



## **MARFIN PANK EESTI AS**

(Marfin Bank Estonia Ltd.)

### **Public Interim Report IV 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	SMBBEE22
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	31.12.2010
Report period	01.01.2010 – 31.12.2010
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 IV 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	880,507	56,275
Net profit / loss	-61,559	-3,934
Return on equity (ROE)	-57.32%	-57.32%
Asset utilisation (AU)	6.44%	6.44%
Overdue claims and loans	171,293	10,948
Loan loss provisions	128,207	8,194
Net own funds	83,683	5,348
Capital adequacy	22.33%	22.33%

“Public Interim Report IV 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 16.03.2011.

## **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, 16.03.2011

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 10 countries with 467 branches. Group has 9000 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). Shareholders' decision dd. 23.12.2010 decreased the share capital to 146,821,440 kroons via share cancellation to cover retained losses. Share capital increase is planned to take place in March 2011.

The Supervisory Board of the Bank had seven members in beginning of year 2010. 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 date. Mr. Nikolaos Sarros resigned from the position of Member of the Supervisory Board in December 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.

The Bank has one new subsidiary in real estate sector - Osito Casa OÜ. The activities of the company are to be moved under the Bank in year 2011, followed by the liquidation of 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**

11th year of operations has been a year of fast growth for the Bank, primarily in terms of customer numbers and deposit volumes. Number of customers of the Bank increased 23% during the year, the number of active depositors increased 27%. Deposit growth rate was much higher than the market average, being 1.7 times in client (excluding credit institutions) deposits. Volumes of transactions grew even more. The Bank is offering free of charge normal euro payments to its customers in its internet bank, and many other fees and commissions are more favourable as well.

Client deposits with the Bank totalled 721.3 million kroons i.e. 46.1 million euros as of 31.12.2010 (425.7 million kroons i.e. 27.2 million euros as of 31.12.2009). 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 564.6 million kroons (36.1 million euros), decreasing 8.6% from beginning of year (so a little more than the market average – 6.3%) and forming 64.1% of total assets as at the end of financial year (31.12.2009: 83.6%). Gross loan portfolio amounted 617.6 million kroons i.e. 39.5 million euros as of 31.12.2009. For the first time, the Bank had significantly more deposits than loans at year-end 2010 – deposits ratio to loans stood at 1.28 (0.69 at year-end 2009). Total assets of the Bank have increased 19.1% from beginning of the year, reaching 880.5 million kroons i.e. 56.3 million euros as of 31.12.2010 (as of 31.12.2009 the balance sheet total was 739.0 million kroons i.e. 47.2 million euros).

Conservative loan and other loss provisions caused the net loss of the Bank in year 2010, but the trend of provisions is clearly down. Write-offs of hopeless claims totalled 21.6 million kroons i.e. 1.4 million euros (2009: 1.2 million kroons i.e. 0.1 million euros). Selective reposessions of collateral real estate from auctions to bank books was also intensified. Net loss of 2010 comprised 61.6 million kroons i.e. 3.9 million euros (net loss of 2009 was 84.4 million kroons i.e. 5.4 million euros).

Net interest income of the reporting period was 25.7 million kroons i.e. 1.6 million euros (2009: 34.8 million kroons i.e. 2.2 million euros), earned mostly on loans. Net fees and commissions income totalled 2.9 million kroons i.e. 0.1 million euros (2009: 2.3 million kroons i.e. 0.1 million euros). 4.1 million kroons i.e. 0.2 million euros was earned as dealing profits from FX and securities' transactions (2009: 3.4 million kroons i.e. 0.2 million euros). Total operating income from banking activities comprised 31.0 million kroons i.e. 1.9 million euros in year 2010 compared with 39.4 million kroons i.e. 2.5 million euros year earlier. Administrative expenses of 2010 and 2009 were correspondingly 37.6 million kroons (2.4 million euros) and 35.9 million kroons (2.2 million euros).

Bank's equity totalled 85.6 million kroons i.e. 5.5 million euros as of 31 December 2010 and the regulatory capital adequacy stood at 22.33% (31.12.2009: 102.6 million kroons i.e. 6.6 million euros, capital adequacy 24.81%). Bank is planning to convert its share capital to euros and increase the share capital via monetary payment in March 2011.

