



**Interim condensed consolidated  
financial statements for the period  
ended 31 March 2018**



# Bigbank AS

## Interim condensed consolidated financial statements for the period ended 31 March 2018

<b>Business name</b>	Bigbank AS
<b>Registry</b>	Commercial Register of the Republic of Estonia
<b>Registration number</b>	10183757
<b>Date of entry</b>	30 January 1997
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<b>Financial year</b>	1 January 2018 – 31 December 2018
<b>Reporting period</b>	1 January 2018 – 31 March 2018
<b>Chairman of the management board</b>	Sven Raba
<b>Core business line</b>	Provision of consumer loans and acceptance of deposits
<b>Auditor</b>	Ernst & Young Baltic AS
<b>Reporting currency</b>	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](http://www.bigbank.ee).  
The version in English is located at [www.bigbank.eu](http://www.bigbank.eu).

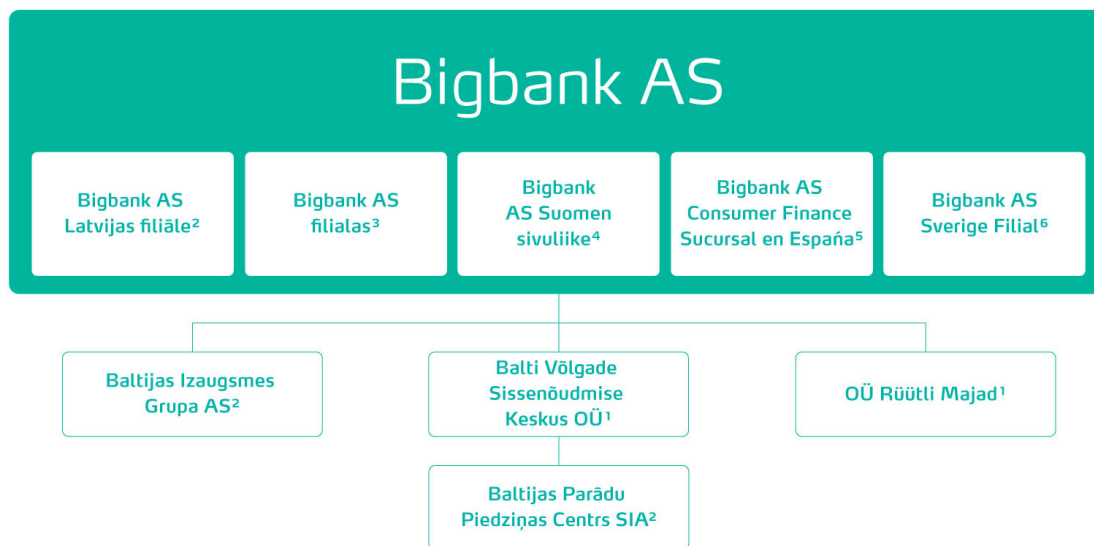
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# Bigbank Group structure

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:



<sup>1</sup> registered in the Republic of Estonia

<sup>2</sup> registered in the Republic of Latvia

<sup>3</sup> registered in the Republic of Lithuania

<sup>4</sup> registered in the Republic of Finland

<sup>5</sup> registered in the Kingdom of Spain

<sup>6</sup> 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 Rüütli 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

In the first quarter of 2018, Bigbank AS (hereinafter also “Bigbank” and the “Group”) continued to pursue its strategic agenda, focusing mainly on increasing the performing loan portfolio. During the first three months of the year, the Group’s performing loan portfolio grew by 8.3 million euros. The largest growth was delivered by the Estonian business unit and the Lithuanian branch.

The Group’s net profit for the first quarter of 2018 amounted to 5.2 million euros. The corresponding figure for the first quarter of 2017 was 3.1 million euros. Above all, profitability has improved thanks to successful implementation of the strategy. Shifting the focus on customers with a lower credit risk has not only helped to increase the performing loan portfolio but also to reduce credit losses. Although this has caused a gradual decline in interest rates, which affects interest income, the drop in provisions for credit losses has been considerably larger than the decrease in interest income.

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in the Group’s accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

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. The management board of the bank has four members - the chairman of the management board Sven Raba and the members Pāvels Gilodo, Martin Lānts and Mart Veskimägi.

On 2 March 2018, UAB Baltijos Skolų Išieškojimo Centras, a subsidiary of OÜ Balti Völgade Sissenöudmise Keskus, was deleted from the Lithuanian Register of Legal Entities. The credit quality of the loan portfolio of the Lithuanian branch has improved to a level where it is no longer necessary for the Group to have a subsidiary whose core business is managing the non-performing loans of the Lithuanian branch.

Bigbank had 428 employees at the end of the first quarter of 2018: 216 in Estonia, 77 in Latvia, 79 in Lithuania, 17 in Finland, 25 in Spain and 12 in Sweden.

At the end of the first quarter, the Group had 3 branch offices, 1 of them located in Estonia, 1 in Latvia and 1 in Spain.

