



## **MARFIN PANK EESTI AS**

(Marfin Bank Estonia Ltd.)

### **Public Interim Report III Quarter 2010**

*Translation from original in Estonian*

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## SUMMARY INFORMATION

### General Data of Credit Institution

Business name	MARFIN PANK EESTI AS
Location and address	Pärnu mnt 12, 10148 Tallinn, Estonia
Country of registration	Republic of Estonia
Registration date	14.10.1999
Registration code	10586461 (Estonian Commercial Register)
Telephone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T. BIC code	SBMBEE22
E-mail	info@marfinbank.ee
Internet home page	<a href="http://www.marfinbank.ee">http://www.marfinbank.ee</a>

### Auditor

Business name of auditor	Aktsiaselts PricewaterhouseCoopers
Registration code of auditor	10142876
Auditor's location and address	Pärnu mnt 15, 10141 Tallinn, Estonia
Partner in charge	Tiit Raimla
Engagement leader	Stan Nahkor
Report balance sheet date	30.09.2010
Report period	01.01.2010 – 30.09.2010
Report currency and units	Estonian kroon (EEK), in thousands of kroons
Comparison currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

Public Interim Report III Quarter 2010 of MARFIN PANK EESTI AS is unaudited. Only the credit institution data and figures are disclosed in the report.

	EEK ths.	EUR ths.
Total assets	692,039	44,229
Net profit / loss	-27,502	-1,758
Return on equity (ROE)	-88.44%	-88.44%
Asset utilisation (AU)	21.58%	21.58%
Overdue claims and loans	165,807	10,597
Loan loss provisions	104,563	6,683
Net own funds	117,589	7,515
Capital adequacy	29.81%	29.81%

“Public Interim Report III Quarter 2010” of MARFIN PANK EESTI AS is available in the office of MARFIN PANK EESTI in Tallinn, Pärnu mnt 12 and on the Bank's internet web page [www.marfinbank.ee](http://www.marfinbank.ee) from 29.11.2010.

## **DECLARATION OF THE MANAGEMENT BOARD**

The Management Board of MARFIN PANK EESTI AS is, after examining the information presented in this Public Interim Report, of opinion that:

1. Public Interim Report, consisting of summary information, declaration of the Management Board, management report and financial statements, discloses information meeting the requirements set by the rules of "Public Interim Report".
2. The data and additional information presented in the Public Interim Report is true and complete.
3. Nothing is missing or omitted from the data and information presented in the Public Interim Report, which could influence their content or meaning.
4. Financial statements have been compiled in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the financial position of the bank and of the results of its operations and its cash flows.
5. MARFIN PANK EESTI AS is operating on a going concern basis.

In Tallinn, 29.11.2010

Riho Rasmann  
Chairman of the Management Board

Sven Raba  
Member of the Management Board

Mart Veskimägi  
Member of the Management Board

Roul Tutt  
Member of the Management Board

## MANAGEMENT REPORT

### Description of the Credit Institution and its Management Bodies

MARFIN PANK EESTI AS is a credit institution, established in 1999 and operating in Estonia. MARFIN PANK EESTI AS (hereinafter: the Bank) holds the activity license issued by Estonian Central Bank (the Bank of Estonia), which allows the Bank to engage in all banking operations. Bank has an account manager status of Estonian Central Depository for Securities, is the member of S.W.I.F.T. and pan-Baltic member of NASDAQ OMX Baltic stock exchanges. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and the cross-border clearing system TARGET2-Estonia.

MARFIN PANK EESTI AS uses the trademark MARFIN BANK, which is globally used by Marfin Popular Bank group in all international markets.

MARFIN PANK EESTI AS belongs to the banking group of Marfin Popular Bank, registered in Cyprus, and operating in 11 countries with 515 branches. Group has more than 8800 employees. Year 2009 net profit of the Marfin Popular Bank group totalled 186.7 million euros and total assets 41.8 billion euros. Marfin Popular Bank has a Baa2/Prime-2 (outlook: negative) rating by Moody's Investors Service, and BBB+ (outlook: negative) rating by Fitch Ratings.