No new branch offices were opened, nor existing offices closed in year 2010. The branch office of the Tallinn head-quarter was relocated to bigger premises in the same building in autumn. Bank branch offices are located in the center of Tallinn and Tartu. Branch offices in Pärnu and Jõhvi were closed from beginning of March 2011, due to less demand for services rendered in bank branch. Bank's internet bank is available in Estonian, English and Russian

languages. The service of safe-deposit boxes is planned to start in the Tallinn main branch in year 2011.

## Ratings

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

## Ratios

		01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Return on equity	ROE	-57.32%	-61.60%
Equity multiplier	EM	7.49	5.69
Profit margin	PM	-118.88%	-128.53%
Asset utilisation	AU	6.44%	8.43%
Return on assets	ROA	-7.65%	-10.83%
Net interest margin	NIM	4.40%	3.13%
Basic earnings per share	Basic EPS	-4.19	-4.21
Diluted earnings per share	Diluted EPS	-4.19	-4.21
Spread	SPREAD	4.78%	1.58%
Yield on interest-earning assets	YIEA	7.22%	5.15%
Cost of interest-bearing liabilities	COL	2.44%	3.57%

## 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.
	31.12.10	31.12.09	31.12.10	31.12.09
<b>ASSETS</b>				
<b>Cash</b>	<b>2,871</b>	<b>2,076</b>	<b>183</b>	<b>133</b>
<b>Loans and advances</b>	<b>824,617</b>	<b>723,763</b>	<b>52,703</b>	<b>46,257</b>
Balances with central bank	265,106	107,592	16,943	6,876
Due from other banks	97,042	61,057	6,202	3,902
Due from customers	462,469	555,113	29,557	35,478
<b>Financial assets held for trading</b>	<b>164</b>	<b>245</b>	<b>10</b>	<b>16</b>
<b>Available-for-sale financial assets</b>	<b>4,954</b>	<b>2,972</b>	<b>317</b>	<b>190</b>
<b>Property and equipment</b>	<b>3,694</b>	<b>2,853</b>	<b>236</b>	<b>182</b>
<b>Investment properties</b>	<b>40,222</b>	<b>4,382</b>	<b>2,571</b>	<b>280</b>
<b>Intangible assets</b>	<b>1,942</b>	<b>621</b>	<b>124</b>	<b>40</b>
<b>Other assets</b>	<b>2,043</b>	<b>2,118</b>	<b>131</b>	<b>135</b>
<b>TOTAL ASSETS</b>	<b>880,507</b>	<b>739,030</b>	<b>56,275</b>	<b>47,233</b>
<b>LIABILITIES</b>				
<b>Financial liabilities held for trading</b>	<b>678</b>	<b>112</b>	<b>43</b>	<b>7</b>
<b>Financial liabilities measured at amortised cost</b>	<b>788,646</b>	<b>630,956</b>	<b>50,404</b>	<b>40,325</b>
Due to credit institutions	0	141,043	0	9,014
Due to customers	721,342	425,737	46,102	27,210
Subordinated debt	63,054	63,018	4,030	4,028
Borrowed funds from government and foreign aid	4,250	1,158	272	74
<b>Tax liabilities</b>	<b>872</b>	<b>825</b>	<b>56</b>	<b>53</b>
<b>Other liabilities</b>	<b>4,686</b>	<b>4,527</b>	<b>299</b>	<b>289</b>
<b>TOTAL LIABILITIES</b>	<b>794,882</b>	<b>636,420</b>	<b>50,802</b>	<b>40,675</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	146,821	200,500	9,384	12,814
Statutory legal reserve	559	559	36	36
Fair value reserve of available-for-sale financial assets	-189	-338	-12	-22
Accumulated deficit	-61,566	-98,111	-3,935	-6,270
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>85,625</b>	<b>102,610</b>	<b>5,472</b>	<b>6,558</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>880,507</b>	<b>739,030</b>	<b>56,275</b>	<b>47,233</b>

