Bigbank AS

Supplement No. 1 to Base Prospectus dated 5 September 2022

Up to EUR 35,000,000 Subordinated Bond Issuance Programme

This Supplement No. 1 (the **Supplement**) is a supplement to, and should be read together with the public offering, listing and admission to trading base prospectus, dated 5 September 2022 (the **Prospectus**) that was prepared and published by Bigbank AS (an Estonian public limited company, registered in the Estonian Commercial Register under register code 10183757, having its registered address at Riia 2, 51004 Tartu, Estonia; the **Company**).

This Supplement has been prepared in accordance with Article 23 of the Prospectus Regulation and has been approved by the Estonian Financial Supervision and Resolution Authority (the **EFSA**), as competent authority under the Prospectus Regulation on 30 January 2023 under registration number 4.3-4.9/4301-18. The EFSA only approves the Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and should not be considered as an endorsement of the Company and the quality of the Bonds that are subject to the Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company has requested that the EFSA notify the competent authority of Latvia (the Latvijas Banka) and the competent authority of Lithuania (the Bank of Lithuania) of approval of the Supplement in accordance with Article 25 of Prospectus Regulation, respectively.

In connection with this Supplement and in accordance with Article 23(2) of the Prospectus Regulation, the investors who have agreed to purchase or subscribe for the Bonds before the publication of this Supplement, shall have the right to withdraw their acceptances, exercisable within 2 working days after the publication of the Supplement. Therefore, the investors may withdraw their acceptances until 2 February 2023. The right of withdrawal is only applicable with respect to those investors who have agreed to purchase or subscribe for the Bonds to be issued in accordance with the Final Terms published on the date of this Supplement and with respect to whom the offer period has not closed nor the Bonds delivered to them.

The Company has applied for listing and admission to trading of all the Bonds that may be from time to time issued under the Programme on the Baltic Bond List of Nasdaq Tallinn Stock Exchange which has been conditionally approved by Nasdaq Tallinn Stock Exchange on 6 September 2022. Each series of the Bonds to be issued under the Programme will be listed and admitted to trading on the Baltic Bonds List of Nasdaq Tallinn Stock Exchange upon submission of the relevant Final Terms of the Bonds and other required information to the Nasdaq Tallinn Stock Exchange.

Terms defined in the Prospectus and used in this Supplement and not otherwise defined herein, shall have the same meaning when used in this Supplement, unless the context requires otherwise. To the extent that there is any inconsistency between any statement in this Supplement and any other statement in the Prospectus, the statements of this Supplement shall prevail. Other than as described in this Supplement, there are no significant new factors, material mistakes or material inaccuracies in the Prospectus that could impact the assessment of the Bonds.

The date of this Supplement is 30 January 2023

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1. AMENDMENTS AND UPDATES TO THE PROSPECTUS

1.1. Purpose of the Supplement

This Supplement has been prepared by the Company to (i) incorporate the Group's interim financial information for the 9-months period ended 30 September 2022 to the Prospectus, (ii) update certain risk factors, (iii) amend reasons for the offering and use of proceeds, and (iv) update the Prospectus with information about recent events and changes.

1.2. Persons Responsible

The person responsible for the information given in this Supplement is the Company. The Company accepts responsibility for the fullness and correctness of the information contained in this Supplement as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Supplement is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

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

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in the Prospectus solely on the basis of the summary of any series issued under this Prospectus, including any translation thereof, unless such summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in Bonds.

1.3. Group's Q3 2022 Financial Statements

The Group published its unaudited interim condensed consolidated financial statements for the third quarter 2022 and 9-months period ended 30 September 2022 on 27 October 2022 via Nasdaq Tallinn Stock Exchange. As a result of discussions with the auditors in preparation for the audit of the financial results of 2022, the Group determined that certain adjustments are required in the consolidated statement of comprehensive income of the third quarter 2022 and 9-months period ended 30 September 2022 and in the consolidated statement of financial position of the 12-months period ended 31 December 2021. These adjustments were published on 23 December 2022 and further amended on 3 January 2023 together with an amended version of the unaudited interim condensed consolidated financial statements for this third quarter 2022 and 9-months period ended 30 September 2022 (the **Q3 2022 Financial Statements**) via Nasdaq Tallinn Stock Exchange.

As a result of the adjustments made, the net profit of the Group for the period of 9 months 2022 was EUR 21,256 thousand (i.e., EUR 7,106 thousand lower than initially published on 27 October 2022)..

For further information about the restatements and corrections made, please refer to the Q3 2022 Financial Statements.

The adjustments were related to the accounting of contract conclusion income and expenses and of hybrid instruments under IFRS which are explained in more detail below:

(i) Contract conclusion related income and expenses. The Group adjusted the recognition of contract conclusion related income and expenses which were previously recorded at the time of conclusion of the contract and on the date of incurring the expense respectively to periodic recognition throughout the lifetime of the contract in accordance with IFRS 15 and IFRS 9 requirements. The total effect of the adjustment to 9 months 2022 net profit compared to the information in the financial statements published on 27 October 2022 is EUR -465 thousand. The adjustment also affected retained earnings and loans to customers as of 31 December 2021 in amount of EUR –2,775 thousand.

(ii) Accounting principles of hybrid instrument. In the third quarter of 2022, the Company started offering a new type of loan product to corporate customers in connection with selected real estate projects. Under terms of such loans, the borrower pays an additional periodically fixed fee that is calculated based on the change in value of the real estate as compensation for taking additional risk arising from lower own financing requirement. These loans with the characteristics of a hybrid instrument were reclassified to financial assets designated at fair value through profit or loss. The change in fair value was previously recognized fully as interest income and the discounted amount as interest expense. After reclassifying and changing the accounting principles, the initial change in fair value will be recognized on a straight-line basis over the contractual period of the instrument. As a result, the impact on the profit for the period was EUR -6,646 thousand.

