Bigbank

Interim condensed consolidated financial statements for the period ended 30 September 2023

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 2023 – 31 December 2023**
Reporting period	**1 January 2023 – 30 September 2023**
Chairman of the management board	**Martin Länts**
Core business line	**Provision of loans and acceptance of deposits**
Auditor	**KPMG Baltics OÜ**
Reporting currency	**The euro**

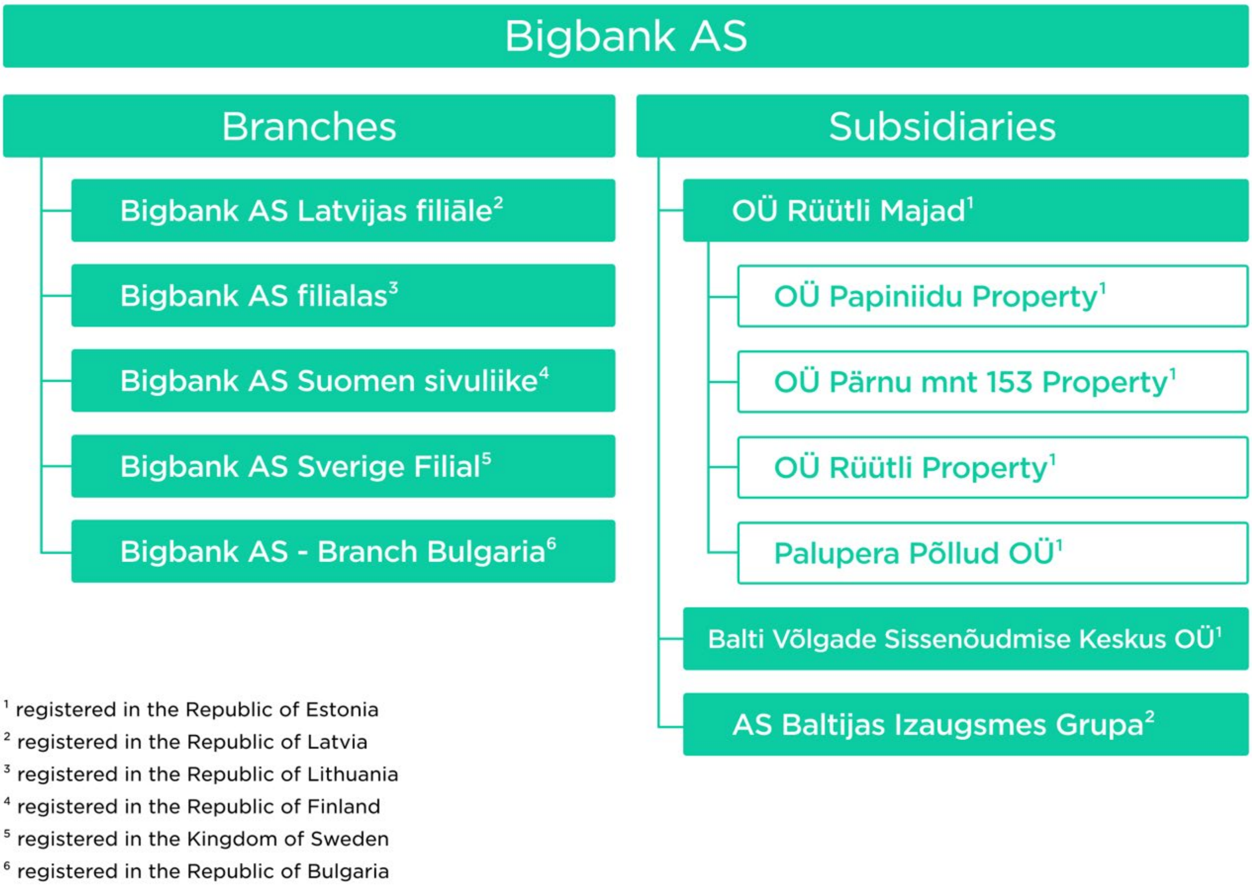
Interim report is available on the website of Bigbank AS at www.bigbank.ee.
The version in English is located at www.bigbank.eu.

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:



The branches in Latvia, Lithuania and Finland offer lending services similar to those of the parent, the Swedish and the Bulgarian branches suspended the issuance of new loans in 2022. The parent and its Latvian, Finnish, Swedish and Bulgarian branches also offer deposit services. In addition, Bigbank AS provides cross-border deposit services in Germany, the Netherlands and Austria.

The core business of OÜ Rüütli Majad and its subsidiaries OÜ Papiniidu Property and OÜ Pärnu mnt 153 Property is property management, and the subsidiaries OÜ Rüütli Property and Baltijas Izaugsmes Grupa AS are involved in agricultural land management. Balti Võlgade Sissenõudmise Keskus OÜ is not engaged in active business operations. At the reporting date, the agricultural company Palupera Põllud OÜ was in the process of discontinuing active operations.

Review of operations

Significant events

Bigbank ended the first nine months of 2023 with a net profit of 29.4 million euros, a 8.1 million euro (+38%) increase on the 21.3 million euros delivered in the first nine months of 2022. Net profit for the third quarter of 2023 was 12.4 million euros, which is 73% larger than a year earlier, when Bigbank earned a net profit of 7.2 million euros.

The Group's third-quarter results were influenced by the economic environment, particularly the relative stabilisation of interest rates at an elevated level. This means that interest income on loans linked to Euribor has grown significantly year on year but the quarterly growth rate has slowed. Competition for deposits raised from customers, on the other hand, has been growing steadily and in the third quarter the rise in deposit rates continued to outpace the increase in Euribor. This has created a beneficial situation for depositors: depending on the length of their deposit terms, depositors can earn interest rates that are equivalent to, or even higher, than the rates the ECB offers to banks.

The Group's net interest income for the first nine months of 2023 was 72.8 million euros, which is 11.7 million euros (+19%) more than a year earlier, when the figure was 61.1 million euros. Net interest income for the third quarter was 26.1 million euros, 4.7 million euros higher than in the same period in 2022.

Continuously depressed economic growth figures and low consumer confidence have not yet had any major negative effects on the labour market. Unemployment rates in the markets where Bigbank operates are low and wage growth continues. This, in turn, means that borrowers have not had significant loan servicing difficulties and the quality of the loan portfolio is good. At the end of the third quarter, only 1.6% of loan receivables were more than 90 days past due. As the loan portfolio has grown substantially, loan loss allowances for the first nine months of 2023 grew by 3.3 million euros (+31%) year on year, rising to 14.0 million euros, and loan loss allowances for the third quarter grew by 0.8 million euros year on year, rising to 5.0 million euros.

Corporate banking posted strong performance in the third quarter, supported by the high quality and growth of the loan portfolio as well as net gain on the revaluation of the underlying assets of investment loans with special features (loans with the features of a hybrid instrument). The segment's third-quarter profit before tax was 9.0 million euros and loan portfolio grew by 29 million euros (+5%) to 579 million euros during the quarter. The profit figure includes net gain on the revaluation of the underlying assets of loans with the features of a hybrid instrument, which amounted to 3.7 million euros. Net gain on the revaluation of the underlying assets of loans with the features of a hybrid instrument is calculated once a year based on growth in the market value of the customers' investment properties and the agreed profit sharing rate. Depending on the changes in the market value of the investment properties, the value of the underlying assets may also decrease in subsequent periods but the bank does not compensate customers for the decrease in the value of the underlying assets to an extent exceeding the gain recorded in previous periods.

The total loan portfolio grew to a record-breaking 1.6 billion euros, increasing by 97 million euros (+6%) in the third quarter and by 259 million euros (+19%) in the first nine months of 2023.

The home loan portfolio grew by 38 million euros (+14%) to 307 million euros and the consumer loan portfolio grew by 27 million euros (+4%) to 720 million euros in the third quarter.

The main developments in the deposit portfolio in the third quarter of 2023 were strong growth in savings and term deposits and the launch of savings deposits in Estonia. The Group's total deposit portfolio expanded to 1.8 billion euros, increasing by 184 million euros (+12%) during the quarter and by 415 million euros (+30%) during the nine months. The term deposit portfolio grew by 42 million euros (+5%) to 919 million euros and the savings deposit portfolio increased by 142 million euros (+20%) to 863 million euros during the quarter.

