Risk Management and Capital Adequacy Report

Pillar III 2022

AS Inbank

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1. Introduction

This document presents the consolidated Risk Management and Capital Adequacy Report 2022 (**Pillar III report**) of AS Inbank as of 31 December 2022, if not otherwise stated.

Inbank (AS Inbank and its subsidiaries) prepared this document in accordance with the Capital Requirements Directive IV (**CRD IV**) (European Parliament and Council Directive 2013/36/EU) and the 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 and quarterly by Interim reports on Inbank's website (www.inbank.ee).

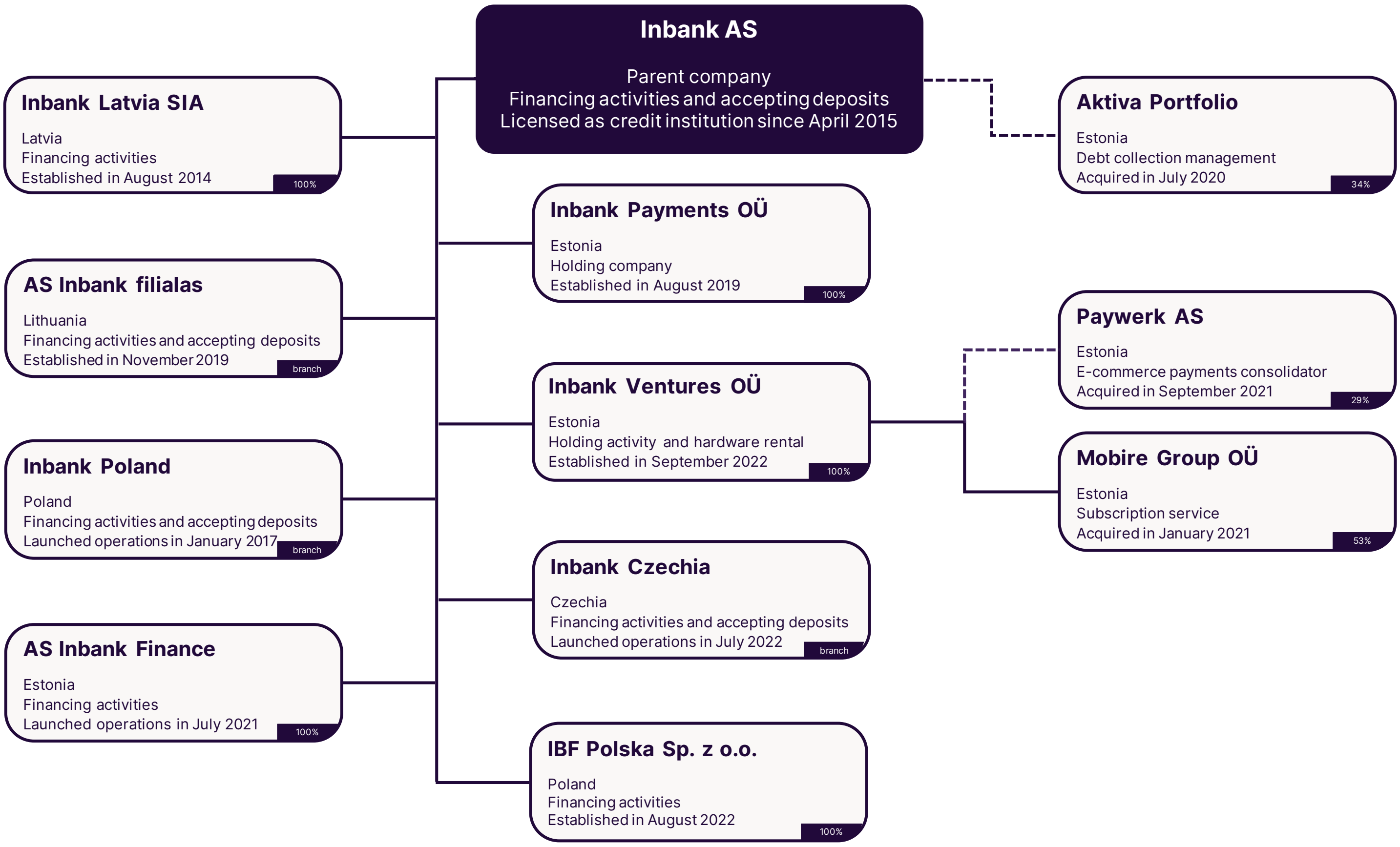
The content of this Pillar III report meets all the requirements laid down in CRR and corresponding delegated regulations and guidelines that are applicable to Inbank. Key information related to Inbank's capital and risk exposures is disclosed to increase transparency and confidence about Inbank's exposure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

All amounts are presented in thousands of euros unless stated otherwise.