With this Supplement, the Q3 2022 Financial Statements are incorporated by reference to the Prospectus and the Q3 2022 Financial Statements are regarded as Unaudited Interim Financial Statements and Financial Statements for the purposes of the Prospectus.

Section 1.5. “Historical Financial Information and Accounting Standards” on page 7 of the Prospectus is amended and replaced as follows:

“The following historical financial information has been incorporated into this Prospectus by reference:

(i) the audited consolidated financial statements of the Group of and for the year ended 31 December 2021 on pages 46–49, together with notes to the financial statements on pages 50–129, key performance indicators of the Group on pages 18 – 19 and the auditor’s report on pages 131–135 (available at https://static.bigbank.eu/assets/2022/03/02181047/Aastaraamat_eng_weeb_compressed.pdf),

(ii) the audited consolidated financial statements of and for the year ended 31 December 2020 on pages 48–51, together with notes to the financial statements on pages 52–137, key performance indicators of the Group on pages 18 – 19 and the auditor’s report on pages 139–142 (available at https://static.bigbank.eu/assets/2021/03/09105029/Bigbank_annual_report_2020.pdf) ((i) and (ii) together referred to as the **Audited Financial Statements**),

(iii) the unaudited interim condensed consolidated financial statements for the third quarter 2022 and 9-months period ended on 30 September 2022 on pages 10–13, together with notes to the financial statements on pages 14–32 and key performance indicators of the

Group on page 6 (available at https://static.bigbank.eu/investor/assets/2023/01/Bigbank_interimreport_Q3_2022.pdf) (the **Q3 2022 Financial Statements**, together with the Audited Financial Statements, the **Financial Statements**).

The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union. The Unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standards (**IAS**) 34, Interim Financial Reporting.

The Audited Financial Statements are audited by KPMG Baltics OÜ (address Narva mnt 5, 10117 Tallinn, Estonia). KPMG Baltics OÜ is a member of the Estonian Auditors' Association. The Company's supervisory board has elected KPMG Baltics OÜ as the statutory auditor also for the financial year of 2023.

The financial year starts on 1 January and ends on 31 December, the amounts are presented in thousand euros unless otherwise indicated. The official language of the Financial Statements of the Company is Estonian. The Estonian version must be proceeded from in the event of a conflict with English or any other language."

1.4. Amendments to Certain Risk Factors

The following risk factors in Section 3 "Risk Factors" are amended:

(1) Risk factor "Credit risk" in Section 3.2. "Risks Related to the Business of Group" on page 13 of the Prospectus is supplemented with the following paragraphs:

"As of 30 September 2022, the Group's gross loan portfolio was EUR 1,256.5 million, interest receivable was EUR 19.3 million and impairment allowances constituted EUR 27.6 million. As of 30 September 2022, unsecured loans accounted for EUR 621.8 million representing 49% of the Group's loan portfolio (as of 31 December 2021, EUR 583.8 million and 65% respectively). As of 30 September 2022, the Group has issued loans secured by real estate in the amount of EUR 580.6 million, representing 46% of the Group's loan portfolio (as of 31 December 2021, EUR 268.6 million and 30% respectively). Therefore, Group's credit risk is also impacted by the collateral provided to the relevant Group member and the market value thereof.

(2) Risk factor "Concentration risk" (sub-risk of "Credit risk") in Section 3.2. "Risks Related to the Business of the Group" on page 14 of the Prospectus is amended and replaced with the following paragraphs:

"Concentration risk. Concentration risk is the risk resulting from large exposures to one counterparty or connected counterparties or multiple counterparties that are impacted by a common risk factor. The Group determines concentration risk considering exposures to a single counterparty, related counterparties, credit products and countries of operation. In Estonia, Latvia and Lithuania, the maximum limit for a single customer and for a group of customers is set at EUR 30 million. Large exposure is defined as an exposure to a single customer or related customers that equals or exceeds 10% of the Group's Tier 1 capital. As of 30 September 2022, the Group had ten customer groups with exposure of single or related customers equalling or exceeding 10% of Group's Tier 1 capital. The total exposure amount to such customer groups was EUR 213.7 million (as of 31 December 2021, four customer groups with a total exposure of EUR 82.7 million).

Furthermore, under applicable regulatory requirements, the Group is not allowed to incur an exposure to a client or a group of connected clients the value of which exceeds 25% of its Tier

1 capital, whereas exposures to subsidiaries of the Group which are considered ancillary undertakings (in Estonian: *abiettevõtja*) of the Group may be deducted from the exposure amount. The largest exposures of the Group are loan and equity exposures vis-à-vis Group's subsidiaries (including to the subsidiaries engaged in real estate investments), however there was uncertainty which activities qualify as ancillary activities of a credit institution and whether such activity can include real estate investments such as the investments made by the subsidiaries of the Group. Before 30 June 2022, without deducting Group's exposures vis-à-vis its subsidiaries engaged in real estate investments from the exposure amount, the Group's exposure towards its subsidiaries exceeded the above risk concentration limit. By 30 June 2022, the Group took measures to reduce the exposure. However, due to the amendments needed to be made in the Group's Q3 2022 Financial Statements in connection with accounting of contract fees and the costs directly attributable to obtaining contracts and the accounting for loans with an investment risk component, the net profit of the Group for the third quarter of 2022 that could be included into Tier 1 capital decreased. Consequently, as of 30 September 2022, the Company had a consolidated exposure of EUR 44.2 million to its subsidiaries that are not considered ancillary undertakings which constituted 25.6% of Group's Tier 1 capital (including after the inclusion of net profit of the third quarter of 2022 into Tier 1 capital) and therefore was in breach of the above risk concentration limit. As a result of reducing the exposure to the Company's subsidiaries in the fourth quarter of 2022 and inclusion of full year net profit of 2022 into Tier 1 capital, the breach is expected to have ended by 31 December 2022.

