



Versobank AS

(Versobank Ltd.)

Public Interim Report I Quarter 2012

Translation from original in Estonian

Registry code:	10586461
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Internet home page:	www.versobank.com

SUMMARY INFORMATION

General Data of Credit Institution

Business name	Versobank AS
Location and address	Pärnu mnt 12, 10148 Tallinn, Estonia
Country of registration	Republic of Estonia
Registration date	14.10.1999
Registration code	10586461 (Estonian Commercial Register)
Telephone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T. BIC code	SBMBEE22
E-mail	info@versobank.com
Internet home page	http://www.versobank.com

Auditor

Business name of auditor	KPMG Baltics OÜ
Registration code of auditor	10096082
Auditor's location and address	Narva mnt 5, 10117 Tallinn, Estonia
Partner in charge	Taivo Epner
Engagement leader	Eero Kaup
Report balance sheet date	31.03.2012
Report period	01.01.2012 – 31.03.2012
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

Public Interim Report I Quarter 2012 of Versobank AS is unaudited.
Only the credit institution data and figures are disclosed in the report.

	EUR ths.
Total assets	40,934
Net profit / loss	-473
Return on equity (ROE)	-40.69%
Asset utilisation (AU)	4.42%
Overdue claims and loans	10,656
Loan loss provisions	-7,817
Net own funds	6,398
Capital adequacy	20.93%

"Public Interim Report I Quarter 2012" of Versobank AS is available in the office of Versobank AS in Tallinn, Pärnu mnt 12 and on the Bank's internet web page www.versobank.com from 30.05.2012.

DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Versobank AS is, after examining the information presented in this Public Interim Report, of opinion that:

1. Public Interim Report, consisting of summary information, declaration of the Management Board, management report and financial statements, discloses information meeting the requirements set by the rules of "Public Interim Report".
2. The data and additional information presented in the Public Interim Report is true and complete.
3. Nothing is missing or omitted from the data and information presented in the Public Interim Report, which could influence their content or meaning.
4. Financial statements have been compiled in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the financial position of the bank and of the results of its operations and its cash flows.
5. Versobank AS is operating on a going concern basis.

In Tallinn, 30.05.2012

Riho Rasmann
Chairman of the Management Board

Sven Raba
Member of the Management Board

Mart Veskimägi
Member of the Management Board

Marija Sutirina
Member of the Management Board

MANAGEMENT REPORT

Description of the Credit Institution and its Management Bodies

Versobank AS is a credit institution, established in 1999 and operating in Estonia. Versobank AS (hereinafter: the Bank) holds the activity license issued by the Bank of Estonia, which allows the Bank to engage in all banking operations. Bank has an account manager status of Estonian Central Depository for Securities, is the member of S.W.I.F.T. and pan-Baltic member of NASDAQ OMX Baltic stock exchanges. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and the cross-border clearing system TARGET2-Eesti.

Cyprus Popular Bank Public Co Ltd. (with former business name Marfin Popular Bank Public Co Ltd.) signed a Share Purchase-Sale Agreement with the Ukrainian company UKRSELHOSPROM PCF LLC on 22 December 2011 for the sale of its total participation. The transaction is effective from 29 March 2012. In addition, Cyprus Popular Bank Public Co Ltd. transferred all its obligations and rights arising from a subordinated loan which was granted to the Bank to UKRSELHOSPROM PCF LLC. The new business name of MARFIN PANK EESTI AS is Versobank AS following the entry of Harju County Court dd. 07 May 2012.

The owners of Versobank AS, as of the report date 31.03.2012, are:

70.5427% of shares are owned by UKRSELHOSPROM PCF LLC (location Dnepropetrovsk, Ukraine);

19.6531% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

3.8331% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;

2.9630% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;

1.5116% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and

1.4965% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

The shareholders of the Bank decided on 12.04.2012 to increase the share capital by issuing new shares. The majority shareholder UKRSELHOSPROM PCF LLC subscribed the issue in full and EUR 5,040,000 was credited to the Bank's account on 28 May 2012 as a monetary payment for shares.

The Supervisory Board of the Bank had five members as of the date of report compilation. Mr. Oleksandr Rechytskyi is the Chairman of the Supervisory Board, members are Mr. Vadym Iermolaiev, Mr. Stanislav Vilens'kyi, Mrs. Steinunn Kristin Thordardottir and Mr. Nikolaos Sarros.

The Management Board of the Bank had four members as of the date of report compilation. Mr. Riho Rasmann is the Chairman of the Management Board, and the members of the Management Board are Mr. Sven Raba, Mr. Mart Veskimägi, and Mrs. Marija Sutirina as a new member (starting from May 2012). The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of the Bank.

