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Versobank AS  
Public Interim Report II Quarter 2017

## TABLE OF CONTENTS

- 3 Summary Information
- 4 Declaration Of The Management Board
- 5 Management Report
  - 5 Description Of The Credit Institution And Its Management Bodies
  - 5 Major Economic Events
  - 6 Ratings
  - 6 Legal Disputes
  - 7 Ratios
- 8 Financial Statements
  - 8 Statement of Financial Position
  - 9 Income Statement
  - 11 Statement of Cash Flows
  - 12 Statement of Changes in Equity
  - 12 Contingent Claims and Liabilities
  - 13 Currency Position
  - 14 Risk Concentration
  - 15 Capital Adequacy
  - 17 Financial Assets and Liabilities by Remaining Maturities
  - 18 Geographical Concentration of Financial Assets
  - 20 Concentration of Financial Assets by Economic Sector

## SUMMARY INFORMATION

### General Data of Credit Institution

Business name	Versobank AS
Location and address	Hallivanamehe 4, 11317 Tallinn, Estonia
Registered in state	Republic of Estonia
Registration date	14.10.1999
Registry code	10586461 (Estonian Commercial Register)
Legal Entity Identifier	549300S6Q5X9GKYK5R57 (LEI-code)
VAT registration number	EE100684313
Phone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T.'s BIC code	SBMBEE22
E-mail	info@versobank.com
Internet home page	http://www.versobank.com

### Auditor

Auditor's business name	AS PricewaterhouseCoopers
Auditor's registry code	10142876
Auditor's location and address	Pärnu mnt. 15, 10141 Tallinn, Estonia

Report balance sheet date	30.06.2017
Report period	01.01.2017 – 30.06.2017
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

Public Interim Report II Quarter 2017 of Versobank AS is unaudited.

Only the credit institution data and figures are disclosed in the report.

	EUR ths
Total assets	233,715
Net loss	-221
Return on equity (ROE)	-2.36%
Asset utilisation (AU)	4.43%
Loan loss provisions	-194
Net own funds	26,323
Capital adequacy	25.70%

"Public Interim Report II Quarter 2017" of Versobank AS is available in the office of Versobank AS in Tallinn, Hallivanamehe 4 and on the Bank's internet web page [www.versobank.com](http://www.versobank.com) from 31.08.2017.

## 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, 24.08.2017

**Aivo Adamson**

Chairman of the Management Board  
24.08.2017

**Margus Normak**

Member of the Management Board  
24.08.2017

**Mark Agranovski**

Member of the Management Board  
24.08.2017

**Artur Yermolayev**

Member of the Management Board  
24.08.2017

# MANAGEMENT REPORT

## Description of the Credit Institution and its Management Bodies

Founded in 1999, Versobank AS is a credit institution registered and operating in Estonia. Versobank AS (hereinafter: the Bank) holds an activity license issued by Bank of Estonia, enabling the Bank to conduct all banking operations. The Bank has the status of an account operator with the Estonian Central Register of Securities, is a member of S.W.I.F.T. and a full member of Visa Europe. The Bank has joined the SEPA (Single Euro Payments Area) systems and the cross-border settlement system TARGET2-Estonia as an indirect member. Versobank AS has been a member of the Estonian Banking Association since March 2014.

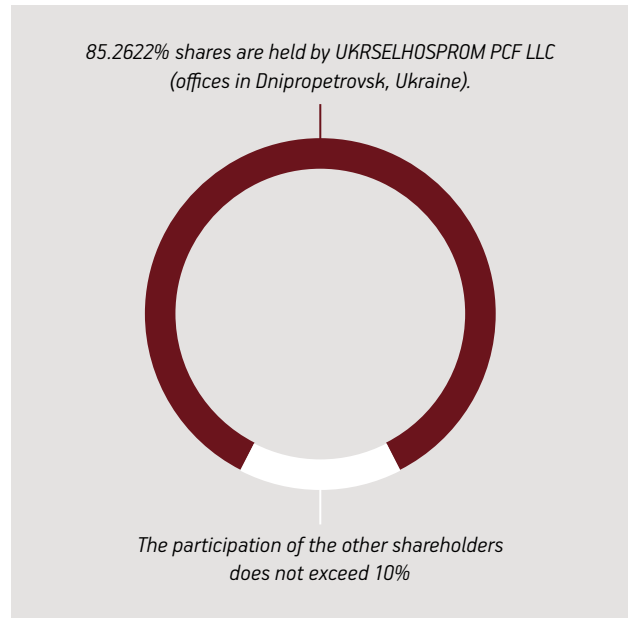
As at 30 June 2017 and date of preparation of this report, the shareholder with a holding over 10% in Versobank AS is UKRSELHOSPROM PCF LLC (offices in Dnipropetrovsk, Ukraine), with ownership of 85.26% of shares.

The Bank's Supervisory Board included six members as at the date of the report date and as at the date of the preparation of the report. The Members of the Supervisory Board are Mr Vadym Iermolaiev, Mr Stanislav Vilenskyy, Mr Ahmet Tayakisi, Mr Dmitry Dragun, Mr Maxime Malaure and Mr Urmas Kaarlep.

