



## **MARFIN PANK EESTI AS**

(Marfin Bank Estonia Ltd.)

### **Public Interim Report I Quarter 2011**

*Translation from original in Estonian*

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## SUMMARY INFORMATION

### General Data of Credit Institution

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

### Auditor

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

Report balance sheet date	31.03.2011
Report period	01.01.2011 – 31.03.2011
Report currency and units	Euro (EUR), in thousands of euros

Bank has not been rated by international rating agencies.

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

	EUR ths.
Total assets	53,899
Net profit / loss	-646
Return on equity (ROE)	-50.49%
Asset utilisation (AU)	3.87%
Overdue claims and loans	10,579
Loan loss provisions	8,395
Net own funds	4,658
Capital adequacy	20.24%

“Public Interim Report I Quarter 2011” of MARFIN PANK EESTI AS is available in the office of MARFIN PANK EESTI in Tallinn, Pärnu mnt 12 and on the Bank's internet web page [www.marfinbank.ee](http://www.marfinbank.ee) from 30.05.2011.

## DECLARATION OF THE MANAGEMENT BOARD

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

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

In Tallinn, 30.05.2011

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Riho Rasmann  
Chairman  
of the Management Board

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Sven Raba  
Member  
of the Management Board

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Mart Veskimägi  
Member  
of the Management Board

## MANAGEMENT REPORT

### Description of the Credit Institution and its Management Bodies

MARFIN PANK EESTI AS is a credit institution, established in 1999 and operating in Estonia. MARFIN PANK EESTI AS (hereinafter: the Bank) holds the activity license issued by Estonian Central Bank (the Bank of Estonia), which allows the Bank to engage in all banking operations. Bank has an account manager status of Estonian Central Depository for Securities, is the member of S.W.I.F.T. and pan-Baltic member of NASDAQ OMX Baltic stock exchanges. Bank has joined SEPA (Single Euro Payments Area) systems as an indirect member and the cross-border clearing system TARGET2-Estonia.

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

MARFIN PANK EESTI AS belongs to the banking group of Marfin Popular Bank, registered in Cyprus, and operating in 10 countries with 486 branches. Group has 9000 employees. Year 2010 net profit of the Marfin Popular Bank group totalled 95.3 million euros and total assets 42.6 billion euros. Marfin Popular Bank has a Baa3/ P-3 (review for possible downgrade) rating by Moody's Investors Service, and BBB/ F3 (outlook: negative) rating by Fitch Ratings.

After the balance sheet date, on 11.04.2011, the extraordinary general meeting of shareholders decided to convert the share capital to euros, decrease share capital to cover losses and to increase share capital by 1.6 million euros.

The owners of MARFIN PANK EESTI AS, as of the report approval date, are:

70.5427% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cyprus);

19.6531% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

3.8331% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;

2.9630% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;

1.5116% of shares are owned by Mirage Investments OÜ (location Tallinn, Estonia) and

1.4965% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

The Supervisory Board of the Bank had six members in beginning of year 2011. Mr. Fotios Karatzenis (Chairman of the Supervisory Board), Mr. Efthymios Bouloutas, Mr. Achillefs Giannisis, Mr. Frank Ulrich John, Mr. Emmanouil Karavelakis and Mr. Christos Stylianides remained the members of the Supervisory Board as of report preparation date.

The Management Board of the Bank had four members during reporting period. 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. Mr. Roul Tutt resigned from the Management Board from 04 May 2011. The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of the Bank.

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

daughter company. Following the decision of the Management Board of Financial Supervisory Authority dd. 16.03.2011, daughter company Osito Casa OÜ has not been included in the consolidation group. The Bank has no participating interests, exceeding 20% shareholding in any company, but the Bank owns 16% of business development company European Business Development AS.

## **Major Economic Events**

Growth of the Bank, especially in terms of customer numbers and deposit volumes is worth pointing out when comparing the results of 31.03.2011 with the year earlier results. Number of customers of the Bank increased 23% in a year, the number of active depositors increased 22%. Deposit growth rate was much higher than the market average, being 1.7 times in client (excluding credit institutions) deposits. Volumes of transactions grew significantly. The Bank is offering free of charge normal euro payments to its customers in its internet bank, and many other fees and commissions are more favourable as well.

