



Versobank AS

(Versobank Ltd.)

**Public Interim Report
II Quarter 2012**

Translation from original in Estonian

Registry code: 10586461
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SUMMARY INFORMATION

General Data of Credit Institution

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

Auditor

Business name of auditor	KPMG Baltics OÜ
Registration code of auditor	10096082
Auditor's location and address	Narva mnt 5, 10117 Tallinn, Estonia
Partner in charge	Taivo Epner
Engagement leader	Eero Kaup

Report balance sheet date	30.06.2012
Report period	01.01.2012 – 30.06.2012
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

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

	EUR ths.
Total assets	51,703
Net profit / loss	-936
Return on equity (ROE)	-111.27%
Asset utilisation (AU)	15.48%
Overdue claims and loans	7,166
Loan loss provisions	-4,468
Net own funds	12,842
Capital adequacy	38.52%

"Public Interim Report II Quarter 2012" of Versobank AS is available in the office of Versobank AS in Tallinn, Pärnu mnt 12 and on the Bank's internet web page www.versobank.com from 31.08.2012.

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, 31.08.2012

Riho Rasmann
Chairman of the Management Board

Sven Raba
Member
of the Management Board

Mart Veskimägi
Member
of the Management Board

Marija Sutirina
Member
of the Management Board

MANAGEMENT REPORT

Description of the Credit Institution and its Management Bodies

Versobank AS is a credit institution, established in 1999 and operating in Estonia. Versobank AS (hereinafter: the Bank) holds the activity license issued by the Bank of Estonia, which allows the Bank to engage in all banking operations. Bank has an account manager status of Estonian Central Depository for Securities 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.

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

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

The owners of Versobank AS, as of the report date 30.06.2012, 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. Mr. Härmo Värk was elected to member of the Supervisory Board and Mr. Nikolaos Sarros called back on the extraordinary meeting of shareholders dd. 13.06.2012.

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

The Bank has one subsidiary in the real estate sector - Osito Casa OÜ (under liquidation). The activities of the company were moved under the bank in September 2011, and there is a

plan to liquidate the daughter company in year 2012. The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owns 16% of business development company European Business Development AS.

Major Economic Events

Change of owners is the most important economic event of the current year, followed by the change of business name, share capital increase and changes in strategy. These changes will have a more significant impact on the economic results of the Bank from July 2012.

Number of customers of the Bank increased 7% during the year (20% year earlier), the number of active depositors decreased 3% (increased 21% year earlier). Client deposits with the Bank totalled 37.1 million euros as of 30.06.2012 (40.6 million euros as of 30.06.2011). Volumes of private person deposits surpassed the deposit volumes of the other client groups during the first half-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 26.3 million euros, decreasing 26.1% in a year and forming 50.9% of total assets as at the end of reporting period (30.06.2011: 69.9%). Write-offs of uncollectible claims in the amount of 3.6 million euros during II quarter 2012 (0.2 million euros during II quarter 2011) against provisions formed earlier has significantly influenced the decrease of gross loan portfolio. Bank had continuously much more deposits than loans – client deposits ratio to loans stood at 1.41 as of 30.06.2012 (1.14 at of 30.06.2011). Total assets of the Bank have increased 1.5% during a year, reaching 51.7 million euros as of 30.06.2012 (as of 30.06.2011 the balance sheet total was 50.9 million euros).

Bank's equity totalled 8.9 million euros as of 30 June 2012 and the regulatory capital adequacy stood at 38.52% (30.06.2011: 5.8 million euros, capital adequacy 24.24%). Bank's capitalisation and balance sheet total increased considerably in May 2012, following the share capital increase by 5.04 million euros.

Decrease in interest income and conservative loan loss provisions caused the net loss of the Bank in beginning of year 2012. Net loss of six months 2012 comprised 0.9 million euros (net loss of 6 months of year 2011 was 1.2 million euros).

Net interest income of the reporting period (II quarter 2012) was 337 thousand euros (2011: 226 thousand euros), earned mostly on loans. Net fees and commissions income totalled 2 thousand euros (2011: 4 thousand euros). 12 thousand euros was earned on foreign exchange transactions (2011: 16 thousand euros). Total operating income from banking activities comprised 315 thousand euros in II quarter of year 2012 compared with 236 thousand euros year earlier. Administrative expenses of 3 months of II quarters of year 2012 and 2011 were 562 thousand euros and 564 thousand euros correspondingly. Net loss for the reporting period decreased to 463 thousand euros (from 572 thousand euros year earlier).