2. Scope of consolidation

As an EU parent institution, AS Inbank is required to publish a consolidated Pillar III report. Inbank reports its prudential requirements on a consolidated basis together with its subsidiaries. The legal structure of Inbank as of 31 December 2022 is presented 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), AS Inbank can be considered as a small and non-complex 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 of 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. 6-7, 12, 26, 30-31, 33-34	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. 39-40	annual
Article 438. Own funds requirements and risk-weighted exposure amounts (point (d))	pp. 33-34, 37-38, 41	annual
Article 439. Exposures to counterparty credit risk	n/a	n/a
Article 440. Countercyclical capital buffers	p. 51	annual
Article 441. Indicators of global systemic importance	n/a	n/a
Article 442. Exposures to credit risk and dilution risk	pp. 13, 48, 49-50	annual
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	pp. 33-34	annual
Article 447. Key metrics	pp. 37-38	annual
Article 448. Exposures to interest rate risk on positions not held in the trading book	p. 28	annual
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. 43-45	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. 42	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 control 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 are 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 inherited to 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 Supervisory Board is the governing body to Risk Appetite Statement and risk management centered Policies.
- The key roles of the risk control unit include independent identification, evaluation, and control of risks as well as preparation of respective risk reports to the Management and Supervisory Board and relevant committees.
- The Credit Committee is the highest operational body responsible for Inbank's credit risk management. The Credit Committee is responsible for the development and updating of 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 and that they are in compliance with Risk Appetite Statement.
- 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 risk, market risk and capital planning, 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 the 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.
- Internal audit unit provides assurance to the Management and Supervisory Board if 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	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Total assets	1,020,495	786,954	490,031	462,767
Loan portfolio	755,101	604,848	402,212	338,158
Loss rate (% of average loan portfolio)	1.6%	1.3%	3.1%	2.1%
Operational risk loss (% of own funds)	0.2%	0.1%	1.0%	0.6%
Liquidity reserves (% of total assets)	14.2%	12.1%	11.7%	22.4%
Liquidity coverage ratio (%)	1593%	1144%	2237%	7782%
Total capital ratio (% of risk exposure)	15.6%	17.1%	18.6%	18.1%

Row	Qualitative information
(b)	**Point (b) of Article 435(1) CRR** **Information on the risk governance structure for each type of risk.**
	n/a

Row	Qualitative information
(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 AS Inbank 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 control unit responsible for risk control at Inbank, and compliance unit. Risk control 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 control 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 control 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 required 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 regarding Inbank's capital and risk exposure amounts can be found in Annexes 1 to 4. The internal risk appetite limit is set at the current capital requirement ratio plus 1% 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. Due to the changes in Estonian and Czechia countercyclical buffers, Inbank has a countercyclical buffer requirement of 0.35% of total risk exposure (Annex 7). The systemic risk buffer requirement has remained at 0% since Q2 2020.

Table 3. Capital base for own funds calculation

In thousands of euros	31.12.2022	31.12.2021
Common Equity Tier 1: instruments and reserves		
Capital instruments and the related share premium accounts	32,881	31,433
of which: share capital	1,026	997
Retained earnings	67,522	45,863
Accumulated other comprehensive income (and other reserves)	1,521	1,721
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**101,924**	**79,017**
Common Equity Tier 1: regulatory adjustments		
Intangible assets	-17,445	-13,523
Adjustments due to IFRS 9 transitional arrangements	4,242	3,517
Total regulatory adjustments to Common Equity Tier 1 capital	**-13,203**	**-10,006**
Common Equity Tier 1 (CET1) capital	**88,721**	**69,011**
Tier 1 capital		
Additional Tier 1 (AT1) capital	7,650	7,650
Tier 1 capital (T1 = CET1 + AT1)	**96,371**	**76,661**
Total capital		
Tier 2 (T2) capital	23,000	29,168
Total capital (TC = T1 + T2)	**119,371**	**105,829**
Total risk exposure amount	**766,867**	**620,681**
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	11.57%	11.12%
Tier 1 (as a percentage of total risk exposure amount)	12.57%	12.35%
Total capital (as a percentage of total risk exposure amount)	15.57%	17.05%
Institution-specific buffer requirement (as a percentage of total risk exposure amount)	2.85%	2.50%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.35%	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)	7.07%	6.62%

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 last two months of 2022 in the amount of EUR 1,225 thousand (2021: audited net profit in the last quarter EUR 2,936 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	31.12.2022	31.12.2021
Equity as reported in consolidated balance sheet	101,924	79,017
Part of profit not eligible	-1,225	-2,936
Regulatory adjustments	-13,203	-10,006
Intangible assets	-17,445	-13,523
Adjustments due to IFRS 9 transitional arrangements	4,242	3,517
Common Equity Tier 1 capital	**87,496**	**66,075**
Additional Tier 1 capital	7,650	7,650
Tier 1 capital	**95,146**	**73,725**
Tier 2 capital	23,000	29,168
Own funds	**118,146**	**102,893**

	31.12.2022	31.12.2021
Institution-specific buffer requirement (as a percentage of total risk exposure amount)	2.85%	2.50%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.35%	0.00%
of which: systemic risk buffer	0.00%	0.00%

Inbank's finance and risk control 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 Financial 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 described above, Inbank regularly monitors its leverage ratio and minimum requirement for own funds and eligible liabilities (MREL), 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 2022 and 2021.

