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INTRODUCTION

General Data of Credit Institution

Business name

Location and address

Registered in state

Registration date

Registry code

Legal Entity Identifier

VAT registration number

Phone

Fax

S.W.I.F.T.'s BIC code

E-mail

Internet home page

Versobank AS

Hallivanamehe 4, 11317 Tallinn, Estonia

Republic of Estonia

14.10.1999

10586461 (Estonian Commercial Register)

549300S6Q5X9GKYK5R57 (LEI-code)

EE100684313

(+372) 6 802 500

(+372) 6 802 501

SBMBEE22

info@versobank.com

http://www.versobank.com

Auditor

Auditor's business name

Auditor's registry code

Auditor's location and address

AS PricewaterhouseCoopers

10142876

Pärnu mnt. 15, 10141 Tallinn, Estonia

Report Data

Balance sheet date of report

Report period

Report currency and units

31.12.2016

01.01.2016 - 31.12.2016

Euro (EUR), in thousands of euros

Classification of Economic Activities (EMTAK 2008):

64191 Credit institutions (banks)

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.

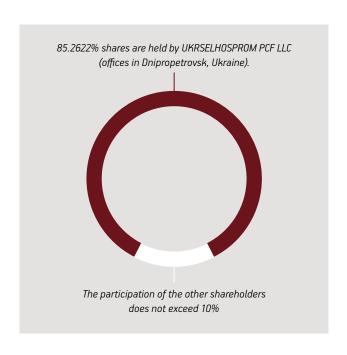
The shareholder with a holding over 10% in Versobank AS as at 31 December 2016, and as at the date of the preparation of the report, is:

85.2622% shares are held by UKRSELHOSPROM PCF LLC (offices in Dnipropetrovsk, Ukraine).

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

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

The Bank does not own any companies where its holding is over 20%. The Bank owned 16% of the business development company European Business Development AS, but European Business Development was deleted from the commercial register on 18 January 2016.



Description of Economic Environment

2016 was a year of political turmoil in international financial markets, triggered by the Brexit referendum and elections in the United States. This uncertainty led to increased volatility of assets in the markets. Bond yields remained low, but share prices were supported by higher than expected stability in emerging markets.

The European Central Bank's asset purchase program led to lower bond yields in the euro area markets. Equity markets were affected by a number of short-term major downfalls.

According to the European Central Bank, the main factors that may affect risk premium are: (i) growth of political uncertainty in developed economies, (ii) continued uncertainty in emerging markets, which may result in large capital movements and (iii) volatility of global markets which may result from unforeseen changes in the US monetary policy or inflation.

In 2016 the euro area economy continued to grow, the third-quarter real GDP growth was 0.3%, and the projected annual growth was 1.7%. In the second half, inflation increased, mainly due to energy prices, rising above the 1% rate.

Ukraine has recovered from the economic shock, growing 0.8% in the first half of 2016 as compared to the 16% decline in the same period in 2015. Significant growth is being restricted by modest foreign demand, insufficient reforms and the ongoing conflict in the eastern part of the country.

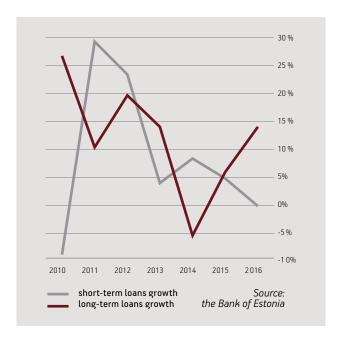
Estonia's economic growth was the lowest in recent years, and was supported mainly by domestic demand. In recent years growth has come mainly from the increase of employment and participation in the labor market, and not from the productivity growth. Estonia's opportunities for growth have been limited by modest demand in export markets. Of trading partners, Russia is recovering from recession, and the Finnish economy is growing slowly.

According to the Bank of Estonia, business expectations increased throughout the entire year of 2016, and investments of trade, real estate, transport and warehousing companies increased in the first three quarters. However, mainly due to the decrease in the energy sector investments, the total volume of corporate investments decreased.

At the end of the third quarter 2016, long-term corporate debt was 2% higher than a year earlier and growth was driven by the real estate sector. In the structure of corporate debt, the share of domestic bank lending increased and the share of foreign debt obligations decreased.

According to the Bank of Estonia, the Estonian loan market in 2016 was marked by rapid growth in long-term corporate loans — the volume of new long-term loans grew by 14% as compared to the previous year. The volume of new housing loans issued was 10% higher than in 2015. The average loan volume increased due to the growth of the average loan amount that was attributable to transactions with more expensive housing.

In 2017, we expect Estonia's economic situation to be satisfactory, growth will be slow, but slightly faster than in 2016.



Major Economic Events

For the Bank, year 2016 marked the beginning of strategic transformation.

On 6th September 2016, the Latvian Financial and Capital Market Commission (the "FCMC") issued a binding regulatory pronouncement prescribing inter alia to cease Versobank's operations at the Riga (Latvia) cross-border office - which Versobank has followed and complied with by closing the Riga office, transferring the employees and terminating the lease on the premises. FCMC, in its pronouncement posits that Versobank's operations at Riga office, when carried out in 2013-2016, represented a full-service banking activity and as such required establishment of a banking branch under FCMC's direct supervision. On its part, Versobank respectfully yet strongly disagrees with FCMC's interpretation of the European law and maintains that provision of banking services in the Republic of Latvia is permitted without registration of a local country branch under the principle of free movement of services established within the European Union. Subsequently, the Bank has appealed the FCMC's pronouncement in the Latvian administrative court (proceedings are on pre-trial stage) and considers, subject to a legal outcome of the trial, bringing the case to the Court of Justice of the European Union in due course. In the meantime, Versobank continues constructive discussions and cooperation with FCMC with the view to supporting FCMC's supervisory efforts and resolving the dispute out-of-court.

On 8th August 2016, the EFSA issued a precept requiring Versobank to address shortcomings in the organisation and adjust its activities to comply with the relevant laws of Estonia. The precept noted substantial weaknesses in internal controls at the Bank.

In light of the above regulatory pronouncements, the Bank's Shareholders have instigated the organizational overhaul which culminated in replacement of members of the Management Board including the Chairman. The Supervisory Board was also revamped; four new members joined since August 2016, all having extensive background in financial services. The Bank's new Management Board has identified the following areas of growth: Factoring, Trade Finance, Wealth Management, Trading/Hedging for Clients, Solutions Business and e-Commerce. Our goal is to become the provider of tailor-made financial services to our client base. Lending business and provision of specialized merchant banking services both in Estonia and abroad is our main aim and ambition. The Bank's footprint in non-strategic areas ('legacy portfolio') is being continuously reduced. Under the new policy the Bank has been focusing on larger privately owned businesses to which it can offer a broader range of products.

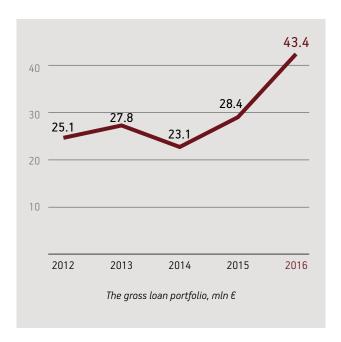
The number of Bank's customers decreased by 17.0% during 2016 (2015 growth: 15.7%) as part of the new strategy.

The volume of customer deposits shrank by 50.7% in a year (2015 growth: 39.9%). As at 31 December 2016, customer deposits in the Bank amounted to 157.3 million euros (319.0 million euros as at 31 December 2015). The biggest decrease was recorded in corporate demand deposits of non-residents held in foreign currencies.

The Bank's balance sheet has been reduced by 43.4%, reaching 200.33 million euros as at

31 December 2016 (31 December 2015: 353.97 million euros).

At the end of the reporting period, the gross loan portfolio (excluding deposits held in financial institutions) amounted to 43.4 million euros (31 December 2015: 29.6 million euros), an increase of 46.6% in a year (2015: an increase of 28.4%), and formed 21.7% of the total assets (31 December 2015: 8.4%) – this is one of



our key areas of growth for 2017-2020.

In 2016, non-performing loans were written off by 0.20 million euros (2015: 0.15 million euros). The quality of the loan portfolio continues to improve, reflected in a decrease of loan provisions. Deposits held at the Bank remain significantly higher than loans - at the end of the year 2016 the ratio of deposits to loans was 3.6 times (31 December 2015: 10.75 times).

The 2016 net profit amounted to 1.28 million euros (2015 net profit: 4.72 million euros). For managing liquidity and diversifying the sources of income, the Bank continued to invest in bonds recognised as available-for-sale financial assets, but as a result of a decrease in the volume of assets this portfolio of available-for-sale financial assets has also decreased by 31.7% to 41.89 million euros. The net interest income for the reporting period amounted to 1.50 million euros (2015: 1.25 million euros), with the new strategic focus already yielding first positive results. Net fee and commission income amounted to 4.30 million euros (2015: 5.48 million euros). Income from foreign exchange was 2.68 million euros (2015: 3.65 million euros). Operating profit from banking activities in 2016 (excluding loan losses) amounted to 8.80 million euros, compared to 10.16 million euros a year earlier. Administrative expenses were 7.3 and 5.1 million euros in 2016 and 2015, respectively – the Management Board considers

reduction of costs one of its main priorities going forward. As of 31 December 2016 the Bank's shareholders' equity was 18.75 million euros and the regulatory capital adequacy ratio was 38.36% (31 December 2015: 16.84 million euros, capital adequacy ratio of 21.50%). The Bank remains strongly capitalised and its Shareholders remain fully committed to the repositioning of the Bank.

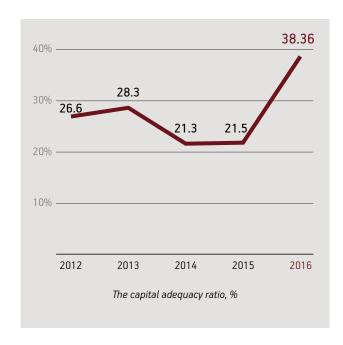
The Bank has representative offices in Kiev and Dnepropetrovsk in Ukraine and Limasson in Cyprus. The Bank continues to pay great attention to the expansion of the network of correspondent banks for liquidity management and service improvement purposes. For better and faster customer service, the Bank opened several new correspondent accounts and expanded the list of foreign currencies that it uses. The Bank is a principal member of Visa Europe and from 2014 issues VISA payment cards (Classic, Gold, Platinum and Business). The Bank has joined the MasterCard system, and has developed the technical and legal capacity to provide acquiring service.

Public Information on Remuneration

Remuneration of the work of the members of the Supervisory Board is decided by the general meeting of shareholders of the Bank. The work of three members of the Supervisory Board was compensated in 2016 (in 2015: 2). The total of 127 thousand euros of membership fees were calculated in 2016 (the total of 80 thousand euros in 2015).

No membership fees have been paid to the members of the Management Board.

The Supervisory Board of the Bank formed a Remuneration Committee with its decision on 17 June 2011. The Remuneration Committee has two members and consists of Supervisory Board members. The current remuneration has been based on the annual budget of the Bank, approved by the Supervisory Board, the salaries of the members of the Management Board have been approved by the Supervisory Board of the Bank and the salaries of employees by the chairman of the Management Board. The bonus system implemented in the Bank provides additional compensation for the targets set. Remuneration does not depend on risk management. Bank does not pay remuneration in shares, share options or other similar rights.



In 2016, the salaries of the members of the Management Board totalled 551 thousand euros and employees 2,902 thousand euros. In 2015, the salaries of the members of the Management Board totalled 254 thousand euros and employees 2,226 thousand euros. No performance fees nor resignation compensations (redundancy payments at amounts higher than mandatory by law) have been paid in 2016 and 2015, no payments have been made in connection with employment commencement either. There are no accrued unpaid performance fees. The average number of employees was 106 in year 2016 (95 year earlier), number of employees at the end of 2016 was 99 (114 at the end of 2015). Additional distribution of the components of personnel expenses have been disclosed in Note 8 of the financial statements.

Corporate Governance Report

"Corporate Governance Recommendations" guideline issued by the Estonian Financial Supervision Authority is in force since 01.01.2006. Whereas the shares of Versobank AS are not traded in the regulated market of Estonia and the Bank has no other issued securities listed in the stock exchange as of the reporting date, the Corporate Governance Recommendations are not mandatory for the Bank. Information is disclosed as required by legislation, international financial reporting standards (IFRS EU) and good banking practices.

Capital Base and Risk Weighted Assets

General overview of the regulatory own funds (capital base), risk weighted assets and capital requirements are presented in the tables below:

CAPITAL BASE (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 share capital	14,089	14,089
Retained earnings	1,959	-2,654
Statutory reserve capital transferred from net profit	436	200
(-) Intangible assets	-193	-211
Other reserves	-222	-883
Additional tier 1 capital	5,000	5,000
Capital instruments eligible as AT1 Capital	5,000	5,000
Subordinated debts evidenced by certificates	5,000	5,000
Tier 2 capital	4,000	4,000
Capital instruments and subordinated loans eligible as T2 Capital	4,000	4,000
Subordinated debt*	4,000	4,000

^{*} Tier 2 subordinated debt is disclosed in nominal amount of 4,000 thousand euros. The carrying amount of subordinated debt as of 31 December 2016 is 2,785 (31.12.2015: 2,634) thousand auros.

RISK WEIGHTED ASSETS (RWA, 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	/C F2C	3,722	68,138	5,451
Standardised approach (SA)	46,526	3,722	68,138	5,451
• •	46,526	3,722	00,130	5,451
SA exposure classes excluding securiti- sation 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

Exposures by class

The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation. Exposure includes off balance sheet items. Exposure amounts are divided by exposure classes.

EXPOSURES BY CLASS (EUR ths.)	Original exposure 31.12.2016	Average exposure 2016	Original exposure 31.12.2015	Average exposure 2015
Exposures on central bank	62,668	45,276	23,210	23,658
Exposures to institutions	2,482	4,225	17,800	5,605
Exposures to corporates	21,949	18,263	11,234	11,277
Retail exposures	8,692	8,158	7,819	6,286
of which retail SME	7,171	7,097	7,202	6,132
Exposures secured by mortgages on immovable property	12,849	11,700	11,423	10,206
of which SME	8,651	7,507	7,380	6,258
Exposures in default	787	984	906	1,113
Claims on institutions and corporates with a short-term credit assesment	46,847	99,931	231,015	213,340
Other items	13,527	11,942	7,912	6,691
TOTAL	169,801	200,479	311,319	278,175

Credit risk and counterparty credit risk exposures by class and geography

EXPOSURES BY CLASS AND GEOGRAPHY			United			Other	
(EUR ths., as of 31.12.2016)	Estonia	Germany	Kingdom	Austria	France	countries	Total
Exposures on central bank	62,668	0	0	0	0	0	62,668
Exposures to institutions	0	0	1,662	0	0	820	2,482
Exposures to corporates	12,640	0	0	0	0	9,309	21,949
Retail exposures	8,242	0	226	0	0	224	8,692
of which retail SME	7,171	0	0	0	0	0	7,171
Exposures secured by mortgages on immov-							
able property	11,723	0	0	0	0	1,126	12,849
of which SME	8,651	0	0	0	0	0	8,651
Exposures in default	787	0	0	0	0	0	787
Claims on institutions and corporates with a							
short-term credit assesment	10,734	62	0	503	2,301	33,247	46,847
Other items	13,477	0	0	0	0	50	13,527
TOTAL	120,271	62	1,888	503	2,301	44,776	169,801

EXPOSURES BY CLASS AND GEOGRAPHY			United			Other	
(EUR ths., as of 31.12.2015)	Estonia	Germany	Kingdom	Austria	France	countries	Total
Exposures on central bank	23,210	0	0	0	0	0	23,210
Exposures to institutions	0	0	990	0	0	16,810	17,800
Exposures to corporates	2,267	0	9	0	0	8,958	11,234
Retail exposures	7,604	0	0	0	0	215	7,819
of which retail SME	6,987	0	0	0	0	215	7,202
Exposures secured by mortgages on immov-							
able property	10,171	0	0	0	0	1,252	11,423
of which SME	7,380	0	0	0	0	0	7,380
Exposures in default	906	0	0	0	0	0	906
Claims on institutions and corporates with a							
short-term credit assesment	19,788	57,896	27,556	16,651	30,626	78,498	231,015
Other items	7,855	0	2	0	0	55	7,912
TOTAL	71,801	57,896	28,557	16,651	30,626	105,788	311,319

Credit risk and counterparty credit risk exposures by economic sector

			Exposures secured			
EXPOSURES BY ECONOMIC SECTOR	Retail	of which	by mortagages on	of which	Exposures	
(EUR ths., as of 31.12.2016)	exposures	retail SME	immovable property	SME	in default	Total
Agriculture, forestry and fishing	827	776	0	0	450	1,277
Manufacturing	0	0	1,323	1,323	55	1,378
Construction	1,038	1,038	26	26	0	1,064
Wholesale and retail trade	637	176	1,203	1,203	0	1,840
Transportation and storage	15	15	0	0	0	15
Accommodation and food service						
activities	35	0	1,073	1,073	0	1,108
Information and communication	0	0	0	0	0	0
Financial and insurance activities	0	0	0	0	0	0
Real estate activities	4,288	4,288	4,048	4,048	150	8,486
Professional, scientific and technical						
activities	63	63	0	0	0	63
Administrative and support service						
activities	417	417	208	208	0	625
Human health and social work activities	0	0	700	700	0	700
Arts, entertainment and recreation	91	91	26	26	0	117
Other service activities	1,034	307	44	44	0	1,078
Private persons	247	0	4,198	0	132	4,577
Total	8,692	7,171	12,849	8,651	787	22,328