The Group's investment property portfolio, which includes both agricultural land and commercial real estate, stood at 45.5 million euros at the end of Q3. There Group did not conduct any transactions with investment properties during the quarter.

Bigbank continued to raise capital in the third quarter by carrying out another issue of AT1 bonds, which qualify as Tier 1 capital, in August. The issue size was 5.1 million euros: 508 bonds with a face value of 10,000 euros were issued. The funds raised will help the Group implement its growth plans in the home and corporate loan segments, and to meet the additional capital requirements resulting from the macroeconomic situation.

Bigbank's chairman of the supervisory board Parvel Pruunsild stepped down on 30 July 2023 and Sven Raba took over as the chairman of the supervisory board of Bigbank AS effective from 31 July 2023. Sven Raba worked for Bigbank in various roles from 2014 to 2022, including as the Group's CFO, chairman of the management board and, most recently, member of the management board responsible for technology.

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

The management board has five members: the chairman Martin Länts and the members Mart Veskimägi, Argo Kiltsmann, Ingo Põder and Ken Kanarik.

At the end of the third quarter of 2023, Bigbank had 491 employees: 296 in Estonia, 84 in Lithuania, 77 in Latvia, 20 in Finland, 7 in Sweden and 7 in Bulgaria.

Key performance indicators and ratios

Financial position indicators *(in millions of euros)*	**30 Sept 2023**	**31 Dec 2022**	**Change**
Total assets	2,119.2	1,646.4	28.7%
Loans to customers	1,608.7	1,349.8	19.2%
of which loan portfolio	1,611.6	1,355.8	18.9%
of which interest receivable	30.5	21.0	45.2%
of which loss allowances	-33.4	-27.0	23.7%
Deposits from customers	1,782.6	1,367.8	30.3%
Equity	237.2	213.4	11.2%

Financial performance indicators *(in millions of euros)*	**Q3 2023**	**Q3 2022**	**Change**	**9M 2023**	**9M 2022**	**Change**
Interest income	38.1	24.6	55.2%	100.9	69.6	45.1%
Interest expense	12.0	3.2	269.5%	28.1	8.5	230.6%
Salaries and associated charges	6.1	5.1	19.0%	17.7	15.3	15.7%
Other operating expenses	3.9	4.5	-15.8%	11.1	12.6	-11.6%
Net loss allowances on loans and financial investments	5.0	4.1	20.0%	14.0	10.7	30.2%
Profit before impairment losses and income tax	19.2	13.2	46.2%	48.1	35.9	34.1%
Net profit	12.4	7.2	72.8%	29.4	21.3	38.3%

Ratios	**Q3 2023**	**Q3 2022**	**9M 2023**	**9M 2022**
Return on equity (ROE)	21.5%	14.6%	17.7%	14.7%
Equity multiplier (EM)	8.8	7.6	8.4	7.0
Profit margin (PM)	27.4%	24.9%	25.8%	26.1%
Asset utilization ratio (AU)	8.8%	7.8%	8.2%	8.1%
Return on assets (ROA)	2.4%	1.9%	2.1%	2.1%
Price difference (SPREAD)	5.2%	6.1%	5.2%	6.4%
Cost to income ratio (CIR)	38.3%	46.2%	40.4%	46.5%
Liquidity coverage ratio (LCR)	411.4%	238.3%	411.4%	238.3%
Net stable funding ratio (NSFR)	148.8%	129.1%	148.8%	129.1%

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

Liquidity coverage ratio (LCR) = high quality liquid asset amount (HQLA) / net liquidity outflow over a 30 days stress period * 100

Net stable funding ratio (NSFR, %) = available stable funding / required stable funding * 100

Financial review

Financial position

At 30 September 2023, the Group's total assets amounted to 2.1 billion euros, having increased by 203.9 million euros (10.6%) during the quarter. Loans to customers accounted for 75.9% of total assets, amounting to 1.6 billion euros. The proportion of liquid assets (amounts due from banks and financial debt instruments) was 19.9%, extending to 421.8 million euros. Part of the bank's liquidity buffer has been placed in a portfolio of debt securities which are highly liquid, have investment grade credit ratings, and can be sold at any time. Debt instruments totalled 14.9 million euros at 30 September 2023.

At the end of the third quarter, the Group had 126 thousand loan agreements: 42 thousand in Lithuania, 33 thousand in Latvia, 28 thousand in Estonia, 16 thousand in Finland, 6 thousand in Sweden and 1 thousand in Bulgaria.

Geographical distribution of loans to customers:

- 41.9% Estonia;
- 34.3% Lithuania;
- 14.5% Latvia:
- 6.8% Finland;
- 2.2% Sweden;
- 0.3% Bulgaria.

At 30 September 2023, loans to customers totalled 1.6 billion euros, comprising of:

- the loan portfolio of 1.6 billion euros with loans to individuals accounting for 64.2% of the total;
- interest receivable on loans of 30.5 million euros;
- loss allowances for loans and interest receivables of 33.4 million euros.

Bigbank's loan portfolio is diversified – at the reporting date the average loan balance was above 13 thousand euros.

To mitigate the risks arising from customers' payment behaviour and to cover potential credit losses, the Group makes loss allowances. Impairment calculations are made conservatively. 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 third quarter of 2023, the Group's liabilities totalled 1.9 billion euros. Most of the debt raised by the Group, i.e. 1.8 billion euros (94.7%) consisted of deposits. Subordinated bonds totalled 71.5 million euros at 30 September 2023.

At the end of the third quarter of 2023, the Group's equity amounted to 237.2 million euros. The equity to assets ratio was 11.2%.

Financial performance

Interest income for the third quarter of 2023 was 38.1 million euros, 13.6 million euros (55.2%) higher than in the same period in 2022. The third-quarter ratio of interest income (annualised) to average interest-earning assets was 7.9% and (annualised) interest income on the loan portfolio accounted for 9.0% of the average loan portfolio.

Interest expense for the third quarter of 2023 was 12.0 million euros, 8.8 million euros (269.5%) up year on year. The increase in interest expense is attributable to growth in deposits raised, the issue of new subordinated bonds and a rise in deposit rates. The ratio of interest expense to interest income was 31.6% in the third quarter. The ratio of interest expense to average interest-bearing liabilities (annualised) was 2.8%.

Salaries and associated charges for the third quarter of 2023 were 6.1 million euros. At the end of the period, the Group had 491 employees.

Administrative expenses for the third quarter amounted to 3.8 million euros, 0.7 million euros down year on year.

Impairment losses for the third quarter were 5.0 million euros, consisting of:

- impairment losses on loan receivables of 4.4 million euros;
- impairment losses on interest and other receivables of 0.6 million euros.

The Group's net profit for the third quarter of 2023 was 12.4 million euros, including gain on financial assets at fair value through profit or loss (FVTPL) of 3.8 million euros. Compared to the third quarter of 2022, net profit decreased by 5.2 million euros.

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 calculated at the supervisory reporting group level (i.e. not using the definition of a consolidated group as used for the purposes of preparing financial statements).

At *(in millions of euros)*	**30 Sept 2023**	**31 Dec 2022**
Paid-in share capital	8.0	8.0
Capital reserve	0.8	0.8
Prior years retained earnings	197.6	167.5
Other accumulated comprehensive income	1.4	3.4
Other intangible assets	-22.3	-22.4
Profit eligible	12.7	15.9
Adjustments to CET1	-0.3	-0.3
Common equity Tier 1 capital	**197.9**	**172.9**
Tier 1 capital	**214.1**	**172.9**
Tier 2 capital	**54.2**	**40.0**
Total own funds	**268.3**	**212.9**

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.

Own funds as at the end of the third quarter of 2023 include net profit for the first six months of the year.

