

TERMS AND CONDITIONS OF TIER 2 SUBORDINATED BONDS

AS Inbank, a limited liability company established and holding a credit institution license in Estonia, (“**Inbank**” or the “**Issuer**”) has decided to issue EUR 6,500,000 in aggregate Nominal Amount of the Tier 2 subordinated bonds (the “**Bonds**”). The aggregate Nominal Amount of the Bonds may be increased and decreased by the Issuer.

The Bonds are issued in one issue.

Each Bond will be the subject of the final terms attached to these Terms and Conditions (the “**Final Terms**”).

These Terms and Conditions (the “**Conditions**”) apply to the Bonds.

1. Interpretation

- (a) In these Terms the following expressions have the following meanings, whereas additional expressions have been defined in other parts of these Terms, where clearly marked so:

“**Applicable Banking Regulations**” means at any time the laws, regulations, delegated or implementing acts, regulatory or implementing technical standards, rules, requirements, guidelines and policies relating to capital adequacy then in effect in Estonia including, without limitation to the generality of the foregoing, CRD IV, BRRD, and those regulations, requirements, guidelines and policies relating to capital adequacy adopted by the EFSA, as replaced or amended from time to time, and then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Company or the Group).

“**Bail-in Powers**” means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Estonia, relating to (i) the transposition of the BRRD (including but not limited to the Financial Crisis Prevention and Resolution Act (*finantskriisi ennetamise ja lahendamise seadus*) as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Company (or any affiliate of the Company) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Company or any other person (or suspended for a temporary period).

“**BRRD**” means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle inter-bank payments in euro in Tallinn and which is a settlement day of the Register.

“**Bonds**” mean tier 2 (as defined by the Applicable Banking Regulations) subordinated bonds issued by the Company in accordance with these Terms and the Final Terms, representing unsecured debt obligation of the Company before the Bondholder.

“**Bondholder**” is the owner of the Bond registered as such in the Register.

“**Capital Event**” means the determination by the Company, after consultation with the EFSA, that the Outstanding Principal Amount of the Bonds ceases or would be likely to cease to be included in whole or in any part, or count in whole or in any part, towards the Tier 2 Capital of the Company in the essence of CRR.

“**Company**” means AS Inbank, register code 12001988.

“**CRD IV**” means the legislative package consisting of the CRD IV Directive, the CRR and

any CRD IV Implementing Measures.

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**CRD IV Implementing Measures**” means any regulatory capital rules or regulations, or other requirements, which are applicable to the Company or the Group and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Company or the Group (on a solo or consolidated basis, as the case may be) to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof).

“**CRR**” means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as the same may be amended or replaced from time to time.

“**EFSA**” means the Estonian Financial Supervisory Authority (*Finantsinspektsioon*) and any successor or replacement thereto or any other authority having primary responsibility for the prudential oversight and supervision of the Company.

“**Final Terms**” mean the terms and conditions of the Bonds appended to these Conditions, together with these Conditions forming the full set of terms and conditions of the Bonds.

“**Group**” means the Company together with its subsidiaries.

“**Interest Commencement Date**” means the Issue Date of the Bonds (as specified in the Final Terms).

“**Interest Payment Date**” means any date or dates specified as such in the relevant Final Terms.

“**Issue Date**” means the date specified in the Final Terms.

“**Issue Price**” means the price payable for one Bond upon the issue thereof as determined in the Final Terms.

“**Maturity Date**” means the date of ordinary redemption of the Bonds as determined in accordance with the Final Terms.

“**Nominal Amount**” shall mean the stated value of a Bond as specified in the Final Terms.

“**Outstanding Principal Amount**” means the principal amount of the Bond on the Issue Date as reduced by any partial redemption or repurchase from time to time.

“**Rate of Interest**” means the rate (expressed as a percentage per annum) of interest payable in respect of the Bonds specified in the relevant Final Terms.

“**Register**” means Nasdaq Central Securities Depository (CSD) operated by Nasdaq CSD SE, register code 40003242879, registered address Valņu iela 1, Rīga LV-1050, Latvia, Estonian branch.

“**Relevant Amounts**” means the outstanding principal amount of the Bonds, together with any accrued but unpaid interest and additional amounts due on the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Bail-in Powers by the Relevant Resolution Authority.

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise

any Bail-in Powers in relation to the Company and/or the Group.

