AS TBB pank

2021. CONSOLIDATED ANNUAL REPORT

*(translation of the Estonian original)**

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1. INTRODUCTION

1.1 General information of Credit institution

Reporting period:	1 January 2021 - 31 December 2021
Balance sheet date:	31 December 2021
Reporting currency:	Euro (EUR)
Reporting units:	EUR thousand
Name of the Entity:	AS TBB pank
Location and address:	7 Vana-Viru Street, 10111 Tallinn
Country of registration:	The Republic of Estonia
Date of registration:	30 December 1991
Registration number:	10237984
Register:	Registration Department of Tartu County Court
Phone:	+372 66 88 000
Fax:	+372 66 88 001
E-mail:	info@tbb.ee

1.2 Auditor

Name of certified auditor:	Lauri Past (license number 567)
Audit firm:	AS PricewaterhouseCoopers
Registration number of the audit firm:	10142876
Location and address of auditor:	Pärnu mnt 15, 10141 Tallinn

2. MANAGEMENT REPORT

2.1 Description of a Credit institution Group

AS TBB pank (hereinafter also “the Bank”) is the oldest functioning commercial bank in Estonia that started its business activities in 1991. AS TBB pank (previously named Tallinna Äripanga AS until 19 June 2019) was registered at 30 December 1991 in the Registration Department of Tartu County Court with the registration number 10237984. Its share capital was EUR 25,500 thousand as at 31 December 2021. The number of the credit institution operating license is EP-08 PO and it is effective from 21 January 1993. As at 31 December 2021, AS TBB pank has not been rated by an international rating agency.

From its very start, TBB has focused in its activities mainly on small and medium-sized enterprises and private persons, offering them traditional banking services: issuance of loans (regular loans and overdrafts) and leases, depositing, foreign currency transactions and intermediation of precious metals.

Since 2019, TBB pank is a full member of MasterCard International and issues different types of debit and credit cards to its customers.

In July 2019, AS TBB pank became direct member for EBA CLEARING STEP2 SEPA Credit Transfer (SCT) payments. Direct membership enables the Bank to make payments without mediators, guaranteeing rapid incoming and outgoing payments in euros for bank customers.

Recently, the Bank has started crediting combined services including complex settlements and trade of products and consumer goods between Estonian enterprises and their foreign partners in the EU. The Bank also grants loans and leases to agricultural enterprises and provides complex financing solutions to commercial, industrial and construction enterprises.

Bank customers are offered a possibility to deposit funds in different types of fixed-term deposits both in euros and foreign currencies. The Bank has established favourable interest rates and service fees for certain customer groups. Personal banking services provide a more individual approach to customers.

The funding for the Bank’s operations comes mostly from owners’ equity and the funds borrowed from the Rural Development Foundation. In addition, the Bank uses funds available as a result of its main operations (deposits, financial obligations related to payment orders and inter-bank transactions, etc.).

The Bank’s head office is located at 7 Vana-Viru, Tallinn. Other bank offices are located at 5a Estonia Avenue and 9 Viru Street, Tallinn and at 4 Kerese Street, Narva.

As at 31 December 2021 AS TBB pank owns 100% of the shares in three entities: AS TBB liising, and AS TBB Invest.

General information about the entities of AS TBB pank consolidation group (hereinafter also “TBB pank” and “the Bank”) as at 31 December 2021:

Name of entity	Address	Area of activity	Reg. Number Reg. date	Ownership percentage
AS TBB pank	Vana -Viru 7, Tallinn	Banking	10237984 30.12.1991	Parent company
AS TBB liising	Vana -Viru 7, Tallinn	Leasing activities	10570483 16.07.1999	100%
AS TBB Invest	Vana -Viru 5, Tallinn	Real estate development	11162243 01.09.2005	100%

Until 31 May 2021, the Group included AS Morgan Trade that operated in the real estate development business. As of 31 May 2021, an agreement had been reached for merging AS Morgan Trade with AS TBB Invest.

General information about the entities of AS TBB pank consolidation group (hereinafter also "TBB pank" and "the Bank") as at 31 December 2020 (valid until 31 May 2021):

Name of entity	Address	Area of activity	Reg. Number Reg. date	Ownership percentage
AS TBB pank	Vana -Viru 7, Tallinn	Banking	10237984 30.12.1991	Parent company
AS TBB liising	Vana -Viru 7, Tallinn	Leasing activities	10570483 16.07.1999	100%
AS TBB Invest	Vana -Viru 5, Tallinn	Real estate development	11162243 01.09.2005	100%
AS Morgan Trade	Vana -Viru 7, Tallinn	Real estate development	11169423 03.10.2005	100%

There are no differences between AS TBB pank Group (within the meaning of IFRS) and the consolidation group (within the meaning of the Credit Institutions Act and the Regulation (EU) No 575/2013 of the European Parliament and of the Council). Therefore, the term "the Group" has consistently been used throughout this report.

2.2 General management of TBB pank

Supervisory Board of the Bank

According to the Articles of Association of AS TBB pank the Supervisory Board has at least five members. The members of the Supervisory Board are elected and recalled by the General Meeting of Shareholders. The members of the Supervisory Board elect one of them to be Chairman of the Supervisory Board, who is in charge of the work of the Supervisory Board. The members of the Supervisory Board are elected for a term of three years. The Supervisory Board consists of 5 members: Chairman of the Supervisory Board Madis Kiisa and the Supervisory Board`s members Veiko Veskiväli, Rene Salumäe, Sergey Gornyy and Aleksander Larionov. Supervisory Board`s member Sergey Gornyy owns 2,500,000 (9.8039%) of the shares of the Bank, other members of the Supervisory Board and their related persons did not own any shares of AS TBB pank as at 31 December 2021.

Management Board of the Bank

The Management Board is the Bank's management body that represents and manages the Bank. According to the Articles of Association, the Management Board has at least three members, with term of office of up to 3 years. The Chairman of the Management Board is in charge of the work of the Management Board. The Management Board is selected by the Supervisory Board of the Bank.

The Management Board consists of 3 members. By the time of approval of the annual report the Management Board consists of: Chairman of the Management Board **Igor Novikov** and Members of the Management Board **Sergei Elošvili** and **Evi Tänak**. The Member of the Management Board Sergei Elošvili and his related persons own 1,248,904 (4.8977%) of the Bank´s shares as at 31 December 2021. Number of shares at the time of preparation of the annual report has not been changed. During 2022, 9.5000% of the shares of the existing shareholders had been sold to the owner from Great Britain (in the amount of 2,422,500 euros). Other members of the Management Board and their related persons do not own the Bank`s shares.

Prior to the change in the composition of the Management Board on 18 January 2021 the areas of responsibility of the Management Board were divided as follows:

- Chairman of the Management Board **I. Novikov**: general management, organisation of the work of the Management Board, financial management, accounting and reporting, settlements, arranging and development of financial risk management system;
- Member of the Management Board **S. Elošvili**: organization and development of personnel management, organization and development of advertising and marketing, secretariat, administrative department, legal department, organization and development of a customer service system, including sales of products and services, financing, automation of services; IT division, incl. project implementation and customer service automation, Group's development, development and implementation of business strategy and business model, participation in the organization of the risk management system in terms of credit risk management;
- Member of the Management Board **E.Tänak**: organisation and development of the system for operational risk management, organisation of AML/CTF/Sanctions and compliance, including provision of tax-related information (FATCA, CRS, DAC2), organisation of ensuring information security.

Credit Committee, Internal Audit Department and Audit Committee

According to the Credit Institutions Act, the Authorised Public Accountants Act and the Articles of Association, the **Bank's Supervisory Board** has established the following units:

Credit Committee was established at 26 September 2006. The responsibility of the Committee is to assess loan and other financial applications submitted by the loan department and/or credit analysis departement and/or TBB liising, review the appended documents and other information, and take a position on the basis thereof regarding the solvency and financial soundness of loan/lease applicants, and the existence and sufficiency of their collateral pursuant to the Bank's credit policy.

Internal Audit Department was established at 3 July 1996. Its duties involve all levels of management and operations at the Bank in order to ensure the efficiency of the activities of the credit institution, accuracy of financial reporting and compliance with regulatory and other legal acts, internal rules and regulations approved by the Bank's management bodies and good banking practices as well as decision-making on the basis of credible and relevant information.

Audit Committee was established at 15 June 2011. It is an advisory body to the Bank's Supervisory and Management Boards in order to ensure the compliance of economic activities and risk management with the Bank's objectives. The responsibility of the Committee is advising the Supervisory and Management Boards in supervision related issues, including organisation of accounting, conducting of external audit, functioning of the internal control system, management of financial and operational risks, monitoring of the legality of operations as well as preparation of the budget and approval of the annual report.

The Bank's Management Board has established and approved the main principles and competencies of the following Bank's units:

Risk and Capital Management Committee (19 November 2019). The committee's responsibility is to support asset appreciation and profit growth of the Bank's consolidation group through efficient management of risks; ensuring the Bank's required financial position arising from the nature and scope of operations carried out by the Bank; development of proposals to the Management Board of the Bank in respect of the priorities for action at the Bank in the risk area, including identification of key risks, development of risk management measures, upgrading and development of the risk management system.

Committee on Business Continuity (15 March 2007). The purpose of the committee is to analyse and monitor risks that may either partially or fully impact the Bank's processes as well as assessment of their severity; development of the systems, rules, procedures and preventive measures to ensure the Bank's business continuity, such as in a crisis situation, including training the staff to be prepared for crisis situations.

Development Group (15 October 2003). The Group's main objectives include drafting of the Bank's development plan and monitoring of its implementation; development of new products and services; review and analysis of new projects that may impact the Bank's development, submitting the projects to the Management Board and supporting them.

High-Risk Customer Approval Committee (6 June 2018). The objective of the committee is verification of compliance of both existing as well as potential high-risk customers with the requirements of AML and the Bank's risk appetite

Group responsible for submitting reports to the Financial Supervision Authority (15 October 2003). The purpose of the group is to ensure compliance of reports submitted to the Financial Supervision Authority with legislation; compilation, preparation of new reports and monitoring of submitting the reports to the Financial Supervision Authority.

Auditor:

On 23 April 2021 General Meeting of Shareholders has elected AS PricewaterhouseCoopers as the external auditor of AS TBB pank for the years 2021 and 2022. Responsible auditor is Lauri Past. TBB pank complies with the requirement of auditor rotation.

In 2021, the auditor has provided services to the Bank as laid down in the contract, including audits of the annual reports of the companies in the Bank's consolidation group as well as other assurance services that are required under the Credit Institutions Act and Securities Market Act.

2.3 Principles of management procedures of TBB pank

The members of the Management Board of the Bank are members of the supervisory boards of the Bank's consolidation group. The Chairman of the Supervisory Board of AS TBB liising is Evi Tänak and its members are Igor Novikov and Sergei Elošvili. The Chairman of the Supervisory Board of AS TBB Invest is Sergei Elošvili and its members are Igor Novikov and Andrei Žukov.

Recruitment policies for selection of members of a management body

For recruitment of the members of the Management and Supervisory Boards, the Bank acts in compliance with the requirements of the Credit Institutions Act, the guidelines of the EBA for assessing the suitability of the members of a management body and key personnel, recommended guidelines of the Financial Supervision Authority and the Bank's internal rules and regulations. When recruiting members of a management body, preference is given to internal candidates of the Bank, while executive recruitment is also used.

Individuals with the required expertise, skills, experience, education, professional qualifications and impeccable business reputation are selected as members of the Management and Supervisory Boards of the Bank. Prior to being selected as a member of the Management or Supervisory Board of the Bank, the candidate shall provide an overview to the Bank of his/her education, work and business experience, and his/her punishments entered in the punishment register as well as confirmation that there are no circumstances preventing him/her from becoming a manager of a credit institution.

Since TBB pank's market share is small and it offers standard banking and lease products, its management structure is small and simple. Upon assessing the suitability of a member of a management body, the nature of the activities, scope and complexity of the Bank as well as the responsibilities of the position will be taken into account. In respect of a candidate of a member of the management body, the Bank assesses his/her reputation, knowledge, skills and experience required for the position, as well as independence and the time to be contributed to fulfilling the duties. Assessment and its results will be documented.

The Bank's managers act with expected prudence and competence, in accordance with the requirements set for their positions and in the interests of the Bank and its customers

Diversification policy

The Bank provides equal opportunities and rights to everyone, regardless of their gender, nationality, ethnic background, age, sexual orientation, gender identity or religion.

The general diversity policies also apply to selection of members of a management body. The composition of the Bank's Supervisory and Management Boards is sufficiently diverse and complies with the principles of diversity of composition of the management bodies and it ensures that the management body has capacity for work and it consists of persons with a professional background who fit into the composition due to their knowledge, skills and experience. In light of the credit institution's business model and strategy, managers collectively have sufficient knowledge, skills and experience to understand the operations of a credit institution, including key risks.

Social responsibility

The Bank has taken a clear and responsible position. Because of its size, the extent of the Bank's social and environmental impact is limited to customer financing.

The Bank does not finance such sectors as gambling, tobacco production, entertainment, weapons industry, etc. In addition, the Bank does not finance projects related to corruption or that are harmful to nature.

The Bank actively finances projects related to green production.

Risk committee
Considering the nature, scope and complexity of the Bank's activities, the Bank has not established a separate risk committee, its functions are performed by the audit committee in accordance with the provisions of the Credit institutions act (KAS). Risk management, including how information on risk reaches the management body, is described in **Note 4**.

Information about the objectives and principles for hedging the financial risks of financial instruments and the risks related to the changes in foreign exchange rates and interest rates is disclosed in **Note 4** "*Risk management*".

2.4 Principal shareholders of TBB pank

Leonarda Invest AS owns a 43.84% stake in TBB pank, all other shareholders own less than 10% of shares each. The shares are divided as follows:

Shareholder	Country	Number of shares owned as at 31.12.2021	Ownership %	Number of shares at the time of preparation of the Annual Report	Ownership %
Leonarda Invest AS	Estonia	12,354,034	48.45%	11,180,438	43,.84%
Other shareholders	Estonia	8,184,414	32.10%	6,935,510	27.20%
Other shareholders	Russia	4,961,552	19.45%	4,961,552	19.46%
Other shareholders	United Kingdom	-	-	2,422,500	9.50%
Total		**25 500 000**	**100,00%**	**25 500 000**	**100,00%**

2.5 Overview of 2021 results

Key events in the external environment in 2021:

- 2021 was the year of the economic recovery after 2020 when the global financial crisis caused by the restrictions imposed to combat the coronavirus pandemic. According to initial estimations, the global GDP increased by 5.6%.
- During the year, the European Central Bank kept key interest rates at the same level as in previous years, including a base interest rate of 0% and a deposit facility rate of -0.50%.
- In the second half of 2021, the economic recovery was affected by a rapid rise in energy prices that negatively impacted the inflation index of EU countries.
- The US Federal Reserve did not change the USD base interest rate during the year.

- ECB announced that the quantitative easing programme and the policy of negative interest rates had come to an end.
- The annual inflation of the eurozone exceeded 5%. This is the fastest price growth since the creation of the Eurozone.
- In 2021, the average 6-month EURIBOR fell to -0.523% for the whole year (2020: -0.367%).
- Inflation growth was a significant negative factor in 2021. For instance, US inflation rose to 7%, the highest level since 1981.
- For European and US equity markets, 2021 was a year of record growth. While in the US C&P Index rose by 27%, the DAX Index in Germany by 15% and the CAC in France by 28%, China's Shanghai Composite Index was up only by 3.5%.
- In the currency market, 2021 was the year of strengthening USD against most other world currencies. The USD Index that reflects its ratio to a basket of six leading currencies increased by 7% in a year. At the same time the currency pair EUR/USD fell by 7%.
- The economies of the world's leading countries have recovered successfully, while growing inflation in the US and in the Eurozone forced the Federal Reserve and ECB to announce an imminent adjustment of USD and EUR interest rates.
- By the end of 2021, geopolitical risks increased because of a possible military conflict between Russia and Ukraine, further pushing up the inflation of almost all goods and services.

<u>The main changes in the Estonian economy in 2021:</u>

- The main positive result in 2021 was the recovery of the Estonian economy from the 2020 crisis that was caused by restrictions imposed to combat the COVID-19 pandemic.
- GDP increased by approximately 5% over pre-crisis peak in fixed prices and the growth in current prices was approximately 11% — this is one of the fastest recoveries among European countries.
- The economies of Estonia's main trade partners grew modestly in the 3rd quarter. The GDP of our neighbouring countries (Finland, Sweden, Latvia, Lithuania) increased between 4.2 and 5.1% as compared to the year before.
- Export of goods increased by 28% and imports by 32% as compared to 2020.
- In 2021, the volume of goods handled by the Estonian ports increased by 4.5% as compared to the year before. The volume of goods amounted to 39.3 million tonnes. As compared to 2020, haulage of goods was up by 1.7 million tonnes.
- Inflation growth set a record in 2021. By the end of December, the inflation rate had grown to 12% from 6.8% in October.
- The consumer price index grew by 4.6% in a year. The main reasons included high energy prices, an increase in the price of food products (+6.1%) and growth in private consumption.
- Producer prices increased by 24.7% in 2021. During the year, the prices of oil and other energy carriers continued to grow. This growth was caused by lack of materials and labour resources and, from Estonia's main trade partners, the import of "inflation."
- The real estate market remained active as prices increased by 8.3% from the year before.
- The situation on the labour market has improved and unemployment has fallen to 5.7%. As at 31 December 2021, there were 44,103 unemployed people which is 9,632 people less than a year earlier.
- Growth of average salaries and wages continued. At the end of the year, the average gross monthly salary and wage was EUR 1,553, an increase of 7.8% year on year.

- In the 3rd quarter, domestic demand was supported primarily by private consumption that increased 8.7% in a year, mainly fuelled by the pension savings withdrawn from the 2nd pension pillar.
- Financing possibilities of businesses and households improved in the second half of 2021 due to the inflow of funds withdrawn from the 2nd pension pillar and low interest rates of bank loans.
- In the 3rd quarter, total capital investment in the property, plant and equipment fell by approximately 9% as compared to the year before and the investment volume of the economy fell to 29.5%.
- The number of foreign tourists fell to the same level as in 1997 while domestic tourism reached a record level.
- A rapid economic recovery is supported also by the availability of bank loans. After the recovery from the crisis, businesses have been also more positive about the banks' lending readiness.
- In 2022, the Bank of Estonia will restore and taken into use base requirements for the countercyclical capital buffer. The increase of the countercyclical capital buffer rate by 1% would increase the banks' capital requirements by approximately EUR 117 million, i.e. by 4%.

The new wave of coronavirus (COVID-19) infection and the restrictive and sustained restriction measures implemented in many Eurozone countries are disrupting economic activity in 2021. Nevertheless, the global economy continued to recover at the end of 2021 and global financing conditions remain very favourable.

Due to the coronavirus COVID-19, the Group monitors daily its financial position, including the effect of potential higher risks arising from the coronavirus on its loan portfolio and the Bank's overall results. There has been no need for the Group to implement COVID-19 pandemic mitigation measures, and as the structure of the loan portfolio and the customers themselves have not been directly impacted by the economic effects of the coronavirus, regular monitoring of customers, risk assessment as well as direct communication with customers have been our daily activities for preventing possible payment difficulties in servicing loan contracts. The figures for 2021 show that during the year there were no indications that the quality of the Group's loan portfolio would decrease due to the effects of Covid-19. The risks taken have been managed and the loan portfolio has not been allowed to deteriorate during the COVID-19 pandemic. Deterioration is also not expected.

The Group continues its normal activities and the operations will be ensured and controlled through the normal management. Employees are given the opportunity to work remotely, which does not prevent them from performing any functions, including activities in the entire field of credit. The Bank offices are partially opened and Internet banking services are all available and in use.

At the time of authorisation of the annual report for issue, the Group's liquidity and capital position is solid and it does not materially differ from that as at 31 December 2021. The Group is going concern. The Management Board is not aware of any indications that the Group may violate regulatory requirements: its capital and liquidity buffers are adequate and the Group is in compliance with all requirements.

In 2021, the main developments in the Group's activities were as follows:

- Continuous upgrading and optimisation of the Bank's website www.tbb.ee for search engines to ensure that the website is visible and has a higher position in the search results.
- At the end of 2021, TBB pank started to offer payment cards services in cooperation with the Estonian branch of Nets Denmark A/S. As part of this cooperation, the Bank can now offer customers long-awaited payment solutions: acquiring service at points of ale, as well as payment terminals and e-commerce – an online solution for secure, convenient and easy Visa/MasterCard card payments in the customer's online store or when offering e-services.
- In 2021, the Bank organised various deposit campaigns aimed at local customers.
- During the year, loan products were also advertised on the Facebook platform, in Google search results and in local news and real estate portals (e.g. City24, Kinnisvara24, Äripäev)
- TBB pank constantly informed its customers about existing and new services and campaigns via social media, the Bank's website and newsletters.
- The development work of the new Internet bank continued in 2021.
- In accordance with the PSD2 requirements, the method for strong authentication of e-commerce transactions was completed. Loan campaigns targeting local private and business customers were held. The Bank completed the IT development for the launch of a new card product in January 2022.
- The transition to the 2nd version of MCC/3D Secure 2.1 was completed.
- The Bank has been actively selling the properties in its balance sheet, significantly reducing the volume of its real estate portfolio.
- The Bank has actively invested in the development of CRM software development that enables bank employees to provide faster and higher quality service to customers.
- Continuation of SALV platform for the purpose to further enhance the quality of transaction screening and monitoring.

Income statement analysis

The audited loss of AS TBB pank Group for the year 2021 amounted to EUR -1,242 thousand while it was EUR -3,636 thousand in 2020. The Group`s total revenue increased by 1.3% as compared to the previous year and amounted to EUR 5,625 thousand.

As compared to 2020, interest income for 2021 decreased by 5.7% and amounted to EUR 2,662 thousand (see Note 16). Interest income from bank deposits decreased by 89.2% and amounted to EUR 11 thousand, the average interest rate has decreased (31.12.2021: 0.07%; 31.12.2020: 0.13%). As at the end of 2021, the Bank's term deposit balances increased by 8.3% as compared to the end of 2020 (see Note 6). Interest income from loans increased by 0.6% against the background of a shrinking loan portfolio. The average interest rate on loans remained at almost the same level (31.12.2021: 4.55%; 31.12.2020: 4.58%) (See Note 7). The decrease in interest income from leasing activities was 24.8%.

Interest expenses increased by 10.6% and amounted to EUR 1,219 thousand (see Note 17). Asset-related negative interest expenses increased by 31.7% and amounted to 332 thousand. Interest expenses on deposits increased by 4.2% as compared to the previous year. The average interest rate has decreased (31.12.2021: 1.61%; 31.12.2020: 1.77%). The average interest rates on the funds and loans received from the Rural Development Foundation and KredEx Foundation remained at almost the same level (31.12.2021: 0.77% and 4.00%; 31.12.2020: 0.91% and 4.00%, respectively).

Overall, the Group's net interest income decreased by 16.2% and amounted to EUR 1,443 thousand (2020: EUR 1,722 thousand).

In 2021, the gain from the changes in the value of receivables amounted to EUR 197 thousand, attributable to the decrease in expected credit losses (ECLs) due to the assignment of a non-performing loan (2020: loss of EUR 1,088 thousand) (see Notes 2, 3, 7, 18).

Fee and commission income increased by 2.1% and amounted to EUR 1,392 thousand (2020: EUR 1,363 thousand) which was primarily attributable to the increase in the service fees on payments (see Note 19). The following accounted for the majority of income from fees and commissions in 2021:

- service fees related to payments 56.4% (2020: 51.9%);
- account maintenance fees 13.1% (2020: 13.8%);
- service fees related to bank cards 13.1% (2020: 12.9%).

Fee and commission expenses increased by 14.5% as compared to the previous year and amounted to EUR 1,339 thousand (2020: EUR 1,169 thousand) (see Note 20). The three most significant components in the structure of fee and commission expenses were:

- data processing fees 40.6% (2020: 40.5%);
- service fees related to payments 25.6% (2020: 19.6%);
- service fees related to card services 24.0% (2020: 24.3%);

Overall, the Group's net fee and commission income decreased by 72.7% and amounted to EUR 53 thousand.

Due to insignificant growth in the volume of foreign exchange transactions, the net gains from financial transactions of the Group in 2021 amounted to EUR 855 thousand which is 6.1% more than in the previous year (2020: EUR 806 thousand) (see Note 21).

The gain from the revaluation of investment properties totalled EUR 216 thousand (loss for 2020: EUR 1,120 thousand) (see Note 10).

Net gain from revaluation of gold was 21 thousand euros (in 2020 gain in amount 65 thousand euros)

Administrative expenses decreased by 9.3%, amounting to EUR 3,301 thousand (2020: EUR 3,641 thousand). The largest component in the expense structure was staff costs which accounted for 87.5% of administrative expenses (2020: 87.5%) (see Notes 22-23).

In 2021, other operating income decreased by 25.4% as compared to the previous year and amounted to EUR 479 thousand (2020: EUR 642 thousand) (see Notes 24, 8, 10). Other operating expenses in 2021 increased by 17.4% and amounted to EUR 709 thousand (2020: EUR 604 thousand) (see Note 25).

Analysis of the statement of financial position

As at 31 December 2021, the total volume of TBB pank's statement of financial position increased by 16.6% from the beginning of the year, totalling EUR 170,994 thousand (2020: EUR 146,684 thousand). The main reason for growth was is the increase in customer demand deposits.

Lending activities

As compared to 2020, the Group's gross carrying amount of loan receivables from customers decreased by 2.3% in 2021 and amounted to EUR 50,778 thousand (31.12.2020: EUR 51,969 thousand) (see Note 7). By customer sectors, receivables changed as follows: loan receivables from legal entities decreased by 3.3% and receivables from private individuals increased by 3.6%. The balance of the allowance for expected loan losses as at 31 December 2021 is EUR -228 thousand (31.12.2020: EUR -2,312 thousand) (see Note 7). The reason for the sharp decrease in the allowance is the decrease in individual provisions in Stage 3 related to the assignment and write-off of receivables.

Financing

As at 31 December 2021 and 31 December 2020, the Group did not have any liabilities to other credit institutions.

As at 31 December 2021, payables to customers amounted to EUR 138,597 thousand, decreasing by 19.6% due to a 31.5% increase in the volume of corporate deposits. The volume of deposits of individuals increased by 2.6% (see Note 11).

As at 31 December 2021, other payables increased by 41.3% and amounted to EUR 8,571 thousand (2020: EUR 6,067 thousand) (see Note 12). The objective of the co-operation between the Group and the Rural Development Foundation is to improve the opportunities for small and medium-sized enterprises to attract financial resources, to ensure the application of these opportunities in the general interest. The objective of cooperation with the KredEx Foundation is to jointly improve the financing opportunities of start-up entrepreneurs. The Bank finances the business activities of enterprises at the expense of funds received from the Foundation.

