



MARFIN PANK EESTI AS
CONSOLIDATED ANNUAL REPORT 2010

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2010
End of reporting year	31.12.2010

Registry code	10586461
Address	Pärnu mnt 12, 10148 Tallinn, Estonia
Phone	(+372) 6802 500
Fax	(+372) 6802 501
E-mail	info@marfinbank.ee
Internet home page	www.marfinbank.ee

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INTRODUCTION

General Data of Credit Institution

Business name	MARFIN PANK EESTI AS
Location and address	Pärnu mnt 12, 10148 Tallinn, Estonia
Registered in state	Republic of Estonia
Registration date	14.10.1999
Registry code	10586461 (Estonian Commercial Register)
Phone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T.'s BIC code	SMBBEE22
E-mail	info@marfinbank.ee
Internet home page	http://www.marfinbank.ee

Auditor

Auditor's business name	Aktsiaselts PricewaterhouseCoopers
Auditor's registry code	10142876
Auditor's location and address	Pärnu mnt 15, 10141 Tallinn, Estonia
Name of partner in charge	Tiit Raimla
Name of engagement leader	Stan Nahkor

Report Data

Balance sheet date of report	31.12.2010
Report period	01.01.2010 – 31.12.2010
Report currency and units	Estonian kroon (EEK), in thousands kroons
Additionally all information is presented in thousands of euros (EUR ths.) for illustrative purposes.	

Classification of Economic Activities (EMTAK 2008): 64191 Credit institutions (banks)

Following terms are used in the report:

“Bank” - MARFIN PANK EESTI AS;

“Group” – MARFIN PANK EESTI AS and its 100% subsidiary Osito Casa OÜ.

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-Eesti.

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).

There were no changes in owners in the year 2010, but the proportions of existing shareholders changed through increase of share capital by the main shareholder and decreases of share capital via share cancellation to cover retained losses. Shareholders' decision dd. 12.03.2010 decreased the share capital to 161,383,500 kroons and simultaneously increased it to 205,809,190 kroons. Shareholders' decision dd. 23.12.2010 decreased the share capital to 146,821,440 kroons.

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 100% subsidiary in real estate sector - Osito Casa OÜ, which is consolidated from 4th quarter 2010. The activities of the company are to be moved under the Bank in year 2011, followed by the liquidation of the daughter company. 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.

Description of Economic Environment

Year 2010 turned out to be a year of recovery from economic crises, both in Estonia and in the European Union as a whole. Recovery of economic activity led by the export sector resulted in again positive economic growth in 2010, despite of the continuously weak internal demand. So the GDP grew 3.1% in 2010, compared with the previous year, as per preliminary assessment of the Statistics Estonia, while the economic growth reached 6.6% on a yearly basis in the 4th quarter. Quickly growing value added in the processing industry, mainly supported by strong exports, affected the GDP growth the most. GDP, adjusted for seasonality and number of workdays, grew 2.3% on a quarterly basis in the 4th quarter compared with previous quarter, being positive for the fifth quarter in a row.

Preliminary estimates of Statistics Estonia report exports of 8.75 billion euros in current prices from Estonia in year 2010, being 35% more compared with the previous year and setting a new volume record exceeding high levels in pre-crisis times. External trade deficit was 0.52 billion euros, which has never been so low on a year to year basis. 69% of exports went to the countries of the European Union. Export was supported by the enlivenment of world economy and faster than expected economic growth in our main partner states – Finland and Sweden.

Strong external demand pulled primarily the growth of processing industry and it increased 23% in year 2010 compared with the previous year. Although the results of year 2009 showed a drop in all industries compared with the previous year, then in the year 2010 the production exceeded the level of prior year in almost all industries. Electronics and wood processing gave the biggest contribution to growth. From the smaller industries the production increased significantly in motor vehicles, machinery, metal, paper, pharmacy and plastic products industries. More than two thirds of industrial production was exported, and by volume the industrial production export increased 41% compared with year 2009, while the demand remained on the level of year 2009 in the domestic market. Utilisation of production resources of industry reached close to 70% in the second half of year 2010. Further growth exceedingly depends upon investments needed to expand and upgrade production capacities and the availability of skilled workers.

Weak internal demand kept a continuous pressure on retail sales during year 2010, but the downhill of more than two years was reversed, from September on the monthly basis. The retail sales volume was approximately 5% higher in December compared with previous year. The yearly sales revenue of retailers comprised 3.5 billion euros in 2010 based on preliminary data, decreasing 4% in real prices compared with year 2009. The consumer price index increased in year 2010, despite of weak internal demand, standing 3% higher compared with the average of 2009. The consumer price index was most influenced by the 20.1% increase of motor fuel prices, 6.9% increase of electricity, thermal energy and heating, and 3% increase in prices of food and non-alcoholic beverages. Price increases were mainly triggered by the increase of prices of raw materials in the world market, but in cases also by the increase of margins by the local companies.

The unemployment rate remained at a high level with a 16.9% average for year 2010, being the highest after Estonia regained its independence. Average number of

unemployed was 116 thousand persons in year 2010, while the average number of employed was 571 thousand persons. Number of unemployed did drop in the 4th quarter of 2010, however, the unemployment rate being 13.6% at year-end. As a positive trend, the employment has also started to rise, in the 4th quarter of year 2010 2.2% on a yearly basis. The number of persons who have given up search for employment has also started to decrease. Most of employment rise came from the processing industry. Further development of Estonian labour market will be influenced by the increasing demand for qualified workers.

The enlivenment of the real estate market continued in year 2010 and the number of transactions increased 18% and total value of transactions 6% compared with year 2009. Total of 30,979 real estate sale-purchase transactions were concluded with total value of 1.2 billion euros. Increase in transactions with apartment ownership by close to 3,000 transactions i.e. by fifth, had the biggest effect on increase in the number of transactions. Both, the number of transactions and the volume of transactions were still continuously more than 50% smaller compared with the peaks of years 2006-2007. The average value of transactions continued to decrease in year 2010 to 39 thousand euros, being 10% smaller than in year 2009 and more than 50% smaller than in year 2006. The value of immovables without constructions decreased in average by close to 25% during the year, and the value of immovables with constructions in average close to 10%. Average value of transactions with apartment ownerships remained at the same level. The average price of apartment ownership purchase-sale transaction was 640 euros per square meter, which is 1% higher than in year 2009. Price per square meter increased 5% in Tallinn and 4% in Tartu, but fell 8% in Pärnu.

Economic sentiment indicator of Estonia published by the European Commission rose to the level of year 2007 at the year-end, being 109.1 points i.e. 9.1 points over the long-term (1990-2010) average. The economic outlook for the next 6 months has remained positive throughout the year 2010, as per data of the Estonian Institute of Economic Research, and the assessment of current economic situation has reached satisfactory level. Decreasing fear for unemployment has increased the confidence of consumers, which was expressed by improved internal demand already at year-end. External assessment to the reliability of Estonia is increased by the full membership in European economic and monetary union from the beginning of year 2011, which affects positively both the foreign investments and especially the financial sector operating environment.

While the GDP growth was fueled primarily by recovered exports caused by external demand in year 2010, then in year 2011 the recovery of investments and private consumption will become important, which in turn largely depends on developments of the labour market. Growth of investments is dependent primarily on the availability of the appropriately skilled workforce and the readiness of banks to finance investments. Private consumptions are based on incremental profit, which in turn depends on increase of employment.

Decrease in loan and leasing portfolio continued in Estonian banking sector in year 2010. The volume of loan and leasing portfolio decreased by close to a billion euros i.e. 6.3% during the year, dropping to 15.1 billion euros at year-end. Most of the fall in the loan volumes came from the business sector, where in turn the biggest drop took place in loans given to construction and real estate companies. Drop in loan portfolio of private persons came mostly from shorter term consumer credits and car leasings. Volumes of housing loans dropped 2% during the year. Bank of Estonia predicts that the loan market will turn to rise in year 2011, but by a modest 1%.

Average margin of housing loans was 2% over the main base interest rate, the 6-month Euribor, at year-end and 3% for long term loans of companies, staying at the fairly same levels during the year. The level of loans overdue for more than 60 days reached 6.3% of

loan portfolio at year-end 2010, starting to decrease during last quarters. Positive trend in payment ability is supported by much less new problem loans at year-end. Volumes of new provisions also started to decrease and first time over the last years the volume of new provisions was smaller than the volume of loans re-declared working in the 4th quarter. Recovery of quality of loan portfolios is expected to continue in the opinion of the Bank of Estonia and proportion of overdue loans exceeding 60 days to loan portfolio is expected to drop to 5% at the year-end 2011.

Deposit growth remained fast throughout the year, despite of the fast convergence of deposit interest rates in Estonian kroon and euro in the first half of year 2010, caused by the expectations of joining the eurozone, and low deposit interest rates. Deposits of Estonian private persons and companies increased by more than half a billion euros i.e. 8.3% over the year. Total deposits reached 10.5 billion euros at year-end. Low deposit interest rates had an effect, though, on the maturity structure of deposits. So e.g. the proportion of private person time deposits decreased during the year 10 percentage points to 51%. Simultaneously the interest has increased in potentially more profitable investment deposits.

Events taking place in the European money market play, as before, an important role also in the further local banking sector developments, due to the strong integration of Estonia with the eurozone. So we can expect, as the recovery of the eurozone economy continues, that the European Central Bank will soon finish the extraordinary measures taken to support the functioning of financial markets, which will bring a decrease of exceeding liquidity in the interbank market and a rise of interest rates. The European Central Bank can also start to rise the base interest rate, which has stayed at a very low level (1%), as the inflationary risks increase. The expectancies of the next steps of the European Central Bank have already started to rise the Euribor, reflecting interbank market interest rate, which is rising from the 3rd quarter of year 2010 at an accelerating pace. The rise of Euribor affects both, the profitability of the loan portfolios of banks as well as cost of financing from interbank market. Rising Euribor will rise also the deposit interest rates at a longer perspective.

The main risks of eurozone financial markets in short term are continuously connected with some European countries struggling with debt crises. Simultaneously, the impact of the debt crises has remained very limited in Estonia, both due to the strong fiscal position of Estonia and the absence of bonds issued by the Republic of Estonia. The insurance risk premium (CDS) against Estonian credit risk has steadily decreased throughout the year 2010, reflecting both the joining with the eurozone, as well as good standing of Estonian state finance.

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 repossessions 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 22.15% (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 April 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.

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.

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 MARFIN PANK EESTI 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 report date, Corporate Governance Recommendations are not mandatory for the Bank. Information is disclosed as required by legislation, international financial reporting standards (IFRS) and good banking practises.

Ratios

		2010	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, 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

Ratings

MARFIN PANK EESTI AS has not been rated by international rating agencies. Parent company of the Bank, Marfin Popular Bank holds the following ratings:

Moody's Investors Service:

Global Local Currency Deposit Ratings: Baa2/ Prime-2

Foreign Currency Deposit Ratings: Baa2/ Prime-2
Bank Financial Strength: D+
Outlook: Negative

Fitch Ratings:
Long Term Issuer Default Rating: BBB+
Short Term IDR: F2
Outlook: Negative

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 Group, and Group'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 Group.

