Bigbank

Interim condensed consolidated financial statements for the period ended 31 December 2019

Bigbank AS

Interim condensed consolidated financial statements for the period ended 31 December 2019

Business name	**Bigbank AS**
Registry	**Commercial Register of the Republic of Estonia**
Registration number	**10183757**
Date of entry	**30 January 1997**
LEI code	**5493007SWCCN9S3J2748**
Address	**Riia 2, 51004 Tartu, Estonia**
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E-mail	**info@bigbank.ee**
Corporate website	**www.bigbank.ee**
Financial year	**1 January 2019 – 31 December 2019**
Reporting period	**1 January 2019 – 31 December 2019**
Chairman of the management board	**Martin Länts**
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.**

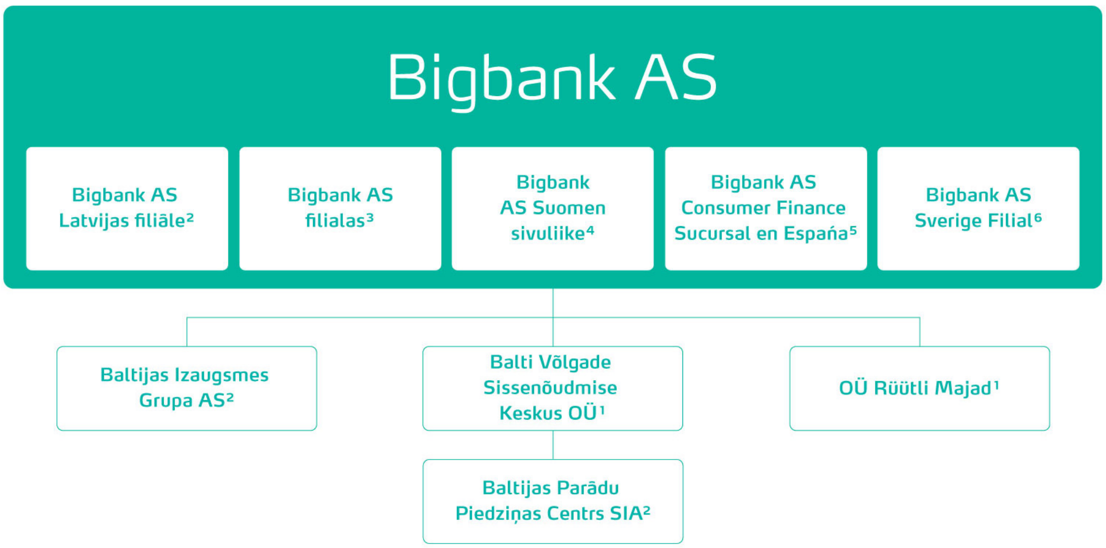
Interim report is available on the website of Bigbank AS at www.bigbank.ee.
The version in English is located at www.bigbank.eu.

Contents

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, under liquidation
[6] registered in the Kingdom of Sweden

The branches in Latvia, Lithuania, Finland 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. Spanish branch is under liquidation and remaining customers will be served cross-broder from parent bank.

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

Review of operations

Significant economic events

The fourth quarter of 2019 was a perfect quarter to end a year with. It was the most successful quarter of the most successful year 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 at record level. It amounted to 6.9 million euros and compared to the fourth quarter of 2018 it was 4.4 million euros higher (171%). Profit has grown due to both increasing interest income as well as decreasing cost base. Interest income increased to EUR 17.2 million euros which is compared to last year's same quarter 0.7 million euros higher (4%). Main savings from cost items came from Impairment losses on loans and financial investments, which decreased by 2.0 million euros (-55%) and from other operating expenses, which decreased by 1.0 million euros (-23%). All these developments go perfectly hand in hand with Bigbank's long term strategy.

Strong profit figure increased Group's 12 month net profit to 24.5 million euros, which is an all-time record. Due to that equity of the Group increased 16% to 141.0 million euros. Capitalization level of the Group is strong.

Over 90 days in delay loan portfolio has remained on similiar level throughout 2019. End of fourth quarter result is slightly better (3.2% from total loan portfolio) than a year ago (3.3% from total loan portfolio). Long term goal for the Group is to keep the share of over 90 days in delay loan portfolio within 5% range, therefore for throughout 2019 the quality of loan portfolio was safely within that range.