EXPOSURES BY ECONOMIC SECTOR (EUR ths., as of 31.12.2015)	Retail exposures	of which retail SME	Exposures secured by mortagages on immovable property	of which SME	Exposures in default	Total
Agriculture, forestry and fishing	944	867	58	58	540	1,542
Mining and quarrying	0	0	0	0	0	0
Manufacturing	214	214	134	134	55	403
Construction	363	363	32	32	0	395
Wholesale and retail trade	1,085	1,085	211	211	0	1,296
Transportation and storage	0	0	0	0	0	0
Accommodation and food service activities	40	0	1,105	1,105	0	1,145
Information and communication	0	0	0	0	0	0
Real estate activities	3,968	3,968	3,852	3,852	9	7,829
Professional, scientific and technical activities	73	<i>73</i>	0	0	0	73
Administrative and support service activities	299	299	1,187	1,187	0	1,486
Human health and social work activities	0	0	775	<i>775</i>	0	775
Arts, entertainment and recreation	102	102	26	26	0	128
Other service activities	263	231	0	0	0	263
Private persons	468	0	4,043	0	302	4,813
Total	7,819	7,202	11,423	7,380	906	20,148

Credit risk and counterparty credit risk exposures by remaining maturity

EXPOSURES BY REMAINING MATURITY	< 3	3 - 6	6 - 12	1 - 5	> 5	
(EUR ths., as of 31.12.2016)	months	months	months	years	years	Total
Exposures on central bank	62,668	0	0	0	0	62,668
Exposures to institutions	2,482	0	0	0	0	2,482
Exposures to corporates	6,232	3,897	4,188	2,686	4,946	21,949
Retail exposures	1,412	1,850	1,343	3,767	320	8,692
of which retail SME	246	1,849	1,235	3,638	203	7,171
Exposures secured by mortgages on						
immovable property	1,035	740	818	3,363	6,893	12,849
of which SME	1,035	<i>7</i> 40	746	1,731	4,399	8,651
Exposures in default	282	0	0	318	187	787
Claims on institutions and corporates with						
a short-term credit assesment	46,847	0	0	0	0	46,847
Other items	13,527	0	0	0	0	13,527
TOTAL	134,485	6,487	6,349	10,134	12,346	169,801

EXPOSURES BY REMAINING MATURITY (EUR ths., as of 31.12.2015)	< 3 months	3 - 6 months	6 - 12 months	1 - 5 vears	> 5 years	Total
Exposures on central bank	23,210	0	0	0	0	23,210
Exposures to institutions	17,800	0	0	0	0	17,800
Exposures to corporates	8,078	0	1,837	0	1,319	11,234
Retail exposures	120	1,778	1,597	3,803	521	7,819
of which retail SME	117	1,778	1,487	3,559	261	7,202
Exposures secured by mortgages on						
immovable property	824	9	246	3,947	6,397	11,423
of which SME	824	9	221	2,568	<i>3,7</i> 58	7,380
Exposures in default	158	0	0	396	352	906
Claims on institutions and corporates with						
a short-term credit assesment	230,015	0	1,000	0	0	231,015
Other items	7,912	0	0	0	0	7,912
TOTAL	288,117	1,787	4,680	8,146	8,589	311,319

Assets encumbrance

An asset shall be treated as encumbered if it has been pledged or if it is a subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

Assets pledged that are subject to any restrictions in withdrawal, such as for instance assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

ASSETS ENCUMBRANCE (EUR ths., as of 31.12.2016)	Carrying amount of encumbered assets	Carrying amount of non- encumbered assets	of which: central banks eligble *	Fair value of non- encumbered assets	Total Carrying amount
Assets of the reporting institution	0	200,331	5,430	41,899	200,331
Loans on demand	0	110,482	0	0	110,482
Equity instruments	0	269	0	58	269
Debt securities	0	41,841	5,430	41,841	41,841
of which: issued by general governments of which: issued by financial corporations	0	15,854 13,844	2,371 0	15,854 13,844	15,854 13,844
of which: issued by non-financial corporations	0	11,790	3,059	11,790	11,790
Loans and advances other than loans on demand	0	44,222	0	0	44,222
of which: mortgage loans	0	32,991	0	0	32,991
Oher assets	0	3,517	0	0	3,517

ASSETS ENCUMBRANCE (EUR ths., as of 31.12.2015)	Carrying amount of encumbered assets	Carrying amount of non- encumbered assets	of which: central banks eligble *	Fair value of non- encumbered assets	Total Carrying amount
Assets of the reporting institution	0	349,980	11,044	61,362	349,980
Loans on demand	0	255,718	0	0	255,718
Equity instruments	0	54	0	54	54
Debt securities	0	61,308	11,044	61,308	61,308
of which: issued by general governments of which: issued by financial	0	25,161	6,444	25,161	25,161
corporations	0	1,102	459	1,102	1,102
of which: issued by non-financial corporations	0	34,683	4,141	34,683	34,683
Loans and advances other than loans on demand	0	29,912	0	0	29,912
of which: mortgage loans	0	20,769	0	0	20,769
Oher assets	0	2,988	0	0	2,988

^{*} Carrying amount of encumbered assets held by the reporting institutions which are eligible for operations with those central banks to which the reporting institution has access.

Internal Capital Adequacy Assessment Process

The internal capital adequacy assessment process (ICAAP) is a process that covers the entire Bank, ensuring that the Bank has adequate capitalization to cover the risks involved in its activities and for the implementation and development of activities. The Bank's internal capital adequacy calculation is based on capital allocation in accordance with the regulatory capital requirements plus the additional capital requirement calculated during the internal capital adequacy assessment process (ICAAP).

The internal capital adequacy assessment process takes into account all relevant risks that arise in the Bank. In the course of the internal capital adequacy assessment process (ICAAP), the Bank assesses the need for additional capital in the Bank for all identified risks. The Bank carries out stress tests at least once a year to assess the need for additional capital.

The Bank uses risk-based capital planning to ensure that all risks are adequately covered by equity at any given time. Capital planning is carried out on the basis of projections that take into account the Bank's strategy, risk profile and risk appetite. Capital needs are forecast and planned on the basis of calculating the regulatory total equity ratio. Regulative total exposure will be added by additional risk exposures that have not been taken into account in regulatory total exposure. Capital needs are forecast taking into account the impact of strategic and reputation risk on the Bank's activities.

Additionally, the necessary capital buffer is determined for ensuring the internally recommended total equity ratio in case unlikely but possible adverse macroeconomic developments are realized.

Bank's Leverage ratio (EUR ths.)	31.12.2016	31.12.2015
Exposure measure for leverage ratio calculation	204,465	358,436
of which on balance sheet items	200,331	353,972
of which off balance sheet items	4,134	4,464
Leverage ratio*	10.33%	4.35%

^{*} Dated as of 31.12.2016 and as of 31.12.2015 is calculated at the end of the quarter.

Excessive Leverage risk

Excessive leverage risk is arising from excessive growth of liabilities. Excessive leverage risk is the risk arising from the Bank's amount of leverage and its change as compared to the size of the Bank's own funds and their change. The Bank regularly monitors and analyzes the leverage risk

Use of rating agencies

To determine credit quality grades when calculating capital requirements, the Bank uses credit quality assessments from the credit ratings agencies Moody's, Standard & Poor's, and Fitch Ratings in accordance with the rules laid down in Regulation (EU) No. 575/2013 of the European Parliament and of the Council (Banking Regulation) and the credit quality grades prescribed by the Financial Supervision Authority.

The Bank uses an aggregate assessment derived from the assessments of the above ratings agencies to calculate the capital requirements for the risk exposure classes below in relation to credit risk: (a) receivables from central governments or central banks (b) receivables from regional or local governments; (c) receivables from public sector institutions; (d) receivables from multilateral development banks; (e) receivables from international organisations; (f) receivables from credit institutions and investment firms; and (g) receivables from credit institutions and investment firms and companies with short-term credit quality assessments.

Furthermore, the Bank uses an aggregate assessment derived from the assessments of the above ratings agencies to calculate the own fund requirements for the specific risk of its trading portfolio.

Information Disclosed on Capital Adequacy

The Bank follows the principles set by the Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Estonian Credit Institutions Act in determining and calculating the composition of own funds, as well as calculating the deductions and limits from own funds.

To calculate risk-weighted assets all balance sheet and off-balance sheet exposures are divided between classes of exposures provided for in the Credit Institutions Act, followed by a division to respective steps of credit quality in order to establish risk weights. Upon calculation of capital requirements the Bank uses credit quality assessments of rating agencies Moody's, Standard & Poor's and Fitch Ratings for determination of credit quality steps according to the rules provided for in Regulation (EU) No 575/2013 of the European Parliament and of the Council (Banking Resolution) and the credit quality steps determined by the Financial Supervision Authority.

The Bank considers the following transactions subject to funded credit protection in calculation of the credit risk capital requirement, with the prior assessment each time that they are in compliance with the conditions for recognizing financial collaterals as set by the Regulation (EU) No 575/2013 of the European Parliament and of the Council (Banking Resolution):

- 1) On-balance sheet netting recognised by agreement as an each time decision;
- 2) Financial collaterals recognised depending on the type of underlying asset.

The Bank accepts as financial collateral: 1) cash on deposit and cash equivalents deposited in the Bank; 2) shares and convertible debt instruments listed in the main list on recognised stock exchanges and debt instruments meeting the requirements stipulated in Regulation (EU) No 575/2013 of the European Parliament and of the Council. The Bank includes only such financial collaterals in the calculation of the credit risk capital requirement, the remaining maturity of which is at least equal to the remaining maturity of the secured risk position. The Bank uses the comprehensive method for calculating the effect of the financial collateral.

The Bank considers the following unfunded credit risk protection facilities in calculation of the credit risk capital requirement, with the prior assessment each time that they are in compliance with the requirements for recognising unfunded credit protection transactions and credit as set by the Regulation (EU) No 575/2013 of the European Parliament and of the Council:

1) Unfunded credit protection transactions - recognised by agreement as an each time decision or by protection provider, when the credit risk protection is provided by each time standard agreement;

2) Credit derivatives – recognised by transaction as an each time decision.

Credit risk mitigation transactions taken into account as of 31.12.2016 and 31.12.2015 were financial collaterals in the form of cash deposited with the Bank and eligible financial collaterals used in reverse repo

transactions pursuant to Regulation (EU) No 575/2013 of the European Parliament and of the Council. The Bank has not used unfunded credit protection transactions or credit derivatives as of 31.12.2016 and 31.12.2015.

The Bank applies the standard principles provided for in the Estonian Credit Institutions Act and Regulation (EU) No 575/2013 of the European Parliament and of the Council in calculating the instruments included in the trading portfolio and counterparty credit risk.

Equity investments acquired to the Bank portfolio under strategic purposes are classified by each time with a decision of the Management Board of 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%	0.72%
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 end year + Equity of previous year)/2
EM	Average assets / Average equity
Average assets	(Assets of current year + Assets of previous year)/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 - Cost of interest bearing liabilities = YIEA - COL
YIEA	Interest income / Average interest earning assets * 100
COL	Interest expense / Average interest bearing liabilities * 100

Total income:

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

Interest earning assets:

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

Ratings

Versobank AS has not been rated by international rating agencies.

Legal Disputes

Courts are proceeding with the actions of the Bank 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 sureties and execution proceedings are taking place with regard to pledged collateral assets and private person debtors.

Total of seven court actions have been filed 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 significant proprietary damage to the Bank.

Interest bearing liabilities:

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

FINANCIAL STATEMENTS 2016

Statement of Comprehensive Income

	Note	2016 (EUR ths.)	2015 (EUR ths.)
Interest income	1	2,639	1,868
Interest expense	2	-1,135	-615
Net interest income		1,504	1,253
Fee and commission income	3	6,393	7,293
Fee and commission expense	4	-2,092	-1,811
Net fee and commission income		4,301	5,482
Net trading gains	5	3,285	3,802
Other operating income	6	81	120
Other operating expenses	7	-292	-494
Total income from banking activities		8,879	10,163
Administrative expenses		-7,298	-5,073
Personnel expense	8	-3,673	-2,619
Payroll related taxes	9	-1,074	-779
Other administrative expenses	10	-2,551	-1,675
Depreciation and amortisation of tangible and intangible as-			
sets	11	-232	-128
Provisions		0	72
Operating profit before impairment loss		1,349	5,034
Impairment loss on assets	12	-73	-312
NET PROFIT FOR THE PERIOD		1,276	4,722
OTHER COMPREHENSIVE INCOME Items that subsequently may be reclassified to profit or loss Net change in revaluation reserve of available-for-sales finan-			
cial assets		661	-335
COMPREHENSIVE INCOME FOR THE PERIOD		1,937	4,387
Basic and diluted earnings per share	33	0.05 EUR	0.20 EUR

Statement of Financial Position

	Note	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
ASSETS			
Cash	13	147	181
Loans and advances		154,704	289,553
Balances with central bank	14	62,668	23,210
Due from other credit institutions	15	47,815	236,431
Due from customers	16	44,221	29,912
Financial assets held for trading	17	397	152
Available-for-sale financial assets	18	42,103	61,362
Property and equipment	19	947	448
Investment properties	20	515	1,022
Intangible assets	21	193	211
Other assets	22	1,325	1,043
TOTAL ASSETS		200,331	353,972
LIABILITIES			
Financial liabilities held for trading	17	399	162
Financial liabilities measured at amortised cost		167,079	327,366
Deposits to credit institutions	23	1,796	488
Other deposits	23	157,315	319,006
Subordinated debts evidenced by certificates	24	5,000	5,000
Subordinated debt	25	2,785	2,634
Borrowed funds from government and foreign aid	26	183	238
Tax liabilities	27	293	154
Other liabilities	28	13,807	9,449
TOTAL LIABILITIES		181,578	337,131
SHAREHOLDERS' EQUITY			
Share capital	29	14,089	14,089
Other equity instruments	25	1,215	1,366
Statutory reserve capital	29	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

Statement of Cash Flows

Statement of Cash Flows			
	Note		2015 (EUR ths.)
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	4	-2,092	-1,811
Administrative expenses paid		-7,056	-5,262
Trading income received	5	3,083	3,802
Other operating income		78	198
Other operating expenses	7	-292	-494
Change in operating assets and liabilities:			
Mandatory reserve in central bank		1,207	-1,290
Loans 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	19	-701	-376
Purchase of intangible assets	21	-24	-77
Disposal of investment properties	20	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 year		256,957	206,021
Net change in cash and cash equivalents		-147,985	50,936
Cash and cash equivalents at the end of the year*		108,972	256,957

* Cash and cash equivalents at the end of the year comprise:	Note	2016 (EUR ths.)	2015 (EUR ths.)
Cash	13	147	181
Balances with the central bank without mandatory reserve	14	61,010	20,345
Deposits with credit institutions with original maturity of less than			
3 months	15	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	Accumulat- ed deficit/ retained earnings	Total equity
Year beginning on 01.01.2015	14,089	1,487	88	-548	-2,541	12,575
Equity component of subordinated debt	0	-121	0	0	0	-121
Transfer to statutory reserve capital	0	0	112	0	-112	0
Other comprehensive loss	0	0	0	-335	0	-335
Profit for the year	0	0	0	0	4,722	4,722
Comprehensive income for the period	0	0	0	-335	4,722	4,387
Balance as at 31.12.2015	14,089	1,366	200	-883	2,069	16,841
Year beginning on 01.01.2016	14,089	1,366	200	-883	2,069	16,841
Equity component of subordinated debt	0	-151	0	0	126	-25
Transfer to statutory reserve capital	0	0	236	0	-236	0
Other comprehensive income	0	0	0	661	0	661
Profit for the year	0	0	0	0	1,276	1,276
Comprehensive income for the period	0	0	0	661	1,276	1,937
Balance as at 31.12.2016	14,089	1,215	436	-222	3,235	18,753

Additional information in Note 29.

Accounting Policies

Versobank AS (hereinafter also "the Bank") is a credit institution registered in Estonia, address of registered office: Hallivanamehe 4, Tallinn 11317, Estonia. UKRSELHOSPROM PCF LLC is the parent company of the Bank, Mr Vadym Iermolaiev and Mr Stanislav Vilens'kyy being the beneficial owners of the group.

The Management Board of the Bank has approved the annual report, which includes financial statements,

on 28 April 2017. The shareholders have a right not to approve the annual report prepared and presented by the management board, and require compilation of a new report.

These financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (hereinafter IFRS EU).

Basis of Preparation

The functional and presentation currency of the Bank is Euro (EUR). Numeric data in the financial statements is presented in thousands of monetary units.

The annual report 2016 of the Bank is unconsolidated, because the Bank does not have subsidiaries.

The financial statements are prepared under the historical cost convention, except for cases described in some of the following accounting policies.

Significant Judgements and Estimates by the Management

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires the management to make certain judgements and estimates that affect the amounts reported in the financial statements. Judgements and estimates by the management are also required in applying the accounting principles and measurement bases.

The judgements and estimates made by the management are reviewed on an ongoing basis, and they are based on historical experience and other factors including assumptions of likely future events which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

IMPAIRMENT LOSSES ON LOANS AND ADVANCES.

The Bank regularly reviews its loan portfolio to assess potential impairment of assets. This evidence may include observable data indicating that there has been an adverse change in the payment ability of borrower, or state or local economic conditions that correlate with the borrower's default. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows.