The Group has taken measures to avoid exceeding the risk concentration limit again in the future. Nevertheless, as exceeding the above risk concentration limit may be caused not only by an increase of the loan exposure vis-à-vis Group's subsidiaries but also from circumstances over which the Group may not always have control (such as an increase in equity exposure which may in turn result from an increase in the value of real estate properties of the Group's subsidiaries, or from a decrease of the Group's Tier 1 capital), it is not excluded that the measures taken by the Group will prove to be insufficient to avoid similar breaches in the future. Inability to remedy the breach or repeated breaches may result in regulatory action (including sanctions) from the EFSA, which may have a material adverse effect on the Group's business, financial condition, and results of operations."

(3) Risk factor "Liquidity risk and funding risk" in Section 3.2. "Risks Related to the Business of Group" on pages 14-15 of the Prospectus is supplemented with the following paragraphs:

"As of 30 September 2022, the maturity gap of financial assets and liabilities with a term of less than 1 month was EUR –514.3 million and for financial assets and liabilities with a term of 3-12 months was EUR –6.6 million.

As of 30 September 2022, deposits from private customers amounted to EUR 1,221 million, of which EUR 565.9 million are on-demand deposits and EUR 655.1 million are all term deposits. Deposits from corporate customers amounted to EUR 23.8 million and are all term deposits. As of 30 September 2022, the largest portion of the Group's deposits remained to be from the German market with 45.5%, followed by the Dutch market with 36.1% and Swedish market by 6.0%. For its funding, the Group has issued Tier 2 subordinated notes in four separate issuances in the total volume of EUR 40 million, with maturities on 28 December 2027, 30 December 2031, 16 May 2032, and 21 September 2032.

The Group's LCR and NSFR as of 30 September 2022 were respectively 238.3% and 129.1% while the regulatory minimum requirement for both metrics is set at 100%."

(4) Risk factor “Market risk” (including its sub-risks “Foreign Currency Risk” and “Interest Rate Risk) in Section 3.2. “Risks Related to the Business of Group” on page 16 of the Prospectus is amended as follows:

The first paragraph on page 16 of the Prospectus is supplemented with the following sentence:

“As of 30 September 2022, market risk contributes 0,1% to the Group’s total risk-weighted exposure amount, whereas as of 31 December 2021, the same indicator was 0%.”

The second paragraph on page 16 is replaced with the following paragraph:

“*Foreign Currency Risk*. Foreign currency risk is the risk of loss due to changes in spot or forward prices and the volatility of foreign exchange rates. The Group issues loans and accepts deposits mainly in EUR (as of 30 September 2022 loan receivables were in the amount of EUR 1,189 million and deposits in the amount of EUR 1,169 million). The Group suspended issuing new loans in Swedish krona (SEK) from 1 September 2022 and in Bulgarian lev (BGN) from 1 November 2022 but is still managing the existing loan portfolios in those currencies as well as accepting deposits. As of 30 September 2022, the Group had assets and liabilities bearing currency risk in SEK in the amounts of EUR 74.1 million and EUR 75.2 million respectively. The Group measures foreign currency risk, inter alia, by using a sensitivity analysis, according to which a 10% strengthening/weakening of the exchange rate of either of these currencies against the euro would not have a significant effect. However, material changes in the exchange rates against the euro may have an adverse effect on the Group’s business, financial condition, and results of operations.”

The fourth paragraph on page 16 of the Prospectus is supplemented with the following sentence:

“As of 30 September 2022, the impact of the supervisory shock scenario (200 bps parallel increase) on 12-month net interest income was EUR 1.1 million and the sensitivity of the economic value of equity to the interest rate increase by 200 bps was EUR 4.8 million.”

(5) Risk factor “Operational Risk” in Section 3.2. “Risks Related to the Business of the Group” on pages 16-17 is supplemented by adding the following sentence to the second paragraph on page 17:

“As of 30 September 2022, operational risk exposure amounted to 9.4% of the Group’s total risk weighed exposure amount.”

(6) Risk factor “COVID-19 related Risks” in Section 3.2 “Risks Related to the Business of the Group” on page 18 of the Prospectus is amended and replaced with the following paragraph:

“<u>COVID-19 related Risks</u>. The break-out of the COVID-19 (also known as SARS-CoV-2) pandemic and the global health and economic crisis that followed has had and is continuously having a material adverse effect on the global economy. Although the impact of the pandemic on economic activity has weakened considerably as a result of deployment of vaccination programmes in countries where vaccination has been widespread, it remains unclear whether COVID-19 has been defeated and recovery is heavily dependent on its evolution. A possible worsening of the COVID-19 situation remains a risk as it could lead to new state measures intended to control the outbreak, including lockdowns, restriction of human movement and social distancing, mandatory closures of businesses, quarantines and travel bans, in particular in countries where vaccination levels remain low. Although in 2021 and 2022, the COVID-19 crisis did not have a significant negative impact on the Group’s financial performance, re-establishment of such measures in the future may reduce economic activity and cause an adverse impact on economic conditions and on business and consumer confidence and spending, both in Estonia and throughout the world which could materially adversely affect demand for the Group's products. In addition, the development of the COVID-19 situation is China may have an adverse impact on the supply chains and therefore also on the global economic conditions. Therefore, the COVID-19 pandemic could adversely affect the Group's business, financial condition, and results of operations in the future. Such future effects may be material, and include, but are not limited to, temporarily amending terms and conditions of the products of the Group to avoid defaults by the customers of the Group."

