Bigbank

Interim condensed consolidated financial statements for the period ended 31 December 2021

Bigbank AS

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Business name	**Bigbank AS**
Registry	**Commercial Register of the Republic of Estonia**
Registration number	**10183757**
Date of entry	**30 January 1997**
LEI code	**5493007SWCCN9S3J2748**
Address	**Riia 2, 51004 Tartu, Estonia**
Phone	**+372 737 7570**
E-mail	**info@bigbank.ee**
Corporate website	**www.bigbank.ee**
Financial year	**1 January 2021 – 31 December 2021**
Reporting period	**1 January 2021 – 31 December 2021**
Chairman of the management board	**Martin Länts**
Core business line	**Provision of loans and acceptance of deposits**
Auditor	**KPMG Baltics OÜ**
Reporting currency	**The reporting currency is the euro.**

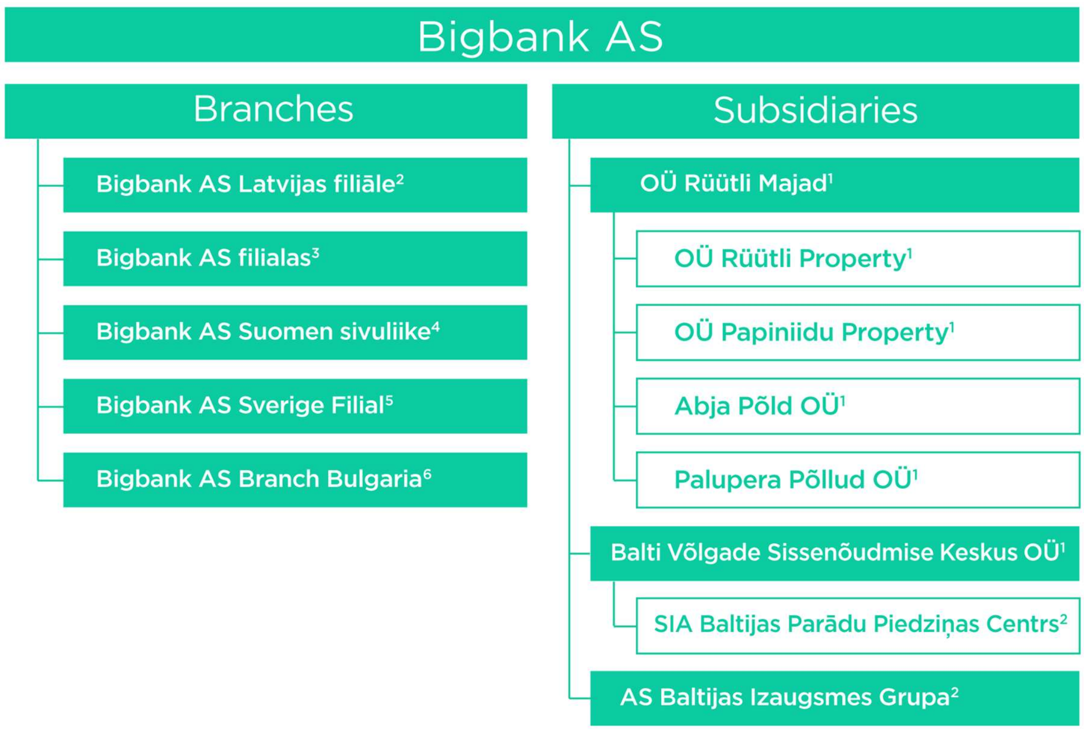
Interim report is available on the website of Bigbank AS at www.bigbank.ee.
The version in English is located at www.bigbank.eu.

Contents

Bigbank Group structure

Bigbank AS (hereinafter also “Bigbank” and “Group”) was founded on 22 September 1992. A licence for operating as a credit institution was issued to Bigbank AS on 27 September 2005. Bigbank is specialised on loans and deposits.

The Group’s structure at the reporting date:



[1] registered in the Republic of Estonia
[2] registered in the Republic of Latvia
[3] registered in the Republic of Lithuania
[4] registered in the Republic of Finland
[5] registered in the Kingdom of Sweden
[6] registered in the Republic of Bulgaria

The branches in Latvia, Lithuania, Finland, Sweden and Bulgaria offer lending services similar to those of the parent. The parent and its Latvian, Finnish and Swedish branches offer also deposit services. In addition, Bigbank AS provides cross-border deposit services in Germany, the Netherlands and Austria. The Bulgarian branch started offering lending services in May 2021.

The core business of OÜ Rüütli Majad and its subsidiary OÜ Papiniidu Property - established in the second quarter of 2021 - is managing real estate, and the subsidiary OÜ Rüütli Property and Baltijas Izaugsmes Grupa AS manage agricultural land. The subsidiaries Abja Põld OÜ and Palupera Põllud OÜ acquired in the third quarter of 2021 are agricultural enterprises engaged in grain growing, milk production and dairy farming. Balti Võlgade Sissenõudmise Keskus along with its subsidiary are not engaged in active business operations.

Review of operations

Significant economic events

Bigbank's loan portfolio grew by 53.3% during the 12 months of the year, reaching 906.7 million euros by the end of the year, and the portfolio grew by 17.2% in the fourth quarter. Both the corporate loan portfolio and the housing loan portfolio will continue to grow, increasing by 77.3% and 64.5% in the fourth quarter, respectively. The volumes of corporate loans grew in all sectors of the economy in Estonia, Latvia and Lithuania. The volumes of long-term commercial real estate and investment loans in the agricultural sector increased the most, accounting for almost half of sales. The loan portfolio of private customers grew by 5.3% in the fourth quarter compared to the end of the previous quarter and by 27.0% compared to the previous year.

Customers continue to be very interested in savings deposits, their share in total deposits has grown rapidly, reaching 38.3% by the end of the quarter.

At the end of the fourth quarter, the Group's performing loan portfolio amounted to 888.9 million euros, exceeding the figure at the previous year-end by 316.2 million euros (55.2%). The share of loans over 90 days past due accounted for 2.0% of the total portfolio at the reporting date.

The Group's real estate investment portfolio - both agricultural and commercial - reached 41.6 million euros.

In the third quarter, Bigbank acquired the agricultural companies Abja Põld OÜ and Palupera Põllud OÜ, which are engaged in grain growing, milk production and dairy farming.

Bigbank earned a net profit of 12.8 million euros in the fourth quarter of 2021, which is 132.1% more than in the same period last year. Profit before allowances amounted to 16.2 million euros in the fourth quarter. The main drivers of profit growth were lower credit loss allowances charges, income from the revaluation of investment properties and gains on the acquisition of agricultural businesses. Fourth-quarter expenses on credit loss allowances amounted to 3.4 million euros. Interest income for the fourth quarter amounted to 20.5 million euros, having increased by 2.8 million euros (15.5%) compared to the same period last year.

The supervisory board of Bigbank AS has five members: the chairman of the supervisory board Parvel Pruunsild and the members Vahur Voll, Juhani Jaeger, Raul Eamets and Andres Koern.