The table below indicate the sensitivity of loan impairments to collateral fair value as of 31 December 2016 and 31 December 2015:

_	+10% change in collateral fair value (impact in ths euros)		-10% change in collateral fair value (impact in ths euros)	
Loan category	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loans, which are neither overdue not impaired	0	0	-200	-202
Loans, which are either overdue or individually impaired	+66	+37	-283	-37
Total	66	37	-483	-239

IMPAIRMENT OF AVAILABLE-FOR-SALE DEBT INVESTMENTS.

The Bank determines that available-for-sale debt investments are impaired when there has been a change in expected cash flows to be collected from the instrument. The determination of whether the expected cash flows have changed requires judgement. In making this judgement, the Bank evaluates among other factors, the changes in solvency position of the issuer, possible changes in credit behavior and any other relevant information available to the management. In addition, impairment may be appropriate when there is evidence of changes in technology or a deterioration in the financial health of the investment object, industry and sector performance, or operational or financing cash flows.

FAIR VALUE ASSESSMENT OF INVESTMENT PROPERTIES.

The Bank regularily performes fair value assessment of its real estate investments. The Bank uses the services of authorised real estate valuators to make the fair value assessments. The determination of whether the expected cash flows have changed requires judgement.

Changes in the market value dated as of 31.12.2016 of \pm -10% would result in a change in the fair value of \pm -52 ths euros (31.12.2015: \pm -10% change in the market value of \pm -102 ths euros).

Assets and Liabilities Denominated in Foreign Currencies

Foreign currency transactions are recorded in the official currency of the Republic of Estonia based on the foreign currency exchange rates of the European Central Bank valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies in statement of financial position are translated based on the foreign exchange rates of the European Central Bank valid on the balance sheet date. Changes in exchange rates are recognised in the statement of com-

prehensive income under "Net trading gains". Translation differences related to changes in the amortised cost are recognised in the statement of comprehensive income, and other changes in the carrying amount are recognised in equity under revaluation reserve. Translation differences of non-monetary items (e.g. shares in fair value through the statement of comprehensive income) are recognised as a part of fair value income/expense.

Offsetting

Financial assets and liabilities are offset only if a relevant legal right exists and there is intent to settle

the amounts on a net basis or to realise the asset and settle the liability simultaneously.

Financial Instruments

Cash, short-term financial investments, amounts due from credit institutions and customers, other receivables and accruals are classified as financial assets. Financial liabilities include payables to customers, debts evidenced by certificates, accrued expenses and other liabilities. Financial assets and liabilities are initially recognised at their fair value. Financial liabilities are stated in the balance sheet at amortised cost, using the effective interest rate method, incl. for transaction fees.

A financial asset is removed from the balance sheet

when the bank loses the right to the cash flows arising from the financial assets, or passes the cash flows arising from the asset and substantially all the risks and rewards relating to the financial asset, to a third party. A financial liability is removed from the balance sheet, when it is settled or discharged or it expires.

Purchases and sales of financial assets are consistently recognised on the settlement date, i.e. on the date on which the Bank acquires or loses ownership of the financial asset.

PricewaterhouseCoopers, Tallinn

Financial assets

IAS 39 category	Class (applied by the Bank)		31.12.2016	31.12.2015
Due from Central Bank and from other credit institution		from other credit institutions	110,483	259,641
	Loans and advances to	Loans to private companies	38,358	24,043
Loans and receivables	customers	Loans to private persons	4,629	4,889
	Due from financial institutions		1,234	980
	Other financial assets		909	659
Financial assets at fair	Coornition hold for trading	Equity securities	7	3
value trough profit or loss	Securities held for trading	Dervivatives	390	149
A:labla fan aala		Listed debt securities	41,841	61,308
Available-for-sale financial assets	Investment securities	Shares and fund units of private companies	262	54

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value is the price that would be received upon selling an asset on the measurement date or paid upon transfer of a liability in a transaction between market participants under normal conditions, a so-called exit price. Bank uses as much market information as possible in its fair value valuation of assets and liabilities. If no information is available on market prices, the generally accepted valuation models like discounting of cash flows are used. Different methods are used in fair value valuation of financial instruments depending on the rate of observable market data usage. Classification is based on Levels (1, 2, 3).

Levels used in hierarchy:

Level 1 – the price quoted on active market; Level 2 – price based on market price indication of similar transactions, rates of interest curves; Level 3 – other valuation methods (e.g. method of discounted cash flows).

An instrument is classified as a financial asset at fair value through changes in profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets at fair value through changes in profit or loss are reported in the balance sheet at fair value, based on quoted market prices and the official foreign exchange rates of the European Central Bank. The shares and debt securities not actively traded on an active market are valued at fair value according to the last quotation from an acknowledged provider with a presumption that there have been regular quotations available for the shares/debt securities and the price volatil-

ity has been in normal range for similar instruments. If the price is not available from quotations or there is no sufficient regularity of the quotations or the volatility of the instrument price quotations is outside the normal range, the shares/debt securities are revaluated into fair value based on all available information regarding the issuer to benchmark the financial instrument price against similar instruments available on active market to determine the fair value. For held for trading debt securities, for which the quoted prices from an active market are not available, cash flows are discounted at market interest rates, issuer's risk added. In any case, if the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Any gain or loss arising from changes in fair value is recognised in the statement of comprehensive income under "Net trading gains".

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debt-or/customer with no intention of trading the resulting receivable. Loans and receivables are recognised in the balance sheet when the cash is paid to the borrower or right to demand payment has arisen and are derecognised only when they are repaid or written-off. Loans and receivables are measured at amortised cost using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash on hand is recognised as cash in the balance sheet. Cash and cash equivalents in the statement of cash flows include cash, demand and overnight deposits with other credit institutions and the surplus of the mandatory reserve balance with the Bank of Estonia. Cash flows are reported in the statement of cash flows using the direct method. Cash and cash equivalents are stated in the balance sheet at amortised cost.

MANDATORY RESERVE IN THE BANK OF ESTONIA

Mandatory reserve rate of 2% of deposits and borrowings with maturities up to two years, less allowed deductions, is applicable from 01.01.2011, fulfilled as period's average established by the European Central Bank by depositing the corresponding amount in euros to the TARGET2 account with the Bank of Estonia.

HELD-TO-MATURITY INVESTMENTS

If the Bank has the positive intention and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, deducted by the impairment.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Bank's investments in equity securities and certain debt securities established by a decision of the Management Board are classified as available-forsale financial assets. Subsequent to initial recognition, they are measured at fair value and gains and losses on changes of fair value (other than impairment losses, interest income and foreign exchange gains and losses) are recognised directly in other comprehensive income/loss. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit when the Bank's right to receive payment is established and it is probable that the dividends will be collected. Fair value is determined by reference to the market quotations and indicative bid prices of big banks. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Derivative Instruments

Derivative instruments (e.g. forwards and swaps) are recognised on the trade date at fair value. After initial recognition, derivative instruments are measured at fair value, based on their quoted market prices and the official exchange rates of the European Central Bank. The fair value change is recognised in the

balance sheet under respective line "Financial assets held for trading" or "Financial liabilities held for trading" depending whether the fair value of the respective derivative is positive or negative and the result of the fair value change is recognised in the statement of comprehensive income under "Net trading gains".

Impairment of Financial Assets

VALUATION AND IMPAIRMENT OF LOANS AND ADVANCES

Loans to customers are recognised in the statement of financial position under "Due from customers" and funds held at other banks are recognised under "Due from other credit institutions". Bank regulations require monthly evaluation of the loan portfolio. Receivables arising from loan agreements are recognised in the statement of financial position at amortised cost. Cost is adjusted for repayments of the principal and, where necessary, any impairment losses. Amortised cost is calculated by discounting the estimated future cash flows of the instrument using the initial effective interest rate. If there is any indication of impairment, a

receivable is written down to the present value of the estimated future receipts, discounted at initial effective interest rate.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and reliability of related collateral, if any and the expected cash flows.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, the impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If the value of an impaired receivable rises in subsequent periods, a previously recognised impairment loss is reversed to an amount equal to the present value of the item's estimated future cash flows or, if lower, the carrying amount of the receivable which would have been determined if no impairment loss had been recognised.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the statement of comprehensive income.

Securities purchase and resale transactions (reverse repos) are recognised and assessed for impairment similarly to other loans.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or

prolonged decline in the fair value of an equity instrument below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the other comprehensive income - is removed from equity and reclassified in the statement of profit or loss. Impairment reversals on equity instruments are not reversed through statement of profit or loss. Debt instrument is considered to be impaired when there is a change in expected cash flows to be collected from the instrument. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through current period's statement of comprehensive income/loss.

IMPAIRMENT OF HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are recognised in the balance sheet at amortised cost. Cost is adjusted for repayments of the principal and, where necessary, any impairment losses. Amortised cost is calculated by discounting the estimated future cash flows of the instrument using the initial effective interest rate. If there is any indication of impairment, a receivable is written down to the present value of the estimated future receipts, discounted at initial effective interest rate. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset.

Financial liabilities

Financial liabilities include customer deposits, liabilities to other banks and other liabilities. Financial liabilities to customers are recognised in the balance sheet on their settlement date (value date) at fair value deducted by transaction costs and are subsequently measured at amortised cost using effective interest rate method and recorded under line "Financial liabilities measured at amortised cost". Interest expenses are recorded under "Interest expense" in statement of

profit or loss.

The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity. The amortisation of the transaction costs is presented in the statement of comprehensive income together with the interest expenses. The respective interest expenses are recorded under "Interest expense" in statement of profit or loss.

PricewaterhouseCoopers, Tallinn

20%

Property and equipment

Significant assets which are used in the business activities and the expected useful life of which extends over one year are recognised as property and equipment. New items of property and equipment are initially recognised at cost and are depreciated from the month of implementation until they are depreciated to the residual value. Property and equipment are measured in the balance sheet at cost less any accumulated depreciation and any impairment losses. The straight-line method is used for depreciating property and equipment and the annual depreciation rates are as follows:

Computers, communication equipment

30%

Office equipment

Telephones 40%
Capitalised improvements to leased office space 20%
Other tangible assets 20%

The subsequent repairs of an item of property and equipment shall be recognised as an asset if these are in accordance with the definition of fixed assets and if it is probable that economic benefits associated with the item will flow to the entity. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The appropriateness of depreciation/amortisation rates, methods and residual values are assessed at each reporting date.

Investment Properties

Office furniture

Investment properties include assets (land, buildings, incl. capitalised expenses), which are kept with an intention to earn rent income or gain through the increase of market value (capital gain) and which the Bank does not use for its own business, also assets

which the Bank has purchased during the solution process of non-performing claims. Investment properties are initially recognised at cost, consisting of purchase price and other directly attributable expenses. Assets are subsequently measured at fair value.

Intangible Assets

Purchased patents, licenses and software are recognised as intangible fixed assets. Intangible assets are measured in the balance sheet at cost less amortisation and any impairment losses. The straight-line

method is used for amortising intangible fixed assets. The amortisation rate for intangible assets is 5-20% per year.

Impairment of Assets

The management of the Bank assesses if there is any indication that an asset may be impaired at each reporting date. If such indication exists of impairment of the asset below its carrying value, a test is performed of the recoverable amount of the asset. The recoverable amount of an asset is the higher of the two indicators: its fair value (less costs to sell) or value in use calculated on the basis og the discounted cash flow method. If the test results show that the recoverable amount of an asset is lower than its carrying amount, the asset is written down to its recoverable amount. If the recoverable amount cannot be determined for an

individual asset, the recoverable amount is determined for the smallest group of assets (the cash-generating unit) where the asset belongs to. Impairment losses are recognised as expenses in the accounting period.

If a subsequent impairment test of an asset which has been written down shows that its recoverable amount has risen above its carrying amount, the former impairment loss is reversed and the asset's carrying amount is increased. The increased carrying amount may not exceed the carrying amount which would have been determined taking account of the normal amortization in the intermediate years.

Borrowed Funds from Government and Foreign Aid

Borrowed funds from government and foreign aid include loans of Rural Development Foundation to the Bank. Borrowed funds from the government and for-

eign aid are recognised on settlement date at fair value. Subsequent measurement takes place at amortised cost using effective interest rate.each reporting date.

Interest, Fees and Commissions

All interest and similar income is recognised as interest income. Similar income is recorded on an accrual basis according to the duration of the receivable. Interest income is calculated using the original effective interest rate applied in discounting the estimated future cash flows of the asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of recording on an accrual basis the interest income or interest expense. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not take account of future credit losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest

rate, including transaction costs.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions income is recognised in the fair value of the consideration received or receivable for the services provided in the ordinary course of the Bank's activities. Fees and commission income and expense are recognised on an accrual basis. Loan fees (less direct expenses) are included in the calculation of the effective interest rate.

Other transaction fee income and other income are recognised on accrual basis at the moment of executing the respective transactions.

Dividends are recognised in the statement of comprehensive income when the Bank's right to receive payment is established.

Payables to employees

Payables to employees contain the contractual right arising from employment contracts. In addition to the salaries payable, this liability also includes the accrued social and unemployment taxes calculated on it. Pursuant to employment contracts and current legislation, payables to employees also include an accrued holiday pay liability as of the balance sheet date. In addition to the holiday pay, this liability also includes accrued so-

cial and unemployment insurance premium payments.

Short-term employee benefits, including contractual salary, holiday pay and social tax and unemployment insurance premium calculated on them pursuant to legal acts are charged to operating expenses on an accrual basis. Additional benefits (incl. supplementary pension and share options) have not been implemented for employees.

Accounting for Leases

Lease agreements are classified as finance leases if all significant risks and rewards arising from the agreement are transferred to the lessee. Assets leased on terms of finance lease contract are recognised at the fair value or the present value of minimum lease payments whichever is lower and are amortized according of the useful life of the asset or lease term. All other lease agreements are treated as operating leases and the payments made on the basis of those agreements are recognized as expense on a straight-line basis over the lease term.

Contingent Liabilities

Guarantees, unused loan limits and letters of credit that in certain circumstances may become obligations, are recognised as contingent liabilities. Other potential or existing liabilities whose realisation is less probable than non-realisation or whose accompanying costs cannot be determined reliably, are disclosed in the notes to the financial statements as contingent liabilities. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised

in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

On 8th August 2016, the Estonian FSA (EFSA) made a precept to Versobank to address shortcomings in the organisation and adjust activities to comply with the relevant laws. Management of the Bank has analysed the shortcomings, taken steps to eliminate the deficiencies and is discussion with the EFSA. Although further input needs to be done by the Bank, management assesses that the potential outcome does not result in material outflows of Bank's resources or any other materially adverse consequences.

Corporate Income Tax

Income tax assets and liabilities as well as income tax costs and revenues include payable and deferred income tax. Income tax payable is presented as a short-term asset or liability, whereas deferred income tax is presented as a long-term asset or liability.

According to the laws of the Republic of Estonia, corporate profit for the accounting year is not subject to taxation in Estonia. Income tax is paid on dividends, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The applicable tax rate is 20%; the amount of tax payable is 20/80 of the net disbursement.

Because of the particular nature of the taxation system, no temporary differences are created in the tax-

ation values versus the residual book values of assets and liabilities, and, accordingly, no deferred income tax assets or liabilities are created.

Corporate income tax paid on dividends is recognised as an income tax expense and liability when the dividends are declared, regardless of the period for which the dividends are declared or of when the dividends are actually disbursed. The income tax liability is due on the 10th day of the month following the payment of dividends.

The maximum income tax liability created if all free equity capital were paid out in dividends is disclosed in Note 34 to the annual accounts.

Earnings/Losses per Share

Basic earnings/losses per share are calculated by dividing profit/loss for the financial year by the weighted average number of ordinary shares outstanding during the period.

Net profit/loss attributable to ordinary shareholders and the weighted average number of ordinary shares are adjusted for all dilutive potential ordinary shares, having dilutive effect on earnings/losses per share, when calculating diluted earnings/losses per share. As the Bank does not have financial instruments, which could dilute earnings/losses per share in the future, basic earnings/losses per share and diluted earnings/losses per share are equal.

Financial Guarantees

Guarantees issued by the Bank to customers and potential loan commitments as well as unused loan amounts are recognised on off-balance sheet accounts. Received guarantee fees are reported in income over the period of the guarantee. Financial guarantee liabil-

ities are initially recorded at their fair value (contract value) on the date the guarantee was given. Liabilities arising from financial guarantees are reported under other liabilities.

PricewaterhouseCoopers, Tallinn

Impact of new standards, amendments to existing standards and new interpretations of standards on financial reporting

The following new or revised standards and interpretations became effective for the Bank from 1 January 2016.

DISCLOSURE INITIATIVE - AMENDMENTS TO IAS 1

(effective in the EU for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular,

New standards, amendments to existing standards and new interpretations of standards

IFRS 9, FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

(effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have a material impact on the Bank.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.•
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational

simplifications for lease and trade receivables.

 Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements and expects that the impact will be significant.

IFRS 16, LEASES

(effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee ac-

counting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Bank is currently assessing the impact of the new standard on its financial statements.

DISCLOSURE INITIATIVE - AMENDMENTS TO IAS 7

(effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Bank is currently assessing the impact of the amendment on its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Bank.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Interest Income

	2016 (EUR ths.)	2015 (EUR ths.)
From loans*	1,820	1,120
From debt securities	473	442
From time deposits with other credit institutions	337	295
From demand deposits with other credit institutions	9	11
Total	2,639	1,868

^{*} including interest income on impaired loans in 2016 was 32 ths euros (in 2015: 47 ths euros).