The Bank's Management Board included four members as at the date of report and as at the date of the preparation of the report. The Chairman of the Management Board is Mr Aivo Adamson, and its Members include Mr Margus Normak, Mr Mark Agranovski and Mr Artur Yermolayev. Artur Yermolayev has a 4.9% shareholding in the Bank, other members of the Management board do not hold neither shareholdings nor share options in the Bank.

## Major Economic Events

The performance of the Bank in II quarter 2017 was better than forecasted. Long-term capital base and financing have improved significantly. The Bank has started a co-operation with Savedo GmbH, a German fintech firm, for providing better conditions for German and Austrian private clients in bank deposits. An agree-



ment has been reached to the Latvian financial supervision authority (FKTK) whereby the Bank took back the claim against FKTK and FKTK drop their demands against the Bank. The Bank may now provide services in Latvia in accordance to the legislation. Since 1st of July, the Bank has a new Chairman of the Board, Mr. Aivo Adamson, who has a long-term banking and management experience and whose first priority is to renew the strategy of the Bank, refresh the management team and to start implementing the new strategy.

During the I and II quarters of the year, the client portfolio and the transactions related to that have been reviewed by the management. As a consequence, there have been several changes in the income and cost structure of the Bank.

The planned decrease of the commission fees has been partly balanced out by the increase of interest income. The bond portfolios were increased significantly in the 2nd quarter. But there is still a room for improvements in capital management.

The amount of deposits increased by 28.7% in 2nd quarter. Clients deposits with the Bank totalled 182.8 million euros as of 30.06.2017 (31.12.2016: 157.3 mil-

lion euros). The main growth came through Savedo GmbH from Germany and Austria.

Total assets of the Bank have increased by 24.0% in 2nd quarter, reaching 233.7 million euros as of 30.06.2017 (31.12.2016: 200.3 million euros).

The Bank is very liquid. The deposits to loan ratio is 3.8 times as of 30.06.2017 (31.12.2016: 3.6 times).

Gross loan portfolio (excluding deposits with financial institutions) amounted 47.9 million euros at the end of the reporting period (31.12.2016: 43.4 million euros), has increased by 3.9% in 2nd quarter and constituted 20.5% of total assets as of 31.03.2017 (31.12.2016: 21.7%). A goal of better asset management in mind, the management of the Bank envisages further increase of the loan portfolio, keeping the quality on par of the present portfolio.

Quality of the loan portfolio is very good, level of the provisions accounted for 0.40% of the portfolio (31.12.2016: 0,56%). The share of non-performing loans, with 90 days past due, constitutes 0.5% of the gross loan portfolio.

Net profit amounted to 2 thousands euros in 2nd quarter of 2017 (1,06 million euros in 2Q 2016). Net interest income of the reporting period was 0.51 million euros (0.38 million in 2Q 2016). Net fees and commissions income totaled 0.66 million euros (1.26 million euros in 2Q 2016). 0.43 million euros were earned on foreign exchange transactions (0.78 million euros in 2Q 2016). Total operating income from banking activities (excluding loan provisions) comprised of 1.55million euros compared to 2.40 million euros in 2Q 2016. Administrative expenses in 2nd quarter 2017 and 2016 were 1.46 million euros and 1.90 million euros respectively.

The Bank's equity totaled 18.64 million euros as of 30.06.2017 and the regulatory capital adequacy was 25,70% (31.12.2016: 18.75 million euros and 38.36% respectively).

Bank has representative offices in Dnepropetrovsk and Kiev, Ukraine and Limassol, Cyprus. Bank has opened several new correspondent accounts and added new foreign currencies to the list of accepted currencies. In order to improve customer service and liquidity management, the Bank continues to pay attention to widening of the network of correspondent banks. Bank is a member of Visa Europe and issuing VISA Classic, Gold, Platinum and Business banking cards since 2014. Bank has joined with MasterCard system and has developed the technical and legal readiness to provide Acquiring service.

## Ratings

Versobank AS has not been rated by international rating agencies.

## Legal Disputes

There are several court proceedings against the legal and natural persons who have not fulfilled their obligations towards the. Bankruptcy proceedings are also taking place against obligors as well as guarantors and execution proceedings are taking place against private person debtors.

There are no cases pending in courts or arbitration bodies that might cause a significant damage to the Bank.

