BIGBANK AS

Public Interim Report

Fourth Quarter 2012

BIGBANK AS

CONSOLIDATED INTERIM REPORT FOR THE FOURTH QUARTER OF 2012

Business name	BIGBANK AS
Registry	Commercial Register of the Republic of Estonia
Registration number	10183757
Date of entry	30.01.1997
Address	Rüütli 23, 51006 Tartu, Estonia
Phone:	+372 737 7570
Fax:	+372 737 7582
E-mail	bigbank@bigbank.ee
Corporate website	www.bigbank.ee
Financial year	01.01.2012 – 31.12.2012
Reporting period	01.01.2012 – 31.12.2012
Acting chairman of the management board	Kaido Saar
Business line	Provision of consumer loans and acceptance of deposits
Auditor	KPMG Baltics OÜ
Reporting currency	The reporting currency is the euro and numerical financial data is presented in millions of currency units rounded to three digits after the decimal point.

The *Public Interim Report* can be accessed on the website of BIGBANK AS at www.bigbank.ee. The version in English can be accessed at www.bigbank.eu.

From 28 February 2013, *Public Interim Report for the Fourth Quarter of 2012* will be available at the head office of BIGBANK AS at 23 Rüütli street in Tartu and all other offices of the company.

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ABOUT BIGBANK GROUP

The core business of BIGBANK AS is provision of consumer loans.

In addition to the parent company, BIGBANK AS group includes the following subsidiaries:

Business name	**Baltijas Izaugsmes Grupa AS**
Registered office	Brīvības iela 151, LV-1012 Riga, Latvia
Registration number	40003291179
Register	Register of Enterprises of the Republic of Latvia
Date of entry	18 April 1996
Business line	Provision of consumer loans in the Republic of Latvia
Ownership interest	100%

Business name	Rüütli Majad OÜ
Registered office	Rüütli 23, 51006 Tartu
Registration number	10321320
Register	Commercial Register of the Republic of Estonia
Date of entry	27 November 1997
Business line	Management of real estate used by the group
Ownership interest	100%

Business name	Balti Võlgade Sissenõudmise Keskus OÜ
Registered office	Rüütli 23, 51006 Tartu
Registration number	11652332
Register	Commercial Register of the Republic of Estonia
Date of entry	11 May 2009
Business line	Provision of debt collection services
Ownership interest	100%

Business name	Baltijas Parādu Piedziņas Centrs SIA (owner: Balti Võlgade Sissenõudmise Keskus OÜ)
Registered office	Brīvības iela 151, LV-1012 Riga, Latvia
Registration number	40103305206
Register	Register of Enterprises of the Republic of Latvia
Date of entry	7 July 2010
Business line	Provision of debt collection services
Ownership interest	100%

Business name	Baltijos Skolų Išieškojimo Centras UAB (owner: Balti Võlgade Sissenõudmise Keskus OÜ)
Registered office	Jogailos 4, Vilnius 01116, Lithuania
Registration number	302534867
Register	Register of Enterprises of the Republic of Lithuania
Date of entry	6 August 2010
Business line	Provision of debt collection services
Ownership interest	100%

Business name	**Suomen Luottovalvonta Oy** (owner: Balti Võlgade Sissenõudmise Keskus OÜ)
Registered office	Porkkalankatu 20B, Helsinki 00180, Finland
Registration number	2400904-2
Register	Trade Register of the Republic of Finland
Date of entry	2 May 2011
Business line	Provision of debt collection services
Ownership interest	100%

Business name	Kaupmehe Järelmaks OÜ
Registered office	Rüütli 23, 51006 Tartu
Registration number	11906650
Register	Commercial Register of the Republic of Estonia
Date of entry	10 March 2010
Business line	Provision of consumer loans
Ownership interest	100%

The parent company has the following branches:

Business name	Registered office	Registration number	Date of entry
BIGBANK AS Latvijas filiāle	Brīvības iela 151, LV-1012 Riga, Latvia	40103200513	11 November 2008
BIGBANK AS filialas	Jogailos 4, Vilnius 01116, Lithuania	301048563	27 September 2007
BIGBANK AS Suomen sivuliike	Porkkalankatu 20B, 00180, Helsinki, Finland	2292157-2	29 October 2009
BIGBANK AS Consumer Finance Sucursal en Espana	Calle de Orense 81, 28020, Madrid, Spain	W0531072G	6 October 2010
BIGBANK AS Sverige Filial	St Eriksgatan 117, 11343, Stockholm, Sweden	516406-0872	19 January 2012

BIGBANK AS was founded on 22 September 1992. A licence for operating as a credit institution was obtained on 27 September 2005. BIGBANK specializes in the taking of term deposits and the provision of small and consumer loans.

The branches in Latvia, Lithuania, Finland, Spain and Sweden offer lending services similar to those of the parent. In addition, the parent company and its Latvian and Finnish branches offer deposit services. The core business of OÜ Rüütli Majad is management of real estate required for the parent's business operations in Estonia. OÜ Balti Võlgade Sissenõudmise Keskus and its subsidiaries support the parent company and its branches in debt collection and OÜ Kaupmehe Järelmaks offers hire purchase services. In addition, BIGBANK AS provides cross-border deposit services in Germany; the Netherlands and Austria.

STATEMENT BY THE MANAGEMENT BOARD

The Management Board of BIGBANK AS is on the following position as at the date of publication of the Report:

- The data and additional information presented in the *Public Interim Report for the Fourth Quarter and 12 months of 2012* are true and complete.
- The consolidated financial statement provides a true and fair view of the financial situation, financial results and cash flows of the Group.