The owners of MARFIN PANK EESTI AS, as of the report date, are:

63.0182% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cyprus);

25.4242% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

3.8331% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;

3.8331% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;

1.9555% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and

1.9359% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

The Supervisory Board of the Bank has seven members. Mr. Fotios Karatzenis (Chairman of the Supervisory Board), Mr. Nikolaos Sarros (Vice-Chairman of the Supervisory Board), Mr. Efthymios Bouloutas, Mr. Achillefs Giannisis, Mr. Frank Ulrich John, Mr. Emmanouil Karavelakis and Mr. Christos Stylianides were the members of the Supervisory Board as of report date. There were no changes in the Supervisory Board in the year 2010.

The Management Board of the Bank has four members. Mr. Riho Rasmann is the Chairman of the Management Board, and the members of the Management Board are Mr. Sven Raba, Mr. Mart Veskimägi and Mr. Roul Tutt. The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of the Bank. There were no changes in the Management Board in the year 2010.

Bank has acquired 100% of shares of Osito Casa OÜ, and paid for it after the report date on 01.10.2010 40.0 thousand kroons (2.6 thousand euros). Company operates in the real estate sector. Consolidated statements will be compiled from 4<sup>th</sup> quarter 2010. The Bank has no other subsidiaries nor participating interests, exceeding 20% shareholding in any company. Bank owns 16% of business development company European Business Development AS.

## Major Economic Events

Current year is characterized by fast growth of client deposit volumes (15.3% compared with beginning of the year) and moderate decrease of loan portfolio (-4.6% compared with beginning of the year). Total balance sheet of the Bank has decreased 6.4% compared with beginning of the year, totalling 692.0 million kroons (44.2 million euros) as of 30.09.2010.

Number of Bank's customers increased 21.3% from beginning of the year, the number of active depositors increased 23.9%. Significant growth has continued in transfers. The Bank is still offering free of charge normal EEK payments within Estonia to its customers in its internet bank, and many other fees and commissions are more favourable as well.

Client deposits with the Bank totalled 490.8 million kroons i.e. 31.4 million euros as of 30.09.2010 (401.5 million kroons i.e. 25.7 million euros as of 30.09.2009). Bank continues to pay higher interest rates on time deposits, than the market average. Bank has equalized the EEK and EUR time deposit interest rates from 05.04.2010.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 589.3 million kroons (37.7 million euros), forming 85.2% of total assets as at the end of reporting period. Gross loan portfolio amounted 623.8 million kroons i.e. 39.9 million euros as of 30.09.2009. Deposits to loans ratio stood at 0.83 at 30.09.2010 (0.64 at 30.09.2009).

Conservative loan loss provisions and decreased interest income caused the net loss for the Bank in year 2010. Net loss of 3rd quarter comprised 8.7 million kroons i.e. 0.5 million euros (net loss of 3rd quarter 2009 was 8.3 million kroons i.e. 0.5 million euros).

Net interest income of the 3rd quarter 2010 was 7.0 million kroons i.e. 0.4 million euros (3rd quarter 2009: 6.8 million kroons i.e. 0.4 million euros), earned mostly on loans. Net fees and commissions income totalled 0.9 million kroons i.e. 0.1 million euros (3rd quarter 2009: 0.9 million kroons i.e. 0.1 million euros). 1.2 million kroons i.e. 0.1 million euros was earned as dealing profits from FX and securities' transactions (3rd quarter 2009: 1.1 million kroons i.e. 0.1 million euros). Total operating income from banking activities comprised 8.6 million kroons i.e. 0.6 million euros in 3rd quarter 2010, the same as year earlier. Administrative expenses of the 3rd quarter of 2010 and 2009 were respectively 9.0 million kroons (0.6 million euros) and 8.5 million kroons (0.5 million euros).

Total of 0.2 million kroons (0.01 million euros) of membership fees were calculated to the Supervisory Board members during reporting period, in the same volume as year earlier. No membership fees have been paid to the members of the Management Board. Calculated salaries of the members of the Management Board totalled 0.9 million kroons i.e. 0.06 million euros in 3rd quarter 2010, of employees 3.1 million kroons i.e. 0.2 million euros. Calculated salaries of the members of the Management Board totalled the same in the 3rd quarter of year 2009 as in 2010, of employees 3.2 million kroons (0.2 million euros). Average number of employees was 47 (year earlier also 47), number of employees as of 30.09.2010 was 47 (30.09.2009: 47).

