



Krediidipank 2008

2008

Business name: Public limited company (AS) Eesti Krediidipank
Legal address, location: Narva mnt. 4, 15014 Tallinn, Republic of Estonia
Registry code: 10237832
Telephone: +372 669 0900
Fax: +372 661 6037
E-mail: info@krediidipank.ee
Web page: www.krediidipank.ee
Auditor: BDO Eesti AS
Beginning and end of financial year: 01.01.2008-31.12.2008



Krediidipank 2008

Consolidated
Annual Report



Alexey Sytnikov
Chairman of the Supervisory Council



Andrus Kluge
Chairman of the Board

Message from the Chairmen

2008 was a financially successful year for AS Eesti Krediidipank. For the fifth year in a row, the Bank earned a very good net profit (over 71 million kroons) and as at the end of the financial year 2008, Bank's total assets were the greatest ever.

Bank's economic results last year were influenced by a record-breaking growth of deposits, but also by the decelerated growth of loan portfolio and increasing number of clients delaying with their loan repayments. The total number of clients increased by almost 7000 within a year, which is really significant for a small bank. The Bank has shown stability in retaining trust of its clients and continuously good profitability.

While 2007 was a break-through year for Krediidipank into international money markets, the cooperation with big European banks continued in 2008. In September, Krediidipank prolonged the syndicated loan agreement in the amount of 22 million euros for the next year.

2008 will be written in history as the beginning of the most serious financial and credibility crisis of contemporary times. During last decades, international banks have put more and more new financial instruments on the market that have become more and more distant from real assets, and pre-cautious assessment of investment-related risks was basically forgotten on growing markets. In 2008 a wake-up call for risk management rang all over the world and the worst-case scenarios, considered to be ridiculous yet a year ago, became true. The validity of banks' business models was seriously tested and especially big banks have lost notably on the scale of credibility. Compared to bigger banks, a small bank does not have the pressure for increasing operational capacity at any cost and therefore the threat of systematic error occurrence is much lower. The management and owners of smaller banks also cooperate more intensively and all taken risks are weighed more thoroughly.

Economic downfall that started in 2008 is a new experience to Estonian state and entrepreneurs, but also time for building up a new foundation for the following growth times. Till now, the becoming of EU member state in 2004 has secured Estonia's high credibility and low interest rates of loans. Estonia has set the task to achieve the transition to euro as soon as possible, in order to maintain economic sustainability. Fast decrease of inflation indicators and external trade deficit, since the end of 2008, give hope that the set tasks will be achieved in the near future. Not only pace, but stability as well, is important in the development of a small country. We believe that Estonia is turning from the path of fast growth to the path of high-quality and stable economic growth and Krediidipank gives its best to follow the steps of these changes.

We would like to thank all our customers, employees, cooperation partners and shareholders for continuous dedication, support and trust, and we are looking forward to continuing good cooperation in the years to come.



Alexey Sytnikov

Chairman of the Supervisory Council



Andrus Kluge

Chairman of the Board



Introduction	8
Management Board declaration	10
Management report	12
Krediidipank – a history of progress	13
Krediidipank's values and operation principles	14
Krediidipank's field of activity	15
Structure of the Group as at 31.12.2008	16
The Supervisory Council and the Management Board as at 31.12.2008	17
Shareholders holding over 5% of the shares as at 31.12.2008	17
Dividend policy	18
Krediidipank's organisation	18
Krediidipank's economic activities in 2008	19
Significant financial events in 2008	21
Main financial indicators and ratios	23
Krediidipank's goals for 2009	24
Risk management	24
Ratings	24
Standards	25
Pending court cases	25
Annual accounts	27
Balance sheets of AS Eesti Krediidipank and the Group	28
Income statements of AS Eesti Krediidipank and the Group	29
Statements of changes in shareholders' equity of AS Eesti Krediidipank and the Group	30
Cash flow statements of AS Eesti Krediidipank and the Group	31
Notes to the Annual Accounts	32
Signatures to the annual accounts	65
Attached documents	67
Auditor's report	68
Proposal for profit distribution	69
Supervisory Council confirmation	70

Introduction

Business name:	AS Eesti Krediidipank
Registered:	15.03.1992 Tallinn
Address:	Narva mnt. 4, Tallinn 15014
Registry code:	10237832
Register:	The Commercial Register of the Register Department of the Harju County Court of the Republic of Estonia
Entry date:	19.08.1997
Auditor:	BDO Eesti AS (registry code: 10309827, located at Uus-Sadama 21, Tallinn 10120), auditor's certificate No. 1 for a legal person, issued by the management board of the Estonian Board of Auditors on 09.11.1999.
Reporting period:	01.01.2008 - 31.12.2008
Currency:	Estonian kroon (EEK), in thousands

The Management Board of AS Eesti Krediidipank approved the Annual Report of the Eesti Krediidipank consolidation group on 27 February 2009.

The public annual report, which has been consolidated in accordance with the International Financial Reporting Standards, will be presented to the shareholders for approval at the General Meeting of the Shareholders in April 2009.

The General Meeting of the Shareholders of AS Eesti Krediidipank approved the Annual Report 2007 on 7 April 2008.

For the purposes of this report, the following definitions shall apply:

"Parent Company"- AS Eesti Krediidipank, hereinafter also referred to as "Eesti Krediidipank", "Krediidipank" and "Bank";

"Group" - AS Eesti Krediidipank and its subsidiaries AS Martinoza and Krediidipanga Liisingu AS.



