Risk Management and Capital Adequacy Report

Pillar III 2021

AS Inbank

Table of contents

Table of figures

1. Introduction

This document presents the consolidated Risk Management and Capital Adequacy Report 2021 (**Pillar III report**) of AS Inbank as of 31 December 2021, if not otherwise stated.

Inbank operates under the Capital Requirements Directive IV (**CRD IV**) (European Parliament and Council Directive 2013/36/EU) and Capital Requirements Regulation (**CRR**) (European Parliament and Council Regulation (EU) No 575/2013). These regulations are based on the global capital adequacy standards Basel II and III and the framework is based on a three-pillars concept:

- Pillar I – Minimum capital requirements
- Pillar II – Supervisory review
- Pillar III – Market disclosures

In Pillar I, the capital requirements are calculated on the basis of three categories of risk that an institution faces: credit risk, market risk and operational risk. These capital requirements need to be covered by sufficient own funds. Inbank uses the standardised approach for credit and market risk, and the basic indicator approach for operational risk to determine its capital requirements.

In Pillar II, the supervisor reviews the viability of Inbank and its ability to meet the reporting requirements. This Supervisory Review and Evaluation Process (**SREP**) comprises four components:

- Business Model Assessment (**BMA**)
- Internal Capital Adequacy Assessment Process (**ICAAP**)
- Internal Liquidity Adequacy Assessment Process (**ILAAP**)
- Internal governance and institution-wide control assessment

Pillar III disclosure framework seeks to promote market discipline through regulatory disclosure requirements. Pursuant to Part Eight of the CRR, Inbank is required to publicly disclose information regarding, amongst others, its risk profile, risk management and capital adequacy. The disclosure is made annually by means of this Pillar III report in conjunction with the publication of Inbank's Annual Report on Inbank's website (www.inbank.ee).

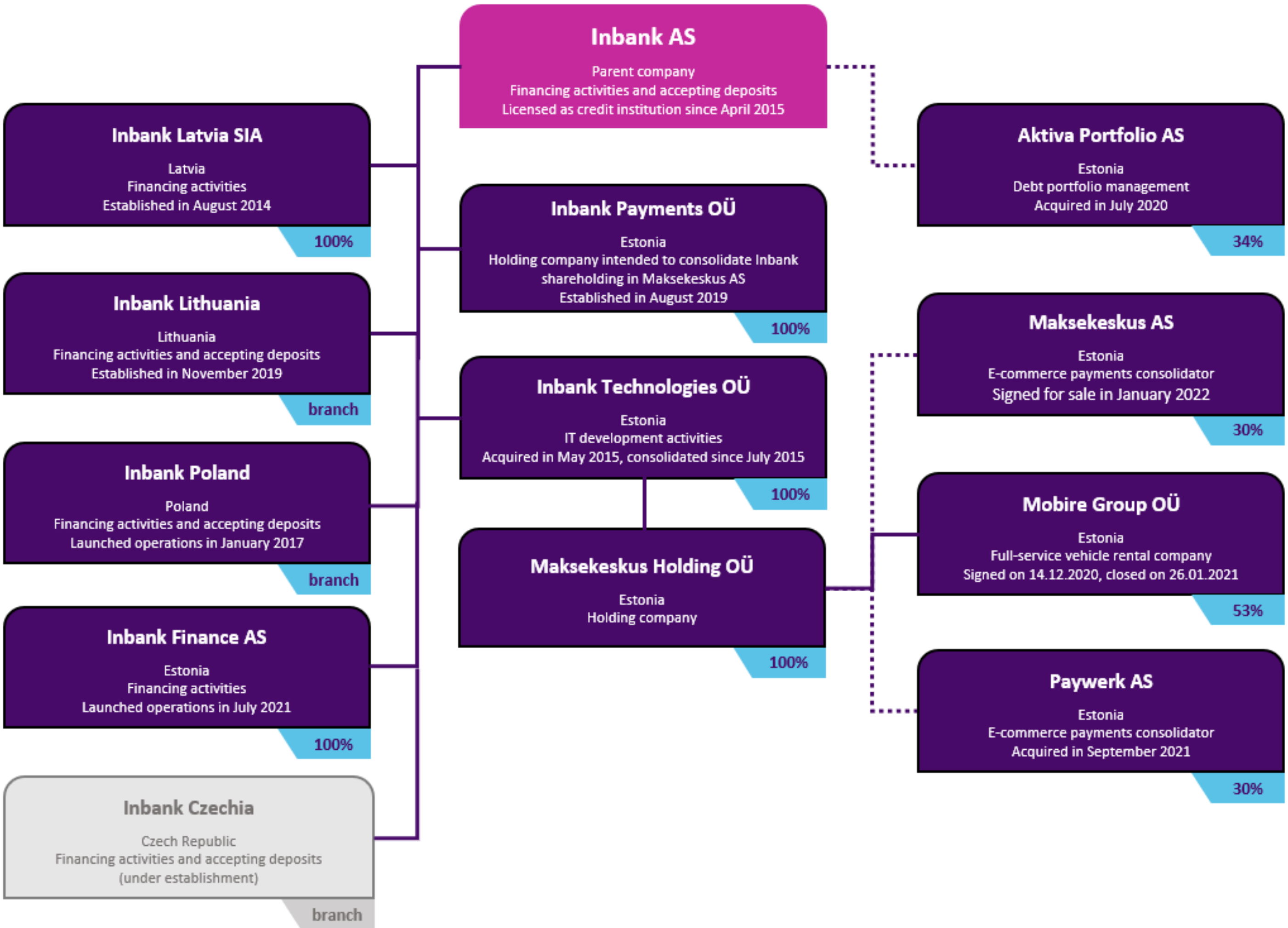
The content of this Pillar III report meets all the requirements laid down in CRR and corresponding delegated regulations and guidelines. Key information related to Inbank's capital and risk exposures is disclosed to increase transparency and confidence about Inbank's exposure to risk and the overall adequacy of its capital.

All figures are denominated in thousands of euros unless otherwise stated.

2. Scope of consolidation

As an EU parent institution, AS Inbank is required to publish a consolidated Pillar III report. Inbank reports its prudent requirements on a consolidated basis together with its subsidiaries. The legal structure of Inbank as of 31 December 2021 is shown in the figure below.

Organisational structure of Inbank



AS Inbank is a registered credit institution under the supervision of the Estonian Financial Supervision Authority (Finantsinspektsioon). Based on the CRR Article 4(145) and Article 4(148), AS Inbank can be considered as a small and non-complex and listed institution. The disclosures by small and non-complex institutions that are listed institutions, are outlined in the CRR Article 433b. In Table 1, the disclosures within this Pillar III report are linked to the respective provisions of Part Eight CRR.

Table 1. Disclosure requirements with reference to CRR Article

Disclosure requirement with reference to CRR Article	Location in Pillar III report	Frequency
Article 435. Risk management objectives and policies (points (a), (e) and (f) of Article 435(1))	pp. 5-7, 10-11, 23, 25-27, 28-29	annual
Article 436. The scope of application	n/a	n/a
Article 437. Own funds	n/a	n/a
Article 437a. Own funds and eligible liabilities	pp. 33-34	semi-annual / annual
Article 438. Own funds requirements and risk-weighted exposure amounts (point (d))	p. 35	annual
Article 439. Exposures to counterparty credit risk	n/a	n/a
Article 440. Countercyclical capital buffers	n/a	n/a
Article 441. Indicators of global systemic importance	n/a	n/a
Article 442. Exposures to credit risk and dilution risk	n/a	n/a
Article 443. Encumbered and unencumbered assets	n/a	n/a
Article 444. The use of the Standardised Approach	n/a	n/a
Article 445. Exposure to market risk	n/a	n/a
Article 446. Operational risk management	n/a	n/a
Article 447. Key metrics	pp. 31-32	semi-annual
Article 448. Exposures to interest rate risk on positions not held in the trading book	n/a	n/a
Article 449. Exposures to securitisation positions	n/a	n/a
Article 449a. Environmental, social and governance risks (ESG risks)	n/a	n/a
Article 450. Remuneration policy (points (a) to (d), (h), (i), (j) of Article 450(1))	pp. 37-41	annual
Article 451. The leverage ratio	n/a	n/a
Article 451a. Liquidity requirements	n/a	n/a
Article 452. The use of the IRB Approach to credit risk	n/a	n/a
Article 453. The use of credit risk mitigation techniques	n/a	n/a
Article 454. The use of the Advanced Measurement Approaches to operational risk	n/a	n/a
Article 455. The use of internal market risk models	n/a	n/a
Article 473a. Introduction of IFRS 9	p. 36	annual

3. Risk management

The purpose of risk management is to safeguard Inbank's long-term survival and increase value for shareholders by ensuring a prudent capital management. Risk management within Inbank includes components such as risk identification, risk assessment, stress testing, capital and liquidity assessment, limit structures and escalation procedures upon limit breaches.

Risk management unit is responsible for coordinating the monitoring and escalation processes related to the set risk appetite. The Supervisory Board of AS Inbank (**Supervisory Board**), the Management Board of AS Inbank (**Management Board**) and various committees receive regular reports on the status of risk exposures and the risk management to ensure that Inbank's risk management and control is satisfactory. Any breach of the risk appetite limits is escalated and reported according to the respective policy.

Risk management structure

The Management Board is responsible for managing all the risks that are accompanied with Inbank's activities, that also includes introducing risk management principles and methods as well as achieving effectiveness in risk controlling and risk management as a whole.

In accordance with Risk Appetite Statement approved by the Supervisory Board, the following organisation-wide structural units and committees are responsible for the implementation of daily risk management and risk control:

- The Supervisory Board oversees that there are adequate risk assessment and management activities in place at Inbank, ensuring Inbank's risk management organisation has an appropriate and efficient structure, and sufficient and independent resources for adequate risk assessment and management.
- The key roles of the risk management unit include independent identification, evaluation, and control of risks as well as preparation of respective risk reports to the Management and Supervisory Board.
- The Credit Committee is the highest operational body responsible for Inbank's credit risk management. The Credit Committee is responsible for development and updating the Credit Risk Policy. Through Credit Risk Policy, the Credit Committee ensures that the activities of Inbank in providing credit would meet the requirements laid down in legislation, they are in compliance with Risk Appetite Statement and are profitable.
- The Asset and Liability Management Committee is the main body responsible for Inbank's liquidity and market risk management, and capital adequacy. The main functions of the Asset and Liability Management Committee are to establish the desired structure and ratios of the balance sheet and income statement; management of liquidity and market risks and development of corresponding policies; deciding upon the size, instrument types, and terms of the borrowed resources; and supervising the tolerance limits set by Risk Appetite Statement.
- The Operational Risk Board is the main body responsible for Inbank's operational risk management. The main functions are to ensure adequate business continuity; to perform control duties on processes, responsibilities and operational risk incidents; and to recommend future direction of operational risk management at Inbank.
- The Audit Committee advises the Supervisory Board on risk management issues. For this purpose, the Audit Committee monitors and analyses the efficiency of the risk management process at Inbank.
- One of the objectives of internal audit unit is to provide assurance to the Management and Supervisory Board that Inbank's internal control and risk management policies are sufficient and effective for risk management and fulfilment of Inbank's strategy and objectives.

The Management Board assesses that the risk management organisation and systems are adequate and relevant considering Inbank's profile and strategy and comply with the risk appetite and business strategy set by the Supervisory Board.

Risk management objectives and policies according to Commission Implementing Regulation (EU) 2021/637 Annex III is disclosed below.