The increase of other payables and accrued expenses by 18.6% was related to the increase in payments in transit during ordinary banking operations (2021: EUR 2,291 thousand, 2020: EUR 1,931 thousand) (see Note 13).

2.6 Development goals of TBB pank for 2022

The strategy of AS TBB Pank Group for 2022 foresees implementation of the projects launched in 2021. The strategy is developed on the basis of the analysis of the Estonian current macroeconomic environment and banking market situation as well as the forecast of future trends.

The geopolitical component and the conflict between Russia and Ukraine will have a negative impact on the financial, energy, food and raw material markets of the European Union in 2022. The expected price increases will lower both the wholesale and retail market size and capacity. The production and economic chains of companies will be disrupted; the export potential of the Estonian economy will decrease. These changes in the economy will have a negative impact on profitability, while also forcing us to look for new markets in order to expand the volume of settlement services and increase revenue.

After the start of the conflict between Russia and Ukraine, the Bank makes payment settlements as planned. Payments can be made to the banks in Russia or Byelorussia that are not on the list of the sanctioned banks. Due to the Russia-Ukraine conflict, a decline in the transactions may be expected. As at the year-end 2021, the deposits of the customers who are residents of Russia, Ukraine and Byelorussia made up 4.7% of all deposits.

For ensuring stable development, the Bank continues to invest in IT solutions, incl. CRM and online bank development.The Bank’s developments focus primarily on the automatization of the various work processes related to prevention of anti-money laundering and terrorist financing, including analysis, scoring and monitoring software development.

The Bank wishes to increase the volumes of its credit products, incl. primarily the volumes of home, mortgage and consumer loans as well as the volumes of loans granted to small and medium-sized businesses. Together with the growth in the loan portfolio, the Bank also focuses on the quality of new and existing loans (Note 3).

The Bank prioritises more widespread sale of various services.

In 2022, the Bank will continue organisation of various campaigns.

2.7 Internal control system

The internal control system operates in accordance with the “Internal and compliance control system policy” approved by the TBB pank's Supervisory Board at 14 December 2018.

The internal control system is a system of organisation measures, activities and internal rules and regulations implement on the initiative of the Management Board of AS TBB pank, the task of which is to ensure sufficient management of the risks of AS TBB pank Group, the most efficient achievement of objectives, accuracy of reporting, protection of assets and data, and compliance with prevailing legal regulations.

Each management and operational level of the Bank Group performs specific functions in the internal control system.

The Management Board of the Bank is responsible for establishment and efficient functioning of the internal control system. The Management compiles the documents regulating the activities of the Bank Group (incl. structure, action plans, internal rules and regulations and other internal norms) and ensures their compliance and fulfilment.

Important control functions at the Bank Group are carried out by the second line of defence which in 2021 consists of the risk control, compliance control and internal control functions and the third line of defence represented by the Internal Audit Department. Each control function has sufficient authorities to fulfil their duties, and they present regular reports to the Management and/or Supervisory Board of AS TBB pank.

Heads of departments are responsible for managing and controlling the risks they encounter in their operations. All heads of departments must ensure that their staff is properly instructed, supervised and required to comply with the documents governing their work.

The internal control system also comprises a system of committees. In 2020, in addition to the Credit Committee and Audit Committee set up as required by legislation, the other committees included the Risk and Capital Management Committed, High Risk Customer Approval Committee and Business Continuity Process Management Committee.

The Supervisory Board of AS TBB pank performs supervision over the Bank and the entire Group, monitoring the work of the Management Board (incl. implementation of the internal control system), approving the Group's strategy and general risk management principles.

The Internal Audit Department evaluates and reviews the functioning of the internal control system and risk management of AS TBB pank (through auditing). The Internal Audit Department reports directly to the Supervisory Board and in performing its tasks, it follows the department's statute, policies and procedures approved by the Supervisory Board, as well the annual work plan. As a result of its work, the Internal Audit Department prepares reports where it gives objective feedback to the Management and Supervisory Boards of the Bank about the deficiencies identified and makes recommendations to eliminate these deficiencies. The Internal Audit Department regularly reviews elimination of deficiencies specified in the reports of the Financial Supervision Authority and internal audit.

2.8 Dividend policy

The assumptions and principles for payment of dividends have been laid down in the Dividend Policy approved by the Bank's shareholders at 25 April 2018 and are available at the Bank web site.

The prerequisite for payment of dividends is that both internal as well as external capital-related standards are fulfilled sustainably. Arising from this, the Bank Group's dividend policy is based on conservative and reliably assumptions so that after any distribution the effective capital requirements can be complied with. In case there are respective growth and/or investment plans, the Bank Group's general meeting may waive payment of dividends. The Bank Group uses the so-called residual dividend principle when paying out dividends, according to which only the remaining portion of the profit that is not reinvested is paid out as dividends.

2.9 Remuneration policy

TBB pank Group has a uniform remuneration policy in place that is approved by the Supervisory Board. The goal of the remuneration policy is to align the remuneration of all employees with the Bank's business and risk strategy, culture and values, long-term interests of the Bank and its shareholders and the measures adopted to prevent conflicts of interest. The policy is rooted in effective work culture geared towards results, including high-quality risk management, considering capital adequacy and necessary liquidity.

The Supervisory Board with the Audit Committee oversees the compliance with the application of the remuneration principles laid down in the policy. The Internal Audit Department annually reviews and evaluates the compliance of the principles of remuneration of the members of the Management Board and employees of the credit institution with the requirements laid down in the Credit Institutions Act.

The remuneration structure of AS TBB pank consists of:

- basic salary – fixed remuneration determined on the basis of the duties of the position and employee's knowledge, skills and experience and which the Bank and the employee have agreed on;

- variable salary – irregular portion of remuneration that can be paid out as bonuses and additional pay for fulfilling additional responsibilities, as well as the termination benefits payable to the members of the Management Board.

The Bank's employees are generally remunerated in the form of the basic salary. The Bank has not adopted remuneration based on performance pay.

2.10 Financial ratios and capital adequacy

Below is a list of key **financial ratios** that describe the Group's operations in the financial years 2021 and 2020. Balance sheet ratios are calculated as an arithmetic average of the data from the end of the previous financial year and the ending date of each quarter of the financial year. The actual data for the financial year is used for income statement related ratios.

Ratios	31 December 2021	31 December 2020
1. ROE	-5.63%	-14.67%
2. EM	7.35	5.90
3. PM	-22.08%	-63.81%
4. AU	3.47%	3.90%
5. ROA	-0.77%	-2.49%
6. EPS	-0.05	-0.14

The ratios have been calculated using the following formulas:
1. Return on Equity (ROE): Net profit (loss) / equity (%)
2. Equity Margin (EM): Assets / equity
3. Profit Margin (PM): Net profit (loss) / total revenue* (%)
4. Asset Utilisation (AU): Total revenue / assets (%)
5. Return on Assets (ROA) Net profit / total assets %
6. Earnings per Share (EPS): Net profit (loss) / average number of shares (EUR)
*Total revenue is the sum of all revenue presented in the income statement.

The planning of the capital requirement takes place on the basis of calculating regulatory **capital adequacy** plus capital requirements to cover additional risks.
Capital adequacy or the total capital ratio = own funds / total risk exposure (%) expresses the adequacy of the Group's own funds to cover credit risk, market risk and operational risk and compliance with the credit institution's economic activities.
As at 31.12.2021, capital adequacy was 25.23% (31.12.2020: 26.40%).

Own funds and ratios **(EUR thousand)**

	December 2021	December 2020
TIER 1	**20,336**	**21,756**
Common Equity Tier 1 capital (CET 1)	**20,336**	**21,756**
Paid-in share capital	25,500	25,500
Prior period retained earnings/accumulated loss	-3,728	-92
Net profit/loss (-)for the financial year	-1,242	-3,636
(-) Unacceptable part of the annual profit	-	-
Reserves established from profit	1,005	1,005
Common equity Tier 1 capital deductions	-1,199	-1,021

Total own funds	**20,336**	**21,756**
Total risk-weighted assets (Total risk exposure)	**80,600**	**82,401**
Capital ratios and buffers		
Common equity Tier 1 capital ratio (CET1)	25.23%	26.40%
Tier 1 capital ratio (TIER 1)	25.23%	26.40%
Total own funds ratio	**25.23%**	**26.40%**
Combined buffer requirement	**2,015**	**2,060**
Buffer for capital preservation	2,015	2,060
Buffer for system risk	-	-

Since 10 January 2022, considering the latest applicable SREP[1] capital requirements, the Group's minimum regulatory capital ratio is **21.16%** (until 10.01.2022: **20.34%**) which ensures the coverage of both Pillar 1 and Pillar 2 risks as well as the combined buffer requirement. The capital requirement consists of 8% of Pillar 1 total capital requirement, 2.5% of the combined buffer requirement, 7.66% of Pillar 2 requirement (until 10.01.2022: 9.84%) and 3% of additional own funds guidance (since 10.01.2022).

AS TBB pank Group uses a standardised approach for calculating the capital requirement for credit risk For calculating the capital requirement for credit risk of the Group as at 31 December 2021 and 2020, both on-balance sheet assets and off-balance sheet liabilities have been taken into consideration.

Risk-weighted assets

(EUR thousand)

	31 December 2021	Capital requirements (8%)	31 December 2020	Capital requirements (8%)
TOTAL RISK EXPOSURE	**80,600**	**6,448**	**82,401**	**6,591**
Risk-weighted assets for credit risk and counterparty credit risk	**70,883**	**5,671**	**70,917**	**5,673**
Government	-	-	1	-
Credit institutions and investment companies	4,888	391	4,386	351
Legal entities	10,886	871	5,508	441
of which: SME	10,330	826	5,100	408
Retail receivables	313	25,	350	28,
Real estate secured receivables	38,046	3,044	39,080	3,126
of which: SME	34,346	2,748	36,004	2,880
Overdue receivables	531	42	2,754	220
Items with particularly high-risk exposure	11,037	883	4,688	375
Other assets	,5,182	415	14,150	1,132
Total amount of foreign currency risk	**638**	**51**	**578**	**46**
Total operational risk amount	**9,079**	**726**	**10,906**	**872**

** SMEs – designated as micro, small and medium-sized companies. The category of micro, small and medium-sized companies (SMEs) include such companies that have fewer than 250 employees and whose annual revenue does not exceed EUR 50 million and/or the annual balance sheet total does not exceed EUR 43 million (excerpt from Article 2 of the Annex of the Commission's recommendation 2003/361/EU.*

[1] SREP Guidelines, i.e., "Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process" for the supervisory evaluation of the Financial Supervision Authority.

Capital requirements and buffers **31 December 2021**

Own funds	Total own funds	Total risk exposure	Baseline capital requirements		Baseline capital surplus (+) deficit (-)	Capital adequacy	Capital maintenance buffer		Systemic risk buffer		Total capital requirements, incl. buffers		Total capital surplus (+) deficit (-)
	1	2	3	4=2x3	5=1-4	6=1/2	7	8=2x7	9	10=2x9	11=3+7+9	12=2x11	13=1-12
Total capital	**20,336**	**80,600**	**8%**	**6,448**	**13,888**	**25.23%**	**2.5%**	**2,015**	**0%**	**-**	**10.5%**	**8,463**	**11,873**
Tier 1 capital	**20,336**	**80,600**	6%	4,836	15,500	25.23%	2.5%	2,015	0%	-	8.5%	6,851	13,485
CET 1 capital	**20,336**	**80,600**	4.5%	3,627	16,709	25.23%	2.5%	2,015	0%	-	7%	5,642	14,694

The Capital Requirement Regulation requires that credit institutions calculate the financial leverage ratio. The **financial leverage ratio** equals the quotient of Tier 1 capital and risk exposure indicators and is expressed as a percentage. The objective of the financial leverage ratio is to cover the risk of excessive financial leverage (risk that is caused by excessively rapid growth in the liabilities of a credit institution) and act as a safeguard to the requirement of risk-sensitive own funds.

Calculation of the financial leverage ratio **(EUR thousand)**

	31 December 2021	31 December 2020
On-balance sheet risk exposures	169,795	145,663
Other off-balance sheet risk exposures	2,734	863
The indicator of total risk exposure of financial leverage ratio	**172,529**	**146,526**
Own funds of Tier 1	**20,336**	**21,756**
Financial leverage ratio (using the fully implemented definition of Tier 1 capital)	**11.79%**	**14.85%**

The management estimates that the Group is in compliance with all external and internal capital management requirements as at 31.12.2021 and 31.12.2020.

In the reporting period, the Group preserved its **liquidity level** which is sufficient to comply with all the requirements of customers and supervisory bodies. The liquidity coverage ratio (LCR, %) calculated as an arithmetic average of last twelve month end data prior balance sheet date was 975% in 2021 and 480% in 2020 (regulatory minimum requirement 100%). The disclosures on the Group's liquidity coverage ratio as laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council are presented on the Bank's website in the risk and capital (Pillar 3) report of TBB pank for 2021.

2.11 Consolidated statements of financial position of TBB pank Group for 2017-2021

(EUR thousand)

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Cash	807	466	1,023	1,183	905
Receivables	155,046	129,658	138,037	195,598	212,217
Other assets	1,073	1,268	989	1,490	1,308
Gold	525	504	440	367	356
Property, plant and equipment	4,026	4,361	4,878	4,601	3,930
Intangible assets	1,199	1,021	797	-	-
Investment properties	8,318	9,406	10,670	11,851	12,596
TOTAL ASSETS	**170,994**	**146,684**	**156,834**	**215,090**	**231,312**

Payables	147,168	121,976	125,615	182,357	198,075
Other liabilities and accrued expenses	2,291	1,931	4,806	5,499	6,936
Total liabilities	**149,459**	**123,907**	**130,421**	**187,856**	**205,011**
Total equity	21,535	22,777	26,413	27,234	26,301
TOTAL LIABILITIES AND EQUITY	**170,994**	**146,684**	**156,834**	**215,090**	**231,312**

2.12 Court disputes and tax inspection

During its normal course of business, the Bank's and the Group's companies have participated in a number of court disputes with the aim to claim outstanding receivables from the contractual parties and to maintain collaterals (see also Note 15). The Bank's management is of the opinion that as a result of pending legal disputes as of 31 December 2021 and the date of submission of the report, the Bank and the Group companies will not incur significant losses.

In 2021 and as at the date of submission of the report, the following are ongoing:
- AS TBB pank has 4 (four) bankruptcy proceedings, 8 (eight) enforcement proceedings, 1 (one) express payment order proceeding and (1) cessation proceeding launched in France against the Bank. A court ruling against the Bank has been made and the Bank intends to file an appeal (see also Note 15);
- AS TBB liising has 2 (two) bankruptcy proceedings, 6 (six) enforcement proceedings, 3 (three) court proceedings. One of the above court proceedings has been initiated against AS TBB liising;
- AS TBB Invest does not have any matters in court or arbitration proceedings.

In the case of proceedings against the Bank and the Group companies, the management does not see any legal basis why the dispute could be satisfied not in favor of the Bank and the Group companies.

In 2021, the tax authorities did not carry out a tax audit at the Group. Tax authorities have the right to review the Group’s tax records within 5 years after submitting the tax declaration and upon detecting errors, impose additional taxes, interest and fines. The Group’s management estimates that there are no circumstances that might lead the tax authorities to assign significant additional taxes to the Group.

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1 Consolidated statement of financial position of TBB pank Group

(EUR thousand)

ASSETS	Note	31 December 2021	31 December 2020
Cash		**807**	**466**
Receivables		**155,046**	**129,658**
Receivables from Central Bank	5	79,501	57,662
Receivables from credit institutions	6	24,995	22,339
Receivables from customers	7	50,550	49,657
Other assets	8	**1,073**	**1,268**
Gold		**525**	**504**
Property, plant and equipment	9	**4,026**	**4,361**
Intangible assets	9	**1,199**	**1,021**
Investment properties	10	**8,318**	**9,406**
TOTAL ASSETS		**170,994**	**146,684**

LIABILITIES AND EQUITY	Note	31 December 2021	31 December 2020
Payables		**147,168**	**121,976**
Payables to customers	11	138,597	115,909
Other payables	12	8,571	6,067
Other payables and accrued expenses	13	**2,291**	**1,931**
TOTAL LIABILITIES		**149,459**	**123,907**
Share capital	14	25,500	25,500
Reserves	14	1,005	1,005
Accumulated loss		-4,970	-3,728
TOTAL EQUITY		**21,535**	**22,777**
TOTAL LIABILITIES AND EQUITY		**170,994**	**146,684**

The notes to the financial statements set out on pages 26 to 107 form an integral part of these financial statements.

3.2 Consolidated statement of comprehensive income of TBB pank Group

(EUR thousands)

	Note	2021	2020
Net interest income		**1,443**	**1,722**
Interest income calculated using the effective interest method	16	2,394	2,452
Other similar income	16	268	372
Interest expense	17	-1,219	-1,102
Impairment losses on receivables	7, 18	**197**	**-1,088**
Net fee and commission income		**53**	**194**
Fee and commission income	19	1,392	1,363
Fee and commission expense	20	-1,339	-1,169
Net gain from financial transactions	21	**855**	**806**
Administrative expenses		**-3,301**	**-3,641**
Wages and salaries	22	-2,161	-2,384
Wage related taxes	22	-728	-801
Other administrative expenses	23	-412	-456
Depreciation of property, plant and equipment and intangible assets	9	**-496**	**-612**
Revaluation of investment properties	10	**216**	**-1,120**
Net gain from revaluation of gold		**21**	**65**
Other operating income/ expenses		**-230**	**38**
Other operating income	24	479	642
Other operating expense	25	-709	-604
Loss before tax		**-1,242**	**-3,636**
Income tax expense (-)/gain (+)	2	-	-
Net loss for the financial year		**-1,242**	**-3,636**
Total comprehensive loss for the financial year		**-1,242**	**-3,636**

The notes to the financial statements set out on pages 26 to 107 form an integral part of these financial statements.

3.3 Consolidated cash flow statement of TBB pank

(EUR thousands)

	Note	2021	2020
Cash flow from operating activities			
Loss before tax		**-1,242**	**-3,636**
Adjustments for:			
Depreciation	9	496	612
Change in the value of investment properties	10	-216	1,120
Net interest income	16,17	-1,443	-1,722
Change in receivables from credit institutions and customers	6, 7, 18	-2,367	3,992
Change in other receivables and prepayments related to operating activities	8, 10	172	-306
Changes in liabilities related to the operating activities	11,12,13	25,435	-6,483
Interest received	7, 16	2,634	2,812
Interest paid	11,17	-1,014	-1,059
Total cash flow from operating activities		**22,455**	**-4,670**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	9	-338	-323
Write-off of property, plant and equipment and intangible assets	9	-	4
Purchase of investment properties	10	-70	-
Proceeds from sale of investment properties	10	2,075	144
Total cash flow from investing activities		**1,667**	**-175**
Cash flow from financing activities			
Payments of principal on leases	13	-88	-74
Total cash flow from financing activities		**-88**	**-74**
Total cash flow		**24,034**	**-4,919**
Cash and cash equivalents at the beginning of the year		**71,306**	**76,225**
Cash and cash equivalents at the end of the year		**95,340**	**71,306**

Cash and cash equivalents comprise cash, a correspondent account at the Bank of Estonia, demand deposits and overnight loans at other banks.

		31 December 2021	31 December 2020
Cash		807	466
Correspondent account at the Bank of Estonia (available funding)	5	78,368	56,651
Demand deposits and overnight loans at banks	6	16,165	14,189
Total cash and cash equivalents		**95,340**	**71,306**

The notes to the financial statements set out on pages 26 to 107 form an integral part of these financial statements.

3.4 Consolidated statement of changes in equity of TBB pank Group

(EUR thousands)

	Share capital	Reserves	Retained earnings/ Accumulated loss	Total
Balance at 01.01.2020	**25,500**	**1,005**	**-92**	**26,413**
Comprehensive loss for the financial year	-	-	-3,636	-3,636
Closing balance at 31.12.2020	**25,500**	**1,005**	**-3,728**	**22,777**
Comprehensive loss for the financial year	-	-	-1,242	-1,242
Closing balance at 31.12.2021	**25,500**	**1,005**	**-4,970**	**21,535**

The notes to the financial statements set out on pages 26 to 107 form an integral part of these financial statements.

Notes to the consolidated financial statements

Note 1. General information of the Group and basis of preparation

AS TBB pank (previously named Tallinna Äripanga AS) launched its operations in December 1991. The Bank's head office is located at Vana-Viru Street 7, Tallinn. Other bank offices are located at Estonia Avenue 5a and Viru Street 9, Tallinn and at Kerese Street 4, Narva. The Bank's main areas at activities include depositing, lending to the public and other banks, performance of bank transactions and foreign currency operations for its customers.

General information about the entities in the consolidation group (hereinafter also "Group") of AS TBB pank (hereinafter also as "TBB pank" or "the Bank") as at 31 December 2021:

Name of entity	Address	Area of activity	Reg.number Reg. date	Ownership percentage
AS TBB pank	Vana -Viru 7, Tallinn	banking	10237984 30.12.1991	parent company
AS TBB liising	Vana -Viru 7, Tallinn	leasing activities	10570483 16.07.1999	100%
AS TBB Invest	Vana -Viru 5, Tallinn	real estate devedevelopment	11162243 01.09.2005	100%

Until 31 May 2021, the Group included AS Morgan Trade that operated in real estate development business. As at 31 May 2021, an agreement had been reached for merging AS Morgan Trade with AS TBB Invest.

These consolidated financial statements of TBB pank Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The principal accounting policies used are set out below.

The Consolidated Annual Report of AS TBB pank has been authorised for issue by the Management Board of AS TBB pank and will be presented for approval by the Supervisory Board and the shareholders.

The Group entities use mostly uniform evaluation bases and accounting methods.

In preparing the financial statements and recognising assets and liabilities, the going concern principle has been applied.

The consolidated financial statements are prepared under the historical cost convention, except for revaluation of certain assets (i.e. investment property at fair value). The consolidated financial statements have been prepared on an accrual basis.

The consolidated financial statements have been prepared in thousands of euros (EUR), unless indicated otherwise.

Changes in presentation

The content and structure of the financial statements have been reviewed during 2021 to improve their presentation and clarity.

Reclassifications of consolidated financial statements

Gains and losses from revaluation of gold were historically presented separately under Other operating income and Other operating expenses (were insignificant also in gross amounts), but from 2021 it was decided to show the result of gold revaluation under the line "Net gain from revaluation of gold".

January-December 2020 **(EUR thousands)**

	Adjusted balance	Adjustment	Before adjustment
Other operating income	642	-232	874
Other operating expense	-604	167	-771

A similar reclassification has been made in the parent company's unconsolidated statement of comprehensive income (Note 28).

Note 2. Summary of significant accounting policies

Consolidation

Subsidiaries are all investees that the Group controls. The Group controls the investee if it has exposure, or rights, to variable returns from its involvement with the investees and it has the ability to use its power over the investees to affect the amount of investor's returns.
Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

In the separate statement of financial position of the parent company, investments are recognised at cost less any impairment losses.

Transactions eliminated on consolidation
Intra-group transactions, mutual balances and unrealised gains have been eliminated when preparing the consolidated financial statements.

Recognition of foreign currency transactions and balances

Functional and presentation currency
The Bank's and the Group's functional and presentation currency is the euro.

Foreign currency transactions
Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank officially valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies, and non-monetary assets and liabilities recognised at fair value have been translated into euros using the official foreign currency exchange rates prevailing on the balance sheet date. Gains and losses from foreign currency transactions are recorded on a net basis in the income statement.

Cash and cash equivalents

For the Group, cash and cash equivalents comprise cash, a correspondent account at the Bank of Estonia, demand deposits and overnight deposits at other banks that can be used without significant restrictions and that have insignificant risk of a change in value.

Cash flows from operating activities are reported under the indirect method. Cash flows from investing and financing activities are reported as gross receipts and disbursements made during the financial year.

Financial instruments

Classification and measurement

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost (AC). The subsequent measurement of financial assets depends on the classification performed by the Group at initial recognition.

At initial recognition, financial assets can be classified into one of the following categories:

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income (OCI);
- Financial assets at amortised cost.

Classification is performed based on both the Group's business model for managing financial assets and the characteristics of contractual cash flows of the financial assets. However, financial assets that meet the amortised cost or fair value through other comprehensive income measurement criteria, may be designated on initial recognition by the Group to fair value through profit or loss measurement option, provided that particular qualifying criteria are met. Additionally, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

On initial recognition, financial liabilities are classified into one of the following categories:

- Financial liabilities measured at amortised cost, or
- Financial liabilities measured at fair value through profit or loss.

Financial liability is classified as measured at fair value through profit or loss if:

- It meets the definition of held for trading, or
- It is designated upon initial recognition to the fair value through profit or loss measurement option.

All other financial liabilities are classified as measured at amortised cost.

Purchases and sales of financial assets under normal market conditions are recognized on the value date.

As at 31.12.2021 (and as at 31.12.2020), the Group did not have any financial assets classified in the category of financial assets at fair value through comprehensive income.

(EUR thousand)

Financial assets of the Group	Note	31 December 2021	31 December 2020
Financial assets at amortised cost		**155,447**	**129,821**
Receivables from Central Bank	5	79,501	57,662
Receivables from credit institutions	6	24,995	22,339
Receivables from customers and other receivables (incl. lease receivables)	7	50,234	49,197
Other receivables (cash in transit, other notes receivable)	8	717	623
Financial assets at fair value through profit or loss		**353**	**497**
Receivables from customers and other receivables	7	316	460
Equity instruments (securities)	8	37	37
Total financial assets		**155,800**	**130,318**

Financial assets at amortised cost

Cash and receivables from credit institutions

Under IFRS 9, the deposits held in other banks are considered to be debt instruments. Proceeding from the assessment of the business model and SPPI test (which is only the principal amount and the interest payments calculated from the unpaid principal amount), these financial assets are recognised at amortised cost.

Loans and receivables to customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or that have not been purchased to trading purposes.

Loans are classified into financial assets measured at amortised cost and the expected credit loss (ECL) model of IFRS 9 is applied to them under the assumptions that the following criterias are met:

• they are held under a business model whose goal is attained through collection of contractual cash flows (business model for holding until collection);
• their contractual cash flows constitute solely payments of principal and interest (SPPI) on any unpaid principal amounts;
• the Group does not designate them as at fair value through profit or loss at initial recognition.

Loans and receivables carried in the financial statements at amortised cost are recognised under the effective interest rate method.

Valuation of loans and receivables

The impairment requirements are based on the expected credit loss (ECL) model. The ECLs of financial assets at amortised cost and leasing receivables are recognised as impairment losses, i.e. recognised together with these assets in the statement of financial position. The impairment loss reduces the gross carrying amount in the balance sheet. The ECLs from off-balance sheet positions are recognised as a provision, i.e. as a liability in the statement of financial position. The impairment and provision adjustments related to the change in ECLs are recognised in the income statement as a net change in the expected credit loss. The amount of the loss allowance for the period is recognised in the income statement under “Impairment losses on receivables”.