(7) Risk factor "Maintaining Capital Adequacy Ratios" in Section 3.3. "Legal and Regulatory Risks" on pages 18-19 of the Prospectus is amended and replaced with the following paragraphs:

"Maintaining Capital Adequacy Ratios. Credit institutions, including the Group, must adhere to strict capital adequacy requirements subject to frequent reforms and changes. Currently, the capital of banks in the EU is subject to the legal framework of CRR & CRR II/CRD IV & CRD V. These requirements are largely based on the Basel III framework that was agreed in the Basel Committee on Banking Supervision with the objective to strengthen the resilience of the financial sector to economic shocks and thereby ensure the adequate and sustainable financing of the economy and are still subject to transitional arrangements (phase-in of deductions and capital buffers and phase-out of capital elements). In addition, the European Union has still to adopt, among others, reforms for both the CRR II and CRD V to finalise implementation of the Basel III framework and certain changes foreseen under the CRR II and CRD V are still to be implemented as the relevant implementation deadlines were postponed in order to help the banks deal with the impacts of COVID-19. In addition to common capital requirements, the Group must maintain the capital conservation buffer at the level of 2.5%. On certain markets, the Group has recently become subject to additional local capital buffers and considering the current macroeconomic uncertainty, such additional buffers may be also introduced in markets that have not yet done so. For example, as of 1 July 2022, all retail exposures to Lithuanian residents secured by residential property are subject to a systemic risk buffer of 2% and as of 7 December 2022, credit institutions in Estonia will be subject to a countercyclical capital buffer of 1%. In addition, the EFSA has the right to require the Company to maintain additional own funds in addition to the minimum regulatory requirements which the EFSA has recently used with respect to the Company, and it is not excluded such additional buffer requirements may be increased in the future.

To date, the Group has complied with all applicable capital requirements. However, the capital requirements adopted in Estonia and the European Union may change, whether as a result of further changes of the EU or Estonian legislation, global standards, or interpretation thereof. Such changes, either individually or in combination, may lead to unexpected increased requirements and have a material adverse effect on the business of the Company and the Group as a whole. Further, maintaining the required minimum capital buffers may be more challenging during adverse market conditions, either on a global level or on the markets where the Group operates or in case the quality of the Group's loan portfolio deteriorates, triggering higher capital buffer requirements due to the increase of risk arising from the loan claims. Breaches of capital adequacy requirements may also result in from a loss of a reporting period exceeding the amount of additionally available capital. Any material or systemic deviations by the Group from the above regulations are likely to result in supervisory action, including sanctions from the EFSA that may have a material adverse effect on the Group's business, financial condition, and result of operations."

(8) Risk factor "Changes in Macroeconomic Environment" in Section 3.4. "Risks related to Macroeconomic and Political Environment" on pages 20-22 of the Prospectus is amended and the second paragraph on page 21 is replaced with the following:

"The Group is subject to political (including geopolitical) risks. The Group has operations in nine countries by offering loans[11] in Estonia, Latvia, Lithuania, Finland and accepting deposits from Estonia, Latvia, Finland, Sweden, Bulgaria, the Netherlands, Germany, and Austria. Therefore, the Group is subject to the risk that economic, financial, political or social conditions in the countries it operates negatively affect its operations, financial condition, and results of operations. As of 30 September 2022, the largest share of the Group's loan receivables was from the Estonian market with 37.7%, followed by the Lithuanian market with 33.1%, the Latvian market with 15.3%, the Finnish market with 8.2% and the Swedish market with 5.1%. The Group entered the Bulgarian market only in 2021 and as of 30 September 2022 its share in the Group loan portfolio was 0.6%. As the Group is largely dependent on the cross-border deposits from the German and Dutch retail customers, an increase in geopolitical risks, especially risks related to Russian and the ongoing war in Ukraine, may negatively affect the behaviour of the depositors and make it difficult for the Group to obtain further financing. Fast deterioration of the geopolitical situation could also result in fast outflow of cross-border deposits, putting the liquidity of the Group under pressure or even make it difficult for the Group to meet its financial obligations on time."

1.5. Amendments to Reasons for the Offering and Use of Proceeds

The third paragraph of Section 5 "Reasons for the Offering and Use of Proceeds" on page 30 of the Prospectus is replaced with the following sentence:

"The Company plans to use the proceeds from the Bonds issued under the Programme for the purposes of covering the credit risk arising from the Group's corporate and housing loans portfolio in Estonia, Latvia and Lithuania, as well as for the purposes of satisfying additional own funds requirements applicable to the Group and Tier 2 capital requirements required under applicable regulatory rules."

1.6. Changes in Operations of Bulgarian Branch

In order to support the new business strategy of the Group and achieve the expected return on capital, in October 2022 the Company decided to suspend the issue of new loans via its Bulgarian branch from 1 November 2022. The Group will continue raising deposits and servicing its existing loan portfolio in Bulgaria.

In connection with the above, the following changes in the Prospectus are made:

(1) The description for 2022 in Section 9.1. "History and development of the Group" of Section 9 "Business Overview" on page 39 of the Prospectus is amended and replaced with the following:

"2022 – The Company launces deposit services in Bulgaria and starts providing customer video identification in Estonia. The Company's deposit portfolio exceeds EUR 1 billion. The Company receives an investment-grade rating from rating agency Moody's. The Group decides to stop issuing new loans in Sweden from 1 September 2022 and in Bulgaria from 1 November 2022."