The management board has four members: the chairman of the management board Martin Länts and the members Sven Raba, Mart Veskimägi and Argo Kiltsmann.

Bigbank had 464 employees at the end of the fourth quarter of 2021: 279 in Estonia, 82 in Lithuania, 70 in Latvia, 17 in Finland, 8 in Sweden and 8 in Bulgaria.

Key performance indicators and ratios

Financial position indicators *(in millions of euros)*	**31 Dec 2021**	**31 Dec 2020**	**Change**
Total assets	1,151.1	757.8	51.9%
Loans to customers	896.2	577.7	55.1%
of which loan portfolio	906.7	591.6	53.3%
of which interest receivable	16.2	13.5	20.0%
of which loss allowances	-26.6	-27.4	-2.9%
Deposits from customers	898.3	547.5	64.1%
Equity	186.1	156.3	19.1%

Financial performance indicators *(in millions of euros)*	**Q4 2021**	**Q4 2020**	**Change**	**12M 2021**	**12M 2020**	**Change**
Interest income	20.5	17.7	15.5%	77.5	69.8	11.1%
Interest expense	2.0	1.9	3.8%	7.8	7.0	11.8%
Salaries and associated charges	5.3	3.8	40.8%	17.8	14.1	26.7%
Other operating expenses	4.2	3.1	33.0%	14.3	11.1	29.4%
Net loss allowances on loans and financial investments	3.4	2.6	31.8%	11.4	14.0	-18.9%
Profit before impairment loss	16.2	8.1	100.2%	47.3	35.4	33.6%
Net profit	12.8	5.5	132.1%	35.9	21.4	68.1%

Ratios	**Q4 2021**	**Q4 2020**	**12M 2021**	**12M 2020**
Return on equity (ROE)	28.8%	14.4%	21.0%	14.4%
Equity multiplier (EM)	6.0	4.8	5.6	4.5
Profit margin (PM)	53.1%	28.4%	40.9%	27.9%
Asset utilization ratio (AU)	9.1%	10.5%	9.2%	11.5%
Return on assets (ROA)	1.2%	0.7%	3.8%	3.2%
Price difference (SPREAD)	7.5%	8.7%	7.7%	9.8%
Cost to income ratio (CIR)	56.3%	48.5%	51.4%	45.7%

Ratios are presented on an annual basis (i.e. annualised).

Explanations of ratios:

Return on equity (ROE, %) – net profit for the period / quarter / average equity*100

Equity multiplier (EM) – average assets / average equity

Profit margin (PM, %) – profit for the period / total income * 100

Asset utilisation (AU) – total income (incl. interest income, fee income, dividend income and other operating income) to total assets

Return on assets (ROA, %) – net profit for the period / average assets * 100

Price difference (SPREAD) – ratio of interest income to interest-bearing assets less ratio of interest expense to interest-bearing liabilities

Cost to income ratio (CIR) – total operating costs to net income

Financial review

Financial position

At 31 December 2021, the consolidated assets of Bigbank AS Group totalled 1.15 billion euros, having increased by 132.1 million euros (13.0%) during the fourth quarter.

At 31 December 2021, loans to customers accounted for 77.9% of total assets, amounting to 896.2 million euros. At the end of the fourth quarter, the proportion of liquid assets (amounts due from banks and financial debt instruments) was 14.0 %, totalling 161.2 million euros. Part of the bank's liquidity buffer has been placed in a portfolio of debt securities which are highly liquid, hold investment grade credit ratings, and can be sold at any time, except for debt securities that have been pledged. Debt instruments totalled 45.3 million euros at 31 December 2021, of which 39.5 million euros was pledged as collateral for a loan from the central bank and 5.8 million euros was part of the liquidity buffer.

At the end of the fourth quarter, the Group had 118 thousand loan agreements, 40 thousand of them in Lithuania, 32 thousand in Latvia, 21 thousand in Estonia, 15 thousand in Finland and 10 thousand in Sweden.

Geographical distribution of loans to customers:

- 32.4% Lithuania,
- 31.7% Estonia,
- 16.5% Latvia,
- 11.2% Finland,
- 8.0% Sweden,
- 0.5% Bulgaria.

At 31 December 2021, loans to customers totalled 896.2 million euros, comprising of:

- the loan portfolio of 906.7 million euros. Loans to individuals accounted for 74.8% of the total;
- interest receivable on loans of 16.2 million euros;
- loss allowances for loans and interest receivables of 26.6 million euros.

Bigbank's loan portfolio is diversified – at the reporting date the average loan balance was 7,683 euros.

To mitigate the risks arising from customers' payment behaviour and to cover potential credit losses, the Group makes loss allowances. Bank follows in impairment calculations conservative line. Where debt recovery proceedings do not yield expected results, the underlying receivable is written off the statement of financial position.

At the end of the fourth quarter of 2021, the Group's liabilities totalled 965.0 million euros. Most of the debt raised by the Group, i.e. 898.3 million euros (93.1%) consisted of deposits. The liability of the financing received under ECB's third series of targeted longer-term refinancing operations (TLTRO-III) and secured by debt securities reached at 31 December 2021 36.5 million euros.

At the end of the fourth quarter of 2021, the Group's equity was 186.1 million euros. The equity to assets ratio amounted to 16.2%.

Financial performance

Interest income for the fourth quarter of 2021 reached 20.5 million euros, increasing by 2.8 million euros (15.5%) compared to the same period in 2020. The fourth quarter's ratio of interest income (annualised) to average interest-earning assets was 8.4% and (annualised) return on the loan portfolio accounted for 9.8% of the average loan portfolio.

Interest expense for the fourth quarter of 2021 was 2.0 million euros, having grown by 0.1 million euros (3.8%) year on year. The ratio of interest expense to interest income was 9.6% in the fourth quarter. The ratio of interest expense to average interest-bearing liabilities (annualised) was 0.9%.

Salaries and associated charges for the fourth quarter of 2021 totalled 5.3 million euros. At the end of the period, the Group had 464 employees.

Other operating expenses for the fourth quarter amounted to 4.2 million euros, being higher by 1.0 million euros than in the year-earlier period.

In the fourth quarter, impairment losses were 3.4 million euros, consisting of:

- impairment losses on loan receivables of 2.3 million euros;
- impairment losses on interest receivables and other receivables of 1.1 million euros.

The Group's net profit for the fourth quarter of 2021 amounted to 12.8 million euros. In comparison to the fourth quarter of 2020, net profit has increased by 5.5 million euros. The main drivers of profit growth were lower credit loss allowances charges, income from the revaluation of investment properties and gains on the acquisition of agricultural businesses.

Capital ratios

Own funds

The methods used by the Group for calculating own funds are stipulated in regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD 4) as transposed into Estonian law.

Total own funds, capital ratios and total risk exposure are presented at the supervisory reporting group level: the companies Palupera Põllud OÜ and Abja Põld OÜ have been accounted for using the equity method based on the CRR scope of consolidation, not using consolidation according to the IFRS accounting treatment.