Andrus Kluge
Chairman of the Board



Valmar Moritz
Vice Chairman of the Board



Ruslan Dontsov
Member of the Board



Marju Arras
Member of the Board



Marina Laaneväli
Member of the Board



Uku Tammaru
Member of the Board

Management Board declaration

The Management Board of Eesti Krediidipank has prepared the Management Report 2008 and the annual accounts for the year ended on 31 December 2008, and, on the day of the disclosure of the report, is on the opinion that:

1. this Annual Report, consisting of the Management Report, annual accounts, and notes to the annual accounts, contains information which complies with the requirements of the "Procedure for Preparation of Public Reports", established for credit institutions;
2. this report has been prepared in accordance with the Accounting Act of the Republic of Estonia, on the basis of the International Financial Reporting Standards (IFRS), as adopted by the European Union;
3. the Annual Report gives a true and fair view of the assets, liabilities and owner's equity of the Parent Company and the Group, as well as the results of their operations;
4. AS Eesti Krediidipank is able to continue as a going concern.

The preparation of the annual accounts in accordance with the International Financial Reporting Standards requires the management's estimations on the Parent Company's and Group's assets and liabilities as at the date of preparation of the report, as well as the revenue and expenses of the reporting period. These estimations are based on the actual information on the financial situation, plans and risks of the Parent Company and the Group as at the date of preparation of the report. The final results of the reported transactions may differ from the estimations.

Material circumstances that have an effect on the valuation of assets and liabilities and became evident before the preparation of this report (12 March 2009) are recorded in the annual accounts.

Andrus Kluge
Chairman of the Board



12.03.2009

Valmar Moritz
Vice Chairman of the Board



12.03.2009

Ruslan Dontsov
Member of the Board



12.03.2009

Uku Tammaru
Member of the Board



12.03.2009

Marju Arras
Member of the Board



12.03.2009

Marina Laaneväli
Member of the Board



12.03.2009





Management Report **2008**

Krediidipank – a history of progress

AS Eesti Krediidipank launched its operations on 14 April 1992. This was preceded by the foundation meeting held in the initiative of the former Eesti Pank Governor and economist Rein Otsason on 28 March 1992. Krediidipank was registered in the Tallinn City Government on April 7, and was granted the activity license on April 10 in the same year.

Ever since its foundation, Krediidipank has been affected by the Estonian economic development, which can be viewed as a single successful economic cycle with temporary setbacks. Until the year 2008. The year 2008 saw the anticipated transition to the decline stage of the economic cycle. Until 2008, Krediidipank operated in a situation where the decreasing demand on the Estonian real estate market conditioned problems in the construction sector, construction material sales and production, as well as a decrease in the demand for interior design goods, etc. While at the beginning of the year, there were still hopes for Estonia to survive the real estate boom with relatively small losses, the severe global financial crisis which was set in motion in the second half of the year engulfed the entire Estonian economy. The sense of safety among consumers has significantly decreased. The future of the global financial markets is unforeseeable, and the problems that set the global financial crisis in motion, are serious – no quick solutions or an economic growth is expected for Estonia in the next few years. Economy is largely based on trust. But trust is hard to find these days. The above circumstances have had a major effect on Krediidipank's operating environment, but have not yet negatively affected the Bank's market positions.

In heavy competition, Krediidipank has succeeded in achieving a remarkable growth in operating volumes. The number of customer accounts opened in the Bank has increased by many times, while staff numbers have practically remained unchanged for the last few years.

Throughout its history, Eesti Krediidipank's advantage has lain in a strong domestic deposit base. Krediidipank has launched several new deposit products on the banking market: operating deposit, children's deposit,

investment deposit. These are highly competitive, popular deposit products with an estimated long-term life cycle. The range of loan products has significantly widened, allowing Krediidipank to meet practically all financial needs of Estonian customers.

In 2008, Eesti Krediidipank ranked 96th in the list of most valuable Estonian companies, prepared by the investment bank Gild Bankers. According to the ServiceTop survey conducted by the survey company Dive Eesti OÜ, Krediidipank's customer service is among the best in Estonia, with the bank continually ranking among the top three, surpassing nearly all of the biggest banks. According to the Baltic e-banking survey conducted by the management and marketing consulting service provider Metasite Business Solutions, Krediidipank's Internet bank i-pank has an excellent position, ranking third.

The majority shareholder of Krediidipank is Latvian Business Bank, with a 90% stake. Latvian Business Bank is, in turn, fully owned by Bank of Moscow, one of the biggest banks in Russia. For Krediidipank, Bank of Moscow is a strategic investor.

For years, Krediidipank has been guided by the pursuit of stability, simple and friendly service, openness and good morals. The consistent and determined activities on the banking market, conservative risk management, and extensive experience has made Krediidipank albeit small but a reliable brand which is based on a solid system of values, with the brand's success guaranteed by satisfied although demanding investors and motivated staff as well as interested and loyal customers. This approach helps Krediidipank, as an acknowledged Estonian financial market participant, to also survive the fluctuations of harder times. Krediidipank will continue its pursuits on the same principles, guaranteeing the Bank's development in the upcoming years and decades.

Krediidipank's values and operation principles

The main strategic objective of Eesti Krediidipank is to strengthen the Bank's role on the Estonian banking market both during and after the global financial and confidence crisis.

In addition to specific bank services and everyday operations, Krediidipank upholds a system of values which applies to and covers all aspects of the Bank's activities. The ascertained and established values and operation principles serve to shape the essence of Krediidipank, the basis for its operation and the nature of the Krediidipank brand.

The keywords characterising Eesti Krediidipank are stability, sustainability and traditions. Krediidipank is the oldest universal bank operating under the same trademark in Estonia. Krediidipank therefore prefers association with partners, events and activities which support historical traditions, ethnic culture, development options for young adults and children, as well as big families.

