

Holm Bank AS

Annual report

2021

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General information

Business name:	Holm Bank AS
Former business names:	AS Koduliising (26.04.2017-08.04.2019)
	Koduliising Holding AS (13.07.2016-26.04.2017)
Registry code:	14080830
Activity field:	Other credit granting (provision of credit services and deposits)
First entry:	13.07.2016
Holm Bank AS legal address:	Lääne county, Haapsalu city, Posti street 30, 90504
OÜ Koduliising legal address:	Lääne county, Haapsalu city, Posti street 30, 90504
(parent company)	
Holm Bank Latvia SIA	Pils iela 16, Alūksne, LV-4301, the Republic of Latvia
(subsidiary of Holm Bank AS)	
Telephone:	+372 675 5055
E-mail:	info@holmbank.ee
Group website:	www.holmbank.ee
Reporting period:	01.01.-31.12.2021
Members of the Management Board:	Rauno Klettenberg
	Kristi Luite
	Arvi Lipp
Members of the Supervisory Board:	Arne Veske
	Pärt Kivaste
	Ruslan Mahhov
	Reimo Hammerberg
	Kelly Veske
Owner and final beneficiary (100%):	Arne Veske
Reporting currency:	EUR
Presented units:	in thousands
Auditor:	Ernst & Young Baltic AS

Abbreviations and key

The following styles of abbreviation are used in current Annual Report:

GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
YOY	Year-on-year
APR	Annual Percentage Rate
EIR	Effective Interest Rate
OCI	Other comprehensive income
CGU	Cash generating unit
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
SPPI	Solely payments of principle and interest
DVA	Debit value adjustment
CVA	Credit value adjustment
FVA	Fair value adjustment
ECL	Expected credit loss
12mECL	12 month expected credit loss
LTECL	Lifetime expected credit loss
PD	Probability of default
LGD	Loss given default
EAD	Exposure at default
POCI	Purchased or originated credit impaired (financial assets)
GLP	Gross Loan Portfolio
NLP	Net Loan Portfolio
NPL	Non-performing loans (defaulted)
ROUA	Right of use assets (financial lease)



Management report

Holm Bank AS (hereinafter: Bank) is a private limited company based on private capital and operating in Estonia. In 2021 the Bank performed its business objectives through legal entities Holm Bank AS and Holm Bank Latvia SIA. Together, these companies form a Holm Bank AS consolidation group (hereinafter: Group).

During the year 2021, the Group has strengthened the organization with new specialists and with new management member. The aim has been to increase internal expertise of the bank and thereby support the overall development of the Group.

In the second half of the year, changes took place in the Management Board when the former Business operations Manager Roul Tutt, also a member of the Management Board, left the bank and risk manager Arvi Lipp, who had just joined the organization, joined the Management Board. There were no changes at the Supervisory Board level in 2021. In August, Alvar Pihlapuu, the current head of the IT and development department, left the company, and soon after Andres Lips started in the same position in the bank with his previous long-term experience in the field.

In 2021, the global health crisis that began the year before has continued, due to which the imposed restrictions have affected the well-being of both private individuals and companies in certain sectors. As a positive sign Estonian economy was at the forefront of European countries in terms of the speed of recovery from the crisis. Although the restrictions were eased during the summer, new restrictions were introduced during the fall which affected the economy during the second half of the year. This resulted in constant need for adaptations to meet rapidly changing conditions, which in turn affected instabilities in loan demand. The funds withdrawn from the second pillar of the pension was partly used for consumption, but private individuals also reduced their existing loans and liabilities. Due to the more active real estate market, real estate prices also increased during the year. As the pandemic and economic consequences for society were somewhat milder compared to the year before, the retail sector remained open most of the year 2021. Companies in the service sector also remained, although were affected with other restrictions. A crucial role in this was the increase in vaccination and the proportion of those vaccinated in Estonia. Nevertheless, several industry and service sectors have suffered from declining sales volumes continually and have not yet recovered.





Despite the ongoing corona pandemic, 2021 can be considered a successful year for the Holm Group. Holm Bank AS was awarded by Äripäev with the title of the TOP company in Lääne County. This confirms the good performance and strong financial result of the bank.

Holm's vision is to offer flexible digital financial solutions. For the Group, expansion into foreign markets is an integral part of its growth strategy, and continuous work continues in this area.

In August 2020 we launched the Holm app in Sweden, which allowed people to apply for a digital credit card on their smartphones. Later on the option to apply for a loan was also added. Based on the product launched in the test market, a virtual application has been developed for home market customers too.

Sweden was chosen as the test market and the application was based on the assumption that Sweden was a mature and developed banking market. Cross-border activities were planned with specific objectives, controlled volumes and a specific time frame. During the test period, we were convinced that the initially expected results could not be achieved, and at the end of last year, the Group's Supervisory Board made a strategic decision to terminate cross-border operations.

During the year 2021, The Group continued to make changes in its business processes, and we improved our procedures to monitor the dynamics and quality of the loan portfolio. As a result, the share of non-performing loans has decreased, and we have achieved stable quality of the loan portfolio. Greater attention and focus have been kept on credit portfolio and liquidity risk management, to assess and analyze the quality of credit risk on an ongoing basis.

At the beginning of the year, by a decision made on February 25th, 2021, Holm Bank AS issued subordinated bonds of Tier 2 capital funding with a total nominal value of 3,500,000 euros (35 bonds, nominal value of 100,000 euros). The bonds were issued with an interest rate of 7% per annum and maturing in February 2031. The bonds were issued in two tranches, first issuing bonds in February in the amount of 1,500,000 euros (15 bonds) and in March in the amount of 2,000,000 euros (20 bonds). The bonds were registered in the Estonian branch of Nasdaq CSD SE and bought by same entity.

Holm has increased its operations and volumes in the Latvian market, and the same time keeping the focus also on domestic customers. We have introduced new products to the market, with which we will be able to offer an even wider choice of services both to individuals and companies. We have maintained our customer base and considered to be crutial in the current unpredictable environment to maintain flexibility for our customers, which will allow them to successfully implement their plans.



Strategy

Bank's history reaches back to 1995, when the company's forerunner began its activities in Haapsalu under the Liisi trademark.

As a legal successor Holm Bank AS continues the activity under this name on instalment, small loans and credit card fields.

Second trademark Holm belongs to the Bank since 2019 to provide retail and business products, leasings and term deposits.

"Holm" refers to a small island in Swedish language. The name was inspired from the islands of Western Estonia, which coastal people call holms, and there is a direct connection to the Bank's hometown. Also the owner of Holm, Arne Veske, is well-known by his maritime activities and interests.

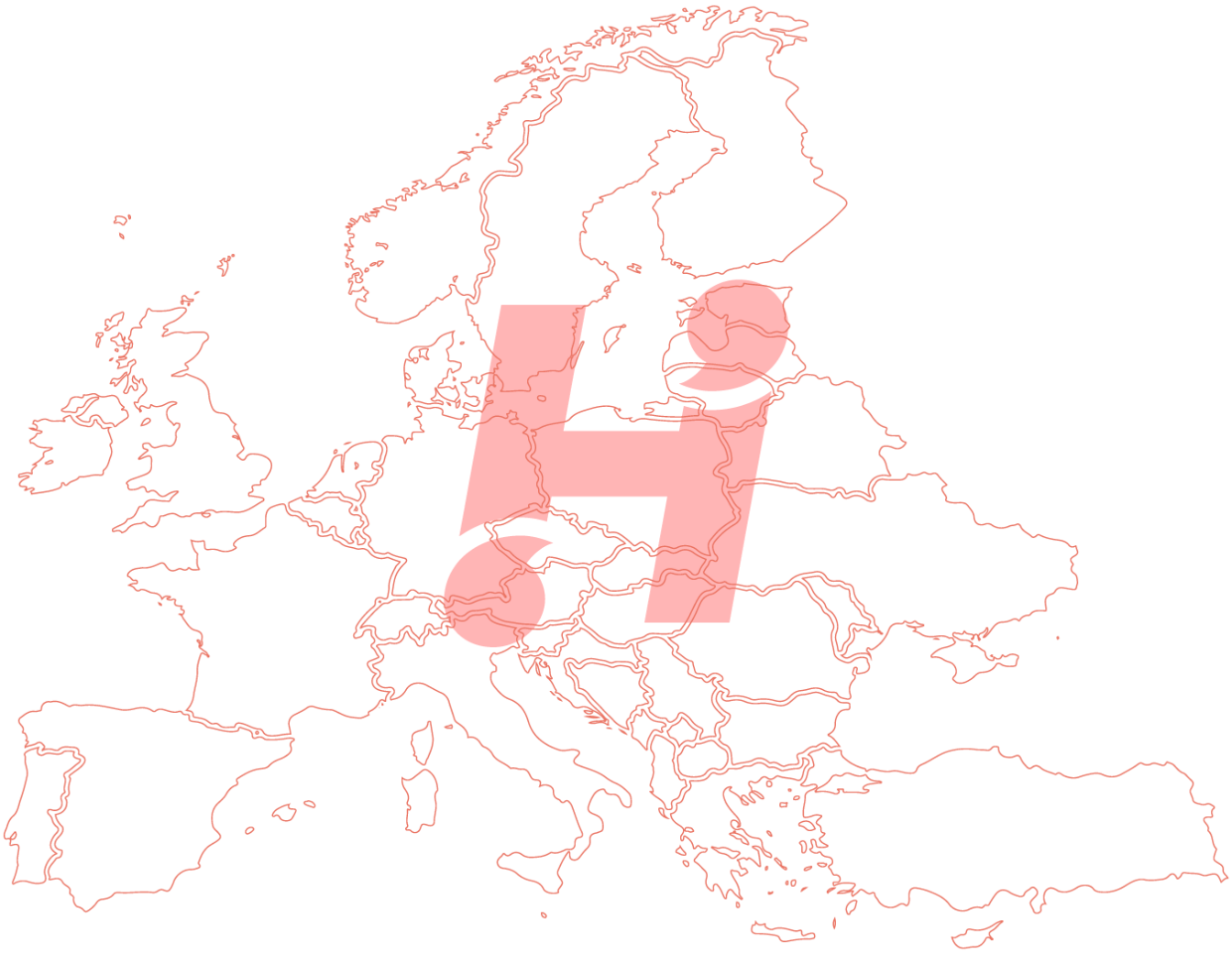
Holmi group is formed by Holm Bank AS and Holm Bank Latvia SIA. The main activity of the Group is the provision of consumer and business financing through various financial services and credit products in retail and e-commerce using "Holm" and "Liisi" trademarks. The Group also offers fixed-term deposits. Group grants credit in Estonian, Latvian and Swedish marketplaces, but operates also in Estonian, German and Austrian market considering deposit financing.

In 2019 the European Banking Authority approved the issuance of credit institution license for the Bank. Since April 8th, 2019, the Bank's legal name is Holm Bank AS.

As a majority shareholder, the Bank has controlling interest over the business of the subsidiary Holm Bank Latvia SIA (hereinafter: the Subsidiary). At the end of September 2019, Holm Bank AS acquired a 51.07% share in the Latvian subsidiary and in February 2021, again the minority interest, and as a result the Bank has become the sole shareholder of the subsidiary.

Caution was still the key word for 2021. A survey of local entrepreneurs conducted by Holm Bank at the beginning of the year revealed that various state subsidies had been used less than expected and that only about one-fifth of the surveyed entrepreneurs received support measures. However, at the beginning of this year, there was already some recovery in courage among entrepreneurs. While last year as many as 60 percent of the companies in Holm Bank's survey stopped their investment plans, in the reporting year almost a tenth (8%) of them had continued with investments. This reversal was possible mainly because, unlike last spring, businesses are now clearer about the nature of the crisis and understanding how the pandemic is affecting the economy and which sectors are suffering the most.

We have noticed an improvement in the loan servicing capacity of both individuals and companies, and the volume of loans on maturity has decreased in the market as a whole. The more active activity in the housing market is due to the growth of incomes, improved consumer confidence and the impact of money withdrawn from the second pension pillar, which is directed to the real estate sector. However, due to its one-off effect and short duration, there is not much cause for concern, and if one's solvency is maintained in servicing the loan, the increased debt burden can be served.



From regulatory perspective the whole industry is operating in a dynamic environment.

Nevertheless, the strength of financial sector has remained generally stable, regardless of the volatile economic conditions.

Holm Group's markets have been described above. Plans to enter new markets are continuously being analysed. In August 2020, we started offering virtual credit card product to private customers in the Swedish market under a license for cross-border services. During 2021, it became clear that the Swedish market posed for the Bank greater challenges than expected, especially in terms of credit quality. The Bank analyzed continuingly the situation and made finally the conclusion, that the realization of business interests in this market was too risky and the business was decided to be terminated.

We still rely on organic growth and offer our customers products that allow them to meet their own strategic targets and realize good plans. This shall maintain also Group's primary approach to grow the customer base in the future.

In the case of private individuals, we place strong emphasis on maintaining the existing customer base, increasing customer satisfaction, as well as acquiring new customers. We do this by offering loan products and deposits in addition to instalments and constantly expand our product portfolio.

In serving the business customers we have placed our focus on increasing the volume of loans to small and medium size companies. We have taken a more conservative approach to some of the industries that have suffered more from the crisis. We are still focusing on customers who have a clear understanding and ambitions how to grow their businesses.

As the average loan amounts are relatively small, it is important to have a meaningful understanding of the business activities of these companies, followed by high-quality monitoring.

All the Group's support functions are managed centrally. Financial and risk management of the Latvian subsidiary is coordinated at Holm Bank level. Legal support consists of internal as well as outsourced local services. In this way, the principles of risk management as well as KYC and AML procedures will be harmonized and shall meet the Group standards.

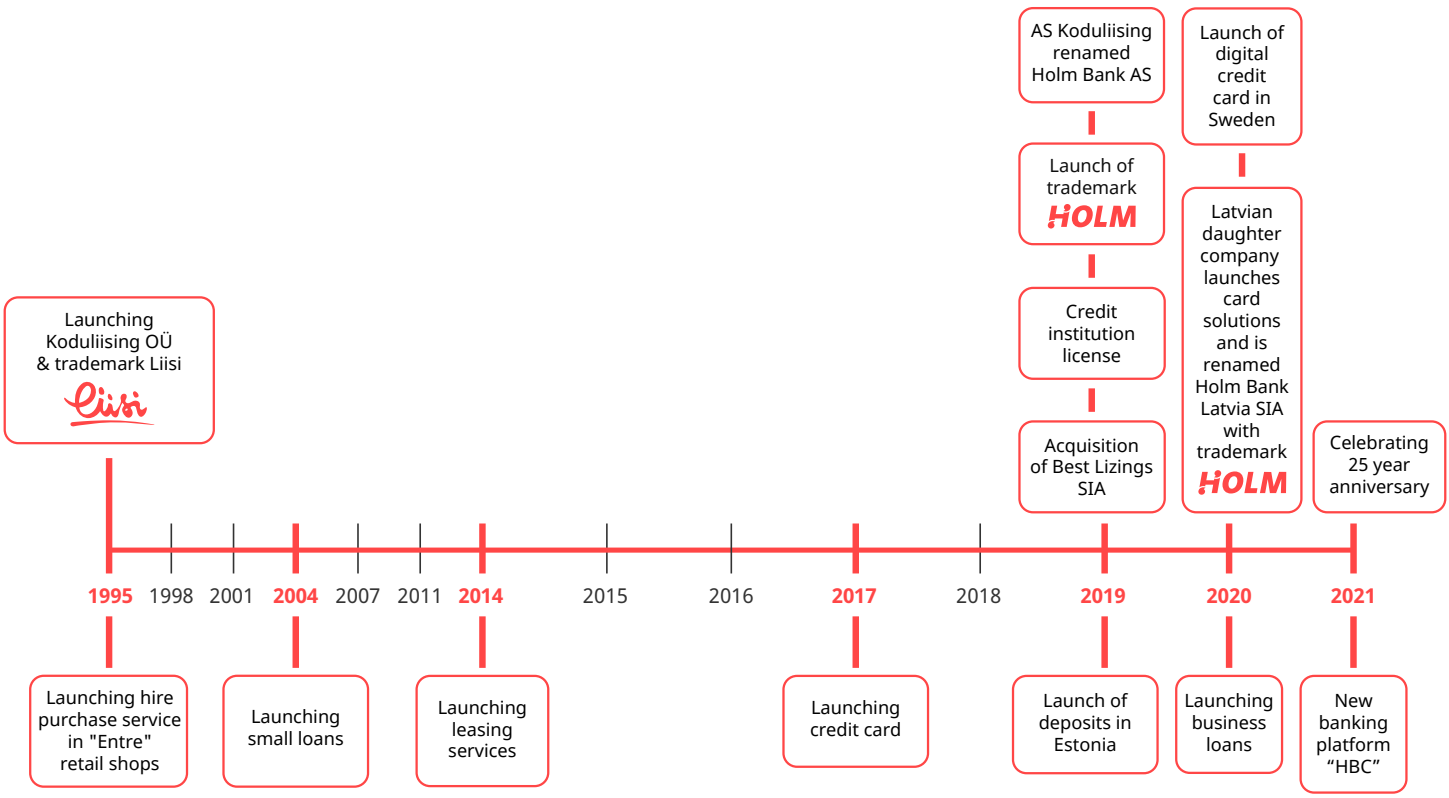
Vision

To be personalized and flexible digital finance solutions provider across Europe.

Mission

To help people and businesses to create value through our financial resources.





Tooted

- Instalment products
- Credit cards
- Small loans
- Term deposits
- Business loans
- Leasing
- Virtual card in app

Operating environment

2021 was still a difficult year due to the volatility of the external environment. The development of Covid-19 introduced new mutations and brought repeatedly several restrictions. The Group responded quickly, both internally and externally. As a responsible employer, the Bank has cancelled several planned joint events to control the risk of illness among employees. During major illnesses in Estonia, employees moved to remote work again. This change took place smoothly, both technically and operationally, and has already become quite commonplace. In a satisfaction survey conducted by the Bank among its employees in 2021, the Bank's ability to respond promptly to pandemic waves and a flexible and favorable attitude in choosing the location of work was highly valued.

The Bank is constantly monitoring developments in the crisis situation and analyzing the possible consequences of the Covid-19 virus. At the time of composing this report, 83.1% of Bank's employees have been vaccinated against Covid-19.

In 2021, the Bank's business and performance were affected by a number of factors, including uncertainty in the labor market, growing wage pressure, second pillar pension inflows, general increase in the cost of living and population poverty, as well as increased economic awareness and postponement of corporate investment decisions. The last major factor was the energy crisis that started at the end of the year, the effects of which will continue in 2022.

In 2021, we paid even more attention to improving the quality of portfolio, in Estonia, in Sweden and in Latvia. The Swedish market was a major challenge for the Group as a whole, and considering all the risks, the closure of the business was the only way to minimize the losses. The experience gained in Sweden brought good lessons and in the following markets these mistakes will be avoided, the Group has done.

In the near future, the Group will still be able to rely on the organic growth of its portfolio and issuing new loan products, but above all, the growth potential comes from Latvia, where the Holm brand is gaining more and more popularity through our partners. The Goup is reviewing the Bank's long-term strategy and analyses opportunities to move to the new markets.

We continue to be flexible in making loan decisions and managing loans, in accordance with responsible lending principles at the same time. We are looking for solutions in cooperation with those customers who need changes in loan terms and we have provided it if necessary servicing loans in a way that ensures the sustainable servicing of credit products.

Despite the volatility of the external environment, 2021 was productive both in the financial sector and in general, and in all important parameters the change took place in an increasing direction. According to Eurostat, Estonia's gross domestic product grew by + 8.2% and private consumption by + 7.2%.

The Estonian consumer price index also increased by + 4.6%, largely due to price increases related to housing and transport. Year-on-year prices of electricity increased by + 44.5% and gas by + 27.5%, which increased the consumer price index by + 12.2% compared to December 2020.

The Group's results were significantly affected by the disbursements of the second pillar of pensions in 2021, as a result of which the Group's loan portfolio decreased by -6.4% in September due to early loan repayments. By the end of the year, the portfolio could not be restored.

Business was also severely constrained by the addition of new players, with competition intensifying particularly in the hire-purchase market, where every innovative idea was well adopted by the public. People are quite confident in using the 'buy now, pay later' option. As the Group's focus in 2021 was largely on software developments for other products, the instalment was hit in new sales and the year ended with under-executed sales plans. The Group's further focus is on developing instalment products and bringing new products to the market. The under-execution in 2021 in the new sales of instalment and credit card products was covered by exceeding the sales plans of small loans (+ 5%) and business loans (+ 2%).



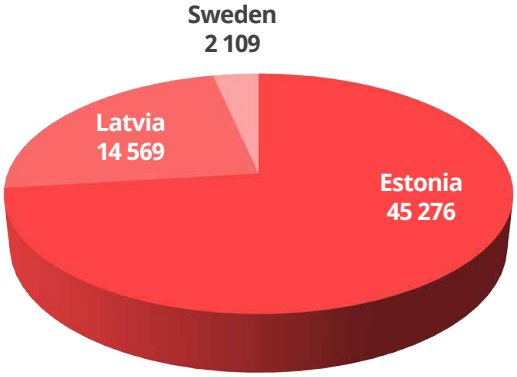
Financial performance

Current reporting period was difficult and a little hectic for Holm Bank AS. On the one hand, sales expectations were overly optimistic, largely due to the unpredictability of the operating environment. On the other hand, sales were affected by strong competition and improved awareness of the consumption of loan products.

As in the description of the operating environment, the Group's financial results for 2021 can be described as volatile - there were some setbacks, but there were also victories. By the end of the year, however, the Group's net loan portfolio grew by 8.2% year-on-year (from 57 233 thousand euros to 61 954 thousand euros). Although the reporting period led to the closure of the Swedish business and the resulting loss (-1 453 thousand euros), and new sales in instalments and credit cards in Estonia suffered a severe setback, the targets were exceeded at every level in terms of financial targets. The Group's strong cost-saving policy and more conservative approach to budgeting resulted in a +35% better financial result at the group level and a +59% better result at the unconsolidated level.

The entire customer base (incl. inactive customers) reached 680 thousand customers in the reporting period (31.12.2020: exceeded 640 thousand customers).

The number of active contracts in the portfolio decreased slightly over the year, from 78 736 contracts to 76 664 contracts (-2.6%). The decrease in number of contracts was caused by portfolio sales, automatic write-offs, early terminations due to the receipt of pillar funds and unrealized sales plans.



Portfolio distribution by countries
in thousand euros

Latvian subsidiary again performed in loss, resulted by -12% worse than budgeted. Sales plans were not fully fulfilled in Latvia either, but despite this, the net loan portfolio was increased by +84.9%, ie from 7 914 thousand euros to 14 569 thousand euros.

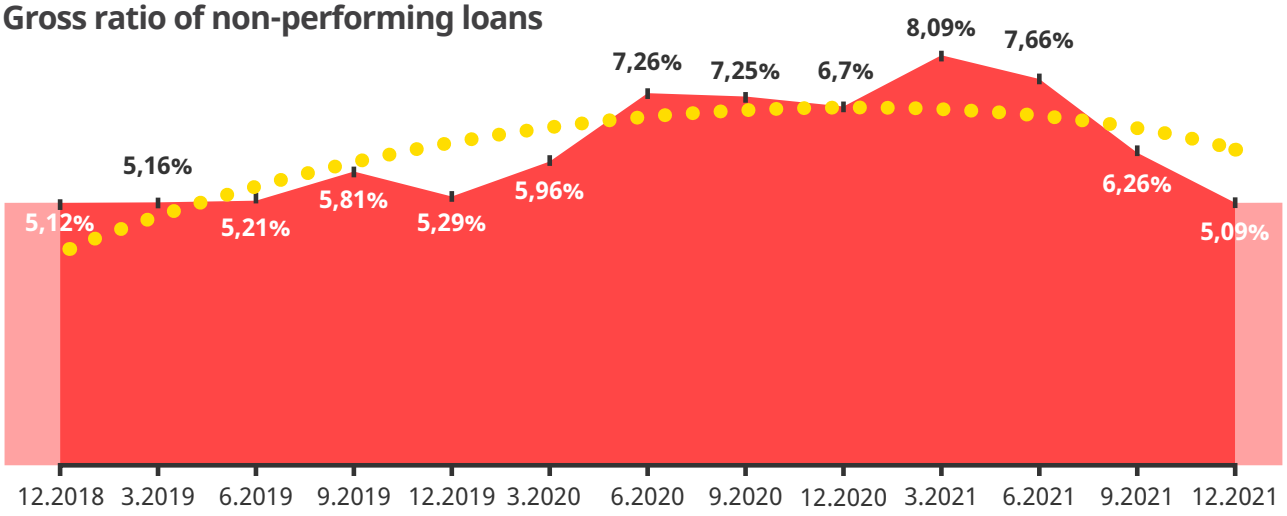
2021 was completed in the portfolio of 73 511 contracted loans (31.12.2020: 74 152 contracts) and 3 153 in the non-performing loan portfolio (31.12.2020: 4 584 contracts). Off-balance sheet contracts are excluded from this calculation. Thus, while by the end of 2020 non-performing contracts accounted for 5.8% of the total number of contracts, by the end of 2021 the quality was improved so much that the share reached to 4.1%.