At *(in thousands of euros)*	**31 Dec 2021**	**31 Dec 2020**
Paid-in share capital	8,000	8,000
Capital reserve	800	800
Prior years retained earnings	140,363	125,021
Other accumulated comprehensive income	1,076	1,075
Other intangible assets	-17,487	-12,495
Profit eligible*	17,053	9,815
Adjustments to CET1	-383	-45
Common equity Tier 1 capital	**149,422**	**132,171**
Tier 1 capital	**149,422**	**132,171**
Tier 2 capital	**15,000**	**5,000**
Total own funds	**164,422**	**137,171**

* Own funds include nine months net profit that has been verified by an independent external auditor in the review of the financial information, less foreseeable dividends and following the permit of the Estonian Financial Supervision and Resolution Authority.

Article 26(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (2) has introduced a procedure whereby the permission of the competent authority is required for the inclusion of interim profits or year-end profits in Common Equity Tier 1 (CET1) capital before an institution has taken a formal decision confirming the final profit or loss of the institution for the year. Such permission is granted where the following two conditions are met: profits have been verified by persons independent of the institution that are responsible for the auditing of the accounts of that institution; and the institution has demonstrated that any foreseeable charge or dividend has been deducted from the amount of those profits.

Total risk exposure amount

At *(in thousands of euros)*	**31 Dec 2021**	**31 Dec 2020**
Risk weighted exposure amounts for credit and counterparty credit (standardised approach)		
Central governments or central banks	553	-
Institutions	14,587	12,865
Corporates	207,846	52,950
Retail	444,278	375,796
Secured by mortgages on immovable property	46,420	17,525
Exposures in default	13,314	12,835
Claims on institutions and corporates with a short-term credit assessment	711	2,499
Equity	4,780	-
Other items	62,073	46,327
Total risk weighted exposure amounts for credit and counterparty credit (standardised approach)	**794,562**	**520,797**
Total risk exposure amount for position, foreign exchange and commodities risks	**-**	-
Total risk exposure amount for operational risk (standardised approach)	**103,721**	**104,404**
Total risk exposure amount for credit valuation adjustment (standardised approach)	-	**-**
Total risk exposure amount	**898,283**	**625,201**

Capital ratios

At	**31 Dec 2021**	**31 Dec 2020**
T1 Capital ratio	16.6%	21.1%
Total capital ratio	18.3%	21.9%
Leverage ratio	12.7%	17.2%
Minimum requirement for own funds and eligible liabilities (MREL)	18.3%	18.7%

Condensed consolidated interim financial statements

Consolidated statement of financial position

At *(in thousands of euros)*	Note	31 Dec 2021	31 Dec 2020
Assets			
Cash balances at central banks	2	78,732	48,336
Due from other banks	2	37,216	27,074
Debt instruments at fair value through other comprehensive income	3	45,256	45,845
Loans to customers	4, 5, 6, 7, 8	896,238	577,712
Other receivables and inventories	9	2,655	1,105
Prepayments	10	1,465	1,249
Property, plant and equipment	11	20,940	4,424
Investment properties	12	41,590	27,181
Intangible assets	13	27,025	24,213
Assets classified as held for sale		11	650
Total assets		**1,151,128**	**757,789**
Liabilities			
Loans from central banks	14	36,500	36,500
Deposits from customers	15	898,340	547,549
Subordinated notes		14,976	4,970
Lease liabilities		1,806	2,099
Provisions		266	1,516
Deferred income and tax liabilities		1,930	1,023
Other liabilities	16	11,189	7,894
Total liabilities		**965,007**	**601,551**
Equity			
Paid-in share capital		8,000	8,000
Capital reserve		800	800
Other reserves	17	1,076	1,075
Retained earnings		176,245	146,363
Total equity		**186,121**	**156,238**
Total liabilities and equity		**1,151,128**	**757,789**

Consolidated statement of comprehensive income

(in thousands of euros)	Note	Q4 2021	Q4 2020	12M 2021	12M 2020
Interest income	21	20,474	17,721	77,488	69,751
Interest expense	22	-1,971	-1,898	-7,824	-6,996
Net interest income		**18,503**	**15,823**	**69,664**	**62,755**
Fee and commission income		1,820	1,442	6,656	5,228
Fee and commission expense		-61	-59	-245	-235
Net fee and commission income		**1,759**	**1,383**	**6,411**	**4,993**
Loss on debt instruments at fair value through other comprehensive income		-90	-213	-165	-213
Net gain (loss) on exchange differences		-60	364	-156	279
Net gain (loss) on derecognition of non-financial assets		7	-1	10	-34
Other income	23	1,908	295	3,647	1,401
Total income		**22,027**	**17,651**	**79,411**	**69,181**
Salaries and associated charges		-5,282	-3,752	-17,898	-14,125
Administrative expenses	24	-4,160	-3,128	-14,381	-11,116
Depreciation, amortisation and impairment		-852	-866	-3,383	-3,456
Provision expenses		921	-74	1,249	622
Net loss allowances on loans and financial investments		-3,403	-2,581	-11,391	-14,037
Gains (losses) resulting from changes in the fair value of investment properties	12	3,124	-364	6,441	-364
Loss on impairment of goodwill	26	263	-	-667	-
Gain on bargain purchase	26	3,081	-	4,600	-
Other expenses	25	-2,104	-817	-5,145	-2,923
Total expenses		**-8,412**	**-11,582**	**-40,575**	**-45,399**
Profit before income tax		**13,615**	**6,069**	**38,836**	**23,782**
Income tax expense		-787	-542	-2,954	-2,440
Profit for the period		**12,828**	**5,527**	**35,882**	**21,342**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating of foreign operations		40	-328	125	-272
Changes in the fair value of debt instruments at fair value through other comprehensive income		-138	473	-298	51
Net other comprehensive income to be reclassified to profit or loss		**-98**	**145**	**-173**	**-221**
Items that will not to be reclassified to profit or loss:					
Revaluation of land and buildings		174	64	174	64
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**174**	**64**	**174**	**64**
Other comprehensive income for the period		**76**	**209**	**1**	**-157**
Total comprehensive income for the period		**12,904**	**5,736**	**35,883**	**21,185**