<b>Ratios</b>		<b>01.01.2017- 30.06.2017</b>	<b>01.01.2016- 30.06.2016</b>
Return on equity	ROE	-2.36%	20.96%
Equity multiplier	EM	11.61	17.04
Profit margin	PM	-4.60%	29.68%
Asset utilisation	AU	4.43%	4.15%
Return on assets	ROA	-0.20%	1.23%
Net interest margin	NIM	0.86%	0.56%
Basic earnings per share	Basic EPS	-0.02	0.16
Diluted earnings per share	Diluted EPS	-0.02	0.16
Spread	SPREAD	0.73%	0.53%
Yield on interest-earning assets	YIEA	1.48%	0.86%
Cost of interest-bearing liabilities	COL	0.75%	0.34%

### Explanations to ratios

ROE	Net profit (loss) / Average equity * 100
Average equity	(Equity of current period year + Equity of previous period end) / 2
EM	Average assets / Average equity
Average assets	(Assets of current period end + Assets of previous period end) / 2
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 (YIEA) - Cost of interest bearing liabilities (COL)
YIEA	Interest income / Average interest earning assets * 100
COL	Interest expense / Average interest bearing liabilities * 100

#### Total income:

- Interest income
- Fee and commission income
- Income from foreign exchange
- Income from dividends
- Income from financial investments
- Other income

#### Interest earning assets:

- Balances with central bank
  - Due from other credit institutions
  - Due from customers
- (all without accrued interest)*

#### Interest bearing liabilities:

- Due to credit institutions
  - Due to customers
  - Subordinated debt
  - Borrowed funds from government and foreign aid
- (all without accrued interest)*

# FINANCIAL STATEMENTS

## Statement of Financial Position

	30.06.2017 (EUR ths.)	31.12.2016 (EUR ths.)
<b>ASSETS</b>		
<b>Cash</b>	<b>152</b>	<b>147</b>
<b>Loans and advances</b>	<b>183,143</b>	<b>154,704</b>
Balances with central bank	68,889	62,668
Due from other credit institutions	65,428	47,815
Due from customers	48,826	44,221
o/w allowance (-)	-194	-243
o/w interest	252	234
<b>Financial assets held for trading</b>	<b>79</b>	<b>397</b>
<b>Available-for-sale financial assets</b>	<b>31,203</b>	<b>42,103</b>
<b>Held-to-maturity investments</b>	<b>11,791</b>	<b>0</b>
<b>Property and equipment</b>	<b>847</b>	<b>947</b>
<b>Investment properties</b>	<b>321</b>	<b>515</b>
<b>Intangible assets</b>	<b>169</b>	<b>193</b>
<b>Other financial assets</b>	<b>5,526</b>	<b>909</b>
<b>Other assets</b>	<b>484</b>	<b>416</b>
<b>TOTAL ASSETS</b>	<b>233,715</b>	<b>200,331</b>
<b>LIABILITIES</b>		
<b>Financial liabilities held for trading</b>	<b>36</b>	<b>399</b>
<b>Financial liabilities measured at amortised cost</b>	<b>189,498</b>	<b>159,111</b>
Due to central bank	5,210	0
Deposits to credit institutions	1,433	1,796
Other deposits	182,855	157,315
Financial institutions	20,862	12,035
Companies	88,517	112,721
Non-profit organisations	592	602
Private persons	72,506	31,684
Interest payable	378	273
<b>Subordinated debts evidenced by certificates</b>	<b>5,205</b>	<b>5,000</b>
<b>Subordinated debt</b>	<b>2,851</b>	<b>2,785</b>
<b>Borrowed funds from government and foreign aid</b>	<b>423</b>	<b>183</b>
<b>Other financial liabilities</b>	<b>16,790</b>	<b>13,628</b>
<b>Other liabilities</b>	<b>271</b>	<b>472</b>
<b>TOTAL LIABILITIES</b>	<b>215,074</b>	<b>181,578</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,089	14,089
Other equity instruments	1,149	1,215
Statutory reserve capital	500	436
Fair value reserve of available-for-sale financial assets	-113	-222
Retained earnings	3,016	3,235
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,641</b>	<b>18,753</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>233,715</b>	<b>200,331</b>



## Income Statement

	01.01.2017- 30.06.2017 (EUR ths.)	01.04.2017- 30.06.2017 (EUR ths.)	01.01.2016- 30.06.2016 (EUR ths.)	01.04.2016- 30.06.2016 (EUR ths.)
<b>Interest income</b>	<b>1,601</b>	<b>875</b>	<b>1,303</b>	<b>620</b>
From loans	1,171	606	828	397
From available-for-sale financial assets	239	134	274	139
From deposits	124	68	201	84
From held-to-maturity investments	67	67	0	0
<b>Interest expense</b>	<b>673</b>	<b>368</b>	<b>462</b>	<b>239</b>
From time deposits	293	174	189	99
Interest expense from subordinated debt evidenced by certificates	205	103	206	103
From demand deposits	93	49	52	25
Interest expense from subordinated debt	66	33	0	0
From borrowings	1	1	1	0
Other interest expenses	15	8	14	12
<b>Net interest income</b>	<b>928</b>	<b>507</b>	<b>841</b>	<b>381</b>
<b>Fee and commission income</b>	<b>2,309</b>	<b>1,267</b>	<b>3,481</b>	<b>1,788</b>
Bank transaction fees	909	437	2,385	1,180
Account opening and maintenance fees	802	440	625	305
Fees from bank cards	206	115	203	104
Acquiring fee income	296	221	0	0
Securities' transaction fees	39	21	141	133
Letters of credit fees	12	7	26	18
Fiduciary deposit fees	0	0	37	16
Other fees and commissions income	45	26	64	32
<b>Fee and commission expense</b>	<b>1,117</b>	<b>610</b>	<b>942</b>	<b>525</b>
Bank transaction expenses	363	176	354	180
Expense from issuing bank cards	113	-20	200	129
Acquiring fee expenses	400	344	0	
S.W.I.F.T. expenses	79	39	69	47
Securities' transactions expenses	51	25	31	18
Other fees and commissions expense	111	46	288	151
<b>Net fee and commission income</b>	<b>1,192</b>	<b>657</b>	<b>2,539</b>	<b>1,263</b>
<b>Net trading gains</b>	<b>843</b>	<b>416</b>	<b>1,403</b>	<b>777</b>
From foreign exchange	810	428	1,401	776
From shares and debt securities in trading portfolio	33	-12	2	1
<b>Other operation income</b>	<b>17</b>	<b>10</b>	<b>65</b>	<b>52</b>
<b>Other operation expenses</b>	<b>101</b>	<b>41</b>	<b>115</b>	<b>73</b>
Financial Supervision Authority fees	51	26	49	24
Guarantee Fund payments	8	7	15	15
Other operating expenses	42	8	51	34
<b>Total income</b>	<b>2,879</b>	<b>1,549</b>	<b>4,733</b>	<b>2,400</b>