Table 5. Risk exposure amounts and capital requirement

In thousands of euros	**31.12.2022**	**31.12.2021**
Risk exposure amount		
Credit risk according to standardised method	683,930	548,388
Market risk according to standardised method	0	2,750
Operational risk according to basic indicator approach	82,937	69,543
Total risk exposure amount	**766,867**	**620,681**
Exposure amount for credit risk according to standardised method		
Institutional exposure	4,076	3,897
Corporate exposure	12,529	14,998
Retail exposure	565,507	452,219
Exposures in default	2,973	1,393
Equity exposure	1,538	11,685
Other items	97,307	64,196
Total credit risk according to standardised method	**683,930**	**548,388**
Market risk exposure amounts according to standardised method		
Foreign exchange risk	0	2,750
Total market risk according to standardised method	**0**	**2,750**
Minimum capital requirement		
Credit risk according to standardised method	54,714	43,871
Market risk according to standardised method	0	220
Operational risk according to basic indicator approach	6,635	5,563
Total minimum capital requirement	**61,349**	**49,654**
Leverage ratio		
Tier 1 capital	92,130	73,145
Total leverage ratio exposure	1,000,057	770,243
Leverage ratio	**9.21%**	**9.50%**

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 to or may be exposed to. 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 requirements. During the internal self-assessment, the risk characteristics of Inbank's activities are identified and evaluated by 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 needs 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 maturities - Significantly 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 (including 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 five countries: Estonia, Latvia, Lithuania, Poland and Czechia. 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 non-performing exposures

In thousands of euros		a	b	c	d	e	f	g
		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: subject to impairment			
				of which: defaulted				
010	**On balance sheet exposures**	**779,889**	**10,007**	**10,007**	**779,889**	**-16,374**		**0**
020	Estonia	220,105	1,646	1,646	220,105	-4,424		0
030	Latvia	74,044	249	249	74,044	-1,223		0
040	Lithuania	168,815	1,650	1,650	168,815	-3,245		0
050	Poland	316,643	6,462	6,462	316,643	-7,481		0
060	Czechia	282	0	0	282	-1		0
070	Other countries	0	0	0	0	0		0
080	**Off balance sheet exposures**	**0**	**0**	**0**			**0**	
090	Estonia	0	0	0			0	
100	Latvia	0	0	0			0	
110	Lithuania	0	0	0			0	
120	Poland	0	0	0			0	
130	Czechia	0	0	0			0	
140	Other countries	0	0	0			0	
150	**Total**	**779,889**	**10,007**	**10,007**	**779,889**	**-16,374**	**0**	**0**

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

Inbank considers loan portfolio risk, concentration risk, country risk, and counterparty risk as part of credit risk. Inbank's credit risk management focuses on the avoidance of excessive risk and risk mitigation, using the following principles:

- 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-return ratio for issued loans
- Taking controlled risks and continuous risk profile monitoring
- Regularly carried out stress-testing and scenario analyses.

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 60,000.
- Low average loan amount. As at 31 December 2022, Inbank's average balance of retail product contract in portfolio is 863 EUR (2021: 741 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 mitigation 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 i.e. 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 uncollateralised. 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 mitigated by various collaterals.

Receivables from households

The core business of Inbank involves offering consumer finance solutions to households. By focusing on this, a high diversification of the loan portfolio and a low average loan amount have been achieved.

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 thousands of euros	**31.12.2022**	**31.12.2021**
Sales finance	238,937	201,020
Green financing	187,251	156,030
Car finance	193,273	146,168
Loans and cards	126,930	92,807
Total volume of household portfolio	**746,391**	**596,025**

Table 9. Distribution of household receivables by overdue days

In thousands of euros 31.12.2022 Distribution of receivables	**Gross receivables**	**Impairment allowance Stage 1**	** Stage 2**	** Stage 3**	**Net receivables**	**Impairment coverage**
0-3 days	720,227	-4,953	-72	-419	714,783	0.8%
4-30 days	21,050	-1,601	-100	-154	19,195	8.8%
31-89 days	12,587	0	-2,407	-301	9,879	21.5%
90-179 days	2,626	0	0	-1,555	1,071	59.2%
180+ days	6,070	0	0	-4,607	1,463	75.9%
Total receivables	**762,560**	**-6,554**	**-2,579**	**-7,036**	**746,391**	**2.1%**

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	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%**

Receivables from non-financial and financial corporates

Inbank has issued loans also to corporates. 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 31.12.2022 Distribution of receivables	**Gross receivables**	**Impairment allowance Stage 1**	** Stage 2**	** Stage 3**	**Net receivables**	**Impairment coverage**
0-3 days	8,730	-22	0	0	8,708	0.3%
4-30 days	0	0	0	0	0	0.0%
31-89 days	1	0	0	0	1	0.0%
90-179 days	0	0	0	0	0	0.0%
180+ days	0	0	0	0	0	0.0%
Total receivables	**8,731**	**-22**	**0**	**0**	**8,709**	**0.3%**

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%**

Investments in debt securities

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

As at 31 December 2022, Inbank has invested in debt securities in the amount of EUR 8.4 million (31 December 2021: EUR 7.7 million), Inbank's debt securities portfolio measured at amortised cost is allocated accordingly:

Table 11. Investments in debt securities

In thousands of euros Counterparty type	Credit rating	31.12.2022	31.12.2021
Corporate	Not rated	8,415	7,684
Total investments in debt securities		**8,415**	**7,684**

As of 31 December 2022, Inbank's bond portfolio consists of long-term securities of Aktiva Porfolio AS with different maturities between 29 September 2027 and 01 August 2029 with a coupon rate of 3% + 12-month Euribor. The Aktiva Portfolio AS debt securities balance is decreasing as Inbank has stopped buying new debt securities from August 2022 and redemption of purchased debt securities is according to the due dates above.