Client deposits with the Bank totalled 44.4 million euros as of 31.03.2011 (34.5 million euros as of 31.03.2010). 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 34.9 million euros, decreasing 12.8% in a year and forming 64.8% of total assets as of 31.03.2011 (31.03.2010: 82.4%). Gross loan portfolio amounted 40.1 million euros as of 31.03.2010. For the last two quarters, the Bank had significantly more deposits than loans – deposits to loans ratio stood at 1.21 as of 31.03.2011 (31.03.2010: 0.64). Total assets of the Bank have increased 10.9% in a year, reaching 53.9 million euros as of 31.03.2011 (as of 31.03.2010 the balance sheet total was 48.6 million euros).

Conservative loan loss provisions and decreased interest income caused the continuing net loss for the Bank in beginning of year 2011, but the trend of provisions is clearly down year-to-year. Net loss of I quarter 2011 comprised 646 thousand euros (net loss of I quarter 2010 was 504 thousand euros).

Net interest income of the reporting period was 212 thousand euros (2010: 315 thousand euros), earned mostly on loans. Net fees and commissions income totalled 6 thousand euros (2010: 31 thousand euros). 9 thousand euros was earned as dealing profits from FX and securities' transactions (2010: 55 thousand euros). Total operating income from banking activities comprised 191 thousand euros in I quarter 2011 compared with 382 thousand euros year earlier. Administrative expenses of first quarters 2011 and 2010 were respectively 607 and 584 thousand euros.

Bank's equity totalled 4.8 million euros as of 31 March 2011 and the regulatory capital adequacy stood at 20.24% (31.03.2010: 8.9 million euros, capital adequacy 31.96%). Bank converted its share capital to euros, decreased share capital to cover losses and simultaneously increased the share capital by 1.6 million euros of monetary payments in April 2011.

Bank branch offices are located in the center of Tallinn and Tartu. Branch offices in Pärnu and Jõhvi were closed from beginning of March 2011, due to less demand for services rendered in bank branch. Bank's internet bank is available in Estonian, English and Russian languages. New service of safe-deposit boxes is offered in the Tallinn main branch from 30 May 2011.

## Ratings

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

## Ratios

		01.01.2011 - 31.03.2011	01.01.2010 - 31.03.2010
Return on equity	ROE	-50.49%	-23.98%
Equity multiplier	EM	10.59	5.90
Profit margin	PM	-123.23%	-68.15%
Asset utilisation	AU	3.87%	5.96%
Return on assets	ROA	-4.77%	-4.06%
Net interest margin	NIM	2.15%	2.43%
Basic earnings per share	Basic EPS	-0.17	-1.53
Diluted earnings per share	Diluted EPS	-0.17	-1.53
Spread	SPREAD	2.63%	1.76%
Yield on interest-earning assets	YIEA	4.94%	4.68%
Cost of interest-bearing liabilities	COL	2.30%	2.92%

## Explanations to ratios

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

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

## Legal Disputes

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

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

## **FINANCIAL STATEMENTS**

## Statement of Financial Position

	EUR ths.	EUR ths.
	<b>31.03.11</b>	<b>31.12.10</b>
<b>ASSETS</b>		
<b>Cash</b>	<b>200</b>	<b>183</b>
<b>Loans and advances</b>	<b>50,627</b>	<b>52,703</b>
Balances with central bank	11,086	16,943
Due from other banks	11,501	6,202
Due from customers	28,040	29,557
o/w allowance (-)	-8,395	-8,194
o/w interests	1,370	1,352
<b>Financial assets held for trading</b>	<b>8</b>	<b>10</b>
<b>Available-for-sale financial assets</b>	<b>267</b>	<b>317</b>
<b>Property and equipment</b>	<b>215</b>	<b>236</b>
<b>Investment properties</b>	<b>2,315</b>	<b>2,571</b>
<b>Intangible assets</b>	<b>119</b>	<b>124</b>
<b>Other assets</b>	<b>148</b>	<b>131</b>
<b>TOTAL ASSETS</b>	<b>53,899</b>	<b>56,275</b>
<b>LIABILITIES</b>		
<b>Financial liabilities held for trading</b>	<b>15</b>	<b>43</b>
<b>Financial liabilities measured at amortised cost</b>	<b>44,416</b>	<b>46,102</b>
Due to credit institutions	2	0
Interest payable on credit institutions deposits	0	0
Due to customers	44,414	46,102
Government	0	0
Financial institutions	0	2
Companies	23,689	28,905
Non-profit organisations	2,769	2,404
Private persons	17,594	14,533
Interest payable	362	258
<b>Subordinated debt</b>	<b>4,073</b>	<b>4,030</b>
<b>Borrowed funds from government and foreign aid</b>	<b>177</b>	<b>272</b>
<b>Tax liabilities</b>	<b>53</b>	<b>56</b>
<b>Other liabilities</b>	<b>387</b>	<b>299</b>
<b>TOTAL LIABILITIES</b>	<b>49,121</b>	<b>50,802</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	9,384	9,384
Statutory legal reserve	36	36
Fair value reserve of available-for-sale financial assets	-61	-12
Accumulated deficit	-3,935	0
Profit / loss for the financial year	-646	-3,934
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,778</b>	<b>5,472</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>53,899</b>	<b>56,275</b>



