



MARFIN PANK EESTI AS

(Marfin Bank Estonia Ltd.)

Public Interim Report IV Quarter 2011

Translation from original in Estonian

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

SUMMARY INFORMATION

General Data of Credit Institution

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

Auditor

Business name of auditor	Aktsiaselts PricewaterhouseCoopers
Registration code of auditor	10142876
Auditor's location and address	Pärnu mnt 15, 10141 Tallinn, Estonia
Partner in charge	Tiit Raimla
Engagement leader	Stan Nahkor

Report balance sheet date	31.12.2011
Report period	01.01.2011 – 31.12.2011
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

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

	EUR ths.
Total assets	42,674
Net profit / loss	-2,049
Return on equity (ROE)	-38.32%
Asset utilisation (AU)	5.32%
Overdue claims and loans	10 626
Loan loss provisions	-7 440
Net own funds	4 920
Capital adequacy	23.85%

“Public Interim Report IV Quarter 2011” of MARFIN PANK EESTI AS is available in the office of MARFIN PANK EESTI in Tallinn, Pärnu mnt 12 and on the Bank's internet web page www.marfinbank.ee from 27.02.2012.

DECLARATION OF THE MANAGEMENT BOARD

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

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

In Tallinn, 27.02.2012

Riho Rasmann
Chairman
of the Management Board

Sven Raba
Member
of the Management Board

Mart Veskimägi
Member
of the Management Board

MANAGEMENT REPORT

Description of the Credit Institution and its Management Bodies

MARFIN PANK EESTI AS is a credit institution, established in 1999 and operating in Estonia. MARFIN PANK EESTI AS (hereinafter: the Bank) holds the activity license issued by 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 approximately 470 branches. Group has close to 9,000 employees. Year 2011 net consolidated loss of Marfin Popular Bank group totalled 3.3 billion euros according to preliminary results and total assets 34.1 billion euros. Marfin Popular Bank has a B2/ Not Prime (review for possible downgrade) rating by Moody's Investors Service, and BB+/B (outlook: negative) rating by Fitch Ratings.

The extraordinary general meeting of shareholders decided on 11.04.2011 to convert the Bank's share capital to euros, decrease share capital to cover losses and to increase share capital by 1.6 million euros. Paid-in share capital, 7.0 million euros, is divided into 11,747,957 ordinary shares with nominal value 0.60 euros each.

The owners of MARFIN PANK EESTI AS, as of the report approval date, are:
70.5427% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cyprus);
19.6531% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);
3.8331% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;
2.9630% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;
1.5116% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and
1.4965% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

Marfin Popular Bank Public Co Ltd. has signed a Share Purchase-Sale Agreement with the Ukrainian company UKRSELHOSPPROM PCF LLC on 22 December 2011 for the sale of its total participation. In addition, Marfin Popular Bank Public Co Ltd. assigns to UKRSELHOSPPROM PCF LLC the total of its obligations and rights arising from a subordinated loan which was granted to the Bank. Completion of the agreement is subject to obtaining the necessary approvals from the Central Bank of Cyprus and the relevant regulatory authorities in Ukraine and Estonia. As of the date of the Management Report, the transaction has not yet taken place.

The Supervisory Board of the Bank had five members at the end of the reporting period. Mr. Fotios Karatzenis (Chairman of the Supervisory Board), Mr. Achillefs Giannisis, Mr. Frank Ulrich John, Mr. Emmanouil Karavelakis and Mr. Christos Stylianides remained the members

of the Supervisory Board as of report preparation date. Mr. Efthymios Bouloutas resigned from the Supervisory Board in December 2011.

The Management Board of the Bank had three members at the end of the reporting period. Mr. Riho Rasmann is the Chairman of the Management Board, and the members of the Management Board are Mr. Sven Raba and Mr. Mart Veskimägi. Mr. Roul Tutt acted as a member of the Management Board until May 2011. The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of the Bank.

The Bank has one subsidiary in real estate sector - Osito Casa OÜ. The activities of the company were moved under the bank in September 2011, and there is a plan to liquidate the daughter company in year 2012. The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owns 16% of business development company European Business Development AS.

Major Economic Events

12th year of operations has been a year of fast growth for the Bank primarily in terms of customer numbers. Number of customers of the Bank increased 11% during the year (year earlier 23%), the number of active depositors remained at the same level. 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 favorable as well. Rent of safe-deposit boxes is offered in the Tallinn main branch as a new service from 30 May 2011.

