MARFIN BANK

MARFIN PANK EESTI AS

(MARFIN BANK ESTONIA LTD.)

ANNUAL REPORT 2009

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2009
End of reporting year	31.12.2009

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

TABLE OF CONTENTS

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	31.12.2009
Report period	01.01.2009 – 31.12.2009
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, is the member of S.W.I.F.T. and pan-Baltic member of NASDAQ OMX Baltic stock exchanges. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and the cross-border clearing system TARGET2-Estonia.

MARFIN PANK EESTI AS uses the trademark MARFIN BANK, which is globally used by Marfin Popular Bank group in all international markets.

MARFIN PANK EESTI AS belongs to the banking group of Marfin Popular Bank, registered in Cyprus, and operating in 11 countries with 515 branches. Group has more than 9000 employees. Year 2009 net profit of the Marfin Popular Bank group totalled 186.7 million euros and total assets 41.8 billion euros according to preliminary results. Marfin Popular Bank has a A-3/Prime-1 (outlook: stable) rating by Moody's Investors Service, and BBB+ (outlook: stable) rating by Fitch Ratings.

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). There were no changes in owners in the year 2009.

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 2009.

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 2009.

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

Sharp adjustment of Estonian economy to the drop in demand, following the end of expansive credit policy, continued in year 2009. Although the negative economic cycle was foreseen already in year 2008, the actual extent of shrinking economy was clearly outside the range of forecasts. The fall was amplified also by the drop in demand brought by the global financial crises in the main export markets of Estonia, in addition to the shrinking local consumption. The preliminary results are: GDP -14% on a yearly basis and the increase of unemployment to 15.5%. First stabilisation was reached though in the last quarter of the year, where based on first assessments the seasonally adjusted GDP of the 4th quarter rose +2.6% compared with the preceeding quarter. One positive factor was also that the drop in exports was smaller than the drop in imports, resulting in the smallest foreign trade deficit of the last 15 years and the current account deficit to GDP improved from -17.8% in year 2007 to 6% surplus. Signs of stabilisation were also seen in the real estate market where the number of purchase-sale transactions grew +30% in the 4th quarter compared with the 3rd quarter, and the prices started to rise, at least in the more liquid market of apartments. The rise of activity in the real estate market was still not followed by the similar adjustment in the mortgage loan market. In yearly terms the number of real estate transactions dropped -23% and the total value of transactions -47% compared with year 2008.

Extensive economic downfall left its mark also on the financial results of the banking sector. Thus the total of loan and leasing portfolios lent to Estonian households and companies decreased by 17 billion kroons i.e. 6.4% at the end of year 2009 compared with the previous year. The loan portfolio quality declined simultaneously and at the year end the loans with arrears exceeding 60 days comprised 6.4% of the loan portfolio. At the same time the shorter term arrears volumes started to decrease quickly at the end of the year, as a positive indication. Continuous drop in the mortgage loan quality is still possible if the unemployment levels remain high. The loan allowances formed to cover potential loan losses reached 8.5 billion kroons i.e. 3.7% of loan portfolio at the end of year 2009. Quick adjustment in consumption and investment decisions to economic downfall and also the high kroon interest rates which remained at high levels throughout most of the year kept the deposit volumes of private persons and companies from falling and within a year their total volume even grew by 2 billion kroons i.e. 2%. Estonian banking sector made 8.9 billion kroons of losses in year 2009.

Although the Estonian kroon interest rates remained significantly higher than the euro interest rates throughout most of year 2009, the 4th quarter brought first signs of slowdown of economic downfall and improvement in the fiscal balance of the state, which in turn increased the probability of Estonian successful changeover to euro, and a fast convergence of kroon and euro interest rates. The difference between 6-month Euribor and Talibor decreased from earlier 518 basis points to 258 basis points at the end of year 2009 compared with the end of 2008 and the convergence speeded up in the beginning of year 2010. The low level of Euribor throughout the year kept also the average loan interest rates stable and the average loan interest rates of mortgage loans and long term loans of companies were 3.4% and 4%, respectively, at the end of year 2009.

The outlook of Estonian economy for year 2010 is mainly connected with expectancies that Estonia will join the euro area in the beginning of year 2011. The probability of euro changeover taking place as planned is extremely high, as preliminary assessments assure that the budget and structural-political measures applied by the government have kept the budget deficit less than the 3% to GDP Maastricht criteria and the deflationary pressure to the consumer price index also allowed to fulfill the inflation criteria. It was also seen in the drop of kroon interest rates at the end of the year, price drop in credit default swaps allowing the mitigation of Estonian credit risk, change in the real estate market and the quick rise of stock prices, which took place on the Tallinn stock exchange in the beginning of year 2010. Joining the euro area as planned will improve the credibility of Estonia in the eyes of foreign investors and enhance competitiveness. Euro changeover will also have a further positive effect on property prices and boost the real estate market. The inflow of foreign direct investments to Estonia will also increase.

The return of foreign demand in the main Estonian export markets plays a significant role in resuming economic growth, which is also the main basis for growth forecasts for year 2010. Current estimations project the GDP growth up to 2% in year 2010. Large surplus in production capacities enables the initial fulfillment of demand when foreign demands returns without new capital and time consuming investments, which supports the quick recovery of economy.

Major Economic Events

10th year of operations has been a year of fast growth for the Bank, primarily in terms of customer numbers and deposit volumes. Number of customers of the Bank increased 1.3 times during the year, the number of active depositors increased 24%. Deposit growth rate was much higher than the market average, being 1.2 times in client (excluding credit institutions) deposits. 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, and many other fees and commissions are more favourable as well.

Client deposits with the Bank totalled 425.7 million kroons i.e. 27.2 million euros as of 31.12.2009 (357.0 million kroons i.e. 22.8 million euros as of 31.12.2008). Bank continues to pay higher interest rates on time deposits, than the market average.

Gross loan portfolio (excluding deposits with financial institutions and accrued interests) comprised 617.6 million kroons (39.5 million euros), decreasing 5.6% from beginning of year (average of Estonian credit institutions was -8.6%) and forming 83.6% of total assets as at the end of financial year (31.12.2008: 78.9%). Gross loan portfolio amounted 654.0 million kroons i.e. 41.8 million euros as of 31.12.2008. Loans to deposits ratio stood at 1.45 at year-end 2009 (1.83 at year-end 2008).

Significant increase in conservative loan and other loss provisions caused the net loss of the Bank in year 2009, and first write-offs of hopeless claims were made, totalling 1.2 million kroons (0.1 million euros). Net loss of 2009 comprised 84.4 million kroons i.e. 5.4 million euros (net loss of 2008 was 12.4 million kroons i.e. 0.8 million euros). Total assets of the Bank have decreased 10.9% from beginning of the year, reaching 739.0 million kroons i.e. 47.2 million euros as of 31.12.2009 (as of 31.12.2008 the balance sheet total was 829.4 million kroons i.e. 53.0 million euros).

Net interest income of the reporting period was 34.8 million kroons i.e. 2.2 million euros (2008: 43.9 million kroons i.e. 2.8 million euros), earned mostly on loans. Net fees and commissions income totalled 2.3 million kroons i.e. 0.1 million euros (2008: 0.1 million kroons i.e. 0.01 million euros). 3.4 million kroons i.e. 0.2 million euros was earned as dealing profits from FX and securities' transactions (2008: 4.4 million kroons i.e. 0.3 million euros). Total operating income from banking activities comprised 39.4 million kroons i.e. 2.5 million euros in year 2009 compared with 46.3 million kroons i.e. 3.0 million euros year earlier. Administrative expenses of 2009 and 2008 were correspondingly 35.9 million kroons (2.3 million euros) and 37.0 million kroons (2.4 million euros).

Total of 0.8 million kroons (0.05 million euros) of membership fees were calculated to the Supervisory Board members in year 2009, in the same volume as year earlier. No membership fees have been paid to the members of the Management Board. Calculated salaries of the members of the Management Board totalled 3.7 million kroons i.e. 0.2 million euros in year 2009, of employees 12.6 million kroons i.e. 0.8 million euros. Calculated salaries of the members of the Management Board totalled the same in year 2008 as in 2009, of employees 11.9 million kroons (0.8 million euros). Average number of employees was 47 (year earlier also 47), number of employees at the end of year 2009 was 47 (at year-end 2008: 48).

Bank's equity totalled 102.6 million kroons i.e. 6.6 million euros as of 31 December 2009 and the regulatory capital adequacy stood at 24.81% (31.12.2008: 183.8 million kroons i.e. 11.7 million euros, capital adequacy 30.06%). Bank took a 4.0 million euro i.e. 62.6 million kroon subordinated debt from Marfin Egnatia Bank S.A., a bank belonging to the group, in December 2009 to fulfill the prudential ratios and increase the share of long-term funding. This 10-year subordinated loan can be treated as tier 2 own funds. Bank is planning share capital increase in the end of the first quarter of year 2010.