The Bank has one subsidiary in real estate sector - Osito Casa OÜ (under liquidation). The activities of the company were moved under the bank in September 2011, and there is a plan to liquidate the daughter company in year 2012. The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owns 16% of business development company European Business Development AS.

Major Economic Events

Change of owners is the most important economic event of the current year, followed by the change of business name, share capital increase and changes in strategy. Main shareholder of the Bank changed close to the end of the reporting period, whereby the change did not yet have significant impact on the economic results included in the current interim report of I Quarter 2012.

Number of customers of the Bank increased 7% during the year (year earlier 23%), the number of active depositors decreased 1% (increased 22% year earlier). Client deposits with the Bank totaled 31.9 million euros as of 31.03.2012 (44.4 million euros as of 31.03.2011). Volumes of private person deposits have continued to increase, and have permanently surpassed the deposit volumes of the other client groups, which have decreased during a year. Bank continues to pay higher interest rates on time deposits than the market average, which has also caused increase in the average depositing period.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 29.8 million euros, decreasing 14.8% in a year and forming 72.7% of total assets as at the end of reporting period (31.03.2011: 64.8%). Gross loan portfolio amounted 29.9 million euros as of 31.12.2011, so the decline has slowed down. Bank had continuously more deposits than loans – client deposits ratio to loans stood at 1.03 as of 31.03.2012 (1.21 at of 31.03.2011). Total assets of the Bank have decreased 24.1% during a year, reaching 40.9 million euros as of 31.03.2012 (as of 31.03.2011 the balance sheet total was 53.9 million euros).

Bank's equity totaled 4.4 million euros as of 31 March 2012 and the regulatory capital adequacy stood at 20.93% (31.03.2011: 4.8 million euros, capital adequacy 20.24%). Bank's capitalisation and balance sheet total increased considerably in May 2012, following the share capital increase by 5.04 million euros.

Decrease in interest income and conservative loan loss provisions caused the net loss of the Bank in beginning of year 2012, but the trend of provisions is clearly down. Net loss of three months 2012 comprised 473 thousand euros (net loss of 3 months of year 2011 was 646 thousand euros).

Net interest income of the reporting period was 165 thousand euros (2011: 212 thousand euros), earned mostly on loans. Net fees and commissions income totaled 5 thousand euros (2011: 6 thousand euros). 13 thousand euros was earned on foreign exchange transactions (2011: 9 thousand euros). Total operating income from banking activities comprised 173 thousand euros in 3 months of year 2012 compared with 190 thousand euros year earlier. Administrative expenses of 3 months of year 2012 and 2011 were 489 thousand euros and 607 thousand euros correspondingly, with savings achieved mainly from salary expenses.

No new branch offices were opened in year 2012. Bank has decided to close the Tartu branch office from 11 July 2012, due to less demand for services rendered in bank branch and the end of office lease contract. With the intention of the Bank to operate more effectively and considering the limited usage of our Stocker service, the Bank will discontinue the the Stocker service from 30 June 2012, and also the membership status with the Baltic stock exchanges. Bank plans to renew its internet web page and internet bank design during the next months to reflect the new corporate identity, and plans to add the usage of tokens (PIN calculators) to internet bank in the second half-year. New price list, distinguishing services to residents and non-residents, will be in force from 1 July 2012.

Ratings

Versobank AS has not been rated by international rating agencies.

Ratios

		01.01.2012 - 31.03.2012	01.01.2011 - 31.03.2011
Return on equity	ROE	-40.69%	-50.49%
Equity multiplier	EM	8.95	10.59
Profit margin	PM	-102.96%	-123.23%
Asset utilisation	AU	4.42%	3.87%
Return on assets	ROA	-4.55%	-4.77%
Net interest margin	NIM	2.34%	2.15%
Basic earnings per share	Basic EPS	-2.69	-0.17
Diluted earnings per share	Diluted EPS	-2.69	-0.17
Spread	SPREAD	3.07%	2.63%
Yield on interest-earning assets	YIEA	5.65%	4.94%
Cost of interest-bearing liabilities	COL	2.59%	2.30%

Explanations to ratios

Total income includes the following income items: interest income, fees and commissions income, dealing profits, income from financial investments, other operating income, extraordinary income, income from value adjustments of fixed and intangible assets (+), income from value adjustments of advances and off-balance sheet commitments (+), income from value adjustments of long term financial investments.