In terms of volumes, great progress was also made in improving credit quality. The share of overdue loans in the total gross portfolio decreased to 5.1% by the end of the year (31.12.2020: 6.7%).

In regard to credit products for individuals, the share of overdue loans continued to be the lowest for credit card products, ie 2.9% (31.12.2020: 4.4%). The NPL (non-performing loans) rate in the Swedish virtual card was monitored separately and was 28.9%. In the case of small loans, the share of overdue loans was 5.1% (31.12.2020: 9.5%), in the instalment portfolio 4.8% (31.12.2020: 7.3%), in the leasing portfolio 2.5% (31.12.2020: 6.3%) and in business loans 1.2% (31.12.2020: 5.5%).

Based on the Group's previous practice of reducing the probability of receivables collection, systematic automatic write-offs on receivables over 365 days were continued and, if necessary, even earlier write-offs were applied based on individual estimates (for the Swedish portfolio). Automatic write-offs and portfolio sales in both Sweden and Latvia have helped control and stabilize the share of overdue loans. The ratio of non-performing loans to gross portfolio quarters over the last three years is shown below:

Gross ratio of non-performing loans



As the growth of the loan portfolio was lower than expected, the Group maintained strong control over raising capital in order to maintain the deposit coverage ratio at the desired level (the ratio of the net loan portfolio to the deposit portfolio should not significantly exceed 1:1). In the second half of the year, there was practically no need to raise capital from the markets abroad. The year 2021 was ended at a volume of 64 311 thousand euros, with a coverage ratio of 96.6% (31.12.2020: respectively 55 804 thousand euros, coverage ratio 102.6%).

The liquidity level in the Group is still rather conservative, the year was ended by the LCR ratio according to the COREP report as at the end of the period on unconsolidated level of 224.3% (31.12.2020: 258.9%).

The Group's consolidated total assets grew by 14.4% from 77 705 thousand euros to 88 930 thousand euros.

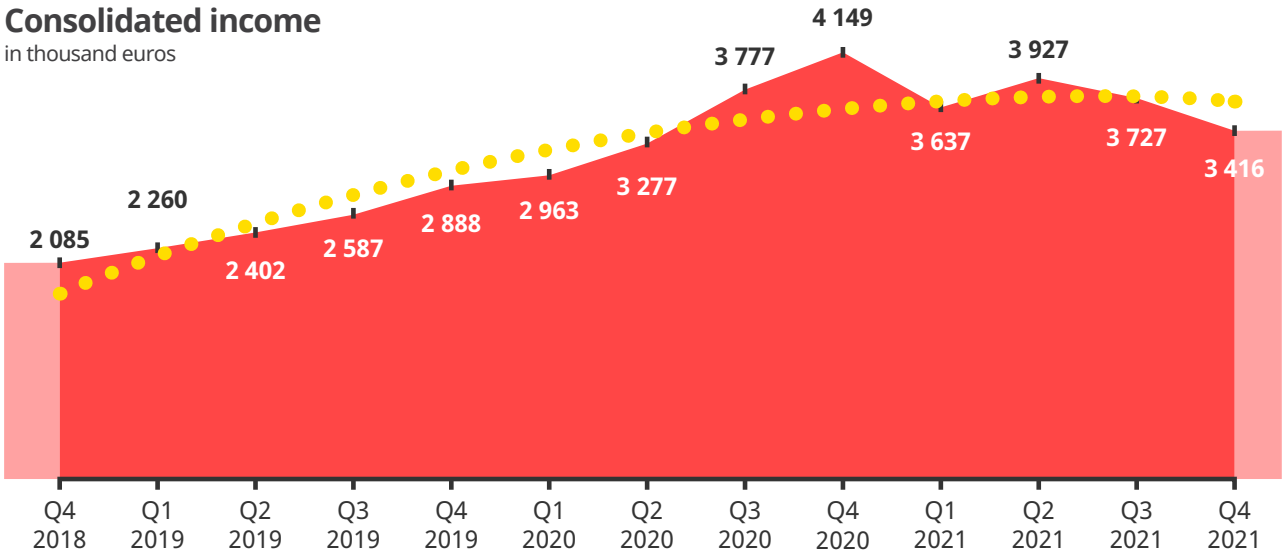
The share of sole shareholder's equity makes up to 20.5% (31.12.2020: 23.7%, the share of total equity was 25.1%) of the Group's consolidated total assets. The ratio of total equity to the Group's total assets at the end of the current reporting period is the same as the above-mentioned indicator, as non-controlling interests no longer exists.

Group has still very strong capitalization ratio (total equity/net loan portfolio) – as at the end of the year 2021 it was 29.4% (31.12.2020: 34.0%).

The increase of Group's total interest income amounted to 14 707 thousand euros by the end of the year (2020: 14 166 thousand euros, an increase of + 3.8%). Such a strong growth of interest income as in the previous reporting period (+39.7%) was not achieved in 2021.

Consolidated income

in thousand euros



Management carefully pays attention to the cost income ratio (total operating expenses/net operating income). By the end of the year it was on satisfying level by 58.3% (2020: 70.1%).

Total comprehensive income in 2021 was 1009 thousand euros (2020: 1 065 thousand euros). EBITDA (earnings before taxes, depreciation and interest expense) grew from 4 988 thousand euros to 7 315 thousand euros, i.e

46.7%. Return on equity of the parent (net profit attributable to owners of the parent company/ average equity attributable to owners of the parent) was 5.5% (2020: 7.1%).

Previously popular basic products, instalments and credit cards, have lagged far behind the growth of the small loan portfolio. The retail loan has become the most preferred credit product for our customers, and the Group's business loan portfolio is also growing. By the end of the year, the retail loan portfolio accounted for 46% (31.12.2020: 33%) of the total net portfolio in the amount of 28 382 thousand euros (31.12.2020: 18 912 thousand euros), followed by credit card products with a share of 25% and 15 558 thousand euros (31.12.2020: 31 % and 17 731 thousand euros) and instalments of 17% and 10 641 thousand euros (31.12.2020: 27% and 15 505 thousand euros), business loans of 8% and 4 927 thousand euros (31.12.2020: 5% and 2 570 thousand euros) and leases 4% and 2 446 thousand euros (31.12.2020: 4% and 2 515 thousand euros), see also Note 11.

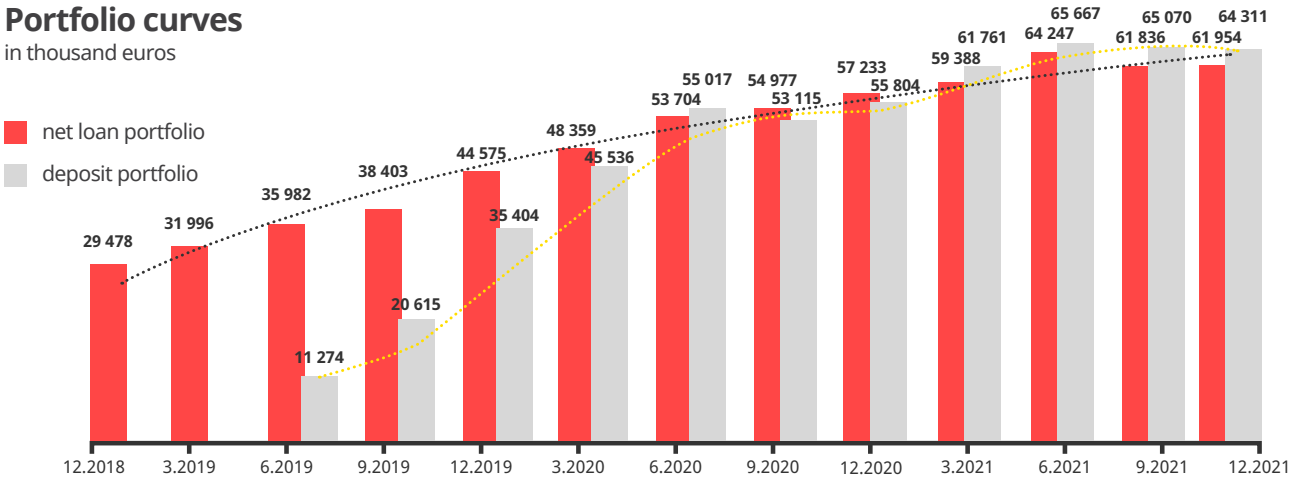
Additionally to the growth of the Latvian portfolio (see Note 4), we initially expanded the portfolio in Sweden as well, launching a payout account in addition to a virtual credit product, which was similar in nature to a small loan product. However, it soon became clear that the choice of target market and the inefficiency of the scoring model did not guarantee sufficient returns and profitability. Sweden's net portfolio amounted to 2 109 thousand euros at the end of the year (31.12.2020: 1 409 thousand euros). A significant part of Sweden's written-off receivables were sold in November. By the time of publishing the report, a large part of the active portfolio has also been realized and opportunities are being sought for cession the remaining receivables.

While the sales targets of the business loan portfolio in 2020 were not met, in 2021 the sales of business loans exceeded expectations (+2% compared to the sales targets). The portfolio almost doubled. In terms of leasing, co-operation with Nord Varaliising OÜ continued to offer small leases to companies, but the result of the leasing portfolio remained modest - the portfolio even decreased slightly (from 2 515 thousand euros to 2 446 thousand euros, maintaining a share of 4% of the total net loan portfolio).

There are high expectations for the Latvian portfolio, but also for the local retail, installment and business loan portfolios.

Portfolio curves

in thousand euros



Operational activity in Latvian subsidiary in 2021

Holm Bank Latvia SIA is a private limited company based on private capital and operating in Latvia. The Company performs its business objectives on consumer credit field.

There were no changes in the members of the Management Board of Holm Bank Latvia SIA during 2021. Kristine Kolsar, a former customer support specialist, with long-term experience in Holm and extensive knowledge and experience in debt collection, took over the position of Latvian land manager in February 2021.

The budget for 2021 provided for a rather optimistic sales plan in Latvia. The sales plan was fulfilled to the extent of 89%, which was ultimately good result achieved in quite difficult macroeconomic environment. Not fulfilled sales plan was assumably the reason why initially planned profit had not yet been achieved.

The growth of the portfolio made excellent jump + 84.1% (from 7,914 thousand euros to 14 569 thousand euros). The increase was mainly due to small loans.

Management has made prudent and operational decisions regarding portfolio quality by realizing a significant part of the deteriorating portfolio at an early stage (see Note 11). The sales took place in June and December. Portfolio sales from one hand, improved credit management on the other hand and also regular write-offs of the portfolio reduced the share of non-performing loans from total gross portfolio by

-1.2% (from 6.6% to 5.4%), incl. For small loans -1.5% (7.2% to 5.7%) and 1.9% for instalments (from 4.6% to 2.7%). In the credit card portfolio, the first contracts reached to stage 3 in the reporting year, therefore no benchmark is available, but by the end of the year, the rate of gross non-performing loans in this product portfolio was 5.7%.

The financial results were in compliance with the mid-year adjusted budget and the Group's strategy. Subsidiary receives maximum support from the parent. Current capital, liquidity position and ability to cover the risks to which the Holm Bank Latvia SIA may be exposed, are on acceptable level, and the management confirms the going concern of subsidiary within next twelve months.



Governing bodies

The governance arrangements are matched consistently with the individual risk profile and business model of the Group and the individual position for which assessment is made shall be taken into account so that the objectives of the regulatory requirements are effectively achieved.

The Group shall ensure that all members of the Management Board and Key Management Personnel holders are at all times individually suitable for their positions within the Group. Additionally, an assessment of the Supervisory Board (SB) and Management Board (MB) shall be performed collectively in order to ensure suitability for its role and responsibilities within the Group.

The governing bodies of the Group are the Supervisory Board and the Management Board.

The Supervisory Board consists of five members who are responsible for the Group´s strategical decisions and the activities of the Management Board. The members of the Supervisory Board are appointed by the General Meeting of Shareholders for three years.

The Management Board consists of three members who are responsible for the day-to-day management of the Group. The members of the Management Board are appointed by the Supervisory Board for three years. When appointing the members of the Management Board, the Supervisory Board ensures that the Management Board would be sufficiently diverse in composition through a profile of knowledge, skills, experience and education in order to make sure that the Management Board has the capability to effectively manage all of the Group's operating segments.

All members of a governing body are appointed based upon requirements applicable to members of governing bodies pursuant to the provisions of the Credit Institutions Act according to which the appointed individual must have the necessary knowledge, skills, experience, education, professional qualifications and impeccable reputation in business to be able to manage a credit institution.

The Group has adopted an internal policy for the evaluation of the suitability of a member of its governing body: suitability is evaluated before the individual is appointed member of a governing body and annually no later than 31 December of the following year.

The sole owner of the Group is OÜ Koduliising, that is owned 100 % by Arne Veske, who is also the ultimate controlling party of the companies within the Group.

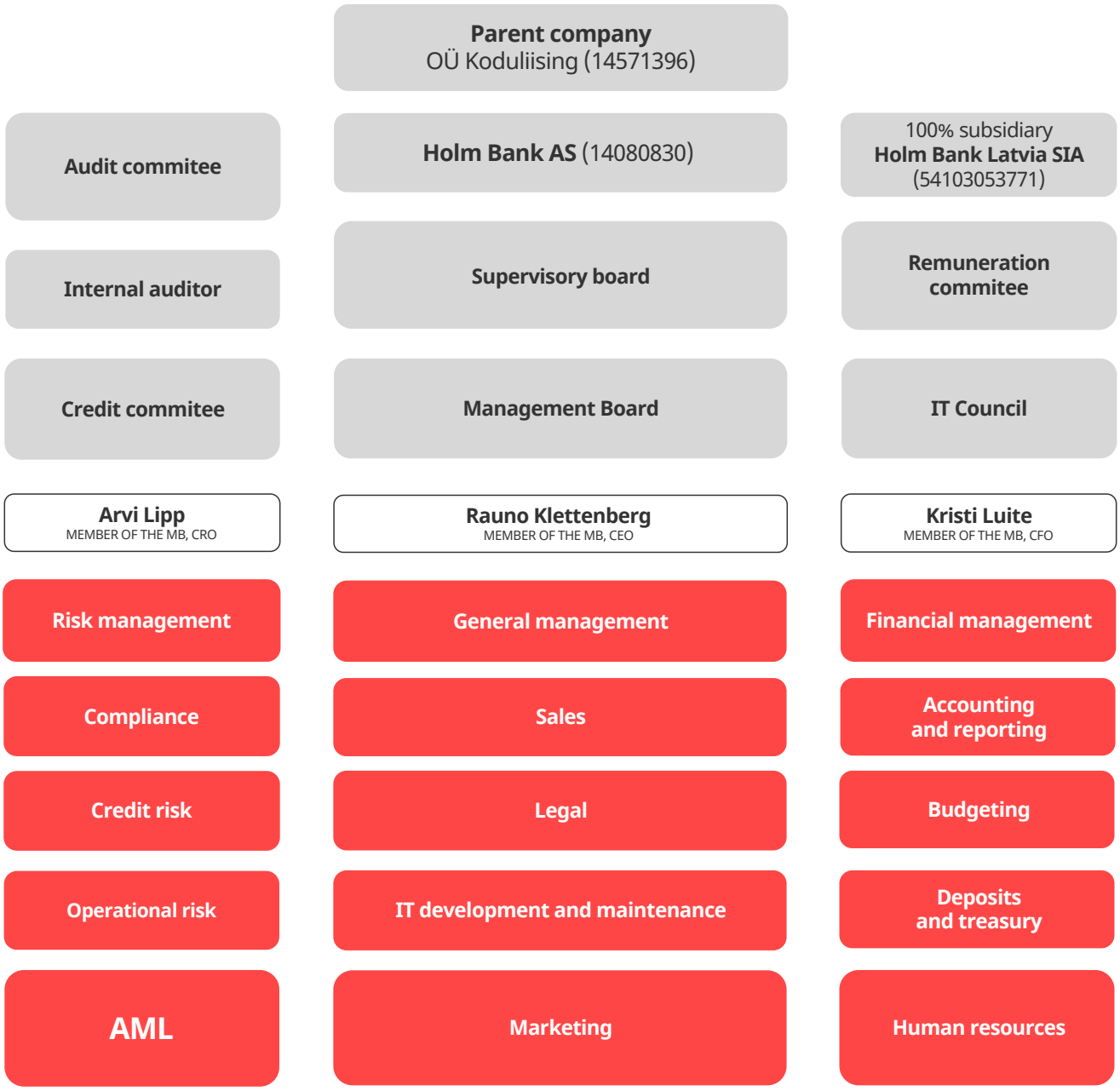
Development of the group

The structure of the Group is designed and confirmed by the Group's Management Board according to the guidelines given by the Supervisory Board and taking into consideration of the Group's future development plans.

With the accession of the subsidiary the Group coordinates its daily activities based on the principle of consolidation, which entails the establishment of collective and coordinated objectives and the implementation of common core values.

Group's structure as at 31.12.2021 is given on the following sheet:

Holm Bank AS organizational structure



Committees

The Group has established the following committees:

Audit committee is formed by three Supervisory Board members and acts as an advisory body in respect of accounting, auditing, internal control and audit.

Credit Committee that is competent decision-making organ with credit issuing.

IT Council that evaluates the Group's IT related development needs and coordination of IT development priorities.

Remuneration Committee, the competent body that mainly monitors the remuneration of managers and employees and evaluates the implementation of the remuneration principles at least once a year.

Proportionally to the nature, extent and level of complexity of the Group the Risk Committee and Nomination Committe are not established in the Group. The tasks and the roles of these committees shall be executed by the Supervisory Board of the Group.

Internal control system

For the purposes of ensuring the effectiveness of the Group's operations, reliability of financial reporting, compliance of operations with applicable laws and other legislation, internal regulations approved by governing bodies and the adoption of decisions on the basis of reliable and relevant information, the Group has established an internal control system that involves all operational and management levels.

The internal control system is based on three levels:

1. The first level constitutes internal control that takes place internally within each division. This line takes risks and are responsible for their operational management directly and on a permanent basis. For that purpose, business lines should have appropriate processes and controls in place that aim to ensure that risks are identified, analyzed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities are in compliance with external and internal requirements.

2. The second level is made up of risk management function that operates as autonomous and independent control unit. The risk management function facilitates the implementation of a sound risk management framework throughout the Group and has responsibility for further identifying, monitoring, analyzing, measuring, managing and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis.

The risk management function assists in the implementation of risk management measures by the business units in order to ensure that the process and controls in place at the first line of defense are properly designed and effective.

The compliance function monitors compliance with legal and regulatory requirements and internal policies, provides advice on compliance to the management body and relevant employees and establishes policies and processes to manage compliance risks and to ensure compliance. Both functions may intervene to ensure the modification of internal control and risk management systems within the first line of defense where necessary.

3. The third level comprises the internal audit unit. Third line conducts risk-based and general audits and reviews the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied. The internal audit function is in charge also of the independent review of the first two lines of defense. The internal audit function performs its tasks fully independently of the other lines of defense.

Internal audit was conducted in 2021 by in-house internal auditor Anna-Mari Oomer

Remuneration policy

The Group has developed a unified remuneration policy that has been approved by the Remuneration Committee and Supervisory Board. Adherence to objectives set by Remuneration Policy is controlled by the internal auditor.

The compensation structure consists of two components - basic salary, which is fixed pay agreed between employee and the Group within the employment contract; performance fee, which is an additional pay decided on the Group's resolution (bonus).

Bonuses are paid by the end of the calendar year to employees based on the contribution for achieving the Group's goals. The basic salary and performance fee are reasonably balanced. The sum of performance fee is confirmed by the Supervisory Board. The Group does not have employees whose remuneration would exceed at least one million euros per year.

In addition to monetary incentives, the employees also have non-monetary benefits such as flexible working hours, possibility to work from home, different common activities and benefits for sporting. The employees work under employment contracts, members of the governing bodies work under authorization agreements.

Consolidated financial key parameters

thousands of euros	2021	2020
Net interest income	13 427	13 220
Net fee income (expense)	-1 752	-1 554
Other income	1 698	561
Net operating income	**13 320**	**12 227**
Expenses	-7 765	-8 577
Profit before credit losses	**5 555**	**3 650**
Net allowance for credit losses on financial instruments	-4 313	-2 366
Income tax	-233	-219
Profit (loss) for the year	**1 009**	**1 065**
Net profit attributable to owners of the parent	992	1 269
Average assets	83 318	66 900
Average equity attributable to owners of the parent	18 340	17 810
Net loan portfolio as at the end of the period	61 954	57 233
Total assets as at the end of the period	88 930	77 705
Total deposits as at the end of the period	64 311	55 805
EBITDA, th.EUR	7 315	4 988
ROA %	1,2%	1,9%
ROE %	5,5%	7,1%
AU %	19,6%	22,0%
CFROI %	29,5%	20,5%
CIR %	58,3%	70,1%
NIM %	24,7%	27,1%
SPREAD %	24,7%	25,0%
Loan to asset %	69,7%	73,7%
Loan to deposits %	96,3%	102,6%
Capitalization ratio %	29,4%	34,0%
Gross non-performing loan ratio %	5,1%	7,0%
Equity ratio %	20,5%	23,7%
LCR %*	224,3%	258,9%
NSFR %*	161,7%	157,3%
Leverage ratio %*	20,7%	19,5%

Explanations:
*Capital adequacy levels (LCR, NSFR, leverage ratio) are calculated according to COREP report as at the end of the period on unconsolidated level.
EBITDA (profit/loss before taxes, depreciation and interest expense)
Return on assets (ROA) = net profit (attributable to owners of the parent company) / average assets * 100
Return on equity (ROE) = net profit (attributable to owners of the parent company) / average equity (attributable to owners of the parent) * 100
Asset utilization (AU) = total revenue / average assets * 100
CFROI = Operating profit / average equity (attributable to owners of the parent) * 100
Cost to income ratio (CIR) = total operating expenses / net operating income * 100
Net interest margin (NIM) = net interest income/average interest earning assets * 100
Spread = yield on interest earning assets – cost of interest-bearing liabilities
Loan to asset = net loans / total assets * 100
Loan to deposits = net loans / deposits * 100
Capitalization ratio = total equity / net loan portfolio * 100
Gross non-performing loan ratio = gross non-performing loan portfolio / total gross loan portfolio * 100

Capital base

thousands of euros

	31.12.2021	31.12.2020
Paid-in share capital	50	50
Share premium	14 471	14 471
Other reserves	5	5
Accumulated profit	5 421	4 259
Profit or loss eligible	1 219	1 163
Financial sector entities where the institution has a significant investment	-5 151	-2 898
Intangible assets (subtracted)	-788	-2 300
The applicable amount of insufficient coverage for non-performing exposures	-2	-2
Tier 1 own funds	15 225	14 747
Additional Tier 1 capital	0	0
Total Tier 1 capital	15 225	14 747
Total Tier 2 own funds	3 500	0
Total net own funds	**18 725**	**14 747**
Capital requirements		
Regional governments or local authorities	4	8
Credit institutions under standard method*	2 563	1 754
Retail exposure under standard method	32 694	37 895
Corporates exposure under standard method	753	7 428
Residential mortgages	123	0
Commercial mortgages	780	0
Overdue exposure under standard method	3 777	5 432
Other assets under standard method	3 563	4 505
Total capital requirements for covering the credit risk and counterparty credit risk	**44 258**	**57 022**
Capital requirement against foreign currency risk under standard method	2 874	1 624
Capital requirement for operational risk under base method	18 590	15 133
Total capital requirements for adequacy calculation	**65 722**	**73 778**
Capital adequacy (%)	23,2%	20,0%
Tier 1 Capital Ratio (%)	23,2%	20,0%
Core Tier 1 Capital Ratio (%)	28,5%	20,0%

*Standard method – as defined by Regulation (EU) No 575/2013 of the European Parliament and the Council of 26 June 2013 on Prudential requirements for credit institutions and investment firms, Part III, Title 2, Chapter 29.

