



**Interim condensed consolidated
financial statements for the
period ended 30 June 2019**

Bigbank AS

Interim condensed consolidated financial statements for the period ended 30 June 2019

Business name	Bigbank AS
Registry	Commercial Register of the Republic of Estonia
Registration number	10183757
Date of entry	30 January 1997
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Financial year	1 January 2019 – 31 December 2019
Reporting period	1 January 2019 – 30 June 2019
Chairman of the management board	Martin Lääts
Core business line	Provision of consumer loans and acceptance of deposits
Auditor	Ernst & Young Baltic AS
Reporting currency	The reporting currency is the euro and numerical financial data is presented in thousands of euros.

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

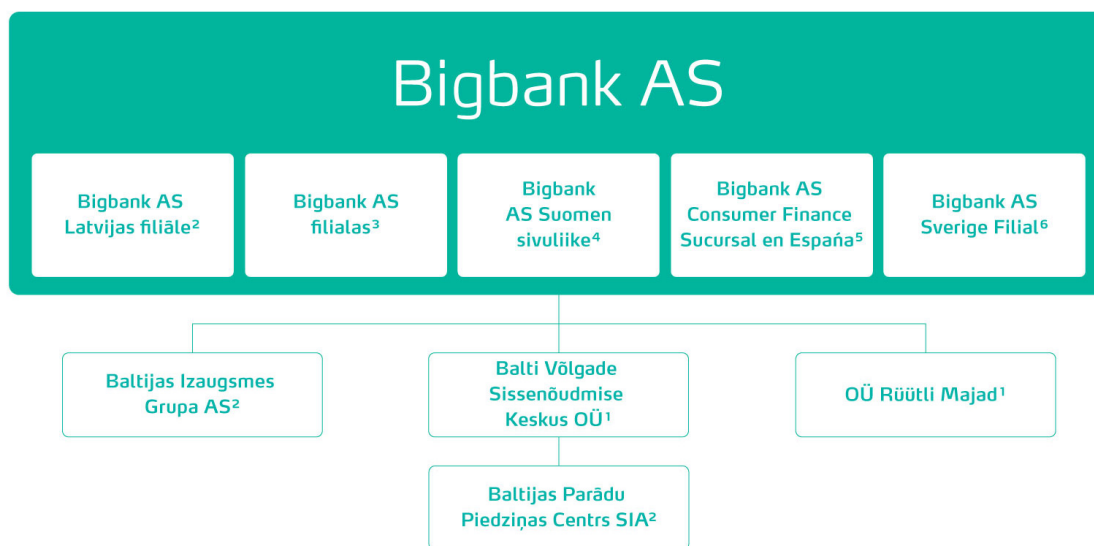
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Bigbank Group structure

Bigbank AS was founded on 22 September 1992. A licence for operating as a credit institution was issued to Bigbank AS on 27 September 2005. Bigbank is specialised on consumer loans and term deposits.

The Group's structure at the reporting date:



¹ registered in the Republic of Estonia

² registered in the Republic of Latvia

³ registered in the Republic of Lithuania

⁴ registered in the Republic of Finland

⁵ registered in the Kingdom of Spain

⁶ registered in the Kingdom of Sweden

The branches in Latvia, Lithuania, Finland, Spain and Sweden offer lending services similar to those of the parent. In addition, the parent and its Latvian, Finnish and Swedish branches offer deposit services. In addition, Bigbank AS provides cross-border deposit services in Germany, the Netherlands and Austria.

The core business of OÜ Rүүtli Majad is managing the real estate. OÜ Balti Völgade Sissenõudmise Keskus and its subsidiary support the parent and its branches in debt collection.

Review of operations

Significant economic events

The second quarter of 2019 was the most successful quarter of all times for Bigbank AS (hereinafter also "Bigbank" and the "Group").

Strong result was supported by continuously favourable economic outlook in all home markets of the Group. GDP growth rates and employment levels remain favourable. Credit markets are strong and demand for credit products is increasing.

Net profit of the Group was on record high level, 6.1 million euros, in the second quarter of 2019. Compared to the second quarter of 2018 it was 0.9 million euros higher (19%) and compared to the first quarter of 2019 it was 0.3 million euros higher (5%). Profit has grown mainly due to low level of credit losses. Net loss allowances on loans was 0.1 million euros, which is a very strong result compared to previous quarters. Low level of credit losses is a result successful implementation of the Group's strategy. Focusing on servicing clients with lower credit risk has resulted in constant growth of performing loan portfolio and decreasing amount of credit losses. By the end of the second quarter the share of non-performing loan portfolio has dropped to 3.0%.

Compared to the end of 2018 total assets of the Group increased by 4% to 547.2 million euros and equity of the Group increased by 6% to 128.6 million euros. Capitalization level of the Group is strong.

In the second quarter of 2019 performing loan portfolio of the Group increased by 4.6 million euros (1%) to 439.3 million euros. With the first 6 months of 2019 performing loan portfolio has increased by 8.2 million euros (2%). Performing loan portfolio grew in the second quarter the most in Lithuania, where the growth amounted to 5.8 million euros. Out of all branches, performing loan portfolio is also the biggest in Lithuanian branch, amounted by the end of the quarter to 126.4 million euros which is 29% of total Group's performing loan portfolio.