Consolidated statement of cash flows

(in thousands of euros)	Note	12M 2021	12M 2020
Cash flows from operating activities			
Interest received		73,211	65,592
Interest paid		-6,713	-5,137
Salary, administrative and other expenses paid		-42,001	-31,458
Other income and fees received		11,347	7,305
Recoveries of receivables previously written off and received for sold portfolios		8,721	10,071
Received for other assets		757	112
Loans provided		-615,213	-364,944
Repayment of loans provided		299,350	231,537
Change in mandatory reserves with central banks	2	-2,415	-808
Proceeds from customer deposits		710,696	340,409
Paid on redemption of deposits		-359,081	-190,135
Income tax paid/received		-2,144	-1,682
Effect of movements in exchange rates		-40	-186
Net cash from operating activities		**76,475**	**60,676**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	11, 13	-4,511	-7,224
Proceeds from sale of property and equipment		19	9
Acquisition of investment properties	12	-29,259	-23,907
Proceeds from sale of investment properties		125	141
Net cash from acquisition of a subsidiary		-	38
Paid in connection with business combinations	26	-7,267	-
Cash acquired in business combinations	26	315	-
Acquisition of financial instruments	3	-4,557	-15,784
Proceeds from redemption of financial instruments	3	5,158	1,868
Net cash used in investing activities		**-39,977**	**-44,859**
Cash flows from financing activities			
Received from issue of notes		10,000	-
Paid on redemption of subordinated notes		-330	-330
Proceeds from loans from central bank	14	-	13,500
Proceeds from negative interest on loans from central bank		522	-
Repayment of loan from shareholders		-	-2,000
Repayment of other loan		-1,700	-
Payment of principal portion of lease liabilities		-658	-680
Dividends paid		-6,000	-6,000
Net cash from financing activities		**1,834**	**4,490**
Effect of exchange rate fluctuations		-211	363
Decrease in cash and cash equivalents		**38,121**	**20,670**
Cash and cash equivalents at beginning of period		73,650	52,980
Cash and cash equivalents at end of period	2	**111,771**	**73,650**

Consolidated statement of changes in equity

	Attributable to equity holders of the parent				
(in thousands of euros)	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020	**8,000**	**800**	**1,232**	**131,021**	**141,053**
Profit for the period	-	-	-	21,342	21,342
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	-272	-	-272
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	51	-	51
Revaluation of land and buildings	-	-	64	-	64
Total other comprehensive income	**-**	**-**	**-157**	**-**	**-157**
Total comprehensive income for the period	**-**	**-**	**-157**	**21,342**	**21,185**
Dividend distribution	-	-	-	-6,000	-6,000
Total transactions with owners	**-**	**-**	**-**	**-6,000**	**-6,000**
Balance at 31 December 2020	**8,000**	**800**	**1,075**	**146,363**	**156,238**
Balance at 1 January 2021	**8,000**	**800**	**1,075**	**146,363**	**156,238**
Profit for the period	-	-	-	35,882	35,882
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	125	-	125
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-298	-	-298
Revaluation of land and buildings	-	-	174	-	174
Total other comprehensive income	**-**	**-**	**1**	**-**	**1**
Total comprehensive income for the period	**-**	**-**	**1**	**35,882**	**35,883**
Dividend distribution	-	-	-	-6,000	-6,000
Total transactions with owners	**-**	**-**	**-**	**-6,000**	**-6,000**
Balance at 31 December 2021	**8,000**	**800**	**1,076**	**176,245**	**186,121**

Notes to the condensed consolidated interim financial statements

Note 1. Basis of preparation, significant accounting policies, estimates and assumptions and risk management

Basis of preparation

The condensed consolidated interim financial statements of Bigbank AS at and for the twelve months ended 31 December 2021 have been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The interim financial statements do not include all the information required for full annual financial statements and they should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS EU).

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

This interim report has not been audited or otherwise reviewed by auditors and only includes the condensed consolidated financial statements of the Group. The financial statements are presented in thousands of euros, unless otherwise indicated.

New standards and amendments

A number of amended standards (*Amendments to IFRS 16 – COVID-19-Related Rent Concessions* and Amendments *to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2*) became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Significant accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The impact of management's estimates is most critical regarding loss allowances for loans and interest receivables. The measurement of expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is a significant estimate that involves determination of methodology, models and data inputs. The loss allowances are disclosed in notes 4, 6 and 8. The following components have a major impact on credit loss allowance: definition of default, determining criteria for significant increase in credit risk, probability of default (PD), exposure at default (EAD), and loss given default (LGD), establishing groups of similar financial assets for the purpose of measuring ECL, as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. There have been no significant changes in either methodology or models during the current reporting period.

Risk management

The primary objectives of risk management are to protect the Group's financial strength and limit the impact of potential adverse events on the Group's capital, liquidity and financial results, and to ensure that the outcomes of risk-taking activities are consistent with the Group's strategies and risk appetite, and that there is an appropriate balance between risk and reward. Effective risk and capital management is an essential component of the Group's management. It has a crucial impact on the long-term results and sustainability of the business model.

Risk taking is an unavoidable part of the Group's business activities and risk management supports business activities and decision making, ensuring that there is as clear information as possible about the risk and reward of different choices. Risk management is an integral part of the strategic decision making and daily business decision making process.

The following principles are followed in risk and capital management:

- Well-balanced portfolio. The Group maintains a well-diversified credit portfolio and takes limited risk in financial markets. Since uncertain changes in any individual position may seriously affect Group's overall risk position, over-reliance on single counterparties and concentrations of risk are avoided.
- Risk profile by significant countries of operation and significant product groups. The credit portfolio is

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (In thousands of euros, unaudited)

reasonably balanced between different countries of operation and products. The management board determines at least annually the maximum exposure limits for individual countries of operation and significant product groups. Any target risk profile change must take into account established limits and potential effects. The actual risk profile is regularly measured against such limits.

- Quality of assets. Any changes in the target risk profile that may significantly affect the quality of assets are properly analysed and assessed before the changes are made.
- Strong liquidity position. The Group maintains a conservative liquidity risk profile and a sufficient portfolio of liquid assets at all times. Concentrations of funding and liquid assets are avoided.
- Adequate capital. The Group maintains a strong and rather conservative capitalisation level (capital adequacy). The Group makes sure that it has adequate capital to cover its risks and comply with regulatory (Pillar 1) and internal capital requirements (Pillar 2) as well as the minimum capital requirement.
- Reasonable risk level. The Group does not accept unreasonably high risk even when there is potential for exceptionally high profit as a result of risk taking. Risks which the Group cannot assess or manage adequately or for which it does not have sufficient experience or knowledge are avoided.
- Low tolerance to specified types of risks. The Group has low tolerance to certain risk types as specified in the policies for individual risks.
- Reliable structure of the statement of financial position. The Group is not required to maintain a specific structure of the statement of financial position but risk appetite that may have a significant impact on the structure of the statement of financial position is carefully assessed (the impacts of the changes in the structure of the statement of financial position are analysed) and changed, where necessary, before it is approved.

The main risk the Group has identified in its operations is credit risk, which arises in lending to customers. Other material risks are market risk (including IRRBB, i.e. interest rate risk in the banking book), liquidity risk, operational risk, reputational risk, business and strategic risk. In order to cover these risks Group holds a capital buffer and liquidity reserves for unforeseen events. Risks are assessed and identified regularly, as a part of its internal capital adequacy assessment process (ICAAP) and internal liquidity assessment process (ILAAP).

Risk and capital management principles for the Group are established in the risk and capital management policy approved by the supervisory board of Bigbank AS.

There have been no significant changes in risk management during the current reporting period.