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

Ratings

Versobank AS has not been rated by international rating agencies.

Ratios

		01.01.2012 - 30.06.2012	01.01.2011 - 30.06.2011
Return on equity	ROE	-111.27%	-84.87%
Equity multiplier	EM	6.98	9.20
Profit margin	PM	-102.98%	-115.40%
Asset utilisation	AU	15.48%	7.99%
Return on assets	ROA	-15.94%	-9.22%
Net interest margin	NIM	6.10%	4.56%
Basic earnings per share	Basic EPS	-3.10	-6.91
Diluted earnings per share	Diluted EPS	-3.10	-6.91
Spread	SPREAD	15.63%	5.47%
Yield on interest-earning assets	YIEA	23.01%	10.31%
Cost of interest-bearing liabilities	COL	7.38%	4.84%

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.
	30.06.2012	31.12.2011
ASSETS		
Cash	183	117
Loans and advances	41,378	37,221
Balances with central bank	15,471	8,778
Due from other banks	2,872	4,679
Due from customers	23,035	23,764
o/w allowance (-)	-4,468	-7,636
o/w interest	1,130	1,138
Financial assets held for trading	56	5
Available-for-sale financial assets	70	124
Financial investments held-to maturity	5,017	0
Property and equipment	153	184
Investment properties	4,557	4,557
Intangible assets	102	105
Other assets	186	165
TOTAL ASSETS	51,702	42,478
LIABILITIES		
Deposits of central banks	1,002	0
Financial liabilities held for trading	23	6
Financial liabilities measured at amortised cost	37,083	32,836
Due to credit institutions	0	15
Due to customers	37,083	32,821
Companies	13,248	14,073
Non-profit organisations	2,531	587
Private persons	20,967	17,814
Incl. interest payable	337	347
Subordinated debt	4,000	4,033
Borrowed funds from government and foreign aid	221	166
Tax liabilities	54	87
Other liabilities	375	521
TOTAL LIABILITIES	42,758	37,649
SHAREHOLDERS' EQUITY		
Share capital	12,089	7,049
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	0	-11
Accumulated deficit	-3,181	-2,245
TOTAL SHAREHOLDERS' EQUITY	8,944	4,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	51,702	42,478

Income Statement

	EUR ths.	EUR ths.	EUR ths.	EUR ths.
	01.01.2012- 30.06.2012	01.04.2012- 30.06.2012	01.01.2011 - 30.06.2011	01.04.2011 - 30.06.2011
Interest income	860	462	1,000	510
From loans	793	405	920	461
From deposits	18	9	78	48
From debt securities	1	0	2	1
From financial investments	48	48	0	0
Interest expense	358	125	562	284
On demand deposits	4	2	8	5
On time deposits	304	123	460	231
On derivatives	0	0	4	2
From borrowings	49	0	90	46
Other expenses	1	0	0	0
Net interest income	502	337	438	226
Fees and commissions income	22	11	31	16
Account opening and maintenance fees	11	7	8	5
Bank transaction fees	7	3	18	9
Securities' transaction fees	2	0	3	1
Other fees and commissions income	2	1	2	1
Fees and commissions expense	15	9	21	12
Securities' transactions expenses	3	2	2	1
Bank transaction expenses	5	3	8	4
S.W.I.F.T. expenses	7	4	11	7
Net fees and commissions expense	7	2	10	4
Net trading income/expense	25	12	25	16
From foreign exchange	25	12	25	16
From shares and debt securities in trading portfolio	0	0	0	0
Other operation income	58	21	45	34
Other operation expenses	104	57	91	44
Guarantee Fund payments	30	15	32	20
Financial Supervision Authority fees	28	14	27	13
Tallinn Stock Exchange fees	11	6	11	6
Other operating expenses	35	22	21	5
Total income	488	315	427	236
Administrative expenses	1,051	562	1,171	564
Personnel expense, payroll related taxes	634	343	698	338
Other administrative expense	417	219	473	226
Depreciation and amortisation of tangible and intangible assets	-43	-22	-59	-30
Provisions (+/-)	72	26	0	0
Impairment loss on assets (+/-)	-402	-220	-415	-214
Total operating expenses	1,424	778	1,645	808
Profit before taxation	-936	-463	-1,218	-572
NET PROFIT / LOSS FOR THE PERIOD	-936	-463	-1,218	-572
Basic earnings/loss per share	-3.10 EUR		-6.91 EUR	
Diluted earnings/loss per share	-3.10 EUR		-6.91 EUR	