Social responsibility and creation of economic value

Holm Bank inspires people to live actively and being sporty. We believe in the saying that in a healthy body lies a healthy spirit and try to keep a balance in everything we do and encourage others to do the same.

For many years, we have supported various topics related to culture and sports in order to contribute to society at large.

In 2021, we supported several music events in Estonia, such as TAFF: fest and Augustibluus, both held in Haapsalu, and Pärnu Harmonica Festival, where concerts took place in three cities - Haapsalu, Pärnu and Tallinn.

Holm considers important the sustainability of domestic sports and the constant growth of young athletes, as well as the sporty lifestyle in general. By supporting sports, we try to give opportunities to young athletes and bring more and more young people to different sports.

• Starting with the youngest - we have been supporting the children's and youth hobby club Kratila for several years now, which is located in Haapsalu with a main center and which cultivates the idea that sports and exercise are a nice and natural part of everyday life.

• We are a long-term core sponsor of Welco- a top and amateur football club in Tartu. In the summer of 2021, with the support of Holm, the Welco home stadium was opened in Tartu directly opposite the ERM, which began to be called Holm Park. "Athletes need to have good training conditions, which is one of the bases that will help them achieve better results in the future. It is an environmentally friendly sports complex with two solar panel parks and a herb garden serving Tartu restaurants, which operates on the principle of a circular economy. In buildings the wood is dominating, which is the most environmentally friendly building material because it sequesters CO2," says Rauno Klettenberg, CEO of Holm Bank.



• We support the Tartu cycling club Ampler Team, where ambitious young cyclists bring great podium places from the competition and thanks to which Holm's name is constantly visible - after all, cycling is one of the most widely practiced areas in Estonia.

• We also supported the Haapsalu basketball team, whose goal is to reach the Estonian Champions League. We want to support young athletes and enable young people to make their dreams come true - to represent their hometown and once again their country at major sporting events.



• As sport is important regardless of the season, we also started supporting skiers, Team NJW, who take part in various marathons. Henri Roos, a member of this team, will represent Estonia in cross-country racing at the Beijing Winter Olympics.



• Holm supports in organizing of several equestrian competitions, among which the Tallinn International Horse Show and Classic Pärnu are worth mentioning, the latter taking place right on the beach sand of Pärnu in the middle of the summer and offering joy to equestrian enthusiasts and the wider audience.

• Holm Bank's name is visible and well-known among sailors. Holm's yacht Matilda 4 was awarded the C-class world champion at the World Championships in Offshore Sailing in Tallinn in August 2021. The team included members of the Supervisory Board of Holm Bank Arne Veske and Kelly Veske.

Holm people follow the same beliefs that the company supports - to live a healthy and sporty life. Holm often hosts events with built-in sporting elements, joint trips to nature, as well as health training, such as a first aid course, an eye health lecture and examination, etc.

Hopefully, leaving behind the difficult Covid-19-time, we state that it is the sporty movement in the open air that has kept the bank's employees healthy and full of energy and the desire to contribute to the bank's success.

Economic value created by the Group

thousands of euros	2021	2020
Paid CIT	**327**	**184**
inc. Estonia	269	177
inc. Latvia	58	7
Paid labor taxes	**1 924**	**1 709**
inc. Estonia	1 806	1 504
inc. Latvia	118	205
Paid VAT	**232**	**179**
inc. Estonia	136	145
inc. Latvia	96	34
Total taxes paid	**2 156**	**2 073**
Net salaries paid	**2 684**	**2 334**
inc. Estonia	2 269	1 911
inc. Latvia	415	423
Jobs created	**14**	**35**
inc. Estonia	14	16
inc. Latvia	0	19
Paid to suppliers	**6 374**	**9 187**
inc. Estonia	4 953	5 328
inc. Latvia	1 421	3 859
Investments made	**4 323**	**1 000**
inc. Estonia	4 302	985
inc. Latvia	21	15
Dividends paid	**0**	**345**



Responsible lending

The principles of responsible lending in the Group shall be based on good banking practice and high ethical standards and principles of responsible lending. The activities of the Group should in no way compromise generally accepted ethical, environmental, and legal principles nor should the Group have transactions with counterparts suspected to have of questionable morality. A customer relationship is based on mutual trust.

When making positive loan decisions, we believe in the integrity, ability, and financial capacity of the customer to perform its obligations both for the private individual and, in case of business customers. We do not credit customers when it is likely that they are not able to service their liabilities. Credit granting procedures shall be composed in compliance with the principles of responsible lending and approved by the Management Board.

Consolidated financial statements

Consolidated statement of comprehensive income

thousands of euros	Note	2021	2020
Interest revenue calculated using the effective interest method		14 707	14 166
Interest expense calculated using the effective interest method		-1 280	-947
Net interest income	**5**	**13 427**	**13 220**
Fee income		0	6
Fee expense		-1 753	-1 560
Net fee income (expense)	**6**	**-1 752**	**-1 554**
Other income	7	1 645	561
Net operating income		**13 320**	**12 227**
Personnel expenses	8	-3 654	-4 112
Administrative and other operating expenses	8	-3 631	-4 020
Other expenses	8	0	-61
Depreciation and amortisation expense	8,13-16	-481	-383
Credit loss expense on financial assets	8,11	-4 313	-2 366
Total operating expenses		**-12 078**	**-10 943**
Profit (loss) before income tax		**1 241**	**1 284**
Income tax	9	-233	-219
Profit (loss) for the year		**1 009**	**1 065**
Equity hoIders of th e parent		992	1 269
Non-controlling interest		16	-204
Total other compehensive income (loss) for the year		**0**	**0**
Total comprehensive income (loss) for the year		**1 009**	**1 065**
Equity hoIders of th e parent		992	1 269
Non-controlling interest		16	-204

Notes on pages 27 to 94 are an integral part of the consolidated financial statements.

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Consolidated statement of financial position

thousands of euros	Note	31.12.2021	31.12.2020
Assets			
Cash and balances with central bank	10	3 048	3 048
Amounts due from credit institutions	10	13 979	10 103
Receivables from customers	12	123	244
Loans and advances to customers	11	61 954	57 233
Other assets	12	1 142	1 886
Investment property	13	964	1 008
Property, plant and equipment	14	644	682
Right-of-use assets	15	932	1 200
Intangible assets	16	6 143	2 300
Total assets		**88 930**	**77 705**
Liabilities			
Deposits from customers	17	64 311	55 804
Loans received	17	174	50
Bonds and other securities	17	3 523	0
Right-of-use liabilities	15	976	1 225
Other liabilities	18	1 711	1 147
Total liabilities		**70 695**	**58 226**
Equity			
Share capital	19	50	50
Share premium	19	14 471	14 471
Statutory reserve	19	5	5
Retained earnings	19	3 709	3 919
Total equity attributable to parent		18 235	18 444
Total equity attributable to non-controlling interest		0	1 035
Total equity		**18 235**	**19 479**
Total liabilities and equity		**88 930**	**77 705**

Notes on pages 27 to 94 are an integral part of the consolidated financial statements.

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Consolidated statement of cash flows

thousands of euros

	Note	2021	2020
Paid interests		-940	-1 050
Cash payments for the interest portion of the lease liability	15	-15	-3
Received interests		14 370	14 054
Paid fees		-196	-170
Received fees		9	53
Paid out to customers		-57 704	-57 023
Loan principal repayments		48 137	45 275
Paid out to related parties		-1 999	-3
Repayments of related party loans		1	0
Received loans	17	187	0
Principal repayments of received loans	17	-13	0
Principal repayments of related party loans	21	-50	-250
Changes in limit account		3 450	-1 673
Received deposits		22 112	35 078
Deposit repayments		-13 008	-14 924
Change in CB reserves and interest claims		0	-1 550
Paid prepayments		-635	-213
Received prepayments		375	241
Paid trade payables		-6 374	-9 187
Received debts from buyers and received other claims		782	405
Received from written off loans	11	1 333	447
Paid net salaries		-2 684	-2 334
Paid tax liabilities, exc. CIT		-1 924	-1 709
Paid CIT (corporate income tax)		-327	-184
Cash flows from operating activities		**4 886**	**5 278**
Additions of property, plant, equipment and intangible assets		-2 070	-1 000
Received from the sales of property, plant, equipment and intangible assets		1	0
Cash flows from investing activities		**-2 070**	**-1 000**
Repayment of principal portion of lease liabilities	15	-135	-130
Redemption of minority shares	4	-2 253	0
Dividends paid	19	0	-345
Received from issuing bonds	17	3 500	0
Cash flows from financing activities		**1 113**	**-475**
Change in cash and cash equivalents		**3 929**	**3 803**
Cash and cash equivalents at the beginning of the period		**10 103**	**6 299**
Net increase/(decrease) in cash and cash equivalents		3 929	3 803
Net foreign exchange differencies		-53	1
Cash and cash equivalents at the end of the period	**10**	**13 979**	**10 103**

Cash and cash equivalents comprise		**31.12.2021**	**31.12.2020**
Cash on hand		0	0
Non-restricted current account	10	13 979	10 103

Notes on pages 27 to 94 are an integral part of the consolidated financial statements.

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Consolidated statement of changes in equity

thousands of euros	Note	Share capital	Share premium	Statutory reserve	Retained earnings	Total	Non-controlling interest	Equity
Balance as at 01.01.2020		**50**	**14 471**	**5**	**2 649**	**17 175**	**1 238**	**18 413**
Profit for the year		0	0	0	1 269	**1 269**	-204	**1 065**
Other comprehensive income		0	0	0	0	**0**	0	**0**
Total comprehensive income (loss)		**0**	**0**	**0**	**1 269**	**1 269**	**-204**	**1 065**
Balance as at 31.12.2020		**50**	**14 471**	**5**	**3 919**	**18 444**	**1 035**	**19 479**
Balance as at 01.01.2021		**50**	**14 471**	**5**	**3 919**	**18 444**	**1 035**	**19 479**
Profit for the year		0	0	0	992	**992**	16	**1 009**
Other comprehensive income		0	0	0	0	**0**	0	**0**
Total comprehensive income (loss)		**0**	**0**	**0**	**992**	**992**	**16**	**1 009**
Redemption of minority shares	4	0	0	0	-1 202	**-1 202**	-1 051	**-2 253**
Balance as at 31.12.2021		**50**	**14 471**	**5**	**3 709**	**18 235**	**0**	**18 235**

Notes on pages 27 to 94 are an integral part of the consolidated financial statements.

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Notes to the consolidated financial statements

Corporate information

Holm Bank AS together with its subsidiary provides retail and corporate banking. The main area of activity is the issuance of small loans in the form of consumer loans, instalments, credit cards, leasing and business loans. Group grants credits in Estonian and Latvian marketplaces, and until November 2021 also in Sweden. Deposits are involved in Estonian, German and Austrian markets.

The Bank is a credit institution with a concentrated circle of owners. The ultimate controlling party of Holm Bank AS is OÜ Koduliising, whose sole shareholder is Arne Veske.

The registered address of the Bank is Posti tn 30, Haapsalu City, Estonia.

On April 2nd 2019, the European Central Bank issued a credit institution license to Holm Bank AS (Decision No. 4.1-1 / 14 of the Management Board of the Financial Supervision Authority of 06.03.2017).

Since February 2021 the Group has been the owner of 100% shares in Latvian entity Holm Bank Latvia SIA, when the minority of 48,93% was acquired. The acquisition took place as a result of a transaction between companies under common control (see Note 4).

Since August 2020, a virtual card service was offered as a cross-border service in the Swedish market. By the end of 2021, the sales targets could not be realized, which was primarily limited by the poor credit quality and high risk of fraud. In November, the Supervisory Board decided to close down the cross-border operations in the Swedish market.

By the end of the year, the bank had incurred a loss of 1453 thousand euros in connection with the Swedish market, the total loss from the Swedish market has been 1,942 thousand euros.

The consolidated financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of Management Board on 7th March 2022.

The shareholder of the Group have the right for compelling reasons not to approve the prepared report and to demand the preparation of a new report.

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Basis of preparation

In addition to Holm Bank AS, the consolidated financial results presented in current 2021 report include also financial results of Holm Bank Latvia SIA, in which Holm Bank AS had until February 2021 51,07% direct ownership, and after that 100%.

Current consolidated financial statements of 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These statements have been prepared on a historical cost basis and on going concern basis (see also Note 23) and are presented in euros and all values are rounded to the nearest thousands except when otherwise indicated.

The preparation of consolidated annual report in accordance with IFRS requires the Management Board to use critical accounting estimates in certain areas (see Note 2).

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle assets/liabilities item of the corresponding financial statement line.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 3.19.

The original consolidated financial statements of the Group have been prepared is Estonian. In case of any conflicts with the version translated into English, the Estonian version shall prevail.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2021.

Subsidiary is an entity over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Intra-group receivables and liabilities, transactions and unrealized gains and losses on transactions between the Group entities are eliminated in full upon consolidation.

Profit or loss and each component are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Subsidiary

Financial statements of the subsidiary have been amended, where necessary, to bring its accounting principles into conformity with the accounting principles adopted by the Bank. The financial year of the subsidiary coincide with the parent financial year. The subsidiary is consolidated in the financial statements from the date on which control is transferred to the Group.

Business combinations under common control are accounted for using the pooling of interest method. Under the pooling of interest method, the acquirer accounts for the combination by recognizing the assets and liabilities of the acquire at their carrying amounts.

No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method.

Goodwill does not arise from the recognition of such a business combination. The difference between the cost of the acquisition and the carrying amount of the acquired net assets is recognized in equity. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities.

Any transaction costs of the combination are expensed

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immediately in the statement of comprehensive income. Comparative amounts have not been restated as if the combination had taken place at the beginning of the earliest comparative period presented. Instead, the Bank accounts for the combination prospectively from the date on which it occurred.

In consolidated statement of comprehensive income non-controlling interest's share of profit or loss is presented separately from profit or loss attributed to owners of the parent. Also non-controlling interest's share in subsidiary's equity is recognized in consolidated statement of financial position separately from the equity attributable to the owners of the parent.

Unconsolidated primary financial statements of the parent disclosed in the notes to the consolidated financial statements

The parent company's primary financial statements in Note 22 are prepared using the same accounting principles that have been used for preparing the consolidated financial statements, except for the investment in the subsidiary, which is measured at cost in the unconsolidated financial statements, and which is tested for impairment in case indications of impairment exist.

Recognition of interest income and expenses

Under IFRS 9 interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets and purchased or originated credit impaired (POCI) financial assets.

If a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3' (NPL), the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

The credit risk-adjusted effective rate is the rate that exactly discounts estimated future cash flows (including credit losses) to the amortized cost of a financial asset that is estimated to be impaired. Thus, other characteristics of potentially different interest rates and product life cycles are taken into account at different stages.

The assessment of cash flows bases on the assumption that the customer makes payments in accordance with the agreed terms.

Recognition of other fees

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time. Expenses that are directly related to the generation of fee income are recognized as fee deduction.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Terms and conditions related to the loan contracts set each party's rights and obligations in the credit relation and are approved by both parties; this includes also after-sales services provided by the Group.

The Group has not identified any terms or obligations under customer contracts to which IFRS 15 would apply.

Foreign currency transactions, assets and liabilities

The functional and presentation currency of the Group is Euro. For each entity in the group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

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Monetary assets and liabilities denominated in a foreign currency have been translated into euros based on the foreign currency exchange rates of the European Central Bank prevailing on the statement of financial position date. Transactions

in foreign currencies are initially recorded in the functional currency at the spot currency exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from revaluation are recognized in the statement of comprehensive income as finance income and expenses of that period.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 —** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value hierarchy for financial instruments is disclosed in Note 3.20.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position and cash flows comprise non-restricted cash at banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Group's consolidated and unconsolidated cash flow statements are prepared by using the direct method for the reflection of operating activities.

Accounting principles of financial instruments

Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Group recognizes balances due to investors when funds are transferred to the Group.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value (as defined in Note 3.20) and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Group classifies all of its financial assets based on the asset's contractual terms, the Group's business model and SPPI assessments - measured at either:

- Amortized cost
- FVOCI
- FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Currently no trading and derivative instruments are recognized in this report.

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Financial assets - classification and subsequent measurement

Debt instruments

Debt instruments are those instruments which meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on: - the Group's business model for managing financial assets; and - the contractual cash flow characteristics of the financial asset.

Business model: the business model reflects how the Group manages the financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for management of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the Group are compensated.

The Group's business model for unsecured consumer loans is to collect contractual cash flows. Nevertheless, in 2020 the Group has taken steps and sold debt instruments in Latvia, after identifying significant increase in credit risk.

Cash flow characteristics of the asset: where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to additional risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Based on these factors, the Group measures its debt instruments into one of the three measurement categories:

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit or loss, are measured at amortized cost.

- Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income.

- Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

During the reporting period, the Group has measured all its debt instruments at amortized cost.

There were no changes in the classification and measurement of financial liabilities.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets or assets after deducting all the liabilities.

Modification of loans

As per customer's request the Group may renegotiate the contractual terms. The Group regularly monitors the adequacy of the credit loss allowances for financial assets in relation to the expected credit loss over its lifetime and also takes these circumstances into account when changing the terms of the agreement, classifying the loan into forbearance if necessary. The bases of such classifications are described in more detail below in the section of Definition of default. Changes to contractual terms are normally not substantially different to the original agreement and therefore the renegotiation or modification does not result in contract derecognition. The Group recalculates the gross carrying amount of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognizes a modification gain or loss in income statement. The Group also considers potential impact in deterioration in credit risk, depending on the terms of the modification. The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecog-

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nition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Change in loan maturity
- Change in the interest rates
- Change in expected cash flows
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition.

Based on the change in cash flows discounted at the original EIR, the Group records a modification

gain or loss, to the extent that an impairment loss has not already been recorded (see Note 5).

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than 10%. For financial assets, this assessment is based on qualitative factors.

Derecognition of financial assets

Financial assets are derecognised from the statement of financial position when a change in the contractual terms results in a material change in the contractual cash flows, as described in the previous paragraph. The Group also writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Financial assets are derecognized when collection is no longer considered probable. Based on the Group's previous practice regarding the decrease in the probability of receivables collection, automatic write-offs for receivables over 365 days past due have been systematically implemented. Collection is not limited to write-offs and will be continued as off-balance sheet.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount, and after that derecognized. Any subsequent recoveries are credited to other income.

Financial liabilities

Financial liabilities are initially recognized on the balance sheet at their acquisition cost. After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Impairment of financial assets

The allowance model of the Group is an expected loss model, which means that it is not necessary for a loss event to occur before an allowance loss is recognized. As a result, all financial assets of the Group generally carry a loss allowance.

ECLs are a probability-weighted estimate of credit losses over the expected life of a financial instrument. Credit losses are the present value of expected cash shortfalls.

The assessment of ECLs is based on reasonable and supportable information – that is, information reasonably available without undue cost or effort at the reporting date.

Allowance is measured at an amount equal to 12-month ECLs, lifetime ECLs or changes in lifetime ECLs. Allowance is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

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If a significant increase in credit risk of an instrument has occurred since initial recognition, then allowance is measured as lifetime ECLs. If the credit risk on financial instruments, for which lifetime ECLs have been recognized, subsequently improves so that the requirement for recognizing lifetime ECLs is no longer met, then the loss allowance is measured at an amount equal to 12-month ECLs.

The measurement of ECLs reflects:

- an unbiased and probability-weighted amount,
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort.

The methods used by the Group to measure ECLs may vary based on the type of financial instrument and the information available.

The allowance loss (or reversal) recognized in profit or loss is the amount required to adjust the loss allowance to the appropriate amount at the reporting date.

Cash shortfalls

A cash shortfall is the difference between cash flows due to the Group in accordance with the contract; and cash flows that the Group expects to receive. Cash shortfalls are identified as follows:

- for 12-month ECLs cash shortfalls resulting from default events that are possible in the next 12 months (or a shorter period if the expected life is less than 12 months);
- for lifetime ECLs cash shortfalls resulting from default events that are possible over the expected life of the financial instrument.

Debt collection costs

The Group typically incurs costs in collecting its debts. These might include the following:

- Employee benefits for collections staff, telecommunications, postage and legal and court fees. These are generally recognized as operating expenses when they are incurred in accordance with the IFRS requirements applicable to such items.
- The costs of obtaining and selling collateral that is part of the contractual terms of a debt instrument, which are reflected in the estimate of expected cash shortfalls on a collateralized financial asset.

ECLs may be measured on an individual or collective basis. ECLs on individually large exposures are measured individually if the Group has reasonable and supportable information that is available without undue cost or effort to measure ECLs on an individual basis.

Otherwise, collective basis of measurement is used. To measure ECLs on a collective basis, financial instruments are grouped on the basis of shared credit risk by instrument type and credit risk ratings.

Collective basis of ECL measurement is performed for the following financial instruments:

- Instalments;
- Consumer loans;
- Car loans;
- Credit cards;
- Business loans.

More detailed segmentation may be applied for allowance purposes as appropriate for model development.

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments'. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). Details on how the Group determines if there has been a significant increase in credit risk are set out in Note 3.4 -3.14.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on collective basis.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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Stage 1 — The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2 — When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 — For loans considered credit-impaired, the Group recognizes the lifetime expected credit Iosses. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The internal credit rating for these customers is black.

Group didn't have POCI assets as of 31.12.2021 and 31.12.2020.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Impairment losses and releases are accounted for as an adjustment of the financial asset's gross carrying value.

The main parameters the Group uses in assessing credit risk are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Definition of default

The Group considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments, which exceed absolute and

relative materiality thresholds (for retail 1% relative and 100 euros absolute and for non-retail 1% relative and 500 euros absolute) or if the correspondent event should result in treating the customer as defaulted. The Group has aligned its definition of credit impaired assets under IFRS 9 to the European Banking Authority (EBA) definition of non-performing loans (NPLs).

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations.

Such events include:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 12 consecutive months.

The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Group's Credit Risk Department operates its internal rating models, by running separate models for its key portfolios in which its customers are rated with colors from white to black for internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

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Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contractor otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default

The Loss Given Default reflects the economic loss that may occur in the event of default of more than 90 days on the basis of country specific loss rates identified using historical loss statistics.

By the end of 2021, the Group had received sufficient input on the behavior of the Latvian subsidiary's portfolio, which enabled the application of local statistics in the model, unlike in 2020, when Estonian statistics were implemented due to the too short group history in Latvia. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI receivables. The inputs for these LGD rates are estimated and, where possible, calibrated through backtesting against recent recoveries. These are repeated for each economic scenario as appropriate.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate.

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail and corporate lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

Probability of default

The definition of probability of default corres-ponds to the definition used in Group risk management. This is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The probability of default reflects how high is the probability that the loan customer will experience a settlement default of more than 90 days by the 12th month after the assessment.

Forward looking information

In its ECL models, the Group relies on the following forward-looking information as economic input (Note 3.10-3.11):

- Unemployment rate
- Labor productivity and unit labor cost
- Average gross wages growth

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The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustment when such differences are significantly material.

Time horizon

Generally, time horizon used to analyze the information from the past is considered at least 12 month. 12-month-horizon is also used the other way for forward-looking estimates.

