MARFIN BANK

MARFIN PANK EESTI AS
(MARFIN BANK ESTONIA LTD.)

ANNUAL REPORT 2008

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2008
End of reporting year	31.12.2008

Registry code	10586461
Address	Pärnu mnt 12, 10148 Tallinn, Estonia
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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	SBMBEE22
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	Relika Mell

Report Data

Balance sheet date of report	31.12.2008
Report period	01.01.2008 – 31.12.2008
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)

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 and is the member of SWIFT and pan-Baltic member of Baltic stock exchanges. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and on 19 May 2008 also 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 11 countries with 512 branches. Group has more than 8000 employees. Year 2008 net profit of the Marfin Popular Bank group totalled 394.6 million euros and total assets 38.4 billion euros according to preliminary results. Marfin Popular Bank has a BBB / A-3 (outlook: negative) counterparty credit rating by Standard & Poor's from December 2008.

The owners of MARFIN PANK EESTI AS, as of the report date, are:
52.8379% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cypros);
32.4229% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);
4.8883% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;
4.8883% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;
2.4938% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and 2.4688% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).
During the year 2008, one transaction was made with the shares. Koumbas Holdings S.A. sold and Marfin Popular Bank Public Company Ltd. bought 544,000 Bank shares (2.7132% of total shares) on 10 November 2008. As a result Koumbas Holdings S.A. stepped out of owners of the Bank and the shareholding of Marfin Popular Bank Public Company Ltd. increased to 52.8379% of the share capital of the Bank.

The Supervisory Board of the Bank has seven members. Mr. Fotios Karatzenis (Chairman of the Supervisory Board), Mr. Nikolaos Sarros (Vice-Chairman of the Supervisory Board), Mr. Efthymios Bouloutas, Mr. Achillefs Giannisis, Mr. Frank Ulrich John, Mr. Emmanouil Karavelakis and Mr. Christos Stylianides were the members of the Supervisory Board as of report date. There were no changes in the Supervisory Board in the year 2008.

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 2008.

The Bank has neither subsidiaries nor participating interests, exceeding 20% shareholding in any company. Bank owns 16% of business development company European Business Development AS.

Description of Economic Environment

Year 2008 posed serious challenge to economy both globally and locally. Thus the uncertainty which began in year 2007 on international money markets peaked with practically paralysed interbank market and collapse of stock markets around the world in September 2008.

The initial problems, which were primarily connected with the real estate and mortgage loan market of USA caused chain reaction, from the influence of which no economy escaped. Globalised financial crises hit the real economies and is turning to global economic depression. Big central banks which were mainly fighting inflation in the beginning of year 2008 went for aggressive interest rate cuts during the year, which ended with 0% interest rate policy by the Federal Reserve of USA and brought the term „quantitive easing" to wider usage.

Despite of the historically low central bank interest rates the interbank confidence crises, amplified by the loan losses from the problematic real estate loans in the USA, practically paralysed whole money and lending markets and caused unprecedently huge gap between the interest rates of the interbank market and base interest rates. Lack of trust affected not only the interest rate levels in the interbank market, but also limited the volumes, which caused serious liquidity problems for those financial institutions, who had mainly funded themselves by short-term borrowings from other banks. Situation worsened further by the need to increase equity caused by write-offs of problematic assets.

Governments started to support banks with financial injections and guarantees in order to avoid total collapse of financial system. The states did not escape from the confidence crises themselves though, as manifested by the big rise in the prices of the government credit default swaps (CDS). Market participants started to calculate and fear risks, which were earlier simply ignored as statistically unprobable. Developing markets like Estonia, who had enjoyed fast inflow of foreign capital in earlier years and economic growth caused by it, were hit especially hard.

The economic cycle of Estonia, being earlier seriously influenced by the expansive loan policy of the foreign parent banks of Estonian credit institutions as well as the real estate market and private consumption which grew on it, anticipated a more general contraction of world economy and reached negative economic growth on quarterly basis already in the second quarter of 2008. The more Estonian economy was affected by the global financial crises, heightened in September 2008, resulting in drastic cuts in new loan disbursements and more stringent credit conditions by local credit institutions and branches of foreign credit institutions.

Preliminary assessments report a -3.5% economic slowdown for the full year 2008, while the GDP contracted by estimate -9.4% y-o-y in the 4th quarter. Initial prognosis for the economic drop in year 2009 is -5.5%, with a danger for probable further deepening of crises considering the contraction of economies of Estonian main export markets.

Deepening economic downfall accompanied by the deflationary cycle of fuel and food prices, characteristic to the second half of year 2008, brought with it an expected decrease of Estonian inflation. Although the consumer price index for the full year 2008 rose 10.4%, it has decreased to 7% in December and we can prognose further drop of inflation already to 3.5% in year 2009.

Shrinking economy had a fast output to labour market, characterised by decreasing salary growth and fast rise of unemployment at the year-end. Unemployment has grown from the historically low 4% level in the beginning of year to already 7.6% as of 4th quarter, a level which was last seen in 2005. Considering the extent of economic slowdown and ongoing restructuring processes the unemloyment rate is expected to grow over 10% in year 2009.

Worsening economic juncture is cutting the certainty of consumers fast – Estonian Institute for Economic Research's consumer barometer reported that the consumer certainty indicator was -32 in December, lowest since year 1992. Delay of purchase decisions caused by the uncertainty of consumers on the one hand and unwillingness of credit institutions to finance on the other hand, affected especially the sales of more expensive durable goods and real estate. So the registration of the new passenger cars decreased -43% y-o-y in December 2008 (full year -20%) and the volume of real estate transactions -50% in the 4th quarter of 2008 (full year -43%). Statistics Estonia reported the total of 34,400 real estate sell-purchase transactions in year 2008 with total value of 34 billion kroons i.e. 2 billion euros. Decrease in monetary volumes of real estate market was accompanied by the down trend in the number of real estate sell-purchase transactions, which began two years earlier. The number of sell-purchase transactions of flats and registered immovables with living houses decreased the most - by a third. At the same time the value of sale-purchase transactions of immovables without constructions decreased the most, nearly by half.

Sharp drop in the number of transactions has in turn caused problems in market value valuation of real estate, resulting in extreme cases in a notation by real estate valuators of missing market price. This in turn directly affects lending activities and causes problems in refinancing of loans, giving input to further drop of activities in the real estate market.

Decreasing activity and drop of prices in the real estate market caused bigger loan losses for the banks. So the proportion of loans in arrears to all loans grew to 1.9% i.e. 5 billion kroons (0.3 billion euros) at the end of year 2008. Loans in arrears were last seen at that level in year 2000.

The average growth of loan portfolios of banks was 8.77% in year 2008 (at the end of June it was still over 20% on a yearly basis) caused by a sharp drop of lending activities at year-end. The total volume of loan portfolios of Estonian credit institutions comprised 260 billion kroons (17 billion euros) as of year-end. We shall see further slowdown of lending growth below annual 5% in year 2009.

Funds received from customers shared the slowdown similarly to loans. So the total volume of deposits held with Estonian credit institutions grew only 4.29% during the year, totalling 149 billion kroons (10 billion euros) at year-end. Similar or even lower growth rates have been estimated for year 2009.

Loans to deposits ratio remains at a very high 174% level indication high dependency of Estonian credit institutions from their parent banks and the ability to apply funds from the interbank market. There is a danger that when problems emerge with parent banks, they will transfer to Estonian banking market and real economy.

Difficulties in raising additional capital from international market and parent banks caused a rapid rise of deposit interest rates offered to customers at the end of year 2008, even though the Euribor, being the base interest rate for most of loans, dropped. The interest rates of one year deposits in Estonian kroon reached more than 7% also at big banks, while the 6 month Euribor dropped to 2.971% at the year-end. The kroon interest rates stayed high also due to practically unexisting local interbank market and fear for possible kroon devaluation fed by economic recession.

Due to higher cost of funds the banks started to rise loan margins, which grew from earlier 1% or even less in some cases to 2% for long-term euro loans. Further drop of interest rates paid on deposits can be forecasted for year 2009, while the loan interest rates are not expected to fall much due to the further increase of margins.

Major Economic Events

One of the most important events of the previous year was the name change of the Bank, registered on 14 May 2008. The new business name of AS SBM Pank is MARFIN PANK EESTI AS.

Year 2008 has been a year of fast growth for the Bank, both in terms of customer numbers as well as volumes of loans and deposits. Total assets of the Bank grew 1.4 times from beginning of the year, reaching 829.4 million kroons (53.0 million euros) as of 31.12.2008.
Number of customers of the Bank increased 1.5 times during the year, the growth in the number of depositors was as high. Both, the growth rate of deposits as well as growth rate of loans, were significantly higher than the market average, being 1.3 times in client (excluding credit institutions) deposits and 1.5 times in loans. Volumes of transactions grew even more, the Bank is still offering free of charge normal EEK payments within Estonia to its customers in its internet bank.

Client deposits with the Bank totalled 357.0 million kroons i.e. 22.8 million euros as of 31.12.2008 (280.2 million kroons i.e. 17.9 million euros as of 31.12.2007). Bank continues to pay higher than Estonian average market interest rates to time deposits.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 654.0 million kroons (41.8 million euros), growing 1.5 times from beginning of the year and forming 78.9% of total assets as at the end of financial year. Gross loan portfolio amounted 450.3 million kroons i.e. 28.8 million euros as of 31.12.2007. Loans to deposits ratio stood at 1.83 at year-end 2008 (1.61 at year-end 2007).

Significant increase in conservative loan loss provisions caused the net loss of the Bank in year 2008, although no loans were directly written off. Net loss of 2008 comprised 12.4 million kroons i.e. 0.8 million euros (net profit of 2007 was 3.2 million kroons i.e. 0.2 million euros).

