Inbank AS

Disclosure of Pillar 3

Disclosure of Pillar 3

As of 31.12.2018

Disclosure requirement (reference to Art of Regulation (EU) No 575/2013)	***Reference to report***	***Reference to pages***
Art 435. Risk management objectives and policies	Annual report/ Disclosure of Pillar 3	pp. 26-27, p. 65 / pp. 13-14
Art 436. Scope of application	Annual report	pp. 48-49
Art 437. Own funds	Annual report/ Disclosure of Pillar 3	p. 32, pp. 67-68 / pp. 5-8
Art 438. Capital requirements	Annual report	p. 32, pp. 67-68
Art 439. Exposure to counterparty credit risk	Annual report	lk.78
Art 440. Capital buffers	Annual report/ Disclosure of Pillar 3	p. 32, pp. 67-68 / pp. 5-8, p. 11
Art 441. Indicators of global systemic importance	N/A	N/A
Art 442. Credit risk adjustments	Annual report	pp. 52-55, p. 64, pp. 68-78
Art 443. Unencumbered assets	Disclosure of Pillar 3	p. 12
Art 444. Use of ECAIs	Annual report	p. 83
Art 445. Exposure to market risk	Annual report	p. 29, pp. 80-82
Art 446. Operational risk	Annual report	p. 30, p. 83
Art 447. Exposures in equities not included in the trading book	Annual report	p. 99
Art 448. Exposure to interest rate risk on positions not included in the trading book	Annual report	p. 29, pp. 80-81
Art 449. Exposure to securitisation positions	N/A	N/A
Art 450. Remuneration policy	Annual report	p. 39
Art 451. Leverage	Annual report/ Disclosure of Pillar 3	pp. 31-32 / pp. 9-10
Art 452. Use of the IRB Approach to credit risk	N/A	N/A
Art 453. Use of credit risk mitigation techniques	N/A	N/A
Art 454. Use of the Advanced Measurement Approaches to operational risk	N/A	N/A
Art 455. Use of Internal Market Risk Models	N/A	N/A

This report and AS Inbank 2018 Annual Report on disclosure of risk management and capital adequacy have complied with the requirements of Directive 2013/36/EU (CRD IV), Regulation (EU) No 575/2013 (CRR) and EBA Guidelines GL/2016/11.

AS Inbank Annual Report for 2018 is published on the Inbank website www.inbank.ee

1. Disclosure of own funds requirements

Disclosure according to Regulation (EU) No 575/2013 Art 437 and Regulation (EU) No 1423/2013 Art 2, 3 and 4.

1.1. Full reconciliation of own funds items to audited financial statements

Risk-weighted assets	***31.12.2018***	***31.12.2017***
Credit institutions, standardised approach	3 401	2 216
Non-financial customers, standardised approach	1 706	1 595
Retail claims, standardised approach	167 208	67 499
Claims past due, standardised approach	3 297	1 301
Other assets, standardised approach	6 844	1 494
Total credit risk and counterparty credit risk	**182 456**	**74 105**
Operational risk, basic indicator approach	25 648	15 584
Total risk-weighted assets	**208 104**	**89 689**
Capital adequacy (%)	18.68%	22.24%
Regulative capital adequacy (%)	15.73%	19.86%
Tier 1 capital ratio (%)	15.55%	14.99%
Regulative Tier 1 capital ratio (%)	12.62%	12.75%

1.2. Capital instruments main features

1	Issuer	Inbank AS	Inbank AS	Inbank AS
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	EE3100109232	EE3300111590	EE3300110964
3	Governing law(s) of the instrument	Estonian	Estonian	Estonian
	Regulatory treatment			
4	Transitional CCR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-) consolidated/ solo & (sub-) consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital	Additional Tier 1	Tier 2
8	Amount recognised in regulatory capital (as of most recent reporting date)	873 940 EUR	3 150 000 EUR	6 503 000 EUR
9	Nominal amount of instrument	10 EUR	10 000 EUR	1 000 EUR
9a	Issue price	Various	10 000 EUR	1 000 EUR
9b	Redemption price	N/A	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Share capital	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	Various	21.12.2018	28.09.2016
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	28.09.2026
14	Issuer call subject to prior supervisory approval	No	Yes	Yes