No new branch offices were opened, nor existing offices closed in year 2009. Bank branch offices are located in the center of Tallinn, Tartu, Pärnu and Jõhvi. Bank's internet bank is available in Estonian, English and from December 2009 also in Russian language.

Corporate Governance Report

"Corporate Governance Recommendations" guideline issued by the Estonian Financial Supervision Authority is in force since 01.01.2006. Whereas the shares of MARFIN PANK EESTI AS are not traded in the regulated market of Estonia and the Bank has no other issued securities listed in the stock exchange as of report date, Corporate Governance Recommendations are not mandatory for the Bank. Information is disclosed as required by legislation, international financial reporting standards (IFRS) and good banking practises.

Ratios

		2009	2008
Return on equity	ROE	-61.60%	-6.45%
Equity multiplier	EM	5.69	3.73
Profit margin	PM	-128.53%	-15.74%
Asset utilisation	AU	8.43%	11.00%
Return on assets	ROA	-10.83%	-1.73%
Net interest margin	NIM	3.13%	12.74%
Basic earnings per share	Basic EPS	-4.21	-0.62
Diluted earnings per share	Diluted EPS	-4.21	-0.62
Spread	SPREAD	1.58%	15.08%
Yield on interest-earning assets	YIEA	5.15%	20.27%
Cost of interest-bearing liabilities	COL	3.57%	5.20%

Explanations to ratios

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

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

Ratings

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

Moody's Investors Service:
Global Local Currency Deposit Ratings: A3/ Prime-1
Foreign Currency Deposit Ratings: A3/Prime-1
Bank Financial Strength: C-
Outlook: Stable

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

Legal Disputes

The Bank has submitted three statements of claim to the Harju County Court, as of 31 December 2009. Courts are proceeding with sixteen bankruptcy proceedings against both principal obligors and guarantors. Bankruptcy proceedings have ended with abatement due to lack of assets of two legal entities and one private person. Four statements against private persons have been filed for payment order. Execution proceedings are taking place against seven private persons and three legal entities.

There are no court actions filed against the Bank, and Bank's management is not aware, as of report preparation date, of any significant claims for compensation of damages what the third parties would be planning to file against the Bank.

Financial Statements 2009

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 31.12.2009, presented on pages 10 to 67 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 01 March 2010, have been duly apprised and disclosed in the Annual Report;
- MARFIN PANK EESTI AS is operating on a going concern basis.

Riho Rasmann	Chairman of the Management Board		01.03.2010
Sven Raba	Member of the Management Board		01.03.2010
Mart Veskimägi	Member of the Management Board		01.03.2010
Roul Tutt	Member of the Management Board		01.03.2010

Statement of Comprehensive Income

	Note	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Interest income	1	57,808	71,509	3,695	4,570
Interest expense	2	-23,010	-27,578	-1,471	-1,763
Net interest income		**34,798**	**43,931**	**2,224**	**2,808**
Fees and commissions income	3	4,371	2,621	279	168
Fees and commissions expense	4	-2,105	-2,536	-135	-162
Net fees and commissions income		**2,266**	**85**	**145**	**5**
Net trading gains	5	**3,480**	**4,473**	**222**	**286**
Other operating expenses	6	**-1,131**	**-2,188**	**-72**	**-140**
Total operating income		**39,413**	**46,301**	**2,519**	**2,959**
Administrative expenses		**-35,926**	**-36,965**	**-2,296**	**-2,362**
Personnel expense	7	-17,370	-16,939	-1,110	-1,083
Payroll related taxes	8	-5,841	-5,733	-373	-366
Other administrative expenses	9	-12,715	-14,293	-813	-913
Depreciation and amortisation of tangible and intangible assets	10	**-2,373**	**-2,450**	**-152**	**-157**
Operating profit before allowances		**1,114**	**6,886**	**71**	**440**
Impairment loss on financial assets	11	**-85,502**	**-19,256**	**-5,465**	**-1,231**
NET LOSS FOR THE PERIOD		**-84,388**	**-12,370**	**-5,393**	**-791**
Net change in revaluation reserve of available-for-sales financial assets		**3,219**	**-3,557**	**206**	**-227**
COMPREHENSIVE LOSS FOR THE PERIOD		**-81,169**	**-15,927**	**-5,188**	**-1,018**

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials K.L
Kuupäev/date 05.03.10
PricewaterhouseCoopers, Tallinn

The accounting policies on pp. 16-31 and notes to the financial statements on pp. 32-67 form an integral part of the Financial Statements.

Statement of Financial Position

	Note	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
ASSETS					
Cash	12	**2,076**	**1,889**	**133**	**121**
Loans and advances		**723,763**	**800,429**	**46,257**	**51,157**
Balances with central bank	13	107,592	112,350	6,876	7,180
Due from other banks	14	61,057	47,972	3,902	3,066
Due from customers	15	555,113	640,107	35,478	40,910
Financial assets held for trading	16	**245**	**910**	**16**	**58**
Available-for-sale financial assets	17	**2,972**	**19,137**	**190**	**1,223**
Property and equipment	18	**2,853**	**4,518**	**182**	**289**
Investment properties	19	**4,382**	**0**	**280**	**0**
Intangible assets	20	**621**	**931**	**40**	**60**
Other assets	21	**2,118**	**1,536**	**135**	**98**
TOTAL ASSETS		**739,030**	**829,350**	**47,233**	**53,005**
LIABILITIES					
Financial liabilities held for trading	16	**112**	**325**	**7**	**21**
Financial liabilities measured at amortised cost		**630,956**	**623,550**	**36,224**	**39,852**
Due to credit institutions	22	141,043	266,519	9,014	17,034
Due to customers	22	425,737	357,031	27,210	22,818
Subordinated debt	23	63,018	0	4,028	0
Borrowed funds from government and foreign aid	24	1,158	0	74	0
Tax liabilities	25	**825**	**802**	**53**	**51**
Other liabilities	26	**4,527**	**20,894**	**289**	**1,335**
TOTAL LIABILITIES		**636,420**	**645,571**	**40,675**	**41,260**
SHAREHOLDERS' EQUITY	27				
Share capital		200,500	200,500	12,814	12,814
Statutory legal reserve		559	559	36	36
Fair value reserve of available-for-sale financial assets		-338	-3,557	-22	-227
Accumulated deficit		-13,723	-1,353	-877	-86
Loss for the financial year		-84,388	-12,370	-5,393	-791
TOTAL SHAREHOLDERS' EQUITY		**102,610**	**183,779**	**6,558**	**11,746**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**739,030**	**829,350**	**47,233**	**53,005**

The accounting policies on pp. 16-31 and notes to the financial statements on pp. 32-67 form an integral part of the Financial Statements.

Statement of Cash Flows

	Note	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Cash flows from operating activities		**-49,371**	**23,446**	**-3,155**	**1,498**
Interests received		44,185	65,007	2,824	4,155
Interests paid		-22,694	-23,186	-1,450	-1,482
Fees and commissions received		4,132	2,371	264	152
Fees and commissions paid		-2,105	-2,536	-135	-162
Administrative expenses		-35,534	-35,028	-2,271	-2,239
Trading income received		3,480	4,473	222	286
Other operating expenses		-1,131	-2,188	-72	-140
Change in operating assets:					
Deposits with credit institutions		397	-36,941	25	-2,361
Loans and claims to customers	15	33,879	-192,024	2,165	-12,273
Other assets		-259	4,262	-17	272
Securities purchased/sold	17	-438	363	-28	23
Change in operating liabilities:					
Deposits of credit institutions	22	-125,185	151,562	-8,001	9,687
Other deposits	22	68,522	70,500	4,379	4,506
Other liabilities		-16,620	16,811	-1,062	1,074
Cash flows from investing activities		**-5,461**	**-1,835**	**-349**	**-117**
Purchase of property and equipment	18	-192	-1,732	-12	-111
Purchase of intangible assets	20	-212	-103	-14	-7
Purchase of investment properties	19	-5,057	0	-323	0
Cash flows from financing activities		**63,744**	**0**	**4,074**	**0**
Subordinated loan received	23	62,586	0	4,000	0
Other borrowings received	24	2,100	0	134	0
Borrowings repaid	24	-942	0	-60	0
Total cash flows		**8,912**	**21,611**	**570**	**1,381**
Cash and cash equivalents at the beginning of year		**67,928**	**46,317**	**4,341**	**2,960**
Net change in cash and cash equivalents		**8,912**	**21,611**	**570**	**1,381**
Cash and cash equivalents at the end of the year *		**76,840**	**67,928**	**4,911**	**4,341**

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

	Note	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Cash	12	2,076	1,889	133	121
Surplus of the reserve in the Bank of Estonia	13	13,706	18,067	876	1,155
Deposits with credit institutions	14	61,057	47,972	3,902	3,066
Total		**76,840**	**67,928**	**4,911**	**4,341**

The accounting policies on pp. 16-31 and notes to the financial statements on pp. 32-67 form an integral part of the Financial Statements.

