

Versobank AS  
Public Interim Report IV Quarter 2017

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## 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	<a href="http://www.versobank.com">http://www.versobank.com</a>

### 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	31.12.2017
Report period	01.01.2017 – 31.12.2017
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

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

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

"Public Interim Report IV 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 28.02.2018.

## 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 the information and is meeting the requirements as 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.

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, 28.02.2018

**Aivo Adamson**  
Chairman of the Management Board

**Siiri Heinsaar**  
Member of the Management Board

**Sofia Kirsimaa**  
Member of the Management Board

**Urmas Somelar**  
Member of the Management Board

**Viktoria Vaisma**  
Member of the Management Board

## 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. Versobank AS is listed in the Register of Participants for the SEPA Instant Credit Transfer scheme, went live on 21.11.2017 and is providing its customers with this innovative service. Versobank AS is the first member of FCI – Factor Chain International in Estonia.

As of date of preparation of this report, the only shareholder with a holding of 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 includes six members as of the date of the preparation of this report. The Members of the Supervisory Board are Mr Vadym Iermolaiev, Mr Artur Iermolaiev, Mr Ahmet Tayakisi, Mr Dmitry Dragun, Mr Maxime Malaure and Mr Urmas Kaarlep.

The Bank's Management Board includes five members as of the date of the preparation of the report. The Chairman of the Management Board is Mr Aivo Adamson, and its Members are Mrs Siiri Heinsaar, Mrs Sofia Kirsimaa, Mr Urmas Somelar and Mrs Viktoria Vaisma.

### Operational environment and significant events

The economic environment continued to improve in 2017, and the recovery of the global economy was supported by the growth of trade and investment as well

as industrial production together with improved business and consumer confidence. The euro area economy grew 2.6% in 2017 in Q3 which was the fastest pace over the last six years. However, the European Central Bank is not expected to raise interest rates until next year.

Global growth has given a boost to Estonian economy, which has been gaining the strength throughout 2017. Based on Q3 statistics the growth has reached 4.2% on yearly basis. According to forecasts the economic growth will exceed 4% in 2017, and similar expectations for economic growth are in place for 2018. Drivers of growth are private consumption and investments and the economic cycle has come to a situation where growth is driven by increased demand, rather than by an increase in productive capacity and labour productivity.

Inflation has increased sharply by 3.4% in December 2017, but according to forecasts it will gradually slow down to 2% in the coming year. The slowdown of the inflation rate, combined with real wage growth, will have a positive impact on private consumption. Due to the stronger financial position of Estonian corporates the adaption to this pressures should be successful. External risks are more important than domestic risks, which, due to Estonia's economy openness, can impact economic growth.

The 4th quarter of 2017 has brought significant changes to the management of the Bank as well to the structure of the organization. The Bank has finalised the turnaround action plan and employed additional professionals for implementing the renewed activity plan. We advanced our focus on the Estonian corporate sector, in particular to small and medium-sized entities. Versobank is sharpening its profile as the only bank to operate all over Estonia with an exclusive focus on corporate customers in its lending business.

The Bank's business activities are concentrated on corporates, in particular on small and medium-sized entities. We are offering payment services and lending solutions to those companies and to persons related to them. Considering the competitive situation in the Estonian banking sector and the relatively small size

of the Estonian economy, the Bank has defined as one of its target segment the small and medium-sized corporates with international ownership, located both in Estonia and within European Union. We have also identified partnerships with a variety of regulated FinTech companies from the European Union as part of our future strategy and are excited about the prospects of working together with such an important and dynamic sector of digital economy.

At the end of 2017 the Bank reviewed its customer base with a purpose to focus on customer groups that can apply the required principle: "Know your customers and their partners". As an outcome from portfolio analysis the Bank worked out the customer's profiles for international and Estonian business segment. We are reducing non-strategic assets which are not connected to our target customers group. We made substantial progress towards achieving that goal during the quarter. We are solely targeting corporate customers to focus even more on the most important part of our strategy: assisting our mid-cap clients with loans, risk management, capital market and advisory services.

