



Versobank AS

(Versobank Ltd.)

**Public Interim Report
IV Quarter 2016**

Translation from original in Estonian

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SUMMARY INFORMATION

General Data of Credit Institution

| | |
|---------------------------|---|
| Business name | Versobank AS |
| Location and address | Hallivanamehe 4, 11317 Tallinn, Estonia |
| Country of registration | Republic of Estonia |
| Registration date | 14.10.1999 |
| Registration code | 10586461 (Estonian Commercial Register) |
| Legal Entity Identifier | 549300S6Q5X9GKYK5R57 (LEI-code) |
| VAT identification number | EE100684313 |
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| E-mail | info@versobank.com |
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Auditor

| | |
|--------------------------------|-------------------------------------|
| Business name of auditor | AS PricewaterhouseCoopers |
| Registration code of auditor | 10142876 |
| Auditor's location and address | Pärnu mnt. 15, 10141 Tallinn, Eesti |
| Report balance sheet date | 31.12.2016 |
| Report period | 01.01.2016 – 31.12.2016 |
| Report currency and units | Euro (EUR), in thousands of euros |

Bank has not been rated by international rating agencies.

Public Interim Report IV Quarter 2016 of Versobank AS is unaudited.
Only the credit institution data and figures are disclosed in the report.

| | EUR ths. |
|--------------------------|----------|
| Total assets | 200,331 |
| Net profit / loss | 1,276 |
| Return on equity (ROE) | 7.17% |
| Asset utilisation (AU) | 4.17% |
| Overdue claims and loans | 2,609 |
| Loan loss provisions | -243 |
| Net own funds | 25,069 |
| Capital adequacy | 38.36% |

"Public Interim Report IV Quarter 2016" 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 from 28.02.2017.

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, 28.02.2017

Mark Agranovski
Chairman of the Management Board

Margus Normak
Member
of the Management Board

Artur Yermolayev
Member
of the Management Board

MANAGEMENT REPORT

Description of the Credit Institution and its Management Bodies

Versobank AS is a credit institution, established in Estonia in 1999. Versobank AS (hereinafter: the Bank) holds the activity license issued by the Bank of Estonia, which allows the Bank to engage in all banking operations. Bank has an account manager status of Estonian Central Depository for Securities, is a member of S.W.I.F.T. and a principal member of Visa Europe. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and a cross-border clearing system TARGET2-Eesti. Versobank AS is a member of the Estonian Banking Association from March 2014.

The owner of registered shares who held over 10% of the shares as of the report date 31.12.2016 and the date of report compilation is:

UKRSELHOSPROM PCF LLC (location Dnepropetrovsk, Ukraine), owner of 85.2622% of the shares.

The Supervisory Board of the Bank had six members as of the report date and the date of report compilation. The Supervisory Board members are Mr. Vadym Iermolaiev, Mr. Stanislav Vilenskyy, Mr. Ahmet Tayakisi, Mr. Dmitry Drugan, Mr. Maxime Malaure and Mr. Urmas Kaarlep.

The Management Board of the Bank had three members as of the date of report compilation. Mr. Mark Agranovski is the Chairman of the Management Board and the members of the Management Board are Mr. Margus Normak and Mr. Artur Yermolayev.

The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owned 16% of business development company European Business Development AS. Dated as of 18.01.2016 European Business Development was deleted from Commercial Register.

Major Economic Events

The financial performance of the Bank for 12 months 2016 has reached the targets set by the management board. The gross loan portfolio and interest income on it have increased steadily. Due to the change in strategic goals in regard of the target client segments, the number of customers of the Bank has decreased by 4.8% in 4th quarter 2016 (decrease of 1.7% in 4Q 2015). The amount of deposits decreased by 12.8% in 4th quarter. Client deposits with the Bank totalled 157.3 million euros as of 31.12.2016 (31.12.2015: 319.0 million euros). Total assets of the Bank have decreased by 6,7% in 4th quarter, reaching 200.33 million euros as of 31.12.2016 (31.12.2015: 353.97 million euros).

Gross loan portfolio (excluding deposits with financial institutions) amounted 43.4 million euros at the end of the reporting period (31.12.2015: 29.6 million euros), has increased by 7.9% in 4th quarter (1.2% of increase in 4Q 2015) and constituted 21.7% of total assets as of 31.12.2016 (31.12.2015: 8.4%). The Bank has significantly more deposits than loans, deposits to loan ratio is 3.6 times as of 31.12.2016 (31.12.2015: 10.8 times). The quality of the loan portfolio has been improving constantly, which is reflected in decrease of the loan provisions.