	01.01.2017- 30.06.2017 (EUR ths.)	01.04.2017- 30.06.2017 (EUR ths.)	01.01.2016- 30.06.2016 (EUR ths.)	01.04.2016- 30.06.2016 (EUR ths.)
<b>Administrative expenses</b>	2,987	1,457	3,426	1,902
Personnel expense, payroll related taxes	2,091	1,014	2,141	1,031
Other administrative expense	896	443	1,285	871
<b>Depreciation and amortisation of tangible and intangible assets</b>	-153	-76	-87	-50
<b>Impairment loss on assets</b>	40	-18	660	610
<b>Total operating expenses</b>	3,100	1,551	2,853	1,342
<b>Profit before taxation</b>	-221	-2	1,880	1,058
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	-221	-2	1,880	1,058

## Statement of comprehensive income

	01.01.2017- 30.06.2017 (EUR ths.)	01.04.2017- 30.06.2017 (EUR ths.)	01.01.2016- 30.06.2016 (EUR ths.)	01.04.2016- 30.06.2016 (EUR ths.)
<b>Net profit/loss for the period</b>	-221	-2	1,880	1,058
Other comprehensive income/expense				
Items that may be reclassified to profit or loss :				
Net change in revaluation reserve of available-for-sales financial assets	109	-83	376	234
<b>COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD</b>	-112	-85	2,256	1,292
Basic and diluted earnings/loss per share	-0.02 EUR		0.16 EUR	

**Statement of Cash Flows**

	01.01.2017- 30.06.2017 (EUR ths.)	01.01.2016- 30.06.2016 (EUR ths.)
<b>Cash flows from operating activities</b>	<b>21,312</b>	<b>-101,938</b>
Interests received	1,500	1,347
Interests paid	-778	-311
Fees and commissions received	2,346	3,435
Fees and commissions paid	-1,117	-942
Administrative expenses	-3,305	-3,524
Trading income received	843	1,403
Other operating income	20	784
Other operating expenses	-101	-115
<b>Change in operating assets and liabilities:</b>		
Mandatory reserve in central bank	412	659
Loan and advances to customers	-5,537	-6,421
Due to credit institutions	-363	1,367
Due to customers	25,435	-107,186
Other assets and liabilities of operating activities	1,957	7,566
<b>Cash flows from investing activities</b>	<b>-3,511</b>	<b>12,630</b>
Payments for property, plant and equipment	-31	-532
Proceeds from sale of investment properties	193	293
Payments for available-for-sale financial assets	-44,599	-55,058
Proceeds from sale of available-for-sale financial assets	52,293	67,927
Payments for held-to-maturity investments	-11,367	0
<b>Cash flows from financing activities</b>	<b>5,450</b>	<b>-55</b>
Other borrowings received	5,520	0
Borrowings repaid	-70	-55
<b>Total cash flows</b>	<b>23,251</b>	<b>-89,363</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>108,972</b>	<b>256,957</b>
<b>Net change in cash and cash equivalents</b>	<b>23,251</b>	<b>-89,363</b>
<b>Cash and cash equivalents at the end of the period *</b>	<b>132,223</b>	<b>167,594</b>
	<b>30.06.2017</b>	<b>30.06.2016</b>
<b>* Cash and cash equivalents at the end of the year comprise:</b>	<b>(EUR ths.)</b>	<b>(EUR ths.)</b>
Cash	152	172
Balances with the central bank without mandatory reserve	67,643	42,374
Deposits with credit institutions with maturity up to 3 months	64,428	125,048
<b>Total</b>	<b>132,223</b>	<b>167,594</b>

