



**Versobank AS**  
(Versobank Ltd.)

**Public Interim Report  
III Quarter 2012**

*Translation from original in Estonian*

Registry code: 10586461  
Address: Pärnu mnt 12, 10148 Tallinn, Estonia  
Telephone: (+372) 6802 500  
Fax: (+372) 6802 501  
e-mail: [info@versobank.com](mailto:info@versobank.com)  
Internet home page: [www.versobank.com](http://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	<a href="http://www.versobank.com">http://www.versobank.com</a>

### 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	Risto Viirg

Report balance sheet date	30.09.2012
Report period	01.01.2012 – 30.09.2012
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

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

	EUR ths.
Total assets	51,633
Net profit / loss	-1,416
Return on equity (ROE)	-195.36%
Asset utilisation (AU)	31.91%
Overdue claims and loans	5,692
Loan loss provisions	-3,993
Net own funds	12,368
Capital adequacy	35.70%

"Public Interim Report III 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](http://www.versobank.com) from 26.11.2012.

## **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, 26.11.2012

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Riho Rasmann  
Chairman of the Management Board

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Sven Raba  
Member  
of the Management Board

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Mart Veskimägi  
Member  
of the Management Board

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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 and is a member of S.W.I.F.T. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and the cross-border clearing system TARGET2-Eesti.

The owners of Versobank AS, as of the report date 30.09.2012 and as of the report compilation date, are:

82.8239% of shares are owned by UKRSELHOSPROM PCF LLC (location Dnepropetrovsk, Ukraine);

11.4594% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

2.2350% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;

1.7277% is owned by Frösundaviksparken AB (location Ängelholm, Sweden);

0.8814% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and

0.8726% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

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'kyy, Mrs. Steinunn Kristin Thordardottir and Mr. Härmo Värk.

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. 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 the real estate sector - Osito Casa OÜ (under liquidation). The activities of the company were moved under the bank in September 2011, and the subsidiary will be deleted from the commercial register in the beginning of year 2013, the latest. 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. These changes had a more significant impact on the economic results of the Bank from July 2012, when a new price list came into force. The proportion of non-resident customers, volumes of transactions and thereby also the fees and commissions income of the Bank have increased as a result of these changes.

Number of customers of the Bank increased 8% during the year (17% year earlier), the number of active depositors decreased 1% (increased 11% year earlier). Client deposits with the Bank totalled 38.1 million euros as of 30.09.2012 (36.2 million euros as of 30.09.2011). Volumes of private person deposits were higher than the deposit volumes of the other client groups during the first 9 months of the 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. Deposit volumes of other companies have significantly grown after the report date.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 25.1 million euros, decreasing 22.5% in a year and forming 48.7% of total assets as at the end of reporting period (30.09.2011: 69.7%). Write-offs of uncollectible claims in the amount of 0.6 million euros during III quarter 2012 (0.0 million euros during III quarter 2011) against provisions formed earlier influenced the decrease of gross loan portfolio. Bank had continuously much more deposits than loans – client deposits ratio to loans stood at 1.52 as of 30.09.2012 (1.12 at of 30.09.2011). Total assets of the Bank have increased 10.9% during a year, reaching 51.6 million euros as of 30.09.2012 (as of 30.09.2011 the balance sheet total was 46.5 million euros).

Bank's equity totalled 8.5 million euros as of 30 September 2012 and the regulatory capital adequacy stood at 35.70% (30.09.2011: 5.5 million euros, capital adequacy 23.73%). Bank's capitalisation and balance sheet total increased considerably in May 2012, following the share capital increase by 5.04 million euros. The next share capital increase will take place in January 2013, the latest, in the amount of 2.0 million euros.

Decrease in interest income and conservative loan loss provisions caused the net loss of the Bank in year 2012. Net loss of nine months 2012 comprised 1.4 million euros (net loss of 9 months of year 2011 was 1.5 million euros).

Net interest income of the reporting period (III quarter 2012) was 206 thousand euros (2011: 291 thousand euros), earned mostly on loans. Net fees and commissions income totalled 41 thousand euros (2011: 7 thousand euros). 17 thousand euros was earned on foreign exchange transactions (2011: 17 thousand euros). Total operating income from banking activities comprised 255 thousand euros in III quarter of year 2012 compared with 278 thousand euros year earlier. Administrative expenses of 3 months of III quarters of year 2012 and 2011 were 590 thousand euros and 489 thousand euros correspondingly. Net loss for the reporting period increased to 480 thousand euros (from 309 thousand euros year earlier).