Net profit amounted to 1.05 million euros in 4th quarter of 2016 (1.15 million euros in 4Q 2015). Net interest income of the reporting period was 0.30 million euros (0.42 million in 4Q 2015). Net fees and commissions income totaled 0.60 million euros (1.58 million euros in 4Q 2015), the change was caused by the decrease in foreign payments. 0.53 million euros were earned on foreign exchange transactions (0.92 million euros in 4Q 2015). Total operating income from banking activities (excluding loan provisions) comprised of 1.2 million euros compared to 2.8 million euros in 4Q 2015. Administrative expenses in 4th quarter 2016 and 2015 were 2.3 million euros and 1.6 million euros respectively.

The Bank's equity totaled 18.75 million euros as of 31.12.2016 and the regulatory capital adequacy was 38.36% (30.09.2015: 16.8 million euros and 21.50% 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 seven court actions initiated against the Bank as of the date of report and date of report compilation.

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

Ratios

| | | 2016 | 2015 |
|--------------------------------------|-------------|--------|--------|
| Return on equity | ROE | 7.17% | 32.11% |
| Equity multiplier | EM | 15.57 | 20.73 |
| Profit margin | PM | 11.05% | 35.81% |
| Asset utilisation | AU | 4.17% | 4.32% |
| Return on assets | ROA | 0.46% | 1.55% |
| Net interest margin | NIM | 0.55% | 0.42% |
| Basic earnings per share | Basic EPS | 0.05 | 0.20 |
| Diluted earnings per share | Diluted EPS | 0.05 | 0.20 |
| Spread | SPREAD | 0.51% | 0.40% |
| Yield on interest-earning assets | YIEA | 0.97% | 0.62% |
| Cost of interest-bearing liabilities | COL | 0.46% | 0.22% |

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
 government and foreign aid
 Income from financial investments
 Other income

Interest bearing liabilities:

Due to credit institutions
 Due to customers
 Subordinated debt
 Borrowed funds from
 (all without accrued interest).

Interest earning assets:

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

FINANCIAL STATEMENTS

Statement of Financial Position

| | EUR ths. | EUR ths. |
|---|-------------------|-------------------|
| | 31.12.2016 | 31.12.2015 |
| ASSETS | | |
| Cash | 147 | 181 |
| Loans and advances | 154,704 | 289,553 |
| Balances with the central bank | 62,668 | 23,210 |
| Due from other credit institutions | 47,815 | 236,431 |
| Due from customers | 44,221 | 29,912 |
| o/w allowance (-) | -243 | -480 |
| o/w interest | 234 | 227 |
| Financial assets held for trading | 397 | 152 |
| Available-for-sale financial assets | 42,103 | 61,362 |
| Property and equipment | 947 | 448 |
| Investment properties | 515 | 1,022 |
| Intangible assets | 193 | 211 |
| Other assets | 1,325 | 1,043 |
| TOTAL ASSETS | 200,331 | 353,972 |
| LIABILITIES | | |
| Financial liabilities held for trading | 399 | 162 |
| Financial liabilities measured at amortised cost | 159,111 | 319,494 |
| Due to credit institutions | 1,796 | 488 |
| Due to customers | 157,315 | 319,006 |
| Financial institutions | 12,035 | 7,960 |
| Companies | 112,721 | 283,067 |
| Non-profit organisations | 602 | 582 |
| Private persons | 31,684 | 27,140 |
| Interest payable | 273 | 257 |
| Subordinated debts evidenced by certificates | 5,000 | 5,000 |
| Subordinated debt | 2,785 | 2,634 |
| Borrowed funds from government and foreign aid | 183 | 238 |
| Tax liabilities | 293 | 154 |
| Other liabilities | 13,807 | 9,449 |
| TOTAL LIABILITIES | 181,578 | 337,131 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 14,089 | 14,089 |
| Other equity instruments | 1,238 | 1,366 |
| Statutory reserve capital | 436 | 200 |
| Fair value reserve of available-for-sale financial assets | -222 | -883 |
| Retained earnings | 3,235 | 2,069 |
| TOTAL SHAREHOLDERS' EQUITY | 18,753 | 16,841 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 200,331 | 353,972 |