Assessing significant increase in credit risk

At each reporting date assessment is performed to determine whether the credit risk on a financial instrument has increased significantly since initial recognition.

Significant increase in credit risk is considered to have taken place if any of the following criteria is met:

- The contractual payments of the lending exposure are past due for more than 30 days;
- Internal credit grading system rates the borrower to be with a significant increase in credit risk.
- As a part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay.

Assessment of significant increase in credit risk is performed on a collective basis unless financial instruments are measured for ECLs on an individual basis.

For the purpose of assessing significant increases in credit risk on a collective basis, financial instruments are grouped on the basis of shared credit risk characteristics. Shared credit risk characteristics are instrument type and credit risk ratings.

The aggregation of financial instruments may change over time as new information becomes available.

The presumption that credit risk on a financial instrument has increased significantly when payments are more than 30 days past due can be rebutted only if the Group has reasonable and supportable information demonstrating that even if contractual payments are more than 30 days past due, this does not represent a significant increase in credit risk. For example, this might be the case if non-payment was an administrative oversight instead of resulting from the borrower's financial difficulty.

Credit grading system

Significant increase in credit risk is identified on the borrower's credit rating since initial recognition. Information obtained from credit grading system is used as a supplement to form an appropriate basis for identifying significant increases in credit risk.

Payment practice of borrowers may improve, and this is influenced in the credit grading system. However, improvement can happen grade-by-grade (e.g. if the credit grading system has been black, it can only improve to red).

Description of the internal credit grading system are the following:

- **White —** new contract that has no historical information and contractual payments have been due not more than 30 days. This includes contracts where the customer is still relatively unknown and his/her payment history is insufficient to make more up-to-date credit decisions.
- **Green —** contractual payments have been paid on time or at a maximum been due for 7 days. The improvement can only take place by one step throughout the contract period, provided that the customer's payment behavior has been impeccable in the last 3 months, ie can be improved to green.
- **Yellow —** contractual payments have been due for 8 – 30 days (customers with known history). The improvement can only take place by one step throughout the contract period, provided that the customer's payment behavior has been impeccable over the last 3 months, ie can improve to green.
- **Red —** contractual payments have been due for 31 – 90 days. The improvement can only take place by one step during the entire contract period, provided that the customer's payment behavior has been impeccable during the last 3 months, ie it cannot be better than yellow. Contracts with higher risk due to the economic sector must immediately fall into this rating class. During reporting period the contracts related to restaurants, accommodation services and travelling sectors were automatically classified as carrying higher risk.
- **Black —** contractual payments have been due for over 90 days. Improvement can take place in condition that the customer's payment behavior has been impeccable within the last 3 months. However, it can

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only go back one level from the black rating to red. In the case of forbearance, the improvement can only take place if the payment behavior is correct during last 12 months and by only one step throughout the contract period.

The following table illustrates an overview of the assessment of a significant increase in credit risk based on a days past due classification, but is not exhaustive and the other criterias described above must be considered in conjunction with the table below:

Credit grade	White	Green	Yellow	Red	Black
Past due days information	0 days	0-7 days	8-30 days	31-90 days	Over 90 days
SICR	NO SICR			SICRS	Defaulted

Developing macro-economic scenarios

Macro-economic scenarios are developed internally. Externally developed forecast is consulted when developing macro-economic scenarios. Possible sources include (but are not limited to) European Central Bank, Bank of Estonia, Bank of Latvia, and local Ministries of Finance.

Macro-economic scenarios are monitored actively and developments in macro-indicators are incorporated as new data becomes available. The macro-economic scenarios developed are documented separately.

Macro indicators for the ECL model have been chosen based on statistical analysis of correlations between the macro indicators and the observed external proxies of default rates. Stock of loans overdue data from Bank of Estonia and Bank of Latvia were used as a proxy of default rates. The following macro indicators were used for statistical analysis:

- Unemployment rate
- Average gross wages growth
- Gross domestic product change
- Consumer price index change

Only variables that have at least a moderate or higher correlation been selected as appropriate macro indicators for macro-economic scenario developments. Selected macro indicators used for macro-economic scenarios are the following:

- Unemployment rate shows strong observed correlation and significance with the proxy default rate. Lower unemployment rate means borrowers are able to repay the loans. Higher unemployment rate reduces the borrower's ability to repay the loans.

- Average gross wages growth is strongly correlated with the default rates. Higher incomes give the ability for the borrowers to repay the loans. Lower incomes decrease the ability of the borrowers to repay the loans.

- Gross domestic product is the indicator which is calculated as the ratio of real gross domestic product to the average population of a specific year. It is a limited measure (for example not including unpaid household work nor considering negative effects of economical environmental degradation), but gives input of economic activity and is also used as a proxy for the development in a country's material living standards.

- Consumer price index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the consumer price index are used to assess price changes associated with the cost of living. The consumer price index is one of the most frequently used statistics for identifying periods of inflation or deflation.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms of real estate and other leased assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contrac-

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tual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL.

Collateral is generally assessed, at a minimum, at inception and re-assessed on a yearly basis. Details of the impact of the Group's various credit enhancements are disclosed in Note 3.13.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Forborne and modified loans

The Group has not joined the national payment moratorium. The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include significant concerns raised by the Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised and the loan is recognized by the modified terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of 12 months has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- No indicators would allow the Bank to consider the contract as defaulted.

Property, plant and equipment and intangible assets

Property, plant, equipment and intangible assets are initially recognized at acquisition cost, consisting of the purchase price and costs directly related to the purchase.

The assets are then recognized at their acquisition cost less accumulated depreciation and accumulated losses from impairment. The straight-line method is used for depreciation and amortization of property, plant, equipment and intangible assets, the expected residual value is zero.

Property, plant, equipment and intangible assets are tested for impairment if there are any indicators of impairment (except for goodwill). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable amount.

<u>Property, plant and equipment</u>

Property, plant and equipment are items with physical substance that have useful life of more than one year. Assets with a shorter useful life are expensed as incurred.

Assets with indefinite useful life, (land, art pieces, museum exhibits and books) are not depreciated.

The estimated economic useful lives are as follows:

• Buildings	30 years
• Computer Software	10 years
• Machinery and Equipment	5 years
• IT equipment and furniture	5 years
• Land and art	not amortized

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Intangible assets

Intangible assets are recognized in the statement of financial position only if the following conditions are met:

- the asset is controlled by the Group;
- it is probable that the future economic benefits that are attributable to the asset will be collected by the Group;
- the acquisition cost of the asset can be measured reliably.

Intangible assets (except for goodwill) are amortized using the straight-line method over the useful life of the asset.

The Group tests property, plant and equipment and intangible assets (other than goodwill) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. To this end, their carrying amount is compared with their recoverable amount.

Computer software

Costs associated with the ongoing maintenance of computer software are recognized as an expense as incurred. Acquired computer software, which is not an integral part of the related hardware, is recognized as an intangible asset. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- Management Board intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources for completing the development and using the software product are available;
- the expenditure attributable to the software product during its development can be reliably measured.

Capitalized software development costs include payroll expenses and other expenses directly related to development. Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Costs expensed before the capitalization criteria are met are not recognized as an asset in a subsequent period. Computer software development costs are amortized over their estimated useful lives (up to 10 years) using the straight-line method.

Investment property

Investment property comprise land and buildings held to earn rentals or for capital appreciation or both rather than used in the Group own business

activities. Investment property is initially recognized at cost, comprising its purchase price and any costs directly attributable to its acquisition. Subsequent to initial recognition investment property is measured at cost less depreciation and impairment, if any.

Depreciation is calculated on a straight-line basis. Depreciation rates are determined separately for each investment property, depending on its useful life. The useful life of investment property is up to 30 years for buildings The items for which depreciation rates are determined separately depend directly on the timing of use of the asset. Land is not depreciated.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses arising from derecognition of investment property are recognized in profit or loss for the period.

Lease accounting

IFRS 16: Lease

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

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The Group as lessee

Based on the IFRS 16 the lessees are required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement.

Leases are recognized as a right-of-use 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 the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
See Note 15.

The Group as lessor

The Group provides lease agreement for business customers in cooperation with Nord Varaliising. The Group is offering financing for the business customers brought by Nord Varaliising and acquires the asset subject to lease. Commission fees to Nord Varaliising are paid at the moment of asset acquisition. The receivables from the finance lease agreements are recognized in net present value of the minimum lease payments, from which the payments of principal received have been deducted.

Financial income is recognized over the rental period based on the pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Initial service fees collected at issuance are included into the calculation of effective interest rate and lessor's net investment.

Lessor's direct expenses, related to the contract, are part of effective interest rate and are booked as decrease of leasing income over the period of leasing contract. Impairment losses on lease receivables are recognized in correspondent row of the statement of financial position in negative value. The lease receivable from the client is recognized in the statement of financial position of delivering the assets being the object of the agreement to the client.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Corporate income tax in Estonia

Income tax is paid on fringe benefits, gifts, donations, costs of entertaining guests, dividends and payments not associated with business activities. There are no differences in Estonia between the tax bases and residual book values of assets that could entail deferred income tax, except for the temporary differences from certain investments in subsidiary, associates and joint ventures. As the parent controls the dividend policy of the subsidiary, it is also able to control the timing of the reversal of temporary differences associated with that investment. Therefore, if the parent has decided not to distribute such profits in the near future, the parent does not recognize a deferred income tax liability. If the parent has decided that dividends will be paid, the deferred income tax liability is recognized to the extent of those payments.

Dividend is a disbursement made on the basis of the corresponding resolution of the shareholders of the Group from Net Profit or Retained Earnings, in accordance with the dividend recipient's holding in the Group. Pursuant to the Income Tax Act currently in effect, profit distributed as dividends is taxed at the rate of 20/80 on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is recognized as income tax expense in the income statement of the period in which dividends are declared, regardless of the period for which the dividends are declared or the actual payment date.

The maximum amount of income tax payable, which would arise from paying out the retained earnings as dividends, is disclosed in Note 19 to the financial statements. From 1 January 2018, credit institutions in Estonia have to pay corporate income tax from profits earned in the previous quarter. The amendment has been in force since 1 January 2018, but the first payment is calculated and declared from the profit earned in the second quarter of 2018. The income tax rate of advance payment is 14%. When distributing profits and calculating the related income tax liability, the credit institution can take into account the payment made. Only companies with profits are taxed. From 2019, tax rate of 14/86 can be applied to dividend payments. That beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding financial years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three previous years, 2018 would be the first year to be taken into account.

Corporate income tax in Latvia

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions.

Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense.

Corporate income tax on dividends is recognized in the profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

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Provisions and other contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Estonia and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Reserves

Statutory reserve

According to the Estonian Business Law § 336 (3) during each financial year, at least 1/20 of the net profit shall be transferred to the statutory reserve, until the statutory and other reserves reach 1/10 (§ 336 (2)) of share capital.

Statutory reserve may be used to cover a loss (§ 337 (1), or to increase share capital. Payments to shareholders from statutory and other reserves are not allowed (§ 337 (2).

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Related parties

The following are considered to be the Group's related parties in a context of the consolidated financial statements: persons named in Credit Institutions Act § 84 (1)-(3). Consequently, the related parties are the managers of the credit institution, the sole shareholder of the group or persons with an equivalent interest (spouses, children and parents).

Offset of the assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

During current reporting period the Group has made no offset between financial assets and liabilities.

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Note 1

Adoption of new or revised standards and interpretations

The accounting policies have been applied consistently to all periods presented, except for the following new and / or amended IFRSs, which have been applied since 1 January 2021:

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. The amendments had no impact on the financial statements of the Group.

IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment had no impact on the financial statements of the Group.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

Management has assessed that the amendments will have no significant impact on the Group's consolidated financial statements.

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IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

Management has assessed that the amendments will have no significant impact on the Group's consolidated financial statements.

New accounting pronouncements

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

As per Management Board there shall be no significant impact on the Group's current financial statements as the amendments are not effective, as well after the pronouncements will be effective.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required.

The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

The Group presents the statement of financial position in the order of liquidity, therefore as per Management Board this change will have no material effect (except for the notes, which describe current and non-current assets and liabilities).

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IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

Management has assessed that the amendments will have no significant impact on the Group's financial statements.

IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Any reduction in lease payments affects only payments originally due on or before 30 June 2022.

There is no substantive change to other terms and conditions of the lease.

Management has assessed no significant impact on the Group's financial statements.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The Amendments have not yet been endorsed by the EU.

Management has assessed that the amendments will have no significant impact on the Group's consolidated financial statements today. The impact on future statements will be assessed on an ongoing basis, if such situations will arise in the future.

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Note 2

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management's estimates base on the experience in the past and their best knowledge, which is considered reasonable in current circumstances. Forward-looking estimates are based on known and past events and their consequences. Management regularly reviews such decisions and updates them when there exist indications that would require such changes in the estimates.

Estimates include the fair value of financial instruments, impairment losses on loans, impairment of tangible and intangible assets, provisions and the recognition of contingent assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/ estimates involved.

Impairment losses on financial assets

The expected credit loss model follows a "three-stage" approach based on changes in the credit quality of the financial instruments since their initial recognition.

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as the account becoming forborne. In certain cases, the Group may also consider that events are a significant increase in credit risk as opposed to a default.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as unemployment, unit labour and wages growth.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The forward-looking adjustment is performed by comparing the forecasted economic inputs change for one year from reporting date, with the latest growth and rate changes available.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. See Notes 3.11, 3.12 and 12.

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Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The circumstances related to COVID-19 pandemic are explained in the Note 23 of current report.

Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Estonia and in other jurisdictions, arising in the ordinary course of the Group's business. When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

No significant litigation was identified that was likely to result in significant and measurable economic damage as of the reporting date. As of the reporting date, the Group has identified contingent liabilities arising from unused limits of customers, the realization of which is probable, but the amount of which cannot be accurately measured. See Notes 3.14 and 20.

Capitalization of intangible assets

For capitalization of expenses in process of developing Group's new core system and other IT systems management uses certain assumptions. Capitalization of salary expenses of IT personnel in the development phase is based on employee time sheets and personnel involved in development dedicate up to 100% of their time on developing new functionality. Therefore, up to 100% of salary expenses of involved personnel are capitalized under intangible assets. When an asset is ready for its intended use, its useful life is determined and considered whether the asset is impaired (as certain assets will be abandoned soon). In the last case, the value of the asset is reduced accordingly through the impairment of the asset in the statement of comprehensive income. See Note 16.

Determination of the lease term for lease contracts with renewal and termination options (group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).
See Note 15.

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Note 3

Risk management

Note 3.1 General information

Risk management is the processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis. The objective of the risk management framework is to ensure that whenever the Group takes reasonable risks that are required to generate reasonable returns, or whenever we put capital at risk, the Group does it in an objective, documented and transparent fashion which must be understood and considered by all Group employees and within all activities. All material risk types shall be managed via established risk management processes and communication lines with clear responsibilities assigned.

The main risks categories that the Group has identified in its operations are credit risk, market risk, liquidity risk, operational risk, business risks and capital related risks..

The Group shall continuously, as part of ICAAP/ILAAP process, re-assess and re-identify the Group´s risks and shall update main risk categories list accordingly.

Financial strength, adequate capitalization and strong liquidity position is main principle of the Group risk management. The Group shall possess a well-diversified and balanced risk exposure, over-reliant risk-taking and concentrations shall be avoided. The Group shall maintain all the time strong and rather conservative capitalization and capital adequacy. The Group shall all the time maintain adequate capital level to cover risks and shall ensure compliance with ICAAP/SREP capital requirements as well as target capital level set internally.

Sound risk culture is core priority of the Group. Risk culture is a term describing shared views, values and beliefs across the organization as well as individual attitude to risks, knowledge and understanding about risk and perception of culture. Risk culture is behaviour towards taking risk (conservative, rational, aggressive), behaviour towards policy compliance and behaviour toward negative outcomes (learning vs blaming culture) within the Group. The risk culture is set of common values and principles to manage risk and return.

The Group risk management is risk appetite driven. The Group takes risks only within risk capacity and shall ensure risk taking activities are within the Group capacity of taking such risks. The Group capital shall be all times adequate for covering all of risks and must exceed its aggregated risks. The Group must not accept a certain risk, if its capital is inadequate for covering future losses resulting from the materialization of this risk or the risk may affect the conservative liquidity position.

Maximum level and types of risk the Group is willing to assume, within its risk capacity, to achieve its strategic objectives are defined on Risk Appetite Statement established by the Supervisory Board. The risk appetite is basis for the Group risk management. Every activity and business decision must comply with the Risk appetite Statement. The Group shall accept only risks within its risk capacity and risk appetite in compliance with risk appetite metrics.

The Group main business activities are consumer and SME finance. Loan portfolio credit risk is predominantly most significant risk on the Group risk profile, where above average risk level is accepted. However, the Group shall avoid unreasonably high credit risk, using a diversified loan portfolio, a low average loan amount, a higher than average interest rate and constant monitoring of the loan portfolio quality for excessive credit risk mitigation.

The Group risk appetite to all other risk categories is rather conservative, on below average level and risks can be taken only to support core activities. The risk exposures to any such other risks, there uncertain changes in any individual position may seriously affect the Group overall risk position shall be avoided, mitigated or properly controlled.

The Group applies “three lines of defence” model to identify the functions within the Group responsible to address and manage the risks. The business units, as the first line of defence take risks and are responsible for their operational management directly and on a permanent basis. For that purpose, the necessary processes and controls are in place for business units to ensure

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that risks are identified, analyzed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities are in compliance with external and internal requirements. The second line of defence are independent risk management function and compliance functions. The risk management function facilitates the implementation of a sound risk management framework throughout the Group and has responsibility for further identifying, monitoring, analyzing, measuring, managing and reporting on risks and forming a holistic view on all risks on an individual and consolidated basis.

The compliance function monitors compliance with legal and regulatory requirements and internal policies, provides advice on compliance to the management body and relevant employees and establishes policies and processes to manage compliance risks and to ensure compliance. Third line of defence, the independent internal audit function, conducts risk-based and general audits and reviews the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied.

Note 3.2 Own funds

The Group reports the compliance to capital requirements of Holm Bank AS only on unconsolidated level. Consolidated reporting is done based on parent company's, OÜ Koduliising, level. Both, Holm Bank AS and its consolidated figures on parent level have been in compliance with externally imposed capital requirements throughout the period.

Note 3.3 Capital management

For the evaluation of the ICAAP capital requirement the Group compares aggregated risks with its capital, in order to evaluate the adequacy of internal capital.

The main elements of the Group capital management are:

- regular and continuous assessment of current capital requirements;
- continuous assessment possible future capital requirements ("capital planning");
- capital planning and allocation;
- continuous monitoring of SREP capital requirements;
- determining internal capital buffer as indicator.

If the assessment of internal capital adequacy for aggregated risks is higher than Regulatory capital requirements, the Group holds capital to at least the level of internal capital adequacy assessment.

If the assessment of ICAAP/ILAAP capital adequacy for aggregated risks is lower than Regulatory capital requirements, the Group holds capital to at least the level of Regulatory capital requirements.

As part of ICAAP/ILAAP the Group analyses the extent of each material risk that can be mitigated through capital, and other methods and procedures that should be implemented for risk management.

The Group is compliant with Estonian Credit Institution Act § 35 (2) and the initial capital requirement referred to Article 26 (1) (a)-(e) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council is fulfilled.

Group declares compliance with all regulatory requirements.

Note 3.4 Credit risk

Credit risk is a risk that the counterparty to transaction is not capable of performing or willing to perform its contractual obligations. Within credit risk the Group identified country risk and FX lending risk and concentration risk.

Credit risk arises in the Group's direct lending operations, and in its payment services, liquidity management and investment activities where counterparties have repayment or other obligations to the Group.

Credit risk in loan portfolio is most significant risk of the Group risk profile and most significant driver of the Group overall risk exposure. The Group knowingly accept moderate, above average credit risk in loan portfolio. The credit policy includes customer base with higher credit risk level and corresponding higher default rate, where higher risk is compensated with higher interest rates. At the same time the Group´s target is to avoid unreasonably high risk within loan portfolio.

The Group credit risk appetite is to avoid over-reliant risk level and risk mitigation through:

- optimal risk and return balance;
- above average interest rates level;
- below average contract maturities;
- significantly below average contract amounts;

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- well diversified portfolio, risk concentrations shall be avoided;
- above average proportion of overdues and loan losses, which at the same time shall be properly considered on product pricing;
- adequate and conservative provisioning;
- constant monitoring of off-balance items;
- well-controlled credit risk taking and risk profile;
- strict limiting and constant monitoring the loan portfolio quality.

Responsible lending is critical part of loan portfolio risk appetite.

The Group target is to hold proportion of other assets (investments, fixed assets) risk credit minimal and the Group target risk appetite is rather conservative.

Credit risk with counterparties arise from payment services which are necessary for servicing the Group's core activities and from money market activities associated with holding and management of liquid assets (mainly as exposures to credit institutions). The payment services are not considered to be the Group core business (except services which are necessary for servicing the Group's core activities).

Country risk is a specific form of risk over which the Group can exercise no direct influence, but which may lead to serious deterioration of credit quality.

For country risk mitigation the Group shall continuously monitor and assess economic, social and political developments as well as overall macroeconomic situation and regulatory environment developments. As of reporting date the Group's target markets are Estonia, Latvia and Sweden.

FX lending risk arises from issuing loans, where base currency is other than euro. As a general principle, all loans shall be issued in Euro. As of reporting date all loans issued by the Group in Estonia and Latvia were nominated in Euro, and in SEK in Sweden.

The Group concentration risk strategy is to avoid significant impact of a default of any single counterparty with well-diversified loan portfolio, where majority of single customer or connected customer concentrations are below 0,1% of total loan portfolio. Large single exposures in credit portfolio shall be avoided or mitigated properly.

Note 3.5 maximum exposure to credit risk thousands of euros	**Notes**	**31.12.2021**	**31.12.2020**
Cash and cash equivalents	10	17 028	13 151
Loans and advances to customers	11	61 954	57 233
Guarantee deposits of credit cards	12	647	666
Total financial assets		**79 629**	**71 050**
Exposures related to off-balance sheet items	20	8 922	15 120
Total maximum exposure to credit risk		**88 551**	**86 170**

Note 3.6 Credit risk measurement

Instalment

The Group offers instalment products to customers through cooperation partners both in their stores and in online stores. The purpose of the instalment payment is to pay for the purchased goods and services according to the repayment schedule. In the contract between the Group and the customer the loan amount is fixed which is to be paid to the merchant for the purchased goods / services. The maximum loan amount is 10 thousand euros and the contract period is 60 months.

Credit card

In the case of an instalment card the customer will get a personal instalment limit, within the customer can make payments in all stores and e-shops with card payment facilities around the world. The resource of the payment is a physical credit card issued to the customer and registered as a VISA co-brand program. In Sweden and in Estonia we offer virtual card services. The purpose of the instalment payment is to pay for the purchased goods and services according to the payment plan. The Group offers a 15-day-interest-free period in Estonia and Latvia and there is no monthly fee on the card. The maximum credit limit is 5 thousand euros and the maximum the instalment period is termless in Estonia, 60 months in Latvia and 36 months in Sweden.

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Small Loan

In the case of a money loan there are no restrictions to the customer's specific purchase, place of purchase or purpose of the loan. The loan amount will be transferred to the customer's current account after the loan agreement came into force. The loan limit is up to 25 thousand euros and the maximum repayment schedule is 96 months.

Leasing

The purpose of the leasing is to pay for the purchased goods according to the payment schedule. The Group offers leasing only for our business clients. The Group acquires the property selected by the Customer from the Seller and leases it to the Customer during an agreed period of time. The maximum lease amount is 250 thousand euros and maximum lease period up to 60 months.

In the end of the lease period the Seller has an obligation to purchase the property back or the Customer has option to buy out the property.

Business loan

Product called business trade credit offers a flexible and personal financing option to our small and medium sized business customers. Business loan can be used either to complete necessary stock reserves, for different investments or for other business developments. As collaterals, the Group accepts personal sureties and mortgages. The maximum amount of business loans arises from the purpose of the credit application, the creditworthiness of the applicant and other possible circumstances affecting the loan application, with period of up to 60 months.