## Statement of Changes in Equity

EUR ths.	Share capital	Other equity instruments	Statutory reserve capital	Fair value	Retained earnings	Total equity
				reserv of available-for-sale financial assets		
<b>Balance as at 01.01.2016</b>	<b>14,089</b>	<b>1,366</b>	<b>200</b>	<b>-883</b>	<b>2,069</b>	<b>16,841</b>
Equity component of subordinated debt	0	-63	0	0	0	-63
Transfer to statutory reserve capital	0	236	0	0	-236	0
Other comprehensive income	0	0	0	376	0	376
Profit for the period	0	0	0	0	1,880	1,880
<b>Comprehensive profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>376</b>	<b>1,880</b>	<b>2,256</b>
<b>Balance as at 30.06.2016</b>	<b>14,089</b>	<b>1,303</b>	<b>436</b>	<b>-507</b>	<b>3,713</b>	<b>19,034</b>
<b>Balance as at 01.01.2017</b>	<b>14,089</b>	<b>1,215</b>	<b>436</b>	<b>-222</b>	<b>3,235</b>	<b>18,753</b>
Equity component of subordinated debt	0	-66	0	0	66	0
Transfer to statutory reserve capital	0	0	64	0	-64	0
Other comprehensive income	0	0	0	109	0	109
Loss for the period	0	0	0	0	-221	-221
<b>Comprehensive loss for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>109</b>	<b>-221</b>	<b>-112</b>
<b>Balance as at 30.06.2017</b>	<b>14,089</b>	<b>1,149</b>	<b>500</b>	<b>-113</b>	<b>3,016</b>	<b>18,641</b>

## Contingent Claims and Liabilities

30.06.2017

EUR ths.	Contract amount		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
<b>Irrevocable transactions</b>	<b>46,306</b>	<b>53,917</b>	<b>79</b>	<b>36</b>
Guarantees and similar irrevocable transactions	0	54	0	0
Unused loan limits	0	7,590	0	0
Currency forward transactions	46,306	43,273	79	36

31.12.2016

EUR ths.	Contract amount		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
<b>Irrevocable transactions</b>	<b>90,651</b>	<b>101,476</b>	<b>397</b>	<b>399</b>
Guarantees and similar irrevocable transactions	0	356	0	0
Unused loan limits	0	10,460	0	0
Currency forward transactions	90,651	90,660	397	399

## Currency Position

30.06.2017, (EUR ths.)	EUR	USD	GBP	RUB	CHF	Other currencies	TOTAL
<b>ASSETS</b>							
Cash and balances with central bank	69,031	10	0	0	0	0	69,041
Due from credit institutions	22,180	36,330	5,131	1,007	175	605	65,428
Due from customers	40,785	8,041	0	0	0	0	48,826
Financial assets held for trading	0	10	0	0	0	0	10
Available-for-sale financial assets	10,731	20,472	0	0	0	0	31,203
Held-to-maturity investments	8,699	3,092	0	0	0	0	11,791
Other financial assets	644	4,513	369	0	0	0	5,526
<b>TOTAL ASSETS</b>	<b>152,070</b>	<b>72,468</b>	<b>5,500</b>	<b>1,007</b>	<b>175</b>	<b>605</b>	<b>231,825</b>
<b>LIABILITES</b>							
Due to central bank	5,210	0	0	0	0	0	5,210
Due to credit institutions	836	597	0	0	0	0	1,433
Due to customers	114,740	60,521	4,820	2,256	197	321	182,855
Subordinated debts evidenced by certificates	5,000	0	0	0	0	0	5,000
Subordinated debt	4,000	0	0	0	0	0	4,000
Borrowed funds from government and foreign aid	423	0	0	0	0	0	423
Other financial liabilities	4,513	11,471	747	10	4	45	16,790
<b>TOTAL LIABILITIES</b>	<b>134,722</b>	<b>72,589</b>	<b>5,567</b>	<b>2,266</b>	<b>201</b>	<b>366</b>	<b>215,711</b>
Net on-balance sheet position	17,348	-121	-67	-1,259	-26	239	16,114
FX derivatives (notionals, due from)	17,673	22,787	951	2,008	1,419	1,468	46,306
FX derivatives (notionals, due to)	18,936	22,757	905	751	1,395	1,529	46,273
<b>Open foreign currency position</b>	<b>16,085</b>	<b>-91</b>	<b>-21</b>	<b>-2</b>	<b>-2</b>	<b>178</b>	<b>16,147</b>

