

BIGBANK AS

Public Interim Report

II Q 2010

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CONSOLIDATED INFORMATION

Business name:	BIGBANK AS
Register:	Commercial Register of the Republic of Estonia
Registration number:	10183757
Date of entry:	30.01.1997
Address:	Rüütli 23, 51006 Tartu, Eesti
Phone:	+372 737 7570
Fax:	+372 737 7582
E-mail:	bigbank@bigbank.ee
Website:	www.bigbank.ee
Date of report:	30.06.2010
Reporting period:	01.04.2010 – 30.06.2010
Auditors:	KPMG Baltics AS audit firm, entered in the list of auditors on 11 July 2001 under No.17, Narva mnt 5 Tallinn 10117, registration number 10096082. Auditors: <ul style="list-style-type: none">- Andres Root, authorised public accountant since 20 June 1990.- Eero Kaup, authorised public accountant since 10 December 1998.
Audit:	An audit regarding the financial information of the II Q of 2010 has been conducted in accordance with the international standard ISRE 2400 regarding the review of financial information.
Reporting currency:	The reporting currencies are the Estonian kroon and euro; data has been presented in millions of kroons and millions of euros. The degree of accuracy of figures is three decimal places.

Public Interim Report is available on the website of BIGBANK AS at www.bigbank.ee.

The Public Interim Report for 2Q 2010 of BIGBANK AS is available at the head office of BIGBANK AS at Rüütli 23, Tartu, and all other offices of the company from 31 August 2010.

DESCRIPTION OF THE CREDIT INSTITUTION GROUP

The principal activity of BIGBANK AS is granting consumer loans.

In addition to the parent company the group of BIGBANK AS (Group) includes subsidiaries:

Company: AS Baltijas Izaugsmes Grupa
Address: Brīvības iela 151, LV-1012 Rīga, Latvia
Registration number: 40003291179
Register: Register of Enterprises of the Republic of Latvia
Date of entry: 18 April 1996
Core activity: Granting consumer loans in the Republic of Latvia
Ownership interest: 100%

Company: OÜ Rütli Majad
Address: Rütli 23, 51006 Tartu, Estonia
Registration number: 10321320
Register: Commercial Register of the Republic of Estonia
Date of entry: 27 November 1997
Core activity: Administration of real estate in use by the group
Ownership interest: 100%

Company: Balti Völgade Sissenõudmise Keskus OÜ
Address: Rütli 23, 51006 Tartu, Estonia
Registration number: 11652332
Register: Commercial Register of the Republic of Estonia
Date of entry: 11 May 2009
Core activity: Collection services
Ownership interest: 100%

Company: SIA Baltijas Parādu Piedziņas Centrs (owner Balti Völgade Sissenõudmise Keskus OÜ)
Address: Brīvības iela 151, LV-1012 Rīga, Lāti
Registration number: 40103305206
Register: Commercial Register of the Republic of Latvia
Date of entry: 07.07.2010
Core activity: Collection services
Ownership interest: 100%

Company: Kaupmehe Järelmaks OÜ
Address: Rütli 23, 51006 Tartu
Registration number: 11906650
Register: Commercial Register of the Republic of Estonia
Date of entry: 10.03.2010
Core activity: Granting consumer loans
Ownership interest: 100%

Subsidiaries have been consolidated line-by-line.

The parent company has the following operating branches:

Company	Address	Registration number	Date of entry
BIGBANK AS Latvijas filiāle	Brīvības iela 151, LV-1012 Rīga, Latvia	40103200513	11.11.2008
BIGBANK AS filialas	Jogailos 4, Vilnius 01116 Lithuania	301048563	27.09.2007
BIGBANK AS Suomen sivuliike	Kampinkuja 2, 00100 Helsinki, Finland	2292157-2	29.10.2009

DECLARATION OF THE MANAGEMENT BOARD

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

- The data and additional information presented in the Public Interim Report for 2Q 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 of 30.06.2010 is in compliance with the international financial reporting standard IAS34 "Interim Financial Reporting" (IFRS) 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.

	Date	Signature
Targo Raus Chairman of the Management Board	31.08.2010	 <hr/>
Kaido Saar Member of the Management Board	31.08.2010	 <hr/>
Veiko Kandla Member of the Management Board	31.08.2010	 <hr/>
Ingo Põder Member of the Management Board	31.08.2010	 <hr/>
Ruslan Mahhov Member of the Management Board	31.08.2010	 <hr/>

OVERVIEW OF THE ECONOMIC ACTIVITY

KEY FINANCIAL INDICATORS

(in millions)	EEK		EUR		Change
	30.06.2010	31.12.2009	30.06.2010	31.12.2009	%
Assets	2 879.417	2 785.168	184.028	178.005	3.4
Receivables from customers	1 986.962	2 053.582	126.990	131.248	-3.2
incl. loan portfolio	2 183.149	2 226.537	139.528	142.302	-1.9
incl. interest receivables	270.181	236.060	17.268	15.087	14.5
incl. impairment allowances	-466.368	-409.015	-29.806	-26.141	14.0
<i>incl. to loan receivables</i>	-365.681	-305.865	-23.371	-19.548	19.6
<i>incl. to interest receivables</i>	-63.695	-66.186	-4.071	-4.230	-3.8
<i>incl. additional impairment allowances</i>	-36.992	-36.964	-2.364	-2.363	0.1
Deposits	2 034.548	1 173.213	130.031	74.982	73.4
Bonds	1.316	780.184	0.084	49.863	-99.8
Subordinated bonds	122.263	122.269	7.814	7.814	0.0
Equity	693.747	677.558	44.338	43.304	2.4

(in millions)	EEK		EUR		Change
	2Q 2010	2Q 2009	2Q 2010	2Q 2009	%
Interest income	121.313	151.330	7.753	9.672	-19.8
Interest expenses	32.566	47.707	2.081	3.049	-31.7
Impairment allowance costs	33.014	54.401	2.110	3.477	-39.3
Revenue related to debt collection proceedings	19.017	26.538	1.215	1.969	-30.0
Profit before impairment allowances	51.719	99.173	3.305	6.338	-47.8
Net profit	18.705	44.772*	1.195	2.861*	-58.2

* includes one-off revenues in amount of 19,0 million kroons (profit from premature termination of bonds in amount of 2,2 million kroons and profit from prepaid income tax assets in amount of 16,8 million kroons).

RATIOS

(in percentages)	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009
Return on equity (ROE)	11.00%	6.7%	6.4%	22.9%	29.8%
Equity multiplier (EM)	4.1	4.2	4.1	4.2	4.6
Profit margin (PM)	13.3%	8.0%	6.6%	20.7%	24.6%
Asset utilization ratio (AU)	19.9%	19.9%	23.7%	26.3%	26.5%
Return on assets (ROA)	2.7%	1.6%	1.6%	5.5%	6.5%
SPREAD	10.8%	9.7%	10.2%	13.4%	19.6%
TIER 1 capital ratio	29.4%	25.8%	28.7%	25.6%	24.2%

Ratios shall be 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 of the end of the month preceding the reporting quarter and as of the end of each month of the reporting quarter. In case of the indicators of the statement of comprehensive income 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) – 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-bearing assets.
- TIER 1 own funds ratio (TIER 1 ratio) – ratio of Tier 1 funds to capital requirements.

IMPORTANT ECONOMIC EVENTS

BIGBANK continuously focuses on expanding its activities outside the Baltic states and making its product portfolio more varied. Granting loans in Finland, which was launched in the first quarter, has increased during the second quarter and the share of Finland in sales has grown.

A new product added in 2010 is a consumer loan with unemployment insurance, which manages risks for both the credit receiver and credit provider. In addition, sales activities with retailers has been increased and the product portfolio for business clients, which at the moment includes credit line, operating loan and bank guarantee, has been updated.

BIGBANK's customer service has received a high evaluation in the largest service survey conducted in Estonia - Dive TeenindusTop - in all recent years. In 2009 and 2010, BIGBANK was renowned as the bank with the best customer service.

The operating volumes of BIGBANK AS did not change considerably in the 2nd quarter of 2010.

The share of term deposits has increased and the share of bonds has reduced in the structure of liabilities. The changes are a result of premature redemption of international bonds and increase in the volumes of involving deposits.

Compared to the last quarter, the payment behaviour of customers improved in the 2nd quarter. The main cause for the improvement of payment behaviour is both seasonal increase of incomes and also efficient debt management.