Net interest income of the reporting period was 43.9 million kroons (2.8 million euros), earned mostly on loans. Net fees and commissions income totalled 0.1 million kroons (0.01 million euros). 4.4 million kroons (0.3 million euros) was earned as dealing profits from FX and securities' transactions. Total operating income from banking activities comprised 46.3 million kroons i.e. 3.0 million euros in year 2008. Administrative expenses of the same period totalled 37.0 million kroons (2.4 million euros).

Total of 0.8 million kroons (0.1 million euros) of membership fees were calculated to the Supervisory Board members in year 2008. No membership fees have been paid to the members of the Management Board. Calculated salaries of the members of the Management Board totalled 3.7 million kroons (0.2 million euros), of employees 11.9 million kroons (0.8 million euros) in year 2008. Average number of employees was 47 (31 year earlier), number of employees at the end of year 2008 was 48.

Bank's equity totalled 183.8 million kroons (11.7 million euros) as of 31 December 2008 and the capital adequacy stood at 30.06%.
Bank filed an application to join internation card organisation Visa Europe Limited in August 2008, with the intention to start issuing international debit cards by the end of 2009,

later followed by credit cards. Associate Membership has been approved by VISA in December 2008.

Management Board of Estonian Financial Supervision Authority decided on September 10, 2008, to issue additional activity license to the Bank to provide provision of advice upon investment in securities in accordance with § 43 subsection 1 clause 5 of the Securities Market Act.

No new branch offices were opened, nor existing offices closed in year 2008. Bank brach offices are located in the center of Tallinn, Tartu, Pärnu and Jõhvi. Jõhvi branch office of the Bank opened doors in the new location, Keskväljak 6, on the 2nd floor of Jõhvi Kaubakeskus on 04 August 2008.

Corporate Governance Report

"Corporate Governance Recommendations" guideline issued by the 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 standards (IFRS) and good banking practises.

Ratios

		2008	2007
Return on equity	ROE	-6.45%	1.13%
Equity multiplier	EM	3.73	2.68
Profit margin	PM	-15.74%	4.11%
Asset utilisation	AU	11.00%	10.27%
Return on assets	ROA	-1.73%	2.15%
Net interest margin	NIM	12.74%	6.85%
Basic earnings per share	Basic EPS	-0.62	0.11
Diluted earnings per share	Diluted EPS	-0.62	0.11
Spread	SPREAD	15.08%	5.47%
Yield on interest-earning assets	YIEA	20.27%	9.50%
Cost of interest-bearing liabilities	COL	5.20%	4.03%

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

Ratings

MARFIN PANK EESTI AS has not been rated by international rating agencies. Parent company of the Bank, Marfin Popular Bank has a BBB / A-3 (outlook: negative) counterparty credit rating by Standard & Poor's from December 2008.

Legal Disputes

The Bank has submitted one statement of claim to the Harju County Court, as of 31 December 2008, where the time of the first hearing has not yet been determined, and two applications for mandatory payment order to Harju County Court and Pärnu County Court. Execution proceedings are taking place against five claims, including three execution proceedings, related to credit relationships, against private persons,making occasional payments to the Bank, and two execution proceedings without payments received.

Financial Statements 2008

Management Board's Confirmation

The Management Board declares its liability for the correctness of the Financial Statements of MARFIN PANK EESTI AS for the financial year ended on 31.12.2008, presented on pages 10 to 60 and confirms to the best of its knowledge, that:

- the accounting methods used in preparation of the financial statements are in accordance with the International Accounting Standards Board's (IASB) International Financial Reporting Standards (IFRS), as adopted by the European Union;
- Financial Statements give a true and fair view of the financial position, the results of operations and cash flows of MARFIN PANK EESTI AS;
- all significant matters of fact, which have arisen before the date of completion of the Annual Report on 02 March 2009, have been duly apprised and disclosed;
- MARFIN PANK EESTI AS is operating on a going concern basis.

Riho Rasmann	Chairman of the Management Board		02.03.2009
Sven Raba	Member of the Management Board		02.03.2009
Mart Veskimägi	Member of the Management Board		02.03.2009
Roul Tutt	Member of the Management Board		02.03.2009

Income Statement

	Note	EEK ths.	*restated** EEK ths.	EUR ths.	*restated** EUR ths.
	Note	**2008**	**2007**	**2008**	**2007**
Interest income	1	71,509	50,317	4,570	3,216
Interest expense	2	27,578	13,227	1,763	845
Net interest income		**43,931**	**37,090**	**2,808**	**2,370**
Fees and commissions income	3	2,621	1,466	168	94
Fees and commissions expense	4	2,536	858	162	55
Net fees and commissions income		**85**	**608**	**5**	**39**
Net trading gains less losses	5	**4,473**	**2,950**	**286**	**189**
Other operating expenses	6	**2,188**	**1,835**	**140**	**117**
Total income		**46,301**	**38,813**	**2,959**	**2,481**
Administrative expenses		**36,965**	**30,125**	**2,362**	**1,925**
Personnel expense	7	16,939	13,049	1,083	834
Payroll related taxes	8	5,733	4,143	366	265
Other administrative expenses	9	14,293	12,933	913	827
Depreciation and amortisation of tangible and intangible assets	10	**2,450**	**1,914**	**157**	**122**
Impairment loss on financial assets (+/-)	11	**-19,256**	**-3,590**	**-1,231**	**-229**
Total operating expenses		**58,671**	**35,629**	**3,750**	**2,277**
NET PROFIT / LOSS FOR THE PERIOD		**-12,370**	**3,184**	**-791**	**203**

		2008	**2007**	**2008**	**2007**
Basic earnings/loss per share	30	-0.62 EEK	0.16 EEK	-0.04 EUR	0.01 EUR
Diluted earnings/loss per share	30	-0.62 EEK	0.16 EEK	-0.04 EUR	0.01 EUR

* please refer to Note 37: Adjustment of Comparative Figures

The accounting policies on pp. 16-28 and notes to the financial statements on pp. 29-60 form an integral part of the Financial Statements.

Balance Sheet

	Note	EEK ths. 31.12.08	*restated** EEK ths. 31.12.07	EUR ths. 31.12.08	*restated** EUR ths. 31.12.07
ASSETS					
Cash	12	**1,889**	**1,372**	**121**	**88**
Financial assets held for trading	16	**1,006**	**1,457**	**64**	**93**
Loans and advances		**800 429**	**560 192**	**51 157**	**35 803**
Balances with central bank	13	112,350	89,981	7,180	5,751
Due from other banks	14	47,972	12,143	3,066	776
Due from customers	15	640,107	458,068	40,910	29,276
Available-for-sale financial assets	17	**19,041**	**28,232**	**1,217**	**1,804**
Property and equipment	18	**4,518**	**4,931**	**289**	**315**
Intangible assets	19	**931**	**1,312**	**60**	**84**
Other assets	20	**1,536**	**2,229**	**98**	**142**
TOTAL ASSETS		**829,350**	**599,725**	**53,005**	**38,329**
LIABILITIES					
Financial liabilities held for trading	16	**325**	**12**	**21**	**1**
Financial liabilities measured at amortised cost	21	**623,550**	**396,965**	**39,852**	**25,371**
Due to credit institutions		266,519	114,251	17,034	7,302
Due to customers		357,031	282,714	22,818	18,069
Tax liabilities	22	**802**	**1,041**	**51**	**67**
Other liabilities	23	**20,894**	**2,001**	**1,335**	**128**
TOTAL LIABILITIES		**645,571**	**400,019**	**41,260**	**25,566**
SHAREHOLDERS' EQUITY	24				
Share capital		200,500	200,500	12,814	12,814
Statutory legal reserve		559	446	36	29
Fair value reserve of available-for-sale financial assets		-3,557	0	-227	0
Accumulated deficit		-1,353	-4,424	-86	-283
Profit / loss for the financial year		-12,370	3,184	-791	203
TOTAL SHAREHOLDERS' EQUITY		**183,779**	**199,706**	**11,746**	**12,764**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**829,350**	**599,725**	**53,005**	**38,329**

* please refer to Note 37: Adjustment of Comparitive Figures

The accounting policies on pp. 16-28 and notes to the financial statements on pp. 29-60 form an integral part of the Financial Statements.

Statement of Cash Flows

	Note	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Cash flows from operating activities		**23,446**	**58,474**	**1,498**	**3,737**
Interests received		65,007	46,129	4,155	2,948
Interests paid		-23,186	-10,690	-1,482	-683
Fees and commissions received		2,371	1,176	152	75
Fees and commissions paid		-2,536	-858	-162	-55
Administrative expenses		-35,028	-27,859	-2,239	-1,781
Trading income received		4,473	2,950	286	189
Other operating expenses		-2,188	-1,835	-140	-117
Change in operating assets:					
Deposits with credit institutions		-36,941	-25,166	-2,361	-1,608
Loans and claims to customers		-192,024	-101,426	-12,273	-6,482
Other assets		4,262	8,740	272	559
Securities purchased/sold		363	-15,402	23	-984
Change in operating liabilities:					
Deposits of credit institutions		151,562	0	9,687	0
Other deposits		70,500	186,098	4,506	11,894
Other liabilities		16,811	-3,383	1,074	-216
Cash flows from investing activities		**-1,835**	**-3,268**	**-117**	**-209**
Purchase of property and equipment	18	-1,732	-2,672	-111	-171
Purchase of intangible assets	19	-103	-596	-7	-38
Cash flows from financing activities		**0**	**-53,190**	**0**	**-3,399**
Redeemed bonds		0	-53,190	0	-3,399
Total cash flows		**21,611**	**2,016**	**1,381**	**129**
Cash and cash equivalents at the beginning of year		**46,317**	**44,301**	**2,960**	**2,831**
Net change in cash and cash equivalents		**21,611**	**2,016**	**1,381**	**129**
Cash and cash equivalents at the end of the year *		**67,928**	**46,317**	**4,341**	**2,960**

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

	Note	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Cash	12	1,889	1,372	121	88
Surplus of the reserve in the Bank of Estonia	13	18,067	32,802	1,155	2,096
Deposits with credit institutions	14	47,972	12,143	3,066	776
Total		**67,928**	**46,317**	**4,341**	**2,960**

The accounting policies on pp. 16-28 and notes to the financial statements on pp. 29-60 form an integral part of the Financial Statements.