Income Statement

| | EUR ths. | EUR ths. | EUR ths. | EUR ths. |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 01.01.2016- 31.12.2016 | 01.10.2016- 31.12.2016 | 01.01.2015- 31.12.2015 | 01.10.2015- 31.12.2015 |
| Interest income | 2,639 | 704 | 1,868 | 580 |
| From loans | 1,820 | 545 | 1,120 | 360 |
| From debt securities | 473 | 105 | 442 | 119 |
| From deposits | 346 | 54 | 306 | 101 |
| Interest expense | 1,135 | 406 | 615 | 164 |
| Debt certificates | 415 | 104 | 155 | 0 |
| On time deposits | 404 | 109 | 421 | 90 |
| On demand deposits | 160 | 62 | 33 | 15 |
| On subordinated loan | 126 | 126 | 0 | 0 |
| From borrowings | 2 | 1 | 3 | 1 |
| Other interest expenses | 28 | 4 | 3 | 3 |
| Net interest income | 1,504 | 298 | 1,253 | 416 |
| Fee and commission income | 6,393 | 1,237 | 7,293 | 2,272 |
| Bank transaction fees | 4,139 | 695 | 5,060 | 1,609 |
| Account opening and maintenance fees | 1,584 | 392 | 1,508 | 477 |
| Fees income from bank cards | 393 | 98 | 279 | 99 |
| Securities' transaction fees | 68 | 33 | 91 | 20 |
| Letters of credit fees | 66 | 1 | 35 | 3 |
| Fiduciary deposits income fees | 39 | 0 | 256 | 31 |
| Other fees and commissions income | 104 | 18 | 64 | 33 |
| Fee and commission expense | 2,092 | 643 | 1,811 | 688 |
| Securities' transactions expenses | 67 | 19 | 58 | 17 |
| Bank transaction expenses | 697 | 153 | 908 | 411 |
| S.W.I.F.T. expenses | 166 | 52 | 130 | 54 |
| Bank card expenses | 300 | 2 | 378 | 199 |
| Other fees and commissions expense | 862 | 417 | 337 | 7 |
| Net fee and commission income | 4,301 | 594 | 5,482 | 1,584 |
| Net trading income/expense | 3,285 | 1,270 | 3,802 | 921 |
| From foreign exchange | 2,678 | 531 | 3,651 | 924 |
| From shares and debt securities in trading portfolio | 607 | 739 | 151 | -3 |
| Other operation income | 81 | 10 | 120 | 19 |
| Other operation expenses | 292 | 127 | 494 | 110 |
| Guarantee Fund payments | 93 | 77 | 308 | 80 |
| Financial Supervision Authority fees | 108 | 29 | 79 | 21 |
| Other operating expenses | 91 | 21 | 107 | 9 |
| Total income | 8,879 | 2,045 | 10,163 | 2,830 |
| Administrative expenses | 7,298 | 2,302 | 5,073 | 1,580 |
| Personnel expense, payroll related taxes | 4,747 | 1,591 | 3,398 | 1,072 |
| Other administrative expense | 2,551 | 711 | 1,675 | 508 |
| Depreciation and amortisation of tangible and intangible assets | -232 | -75 | -128 | -37 |
| Impairment loss on assets | -73 | -723 | -312 | -136 |
| Total operating expenses | 7,603 | 3,100 | 5,441 | 1,681 |
| Profit before taxation | 1,276 | -1,055 | 4,722 | 1,149 |
| NET PROFIT / LOSS FOR THE PERIOD | 1,276 | -1,055 | 4,722 | 1,149 |

Statement of comprehensive income

| | EUR ths. | EUR ths. | EUR ths. | EUR ths. |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 01.01.2016- 31.12.2016 | 01.10.2016- 31.12.2016 | 01.01.2015- 31.12.2015 | 01.10.2015- 31.12.2015 |
| Net profit/loss for the period | 1,276 | -1,055 | 4,722 | 1,149 |
| Other comprehensive income/expense | | | | |
| Items that may be reclassified to profit or loss : | | | | |
| Net change in revaluation reserve of available-for-sales financial assets | 661 | 132 | -335 | -446 |
| COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD | 1,937 | -923 | 4,387 | 703 |
| Basic and diluted earnings per share | 0.05 EUR | | 0.20 EUR | |