One key reason behind strong second quarter growth result in Lithuanian branch was changing the information system by replacing the old system with Nest. Nest is a modern banking software which includes CRM software, accounting software as well as internet bank functions. The goal for developing and implementing Nest is to support the development and business growth of Bigbank through automatization. Implementation of Nest for all branches is one of the key priorities for the Group in 2019 and by the end of second quarter implementation plan is fulfilled 100%.

On July 1, 2019, also the Latvian branch was fully transferred to the Nest. Formerly it has been deployed also in Finland (2017) and in Sweden (2018).

The supervisory board of Bigbank AS decided on June 5, 2019 to close the Spanish branch of the bank "Bigbank AS Consumer Finance, Sucursal en España" and to carry out all actions required for these purposes. The decision has no significant further influence to the results of the bank, as the new business activities of the Spanish branch were stopped already from April 6, 2018 due to insufficient profitability of the branch operations. The branch concentrated on servicing existing customers and improving the credit quality of the loan portfolio. As the volumes have decreased, it is reasonable to continue servicing remaining customers cross-border, from parent bank from November 2019, followed by the liquidation of the Spanish branch. member of the management board of Bigbank AS Sven Raba has been appointed to be responsible for the process of terminating the activities of the branch.

One additional important event in the second quarter of 2019 was creation of corporate banking area, which is led by Ingo Pöder from June 11. With such step Bigbank is focusing more on business customers offering them more suitable financing solutions. Also Bigbank started servicing business customers in Latvian branch, formerly they were serviced only in Estonian business unit and in Lithuanian branch.

On August 23, 2019, Swedish branch manager Declan Mac Guinness left Bigbank and therefore one important goal in the third quarter is to recruit new branch manager for the Swedish branch.

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

Starting from July 1, 2019, management board has four members: the chairman of the management board Martin Lants and the members Sven Raba, Mart Veskimägi and as a new member Argo Kiltsmann, who formerly was head of finance area for the Group. Argo Kiltsmann continues also after July 1 as the head of the finance area.

Bigbank had 413 employees at the end of the second quarter of 2019: 236 in Estonia, 80 in Latvia, 70 in Lithuania, 16 in Finland, 7 in Sweden and 4 in Spain.

Key performance indicators and ratios

Financial position indicators (in thousands of euros)	30 June 2019	31 Dec 2018	Change
Total assets	547,165	528,517	3.5%
Loans to customers	437,800	427,964	2.3%
of which loan portfolio	452,859	445,679	1.6%
of which interest receivable	8,615	6,122	40.7%
of which loss allowances	-23,674	-23,837	-0.7%
Deposits from customers	400,486	393,020	1.9%
Equity	128,564	121,174	6.1%

Financial performance indicators (in thousands of euros)	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Interest income	16,551	16,685	-0.8%	32,849	33,093	-0.7%
Interest expense	1,642	1,454	12.9%	3,291	2,938	12.0%
Net loss allowances on loans and financial investments	87	2,221	-96.1%	2,336	4,903	-52.4%
Income from debt collection proceedings	137	467	-70.7%	414	966	-57.1%
Profit before impairment loss	6,229	7,384	-15.6%	14,300	15,289	-6.5%
Net profit	6,142	5,163	19.0%	11,964	10,386	15.2%

Ratios	Q2 2019	Q2 2018	6M 2019	6M 2018
Return on equity (ROE)	18.6%	18.5%	19.2%	18.3%
Equity multiplier (EM)	4.4	4.1	4.3	4.1
Profit margin (PM)	32.8%	28.5%	33.7%	28.9%
Asset utilization ratio (AU)	12.9%	15.9%	13.2%	15.5%
Return on assets (ROA)	4.3%	4.5%	4.4%	4.5%
Price difference (SPREAD)	10.9%	12.9%	11.1%	13.3%
Cost to income ratio (CIR)	51.4%	48.7%	50.5%	47.7%

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

Explanations of ratios:

Return on equity (ROE) – net profit to equity

Return on assets (ROA) – net profit to total assets

Equity multiplier (EM) – total assets to total equity

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

Profit margin (PM) – net profit to total income

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

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

Financial review

Financial position

As at 30 June 2019, the consolidated assets of Bigbank AS Group totalled 547.2 million euros, having decreased by 1.0 million euros (-0.2%) during the second quarter.

As at 30 June 2019, loans to customers accounted for 80.0% of total assets, the proportion of liquid assets (amounts due from banks and financial debt instruments) was 15.1%. At the end of the second quarter, liquid assets totalled 82.8 million euros. Part of bank's liquidity buffer has been placed in a portfolio of debt securities, which are highly liquid, hold investment grade credit ratings, and can be sold at any moment. Debt instruments totalled 13.2 million euros as at 30 June 2019.

At the end of the second quarter, the Group had 117 thousand loan agreements, 37 thousand of them in Latvia, 30 thousand in Estonia, 29 thousand in Lithuania, 10 thousand in Finland, 9 thousand in Sweden and 2 thousand in Spain.