VISION

Eesti Krediidipank follows the so-called "triple A" principle in its activities – i.e. to be ATTRACTIVE to customers, ATTRACTIVE to employees and ATTRACTIVE to investors.

MISSION

Eesti Krediidipank's mission is to create a good setting for reliable management of everyday financial affairs for private and corporate customers.

VALUES

Transparent

Eesti Krediidipank follows the principles of honest, transparent and ethical business conduct.

Competent

Eesti Krediidipank is up to date, competent, conscientious and efficient. Conducting business in Krediidipank is simple and quick. Krediidipank's employees are dedicated, eager to learn, able to progress, and systematically develop their professional skills and knowledge.

Simple

Eesti Krediidipank's services are simple, clear-cut and easily understandable. The offered solutions correspond to the customer's actual needs. Krediidipank has a flat structure – the Bank avoids needless red tape and barriers.

Friendly

Eesti Krediidipank has a welcoming, customer-centered, personalised and flexible service standard. Krediidipank's employees respect their colleagues and contribute to the achievement of the Bank's common goals.

Programmed to seek solutions

Eesti Krediidipank's employees use active listening techniques in communicating with customers and colleagues. Our employees try to sympathise with the counterparty, willing to take responsibility for finding a working out a solution to the problem.

Community service

For Krediidipank, community service means more than just sponsoring different sports events or cultural events. Throughout its history, Krediidipank has always felt the need to have its say in issues concerning Estonian life, supporting ventures associated with the Bank's values and sponsoring projects which strengthen Krediidipank's good reputation as a small but reliable, stable and friendly service provider.

Krediidipank thus attaches importance to projects which serve to maintain regional balance – projects the main focus of which rather lies outside major cities, or ventures which might not resonate that much in the society but which are rewarding to the project manager and the target group, as well as the employees of Krediidipank.

Sponsored activities

In 2008, Krediidipank made its traditional contribution to the Võru folklore festival and the activities of the Võru male choir. Co-operation in the field of ethnic culture promotion in Võru County has become a tradition. Krediidipank also helped to pave the way for the future career of the young and talented swimmer Kätlin Sepp, and supported the organisation of the concerts of Maria Listra, a young singer who

is still acquiring her education in the field of music, but is already making a reputation for herself. For the severalth year, Krediidipank has also served as the main sponsor of the "Kopernics" sports club for young people enthusiastic about basketball, and supported the activities of the Rakvere basketball club.

The Rein Otsason Foundation

In 2006, the Rein Otsason Foundation was established in memory of and in continuation of the life work of the founder of Eesti Krediidipank, one of the most renowned figures in Estonian finance and banking, scientist and politician Rein Otsason. The aim of the foundation is to conduct charity work and sponsor the studies and scientific research of young people in the field of economy. The foundation sponsors ventures which contribute to the general well-being and economic development in Estonia.

On 23 May 2008, just before the birthday anniversary of Rein Otsason, 30,000-kroon scholarships were awarded, for the second year in a row, to three young and talented scientists in the field of economy. The scholarships are awarded to young people studying

in the master's or doctoral programmes of Estonian universities in the field of finance or economy, with the aim of supporting their studies and scientific research. The scholarships were awarded to Marili Männik, Margit Vaaks and Triin Kask, chosen by a committee set up within the framework of the scholarship competition.

In 2008, the charity fund of the Rein Otsason Foundation supported the MTÜ Clinic Clowns Eesti project "Dr Clown – for the good of the child" (serving as the gold-nosed partner of the project), the MTÜ Rõõmuvabrik project „Laughter camp for the Estonian children's homes" (serving as a major sponsor), the Saaremaa Big Families' Association (partially covering the cost of transportation services rendered within the framework of the summer days for big families, as well as the Sõleke kindergarten in Võru (purchase of new computer hardware).

Krediidipank uses the Rein Otsason Foundation both for supporting young scientists in their studies, and for taking social responsibility for the less privileged members of the society, including big families.

Krediidipank's field of activity

Eesti Krediidipank has mainly focused its business activities on the domestic market, offering banking services to both private individuals and companies, maintaining a total of 24 branch offices and service locations all over Estonia. The Estonian office network covers the major Estonian cities such as Tallinn, Tartu, Pärnu, Narva, Viljandi, Võru, Jõhvi, Rakvere, Kuressaare and Maardu. More and more customers are served and banking services rendered through electronic channels. The Internet bank, bank cards and mobile transactions are continually improved, and offer more and more options.

The services offered to corporate customers are based on the suitability of the banking products to the customers needs, with the aim of helping the customer conduct all of his/her banking affairs in Krediidipank, as well as on availability of the banking products i.e. consideration of the location, business hours and accessibility of the offices.

The services offered to private customers are based on the principle of making the banking products simple, clear-cut and easily understandable, the service standard friendly, customer-centered and personalised, the staff competent and conscientious, and business-conducting simple and quick.

Eesti Krediidipank is a universal bank, meaning that the customer is offered a wide array of the principal banking services. Krediidipank's fields of activity include the following services: miscellaneous short-term and long-term depositing options with flexible conditions, a wide array of loan products, including consumer credit, mortgage loans, factoring, guarantees and other financing transactions, settlement, cash transfer and other money forwarding services, as well as issue and management of non-cash payment facilities. Krediidipank also handles transactions with tradable securities and foreign currency of the Bank itself and

its customers, as well as money market transactions, security issue, customer consulting in economic activities, investment consulting, and securities depositing and management.

For lease transactions, Krediidipank has founded the subsidiary Krediidipanga Liisingu AS, and for management of real estate intended for business purposes, the subsidiary AS Martinoza.