ROE	$\text{Net profit (loss) / Average equity} * 100$
EM	$\text{Average assets / Average equity}$
PM	$\text{Net profit (loss) / Total income} * 100$
AU	$\text{Total income / Average assets} * 100$
ROA	$\text{Net profit (loss) / Average assets} * 100$
NIM	$\text{Net interest income / Average interest earning assets} * 100$
Basic EPS	$\text{Net profit (loss) / Average number of shares}$
Diluted EPS	$\text{Net profit (loss) / Average number of shares (considering all convertible securities)}$
SPREAD	$\text{Yield on interest earning assets - Cost of interest bearing liabilities} = \text{YIEA} - \text{COL}$
YIEA	$\text{Interest income / Average interest earning assets} * 100$
COL	$\text{Interest expense / Average interest bearing liabilities} * 100$

Legal Disputes

Courts are proceeding with Bank actions against different persons, who have not fulfilled their obligations, and where the mutually satisfying agreements have not been reached in negotiations. Bankruptcy proceedings are also taking place against obligors as well as guarantors and execution proceedings are taking place with regard to pledged collateral assets and private person debtors.

The total of six court actions have been filed against the Bank as of the date of compiling the management report. There are no cases pending in courts or arbitration bodies that might cause significant proprietary damage to the Bank.

FINANCIAL STATEMENTS

Statement of Financial Position

	EUR ths.	EUR ths.
	31.03.2012	31.12.2011
ASSETS		
Cash	173	117
Loans and advances	35,684	37,221
Balances with central bank	8,351	8,778
Due from other banks	3,961	4,679
Due from customers	23,372	23,764
o/w allowance (-)	-7,817	-7,636
o/w interest	1,216	1,138
Financial assets held for trading	20	5
Available-for-sale financial assets	70	124
Property and equipment	168	184
Investment properties	4,557	4,557
Intangible assets	101	105
Other assets	161	165
TOTAL ASSETS	40,934	42,478
LIABILITIES		
Financial liabilities held for trading	16	6
Financial liabilities measured at amortised cost	31,911	32,836
Due to credit institutions	15	15
Due to customers	31,896	32,821
Companies	12,199	14,073
Non-profit organisations	693	587
Private persons	18,692	17,814
Interest payable	312	347
Subordinated debt	4,081	4,033
Borrowed funds from government and foreign aid	104	166
Tax liabilities	43	87
Other liabilities	412	521
TOTAL LIABILITIES	36,567	37,649
SHAREHOLDERS' EQUITY		
Share capital	7,049	7,049
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	0	-11
Accumulated deficit	-2,718	-2,245
TOTAL SHAREHOLDERS' EQUITY	4,367	4,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	40,934	42,478

Income Statement

	EUR ths.	EUR ths.
	01.01.2012- 31.03.2012	01.01.2011 - 31.03.2011
Interest income	398	490
From loans	388	459
From deposits	9	30
From debt securities	1	1
Interest expense	233	278
On demand deposits	2	3
On time deposits	181	229
On derivatives	0	2
From borrowings	49	44
Other expenses	1	0
Net interest income	165	212
Fees and commissions income	11	15
Account opening and maintenance fees	4	3
Bank transaction fees	4	9
Securities' transaction fees	2	2
Other fees and commissions income	1	1
Fees and commissions expense	6	9
Securities' transactions expenses	1	1
Bank transaction expenses	2	4
S.W.I.F.T. expenses	3	4
Net fees and commissions	5	6
Net trading income / expense	13	9
From foreign exchange	13	9
From financial assets and liabilities held for trading	0	0
Other operation income	37	11
Other operation expenses	47	47
Guarantee Fund payments	15	12
Financial Supervision Authority fees	14	14
Tallinn Stock Exchange fees	5	5
Other operating expenses	13	16
Total income from banking activities	173	191
Administrative expenses	489	607
Personnel expense, payroll related taxes	291	360
Other administrative expenses	198	247
Depreciation and amortisation of tangible and intangible assets	-21	-29
Provisions (+/-)	46	0
Impairment loss on assets (+/-)	-182	-201
Total operating expenses	646	837
Profit / loss before taxation	-473	-646
NET PROFIT / LOSS FOR THE PERIOD	-473	-646
Basic earnings/loss per share	-2.69 EUR	-0.17 EUR
Diluted earnings/loss per share	-2.69 EUR	-0.17 EUR

Statement of Cash Flows

	EUR ths.	EUR ths.
	01.01.2012 - 31.03.2012	01.01.2011 - 31.03.2011
Cash flows from operating activities	98	-12,230
Interests received	398	490
Interests paid	-233	-278
Fees and commissions received	11	15
Fees and commissions paid	-6	-9
Administrative expenses	-489	-607
Trading income received	13	9
Other operating income	37	11
Other operating expenses	-47	-47
Change in operating assets and liabilities:		
Change in due from other banks	718	-11,736
Change in due from customers of credit institution	588	1,517
Change in due to credit institutions	0	2
Change in due to customers	-890	-1,688
Change in assets and liabilities connected with other operating activities	-2	91
Cash flows from investing activities	-1,125	5
Purchase of property and equipment	-1,125	2
Sale of investment properties	0	3
Cash flows from financing activities	-62	-51
Change in interest of subordinated debt	0	43
Borrowings repaid	-62	-94
Total cash flows	-1,089	-12,276
Cash and cash equivalents at the beginning of year	13,574	17,299
Net change in cash and cash equivalents	-1,089	-12,276
Cash and cash equivalents at the end of the year *	12,485	5,023