In the fourth quarter of 2019 performing loan portfolio of the Group increased by 7.5 million euros (2%) to 458.1 million euros. With the 12 months of 2019 performing loan portfolio has increased by 27.0 million euros (6%). Performing loan portfolio grew in the fourth quarter the most in Estonian business unit, where the growth amounted to 1.9 million euros.

On top of excellent financial results, fourth quarter of 2019 was also historical for Bigbank considering Technological developments. Major milestone was achieved when Nest was launched also in Estonian business unit in December 2019. It marked the end of the long journey of implementing Nest in all of our banches and very positive was that the implementation timetable was also met without delays. Formerly it has been deployed in Finland (2017), Sweden (2018), Lithuania (2019), Latvia (2019) and in cross-border units (all Germany, Austria, Netherlands 2019).

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.

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.

Management board has four members: the chairman of the management board Martin Länts and the members Sven Raba, Mart Veskimägi and Argo Kiltsmann.

Bigbank had 385 employees at the end of the fourth quarter of 2019: 225 in Estonia, 72 in Latvia, 67 in Lithuania, 15 in Finland and 6 in Sweden.

Key performance indicators and ratios

Financial position indicators *(in thousands of euros)*	31 Dec 2019	31 Dec 2018	Change
Total assets	574,193	528,517	8.6%
Loans to customers	459,656	427,964	7.4%
of which loan portfolio	473,455	445,679	6.2%
of which interest receivable	10,494	6,122	71.4%
of which loss allowances	-24,293	-23,837	1.9%
Deposits from customers	392,838	393,020	0.0%
Equity	141,053	121,174	16.4%

Financial performance indicators *(in thousands of euros)*	Q4 2019	Q4 2018	Change	12M 2019	12M 2018	Change
Interest income	17,207	16,486	4.4%	66,950	66,386	0.8%
Interest expense	1,538	1,627	-5.5%	6,390	6,099	4.8%
Net loss allowances on loans and financial investments	1,642	3,613	-54.6%	6,675	11,355	-41.2%
Income from debt collection proceedings	132	324	-59.3%	771	1,647	-53.2%
Profit before impairment loss	8,558	6,167	38.8%	31,128	28,881	7.8%
Net profit	6,916	2,554	170.8%	24,453	17,526	39.5%

Ratios	Q4 2019	Q4 2018	12M 2019	12M 2018
Return on equity (ROE)	20,1%	8,5%	18,7%	15,0%
Equity multiplier (EM)	4,0	4,3	4,2	4,2
Profit margin (PM)	37,1%	14,3%	33,8%	24,3%
Asset utilization ratio (AU)	13,6%	13,7%	13,1%	14,6%
Return on assets (ROA)	5,1%	2,0%	4,4%	3,5%
Price difference (SPREAD)	11,7%	11,4%	11,5%	12,7%
Cost to income ratio (CIR)	48,9%	57,6%	49,6%	50,6%

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

Explanations of ratios:

Return on equity (ROE, %) – net profit for the period / quarter / average equity*100

Equity multiplier (EM) – average assets / average equity

Profit margin (PM, %) – profit for the period / total income * 100

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

Return on assets (ROA, %) – net profit for the period / average assets * 100

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

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

Financial review

Financial position

As at 31 December 2019, the consolidated assets of Bigbank AS Group totalled 574.2 million euros, having increased by 43.2 million euros (8.1%) during the fourth quarter.

As at 31 December 2019, loans to customers accounted for 80.1% of total assets, the proportion of liquid assets (amounts due from banks and financial debt instruments) was 14.9%. At the end of the fourth quarter, liquid assets totalled 85.3 million euros. Part of the 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 time, except for debt securities that have been pledged. Debt instruments totalled 31.4 million euros as at 31 December 2019, of which 25.8 million euros was pledged as collateral for a loan from the central bank and 5.6 million euros was part of the liquidity buffer.

At the end of the fourth quarter, the Group had 113 thousand loan agreements, 33 thousand of them in Latvia, 31 thousand in Estonia, 30 thousand in Lithuania, 11 thousand in Finland and 8 thousand in Sweden.

Geographical distribution of loans to customers:

- 30.0% Lithuania,
- 24.1% Latvia,
- 21.4% Estonia,
- 15.6% Finland,
- 8.9% Sweden.