Note 2. Cash and bank balances and cash equivalents

At	31 Dec 2021	31 Dec 2020
Cash balances at central banks	**78,732**	**48,336**
Of which mandatory reserve deposits	4,181	1,767
Of which surplus on mandatory reserves*	74,555	46,576
Of which interest receivable from central banks	-4	-7
Cash balances at banks	**37,216**	**27,074**
Of which cash demand and overnight deposits*	37,216	23,074
Of which term deposits with maturity of less than 3 months*	-	4,000
Total cash and balances at banks	**115,948**	**75,410**
of which cash and cash equivalents	**111,771**	**73,650**

* Cash equivalents

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Note 3. Debt instruments at fair value through other comprehensive income

At	31 Dec 2021	31 Dec 2020
Debt instruments	**45,256**	**45,845**
Debt instruments by issuer		
General government bonds	3,383	4,197
Bonds issued by credit institutions	14,404	16,432
Other financial corporations' bonds	2,038	2,065
Non-financial corporations' bonds	25,431	23,151
Debt instruments by currency		
EUR (euro)	42,713	43,181
SEK (Swedish krona)	2,543	2,664
Debt instruments by rating		
Aaa-Aa3	6,754	7,589
A1-A3	25,636	23,729
Baa1-Baa3	12,866	10,518
Ba1-Ba3	-	4,009

Debt securities in amount of 39,450 thousand euros were pledged as collateral at 31 December 2021 (see note 14).

Note 4. Loans to customers

Loans to customers at 31 December 2021

	Estonia	Latvia	Lithuania	Finland	Sweden	Bulgaria	Total
Loan receivables from customers	287,705	152,870	283,025	105,588	75,838	1,645	906,671
Loss allowances for loans	-5,318	-5,491	-3,785	-6,028	-4,337	-47	-25,006
Interest receivable from customers	2,201	1,653	11,031	794	514	8	16,201
Loss allowances for interest receivables	-673	-491	-213	-100	-151	-	-1,628
Total loans to customers, incl. interest and allowances	**283,915**	**148,541**	**290,058**	**100,254**	**71,864**	**1,606**	**896,238**
Share of region	31.7%	16.5%	32.4%	11.2%	8.0%	0.2%	100.0%

Loans to customers at 31 December 2020

	Estonia	Latvia	Lithuania	Finland	Sweden	Total
Loan receivables from customers	135,985	133,097	179,507	79,850	63,120	591,559
Loss allowances for loans	-5,968	-7,065	-3,735	-5,176	-3,634	-25,578
Interest receivable from customers	2,367	1,986	8,045	788	318	13,504
Loss allowances for interest receivables	-784	-643	-121	-141	-84	-1,773
Total loans to customers, incl. interest and allowances	**131,600**	**127,375**	**183,696**	**75,321**	**59,720**	**577,712**
Share of region	22.8%	22.1%	31.8%	13.0%	10.3%	100.0%

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Note 5. Loan receivables from customers by due dates

At	31 Dec 2021	31 Dec 2020
Past due loan payments	16,086	16,196
Contractual principal payments cash flows of loans		
Less than 1 month	11,002	9,450
1-12 months	146,540	122,372
1-2 years	156,726	120,016
2-5 years	356,591	216,562
More than 5 years	219,726	106,963
Total	**906,671**	**591,559**

Note 6. Ageing analysis on loan receivables

Ageing analysis at 31 December 2021

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Unsecured loans						
Loan portfolio	529,954	27,565	6,913	3,438	17,083	584,953
Loss allowance	-9,677	-2,338	-2,333	-1,401	-8,820	-24,569
Surety loans						
Loan portfolio	45,336	86	31	-	95	45,548
Loss allowance	-11	-5	-13	-	-91	-120
Loans secured with real estate						
Loan portfolio	266,653	1,944	313	211	638	269,759
Loss allowance	-179	-29	-12	-5	-79	-304
Loans against other collaterals						
Loan portfolio	5,981	430	-	-	-	6,411
Loss allowance	-12	-1	-	-	-	-13
Total loan portfolio	**847,924**	**30,025**	**7,257**	**3,649**	**17,816**	**906,671**
Total loss allowance	-9,879	-2,373	-2,358	-1,406	-8,990	-25,006

Ageing analysis at 31 December 2020

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Unsecured loans						
Loan portfolio	463,463	24,808	6,161	3,265	17,696	515,393
Loss allowance	-10,935	-1,695	-1,870	-1,305	-8,908	-24,713
Surety loans						
Loan portfolio	2,619	76	36	2	284	3,017
Loss allowance	-253	-4	-2	-1	-195	-456
Loans secured with real estate						
Loan portfolio	66,300	3,951	61	133	967	71,412
Loss allowance	-7	-3	-3	-	-395	-408
Loans against other collaterals						
Loan portfolio	1,680	57	-	-	-	1,737
Loss allowance	-2	-	-	-	-	-2
Total loan portfolio	**534,062**	**28,892**	**6,258**	**3,400**	**18,947**	**591,559**
Total loss allowance	-11,197	-1,702	-1,875	-1,306	-9,498	-25,578

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Note 7. Loan receivables from customers by contractual currency

At	31 Dec 2021	31 Dec 2020
EUR (euro)	829,188	528,439
SEK (Swedish krona)	75,838	63,120
BGN (Bulgarian lev)	1,645	-
Total loan receivables from customers	**906,671**	**591,559**

Note 8. Loss allowances for loan receivables from customers

Loss allowances at 31 December 2021

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	858,069	12,571	870,640	-8,438
Stage 2	25,063	622	25,685	-5,044
Stage 3	23,539	3,008	26,547	-13,152
Total	**906,671**	**16,201**	**922,872**	**-26,634**

Loss allowances at 31 December 2020

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	545,266	9,666	554,932	-10,397
Stage 2	23,667	642	24,309	-3,965
Stage 3	22,626	3,196	25,822	-12,989
Total	**591,559**	**13,504**	**605,063**	**-27,351**

Development of allowances for 12 months 2021

	Opening balance at 1 Jan 2021	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-10,397	-4,332	1,852	4,262	177	-8,438
Stage 2	-3,965	-1,736	313	-527	871	-5,044
Stage 3	-12,989	-1,419	1,068	-6,434	6,622	-13,152
Total	**-27,351**	**-7,487**	**3,233**	**-2,699**	**7,670**	**-26,634**

Development of allowances for 12 months 2020

	Opening balance at 1 Jan 2020	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-7,721	-5,793	1,340	1,594	183	-10,397
Stage 2	-5,070	-1,142	497	310	1,440	-3,965
Stage 3	-11,502	-1,500	747	-7,475	6,741	-12,989
Total	**-24,293**	**-8,435**	**2,584**	**-5,571**	**8,364**	**-27,351**

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Note 9. Other receivables

At	31 Dec 2021	31 Dec 2020
Customer receivables and other miscellaneous receivables	1,637	849
Collection, recovery and other charges receivable	425	468
Loss allowance for other receivables	-186	-212
Inventories	768	-
Total	**2,644**	**1,105**

Note 10. Prepayments

At	31 Dec 2021	31 Dec 2020
Tax receivables	400	439
Prepaid other taxes	-	16
Prepayments to suppliers and prepaid expenses	1,065	794
Total	**1,465**	**1,249**

Note 11. Tangible assets

At	31 Dec 2021	31 Dec 2020
Land	9,012	-
Buildings	7,672	1,582
Right-of-use assets: office premises	1,409	2,084
Right-of-use assets: agricultural equipment and machinery	621	-
Other items - computers, office equipment, furniture, other fixtures, fittings	1,188	758
Biological assets	1,038	-
Total	**20,940**	**4,424**

Other items comprise computers, office equipment and furniture and other fixtures and fittings. Leased agricultural machinery and leased office premises are recognized as right-of-use assets. Biological assets include dairy herds and grasslands.