**Consolidated
Financial Statements
2010**

Consolidated Statement of Comprehensive Income

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	2010	2009	2010	2009
Interest income	1	41,790	57,808	2,671	3,695
Interest expense	2	-16,643	-23,010	-1,064	-1,471
Net interest income		25,147	34,798	1,607	2,224
Fees and commissions income	3	5,276	4,371	337	279
Fees and commissions expense	4	-2,401	-2,105	-153	-135
Net fees and commissions income		2,875	2,266	184	145
Net trading gains	5	4,123	3,480	264	222
Other operating income	6	196	0	13	0
Other operating expenses	7	-1,906	-1,131	-122	-72
Total operating income		30,435	39,413	1,945	2,519
Administrative expenses		-37,626	-35,926	-2,405	-2,296
Personnel expense	8	-17,924	-17,370	-1,146	-1,110
Payroll related taxes	9	-6,106	-5,841	-390	-373
Other administrative expenses	10	-13,596	-12,715	-869	-813
Depreciation and amortisation of tangible and intangible assets	11	-1,592	-2,373	-102	-152
Operating profit/loss before allowances		-8,783	1,114	-561	71
Impairment loss on financial assets	12	-52,776	-85,502	-3,373	-5,465
NET LOSS FOR THE PERIOD		-61,559	-84,388	-3,934	-5,393
Net change in revaluation reserve of available-for-sales financial assets		149	3,219	10	206
COMPREHENSIVE LOSS FOR THE PERIOD		-61,410	-81,169	-3,925	-5,188

The accounting policies on pp. 16-25 and notes to the financial statements on pp. 26-68 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	31.12.10	31.12.09	31.12.10	31.12.09
ASSETS					
Cash	13	2,871	2,076	183	133
Loans and advances		797,361	723,763	50,961	46,257
Balances with central bank	14	265,106	107,592	16,943	6,876
Due from other banks	15	97,042	61,057	6,202	3,902
Due from customers	16	435,213	555,113	27,815	35,478
Financial assets held for trading	17	164	245	10	16
Available-for-sale financial assets	18	4,954	2,972	317	190
Property and equipment	19	3,694	2,853	236	182
Investment properties	20	72,240	4,382	4,617	280
Intangible assets	21	1,942	621	124	40
Other assets	22	2,043	2,118	131	135
TOTAL ASSETS		885,269	739,030	56,579	47,233
LIABILITIES					
Financial liabilities held for trading	17	678	112	43	7
Financial liabilities measured at amortised cost		788,646	630,956	50,404	40,325
Due to credit institutions	23	0	141,043	0	9,014
Due to customers	23	721,342	425,737	46,102	27,210
Subordinated debt	24	63,054	63,018	4,030	4,028
Borrowed funds from government and foreign aid	25	4,250	1,158	272	74
Tax liabilities	26	872	825	56	53
Other liabilities	27	9,448	4,527	604	289
TOTAL LIABILITIES		799,644	636,420	51,107	40,675
SHAREHOLDERS' EQUITY	28				
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
TOTAL SHAREHOLDERS' EQUITY		85,625	102,610	5,472	6,558
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		885,269	739,030	56,579	47,233

The accounting policies on pp. 16-25 and notes to the financial statements on pp. 26-68 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	2010	2009	2010	2009
Cash flows from operating activities		195,535	-49,371	12,497	-3,155
Interests received		44,643	44,185	2,853	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		-37,520	-35,534	-2,398	-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
Change in operating assets and liabilities:					
Change in due from other banks	14	-437	397	-28	25
Change in due from customers of credit institution	16	40,967	33,879	2,618	2,165
Change in due to credit institutions	23	-141,043	-125,185	-9,014	-8,001
Change in due to customers	23	295,564	68,522	18,890	4,379
Change in assets and liabilities connected with other operating activities		4,846	-17,317	310	-1,107
Cash flows from investing activities		-49,253	-5,461	-3,148	-349
Purchase of property and equipment	19	-2,055	-192	-131	-12
Purchase of intangible assets	21	-1,698	-212	-109	-14
Purchase of investment properties	20	-45,500	-5,057	-2,908	-323
Cash flows from financing activities		47,554	63,744	3,039	4,074
Increase of share capital	28	44,426	0	2,839	0
Subordinated debt received	24	0	62,586	0	4,000
Change in interest of subordinated debt	24	36	0	2	0
Other borrowings received	25	4,485	2,100	287	134
Borrowings repaid	25	-1,393	-942	-89	-60
Total cash flows		193,836	8,912	12,388	570
Cash and cash equivalents at the beginning of year		76,840	67,928	4,911	4,341
Net change in cash and cash equivalents		193,836	8,912	12,388	570
Cash and cash equivalents at the end of the year *		270,676	76,840	17,299	4,911

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

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	2010	2009	2010	2009
Cash	13	2,871	2,076	183	133
Surplus of the reserve in the Bank of Estonia	14	222,796	13,706	14,239	876
Deposits with credit institutions	15	45,009	61,057	2,877	3,902
Total		270,676	76,840	17,299	4,911

The accounting policies on pp. 16-25 and notes to the financial statements on pp. 26-68 form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Share capital				
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
Balance at the end of period	146,821	200,500	9,384	12,814
Statutory legal reserve				
Balance at the beginning of period	559	559	36	36
Balance at the end of period	559	559	36	36
Fair value reserve of available-for-sale financial assets				
Balance at the beginning of period	-338	-3,557	-22	-227
Revaluation	149	3,219	10	206
Balance at the end of period	-189	-338	-12	-22
Accumulated deficit				
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
Balance at the end of period	-61,566	-98,111	-3,935	-6,270
Total shareholders' equity:				
at the beginning of period	102,610	183,779	6,558	11,746
at the end of period	85,625	102,610	5,472	6,558

Additional information in Note 28.

The accounting policies on pp. 16-25 and notes to the financial statements on pp. 26-68 form an integral part of the Financial Statements.

Accounting Policies

Accounting policies

MARFIN PANK EESTI AS Group (hereinafter also "the Group") consists of MARFIN PANK EESTI AS and its daughter company Osito Casa OÜ. MARFIN PANK EESTI AS (hereinafter also "the Bank") is a credit institution domiciled in Estonia, Osito Casa OÜ is a private limited company domiciled in Estonia.

The Management Board of the Bank has approved the financial statements on 18 March 2011.

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. Several changes to texts of valid standards have entered into force since 1 January 2010 and new IFRS standards became mandatory for the company from the financial year which began on 1 January 2010. Adoption of new standards or changes to standards have not caused significant changes in accounting policies or affected the results of operations of the company.

Basis of Preparation

The functional and presentation currency of the Group is the Estonian kroon (EEK). The statements have also been presented in euros (EUR) for illustrative purposes. Numeric data in the financial statements is presented in thousands of monetary units. As the Estonian kroon is pegged to the euro at a fixed exchange rate of 15.6466 kroons to 1 euro, no currency differences arise from presenting the report in euros.

Consolidated financial statements include all subsidiaries controlled by the parent company. When an entity began or ceased to be controlled by the parent company during the year, its results are included only from the date control commenced or up to the date control ceased. Control of the parent company over the subsidiary is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the operational and financial policies of a subsidiary, or control the removal or appointment of a majority of subsidiary's management board. Intra-group transactions and balances, and any unrealised gains and losses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The financial statements are prepared on the historical cost basis, except for the cases mentioned in some accounting principles below.

Segment Reporting

Segment reporting has not been compiled, as the Group has so far only one important segment based on the number of customers, products and services, management and operating location. The Group's main activity is lending to and deposit-taking from Estonian customers; all other areas of operation are either insignificant in terms of volume and/or supporting activities.

Significant Judgements and Estimates by the Management

The preparation of financial statements in conformity with IFRSs requires 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 conditions. 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 Group regularly reviews its loan portfolio to assess potential impairment of asset value. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or state or local economic conditions that correlate with defaults on assets in the group. 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 scheduling its future cash flows.

Impairment of available-for-sale debt investments. The Group 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. This determination of whether the expected cash flows have changes requires judgement. In making this judgement, the Group evaluates among other factors, the changes in solvency position of the issuer, possible changes in credit behaviour 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.

Effects of Changes in Economic Environment

Recent volatility in global and Estonian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. Subsection "Description of Economic Environment" of the Management Report gives more detailed overview of current economic conditions and future scenarios in Estonia.

Financial crises has had limited impact on the Group, as all previously issued bonds have been redeemed already in year 2007 and the dependence on banks outside the group is very small. Group's liquidity is at all times guaranteed by the financing from the group. Management is unable to reliably estimate the effects on the Group's financial position of any lower liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Impact on collateral (especially real estate)

The amount of provision for impaired loans is based on management's appraisals of these assets at the balance sheet date after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. Although the market in Estonia for many types of collateral, also real estate, has been showing first signs of stabilisation, the liquidity is still low for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

Impact on customers

Customers (borrowers) of the Group have been affected and may be affected further by the lower liquidity situation and other effects of the macroeconomic downturn which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management has properly and to the best of its knowledge reflected revised estimates of expected future cash flows in its impairment assessments.

Liquidity

As the Group is financed by the parent in the extent necessary and the parent is ready to raise additional capital if necessary, as per oral confirmation of the management of the group, the liquidity has not been affected by the changes in economic environment.

Assets and Liabilities Denominated in Foreign Currencies

Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to Estonian kroons based on the foreign exchange rates of the Bank of Estonia valid on the balance sheet date. Changes in exchange rates are recognised in the income statement in "Net trading income". Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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.

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, and readily available 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.

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.

A financial asset is removed from the balance sheet when the bank loses right to the cash flows arising from the financial asset, or passes the cash flows arising from the asset and most of the risks and gains 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.

Financial Investments

Held-to-maturity investments

If the bank has the positive intent 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 charge.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale 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 equity. 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 or loss when the Group'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 indicative bid prices of big banks or, if those are not available, the yields of similar securities with a similar maturity denominated in the same currency. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

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 profit or loss – is removed from equity and recognised in profit or loss. Impairment gains on equity instruments are not reversed through 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 profit or loss, the impairment loss is reversed through current period's profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as a financial asset at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets at fair value through 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 Bank of Estonia. The shares and debt securities not actively traded on an active market are valued in 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 volatility 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 Group 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 income statement in "Net trading gains less losses".

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 Group provides money, goods or services directly to a debtor/customer with no intention of trading the resulting receivable. Loans and receivables are recognized in the balance sheet when the cash is paid to the borrower or right to demand payment has arisen and are derecognized only when they are repaid or written-off, regardless of the fact that part of them may be recognized as costs through providing impairment allowances for loans. Loans and receivables are measured at amortised cost using the effective interest method.

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 Bank of Estonia. The revaluation is recognised in the balance sheet in 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 revaluation is recognised in the income statement in "Net trading gains less losses". Interest income received from derivatives is recognised in income statement under "Interest income".

Valuation and Impairment of Loans and Advances

Loans to clients are recognised in the balance sheet in "Due from customers" and funds held at other banks are recognised in "Due from other banks". Group regulations require monthly revaluation of the loan portfolio. Receivables arising from loan agreements are recognised in the balance sheet at amortised cost. Cost is adjusted for repayments of the principal and, where necessary, and 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. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability 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, 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 income statement.

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

Intangible Assets

Purchased patents, licenses and software are recognised as intangible assets. Intangible assets are measured in the balance sheet at cost less any amortisation and any impairment losses. The straight-line method is used for amortising intangible assets. The amortisation rate for intangible assets is 5-20% per year.

Property and equipment

Significant assets which are used in the business activities and whose expected useful life 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:

Computers, communication equipment	30 %
Office equipment	25 %
Office furniture	20 %
Telephones	40 %
Capitalised improvements to leased office space	20%
Other tangible assets	20%

The subsequent expenditure of an item of property and equipment shall be recognised as an asset if these are in accordance with definition of non-current assets and if it is probable

that future 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/amortization rates, methods and residual values are assessed at each reporting date.

Investment Properties

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 Group does not use for its own business. Investment properties are recognised at cost, consisting of purchase price and other directly attributable expenses. Assets are subsequently measured at fair value.

Impairment of Assets

The management of the company assesses if there is any indication that an asset may be impaired at each balance sheet date. If such indication exists, an impairment test is performed and the recoverable amount of the asset estimated. The recoverable amount of an asset is the higher of its fair value (less costs to sell) and value in use calculated using 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) the asset belongs to. Impairment losses are recognised as expenses in the period in which they are incurred.

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 (net of amortisation or depreciation) had no impairment loss been recognised.

Financial Liabilities

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

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

In case there is an unused limit for any borrowings, this is presented as contingent asset.

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 government and foreign aid are recognised on value date in fair value. Subsequent measurement is at amortized cost using effective interest rate.

Interest, Fees and Commissions

All interest and similar income is recognised as interest income. Similar income includes income connected with the contractual maturity/redemption date or amount of the asset and it is recognised over the term 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 amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. 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 Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider 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, transaction costs and all other premiums or discounts.

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 recognized 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 Group'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 recognized on accrual basis at the moment of executing the respective transactions.

Dividends are recognised in the income statement when the entity'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 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 social and unemployment insurance premium payments.

Accounting for Leases

Lease agreements are classified as finance leases if all material risks and rewards arising from the agreement are transferred to the lessee. Assets leased on terms of finance lease are recognised at the present value of minimum lease payments and depreciated according to their 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 expensed in the period for which they are made.

Mandatory Reserve in the Bank of Estonia

The Bank of Estonia has established a mandatory reserve requirement to credit institutions at 7% of the average amount of deposits and issued financial guarantees. Credit institutions are obliged to keep at least 40% of the established mandatory reserve maintained in

Estonian kroons on the correspondent account at the Bank of Estonia on a daily basis. Fulfillment of the reserve requirement is monitored based on a month's average.

Contingent Liabilities

Guarantees, unused loan limits and letters of credit that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, 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. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. 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).