Statement of Cash Flows

| | EUR ths. | EUR ths. |
|---|-----------------------------------|-----------------------------------|
| | 01.01.2016- 31.12.2016 | 01.01.2015- 31.12.2015 |
| Cash flows from operating activities | -169,606 | 86,850 |
| Interests received | 2,711 | 1,796 |
| Interests paid | -1,041 | -681 |
| Fees and commissions received | 6,613 | 7,511 |
| Fees and commissions paid | -2,092 | -1,811 |
| Administrative expenses | -7,056 | -5,262 |
| Trading income received | 3,083 | 3,802 |
| Other operating income | 78 | 198 |
| Other operating expenses | -292 | -494 |
| Change in operating assets and liabilities: | | |
| Mandatory reserve in central bank | 1,207 | -1,290 |
| Loan and advances to customers | -14,135 | -6,574 |
| Due to credit institutions | 1,320 | -2,492 |
| Due to customers | -161,659 | 91,035 |
| Other assets and liabilities of operating activities | 1,657 | 1,112 |
| Cash flows from investing activities | 21,676 | -38,812 |
| Purchase of property and equipment | -701 | -376 |
| Purchase of intangible assets | -24 | -77 |
| Disposal of investment properties | 492 | 852 |
| Debt securities purchased | -79,915 | -64,842 |
| Debt securities sold | 101,824 | 25,631 |
| Cash flows from financing activities | -55 | 2,898 |
| Subordinated debt evidenced by certificates received | 0 | 3,000 |
| Borrowings repaid | -55 | -102 |
| Total cash flows | -147,985 | 50,936 |
| Cash and cash equivalents at the beginning of period | 256,957 | 206,021 |
| Net change in cash and cash equivalents | -147,985 | 50,936 |
| Cash and cash equivalents at the end of the period * | 108,972 | 256,957 |

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

| | EUR ths. | EUR ths. |
|--|-------------------|-------------------|
| | 31.12.2016 | 31.12.2015 |
| Cash | 147 | 181 |
| Balances with the central bank without mandatory reserve | 61,010 | 20,345 |
| Deposits with credit institutions with maturity up to 3 months | 47,815 | 236,431 |
| Total | 108,972 | 256,957 |

Statement of Changes in Equity

| | Share capital | Other equity instruments | Statutory reserve capital | Fair value reserv of available-for-sale financial assets | Accumulated deficit/retained earnings | Total equity |
|---------------------------------------|---------------|--------------------------|---------------------------|--|---------------------------------------|---------------|
| Year beginning 01.01.2015 | 14,089 | 1,487 | 88 | -548 | -2,541 | 12,575 |
| Equity component of subordinated deb | 0 | -121 | 0 | 0 | 0 | -121 |
| Transfer to statutory reserve capital | 0 | 0 | 112 | 0 | -112 | 0 |
| <i>Other comprehensive loss</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>-335</i> | <i>0</i> | <i>-335</i> |
| <i>Profit for the year</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>4,722</i> | <i>4,722</i> |
| Comprehensive profit for the period | 0 | 0 | 0 | -335 | 4,722 | 4,387 |
| Final balance 31.12.2015 | 14,089 | 1,366 | 200 | -883 | 2,069 | 16,841 |
| Year beginning 01.01.2016 | 14,089 | 1,366 | 200 | -883 | 2,069 | 16,841 |
| Equity component of subordinated deb | 0 | -151 | 0 | 0 | 126 | -25 |
| Transfer to statutory reserve capital | 0 | 0 | 236 | 0 | -236 | 0 |
| <i>Other comprehensive income</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>661</i> | <i>0</i> | <i>661</i> |
| <i>Profit for the year</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>1,276</i> | <i>1,276</i> |
| Comprehensive profit for the period | 0 | 0 | 0 | 661 | 1,276 | 1,937 |
| Final balance 31.12.2016 | 14,089 | 1,215 | 436 | -222 | 3,235 | 18,753 |

Contingent Claims and Liabilities

31.12.2016

EUR ths.

| | Contract amount | | Balance value | |
|---|-----------------|----------------|---------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Irrevocable transactions | 90,651 | 101,476 | 397 | 399 |
| 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 |

31.12.2015

EUR ths.