Note 3.7 Rating thousands of euros	**Notes**	**Raiting agency**	**Credit institutions**	**Total 31.12.2021**
Central bank (The Bank of Estonia)		N/A	3 048	**3 048**
A- to A+		Standard & Poor's	2 949	**2 949**
Baa1		Moody's	7 391	**7 391**
Total	**10**		**13 388**	**13 388**

thousands of euros	**Notes**	**Raiting agency**	**Credit institutions**	**Total 31.12.2021**
Central bank (The Bank of Estonia)		N/A	3 048	**3 048**
A- to A+		Standard & Poor's	2 513	**2 513**
Baa1		Moody's	7 590	**7 590**
Total	**10**		**13 151**	**13 151**

The funds of the Group are represented on the table above according to ratings given by Standard & Poor's and Moody's and central bank is not rated.

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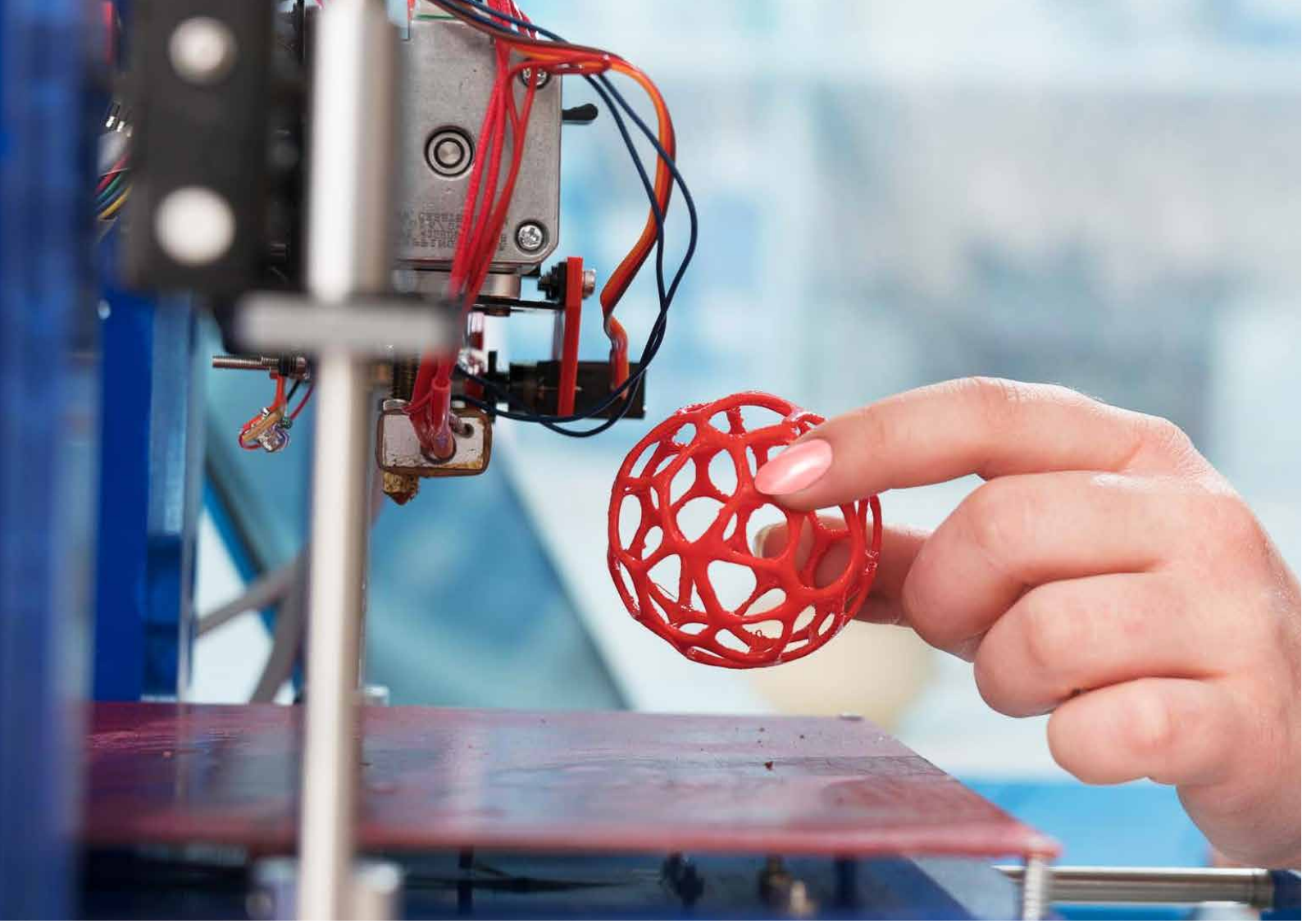
Note 3.8 Distribution of assets and liabilities by geographic region

31.12.2021 thousands of euros	Notes	Estonia	Latvia	Sweden	Germany	Austria	Total
Cash and cash equivalents	10	15 863	1 165	0	0	0	**17 028**
Guarantee deposits of credit cards	12	601	46	0	0	0	**647**
Loans and advances to customers	11	45 276	14 569	2 109	0	0	**61 954**
Total financial assets		**61 740**	**15 780**	**2 109**	**0**	**0**	**79 629**
Deposits from customers	17	25 056	0	0	35 761	3 494	**64 311**
Bonds	17	3 523	0	0	0	0	**3 523**
Loans from other institutions	17	174	0	0	0	0	**174**
Other financial liabilities	18	912	54	1	0	0	**967**
Total financial liabilities		**29 664**	**54**	**1**	**35 761**	**3 494**	**68 974**

31.12.2020 thousands of euros	Notes	Estonia	Latvia	Sweden	Germany	Austria	Total
Cash and cash equivalents	10	11 817	1 334	0	0	0	**13 151**
Guarantee deposits of credit cards	12	666	0	0	0	0	**666**
Loans and advances to customers	11	47 910	7 914	1 409	0	0	**57 233**
Total financial assets		**60 394**	**9 248**	**1 409**	**0**	**0**	**71 050**
Deposits from customers	17	20 157	0	0	31 916	3 731	**55 804**
Loan liabilities from related parties	17	50	0	0	0	0	**50**
Other financial liabilities	18	403	120	0	0	0	**523**
Total financial liabilities		**20 609**	**120**	**0**	**31 916**	**3 731**	**56 377**

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Note 3.9 Distribution of loans granted by industry (gross)

thousands of euros	Notes	31.12.2021	%	31.12.2020	%
Individuals		55 805	88,03%	54 085	90,98%
Wholesale and retail		985	1,55%	1 316	2,21%
Professional, scientific and technical activities		414	0,65%	501	0,84%
Manufacturing		965	1,52%	457	0,77%
Transport and logistics		434	0,68%	609	1,02%
Administrative activities		607	0,96%	409	0,69%
Accommodation and food service activities		334	0,53%	262	0,44%
Construction		527	0,83%	567	0,95%
Agriculture		410	0,65%	501	0,84%
Human health and social work activities		148	0,23%	203	0,34%
Other servicing activities		2 142	3,38%	139	0,23%
Activities of households as employers;		20	0,03%	44	0,07%
Art and entertainment		108	0,17%	55	0,09%
Information and communication		136	0,21%	172	0,29%
Real estate activities		315	0,50%	74	0,12%
Other areas at activities		39	0,06%	52	0,09%
Total	**11**	**63 390**	**100%**	**59 446**	**100%**

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Note 3.10 Selected macro-financial indicators

The most significant period-end assumptions, as outlined on the tables below are used for the ECL calculations as at 31 December 2021. The scenarios "base", "upside" and "downside" were used for all portfolios. The Group uses same economic variable assumptions both for private persons and companies.

General macro-financial indicators	Base scenario 2022E	Downside scenario 2022E	Upside scenario 2022E
Retail customers in Estonia and Sweden			
Wage growth/decrease, %	-0,45%	-1,99%	0,04%
Unemployment rate (change), %	-0,31%	4,69%	-1,25%
Gross domestic product (change), %	1,02%	1,33%	0,96%
Corporate customers in Estonia			
Consumer Price Index (change), %	-0,11%	-0,58%	0,19%
Unemployment rate (change), %	-0,21%	3,11%	-0,83%
Gross domestic product (change), %	0,82%	1,07%	0,77%
Retail customers in Latvia			
Unemployment rate (change), %	0,26%	2,60%	-0,13%
Consumer Price Index (change), %	-0,52%	0,13%	-0,67%
Gross domestic product (change), %	0,08%	-0,73%	0,48%

General macro-financial indicators	Base scenario 2021E	Downside scenario 2021E	Upside scenario 2021E
Wage growth, %	2,10%	1,50%	3,50%
Unemployment rate (change), %	8,50%	11,90%	7,80%
Labour productivity and unit labour cost (change), %	-1,60%	-1,70%	1,50%

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Weightings assigned to each economic scenario at 31.12.2021	Base scenario	Downside scenario	Upside scenario
Weights of economic scenarios in Estonia and Sweden	75,00%	20,00%	5,00%
Weights of economic scenarios in Latvia	65,00%	30,00%	5,00%

Weightings assigned to each economic scenario at 31.12.2020	Base scenario	Downside scenario	Upside scenario
Weights of economic scenarios in Group	75,00%	20,00%	5,00%

Note 3.11 Sensitivity analysis

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions (for example, the impact on ECL of increasing the estimated unemployment rate by percentage in each of the base, upside, downside scenarios):

31.12.2021 thousands of euros	Impact of increase	Impact of decrease
Unemployment rate (change) +1%/-1%	8	-1
Unit labour (change) +1%/-1%	3	-3
Wage growth/decrease +5%/- 5%	-9	2
Gross domestic product (change), +1%/-1%	-3	3

31.12.2020 thousands of euros	Impact of increase	Impact of decrease
Unemployment rate (change) +1%/-1%	5	-1
Unit labour (change) +1%/-1%	-1	4
Wage growth/decrease +5%/- 5%	-6	9

The Group has performed stress test scenarios when PD and LGD estimations will both increase by 1%. The impact of the described stress test to allowance is aggregated in the table below. The table includes loans, which have collective allowance, and which have material balances and potential impact.

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2021

thousands of euros	**Impact on ECL**
LGD 1% increase	49
LGD 1% decrease	-48
PD 1% growth	95
PD 1% decrease	-93

2020

thousands of euros	**Impact on ECL**
LGD 1% increase	10
LGD 1% decrease	-8
PD 1% growth	17
PD 1% decrease	-16

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Note 3.12 Distribution of loans to stages by products

Instalment thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2021				
White	2 708	105	3	**2 816**
Green	5 974	136	7	**6 118**
Yellow	652	361	4	**1 017**
Red	0	407	35	**442**
Black	0	2	429	**431**
Gross carrying amount	**9 334**	**1 011**	**479**	**10 824**
Loss allowances	-11	-24	-149	**-183**
Carrying amount	**9 323**	**988**	**330**	**10 641**

Instalment thousands of euros		**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2020					
White		4 470	219	13	**4 701**
Green		7 901	245	29	**8 174**
Yellow		871	542	25	**1 438**
Red		0	616	107	**723**
Black		0	28	921	**948**
Gross carrying amount		**13 241**	**1 650**	**1 095**	**15 986**
Loss allowances	-	31	-66	-383	-481
Carrying amount		**13 210**	**1 584**	**712**	**15 505**

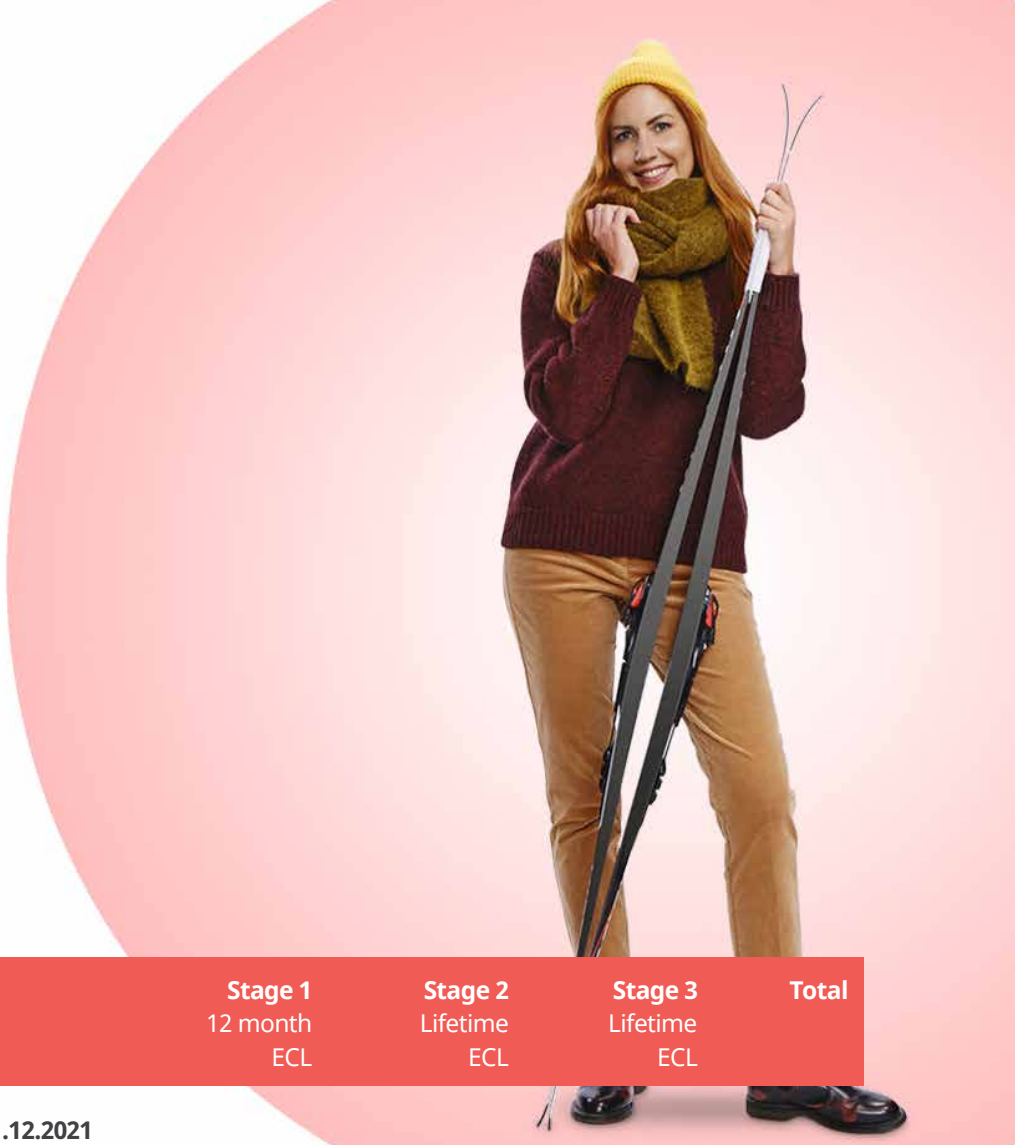
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Credit card thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2021				
White	128	0	0	**128**
Green	11 602	88	2	**11 693**
Yellow	1 692	567	2	**2 261**
Red	0	713	16	**730**
Black	0	20	1 005	**1 025**
Gross carrying amount	**13 422**	**1 388**	**1 026**	**15 836**
Loss allowances	-1	-2	-276	**-278**
Carrying amount	**13 421**	**1 387**	**750**	**15 558**

Credit card thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2020				
White	1 122	2	0	**1 124**
Green	13 006	590	18	**13 615**
Yellow	1 862	231	11	**2 104**
Red	0	859	65	**924**
Black	0	8	677	**685**
Gross carrying amount	**15 991**	**1 690**	**772**	**18 452**
Loss allowances	-185	-198	-338	**-721**
Carrying amount	**15 806**	**1 491**	**434**	**17 731**

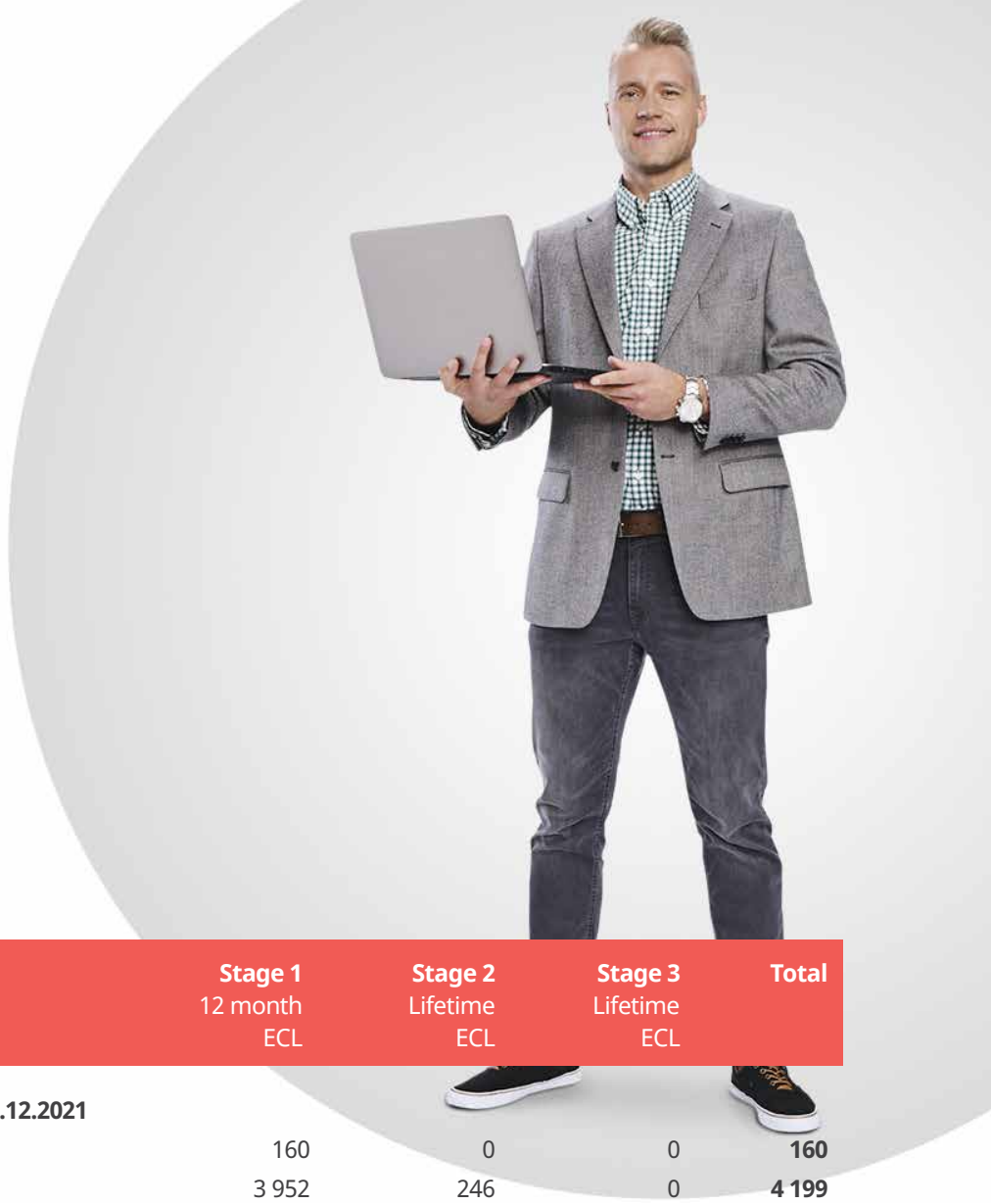
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Small loan thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2021				
White	3 460	56	0	**3 516**
Green	19 138	506	17	**19 661**
Yellow	2 066	1 164	25	**3 254**
Red	0	1 407	322	**1 729**
Black	0	4	1 070	**1 075**
Gross carrying amount	**24 664**	**3 137**	**1 434**	**29 235**
Loss allowances	-106	-263	-484	**-853**
Carrying amount	**24 558**	**2 874**	**950**	**28 382**

Small loan thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2020				
White	1 703	142	4	**1 849**
Green	11 541	561	24	**12 127**
Yellow	1 637	1 132	53	**2 822**
Red	0	1 199	116	**1 316**
Black	0	67	1 601	**1 668**
Gross carrying amount	**14 882**	**3 102**	**1 798**	**19 781**
Loss allowances	-70	-176	-623	**-869**
Carrying amount	**14 812**	**2 926**	**1 174**	**18 912**

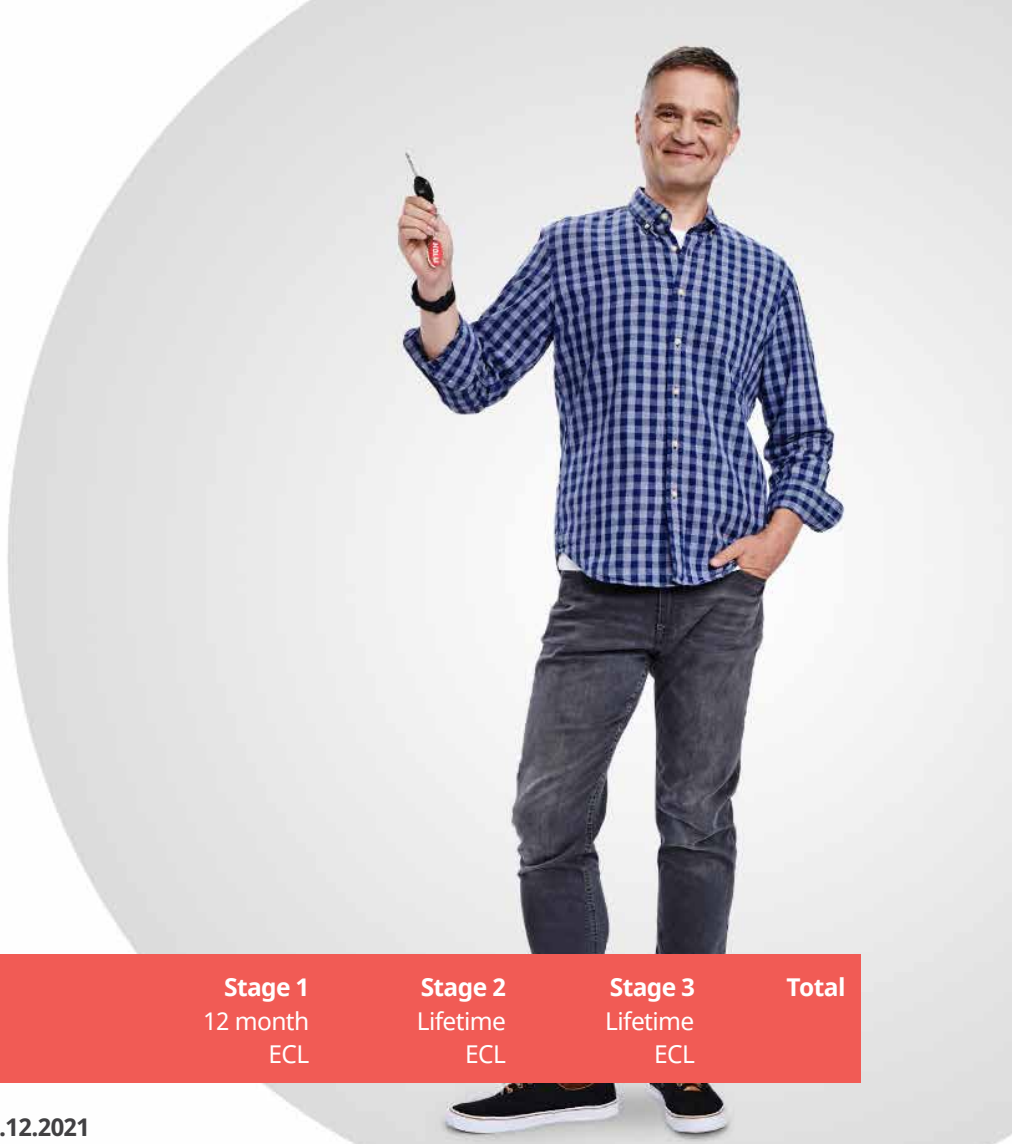
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Business loan thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2021				
White	160	0	0	**160**
Green	3 952	246	0	**4 199**
Yellow	95	259	0	**354**
Red	0	103	0	**103**
Black	0	0	228	**228**
Gross carrying amount	**4 208**	**609**	**228**	**5 045**
Loss allowances	-4	-19	-94	**-117**
Carrying amount	**4 204**	**589**	**134**	**4 927**

Business loan thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2020				
White	75	10	0	**85**
Green	1 886	165	0	**2 051**
Yellow	95	150	0	**245**
Red	0	170	7	**178**
Black	0	0	140	**140**
Gross carrying amount	**2 056**	**496**	**147**	**2 700**
Loss allowances	-11	-48	-70	**-129**
Carrying amount	**2 045**	**448**	**77**	**2 571**

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Leasing thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2021				
White	145	5	0	**149**
Green	910	29	0	**939**
Yellow	949	29	0	**978**
Red	0	326	0	**326**
Black	0	0	58	**58**
Gross carrying amount	**2 004**	**389**	**58**	**2 451**
Loss allowances	0	0	-5	**-5**
Carrying amount	**2 004**	**389**	**54**	**2 446**

Leasing thousands of euros	**Stage 1** 12 month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
31.12.2020				
White	512	40	0	**552**
Green	883	127	0	**1 010**
Yellow	168	214	9	**390**
Red	0	432	10	**441**
Black	0	0	133	**133**
Gross carrying amount	**1 563**	**813**	**151**	**2 527**
Loss allowances	-1	-3	-8	**-13**
Carrying amount	**1 562**	**809**	**143**	**2 514**

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Note 3.13 Description of the nature and quality of the collateral held

31.12.2021 thousands of euros	Note	Gross carrying amount	Loss allowances	Carying amount	Fair value of collateral held
Credit-impaired assets					
Business loans		**286**	**-99**	**187**	**50**
incl. leasing		58	-5	54	50
incl. business loan		228	-94	134	0
Loans to private individuals		**2 938**	**-908**	**2 030**	**0**
incl. instalment		479	-149	330	0
incl. credit card		1 026	-276	750	0
incl. small loan		1 434	-484	950	0
Total credit-impaired assets	**11**	**3 225**	**-1 007**	**2 217**	**50**

31.12.2021 thousands of euros	Note	Gross carrying amount	Loss allowances	Carying amount	Fair value of collateral held
Credit-impaired assets					
Business loans		**303**	**-80**	**223**	**142**
incl. leasing		153	-9	144	142
incl. business loan		147	-70	77	0
incl. Instalment		3	-1	2	0
Loans to private individuals		**3 661**	**-1 343**	**2 318**	**0**
incl. instalment		1 092	-383	709	0
incl. credit card		772	-338	434	0
incl. small loan		1 798	-623	1 175	0
Total credit-impaired assets	**11**	**3 965**	**-1 423**	**2 541**	**142**

Above are given financial assets that are credit-impaired and related collateral held in order to mitigate potential losses. In case of loan products – instalment, credit card, small loan, business loan - and in order to increase customer`s credit worthiness, the Group is asking from customers an extra guarantee. The fair value of the collateral held has been taken into account as a reducing factor in ECL models.