Statement of Changes in Equity

	EEK ths.	*restated** EEK ths.	EUR ths.	*restated** EUR ths.
	2008	**2007**	**2008**	**2007**
Share capital				
Balance at the beginning of period	200,500	200,500	12,814	12,814
Balance at the end of period	**200,500**	**200,500**	**12,814**	**12,814**
Other reserves				
Balance at the beginning of period	446	1 213	29	77
Restatement of error (Note 37)	0	-942	0	-60
Restated balance at the beginning of period	446	271	29	17
Change in fair value reserve	-3,557	0	-227	0
Increase in statutory legal reserve	113	175	7	11
Balance at the end of period	**-2,998**	**446**	**-192**	**29**
Retained earnings				
Balance at the beginning of period	-1,353	-4,424	-86	-283
Profit/loss for the financial year	-12,370	3,184	-791	203
Balance at the end of period	**-13,723**	**-1,240**	**-877**	**-79**
Total shareholders' equity:				
at the beginning of period	**199,706**	**196,522**	**12,764**	**12,560**
at the end of period	**183,779**	**199,706**	**11,746**	**12,764**

* Adjustment of comparitive figures 31.12.2007, please refer to Note 37.

Additional information in Note 24.

The accounting policies on pp. 16-28 and notes to the financial statements on pp. 29-60 form an integral part of the Financial Statements.

Accounting Policies

Statement of Compliance

MARFIN PANK EESTI AS (hereinafter also "the Bank") is a credit institution domiciled in Estonia.
The Management Board approved the financial statements on 02 March 2009. Approval of the financial statements in included in the agenda of the meeting of the Supervisory Board and the General Meeting of Shareholders on 23 March 2009.
The financial statements of MARFIN PANK EESTI AS 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 2008 and new IFRS standards became mandatory for the bank from the financial year which began on 1 January 2008. Adoption of new standards or changes to standards have not caused significant changes in accounting policies or affected the results of operations of the bank.

Basis of Preparation

The functional and presentation currency of MARFIN PANK EESTI AS 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.

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 Bank has so far only one important segment based on the number of customers, products and services, management and operating location. The Bank's main activity is lending; 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 Bank regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank 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 national 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 Bank 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 Bank 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 investee, 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. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. 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 Bank, as all issued bonds have been redeemed and the dependence on banks outside the group is very small. Bank’s liquidity is at all times guaranteed by the financing from the Group. Management is unable to reliably estimate the effects on the Bank's financial position of any further deterioration in the 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. The market in Estonia for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity 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.

Disappearance of an active market for quoted financial instruments

As a result of the recent volatility in financial markets there are no longer regularly occurring transactions on an arm's length basis for certain financial instrument quoted on capital and money market. Hence fair value as at 31.12.2008 of these instruments has been determined using a valuation technique. The objective of the valuation technique is to establish what the transaction price would have been on the reporting date in an arm's length exchange motivated by normal business considerations. Hence determining fair value requires consideration of current market conditions, including the relative liquidity of the market and current credit spreads. The valuation technique used by management to determine fair value of fixed income instruments was discounted cash flow analysis. It is very complicated for management to reliably estimate the effects on the Bank's financial position of any further deterioration in the 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 Bank's business in the current circumstances.

Impact on customers

Customers (borrowers) of the Bank may be affected 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 customes 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 reflected revised estimates of expected future cash flows in its impairment assessments.

Liquidity

As the Bank is financed by the parent, therefore liquidity is not 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 translasted 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 include cash, and readily available demand and overnight deposits with other credit institutions and the surplus of the account balance with the Bank of Estonia. Cash flows are reported 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.

Available-for-sale financial assets

The Bank'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 Bank’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 security 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 losses 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 Bank 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 Bank 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 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”. Bank 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, for 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 Bank 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 Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

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 20% per year.

Property and equipment

Significant assets which are used in the Bank’s 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 definiton 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.

Impairment of Assets

The management of the Bank 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.

Debt Certificate Liabilities

Bonds issued are recognised at fair value using settlement date accounting. Subsequent to initial recognition, bonds are measured at their amortised cost, using the effective interest rate method. Issue costs are included in determining the effective interest rate.

The Bank redeemed the bonds listed on the Tallinn Stock Exchange (SBMB047507A) on 20 April 2007 after which the Bank has not issued any more bonds.

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 Bank 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 Bank'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 taxes.

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 15% 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.

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 (until 31 December 2007 the tax rate was 22/78) 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 Bank 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 Bank 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.

Standards, amendments to published standards and interpretations mandatory for the Bank's accounting periods beginning on or after 1 January 2008

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation contains guidelines on the following issues: applying IFRS 2 "Share-based Payment" for transactions of payment with shares which are entered into by two or more related entities; and adopting an accounting approach in the following instances: an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees; or an entity or its owner grants the entity's employees rights to the entity's equity instruments, and the provider of those instruments is the owner of the entity. This interpretation does not have an impact on the Bank's financial statements.

Reclassification of Financial Assets—Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures **and a subsequent amendment,** ***Reclassification of Financial Assets: Effective Date and Transition.*** The amendments allow entities the options (a) to reclassify a financial asset out of the held to trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The Bank has not elected to make any of the optional reclassifications during the period; as such, this amendment has no impact on the Bank's financial statements.

New standards, amendments to standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods and which the Bank has not early adopted

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Bank is currently assessing what impact the standard will have on segment disclosures in the financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Bank does not expect the amendment to affect its financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Bank's accounting policy prior to the amendment to the standard was to capitalise borrowing costs relating to such assets, and therefore the amendment does not impact the Bank's financial statements.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Bank expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009; the revised standard has not been adopted by the EU). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Bank does not expect the amended standard to have a material effect on its financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Bank does not expect the amendment to have a material effect on its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009; the revised standard has not been adopted by the EU). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Bank is currently assessing the impact of the amended standard on its financial statements.

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008; the interpretation has not been adopted by the EU). The interpretation contains guidelines on applying the existing standards by entities being parties to service concessions between the public and the private sector. IFRIC 12 pertains to arrangements where the ordering party controls what services are provided by the operator using the infrastructure, to whom it provides the services and at what price. The Bank does not expect the interpretation to affect its financial statements.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008; according to the EU's adoption the interpretation is effective for annual periods beginning after 31 December 2008, early adoption permitted). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Bank's operations because no Bank companies operate any loyalty programmes.

IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008; the interpretation as adopted by the EU is effective for annual periods beginning after 31 December 2008, early adoption permitted). The Interpretation contains general guidance on how to assess the limit of the surplus of fair value of a defined benefit plan over the present value of its liabilities which can be recognised as an asset, in accordance with IAS 19. In addition, IFRIC 14 explains how the statutory or contractual requirements of the minimum funding may affect the values of assets and liabilities of a defined benefit plan. The Bank does not expect the interpretation to affect its financial statements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; the interpretation has not been adopted by the EU). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It IFRIC 15 is not relevant to the Bank's operations because it does not have any agreements for the construction of real estate.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; the interpretation has not been adopted by the EU). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have any impact on these financial statements as the Bank does not apply hedge accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Bank's financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009; the amendment has not been adopted by the EU). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Bank's financial statements as the Bank does not apply hedge accounting.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Bank does not expect the amendments to have any material effect on its financial statements.

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Bank's operations because it does not distribute non-cash assets to owners.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; the amended standard has not been adopted by the EU). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Bank concluded that the revised standard does not have any effect on its financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009; the interpretation has not been adopted by the EU). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Bank's financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The Bank is currently assessing the impact of the amendment on disclosures in its financial statements.

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

Notes to the Financial Statements

Note 1: Interest Income

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
From loans	62,874	44,217	4,018	2,826
From demand deposits	3,339	2,018	213	129
From time deposits	668	1,011	43	65
From debt securities	3,670	2,641	235	169
From derivatives	285	430	18	27
Other income	673	0	43	0
Total	**71,509**	**50,317**	**4,570**	**3,216**
Interest income by geographical areas				
Estonia	69,996	48,420	4,474	3,095
OECD countries	1,513	1,897	97	121
Total	**71,509**	**50,317**	**4,570**	**3,216**

Note 2: Interest Expense

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
On demand deposits	2,515	2,530	161	162
On time deposits	23,935	9,376	1,530	599
On debt securities issued	0	1,202	0	77
On derivatives	1,128	119	72	8
Total	**27,578**	**13,227**	**1,763**	**845**
Interest expense by geographical areas				
Estonia	15,678	7,444	1,002	476
OECD countries	11,900	5,783	761	370
Total	**27,578**	**13,227**	**1,763**	**845**

Note 3: Fees and Commissions Income

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
Account opening and maintenance fees	339	354	22	23
Bank transaction fees	1,845	644	118	41
Securities' transaction fees	346	425	22	27
Other fees and commissions income	91	43	6	3
Total	**2,621**	**1,466**	**168**	**94**
Fees and commissions income by geographical areas				
Estonia	1,412	825	90	53
OECD countries	1,209	641	77	41
Total	**2,621**	**1,466**	**168**	**94**

Note 4: Fees and Commissions Expense

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Securities' transactions expenses	143	169	9	11
Bank transaction expenses	787	385	50	25
S.W.I.F.T. expenses	426	302	27	19
Collection charges and other fee expenses	1,180	2	75	0
Total	**2,536**	**858**	**162**	**55**

Note 5: Net Trading Gains Less Losses

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
From foreign exchange	4,486	2,769	287	177
From shares and debt securities in trading portfolio	-13	181	-1	12
Total	**4,473**	**2,950**	**286**	**189**