Statement of Changes in Equity

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2009	**2008**	**2009**	**2008**
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	559	446	36	29
Increase in statutory legal reserve	0	113	0	7
Balance at the end of period	**559**	**559**	**36**	**36**
Accumulated deficit				
Balance at the beginning of period	-17,280	-1,353	-1,104	-86
Comprehensive loss for the period	-81,169	-15,927	-5,188	-1,018
Balance at the end of period	**-98,449**	**-17,280**	**-6,292**	**-1,104**
Total shareholders' equity:				
at the beginning of period	**183,779**	**199,706**	**11,746**	**12,764**
at the end of period	**102,610**	**183,779**	**6,558**	**11,746**

Additional information in Note 27.

The accounting policies on pp. 16-31 and notes to the financial statements on pp. 32-67 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 01 March 2010. Approval of the financial statements in included in the agenda of the meeting of the Supervisory Board and the General Meeting of Shareholders on 12 March 2010.

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 2009 and new IFRS standards became mandatory for the bank from the financial year which began on 1 January 2009. 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 to and deposit-taking from Estonian customers; all other areas of operation are either insignificant in terms of volume and/or supporting activities.

Significant Judgements and Estimates by the Management

The preparation of financial statements in conformity with IFRSs requires management to make certain judgements and estimates that affect the amounts reported in the financial statements. Judgements and estimates by the management are also required in applying the accounting principles and measurement bases.
The judgements and estimates made by the management are reviewed on an ongoing basis, and they are based on historical experience and other factors including assumptions of likely future events which are believed to be reasonable under the conditions. Actual results may differ from these estimates.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolio to assess potential impairment of asset value. In determining whether an impairment loss should be recorded in the income statement, the 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 state or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Impairment of available-for-sale debt investments. The 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 investment object, industry and sector performance, or operational or financing cash flows.

Effects of Changes in Economic Environment

Recent volatility in global and Estonian financial markets

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

Financial crises has had limited impact on the Bank, as all previously issued bonds have been redeemed already in year 2007 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 lower liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Impact on collateral (especially real estate)

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

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 31.12.2009 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 the management to reliably estimate the effects on the Bank's financial position of any decreased 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 have been affected and may be affected further by the lower liquidity situation and other effects of the macroeconomic downturn which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management has properly and to the best of its knowledge reflected revised estimates of expected future cash flows in its impairment assessments.

Liquidity

As the Bank is financed by the parent in the extent necessary and the parent is ready to raise additional capital if necessary, the liquidity has not been affected by the changes in economic environment.

Assets and Liabilities Denominated in Foreign Currencies

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

Offsetting

Financial assets and liabilities are offset only if a relevant legal right exists and there is intent to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash on hand is recognised as cash in the balance sheet. Cash and cash equivalents 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 instrument below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment 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 impairment allowances for loans. Loans and receivables are measured at amortised cost using the effective interest method.

Derivative Instruments

Derivative instruments (e.g. forwards and swaps) are recognised on the trade date at fair value. After initial recognition, derivative instruments are measured at fair value, based on their quoted market prices and the official exchange rates of the Bank of Estonia. The revaluation is recognised in the balance sheet in respective line "Financial assets held for trading" or "Financial liabilities held for trading" depending whether the fair value of the respective derivative is positive or negative and the result of the revaluation is recognised in the income statement in "Net trading gains less losses". Interest income received from derivatives is recognised in income statement under "Interest income".

Valuation and Impairment of Loans and Advances

Loans to clients are recognised in the balance sheet in "Due from customers" and funds held at other banks are recognised in "Due from other banks". 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, and any impairment losses. Amortised cost is calculated by discounting the estimated future cash flows of the instrument using the initial effective interest rate. If there is any indication of impairment, a receivable is written down to the present value of the estimated future receipts, discounted at initial effective interest rate.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the 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 and the expected cash flows.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If the value of an impaired receivable rises in subsequent periods, a previously recognised impairment loss is reversed to an amount equal to the present value of the item's estimated future cash flows or, if lower, the carrying amount of the receivable which would have been determined if no impairment loss had been recognised.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the income statement.

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

Intangible Assets

Purchased patents, licenses and software are recognised as intangible assets. Intangible assets are measured in the balance sheet at cost less any amortisation and any impairment losses. The straight-line method is used for amortising intangible assets. The amortisation rate for intangible assets is 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 definition of non-current assets and if it is probable that future economic benefits associated with the item will flow to the entity. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

The appropriateness of depreciation/amortization rates, methods and residual values are assessed at each reporting date.

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 insurance premium payments.

Accounting for Leases

Lease agreements are classified as finance leases if all material risks and rewards arising from the agreement are transferred to the lessee. Assets leased on terms of finance lease are recognised at the present value of minimum lease payments and depreciated according to their useful life of the asset or lease term. All other lease agreements are treated as operating leases and the payments made on the basis of those agreements are expensed in the period for which they are made.

Mandatory Reserve in the Bank of Estonia

The Bank of Estonia has established a mandatory reserve requirement to credit institutions at 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. Fulfillment of the reserve requirement is monitored based on a month's average.

Contingent Liabilities

Guarantees, unused loan limits and letters of credit that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability,are recognised as contingent liabilities. Other potential or existing liabilities whose realisation is less probable than non-realisation or whose accompanying costs cannot be determined reliably, are disclosed in the notes to the financial statements as contingent liabilities. Where an entity is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Corporate Income Tax

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

Earnings/Losses per Share

Basic earnings/losses per share are calculated by dividing profit/loss for the financial year by the weighted average number of ordinary shares outstanding during the period.

Net profit/loss attributable to ordinary shareholders and the weighted average number of ordinary shares are adjusted for all dilutive potential ordinary shares, having dilutive effect on earnings/losses per share, when calculating diluted earnings/losses per share. As the 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 2009

IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (IFRIC 11 as adopted by the EU is effective for annual periods beginning on or after 1 March 2008, early adoption permitted). The interpretation contains guidelines on the following issues: 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. Adoption of the interpretation did not have any impact on the Bank's financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14 as adopted by the EU is effective for annual periods beginning on or after 31 December 2008, early adoption permitted). The interpretation contains guidance on when refunds or reductions in future contributions may be regarded as available for the purposes of the asset ceiling test in IAS 19, Employee Benefits. Adoption of the interpretation did not have any impact on the Bank's financial statements.

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 adoption of IFRS 8 has not resulted in an increase in the number of reportable segments presented, 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.

IAS 23, Borrowing Costs, revised in March 2007 (effective for annual periods beginning on or after 1 January 2009). The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that is not carried at fair value and that take a substantial period of time to get ready for use or sale. Such borrowing costs form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Prior to the revision of the standard, the Bank's accounting policy was capitalisation of borrowing costs and thus the change had no impact on the Bank's financial statements.

IAS 1, Presentation of Financial Statements, revised in 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 includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Bank has elected to present a single 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 revised IAS 1 had an impact on the presentation of the Bank's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards, issued in May 2008 (effective for annual periods beginning on or after 1 January 2009). 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 (effective for annual periods beginning on or after 1 July 2009); 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 amendments did not have an impact on the Bank's 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 amendment did not have an impact on these financial statements.

Vesting Conditions and Cancellations – Amendment to IFRS 2 (effective for annual periods beginning on or after 1 January 2009). The amendment clarified 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 amendment did not have an impact on these financial statements.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008, IFRIC 13 as adopted by the EU 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. The amendment did not have an impact on these financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (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 for the year rather than as a recovery of the investment. The amendment did not have an impact on these financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, issued in March 2009 (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 is 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 enhanced disclosures are included in these financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

New standards, amendments to standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2010 or later periods and which the Bank has not early adopted

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted). The interpretation contains guidance on applying the existing standards by service providers in public-to-private service concession arrangements. Application of IFRIC 12 will not have any impact on the Bank's financial statements, because the Bank is not subject to any service concession arrangements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). 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 also provides criteria for determining when entities should recognise revenue on such transactions. Interpretation does not have an impact on Bank's financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted). 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 currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. Interpretation does not have an impact on Bank's financial statements.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). 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 for the year when the entity settles the dividend payable. IFRIC 17 does not have an impact on Bank's financial statements as the Bank does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). 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. Interpretation does not have an impact on Bank's financial statements.

Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment is not expected to have a material impact on the Bank's financial statements.

IAS 27, Consolidated and Separate Financial Statements, revised in January 2008 (effective for annual periods beginning on or after 1 July 2009). 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 is currently assessing the impact of the amended standard on its financial statements.

IFRS 3, Business Combinations, revised in 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 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 for the year. 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.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. The Bank is currently assessing the impact of the amendment on its financial statements.