(2) The description of the Bulgarian branch in Section 9.2. "Group Structure, Group Companies and Affiliated Companies of the Company" of Section 9 "Business Overview" on page 40 is amended and replaced with the following:

[1] The Group suspended issuing new loans in SEK via its Swedish branch from 1 September 2022 and issuing new loans in BGN via its Bulgarian branch from 1 November 2022. See Section 9.2 ("Group Structure, Group Companies and Affiliated Companies of the Company").

"Bigbank AS Bulgarian branch. Bigbank AS Bulgarian branch was established in 2020 and started operations in 2021. The main products of Bigbank AS Bulgarian branch are consumer loans and deposits. In October 2022, the Group decided to stop issuing new loans via the Bulgarian branch from 1 November 2022 to support the new business strategy of the Group and achieve the expected return on capital. The Group continues to service its existing consumer loan customers and offer deposit products via the branch."

(3) The description of geographical markets of the Group in Section 9.4. "Geographical Markets" of Section 9 "Business Overview" on page 41 of the Prospectus is amended and replaced with the following:

"As at the date of this Prospectus, the Group is operating in nine geographical markets. In Estonia, the Company is engaged in providing financing to retail and corporate clients and accepting public deposits. The branches in Latvia, Lithuania, Finland offer lending services mostly similar to those of the Company. The branches in Latvia, Finland, Sweden and Bulgaria offer deposit services. In addition, the Company provides deposit services on a cross-border basis in Germany, the Netherlands and Austria but does not conduct any financing activities in those markets.

As of 30 September 2022, the largest share of the Group's loan receivables was from Estonian market with 37.7%, followed by the Lithuanian market with 33.1%, the Latvian market with 15.3%, the Finnish market with 8.2% and the Swedish market with 5.1%. The Group entered the Bulgarian market only in 2021 and as of 30 September 2022 its share in the Group loan portfolio was 0.6%. As of 30 September 2022, the largest portion of the Group's deposits remained to be from the German market with 45.5%, followed by the Dutch market with 36.1% and Swedish market by 6.0%."

1.7. Changes in Group's Agricultural Activities

In 2021, the Group acquired two Subsidiaries, Abja Põld OÜ and Palupera Põllud OÜ, which operate in the field of agriculture. Palupera Põllud OÜ is engaged in milk production and dairy farming and Abja Põld OÜ is engaged in grain growing. At the time of the acquisition, both Subsidiaries also held a number of agricultural land plots which have been transferred to Group Subsidiary, OÜ Rüütli Property.

On 9 December 2022, the Group announced its decision to terminate the economic activities of Abja Põld OÜ and Palupera Põllud OÜ via Nasdaq Tallinn Stock Exchange. The Group has started the process of terminating the economic activities of milk production, dairy farming and grain growing and the gradual expropriation of assets of those companies. The Group expects to complete the activities necessary to terminate the economic activities by the end of 2023.

The decision was taken due to the fact that the agricultural business is not supporting the Group's core business and is therefore not part of the Group's long-term strategic plans. The termination of economic activities of Abja Põld OÜ and Palupera Põllud OÜ is not expected to have a material adverse impact on the Group's financial results and will not negatively affect the Company's ability to make interest payments on the Bonds.

1.8. Updates to Financing Activities

The description of Group's financing activities in Section 9.5. "Financing Activities" of Section 9 "Business Overview" on page 41 of the Prospectus is amended and the second paragraph is replaced by the following:

"In addition to deposits, the Group has engaged capital by issuing subordinated bonds in the total amount of EUR 40 million (ISIN codes EE3300111400, EE3300002526, EE3300002583, EE3300002690) with maturities on 28 December 2027, 30 December 2031, 16 May 2032 and 21 September 2032. Previously the Group also financed its activities through a loan from the ECB's targeted long term refinancing operations program (TLTRO-III) in the amount of EUR 36.3 million, however the loan was repaid in November 2022."

1.9. Updates to Group's Competitive Positions and Competitive Strengths

The description of Group's competitive position and competitive strengths in Section 9.6. "Competitive Position and Competitive Strengths" of Section 9 "Business Overview" on pages 41-44 of the Prospectus is amended and replaced with the following:

"The Group positions itself as an international bank with local expertise, offering services across nine geographical markets by offering loans in Estonia, Latvia, Lithuania, Finland, and accepting deposits from Estonia, Latvia, Finland, Sweden, Bulgaria, the Netherlands, Germany, and Austria. The Group plans to commence accepting deposits in Lithuania in 2023. In accordance with the Group's strategy for years 2022–2026, the Group has set the strategic target of achieving 20% return on equity to shareholders.

In Management's view, the Group's success lies in an attractive and market-defining product offering, while offering competitive terms for customer in all markets will sustain a healthy growth in the loan portfolio. The Management considers the main strengths of the Group compared to key competitors as:

- focused product offering – loans, leasing and deposits only;
- competitive product offering – regular monitoring of competition and consumer need in order to provide attractive products with competitive conditions;
- low cost-base and effective operations – no physical office and ATM network, the Company is fully digital bank;
- own full-scale IT system (Nest), which oldest parts are from year 2016 – no complex legacy systems;
- well diversified loan portfolio; and
- well diversified deposit portfolio, including cross-border operations (Germany, Austria, the Netherlands), where customers are served through the Company's own channels with lower funding cost, not through platforms (e.g., Raisin, etc.).

The Company's main priority is the wellbeing of its customers, and the goal is to always offer the customers a little bit of extra (e.g., a better product, more enjoyable service than expected etc.). For example, in relation to housing loans, in addition to the usual annuity schedule-based loans, customers can also apply for a unique housing loan product that allows deferring payments of principal loan amount for up to 20 years.