According to IFRS 9, financial assets are divided into three stages according to the change in the credit quality of financial assets:

Stage 1 - Performing financial assets whose credit quality has not significantly deteriorated as compared to their initial recognition:

• On initial recognition, any losses expected to arise from the asset in the next 12 months are recognised;
• Evaluation on collective basis; based on past experience and future forecasts.

Stage 2 - Underperforming financial assets whose credit quality has significantly deteriorated:

• Recognises the loss that is expected to occur during the entire remaining life of the asset,
• Individual or collective assessment.

Stage 3 - Non-performing financial assets, assets with a credit loss:

• Recognises the loss that is expected to occur during the entire remaining life of the asset,
• Individual assessment of each asset.

At each balance sheet date, the Group assesses whether the credit risk has increased significantly compared to the initial recognition (Significant increase in credit risk - SICR). The assessment of the significant increase in credit risk is based on quantitative and qualitative indicators. One indicator of the SICR is default of more than 30 days. A significant increase in credit risk is reflected in the change of the lifetime probability of default (PD) by comparing the scenario-weighted lifetime change of PD at the balance sheet date with the scenario-weighted lifetime change of PD at initial recognition. If there has been a significant increase in credit risk as compared to initial recognition, the impairment of lifetime ECLs is recognised and the financial asset is moved to Stage 2.

The impairment allowance of financial assets in Stage 1 is the expected 12-month credit loss. Under IFRS 9, the classification of a financial asset from Stage 1 to Stage 2 significantly impacts the loss allowance. For financial assets with significant credit deterioration (moving to the Stages 2 and 3), the expected credit loss is calculated for the entire life of the asset.

Insolvency or default is a situation where the receivable meets one or more of the following criteria:

Quantitative criterion

- The receivable is overdue for more than 90 days. At the Bank, the materiality threshold of credit obligations not paid by the due date is EUR 0 in absolute terms and 0% in relative terms;
- Inter-bank receivables, i.e. no intra-day payments were made according to the contract as at the end of the banking day;

Qualitative criterion

The debtor is unlikely to pay its credit obligations in full without realisation of collateral :

- The contract is been assigned a non-performing status (e.g. the contract has been terminated and 14 calendar days have passed, or the contract has expired and 14 calendar days have passed);
- Due to the deterioration in credit quality, specific credit adjustments have been made;
- Sale of the debtor’s receivable at a significant economic loss. The materiality criterion of the economic loss is 0%. The sale of the receivable needs to be related to credit risk;
- It is a forborne exposure, as a result of which there is a significant reduction in the financial liability. The materiality criterion is 0%. A forborne exposure is then non-performing until the end of the recovery period;
- Bankruptcy or other similar proceedings have been initiated against the counterparty to the contract;
- Other qualitative factors that are considered relevant.

If the receivable (or group of receivables) of the debtor is in default and the amount of the receivable(s) exceeds 20% of all the on-balance sheet receivables of the given customer, then all the remaining receivables of the debtor are also in default (on-balance sheet and off-balance sheet).

Loans to and receivables from banks
The Bank takes into account the international credit rating of banks (Standard & Poor's) when placing deposits. In the expected credit loss estimation model, the PD rate is based on the respective rating. Deposits with credit institutions are divided into stages according to the bank's rating. If, at the time of the subsequent assessment of the credit loss, the last published rating of the respective bank has deteriorated, the deposit will be reclassified into that stage. If during the period between subsequent credit assessments, circumstances occur that may affect the financial position of the respective bank, the stage of the deposit placed in that bank may be lowered regardless of the last published rating. If, by the date of the subsequent credit loss assessment, the rating of the bank in which the respective deposit is placed has improved, the deposit in Stage 2 will be returned to Stage 1 according to the changed rating. If the deposit is in Stage 3, it will not be returned to Stage 2, regardless of the rating. If the bank in which the deposit is placed does not have an international rating, the financial position of such a bank will be assessed separately using the latest published financial information at the time of valuation and the deposit will be classified in accordance with the results of that assessment.

The expected credit loss assessment reserve for deposits placed with internationally rated banks (both for groups and individual deposits) is calculated according to the following formula:

ECL = PD * LGD * EAD, where

ECL (Expected Credit Loss) – the expected credit loss.
PD (Probability of Default) – the probability of the occurrence of credit risk, i.e. the default that in case of Stage 1 deposits is express as the probability of a loss in the next 12 months (12M EAD) and in case of Stage 2 and 3 deposits – the probability of a loss until the term expiry (lifetime EAD, including if the deposit term exceeds 12 months).
LGD (Loss Given Default) – the share of a potential credit loss from the deposit balance (%) in case of the occurrence of the credit risk. For unsecured claims, LGD is assumed to be 100%.
EAD – deposit amount plus accrued interest.

The management estimates that the financial assets under the line items **"Cash”** and **“receivables from the Central Bank"** have essentially low credit risk and their expected credit loss (ECL) is equal to zero.

The data is regularly reviewed and updated according to the Standard & Poor's and Fitch’s report.

Receivables from customers
Loans to customers are divided into three stages according to the credit quality of the financial assets:

Stage 1
Stage 1 consists of loans performing according to the contract:
• Loans from the time of initial recognition;
• Loans with low credit risk (credit class not below 2.99, except for credit cards and express leases not below 2.49)*;
• Risk has not significantly increased - loans without any significant signs of credit deterioration (loans not overdue or overdue up to 30 days).

Expected loss is calculated by asset set.
** The credit class of the loan is calculated in accordance with the formulas and principles provided in Note 4 "Risk Management. 4.1. Credit risk".*

Stage 2
Stage 2 consists of underperforming (on the watch list) loans:

- Credit risk as significantly increased since initial recognition (decrease in credit class of at least 2.0 points, in terms of credit cards and express leases at least 1.5 points);
- Loan repayment disorders with a duration of over 30 days and up to 90 days
- Bullet loans with maturities of over 1 year
- Forborne exposures that are performing in the probation period*.

If the receivable (or group of receivables) from the customer is in Stage 2 (but other receivables are in Stage 1) and the amount of the receivable(s) exceeds 20% of all the on-balance sheet receivables of the given customer, then all the remaining receivables (on-balance sheet and off-balance sheet) of the given customer are automatically in Stage 2. The expected loss is calculated by the sets of similar assets or individually for each asset.

Stage 3
Stage 3 consists of non-performing loans:

- Contracts terminated by the Bank and 14 calendar days passed,
- Contract has been expired and 14 calendar days passed,
- Loans overdue for more than 90 days,
- Forborne exposures that are non-performing until the end of the recovery period*;
- Specific credit adjustments have been made;
- Sale of the receivable of the debtor
- Bankruptcy or other similar proceedings have been launched.

If the receivable (or group of receivables) from the customer is in Stage 3 (but other receivables are in other stages) and the amount of the receivable(s) exceeds 20% of all the on-balance sheet receivables of the given customer, then all the remaining receivables (on-balance sheet and off-balance sheet) of the given customer are automatically in Stage 3. Asset impairment is calculated individually for each asset.
**As at 31.12.2020, all forborne exposures were initially classified as Stage 3 and re-classified as Stage 2 or Stage 1 after the recovery period, depending on the results of the analysis of the customer's payment discipline, financial position and other relevant circumstances. However, the management has analysed the trends of the respective population and decided to change the estimate. As at 31.12.2021, after the end of the recovery period the forborne exposures that were initially classified as Stage 3 may be re-classified as Stage 2 for the probationary period, and either as Stage 2 or 1 after the end of the probationary period depending on the customer's payment discipline, financial position and other relevant circumstances. Further information is provided in Note 3 "Significant accounting estimates and judgments".*

A loan in Stage 3 may only be re-classified to Stage 1 or 2 if it complies with the exit criteria for non-performing receivables or forborne exposures, including the completion of the relevant recovery and probation period. A Stage 2 to Stage 1 loan will move automatically without a trial period if it again meets the Stage 1 criteria.

The loan portfolio is divided into the following groups:
1. Individuals and legal entities;
2. By product

- Loans and leasing
- Credit cards
- Factoring
- Express leasing.

Since the loan portfolio of the bank and leasing mostly have similar criteria and the volume of receivables is rather small, the division of the portfolio into other subcategories is not practical.

Formula for calculating impairment of loans and receivables:

ECL = PIT PD * LGD * EAD, where

ECL (Expected Credit Loss) – the expected credit loss.

PD (Probability of Default) - the likelihood of credit risk realisation. According to the Bank's methodology, this is the level of regulatory PD or cycle average **TTC PD** (through the cycle). **PIT PD** (point-in-time) is calculated by multiplying TTC PD by the macro coefficient.
12-month PD – the probability of the occurrence of credit risk, which reflects the probability of loss within the next 12 months.
Lifetime PD – the probability of the occurrence of credit risk, which reflects the possibility of a loss of a given asset throughout its lifetime.

Credit liabilities PD is determined on the basis of the Bank's management estimate based on the PD rates published by Standard & Poor's (S&P), the Bank's historical statistics and they are combined with the customer's credit rating.

12-month TTC PD is determined on the basis of PDs published by S&P and is calibrated according to the Bank's historical behaviour.

Lifetime TTC PD is determined on the basis of the weighted average remaining time to maturity of product contracts. Lifetime PDs are calculated separately for groups of corporate receivables, express leasing receivables and receivables of private customers. (Note 3 " Significant accounting estimates and judgements").

Credit risk classes are now calibrated in such a way that the risk of insolvency increases exponentially for each following higher class.

LGD (Loss Given Default) – the share of the potential credit loss in the loan balance (%) in case of the occurrence of credit risk. In Stage 1, the LGD is determined on the basis of the collateral rating, except for receivables in excess of EUR 1 million, in which case the LGD is calculated for each loan receivable individually. The assignment of the LGD is based on the percentage of the collateral rating, as evidenced by the analysis of the Bank's historical statistics. In State 2, the LGD is also determined on the basis of the collateral rating, except for receivables in excess of EUR 100,000 in which case LGD is calculated individually for each loan receivable. For quick leases in Stage 2, the percentage corresponding to the LGD collateral rating is calculated on the basis of the analysis of historical quick lease statistics and the percentage of repayments of calibrated provisioned receivables.

EAD – for on-balance sheet positions is the loan or lease balance, overdraft, used portions of credit cards or factoring limits.

EAD – for off-balance sheet items is the unused portion of overdraft, credit card or factoring limits and other off-balance sheet items (e.g. signed loan agreements that have not yet been paid) and adjusted for the likelihood of realisation of off-balance sheet liabilities.

EAD for off-balance sheet items is calculated as follows:

EAD = CCF x (Limit – on-balance exposure),

where **CCF** (Credit Conversion Factor) is a credit conversion factor that indicates the probability of using a portion of an unused limit.

Rates of credit conversion factors are based on Bank's historical data for different types of off-balance sheet liabilities.

The calculated PD, LGD and CCF rates and average maturities are subject to regular reviews and updating, and thereafter they are approved by the Risk and Capital Management Committee.

For the first and second stages, ECLs are calculated for each customer group. Within each set, ECLs are calculated separately for each loan, after which the resulting amounts are summed up. This is not reflected on the customer card as an individual impairment. The individual impairment is calculated according to the Group's rules of procedure. In the methodology for calculating the expected loss, these rules are further specified for the calculation of the Stage 3 impairment.

Individual impairment of the value of loans and customer receivables is assessed in accordance with Note 4 "*Risk Management. Credit risk*".

Calculation of the current value of estimated cash flows of collateralised financial assets less the costs related to the redemption indicate the cash flows that can be generated in the realisation of such assets, regardless of whether the redemption of the collateral is likely or not.

Write-off of receivables
As a rule, loans are written off when all reasonable options for loan restructuring or repayment have been exhausted and a subsequent recovery is assessed as unlikely. Loans are written off in the income statement under "Impairment losses on receivables". In the event that the circumstances used as the basis for the valuation of receivables change and it can be objectively linked to an event occurring after the impairment of the asset, the previously recognised impairment loss is reversed by reducing the allowance account.

Using forward-looking information, scenarios, and estimates to recognise impairment losses
The purpose of the valuation methodology is to map factors that influence the local economy and business environment, and to consider their impact on the ECLs of the credit portfolio. Macro indicators must be related to the credit risk factors of the exposure group and best reflect the dynamics of the Bank's impairments.

The selection of macro indicators used statistical and correlation analysis of defaults and write-downs and benchmarking analysis of the Estonian banking market. The analysis showed a strong link between discounts and changes in GDP. A historical analysis of the write-downs of the retail portfolio showed that there is no correlation between the write-downs and the unemployment rate in the bank's portfolio and, consequently, it is not practical to differentiate between individuals. As a result, the groups of the total portfolio selected from the macro indicators have a common indicator of the change in GDP. The use of other indicators was not justified in 2021. Thus, in 2021, the selection remained unchanged. Further information is provided in Note 3 "*Significant accounting estimates and judgments*".

The Group's portfolio is homogenously linked to the selected macroeconomic indicator. The management has considered taking into account different sector-specific impacts and, as a result of the specific features of the portfolio, has estimated that forecasting such a detail would not have a significant impact on the final result of the ECL. The portfolio does not include products related to economic sectors where the selected macroeconomic indicator would have a reverse or disproportionate impact on the financial capacity of the customers, or would significantly be impacted by other macroeconomic factors that are not used as inputs in the Group's model. The relevance of macro indicators is also subject to regular reviews. In 2021, the selection of macro indicators was reviewed from the point of view of their relevance and no changes were introduced. According to the management's analysis, this also applies in the Covid-19 situation.

IFRS 9 does not provide specific rules for calculating ECL, but allows to have more flexibility in forward-looking information and not to automatically apply existing measures. It is possible to use more qualitative assessments and expert opinions. As the current economic situation is not in its normal state of change but is highly dependent on the effects of the Covid-19 coronavirus pandemic, we use more expert-based source platformwhich is closer to reality than the mathematical model alone. For forecasting GDP changes, the Group used the forecasts published by the Bank of Estonia as well as internal estimates when allocating weights to the scenarios. In addition, the background of potential effect of the second wave of the Covid-19 coronavirus pandemic was used for determining the indicators.

The forecasted macro parameter is weighted by three scenarios: base, positive, and negative. The forecasted values for the GDP changes corresponding to the scenarios and the weights of the scenarios (probabilities) are determined based on a statistical analysis and revised by the Risk and Capital Management Committee that also confirms these values. This is a significant management judgement (Note 3 "*Significant management estimates and assumptions"*).

Scenario-weighted forecasts of the GDP change provide a further input for the calculation of the final macro parameter for the calculation of the cycle average PD and for the adjustment of the portfolio ECL. Changes in the macro coefficient resulting from the GDP change have also been linked to the maximum fixed GDP change during the economic crisis. On the impact of the macro factor, cycle average PDs change both upwards and downwards, depending on whether the economy is contracting or growing.

The Bank's of Estonia forecasts and additional internal estimates are used to find the weights of the scenarios in order to find the changes in GDP and CPI forecasted by the Group. The projected macro indicators are weighted by three scenarios: base, positive and negative. The scenario-weighted projected changes in GDP and CPI are a further input for finding the final macroeconomic coefficient. One macro coefficient will be used for the entire portfolio, the Bank will not divide it into legal entities and individuals. As the sub-portfolio principle is not used due to the size of the loan portfolio and its structure, GDP and CPI growth affect both private borrowers and business customers equally.

In February 2022, the choice of macroeconomic indicators was reviewed. The relevance of macro-economic indicators was evaluated using the regression and correlation analysis. For calculating the macro-coefficient, indicators of changes in GDP and CPI were selected. The regression analysis showed a close link between the dependent variable (expected credit loss, ECL) and two factors (GDP and CPI) explained in the model. The regression model showed that the GDP has a negative and CPI has a positive impact, i.e. the GDP reduces ECL and vice versa, another variable such as the CPI increases it. The correlation analysis showed a strong link between the Bank's impairment amount and GDP changes ($r>0.7$). The Bank's impairments and CPI changes had an average correlation with each other ($0.3<r<0.7$). The GDP variable is negatively correlated in the long term (10 years or more), i.e. an increase in the value of the GDP variable is related to the decrease in the value of impairment and vice versa. The CPI variable is positively correlated, i.e. an increase of the CPI variable is linked to the increase in the value of the impairment and vice versa. The historical GDP and CPI figures have been taken from the data of Statistics Estonia, on the basis of which the average indicators for the period have been determined.

According to the management, the amendment has been recognised with a prospective effect, i.e. it does not impact impairment as at 31 December 2021. Had it been taken into consideration as at 31 December 2021, the Group's ECL would have been EUR 32 thousand higher.

More detailed information is provided in Note 3 "*Significant management estimates and assumptions*".

Repossessed assets

Repossessed assets are assets that have been repossessed after the termination of loan and lease transactions. Assets held as collateral are measured in the balance sheet at the lower of cost and net realisable value of the assets. Assets repossessed from customers are inspected and they are assigned market value by taking into consideration the technical condition of assets. The difference between the residual value receivable from the customer as per the contract and the net realisable value of the repossessed assets is recognised in item "Impairment losses on receivables" in the income statement. The gain or loss from the disposal of assets repossessed from customers is recognised as a gain or loss in item "Gain on sale of assets" in the income statement and it constitutes the difference between the carrying amount of the assets being the subject of the contract and the asset sale price.

Financial assets at fair value through profit or loss

A gain or loss on debt instruments through profit or loss is recognised in the income statement line "Net profit/-loss on financial assets and liabilities recognised at fair value through profit or loss" of the period in which the change in fair value occurred. Such gains and losses on fair value include also contractual interest earned on the respective instruments.

As at 31 December 2020 and 31 December 2021, the following financial assets of the Company were classified in this category (see Note 2 "*Financial instruments. Classification and measurement*"):

1. Other receivables (Note 7)
2. Equity instruments (Note 8)

Upon classification, the business model valuations for management of financial assets and valuations of cash flows of financial assets have been taken into account to determine whether they are in compliance with the SPPI requirements.

Gold

Gold is recognised as an asset in the balance sheet according to IAS 2. Gold is initially recognised in the balance sheet at cost and subsequently measured at fair value (Level 1) at each balance sheet date according to the afternoon price quotation at the London bullion market (The London Bullion Market Association). The fair value adjustments are included in the accounts "Other operating income" and "Other operating expenses".

Investment properties

Land or buildings acquired for the purpose of earning rental income or for capital appreciation, and that are not used in the Group's own operations or for sale in the ordinary course of business, are reported as investment property.

Investment properties are initially recognised at cost, consisting of the purchase price and any directly attributable expenditure. Investment properties are subsequently measured at fair value, based on the management's estimates arising from the market price determined by independent appraisers, which take into account comparable transactions with real estate properties in the same region or the expected discounted future cash flows of the investment (see Note 10). For determining the fair value, all factors affecting the value of the investment are taken into account, including the location of the property, physical condition, existing leases, general market activity and other factors affecting the value. The fair value of an investment property is determined based on the best possible use of the property. Lease income from investment properties and administrative expenses are carried in the respective accounts „Other operating income" and „Other operating expense".

The gains and losses from revaluation of investment properties are reported in the income statement item "Revaluation of investment properties".

Financial liabilities

Financial liabilities include customer deposits, a loan assumed from another bank, subordinated liabilities and other liabilities. The Group classifies all financial liabilities in the category of "Financial liabilities at amortised cost".

Payables to customers

Deposits are initially recognised at fair value at the settlement date, less transaction costs, and they are subsequently measured at amortised cost using the effective interest rate method and are included in the line "Payables to customers". Interest calculated on an accrual basis is reported in the respective liability item. The associated interest costs are included in the income statement line "Interest expense".

Payables to credit institutions, resources intended for specific purposes and subordinated debt

Borrowings are initially recognised at fair value less transaction costs (at cash proceeds less transaction costs). The loans assumed are subsequently measured at amortised cost using the effective interest rate method; the difference between the amounts collected (less transaction costs) and the redemption value is recognised in the income statement over the duration of the instrument, using the effective interest rate. The effective interest rate is the rate which exactly discounts the expected future cash flows to the carrying amount at the maturity. The related interest expenses are included in the income statement line "Interest expense". Funds received as resources intended for specific purposes from governmental loan funds (Maaelu Edendamise SA, KredEx SA) are included in the liabilities item "Other payables". Subordinated debt is included in the liability item "Subordinated debt" in the balance sheet (liabilities with original maturities of at least five years and in the event of bankruptcy of the bank, such liabilities will be settled after payables to all other creditors have been settled).

Accounting for leases

Group as a lessor

Finance leases
Group leasing activities mainly consist of finance lease activities. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. The Group shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

a) fixed payments (including in-substance fixed payments), less any lease incentives payable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the lease.

Group as a lessee

Accounting for leases by the Group as a lessee
The Group rents mainly buildings and office facilities. From 1 January 2019, IFRS 16 eliminated the classification of leases as either operating leases or finance leases as is required by IAS 17 „Leases“ and Group recognized leases as a right-ofuse asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
b) variable lease payment that are based on an index or a rate;
c) amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

After the commencement date, the Bank measured the lease liability by:
(a) increasing the carrying amount to reflect interest on the lease liability;
(b) reducing the carrying amount to reflect the lease payments made; and
(c) remeasuring the carrying amount to reflect any reassessment or lease modifications (like changes in lease term, in the assessment of an option to purchase the underlying asset, in the amounts expected to be payable under a residual value guarantee, in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review and in floating interest rates, or to reflect revised in-substance fixed lease payments (payments are structured as variable lease payments, but there is no genuine variability in those payments and those payments contain variable clauses that do not have real economic substance).

At the commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability at the present value of the lease payments that are not paid at that date;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the right-of-use asset is measured at cost:
(a) less any accumulated depreciation and any accumulated impairment losses; and
(b) adjusted for any remeasurement of the lease liability carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture below 5 thousand EUR.

Property, plant and equipment
In the statement of financial position, items of property, plant and equipment include buildings, vehicles, office equipment, improvements to rental premises and other assets with long-term use. Property, plant and equipment include assets with a useful life over 1 year.

An item of property, plant and equipment is initially recognised at cost which consists of the purchase price (incl. import duties and other non-refundable taxes) and other costs directly attributable the acquisition that are necessary for bringing the asset to its operating condition and location. Subsequent expenditure is capitalised only when it meets the definition of property, plant and equipment and the criteria for recognition of assets in the statement of financial position (incl. when it is probable that future economic benefits associated with the asset will flow to the Group). Other maintenance and repair costs are expensed when incurred.

Items of property, plant and equipment are stated at historical cost less any accumulated depreciation and any impairment losses.

Depreciation is calculated using the straight-line method based on the estimated useful lives of property, plant and equipment as follows:

Buildings	50 years
Vehicles	6 years
Office equipment	3-10 years
Improvement of leased premises	depending on term of the lease agreement

Gains and losses on disposal of items of property, plant and equipment are recognised at the time of disposal.

Intangible assets
Intangible assets comprise of:

- start-up costs,
- software,
- development costs,
- purchased concessions, patents, licenses, trademarks, etc. goodwill.

Start-up expenses are capitalized expenses related to the establishment of an entity, including legal expertise and auditor fees, state fees, etc. expenses directly related to the establishment. Depreciated for up to 5 years.

Development costs are capitalized only when the necessary resources are available to carry out the development project and it is probable that the costs will result in revenue. Depreciated over 5 years, exceptionally according to the useful life.

Acquisitions of purchased concessions, franchises, patents, licenses and trademarks are generally amortized over a period of up to 5 years. In exceptional cases, the amortization period may be up to 20 years, but may not exceed the legal duration of the acquired right.

Goodwill is the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is amortized over up to 5 years.

Intangible assets are initially recognized at cost and amortized on a straight-line basis.

Impairment of assets
On each balance sheet date, financial assets, items of property, plant and equipment, and intangible assets recorded at cost or amortised cost are tested for any indication of impairment. If the Bank's management suspects that the value of an asset may have fallen below its carrying amount, an impairment test is carried out.

Property, plant and equipment

In the course of an impairment test, a recoverable amount is estimated for property, plant and equipment. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest group of assets (i.e. a cash-generating unit) to which the asset belongs, is determined.

Intangible assets
Assets that have indefinite useful lives (including goodwill) are not subject to amortization but they are tested annually for impairment, by comparing their carrying amounts with their recoverable amounts.

The recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. The value in use is the present value of estimated cash flows from its subsequent disposal, where the expected return on similar investments is used as the discount rate.

If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in the income statement at the time it is incurred. The Group assesses at each balance sheet date whether there are any indications that the recoverable amount of an asset has increased and for this purpose, an impairment test is performed. If it appears, as a result of the impairment test, that the recoverable amount has increased and the previously recognised impairment loss is no longer justified, the carrying amount is increased. The reversal should not result in a carrying amount that exceeds the amortised cost which would have been had the impairment loss not been recognised on the date the impairment loss is reversed.

The amount of the reversal of an impairment loss is recognised as a reduction of the expense in the income statement.

Income tax

Corporate income tax
Starting from 1 April 2018, the quarterly accounting profits of credit institutions are subject to corporate income tax at the rate of 14%. The tax is payable by the 10th day of the third month of the following quarter. Once the profits are distributed, an additional income tax of up to 6% is further payable, which adds up to the total tax rate of up to 20%. The rate of the additional tax depends on the regularity of the dividend payments. If no dividends are paid, the advance tax payments are not refunded. Corporate income tax payable on the quarterly profits is recognised as a current income tax expense. Deferred tax asset (and deferred tax income) on quarterly losses is recognised only if it is probable that future taxable profits will be available during 19 subsequent quarters to utilise those losses.

As at 31 December 2021, the Bank’s balance sheet included deferred income tax assets on tax losses in the amount EUR 61 thousand (as at 31.12.2020: EUR 215 thousand). The required adjustment of the amount of income tax assets is based on the recently compiled forecasts for 2021-2024.

As at 31.12.2021, a contingent income tax liability is not recognised for the Group’s available equity, which would accompany the payment of dividends out of available equity or capital reduction. The income tax on dividend distribution is expensed in the income statement when dividends are declared or other equity distributions are made.

The tax due on dividend distribution may be reduced by 20/80 calculated on dividends received from subsidiaries.

From 2019, tax rate of 14/86 can be applied to dividend payments. The reduced tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80.
When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Financial and performance guarantees

Financial guarantees are contracts that require the issuer to make required payments to reimburse the holder for a loss it incurs because a particular debtor fails to make payments by the due date in accordance with the terms of a debt instrument. Financial guarantees are initially recognised in the financial statements at fair value on the date of granting a guarantee. Subsequent to initial recognition, the liabilities under such guarantees are recognised at the outstanding value of the guarantee stated at the higher of unamortised fees or a provision under IAS 37, based on experience with similar transactions and judgement of the management. In the statement of comprehensive income, the fee income earned on a guarantee is recognised on a straight-line basis over the life of the guarantee. The amounts to be disbursed to settle the guarantee obligation are recognised in the balance sheet as a provision on the date when it becomes probable that the guarantee will be disbursed.