The summary consolidated interim report as at 31 December 2012 is in compliance with the International Financial Reporting Standard (IFRS) IAS34 *Interim Financial Reporting* as adopted by the European Union and with the requirements established by the Bank of Estonia for the disclosure of information.

BIGBANK AS is a continually operating company.

Kaido Saar

Acting Chairman of the Management Board 28 February 2013 *[digitally signed]*

Veiko Kandla

Member of the Management Board 28 February 2013 *[digitally signed]*

Ingo Põder

Member of the Management Board 28 February 2013 *[digitally signed]*

REVIEW OF OPERATIONS

KEY PERFORMANCE INDICATORS AND RATIOS

Financial position indicators *(in millions of euros)*	**31 Dec 2012**	**31 Dec 2011**	**Change**
Total assets	280.729	229.706	22.2%
Loans to customers	224.521	174.985	28.3%
of which loan portfolio	236.882	185.935	27.4%
of which interest receivable	24.787	22.280	11.3%
of which impairment allowances	-37.148	-33.230	11.8%
of which impairment allowances for loans	*-28.263*	*-27.249*	*3.7%*
of which impairment allowances for interest receivables	*-5.327*	*-5.039*	*5.7%*
of which statistical impairment allowances	*-3.558*	*-0.942*	*277.7%*
Deposits from customers	212.936	170.235	25.1%
Subordinated bonds issued	-	3.657	-100,0%
Equity	59.408	53.263	11.5%

Financial performance indicators *(in millions of euros)*	**1Q 2012**	**1Q 2011**	**Change**
Interest income	12.247	9.939	23.2%
Interest expense	2.010	1.686	19.2%
Impairment allowance costs	4.556	3.280	38.9%
Revenue related to debt collection proceedings	2.054	1.451	41.6%
Profit before impairment allowances	7.141	3.913	82.5%
Net profit	2.585	0.633	308.4%

Ratios

	4Q 2012	**3Q 2012**	**2Q 2012**	**1Q 2012**	**4Q 2011**
Return on equity (ROE)	17.6%	6.8%	9.1%	16.4%	4.8%
Equity multiplier (EM)	4.7	4.7	4.6	4.4	4.3
Profit margin (PM)	17.4%	7.1%	9.5%	17.4%	5.4%
Asset utilization ratio (AU)	21.3%	20.2%	20.9%	21.5%	20.7%
Return on assets (ROA)	3.7%	1.4%	2.0%	3.8%	1.1%
Price difference (SPREAD)	13.9%	13.4%	13.8%	14.6%	13.7%
Tier 1 capital ratio (TIER 1)	25.2%	24.2%	24.7%	24.9%	27.8%

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

The statement of financial position indicators used when calculating the ratios are found as the arithmetic mean of the 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 case of the indicators of the consolidated income statement the annualized actual data of the reporting quarter shall serve as the basis.

Explanations of ratios:

- Return on equity (ROE) – net profit to equity,
- Equity multiplier (EM) – total assets to total equity,
- Profit margin (PM) – net profit to total income,

- Asset utilisation (AU) – total income (incl. income from interest, service fees, dividends and other operating income) to total assets,
- Return on assets (ROA) – profit to total assets,
- SPREAD – ratio of interest expenses to interest-bearing liabilities deducted from the ratio of interest income to interest earning assets,
- TIER 1 own funds ratio (TIER 1 ratio) – ratio of TIER 1 funds to risk weighted assets.

Starting from 2012, the bank forms statistical impairment allowances for loan receivables that are not individually significant and which do not have the characteristics of individual decrease in value. These receivables are grouped based on similar credit risk characteristics into rating classes, according to which the possible decrease of the value of the claims is estimated uniformly. Statistical impairment allowances are formed on the basis of previous loan damages and damage statistics in the extent of receivables that have probably arisen, but have not been reflected in accounting.

The reserve for impairment allowances for groups of homogenous receivables reflected in the balance as at 31 December 2011 has been included under statistical impairment allowance. If the reserve for impairment allowances for homogenous receivables of the comparable period would be involved under statistical impairment allowances as at 31 December 2011, the impairment allowance amount 33.230 would have been divided as follows: impairment allowances for loans 25.558, impairment allowances for interest receivables 4.811 and statistical impairment allowances 2.861.

Significant economic events

In the fourth quarter of 2012, BIGBANK AS (hereafter also "BIGBANK" or the "Group") continued to expand its loan portfolio in most countries where the bank is active, except for Estonia. During the quarter, the loan portfolio of BIGBANK Group grew by 17.8 million euros, i.e. 8.11%. The largest contribution to the growth of the loan portfolio was made by BIGBANK's Finnish and Swedish branches.

In the fourth quarter, the volume of total assets grew by 8.6 million euros (3.1%), reaching 280.7 million euros as at the end of the quarter. The volume of liabilities totalled 221.3 million euros, a 6.2 million euro increase (2.9%). during the quarter. The largest part of liabilities continues to be formed by term deposits involved from six different countries – Estonia, Latvia, Finland, Germany, Austria and the Netherlands.

In the fourth quarter of 2012, there have been no significant changes in the settlement behaviour of customers. Both the number of customers making payments and the rate of receipts from the default portfolio have remained stable. The proportion of the Group's non-performing loans to the total loan portfolio has somewhat decreased.

Interest income in the fourth quarter reached 12.2 million euros, increasing in comparison to the same period of the previous year by 2.3 million euros (23.2%). The increase in interest income results from the growth of the loan portfolio on new markets.

Net profit of the Group in the fourth quarter of 2012 amounted to 2.6 million euros. In comparison to the fourth quarter of 2011, net profit has increased by 2.0 million euros. In the fourth quarter of 2012, the profit before impairment allowances was 7.1 million euros. In the fourth quarter of 2011, the corresponding figure was 3.9 million euros (increase 82.5%).