Note 6: Other Operating Expenses

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Guarantee Fund payments	858	821	55	52
Financial Supervision Authority fees	844	749	54	48
Tallinn Stock Exchange fees	186	186	12	12
Other operating expenses	300	79	19	5
Total	**2,188**	**1,835**	**140**	**117**

Note 7: Personnel Expense

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Salaries	15,599	10,501	997	671
Compensation to the Supervisory Board members	788	2,400	50	153
Fringe benefits	156	134	10	9
Income tax on fringe benefits	56	57	4	4
Change in vacations pay accrual	340	-43	22	-3
Total	**16,939**	**13,049**	**1,083**	**834**

Note 8: Payroll Related Taxes

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
From salaries	5,105	3,466	326	222
From compensation to the Supervisory Board members	430	621	27	40
From fringe benefits	85	70	5	4
Social insurance tax from change in vacations pay accrual	112	-14	7	-1
Unemployment insurance premium from change in vacations pay accrual	1	0	0	0
Total	**5,733**	**4,143**	**366**	**265**

Note 9: Other Administrative Expenses

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Rent of premises	4,790	4,096	306	262
Other professional services purchased	2,304	1,666	147	106
Advertising expenses	2,134	1,954	136	125
Office expenses	1,508	965	96	62
Transportation expenses	980	942	63	60
Other expenses	975	393	62	25
Post and telecommunication expenses	887	694	57	44
Training and business trip expenses	427	291	27	19
IT expenses	288	1,932	18	123
Total	**14,293**	**12,933**	**913**	**827**

Note 10: Depreciation and Amortisation of Tangible and Intangible Assets

	Note	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Depreciation of tangible assets	18	1,966	1,564	126	100
Amortisation of intangible assets	19	484	350	31	22
Total		**2,450**	**1,914**	**157**	**122**

Note 11: Impairment Loss on Financial Assets (+/-)

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Available-for-sale financial assets	-94	0	-6	0
Loans:				
Impairment loss on loans	-22,314	-3,590	-1,426	-229
Recoveries of impaired loans	3,330	0	213	0
Impairment on non-financial assets	-178	0	-11	0
Total	**-19,256**	**-3,590**	**-1,231**	**-229**

Note 12: Cash

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
In Estonian kroons	1,216	692	78	44
In foreign currency	673	680	43	43
Total	**1,889**	**1,372**	**121**	**88**

Note 13: Balances with Central Bank

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Mandatory reserve	94,283	57,179	6,026	3,654
Surplus of the reserve with the central bank	17,904	32,802	1,144	2,096
Accrued interests receivable	163	0	10	0
Total	**112,350**	**89,981**	**7,180**	**5,751**

The Bank of Estonia has established a mandatory reserve requirement to credit institutions at 15% 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.

Note 14: Due from Other Banks

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Correspondent accounts	47,972	10,143	3,066	648
Overnight deposits	0	2,000	0	128
Total	**47,972**	**12,143**	**3,066**	**776**
Receivables by country				
Estonia	35,710	8,009	2,282	512
OECD countries	12,262	4,134	784	264
Total	**47,972**	**12,143**	**3,066**	**776**
Due from other banks by bank ratings (Moody's)				
A1	7	602	0	38
Aa1	10,964	2,653	701	170
A2	0	71	0	5
Aa2	35,691	7,357	2,281	470
Baa3	0	46	0	3
Not rated	1,310	1,414	84	90
Total	**47,972**	**12,143**	**3,066**	**776**

Note 15: Due from Customers

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Due by customer types (gross)				
Due from financial institutions	3,465	8,428	221	539
Loans:				
Loans to financial institutions	43,837	19,821	2,802	1,267
Loans to private companies	532,948	387,022	34,062	24,735
Loans to private persons	81,680	47,432	5,220	3,031
Total loans	**658,465**	**454,275**	**42,084**	**29,033**
Total due from customers (gross)	**661,930**	**462,703**	**42,305**	**29,572**
Specific loan loss allowances	-22,893	-3,940	-1,463	-252
Accrued interest receivable	5,555	3,550	355	227
Effective interest rate adjustment	-4,485	-4,245	-287	-271
Total due from customers	**640,107**	**458,068**	**40,910**	**29,276**
Loans by collaterals (gross)				
Mortgage	503,009	325,139	32,148	20,780
Commercial pledge	15,104	12,708	965	812
Pledge of shares	24,690	39,717	1,578	2,538
Deposit	7,057	6,272	451	401
Other security over movables	48,232	36,876	3,083	2,357
Other	24,663	32,788	1,576	2,096
Without collateral	35,710	775	2,282	50
Total	**658,465**	**454,275**	**42,084**	**29,033**
Due by remaining maturity (gross)				
On demand	3,386	8,350	216	534
Up to 3 months	97,491	43,735	6,231	2,795
3 to 12 months	90,070	174,156	5,757	11,131
1 to 2 years	140,216	51,507	8,961	3,292
2 to 5 years	234,168	163,624	14,966	10,457
over 5 years	46,945	4,262	3,000	272
past due, but not impaired	26,761	13,129	1,710	839
Individually impaired loans	22,893	3,940	1,463	252
Total	**661,930**	**462,703**	**42,305**	**29,572**
Due by countries (gross)				
Estonia	654,876	441,067	41,854	28,189
OECD countries	7,054	21,636	451	1,383
Total	**661,930**	**462,703**	**42,305**	**29,572**

Note 15 continued:

Past Due but not Impaired and Individually Impaired Loans

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Past due but not impaired loans (principal payments receivable, gross)	26,761	13,129	1,710	839
Past due but not impaired loans (interests payments receivable)	1,416	640	90	41
Individually impaired (principal payments receivable, gross)	22,893	3,940	1,463	252
Total due claims	**51,070**	**13,769**	**3,264**	**880**
No. of non-performing loans	22	4	22	4
Past due, but not impaired and Individually Impaired loans (gross)				
Loans to private companies	47,379	13,731	3,028	878
Loans to private persons	3,691	38	236	2
Total	**51,070**	**13,769**	**3,264**	**880**

Fair Value of Collaterals of Past Due, but not Impaired and Individually Impaired Loans

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Past due, but not impaired	424,541	28,480	27,133	1,820
Individually impaired loans	20,090	90,544	1,284	5,787
Total	**444,631**	**119,024**	**28,417**	**7,607**
Specific Loan Loss Allowances by Client Type				
Private companies				
Loan loss allowances at beginning of period	-3,940	0	-252	0
New loan loss allowances during period	-34,708	0	-2,218	0
Deductions of allowances during period	16,188	0	1,035	0
Loan loss allowances at end of period	**-22,460**	**0**	**-1,435**	**0**
Private persons				
Loan loss allowances at beginning of period	0	0	0	0
New loan loss allowances during period	-480	-3,940	-31	-252
Deductions of allowances during period	47	0	3	0
Loan loss allowances at end of period	**-433**	**-3,940**	**-28**	**-252**
Total specific loan loss allowances	**-22,893**	**-3,940**	**-1,463**	**-252**

All loans and overdrafts, where the payments are past due by more than 90 days, are reported as non-performing loans.No loans have been written off as uncollectible.

All loans have been assessed for impairment individually and in cases where the expected discounted cash flow does not cover the carrying value of the loan, individual impairment has been recognised. No group based allowances have been prepared.
Total credit risk is equal to the carrying value of the financial assets, as the conditions have not been re-negotiated.

Note 15 continued:

Past due financial assets' maturity structure

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Private companies				
Up to 90 days past due	28,198	1,058	1,802	68
91 days to 1 year past due	18,570	10,403	1,187	665
1 to 2 years past due	610	2,270	39	145
Total	**47,378**	**13,731**	**3,028**	**878**

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Private persons				
Up to 90 days past due	3,456	38	221	2
91 days to 1 year past due	33	0	2	0
1 to 2 years past due	203	0	13	0
Total	**3,692**	**38**	**236**	**2**
Total past due financial assets	**51,070**	**13,769**	**3,264**	**880**

Note 16: Financial Assets/Financial Liabilities Held for Trading

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Derivatives *	481	1,306	31	83
Financial assets in fair value with change through income statement	104	43	7	3
incl. shares listed on a stock exchange (active market)	104	43	7	3
Shares in investment portfolio available-for-sale	96	96	6	6
Total	**681**	**1,445**	**44**	**92**
Shares and other securities by countries				
Estonia	167	46	11	3
OECD countries	514	1,399	33	89
Total	**681**	**1,445**	**44**	**92**

*** Derivatives**

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Currency related derivatives:				
claims (in contract value)	41,195	976,827	2,633	62,431
commitments (in contract value)	41,207	975,940	2,634	62,374
fair value	-12	888	-1	57
Interest rate and commodity related derivatives:				
claims (in contract value)	22,590	16,856	1,444	1,077
commitments (in contract value)	22,590	16,856	1,444	1,077
fair value	493	418	32	27

Note 17: Available-for-Sale Financial Assets

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.08	**31.12.07**	**31.12.08**	**31.12.07**
Debt securities by issuer				
Debt securities of credit institutions	993	4,994	63	319
Debt securities of private companies	18,048	23,238	1,153	1,485
Total	**19,041**	**28,232**	**1,217**	**1,804**
Movements in debt securities				
Balance at beginning of year	28,232	12,353	1,804	789
Purchases	26,360	36,012	1,685	2,302
Sales	-26,715	-21,075	-1,707	-1,347
Amortised premium/discount	-5,601	0	-358	0
Fair value revaluation	-3,304	942	-211	60
Interest accruals	69	0	4	0
Total	**19,041**	**28,232**	**1,217**	**1,804**
Debt securities by ratings				
With ratings (B1)	993	0	63	0
Without ratings *	18,048	28,232	1,153	1,804
Total	**19,041**	**28,232**	**1,217**	**1,804**
Debt securities by countries				
Estonia	19,041	28,029	1,217	1,791
OECD countries	0	203	0	13
Total	**19,041**	**28,232**	**1,217**	**1,804**

Impairment charges of available-for-sale financial assets

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
Impairment charge of debt securities of private companies	**94**	**0**	**6**	**0**

* These are debt securities of Estonian corporates, which don't have any public ratings. Bank has not internally rated them, but assessed individually.