Total risk exposure amount

At (in millions of euros)	30 Sept 2023	31 Dec 2022
Risk weighted exposure amounts for credit and counterparty credit (standardised approach)		
Receivables from central governments and central banks	1.9	0.8
Receivables from credit institutions and investment firms	4.6	4.2
Receivables from corporates	34.5	33.0
Retail	521.1	480.8
Secured by mortgages on immovable property	400.7	273.9
Exposures in default	26.4	14.1
Items associated with particular high risk	282.8	302.8
Claims on institutions and corporates with a short-term credit assessment	0.3	1.1
Equity	18.9	20.2
Other items	28.9	29.8
Total risk weighted exposure amounts for credit and counterparty credit (standardised approach)	**1,320.1**	**1,160.7**
Total risk exposure amount for foreign exchange risk (standardised approach)	**7.0**	**5.1**
Total risk exposure amount for operational risk (standardised approach)	**126.3**	**110.1**
Total risk exposure amount	**1,453.4**	**1,275.9**

Capital ratios

At	30 Sept 2023	31 Dec 2022
CET1 Capital ratio	13.6%	13.6%
T1 Capital ratio	14.7%	13.6%
Total capital ratio	18.5%	16.7%
Leverage ratio	10.1%	10.5%
Own funds and eligible liabilities to total risk exposure amount (TREA)	18.5%	16.7%
Own funds and eligible liabilities to total leverage ratio exposure (LRE)	12.6%	12.9%

Condensed consolidated interim financial statements

Consolidated statement of financial position

At *(in millions of euros)*	Note	30 Sept 2023	31 Dec 2022
Assets			
Cash balances at central banks	4	378.7	151.1
Due from other banks	4	28.1	22.3
Debt instruments at FVOCI	5	14.9	19.2
Loans to customers	6-10	1,608.7	1,349.8
Other receivables	11	0.9	2.4
Prepayments	12	1.5	2.9
Property, plant and equipment	13	10.2	18.3
Investment properties	14	45.5	46.5
Intangible assets	15	30.0	30.0
Assets held for sale	16	0.7	3.9
Total assets	3	**2,119.2**	**1,646.4**
Liabilities			
Loans from banks	17	9.0	9.2
Deposits from customers	18	1,782.6	1,367.8
Subordinated bonds	19	71.5	40.1
Lease liabilities		1.8	1.2
Provisions		0.3	0.4
Deferred income and tax liabilities		2.7	1.7
Other liabilities	20	14.1	11.6
Liabilities related to assets held for sale	16	-	1.0
Total liabilities	3	**1,882.0**	**1,433.0**
Equity			
Paid-in share capital		8.0	8.0
Capital reserve		0.8	0.8
Other reserves	21	1.4	3.4
Retained earnings		227.0	201.2
Total equity		**237.2**	**213.4**
Total liabilities and equity		**2,119.2**	**1,646.4**

Consolidated statement of comprehensive income

(in millions of euros)	Note	Q3 2023	Q3 2022	9M 2023	9M 2022
Continuing operations					
Interest income	25	38.1	24.6	100.9	69.6
Interest expense	26	-12.0	-3.2	-28.1	-8.5
Net interest income		**26.1**	**21.4**	**72.8**	**61.1**
Fee and commission income		2.2	1.9	6.3	5.7
Fee and commission expense		-0.1	-	-0.2	-0.2
Net fee and commission income		**2.1**	**1.9**	**6.1**	**5.5**
Loss on sale of debt instruments at FVOCI		-	-	-0.1	-0.1
Net gain on financial assets at FVTPL	6	3.8	0.2	5.3	0.2
Net loss on foreign exchange differences		0.2	-0.1	-0.2	-0.3
Net income/loss on financial assets		**4.0**	**0.1**	**5.0**	**-0.2**
Other operating income	27	1.2	1.1	3.4	3.2
Other operating expenses	28	-2.2	-1.5	-5.1	-3.7
Total net operating income		**31.2**	**23.0**	**82.2**	**65.9**
Salaries and associated charges		-6.1	-5.1	-17.7	-15.3
Administrative expenses	29	-3.9	-4.5	-11.1	-12.6
Depreciation, amortisation and impairment	13, 15	-2.0	-0.9	-4.4	-2.7
Total expenses		**-12.0**	**-10.5**	**-33.2**	**-30.6**
Provision expenses		-	-0.1	0.1	-0.2
Gain on change in the fair value of investment properties	2	-	0.8	-1.0	0.8
Profit before loss allowances		**19.2**	**13.2**	**48.1**	**35.9**
Net loss allowances on loans and financial investments		-5.0	-4.1	-14.0	-10.7
Profit before income tax		**14.2**	**9.1**	**34.1**	**25.2**
Income tax		-1.8	-2.0	-4.1	-3.7
Profit for the period from continuing operations		**12.4**	**7.1**	**30.0**	**21.5**
Loss from discontinued operations	16	-	0.1	-0.6	-0.2
Profit for the period		**12.4**	**7.2**	**29.4**	**21.3**
Other comprehensive income		**-0.1**	**1.7**	**0.4**	**0.5**
Other comprehensive income that may be reclassified subsequently to profit or loss:		-0.1	-0.7	0.4	-1.9
Exchange differences on translating foreign operations		*-0.1*	-	*0.2*	*0.2*
Changes in the fair value of debt instruments at FVOCI		-	*-0.7*	*0.2*	*-2.1*
Other comprehensive income that will not be subsequently reclassified to profit or loss:		-	2.4	-	2.4
Revaluation of land and buildings		-	2.4	-	2.4
Total comprehensive income for the period		**12.3**	**8.9**	**29.8**	**21.8**
Basic earnings per share (EUR)	30	155	90	367	266
Diluted earnings per share (EUR)	30	155	90	367	266

Consolidated statement of cash flows

(in millions of euros)	Note	9M 2023	9M 2022
Cash flows from operating activities			
Interest received		95.1	64.3
Interest paid		-7.0	-5.9
Salary, administrative and other expenses paid		-38.2	-38.0
Other income and fees received		12.1	14.7
Recoveries of receivables previously written off and proceeds from the sale of portfolio items		8.1	5.9
Received for other assets		0.7	0.3
Loans provided		-574.6	-654.6
Repayment of loans provided		318.2	293.2
Change in mandatory reserves with central banks and related interest receivables	4	-3.9	-3.5
Proceeds from customer deposits		1,207.3	801.3
Paid on redemption of deposits		-808.8	-461.2
Income tax paid		-3.0	-2.9
Effect of movements in exchange rates		-0.2	-
Net cash from operating activities		**205.8**	**13.6**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	13, 15	-3.1	-4.5
Proceeds from sale of property and equipment		1.2	-
Acquisition of investment properties	14	-	-3.4
Investing in term deposits		-	-8.6
Paid in connection with business combinations		-0.5	-
Acquisition of financial instruments	5	-	-7.7
Proceeds from redemption of financial instruments	5	4.4	5.7
Net cash from/used in investing activities		**2.0**	**-18.5**
Cash flows from financing activities			
Proceeds from issue of bonds	19	31.2	25.0
Interest paid on bonds	19	-2.6	-0.5
Proceeds from loans from credit institutions	17	-	9.3
Repayments of loans from credit institutions	17	-0.2	-0.1
Payments of principal lease liabilities		-0.7	-0.5
Dividends paid		-6.0	-6.0
Net cash used from financing activities		**21.7**	**27.2**
Effect of movements in foreign exchange rates		-0.1	-0.7
Increase in cash and cash equivalents		**229.4**	**21.6**
Cash and cash equivalents at beginning of period		164.7	111.8
Cash and cash equivalents at end of period	4	**394.1**	**133.4**

Consolidated statement of changes in equity

	Attributable to equity holders of the parent				
(in millions of euros)	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2022	**8.0**	**0.8**	**1.1**	**173.5**	**183.4**
Profit for the period	-	-	-	21.3	21.3
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	0.3	-	0.3
Changes in the fair value of debt instruments at FVOCI	-	-	-2.1	-	-2.1
Revaluation of land and buildings	-	-	2.4	-	2.4
Total other comprehensive income	**-**	**-**	**0.6**	**-**	**0.6**
Total comprehensive income for the period	**-**	**-**	**0.6**	**21.3**	**21.9**
Dividend distribution	-	-	-	-6.0	-6.0
Total transactions with owners	**-**	**-**	**-**	**-6.0**	**-6.0**
Balance at 30 September 2022	**8.0**	**0.8**	**1.7**	**188.8**	**199.3**
Profit for the period 1 October - 31 December 2022	-	-	-	12.4	12.4
Other comprehensive income for the period 1 October - 31 December 2022	-	-	1.7	-	1.7
Balance at 31 December 2022	**8.0**	**0.8**	**3.4**	**201.2**	213.4
Balance at 1 January 2023	**8.0**	**0.8**	**3.4**	**201.2**	**213.4**
Profit for the period	-	-	-	29.4	29.4
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	0.2	-	0.2
Changes in the fair value of debt instruments at FVOCI	-	-	0.2	-	0.2
Revaluation of land and buildings	-	-	-2.4	2.4	-
Total other comprehensive income	**-**	**-**	**-2.0**	**2.4**	**0.4**
Total comprehensive income for the period	**-**	**-**	**-2.0**	**31.8**	**29.8**
Dividend distribution	-	-	-	-6.0	-6.0
Total transactions with owners	**-**	**-**	**-**	**-6.0**	**-6.0**
Balance at 30 September 2023	**8.0**	**0.8**	**1.4**	**227.0**	**237.2**

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 nine months ended 30 September 2023 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 2022, 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 2022, except for the adoption of new standards and interpretations effective as of 1 January 2023. 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 millions of euros, unless otherwise indicated.