As of 31 December 2022, the bond portfolio also includes Other corporates debt securities with a maturity date of 01 December 2023, coupon rate of 11.5% and yield 14.5%.

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 policies prefer 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 ratings

In thousands of euros	31.12.2022	31.12.2021
P-1/F1+	142,015	89,297
P-2/F1	1,054	1,183
Not rated	2,266	4,843
Total receivables from central banks and credit institutions	**145,335**	**95,323**

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, 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.

  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. 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. During 2022, the previous agreements for sale of overdue receivables, which were concluded during the Covid-19 pandemic, ended and Inbank concluded new agreements. With the new agreements, Inbank has managed to improve the expected proceeds from the sale of overdue loans to third parties and as the new agreements also cover year 2023, Inbank does not expect a significant impact to LGDs in 2023.

- *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. GDP 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 analysis by the national central banks of the portfolio countries and the major commercial banks and European banking institutions. For an objective estimation of credit loss, Inbank uses three scenarios which include forward looking information for baseline, positive and negative scenarios. Inbank estimates that the baseline and negative scenarios are more probable and relevant, the weight of the probability of the positive scenario is less significant. Perspectives for the development of economic environment and previous experience in countries where Inbank operates are considered when assigning weights to the scenarios. As at 31 December 2022 the probability of the baseline scenario was estimated to be 45% (2021: 60%), positive scenario probability 10% (2021: 20%) and negative scenario probability 45% (2021: 20%); the scenario estimates have changed compared to 2021. 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 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 unfavourable direction to Inbank, shows that if:

  - PD rates increase by 10%, the impact on the ECL is EUR 0.6 million (2021: EUR 0.5 million).
  - LGD rates valid in the debt claim sales market increase by 10 p.p., the impact on the ECL is EUR 2.0 million (2021: EUR 1.2 million).
  - unemployment rate increases by 50%, the impact on the ECL is EUR 3.7 million. In the 2021 analysis, the unemployment rate increase was considered as 5 p.p. and the impact was EUR 2.4 million.
  - scenario weights are adjusted by 35%/5%/60% (base/ positive/ negative scenario respectively), the impact on the ECL is EUR 0.4 million. In the 2021 analysis, the scenario

weights were adjusted by 60%/5%/35% respectively and the impact on ECL was 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 exposure at default (EAD), discounted by portfolio original effective interest rate (EIR). These parameters are derived from the internal historical data. Due to retail exposures being homogeneous, allowances resulting from expected credit loss are calculated based on historical payment behaviour of those homogeneous loans and based on forward looking information. Allowances for non-retail exposures are calculated based on forward-looking information individually, depending on the probability of default and financial strength of the counterparty as well as the value of the collateral.

Inbank's collaterals portfolio is immaterial because the majority of Inbank's loan portfolio is represented by unsecured retail exposures (hire-purchase, loans, credit cards), issued based on an analysis of the customer's solvency.

Tables 13 and 14 illustrate how Inbank's provisions for loan losses changed during 2022 and Tables 15 and 16 show the movement of portfolio between stages during 2022.

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, 31.12.2020	**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**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-1,626	1,626	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-1,887	-277	2,163	**-1**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	427	-337	-90	**0**
From Stage 3 to Stage 2	0	63	-63	**0**
New originated or purchased	7,456	0	0	**7,456**
Derecognised during the period	4,067	2,049	4,215	**10,331**
Changes to ECL measurement model assumption	-1,576	644	2,363	**1,431**
Total movements with impact on credit loss allowance charge for the period	**6,861**	**3,768**	**8,588**	**19,217**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-5,267	-2,830	-6,269	**-14,366**
Impairment allowance, 31.12.2022	**6,554**	**2,579**	**7,036**	**16,169**

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, 31.12.2020	**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**
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	3	0	0	**3**
Derecognised during the period	0	0	1	**1**
Changes to ECL measurement model assumption	-6	0	0	**-6**
Total movements with impact on credit loss allowance charge for the period	**-3**	**0**	**1**	**-2**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-1	**-1**
Impairment allowance, 31.12.2022	**22**	**0**	**0**	**22**

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
Gross 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**
Gross carrying amount, 31.12.2021	**585,120**	**15,958**	**6,265**	**607,343**
Movements with impact on credit loss allowance charge for the period:				
Transfers:				
to lifetime (from Stage 1 to Stage 2)	-15,373	15,373	0	**0**
to credit-impaired (from Stages 1 and 2 to Stage 3)	-6,813	-1,072	7,885	**0**
to 12-months ECL (from Stages 2 and 3 to Stage 1)	3,782	-3,585	-197	**0**
From Stage 3 to Stage 2	0	141	-141	**0**
New originated or purchased	432,198	0	0	**432,198**
Derecognised during the period	-129,976	-3,279	-402	**-133,657**
Changes to ECL measurement model assumption	-127,912	-3,184	-1,015	**-132,111**
Total movements with impact on credit loss allowance charge for the period	**155,906**	**4,394**	**6,130**	**166,430**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	-5,646	-3,006	-2,561	**-11,213**
Gross carrying amount, 31.12.2022	**735,380**	**17,346**	**9,834**	**762,560**