Note 18: Property and Equipment

EEK ths.

	Capitalised construction expenses *	Compu-ters	Furni-ture	Other tangible assets	Prepay-ments	Total
Balance as of 01.01.2008						
At cost	**3,844**	**1,364**	**1,498**	**3,459**	**0**	**10,165**
Accumulated depreciation	-1,830	-940	-927	-1,537	0	**-5,234**
Net value	**2,014**	**424**	**571**	**1,922**	**0**	**4,931**
Changes in 2008						
Purchases during period	172	278	24	416	842	**1,732**
Depreciation expense	-832	-266	-202	-666	0	**-1,966**
Impairment of property and equipment (at cost)	-14	-366	-126	-607	0	**-1,113**
Registered as property and equipment from prepayment	599	0	0	243	-842	**0**
Balance as of 31.12.2008						
At cost	**4,601**	**1,276**	**1,396**	**3,511**	**0**	**10,784**
Accumulated depreciation	-2,655	-842	-1,003	-1,766	0	**-6,266**
Net value	**1,946**	**434**	**393**	**1,745**	**0**	**4,518**

EUR ths.

	Capitalised construction expenses *	Compu-ters	Furni-ture	Other tangible assets	Prepay-ments	Total
Balance as of 01.01.2008						
At cost	**246**	**87**	**96**	**221**	**0**	**650**
Accumulated depreciation	-117	-60	-59	-98	0	**-335**
Net value	**129**	**27**	**36**	**123**	**0**	**315**
Changes in 2008						
Purchases during period	11	18	2	27	54	**111**
Depreciation expense	-53	-17	-13	-43	0	**-126**
Impairment of property and equipment (at cost)	-1	-23	-8	-39	0	**-71**
Registered as property and equipment from prepayment	38	0	0	16	-54	**0**
Balance as of 31.12.2008						
At cost	**294**	**82**	**89**	**224**	**0**	**689**
Accumulated depreciation	-170	-54	-64	-113	0	**-400**
Net value	**124**	**28**	**25**	**112**	**0**	**289**

* Reconstruction expenses of rented premises.

Note 18 continued:

EEK ths.

	Capitalised construction expenses *	Compu-ters	Furni-ture	Other tangible assets	Prepay-ments	Total
Balance as of 01.01.2007						
At cost	**2,807**	**1,120**	**1,229**	**2,351**	**0**	**7,507**
Accumulated depreciation	-1,227	-678	-759	-1,021	0	**-3,685**
Net value	**1,580**	**442**	**470**	**1,330**	**0**	**3,822**
Changes in 2007						
Purchases during period	195	259	269	770	1,179	**2,672**
Depreciation expense	-602	-277	-168	-515	0	**-1,562**
Impairment of property and equipment (at cost)	0	-15	0	0	0	**-15**
Registered as property and equipment from prepayment	842	0	0	337	-1,179	**0**
Balance as of 31.12.2007						
At cost	**3,844**	**1,364**	**1,498**	**3,459**	**0**	**10,165**
Accumulated depreciation	-1,830	-940	-927	-1,537	0	**-5,234**
Net value	**2,014**	**424**	**571**	**1,922**	**0**	**4,931**

EUR ths.

	Capitalised construction expenses *	Compu-ters	Furni-ture	Other tangible assets	Prepay-ments	Total
Balance as of 01.01.2007						
At cost	**179**	**72**	**79**	**150**	**0**	**480**
Accumulated depreciation	-78	-43	-49	-65	0	**-236**
Net value	**101**	**28**	**30**	**85**	**0**	**244**
Changes in 2007						
Purchases during period	12	17	17	49	75	**171**
Depreciation expense	-38	-18	-11	-33	0	**-100**
Impairment of property and equipment (at cost)	0	-1	0	0	0	**-1**
Registered as property and equipment from prepayment	54	0	0	22	-75	**0**
Balance as of 31.12.2007						
At cost	**246**	**87**	**96**	**221**	**0**	**650**
Accumulated depreciation	-117	-60	-59	-98	0	**-335**
Net value	**129**	**27**	**36**	**123**	**0**	**315**

* Reconstruction expenses of rented premises.

Note 19: Intangible Assets

	EEK ths.	EUR ths.	EEK ths.	EUR ths.
Software	**2008**	**2008**	**2007**	**2007**
Balance as of 01.01.				
At cost	**4,113**	**263**	**3,517**	**225**
Accumulated amortisation	-2,801	-179	-2,451	-157
Net value	**1,312**	**84**	**1,066**	**68**
Changes during report year				
Purchases during period	103	7	596	38
Amortisation expense	-484	-31	-350	-22
Balance as of 31.12.				
At cost	**4,216**	**269**	**4,113**	**263**
Accumulated amortisation	-3,285	-210	-2,801	-179
Net value	**931**	**60**	**1,312**	**84**

Note 20: Other Assets

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
Fees and commissions receivable	250	290	16	19
Prepaid supervision fees *	854	839	55	54
Other prepaid expenses **	326	895	21	57
Other receivables	106	0	7	0
Other accrued revenue	0	635	0	41
Total	**1,536**	**2,659**	**98**	**170**

* 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.

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

Note 21: Financial Liabilities Measured at Amortised Cost

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2008	**2007**	**2008**	**2007**
Deposits from credit institutions	266,519	114,251	17,034	7,302
Other deposits	357,031	282,714	22,818	18,069
Total	**623,550**	**396,965**	**39,852**	**25,371**
Demand deposits	100,492	88,323	6,423	5,645
Time deposits	518,887	306,105	33,163	19,564
Accrued interests	4,171	2,537	267	162
Total	**623,550**	**396,965**	**39,852**	**25,371**

Note 21 continued:

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Demand deposits by customer groups				
Companies	79,803	76,014	5,100	4,858
Private persons	18,498	10,949	1,182	700
Non-profit organisations	1,984	1,170	127	75
Credit institutions	174	0	11	0
Financial institutions	33	180	2	12
Government	0	10	0	1
Total	**100,492**	**88,323**	**6,423**	**5,645**
Time deposits by customer groups				
Credit institutions	265,992	114,251	17,000	7,302
Private persons	118,462	118,421	7,571	7,568
Companies	110,140	63,731	7,039	4,073
Non-profit organisations	24,293	2,755	1,553	176
Financial institutions	0	6,947	0	444
Total	**518,887**	**306,105**	**33,163**	**19,564**
Deposits by maturities				
On demand	43,581	19,610	2,785	1,253
Up to 1 month	402,425	289,642	25,720	18,511
3 to 12 months	155,585	32,853	9,944	2,100
1 to 2 years	8,764	39,645	560	2,534
2 to 5 years	9,024	12,678	577	810
Total	**619,379**	**394,428**	**39,586**	**25,209**

Note 22: Tax Liabilities

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Taxes payable	**802**	**1,041**	**51**	**67**

There has not been any tax audits 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 23: Other Liabilities

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Payments in transmission *	19,726	10	1,261	1
Interest payable	222	0	14	0
Payables to employees	872	1,031	56	66
Payables to suppliers	157	194	10	12
Prepaid expenses	126	778	8	50
Other liabilities	13	0	1	0
Total	**21,116**	**2,013**	**1,335**	**129**

* 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.). The growth is caused by the growth in payment activities of customers.

Note 24: Shareholders' Equity

Shares

Share capital is divided into 20,050,000 common shares with nominal value of 10 Estonian kroons each, and was paid-in in cash. 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 sipulated in law and articles of association.

The ownership structure of the Bank is disclosed in the Management Report. There is no ultimate controlling party, as the ownership of the parent company is also diluted.

Fair Value Reserve for Available-for-Sale Financial Assets

Revaluation gains and losses from available-for-sale financial assets (debt securities) are reflected as fair value reserve in accordance with IAS 39.

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 25: Related-Party Transactions

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

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

The Management Board believes that related party transactions are made on an arm's length basis.

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. **2008**	EEK ths. **2007**	EUR ths. **2008**	EUR ths. **2007**
Loans:				
Balance of loans at beginning of period	1,709	430	109	27
Disbursed loans	655	2,209	42	141
Repaid loans	933	930	60	59
Balance of loans at end of period	1,431	1,709	91	109
Deposits	1,342	1,524	86	97
Interest receivable	6	4	0	0
Interest payable	2	7	0	0
Interest income	135	63	9	4
Interests paid	22	39	1	2

Note 25 continued:

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Fees and commission income	15	0	1	0
Salaries of the members of the Management Board	4,934	3,324	315	212

Shareholders of the credit institution and their related parties, also companies controlled jointly of privately by these persons:	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Loans:				
Balance of loans at beginning of period	11,661	11,770	745	752
Disbursed loans	0	1,265	0	81
Repaid loans	500	1,374	32	88
Balance of loans at end of period	11,161	11,661	713	745
Deposits	4,563	135,571	292	8,665
Interest receivable	16	18	1	1
Interest payable	135	105	9	7
Prepayments for services	189	189	12	12
Interest income	579	601	37	38
Interests paid	132	6,059	8	387
Fees and commission income	88	0	6	0
Fees and commission expense	36	0	2	0
Administrative and other operating expenses	3,457	3,600	221	230
Compensation to the members of the Supervisory Board	2,078	2,400	133	153

Parent company of the Bank: Marfin Popular Bank Public Company Ltd.	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Deposits	250,519	0	16,011	0
Interest receivable	715	438	46	28
Interest payable	564	117	36	7
Interest income	285	430	18	27
Interest expense	2,875	119	184	8
Fees and commission income	21	7	1	0
Trading income	57	84	4	5
Administrative and other operating expenses	18	0	1	0
Off-balance sheet claims	22,590	16,856	1,444	1,077
Off-balance sheet commitments	22,590	16,856	1,444	1,077

Consolidation group companies of the parent company:

Marfin Egnatia Bank S.A., Marfin Investment Group Holdings Societe Anonyme	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Deposits	4	93,885	0	6,000
Interest payable	0	667	0	43
Interest income	5	0	0	0
Interest expense	8,674	4,892	554	313
Fees and commission income	1	16	0	1

Loans to related parties have no loan loss allowances.