Structure of the Group as of 31.12.2008

The following subsidiaries are incorporated under the AS Eesti Krediidipank consolidation group:

Company	Address	Field of activity	1. Registry code: 2. Register 3. Reg. date	Participation
AS Eesti Krediidipank	Narva mnt. 4, Tallinn	banking	1. 10237832 2. Tallinna CC RD 3. 19.08.1997	parent company
AS Martinoza	Narva mnt. 4, Tallinn	real estate management	1. 10078109 2. Tallinna CC RD 3. 28.10.1996	100%
Krediidipanga Liisingu AS	Narva mnt. 4, Tallinn	leasing	1. 10079244 2. Tallinna CC RD 3. 27.08.1996	100%

Pursuant to the Credit Institutions Act, the consolidation group of a credit institution (hereinafter the "Group") comprises the parent company and subsidiaries thereof which are credit institutions, financial institutions or ancillary undertakings. In 2008, the AS Eesti Krediidipank Group comprised AS Eesti Krediidipank, AS Martinoza and Krediidipanga Liisingu AS.

the established accounting policies. In the buildings owned by AS Martinoza, especially in the important office complexes at Narva mnt 4 and Mustamäe tee 5 in Tallinn, the company succeeded in achieving excellent occupancy of the lease space. This ensured the company's success and sustainability to operate in the business sector.

Common policies, surveillance systems and standards apply to the consolidation group.

As a result of the economic activities for 2008, the balance sheet volume grew from 211.5 million kroons to 219.1 million kroons, i.e. by 3.6%.

There are no differences between the Krediidipank Group and Concern.

In connection with the decrease in loan offering, caused by the global financial crisis, the company's real economy is expected to decrease in 2009. The availability of lease space provided by AS Martinoza on the B-category office space lease market is expected to increase, and the price levels to drop.

AS Martinoza serves to create additional value in the Eesti Krediidipank Group by managing the real estate of the Group.

Krediidipanga Liisingu AS is a subsidiary of the Eesti Krediidipank Group whose main activities include leasing and factoring services.

In 2008, AS Martinoza focused mainly on the improvement of the existing objects within the framework of a bulky investment programme, in the total amount of over 18 million kroons, of which 6 million kroons had to be charged to expenses under

In 2008, Eesti Krediidipank continued financing the activities of Krediidipanga Liisingu AS.

In the year 2008, Krediidipanga Liisingu AS's activities focused on maintaining financing volumes. As a result of the economic activities in 2008, the balance sheet volume grew from 192.3 million kroons to 203.9 million kroons, i.e. by 6.0%. A total of 94 million kroons of leasing projects were financed during the year. Premature repayments on behalf of customer amounted to 23 million kroons. Contracts containing unpaid lease in the total amount of 26 million kroons were cancelled.

The main stable investments in 2008 were made in the purchase of vehicles, machinery and equipment. Vehicles made up 38% of the investment portfolio, real estate 19%, rolling stock 19%, other objects 13% and machinery and other equipment 11%.

By the end of 2008, the total reserves established for contingent financing losses amounted to 4.8 million kroons.

In the changing economic climate, the company's main focus in 2009 lies in maintaining the profitability of the existing financing portfolio while minimising contingent losses. No growth objectives are established with respect to project financing.

The data for AS Martinoza and Krediidipanga Liisingu AS have been consolidated in the Eesti Krediidipank Group, line by line. All companies incorporated under the Group are based in Estonia.

The total profit of the Eesti Krediidipank Group (the Bank together with the results of operations of consolidated subsidiaries) amounted to 48,219 thousand kroons in 2008.

The Supervisory Council and the Management Board as at 31.12.2008

Supervisory Council:

Alexey Sytnikov	Chairman of the Council
Ain Soidla	Member of the Council serving as Vice-Chairman of the Council
Pavel Gorbatsevich	Member of the Council
Jazeps Paplavskis	Member of the Council
Andrejs Kuzins	Member of the Council

Management Board:

Andrus Kluge	Chairman of the Board
Valmar Moritz	Vice Chairman of the Board
Ruslan Dontsov	Member of the Board
Uku Tammaru	Member of the Board
Marju Arras	Member of the Board
Marina Laaneväli	Member of the Board

Shareholders holding over 5% of the shares as of 31.12.2008

JSC Latvian Business Bank, Latvia; 23,538,696 shares; participation in the share capital: 89.16%

Dividend policy

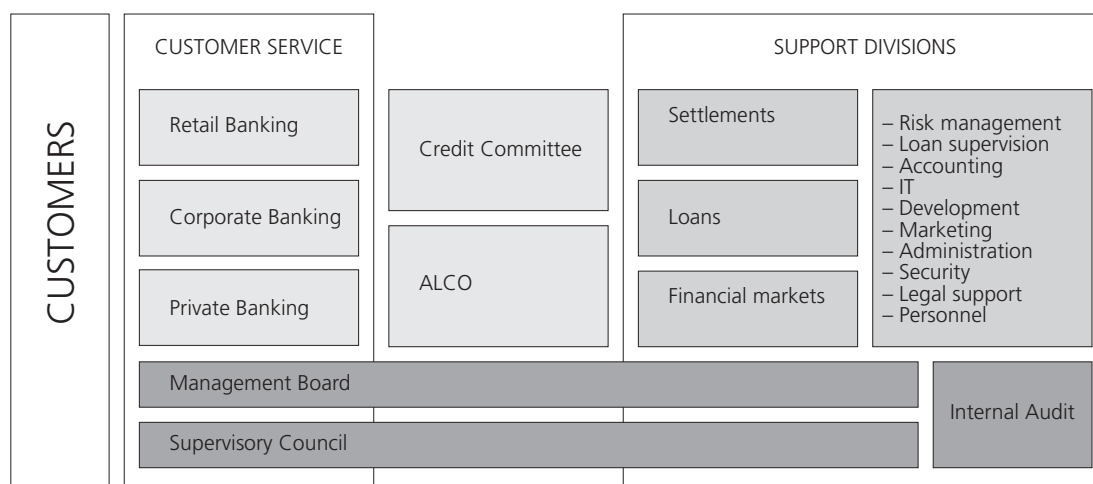
The aim of Krediidipank's dividend policy is to earn revenue for the shareholders by increasing the value of the share and ensuring return on investments which will be paid out as dividends.