In the 2nd quarter the net profit of the reporting period amounted to 18.7 million kroons, compared to the 11.4 million kroons in the previous quarter. Profit before impairment allowances totalled 51.7 million kroons in the 2nd quarter (in the previous quarter the respective figure was 57.9 million kroons).

As of the end of the 2nd quarter of 2010, equity totalled 693.7 million kroons (677.6 million kroons as of the end of 2009). The share of equity amounted to 24.1% of total assets. Capital adequacy formed 24.0% as of 30 June 2010 (26.4% at the beginning of the year).

As of the end of the 2nd quarter of 2010 there were 413 employees working in BIGBANK including 201 in Estonia, 135 in Latvia, 74 in Lithuania and 3 in Finland. As of the end of the quarter, the Group had 28 offices, of which 10 offices were located in Estonia, 7 in Latvia, 10 in Lithuania and 1 in Finland.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE INCOME

Statement of Financial Position indicators

Total assets	<p>As of 30 June 2010, total assets of BIGBANK AS Group totalled 2 879.4 million kroons, decreasing by 110.6 million kroons during the quarter.</p> <p>As of 30 June 2010, receivables from customers accounted for 69.0% of total assets, cash and equivalents accounted for 24.6%.</p>
Monetary funds	<p>As of the end of the 2nd quarter, cash and equivalents amounted to 708.1 million kroons, decreasing by 89.5 million kroons during the quarter. During the second quarter, BIGBANK prematurely redeemed an international bond issue in the amount of 432.9 million kroons.</p>
Receivables from customers	<p>By the end of the 2nd quarter the Group had 109 thousand active loan contracts, including 37 thousand in Estonia, 58 thousand in Latvia and 14 thousand in Lithuania.</p> <p>Geographically receivables from customers were divided as follows:</p> <ul style="list-style-type: none">- 46.6% Estonia,- 39.7% Latvia,- 12.7% Lithuania,- 1.0% Finland. <p>As of 30 June 2010 receivables from customers totalled 1 986.9 million kroons, comprising of:</p> <ul style="list-style-type: none">- volume of loan portfolio accounted for 2 183.1 million kroons. Loans to individuals account for 98.6% of the total loan portfolio,- interest receivables from loan customers totalled 270.2 million kroons,- impairment reserve amounted to 466.4 million kroons (including impairment allowance for loan receivables in the amount of 365.7 million kroons, impairment allowance for interest receivables in the amount of 63.7 million kroons and additional impairment of 37.0 million kroons). <p>At the end of the 2nd quarter the ratio of impairment allowances to receivables from customers accounted for 19.0%, the respective figure as of the end of 2009 was 16.6%.</p>
Overdue loans	<p>BIGBANK AS is currently the only bank in the region that focuses on granting consumer loans. In line with the corporate strategy, as of 30 June 2010 loans against income accounted for 74.9% of the loan portfolio, loans secured with suretyship 14.3% and loans secured with real estate accounted for 9.6% and loans covered with unemployment insurance 1.2%.</p> <p>Compared to the last quarter, the payment behaviour of customers improved in the 2nd quarter. The main cause for the improvement of payment behaviour may be both seasonal increase of incomes and also efficient debt management. Concluding agreements when restructuring contracts is easier than before because the share of customers, who are able to pay moderate monthly payments has increased. As a result the demand for the formalisation of a grace period has decreased.</p>

Impairment allowance for receivables

In case of overdue receivables an important fact needs to be noted, that in case of consumer loans the process of recovering non-performing receivables differs considerably from the process of recovering loans, which secured with physical security (e.g. mortgage on property). Owing to the nature of the loans (as a rule, consumer loans are backed with the customer's regular income), amounts due under terminated agreements are satisfied over an extended period in small instalments, not in a lump sum raised by the realisation of collateral.

Overdue loans comprise of unpaid loan repayments according to the loan schedule and the principal amount of the loan that has become subject to enforcement. According to the terms of the loan agreements, the Group may terminate the agreement unilaterally when at least three consecutive loan payments are not met. Upon termination, the Group will demand repayment of the outstanding loan principal, any interest payments that have fallen due and any associated claims arising from the payment delay.

The loans with payment delays over 90 days reflect the sum of the payments of overdue principal amounts, to which the entire loan amount will be added upon the termination of the contract.

To mitigate the risks arising from payment behaviour and cover potential credit losses, the Group has established corresponding reserves, which as of 30 June 2010 totalled 496.6 million kroons. Reserve is established on a conservative basis. The established reserve includes:

- impairment allowances for loan receivables in the amount of 365.7 million kroons,
- impairment allowances for interest receivables in the amount of 63.7 million kroons,
- additional impairment allowance for potential negative change in macroeconomic environment in the amount of 37.0 million kroons,
- impairment allowance for other customer receivables in the amount of 14.1 million kroons,
- impairment allowance for other assets in the amount of 16.1 million kroons.

Liabilities

Receivables, regarding which enforcement proceedings have not provided the expected results, have been written off.

As of the end of the 2nd quarter of 2010 the liabilities of the Group amounted to 2 185.7 million kroons. Term deposits formed the bulk of liabilities, i.e. 2 034.5 million kroons (93.1%).

The ratio of bonds in the liabilities has decreased significantly, having been reduced by 437.0 million kroons during the quarter. As of 30 June 2010, bonds formed 0.06% of liabilities.

Subordinated liabilities totalled 122.3 million kroons, forming 5.6% of liabilities.

As of 30 June 2010 amounts due to credit institutions amounted to 9.5 million kroons, forming 0.4% of total liabilities.

Equity

In the 2nd quarter of 2010 the Group's equity grew by 18.6 million kroons, amounting to 693.7 million kroons. The share of equity in total assets totals 24.1%. As of the end of the 2nd quarter the capital adequacy was 24.0% (Basel II) compared to 26.4% as of the end of 2009.

As of 30 June 2010 TIER 1 and TIER 2 capital totalled 736.9 million kroons, accounting for 25.6% of total assets.

Statement of Comprehensive Income Indicators

Interest income	<p>In the 2nd quarter interest income amounted to 121.3 million kroons, decreasing by 30.0 million kroons compared to the same period of the previous year. The decrease in interest income is primarily related to the reduction of loan portfolio.</p> <p>In the 2nd quarter the ratio of interest income (annualised) to average interest bearing assets was 17.1% and the interest income from loan portfolio (annualised) accounted for 21.9% of the average loan portfolio.</p>
Interest expenses	<p>In the 2nd quarter of 2010 interest expenses totalled 32.6 million kroons, compared with 47.7 million kroons at the same period of the previous year. Reduction of the interest expenses is above all connected with the decrease in the interests on deposits and the increase in the share of deposits and decrease in the share of bonds in the structure of liabilities.</p> <p>The ratio of interest expenses to interest income was 26.8 %. The ratio of interest expenses (annualised) to average interest-bearing liabilities was 6.3% in the 2nd quarter.</p>
Other operating expenses	<p>In the 2nd quarter other operating expenses totalled 17.5 million kroons (decrease of 1.5 million kroons compared to the 2nd quarter of 2009).</p>
Salaries	<p>In the 2nd quarter salary costs amounted to 23.1 million kroons, including remunerations 17.6 million kroons. In comparison to the same period of the previous year, both indicators decreased by 0.5 million kroons. As of the end of the period the Group had 429 employees (excluding employees on maternity leave) compared to 361 employees a year before.</p>
Impairment allowance costs	<p>In the 2nd quarter the reserve for impairment allowances for receivables increased by 33.0 million kroons, including:</p> <ul style="list-style-type: none">- cost of impairment allowances for loan receivables in the amount of 38.3 million kroons,- cost of impairment allowances for interest receivables in the amount of -5.6 million kroons,- cost of impairment allowances for other assets in the amount of 0.3 million kroons. <p>Impairment allowances are established on a conservative basis.</p>
Other operating income and expenses	<p>In the 2nd quarter of 2010 other income amounted to 19.3 million kroons. In the same period of 2009, other income was 30.8 million kroons. A more significant part of other income came from collection proceedings, which accounted for 19.0 million kroons of operating income.</p> <p>Other expenses totalled 12.8 million kroons in the 2nd quarter (compared to 13.9 million kroons in the 2nd quarter of 2009).</p>
Profit of the reporting period	<p>In the 2nd quarter of 2010 the Group's profit amounted to 18.7 million kroons. Compared to the 2nd quarter of 2009 the net profit has decreased by 26.1 million kroons.</p> <p>In the 2nd quarter of 2010 profit before the impairment allowance costs totalled 51.7 million kroons, compared to 99.2 million kroons in the 2nd quarter of 2009, which included one-off revenues in amount of 19 million kroons.</p>