* Cash and cash equivalents at the end of the year comprise:

	EUR ths.	EUR ths.
	31.03.2012	31.03.2011
Cash	173	200
Mandatory reserve and deposits with the Bank of Estonia	8,351	-80
Deposits with credit institutions with maturity up to 3 months	3,961	4,903
Total	12,485	5,023

Statement of Changes in Equity

	EUR ths.	EUR ths.
	01.01.2012 - 31.03.2012	01.01.2011 - 31.03.2011
Share capital		
Balance at the beginning of period	7,049	9,284
Balance at the end of period	7,049	9,384
	0	
Statutory legal reserve		
Balance at the beginning of period	36	36
Change in fair value reserve	0	-61
Balance at the end of period	36	-25
Accumulated deficit		
Balance at the beginning of period	-2,245	-3,935
Comprehensive loss for the period	-473	-646
Balance at the end of period	-2,718	-4,581
Total shareholders' equity:		
at the beginning of period	4,778	5,472
at the end of period	4,367	4,778

Contingent Claims and Liabilities

	31.03.2012	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	25,478	26,068
Unused loan limits	0	590
Currency forward transactions	25,478	25,478
	31.03.2011	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	5,610	5,662
Guarantees and similar irrevocable transactions	0	3
Unused loan limits	0	45
Hybrid swaps	539	539
Currency forward transactions	5,071	5,075

Currency Risk

	31.03.2012				
	Balance sheet position		Off-balance sheet position		Net position
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	37,445	31,481	11,942	14,141	3,765
USD position, EUR ths.	2,954	4,559	13,535	11,924	6
	31.03.2011				
	Balance sheet position		Off-balance sheet position		Net position
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	46,058	41,301	3,044	3,080	4,721

Risk Concentration

	31.03.2012		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	21		
Due from customers with high risk concentration		16,414	256.57%
Due from persons related with credit institution		118	1.85%
Bank breached risk concentration limit with one client group as of 31.03.2012. The breach was eliminated on 28.05.2012.			
	31.03.2011		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	18		
Due from customers with high risk concentration		17,348	245.03%
Due from persons related with credit institution		146	2.06%

Capital Adequacy

	EUR ths.	EUR ths.
	31.03.2012	31.03.2011
Share capital paid-in	7,049	9,384
Other reserves	36	36
Accumulated deficit of the previous years	-2,245	-3,935
Intangible assets	-101	-119
Net loss of the period	-473	-646
Total tier 1 own funds	4,265	4,720
Subordinated debt	4,000	4,000
Available-for-sale financial instruments	0	0
Tier 2 own funds, which exceed the limits	-1,867	-1,640
Second level equity	2,133	2,360
Minimum own funds	6,398	7,080
Tier 1 own funds after deductions	4,265	4,720
Tier 2 own funds after deductions	2,132	2,340
Own funds for capital adequacy calculations	6,398	7,080
Credit institutions and investment companies under standard method	85	240
Companies under standard method	243	808
Mass claims under standard method	933	900
Claims backed by mortgages under standard method	110	155
Overdue claims under standard method	900	737
Other assets under standard method	489	268
Total capital requirement for credit risk and counterparty credit risk	2,760	3,109
Operational risk base method	296	389
Total capital requirement for operational risk	296	389
Capital requirements for adequacy calculations	3,056	3,498
Capital adequacy	20.93%	20.24%

Minimum capital adequacy ratio, as required by the Bank of Estonia, is 10%.

Bank is publishing information on risk management, own funds and capital adequacy in the annual reports and interim reports on the web page of the Bank following the decree of the Governor of the Bank of Estonia. Capital adequacy requirement is applied to Versobank AS. Following the decision of the Management Board of Financial Supervision Authority dd. 16.03.2011, daughter company Osito Casa OÜ has not been included in the consolidation group. Consolidation group definition applied in capital adequacy calculation does not differ from the consolidation group definition used in the compilation of the financial statements.

The amount of capital requirement to cover currency risk and commodities risk is zero.

Bank applies standard method for calculating capital requirement for credit risk and base method for calculating capital requirement for operational risk following the capital adequacy calculation directive Basel II. Estonian Financial Supervision Authority has made an exemption freeing the Bank from capital requirement to cover trading portfolio risks as per Credit Institutions Act § 79 clause 2 sub-clauses 2 and 3 from 01.01.2008.