No dividends were paid from the profit for 2007. However, 5 new common shares per 13 existing

shares were granted to shareholders by way of a bonus issue.

As a result of the need to secure the capital base, the Board proposes to the General Meeting of the Shareholders not to pay dividends from the profit for 2008.

AS Eesti Krediidipank organisation



The organisational structure of Eesti Krediidipank has been built up to best serve the Bank's overall objectives. The number of employees of Krediidipank and the work division by structural units serves the smooth and direct communication with customers as well as friendly, compassionate and co-operative partnership between structural units. The hierarchical structure of the Bank has been set up in accordance with the areas of responsibility of the Board members, and laid out as flat as possible to avoid excessive management levels and annoying red tape.

The precondition for the successful operation of the organisation is the consistency and regularity of the mutual exchange of experience and information between the structural units. To best serve the customers and provide professional financial consulting, the Krediidipank employees undergo

annual further education and enrichment training. In 2008, Krediidipank had an average of 203 employees, with the average number of full-time positions amounting to 173, and the number of customer service attendants totalling 75.

In its 17 years of operation, Krediidipank has developed the optimum retail banking network consisting of 24 branch offices and service locations, covering all major Estonian cities and centres and satisfying the needs of all main target groups.

Krediidipank has a total of ten branch offices: in Tartu, Võru, Viljandi, Pärnu, Kuressaare, Rakvere, Narva, Jõhvi, Maardu and in Northern Tallinn.

In addition to the branch offices, customers are served in the bank offices in Narva manatee, Nõmme Center, Idakeskus in Lasnamäe, Nurmenuku Centre in Õismäe and Magistral Center in Mustamäe.

All Krediidipank's branches and offices adhere to the common corporate visual standards.

Krediidipank also has seven service locations that accept cash payments in the offices of the Estonian Motor Vehicle Registration Centre all over Estonia.

In addition, the Bank has a currency exchange location at Tallinn Airport, as well as in the Tallinn Town Hall passenger terminal, open in the summer season.

Krediidipank's economic activities in 2008

In 2008, the entire Estonian economy made the transition to the stage of economic decline. Demand on the real estate market decreased, causing serious problems in real estate development and, consequently, the construction sector. The burst of the Estonian real estate bubble coincided with the global financial and economic crisis. The crisis, which began on the credit and financial markets in 2007, spread to other branches of economy, both within the EU and abroad. Credit costs suddenly increased, and borrowing became more difficult. Demand decreased in almost all developed countries, further decelerating the growth in developing markets.

Estonian banking and the banking groups operating on the banking market adapted relatively well to the situation in 2008. The high liquidity and capital requirements established by the Bank of Estonia decrease the risks arising from deceleration of the economic growth, and enhance the reliability of the banking groups. In the opinion of the Bank of Estonia, the Estonian financial system remains solid.

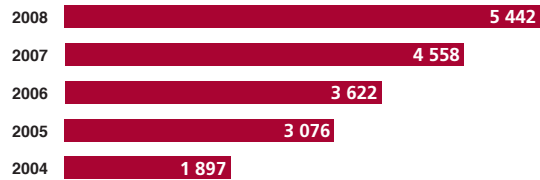
In 2008, Krediidipank's economic results were affected by the deceleration of the growth in the loan portfolio, as well as an increase in the number of customers with payment defaults, as well as a record growth in deposits. The continual increase in customer numbers is remarkable for a small bank such as Krediidipank.

The 71.4-million-kroon profit posted by Eesti Krediidipank in 2008 is an excellent result, considering the overall economic climate. Profit decreased by 13.6% compared to the 11.3-million-kroon profit posted in 2007. As of 31 December 2008, the Bank's balance sheet volume amounted to a record-breaking 5.4 billion kroons. The balance sheet volume has

increased by 0.9 billion kroons (i.e. 19.4%), compared to the end of 2007. The Bank's ROE amounted to 20.5% in 2008.

Balance sheet

millions of kroons



The loan portfolio volume at the end of 2008 amounted to 2.7 billion kroons. By the end of 2008, the Bank had issued 1.3 billion kroons worth of private loans and 1.4 billion kroons of corporate loans.

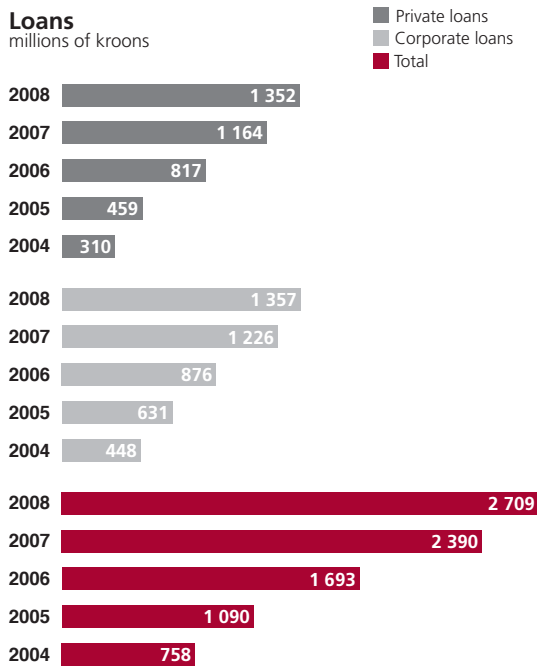
The loan portfolio volume grew by 0.3 billion kroons (i.e. 12.8%), compared to the end of 2007. A total of 22.7 million kroons (i.e. 0.8% of the loan portfolio) was allocated to the allowance for doubtful receivables in 2008. As of December 31, the Bank's allowance for doubtful receivables amounted to 32.5 million kroons (i.e. 1.2% of the loan portfolio).