The Bank filed an application to join the international card organisation Visa Europe Limited in year 2010, with the intention to start issuing international debit cards in the second half of year 2011, followed by credit cards. Visa approved the associated membership status in June 2010.

## Ratings

MARFIN PANK EESTI AS has not been rated by international rating agencies.

## Ratios

		01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009
Return on equity	ROE	-88.44%	-64.04%
Equity multiplier	EM	5.57	4.97
Profit margin	PM	-73.56%	-57.06%
Asset utilisation	AU	21.58%	22.59%
Return on assets	ROA	-15.88%	-12.89%
Net interest margin	NIM	9.55%	7.80%
Basic earnings per share	Basic EPS	-5.35	-5.16
Diluted earnings per share	Diluted EPS	-5.35	-5.16
Spread	SPREAD	7.26%	3.02%
Yield on interest-earning assets	YIEA	16.38%	13.84%
Cost of interest-bearing liabilities	COL	9.12%	10.82%

### Explanations to ratios

Total income includes the following income items: interest income, fees and commissions income, dealing profits, income from financial investments, other operating income, extraordinary income, income from value adjustments of fixed and intangible assets (+), income from value adjustments of advances and off-balance sheet commitments (+), income from value adjustments of long term financial investments.

ROE	Net profit (loss) / Average equity * 100
EM	Average assets / Average equity
PM	Net profit (loss) / Total income * 100
AU	Total income / Average assets * 100
ROA	Net profit (loss) / Average assets * 100
NIM	Net interest income / Average interest earning assets * 100
Basic EPS	Net profit (loss) / Average number of shares
Diluted EPS	Net profit (loss) / Average number of shares (considering all convertible securities)
SPREAD	Yield on interest earning assets - Cost of interest bearing liabilities = YIEA - COL
YIEA	Interest income / Average interest earning assets * 100
COL	Interest expense / Average interest bearing liabilities * 100

## Legal Disputes

Courts are proceeding with Bank actions against different persons, who have not fulfilled their obligations, and where the mutually satisfying agreements have not been reached in negotiations. Bankruptcy proceedings are also taking place against obligors as well as guarantors and execution proceedings are taking place with regard to pledged collateral assets and private person debtors.

There are no significant court actions filed against the Bank, and Bank's management is not aware, as of report preparation date, of any significant claims for compensation of damages what the third parties would be planning to file against the Bank.