Client deposits with the Bank totaled 32.8 million euros as of 31.12.2011 (46.1 million euros as of 31.12.2010). Volumes of private person deposits have continued to increase, and have permanently passed the deposit volumes of the other client groups, which have decreased compared with the beginning of the year. Bank continues to pay higher interest rates on time deposits, than the market average, which has also caused increase in the average depositing period.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 29.9 million euros, decreasing 17.0% from beginning of the year (i.e. more than banking sector average -4.5%) and forming 70.2% of total assets as at the end of financial year (31.12.2010: 64.1%). Gross loan portfolio amounted 36.1 million euros as of 31.12.2010. Bank had continuously much more deposits than loans – deposits ratio to loans stood at 1.10 as of 31.12.2011 (1.28 at year-end 2010). Total assets of the Bank have decreased 24.2% from beginning of the year, reaching 42.7 million euros as of 31.12.2011 (as of 31.12.2010 the balance sheet total was 56.3 million euros).

Decrease in interest income, conservative loan and other loss provisions caused the net loss of the Bank in year 2011, but the trend of provisions is clearly down. Write-offs of hopeless claims totaled 0.3 million euros (2010: 1.4 million euros). Net loss of 2011 comprised 2.0 million euros (net loss of year 2010 was 3.9 million euros).

Net interest income of the reporting period was 1.2 million euros (2010: 1.6 million euros), earned mostly on loans. Net fees and commissions income totaled 0.02 million euros (2010: 0.2 million euros). 0.06 million euros was earned on foreign exchange transactions (2010: 0.3 million euros). The decrease in income from foreign exchange and fees and commissions income was also caused by Estonia joining the eurozone, which lowered the volumes of foreign exchange transactions and adjusted the fees charged on euro payments (with the earlier cheaper or free of charge payments in kroons). Total operating income from banking activities comprised 1.1 million euros in year 2011 compared with 2.0 million euros year earlier. Administrative expenses of year 2011 and 2010 were 2.2 million euros and 2.4 million euros correspondingly, with savings achieved mainly from salary expenses.

Bank's equity totaled 5.0 million euros as of 31 December 2011 and the regulatory capital adequacy stood at 23.85% (31.12.2010: 5.5 million euros, capital adequacy 22.15%). Share capital increase is planned to be carried out in the first half of year 2012.

No new branch offices were opened in year 2011. Branch offices in Pärnu and Jõhvi were closed from beginning of March 2011, due to less demand for services rendered in bank branch. Bank branch offices are located in the center of Tallinn and Tartu. Bank's internet bank is available in Estonian, English and Russian languages, telephone bank service is available during working hours.

The Bank filed an application to join the international card organization Visa Europe Limited in year 2010, with the intention to start issuing international debit cards in the future, followed by credit cards. Visa approved the associated membership status in June 2010. Project is scheduled to be continued in year 2012.

Ratings

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

Ratios

		01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Return on equity	ROE	-38.32%	-57.32%
Equity multiplier	EM	8.32	7.49
Profit margin	PM	-86.63%	-118.88%
Asset utilisation	AU	5.32%	6.44%
Return on assets	ROA	-4.61%	-7.65%
Net interest margin	NIM	3.81%	4.40%
Basic earnings per share	Basic EPS	-0.16	-0.27
Diluted earnings per share	Diluted EPS	-0.16	-0.27
Spread	SPREAD	4.49%	4.78%
Yield on interest-earning assets	YIEA	7.28%	7.22%
Cost of interest-bearing liabilities	COL	2.79%	2.44%

Explanations to ratios

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

ROE	Net profit (loss) / Average equity * 100
EM	Average assets / Average equity
PM	Net profit (loss) / Total income * 100
AU	Total income / Average assets * 100
ROA	Net profit (loss) / Average assets * 100
NIM	Net interest income / Average interest earning assets * 100
Basic EPS	Net profit (loss) / Average number of shares
Diluted EPS	Net profit (loss) / Average number of shares (considering all convertible securities)

SPREAD	Yield on interest earning assets - Cost of interest bearing liabilities = YIEA - COL
YIEA	Interest income / Average interest earning assets * 100
COL	Interest expense / Average interest bearing liabilities * 100