At 31 December 2019, loans to customers totalled 459.7 million euros, comprising of:

- the loan portfolio of 473.59 million euros. Loans to individuals accounted for 93.8% of the total;
- interest receivable on loans of 10.5 million euros;
- loss allowances for loans and interest receivables of 24.3 million euros (consisting of an loss allowance for loans of 22.3 million euros and an loss allowance for interest receivables of 2.0 million euros).

Bigbank's loan portfolio is diversified – at the reporting date the average loan was 4,214 euros and as at 31 December 2019, 40 largest loans accounted for 6.0% of the loan portfolio.

Bigbank AS focuses on the provision of consumer loans. In line with the corporate strategy, as at 31 December 2019 loans against income accounted for 92.1%, loans against surety for 0.5% and loans secured with real estate for 7.4% 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 fourth quarter of 2019, the Group's liabilities totalled 433.1 million euros. Most of the debt raised by the Group, i.e. 392.8 million euros (90.7%) consisted of term deposits. In December 2019, the Group obtained from ECB's third series of targeted longer-term refinancing operations (TLTRO-III) financing of 23 million euros. The initial maturity of the liability is 3 years and it is secured by debt securities.

As at the end of the fourth quarter of 2019, the Group's equity was 141.1 million euros. The equity to assets ratio amounted to 24.6%.

Financial performance

Interest income for the fourth quarter reached 17.2 million euros, increasing by 0.7 million euros (4.4%) compared to the same period in 2018.

The period's ratio of interest income (annualised) to average interest-earning assets was 13.2% and (annualised) return on the loan portfolio accounted for 14.5% of the average loan portfolio.

Interest expense for the fourth quarter of 2019 was 1.5 million euros.

The ratio of interest expense to interest income was 8.9%. The ratio of interest expense to average interest-bearing liabilities (annualised) was 1.6%.

Other operating expenses for the fourth quarter were 3.3 million euros, decreasing by 1.0 million euros compared to the corresponding figure of the same period in 2018.

Salaries and associated charges for the fourth quarter of 2019 amounted to 3.6 million euros, including remuneration of 3.4 million euros. As at the end of the period, the Group had 385 employees.

In the fourth quarter, impairment losses were 1.6 million euros, consisting of:

- impairment losses on loan receivables of 1.1 million euros;
- impairment losses on interest receivables of 0.6 million euros; and
- impairment reversal of other receivables of 0.1 million euros.

Other income for the fourth quarter of 2019 was 0.3 million euros, the largest proportion of which resulted from debt collection income. In the same period of 2018, other income was 0.5 million euros.

Other expenses for the fourth quarter reached 0.7 million euros. In the same period of 2018, other expenses were 0.7 million euros, as well.

The Group's net profit for the fourth quarter of 2019 amounted to 6.9 million euros. In comparison to the fourth quarter of 2018, net profit has increased by 4.4 million euros.

Capital ratios

Own funds

The methods used by the Group for calculating own funds are stipulated in regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD 4) as transposed into Estonian law.

As at	31 Dec 2019	31 Dec 2018
Paid-in share capital	8,000	8,000
Capital reserve	800	800
Prior years retained earnings	106,568	94,042
Other accumulated comprehensive income	1,231	997
Other intangible assets	-19,254	-12,381
Profit eligible*	11,537	9,970
Adjustments to CET1 due to prudential filters	-31	-191
Common equity Tier 1 capital	**108,851**	**101,237**
Tier 1 capital	**108,851**	**101,237**
Tier 2 capital	**5,000**	**5,000**
Deductions	**-**	**-**
Total own funds	**113,851**	**106,237**

* Own funds as include nine months net profit included that has been verified by an independent external auditor in the review of the financial information (2019: nine months), less foreseeable dividends proportionally and following the permit of the Estonian Financial Supervision Authority.

Article 26(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (2) has introduced a procedure whereby the permission of the competent authority is required for the inclusion of interim profits or year-end profits in Common Equity Tier 1 (CET1) capital before an institution has taken a formal decision confirming the final profit or loss of the institution for the year. Such permission is granted where the following two conditions are met: profits have been verified by persons independent of the institution that are responsible for the auditing of the accounts of that institution; and the institution has demonstrated that any foreseeable charge or dividend has been deducted from the amount of those profits.