New standards and amendments

A number of amended standards (IAS 1, IAS 8, IAS 12) 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 6, 8 and 10. 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.

Intangible assets

Management reviewed the estimated useful life of the information and banking system Nest, which is accounted for as an intangible asset, in the second quarter of 2023. According to management's assessment, the useful life of Nest is similar to that of other intangible assets, i.e. 5 years instead of the previously assigned 15 years. The estimate is based on market convention, rapid development of information technology, and the fact that in the first years of the development of Nest the core system was created. Over the years, the share of core system developments has decreased and the share of specialised business solution developments, which change more quickly, has increased. Accordingly, management estimated that the useful life of all existing and future developments is 5 years and changed the amortisation rates prospectively. Due to the change in the accounting estimate, amortisation expense for the current year increased and the carrying amount of intangible assets decreased by around 1.1 million euros. The change is expected to increase amortisation expense for 2023 by 2.1 million euros and to reduce the carrying amount of intangible assets as at the end of 2023 by 2.1 million euros (around -6%).

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 the 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 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 and internal capital requirements.
- 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 risk appetite to specified types of risks. The Group has low risk appetite to certain risk types as specified in the policies for individual risks.
- Reliable structure of the statement of financial position and leverage. The Group is required to maintain the structure of the statement of financial position and leverage that supports the strong liquidity position, adequate capitalisation and avoids excessive leverage. All changes in the risk appetite that might have significant effect to the structure of the statement of financial position and leverage shall be properly assessed.

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 were no significant changes in the risk profile during the reporting period. The Group made changes to the management of interest rate risk arising from non-trading book activities which are consistent with the guidelines of the European Banking Authority: EBA/GL/2022/14. In May, a project was launched for the development an internal ratings-based (IRB) model aimed at reducing capital requirements for credit risk and enhancing the Group's risk management processes. The Group intends to implement the IRB model within the next three years.

Note 2. Correction of an error

Management analysed the contracts related to the acquisition of agricultural land and concluded that contracts with repurchase rights have to be classified as loans to customers (loan receivables), not as investment properties. The items constitute financial instruments to be classified as financial assets at FVTPL (measured at fair value through profit or loss) because their contractual cash flows do not pass the SPPI (solely payments of principal and interest) test: a) the contractual cash flows of the instruments are inconsistent with the criteria for basic lending arrangements – for example, their interest does not reflect the usual market interest rate because it includes more than the consideration for the time value of money, credit risk, other basic lending risks and a profit margin; and b) the instruments include options: instead of repaying the loan the seller may decide to waive the rights to the property put up as collateral in which case the Group will lose the rights to the contractual cash flows of the instrument and will acquire the property.

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

As a result of the correction of the error, the carrying amount of investment property decreased by 11.0 million euros (see note 14), loans to customers increased by 10.0 million euros and the effect on the revaluation of investment property was -1.0 million euros.

The error was corrected in the consolidated financial statements for the second quarter of 2023; its effect on earlier periods was considered immaterial.

Note 3. Operating segments

Operating segments are components of the Group for which separate financial information is available, which enables the management board and the supervisory board to regularly review their operating results. The Group's banking operations are divided into two main segments: retail banking and corporate banking. In addition, there is the segment of other activities.

Segment reporting is based on internal reports to the Group's executive management. The Group's chief operating decision maker is the management board of Bigbank AS, which regularly reviews the Group's internally generated financial information to assess operating results, including the performance of operating segments, and to allocate resources efficiently. The Group's banking operations are divided into two operating segments based on the categories of customers served: retail banking and corporate banking. The retail banking segment covers all countries where Bigbank operates and the corporate banking segment covers the Baltic countries. Both segments offer loan products to customers and raise deposits. Group entities that are involved in investment property management and agriculture and units that support banking operations (including the treasury) form the segment of other activities. Intersegment loans and services as well as receivables and liabilities are presented as eliminations in the table below.

The result of an operating segment is the segment's net profit, which comprises financial items directly attributable to the segment. The retail and corporate banking segments also include financial items (other income and expenses, operating expenses and income tax expense), which are allocated to segments consistent with their nature based on the size of the loan portfolio, the number of loans or the number of staff associated with the segment. The allocation is based on internal transfer prices. The prices applied in intersegment transactions (including the provision of loans and services to Group companies) do not differ significantly from market prices. Segment assets and liabilities comprise assets and liabilities which are directly attributable to the segment as well as assets and liabilities allocated to the segment on the basis of the size of the loan portfolio.

Assets and liabilities of segments at 30 September 2023

	Retail banking	Corporate banking	Other activities	Elimination	Total
Total assets	1,326.7	746.8	85.8	-40.1	2,119.2
Total liabilities	1,822.2	43.2	54.6	-38.0	1,882.0

Assets and liabilities of segments at 30 September 2022

	Retail banking	Corporate banking	Other activities	Eliminations	Total
Total assets	983.7	482.0	121.6	-49.4	1,537.9
Total liabilities	1,253.6	30.5	101.2	-46.6	1,338.7

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

Segment profit for Q3 2023

	Retail banking	Corporate banking	Other activities	Eliminations	Total
Interest income	26.6	12.0	0.1	-0.6	38.1
Interest expense	-8.6	-3.6	-0.4	0.6	-12.0
Net interest income/expense	**18.0**	**8.4**	**-0.3**	**-**	**26.1**
Fee and commission income	2.2	-	-	-	2.2
Fee and commission expense	-	-0.1	-	-	-0.1
Net fee and commission income/expense	**2.2**	**-0.1**	**-**	**-**	**2.1**
Net gain on financial assets and loss on derecognition of non-financial assets	-	3.7	0.3	-	4.0
Other income	0.3	-	1.0	-0.1	1.2
Other expenses	-1.9	-	-0.3	-	-2.2
Net operating income	**18.6**	**12.0**	**0.7**	**-0.1**	**31.2**
Operating expenses and expenses on provisions	-8.9	-3.0	-0.2	0.1	-12.0
Profit before loss allowances	**9.7**	**9.0**	**0.5**	**-**	**19.2**
Net loss allowances for loans and financial investments	-5.0	-	-	-	-5.0
Profit before income tax	**4.7**	**9.0**	**0.5**	**-**	**14.2**
Income tax	-0.8	-1.0	-	-	-1.8
Profit for the period from continuing operations	**3.9**	**8.0**	**0.5**	**-**	**12.4**

Segment profit for 9 months 2023

	Retail banking	Corporate banking	Other activities	Eliminations	Total
Interest income	71.9	30.5	0.2	-1.7	100.9
Interest expense	-19.6	-8.5	-1.7	1.7	-28.1
Net interest income/expense	**52.3**	**22.0**	**-1.5**	**-**	**72.8**
Fee and commission income	6.3	-	-	-	6.3
Fee and commission expense	-0.1	-0.1	-	-	-0.2
Net fee and commission income/expense	**6.2**	**-0.1**	**-**	**-**	**6.1**
Net gain on financial assets and loss on derecognition of non-financial assets	-	5.0	-	-	5.0
Other income	0.7	-	3.2	-0.5	3.4
Other expenses	-4.0	-	-1.1	-	-5.1
Net operating income	**55.2**	**26.9**	**0.6**	**-0.5**	**82.2**
Operating expenses and expenses on provisions	-25.2	-8.2	-0.2	0.5	-33.1
Gain on change in fair value of investment property	-	-	-1.0	-	-1.0
Profit before loss allowances	**30.0**	**18.7**	**-0.6**	**-**	**48.1**
Net loss allowances for loans and financial investments	-14.0	-	-	-	-14.0
Profit before income tax	**16.0**	**18.7**	**-0.6**	**-**	**34.1**
Income tax	-2.1	-2.0	-	-	-4.1
Profit for the period from continuing operations	**13.9**	**16.7**	**-0.6**	**-**	**30.0**