Interest income by geographical areas	2016 (EUR ths.)	2015 (EUR ths.)
Estonia	1,378	920
Cyprus	149	12
British Virgin Islands	129	96
Russia	124	148
Germany	124	54
France	98	47
Latvia	85	0
United Kingdom	83	93
Switzerland	59	16
Turkey	58	58
Israel	55	63
United Arab Emirates	28	25
Brazil	19	25
United States of America	14	47
Luxembourg	8	61
Netherlands	2	25
Bermuda	0	27
Cayman Islands	0	21
Other countries	226	130
Total	2,639	1,868

Note 2: Interest Expense

	2016 (EUR ths.)	2015 (EUR ths.)
Interest expense from subordinated debt evidenced by certificates	415	155
From time deposits	404	421
From demand deposits	160	33
Interest expense from subordinated debt	126	0
From borrowings	2	3
Other interest expense	28	3
Total	1,135	615

Interest income by geographical areas	2016 (EUR ths.)	2015 (EUR ths.)
Estonia	963	583
Ukraine	130	2
Great Britain	15	0
Cyprus	15	8
Other countries	12	22
Total	1,135	615

Note 3: Fee and Commission Income

	2016 (EUR ths.)	2015 (EUR ths.)
Bank transaction fees	4,140	5,060
Account opening and maintenance fees	1,584	1,508
Fees from bank cards	393	279
Securities' transaction fees	68	91
Letters of credit fees	66	35
Fiduciary deposit fees	39	256
Other fees and commissions income	103	64
Total	6,393	7,293

Fees and commissions income by geographical areas	2016 (EUR ths.)	2015 (EUR ths.)
Estonia	345	367
Great Britain	3,139	3,463
Sweden	628	342
British Virgin Islands	576	721
Cyprus	355	213
Belize	265	337
Panama	256	505
Hong Kong	143	239
Seychelles	116	248
Dominica	80	85
Ukraine	71	108
Marshall Islands	62	229
Canada	54	48
Russia	46	79
Latvia	37	97
United States of America	27	0
Other countries	193	212
Total	6,393	7,293

Note 4: Fee and Commission Expense

	2016 (EUR ths.)	2015 (EUR ths.)
Bank transaction expenses	1,045	1,096
Expense from issuing bank cards	300	378
Acquiring fee expense	234	0
S.W.I.F.T. expenses	166	130
Securities' transactions expenses	67	58
Other fees and commission		
expenses	280	149
Total	2,092	1,811

Note 5: Net Trading Gains

	2016 (EUR ths.)	2015 (EUR ths.)
From foreign exchange	2,678	3,651
From available-for-sale financial assets *	557	-26
From shares and debt securities in trading portfolio	0	157
From shares and debt securities in fair value	50	20
Total	3,285	3,802

^{*} In 2015, Visa Inc. announced its intention to acquire Visa Europe in order to create a single global company Visa. During the transaction, Visa Inc. acquired the holdings of member banks in Visa Europe. The transaction was completed in June 2016, and the income of Versobank AS amounted to EUR 923 thousand.

Note 6: Other operating income

	2016	2015
	(EUR ths.)	(EUR ths.)
Consulting related to financial services	23	43
Rental income from investment property	10	35
Other operating income from investment property generating		
rental income	3	10
Other operating income	45	32
Total	81	120

Rental income from investment property by due dates	2016 (EUR ths.)	2015 (EUR ths.)
Rental income during next reporting period from uninterruptable contract: up to 1 year	0	6

Versobank AS had concluded 1 rent agreement as of 31.12.2016 (7 rent agreements as of 31.12.2015)

Note 7: Other Operating Expenses

	2016 (EUR ths.)	2015 (EUR ths.)
Guarantee Fund payments	93	308
Financial Supervision Authority fees	108	79
Other operating expenses *	91	107
Total	292	494

^{*} Other operating expenses include investment properties expenses, property evaluation expenses and membership fees. Direct costs from real estate investments not generating rental income in 2016 EUR 6 ths (2015: EUR 17 ths).

Note 8: Personnel Expense

	2016 (EUR ths.)	2015 (EUR ths.)
Salaries	3,454	2,480
Compensation to the Supervisory Board members	127	80
Fringe benefits	63	36
Income tax on fringe benefits	16	9
Change in vacations pay accrual	13	14
Total	3,673	2,619

Note 9: Payroll Related Taxes

	2016 (EUR ths.)	2015 (EUR ths.)
From salaries	1,001	733
From compensation to the Supervisory Board members	42	27
From fringe benefits	26	15
Social insurance tax from change in vacations pay accrual	5	4
Total	1,074	779

Note 10: Other Administrative Expenses

	2016 (EUR ths.)	2015 (EUR ths.)
Rent of premises	738	647
Other professional services purchased	524	367
Training and business trip expenses	366	223
Postal and telecommunication expenses	128	112
Advertising expenses	84	39
Transportation expenses	79	76
Office expenses	73	90
IT expenses	67	66
Other expenses	492	55
Total	2,551	1,675

Note 11: Depreciation and Amortisation of Tangible and Intangible Assets

	Note	2016 (EUR ths.)	2015 (EUR ths.)
Depreciation of tangible assets	19	190	92
Amortisation of intangible assets	21	42	36
Total		232	128

Note 12: Impairment Loss on Assets

	2016	2015
	(EUR ths.)	(EUR ths.)
Available-for-sale financial assets (Note 18):		
Available-for-sale financial assets written-off	-3	0
Loans:		
Impairment loss on loans	-146	-194
Recoveries of impaired loans	199	112
Total loans	53	-82
Fair value change of investment		
properties	-42	-123
Impairment on fees receivable	-76	-107
Impairment on property and		
equipment	-5	0
Total	-73	-312

Note 13: Cash

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
In Euros	139	170
In foreign currency	8	11
Total	147	181

Note 14: Balances with Central Bank

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Mandatory reserve with the Bank of Estonia	1,658	2,865
Surplus of the mandatory reserve with the Bank of Estonia	61,010	20,345
Total	62,668	23,210

After Estonia joined the Euro-zone on 01.01.2011, the mandatory reserve requirement is followed in accordance with the Regulation of the European Central Bank on the application of minimum reserves (ECB/2003/9). Changes included the basis of the mandatory reserve, rate of mandatory reserve as well as allowed deductions. The mandatory reserve rate is 2% of deposits and borrowings, after allowed deductions, from 01.01.2011, filled by average of period set by the European Central Bank, by depositing the appropriate amount of euros on TARGET2 account with the Bank of Estonia.

Note 15: Due from Other Credit Institutions

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Correspondent accounts	47,815	236,431

Receivables by country	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Estonia	10,817	23,490
Switzerland	10,605	17,550
Belgium	12,534	15,818
Austria	5,034	16,651
Russia	3,463	1,809
France	2,299	30,629
China	1,369	0
Latvia	432	9,525
Czech Republic	347	0

	31.12.2016	31.12.2015
Receivables by country	(EUR ths.)	(EUR ths.)
Japan	267	0
Georgia	245	115
Ukraine	187	66
Italy	105	167
Germany	62	57,896
Denmark	35	20
Poland	7	315
Norway	7	2
United Kingdom	0	27,561
Luxembourg	0	27,559
United States of America	0	7,258
Total	47,815	236,431

Due from other banks by bank ratings (Moody's Investors Ser- vice, Moody's Investors Service,		
Standard & Poor's and Fitch Ratings)*	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Aa2	9,488	16,536
Aa3	10,734	11,159
A1	7	85,434
A2	15,143	49,200
A3	1,179	26,217
Baa1	0	23,420
Baa2	5,139	17,133
Ba2	3,127	1,679
Ba3	337	130
B1	245	115
B3	121	0
Non-rated **	2,295	5,408
Total	47,815	236,431

- * The aggregate ratings are determined based on the methodology in regulation (EU) No 575/2013 of the European Parliament and of the Council: a) where the rating is given only by on rating agency, that credit rating is used; b) where the rating is given by two rating agencies, the lower rating is used; c) where the rating is given by three rating agencies, the lowest rating of the highest two is used.
- ** Claims to a credit institution registered in Denmark, in Ukraine, in Latvia and in Turkmenistan which has no foreign rating.

31.12.2016 31.12.2015

(EUR ths.)

(EUR ths.)

Note 16: Due from Customers

Due by customer types (gross)		
Due from financial institutions	1,234	980
Loans:		
Loans to private companies	38,298	24,162
Loans to private persons	4,698	5,023
Total loans	42,996	29,185
Accrued interest receivable	234	227
Total due from customers		
(gross)	43,230	29,412
Specific loan impairment	-243	-480
Total due from customers (net)	42,987	28,932
Total due from customers	44,221	29,912
Due by remaining maturity	31.12.2016	31.12.2015
(gross)	(EUR ths.)	(EUR ths.)
On demand	1,234	980
Up to 3 months	7,423	8,264
3 to 12 months	13,416	3,441
1 to 2 years	3,944	1,969
2 to 5 years	5,621	5,551
over 5 years	10,136	8,227
past due	1,582	528
impaired loans	874	1,205
Accrued interest receivable from		
past due and impaired loans	153	179
Accrued interest receivable from	01	4.0
other loans	81	48
Total	44,464	30,392
	31.12.2016	31.12.2015
Due by countries (gross)	(EUR ths.)	(EUR ths.)
Estonia	32,863	20,883
British Virgin Islands		7000
	6,165	7,022
Latvia	3,077	1
Latvia United Kingdom		

Israel

Cyprus Panama

Ukraine

Finland

Total

Specific Loan Impairment by Client Type	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Private companies		
Impairment of loans at the beginning of period	-339	-262
Additional impairment for the period	-128	-196
Loans written off	206	42
Impairment reversals or received payments during the period	93	77
Impairment of loans at the end of period	-168	-339
Private persons		
Impairment of loans at the beginning of period	-141	-216
Additional impairment for the period	-5	-59
Loans written off	0	89
Impairment reversals or received payments during the period	71	45
Impairment of loans at the end of period	-75	-141
Total specific loan impairment	-243	-480

All loans and overdrafts, where the payments are overdue by more than 90 days, are reported as non-performing loans. 1 loan have been written off in 2016 (6 loans were written off in 2015).

Maximum credit risk arising from on-balance sheet assets is equal to the carrying value of the financial assets, as the conditions have not been re-negotiated. Credit risk arising from unused loan limits disclosed off-balance sheet comprise EUR 10,460 ths. (2015: EUR 16,434 ths.) (see Note 31).

Management has disclosed its opinion on fair value of loans in Note 35.

Note 17: Financial Assets/Financial Liabilities Held for Trading

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Financial assets Held for Trading		
Derivatives *	390	149
Financial assets in fair value through profit and loss		
shares listed on a stock		
exchange (active market)	7	3
Total	397	152

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44,464

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Financial Liabilities Held for		
Trading		
Derivatives *	399	162
Total	399	162
Total financial assets/financial liabilities held for trading	-2	-10
Shares and other securities by countries		
OECD countries (excl. Estonia)	0	3
United States of America	7	0
Total	7	3

Debt securities and other shares by ratings	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
A1	230	3,222
A2	218	1,526
A3	765	1,411
Baa1	0	752
Baa2	250	240
Baa3	262	1,780
Ba1	2,096	1,155
Ba2	0	281
B1	0	30
B2	411	0
Non-rated	262	57
Total	42,103	61,362

* Derivatives	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Currency related derivatives:		
claims (in contract value) (Note 31)	90,651	43,759
commitments (in contract value) (Note 31)	90,660	43,772
fair value	-9	-13

Debt securities and other shares by countries	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Estonia	218	229
Germany	8,969	16,328
United Kingdom	5,471	2,173
Luxembourg	5,035	10,218
France	4,810	6,308
United States of America	4,279	9,849
Denmark	2,852	2,755
Ivory Coast*	1,904	928
Canada	1,541	0
Philippines**	1,428	1,835
Turkey	1,284	1,265
Qatar	963	0
Finland	961	2,317
United Arab Emirates	765	717
South-Korea	681	191
Bermuda	411	584
Cayman Islands	250	240
British Virgin Islands	230	1,159
Belgium	51	51
Netherlands	0	1,826
Japan	0	1,633
Ireland	0	475
Brazil	0	281
Total	42,103	61,362

Note 18: Available-for-Sale Financial Assets

Debt securities and other shares by issuer	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Debt securities of central	F 250	20.010
goverment	5,356	28,019
Central Bank	4,754	0
Debt securities of credit institutions	8,619	22,489
Debt securities of private companies	2,948	9,696
Debt securities of other financial institutions	20,164	1,104
Shares and fund units of private companies	262	54
Total	42,103	61,362
IULAL	42,103	01,302

Debt securities and other shares by ratings	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Aaa	23,156	43,434
Aa1	5,194	1,945
Aa2	9,259	5,339
Aa3	0	190

^{*} African Development Bank securities

^{**} Asian Development Bank securities

Note 19: Property and Equipment

(FUD 4b -)	Capitalised construction	C	F	Other tangible	D	Takal
(EUR ths.)	expenses *	Computers	Furniture	assets**	Prepayments	Total
Balance as of 01.01.2016						
At cost	28	149	51	491	108	827
Accumulated depreciation	-13	-93	-40	-233	0	-379
Carrying value	15	56	11	258	108	448
Changes in 2016						
Purchases during period	363	76	271	99	-108	701
Depreciation expense (Note 11)	-42	-37	-31	-80	0	-190
Property and equipment write- offs (at cost)	-17	-6	-41	-96	0	-160
Accumulated depreciation of property and equipment write-offs	13	6	40	89	0	148
	.5	S	10	00	Ü	110
Balance as of 31.12.2016						
At cost	374	219	281	494	0	1,368
Accumulated depreciation	-42	-124	-31	-224	0	-421
Carrying value	332	95	250	270	0	947

	Capitalised construction			Other tangible		
(EUR ths.)	expenses *	Computers	Furniture	assets**	Prepayments	Total
Balance as of 01.01.2015						
At cost	92	88	43	306	0	529
Accumulated depreciation	-73	-69	-39	-184	0	-365
Carrying value	19	19	4	122	0	164
Changes in 2015						
Purchases during period	11	62	10	185	108	376
Depreciation expense (Note 11)	-15	-25	-3	-49	0	-92
Property and equipment write- offs (at cost)	-75	-1	-2	0	0	-78
Accumulated depreciation of property and equipment write-offs	75	1	2	0	0	78
UIIS	73	1	2	U	U	70
Balance as of 31.12.2015						
At cost	28	149	51	491	108	827
Accumulated depreciation	-13	-93	-40	-233	0	-379
Carrying value	15	56	11	258	108	448

^{*} Reconstruction expenses of rented premises.

^{**} includes safes, office, telecommunication and security equipments, motor vehicles and other tangible assets.

Note 20: Investment Properties

	2016 (EUR ths.)	2015 (EUR ths.)
Investment properties at beginning of year	1,022	1,936
Investment properties sold	-492	-852
Loss on the sale	-13	-22
Change in fair value	-2	-40
Total	515	1,022

Bank has acquired several collateral properties including flats from repertory auctions, with an intention to sell them in the few coming years.

Investment properties are valued at fair value, supported by expert assessments ordered by the Bank. Expert has used real estate market information for market value assessment of investment property, which is based on similar transactions made in the same year and in the same area. Discounted cash flows have been used for fair value assessment, where the present value of transactions realising in the future is 382 thousand euros as of 31.12.2016 (889 thousand euros as of 31.12.2015).

Rental income from investment properties and direct expenses on assets earning rental income are disclosed in Note 6.

Note 21: Intangible Assets

Software and licenses	2016 (EUR ths.)	2015 (EUR ths.)
Balance as of 01.01.	(====,	(2011 01101)
At cost	416	339
Accumulated amortisation	-205	-169
Carrying value	211	170
Changes during report year		
Purchases during period	24	77
Amortisation expense (Note 11)	-42	-36
Intangible assets write-offs (at cost)	-3	0
Accumulated depreciation of intangible assets write-offs	3	0
Balance as of 31.12.		
At cost	437	416
Accumulated amortisation	-244	-205
Carrying value	193	211

Note 22: Other Assets

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Financial assets		
Guarantee deposits	848	485
Fees and commissions receivable	42	66
Other receivables	7	7
Visa settlements	12	101
Subtotal	909	659
Non-financial assets		
Prepaid supervision fees *	102	99
Other prepaid expenses **	314	285
Subtotal	416	384
Total	1,325	1,043

* Prepaid supervision fees include fees paid to the supervisory authority in accordance with the Financial Supervision Authority Act. The rate of supervision fee consists of the capital share which is an amount equal to 1% of the minimum amount of the net own funds and the share calculated on the basis of assets in an amount equal to 0.005% - 0.05% of the assets of the credit institution. The supervision fee is prepaid once a year for the next year.

** Other prepaid expenses include the collateral amounts paid according to the lease agreements for premises, insurance payments and server maintenance fees.