Total risk exposure amount

	31 Dec 2019	31 Dec 2018
Risk weighted exposure amounts for credit and counterparty credit (standardized approach)		
Central governments or central banks	-	1,246
Institutions	3,260	12,141
Corporates	22,886	40,210
Retail	312,757	286,451
Secured by mortgages on immovable property	4,586	3,215
Exposures in default	14,926	11,418
Claims on institutions and corporates with a short-term credit assessment	2,393	-
Other items	9,910	8,735
Total risk weighted exposure amounts for credit and counterparty credit (standardised approach)	**370,718**	**363,416**
Total risk exposure amount for position, foreign exchange and commodities risks	**18,821**	-
Total risk exposure amount for operational risk (standardised approach)	**101,632**	**104,953**
Total risk exposure amount for credit valuation adjustment (standardised approach)	-	**-**
Total risk exposure amount	**491,171**	**468,369**

Capital ratios

	31 Dec 2019	31 Dec 2018
CET1 Capital ratio	22.2%	21.6%
T1 Capital ratio	22.2%	21.6%
Total capital ratio	23.2%	22.7%
Leverage ratio	19.2%	19.3%
Minimum requirement for eligible liabilities (MREL)	21.0%	20.9%

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

Condensed consolidated interim financial statements

Consolidated statement of financial position

As at	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash balances at central banks	2	32,855	29,691
Cash balances at banks	2	21,085	36,261
Debt instruments at fair value through other comprehensive income	3	31,390	13,484
Loans to customers	4,5,6,7,8	459,656	427,964
Other receivables	9	1,738	1,484
Prepayments	10	1,265	1,732
Property and equipment	11	5,157	3,625
Investment property		1,781	1,866
Intangible assets	12	19,254	12,381
Assets classified as held for sale		12	29
Total assets		**574,193**	**528,517**
Liabilities			
Loans from central banks	13	23,000	-
Deposits from customers	14	392,838	393,020
Subordinated notes		4,965	4,960
Lease liability		2,096	-
Provisions		2,137	1,884
Other liabilities		7,118	5,197
Deferred income and tax liabilities		986	2,282
Total liabilities		**433,140**	**407,343**
Equity			
Paid-in share capital		8,000	8,000
Capital reserve		800	800
Other reserves	16	1,232	806
Retained earnings		131,021	111,568
Total equity		**141,053**	**121,174**
Total liabilities and equity		**574,193**	**528,517**

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

Consolidated statement of comprehensive income

	Note	Q4 2019	Q4 2018	12M 2019	12M 2018
Interest income	20	17,207	16,486	66,950	66,386
Interest expense	21	-1,538	-1,627	-6,390	-6,099
Net interest income		**15,669**	**14,859**	**60,560**	**60,287**
Fee and commission income		1,160	949	4,287	3,573
Fee and commission expense		-41	-84	-240	-312
Net fee and commission income		**1,119**	**865**	**4,047**	**3,261**
Net profit/loss on exchange differences		159	29	-194	-315
Net profit/loss on derecognition of non-financial assets		-6	-5	-13	-274
Other income	22	258	451	1,190	2,075
Total income		**17,199**	**16,199**	**65,590**	**65,034**
Salaries and associated charges		-3,617	-3,861	-14,917	-15,089
Other operating expenses	23	-3,266	-4,231	-11,722	-13,023
Depreciation and amortisation expense		-866	-567	-3,298	-2,063
Provision expenses		332	-371	-304	-1,261
Impairment losses on loans and financial investments		-1,642	-3,613	-6,675	-11,355
Losses resulting from changes in the fair value of investment properties		100	-	100	-61
Other expenses	24	-659	-676	-2,591	-2,755
Profit/loss from assets classified as held for sale		1	2	23	-256
Total expenses		**-9,617**	**-13,317**	**-39,384**	**-45,863**
Profit before income tax		**7,582**	**2,882**	**26,206**	**19,171**
Income tax expense		-666	-328	-1,753	-1,645
Profit for the period		**6,916**	**2,554**	**24,453**	**17,526**
Other comprehensive income/expense					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		-145	-34	181	322
Changes in the fair value of debt instruments at FVOCI		-233	-32	4	-191
Net other comprehensive income to be reclassified to profit or loss		**-378**	**-66**	**185**	**131**
Items that will not to be reclassified to profit or loss:					
Revaluation of land and buildings		241	-	241	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**241**	**-**	**241**	**-**
Other comprehensive income for the period		**-137**	**-66**	**426**	**131**
Total comprehensive income for the period		**6,779**	**2,488**	**24,879**	**17,657**
Basic earnings per share (EUR)		86	32	306	219
Diluted earnings per share (EUR)		86	32	306	219