Corporate Income Tax

The profit of Estonian legal entities is not taxed according to effective legislation; therefore deferred income tax assets and liabilities do not exist. In place of profit, income tax is levied on dividends paid out of retained earnings. The tax rate is 21/79 of the amount paid out as net dividends. The corporate income tax payable on dividends is recognised as the income tax expense of the same period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are actually paid out.

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 Group 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 Group 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 liabilities are initially recorded at their fair value and the initial fair value is amortised over the life of the financial guarantee. Therefore the financial guarantee liability is carried at the higher of the amortised amount and present value of future payments (if it is likely that payments are to be made under the guarantee). Liabilities arising from financial guarantees are reported under other liabilities.

Adoption of New or Revised Standards and Interpretations

Certain new or revised standards and interpretations became effective for the Group from 01.01.2010, but are not relevant to the Group:

IFRIC 12, Service Concession Arrangements;

IFRIC 15, Agreements for the Construction of Real Estate;

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009;

IFRIC 16, Hedges of a Net Investment in a Foreign Operation;

IFRIC 17, Distributions of Non-Cash Assets to Owners;

IFRIC 18, Transfers of Assets from Customers;

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1);

Eligible Hedged Items - Amendment to IAS 39;

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008;

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2;

Additional Exemptions for First-time Adopters - Amendments to IFRS 1;

Improvements to International Financial Reporting Standards, issued in April 2009.

Certain new or revised standards and interpretations became effective for the Group from 01.01.2010, but do not have a significant effect on the Group's financial statements:

IAS 27, Consolidated and Separate Financial Statements, revised in January 2008;

IFRS 3, Business Combinations, revised in January 2008.

New or Revised Standards and Interpretations Not Early Adopted by the Group

New or revised standards and interpretations that are not yet effective and not early adopted by the Group, and not expected to have a significant effect on the Group's financial statements:

Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010);

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011);

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010);

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011);

Limited exemption from comparative IFRS 7 disclosures for first-time adopters -

Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).

Other new standards and interpretations are not expected to significantly affect the Group's financial statements.

Notes to the Financial Statements

Note 1: Interest Income

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
From loans	41,224	53,849	2,635	3,442
From demand deposits with other banks	251	971	16	62
From time deposits with other banks	226	260	14	17
From debt securities	69	1,904	4	122
From derivatives	0	507	0	32
Other interest income	20	317	1	20
Total	41,790	57,808	2,671	3,695

Interest income by geographical areas

Estonia	41,419	56,930	2,647	3,638
OECD countries	371	878	24	56
Total	41,790	57,808	2,671	3,695

Note 2: Interest Expense

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
On demand deposits	289	1,349	18	86
On time deposits	13,652	20,660	873	1,320
On derivatives	88	534	6	34
On subordinated debt	2,558	432	163	28
Other interest expense	56	35	4	2
Total	16,643	23,010	1,064	1,471

Interest expense by geographical areas

Estonia	12,755	16,873	815	1,078
OECD countries	3,888	6,137	248	392
Total	16,643	23,010	1,064	1,471

Note 3: Fees and Commissions Income

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Account opening and maintenance fees	391	363	25	23
Bank transaction fees	3,241	2,941	207	188
Securities' transaction fees	1,540	917	98	59
Other fees and commissions income	104	150	7	10
Total	5,276	4,371	337	279

Fees and commissions income by geographical areas

Estonia	2,996	2,108	191	135
OECD countries	2,280	2,263	146	145
Total	5,276	4,371	337	279

Note 4: Fees and Commissions Expense

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Securities' transactions expenses	956	599	61	38
Bank transaction expenses	915	988	58	63
S.W.I.F.T. expenses	522	512	33	33
Collection charges and other fee expenses	8	6	1	0
Total	2,401	2,105	153	135

Note 5: Net Trading Gains

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
From foreign exchange	4,086	3,436	261	220
From shares and debt securities in trading portfolio	37	44	2	3
Total	4,123	3,480	264	222

Note 6: Other operating income

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Rental income from investment property	246	0	16	0
Operating expenses from investment property generating rental income	-50	0	-3	0
Total	196	0	13	0

Note 7: Other Operating Expenses

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Guarantee Fund payments *	363	16	23	1
Financial Supervision Authority fees	859	862	55	55
Stock Exchange fees	319	187	20	12
Other operating expenses	365	66	23	4
Total	1,906	1,131	122	72

* Guarantee Fund payments increased in year 2010, as the Fund increased quarterly contributions to deposit guarantee sectoral fund (from 0.0008% to 0.025%) in 1st quarter 2010. Additionally, the deposit volumes (forming the base for contribution calculation) have increased significantly.

Note 8: Personnel Expense

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Salaries	16,832	16,319	1,076	1,043
Compensation to the Supervisory Board members	792	792	51	51
Fringe benefits	285	92	18	6
Income tax on fringe benefits	101	69	6	4
Change in vacations pay accrual	-86	98	-5	6
Total	17,924	17,370	1,146	1,110

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 PricewaterhouseCoopers, Tallinn

Note 8 continued:

Total of 792 thousand kroons (51 thousand euros) of membership fees were calculated to the Supervisory Board members in year 2010, 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 3,760 thousand kroons i.e. 240 thousand euros in year 2010, of employees 12,856 thousand kroons i.e. 822 thousand euros. Calculated salaries of the members of the Management Board totalled 3,749 thousand kroons i.e. 240 thousand euros in year 2009, of employees 12,283 thousand kroons (785 thousand euros). Average number of employees was 46 (year earlier 47), number of employees at the end of year 2010 was 46 (at year-end 2009: 47).

Note 9: Payroll Related Taxes

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
From salaries	5,716	5,433	365	347
From compensation to the Supervisory Board members	261	261	17	17
From fringe benefits	158	106	10	7
Social insurance tax from change in vacations pay accrual	-28	32	-2	2
Unemployment insurance premium from change in vacations pay accrual	-1	9	0	1
Total	6,106	5,841	390	373

Note 10: Other Administrative Expenses

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Rent of premises	5,495	5,072	351	324
Other professional services purchased	2,074	2,112	133	135
Advertising expenses	1,784	1,145	114	73
Office expenses	1,166	1,042	75	67
Transportation expenses	1,111	1,069	71	68
Other expenses	292	803	19	51
Post and telecommunication expenses	1,048	975	67	62
Training and business trip expenses	300	274	19	18
IT expenses	326	223	21	14
Total	13,596	12,715	869	813

Note 11: Depreciation and Amortisation of Tangible and Intangible Assets

	Note	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Depreciation of tangible assets	19	1,215	1,857	78	119
Amortisation of intangible assets	21	377	516	24	33
Total		1,592	2,373	102	152

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Note 12: Impairment Loss on Financial Assets

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Available-for-sale financial assets (Note 18):				
Impairment loss on available-for-sale financial assets	0	-21,591	0	-1,380
Loans (Note 16):				
Impairment loss on claims	-53,380	-63,820	-3,412	-4,079
Claims written-off	-9,659	-1,160	-617	-74
Recoveries of impaired loans	10,427	2,055	666	131
Total loans	-52,612	-62,925	-3,363	-4,022
Impairment on investment properties	0	-675	0	-43
Impairment on other assets *	-164	-311	-10	-20
Total	-52,776	-85,502	-3,373	-5,465

* Impairment losses on fees receivable and property and equipment have been disclosed as impairment on other assets.

Note 13: Cash

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
In Estonian kroons	823	1,141	53	73
In foreign currency	2,048	935	131	60
Total	2,871	2,076	183	133

Note 14: Balances with Central Bank

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Mandatory reserve	42,292	93,886	2,703	6,000
Surplus of the mandatory reserve with the Bank of Estonia	222,796	13,686	14,239	875
Accrued interests receivable	18	20	1	1
Total	265,106	107,592	16,943	6,876

The mandatory reserve requirement of 7% of deposits, borrowings and debt instruments issued, as stipulated by the decree of the president of the Bank of Estonia, was in force on 31.12.2010, filled by the month's average account balance in Estonian kroons kept on correspondent account with the Bank of Estonia.

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 include the basis of the mandatory reserve, rate of mandatory reserve as well as allowed deductions. The mandatory reserve rate will be 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.

A 15% mandatory reserve requirement was in force as of 31.12.2009, the fulfillment of which was monitored on a month's average basis and the daily minimal reserve requirement, kept on the correspondent account with the Bank of Estonia, was 40%.

Note 15: Due from Other Banks

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Correspondent accounts	97,042	61,057	6,202	3,902
Receivables by country				
Estonia	25,736	24,138	1,645	1,543
OECD countries	71,306	36,919	4,557	2,360
Total	97,042	61,057	6,202	3,902
Due from other banks by bank ratings (Moody's Investors Service)				
A1	25,711	24,199	1,643	1,547
Aa1	0	23,166	0	1,481
Aa3	13,031	6,519	833	417
Baa2	36,730	0	2,347	0
Baa3	33	9	2	1
Not rated *	21,537	7,164	1,376	458
Total	97,042	61,057	6,202	3,902

* Claims to a credit institution registered in Denmark, which has no foreign rating, has been disclosed as not rated.

Note 16: Due from Customers

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Due by customer types (gross)				
Due from financial institutions	4,961	3,110	317	199
Loans:				
Loans to financial institutions	19,499	36,742	1,246	2,348
Loans to private companies	419,572	498,738	26,816	31,875
Loans to non-profit organisations	658	500	42	32
Loans to private persons	87,740	84,594	5,608	5,407
Total loans				
Accrued interest receivable	16,248	19,101	1,038	1,221
Total due from customers (gross)	548,678	642,785	35,067	41,081
Specific loan loss allowances	-110,656	-84,658	-7,072	-5,411
Collective loan loss allowances	-1,022	0	-65	0
Unamortised fees	-1,787	-3,014	-114	-193
Total due from customers (net)	435,213	555,113	27,815	35,478
			0	
Loans by collaterals (gross)				
Mortgage	446,303	479,181	28,524	30,625
Commercial pledge	9,287	12,990	594	830
Pledge of shares	0	21,243	0	1,358
Deposit	4,666	4,740	298	303
Other security over movables	19,519	44,563	1,247	2,848
Other	39,470	30,951	2,523	1,978
Without collateral	24,472	46,007	1,564	2,940
Total	543,717	639,675	34,750	40,883

Note 16 continued:

Due by remaining maturity (gross)

On demand	4,883	3,032	312	194
Up to 3 months	26,220	99,031	1,676	6,329
3 to 12 months	44,651	66,046	2,854	4,221
1 to 2 years	27,940	117,435	1,786	7,505
2 to 5 years	156,063	185,786	9,974	11,874
over 5 years	49,133	42,937	3,140	2,744
past due	34,057	24,759	2,177	1,582
impaired loans	189,483	84,658	12,110	5,411
Accrued interest receivable	16,248	19,101	1,038	1,221
Total	548,678	642,785	35,067	41,081

Due by countries (gross)

Estonia	538,834	634,626	34,438	40,560
OECD countries	9,844	8,159	629	521
Total	548,678	642,785	35,067	41,081

Past Due and Impaired Loans**Overdue loans by customer types (gross)**

Loans to private companies	182,933	231,126	11,692	14,772
Interest claims to private companies	14,598	11,768	933	752
Loans to private persons	40,607	26,107	2,595	1,669
Interest claims to private persons	911	715	58	46
Total	239,049	269,716	15,278	17,238

Fair Value of Collaterals of Past Due and Impaired Loans

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.10	31.12.09	31.12.10	31.12.09
Collaterals of past due loans	34,463	70,945	2,203	4,534
Collaterals of impaired loans	100,969	119,171	6,453	7,616
Total	135,432	190,116	8,656	12,151

Specific Loan Loss Allowances by Client Type**Private companies**

Loan loss allowances at beginning of period	-77,458	-22,460	-4,950	-1,435
New loan loss allowances during period	-52,114	-56,301	-3,331	-3,598
Deductions of allowances during period	34,580	1,303	2,210	83
Loan loss allowances at end of period	-94,992	-77,458	-6,071	-4,950

Private persons

Loan loss allowances at beginning of period	-7,200	-433	-460	-28
New loan loss allowances during period	-9,903	-7,519	-633	-481
Deductions of allowances during period	1,439	752	92	48
Loan loss allowances at end of period	-15,664	-7,200	-1,001	-460
Total specific loan loss allowances	-110,656	-84,658	-7,072	-5,411

All uncovered loans and overdrafts, where the payments are overdue by more than 90 days, are reported as non-performing loans. No loans have been written off as hopeless in year 2010 (5 loans in year 2009).