Note 23: Deposits

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
	(LUK tils.)	(LUK tils.)
Deposits to credit institutions	1,796	488
Other deposits	157,315	319,006
Total	159,111	319,494
	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Demand deposits	126,776	
-	00.000	293,788
Time deposits	32,062	293,788 25,449
Accrued interests	32,062 273	•

Demand deposits by customer groups	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Companies	102,744	275,952
Private persons	14,210	13,416
Non-profit organisations	91	137
Financial institutions	7,935	3,795
Credit institutions	1,796	488
Total	126,776	293,788

Time deposits by customer groups	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Private persons	17,474	13,724
Companies	9,977	7,115
Non-profit organisations	511	445
Financial institutions	4,100	4,165
Total	32,062	25,449

Deposits by maturities	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
On demand	126,776	293,788
Up to 3 month	8,215	7,636
3 to 12 months	18,364	13,470
1 to 2 years	3,699	1,865
2 to 5 years	2,057	2,735
Total	159,111	319,494

Note 24: Subordinated debts evidenced by certificates

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Subordinated debts evidenced by		
certificates *	5,000	5,000
Total	5,000	5,000

* On 2 July 2014 Versobank AS issued bonds in the amount of EUR 2 million. The interest rate is 6% p.a. and the interest expense calculated for 2016 was EUR 120 thousand, which was paid out on 2 January 2017 (2015: EUR 120 thousand). The maturity date is 31 December 2019. In addition, on 24 August 2015 the Bank issued EUR 1 million worth of bonds and on 28 December 2015 it issued EUR 2 million worth of bonds with the interest rate of 9.8% p.a. The interest rate expense calculated for 2016 was EUR 295 thousand, which was paid out on 2 January 2017 (2015: EUR 35 thousand). The maturity date is 31 December 2020. The bonds

have been included in the composition of supplementary Tier 1 capital.

Note 25: Subordinated Debt

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Debt balance at beginning of period	2,634	2,513
Effective interest rate correction	151	121
Total	2,785	2,634

In December 2009, the Bank raised EUR 4.0 million in subordinated loan from Marfin Egnatia Bank S.A. With an agreement signed on 29 March 2012 the original lender assigned all claims and liabilities related to the subordinated loan to UKRSELHOSPROM PCF LLC. On 27 April 2012 an amendment to the subordinated loan agreement was signed between the Bank and UKRSELHOSPROM PCF LLC, retroactively amending the interest rate to 0% effective from 31 October 2011. Due to this amendment, the interest expense was adjusted and from 2012 the subordinated loan is recognised partly in equity, which as at 31 December 2016 was EUR 1,215 thousand (as at 31.12.2015: EUR 1,366 thousand), based on the effective interest rate of 4.661% p.a. In 2014, the maturity was extended and the new maturity is 30 October 2024. The subordinated debt is regarded as Tier 2 own funds.

Note 26: Borrowed Funds from Government and Foreign Aid

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Debt balance at beginning of period	238	340
Borrowings repaid	-55	-102
Balance at end of period	183	238
Debts by maturities		
Up to 3 months	70	55
1 to 2 years	93	70
2 to 5 years	20	113
Total	183	238

Borrowings from Estonian Rural Development Foundation are reported under borrowed funds from government and foreign aid. Borrowings bear a fixed interest rate 0.75% and 1.25% p.a.

Note 27: Tax Liabilities

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Social tax	171	76
Income tax withheld	89	38
Fringe benefits' income tax	6	4
Value added tax	27	36
Taxes payable	293	154

There has not been any tax audits in the Bank, and thus no additional taxes have been assigned. Tax authority has the right to audit tax calculations of the Bank during 5 years from due date of filing tax declaration, and in case of mistakes assign additional taxes, interests and penalties.

Note 28: Other Liabilities

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Financial liabilities		
Payments in transit *	8,121	8,949
Unsettled payables **	4,930	81
Payables to suppliers	162	74
Accrued interest on subordinated debts evidenced by certificates	415	0
Subtotal	13,628	9,104
Non-financial liabilities		
Payables to employees	172	84
Other short-term liabilities	7	261
Subtotal	179	345
Total	13,807	9,449

^{*} Payments in transit include payments of customers and the bank, which are under processing as well as unsettled payments (incl. incorrectly received funds, returnable funds etc.).

Note 29: Shareholders' Equity

Share capital

Paid-in share capital comprised 14,088,775.20 euros as of 31.12.2016, divided into 23,481,292 common shares with nominal value of 0.60 euros (as of 31.12.2015: share capital 14,088,774.20 euros, 23,481,292 common shares with nominal value 0.60 euros). According to the articles of association, the minimum share capital of the Bank is 6,391,164 euros and maximum share capital is 25,564,660 euros. A registered share gives shareholder a right to participate in the management of the Bank, in profit distribution and in case of liquidation in distribution of remaining assets, also other rights stipulated in law and articles of association.

Other equity instruments

Part of subordinated debt (see Note 25) is disclosed under equity starting from the year 2012. The effective interest rate correction was due to the fact that the Bank and UKRSELHOSPROM PCF LLC signed a change of subordinated debt agreement on 27.04.2012, whereby the contractual interest rate was retroactively changed to 0% from 31.10.2011.

Fair Value Reserve of Available-for-Sale Financial Assets

Revaluation gains and losses from available-for-sale financial assets (debt securities portfolio) are reflected as fair value reserve in accordance with IAS 39 through the other comprehensive income.

Statutory Reserve Capital

The statutory reserve capital has been formed in accordance with the Estonian Commercial Code. The statutory reserve capital is formed by means of yearly appropriations from the net profit. At least 1/20 of the net profit must be set aside to the statutory reserve capital, until the statutory reserve capital is at least 1/10 of the share capital. The satutory reserve capital can be used to cover losses, also to increase share capital. No payments can be made to the owners from the statutory reserve capital.

^{**} Unsettled payables include current account standings from terminated customer contracts which are waiting to be transferred to another bank.

Note 30: Related-Party Transactions

The following parties are considered to be related in the annual report of Versobank AS:

- a. owners (UKRSELHOSPROM PCF LLC is the parent of the Bank);
- b. other companies belonging to the same consolidation group;
- c. executive management and the Supervisory Board;
- d. close relatives of the persons mentioned previously and the companies related to them;
- e. entities over which any of the above in points a) to d) have significant influence.

Management Board members of the credit institution, head of internal audit and their related parties, also companies		
controlled jointly of privately by these persons:	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Liabilities:	(LOIT LIIS.)	(LOIT LIIO.)
Deposits	1,671	17
Salary payable	99	0
Fees and commission income	18	1
Other prepaid expenses	0	5
Salaries of the members of the Management Board	551	254
Shareholders of the credit insti- tution and their related parties, also companies controlled joint- ly of privately by these persons:	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Liabilities:		
Deposits	5,292	1,772
Fees and commission income	28	13
Other prepaid expenses	0	1

Members of the Supervisory Board of the credit institution and their related parties, also companies controlled jointly of privately by these persons:	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Deposits	270	6,813
Prepayments for services	0	16
Other prepaid expenses	0	2
Fees and commission income	19	23
Administrative and other		
operating expenses	203	203
Compensation to the members of		
the Supervisory Board	127	80

Parent company of the Bank: UKRSELHOSPROM PCF LLC	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Subordinated debt (gross)	4,000	4,000
Including recorded in equity	-1,215	-1,366
Fees and commission income	2	2
Fees receivable	10	8

Loans to related parties have no impairment and loan losses.

The contracts with the members of the Management Board of the Bank include one-time compensation in the salary amounting to 6-10 calendar months in case the contract is terminated on the initiative of the Bank.

Note 31: Contingent Assets and Liabilities an Commitments

31.12.2016

EUR ths.	Contract amount		Carrying amount	
	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 LIIS. CONTRACT AMOUNT			it carrying ami		
	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	16,434	0	0	
Letters of credit granted but not utilised	0	1,837	0	0	
Currency forward transactions	43,759	43,772	149	162	

Disputes

The Bank's involvement in the dispute with FCMC in Latvia is giving rise to additional expenses, such as (but not limited to) legal costs, advisory fees and court fees. Further financial liabilities might arise in connection with this legal dispute. Since the dispute is still in the pre-trial phase it is not possible to provide an accurate estimate of the Bank's potential financial liability. Based on the currently available information, the Management believes that the related costs are likely to be non-material.

On 8th August 2016, the Estonian FSA (EFSA) made a precept to Versobank to address shortcomings in the organisation and adjust activities to comply with the relevant laws. Management of the Bank has analysed the shortcomings, taken steps to eliminate the deficiencies and is discussion with the EFSA. Although further input needs to be done by the Bank, management assesses that the potential outcome does not result in material outflows of Bank's resources or any other materially adverse consequences.

The Bank believes a contingent liability exists with respect to these cases, but at present the amount of the contingent liability is not reliably estimable.

Potential income tax on distribution of dividends

The retained earnings of the Bank as at 31.12.2016 were 3,235 ths EUR. Taking into account minimum requirement for Net Own funds for calculation of capital adequacy, from the retained earnings available at the

reporting date it is possible to pay out to the shareholders as dividens 2,537 ths euros and corresponding income tax would amount to 634 ths euros.

Carridae amount

Contract amount

Note 32: Funds Under Trust Management

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

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

Note 33: Earnings Per Share

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Net profit for the reporting period	1,276	4,722
Weighted average no. of shares (ths. pcs.)	23,481	23,481
Basic earnings per share	0.05	0.20
Diluted earnings per share	0.05	0.20

PricewaterhouseCoopers, Tallinn

Note 34: Operating Lease Liabilities

Rental payments for vehicles

Versobank AS has concluded operating lease agreements for one vehicle as of 31.12.2016. Contract ends on 05.10.2020, i.e. no agreement exceeds 5 years. Operating lease agreements for four vehicles were concluded as of 31.12.2015 and the maturity date of the longest contract was 05.10.2020.

All contractual rent payments are uninterruptable.

Rental payments for vehicles by due dates	2016 (EUR ths.)	2015 (EUR ths.)
Rental payment paid and expensed during reporting year	9	17
Rental payments payable:		
up to 1 year	9	9
1 to 5 years	26	36

Rental payments for bank premises

Versobank AS had concluded agreements for renting premises in Tallinn, in Kiev, in Dnipropetrovsk, in Cyprus and in London.

Rental payments for bank premises by due dates	2016 (EUR ths.)	2015 (EUR ths.)
Rental payment paid and expensed during reporting year	611	552
Rental payments payable during next reporting period:		
from uninterruptable contract:		
up to 1 year	363	715
1 to 5 years	1,280	984
over 5 years	653	634

Agreements for renting bank premises can be terminated before the prescribed time upon agreement in six months notice time.

Note 35: Fair value of financial assets and liabilities

		31.12.2016 (EUR ths.)		31.12.2015 (EUR ths.)
Financial assets and financial liabilities not measured at fair value	Fair value Level 3	Carrying amount	Fair value Level 3	Carrying amount
FINANCIAL ASSETS				
Cash	147	147	181	181
Balances with central bank	62,668	62,668	23,210	23,210
Due from other credit institutions	47,815	47,815	236,431	236,431
Due from customers	44,443	44,221	28,937	29,912
Other financial assets	909	909	659	659
TOTAL FINANCIAL ASSETS	155,982	155,760	289,418	290,393
FINANCIAL LIABILITIES				
Deposits to credit institutions	1,796	1,796	488	488
Other deposits	157,710	157,315	319,762	319,006
Subordinated debt	3,337	2,785	3,387	2,634
Subordinated debts evidenced by certificates	5,000	5,000	5,000	5,000
Borrowed funds from goverment and foreign aid	181	183	232	238
Other financial liabilities	13,628	13,628	9,104	9,104
TOTAL FINANCIAL LIABILITIES	181,652	180,707	337,973	336,470

Financial Assets and Financial Liabilities Measured at Fair Value

as of 31.12.2016, EUR ths.

	Level 1	Level 2	Level 3	Total
Financial assets at fair value trough profit and loss				
Financial assets held for trading				
Equity securities	7	0	0	7
Derivative financial instruments	0	390	0	390
Available-for-sale financial assets				
Debt securities	41,841	0	0	41,841
Equity securities	0	60	202	262
Total assets	41,848	450	202	42,500
Financial liabilities at fair value trough profit and loss				
Derivative financial instruments	0	399	0	399
Total liabilities	0	399	0	399

as of 31.12.2015, EUR ths.

	Level 1	Level 2	Level 3	Total
Financial assets at fair value trough profit and loss				
Financial assets held for trading				
Equity securities	3	0	0	3
Derivative financial instruments	0	149	0	149
Available-for-sale financial assets				
Debt securities	61,308	0	0	61,308
Equity securities	0	54	0	54
Total assets	61,311	203	0	61,514
Financial liabilities at fair value trough profit and loss				
Derivative financial instruments	0	162	0	162
Total liabilities	0	162	0	162

Levels used in hierarchy:

Level 1 – price quoted on active market Level 2 – price based on indication of market price of similar transactions, rates or interest curves Level 3 – other valuation methods (e.g. method of discounted cash flows)

Valuation techniques used in measuring Level 3: Type: Available-for-sale financial assets Valuation technique: Indication of market price Significant unobservable inputs: Liquidity discount Management is of opinion that the fair value of other financial assets and financial liabilities, which have arised during usual business activities and are short term, does not differ significantly from their carrying value. These financial assets and liabilities do not bear interest.

Note 36: Risk and Capital Management

The concept of risk

Bank defines risk as a possibility or probability related to a decision or event whose implementation or occurrence associated with it has undesirable consequences for the Bank. In measurable terms, the risk is a possible negative deviation from the financial outcome expected by the Bank. In the ordinary course of business, the bank is exposed to various risks, the most significant of them being credit risk, market risk, liquidity risk, operational risk, AML/CTF risk and other unquantifiable risks (reputation risk, compliance risk, strategy and business risk, commission fee income and expenses volatility risk).

Significant risk factors are intrabank and external factors which could inflict direct or indirect damage to the bank.

Risk and capital management policy

In its daily activities, the Bank is exposed to various risks. The Bank's economic performance depends on its ability to identify, measure, evaluate, adopt, manage and control risks arising from such activities, while maintaining an adequate level of capital for unexpected events.

Risk-taking is inevitable and essential for earning income. In economic activity risks must be taken on a level that provides the appropriate income level and is justified at such a level.

The general objective of risk management is to create the conditions and the possibility for making well informed and thus more knowledgeable and better business decisions.

Risk management organisation and process

The Bank's Supervisory Board has determined the general principles for the Bank's risk and capital management for describing the Bank's overall positions in risk taking and risk management, including risk control, management of the Bank's capital and its level, capital allocation and capital planning. General principles arising from the Bank's mission and strategic objectives. General principles define the Bank's risk and capital management principles, risk strategy and the risk appetite core by risks, formulate requirements for internal risk limits, determinesthe level of own funds and capital planning principles and establishethe organizational structure of risk management and control.

Within the framework of general principles, risk management is organised by the Bank's Management Board and Board-appointed by the sub-units and employees.

The Bank's Management Board has the ultimate responsibility for risk-taking and performance of capital requirements. The Management Board is responsible for development of risk management, control and coordination principles, their establishment and implementation, and it decides on the acceptable level of risk. The Management Board is responsible for the effectiveness of risk management.

The Bank's risk management is based on the model of three lines of defense. The first line of defense is constituted by business units. The Bank's every business unit bears full responsibility for controlling the risks that have emerged and may emerge in its activities. This means that those in charge must ensure implementation of the risk management process in all areas of activity and units at the Bank as well as compliance with established standards.

The second line of defense consists of the Bank's independent risk control and compliance functions. In addition to the measures taken by business units, risk management is allocated to the Bank's management area independent from the areas of activity. The responsibilities of the risk management function include the design and development of risk management, control and coordination policies as well as risk management principles and methods; and making proposals and reporting to the Management Board on risk management and control measures. The compliance function deals with compliance risk identification, control and reporting. The compliance function performs monitoring, and regular and one-time controls of business activities, it is involved in the development of new products and services and organises relevant training and counseling.

The third line of defense in the Bank's risk management is the Bank's internal audit department, which carries out an independent verification of the Bank's activities, including the first and second line of defense. The objective of internal audit is to improve the quality of the Bank's operations, provide objective, independent feedback on the efficiency of management

practices, risk management controls and the controls implemented by the Bank and make recommendations to improve the internal control system.

Risk management principles, methods, assumptions and risk management competencies are documented. All risk management policies and procedures are regularly reviewed and updated as necessary.

Internal rules established in the Bank are regularly reviewed and assessed for their appropriateness. The awareness of Bank employees of relevant internal rules and compliance with them is also tested.

Internal control system

Effective risk management requires the Bank to have a sound internal risk culture, the Bank's single and uniform approach to the risks of the Bank's activities and effective control environment.

The Bank's internal control system is part of the Bank's management system, which aims to ensure adherence to the principles of the Bank's management, asset preservation, accurate accounting and keeping of other accounts and timely presentation of reliable financial and management information.

The internal control system used by the Bank includes measures to achieve the Bank's operating efficiency and control, compliance with laws and internal rules, reliability of financial reporting and decision making reliable and relevant information. The Bank's internal control system covers the Bank's entire management and operations. The internal control system supports the Bank's business units and activities.

The Bank's internal control system has three distinct levels:

- Operational level. The Bank's business areas and entities are responsible for the monitoring and coordination of the relevant area, and within the entity.
 The activities of entities are based on clear objectives, operational guidelines and reporting procedures.
- In addition to the business areas and entities that carry out control and supervision, the Bank's structure includes entities and employees that are independent of the Bank's specific entities and control the implementation of operational control measures in the Bank. These entities and their employees are accountable to divisional manager and to the Management Board. These entities include the risk management and compliance control, and financial monitoring.

• Internal audit that evaluates the Bank's business activities and internal rules for compliance and the adequacy to the nature, scope and complexity of the Bank's business, and controls compliance with the Bank's statutes, decisions made by the Bank's Supervisory and Management Boards and rules, laws, other legal acts and good banking practice set by the Bank's bodies. The internal audit unit monitors the Bank's activities and its compliance with established rules, limits and other requirements. Internal audit reports directly to the Supervisory Board and the general objective of its activities is to improve the Bank's operations by assessing it and the operational efficiency of other levels of the internal control system.