## Income Statement

	EUR ths.	EUR ths.
	<b>01.01.2011- 31.03.2011</b>	<b>01.01.2010- 31.03.2010</b>
<b>Interest income</b>	<b>490</b>	<b>610</b>
From loans	459	605
From deposits	30	4
From available-for-sale financial assets	1	1
<b>Interest expense</b>	<b>278</b>	<b>295</b>
On demand deposits	3	6
On time deposits	229	247
On derivatives	2	1
From borrowings	44	41
<b>Net interest income</b>	<b>212</b>	<b>315</b>
<b>Fees and commissions income</b>	<b>15</b>	<b>74</b>
Account opening and maintenance fees	3	5
Bank transaction fees	9	39
Securities' transaction fees	2	28
Other fees and commissions income	1	2
<b>Fees and commissions expense</b>	<b>9</b>	<b>43</b>
Securities' transactions expenses	1	18
Bank transaction expenses	4	17
S.W.I.F.T. expenses	4	7
<b>Net fees and commissions expense</b>	<b>6</b>	<b>31</b>
<b>Net trading income/expense</b>	<b>9</b>	<b>55</b>
From foreign exchange	9	53
From financial assets and liabilities in trading portfolio	0	2
<b>Other operation income</b>	<b>11</b>	<b>0</b>
<b>Other operation expenses</b>	<b>47</b>	<b>19</b>
Guarantee Fund payments	12	0
Financial Supervision Authority fees	14	14
Tallinn Stock Exchange fees	5	4
Other operating expenses	16	1
<b>Total income</b>	<b>191</b>	<b>382</b>
<b>Administrative expenses</b>	<b>607</b>	<b>584</b>
Personnel expense, payroll related taxes	360	375
Other administrative expense	247	209
<b>Depreciation and amortisation of tangible and intangible assets</b>	<b>-29</b>	<b>-27</b>
<b>Impairment loss on assets (+/-)</b>	<b>-201</b>	<b>-274</b>
<b>Total operating expenses</b>	<b>837</b>	<b>886</b>
<b>Profit before taxation</b>	<b>-646</b>	<b>-504</b>
<b>NET PROFIT / LOSS FOR THE PERIOD</b>	<b>-646</b>	<b>-504</b>

## Statement of Cash Flows

	EUR ths.	EUR ths.
	<b>01.01.2011 - 31.03.2011</b>	<b>01.01.2010 - 31.03.2010</b>
<b>Cash flows from operating activities</b>	<b>-12,230</b>	<b>-5,093</b>
Interests received	490	610
Interests paid	-278	-295
Fees and commissions received	15	74
Fees and commissions paid	-9	-43
Administrative expenses	-607	-584
Trading income received	9	55
Other operating income	11	0
Other operating expenses	-47	-19
<b>Change in operating assets and liabilities:</b>		
Change in due from other banks	-11,736	-2,965
Change in due from customers of credit institution	1,517	-695
Change in due to credit institutions	2	-1,000
Change in due to customers	-1,688	-794
Change in assets and liabilities connected with other operating activities	91	563
<b>Cash flows from investing activities</b>	<b>5</b>	<b>0</b>
Purchase of property and equipment	2	0
Purchase of intangible assets	0	0
Purchase of investment properties	0	0
Sale of investment properties	3	0
<b>Cash flows from financing activities</b>	<b>-51</b>	<b>2,778</b>
Increase of share capital	0	2,839
Subordinated debt received	0	0
Change in interest of subordinated debt	43	0
Other borrowings received	0	0
Borrowings repaid	-94	-61
<b>Total cash flows</b>	<b>-12,276</b>	<b>-2,315</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>17,299</b>	<b>4,911</b>
<b>Net change in cash and cash equivalents</b>	<b>-12,276</b>	<b>-2,315</b>
<b>Cash and cash equivalents at the end of the year *</b>	<b>5,023</b>	<b>2,596</b>

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

	EUR ths.	EUR ths.
	<b>31.03.2011</b>	<b>31.03.2010</b>
Cash	200	108
Surplus of the reserve in the Bank of Estonia *	-80	-2,167
Deposits with credit institutions *	4,903	4,656
<b>Total</b>	<b>5,023</b>	<b>2,596</b>