| | Contract amount | | Balance value | |
|---|-----------------|---------------|---------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Irrevocable transactions | 43,759 | 62,116 | 149 | 162 |
| Guarantees and similar irrevocable transactions | 0 | 73 | 0 | 0 |
| Unused loan limits | 0 | 954 | 0 | 0 |
| Letters of credit granted but no utilised | 0 | 1,837 | 0 | 0 |
| Currency forward transactions | 43,759 | 43,772 | 149 | 162 |

Currency Position

31.12.2016

EUR ths.

| | EUR | USD | GBP | RUB | CHF | Other currencies | TOTAL |
|--|----------------|---------------|--------------|--------------|------------|------------------|----------------|
| ASSETS | | | | | | | |
| 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 | 0 | 0 | 0 | 0 | 909 |
| TOTAL ASSETS | 108,587 | 83,684 | 2,683 | 2,086 | 176 | 654 | 197,870 |
| LIABILITIES | | | | | | | |
| 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 |
| TOTAL LIABILITIES | 87,292 | 88,057 | 2,673 | 3,055 | 173 | 672 | 181,922 |
| 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 |
| Open foreign currency position | 16,145 | -211 | -10 | 4 | 3 | 8 | 15,939 |

31.12.2015

EUR ths.

| | EUR | USD | GBP | RUB | CHF | Other currencies | TOTAL |
|--|----------------|----------------|--------------|--------------|------------|---------------------|----------------|
| ASSETS | | | | | | | |
| Cash and balances with central bank | 23,381 | 7 | 0 | 0 | 0 | 4 | 23,391 |
| Due from credit institutions | 77,546 | 153,621 | 2,254 | 1,055 | 274 | 1,682 | 236,431 |
| Due from customers | 23,673 | 6,239 | 0 | 0 | 0 | 0 | 29,912 |
| Financial assets held for trading | | | | | | | |
| Available-for-sale financial assets | 1,269 | 60,093 | 0 | 0 | 0 | 0 | 61,362 |
| Other financial assets | 394 | 262 | 3 | 0 | 0 | 0 | 659 |
| TOTAL ASSETS | 126,262 | 220,224 | 2,257 | 1,055 | 274 | 1,686 | 351,758 |
| LIABILITES | | | | | | | |
| Due to credit institutions | 363 | 125 | 0 | 0 | 0 | 0 | 488 |
| Due to customers | 104,323 | 209,009 | 2,265 | 1,472 | 281 | 1,656 | 319,006 |
| 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 | 238 | 0 | 0 | 0 | 0 | 0 | 238 |
| Other financial liabilities | 2,838 | 6,209 | 0 | 57 | 0 | 0 | 9,104 |
| TOTAL LIABILITIES | 116,762 | 215,343 | 2,265 | 1,529 | 281 | 1,656 | 337,836 |
| Net on-balance sheet position | 9,500 | 4,881 | -8 | -474 | -7 | 30 | 13,922 |
| FX derivatives (notionals, due from) | 23,662 | 19,167 | 8 | 779 | 7 | 136 | 43,759 |
| FX derivatives (notionals, due to) | 18,688 | 24,643 | 0 | 305 | 0 | 136 | 43,772 |
| Open foreign currency position | 14,474 | -595 | 0 | 1 | 0 | 30 | 13,909 |

Risk Concentration

31.12.2016

| | no. | EUR ths. | % of net own funds |
|--|-----|----------|-----------------------|
| Number of customers (client groups) with high risk concentration | 8 | | |
| Due from customers with large exposures | | 45,310 | 181.72% |
| Due from management board members and related persons | | 16 | 0.06% |
| Own funds included in calculation of capital adequacy | | 20,069 | |

31.12.2015

| | no. | EUR ths. | % of net own funds |
|--|-----|----------|-----------------------|
| Number of customers (client groups) with high risk concentration | 23 | | |
| Due from customers with large exposures | | 266,238 | 1,362.47% |
| Due from management board members and related persons | | 12 | 0.06% |
| Own funds included in calculation of capital adequacy | | 19,541 | |

Funds Under Trust Management

| | EUR ths. | EUR ths. |
|---|-------------------|-------------------|
| | 31.12.2016 | 31.12.2015 |
| Fiduciary deposits with other credit institutions | | |
| up to 1 month | 95 | 10,473 |
| 1 to 3 months | 0 | 3,271 |
| 3 to 12 months | 95 | 833 |
| TOTAL | 95 | 14,577 |

Fiduciary deposits are assets of customer placed under authorisation agreement, disclosed off-balance sheet by the Bank.