CAPITAL ADEQUACY

(in millions of kroons)	30.06.2010	31.12.2009
Paid in share capital	80.000	80.000
Reserves established from profits	8.000	8.000
Retained earnings/losses of previous periods	582.436	480.370
Unrealised exchange differences	-6.826	-7.878
Intangible assets	-3.567	-4.457
Profit for the reporting period	30.137	102.066
Total TIER 1 capital	690.180	658.101
Subordinated liabilities	46.769	115.263
Total TIER 2 capital	46.769	115.263
Deductions	-	-
Total capital for calculation of capital adequacy	736.949	773.364
Capital requirements		
Central governments and central banks under standardised approach	6.779	9.905
Credit institutions and investments firms under standardised approach	23.711	4.754
Companies under standardised approach	1.721	1.477
Retail claims under standardised approach	82.640	80.452
Claims secured by real estate under standardised approach	13.396	12.861
Overdue claims under standardised approach	88.256	102.132
Other assets under standardised approach	18.080	17.619
Total capital requirements for credit and counterparty credit risk	234.583	229.200
Capital requirement for foreign currency risk	10.902	10.623
Capital requirement for operational risk, standardised approach	61.948	52.73
Capital requirements for the calculation of capital adequacy	307.433	292.549
Capital adequacy	23.971%	26.435%

CAPITAL ADEQUACY

(in millions of euros)	30.06.2010	31.12.2009
Paid in share capital	5.113	5.113
Reserves established from profits	0.511	0.511
Retained earnings/losses	37.224	30.701
Unrealised exchange differences	-0.436	-0.503
Intangible assets	-0.228	-0.285
Profit for the reporting period	1.926	6.523
Total TIER 1 capital	44.110	42.060
Subordinated liabilities	2.989	7.367
Total TIER 2 capital	2.989	7.367
Deductions	-	-
Total capital for calculation of capital adequacy	47.099	49.427
Capital requirements		
Central governments and central banks under standardised approach	0.433	0.633
Credit institutions and investments firms under standardised approach	1.515	0.304
Companies under standardised approach	0.110	0.094
Retail claims under standardised approach	5.282	5.142
Claims secured by real estate under standardised approach	0.856	0.822
Overdue claims under standardised approach	5.641	6.527
Other assets under standardised approach	1.156	1.126
Total capital requirements for credit and counterparty credit risk	14.993	14.648
Capital requirement for foreign currency risk	0.696	0.679
Capital requirement for operational risk, standardised approach	3.959	3.370
Capital requirements for the calculation of capital adequacy	19.648	18.697
Capital adequacy	23.971%	26.435%

Capital requirements of AS Baltijas Izaugsmes Grupa belonging to the consolidation group

(in millions)	EEK	EUR	EEK	EUR
	30.06.2010	30.06.2010	31.12.2009	31.12.2009
Central governments and central banks under standardised approach	-	-	-	-
Credit and investment institutions under standardised approach	6.011	0.384	1.802	0.115
Companies under standardised approach	-	-	-	-
Retail claims under standardised approach	8.870	0.567	8.856	0.566
Claims secured by real estate under standardised approach	0.065	0.004	0.322	0.021
Overdue claims under standardised approach	27.076	1.730	35.803	2.288
Other assets under standardised approach	9.473	0.605	9.122	0.583
Capital requirement for foreign currency risk	9.751	0.623	9.111	0.582
Capital requirement for operational risk. standardised approach	21.108	1.349	18.189	1.162

The capital adequacy standards are applied to BIGBANK AS.

The specification of consolidation group used when calculating the capital adequacy does not differ from the specification of consolidation group used when preparing financial reports.

Pursuant to §73 of the Credit Institutions Act the following can be included in TIER 1 capital:

- paid-in share capital;
- reserves and reserve capital formed on the basis of law and the articles of association on account of the profits;
- audited retained earnings of previous years;

In order to calculate the size of TIER 1 capital, the following shall be deducted from the total of own funds:

- intangible assets.

Pursuant to §77¹ of the Credit Institutions Act the unrealised exchange rate differences created upon consolidation shall be added to the consolidated TIER 1 capital.

Pursuant to §74 of the Credit Institutions Act subordinated liabilities may be included in TIER 2 capital. Subordinated debt with unspecified and fixed terms with residual maturity of less than five years shall be shown at reduced value in accordance with subsection 74¹(7) of the Credit Institutions Act (during five years as from the residual maturity the initial sum shall be reduced by 20 per cent a year, i.e. by 5 per cent after every three months).

A liability of a credit institution is deemed to be subordinated if the claim arising out of such liability, in the event of the dissolution or bankruptcy of the credit institution is satisfied after the justified claims of all other creditors have been satisfied.

BIGBANK AS has requested for permission from the Financial Supervision Authority for including subordinated liabilities in TIER 2 capital.

The credit institution does not have TIER 3 capital.

Standardised approach has been used for calculating the capital requirements for credit risk and for operation risk.

Positions protected with devaluation clause have been deducted when calculating the capital requirement for foreign currency risk.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in millions of kroons)	Note	30.06.2010	31.12.2009
Assets			
Receivables from Central Bank		318.931	477.516
Receivables from banks		389.157	73.597
Receivables from customers	2,3,4,5,6,7,8	1 986.962	2 053.582
Other receivables and prepaid expenses	9	85.587	80.403
Deferred income tax assets		22.705	21.675
Intangible assets		3.567	4.457
Tangible assets		39.559	41.429
Other assets	10	32.949	32.509
Total assets		2 879.417	2 785.168
Liabilities			
Payable to credit institutions	11	9.489	11.270
Payable to customers	12	2 034.548	1 173.213
Other payables and deferred income		18.054	20.674
Issued bonds	13	1.316	780.184
Subordinated liabilities	13	122.263	122.269
Total liabilities		2 185.670	2 107.610
Equity			
Share capital		80.000	80.000
Reserves		8.000	8.000
Unrealised exchange differences		-6.826	-7.878
Retained earnings		582.436	480.370
Profit for the accounting period		30.137	117.066
Total equity		693.747	677.558
Total liabilities and equity		2 879.417	2 785.168

STATEMENT OF FINANCIAL POSITION

(in millions of euros)	Note	30.06.2010	31.12.2009
Assets			
Receivables from Central Bank		20.383	30.519
Receivables from banks		24.872	4.704
Receivables from customers	2,3,4,5,6,7,8	126.990	131.248
Other receivables and prepaid expenses	9	5.470	5.138
Deferred income tax assets		1.451	1.385
Intangible assets		0.228	0.285
Tangible assets		2.528	2.648
Other assets	10	2.106	2.078
Total assets		184.028	178.005
Liabilities			
Payable to credit institutions	11	0.607	0.720
Payable to customers	12	130.031	74.982
Other payables and deferred income		1.154	1.322
Issued bonds	13	0.084	49.863
Subordinated liabilities	13	7.814	7.814
Total liabilities		139.690	134.701
Equity			
Share capital		5.113	5.113
Unrealised exchange differences		0.511	0.511
Retained earnings		-0.436	-0.503
Profit for the accounting period		37.224	30.701
Total equity		1.926	7.482
Total liabilities and equity		44.338	43.304
Unrealised exchange differences		184.028	178.005

GUARANTEES AND PLEDGED ASSETS

(in millions)	30.06.2010	
	EEK	EUR
Irrevocable transactions	18.041	1.153
incl. guarantees and other similar irrevocable transactions*	17.760	1.135
incl. credit lines and overdraft facilities	0.281	0.018
Assets pledged and encumbered with usufruct to secure liabilities**	23.400	1.496

* - Guarantee in the amount of 17.760 million kroons (1.135 million euros) has been issued in order to guarantee fulfilment of obligations of 100% subsidiary Rütli Majad OÜ, 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 14.920 million kroons (0.954 million euros), the related liabilities have been fulfilled as of the date of the report.

