

Capital Adequacy Report

30 September 2020

This information is presented on a quarterly basis in conjunction with the publication of Inbank's Interim Report on Inbank's website (www.inbank.ee). Inbank's regulatory capital requirements and capital buffers are set out in European Parliament and Council Regulation (EU) No 575/2013 (CRR) and European Parliament and Council Directive 2013/36/EU (CRD IV). The capital requirement consists of minimum capital requirements for credit, market and operational risk, internally assessed capital requirement and regulatory capital buffers. The information is presented for Inbank AS and for the consolidated situation as of September 30, 2020, including the comparative period.

The following tables illustrate the composition of Inbank's regulatory own funds, capital adequacy ratios and minimum requirements for bank-specific capital buffers, followed by the details of the composition of risk exposure amount, minimum capital requirement and leverage ratio.

Capital base for own funds calculation

| <i>In thousands of euros</i> | 30.09.2020 ¹ | 30.09.2020 ² | 31.12.2019 ³ | 31.12.2019 ⁴ |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Common Equity Tier 1: instruments and reserves | | | | |
| Capital instruments and the related share premium accounts | 16,991 | 16,991 | 16,811 | 16,811 |
| <i>of which: share capital</i> | 909 | 909 | 903 | 903 |
| Retained earnings | 33,157 | 31,706 | 28,958 | 25,514 |
| Accumulated other comprehensive income (and other reserves) | 1,501 | 1,501 | 1,550 | 1,551 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 51,649 | 50,198 | 47,319 | 43,876 |
| Common Equity Tier 1: regulatory adjustments | | | | |
| Intangible assets | -14,927 | -14,927 | -11,721 | -11,721 |
| Adjustments due to IFRS 9 transitional arrangements | 3,832 | 3,832 | 4,354 | 4,354 |
| Additional value adjustments | 0 | -41 | 0 | -60 |
| Total regulatory adjustments to Common Equity Tier 1 capital | -11,095 | -11,136 | -7,367 | -7,427 |
| Common Equity Tier 1 (CET1) capital | 40,554 | 39,062 | 39,952 | 36,449 |
| Tier 1 capital | | | | |
| Additional Tier 1 (AT1) capital | 3,150 | 3,150 | 3,150 | 3,150 |
| Tier 1 capital (T1 = CET1 + AT1) | 43,704 | 42,212 | 43,102 | 39,599 |
| Total capital | | | | |
| Tier 2 (T2) capital | 14,503 | 14,503 | 14,503 | 14,503 |
| Total capital (TC = T1 + T2) | 58,207 | 56,715 | 57,605 | 54,102 |
| Total risk exposure amount | 351,379 | 351,489 | 317,487 | 318,541 |
| Capital ratios and buffers | | | | |
| Common Equity Tier 1 (as a percentage of total risk exposure amount) | 11.54% | 11.11% | 12.58% | 11.44% |
| Tier 1 (as a percentage of total risk exposure amount) | 12.44% | 12.01% | 13.58% | 12.43% |
| Total capital (as a percentage of total risk exposure amount) | 16.57% | 16.14% | 18.14% | 16.98% |
| Institution-specific buffer requirement (as a percentage of total risk exposure amount) | 2.50% | 2.50% | 3.24% | 3.23% |
| <i>of which: capital conservation buffer requirement</i> | 2.50% | 2.50% | 2.50% | 2.50% |
| <i>of which: countercyclical buffer requirement</i> | 0.00% | 0.00% | 0.29% | 0.29% |
| <i>of which: systemic risk buffer</i> | 0.00% | 0.00% | 0.45% | 0.44% |
| Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 7.04% | 6.61% | 8.08% | 6.94% |

¹ After the competent authority has granted the permission for Q3 2020 profit inclusion.

² Before the competent authority has granted the permission for Q3 2020 profit inclusion.

³ After the competent authority granted the permission for Q4 2019 profit inclusion.

⁴ Before the competent authority granted the permission for Q4 2019 profit inclusion.

Risk exposure amount and capital requirement

| <i>In thousands of euros</i> | 30.09.2020 ¹ | 30.09.2020 ² | 31.12.2019 ³ | 31.12.2019 ⁴ |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Risk exposure amount | | | | |
| Credit risk according to standardised method | 311,293 | 311,403 | 277,401 | 278,455 |
| Market risk according to standardised method | 0 | 0 | 0 | 0 |
| Operational risk according to basic indicator approach | 40,086 | 40,086 | 40,086 | 40,086 |
| Total risk exposure amount | 351,379 | 351,489 | 317,487 | 318,541 |
| Exposure amount for credit risk according to standardised method | | | | |
| Institutional exposure | 3,675 | 3,675 | 4,471 | 4,471 |
| Corporate exposure | 8,437 | 8,437 | 6,466 | 6,466 |
| Retail exposure | 278,974 | 278,974 | 245,451 | 245,451 |
| Exposures in default | 2,474 | 2,474 | 3,968 | 3,968 |
| Items associated with particular high risk | 0 | 0 | 0 | 0 |
| Equity exposure | 9,116 | 9,013 | 8,188 | 8,039 |
| Other items | 8,617 | 8,830 | 8,857 | 10,060 |
| Total credit risk according to standardised method | 311,293 | 311,403 | 277,401 | 278,455 |
| Market risk exposure amounts according to standardised method | | | | |
| Foreign exchange risk | 0 | 0 | 0 | 0 |
| Total market risk according to standardised method | 0 | 0 | 0 | 0 |
| Minimum capital requirement | | | | |
| Credit risk according to standardised method | 24,903 | 24,912 | 22,192 | 22,276 |
| Market risk according to standardised method | 0 | 0 | 0 | 0 |
| Operational risk according to basic indicator approach | 3,207 | 3,207 | 3,207 | 3,207 |
| Total minimum capital requirement | 28,110 | 28,119 | 25,399 | 25,483 |
| Leverage ratio | | | | |
| Tier 1 capital | 39,872 | 38,380 | 43,102 | 39,598 |
| Total leverage ratio exposure | 431,111 | 431,029 | 450,594 | 443,107 |
| Leverage ratio | 9.25% | 8.90% | 9.57% | 8.94% |

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