Capital Adequacy

| CAPITAL BASE | EUR ths. | EUR ths. |
|--|-------------------|-------------------|
| | 31.12.2016 | 31.12.2015 |
| OWN FUNDS | 25,069 | 19,541 |
| TIER 1 CAPITAL | 21,069 | 15,541 |
| COMMON EQUITY TIER 1 CAPITAL | 16,069 | 10,541 |
| Capital instruments eligible as CET1 Capital | 14,089 | 14,089 |
| Paid up capital instruments | 14,089 | 14,089 |
| Retained earnings | 1,833 | -2,654 |
| Other reserves | 436 | 200 |
| (-) Other intangible assets | -193 | -211 |
| Other transitional adjustments to CET1 Capital | -222 | -883 |
| ADDITIONAL TIER 1 CAPITAL | 5,000 | 5,000 |
| Capital instruments eligible as AT1 Capital | 5,000 | 5,000 |
| Paid up capital instruments | 5,000 | 5,000 |
| TIER 2 CAPITAL | 4,000 | 4,000 |
| Capital instruments and subordinated loans eligible as T2 Capital | 4,000 | 4,000 |
| Paid up capital instruments and subordinated loans | 4,000 | 4,000 |

RISK WEIGHTED ASSETS (RWA)

| | EUR ths. | | EUR ths. | |
|---|---------------|---------------------------|---------------|---------------------------|
| | 31.12.2016 | Capital requirements (8%) | 31.12.2015 | Capital requirements (8%) |
| TOTAL RISK EXPOSURE AMOUNT | 65,352 | 5,228 | 85,061 | 6,805 |
| RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES | 46,526 | 3,722 | 68,138 | 5,451 |
| Standardised approach (SA) | 46,526 | 3,722 | 68,138 | 5,451 |
| SA exposure classes excluding securitisation positions | 46,526 | 3,722 | 68,138 | 5,451 |
| Institutions | 625 | 50 | 546 | 44 |
| Corporates * | 14,317 | 1,145 | 1,015 | 81 |
| Retail | 4,749 | 380 | 4,517 | 361 |
| Secured by mortgages on immovable property | 4,765 | 381 | 4,226 | 338 |
| Exposures in default | 1,077 | 86 | 1,243 | 99 |
| Claims on institutions and corporates with a short-term credit assessment | 16,047 | 1,284 | 52,992 | 4,239 |
| Other items | 4,946 | 396 | 3,599 | 288 |
| TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS | 5,853 | 468 | 9,790 | 783 |
| Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA) | 5,853 | 468 | 9,790 | 783 |
| Traded debt instruments | 5,838 | 467 | 9,785 | 783 |
| Equity | 15 | 1 | 5 | 0 |
| TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR) | 12,973 | 1,038 | 7,133 | 571 |
| OpR Basic indicator approach (BIA) | 12,973 | 1,038 | 7,133 | 571 |

* including credit institutions treated as corporations

| CAPITAL RATIOS | 31.12.2016 | 31.12.2015 |
|--------------------------------|-------------------|-------------------|
| CET1 capital ratio (%) | 24.59% | 12.39% |
| Tier1 capital ratio (%) | 32.24% | 18.27% |
| Total capital ratio (%) | 38.36% | 22.97% |