31.12.2016, (EUR ths.)	EUR	USD	GBP	RUB	CHF	Other currencies	TOTAL
<b>ASSETS</b>							
Cash and balances with central bank	62,806	9	0	0	0	0	62,815
Due from credit institutions	5,311	36,905	2,683	2,086	176	654	47,815
Due from customers	38,687	5,534	0	0	0	0	44,221
Financial assets held for trading	0	7	0	0	0	0	7
Available-for-sale financial assets	1,154	40,949	0	0	0	0	42,103
Other financial assets	629	280	3	0	0	0	909
<b>TOTAL ASSETS</b>	<b>108,587</b>	<b>83,684</b>	<b>2,683</b>	<b>2,086</b>	<b>176</b>	<b>654</b>	<b>197,870</b>
<b>LIABILITES</b>							
Due to credit institutions	118	1,678	0	0	0	0	1,796
Due to customers	71,321	80,856	2,006	2,394	173	565	157,315
Subordinated debts evidenced by certificates	5,000	0	0	0	0	0	5,000
Subordinated debt	4,000	0	0	0	0	0	4,000
Borrowed funds from government and foreign aid	183	0	0	0	0	0	183
Other financial liabilities	6,670	5,523	667	661	0	107	13,628
<b>TOTAL LIABILITIES</b>	<b>87,292</b>	<b>88,057</b>	<b>2,673</b>	<b>3,055</b>	<b>173</b>	<b>672</b>	<b>181,922</b>
Net on-balance sheet position	21,295	-4,373	10	-696	3	-18	15,948
FX derivatives (notionals, due from)	20,879	47,214	17,171	5,081	0	306	90,651
FX derivatives (notionals, due to)	26,030	43,051	17,191	4,108	0	280	90,660
<b>Open foreign currency position</b>	<b>16,144</b>	<b>-210</b>	<b>-10</b>	<b>4</b>	<b>3</b>	<b>8</b>	<b>15,939</b>

## Risk Concentration

	30.06.2017			31.12.2016		
	no.	EUR ths.	% of net own funds	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	7			8		
Due from customers with large exposures		57,427	218,16%		45,310	181.72%
Due from management board members and related persons		13	0.01%		16	0.06%
Own funds included in calculation of capital adequacy		26,323			25,069	

## Capital Adequacy

CAPITAL BASE (EUR ths.)	30.06.2017	31.12.2016
<b>OWN FUNDS</b>	<b>26,323</b>	<b>25,069</b>
<b>TIER 1 CAPITAL</b>	<b>22,323</b>	<b>21,069</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>17,323</b>	<b>16,069</b>
Capital instruments eligible as CET1 Capital	14,089	14,089
Paid up share capital	14,089	14,089
Retained earnings	3,016	1,959
Statutory reserve capital transferred from net profit	500	436
(-) Intangible assets	-169	-193
Other reserves	-113	-222
<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>5,000</b>	<b>5,000</b>
Capital instruments eligible as AT1 Capital	5,000	5,000
Subordinated debts evidenced by certificates	5,000	5,000
<b>Tier 2 capital</b>	<b>4,000</b>	<b>4,000</b>
Capital instruments and subordinated loans eligible as T2 Capital	4,000	4,000
Subordinated debt*	4,000	4,000

\* Tier 2 subordinated debt is disclosed in nominal amount of 4,000 thousand euros.

RISK WEIGHTED ASSETS (RWA)	30.06.2017 (EUR ths.)	Capital requirements (8%)	31.12.2016 (EUR ths.)	Capital requirements (8%)
<b>TOTAL RISK EXPOSURE AMOUNT</b>	<b>102,461</b>	<b>8,197</b>	<b>65,352</b>	<b>5,228</b>
<b>RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES</b>	<b>66,730</b>	<b>5,338</b>	<b>46,526</b>	<b>3,722</b>
<b>Standardised approach (SA)</b>	<b>66,730</b>	<b>5,338</b>	<b>46,526</b>	<b>3,722</b>
SA exposure classes excluding securitisation positions	66,730	5,338	46,526	3,722
Institutions	3,773	302	625	50
Corporates *	22,271	1,782	14,317	1,145
Retail	5,710	457	4,749	380
Secured by mortgages on immovable property	4,593	367	4,765	381
Exposures in default	601	48	1,077	86
Claims on institutions and corporates with a short-term credit assessment	20,811	1,665	16,047	1,284
Other items	8,971	718	4,946	396
<b>TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS</b>	<b>19,671</b>	<b>1,574</b>	<b>5,853</b>	<b>468</b>
<b>Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)</b>	<b>19,671</b>	<b>1,574</b>	<b>5,853</b>	<b>468</b>
Traded debt instruments	16,652	1,572	5,838	467
Equity	19	2	15	1
<b>TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)</b>	<b>16,060</b>	<b>1,285</b>	<b>12,973</b>	<b>1,038</b>
<b>OpR Basic indicator approach (BIA)</b>	<b>16,060</b>	<b>1,285</b>	<b>12,973</b>	<b>1,038</b>

\* including credit institutions treated as corporations

Capital ratios	30.06.2017	31.12.2016
CET1 capital ratio (%)	16.91%	24.59%
Tier1 capital ratio (%)	21.79%	32.24%
Total capital ratio (%)	25.70%	38.36%

Capital adequacy is calculated according with the European Parliament and Council Regulation (EU) no 575/2013, which came into force 01.01.2014. Minimum capital adequacy ratio is 8%.