## Income Statement

	EEK ths. 01.01.2010 - 31.12.2010	EEK ths. 01.10.2010 - 31.12.2010	EEK ths. 01.01.2009 - 31.12.2009	EEK ths. 01.10.2009 - 31.12.2009
<b>Interest income</b>	<b>42,385</b>	<b>12,302</b>	<b>39,868</b>	<b>12,005</b>
From loans	41,819	12,026	36,465	11,023
From deposits	477	255	1,115	310
From debt securities	69	18	1,512	489
From derivatives	0	0	463	156
Other income	20	3	313	27
<b>Interest expense</b>	<b>16,643</b>	<b>4,042</b>	<b>17,687</b>	<b>5,184</b>
On demand deposits	307	76	1,127	278
On time deposits	13,652	3,258	16,046	4,800
On derivatives	88	25	494	86
From borrowings	2,596	683	20	20
<b>Net interest income</b>	<b>25,742</b>	<b>8,260</b>	<b>22,181</b>	<b>6,821</b>
<b>Fees and commissions income</b>	<b>5,276</b>	<b>997</b>	<b>3,051</b>	<b>1,522</b>
Account opening and maintenance fees	391	118	231	87
Bank transaction fees	3,241	725	2,071	918
Securities' transaction fees	1,540	130	619	428
Other fees and commissions income	104	24	130	89
<b>Fees and commissions expense</b>	<b>2,401</b>	<b>415</b>	<b>1,443</b>	<b>640</b>
Securities' transactions expenses	956	78	411	288
Bank transaction expenses	923	204	653	218
S.W.I.F.T. expenses	522	133	379	134
<b>Net fees and commissions expense</b>	<b>2,875</b>	<b>582</b>	<b>1,608</b>	<b>882</b>
<b>Net trading income/expense</b>	<b>4,123</b>	<b>1,097</b>	<b>2,452</b>	<b>1,102</b>
From foreign exchange	4,086	1,089	2,404	1,061
From shares and debt securities in trading portfolio	37	8	48	41
<b>Other operation income</b>	<b>196</b>	<b>177</b>	<b>0</b>	<b>0</b>
<b>Other operation expenses</b>	<b>1,906</b>	<b>596</b>	<b>850</b>	<b>292</b>
Guarantee Fund payments	363	124	11	3
Financial Supervision Authority fees	859	215	649	222
Tallinn Stock Exchange fees	319	85	140	47
Other operating expenses	365	172	50	20
<b>Total income</b>	<b>31,030</b>	<b>9,469</b>	<b>25,391</b>	<b>8,513</b>
<b>Administrative expenses</b>	<b>37,626</b>	<b>9,826</b>	<b>25,948</b>	<b>8,503</b>
Personnel expense, payroll related taxes	24,030	6,202	17,000	5,781
Other administrative expense	13,596	3,624	8,948	2,722
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-1,592</b>	<b>-442</b>	<b>-1 892</b>	<b>-601</b>
<b>Impairment loss on assets (+/-)</b>	<b>-53,371</b>	<b>-33,258</b>	<b>-23,438</b>	<b>-7,660</b>
<b>Total operating expenses</b>	<b>92,589</b>	<b>43,526</b>	<b>51,278</b>	<b>16,764</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-61,559</b>	<b>-34,057</b>	<b>-25,887</b>	<b>-8,251</b>
Basic earnings/loss per share	-4.19 EEK		-4.21 EUR	
Diluted earnings/loss per share	-4.19 EEK		-4.21 EUR	