Legal Disputes

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

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

FINANCIAL STATEMENTS

Statement of Financial Position

	EUR ths.	EUR ths.
	31.12.2011	31.12.2010
ASSETS		
Cash	117	183
Loans and advances		
Balances with central bank	8,778	16,943
Due from other banks	4,679	6,202
Due from customers	23,960	29,557
o/w allowance (-)	-7,440	-8,194
o/w interest	1,138	1,352
Financial assets held for trading	5	10
Available-for-sale financial assets	124	317
Property and equipment	184	236
Investment properties	4,557	2,571
Intangible assets	105	124
Other assets	165	131
TOTAL ASSETS	42,674	56,275
LIABILITIES		
Financial liabilities held for trading	6	43
Financial liabilities measured at amortised cost	32,836	46,102
Due to credit institutions	15	0
Due to customers	32,821	46,102
Financial institutions	0	2
Companies	14,073	28,905
Non-profit organisations	587	2,404
Private persons	17,814	14,533
Interest payable	347	258
Subordinated debt	4,033	4,030
Borrowed funds from government and foreign aid	166	272
Tax liabilities	87	56
Other liabilities	521	299
TOTAL LIABILITIES	37,649	50,802
SHAREHOLDERS' EQUITY		
Share capital	7,049	9,384
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	-11	-12
Accumulated deficit	-2	0
Profit / loss for the financial year	-2,049	-3,934
TOTAL SHAREHOLDERS' EQUITY	5,025	5,472
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	42,674	56,275

Income Statement

	EUR ths. 01.01.2011- 31.12.2011	EUR ths. 01.10.2011- 31.10.2011	EUR ths. 01.01.2010 - 31.12.2010	EUR ths. 01.10.2010 - 31.12.2010
Interest income	2,235	312	2,709	786
From loans	2,070	166	2,673	769
From deposits	159	145	30	16
From debt securities	5	2	4	1
Other income	1	0	1	0
Interest expense	1,073	268	1,064	258
On demand deposits	13	-2	20	5
On time deposits	864	200	873	208
On derivatives	7	3	6	2
From borrowings	189	67	166	44
Net interest income	1,162	45	1,645	528
Fees and commissions income	71	-202	337	64
Account opening and maintenance fees	21	4	25	8
Bank transaction fees	37	-124	207	46
Securities' transaction fees	7	-83	98	8
Other fees and commissions income	6	1	7	2
Fees and commissions expense	47	-80	153	27
Securities' transactions expenses	6	-50	61	5
Bank transaction expenses	15	-31	59	13
S.W.I.F.T. expenses	26	1	33	9
Net fees and commissions expense	24	-123	184	37
Net trading income/expense	59	-134	264	70
From foreign exchange	59	-133	261	70
From shares and debt securities in trading portfolio	0	-2	2	1
Other operation income	92	88	13	11
Other operation expenses	201	117	122	38
Guarantee Fund payments	68	53	23	8
Financial Supervision Authority fees	55	14	55	14
Tallinn Stock Exchange fees	22	7	20	5
Other operating expenses	56	44	23	11
Total income	1,136	-242	1,983	605
Administrative expenses	2,174	397	2,405	628
Personnel expense, social taxes	1,280	141	1,536	396
Other administrative expense	894	257	869	232
Depreciation and amortisation of tangible and intangible assets	-109	-36	-102	-28
Provisions (+/-)	-90	-90	0	0
Impairment loss on assets (+/-)	-812	473	-3,411	-2,126
Total operating expenses	3,185	49	5,918	2,782
Profit/loss before taxation	-2,049	-291	-3,934	-2,713
NET PROFIT / LOSS FOR THE PERIOD	-2,049	-291	-3,934	-2,177
Basic earnings/loss per share	-0.16 EUR		-0.27 EUR	
Diluted earnings/loss per share	-0.16 EUR		-0.27 EUR	

Statement of Cash Flows

	EUR ths.	EUR ths.
	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Cash flows from operating activities	-11,641	12,441
Interests received	2,021	1,502
Interests paid	-984	-1,065
Fees and commissions received	56	330
Fees and commissions paid	-47	-153
Administrative expenses	-2,133	-2,271
Trading income received	59	264
Other operating income	92	13
Other operating expenses	-201	-122
Change in operating assets and liabilities:		
Change in due from other banks	-6,471	-28
Change in due from customers of credit institution	8,943	51
Change in due to credit institutions	15	-9,014
Change in due to customers	-13,370	18,890
Change in assets and liabilities connected with other operating activities	379	4,045
Cash flows from investing activities	-2,145	-3,093
Purchase of property and equipment	-56	-76
Purchase of intangible assets	-6	-109
Purchase of investment properties	-2,162	-2,908
Sale of investment properties	79	0
Cash flows from financing activities	-2,438	3,039
Increase of share capital	1,600	2,839
Decrease of share capital	-3,935	0
Subordinated debt received	0	0
Change in interest of subordinated debt	3	2
Other borrowings received	100	287
Borrowings repaid	-206	-89
Total cash flows	-16,224	12,388
Cash and cash equivalents at the beginning of year	17,299	4,911
Net change in cash and cash equivalents	-16,224	12,388
Cash and cash equivalents at the end of the year *	1,075	17,299