Eligible Hedged Items – Amendment to IAS 39 (effective with retrospective application for annual periods beginning on or after 1 July 2009). 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.

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). 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 revised standard does not have any effect on the Bank's financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Bank does not expect the amendments to have any material effect on its financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Bank's financial statements.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current;

changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Bank does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Bank is currently assessing the impact of the amended standard on disclosures in its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. The Bank is currently assessing the impact of the interpretation on its financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Bank is currently assessing the impact of the amended interpretation on its financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not expected to have any impact on the Bank's 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. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
From loans	53,849	62,874	3,442	4,018
From demand deposits with other banks	971	3,339	62	213
From time deposits with other banks	260	668	17	43
From debt securities	1,904	3,670	122	235
From derivatives	507	285	32	18
Other income	317	673	20	43
Total	**57,808**	**71,509**	**3,695**	**4,570**
Interest income by geographical areas				
Estonia	56,930	69,996	3,638	4,474
OECD countries	878	1,513	56	97
Total	**57,808**	**71,509**	**3,695**	**4,570**

Note 2: Interest Expense

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
On demand deposits	1,349	2,515	86	161
On time deposits	20,660	23,935	1,320	1,530
On derivatives	534	1,128	34	72
Other interest expense	467	0	30	0
Total	**23,010**	**27,578**	**1,471**	**1,763**
Interest expense by geographical areas				
Estonia	16,873	15,678	1,078	1,002
OECD countries	6,137	11,900	392	761
Total	**23,010**	**27,578**	**1,471**	**1,763**

Note 3: Fees and Commissions Income

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Account opening and maintenance fees	363	339	23	22
Bank transaction fees	2,941	1,845	188	118
Securities' transaction fees	917	346	59	22
Other fees and commissions income	150	91	10	6
Total	**4,371**	**2,621**	**279**	**168**
Fees and commissions income by geographical areas				
Estonia	2,108	1,412	135	90
OECD countries	2,263	1,209	145	77
Total	**4,371**	**2,621**	**279**	**168**

Note 4: Fees and Commissions Expense

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Securities' transactions expenses	599	143	38	9
Bank transaction expenses	988	787	63	50
S.W.I.F.T. expenses	512	426	33	27
Collection charges and other fee expenses	6	1,180	0	75
Total	**2,105**	**2,536**	**135**	**162**

Note 5: Net Trading Gains

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
From foreign exchange	3,436	4,486	220	287
From shares and debt securities in trading portfolio	44	-13	3	-1
Total	**3,480**	**4,473**	**222**	**286**

Note 6: Other Operating Expenses

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Guarantee Fund payments *	16	858	1	55
Financial Supervision Authority fees	862	844	55	54
Stock Exchange fees	187	186	12	12
Other operating expenses	66	300	4	19
Total	**1,131**	**2,188**	**72**	**140**

* Guarantee Fund payments decreased in year 2009, as the Fund significantly lowered quarterly contributions to deposit guarantee sectoral fund (from 0.125% to 0.0008% in 3rd quarter 2008).

Note 7: Personnel Expense

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Salaries	16,319	15,599	1,043	997
Compensation to the Supervisory Board members	792	788	51	50
Fringe benefits	92	156	6	10
Income tax on fringe benefits	69	56	4	4
Change in vacations pay accrual	98	340	6	22
Total	**17,370**	**16,939**	**1,110**	**1,083**

Note 8: Payroll Related Taxes

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
From salaries	5,433	5,105	347	326
From compensation to the Supervisory Board members	261	430	17	27

Note 8 continued:

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
From fringe benefits	106	85	7	5
Social insurance tax from change in vacations pay accrual	32	112	2	7
Unemployment insurance premium from change in vacations pay accrual	9	1	1	0
Total	**5,841**	**5,733**	**373**	**366**

Note 9: Other Administrative Expenses

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Rent of premises	5,072	4,790	324	306
Other professional services purchased	2,112	2,304	135	147
Advertising expenses	1,145	2,134	73	136
Office expenses	1,042	1,508	67	96
Transportation expenses	1,069	980	68	63
Other expenses	803	975	51	62
Post and telecommunication expenses	975	887	62	57
Training and business trip expenses	274	427	18	27
IT expenses	223	288	14	18
Total	**12,715**	**14,293**	**813**	**913**

Note 10: Depreciation and Amortisation of Tangible and Intangible Assets

	Note	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Depreciation of tangible assets	18	1,857	1,966	119	126
Amortisation of intangible assets	20	516	484	33	31
Total		**2,373**	**2,450**	**152**	**157**

Note 11: Impairment Loss on Financial Assets

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Available-for-sale financial assets (Note 17)	-21,591	-94	-1,380	-6
Loans (Note 15):				
Impairment loss on loans	-63,820	-22,314	-4,079	-1,426
Claims written off	-1,160	0	-74	0
Recoveries of impaired loans	2,055	3,330	131	213
Total loans	**-62,925**	**-18,984**	**-4,022**	**-1,213**
Impairment on other assets *	-986	-178	-63	-11
Total	**-85,502**	**-19,256**	**-5,465**	**-1,231**

* Decrease in value of property investments and tangible assets, as well as allowances for impairment of fees receivable has been disclosed as impairment on other assets.

Note 12: Cash

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
In Estonian kroons	1,141	1,216	73	78
In foreign currency	935	673	60	43
Total	**2,076**	**1,889**	**133**	**121**

Note 13: Balances with Central Bank

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Mandatory reserve	93,886	94,283	6,000	6,026
Surplus of the reserve with the central bank	13,686	17,904	875	1,144
Accrued interests receivable	20	163	1	10
Total	**107,592**	**112,350**	**6,876**	**7,180**

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. Fulfillment of the reserve requirement is monitored based on month's average. 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. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Correspondent accounts	**61,057**	**47,972**	**3,902**	**3,066**
Receivables by country				
Estonia	24,138	35,710	1,543	2,282
OECD countries	36,919	12,262	2,360	784
Total	**61,057**	**47,972**	**3,902**	**3,066**
Due from other banks by bank ratings (Moody's Investors Service)				
A1	24,199	7	1,547	0
Aa1	23,166	10,964	1,481	701
Aa2	0	35,691	0	2,281
Aa3	6,519	0	417	0
Baa3	9	0	1	0
Not rated	7,164	1,310	458	84
Total	**61,057**	**47,972**	**3,902**	**3,066**

Note 15: Due from Customers

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Due by customer types (gross)				
Due from financial institutions	3,110	3,465	199	221
Loans:				
Loans to financial institutions	36,742	43,837	2,348	2,802

Note 15 continued:

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Loans to private companies	498,738	532,949	31,875	34,062
Loans to non-profit organisations	500	0	32	0
Loans to private persons	84,594	81,679	5,407	5,220
Total loans	**620,574**	**658,465**	**39,662**	**42,084**
Total due from customers (gross)	**623,684**	**661,930**	**39,861**	**42,305**
Specific loan loss allowances	-84,658	-22,893	-5,411	-1,463
Accrued interest receivable	19,101	5,555	1,221	355
Effective interest rate adjustment	-3,014	-4,485	-193	-287
Total due from customers (net)	**555,113**	**640,107**	**35,478**	**40,910**
Loans by collaterals (gross)				
Mortgage	467,994	503,009	29,910	32,148
Commercial pledge	12,753	15,104	815	965
Pledge of shares	20,810	24,690	1,330	1,578
Deposit	4,737	7,057	303	451
Other security over movables	43,632	48,232	2,789	3,083
Other	30,181	24,663	1,929	1,576
Without collateral	40,467	35,710	2,586	2,282
Total	**620,574**	**658,465**	**39,662**	**42,084**
Due by remaining maturity (gross)				
On demand	3,032	3,386	194	216
Up to 3 months	99,031	97,491	6,329	6,231
3 to 12 months	66,046	90,070	4,221	5,757
1 to 2 years	117,435	140,216	7,505	8,961
2 to 5 years	185,786	234,168	11,874	14,966
over 5 years	42,937	46,945	2,744	3,000
past due	24,759	26,761	1,582	1,710
impaired loans	84,658	22,893	5,411	1,463
Total	**623,684**	**661,930**	**39,861**	**42,305**
Due by countries (gross)				
Estonia	615,525	654,876	39,339	41,854
OECD countries	8,159	7,054	521	451
Total	**623,684**	**661,930**	**39,861**	**42,305**

Past Due and Impaired Loans

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Past due loan principal payments (incl. impaired, gross)	110,523	49,654	7,064	3,173
Past due loan interests payments	6,024	1,416	385	90
Total past due claims	**116,547**	**51,070**	**7,449**	**3,264**
No. of non-performing loans	57	22	57	22
Past due loans by client type (gross)				
Loans to private companies	111,525	47,379	7,128	3,028
Loans to private persons	5,022	3,691	321	236
Total	**116,547**	**51,070**	**7,449**	**3,264**

Note 15 continued:

Fair Value of Collaterals of Past Due and Impaired Loans

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Past due	70,945	122,037	4,534	7,800
Impaired loans	119,171	17,050	7,616	1,090
Total	**190,116**	**139,087**	**12,151**	**8,889**
Specific Loan Loss Allowances by Client Type				
Private companies				
Loan loss allowances at beginning of period	-22,460	-3,940	-1,435	-252
New loan loss allowances during period	-56,301	-34,708	-3,598	-2,218
Deductions of allowances during period	1,303	16,188	83	1,035
Loan loss allowances at end of period	**-77,458**	**-22,460**	**-4,950**	**-1,435**
Private persons				
Loan loss allowances at beginning of period	-433	0	-28	0
New loan loss allowances during period	-7,519	-480	-481	-31
Deductions of allowances during period	752	47	48	3
Loan loss allowances at end of period	**-7,200**	**-433**	**-460**	**-28**
Total specific loan loss allowances	**-84,658**	**-22,893**	**-5,411**	**-1,463**

All uncovered loans and overdrafts, where the payments are overdue by more than 90 days, are reported as non-performing loans. Five loans have been written off as hopeless in year 2009.