At the end of the fourth quarter of 2012, equity totalled 59.4 million euros (53.3 million euros at the end of 2011). The equity to assets ratio amounted to 21.2%. At the end of the fourth quarter, capital adequacy formed 21.2% (Basel II) compared with 22.3% at the end of 2011.

The Supervisory Board of BIGBANK AS has five members - Chairman of the Supervisory Board Parvel Pruunsild and Members Vahur Voll, Juhani Jaeger, Raul Eamets and Andres Koern.

At the end of the fourth quarter of 2012, BIGBANK employed a total of 582 people: 238 in Estonia, 149 in Latvia, 90 in Lithuania, 45 in Finland, 38 in Spain and 22 in Sweden. The relative importance of electronic channels in communicating with customers is increasing and therefore we have begun to close branch offices that have become inefficient. In December we closed one office in Spain. At the end of the fourth quarter, the Group had 29 branch offices, of which 10 were located in Estonia, 7 in Latvia, 10 in Lithuania, 1 in Finland and 1 in Spain.

FINANCIAL REVIEW

Financial position

Total assets

As at 31 December 2012, consolidated assets of BIGBANK AS Group totalled 280.7 million euros, increasing by 8.6 million euros (3.1%) during the quarter.

As at 31 December 2012, loans to customers accounted for 80.0% of total assets, the proportion of liquid assets (amounts due from banks and held-to-maturity financial assets) was 16.1%.

Liquid assets

At the end of the fourth quarter, liquid assets totalled 45.3 million euros.

Held-to-maturity financial assets

Free funds are partly invested in short-term debt securities with fixed payments and maturities, which the Group intends to and is able to hold until maturity. At 31 December 2012, the Group had debt securities of 8.5 million euros.

Loans to customers

At the end of the fourth quarter, the Group had 163 thousand loan agreements, 40 thousand of them in Estonia, 70 thousand in Latvia, 26 thousand in Lithuania, 17 thousand in Finland, 7 thousand in Spain and 3 thousand in Sweden.

Geographical distribution of loans to customers:

- 27.4% Estonia,
- 27.2% Latvia,
- 22.4% Finland,
- 11.0% Lithuania,
- 6.3% Spain,
- 5.7% Sweden.

At 31 December 2012, loans to customers totalled 224.5 million euros, comprising of:

- the loan portfolio of 236.9 million euros. Loans to individuals accounting for 95.8% of the total;
- interest receivable on loans of 24.8 million euros;
- impairment allowances for loans and interest receivables of 37.2 million euros (consisting of an impairment allowance for loans of 28.3 million euros, an impairment allowance for interest receivables of 5.3 million euros and a statistical impairment allowance of 3.6 million euros).

BIGBANK's loan portfolio is diversified – at the reporting date the average loan was 1,748 euros and as at 31.12.2012, the 40 largest loans accounted for 4.3% of the loan portfolio.

BIGBANK AS focuses on the provision of consumer loans. In line with the corporate strategy, as at 31 December 2012 loans against income accounted for 84.3% of the total loan portfolio, loans against suretyship 8.2%, loans secured with real estate accounted for 6.7% and loans with insurance coverage 0.8%.

Past due loans

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.

Past due loans comprise all scheduled loan payments that are in arrears and any loan principal that has fallen due because of termination. Under the terms and conditions of its loan agreements, the Group may terminate an agreement unilaterally if at least three scheduled payments are in arrears. When an agreement is terminated, the customer has to settle any outstanding loan principal, any accrued interest, and any collateral claims resulting from the settlement delay.

Loans past due for more than 90 days consist of past due principal payments plus the total amount of loan principal that has fallen due in connection with termination of agreements.

Impairment allowances

To mitigate the risks arising from customers' payment behaviour and to cover potential credit losses, the Group makes impairment allowances, which are created on a conservative basis. At 31 December 2012, impairment allowances totalled 37.8 million euros. Impairment allowances have been established on a conservative basis. The reserve consists of:

- impairment allowances for loan receivables of 28.3 million euros,
- impairment allowances for interest receivables of 5.3 million euros,
- statistical impairment allowances of 3.6 million euros,
- impairment allowances for other receivables of 0.6 million euros.

Where debt recovery proceedings do not yield expected results, the underlying receivable is written off the statement of financial position.

Liabilities

At the end of the fourth quarter of 2012, the Group's liabilities totalled 221.3 million euros. Most of the debt raised by the Group, i.e. 212.9 million euros (96.2%) consisted of term deposits.

Equity

In the fourth quarter of 2012 the Group's equity grew by 2.3 million euros (4.1%) to 59.4 million euros. The equity to assets ratio amounted to 21.2%. At the end of the fourth quarter, capital adequacy formed 21.2% (Basel II) compared with 22.3% at the end of 2011.

Financial performance

Interest income

Interest income in the fourth quarter reached 12.2 million euros, increasing in comparison to the same period of the previous year by 2.3 million euros (23.2%). The increase of interest income is a result of the growth of the loan portfolio.

In the fourth quarter, the ratio of interest income (annual) to average interest-earning assets was 17.7 % and (annual) return on the loan portfolio was 21.2% on the average loan portfolio.

Interest expense

Interest expense for the fourth quarter of 2012 was 2.0 million euros, having increased by 0.3 million euros (19.2%) in comparison to the same period of the previous year.

The ratio of interest expense to interest income was 16.4 %. The ratio of interest expense to average interest-bearing liabilities (annual) was 3.9% in the fourth quarter.