## Key performance indicators and ratios

Financial position indicators (in thousands of euros)	31 March 2018	31 Dec 2017	Change
Total assets	451,049	459,336	-1.8%
Loans to customers	382,905	377,458	1.4%
of which loan portfolio	407,307	396,138	2.8%
of which interest receivable	10,131	10,291	-1.6%
of which impairment allowances	-34,533	-28,971	19.2%
Deposits from customers	330,116	334,819	-1.4%
Equity	109,018	113,246	-3.7%

Financial performance indicators (in thousands of euros)	3M 2018	3M 2017	Change
Interest income	16,408	17,070	-3.9%
Interest expense	1,484	1,460	1.6%
Expenses from impairment allowances	2,682	5,781	-53.6%
Income from debt collection proceedings	499	677	-26.3%
Profit before impairment allowances	7,905	8,895	-11.1%
Net profit	5,223	3,114	67.7%

Ratios	3M 2018	3M 2017
Return on equity (ROE)	18.8%	12.3%
Equity multiplier (EM)	4.1	4.0
Profit margin (PM)	29.3%	16.9%
Asset utilization ratio (AU)	15.6%	18.5%
Return on assets (ROA)	4.6%	3.1%
Price difference (SPREAD)	12.8%	14.5%
Cost to income ratio (CIR)	46.8%	43.5%

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

The statement of financial position indicators used in calculating the ratios are found as the arithmetic means of respective data as at the end of the month preceding the reporting quarter and as at the end of each month of the reporting quarter. In the case of indicators of the consolidated statement of comprehensive income, the annualized actual data of the reporting quarter are used.

## 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 31 March 2018, the consolidated assets of Bigbank AS Group totalled 451.0 million euros, having decreased by 8.3 million euros (-1.8%) during the quarter.

As at 31 March 2018, loans to customers accounted for 84.9% of total assets, the proportion of liquid assets (amounts due from banks and financial debt instruments) was 11.4%.

At the end of the first quarter, liquid assets totalled 51.6 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 11.7 million euros as at 31 March 2018.

At the end of the first quarter, the Group had 139 thousand loan agreements, 56 thousand of them in Latvia, 32 thousand in Estonia, 27 thousand in Lithuania, 11 thousand in Finland, 9 thousand in Sweden and 4 thousand in Spain.

Geographical distribution of loans to customers:

- 27.3% Lithuania,
- 23.4% Latvia,
- 18.0% Finland,
- 17.3% Estonia,
- 9.6% Sweden,
- 4.4% Spain.

At 31 March 2018, loans to customers totalled 382.9 million euros, comprising of:

- the loan portfolio of 407.3 million euros. Loans to individuals accounted for 93.1% of the total;
- interest receivable on loans of 10.1 million euros;

- impairment allowances for loans and interest receivables of 34.5 million euros (consisting of an impairment allowance for loans of 30.7 million euros and an impairment allowance for interest receivables of 3.8 million euros).

Bigbank's loan portfolio is diversified – at the reporting date the average loan was 2,935 euros and as at 31 March 2018, 40 largest loans accounted for 6.3% of the loan portfolio.

Bigbank AS focuses on the provision of consumer loans. In line with the corporate strategy, as at 31 March 2018 loans against income accounted for 89.8%, loans against surety for 0.9% and loans secured with real estate for 9.3% 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 impairment allowances. Bank follows in impairment calculations conservative line. On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments* which has significantly changed the Group's accounting for impairment losses for financial assets.

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 first quarter of 2018, the Group's liabilities totalled 342.0 million euros. Most of the debt raised by the Group, i.e. 330.1 million euros (96.5%) consisted of term deposits.

As at the end of the first quarter of 2018, the Group's equity was 109.0 million euros. The equity to assets ratio amounted to 24.2%.

## Financial performance

Interest income for the first quarter reached 16.4 million euros, decreasing by 0.7 million euros (-3.9%) compared to the same period in 2017.

The period's ratio of interest income (annualised) to average interest-earning assets was 14.6% and (annualised) return on the loan portfolio accounted for 16.2% of the average loan portfolio.

Interest expense for the first quarter of 2018 was 1.5 million euros, remaining the same level compared to the same period in 2017.

The ratio of interest expense to interest income was 9.0%. The ratio of interest expense to average interest-bearing liabilities (annualised) was 1.8%.

Other operating expenses for the first quarter 2.6 million euros, increasing by 0.1 million euros compared to the corresponding figure of the same period in 2017.

Salaries and associated charges for the first quarter of 2018 amounted to 3.7 million euros, including remuneration of 3.0 million euros. As at the end of the period, the Group had 428 employees.

In the first quarter, impairment losses were 2.7 million euros, consisting of:

- impairment losses on loan receivables of 2.6 million euros;
- impairment losses on interest receivables of 0.4 million euros; and
- impairment losses on other receivables of -0.3 million euros.

Other income for the first quarter of 2018 was 0.6 million euros, the largest proportion of which resulted from debt collection income. In the same period of 2017, other income was 0.7 million euros.

Other expenses for the first quarter reached 0.7 million euros. In the same period of 2017, other expenses were 0.7 million euros, as well.