“**Tax Event**” means:

- (i) any amendment to, or change in, the laws or treaties (or any regulations thereunder) of the Taxing Jurisdiction affecting taxation;
- (ii) any governmental action in the Taxing Jurisdiction; or
- (iii) any amendment to, or change in, the official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in the Taxing Jurisdiction, irrespective of the manner in which such amendment, change, action, pronouncement, interpretation or decision is made known,

which amendment or change is effective or such governmental action, pronouncement, interpretation or decision is announced, on or after the Issue Date of the Bonds and as a result of which:

- (i) the Company is, or will be, subject to additional taxes, duties or other governmental charges with respect to the Bonds or is not, or will not be, entitled to claim a deduction in respect of payments in respect of the Bonds in computing its taxation liabilities (or the value of such deduction would be materially reduced); or
- (ii) the treatment of any of the Company’s items of income or expense with respect to the Bonds as reflected on the tax returns (including estimated returns) filed (or to be filed) by the Company will not be respected by a taxing authority, which subjects the Company to additional taxes, duties or other governmental charges.

“**Taxing Jurisdiction**” means the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax or any other jurisdiction or any political subdivision thereof or any authority or agency therein or thereof, having power to tax in which the Company is treated as having a permanent establishment, under the income tax laws of such jurisdiction.

“**Terms**” mean these terms and conditions of the Bonds as established by the management board of the Company, together with the Final Terms forming an agreement between the Company and a Bondholder in respect of the issue and redemption of a Bond and rights and obligations arising from the Bond.

“**Tier 2 Capital**” means tier 2 capital for the purposes of the Applicable Banking Regulations.

- (b) In these Terms references to any act or other regulatory instrument or any provision of any act or other regulatory instrument shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

2. **Form, Denomination and Currency**

(a) **Form**

The Bonds are issued in dematerialised book-entry form. The Bonds are not numbered.

(b) **Denomination**

The Bonds will be issued in such denomination as specified in the relevant Final Terms.

(c) **Currency**

The Bonds may be denominated in the euro.

3. Title, Transfer, Delivery and Transferability

(a) **Title**

The title to the Bonds passes by the registration in the Register. References herein to the “**Bondholders**” signify the persons in whose names such Bonds are so registered.

(b) **Transfer**

The Bonds can be transferred from one securities account to another by the registrar of the Register by way of debiting the first securities account and crediting the other securities account in the amount of the corresponding number of securities. Ownership of a Bond is deemed to have changed in respect of the Company as from the moment a relevant entry is made in the Register, i.e. when a Bond is transferred to the securities account of the respective Bondholder.

(c) **Delivery**

The Company organises the registration of the Bonds in the Register and their deletion from the Register upon their redemption. Only persons who have securities accounts (whether directly or via a nominee structure) with the Register can subscribe for or purchase the Bonds.

(d) **Transferability**

The Bonds are freely transferrable; however, any Bondholder wishing to transfer the Bonds must ensure that any offering related to such transfer would not be qualified an offering requiring the publication of a prospectus in the meaning of the applicable law. Ensuring that any offering of the Bonds does not require publication of a prospectus under the applicable law is the obligation and liability of the Bondholder.

The Register may temporarily block the Bonds on a Bondholder’s securities account to ensure performance of corporate actions regarding the Bonds.

4. Status

The Bonds will be subordinated to all unsubordinated claims against the Company. The subordination of the Bonds means that upon the liquidation (*likvideerimine*) or bankruptcy (*pankrot*) of the Company, all the claims arising from the Bonds shall fall due in accordance with these Terms and shall be satisfied only after the full satisfaction of all unsubordinated recognised claims against the Company in accordance with the applicable law. Therefore, upon the liquidation or bankruptcy of the Company, the Bondholders are not entitled to any payments due under the Bonds until the full and due satisfaction of all the unsubordinated claims against the Company. In case of bankruptcy of the Company the Bondholders are only entitled to payments after the full and due satisfaction of all recognised claims under the Company that do not derive from instruments that qualify as own funds’ instruments under Articles 26-88 of the CRR. By subscribing to the Bonds or acquiring the Bonds from a secondary market, the Bondholder unconditionally and irreversibly agrees to such subordination of claims arising from any Bonds.

As long as there are no liquidation or bankruptcy proceedings initiated against the Company, all claims arising from the Bonds shall be satisfied in accordance with these Terms and the applicable law. Notwithstanding any rights of the Bondholder under these Terms or the law, by subscribing to Bonds or acquiring the Bonds from a secondary market the Bondholder unconditionally and irrevocably relinquishes the right to demand premature redemption of any Bonds.

No Bondholder shall be entitled to exercise any right of set-off (*tasaarvestus*) against moneys owed by the Company in respect of such Bonds.

5. Interest

The Bonds shall bear interest on its Outstanding Principal Amount from and including their Issue Date (as specified in the Final Terms) to, but excluding, the date of any final redemption at the rate *per annum* specified in the Final Terms. Such interest will be payable in arrear on each Interest Payment Date as is specified in the relevant Final Terms and on the date of any final redemption.

The determination by the Agent of all amounts of interest for the purposes of this Condition 5 shall, in the absence of manifest error, be final and binding on all parties.

6. Redemption and Purchase

(a) **Redemption at Maturity**

Unless previously redeemed, or purchased and cancelled, the Bonds shall be redeemed at their principal amount on the Maturity Date.