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

Consolidated statement of cash flows

	Note	12M 2019	12M 2018
Cash flows from operating activities			
Interest received		60,406	60,381
Interest paid		-5,586	-4,854
Salary and other operating expenses paid		-29,316	-31,008
Other income and fees received		6,535	8,290
Other expenses and fees paid		-3,808	-5,197
Recoveries of receivables previously written off and received for sold portfolios		25,479	36,422
Loans provided		-266,377	-276,236
Repayment of loans provided		209,155	180,760
Change in mandatory reserves with central banks		371	-269
Proceeds from customer deposits		94,327	135,912
Paid on redemption of deposits		-91,662	-75,146
Income tax paid/received		-2,006	-2,153
Effect of movements in exchange rates		-112	-186
Net cash used in / from operating activities		**-2,594**	**26,716**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		-8,624	-7,426
Proceeds from sale of property and equipment		92	29
Proceeds from sale of investment properties		138	38
Acquisition of financial instruments		-21,824	-3,025
Proceeds from redemption of financial instruments		4,177	741
Net cash used in investing activities		**-26,041**	**-9,643**
Cash flows from financing activities			
Interest paid on subordinated bonds		-330	-330
Proceeds from loans from central bank		23,000	-
Payment of principal portion of lease liabilities		-723	-
Dividends paid		-5,000	-5,000
Net cash from / used in financing activities		**16,947**	**-5,330**
Effect of exchange rate fluctuations		47	-243
Decrease in cash and cash equivalents		**-11,641**	**11,500**
Cash and cash equivalents at beginning of period		64,621	53,121
Cash and cash equivalents at end of period	2	**52,980**	**64,621**

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Consolidated statement of changes in equity

	Attributable to equity holders of the parent				
	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Total
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	-	-	-	17,526	17,526
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	322	-	322
Net change in fair value of debt instrument at FVOCI	-	-	-191	-	-191
Total other comprehensive income	**-**	**-**	**131**	**-**	**131**
Total comprehensive income for the period	**-**	**-**	**131**	**17,526**	**17,657**
Dividend distribution	-	-	-	-5,000	-5,000
Total transactions with owners	**-**	**-**	**-**	**-5,000**	**-5,000**
Balance at 31 December 2018	**8,000**	**800**	**806**	**111,568**	**121,174**
Balance at 1 January 2019	**8,000**	**800**	**806**	**111,568**	**121,174**
Profit for the period	-	-	-	24,453	24,453
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	181	-	181
Net change in fair value of debt instrument at FVOCI	-	-	4	-	4
Revaluation of land and buildings	-	-	241	-	241
Total other comprehensive income	**-**	**-**	**426**	**-**	**426**
Total comprehensive income for the period	**-**	**-**	**426**	**24,453**	**24,879**
Dividend distribution	-	-	-	-5,000	-5,000
Total transactions with owners	**-**	**-**	**-**	**-5,000**	**-5,000**
Balance at 31 December 2019	**8,000**	**800**	**1,232**	**131,021**	**141,053**

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 twelve months ended 31 December 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 been 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;

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

- 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 itis 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 adopting IFRS 16 on the Group recognised right of use asset of 2,766 thousand euros against a corresponding lease liability (*Property and equipment* and *Lease liability*) on 1 January 2019.

Note 2. Cash and bank balances and cash equivalents

As at	31 Dec 2019	31 Dec 2018
Cash balances at central banks	**32,855**	**29,691**
Mandatory reserves	959	1,330
Surplus on mandatory reserves with central banks*	31,896	28,361
Cash balances at banks	**21,085**	**36,261**
Demand and overnight deposits with credit institutions*	18,384	19,733
Term deposits with credit institutions with maturity of less than 3 months*	2,700	16,527
Interest receivable from central banks	1	1
Total cash and balances at banks	**53,940**	**65,952**
of which cash and cash equivalents	**52,980**	**64,621**

