



Pillar 3 report  
2017

## 1. Pillar 3 disclosure requirements

Disclosure requirement (reference to the Article of Regulation (EU) No 575/2013)	Reference to the Report	Reference to the Page
Article 435. Risk management objectives and policies	Annual Report/ Pillar 3 Report	p.43, p.71/p.3, p.12-13
Article 436. Scope of application	Annual Report	p.52
Article 437. Own Funds	Annual Report/ Pillar 3 Report	p.94/p.5-7
Article 438. Capital requirements	Annual Report	p.96
Article 439. Exposure to counterparty credit risk	Annual Report	p.86
Article 440. Capital buffers	Annual Report/ Pillar 3 Report	p.96/p.6-7, p.10
Article 441. Indicators of global systemic importance	N/A	N/A
Article 442. Credit risk adjustments	Annual Report	p.84, p.99-103
Article 443. Unencumbered assets	Pillar 3 Report	p.11
Article 444. Use of external credit ratings	Annual Report	p.85
Article 445. Exposure to market risk	Annual Report	p.87
Article 446. Operational risk	Annual Report	p.92
Article 447. Exposures in equities not included in the trading book	N/A	N/A
Article 448. Exposure to interest rate risk on positions not included in the trading book	Annual Report/ Pillar 3 Report	p.89/p.4
Article 449. Exposure to securitization positions	N/A	N/A
Article 450. Remuneration	Annual Report	p.45
Article 451. Leverage	Pillar 3 Report	p.8-9
Article 452. Use of the IRB Approach to credit risk	N/A	N/A
Article 453. Use of credit risk mitigation techniques	Annual Report	p.80
Article 454. Use of the Advanced Measurement Approaches to operational risk	N/A	N/A
Article 455. Use of Internal Market Risk Models	N/A	N/A

In this report and in the Bigbank AS Annual Report 2017 upon disclosure of information regarding risk management and capital adequacy the requirements of Directive 2013/36 / EU (CRD IV), Regulation (EU) No 575/2013 (CRR) and EBA Guideline GL/2016/11 have been followed.

The Bigbank AS Annual Report 2017 is published on the bank's website at [www.bigbank.ee](http://www.bigbank.ee).

## 2. Main changes in risk management

The following outlines the most significant changes in the Group's risk management in 2017.

In 2017 the Group continued working on transformation of the risk management structure and improving its operations. Credit area, data and analytics area, compliance unit and the procurement unit were separated from the existing risk management area. Procurement unit was merged with legal unit. At the end of the year risk management area consisted of operational risk control unit, quality control unit, operations security and control unit and risk reporting unit. The last one was created in 2017 as a new entity to manage risk reporting processes in the Group, including reporting related to internal capital adequacy process and recovery planning. Information technology risks are managed by a separate information security unit, belonging into IT area. A separate data protection officer position was created into compliance unit. On the Management Board level all risk management related functions (excluding procurement and information technology risks), including the prevention of money laundering and terrorist financing, are represented by the member of the Management Board Mart Veskimägi, as of the end of 2017. Sven Raba, Chairman of the Management Board, is responsible for procurement and information technology risks on the board level. During the year, managers of the risk area, credit area, compliance unit and information security unit were changed. The IT risk committee was established as a sub-unit of the Group Risk Committee with the aim to deal with information security risks more specifically.

Group's internal regulations concerning risk management were substantially updated in 2017, including all relevant risk policies (risk and capital management policy, credit policy, liquidity management policy, market risk policy, operational risk policy, internal capital adequacy management procedure and compliance risk management procedure). Anti-money laundering and anti-terrorist financing policies, Group's KYC and market risk management procedures were created as new documents. Internal regulations concerning IT risks were substantially updated. Also, five-level risk scale was replaced with four-level scale.

In the credit area rating and scoring models were renewed within credit decision process, which are used for evaluating credit quality. Changes for improving credit quality took place in all countries but the most important changes in models took place in Finland where the transition to the fully automated process of issuing credit took place. In Spanish branch the development of the fully automated process was started. During the year, the principles for establishing loan loss allowances were revised, in particular in the light of the change in methodology due to IFRS 9. The PD (Probability of default) and LGD (Loss Given default) calculations were updated. The developed IFRS 9 provisioning methodology was validated in co-operation with a business consulting company Ernst & Young Baltic AS. To reduce the volume of non-performing loans, co-operation with collection agencies was started in all countries of operation by entering into forward-flow agreements and conducting one-off sales.