Note 16 continued:

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 EEK 1,690 ths. (EEK 1,735 ths. in year 2009).

(pls. refer to Note 32)

Overdue financial assets maturity structure

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Private companies				
Up to 90 days	30,748	52,831	1,965	3,377
91 days to 1 year	42,418	142,079	2,711	9,081
1 to 2 years	86,322	47,984	5,517	3,067
over 2 years	38,042	0	2,431	0
Total	197,530	242,894	12,624	15,524
Private persons				
Up to 90 days	19,014	7,911	1,215	506
91 days to 1 year	9,079	12,894	580	824
1 to 2 years	9,926	6,017	634	385
over 2 years	3,499	0	224	0
Total	41,518	26,822	2,653	1,714
Total overdue financial assets	239,048	269,716	15,278	17,238

incl. maturity structure of unimpaired financial assets

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Private companies				
Up to 90 days	29,633	42,038	1,894	2,687
91 days to 1 year	38,818	86,962	2,481	5,558
1 to 2 years	16,399	11,542	1,048	738
over 2 years	0	0	0	0
Total	84,850	140,542	5,423	8,982
Private persons				
Up to 90 days	5,033	7,911	322	506
91 days to 1 year	3,556	430	227	27
1 to 2 years	0	0	0	0
over 2 years	0	0	0	0
Total	8,589	8,341	549	533
Total unimpaired financial assets	93,439	148,883	5,972	9,515

Restructured loans

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Loans to private companies	146,110	154,619	9,338	9,882
Loans to private persons	11,201	2,454	716	157
Total	157,311	157,073	10,054	10,039

Note 16 continued:

Bank has restructured 25 loans, as of 31.12.2010, where the payment difficulties have temporary nature. 17 loans were restructured as of 31.12.2009.

9 loans were restructured during year 2010, including 4 loans to companies and 5 loans to private persons. Claim balances as of 31.12.2010 were accordingly EEK 31,817 ths. and EEK 9,376 ths.

3 of restructured loans of year 2009 matured during year 2010, the claims of which comprised EUR 14,869 ths. 5 loans totalling EEK 53,460 ths. as of 31.12.2009 turned non-performing during year 2010.

Note 17: Financial Assets/Financial Liabilities Held for Trading

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Derivatives *	-524	-12	-33	-1
incl. financial assets	163	245	10	16
incl. financial liabilities	-678	-112	-43	-7
Financial assets in fair value with change through income statement	9	145	1	9
incl. shares listed on a stock exchange (active market)	9	145	1	9
Total	-515	133	-33	9
Shares and other securities by countries				
Estonia	42	56	3	4
OECD countries	-557	77	-36	5
Total	-515	133	-33	9

* Derivatives

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Currency related derivatives:				
claims (in contract value)	215,509	109,639	13,774	7,007
commitments (in contract value)	216,016	109,639	13,806	7,007
fair value	-508	1	-32	0
Interest rate and commodity related derivatives:				
claims (in contract value)	8,428	8,428	539	539
commitments (in contract value)	8,428	8,428	539	539
fair value	-16	-13	-1	-1

Note 18: Available-for-Sale Financial Assets

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Debt securities and other shares by issuer				
Debt securities of credit institutions	854	674	55	43
Debt securities of private companies	1,039	1,039	66	66
Shares and fund units of private companies *	3,061	1,259	196	80
Total	4,954	2,972	317	190
Movements in debt securities and other shares				
Balance at beginning of year	2,972	19,137	190	1,223
Purchases	1,833	1,205	117	77
Redemptions	0	-767	0	-49
Impairment charge (Note 12)	0	-21,591	0	-1,380
Amortised premium discount	0	1,826	0	117
Fair value revaluation	149	3,219	9	206
Interest accruals	1	-57	0	-4
Total	4,954	2,972	317	190
Debt securities and other shares by ratings				
Without ratings	4,954	2,972	317	190
Debt securities and other shares by countries				
Estonia	4,954	2,972	317	190

* Comprises mainly the fund units of GILD Arbitrage Riskikapitalifond.

Impairment charges of available-for-sale financial assets

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Debt securities of private companies	0	21,549	0	1,377
Other shares of private companies	0	42	0	3
Total	0	21,591	0	1,380

Note 19: Property and Equipment

	EEK ths.				
	Capitalised construction expenses *	Compu- ters	Furniture	Other tangible assets	Total
Balance as of 01.01.2010					
At cost	4,601	1,184	1,186	3,576	10,547
Accumulated depreciation	-3,448	-959	-944	-2,343	-7,694
Net value	1,153	225	242	1,233	2,853
Changes in 2010					
Purchases during period	1,182	111	168	594	2,055
Depreciation expense	-437	-172	-112	-494	-1,215
Property and equipment write-offs (at cost)	0	-65	0	0	-65
Balance as of 31.12.2010					
At cost	5,783	1,230	1,354	4,170	12,537
Accumulated depreciation	-3,884	-1,066	-1,055	-2,838	-8,843
Net value	1,899	164	299	1,332	3,694

	EEK ths.				
	Capitalised construction expenses *	Compu- ters	Furniture	Other tangible assets	Total
Balance as of 01.01.2009					
At cost	4,601	1,276	1,396	3,511	10,784
Accumulated depreciation	-2,655	-842	-1,003	-1,766	-6,266
Net value	1,946	434	393	1,745	4,518
Changes in 2009					
Purchases during period	0	32	35	125	192
Depreciation expense	-793	-241	-186	-637	-1,857
Property and equipment write-offs (at cost)	0	-124	-245	-60	-429
Balance as of 31.12.2009					
At cost	4,601	1,184	1,186	3,576	10,547
Accumulated depreciation	-3,448	-959	-944	-2,343	-7,694
Net value	1,153	225	242	1,233	2,853

* Reconstruction expenses of rented premises.

Note 19 continued:

	EUR ths.				
	Capitalised construction expenses *	Compu- ters	Furniture	Other tangible assets	Total
Balance as of 01.01.2010					
At cost	294	76	76	229	674
Accumulated depreciation	-220	-61	-60	-150	-492
Net value	74	14	15	79	182
Changes in 2010					
Purchases during period	76	7	11	38	131
Depreciation expense	-28	-11	-7	-32	-78
Property and equipment write-offs (at cost)	0	-4	0	0	-4
Balance as of 31.12.2010					
At cost	370	79	87	267	801
Accumulated depreciation	-248	-68	-67	-181	-565
Net value	121	10	19	85	236

* Reconstruction expenses of rented premises.

	EUR ths.				
	Capitalised construction expenses *	Compu- ters	Furniture	Other tangible assets	Total
Balance as of 01.01.2009					
At cost	294	82	89	224	689
Accumulated depreciation	-170	-54	-64	-113	-400
Net value	124	28	25	112	289
Changes in 2009					
Purchases during period	0	2	2	8	12
Depreciation expense	-51	-15	-12	-41	-119
Property and equipment write-offs (at cost)	0	-8	-16	-4	-27
Balance as of 31.12.2009					
At cost	294	76	76	229	674
Accumulated depreciation	-220	-61	-60	-150	-492
Net value	74	14	15	79	182

* Reconstruction expenses of rented premises.

Note 20: Investment Properties

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Investment properties at beginning of year	4,382	0	280	0
Investment properties acquired	67,858	5,057	4,337	323
Fair value revaluation	0	-675	0	-43
Total	72,240	4,382	4,617	280

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, derived by the Bank from transactions in market value with similar assets.

Rent income earned on investment properties and direct expenses on assets earning rent income are disclosed in Note 6.

Note 21: Intangible Assets

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Software				
Balance as of 01.01.				
At cost	4,219	4,216	270	269
Accumulated amortisation	-3,598	-3,285	-230	-210
Net value	621	931	40	60
Changes during report year				
Purchases during period	1,698	212	109	14
Amortisation expense	-377	-516	-24	-33
Write-offs (at cost)	0	-209	0	-13
Balance as of 31.12.				
At cost	5,917	4,219	378	270
Accumulated amortisation	-3,975	-3,598	-254	-230
Net value	1,942	621	124	40

Note 22: Other Assets

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Fees and commissions receivable	68	411	4	26
Prepaid supervision fees *	857	861	55	55
Other prepaid expenses **	1,035	660	66	42
Other receivables	42	184	3	12
Other assets and accrued revenue	41	2	3	0
Total	2,043	2,118	131	135

* 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 one per cent 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 to 0.05 per cent of the assets of the credit institution. The supervision fee is prepaid once a year for the next year.

Note 22 continued:

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

Note 23: Deposits

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Deposits from credit institutions	0	141,043	0	9,014
Other deposits	721,342	425,737	46,102	27,210
Total	721,342	566,780	46,102	36,224
Demand deposits	305,987	97,709	19,556	6,245
Time deposits	411,313	465,008	26,288	29,719
Accrued interests	4,042	4,063	258	260
Total	721,342	566,780	46,102	36,224
<i>Demand deposits by customer groups</i>				
Companies	275,746	70,176	17,623	4,485
Private persons	26,896	25,376	1,719	1,622
Non-profit organisations	3,320	1,965	212	126
Financial institutions	24	29	2	2
Government	1	1	0	0
Credit institutions	0	162	0	10
Total	305,987	97,709	19,556	6,245
<i>Time deposits by customer groups</i>				
Private persons	200,494	134,171	12,814	8,575
Companies	176,518	175,834	11,282	11,238
Non-profit organisations	34,301	14,184	2,192	907
Credit institutions	0	140,819	0	9,000
Total	411,313	465,008	26,288	29,719
<i>Deposits by maturities</i>				
On demand	305,987	97,708	19,556	6,245
Up to 3 month	121,391	289,296	7,758	18,489
3 to 12 months	241,037	165,426	15,405	10,573
1 to 2 years	32,470	13,803	2,075	882
2 to 5 years	20,457	547	1,307	35
Total	721,342	566,780	46,102	36,224

Note 24: Subordinated Debt

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Debt balance at beginning of period	63,018	0	4,028	0
Subordinated debt received	0	62,586	0	4,000
Interest payable	36	432	2	28
Total	63,054	63,018	4,030	4,028

Note 24 continued:

Bank took a 4.0 million euro i.e. 62.6 million kroon subordinated debt from Marfin Egnatia Bank S.A., a bank belonging to the group, in December 2009, bearing an interest rate 6 month Euribor + 3% p.a. This 10-year subordinated loan can be treated as tier 2 own funds.

Note 25: Borrowed Funds from Government and Foreign Aid

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Debt balance at beginning of period	1,157	0	74	0
Borrowings received	4,486	2,100	287	134
Borrowings repaid	1,393	942	89	60
Balance at end of period	4,250	1,158	272	74
Debts by maturities				
Up to 3 months	1,475	528	94	34
3 to 12 months	699	228	45	15
1 to 2 years	959	390	61	25
2 to 5 years	1,117	12	71	1
Total	4,250	1,158	272	74

Borrowings from Estonian Rural Development Foundation are reported under borrowed funds from government and foreign aid. Borrowings bear a fixed interest rate 1.5 - 3% p.a.

Note 26: Tax Liabilities

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Taxes payable	872	825	56	53

There has not been any tax audit in the Bank, and thus no additional taxes have been assigned. Tax authority has the right to audit tax calculations of the Bank during 6 years from due date of filing tax declaration, and in case of mistakes assign additional taxes, interests and penalties.

Note 27: Other Liabilities

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Payments in transmission *	2,719	3,138	174	201
Payables to employees	896	1,012	57	65
Payables to suppliers	331	368	21	24
Prepaid expenses	32	0	2	0
Other liabilities	708	9	45	1
Provision to cover potential liabilities **	4,762	0	304	0
Total	9,448	4,527	604	289

Note 27 continued:

* Payments in transmission include payments of customers and the bank, which are under processing as well as unsettled payments (incl. incorrectly received funds, returnable funds etc.), which can fluctuate significantly as of report date due to single payments.

** Provision to cover potential liabilities, which could realise after the balance sheet date, was formed in connection with the purchase of daughter company Osito Casa OÜ for about three years.

Note 28: Shareholders' Equity

Shares

Share capital is divided into 14,682,144 common shares with nominal value of 10 Estonian kroons each, and was paid-in in cash. Number of shares has decreased in the reporting period, as two share cancellations were performed to cover losses and the share capital was once increased by the monetary payment of the parent company. According to the articles of association, the minimum share capital of the Bank is 100,000,000 Estonian kroons and maximum share capital is 400,000,000 Estonian kroons. Each registered share gives one vote to the shareholder, which gives shareholder a right to participate in the management of the company, in profit distribution and in case of liquidation in distribution of remaining assets, also other rights stipulated in law and articles of association.

