



## **MARFIN PANK EESTI AS**

(Marfin Bank Estonia Ltd.)

### **Public Interim Report III Quarter 2011**

*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	30.09.2011
Report period	01.01.2011 – 30.09.2011
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

Public Interim Report III Quarter 2011 of MARFIN PANK EESTI AS is unaudited. Only the credit institution data and figures are disclosed in the report.

	EUR ths.
Total assets	46,548
Net profit / loss	-1 527
Return on equity (ROE)	-107.99%
Asset utilisation (AU)	13.59%
Overdue claims and loans	11,039
Loan loss provisions	7,207
Net own funds	5,375
Capital adequacy	23.73%

“Public Interim Report III Quarter 2011” 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 28.11.2011.

## 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, 28.11.2011

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Riho Rasmann  
Chairman  
of the Management Board

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Sven Raba  
Member  
of the Management Board

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Mart Veskimägi  
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 10 countries with 470 branches. Group has 9000 employees. Year 2010 net profit of the Marfin Popular Bank group totalled 95.3 million euros and total assets 42.6 billion euros. Marfin Popular Bank has a B2/ Not Prime (under review for potential lowering) rating by Moody's Investors Service, and BBB-/ F3 (outlook: negative) rating by Fitch Ratings.

The extraordinary general meeting of shareholders decided on 11.04.2011 to convert the Bank's share capital to euros, decrease share capital to cover losses and to increase share capital by 1.6 million euros.

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

70.5427% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cyprus);

19.6531% 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;

2.9630% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;

1.5116% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and

1.4965% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

The Supervisory Board of the Bank had six members in the reporting period. Mr. Fotios Karatzenis (Chairman of the Supervisory Board), Mr. Efthymios Bouloutas, Mr. Achillefs Giannisis, Mr. Frank Ulrich John, Mr. Emmanouil Karavelakis and Mr. Christos Stylianides remained the members of the Supervisory Board as of report preparation date.

The Management Board of the Bank had three members in the of reporting period. Mr. Riho Rasmann is the Chairman of the Management Board, and the members of the Management Board are Mr. Sven Raba and Mr. Mart Veskimägi. The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of the Bank.

The Bank has one subsidiary in real estate sector - Osito Casa OÜ. The activities of the company were moved under the Bank in September 2011, and there is a plan to liquidate the daughter company. Following the decision of the Management Board of Financial

Supervisory Authority dd. 16.03.2011, daughter company Osito Casa OÜ has not been included in the consolidation group. The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owns 16% of business development company European Business Development AS.

## **Major Economic Events**

The growth of the Bank, in terms of customer numbers and deposit volumes, is worth pointing out when comparing the results of 30.09.2011 with the results year earlier. Number of customers of the Bank increased 17% within a year, the number of active depositors increased 11%. Client (excluding credit institutions) deposit volumes grew 15%. Volumes of transactions increased significantly. The Bank is offering free of charge normal euro payments to private customers in its internet bank, and many other fees and commissions are more favourable as well.

Client deposits with the Bank totalled 36.2 million euros as of 30.09.2011 (31.4 million euros as of 30.09.2010). Bank continues to pay higher interest rates on time deposits, than the market average.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 32.4 million euros, decreasing 13.9% within a year and forming 69.7% of total assets as of 30.09.2011 (30.09.2010: 85.2%). Gross loan portfolio amounted 37.4 million euros as of 30.09.2010. For the last three quarters, the Bank had significantly more deposits than loans – deposits to loans ratio stood at 1.12 as of 30.09.2011 (30.09.2010: 0.83). Total assets of the Bank have increased 5.2% within a year, reaching 46.5 million euros as of 30.09.2011 (as of 30.09.2010 the balance sheet total was 44.2 million euros).

Conservative loan loss provisions and decreased interest income caused the continuing net loss for the Bank in 9 months of year 2011, but the trend of provisions is clearly down year-to-year. Net loss of III quarter 2011 comprised 309 thousand euros (net loss of III quarter 2010 was 536 thousand euros).

Net interest income of the III quarter was 291 thousand euros (2010: 446 thousand euros), earned mostly on loans. Net fees and commissions income totalled 7 thousand euros (2010: 56 thousand euros). 17 thousand euros was earned as dealing profits from FX and securities' transactions (2010: 78 thousand euros). Total operating income from banking activities comprised 278 thousand euros in III quarter 2011 compared with 548 thousand euros year earlier. Administrative expenses of third quarters 2011 and 2010 were respectively 489 and 577 thousand euros.

