 31 December 2017 of the Company.
Articles of Association	shall mean the Articles of Association of the Company effective as at the date of this Prospectus.
Bail-in Powers	shall mean any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Estonia, relating to (i) the transposition of the BRRD (including but not limited to the Financial Crisis Prevention and Resolution Act (<i>finantskriisi ennetamise ja lahendamise seadus</i>) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Company (or any affiliate of the Company) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Company or any other person (or suspended for a temporary period).
Bonds	shall mean any and all the Company's subordinated bonds offered in accordance with this Prospectus.
Coop Pank AS	shall mean Coop Pank aktsiaselts, an Estonian public limited company, registered in the Estonian Commercial Register under register code 10237832, having its registered address at Narva mnt 4, 15014 Tallinn, Estonia.
Company	shall mean AS Inbank, an Estonian public limited company, registered in the Estonian Commercial Register under register code 12001988, having its registered address at Niine 11, 10414 Tallinn, Estonia.
Coop Finants AS	shall mean Coop Finants AS, an Estonian public limited company, registered in the Estonian Commercial Register under register code 12087992, having its registered address at Narva mnt 4, 15014 Tallinn, Estonia.
ERS	shall mean the Estonian Register of Securities, operated by Nasdaq CSD SE Estonia branch, registered in the Estonian Commercial Register under register code 14306553, having its registered address at Maakri tn 19/1, 10145 Tallinn, Estonia.
EUR	shall mean the official currency of Eurozone countries, including Estonia, Latvia and Lithuania, the euro.
EURt	shall mean thousands of euro.
Eurozone	shall mean the economic and monetary union (EMU) of the European Union member states, which have adopted euro as their single official currency.
Financial Statements	shall mean the Audited Financial Statements and the Interim Financial Statements.
EFSA	shall mean the Estonian Financial Supervision Authority, a financial supervision institution with autonomous competence and a separate budget which conducts supervision over credit institutions, insurance companies, insurance intermediaries, investment firms, management companies, investment and pension funds as well as the payment service providers, e-money institutions and the securities markets that have been authorised by the Financial Supervision Authority in the name of the state and which is independent in its activities and decisions.
GDP	shall mean gross domestic product, the market value of all officially recognized final goods and services produced within a country in a year, or another given period of time.
General Meeting	shall mean the General Meeting of shareholders of the Company, the highest governing body of the Company.
Group	shall mean the Company and all its Subsidiaries.
IFRS	shall mean the International Financial Reporting Standards as adopted by the European Union.

Inbank Latvia SIA	shall mean Inbank Latvia SIA, a Latvian limited liability company, registered in the Latvian Register of Enterprises under register code 40103821436, having its registered address at Akmeņu iela 14, Rīga, LV-1048.
Inbank Liising AS	shall mean Inbank Liising AS, an Estonian public limited company, registered in the Estonian Commercial Register under register code 14028999, having its registered address at Niine 11, 10414 Tallinn, Estonia.
Inbank Lithuania branch	shall mean AS Inbank filialas, registered in the Lithuanian Commercial Register under register code 305340173, having its registered address at Kareivių g. 11B, Vilnius, 09109 Lithuania.
AB Mokilizingas	shall mean AB Mokilizingas, a Lithuanian public limited company, registered in the Lithuanian Commercial Register under register code 124926897, having its registered address at Kareivių 11B, Vilnius, 09109 Lithuania.
Inbank Payments OÜ	shall mean Inbank Payments OÜ, an Estonian private limited company, registered in the Estonian Commercial Register under register code 14790098, having its registered address at Niine 11, 10414 Tallinn, Estonia.
Inbank Poland branch	shall mean AS Inbank Spółka Akcyjna Oddział w Polsce, registered in the Polish Commercial Register under register code 0000635086, having its registered address at Fabryczna 5a, Riverside Park, 00-446 Varssav, Poland.
Inbank Technologies OÜ	shall mean Inbank Technologies OÜ, an Estonian private limited company, registered in the Estonian Commercial Register under register code 12104213, having its registered address at Niine 11, 10414 Tallinn, Estonia.
Institutional Offering	shall mean the offering of the Bonds in or outside Estonia to qualified investors or by private placement in accordance with Article 1(4)(a) and (b) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Interim Financial Statements	shall mean the unaudited consolidated interim financial statements as of and for the period ended 30 September 2019, including the comparative financial information as of and for the nine months ended on 30 September 2018 of the Company.
Krediidipank Finants AS	shall mean aktsiaselts Krediidipank Finants (later CP Vara AS), an Estonian public limited company, deleted from the Estonian Commercial Register on 14 August 2019.
Management	shall mean the Management Board and the Supervisory Board of the Company.
Management Board	shall mean the Management Board of the Company.
Mokilizingas AB	shall mean Mokilizingas AB, a Lithuanian public limited company, registered in the Lithuanian register of legal persons under register code 124926897, having its registered address at Kareivių g. 11B, Vilnius, 09109 Lithuania.
Nasdaq CSD	shall mean Nasdaq CSD SE Estonian branch, registered in the Estonian Commercial register under register code 14306553, having its registered address at Maakri 19/1, 10145 Tallinn, Estonia, acting as the operator of the ERS.
Nasdaq Tallinn Stock Exchange	shall mean the only regulated market operated by Nasdaq Tallinn AS (registry code 10359206).
Offer Price	shall mean the final price per each Bond, which shall be a fixed price of EUR 1,000.
Offering	shall mean the Retail Offering and the Institutional Offering together.
Offering Period	shall mean the period within which investors will have the opportunity to submit Subscription Undertakings starting from 3 December 2019 at 10:00 Estonian time and ending on 13 December 2019 at 16:00 Estonian time.
Prospectus	shall mean this document, including the registration document of the Company and the securities notes of the Bonds.
Retail Offering	shall mean the offering of the Bonds to institutional and retail investors in Estonia, which is a public offering of securities within the meaning of the Estonian Securities Market Act and Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market,

	and repealing Directive 2003/71/EC.
Resolution Authority	shall mean the resolution authority with the ability to exercise any Bail-in Powers in relation to the Company and/or the Group.
Section	shall mean a section of this Prospectus.
Subscription Undertaking	shall mean the order submitted by an investor for the purchase of the Bonds in accordance with the terms and conditions of the Offering.
Subsidiaries	shall mean Inbank Latvia SIA, Inbank Liising AS, Mokilizingas AB, Inbank Payments OÜ and Inbank Technologies OÜ.
Supervisory Board	shall mean the Supervisory Board of the Company.
Summary	shall mean the summary of this Prospectus.

14. INDEX OF SCHEDULES

Schedule 1: Terms and Conditions of Tier 2 Subordinated Bonds

Schedule 2: Audited consolidated financial statements for the year ending at 31 December 2017

Schedule 3: Audited consolidated financial statements for the year ending at 31 December 2018

Schedule 4: Consolidated interim financial statements for the nine months ending at 30 September 2019

Schedule 5: Articles of Association of the Company

COMPANY

Inbank AS

(Niine 11, Tallinn, Harju maakond, 10414, Estonia)



LEGAL COUNSEL TO COMPANY

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