There were no changes in owners in the year 2010, but the proportions of existing shareholders changed through increase of share capital by the main shareholder and decreases of share capital via share cancellation to cover retained losses. Shareholders' decision dd. 12.03.2010 decreased the share capital to 161,383,500 kroons and simultaneously increased it to 205,809,190 kroons. Shareholders' decision dd. 23.12.2010 decreased the share capital to 146,821,440 kroons.

Fair Value Reserve for 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 statement of comprehensive income.

Statutory Legal Reserve

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

Note 29: Related-Party Transactions

The following parties are considered to be related in the Annual Report of MARFIN PANK EESTI AS:

- owners (Marfin Popular Bank Public Company Ltd. is the main owner of the Bank);
- other companies belonging to the same consolidation group;
- executive management and Supervisory Board;
- close relatives of the persons mentioned previously and the companies related to them.

Note 29 continued:

Bank's management assesses that the related-party transactions have been concluded on market conditions.

Management Board members of the credit institution, head of internal audit and their related parties, also companies controlled jointly of privately by these persons:

	EEK ths. 31.12.2010	EEK ths. 31.12.2009	EUR ths. 31.12.2010	EUR ths. 31.12.2009
Loans:				
Balance of loans at beginning of period	725	1,431	46	91
Disbursed loans	0	38	0	2
Repaid loans	-529	-744	-34	-48
Balance of loans at end of period	196	725	13	46
Interest receivable	0	1	0	0
Deposits	952	941	61	60
Interest payable	0	1	0	0
Interest income	16	48	1	3
Interests paid	8	29	1	2
Fees and commission income	10	7	1	0
Salaries of the members of the Management Board	5,053	4,986	323	319

Shareholders of the credit institution and their related parties, also companies controlled jointly of privately by these persons:

	EEK ths. 31.12.2010	EEK ths. 31.12.2009	EUR ths. 31.12.2010	EUR ths. 31.12.2009
Loans:				
Balance of loans at beginning of period	11,056	11,161	707	713
Disbursed loans	0	380	0	24
Repaid loans	-314	-485	-20	-31
Balance of loans at end of period	10,742	11,056	687	707
Interest receivable	16	16	1	1
Deposits	3,549	3,790	227	242
Interest payable	2	10	0	1
Prepayments for services	0	189	0	12
Interest income	546	558	35	36
Interests paid	34	176	2	11
Fees and commission income	14	49	1	3
Fees and commission expense	0	20	0	1
Administrative and other operating expenses	4,362	3,860	279	247
Compensation to the members of the Supervisory Board	1,054	1,054	67	67

Note 29 continued:

Parent company of the credit institution:	EEK ths.	EEK ths.	EUR ths.	EUR ths.
Marfin Popular Bank Public Company Ltd.	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Due from other banks	36,728	162	2,347	10
Interest receivable	1	0	0	0
Fees receivable	2	0	0	0
Interest payable	16	13	1	1
Interest income	3	507	0	32
Interest expense	88	2,728	6	174
Fees and commission income	22	21	1	1
Administrative and other operating expenses	28	0	2	0
Off-balance sheet claims	8,428	8,428	539	539

Consolidation group companies of the parent company of the credit institution:

Marfin Egnatia Bank S.A., Marfin Investment Group Holdings Societe Anonyme	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Due from other credit institutions	13	125,176	1	8,000
Subordinated debt	62,586	62,586	4,000	4,000
Interest payable	467	493	30	32
Interest income	92	0	6	0
Interest expense	3,652	3,150	233	201
Fees and commission income	1	1	0	0

Loans to related parties have no loan loss allowances.

Note 30: Geographical Concentration of Clients' Debts

EEK ths., as of 31.12.2010

Area	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
	Note 14, 15, 16	16	17, 18	17		
Estonia	715,617	171,293	4,954	15,934	74.46%	
United States of America	5,843	0	9	0	0.59%	
United Kingdom	4,882	0	155	199,575	20.69%	
Denmark	21,537	0	0	0	2.18%	
Latvia	0	0	0	0	0.00%	
Germany	7,183	0	0	0	0.73%	
Cyprus	36,730	0	0	0	0.00%	
Greece	4,974	0	0	8,428	1.35%	
Total	796,766	171,293	5,118	223,937	100.00%	

EUR ths., as of 31.12.2010

Area	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
Estonia	45,736	10,948	317	1,018	74.46%	
United States of America	373	0	1	0	0.59%	
United Kingdom	312	0	10	12,755	20.69%	
Denmark	1,376	0	0	0	2.18%	
Latvia	0	0	0	0	0.00%	
Germany	459	0	0	0	0.73%	
Cyprus	2,347	0	0	0	0.00%	
Greece	318	0	0	539	1.35%	
Total	50,923	10,948	327	14,312	100.00%	

* Includes claims on credit institutions and financial institutions.

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

Note 30 continued:

EEK ths., as of 31.12.2009

Area	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
Note	14, 15, 16	16	17, 18	17		
Estonia	678,685	116,547	3,144	105,424	93.16%	
United States of America	6,505	0	2	0	0.77%	
United Kingdom	3,032	0	5	4,215	0.86%	
Denmark	7,164	0	0	0	0.85%	
Latvia	0	0	66	0	0.01%	
Germany	23,166	0	0	0	2.74%	
Greece	5,211	0	0	8,428	1.61%	
Total	723,763	116,547	3,217	118,067	100.00%	

EUR ths., as of 31.12.2009

Area	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
Estonia	43,376	7,449	201	6,738	93.16%	
United States of America	416	0	0	0	0.77%	
United Kingdom	194	0	0	269	0.86%	
Denmark	458	0	0	0	0.85%	
Latvia	0	0	4	0	0.01%	
Germany	1,481	0	0	0	2.74%	
Greece	333	0	0	539	1.61%	
Total	46,257	7,449	206	7,546	100.00%	

* Includes claims on credit institutions and financial institutions.

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

Note 31: Concentration of Clients' Debts by Economic Sector

EEK ths., as of 31.12.2010		Balance sheet claims				
Economic sector	Note	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets	by area (%)
		14, 15, 16	16	17, 18	17	
Agriculture, forestry and fishing		19,027	12,971	0	0	2.67%
Manufacturing		6,302	0	0	0	0.53%
Electricity, gas, steam and air conditioning supply		3,646	0	0	0	0.30%
Construction		12,525	19,149	0	0	2.65%
Wholesale and retail trade		26,282	6,600	0	0	2.75%
Transportation and storage		8,600	427	0	15,934	2.09%
Accommodation and food service activities		6,115	21	0	0	0.51%
Information and communication		1,060	0	0	0	0.09%
Financial and insurance activities		388,874	8,583	4,025	208,003	50.91%
Real estate activities		221,476	99,871	1,039	0	26.93%
Professional, scientific and technical activities		266	0	0	0	0.02%
Administrative and support service activities		886	0	0	0	0.07%
Human health and social work activities		3,629	0	0	0	0.30%
Arts, entertainment and recreation		4,135	0	0	0	0.35%
Other service activities		22,323	1,830	54	0	2.02%
Private persons		71,620	21,841	0	0	7.81%
Total		796,766	171,293	5,118	223,937	100.00%

EUR ths., as of 31.12.2010		Balance sheet claims				
Economic sector		loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets	by area (%)
Agriculture, forestry and fishing		1,216	829	0	0	2.67%
Manufacturing		403	0	0	0	0.53%
Electricity, gas, steam and air conditioning supply		233	0	0	0	0.30%
Construction		800	1,224	0	0	2.65%
Wholesale and retail trade		1,680	422	0	0	2.75%
Transportation and storage		550	27	0	1,018	2.09%
Accommodation and food service activities		391	1	0	0	0.51%
Information and communication		68	0	0	0	0.09%
Financial and insurance activities		24,854	549	257	13,294	50.91%
Real estate activities		14,155	6,383	66	0	26.93%
Professional, scientific and technical activities		17	0	0	0	0.02%
Administrative and support service activities		57	0	0	0	0.07%
Human health and social work activities		232	0	0	0	0.30%
Arts, entertainment and recreation		264	0	0	0	0.35%
Other service activities		1,427	117	3	0	2.02%
Private persons		4,577	1,396	0	0	7.81%
Total		50,923	10,948	327	14,312	100.00%

Note 31 continued:

Economic sector	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
	Note	14, 15, 16	16	17, 18	17	
Agriculture, forestry and fishing		17,747	11,285	0	0	3.02%
Manufacturing		12,460	76	37	0	1.31%
Electricity, gas, steam and air conditioning supply		4,364	0	40	0	0.46%
Construction		16,144	19,747	0	0	3.73%
Wholesale and retail trade		17,400	5,798	41	18,064	4.30%
Transportation and storage		10,308	87	0	43,363	5.59%
Accommodation and food service activities		2,121	0	0	0	0.22%
Information and communication		1,302	0	67	0	0.14%
Financial and insurance activities		185,209	0	1,939	56,103	25.30%
Real estate activities		324,861	63,660	1,039	0	40.51%
Professional, scientific and technical activities		321	0	0	0	0.03%
Administrative and support service activities		864	0	0	0	0.09%
Human health and social work activities		4,110	0	0	0	0.43%
Arts, entertainment and recreation		2,562	0	0	0	0.27%
Other service activities		46,254	10,872	54	0	5.95%
Private persons		77,736	5,022	0	537	8.66%
Total		723,763	116,547	3,217	118,067	100.00%

Economic sector	Balance sheet claims					by area (%)
	loans and advances *	incl. overdue and doubtful claims	securities **	contingent assets		
	Note	14, 15, 16	16	17, 18	17	
Agriculture, forestry and fishing		1,134	721	0	0	3.02%
Manufacturing		796	5	2	0	1.31%
Electricity, gas, steam and air conditioning supply		279	0	3	0	0.46%
Construction		1,032	1,262	0	0	3.73%
Wholesale and retail trade		1,112	371	3	1,155	4.30%
Transportation and storage		659	6	0	2,771	5.59%
Accommodation and food service activities		136	0	0	0	0.22%
Information and communication		83	0	4	0	0.14%
Financial and insurance activities		11,837	0	124	3,586	25.30%
Real estate activities		20,762	4,069	66	0	40.51%
Professional, scientific and technical activities		21	0	0	0	0.03%
Administrative and support service activities		55	0	0	0	0.09%
Human health and social work activities		263	0	0	0	0.43%
Arts, entertainment and recreation		164	0	0	0	0.27%
Other service activities		2,956	695	3	0	5.95%
Private persons		4,968	321	0	34	8.66%
Total		46,257	7,449	206	7,546	100.00%

* Includes claims on credit institutions and financial institutions.

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

Note 32: Contingent Assets and Liabilities

	EEK ths.		EUR ths.	
	Claims	Liabilities	Claims	Liabilities
	31.12.2010			
Irrevocable transactions	223,937	231,232	14,312	14,778
Guarantees and similar irrevocable transactions	0	153	0	10
Unused loan limits	0	1,690	0	108
Hybrid swaps *	8,428	8,428	539	539
Currency forward transactions	215,509	216,016	13,774	13,806
Front-loaded euro cash **	0	4,945	0	316

	EEK ths.		EUR ths.	
	Claims	Liabilities	Claims	Liabilities
	31.12.2009			
Irrevocable transactions	118,067	120,077	7,546	7,674
Guarantees and similar irrevocable transactions	0	275	0	18
Unused loan limits	0	1,735	0	111
Hybrid swaps *	8,428	8,428	539	539
Currency forward transactions	109,639	109,639	7,007	7,007
Front-loaded euro cash **	0	0	0	0

* 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.

** Commitments to the Bank of Estonia, arising from the front-loading agreement for euros, have been disclosed off-balance sheet as of 31.12.2010.