Geographical distribution of loans to customers:

- 29.4% Lithuania,
- 23.9% Latvia,
- 18.9% Estonia,
- 16.0% Finland,
- 10.2% Sweden,
- 1.6% Spain.

At 30 June 2019, loans to customers totalled 437.8 million euros, comprising of:

- the loan portfolio of 452.9 million euros. Loans to individuals accounted for 94.5% of the total;
- interest receivable on loans of 8.6 million euros;

- loss allowances for loans and interest receivables of 23.7 million euros (consisting of an loss allowance for loans of 22.1 million euros and an loss allowance for interest receivables of 1.6 million euros).

Bigbank's loan portfolio is diversified – at the reporting date the average loan was 3,851 euros and as at 30 June 2019, 40 largest loans accounted for 5.3% of the loan portfolio.

Bigbank AS focuses on the provision of consumer loans. In line with the corporate strategy, as at 30 June 2019 loans against income accounted for 92.6%, loans against surety for 0.2% and loans secured with real estate for 7.2% of the total loan portfolio.

As regards past due receivables, it is important to note that the collection of non-performing consumer loans differs significantly from the recovery of loans that have physical collateral (for example, mortgage-backed loans). Due to their nature (as a rule, consumer loans are backed with the customer's regular income), claims related to terminated consumer loans are satisfied in smaller instalments over an extended period rather than in a lump sum raised through the sale of the collateral.

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

At the end of the second quarter of 2019, the Group's liabilities totalled 418.6 million euros. Most of the debt raised by the Group, i.e. 400.5 million euros (95.7%) consisted of term deposits.

As at the end of the second quarter of 2019, the Group's equity was 128.6 million euros. The equity to assets ratio amounted to 23.5%.

Financial performance

Interest income for the second quarter reached 16.6 million euros, decreasing by 0.1 million euros (-0.8%) compared to the same period in 2018.

The period's ratio of interest income (annualised) to average interest-earning assets was 12.5% and (annualised) return on the loan portfolio accounted for 14.6% of the average loan portfolio.

Interest expense for the second quarter of 2019 was 1.6 million euros, increasing by 0.2 million euros (12.9%) compared to the corresponding figure of the same period in 2018.

The ratio of interest expense to interest income was 9.9%. The ratio of interest expense to average interest-bearing liabilities (annualised) was 1.6%.

Other operating expenses for the second quarter were 3.0 million euros, increasing by 0.1 million euros compared to the corresponding figure of the same period in 2018.

Salaries and associated charges for the second quarter of 2019 amounted to 3.8 million euros, including remuneration of 3.7 million euros. As at the end of the period, the Group had 413 employees.

In the second quarter, impairment losses were 0.1 million euros, consisting of:

- impairment losses on loan receivables of 0.5 million euros;
- impairment losses on interest receivables of 0.2 million euros; and
- impairment reversal of other receivables of 0.6 million euros.

Other income for the second quarter of 2019 was 0.1 million euros, the largest proportion of which resulted from debt collection income. In the same period of 2018, other income was 0.6 million euros.

Other expenses for the second quarter reached 0.5 million euros. In the same period of 2018, other expenses were 0.7 million euros.

The Group's net profit for the second quarter of 2019 amounted to 6.1 million euros. In comparison to the second quarter of 2018, net profit has increased by 0.1 million euros.

Capital ratios

Own funds

As at	30 June 2019	31 Dec 2018
Paid up capital instruments	8,000	8,000
Other reserves	800	800
Previous years retained earnings	106,568	94,042
Other accumulated comprehensive income	1,232	997
Other intangible assets	-15,940	-12,381
Profit eligible	-	9,970
Adjustments to CET1 due to prudential filters	-13	-191
Common equity Tier 1 capital	100,647	101,237
Tier 1 capital	100,647	101,237
Tier 2 capital	5,000	5,000
Deductions	-	-
Total own funds	105,647	106,237

Total risk exposure amount

	30 June 2019	31 Dec 2018
Risk weighted exposure amounts for credit and counterparty credit (standardized approach)		
Central governments or central banks	-	1,246
Institutions	13,983	12,141
Corporates	38,529	40,210
Retail	298,528	286,451
Secured by mortgages on immovable property	2,857	3,215
Exposures in default	9,185	11,418
Other items	10,579	8,735
Total risk weighted exposure amounts for credit and counterparty credit (standardized approach)	373,661	363,416
Total risk exposure amount for foreign exchange risk (standardized approach)	-	-
Total risk exposure amount for operational risk (standardized approach)	101,632	104,953
Total risk exposure amount for credit valuation adjustment (standardized approach)	-	-
Total risk exposure amount	475,293	468,369

Capital ratios

	30 June 2019	31 Dec 2018
CET1 Capital ratio	21.2%	21.6%
T1 Capital ratio	21.2%	21.6%
Total capital ratio	22.2%	22.7%
Leverage ratio	18.6%	19.3%

Own funds as of 31 December 2018 include nine months eligible profits less dividends.

Own funds are calculated on the basis of Regulation (EU) no 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms that incorporate the Basel III framework.