* Cash equivalents

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

As at	31 Dec 2019	31 Dec 2018
Debt instruments	**31,390**	**13,484**
Debt instruments by issuer		
General government bonds	4,759	4,701
Bonds issued by credit institutions	6,583	3,145
Other financial corporations' bonds	2,083	511
Non-financial corporations' bonds	17,965	5,127
Debt instruments by currency		
EUR (euro)	28,841	11,633
SEK (Swedish krona)	2,549	1,851
Debt instruments by rating		
Aaa-Aa3	5,754	4,299
A1-A3	11,966	3,141
Baa1-Baa3	13,670	6,044

Note 4. Loans to customers

Loans to customers as at 31 December 2019

	Estonia	Latvia	Lithuania	Finland	Sweden	Total
Loan receivables from customers	102,257	115,495	135,956	76,076	43,671	473,455
Loss allowances for loans	-5,181	-6,419	-2,802	-5,169	-2,729	-22,300
Interest receivable from customers	2,215	2,417	4,789	824	249	10,494
Loss allowances for interest receivables	-901	-865	-43	-139	-45	-1,993
Total	**98,390**	**110,628**	**137,900**	**71,592**	**41,146**	**459,656**
Share of region	21.4%	24.1%	30.0%	15.6%	8.9%	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%

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Note 5. Loan receivables from customers by due dates

As at	31 Dec 2019	31 Dec 2018
Past due	11 409	18 459
Less than 1 month	10 886	8 374
1-12 months	111 248	100 547
1-2 years	99 079	94 354
2-5 years	179 130	172 344
More than 5 years	61 703	51 601
Total	**473 455**	**445 679**

Note 6. Ageing analysis on loan receivables

Loans to customers as at 31 December 2019

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Income-based loans						
Loan portfolio	365,629	42,818	9,038	4,219	14,584	436,288
Loss allowance	-7,928	-1,640	-2,034	-1,334	-8,687	-21,623
Surety loans						
Loan portfolio	1,854	188	109	2	225	2,378
Loss allowance	-8	-3	-10	-1	-160	-182
Loans secured with real estate						
Loan portfolio	30,964	2,648	366	235	565	34,778
Loss allowance	-269	-87	-10	-	-129	-495
Loans against other collaterals						
Loan portfolio	10	1	-	-	-	11
Loss allowance	-	-	-	-	-	-
Total loan portfolio	**398,457**	**45,655**	**9,513**	**4,456**	**15,374**	**473,455**
Total loss allowance	-8,205	-1,730	-2,054	-1,335	-8,976	-22,300

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

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Note 7. Loan receivables from customers by contractual currency

As at	31 Dec 2019	31 Dec 2018
EUR (euro)	429,784	392,337
SEK (Swedish krona)	43,671	53,342
Total loan receivables from customers	**473,455**	**445,679**

Note 8. Loss allowances for loan receivables from customers

Loss allowances as at 31 December 2019

	Loan receivables	Interest receivables	Total receivables subject to impairment	Total loss allowances
Stage 1	417,390	6,215	423,605	-7,721
Stage 2	34,363	1,073	35,436	-5,070
Stage 3	21,702	3,206	24,908	-11,502
Total	**473,455**	**10,494**	**483,949**	**-24,293**

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 12 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	-3,892	1,826	2,544	315	-7,721
Stage 2	-5,639	-1,274	581	-815	2,077	-5,070
Stage 3	-9,684	-1,514	1,412	-5,694	3,978	-11,502
Total	**-23,837**	**-6,680**	**3,819**	**-3,965**	**6,370**	**-24,293**

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**

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Note 9. Other receivables

As at	31 Dec 2019	31 Dec 2018
Customer receivables and other miscellaneous receivables	1,625	1,345
Collection, recovery and other charges receivable	358	261
Loss allowance for other receivables	-245	-122
Total	**1,738**	**1,484**

Note 10. Prepayments

As at	31 Dec 2019	31 Dec 2018
Tax receivables	620	1,179
Prepaid other taxes	5	23
Prepayments to suppliers and prepaid expenses	640	530
Total	**1,265**	**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)	-	2,776	-	2,776
Balance at 1 January 2019	1,514	2,776	4,426	8,716
Purchases	-	-	430	430
Sales	-	-	-271	-271
Write-off	-	-	-354	-354
Revaluation and price adjustment	-	46	-	46
Revaluation recognised in other comprehensive income	76	-	-	76
Effect of movements in exchange rates	-	-2	-1	-3
Balance at 31 December 2019	**1,590**	**2,820**	**4,230**	**8,640**
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**