Note 33: Liquidity (Assets and Liabilities by Remaining Maturities)

EEK ths., as of 31.12.2010

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	321,050	65,562	78,338	25,150	43,625	46,136	166,155	61,232	807,248
Cash and claims to banks	312,986	0	52,033	0	0	0	0	0	365,019
Claims to customers	4,883	64,523	26,150	25,150	43,625	46,136	165,301	61,232	437,000
Securities	3,070	1,039	155	0	0	0	854	0	5,118
Other claims	111	0	0	0	0	0	0	0	111
Liabilities of the Bank	309,603	0	81,102	47,248	248,128	37,538	31,222	75,127	829,968
Amounts owed to clients	305,988	0	78,615	45,667	245,359	33,840	21,168	0	730,637
Subordinated debt	0	0	230	438	2,041	2,716	8,921	75,127	89,473
Other borrowings	0	0	346	1,143	728	982	1,133	0	4,332
Other liabilities	3,615	0	1,911	0	0	0	0	0	5,526
Net	11,447	65,562	-2,764	-22,098	-204,503	8,598	134,933	-13,895	-22,720
Contingent:									
assets	0	0	215,509	0	8,428	0	0	0	223,937
liabilities	6,635	0	216,016	103	8,478	0	0	0	231,232

EUR ths., as of 31.12.2010

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	20,519	4,190	5,007	1,607	2,788	2,949	10,619	3,913	51,593
Cash and claims to banks	20,003	0	3,326	0	0	0	0	0	23,329
Claims to customers	312	4,124	1,671	1,607	2,788	2,949	10,565	3,913	27,929
Securities	196	66	10	0	0	0	55	0	327
Other claims	7	0	0	0	0	0	0	0	7
Liabilities of the Bank	19,787	0	5,183	3,020	15,858	2,399	1,995	4,801	53,045
Amounts owed to clients	19,556	0	5,024	2,919	15,681	2,163	1,353	0	46,696
Subordinated debt	0	0	15	28	130	174	570	4,801	5,718
Other borrowings	0	0	22	73	47	63	72	0	277
Other liabilities	231	0	122	0	0	0	0	0	353
Net	732	4,190	-177	-1,412	-13,070	550	8,624	-888	-1,452
Contingent:									
assets	0	0	13,774	0	539	0	0	0	14,312
liabilities	424	0	13,806	7	542	0	0	0	14,778

Total claims to customers differs from the balance sheet amount by the effective interest rate correction in the amount of 1,787 thousand kroons, which has been deducted from the balance sheet amount.

Negative first year cash-flows are fully covered by money market limits of the Group.

Note 33 continued:

EEK ths., as of 31.12.2009

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	175,760	53,714	59,921	54,909	62,003	103,979	184,633	39,269	734,188
Cash and claims to banks	170,726	0	0	0	0	0	0	0	170,726
Claims to customers	3,032	52,675	59,822	54,909	60,482	103,979	183,959	39,269	558,127
Securities	1,405	1,039	99	0	0	0	674	0	3,217
Other claims	597	0	0	0	1,521	0	0	0	2,118
Liabilities of the Bank	101,859	0	241,732	49,295	165,654	14,192	558	63,018	636,308
Amounts owed to banks	162	0	140,881	0	0	0	0	0	141,043
Amounts owed to clients	97,548	0	99,638	48,777	165,426	13,802	546	0	425,737
Subordinated debt	0	0	0	0	0	0	0	63,018	63,018
Other borrowings	0	0	10	518	228	390	12	0	1,158
Other liabilities	4,149	0	1,203	0	0	0	0	0	5,352
Net	73,901	53,714	-181,811	5,614	-103,651	89,787	184,075	-23,749	97,880
Contingent:									
assets	0	0	109,639	0	0	8,428	0	0	118,067
liabilities	0	0	109,639	100	1,857	8,481	0	0	120,077

EUR ths., as of 31.12.2009

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	11,233	3,433	3,830	3,509	3,963	6,645	11,800	2,510	46,923
Cash and claims to banks	10,911	0	0	0	0	0	0	0	10,911
Claims to customers	194	3,367	3,823	3,509	3,866	6,645	11,757	2,510	35,671
Securities	90	66	6	0	0	0	43	0	206
Other claims	38	0	0	0	97	0	0	0	135
Liabilities of the Bank	6,510	0	15,449	3,151	10,587	907	36	4,028	40,667
Amounts owed to banks	10	0	9,004	0	0	0	0	0	9,014
Amounts owed to clients	6,234	0	6,368	3,117	10,573	882	35	0	27,210
Subordinated debt	0	0	0	0	0	0	0	4,028	4,028
Other borrowings	0	0	1	33	15	25	1	0	74
Other liabilities	265	0	77	0	0	0	0	0	342
Net	4,723	3,433	-11,620	359	-6,625	5,738	11,765	-1,518	6,256
Contingent:									
assets	0	0	7,007	0	0	539	0	0	7,546
liabilities	0	0	7,007	6	119	542	0	0	7,674

Note 34: Loss Per Share

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
Net loss for the reporting period	-61,559	-84,388	-3,934	-5,393
Weighted average no. of shares (ths. pcs.)	14,682	20,050	14,682	20,050
Basic loss per share	-4.19	-4.21	-0.27	-0.27
Diluted loss per share	-4.19	-4.21	-0.27	-0.27

MARFIN PANK EESTI AS has not issued convertible securities.

Note 35: Operating Lease Liabilities**Rental payments for vehicles**

MARFIN PANK EESTI AS has concluded operating lease agreements for five vehicles as of 31.12.2010. Longest contract ends on 15.12.2015, i.e. no agreement exceeds 5 years.

All contractual rent payments are uninterruptable.

Rental payments for vehicles by due dates

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Rental payment paid and expensed during reporting year	405	484	26	31
Rental payments payable:				
until 1 year	505	219	32	14
1 to 5 years	1,565	296	100	19

Rental payments for bank premises

MARFIN PANK EESTI AS has concluded agreements for renting bank premises in Tallinn, Tartu, Jõhvi and Pärnu. Longest rent agreement ends on 31.05.2014.

Rental payments for bank premises by due dates

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Rental payment paid and expensed during reporting year	4,966	4,624	317	296
Rental payments payable during next reporting period:				
from uninterruptable contract:				
up to 3 months	1,461	1,177	93	75
3 months up to 1 year	311	311	20	20
1 to 5 years	242	657	15	42

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

Note 36: Risk and Capital Management**Risk Management**MARKET RISKInterest rate risk

The Group's general strategy is to minimise exposure to the interest rate risk primarily by keeping similar interest rate sensitivity of its assets and liabilities. Interest rate risk sensitivity is analysed by measuring the sensitivity of claims and liabilities with interest rate repricing taking place within a year to +200 basis points parallel shift of all interest curves, and its affect on profits. Assets' and liabilities' interest sensitivity gaps periodised by interest repricing and grouped by period form a basis for analysis. Affect is annualised by weighting interest sensitivity gaps by average length of respective period until year-end. Additionally, the effect of cumulative current year interest sensitivity gap is assessed on next year's profit. See interest positions and sensitivity analysis in Note 38.

Foreign currency risk

The bank maintains minimum positions in foreign currencies necessary to provide services to the customers and wishing to keep a low risk profile. The Group does not take speculative foreign currency positions. The Bank's Management Board has set the limits for maximum open currency positions. All foreign currency positions are continuously monitored and marked to market. Open foreign currency positions are mainly hedged with swaps and forwards.

Open Currency Positions

The short and long net positions of each currency are converted to Estonian kroons using the rate of last banking day issued by the Bank of Estonia. Open positions between Estonian kroon and euro are unlimited, as the currencies are pegged. Total open net currency position against EEK is limited intraday by 3,129 thousand kroons (200 thousand euros) and overnight FX position by 2,347 thousand kroons (150 thousand euros). See FX positions and sensitivity analysis in Note 37.

Other price risk

Other price risk of market risks rises from placing Group's assets to instruments sensitive to market risk on the purpose of trading or investment. Market risk emerges from general market conditions unfavourable to the bank, or from decline in the financial position of issuers whose securities are in the trading portfolio. Personnel of the money and capital markets' division make decisions on positions within the limits established by the Management Board.

LIQUIDITY RISK

The main objective of the Bank's liquidity management is to match the maturities of assets and liabilities as much as possible, and not to depend too much on short-term financing. The daily management of the Bank's liquidity is the responsibility of the money and capital market division. The Bank keeps its liquid assets in the correspondent account at the Bank of Estonia, in other Estonian banks, in foreign banks and in marketable securities. Limits for deposits in other banks and securities are set by the Management Board and are subject to regular reviews. The division is responsible for monitoring the Bank's daily liquidity and for informing the Management Board. Bank has sufficient liquidity buffer through money market limits allocated by banks within the group and Estonian credit institutions, the total of which exceeds 20 million euros. See liquidity positions in Note 33.

Note 36 continued:

CREDIT RISK

The Bank's credit risk profile is rather characterised by low risk but stable interest income than high risk and higher interest income. Most decisions related to loans, guarantees and sureties are made by the credit committee (except small limit decisions, made by the Director of Retail and Corporate Banking). According to the Estonian Credit Institutions Act, the Supervisory Board establishes the competence and limits of credit committee in making decisions. In circumstances where the customer liabilities to the Bank exceed the authority of the credit committee due to its potential impact on Bank's economic standing, the decision made must also be approved by a member of the Supervisory Board of the group Credit Committee according to the rules set by the Supervisory Board. All liabilities that customers have to the bank are considered as customer receivables. Loans must be covered by sufficient collaterals. The daily administration and monitoring of the Bank's credit risk takes place in the loan and customer relationship division, following very detailed procedures. Procedures cover also analysis of loan projects taking into consideration creditworthiness of customer, previous credit history, financial condition, market conditions and other important factors affecting the credit risk. All lending reports are available online to the loan and customer relationship division. The loan and customer relationship division reports on regular basis to the Management Board about the general credit risk and the financial position of the major loan customers. The credit committee reviews loans in arrears weekly, normal loans are reviewed at least yearly. The adequacy and amount of loan loss allowances are reviewed monthly. Please see Note 16.

Risk Concentration

Risk concentration is considered high if the liabilities and potential liabilities of one client or related parties to the credit institution exceed 10% of the net own funds of the credit institution (the maximum limit allowed by the central bank is 25% of net own funds). The total amount of debts with high risk concentration must not exceed 800% of the net own funds of the credit institution. Please see Note 40.

OPERATIONAL RISKS

Further control over business continuity risks was enhanced in 2010. Secure real-time back-up to server disk with third party vendor was implemented in December 2010. Generator-based solution to ensure continuity of electricity supply to more important rooms of head-quarters also in case of longer-period breakage of electricity supply, is planned for year 2011.

The main instrument for minimising operating and personnel risk is to follow the segregation of duties in performing banking operations. Operations are divided into front and back-office operations so that one employee cannot solely execute a whole operation. The Management Board is responsible for the personnel risk management.

It is important in order to reduce information technology risks that BankSyst, the banking information system used, can be independently developed further and modified by the bank's IT development. Used banking software is also scaleable, allowing to increase server capacity, when the volume of information being processed, grows in time. The banking system is defended from outside intruders by firewalls. All programs belonging to the banking system are protected by passwords, which are changed according to internal policies set. The banking system is equipped with a system for back-ups.

The Management Board has enforced a principle that only collateral in Estonia or countries with high ratings are accepted in order to avoid country risk.

Internal control system construed in the past to consist of control measures, based on general principles of controls, set by the Supervisory Board. The Management Board has elaborated the control rules, following the above mentioned general principles. The control measures implemented in the Bank's business processes are regulated by the rules and procedures approved by the Management Board.

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Note 36 continued:

The Management Board's competence involves in addition to the creation of the control mechanisms, also the implementation and the control over the fulfillment of those mechanisms.

The internal audit department is responsible for evaluating the current internal control system, the sufficiency and efficiency of the control mechanisms set by the Management and Supervisory Boards of the bank and makes recommendations for improvements of the system and tests its operability. The internal audit department reports to the Management and Supervisory Board.

The financial data is maintained online in an information system, which is integrated with the central database. The information of the Bank's activities is stored both electronically and on paper in appropriate registers.

The employees' access to the information, which is required for fulfilling their tasks, is regulated by the IT access rules. The Management Board is responsible for informing the bank's employees about the external laws and rules regulating their area of responsibility as well as the internal policies set by the bank's managing bodies.

Capital Management

The Bank implemented ICAAP (internal capital adequacy assessment process, which is introduced to the banks and investment firms under article 123 of the 2006/48/EC directive) procedures in year 2008. Financial Supervision Authority has issued guideline "Requirements to the internal capital adequacy assessment process" to Estonian financial institutions, in force since 01.01.2008, which is leading the process and has more details than such guidelines in the neighbouring countries. Bank implemented the so-called "Pillar 1 +" method of ICAAP, under which an additional buffer is added to the Pillar 1 regulative capital requirements for uncovered or insufficiently covered risks. ICAAP includes approval of capital plan stating current capital need, expected capital need, required level of capitalisation and sources of additional capital. See capital risk measures in Note 39.