## Financial Assets and Liabilities by Remaining Maturities

Assets, liabilities EUR ths., as of 30.06.2017	On demand	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Assets of the Bank</b>	<b>115,376</b>	<b>38,100</b>	<b>13,034</b>	<b>8,690</b>	<b>21,701</b>	<b>34,993</b>	<b>231,894</b>
Cash and balances with central bank and due from credit institutions	109,253	24,216	1,000	0	0	0	134,469
Due from customers	1,216	12,923	12,034	6,934	7,005	8,714	48,826
Securities*	272	70	0	1,756	14,696	26,279	43,073
Other financial assets	4,635	891	0	0	0	0	5,526
<b>Liabilities of the Bank</b>	<b>127,389</b>	<b>134</b>	<b>24,092</b>	<b>33,902</b>	<b>23,481</b>	<b>6,713</b>	<b>215,711</b>
Due to central bank	0	0	0	0	5,210	0	5,210
Due to credit institutions	1,433	0	0	0	0	0	1,433
Due to customers	109,300	0	23,968	33,793	13,081	2,713	182,855
Subordinated debts evidenced by certificates	0	0	0	0	5,000	0	5,000
Subordinated debt	0	0	0	0	0	4,000	4,000
Borrowed funds from government and foreign aid	0	0	124	109	190	0	423
Other financial liabilities	16,656	134	0	0	0	0	16,790
<b>Net</b>	<b>-12,013</b>	<b>37,966</b>	<b>-11,058</b>	<b>-25,212</b>	<b>-1,780</b>	<b>28,280</b>	<b>16,183</b>
<b>Contingent:</b>							
<b>assets</b>	<b>0</b>	<b>46,306</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46,306</b>
<b>liabilities</b>	<b>7,590</b>	<b>46,273</b>	<b>35</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>53,917</b>

Assets, liabilities EUR ths., as of 31.12.2016	On demand	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Assets of the Bank</b>	<b>100,688</b>	<b>20,474</b>	<b>13,432</b>	<b>7,258</b>	<b>27,893</b>	<b>28,515</b>	<b>198,260</b>
Cash and balances with central bank and due from credit institutions	98,898	11,732	0	0	0	0	110,630
Due from customers	1,516	7,448	13,432	4,493	5,632	11,700	44,221
Securities*	262	397	0	2,765	22,261	16,815	42,500
Other financial assets	12	897	0	0	0	0	909
<b>Liabilities of the Bank</b>	<b>140,242</b>	<b>8,447</b>	<b>18,364</b>	<b>3,792</b>	<b>7,077</b>	<b>4,000</b>	<b>181,922</b>
Due to credit institutions	1,796	0	0	0	0	0	1,796
Due to customers	124,980	8,215	18,364	3,699	2,057	0	157,315
Subordinated debts evidenced by certificates	0	0	0	0	5,000	0	5,000
Subordinated debt	0	0	0	0	0	4,000	4,000
Borrowed funds from government and foreign aid	0	70	0	93	20	0	183
Other financial liabilities	13,466	162	0	0	0	0	13,628
<b>Net</b>	<b>-39,554</b>	<b>12,027</b>	<b>-4,932</b>	<b>3,466</b>	<b>20,816</b>	<b>24,515</b>	<b>16,338</b>
<b>Contingent:</b>							
<b>assets</b>	<b>0</b>	<b>90,651</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,651</b>
<b>liabilities</b>	<b>10,460</b>	<b>90,961</b>	<b>35</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>101,476</b>

\* Comprises financial assets held for trading and available-for-sale financial assets.

## Geographical Concentration of Financial Assets

Area	Balance sheet claims, EUR ths., as of 30.06.2017				by area (%)
	Cash, balances with central bank, loans and advances to credit institutions	Loans and advances to customers.	incl. overdue and doubtful claims	securities *	
Estonia	72,888	33,509	666	18	47.01%
Germany	16,415	173	0	5,388	9.71%
Austria	12,300	0	0	1,745	6.20%
Belgium	10,903	0	0	262	4.93%
British Virgin Islands	0	8,972	0	240	4.07%
France	4,394	0	0	4,226	3.81%
Switzerland	8,087	0	0	0	3.57%
Latvia	914	3,972	0	0	2.16%
Mexico	0	0	0	4,453	1.97%
United States of America	0	0	0	3,896	1.72%
Russia	3,462	0	0	1	1.53%
United Kingdom	0	930	0	2,420	1.48%
Netherlands	0	0	0	3,312	1.46%
South-Korea	0	0	0	3,071	1.36%
Romania	0	0	0	2,144	0.95%
Spain	0	0	0	2,046	0.90%
Turkmenistan	1,948	0	0	0	0.86%
Slovenia	0	0	0	1,813	0.80%
China	1,556	0	0	0	0.69%
Portugal	0	0	0	1,441	0.64%
Cayman Islands	0	0	0	1,347	0.60%
Australia	0	0	0	1,142	0.50%
Ukraine	69	1,030	0	0	0.49%
Georgia	1,097	0	0	0	0.48%
Bulgaria	0	0	0	1,036	0.46%
Croatia	0	0	0	1,022	0.45%
Philippines***	0	0	0	894	0.39%
United Arab Emirates	0	0	0	715	0.32%
Japan	232	0	0	441	0.30%
Poland	0	205	0	0	0.09%
Italy	204	0	0	0	0.09%
Finland	0	35	0	0	0.02%
<b>Total</b>	<b>134,469</b>	<b>48,826</b>	<b>666</b>	<b>43,073</b>	<b>100.00%</b>