Condensed consolidated interim financial statements

Consolidated statement of financial position

As at	Note	30 June 2019	31 Dec 2018
Assets			
Cash balances at central banks	2	7,791	29,691
Cash balances at banks	2	61,868	36,261
Debt instruments at fair value through other comprehensive income	3	13,187	13,484
Loans to customers	4,5,6,7,8	437,800	427,964
Other receivables	9	1,615	1,484
Prepayments	10	1,481	1,732
Property and equipment	11	5,737	3,625
Investment property		1,717	1,866
Intangible assets	12	15,940	12,381
Assets classified as held for sale		29	29
Total assets		547,165	528,517
Liabilities			
Deposits from customers	13	400,486	393,020
Subordinated notes		4,961	4,960
Provisions		2,804	1,884
Other liabilities		9,511	5,197
Deferred income and tax liabilities		839	2,282
Total liabilities		418,601	407,343
Equity			
Share capital		8,000	8,000
Capital reserve		800	800
Other reserves	14	1,232	806
Retained earnings		118,532	111,568
Total equity		128,564	121,174
Total liabilities and equity		547,165	528,517

Consolidated statement of comprehensive income

	Note	Q2 2019	Q2 2018	6M 2019	6M 2018
Interest income	18	16,551	16,685	32,849	33,093
Interest expense	19	-1,642	-1,454	-3,291	-2,938
Net interest income		14,909	15,231	29,558	30,155
Fee and commission income		1,054	864	2,064	1,705
Fee and commission expense		-58	-81	-151	-176
Net fee and commission income		996	783	1,913	1,529
Net profit/loss on exchange differences		-143	-121	-255	-451
Net profit/loss on derecognition of non-financial assets		15	-297	-10	-300
Other income	20	130	578	632	1,169
Total income		15,907	16,174	31,838	32,102
Salaries and associated charges		-3,789	-3,728	-7,384	-7,443
Other operating expenses	21	-3,042	-2,957	-5,835	-5,535
Depreciation and amortisation expense		-806	-504	-1,583	-947
Provision expenses		-1,208	-392	-923	-392
Impairment losses on loans and financial investments		-87	-2,221	-2,336	-4,903
Other expenses	22	-537	-680	-1,267	-1,398
Profit/loss from assets classified as held for sale		4	2	5	-258
Total expenses		-9,465	-10,480	-19,323	-20,876
Profit before income tax		6,442	5,694	12,515	11,226
Income tax expense		-300	-531	-551	-840
Profit for the period		6,142	5,163	11,964	10,386
Other comprehensive income/expense					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		129	121	244	458
Changes in the fair value of debt instruments at FVOCI		80	-33	182	-92
Net other comprehensive income to be reclassified to profit or loss		209	88	426	366
Other comprehensive income for the period		209	88	426	366
Total comprehensive income for the period		6,351	5,251	12,390	10,752
Basic earnings per share (EUR)		77	65	150	130
Diluted earnings per share (EUR)		77	65	150	130

Consolidated statement of cash flows

	Note	6M 2019	6M 2018
Cash flows from operating activities			
Interest received		29,895	29,932
Interest paid		-2,610	-2,174
Salary and other operating expenses paid		-15,701	-16,488
Other income and fees received		3,542	3,607
Other expenses and fees paid		-1,515	-1,654
Recoveries of receivables previously written off and received for sold portfolios		14,919	15,013
Loans provided		-125,898	-131,503
Repayment of loans provided		102,140	88,344
Change in mandatory reserves with central banks		-4	-51
Proceeds from customer deposits		47,017	46,739
Paid on redemption of deposits		-38,149	-38,706
Income tax paid/received		-1,220	-1,243
Effect of movements in exchange rates		-99	-251
Net cash from / used in operating activities		12,317	-8,435
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		-4,258	-3,350
Proceeds from sale of property and equipment		68	2
Proceeds from sale of investment properties		138	27
Acquisition of financial instruments		-699	-593
Proceeds from redemption of financial instruments		1,263	91
Net cash used in investing activities		-3,488	-3,823
Cash flows from financing activities			
Paid on redemption of bonds		-	-164
Dividends paid		-5,000	-5,000
Net cash used in financing activities		-5,000	-5,164
Effect of exchange rate fluctuations		-125	-349
Increase / decrease in cash and cash equivalents		3,704	-17,771
Cash and cash equivalents at beginning of period		64,621	53,121
Cash and cash equivalents at end of period	2	68,325	35,350

Consolidated statement of changes in equity

	Attributable to equity holders of the parent				Total
	Share capital	Statutory capital reserve	Other reserves	Retained earnings	
Balance at 1 January 2018	8,000	800	675	103,771	113,246
Changes on initial adoption of IFRS 9	-	-	-	-4,729	-4,729
Restated balance at 1 January 2018	8,000	800	675	99,042	108,517
Profit for the period	-	-	-	10,386	10,386
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	458	-	458
Net change in fair value of debt instrument at FVOCI	-	-	-92	-	-92
Total other comprehensive income	-	-	366	-	366
Total comprehensive income for the period	-	-	366	10,386	10,752
Dividend distribution	-	-	-	-5,000	-5,000
Total transactions with owners	-	-	-	-5,000	-5,000
Balance at 30 June 2018	8,000	800	1,041	104,428	114,269
Balance at 1 January 2019	8,000	800	806	111,568	121,174
Profit for the period	-	-	-	11,964	11,964
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	244	-	244
Net change in fair value of debt instrument at FVOCI	-	-	182	-	182
Total other comprehensive income	-	-	426	-	426
Total comprehensive income for the period	-	-	426	11,964	12,390
Dividend distribution	-	-	-	-5,000	-5,000
Total transactions with owners	-	-	-	-5,000	-5,000
Balance at 30 June 2019	8,000	800	1,232	118,532	128,564