Land and buildings, other items and biological assets

	Land and buildings	Other items	Biological assets	Total
Cost				
Balance at 1 January 2020	1,590	4,230	-	5,820
Purchases	-	83	-	83
Sales	-	-49	-	-49
Write-off	-	-54	-	-54
Revaluation recognised in other comprehensive income	-8	-	-	-8
Effect of movements in exchange rates	-	1	-	1
Balance at 31 December 2020	**1,582**	**4,211**	**-**	**5,793**

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	Land and buildings	Other items	Biological assets	Total
Balance at 1 January 2021	1,582	4,211	-	5,793
Purchases	35	453	62	550
Sales	-	-108	-	-108
Write-off	-	-44	-	-44
Revaluation recognised in other comprehensive income	113	-	-	113
Additions from business combinations (note 26)	10,680	860	976	12,516
Transfer from investment property	4,338	-	-	4,338
Balance at 31 December 2021	**16,748**	**5,372**	**1,038**	**23,158**
Depreciation				
Balance at 1 January 2020	-10	-2,740	-	-2,750
Depreciation charge for the year	-62	-796	-	-858
Sales	-	31	-	31
Write-off	-	53	-	53
Transfer*	72	-	-	72
Effect of movements in exchange rates	-	-1	-	-1
Balance at 31 December 2020	**-**	**-3,453**	**-**	**-3,453**
Balance at 1 January 2021	-	-3,453	-	-3,453
Depreciation charge for the period	-90	-492	-	-582
Sales	-	98	-	98
Write-off	-	43	-	43
Additions from business combinations (note 26)	-58	-379	-	-437
Transfer*	84	-	-	84
Effect of movements in exchange rates	-	-1	-	-1
Balance at 31 December 2021	**-64**	**-4,184**	**-**	**-4,248**
Carrying amount				
Balance at 1 January 2020	1,580	1,490	-	3,070
Balance at 31 December 2020	1,582	758	-	2,340
Balance at 31 December 2021	**16,684**	**1,188**	**1,038**	**18,910**

* Land and buildings are measured using the revaluation model. Accumulated depreciation at the revaluation date was eliminated against the gross carrying amount of the revalued assets.

Right-of-use assets

At	31 Dec 2021	31 Dec 2020
Carrying amount at 1 January	2,084	2,087
Adjustment*	-299	-
Additions	130	213
Termination of lease	-	-46
Depreciation charge	-595	-689
Price adjustment	53	519
Additions from acquisitions of business combinations	657	-
Carrying amount at end of period	**2,030**	**2,084**

* Both right-of-use assets and lease liabilities were reduced by non-recoverable value-added tax charged on rental services.

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Note 12. Investment properties

At	31 Dec 2021	31 Dec 2020
Opening balance at 1 January	27,181	1,781
Additions	29,274	25,849
Sales	-16,968	-85
Reclassification as office premises*	-4,338	-
Net profit/loss from fair value adjustment	6,441	-364
Closing balance at end of period	**41,590**	**27,181**

* A part of a building initially acquired as investment property was reclassified to property, plant and equipment as the Group is going to use this part of the building as office premises.

Investment properties include buildings in Tallinn, Tartu and Pärnu and agricultural land.

Note 13. Intangible assets

	31 Dec 2021	31 Dec 2020
Cost at beginning of year	**29,948**	**23,268**
Purchased and developed software	5,018	6,926
Of which purchases	2,221	3,846
Of which capitalised payroll costs	2,797	3,080
Write-off	-	-246
Cost at end of period	**34,966**	**29,948**
Amortisation at beginning of year	**-5,735**	**-4,014**
Amortisation charge for the period	-2,206	-1,909
Write-off	-	188
Amortisation at end of period	**-7,941**	**-5,735**
Carrying amount at beginning of year	24,213	19,254
Carrying amount at end of period	**27,025**	**24,213**

The Group's intangible assets comprise various software. The Group continues its investments in the information and banking technology solution called Nest, the first stage of which was implemented in 2017 in Finland and which has been deployed in all branches by the end of 2019. The purchases also include the capitalised payroll and payroll-related costs for employees who were directly associated with the Nest development.

Note 14. Loans from central banks

In 2019 and 2020, the Group obtained from the ECB's third series of targeted longer-term refinancing operations (TLTRO-III) financing in the total value of 36.5 million euros. The initial maturity of the liability was 3 years with an early repayment option starting on 29 September 2021. The basic interest rate on TLTRO-III borrowing has been -0.5%. The interest rate is linked to a reference rate which may change in the future. For banks meeting the ECB's specified lending criteria, which the Group met for the first reference period, the interest rate can be as low as -1.0% and is applicable retrospectively. In the reporting period, the amount of negative interest of 0.5 million euros was recognised within interest income. The ECB's financing is secured by debt securities. At 31 December 2021, loans from central banks amounted to 36.5 million euros.

The targeted longer-term refinancing operations (TLTROs) are Eurosystem operations that provide financing to credit institutions. By offering banks long-term funding on attractive terms they preserve favourable borrowing conditions for banks and stimulate bank lending to the real economy. The third TLTRO programme consists of a series of ten targeted longer-term refinancing operations, each with a maturity of three years, starting in September 2019 at a quarterly frequency.

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Note 15. Deposits from customers

At	31 Dec 2021	31 Dec 2020
Deposits from customers	**898,340**	**547,549**
Deposits by customer type		
Individuals	881,099	540,592
Legal persons	17,241	6,957
Deposits by currency		
EUR (euro)	815,783	476,789
SEK (Swedish krona)	82,557	70,760
Deposits by maturity		
Savings deposits (on demand)	343,782	68,643
Maturing within 1 months	20,343	16,078
Maturing between 1 and 6 months	102,546	96,084
Maturing between 6 and 12 months	109,273	108,713
Maturing between 12 and 18 months	60,309	54,047
Maturing between 18 and 24 months	64,227	48,689
Maturing between 24 and 36 months	80,110	63,196
Maturing between 36 and 48 months	42,027	27,365
Maturing between 48 and 60 months	32,728	24,178
Maturing in over 60 months	42,995	40,556

The median amount of customer deposits was 43 thousand euros.

Note 16. Other liabilities

At	31 Dec 2021	31 Dec 2020
Received surplus payments	5,516	4,785
Payables to employees	2,530	1,709
Supplier payables	1,792	405
Other payables	1,351	995
Total	**11,189**	**7,894**

Received surplus payments include surplus repayments of loans by customers that are paid prematurely and not yet matched to particular loan contracts due to uncertainty of nature of these payments.