## Financial results

The Bank's Q4 2017 profit amounted to 481 thousand EUR (Q3: 39 thousand EUR), which, given the ongoing restructuring effort, was significantly better than expected. We are better utilising our excess liquidity and our bond portfolio (available-for-sale bonds and held-to-maturity) has grown to 132.5 million EUR (as of 30.09.2017: 92.10 million EUR). We have incurred one-off costs of 162.4 thousand EUR linked to restructuring and redundancies.

The volume of customer deposits increased by 14.5% in Q4 compared with the previous quarter. As of 31.12.2017, customers' deposits in the Bank amounted to 177.6 million EUR (30.09.2017: 176.0 million EUR). The deposits with financial institutions amounted to 76.0 million EUR (30.09.2017: 45.5 million EUR).

The Bank's balance sheet volume increased by 11.1% in Q4, reaching to 293.7 million EUR as of

31.12.2017 (30.09.2017: 264.4 million EUR). Majority of the growth is linked to the increased balances with financial institutions.

The gross loan portfolio amounted to 50.2 million EUR as at the end of the reporting period (30.09.2017: 44.4 million EUR), increasing by 13.9% during the quarter and constituting of 17.1% of total assets (30.09.2017: 16.8%). The quality of the loan portfolio remained very good, the provisions amount makes up 0.28% of the volume of portfolio (30.09.2017: 0.41%). The loans overdue more than 90 days amounted to 19 thousand EUR (about 0,038% from gross loan portfolio) as at the end of quarter (Q3: 207 thousand EUR).

The loans to deposit ratio stood at 19% at the end of fourth quarter (30.09.2017: 20%). Our leverage is still low and allows for further growth of the loan portfolio.

The net interest income of the Q4 amounted to 833 thousand EUR (591 thousand EUR in the 3rd quarter). Net fee and commission income was 589 thousand EUR (654 thousand EUR in the 3rd quarter). Currency exchange for customers has generated 338 thousand EUR' profit (360 thousand EUR in the 3rd quarter). In total, net operating income (excluding loan losses) in the fourth quarter amounted to 2,340 thousand EUR, compared to 1,631 thousand EUR in the previous quarter. Administrative expenses amounted to 1 837 thousand EUR (1 518 thousand EUR in the 3rd quarter). Growth of administrative expenses was negatively influenced by restructuring costs.

As of 31.12.2017 the equity of the Bank was 19.4 million EUR and the regulatory capital adequacy ratio was 26.45% (as of 30.09.2017, respectively: 19.02 million EUR and 21.04% respectively).

## Legal Disputes

Bankruptcy and execution proceedings are taking place against certain debtors of the Bank, both legal and private persons

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

**Ratios**

	2017 (EUR th.)	2016 (EUR th.)
Net profit	299	1,276
Average equity	19,068	17,797
Return on equity (ROE), %	1.57%	7.17%
Average assets	247,032	277,152
Return on assets (ROA), %	0.12%	0.46%
Net interest income	2,348	1,503
Average interest earning assets	242,082	273,446
Net interest margin (NIM), %	0.97%	0.55%
Interest income	4,135	2,639
Average interest earning assets	242,082	273,446
Yield on interest earning assets (YIEA), %	1.71%	0.97%
Interest expense	1,787	1,135
Interest bearing liabilities, average	216,145	248,248
Cost of interest bearing liabilities (COL), %	0.83%	0.46%
Spread, %	0.88%	0.51%
Equity multiplier (EM)	12.96	15.57
Profit margin (PM)	2.58%	11.05%
Asset utilisation (AU)	4.69%	4.17%
Basic earnings per share      Basic EPS	0.01	0.05
Diluted earnings per share      Dilute EPS	0.01	0.05

**Explanations to ratios**

Return on equity (ROE)	Net profit (loss) / Average equity * 100
Average equity	(Equity of current year end+ Equity of previous year end)/2
Return on assets (ROA)	Net profit (loss) / Average assets * 100
Average assets	(Assets of current year end + Assets of previous year end)/2
Net interest margin (NIM)	Net interest income / Average interest earning assets * 100
Yield on interest earning assets (YIEA)	Interest income / Average interest earning assets * 100
Cost of interest bearing liabilities (COL)	Interest expense / Average interest bearing liabilities * 100
Spread	Yield on interest earning assets - Cost of interest bearing liabilities = YIEA - COL
Equity multiplier (EM)	Average assets / Average equity
Profit margin (PM)	Net profit (loss) / Total income * 100
Asset utilisation (AU)	Total income / Average assets * 100
Basic EPS	Net profit (loss) / Average number of shares
Diluted EPS	Net profit (loss) / Average number of shares (considering all convertible securities)