## **FINANCIAL STATEMENTS**

## Statement of Financial Position

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	30.09.10	31.12.09	30.09.10	31.12.09
<b>ASSETS</b>				
<b>Cash</b>	<b>1,772</b>	<b>2,076</b>	<b>113</b>	<b>133</b>
<b>Loans and advances</b>				
Balances with central bank	74,385	107,592	4,754	6,876
Due from other banks	50,094	61,057	3,202	3,902
Due from customers	513,668	555,113	32,829	35,478
o/w allowance (-)	-104,563	-84,658	-6,683	-5,411
o/w interest	20,093	19,101	1,284	1,221
<b>Financial assets held for trading</b>	<b>728</b>	<b>245</b>	<b>47</b>	<b>16</b>
<b>Available-for-sale financial assets</b>	<b>4,895</b>	<b>2,972</b>	<b>313</b>	<b>190</b>
<b>Property and equipment</b>	<b>2,776</b>	<b>2,853</b>	<b>177</b>	<b>182</b>
<b>Investment properties</b>	<b>40,070</b>	<b>4,382</b>	<b>2,561</b>	<b>280</b>
<b>Intangible assets</b>	<b>2,034</b>	<b>621</b>	<b>130</b>	<b>40</b>
<b>Other assets</b>	<b>1,617</b>	<b>2,118</b>	<b>103</b>	<b>135</b>
<b>TOTAL ASSETS</b>	<b>692,039</b>	<b>739,030</b>	<b>44,229</b>	<b>47,233</b>
<b>LIABILITIES</b>				
<b>Financial liabilities held for trading</b>	<b>3,677</b>	<b>112</b>	<b>235</b>	<b>7</b>
<b>Financial liabilities measured at amortised cost</b>				
Due to credit institutions	109	141,043	7	9,014
Interest payable on credit institutions deposits	0	62	0	0
Due to customers	490,797	425,737	31,368	27,210
Government	1	1	0	0
Financial institutions	27	29	2	2
Companies	266,832	246,011	17,054	15,723
Non-profit organisations	41,555	16,148	2,656	1,032
Private persons	177,018	159,547	11,314	10,197
Interest payable	5,363	4,001	343	256
<b>Subordinated debt</b>	<b>63,641</b>	<b>63,018</b>	<b>4,067</b>	<b>4,028</b>
<b>Borrowed funds from government and foreign aid</b>	<b>2,728</b>	<b>1,158</b>	<b>174</b>	<b>74</b>
<b>Tax liabilities</b>	<b>455</b>	<b>825</b>	<b>29</b>	<b>53</b>
<b>Other liabilities</b>	<b>11,009</b>	<b>4,527</b>	<b>704</b>	<b>289</b>
<b>TOTAL LIABILITIES</b>	<b>572,416</b>	<b>636,420</b>	<b>36,584</b>	<b>40,675</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	205,809	200,500	13,154	12,814
Statutory legal reserve	559	559	36	36
Fair value reserve of available-for-sale financial assets	-248	-338	-16	-22
Accumulated deficit	-58,995	-13,723	-3,770	-877
Profit / loss for the financial year	-27,502	-84,388	-1,758	-5,393
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>119,623</b>	<b>102,610</b>	<b>7,645</b>	<b>6,558</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>692,039</b>	<b>739,030</b>	<b>44,229</b>	<b>47,233</b>



## Income Statement

	EEK ths. 01.01.2010 - 30.09.2010	EEK ths. 01.07.2010 - 30.09.2010	EEK ths. 01.01.2009 - 30.09.2009	EEK ths. 01.07.2009 - 30.09.2009
<b>Interest income</b>	<b>30,083</b>	<b>10,850</b>	<b>39,868</b>	<b>12,005</b>
From loans	29,793	10,763	36,465	11,023
From deposits	222	66	1,115	310
From debt securities	51	17	1,512	489
From derivatives	0	0	463	156
Other income	17	4	313	27
<b>Interest expense</b>	<b>12,601</b>	<b>3,866</b>	<b>17,687</b>	<b>5,184</b>
On demand deposits	231	55	1,127	278
On time deposits	10,394	3,146	16,046	4,800
On derivatives	63	21	494	86
From borrowings	1,913	644	20	20
<b>Net interest income</b>	<b>17,482</b>	<b>6,984</b>	<b>22,181</b>	<b>6,821</b>
<b>Fees and commissions income</b>	<b>4,279</b>	<b>1,387</b>	<b>3,051</b>	<b>1,522</b>
Account opening and maintenance fees	273	92	231	87
Bank transaction fees	2,516	947	2,071	918
Securities' transaction fees	1,410	326	619	428
Other fees and commissions income	80	22	130	89
<b>Fees and commissions expense</b>	<b>1,986</b>	<b>505</b>	<b>1,443</b>	<b>640</b>
Securities' transactions expenses	878	198	411	288
Bank transaction expenses	719	169	653	218
S.W.I.F.T. expenses	389	138	379	134
<b>Net fees and commissions expense</b>	<b>2,293</b>	<b>882</b>	<b>1,608</b>	<b>882</b>
<b>Net trading income/expense</b>	<b>3,026</b>	<b>1,220</b>	<b>2,452</b>	<b>1,102</b>
From foreign exchange	2,997	1,214	2,404	1,061
From shares and debt securities in trading portfolio	29	6	48	41
<b>Other operation income</b>	<b>70</b>	<b>70</b>	<b>0</b>	<b>0</b>
<b>Other operation expenses</b>	<b>1 310</b>	<b>575</b>	<b>850</b>	<b>292</b>
Guarantee Fund payments	239	128	11	3
Financial Supervision Authority fees	644	213	649	222
Tallinn Stock Exchange fees	234	84	140	47
Other operating expenses	193	150	50	20
<b>Total income</b>	<b>21,561</b>	<b>8,581</b>	<b>25,391</b>	<b>8,513</b>
<b>Administrative expenses</b>	<b>27,800</b>	<b>9,032</b>	<b>25,948</b>	<b>8,503</b>
Personnel expense, payroll related taxes	17,828	5,871	17,000	5,781
Other administrative expense	9,972	3,161	8,948	2,722
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-1,150</b>	<b>-359</b>	<b>-1,892</b>	<b>-601</b>
<b>Impairment loss on assets (+/-)</b>	<b>-20,113</b>	<b>-7,579</b>	<b>-23,438</b>	<b>-7,660</b>
<b>Total operating expenses</b>	<b>49,063</b>	<b>16,970</b>	<b>51,278</b>	<b>16,764</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-27,502</b>	<b>-8,389</b>	<b>-25,887</b>	<b>-8,251</b>
Basic earnings/loss per share	-5.35 EEK		-5.16 EEK	
Diluted earnings/loss per share	-5.35 EEK		-5.16 EEK	