Estonia. The financial sector is highly competitive in Estonia – in addition to banks, there are several other credit providers and credit intermediaries offering their services. At the end of the first half of 2021, there were 46 non-bank creditors, 11 creditors associated with banks, and 10 credit intermediaries operating in the market.[2] At the end of 2021, the Company's share in new consumer loan sales was 16% and it has been increasing furthermore in 2022 – totalling 21% of new consumer

[2] Source: https://fi.ee/sites/default/files/fi_eft_6_2021_eng_korr2.pdf.

loans by the end of Q3 in 2022).[3] This change illustrates the market trend in consumer loans in general where the market leader (Swedbank) and other big universal banks have lost market share while smaller and specialised banks have been growing.[4] The Company entered the housing loan market in August 2020 and in March 2022 reached already 7,5% of the new housing loan monthly turnover in Estonia.[5] The Company's market share in new sales of loans to non-financial corporations was 6,4% in the first three quarters of 2022, reaching 10,7% in April and 10,1% in August.[6] The Company increased its corporate loans portfolio from EUR 32.3 million in December 2020 to EUR 251,2 million as of November 2022.

Latvia. The Company has a significant history and market share in consumer lending in Latvia. Latvian consumer loan market is highly competitive which is evidenced by the annual percentage rate of charge (APRC) for consumer credit to resident households in euro that increased in June 2022 to 15,94% - the highest level since the decrease in March 2022. Also, despite the high level of competition between universal banks using mostly price discounts as their unique selling proposition, the market share curve of the Company's housing loan turnover has demonstrated a slow increase from June 2021 when housing loan were started to be offered in Latvia until 30 June 2022. Company's share in sales of new consumer loans in the banking sector in June 2022 was 21%.[7] As of June 2022, the Company's market share in housing loans in Latvia has reached a 2% market share.[8]

Lithuania. Lithuanian consumer loans' market is highly competitive. With continuing overnight deposits portfolio increases (according to Bank of Lithuania in 5 years overnight deposits portfolio grew from EUR 6.5 billion to EUR 17 billion) and consumer loans' price being the third highest in Euro area (bypassed only by Latvia and Estonia). For consumer loans' clients, the Company is mainly competing with specialised banks and branches of foreign banks, like Inbank or Citadele. Credit unions are active only in smaller cities and universal banks are not so flexible in evaluating clients. Latest data available (as of October 2022) shows that the Company's market share in new sales is also approx. 21%, which makes the Company one of the best performing consumer loan banks in Lithuania in terms of sales.[9] The Company's track records in issuing corporate loans is much shorter but latest years have shown impressive growth in corporate loans sales and portfolio increase. The Company increased its portfolio from EUR 18.1 million (end of December 2020) to EUR 142 million (in end of November 2022) while the market's total portfolio grew from 0,2% to 1,3% during the same time.[10] Housing loan as a product was launched in the middle of 2021 and during the first year, the Company has been able to constantly grow its market share by both sales and portfolio size. According to data from Bank of Lithuania as of Q3 2022, the Company had approx. 2,2% of all new sales in housing loans.[11]

Finland. In Finland, competition has increased significantly in the financial sector from year 2021 as the ban on direct marketing and interest rate cap – applied due to COVID-19 spread - ended in September 2021. Many of the competitors started significant marketing actions in the beginning of the year 2022 and it has affected the Company's market share in Finland. The Company's consumer

[3] Source: https://statistika.eestipank.ee/#/et/p/650/r/1054/903.
[4] Source: https://fi.ee/sites/default/files/fi_eft_6_2021_eng_korr2.pdf.
[5] Source: https://statistika.eestipank.ee/#/et/p/650/r/1054/903.
[6] Source: https://statistika.eestipank.ee/#/en/p/650/r/1059/908.
[7] Source: Source: Information provided by JSC "Credit Information Bureau" (KIB).
[8] Source: Information provided by JSC "Credit Information Bureau" (KIB).
[9] Source: https://www.lb.lt/en/volumes-of-and-interest-rates-on-pure-new-loans?ff=1&PNS_DUOM_TIPAS=B
[10] Source: https://www.euro-area-statistics.org/banks-balance-sheet-loans?cr=ltu&lg=en&page=0&charts=M..N.A.A20T.A.1.U2.2240.Z01.E+M..N.A.A20.A.1.U2.2250.Z01.E+M..N.A.A21.A.1.U2.2250.Z01.E&template=1.
[11] Source: https://www.lb.lt/en/volumes-of-and-interest-rates-on-pure-new-loans?ff=1&PNS_DUOM_TIPAS=B.

credit market share by new sales was 1.13% in 2021[12] which as of Q3 2022[13] decreased to 0.85%. By portfolio, the market share has decreased a little as well but not that remarkably – in 2021 it was 0.61% and as of Q3 2022[14] it was 0.58%.

Sweden. The Swedish consumer loan market has nearly doubled in size during the last 10 years totalling EUR 27.3 billion in December 2021, during the time the 'main home banks' have seen their market share shrink from almost 50% to less than 30%, while niche and smaller banks have gone the opposite direction and now stand for almost 50% of the market.[15] The Company's consumer credit market share by portfolio was 0.3% in 2021.[16] However, as of 01 September 2022, the Company has ceased issuing new loans via its Swedish branch. Existing customers in the consumer loan portfolio will be served also in the future and deposits will be still offered.

Bulgaria. In Bulgaria, the consumer loan market is growing rather slowly. The Company's biggest competitors in the market are other specialised banks like BNP Paribas and TBI and also Unicredit's Consumer Financing company. BACB are the first of the traditional banks that launched a fully digital loan, and Postbank is the most active from sales perspective in the retail segment (different distribution channels, etc.). The Company decided to stop issuing new loans via Bulgarian branch from 01 November 2022 onwards. Existing customers in the consumer loan portfolio will be served also in the future and deposits will be still offered.