## Income Statement

	EUR ths.	EUR ths.	EUR ths.	EUR ths.
	01.01.2010 - 31.12.2010	01.10.2010 - 31.12.2010	01.01.2009 - 31.12.2009	01.10.2009 - 31.12.2009
<b>Interest income</b>	<b>2,709</b>	<b>786</b>	<b>2,548</b>	<b>767</b>
From loans	2,673	769	2,331	704
From deposits	30	16	71	20
From debt securities	4	1	97	31
From derivatives	0	0	30	10
Other income	1	0	20	2
<b>Interest expense</b>	<b>1,064</b>	<b>258</b>	<b>1,130</b>	<b>331</b>
On demand deposits	20	5	72	18
On time deposits	873	208	1,026	307
On derivatives	6	2	32	5
From borrowings	166	44	1	1
<b>Net interest income</b>	<b>1,645</b>	<b>528</b>	<b>1,418</b>	<b>436</b>
<b>Fees and commissions income</b>	<b>337</b>	<b>64</b>	<b>195</b>	<b>97</b>
Account opening and maintenance fees	25	8	15	6
Bank transaction fees	207	46	132	59
Securities' transaction fees	98	8	40	27
Other fees and commissions income	7	2	8	6
<b>Fees and commissions expense</b>	<b>153</b>	<b>27</b>	<b>92</b>	<b>41</b>
Securities' transactions expenses	61	5	26	18
Bank transaction expenses	59	13	42	14
S.W.I.F.T. expenses	33	9	24	9
<b>Net fees and commissions expense</b>	<b>184</b>	<b>37</b>	<b>103</b>	<b>56</b>
<b>Net trading income/expense</b>	<b>264</b>	<b>70</b>	<b>157</b>	<b>70</b>
From foreign exchange	261	70	154	68
From shares and debt securities in trading portfolio	2	1	3	3
<b>Other operation income</b>	<b>13</b>	<b>11</b>	<b>0</b>	<b>0</b>
<b>Other operation expenses</b>	<b>122</b>	<b>38</b>	<b>54</b>	<b>19</b>
Guarantee Fund payments	23	8	1	0
Financial Supervision Authority fees	55	14	41	14
Tallinn Stock Exchange fees	20	5	9	3
Other operating expenses	23	11	3	1
<b>Total income</b>	<b>1,983</b>	<b>605</b>	<b>1,623</b>	<b>544</b>
<b>Administrative expenses</b>	<b>2,405</b>	<b>628</b>	<b>1,658</b>	<b>543</b>
Personnel expense, payroll related taxes	1,536	396	1,086	369
Other administrative expense	869	232	572	174
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-102</b>	<b>-28</b>	<b>-121</b>	<b>-38</b>
<b>Impairment loss on assets (+/-)</b>	<b>-3,411</b>	<b>-2,126</b>	<b>-1,498</b>	<b>-490</b>
<b>Total operating expenses</b>	<b>5,918</b>	<b>2,782</b>	<b>3,277</b>	<b>1,071</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-3,934</b>	<b>-2,177</b>	<b>-1,654</b>	<b>-527</b>
Basic earnings/loss per share	-0.27 EUR		-0.27 EUR	
Diluted earnings/loss per share	-0.27 EUR		-0.27 EUR	

## Statement of Cash Flows

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>	<b>194,662</b>	<b>-49,371</b>	<b>12,441</b>	<b>-3 155</b>
Interests received	23,502	44,185	1,502	2 824
Interests paid	-16,664	-22,694	-1,065	-1 450
Fees and commissions received	5,167	4,132	330	264
Fees and commissions paid	-2,401	-2,105	-153	-135
Administrative expenses	-35,527	-35,534	-2,271	-2 271
Trading income received	4,123	3,480	264	222
Other operating income	196	0	13	0
Other operating expenses	-1,906	-1,131	-122	-72
<b>Change in assets and liabilities connected with operating activities:</b>				
Changes of claims – credit institutions	-437	397	-28	25
Changes of claims – customers of credit institution	797	33,879	51	2 165
Change in deposits of credit institution	-141,043	-125,185	-9,014	-8 001
Change in deposits of customers	295,564	68,522	18,890	4 379
Change in other assets and liabilities connected with operating activities	63,291	69,883	4,045	4 466
<b>Cash flows from investing activities</b>	<b>-48,380</b>	<b>-5,461</b>	<b>-3,092</b>	<b>-349</b>
Purchase of property and equipment	-1,182	-192	-76	-12
Purchase of intangible assets	-1,698	-212	-109	-14
Purchase of investment properties	-45,500	-5,057	-2,908	-323
<b>Cash flows from financing activities</b>	<b>47,554</b>	<b>63,744</b>	<b>3,039</b>	<b>4 074</b>
Increase of share capital	44,426	0	2,839	0
Subordinated loan received	0	62,586	0	4 000
Change in interest of subordinated borrowing	36	0	2	0
Other borrowings received	4,485	2,100	287	134
Borrowings repaid	-1,393	-942	-89	-60
<b>Total cash flows</b>	<b>193,836</b>	<b>8,912</b>	<b>12,388</b>	<b>570</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>76,840</b>	<b>67,928</b>	<b>4,911</b>	<b>4,341</b>
<b>Net change in cash and cash equivalents</b>	<b>193,836</b>	<b>8,912</b>	<b>12,388</b>	<b>570</b>
<b>Cash and cash equivalents at the end of the year *</b>	<b>270,676</b>	<b>76,840</b>	<b>17,299</b>	<b>4,911</b>