Performance guarantees are contracts that offer compensation in case the other party is unable to fulfil its contractual obligations. In addition to credit risk, such contracts also carry non-financial operational risk. Performance guarantees are initially recognised at fair value which normally equals the commission fees received. The amount of fees is amortised on the straight-line basis over the contract term. At the end of each reporting period, operating guarantees are assessed to the extent of the unamortised balance of the fees initially recognised. If the Group has a contractual right to demand payment of amounts due under the guarantee contract, such amounts are recognised at the time of reimbursement of monetary losses to the holder as loan receivables.

Provisions and contingent liabilities

Liabilities arising from an obligating event before the balance sheet date that have either a legal or contractual basis or that have arisen from the Company’s current operating practice (legal or constructive obligation) that require the giving up of assets, whose realisation is probable (it is more likely than not that an outflow of resources will be required to settle the obligation) and whose amount can reliably be estimated but whose timing or amount are not definitely known are recognised as provisions in the balance sheet. The provisions are recognised based on the management’s estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary as at the balance sheet date for the meeting of the obligation arising from the provision or transfer to the third party. The provision expense and the expense from a change in the carrying amount of provisions is included within expenses in the accounting period. Provisions are not set up to cover future losses. ECLs on off-balance sheet items are recognised as a provision, i.e. as a liability in the statement of financial position.

When it is a probable that the provision is expected to be realised later than 12 months after the balance sheet date it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial.

Other contingent liabilities whose realisation is less probable than non-realisation or whose accompanying costs cannot be determined reliably, that in certain circumstances may become obligations, are disclosed in the notes to the financial statements as contingent liabilities. Where an entity is jointly or severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in extremely rare circumstances where no reliable estimate can be made) (see Note 13).

Employee benefits

The Group does not operate separate pension schemes and does not provide post-retirement benefits to their retirees. The Group has a legal obligation to pay contributions to the state pension fund, which form part to the expense related to the social security tax.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to enable voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Recognition of revenue and expenses

Revenue is recognised under the accrual basis. Revenue is recognised when there is a reasonable assumption that the benefits attributable to the transaction will flow to the Group and the amount of revenue can be determined reliably. Revenue from services provided in the Group's ordinary course of business is recognised at the fair value of the consideration received or receivable. Expenses are recognised when the Group is an obligation related to the respective cost and/or the Group has received goods or services, and the latter has occurred earlier.

In the statement of comprehensive income, **interest income and expenses** are recognised for all instruments reported at amortised cost, using the effective interest rate method.

The effective interest rate method is the method for calculating the amortised cost of a financial asset or a financial liability, and for allocating interest income or interest expense to the respective period. The effective interest rate is a rate which exactly discounts the expected future cash flows through the expected life of a financial instrument to the carrying amount of a financial asset or a liability. For calculating the effective interest rate, the Company evaluates all contractual conditions of a financial instrument but does not take into account future credit losses. All significant contractual service fees paid or received are included in the calculation, which are an integral part of the effective interest rate, as well as transaction costs and all other additional payments or deductions.
Finance income from leases ("Other similar income", see Note 16) is allocated over the lease period so that the rate of return of the lessor is the same in relation to the balance of the net investment of the finance lease at any given time.

Fee and commission income includes the revenue received or receivable for services provided in the Group's ordinary course of business. This does not apply to revenue from lease agreements and financial instruments or other contractual obligations within the scope of IFRS 9 "Financial Instruments".

Fees that are included in the calculation of the effective interest rate of financial instruments measured at amortised cost are allocated over the expected tenor of the instrument applying the effective interest method and presented in net interest income.

Fee and commission income is recognised on a straight-line basis over the period of provision of the entire service when the customer simultaneously receives and consumes the advantages arising from the Group's activities. Variable fees are recognised to the extent that is probable that no reversal occurs.

Other commission and fee income is recognised at the time when the Group complies with its performance obligation which normally occurs upon completion of the underlying transaction. The consideration received or receivable is the transaction price for specific services related to fulfilment obligation. The principal types of services are described below (see also Notes 19, 21):
- Transfers: recognised at a specific point in time
- Account maintenance fee: recognised during the period when the service is provided (over time)
- Bank cards: contractual and maintenance fees are recognised during the period when the service is provided (over time), other - recognised at a specific point in time
- Revenue from foreign currency transactions: recognised at a specific point in time.

The expenses that are directly related to the generation of commission and fee income, are recognised as commission and fee expenses

Service charges and other expenses are charged to expenses at the time they are incurred.

Net gains/losses from currency exchange transactions are reported in the line item "Net gain from financial transactions" at the fair value of the consideration received or receivable, they occur as exchange rate differences involving exchange transactions of the functional currency and other currencies.

Statutory reserve capital
The statutory reserve comprises the capital reserve prescribed by the Estonian Commercial Code. Subject to the decision by the Annual Meeting of Shareholders, the statutory reserve can be used for covering losses if the latter cannot be covered from unregistered equity as well as for increasing equity. The statutory reserve capital is formed from annual net profit allocations and it cannot be distributed to shareholders.

New International Financial Reporting Standards and interpretations of the International Financial Interpretation Committee (IFRIC)

Adoption of New or Revised Standards and Interpretations
The following new or revised standards and interpretations became effective for the Group from 01 January 2021:

Interest rate benchmark (IBOR) reform (phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group's financial instruments related to IBORs are all EURIBORs and the Group does not intend to change the contracts before their maturity date or voluntarily switch to new reference interest rates, therefore the described change did not have an impact on the Group's financial statements.

The remaining new or amended standards or interpretations that became effective for the first time on 1 January 2021 do not have a material impact on the Group.

New Accounting Pronouncements
Certain new or revised standards and interpretations have been issued that are mandatory for the Group’s annual periods beginning on or after 01 January 2022, and which the Group has not early adopted.

Amendments to IAS 1 „Classification of liabilities as current or non-current”
(effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU)*
These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management’s expectations whether they will subsequently exercise the right to defer settlement

do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. ‘Settlement’ is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

**The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.*

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU).
IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity’s financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, ‘Making Materiality Judgements’ was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023; not yet adopted by the EU).
The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The remaining new or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

Note 3. Significant accounting estimates and judgements

Preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the assets and liabilities as well as related income and expenses reported as at the date of the annual report, as well as disclosure of contingent assets and liabilities. Although several financial figures reported in the financial statements are based on the management’s best knowledge and estimates, actual results may differ from these estimates. A more detailed overview of estimates in shown in the respective accounting policies or notes.

These estimates are constantly reviewed using historical experience and other factors, including future expectations considered reasonable under current circumstance as the basis. Changes in these estimates may have a significant effect on the financial statements of the period in which the estimates were changed. The management believes that the underlying assumptions are appropriate and the Group's annual reports prepared on the basis thereof present an accurate and fair overview of the Group's financial position and results of operations.

Significant estimates have been primarily used in the following areas:

- Impairment of loans and receivables, incl. estimation of fair value of collateral (Notes 2, 3, 4, 7)
- Fair value of investment properties (Notes 4, 10)
- Fair value of financial assets and liabilities (Notes 4, 8, 13)

Impairment of loans and receivables

The key areas that require significant management estimates for calculation of expected credit losses (ECL) include:

- Evaluating the criteria for assessment of significant increase in credit risk and allocation of loans to stage 1, 2 or 3;
- assessing accounting interpretations and simplified assumptions used to build the methods that calculate ECL. Main simplified assumptions were made in the next areas:
  - determination of common (weighted) lifetime PD coefficients for different groups of receivables taking into account the different lifetime of the products in the groups. Lifetime PDs are calculated separately for the groups of receivables related to legal persons, express leasing and private persons;
  - using of scenarios while predicting ECL;
- the calculation of key parameters of ECL model, including probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- determining the macro-economic indicators and incorporating forward-looking information into the ECL model; including estimating the above mentioned indicators for reliable future period and assigning weighted impact to those scenarios;
- estimating ECL for Stage 3 individual assessments.

The model used was not significantly amended as compared to 2020. The model inputs were reviewed and if necessary, they were revised during the regular process (forecasts, validation of macroeconomic parameters, forecast renewal, updating of the ranges of credit classes). The effects of COVID-19 have been taken into account both for evaluation of the criteria related to a significant increase in credit risk as well as forecasting the probability of default and default rates (incl. through incorporation of macroeconomic forecasts).
By its nature, the model for calculating and estimating expected credit losses (ECL) requires the use of management estimates in a number of respects (see above and the appendices cited). Models, estimates and inputs are reviewed regularly by employees designated by the Group and approved by management. A sensitivity analysis of the impact of the main assessments is provided below.

Definition of default:

As a result of the clarification of the concept of default, the treatment of forborne exposures was changed.
As at 31 December 2020, all forborne exposures were initially classified as Stage 3 and after the recovery period, as Stage 2 or 1, depending on the results of the analysis of the customer's payment discipline, financial situation and other relevant circumstances: However, the management has

analysed the trends of the respective population and decided to change the estimate. As at 31.12.2021, the forborne exposures initially classified as Stage 2 may be reclassified after the end of the recovery period as Stage 2 for the probationary period and as Stage 2 or 1 after the end of the probationary period, depending on the results of the analysis of the customer's payment discipline, financial situation and other relevant circumstances. The clarification of the described treatment had no effect on the impairment of receivables as at 31.12.2021, as there were no receivables with the characteristics described above.

Credit classes:
The system of credit classes was updated in the 3rd quarter of 2021. The ranges of credit classes were changed for all types of credit, except for express leases and credit cards. Credit risk classes are now calibrated in such a way that the risk of insolvency increases exponentially for each following higher class. For express leases and credit cards, receivables are evaluated using a simplified method. The impact of the upgraded system of credit classes on the Group's expected credit loss reserve was insignificant.

SICR:
An important term in IFRS 9 is a significant increase of credit risk (SICR) and its assessment also requires significant estimates. At each balance sheet date, the Group assesses whether credit risk has significantly increased as compared to initial recognition, taking into consideration a change in the probability of default of the lifetime of the financial instrument, using criteria that are also used in the Group's risk management processes (credit risk management principles and criteria are shown in Note 2 "*Summary of significant accounting policies*" and Note 4 "*Risk management. 4.1. Credit risk*").

A significant increase of credit risk is expressed in the change of the lifetime probability of default (PD) by comparing at the balance sheet the change in the scenario-weighted lifetime PD against the scenario-weighted lifetime PD at initial recognition. According to the internal methodology it means reducing the credit class of the receivable by at least 1.5 points.

The Group has carried out sensitivity analysis with regard to the effect on the ECL (as at 31 December 2021), if upon applying SICR criteria, the credit class would decrease by 1) 1 point; 2) 2 points (for credit cards and express leasing) and 2.5 points (for remaining loan receivables). As a result, the impairment loss would 1) increase by EUR 32 thousand; 2) decrease by EUR 23 thousand.

As at 31 December 2021, the Group's accounts receivable include a receivable from a customer in a significant amount (EUR 2,979 thousand) which can be classified as Stage 2 according to the Group's internal methodology. The management acknowledges that by using an alternative interpretation, the receivable can also be classified as Stage 3. The management has performed a sensitivity analysis and an individual assessment as if it is classified as Stage 3. In this case, the Group's ECL would be materialy the same (weighted average impairment under various scenarios). Up to 80% of the receivable (in amount 2,382 thousand euros) is secured by the fixed suretyship of the Rural Development Foundation and a warranty granted by a legal person in the amount of EUR 3,000 thousand (with the calculated value of EUR 596 thousand), the Rural Development Foundation will realize the suretyship only if the Bank is unable to satisfy the claim against the debtor and third parties securing the debtor's obligations in the full amount of principal obligation.

PD:
The basis for PD is the credit class assigned to the customer. The weighted average 12-month and lifetime PD rates are approved for risk classes of legal persons and individuals and they take into account different lifetimes of products in groups as estimated by the management.

The sensitivity analysis of the effect on the ECL upon changes in PD rates by +/-10% yielded changes in impairment losses in the same direction by EUR +11/-11 thousand, whereby the effect on the 12-month and lifetime ECL is EUR +/-3 thousand and EUR +/-8 thousand.

LGD:
The basis for LGD is the respective rating of the collateral.

If LGD rates were 10% higher/lower (relative changes), the ECLs would be EUR 10 thousand higher/ EUR 10 thousand lower, respectively.

Selection of macro-economic indicators:
Macro indicators were selected using statistical and correlation analysis of defaults and impairments and the Estonian banking market benchmark analysis. The analysis carried out showed strong correlation between impairments and changes in the GDP. The use of other indicators has not been justified. In 2021, the selection of macro indicators was revised for relevance and remained unchanged.

The management estimates that the portfolio is homogeneously tied with the macro-economic indicators. The management has considered of various sector-specific effects but detailed forecasts would not have a significant impact on the ECL’s end result, depending on the portfolio’s specificity.

The macro-economic coefficient found as a result of weighing different scenarios is used to adjust the ECLs of a portfolio. The management estimates that the application of a joint coefficient to the entire portfolio is appropriate because due to the specificity, the probability of realisation of scenarios is greatly the same for various groups of receivables.

The sensitivity analysis applied to the change in the macroeconomic coefficient showed that if this coefficient was changed by +/-10%, the effect on the ECL would be EUR +11/-11 thousand, respectively.

Other estimates:

According to IAS 40, the fair value of investment property reported at fair value is assessed on each balance sheet date, to reflect the market conditions prevailing on the balance sheet date. The fair value of investment property is the amount for which it is possible to exchange assets between knowledgeable, willing parties in an arm’s length transaction. A willing seller is not a forced seller, prepared to sell at any price. The best indication of fair value is the price in an active market for similar properties in a similar location and condition (Notes 4, 10).

For determining the fair value of investment property, the management also considered the concluded sales contracts. At the beginning of 2021, a multi-stage sales contract under the law of obligations was concluded for the property located in Viimsi (see Note 10). Several initial stages were successfully completed in 2021 (and also in 2022, see Note 27). The management considers it probable that the transaction will be carried out according to the terms of the contract under the law of obligations. As it represents a multi-stage contract, the fair value of the investment property is determined on the basis of the time value of money as at 31 December 2021 and future cash flows are discounted to the present value. The discount rate used (2.1%) is a key management estimate and it is determined on the basis of the specificity of the investment property and the details of the transaction. If the discount rate is changed by +/-0.5%, the fair value of the investment property would be EUR -86 /+89 thousand higher/lower, respectively.

Note 4. Risk management

General principles of risk management

The activities of the Bank are exposed to risks and thus risk management is one of the core activities of AS TBB pank. The risk is the potential negative deviation of the credit institution's business from the expected financial result due to both internal and external events. The consistency of all types of risk and consideration of their profiles and the capital adequacy assessment based on them is ensured within the processes designed to manage them. The process as a whole enables the Group to assess the aggregate level of all risks within the Group and to determine the capital requirement, its efficient and cost-effective use, and to ensure compliance with minimum capital requirements.

Risk management using the strategies, policies, methods and other regulations approved by the Management and Supervisory Boards is an integral part of the management system of credit institutions, and is based on the requirements of Estonian legislation (incl. Credit Institutions Act), the Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR), directive (CRD IV), the Bank of Estonia, Financial Supervision Authority and other supervision authorities. The risk management process involved all activities in prevention, identification, measurement, analysis, hedging measures, risk control and follow-up of risks. These activities are part of regular reporting. The risk management process as a whole and its various parts are subject to regular reviews.

To account for the general risk appetite that AS TBB pank is willing to accept, the methods used in risk management enable to measure the actual level of risks in comparison with the allowed thresholds. The thresholds for various risks that have been specified for the units have additional subcategories, the purpose of which is to maintain an acceptable risk level within the framework of the established risk appetite and to ensure early identification of a risk situation and a reaction to it. The risk appetite and tolerance framework are reviewed once a year together with the planning of the business activities and setting of goals.
The types of risk include credit, market, liquidity and operational risk. Each type of risk additionally consists of separate measurable subgroups, depending on the size of the credit institution, its business strategy and scope of business.

Risk management is performed at the following management levels:

- Supervisory Board of the Bank
- Management Board of the Bank
- Various risk committees, groups and accountable employees:
  - High Risk Customer Approval Committee
  - Credit Committee
  - Risk and Capital Management Committee
  - Business Continuity Process Management Committee
  - Risk managers
  - Risk control manager
- Internal Audit Department

The risk management system is based on the principle of three lines of defence, as a result of which risk-taking, its management and internal audit are strictly separated.

1st line of defence – risk-taking. The goal of business units is attainment of the optimal balance between the rate of return and risk as well as specified business objectives, monitoring of risks assumed, participation in risk identification and assessment, compliance with standards and regulatory documents, including those on risk management, during the entire life of the transaction. Business units need to ensure that their operations are in compliance with the prevailing rules.
2nd line of defence – risk management independent of business activities. The risk management function foresees development of the principles, limits and restrictions of risk management standards, monitoring of risk levels, preparation of reports and verification of compliance of the actual risk level with the risk appetite. The tasks of the second line units also includes organisation of training sessions, consultations, modelling and aggregation of the overall risk profile and compliance control;
3rd line of business – audit / internal audit of the risk management system. The function of internal and external audit is evaluation of the compliance of the risk management system with internal and external requirements, informing the Supervisory and Management Boards of the deficiencies identified in the risk management system and overseeing the elimination of the deficiencies identified in the risk management system.

Risk testing
The risk management system includes conducting of stress tests which are necessary for evaluation of the level of risks and adoption of optimal decisions in the conditions of a changing economic situation (various stages of the economic cycle, foreign economic and policy factors, increase or decrease of interest rates, etc.). Key financial risks are regularly tested in accordance with the testing plan. Credit institution carries out unscheduled tests upon adoption of its strategic decisions or evaluation of major investment projects. Stress tests encompass the main types of risk: credit risk, market risk, liquidity risk, interest risk and risk of revaluation of investment property.

The scenario method is used for the purpose of testing. The risk level assesses implementation of established standards and compliance with the acceptable capitalisation level within the framework of Pillar 1 and Pillar 2.

Each scenario involves assessment of the effect of events from at least the following aspects:
a) current capital;
b) current liquidity;
c) own funds and minimum capital adequacy ratio;
d) profitability;
e) risk strategy limits;
f) risk appetite and risk tolerance rates.

4.1 Credit risk

Credit risk results from probable losses which may arise from non-performance of the obligations of customers arising from contracts under laws of obligations as well as the insufficient value of the collateral when its disposal does not cover the receivable. Credit concentration risk that which may arise in relation to a region, customer group or market sector is also taken into account.

Credit risk makes up the largest share of the total risk of the Group and it is related both to the credit products targeted at customers as well as the funds deposited in other banks.

By origin and allocation, credit risk can be divided into two groups:
1. Risk of customer loan portfolio, when the customer is unable or refuses to meet its contractual obligations.
2. Interbank credit risk caused by the likelihood that the correspondent bank does not meet its obligations.

Financial assets exposed to credit risk comprise receivables from customers and receivables from credit institutions as well as other receivables. The maximum position exposed to credit risk equals the carrying amount of these financial assets.

(EUR thousand)

Maximum credit risk exposure	Note	31 December 2021	31 December 2020
Receivables from Central Bank	5	79,501	57,662
Receivables from credit institutions	6	24,995	22,339
Receivables from customers (AC), net	7	50,234	49,197
Other financial assets	8	717	623
Total financial assets		**155,447**	**129,821**
Off-balance sheet liabilities, excl. performance guarantees	15	6,182	2,308
Maximum credit risk exposure		**161,629**	**132,129**

Based on the results of the analysis performed by the management, expected credit losses on the balances of demand and term deposits held at correspondent banks is an insignificant amount as at 31 December 2021 and 31 December 2020, therefore, the Group has not recognised expected credit losses on deposits.

Risk management

The most important criteria for assessing credit risk are the creditworthiness of the counterparty, i.e. ability to fulfil the financial commitments assumed on time, and collateral that reduces credit risk in case the counterparty fails to fulfil the commitments assumed. Lending needs to be in proportion to the cash flows of the borrower and its ability to pay back the loan.

The underlying principle of a credit policy is that business units are fully responsible for credit risks that are in compliance with the strategy as well as various guidelines and procedures of the credit process and the current legislation. Assumption of credit risk is decided by the Credit Committee or the persons with decision-making authority according to the decision limits approved by the Management Board of the Bank. The decision of the Credit Committee regarding a loan project of a client or a group related to it (other than subsidiaries), equalling or exceeding 10% of the Bank's or the Group's own funds, is approved by the Supervisory Board of the Bank in writing.

The risk-taking principles are as follows:

1. risk must be assessable and measurable;
2. risk must be appropriately collateralised;
3. collateral must be appropriately insured;
4. risk must be spread between different economic sectors and regions, maturities and collaterals;

5. the detection of possible problems must be ensured at the earliest stage possible with a system of supervision.

The optimum size of the credit portfolio and the structure of various indicators are monitored regularly, so that they would comply with the standards. A responsible and balanced approach in each transaction is of great importance to the Bank and its customers. From the point of view of the credit portfolio as a whole, all parameters impacting credit risk are assessed regularly to identify the potential increase in credit risk as early as possible, but also to manage the credit portfolio in a such a way that the potential risk can be prevented and minimised.

Due to the coronavirus COVID-19, the Group monitors daily its financial position, including the effect of potential higher risks arising from the coronavirus on its loan portfolio and on the Bank's overall results. Evaluation of the potential effects of the COVID-19 pandemic has been included in various analyses and discussion throughout the entire period.

There has been no need for the Group to implement COVID-19 pandemic mitigation measures, and as the structure of the loan portfolio and the customers themselves have not been directly impacted by the economic effects of the coronavirus, regular monitoring of customers, risk assessment as well as direct communication with customers have been our daily activities for preventing possible payment difficulties in servicing loan contracts. The risks taken have been managed and the loan portfolio has not been allowed to deteriorate during the COVID-19 pandemic. Deterioration is also not expected.

During 2021, the restrictions imposed due to COVID-19 were significantly eased and the financial indicators of companies operating in higher risk sectors, in particular, trade, accommodation, catering, tourism, entertainment and other services have improved. During 2021, grace periods applied by business customers due to the impact of COVID-19 remained low, i.e. only 4 grace periods were granted to business customers. The impact of grace periods on the Group's financial reporting is clearly insignificant.

Measurement of risks

Credit risk of both the customers as well as the credit portfolio is measured and assessed before and after the loan is issued by means of regular monitoring. The rating system provides, among other things, a measure of risk assessment and hence additional support in making a credit decision, credit risk analysis, forecasting and management, assessment of capital requirements and provisions, and provisioning for possible impairments, strategy and various credit policies.

Measurement of the credit risk includes following activities:

- evaluation of the clients' business activities so far;
- assessment of the risk level of customer's management and owners;
- valuation of collaterals;
- assessment of insurance of collaterals;
- analysis and assessment of the business plan and cash flow forecasts presented;
- reliability of a customer;
- credit history;
- assessment of loan applicant's country risk.

Loans that have been granted or will be granted are fully covered from the Group's own funds and funds raised (incl. loans intended for specific purposes and demand deposits). The Bank follows the regulatory standards for concentration of exposures, according to which the amount of loans issued to and other loan receivables from one borrower or a group of related persons shall not exceed 25% of own funds of the Bank. According to the Bank's internal regulations, the volume of loans issued to one economic or industrial sector (excluding loans granted to subsidiaries) cannot exceed 25% of the loan portfolio.

Monitoring of the loan portfolio is performed twice a year (four times a year in case of high-risk loans), during which each loan and customer is reviewed individually. In performing assessments, the Bank pays attention to the compliance with the conditions of the loan contract, including timely loan repayments, the financial position of the customer, the condition of the collateral, and submission of the required information and documentation.

Credit grades and measurement of expected credit loss

The amount of expected credit loss arises from the credit loss model approved by the Bank, where the assets are divided into three stages according to the change in the credit quality of financial assets:

Stage 1 - Performing financial assets whose credit quality has not significantly deteriorated as compared to their initial recognition: loans without or with delay up to 30 days and where, on intial recognition, loss is recognized which is expected to arise from the asset in the next 12 months and evaluation is performed on collective basis and based on past experience and future forecasts

Stage 2 - Underperforming financial assets whose credit quality has significantly deteriorated (eg credit rating deterioration or 31-90 day payment delays) and where losses that are expected to occur over the remaining life of asset are recognized and assessed individually or in a similar manner. by batches.

Stage 3 - Non-performing financial assets, assets that are not collected as intended (eg payment delays longer than 90 days) and that reflect losses that are expected to arise from a given financial asset over its remaining life and are assessed individually on an asset-by-asset basis.

In accordance with IFRS 9, the expected credit loss for Stage 1 is calculated over the year; for Stages 2 and 3 until the end of the loan period. These measurements are made on the basis of models developed by the Bank, and the expected credit loss is based on both historical results and scenarios based on future forecasts.

The key principles of the ECL model are described in Note 2 “*Summary of significant accounting policies*”, Valuation of loans and receivables. The key inputs of the ECL model (PD, LGD) are based on the results of the monitoring of the loan portfolio described below, which are expressed upon determination of the loan’s credit class and collateral.

Credit class is used as the basis for assessing the probability of realisation of credit risk in the expected credit loss valuation and calculation methodology, described in Note 2 “*Summary of significant accounting policies*”. The credit class is also an important indicator to determine potential change in credit risk.

For determining the credit class of business customers, the following two key criteria are used:
<u>Criterion 1</u>: payment discipline where accuracy of payments or amounts overdue according to the ranges of due dates are used as the basis for the analysis
<u>Criterion 2</u>: solvency, where the customer’s financial position and the additional indicators related to owners are used as the basis.

For private individuals, the criteria only include the payment discipline rating and the solvency rating.

In addition to the determination of the credit class and rating of the collateral, it is also necessary to evaluate the loan collateral coverage to determine the amount of a potential loss in the case of a forced sale of collateral assets. For non-performing loans, revaluation of the collateral value is additionally performed to determine its cost in the case of falling prices in the real estate market.

The price of collaterals before and after revaluation is used for assessment of problematic receivables and calculation of internal requirements for capital adequacy (ICAAP, ILAAP, Pillar 3).

Assessment of timely contractual payments by the customer, as well as the customer's financial position, is based on a 5-point system, where 1 describes the strongest and 5 the weakest customer. The collateral of the customer is evaluated separately based on the type of collateral, its value, change in value, liquidity of the collateral and its insurance. The determination of the risk classes of off-balance sheet positions of customers are carried out in the same way as the calculation of risk classes of off-balance sheet positions.

In the third quarter of 2021, the credit class system was upgraded. The ranges of credit classes were amended for all types of credit, except for express leases and credit cards. Credit risk classes are now calibrated in such a way that the risk of insolvency increases exponentially for each following higher class. For express leases and credit cards, receivables are evaluated using a simplified method. The impact of the upgraded system of credit classes on the Group's expected credit loss reserve was insignificant.