Compliance control function covers the enitre Bank and is independent of the Bank's business units and activities. The compliance control function is part of the Bank's internal control system that is targeted at making sure that the Bank's operations comply with regulation, prevent deviation from regulation, ensure achieving regulatory compliance or making necessary adjustments for ensuring compliance with regulations and to avoid conflicts of interest. Compliance control covers all Bank's business and structural entities, their management levels and areas.

Compliance control covers all products offered by the Bank, its customers and groups of customers, external rules, the Bank's internal rules, procedures and control techniques.

Organisation and functioning of compliance control is the responsibility of the Bank's Management Board. Compliance control is carried out by the compliance control unit in collaboration with the risk management unit and the internal auditing unit.

Risk management policy

The Bank defines risk management as a set of activities designed to identify, assess, monitor and control risks affecting the Bank's business activities.

Effective risk management is based on increasing the risk awareness of the Bank's each employee and creation of a sound control environment.

The general objective of risk management is to create preconditions and opportunities for making informed and thus more knowledgeable and better business decisions.

The objective of risk management is to ensure for the Bank an optimal risk-return ratio while maintaining the sustainability of the Bank's operations, creating and keeping the trust of customers, investors and the Bank's supervisors in the Bank.

As a basic principle, risk management must be an integral part of all Bank's activities and be present at all levels of the Bank's operations.

In its operations the Bank will take into account all risks to which it is or may be exposed. All significant risks that influence the Bank's business operations are identified, assessed, analyzed and reported.

Risks are identified and assessed for all Bank's products, activities, processes and systems. Before new products, activities, processes and systems are taken into use, risks related to them are assessed.

Risk management is preventive in its nature and is based on the following principles:

Risks are identified before making a business decision. Risks are taken only in those areas that are familiar and in which there is good experience and achievements.

General principles of risk control is dual supervision and implementation of separation of functions. Reliable risk management is ensured by use of common evaluation system and recognised risk measuring methods. In its activities the Bank monitors the compliance of risk assessment and control procedures to changing conditions so as to upgrade them in a timely manner and to the extent necessary.

The principle of business accountability - the Bank's each employee is personally the quality assessing of the risk profile of the product or counterparty.

In identifying the risk all the Bank's internal and external factors that could adversely affect attaining the Bank's objectives are considered.

In taking risks in areas that have insufficient control environment, preventive action is taken in order to minimize possible losses that may occur in processes, systems and employee dishonesty. In taking risks, the Bank avoids taking excessively large transaction risks that could threaten significant part of the equity.

Taking risks in transactions that are open to significant legal risk is avoided. The Bank does not take any unmanageable or unlimited risks. The Bank's risk management proceeds from the principle that the assessment of the risk function is independent and separate business units.

Extraordinary events and risks are evaluated by simulation techniques and stress-tests.

Credit risk

Credit risk is a risk that a counterparty is not capable of fulfilling its obligations or does not wish to do so, and the transaction collateral is not sufficient to cover the Bank's receivables. Credit risk may result from any transaction in the case of which there is an actual or potential receivable from a counterparty. Risks associated with credit risk are:

- Concentration risk arising from large exposures to a single counterparty or related counterparties or counterparties whose risk is influenced by a common risk factor.
- Country risk resulting from the economic, political or social situation in the country of the counterparty.
- Collateral risk arising from the type, value and form of the transaction collateral and the procedure for the realization of the collateral.

Credit policy

The credit policy specifies the main criteria for acceptable credit risks, defines the Bank's risk appetite and target markets, distinguishes high-risk sectors requiring particular attention, formulates the requirements for the Bank's system of credit portfolio limits and outlines the organisational environment for assuming and managing risks in relation to the loan portfolio.

The bond portfolio risk strategy and risk management arrangements have been defined under the market risk policy.

The general requirements for the assessment of the Bank's loan transactions and borrowers are:

- · borrowing has to conform to the credit policy;
- one has to understand the transaction and the related risks:
- one has to know one's client;
- there has to be sufficient information for the thorough assessment of the risk profile;
- the ratio between risk and expected return has to be assessed;
- the client's ability to repay credit has to be assessed;
- requirements for self-financing;
- requirements for the collateral.

In its operations, the Bank abides by the principles of responsible lending.

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PricewaterhouseCoopers, Tallinn

Maximum exposure to credit risk	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Balances with central bank (Note 14)	62,668	23,210
Due from other credit institutions (Note 15)	47,815	236,431
Due from customers (Note 16)	44,221	29,912
Financial assets held for trading (derivatives) (Note 17)	390	149
Available-for-sale financial assets (debt securities) (Note 18)	41,841	61,308
Other financial assets (Note 22)	909	659
Total assets	197,716	351,669
Exposures related to off-balance sheet items (Note 31),	10,816	18,344
Total maximum exposure to credit risk	208,660	370,013

Credit quality of balances with central bank and due from other credit institutions according to credit ratings of agencies are set out in Notes 14 and 15. As at 31.12.2016 and 31.12.2015 those receivables are not overdue.

As at 31.12.2016, due from customers (Note 16) include receivables from financial institutions in amount 1,234 thousand euros (31.12.2015: 980 thousand auros). Those receivables are without rating as at 31 December 2016 and 31 December 2015, however management assess those receivables bear low credit risk. As at 31.12.2016 and 31.12.2015 those receivables are not overdue. Due from customers other receivables' credit quality is disclosed below.

The credit quality of debt securities recognised as available-for-sale according to credit ratings is disclosed in Note 18. As at 31 December 2016 and 31 December 2015, there were no overdue principal and accrued interest receivables.

There were no overdue receivables from financial

assets at the balance sheet date, the majority of which are VISA and Mastercard guarantee deposits for card payments, therefore management assess the credit risk as very low.

As regards off-balance sheet commitments (credit limits and financial guarantees) the credit risk is low as at 31 December 2016 and 31 December 2015. As at 31 December 2016 the Bank has three active financial guarantees (31 December 2015: 3 active financial guarantees) and the Bank had not suffered losses from financial guarantee contracts in 2016 and in earlier periods. All unused loan commitments have risk rating 1, i.e. bear low risk.

RISK MANAGEMENT ORGANISATION AND PROCESS

The decisions related to loans, guarantees and guarantees are made by the Bank's credit committee. Loans that exceed certain obligations, as well as credits whose loan and the collateral ratio exceeds the limits established in the credit policy are additionally confirmed by the Bank's Supervisory Board. The daily monitoring and management of the Bank's credit risk is carried out in the credit division by monitoring very detailed procedures. Procedures cover loan analysis, taking into account the client's creditworthiness, previous credit history, financial situation, market conditions and other relevant factors that affect credit risk. The Bank has an internal risk class system which is calculated on a credit portfolio management, control and setting the limits of the credit portfolio.

COUNTERPARTY CREDIT RISK

The Bank has a system of limits for managing counterparty credit risk. All counterparty risk limits, including maximum risk exposures, maximum due dates and acceptable currency risks, are approved by the Bank's Management Board. The extent of counterparty credit risk analysis depends on the counterparty's credit rating, country of location, limit sought and other relevant factors that may affect counterparty risk.

Credit quality of loans and advances to customers

	Neither past due	Past due, but	Individially		Specific	
31.12.2016, EUR ths.	nor impaired	not impaired	impaired	Total	impairment	Net
Loans to private companies	35,031	1,715	1,780	38,526	-168	38,358
Loans to private person	4,704	0	207	4,704	-75	4,629
Total (Note 16)	39,735	1,715	1,987	43,230	-243	42,987

	Neither past due	Past due, but	Individially		Specific	
31.12.2015 tuh EUR	nor impaired	not impaired	impaired	Total	impairment	Net
Loans to private companies	23,381	598	402	24,381	-339	24,042
Loans to private person	4,509	81	441	5,031	-141	4,890
Total (Note 16)	27,890	679	843	29,412	-480	28,932

As of 31 December 2016, the table above include individually impaired loan which is not overdue and performing loan in gross amount 1,094 thousand euros and with impairment of 4 thousand euros. Therefore, in the tables below where there is reference to overdue and non-performing loans, this loan is excluded as of 31 December 2016.

Credit risk loans by categories (gross)	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
category 1 – low risk	40,641	25,594
category 2 – moderate risk	346	493
category 3 – medium risk	123	789
category 4 – high risk	2,120	2,536
Total	43,230	29,412
Incl. performing loans by categories (gross)		
category 1 — low risk	39,281	25,252
category 2 – moderate risk	123	493
category 3 – medium risk	123	600
category 4 – high risk	1,094	1,156
Total	40,621	27,501

Financial effect of collateral of overdue and impaired loans	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Over-collaterised loans		
Carrying value of loan	2,371	1,431
Fair value of collateral	2,650	2,782
Under-collaterised loans		
Carrying value of loan	238	1
Fair value of collateral	150	0

	31.12.2016	31.12.2015
Loans by collaterals (gross)	(EUR ths.)	(EUR ths.)
Mortgage	33,200	20,830
Commercial pledge	1,714	580
Deposit	1,500	0
Other security over movables	120	169
Security	6,165	7,022
Other	373	607
Without collateral	158	204
Total	43,230	29,412

COLLATERAL

Collateral risk is risk arising from the type, value and form of the transaction collateral and the procedure for the realization of the collateral.

General requirements for loan guarantees, corresponding decision-making competence depending on the type of collateral, maximum accepted ratio of loan amounts and collateral and unsecured lending limits are laid down in the credit policy. Guarantees and collateral values are regularly monitored by the Bank's loan administration unit.

LOANS WHOSE VALUE HAS DECREASED

A receivable is deemed non-performing if payment by a party to a transaction is more than 90 days overdue. A receivable should be deemed non-performing if there is objective evidence about future loss and this loss will affect future cash flows. The Bank writes off those receivables in the case of which it is impossible or financially inexpedient for the Bank to collect them or if the collateral is insufficient to cover the receivables. The Credit Committee reviews outstanding receivables on a weekly basis. The sufficiency of loan write-downs are assessed on a monthly basis.

Overdue loans by client type (gross)	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Loans to private companies	2,249	1,212
Interest claims to private		
companies	153	177
Loans to private persons	207	521
Interest claims to private persons	0	2
Total	2,609	1,912
incl. of non-performing loans	9	18
Incl. impaired loans by		
customer type (gross)		
Loans to private companies	667	766
Accrued interest receivable from		
private companies	152	174
Loans to private persons	207	439
Accrued interest receivable from		
private persons	0	2
Total	1,026	1,381

Fair Value of Collaterals of Past Due and Impaired Loans	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Collaterals of past due loans	2,000	1,445
Collaterals of impaired loans	800	1,337
Total	2,800	2,782

Past Due and Impaired Loans maturity structure *	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Private companies		
1 to 30 days	1,492	799
31 to 60 days	594	234
61-90 days	0	141
91 days to 1 year	128	0
1 to 2 years	188	0
over 2 years	0	215
Total	2,402	1,389
Private persons		
1 to 30 days	164	307
31 to 60 days	9	0
61-90 days	34	208
91 days to 1 year	0	8
Total	207	523
Total overdue financial assets	2,609	1,912

^{*} including impaired loans which as of 31.12.2016 is not overdue.

incl. maturity structure of not impaired financial assets

	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Private companies		
Up to 90 days	1,715	987
Total	1,715	987
Private persons		
Up to 90 days	0	82
Total	0	82
Total unimpaired financial assets	1,715	1,069

Restructured loans	31.12.2016 (EUR ths.)	31.12.2015 (EUR ths.)
Loans to private companies	1,745	2,270
Loans to private persons	0	208
Total	1,745	2,478

Bank has 4 restructured loans, as of 31.12.2016, where the payment difficulties have temporary nature. 7 restructured loans as of 31.12.2015.

No loans were restructed during 2016. 1 loan were restructed during 2015, loan to companies.

Risk concentration

Concentration risk is risk that arises from large exposure to a single counterparty or related counterparties or counterparties whose risk is influenced by a common risk factor.

At the concentration risk, the Bank considers assets related to the counterparty, related parties as well as industry, territory or risk factor.

The Bank limits the concentration risk with regard to counterparties, countries and areas with elevated risk. Risk concentration is considered high if the liabilities and potential liabilities to the Bank exceed 10% of the Bank's net equity. The Bank's risk concentration levels did not change significantly in 2016. In order to ensure conservative approach and reduce concentration risk, the Bank has in its credit policy set the maximum risk concentration rate for credit institutions at 90% (maximum rate permitted by law is 100%), and for business u undertakings at 20% (maximum rate permitted by law is 25%) of net equity. Maximum obligations of Bank-related parties to the Bank must not exceed 4% of the Bank's net equity.

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Geographical Concentration of Financial Assets

	Balance sheet	claims, EUR ths., a	s of 31.12.2016		
	Cash, balances with central	Loans and	incl. overdue		
Area	bank, loans and advances to credit institutions	advances to customers.	and doubtful claims	securities *	by area (%)
	(notes 14,15)	(note 16)	(note 16)	(notes 17,18)	27 2.02 (70)
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%

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

		claims, EUR ths., a			
	Cash, balances with central	Loans and	incl. overdue		
Area	bank, loans and advances to credit institutions	advances to customers.	and doubtful claims	securities *	by area (%)
Alea	(notes 14,15)	(note 16)	(note 16)	(notes 17,18)	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.



Geographical Concentration of Financial Assets

	Balance sheet cl	Balance sheet claims, EUR ths., as of 31.12.2016				
		incl. overdue and				
Economic sector	loans *	doubtful claims	securities **	by area (%)		
	(notes 14,15,16)	(note 16)	(note 17,18)			
Financial and insurance activities	111,717	0	33,746	73.76%		
Real estate activities	16,650	1,588	250	8.57%		
Professional, scientific and technical activities	6,228	0	0	3.16%		
Public administration and defence; compulsory social security	0	0	5,356	2.72%		
Private persons	4,652	207	0	2.36%		
Construction	4,141	0	0	2.10%		
Manufacturing	2,326	127	734	1.55%		
Administrative and support service activities	3,025	0	0	1.53%		
Other service activities	1,595	0	450	1.04%		
Wholesale and retail trade	1,379	0	0	0.70%		
Agriculture, forestry and fishing	1,329	687	0	0.67%		
Accommodation and food service activities	1,073	0	0	0.54%		
Electricity, gas, steam and air conditioning supply	0	0	984	0.50%		
Mining and quarrying	0	0	980	0.50%		
Human health and social work activities	700	0	0	0.35%		
Arts, entertainment and recreation	117	0	0	0.06%		
Transportation and storage	15	0	0	0.01%		
Provisions	-243	0	0	-0.12%		
Total	154,704	2,609	42,500	100.00%		

^{*} Includes claims on credit institutions, financial institutions and customers.

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

	Balance sheet c	Balance sheet claims, EUR ths., as of 31.12.2015			
		incl. overdue and			
Economic sector	loans *	doubtful claims	securities **	by area (%)	
	(notes 14,15,16)	(note 16)	(note 17,18)		
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.

Concentration of Risks

	no.	EUR ths.	31.12.2016 % of net own funds		no.	EUR ths.	31.12.2015 % of net own funds
Number of customers (client groups) with high risk concentration	8			Number of customers (client groups) with high risk concentration	23		
Due from customers with large exposures		45,310	181.72%	Due from customers with large exposures		266,238	1362.47%
Due from management board members and related persons		16	0.06%	Due from management board members and related persons		12	0.06%
Own funds included in calculation of capital adequacy		25,069		Own funds included in calculation of capital adequacy		19,541	

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

Large exposures contain 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: - 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 by the central bank of 25% of net own funds was not breached for any clients as of 31.12.2016 and as of 31.12.2015 according to REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL.

DEBT SECURITIES PORTFOLIO

According to the Bank's risk policy the Bank's trading portfolio is divided into two sub-portfolios: available-for-sale bond portfolio and the liquidity portfolio. The objective of the available-for-sale bond portfolio is to earn additional income and contribute to the interest rate risk management. The objective of the liquidity portfolio is to ensure liquidity and compliance with the Bank's internal liquidity requirements (liquidity buffer), and regulatory liquidity requirements (liquidity ratio).

General limits of bond portfolios and principles of setting up the portfolios are defined by liquidity policy. Bond portfolios are managed by the Treasury department whose activity is based on the liquidity policy and trading strategies approved by the Bank's Management Board.

Note 18 provides an overview of available-for-sale bond portfolios.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to complete in a timely manner or in full its future obligations without thereby incurring substantial costs. Liquidity risk is the risk that the Bank incurs losses in raising additional funds or is forced to find additional funds at unreasonable costs. Liquidity risk is also reflected in a situation where the Bank incurs a loss because it is unable to execute transactions on the market or is forced to carry out transactions at significantly worse conditions than the ordinary conditions. Liquidity risk is related to the financing risk resulting from the uncertainty of acquiring the resource necessary for the Bank's economic activity.

Liquidity risk arises from the difference between

the maturities of the Bank's assets and liabilities.

The objective of the Bank's liquidity risk management is to ensure as far as possible that the Bank always has sufficient liquidity reserves to meet its obligations in the normal as well as stressful situations, so that the Bank does not sustain unacceptably large damages or cause damage to its reputation.

The Bank's liquidity risk management strategy is conservative, and the Bank is trying to avoid excessive liquidity risk by having above-average liquidity reserves. Minimum amount of liquidity reserves, constantly held by the Bank, is defined in the liquidity risk policy. The Bank assesses its liquid assets conservatively.