Germany. Germany is the biggest market for savings' products in Europe, with total deposits of EUR 2,68 trillion. At the end of November 2022, the Company's market share was 0.017% for overnight deposits and 0.46% for term deposits.[17] The Company is competing in the segment of foreign banks offering deposits to German clients at higher interest rates than domestic banks offer. This part of the market is dominated by savings portals such as Weltsparen and Zinspilot (Raisin) or Check24. These portals are populated mostly by banks from Eastern and Southern Europe, but also from Scandinavia. The Company's main customer acquisition channels are affiliate comparison pages that advise customers where to get the best interest rates.

The Netherlands. Compared to the total market size, in the end of November 2022, the Company's market share was 0.25% for overnight deposits and 1.81% for term deposits.[18] Like in Germany, in the Netherlands we compete with other foreign banks offering higher interest rates than domestic ones. In the Netherlands, Raisin.nl is the only savings portal that remains after the merger with Savedo and is the main player on the market, although there are a few other banks offering deposits directly (e.g., Lloyds Bank, Openbank). The Company mostly acquires customers through comparison pages which are part of its affiliate program.

Austria. In Austria, the Company's market share is even smaller than for the other cross-border countries in which the Company operates – as of the end of November 2022, 0.003% for overnight deposits and 0.02% for term deposits.[19] Even though the Company usually has one of the highest interest rates on the Austrian market for savings deposits and term deposits of all periods, the

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[12] Source: https://www.suomenpankki.fi/fi/Tilastot/rahalaitosten-tase-lainat-ja-talletukset-ja-korot/taulukot/rati-taulukot-fi/pt_uudet_ja_nostetut_lainat_fi/.
[13] Source: https://www.suomenpankki.fi/fi/Tilastot/rahalaitosten-tase-lainat-ja-talletukset-ja-korot/taulukot/rati-taulukot-fi/pt_uudet_ja_nostetut_lainat_fi/.
[14] Source: https://www.suomenpankki.fi/fi/Tilastot/rahalaitosten-tase-lainat-ja-talletukset-ja-korot/taulukot/rati-taulukot-fi/pt_kotitalouksien_lainat_ja_talletukset_fi/.
[15] Source: https://www.scb.se/hitta-statistik/redaktionellt/hushall-valjer-andra-aktorer-nar-de-lanar-till-konsumtion/#:~:text=Mellan%202010%20och%202021%20%C3%B6kade,miljarder%20kronor%20i%20december%202021.
[16] Source: https://www.scb.se/hitta-statistik/redaktionellt/hushall-valjer-andra-aktorer-nar-de-lanar-till-konsumtion/.
[17] Source: https://www.euro-area-statistics.org/banks-balance-sheet-deposits?cr=eur&lg=en.
[18] Source: https://www.euro-area-statistics.org/banks-balance-sheet-deposits?cr=eur&lg=en.
[19] Source: https://www.euro-area-statistics.org/banks-balance-sheet-deposits?cr=eur&lg=en.

Company has not been able to attract many customers as it has not established cooperation with the most known affiliate pages in the country yet.”

1.10. Liquidation of SIA Baltijas Parādu Piedziņas Centrs

SIA Baltijas Parādu Piedziņas Centrs is a Subsidiary of the Group in Latvia that was established for management of the debt portfolio in Latvia but does not currently have any active business operations. In December 2022, the Group has decided to, for the purposes of streamlining the Group’s structure, the liquidate the SIA Baltijas Parādu Piedziņas Centrs. The application for liquidating SIA Baltijas Parādu Piedziņas Centrs was submitted to the Latvian Commercial Registry in January 2023 and the process is estimated to be completed in 12 months.

In connection with the above, the description of the SIA Baltijas Parādu Piedziņas Centrs in Section 9.2. “Group Structure, Group Companies and Affiliated Companies of the Company” of Section 9 “Business Overview” on page 40 is amended and replaced with the following:

“SIA Baltijas Parādu Piedziņas Centrs. SIA Baltijas Parādu Piedziņas Centrs was established for management of debt portfolio in Latvia but is currently not engaged in active business operations. In December 2022, the Group decided to liquidate the company and relevant application to the Latvian Commercial Registry was submitted in January 2023. The process is expected to be completed in 12 months.”

1.11. Updates to Trend Information

Section 9.8. “Trend Information” on page 44 of the Prospectus is amended and replaced as follows:

“After 30 September 2022 (i.e., balance sheet date of Group’s Q3 2022 Financial Statements), the following developments have taken place:

1) Renewed Pillar 2 Capital Requirements and Pillar 2 Guidance to the Company

   In December 2022, the EFSA presented the Company with the outcome of the annual Supervisory Review and Evaluation Process (SREP) capital adequacy calculation. Based on the evaluation, the EFSA decided to establish new Pillar 2 capital requirement (P2R) and Pillar 2 guidance (P2G) for the Company. The new P2R and P2G ratios are applicable from 15 March 2023.

   According to the decision of the EFSA, an additional requirement for own funds in the amount of 4.49% from the total risk exposure amount of the Group (the **TREA**) applies to the Company on a consolidated basis, of which at least 3.37% must be covered with Common Equity Tier 1 own funds and at least 2.52% with Tier 1 capital. The Pillar 2 capital requirement of 4.49% is the same ratio that applied to the Company also before the 2022 decision. The total SREP capital requirement for the Company amounts thus to 12.49% (the sum of the total Pillar 1 requirement of 8% and the Pillar 2 requirement of 4.49%). In addition, the EFSA decided to raise the Pillar 2 guidance applicable to the Company on consolidated basis, from 0.5% to 1.5% from the TREA.