Note 26: Geographical Concentration of Clients' Debts

EEK ths., as of 31.12.2008

Area	Balance sheet claims: loans *	Balance sheet claims: incl. overdue and doubtful claims	Balance sheet claims: securi-ties	contin-gent commit-ments	by area (%)
	Note 13, 14, 15	Note 15	Note 16, 17	Note 16	
Estonia	781,112	51,070	19,197	9,203	91.62%
United States of America	10,856	0	1	0	1.23%
United Kingdom	3,386	0	92	31,992	4.01%
Denmark	1,310	0	0	0	0.15%
Latvia	0	0	42	0	0.00%
Germany	93	0	0	0	0.01%
Greece	3,672	0	0	22,590	2.97%
Total	**800,429**	**51,070**	**19,332**	**63,785**	**100.00%**

EUR ths., as of 31.12.2008

Area	Balance sheet claims: loans *	Balance sheet claims: incl. overdue and doubtful claims	Balance sheet claims: securi-ties	contin-gent commit-ments	by area (%)
Estonia	49,922	3,264	1,227	588	91.62%
United States of America	694	0	0	0	1.23%
United Kingdom	216	0	6	2,045	4.01%
Denmark	84	0	0	0	0.15%
Latvia	0	0	3	0	0.00%
Germany	6	0	0	0	0.01%
Greece	235	0	0	1,444	2.97%
Total	**51,157**	**3,264**	**1,236**	**4,077**	**100.00%**

* Includes claims on credit institutions and financial institutions.

Note 26 continued:

EEK ths., as of 31.12.2007

Area	Balance sheet claims			contin-gent commit-ments	by area (%)
	loans *	incl. overdue and doubtful claims	securi-ties		
Estonia	537,497	13,769	28,125	237,079	50.20%
Italy	269	0	0	0	0.02%
United States of America	962	0	0	0	0.06%
United Kingdom	8,127	0	0	666,850	42.94%
Denmark	1,414	0	0	0	0.09%
Latvia	5	0	246	0	0.02%
Germany	1,691	0	0	0	0.11%
Greece	13,482	0	0	89,754	6.57%
Total	**563,447**	**13,769**	**28,371**	**993,683**	**100.00%**

EUR ths., as of 31.12.2007

Area	Balance sheet claims			contin-gent commit-ments	by area (%)
	loans *	incl. overdue and doubtful claims	securi-ties		
Estonia	34,352	880	1,798	15,152	50.20%
Italy	17	0	0	0	0.02%
United States of America	61	0	0	0	0.06%
United Kingdom	519	0	0	42,619	42.94%
Denmark	90	0	0	0	0.09%
Latvia	0	0	16	0	0.02%
Germany	108	0	0	0	0.11%
Greece	862	0	0	5,736	6.57%
Total	**36,011**	**880**	**1,813**	**63,508**	**100.00%**

* Includes claims on credit institutions and financial institutions.

Note 27: Concentration of Clients' Debts by Economic Sector

EEK ths., as of 31.12.2008

Economic sector	Balance sheet claims: loans*	Balance sheet claims: incl. overdue and doubtful claims	Balance sheet claims: securi-ties	contin-gent commit-ments	by sector (%)
Note	13, 14, 15	15	16, 17	16	
Agriculture, forestry and fishing	16,637	311	0	0	1.81%
Manufacturing	20,762	10,206	772	0	3.39%
Water supply; sewerage, waste management and remediation activities	0	0	36	0	0.00%
Construction	38,739	6,623	1,091	0	4.97%
Wholesale and retail trade; repair of motor vehicles and motorcycles	30,067	1,315	0	9,203	4.34%
Transportation and storage	8,118	0	0	0	0.87%
Accommodation and food service activities	12,605	5,381	14,980	0	3.52%
Information and communication	0	0	42	0	0.00%
Financial and insurance activities	208,022	0	1,801	54,582	28.27%
Real estate activities	351,721	23,430	1,229	0	40.24%
Professional, scientific and technical activities	372	0	0	0	0.04%
Administrative and support service activities	5,266	0	0	0	0.56%
Human health and social work activities	7,130	6	0	0	0.76%
Arts, entertainment and recreation	247	0	0	0	0.03%
Other service activities	24,919	108	96	0	2.69%
Private persons	75,824	3,691	0	0	8.50%
Total	**800,429**	**51,070**	**20,047**	**63,785**	**100.00%**

EUR ths., as of 31.12.2008

Economic sector	Balance sheet claims: loans*	Balance sheet claims: incl. overdue and doubtful claims	Balance sheet claims: securi-ties	contin-gent commit-ments	by sector (%)
Agriculture, forestry and fishing	1,063	20	0	0	1.81%
Manufacturing	1,327	652	49	0	3.39%
Water supply; sewerage, waste management and remediation activities	0	0	2	0	0.00%
Construction	2,476	423	70	0	4.97%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,922	84	0	588	4.34%
Transportation and storage	519	0	0	0	0.87%
Accommodation and food service activities	806	344	957	0	3.52%
Information and communication	0	0	3	0	0.00%
Financial and insurance activities	13,295	0	115	3,488	28.27%
Real estate activities	22,479	1,497	79	0	40.24%
Professional, scientific and technical activities	24	0	0	0	0.04%
Administrative and support service activities	337	0	0	0	0.56%
Human health and social work activities	456	0	0	0	0.76%
Arts, entertainment and recreation	16	0	0	0	0.03%
Other service activities	1,593	7	6	0	2.69%
Private persons	4,846	236	0	0	8.50%
Total	**51,157**	**3,264**	**1,281**	**4,077**	**100.00%**

* Includes claims on credit institutions and financial institutions.

Note 27 continued:

EEK ths., as of 31.12.2007

Economic sector	Balance sheet claims			contin-gent commit-ments	by sector (%)
	loans*	incl. overdue and doubtful claims	securi-ties		
Finance	115,605	0	4,994	782,617	57.47%
Retail and wholesale	13,861	1,226	0	90,743	6.58%
Real estate, renting and servicing	270,497	1,576	3,395	4,946	17.64%
Private persons	47,679	39	0	72,897	7.67%
Construction	45,527	0	1,095	0	2.97%
Industry	27,054	10,900	1,095	0	1.10%
Transport, logistics, communications	6,702	0	1,436	42,480	3.22%
Hotels and restaurants	11,942	21	16,153	0	1.79%
Agriculture, hunting and forestry	13,064	0	0	0	0.83%
Electricity, gas and water supply	6	0	203	0	0.01%
Other business activity	215	0	0	0	0.01%
Other community, social and private services	11,295	7	0	0	0.72%
Total	**563,447**	**13,769**	**28,371**	**993,683**	**100.00%**

EUR ths., as of 31.12.2007

Economic sector	Balance sheet claims			contin-gent commit-ments	by sector (%)
	loans*	incl. overdue and doubtful claims	securi-ties		
Finance	7,389	0	319	50,018	57.47%
Retail and wholesale	886	78	0	5,800	6.58%
Real estate, renting and servicing	17,288	101	217	316	17.64%
Private persons	3,047	2	0	4,659	7.67%
Construction	2,910	0	70	0	2.97%
Industry	1,729	697	70	0	1.10%
Transport, logistics, communications	428	0	92	2,715	3.22%
Hotels and restaurants	763	1	1,032	0	1.79%
Agriculture, hunting and forestry	835	0	0	0	0.83%
Electricity, gas and water supply	0	0	13	0	0.01%
Other business activity	14	0	0	0	0.01%
Other community, social and private services	722	0	0	0	0.72%
Total	**36,011**	**880**	**1,813**	**63,508**	**100.00%**

* Includes claims on credit institutions and financial institutions.

Note 28: Contingent Liabilities

		31.12.2008
	EEK ths.	EUR ths.
	Liabilities	**Liabilities**
Irrevocable transactions	**19,227**	**1,229**
Guarantees and similar irrevocable transactions	17,191	1,099
Unused part of credit lines and overdraft limits	2,036	130

		31.12.2007
	EEK ths.	EUR ths.
	Liabilities	**Liabilities**
Irrevocable transactions	**58,140**	**3,716**
Guarantees and similar irrevocable transactions	25,056	1,601
Unused part of credit lines and overdraft limits	33,084	2,114

Note 29: Liquidity (Assets and Liabilities by Remaining Maturities)

EEK ths., as of 31.12.2008

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	**165,796**	**51,288**	**51,598**	**27,587**	**94,815**	**140,216**	**249,148**	**43,453**	**823,901**
Cash and claims to banks	162,048	0	0	0	0	0	0	0	**162,048**
Claims to customers	3,386	51,070	51,150	27,587	90,070	140,216	234,168	42,460	**640,107**
Securities	199	218	92	0	2,850	0	14,980	993	**19,332**
Other claims	163	0	356	0	1,895	0	0	0	**2,414**
Liabilities of the Bank	**64,193**	**0**	**375,755**	**31,799**	**155,933**	**8,764**	**9,024**	**0**	**645,468**
Amounts owed to banks	174	0	266,345	0	0	0	0	0	**266,519**
Amounts owed to customers	43,408	0	108,451	31,799	155,585	8,764	9,024	0	**357,031**
Other liabilities	20,611	0	959	0	348	0	0	0	**21,918**
Contingent and derivative:									
assets	**0**	**0**	**41,195**	**0**	**14,162**	**0**	**8,428**	**0**	**63,785**
liabilities	**0**	**0**	**41,307**	**17,091**	**15,407**	**0**	**9,219**	**0**	**83,024**