The Bank's Supervisory Board determines the Bank's liquidity and financing strategy and risk appetite by affirming the liquidity risk policy. The Bank's Management Board is responsible for implementing the liquidity risk policy. Given the size and complexity of the Bank, the functions of the asset and liability management committee are performed by the Bank's Management Board. The primary responsibility for managing the Bank's liquidity, funding and structure of assets and liabilities is with the money and capital markets division. On the operational level, liquidity management is the responsibility of the Treasury whose tasks include:

- a) daily management of liquidity and liquidity buffers:
- b) management of liquidity portfolios;
- c) management of the structure of financing sources and and liabilities:
- d) management of the mandatory reserve;
- e) management of currency positions and age structure of assets and liabilities.

The liquidity risk management framework that the Bank uses creates the opportunity to identify, measure and manage the Bank's liquidity exposures. Liquidity risk management begins with intraday liquidity management. The Bank monitors and actively manages intraday liquidity positions, risks associated with settlements and mandatory reserve requirements, taking into account both the normal situation and potential stress situations.

In short-term liquidity management, the Bank must ensure the existence of sufficient number of high-quality non-encumbered assets (liquidity buffer) that can be used for ensuring liquidity during the period in accordance with stress scenarios.

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The objective of strategic (long-term) liquidity management is to maintain sufficient liquidity and liquidity ratios for the strategic planning process, such as when designing growth of a credit or investment portfolio or balancing the balance sheet structure.

As part of liquidity management, the Bank assesses the aggregate foreign currency liquidity need, imbalances between currencies, differences between the duration of assets and liabilities between the currencies, taking also into considering possible changes in stress situations.

The Bank's liquidity management is a cash flow balancing process, taking into consideration both the balance sheet and off-balance sheet cash flows, as well as cash flows between the counterparties and currencies. Liquidity management involves the control of mismatches of maturity of liquid assets and currencies and management of liquid assets so as to ensure cost-effective financing and purposeful use of resources.

Liquidity (Financial Assets and Financial Liabilities by Contractual Maturities)

Assets, liabilities EUR ths., as of 31.12.2016	Note	On demand	Over-	Up to 1	1 to 3	3 to 12	1 to 2	2 to 5	Over 5	Total	Carrying
Assets of the	Note	demand	uue	monun	monus	HIUHUIS	years	years	years	TULAL	amount
Bank		100,405	299	25,185	28,129	20,614	7,004	10,721	9,770	202,127	198,049
Cash and balances with central bank and due from credit institutions	13,14,15	98,898	0	11,732	0	0	0	0	0	110,630	110,630
Due from											
customers	16	1,234	282	396	8,218	14,805	6,592	9,252	6,481	47,260	44,221
Securities*	17, 18	261	0	12,177	19,911	5,809	412	1,469	3,289	43,328	42,500
Other financial assets	22	12	17	880	0	0	0	0	0	909	909
Liabilities of the Bank		140,242	0	3,355	5,110	18,978	4,336	7,920	4,000	183,941	181,922
Due to credit institutions	23	1,796	0	0	0	0	0	0	0	1,796	1,796
Due to customers	23	124,980	0	3,158	5,075	18,563	3,829	2,192	0	157,797	157,315
Subordinated debts evidenced by certificates	24	0	0	0	0	414	414	5.708	0	6,536	5,000
Subordinated debt	25	0	0	0	0	0	0	3,700	4,000	4,000	2,785
Borrowed funds from government and foreign aid	26	0	0	35	35	1	93	20	4,000	184	183
Other financial liabilities	28	13,466	0	162	0	0	0	0	0	13,628	13,628
Net		-39,837	299	21,830	23,019	1,636	2,668	2,801	5,770	18,186	16,127
Contingent:		-		<u> </u>	•	-	<u> </u>	<u> </u>	<u> </u>		
assets	31	0	0	88,455	2,196	0	0	0	0	90,651	90,651
liabilities	31	10,460	0	88,764	2,197	35	20	0	0	101,476	101,476

Claims, liabilities EUR ths., as of 31.12.2015	Note	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	Carrying amount
Assets of the Bank		140,534	191	122,522	21,939	45,741	4,623	9,703	10,321	355,574	351,907
Cash and balances with central bank and due from credit institutions	13,14,15	139,391	0	120,431	0	0	0	0	0	259,822	259,822
Due from		·		·							·
customers	16	980	158	371	7,943	5,173	3,136	7,214	6,736	31,711	29,912
Securities*	17, 18	57	0	1,200	13,996	40,568	1,487	2,489	3,585	63,382	61,514
Other financial					_		_	_	_		
assets	22	106	33	520	0	0	0	0	0	659	659
Liabilities of the Bank		302,818	0	3,909	3,879	14,010	2,415	9,155	4,000	340,186	337,836
Due to credit institutions	23	488	0	0	0	0	0	0	0	488	488
Due to customers	23	293,300	0	3,835	3.823	13,594	1.930	2,920	0	319,402	319,006
Subordinated debts evidenced by	23	233,300	Ü	3,033	3,023	10,554	1,550	2,320	J	313,402	313,000
certificates		0	0	0	0	415	414	6,122	0	6,951	5,000
Subordinated debt	25	0	0	0	0	0	0	0	4,000	4,000	2,634
Borrowed funds from government											
and foreign aid	26	0	0	0	56	1	71	113	0	241	238
Other financial liabilities	28	9,030	0	74	0	0	0	0	0	9,104	9,104
Net		-162,284	191	118,613	18,060	31,731	2,208	548	6,321	15,388	14,071
Contingent:											
assets	31	0	0	43,614	145	0	0	0	0	43,759	43,759
liabilities	31	16,434	0	43,629	144	1,909	0	0	0	62,116	62,116

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

Liquidity management is part of the management of risks related to the Bank's balance sheet structure. It comprises management of currency risk, interest rate risk and asset-liability maturity mismatch risk through active hedging and position-taking strategies as well as the use of derivatives in accordance with applicable regulations. In addition, liquidity management includes setting base interest rates in accordance with internal transfer pricing accounting.

For measuring liquidity the Bank uses the analysis of cash flows and maturity analysis of assets and liabilities, financial ratios, sensitivity analysis and stress tests. The Bank carries out regular stress tests and simulations of liquidity scenarios according to various

stress scenarios.

On a daily basis the Bank monitors the probable net position of receivables and obligations by different time periods. To manage liquidity risk, the Bank uses a system of limits and liquidity buffers. The size and formation principles of liquidity buffers as well as liquidity limits are determined with liquidity risk policy. At any time the Bank holds on its account a sufficient reserve of liquid assets and a liquidity buffer. The liquidity buffer consists of funds in other credit institutions and central banks, and marketable securities that can rapidly be realized or used as collateral for raising additional funds from a central bank.

The bond portfolio is secured by the vast majority

of instruments that can be used as collateral for shortterm borrowing from the central bank.

For managing liquidity risk, the Bank monitors, constantly assessing its assets and liabilities, future cash flows of different maturity and by setting limits according to the estimated liquidity needs.

The Bank's main source of financing is customer deposits. For maintaining suitable financing structure, the Bank must ensure stable and diversified sources of financing. The Bank carefully monitors and prevents concentration of financing sources. The concentration risk is taken into account also in the management of liquid assets. The liquidity risk management strategy takes into account both high concentration of financing sources and the level of (demand) deposits of high-volatility large customers.

Liquidity risk management includes appropriate stress tests and liquidity and financing contingency and recovery plans.

Stress test framework includes metrics for the tolerance period, which describe separate and combined liquidity risk scenarios, including bank-based, all-market and combined stress.

The Bank has adopted a liquidity and financing continuity and recovery plan that includes activities and patterns of behavior for operating in emergency liquidity and financing situations and for solving them.

Distribution of assets and liabilities by classification of current and non-current

	31.12.2016	31.12.2015
Current assets		
Cash	147	181
Due from central bank (Note 14)	62,668	23,210
Due from credit institutions (Note 15)	47,815	236,431
Available-for-sale financial assets (Note 18)	37,871	55,407
Financial assets held for trading (Note 17)	397	152
Loan and advances to customers (Note 16)	22,397	13,156
Other assets (Note 22)	396	553
Total current assets	171,691	329,090
Non-current assets		
Available-for-sale financial assets (Note 18)	4,232	5,955

Loan and advances to customers (Note 16) 21,824 16,756 Other financial assets (lisa 22) 929 490 Tangible assets (Note 19) 947 448 Investment properties (Note 20) 515 1,022 Intangible assets (Note 21) 193 211 Total non-current assets 28,640 24,882 Total assets 200,331 353,972 Liabilities 314,406 488 Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities (Note 17) 399 162 Account payable and other (liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities 15,000 5,000 Subordinated debt (Note 23)		31.12.2016	31.12.2015
Other financial assets (lisa 22) 929 490 Tangible assets (Note 19) 947 448 Investment properties (Note 20) 515 1,022 Intangible assets (Note 21) 193 211 Total non-current assets 28,640 24,882 Total assets 200,331 353,972 Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654			
Tangible assets (Note 19) 947 448 Investment properties (Note 20) 515 1,022 Intangible assets (Note 21) 193 211 Total non-current assets 28,640 24,882 Total assets 200,331 353,972 Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	(Note 16)	21,824	16,756
Investment properties (Note 20) 515 1,022 Intangible assets (Note 21) 193 211 Total non-current assets 28,640 24,882 Total assets 200,331 353,972 Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Other financial assets (lisa 22)	929	490
Intangible assets (Note 21) Total non-current assets Ze,640 Ze4,882 Total assets Ze00,331 Zerrent liabilities Current liabilities Due to credit institutions (note 23) Due to customers (Note 23) Financial liabilities held for trading (Note 17) Account payable and other liabilities (Note 27,28) Borrowed funds from government and foreign aid (Note 26) Total current liabilities Due to customers (Note 23) Subordinated debts evidenced by certificates (Note 24) Subordinated debt (Note 25) Borrowed funds from government and foreign aid (Note 25) Subordinated debts evidenced by certificates (Note 24) Subordinated debt (Note 25) Borrowed funds from government and foreign aid (Note 27) Total non-current liabilities Total non-current liabilities 13,654 12,417	Tangible assets (Note 19)	947	448
Total non-current assets Total assets 200,331 353,972 Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) Financial liabilities held for trading (Note 17) Account payable and other liabilities (Note 27,28) Borrowed funds from government and foreign aid (Note 26) Total current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) Subordinated debt (Note 25) Borrowed funds from government and foreign aid (Note 27) Total non-current liabilities 13,654 12,417	Investment properties (Note 20)	515	1,022
Total assets Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Intangible assets (Note 21)	193	211
Liabilities Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Total non-current assets	28,640	24,882
Current liabilities Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Total assets	200,331	353,972
Due to credit institutions (note 23) 1,796 488 Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Liabilities		
Due to customers (Note 23) 151,559 314,406 Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Current liabilities		
Due to customers (Note 23) Financial liabilities held for trading (Note 17) Account payable and other liabilities (Note 27,28) Borrowed funds from government and foreign aid (Note 26) Total current liabilities Due to customers (Note 23) Subordinated debts evidenced by certificates (Note 24) Subordinated debt (Note 25) Borrowed funds from government and foreign aid (Note 27) Total non-current liabilities 15,756 4,600 5,000 5,000 5,000 5,000 113 183	Due to credit institutions (note		
Financial liabilities held for trading (Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	23)	1,796	488
(Note 17) 399 162 Account payable and other liabilities (Note 27,28) 14,100 9,603 Borrowed funds from government and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Due to customers (Note 23)	151,559	314,406
liabilities (Note 27,28) Borrowed funds from government and foreign aid (Note 26) Total current liabilities Due to customers (Note 23) Subordinated debts evidenced by certificates (Note 24) Subordinated debt (Note 25) Subordinated debt (Note 25) Subordinated debt (Note 27) Total non-current liabilities 14,100 9,603 4,600 55 4,600 5,000 5,000 5,000 113 183	•	399	162
and foreign aid (Note 26) 70 55 Total current liabilities 167,924 324,714 Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	• •	14,100	9,603
Non-current liabilities Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	•	70	55
Due to customers (Note 23) 5,756 4,600 Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Total current liabilities	167,924	324,714
Subordinated debts evidenced by certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Non-current liabilities		
certificates (Note 24) 5,000 5,000 Subordinated debt (Note 25) 2,785 2,634 Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Due to customers (Note 23)	5,756	4,600
Borrowed funds from government and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	•	5,000	5,000
and foreign aid (Note 27) 113 183 Total non-current liabilities 13,654 12,417	Subordinated debt (Note 25)	2,785	2,634
Total non-current liabilities 13,654 12,417	•	113	183
		13,654	12,417
	Total liabilities	181,578	337,131

LIQUIDITY RATIO

The Bank regularly monitors the liquidity ratio in compliance with the requirements of the European Parliament and Council Regulation (EU) No 575/2013. The objective of the requirements for the level of the liquidity ratio is to ensure that the Bank has sufficient number of high quality and unencumbered liquid assets that can be exchanged for cash equivalents without incurring significant losses to cover the liquidity need for a 30-day stress situation.

In 2016, the minimum requirement of the liquidity ratio was 100% and in 2015 the minimum requirement of the liquidity ratio was 60%. As of 31.12.2016, the Bank's liquidity ratio was 927% (as of 31.12.2015: 278%).

NET STABLE FUNDING RATIO (NSFR)

The objective of the NSFR is to ensure that the Bank has adequate stable funding sources to finance longer-term assets. The NSFR is calculated as a ratio of long-term funding sources to less liquid assets. The level of the NSFR is established as a minimum demand starting in 2018. Bank's NSFR level as at 31.12.2016 was 135% (2015: 97%)

Market Risk

Market risk is the risk that arises from the change of market prices. Market risk may arise as a result of changes in interest rates, exchange rates, stock prices and commodity prices, as well as due to other significant parameters, in particular market volatility. The Bank's exposure to market risks arises from positions affected by changes in the market risk factors. Market

risk reflects the potential damage that may occur as a result of unfavorable changes in exchange rates, securities prices or interest rates. For heading the market risk, the Bank has established limits for bond portfolios and net open foreign currency positions.

Interest rate risk

Interest rate risk is the risk arising from changes in interest rates. Interest rate risk is the mismatch between the Bank's balance sheet and off-balance sheet assets, liabilities and derivative financial instruments with regard to the interest rate repricing periods, volumes and interest rates.

The structure of the Bank's interest-earning assets and interest-bearing liabilities by interest rate repricing period is presented in the following tables in basic amounts of receivables and liabilities.

Assets and Liabilities open to Interest rate risk by maturity date

Assets, liabilities							accrued		
EUR ths.,		up to 3	3 to 12	1 to 5	Over 5		claims -		
as of 31.12.2016	Note	month	months	years	years	Subtotal	commitments	Impairment	Total
Assets of the									
Bank		119,166	13,416	35,097	28,372	196,051	590	-243	196,398
Balances with central bank and due from other credit institutions	14,15	110,336	0	0	0	110,336	0	0	110,336
Due from	,	,				,			,
customers	16	8,830	13,416	10,173	11,811	44,230	234	-243	44,221
Securities	18	0	0	24,924	16,561	41,485	356	0	41,841
Liabilities of the									
Bank		145,455	18,235	10,791	2,785	177,266	688	0	177,954
Due to credit									
institutions	23	1,796	0	0	0	1,796	0	0	1,796
Deposits	23	133,129	18,235	5,678	0	157,042	273	0	157,315
Subordinated debts evidenced by									
certificates	24	0	0	5,000	0	5,000	415	0	5,415
Subordinated debt	25	0	0	0	2,785	2,785	0	0	2,785
Borrowed funds from government									
and foreign aid	26	70	0	113	0	183	0	0	183
Unused loan limits	31	10,460	0	0	0	10,460	0	0	10,460
Net interest									
sensivity gap		-26,289	-4,819	24,306	25,587	18,785	-98	-243	18,444

Assets, liabilities EUR ths., as of 31.12.2015	Note	up to 3 month	3 to 12 months	1 to 5 years	Over 5 years	Subtotal	accrued claims - commitments	Impairment	Total
Assets of the Bank		283,939	43,822	10,879	11,928	350,568	592	-480	350,680
Balances with central bank and due from other credit institutions	14,15	259,460	0	0	0	259,460	0	0	259,460
Due from customers	16	9,622	3,586	8,109	8,848	30,165	227	-480	29,912
Securities	18	14,857	40,236	2,770	3,080	60,943	365	0	61,308
Liabilities of the Bank		317,854	13,317	9,738	2,634	343,543	257	0	343,800
Due to credit institutions	23	488	0	0	0	488	0	0	488
Deposits	23	300,877	13,317	4,555	0	318,749	257	0	319,006
Subordinated debts evidenced by certificates						5,000			
Subordinated debt	25	0	0	0	2,634	2,634	0	0	2,634
Borrowed funds from government									
and foreign aid	26	55	0	183	0	238	0	0	238
Unused loan limits	31	16,434	0	0	0	16,434	0	0	16,434
Net interest sensivity gap		-33,915	30,505	1,141	9,294	7,025	335	-480	6,880

The Bank's strategy is to minimise its exposure to interest rate risk, in particular by maintaining similar sensitivity in case of the Bank's assets and liabilities to interest rates. The Bank assesses the interest rate risk resulting from positions not in its separate trading portfolio and the interest rate risk resulting from all the positions in its banking portfolio.

To assess the interest rate risk of the Bank's bond portfolio, the Bank uses an assessment of the impact of an interest rate change of 100 basis points on the Bank's bond portfolio. Based on the results of the stress test completed, the impact of possible effects of comprehensive income was:

Impact on statement of			
profit or loss	Change	2016	2015
Securities (liquidity portfolio)	+/-100 bps	+/-52	+/-202
Securities (available-for-sale			
financial assets)	+/-100 bps	+/-188	+/-221
Total		+/-240	+/-423

In addition to the sensitivity analysis of a change of 100 basis points in the interest rate, the Bank uses VAR analysis (99% confidence level, 30 days) comparatively. As at 31 December 2016, the result of VAR analysis (99% confidence level, 30 days) was EUR 132 thousand (EUR 234 thousand as at 31 December 2015).