## Income Statement

	EUR ths. 01.01.2010 - 30.09.2010	EUR ths. 01.07.2010 - 30.09.2010	EUR ths. 01.01.2009 - 30.09.2009	EUR ths. 01.07.2009 - 30.09.2009
<b>Interest income</b>	<b>1,923</b>	<b>693</b>	<b>2,548</b>	<b>767</b>
From loans	1,904	688	2,331	704
From deposits	14	4	71	20
From debt securities	3	1	97	31
From derivatives	0	0	30	10
Other income	1	0	20	2
<b>Interest expense</b>	<b>805</b>	<b>247</b>	<b>1,130</b>	<b>331</b>
On demand deposits	15	4	72	18
On time deposits	664	201	1,026	307
On derivatives	4	1	32	5
From borrowings	122	41	1	1
<b>Net interest income</b>	<b>1,117</b>	<b>446</b>	<b>1,418</b>	<b>436</b>
<b>Fees and commissions income</b>	<b>273</b>	<b>89</b>	<b>195</b>	<b>97</b>
Account opening and maintenance fees	17	6	15	6
Bank transaction fees	161	61	132	59
Securities' transaction fees	90	21	40	27
Other fees and commissions income	5	1	8	6
<b>Fees and commissions expense</b>	<b>127</b>	<b>32</b>	<b>92</b>	<b>41</b>
Securities' transactions expenses	56	13	26	18
Bank transaction expenses	46	11	42	14
S.W.I.F.T. expenses	25	9	24	9
<b>Net fees and commissions expense</b>	<b>147</b>	<b>56</b>	<b>103</b>	<b>56</b>
<b>Net trading income/expense</b>	<b>193</b>	<b>78</b>	<b>157</b>	<b>70</b>
From foreign exchange	192	78	154	68
From shares and debt securities in trading portfolio	2	0	3	3
<b>Other operation income</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Other operation expenses</b>	<b>84</b>	<b>37</b>	<b>54</b>	<b>19</b>
Guarantee Fund payments	15	8	1	0
Financial Supervision Authority fees	41	14	41	14
Tallinn Stock Exchange fees	15	5	9	3
Other operating expenses	12	10	3	1
<b>Total income</b>	<b>1,378</b>	<b>548</b>	<b>1,623</b>	<b>544</b>
<b>Administrative expenses</b>	<b>1,777</b>	<b>577</b>	<b>1,658</b>	<b>543</b>
Personnel expense, payroll related taxes	1,139	375	1,086	369
Other administrative expense	637	202	572	174
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-73</b>	<b>-23</b>	<b>-121</b>	<b>-38</b>
<b>Impairment loss on assets (+/-)</b>	<b>-1,285</b>	<b>-484</b>	<b>-1,498</b>	<b>-490</b>
<b>Total operating expenses</b>	<b>3,136</b>	<b>1,085</b>	<b>3,277</b>	<b>1,071</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-1 758</b>	<b>-536</b>	<b>-1 654</b>	<b>-527</b>
Basic earnings/loss per share	-0.34 EUR		-0.33 EUR	
Diluted earnings/loss per share	-0.34 EUR		-0.33 EUR	