Other operating expenses

In the fourth quarter other operating expenses totalled 1.1 million euros (increase by 1.4 million euros (45.4%) compared to the fourth quarter of 2011).

Salaries and associated charges

In the fourth quarter salaries and associated charges amounted to 3.2 million euros (growth in comparison to the same period of 2011 was 0.7 million euros), including remunerations 2.1 million euros. As at the end of the period, the Group had 582 employees.

Impairment losses

In the fourth quarter, the reserve for impairment losses increased by 4.6 million euros, including:

- impairment losses on loan receivables of 4.2 million euros,
- impairment losses on interest receivables of 0.8 million euros,
- reversals of impairment losses on other receivables of 0.4 million euros.

Impairment allowances are made on a conservative basis.

Other income and expenses

Other income for the fourth quarter of 2012 was 2.1 million euros, the largest proportion of which resulted from collection income. In the same period of 2011, other income was 1.5 million euros

Other expenses in the fourth quarter reached 0.7 million euros, increasing in comparison to the same period of the previous year by 0.2 million euros (47.2%).

Profit for the year

Net profit of the Group in the fourth quarter of 2012 amounted to 2.6 million euros. In comparison to the fourth quarter of 2011, net profit has increased by 2.0 million euros (308.4%).

In the fourth quarter of 2012, the profit before impairment allowances was 7.1 million euros. In the fourth quarter of 2011, the corresponding figure was 3.9 million euros (increase 16.4%).

GROUP'S CAPITAL ADEQUACY

(In millions of euros)	31 Dec 2012	31 Dec 2011
Paid-up share capital	8.000	8.000
Reserves established from profit (capital reserve)	0.794	0.511
Earnings retained in prior years	43.211	38.799
Foreign currency translation reserve	0.481	0.288
Intangible assets	-0.968	-0.660
Profit for the year*	7.030	5.665
Other Tier 1 own funds	-0.108	-
Tier 1 capital	**58.440**	**52.603**
Total capital used to determine capital adequacy	**58.440**	**52.603**
Capital requirements		
Claims on central governments and central banks, standardized approach	0.728	0.567
Claims on credit institutions and investment firms, standardized approach	1.707	1.191
Claims on companies, standardized approach	1.179	0.936
Retail claims, standardized approach	11.090	8.123
Claims secured by real estate, standardized approach	0.647	0.660
Claims in arrears, standardized approach	6.843	6.283
Other assets, standardized approach	0.991	1.162
Total capital requirement for credit risk and counterparty risk	**23.185**	**18.922**
Capital requirement for foreign exchange risk	**0.540**	**0.779**
Capital requirement for operational risk, standardized approach	**3.896**	**3.889**
Total capital requirements	**27.621**	**23.590**
Capital adequacy	**21.2%**	**22.3%**

*Profit for the year has not been adjusted for the dividends proposed in the profit allocation proposal in the amount of 1.052 million euros. A dividend distribution of the proposed amount will lower capital adequacy by 0.380%

The profit for reporting period has been verified by an auditor and the requirements for entering the profit for the period to own funds as provided in section 73 of the Credit Institutions Act have been met.

The capital adequacy standards are applied to BIGBANK AS and BIGBANK AS Group.

As at 31 December 2012, capital adequacy at the level of the parent company was 17.5%.

The definition of a consolidation group for the purposes of calculating capital adequacy does not differ from the definition of a consolidation group for the purposes of preparing financial statements.

Under Section 73 of the Credit Institutions Act, Tier 1 own funds (Tier 1 capital) consists of:

- paid-up share capital;
- capital reserve and other reserves formed based on the law and the articles of association using profit;
- prior years' audited retained profits;
- profit for the reporting year that has been checked by the credit institution's auditor.

In calculating Tier 1 capital, the following is deducted:

- intangible assets.

Under Section 77[1] of the Credit Institutions Act, when Tier 1 capital is calculated on a consolidated basis, the foreign currency translation reserve consisting of the unrealised exchange differences is added to Tier 1 capital.

In addition, the net loss on hedges of net investments in foreign operations, which has been recognised in other reserves in equity, has been deducted from Tier 1 capital.

The Group does not have Tier 2 and Tier 3 capital.

Capital requirements for both credit risk and operational risk have been determined using the standardized approach.

In determining the capital requirement for foreign exchange risk, the Group has taken into account the exposures covered by the devaluation clauses.

(In millions of euros, unaudited)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2012	2011
Assets			
Due from central banks		10.312	9.255
Due from banks		26.520	22.496
Loans to customers		224.521	174.985
Held-to-maturity financial assets	2,3,4,5,6,7	8.476	10.688
Derivatives	8	0.020	-
Other receivables and prepayments	9	4.327	5.662
Deferred tax assets		1.239	1.383
Intangible assets		0.968	0.660
Property and equipment		2.670	2.593
Other assets	10	1.676	1.984
Total assets		**280.729**	**229.706**
Liabilities			
Loans from central banks	11	3.928	-
Loans from banks	11	0.038	0.265
Deposits from customers		212.936	170.235
Derivatives	12	0.303	-
Other liabilities and deferred income		4.116	2.286
Subordinated bonds issued	13	-	3.657
Total liabilities		**221.321**	**176.443**
Equity			
Share capital		8.000	8.000
Capital reserve		0.794	0.511
Other reserves	14	0.373	0.288
Earnings retained in prior years		43.211	38.799
Profit for the year		7.030	5.665
Total equity		**59.408**	**53.263**
Total liabilities and equity		**280.729**	**229.706**