The Group's net profit for the first quarter of 2018 amounted to 5.2 million euros. In comparison to the first quarter of 2017, net profit has increased by 2.1 million euros (67.7%).

## Capital ratios

### Own funds

As at	31 March 2018	31 Dec 2017
Paid up capital instruments	8,000	8,000
Other reserves	800	800
Previous years retained earnings	94,042	86,565
Other accumulated comprehensive income	1,012	674
Other intangible assets	-8,397	-7,471
Profit eligible	-	7,298
Adjustments to CET1 due to prudential filters	-59	-
<b>Common equity Tier 1 capital</b>	<b>95,398</b>	<b>95,866</b>
<b>Tier 1 capital</b>	<b>95,398</b>	<b>95,866</b>
<b>Tier 2 capital</b>	<b>5,000</b>	<b>5,000</b>
<b>Deductions</b>	<b>-</b>	<b>-</b>
<b>Total own funds</b>	<b>100,398</b>	<b>100,866</b>



**Total risk exposure amount**

	31 March 2018	31 Dec 2017
<b>Risk weighted exposure amounts for credit and counterparty credit (standardized approach)</b>		
Central governments or central banks	495	483
Institutions	6,905	4,966
Corporates	36,007	33,651
Retail	245,336	244,071
Secured by mortgages on immovable property	4,826	4,959
Exposures in default	23,604	16,552
Other items	8,239	9,014
<b>Total risk weighted exposure amounts for credit and counterparty credit (standardized approach)</b>	<b>325,412</b>	<b>313,696</b>
<b>Total risk exposure amount for foreign exchange risk (standardized approach)</b>	-	-
<b>Total risk exposure amount for operational risk (standardized approach)</b>	<b>104,953</b>	<b>100,928</b>
<b>Total risk exposure amount for credit valuation adjustment (standardized approach)</b>	-	-
<b>Total risk exposure amount</b>	<b>430,365</b>	<b>414,624</b>

**Capital ratios**

	31 March 2018	31 Dec 2017
CET1 Capital ratio	22.2%	23.1%
T1 Capital ratio	22.2%	23.1%
Total capital ratio	23.3%	24.3%
Leverage ratio	21.1%	21.0%

Own funds as of 31 December 2017 include nine months eligible profits.

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	31 March 2018	31 Dec 2017
<b>Assets</b>			
Cash and balances at central banks	2	12,228	36,235
Cash and balances at banks	2	27,652	17,947
Debt instruments at fair value through other comprehensive income	3	11,687	11,210
Loans to customers	4,5,6,7,8	382,905	377,458
Other receivables	9	1,338	2,775
Prepayments	10	1,218	915
Property and equipment	11	3,624	3,446
Investment property		1,957	1,878
Intangible assets	12	8,397	7,472
Assets classified as held for sale		43	-
<b>Total assets</b>		<b>451,049</b>	<b>459,336</b>
<b>Liabilities</b>			
Deposits from customers	13	330,116	334,819
Subordinated notes		5,038	4,977
Provisions		657	667
Other liabilities		4,866	4,398
Deferred income and tax liabilities		1,354	1,229
<b>Total liabilities</b>		<b>342,031</b>	<b>346,090</b>
<b>Equity</b>			
Share capital		8,000	8,000
Capital reserve		800	800
Other reserves	14	953	675
Retained earnings		99,265	103,771
<b>Total equity</b>		<b>109,018</b>	<b>113,246</b>
<b>Total liabilities and equity</b>		<b>451,049</b>	<b>459,336</b>

**Consolidated statement of comprehensive income**

	Note	3 M 2018	3M 2017
Interest income	17	16,408	17,070
Interest expense	18	-1,484	-1,460
<b>Net interest income</b>		<b>14,924</b>	<b>15,610</b>
Fee and commission income		841	690
Fee and commission expense		-95	-109
<b>Net fee and commission income</b>		<b>746</b>	<b>581</b>
Net gain/loss on financial transactions		-330	-60
Other income	19	591	734
<b>Total income</b>		<b>15,931</b>	<b>16,865</b>
Salaries and associated charges		-3,715	-3,888
Other operating expenses	21	-2,578	-2,446
Depreciation and amortisation expense		-443	-282
Impairment losses on loans and financial investments		-2,682	-5,781
Other expenses	22	-721	-717
Loss from assets classified as held for sale		-260	-
<b>Total expenses</b>		<b>-10,399</b>	<b>-13,114</b>
<b>Profit before income tax</b>		<b>5,532</b>	<b>3,751</b>
Income tax expense		-309	-637
<b>Profit for the period</b>		<b>5,223</b>	<b>3,114</b>
<b>Other comprehensive income/expense</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation		337	-8
Valuation of debt instruments at FVOCI taken to equity		-59	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>278</b>	<b>-8</b>
<b>Other comprehensive income for the period</b>		<b>278</b>	<b>-8</b>
<b>Total comprehensive income for the period</b>		<b>5,501</b>	<b>3,106</b>
Basic earnings per share (EUR)		65	39
Diluted earnings per share (EUR)		65	39