## Statement of Cash Flows

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009
<b>Cash flows from operating activities</b>	<b>-17,763</b>	<b>28,578</b>	<b>-1,135</b>	<b>1,826</b>
Interests received	30,083	29,216	1,923	1,867
Interests paid	-12,601	-10,544	-805	-674
Fees and commissions received	4,279	2,393	273	153
Fees and commissions paid	-1,986	-1,443	-127	-92
Administrative expenses	-27,800	-24,207	-1,777	-1,547
Trading income received	3,026	2,452	193	157
Other operating income	70	0	4	0
Other operating expenses	-1,310	-850	-84	-54
<b>Change in operating assets:</b>				
Deposits with credit institutions	35,253	-24,414	2,253	-1,560
Loans and claims to customers	22,299	47,813	1,425	3,056
Other assets	-1,579	10,055	-101	643
<b>Change in operating liabilities:</b>				
Deposits of credit institutions	-140,872	-23,721	-9,003	-1,516
Other deposits	63,698	37,356	4,071	2,387
Other liabilities	9,677	-15,528	618	-992
<b>Cash flows from financing activities</b>	<b>45,995</b>	<b>0</b>	<b>2,940</b>	<b>0</b>
Subordinated loan received	2,186	0	140	0
Borrowings repaid	-616	0	-39	0
Proceeds from issuance of ordinary shares	44,425	0	2,839	0
<b>Cash flows from investing activities</b>	<b>-37,454</b>	<b>-5,411</b>	<b>-2,394</b>	<b>-346</b>
Purchase of property and equipment	-68	-192	-4	-12
Purchase of intangible assets	-1,698	-137	-109	-9
Purchase of investment properties	-35,688	-5,082	-2,281	-325
<b>Total cash flows</b>	<b>-9,222</b>	<b>23,167</b>	<b>-589</b>	<b>1,481</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>76,840</b>	<b>67,765</b>	<b>4,911</b>	<b>4,331</b>
<b>Net change in cash and cash equivalents</b>	<b>-9,222</b>	<b>23,167</b>	<b>-589</b>	<b>1,481</b>
<b>Cash and cash equivalents at the end of the year</b>				
*	<b>67,618</b>	<b>90,932</b>	<b>4,322</b>	<b>5,812</b>

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

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Cash	1,772	1,541	113	98
Surplus of the reserve in the Bank of Estonia	15,752	-44,640	1,007	-2,853
Deposits with credit institutions	50,094	134,031	3,202	8,566
<b>Total</b>	<b>67,618</b>	<b>90,932</b>	<b>4,322</b>	<b>5,812</b>

## Statement of Changes in Equity

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009	01.01.2010 - 30.09.2010	01.01.2009 - 30.09.2009
<b>Share capital</b>				
Balance at the beginning of period	200,500	200,500	12,814	12,814
Reduction of share capital by cancellation of shares	-39,116	0	-2,500	0
Issue of share capital	44,425	0	2,839	0
<b>Balance at the end of period</b>	<b>205,809</b>	<b>200,500</b>	<b>13,154</b>	<b>12,814</b>
<b>Other reserves</b>				
Balance at the beginning of period	559	559	36	36
Change in fair value reserve	-248	-5,130	-16	-328
<b>Balance at the end of period</b>	<b>311</b>	<b>-4,571</b>	<b>20</b>	<b>-292</b>
<b>Accumulated deficit</b>				
Balance at the beginning of period	-98,111	-13,723	-6,270	-877
Coverage of deficit by cancellation of shares	39,116	0	2,500	0
Profit/loss for the financial year	-27,502	-25,887	-1,758	-1,654
<b>Balance at the end of period</b>	<b>-86,497</b>	<b>-39,610</b>	<b>-5,528</b>	<b>-2,532</b>
<b>Total shareholders' equity:</b>				
<b>at the beginning of period</b>	<b>156,319</b>	<b>188,685</b>	<b>9,991</b>	<b>12,059</b>
<b>at the end of period</b>	<b>119,623</b>	<b>156,319</b>	<b>7,645</b>	<b>9,991</b>