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	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	-59	-733	-1,091	-1,883
Sales	-	-	214	214
Write-off	-	-	335	335
Transfer	166	-	-	166
Balance at 31 December 2019	**-10**	**-733**	**-2,740**	**-3,483**
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 31 December 2019	**1,580**	**2,087**	**1,490**	**5,157**

Note 12. Intangible assets

	31 Dec 2019	31 Dec 2018
Cost at beginning of year	**15,002**	**9,203**
Purchases	8,288	6,148
Of which purchased intangible assets	4,113	3,275
Of which capitalised payroll	4,175	2,873
Write-off	-22	-348
Reclassification	-	-1
Cost at end of period	**23,268**	**15,002**
Amortisation at beginning of year	**-2,621**	**-1,731**
Amortisation charge for the period	-1,415	-951
Write-off	22	61
Amortisation at end of period	**-4,014**	**-2,621**
Carrying amount at beginning of year	12,381	7,472
Carrying amount at end of period	**19,254**	**12,381**

The Group has substantially increased its investments in the information and banking technology solution called Nest, the first stage of which was implemented in 2017 in Finland and second in 2018 in Sweden. In 2019, Nest has been deployed in Lithuania, Latvia and Estonia. The purchases also include the capitalised payroll and payroll-related costs for employees who were directly associated with the Nest development.

Note 13. Loans from central banks

In the fourth quarter of 2019, the Group obtained from ECB's third series of targeted longer-term refinancing operations (TLTRO-III) financing of 23,000 thousand euros. The initial maturity of the liability is 3 years and it is secured by debt securities.

The targeted longer-term refinancing operations (TLTROs) are Eurosystem operations that provide financing to credit institutions. By offering banks long-term funding on attractive terms they preserve favourable borrowing conditions for banks and stimulate bank lending to the real economy. The third TLTRO programme consists of a series of seven targeted longer-term refinancing operations, each with a maturity of three years, starting in September 2019 at a quarterly frequency. Borrowing rates in these operations can be as low as the average interest rate on the deposit facility prevailing over the life of the operation

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Note 14. Deposits from customers

As at	31 Dec 2019	31 Dec 2018
Term deposits	**392,838**	**393,020**
Term deposits by customer type		
Individuals	380,321	379,843
Legal persons	12,517	13,177
Term deposits by currency		
EUR (euro)	339,857	337,040
SEK (Swedish krona)	52,981	55,980
Term deposits by maturity		
Maturing within 1 months	20,658	15,120
Maturing between 1 and 6 months	58,158	71,274
Maturing between 6 and 12 months	92,137	111,408
Maturing between 12 and 18 months	34,535	34,716
Maturing between 18 and 24 months	59,481	50,735
Maturing between 24 and 36 months	57,909	57,803
Maturing between 36 and 48 months	27,319	21,016
Maturing between 48 and 60 months	12,278	9,070
Maturing in over 60 months	30,363	21,878
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)	40.7	36.1

Note 15. Liabilities

As at	31 Dec 2019	31 Dec 2018
Received surplus payments	4,188	1,946
Payables to employees	1,619	1,509
Supplier payables	778	1,131
Other payables	533	611
Total	**7,118**	**5,197**

Received surplus payments include surplus repayments of loans by customers that are paid prematurely and not yet matched to particular loan contracts due to uncertainty of nature of these payments.

Note 16. Other reserves

As at	31 Dec 2019	Change	31 Dec 2018
Exchange differences on translation of foreign operations	874	181	693
Asset revaluation reserve	545	241	304
Fair value changes of debt instruments measured at FVOCI	-187	4	-191
Total other reserves	**1,232**	**426**	**806**

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Note 17. Net currency positions

Net currency positions as at 31 December 2019

	Position in the statement of financial position		Off-balance sheet position		
	Assets	Liabilities	Assets	Liabilities	Net position
EUR (euro)	500,771	379,646	-	21,001	100,124
SEK (Swedish krona)	54,168	53,494	-	-	674

Net currency positions as at 31 December 2018

	Position in the statement of financial position		Off-balance sheet position		
	Assets	Liabilities	Assets	Liabilities	Net position
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 18. Fair values of assets and liabilities