STATEMENT OF COMPREHENSIVE INCOME

(in millions of kroons)	Note	2Q 2010	I H 2010	2Q 2009 adjusted	I H 2009 adjusted
Interest income	15	121.313	243.563	151.330	299.336
Interest expenses	16	32.566	71.803	47.707	106.421
Net interest income		88.747	171.760	103.623	192.915
Net fees and commissions		-0.373	-0.784	-0.361	-1.055
Net profit/loss from financial transactions		-0.075	-0.309	-0.251	-0.500
Other operating income	15	19.278	38.997	30.818	118.588
Total income		107.577	209.664	133.829	309.948
Salaries		23.139	44.152	23.649	50.790
Other operating expenses	17	17.549	37.507	19.050	39.700
Depreciation and amortisation expense		2.460	4.912	2.846	5.624
Allowances for loans and receivables		33.014	79.515	52.378	125.994
Allowances for other assets		-	-	2.023	10.976
Other expenses	16	12.856	13.923	2.856	18.225
Total expenses		89.018	180.009	102.802	251.309
Profit before income tax		18.559	29.655	31.027	58.639
Income tax expense		-0.146	-0.482	-13.745	-9.721
Profit for the accounting period		18.705	30.137	44.772	68.360
Unrealised exchange differences		-0.083	1.052	10.558	8.895
Total other income and expenses		-0.083	1.052	10.558	8.895
Total profit for the accounting period		18.622	31.189	55.330	77.255
Basic earnings per share (EEK)		234	377	560	855
Diluted net profit per share (EEK)		234	377	560	855

STATEMENT OF COMPREHENSIVE INCOME

(in millions of euros)	Note	2Q 2010	I H 2010	II Q 2009 adjusted	I H 2009 adjusted
Interest income	15	7.753	15.567	9.672	19.131
Interest expenses	16	2.081	4.589	3.049	6.801
Net interest income		5.672	10.978	6.623	12.330
Net fees and commissions		-0.024	-0.050	-0.023	-0.067
Net profit/loss from financial transactions		-0.005	-0.020	-0.016	-0.032
Other operating income	15	1.232	2.492	1.969	7.579
Total income		6.875	13.400	8.553	19.810
Salaries		1.479	2.822	1.511	3.246
Other operating expenses	17	1.121	2.397	1.218	2.537
Depreciation and amortisation expense		0.157	0.314	0.182	0.360
Allowances for loans and receivables		2.110	5.082	3.348	8.053
Allowances for other assets		-	-	0.129	0.701
Other expenses	16	0.822	0.890	0.182	1.165
Total expenses		5.689	11.505	6.570	16.062
Profit before income tax		1.186	1.895	1.983	3.748
Income tax expense		-0.009	-0.031	-0.878	-0.621
Profit for the accounting period		1.195	1.926	2.861	4.369
Unrealised exchange differences		-0.005	0.067	0.675	0.569
Total other income and expenses		-0.005	0.067	0.675	0.569
Total profit for the accounting period		1.190	1.993	3.536	4.938
Basic earnings per share (EUR)		15	24	36	55
Diluted net profit per share (EUR)		15	24	36	55

STATEMENT OF CASH FLOWS

(in millions of kroons)	I H 2010	I H 2009 adjusted
Cash flow from operations		
Interest income received	171.780	218.445
Interest expenses paid	-47.087	-110.020
Administrative expenses paid	-91.811	-103.232
Other operating income received	44.529	55.900
Other operating expenses paid	-13.302	-17.277
Repayments of off-balance sheet receivables	1.902	1.019
Received from other assets	0.930	-
Paid for other assets	-0.184	-1.450
Loans granted	-95.735	-95.545
Repayment of loans granted	152.191	223.450
Change in mandatory reserve in Central Bank and related interest receivables	21.564	17.890
Proceeds from customer deposits	1 090.215	303.835
Paid on redemption of deposits	-251.022	-208.940
Income tax paid	-4.352	-17.293
Effect of exchange rate fluctuations	-0.919	-1.026
Cash flow from operating activities	978.699	265.756
Cash flow from investing activities		
Acquired of tangible and intangible assets	-2.283	-1.587
Sold tangible and intangible assets	0.086	-
Cash flow from investing activities	-2.197	-1.587
Cash flow from financing activities		
Paid on redemption of debt securities	-781.808	-230.394
Repayments of loans from credit institutions	-1.776	-1.776
Dividends paid	-15.000	-19.000
Cash flow from financing activities	-798.584	-251.170
Effect of exchange rate fluctuations	0.560	1.206
Increase in cash and cash equivalents	178.478	14.205
Cash and cash equivalents at the beginning of the year	218.805	149.298
Cash and cash equivalents at the end of the period	397.283	163.503

STATEMENT OF CASH FLOWS

(in millions of euros)	I H 2010	I H 2009 adjusted
Cash flow from operations		
Interest income received	10.979	13.961
Interest expenses paid	-3.009	-7.032
Administrative expenses paid	-5.868	-6.598
Other operating income received	2.846	3.572
Other operating expenses paid	-0.850	-1.104
Repayments of off-balance sheet receivables	0.122	0.065
Received from other assets	0.059	-
Paid for other assets	-0.012	-0.093
Loans granted	-6.119	-6.106
Repayment of loans granted	9.727	14.281
Change in mandatory reserve in Central Bank and related interest receivables	1.378	1.144
Proceeds from customer deposits	69.677	19.419
Paid on redemption of deposits	-16.043	-13.354
Income tax paid	-0.278	-1.105
Effect of exchange rate fluctuations	-0.059	-0.065
Cash flow from operating activities	62.550	16.985
Cash flow from investing activities		
Acquired of tangible and intangible assets	-0.146	-0.101
Sold tangible and intangible assets	0.006	-
Cash flow from investing activities	-0.140	-0.101
Cash flow from financing activities		
Paid on redemption of debt securities	-49.966	-14.725
Repayments of loans from credit institutions	-0.114	-0.114
Dividends paid	-0.959	-1.214
Cash flow from financing activities	-51.039	-16.053
Effect of exchange rate fluctuations	0.036	0.077
Increase in cash and cash equivalents	11.407	0.908
Cash and cash equivalents at the beginning of the year	13.984	9.542
Cash and cash equivalents at the end of the period	25.391	10.450

STATEMENT OF CHANGES IN EQUITY

(in millions of kroons)	Equity belonging to the owners of the parent company				
	Share capital	Statutory capital reserve	Unrealised exchange differences	Retained earnings	Total
Balance 01.01.2009	80.000	8.000	-7.945	499.370	579.425
Total profit for the accounting period	-	-	8.895	68.360	77.255
Dividends paid	-	-	-	-19.000	-19.000
Balance 30.06.2009	80.000	8.000	0.950	548.730	637.680
Balance 01.01.2010	80.000	8.000	-7.878	597.436	677.558
Total profit for the accounting period	-	-	1.052	30.137	31.189
Dividends paid	-	-	-	-15.000	-15.000
Balance 30.06.2010	80.000	8.000	-6.826	612.573	693.747
(in millions of euros)	Equity belonging to the owners of the parent company				
	Share capital	Statutory capital reserve	Unrealised exchange differences	Retained earnings	Total
Balance 01.01.2009	5.113	0.511	-0.508	31.915	37.032
Total profit for the accounting period	-	-	0.569	4.369	4.938
Dividends paid	-	-	-	-1.214	-1.214
Balance 30.06.2009	5.113	0.511	0.061	35.070	40.755
Balance 01.01.2010	5.113	0.511	-0.503	38.183	43.304
Total profit for the accounting period	-	-	0.067	1.926	1.993
Dividends paid	-	-	-	-0.959	-0.959
Balance 30.06.2010	5.113	0.511	-0.436	39.150	44.338

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Accounting Principles

The accounting principles used in the consolidated interim report for the 2nd quarter of 2010 of BIGBANK AS are in accordance with the accounting principles used in the last annual report of the year ended on 31 December 2009. Consolidated interim report does not include all information necessary for presenting the annual report and it should be read with the Group's last published annual report as of 31 December 2009.

In order to get a better overview of the financial performance of BIGBANK AS, the costs in the consolidated statement have been reclassified in 2010. In connection thereto, the data submitted in the consolidated statement of comprehensive income and statement of cash flows of the 2nd quarter and 1st half of 2009 have been adjusted as follows:

Line of the statement of comprehensive income	Change 2Q 2009		Change I H 2009	
	In millions of kroons	In millions of euros	In millions of kroons	In millions of euros
Salaries	-	-	-0.109	-0.007
Other operating expenses	-	-	+0.109	+0.007
Other operating expenses	-2.517	-0.161	-17.596	-1.125
Other expenses	+2.517	+0.161	+17.596	+1.125
Other expenses	-0.262	-0.017	-0.502	-0.032
Other operating expenses	+0.262	+0.017	+0.502	+0.032

Line of the statement of cash flows	Change I H 2009	
	In millions of kroons	In millions of euros
Administrative expenses paid	+12.928	+0.826
Other operating expenses paid	-12.928	-0.826

Starting from 30 June 2009 the deferred income tax receivables formed in the Latvian subsidiary is reflected as income tax asset in the statement of financial position and as deferred income tax revenue in the consolidated statement of comprehensive income.