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Loans against collateral as at 31.12.2021						
thousands of euros	Instalment	Credit card	Small loan	Leasing	Business loan	Total
Others	0	0	0	2 451	0	**2 527**
Real estate secured loans	0	0	0	0	2 796	**362**
Unsecured loans	10 825	15 836	29 234	0	2 248	**58 143**
Total	**10 825**	**15 836**	**29 234**	**2 451**	**5 045**	**63 390**

Loans against collateral as at 31.12.2020						
thousands of euros	Instalment	Credit card	Small loan	Leasing	Business loan	Total
Others	0	0	0	2 527	0	**2 527**
Real estate secured loans	0	0	0	0	362	**362**
Unsecured loans	15 986	18 452	19 781	0	2 338	**56 557**
Total	**15 986**	**18 452**	**19 781**	**2 527**	**2 700**	**59 446**

In the table above, collateral information of loans and advances are disclosed based on the collateral type and carrying value. The Group does not consider additional guarantee requested from customer as collateral, rather as enhancement of liquidity.

All such loans are presented in the table above as unsecured loans.



Note 3.14 Loss allowances for undrawn loan commitments

The Group constitutes provisions for unused credit card limit among loss allowances of loan portfolio. Assumptions used is, that with a period of 30 days the 20% (31.12.2020: 20%) of unused credit card limit could be taken into use, e.g. the off-balance sheet exposure used for calculating provision amounted to 1 784 thousand euros (31.12.2020: 3 024 thousand euros) and provision amounted to 15 thousand euros among the total amount of loss allowances (31.12.2020: 38 thousand euros).

The Group has categorized all off-balance sheet commitments under stage 1 as all customers with debt more than 3 days are closed automatically and unused limit is no longer available. See also Note 20.

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Note 3.15 Market risk

Market risk is the risk of loss from changes in market prices and rates on unfavorable direction (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations among them, and their levels of volatility. Within market risk the Group identified currency risk (FX risk), equity risk, and interest rate risk in banking book (IRRBB). The Group does not have exposure to commodity risk.

Market risk may arise from the Group's activity at the financial markets (if any) and from majority of Group products: loans, deposits, trading portfolio etc.

Market risks predominantly arise from the Group's core business activities, taking the market risk is not the Group main activity.

Based on the overall strategy, the market risk strategy is conservative. Preferred are activities necessary for supporting the Group core activities. Speculative market risk positions shall be avoided. Interest rate risk in banking book arises naturally as part of business (mainly due to different maturities of customers loans and deposits).

Trading portfolio positions are not the Group´s core activity. The Group's risk appetite in its treasury operations is driven by the objective of maintaining a strong liquidity and funding position to support the lending activities and shall be set by Risk Appetite Statement.

Note 3.16 Currency risk

Currency risk is the risk of loss due to changes in spot and forward prices, and the volatility of currency exchange rates. The Group strategy is conservative. The objective of currency risk management is to minimize open net currency positions so that the Group would not be too sensitive to foreign currency exchange movements and potential risk to profit will be minimal. Speculative positions shall be avoided, the Group shall mitigate open currency position if considered necessary. The Group does not provide currency related services to customers and does not accept any other forms of currency trading.

As of reporting date majority of assets and all liabilities of the Group are nominated in Euro.

Swedish loan portfolio is nominated in Swedish crowns (SEK), but presented in euros by rounding the values to the nearest thousands of euros.

The quantitative exposure of the Swedish portfolio did not carry considerable risk as of the Balance Sheet date.

Note 3.17 Trading portfolio position risk

Trading portfolio position risk is a risk to the earnings or market value of a portfolio due to uncertain future interest rates. The trading book position risks are broken down into a general risk and specific risk components. General risk is intended to potential losses caused by general market fluctuations, the specific risk is caused by issuer-specific risks.

Taking the trading portfolio positions is not the Group´s core activity. The Group's risk appetite in its treasury operations is driven by the objective of maintaining a strong liquidity and funding position to support the lending activities and shall be set by Risk Appetite Statement. The Group risk appetite is on below average level. The Group does not take speculative trading positions. The Group does not provide customer focused trading activities. As of reporting date the Group does not have material trading portfolio position risks.

Note 3.18 Interest rate risk

Interest rate risk in banking book (IRRBB) is the current or prospective risk to the institution's earnings and own funds arising from adverse movements in interest rates caused by banking book assets and liabilities. Interest rate risk in banking book is significant risk for the Group. The main sources of structural interest rate risk are adverse changes in loan and/or deposits interest rates. The interest rate risk management is integrated with credit- and liquidity risk management and is also considered as part of loan portfolio credit risk management and funding risk management. The basis of the Group IRRBB strategy is to balanced position in short term (next 12-24 months) perspective and controlled open risk position in longer perspective by active management of interest sensitive assets and liabilities structure and maturities. Open long term IRRBB risk to economic value

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of equity (EVE) target level is below 5% of own funds. The Group IRRBB risk appetite is closely inter-related to and driven by credit risk and liquidity risk appetite.

As of 31.12.2021 the banking book interest rate risk (IRRBB) is on low level and the Group interest rate sensitive assets and interest rate sensitive liabilities are cumulatively well balanced both in economic value of equity (EVE) and expected net interest income (NII) on earnings perspective. The table below shows the structure of the interest-bearing assets and interest-bearing liabilities grouped by the recalculation dates of interest rates at the principal amounts of receivables and liabilities.

31.12.2021 thousands of euros	Note	Up to 3 months	3-12 months	1-5 years	Over 5 years	Sub-total	Accrued interest	Loss allowances	Total
Financial assets									
Due from banks	10	17 028	0	0	0	17 028	0	0	**17 028**
Loans and advances to customers	11	9 640	22 730	27 006	2 093	61 469	1 921	-1 436	**61 954**
Total		**26 668**	**22 730**	**27 006**	**2 093**	**78 497**	**1 921**	**-1 436**	**78 982**
Financial liabilities									
Deposits from customers	17	11 085	25 971	26 351	0	63 406	905	0	**64 311**
Bonds	17	0	0	0	3 500	3 500	23	0	**3 523**
Loans from other institutions	17	3	34	136	0	174	0	0	**174**
Lease liabilities	15	34	104	659	179	976	0	0	**976**
Total		**11 122**	**26 109**	**27 146**	**3 679**	**68 056**	**928**	**0**	68 984
Net interest sensitivity gap		**15 546**	**-3 379**	**-140**	**-1 586**	**10 441**			
Cumulative net interest sensitivity gap		**15 546**	**12 167**	**12 027**	**10 441**				

31.12.2021 thousands of euros	Note	Up to 3 months	3-12 months	1-5 years	Over 5 years	Sub-total	Accrued interest	Loss allowances	Total
Financial assets									
Due from banks	10	13 151	0	0	0	13 151	0	0	**13 151**
Loans and advances to customers	11	6 492	11 162	39 688	614	57 956	1 490	-2 213	**57 233**
Total		**19 644**	**11 162**	**39 688**	**614**	**71 107**	**1 490**	**-2 213**	**70 384**
Financial liabilities									
Deposits from customers	17	6 577	14 803	33 924	0	55 304	500	0	**55 805**
Loans from related parties	17	50	0	0	0	50	0	0	**50**
Lease liabilities	15	37	112	745	330	1 224	0	0	**1 224**
Total		6 664	14 915	34 669	330	56 578	500	0	**57 079**
Net interest sensitivity gap		**12 980**	**-3 753**	**5 019**	**284**	**14 529**			
Cumulative net interest sensitivity gap		**12 980**	**9 227**	**14 246**	**14 529**				

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Note 3.19 Liquidity risk

Liquidity risk is the risk of the Group being unable to fulfil its obligations in a timely manner or in the full extent without incurring significant costs. Funding risk is the risk of being unable to engage resources without negatively affecting its daily activities or financial position. The purpose of liquidity risk management is to ensure that the Group is able fulfil its obligations in a timely manner and in the full extent, and to cope with a liquidity crisis for as long as possible.

The Group shall have appropriate liquidity for fulfilling its obligations at any given moment in time. The primary objective of the liquidity management is to maximize shareholders value and support the Group main activities through a proactive and well-functioning asset-liability management and through minimizing liquidity and funding risks by conservative liquidity management. The profit expectations shall not override liquidity requirements. The liquidity management shall contribute to the profitability of the Group, but there shall be clear distinction between liquidity needs and profit targets. The Group is clearly identifying the liquidity reserves management as a non-profit center.

Liquidity risk is one of most significant risks on the Group risk profile. The Group liquidity risk strategy is to maintain low and conservative liquidity risk profile and reasonable liquidity reserves. The Group shall avoid significant liquidity risks by maintaining rather larger liquidity reserves. The liquidity and funding strength are one of the first priorities of the Group.

Important components of the Group liquidity risk appetite are:

- conservative and highly liquid liquidity reserves;
- optimal liquidity reserves structure, liquidity structure of the statement of financial position to ensure that less-liquid assets are matched with stable funding;
- to keep survival horizon to ensure the Group has sufficient liquidity to withstand a severely stressed scenario;
- contingency planning, which defines the actions and sources to be taken should the Group encounter a liquidity shortfall in stressed situation.
- regular stress testing to ensure the liquid reserves are sufficient.

The target risk appetite for any other risk, that may seriously affect the Group liquidity position shall be avoided. The Group's appetite for liquidity risk is cautious - the Group prefers secure solutions and tends to hold larger liquidity reserves. The main objective of the Group´s funding risk appetite is to ensure reasonable and stable funding of the Group lending activities. Secondary objective of the funding management is optimization of the costs, size and composition of external resources involved, but cost-effectiveness and cost-competitiveness shall never override, stable and conservative funding requirements.

Important components of the Group funding risk appetite are:

- primary source of funding are retail deposits;
- appropriate maturity structure of funding;
- very well diversified funding portfolio;
- concentrations by customers, maturities etc. shall be avoided;
- diversification of funding sources by countries and channels;
- flexible and attractive funding strategy, pricing above market average;
- balanced growth of funding and lending portfolios.

The liquidity risk management principles, framework and accountability to ensure the capability adequately assess and manage liquidity and funding risk as part of general risk management framework within the Group and its consolidated entities set by Liquidity Risk Policy established by the Supervisory Board. The following tables present the distribution of financial assets and liabilities, by due dates and by future contractual undiscounted cash flows and in a separate column the statement of financial position balance is disclosed.

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31.12.2021 thousands of euros	Note	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
Assets held for managing liquidity risk by contractual maturity dates								
Amounts due from banks	10	17 028	0	0	0	0	**17 028**	13 151
Loans and advances to customers	11	0	12 351	27 575	35 267	2 417	**77 609**	61 954
Other financial assets	12	0	647	0	0	0	**647**	647
Total assets held for managing liquidity risk		**17 028**	**12 998**	**27 575**	**35 267**	**2 417**	**95 284**	**75 752**
Liabilities by contractual maturity dates								
Deposits from customers	17	1 251	9 950	26 605	27 836	0	**65 641**	64 311
Bonds	17	0	61	182	975	4 536	**5 755**	3 523
Loans from other institutions	17	0	3	35	138	0	**176**	174
Lease liabilities	15	0	37	112	686	181	**1 015**	976
Other financial liabilities	18	0	967	0	0	0	**967**	967
Undrawn loan commitments	20	1 784	0	0	0	7 138	**8 922**	0
Total liabilities		**3 036**	**11 018**	**26 934**	**29 634**	**11 855**	**82 477**	**69 951**
Maturity gap from assets and liabilities		**13 992**	**1 980**	**641**	**5 632**	**-9 439**	**12 807**	**5 802**
Cumulative maturity gap from assets and liabilities		**13 992**	**15 972**	**16 613**	**22 246**	**12 807**		

31.12.2020 thousands of euros	Note	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
Assets held for managing liquidity risk by contractual maturity dates								
Amounts due from banks	10	13 151	0	0	0	0	**13 151**	13 151
Loans and advances to customers	11	0	9 297	15 772	30 214	17 429	**72 712**	57 233
Other financial assets	12	0	666	0	0	0	**666**	666
Total assets held for managing liquidity risk		13 151	9 963	15 772	30 214	17 429	**86 530**	71 050
Liabilities by contractual maturity dates								
Deposits from customers	17	808	7 633	13 520	35 179	0	**57 141**	55 805
Loans from related parties	17	50	0	0	0	0	**50**	50
Lease liabilities	15	0	37	112	745	351	**1 245**	1224
Other financial liabilities	18	0	523	0	0	0	**523**	523
Undrawn loan commitments	20	3 024	0	0	0	12 096	**15 120**	0
Total liabilities		**3 882**	**8 193**	**13 632**	**35 924**	**12 447**	**74 078**	**57 602**
Maturity gap from assets and liabilities		**9 270**	**1 770**	**2 140**	**-5 710**	**4 982**	**12 451**	**13 449**
Cumulative maturity gap from assets and liabilities		**9 270**	**11 040**	**13 180**	**7 470**	**12 452**		

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The Group shall all times hold appropriate amount on liquidity reserves (liquidity buffer) with the aim of securing the ability of the Group to meet its obligations in the event of a liquidity crisis as defined by the legislation, by the Risk Appetite Statement and by the Liquidity Risk Policy. The liquidity reserves shall allow the Group to continue business as usual, at least during the tolerance period (both with and without corrections in business activities). The size and composition of the liquidity buffer shall take account the results of the liquidity risk stress tests.

The Group´s liquidity and funding management and control has three levels. The first level (CFO) has primary responsibility for liquidity and funding risk identification, management, monitoring and reporting throughout the Group. The second level (risk management function) is responsible for upholding principles and framework and ensuring independent monitoring, reporting, assessment and control. The third level of assurance is provided by the Internal Audit. Management of the Group´s liquidity and funding are centralized on the group level.

The following table presents the distribution of assets and liabilities by classification of current and non-current:

thousands of euros	Note	31.12.2021	31.12.2020
Current assets			
Cash and balances with central bank	10	3 048	3 048
Amounts due from credit institutions	10	13 979	10 103
Loans and advances to customers	11	32 855	16 931
Other assets	12	1 265	2 132
Total current assets		**51 147**	**32 215**
Non-current assets			
Loans and advances to customers	11	29 099	40 301
Investment property	13	964	1 008
Property, plant and equipment	14	644	682
Right-of-use assets	15	932	1 200
Intangible assets	16	6 143	2 300
Total non-current assets		**37 782**	**45 492**
Total assets		**88 930**	**77 707**
Liabilities			
Current liabilities			
Deposits from customers	17	37 960	21 804
Loans received	17	37	50
Bonds	17	23	0
Lease liabilities	15	138	149
Other liabilities	18	1 711	1 147
Total current liabilities		**39 869**	**23 150**
Non-current liabilities			
Deposits from customers	17	26 351	34 001
Loans received	17	136	0
Bonds	17	3 500	0
Lease liabilities	15	837	1 075
Total non-current liabilities		**30 824**	**35 076**
Total liabilities		**70 695**	**58 227**

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Note 3.20 Fair value of financial assets and financial liabilities

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Below are the methodologies and assumptions used to determine fair values for the financial instruments which are not recorded and measured at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only. These methodologies and assumptions relate only to the instruments in the tables and, as such, may differ from the techniques and assumptions explained in the referred notes.

For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances with central banks; due to and from banks; demand deposits; and savings accounts without a specific maturity. Such amounts have been classified as Level 1 on the basis that no adjustments have been made to the balances in the statement of financial position. Under Level 1 the Group has disclosed cash and cash equivalents.

As at 31.12.2021 and 31.12.2020 the Group did not have any financial derivatives or actively traded assets. The fair values of these instruments are estimated by a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

Under Level 3 are recorded fewer liquid instruments. These are not traded frequently, so it is difficult to give them a reliable and accurate market price. The Group requires significant unobservable inputs to calculate their fair value. A fair value for these assets cannot be determined by using readily observable inputs or measures, such as market prices. Instead, they are calculated using estimates by risk-adjusted value ranges, e.g mathematical (ECL) models and subjective assumptions.

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. Credit risk for large corporate and a subset of the small business lending, when appropriate, is derived from market observable data, such as credit default swaps or comparable traded debt. Where such information is not available, the Group uses historical experience and other information used in its collective impairment models. Fair values of consumer lending and mortgage portfolios are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Group then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. The credit risk is applied as a top-side adjustment based on the collective impairment model incorporating probability of defaults and loss given defaults.

Estimated fair values of off-balance sheet positions are based on market prices for similar instruments or on discounted cash flow models, as explained above, which incorporate the credit risk element through the discount factor.

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31.12.2021 thousands of euros	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value	Difference
Financial assets at amortized cost							
Cash and balances with central banks	10	3 048	0	0	**3 048**	3 048	0
Amounts due from credit institutions	10	13 979	0	0	**13 979**	13 979	0
Loans and advances to customers	11	0	0	61 954	**61 954**	61 954	0
Other financial assets	12	0	0	647	**647**	647	0
Total financial assets at amortized cost		**17 028**	**0**	**62 601**	**79 629**	**79 629**	**0**
Financial liabilities at amortized cost							
Deposits from customers	17	0	0	64 311	**64 311**	64 311	0
Loans from related parties	17	0	0	174	**174**	174	0
Bonds	17	0	0	3 523	**3 523**	3 523	0
Other financial liabilities	18	0	0	967	**967**	967	0
Total financial liabilities at amortized cost		**0**	**0**	**68 975**	**68 975**	**68 975**	**0**

31.12.2020 thousands of euros	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value	Difference
Financial assets at amortized cost							
Cash and balances with central banks	10	3 048	0	0	**3 048**	3 048	0
Amounts due from credit institutions	10	10 103	0	0	**10 103**	10 103	0
Loans and advances to customers	11	0	0	57 233	**57 233**	57 233	0
Other financial assets	12	0	0	666	**666**	666	0
Total financial assets at amortized cost		**13 151**	**0**	**57 899**	**71 050**	**71 050**	**0**
Financial liabilities at amortized cost							
Deposits from customers	17	0	0	55 805	**55 805**	55 805	0
Loans from related parties	17	0	0	50	**50**	50	0
Other financial liabilities	18	0	0	523	**523**	523	0
Total financial liabilities at amortized cost		**0**	**0**	**56 378**	**56 378**	**56 378**	**0**

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Note 3.21 Operational risk

Operational risk is risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes compliance and legal risk, but excludes strategic and, reputational risks.

Legal risk is the risk resulting from non-conformity with or misinterpretation of legislation, contracts, good practice and standards of ethics. Legal risk may materialize in any of the above risk types, as the Group may be subject of claim or proceedings due to the contractual or other legal responsibilities.

Compliance risk is risk of allowance to the Group's business model, reputation and financial conditions, resulting from failure to fully meet laws, regulations, internal rules and obligations to customers, employees and other stakeholders.

Operational risk is inherent part of business. It is neither possible nor cost effective to eliminate all operational risks. Therefore, smaller losses are normal part of the operations. The Group operational risk appetite is to keep minimal and reasonable operational risk level to minimize the level of operational risk and potential losses, considering strategic objectives and principle of economic efficiency. The Group objective is to ensure well controlled operational risk level and management.

Fraud and criminality monitoring and avoidance is important part of the Group operational risk appetite. The Group shall have ability to readily identify losses caused by internal and external fraud and criminality, including cybercrime, and to take appropriate measures.

The inseparable part of the Group risk appetite is reliability and quality of the outsourcing and partners, the correctness of the performance of their duties, and the ability by partners to comply with relevant legislation and business standards in the conclusion of consumer credit agreements.

Anti-money laundering and terrorist financing preventing is a very important objective of the Group target operational risk profile. The Group must have the capacity, a clear organizational structure and appropriate resources to detect and take appropriate action in relation to the prevention of money laundering and terrorist financing.

Business Continuity Management is the risk of incurring losses resulting from the interruption of normal business activities. Interruptions in Group's infrastructure as well as in the infrastructure that supports Group's businesses (including third party vendors) and the communities in which the Group is located (including public infrastructure like electricity, communications etc.). Business Continuity plans for all identified critical processes and for IT systems supporting these processes are established by respective units.

The Group established the group level Recovery Plan in accordance with the Group Recovery and Resolution Directive (BRRD) regulatory framework, Financial Crisis Prevention and Resolution Act and complemented by the guidelines and technical standards. The Recovery Plan describes a set of measures that can be applied in distress to restore the sound financial position of the Group and to ensure the continuity of critical financial services provided.

The Group has a clear objective do not have any appetite for this type of risk and that it has the clear objective of minimizing the occurrence of any economic, regulatory or reputational impact on the Group. The Group does not intentionally engage in activity that results in violation of the requirements set forth in legal acts or other regulations.

The Group established operational risk management principles, framework and accountability to ensure the capability adequately assess and manage operational risk within the AS Holm Group and its consolidated entities. The operational risk management is integrated to all of the Group general management and risk management frameworks.

The Group general requirements on the operational risk management are:

- all material operational risk areas shall be identified, assessed, monitored and treated in effective and consistent manner;
- appropriate and reliable risk management tools shall be implemented to support operational risk analysis and decision making;
- every employee is primarily responsible for managing and controlling the operational risks generated in their sphere of action in both personal and business conduct;
- internal controls shall be designed to provide reasonable assurance that the Group has efficient and effective operations, assets are safeguarded, reports are reliable.