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

The fair values of the assets and liabilities reported in the consolidated statement of financial position at 31 December 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 at 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Debt instruments at fair value through other comprehensive income (note 3)	31,390	-	-	31,390
Land and buildings (note 11)	-	-	1,580	1,580
Investment properties	-	-	1,781	1,781
Assets for which fair values are disclosed				
Loans to customers (note 4-8)	-	-	459,656	459,656
Other financial receivables (note 9)			1,738	1,738
Total assets	**31,390**	**-**	**464,755**	**496,145**
Liabilities for which fair values are disclosed				
Loans from central banks	-	-	23,000	23,000
Deposits from customers (note 14)	-	-	392,838	392,838
Subordinated notes	-	-	4,965	4,965
Lease liability	-	-	2,096	2,096
Other financial liabilities	-	-	7,118	7,118
Total liabilities	**-**	**-**	**430,017**	**430,017**

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Fair value hierarchy as at 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 14)	-	-	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 12 months of 2019 and during 2018.

The Level 3 *loans to customers* that amounts to 459,656 thousand euros are measured at amortised cost using the effective interest rate method less any loss allowances. For fair valuation purpose the estimated cash-flows have been discounted at the prevailing market interest rates, the result being not materially different from that recognised under the amortised cost method using effective interest rate.

The Level 3 *land and buildings* that amounts to 1,580 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 3,020 – 3,102 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 30% 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 changed and therefore the revaluation was made in the fourth quarter of 2019.

The Level 3 *investment properties* that amount to 1,781 thousand euros consist of real estate 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 2,500 euros and development costs per square metre 865 euros.

Valuations of investment property are performed at each reporting date to make sure that the assets are measured at fair value and not at close-to-fair value at the reporting date. The Group engaged an independent valuation expert to assess the fair values of its investment properties, land and buildings at 31 December 2019 and based on the valuation, the assets were remeasured in the fourth quarter of 2019.

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Note 19. Contingent liabilities

At 31 December 2019, the unused portions of the Group's credit lines totalled 21,001 thousand euros (31 December 2018: 18,430 thousand euros

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Note 20. Interest income

	Q4 2019	Q4 2018	12M 2019	12M 2018
Interest income on loans to customers	17,106	16,389	66,593	66,112
Interest income on debt instruments	79	68	277	239
Interest income on deposits	6	6	17	6
Other interest income	16	23	63	29
Total interest income	**17,207**	**16,486**	**66,950**	**66,386**

Note 21. Interest expense

	Q4 2019	Q4 2018	12M 2019	12M 2018
Interest expense on deposits	1,425	1,543	5,956	5,765
Interest expense on bonds	84	84	334	334
Interest expense on lease liabilities	7	-	30	-
Other interest expense	22	-	70	-
Total interest expense	**1,538**	**1,627**	**6,390**	**6,099**

Note 22. Other income

	Q4 2019	Q4 2018	12M 2019	12M 2018
Income from debt recovery proceedings	132	324	771	1,647
Miscellaneous income	126	127	419	428
Total other income	**258**	**451**	**1,190**	**2,075**

Note 23. Other operating expenses

	Q4 2019	Q4 2018	12M 2019	12M 2018
Marketing expenses	2,016	2,066	6,938	6,668
Office, rental and similar expenses	124	388	590	1,496
Miscellaneous operating expenses	1,126	1,777	4,194	4,859
Total other operating expenses	**3,266**	**4,231**	**11,722**	**13,023**

Note 24. Other expenses

	Q4 2019	Q4 2018	12M 2019	12M 2018
Expenses related to registry inquires	296	374	1,116	1,294
Expenses related to enforcement proceedings	73	84	406	440
Legal regulation charges	164	96	629	588
Expenses from investment properties	18	12	53	52
Miscellaneous expenses	108	110	387	381
Total other expenses	**659**	**676**	**2,591**	**2,755**

Note 25. 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 31 December 2019, the Group had a claim to related parties of 44 thousand euros (*Loans to customer*), the interest income on that claim amounted to 2 thousand euros in 12 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. Loans granted to related parties are issued at market conditions.

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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 twelve 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 31 December 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	**Sven Raba**	**Mart Veskimägi**	**Argo Kiltsmann**
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board
28 February 2020	28 February 2020	28 February 2020	28 February 2020
[digitally signed]	[digitally signed]	[digitally signed]	[digitally signed]