Total credit risk, arising from on-balance sheet assets is equal to the carrying value of the financial assets. Credit risk arising from unused loan limits disclosed off-balance sheet comprises EEK 1,735 ths (please see Note 31).

Past due financial assets maturity structure	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Private companies				
Up to 90 days	522	28,198	33	1,802
91 days to 1 year	64,217	18,570	4,104	1,187
1 to 2 years	46,786	610	2,990	39
Total	**111,525**	**47,379**	**7,128**	**3,028**
Private persons				
Up to 90 days	99	3,456	6	221
91 days to 1 year	1,132	33	72	2
1 to 2 years	3,791	203	242	13
Total	**5,022**	**3,691**	**321**	**236**
Total past due financial assets	**116,547**	**51,070**	**7,449**	**3,264**

Restructured loans

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Loans to companies	154,619	0	9,882	0
Loans to private persons	2,454	0	157	0
Total	**157,073**	**0**	**10,039**	**0**

Bank has restructured less than twenty loans, as of 31.12.2009, where the payment difficulties have temporary nature.

Note 16: Financial Assets/Financial Liabilities Held for Trading

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**
Derivatives *	-12	481	-1	31
Financial assets in fair value with change through income statement	145	104	9	7
incl. shares listed on a stock exchange (active market)	145	104	9	7
Total	**133**	**585**	**9**	**37**
Shares and other securities by countries				
Estonia	56	71	4	5
OECD countries	77	514	5	33
Total	**133**	**585**	**9**	**37**

*** Derivatives**

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**
Currency related derivatives:				
claims (in contract value)	109,639	41,195	7,007	2,633
commitments (in contract value)	109,639	41,207	7,007	2,634
fair value	1	-12	0	-1
Interest rate and commodity related derivatives:				
claims (in contract value)	8,428	22,590	539	1,444
commitments (in contract value)	8,428	22,590	539	1,444
fair value	-13	493	-1	32

Note 17: Available-for-Sale Financial Assets

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**
Debt securities and other shares by issuer				
Debt securities of credit institutions	674	993	43	63
Debt securities of private companies	1,039	18,048	66	1,153
Other shares and fund units of private companies	1,259	96	80	6
Total	**2,972**	**19,137**	**190**	**1,223**

Note 17 continued:

Movements in debt securities and other shares

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Balance at beginning of year	19,137	28,328	1,223	1,810
Purchases	1,205	26,360	77	1,685
Redemptions	-767	-26,715	-49	-1,707
Provisions	-21,591	-94	-1,380	-6
Amortised premium discount and fair value revaluation	5,045	-8,811	322	-563
Interest accruals	-57	69	-4	4
Total	**2,972**	**19,137**	**190**	**1,223**
Debt securities by ratings				
With ratings (lower than A-)	0	993	0	63
Without ratings	2,972	18,144	190	1,160
Total	**2,972**	**19,137**	**190**	**1,223**
Debt securities by countries				
Estonia	2,972	19,137	190	1,223
OECD countries	0	0	0	0
Total	**2,972**	**19,137**	**190**	**1,223**

Allowances for impairment of available-for-sale financial assets

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Debt securities of private companies	21,549	94	1,377	6
Other shares of private companies	42	0	0	0
Total	**21,591**	**94**	**1,380**	**6**

Note 18: Property and Equipment

EEK ths.

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

Note 18 continued:

EUR ths.

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

* Reconstruction expenses of rented premises.

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**
Property and equipment write-offs (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**

Note 18 continued:

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**
Property and equipment write-offs (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 19: Investment properties

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.09	**31.12.08**	**31.12.09**	**31.12.08**
Investment properties acquired	5,057	0	323	0
Fair value revaluation	-675	0	-43	0
Total	**4,382**	**0**	**280**	**0**

Bank has acquired seven flats from repertory auctions in year 2009, with an intention to sell them in the few coming years.
Investment properties are valued at fair value, derived by the Bank from transactions in market value with similar assets.

Note 20: Intangible Assets

Software	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Balance as of 01.01.				
At cost	**4,216**	**4,113**	**269**	**263**
Accumulated amortisation	-3,285	-2,801	-210	-179
Net value	**931**	**1,312**	**60**	**84**
Changes during report year				
Purchases during period	212	103	14	7
Amortisation expense	-516	-484	14	7
Write-offs (at cost)	-209	0	-13	-0

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Balance as of 31.12.				
At cost	**4,219**	**4,216**	**270**	**269**
Accumulated amortisation	-3,598	-3,285	-230	-210
Net value	**621**	**931**	**40**	**60**

Note 21: Other assets

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Fees and commissions receivable	411	250	26	16
Prepaid supervision fees *	861	854	55	55
Other prepaid expenses **	660	326	42	21
Other receivables	184	106	12	7
Other accrued revenue	2	0	0	0
Total	**2,118**	**1,536**	**135**	**98**

* 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 22: Deposits

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Deposits from credit institutions	141,043	266,519	9,014	17,034
Other deposits	425,737	357,031	27,210	22,818
Total	**566,780**	**623,550**	**36,224**	**39,852**
Demand deposits	97,709	100,492	6,245	6,423
Time deposits	465,008	518,887	29,719	33,163
Accrued interests	4,063	4,171	260	267
Total	**566,780**	**623,550**	**36,224**	**39,852**

Note 22 continued:

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Demand deposits by customer groups				
Companies	70,176	79,803	4,485	5,100
Private persons	25,376	18,498	1,622	1,182
Non-profit organisations	1,965	1,984	126	127
Credit institutions	162	174	10	11
Financial institutions	29	33	2	2
Government	1	0	0	0
Total	**97,709**	**100,492**	**6,245**	**6,423**
Time deposits by customer groups				
Credit institutions	140,819	265,992	9,000	17,000
Private persons	134,171	118,462	8,575	7,571

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Companies	175,834	110,140	11,238	7,039
Non-profit organisations	14,184	24,293	907	1,553
Financial institutions	0	0	0	0
Total	**465,008**	**518,887**	**29,719**	**33,163**
Deposits by maturities				
On demand	97,708	43,581	6,245	2,785
Up to 3 months	287,177	402,425	18,354	25,720
3 to 12 months	163,637	155,585	10,458	9,944
1 to 2 years	13,665	8,764	873	560
2 to 5 years	530	9,024	34	577
Total	**562,717**	**619,379**	**35,964**	**39,586**

Note 23: Subordinated Debt

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Subordinated debt received	62,586	0	4,000	0
Interest payable	432	0	28	0
Total	**63,018**	**0**	**4,028**	**0**

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

Note 24: Borrowed Funds from Government and Foreign Aid

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Borrowings received	2,100	0	134	0
Borrowings repaid	942	0	60	0
Total	**1,158**	**0**	**74**	**0**

Note 24 continued:

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Deposits by maturities				
Up to 3 months	528	0	34	0
3 to 12 months	228	0	15	0
1 to 2 years	390	0	25	0
2 to 5 years	12	0	1	0
Total	**1,158**	**0**	**74**	**0**

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

Note 25: Tax Liabilities

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Taxes payable	**825**	**802**	**53**	**51**

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

Note 26: Other Liabilities

	EEK ths. 31.12.09	EEK ths. 31.12.08	EUR ths. 31.12.09	EUR ths. 31.12.08
Payments in transmission *	3,138	19,726	201	1,261
Payables to employees	1,012	872	65	56
Payables to suppliers	368	157	24	10
Prepaid expenses	0	126	0	8
Other liabilities	9	13	1	1
Total	**4,527**	**20,894**	**289**	**1,335**

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

Note 27: 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 stipulated 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 28: 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.