In order to improve anti-money laundering and counter-terrorist financing activities, processes were reviewed, anti-money laundering controls were automated and internal regulations were introduced and updated. A comprehensive AML risk assessment covering all countries was carried out and the risk assessment model used for its implementation was developed in co-operation with a consulting company Deloitte Latvia. The respective risk assessment was finalised and approved by the Group's Management Board in February 2018.

During the year, risk identification, measurement and reporting systems were supplemented. Among other, group-wide incident reporting system was introduced. Risk reports in Tableau reporting environment were improved and the risk reports presented to the Management Board and Supervisory Board were harmonized and improved. The risk assessment methodology for assessing interest rate risk in the banking book was changed by starting to use behavioral cash-flows and updating the scenarios in accordance with the Basel Committee on Banking Supervision's guidelines from April 2016.

Ongoing risk-related trainings were carried out in the Group with the aim of raising risk awareness of the employees and to improve the overall risk culture. Among other, mandatory training courses for anti-money laundering, information security and data protection were conducted for all employees in 2017. Operational risk and overall risk awareness trainings were conducted. Risk-awareness trainings are included as well into training program for new employees of the Group.

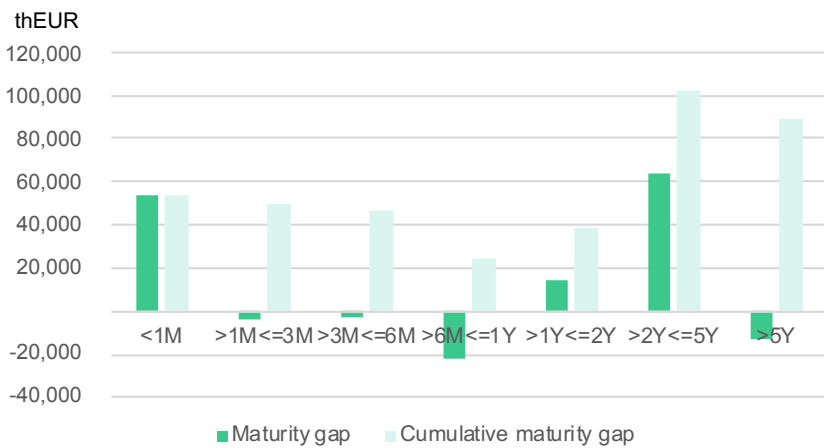
### 3. Additional information about management of interest rate risk arising from the banking book (IRRBB)

During the assessment of IRRBB, as a first step all sources of risk arising from interest-rate-sensitive positions are identified. At least on a quarterly basis Group measures interest rate risk which may be arising from:

- the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions (repricing risk);
- changes in the slope and the shape of the yield curve (yield curve risk);
- hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions (basis risk);
- options, including embedded options, e.g. consumers redeeming fixed-rate products when market rates change (option risk).

Group measures its IRRBB exposure in terms of both potential changes to economic value (EV), and changes to expected net interest income (NII) or earnings. Due to reason that consumer loan contracts are frequently repaid before contractual maturity Group uses behavioral cash flows instead of contractual cash flows when calculating interest rate risk in order to capture the optionality.

Chart. Interest rate risk as of 31.12.17



Group uses different scenarios to assess the interest rate risk arising from the banking book, i.e. the supervisory shock scenario, according to which yield curve has a parallel shift of 200 basis points, as well as other scenarios taking into account changes in the yield curve and individual risk profile.

As of 31.12.17 based on the result of the stress test impact to 12-months net interest income (NII) was estimated 3.2 million euros and on the economic value (EVE) was 2.5 million euros.