Income tax in statement of comprehensive income

In millions of kroons	2Q 2010	I H 2010	2Q 2009	I H 2009
Income tax expense	0.522	0.522	3.048	7.072
Deferred income tax	-0.668	-1.004	-16.793	-16.793
Income tax	-0.146	-0.482	-13.745	-9.721

In millions of euros	2Q 2010	I H 2010	2Q 2009	I H 2009
Income tax expense	0.033	0.033	0.195	0.452
Deferred income tax	-0.042	-0.064	-1.073	-1.073
Income tax	-0.009	-0.031	-0.878	-0.621

Note 2. Receivables from Customers

(in millions of kroons)	30.06.2010	31.12.2009
Loan receivables from customers	2 183.149	2 226.537
Impairment allowance for loan receivables	-365.681	-305.865
Interest receivables from customers	270.181	236.060
<i>incl. interest receivables</i>	<i>286.218</i>	<i>242.401</i>
<i>incl. interest prepayments under assets</i>	<i>-16.037</i>	<i>-6.341</i>
Impairment allowance for interest receivables	-63.695	-66.186
Additional impairment allowance	-36.992	-36.964
Total receivables from customers	1 986.962	2 053.582

(in millions of euros)	30.06.2010	31.12.2009
Loan receivables from customers	139.528	142.301
Impairment allowance for loan receivables	-23.371	-19.548
Interest receivables from customers	17.268	15.087
<i>incl. interest receivables</i>	<i>18.293</i>	<i>15.492</i>
<i>incl. interest prepayments under assets</i>	<i>-1.025</i>	<i>-0.405</i>
Impairment allowance for interest receivables	-4.071	-4.23
Additional impairment allowance	-2.364	-2.362
Total receivables from customers	126.990	131.248

Note 3. Distribution of Loan Receivables by Maturity

(in millions of kroons)	30.06.2010	31.12.2009
Up to 1 year	1 231.271	1 173.485
1-2 years	142.383	158.495
2-5 years	308.170	331.984
More than 5 years	501.325	562.573
Total	2 183.149	2 226.537

(in millions of euros)	30.06.2010	31.12.2009
Up to 1 year	78.692	74.999
1-2 years	9.100	10.130
2-5 years	19.696	21.218
More than 5 years	32.040	35.955
Total	139.528	142.302

Note 4. Distribution of Loan Receivables by Geographic Areas

	(in millions of kroons)			30.06.2010
	Loan portfolio in balance sheet. including			Relative share of area
	Loan portfolio	Overdue loans	Impairment allowance (incl. collective)	
Estonia	1 020.980	389.852	180.432	46.7%
Latvia	875.101	434.342	186.573	40.1%
Lithuania	268.249	74.379	35.528	12.3%
Finland	18.819	0.038	0.140	0.9%
Total	2 183.149	898.611	402.673	100%

(in millions of euros)				30.06.2010
Loan portfolio in balance sheet. including			Relative share of area	
	Loan portfolio	Overdue loans	Impairment allowance (incl. collective)	
Estonia	65.252	24.916	11.532	46.7%
Latvia	55.929	27.760	11.923	40.1%
Lithuania	17.144	4.754	2.271	12.3%
Finland	1.203	0.002	0.009	0.9%
Total	139.528	57.432	25.735	100%

Note 5. Loan Receivables by Collateral

(in millions of kroons)	30.06.2010	31.12.2009
Loan secured with income	1 634.682	1 690.967
Loan against surety	312.997	320.404
Loan secured with real estate	210.151	215.166
Loan with unemployment insurance coverage	25.319	-
Total loan receivables	2 183.149	2 226.537

(in millions of euros)	30.06.2010	31.12.2009
Loan secured with income	104.475	108.072
Loan against surety	20.004	20.478
Loan secured with real estate	13.431	13.752
Loan with unemployment insurance coverage	1.618	-
Total loan receivables	139.528	142.302

Note 6. Loan Receivables by Contract Currencies

(in millions of kroons)	30.06.2010	31.12.2009
EEK	414.423	474.882
EUR	1 439.909	1 400.129
LTL	47.532	52.575
LVL	281.285	298.951
Total loan receivables from customers	2 183.149	2 226.537

(in millions of euros)	30.06.2010	31.12.2009
EEK	26.486	30.351
EUR	92.027	89.485
LTL	3.038	3.360
LVL	17.977	19.106
Total loan receivables from customers	139.528	142.302

Note 7. Impairment Allowances for Customer Receivables by Groups

	30.06.2010				
(in millions of kroons)	Loans to customers	Impairment allowance for loans	Interest receivable	Impairment allowance for interest receivables	Total impairment allowance
Homogeneous groups	973.676	18.528	88.460	7.383	25.911
Individually assessed groups	1 209.473	347.153	197.758	56.312	403.465
Collective impairment allowance	-	36.992	-	-	36.992
Total	2 183.149	402.673	286.218	63.695	466.368

	30.06.2010				
(in millions of euros)	Loans to customers	Impairment allowance for loans	Interest receivable	Impairment allowance for interest receivables	Total impairment allowance
Homogeneous groups	62.229	1.184	5.654	0.472	1.656
Individually assessed groups	77.299	22.187	12.639	3.599	25.786
Collective impairment allowance	-	2.364	-	-	2.364
Total	139.528	25.735	18.293	4.071	29.806

Note 8. Overdue Loan Receivables

(in millions of kroons)	30.06.2010	31.12.2009
Up to 30 days	20.644	2.240
31 - 60 days	9.500	2.606
61-90 days	8.046	2.957
Over 90 days	860.421	872.771
Total	898.611	880.574

* Overdue loans comprise of unpaid principal amount of the loan. In accordance with the terms of the loan contract concluded with the customer, the Group may terminate the agreement unilaterally if the customer is more than 90 days in arrears. When an agreement is unilaterally terminated, the customer has to settle the entire loan amount.

(in millions of euros)	30.06.2010	31.12.2009
Up to 30 days	1.319	0.143
31 - 60 days	0.607	0.167
61-90 days	0.515	0.189
Over 90 days	54.991	55.780
Total	57.432	56.279

* Overdue loans comprise of unpaid principal amount of the loan. In accordance with the terms of the loan contract concluded with the customer, the Group may terminate the agreement unilaterally if the customer is more than 90 days in arrears. When an agreement is unilaterally terminated, the customer has to settle the entire loan amount.

Note 9. Other Receivables and Prepaid Expenses

(in millions of kroons)	30.06.2010	31.12.2009
Other receivables		
Late payment and penalty fees	0.959	1.264
Service fees receivable	46.485	0.077
Enforcement and other costs receivable	21.815	18.120
Surety fees	1.143	1.095
Other receivables	0.193	47.787
Impairment allowances for receivables	-14.060	-13.198
Total	56.535	55.145
Prepaid expenses		
Prepaid taxes	25.912	22.039
Other prepaid expenses	3.140	3.219
Total	29.052	25.258
Total other receivables and prepaid expenses	85.587	80.403

(in millions of euros)	30.06.2010	31.12.2009
Other receivables		
Late payment and penalty fees	0.061	0.081
Service fees receivable	2.971	0.005
Enforcement and other costs receivable	1.394	1.158
Surety fees	0.073	0.070
Other receivables	0.013	3.054
Impairment allowances for receivables	-0.899	-0.844
Total	3.613	3.524
Prepaid expenses		
Prepaid taxes	1.656	1.408
Other prepaid expenses	0.201	0.206
Total	1.857	1.614
Total other receivables and prepaid expenses	5.470	5.138

Note 10. Other Assets

(in millions)	EEK 30.06.2010	EUR 30.06.2010	EEK 31.12.2009	EUR 31.12.2009
Value of collateral at the acquisition	49.079	3.137	48.278	3.086
incl. impairment allowances	-16.130	-1.031	-15.769	-1.008
Balance sheet value of collateral	32.949	2.106	32.509	2.078

Note 11. Payable to Credit Institutions

(in millions of kroons)	30.06.2010			31.12.2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Swedbank AS	1.793	7.696	9.489	3.574	7.696	11.270

(in millions of euros)	30.06.2010			31.12.2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Swedbank AS	0.115	0.492	0.607	0.228	0.492	0.720