**Statement of Financial Position**

	31.12.2017 (EUR th.)	31.12.2016 (EUR th.)
<b>ASSETS</b>		
Cash	163	147
Balances with central bank	83,818	62,668
Due from credit institutions	22,100	47,815
Due from customers	52,165	44,221
Financial assets held for trading	98	397
Available-for-sale financial assets	107,986	42,103
Held-to-maturity investments	24,491	0
Other financial assets	1,142	909
Other assets	679	416
Intangible assets	154	193
Property and equipment	774	947
Investment properties	163	515
<b>TOTAL ASSETS</b>	<b>293,733</b>	<b>200,331</b>
<b>LIABILITIES</b>		
Financial liabilities held for trading	84	399
Due to central bank	5,210	0
Due to credit institutions	1,960	1,796
Due to financial institutions	76,016	12,035
Due to customers	177,622	145,280
Subordinated debts evidenced by certificates	5,000	5,000
Subordinated debt	2,917	2,785
Borrowed funds from government and foreign aid	406	183
Other financial liabilities	4,775	13,628
Other liabilities	360	472
<b>TOTAL LIABILITIES</b>	<b>274,350</b>	<b>181,578</b>
<b>EQUITY</b>		
Share capital	14,089	14,089
Other equity instruments	1,083	1,215
Statutory reserve capital	500	436
Fair value reserve of available-for-sale financial assets	109	-222
Retained earnings	3,602	3,235
<b>TOTAL EQUITY</b>	<b>19,383</b>	<b>18,753</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>293,733</b>	<b>200,331</b>



## Income Statement

	01.01.2017- 31.12.2017 (EUR th.)	01.10.2017- 31.12.2017 (EUR th.)	01.01.2016- 31.12.2016 (EUR th.)	01.10.2016- 31.12.2016 (EUR th.)
<b>Interest income</b>	<b>4,135</b>	<b>1,380</b>	<b>2,639</b>	<b>704</b>
From loans	2,367	618	1,820	545
From available-for-sale financial assets	873	388	473	105
From held-to-maturity investments	548	263	0	0
From deposits	326	101	346	54
From factoring	21	10	0	0
<b>Interest expense</b>	<b>1,787</b>	<b>547</b>	<b>1,135</b>	<b>406</b>
From time deposits	995	390	404	109
Interest expense from subordinated debt evidenced by certificates	414	104	415	104
From demand deposits	210	50	160	62
Interest expense from subordinated debt	132	33	126	126
From borrowings	2	1	2	1
Other interest expenses	34	-31	28	4
<b>Net interest income</b>	<b>2,348</b>	<b>833</b>	<b>1,504</b>	<b>298</b>
<b>Fee and commission income</b>	<b>5,085</b>	<b>1,429</b>	<b>6,393</b>	<b>1,237</b>
Bank transaction fees	1,721	398	4,139	695
Account opening and maintenance fees	1,667	448	1,584	392
Acquiring fee income	983	339	2	1
Fees from bank cards	481	164	393	98
Securities' transaction fees	110	40	68	33
Factoring income	31	8	3	3
Letters of credit fees	20	5	66	1
Fiduciary deposit fees	0	0	39	0
Other fees and commissions income	72	27	99	14
<b>Fee and commission expense</b>	<b>2,645</b>	<b>840</b>	<b>2,092</b>	<b>643</b>
Acquiring fee expenses	1,145	379	234	234
Bank transaction expenses	733	183	697	153
Expense from issuing bank cards	328	142	300	2
S.W.I.F.T. expenses	165	46	166	52
Securities' transactions expenses	182	73	67	19
Treasury expenses	38	8	33	10
Factoring expenses	11	4	6	2
Other fees and commissions expense	43	5	589	171
<b>Net fee and commission income</b>	<b>2,440</b>	<b>589</b>	<b>4,301</b>	<b>594</b>
<b>Net trading gains</b>	<b>2,300</b>	<b>988</b>	<b>3,285</b>	<b>1,270</b>
From foreign exchange	1,508	338	2,678	531
From shares and debt securities in trading portfolio	792	650	607	739
<b>Other operation income</b>	<b>16</b>	<b>-3</b>	<b>81</b>	<b>10</b>