Note 37: Foreign Currency Risk

	Balance sheet position		Off-balance sheet position		Net position
	assets	liabilities	assets	liabilities	
	31.12.2010				
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
	31.12.2009				
	Balance sheet position		Off-balance sheet position		Net position
	assets	liabilities	assets	liabilities	
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.

Following the Bank of Estonia Governor's Decree "Procedure for Application and Calculation of Prudential Ratios of Credit Institutions and Consolidation Groups of Credit Institutions", the Estonian kroon and euro of European Union are not considered as foreign currencies and their positions are treated as joint position.

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.

Sensitivity analysis of foreign currency risk

The bank is minimising its openness to foreign currency risks on a daily basis, following the general principles of risk management and approved limits. EEK and EUR net position has been used in sensitivity analysis, due to Estonian kroon being pegged to euro since 1999 at a rate of EEK 15.6466: EUR 1. Total open net foreign currency position of the Bank comprised 427 thousand kroons i.e. 27 thousand euros as of 31.12.2010 (484 thousand kroons i.e. 31 thousand euros as of 31.12.2009). Even a simultaneous 5% change in unfavourable direction for all used currencies could cause the Bank only a 12 thousand kroon i.e. 0.8 thousand euro (31.12.2009: 24 thousand kroon i.e. 1.5 thousand euro) additional loss, leading to a conclusion, that the Bank's openness to foreign currency risk is insignificant. Used methods and assumptions have not changed compared with previous period.

Note 38: Interest-Bearing Assets and Liabilities by Interest Repricing Period

EEK ths., as of 31.12.2010

Claims, liabilities	Note	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	accrued claims - commitments	Total
Claims of the Bank		502,759	112,422	118,214	4,337	2,855	593	61,135	802,315
Claims to banks	14, 15	362,128	0	0	0	0	0	20	362,148
Claims to customers	16	139,631	112,422	118,214	4,337	2,855	593	57,161	435,213
Securities	18	1,000	0	0	0	0	0	3,954	4,954
Bank's liabilities		385,190	44,490	301,821	32,877	21,448	0	4,510	790,336
Deposits	23	383,159	43,356	238,536	31,918	20,331	0	4,042	721,342
Subordinated debt	24	0	0	62,586	0	0	0	468	63,054
Other borrowings	25	341	1,134	699	959	1,117	0	0	4,250
Unused loan limits	32	1,690	0	0	0	0	0	0	1,690
Net		117,569	67,932	183,607	28,540	18,593	593	56,625	11,979

EUR ths., as of 31.12.2010

Claims, liabilities	Note	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	accrued claims - commitments	Total
Claims of the Bank		32,132	7,185	7,555	277	182	38	3,907	51,277
Claims to banks	14, 15	23,144	0	0	0	0	0	1	23,145
Claims to customers	16	8,924	7,185	7,555	277	182	38	3,653	27,815
Securities	18	64	0	0	0	0	0	253	317
Bank's liabilities		24,618	2,843	19,290	2,101	1,371	0	288	50,512
Deposits	23	24,488	2,771	15,245	2,040	1,299	0	258	46,102
Subordinated debt	24	0	0	4,000	0	0	0	30	4,030
Other borrowings	25	22	72	45	61	71	0	0	272
Unused loan limits	32	108	0	0	0	0	0	0	108
Net		7,514	4,342	-11,735	-1,824	-1,188	38	3,619	766

Current note includes loan claims, where there is no legal claim to interest, as non-interest bearing claims.

Note 38 continued:

EEK ths., as of 31.12.2009

Claims, liabilities	Note	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	accrued claims - commitments	Total
Claims of the Bank		297,907	231,056	103,884	49,279	1,300	78	41,972	725,476
Claims to banks	14, 15	168,630	0	0	0	0	0	20	168,650
Claims to customers	16	127,564	231,056	103,884	49,279	1,300	78	41,952	555,113
Securities	18	1,713	0	0	0	0	0	0	1,713
Bank's liabilities		338,578	48,569	226,451	14,448	150	0	4,495	632,691
Due to banks		140,981	0	0	0	0	0	62	141,043
Due to customers	23	195,853	48,051	163,637	14,045	150	0	4,001	425,737
Subordinated debt	24	0	0	62,586	0	0	0	432	63,018
Other borrowings	25	9	518	228	403	0	0	0	1,158
Unused loan limits	32	1,735	0	0	0	0	0	0	1,735
Net		-40,671	182,487	122,567	34,831	1,150	78	37,477	92,785

EUR ths., as of 31.12.2009

Claims, liabilities	Note	up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	accrued claims - commitments	Total
Claims of the Bank		19,040	14,767	6,639	3,150	83	5	2,682	46,366
Claims to banks	14, 15	10,777	0	0	0	0	0	1	10,779
Claims to customers	16	8,153	14,767	6,639	3,150	83	5	2,681	35,478
Securities	18	109	0	0	0	0	0	0	109
Bank's liabilities		21,639	3,104	14,473	923	10	0	287	40,436
Due to banks		9,010	0	0	0	0	0	4	9,014
Due to customers	23	12,517	3,071	10,458	898	10	0	256	27,210
Subordinated debt	24	0	0	4,000	0	0	0	28	4,028
Other borrowings	25	1	33	15	26	0	0	0	74
Unused loan limits	32	111	0	0	0	0	0	0	111
Net		-2,599	11,663	-7,833	2,226	73	5	2,395	5,930

Sensitivity analysis of interest rate risk

Interest risk assessment was performed as of 31.12.2010, where the effect of a 200 bps deposit interest curve shift to profit was measured, while the Euribor-based and fixed loan interest rates were kept constant and the interest rate difference remained the same during the period of 1 year.

Time deposits with the term up to one year, which would roll-over with 200 bps higher interest rate, were used as the basis for stress test. Deposits with such conditions totalled 317,864 thousand kroons as of 31.12.2010, the absolute maturity-weighted effect of 200 bps interest curve rise on interest expense being 3,036 thousand kroons in one year. Considering that the Bank monthly adjusts loan interest rates for loan contracts connected with Bank's base interest rate in accordance with its actual interest expenses, the effect of deposit interest rise on net interest income is not expressed in the amount of loans tied with base interest rate. The loans tied with base interest rate totalled 116,933 thousand kroons as of 31.12.2010, by which the deposit volumes open to interest risk were adjusted during stress test, and the appropriate effect of 200 bps interest curve rise was 1,919 thousand kroons. Used methods and assumptions have not changed significantly compared with previous period.

Note 38 continued:

Bank's cumulative interest rate sensitivity gap, which is the basis for interest rate risk, was 140,777 thousand kroons (8,997 thousand euros) for period up to 3 months and 18,210 thousand kroons (1,164 thousand euros) for period up to 12 months as of 31.12.2009. The effect of time-weighted +200 basis points interest curve shift for the Bank's profit was +680 thousand kroons (+43 thousand euros) i.e. 2.0% of the 2009 net interest income of the bank and 0.7% of equity. The effect of time-weighted -200 basis points interest curve shift would be -680 thousand kroons (-43 thousand euros).

Note 39: Capital Adequacy

	EEK ths.	EUR ths.	EEK ths.	EUR ths.
	31.12.10	31.12.10	31.12.09	31.12.09
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
Total tier 1 own funds	83,872	5,360	102,327	6,540
Subordinated debt	62,586	4,000	62,586	4,000
Tier 2 own funds, which exceed the limits	-20,650	-1,320	-11,423	-730
Second level equity	41,936	2,680	51,163	3,270
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
Own funds for capital adequacy calculations	125,808	8,041	153,490	9,810
Credit institutions and investment companies under standard method	2,187	140	1,371	88
Companies under standard method	10,388	664	15,067	963
Mass claims under standard method	14,409	921	16,635	1,063
Claims backed by mortgages under standard method	2,431	155	2,789	178
Overdue claims under standard method	13,103	837	19,266	1,231
Other assets under standard method	7,803	499	941	60
Total capital requirement for credit risk and counterparty credit risk	50,321	3,216	56,069	3,583
Operational risk base method	6,484	414	5,797	370
Total capital requirement for operational risk	6,484	414	5,797	370
Capital requirements for adequacy calculations	56,805	3,631	61,866	3,954
Capital adequacy	22.15%	22.15%	24.81%	24.81%

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

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.

Note 39 continued: Credit risk and counterparty credit risk report following the standard method

EEK ths., as of 31.12.2010

	Balance sheet										Off-balance sheet						Risk adjusted amount			
	Initial value (gross)				Allowances and corrections (-)						Collaterals	Loan limits	Cash	Financial guarantees	Deriva-tives *	Hybrid swaps *		Risk weight		
	Claims	Loans	Debt securities and shares	Unamortised fees	Loan provisions	Debt security provisions	Financial collaterals simple method	Financial collaterals simple method	Loan limits	Cash									Financial guarantees	Deriva-tives *
Note:	14, 15, 16	16	17, 18	16	16	18						32	32	32	32					
Central government and central banks	265,106	0	0	0	0	0						0	0	0	0	0	0	0	0	
I rate credit quality	265,106																			
Credit institutions and investment firms	101,925	0	1,013	0	0	-158						0	2,149	1,011	21,872	21,017	20%	100%	855	
I rate credit quality	101,925		1,013			-158							2,149	1,011	21,872	21,017	20%	100%	855	
III rate credit quality																				
Companies	78	110,051	3,017	-1,520	-8,061	0						0	153	159	103,877	103,877	100%	100%	103,877	
III and IV rate credit quality	78	110,051	3,017	-1,520	-8,061	0						0	153	159	103,877	103,877	100%	100%	103,877	
Retail claims	0	208,389	0	-267	-9,721	0						0	0	0	143,754	143,754	75%	75%	143,754	
Claims up to EUR 1 mio		208,389		-267	-9,721	0						0	0	0	143,754	143,754	75%	75%	143,754	
Claims with real estate collaterals	0	35,991	0	0	0	0						0	0	0	24,309	24,309	0	0	0	
Claims fully covered with real estate:																				
Claims, fully covered by mortgage to residential real estate, covered claims up to 70% of the real estate collateral value		17,973																		6,291
Claims, fully covered by mortgage to residential real estate, covered claims over 70% of the real estate collateral value		18,018																		18,018
Claims in arrears	0	189,286	1,039	0	-93,896	0						0	0	0	131,028	27,231	100%	100%	131,028	
III and IV rate credit quality		120,152			-92,921															27,231
V and VI rate credit quality		69,134			-975															103,797
Other assets	80,807	0	136	0	0	-42						1,690	4,945	0	78,369	0	0%	0%	78,369	
Cash	2,870											1,690	4,945	0	78,369	0	0%	0%	78,369	
Property and equipment	75,934																			75,934
Prepayments and prepaid expenses	2,003																			2,003
Investments to shares of other companies, not deducted from own funds																				94
Loan limits and overdraft limits with contractual maturity up to 1 year (can not be terminated by one												1,690								338
Total	447,916	543,717	5,205	-1,787	-111,678	-200						1,690	4,945	153	2,308	1,011	20%	20%	503,209	
																				TOTAL RISK-WEIGHTED ASSETS

Position open to credit risk of derivatives and hybrid swaps is calculated in fair value method based on notional value of risk position.

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Note 39 continued: **Information Disclosed on Capital Adequacy**

Bank is following the principles set by the Estonian Credit Institutions Act and Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions” in establishing and calculating own funds, as well as deductions and limits from own funds.

All balance sheet and off-balance sheet risk positions are divided between classes of risk exposures stipulated in the Credit Institutions Act, to calculate risk-weighted assets followed by a division to steps of credit quality in order to establish risk weights. Bank uses rating agency Moody's Investors Service's external credit quality assessments in determining capital requirements as per credit quality steps as defined by Financial Supervisory Authority. If there is no foreign rating, the risk weight is assigned following the credit risk standard method principles as stipulated in Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions”.

Bank considers the following direct funded credit 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 financial collaterals as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions”: 1) On-balance sheet netting – recognised by agreement as an each time decision; 2) Financial collaterals – recognised depending on the type of underlying asset. Bank accepts as financial collateral: 1) cash on deposit with, or cash assimilated instruments held by the Bank; 2) shares and convertible debt instruments listed in a main list on a recognised stock exchange and debt instruments meeting the requirements stipulated in Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions”. 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. Bank uses the financial collateral simple method, calculating the effect by assigning the value equal to the fair value of financial collateral.

Bank considers the following unfunded credit 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 facilities and credit derivatives as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions”: 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.