**Consolidated statement of cash flows**

	Note	3M 2018	3M 2017
<b>Cash flows from operating activities</b>			
Interest received		14,932	14,390
Interest paid		-1,111	-1,242
Salary and other operating expenses paid		-7,525	-7,330
Other income and fees received		1,550	1,518
Other expenses and fees paid		-735	-962
Recoveries of receivables previously written off		7,127	2,449
Received for other assets		-	66
Paid for other assets		-	-59
Loans provided		-61,040	-68,086
Repayment of loans provided		42,838	46,219
Change in mandatory reserves with central banks		-99	-138
Proceeds from customer deposits		18,566	30,930
Paid on redemption of deposits		-20,830	-16,135
Net acquisition and disposal of trading portfolio		-	135
Income tax paid/received		-633	-583
Effect of movements in exchange rates		-185	-4
<b>Net cash used in / from operating activities</b>		<b>-7,145</b>	<b>1,168</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment and intangible assets		-1,446	-1,435
Proceeds from sale of property and equipment		2	50
Proceeds from sale of investment properties		22	30
Acquisition of financial instruments		-593	-
Proceeds from redemption of financial instruments		48	-
<b>Net cash used in investing activities</b>		<b>-1,967</b>	<b>-1,355</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-5,000	-5,000
<b>Net cash used in financing activities</b>		<b>-5,000</b>	<b>-5,000</b>
Effect of exchange rate fluctuations		-289	25
<b>Decrease in cash and cash equivalents</b>		<b>-14,401</b>	<b>-5,162</b>
Cash and cash equivalents at beginning of period		53,121	34,291
<b>Cash and cash equivalents at end of period</b>	2	<b>38,720</b>	<b>29,129</b>

**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 2017	8,000	800	1,369	90,667	100,836
Profit for the period	-	-	-	3,114	3,114
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations	-	-	-8	-	-8
<b>Total other comprehensive income</b>	-	-	-8	-	-8
<b>Total comprehensive income for the period</b>	-	-	-8	3,114	3,106
Dividend distribution	-	-	-	-5,000	-5,000
<b>Total transactions with owners</b>	-	-	-	-5,000	-5,000
<b>Balance at 31 March 2017</b>	<b>8,000</b>	<b>800</b>	<b>1,361</b>	<b>88,781</b>	<b>98,942</b>
<b>Balance at 1 January 2018</b>	<b>8,000</b>	<b>800</b>	<b>675</b>	<b>103,771</b>	<b>113,246</b>
Changes on initial adoption of IFRS 9 (see note 1)	-	-	-	-4,729	-4,729
<b>Restated balance at 1 January 2018</b>	<b>8,000</b>	<b>800</b>	<b>675</b>	<b>99,042</b>	<b>108,517</b>
Profit for the period	-	-	-	5,223	5,223
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations	-	-	337	-	337
Net change in fair value of debt instrument at FVOCI	-	-	-59	-	-59
<b>Total other comprehensive income</b>	-	-	278	-	278
<b>Total comprehensive income for the period</b>	-	-	278	5,223	5,501
Dividend distribution	-	-	-	-5,000	-5,000
<b>Total transactions with owners</b>	-	-	-	-5,000	-5,000
<b>Balance at 31 March 2018</b>	<b>8,000</b>	<b>800</b>	<b>953</b>	<b>99,265</b>	<b>109,018</b>

## 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 31 March 2018 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 2017, 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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. 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 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of the changes regarding the adoption of IFRS 9 are disclosed below. IFRS 15 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 2018.

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

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The comparative period notes disclosures repeat those disclosures made in the prior year according to IAS 39.

#### Classification and measurement implementation

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value

through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, quoted debt instruments were measured at FVPL and classified as financial assets held for trading.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

#### Impairment implementation

The adoption of IFRS 9 has significantly changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach, where the allowances are taken upon initial recognition of the financial asset. Expected credit losses reflect the present value of all cash shortfalls related to default events either (a) over the following twelve months or (b) over the expected life of a financial instrument depending on credit deterioration from inception.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall

is then discounted at an approximation to the asset's original effective interest rate.

For *Other receivables*, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience.

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category by the Moody's Investors Service and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For *Loans to customers and Debt instruments at FVOCI*, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's *Loans to customers*. The increase in allowance resulted in adjustment to *Retained earnings*.

#### *Impairment methodology*

The Group has developed new impairment methodologies and models taking into account the relative size, quality and complexity of the portfolios. IFRS 9 considers the calculation of ECL by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The actual calculation method of each of the factors needed to calculate ECL might differ between credit products due to different information systems, differences in available information and different characteristics of the products.

The IFRS 9 impairment model uses a three-stage approach depending on whether the claim is performing or not and if the claim is performing, whether there any signs for special attention. This approach is summarized as follows:

**Stage 1** – 12-month ECL applies to all claims, which have no signs of material increase in risk. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

**Stage 2** – applies to claims, which have sign(s) of a material increase in risk, special attention claims and doubtful claims. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Allowances for credit losses are higher in this stage because of an increase in risk and

the impact of a longer time horizon being considered compared to 12 months in Stage 1.