During regular reviews of the credit portfolio, the Credit Committee also assesses, among other things, the extent of doubtful loans and the probability of collection of receivables on a quarterly basis. A separate loan allowance is established for each loan receivable with an impairment loss for which an impairment of the receivable has been identified. In addition, the Internal Audit Department exercises control over the Bank's activities regarding the monitoring and write-down of loans.

The analysis "Group's receivables from customers" is split by the following classes and subclasses (see Note 7):

1. loans to legal entities:
   -investment loans
   -overdraft facilities
   -leases
   -other loans
2. loans to individuals:
   -housing loans
   -other loans and leases.

Overdue receivables, impaired receivables from customers and collaterals of securities are disclosed in Note 7.

Probability of default (PD) and loss given default (LGD)

12-month PD - the probability of the occurrence of credit risk, which represents the probability of a loss within the next 12 months and the lifetime PD - the probability of the occurrence of credit risk, which represents the probability of a loss on a given asset over its lifetime. Credit PDs are based on PD rates disclosed by Standard&Poor's and the Bank's historical statistics, being calibrated with the customer's credit class.

The loss given default (LGD) is the ratio of a potential credit loss to the outstanding credit exposure if the credit risk occurs. In Stage 1, the LGD for all exposure classes is determined by the collateral rating, except for exposures exceeding EUR 1 million and subsidiaries. The LGD assignment is based on the percentage of the collateral rating, as evidenced by the analysis of Bank's historical statistics. If the amount of the receivable exceeds EUR 1 million or the receivable is due from the subsidiary, the LGD of each loan receivable is calculated individually. In Stage 2 for legal entities (excluding express leasing) and private individuals, the LGD is determined on the basis of the collateral rating (same calculation as in Stage 1), with the exception of receivables over EUR 100,000 and subsidiaries. If the amount of the receivable exceeds EUR 100,000 or the receivable is due from the subsidiary, the LGD of each loan receivable is calculated individually. If a receivable with an individually assessed LGD rate in Stage 2 is transferred back to Stage 1, the individually calculated LGD rate for that receivable will remain for Stage 1 until the next estimate of the individual LGD rate.

Forborne exposures and loan write-offs

The Bank defines forborne exposures as the loans whose contractual terms have been changed due to the borrower's payment difficulties and the purpose of which is to restore the borrower's proper performance of contractual obligation, avoiding loss of assets. Changes to the terms and conditions of the loan contract may include, but are not limited to, granting a new loan to honour an existing obligation, a grace period, cutting of interest rate, partial or total cancellation of the loan, etc.

A loan is written off when the final amount of the loss is established or upon disposal of the loan. The final amount of the loss is determined after the distribution of the bankruptcy estate or the realisation of the entire collateral. Past losses on write-offs of loans are amortised.

Where applicable, a statement of claim against the borrower or guarantor following the write-off of the loan is filed unless the bankruptcy proceedings have resulted in the termination of the legal entity of the debtor or where the bankruptcy dispute has been resolved or the loan balance has been extinguished in full.

Risk concentration

(EUR thousands)

		31 December 2021		31 December 2020	
		% of eligible capital	**number/ amount**	**% of eligible capital**	**number/ amount**
1.	Number of customers with high risk concentration	6	-	6	-
2.	Receivables from high risk concentration customers	26,643	131,0%	23,855	109,6%
3.	Receivables from individuals related to the Group	1,930	9,5%	1,303	6,0%

High-risk loans are loans granted to a single person or group of related parties that exceed 10% of the credit institution's equity.

Receivables of the Group as at 31 December 2021 and 2020, divided by economic sectors, are presented below. Receivables include receivables from the Bank of Estonia, receivables from customers (including lease receivables) and credit institutions, and other receivables and financial assets.

The definition of impairment of receivables is provided in Note 2 "*Significant accounting estimates and judgements*".

Division of receivables by economic sectors

31 December 2021 (EUR thousand)

Economic sector	On-balance sheet receivables (gross) receivables	securities	interest receivables	Incl. overdue	Allowance for receivables	Off-balance sheet items	Provisions of off-balance sheet items	Share of sectors
Agriculture, hunting and forestry	2,192	-	5	711	-27	135	-	1.4%
Manufacturing	7,269	-	17	501	-10	763	1	5.0%
Supply of electricity, gas, steam and air conditioning	2,979	-	1	-	-36	-	-	1.8%
Construction	1,757	-	4	198	-7	3,336	2	3.1%
Retail and wholesale, maintenance of motor vehicles, motorbikes, commodities and repair of home appliances	5,546	-	13	188	-38	844	-	3.9%
Transportation, storage and communication	1,560	-	4	0	-7	569	1	1.3%
Financial intermediation	32,174	-	0	40	-14	69	-	19.9%
Central Bank	79,501	-	-,	-	-	-	-	49.1%
Real estate	9,859	-	29	66	-31	-	-	6.1%
Administration and support activities	728	-	1	45	-10	13	-	0.5%
Other sectors	4,055	37	25	27	-10	560	-	2.9%
Individuals	7,654	-	17	434	-38	349	-	5.0%
Total	**155,274**	**37**	**116**	**2,210**	**-228**	**6,638**	**4**	**100.0%**

31 December 2020 (EUR thousand)

Economic sector	On-balance sheet receivables (gross) receivables	securities	interest receivables	Incl. overdue	Allowance for receivables	Off-balance sheet items	Provisions of off-balance sheet items	Share of sectors
Agriculture, hunting and forestry	2,289	-	2	221	-19	96	-	1.8%
Manufacturing	7,721	-	13	2,279	-922	862	2	6.4%
Supply of electricity, gas, steam and air conditioning	3,306	-	2	327	-6	0	-	2.5%
Construction	2,607	-	1	2,301	-626	18	-	2.0%
Retail and wholesale, maintenance of motor vehicles, motorbikes, commodities and repair of home appliances	6,792	-	12	1,188	-501	609	-	5.5%
Transportation, storage and communication	1,115	-	2	42	-24	400	-	1.1%
Financial intermediation	29,853	-	1	54	0	102	-	22.3%
Central Bank	57,662	-	-,	-	0	0	-	42.9%
Real estate	8,044	-	15	16	-12	0	-	6.0%
Administration and support activities	859	-	-	51	-16	0	-	0.6%
Other sectors	4,337	37	25	459	-134	85	-	3.3%
Individuals	7,385	-	15	451	-52	275	-	5.7%
Total	**131,970**	**37**	**88**	**7,389**	**-2,312**	**2,447**	**2**	**100.0%**

See also Notes 6 and 7.

4.2 Country risk

Definition
For credit institutions with international operations, including AS TBB pank, it is essential to adequately assess country risk. Country risk consists of two components: economic and geopolitical risk.

Country risk comprises the overall economic and financial management level in the country (on macroeconomic as well as company level), the competitive position of the country in the world market, the situation with the balance of payments, the stability of the national currency, etc.

The extent of geopolitical risk is determined by the stability of the political system, relations with neighbouring countries and security guarantees. In assessing the geopolitical risk, it is considered how the aforementioned factors may influence the proprietary rights.

Real economic and political risks are intertwined and they must be assessed as a whole.

The sub-types of country risk are:
- conversion risk (devaluation of a foreign currency);
- risks of transfers of monetary resources;
- geopolitical risks;
- risk of insolvency of the country (default risk).

Geopolitical risk includes the following elements: a) risk of country occupation, b) risk of launch of military operations; c) risk of partial loss of sovereignty; d) political risk; e) risk of international sanctions; f) risk of violation of international agreements. Such risks were earlier classified as force majeure. In the current context of globalisation these risks have become manageable.

Risk management
To mitigate country risk, the Group uses following measures:
- In case of Conversion risk the Group does not perform operations with currencies in countries with limited national currency conversion possibilities;
- In case of Transfer risks of monetary resources all purchase and sales transactions of currencies are performed through Bloomberg dealer system and Bank does not open correspondent accounts in countries with high political and/or economic risks.
- Geopolitical risks are assessed by monitoring the impact of the application of possible international sanctions and restrictions and mitigated to the size and execution time of financial operations.
- In the case of sovereign default risk, the risk is mitigated through rigorous selection of correspondent banks, use of data from international rating agencies are in assessing country risk, and monitoring of the mass media and reports of media agencies of counterparties.

All of the above risks are analysed, managed and reviewed by the Risk and Capital Management Committee and the Management Board of the Bank.

The concentration of the receivables of the Group by geographic regions as at 31 December 2021 and 31 December 2020 is presented separately. The receivable include receivables from the Bank of Estonia, receivables from customers and credit institutions, and other receivables and other financial assets.

The definition of impairment of receivables is provided in Note 3 "*Summary of significant accounting policies*".

Division of receivables by region

31 December 2021 (EUR thousand)

Region	On-balance sheet receivables (gross) receivables	securities	incl. interest receivables	Incl. overdue	Impairment of receivables	Off-balance sheet items	Provisions for off-balance sheet items	Share of the region (%)
Estonia	129,717	-	115	2,210	-228	6,609	4	84.2%
Austria	23,372	-	1	-	-	-	-	14.4%
Russia	563	-	-	-	-	16	-	0.4%
China	1,068	-	-	-	-	-	-	0.7%
Other countries	554	37	-	-	-	13	-	0.3%
Total	**155,274**	**37**	**116**	**2,210**	**-228**	**6,638**	**4**	**100.0%**

31 December 2020 (EUR thousand)

Region	On-balance sheet receivables (gross) receivables	securities	incl. interest receivables	Incl. overdue	Impairment of receivables	Off-balance sheet items	Provisions for off-balance sheet items	Share of the region (%)
Estonia	109,109	-	87	7,389	-2,312	2,422	2	83.0%
Austria	21,931	-	1	-	-	-	-	16.3%
Russia	421	-	-	-	-	11	-	0.3%
Other countries	509	37	-	-	-	14	-	0.4%
Total	**131,970**	**37**	**88**	**7,389**	**-2,312**	**2,447**	**2**	**100.0%**

4.3 Market risk

Definition

Market risk is described as the possibility of a loss resulting from unfavourable movements in financial markets - changes in exchange rates, interest rates and the values of securities and precious metals. Market risk has macroeconomic nature. Most of the banking services, including loans and deposits, are influenced by market risk. The Bank does not carry out speculative transactions on fund and currency markets.

Risk management

The Bank has specified limits for the nature and scope of allowed risks, for the purpose of which it has established limits and other indicators which, if reaching a certain level, indicate higher risk accompanying a specific activity. The Finance Department is primarily responsible for managing risks.

To manage market risk, the Group adheres to the following principles:

- Risk avoidance;
- Risk limitation;
- Stress testing where the purpose of stress tests and their accompanying scenarios is to identify important changes in risk factors or losses attributable to extraordinary market disturbances.

The Group has 2 main subcategories of market risk:

- foreign currency risk;
- interest risk.

Foreign currency risk
For foreign currency risk, the value of the Group's assets and liabilities may change due to the changes in foreign exchange rates or risk factors related to other currencies.

To manage market risk, the Group adheres to the following principles:

- assets are denominated in the same currency to cover existing currency resources;
- net open currency position (NOCP) shall not exceed 10% of the amount of owners' equity, incl. the norm set for Russian roubles, i.e. 5% from NOCP;
- constant observation of internal regulations according to the Risk Management Methodology;
- neither opens nor hold speculative positions in any foreign currency;

Starting from 2015, market risk stress tests are conducted regularly by various crisis and shock scenarios. Stress tests are carried out at least twice a year according to the stress test plan.

The tables below show the estimated undiscounted cash flows of financial liabilities and the discounted values of financial assets. The tables show the assets and liabilities denominated in foreign currencies in euro equivalents.

Division of financial assets and liabilities by currency

31 December 2021 (EUR thousand)

	EUR	USD	SEK	RUB	CNY	MUU	Kokku
Assets							
Cash and receivables from Central Bank	80,153	149	-	6	-	-	80,308
Receivables from credit institutions	1,591	21,317	842	282	775	188	24,995
Receivables from customers (net) and other receivables	50,002	548	-	-	-	-	50,550
Securities	37	-	-	-	-	-	37
Other assets (Note 8)	717	-	-	-	-	-	717
Total assets	**132,500**	**22,014**	**842**	**288**	**775**	**188**	**156,607**
Liabilities							
Payables to customers and other payables	123,500	21,787	815	256	632	178	147,168
Other liabilities (Note 13)	1,672	193	1	-	143	1	2,010
Total liabilities	**125,172**	**21,980**	**816**	**256**	**775**	**179**	**149,178**
Net position	7,328	34	26	32	-	9	7,429

31 December 2021 (EUR thousand)

	EUR	USD	SEK	RUB	JPY	MUU	Kokku
Assets							
Cash and receivables from Central Bank	58,120	3	-	5	-	-	58,128
Receivables from credit institutions	1,299	19,891	837	164	39	109	22,339
Receivables from customers (net) and other receivables	49,151	506	-	-	-	-	49,657
Securities	37	-	-	-	-	-	37
Other assets (Note 8)	623	-	-	-	-	-	623
Total assets	**109,230**	**20,400**	**837**	**169**	**39**	**109**	**130,784**

Liabilities							
Payables to customers and other payables	101,181	19,627	822	187	39	120	121,976
Other liabilities (Note 13)	799	818	1	-	-	-	1,618
Total liabilities	**101,980**	**20,445**	**823**	**187**	**39**	**120**	**123,594**
Net position	7,250	-45	14	-18	-	-11	7,190

As at 31 December 2021 and 31 December 2020 the Group did not have a fixed net exposures that would exceed the level of 1% of own funds. The level of the Group's foreign currency net position as at the balance sheet date reflects the level of foreign currency positions during the year. The euro is not taken into account when calculating net positions.

The table below presents a sensitivity analysis to potential reasonable changes in foreign exchange rates as at the balance sheet date.

	31 December 2021	**31 December 2020**
EUR thousand	**Effect on profit or loss**	**Effect on profit or loss**
Appreciation of currencies by 10% (2020: 10%)		
USD appreciation by 10% (2020: 10%)	3	-5
DKK appreciation by 10% (2020: 10%)	2	-
SEK appreciation by 10% (2020: 10%)	3	1
RUB appreciation by 10% (2020: 10%)	3	-2
PLN appreciation by 10% (2020: 10%)	-1	-1
Other (excluding EUR) appreciation by 10% (2020: 10%)	-1	-1
Total	**9**	**-8**
Depreciation of currencies by 10% (2020: 10%)		
USD depreciation by 10% (2020: 10%)	-3	5
DKK depreciation by 10% (2020: 10%)	-2	-
SEK depreciation by 10% (2020: 10%)	-3	-1
RUB depreciation by 10% (2020: 10%)	-3	2
PLN depreciation by 10% (2020: 10%)	1	1
Other (excluding EUR) depreciation by 10% (2020: 10%)	1	1
Total	**-9**	**8**

4.4 Cash flow interest risk

Cash flow interest risk is the risk of fluctuations in future cash flows due to the changes in market interest rates. Net interest income is impacted by external factors, such as changes in the rate of Euribor, changes in the yield curve and competitive pressure. The Group measures net interest income risk as a potential change in income.

The basis of interest risk management is based on the Interest Risk Management Policy approved by the Supervisory Board. This policy lays down key control forms and methods for monitoring interest risk. The Interest Rate Risk Management Policy provides an algorithm for calculating the inclusion of nominal and base interest rate; requirements for calculating the base rate on credit; minimum requirements for the interest margin. The requirements are based on the guidelines of the EBA "Management of interest rate risk arising from non-portfolio activities".

Stress tests are performed for assessing the impact of interest rate risk in the performance of credit institutions. In the reporting period, four planned stress tests were performed according the scenarios of interest rate changes by time periods. The principles of Basel Committee on Banking

Supervision include shock scenarios in stress testing where interest rates change by +/- 200 basis points. GAP analysis is used for analysing interest rate risk, i.e. the analysis of a difference between long and short positions of financial instruments used at the Group for time periods of 1 to 12 months. Interest risk was analysed for the absolute value of GAP on the basis of annual results.

The following table shows the Group's interest rate risk analysis. The Group's financial assets and liabilities are stated at cost, classified as contractual interest rate fixation or maturity, whichever is earlier. If the position has a fixed interest rate, cash flows are generated according to the remaining term until the end of the contract. If the position has a floating interest rate, the remaining time to determine the cash flows is until the next interest rate is reviewed (or until the end of the contract, whichever is earlier).

Assets and liabilities exposed to interest risk by interest fixing period

31 December 2021 (EUR thousand)

	On demand	Up to 3 months	3-12 months	1-2 years	2-5 years	After 5 years	Total
Assets							
Receivables from Central Bank	79,501	-	-	-	-	-	79,501
Receivables from credit institutions, gross	16,165	8,830	-	-	-	-	24,995
Receivables from customers, gross	52	38,198	1,969	710	1,885	7,246	50,060
incl.with a floating interest rate	-	*37,426*	-	-	-	-	*37,426*
Securities	-	-	-	-	-	37	37
Off - balance sheet liabilities	213	4,063	1,346	-	-	560	6,182
incl.with a floating interest rate	-	*3,465*	-	-	-	-	*3,465*
Total assets and off-balance sheet liabilities	**95,931**	**51,091**	**3,315**	**710**	**1,885**	**7,843**	**160,775**
Liabilities							
Payables to customers and other payables	92,839	13,148	16,486	11,443	5,916	6,652	146,484
incl.with a floating interest rate	*16,521*	*34*	-	-	-	-	*16,555*
Lease liabilities	-	19	57	43	111	-	230
Total liabilities	**92,839**	**13,167**	**16,543**	**11,486**	**6,027**	**6,652**	**146,714**
Total difference by interest fixation periods	3,092	37,924	-13,228	-10,776	-4,142	1,191	14,061

31 December 2020 (EUR thousand)

	On demand	Up to 3 months	3-12 months	1-2 years	2-5 years	After 5 years	Total
Assets							
Receivables from Central Bank	57,662	-	-	-	-	-	57,662
Receivables from credit institutions, gross	14,189	8,150	-	-	-	-	22,339
Receivables from customers, gross	46	36,900	1,856	538	919	6,035	46,294
incl.with a floating interest rate	-	*35,874*	-	-	-	-	*35,874*
Securities	-	-	-	-	-	37	37
Off - balance sheet liabilities	198	993	397	-	-	720	2,308
incl.with a floating interest rate	-	*191*	-	-	-	-	*191*
Total assets and off-balance sheet liabilities	**72,095**	**46,043**	**2,253**	**538**	**919**	**6,792**	**128,640**
Liabilities							

Payables to customers and other payables	72,580	10,519	14,814	10,882	7,492	5,208	121,495
incl.with a floating interest rate	*15,155*	*55*	*-*	*-*	*-*	*-*	*15,210*
Lease liabilities	-	15	25	35	108	39	222
Total liabilities	**72,580**	**10,534**	**14,839**	**10,917**	**7,600**	**5,247**	**121,717**
Total difference by interest fixation periods	-485	35,508	-12,586	-10,379	-6,681	1,545	6,922

The table does not contain terminated receivables and payments in transit, accrued expenses, prepaid revenues.

As at 31 December 2021 and 31 December 2020 and during the respective periods, the Group was not exposed to fair value interest risk, as the Group did not have financial liabilities measured at fair value and the financial assets measured at fair value are not sensitive to fair value interest rates.

4.5 Liquidity risk

Definition

Liquidity risk is defined as the Group's ability not to fulfil its liabilities at any specific time, as well as the ability not to change an unfavourable liquidity level within a certain period or at least to hold the existing level constant by changing the structure of its assets and liabilities and by raising additional debt capital and increasing financial stability in the form of revenue growth.

Liquidity risk arises from the differences in the maturities of assets and liabilities, speed of disposal of the resources included within assets to cover liabilities, the overall asset structure and the interest sensitivity of the liabilities.

Risk management

The Group has established the requirements for managing liquidity risk, laid down in the Risk Strategy as well as the Risk Management Methodology. The Bank has established liquidity risk standards; the structure of a liquidity buffer and review of its size; procedures for liquidity planning in case of different scenarios involving event developments; liquidity continuity plan, etc.

Various regulatory risk evaluation methods are used for liquidity risk calculation and monitoring, the key ones of which are the liquidity coverage ratio (LCR) as well as the net stable funding ratio (NSFR).

In addition to the respective ratios, liquidity risk stress tests are regularly performed.

In managing liquidity risk, the Group is guided by, among other things, the following:

- liquidity strategy;
- recommended guideline of the Financial Supervision Authority, i.e. “Requirements for Liquidity Risk Management”,
- the basis for the liquidity risk regulation of the Group is the European Central Bank regulation on application of mandatory reserves;
- monitoring of compliance with coefficients and limits (both regulatory and internal Group coefficients and limits)
- analysis of the results of liquidity stress-tests;

- observance of the Bank's cash limit;
- monitoring and balancing the open currency positions;
- stability of the resource base of the Group is guaranteed by offering competitive interest rates for term deposits;
- conditions for terminating term deposits;
- implementation of new bank standards to supervise and monitor liquidity risk.

Assets are monitored regularly in order to achieve the best possible balance sheet structure to maintain an acceptable level of liquidity, ie to maintain a liquidity reserve that meets unscheduled financial needs (ensuring profitable investment and lending transactions, compensating for unforeseen and seasonal loan demand fluctuations, unexpected deposit fluctuations).

Liquidity risk management is the responsibility of the Risk and Capital Management Committee. The liquidity level is reviewed on an ongoing basis (daily) and it is reported to the Management Board of the Bank.

The tables below set out the expected undiscounted cash flows of financial liabilities and the discounted values of financial assets. The tables show assets and liabilities denominated in foreign currencies in euro equivalent.

Liquidity risk

31 December 2021 (EUR thousand)

	On demand	Up to 3 months	3-12 months	1-2 years	2-5 years	After 5 years	Total
Financial liabilities							
Payables to customers and other payables	93,525	13,403	17,430	12,960	8,033	2,915	**148,266**
Finance lease payables	-	20	60	45	116	-	**241**
Other payables*	1,780	-	-	-	-	-	**1,780**
Guarantees and off-balance sheet liabilities related to loans**	5,897	-	-	-	-	-	**5,897**
Unused factoring limit	741	-	-	-	-	-	**741**
Total financial liabilities	**101,943**	**13,423**	**17,490**	**13,005**	**8,149**	**2,915**	**156,925**
Financial assets							
Cash and receivables from Central Bank	80,308	-	-	-	-	-	**80,308**
Receivables from credit institutions	16,165	,8,830	-	-	-	-	**24,995**
Receivables from customers, net	1,094	1,760	5,165	6,469	15,245	20,817	**50,550**
Other assets***	717	-	-	-	-	37	**754**
Total financial assets	**98,284**	**10,590**	**5,165**	**6,469**	**15,245**	**20,854**	**156,607**
Liquidity gap from financial instruments	**-3,659**	**-2,833**	**-12,325**	**-6,536**	**7,096**	**17,939**	**-318**

To fulfil its commitments, the Group has the following assets: cash, account balance with the central bank, deposits with other banks and loans and receivables from customers. For measuring the management of liquidity risk, estimated future cash flow are analysed, considering the growth in deposits and the loan portfolio and potential refinancing sources. To cover the liquidity gap on demand, the Bank keeps a sufficient liquidity buffer to ensure timely fulfilment of obligations and ensures sufficient liquidity buffers to cover the net outflow of liabilities. As at 31 December 2021, the Group's liquidity coverage ratio (LCR) which exceeds the regulatory requirement (100%) by a wide margin (see *2.10 Ratios and capital adequacy*).

31 December 2020 (EUR thousand)

	On demand	Up to 3 months	3-12 months	1-2 years	2-5 years	After 5 years	Total
Financial liabilities							
Payables to customers and other payables	73,060	10,792	15,704	11,729	9,714	2,208	**123,207**
Finance lease payables	-	15	28	39	116	38	**236**
Other payables*	1,396	-	-	-	-	-	**1,396**
Guarantees and off-balance sheet liabilities related to loans**	2,278	-	-	-	-	-	**2,278**
Unused factoring limit	169	-	-	-	-	-	**169**
Total financial liabilities	**76,903**	**10,807**	**15,732**	**11,768**	**9,830**	**2,246**	**127,286**
Financial assets							
Cash and receivables from Central Bank	58,128	-	-	-	-	-	**58,128**
Receivables from credit institutions	14,189	8,150	-	-	-	-	**22,339**
Receivables from customers, net	3,962	2,024	4,880	5,133	14,148	19,510	**49,657**
Other assets***	623	-	-	-	-	37	**660**
Total financial assets	**76,902**	**10,174**	**4,880**	**5,133**	**14,148**	**19,547**	**130,784**
Liquidity gap from financial instruments	**-1**	**-633**	**-10,852**	**-6,635**	**4,318**	**17,301**	**3,498**

* other payables include payments in transit and other payables (Note 13).
** loans related off-balance sheet liabilities which are loan limits not utilised by customers as at the balance sheet date (Note 15).
*** other assets include other financial assets, receivables include interest receivables (Note 8).

In the reporting period, the Group preserved its liquidity level which is sufficient to comply with all the requirements of customers and supervisory bodies (the liquidity coverage ratio (LCR) regulatory minimum requirement 100% was fulfilled). The disclosures on the Group's liquidity coverage ratio as laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council are presented on the Bank's website in the risk and capital (Pillar 3) report of AS TBB pank for 2021.

4.6 Operational risk

Definition

The Bank's Management and Supervisory Boards are committed to the management of operational risks and mitigation of the impact of their realisation. Operational risks is a risk of losses due to inadequacy of internal processes, human action or systems, or their failure to function as expected, or external events. The term includes all non-financial risks, including legal, procedural, money laundering, data protection, information security, IT, physical, project-related and other risks.
The factors causing operational risk include:

- IT and system risk;
- process risk;
- staff risk;
- external risk;

Operational risk management

Operational risk is mitigated by the processes implemented under the management of the control systems, which must ensure that daily operations and other operations across multiple controls.

An electronic notification system for operational risk has been introduced, where incidents, loss cases or operational risk can be reported by filling out a report. An electronic system for monitoring and reviewing reported operational risk, self-evaluation and follow-up activities related to operational risk has also been implemented

In accordance with internal regulations, the Bank continuously monitors operational risk in order to identify and process all operational risk loss events and incidents. Time criteria for recording operational risk incidents have been determined.

On the basis of the results of monitoring, an operational risk index (OR) is calculated, which expresses the weighted average of system, process, staff and external risks. Both the operational risk measure as well as quarterly operational risk reports are submitted to the Management Board and Supervisory Board of the Bank, as well as the internal audit. Reports on operational risk loss events and incidents, key operational risk indicators and actions are submitted to the Financial Supervision Authority on a quarterly basis.

IT and system risk
Risks due to inadequacy, inadequacy and disruption of systems and technology, e.g. functionality problems, performance problems (volume problems); inadequate maintenance/inadequate support for legacy systems; inaccessibility of systems; inadequate testing/development; problems with software release/deployment; incorrect configuration; inadequate data storage and loss of data; exploitation of IT security vulnerabilities,; insufficient technology planning; other problems related to IT and systems; as well as insufficient investment in technology; development and implementation; information security risk.