15	Optional call date, contigent call dates and redemption amount	N/A	21.12.2023 100 per cent of Nominal amount In addition Tax/Regulatory call at any time	28.09.2021 100 per cent of Nominal amount In addition Tax/Regulatory call at any time
16	Subsequent call dates, if applicable	N/A	Any time after 21.12.2023 by notifying at least 30 days in advance	Any time after 28.09.2021 by notifying at least 30 days in advance
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating dividend	Fixed	Fixed
18	Coupon rate and any related index	N/A	8.5 per cent per annum	7 per cent per annum
19	Existence of a dividend stopper	N/A	No	No
20a	Fully discretionary, partially or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Noncumulative or cumulative	N/A	Noncumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	N/A	Yes	No
31	If write-down, features, write down trigger(s)	N/A	5.125% CET1 on a consolidated level	N/A
32	If write-down, full or partial	N/A	Fully or partially	N/A
33	If write-down, permanent or temporary	N/A	Temporary	N/A
34	If temporary write-down, description of write-down mechanism	N/A	A write down notice shall be given not more than 5 business days after determining a trigger event. Outstanding principal amount is written down on a pro rata basis with the outstanding nominal value of each AT1 temporary write-down note.	N/A
35	Positioning subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2	Unsubordinated recognised claims
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

1.3. Transitional own funds

Common Equity Tier 1 capital: instruments and reserves		31.12.2018
1	Capital instruments and the related share premium accounts	15 926 491
	of which: Instrument type 1	
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	9 756 019
3	Accumulated other comprehensive income (and other reserves)	1 480 729
3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	9 261 099
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**36 424 338**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	
8	Intangible assets (net of related tax liability) (negative amount)	-7 697 135
9	Empty set in the EU	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges	
12	Negative amounts resulting from the calculation of expected loss amounts	
12a	IFRS 9 transitional arrangements	2 308 360
13	Any increase in equity that results from securitised assets (negative amount)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-1 727 200
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-96 511
20	Empty set in the EU	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	
20b	of which: qualifying holdings outside the financial sector (negative amount)	
20c	of which: securitisation positions (negative amount)	
20d	of which: free deliveries (negative amount)	
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	

22	Amount exceeding the 15% threshold (negative amount)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	
24	Empty set in the EU	
25	of which: deferred tax assets arising from temporary differences	
25a	Losses for the current financial year (negative amount)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-7 212 486**
29	**Common Equity Tier 1 (CET1) capital**	**29 211 852**
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	3 150 000
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35	of which: instruments issued by subsidiaries subject to phase out	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**3 150 000**
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
41	Empty set in the EU	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	
44	**Additional Tier 1 (AT1) capital**	**3 150 000**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**32 361 852**
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	6 503 000
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**6 503 000**

Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	
55	Direct, and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	
56	Empty set in the EU	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	
58	**Tier 2 (T2) capital**	**6 503 000**
59	**Total capital (TC = T1 + T2)**	**38 864 852**
60	**Total risk-weighted assets**	**208 103 600**
Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**14.04%**
62	**Tier 1 (as a percentage of total risk exposure amount)**	**15.55%**
63	**Total capital (as a percentage of total risk exposure amount)**	**18.68%**
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)**	**8.00%**
65	**of which: capital conservation buffer requirement**	**2.50%**
66	**of which: countercyclical buffer requirement**	**0.00%**
67	**of which: systemic risk buffer requirement**	**0.48%**
67a	**of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer**	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**14.04%**
69	[non-relevant in EU regulation]	
70	[non-relevant in EU regulation]	
71	[non-relevant in EU regulation]	
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	
74	Empty set in the EU	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	

Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase-out arrangements
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)
82	Current cap on AT1 instruments subject to phase-out arrangements
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)
84	Current cap on T2 instruments subject to phase-out arrangements
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)

2. CRR leverage ratio

Disclosure according to Regulation (EU) No 2016/200.