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
Gross 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**
Gross carrying amount, 31.12.2021	**8,848**	**0**	**0**	**8,848**
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	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	564	0	0	**564**
Derecognised during the period	-98	0	1	**-97**
Changes to ECL measurement model assumption	-583	0	0	**-583**
Total movements with impact on credit loss allowance charge for the period	**-118**	**1**	**1**	**-116**
Movements without impact on credit loss allowance charge for the period:				
Write-offs	0	0	-1	-1
Gross carrying amount, 31.12.2022	**8,730**	**1**	**0**	**8,731**

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 majority of corporate bonds in the portfolio are secured more than double by consumer credit claims, majority of which are initially originated by Inbank. The statistical models used by Inbank indicate that the majority of the bonds will be repaid prematurely in full from the cash flows collected from the collateral. Considering the latter, the expected credit loss from the investments in these secured debt securities as of 31 December 2022 is immaterial and no allowance has been recognised in the statement of financial position. For other corporates debt securities, an allowance of EUR 10 thousand 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 December 2022 and 31 December 2021, 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

The Bank's risk appetite includes risk mitigation by:

- using high-quality EU-based regulated counterparties
- continuously monitoring counterparties' credit ratings and quality
- diversification of counterparties and risk exposures, and
- establishing maximum exposure limits for all single counterparties.

At the end of the 2022, Inbank had an outstanding amount of EUR 7,280 thousand FX Forward transactions, marked to market net value of EUR 37 thousand, potential future exposure at EUR 291 thousand and risk-weighted exposure amount at EUR 92 thousand, calculated based on Original exposure method.

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 December 2022 and 31 December 2021, Inbank did not have any receivables greater than 10% of Inbank's own funds.

Capital requirements for credit risk

Inbank calculates risk-weighted assets 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 rating for risk-weighted exposure calculations purpose 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	126,988	0	0
Institutions	18,804	4,076	326
Corporates	16,306	12,529	1,002
Retail	758,553	565,507	45,241
Exposures in default	2,973	2,973	238
Equity	1,065	1,538	123
Other items	93,098	97,307	7,785
Total	**1,017,787**	**683,930**	**54,714**

5.2. Market risk

Market risk is defined as the risk that the value of or the expected future cash flows 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, actively 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 are, however, inherited 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 publicly traded financial instruments for liquidity management purposes, and not with a speculative purpose. All financial instruments are registered in the banking book. 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 by 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 the 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 forward and swap 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 2022 and 2021, Inbank had not entered into any financial derivatives to mitigate interest rate risk.

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

In thousands of euros **31.12.2022**	**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	145,335	0	0	0	0	**145,335**
Investments in debt securities	7,379	0	0	1,000	0	**8,379**
Loans and advances	130,785	93,687	202,684	295,740	29,463	**752,360**
Total financial assets	**283,499**	**93,687**	**202,684**	**296,740**	**29,463**	**906,074**
Financial liabilities						
Customer deposits	94,056	224,147	266,987	233,057	0	**818,247**
Subordinated debt securities	0	0	3,150	27,500	0	**30,650**
Off-balance sheet liabilities	4,986	0	0	0	0	**4,986**
Total financial liabilities	**99,042**	**224,147**	**270,137**	**260,557**	**0**	**853,883**
Difference in interest rate repricing maturity	**184,457**	**-130,461**	**-67,453**	**36,183**	**29,463**	**52,190**

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	90,823	4,500	0	0	0	**95,323**
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	**221,013**	**70,119**	**182,207**	**218,074**	**10,155**	**701,568**
Financial liabilities						
Customer deposits	86,451	77,703	220,358	226,128	0	**610,639**
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	**122,599**	**-7,584**	**-38,151**	**-38,704**	**10,155**	**48,316**

Table 20 shows the results of the interest rate risk stress test as of 31. December 2022. 2-percentage point increase in the market rates would lower Inbank's equity, i.e. economic value, by EUR -4,620 thousand (2021: EUR +1,651 thousand) and lower net interest income by EUR -28 thousand (2021: EUR +2,225 thousand). At the same time, a 2-percentage point decrease in market rate would affect Inbank's equity (economic value) by EUR +4,819 thousand (2021: EUR -569 thousand) and the annual profit by EUR -1,993 thousand (2021: by EUR -3,077 thousand).

Table 20. Interest rate risks of non-trading book activities

In thousands of euro		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
1	Parallel up	-4,620	1,651	-28	2,225
2	Parallel down	4,819	-569	-1,993	-3,077
3	Steepener	-1,921	-574		
4	Flattener	516	1,088		
5	Short rates up	-1,444	1,516		
6	Short rates down	-249	-776		

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. Inbank held no assets or liabilities in currencies other than euro, the Polish zloty (PLN), and Czech koruna (CZK) as at 31 December 2022. Inbank avoids excessive currency risk and mitigates it to a reasonable extent by maintaining the necessary balance between loans and deposits. When maintaining balance sheet items is not enough to mitigate the currency risk below risk appetite limit, derivative instruments, such as Foreign Exchange Forwards are used to protect Inbank against unwanted market movements. At the end of the 2022, Inbank had an outstanding amount of EUR 7,280 thousand FX Forward transactions, marked to market net value of EUR 37 thousand.