Note 12. Payable to Customers

(in millions of kroons)	30.06.2010	31.12.2009
Balance of term deposits	2 034.548	1 173.213
Distribution by customer type		
incl. private persons	1 886.665	1 076.484
incl. legal persons	147.883	96.729
Distribution by currency		
incl. EEK	959.738	779.348
incl. EUR	1 043.229	383.639
incl. LVL	31.581	10.226
Distribution by maturity date		
incl. redemption within 6 months	768.094	480.266
incl. redemption within 6-12 months	776.849	503.014
incl. redemption within 12-18 months	81.421	68.588
incl. redemption within 18-24 months	128.432	49.486
incl. redemption within 24+ months	279.752	71.859
Average deposit amount	0.170	0.152
Weighted average interest rate	5.19%	6.93%
Weighted average maturity (in months)	12.221	9.92
Weighted average total contract period (in months)	17.390	14.613
(in millions of euros)	30.06.2010	31.12.2009
Balance of term deposits	130.031	74.982
Distribution by customer type		
incl. private persons	120.580	68.800
incl. legal persons	9.451	6.182
Distribution by currency		
incl. EEK	61.339	49.809
incl. EUR	66.674	24.519
incl. LVL	2.018	0.654
Distribution by maturity date		
incl. redemption within 6 months	49.090	30.695
incl. redemption within 6-12 months	49.650	32.148
incl. redemption within 12-18 months	5.204	4.384
incl. redemption within 18-24 months	8.208	3.163
incl. redemption within 24+ months	17.879	4.593
Average deposit amount	0.011	0.010
Weighted average interest rate	5.19%	6.93%
Weighted average maturity (in months)	12.221	9.92
Weighted average total contract period (in months)	17.390	14.613

Note 13. Issued Bonds and Subordinated Liabilities**Issued bonds**

(in millions of kroons)	30.06.2010	31.12.2009
Balance of issued bonds	1.316	780.184
Distribution by customer type		
incl. private persons	0.534	7.067
incl. legal persons	0.782	773.117
Distribution by currency		
incl. EEK	0.534	0.648
incl. EUR	0.782	779.536
Distribution by maturity date		
incl. redemption within 6 months	1.316	78.867
incl. redemption within 6-12 months	-	15.641
incl. redemption within 12-18 months	-	685.676

(in millions of euros)	30.06.2010	31.12.2009
Balance of issued bonds	0.084	49.863
Distribution by customer type		
incl. private persons	0.034	0.452
incl. legal persons	0.050	49.411
Distribution by currency		
incl. EEK	0.034	0.041
incl. EUR	0.050	49.822
Distribution by maturity date		
incl. redemption within 6 months	0.084	5.041
incl. redemption within 6-12 months	-	0.999
incl. redemption within 12-18 months	-	43.823

Subordinated bonds		
(in millions of kroons)	30.06.2010	31.12.2009
Balance of subordinated bonds	122.263	122.269
Distribution by customer type		
incl. private persons	4.041	4.042
incl. legal persons	118.222	118.227
Distribution by currency		
incl. EEK	59.711	59.720
incl. EUR	62.552	62.549
Distribution by maturity date		
incl. redemption within 24+ months	122.263	122.269

(in millions of euros)	30.06.2010	31.12.2009
Balance of subordinated bonds	7.814	7.814
Distribution by customer type		
incl. private persons	0.258	0.258
incl. legal persons	7.556	7.556
Distribution by currency		
incl. EEK	3.816	3.817
incl. EUR	3.998	3.997
Distribution by maturity date		
incl. redemption within 24+ months	7.814	7.814

Note 14. Net Currency Positions

					30.06.2010
(in millions of kroons)	Balance sheet position		Off-balance sheet position		Net position
	Assets	Liabilities	Assets	Liabilities	
EEK	901.348	1 025.554	-	-	-124.206
EUR	1 827.415	1 122.045	-	0.281	705.089
LVL	119.527	36.869	-	-	82.658
LTL	27.561	1.203	-	-	26.358

					30.06.2010
(in millions of euros)	Balance sheet position		Off-balance sheet position		Net position
	Assets	Liabilities	Assets	Liabilities	
EEK	57.607	65.545	-	-	-7.938
EUR	116.793	71.712	-	0.018	45.063
LVL	7.639	2.356	-	-	5.283
LTL	1.761	0.077	-	-	1.684

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

To mitigate the risk of losses arising from significant exchange rate fluctuations the agreements 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.

Loan contracts that include terms and conditions of the contract, based on which in case of a devaluation of the national currency, the repayable amounts shall be adjusted within the extent of the devaluation of the currency.

Devaluation clause has been taken into account in the net currency positions.

Note 15. Interest Income and Other Operating Income

(in millions of kroons)	2Q 2010	I H 2010	2Q 2009	I H 2009
Interest income	121.313	243.563	151.330	299.336
From loans to customers	120.210	240.597	149.013	294.848
From deposits	1.103	2.966	2.317	4.488
Other operating income	19.278	38.997	30.818	118.588
Income related to debt collection	19.017	38.521	26.538	67.403
Income from redemption of bonds below nominal value	-	-	2.152	48.553
Other operating income	0.261	0.476	2.128	2.632
Total	140.591	282.560	182.148	417.924

(in millions of euros)	2Q 2010	I H 2010	2Q 2009	I H 2009
Interest income	7.753	15.567	9.672	19.131
From loans to customers	7.683	15.377	9.524	18.844
From deposits	0.070	0.190	0.148	0.287
Other operating income	1.232	2.492	1.969	7.579
Income related to debt collection	1.215	2.462	1.696	4.308
Income from redemption of bonds below nominal value	-	-	0.137	3.103
Other operating income	0.017	0.030	0.136	0.168
Total	8.985	18.059	11.641	26.710

Note 16. Interest Expenses and Other Operating Expenses

(in millions of kroons)	2Q 2010	I H 2010	2Q 2009	I H 2009
Interest expenses	32.566	71.803	47.707	106.421
On debt securities	7.417	24.464	34.112	80.113
On deposits	25.076	47.187	13.467	25.955
On loans	0.073	0.152	0.128	0.353
Other operating expenses	12.856	13.923	2.856	18.225
Expenses from the redemption of debt securities below nominal value	5.458	6.071	-	-
Other operating expenses	7.398	7.852	2.856	18.225
Total	45.422	85.726	50.563	124.646

(in millions of euros)	2Q 2010	I H 2010	2Q 2009	I H 2009
Interest expenses	2.081	4.589	3.049	6.801
On debt securities	0.474	1.564	2.180	5.120
On deposits	1.603	3.016	0.861	1.659
On loans	0.004	0.009	0.008	0.022
Other operating expenses	0.822	0.890	0.182	1.165
Expenses from the redemption of debt securities below nominal value	0.349	0.388	-	-
Other operating expenses	0.473	0.502	0.182	1.165
Total	2.903	5.479	3.231	7.965

Note 17. Other Operating Expenses

(in millions of kroons)	2Q 2010	I H 2010	2Q 2009	I H 2009
Marketing expenses	7.362	16.594	6.439	10.987
Expenses related to employment	5.151	10.818	6.475	14.265
Other operating expenses	5.036	10.095	6.136	14.448
Total other operating expenses	17.549	37.507	19.050	39.700

(in millions of euros)	2Q 2010	I H 2010	2Q 2009	I H 2009
Marketing expenses	0.470	1.061	0.412	0.702
Expenses related to employment	0.329	0.691	0.414	0.912
Other operating expenses	0.322	0.645	0.392	0.923
Total other operating expenses	1.121	2.397	1.218	2.537

Note 18. Segment Reporting

Based on the internal management structure segment information has been published according to the geographic segments. In the presentation of segments income, expenses, assets, and liabilities have been reflected according to the location. The consolidation group does not have various business segments.