(In millions of euros, unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q4 2012	Q4 2011	2012	2011
Interest income	16	12.247	9.939	45.893	36.314
Interest expense	17	-2.010	-1.686	-7.601	-6.310
Net interest income		**10.237**	**8.253**	**38.292**	**30.004**
Net fees and commissions		0.384	0.138	1.019	0.359
Net gain/loss on financial transactions		0.109	-0.051	-0.146	0.024
Other income	18	2.137	1.461	7.125	5.839
Total income		**12.867**	**9.801**	**46.290**	**36.226**
Salaries and associated charges		-3.225	-2.494	-11.631	-8.993
Other operating expenses	19	-1.133	-2.498	-8.649	-8.331
Depreciation and amortisation expense		-0.134	-0.128	-0.477	-0.526
Impairment losses on loans and financial investments		-4.556	-3.280	-14.631	-10.101
Other expenses	20	-0.739	-0.502	-2.608	-2.018
Total expenses		**-9.787**	**-8.902**	**-37.996**	**-29.969**
Profit before income tax		**3.080**	**0.899**	**8.294**	**6.257**
Income tax expense		-0.495	-0.266	-1.264	-0.592
Profit for the period		**2.585**	**0.633**	**7.030**	**5.665**
Other comprehensive income/expense					
Exchange differences on translating foreign operations		-0.138	0.831	0.193	0.796
Net loss on hedges of net investments in foreign operations		-0.108	-	-0.108	-
Total comprehensive income for the period		**2.339**	**1.464**	**7.115**	**6.461**
Basic earnings per share (EUR)		32	8	88	71
Diluted earnings per share (EUR)		32	8	88	71

(In millions of euros, unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2012	2011
Cash flows from operating activities		
Interest received	38.327	28.623
Interest paid	-4.462	-4.556
Salary and other operating expenses paid	-21.419	-17.516
Other income received	6.741	5.565
Other expenses paid	-3.197	-1.943
Fees received	0.928	0.388
Fees paid	-0.471	-0.089
Recoveries of receivables previously written off	0.980	0.493
Received for other assets	0.312	0.324
Paid for other assets	-0.447	-0.010
Loans provided	-109.511	-70.515
Repayment of loans provided	57.439	32.607
Change in mandatory reserves with central banks and related interest receivables	1.093	8.404
Proceeds from customer deposits	67.366	76.225
Paid on redemption of deposits	-27.841	-61.957
Income tax paid	-1.068	-0.198
Effect of movements in exchange rates	-0.044	-0.009
Net cash from/used in operating activities	**4.726**	**-4.164**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	-0.746	-0.533
Proceeds from sale of property and equipment	0.045	0.004
Placed in term deposits	-0.138	-
Acquisition of financial instruments	-48.175	-17.242
Proceeds from redemption of financial instruments	50.210	19.008
Net cash from investing activities	**1.196**	**1.237**
Cash flows from financing activities		
Paid on redemption of bonds	-2.757	-
Proceeds from loans from central bank	4.400	-
Repayment of loans from central banks	-0.500	-
Repayment of loans from banks (with interest)	-0.232	-0.227
Dividends paid	-0.970	-0.800
Net cash used in financing activities	**-0.059**	**-1.027**
Effect of exchange rate fluctuations	0.047	0.015
Increase/decrease in cash and cash equivalents	**5.910**	**-3.939**
Cash and cash equivalents at beginning of year	28.698	32.637
Cash and cash equivalents at end of period	**34.608**	**28.698**

(In millions of euros, unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent				
	Share capital	Statutory capital reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2011	5.113	0.511	-0.508	42.486	47.601
Profit for the year	-	-	-	5.665	5.665
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	0.796	-	0.796
Total other comprehensive income	**-**	**-**	**0.796**	**-**	**0.796**
Total comprehensive income for the year	**-**	**-**	**0.796**	**5.665**	**6.461**
Dividend distribution	-	-	-	-0.800	-0.800
Increase of share capital	2.887	-	-	-2.887	-
Total transactions with owners	**2.887**	**-**	**-**	**-3.687**	**-0.800**
Balance at 31 December 2011	**8.000**	**0.511**	**0.288**	**44.464**	**53.263**
Balance at 1 January 2012	**8.000**	**0.511**	**0.288**	**44.464**	**53.263**
Profit for the year	-	-	-	7.030	7.030
Other comprehensive income					
Exchange differences on translating foreign operations	-	-	0.193	-	0.193
Net loss on hedges of net investments in foreign operations	-	-	-0.108	-	-0.108
Total other comprehensive income	**-**	**-**	**0.085**	**-**	**0.085**
Total comprehensive income for the year	**-**	**-**	**0.085**	**7.030**	**7.115**
Dividend distribution	-	-	-	-0.970	-0.970
Increase of statutory capital reserve	-	0.283	-	-0.283	-
Total transactions with owners	**-**	**0.283**	**-**	**-1.253**	**-0.970**
Balance at 31 December 2012	**8.000**	**0.794**	**0.373**	**50.241**	**59.408**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1. Accounting policies

The condensed consolidated financial statements for the fourth quarter and 12 months have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union (IFRS EU). The interim financial statements do not include all information required for full annual financial statements and it should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2011, which have been prepared in accordance with the International Financial Reporting Standards (IFRS). The report has been prepared using the same accounting policies and measurement bases that were applied in preparing the latest annual financial statements as at and for the ended 31 December 2011. The new and revised standards and interpretations effective from 1 January 2012 do not have a significant impact on the Group's financial statements as at the preparation of the interim report.