Bank has opened several new correspondent accounts (incl. accounts with Commerzbank AG, Sberbank, Raiffeisen Bank International AG) aiming at better and faster service to customers. Bank has increased the functionality of its internet bank IBVERSO and plans to add during the next few months also the possibility to use digipasses (PIN calculators).

## **Ratings**

Versobank AS has not been rated by international rating agencies.

## Ratios

		<b>01.01.2012 - 30.09.2012</b>	<b>01.01.2011 - 30.09.2011</b>
Return on equity	ROE	-195.36%	-107.99%
Equity multiplier	EM	6.08	8.58
Profit margin	PM	-100.70%	-92.56%
Asset utilisation	AU	31.91%	13.59%
Return on assets	ROA	-32.13%	-12.58%
Net interest margin	NIM	21.46%	8.42%
Basic earnings per share	Basic EPS	-4.68	-8.66
Diluted earnings per share	Diluted EPS	-4.68	-8.66
Spread	SPREAD	26.21%	10.02%
Yield on interest-earning assets	YIEA	42.10%	17.82%
Cost of interest-bearing liabilities	COL	15.89%	7.80%

## 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	Net profit (loss) / Average equity * 100
EM	Average assets / Average equity
PM	Net profit (loss) / Total income * 100
AU	Total income / Average assets * 100
ROA	Net profit (loss) / Average assets * 100
NIM	Net interest income / Average interest earning assets * 100
Basic EPS	Net profit (loss) / Average number of shares
Diluted EPS	Net profit (loss) / Average number of shares (considering all convertible securities)
SPREAD	Yield on interest earning assets - Cost of interest bearing liabilities = YIEA - COL
YIEA	Interest income / Average interest earning assets * 100
COL	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.
	<b>30.09.2012</b>	<b>31.12.2011</b>
<b>ASSETS</b>		
<b>Cash</b>	<b>132</b>	<b>117</b>
<b>Loans and advances</b>	<b>41,446</b>	<b>37,221</b>
Balances with central bank	4,593	8,778
Due from other banks	14,463	4,679
Due from customers	22,390	23,764
o/w allowance (-)	-3,993	-7,636
o/w interest	1,018	1,138
<b>Financial assets held for trading</b>	<b>7</b>	<b>5</b>
<b>Available-for-sale financial assets</b>	<b>70</b>	<b>124</b>
<b>Held-to-maturity investments</b>	<b>5,031</b>	<b>0</b>
<b>Property and equipment</b>	<b>143</b>	<b>184</b>
<b>Investment properties</b>	<b>4,557</b>	<b>4,557</b>
<b>Intangible assets</b>	<b>96</b>	<b>105</b>
<b>Other assets</b>	<b>151</b>	<b>165</b>
<b>TOTAL ASSETS</b>	<b>51,633</b>	<b>42,478</b>
<b>LIABILITIES</b>		
<b>Financial liabilities held for trading</b>	<b>4</b>	<b>6</b>
<b>Financial liabilities measured at amortised cost</b>	<b>38,503</b>	<b>32,836</b>
Due to credit institutions	374	15
Due to customers	38,129	32,821
Companies	14,114	14,073
Non-profit organisations	2,456	587
Private persons	21,171	17,814
Interest payable	388	347
<b>Subordinated debt</b>	<b>4,000</b>	<b>4,033</b>
<b>Borrowed funds from government and foreign aid</b>	<b>210</b>	<b>166</b>
<b>Tax liabilities</b>	<b>58</b>	<b>87</b>
<b>Other liabilities</b>	<b>394</b>	<b>521</b>
<b>TOTAL LIABILITIES</b>	<b>43,169</b>	<b>37,649</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	12,089	7,049
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	0	-11
Accumulated deficit	-2,245	-1
Profit / loss for the financial year	-1,416	-2,245
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,464</b>	<b>4,829</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>51,633</b>	<b>42,478</b>