(b) **Early Redemption as a result of Tax Event**

Upon the occurrence of a Tax Event, but subject to having obtained the relevant EFSA permission if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable) redeem all (but not some only) of the outstanding Bonds at any time at a redemption amount equal to their Outstanding Principal Amount together with interest (if any) accrued up to but excluding the date of redemption.

(c) **Early Redemption as a result of Capital Event**

Upon the occurrence of a Capital Event, but subject to having obtained the relevant EFSA permission if such permission is then required under the Applicable Banking Regulations, the Company may, at its option, having given not less than 30 days' notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable) at any time redeem all (but not some only) of the outstanding Bonds at a redemption amount equal to their Outstanding Principal Amount, together with interest (if any) accrued up to but excluding the date of redemption.

(d) **Optional Early Redemption (Call)**

After 5 years have passed from the Issue Date of the Bonds and having obtained the relevant EFSA permission if such permission is then required under the Applicable Banking Regulations, the Company may, having given not less than 30 days' notice to the Bondholders in accordance with Condition 10 (which notice shall be irrevocable) redeem fully or partially the Bonds at their Outstanding Principal Amount, together with accrued interest (if any) thereon.

The appropriate notice referred to in this Condition 6(d) is a notice given by the Company to the Agent and the Bondholders, which notice shall be signed by a duly authorized officer of the Company and shall specify:

- (i) whether the Bonds are to be redeemed in whole or in part only and, if in part only, the aggregate Outstanding Principal Amount of the Bonds which are to be redeemed;
- (ii) the due date for such redemption, which shall be not less than 30 days after the date on which such notice is validly given; and
- (iii) the amount at which such Bonds are to be redeemed, which shall be their Outstanding Principal Amount together with accrued interest thereon.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Company to

make the redemption therein specified.

(e) **Partial Redemption**

If the Bonds are to be redeemed in part only on any date in accordance with Condition 6(d), the Bonds shall be redeemed *pro rata* to their Outstanding Principal Amount, subject always to compliance with all applicable laws, and the rules of the stock exchange on which the Bonds have then been admitted to trading.

(f) **Cancellation of Redeemed and Purchased Bonds**

All Bonds redeemed or purchased in accordance with this Condition 6 will be cancelled and may not be reissued or resold. References in this Condition 6(f) to the purchase of the Bonds by the Company shall not include the purchase of Bonds otherwise than as beneficial owner.

7. Taxation

- (a) Should any amounts payable in cash or in kind (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Bonds be subject to withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Estonia or any political subdivision thereof or any authority or agency therein or thereof having power to tax, the Company shall be entitled to withhold or deduct the respective taxes or duties. For the avoidance of doubt, any such withholdings or deductions shall be made by the Company on the account of the Bondholder with the Company having no obligation to compensate the withheld or deducted tax amounts to the Bondholder.
- (b) Should an applicable treaty for the avoidance of double taxation set forth lower withholding rates than those otherwise applicable to the interest payment under Estonian domestic law, the respective Bondholder shall be requested to provide the documents necessary for application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Bondholder) at least 15 (fifteen) days prior to the payment. If such documents are not presented to the Company, the Company shall be entitled to withhold tax at the rates set forth by the Estonian domestic legislation.
- (c) Individuals may postpone the taxation of their (interest) income from the Bonds by using an investment account (*investeermiskonto*) for making transactions with the Bonds and notifying the Company in a form reproducible in writing at least 15 (fifteen) days prior to the payment that they are entitled to benefit from the investment account special tax regime. At the date of these Terms, individuals are entitled to benefit from the investment account special tax regime if they have acquired the Bonds on account of monetary means held at the respective Bondholder's investment account. If the relevant notice is not duly presented to the Company, the Company shall be entitled to withhold tax in accordance with the general withholding rules.
- (d) Any reference in these Terms to interest in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 7 or any undertaking given in addition thereto or in substitution therefor. For the avoidance of doubt, no additional amounts shall be payable by the Company in respect of payments of principal under the Bonds.

8. Payments

- (a) Payments of amounts (whether principal, interest or otherwise, including on the final redemption) due on the Bonds will be made to the Bondholders thereof, as appearing in the Register at the close of business on the Business Day preceding the due date for such

payment (the "**Record Date**"). Payment of amounts due on the final redemption of the Bonds will be made simultaneously with deletion of the Bonds, or, if so required by the Company, against delivery of the Bonds to the Company. If the due date for payment of the final redemption amount of the Bonds is not a Business Day, the Bondholder thereof will not be entitled to payment thereof until the next following Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms.

- (b) If the Company fails to transfer any amount payable to a Bondholder in connection with the Bond by the due date, the Company undertakes to pay delay interest to the Bondholder on the outstanding amount as from the payment deadline until actual payment at the rate specified in the Final Terms.