Notes to the condensed consolidated interim financial statements

Note 1. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The condensed consolidated interim financial statements of Bigbank AS as at and for the three months ended 30 June 2019 have been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The interim financial statements do not include all the information required for full annual financial statements and they should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS EU).

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of the changes regarding the adoption of IFRS 16 are disclosed below. IFRS 16 did not have a material impact on the interim condensed consolidated financial statements of the Group, neither did other new standards and interpretations applied for the first time in 2019.

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

Changes in accounting policies

IFRS 16 *Leases*

The Group has adopted standard IFRS 16 with a date of transition of 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the commencement of the lease and, if lease payments are made over time, in obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases into operating and finance leases that was provided in IAS 17 and, instead, introduces a single accounting model for lessees. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as

operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted IFRS 16 partially retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Group recognised leases that were classified as operating leases under IAS 17 as items of property and equipment and lease liabilities. The Group leases commercial premises. Rental contracts are typically made for fixed periods of 3 to 10 years and, as a rule, include extension and termination options. Leases are negotiated on an individual basis and may contain different terms and conditions. Leases are recognised as right-of-use assets and lease liabilities (within borrowings) at the commencement date of the lease, i.e. at the date on which the lessor makes the underlying asset available for use by the Group. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments. Lease payments are apportioned between payments for the principal lease liability and finance cost (interest expense). The finance cost is allocated to each period during the lease term so that it would produce a constant periodic rate of interest on the remaining balance of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the lease term of the asset. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments (except for exceptions). Lease payments include the following payments made during the lease term:

- fixed lease payments, less any lease incentives receivable (payments, or reimbursement of costs, by the lessor);
- variable lease payments that are based on an index or rate (e.g. inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option) and payments resulting from extending or terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

Lease payments are discounted using the interest rate implicit in the lease or, alternatively, the lessee's incremental borrowing rate. The alternative interest rate is the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset similar to the right-of-use asset. Right-of-use assets are measured at cost, which comprises the following components:

- the present value of the lease payments;
- any initial direct costs incurred by the lessee;
- any lease payments made before the commencement date of the lease;
- costs to be incurred in removing the underlying asset (if required by the lease) or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term. In determining the lease term, management assesses how probable it is that the Group will exercise, or not exercise, an extension or termination option, considering all relevant facts and circumstances that create an economic incentive to exercise, or not exercise, an option. Periods covered by an option to extend the lease (or periods covered by an option to terminate the lease) are only included in the lease term if it is reasonably certain that the extension option will be exercised (or the termination option will not be exercised). Management reviews its assessments regarding the extension and termination options upon the occurrence of a significant event or a significant change in circumstances that affects the probability of the Group exercising an option or when there is a change in the non-cancellable

period of the lease. On the adoption of the standard on 1 January 2019, the remaining lease payments were discounted at the Group's incremental borrowing rate of 1.2% on average. The Group applied the practical expedient permitted by the standard of applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group also applied the following expedients:

- operating leases with the remaining lease term of up to 12 months were classified as short-term leases from 1 January 2019;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application;
- the lease term was determined by taking into account the option to extend or terminate the lease.

As a result of adopting IFRS 16 on the Group recognised a right of use asset of 2,785 thousand euros against a corresponding lease liability (*Property and equipment* and *Other liabilities*) on 1 January 2019.

Note 2. Cash and bank balances and cash equivalents

As at	30 June 2019	31 Dec 2018
Demand and overnight deposits with credit institutions*	42,815	19,733
Term deposits with credit institutions with maturity of less than 1 year*	19,052	16,527
Surplus on mandatory reserves with central banks*	6,458	28,361
Mandatory reserves	1,333	1,330
Interest receivable from central banks	1	1
Total cash and balances at banks	69,659	65,952
of which cash and cash equivalents	68,325	64,621

* Cash equivalents

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

As at	30 June 2019	31 Dec 2018
Debt instruments	13,187	13,484
Debt instruments by issuer		
General government bonds	4,791	4,701
Bonds issued by credit institutions	3,184	3,145
Other financial corporations' bonds	527	511
Non-financial corporations' bonds	4,685	5,127
Debt instruments by currency		
EUR (euro)	10,637	11,633
SEK (Swedish krona)	2,550	1,851
Debt instruments by rating		
Aaa-Aa3	4,375	4,299
A1-A3	2,634	3,141
Baa1-Baa3	6,178	6,044