This interim report has not been audited or otherwise reviewed by auditors and only includes consolidated financial statements of the Group. The financial statements are presented in millions of euros, unless otherwise indicated, and numerical data is rounded to three digits after the decimal point.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value, net of transaction costs, on the date on which the derivative contract is entered into and are subsequently measured at their fair values. If a derivative financial instrument is quoted in an active market, fair value is obtained from its quoted market price. If the market for a derivative is not active, its fair value is established using valuation techniques. A derivative with a positive fair value is carried as an asset and a derivative with a negative fair value is carried as a liability. The fair values of derivatives classified as assets and liabilities in the statement of financial position are not offset.

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks resulting from its operations in foreign markets, wherefore special hedge accounting rules applied for accounting derivative instruments. In accordance with hedge accounting requirements, the Group documents its risk management objective and strategy for undertaking the hedge. That documentation includes identification of the nature of the risk being hedged, the hedged item or transaction, the hedging instruments used and how the hedging instrument's effectiveness is assessed. Transactions are documented and designated as hedging relationships when they are performed. The Group assesses both at the inception of the hedging relationship as well as on an on-going basis whether the hedging instruments are highly effective in offsetting the changes in fair value and documents those assessments.

The Group uses hedges of net investments in foreign operations. When a derivative financial instrument is designated as a hedging instrument in a hedge of a net investment in a foreign operation, the gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income. A gain or loss on the ineffective portion of the hedging instrument is recognised immediately in profit or loss within *Net gain/loss on financial transactions*. The amount of gains and losses accumulated in equity from re-measurement of hedging instruments to fair value is reclassified from equity to profit or loss in the period in which the foreign operation is disposed of or partially disposed of.

Hedge accounting is discontinued when the hedging instrument expires or is sold, when the hedge no longer meets the criteria for hedge accounting or when the Group revokes the designation of the instrument as a hedging instrument.

(In millions of euros, unaudited)

Note 2. Loans to customers

Loans to customers as at 31 December 2012

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Loan receivables from customers	64.501	66.652	25.979	51.518	15.318	12.914	236.882
Impairment allowances for loans	-8.237	-12.146	-3.118	-3.036	-1.611	-0.115	-28.263
Interest receivable from customers	8.361	10.625	3.069	1.906	0.615	0.211	24.787
Impairment allowances for interest receivables	-1.696	-2.616	-0.661	-0.217	-0.128	-0.009	-5.327
Statistical impairment allowance	-1.325	-1.513	-0.611	-	-	-0.109	-3.558
Total loans to customers, incl. interest and allowances	**61.604**	**61.002**	**24.658**	**50.171**	**14.194**	**12.892**	**224.521**
Share of region	27.4%	27.2%	11.0%	22.4%	6.3%	5.7%	100.0%

Loans to customers as at 31 December 2011

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Loan receivables from customers	68.524	59.534	20.317	30.570	6.990	-	185.935
Impairment allowance for loans	-10.483	-12.446	-3.141	-1.017	-0.162	-	-27.249
Interest receivable from customers	8.685	9.521	2.814	1.045	0.215	-	22.280
Impairment allowance for interest receivables	-1.895	-2.516	-0.561	-0.059	-0.008	-	-5.039
Statistical impairment allowance	-	-0.909	-0.033	-	-	-	-0.942
Total loans to customers, incl. interest and allowances	**64.831**	**53.184**	**19.396**	**30.539**	**7.035**	**-**	**174.985**
Share of region	37.0%	30.4%	11.1%	17.5%	4.0%	-	100.0%

Note 3. Loan receivables from customers by due dates

As at	31 Dec 2012	31 Dec 2011
Up to 1 year	134.739	106.176
1-2 years	32.996	21.516
2-5 years	53.060	38.417
More than 5 years	16.087	19.827
Total	**236.882**	**185.936**

(In millions of euros, unaudited)

Note 4. Ageing analysis of loans receivables

Ageing analysis as at 31 December 2012

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans against income						
Loan portfolio	107.586	18.181	5.724	2.891	65.341	199.723
Impairment allowance	-2.989	-0.945	-0.335	-0.247	-22.089	-26.605
Surety loans						
Loan portfolio	8.246	1.857	0.642	0.356	8.258	19.359
Impairment allowance	-0.548	-0.239	-0.080	-0.038	-2.713	-3.618
Loans secured with real estate						
Loan portfolio	10.982	0.895	0.346	0.144	3.458	15.825
Impairment allowance	-0.323	-0.067	-0.041	-0.018	-1.043	-1.492
Loans with insurance cover						
Loan portfolio	1.371	0.330	0.062	0.036	0.176	1.975
Impairment allowance	-0.045	-0.015	-0.003	-0.004	-0.039	-0.106
Total loan portfolio	128.185	21.263	6.774	3.427	77.233	236.882
Total impairment allowance	-3.905	-1.266	-0.459	-0.307	-25.884	-31.821

Ageing analysis as at 31 December 2011

	Not past due	30 days or less	31-60 days	61-90 days	Over 90 days	Total
Loans against income						
Loan portfolio	70.775	13.224	5.722	3.955	54.6565	148.332
Impairment allowance	-2.329	-0.620	-0.404	-0.359	-19.993	-23.705
Surety loans						
Loan portfolio	8.259	1.786	0.815	0.608	8.406	19.874
Impairment allowance	-0.418	-0.208	-0.067	-0.071	-2.725	-3.489
Loans secured with real estate						
Loan portfolio	9.199	0.752	0.886	0.201	3.320	14.358
Impairment allowance	-0.108	-0.043	-0.019	-0.039	-0.665	-0.874
Loans with insurance cover						
Loan portfolio	2.424	0.431	0.139	0.073	0.304	3.371
Impairment allowance	-0.043	-0.011	-0.004	-0.003	-0.062	-0.123
Total loan portfolio	90.657	16.193	7.562	4.837	66.686	185.935
Total impairment allowance	-2.898	-0.882	-0.494	-0.472	-23.445	-28.191