**Stage 3** – defaulted and uncollectible claims are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

Financial assets that are credit-impaired upon initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses.

#### *Significant increase in credit risk*

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgement are:

- Signs of a significant increase in credit risk
  - (i) Signs of a material increase in risk may include, but are not limited to: (a) a repayment delay of 30 or more days; (b) active debt management proceedings relating to the contract; (c) refinancing of the claim into a new contract, which would not have occurred, if there had not been a solvency problem of the transaction party; (d) changes in contract conditions, which would not have been implemented, if there had not been a solvency problem of the transaction party.

A settlement delay of 30 or more days and active debt management are assessed based on their actual occurrence. The rest of the signs of increased risk and their impact are analysed case by case and the change in a customer's risk level is made based on management's judgement. This assessment is symmetrical in nature, allowing the credit risk of financial assets to move back to Stage 1 if the increase in credit risk has decreased since origination and is no longer deemed to be significant.

- Definition of default and write-off

Any of the following events regarding the client imply a payment default resulting in insolvency or the possibility of it occurring in the future, in which case the contract is to be classified as non-performing:

- (i) Improbability of receiving payments. The contract is a performing contract, but on the basis of objective evidence, it may be presumed that the client will be unable to settle all of the financial obligations and the situation cannot be solved satisfactorily.
- (ii) Payment delay in fulfilling a material financial obligation. The contract is deemed to be non-performing if the client is no longer able or willing to fulfil payment obligations, e.g. upon any of the following events: (a) material payments are past due for more than 90 days; (b) a letter of contract termination, including a demand for payment, has been sent to the client; (c) the contract has expired, but all debts have not been settled; (d) the client is bankrupt or deceased or bankruptcy, liquidation or debt restructuring proceedings have been initiated against the client; (e) identity theft, i.e. misuse of the credit receiver's identity has been identified.

If a claim is uncollectible or it is not possible or economically practical to implement measures for

collecting a claim, the credit may be written off the statement of financial position

#### Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognizes the loan at fair value. If the terms are not substantially different, the

renegotiation or modification does not result in derecognition.

#### Impact of the adoption of IFRS 9 on the statement of financial position

The impact of the adoption of IFRS 9 on the Group and the measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 is presented in the following table:

	IAS 39		Remeasurement	IFRS 9	
	Measurement category	Carrying amount	ECL	Measurement category	Carrying amount
<b>Financial assets</b>					
Financial assets held for trading	FVPL	11,210	-	FVOCI	11,210
Loans to customers	L&R	377,458	-4,729	AC	372,729
<b>Total financial assets</b>		<b>388,668</b>			<b>383,939</b>

After assessing the business model of debt securities within the Group's liquidity portfolio, which are held to collect the contractual cash flows and sell, the debt securities, which were previously classified as financial assets held for trading, were classified as financial assets at FVOCI.

The adjustment of 4,729 thousand euros was recorded to the opening retained earnings, to reflect the transition from the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

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

	Effect on retained earnings
<b>Opening retained earnings - IAS 39</b>	103,771
Reclassify financial assets held for trading from FVPL to FVOCI	-
Impairment allowance for loans and receivables	-4,729
Adjustment to retained earnings from adoption of IFRS 9	-4,729
<b>Opening retained earnings - IFRS 9</b>	<b>99,042</b>

#### Note 2. Cash and bank balances and cash equivalents

As at	31 March 2018	31 Dec 2017
Demand and overnight deposits with credit institutions*	27,652	17,447
Term deposits with credit institutions with maturity of less than 1 year*	-	500
Surplus on mandatory reserves with central banks*	11,068	35,174
Mandatory reserves	1,160	1,061
<b>Total cash and balances at banks</b>	<b>39,880</b>	<b>54,182</b>
<b>of which cash and cash equivalents</b>	<b>38,720</b>	<b>53,121</b>

\* Cash equivalents



**Note 3. Debt instruments**

As at	31 March 2018	31 Dec 2017
<b>Debt instruments</b>	<b>11,687</b>	<b>11,210</b>
<b>Debt instruments by issuer</b>		
General government bonds	3,282	3,358
Bonds issued by credit institutions	2,711	2,718
Other financial corporations' bonds	1,106	522
Non-financial corporations' bonds	4,588	4,612
<b>Debt instruments by currency</b>		
EUR (euro)	9,850	9,907
SEK (Swedish krona)	1,837	1,303
<b>Debt instruments by rating</b>		
Aaa-Aa3	4,329	3,802
A1-A3	3,797	3,843
Baa1-Baa3	3,561	3,565