Bank's equity totalled 5.5 million euros as of 30 September 2011 and the regulatory capital adequacy stood at 23.73% (30.09.2010: 7.6 million euros, capital adequacy 29.81%).

Bank branch offices are located in the centers of Tallinn and Tartu. Bank's internet bank is available in Estonian, English and Russian languages. Rent of safe-deposit boxes is offered in the Tallinn main branch is offered as a new service from 30 May 2011.

## **Ratings**

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

## Ratios

		01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
Return on equity	ROE	-107.99%	-88.44%
Equity multiplier	EM	8.58	5.57
Profit margin	PM	-92.56%	-73.56%
Asset utilisation	AU	13.59%	21.58%
Return on assets	ROA	-12.58%	-15.88%
Net interest margin	NIM	8.42%	9.55%
Basic earnings per share	Basic EPS	-8.66	-5.35
Diluted earnings per share	Diluted EPS	-8.66	-5.35
Spread	SPREAD	10.02%	7.26%
Yield on interest-earning assets	YIEA	17.82%	16.38%
Cost of interest-bearing liabilities	COL	7.80%	9.12%

### Explanations to ratios

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

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

## Legal Disputes

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

The total of three court actions have been filed against the Bank. There are no cases pending in courts or arbitration bodies that might cause significant proprietary damage to the Bank.

## **FINANCIAL STATEMENTS**

## Statement of Financial Position

	EUR ths.	EUR ths.
	<b>30.09.2011</b>	<b>31.12.2010</b>
<b>ASSETS</b>		
<b>Cash</b>	<b>169</b>	<b>183</b>
<b>Loans and advances</b>	<b>41,383</b>	<b>52,703</b>
Balances with central bank	4,917	16,943
Due from other banks	9,926	6,202
Due from customers	26,540	29,557
o/w allowance (-)	-7,207	-8,194
o/w interest	1,121	1,352
<b>Financial assets held for trading</b>	<b>14</b>	<b>10</b>
<b>Available-for-sale financial assets</b>	<b>257</b>	<b>317</b>
<b>Property and equipment</b>	<b>176</b>	<b>236</b>
<b>Investment properties</b>	<b>4,329</b>	<b>2,571</b>
<b>Intangible assets</b>	<b>111</b>	<b>124</b>
<b>Other assets</b>	<b>109</b>	<b>131</b>
<b>TOTAL ASSETS</b>	<b>46,548</b>	<b>56,275</b>
<b>LIABILITIES</b>		
<b>Financial liabilities held for trading</b>	<b>5</b>	<b>43</b>
<b>Financial liabilities measured at amortised cost</b>	<b>36,219</b>	<b>46,102</b>
Due to credit institutions	1	0
Due to customers	36,218	46,102
Financial institutions	0	2
Companies	16,326	28,905
Non-profit organisations	511	2,404
Private persons	18,997	14,533
incl. interest payable	384	258
<b>Subordinated debt</b>	<b>4,080</b>	<b>4,030</b>
<b>Borrowed funds from government and foreign aid</b>	<b>252</b>	<b>272</b>
<b>Tax liabilities</b>	<b>43</b>	<b>56</b>
<b>Other liabilities</b>	<b>464</b>	<b>299</b>
<b>TOTAL LIABILITIES</b>	<b>41,063</b>	<b>50,802</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	7,049	9,384
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	-72	-12
Accumulated deficit	-2	0
Profit / loss for the financial year	-1,527	-3,934
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,485</b>	<b>5,472</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>46,548</b>	<b>56,275</b>