Note 5. Loan receivables from customers by contractual currency

As at	31 Dec 2012	31 Dec 2011
EUR (euro)	211.763	170.807
LTL (Lithuanian litas)	1.132	2.046
LVL (Latvian lats)	11.072	13.082
SEK (Swedish kronor)	12.915	-
Total loan receivables from customers	**236.882**	**185.935**

(In millions of euros, unaudited)

Note 6. Impairment allowances by loan assessment category

Impairment allowances as at 31 December 2012

	Loans receivables	Impairment allowance for loans	Interest receivables	Impairment allowance for loan interest	Total impairment allowances
Homogeneous groups	217.766	-23.337	23.548	-4.746	-28.083
Individually assessed items	19.116	-4.926	1.239	-0.581	-5.507
Statistical impairment	-	-3.558	-	-	-3.558
Total	**236.882**	**-31.821**	**24.787**	**-5.327**	**-37.148**

Impairment allowances as at 31 December 2011

	Loans receivables	Impairment allowance for loans	Interest receivables	Impairment allowances for loan interest	Total impairment allowances
Collectively assessed items	97.570	-1.691	5.403	-0.228	-1.919
Individually assessed items	88.365	-25.558	17.463	-4.811	-30.369
Statistical impairment allowance	-	-0.942	-	-	-0.942
Total	**185.935**	**-28.191**	**22.866**	**-5.039**	**-33.230**

Pursuant to the changes in the procedure of impairment allowances, a part of individually assessed items of 2011 have been reclassified to collectively assessed items.

Note 7. Past due loans

Past due loans as at 31 December 2012

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Up to 30 days	2.717	0.894	0.298	0.164	0.035	0.012	**4.120**
31 - 60 days	0.641	0.507	0.159	0.147	0.029	0.020	**1.503**
61-90 days	0.336	0.401	0.182	0.167	0.026	-	**1.112**
Over 90 days	20.349	31.262	6.971	9.187	2.786	0.533	**71.088**
Total	**24.043**	**33.064**	**7.610**	**9.665**	**2.876**	**0.565**	**77.823**

Past due loans as at 31 December 2011

	Estonia	Latvia	Lithuania	Finland	Spain	Sweden	Total
Up to 30 days	0.457	0.433	0.229	0.102	0.013	-	**1.234**
31 - 60 days	0.475	0.329	0.148	0.307	0.019	-	**1.278**
61-90 days	0.559	0.319	0.091	0.223	0.018	-	**1.210**
Over 90 days	21.736	26.735	5.868	2.873	0.121	-	**57.333**
Total	**23.227**	**27.816**	**6.336**	**3.505**	**0.171**	**-**	**61.055**

The table above consists of only loan principals that are overdue according to payment schedule. In accordance with the terms of the loan agreements, the Group may terminate the agreement unilaterally if at least three scheduled payments are in arrears. When an agreement is unilaterally terminated, the customer has to settle the entire loan amount.

(In millions of euros, unaudited)

Note 8. Held-to-maturity financial assets

As at 31 December	2012	2011
Acquisition cost of the debt securities portfolio	8.327	10.653
Accrued interest	0.149	0.035
Total held-to-maturity financial assets	**8.476**	**10.688**
Held-to-maturity financial assets by issuer		
Debt securities of credit institutions	0.997	-
Government bonds	7.479	10.688
Held-to-maturity financial assets by currency		
EUR (euro)	8.298	8.659
LTL (Lithuanian litas)	0.177	2.029
Held-to-maturity financial assets by rating		
A1-A3	-	7.021
Baa1-Baa3	6.402	3.667
Ba1-Ba3	2.074	-

Held-to-maturity financial assets include acquired bonds, in which case the Group has a firm intention and capability of holding them until the redemption deadline.

Note 9. Other receivables and prepayments

As at 31 December	2012	2011
Other receivables	2.422	3.700
Prepayments	1.905	1.962
Total	**4.327**	**5.662**

Other receivables

As at 31 December	2012	2011
Late payment interest and penalty payments receivable	0.031	0.047
Commissions and fees receivable	0.194	0.090
Collection and other charges receivable	2.223	1.762
Guarantee and deposit payments made	0.135	0.170
Miscellaneous receivables	0.480	2.575
Impairment allowance for other receivables	-0.641	-0.944
Total	**2.422**	**3.700**

Prepayments

As at 31 December	2012	2011
Prepaid taxes	1.585	1.589
Other prepayments	0.320	0.373
Total	**1.905**	**1.962**

Note 10. Other assets

As at 31 December	2012	2011
Collateral acquired	2.322	2.841
Impairment allowance	-0.646	-0.857
Total other assets (total carrying value of collateral acquired)	**1.676**	**1.984**

(In millions of euros, unaudited)

Note 11. Loans from central banks and banks

As at 31 December	2012	2011
Current portion		
Current portion of loans from banks	0.038	0.227
Total current portion	**0.038**	**0.227**
Non-current portion		
Non-current portion of loans from central banks	3.928	-
Non-current portion of loans from banks	-	0.038
Total non-current portion	**3.928**	**0.038**
Total loans from central banks and banks	**3.966**	**0.265**

Loans from banks comprise a long-term bank loan from Swedbank AS. The interest rate of the loan is 1.95% plus 6 month EURIBOR and the maturity of the loan agreement arrives in February 2013. Loans from central banks comprise a long-term bank loan from the Bank of Estonia. The interest rate of the loan is 0.75% and the loan maturity is in February 2015.