Table 2. EU OVA - Institution risk management approach

Row	Qualitative information
(a)	Point (f) of Article 435(1) CRR Disclosure of concise risk statement approved by the management body.
	Inbank is, through its business activities, subject to a number of different risks, including credit risk, market risk, liquidity risk, business risk and operational risk. Risk management has the responsibility to independently monitor, control, analyse and report risks in the business. Inbank pursues a strategy characterised by growth through product innovation in new and current markets. As a consequence, Inbank's risk profile is determined both by reduction of risk driven by improvements in underwriting and operations in its existing markets, and by increase of risk exposure through new markets and products. Inbank strives at all times to be sufficiently capitalised in order to support its growth strategy and to absorb losses. To enable this strategy, the risk appetite limits approved by the Supervisory Board support risk taking in core business activities, specifically in credit risk where the high volume of originated loans require a high tolerance of losses in relation to the stock of loans outstanding at any given moment. Parallel to this, Inbank strives to optimise non-core risk taking in supporting functions and processes.

Key ratios and figures

In thousands of euros	31.12.2021	31.12.2020	31.12.2019
Total assets	786,954	490,031	462,767
Loan portfolio	604,848	402,212	338,158
Loss rate (% of average loan portfolio)	1.3%	3.1%	2.1%
Operational risk loss (% of own funds)	0.0%	1.0%	0.6%
Liquidity reserves (% of total assets)	11.5%	11.7%	22.4%
Liquidity coverage ratio (%)	1144%	2237%	7782%
Total capital ratio (% of risk exposure)	17.1%	18.6%	18.1%

(b) Point (b) of Article 435(1) CRR

Information on the risk governance structure for each type of risk.

n/a

(c) Point (e) of Article 435(1) CRR

Declaration approved by the management body on the adequacy of the risk management arrangements.

The Management Board of Inbank AS and various risk committees exercise oversight over the risk management of Inbank group. The Management Board is satisfied that Inbank's risk management framework, as described below, is adequate for Inbank's risk profile and strategy.

Uniform risk management system has been applied throughout the organisation. The same risk management principles are used at the parent company as well as at the branches and subsidiaries of Inbank. The risk management and risk control functions are performed throughout Inbank by the unit responsible for risk management and by various committees at the parent company level. The key principles for managing Inbank's risk exposure are:

- The three lines of defence model, as described below
- Independency, meaning that the activities should be independent of the business they control
- Risk based approach, meaning that the activities should be aligned to the nature, size, and complexity of Inbank's business, ensuring that efforts undertaken are proportional to the risks in question.

The first line of defence refers to all business and risk management activities. All managers are fully responsible for the risks, and the management of these, within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organisation, procedures, and support systems are implemented to ensure a sufficient system of internal controls.

The second line of defence refers to the risk management unit responsible for risk control at Inbank, and compliance unit. Risk management unit is responsible for setting the principles and framework for risk management, facilitating risk assessment, and performing independent follow-up of risks and risk management. Risk management unit also promotes a sound risk management culture by supporting and educating business line managers and staff. The compliance unit is responsible for monitoring changes in applicable law and reviewing the policies of Inbank accordingly. Key areas of responsibility are Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF); anti-corruption; conflicts of interest; outsourcing; business conduct/ethics; compliance monitoring and testing; and point of contact with Financial Regulators.

The third line of defence refers to the internal audit unit, which performs independent periodic reviews of the governance structure and the system of internal controls. These audits can be both mandatory out of regulatory perspective or risk based.

(d) Point (c) of Article 435(1) CRR

Disclosure on the scope and nature of risk disclosure and/or measurement systems.

n/a

(e) Point (c) of Article 435(1) CRR

Disclose information on the main features of risk disclosure and measurement systems.

n/a

(f) Point (a) of Article 435(1) CRR

Strategies and processes to manage risks for each separate category of risk.

Credit risk arises naturally in the course of Inbank's business. Inbank's proprietary scorecards allow it to control the level of credit risk taken on in the underwriting process. Risk build-up in the credit portfolio is adequately provisioned for and monitored through forward-looking and retrospective indicators.

Inbank's payment infrastructure automatically processes a large volume of transactions on a daily basis. These transaction flows combined with the rapid growth of the company result in operational risk management being a high priority area for the company. Inbank as a consequence has a comprehensive and detailed operational risk assessment process in place to identify, control and mitigate risks. A robust incident management process ensures that any incidents that arise are contained with minimum loss for the company and its stakeholders.

The nature of Inbank's business gives rise to substantial in and outbound cash flows and thus a liquidity risk. Inbank actively manages its liquidity risk exposure and sources of liquidity on an on-going basis to ensure that Inbank will always have the ability to meet regulatory requirements and to fulfill its commitments as they fall due. Liquidity stress testing is an integral part of Inbank's liquidity risk management framework and Inbank regularly uses stress testing to assess liquidity adequacy with the purpose to evaluate sensitivity to relevant market and company specific factors and to ensure proper resistance towards stress.

Market risk in the form of currency mismatches arise in the course of Inbank's business and Inbank can reduce the exposure if needed by entering into hedging instruments such as FX swaps. Furthermore, Inbank's business gives rise to Interest Rate Risk in the Banking Book (IRRBB) related to the sensitivity of earnings or Economic Value of Equity held for non-trading purposes to changes in interest rates which refers to the current or prospective risk in Inbank's capital and earnings arising from adverse movements in interest rates. To manage this risk, Inbank can adjust rates on its lending or enter into hedging instruments such as interest rate swaps.

As a final protection against losses arising from business and funding activities Inbank maintains capital buffers. Internal stress tests show that Inbank's own funds are sufficient to withstand a recession with resulting credit losses, as well as operational losses from potential significant incidents. This is done through the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (ICAAP/ILAAP), supervised by risk management unit.

(g) Points (a) and (d) of Article 435(1) CRR
Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.

Inbank has strong and comprehensive internal controls and sound safeguards to mitigate its risks in line with the risk management's strategy and risk appetite. Appropriate procedures, internal controls, operating limits, and other practices aimed at ensuring risk exposures not exceeding levels acceptable to Inbank are in place. Inbank has a system of financial and risk indicators addressing all identified material risk types, and it regularly monitors key financial and non-financial indicators for identifying changes in its financial position and risk profile.

4. Capital adequacy and leverage ratio

Inbank’s own funds provide the capacity to absorb unexpected losses that are not possible to avoid or mitigate and ensure that at all times a sufficient buffer of financial resources exist to meet obligations to stakeholders. In this way, Inbank’s capital functions as a last resort protection against risk.

The Supervisory Board is responsible for the overall planning of the capital structure. Relevant capital planning contributes to the company being well-equipped to meet a situation that requires additional capital, and to provide an adequate buffer to support growth in existing markets as well as to enter new markets. The following factors are taken into consideration:

- The minimum capital required by laws and regulations, including buffers
- The level of capital required to manage contingencies and stress situations
- The owners’ required rate of return and effective capital management
- The level of capital required for counterparties to consider Inbank a reliable partner and to provide efficient access to the funding market.

Inbank is obliged to maintain a minimum level of capital in relation to credit, market, and operational risk (Pillar I) but also to carry out an internal evaluation of additional capital required for risk not covered elsewhere (Pillar II). See Table 3, Table 4, and Table 5 below for details on Inbank’s capital requirements according to Pillar I and Pillar II as well as Inbank’s capital adequacy. Further information on the composition of Inbank’s capital base can be found in Annexes 1 to 4. The internal risk appetite limit is set at the current capital requirement ratio plus 0.5% for each of the three capital ratios (Common Equity Tier 1, Tier 1, and Total Capital).

In addition to the capital required by Pillar I and Pillar II, Inbank is required to maintain an additional capital conservation buffer of 2.5% of the total risk exposure. A countercyclical capital buffer requirement and systemic risk buffer requirement have both remained at 0% from Q2 2020 due to COVID-19 outbreak.

Table 3. Capital base for own funds calculation

In thousands of euros	31.12.2021	31.12.2020
Common Equity Tier 1: instruments and reserves		
Capital instruments and the related share premium accounts	31,433	24,826
of which: share capital	997	961
Retained earnings	45,863	34,871
Accumulated other comprehensive income (and other reserves)	1,721	1,528
Common Equity Tier 1 (CET1) capital before regulatory adjustments	79,017	61,225
Common Equity Tier 1: regulatory adjustments		
Intangible assets	-13,523	-8,923
Adjustments due to IFRS 9 transitional arrangements	3,517	4,167
Total regulatory adjustments to Common Equity Tier 1 capital	-10,006	-4,756
Common Equity Tier 1 (CET1) capital	69,011	56,469
Tier 1 capital		
Additional Tier 1 (AT1) capital	7,650	3,150
Tier 1 capital (T1 = CET1 + AT1)	76,661	59,619
Total capital		
Tier 2 (T2) capital	29,168	14,503
Total capital (TC = T1 + T2)	105,829	74,122
Total risk exposure amount	620,681	399,197
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	11.12%	14.15%
Tier 1 (as a percentage of total risk exposure amount)	12.35%	14.93%
Total capital (as a percentage of total risk exposure amount)	17.05%	18.57%
Institution-specific buffer requirement (as a percentage of total risk exposure amount)	2.50%	2.50%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.00%	0.00%
of which: systemic risk buffer	0.00%	0.00%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.62%	9.65%

In accordance with EU regulation, audited profit for the reporting period may be included in retained earnings upon prior approval by the competent authorities. The above calculations include the unaudited net profit earned in the fourth quarter in the amount of EUR 2,937 thousand (2020: EUR 1,714 thousand). Table 4 shows Inbank's capital base excluding the profit which is unaudited as of the date of publication of this Pillar 3 report.

Table 4. Regulatory capital base for own funds calculation

In thousands of euros	31.12.2021	31.12.2020
Equity as reported in consolidated balance sheet	79,017	61,225
Part of profit not eligible	-2,936	-1,714
Regulatory adjustments	-10,006	-4,756
Intangible assets	-13,523	-8,923
Adjustments due to IFRS 9 transitional arrangements	3,517	4,167
Common Equity Tier 1 capital	66,075	54,755
Additional Tier 1 capital	7,650	3,150
Tier 1 capital	73,725	57,905
Tier 2 capital	29,168	14,503
Own funds	102,893	72,408

	31.12.2021	31.12.2020
Institution-specific buffer requirement (as a percentage of total risk exposure amount)	2.50%	2.50%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.00%	0.00%
of which: systemic risk buffer	0.00%	0.00%

Inbank's finance and risk management units monitor capital adequacy on an on-going basis to ensure that requirements and risk appetite limits on capitalisation are not breached. Any breaches are escalated, and Inbank's Recovery Plan provides executive management with a wide range of actions to deploy in case of capital stress.

In addition to the risk-sensitive capital measures discussed above, Inbank regularly monitors its leverage ratio, i.e capitalisation in relation to total assets, and off-balance sheet commitments. However, Inbank's business model results in a well-capitalised balance sheet, where excessive debt in relation to capital does not constitute a significant risk. Table 5 shows Inbank's leverage ratio in 2021 and 2020.