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

Segment profit for Q3 2022

	Retail banking	Corporate banking	Other activities	Eliminations	Total
Interest income	19.6	5.3	0.1	-0.4	24.6
Interest expense	-2.4	-0.9	-0.3	0.4	-3.2
Net interest income/expense	**17.2**	**4.4**	**-0.2**	**-**	**21.4**
Fee and commission income	1.9	-	-	-	1.9
Fee and commission expense	-	-	-	-	-
Net fee and commission income/expense	**1.9**	**-**	**-**	**-**	**1.9**
Net gain on financial assets and loss on derecognition of non-financial assets	-	0.2	-0.1	-	0.1
Other income	0.2	-	1.1	-0.2	1.1
Other expenses	-1.1	-0.1	-0.3	-	-1.5
Net operating income	**18.2**	**4.5**	**0.5**	**-0.2**	**23.0**
Operating expenses and expenses on provisions	-8.7	-2.0	-0.1	0.2	-10.6
Gain on change in fair value of investment property	-	-	0.8	-	0.8
Profit before loss allowances	**9.5**	**2.5**	**1.2**	**-**	**13.2**
Net loss allowances on loans and financial investments	-4.2	0.1	-	-	-4.1
Profit before income tax	**5.3**	**2.6**	**1.2**	**-**	**9.1**
Income tax	-0.7	-1.3	-	-	-2.0
Profit for the period from continuing operations	**4.6**	**1.3**	**1.2**	**-**	**7.1**

Segment profit for 9 months 2022

	Retail banking	Corporate banking	Other activities	Eliminations	Total
Interest income	56.4	13.8	0.6	-1.2	69.6
Interest expense	-6.5	-2.0	-1.2	1.2	-8.5
Net interest income/expense	**49.9**	**11.8**	**-0.6**	**-**	**61.1**
Fee and commission income	5.7	-	-	-	5.7
Fee and commission expense	-0.2	-	-	-	-0.2
Net fee and commission income/expense	**5.5**	**-**	**-**	**-**	**5.5**
Net gain on financial assets and loss on derecognition of non-financial assets	-	0.2	-0.4	-	-0.2
Other income	0.6	-	3.1	-0.5	3.2
Other expenses	-2.4	-0.3	-1.0	-	-3.7
Net operating income	**53.6**	**11.7**	**1.1**	**-0.5**	**65.9**
Operating expenses and expenses on provisions	-25.2	-5.8	-0.3	0.5	-30.8
Gain on change in fair value of investment property	-	-	0.8	-	0.8
Profit before loss allowances	**28.4**	**5.9**	**1.6**	**-**	**35.9**
Net loss allowances on loans and financial investments	-10.8	0.1	-	-	-10.7
Profit before income tax	**17.6**	**6.0**	**1.6**	**-**	**25.2**
Income tax	-1.8	-1.9	-	-	-3.7
Profit for the period from continuing operations	**15.8**	**4.1**	**1.6**	**-**	**21.5**

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

Note 4. Cash and bank balances

	30 Sept 2023	31 Dec 2022
Cash balances at central banks	**378.7**	**151.1**
Of which mandatory reserve deposits	12.5	8.6
Of which surplus on mandatory reserves*	3.3	1.0
Of which overnight deposits	362.8	141.5
Of which interest receivable from central banks	0.1	-
Cash balances at banks	**28.1**	**22.3**
Of which cash demand and overnight deposits*	28.0	22.2
Of which term deposits	0.1	0.1
Total	**406.8**	**173.4**
Of which cash and cash equivalents	**394.1**	**164.7**

* Cash equivalents

Note 5. Debt instruments

At	30 Sept 2023	31 Dec 2022
Debt instruments	**14.9**	**19.2**
Debt instruments by issuer		
Government bonds	9.6	9.6
Credit institutions' bonds	-	1.5
Non-financial corporations' bonds	5.3	8.1
Debt instruments by currency		
EUR (euro)	11.8	16.0
SEK (Swedish krona)	3.1	3.2
Debt instruments by rating		
Aaa-Aa3	5.1	5.2
A1-A3	8.6	11.1
Baa1-Baa3	1.2	2.9

Note 6. Loans to customers

At	30 Sept 2023	31 Dec 2022
Measured at amortised cost	1,553.5	1,310.4
Measured at FVTPL (note 2)*	55.2	39.4
Loans to customers	**1,608.7**	**1,349.8**

* Loans to customers designated at FVTPL include the revaluation of the underlying assets of investment loans with special conditions in the amount of 5.8 million euros (31 December 2022: 0.9 million euros). The gain from the revaluation of the underlying asset is recognised in the income statement line *Net gain on financial assets at FVTPL.*

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

Loans to customers at 30 September 2023

	Estonia	Lithuania	Latvia	Finland	Sweden	Bulgaria	Total
Loans at amortised cost							
Loan receivables from customers	624.0	542.1	238.0	114.4	39.3	5.7	1,563.5
Loss allowances for loan receivables	-7.9	-5.3	-6.6	-6.2	-3.7	-1.3	-31.0
Interest receivable from customers	4.4	15.4	2.0	0.9	0.4	0.3	23.4
Loss allowances for interest receivables	-0.8	-0.5	-0.5	-0.2	-0.2	-0.2	-2.4
Total	**619.7**	**551.7**	**232.9**	**108.9**	**35.8**	**4.5**	**1,553.5**
Loans at FVTPL							
Loan receivables from customers	48.1						48.1
Increase in value of underlying assets	5.8						5.8
Interest receivable from customers	1.3						1.3
Total	**55.2**						**55.2**
Total loans to customers	**674.9**	**551.7**	**232.9**	**108.9**	**35.8**	**4.5**	**1,608.7**
Share of region	41.9%	34.3%	14.5%	6.8%	2.2%	0.3%	100.0%

Loans to customers at 31 December 2022

	Estonia	Lithuania	Latvia	Finland	Sweden	Bulgaria	Total
Loans at amortised cost							
Loan receivables from customers	502.6	441.0	208.5	103.9	55.0	7.0	1,318.0
Loss allowances for loan receivables	-5.8	-4.3	-4.8	-5.8	-3.9	-1.0	-25.6
Interest receivable from customers	2.8	13.9	1.4	0.8	0.3	0.2	19.4
Loss allowances for interest receivables	-0.6	-0.3	-0.3	-0.1	-	-0.1	-1.4
Total	**499.0**	**450.3**	**204.8**	**98.8**	**51.4**	**6.1**	**1,310.4**
Loans at FVTPL							
Loan receivables from customers	37.8						37.8
Increase in value of underlying assets	0.9						0.9
Interest receivable from customers	0.7						0.7
Total	**39.4**						**39.4**
Total loans to customers	**538.4**	**450.3**	**204.8**	**98.8**	**51.4**	**6.1**	**1,349.8**
Share of region	39.9%	33.4%	15.2%	7.3%	3.8%	0.4%	100.0%

Note 7. Loan receivables from customers by due dates

At	30 Sept 2023	31 Dec 2022
Past due loan payments	24.1	14.6
Contractual principal payments cash flows of loans		
Less than 1 month	18.6	18.7
1-12 months	216.6	182.6
1-2 years	255.9	234.3
2-5 years	621.3	517.3
More than 5 years	475.1	388.3
Total	**1,611.6**	**1,355.8**

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

Note 8. Ageing analysis on loan receivables

Ageing analysis at 30 September 2023

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans at amortised cost						
Unsecured loans						
Loan portfolio	570.1	28.4	7.7	4.0	24.7	634.9
Loss allowance	-10.1	-2.7	-2.8	-1.7	-12.5	-29.8
Loans secured with real estate						
Loan portfolio	801.2	17.9	2.2	0.2	0.2	821.7
Loss allowance	-0.1	-	-	-	-	-0.1
Loans against other collaterals						
Loan portfolio	96.8	6.9	1.5	0.5	1.2	106.9
Loss allowance	-0.5	-0.2	-0.1	-0.1	-0.2	-1.1
Loans at FVTPL						
Loan portfolio	48.1	-	-	-	-	48.1
Total loan portfolio	**1,516.2**	**53.2**	**11.4**	**4.7**	**26.1**	**1,611.6**
Total loss allowance	-10.7	-2.9	-2.9	-1.8	-12.7	-31.0