\* except time loans

## Statement of Changes in Equity

	EUR ths.	EUR ths.
	01.01.2011 - 31.03.2011	01.01.2010 - 01.03.2010
<b>Share capital</b>		
Balance at the beginning of period	9,384	12,814
Share capital reduction to cover losses	0	-2,500
Share capital increase	0	2,839
<b>Balance at the end of period</b>	<b>9,384</b>	<b>13,154</b>
<b>Other reserves</b>		
Balance at the beginning of period	36	36
Change in fair value reserve	-61	-21
<b>Balance at the end of period</b>	<b>-25</b>	<b>15</b>
<b>Accumulated deficit</b>		
Balance at the beginning of period	-3,935	-6,270
Share capital reduction to cover losses	0	2,500
Profit/loss for the financial year	-646	-504
<b>Balance at the end of period</b>	<b>-4,581</b>	<b>-4,274</b>
<b>Total shareholders' equity:</b>		
<b>at the beginning of period</b>	<b>5,472</b>	<b>11,597</b>
<b>at the end of period</b>	<b>4,778</b>	<b>8,895</b>

## Contingent Claims and Liabilities

	<b>31.03.2011</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>0</b>	<b>48</b>
Guarantees and similar irrevocable transactions	0	3
Unused part of credit lines and overdraft limits	0	45
Hybrid swaps *	539	539
Currency forward transactions	5,071	5,075
	<b>31.03.2010</b>	
	EUR ths.	EUR ths.
	<b>Claims</b>	<b>Liabilities</b>
<b>Irrevocable transactions</b>	<b>0</b>	<b>357</b>
Guarantees and similar irrevocable transactions	0	21
Unused part of credit lines and overdraft limits	0	336
Hybrid swaps *	539	539
Currency forward transactions	30,980	30,859

\* Notional amount of swap transaction covering investment deposit AquaTerra, is disclosed as off-balance sheet commitment. Interest expense is accrued on it using 6 months Euribor rate.

## Currency Risk

						<b>31.03.2011</b>
EUR and EEK joint position	Balance sheet position		Off-balance sheet position		Net position	
	long	short	long	short		
Position, EUR ths.	46,058	41,301	3,044	3,080	4,721	
						<b>31.03.2010</b>
EUR and EEK joint position	Balance sheet position		Off-balance sheet position		Net position	
	long	short	long	short		
Position, EUR ths.	45,177	36,926	16,146	15,744	8,653	

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

## Risk Concentration

	31.03.2011		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	18		
Due from customers with high risk concentration		17,348	245.03%
Due from persons related with credit institution		146	2.06%

	31.03.2010		
	no.	EUR ths.	% of net own funds
Number of customers (client groups) with high risk concentration	11		
Due from customers with high risk concentration		16,788	130.31%
Due from persons related with credit institution		543	4.21%

## Capital Adequacy

	EUR ths.	EUR ths.
	31.03.11	31.03.10
Share capital paid-in	9,384	13,154
Other reserves	36	36
Accumulated deficit of the previous years	-3,935	-3,770
Intangible assets	-119	-32
Net loss of the period	-646	-504
Net profit of the period	0	0
<b>Total tier 1 own funds</b>	<b>4,720</b>	<b>8,883</b>
Subordinated debt	4,000	4,000
Available-for-sale financial instruments	0	0
Tier 2 own funds, which exceed the limits	-1,640	0
<b>Second level equity</b>	<b>2,360</b>	<b>4,000</b>
Minimum own funds	7,080	12,883
Tier 1 own funds after deductions	4,720	8,883
Tier 2 own funds after deductions	2,340	4,064
<b>Own funds for capital adequacy calculations</b>	<b>7,080</b>	<b>12,883</b>
Credit institutions and investment companies under standard method	240	162
Companies under standard method	808	1,317
Mass claims under standard method	900	1,022
Claims backed by mortgages under standard method	155	160
Overdue claims under standard method	737	892
Other assets under standard method	268	63
<b>Total capital requirement for credit risk and counterparty credit risk</b>	<b>3,109</b>	<b>3,616</b>
Operational risk base method	389	414
<b>Total capital requirement for operational risk</b>	<b>389</b>	<b>414</b>
<b>Capital requirements for adequacy calculations</b>	<b>3,498</b>	<b>4,031</b>
<b>Capital adequacy</b>	<b>20.24%</b>	<b>31.96%</b>

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

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

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

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