Table 5. Risk exposure amounts and capital requirement

In thousands of euros	31.12.2021	31.12.2020
Risk exposure amount		
Credit risk according to standardised method	548,388	344,233
Market risk according to standardised method	2,750	0
Operational risk according to basic indicator approach	69,543	54,964
Total risk exposure amount	620,681	399,197
Exposure amount for credit risk according to standardised method		
Institutional exposure	3,897	4,323
Corporate exposure	14,998	11,444
Retail exposure	452,219	299,509
Exposures in default	1,393	2,198
Equity exposure	11,685	9,560
Other items	64,196	17,199
Total credit risk according to standardised method	548,388	344,233
Market risk exposure amounts according to standardised method		
Foreign exchange risk	2,750	0
Total market risk according to standardised method	2,750	0
Minimum capital requirement		
Credit risk according to standardised method	43,871	27,539
Market risk according to standardised method	220	0
Operational risk according to basic indicator approach	5,563	4,397
Total minimum capital requirement	49,654	31,936
Leverage ratio		
Tier 1 capital	73,145	55,452
Total leverage ratio exposure	770,243	483,520
Leverage ratio	9.50%	11.47%

The Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process (ICAAP/ILAAP)

One of the major absorbers of the likely loss is a strong capital base, therefore Inbank seeks to have an adequate capital reserve which would cover the assumed level of risks. Inbank's additional capital required under Pillar II and the resulting total capital requirement is assessed through ICAAP/ILAAP.

The objective of ICAAP/ILAAP is to ensure that Inbank clearly and correctly identifies, assesses, manages, and monitors all risks to which it is exposed or may be exposed. The process considers the financial resources required to cover such risks. ICAAP/ILAAP includes Inbank's self-assessment, stress testing and establishment of the internal capital requirement. During the internal self-assessment, the risk characteristics to Inbank's activities are identified and evaluated applying selected methods of assessment. An impact of risk on Inbank's income and capital is assessed while determining the level of risk. When the risk structure and the individual risk levels are determined, testing is performed to assess the potential impact on Inbank's financial position in the event of a certain adverse event or a change in the financial or economic environment. The main purpose of stress testing is to determine whether Inbank's capital and liquidity are sufficient to cover potential losses caused by unfavourable macroeconomic and financial conditions over the coming planning horizon.

The main governing document for the ICAAP/ILAAP is the ICAAP/ILAAP Procedure. In this document, the Management Board defines the responsibilities, processes, and rules of the ICAAP/ILAAP. According to the ICAAP/ILAAP Procedure, the ICAAP/ILAAP is a continuous process as it aims at evaluating the individual risk profile and the respective capital and liquidity need of Inbank on a continuous basis.

The continuous ICAAP/ILAAP is an integral part of the daily risk management process as well as strategic decision making and daily business decision making process of Inbank.

5. Individual risk categories

5.1. Credit risk

Information about credit risk according to Commission Implementing Regulation (EU) 2021/637 Annex XV is disclosed below.

Table 6. EU CRA: General qualitative information about credit risk

Row	Qualitative information
(a)	In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile.
	Credit risk is a risk that the counterparty to a transaction is not capable of performing or willing to perform its contractual obligations. Inbank's aim is to manage and control the credit risk in a way that the financial position, capital and liquidity are not threatened. Credit risk includes loan portfolio credit risk, counterparty credit risk, country risk and concentration risk. Responsible lending is a critical part of the risk appetite regarding the loan portfolio.

Important components of Inbank's credit risk appetite are to avoid over-reliant risk level and risk mitigation through:
- Optimal risk and return balance
- Above average interest rates level
- Below average contract maturitiessignificantly below average contract amounts
- Well diversified portfolio, risk concentrations shall be limited
- Above average proportion of overdues and loan losses which at the same time shall be properly included into product pricing
- Adequate and conservative provisioning
- Well-controlled risk taking and risk profile
- Constant monitoring of the loan portfolio's quality.

Accepting higher credit risk in loan portfolio shall be controlled by:
- Selection of customers by highly predictive credit risk assessment and fraud detection models, whereby minimising the losses and risk of crediting substandard or insolvent credit customers
- Automatic underwriting and inquiries to databases shall ensure standardised, compliant, and efficient decision making.

Credit risk with counterparties is arising from payment services which are necessary for servicing Inbank's core activities and money market activities associated with holding and management of liquid assets, mainly as exposures to governments and credit institutions. Inbank's risk appetite includes risk mitigation by (i) using high-quality EU-based regulated counterparties; (ii) continuously monitoring counterparties' credit ratings and quality; (iii) diversification of counterparties and risk exposures, and (iv) establishing maximum exposure limits for all single counterparties.

Country risk is a specific form of risk over which the Bank can exercise no direct influence, but which may lead to deterioration of credit quality. Analysis of country risk as well as macro-economic risks in general is important factor of strategic planning and loan portfolio's risk appetite management.

The concentration risk strategy is to avoid significant impact of a default of any single counterparty with well-diversified loan portfolio, where majority of single customer or connected customer concentrations are below 0.1% of total loan portfolio. Large single exposures in credit portfolio shall be avoided or mitigated properly. Single exposure with counterparties rated lower than P-2 (incl. parent company's credit rating) or unrated shall not exceed 10% of own funds to meet normal level requirement.

(b) When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

Inbank's credit risk policy has been developed in accordance with the Risk and Capital Management Policy and Risk Appetite Statement and serves as basis for all credit risk related activities of Inbank.

The purpose of the credit risk policy is to establish credit risk management strategy, principles, framework, and accountability to ensure the capability to adequately assess and manage loan portfolio credit risk as part of general risk management framework within Inbank. The primary objectives of the policy are:
- Establishing rules that define the principles and limits for making each individual loan decision
- Establishing objectives with regard to Inbank's loan portfolio risk and profitability
- Ensuring that granting loans is in conformity with Inbank's strategy and profit goals.

The credit risk policy determines the detailed authorities and responsibilities for the Credit Committee (together with Statute of the Credit Committee). The purpose of the Credit Committee is to oversee Inbank's credit risk profile and framework, approve credit risk related procedures, establish requirements and limits for credit products and review and approve credit approvals and make decisions related credit risk related issues within the established limits and in accordance with authorities delegated to the Committee.

(c) When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function.

n/a

(d) When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.

n/a

Credit risk reflects the potential loss, which arises from the counterparty's inability or unwillingness to meet its contractual obligations towards Inbank. Credit risk arises primarily from the receivables from households and for lesser extent from the receivables from corporates, credit institutions, central banks, and central governments. Inbank issues loans in four countries: Estonia, Latvia, Lithuania, and Poland. It is important for Inbank to monitor credit risk by country, as credit risk is strongly related to what is happening in the economic environment, including legislation, which may differ in the markets of the portfolio countries. The geographical distribution of all receivables is shown in Table 7.

Table 7. Geographical breakdown of receivables

In thousands of euros 31.12.2021	Estonia	Latvia	Lithuania	Poland	Total
Receivables from central banks	68,861	0	0	8,592	77,453
Receivables from credit institutions	12,329	499	2,966	2,076	17,870
Receivables from investments in debt securities	7,684	0	0	0	7,684
Receivables from households	165,423	45,037	142,578	242,987	596,025
Receivables from non-financial corporates	1,553	0	114	0	1,667
Receivables from other financial corporates	5,363	0	0	0	5,363
Other advances	175	362	1,028	228	1,793
Other financial assets	988	131	755	98	1,972
Total receivables	262,376	46,029	147,441	253,981	709,827

In thousands of euros 31.12.2020	Estonia	Latvia	Lithuania	Poland	Total
Receivables from central banks	16,973	0	0	10,472	27,445
Receivables from credit institutions	4,336	40	3,954	11,454	19,784
Receivables from investments in debt securities	13,618	0	0	0	13,618
Receivables from households	140,160	28,020	132,588	89,889	390,657
Receivables from non-financial corporates	2,489	0	179	0	2,668
Receivables from other financial corporates	4,680	0	0	0	4,680
Other advances	144	46	3,896	121	4,207
Other financial assets	19	29	1,275	27	1,350
Total receivables	182,419	28,135	141,892	111,963	464,409

Credit risk management in the countries where Inbank operates is governed primarily by the various laws and guidelines established under the European Consumer Credit Directive and by the respective Inbank internal regulations, the core principle of which is responsible lending.

Within credit risk, Inbank also includes concentration risk, country risk and foreign currency lending risk. In order to avoid and mitigate the credit risk, Inbank uses the following methods:

- Loans issued with below average contract maturity
- Loans issued with significantly below average contract amount
- Well diversified portfolio and limited risk exposures
- The optimal risk-reward ratio for lending
- Taking controlled risks and continuous monitoring of those risks
- Regular stress-testing and scenario analysis.

According to Inbank's credit risk policy, the following important principles defined in the risk appetite statement are used for the credit risk management:

- Loan portfolio diversification: according to the current product strategy, the maximum risk limit of retail product per customer that is provided by Inbank is EUR 40,000.
- Low average loan amount. As at 31.12.2021, Inbank's average contractual product balance of Inbank's retail product is 741 EUR (2020: 563 EUR).
- Continuous monitoring of the quality of the loan portfolio both on the operational level as well as the level of the Management and Supervisory Boards.

Inbank does not use credit risk hedging techniques for credit risk management within the meaning of CRR.

Distribution of receivables

The receivables of Inbank are classified according to the credit decision making and issuance processes into retail receivables i.e., receivables from households and non-retail receivables from corporates.

In Inbank, an exposure is classified as a retail exposure i.e., the exposure to households, if the credit is issued to private individuals. In most cases, retail exposures are unsecured. Credit decisions are made, and loans are issued by using automated IT solutions, standardised processes and standard contractual terms. Individually, the retail exposures are immaterial but as a whole, constitute a large part of the portfolio and possess inherently similar characteristics. It significantly reduces the risks associated with granting such loans.

Exposures that do not comply with the requirements for retail exposures are considered as non-retail exposures, which are issued to the corporates and the credit decisions of which are, therefore, made individually by the Credit Committee and the risks of which are predominately hedged by various collaterals.

Receivables from households

Consumer lending solutions to households is Inbank's key activity. High diversification and low average loan amount of the loan portfolio have been achieved through focusing on this business line.

The credit behaviour model is used for assessment of the customer's solvency. In addition to the customer's previous payment behaviour, income and liabilities, this model also assesses other parameters which correlate to the customer's payment discipline. Inbank's credit behaviour model is changing constantly in time, and it follows the changes in the composition of information used for making credit decisions and changes in the economic environment.

Table 8 shows a product breakdown of all household receivables and Table 9 illustrates Inbank's overdue portfolio for household receivables.

Table 8. Household portfolio by product groups

In millions of euros	31.12.2021	31.12.2020
Sales finance	201,284	157,817
Green financing	156,030	39,929
Car finance	146,168	115,514
Loans and cards	92,548	77,397
Total volume of household portfolio	596,030	390,657

Table 9. Distribution of household receivables by overdue days

In thousands of euros 31.12.2021 Distribution of receivables	Gross receivables	Impairment allowance			Net receivables	Impairment coverage
		Stage 1	Stage 2	Stage 3		
0-3 days	580,325	-4,036	-113	-353	575,823	0.8%
4-30 days	13,606	-923	-116	-108	12,459	8.4%
31-89 days	8,201	-1	-1,412	-207	6,581	19.8%
90-179 days	1,341	0	0	-860	481	64.1%
180+ days	3,870	0	0	-3,189	681	82.4%
Total receivables	607,343	-4,960	-1,641	-4,717	596,025	1.9%

In thousands of euros 31.12.2020 Distribution of receivables	Gross receivables	Impairment allowance Stage 1	 Stage 2	 Stage 3	Net receivables	Impairment coverage
0-3 days	360,075	-3,286	-49	-126	356,614	1.0%
4-30 days	27,698	-1,722	-51	-124	25,801	6.8%
31-89 days	8,173	-5	-1,640	-201	6,327	22.6%
90-179 days	1,238	0	0	-711	527	57.4%
180+ days	6,677	0	0	-5,289	1,388	79.2%
Total receivables	403,861	-5,013	-1,740	-6,451	390,657	3.3%

Receivables from non-financial and financial corporates

Inbank has issued loans also to corporates which are primarily hedged with various collaterals. The Credit Committee makes decisions regarding issuance of loans to corporates on an individual basis. For making the credit decision, thorough analysis of the financial strength of a counterparty, collaterals available and profitability calculations is performed. Table 10 shows Inbank's overdue portfolio for corporates.