   As a result of the above, from 15 March 2023 the Company needs to have more capital for the same risk position.

In the following table an overview is provided of the capital targets and requirements applicable to the Company on a consolidated basis, calculated as percentage of the TREA of the Group in accordance with CRR[20]:

	Common Equity Tier 1	Tier 1	Total capital ratio	Previously applicable total capital ratio
Pillar 1 minimum capital requirements[1]	4.50%	6.00%	8.00%	8.00%
Pillar 2 capital requirement (P2R)	2.52%	3.37%	4.49%	4.49%
Total SREP requirement[2]	**7.02%**	**9.37%**	**12.49%**	**12.49%**
Capital conservation buffer[3]	2.50%	2.50%	2.50%	2.50%
Systemic risk buffer[4]	0.03%	0.03%	0.03%	0.00%
Counter-cyclical buffer[5]	0.46%	0.46%	0.46%	0.00%
Total combined buffer[6]	**2.99%**	**2.99%**	**2.99%**	**2.50%**
Total minimum regulatory requirement (OCR)[7]	**10.01%**	**12.36%**	**15.48%**	**14.99%**
Pillar 2 guidance (P2G)	1.50%	1.50%	1.50%	0.50%
OCR and P2G combined	11.51%	13.86%	16.98%	15.49%
Additional internal targets[8]	-	-	0.75%	0.75%
Capital minimum requirements and targets[9]	11.51%	13.86%	17.73%	16.24%

[1] The minimum own funds requirements established by Article 92(1) of the CRR.
[2] The sum of minimum capital requirements and Pillar 2 capital requirement.
[3] According to Credit Institutions Act (in Estonian: *krediidiasutuste seadus*), capital conservation buffer is 2.5% of the TREA.
[4] Eesti Pank can set the systemic risk buffer requirement for all the risk exposures of banks, for sectoral risk exposures, or for subsets of them, based on subsection 86[49] of the Credit Institutions Act. Currently Eesti Pank has established systemic risk requirement on all retail exposures to natural persons resident in Lithuania that are secured by residential property in accordance with ESRB/2022/1.
[5] Amount of TREA multiplied by the weighted average of the countercyclical buffer rates applicable in the country of location of exposures.
[6] Common Equity Tier 1 funds held for the purposes of capital conservation buffer plus counter-cyclical buffer and systemic risk buffer.
[7] Total SREP requirement plus total combined buffer.
[8] Additional own funds target established by the Group internally.
[9] The sum of the Total minimum regulatory requirement (OCR), Pillar 2 guidance (P2G) and Group's internal targets.

2) The Preliminary Unaudited Key Financial Position and Financial Performance Indicators of the Group for 2022

The Company plans to publish the audited consolidated financial statements of the Group of and for the year ended 31 December 2022 on Nasdaq Tallinn Stock Exchange on or about 10 March 2023.

The preliminary unaudited consolidated key financial position and financial performance indicators of the Group as of 31 December 2022 were the following:

[20] The Group is also subject to certain additional specific product related buffer requirements on the geographical markets it operates.

Financial position indicators *(in millions of euros)*	31 Dec 2022	31 Dec 2021 restated	Change
Total assets	1,646.4	1,148.4	43.4%
Loans to customers	1,349.8	893.5	51.1%
of w hich loan portfolio	1,356.7	903.9	50.1%
of w hich interest receivable	20.1	16.2	24.1%
of w hich loss allow ances	-27.0	-26.6	1.5%
Deposits from customers	1,367.8	898.3	52.3%
Equity	213.4	183.3	16.4%

Financial performance indicators *(in millions of euros)*	Q4 2022	Q4 2021 restated	Change	12M 2022	12M 2021 restated	Change
Interest income	26.9	17.7	52.0%	96.5	74.7	29.2%
Interest expense	4.7	2.0	135.0%	13.2	7.8	69.2%
Salaries and associated charges	6.2	5.3	17.0%	22.0	17.8	23.6%
Other operating expenses	4.7	4.2	11.9%	17.4	14.3	21.7%
Net loss allow ances on loans and financial investments	4.8	3.4	41.2%	15.5	11.4	36.0%
Profit before impairment losses and income tax	17.0	14.2	19.7%	52.7	47.5	10.9%
Net profit	12.4	10.0	24.0%	33.7	33.1	1.8%

Both interest income and interest expenses grew considerably in the fourth quarter of 2022 due to increasing EURIBOR rates. In 2022, the growing interest rate environment had a positive impact on the net interest income.

Net loss allowances on loans and financial investments increased mainly due to the growing loan portfolio.

The above restatements for Q4 2021 and 12M2021 are related to the change in the accounting treatment of contract conclusion related income and expenses described above in Section 1.3(i) "Group's Q3 2022 Financial Statements". Due to the above, the Group's equity, interest income, profit before impairment losses and income tax, and net profit for the 12-months period ended 31 December 2021 were reduced by EUR 2,775 thousand. Net profit for the 12 months 2022 was EUR 0.6 million higher than for the same period of 2021. Net profit in 2021 was also affected by one-time profit of EUR 4.6 million from gain on bargain purchase and loss on impairment of goodwill of EUR 0.7 million, but no such one-time gains or losses occurred in 2022."

Save as described in this Supplement, there has been no material adverse change in the prospects of the Group and no significant change in the financial performance of the Group since 30 September 2022. Save as described above in this Supplement, there have been no material changes to the Group's borrowing and funding structure and no significant change in the financial position of the Group since 30 September 2022.

There are no known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the Company's prospects for at least during the current financial year, save for the ongoing uncertainty related to the COVID-19 crisis and the Ukraine war."