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

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2010	2009	2010	2009
Cash	2,871	2,076	183	133
Surplus of the reserve in the Bank of Estonia	222,796	13,706	14,239	876
Deposits with credit institutions	45,009	61,057	2,877	3,902
<b>Total</b>	<b>270,676</b>	<b>76,840</b>	<b>17,299</b>	<b>4,911</b>

## Statement of Changes in Equity

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2010	2009	2010	2009
<b>Share capital</b>				
Balance at the beginning of period	200,500	200,500	12,814	12,814
Share capital reduction to cover losses	-98,104	0	-6,270	0
Share capital increase	44,425	0	2,839	0
<b>Balance at the end of period</b>	<b>146,821</b>	<b>200,500</b>	<b>9,384</b>	<b>12,814</b>
<b>Other reserves</b>				
Balance at the beginning of period	559	559	36	36
<b>Balance at the end of period</b>	<b>559</b>	<b>559</b>	<b>36</b>	<b>36</b>
<b>Fair value reserve of available-for-sale financial assets</b>				
Balance at the beginning of period	-338	-3,557	-22	-227
Comprehensive loss for the period	149	3,219	10	206
<b>Balance at the end of period</b>	<b>-189</b>	<b>-338</b>	<b>-12</b>	<b>-22</b>
<b>Accumulated deficit</b>				
Balance at the beginning of period	-98,111	-13,723	-6,270	-877
Share capital reduction to cover losses	98,104	0	6,270	0
Comprehensive loss for the period	-61,559	-84,388	-3,934	-5,393
<b>Balance at the end of period</b>	<b>-61,566</b>	<b>-98,111</b>	<b>-3,935</b>	<b>-6,270</b>
<b>Total shareholders' equity:</b>				
<b>at the beginning of period</b>	<b>102,610</b>	<b>183,779</b>	<b>6,558</b>	<b>11,746</b>
<b>at the end of period</b>	<b>85,625</b>	<b>102,610</b>	<b>5,472</b>	<b>6,558</b>

## Contingent Claims and Liabilities

	<b>31.12.2010</b>			
	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>223,937</b>	<b>231,232</b>	<b>14,312</b>	<b>14,778</b>
Guarantees and similar irrevocable transactions	0	153	0	10
Unused part of credit lines and overdraft limits	0	1,690	0	108
Hybrid swaps *	0	8,428	539	539
FX forward and swap deals	0	216,016	0	13,806
Commitments arising from front-loading agreement	0	4,945	0	316

	<b>31.12.2009</b>			
	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>118,067</b>	<b>120,077</b>	<b>7,546</b>	<b>7,674</b>
Guarantees and similar irrevocable transactions	0	275	0	18
Unused part of credit lines and overdraft limits	0	1,735	0	111
Hybrid swaps *	0	8,428	539	539
FX forward and swap deals	0	109,639	0	7,007
Commitments arising from front-loading agreement	0	0	0	0

\* Notional amount of investment deposit AquaTerra, bearing interest rate of 6 month Euribor, causing interest expense, has been disclosed as off-balance sheet liability.

\*\* Off-balance sheet liabilities to the Bank of Estonia, arising from the front-loading agreement of euros, as of 31.12.2010.