Management Board members of the credit institution, head of internal audit and their related parties, also companies controlled jointly of privately by these persons:	EEK ths. **31.12.09**	EEK ths. **31.12.08**	EUR ths. **31.12.09**	EUR ths. **31.12.08**
Loans:				
Balance of loans at beginning of period	1,431	1,709	91	109
Disbursed loans	38	655	2	42
Repaid loans	-744	-933	-48	-60
Balance of loans at end of period	725	1,431	46	91
Interest receivable	1	6	0	0
Deposits	941	1,342	60	86
Interest payable	1	2	0	0
Interest income	48	135	3	9
Interests paid	29	22	2	1

Note 28 continued:

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Fees and commission income	7	15	0	1
Salaries of the members of the Management Board	4,986	4,934	319	315

Shareholders of the credit institution and their related parties, also companies controlled jointly of privately by these persons:	EEK ths. **31.12.09**	EEK ths. **31.12.08**	EUR ths. **31.12.09**	EUR ths. **31.12.08**
Loans:				
Balance of loans at beginning of period	11,161	11,661	713	745
Disbursed loans	380	0	24	0
Repaid loans	-485	-500	-31	-32
Balance of loans at end of period	11,056	11,161	707	713
Interest receivable	16	16	1	1
Deposits	3,790	4,563	242	292
Interest payable	10	135	1	9
Prepayments for services	189	189	12	12
Interest income	558	579	36	37
Interests paid	176	132	11	8
Fees and commission income	49	88	3	6
Fees and commission expense	20	36	1	2
Administrative and other operating expenses	3,860	3,457	247	221
Compensation to the members of the Supervisory Board	1,054	2,078	67	133

Parent company of the Bank: Marfin Popular Bank Public Company Ltd.	EEK ths. **31.12.09**	EEK ths. **31.12.08**	EUR ths. **31.12.09**	EUR ths. **31.12.08**
Credit institutions' deposits with the Bank	162	250,519	10	16,011
Interest receivable	0	715	0	46
Interest payable	13	564	1	36
Interest income	507	285	32	18
Interest expense	2,728	2,875	174	184
Fees and commission income	21	21	1	1
Trading income	0	57	0	4
Administrative and other operating expenses	0	18	0	1
Off-balance sheet claims	8,428	22,590	539	1,444
Off-balance sheet commitments	8,428	22,590	539	1,444

Note 28 continued:

Consolidation group companies of the parent company: Marfin Egnatia Bank S.A., Marfin Investment Group Holdings Societe Anonyme	EEK ths. **31.12.09**	EEK ths. **31.12.08**	EUR ths. **31.12.09**	EUR ths. **31.12.08**
Credit institutions' deposits with the Bank	125,176	4	8,000	0
Subordinated debt	62,586	0	4,000	0
Interest payable	493	0	32	0
Interest income	0	5	0	0
Interest expense	3,150	8,674	201	554
Fees and commission income	1	1	0	0

Loans to related parties have no loan loss allowances.

Note 29: Geographical Concentration of Clients' Debts

EEK ths., as of 31.12.2009

Area	Balance sheet claims			contin-gent commit-ments	by area (%)
	loans *	incl. overdue and doubtful claims	securi-ties		
Note	13, 14, 15	15	16, 17	16	
Estonia	678,685	116,547	3,144	105,424	93.16%
United States of America	6,505	0	2	0	0.77%
United Kingdom	3,032	0	5	4,215	0.86%
Denmark	7,164	0	0	0	0.85%
Latvia	0	0	66	0	0.01%
Germany	23,166	0	0	0	2.74%
Greece	5,211	0	0	8,428	1.61%
Total	**723,763**	**116,547**	**3,217**	**118,067**	**100.00%**

EUR ths., as of 31.12.2009

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

Note 29 continued:

EEK ths., as of 31.12.2008

Area	Balance sheet claims			contin-gent commit-ments	by area (%)
	loans *	incl. overdue and doubtful claims	securi-ties		
	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			contin-gent commit-ments	by area (%)
	loans *	incl. overdue and doubtful claims	securi-ties		
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 30: Concentration of Clients' Debts by Economic Sector

EEK ths., as of 31.12.2009

Economic sector	Balance sheet claims				
	loans *	incl. overdue and doubtful claims	securities	contingent commitments	by sector (%)
Note	13, 14, 15	15	16, 17	16	
Agriculture, forestry and fishing	17,747	11,285	0	0	3.02%
Manufacturing	12,460	76	37	0	1.31%
Electricity, gas, steam and air conditioning supply	4,364	0	40	0	0.46%
Construction	16,144	19,747	0	0	3.73%
Wholesale and retail trade	17,400	5,798	41	18,064	4.30%
Transportation and storage	10,308	87	0	43,363	5.59%
Accommodation and food service activities	2,121	0	0	0	0.22%
Information and communication	1,302	0	67	0	0.14%
Financial and insurance activities	185,209	0	1,939	56,103	25.30%
Real estate activities	324,861	63,660	1,039	0	40.51%
Professional, scientific and technical activities	321	0	0	0	0.03%
Administrative and support service activities	864	0	0	0	0.09%
Human health and social work activities	4,110	0	0	0	0.43%
Arts, entertainment and recreation	2,562	0	0	0	0.27%
Other service activities	46,254	10,872	54	0	5.95%
Private persons	77,736	5,022	0	537	8.66%
Total	**723,763**	**116,547**	**3,217**	**118,067**	**100.00%**

EUR ths., as of 31.12.2009

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

Note 30 continued:

EEK ths., as of 31.12.2008

Economic sector	Balance sheet claims: loans *	Balance sheet claims: incl. overdue and doubtful claims	Balance sheet claims: securities	contingent commitments	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	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: securities	contingent commitments	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	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 31: Contingent Liabilities

	EEK ths.	EUR ths.
		31.12.2009
	Liabilities	**Liabilities**
Irrevocable transactions	**2,010**	**128**
Guarantees and similar irrevocable transactions	275	18
Unused part of credit lines and overdraft limits	1,735	111

	EEK ths.	EUR ths.
		31.12.2008
	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

Note 32: Liquidity (Assets and Liabilities by Remaining Maturities)

EEK ths., as of 31.12.2009

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

EUR ths., as of 31.12.2009

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

Total claims to customers differs from the balance sheet amount by EEK 3,014 ths, which is the total of effective interest rate adjustment.

Note 32 continued:

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 clients	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**
Net	**101,603**	**51,288**	**-324,157**	**-4,212**	**-61,118**	**131,452**	**240,124**	**43,453**	**178,433**
Contingent:									
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 clients	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**
Net	**1,317**	**0**	**61**	**0**	**22**	**0**	**0**	**0**	**1,401**
Contingent:									
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 33: Loss Per Share

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Net loss for the reporting period	-84,388	-12,370	-5,393	-791
Weighted average no. of shares (ths. pcs.)	20,050	20,050	20,050	20,050
Basic loss per share	**-4.21**	**-0.62**	**-0.27**	**-0.04**
Diluted loss per share	**-4.21**	**-0.62**	**-0.27**	**-0.04**

MARFIN PANK EESTI AS has not issued convertible securities.

Note 34: Operating Lease Liabilities

Rental payments for vehicles

MARFIN PANK EESTI AS has concluded operating lease agreements for five vehicles as of 31.12.2009. Longest contract ends on 03.06.2014, i.e. no agreement exceeds 5 years.

Rental payments for vehicles by due dates

	EEK ths. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Rental payment paid and expensed during reporting year	484	482	31	31
Rental payments payable:				
until 1 year	219	417	14	27
1 to 5 years	296	575	19	37

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. 2009	EEK ths. 2008	EUR ths. 2009	EUR ths. 2008
Rental payment paid and expensed during reporting year	4,624	4,442	296	284
Rental payments payable:				
until 1 year	4,785	4,640	306	297
1 to 5 years	15,713	19,334	1,004	1,236
over 5 years	752	1,045	48	67

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

Note 35: 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 37.

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 overnight FX position by 2.3 million kroons (0.15 million euros). See FX positions and sensitivity analysis in Note 36.

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 32.

CREDIT RISK
The Bank's credit risk profile is rather characterised by low risk but stable interest income than high risk and higher interest income. Most decisions related to loans, guarantees and

sureties are made by the credit committee (except small limit decisions, made by the Director of Retail and Corporate Banking). According to the Estonian Credit Institutions Act, the Supervisory Board establishes the competence and limits of credit committee in making decisions. In circumstances where the customer liabilities to the Bank exceed the authority of the credit committee due to its potential impact on Bank's economic standing, the decision made must also be approved by a member of the Supervisory Board of the group Credit Committee according to the rules set by the Supervisory Board. All liabilities that customers have to the bank are considered as customer receivables. Loans must be covered by sufficient collaterals. The daily administration and monitoring of the Bank's credit risk takes place in the loan and customer relationship division, following very detailed procedures. Procedures cover also analysis of loan projects taking into consideration creditworthiness of customer, previous credit history, financial condition, market conditions and other important factors affecting the credit risk. All lending reports are available online to the loan and customer relationship division. The loan and customer relationship division reports on regular basis to the Management Board about the general credit risk and the financial position of the major loan customers. The credit committee reviews loans in arrears weekly, normal loans are reviewed at least yearly. The adequacy and amount of loan loss allowances are reviewed monthly. Please see 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. Please see Note 39.