2.1. Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
1	Total assets as per published financial statements	318 043 593
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	0
5	Adjustments for securities financing transactions "SFTs"	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	0
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-7 212 486
8	**Total leverage ratio exposure**	**310 831 107**

2.2. Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	318 043 593
2	(Asset amounts deducted in determining Tier 1 capital)	-7 212 486
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (lines 1 and 2)**	**310 831 107**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	0
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	0
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (lines 4 to 10)**	**0**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0

EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (lines 12 to 15a)**	**0**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	3 330
18	(Adjustments for conversion to credit equivalent amounts)	0
19	**Other off-balance sheet exposures (lines 17 to 18)**	**3 330**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	**Tier 1 capital**	**32 361 852**
21	**Total leverage ratio exposures (lines 3, 11, 16, 19, EU-19a and EU-19b)**	**310 834 437**
Leverage ratio		
22	**Leverage ratio**	**10.41%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	fully phased
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

2.3. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Applicable amount
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	310 831 107
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	310 831 107
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	64 620 408
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	13 699 649
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	222 944 122
EU-10	Corporate	1 705 502
EU-11	Exposures in default	3 297 259
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4 564 169

3. Countercyclical capital buffer

Disclosure according to Regulation (EU) No 2015/1555.

3.1. Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

		General credit exposures		Trading book exposures		Securitisation positions		Own funds requirements				Own funds requirements weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Sum of long and short positions of trading book	Value of trading book exposures for internal models	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securititsation exposures	Total		
010	Breakdown by country	010	020	030	040	050	060	070	080	090	100	110	120
	Estonia	84 862 464	n/a	n/a	n/a	n/a	n/a	6 788 997	-	-	6 788 997	-	-
	Latvia	30 769 330	n/a	n/a	n/a	n/a	n/a	2 461 546	-	-	2 461 546	-	-
	Poland	11 422 035	n/a	n/a	n/a	n/a	n/a	913 763	-	-	913 763	-	-
	Lithuania	55 401 972	n/a	n/a	n/a	n/a	n/a	4 432 158	-	-	4 432 158	-	-
020	**Total**	**182 455 800**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**14 596 464**	**-**	**-**	**14 596 464**	**-**	**-**

3.2. Amount of institution-specific counterecyclical capital buffer

Row		Column
		010
010	Total risk exposure amount	208 103 600
020	Institution specific countercyclical buffer rate	0
030	Institution specific countercyclical buffer requirement	0%

4. Disclosure on asset encumbrance

Disclosure according to Guidelines (EBA) EBA/GL/2014/03.

Template A-Assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**n/a**		**318 043 593**	
030	Equity instruments			4 599 920	
040	Debt securities				
120	Other assets			313 443 673	

Template B-Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of encumbered collateral received or own debt securities issued
		010	040
130	**Collateral received by the reporting institution**	**n/a**	**80 264 502**
150	Equity instruments		
160	Debt securities		
230	Other collateral received		80 264 502
240	**Own debt securities issued other than own covered bonds or ABSs**	**n/a**	**n/a**

Template C-Encumbered assets/collateral received and associated liabilities

		Matching liabilities, contingent liabilities or securities lent	"Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered"
		010	030
010	**Carrying amount of selected financial liabilities**	**n/a**	**80 264 502**

D-Information on importance of encumbrance

n/a

5. Liquidity coverage ratio

Disclosure according to Guidelines (EBA) EBA/GL/2017/01 annex I and II.