Ageing analysis at 31 December 2022

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans at amortised cost						
Unsecured loans						
Loan portfolio	554.1	27.9	8.0	5.2	13.8	609.0
Loss allowance	-9.7	-2.6	-3.0	-2.3	-7.2	-24.8
Loans secured with real estate						
Loan portfolio	638.9	2.4	0.4	-	0.3	642.0
Loss allowance	-0.1	-	-	-	-	-0.1
Loans against other collaterals						
Loan portfolio	61.7	3.6	0.9	0.3	0.5	67.0
Loss allowance	-0.3	-0.1	-0.1	-	-0.2	-0.7
Loans at FVTPL						
Loan portfolio	37.8					37.8
Total loan portfolio	**1,292.5**	**33.9**	**9.3**	**5.5**	**14.6**	**1,355.8**
Total loss allowance	-10.1	-2.7	-3.1	-2.3	-7.4	-25.6

Note 9. Loan receivables from customers by contractual currency

At	30 Sept 2023	31 Dec 2022
Loans at amortised cost		
EUR (euro)	1,513.2	1,252.9
SEK (Swedish krona)	35.8	51.4
BGN (Bulgarian lev)	4.5	6.1
Loans at FVTPL		
EUR (euro)	55.2	39.4
Total loan receivables from customers	**1,608.7**	**1,349.8**

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

Note 10. Loss allowances for loan receivables from customers

Loss allowances at 30 September 2023

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	1,480.5	17.8	1,498.3	-8.8
Stage 2	43.9	0.9	44.8	-5.6
Stage 3	39.1	4.7	43.8	-19.0
Total	**1,563.5**	**23.4**	**1,586.9**	**-33.4**

Loss allowances at 31 December 2022

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	1,264.3	15.9	1,280.2	-8.5
Stage 2	30.3	0.8	31.1	-6.1
Stage 3	23.4	2.7	26.1	-12.4
Total	**1,318.0**	**19.4**	**1,337.4**	**-27.0**

Development of allowances for 9 months 2023

	Opening balance at 1 Jan 2023	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease due to write-off	Closing balance
Stage 1	-8.5	-3.4	0.9	2.1	0.1	-8.8
Stage 2	-6.0	-0.7	0.2	-0.7	1.6	-5.6
Stage 3	-12.5	-0.9	0.5	-8.8	2.7	-19.0
Total	**-27.0**	**-5.0**	**1.6**	**-7.4**	**4.4**	**-33.4**

Development of allowances for 12 months 2022

	Opening balance at 1 Jan 2022	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease due to write-off	Closing balance
Stage 1	-8.4	-4.4	1.5	2.5	0.3	-8.5
Stage 2	-5.0	-1.4	0.3	-1.8	1.8	-6.1
Stage 3	-13.2	-2.1	0.8	-5.0	7.1	-12.4
Total	**-26.6**	**-7.9**	**2.6**	**-4.3**	**9.2**	**-27.0**

Note 11. Other receivables

At	30 Sept 2023	31 Dec 2022
Customer receivables and other miscellaneous receivables	0.5	2.1
Collection, recovery and other charges receivable	0.7	0.5
Loss allowance for other receivables	-0.3	-0.2
Total	**0.9**	**2.4**

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

Note 12. Prepayments

At	30 Sept 2023	31 Dec 2022
Advance payments of income tax	0.4	0.4
Other tax prepayments	0.1	1.7
Prepayments to suppliers and prepaid expenses	1.0	0.8
Total	**1.5**	**2.9**

Note 13. Property, plant and equipment

At	30 Sept 2023	31 Dec 2022
Land	-	9.6
Buildings	5.6	6.2
Right-of-use assets: office premises	1.8	1.1
Other items	2.8	1.4
Total	**10.2**	**18.3**

Other items comprise computers, office equipment and furniture and other fixtures and fittings. Leased office premises are recognized as right-of-use assets.

Land and buildings, other items and biological assets

	Land	Buildings	Other items	Biological assets	Total
Cost					
Balance at 1 January 2022	9.0	7.7	5.5	1.0	23.2
Purchases	-	-	1.2	-	1.2
Sales	-	-	-0.3	-	-0.3
Derecognition	-	-	-0.4	-	-0.4
Revaluation recognised in other comprehensive income	2.4	0.2	-	-	2.6
Transfer to investment property (note 14)	-1.5	-	-	-	-1.5
Transfer	-	-	0.1	-	0.1
Transfer to assets held for sale (note 16)	-0.3	-1.7	-1.0	-1.0	-4.0
Balance at 31 December 2022	**9.6**	**6.2**	**5.1**	**-**	**20.9**
Balance at 1 January 2023	9.6	6.2	5.1	-	20.9
Purchases	-	-	1.8	-	1.8
Sales	-	-	-0.2	-	-0.2
Transfer to investment property (note 14)*	-9.6	-0.4	-	-	-10.0
Balance at 30 September 2023	**-**	**5.8**	**6.7**	**-**	**12.5**

* Agricultural land plots which used to be in the Group's own use were rented out to third parties and were therefore transferred to the class of investment property. In connection with the Group's relocation to new premises in Tallinn, the previously used office premises were also transferred to the class of investment property.

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

	Land	Buildings	Other items	Biological assets	Total
Depreciation					
Balance at 1 January 2022	-	-0.1	-4.2	-	-4.3
Depreciation charge for the period	-	-0.3	-0.5	-	-0.8
Sales	-	-	0.2	-	0.2
Derecognition	-	-	0.3	-	0.3
Write-down	-	-0.4	-	-	-0.4
Transfer to assets held for sale (note 16)	-	0.6	0.6	-	1.2
Transfer*	-	0.2	-	-	0.2
Exchange differences	-	-	-0.1	-	-0.1
Balance at 31 December 2022	**-**	**-**	**-3.7**	**-**	**-3.7**
Balance at 1 January 2023	-	-	-3.7	-	-3.7
Depreciation charge for the period	-	-0.2	-0.3	-	-0.5
Sales	-	-	0.1	-	0.1
Balance at 30 September 2023	**-**	**-0.2**	**-3.9**	**-**	**-4.1**
Carrying amount					
Balance at 1 January 2022	9.0	7.6	1.3	1.0	18.9
Balance at 31 December 2022	9.6	6.2	1.4	-	17.2
Balance at 30 September 2023	**-**	**5.6**	**2.8**	**-**	**8.4**

* 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

	2023	2022
Carrying amount at 1 January	1.1	2.0
Additions	1.1	0.4
Depreciation charge	-0.4	-0.7
Transfer to assets held for sale (note 16)	-	-0.6
Carrying amount at end of period	**1.8**	**1.1**

Note 14. Investment properties

At	2023	2022
Opening balance at 1 January	46.5	41.6
Additions	-	3.4
Sales	-	-6.2
Reclassification as loans to customers (note 2, 6)*	-11.0	-
Transfer from land and from buildings to investment property (note 13)**	10.0	1.5
Net gain on fair value adjustments	-	6.2
Closing balance at end of period	**45.5**	**46.5**

* Due to the correction of an error, some agricultural land plots classified as investment property were transferred to the class of loans to customers.

** In 2023, agricultural land plots previously used by Group entities involved in agricultural activities and thus classified as property, plant and equipment were rented out to third parties and transferred to investment property. Office premises at Tartu mnt 18 in Tallinn which were in own use before the relocation to new offices at Narva mnt 11 were also transferred to investment property.

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

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

Note 15. Intangible assets

	2023	2022
Cost at beginning of year	**38.6**	**35.0**
Purchased and developed software	3.2	5.5
Of which purchases	0.4	2.8
Of which capitalised payroll costs	2.8	2.7
Write-off	-0.5	-1.9
Cost at end of period	**41.3**	**38.6**
Amortisation at beginning of year	**-8.6**	**-7.9**
Amortisation charge for the period	-3.2	-2.5
Write-off	0.5	1.8
Amortisation at end of period	**-11.3**	**-8.6**
Carrying amount at beginning of year	30.0	27.1
Carrying amount at end of period	**30.0**	**30.0**

The Group's intangible assets comprise various software. The Group continues its investments in the information and banking technology solution called Nest. The purchases also include the capitalised payroll and payroll-related costs for employees who were directly associated with the Nest development.