To promote reasonable borrowing, and allow customers to reduce their loan burden, Krediidipank offers those customers who have concluded a loan agreement from the beginning of 2008 the option of premature repayment of the loan, free of premature repayment charge.

As of the end of December 2008, customer deposits in the Bank totalled 4.2 billion kroons, with 1.5 billion kroons in demand deposits and 2.7 billion kroons in term deposits. Customer deposits have grown by 0.9 billion kroons (i.e. 21.8%), year-on-year.

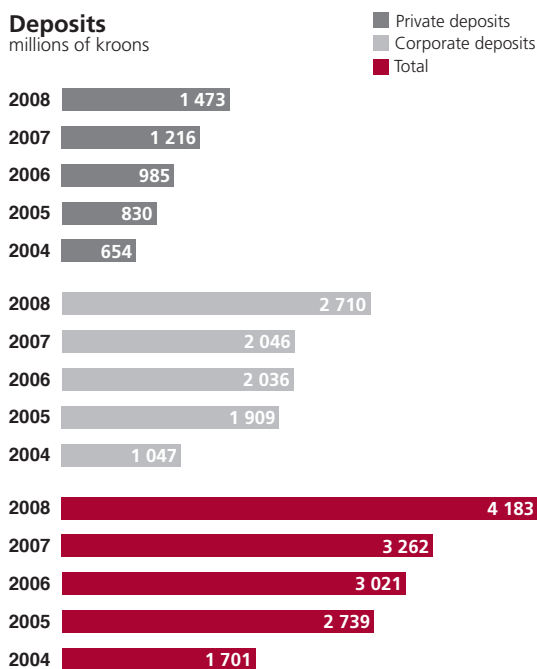
Loans

millions of kroons



Deposits

millions of kroons



The growth in deposit volumes was positively affected by the raising of the interest rates by the Bank, the deposit promotion campaigns, and changes in the corresponding product terms and conditions.

The children's deposit interest rate was raised twice in 2008 to 6.5% in the spring, and to 7.0% in the autumn.

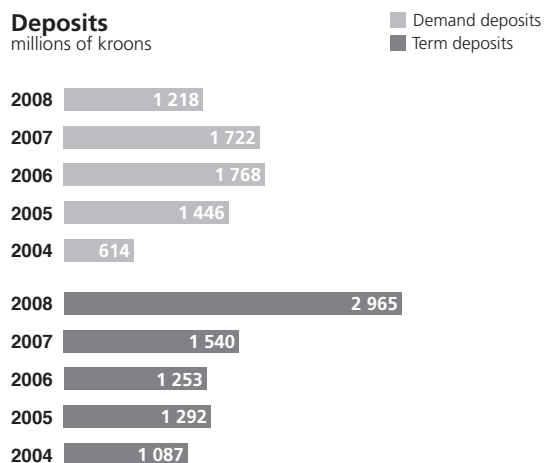
In the spring, Krediidipank held a term deposit campaign, offering new customers the option of concluding a term deposit with a very favourable interest rate. All new customers had the option of concluding a term deposit with a maturity of 6 months, and an interest rate of 10% until the end of June, and 6% for the remaining deposit period.

A similar campaign was also held in the autumn, with the Bank making new customers a record term deposit offer: The interest rate for a deposit with a maturity of 8-12 months was 12% until the end of November, and 6% for the remaining deposit period.

In May, Krediidipank started offering customers a new operating deposit, combining the flexibility of the current account while allowing to earn a higher interest similar to the term deposit. The operating deposit interest was many times higher than the interest payable on the current account, and includes the option of adding funds to the deposit. The funds of the operating deposit may already be used on the next day, without losing the interest earned.

Deposits

millions of kroons



In June, Krediidipank started offering Surfikas, the banking product and service package designed for 7-25 year old children and young adults.

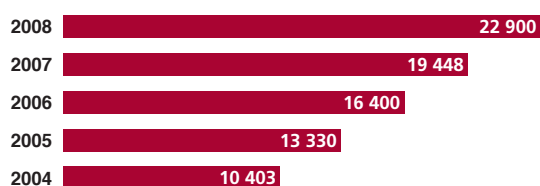
The use of electronic channels for conducting banking transactions increased among the Bank's customers. Krediidipank's Internet bank – i-pank – customer numbers continued to increase in 2008, growing from 19,500 users to 22,900 users. In 2008, Krediidipank continued offering all standard domestic payments made by private customers via the Internet bank in Estonian kroons free of charge. To enhance

the internet bank security, Krediidipank promoted the ID card – the safest method of authentication – for entering and conducting transactions in the i-pank. For this purpose, the bank provided free ID card readers and instructions to all customers who concluded a contract on the use of the Internet bank via the ID card.

Krediidipank, in concert with other member banks of the Estonian Banking Association, lowered the daily limit of Internet bank transactions made with repeated-use code cards to 5,000 kroons. This was done for safety purposes.

i-pank

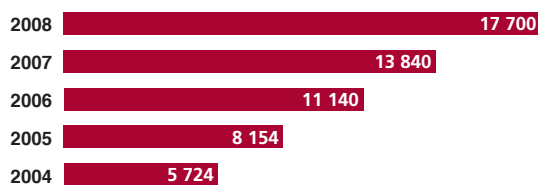
units



The number of customers using different Krediidipank bank cards increased from 13,900 to 17,700 in 2008.