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

EUR ths., as of 31.12.2016

| Assets, liabilities | On demand | Over- due | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|--|----------------|--------------|------------------|------------------|-------------------|-----------------|-----------------|-----------------|----------------|
| Assets of the Bank | 100,405 | 299 | 25,247 | 27,342 | 19,244 | 4,754 | 6,593 | 14,792 | 198,676 |
| Cash and balances with central bank and due from credit institutions | 98,898 | 0 | 11,732 | 0 | 0 | 0 | 0 | 0 | 110,630 |
| Due from customers | 1,234 | 282 | 3 | 7,445 | 13,432 | 4,493 | 5,632 | 11,700 | 44,221 |
| Securities | 261 | 0 | 12,501 | 19,844 | 5,661 | 218 | 923 | 3,092 | 42,500 |
| Other financial assets | 12 | 17 | 1,011 | 53 | 151 | 43 | 38 | 0 | 1,325 |
| Liabilities of the Bank | 140,234 | 0 | 3,831 | 5,096 | 18,364 | 3,792 | 7,077 | 4,000 | 182,394 |
| Due to credit institutions | 1,796 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,796 |
| Due to customers | 124,980 | 0 | 3,154 | 5,061 | 18,364 | 3,699 | 2,057 | 0 | 157,315 |
| Subordinated debts evidenced by certificates | 0 | 0 | 0 | 0 | 0 | 0 | 5,000 | 0 | 5,000 |
| Subordinated debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,000 | 4,000 |
| Borrowed funds from government and foreign aid | 0 | 0 | 35 | 35 | 0 | 93 | 20 | 0 | 183 |
| Other financial liabilities | 13,458 | 0 | 642 | 0 | 0 | 0 | 0 | 0 | 14,100 |
| Net | -39,829 | 299 | 21,416 | 22,246 | 880 | 962 | -484 | 10,792 | 16,282 |
| Contingent: | | | | | | | | | |
| assets | 0 | 0 | 88,455 | 2,196 | 0 | 0 | 0 | 0 | 90,651 |
| liabilities | 10,460 | 0 | 88,764 | 2,197 | 35 | 20 | 0 | 0 | 101,476 |

EUR ths., as of 31.12.2015

| Claims, liabilities | On demand | Over- due | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Total |
|--|-----------------|--------------|------------------|------------------|-------------------|-----------------|-----------------|-----------------|----------------|
| Assets of the Bank | 140,616 | 191 | 122,281 | 22,433 | 44,055 | 3,262 | 7,647 | 11,804 | 352,289 |
| Cash and balances with central bank and due from credit institutions | 139,391 | 0 | 120,431 | 0 | 0 | 0 | 0 | 0 | 259,822 |
| Due from customers | 980 | 158 | 0 | 8,472 | 3,546 | 1,973 | 6,113 | 8,670 | 29,912 |
| Securities | 57 | 0 | 1,224 | 13,912 | 40,367 | 1,288 | 1,530 | 3,134 | 61,512 |
| Other financial assets | 188 | 33 | 626 | 49 | 142 | 1 | 4 | 0 | 1,043 |
| Liabilities of the Bank | 303,079 | 0 | 4,144 | 3,859 | 13,470 | 1,935 | 7,848 | 4,000 | 338,335 |
| Due to credit institutions | 488 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 488 |
| Due to customers | 293,300 | 0 | 3,832 | 3,804 | 13,470 | 1,865 | 2,735 | 0 | 319,006 |
| Subordinated debts evidenced by certificates | 0 | 0 | 0 | 0 | 0 | 0 | 5,000 | 0 | 5,000 |
| Subordinated debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,000 | 4,000 |
| Borrowed funds from government and foreign aid | 0 | 0 | 0 | 55 | 0 | 70 | 113 | 0 | 238 |
| Other financial liabilities | 9,291 | 0 | 312 | 0 | 0 | 0 | 0 | 0 | 9,603 |
| Net | -162,463 | 191 | 118,137 | 18,574 | 30,585 | 1,327 | -201 | 7,804 | 13,954 |
| Contingent: | | | | | | | | | |
| assets | 0 | 0 | 43,614 | 145 | 0 | 0 | 0 | 0 | 43,759 |
| liabilities | 16,434 | 0 | 43,629 | 144 | 1,909 | 0 | 0 | 0 | 62,116 |

Geographical Concentration of Financial Assets

EUR ths., as of 31.12.2016

| Area | Balance sheet claims | | | | 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% |
| Total | 110,630 | 44,221 | 2,609 | 42,500 | 100.00% |

* Bonds of African Development Bank.