Table 10. Distribution of receivables of non-financial and financial corporates by overdue days

In thousands of euros 31.12.2021 Distribution of receivables	Gross receivables	Impairment allowance Stage 1	 Stage 2	 Stage 3	Net receivables	Impairment coverage
0-3 days	8,801	-25	0	0	8,776	0.3%
4-30 days	47	0	0	0	47	0.0%
31-89 days	0	0	0	0	0	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	8,848	-25	0	0	8,823	0.3%

In thousands of euros 31.12.2020 Distribution of receivables	Gross receivables	Impairment allowance Stage 1	 Stage 2	 Stage 3	Net receivables	Impairment coverage
0-3 days	11,544	-33	0	0	11,511	0.3%
4-30 days	4	0	0	0	4	0.0%
31-89 days	1	0	0	0	1	0.0%
90-179 days	9	0	0	-2	7	22.2%
180+ days	35	0	0	-3	32	8.6%
Total receivables	11,593	-33	0	-5	11,555	0.3%

Investments in debt securities

Limits on the credit risk of the debt securities are set according to the issuer in the Credit Committee.

As at 31.12.2021, Inbank has invested in debt securities in the amount of 7.7 million euros (2020: 13.6 million euros). According to Moody's short-term credit ratings, Inbank's debt portfolio measured at amortised cost is allocated accordingly:

Table 11. Investments in debt securities

In thousands of euros			
Counterparty type	Credit rating	31.12.2021	31.12.2020
Central government	P-1	0	10,009
Corporate	Not rated	7,684	3,609
Total investments in debt securities		7,684	13,618

As of 31.12.2021, Inbank's bond portfolio consists of long-term securities of Aktiva Porfolio AS with different maturities between 29.09.2027 and 29.12.2028 with an interest rate of 3% + 12-month Euribor. As of 31.12.2020, the bond portfolio also included treasury bills of the Republic of Estonia with a maturity date of 07.05.2021 with an average yield of -0.24%.

Receivables from central banks and credit institutions

According to the Management Board's estimate, the exposure of cash and cash equivalents held at central banks and other credit institutions carries a low credit risk. For depositing liquid funds, Inbank's risk management policy prefers credit institutions that have higher equity and higher external credit rating. Based on available market information, Inbank considers the credit quality of those financial institutions to be good.

Table 12. Receivables from central banks and credit institutions by Moody's credit ratings

In thousands of euros	31.12.2021	31.12.2020
P-1	89,119	46,009
P-2	1,361	1,220
Not rated	4,843	0
Total receivables from central banks and credit institutions	95,323	47,229

Impairment of financial instruments

When calculating impairment of financial instruments, Inbank follows IFRS 9, which is based on the expected credit loss model. According to the model, financial instruments are divided between three stages depending on whether the credit risk of the financial instrument has not significantly increased since the initial recognition (Stage 1), has significantly increased (Stage 2) or the financial instrument is in default (Stage 3). Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss (ECL) is always measured on a lifetime basis (Stage 3). The amount of impairment of financial instruments in the first stage is the expected 12-month credit loss. The amount of impairment of financial instruments in stage 2 and 3 is measured based on their expected credit loss for lifetime.

For estimating credit losses Inbank analyses historical data, considers overall economic environment, and makes predictions for the future economic development. From the latter, AS Inbank has provided estimates for the key inputs which are required to assess the expected credit loss, and which are described below.

- *Definition of default.* Inbank considers the financial instrument as defaulted when the instrument is 90 or more days past due (considering the threshold of 5 EUR in case of retail receivables and 500 EUR for non-retail receivables) or the financial instrument in which borrower is in significant financial difficulty and thus meets the unlikeliness to pay criteria, including the borrower being in bankruptcy, deceased, in court proceedings, classified as fraudulent or distressed restructuring measures have been applied.

  The criteria above have been applied to all financial instruments held by Inbank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Inbank's expected credit loss calculations.

An instrument is no longer considered to be in default when it no longer meets any of the default criteria for at least three consecutive months. When a loan is in default due to a non-performing forbearance measure having been applied, longer probation periods are applied.

- *Significant increase in credit risk (SICR).* Inbank assesses at the end of each reporting date whether the credit risk of a financial instrument has increased significantly since initial recognition. Inbank considers a financial instrument to have experienced a significant increase in credit risk when there have been adverse changes in the economic environment, which might affect the borrowers' performance (e.g., adverse changes in regional unemployment rate, in inflation, in income). For retail receivables, the significant increase in credit risk is assumed to occur at more than 30 days past due. Additionally, if forbearance measures have been applied to the receivable due to the financial difficulties and the obligation is served properly, it is also considered the increase in credit risk. For the receivables classified as performing forborne the probation period is 24 months. Considering Inbank's usual business practise, the ability to collect information concerning customer financial behaviour is limited, which makes it difficult to apply other criteria with reasonable effort. For non-retail receivables, the significant increase in credit risk is also assessed qualitatively, based on the financial statements submitted by counterparties on regular basis.

  Inbank has not used the low credit risk exemption for any financial instruments in the year.

- *LGD levels.* Loss Given Default (LGD) represents Inbank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default. The LGDs are determined based on the factors which impact the recoveries made post default. The LGD component is segmented by geographical region, product type and collection strategy. LGD's are influenced by collection strategies, including contracted debt sales and price. Although, as in 2020, the economic environment was affected by the spread of the COVID-19 virus, the economic environment was less uncertain and what was happening in the economy was more predictable. The environment for the sale of debt claims, which was strongly affected by the spread of COVID-19 in 2020 and led to a decrease in the price of debt claims in the market, was stable in 2021, showing some signs of improvement. During 2021 Inbank continued to use LGDs in line with market conditions, but as different economic forecasts point to more positive scenarios for the future, the management of Inbank believes that the situation in the debt claim sales market is improving and that LGDs are expected to decrease in 2022.

- *The assessment of macroeconomic impact.* To assess the macroeconomic impact Inbank has developed a model which incorporates developments of the future economic environment in the expected credit loss calculation. The impact of different economic variables (incl. GPD change, inflation, unemployment rate) on portfolio PD was analysed using regression analysis across countries in the portfolio. The macroeconomic projections are based on the latest available macroeconomic analyzes of the national central banks of the portfolio countries, of the major commercial banks and European banking institutions. For objective estimation of the credit loss, Inbank uses three scenarios which include forward looking information – baseline, positive and negative scenario. AS Inbank estimates that the baseline scenario is the most probable and relevant, the weights of negative and positive scenario probabilities are less significant. Economic development perspective and previous experience in countries where Inbank operates are considered when assigning weights to the scenarios. As at 31.12.2021 probability for baseline scenario was estimated to be 60%, positive scenario probability 20% and negative scenario probability 20%; the scenario estimates have remained the same as in 2020. Inbank updates forecasts of economic indicators and probabilities of scenarios at least once a year. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Inbank considers these forecasts to represent its best estimate of the possible outcomes. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not considered to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Inbank has carried out a sensitivity analysis on key assumptions, which according to AS Inbank assessment have the most impact on the expected credit loss. In terms of macroeconomics, the impact of changes in the unemployment rate on the portfolio has been analyzed. The result of the analysis, which are in an unfavorable direction to Inbank, shows that if:

- o PD rates increase by 10%, the impact to the ECL is EUR 0.5 million.
- o LGD rates valid in the debt claim sales market increase by 10 p.p., the impact to the ECL is EUR 1.2 million.
- o unemployment rate increases by 5 p.p., the impact to the ECL is EUR 2.4 million.
- o scenario weights are adjusted 60%/5%/35% respectively, the impact to the ECL is EUR 0.5 million

- *Debt management.* Inbank offers its customers a flexible approach in dealing with debts, the main supporting activity is the possibility to change the payment schedule, which would correspond to the changed solvency of the customer. More attention is continually paid to the development of the practise of inhouse collection. New reports and views have been created to monitor the quality of the portfolio and movements between overdue groups. Inbank regularly sells past due loans, the internal processing of which is no longer expedient.
- *Grouping of instruments for loss measured on a collective basis*. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on the shared risk characteristics, such that risk exposures within a group are homogeneous. For the grouping, there must be sufficient information available for Inbank to be statistically credible. Where sufficient information is not available internally, Inbank has considered benchmarking internal/ external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are product type, contract type, market, number of overdue days of the contract, contract age as months in book. The appropriateness of groupings is monitored and reviewed on a periodic basis.

The ECL for retail receivables is calculated as a product of the key inputs: probability of default (PD), loss given default (LGD) and the outstanding balance discounted with the effective interest rate (EIR). These parameters are derived from internal historical data. As retail loans are homogeneous, the expected credit loss is calculated based on the historical payment behaviour of these homogeneous loans considering the forward-looking information. In case of non-retail loans, the expected credit loss is calculated individually using forward-looking information and considering the counterparty's overdues, financial strength, and collateral value. When calculating the expected credit losses, Inbank takes into account the movements between stages as at the end of the reporting period.

Inbank assesses that the collateral portfolio is insignificant as the majority of the loans in the portfolio are uncollateralised retail loans (hire purchase, consumer loans, credit cards), which are issued based on the solvency analysis of the customer.

Tables 13 and 14 illustrate how Inbank’s provisions for loan losses changed during 2021 and Tables 15 and 16 show the movement of portfolio between stages during 2021.