9. Limitation Period

Claims against the Company in respect of the Bonds will expire (*aeguvad*) unless made within 3 years after the due date for payment.

10. Notices

(a) To Bondholders

Notices to Bondholders will be deemed to be validly given published through the information system of the stock exchange in which they are listed (if applicable) or in case of unlisted Bonds if sent to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth Business Day after the date of sending the notice by registered mail and on the next Business Day after sending the notice by e-mail.

(b) To Company

Notices to the Company will be deemed to be validly given if delivered to Niine 11, 10414 Tallinn, Estonia or it delivered by e-mail to investor@inbank.ee (or at such other addresses as may have been notified to the Holders of the Bonds in accordance with this Condition 10 or via the Issuer's website) and will be deemed to have been validly given at the opening of business on the next day on which the Issuer's principal office is open for business.

11. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds and other debt securities having terms and conditions the same as those of the Bonds or the same except for the amount of the first payment of interest (if any), which may be consolidated and form a single issue with and bear the same ISIN code as the outstanding Bonds.

12. Law and Jurisdiction

The Bonds and all non-contractual obligations arising out of or in connection with any of them are governed by Estonian law and subjected to the jurisdiction of the courts of Estonia.

13. Acknowledgement of Bail-in Powers

Notwithstanding and to the exclusion of any other term of the Bonds or any other agreements, arrangements or understanding between the Company and any Bondholder (which, for the purposes of this Condition 13, includes each holder of a beneficial interest in the Bonds), by its acquisition of the Bonds, each Bondholder acknowledges and accepts that any liability arising under the Bonds may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Bail-in Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination

thereof:

- (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Bonds;
 - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Bonds into shares, other securities or other obligations of the Company or another person, and the issue to or conferral on the Bondholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Bonds;
 - (iii) the cancellation of the Bonds or the Relevant Amounts in respect of the Bonds;
 - (iv) the amendment or alteration of the amount of interest payable on the Bonds, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Bonds, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Bail-in Powers by the Relevant Resolution Authority.

FINAL TERMS OF THE BONDS

29 November 2019

AS INBANK

Issue of

EUR 6,500,000¹ Tier 2 Subordinated Bonds

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Tier 2 Subordinated Bonds (the “**Conditions**”). This document constitutes the Final Terms for the Bonds described herein and must be read in conjunction with such Conditions and with the prospectus drawn up by the Company, dated 2 December 2019 (the “**Prospectus**”).

Full information on the Company and the offer of the Bonds is only available on the basis of the combination of these Final Terms, the Conditions and the Prospectus. The Prospectus is available for viewing through the Company’s website (<https://inbank.ee/en/investor/forinvestor/>).

GENERAL

1.	Issuer	AS Inbank
2.	Issue currency	EUR
3.	Original Nominal Amount	EUR 1,000
4.	Aggregate original Nominal Amount	EUR 6,500,000, which may be increased or decreased by the Issuer
5.	Issue Price	100% of the Original Nominal Amount
6.	Issue Date and Interest Commencement Date	19 December 2019
7.	Maturity Date	19 December 2029
8.	Interest	6% <i>per annum</i> Fixed Rate
9.	Redemption/Payment Basis	Redemption at par
10.	Put/Call Options	Issuer Call <i>(further particulars specified in the Terms and Conditions)</i>
11.	Status of the Bonds	Tier 2 subordinated bonds
12.	Bail-in Powers	Applicable, as provided in the Applicable Banking Regulations

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Interest Basis	Fixed rate
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14.	Rate of Interest	6% <i>per annum</i> payable quarterly
15.	Interest Payment Date(s):	28 March, 28 June, 28 September and 28 December annually starting 2020. If an Interest Payment Date falls on a day that is not a Business Day, interest shall be paid on the next Business Day after the Interest Payment Date.
16.	First Interest Payment Date:	28 March 2020
17.	Interest calculation convention	30/360
18.	Record Date	Close of business on the Business Day immediately preceding the Interest Payment Date
19.	Delay interest	0.025% per day

OPERATIONAL INFORMATION

20.	ISIN Code:	EE3300001544
21.	Register	Nasdaq CSD SE Estonian branch

OTHER INFORMATION

22.	Listing and Admission to Trading	Application will be made to the Nasdaq Tallinn Stock Exchange for the Bonds to be admitted to the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.
23.	Ratings:	The Bonds being issued have not been rated.

EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER

24.	Time period for subscription to the offer:	From 3 December 2019 until 13 December 2019
25.	Description of the subscription process:	See Sections "Subscription Undertakings" and "Payment" of the Prospectus.
26.	Minimum and maximum amounts of the subscription (if any):	Not applicable.
27.	Description of publishing the results of the offer:	See Section "Distribution and Allocation" of the Prospectus.