## 4. Capital instruments' main features template

Disclosure according to Annex II in Commission implementing regulation (EU) No 1423/2013

1	Issuer	Bigbank AS	Bigbank AS
2	Unique identifier (ISIN)	EE3100016015	EE3300111400
3	Governing law(s) of the instrument	Estonian	Estonian
<b>Regulatory treatment</b>			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common shares	Tier 2 subordinated notes
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 8	EUR 5
9	Nominal amount of instrument	EUR 100	EUR 1,000
9a	Issue price	Face value changed on 2011 from EEK 1,000 to EUR 100	EUR 1,000
9b	Redemption price	N/A	EUR 1,000
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	22.09.1992	28.12.2017
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	28.12.2027
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	28.12.2022, redemption amount is the aggregate of the nominal value, accrued but unpaid interests, any other amount due and payable by the Issuer to the Investor
16	Subsequent call dates, if applicable	N/A	On each interest payment date after 28.12.2022
<b>Coupons/dividends</b>			
17	Fixed or floating dividend/coupon	Floating	Fixed
18	Coupon rate and any related index	N/A	6.5%
19	Existence of a dividend stopper	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A

### Coupons/dividends

29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	All unsubordinated claims of creditors of the Issuer
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

## 5. Transitional own funds disclosure

Disclosure according to Annex VI in Commission implementing regulation (EU) No 1423/2013

<i>In thousand EUR</i>		31.12.17	31.12.16	Reference to the Article of Regulation (EU) No 575/2013
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>				
1	Capital instruments and the related share premium accounts	8,000	8,000	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: Instrument type 1	8,000	8,000	EBA list 26 (3)
2	Retained earnings	86,565	78,964	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	1,475	2,169	26 (1)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	7,298	4,117	26 (2)
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>103,338</b>	<b>93,250</b>	
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
8	Intangible assets (net of related tax liability) (negative amount)	-7,472	-4,037	36 (1) (b), 37, 472 (4)
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>-7,472</b>	<b>-4,037</b>	
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>95,866</b>	<b>89,213</b>	
<b>Additional Tier 1 (AT1) capital: instruments</b>				
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>	

<i>In thousand EUR</i>		31.12.17	31.12.16	Reference to the Article of Regulation (EU) No 575/2013
<b>Additional Tier 1 (CET1) capital: regulatory adjustments</b>				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	
44	Additional Tier 1 (AT1) capital	-	-	
45	Tier 1 capital (T1 = CET1 + AT1)	95,866	89,213	
<b>Tier 2 (T2) capital: instruments and provisions</b>				
46	Capital instruments and the related share premium accounts	5,000	-	62, 63
51	Tier 2 (T2) capital before regulatory adjustments	5,000	-	
<b>Tier 2 (T2) capital: regulatory adjustments</b>				
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	Tier 2 (T2) capital	5,000	-	
59	Total capital (TC = T1 + T2)	100,866	89,213	
60	Total risk weighted assets	414,625	380,569	
<b>Capital ratios and buffers</b>				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	23.12%	23.44%	92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount)	23.12%	23.44%	92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure amount)	24.33%	23.44%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.57%	8.11%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.18%	0.11%	
67	of which: systemic risk buffer requirement	0.39%	1.00%	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.12%	15.44%	CRD 128

## 6. CRR leverage ratio disclosure

Disclosure according to Annex I in EU Regulation No 2016/200

In thousand EUR

<b>Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures</b>		<b>31.12.17</b>	<b>31.12.16</b>
1	Total assets as per published financial statements	459,336	394,128
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,247	8,013
7	Other adjustments	-7,472	-4,037
<b>8</b>	<b>Total leverage ratio exposure</b>	<b>456,111</b>	<b>398,104</b>

<b>Table LRCom: Leverage ratio common disclosure</b>		<b>CRR leverage ratio exposures</b>	
		<b>31.12.17</b>	<b>31.12.16</b>
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets but including collateral)	459,336	394,128
2	(Asset amounts deducted in determining Tier 1 capital)	-7,472	-4,037
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>451,864</b>	<b>390,091</b>
<b>Derivative exposures</b>			
<b>11</b>	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>-</b>	<b>-</b>
<b>Securities financing transaction exposures</b>			
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposures at gross notional amount	4,247	8,013
19	Other off-balance sheet exposures (sum of lines 17 to 18)	4,247	8,013
<b>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</b>			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
<b>Capital and total exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>95,866</b>	<b>89,213</b>
<b>21</b>	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>456,111</b>	<b>398,104</b>
<b>Leverage ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>21.0%</b>	<b>22.4%</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	N/A	N/A



Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures	
		31.12.17	31.12.16
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	459,336	394,128
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	459,336	394,128
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	39,592	24,829
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-	-
EU-7	Institutions	21,188	19,704
EU-8	Secured by mortgages of immovable properties	10,373	11,238
EU-9	Retail exposures	325,261	269,064
EU-10	Corporate	30,249	32,438
EU-11	Exposures in default	16,186	25,276
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	16,486	11,578

**Table LRQua: Disclosure on qualitative items**
**1 Description of the processes used to manage the risk of excessive leverage**

The management of excessive leverage risk is integrated into the Bigbank's risk management framework (including procedures, limits, planning, etc.). Excessive leverage ratio is regularly monitored and reported to the management board and risk committee. For monitoring excessive leverage risk Bigbank uses mainly the leverage ratio of Regulation (EU) No 575/2013 as a main indicator as well other indicators based on the balance sheet structure. The risk of excessive leverage is taken into account in strategic planning and shall be assessed and forecasted as part of capital planning. The Bank's funding must be arranged in such a way that the necessary funding is reasonably balanced between proportion of external funding sources and equity capital. Management board and risk committee assesses changes in balance sheet structure and forecasts and, if the necessity emerges, establish action plan for response to the changes in leverage ratio.

**2 Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers**

The leverage ratio has decreased slightly from 22.4% in Q4 2016 to 21.0% in Q4 2017. The decrease of the ratio has been mainly caused by the increase of total risk exposure in ordinary course of business. This was partially offset by an increase in Tier 1 capital primarily due to the result of continued profit generation. There were no particular external factors having significant impact to the leverage ratio.

## 7. Disclosure of countercyclical capital buffer

Disclosure according to Annex I in EU Regulation No 2015/1555

In thousand EUR

Disclosed is geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Row	General credit exposures		Trading book exposure	Securitisation exposure		Own funds requirements				Total	Own funds requirement weights	Counter-cyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures			
	010	020	030	040	050	060	070	080	090	100	110	120
010	Breakdown by country											
	Latvia	70,491	-	-	-	-	5,639	-	-	5,639	0.23	0.00%
	Lithuania	84,197	-	-	-	-	6,736	-	-	6,736	0.27	0.00%
	Estonia	57,163	-	-	-	-	4,573	-	-	4,573	0.19	0.00%
	Finland	52,295	-	-	-	-	4,184	-	-	4,184	0.17	0.00%
	Spain	14,716	-	-	-	-	1,177	-	-	1,177	0.05	0.00%
	Sweden	27,329	-	-	-	-	2,186	-	-	2,186	0.09	2.00%
	Norway	103	-	-	-	-	8	-	-	8	0.00	2.00%
	Denmark	557	-	-	-	-	45	-	-	45	0.00	0.00%
	Netherlands	266	-	-	-	-	21	-	-	21	0.00	0.00%
	United States	509	-	-	-	-	41	-	-	41	0.00	0.00%
	Other	620	-	-	-	-	50	-	-	50	0.00	0.00%
020	<b>Total</b>	<b>308,247</b>	-	-	-	-	<b>24,660</b>	-	-	<b>24,660</b>	<b>1.00</b>	

### Amount of institution-specific countercyclical capital buffer

Row		31.12.17	31.12.16
010	Total risk exposure amount	414,625	380,569
020	Institution specific countercyclical buffer rate	0.18%	0.11%
030	Institution specific countercyclical buffer requirement		412

## 8. Disclosure of unencumbered assets

Disclosure according to EU Regulation No 2017/2295

In thousand EUR

### Template A. Encumbered and unencumbered assets

Row	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
010 Assets of the reporting institution	-	-	434,125	434,125
030 Equity instruments	-	-	-	-
040 Debt securities	-	-	14,377	14,377
050 of which: covered bonds	-	-	-	-
060 of which: asset-backed securities	-	-	-	-
070 of which: issued by general governments	-	-	4,223	4,223
080 of which: issued by financial corporates	-	-	4,389	4,389
090 of which: issued by non-financial corporates	-	-	5,238	5,238
120 Other assets	-	-	419,702	419,702
121 of which:	-	-	-	-

### Template B. Collateral received

Row	Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
	010	040
250 TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	434,125

### Template C. Sources of encumbrance

Row	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	030
010 Carrying amount of selected financial liabilities	-	-
011 of which:	-	-

### Template D. Accompanying narrative information

All assets of the Bank are unencumbered. According to the business model bank doesn't use asset encumbrance.