	01.01.2017- 31.12.2017 (EUR th.)	01.10.2017- 31.12.2017 (EUR th.)	01.01.2016- 31.12.2016 (EUR th.)	01.10.2016- 31.12.2016 (EUR th.)
<b>Other operation expenses</b>	<b>254</b>	<b>67</b>	<b>292</b>	<b>127</b>
Financial Supervision Authority fees	94	20	108	29
Guarantee Fund payments	100	40	93	77
Other operating expenses	60	7	91	21
<b>Total income</b>	<b>6,850</b>	<b>2,340</b>	<b>8,879</b>	<b>2,045</b>
<b>Administrative expenses</b>	<b>6,341</b>	<b>1,836</b>	<b>7,298</b>	<b>2,302</b>
Personnel expense, payroll related taxes	4,435	1,307	4,747	1,591
Other administrative expense	1,906	529	2,551	711
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-309</b>	<b>-78</b>	<b>-232</b>	<b>-75</b>
<b>Impairment loss on assets</b>	<b>99</b>	<b>55</b>	<b>-73</b>	<b>-723</b>
<b>Total operating expenses</b>	<b>6,551</b>	<b>1,859</b>	<b>7,603</b>	<b>3,100</b>
<b>Profit/loss before taxation</b>	<b>299</b>	<b>481</b>	<b>1,276</b>	<b>-1,055</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>299</b>	<b>481</b>	<b>1,276</b>	<b>-1,055</b>

## Statement of comprehensive income

	01.01.2017- 31.12.2017 (EUR th.)	01.10.2017- 31.12.2017 (EUR th.)	01.01.2016- 31.12.2016 (EUR th.)	01.10.2016- 31.12.2016 (EUR th.)
<b>Net profit/loss for the period</b>	<b>299</b>	<b>481</b>	<b>1,276</b>	<b>-1,055</b>
Other comprehensive income/expense				
Items that may be reclassified to profit or loss :				
Net change in revaluation reserve of available-for-sales financial assets	331	-113	661	141
<b>COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD</b>	<b>630</b>	<b>368</b>	<b>1,937</b>	<b>-914</b>
Basic and diluted earnings per share	0.01 EUR		0.13 EUR	

**Statement of Cash Flows**

	2017 (EUR th.)	2016 (EUR th.)
<b>Cash flows from operating activities</b>		
Interests received	3,598	2,711
Interests paid	-1,501	-1,041
Fees and commissions received	5,195	6,613
Fees and commissions paid	-2,645	-2,092
Administrative expenses	-6,732	-7,056
Trading income received	2,300	3,083
Other operating income	0	78
Other operating expenses	-274	-292
<b>Change in operating assets and liabilities:</b>		
Mandatory reserve in central bank	-355	1,207
Loans and advances to customers	-8,966	-14,135
Due to credit institutions	164	1,320
Due to customers	96,033	-161,659
Other assets and liabilities	-4,176	1,657
<b>Total cash flows from operating activities</b>	<b>82,641</b>	<b>-169,606</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-90	-701
Purchase of intangible assets	-9	-24
Investment properties sold	383	492
Available-for-sale securities purchased	-160,506	-79,915
Available-for-sale securities sold	90,245	101,824
Held-to-maturity purchased	-24,001	0
Held-to-maturity sold	0	0
<b>Total cash flows from investing activities</b>	<b>-93,978</b>	<b>21,676</b>
<b>Cash flows from financing activities</b>		
Other borrowings received	5,520	0
Borrowings repaid	-87	-55
<b>Total cash flows from financing activities</b>	<b>5,433</b>	<b>-55</b>
Total cash flows	-5,904	-147,985
Cash and cash equivalents at the beginning of year	108,972	256,957
Net change in cash and cash equivalents	-5,904	-147,985
Cash and cash equivalents at the end of the year *	103,068	108,972