Note 17. Other reserves

At	31 Dec 2021	Change	31 Dec 2020
Exchange differences on translation of foreign operations	727	125	602
Asset revaluation reserve	783	174	609
Fair value changes of debt instruments measured at FVOCI	-434	-298	-136
Total other reserves	**1,076**	**1**	**1,075**

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Note 18. Net currency positions

Net currency positions at 31 December 2021

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	82,750	82,941	-191
BGN (Bulgarian lev)	1,902	160	1,742

Net currency positions at 31 December 2020

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	71,995	73,179	-1,184
BGN (Bulgarian lev)	-	10	-10
USD (American dollar)	-	19	-19

The loans provided by the Group are denominated in the currency of the corresponding region or in euros.

Note 19. Fair values of assets and liabilities

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

According to management's estimates the fair values of the assets and liabilities reported in the statement of financial position at 31 December 2021 and 2020 do not differ significantly from their carrying amounts.

The different levels have been defined as follows:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical instruments.
- *Level 2*: Inputs other than quoted prices included within level 1 that are observable for instruments, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3*: Inputs that are not based on observable market data (that is, unobservable inputs). This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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Fair value hierarchy at 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 3)	45,256	-	-	45,256
Land and buildings (note 11)	-	-	17,722	17,722
Investment properties (note 12)	-	-	41,590	41,590
Assets for which fair values are disclosed				
Loans to customers (note 4-8)	-	-	896,238	896,238
Other financial receivables (note 9)			2,655	2,655
Total assets	**45,256**	**-**	**958,205**	**1,003,461**
Liabilities for which fair values are disclosed				
Loans from central banks (note 14)	-	-	36,500	36,500
Deposits from customers (note 15)	-	-	898,340	898,340
Subordinated notes	-	-	14,976	14,976
Lease liability	-	-	1,806	1,806
Other financial liabilities (note 16)	-	-	11,189	11,189
Total liabilities	**-**	**-**	**962,811**	**962,811**

Fair value hierarchy at 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 3)	45,845	-	-	45,845
Land and buildings (note 11)	-	-	1,582	1,582
Investment properties (note 12)	-	-	27,181	27,181
Assets for which fair values are disclosed				
Loans to customers (note 4-8)	-	-	577,712	577,712
Other financial receivables (note 9)			1,105	1,105
Total assets	**45,845**	**-**	**607,580**	**653,425**
Liabilities for which fair values are disclosed				
Loans from central banks (note 14)	-	-	36,500	36,500
Deposits from customers (note 15)	-	-	547,549	547,549
Subordinated notes	-	-	4,970	4,970
Lease liability	-	-	2,099	2,099
Other financial liabilities (note 16)	-	-	7,894	7,894
Total liabilities	**-**	**-**	**599,012**	**599,012**

There were no transfers between level 1 and level 2 in 2021 or 2020.

The Level 3 *loans to customers* that amounts to 896,238 thousand euros are measured at amortised cost using the effective interest rate method less any loss allowances. For fair valuation purpose the estimated cash-flows have been discounted at the prevailing market interest rates, the result being not materially different from that recognised under the amortised cost method using effective interest rate.

The Level 3 *land and buildings* that amounts to 17,722 thousand euros consists of real estate used by the Group as office premises in Tallinn, other buildings (agricultural production and storage buildings) and agricultural land. The biological assets include livestock – dairy cattle and young stock –, planted perennial grasslands and growing winter crops.

The office premises in Tallinn were valued using the income approach and the following inputs: the estimated rental income per square metre per month for commercial space in Tallinn is 11 euros, the rental growth rate is 1.5%, the long-term vacancy rate is 5% and the discount rate is 8.5%. Part of the office premises have been rebuilt from residential space and they were valued using the market comparison approach, whereby the valuation was based on the prices per square metre of residential space in Tallinn city centre of 3,497 – 3,675 euros less the costs of transforming the office space back into apartments.

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The agricultural land acquired upon the acquisition of the business of Abja Farmid (see note 26) in September 2021 was recognised at fair value as determined in the purchase price allocation. The fair value found in the purchase price allocation is based on a valuer's appraisal according to which the average price per hectare of agricultural land at the date of valuation was close to 7,000 euros. The fair values of agricultural production and storage buildings were also determined during the purchase price allocation using a valuer's appraisal.

Biological assets are measured at fair value less costs to sell. The value of livestock is based on local Estonian market prices for livestock of similar age, breed and genetic merit, with adjustments, where necessary, to reflect the differences. Management determined the fair values of heifers transferred to dairy cattle based on the animal's pregnancy status and the month of first calving, setting the values of the animals in the range of 1,000 and 1,500 euros. At the values determined this way, the animals are carried in the statement of financial position until the end of the first lactation, after which the value of the animal begins to decrease with each lactation (the value is 900 euros during the second lactation, 500 euros during the third lactation and 200 euros during further lactations). The fair value of newborn calves and young animals is determined by reference to the increase in weight – the value of each kilogram of live weight is approximately 2 euros.

Unlike other biological assets, perennial grasslands and growing (winter) crops have been measured at cost (see note 1, the section *Biological assets)*. The deemed cost is based on the cost of high-quality grassland in public sources of 300 euros per hectare.

The Level 3 *investment properties* that amount to 41,590 thousand euros consist of office buildings in Tartu, Tallinn and Pärnu and agricultural land leased to farmers. Investment properties are measured at the fair value in the financial statements.

The office building in Tartu was valued using the residual method based on the highest and best use of the property. The residual method takes into account the profit that could be earned if the existing property were developed and sold as an apartment building. The following inputs were used in the valuation of the property: the sales price per square metre for flats in Tartu old town of 3,500 euros and development costs per square metre of 1,588 euros.

The fair values of other office buildings in Tallinn and Pärnu were estimated using the income approach based on rental prices of 11-13 euros per square metre in Tallinn and 4-12 euros per square metre in Pärnu.

Agricultural land was valued using the market comparison approach. Based on valuation reports, the best use of the land is the existing use for agricultural purposes. According to the valuation reports, the average price per hectare of agricultural land was 5,600 euros.

Valuations of investment property are performed at each reporting date to make sure that the assets are measured at fair value at the reporting date.

The Group engaged independent valuation experts to assess the fair values of its investment properties and land and buildings at 31 December 2021, and as the valuation showed that the fair values of office buildings, premises and agricultural land had changed, a revaluation was performed.

Management decided that investment properties acquired recently (up to 1 month before the reporting date) did not require revaluation, assuming that the carrying amounts of those properties corresponded to their fair values because the assets were exchanged in arm's length transactions between independent parties and that the time between the date of acquisition and the reporting date was very short.

Note 20. Contingent liabilities

At 31 December 2021, the unused portions of the credit lines and loans totalled 93,825 thousand euros (31 December 2020: 44,717 thousand euros), guarantees issued totalled 5 thousand euros (31 December 2020: 5 thousand euros).