Statement of Cash Flows

	EUR ths.	EUR ths.
	01.01.2012 - 30.06.2012	01.01.2011 - 30.06.2011
Cash flows from operating activities	-116	-14,356
Interests received	860	1,000
Interests paid	-358	-562
Fees and commissions received	22	31
Fees and commissions paid	-15	-21
Administrative expenses	-1,051	-1,171
Trading income received	25	25
Other operating income	58	45
Other operating expenses	-104	-91
Change in operating assets and liabilities:		
Change in due from other banks	-5,036	-12,377
Change in due from customers of credit institution	925	632
Change in due to credit institutions	987	2
Change in due to customers	4,272	-5,510
Change in assets and liabilities connected with other operating activities	-701	3,641
Cash flows from investing activities	-8	21
Purchase of property and equipment	-3	-27
Purchase of intangible assets	-5	-6
Sale of investment properties	0	54
Cash flows from financing activities	5,076	-2,340
Increase of share capital	5,040	1,600
Decrease of share capital	0	-3,935
Change in interest of subordinated debt	-81	2
Other borrowings received	128	100
Borrowings repaid	-11	-107
Total cash flows	4,952	-16,675
Cash and cash equivalents at the beginning of year	13,574	17,299
Net change in cash and cash equivalents	4,952	-16,675
Cash and cash equivalents at the end of the year *	18,526	624

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

	EUR ths.	EUR ths.
	30.06.2012	30.06.2011
Cash	183	197
Mandatory reserve and deposits with the Bank of Estonia	15,471	86
Deposits with credit institutions with maturity up to 3 months	2,872	341
Total	18,526	624

Statement of Changes in Equity

	EUR ths.	EUR ths.
	01.01.2012 - 30.06.2012	01.01.2011 - 30.06.2011
Share capital		
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
Balance at the end of period	12,089	7,049
	0	
Statutory legal reserve		
Balance at the beginning of period	36	36
Change in fair value reserve	0	-61
Balance at the end of period	36	-25
Accumulated deficit		
Balance at the beginning of period	-2,245	-3,935
Share capital reduction to cover losses	0	3,935
Comprehensive loss for the period	-936	-1,218
Balance at the end of period	-3,181	-1,218
Total shareholders' equity:		
at the beginning of period	5,806	5,472
at the end of period	8,944	5,806

Contingent Claims and Liabilities

	30.06.2012	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	11,618	12,597
Unused loan limits	0	1,009
Currency forward transactions	11,618	11,588

	30.06.2011	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	8,283	8,586
Guarantees and similar irrevocable transactions	0	294
Hybrid swaps	539	539
Currency forward transactions	7,744	7,753

Currency Risk

	30.06.2012				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	50,104	37,289	3,891	8,758	7,948

	30.06.2011				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	44,713	39,237	4,532	4,515	5,493

Risk Concentration

	30.06.2012		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	9		
Due from customers with high risk concentration		9,560	74.44%
Due from persons related with credit institution		517	4.03%

	30.06.2011		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	16		
Due from customers with high risk concentration		14,026	162.66%
Due from persons related with credit institution		132	1.53%

Capital Adequacy

	EUR ths.	EUR ths.
	30.06.2012	30.06.2011
Share capital paid-in	12,089	7,049
Other reserves	36	36
Accumulated deficit of the previous years	-2,245	-3
Intangible assets	-102	-117
Net loss of the period	-936	-1,218
Total tier 1 own funds	8,842	5,747
Subordinated debt	4,000	4,000
Tier 2 own funds, which exceed the limits	0	-1,126
Second level equity	4,000	2,874
Minimum own funds	12,842	8,623
Tier 1 own funds after deductions	8,842	5,749
Tier 2 own funds after deductions	4,000	2,874
Own funds for capital adequacy calculations	12,842	8,623
Central governments and central banks under standard method	27	0
Credit institutions and investment companies under standard method	224	177
Companies under standard method	324	719
Mass claims under standard method	855	876
Claims backed by mortgages under standard method	125	203
Overdue claims under standard method	992	933
Other assets under standard method	490	260
Total capital requirement for credit risk and counterparty credit risk	3,037	3,168
Operational risk base method	296	389
Total capital requirement for operational risk	296	389
Capital requirements for adequacy calculations	3,333	3,557
Capital adequacy	38.52%	24.24%

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

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

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

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