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

	2017 (EUR th.)	2016 (EUR th.)
Cash	163	147
Balances with the central bank without mandatory reserve	81,805	61,010
Deposits with credit institutions with original maturity of less than 3 months	21,100	47,815
<b>Total</b>	<b>103,068</b>	<b>108,972</b>

## Statement of Changes in Equity

EUR th.	Share capital	Other equity instruments	Statutory reserve capital	Fair value reserv of available-for-sale financial assets	Retained earnings	Total equity
<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 komponent of subordinated debt	0	-151	0	0	126	-25
Transfer to statutory reserve capital	0	0	236	0	-236	0
Other comprehensive profit	0	0	0	661	0	661
Profit for the year	0	0	0	0	1,276	1,276
<b>Comprehensive profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>661</b>	<b>1,276</b>	<b>1,937</b>
<b>Balance as at 31.12.2016</b>	<b>14,089</b>	<b>1,215</b>	<b>436</b>	<b>-222</b>	<b>3,235</b>	<b>18,753</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 komponent of subordinated debt	0	-132	0	0	132	0
Transfer to statutory reserve capital	0	0	64	0	-64	0
Other comprehensive profit	0	0	0	331	0	331
Profit for the year	0	0	0	0	299	299
<b>Comprehensive profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>331</b>	<b>299</b>	<b>630</b>
<b>Balance as at 31.12.2017</b>	<b>14,089</b>	<b>1,083</b>	<b>500</b>	<b>109</b>	<b>3,062</b>	<b>19,383</b>

## Capital Adequacy

CAPITAL BASE (EUR th.)	31.12.2017	31.12.2016
<b>OWN FUNDS</b>	<b>26,848</b>	<b>25,069</b>
<b>TIER 1 CAPITAL</b>	<b>22,848</b>	<b>21,069</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>17,848</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	3,303	1,959
Statutory reserves transferred from net profit	500	436
(-) Intangible assets	-153	-193
Other reserves	109	-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 EUR. The carrying amount of subordinated debt as of 31 December 2017 is 2,917 (31.12.2016: 2,785) thousand EUR.

**Risk weighted assets (RWA)**

	31.12.2017 (EUR th.)	Capital requirements (8%)	31.12.2016 (EUR th.)	Capital requirements (8%)
<b>TOTAL RISK EXPOSURE AMOUNT</b>	<b>101,495</b>	<b>8,120</b>	<b>65,564</b>	<b>5,245</b>
<b>RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES</b>	<b>85,435</b>	<b>6,835</b>	<b>46,738</b>	<b>3,739</b>
<b>Standardised approach (SA)</b>	<b>85,435</b>	<b>6,835</b>	<b>46,738</b>	<b>3,739</b>
SA exposure classes excluding securitisation positions	85,435	6,835	46,738	3,739
Central governments or central banks	991	79	0	0
Institutions	29,554	2,364	625	50
Corporates *	32,430	2,594	14,317	1,145
Retail	7,090	567	4,749	380
Secured by mortgages on immovable property	3,890	311	4,765	381
Exposures in default	253	20	1,077	86
Claims on institutions and corporates with a short-term credit assessment	6,690	535	16,047	1,284
Other items	4,537	363	5,158	413
<b>TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS</b>	<b>0</b>	<b>0</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>0</b>	<b>0</b>	<b>5,853</b>	<b>468</b>
Traded debt instruments	0	0	5,838	467
Equity	0	0	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

<b>Capital ratios, %</b>	31.12.2017	31.12.2016	<b>Bank's Leverage ratio</b>	31.12.2017 (EUR th.)	31.12.2016 (EUR th.)
CET1 capital ratio	17.58%	24.51%	Exposure measure for leverage ratio calculation	296,471	204,465
Tier1 capital ratio	22.51%	32.14%	of which on balance sheet items	293,733	200,331
Total capital ratio	26.45%	38.24%	of which off balance sheet items	2,738	4,134
			<b>Leverage ratio*</b>	<b>7.81%</b>	<b>10.33%</b>

\* Dated as of 31.12.2017 and as of 31.12.2016 is calculated at the end of the quarter.