Table 13. Changes in loss allowance of household portfolio

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Impairment allowance, 31.12.2019	3,168	1,068	3,962	8,198
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1,121	1,121	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	-831	-254	1,085	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	244	-191	-53	0
From Stage 3 to Stage 2	0	11	-11	0
New originated or purchased	4,948	0	0	4,948
Derecognised during the period	5,506	2,284	3,631	11,421
Changes to ECL measurement model assumption	-448	533	2,313	2,398
Total movements with impact on credit loss allowance charge for the period	8,298	3,504	6,965	18,767
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-6,453	-2,832	-4,476	-13,761
Impairment allowance, 31.12.2020	5,013	1,740	6,451	13,204
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1,243	1,243	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	-1,069	-144	1,213	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	267	-262	-5	0
From Stage 3 to Stage 2	0	3	-3	0
New originated or purchased	5,386	0	0	5,386
Derecognised during the period	1,572	953	5,127	7,652
Changes to ECL measurement model assumption	-2,076	73	1,431	-572
Total movements with impact on credit loss allowance charge for the period	2,837	1,866	7,763	12,466
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-2,890	-1,965	-9,497	-14,352
Impairment allowance, 31.12.2021	4,960	1,641	4,717	11,318

Table 14. Changes in loss allowance of corporates portfolio

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Impairment allowance, 31.12.2019	37	9	51	97
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	0
From Stage 3 to Stage 2	0	0	0	0
New originated or purchased	22	0	0	22
Derecognised during the period	-21	-9	-44	-74
Changes to ECL measurement model assumption	-4	0	2	-2
Total movements with impact on credit loss allowance charge for the period	-3	-9	-42	-54
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-5	-5
Impairment allowance, 31.12.2020	34	0	4	38
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	0
From Stage 3 to Stage 2	0	0	0	0
New originated or purchased	12	0	0	12
Derecognised during the period	-12	0	8	-4
Changes to ECL measurement model assumption	-9	0	1	-8
Total movements with impact on credit loss allowance charge for the period	-9	0	9	0
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-13	-13
Impairment allowance, 31.12.2021	25	0	0	25

Table 15. Movement of household portfolio between stages

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Carrying amount, 31.12.2019	316,145	10,694	6,176	333,014
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-10,729	10,729	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	-4,771	-1,483	6,254	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	3,171	-2,976	-195	0
From Stage 3 to Stage 2	0	57	-57	0
New originated or purchased	245,720	0	0	245,720
Derecognised during the period	-81,076	-1,736	-371	-83,183
Changes to ECL measurement model assumption	-76,449	-2,167	-1,387	-80,003
Total movements with impact on credit loss allowance charge for the period	75,866	2,423	4,244	82,534
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-6,980	-3,009	-1,698	-11,687
Carrying amount, 31.12.2020	385,031	10,108	8,722	403,861
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-16,105	16,105	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	-3,594	-593	4,187	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	1,923	-1,877	-46	0
From Stage 3 to Stage 2	0	18	-18	0
New originated or purchased	407,636	0	0	407,636
Derecognised during the period	-95,174	-1,664	-690	-97,528
Changes to ECL measurement model assumption	-90,001	-3,090	-545	-93,636
Total movements with impact on credit loss allowance charge for the period	204,685	8,899	2,888	216,472
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-4,596	-3,049	-5,345	-12,990
Carrying amount, 31.12.2021	585,120	15,958	6,265	607,343

Table 16. Movement of corporate portfolio between stages

In thousands of euros	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Carrying amount, 31.12.2019	13,201	133	104	13,438
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1	1	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	-14	14	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	4	-4	0	0
From Stage 3 to Stage 2				
New originated or purchased	1,959	0	0	1,959
Derecognised during the period	-3,386	-116	-118	-3,620
Changes to ECL measurement model assumption	-227	0	48	-179
Total movements with impact on credit loss allowance charge for the period	-1,651	-133	-56	-1,840
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-5	-5
Carrying amount, 31.12.2020	11,550	0	43	11,593
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	0	0	0	0
to credit-impaired (from Stages 1 and 2 to Stage 3)	0	0	0	0
to 12-months ECL (from Stages 2 and 3 to Stage 1)	0	0	0	0
From Stage 3 to Stage 2	0	0	0	0
New originated or purchased	5,746	0	0	5,746
Derecognised during the period	-7,604	0	6	-7,598
Changes to ECL measurement model assumption	-844	0	0	-844
Total movements with impact on credit loss allowance charge for the period	-2,702	0	6	-2,696
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-49	-49
Carrying amount, 31.12.2021	8,848	0	0	8,848

Impairment of investments in debt securities

Credit ratings from external credit rating agencies, which are published, monitored, and updated on a regular basis, and/or possible payment delays are considered for assessing the financial situation of the issuer debt securities in the bond portfolio. The corporate bonds in the portfolio are over-secured by consumer credit claims. The over-collateralisation of a bond investment with collateral is more than doubled. The statistical models used in Inbank indicate that the bonds can be repaid in full at the expense of the cash flow collected from the collateral. Considering the latter, the expected credit loss from the investments in debt securities as of 31.12.2021 is immaterial and therefore, no allowance has been recognised in the statement of financial position.

Impairment of receivables from central banks and credit institutions

According to Inbank's credit risk management principles, the funds are deposited in central banks and credit institutions with strong credit ratings. The credit ratings of the countries and credit institutions provided by internationally recognised rating agencies and possible payment delays are considered when calculating the expected credit loss of the receivables. As at 31.12.2021 and 31.12.2020, the receivables from central banks and credit institutions were not overdue. Considering the latter, the expected credit loss of the receivables from central banks and credit institutions is immaterial and therefore, no allowance has been recognised in the statement of financial position.

Counterparty credit risk

As at 31.12.2021, Inbank did not have any counterparty credit risk exposures within the meaning of CRR article 272. Therefore, Inbank is not subject to the disclosure requirements of CRR article 439.

Concentration risk

Concentration risk is an important part of credit risk. It is a risk which arises from the risk exposure of one counterparty or related counterparties or counterparties whose risk is impacted by a common risk factor. Under concentration risk, Inbank views the assets of one party, related parties as well as those associated with one industry, geographical territory, or risk factor. In its daily activities, Inbank avoids taking concentration risk by focusing primarily on medium or small-sized loans. Inbank does not preclude lending larger amounts in case there is sufficient collateral available or other required conditions are met. As at 31.12.2021 and 31.12.2020, Inbank did not have any receivables greater than 10% of Inbank's own funds.

Capital requirements for credit risk

Inbank calculates capital requirement arising from credit risk exposures according to the standardised approach. For calculation of capital requirements in order to determine the levels of credit quality for institute exposures and central authorities, Inbank uses the credit quality estimates of the external rating agency Moody's in accordance with the rules in CRR. Inbank regularly updates its counterparty register with short and long-term ratings. Should there be no rating available, the assigned risk weight is the same as that of exposures to the national government in the jurisdiction to which the institution belongs. Inbank's credit exposure, risk-weighted exposure, and capital requirements per exposure class according to the standard method can be found in Table 17.

Table 17. Capital requirements and exposure amounts by counterparty type

In thousands of euros

Exposure class	Net exposure	Risk-weighted exposure amount	Capital requirement
Central governments or central banks	77,453	0	0
Institutions	17,870	3,897	312
Corporates	14,998	14,998	1,200
Retail	602,959	452,219	36,178
Exposures in default	1,393	1,393	111
Equity	4,977	11,685	935
Other items	66,059	64,196	5,136
Total	785,709	548,388	43,871

5.2. Market risk

Market risk is defined as the risk that the value of or the expected future cash flow from Inbank's assets and liabilities will be negatively impacted as a result of changes in market conditions.

Market risk arises from Inbank's core business, taking market risk is not the main activity of the bank. The nature of Inbank's business implies that there are no exposures to commodity or equity risk. Interest and currency risk do however exist as part of the business. The management of these risks is further described in the sections below.

Information about market risk according to Commission Implementing Regulation (EU) 2021/637 Annex XXIX is disclosed below.

Table 18. EU MRA: Qualitative disclosure requirements related to market risk

Row	Qualitative information
a	Points (a) and (d) of Article 435 (1) CRR A description of the institution's strategies and processes to manage market risk, including: - An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks - A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges.
	Inbank only invests in financial instruments for liquidity management purposes, and not with a speculative purpose. The nature of Inbank's business implies that there is no exposure to commodity or equity risk. Currency and interest rate risk however exist as part of the business. Inbank is exposed to interest rate risk if the timings of revaluation and maturity of principal assets and liabilities are different, if the interest rates of assets and liabilities can be adjusted at different intervals or when the structure of assets and liabilities differs in currencies. As Inbank has no risk positions in the trading book, the only important interest rate risk is interest rate risk in the banking book (IRRBB). The purpose of Inbank is to assure low IRRBB through limiting and matching the structure and maturities of interest-sensitive assets and liabilities. IRRBB is monitored and managed based on internal limits set by the Supervisory Board. To comply with the internal limits Inbank can adjust rates on its lending or enter into hedging instruments such as interest rate swaps. Uniform rules and limits for interest rate risk management shall apply throughout the organisation. The Management Board is responsible for managing interest rate risk. Regular interest rate risk assessment and control is performed by the Asset and Liability Management Committee. The Chief Financial Officer and the Group Treasurer are responsible for the daily management of Inbank's interest rate risk. Interest rate risk is managed through scenario analysis which is performed at least on a monthly basis by analysing how a shift in the yield curve would impact both Inbank's net interest income and economic value of equity. Currency risk is mitigated by matching the lending assets with liabilities in the same currency, either by matching foreign currency assets with foreign currency loans or by entering into foreign exchange contracts. Internal policies limit the fluctuations in currency exposures at group level and the exposure is managed on a daily basis through the foreign exchange market.
b	Point (b) of Article 435 (1) CRR A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management.
	n/a
c	Point (c) of Article 435 (1) CRR Scope and nature of risk reporting and measurement systems.
	n/a

Inbank calculates capital requirement arising from market risk exposures according to the standardised approach. Inbank does not use internal market risk models within the definition of CRR.

Interest rate risk

Interest rate risk is the current or future risk that unfavourable changes in the interest rates on Inbank's assets and liabilities may have a negative impact on Inbank's profit and equity. The purpose of Inbank is to assure low interest rate risk through limiting and matching the structure and maturities of interest-sensitive assets and liabilities. See

Table 19 below for details on Inbank's interest-earning assets and interest-bearing liabilities. The interest income from the loans issued exceeds significantly the interest expense for deposits attracted, which allows covering the potential negative impact of interest rate risk of Inbank.

Inbank monitors and manages interest rate risk based on internal limits set by the Supervisory Board. To comply with the internal limits Inbank can adjust rates on its lending or enter into hedging instruments such as interest rate swaps. Inbank calculates and monitors interest rate risk on a continuous basis. As at the end of 2021 and 2020, Inbank had not entered into any financial derivatives to mitigate interest rate risk.

As at 31 December 2021, a 1 percentage point increase in market interest rates would raise Inbank's equity, i.e. economic value, by EUR +783 thousand (2020: by EUR +410 thousand) and the annual profit by EUR +1041 thousand (2020: by EUR +822 thousand). At the same time, a 1 percentage point decrease in market interest rates would affect Inbank's equity (economic value) by EUR -312 thousand (2020: EUR -133 thousand) and the annual profit by EUR -422 thousand (2020: by EUR -577 thousand).

Table 19. Interest-earning assets and interest-bearing liabilities by repricing dates of interest rate

In thousands of euros 31.12.2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Financial assets						
Due from central banks and credit institutions	89,021	4,500	0	0	0	93,521
Investments in debt securities	7,589	0	0	0	0	7,589
Loans and advances	122,601	65,619	182,207	218,074	10,155	598,656
Total financial assets	219,211	70,119	182,207	218,074	10,155	699,766
Financial liabilities						
Customer deposits	86,451	77,703	220,358	226,128	0	610,639
Debt securities issued	0	0	0	0	0	0
Subordinated debt securities	6,503	0	0	30,650	0	37,153
Off-balance sheet liabilities	5,460	0	0	0	0	5,460
Total financial liabilities	98,413	77,703	220,358	256,778	0	653,252
Difference in interest rate repricing maturity	120,797	-7,584	-38,151	-38,704	10,155	46,514

In thousands of euros 31.12.2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Financial assets						
Due from central banks and credit institutions	47,261	0	0	0	0	47,261
Investments in debt securities	3,582	0	10,000	0	0	13,582
Loans and advances	35,607	44,115	132,107	186,382	7,515	405,726
Total financial assets	86,451	44,115	142,107	186,382	7,515	466,569
Financial liabilities						
Customer deposits	14,621	27,274	158,615	185,568	0	386,079
Debt securities issued	0	4,000	0	0	0	4,000
Subordinated debt securities	0	0	6,503	11,150	0	17,653
Off-balance sheet liabilities	2,972	1,294	3,170	0	0	7,436
Total financial liabilities	17,593	32,569	168,288	196,718	0	415,168
Difference in interest rate repricing maturity	68,857	11,546	-26,181	-10,336	7,515	51,401

Currency risk

Currency risk is the risk arising from the different currency structure of Inbank's assets and liabilities. As the exchange rates change, the value of assets and liabilities and the amount of income and expenses in the functional currency also change.