Geographic segments, Statement of Financial Position Indicators

30.06.2010	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of kroons)						
Cash and receivables from banks	598.774	77.946	24.568	6.800	-	708.088
incl. Central Bank	305.372	13.434	-	0.125	-	318.931
Inter-segment cash and receivables from banks	-	200.244	-	103.370	-303.614	-
Receivables from customers	926.345	789.279	252.429	18.909	-	1 986.962
incl. loan receivables	1 020.980	875.102	268.249	18.819	-	2 183.150
incl. impairment allowance for loan receivables	-180.432	-186.573	-35.528	-0.140	-	-402.673
incl. interest receivables	112.283	132.985	24.681	0.232	-	270.181
incl. impairment allowance for interest receivables	-26.486	-32.235	-4.973	-0.002	-	-63.696
Inter-segment receivables	1 365.617	-	-	-	-1 365.617	-
Other receivables and prepaid expenses	17.118	64.075	4.198	0.249	-0.053	85.587
Deferred income tax asset	-	22.705	-	-	-	22.705
Tangible and intangible assets	39.088	2.344	1.603	0.091	-	43.126
Other assets	22.970	9.979	-	-	-	32.949
Segment's total assets	2 969.912	1 166.572	282.798	129.419	-1 669.284	2 879.417
Payable to credit institutions	112.859	1 078.197	279.292	-	-1 460.859	9.489
Payable to customers	1 458.281	415.018	-	697.747	-536.498	2 034.548
Other payables and deferred income	8.288	6.815	2.605	0.399	-0.053	18.054
Issued bonds and subordinated bonds	123.579	-	-	-	-	123.579
Segment's total liabilities	1 703.007	1 500.030	281.897	698.146	-1 997.410	2 185.670
Equity	710.818	1.102	0.901	-5.617	-13.457	693.747

31.12.2009	Estonia	Latvia	Lithuania	Other	Elimina- tions	Group
(in millions of kroons)						
Cash and receivables from banks	484.096	42.820	6.313	17.884	-	551.113
incl. Central Bank	465.677	11.839	-	-	-	477.516
Inter-segment cash and receivables from banks	-	175.784	10.037	-	-185.821	-
Receivables from customers	966.783	833.136	253.663	-	-	2 053.582
incl. loan receivables	1 058.652	903.751	264.134	-	-	2 226.537
incl. impairment allowance for loan receivables	-165.377	-152.868	-24.584	-	-	-342.829
incl. interest receivables	103.659	114.190	18.211	-	-	236.060
incl. impairment allowance for interest receivables	-30.151	-31.937	-4.098	-	-	-66.186
Inter-segment receivables	1 312.934	-	-	-	-1 312.934	-
Other receivables and prepaid expenses	15.950	60.168	4.452	0.054	-0.221	80.403
Deferred income tax asset	-	21.675	-	-	-	21.675
Tangible and intangible assets	40.722	3.568	1.543	0.053	-	45.886
Other assets	23.214	9.295	-	-	-	32.509
Segment's total assets	2 843.699	1 146.446	276.008	17.991	-1 498.976	2 785.168
Payable to credit institutions	21.307	1 029.588	273.953	0.476	-1 314.054	11.270
Payable to customers	1 187.575	61.410	-	101.718	-177.490	1 173.213
Other payables and deferred income	10.167	6.939	3.408	0.381	-0.221	20.674
Issued bonds and subordinated bonds	902.453	-	-	-	-	902.453
Segment's total liabilities	2 121.502	1 097.937	277.361	102.575	-1 491.765	2 107.610
Equity	649.184	48.508	-1.353	-4.591	-14.190	677.558

Geographic segments, Statement of Comprehensive Income Indicators

6 months 2010	Estonia	Latvia	Lithuania	Other	Elimina- tions	Group
(in millions of kroons)						
External revenue						
Interest income	113.820	88.654	40.604	0.485	-	243.563
Net service fees	-0.504	-0.065	-0.187	-0.028	-	-0.784
Other income	11.044	21.302	6.632	0.019	-	38.997
Total external revenue	124.360	109.891	47.049	0.476	-	281.776

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6 months 2010	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of kroons)						
Inter-segment revenue	63.035	4.203	0.036	0.885	-68.159	-
Net profit/loss from financial transactions	0.331	-0.913	-0.002	-	0.275	-0.309
Interest expenses						
External interest expenses	61.642	3.345	-	6.816	-	71.803
Inter-segment interest expenses	5.158	47.371	15.340	0.002	-67.871	-
Total interest expenses	66.800	50.716	15.340	6.818	-67.871	71.803
Total net income	120.926	62.465	31.743	-5.457	-0.013	209.664
Salaries and other operating expenses	36.688	20.462	16.106	8.403	-	81.659
Depreciation and amortisation expense	3.152	1.287	0.457	0.016	-	4.912
Impairment allowances for receivables and other assets	-28.014	-39.213	-12.146	-0.142	-	-79.515
Other operating expenses	12.362	0.458	0.781	0.322	-	13.923
Profit/ loss before tax	40.710	1.045	2.253	-14.340	-0.013	29.655
Income tax expenses	-	0.522	-	-	-	0.522
Deferred income tax	-	1.004	-	-	-	1.004
Net profit	40.710	1.527	2.253	-14.340	-0.013	30.137

6 months 2009	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of kroons)						
External revenue						
Interest income	139.160	122.694	37.482	-	-	299.336
Net service fees	-0.588	-0.294	-0.170	-0.003	-	-1.055
Other income	72.331	34.930	11.327	-	-	118.588
Total external revenue	210.903	157.330	48.639	-0.003	-	416.869
Inter-segment revenue	150.380	0.546	-	-	-150.926	-
Net profit/loss from financial transactions	0.148	-0.888	-	-	0.240	-0.500
Interest expenses						
External interest expenses	105.254	0.757	-	0.410	-	106.421
Inter-segment interest expenses	0.549	54.699	14.191	-	-69.439	-
Total interest expenses	105.803	55.456	14.191	0.410	-69.439	106.421
Total net income	255.628	101.532	34.448	-0.413	-81.247	309.948
Salaries and other operating expenses	44.762	29.687	15.282	0.759	-	90.490
Depreciation and amortisation expense	3.458	1.768	0.398	-	-	5.624
Impairment allowances for receivables and other assets	-85.199	-44.257	-7.514	-	-	-136.970
Other operating expenses	6.020	11.176	1.029	-	-	18.225
Profit/ loss before tax	116.189	14.644	10.225	-1.172	-81.247	58.639
Income tax expenses	-	7.072	-	-	-	7.072
Deferred income tax	-	16.793	-	-	-	16.793
Net profit	116.189	24.365	10.225	-1.172	-81.247	68.360

Geographic segments, Statement of Financial Position Indicators

30.06.2010	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of euros)						
Cash and receivables from banks	38.268	4.982	1.570	0.435	-	45.255
incl. Central Bank	19.516	0.859	-	0.008	-	20.383
Inter-segment cash and receivables from banks	-	12.797	-	6.607	-19.404	-
Receivables from customers	59.204	50.444	16.133	1.209	-	126.990
incl. loan receivables	65.254	55.929	17.144	1.203	-	139.530
incl. impairment allowance for loan receivables	-11.532	-11.923	-2.271	-0.009	-	-25.735
incl. interest receivables	7.175	8.499	1.577	0.015	-	17.266
incl. impairment allowance for interest receivables	-1.693	-2.060	-0.318	-	-	-4.071
Inter-segment receivables	87.279	-	-	-	-87.279	-
Other receivables and prepaid expenses	1.094	4.095	0.268	0.016	-0.003	5.470
Deferred income tax asset	-	1.451	-	-	-	1.451
Tangible and intangible assets	2.498	0.150	0.102	0.006	-	2.756
Other assets	1.468	0.638	-	-	-	2.106
Segment's total assets	189.811	74.557	18.073	8.273	-106.686	184.028
Payable to credit institutions	7.214	68.909	17.850	-	-93.366	0.607
Payable to customers	93.201	26.524	-	44.594	-34.288	130.031
Other payables and deferred income	0.529	0.436	0.166	0.026	-0.003	1.154
Issued bonds and subordinated bonds	7.898	-	-	-	-	7.898
Segment's total liabilities	108.842	95.869	18.016	44.620	-127.657	139.690
Equity	45.429	0.070	0.058	-0.359	-0.860	44.338

31.12.2009	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of euros)						
Cash and receivables from banks	30.940	2.737	0.403	1.143	-	35.223
incl. Central Bank	29.762	0.757	-	-	-	30.519
Inter-segment cash and receivables from banks	-	11.235	0.641	-	-11.876	-
Receivables from customers	61.789	53.247	16.212	-	-	131.248
incl. loan receivables	67.661	57.760	16.881	-	-	142.302
incl. impairment allowance for loan receivables	-10.570	-9.770	-1.571	-	-	-21.911
incl. interest receivables	6.625	7.298	1.164	-	-	15.087
incl. impairment allowance for interest receivables	-1.927	-2.041	-0.262	-	-	-4.230
Inter-segment receivables	83.912	-	-	-	-83.912	-
Other receivables and prepaid expenses	1.019	3.845	0.285	0.003	-0.014	5.138
Deferred income tax asset	-	1.385	-	-	-	1.385
Tangible and intangible assets	2.603	0.228	0.099	0.003	-	2.933
Other assets	1.484	0.594	-	-	-	2.078