**Capital buffer**

	31.12.2017 (EUR th.)	31.12.2016 (EUR th.)
Capital maintenance buffer requirement (2.5% from total risk exposure)	2,537	1,639
Systematic risk buffer requirement (1% of exposures in Estonia)*	285	1,186
Contra-cyclic buffer requirement (0% of total risk exposure)	0	0
<b>Total capital buffer requirements</b>	<b>2,822</b>	<b>2,825</b>

## Risk concentration

### Geographical Concentration of Financial Assets and Financial Liabilities

<b>31.12.2017 (EUR th.)</b>	<b>Estonia</b>	<b>United States of America</b>	<b>Italy</b>	<b>Germany</b>	<b>United Kingdom</b>	<b>Cyprus</b>	<b>Other</b>	<b>TOTAL</b>
Cash and balances with central bank	83,981	0	0	0	0	0	0	83,981
Due from credit institutions	12,066	0	68	125	0	0	9,841	22,100
Due from customers	36,120	0	0	0	1,022	480	14,543	52,165
Available-for-sale financial assets	0	22,621	10,065	11,197	4,144	0	59,959	107,986
Held-to-maturity investemnts	0	0	4,752	1,890	2,560	0	15,289	24,491
Other financial assets	103	0	0	0	655	3	381	1,142
<b>Total financial assets</b>	<b>132,270</b>	<b>22,621</b>	<b>14,885</b>	<b>13,212</b>	<b>8,381</b>	<b>483</b>	<b>100,013</b>	<b>291,865</b>
Due to central bank	5,210	0	0	0	0	0	0	5,210
Due to credit institutions	0	0	0	0	0	0	1,960	1,960
Due to financial institutions	2,376	0	0	0	6,316	58,424	8,900	76,016
Due to customers	30,141	0	125	49,259	24,467	18,175	55,455	177,622
Subordinated debts evidenced by certificates	0	0	0	0	0	0	5,000	5,000
Subordinated debt	0	0	0	0	0	0	2,917	2,917
Borrowed funds from government and foreign aid	406	0	0	0	0	0	0	406
Other financial liabilities	2,546	0	0	0	2,072	35	122	4,775
<b>Total financial liabilities</b>	<b>40,679</b>	<b>0</b>	<b>125</b>	<b>49,259</b>	<b>32,855</b>	<b>76,634</b>	<b>74,354</b>	<b>273,906</b>

<b>31.12.2016 (EUR th.)</b>	<b>Estonia</b>	<b>United States of America</b>	<b>Italy</b>	<b>Germany</b>	<b>United Kingdom</b>	<b>Cyprus</b>	<b>Other</b>	<b>TOTAL</b>
Cash and balances with central bank	62,815	0	0	0	0	0	0	62,815
Due from credit institutions	10,817	0	105	62	0	0	36,831	47,815
Due from customers	32,590	0	0	0	1,234	0	10,397	44,221
Financial assets held for trading	0	7	0	0	0	0	0	7
Available-for-sale financial assets	218	4,279	0	8,969	5,471	0	23,166	42,103
Other financial assets	5	0	0	0	624	0	280	909
<b>Total financial assets</b>	<b>106,445</b>	<b>4,286</b>	<b>105</b>	<b>9,031</b>	<b>7,329</b>	<b>0</b>	<b>70,674</b>	<b>197,870</b>
Due to credit institutions	0	0	0	0	0	0	0	0
Due to financial institutions	4,327	0	0	0	0	6,649	0	10,976
Due to customers	30,197	0	266	101	50,061	11,295	54	91,974
Subordinated debts evidenced by certificates	0	0	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0	0	0
Borrowed funds from government and foreign aid	183	0	0	0	0	0	0	183
Other financial liabilities	8,728	0	0	0	4,375	8	0	13,111
<b>Total financial liabilities</b>	<b>43,435</b>	<b>0</b>	<b>266</b>	<b>101</b>	<b>54,436</b>	<b>17,952</b>	<b>54</b>	<b>116,244</b>