Note 4. Loans to customers**Loans to customers as at 30 June 2019**

	Estonia	Latvia	Lithuania	Finland	Sweden	Spain	Total
Loan receivables from customers	84,556	109,316	128,250	74,777	47,148	8,812	452,859
Loss allowances for loans	-2,465	-6,211	-3,330	-5,605	-2,664	-1,811	-22,086
Interest receivable from customers	1,475	2,102	3,807	834	226	171	8,615
Loss allowances for interest receivables	-623	-655	-95	-135	-33	-47	-1,588
Total	82,943	104,552	128,632	69,871	44,677	7,125	437,800
Share of region	18.9%	23.9%	29.4%	16.0%	10.2%	1.6%	100.0%

Loans to customers as at 31 December 2018

	Estonia	Latvia	Lithuania	Finland	Sweden	Spain	Total
Loan receivables from customers	80,796	102,390	123,706	73,784	53,342	11,661	445,679
Loss allowances for loans	-3,097	-6,307	-1,857	-5,611	-3,094	-1,905	-21,871
Interest receivable from customers	1,712	2,443	535	913	335	184	6,122
Loss allowances for interest receivables	-999	-805	-18	-93	-27	-24	-1,966
Total	78,412	97,721	122,366	68,993	50,556	9,916	427,964
Share of region	18.3%	22.9%	28.6%	16.1%	11.8%	2.3%	100.0%

Note 5. Loan receivables from customers by due dates

As at	30 June 2019	31 Dec 2018
Past due	12,706	18,459
Less than 1 month	8,863	8,374
1-12 months	107,146	100,547
1-2 years	94,996	94,354
2-5 years	173,575	172,344
More than 5 years	55,573	51,601
Total	452,859	445,679

Note 6. Ageing analysis on loan receivables**Loans to customers as at 30 June 2019**

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans against income						
Loan portfolio	349,275	43,905	8,559	5,031	12,476	419,246
Loss allowance	-8,646	-2,036	-2,050	-2,077	-6,916	-21,725
Surety loans						
Loan portfolio	543	82	38	2	267	932
Loss allowance	-22	-2	-15	-1	-167	-207
Loans secured with real estate						
Loan portfolio	28,322	3,102	335	77	828	32,664
Loss allowance	-13	-6	-4	-	-130	-153
Loans against other collaterals						
Loan portfolio	11	5	-	-	1	17
Loss allowance	-	-	-	-	-1	-1
Total loan portfolio	378,151	47,094	8,932	5,110	13,572	452,859
Total loss allowance	-8,681	-2,044	-2,069	-2,078	-7,214	-22,086

Ageing analysis as at 31 December 2018

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans against income						
Loan portfolio	343,898	35,752	8,726	4,717	13,477	406,570
Loss allowance	-8,934	-2,014	-2,092	-1,589	-6,853	-21,482
Surety loans						
Loan portfolio	1,226	82	20	3	311	1,642
Loss allowance	-56	-12	-2	-1	-216	-287
Loans secured with real estate						
Loan portfolio	27,801	8,327	374	125	814	37,441
Loss allowance	-5	-6	-	-	-90	-101
Loans against other collaterals						
Loan portfolio	23	2	-	-	1	26
Loss allowance	-	-	-	-	-1	-1
Total loan portfolio	372,948	44,163	9,120	4,845	14,603	445,679
Total loss allowance	-8,995	-2,032	-2,094	-1,590	-7,160	-21,871

Note 7. Loan receivables from customers by contractual currency

As at	30 June 2019	31 Dec 2018
EUR (euro)	405,711	392,337
SEK (Swedish krona)	47,148	53,342
Total loan receivables from customers	452,859	445,679

Note 8. Loss allowances for loan receivables from customers**Loss allowances as at 30 June 2019**

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	395,968	5,114	401,082	-8,221
Stage 2	40,774	986	41,760	-5,435
Stage 3	16,117	2,515	18,632	-10,018
Total	452,859	8,615	461,474	-23,674

Loss allowances as at 31 December 2018

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	394,944	2,338	397,282	-8,515
Stage 2	33,529	782	34,311	-5,639
Stage 3	17,206	3,002	20,208	-9,683
Total	445,679	6,122	451,801	-23,837

Development of allowances for 6 months 2019

	Opening balance as at 1 Jan 2019	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-8,514	-2,433	868	1,710	148	-8,221
Stage 2	-5,639	-354	280	-1,462	1,741	-5,435
Stage 3	-9,684	-1,087	774	-2,685	2,663	-10,019
Total	-23,837	-3,874	1,922	-2,437	4,552	-23,674

Development of allowances for 12 months 2018

	Opening balance as at 1 Jan 2018	Increases due to origination	Decrease due to derecognition repayments and disposals	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Closing balance
Stage 1	-11,020	-5,377	2,955	4,588	340	-8,514
Stage 2	-2,951	-1,916	550	-2,106	784	-5,639
Stage 3	-19,727	-842	5,582	-1,784	7,087	-9,684
Total	-33,698	-8,135	9,087	698	8,211	-23,837

Note 9. Other receivables

As at	30 June 2019	31 Dec 2018
Collection, recovery and other charges receivable	249	261
Miscellaneous receivables	1,550	1,345
Loss allowance for other receivables	-184	-122
Total	1,615	1,484