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31.12.2009	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of euros)						
Segment's total assets	181.747	73.271	17.640	1.149	-95.802	178.005
Payable to credit institutions	1.361	65.803	17.509	0.030	-83.983	0.720
Payable to customers	75.900	3.925	-	6.501	-11.344	74.982
Other payables and deferred income	0.651	0.443	0.218	0.024	-0.014	1.322
Issued bonds and subordinated bonds	57.677	-	-	-	-	57.677
Segment's total liabilities	135.589	70.171	17.727	6.555	-95.341	134.701
Equity	41.490	3.100	-0.086	-0.293	-0.907	43.304

Geographic segments, Statement of Comprehensive Income Indicators

6 months 2010	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of euros)						
External revenue						
Interest income	7.275	5.666	2.595	0.031	-	15.567
Net service fees	-0.032	-0.004	-0.012	-0.002	-	-0.050
Other income	0.707	1.361	0.424	-	-	2.492
Total external revenue	7.950	7.023	3.007	0.029	-	18.009
Inter-segment revenue	4.028	0.269	0.002	0.057	-4.356	-
Net profit/loss from financial transactions	0.020	-0.058	-	-	0.018	-0.020
Interest expenses						
External interest expenses	3.939	0.214	-	0.436	-	4.589
Inter-segment interest expenses	0.330	3.028	0.980	-	-4.338	-
Total interest expenses	4.269	3.242	0.980	0.436	-4.338	4.589
Total net income	7.729	3.992	2.029	-0.350	-	13.400
Salaries and other operating expenses	2.345	1.308	1.029	0.537	-	5.219
Depreciation and amortisation expense	0.202	0.082	0.029	0.001	-	0.314
Impairment allowances for receivables and other assets	-1.791	-2.506	-0.776	-0.009	-	-5.082
Other operating expenses	0.790	0.029	0.050	0.021	-	0.890
Profit/ loss before tax	2.601	0.067	0.145	-0.918	-	1.895
Income tax	-	0.033	-	-	-	0.033
Deferred income tax	-	0.064	-	-	-	0.064
Net profit	2.601	0.098	0.145	-0.918	-	1.926

6 months 2009	Estonia	Latvia	Lithuania	Other	Eliminations	Group
(in millions of euros)						
External revenue						
Interest income	8.893	7.842	2.396	-	-	19.131
Net service fees	-0.037	-0.019	-0.011	-	-	-0.067
Other income	4.621	2.233	0.725	-	-	7.579
Total external revenue	13.477	10.056	3.110	-	-	26.643
Inter-segment revenue	9.611	0.035	-	-	-9.646	-
Net profit/loss from financial transactions	0.009	-0.056	-	-	0.015	-0.032
Interest expenses						
External interest expenses	6.727	0.048	-	0.026	-	6.801
Inter-segment interest expenses	0.036	3.496	0.907	-	-4.439	-
Total interest expenses	6.763	3.544	0.907	0.026	-4.439	6.801
Total net income	16.334	6.491	2.203	-0.026	-5.192	19.810
Salaries and other operating expenses	2.860	1.897	0.977	0.049	-	5.783
Depreciation and amortisation expense	0.221	0.113	0.026	-	-	0.360
Impairment allowances for receivables and other assets	-5.444	-2.829	-0.481	-	-	-8.754
Other operating expenses	0.383	0.715	0.067	-	-	1.165
Profit/ loss before tax	7.426	0.937	0.652	-0.075	-5.192	3.748
Income tax	-	0.452	-	-	-	0.452
Deferred income tax	-	1.073	-	-	-	1.073
Net profit	7.426	1.558	0.652	-0.075	-5.192	4.369

Note 19. Financial Indicators for Major Units

(in millions of kroons)	Group		Bank*		Baltijas Iz Grupa**	
	30.06.10	31.12.09	30.06.10	31.12.09	30.06.10	31.12.09
Assets	2 879.417	2 785.168	3 413.425	3 218.230	1 079.941	1 088.909
incl. cash and equivalents	708.088	551.113	647.692	524.943	260.354	201.557
incl. receivables from customers	1 986.962	2 053.582	2 695.522	2 623.530	724.573	795.864
incl. tangible assets	39.559	45.886	10.130	15.573	0.730	1.512
incl. other	144.808	134.587	60.081	54.184	94.284	89.976
Liabilities	2 185.670	2 107.610	2 709.572	2 586.377	1 081.211	1 033.099
Equity	693.747	677.558	703.853	631.853	-1.270	55.810

(in millions of euros)	Group		Bank*		Baltijas Iz Grupa**	
	30.06.10	31.12.09	30.06.10	31.12.09	30.06.10	31.12.09
Assets	184.028	178.005	218.157	205.682	69.021	69.594
incl. cash and equivalents	45.255	35.222	41.395	33.550	16.640	12.882
incl. receivables from customers	126.990	131.248	172.275	167.674	46.309	50.865
incl. tangible assets	2.528	2.933	0.647	0.995	0.046	0.097
incl. other	9.255	8.602	3.840	3.463	6.026	5.750
Liabilities	139.690	134.701	173.173	165.299	69.102	66.027
Equity	44.338	43.304	44.984	40.383	-0.081	3.567

(in millions of kroons)	Group		Bank*		Baltijas Iz Grupa**	
	2Q 2010	2Q 2009	2Q 2010	2Q 2009	2Q 2010	2Q 2009
Interest income	121.313	151.330	127.807	133.847	20.878	48.529
Interest expenses	32.566	47.707	41.547	51.195	18.232	27.135
Revenue related to debt collection proceedings	19.017	26.538	12.972	15.371	6.046	11.167
Net profit	18.705	44.772	19.699	20.518	-1.232	25.438

(in millions of euros)	Group		Bank*		Baltijas Iz Grupa**	
	2Q 2010	2Q 2009	2Q 2010	2Q 2009	2Q 2010	2Q 2009
Interest income	7.753	9.672	8.168	8.554	1.334	3.102
Interest expenses	2.081	3.049	2.655	3.272	1.165	1.734
Revenue related to debt collection proceedings	1.215	1.696	0.829	0.982	0.386	0.714
Net profit	1.195	2.861	1.259	1.311	-0.079	1.626

* Data about parent company and branches

**Data about a significant subsidiary AS Baltijas Izaugsmes Grupa.

Note 20. Sensitivity Analysis

Interest rate risk

Part of the Group's liabilities has fixed interest rates and part is linked to changes in Euribor.

The following table provides an overview of the effect of changes in Euribor on the Group's profit and equity, provided that the volume and structure of liabilities remain constant within a year (based on the financial indicators of the end of the 2nd quarter of 2010) and Euribor does not become negative.

(in millions of kroons)	Amount	Incl fixed interest rate	Incl linked to Euribor	Change if 1% rise in Euribor	30.06.2010
					Change if 1% decrease in Euribor
Payable to credit institutions	9.472	-	9.472	-0.103	0.087
Issued debt securities (incl. subordinated)	122.779	0.452	122.327	-0.477	0.381
Term deposits	1 989.750	1 989.750	-	-	-
Total	2 122.001	1 990.202	131.799	-0.580	0.468

(in millions of euros)	Amount	Incl fixed interest rate	Incl linked to Euribor	Change if 1% rise in Euribor	30.06.2010
					Change if 1% decrease in Euribor
Payable to credit institutions	0.605	-	0.605	-0.007	0.006
Issued debt securities (incl. subordinated)	7.847	0.029	7.818	-0.030	0.223
Term deposits	127.168	127.168	-	-	-
Total	135.620	127.197	8.423	-0.037	0.229

Currency risk

The Group operates in regions with stable exchange rates. The Estonian kroon is pegged to the euro at a fixed exchange rate by law. Due to the fact that Estonia will join euro zone starting from 2011, the net position in EEK is not reported as currency risk. The Lithuanian litas and the Latvian lats are the national currencies of EU member states and their exchange rates are fixed by the central banks of their respective countries and pegged to the euro. Exchange rate fluctuations are limited to a permissible fluctuation corridor established by law. The currencies are based on the euro.

To mitigate the risk of losses arising from significant exchange rate fluctuations the agreements 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.

The following table provides an overview of the impact of a possible devaluation, taking into the contractual protection against devaluation. LVL and LTL from open position are adjusted with the assets protected with the devaluation clause.

		30.06.2010	
(in millions of kroons)	Exposure	Change 10%	
		Monetary impact	% of equity
LVL	82.658	8.266	0.1%
LTL	26.358	2.636	0.0%

		30.06.2010	
(in millions of euros)	Exposure	Change 10%	
		Monetary impact	% of equity
LVL	5.283	0.528	0.1%
LTL	1.685	0.168	0.0%