## 9. Disclosure of liquidity coverage ratio

Disclosure according to Guidelines EBA/GL/2017/01

In thousand EUR

### Template EL LIQ1

Row		Total adjusted value			
		31.03.17	30.06.17	30.09.17	31.12.17
21	Liquidity buffer	9,410	10,259	11,725	13,362
22	Total net cash outflows	2,776	3,010	3,191	3,569
23	Liquidity coverage ratio (%)	371%	377%	405%	392%

## 10. Liquidity risk report

Maintaining strong liquidity is one of the Group's main priorities. The Group shall at all times ensure the ability to meet its obligations in a timely manner and in full extent in both the normal and liquidity crisis conditions over a long period of time.

The Group's liquidity risk management strategy is to maintain a conservative liquidity risk profile and sufficient liquidity reserves. The main objective of the Group's financing strategy is to ensure sufficient and stable financing of core activities using the Group's own capital and external financing. The main source of funding is fixed-term retail deposits. The secondary objective of the funding management is optimisation of the costs, size and composition of external resources involved, but cost-effectiveness and cost-competitiveness may not override sufficient, stable and conservative funding requirements. Diversification is a key part of the Group's overall funding and liquidity management strategy.

The funding strategy is closely related to assets quality and assets structure management. The structure and maturity of assets shall correspond to the funding structure and shall not rely on very short-term funding resources. The Group avoids concentration in funding.

Management of the Group's liquidity and funding is centralised, funding of the subsidiaries and branches is provided on a Group level. The Bank regularly assesses that there are no material restrictions and hindrances to intragroup transfer of liquidity. The responsibility over daily liquidity risk management lies in the Treasury unit belonging to the Finance area. Risk management is responsible for the risk control, measurement and reporting to management.

The conservative liquidity risk profile is kept within the limits set by the Supervisory Board. The Management Board has established a set of early warning indicators to identify the emergence of increased risks or vulnerabilities in the bank's liquidity position or potential funding needs. Any breaches of limits and key risk indicators thresholds shall be reported according to requirements set by the policy.

Group has Liquidity Contingency Plan, which provides activities in case of a liquidity shortage in a stress-situation. Group constantly monitors the situation in financial markets and opportunities of alternative funding instruments. In order to mitigate liquidity risk Group may consider various measures, such as partial sale of claims, participation in the loan programmes of the European Central Bank, money market placements from other credit institutions and credit lines from other credit institutions.

According to the target risk profile liquidity risk target profile is on "low" level and funding risk target profile is on "moderate" level. The Group's target and actual risk profile of liquidity risk were equal as of December 31<sup>st</sup> of 2017.

Table. Liquidity Risk key risk indicators

Ratio	31.12.17	31.12.16
Loan to deposits ratio	111%	117%
Equity to total assets	25%	26%
Liquidity coverage ratio(LCR)	1101%	1210%
Net stable funding ratio (NFSR)	137%	131%
Liquidity buffer to total assets ratio	14%	13%
Tolerance period (months)	4.2	3.9
Subsistence period (months)	20.2	33.5
Long term (over 1 year) funding to total funding	47%	51%
Liquidity buffer to short term liabilities	460%	327%
Short term (less than 1 year) funding to total liabilities	51%	47%

For further information about Bigbank's risk governance and liquidity risk management (incl. risk measurement, stress-testing and reporting) in particular, please refer to the Annual Report Annex 3. Risk and Capital management.

**Management Board of Bigbank AS approves adequacy of the liquidity risk management arrangements and risk management systems put in place with regard to the Group's profile and strategy.**

**Sven Raba**

Chairman of the Management Board 27.02.2018 *[signed digitally]*

**Pāvels Gilodo**

Member of the Management Board 27.02.2018 *[signed digitally]*

**Martin Lānts**

Member of the Management Board 27.02.2018 *[signed digitally]*

**Mart Veskimägi**

Member of the Management Board 27.02.2018 *[signed digitally]*