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 21 shows the foreign currency exposures of Inbank at the end of 2022 and 2021.

Table 21. Currency exposure

In thousands of euros				
31.12.2022	**EUR**	**PLN**	**CZK**	**Total**
Assets bearing currency risk	689,851	329,754	890	1,020,495
Liabilities bearing currency risk	595,797	322,461	312	918,570
Open position of derivative assets	7,256	0	0	7,256
Open position of derivative liabilities	0	7,256	0	7,256
Open currency position	**101,310**	**37**	**578**	**101,925**
Impact on a 10% adverse change of FX rate		**4**	**58**	**62**

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 position of derivative assets	0	0	0	0
Open position of derivative liabilities	0	0	0	0
Open currency position	**76,347**	**2,710**	**-40**	**79,017**
Impact on a 10% adverse change of FX rate		**271**	**-4**	**267**

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 22. 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 the Risk Appetite. According to the Risk Appetite, Inbank shall maintain 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 high-quality liquid assets (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 control 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 control 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. Stress testing includes idiosyncratic, market-wide and a combination of both scenarios.

Row	Qualitative information
(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 AS Inbank and Asset and Liability Management Committee exercise oversight over the liquidity risk management of Inbank group. Based on assessment made by the Management Board, as of 31 December 2022 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	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Liquidity reserve (% of total assets)	14.24%	12.11%	11.68%	22.42%
Loan to deposit ratio	91.02%	97.82%	105.18%	87.92%
Liquidity buffer above minimum reserve requirement	112,543	69,555	34,701	78,515
Total net cash outflows	7,063	6,079	1,551	1,009
LCR (%)	1593.34%	1144.19%	2237.50%	7781.84%
NSFR (%)	123.67%	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 23 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 23. Assets and liabilities by contractual maturities

In thousands of euros 31.12.2022	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	145,335	0	0	0	0	**145,335**	145,335
Investments in debt securities	128	255	1,136	5,625	824	**7,969**	8,415
Loans and advances	33,132	63,653	233,571	534,570	136,358	**1,001,284**	755,100
Other financial assets	2,697	237	179	58	216	**3,387**	3,387
Total assets	**181,292**	**64,145**	**234,886**	**540,253**	**137,398**	**1,157,975**	**912,237**
Liabilities							
Customer deposits	95,836	228,717	275,126	246,581	0	**846,260**	828,894
Subordinated debt securities	0	478	4,583	31,468	0	**36,529**	30,570
Other financial liabilities	20,382	9,122	991	1,651	691	**32,837**	32,837
Lease liability	745	1,726	5,946	16,929	0	**25,346**	22,403
Total liabilities	**116,963**	**240,043**	**286,646**	**296,629**	**691**	**940,972**	**914,704**
Maturity gap of assets and liabilities	**64,329**	**-175,898**	**-51,760**	**243,624**	**136,707**	**217,003**	**-2,467**

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**	**710,006**
Liabilities							
Customer deposits	86,533	78,990	224,691	237,365	0	**627,579**	617,857
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	**113,990**	**83,660**	**231,862**	**263,349**	**31,358**	**724,219**	**704,232**
Maturity gap of assets and liabilities	**2,948**	**-25,158**	**-46,284**	**126,540**	**69,437**	**127,483**	**5,774**

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 24. 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.**
	<u>Strategies and processes:</u> 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 risks 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 risks 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 Bank's material products, activities, processes and systems consistent with the risk appetite. The Operational Risk Board shall develop the internal regulations necessary for implementation of the Operational Risk Policy. The Management Board shall review and adopt, and the Supervisory Board shall approve 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 trainings for all the employees is 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 to Supervisory Board. The annual operational risk assessment (RCSA) is a tool for consolidated assessment of Inbank's actual risk profile and exposure to the Management Board. <u>Structure and organisation of risk management function for operational risk:</u> 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.

Row	Qualitative information
(a)	**Points (a), (b), (c) and(d) of Article 435(1) CRR** **Disclosure of the risk management objectives and policies.**
	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 - Monthly written operational risk overview, including material and significant 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 - quaterly report prepared by the risk control unit - Quarterly report presented to next Supervisory Board meeting as part of Risk Report - Annually - annual operational risk assessment and the RCSA results - consolidated by risk management function, must be presented to Management Board and approved by the Management 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 control 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 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 reviews and overviews 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 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 Operational Risk 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 to identify and mitigate those risks according to the methodology described in the 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 2022 has been in accordance with the risk appetite set by the Supervisory Board, the real losses from operational risk have remained low. In 2022, the real losses to own funds constituted of 0.22% (2021: 0.10%).