## Income Statement

	EUR ths.	EUR ths.	EUR ths.	EUR ths.
	01.01.2012- 30.09.2012	01.07.2012- 30.09.2012	01.01.2011- 30.09.2011	01.07.2011- 30.09.2011
<b>Interest income</b>	<b>1,282</b>	<b>422</b>	<b>1,557</b>	<b>557</b>
From loans	1,134	341	1,425	505
From deposits	31	13	129	51
From debt securities	1	0	3	1
From financial investments	116	68	0	0
<b>Interest expense</b>	<b>574</b>	<b>216</b>	<b>828</b>	<b>266</b>
On demand deposits	6	2	10	2
On time deposits	517	213	673	213
On derivatives	0	0	6	2
From borrowings	50	1	139	49
Other expenses	1	0	0	0
<b>Net interest income</b>	<b>708</b>	<b>206</b>	<b>729</b>	<b>291</b>
<b>Fees and commissions income</b>	<b>72</b>	<b>50</b>	<b>50</b>	<b>19</b>
Account opening and maintenance fees	38	27	13	5
Bank transaction fees	26	19	29	11
Securities' transaction fees	4	2	6	3
Other fees and commissions income	4	2	2	0
<b>Fees and commissions expense</b>	<b>24</b>	<b>9</b>	<b>33</b>	<b>12</b>
Securities' transactions expenses	5	2	4	2
Bank transaction expenses	8	3	11	3
S.W.I.F.T. expenses	11	4	18	7
<b>Net fees and commissions expense</b>	<b>48</b>	<b>41</b>	<b>17</b>	<b>7</b>
<b>Net trading income/expense</b>	<b>50</b>	<b>25</b>	<b>42</b>	<b>17</b>
From foreign exchange	42	17	42	17
From shares and debt securities in trading portfolio	8	8	0	0
<b>Other operation income</b>	<b>82</b>	<b>24</b>	<b>67</b>	<b>22</b>
<b>Other operation expenses</b>	<b>145</b>	<b>41</b>	<b>150</b>	<b>59</b>
Guarantee Fund payments	48	18	52	20
Financial Supervision Authority fees	42	14	41	14
Tallinn Stock Exchange fees	11	0	16	5
Other operating expenses	44	9	41	20
<b>Total income</b>	<b>743</b>	<b>255</b>	<b>705</b>	<b>278</b>
<b>Administrative expenses</b>	<b>1,641</b>	<b>590</b>	<b>1,660</b>	<b>489</b>
Personnel expense, payroll related taxes	1,019	385	991	293
Other administrative expenses	622	205	669	196
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-63</b>	<b>-20</b>	<b>-86</b>	<b>-27</b>
<b>Provisions (+/-)</b>	<b>94</b>	<b>22</b>	<b>0</b>	<b>0</b>
<b>Impairment loss on assets (+/-)</b>	<b>-549</b>	<b>-147</b>	<b>-486</b>	<b>-71</b>
<b>Total operating expenses</b>	<b>2,159</b>	<b>735</b>	<b>2,232</b>	<b>587</b>
<b>Profit / loss before taxation</b>	<b>-1,416</b>	<b>-480</b>	<b>-1,527</b>	<b>-309</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-1,416</b>	<b>-480</b>	<b>-1,527</b>	<b>-309</b>
Basic earnings/loss per share	-4.68 EUR		-8.66 EUR	
Diluted earnings/loss per share	-4.68 EUR		-8.66 EUR	

## Statement of Cash Flows

	EUR ths. <b>01.01.2012 - 30.09.2012</b>	EUR ths. <b>01.01.2011 - 30.09.2011</b>
<b>Cash flows from operating activities</b>	<b>5,492</b>	<b>-11,038</b>
Interests received	1,282	1,557
Interests paid	-574	-828
Fees and commissions received	72	50
Fees and commissions paid	-24	-33
Administrative expenses	-1,641	-1,660
Trading income received	50	42
Other operating income	82	67
Other operating expenses	-145	-150
<b>Change in operating assets and liabilities:</b>		
Change in due from other banks	-1,582	-8,454
Change in due from customers of credit institution	1,570	3,017
Change in due to credit institutions	359	1
Change in due to customers	5,267	-9,884
Change in assets and liabilities connected with other operating activities	776	5,237
<b>Cash flows from investing activities</b>	<b>-4,962</b>	<b>-1,789</b>
Purchase of property and equipment	-12	-31
Purchases of held-to-maturity debt securities	-4,950	0
Purchase of investment properties	0	-2,068
Sale of investment properties	0	310
<b>Cash flows from financing activities</b>	<b>5,084</b>	<b>-2,405</b>
Increase of share capital	5,040	1,600
Decrease of share capital	0	-3,935
Change in interest of subordinated debt	0	50
Other borrowings received	128	0
Borrowings repaid	-84	-120
<b>Total cash flows</b>	<b>5,614</b>	<b>-15,232</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>13,574</b>	<b>17,299</b>
<b>Net change in cash and cash equivalents</b>	<b>5,614</b>	<b>-15,232</b>
<b>Cash and cash equivalents at the end of the year *</b>	<b>19,188</b>	<b>2,067</b>