EUR ths., as of 31.12.2008

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	**10,596**	**3,278**	**3,298**	**1,763**	**6,060**	**8,961**	**15,923**	**2,777**	**52,657**
Cash and claims to banks	10,357	0	0	0	0	0	0	0	**10,357**
Claims to customers	216	3,264	3,269	1,763	5,757	8,961	14,966	2,714	**40,910**
Securities	13	14	6	0	182	0	957	63	**1,236**
Other claims	10	0	23	0	121	0	0	0	**154**
Liabilities of the Bank	**4,103**	**0**	**24,015**	**2,032**	**9,966**	**560**	**577**	**0**	**41,253**
Amounts owed to banks	11	0	17,023	0	0	0	0	0	**17,034**
Amounts owed to customers	2,774	0	6,931	2,032	9,944	560	577	0	**22,818**
Other liabilities	1,317	0	61	0	22	0	0	0	**1,401**
Contingent and derivative:									
assets	**0**	**0**	**2,633**	**0**	**905**	**0**	**539**	**0**	**4,077**
liabilities	**0**	**0**	**2,640**	**1,092**	**985**	**0**	**589**	**0**	**5,306**

Note 29 continued:

EEK ths., as of 31.12.2007

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	**112,594**	**13,769**	**9,650**	**36,039**	**185,067**	**62,879**	**168,112**	**5,372**	**593,482**
Cash and claims to banks	101,496	0	2,000	0	0	0	0	0	**103,496**
Claims to customers	8,350	13,129	4,982	30,325	174,156	51,507	168,112	4,262	**454,823**
Securities	43	0	0	5,384	10,619	11,229	0	1,096	**28,371**
Other claims	2,705	640	2,668	330	292	143	0	14	**6,792**
Liabilities of the Bank	**22,004**	**0**	**203,920**	**87,236**	**33,288**	**40,546**	**13,025**	**0**	**400,019**
Amounts owed to banks	0	0	82,958	31,293	0	0	0	0	**114,251**
Amounts owed to customers	19,610	0	120,851	54,540	32,853	39,645	12,678	0	**280,177**
Other liabilities	2,394	0	111	1,403	435	901	347	0	**5,591**
Contingent and derivative:									
assets	**0**	**0**	**800,839**	**175,988**	**0**	**0**	**16,856**	**0**	**993,683**
liabilities	**0**	**0**	**800,046**	**176,099**	**3,500**	**32,752**	**38,539**	**0**	**1,050,936**

EUR ths., as of 31.12.2007

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	**7,196**	**880**	**617**	**2,303**	**11,828**	**4,019**	**10,744**	**343**	**37,930**
Cash and claims to banks	6,487	0	128	0	0	0	0	0	**6,615**
Claims to customers	534	839	318	1,938	11,131	3,292	10,744	272	**29,068**
Securities	3	0	0	344	679	718	0	70	**1,813**
Other claims	173	41	171	21	19	9	0	1	**434**
Liabilities of the Bank	**1,406**	**0**	**13,033**	**5,575**	**2,127**	**2,591**	**832**	**0**	**25,566**
Amounts owed to banks	0	0	5,302	2,000	0	0	0	0	**7,302**
Amounts owed to customers	1,253	0	7,724	3,486	2,100	2,534	810	0	**17,907**
Other liabilities	153	0	7	90	28	58	22	0	**357**
Contingent and derivative:									
assets	**0**	**0**	**51,183**	**11,248**	**0**	**0**	**1,077**	**0**	**63,508**
liabilities	**0**	**0**	**51,132**	**11,255**	**224**	**2,093**	**2,463**	**0**	**67,167**

Note 30: Earnings/Loss Per Share

	EEK ths. 2008	EEK ths. 2007*	EUR ths. 2008	EUR ths. 2007*
Net profit for the reporting period	-12,370	3,184	-791	203
Weighted average no. of shares (ths. pcs.)	20,050	20,050	20,050	20,050
Basic earnings/loss per share	**-0.62**	**0.16**	**-0.04**	**0.01**
Diluted earnings/loss per share	**-0.62**	**0.16**	**-0.04**	**0.01**

MARFIN PANK EESTI AS has not issued convertible securities.

* restated, see Note 37

Note 31: Operating Lease Liabilities

Rental payments for vehicles

MARFIN PANK EESTI AS has concluded operating lease agreements for five vehicles as of 31.12.2008. Longest contract ends on 30.08.2011, i.e. no agreement exceeds 5 years.

Rental payments for vehicles by due dates

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Rental payment paid and expensed during reporting year	482	481	31	31
Rental payments payable:				
until 1 year	417	471	27	30
1 to 5 years	575	930	37	59

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 02.06.2018.

Rental payments for bank premises by due dates

	EEK ths. 2008	EEK ths. 2007	EUR ths. 2008	EUR ths. 2007
Rental payment paid and expensed during reporting year	4,442	4,097	284	262
Rental payments payable:				
until 1 year	4,640	3,831	297	245
1 to 5 years	19,334	16,569	1,236	1,059
over 5 years	1,045	8,678	67	555

Note 32: Risk and Capital Management

Risk Management

MARKET RISK

Interest rate risk

The Bank'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 34.

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 Bank 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 3.1 million kroons (0.2 million euros) and overnigth FX position by 2.3 million kroons (0.15 million euros). See FX positions and sensitivity analysis in Note 33.

Other price risk

Other price risk of market risks rises from placing Bank'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 makes 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. See liquidity positions in Note 29.

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 frequently loans in arrears, normal loans are reviewed at least yearly. The adequacy and amount of loan loss allowances are reviewed monthly. Please see Notes 14, 15, 17.

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.

OPERATIONAL RISKS

Bank enhanced further control over business continuity risks in 2008. Procedures, recovery plans and test plans were modified. 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 Bank's 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.

As the MARFIN PANK EESTI AS does not have any subsidiaries, the internal control system involves only the control over the Bank's activities.

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 abovementioned general principles. The control measures implemented in the Bank's business processes are regulated by the rules and procedures approved by the Management Board.

The Management Board's competence involves in addition to the creation of the control mechanisms, also the implementation and the control over the fulfilment 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 make recommendations for improvements of the system and test its operability. The internal audit department reports to the Management and Supervisory Board.

The financial data is available 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 is overcapitalised compared with market average, but it allows fast growth of the Bank without the need to increase share capital in the nearest years. 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 of 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 35.

Note 33: Foreign Currency Risk

					31.12.2008
EEK and EUR	Balance sheet position		Off-balance sheet position		Net
joint position	long	short	long	short	position
Position, EEK ths.	768,908	580,112	41,545	64,164	166,176
Position, EUR ths.	49,142	37,076	2,655	4,101	10,621

					31.12.2007
EEK and EUR	Balance sheet position		Off-balance sheet position		Net
joint position	long	short	long	short	position
Position, EEK ths.	551,256	149,623	161,410	133,693	429,350
Position, EUR ths.	43,779	211,213	329,768	451,232	-288,899

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

<u>Sensitivity analysis of foreign currency risk</u>

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 0.2 million kroons i.e. 0.01 million euros as of 31.12.2008 (1.5 million kroons i.e. 0.1 million euros as of 31.12.2007). Even a simultanous 5% change in unfavourable direction for all used currencies could cause the Bank only a 11 thousand kroon i.e. 0.7 thousand euro (31.12.2007: 80 thousand kroon i.e. 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 34: Interest-Bearing Assets and Liabilities by Interest Repricing Period

EEK ths., as of 31.12.2008

Claims, liabilities	On demand	Overdue	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	**163,624**	**49,654**	**100,502**	**266,970**	**194,915**	**1,040**	**71,236**	**3,370**	**851,311**
Claims to banks	160,159	0	0	0	0	0	0	0	**160,159**
Claims to customers	3,465	49,654	99,119	266,970	192,435	1,040	45,877	3,370	**661,930**
Securities	0	0	1,383	0	2,480	0	25,359	0	**29,222**
Bank's liabilities	**102,529**	**0**	**313,715**	**31,799**	**155,585**	**8,764**	**9,024**	**0**	**621,416**
Due to banks	174	0	265,992	0	0	0	0	0	**266,166**
Due to customers	100,319	0	47,723	31,799	155,585	8,764	9,024	0	**353,214**
Stand-by loans	2,036	0	0	0	0	0	0	0	**2,036**

EUR ths., as of 31.12.2008

Claims, liabilities	On demand	Overdue	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	**10,457**	**3,173**	**6,423**	**17,062**	**12,457**	**66**	**4,553**	**215**	**54,409**
Claims to banks	10,236	0	0	0	0	0	0	0	**10,236**
Claims to customers	221	3,173	6,335	17,062	12,299	66	2,932	215	**42,305**
Securities	0	0	88	0	159	0	1,621	0	**1,868**
Bank's liabilities	**6,553**	**0**	**20,050**	**2,032**	**9,944**	**560**	**577**	**0**	**39,716**
Due to banks	11	0	17,000	0	0	0	0	0	**17,011**
Due to customers	6,412	0	3,050	2,032	9,944	560	577	0	**22,574**
Stand-by loans	130	0	0	0	0	0	0	0	**130**

EEK ths., as of 31.12.2007

Claims, liabilities	On demand	Overdue	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	**104,710**	**13,127**	**11,552**	**175,242**	**206,176**	**25,253**	**52,197**	**1,001**	**589,258**
Claims to banks	100,121	0	2,003	0	0	0	0	0	**102,124**
Claims to customers	4,589	13,127	8,434	172,238	194,159	22,750	43,466	0	**458,763**
Securities	0	0	1,115	3,004	12,017	2,503	8,731	1,001	**28,371**
Bank's liabilities	**179,827**	**0**	**76,684**	**85,822**	**32,858**	**39,648**	**12,674**	**0**	**427,513**
Due to banks	20,372	0	62,586	31,293	0	0	0	0	**114,251**
Due to customers	126,371	0	14,098	54,528	32,858	39,648	12,674	0	**280,177**
Stand-by loans	33,084	0	0	0	0	0	0	0	**33,084**