\*\*\* Bonds of Asian Development Bank

Area	Balance sheet claims, EUR ths., as of 31.12.2016				by area (%)
	Cash, balances with central bank, loans and advances to credit institutions	Loans and advances to customers.	incl. overdue and doubtful claims	securities *	
Estonia	73,631	32,590	2,609	339	54.00%
Belgium	12,534	0	0	60	6.38%
Switzerland	10,605	0	0	0	5.37%
Germany	62	0	0	8,969	4.58%
France	2,299	0	0	4,810	3.60%
United Kingdom	0	1,234	0	5,690	3.51%
British Virgin Islands	0	6,165	0	280	3.27%
Luxembourg	0	0	0	5,035	2.55%
Austria	5,034	0	0	0	2.55%
United States of America	0	0	0	4,277	2.17%
Latvia	432	3,104	0	0	1.79%
Russia	3,463	0	0	0	1.75%
Denmark	35	0	0	2,852	1.46%
Ivory Coast**	0	0	0	1,904	0.96%
Canada	0	0	0	1,541	0.78%
Philippines***	0	0	0	1,428	0.72%
China	1,369	0	0	0	0.69%
Turkey	0	0	0	1,284	0.65%
Israel	0	1,091	0	0	0.55%
Finland	0	37	0	961	0.51%
Qatar	0	0	0	963	0.49%
United Arab Emirates	0	0	0	765	0.39%
South-Korea	0	0	0	681	0.35%
Bermuda	0	0	0	411	0.21%
Czech Republic	347	0	0	0	0.18%
Japan	267	0	0	0	0.14%
Cayman Islands	0	0	0	250	0.13%
Georgia	245	0	0	0	0.12%
Ukraine	188	0	0	0	0.10%
Italy	105	0	0	0	0.05%
Poland	7	0	0	0	0.00%
Norway	7	0	0	0	0.00%
<b>Total</b>	<b>110,630</b>	<b>44,221</b>	<b>2,609</b>	<b>42,500</b>	<b>100.00%</b>

\* Comprises financial assets held for trading and available-for-sale financial assets.

\*\* Bonds of African Development Bank

\*\*\* Bonds of Asian Development Bank

## Concentration of Financial Assets by Economic Sector

Economic sector	Balance sheet claims, EUR ths., as of 30.06.2017			by area (%)
	loans *	incl. overdue and doubtful claims	securities **	
Financial and insurance activities	135,252	0	23,282	70.08%
Real estate activities	16,365	217	0	7.23%
Public administration and defence; compulsory social security	0	0	9,265	4.10%
Professional, scientific and technical activities	9,030	0	0	3.99%
Manufacturing	2,487	125	4,832	3.24%
Construction	7,272	0	0	3.21%
Private persons	4,676	386	0	2.07%
Other service activities	305	0	2,335	1.17%
Extra-territorial organizations and bodies	0	0	2,644	1.17%
Transportation and storage	2,426	0	0	1.07%
Wholesale and retail trade	2,348	0	0	1.04%
Agriculture, forestry and fishing	1,310	132	0	0.58%
Accommodation and food service activities	992	0	0	0.44%
Electricity, gas, steam and air conditioning supply	0	0	715	0.32%
Administrative and support service activities	570	0	0	0.25%
Arts, entertainment and recreation	110	0	0	0.05%
Provisions	0	-194	-	0.00%
<b>Total</b>	<b>183,143</b>	<b>666</b>	<b>43,073</b>	<b>100.00%</b>

\* Includes claims on credit institutions, financial institutions and customers.

\*\* Comprises financial assets held for trading and available-for-sale financial assets.

Economic sector	Balance sheet claims, EUR ths., as of 31.12.2016			by area (%)
	loans *	incl. overdue and doubtful claims	securities **	
Financial and insurance activities	111,717	0	33,746	73.76%
Real estate activities	16,650	1,588	250	8.57%
Professional, scientific and technical activities	6,228	0	0	3.16%
Public administration and defence; compulsory social security	0	0	5,356	2.72%
Private persons	4,652	207	0	2.36%
Construction	4,141	0	0	2.10%
Manufacturing	2,326	127	734	1.55%
Administrative and support service activities	3,025	0	0	1.53%
Other service activities	1,595	0	450	1.04%
Wholesale and retail trade	1,379	0	0	0.70%
Agriculture, forestry and fishing	1,329	687	0	0.67%
Accommodation and food service activities	1,073	0	0	0.54%
Electricity, gas, steam and air conditioning supply	0	0	984	0.50%
Mining and quarrying	0	0	980	0.50%
Human health and social work activities	700	0	0	0.35%
Arts, entertainment and recreation	117	0	0	0.06%
Transportation and storage	15	0	0	0.01%
Provisions	-243	0	0	-0.12%
<b>Total</b>	<b>154,704</b>	<b>2,609</b>	<b>42,500</b>	<b>100.00%</b>

\* Includes claims on credit institutions, financial institutions and customers.

\*\* Comprises financial assets held for trading and available-for-sale financial assets.



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