Payment cards

units



On the whole, Krediidipank considers its activities relatively successful in 2008, considering the economic climate. The increase in customer numbers - 7,000 new customers - is a remarkable achievement for a small bank, indicating that customers do trust Krediidipank and appreciate its stable operation on the Estonian banking market. For Krediidipank, the successful financial year elicits confidence and courage to continue its activities in 2009, and survive the hard times.

Significant financial events in 2008

January 14

Krediidipank launched a campaign, promoting reasonable borrowing. The Bank offered all customers who concluded a loan agreement the option of premature repayment of the loan free of premature repayment charge.

March 7

Krediidipank's Kuressaare office in Saaremaa was relocated to new, spacey premises by the central plaza, providing more convenient service to the islanders and tourists visiting the island.

March 20

AS Eesti Krediidipank and the German-based KfW Bankengruppe signed a loan agreement with a 5-million-euro credit limit, aiming at allocating more funds for financing the investments of small and medium-size enterprises in Estonia. In addition to

the line of credit, Krediidipank will receive, within the framework of the Preparatory Action Programme, support for improving and further developing the loan products designed for small and medium-size enterprises. The programme is financed by the European Union.

March 30

The Service Top survey conducted by Dive ranked Krediidipank among the best customer service providers in Estonia. Krediidipank ranked second among banks, surpassing all major Estonian banks.

April 7

The General Meeting of the Shareholders of AS Eesti Krediidipank was held, with the shareholders resolving to transfer the audited profit for 2007 to retained earnings. To strengthen the Bank's capital base, a bonus issue was conducted at the expense of the

retained earnings in the amount of 66 million kroons, with Krediidipank's share capital increased from 198 million kroons to 264 million kroons.

May 1

Krediidipank changed the operating deposit terms and conditions for private customers, so that the deposit may be withdrawn with a 1-day advance notice, without losing the interest earned.

May 2

Krediidipank, in concert with other member banks of the Estonian Banking Association, lowered the daily limit of Internet bank transactions made with repeated-use code cards to 5,000 kroons. This was done for safety purposes.

May 23

For the second year, the Rein Otsason Foundation awarded scholarships to three young economists – Marili Männik, Margit Vaaks and Triin Kask.

June 12

Krediidipank started offering Surfikas, the banking product and service package which has been designed for 7-25 year old children and young adults and which aims at bringing the most popular banking services to young customers in a favourable and attractive package. The launch of the package was preceded by a campaign, with a nostalgic "Moscowitz" awarded as the grand prize.

August 1

In connection with rapid changes in the financial markets and delay of the adoption of the euro in Estonia, Krediidipank established its own base interest rate – KPB – which reflects the cost of the loan resources more adequately, and helps hedge the interest risk.

September 24

Krediidipank extended, in the amount of 22 million euros, the syndicate loan agreement concluded with major European banks who granted Krediidipank a 32-million-euro syndicate loan with a term of one year in 2007. The syndicate loan was organised by Bayerische Landesbank (BayernLB).

October 20

Krediidipank opened a representative office in the heart of Võru with the aim of improving the services offered to a growing number of customers in Võru County and the neighbouring counties. The office is twice as big as the previous office.

October 29

In the fourth quarter, the management and marketing consulting service provider Metasite Business Solutions published the results of the e-banking survey conducted in the Baltic States, with Krediidipank's i-pank rising to 3rd position among the banks.

December 16

Krediidipank opened a new office in Nurmenuku Centre in Õismäe, Tallinn. The new office is located in a convenient location for customers, providing easy access with both private and public transport and allowing to combine banking transactions with everyday shopping in the shopping centre.

Main financial indicators and ratios

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
As of the end of the period *				
Total assets	5 442 184	5 469 679	4 557 644	4 604 290
Shareholders' equity	384 836	378 978	313 415	330 758
Share capital	264 000	264 000	198 000	198 000
Number of shares	26 400 000	26 400 000	19 800 000	19 800 000
Loan and lease receivables	2 685 001	2 560 812	2 343 156	2 257 056
Deposits**	4 182 861	4 174 327	3 262 601	3 249 372
For the period				
Profit	71 421	48 219	82 692	81 450
Total revenue	358 390	358 689	322 978	335 620
Net interest income	153 431	148 806	146 716	143 584
Interest income	292 221	289 168	255 176	253 811
Interest expense	138 790	140 362	108 460	110 228
Ratios (year-on-year)				
Return on equity ROE				
Net profit/equity	20,5%	13,6%	30,0%	27,7%
Return on assets ROA				
net profit/assets	1,4%	1,0%	2,0%	2,0%
Equity multiplier EM				
total assets/equity	14,3	14,2	14,8	14,0
Profit margin PM				
profit/total revenue	19,9%	13,4%	25,6%	24,3%
Asset utilisation AU				
total revenue/assets	7,2%	7,1%	7,9%	8,1%
Net interest margin NIM				
net interest income/interest-bearing assets	3,2%	-	3,7%	-
Earnings per share EPS ***				
net profit per one common share	2,71 kr	1,83 kr	3,13 kr	3,09 kr
SPREAD ****				
interest income/interest-bearing assets – interest expense/interest-bearing liabilities	3,1%	-	3,3%	-
Number of customers holding a current account	58 538	-	51 685	-
Number of service locations	24	-	24	-
Average number of employees	203	218	186	197
Wages and salaries	48 699	51 654	44 615	47 234
incl. remuneration to the Management Board and the Supervisory Council members	11 203	11 812	11 118	11 935
Maximum compensation payable to Management Board members upon their removal	1 770	1 770	1 770	1 770

* Ratios have been calculated based on the average balance sheet indicators for the period.