## Contingent Liabilities

	<b>30.09.2010</b>	
	EEK ths.	EUR ths.
	<b>Liabilities</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>2,806</b>	<b>179</b>
Guarantees and similar irrevocable transactions	275	18
Unused part of credit lines and overdraft limits	2,531	162

  

	<b>30.09.2009</b>	
	EEK ths.	EUR ths.
	<b>Liabilities</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>10,503</b>	<b>671</b>
Guarantees and similar irrevocable transactions	199	13
Unused part of credit lines and overdraft limits	10,304	659

## Currency Risk

<b>30.09.2010</b>					
EEK and EUR joint position	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Position, EEK ths.	665,082	519,919	195,137	226,674	113,625
Position, EUR ths.	42,506	33,229	12,472	14,487	7,262

  

<b>30.09.2009</b>					
EEK and EUR joint position	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Position, EEK ths.	721,757	590,305	193,109	178,578	145,982
Position, EUR ths.	46,129	37,727	12,342	11,413	9,330

The net position of other currencies does not exceed 1% of own funds.

## Risk Concentration

<b>30.09.2010</b>				
	no.	EEK ths.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	14			
Due from customers with high risk concentration		226,675	14,487	128.24%
Due from persons related with credit institution		7,859	502	4.45%

  

<b>30.09.2009</b>				
	no.	EEK ths.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	11			
Due from customers with high risk concentration		293,012	18,727	184.91%
Due from persons related with credit institution		7,666	490	4.84%

## Capital Adequacy

	EEK ths.	EUR ths.	EEK ths.	EUR ths.
	<b>30.09.10</b>	<b>30.09.09</b>	<b>30.09.10</b>	<b>30.09.09</b>
Share capital paid-in	205,809	200,500	13,154	12,814
Other reserves	559	559	36	36
Retained profit/loss of the previous years	-58,995	-13,723	-3,770	-877
Intangible assets	-2,034	-681	-130	-44
Net loss of the period	-27,502	-25,887	-1,758	-1,654
<b>Total tier 1 own funds</b>	<b>117,837</b>	<b>160,768</b>	<b>7,531</b>	<b>10,275</b>
Subordinated debt	62,586	0	4,000	0
Available-for-sale financial instruments	0	-2,309	0	-148
Tier 2 own funds, which exceed the limits	-3,668	0	-234	0
<b>Second level equity</b>	<b>117,837</b>	<b>-2,309</b>	<b>7,531</b>	<b>-148</b>
Minimum own funds	176,755	158,459	11,297	10,127
Tier 1 own funds after deductions	117,837	160,768	7,531	10,275
Tier 2 own funds after deductions	58,918	-2,309	3,766	-148
<b>Own funds for capital adequacy calculations</b>	<b>176,755</b>	<b>158,459</b>	<b>11,297</b>	<b>10,127</b>
Credit instit. and investment companies under standard method	1,303	4,823	83	308
Companies under standard method	14,402	12,831	920	820
Mass claims under standard method	16,543	20,600	1,057	1,317
Claims backed by mortgages under standard method	2,343	3,003	150	192
Overdue claims under standard method	13,775	15,495	880	990
Other assets under standard method	4,452	995	285	64
<b>Total capital requirement for credit risk and counterparty credit risk</b>	<b>52,816</b>	<b>57,747</b>	<b>3,376</b>	<b>3,691</b>
<b>Capital requirement for currency risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operational risk base method	6,484	5,797	414	370
<b>Total capital requirement for operational risk</b>	<b>6,484</b>	<b>5,797</b>	<b>414</b>	<b>370</b>
<b>Capital requirements for adequacy calculations</b>	<b>59,300</b>	<b>63,544</b>	<b>3,790</b>	<b>4,061</b>
<b>Capital adequacy</b>	<b>29.81%</b>	<b>24.94%</b>	<b>29.81%</b>	<b>24.94%</b>

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

Bank is publishing information on risk management, own funds and capital adequacy in the annual reports and interim reports on the web page of the Bank following the decree of the Governor of the Bank of Estonia. Capital adequacy requirement is applied to MARFIN PANK EESTI AS, consolidation group exists starting from the reports of 4th quarter 2010. Consolidation group definition applied in capital adequacy calculation does not differ from the consolidation group definition used in the compilation of the financial statements.

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

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