## Currency Risk

	<b>31.12.2010</b>				
	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
EEK and EUR joint position, EEK ths.	795,199	627,220	75,057	164,772	78,264
EEK and EUR joint position, EUR ths.	50,822	40,087	4,797	10,531	5,002
USD position, EEK ths.	29,476	111,907	148,878	66,470	-23
USD position, EUR ths.	1,884	7,152	9,515	4,248	-1
RUB position, EEK ths.	28,058	28,035	0	0	23
RUB position, EUR ths.	1,793	1,792	0	0	1

	<b>31.12.2009</b>				
	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
EEK and EUR joint position, EEK ths.	704,845	586,332	55,139	73,283	100,369
EEK and EUR joint position, EUR ths.	45,048	37,473	3,524	4,684	6,415
USD position, EEK ths.	19,699	35,866	62,932	46,808	-43
USD position, EUR ths.	1,259	2,292	4,022	2,992	-3
RUB position, EEK ths.	4,996	4,993	0	0	3
RUB position, EUR ths.	319	319	0	0	0

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

## Risk Concentration

				<b>31.12.2010</b>
	<b>no.</b>	<b>EEK ths.</b>	<b>EUR ths.</b>	<b>% of net own funds</b>
Number of customers (client groups) with high risk concentration *	18			
Due from customers with high risk concentration		282,978	18,086	224.93%
Due from persons related with credit institution		2,339	149	1.86%

				<b>31.12.2009</b>
	<b>no.</b>	<b>EEK ths.</b>	<b>EUR ths.</b>	<b>% of net own funds</b>
Number of customers (client groups) with high risk concentration	16			
Due from customers with high risk concentration		316,838	20,250	206.42%
Due from persons related with credit institution		8,572	548	5.58%

\* Risk concentration is high, when a risk position of a client or client group of connected persons exceeds 10% of own funds of credit institution.

## Capital Adequacy

	EEK ths.	EUR ths.	EEK ths.	EUR ths.
	<b>31.12.10</b>	<b>31.12.10</b>	<b>31.12.09</b>	<b>31.12.09</b>
Share capital paid-in	146,821	9,384	200,500	12,814
Other reserves	559	36	559	36
Accumulated deficit of the previous years	-7	0	-13,723	-877
Intangible assets	-1,942	-124	-621	-40
Net loss of the period	-61,559	-3,934	-84,388	-5,393
<b>Total tier 1 own funds</b>	<b>83,872</b>	<b>5,360</b>	<b>102,327</b>	<b>6,540</b>
Subordinated debt	62,586	4,000	62,586	4,000
Available-for-sale financial instruments	0	0	0	0
Tier 2 own funds, which exceed the limits	-20,650	-1,320	-11,423	-730
<b>Second level equity</b>	<b>41,936</b>	<b>2,680</b>	<b>51,163</b>	<b>3,270</b>
Minimum own funds	125,808	8,041	153,490	9,810
Tier 1 own funds after deductions	83,872	5,360	102,327	6,540
Tier 2 own funds after deductions	41,936	2,680	51,163	3,270
<b>Own funds for capital adequacy calculations</b>	<b>125,808</b>	<b>8,041</b>	<b>153,490</b>	<b>9,810</b>
Credit institutions and investment companies under standard method	2,187	140	1,371	88
Companies under standard method	13,113	838	15,067	963
Mass claims under standard method	14,409	921	16,635	1,063
Claims backed by mortgages under standard method	2,341	150	2,789	178
Overdue claims under standard method	13,103	837	19,266	1,231
Other assets under standard method	4,601	294	941	60
<b>Total capital requirement for credit risk and counterparty credit risk</b>	<b>49,845</b>	<b>3,186</b>	<b>56,069</b>	<b>3,583</b>
Operational risk base method	6,484	414	5,797	370
<b>Total capital requirement for operational risk</b>	<b>6,484</b>	<b>414</b>	<b>5,797</b>	<b>370</b>
<b>Capital requirements for adequacy calculations</b>	<b>56,329</b>	<b>3,600</b>	<b>61,866</b>	<b>3,954</b>
<b>Capital adequacy</b>	<b>22.33%</b>	<b>22.33%</b>	<b>24.81%</b>	<b>24.81%</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.

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.