Note 34 continued:

EUR ths., as of 31.12.2007

Claims, liabilities	On demand	Overdue	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	**6,692**	**839**	**738**	**11,200**	**13,177**	**1,614**	**3,336**	**64**	**37,660**
Claims to banks	6,399	0	128	0	0	0	0	0	**6,527**
Claims to customers	293	839	539	11,008	12,409	1,454	2,778	0	**29,320**
Securities	0	0	71	192	768	160	558	64	**1,813**
Bank's liabilities	**11,493**	**0**	**4,901**	**5,485**	**2,100**	**2,534**	**810**	**0**	**27,323**
Due to banks	1,302	0	4,000	2,000	0	0	0	0	**7,302**
Due to customers	8,077	0	901	3,485	2,100	2,534	810	0	**17,907**
Stand-by loans	2,114	0	0	0	0	0	0	0	**2,114**

Sensitivity analysis of interest rate risk

Bank's cumulative interest rate sensitivity gap, which is the basis for interest rate risk, was 83 million kroons i.e. 5 million euros for period up to 3 months and +122 million kroons i.e. 8 million euros for period up to 12 months as of 31.12.2008. The effect of time-weighted +200 basis points interest curve shift for the Bank's profit was -223 thousand kroons (-14 thousand euros) i.e. 0.6% of the 2008 net interest income of the Bank. Further absolute cumulative interest rate sensitivity gap effect on profit under +200 basis points shift is +1.84 million kroons (+0.1 million euros). Compared with year 2007 a +200 basis points interest curve shift was used instead of +100 basis points interest curve shift. Adjusted effected on profit of reporting year was 0.2% smaller and on the profit of next financial year 0.6 million kroons smaller (-0.04 million euros). Bank has limited openess for interest rate risks.

Note 35: Capital Adequacy

	EEK ths.	EUR ths.
	31.12.08	**31.12.08**
Share capital paid-in	200,500	12,814
Other reserves	559	36
Retained profit/loss of the previous years	-1,353	-86
Intangible assets	-931	-60
Net loss of the period	-12,370	-791
Total tier 1 own funds	**186,405**	**11,913**
Available-for-sale financial instruments	-1,601	-102
Minimum own funds	184,804	11,811
Tier 1 own funds after deductions	186,405	11,913
Tier 2 own funds after deductions	-1,601	-102
Own funds for capital adequacy calculations	**186,405**	**11,913**
Credit institutions and investment companies under standard method	3,308	211
Companies under standard method	15,714	1,004
Mass claims under standard method	29,959	1,915
Claims backed by mortgages under standard method	3,203	205
Overdue claims under standard method	4,852	310
Other assets under standard method	851	54
Total capital requirement for credit risk and counterparty credit risk	**57,888**	**3,700**
Operational risk base method	4,116	263
Total capital requirement for operational risk	**4,116**	**263**
Capital requirements for adequacy calculations	**62,004**	**3,963**
Capital adequacy	**30.06%**	**30.06%**

	EEK ths.	EUR ths.
	31.12.07	**31.12.07**
First level equity	**195,210**	**12,476**
Paid-in share capital	200,500	12,814
Other reserves	446	29
Retained profit/loss of the previous years	-4,424	-283
Intangible assets (minus)	-1,312	-84
Total gross own funds	**195,210**	**12,476**
Total net own funds	**195,210**	**12,476**
Risk weighted asset	**455,530**	**29,114**
I category (risk adjustment 0%)	91,353	5,839
II category (risk adjustment 20%)	12,143	776
III category (risk adjustment 50%)	27,083	1,731
IV category (risk adjustment 100%)	439,560	28,093
Risk weighted off-balance sheet transactions	**26,721**	**1,708**
Group I	25,056	1,601
Group II	1,665	106
Capital requirement for trading portfolio risks	**652**	**42**
For covering interest position risk	643	41
For covering share position risk	9	1
Capital adequacy	**39.81%**	**39.81%**

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. Annual Report 2008 has been calculated in accordance with the valid directive. 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 instituions act § 79 clause 2 sub-clauses 2 and 3 from 01.01.2008.

Note 36: Concentration of Risks

	31.12.2008			
	no.	**EEK ths.**	**EUR ths.**	**% of net own funds**
Number of customers (client groups) with high risk concentration	13			
Due from customers with high risk concentration		354,910	23,683	194.10%
Due from persons related with credit institution		8,181	523	4.47%

	31.12.2007			
	no.	**EEK ths.**	**EUR ths.**	**% of net own funds**
Number of customers (client groups) with high risk concentration	6			
Due from customers with high risk concentration		237,816	15,199	121.83%
Due from persons related with credit institution		189	12	0.10%

Note 37: Adjustment of Comparative Figures – restatement of material error

Comparative figures for year 2007 were adjusted in these financial statements for the financial year 2008 in the amount of 942 thousand kroons (60 thousand euros). This restatement of material error affected interest income earned from available-for-sale debt securities, which was incorrectly disclosed as fair value reserve in 2007. Neither total assets nor total equity were changed by the adjustment.

The nature of the misstatement in 2007 was that the Bank reclassified its investments to bonds from held to maturity to available for sale, because of breach of the restriction to disposal in 2007. At such reclassification, the bonds should be revalued to fair value at the reclassification date and the difference between the carrying value and the fair value at the reclassification date should be recognized in separate reserve (AFS reserve) in equity. Upon disposal of any of investments, the accrued reserve should be recognized in PNL. However, interest calculated using the effective interest rate method is recognised in PNL. The Bank incorrectly recognised also already earned interest income on these reclassified bonds to AFS reserve and as a result of that the interest income for 2007 was understated and AFS reserve as at 31.12.2007 was overstated.

Effect of restatement to balance sheet	*restated* EEK ths.	*initial* EEK ths.	*restated* EUR ths.	*initial* EUR ths.
	31.12.07	**31.12.07**	**31.12.07**	**31.12.07**
SHAREHOLDERS' EQUITY				
Fair value reserve of available-for-sale financial assets	0	942	0	60
Profit / loss for the financial year	3,184	2,242	203	143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	599,725	599,725	38,329	38,329

Effect of restatement to income statement	*restated* EEK ths.	*initial* EEK ths.	*restated* EUR ths.	*initial* EUR ths.
	2007	**2007**	**2007**	**2007**
Interest income	50,317	49,375	3,216	3,156
Net interest income	37,090	36,148	2,370	2,310
NET PROFIT / LOSS	3,184	2,242	203	143
Basic earnings per share	0.16	0.11	0.01	0.01
Diluted earnings per share	0.16	0.11	0.01	0.01

Note 38: 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 31.12.2008 and 31.12.2007. 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 stuctured deposits are also of short remaining maturity and therefore the fair value does not change significantly during the deposit term.

The liquidity information of loans to customers and receivables from other banks is as follows:

EEK ths., as of 31.12.2008

	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
Cash and claims to banks	162,048	0	0	0	0	0	0	0	**162,048**
Claims to customers	3,386	51,070	51,150	27,587	90,070	140,216	234,168	42,460	**640,107**

EUR ths., as of 31.12.2008

	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
Cash and claims to banks	10,357	0	0	0	0	0	0	0	**10,357**
Claims to customers	216	3,264	3,269	1,763	5,757	8,961	14,966	2,714	**40,910**

EEK ths., as of 31.12.2007

	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
Cash and claims to banks	101,496	0	2,000	0	0	0	0	0	**103,496**
Claims to customers	8,350	13,129	4,982	30,325	174,156	51,507	168,112	4,262	**454,823**

EUR ths., as of 31.12.2007

	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
Cash and claims to banks	6,487	0	128	0	0	0	0	0	**6,615**
Claims to customers	534	839	318	1,938	11,131	3,292	10,744	272	**29,068**

Other financial assets and financial liabilities have arised 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.

Available-for-Sale Financial Assets (debt securities) and Financial Assets Held for Trading are presented in fair value. As there have been no transactions with these bonds on secondary market, the fair value of debt securities can not be reliably validated against any benchmark. The management board is on an opinion that there are no indications for this value to be significantly different from carrying value.

SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO THE ANNUAL REPORT 2008

The Annual Report 2008 of MARFIN PANK EESTI AS is signed by:

Fotios Karatzenis	Chairman of the Supervisory Board		23. 3. 09
Nikolaos Sarros	Member of the Supervisory Board		23.03.2009
Efthymios Bouloutas	Member of the Supervisory Board		23.3.09
Achillefs Giannisis	Member of the Supervisory Board		23. 03. 2009
Frank Ulrich John	Member of the Supervisory Board		23.03.2009
Emmanouil Karavelakis	Member of the Supervisory Board		23.03 2009
Christos Stylianides	Member of the Supervisory Board		24.03.2009
Riho Rasmann	Chairman of the Management Board		02.03.2009
Sven Raba	Member of the Management Board		02.03.2009
Mart Veskimägi	Member of the Management Board		02.03.2009
Roul Tutt	Member of the Management Board		02.03.2009

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of MARFIN PANK EESTI AS

We have audited the accompanying financial statements of MARFIN PANK EESTI AS (the Bank) which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 fair presentation of the 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 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 accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tiit Raimla
AS PricewaterhouseCoopers

Relika Mell
Authorised Auditor

23 March 2009

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* *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'S PROFIT ALLOCATION PROPOSAL

The Management Board of MARFIN PANK EESTI AS approved the audited loss of MARFIN PANK EESTI AS for the financial year 2008 in the amount of 12,369,919.57 kroons (790,581.95 euros). The Management Board's proposal to the General Meeting of Shareholders' is to record the loss for the financial year 2008 in the amount of 12,369,919.57 kroons (790,581.95 euros) under the balance sheet heading "Accumulated deficit".

Riho Rasmann	Chairman of the Management Board		02.03.2009
Sven Raba	Member of the Management Board		02.03.2009
Mart Veskimägi	Member of the Management Board		02.03.2009
Roul Tutt	Member of the Management Board		02.03.2009