Note 10. Prepayments

As at	30 June 2019	31 Dec 2018
Tax receivables	742	1,179
Prepaid other taxes	-	23
Other prepayments	739	530
Total	1,481	1,732

Note 11. Tangible assets

	Land and buildings	Right-of-use assets	Other items	Total
Cost				
Balance at 1 January 2018	1,514	-	3,522	5,036
Purchases	-	-	1,334	1,334
Sales	-	-	-99	-99
Write-off	-	-	-330	-330
Effect of movements in exchange rates	-	-	-1	-1
Balance at 31 December 2018	1,514	-	4,426	5,940
IFRS 16 initial adoption (Note 1)	-	2,785	-	2,785
Balance at 1 January 2019	1,514	2,785	4,426	8,725
Purchases	-	-	301	301
Sales	-	-	-167	-167
Write-off	-	-	-112	-112
Revaluation and price adjustment	-	40	-	40
Effect of movements in exchange rates	-	-12	-	-12
Balance at 30 June 2019	1,514	2,813	4,448	8,775
Depreciation				
Balance at 1 January 2018	-58	-	-1,532	-1,590
Depreciation charge for the year	-59	-	-1,053	-1,112
Sales	-	-	73	73
Write-off	-	-	313	313
Effect of movements in exchange rates	-	-	1	1
Balance at 31 December 2018	-117	-	-2,198	-2,315

	Land and buildings	Right-of-use assets	Other items	Total
Balance at 1 January 2019	-117	-	-2,198	-2,315
Depreciation charge for the period	-29	-364	-557	-950
Sales	-	-	117	117
Write-off	-	-	110	110
Balance at 30 June 2019	-146	-364	-2,528	-3,038
Carrying amount				
Balance at 1 January 2018	1,456	-	1,990	3,446
Balance at 31 December 2018	1,397	-	2,228	3,625
Balance at 30 June 2019	1,368	2,449	1,920	5,737

Note 12. Intangible assets

	30 June 2019	31 Dec 2018
Cost at beginning of year	15,002	9,203
Purchases	4,192	6,148
Of which purchased intangible assets	2,119	3,275
Of which capitalised payroll	2,073	2,873
Write-off	-	-348
Reclassification	-	-1
Cost at end of period	19,194	15,002
Amortisation at beginning of year	-2,621	-1,731
Amortisation charge for the period	-633	-951
Write-off	-	61
Amortisation at end of period	-3,254	-2,621
Carrying amount at beginning of year	12,381	7,472
Carrying amount at end of period	15,940	12,381

Note 13. Deposits from customers

As at	30 June 2019	31 Dec 2018
Term deposits	400,486	393,020
Term deposits by customer type		
Individuals	389,268	379,843
Legal persons	11,218	13,177
Term deposits by currency		
EUR (euro)	350,638	337,040
SEK (Swedish krona)	49,848	55,980
Term deposits by maturity		
Maturing within 6 months	119,981	86,394
Maturing between 6 and 12 months	65,663	111,408
Maturing between 12 and 18 months	50,895	34,716
Maturing between 18 and 24 months	34,015	50,735
Maturing between 24 and 36 months	70,220	57,803
Maturing between 36 and 48 months	22,701	21,016
Maturing in over 48 months	37,011	30,948
Average deposit amount	24	24
Weighted average interest rate	1.5%	1.6%
Weighted average duration until maturity (months)	21.2	20.5
Weighted average total contract term (months)	38.0	36.1

Note 14. Other reserves

As at	30 June 2019	Change	31 Dec 2018
Exchange differences on translation of foreign operations	937	244	693
Asset revaluation reserve	304	-	304
Fair value changes of debt instruments measured at FVOCI	-9	182	-191
Total other reserves	1,232	426	806

Note 15. Net currency positions**Net currency positions as at 30 June 2019**

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	480,189	368,126	-	22,044	90,019
SEK (Swedish krona)	51,036	50,475	-	-	561

Net currency positions as at 31 December 2018

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	459,361	349,764	-	18,430	91,167
SEK (Swedish krona)	56,769	57,579	-	-	-810
GBP (British pound)	6	-	-	-	6

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

Note 16. Fair values of financial assets and financial liabilities

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

The fair values of the assets and liabilities reported in the consolidated statement of financial position as at 30 June 2019 do not differ significantly from their carrying amounts.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value hierarchy as at 30 June 2019

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 3)	13,187	-	-	13,187
Land and buildings (note 11)	-	-	1,368	1,368
Investment properties	-	-	1,717	1,717
Assets for which fair values are disclosed				
Loans to customers (note 4-8)	-	-	437,800	437,800
Other financial receivables (note 9)	-	-	1,615	1,615
Total assets	13,187	-	442,500	455,687
Liabilities for which fair values are disclosed				
Deposits from customers (note 13)	-	-	400,486	400,486
Subordinated notes	-	-	4,961	4,961
Other financial liabilities	-	-	9,511	9,511
Total liabilities	-	-	414,958	414,958

Fair value hierarchy as at 31 December 2018

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 3)	13,484	-	-	13,484
Land and buildings (note 11)	-	-	1,397	1,397
Investment properties	-	-	1,866	1,866
Assets for which fair values are disclosed				
Loans to customers (note 4-8)	-	-	427,964	427,964
Other financial receivables (note 9)	-	-	1,484	1,484
Total assets	13,484	-	432,711	446,195
Liabilities for which fair values are disclosed				
Deposits from customers (note 13)	-	-	393,020	393,020
Subordinated notes	-	-	4,960	4,960
Other financial liabilities	-	-	5,197	5,197
Total liabilities	-	-	403,177	403,177

There have been no transfers between Level 1 and Level 2 during 6 months of 2019 and during 2018.