The purpose of the operational risk management activity is to move from defensive to preventive risk analysis and loss prevention activities.

Accountability, reporting and escalation requirements by operational risk categories, areas and activities by countries on activities and by lines of defense established by Operational Risk Policy established by Supervisory Board.

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Note 3.22 Business risks

According to the Group internal definition business risks are reputational risk and strategic risk.

Reputational risk is the current or prospective risk to the Group earnings, own funds or liquidity arising from damage to the Group reputation.

Strategic risk is risk the business- and competition environment or impact of regulatory actions to the Group activities and achievement of business goals as well as risk of the inadequate strategy or inadequate implementation of strategy or changes in customer expectations or inadequate implementation new technologies will result in loss or significantly reduce revenues.

The reputation risk and strategic risk are essential part of the business model and shall be analyzed as part of the strategic and operational planning. The Group strategy on reputational risk management is to avoid reputational risks and to avoid situations that could potentially lead to a negative impact on the reputation and the accompanying drop in revenue or loss of confidence.

Strategic risk strategy is to control and reduce risk by implementing adequate and suitable to the current economic environment strategy, based on comprehensive planning process, as well as to respond adequately and in a timely manner to changes. The Group strategic risk target risk profile is on open level - ready to consider all options, proactive, decisions made on risk-return balance basis.

According to the Risk Appetite Statement the Group does not have any risk appetite for reputational risk and that it has the clear objective of minimizing the occurrence of any economic, regulatory or reputational impact caused by reputational risk. The Group shall avoid situations that could potentially lead to a negative impact on the reputation. The strategic and reputational risk are managed by Management Board based on strategic plans approved by the Supervisory Board.

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Note 4

Investments in subsidiary

The Group has one subsidiary, Holm Bank Latvia SIA, and is consolidating the financial results of subsidiary. The subsidiary is a credit provider operating in Latvian market since 2008, which offers credit to Latvian companies and consumers through its cooperation partners.

In February, 2021 Holm Bank AS acquired the rest of the ownership (48.93%) in Latvian entity for total consideration of 2 253 thousand euros. The transaction was accounted under common control.

Upon the acquisition, Holm Bank AS recognized the difference of 1 202 thousand euros between the consideration transferred and the carrying amount of net assets acquired directly in equity (in consolidated retained earnings).

As of 31.12.2021 the Bank is the sole shareholder of Latvian subsidiary.

As at 31.12.2021 and 31.12.2020 the Group had no affiliated companies.

Holm Bank Latvia SIA thousands of euros	**2021**	**2020**
Interest revenue calculated using the effective interest rate method	2 952	1 943
Net interest income	2 617	1 694
Net fee expenese	-747	-576
Total net operating income	1 914	1 203
Other income	44	85
Operating expenses	-1 572	-1 298
Credit losses	-697	-289
Profit (loss) before income tax	-356	-385
Income tax	-34	-27
Net loss	-390	-412
Total comprehensive loss	-390	-412
Net loss attributable to owners of the parent	-406	-208
Net loan portfolio at the end of the period	14 569	7 914
Current assets at the end of the period	7 241	5 497
Non-current assets at the end of the period	8 742	4 267
Current liabilities at the end of the period	184	7 516
Non-current liabilities at the end of the period	14 078	2 747
Average assets	12 873	6 383
Average equity attributable to owners	1 916	2 317
Total assets at the end of the period	15 983	9 764
KPIs:		
EBITDA, th.EUR	700	175
ROA %	-3,0%	-6,4%
ROE %	-20,4%	-17,8%
CIR %	-82,2%	-107,9%
Loan to asset %	91,2%	81,1%
Average number of employees	27	29

Return on assets (ROA) = net profit / average assets * 100
Return on equity (ROE) = net profit / average equity * 100
Cost to income ratio (CIR) = total operating expenses / net operating income * 100
Loan to asset = net loans / total assets * 100

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Note 5

Net interest income

Interest income thousands of euros	**2021**	**2020**
Interest income using effective interest calculation method		
Instalment	3 473	5 720
Credit card	4 514	4 395
Small loan	5 264	2 869
Leasing	339	328
Business loan	475	356
From balances with credit institutions	1	3
Other loans	642	494
Total	**14 707**	**14 166**

Interest expenses using effective interest calculation method thousands of euros	2021	2020
Deposits from customers	-835	-733
Loans received	-432	-210
Interest expense from lease liabilities	-15	-3
Cash and balances with central banks	0	-1
Total	**-1 282**	**-947**
Net interest income	**13 219**	**13 219**

Interest income of loans by customer location thousands of euros	2021	2020
Estonia	11 360	12 165
Sweden	394	58
Latvia	2 953	1 943
Total	**14 707**	**14 166**

The Group recognizes the difference in significant cash flows arising from modifications in the terms of loan agreements under interest income, either by reducing or increasing it, except to the extent that credit losses have already been recognized. During the reporting period, the amendment to the Group resulted in income of 69 thousand euros (2020: 0 euros).

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Note 6

Net fee income

Fee income thousands of euros	**2021**	**2020**
Other fee income	0	5
Total	**0**	**5**

Fee expense thousands of euros	**2021**	**2020**
Financial internediation services	-1 218	-1 127
Expenses related to cards	-397	-301
Transaction costs	-71	-61
Other fee expense	-67	-71
Total	**-1 753**	**-1 560**
Net fee income	**-1 752**	**-1 555**

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Note 7

Other income

Other income thousands of euros	Note	2021	2020
Rental income	13	112	112
Profit from asset sales	11	239	0
Received off-Balance Sheet claims	11	1 333	447
Received penalties		15	0
Net change from exchange rate fluctuations		-53	2
Other income in total		**1 645**	**561**

Note 8

Operating expenses

Operating expenses thousands of euros	2021	2020
Wages, salaries and bonuses	-2 652	-2 946
Social security and other taxes	-801	-947
Fringe benefits	-81	-114
Other staff costs	-119	-104
Personnel expenses	**-3 654**	**-4 112**
IT expenses	-538	-1 535
Marketing expenses	-1 178	-1 129
Consultation expenses	-643	-399
Office expenses	-156	-57
Expenses relating to low-value assets or short-term leases	-72	-80
Transportation and communication costs	-74	-97
Other administrative expenses	-123	-209
Queries	-340	-168
Operating expenses	-505	-347
Operating expenses	**-3 631**	**-4 020**
Other expenses	0	-61
Depreciation and amortization	-481	-383
Other expenses	**-481**	**-445**
Credit loss expense on financial assets 11	-4 313	-2 366
Total operating expenses	**-12 078**	**-10 943**

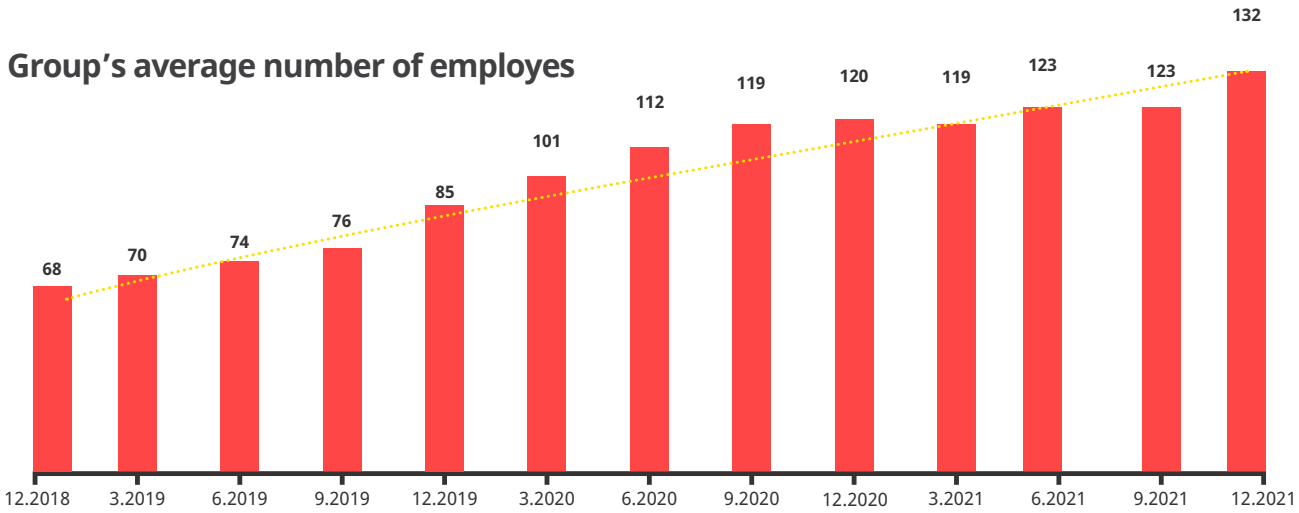
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Average number of employees working in the Group in 2021 was 132 (2020: 120).

869 thousand euros of personnel expenses have been capitalized in the reporting period (see Note 16), so if the capitalization were not taken into account, the total personnel expenses in 2021 would have been 4 523 thousand euros (an increase of +10.0% compared to the previous year).

Due to the general economic environment, the pressure on wage growth was significant.

Group's average number of employes



Note 9

Income tax

Income tax thousands of euros	**2021**	**2020**
Current tax		
Advance corporate income tax (14%)	-191	-189
Advance corporate income tax (20%)	-42	-27
Income tax paid on dividends	0	-3
Total income tax expense	**-233**	**-219**

Taxation is based on a consistent tax rates: 14% is implemented in Estonia and 20% in Latvia. In Sweden, no tax liability has yet arisen.

No temporary differences have been risen relating to origination and reversal in current and prior period. Deferred tax liabilities from outside basis differences have not been recognized as subsidiary ended with loss and no contributions from retained earnings are planned.

Group operates in the jurisdictions where no income tax concessions and other rebates are included as economic stimulus packages during the Covid-19 pandemic. Reconciliation of effective legal tax rates have had no material effect on the Group's financials.

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Note 10

Receivables from central banks and credit institutions

Receivables from central banks and credit institutions thousands of euros	31.12.2021	31.12.2020
Demand and term deposits with maturity of less than 3 months *	13 979	10 103
Statutory reserve capital at central bank	535	438
Demand deposit from central bank	2 513	2 610
Total cash and cash equivalents	**17 028**	**13 151**

* cash and cash equivalents in the statement of cash flows

Due amounts with central bank with original maturity exceeding 3 months are not considered among the cash and cash equivalents in the statement of cash flows.

Mandatory banking reserve as at 31.12.2021 and 31.12.2020 was 1% (Holm Bank AS received a banking license from the European Central Bank on 02.04.2019) of all financial resources collected (deposits from customers and loans received).

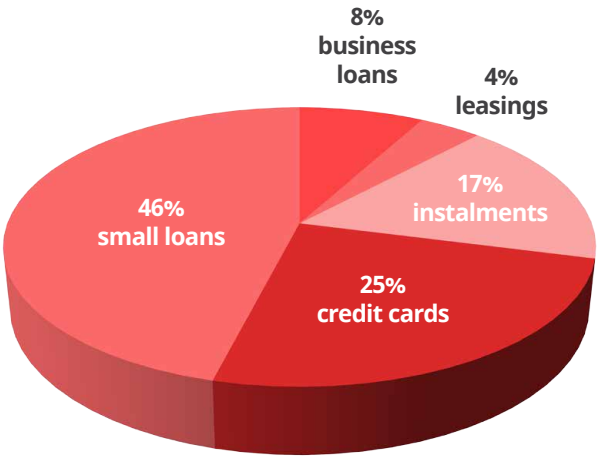
The reserve requirement is to be fulfilled as a monthly average in Euros or in the foreign securities preapproved by the central bank.

Note 11

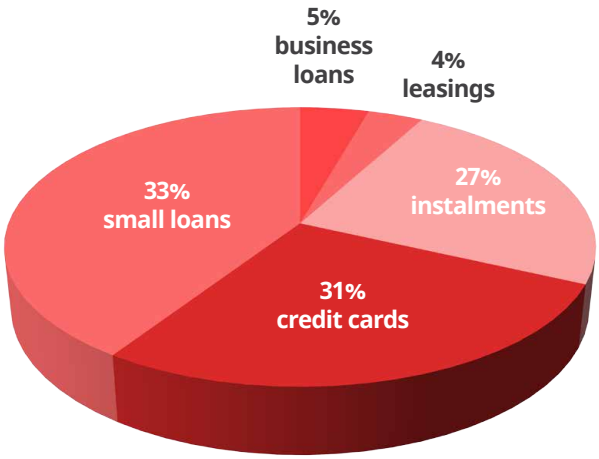
Loans and advances to customers

Distribution by customer type and products thousands of euros	31.12.2021	31.12.2020
Business loans	**7 464**	**5 178**
incl. leasing	2 451	2 527
incl. business loan	5 045	2 700
incl. Instalment	91	132
incl. small loan	0	2
Loss allowances	-123	-183
Loans to private individuals	**54 490**	**52 055**
incl. instalment	10 733	15 854
incl. credit card	15 836	18 452
incl. small loan	29 235	19 779
Loss allowances	-1 314	-2 030
Total net loan portfolio	**61 954**	**57 233**

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Distribution by products 31.12.2021



Distribution by products 31.12.2020

Distribution by countries and components thousands of euros		**31.12.2021**	**31.12.2020**
Principal receivables		**61 471**	**57 956**
	Estonia	44 936	48 562
	Latvia	14 329	7 929
	Sweden	2 207	1 464
Loss allowances related to principal receivables		**-1 429**	**-2 184**
	Estonia	-896	-1 858
	Latvia	-381	-238
	Sweden	-151	-89
Interest receivables		**1 919**	**1 490**
	Estonia	1 242	1 228
	Latvia	622	224
	Sweden	54	37
Loss allowances related to interest receivables		**-8**	**-29**
	Estonia	-7	-22
	Latvia	-1	-2
	Sweden	0	-4
Gross portfolio in total		**63 390**	**59 446**
Net portfolio in total		**61 954**	**57 233**
	Estonia	45 276	47 910
	Latvia	14 569	7 914
	Sweden	2 109	1 409
	inc. loss allowances	-1 436	-2 213

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Allowance for impairment of loans to customers thousands of euros		Note	2021	2020
Balance at the beginning			**-2 213**	**-1 675**
Arising during the period	stage 1		-362	-470
Arising during the period	stage 2		-276	-576
Arising during the period	stage 3		-4 615	-2 816
Written off	stage 3		4 973	1 765
Sold	stage2		0	62
Sold	stage 3		117	1
Recoveries	stage 1		480	540
Recoveries	stage 2		433	484
Recoveries	stage 3		26	472
	Balance at the end		**-1 436**	**-2 213**
	Net impaiment charges in total		**-4 313**	**-2 366**
Received amounts from uncollectible claims among other income		7	1 333	447

Migration between stages thousands of euros						**2021**
	1->2	2->1	2->3	3->2	1->3	3->1
Instalment	1669	933	724	76	71	23
Credit card	3258	1459	2286	61	38	19
Small loan	4483	2491	1992	238	137	70
Business loan	2550	2321	325	78	0	0
Leasing	383	330	365	302	0	0

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Credit quality by products thousands of euros		31.12.2021	31.12.2020
Instalment		**10 641**	**15 505**
	Stage 1	9 323	13 210
	Stage 2	988	1 583
	Stage 3	330	711
Credit card		**15 558**	**17 731**
	Stage 1	13 421	15 806
	Stage 2	1 387	1 491
	Stage 3	750	434
Small loan		**28 382**	**18 912**
	Stage 1	24 558	14 811
	Stage 2	2 874	2 926
	Stage 3	950	1 175
Business loan		**4 927**	**2 570**
	Stage 1	4 204	2 045
	Stage 2	589	448
	Stage 3	134	77
Leasing		**2 446**	**2 515**
	Stage 1	2 004	1 562
	Stage 2	389	809
	Stage 3	54	144
In total		**61 954**	**57 233**

Credit quality by components thousands of euros		31.12.2021	31.12.2020
Principal receivables		**61 471**	**57 956**
	Stage 1	52 206	46 744
	Stage 2	6 240	7 459
	Stage 3	3 024	3 754
Interest receivables		**1 919**	**1 490**
	Stage 1	1 425	1 007
	Stage 2	294	272
	Stage 3	200	211
Loss allowances		**-1 436**	**-2 213**
	Stage 1	-121	-298
	Stage 2	-308	-492
	Stage 3	-1 007	-1 424
In total		**61 954**	**57 233**

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Credit quality by stages thousands of euros		31.12.2021	31.12.2020	▲	%
Net					
	Stage 1	53 510	47 435	6 075	12,8%
	Stage 2	6 226	7 257	-1 031	-14,2%
	Stage 3	2 217	2 541	-324	-12,7%
In total		**61 954**	**57 233**	**4 721**	8,2%
Proportion					
	Stage 1	86,4%	82,9%		3,5%
	Stage 2	10,0%	12,7%		-2,6%
	Stage 3	3,6%	4,4%		-0,9%
In total		**100,0%**	**100,0%**		0,0%
Gross					
	Stage 1	53 631	47 750	5 881	12,3%
	Stage 2	6 534	7 731	-1 196	-15,5%
	Stage 3	3 225	3 965	-740	-18,7%
		63 390	**59 446**	**3 944**	6,6%
Expected credit losses					
	Stage 1	-121	-298	177	-59,4%
	Stage 2	-308	-492	184	-37,3%
	Stage 3	-1 007	-1 424	417	-29,3%
		-1 436	**-2 213**	**777**	-35,1%
Coverage					
	Stage 1	0,2%	0,6%		-0,4%
	Stage 2	4,7%	6,4%		-1,6%
	Stage 3	31,2%	35,9%		-4,7%
		2,3%	**3,7%**		-1,5%
Coverage of stage 3 without writeoffs		73,0%	55,7%		17,3%

Credit loss expense thousands of euros		2021	2020
Loans and advances to customers			
	Stage 1	118	-73
	Stage 2	157	-87
	Stage 3	-4 588	-2 206
Net impaiment charges		**-4 313**	**-2 366**

Cession transactions thousands of euros	Note	2021	2020
Total gross value at the moment of sales		384	341
Net allowances for credit losses		-117	-63
Total carrying amount		267	278
Transaction price in total		507	218
Net loss from the cession transactions	**7**	**239**	**-60**

The Group has transferred all risks and rewards and has retained no control over or continuing involvement in the assets sold.

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Note 12

Other assets

thousands of euros	31.12.2021	31.12.2020
Financial assets		
Guarantee deposits of credit cards	647	666
Subtotal	**647**	**666**
Non-financial assets		
Security deposits	201	219
Prepayments are expected to be used within 12 months	294	1 002
Other claims	123	244
Subtotal	**618**	**1 465**
Total	**1 265**	**2 131**

Prepayments include insurance and periodized prepayments for journalism, but also prepayments to payment intermediation services. Prepayments are expected to be received or used within 12 months of the end of the reporting period.

Note 13

Investment property

thousands of euros	31.12.2021	31.12.2020
Acquisition cost		
At the beginning of the period	**1 177**	**1 177**
Additions	0	0
At the end of the period	**1 177**	**1 177**
Depreciation and impairment		
At the beginning of the period	**-169**	**-125**
Depreciation charge for the period	-45	-45
At the end of the period	**-214**	**-169**
Net book value at the beginning	**1 008**	**1 053**
Net book value at the end	**963**	**1 008**

Total lease income amounted to 112 thousand euros during the reporting year (2020: 112 thousand euros, see Note 7), any direct expenses related to investment property were immaterial.

The recoverable amount of investment properties are considered to exceed their net book value.

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Note 14

Property, plant and equipment

thousands of euros	31.12.2021	31.12.2020
Land and buildings		
Acquisition cost		
At the beginning of the period	**668**	**668**
Additions	0	0
At the end of the period	**668**	**668**
Depreciation and impairment		
At the beginning of the period	**-80**	**-57**
Depreciation charge for the period	-24	-24
At the end of the period	**-104**	**-80**
Net book value at the beginning	**588**	**612**
Net book value at the end	**564**	**588**

thousands of euros	31.12.2021	31.12.2020
Plant and equipment		
Acquisition cost		
At the beginning of the period	**42**	**112**
Additions	0	9
Disposals and write-offs (cost)	0	-79
Additions through acquisitions of subsidiary	0	0
At the end of the period	**42**	**42**
Depreciation and impairment		
At the beginning of the period	**-13**	**-50**
Disposals and write-offs (depreciation)	0	79
Depreciation charge for the period	-6	-42
At the end of the period	**-19**	**-13**
Net book value at the beginning	**29**	**62**
Net book value at the end	**23**	**29**

thousands of euros	31.12.2021	31.12.2020
Cars		
Acquisition cost		
At the beginning of the period	**154**	**0**
Additions	21	4
Disposals and write-offs (cost)	-7	0
Reclassifications	0	150
At the end of the period	**168**	**154**
Depreciation and impairment		
At the beginning of the period	**-89**	**0**
Disposals and write-offs (depreciation)	4	0
Depreciation charge for the period	-25	-10
Reclassifications	0	-79
At the end of the period	**-110**	**-89**
Net book value at the beginning	**65**	**0**
Net book value at the end	**58**	**65**
Net book value at the end in total	**644**	**682**

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Fair values of properties, plant and equipment may differ from the carrying amount in immaterial part. As of 31.12.2021 were fully amortised tangible assets in use in acquisition cost of 34 thousand euros (31.12.2020: 44 thousand euros).

Note 15

Right of use assets and lease liabilities

thousands of euros	31.12.2021			31.12.2020		
Right of use assets	offices	cars	**In total**	offices	cars	**Total**
Acquisition cost						
At the beginning of the year	**1 281**	**127**	**1 408**	**204**	**92**	**296**
Additions	0	0	**0**	1 077	35	**1 112**
Other changes	-51	-3	**-54**	0	0	**0**
At the end of the year	**1 230**	**124**	**1 354**	**1 281**	**127**	**1 408**
	0					
Depreciation and impairment						
At the beginning of the year	**-153**	**-56**	**-209**	**-40**	**-19**	**-59**
Depreciation charge for the period	-126	-27	**-153**	-113	-37	**-150**
Other changes	-60	0	**-60**	0	0	**0**
At the end of the year	**-339**	**-83**	**-422**	**-153**	**-56**	**-209**
Net book value at the beginning of the year	**1 128**	**72**	**1 200**	**164**	**73**	**237**
Net book value at the end of the year	**891**	**41**	**932**	**1 128**	**72**	**1 200**

thousands of euros	31.12.2021			31.12.2020		
Right of use assets	offices	cars	**In Total**	offices	cars	**Total**
Current						
At the beginning of the year	**126**	**19**	**145**	**92**	**25**	**117**
Additions	0	0	**0**	1 077	19	**1 096**
Accretion of interests	11	2	**13**	3	0	**3**
Repayments	-118	-17	**-135**	-111	-19	**-130**
Reclassifications and periodization	221	19	**240**	-935	-6	**-941**
Other changes	-120	-6	**-126**	0	0	**0**
At the end of the year	**120**	**17**	**137**	**126**	**19**	**145**
Non-current						
At the beginning of the year	**1 007**	**72**	**1 079**	**72**	**66**	**138**
Reclassifications and periodization	-221	-19	**-240**	935	6	**941**
At the end of the year	**786**	**53**	**839**	**1 007**	**72**	**1 079**
Lease liabilities in total at the beginning of the year	**1 133**	**91**	**1 224**	**164**	**91**	**255**
Lease liabilities in total at the end of the year	**906**	**70**	**976**	**1 133**	**91**	**1 224**

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Note 16

Intangible assets

thousands of euros	31.12.2021	31.12.2020
Acquisition cost		
At the beginning of the period	**2 595**	**1 038**
Additions	4 070	1 557
At the end of the period	**6 665**	**2 595**
Depreciation and impairment		
At the beginning of the period	**-294**	**-182**
Depreciation charge for the period	-227	-113
At the end of the period	**-522**	**-294**
Net book value at the beginning	**2 300**	**857**
Net book value at the end	**6 143**	**2 300**

During 2021, the Group invested in intangible assets of new core system in amount of 3 173 thousand euros (2020: 981 thousand euros), including personnel expenses of 869 thousand euros (2020: 0 euros, see also Note 8), 434 thousand euros in Latvian core system (2020: 0 euros), 229 thousand euros in data warehouse (2020: 394 euros) and 234 thousand euros in new scoring model (2020: 0 euros).