**Note 4. Loans to customers****Loans to customers as at 31 March 2018**

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Loan receivables from customers	68,792	98,112	108,966	72,708	18,946	39,783	407,307
Impairment allowances for loans	-3,389	-11,522	-5,216	-5,155	-2,235	-3,241	-30,758
Interest receivable from customers	1,942	5,096	733	1,796	306	258	10,131
Impairment allowances for interest receivables	-1,050	-2,235	-115	-325	-14	-36	-3,775
<b>Total loans to customers, incl. interest and allowances</b>	<b>66,295</b>	<b>89,451</b>	<b>104,368</b>	<b>69,024</b>	<b>17,003</b>	<b>36,764</b>	<b>382,905</b>
Share of region	17.3%	23.4%	27.3%	18.0%	4.4%	9.6%	100.0%

**Loans to customers as at 31 December 2017**

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Loan receivables from customers	66,003	96,958	104,065	70,877	20,107	38,128	396,138
Impairment allowances for loans	-2,546	-8,095	-2,902	-1,742	-122	-454	-15,861
Interest receivable from customers	2,160	5,170	754	1,590	362	255	10,291
Impairment allowances for interest receivables	-1,184	-2,291	-116	-246	-13	-25	-3,875
Statistical impairment allowance	-603	-199	-1,033	-4,012	-1,687	-1,701	-9,235
<b>Total loans to customers, incl. interest and allowances</b>	<b>63,830</b>	<b>91,543</b>	<b>100,768</b>	<b>66,467</b>	<b>18,647</b>	<b>36,203</b>	<b>377,458</b>
Share of region	16.9%	24.3%	26.7%	17.6%	4.9%	9.6%	100.0%

**Note 5. Loan receivables from customers by due dates**

As at	31 March 2018	31 Dec 2017
Past due	31,591	23,831
Less than 1 month	8,252	10,245
1-12 months	97,343	98,927
1-2 years	83,566	82,761
2-5 years	154,346	150,649
More than 5 years	32,209	29,725
<b>Total</b>	<b>407,307</b>	<b>396,138</b>

**Note 6. Ageing analysis on loan receivables****Ageing analysis as at 31 March 2018**

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
<b>Loans against income</b>						
Loan portfolio	286,085	37,121	9,128	5,491	27,891	365,716
Impairment allowance	-12,478	-1,998	-854	-641	-13,990	-29,961
<b>Surety loans</b>						
Loan portfolio	2,849	169	82	20	604	3,724
Impairment allowance	-160	-21	-24	-11	-433	-649
<b>Loans secured with real estate</b>						
Loan portfolio	28,658	7,102	482	130	1,458	37,830
Impairment allowance	-19	-3	-	-11	-112	-145
<b>Loans against other collaterals</b>						
Loan portfolio	33	-	-	-	4	37
Impairment allowance	-1	-	-	-	-2	-3
<b>Total loan portfolio</b>	<b>317,625</b>	<b>44,392</b>	<b>9,692</b>	<b>5,641</b>	<b>29,957</b>	<b>407,307</b>
Total impairment allowance	-12,658	-2,022	-878	-663	-14,537	-30,758

**Ageing analysis as at 31 December 2017**

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
<b>Loans against income</b>						
Loan portfolio	290,825	28,064	8,191	5,249	24,770	357,099
Impairment allowance	-9,133	-1,235	-607	-480	-12,452	-23,907
<b>Surety loans</b>						
Loan portfolio	2,241	161	36	38	567	3,043
Impairment allowance	-229	-31	-8	-20	-413	-701
<b>Loans secured with real estate</b>						
Loan portfolio	31,614	2,272	227	86	1,755	35,954
Impairment allowance	-338	-23	-2	-1	-121	-485
<b>Loans against other collaterals</b>						
Loan portfolio	34	4	-	-	4	42
Impairment allowance	-	-	-	-	-3	-3
<b>Total loan portfolio</b>	<b>324,714</b>	<b>30,501</b>	<b>8,454</b>	<b>5,373</b>	<b>27,096</b>	<b>396,138</b>
Total impairment allowance	-9,700	-1,289	-617	-501	-12,989	-25,096

**Note 7. Loan receivables from customers by contractual currency**

As at	31 March 2018	31 Dec 2017
EUR (euro)	367,524	358,010
SEK (Swedish krona)	39,783	38,128
<b>Total loan receivables from customers</b>	<b>407,307</b>	<b>396,138</b>

**Note 8. Impairment allowances for loan receivables from customers****Impairment allowances under IFRS 9 as at 31 March 2018**

	Loan receivables	Impairment allowance for loans	Interest receivables	Impairment allowance for loan interest	Total receivables subject to impairment	Total impairment allowances
Stage 1	320,055	-11,037	2,184	-	322,239	-11,037
Stage 2	53,164	-2,912	1,430	-27	54,594	-2,939
Stage 3	34,088	-16,809	6,517	-3,748	40,605	-20,557
<b>Total</b>	<b>407,307</b>	<b>-30,758</b>	<b>10,131</b>	<b>-3,775</b>	<b>417,438</b>	<b>-34,533</b>

**Development of allowances for 3 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 as at 31 March 2018
Stage 1	-11,020	-2,477	789	1,645	26	-11,037
Stage 2	-2,951	-216	124	-202	306	-2,939
Stage 3	-19,727	-84	359	-2,485	1,380	-20,557
<b>Total</b>	<b>-33,698</b>	<b>-2,777</b>	<b>1,272</b>	<b>-1,042</b>	<b>1,712</b>	<b>-34,533</b>