5.1 Quantitative information of LCR liquidity coverage ratio

LIQUIDITY BUFFER	62 671 979
TOTAL NET CASH OUTFLOWS	3 893 313
LIQUIDITY COVERAGE RATIO (%)	1 610%

5.2 Table EU LIQA on liquidity risk management

Purpose: disclose risk management objectives and policies for liquidity risk
Scope of application: the table is mandatory for credit institutions referred to in paragraph 7 of these guidelines
Content: qualitative and quantitative information
Frequency: at least annual
Format: flexible

Strategies and processes in the management of the liquidity risk	The purpose of the Risk Appetite Statement (approved by the Supervisory Board) is to establish and communicate maximum level and types of risk (including liquidity risk) Inbank AS and its consolidated entities (hereinafter Group) is willing to assume, within its risk capacity, to achieve its strategic objectives. Risk Appetite Statement translates the Group's strategy into measurable targets and thresholds across material risk categories (including liquidity risk) to ensure that any deviations from the strategic, business and risk objectives are picked up and acted upon. The purpose of Liquidity Risk Policy (approved by the Supervisory Board) 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 the Group. The purpose of the Liquidity Risk Procedure (approved by the Management Board) is to specify general principles set by the Liquidity Risk Policy, for identification, assessment, management, monitoring and reporting of liquidity risk within the Group.
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	The Group´s liquidity and funding management and control is built on the principle of three lines of defence. The first line of defence (CFO, Treasurer) has primary responsibility for liquidity and funding risk identification, management and monitoring throughout the Group. The second line of defence (Risk Management Function) is responsible for upholding principles and framework and ensuring independent monitoring and reporting. The third line of defence is provided by the Internal Audit who carries out independent oversight of the entire organisation, including Risk Management Function. 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. Management Board shall regularly oversee liquidity risk exposure and liquidity risk interdependence with other risk categories. In 2018 Inbank formed Asset and Liability Management Committee (ALCO) to ensure adequate liquidity while managing Group's spread between the interest income and interest expense. Management of the Group´s liquidity and funding is centralised at the group level. Funding of the subsidiaries and branches shall be provided at the group level.

Scope and nature of liquidity risk reporting and measurement systems	General requirements for liquidity risk reporting and measurement systems are established by Liquidity Risk Policy according to regulatory requirements and the Group needs. Liquidity Risk Policy establishes requirements for content and frequency of reporting (ad hoc, daily, weekly, monthly, quarterly). The policy also establishes mandatory addressees of reporting. General requirements for liquidity risk measurement are set by Liquidity Risk Policy and specified by Liquidity Risk Procedure. Measurement systems include requirements and limits for high liquid assets quality and structure, risk indicators and measures for funding risk measurement.
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Important components of the Group's liquidity risk appetite are the following: - conservative and highly liquid liquidity reserves; - optimising the liquidity structure of the balance sheet to ensure less liquid assets are matched with stable funding; - to keep survival horizon to ensure the Group has sufficient liquidity to withstand a severely stressed scenario; - liquidity contingency planning, which defines the actions and sources to be taken should the Group encounter a liquidity shortfall in stressed emergency situation; - regular liquidity stress testing to ensure that liquid reserves are sufficient. The target risk appetite for any other risk, that may seriously affect the Group's liquidity position shall be avoided. Important components of the Group's funding risk appetite are the following: - primary source of funding are retail deposits; - appropriate maturity structure of funding; - very well diversified funding portfolio; - concentrations by customers, maturities etc shall be avoided; - diversification of funding sources by countries and channels; - flexible and attractive funding strategy, pricing above market average; - balanced growth of funding and lending portfolios. The Group's funding risk appetite is below average - safe solutions and rather larger funding reserves are preferred.
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	Based on assessment made by the Management Board of Inbank AS, liquidity risk management and risk management systems are sufficient and appropriate taking into account the Group's risk profile and strategy.
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 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	Liquidity risk is inherent in basic banking activities such as accepting deposits and providing loans. The transformation of deposits into loans exposes bank to maturity mismatches that is part of business and cannot be eliminated. Liquidity risk is managed by holding sufficient liquidity reserves to meet its obligations, follow its strategies and regulatory obligations even in stressed situations. Liquidity risk is one of most significant risks for the Group. The Group shall maintain low and conservative risk appetite for liquidity perspective. The Group shall maintain all the time strong liquidity position and sufficient, rather larger liquidity reserves. The liquidity strength is one of the first priorities of the Group. Liquidity risk appetite must be based on conservative assumptions. The main objective of the Group´s funding risk appetite is to ensure sufficient and stable funding of the Group'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. Key ratios and figures of liquidity risk are provided in the Annual Report Note 3 Risk management. Based on the assessment made by the Management Board, as of 31.12.2018 the actual risk profile of the Group's liquidity risk is in accordance with the risk appetite set by the Supervisory Board.