Note 21. Interest income

	Q4 2021	Q4 2020	12M 2021	12M 2020
Interest income on loans to customers	20,247	17,569	76,402	69,122
Interest income on debt instruments	134	152	563	605
Interest income on deposits	-	1	1	8
Interest income on liabilities	93	-1	522	16
Total interest income	**20,474**	**17,721**	**77,488**	**69,751**

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Note 22. Interest expense

	Q4 2021	Q4 2020	12M 2021	12M 2020
Interest expense on deposits	1,827	1,753	7,208	6,495
Interest expense on notes	86	84	336	335
Interest expense on lease liabilities	5	6	22	26
Other interest expense	53	55	258	140
Total interest expense	**1,971**	**1,898**	**7,824**	**6,996**

Note 23. Other income

	Q4 2021	Q4 2020	12M 2021	12M 2020
Income from debt recovery proceedings	126	136	521	573
Rental income	873	129	1,826	418
Revenue from sales of agricultural products	995	-	995	-
Miscellaneous income	-86	30	305	410
Total other income	**1,908**	**295**	**3,647**	**1,401**

Note 24. Administrative expenses

	Q4 2021	Q4 2020	12M 2021	12M 2020
Marketing expenses	2,783	2,178	9,945	7,268
Short-term leases	109	26	193	50
Office and other similar administrative expenses	137	138	429	410
Other personnel-related expenses	268	59	769	450
Software licensing and other information technology costs	369	327	1,444	1,346
Other services	154	142	532	499
Postal supplies and charges	51	101	211	403
Telephone and other communications expenses	184	100	599	443
Miscellaneous operating expenses	105	57	259	247
Total other operating expenses	**4,160**	**3,128**	**14,381**	**11,116**

Note 25. Other expenses

	Q4 2021	Q4 2020	12M 2021	12M 2020
Expenses related to registry inquires	296	297	1,167	1,133
Expenses related to enforcement proceedings	173	156	684	578
Legal regulation charges	277	160	769	640
Expenses from investment properties	683	96	1,422	163
Costs of sold agricultural products and change in fair value of biological assets	511	-	591	-
Miscellaneous expenses	164	108	512	409
Total other expenses	**2,104**	**817**	**5,145**	**2,923**

Note 26. Business combinations

In 2021, Rüütli Majad OÜ – a subsidiary of Bigbank AS – acquired 100% of the shares in agricultural companies Abja Põld OÜ and Palupera Põllud OÜ, which in turn acquired the business of Abja Farmid OÜ. The total purchase consideration was 7,767 thousand euros, of which 500 thousand euros is payable after an 18-month closing period. The companies acquired are engaged in grain growing, milk production and dairy farming.

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Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration

	Palupera Põllud OÜ	Business of Abja Farmid	Abja Põld OÜ	Total
Acquisition date	*9 July 2021*	*15 Sept 2021*	*15 sept 2021*	
Cash paid	9	6,400	858	7,267
Cash to be paid after closing	-	500	-	500
Total purchase consideration	**9**	**6,900**	**858**	**7,767**

The preliminary fair value of assets and liabilities recognised as a result of the acquisition are as follows:

	Palupera Põllud OÜ	Business of Abja Farmid	Abja Põld OÜ	Total
Cash and cash equivalents	3	-	315	318
Property and equipment	-	10,581	1,179	11,760
Of which land (agricultural land)	-	8,971	6	8,977
Of which buildings	-	1,542	103	1,645
Of which other items	-	68	413	481
Of which right-of-use assets	-	-	657	657
Biological assets	-	887	89	976
Inventories and other receivables	-	84	1,119	1,203
Lease liabilities	-	-	-421	-421
Borrowings	-	-	-1,700	-1,700
Other liabilities	-	-52	-384	-436
Net identifiable assets acquired	**3**	**11,500**	**197**	**11,700**
Goodwill	6	-	661	667
Gain on bargain purchase	-	-4,600	-	-4,600
Total	**9**	**6,900**	**858**	**7,767**

Purchase price allocation requires management to make estimates, which in the case of land and buildings were based on valuers' appraisals. According to the valuation report, the average price per hectare of agricultural land at the date of the valuation was approximately 7,000 euros. In the case of buildings, the valuer used the income approach, based on the rental income of 0.5 to 2 euros per square metre. The fair value of biological assets, including inventories, was based on the sales price less costs to sell. In determining the fair value of other non-current assets, the management relied on the market value of the assets, their expected useful lives and the ability to generate benefits. The fair values of lease and loan liabilities are based on contractual obligations, the balances of other liabilities – current supplier payables and taxes payable – were compared with counterparties and their carrying amounts were considered equal to fair value.

On the acquisition of Palupera Põllud OÜ on 9 July 2021, an amount of 9 thousand euros was paid while the fair value of the assets was estimated at 3 thousand euros.

After the acquisition, goodwill resulting from the acquisitions was tested for impairment and as a result, an impairment loss of 661 thousand euros was recognised in profit or loss. The gain on a bargain purchase of 4,600 thousand euros was recognised in profit or loss. Acquisition-related costs were recognised in administrative expenses in profit or loss.

From the date of acquisition, the acquired businesses contributed 1,020 thousand euros to the Group's other income while their contribution to profit for the year (excluding gain on bargain purchases and impairment losses on goodwill) was 0 thousand euros. If the acquisition had occurred on 1 January 2021, the acquired businesses would have contributed an estimated 400 thousand euros of additional loss. This estimate is based on management's assumption that the fair values determined at the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

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Note 27. Related parties

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's business decisions. Related parties include:

- shareholders of Bigbank AS;
- members of Group companies' management and supervisory boards;
- close family members of the above;
- companies connected with the above persons, except where the persons cannot exert significant influence on the company's business decisions.

At 31 December 2021, the Group had a claim to related parties of 4,310 thousand euros (*Loans to customer*) (31 December 2020: 39 thousand euros), the interest income on that claim amounted to 102 thousand euros for 12 months of 2021 (for 12 months of 2020: 2 thousand euros). Loans granted to related parties are issued at market conditions.

A plot of land was sold to the company related to the owner at the acquisition price, the sale price was 100 thousand euros.

Claim to related parties

At	31 Dec 2021	31 Dec 2020
Loans to customers	4,310	39
Of which to members of management and supervisory boards	102	39
Of which to companies connected related parties	4,208	-

Statement by the Management Board

According to the knowledge and belief of the Management Board of Bigbank AS, at the date of publication:

- the figures and additional information presented in the condensed consolidated interim report for the twelve months of 2021 are true and complete; and
- the condensed consolidated financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows.
- The condensed consolidated interim report at 31 December 2021 has been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union and with the information disclosure requirements established by the Bank of Estonia.
- Financial statements have been prepared on a going concern basis.

Martin Länts	**Sven Raba**	**Mart Veskimägi**	**Argo Kiltsmann**
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
28 February 2022	28 February 2022	28 February 2022	28 February 2022
[digitally signed]	[digitally signed]	[digitally signed]	[digitally signed]