**Impairment allowances under IAS 39 as at 31 December 2017**

	Loan receivables	Impairment allowance for loans	Interest receivables	Impairment allowance for loan interest	Total impairment allowances
Collectively assessed items	363,421	-11,957	8,068	-2,178	-14,135
Individually assessed items	32,717	-3,904	2,223	-1,697	-5,601
Statistical impairment allowance	-	-9,235	-	-	-9,235
<b>Total</b>	<b>396,138</b>	<b>-25,096</b>	<b>10,291</b>	<b>-3,875</b>	<b>-28,971</b>

**Change in impairment of loans and related interest receivables in 2017**

As at	31 Dec 2017
Balance at beginning of period*	-47,321
Write-off of fully impaired loan and interest receivables	50,132
Increase in allowances for loan and interest receivables	-31,874
Effect of movements in exchange rates	92
<b>Balance at end of period</b>	<b>-28,971</b>

**Note 9. Other receivables**

As at	31 March 2018	31 Dec 2017
Collection, recovery and other charges receivable	527	444
Miscellaneous receivables	1,099	2,559
Impairment allowance for other receivables	-288	-228
<b>Total</b>	<b>1,338</b>	<b>2,775</b>

**Note 10. Prepayments**

As at	31 March 2018	31 Dec 2017
Prepaid taxes	710	428
Other prepayments	508	487
<b>Total</b>	<b>1,218</b>	<b>915</b>

**Note 11. Tangible assets**

	Land and buildings	Other items	Total
<b>Cost</b>			
Balance at 1 January 2017	3,014	3,458	6,472
Purchases	-	1,513	1,513
Sales	-	-226	-226
Write-off	-	-1,228	-1,228
Transfer	-1,500	5	-1,495
<b>Balance at 31 December 2017</b>	<b>1,514</b>	<b>3,522</b>	<b>5,036</b>
Balance at 1 January 2018	1,514	3,522	5,036
Purchases	-	419	419
Sales	-	-7	-7
Write-off	-	-66	-66
<b>Balance at 31 March 2018</b>	<b>1,514</b>	<b>3,868</b>	<b>5,382</b>
<b>Depreciation</b>			
Balance at 1 January 2017	-	-2,173	-2,173
Depreciation charge for the year	-58	-723	-781
Sales	-	165	165
Write-off	-	1,203	1,203
Transfer	-	-5	-5
Effect of movements in exchange rates	-	1	1
<b>Balance at 31 December 2017</b>	<b>-58</b>	<b>-1,532</b>	<b>-1,590</b>
Balance at 1 January 2017	-58	-1,532	-1,590
Depreciation charge for the year	-15	-217	-232
Sales	-	5	5
Write-off	-	59	59
<b>Balance at 31 March 2018</b>	<b>-73</b>	<b>-1,685</b>	<b>-1,758</b>

	Land and buildings	Other items	Total
<b>Carrying amount</b>			
Balance at 1 January 2017	3,014	1,285	4,299
Balance at 31 December 2017	1,456	1,990	3,446
<b>Balance at 31 March 2018</b>	<b>1,441</b>	<b>2,183</b>	<b>3,624</b>

**Note 12. Intangible assets**

	31 March 2018	31 Dec 2017
<b>Cost at beginning of year</b>	<b>9,203</b>	<b>5,701</b>
Purchases	1,136	4,036
Of which purchased intangible assets	652	3,166
Of which capitalised payroll	484	870
Write-off	-	-529
Reclassification	-	-5
<b>Cost at end of period</b>	<b>10,339</b>	<b>9,203</b>
<b>Amortisation at beginning of year</b>	<b>-1,731</b>	<b>-1,664</b>
Amortisation charge for the period	-211	-601
Write-off	-	529
Reclassification	-	5
<b>Amortisation at end of period</b>	<b>-1,942</b>	<b>-1,731</b>
Carrying amount at beginning of year	7,472	4,037
<b>Carrying amount at end of period</b>	<b>8,397</b>	<b>7,472</b>

**Note 13. Deposits from customers**

As at	31 March 2018	31 Dec 2017
<b>Term deposits</b>	<b>330,116</b>	<b>334,819</b>
<b>Term deposits by customer type</b>		
Individuals	317,368	322,754
Legal persons	12,748	12,065
<b>Term deposits by currency</b>		
EUR (euro)	282,625	284,606
SEK (Swedish krona)	47,491	50,213
<b>Term deposits by maturity</b>		
Maturing within 6 months	90,298	83,963
Maturing between 6 and 12 months	80,627	89,863
Maturing between 12 and 18 months	40,998	35,499
Maturing between 18 and 24 months	38,100	45,283
Maturing between 24 and 36 months	30,543	15,862
Maturing between 36 and 48 months	19,906	34,504
Maturing in over 48 months	29,644	29,845
Average deposit amount	23	23
Weighted average interest rate	1.7%	1.7%
Weighted average duration until maturity (months)	19	20
Weighted average total contract term (months)	37	40