** Bonds of Asian Development Bank.

| Balance sheet claims | | | | | |
|-----------------------------|--|---|--|-------------------------|------------------------|
| Area | Cash, balances with central bank, loans and advances to credit institutions | Loans and advances to customers. | incl. overdue and doubtful claims | securities * | by area (%) |
| Estonia | 46,881 | 20,442 | 1,866 | 357 | 19.27% |
| Germany | 57,896 | 0 | 0 | 16,328 | 21.13% |
| Luxembourg | 27,559 | 0 | 0 | 10,218 | 10.76% |
| France | 30,629 | 0 | 0 | 6,308 | 10.52% |
| United Kingdom | 27,561 | 881 | 0 | 2,190 | 8.72% |
| Switzerland | 17,550 | 0 | 0 | 0 | 5.00% |
| United States of America | 7,258 | 0 | 0 | 9,851 | 4.87% |
| Austria | 16,651 | 0 | 0 | 0 | 4.74% |
| Belgium | 15,818 | 0 | 0 | 51 | 4.52% |
| Latvia | 9,525 | 1 | 0 | 0 | 2.71% |
| British Virgin Islands | 0 | 7,022 | 0 | 1,159 | 2.33% |
| Denmark | 20 | 0 | 0 | 2,755 | 0.79% |
| Finland | 0 | 40 | 0 | 2,317 | 0.67% |
| Philippines | 0 | 0 | 0 | 1,835 | 0.52% |
| Russia | 1,809 | 0 | 0 | 4 | 0.52% |
| Netherlands | 0 | 0 | 0 | 1,826 | 0.52% |
| Japan | 0 | 0 | 0 | 1,633 | 0.46% |
| Turkey | 0 | 0 | 0 | 1,265 | 0.36% |
| Israel | 0 | 1,212 | 0 | 0 | 0.35% |
| Ivory Coast | 0 | 0 | 0 | 929 | 0.26% |
| United Arab Emirates | 0 | 0 | 0 | 717 | 0.20% |
| Bermuda | 0 | 0 | 0 | 584 | 0.17% |
| Ireland | 0 | 0 | 0 | 475 | 0.14% |
| Poland | 315 | 0 | 0 | 0 | 0.09% |
| Brazil | 0 | 0 | 0 | 281 | 0.08% |
| Cayman Islands | 0 | 0 | 0 | 240 | 0.07% |
| Panama | 0 | 214 | 0 | 0 | 0.06% |
| South-Korea | 0 | 0 | 0 | 191 | 0.05% |
| Italy | 167 | 0 | 0 | 0 | 0.05% |
| Georgia | 115 | 0 | 0 | 0 | 0.03% |
| Cyprus | 0 | 100 | 0 | 0 | 0.03% |
| Ukraine | 66 | 0 | 46 | 0 | 0.02% |
| Norway | 2 | 0 | 0 | 0 | 0.00% |
| Total | 259,822 | 29,912 | 1,912 | 61,514 | 100.00% |

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

Concentration of Financial Assets by Economic Sector

EUR ths., as of 31.12.2016

| Economic sector | Balance sheet claims | | | 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 | - | - | -0.12% |
| Total | 154,704 | 2,609 | 42,500 | 100.00% |

EUR ths., as of 31.12.2015

| Economic sector | Balance sheet claims | | | by area (%) |
|---|----------------------|-----------------------------------|---------------|----------------|
| | loans * | incl. overdue and doubtful claims | securities ** | |
| Financial and insurance activities | 260,621 | 0 | 48,643 | 88.09% |
| Real estate activities | 9,377 | 390 | 241 | 2.74% |
| Public administration and defence; compulsory social security | 0 | 0 | 6,162 | 1.76% |
| Professional, scientific and technical activities | 6,081 | 0 | 0 | 1.73% |
| Private persons | 4,955 | 522 | 0 | 1.41% |
| Manufacturing | 487 | 155 | 2,319 | 0.80% |
| Administrative and support service activities | 2,013 | 0 | 0 | 0.57% |
| Mining and quarrying | 0 | 0 | 1,747 | 0.50% |
| Agriculture, forestry and fishing | 1,581 | 845 | 0 | 0.45% |
| Wholesale and retail trade | 1,289 | 0 | 232 | 0.43% |
| Other service activities | 1,242 | 0 | 203 | 0.41% |
| Electricity, gas, steam and air conditioning supply | 0 | 0 | 1,406 | 0.40% |
| Accommodation and food service activities | 1,103 | 0 | 0 | 0.31% |
| Human health and social work activities | 767 | 0 | 0 | 0.22% |
| Information and communication | 0 | 0 | 561 | 0.16% |
| Construction | 389 | 0 | 0 | 0.11% |
| Arts, entertainment and recreation | 128 | 0 | 0 | 0.04% |
| Provisions | -480 | - | - | -0.14% |
| Total | 289,553 | 1,912 | 61,514 | 100.00% |

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

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