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

	EUR ths.	EUR ths.
	31.12.2011	31.12.2010
Cash	117	183
Surplus of the reserve in the Bank of Estonia *	597	14,239
Deposits with credit institutions *	361	2,877
Total	1,075	17,299

* except time loans

Statement of Changes in Equity

	EUR ths.	EUR ths.
	01.01.2011 - 31.12.2011	01.01.2010 - 30.12.2010
Share capital		
Balance at the beginning of period	9,384	12,814
Share capital reduction to cover losses	-3,935	-6,270
Share capital increase	1,600	2,839
Balance at the end of period	7,049	9,384
Statutory legal reserve		
Balance at the beginning of period	36	36
Balance at the end of period	36	36
Fair value reserve of available-for-sale financial assets		
Balance at the beginning of period	-12	-22
Comprehensive loss for the period	1	10
Balance at the end of period	-11	-12
Accumulated deficit		
Balance at the beginning of period	-3,935	-6,270
Share capital reduction to cover losses	3,935	6,270
Comprehensive loss for the period	-2,049	-3,934
Balance at the end of period	-2,049	-3,935
Total shareholders' equity:		
at the beginning of period	5,472	6,558
at the end of period	5,025	5,472

Contingent Claims and Liabilities

	31.12.2011	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	5,956	6,599
Unused loan limits	0	640
Currency forward transactions	5,956	5,959

	31.12.2010	
	EUR ths.	EUR ths.
	Claims	Liabilities
Irrevocable transactions	14,312	14,778
Guarantees and similar irrevocable transactions	0	10
Hybrid swaps *	539	539
Currency forward transactions	13,774	13,806
Front-loaded euro cash **	0	316

* 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.

Currency Risk

	31.12.2011				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	1,003	-178	0	0	1,181
USD position, EEK ths.	4,125	4,606	3,217	2,736	0
RUB position, EEK ths.	26	26	0	0	0

	31.12.2010				
	Balance sheet position		Off-balance sheet position		Net
	assets	liabilities	assets	liabilities	position
EUR and EEK joint position, EUR ths.	50,822	40,087	4,797	10,531	5,002
USD position, EUR ths.	1,884	7,152	9,515	4,248	-1
RUB position, EUR ths.	1,793	1,792	0	0	1

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

Risk Concentration

	31.12.2011		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	20		
Due from customers with high risk concentration		17,343	234.52%
Due from persons related with credit institution		123	1.66%

	31.12.2010		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	18		
Due from customers with high risk concentration		18,086	224.93%
Due from persons related with credit institution		149	1.86%

Capital Adequacy

	EUR ths.	EUR ths.
	31.12.2011	31.12.2010
Share capital paid-in	7,049	9,384
Other reserves	36	36
Accumulated deficit of the previous years	-3	0
Intangible assets	-105	-124
Net loss of the period	-2,049	-3,934
Total tier 1 own funds	4,930	5,360
Subordinated debt	4,000	4,000
Tier 2 own funds, which exceed the limits	-1,535	-1,320
Second level equity	2,465	2,680
Minimum own funds	7,395	8,041
Tier 1 own funds after deductions	4,930	5,360
Tier 2 own funds after deductions	2,465	2,680
Own funds for capital adequacy calculations	7,395	8,041
Credit institutions and investment companies under standard method	106	140
Companies under standard method	241	664
Mass claims under standard method	977	921
Claims backed by mortgages under standard method	109	155
Overdue claims under standard method	881	837
Other assets under standard method	491	499
Total capital requirement for credit risk and counterparty credit risk	2,805	3,216
Operational risk base method	296	414
Total capital requirement for operational risk	296	414
Capital requirements for adequacy calculations	3,101	3,631
Capital adequacy	23.85%	22.15%

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

Bank is publishing information on risk management, own funds and capital adequacy in the annual reports and interim reports on the web page of the Bank following the decree of the Governor of the Bank of Estonia. Capital adequacy requirement is applied to MARFIN PANK EESTI AS. Following the decision of the Management Board of Financial Supervisory Authority dd. 16.03.2011, daughter company Osito Casa OÜ has not been included in the consolidation group. Consolidation group definition applied in capital adequacy calculation does not differ from the consolidation group definition used in the compilation of the financial statements.

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

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