**Note 14. Other reserves**

As at	31 March 2018	Change	31 Dec 2017
Foreign currency translation	708	337	371
Asset revaluation reserve	304	-	304
Fair value changes of debt instruments measured at FVOCI	-59	-59	-
<b>Total other reserves</b>	<b>953</b>	<b>278</b>	<b>675</b>

**Note 15. Net currency positions****Net currency positions as at 31 March 2018**

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	394,765	294,032	-	8,558	92,175
SEK (Swedish krona)	47,860	47,998	-	-	-138
GBP (British pound)	26	-	-	-	26

**Net currency positions as at 31 December 2017**

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	401,165	295,535	-	8,493	97,137
SEK (Swedish krona)	50,672	50,555	-	-	117
GBP (British pound)	27	-	-	-	27

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 31 March 2018 do not differ significantly from their carrying amounts.

The different levels have been defined as follows:

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

**Fair value hierarchy as at 31 March 2018**

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Debt instruments at fair value through other comprehensive income (note 3)	11,687	-	-	11,687
Land and buildings (note 12)	-	-	1,441	1,441
Investment properties	-	-	1,957	1,957
<b>Assets for which fair values are disclosed</b>				
Loans to customers (note 4-8)	-	-	382,905	382,905
Other financial receivables (note 9)	-	-	1,338	1,338
<b>Total assets</b>	<b>11,687</b>	<b>-</b>	<b>387,641</b>	<b>399,328</b>
<b>Liabilities for which fair values are disclosed</b>				
Deposits from customers (note 13)	-	-	330,116	330,116
Subordinated notes	-	-	5,038	5,038
Other financial liabilities	-	-	4,866	4,866
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>340,020</b>	<b>340,020</b>

**Fair value hierarchy as at 31 December 2017**

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets held for trading (note 3)	11,210	-	-	11,210
Land and buildings (note 12)	-	-	1,456	1,456
Investment properties	-	-	1,878	1,878
<b>Assets for which fair values are disclosed</b>				
Loans to customers (note 4-8)	-	-	377,458	377,458
Other financial receivables (note 9)	-	-	2,775	2,775
<b>Total assets</b>	<b>11,210</b>	<b>-</b>	<b>383,567</b>	<b>394,777</b>
<b>Liabilities for which fair values are disclosed</b>				
Deposits from customers (note 13)	-	-	334,819	334,819
Subordinated notes	-	-	4,977	4,977
Other financial liabilities	-	-	4,398	4,398
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>344,194</b>	<b>344,194</b>

**Note 17. Contingent liabilities and assets pledged as collateral**

As at	31 March 2018	31 Dec 2017
<b>Irrevocable transactions, of which</b>	<b>8,558</b>	<b>8,493</b>
Issued bank guarantees	-	90
Credit lines and overdrafts	8,558	8,403
<b>Assets pledged and encumbered with usufruct*</b>	<b>2,449</b>	<b>2,449</b>

\* The liabilities related to mortgages have been settled by the date of release of this report.

**Note 18. Interest income**

	3M 2018	3M 2017
Interest income on loans to customers	16,350	16,976
Interest income on debt instruments	55	91
Other assets	3	3
<b>Total interest income</b>	<b>16,408</b>	<b>17,070</b>

**Note 19. Interest expense**

	3M 2018	3M 2017
Interest expense on deposits	1,402	1,460
Interest expense on bonds	82	-
<b>Total interest expense</b>	<b>1,484</b>	<b>1,460</b>

**Note 20. Other income**

	3M 2018	3M 2017
Income from debt recovery proceedings	499	677
Miscellaneous income	92	57
<b>Total other income</b>	<b>591</b>	<b>734</b>

**Note 21. Other operating expenses**

	3M 2018	3M 2017
Marketing expenses	1,149	1,043
Office, rental and similar expenses	371	522
Miscellaneous operating expenses	1,058	881
<b>Total other operating expenses</b>	<b>2,578</b>	<b>2,446</b>

**Note 22. Other expenses**

	3M 2018	3M 2017
Expenses related to enforcement proceedings	123	283
Expenses related to registry inquires	364	249
Legal regulation charges	129	120
Expenses from investment properties	16	4
Miscellaneous expenses	89	61
<b>Total other expenses</b>	<b>721</b>	<b>717</b>

**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 31 March 2018, the Group had no interest and deposit liabilities to related parties.



**Note 24. Events after the reporting period**

The Group's Spanish branch suspended issuance of new loans from 6 April 2018. Since then the Spanish branch has been focusing on providing services to existing clients and improving the credit quality of its loan portfolio.

# 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 three months of 2018 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 March 2018 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.

## Sven Raba

Chairman  
of the Management Board  
31 May 2018

[digitally signed]

## Pāvels Gilodo

Member  
of the Management Board  
31 May 2018

[digitally signed]

## Martin Lānts

Member  
of the Management Board  
31 May 2018

[digitally signed]

## Mart Veskimägi

Member  
of the Management Board  
31 May 2018

[digitally signed]