## Income Statement

	EUR ths. 01.01.2011- 30.09.2011	EUR ths. 01.07.2011- 30.09.2011	EUR ths. 01.01.2010 - 30.09.2010	EUR ths. 01.07.2010 - 30.09.2010
<b>Interest income</b>	<b>1,557</b>	<b>557</b>	<b>1,923</b>	<b>693</b>
From loans	1,425	505	1,904	688
From deposits	129	51	14	4
From debt securities	3	1	3	1
Other income	0	0	1	0
<b>Interest expense</b>	<b>828</b>	<b>266</b>	<b>805</b>	<b>247</b>
On demand deposits	10	2	15	4
On time deposits	673	213	664	201
On derivatives	6	2	4	1
From borrowings	139	49	122	41
<b>Net interest income</b>	<b>729</b>	<b>291</b>	<b>1,117</b>	<b>446</b>
<b>Fees and commissions income</b>	<b>50</b>	<b>19</b>	<b>273</b>	<b>89</b>
Account opening and maintenance fees	13	5	17	6
Bank transaction fees	29	11	161	61
Securities' transaction fees	6	3	90	21
Other fees and commissions income	2	0	5	1
<b>Fees and commissions expense</b>	<b>33</b>	<b>12</b>	<b>127</b>	<b>32</b>
Securities' transactions expenses	4	2	56	13
Bank transaction expenses	11	3	46	11
S.W.I.F.T. expenses	18	7	25	9
<b>Net fees and commissions expense</b>	<b>17</b>	<b>7</b>	<b>147</b>	<b>56</b>
<b>Net trading income/expense</b>	<b>42</b>	<b>17</b>	<b>193</b>	<b>78</b>
From foreign exchange	42	17	192	78
From shares and debt securities in trading portfolio	0	0	2	0
<b>Other operation income</b>	<b>67</b>	<b>22</b>	<b>4</b>	<b>4</b>
<b>Other operation expenses</b>	<b>150</b>	<b>59</b>	<b>84</b>	<b>37</b>
Guarantee Fund payments	52	20	15	8
Financial Supervision Authority fees	41	14	41	14
Tallinn Stock Exchange fees	16	5	15	5
Other operating expenses	41	20	12	10
<b>Total income</b>	<b>705</b>	<b>278</b>	<b>1,378</b>	<b>548</b>
<b>Administrative expenses</b>	<b>1,660</b>	<b>489</b>	<b>1,777</b>	<b>577</b>
Personnel expense, payroll related taxes	991	293	1,139	375
Other administrative expense	669	196	637	202
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-86</b>	<b>-27</b>	<b>-73</b>	<b>-23</b>
<b>Impairment loss on assets (+/-)</b>	<b>-486</b>	<b>-71</b>	<b>-1,285</b>	<b>-484</b>
<b>Total operating expenses</b>	<b>2,232</b>	<b>587</b>	<b>3,136</b>	<b>1,085</b>
<b>Profit before taxation</b>	<b>-1,527</b>	<b>-309</b>	<b>-1,758</b>	<b>-536</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-1,527</b>	<b>-309</b>	<b>-1,758</b>	<b>-536</b>
Basic earnings/loss per share	-8.66 EUR		-0.34 EUR	
Diluted earnings/loss per share	-8.66 EUR		-0.34 EUR	

## Statement of Cash Flows

	EUR ths.	EUR ths.
	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
<b>Cash flows from operating activities</b>	<b>-11,038</b>	<b>-1,135</b>
Interests received	1,557	1,923
Interests paid	-828	-805
Fees and commissions received	50	273
Fees and commissions paid	-33	-127
Administrative expenses	-1,660	-1,777
Trading income received	42	193
Other operating income	67	4
Other operating expenses	-150	-84
<b>Change in operating assets and liabilities:</b>		
Change in due from other banks	-8,454	2,253
Change in due from customers of credit institution	3,017	1,425
Change in due to credit institutions	1	-9,003
Change in due to customers	-9,884	4,071
Change in assets and liabilities connected with other operating activities	5,237	519
<b>Cash flows from investing activities</b>	<b>-1,789</b>	<b>-2,394</b>
Purchase of property and equipment	-31	-4
Purchase of intangible assets	0	-109
Purchase of investment properties	-2,068	-2,281
Sale of investment properties	310	0
<b>Cash flows from financing activities</b>	<b>-2,405</b>	<b>2,940</b>
Increase of share capital	1,600	2,839
Decrease of share capital	-3,935	0
Subordinated debt received	0	140
Change in interest of subordinated debt	50	0
Other borrowings received	0	0
Borrowings repaid	-120	-39
<b>Total cash flows</b>	<b>-15,232</b>	<b>-589</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>17,299</b>	<b>4,911</b>
<b>Net change in cash and cash equivalents</b>	<b>-15,232</b>	<b>-589</b>
<b>Cash and cash equivalents at the end of the year *</b>	<b>2,067</b>	<b>4,322</b>

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

	EUR ths.	EUR ths.
	30.09.2011	30.09.2010
Cash	169	113
Surplus of the reserve in the Bank of Estonia *	-62	1,007
Deposits with credit institutions *	1,960	3,202
<b>Total</b>	<b>2,067</b>	<b>4,322</b>