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

	EUR ths. <b>30.09.2012</b>	EUR ths. <b>30.09.2011</b>
Cash	132	169
Mandatory reserve and deposits with the Bank of Estonia	4,593	-62
Deposits with credit institutions with maturity up to 3 months	14,463	1,960
<b>Total</b>	<b>19,188</b>	<b>2,067</b>

## Statement of Changes in Equity

	EUR ths.	EUR ths.
	<b>01.01.2012 - 30.09.2012</b>	<b>01.01.2011 - 30.09.2011</b>
<b>Share capital</b>		
Balance at the beginning of period	7,049	9,384
Share capital reduction to cover losses	0	-3,935
Share capital increase	5,040	1,600
<b>Balance at the end of period</b>	<b>12,089</b>	<b>7,049</b>
	0	
<b>Statutory legal reserve</b>		
Balance at the beginning of period	36	36
<b>Balance at the end of period</b>	<b>36</b>	<b>36</b>
<b>Fair value reserve of available-for-sale financial assets</b>		
Balance at the beginning of period	-11	-12
Change in fair value reserve	11	-60
<b>Balance at the end of period</b>	<b>0</b>	<b>-72</b>
<b>Accumulated deficit</b>		
Balance at the beginning of period	-2,245	-3,935
Share capital reduction to cover losses	0	3,935
Comprehensive loss for the period	-1,416	-1,527
<b>Balance at the end of period</b>	<b>-3,661</b>	<b>-1,527</b>
<b>Total shareholders' equity:</b>		
<b>at the beginning of period</b>	<b>4,829</b>	<b>5,472</b>
<b>at the end of period</b>	<b>8,464</b>	<b>5,486</b>

## Contingent Claims and Liabilities

	<b>30.09.2012</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>11,618</b>	<b>12,597</b>
Unused loan limits	0	1,009
Currency forward transactions	11,618	11,588

  

	<b>30.09.2011</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>5,515</b>	<b>6,095</b>
Unused loan limits	0	593
Hybrid swaps	539	539
Currency forward transactions	4,976	4,963

## Currency Risk

	<b>30.09.2012</b>				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	45,016	37,217	1,881	2,076	7,604

  

	<b>30.09.2011</b>				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	42,669	38,280	2,575	4,059	4,905

## Risk Concentration

	<b>30.09.2012</b>		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	14		
Due from customers with high risk concentration		22,741	183.88%
Due from persons related with credit institution		522	4.22%

  

	<b>30.09.2011</b>		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	16		
Due from customers with high risk concentration		12,096	148.04%
Due from persons related with credit institution		149	1.82%

## Capital Adequacy

	EUR ths.	EUR ths.
	<b>30.09.2012</b>	<b>30.09.2011</b>
Share capital paid-in	12,089	7,049
Other reserves	36	36
Accumulated deficit of the previous years	-2,245	-3
Intangible assets	-96	-111
Net loss of the period	-1,416	-1,527
<b>Total tier 1 own funds</b>	<b>8,368</b>	<b>5,444</b>
Subordinated debt	4,000	4,000
Tier 2 own funds, which exceed the limits	0	-1,276
<b>Second level equity</b>	<b>4,000</b>	<b>2,874</b>
Minimum own funds	12,368	8,171
Tier 1 own funds after deductions	8,368	5,447
Tier 2 own funds after deductions	4,000	2,724
<b>Own funds for capital adequacy calculations</b>	<b>12,368</b>	<b>8,171</b>
Central governments and central banks under standard method	47	0
Credit institutions and investment companies under standard method	516	210
Companies under standard method	422	15
Mass claims under standard method	862	1,229
Claims backed by mortgages under standard method	116	191
Overdue claims under standard method	720	948
Other assets under standard method	485	462
<b>Total capital requirement for credit risk and counterparty credit risk</b>	<b>3,168</b>	<b>3,054</b>
Operational risk base method	296	389
<b>Total capital requirement for operational risk</b>	<b>296</b>	<b>389</b>
<b>Capital requirements for adequacy calculations</b>	<b>3,464</b>	<b>3,443</b>
<b>Capital adequacy</b>	<b>35.70%</b>	<b>23.73%</b>

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.