Currency risk arises from Inbank's operations in Poland and Czech Republic. Inbank generally holds minimum foreign exchange positions necessary for rendering services to customers. For measuring and assessing currency risk, Inbank uses the monitoring of the foreign currency net open position, sensitivity analysis of the net open position and stress testing by assessing the impact of unfavourable exchange rate fluctuations. The scenario for testing includes a simultaneous 10% adverse change of all foreign currencies where Inbank has an open currency position (euro positions are not considered as foreign currency positions).

The Group Treasurer is responsible for the operational management of currency risk which is monitored on a daily basis. Table 20 shows the foreign currency exposures of Inbank at the end of 2021 and 2020.

Table 20. Currency exposure

In thousands of euros				
31.12.2021	EUR	PLN	CZK	Total
Assets bearing currency risk	530,138	256,805	11	786,954
Liabilities bearing currency risk	453,791	254,095	51	707,937
Open currency position	76,347	2,710	-40	79,017
Impact on a 10% adverse change of FX rate		271	-4	267
31.12.2020	EUR	PLN	CZK	Total
Assets bearing currency risk	382,332	107,699	0	490,031
Liabilities bearing currency risk	321,319	107,487	0	428,806
Open currency position	61,013	212	0	61,225
Impact on a 10% adverse change of FX rate		21	0	21

5.3. Liquidity risk

Liquidity risk is defined as the risk of Inbank not being able to fund the growth of lending assets and not being able to meet obligations as they become due without incurring significantly increased cost. Liquidity risk is inherent in basic banking activities such as accepting deposits and providing loans hence it cannot be eliminated but Inbank strives to keep this risk at reasonably low levels.

Liquidity requirements according to Commission Implementing Regulation (EU) 2021/637 Annex XIII is disclosed below.

Table 21. EU LIQA - Liquidity risk management

Row	Qualitative information
(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,
	Liquidity risk is one of the most significant risks for Inbank. The Supervisory Board establishes maximum levels of liquidity risk that Inbank is willing to take to achieve its strategic objectives within risk appetite. According to risk appetite, Inbank shall maintain below average risk appetite for liquidity perspective, and shall preserve a strong liquidity position and sufficient, rather larger liquidity reserves at all times. The main objective of Inbank's liquidity risk appetite is to ensure sufficient and stable funding of Inbank's lending activities. Secondary objective of the funding management is optimisation of the costs, size and composition of external resources involved, but cost effectiveness and cost-competitiveness shall never override sufficient, stable, and conservative funding requirements.

Inbank's liquidity risk management and strategy are based on Liquidity Risk Policy which is approved by the Supervisory Board, and other internal regulations. The purpose of internal policies and procedures is to establish liquidity risk management principles, framework, and accountability to ensure the capability to adequately assess and manage liquidity and funding risk as part of general risk management framework within Inbank. Internal regulations also establish general requirements, including content and frequency, for liquidity risk reporting and measurement systems according to regulatory requirements and Inbank needs. Measurement systems include requirements and limits for HQLA quality and structure, risk indicators and measures for funding risk measurement. The follow-up of all defined tolerance limits for liquidity is reported at least quarterly to the Supervisory Board by the risk management unit. Any limit breaches are escalated immediately.

The Chief Financial Officer and the Group Treasurer are responsible for the daily and intraday monitoring and management of Inbank's liquidity situation. Risk management unit is responsible for upholding principles and framework and ensuring independent monitoring and reporting of liquidity risk and internal audit unit carries out independent oversight of the entire organisation.

General strategy, risk appetite, general requirements, authorities, and limits shall be approved by the Supervisory Board. Based on the Liquidity Risk Policy, the Management Board shall design appropriate liquidity and funding management framework and procedures and shall regularly oversee liquidity risk exposure and liquidity risk interdependence with other risk categories. In 2018, Inbank formed Asset and Liability Management Committee for regular liquidity planning and control.

By using primarily term deposits from retail customers for funding, Inbank's cash flows are easier to forecast. A well-diversified funding portfolio where concentrations by customers and maturities are avoided, and balanced growth of funding and lending portfolios are key components of long-term liquidity risk strategy. Inbank uses a flexible and attractive funding strategy and pricing is set above market average, if necessary, in each of the funding sources Inbank uses.

(b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).

n/a

(c) A description of the degree of centralisation of liquidity management and interaction between the group's units.

n/a

(d) Scope and nature of liquidity risk reporting and measurement systems.

n/a

(e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

n/a

(f) An outline of the bank`s contingency funding plans.

Inbank has established a liquidity contingency plan for determining the actions in a situation of a liquidity crisis and defining the sources to be used. The purpose of the plan is to specify responsibilities, trigger events, activities, communication plan and escalation procedures in the event or period of liquidity stress of different magnitude.

(g) An explanation of how stress testing is used.

Liquidity stress testing is an integral part of Inbank's liquidity risk management framework and Inbank regularly uses stress testing to assess liquidity adequacy with the purpose to evaluate sensitivity to relevant market and bank-specific factors and to ensure proper resistance towards stress.

(h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

The Management Board of Inbank AS and Asset and Liability Management Committee (ALCO) exercise oversight over the liquidity risk management of Inbank group. Based on assessment made by the Management Board, as of 31 December 2021 the actual risk profile of Inbank's liquidity risk is in accordance with the risk appetite set by the Supervisory Board and liquidity risk management and risk management systems are sufficient and appropriate taking account Inbank's profile and strategy.

The inherent liquidity risk of the funding is managed by strive to match the duration of the assets with the duration of the liabilities. Additionally, it is mitigated by maintaining conservative and highly liquid liquidity reserves in order to manage any durational imbalances. Keeping survival period in accordance with regulatory requirements and Inbank's strategy, ensures Inbank has sufficient liquidity to withstand a severely stressed situation.

(i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.
These ratios may include:
- Concentration limits on collateral pools and sources of funding (both products and counterparties)
- Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank
- Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity
- Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Key ratios and figures

In thousands of euros	31.12.2021	31.12.2020	31.12.2019
Liquidity reserve (% of total assets)	11.54%	11.68%	22.42%
Loan to deposit ratio	97.82%	105.18%	87.92%
Liquidity buffer above minimum reserve requirement	69,555	34,701	78,515
Total net cash outflows	6,079	1,551	1,009
LCR (%)	1144.19%	2237.50%	7781.84%
NSFR (%)	123.24%	126.73%	144.57%

An overview of the distribution of assets and liabilities by contractual maturities on the basis of undiscounted cash flows can be found in Table 22 below. Within the framework of the model, the key liquidity ratios and the maturity proportions of assets and liabilities are also determined, and regular liquidity stress tests are conducted.

Table 22. Assets and liabilities by contractual maturities. Assets and liabilities by contractual maturities

In thousands of euros 31.12.2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total	Carrying amount
Assets							
Due from central banks and credit institutions	90,823	4,500	0	0	0	95,323	95,323
Investments in debt securities	119	238	1,058	5,298	1,585	8,298	7,684
Loans and advances	24,267	53,597	184,415	384,549	99,102	745,930	604,848
Other financial assets	1,729	167	105	42	108	2,151	2,151
Total assets	116,938	58,502	185,578	389,889	100,795	851,702	714,983
Liabilities							
Customer deposits	86,533	78,990	224,691	237,365	0	627,579	617,857
Debt securities issued	0	0	0	0	0	0	0
Subordinated debt securities	6,617	561	1,433	5,060	31,348	45,019	37,187
Other financial liabilities	20,748	1,713	205	28	0	22,694	22,694
Lease liability	92	2,396	5,533	20,896	10	28,927	26,494
Total liabilities	113,898	81,264	226,329	242,453	31,348	724,219	704,232
Maturity gap of assets and liabilities	3,040	-22,762	-40,751	147,436	69,447	127,483	10,751

In thousands of euros 31.12.2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total	Carrying amount
Assets							
Due from central banks and credit institutions	47,229	0	0	0	0	47,229	47,229
Investments in debt securities	53	105	10,466	2,337	984	13,945	13,618
Loans and advances	18,610	42,609	142,809	263,354	31,294	498,676	402,212
Other financial assets	1,201	15	64	70	0	1,350	1,350
Total assets	67,093	42,729	153,339	265,761	32,278	561,200	464,409
Liabilities							
Customer deposits	14,373	28,035	162,333	196,087	0	400,828	391,341
Debt securities issued	0	4,027	0	0	0	4,027	4,010
Subordinated debt securities	0	301	7,291	13,006	0	20,598	17,563
Other financial liabilities	9,821	737	323	3	166	11,050	11,050
Lease liability	45	89	368	761	0	1,263	1,168
Total liabilities	24,194	33,100	169,947	209,096	166	436,503	423,964
Maturity gap of assets and liabilities	42,899	9,629	-16,608	56,665	32,112	124,697	40,445

5.4. Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, from people and systems, or from external events. Operational risk exposure exists in all processes, markets, systems, and products. Inbank shall take the operational risk that is naturally inherent in the business processes to achieve the growth and development of the company. Operational risk includes legal and compliance risk, HR risk and information technology risk. The operational risk effects could be in the form of direct or indirect financial losses or reputational damage.

The main operational risks concerning Inbank are related to the significant growth of the company. The increasing number of employees, the growing volume of transactions and the launch of new products mean a constant need for new structures and processes as well as development of systems. Inbank is dependent on competent and motivated employees and therefore is exposed to HR risk which means being able to keep and to recruit the right and competent staff. Inbank is also dependent on well-functioning, secure and resilient IT-systems, and communication solutions to run its business. At the same time Inbank is exposed to cyber risks, risks in IT development and other IT disturbances. Although, many processes are automated, Inbank is exposed to risks related to faulty or manual processes. Conducting the business in specific industry, Inbank is exposed to the risk of external changes in regulations, politics, and government decisions of the markets of operations.

Information about operational risk according to Commission Implementing Regulation (EU) 2021/637 Annex XXXI is disclosed below.

Table 23. EU ORA: Qualitative information on operational risk

Row	Qualitative information
(a)	Points (a), (b), (c) and(d) of Article 435(1) CRR Disclosure of the risk management objectives and policies.
	Strategies and processes: The purpose of Operational Risk Policy is to establish operational risk management principles, framework and accountability to ensure the capability adequately assess and manage operational risk within AS Inbank and its consolidated entities. The Operational Risk Policy defines general principles for processes used by the Inbank in identifying, measuring, monitoring, controlling and mitigating operational risk and for managing its operational risk appetite. The Inbank's Operational Risk Policy has been developed in accordance with the Risk and Capital Management Policy. The Operational Risk Policy serves as basis for all operational risk related activities, all processes and procedures of the Inbank. The Management Board is responsible for consistently implementing and maintaining throughout the organisation, procedures, processes and systems for managing operational risk in every of the Inbank's material products, activities, processes and systems consistent with the risk appetite. The Management Board develops and approves the internal regulations necessary for implementation of the Operational Risk Policy. Identification and assessment of operational risks inherent to the Inbank's products, activities, people, processes and systems provide management with an understanding of the operational risk profile. Based on the identification and assessment, internal controls, action plans, key risk indicators (KRI) and monitoring thresholds are designed to support mitigation of risks to remain within the risk appetite. Continuous operational risk related training for all employees considered to be important part of operational risk mitigation. Monitoring system for KRI monitoring, incidents management system and system for agreed action plans tracking and follow up shall be established. The reporting requirements ensure relevant information to business units, risk management, Management Board and Supervisory Board. The annual operation risk assessment is a tool for consolidated assessment of Inbank's actual risk profile and exposure by the Management Board. Structure and organisation of risk management function for operational risk: The operational risk is inherent in all banking products, activities, processes and systems and is generated in all areas. Effective management of the operational risk is fundamental element of the Inbank's efficiency, risk management and control. The objectives of Inbank for operational risk management are: - All material operational risk areas shall be identified, assessed, monitored and treated in effective and consistent manner - Appropriate and reliable risk management tools shall be implemented to support operational risk analysis and decision making - Every employee is primarily responsible for managing and controlling the operational risks generated in their sphere of action in both personal and business conduct - Internal controls shall be designed to provide reasonable assurance that Inbank have efficient and effective operations, assets are safeguarded, reports are reliable, etc.