<u>*OPERATIONAL RISKS*</u>

Bank enhanced further control over business continuity risks in 2009. 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 fulfillment of those mechanisms.

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

The financial data is 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 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 38.

Note 36: Foreign Currency Risk

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

					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

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

Sensitivity analysis of foreign currency risk

The Bank is minimising its openness to foreign currency risks on a daily basis, following the general principles of risk management and approved limits. EEK and EUR net position has been used in sensitivity analysis, due to Estonian kroon being pegged to euro since 1999 at a rate of EEK 15.6466: EUR 1. Total open net foreign currency position of the Bank comprised 0.5 million kroons i.e. 0.03 million euros as of 31.12.2009 (0.2 million kroons i.e. 0.01 million euros as of 31.12.2008). Even a simultanous 5% change in unfavourable direction for all used currencies could cause the Bank only a 24 thousand kroon i.e. 1.5 thousand euro (31.12.2008: 11 thousand kroon i.e. 0.7 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 37: Interest-Bearing Assets and Liabilities by Interest Repricing Period

EEK ths., as of 31.12.2009

Claims, liabilities	Note	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
Claims of the Bank		**171,662**	**111,562**	**125,206**	**231,056**	**103,884**	**49,279**	**1,300**	**793,949**
Claims to banks	13, 14	168,630	0	0	0	0	0	0	**168,630**
Claims to customers	15	3,032	110,523	124,532	231,056	103,884	49,279	1,300	**623,606**
Securities	17	0	1,039	674	0	0	0	0	**1,713**
Bank's liabilities		**59,709**	**0**	**278,869**	**48,569**	**226,451**	**14,448**	**150**	**628,196**
Due to banks	22	162	0	140,819	0	0	0	0	**140,981**
Due to customers	22	57,812	0	138,041	48,051	163,637	14,045	150	**421,736**
Subordinated debt	23	0	0	0	0	62,586	0	0	**62,586**
Other borrowings	24	0	0	9	518	228	403	0	**1,158**
Stand-by loans	31	1,735	0	0	0	0	0	0	**1,735**
Net		**111,953**	**111,562**	**-153,663**	**182,487**	**-122,567**	**34,831**	**1,150**	**165,753**

EUR ths., as of 31.12.2009

Claims, liabilities	Note	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Total
Claims of the Bank		**10,971**	**7,130**	**8,002**	**14,767**	**6,639**	**3,150**	**83**	**50,743**
Claims to banks	13, 14	10,777	0	0	0	0	0	0	**10,777**
Claims to customers	15	194	7,064	7,959	14,767	6,639	3,150	83	**39,856**
Securities	17	0	66	43	0	0	0	0	**109**
Bank's liabilities		**3,816**	**0**	**17,823**	**3,104**	**14,473**	**923**	**10**	**40,149**
Due to banks	22	10	0	9,000	0	0	0	0	**9,010**
Due to customers	22	3,695	0	8,822	3,071	10,458	898	10	**26,954**
Subordinated debt	23	0	0	0	0	4,000	0	0	**4,000**
Other borrowings	24	0	0	1	33	15	26	0	**74**
Stand-by loans	31	111	0	0	0	0	0	0	**111**
Net		**7,155**	**7,130**	**-9,821**	**11,663**	**-7,833**	**2,226**	**73**	**10,594**

Total claims to customers differs from the balance sheet amount, as the interest-bearing assets include non-performing loan claims, which are disclosed net in the balance sheet.

Note 37 continued:

EEK ths., as of 31.12.2008

Claims, liabilities	Note	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	13, 14	160,159	0	0	0	0	0	0	0	**160,159**
Claims to customers	15	3,465	49,654	99,119	266,970	192,435	1,040	45,877	3,370	**661,930**
Securities	17	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	22	174	0	265,992	0	0	0	0	0	**266,166**
Due to customers	22	100,319	0	47,723	31,799	155,585	8,764	9,024	0	**353,214**
Stand-by loans	31	2,036	0	0	0	0	0	0	0	**2,036**
Net		**61,095**	**49,654**	**-213,213**	**235,171**	**39,330**	**-7,724**	**62,212**	**3,370**	**229,895**

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	13, 14	10,236	0	0	0	0	0	0	0	**10,236**
Claims to customers	15	221	3,173	6,335	17,062	12,299	66	2,932	215	**42,305**
Securities	17	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	22	11	0	17,000	0	0	0	0	0	**17,011**
Due to customers	22	6,412	0	3,050	2,032	9,944	560	577	0	**22,574**
Stand-by loans	31	130	0	0	0	0	0	0	0	**130**
Net		**3,905**	**3,173**	**-13,627**	**15,030**	**2,514**	**-494**	**3,976**	**215**	**14,693**

<u>Sensitivity analysis of interest rate risk</u>

Bank's cumulative interest rate sensitivity gap, which is the basis for interest rate risk, was 140.8 million kroons (9.0 million euros) for period up to 3 months and 18.2 million kroons (1.2 million euros) for period up to 12 months as of 31.12.2009. The effect of time-weighted +200 basis points interest curve shift for the Bank's profit was +680 thousand kroons (+43 thousand euros) i.e. 2.0% of the 2009 net interest income of the bank and 0.7% of equity. The effect of time-weighted -200 basis points interest curve shift would be -680 thousand kroons (-43 thousand euros). Used methods and assumptions have not changed compared with previous period.

Note 38: Capital Adequacy

	EEK ths.	EUR ths.	EEK ths.	EUR ths.
	31/12/09	**31/12/09**	**31/12/08**	**31/12/08**
Share capital paid-in	200,500	12,814	200,500	12,814
Other reserves	559	36	559	36
Accumulated deficit of the previous years	-13,723	-877	-1,353	-86
Intangible assets	-621	-40	-931	-60
Net loss of the period	-84,388	-5,393	-12,370	-791
Total tier 1 own funds	**102,327**	**6,540**	**186,405**	**11,913**
Subordinated debt	62,586	4,000	0	0
Available-for-sale financial instruments	0	0	-1,601	-102
Tier 2 own funds, which exceed the limits	-11,423	-730	0	0
Second level equity	**51,163**	**3,270**	**0**	**0**
Minimum own funds	153,490	9,810	184,804	11,811
Tier 1 own funds after deductions	102,327	6,540	186,405	11,913
Tier 2 own funds after deductions	51,163	3,270	-1,601	-102
Own funds for capital adequacy calculations	**153,490**	**9,810**	**186,405**	**11,913**
Credit institutions and investment companies under standard method	1,371	88	3,308	211
Companies under standard method	15,067	963	15,714	1,004
Mass claims under standard method	16,635	1,063	29,959	1,915
Claims backed by mortgages under standard method	2,789	178	3,203	205
Overdue claims under standard method	19,266	1,231	4,852	310
Other assets under standard method	941	60	851	54
Total capital requirement for credit risk and counterparty credit risk	**56,069**	**3,583**	**57,888**	**3,700**
Operational risk base method	5,797	370	4,116	263
Total capital requirement for operational risk	**5,797**	**370**	**4,116**	**263**
Capital requirements for adequacy calculations	**61,866**	**3,954**	**62,004**	**3,963**
Capital adequacy	**24.81%**	**24.81%**	**30.06%**	**30.06%**

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

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

Note 38 continued: **Credit risk and counterparty credit risk report following the standard method**