Note 16. Disposal groups and discontinued operations

At the end of 2022, the Group announced its plan to liquidate two subsidiaries: Palupera Põllud OÜ and Abja Põld OÜ as their operations (agricultural production) did not support Bigbank's core business and were not part of its long-term strategic plans. The Group decided to exit dairy cattle and crop production and started selling the assets.

The subsidiary Abja Põld OÜ was sold in April 2023. The subsidiary Palupera Põllud OÜ has discontinued active production operations. By the end of the second quarter, it had sold its dairy cattle, young animals, production buildings and most of the production machinery and equipment. The sale of the remaining assets is ongoing.

Consequently, the assets and liabilities of these subsidiaries are classified as held for sale in the consolidated statement of financial position. In segment reporting (see note 3), the operations of the companies were reported in the segment of other activities.

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

Assets and liabilities of disposal groups classified as held for sale

Assets held for sale have to be measured at the lower of their carrying amount and fair value less cost to sell. At the reporting date, disposal groups classified as held for sale included the following assets and liabilities:

At	30 Sept 2023	31 Dec 2022
Land	0.2	0.3
Buildings	-	1.1
Right-of-use assets: agricultural equipment and machinery	-	0.4
Other non-current assets	0.4	0.4
Biological assets	-	1.0
Inventories	-	0.7
Other receivables	0.1	-
Total assets held for sale	**0.7**	**3.9**
Lease liabilities	-	-0.2
Other liabilities, including payables to employees and suppliers	-	-0.8
Total liabilities related to asset held for sale	**-**	**-1.0**
Net value of disposal group	**0.7**	**2.9**

To measure assets held for sale at fair value less costs to sell, the Group recognised an impairment loss of 0.6 million euros in the fourth quarter of 2022. The carrying amount of the property, plant and equipment of the disposal group was reduced by the amount of the impairment loss. There was no cumulative income or expense relating to the disposal group that was recognised in other comprehensive income.

Fair value measurement

The one-off fair value of the disposal group was 2.9 million euros at the end of 2022, at the reporting date it was 0.7 million euros. Based on the valuation techniques applied, the measurement was categorised to level 3 in the fair value hierarchy. The fair value of the assets of the disposal group was measured using the market comparison approach.

Discontinued operations

An operation is classified as discontinued either at disposal or on meeting the criteria for being classified as held for sale, whichever is earlier. By the reporting date, the subsidiary Palupera Põllud OÜ had discontinued active operations and was selling its assets and the subsidiary Abja Põld OÜ had been sold. Therefore, the entities have been classified as discontinued operations.

Loss from discontinued operations

	Q3 2023	Q3 2022	9M 2023	9M 2022
Other operating income	0.2	1.1	2.2	2.7
Other operating expenses	-0.1	-0.6	-2.0	-2.0
Net operating income	**0.1**	**0.5**	**0.2**	**0.7**
Salaries, associated charges and administrative expenses	-0.1	-0.2	-0.5	-0.5
Administrative expenses	-	-0.1	-	-0.1
Depreciation, amortisation and impairment losses	-	-0.1	-0.3	-0.3
Total expenses	**-0.1**	**-0.4**	**-0.8**	**-0.9**
Loss before income tax	**-**	**0.1**	**-0.6**	**-0.2**
Income tax	-	-	-	-
Loss from discontinued operations	**-**	**0.1**	**-0.6**	**-0.2**
Basic earnings per share (EUR)	0.7	1.8	-7.0	-2.2
Diluted earnings per share (EUR)	0.7	1.8	-7.0	-2.2

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

Cash flows from discontinued operations

	9M 2023	9M 2022
Cash flows from operating activities	1.3	0.4
Cash flows from investing activities	0.9	-
Cash flows from financing activities	-0.2	-0.4
Net cash flows generated by the subsidiaries	**2.0**	**-**

Cash flows from investing activities include 0.5 million euros paid after the 18-month closing period of a purchase transaction conducted in 2021 and 1.2 million euros received for the sale of non-current assets classified as held for sale.

Note 17. Loans from banks

The Group previously financed its subsidiaries' real estate purchases with intragroup loans. In 2022, the real estate loans were refinanced with external loans received for a term of five years in the amount of 9,3 million euros. Interest expense for 9 months was 0.4 million euros, see note 26.

Note 18. Deposits from customers

At	30 Sept 2023	31 Dec 2022
Deposits from customers	**1,782.6**	**1,367.8**
Deposits by customer type		
Individuals	1,763.4	1,353.6
Legal persons	19.2	14.2
Deposits by currency		
EUR (euro)	1,737.0	1,303.9
SEK (Swedish krona)	43.3	62.7
BGN (Bulgarian lev)	2.3	1.2
Deposits by maturity		
On demand (savings deposits)	863.4	627.2
Maturing within 1 month	41.7	39.6
Maturing between 1 and 6 months	257.3	160.4
Maturing between 6 and 12 months	269.3	184.0
Maturing between 12 and 18 months	123.8	71.9
Maturing between 18 and 24 months	66.0	85.0
Maturing between 24 and 36 months	73.0	100.7
Maturing between 36 and 48 months	28.4	39.9
Maturing between 48 and 60 months	22.7	19.6
Maturing in over 60 months	37.0	39.5

The median amount of customer deposits was 35 thousand euros.

Note 19. Subordinated bonds

In the third quarter of 2023, Bigbank issued perpetual bonds of 5.1 million euros, which qualify as Additional Tier 1 capital. In the second quarter of 2023, Bigbank issued perpetual bonds of 3.4 million euros, which qualify as Additional Tier 1 capital. In the first quarter, Bigbank issued perpetual bonds in the amount of 7.7 million euros as well as 10-year bonds of 15.0 million euros which are publicly traded on the Nasdaq Tallinn stock exchange and qualify as Tier 2 capital. Subject to approval by the Estonian

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

Financial Supervision and Resolution Authority, the bonds can be called early after five years have passed.

Changes in bonds

	2023	2022
Balance at beginning of period	40.1	15.0
Cash items:		
Receipts	31.2	25.0
Payments	-3.4	-1.2
Non-cash items:		
Accrued interest	3.6	1.7
Transaction costs related to issue	-	-0.4
Closing balance	**71.5**	**40.1**

Notes at 30 September 2023

	Nominal price	Interest rate	Date of issue	Maturity date
Note EE3300111400	5.0	6.5%	28 December 2017	28 December 2027
Note EE3300002526	10.0	6.5%	30 December 2021	30 December 2031
Note EE3300002583	5.0	7.5%	16 May 2022	16 May 2032
Note EE3300002690	20.0	8.0%	21 September 2022	21 September 2032
Note EE3300003052	15.0	8.0%	16 February 2023	16 February 2033
Note EE3300003151	7.7	10.5%	15 March 2023	Perpetual
Note EE3300003284	3.4	12.0%	31 May 2023	Perpetual
Note EE3300002690	5.1	12.0%	31 August 2023	Perpetual

Note 20. Other liabilities

At	30 Sept 2023	31 Dec 2022
Received surplus payments	8.0	7.0
Payables to employees	2.8	2.8
Supplier payables	0.3	0.7
Other payables	3.0	1.1
Total	**14.1**	**11.6**

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 21. Other reserves

At	30 Sept 2023	Change	31 Dec 2022
Exchange differences on translating foreign operations	1.3	0.2	1.1
Asset revaluation reserve	1.1	-2.4	3.6
Fair value changes of debt instruments measured at FVOCI	-1.0	0.2	-1.3
Total other reserves	**1.4**	**-2.0**	**3.4**

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

Note 22. Net currency positions

Net currency positions at 30 September 2023

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	45.5	44.0	1.5
BGN (Bulgarian lev)	7.9	2.4	5.5

Net currency positions at 31 December 2022

	Assets bearing currency risk	Liabilities bearing currency risk	Net position
SEK (Swedish krona)	62.0	63.1	-1.1
BGN (Bulgarian lev)	7.0	1.4	5.6

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

Note 23. 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 30 September 2023 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.