The Bank regularly carries out stress tests on its trading portfolio, assessing the potential impact of the price drop that occurred from 15 September 2008 to 14 October 2008 ("standard Lehman 2008 stress test") on the Bank's bond portfolio. As at 31 December 2016 the result of the stress test on potential impact on the comprehensive income was EUR -446 thousand (EUR -741 thousand as ot 31 December 2015).

For analysing the interest rate risk of the Bank's portfolio the Bank uses a scenario that expresses the estimated impact of a change of 200 basis points in the interest rate curve on the Bank's economic value of equity (EVE).

The scenario tested by the Bank was a drop of 200 basis points in interest rates. Since various classes of assets and liabilities may behave differently in the event of a drop of -200 basis points, by adding the Basel standard method the Bank modifies the assumptions for the various asset classes in accordance with the Bank's internal assessments based on the maximum possible change in the interest rates. Based on the results of the stress test completed, the impact on economic value was EUR -112 thousand (EUR -70 thousand as at 31 December 2015), accordingly the interest rate risk of the banking portfolio may be deemed low.

Currency risk

Currency risk is the risk arising from changes in foreign currency exchange rates. The Bank's currency risk arises from unfavorable movements in exchange rates against the euro. Currency risk may arise from the acquisition of securities denominated in foreign currency or occurrence of receivables and liabilities in foreign currencies against the client. The Bank's overall currency risk strategy is conservative. Currency risk management aims to minimise open foreign currency positions so that the Bank is not sensitive to changes in currency exchange rates. The Bank does not acquire speculative currency positions.

Currency risk is managed by introducing conservative limits for all currencies and by monitoring net open

currency positions. Daily assessment and management of currency risk is the task of the Bank's Treasury.

The Bank's exposure to currency risk is low and the Bank's total net open foreign currency position as at 31.12.2016 totalled EUR 19 thousand or 0.08% of the Bank's own funds (as of 31.12.2015: EUR 17 thousand or 0.09% of own funds).

Impact on statement profit			
or loss	Change	2016	2015
USD exchange rate	+/-10%	19	2
GBP exchange rate	+/-10%	1	0
RUB exchange rate	+/-10%	1	0
CHF exchange rate	+/-10%	0	0
Other	+/-10%	1	3
Total		22	5

OPEN CURRENCY POSITIONS

The following tables provide an overview of open currency positions. Assets and liabilities denominated in various currencies are shown in the table in EUR equivalent according to the exchange rate prevailing at the balance sheet date. Derivative financial instruments recognised at fair value in the balance sheet are recorded in contractual amounts among the assets/liabilities of the balance sheet. The Bank's exposure to currency risk did not differ significantly from the average exposure during the year.

Foreign Currency Position

							Other	
31.12.2016, (EUR ths.)	Note	EUR	USD	GBP	RUB	CHF	currencies	TOTAL
ASSETS								
Cash and balances with central bank	13, 14	62,806	9	0	0	0	0	62,815
Due from credit institutions	15	5,311	36,905	2,683	2,086	176	654	47,815
Due from customers	16	38,687	5,534	0	0	0	0	44,221
Financial assets held for trading	17	0	7	0	0	0	0	7
Available-for-sale financial assets	18	1,154	40,949	0	0	0	0	42,103
Other financial assets	22	629	280	0	0	0	0	909
TOTAL ASSETS		108,587	83,684	2,683	2,086	176	654	197,870
LIABILITES								
Due to credit institutions	23	118	1,678	0	0	0	0	1,796
Due to customers	23	71,321	80,856	2,006	2,394	173	565	157,315
Subordinated debts evidenced by								
certificates	24	5,000	0	0	0	0	0	5,000
Subordinated debt	25	4,000	0	0	0	0	0	4,000
			•					

							Other	
31.12.2016, (EUR ths.)	Note	EUR	USD	GBP	RUB	CHF	currencies	TOTAL
Borrowed funds from goverment and			_					
foreign aid	26	183	0	0	0	0	0	183
Other financial liabilities	28	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)	31	20,879	47,214	17,171	5,081	0	306	90,651
FX derivatives (notionals, due to)	31	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

							Other	
31.12.2015, (EUR ths.)	Note	EUR	USD	GBP	RUB	CHF	currencies	TOTAL
ASSETS								
Cash and balances with central bank	13, 14	23,381	7	0	0	0	4	23,391
Due from credit institutions	15	77,546	153,621	2,254	1,055	274	1,682	236,431
Due from customers	16	23,673	6,239	0	0	0	0	29,912
Financial assets held for trading	17							
Available-for-sale financial assets	18	1,269	60,093	0	0	0	0	61,362
Other financial assets	22	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	23	363	125	0	0	0	0	488
Due to customers	23	104,323	209,009	2,265	1,472	281	1,656	319,006
Subordinated debts evidenced by								
certificates	24	5,000	0	0	0	0	0	5,000
Subordinated debt	25	4,000	0	0	0	0	0	4,000
Borrowed funds from goverment and								
foreign aid	26	238	0	0	0	0	0	238
Other financial liabilities	28	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		11,812	5,493	-10	-474	-7	26	13,922
FX derivatives (notionals, due from)	31	23,662	19,167	8	779	7	136	43,759
FX derivatives (notionals, due to)	31	18,688	24,643	0	305	0	136	43,772
Open foreign currency position		16,786	16	-2	0	0	26	13,909

Net position in a currency is calculated by adding all balance sheet and off-balance sheet assets and liabilities, subject to changes in currency rates. Net position in a foreign currency is considered to be short, when liabilities fixed in a foreign currency exceed the assets fixed in the same foreign currency; and long, when assets fixed in a foreign currency exceed the liabilities fixed in the same foreign currency.

Net currency position was under 2% level of net own.

Operational risk

Operational risk is the possibility or probability arising from the decision or event related to the Bank's internal processes or actions of people or systems in use or external events that its implementation will have undesirable consequences.

Operational risk is related to the following risks:

- Legal risk is the possibility or probability that the Bank's operations do not comply with regulations, contracts, good practice and ethical standards or is based on an incorrect interpretation or the Bank as a legitimate party cannot exercise its rights or wait performance of obligations because the obligated party does not fulfill its commitments.
- Compliance risk is the possibility or probability that the Bank cannot or does not comply with the laws, regulations, policies and other requirements set out in norms that are superior for the Bank or do not comply with such requirements or acts in a conflict of interest situation.
- Strategic risk is the possibility or probability that the attainment of the Bank's business objectives and implementation of decisions and activities is hindered or made complicated by competition, operating environment or supervisory activities.
- Reputational risk is the possibility or probability that negative publicity, despite being true, results in the decline of the customer base, reduces the Bank's revenues or increases expenses.
- Security risk is the possibility or probability that the external or internal environment of the event hinders or makes impossible the operability, reliability, security, integrity and confidentiality of the Bank's resources (assets, personnel, records, documents, facilities).
- Personnel risk is the possibility or probability that the attainment of the Bank's business goals and implementation of decisions and activities is hindered or made more complicated for lack of staff, loyalty, competence and suitability for the job.
- Control and management risk is the possibility or probability that control mechanisms and management measures implemented by the Bank are not appropriate or they are missing in order to attain the Bank's business goals.
- Regulatory risk is the possibility or probability that the Bank will not attain its business goals or their attainment is made more difficult due to changes in

the regulatory environment.

- Information technology risk is the possibility or probability that the Bank's information technology systems do not function or function inadequately, or are unusable or are used inadequately.
- Procedural risk is the possibility or probability that the rules of procedures established in the Bank are inadequate or are not followed or are followed inadequatly.

The Bank treats operational risk and related risks as an independent risk area and monitors the operational risk and related risks together, taking into consideration that significant relationship of these risks in the Bank's business operations.

The Bank's operational risk strategy is to prevent and minimise the damage, and to mitigate specific critical risks where the amount of damage resulting from operational risk would exceed the acceptable level.

OPERATIONAL RISK MANAGEMENT ORGANISATION

Operational risk management is coordinated by the Bank's Management Board. All divisions and infrastructure functions of the Bank (owners of operational risk) are required to manage operational risk daily. Risk management monitors operational risk in order to ensure the due implementation of the operational risk in all areas of the Bank. Compliance as a consulting and controlling unit engages in the development of new products, services and internal regulations, and the modernisation thereof. Internal audit is responsible for assessing the sufficiency of internal control systems and and the effectiveness of control mechanisms, puts forward proposals for any supplementation and tests the reliability of control systems.

The Bank has defined centralized basis for managing operational risk. This concept is laid out in the Bank's policies, internal rules and procedures.

OPERATIONAL RISK MANAGEMENT PROCESS

The objective of operational risk management is to achieve the lowest possible level of operational risk in the Bank, based on the economic efficiency principle of risk management. The Bank does not take unmanageable or unlimited risks, regardless of the increase in revenue that they may generate. Operating risks that can damage the Bank's reputation are kept under heightened attention and are limited.

For measuring, managing and monitoring the operating risk the Bank uses various techniques:

· The process of identifying and assessing opera-

tional risks is mainly based on the self-assessment of operational risks periodically carried out by all areas and the Bank's Management Board. Operational risk and related risks are identified and evaluated through self- or risk assessment questionnaires and/or seminars and by mapping risks of units, functions and processes according to the risk type.

- The main means to avoid operational losses include maintaining the responsibility of risk management within business units, increasing every employee's risk awareness and creating a sound control environment. The Bank estimates that the most important means for controlling operational risk is shaping a risk-aware and responsible organisational culture supported by appropriate practices, routines, effective internal rules and internal control system.
- Throughout the Bank's organisation there is understanding of incidents, loss events and extraordinary income events related to possible operational risk involved in the Bank's activities. The database of operational risk loss events is a tool for the registration and analysis of operational risk loss events that have materialised or are possible. Analysis of operational risk loss events provides information about the causes for operational losses and may point to areas where control environment failures are systematic. On the basis of analysis of events the Bank updates its control measures in order to minimise or avoid potential risks in the future.
- Operational risk and related risk management is based on the preventive analysis of possible loss events from risks resulting from the Bank's activities. The Bank uses various risk indicators for regular monitoring, analysis and control of operational risk and related risks. Risk indicators are used for monitoring the operational risk profile, and any change in them may provide the signal that enables timely responses to problems.
- The Bank's Management Board is presented with a report on all the major instances of operational risk.
- The Bank identifies and assesses operational risks related to all products, significant operations, processes and systems related and associated risks. Such an assessment is carried out before the implementation of any new product, process or system.
- In assessing, monitoring and mitigating the operational risk, management of compliance risk including compliance control plays a significant role. Com-

pliance risk management is a continuous process, which aims to:

- achieve and maintain compliance by eliminating, reducing or limiting the Bank's regulatory or ethical responsibility for the Bank's employees, customers, law, transaction parties and the public;
- create and maintain the confidence of the Bank's customers, investors and supervisors in the Bank;
- compliance risk management is proactive and proportionate, based on a rule-based and risk-based approach.
- The Bank engages in business continuity planning, with the aim of preparing the Bank for unlikely but possible events, such as operational interruptions in processes and systems, protect lives and health, and mitigate the potential impact of the events on the Bank. For managing business continuity, the Bank has developed contingency scenarios and specific action plans. The Bank is engaged in proactive security management to ensure that all its assets are protected against potential hazards, using technical, organizational and administrative measures.
- The Bank analyses providers of externally outsourced services and relationships with service providers are based on specific agreements.

For identifying unexpected operational risk exposure, the Bank has adopted the basic approach in compliance with the European Parliament and Council Regulation No 575/2013, and pursuant the basic approach for determining the relevant operational risk exposures and corresponding capital requirement.

Capital management

The Bank's objective is capital management is to maintain the Bank's capital base stable and strong, meet the requirements set for the Bank's capital and to maintain a conservative capital-related risk profile and adequate level of capital to cover potential risks.

Own funds

Own funds are a buffer to cover possible losses arising from risks taken by the Bank. The Bank's ability to bear losses depends on the Bank's performance, as well as from a variety of qualitative factors such as risk control capability, quality of management and control.

The Bank defines own funds as they are defined by regulation. The most important components of the Bank's own funds are:

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CAPITAL BASE (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 share capital	14,089	14,089
Retained earnings	1,959	-2,654
Statutory reserve capital transferred from net profit	436	200
(-) Intangible assets	-193	-211
Other reserves	-222	-883
Additional tier 1 capital	5,000	5,000
Capital instruments eligible as AT1 Capital	5,000	5,000
Subordinated debts evidenced by certificates	5,000	5,000
Tier 2 capital	4,000	4,000
Capital instruments and subordinated loans eligible as T2 Capital	4,000	4,000
Subordinated debt*	4,000	4,000

^{*} The capital base includes the principal of a subordinated loan without the effective interest rate correction.

The composition of the Bank's total own funds and their treatment complies with the European Parliament and Council Regulation No 575/2013. With the inclusion of the audited profit of EUR 1,276 thousand in own funds as of 31 December 2016, the volume of the Bank's Common Equity Tier (CET 1) capital is EUR 17,345 thousand, Tier 1 capital is EUR 22,345 thousand and total volume of own funds is EUR 26,345 thousand.

The Bank monitors that it is sufficiently and adequately capitalized at all times, has the necessary capital reserve to ensure that the risks involved in the Bank's operations are sufficiently covered by own funds.

Total risk exposure

Methods implemented by the Bank for calculating the total exposure and individual risk exposures are set out in the European Parliament and Council Regulation No 575/2013. The Bank uses a standard method for calculating regulatory capital requirements for credit

risk. For calculating the Bank's risk-weighted assets, all on-balance sheet and off-balance sheet exposures are divided into exposure classes established with the European Parliament and Council Regulation (EU) No 575/2013 (Banking Regulation) that, in turn, are divided according to risk weights for determining the credit quality grade.

For calculating the regulatory capital requirement for the bond portfolio's market risk the Bank uses the maturity method for calculating the general risk of the interest position and specific risk capital requirement according to the issuer, debtor, external rating and residual maturity. As the Bank's net open foreign currency position is less than 2% of the Bank's own capital, the Bank is not required to calculate the regulatory capital requirement for foreign exchange risk.

The Bank uses the basic approach for calculating the regulatory capital requirements for the operational risk.

Requirements for own funds

A credit institution's own funds must at all times be equal to exceed the minimum capital provided by law (EUR 5 million). However, under the requirements of European Parliament and Council Regulation No 575/2013, a credit institution's own fund ratios, expressed as a percentage of its total risk exposure, have to be as follows: the ratio of its CET 1 capital is 4.5%, the ratio of its Tier 1 own funds is 6%. The requirement for total own funds is 8% of the total risk exposure.

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%

The amount of the Bank's own funds that is used as a basis for calculating own capital ratios does not include the audited annual profit. Adding the audited profit of the financial year to the Bank's capital ratios has a positive impact on them. Accordingly, by adding the Bank's audited profit earned in the financial year, the Bank's capital ratios would be 26.54% in CET 1, 34.19% in Tier 1 own funds and 40.31% in total own funds, respectively.

In addition to capital ratios, credit institutions are also subject to the capital conservation buffer requirement (2.5% of total exposure), systemic risk buffer requirement (1% in positions located in Estonia) and the counter-cyclical buffer requirement (0% of total exposure).

Capital buffers

	31.12.2016	31.12.2015
Capital maintenance buffer requirement (2.5% from total risk exposure)	1,634	2,127
Systematic risk buffer requirement (1% of exposures in Estonia)*	1,186	1,701
Contra-cyclic buffer requirement (0% of total risk exposure)	0	0
Total capital buffer requirements	2,820	3,828

*until 01.08.2016 the buffer requirement was 2% from total risk exposure

The Bank is in compliance with all capital requirements that the Bank is subject to (capital ratio requirements and capital buffer requirements) both in the reporting year and in the comparative period. The Bank has established strategies and corresponding internal rules in order to continue to maintain an adequate level of own capital, in accordance with the level of risk taken by the Bank.

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SIGNATURES OF THE MANAGEMENT BOARD TO THE ANNUAL REPORT 2016

The Annual Report 2016 of Versobank AS is signed by:

Mark Agranovski

Chairman of the Management Board 28.04.2017

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Margus Normak

Member of the Management Board 28.04.2017

Artur Yermolayev

Member of the Management Board 28.04.2017





INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Versobank AS

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Versobank AS (the Company) as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We audited the Company's financial statements that comprise:

- the statement of comprehensive income for the year ended 31 December 2016;
- the statement of financial position as at 31 December 2016;
- the statement of cash flows for the year ended 31 December 2016;
- the statement of changes in equity for the year ended 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.



Other information

The Management Board is responsible for the other information contained in the annual report in addition to the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Tiit Raimla Auditor's certificate no.287 Verner Uibo Auditor's certificate no.568

28 April 2017

^{*} This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

PROFIT DISTRIBUTION PROPOSAL OF THE MANAGEMENT **BOARD**

The Management Board of Versobank AS approved the profit of Versobank AS for the financial year 2016 in the amount of 1,276,360.96 euros. The Management Board's proposal to the General Meeting of Shareholders is not to pay dividends, appropriate 63,818.05 euros to the statutory reserve capital and record 1,212,542.91 euros under the balance sheet heading "Retained earnings".

Mark Agranovski

Chairman of the Management Board 28.04.2017

Margus Normak

Member of the Management Board 28.04.2017

Artur Yermolayev

Member of the Management Board 28.04.2017



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