Process risk
Risks arising from the design and functioning/non-functioning of processes and organisation, e.g. process design errors, including conflicting processes; process implementation errors, including incomplete or outdated process description, inadequate change/project management; weaknesses in internal governance, including unclear roles and responsibilities; other process issues, including also payments/settlements/outsourcing services; documentation/contract management, valuation/pricing; entry, publication and change of incorrect data in internal and external reports; non-compliance with legislation (legal risk), sales activities; performance of operations (interruption of process(es), causing an error (operational risk), misrepresentation of image-building.

Staff risk
Risks resulting from the activity or inactivity of Bank employees, e.g., human errors, insufficient training/competence; insufficient staffing; insufficient roles and areas of responsibilities, miscommunication and/or deficient communication, organisational culture; malevolent behaviour of employees, other personnel-related problems and theft; inadmissible activities/fraud/offenses, violation of labour regulations, illegal organised activities of employees, lack or loss of key personnel, insufficient employee knowledge (skills); errors of employee errors resulting from negligence or lack of knowledge; lack of skilled workforce, conflicts in labour relations, disloyalty, disciplinary problems.

External risk
Risks arising from the activity or inactivity of external parties and from the environment and force majeure, e.g. natural disasters (pandemic, earthquake, flood); malicious behaviour of external parties; unintentional behaviour of external parties, including partners, including inaction; terrorism/external attacks (excl. cyber-attacks); environment (excluding natural disasters); geopolitical/economic/social instability; regulatory and legislative environment. Also external

service providers, customers, force majeure risk (political risk), public interests and expectations that shape the assessment of the Bank’s operations.

All operational risks are managed and controlled by the Operational Risk Manager. Internal audits over the functioning of the operational risk management are carried out by the Internal Audit Department of the Bank.

The basic approach is used to calculate the capital requirement for operational risks under the Basel II and Basel III capital adequacy rules. Under the Basic Indicator Approach, the capital requirement for operational risk is 15% of the Group's net operating income.

4.7 Prevention of money laundering and terrorist financing

The Bank monitors closely the activities of the persons who have a business relationship with the Bank or a person or persons who intend to establish a business relationship or carry out a transaction or act in order to determine whether the person is the subject of an international financial sanction or circumstances. The Bank continues paying special attention to ensure that its organisational structure and measures comply with the requirements for the prevention of money laundering and terrorism financing (AML/CML).

In 2021, the Bank implemented more efficient organisational and IT measures to minimise the possibility that the Bank’s services could be used for money laundering or financing terrorism or for violating restrictions established with financial sanctions. The Bank uses the automated filtering of transaction monitoring technology (AST) that analyses the customer base and all customer transactions that on the basis of pre-set parameters identities subjects of international financial sanctions and politically exposed persons. In addition, the pre-set parameters of AST enable to identity also other persons or transactions for which special due diligence measures must be implemented.

The Bank’s Management Board has developed a monitoring system to ensure continuous assessment of the associated risks and their comparison with the established thresholds. Within the framework of regular risk assessment, the key risks in the Bank’s activities as well as the probability of their realisation or occurrence are identified, and the areas are assessed where the Bank needs to apply additional due diligence measures in order to mitigate risks.

To ensure maximum effectiveness of the prevention of money laundering and terrorist financing activities and use of financial sanctions, the Bank has developed a risk management system based on three lines of defence.

The responsibility of the first line of defence is application of due diligence procedures when establishing business relationships, incl. identification of the customer’s identity and application of the Know-Your-Customer principle in such a way that it would be possible to determine the customer’s risk level on the basis of the information received and perform subsequent monitoring of the business relationship.

The responsibility of the second line of defence is to ensure identification, assessment, management of the risks related to the Bank’s processes/products/services and application of the respective mitigating measures to ensure compliance with legislation, international norms and the Bank’s economic goals.

The third line of defence is made up of the Bank's independent internal audit which directly reports to the Supervisory Council. The internal audit function oversees and evaluates the activities of the entire Bank and consolidation group, including compliance with the law on prevention of money laundering and terrorist financing and fulfilment of the Bank's internal rules and regulations.

In addition to the implementation of these lines of defence, there is a High-Risk Customer Approval Committee that reviews all applications of higher risk customer candidates as well as business relationships with existing customers to ensure fulfilment of the Bank's thresholds for risk appetite and risk tolerance.

Due to the Bank's strategy, the Bank has abandoned the service of legal persons registered in tax-free and low-tax countries/territories. As at the end of 2021, the Bank had no business relationships with persons from such areas. In addition, the Bank has refrained from establishing business relationships with virtual currency service providers and companies providing financial intermediation services, as the impact of the risks associated with the activities of such persons cannot be adequately assessed. In relations with non-resident persons, the Bank has established as the key criterion the customer's link to Estonia. A separate category of high risk customers is made up of resident legal persons whose ownership structure may also comprise non-residents. As at the year-end 2021, the Bank had business relations with 277 legal entities established in Estonia, the ownership structure of which included non-residents from non-EU countries.

The Bank's Management and Supervisory Boards are committed to effective management of financial sanctions and implementation of the principles of effective mitigation of AML/CTF risks throughout the Group. The Bank regularly updates its AML/CTF procedures and guidelines and uses IT solutions to attain the goals set. In 2021, several new modules were added to the customer relationship management software CRM, enabling to automatically determine the risk level of customers and the scope of the related due diligence measures. During the year, the settings of AST functions were constantly upgraded to ensure more precise identification of the subjects of international sanctions in case of their name distortion, and additional parameters and keywords were added to the scenarios of the analysis for monitoring transactions.

In 2021, the Bank changed the structure and composition of the 1st and 2nd line of defence to ensure its better compliance and competence with the risks associated with its activities. During the year, the Bank's employees of the 1st and 2nd line of defence participated in about 23 training sessions, incl. in the area of money laundering and financial sanctions. In 2021, 6 verification procedures were implemented at the Bank to verify compliance with applicable procedures.

4.8 Fair value of financial assets and financial liabilities

The Group recognises the following financial assets at fair value through profit or loss:

31 December 2021 (EUR thousand)

Financial assets at fair value through profit or loss	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Receivables from customers	7	-		316	316
Equity instruments (securities)	8	37	-	-	37
Total financial assets at fair value through profit or loss		**37**	**-**	**316**	**353**

31 December 2020 (EUR thousand)

Financial assets at fair value through profit or loss	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Receivables from customers	7	-		460	460
Equity instruments (securities)	8	37	-	-	37
Kokku finantsvarad õiglases väärtuses muutustega läbi kasumiaruande		**37**	-	**460**	**497**

IFRS 13 determines the hierarchy of fair value valuation techniques, based on whether the valuation technique inputs are observable or not.
Levels used in the hierarchy:

- Level 1 – price quoted in an active market (unadjusted), quoted market prices of identical assets and liabilities in an active market;
- Level 2 – valuation techniques for which the lowest level inputs that are important from the point of view of fair value assessment are directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level inputs that are important from the point of view of fair value assessment are not observable. Receivables from customers shown in the table above were assessed on the basis of discounted future cash flows using the market interest rate.

Assets/ liabilities not measured at fair value but whose fair value has been disclosed:
The Management Board of AS TBB pank has estimated the fair value of assets and liabilities reported at amortised cost in the balance sheet. For determining fair value, future cash flows are discounted using the market yield curve (Level 3) (see Note 2 "*Summary of significant accounting policies. Financial instruments*").

For loans to customers, each client is viewed individually and interest rates vary according to the client's risk level. Therefore, in order to discount the future cash flows of these loans, it is not possible to use a homogeneous and comparable interest rate based on similar transactions. The majority of loans carry floating interest rates, which means that they correspond to changes in market interest rates. No substantial changes occurred in customer risk margins as compared to initial recognition. Therefore, the fair value of loans does not differ significantly from their carrying amounts as at 31 December 2021 and 31 December 2020.

Cash and receivables from the Central Bank – fair value equals the carrying amount because the assets can be disposed at the same price in a regular transaction.

Receivables from credit institutions – fair value equals the carrying amount because the assets can be disposed at the same price in a regular transaction. The receivables from other credit institutions are demand deposits.
Other receivables, accrued expenses and other payables have been incurred in the normal course of business and are payable in the short term, therefore the management estimates that their fair values do not significantly differ from their carrying amounts. These receivables and payables are interest-free.

Customer deposits with fixed interest rates are short-term and their pricing is based on market conditions. In 2021, the market yield curve did not change materially. Therefore, the fair value of deposits determined using discounted future cash flows does not differ significantly from their carrying amount.

See also the term structure of financial assets and financial liabilities under liquidity risk in this note.

4.9 Capital management and capital adequacy

The Group uses risk-based capital planning, assuring that all risks have been covered with sufficient own funds at any moment in time. Capital planning is based on a risk strategy, risk policy and regulations (the Credit Institutions Act and (EU) No 575/2013 of the European Parliament and of the Council, also known the Capital Requirements Regulation).

The Group uses regulatory **capital adequacy** assessment calculations together with capital requirements for additional risks to plan the need for capital. Such decisions are made on the basis of capital adequacy stress testing on the basis of Pillar 1 and Pillar 2 adequacy criteria. Capital adequacy indicates the adequacy of the bank's own funds for the covering of credit risk, market risk and operational risk and meeting the requirements arising from the business activities of credit institutions.

Effective from the beginning of the year 2014, the banks in the European Union are subject to a common minimum capital adequacy requirement (baseline requirement of 8%). However, Estonia has established additional capital buffer requirements in addition to that:

- capital conservation buffer 2.5%;
- systemic risk buffer 0% (until 30 April 2020: 1%);
- countercyclical capital buffer 0-2.5% (effective from 01 January 2016).

The systemic risk buffer requirement has been in force in Estonia since 1 August 2014. As at 1 August 2016, a 1% buffer rate had applied to all credit institutions on exposures located in Estonia. Due to the COVID-19 pandemic, the Bank of Estonia decided to temporarily lower the buffer rate to 0% from 1 May 2020.

Effective from 2016, all European Union credit institutions must maintain own funds in accordance with the countercyclical capital buffer requirement. The countercyclical capital buffer requirement is equivalent to a credit institution's total risk exposure multiplied by the weighted average of the countercyclical buffer rates. The countercyclical buffer rate is established on the basis of the geographical location principle on a country-by-country basis by the agency designated by the respective country. The countercyclical capital buffer rate applicable in Estonia from 2016 is 0%.

From 7 December 2022, the countercyclical capital buffer will be restored to the base requirement level of 1%, i.e. at the same level as the systemic risk buffer requirement before the COVID-19 crisis. The Bank of Estonia will restore the capital buffer requirement which was released due to the great uncertainty arising from the COVID-19 pandemic. Thus, the previously used systemic risk buffer will be replaced by the countercyclical capital buffer instrument.

Since 10 January 2022, considering the latest applicable SREP capital requirements, the Group's minimum regulatory capital ratio is 21.16% (until 10.01.2022: 20.34%) which ensures the coverage of both Pillar 1 and Pillar 2 risks as well as the combined buffer requirement.

Own funds

In accordance with the Capital Requirements Regulation, own funds of a credit institution or a consolidation group consist of Tier 1 and Tier 2 capital.

Tier 1 capital consists of Common Equity Tier 1 (CET 1) capital and additional Tier 1 capital. CET 1 capital of AS TBB pank includes:

a) paid-in capital instruments, i.e. share capital;
b) retained earnings;
c) other reserves.

The items referred to in sections a) through c) are recognised as CET 1 capital only if a credit institution is able to use them without restrictions and immediately cover losses or mitigate risks as soon as they occur. When applying section b), a credit institution may not include interim or year-end profits in CET 1 capital before it has made an official resolution regarding the approval of the year-end profit, only with the prior consent of a competent authority.

AS TBB pank Group does not have additional Tier 1 either Tier 2 capital.

According to regulatory requirements, a credit institution's own funds must be at least 5 million euros and the ratio of total own funds to total risk position (total own funds ratio) must be at least 10.5% (11.5% until 30 April 2020). The Group is also subject to additional requirements for Pillar 1 risks and Pillar 2 risks, which take into account the Group's specific characteristics and risk profile (see Management report part "*2.10 Financial ratios and capital adequacy*").

The Group's capital or own funds are Tier 1 and Tier 2 own funds as specified in the Capital Requirements Regulation (31 December 2021: 20,336 thousand euros, 31 December 2020: EUR 21,756 thousand). As regulatory adjustments to Tier 1 capital, the total amount of intangible assets and the loss for the current financial year, which reflects the impairment of assets and expected loss, is calculated in accordance with IFRS 9. *("Commission Delegated Regulation (EU) No 183/2014") (see Chapter 2.10).*

According to the management's opinion, the Group complies with all requirements for the management of foreign and domestic capital as at 31.12.2021 and 31.12.2020.

In order to estimate the need for capital, balance sheet positions are projected on the basis of possible changes in various risk-weighted assets and equity items, and preservation of the targeted capital levels. In planning capital and preparing a business plan over the medium- and long-term perspective, account is taken of such indicators as capitalisation rate, minimum rate and recommended rate of owners' equity, leverage of owners' equity, level of recovery of term deposits from the Group's own funds, the total of highly liquid assets and adopted risk and liquidity strategies.

Compliance with own funds and capital adequacy requirements set out in European Parliament and Council Regulation (EU) No 575/2013 by the Group is presented on the Bank's website www.tbb.ee and in the risk and capital (Pillar 3) report of AS TBB pank for 2021.

Note 5. Receivables from Central Bank

In accordance with the requirements of the European Central Bank, credit institutions in Estonia are required to hold statutory reserves. The components of the calculation of the reserve comprise all liabilities of credit institutions acquired through raising debt and contingent liabilities, financial guarantees issued to cover the liabilities of resident financial institutions which are part to the consolidation group. The calculation of the statutory reserve requirement is based on the previous month's balance sheet and it has to be complied with as a monthly average. In 2021 and 2020, TBB pank was in compliance with this requirement. As at 31 December 2021, the receivables from the Central Bank amounted to EUR 79,501 thousand (31 December 2020: EUR 57,662 thousand). As at 31 December 2021, the reserve requirement was EUR 1,133 thousand (31 December 2020: EUR 1,011 thousand), therefore, the available funds in the Bank of Estonia as at 31 December 2021 EUR totalled EUR 78,368 thousand (31 December 2020: EUR 56,651 thousand), which is included in cash equivalents.

(EUR thousand)

	31 December 2021	**31 December 2020**
End-of-day balance of current account as a monthly average	73,170	54,106
Minimum reserve requirement as a monthly average	1,136	992
Exceeding of the minimum reserve requirement as a monthly average	70,446	51,940

In 2021 and 2020, the Group received no interest income from the funds held with the central bank for settlement.

Since 2014, the European Central Bank established a negative interest rate for deposit facilities. The negative interest rate is also valid on average reserve deposits that exceed the requirements for compulsory reserve and other deposits held in the euro system. The amendment entered into force at 11 June 2014. In 2021, the negative interest rate expenses of the Group amounted to EUR 311 thousand (2020: EUR 224 thousand).

Note 6. Receivables from credit institutions

Receivables from credit institutions are as follows:

(EUR thousand)

	Note	**31 December 2021**	**31 December 2020**
Demand deposits:			
in OECD banks		14,542	13,781
in CIS and other countries' banks		1,623	408
Total demand deposits		**16,165**	**14,189**
Term deposits:			
in OECD banks		8,830	8,150
Total term deposits		**8,830**	**8,150**
Total receivables from credit institutions		**24,995**	**22,339**

The due dates of term deposits are in 2021. As at 31 December 2021 and 31 December 2020, the average interest rates on term deposits were 0.07% and 0.13%, respectively.

Below is the analysis of receivables from credit institutions by credit quality on the basis of Standard and Poor's and Moody's ratings as at 31 December 2021 and 31 December 2020 (receivables that are neither overdue nor impaired).

31 December 2021 (EUR thousand)

	Total demand deposits	Term deposits	Total
Receivables from credit institutions			
- rating AA, A-1	1,072	-	1,072
- rating A-2	15,093	8,830	23,923
Total	**16,165**	**8,830**	**24,995**

31 December 2020 (EUR thousand)

	Total demand deposits	Term deposits	Total
Receivables from credit institutions			
- rating A-2	14,189	8,150	22,339
Total	**14,189**	**8,150**	**22,339**

The Group bases its investments in other credit institutions primarily on the experience gained from previous cooperation. The financial statements of the credit institutions where the funds are held and the quality of receivables are monitored on a regular basis (see Note 27. "*Events after the balance sheet date*").

Note 7. Receivables from customers

(EUR thousand)

Type of receivable	31 December 2021	31 December 2020
Loans to customers (AC), net	**50,234**	**49,197**
Loans to legal entities	**42,808**	**44,124**
- Investment loans	38,519	37,641
- Overdraft facilities	1,360	3,263
- Leases	2,103	2,513
- Other loans	826	707
Loans to individuals	**7,654**	**7,385**
- Housing loans and leases	6,604	5,975
- Other loans and leases	1,050	1,410
Allowance for receivables	**-228**	**-2,312**
Receivables from customers (FVTPL)*	**316**	**460**
- Other receivables	316	460
Total receivables from customers	**50,550**	**49,657**

** see Note 2 "Summary of significant accounting policies" and 4 "Risk management. Fair value of financial assets and liabilities" (4.8 Fair value of financial assets and liabilities)*

Other loans granted to legal entities include:
- Bank: receivables from financing institutions, credit card debt, assigned receivables;
- Leasing: factoring, debt scheduling contracts and contracts terminated by leasing.

Other loans granted and leasing granted to individuals include:
- Bank: all loans to private customers except housing loans (overdraft facilities, planned loan, credit card debt);
- Leasing: all other leasing that is not related to housing (e.g. car leases).

Credit quality of financial assets by types of loans and credit classes

31 December 2021 (EUR thousand)

Investment loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	15,163	-	-	15,163
Credit class 2	15,320	902	253	16,475
Credit class 3	526	3,396	250	4,172
Credit class 4	-	290	2,261	2,551
Credit class 5	-	-	158	158
Gross carrying amount	**31,009**	**4,588**	**2,922**	**38,519**
Loss allowance	-16	-54	-70	-140
Carrying amount	**30,993**	**4,534**	**2,852**	**38,379**

31 December 2020 (EUR thousand)

Investment loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	22,101	-	-	22,101
Credit class 2	8,243	151	270	8,664
Credit class 3	-	549	535	1,084
Credit class 4	-	171	2,307	2,478
Credit class 5	-	-	3,314	3,314
Gross carrying amount	**30,344**	**871**	**6,426**	**37,641**
Loss allowance	-36	-16	-1,157	-1,209
Carrying amount	**30,308**	**855**	**5,269**	**36,432**

31 December 2021 (EUR thousand)

Overdraft facilities	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	666	-	-	666
Credit class 2	433	201	-	634
Credit class 3	60	-	-	60
Credit class 4	-	-	-	-
Credit class 5	-	-	-	-
Gross carrying amount	**1,159**	**201**	**-**	**1,360**
Loss allowance	-1	-2	-	-3
Carrying amount	**1,158**	**199**	**-**	**1,357**

31 December 2020 (EUR thousand)

Overdraft facilities	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	410	-	-	410
Credit class 2	953	-	-	953
Credit class 3	-	-	-	-
Credit class 4	-	-	-	-
Credit class 5	-	-	1,900	1,900
Gross carrying amount	**1,363**	**-**	**1,900**	**3,263**
Loss allowance	-4	-	-722	-726
Carrying amount	**1,359**	**-**	**1,178**	**2,537**

31 December 2021 **(EUR thousand)**

Leases	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	1,168	24	-	1,192
Credit class 2	518	-	-	518
Credit class 3	-	291	2	293
Credit class 4	-	21	-	21
Credit class 5	-	-	79	79
Gross carrying amount	**1,686**	**336**	**81**	**2,103**
Loss allowance	-3	-16	-25	-44
Carrying amount	**1,683**	**320**	**56**	**2,059**

31 December 2020 **(EUR thousand)**

Leases	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	1,335	-	-	1,335
Credit class 2	356	46	15	417
Credit class 3	-	466	19	485
Credit class 4	-	-	37	37
Credit class 5	-	-	239	239
Gross carrying amount	**1,691**	**512**	**310**	**2,513**
Loss allowance	-13	-79	-195	-287
Carrying amount	**1,678**	**433**	**115**	**2,226**

31 December 2021 **(EUR thousand)**

Other loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	568	-	-	568
Credit class 2	63	-	-	63
Credit class 3	-	195	-	195
Credit class 4	-	-	-	-
Credit class 5	-	-	-	-
Gross carrying amount	**631**	**195**	**-**	**826**
Loss allowance	-	-3	-	-3
Carrying amount	**631**	**192**	**-**	**823**

31 December 2020 **(EUR thousand)**

Other loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	669	-	-	669
Credit class 2	-	-	-	-
Credit class 3	-	-	-	-
Credit class 4	-	-	-	-
Credit class 5	-	-	38	38
Gross carrying amount	**669**	**-**	**38**	**707**
Loss allowance	-	-	-38	-38
Carrying amount	**669**	**-**	**-**	**669**

31 December 2021 **(EUR thousand)**

Housing loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	4,271	-	-	4,271
Credit class 2	1,905	-	-	1,905
Credit class 3	77	256	-,	333
Credit class 4	-	-	38	38
Credit class 5	-	-	57	57
Gross carrying amount	**6,253**	**256**	**95**	**6,604**
Loss allowance	-1	-4	-2	-7
Carrying amount	**6,252**	**252**	**93**	**6,597**

31 December 2020 **(EUR thousand)**

Housing loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	4,846	-	-	4,846
Credit class 2	1,059	-	-	1,059
Credit class 3	-	-	70,	70
Credit class 4	-	-	-	-
Credit class 5	-	-	-	-
Gross carrying amount	**5,905**	**-**	**70**	**5,975**
Loss allowance	-2	-	-3	-5
Carrying amount	**5,903**	**-**	**67**	**5,970**

31 December 2021 **(EUR thousand)**

Other loans and leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	448	-	-	448
Credit class 2	363	-	-	363
Credit class 3	9	3	-	12
Credit class 4	-	3	224	227
Credit class 5	-	-	-	-
Gross carrying amount	**820**	**6**	**224**	**1,050**
Loss allowance	-1	-4	-26	-31
Carrying amount	**819**	**2**	**198**	**1,019**

31 December 2020 **(EUR thousand)**

Other loans and leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
Credit class 1	925	-	-	925
Credit class 2	231	2	-	233
Credit class 3	-	9	-	9
Credit class 4	-	3	240	243
Credit class 5	-	-	-	-
Gross carrying amount	**1,156**	**14**	**240**	**1,410**
Loss allowance	-1	-14	-32	-47
Carrying amount	**1,155**	**-**	**208**	**1,363**

Receivables by type of collateral

If a loan has several collaterals, the collateral that the Bank considers most important for the assessment of the risks related to the loan is disclosed in the table below. There are 3 levels for collateral significance used. The intra-group allocation of collateral levels is based on regulatory requirements. Mortgages, security deposits and state and bank guarantees are included in Level 1 collaterals. In the case of loans secured by real estate, the real estate collateral is always provided first, regardless of its quality compared to other collaterals. If several loan receivables are secured by one collateral, the value of the collateral is divided proportionally between the claims depending on the balance of the receivables.

31 December 2021 **(EUR thousand)**

Type of loan	Mortgage	Surety	Leased assets	Unsecured	Other*	Total
Loans to legal entities	**35,864**	**4,837**	**1,440**	**557**	**110**	**42,808**
Investment loans	34,479	3,940	-	-	100	38,519
Overdraft facilities	1,360	-	-	-	-	1,360
Leases	25	638	1,440	-	-	2,103
Other loans	-	259	-	557	10	826
Loans to individuals	**7,303**	**221**	**33**	**86**	**11**	**7,654**
Housing loans and leases	6,604	-	-	-	-	6,604
Other loans and leases	699	221	33	86	11	1,050
Total loans to customers (gross carrying amount)	**43,167**	**5,058**	**1,473**	**643**	**121**	**50,462**

31 December 2020 **(EUR thousand)**

Type of loan	Mortgage	Surety	Leased assets	Unsecured	Other*	Total
Loans to legal entities	**40,819**	**609**	**2,132**	**507**	**57**	**44,124**
Investment loans	37,585	3	-	-	53	37,641
Overdraft facilities	3,200	63	-	-	-	3,263
Leases	34	385	2,094	-	-	2,513
Other loans	-	158	38	507	4	707
Loans to individuals	**6,956**	**238**	**64**	**102**	**25**	**7,385**
Housing loans and leases	5,975	-	-	-	-	5,975
Other loans and leases	981	238	64	102	25	1,410
Total loans to customers (gross carrying amount)	**47,775**	**847**	**2,196**	**609**	**82**	**51,509**

* Other guarantees for receivables include receipts to the account, security deposits.

Sufficiency of collateral

In the tables below, the actual collateral coverage of the loans in provided. The value of the collateral is the total amount of collateral rights legally owned by the Group under collateral agreements. The fair value of collateral is disclosed for individually assessed (i.e. Stage 3) receivables, see the tables "Fair value of collaterals of individually assessed impaired loans".