Note 12. Deposits from customers

As at 31 December	2012	2011
Term deposits	**212.936**	**170.235**
Term deposits by customer type		
Individuals	206.800	164.264
Legal persons	6.136	5.971
Term deposits by currency		
EUR (euro)	210.840	167.841
LVL (Latvian lats)	2.096	2.394
Term deposits by maturity		
Maturing within 6 months	33.824	29.764
Maturing between 6 and 12 months	36.312	19.237
Maturing between 12 and 18 months	26.315	23.797
Maturing between 18 and 24 months	33.490	26.293
Maturing in over 24 months	82.995	71.144
Average deposit amount	0.016	0.014
Weighted average interest rate	3.89%	3.95%
Weighted average duration to maturity (months)	25.199	24.203
Weighted average total contract term (months)	40.561	34.294

Note 13. Subordinated bonds

In 2012, the Group redeemed early all subordinated bonds in issue and at 31 December 2012 there were no debt securities in issue (31 December 2011: 3.657 million euros)

Note 14. Other reserves

	31.12.2012	Change	31.12.2011	Change	31.12.2010
Reserve for exchange differences	0.481	0.193	0.288	0.796	-0.508
Net gain/loss on hedges of net investments in foreign operations	-0.108	-0.108	-	-	-
Total of other reserves	**0.373**	**0.085**	**0.288**	**0.796**	**-0.508**

(In millions of euros, unaudited)

Note 15. Net currency positions

Net currency positions as at 31 December 2012

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	257.789	217.710	-	3.043	37.036
LVL (Latvian lats)	7.321	2.778	-	-	4.543
LTL (Lithuanian litas)	1.094	0.241	-	-	0.853
SEK (Swedish krona)	13.536	0.288	-	13.315	-0.067
GBP (British pound)	0.001	0.001	-	-	-

Net currency positions as at 31 December 2011

	Position in the statement of financial position		Position off the statement of financial position		Net position
	Assets	Liabilities	Assets	Liabilities	
EUR (euro)	218.381	173.571	-	2.072	42.738
LVL (Latvian lats)	8.115	2.746	-	-	5.369
LTL (Lithuanian litas)	2.548	0.122	-	-	2.426
GBP (British pound)	0.002	0.004	-	-	-0.002

The loans granted by the Group have been nominated in the currency of the corresponding regions or in euro.

To mitigate the risk of losses arising from significant exchange rate fluctuations the contracts of loans denominated in the local currency of a region include a devaluation clause that ensures the proportions of contractual liabilities throughout the loan term. Devaluation clause has been taken into account in the net currency positions.

Note 16. Potential liabilities and collateral property

As at 31 December	2012	2011
Irrevocable transactions, of which	**4.178**	**2.072**
Irrevocable transactions and other similar transactions*	1.135	1.135
Issued bank guarantees	0.046	0.050
Credit lines and overdrafts	2.997	0.887
Assets pledged as collateral, of which**	**6.524**	**1.496**
Mortgages	1.496	1.496
Bonds encumbered with collateral	5.028	-

* A guarantee in the amount of 1.135 million euros has been issued to guarantee fulfilment of obligations of the 100% subsidiary OÜ Rüütli Majad, this liability has been recorded also in the consolidated report as a liability.
** In addition there are assets pledged and encumbered with usufruct in the amount of 0.954 million euros, the related liabilities have been fulfilled as at the date of the report.

Note 17. Interest income

	Q4 2012	Q4 2011	2012	2011
Interest income on loans to customers	12.113	9.780	45.018	35.549
Interest income on deposits	0.058	0.125	0.198	0.468
Interest income on held-to-maturity financial assets	0.076	0.034	0.677	0.297
Total interest income	**12.247**	**9.939**	**45.893**	**36.314**

(In millions of euros, unaudited)

Note 18. Interest expense

	Q4 2012	Q4 2011	2012	2011
Interest expense on deposits	2.010	1.611	7.509	6.020
Interest expense on bonds	-0.001	0.072	0.087	0.277
Interest expense on bank loans	0.001	0.003	0.005	0.013
Total interest expense	**2.010**	**1.686**	**7.601**	**6.310**

Note 19. Other income

	Q4 2012	Q4 2011	2012	2011
Income from debt recovery proceedings	2.054	1.451	6.861	5.785
Income from early redemption of bonds	-	-	0.068	-
Income from assets held for sale	-0.008	-	-	-
Miscellaneous income	0.091	0.010	0.196	0.054
Total other income	**2.137**	**1.461**	**7.125**	**5.839**

Note 20. Other operating expenses

	Q4 2012	Q4 2011	2012	2011
Marketing expenses	0.056	1.360	4.443	4.214
Office, rental and similar expenses	0.503	0.476	1.984	1.934
Miscellaneous operating expenses	0.574	0.662	2.222	2.183
Total other operating expenses	**1.133**	**2.498**	**8.649**	**8.331**

Note 21. Other expenses

	Q4 2012	Q4 2011	2012	2011
Expenses related to enforcement proceedings	0.467	0.258	1.469	1.164
Legal regulation charges	0.133	0.101	0.506	0.354
Expenses from assets held for sale	-0.004	0.014	0.009	0.035
Miscellaneous expenses	0.143	0.129	0.624	0.465
Total other expenses	**0.739**	**0.502**	**2.608**	**2.018**

Note 22. 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 2012, the Group has no interest and deposit liabilities to related parties.

The Group's shareholders are minority shareholders in the Latvian debt collection company SIA Vidzemes Inkasso (holding a 20% interest each). The Group's shareholders do not control SIA Vidzemes Inkasso and do not participate in its governing bodies.