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 2022, 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 thousands of euros		**a**	**b**	**c**	**d**	**e**
		31.12.2022	**30.06.2022**	**31.12.2021**	**30.06.2021**	**31.12.2020**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	88,721	73,842	69,011	57,765	56,469
2	Tier 1 capital	96,371	81,492	76,661	60,915	59,619
3	Total capital	119,371	104,492	105,829	75,418	74,122
	Risk-weighted exposure amounts					
4	Total risk exposure amount	766,867	690,805	620,681	511,932	399,197
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	11.57%	10.69%	11.12%	11.28%	14.15%
6	Tier 1 ratio (%)	12.57%	11.80%	12.35%	11.90%	14.93%
7	Total capital ratio (%)	15.57%	15.13%	17.05%	14.73%	18.57%
	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 (%)	2.61%	2.61%	2.29%	2.29%	2.29%
EU 7b	of which: to be made up of CET1 capital (%)	1.47%	1.47%	0.72%	0.72%	0.72%
EU 7c	of which: to be made up of Tier 1 capital (%)	1.96%	1.96%	0.96%	0.96%	0.96%
EU 7d	Total SREP own funds requirements (%)	10.61%	10.61%	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 (%)	0.35%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
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 (%)	2.85%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	13.46%	13.11%	12.79%	12.79%	12.79%
12	CET1 available after meeting the total SREP own funds requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%

In millions of euros		a 31.12.2022	b 30.06.2022	c 31.12.2021	d 30.06.2021	e 31.12.2020
	Leverage ratio					
13	Total exposure measure	1,000,057	858,072	770,243	641,200	483,520
14	Leverage ratio (%)	9.21%	9.04%	9.50%	8.84%	11.47%
	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)	112,543	66,943	69,555	60,870	34,701
EU 16a	Cash outflows - Total weighted value	93,118	24,438	24,316	15,056	6,204
EU 16b	Cash inflows - Total weighted value	36,901	28,895	31,792	29,476	28,116
16	Total net cash outflows (adjusted value)	7,063	6,110	6,079	3,764	1,551
17	Liquidity Coverage Ratio (%)	1593%	1096%	1144%	1617%	2238%
	Net Stable Funding Ratio					
18	Total available stable funding	905,961	785,177	695,805	547,136	436,936
19	Total required stable funding	732,539	648,110	564,577	459,277	344,769
20	NSFR (%)	123.67%	121.15%	123.24%	119.13%	126.73%

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 thousands of euros 31.12.2022		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)	88,721	n/a	
EU-4	Eligible Additional Tier 1 capital	7,650	n/a	
EU-5	Eligible Tier 2 capital	23,000	n/a	
EU-6	Eligible own funds	119,371	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	119,371	n/a	
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	766,867	n/a	
EU-11	Total exposure measure (TEM)	1,000,057	n/a	
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	15.57%	n/a	
EU-13	of which permitted guarantees	0.00%		
EU-14	Own funds and eligible liabilities as a percentage of the TEM	11.94%	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	2.75%	n/a	
EU-17	Institution-specific combined buffer requirement		n/a	
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	15.41%	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	15.41%	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 thousands 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	57,818	0	7,650	0	23,000	88,468
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	23,000	23,000
10	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0	0	0	0	0
11	of which perpetual securities	0	57,818	0	7,650	0	0	65,468

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 thousands of euros		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	683,838	548,388	54,707
2	Of which the standardised approach	683,838	548,388	54,707
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 risk-weighted approach	0	0	0
5	Of which the Advanced IRB (A-IRB) approach	0	0	0
6	Counterparty credit risk - CCR	92	0	7
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)	0	2,750	0
21	Of which the standardised approach	0	2,750	0
22	Of which IMA	0	0	0
EU 22a	Large exposures	0	0	0
23	Operational risk	82,937	69,543	6,635
EU 23a	Of which basic indicator approach	82,937	69,543	6,635
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)	7,915	6,003	633
29	**Total**	**766,867**	**620,681**	**61,349**

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		31.12.2022	31.12.2021
	Available capital (amounts)		
1	CET1 capital	88,721	69,011
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	84,480	65,495
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	88,721	69,011
3	Tier 1 capital	96,371	76,661
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	92,130	73,145
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	96,371	76,661
5	Total capital	119,371	105,829
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	115,130	102,313
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	119,371	105,829
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets	766,867	620,681
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	766,867	620,681
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	11.57%	11.12%
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	11.02%	10.55%
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	11.57%	11.12%
11	Tier 1 (as a percentage of risk exposure amount)	12.57%	12.35%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.01%	11.78%
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	12.57%	12.35%
13	Total capital (as a percentage of risk exposure amount)	15.57%	17.05%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.01%	16.48%
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	15.57%	17.05%
	Leverage ratio		
15	Leverage ratio total exposure measure	1,000,057	770,243
16	Leverage ratio	9.21%	9.50%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.25%	9.54%
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	9.21%	9.50%