31 December 2021 (EUR thousand)

Type of loan	Receivables with sufficient collateral coverage			Receivables with insufficient collateral coverage		
	Carrying amount of receivables	Actual collateral coverage		Carrying amount of receivables	Actual collateral coverage	
		collaterals total	incl. sureties and guarantees		collaterals total	incl. sureties and guarantees
Receivables from customers, gross carrying amount	**49,183**	**90,217**	**6,997**	**1,595**	**919**	**914**
Investment loans	37,798	69,632	4,847	721	720	720
Overdraft facilities	1,360	3,006	-	-	-	-
Leases	2,098	4,580	1,891	5	5	5
Other loans	585	867	259	557	-	-
Housing loans and leases to individuals	6,604	10,457	-	-	-	-
Other loans and leases to individuals	738	1,675	-	312	194	189
Loss allowance	-197			-31		
Receivables from customers, net carrying amount	**48,986**			**1,564**		

31 December 2020 (EUR thousand)

Type of loan	Receivables with sufficient collateral coverage			Receivables with sufficient collateral coverage		
	Carrying amount of receivables	Actual collateral coverage		Carrying amount of receivables	Actual collateral coverage	
		collaterals total	incl. sureties and guarantees		collaterals total	incl. sureties and guarantees
Receivables from customers, gross carrying amount	**50,780**	**104,620**	**836**	**729**	**49**	**11**
Investment loans	37,641	79,834	3	-	-	-
Overdraft facilities	3,263	6,166	64	-	-	-
Leases	2,449	7,075	385	64	33	-
Other loans	150	224	147	557	11	11
Housing loans and leases to individuals	5,975	9,029	-	-	-	-
Other loans and leases to individuals	1,302	2,292	237	108	5	-
Loss allowance	-2,207			-105		
Receivables from customers, net carrying amount	**48,573**			**624**		

Fair value of collaterals of individually assessed impaired loans

31 December 2021 (EUR thousand)

Type of loan	Receivables with sufficient collateral			Receivables with sufficient collateral		
	Carrying amount of receivables	Fair value of collateral		Carrying amount of receivables	Fair value of collateral	
		Collateral total	incl. sureties and guarantees		Collateral total	incl. sureties and guarantees
Individually impaired loans, gross carrying amount	**3,098**	**4,496**	**100**	**224**	**189**	**189**
Investment loans	2,922	4,328	100	-	-	-
Overdraft facilities	-	-	-	-	-	-
Leases	81	56	-	-	-	-
Other loans	-	-	-	-	-	-
Housing loans and leases to individuals	95	112	-	-	-	-
Other loans and leases to individuals	-	-	-	224	189	189
Loss allowance	-96			-27		
Individually impaired loans, net carrying amount	**3,002**			**197**		

31 December 2020 (EUR thousand)

Type of loan	Receivables with sufficient collateral			Receivables with sufficient collateral		
	Carrying amount of receivables	Fair value of collateral		Carrying amount of receivables	Fair value of collateral	
		Collateral total	incl. sureties and guarantees		Collateral total	incl. sureties and guarantees
Individually impaired loans, gross carrying amount	**3,155**	**4,173**	**9**	**5,829**	**3,842**	**189**
Investment loans	2,839	3,414	-	3,587	2,443	-
Overdraft facilities	-	-	-	1,900	1,177	-
Leases	246	545	9	64	33	-
Other loans	-	-	-	38	-	-
Housing loans and leases to individuals	70	214	-	-	-	-
Other loans and leases to individuals	-	-	-	240	189	189
Loss allowance	-160			-1,987		
Individually impaired loans, net carrying amount	**2,995**			**3,842**		

When issuing loans, the Group receives documents on evaluation of the fair value of the security from the customer, upgrading it in subsequent years (every year/every three years), depending on the size of the loan/type of the security. The determination of the fair value of securities disclosed in the table takes into consideration value impairment (haircut) to the extent of 10%-50% so as to consider the changes in the quality of the security and liquidity on disposal.

Most of Stage 3 receivables have sufficient and high-quality collateral (mortgages of the 1st ranking).

Analysis of the changes in credit loss allowances

(EUR thousand)

Total credit loss allowance for receivables from customers	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**37**	**106**	**1,135**	**1,278**
Movements:	-	-12	12	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-1	NA	1	-
From Stage 2 to Stage 1	1	-1	NA	-
From Stage 2 to Stage 3	NA	-11	11	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	19	-	5	24
Changes related to credit risk changes	13	23	1,031	1,067
Financial assets terminated/matured during the period	-13	-8	-36	-57
Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**56**	**109**	**2,147**	**2,312**
Movements:	12	-15	3	-
From Stage 1 to Stage 2	-6	6	NA	-
From Stage 1 to Stage 3	-1	NA	1	-
From Stage 2 to Stage 1	19	-19	NA	-
From Stage 2 to Stage 3	NA	-9	9	-
From Stage 3 to Stage 2	NA	7	-7	-
New financial assets issued or acquired, incl refinancing*	6	19	2	27
Changes related to credit risk changes	-44	-19	-23	-86
Financial assets terminated/matured during the period	-8	-11	-206	-225
Write-offs	0	0	-1,800	-1,800
Loss allowance as at 31.12.2021	**22**	**83**	**123**	**228**

* *Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

(EUR thousand)

Investment loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**28**	**10**	**459**	**497**
Movements:	-	-1	1	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-1	NA	1	-
From Stage 2 to Stage 1	1	-1	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	9	-	-	9
Changes related to credit risk changes	10	10	697	717
Financial assets terminated/matured during the period	-11	-3	-	-14
Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**36**	**16**	**1,157**	**1,209**

Movements:	4	-8	4	-
From Stage 1 to Stage 2	-5	5	NA	-
From Stage 1 to Stage 3	-1	NA	1	-
From Stage 2 to Stage 1	10	-10	NA	-
From Stage 2 to Stage 3	NA	-3	3	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	5	13	2	20
Changes related to credit risk changes	-23	34	-18	-7
Financial assets terminated/matured during the period	-6	-1	-4	-11
Write-offs	0	0	-1,071	-1,071
Loss allowance as at 31.12.2021	**16**	**54**	**70**	**140**

** Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

(EUR thousand)

Overdraft facilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**2**	**-**	**463**	**465**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	1	-	-	1
Changes related to credit risk changes	2	-	259	261
Financial assets terminated/matured during the period	-1	-	-	-1
Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**4**	**-**	**722**	**726**
Movements:	-1	1	-	-
From Stage 1 to Stage 2	-1	1	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	-	-	-	-
Changes related to credit risk changes	-1	1	-	-
Financial assets terminated/matured during the period	-1	-	-	-1
Write-offs	-	-	-722	-722
Loss allowance as at 31.12.2021	**1**	**2**	**-**	**3**

(EUR thousand)

Leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**6**	**94**	**163**	**263**
Movements:	-	-11	11	-
From Stage 1 to Stage 2	-	-	NA	-

From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-11	11	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	7	-	3	10
Changes related to credit risk changes	1	-	54	55
Financial assets terminated/matured during the period	-1	-4	-11	-16
Write-offs	-	-	25	-25
Loss allowance as at 31.12.2020	**13**	**79**	**195**	**287**
Movements:	2	4	-6	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	2	-2	NA	-
From Stage 2 to Stage 3	NA	-1	1	-
From Stage 3 to Stage 2	NA	7	-7	-
New financial assets issued or acquired, incl refinancing*	1	1	0	2
Changes related to credit risk changes	-12	-60	-3	-75
Financial assets terminated/matured during the period	-1	-8	-161	-170
Write-offs	-	-	-	-
Loss allowance as at 31.12.2021	**3**	**16**	**25**	**44**

** Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

(EUR thousand)

Other loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**-**	**-**	**38**	**38**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	-	-	-	-
Changes related to credit risk changes	-	-	-	-
Financial assets terminated/matured during the period	-	-	-	-
Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**-**	**-**	**38**	**38**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	-	1	-	1
Changes related to credit risk changes	-	2	-	2

Financial assets terminated/matured during the period	-	-	-38	-38
Write-offs	-	-	-	-
Loss allowance as at 31.12.2021	**-**	**3**	**-**	**3**

(EUR thousand)

Housing loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**1**	**-**	**3**	**4**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	-	-	-	-
Changes related to credit risk changes	1	-	-	1
Financial assets terminated/matured during the period	-	-	-	-
Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**2**	**-**	**3**	**5**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	-	-	-	-
Changes related to credit risk changes	-1	4	2	5
Financial assets terminated/matured during the period	-	-	-3	-3
Write-offs	-	-	-	-
Loss allowance as at 31.12.2021	**1**	**4**	**2**	**7**

(EUR thousand)

Other loans and leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 01.01.2020	**-**	**2**	**9**	**11**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	2	-	2	4
Changes related to credit risk changes	-1	13	21	33
Financial assets terminated/matured during the period	-	-1	-	-1

Write-offs	-	-	-	-
Loss allowance as at 31.12.2020	**1**	**14**	**32**	**47**
Movements:	7	-12	5	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	7	-7	NA	-
From Stage 2 to Stage 3	NA	-5	5	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	-	4	-	4
Changes related to credit risk changes	-7	-	-4	-11
Financial assets terminated/matured during the period	-	-2	-	-2
Write-offs	-	-	-7	-7
Loss allowance as at 31.12.2021	**1**	**4**	**26**	**31**

** Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

Changes in gross carrying amount of receivables

(EUR thousand)

Total receivables from customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**42,780**	**2,519**	**8,481**	**53,780**
Movements:	-2,379	-192	2,571	-
From Stage 1 to Stage 2	-236	236	NA	-
From Stage 1 to Stage 3	-2,467	NA	2,467	-
From Stage 2 to Stage 1	324	-324	NA	-
From Stage 2 to Stage 3	NA	-104	104	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	11,206	4	1,033	12,243
Changes in balances of financial assets**	-2,374	-141	-257	-2,772
Financial assets terminated/matured during the period	-8,105	-793	-2,806	-11,704
Write-offs	-	-	-38	-38
Gross carrying amount as at 31.12.2020	**41,128**	**1,397**	**8,984**	**51,509**
Movements:	-4,434	3,626	808	-
From Stage 1 to Stage 2	-4,300	4,300	NA	-
From Stage 1 to Stage 3	-648	NA	648	-
From Stage 2 to Stage 1	514	-514	NA	-
From Stage 2 to Stage 3	NA	-181	181	-
From Stage 3 to Stage 2	NA	21	-21	-
New financial assets issued or acquired, incl refinancing*	12,495	2,008	100	14,603
Changes in balances of financial assets**	-1,651	-1,238	-725	-3,614
Financial assets terminated/matured during the period	-5,980	-211	-613	-6,804
Write-offs	-	0	-5,232	-5,232
Gross carrying amount as at 31.12.2021	**41,558**	**5,582**	**3,322**	**50,462**

** Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*
*** Repayments and balances in fluctuation balances (overdraft facilities and credit card loans)*

As a result of the clarification of the concept of insolvency, the treatment of claims restructured due to insolvency was changed.

As at 31.12.2020, all forborne exposures were initially classified as Stage 3 and re-classified as Stage 2 or Stage 1 after the recovery period, depending on the results of the analysis of the customer's payment discipline, financial position and other relevant circumstances. However, the management has analysed the trends of the respective population and decided to change the estimate.

As at 31.12.2021, after the end of the recovery period the forborne exposures that were initially classified as Stage 3 may be re-classified as Stage 2 for the probationary period, and either as Stage 2 or 1 after the end of the probationary period depending on the customer's payment discipline, financial position and other relevant circumstances. The effect of reclassification of such receivables is 0.

(EUR thousand)

Investment loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**32,911**	**1,748**	**4,116**	**38,775**
Movements:	-2,259	-156	2,415	-
From Stage 1 to Stage 2	-164	164	NA,	-
From Stage 1 to Stage 3	-2,414	NA,	2,414	-
From Stage 2 to Stage 1	319	-319	NA,	-
From Stage 2 to Stage 3	NA,	-1	1	-
From Stage 3 to Stage 2	NA,	-	-	-
New financial assets issued or acquired, incl refinancing*	7,486	-	1,012	8,498
Changes in balances of financial assets	-1,197	19	56	-1,122
Financial assets terminated/matured during the period	-6,597	-740	-1,135	-8,472
Write-offs	-	-	-38	-38
Gross carrying amount as at 31.12.2020	**30,344**	**871**	**6,426**	**37,641**
Movements:	-3,829	3,063	766	-
From Stage 1 to Stage 2	-3,726	3,726	NA,	-
From Stage 1 to Stage 3	-595	NA,	595	-
From Stage 2 to Stage 1	492	-492	NA,	-
From Stage 2 to Stage 3	NA,	-171	171	-
From Stage 3 to Stage 2	NA,	-	-	-
New financial assets issued or acquired, incl refinancing*	9,541	1,903	100	11,544
Changes in balances of financial assets	-469	-1,082	-721	-2,272
Financial assets terminated/matured during the period	-4,578	-167	-335	-5,080
Write-offs	-	-	-3,314	-3,314
Gross carrying amount as at 31.12.2021	**31,009**	**4,588**	**2,922**	**38,519**

** Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

(EUR thousand)

Overdraft facilities	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**1,574**	**-**	**2,895**	**4,469**
Movements:	-	-	-	-

From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	320	-	-	320
Changes in balances of financial assets	171	-	-	171
Financial assets terminated/matured during the period	-702	-	-995	-1,697
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**1,363**	**-**	**1,900**	**3,263**
Movements:	-201	201	-	-
From Stage 1 to Stage 2	-201	201	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	517	-	-	517
Changes in balances of financial assets	-121	-	-	-121
Financial assets terminated/matured during the period	-399	-	-	-399
Write-offs	-	-	-1,900	-1,900
Gross carrying amount as at 31.12.2021	**1,159**	**201**	**-**	**1,360**

(EUR thousand)

Leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**2,220**	**762**	**642**	**3,624**
Movements:	-114	-42	156	-
From Stage 1 to Stage 2	-66	66	NA	-
From Stage 1 to Stage 3	-53	NA	53	-
From Stage 2 to Stage 1	5	-5	NA	-
From Stage 2 to Stage 3	NA	-103	103	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing*	405	-	15	420
Changes in balances of financial assets	-560	-166	-51	-777
Financial assets terminated/matured during the period	-260	-42	-452	-754
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**1,691**	**512**	**310**	**2,513**
Movements:	15	1	-16	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	15	-15	NA	-
From Stage 2 to Stage 3	NA	-5	5	-
From Stage 3 to Stage 2	NA	21	-21	-
New financial assets issued or acquired, incl refinancing*	714	49	-	763
Changes in balances of financial assets	-635	-184	-43	-862
Financial assets terminated/matured during the period	-99	-42	-170	-311

Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2021	**1,686**	**336**	**81**	**2,103**

* *Long-term bullet-loans at initial recognition are in Stage 2 in accordance with "Methodology for calculation of expected losses of financial instruments".*

(EUR thousand)

Other loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**731**	-	**38**	**769**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	559	2	3	564
Changes in balances of financial assets	-781	3	-4	-782
Financial assets terminated/matured during the period	160	-5	1	156
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**669**	**-**	**38**	**707**
Movements:	-110	110	-	-
From Stage 1 to Stage 2	-110	110	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	4	50	-	54
Changes in balances of financial assets	68	35	-	103
Financial assets terminated/matured during the period	-	-	-38	-38
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2021	**631**	**195**	**-**	**826**

(EUR thousand)

Housing loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**4,615**	**-**	**313**	**4,928**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	1,877	-	-	1,877
Changes in balances of financial assets	52	-	-243	-191
Financial assets terminated/matured during the period	-639	-	-	-639
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**5,905**	**-**	**70**	**5,975**
Movements:	-303	263	40	-

From Stage 1 to Stage 2	-263	263	NA	-
From Stage 1 to Stage 3	-40	NA	40	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	1,652	-	-	1,652
Changes in balances of financial assets	-309	-7	55	-261
Financial assets terminated/matured during the period	-692	-	-70	-762
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2021	**6,253**	**256**	**95**	**6,604**

(EUR thousand)

Other loans and leases	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12 kuu ECL	Eluea ECL	Eluea ECL	
Gross carrying amount as at 01.01.2020	**729**	**9**	**477**	**1,215**
Movements:	-6	6	-	-
From Stage 1 to Stage 2	-6	6	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	559	2	3	564
Changes in balances of financial assets	-59	3	-15	-71
Financial assets terminated/matured during the period	-67	-6	-225	-298
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**1,156**	**14**	**240**	**1,410**
Movements:	-6	-12	18	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-13	NA	13	-
From Stage 2 to Stage 1	7	-7	NA	-
From Stage 2 to Stage 3	NA	-5	5	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	67	6	-	73
Changes in balances of financial assets	-185	-	-16	-201
Financial assets terminated/matured during the period	-212	-2	-	-214
Write-offs	-	-	-18	-18
Gross carrying amount as at 31.12.2021	**820**	**6**	**224**	**1,050**

Changes in off-balance sheet exposures in gross residual values (excluding performance guarantees)

(EUR thousand)

Total receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 01.01.2020	**4,213**	**0**	**4**	**4,217**
Movements:	-2	2	-	-
From Stage 1 to Stage 2	-2	2	NA	-
From Stage 1 to Stage 3	-	NA	-	-

From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	1,471	-	-	1,471
Changes in balances of financial assets	174	2	-	176
Financial assets terminated/matured during the period	-3,556	-	-	-3,556
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2020	**2,300**	**4**	**4**	**2,308**
Movements:	-49	-3	52	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-52	NA	52	-
From Stage 2 to Stage 1	3	-3	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	4,500	247	-	4,747
Changes in balances of financial assets	-462	27	-56	-491
Financial assets terminated/matured during the period	-381	-1	-	-382
Write-offs	-	-	-	-
Gross carrying amount as at 31.12.2021	**5,908**	**274**	**-**	**6,182**

Analysis of changes in provisions in off-balance sheet risk exposure

(EUR thousand)

Total impairment of receivables	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Provision as at 01.01.2020	**1**	**-**	**-**	**1**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	2	-	-	2
Changes in balances of financial assets	-	-	-	-
Financial assets terminated/matured during the period	-1	-	-	-1
Write-offs	-	-	-	-
Provision as at 31.12.2020	**2**	**-**	**-**	**2**
Movements:	-	-	-	-
From Stage 1 to Stage 2	-	-	NA	-
From Stage 1 to Stage 3	-	NA	-	-
From Stage 2 to Stage 1	-	-	NA	-
From Stage 2 to Stage 3	NA	-	-	-
From Stage 3 to Stage 2	NA	-	-	-
New financial assets issued or acquired, incl refinancing	2	1	-	3
Changes in balances of financial assets	-1	-	-	-1
Financial assets terminated/matured during the period	-	-	-	-
Write-offs	-	-	-	-

Provision as at 31.12.2021	**3**	**1**	**-**	**4**

Distribution of off-balance sheet risk exposures by types of liabilities and loan classes 2021

(EUR thousand)

	Contingent assets and liabilities			
Type of liability	**Performance guarantees**	**Loan limits**	**Unused factoring**	**Total**
Collectively impaired	**456**	**5,441**	**741**	**6,638**
Credit class 1	456	815	235	1,506
Credit class 2	-	4,626	234	4,860
Credit class 3	-	-	272	272
Provision	**-**	**3**	**1**	**4**
Individually impaired	**-**	**-**	**-**	**-**
Provision	**-**	**-**	**-**	**-**

2020

(EUR thousand)

	Contingent assets and liabilities			
Type of liability	**Performance guarantees**	**Loan limits**	**Unused factoring**	**Total**
Collectively impaired	**139**	**2,139**	**169**	**2,447**
Credit class 1	139	986	169	1,294
Credit class 2	-	1,148	-	1,148
Credit class 3	-	4	-	4
Provision	**-**	**2**	**-**	**2**
Individually impaired	**-**	**-**	**-**	**-**
Provision	**-**	**-**	**-**	**-**

The Group's loans granted to customers as at 31 December 2021 and 31 December 2020 by the due date are presented below.

(EUR thousand)

	2021	**2020**
On demand	600	542
Overdue	2,210	7,389
Up to 3 months	480	827
Between 3-12 months	1,878	1,871
Between 1-2 years	2,294	1,172
Between 2-5 years	6,312	4,951
Over 5 years	37,004	35,217
Total loans to customers	**50,778**	**51,969**

In the above table, the overdue loan is a loan that has not been repaid by the maturity date.

Net and-gross investments of lease receivables

Analysis of net and gross lease investments and future rental income as at 31 December 2021 and 31 December 2020:

	Present value of receivables	
(EUR thousand)	**31.12.2021**	**31.12.2020**
Total gross investment	**2,581**	**2,872**

Up to 1 year	1,362	1,417
Between 1 and 2 years	583	876
Between 2 and 3 years	300	403
Between 3 and 4 years	238	110
Between 4 and 5 years	98	66
Minus: Deferred interest income	-211	-320
Total present value of receivables	**2,370**	**2,552**
Up to l year	1,246	1,210
Between 1 and 2 years	530	795
Between 2 and 3 years	272	379
Between 3 and 4 years	226	103
Between 4 and 5 years	96	65

Receivables by economic sector are disclosed in Note 4 “Risk management”
Receivables by currency are disclosed in Note 4 “Risk management”
Receivables by region are disclosed in Note 4 “Risk management”

Note 8. Other Assets

Other assets are splitted as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Other financial assets, incl.	**754**	**660**
-cash in transit	585	577
-other accounts receivable	132	46
-securities	37	37
Other assets, incl.	**319**	**608**
-prepaid expenses	178	270
-prepaid taxes	61	215
-repossessed assets	-	98
-other assets	73	15
-collector’s coins	7	10
Total	**1,073**	**1,268**

As at 31 December 2021, the Bank’s balance sheet included deferred income tax assets on tax losses in the amount EUR 61 thousand (as at 31.12.2020: EUR 215 thousand). The required adjustment of the amount of deferred income tax assets is based on the recently compiled forecasts for 2021-2024. The Group’s management considers it probable that the remaining income tax assets in the amount of EUR 61 thousand will be realised through future taxable profit.

Repossessed assets

(EUR thousand)

	Real estate	Total
Balance 31.12.2020	98	98
Balance 31.12.2021	-	-

During 2021, the Group has sold other acquired assets in the amount of EUR 98 thousand. During 2020, the Group has not sold acquired assets. Proceeds from the sale of foreclosed assets reduce the amount owed. Real estate has been revalued to fair value on the date of preparation of the statement of financial position by an independent expert based upon comparable market transactions. Repossessed assets are included in the item “Other assets” in the statement of financial position of the Group. Losses from revaluation are recognised in the income statement.

Note 9. Property, plant and equipment

Property, plant and equipment are as follows:

(EUR thousand)

	Tangible Assets						Intangible Assets		Total PP&E
	Improve-ments of rented PP&E	Buildings	Righ-of-use assets	Vehicles	Office equipment	Pre-payments	Software	Pre-payments	
Cost									
As at 31 December 2019	**1,335**	**3,651**	**362**	**39**	**2,314**	**-**	**217**	**684**	**8,602**
Acquisitions	-	-	-	-	-	28	-	295	323
Fully amortised property equipment written off balance sheet	-	-	-	-	-197	-	-43	-	-240
Disposals	-	-	-	-17	-64	-	-	-	-81
Reclassification from prepayment for PP&E	-	-	-	-	28	-28	179	-179	-
As at 31 December 2020	**1,335**	**3,651**	**362**	**22**	**2,081**	**-**	**353**	**800**	**8,604**
Acquisitions	-	-	82	-	-	16	-	240	338
Fully amortised property equipment written off balance sheet	-	-	-	-	-139	-	-9	-	-148
Disposals	-	-	-	-	-	-	-	-	-
Reclassification from prepayment for PP&E	-	-	-	-	2	-16	201	-187	-
As at 31 December 2021	**1,335**	**3,651**	**444**	**22**	**1,944**	**-**	**545**	**853**	**8,794**
Accumulated depreciation									
As at 31 December 2019	**-907**	**-415**	**-69**	**-22**	**-1,410**	**-**	**-104**	**-**	**-2,927**
Depreciation	-36	-72	-76	-3	-354	-	-71	-	-612
Fully amortised property, plant and equipment written off balance sheet	-	-	-	-	197	-	43	-	240
Disposals	-	-	-	17	60	-	-	-	77
As at 31 December 2020	**-943**	**-487**	**-145**	**-8**	**-1,507**	**-**	**-132**	**-**	**-3,222**
Depreciation	-36	-72	-76	-4	-232	-	-76	-	-496
Fully amortised property, plant and equipment written off balance sheet	-	-	-	-	140	-	9	-	149
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2021	**-979**	**-559**	**-221**	**-12**	**-1,599**	**-**	**-199**	**-**	**-3,569**
Carrying amount									
As at 31 December 2019	**428**	**3,236**	**293**	**17**	**904**	**-**	**113**	**684**	**5,675**
As at 31 December 2020	**392**	**3,164**	**217**	**14**	**574**	**-**	**221**	**800**	**5,382**
As at 31 December 2021	**356**	**3,092**	**223**	**10**	**345**	**-**	**346**	**853**	**5,225**

The abovementioned assets have not been pledged to third parties.

The carrying amount of right-of-use assets and the changes therein during the year have been disclosed in Note 13. Intangible assets include software and development costs.

Note 10. Investment properties

Investment properties include properties acquired by AS TBB pank, AS TBB liising, AS TBB Invest and Morgan Trade AS, measured at fair value (see Note 25).

Analysis of changes in the balance of investment property:

(EUR thousand)

	31.12.2021	31.12.2020
Balance at the beginning of the year	**9,406**	**10,670**
Additions as a result of collateral realisation	701	-
Purchases	70	-
Disposals	-2,075	-144
Gain from revaluation of fair value	216	16
Loss from revaluation of fair value	-	-1,136
Balance at the end of the year	**8,318**	**9,406**

In 2021, the Group earned income from investment properties in the amount of EUR 32 thousand while direct expenses related to administration of investment properties amounted to EUR 22 thousand, incl. expenses on investment properties earning rental income in the amount of EUR 22 thousand. In 2020, income was earned in the amount of EUR 62 thousand, and direct expenses related to administration of investment properties amounted to EUR 37 thousand, incl. expenses on investment properties earning rental income in the amount of EUR 17 thousand.

Rental income from investment properties and administrative expenses are reported in the income statement items "Other operating income” and "Other operating expenses”. Gains and losses from revaluation are reported in separate accounts in the income statement.

Investment properties as at 31 December 2021 and 31 December 2020 have been appraised partly by the Group’s management and partly by independent real estate appraisers. The valuation of investment properties made by the Group's management has been based on valuation reports made by professional appraisers in previous years, data held by the Land Board on real estate transactions in various regions of Estonia and data published by City24 on similar real estate properties for sale.

All estimates made by independent experts in previous years have been reviewed by the Group's management. The management has evaluated all material inputs, which the independent expert has used in its report and, in case of major changes in value, has revalued the properties in comparison with the previous year. External real estate appraisers have the required qualification and prior experience in appraising similar locations and market segments to perform the valuation.

The level of the market value of investment properties depends on the overall macroeconomic situation, the demand to supply ratio for the particular type of investment property, interest rates, amount of available capital and liquidity in the financial markets. In addition, the fair value of a specific real estate property depends on its location, its servitude, possible alternatives in this region and the concept of a development project designed for the specific investment property. The estimate of the fair value of investment properties is based on estimates, assumptions and historical experience adjusted for prevailing market conditions and other factors, which the management constantly re-estimates according to its best knowledge while considering available information. Therefore, arising from the definition and considering that the estimates have been made on the basis of a number of assumptions, all of which may not be realised in the manner estimated, it represents a key risk. This may lead to major changes in the carrying amount of investment properties in future periods.

For determining the fair value of the Group's investment properties, the comparable transactions method has been used. Due to the low liquidity of the Estonian real estate market, the appraisers have needed to use non-observable inputs to a lesser or greater extent for all valuations. Therefore, the fair value of all investment properties has been determined on level 3 of the fair value hierarchy. During 2021, investment properties have not been classified to other levels of the fair value hierarchy.

At 1 February 2021, a sales contract under the law of obligations was concluded for the property that belongs to the Group as investment property in Viimsi municipality. Its sale price was taken into consideration when determining the fair value of the property as at 31 December 2020 and also as at 31 December 2021 (it represents a multi-stage contract, due to which the disposal of the property will take place over several years). When concluding the contract for the sale of the property, the management relied primarily on the specific features of the property and its best possible use in determining the fair value of the investment property. In accordance with the sales contract, it is a multi-stage agreement, therefore the time value of money was taken into account when derermining the fair value of the investment property as at 31 December 2021 and the cash flows of the contract have been discounted to present value using a discount rate of 2.1%. At 15 April 2021, a sales transaction for phase 1 in the amount of EUR 978 thousand was signed in the framework of the contract under the law of obligations that had been entered into. Due to the change in the discounting period, the balance sheet value of the development project located in Viimsi was increased by EUR 86 thousand.