No investments were made in the virtual card platform (2020: 182 thousand euros), The platform is still in use, as not all contracts of the Swedish portfolio have been realised at the time of composing current report.

Depreciation of assets starts from the moment when the life cycle of the product under development is fully covered in the system and the asset is finally ready for use. Generally, the useful lives of assets are in the range of 5-10 years.

No fully amortized intangible assets were in use.

Note 17

Loans and deposits from customers

Distribution by sub-entries thousands of euros	Individuals	Legal entities	Total
31.12.2021			
Demand deposit	1 251	0	**1 251**
Term deposits	59 853	2 302	**62 155**
Bonds	0	3 500	**3 500**
Loans from other institutions	0	174	**174**
Accrued interest liability	883	45	**928**
Total	**61 987**	**6 021**	**68 008**

thousands of euros	Individuals	Legal entities	Total
31.12.2020			
Demand deposit	808	0	**808**
Term deposits	52 894	1 602	**54 496**
Loan liabilities from related parties	0	50	**50**
Accrued interest liability	481	19	**500**
Total	**54 183**	**1 671**	**55 854**

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In 2021, 3.500 thousand euros were received from the bond issue. All bonds were issued to one investor.

Loans from other institutions include a special-purpose loan received from the Maaelu Edendamise Sihtasutus (MES) as collateral for a customer loan.

Distribution by countries thousands of euros	**Estonia**	**Germany**	**Austria**	**Total**
31.12.2021				
Demand deposit	1 251	0	0	**1 251**
Term deposits*	23 805	35 761	3 494	**63 060**
Bonds	3 523	0	0	**3 523**
Loans from other institutions	174	0	0	**174**
Total	**28 753**	**35 761**	**3 494**	**68 008**

thousands of euros	**Estonia**	**Germany**	**Austria**	**Total**
31.12.2020				
Demand deposit	808	0	0	**808**
Term deposits*	19 349	31 916	3 731	**54 996**
Loan liabilities from related parties	50	0	0	**50**
Total	**20 207**	**31 916**	**3 731**	**55 854**

*Above is given total amount of term deposits, including principal and accrued interest liabilities.

Note 18

Other liabilities

thousands of euros	**31.12.2021**	**31.12.2020**
Financial liabilities		
Debts to partners	574	451
Other short-term financial liabilities	393	72
Subtotal	**967**	**523**
Non-financial liabilities		
Tax liabilities	231	242
Payables to employees	368	267
Other short-term liabilities	145	116
Subtotal	**744**	**625**
Total	**1 711**	**1 147**

Payables to employees consist of vacation pay accrual for the reporting period and the increase in liabilities is caused by the increase in the number of employees during the year.

All liabilities are payable within 12 months and are therefore recognized as current liabilities.

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Note 19

Equity

thousands of euros	Number of shares, pcs	Share capital	Share premium	Statutory reserve
Share capital and reserves as at 31.12.2021	50 000	50	14 471	5
Share capital and reserves as at 31.12.2020	50 000	50	14 471	5

Share capital is paid in full through cash contributions. The share nominal value is 1 Euro and as at 31.12.2021 the number of shares amounted to 50 thousand (31.12.2020: 50 thousand).

No profit allocations were made during the reporting and the prior period. Holm Bank AS did not pay dividends during the reporting period; in the previous period were paid previously declared dividends in amount of 345 thousand euros. All dividends were paid to the sole shareholder. As at 31.12.2021, the retained profit of the Group totalled in 3 709 thousand euros (31.12.2020: 3 919 thousand euros).

As of 31.12.2021 it is possible to pay out net dividends in maximum amount of 2 971 thousand euros (31.12.2020: 3 138 thousand euros). The amount of possible payable net dividends has decreased as a result of the business combination that took place in 2021.

Part of the potential dividends (1/3 from dividends paid out in 2019-2021) would be taxed at a preferential rate of 14/86 and the remaining part 20/80. The related income tax charge would be 738 thousand euros (31.12.2020: 780 thousand euros).

Note 20

Contingent assets and liabilities

Undrawn loan commitments from non-cancellable agreements thousands of euros	31.12.2021	31.12.2020
Liability in contractual amount	8 922	15 120

Undrawn loan commitments represent off-balance sheet liability of credit cards unused limits. See also Note 3.14.

Tax authorities have the right to review the Group tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines.

The tax authorities have not performed any tax audits at the Group during 2020-2021.

Note 21

Transactions and balances with related parties

Related parties include the ultimate parent Koduliising OÜ and its sole shareholder (ultimate beneficial owner), the Group executive and higher management and their relatives as well as companies related to or under the control or significant influence of the ultimate beneficial owner. In 2021, remuneration paid to Group's Management Board and the Supervisory Board totalled 564 thousand euros (2020: 467 thousand euros), including all taxes.

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Transactions thousands of euros	**31.12.2021**	**31.12.2020**
Interest income on given loans	**99**	**0**
Senior management (including the ultimate controlling party)	99	0
Interest expense on loans received	**2**	**0**
Senior management (including the ultimate controlling party)	2	0
Sales	**23**	**0**
Senior management (including the ultimate controlling party)	23	0
Purchases	**199**	**270**
Senior management (including the ultimate controlling party)	187	246
Parent company	12	12
Close family members of the management and undertakings in their dominant or significant influence	0	12
Given loans	**1 999**	**3**
Senior management (including the ultimate controlling party)	1 999	0
Close family members of the management and undertakings in their dominant or significant influence	0	3
Repayments on given loans, inc interests	**94**	**0**
Senior management (including the ultimate controlling party)	94	0
Repayments on received loans, inc interests	**52**	**260**
Senior management (including the ultimate controlling party)	52	0
Non-controlling interest	0	260

Balances thousands of euros	**31.12.2021**	**31.12.2020**
Receivables	**2 006**	**2**
Senior management (including the ultimate controlling party)	2 006	0
Close family members of the management and undertakings in their dominant or significant influence	0	2
Loan liabilities	**0**	**50**
Senior management (including the ultimate controlling party)	0	50
Other liabilities	**6**	**6**
Senior management (including the ultimate controlling party)	6	5
Close family members of the management and undertakings in their dominant or significant influence	0	1

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Note 22

Unconsolidated financial statements of parent company

Parent company's unconsolidated financial statements have been prepared in accordance with the Accounting Act of the Republic of Estonia, and do not constitute parent company's separate financial statements in the meaning of IAS 27 "Separate financial statements".

Primary statements of the parent have been prepared using the same accounting policies that have been used for the preparation of the consolidated financial statements, except for investments in subsidiary, which are measured at cost in the parent's primary financial statements.

Statement of comprehensive income thousands of euros	**2021**	**2020**
Interest revenue calculated using the effective interest method	11 777	12 380
Interest expense calculated using the effective interest method	-1 277	-937
Net interest income	**10 500**	**11 443**
Fee income	0	6
Fee expense	-1 005	-1 013
Net fee income (expense)	**-1 005**	**-1 007**
Other income	1 629	477
Net operating income	**11 124**	**10 912**
Salaries and associated charges	-4 118	-3 483
Administrative and other operating expenses	-1 618	-3 372
Other expenses	0	-57
Depreciation and amortisation expense	-457	-362
Credit loss expense on financial assets	-3 514	-2 284
Total operating expenses	**-9 707**	**-9 558**
Profit (loss) before income tax	**1 417**	**1 354**
Income tax	-198	-192
Profit (loss) for the year	**1 219**	**1 163**
Total other compehensive income (loss) for the year	0	0
Total comprehensive income (loss) for the year	**1 219**	**1 163**

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Statement of financial position thousands of euros	**Note**	**31.12.2021**	**31.12.2020**
Assets			
Cash and balances with central bank		3 048	3 048
Amounts due from credit institutions		12 815	8 769
Receivables from customers		43	114
Loans and advances to customers		60 951	56 476
Other assets		1 031	1 513
Investments in subsidiaries	4	5 151	2 898
Investment property		964	1 008
Property, plant and equipment		603	643
Right-of-use assets		921	1 179
Intangible assets		6 143	2 300
Total assets		**91 670**	**77 949**
Liabilities			
Deposits from customers		64 311	55 808
Loans received		174	0
Bonds and other securities		3 523	0
Right-of-use liabilities		963	1 201
Other liabilities		1 534	993
Total liabilities		**70 504**	**58 002**
Equity			
Share capital	19	50	50
Share premium	19	14 471	14 471
Statutory reserve		5	5
Retained earnings		6 640	5 421
Total equity		**21 166**	**19 947**
Total liabilities and equity		**91 670**	**77 949**

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Statement of financial position thousands of euros	Note	2021	2020
Paid interests		-717	-572
Cash payments for the interest portion of the lease liability		-14	-3
Received interests		12 370	12 076
Paid fees		-196	-170
Received fees		9	0
Paid out to customers		-44 370	-46 243
Loan principal repayments		41 302	37 946
Paid out to related parties		-8 981	-7 373
Repayments from related party loans		398	0
Change in CB reserves and interest claims		187	0
Received loans	17	-13	0
Principal repayments of received loans	17	3 450	-1 550
Changes in limit account		22 112	35 078
Received deposits		-13 008	-14 924
Deposit repayments		0	-1 673
Paid prepayments		-299	-108
Received prepayments		289	206
Paid trade payables		-5 219	-5 328
Received debts from buyers and received other claims		865	185
Received from written off loans		1 204	362
Paid net salaries		-2 269	-1 911
Paid tax liabilities, exc. CIT		-1 805	-1 504
Paid CIT (corporate income tax)		-269	-178
Cash flows from operating activities		**5 026**	**4 315**
Additions of property, plant and equipment and intangible assets		-2 050	-985
Cash flows from investing activities		**-2 050**	**-985**
Repayment of principal portion of lease liabilities		-126	-121
Redemption of minority shares	4	-2 253	0
Dividends paid		0	-345
Received from issuing bonds	17	3 500	0
Cash flows from financing activities		**1 121**	**-466**
Change in cash and cash equivalents		**4 098**	**2 865**
Cash and cash equivalents at the beginning of the period		**8 769**	**5 903**
Net increase/(decrease) in cash and cash equivalents		4 098	2 865
Net foreign exchange differencies		-53	1
Cash and cash equivalents at the end of the period*		**12 815**	**8 769**

Statement of financial position	31.12.2021	31.12.2020
Cash on hand	0	0
Non-restricted current account	12 815	8 769

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Statement of changes in equity thousands of euros	Share capital	Share premium	Statutory reserve	Retained earnings	Total
Balance as at 01.01.2020	**50**	**14 471**	**5**	**4 258**	**18 785**
Profit for the year	0	0	0	1 163	**1 163**
Other comprehensive income	0	0	0	0	**0**
Total comprehensive income (loss)	**0**	**0**	**0**	**1 163**	**1 163**
Balance as at 31.12.2020	**50**	**14 471**	**5**	**5 421**	**19 947**
Balance as at 01.01.2020	**50**	**14 471**	**5**	**5 421**	**19 947**
Profit for the year	0	0	0	1 219	**1 219**
Other comprehensive income	0	0	0	0	**0**
Total comprehensive income (loss)	**0**	**0**	**0**	**1 219**	**1 219**
Balance as at 31.12.2020	**50**	**14 471**	**5**	**6 639**	**21 166**

Unconsolidated equity at the end of the period	Note	31.12.2021	31.12.2020
Investments in subsidiaries:	4	-5 151	-2 898
Carrying value under the equity method		2 320	2 515
Adjusted unconsolidated equity at end of period		**18 336**	**19 563**

Adjusted unconsolidated equity differs from consolidated equity owned by the parent due to the application of the adjusted purchase method on subsidiary acquisition.

Note 23

Subsequent events

On February 24, 2022, Russia's invasion in Ukraine shocked the entire world. Although aggression could have been predicted on the basis of preliminary activities, such behavior seemed unrealistic in the 21st century. This confirmed that everything must be prepared and no scenario can be ruled out. Obviously, the sanctions imposed on Russia by the West and the new cold war are affecting the world's banking and economy as a whole. However, the customers of Holm Bank AS are mostly residents of Estonia, Sweden, Finland, Germany and Austria. In the long run, the increased uncertainty may affect the growth of the Group's loan portfolio and the opportunities to raise money. As long as the war has not taken the scale of world war, the Group's Management Board's opinion is that the current situation will not significantly affect the Group's operations, however, the situation will be monitored and, if necessary, changes will be made in estimates.

Although Estonian economy has remained relatively open despite permanent corona restrictions, the new wave of the Covid-19 pandemic in early 2022 has reached unprecedented and record numbers. For this reason, it is important to take both precautions and to ensure a safe working environment to control the spread of the virus.

The economy has continued to grow and the negative impact of the new wave of omicron can be considered smaller than expected. At the same time, the outlook for economic growth is affected by the exceptionally rapid inflation, which can be expected to decline not before the second half of the year. However, several local factors may prolong the period of rapid price increase in Estonia.

Already at the end of last year, the expected signs of changes appeared, which had a strong short-term im-

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pact on the economy at the beginning of this year. The rise in both energy and gas prices affected the cost base of private individuals as well as companies. Together with winter season, energy consumers had to deal with rapidly growing bills.

Uncertainty about the growth of commodity prices, as well as unpredictable price dynamics, was immediately felt in the decline in loan demand. This also affected the Group's new sales in the beginning of the year. The government's decision to implement support measures to mitigate the rise in energy prices has stabilized the situation somewhat, but the real extent of the impact can only be expected at the end of the first half of the year.

At the beginning of the year, Karita Nilp, the head of the legal department, and internal auditor Anna-Mari Oomer, left the Group. On internal auditor position started in mid-February Tiina Vask, who has long experience in this field.

In connection with the decision to leave the Swedish market at the end of 2021, a considerable part of the Swedish non-performing portfolio was sold in January 2022 to IFA Finance Designated Activity Company as part of forward-flow transaction. At the beginning of February, the Group entered into a sales agreement with the Swedish company Brixo AB, which transferred all performing contracts. The information was published on the website, and the partners were also directly informed about the termination of Holm's operations in the Swedish market. The Group also informed customers by letter.

Due to changes in the environment and special circumstances, we have considered potential risk factors in credit decision process. In business sector we continue to follow economic situation based on each industry outlook. However, in the volatile economic situation, the payment behavior of the Group's customers and the credit quality of the portfolio has remained at an acceptable level and the quality of business loans is good.

We have approved the budget for 2022 and started the ICAAP and ILAAP process at the beginning of the year, where we will provide with additional stress tests. In the future, we will constantly monitor changes in the economy and adjust our financial forecasts if necessary.

Since the date of the annual report, there have been no significant fluctuations in the Group's credit quality or liquidity positions and the Group's capital base is strong. The loan portfolio default rates have also not changed.

The Group's ability to raise new funding is at a sufficient level, and funding plans have been completed as originally planned. The Group has liquidity reserves at conservative level. The share of long-term deposits (deposits with an agreed maturity of over one year) decreased by 19.5% (41.6% vs 61.1%) compared to the previous year. The increased liquidity reserves are sufficient to cover possible short-term changes in funding.

The Group ability to absorb credit losses is very good and the Group's capitalization is on good and conservative level.

The Management Board estimates that the Group's current capital, liquidity position and ability to cover the risks to which the Group may be exposed, are on good level, and the Management Board declares the sustainability of the Group within next 12 month.

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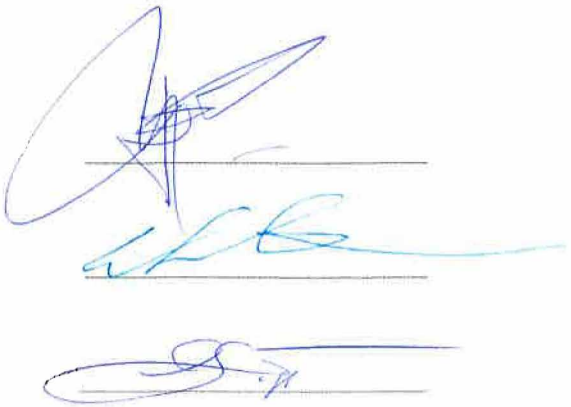
Signatures of the Management Board

The annual report as compiled by the Management Board consists of the management report, financial statements, profit allocation proposal and independent auditor's report. Hereby the Management Board of Holm Bank AS approves current consolidated Annual Report 2021.

Rauno Klettenberg
Chairman of the Management Board

Kristi Luite
Member of the Management Board

Arvi Lipp
Member of the Management Board



Tallinn, 25th March 2022

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Holm Bank AS

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Holm Bank AS and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). 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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	*How our audit addressed the key audit matter*
Allowance for expected credit loss on loans to customers As disclosed in Note 11 *Loans and advances to customers* to the consolidated financial statements, the carrying amount of loan receivables as at 31 December 2021 is EUR 61 954 thousand that corresponds to 70% of the Group's total assets. Impairment of loans is a subjective area due to the level of judgement applied by the management in determining the extent of credit losses which are dependent on the credit risk related to such loans and receivables. Such an assessment is inherently uncertain, involving forecasting of future macroeconomic conditions in a number of scenarios as well as an assessment of the credit standing of the exposures by employing models based on a series of historical data, forward-looking assumptions and an assessment of valuation and timing of recovery of collaterals. The use of different modelling techniques and assumptions around the calculation of the expected credit losses could produce significantly different estimates of loss allowance. These models require the significant judgment of management regarding appropriate segmentation, the identification of significant changes in credit risk, the inclusion of forward-looking elements as well as the application of management overlays, including COVID-19 pandemic impact, to reflect on circumstances beyond the modelling capabilities. The Group is applying the expected credit loss model as required by IFRS 9. The Group's impairment allowance policy is disclosed in the accounting policies section in Note 2 sub-section "*Impairment losses on financial assets*". Critical accounting estimates and judgments are set out also in Note 2 *Significant accounting judgements, estimates and assumptions* to the consolidated financial statements. Given the complexity and judgements related particularly to the calculation of expected credit losses, the impairment allowance for loans to customers is considered a key audit matter.	***Our audit procedures included, amongst others:*** • We gained an understanding and tested the key controls over the loan issuance, booking and monitoring and loan impairment provisioning process. We obtained and read the Group's Impairment provisioning policy that is based on the IFRS 9 and involved our internal IFRS 9 specialists to assess its compliance with the requirements of IFRS 9. • We assessed the Group's methodology regarding the identification of impairment indications and determination by the management of the expected credit losses, including governance over the determination of key judgements. This included the determination of probability weighted macroeconomic scenarios, staging criteria and the credit risk parameters models. • We tested the mathematical accuracy of the impairment allowance calculations. On sample basis we tested the data flow in the models and verified the correctness of parameters subject to estimation by tracing them to the original source documents for the purposes of testing information prepared by the entity (IPE). • In accordance with Group's methodology due to individually small size of each loan, expected credit losses for loans are calculated on a collective basis. We analysed the Group's methodology, inputs and assumptions used. We also tested the completeness and accuracy of the underlying loan information used in the expected credit loss models by agreeing details to the Group's source systems as well as re-performing the calculation of the expected credit loss. For the key assumptions in the model, we evaluated evidence provided by the management. • For a sample of loans and model outputs with the support of valuation specialists, we performed recalculations of ECL (expected credit loss). ECL adjustments related to expert credit judgement such as past payment behaviour, economic sector and payment moratoriums were also analysed. Our analysis considered management's assumption of ECL adjustments. • We performed analytical procedures, such as a comparison of loan loss impairment allowance balances to prior year, movements between stages, provisioning rate analysis etc. We have also assessed the effect of COVID-19 pandemic on the ECL, including its impact on portfolio quality and forward-looking assumptions. • Finally, we assessed the completeness of the related disclosures contained in Note 3 *Risk management*, 11 *Loans and advances to customers* and 2 *Significant accounting judgements, estimates and assumptions.*

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Key audit matter	*How our audit addressed the key audit matter*
Interest income recognition As disclosed in the Group's accounting policies outlined in Notes to the consolidated financial statements subsection "*Recognition of interest income and expenses*" interest income from financial instruments measured at amortized cost is recognized at the effective interest rate ("EIR"). During the financial year ended 31 December 2021, the Group recognized interest income from loans to customers amounting to EUR 14 707 thousand in the consolidated statement of comprehensive income. The calculation of the EIR includes commissions paid or received between the Group and its customers and agents, which are an integral part of the EIR. Correct interest income recognition is highly dependent on appropriate design of the interest income recognition process. Accounting for all EIR components is inherently more complex in the finance services sector when compared to some other industries due to the large number of customers, various contractual terms with customers, modification of those terms, as well as the amount of commissions included in the EIR calculation, including top-side adjustments at the Group level. Therefore, interest income recognition is considered to be relatively complex area of accounting. Due to the above circumstances, the interest income recognition is a key audit matter.	*Our audit procedures included, amongst others:* • We gained understanding of the loan origination process, the process of the calculations of the effective interest rate, accounting and income recognition process. We identified related controls, evaluated their design and implementation and tested key controls. • We assessed whether the Group's accounting policies in relation to the interest income recognition are following IFRS 9 and reviewed Group's calculation of the effective interest rate. • We tested a sample of agreements related to the issued loans to customers. For the selected sample of agreements, we recalculated accrued interest income, commissions forming part of the EIR and principal outstanding at the financial year end compared results of our calculations with the amounts recognized by the Group. We also reviewed respective agreement terms, agreement modifications and other supporting data. • We performed analytical procedures, such as a comparison of the EIRs to prior year, to market rate by products. • We also considered the accuracy of the Group's description of the accounting policy related to interest income, and whether interest income is adequately disclosed in *Note 5*. Net interest income to the consolidated financial statements.

Other information

Other information consists of Management report, but does not consist of the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our responsibility in accordance with Auditors Activities Act of the Republic of Estonia is also to consider whether the Management Report corresponds to the consolidated financial statements and the applicable requirements of the Accounting Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion, in all material respects:

- The Management Report corresponds with the consolidated financial statements; and
- The Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia.

Building a better working world

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

Management 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 management 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, management 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 management 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 International Standards on Auditing (Estonia) 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 International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management'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.
- 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.

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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

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the shareholder we have been chosen to carry out the audit of Group's consolidated financial statements the first time in 2017. Our appointment to carry out the audit of Group's consolidated financial statements in accordance with the decision made by shareholder has been renewed annually and the period of total uninterrupted engagement is 5 years.

Consistence with Additional Report to Supervisory Board and Audit Committee

Our audit opinion on the annual financial statements expressed herein is consistent with the additional report to the Supervisory Board and Audit Committee of the Group, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to statutory audit services and services disclosed in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

The responsible certified auditor on the audit resulting in this independent auditors' report is Olesia Abramova and the executive auditor is Kärt Viilup.

Tallinn, 25 March 2022



Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58



Kärt Viilup
Authorised Auditor's number 712

Profit allocation proposal

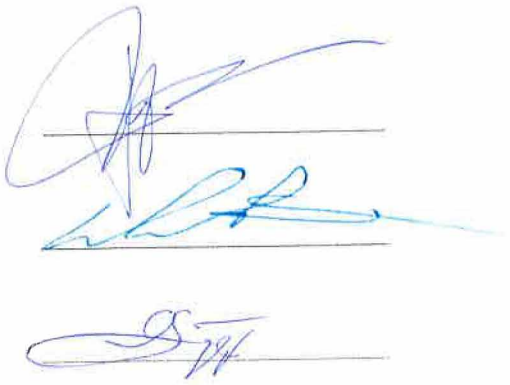
The Group has finished the reporting period with consolidated retained profit of 3 709 thousand euros.

The Management Board of Holm Bank has proposed to the General Meeting of Shareholders not to allocate the retained profit.

Rauno Klettenberg
Chairman of the Management Board

Kristi Luite
Chairman of the Management Board

Arvi Lipp
Chairman of the Management Board



Tallinn, 25th March 2022



HOLM

A bank of good plans.