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. This option program continued to be implemented during 2022. 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 total 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.**
	The Inbank annual performance review has been established based on the 4 main performance criteria approach. The approach is set on an individual level to allocate each employee to a particular performance rating to reflect their contribution over the course of a year. The ratings are distributed between improvement needed, meeting expectations as a good performer, constantly meeting expectations as an excellent performer and performance far exceeding expectations. Each employee's performance is compared to their contribution and for each specific contribution level the Remuneration Committee in cooperation with the Management Board establishes an annual bonus multiplier.
(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	0	7	0	0
2		Total fixed remuneration	0.00	0.58	0.00	0.00
3		Of which: cash-based	0.00	0.58	0.00	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	0	2	0	0
10		Total variable remuneration	0.00	0.05	0.00	0.00
11		Of which: cash-based	0.00	0.05	0.00	0.00
12		Of which: deferred	0.00	0.00	0.00	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)**		**0.00**	**0.63**	**0.00**	**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
31.12.2022		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**	**5,517**	**520**	**520**	**520**	**-278**	**-309**	**0**	**0**
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	5,517	520	520	520	-278	-309	0	
8	**Debt securities**	**0**	**0**			**0**	**0**	**0**	
9	**Loan commitments given**	**0**	**0**			**0**	**0**	**0**	
10	**Total**	**5,517**	**520**	**520**	**520**	**-278**	**-309**	**0**	**0**

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
31.12.2022		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	**Cash balances at central banks and other demand deposits**	**145,334**	**145,334**		**0**								
2	**Loans and advances**	**761,458**	**749,260**	**12,198**	**10,006**	**1,148**	**2,618**	**2,760**	**2,003**	**1,306**	**133**	**38**	**10,006**
3	Central banks	0			0								
4	General governments	0			0								
5	Credit institutions	0			0								
6	Other financial corporations	5,417	5,417	0	0								
7	Non-financial corporations	3,314	3,313	1	21	0	0	0	0	17	4	0	21
8	of which SMEs	3,050	3,049	1	21					17	4		21
9	Households	752,727	740,530	12,197	9,985	1,148	2,618	2,760	2,003	1,289	129	38	9,985
10	**Debt securities**	**8,426**	**8,426**		**0**								
11	Central banks	0											
12	General governments	0											
13	Credit institutions	0											
14	Other financial corporations	0											
15	Non-financial corporations	8,426	8,426	0									
16	**Off-balance-sheet exposures**	**4,986**			**0**								
17	Central banks	0											
18	General governments	0											
19	Credit institutions	0											
20	Other financial corporations	0											
21	Non-financial corporations	850											
22	Households	4,136											
23	**Total**	**920,204**	**903,020**	**12,198**	**10,006**	**1,148**	**2,618**	**2,760**	**2,003**	**1,306**	**133**	**38**	**10,006**

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
31.12.2022		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumu-lated 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	**Cash balances at central banks and other demand deposits**	**145,334**	**145,334**		**0**			**0**						**0**	**0**	**0**
2	**Loans and advances**	**761,458**	**744,115**	**17,343**	**10,006**	**0**	**10,006**	**9,157**	**6,581**	**2,576**	**7,206**	**0**	**7,206**	**0**	**3,100**	**0**
3	Central banks	0	0		0			0			0					
4	General governments	0			0			0			0					
5	Credit institutions	0	0		0			0			0					
6	Other financial corporations	5,417	5,417	0	0			11	11	0	0				1,931	0
7	Non-financial corporations	3,314	3,313	1	21	0	21	10	10	0	21	0	21		1,168	0
8	of which SMEs	3,050	3,049	1	21	0	21	10	10	0	21	0	21		1,168	0
9	Households	752,727	735,385	17,342	9,985	0	9,985	9,136	6,560	2,576	7,185	0	7,185		1	0
10	**Debt securities**	**8,426**	**8,426**	**0**	**0**			**0**			**0**			**0**	**0**	**0**
11	Central banks															
12	General governments	0	0	0												
13	Credit institutions															
14	Other financial corporations															
15	Non-financial corporations	8,426	8,426	0				10	10							
16	**Off-balance-sheet exposures**	**4,986**	**4,986**	**0**	**0**			**0**			**0**				**0**	**0**
17	Central banks															
18	General governments															
19	Credit institutions															
20	Other financial corporations															
21	Non-financial corporations	850	850	0												
22	Households	4,136	4,136	0												
23	**Total**	**920,204**	**902,861**	**17,343**	**10,006**	**0**	**10,006**	**9,157**	**6,581**	**2,576**	**7,206**	**0**	**7,206**	**0**	**3,100**	**0**

Template 9. Collateral obtained by taking possession and execution processes

In thousands of euros 31.12.2022		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**

Annex 7. Countercyclical capital buffer

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

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

In thousands of euros		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
	Estonia	297,689	0	0	0	0	297,689	19,030	0	0	19,030	237,875	34.99%	1.00%
	Latvia	82,661	0	0	0	0	82,661	5,118	0	0	5,118	63,975	9.41%	0.00%
	Lithuania	177,027	0	0	0	0	177,027	10,699	0	0	10,699	133,738	19.67%	0.00%
	Poland	320,916	0	0	0	0	320,916	19,472	0	0	19,472	243,400	35.80%	0.00%
	Czechia	735	0	0	0	0	735	69	0	0	69	863	0.13%	1.50%
	Denmark	0	0	0	0	0	0	0	0	0	0	0	0.00%	2.00%
020	**Total**	**879,028**	**0**	**0**	**0**	**0**	**879,028**	**54,388**	**0**	**0**	**54,388**	**679,851**	**100.00%**	

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

In millions of euros		a
1	Total risk exposure amount	766,867
2	Institution specific countercyclical capital buffer rate	0.35%
3	Institution specific countercyclical capital buffer requirement	2,698

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