After the balance sheet date, a sales contract for the 2nd, 3rd and partially also 4th and 5th stage was concluded ahead of schedule for the same property in Viimsi municipality in the amount of EUR 2.6 million. Due to the shortening of the discount period, the carrying amount of Viimsi development project was increased by EUR 199 thousand. The revision took place in 2022.

The property acquired in 2021 as investment property in the amount of EUR 701 thousand is disclosed as collateral received by taking possession by the Group (a property of 3,168 square metres, located in France) in accordance with the real estate seizure ruling as at 8 September 2021).

The input to the price per square meter used in the benchmark transaction method is based on transactions with similar objects under market conditions.

2021 (EUR thousand)

Region	Intended use	Carrying amount	Value (per m^2)	Potential change	Impact on value
Viimsi parish and Harju parish	Residential land, commercial land, industrial land, transportation land, public land	3,922	15.51	+10%	392
				-10%	-392
Tallinn	Commercial land (built-up land)	3,530	2,086.29	+10%	353
				-10%	-353
Rae Parish, Harju County	Cultivated land	165	1.01	+10%	17
				-10%	-17
France	Residential land	701	221.20	+10%	70
				-10%	-70

	Total	**8,318**			

2020

(EUR thousand)

Region	Intended use	Carrying amount	Value (per m²)	Potential change	Impact on value
Viimsi parish and Lääne-Harju parish (Laulasmaa village)	Residential land, commercial land, industrial land, social land, transportation land, public land	4,957	15.77	+10%	496
				-10%	-496
Tallinn	Residential land, commercial land	3,786	2,161.00	+10%	379
				-10%	-379
Harjumaa (Harku and Rae Parish)	Profit-yielding land	330	0.74	+10%	33
				-10%	-33
Saaremaa	Residential land, profit-yielding land	73	0.26	+10%	7
				-10%	-7
Raplamaa	Profit-yielding land	145	0.62	+10%	15
				-10%	-15
Pärnumaa, Võrumaa	Residential land, profit-yielding land	115	0.22	+10%	12
				-10%	-12
	Total	**9,406**			

Note 11. Payables to customers

Payables to customers are divided by segments as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Legal entities	89,657	68,194
Individuals	48,940	47,715
Total	**138,597**	**115,909**

Analysis by maturity of deposits is as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Demand deposits	93,524	73,060
Deposits with maturities of less than 3 months	13,064	10,464
Deposits with maturities between 3 months - 1 year	16,424	14,731
Deposits with maturities between 1 - 5 years	15,585	17,654
Total	**138,597**	**115,909**

Note 12. Other payables

(EUR thousand)

	31.12.2021	31.12.2020
KredEX	34	55
MES	8,537	6,012
Total	**8,571**	**6,067**

Other payables include loans from the Rural Development Foundation *(Maaelu Edendamise Sihtasutus, MES)* for targeted financing of agricultural entities via the Bank.

In 2021, the bank continues to carry out cooperation started in 2014 with KredEx for issuing start-up loans. The objective of cooperation is to jointly improve financing possibilities of new enterprises. By using funds received from KredEx, the bank finances business operations of enterprises.

Analysis by maturity of loans is as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Due in 3 months	52	-
Due between 3 months to 1 year	60	86
Due between 1 year to 5 year	1,807	773
Due after 5 years	6,652	5,208
Total	**8,571**	**6 ,067**

As at 31 December 2021 and 2020, the average weighted effective interest rate of borrowings from the Rural Development Foundation was 0,77% and 0,91%, respectively. As at 31 December 2021 and 2020, the average weighted effective interest rate of borrowings from KredEx was 4,00% ja 4,00%, respectively.

Note 13. Other payables and accrued expenses

Other liabilities and accrued expenses are as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Financial liabilities, incl.	**2,010**	**1,618**
-payments in transit	1,726	1,359
-other liabilities	50	35
-lease liabilities	230	222
-provisions	4	2
Other liabilities (accrued expenses)	**281**	**313**
Total	**2,291**	**1,931**

In addition, see Note 4.

The Group leases office premises. Until 31 December 2018, leases of office premises were recognised as operating leases. Starting from 1 January 2019, the Group recognises lease agreements as right-of-use assets and respective liabilities at a date when the leased asset is available for use. The management has applied its best knowledge and judgment in determining the duration of contracts (including consideration of termination and extension options) and the discount rate. In 2021, operating lease assets and lease liabilities related to new rental premises were recognised in the amount of EUR 82 thousand (future non-cancellable rental payments were discounted in the amount of EUR 83 thousand, using the Group's alternative loan interest rate of 0.76%). As at 31 December 2021, the balance of right-of-use assets is disclosed in Note 9. The interest expense on lease obligations was 5 thousand euros (Note 17) and the depreciation of right-of-use assets was EUR 76 thousand (Note 9). Repayments of the principal of the lease obligation in 2021 amounted to EUR 88 thousand. The amount of future lease payments under unilaterally non-cancellable lease payments in the following periods as at 31 December 2021 are shown in the table below.

Right - of - use assets and lease liabilities

(EUR thousand)

31.12.2021	Up to 1 year	1 to 6 years	Total
Non-cancellable lease payments	80	160	240

31.12.2020	Up to 1 year	1 to 6 years	Total
Non-cancellable lease payments	45	192	237

Note 14. Share capital

As at 31 December 2021, the share capital of AS TBB pank consisted of 25,500,000 ordinary shares with the nominal value of 1 EUR per share (31 December 2020: 25,500,000 ordinary shares).

In accordance with the Credit Institutions Act, credit institutions must have at least EUR 5 million in own funds. The share capital of AS TBB pank complies with this requirement.

Pursuant to the Commercial Code of Estonia, on the basis of a decision of the general meeting of shareholders, statutory reserve capital (EUR 1,005 thousand as at 31 December 2021 and as at 31 December 2020) may be used to cover losses, if such losses cannot be covered from the available equity of the company, as well as to increase share capital. Statutory reserve capital is formed from annual net profit allocations and cannot be used to make distributions to shareholders.

Note 15. Contingent assets and liabilities

((EUR thousand)

	31.12.2021		31.12.2020	
	Receivables	Liabilities	Receivables	Liabilities
Irrevocable and revocable transactions, incl.	**-**	**6,638**	**-**	**2,447**
Performance guarantees and other similar irrevocable transactions	-	456	-	139
Undrawn portion of credit and overdraft facilities	-	5,228	-	1,941
Other irrevocable transactions*	-	213	-	198
Unused factoring limit	-	741	-	169

* Other irrevocable transactions include the undrawn portions of the credit limits of credit cards.

Court cases

A former member of the Management Board filed a lawsuit against the Bank ordering the Bank to pay the fee of the member of the Management Board, compensation for a shorter notice of termination of the contract of the member of the Management Board and severance pay. The total amount of the claim is EUR 22.6 thousand.. At 28 February 2022, in the civil case 2-20-12958 in which the former member of the Management Board claims from AS TBB pank the remuneration of a member of the Management Board, a court ruling was made to satisfy the action in part and to order the Bank to pay the former Management Board member EUR 22,000 (incl. procedural costs) plus penalty interest from the principal claim until the principal claim is met. AS TBB pank intends to file an appeal with the circuit court.

The former owner of the investment property, which was the collateral for the claim arising from the overdraft agreement, filed an appeal in cassation with the Court of Cassation of France, which accepted the proceedings.

Other litigations are related to the Group's ordinary activities, the purpose of which is to collect outstanding receivables from the counterparty and to maintain collateral. As a result of these lawsuits, the Group will not suffer significant losses.

Potential liabilities arising from the tax audit

The tax authorities did not performed a tax audit of the Bank Group in 2020 and 2021. Tax authorities have the right to review the Group's tax records within 5 years after submitting the tax declaration and upon detecting errors, impose additional taxes, interest and fines. The Group's management estimates that there are no circumstances that might lead the tax authorities to assign additional taxes for the Group.

Potential income tax liability on distribution of dividends

The Group's accumulated loss at 31 December 2021 totalled EUR -4,970 thousand (2020 EUR -3,728 thousand). Dividends will not be paid.

Note 16. Interest income

Interest income is divided as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Interest income calculated using the effective interest method	**2,394**	**2,496**
Loans	2,365	2,350
Deposits	11	102
Other	18	44
Other similar income	**268**	**328**
Leases	236	314
Other	32	14
Total	**2,662**	**2,824**

As at 31 December 2021 and 2020, the weighted average effective interest rate on loans granted was 4.55 and 4.58%, respectively.

As at 31 December 2021 and 2020, the weighted average effective interest rate on term deposits was 0.07% and 0.13%, respectively.

As at 31 December 2021 and 2020, the weighted average effective interest rate on finance lease agreements was 7.46% and 8.95%, respectively.

Note 17. Interest expense

Interest expense is divided as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Deposits	-814	-781
Negative deposit interest rate for banks	-332	-252
Loans	-68	-63
Interest expence on lease liabilities	-5	-6
Total	**-1,219**	**-1,102**

The average effective interest rate on customer time deposits as of 31 December 2021 and 2020 was 1,61% and 1,77%.

As at 31 December 2021 and 31 December 2020, the weighted average effective interest rate on loans received from Rural Development Foundations was 0,77% and 0,91%, respectively.

As of 31 December 2021 and 31 December 2020, the weighted average effective interest rate on loans received from KredEx Foundations was 4.00% and 4.00%, respectively.

Note 18. Impairment losses on receivables

(EUR thousand)

	31.12.2021	31.12.2020
Reversal of loan loss allowances	913	835
Loan loss allowances (Note 3, 4, 7)	-716	-1,923
Total	**197**	**-1,088**

Note 19. Fee and commission income

(EUR thousand)

	31.12.2021	31.12.2020
Transfers	785	707
Account maintenance fees	183	188
Servicing loans and leases, guarantees	183	175
Bank cards	161	219
Securities transaction and administration fees	15	14
Cash transactions	6	7
Others	59	53
Total	**1,392**	**1,363**

Note 20. Fee and commission expenses

(EUR thousand)

	31.12.2021	31.12.2020
Data processing fees	-543	-474
Card services	-343	-229
Execution of transfers	-322	-284
Loan servicing fees and guarantee fees	-44	-35
Cash collecting and cash transaction fees	-1	-14
Others	-86	-133
Total	**-1,339**	**-1,169**

Note 21. Net gains from financial transactions

(EUR thousand)

	31.12.2021	31.12.2020
Net gains from currency exchange transactions	850	800
Dividend income	5	6
Total	**855**	**806**

Note 22. Wages and salaries, and social security taxes

Wages and salaries, and social security taxes are as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Management remuneration	-305	-432
Employee wages and salaries	-1,856	-1,952
Social security taxes	-728	-801

Total	**-2,889**	**-3,185**

In 2021 and 2020, the Group had an average of 74 and 79 employees, respectively.

Note 23. Other administrative expenses

Other administrative expenses are as follows:

(EUR thousand)

	31.12.2021	31.12.2020
Security services	-69	-121
Rent	-22	-17
Utilities	-62	-56
Maintenance and repairs	-89	-91
Transportation	-3	-9
Communication and postal expenses	-24	-23
Office supplies	-6	-12
Marketing	-34	-32
Representational expenses	-	-3
Training expenses	-10	-9
Other expenses	-93	-83
Total	**-412**	**-456**

Note 24. Other operating income

(EUR thousand)

	31.12.2021	31.12.2020
Other income and rental income on investment properties (Note 10)	63	62
Fines* and penalty interests	32	366
Other operating income	384	214
Total	**479**	**642**

**incl. A 2020 fine paid by one customer in the amount of EUR 250 thousands for non-performance of a contract entered into in 2018.*

Note 25. Other operating expenses

(EUR thousand)

	31.12.2021	31.12.2020
Guarantee Fund payments	-68	-71
Financial Supervision Authority supervision fees	-74	-77
Expenses related to management of investment properties (Note 10)	-45	-37
Loss from repossessed assets (Note 8)	-30	-17
Other operating expenses	-492	-402
Total	**-709**	**-604**

Note 26. Related parties

In preparing the financial statements of the Group, the following entities have been considered related parties:

- Shareholders of significant influence and entities related to them;

- Members of the Management Board and Supervisory Board and companies controlled by them;
- Close relatives of the persons mentioned above and the entities related to them.

As at 31 December 2021, the ownership interest of AS Leonarda Invest amounted to 48.45% of the Bank's shares outstanding (31.12.2020: 48.45%). The individual ownership interest of other shareholders as at 31 December 2021 and 31 December 2020 was below 10%. No shareholder exercises control over the Group.

Transactions with related parties are carried out at market value. As at 31 December 2021 and 31 December 2020 and during both fiscal periods, no write-downs on receivables from related parties have been recognised.

Upon the removal of a member of the management board before the end of their term, the scheduled expiry of their term or upon contract cancellation at the Management Board member's initiative, the Bank must pay to the member of the management board an amount equal to their eight months' salary. The Supervisory Board retains the right to reduce the amount to be paid out or to pay such amount in instalments in consideration of the Bank's current economic condition, including the effect of such distribution to the Bank's level of own funds and liquidity and is guided by the principle of reasonableness. Upon cancellation of the service contracts of members of the Management Board of other companies in the Bank's group by AS TBB or upon cancellation of the contract by the Management Board member, AS TBB will pay a one-time benefit of 2 (two) month's pay to the member of the Management Board. The benefit amounts are not significant and have no effect on the financial performance indicators of the Group.

Transactions and balances made in 2021 and 2020 with related parties are recognised as follows:

2021 (EUR thousand)

	Shareholders and related companies with significant influence	**Members of the management and Supervisory Board and companies controlled by them, the head of internal audit department**	**Close relatives of the persons mentioned above and their related entities**	**Total**
Balance of loan receivables as at 31.12.2021	0	213	1,197	1,410
Loans granted	10	76	5,321	5,407
Repayments of loans	173	357	4,313	4,843
Interest income received	1	8	41	50
Balance of deposits as at 31.12.2021	1,511	819	1,266	3,596
Interest expenses paid	-	-	1	1
Services provided	4	1	28	33
Services purchased	87	-	62	149
Other off-balance sheet liabilities	10	51	459	520
Remuneration during the period	-	354	-	354
Sale of investment property	-	-	325	325

2020 (EUR thousand)

	Shareholders and related companies with significant influence	Members of the management and Supervisory Board and companies controlled by them, the head of internal audit department	Close relatives of the persons mentioned above and their related entities	Total
Balance of loan receivables as at 31.12.2020	163	494	189	846
Loans granted	217	469	5,560	6,246
Repayments of loans	286	138	5,776	6,200
Interest income received	8	8	42	58
Balance of deposits as at 31.12.2020	68	34	2,212	2,314
Interest expenses paid	-	2	4	6
Services provided	4	1	23	28
Services purchased	42	-	63	105
Other off-balance sheet liabilities	13	52	392	457
Remuneration during the period	-	481	-	481

Note 27. Events after the balance sheet date

Change in the geopolitical situation

At the end of February 2022, a military conflict broke out on the territory of Ukraine between Ukraine and Russia. Geopolitical risk to the financial system of the whole European Union has transformed into the risk of economic consequences because of the sanctions imposed by the European Union and Russia. The sanctions are also targeted against large Russian financial institutions including the Central Bank of Russia. There are no sanctioned persons in the structure of the Bank’s owners; in addition, there are prudent control mechanisms at the Bank to guarantee that the Bank will not provide services to sanctioned people.

The second component of the realised geopolitical risk is the implementation of economic sanctions aimed at isolating Russia’s economy from global financial, production and supply chains. This will inevitably cause problems and inconvenience for the Bank’s customers who have trade and business contacts with counterparties in Russia, Belarus or Ukraine. After the start of the conflict between Russia and Ukraine, the Bank makes bank transactions as planned. Payments can be made to the banks in Russia or Byelorussia that are not on the list of the sanctioned banks. Due to the Russia-Ukraine conflict, a decline in the transactions may be expected. As at the year-end 2021, the deposits of the customers who are residents of Russia, Ukraine and Byelorussia made up 4.7% of all deposits. In order to overcome possible difficulties in providing payment services, the Bank is actively looking for new partners to open correspondent accounts both inside and outside the European Union.

Other events

After the balance sheet date, a sales contract for the 2nd, 3rd and partially also 4th and 5th stage was concluded ahead of schedule for the same property in Viimsi municipality in the amount of EUR 2.6 million. Due to the shortening of the discount period, the carrying amount of Viimsi development project was increased by EUR 199 thousand. The revision took place in 2022.

At the time of authorization of the annual report for issue, the Group’s liquidity and capital positions are solid and do not materially differ from those as at 31 December 2021. The Group’s activity is going concern. The Management Board is not aware of any indications that the Group may violate regulatory requirements: its capital and liquidity buffers are adequate and the Group is in compliance with all requirements.

Note 28. Parent's unconsolidated statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement

STATEMENT OF FINANCIAL POSITION OF AS TBB pank

(EUR thousand)

ASSETS	31.12.2021	31.12.2020
Cash	**807**	**466**
Receivables	**161,973**	**138,220**
Receivables from Central Bank	79,501	57,662
Receivables from credit institutions	24,995	22,339
Receivables from customers	57,477	58,219
Other assets	**904**	**1,064**
Gold	**525**	**504**
Shares and other securities	**1,077**	**1,007**
Property, plant and equipment	**4,023**	**4,333**
Intangible assets	**1,199**	**1,021**
Investment properties	**701**	**-**
TOTAL ASSETS	**171,209**	**146,615**

LIABILITIES AND EQUITY	31.12.2021	31.12.2020
Debt obligations	**147,421**	**121,976**
Payables to customers	138,849	115,909
Other payables	8,572	6,067
Other liabilities and accrued expenses	**2,261**	**1,902**
TOTAL LIABILITIES	**149,682**	**123,878**
Share capital	25,500	25,500
Reserves	992	992
Accumulated profit/ (-loss)	-4,965	-3,755
TOTAL EQUITY	**21,527**	**22,737**
TOTAL LIABILITIES AND EQUITY	**171,209**	**146,615**

STATEMENT OF COMPREHENSIVE INCOME OF AS TBB pank

(EUR thousand)

	2021	2020
Net interest income	**1,424**	**1,742**
Interest income calculated using the effective interest method	2,643	2,84,
Interest expense	-1,219	-1,102
Gain/loss from revaluation of investments into subsidiaries	**70**	**-1,095**
Net fee and commissions income	**36**	**185**
Fee and commission income	1,375	1,354
Fee and commission expense	-1,339	-1,169
Net gain from financial transactions	**855**	**806**
Administrative expenses	**-3,191**	**-3,523**
Wages and salaries	-2,101	-2,317
Wage related taxes	-708	-779
Other administrative expenses	-382	-427
Depreciation of tangible and intangible fixed assets	**-470**	**-568**
Impairment losses on receivables	**169**	**-1,026**
Gain	890	812
Loss	-721	-1,838
Net gain from revaluation of gold	**21**	**65**
Other operating income and expenses	**-124**	**-131**
Other operating income	395	249
Other operating expense	-519	-380
Loss before tax	**-1,210**	**-3,545**
Income tax expense (-)/gain (+)	-	-
Net profit/ (-loss) for the financial year	**-1,210**	**-3,545**
Total comprehensive income/ (-loss) for the financial year	**-1,210**	**-3,545**

CASH FLOW STATEMENT OF AS TBB pank

(EUR thousand)

	2021	2020
Cash flows from operating activities		
Loss before tax for the financial year	**-1,210**	**-3,545**
Adjustments for:		
Depreciation and Amortization	470	568
Unrealised gain/loss from revaluation of investment in subsidiaries	-70	1,095
Net interest income	-1,424	-1,742
Change in receivables from credit institutions and customers	-735	3,977
Change in other receivables and prepayments related to operating activities	139	-413
Changes in liabilities related to the operating activities	25,688	-6,236
Interest received	2,617	2,833
Interest paid	-1,014	-1,059
Total cash flows from operating activities	**24,461**	**-4,522**
Cash flows from investing activities		
Purchase of property, plant and equipment	-339	-323
Total cash flows from investing activities	**-339**	**-323**
Cash flow from financing activities		
Payments of principal on leases	-88	-74
Total cash flow from financing activities	**-88**	**-74**
Total cash flows	**24,034**	**-4,919**
Cash and cash equivalents at the beginning of the year	**71,306**	**76,225**
Cash and cash equivalents at the end of the year	**95,340**	**71,306**

Cash and cash equivalents comprise cash, a correspondent account at the Bank of Estonia, demand deposits and overnight loans at other banks

	2021	2020
Cash	807	466
Correspondent account at Bank of Estonia	78,368	56,651
Demand deposits and overnight loans at banks	16,165	14,189
Total cash and cash equivalents	**95,340**	**71,306**

AS- STATEMENT OF CHANGES IN EQUITY OF AS TBB PANK FOR 2021 AND 2020

(EUR thousand)

	Share capital	Reserves	Retained earnings/ Accumulated loss	Total
Closing balance 31.12.2019	**25,500**	**992**	**-210**	**26,282**
Comprehensive loss	-	-	-3,545	-3,545
Closing balance 31.12.2020	**25,500**	**992**	**-3,755**	**22,737**
Comprehensive loss	-	-	-1,210	-1,210
Closing balance 31.12.2021	**25,500**	**992**	**-4,965**	**21,527**
Carrying amount of ownership interests under control and significant influence				**-1,040**
Carrying amount of ownership interests under control and significant influence				1,048
Adjusted unconsolidated equity at 31.12.2021				**21,535**

Independent auditor's report

To the Shareholders of AS TBB pank

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS TBB pank ("the Company") and its subsidiaries (together – "the Group") as at 31 December 2021, and the Group´s consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 31 March 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2021 to 31 December 2021 are disclosed in the management report.

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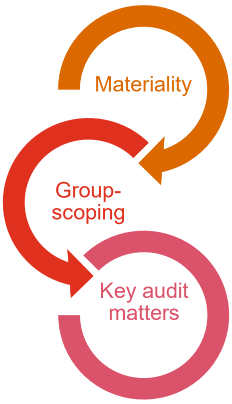
Our audit approach

Overview



- Overall group audit materiality is EUR 215 thousand, which represents 1% of Group's net assets.
- The audit team performed full scope audit procedures for the Company and for its subsidiaries.
- Impairment of loans to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group audit materiality	EUR 215 thousand
How we determined it	1% of Group's net assets
Rationale for the materiality benchmark applied	We have applied this benchmark, as net assets is the key performance indicator for Management and Shareholders in evaluating the Group's value.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans to customers (refer to note 2 "Summary of significant accounting policies", note 3 "Significant accounting estimates and judgements", note 4 "Risk management", note 7 "Receivables from customers" and note 18 "Impairment losses on receivables" for further details). As at 31 December 2021 net carrying amount of loans to customers amounted to EUR 50,550 thousand that included related impairment allowance in the amount of EUR 228 thousand. We focused on this area, because management uses complex models with subjective inputs to assess the timing and the amount of expected credit losses. Key areas requiring significant management judgements and modelling in calculating ECL include: • evaluating the criteria for assessment of significant increase in credit risk and allocation of loans to stage 1, 2 or 3; • assessing accounting interpretations and simplified assumptions used to build the methods that calculate ECL. Main simplified assumptions were made in the next areas: - determination of common (weighted) lifetime PD coefficients for different groups of receivables taking into account the different lifetime of the products in the groups; - using of scenarios while predicting ECL. • calculating the key parameters of ECL model, including probability of default (PD), loss given default (LGD) and exposure at default (EAD); • determining the macro-economic indicators and incorporating forward-looking	We assessed whether the Group's accounting policies and methodology applied for the calculation of impairment of loans to customers are in compliance with IFRS 9. We assessed the design and operating effectiveness of key controls over ECL data and respective calculations, including: • IT general controls over relevant systems; • IT application controls over exposure balances; • review and approval of customer risk classes. We performed detailed testing over: • the completeness and accuracy of data used in the ECL calculation system; • the compliance of key inputs used in ECL calculation system with IFRS 9 methodology; • the accuracy and compliance of 12-month and lifetime ECL calculations with IFRS 9 methodology; • the accuracy and completeness of data used for staging of loans (including applying the criteria for determining significant increase in credit risk and definition of default); • the internal assignment of risk classes for loan customers, which serve as inputs into the ECL model; • the correctness of information on collaterals and their values in the loan systems, which serve as an input into the ECL model; • the internal assignment of risk classes for collaterals, which serve as inputs into the ECL model; and • the completeness of loans subject to stage 3 assessment and related ECL calculations. We have assessed the reasonableness of key

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information into the ECL model; including estimating the above mentioned indicators for reliable future period and assigning weighted impact to those scenarios; and

- estimating ECL for Stage 3 individual assessments.

assumptions made by management, which serve as critical inputs in the ECL model, such as weights of different scenarios, classification of loans to customers between stages, key forecasts of macroeconomic information and multipliers used for different scenarios.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises AS TBB pank and its subsidiaries AS TBB liising and Aktsiaselts TBB Invest, which are operating in Estonia. We performed full scope audit procedures for all Group entities covering substantially all of the Group's consolidated statements of financial position and comprehensive income.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Introduction and Management report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of AS TBB pank for the financial year ended 31 December 2009. Our appointment has been renewed by tenders and shareholder resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for AS TBB pank of 13 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AS TBB pank can be extended for up to the financial year ending 31 December 2028.

AS PricewaterhouseCoopers

/signed/

Lauri Past
Certified auditor in charge, auditor's certificate no.567

31 March 2022
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

5. Management Board`s proposal for loss covering

In 2021, the audited loss of AS TBB pank Group is EUR -1,242 thousand, and the Bank's loss is EUR -1,210 thousand.

Proposal of the Management Board:

1. To approve the 2021 annual report of AS TBB pank.
2. To include the bank's 2021 loss in the 'Accumulated loss' line.
3. To submit this resolution to the Supervisory Board of AS TBB pank Group for re-view.

Signature	Date
/signed/	
Igor Novikov Chairman of the Management Board	31.03.2022
/signed/	
Sergei Elošvili Member of the Management Board	31.03.2022
/signed/	
Evi Tänak Member of the Management Board	31.03.2022

6. DECLARATION OF THE SUPERVISORY BOARD TO THE 2021 ANNUAL REPORT

The Management Board has prepared the management report and the consolidated financial statements of AS TBB pank for the financial year ended at 31 December 2021.

The Supervisory Board of AS TBB pank has reviewed the annual report, prepared by the Management Board, consisting of the management report, the financial statements, the Management Board's proposal for the loss covering and the independent auditor's report, and has approved the annual report for presentation at the General Meeting of Shareholders.

Madis Kiisa
Chairman of the Supervisory Board

Veiko Veskiväli
Member of the Supervisory Board

Rene Salumäe
Member of the Supervisory Board

Sergey Gornyy
Member of the Supervisory Board

Aleksander Larionov
Member of the Supervisory Board