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

Fair value hierarchy at 30 September 2023

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at FVOCI (note 5)	14.9	-	-	14.9
Loans to customers at FVTPL (note 6–10)	-	-	55.2	55.2
Land and buildings (note 13)	-	-	5.6	5.6
Investment properties (note 14)	-	-	45.5	45.5
Assets for which fair values are disclosed				
Loans to customers at amortised cost (note 6-10)	-	-	1,553.5	1,553.5
Other financial receivables (note 11)	-	-	0.9	0.9
Total assets	**14.9**	**-**	**1,660.7**	**1,675.6**
Liabilities for which fair values are disclosed				
Loans from banks (note 17)	-	-	9.0	9.0
Deposits from customers (note 18)	-	-	1,782.6	1,782.6
Subordinated bonds (note 19)	-	34.8	36.6	71.4
Lease liabilities	-	-	1.8	1.8
Other financial liabilities (note 20)	-	-	14.1	14.1
Total liabilities	**-**	**34.8**	**1,844.1**	**1,878.9**

Fair value hierarchy at 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at FVOCI (note 5)	19.2	-	-	19.2
Loans to customers at FVTPL (note 6–10)	-	-	39.4	39.4
Land and buildings (note 13)	-	-	15.9	15.9
Investment properties (note 14)	-	-	46.5	46.5
Assets for which fair values are disclosed				
Loans to customers at amortised cost (note 6-10)	-	-	1,310.4	1,310.4
Other financial receivables (note 11)	-	-	2.4	2.4
Total assets	**19.2**	**-**	**1,414.6**	**1,433.8**
Liabilities for which fair values are disclosed				
Loans from banks (note 17)	-	-	9.2	9.2
Deposits from customers (note 18)	-	-	1,367.8	1,367.8
Subordinated bonds (note 19)	-	20.1	20.0	40.1
Lease liabilities	-	-	1.2	1.2
Other financial liabilities (note 20)	-	-	11.6	11.6
Total liabilities	**-**	**20.1**	**1,409.8**	**1,429.9**

There were no transfers between level 1 and level 2 in 2023 or 2022.

The level 3 loans to customers at FVTPL in the amount of 55.2 million euros are loans with the features of a hybrid instrument, which comprise the principal and interest receivables of the host contract and a growth component (increase in fair value) resulting from the revaluation of the underlying asset. The underlying assets were valued similar to agricultural land using the market comparison approach. Gain on the revaluation of the underlying assets is recognised on a straight-line basis over the term of the contract as gain on financial assets at FVTPL and it takes into account any associated risks. These are assets that are required to be categorised as measured at FVTPL.

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

The level 3 loans to customers at amortised cost that amount to 1,553.5 million euros are measured at amortised cost using the effective interest method less any loss allowances. For fair valuation, 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 the effective interest rate.

The level 3 land and buildings that amount to 5.6 million euros consists of real estate used by the Group as office premises in Tallinn and agricultural land.

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 9.0%. 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 3,962-4,402 euros less the costs of transforming the office space back into apartments.

The agricultural land's fair value is based on a valuer's appraisal according to which the average price per hectare of agricultural land at the date of valuation was 7,300 euros.

The level 3 investment properties that amount to 46.5 million euros consist of office buildings and retail space in Tartu, Tallinn and Pärnu, forest 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 4,000 euros and development costs per square metre of 1,690 euros.

The fair values of other office buildings in Tallinn and Pärnu were estimated using the income approach based on rental prices of 11-14 euros per square metre in Tallinn and 4-11 euros per square metre in Pärnu.

Agricultural land was valued using mainly the market comparison approach. Based on the opinion of a valuation expert, the best use of the land is the existing use for agricultural purposes and the average price per hectare of agricultural land is 6,600 euros (2021: 5600 euros). If an agricultural land plot was acquired under a contract containing a repurchase option, the repurchase price was taken into account. This was done despite the fact that the seller is not obligated to exercise the option. Such land plots were valued conservatively by measuring fair value at the value recorded in the opinion of the valuation expert or the repurchase price, whichever was lower.

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 agricultural land and office premises recognised in the line item 'Land and buildings' and the forest and agricultural land and office buildings and retail space recognised in the line item 'Investment property' have not been remeasured during the reporting period as management estimates that the carrying amounts of these assets correspond to their fair values. The assumptions used described above are based on experts' estimates obtained in the third and fourth quarter of 2022.

Note 24. Contingent liabilities

At 30 September 2023, the unused portions of the credit lines and loans totalled 141.8 million euros (31 December 2022: 113.6 million euros).

Note 25. Interest income

	Q3 2023	Q3 2022	9M 2023	9M 2022
Interest income on loans to customers at FVTPL	0.6	-	1.6	-
Interest income on loans to customers at amortised cost	34.4	24.4	93.2	69.0
Interest income on debt instruments	0.1	0.2	0.2	0.4
Interest income on deposits	3.0	-	5.9	-
Interest income on liabilities	-	-	-	0.2
Total interest income	**38.1**	**24.6**	**100.9**	**69.6**

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

Note 26. Interest expense

	Q3 2023	Q3 2022	9M 2023	9M 2022
Interest expense on deposits	10.5	2.7	24.1	7.3
Interest expense on liabilities to banks	0.1	0.1	0.4	0.1
Interest expense on bonds	1.4	0.4	3.6	0.9
Other interest expense	-	-	-	0.2
Total interest expense	**12.0**	**3.2**	**28.1**	**8.5**

Note 27. Other income

	Q3 2023	Q3 2022	9M 2023	9M 2022
Income from debt recovery proceedings	0.2	0.2	0.5	0.4
Rental income	0.8	0.9	2.6	2.6
Miscellaneous income	0.2	-	0.3	0.2
Total other income	**1.2**	**1.1**	**3.4**	**3.2**

Note 28. Other expenses

	Q3 2023	Q3 2022	9M 2023	9M 2022
Expenses related to registry inquires	0.1	0.3	0.4	0.9
Expenses related to enforcement proceedings	0.2	0.2	0.4	0.4
Legal regulation charges	1.2	0.4	2.3	0.8
Expenses from investment properties	0.3	0.4	1.1	1.1
Miscellaneous expenses	0.4	0.2	0.9	0.5
Total other expenses	**2.2**	**1.5**	**5.1**	**3.7**

Note 29. Administrative expenses

	Q3 2023	Q3 2022	9M 2023	9M 2022
Marketing expenses	2.0	3.2	6.3	8.7
Short-term leases	-	-	0.1	0.1
Office and other similar administrative expenses	0.2	0.1	0.6	0.4
Other personnel-related expenses	0.4	0.4	1.0	1.1
Software licensing and other information technology costs	0.4	0.4	1.2	1.1
Other services	0.5	0.1	0.9	0.4
Postal supplies and charges	-	-	0.1	0.1
Telephone and other communications expenses	0.3	0.1	0.7	0.5
Miscellaneous operating expenses	0.1	0.2	0.2	0.2
Total administrative expenses	**3.9**	**4.5**	**11.1**	**12.6**

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

Note 30. Earnings per share

	9M 2023	9M 2022
Profit from continuing operations (EUR million)	30.0	21.4
Profit from discontinued operations (EUR million)	-0.6	-0.2
Net profit for the period (EUR million)	**29.4**	**21.3**
Number of shares at beginning of year	80,000	80,000
Number of shares at end of period	80,000	80,000
Weighted average number of ordinary shares outstanding	80,000	80,000
Earnings per share, in euros	**367**	**266**

At 31 December 2022 and at 30 September 2023 the Group did not have any potential dilutive ordinary shares. Therefore, diluted earnings per share equal basic earnings per share.

Note 31. 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 30 September 2023, the Group had a claim to related parties of 8.1 million euros (Loans to customer) (31 December 2022: 9.4 million euros), the interest income on that claim amounted to 416 thousand euros for nine months of 2023 (for nine months of 2022: 189 thousand euros). Loans granted to related parties are issued at market conditions.

Claim to related parties

At	30 Sept 2023	31 Dec 2022
Loans to customers	**8.1**	**9.4**
Of which to members of management and supervisory boards and share holders	1.8	1.8
Of which to companies and persons connected related parties	6.3	7.6
Subordinated bonds	**0.7**	**0.2**
Of which to members of management and supervisory boards	0.7	0.2

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 nine months of 2023 are true and complete.

- 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 30 September 2023 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.

The financial statements have been prepared on a going concern basis.

Martin Länts	**Mart Veskimägi**	**Argo Kiltsmann**	**Ingo Põder**	**Ken Kanarik**
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

signed digitally on 27 October 2023