Bank applies the procedure, as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions”, in calculating the effects of unfunded credit protection using credit risk standard method.

Credit risk protection transactions applied as of 31.12.2010 were all financial collaterals of cash deposited with the Bank. Bank has not used unfunded credit protection facilities nor credit derivatives as of 31.12.2010.

Bank applies the principles set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions” for calculation of risk-weighted exposure amounts for securitised exposures: „Calculating risk-weighted exposure amounts for securitisation positions under the Standardised Approach”.

Bank had no securitised exposures as of 31.12.2010.

Bank has an exemption, as per Credit Institutions Act § 79 clause 3, from calculating separate capital requirement to cover interest position and stock position risk, settlement delivery risk and counterparty risk associated with the trading portfolio. Bank applies credit risk standard method in calculating capital requirements on instruments and counterparty credit risk associated with the trading portfolio.

Equity investments acquired under strategic purposes to the bank portfolio are classified by each time decision of the Management Board of the Bank.

Note 40: Concentration of Risks

	31.12.2010			
	no.	EEK ths.	EUR ths.	% of net own funds
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%

	31.12.2009			
	no.	EEK ths.	EUR ths.	% of net own funds
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%

* Concentration of risks is high, when a risk position of a customer or group of connected persons exceeds 10% of own funds of credit institution.

Note 41: Fair Value

The Bank estimates that the fair values of the assets and liabilities recognised in the balance sheet at amortised cost do not differ significantly from their carrying values as at 31.12.2010 and 31.12.2009. Management has assessed the effective interest rates for all financial assets and liabilities denominated in the balance sheet at amortised cost compared it to the market rates effective on the balance sheet date and concluded that there is no significant difference between effective rates used for financial assets and liabilities and market rates at the balance sheet date.

- Loans to customers are sufficiently short term and issued on market terms or the interest terms have been revised recently to match the market terms, as a result of which the fair market interest rate and respectively the fair value of the loan has not changed significantly during the loan term.
- Deposits and structured deposits are also of short remaining maturity and therefore the fair value does not change significantly during the deposit term.

Note 41 continued:

Assets and liabilities measured at fair value

as of 31.12.2010

	EEK ths. Level 1	EEK ths. Level 2	EEK ths. Level 3	EEK ths. Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
Equity securities	154	0	0	154
Derivative financial instruments	9	0	0	9
Financial assets designated at fair value				
Debt securities	0	854	1,039	1,893
Equity securities	0	3,007	54	3,061
Total assets	163	3,861	1,093	5,117
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	678	0	0	678
Total liabilities	678	0	0	678

	EUR ths. Level 1	EUR ths. Level 2	EUR ths. Level 3	EUR ths. Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
Equity securities	10	0	0	10
Derivative financial instruments	1	0	0	1
Financial assets designated at fair value				
Debt securities	0	55	66	121
Equity securities	0	192	3	196
Total assets	10	247	70	327
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	43	0	0	43
Total liabilities	43	0	0	43

Note 41 continued:

as of 31.12.2009

	EEK ths. Level 1	EEK ths. Level 2	EEK ths. Level 3	EEK ths. Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
Equity securities	145	0	0	145
Derivative financial instruments	100	0	0	100
Financial assets designated at fair value				
Debt securities	0	674	1,039	1,713
Equity securities	0	1,205	54	1,259
Total assets	245	1,879	1,093	3,217
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	112	0	0	112
Total liabilities	112	0	0	112

	EUR ths. Level 1	EUR ths. Level 2	EUR ths. Level 3	EUR ths. Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
Equity securities	9	0	0	9
Derivative financial instruments	6	0	0	6
Financial assets designated at fair value				
Debt securities	0	43	66	109
Equity securities	0	77	3	80
Total assets	16	120	70	206
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	7	0	0	7
Total liabilities	7	0	0	7

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)

Other financial assets and financial liabilities have arisen in the ordinary course of operating activities and are payable shortly, on account of which the management board is of opinion that their fair value does not differ significantly from their carrying value. These assets and liabilities do not carry any interest.

Lisa 42. Unconsolidated Financial Statements of the Bank

STATEMENT OF FINANCIAL POSITION

	EEK ths. 31.12.10	EEK ths. 31.12.09	EUR ths. 31.12.10	EUR ths. 31.12.09
ASSETS				
Cash	2,871	2,076	183	133
Loans and advances	824,617	723,763	52,703	46,257
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
Financial assets held for trading	164	245	10	16
Available-for-sale financial assets	4,954	2,972	317	190
Property and equipment	3,694	2,853	236	182
Investment properties	40,222	4,382	2,571	280
Intangible assets	1,942	621	124	40
Other assets	2,043	2,118	131	135
TOTAL ASSETS	880,507	739,030	56,275	47,233
LIABILITIES				
Financial liabilities held for trading	678	112	43	7
Financial liabilities measured at amortised cost	788,646	630,956	50,404	40,325
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
Tax liabilities	872	825	56	53
Other liabilities	4,686	4,527	299	289
TOTAL LIABILITIES	794,882	636,420	50,802	40,675
SHAREHOLDERS' EQUITY				
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
TOTAL SHAREHOLDERS' EQUITY	85,625	102,610	5,472	6,558
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	880,507	739,030	56,275	47,233

Note 42 continued:

STATEMENT OF COMPREHENSIVE INCOME

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2010	2009	2010	2009
Interest income	42 385	57,808	2 709	3,695
Interest expense	-16,643	-23,010	-1,064	-1,471
Net interest income	25,742	34,798	1,645	2,224
Fees and commissions income	5,276	4,371	337	279
Fees and commissions expense	-2,401	-2,105	-153	-135
Net fees and commissions income	2,875	2,266	184	145
Net trading gains	4,123	3,480	264	222
Other operating income	196	0	13	0
Other operating expenses	-1,906	-1,131	-122	-72
Total operating income	31,030	39,413	1,983	2,519
Administrative expenses	-37,626	-35,926	-2,405	-2,296
Personnel expense	-17,924	-17,370	-1,146	-1,110
Payroll related taxes	-6,106	-5,841	-390	-373
Other administrative expenses	-13,596	-12,715	-869	-813
Depreciation and amortisation of tangible and intangible assets	-1,592	-2,373	-102	-152
Operating profit/loss before allowances	-8,188	1,114	-523	71
Impairment loss on financial assets	-53 371	-85,502	-3 411	-5,465
NET LOSS FOR THE PERIOD	-61,559	-84,388	-3,934	-5,393
Net change in revaluation reserve of available-for-sales financial assets	149	3,219	10	206
COMPREHENSIVE LOSS FOR THE PERIOD	-61,410	-81,169	-3,925	-5,188

Note 42 continued:

STATEMENT OF CASH FLOWS

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2010	2009	2010	2009
Cash flows from operating activities	195,535	-49,371	12,497	-3,155
Interests received	44,643	44,185	2,853	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	-37,520	-35,534	-2,398	-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
Change in operating assets and liabilities:				
Change in due from other banks	-437	397	-28	25
Change in due from customers of credit institution	40,967	33,879	2,618	2,165
Change in due to credit institutions	-141,043	-125,185	-9,014	-8,001
Change in due to customers	295,564	68,522	18,890	4,379
Change in assets and liabilities connected with other operating activities	4,846	-17,317	310	-1,107
Cash flows from investing activities	-49,253	-5,461	-3,148	-349
Purchase of property and equipment	-2,055	-192	-131	-12
Purchase of intangible assets	-1,698	-212	-109	-14
Purchase of investment properties	-45,500	-5,057	-2,908	-323
Cash flows from financing activities	47,554	63,744	3,039	4,074
Increase of share capital	44,426	0	2,839	0
Subordinated debt received	0	62,586	0	4,000
Change in interest of subordinated debt	36	0	2	0
Other borrowings received	4,485	2,100	287	134
Borrowings repaid	-1,393	-942	-89	-60
Total cash flows	193,836	8,912	12,388	570
Cash and cash equivalents at the beginning of year	76,840	67,928	4,911	4,341
Net change in cash and cash equivalents	193,836	8,912	12,388	570
Cash and cash equivalents at the end of the year *	270,676	76,840	17,299	4,911

* 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 mandatory 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
Total	270,676	76,840	17,299	4,911

Note 42 continued:

STATEMENT OF CHANGES IN EQUITY

	EEK ths. 2010	EEK ths. 2009	EUR ths. 2010	EUR ths. 2009
Share capital				
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
Balance at the end of period	146,821	200,500	9,384	12,814
Statutory legal reserve				
Balance at the beginning of period	559	559	36	36
Balance at the end of period	559	559	36	36
Fair value reserve of available-for-sale financial assets				
Balance at the beginning of period	-338	-3,557	-22	-227
Revaluation	149	3,219	10	206
Balance at the end of period	-189	-338	-12	-22
Accumulated deficit				
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
Balance at the end of period	-61,566	-98,111	-3,935	-6,270
Total shareholders' equity:				
at the beginning of period	102,610	183,779	6,558	11,746
at the end of period	85,625	102,610	5,472	6,558
Book value of holdings under control or significant influence	40	0	3	0
Value of holdings under control or significant influence, calculated by equity method	-40	0	-3	0
Adjusted unconsolidated equity	85,625	102,610	5,472	6,558


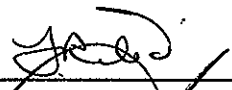
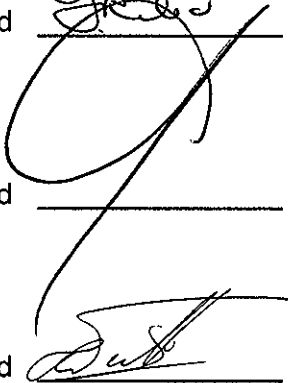
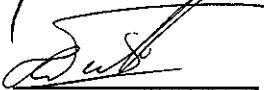
Note 43: Subsequent Events

On 1 January 2011, the Republic of Estonia joined the Euro area and adopted the Euro as its national currency, replacing the Estonian kroon. Consequently, starting from 2011, the Bank's functional currency is Euro and the statutory financial statements of 2011 and later periods will be presented in Euros. Comparative figures will be recalculated to euros using the conversion rate of 15.6466 EEK/EUR. The exchange rate has been the same during previous periods.

No incidents emerged during the Bank's conversion to euro.

**SIGNATURES OF THE MANAGEMENT BOARD TO THE ANNUAL REPORT
2010**

The Annual Report 2010 of MARFIN PANK EESTI AS is signed by:

Riho Rasmann	Chairman of the Management Board		<u>18.03.2011</u>
Sven Raba	Member of the Management Board		<u>18.03.2011</u>
Mart Veskimägi	Member of the Management Board		<u>18.03.2011</u>
Roul Tutt	Member of the Management Board		<u>18.03.2011</u>



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of MARFIN PANK EESTI AS

We have audited the accompanying consolidated financial statements of MARFIN PANK EESTI AS and its subsidiary, which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and true and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of MARFIN PANK EESTI AS and its subsidiary as of 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Tiit Raimla', written in a cursive style.

Tiit Raimla
Auditor's Certificate No.287

A handwritten signature in black ink, appearing to read 'Stan Nahkor', written in a cursive style.

Stan Nahkor
Auditor's Certificate No.508

29 March 2011

** 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.*

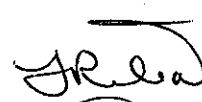
THE MANAGEMENT BOARD PROPOSAL TO COVER LOSSES

The Management Board of MARFIN PANK EESTI AS approved the audited loss of MARFIN PANK EESTI AS for the financial year 2010 in the amount of 61,559,391.88 kroons (3,934,362.22 euros). The Management Board's proposal to the General Meeting of Shareholders' is to record the loss for the financial year 2010 in the amount of 61,559,391.88 kroons (3,934,362.22 euros) under the balance sheet heading "Accumulated deficit".

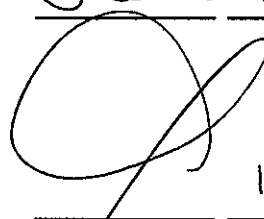
Riho Rasmann Chairman of the Management Board


18.03.2011

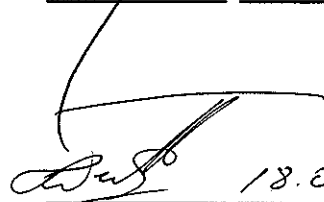
Sven Raba Member of the Management Board


18.03.2011

Mart Veskimägi Member of the Management Board


18.03.2011

Roul Tutt Member of the Management Board


18.03.2011