EEK ths., as of 31.12.2009

	Balance sheet						Collaterals	Off-balance sheet					
	Initial value (gross)			Allowances and corrections (-)									
	Claims	Loans	Debt securities and shares	Effective interest rate correction	Loan provisions	Debt security provisions	Financial collaterals simple method	Loan limits	Financial guarantees	Derivatives	Hybrid swaps	Risk weight	Risk-adjusted amount
Central government and central banks	**107,593**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
I rate credit quality	107,593											0%	0
Credit institutions and investment firms	**64,089**	**0**	**1,000**	**0**	**0**	**0**	**0**	**0**	**0**	**534**	**1,421**		**13,709**
I rate credit quality	64,089									534	1,421	20%	13,209
II rate credit quality			1,000									50%	500
Companies	**78**	**163,640**	**23,899**	**-2,444**	**-13,456**	**-21,981**	**0**	**0**	**275**	**657**	**0**		**150,668**
III and IV rate credit quality	78	163,640	23,899	-2,444	-13,456	-21,981			275	657		100%	150,668
Retail claims	**0**	**230,098**	**0**	**-570**	**-3,458**	**0**	**-4,740**	**0**	**0**	**5**	**0**		**166,001**
Claims up to EUR 1 mio		230,098		-570	-3,458		-4,740			5		75%	166,001
Claims with real estate collaterals	**0**	**36,963**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**27,894**
Claims fully covered wiht real estate:													0
Claims, fully covered by mortgage to residential real estate, covered claims up to 70% of the real estate collateral value		13,952										35%	4,883
Claims, fully covered by mortgage to residential real estate, covered claims over 70% of the real estate collateral value		23,011										100%	23,011
Claims in arrears	**0**	**208,974**	**0**	**0**	**-67,744**	**0**	**0**	**0**	**0**	**0**	**0**		**192,665**
III and IV rate credit quality		105,845			-67,484							100%	38,361
V and VI rate credit quality		103,129			-260							150%	154,304
Other assets	**11,429**	**0**	**96**	**0**	**0**	**-42**	**0**	**1,735**	**0**	**0**	**0**		**9,754**
Cash	2,076											0%	0
Property and equipment	7,235											100%	7,235
Prepayments and prepaid expenses	2,118											100%	2,118
Investments to shares of other companies, not deducted from own funds			96			-42						100%	54
Loan limits and overdraft limits with contractual maturity up to 1 year (can not be terminated by one								1,735				20%	347
Total	**183,189**	**639,675**	**24,995**	**-3,014**	**-84,658**	**-22,023**	**-4,740**	**1,735**	**275**	**1,196**	**1,421**		
												TOTAL RISK-WEIGHTED ASSETS	**560,691**

Initsiaalid/initials K.L
Kuupäev/date 05.03.10
PricewaterhouseCoopers, Tallinn

Note 38 continued: **Credit risk and counterparty credit risk report following the standard method**

EUR ths., as of 31.12.2009

	Balance sheet						Collaterals	Off-balance sheet					
	Initial value (gross)			Allowances and corrections (-)									
	Claims	Loans	Debt securities and shares	Effective interest rate correction	Loan provisions	Debt security provisions	Financial collaterals simple method	Loan limits	Financial guarantees	Derivatives	Hybrid swaps	Risk weight	Risk-adjusted amount
Central government and central banks	**6,876**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
I rate credit quality	6,876											0%	0
Credit institutions and investment firms	**4,096**	**0**	**64**	**0**	**0**	**0**	**0**	**0**	**0**	**34**	**91**		**876**
I rate credit quality	4,096									34	91	20%	844
II rate credit quality			64									50%	32
Companies	**5**	**10,459**	**1,527**	**-156**	**-860**	**-1,405**	**0**	**0**	**18**	**42**	**0**		**9,629**
III and IV rate credit quality	5	10,459	1,527	-156	-860	-1,405			18	42		100%	9,629
Retail claims	**0**	**14,706**	**0**	**-36**	**-221**	**0**	**-303**	**0**	**0**	**0**	**0**		**10,609**
Claims up to EUR 1 mio		14,706		-36	-221		-303			5		75%	10,609
Claims with real estate collaterals	**0**	**2,362**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**1,783**
Claims fully covered wiht real estate:													0
Claims, fully covered by mortgage to residential real estate, covered claims up to 70% of the real estate collateral value		892										35%	312
Claims, fully covered by mortgage to residential real estate, covered claims over 70% of the real estate collateral value		1,471										100%	1,471
Claims in arrears	**0**	**13,356**	**0**	**0**	**-4,330**	**0**	**0**	**0**	**0**	**0**	**0**		**12,314**
III and IV rate credit quality		6,765			-4,313							100%	2,452
V and VI rate credit quality		6,591			-17							150%	9,862
Other assets	**730**	**0**	**6**	**0**	**0**	**-3**	**0**	**111**	**0**	**0**	**0**		**623**
Cash	133											0%	0
Property and equipment	462											100%	462
Prepayments and prepaid expenses	135											100%	135
Investments to shares of other companies, not deducted from own funds			6			-3						100%	3
Loan limits and overdraft limits with contractual maturity up to 1 year (can not be terminated by one party)								111				20%	22
Total	**11,708**	**40,883**	**1,597**	**-193**	**-5,411**	**-1,408**	**-303**	**111**	**18**	**76**	**91**		
												TOTAL RISK-WEIGHTED ASSETS	**35,835**

Note 38 continued: **Information Disclosed on Capital Adequacy**

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

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

Bank considers the following direct funded credit protection facilities in calculation of the credit risk capital requirement, with the prior assessment each time that they are in compliance with the requirements for recognising financial collaterals as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions": 1) On-balance sheet netting – recognised by agreement as an each time decision; 2) Financial collaterals – recognised depending on the type of underlying asset.
Bank accepts as financial collateral: 1) cash on deposit with, or cash assimilated instruments held by the Bank; 2) shares and convertible debt instruments listed in a main list on a recognised stock exchange and debt instruments meeting the requirements stipulated in Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions". Bank includes only such financial collaterals in the calculation of the credit risk capital requirement, the remaining maturity of which is at least equal to the remaining maturity of the secured risk position. Bank uses the financial collateral simple method, calculating the effect by assigning the value equal to the fair value of financial collateral.

Bank considers the following unfunded credit protection facilities in calculation of the credit risk capital requirement, with the prior assessment each time that they are in compliance with the requirements for recognising unfunded credit protection facilities and credit derivatives as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions": 1) Unfunded credit protection transactions - recognised by agreement as an each time decision or by protection provider, when the credit risk protection is provided by each time standard agreement; 2) Credit derivatives – recognised by transaction as an each time decision.
Bank applies the procedure, as set by Bank of Estonia Governor's decree „Procedure for application and calculation of prudential ratios of credit institutions and consolidation groups of credit institutions", in calculating the effects of unfunded credit protection using credit risk standard method.

Credit risk protection transactions applied as of 31.12.2009 were all financial collaterals of cash deposited with the Bank. Bank has not used unfunded credit protection facilities nor credit derivatives as of 31.12.2009.

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

Bank had no securitised exposures as of 31.12.2009.

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

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

Note 39: Concentration of Risks

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

				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	22,683	194.10%
Due from persons related with credit institution		8,181	523	4.47%

Note 40: 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 31.12.2009 and 31.12.2008. Management has assessed the effective interest rates for all financial assets and liabilities denominated in the balance sheet at amortised cost compared it to the market rates effective on the balance sheet date and concluded that there is no significant difference between effective rates used for financial assets and liabilities and market rates at the balance sheet date.

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

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

EEK ths., as of 31.12.2009

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Cash and claims to banks	170,726	0	0	0	0	0	0	0	**170,726**
Claims to customers	3,032	59,420	45,636	55,743	61,645	106,404	183,616	39,617	**555,113**

EUR ths., as of 31.12.2009

Claims, liabilities	On demand	Over-due	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Cash and claims to banks	10,911	0	0	0	0	0	0	0	**10,911**
Claims to customers	194	3,798	2,917	3,563	3,940	6,800	11,735	2,532	**35,478**

Note 40 continued:

Assets and liabilities measured at fair value

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

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

* Levels used in hierarchy:
Level 1– quoted prices in active market
Level 2 – based on market price indications, rates and interest curves from similar transactions
Level 3 – other valuation techniques (f.ex discounted cash flow method)

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.

SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO THE ANNUAL REPORT 2009

The Annual Report 2009 of MARFIN PANK EESTI AS is signed by:

Fotios Karatzenis	Chairman of the Supervisory Board		12/03/2010.
Nikolaos Sarros	Member of the Supervisory Board		12.03.2010
Efthymios Bouloutas	Member of the Supervisory Board		12/03/2010
Achillefs Giannisis	Member of the Supervisory Board		12/03/2010
Frank Ulrich John	Member of the Supervisory Board		12/03/10
Emmanouil Karavelakis	Member of the Supervisory Board		12/03/2010
Christos Stylianides	Member of the Supervisory Board		12.03.2010
Riho Rasmann	Chairman of the Management Board		06.03.2010
Sven Raba	Member of the Management Board		01.03.2010
Mart Veskimägi	Member of the Management Board		01.03.2010
Roul Tutt	Member of the Management Board		01.03.2010

PRICEWATERHOUSECOOPERS

AS PricewaterhouseCoopers
Pärnu mnt. 15
10141 Tallinn
Estonia

Telephone +372 614 1800
Facsimile +372 614 1900
www.pwc.ee

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 statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory 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 2009, 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

5 March 2010

---

* *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 2009 in the amount of 84,388,335.03 kroons (5,393,397.61 euros). The Management Board's proposal to the General Meeting of Shareholders' is to record the loss for the financial year 2009 in the amount of 84,388,335.03 kroons (5,393,397.61 euros) under the balance sheet heading "Accumulated deficit".

Riho Rasmann Chairman of the Management Board 01.03.2010

Sven Raba Member of the Management Board 01.03.2010

Mart Veskimägi Member of the Management Board 01.03.2010

Roul Tutt Member of the Management Board 01.03.2010