\* except time loans

## Statement of Changes in Equity

	EUR ths.	EUR ths.
	01.01.2011 - 30.09.2011	01.01.2010 - 30.09.2010
<b>Share capital</b>		
Balance at the beginning of period	9,384	12,814
Share capital reduction to cover losses	-3,935	-2,500
Share capital increase	1,600	2,839
<b>Balance at the end of period</b>	<b>7,049</b>	<b>13,154</b>
<b>Other reserves</b>		
Balance at the beginning of period	36	36
Change in fair value reserve	-72	-16
<b>Balance at the end of period</b>	<b>-36</b>	<b>20</b>
<b>Accumulated deficit</b>		
Balance at the beginning of period	-3,935	-6,270
Share capital reduction to cover losses	3,935	2,500
Profit/loss for the financial year	-1,527	-1,758
<b>Balance at the end of period</b>	<b>-1,527</b>	<b>-5,528</b>
<b>Total shareholders' equity:</b>		
<b>at the beginning of period</b>	<b>5,472</b>	<b>9,991</b>
<b>at the end of period</b>	<b>5,485</b>	<b>7,645</b>

## Contingent Claims and Liabilities

	<b>30.09.2011</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>593</b>	<b>294</b>
Unused part of credit lines and overdraft limits	593	294
Hybrid swaps *	539	539
Currency forward transactions	4,976	4,963
	<b>30.09.2010</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>0</b>	<b>180</b>
Guarantees and similar irrevocable transactions	0	18
Unused part of credit lines and overdraft limits	0	162
Hybrid swaps *	539	539
Currency forward transactions	16,878	17,072

\* Notional amount of swap transaction covering investment deposit AquaTerra, is disclosed as off-balance sheet commitment. Interest expense is accrued on it using 6 months Euribor rate.

## Currency Risk

	<b>30.09.2011</b>				
EUR and EEK joint position	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Position, EUR ths.	42,669	36,280	2,575	4,059	4,905
	<b>30.09.2010</b>				
EUR and EEK joint position	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Position, EUR ths.	42,506	33,229	12,472	14,487	7,262

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

## Risk Concentration

	30.09.2011		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	16		
Due from customers with high risk concentration		12,096	148.04%
Due from persons related with credit institution		149	1.82%

	30.09.2010		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	14		
Due from customers with high risk concentration		14,487	128.24%
Due from persons related with credit institution		502	4.45%

## Capital Adequacy

	EUR ths.	EUR ths.
	30.09.2011	30.09.2010
Share capital paid-in	7,049	13,154
Other reserves	36	36
Accumulated deficit of the previous years	-3	-3,770
Intangible assets	-111	-130
Net loss of the period	-1,527	-1,758
<b>Total tier 1 own funds</b>	<b>5,444</b>	<b>7,531</b>
Subordinated debt	4,000	4,000
Tier 2 own funds, which exceed the limits	-1,276	-234
<b>Second level equity</b>	<b>2,874</b>	<b>7,531</b>
Minimum own funds	8,171	11,297
Tier 1 own funds after deductions	5,447	7,531
Tier 2 own funds after deductions	2,724	3,766
<b>Own funds for capital adequacy calculations</b>	<b>8,171</b>	<b>11,297</b>
Credit institutions and investment companies under standard method	210	83
Companies under standard method	15	920
Mass claims under standard method	1,229	1,057
Claims backed by mortgages under standard method	191	150
Overdue claims under standard method	948	880
Other assets under standard method	462	285
<b>Total capital requirement for credit risk and counterparty credit risk</b>	<b>3,054</b>	<b>3,376</b>
Operational risk base method	389	414
<b>Total capital requirement for operational risk</b>	<b>389</b>	<b>414</b>
<b>Capital requirements for adequacy calculations</b>	<b>3,443</b>	<b>3,790</b>
<b>Capital adequacy</b>	<b>23.73%</b>	<b>29.81%</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. Following the decision of the Management Board of Financial Supervisory Authority dd. 16.03.2011, daughter company Osito Casa OÜ has not been included in the consolidation group. Consolidation group definition applied in capital adequacy calculation does not differ from the consolidation group definition used in the compilation of the financial statements.

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

Bank applies standard method for calculating capital requirement for credit risk and base method for calculating capital requirement for operational risk following the capital adequacy calculation directive Basel II. Estonian Financial 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.