**Distribution of loans granted by industry (gross):**

Economic sector	31.12.2017		31.12.2016	
	(EUR th.)	%	(EUR th.)	%
Real estate activities	23,723	47.25%	16,650	38.51%
Professional, scientific and technical activities	8,713	17.35%	6,228	14.41%
Private persons	5,377	10.71%	4,652	10.76%
Manufacturing	3,099	6.17%	2,326	5.38%
Construction	3,084	6.14%	4,141	9.58%
Agriculture, forestry and fishing	1,243	2.48%	1,329	3.07%
Wholesale and retail trade	1,125	2.24%	1,379	3.19%
Administrative and support service activities	1,202	2.39%	3,025	7.00%
Accommodation and food service activities	1,050	2.09%	1,073	2.48%
Other activities	1,596	3.17%	2,427	5.61%
<b>Total</b>	<b>50,212</b>	<b>100.00%</b>	<b>43,230</b>	<b>100.00%</b>

**Customers with high risk concentration**

	31.12.2017		31.12.2016	
	no.	EUR th. % of net own funds	no.	EUR th. % of net own funds
Number of customers (client groups) with high risk concentration	8		8	
Due from customers with large exposures		41,022 152.79%		45,310 181.72%
Due from management board members and related persons		4 0.01%		16 0.06%
Own funds included in calculation of capital adequacy		26,848		25,069

Large exposures contain amounts due from central bank, credit institutions and customers (loans, interests, securities) and off-balance sheet commitments to central bank, credit institutions and customers, which may turn into claims.

The following is deducted from large exposures:

- amounts due from central bank, central government and government authorities, which belong to a group with credit risk considered at 0%.

The maximum allowed risk concentration limit of 25% of net own funds was not breached for any clients as of 31.12.2017 and as of 31.12.2016 according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.



## Assets and Liabilities open to Interest rate risk by maturity date

	up to 3 month	3 to 12 months	1 to 5 years	Over 5 years	Subtotal	accrued claims - commit- ments	Allow- ances	Total
<b>31.12.2017 (EUR th.)</b>								
<b>Assets of the Bank</b>	<b>126,151</b>	<b>14,356</b>	<b>68,102</b>	<b>80,966</b>	<b>289,575</b>	<b>1,127</b>	<b>-142</b>	<b>290,560</b>
Balances with central bank and due from other credit institutions	104,918	1,000	0	0	105,918	0	0	105,918
Due from customers	15,742	12,364	15,628	8,463	52,197	110	-142	52,165
Available-for sale financial assets	5,491	992	50,423	50,570	107,476	510	0	107,986
Held-to-maturity financial investments	0	0	2,051	21,933	23,984	507	0	24,491
<b>Liabilities of the Bank</b>	<b>173,462</b>	<b>63,587</b>	<b>35,702</b>	<b>2,917</b>	<b>275,668</b>	<b>1,148</b>	<b>0</b>	<b>276,816</b>
Due to central bank	0	0	5,210	0	5,210	0	0	5,210
Due to credit institutions	1,960	0	0	0	1,960	0	0	1,960
Due to financial institutions	76,016	0	0	0	76,016	0	0	76,016
Due to customers	88,125	63,510	25,253	0	176,888	734	0	177,622
Subordinated debts evidenced by certificates	0	0	5,000	0	5,000	414	0	5,414
Subordinated debt	0	0	0	2,917	2,917	0	0	2,917
Borrowed funds from government and foreign aid	90	77	239	0	406	0	0	406
Unused loan and factoring limits	7,271	0	0	0	7,271	0	0	7,271
<b>Net interest sensivity gap</b>	<b>-47,311</b>	<b>-49,231</b>	<b>32,400</b>	<b>78,049</b>	<b>13,907</b>	<b>-21</b>	<b>-142</b>	<b>13,744</b>