The Level 3 *loans to customers* that amounts to 437,800 thousand euros is measured at amortised cost using the effective interest rate method less any impairment losses as the management believes that it most effectively demonstrates the fair value of these financial assets. Management estimates that the selected accounting policy on loans reflects the fair value of loans to customers.

The Level 3 *land and buildings* that amounts to 1,368 thousand euros consists of real estate used by the Group in Tallinn.

The properties in Tallinn are revalued using the income approach and market approach. The market approach means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. For valuation of property in Tallinn, for prior year the valuer has taken as basis the prices per square metre of residential space in Tallinn city that were in the range of 2,319 – 2,516 euros.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The estimated rental

value per square meter per month is 11 euros, the rent growth 2%, long-term vacancy rate 5%, and vacancy rate for the first year 25% and discount rate 9% for commercial property in Tallinn.

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Management has assessed that the fair value has not changed in year 2019.

The Level 3 *investment properties* that amount to 1,717 thousand euros consist of real estate used by the Group in Tartu and also plots, houses and apartments originally pledged by customers as loan collateral and later bought by the Group through auctions are measured at the fair value in the financial statements and valuations are performed by the management using market approach.

The investment property in Tartu is valued using the cost model (residual value method) based on the highest and best use of the property. The residual value method takes into account the profit that can be achieved on a development if the existing property would be developed and sold as private flats. Following inputs were used for prior year valuation of the properties in Tartu: price per square metre of flats in Tartu old town 2,200 euros and development costs per square metre 698 euros.

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Management has assessed that the fair value has not changed in year 2019.

Note 17. Contingent liabilities

As at	30 June 2019	31 Dec 2018
Irrevocable transactions, of which	22,044	18,520
Issued bank guarantees	-	90
Credit lines and overdrafts	22,044	18,430

Note 18. Interest income

	Q2 2019	Q2 2018	6M 2019	6M 2018
Interest income on loans to customers	16,464	16,622	32,679	32,972
Interest income on debt instruments	66	57	133	112
Interest income on deposits	2	-	6	-
Other interest income	19	6	31	9
Total interest income	16,551	16,685	32,849	33,093

Note 19. Interest expense

	Q2 2019	Q2 2018	6M 2019	6M 2018
Interest expense on deposits	1,543	1,370	3,081	2,772
Interest expense on bonds	84	84	166	166
Other interest expense	15	-	44	-
Total interest expense	1,642	1,454	3,291	2,938

Note 20. Other income

	Q2 2019	Q2 2018	6M 2019	6M 2018
Income from debt recovery proceedings	137	467	414	966
Miscellaneous income	-7	111	218	203
Total other income	130	578	632	1,169

Note 21. Other operating expenses

	Q2 2019	Q2 2018	6M 2019	6M 2018
Marketing expenses	1,728	1,539	3,323	2,688
Office, rental and similar expenses	150	385	319	756
Miscellaneous operating expenses	1,164	1,033	2,193	2,091
Total other operating expenses	3,042	2,957	5,835	5,535

Note 22. Other expenses

	Q2 2019	Q2 2018	6M 2019	6M 2018
Expenses related to registry inquiries	246	284	516	648
Expenses related to enforcement proceedings	109	140	229	263
Legal regulation charges	134	156	306	285
Expenses from investment properties	11	19	24	35
Miscellaneous expenses	37	81	192	167

Total other expenses	537	680	1,267	1,398
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Note 23. Related parties

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

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

As at 30 June 2019, the Group had a claim to related parties of 26 thousand euros (*Loans to customer*), the interest income on that claim amounted to 1 thousand euros in 6 months of 2019. As at 31 December 2018, the Group had a claim to related parties of 37 thousand euros, the interest income on that claim amounted to 2 thousand euros in 2018.

Statement by the Management Board

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

- the figures and additional information presented in the condensed consolidated interim report for the six months of 2019 are true and complete; and
- the condensed consolidated financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows.
- The condensed consolidated interim report as at 30 June 2019 has been prepared in accordance with the international financial reporting standard IAS 34 *Interim Financial Reporting* as adopted by the European Union and with the information disclosure requirements established by the Bank of Estonia.
- Financial statements have been prepared on a going concern basis.

Martin Länts

Chairman of the Management Board

30 August 2019

[digitally signed]

Sven Raba

Member of the Management Board

30 August 2019

[digitally signed]

Mart Veskimägi

Member of the Management Board

30 August 2019

[digitally signed]

Argo Kiltsmann

Member of the Management Board

30 August 2019

[digitally signed]