6. Template IFRS 9-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

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

Purpose:	Provide a comparison of the institutions' own funds, Common Equity Tier 1 capital, Tier 1 capital, risk-weighted assets, Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous ECLs. Only the transitional arrangements arising from the implementation of the IFRS 9 and analogous ECLS are considered in this template.
Scope of application:	The quantitative template is mandatory for all institutions referred to in paragraph 1 of Article 473a that, pursuant to the first subparagraph of paragraph 9 of the same Article, choose to apply Article 473a of the CRR and are subject to all or part of the disclosure requirements specified in Part Eight of the CRR, during the transitional period specified in paragraph 6 of the same Article. Those institutions referred to in paragraph 1 of Article 473a that are subject to all or part of the disclosure requirements specified in Part Eight of the CRR but, pursuant to the first subparagraph of paragraph 9 of the same Article, choose not to apply the transitional arrangements specified in Article 473a should instead disclose a narrative commentary explaining that they are not applying the transitional arrangements for IFRS 9 or analogous ECLs, any changes on that decision over the time and that their own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs.
Content:	Regulatory own funds, risk-based capital ratios and leverage ratio compared with the same metrics as if they were not subject to the transitional arrangements for IFRS 9 or analogous ECLs. Institutions should disclose each metric's value at the end of the reporting period.
Frequency:	Institutions should disclose this information with the frequency set in paragraphs 25, 26 and 27 of EBA GL/2014/14 as amended by EBA GL/2016/11 for the disclosure of information on own funds (paragraph 25.a), riskweighted assets (paragraph 25.b.i.) and leverage ratio (paragraph 25.c).
Format:	A fixed format for the quantitative template is mandatory for institutions that apply the IFRS 9 transitional arrangements. For institutions that do not apply the transitional arrangements, the format of the narrative commentary is flexible.
Accompanying narrative:	Following the entry into force of accounting standard IFRS 9, Inbank AS has chosen to apply the transitional provisions of IFRS 9 defined in Article 473a of Regulation (EU) 575/2013 (introduced in Article 1 of Regulation (EU) 2017/2395), opting for the dynamic approach in its capital ratios. In this way, Inbank AS adds to its CET1 the amounts calculated in accordance with paragraphs 1 and following, including paragraph 4, of said Article 473a. The main impact arising from the application of these transitional provisions has been the inclusion of 2.3 million euros in CET1, which partly mitigates the decrease in equity resulting from the entry into force of IFRS 9, due to the increase in accounting provisions.

	Available capital (amounts)	**31.12.2018**
1	Common Equity Tier 1 (CET1) capital	29 211 852
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 903 492
3	Tier 1 capital	32 361 852
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	30 053 492
5	Total capital	38 864 852
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36 556 492
	Risk-weighted assets (amounts)	
7	Total risk-weighted assets	208 103 600
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	206 089 428
	Capital ratios	
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.04%
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	13.05%
11	Tier 1 (as a percentage of risk exposure amount)	15.55%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.58%
13	Total capital (as a percentage of risk exposure amount)	18.68%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.74%
	Leverage ratio	
15	Leverage ratio total exposure measure	310 834 437
16	Leverage ratio	10.41%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.74%

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