	up to 3 month	3 to 12 months	1 to 5 years	Over 5 years	Subtotal	accrued claims - commit- ments	Allow- ances	Total
<b>31.12.2016 (EUR th.)</b>								
<b>Assets of the Bank</b>	<b>119,166</b>	<b>13,416</b>	<b>35,097</b>	<b>28,372</b>	<b>196,051</b>	<b>590</b>	<b>-243</b>	<b>196,398</b>
Balances with central bank and due from other credit institutions	110,336	0	0	0	110,336	0	0	110,336
Due from customers	8,830	13,416	10,173	11,811	44,230	234	-243	44,221
Available-for-sale financial assets	0	0	24,924	16,561	41,485	356	0	41,841
<b>Liabilities of the Bank</b>	<b>145,455</b>	<b>18,235</b>	<b>10,791</b>	<b>2,785</b>	<b>177,266</b>	<b>688</b>	<b>0</b>	<b>177,954</b>
Due to credit institutions	1,796	0	0	0	1,796	0	0	1,796
Due to financial institutions	12,035	0	0	0	12,035	0	0	12,035
Due to customers	121,094	18,235	5,678	0	145,007	273	0	145,280
Subordinated debts evidenced by certificates	0	0	5,000	0	5,000	415	0	5,415
Subordinated debt	0	0	0	2,785	2,785	0	0	2,785
Borrowed funds from government and foreign aid	70	0	113	0	183	0	0	183
Unused loan and factoring limits	10,460	0	0	0	10,460	0	0	10,460
<b>Net interest sensivity gap</b>	<b>-26,289</b>	<b>-4,819</b>	<b>24,306</b>	<b>25,587</b>	<b>18,785</b>	<b>-98</b>	<b>-243</b>	<b>18,444</b>

## Currency Position

31.12.2017, (EUR th.)	EUR	USD	GBP	RUB	CHF	Other currencies	TOTAL
<b>ASSETS</b>							
Cash and balances with central bank	83,971	10	0	0	0	0	83,981
Due from credit institutions	8,087	7,954	2,944	2,965	6	144	22,100
Due from customers	42,504	9,276	102	0	0	283	52,165
Financial assets held for trading							
Available-for-sale financial assets	49,679	54,604	0	3,703	0	0	107,986
Held-to-maturity investments	21,547	2,944	0	0	0	0	24,491
Other financial assets	741	399	0	2	0	0	1,142
<b>TOTAL ASSETS</b>	<b>206,529</b>	<b>75,187</b>	<b>3,046</b>	<b>6,670</b>	<b>6</b>	<b>427</b>	<b>291,865</b>
<b>LIABILITES</b>							
Due to central bank	5,210	0	0	0	0	0	5,210
Due to credit institutions	1,949	11	0	0	0	0	1,960
Due to financial institutions	62,602	8,224	516	4,663	11	0	76,016
Due to customers	111,756	61,302	2,151	2,172	6	235	177,622
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	406	0	0	0	0	0	406
Other financial liabilities	1,294	2,799	191	466	22	3	4,775
<b>TOTAL LIABILITIES</b>	<b>192,217</b>	<b>72,336</b>	<b>2,858</b>	<b>7,301</b>	<b>39</b>	<b>238</b>	<b>274,989</b>
Net on-balance sheet position	14,312	2,851	188	-631	-33	189	16,876
FX derivatives (notionals, due from)	19,745	18,749	142	2,075	47	150	40,908
FX derivatives (notionals, due to)	17,118	21,781	329	1,438	14	214	40,894
<b>Open foreign currency position</b>	<b>16,939</b>	<b>-181</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>125</b>	<b>16,890</b>

## Currency Position

31.12.2016, (EUR th.)	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							
Available-for-sale financial assets	1,154	40,949	0	0	0	0	42,103
Other financial assets	629	280	0	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 financial institutions	9,366	1,856	15	522	0	276	12,035
Due to customers	61,955	79,000	1,991	1,872	173	289	145,280
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	-968	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>16,145</b>	<b>-211</b>	<b>-10</b>	<b>4</b>	<b>3</b>	<b>8</b>	<b>15,939</b>

## Contingent Claims and Liabilities

31.12.2017 (EUR th.)	Contract amount		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
<b>Irrevocable transactions</b>	<b>41,569</b>	<b>49,125</b>	<b>680</b>	<b>84</b>
Guarantees and similar irrevocable transactions	0	960	0	0
Factoring	661	0	582	0
Unused loan limits	0	4,436	0	0
Unused factoring limit	0	2,835	0	0
Currency forward transactions	40,908	40,894	98	84

31.12.2016 (EUR th.)	Contract amount		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
<b>Irrevocable transactions</b>	<b>90,651</b>	<b>101,476</b>	<b>0</b>	<b>14,089</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	0	14,089



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