Risk measurements and control: Risk mitigation is the process of developing and implementing controls such as standards, policies, procedures and guidelines to prevent or minimise operational risks. Based on the results of the risk assessment, response measures must be determined for the identified risks beyond the risk appetite. Risk response actions balance the expected cost for implementing these measures with the expected benefits regarding the risk reduction as well as Inbank's risk tolerance. Principle of efficiency applies. Treatment of identified risk may be accomplished by various methods:
- Risk avoidance and/or elimination – the activity will be overdesigned to forbear from risk taking. This includes not performing an activity that could carry risk
- Risk reduction or „optimisation" is reducing the severity or the likelihood of the loss
- Risk sharing or transfer means sharing with another party the burden of loss (for example insurance)
- Control and/or mitigation through the introduction of new or improved control procedures
- Risk acceptance involves accepting the loss from the risk when it occurs.

The method of management for high scored risks shall be recorded as part of action plan. Action plans shall be complied for material risks with high RCSA score by the responsible unit management. During the action plan development, need for business continuity and disaster recovery planning must be considered. Residual operational risks with high score (after risk treatment) measures need to be accepted by the Management Board. Key Risk Indicators shall be established for all main operational risk categories (i.e. people, processes, systems, external events risks), based on materiality of risk. Continuous training and education of all employees is important part of operational risk management. Training are, to extent possible, and should be integrated into existing trainings and plans, including new employee program.

Operational risk reporting:
The following internal reporting shall be prepared:
- Monthly written operational risk, including material operational risk events and incidents to the Operational Risk Board as part of Monthly Risk Report, prepared by the Head of Operational Risk Control
- Material incidents evaluated by the Operational Risk Board must be reported to the Management Board
- Quarterly report prepared by the risk management unit
- Quarterly report presented to next Supervisory Board meeting as part of Risk Report
- Annually - annual operational risk assessment - consolidated by risk management unit, approved by the Management Board and presented to the Supervisory Board.

Policies for mitigating operational risk:
AS Inbank has concrete policies and several vital procedural rules how to manage and mitigate operational risks.
- The RCSA's process and the interviews are carried out to map down the main risks and the main improvement needs for all the banking areas by the Head of Operational Risk Control at the end of each year.
- The RCSA's statistics, analyses, summaries and the results are calculated and put together and also presented to the Management Board at the beginning of each year.
- All the policies and all the procedural rules are regularly reviewed and updated and the work is also done in substantial level at the beginning of each year.
- Inbank has established on 13.07.2021 Operational Risk Board. The Operational Risk Board meets biweekly for 2 hours and all the main operational risk topics, all the relevant events, all the incidents and all the possible changes are discussed and also approved there.
- The incidents reporting and management process is being improved, monitored and controlled by the risk management unit daily.
- The operational risk trainings are composed and conducted for all the Inbank employees by the Head of Operational Risk Control each year.
- The extra risk control processes are conducted according to the relevant topics that are actual and important at the certain moment.
- The Operational Risk Policy describes in more detail how operational risk is being managed and mitigated in AS Inbank.

(b) Article 446 CRR
Disclosure of the approaches for the assessment of minimum own funds requirements.

n/a

(c) Article 446 CRR
Description of the AMA methodology approach used (*if applicable*).

n/a

(d) Article 454 CRR
Disclose the use of insurance for risk mitigation in the Advanced Measurement Approach (*if applicable*).

n/a

Inbank's operational risk management and strategy is based on Operational Risk Policy which is approved by the Supervisory Board, and other internal regulations. The management of operational risks includes mapping of all major processes in the business, identifying the main risks in each process, implementation of adequate controls and the final follow-up of the controls. Inbank has processes in place for incident management and incidents review by the Operational Risk Board, and approval of new products (NPA Process) as well as the business continuity plan has been established. Operational risk loss events are registered in the operational risk Jira database together with the amount of the loss which are regularly analysed and reported accordingly.

Inbank has also established the formal Operational Risk Board. The Operational Risk Board designs appropriate operational risk management framework and reviews, assesses and approves operational risk procedures and operational risk related procedures. The Operational Risk Board coordinates the management of operational risks with the aim of managing operational risks better and more efficiently. The Operational Risk Board develops and implements the internal processes and regulations necessary for the implementation of the policy, as well as the operational risk management processes and systems. The Operational Risk Board also establishes the operational risk framework and performs the necessary risk controls. The main responsibilities of the Operational Risk Board are to provide all members with a regular overview of the Inbank's operational risks and incidents, to monitor operational risks, to discuss significant risk events, to provide advice and assessment, to propose possible solutions and to propose possible future operational risk management plans as well. The Operational Risk Board's responsibility is also regularly overseeing operational risks of the Inbank.

All business units with significant risk incorporated into their operations shall regularly complete Risk and Control Self-Assessment (RCSA) to identify and mitigate those risks according to the methodology described in Operational Risk Policy. The RCSA framework is used to analyse Inbank's operational risk profile and to manage risks more consciously. Inbank conducts regular trainings for employees concerning the operational risk and operational risk key areas, including incidents, information security, fraud prevention, anti-money laundering, KYC procedures and GDPR. The basic indicator approach for operational risk is used for calculating capital requirement for operational risk. Inbank does not use any methods based on advanced measurement model for operational risk within the definition of CRR.

The actual risk profile of Inbank's operational risk during 2021 has been in accordance with the risk appetite set by the Supervisory Board, the real losses from operational risk have remained low. In 2021, the real losses to own funds constituted of 0.001% (2020: 1.0%).

5.5. Business risk

Inbank considers under business risk both strategic risk and reputational risk. Strategic risk is the risk that business and competitive environment, impact of regulation on the Inbank's activities, inadequate implementation of strategy, changes in customer expectations or inadequate implementation of new technologies may cause losses or significantly reduce revenues. Reputational risk is the risk to Inbank's income, own funds, or liquidity, that is caused by an event harming Inbank's reputation.

The Management Board focuses on ensuring that business development and planning processes would be comprehensive and conform to the risk appetite. Proper planning allows to react to changes in adequate and timely manner. As reputation is an important asset in the field where Inbank is operating, Inbank's strategy is to manage reputational risk by avoiding exposure and situations that could have a negative impact and thereby lead to decrease of revenue or loss of confidence.

The overall reputation and public image of Inbank has remained good during 2021, competitive and regulatory environment has not significantly changed.

Annex 1. Key metrics

Disclosure according to Commission Implementing Regulation (EU) 2021/637 Annex I

EU KM1 - Key metrics

In millions of euros		a 31.12.2021	b 30.06.2020	c 31.12.2020	d 30.06.2020	e 31.12.2019
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	69,011	57,765	56,469	39,589	39,952
2	Tier 1 capital	76,661	60,915	59,619	42,739	43,102
3	Total capital	105,829	75,418	74,122	57,242	57,605
	Risk-weighted exposure amounts					
4	Total risk exposure amount	620,681	511,932	399,197	331,609	317,487
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	11.12%	11.28%	14.15%	11.94%	12.58%
6	Tier 1 ratio (%)	12.35%	11.90%	14.93%	12.89%	13.58%
7	Total capital ratio (%)	17.05%	14.73%	18.57%	17.26%	18.14%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.29%	2.29%	2.29%	2.29%	2.29%
EU 7b	of which: to be made up of CET1 capital (%)	0.72%	0.72%	0.72%	0.72%	0.72%
EU 7c	of which: to be made up of Tier 1 capital (%)	0.96%	0.96%	0.96%	0.96%	0.96%
EU 7d	Total SREP own funds requirements (%)	10.29%	10.29%	10.29%	10.29%	10.29%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.29%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.45%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	3.24%
EU 11a	Overall capital requirements (%)	12.79%	12.79%	12.79%	12.79%	13.52%
12	CET1 available after meeting the total SREP own funds requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%

	Leverage ratio					
13	Total exposure measure	770,243	641,200	483,520	466,547	450,594
14	Leverage ratio (%)	9.50%	8.84%	11.47%	8.42%	9.57%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	69,555	60,870	34,701	87,111	78,515
EU 16a	Cash outflows - Total weighted value	24,316	15,056	6,204	11,574	4,034
EU 16b	Cash inflows - Total weighted value	31,792	29,476	28,116	28,417	30,240
16	Total net cash outflows (adjusted value)	6,079	3,764	1,551	2,894	1,008
17	Liquidity Coverage Ratio (%)	1144%	1617%	2238%	3011%	7786%
	Net Stable Funding Ratio					
18	Total available stable funding	695,805	547,136	436,936	435,668	404,419
19	Total required stable funding	564,577	459,277	344,769	290,619	279,743
20	NSFR (%)	123.24%	119.13%	126.73%	149.91%	144.57%

Annex 2. Minimum requirement for own funds and eligible liabilities

Disclosure according to Commission Implementing Regulation (EU) 2021/763 Annex V

EU ILAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

In millions of euros		a Minimum requirement for own funds and eligible liabilities (internal MREL)	b Non-EU G-SII requirement for own funds and eligible liabilities (internal TLAC)	c Qualitative information
Applicable requirement and level of application				
EU-1	Is the entity subject to a non-EU G-SII Requirement for own funds and eligible liabilities? (Y/N)			N
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			n/a
EU-2a	Is the entity subject to an internal MREL requirement? (Y/N)			Y
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			C
Own funds and eligible liabilities				
EU-3	Common Equity Tier 1 capital (CET1)	69,011	n/a	
EU-4	Eligible Additional Tier 1 capital	7,650	n/a	
EU-5	Eligible Tier 2 capital	29,168	n/a	
EU-6	Eligible own funds	105,829	n/a	
EU-7	Eligible liabilities	0	n/a	
EU-8	of which permitted guarantees	0		
EU-9a	(Adjustments)	0		
EU-9b	Own funds and eligible liabilities items after adjustments	105,829	n/a	
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	620,681	n/a	
EU-11	Total exposure measure (TEM)	770,243	n/a	
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	17.05%	n/a	
EU-13	of which permitted guarantees	0.00%		
EU-14	Own funds and eligible liabilities as a percentage of the TEM	13.74%	n/a	
EU-15	of which permitted guarantees	0.00%		
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	3.40%	n/a	
EU-17	Institution-specific combined buffer requirement		n/a	
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	16.57%	n/a	
EU-19	of which part of the requirement that may be met with a guarantee	0.00%		
EU-20	Requirement expressed as a percentage of the TEM	16.57%	n/a	
EU-21	of which part of the requirement that may be met with a guarantee	0.00%		
Memorandum items				
EU-22	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013		n/a	

EU TLAC2b: Creditor ranking - Entity that is not a resolution entity

In millions of euros		Insolvency ranking						
		1 (most junior) Resolution entity	1 (most junior) Other	2 Resolution entity	2 Other	3 (most senior) Resolution entity	3 (most senior) Other	Sum of 1 to 3
2	Description of insolvency rank (free text)	-	Equity	-	AT1 capital	-	T2 capital	
6	Own funds and eligible liabilities for the purpose of internal MREL	0	60,096	0	7,650	0	29,503	97,249
7	of which residual maturity ≥ 1 year < 2 years	0	0	0	0	0	0	0
8	of which residual maturity ≥ 2 year < 5 years	0	0	0	0	0	0	0
9	of which residual maturity ≥ 5 years < 10 years	0	0	0	0	0	29,503	29,503
10	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0	0	0	0	0
11	of which perpetual securities	0	60,096	0	7,650	0	0	67,746

Annex 3. Risk-weighted exposure amounts

Disclosure according to Commission Implementing Regulation (EU) 2021/637 Annex I

EU OV1 – Overview of total risk exposure amounts

In millions of euros		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31.12.2021	31.12.2020	31.12.2021
1	Credit risk (excluding CCR)	548,388	344,233	43,871
2	Of which the standardised approach	548,388	344,233	43,871
3	Of which the Foundation IRB (F-IRB) approach	0	0	0
4	Of which slotting approach	0	0	0
EU 4a	Of which equities under the simple riskweighted approach	0	0	0
5	Of which the Advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk - CCR	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	2,750	0	220
21	Of which the standardised approach	2,750	0	220
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	69,543	54,964	5,563
EU 23a	Of which basic indicator approach	69,543	54,964	5,563
EU 23b	Of which standardised approach	0	0	0
EU 23c	Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	6,003	5,425	480
29	Total	620,681	399,197	49,654

Annex 4. IFRS 9 transitional arrangements

Disclosure according to Guidelines (EBA) EBA/GL/2018/01 Annex I

IFRS9/Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

	In thousands of euros	31.12.2021	31.12.2020
	Available capital (amounts)		
1	CET1 capital	69,011	56,469
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	65,495	52,302
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	69,011	56,469
3	Tier 1 capital	76,661	59,619
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	73,145	55,452
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	76,661	59,619
5	Total capital	105,829	74,122
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	102,313	69,955
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	105,829	74,122
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets	620,681	399,197
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	620,681	399,197
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	11.12%	14.15%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.55%	13.10%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.12%	14.15%
11	Tier 1 (as a percentage of risk exposure amount)	12.35%	14.93%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.78%	13.89%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	12.35%	14.15%
13	Total capital (as a percentage of risk exposure amount)	17.05%	18.57%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.48%	17.52%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.05%	18.57%
	Leverage ratio		
15	Leverage ratio total exposure measure	742,847	483,520
16	Leverage ratio	9.50%	11.47%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.08%	10.70%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.50%	11.47%

Annex 5. Remuneration policy

Disclosure according to Commission Implementing Regulation (EU) 2021/637 Annex XXXIII

EU REMA - Remuneration policy

Row	Qualitative information
(a)	Information relating to the bodies that oversee remuneration.
	AS Inbank has a governing body, the Remuneration Committee, which oversees the bank's remuneration policy. It consists of three members which are appointed by the bank's Supervisory Board. The Remuneration Committee meets at least two times during the financial year. The bank's Remuneration Committee has not commissioned any external consultants while implementing the bank's remuneration principles. However, the Remuneration Committee has taken the best market practices into account while designing the bank's remuneration principles. The bank's remuneration policy applies throughout the bank's group incl. branches and subsidiaries. The members of the Supervisory Board, Management Board and Executive Board are considered as the staff whose professional activities have a material impact on the bank's' risk profile.
(b)	Information relating to the design and structure of the remuneration system for identified staff.
	The bank has adopted the internal policy document Recruitment and Remuneration Policy which defines the general framework, principles and general responsibility for effective recruitment of personnel, and personnel remuneration mechanisms within the bank's group. This policy is binding for all the bank's employees and for all activities within the bank. The policy is approved by the bank's Supervisory Board and reviewed at least once a year by the bank's Remuneration Committee which will make a recommendation to the Supervisory Board whether to renew the approval of the policy. The objective of the personnel remuneration mechanism is to harmonize the personnel's personal goals, conduct, priorities and activities with the long-term interests of the bank. The criteria used for performance measurement are individual and unit-based OKR's and the bank's overall financial performance in any given financial year. The bank's Remuneration Committee evaluates and reviews the bank's remuneration policy each year. The remuneration policy is adjusted taking into account the long term objectives of the bank and recent market trends. In 2021, the bank introduced a larger share option program to its managers and key employees with the aim of aligning even strongly their interest with longer term interest of the bank. The remuneration of the staff of the internal control function (i.e. Internal Audit) who are reporting directly to the bank's Audit Committee is decided by the bank's Chairman of the Audit Committee. The bank does not have a guaranteed variable remuneration nor any such remuneration depending on the performance of the bank and the performance of respective individual. The bank does not have guaranteed severance payments policies other than such which are required by the applicable labour law.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.
	The personnel remuneration mechanism stimulates sustainable growth, customer satisfaction and is supported by trustworthy and effective risk management. The mechanism does not encourage taking risks beyond the tolerable limit. The personnel remuneration mechanism supports the bank's business strategy, objectives, values and long-term interests. The key performance indicators (KPIs) are set by the bank's Remuneration Committee with the focus on strategic, financial and organisational targets and approved by the bank's Supervisory Board on an annual basis. The performance of key management personnel of the bank will be evaluated based on the achievement of the KPIs.
(d)	The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.
	The variable component of the remuneration on average is between 15%-20% of the fixed income of the otoal remuneration of each individual.
(e)	Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.
	n/a
(f)	Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance.
	n/a
(g)	The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR.
	n/a
(h)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.
	n/a
(i)	Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.
	n/a
(j)	Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.
	n/a

EU REM1 - Remuneration awarded for the financial year

In millions of euros			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	4	6	3	0
2		Total fixed remuneration	0.09	0.47	0.56	0.00
3		Of which: cash-based	0.09	0.47	0.56	0.00
EU-4a		Of which: shares or equivalent ownership interests	0.00	0.00	0.00	0.00
5		Of which: share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00
EU-5x		Of which: other instruments	0.00	0.00	0.00	0.00
7		Of which: other forms	0.00	0.00	0.00	0.00
9	Variable remuneration	Number of identified staff	4	6	3	0
10		Total variable remuneration	0.02	0.07	0.05	0.00
11		Of which: cash-based	0.02	0.07	0.05	0.00
12		Of which: deferred	0.01	0.05	0.02	0.00
EU-13a		Of which: shares or equivalent ownership interests	0.00	0.00	0.00	0.00
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	0.00	0.00	0.00	0.00
EU-14x		Of which: other instruments	0.00	0.00	0.00	0.00
15		Of which: other forms	0.00	0.00	0.00	0.00
17	Total remuneration (2 + 10)		0.11	0.54	0.61	0.00

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

In millions of euros		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards - Total amount	0.00	0.00	0.00	0.00
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0.00	0.00	0.00	0.00
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	0	0	0
7	Severance payments awarded during the financial year - Total amount	0.00	0.00	0.00	0.00

EU REM3 - Deferred remuneration

In millions of euros		a	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	0.00	0.00	0.00	0.00	0.00	0.00
7	MB Management function	0.00	0.00	0.00	0.00	0.00	0.00
13	Other senior management	0.00	0.00	0.00	0.00	0.00	0.00
19	Other identified staff	0.00	0.00	0.00	0.00	0.00	0.00
25	Total amount	0.00	0.00	0.00	0.00	0.00	0.00

EU REM4 - Remuneration of 1 million EUR or more per year

	In euros	a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	0
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0
x	To be extended as appropriate, if further payment bands are needed.	

Annex 6. Non-performing and forborne exposures

Disclosure according to Guidelines (EBA) EBA/GL/2018/10 Annex I, II and V

Template 1. Credit quality of forborne exposures

In thousands of euros		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	Loans and advances	5,755	386	386	386	-253	-260	429	13
2	Central banks	0	0			0	0	0	
3	General governments	0	0			0	0	0	
4	Credit institutions	0	0			0	0	0	
5	Other financial corporations	0	0			0	0	0	
6	Non-financial corporations	0	0			0	0	0	
7	Households	5,755	386	386	386	-253	-260	429	13
8	Debt securities	0	0			0	0	0	
9	Loan commitments given	0	0			0	0	0	
10	Total	5,755	386	386	386	-253	-260	429	13

Template 3. Credit quality of performing and non-performing exposures by past due days

	In thousands of euros	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	609,867	601,611	8,256	6,528	1,064	1,423	1,432	1,194	1,304	111	0	6,528
2	Central banks	0			0								
3	General governments	0			0								
4	Credit institutions	0			0								
5	Other financial corporations	5,394	5,394	0	0								
6	Non-financial corporations	3,455	3,454	1	23	0	0	0	0	23	0	0	23
7	of which SMEs	3,216	3,215	1	0								
8	Households	601,018	592,763	8,255	6,505	1,064	1,423	1,432	1,194	1,281	111	0	6,505
9	Debt securities	7,684	7,684		0								
10	Central banks	0			0								
11	General governments	0			0								
12	Credit institutions	0			0								
13	Other financial corporations	0			0								
14	Non-financial corporations	7,684	7,684	0	0								
15	Off-balance-sheet exposures	5,460			0								
16	Central banks	0			0								
17	General governments	0			0								
18	Credit institutions	0			0								
19	Other financial corporations	0			0								
20	Non-financial corporations	2,000			0								
21	Households	3,460			0								
22	Total	623,011	609,295	8,256	6,528	1,064	1,423	1,432	1,194	1,304	111	0	6,528

Gross NPL ratio: 2.2%

Template 4. Performing and non-performing exposures and related provisions

In thousands of euros		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	609,867	593,904	15,963	6,528	0	6,528	6,629	4,981	1,648	4,917	0	4,917	0	13,086	136
2	Central banks	0	0		0			0			0					
3	General governments	0			0			0			0					
4	Credit institutions	0	0		0			0			0					
5	Other financial corporations	5,394	5,394	0	0			11	11	0	0				5,374	0
6	Non-financial corporations	3,455	3,455	0	23	0	23	13	13	0	23	0	23		1,526	0
7	of which SMEs	3,216	3,216	0	23	0	23	13	13	0	23	0	23		1,526	0
8	Households	601,018	585,055	15,963	6,505	0	6,505	6,605	4,957	1,648	4,894	0	4,894		6,186	136
9	Debt securities	7,684	7,684	0	0			0			0			0	0	0
10	Central banks															
11	General governments	0	0	0												
12	Credit institutions															
13	Other financial corporations															
14	Non-financial corporations	7,684	7,684	0												
15	Off-balance-sheet exposures	5,460	5,460	0	0			0			0				0	0
16	Central banks															
17	General governments															
18	Credit institutions															
19	Other financial corporations															
20	Non-financial corporations	2,000	2,000	0												
21	Households	3,460	3,460	0												
22	Total	623,011	607,048	15,963	6,528	0	6,528	6,629	4,981	1,648	4,917	0	4,917	0	13,086	136

Template 9. Collateral obtained by taking possession and execution processes

In thousands of euros		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	0	0
2	Other than PP&E	0	0
8	Total	0	0

AS Inbank
Niine 11, 10414 Tallinn
info@inbank.ee
+372 640 8080
www.inbank.ee