** The deposit data for 2007 have been restated in the amount of the financial liability of 21,478 thousand kroons.

*** The EPS as of the end of 2007 has been restated in connection with the increase in the number of shares due to the bonus issue of 2008. The restated EPS has been calculated for 26,400,000 shares.

**** SPREAD has been calculated by deducting income from and expenses on off-balance sheet assets and liabilities from interest income and expenses.

Krediidipank's goals for 2009

Eesti Krediidipank's chief strategic objective is to strengthen the Bank's role on the Estonian banking market.

The main development trends in 2009 will involve improvement of the service and product packages in order to meet the customers' needs. Web-based solutions of the Bank's products are also continually improved. Krediidipank offers its customers various ways and methods for settling accounts at favourable prices both in the East and in the West. The Bank aims at effecting both domestic and international payments as quickly as possible. For this purpose, Krediidipank participates in the settlement system improvement and further development projects launched in both Estonia and within EU.

The continual enrichment and further professional advancement of the Bank's staff is an important precondition for the Bank's development. A detailed training programme has been developed for further professional enrichment.

Due to the quick cooling of the economy in connection with the global financial crisis and the burst of the

Estonian real estate bubble, the prospects of an economic crisis in Estonia have reached a critical level. Eesti Krediidipank's activities in 2009 will depend on the further changes in the economic standstill, as well as the ability of the Estonian government to decisively cut expenses and launch an aid package directed to the real sector, thus averting a more serious economic crisis.

In 2009, we expect loan portfolios to shrink in the Estonian banking sector, and loan offering to remain at a low level. We also forecast a modest growth in private deposits, and reversal of the banking sector's profit as a result of accumulated loan losses. The focus has shifted from quick growth to quality securing and cost-efficiency monitoring.

Consequently, the main objective of Eesti Krediidipank is to maintain a high level of liquidity, ensuring a positive return on equity, aggressively implementing measures to guarantee the quality of the loan portfolio while exploiting the opportunities opening up at the banking market in these complicated times to expand the customer-base by involving reliable and loyal customers.

Risk management

(see Note 2 to the Annual Accounts)

Ratings

AS Eesti Krediidipank has not received any ratings.

Standards

Capital adequacy

The capital adequacy indicator expresses sufficiency of the own funds of the credit institution for covering the credit risk, interest position and share position risk, transfer risk and currency risk. The minimum capital adequacy rate established by the Eesti Pank is 10%.

in thousands of kroons

	Bank 31.12.2008	Group 31.12.2008	Bank 31.12.2007	Group 31.12.2007
1. Category I own funds	384 836	376 828	278 814	297 399
1.1 Share capital contributions	266 732	266 732	200 732	200 732
1.2 Reserves	26 400	29 097	19 800	22 114
1.3 Retained earnings/accumulated loss	20 283	34 930	10 191	26 462
1.4 Profit/loss for the reporting period	71 421	46 069	48 091	48 091
2. Category II own funds	125 935	125 935	129 957	129 957
3. Deductions	2 205	672	2 205	704
4. Category III own funds	0	0	0	0
5. Own funds for capital adequacy assessment	508 566	502 091	406 566	426 652
6. Total credit risk and counterpart credit risk	278 733	279 228	240 980	238 640
6.1 Central governments and central banks	6 105	6 273	5 525	5 587
6.2 Credit institutions, investment associations and local governments	41 432	40 458	36 750	36 756
6.3 Companies	34 518	11 249	19 306	4 351
6.4 Receivables secured by movables and immovables	181 205	186 387	174 585	178 757
6.5 Other assets	15 473	34 861	4 814	13 189
7. Capital requirement for covering trading portfolio risk	10	10	5 274	4 274
8. Capital requirement for covering currency risk	0	0	0	480
9. Capital requirement for covering operation risk	23 398	26 126	17 958	20 303
Capital adequacy	16,83%	16,44%	15,31%	15,89%

Risk concentration

in thousands of kroons

	Bank number / amount	Bank % of NOF	Group number / amount	Group % of NOF
Number of high risk concentration customers	-	-	1	-
Receivables from high risk concentration customers	-	-	53 250	10,61
Receivables from parties related to credit institutions	1 238	0,24	2 947	0,59

Pending court cases

(see Note 36 to the Annual Accounts)





Annual accounts **2008**

Balance sheets of AS Eesti Krediidipank and the Group

in thousands of kroons

	Note	Bank 31.12.2008	Group 31.12.2008	Bank 31.12.2007	Group 31.12.2007
Assets					
1. Cash and receivables from credit institutions		2 350 206	2 350 547	1 793 135	1 793 462
incl. cash	3	25 178	25 178	28 167	28 167
Deposits with the Central Bank	3, 4, 7, 8	483 750	483 750	100 391	100 391
Deposits with credit institutions	3, 5, 7, 8	1 841 278	1 841 619	1 664 577	1 664 904
2. Derivative instruments		0	0	107	107
3. Financial assets measured at fair value	13	305 724	305 724	302 257	302 257
4. Available-for-sale financial assets	14	15 005	15 005	339	339
5. Loans and other similar receivables	6, 7, 8, 9	2 684 964	2 556 182	2 380 941	2 293 689
6. Financial investments in subsidiaries and associated companies	15	37 000	467	37 000	499
7. Tangible fixed assets	16	22 758	107 506	20 422	90 049
8. Investment property	17	0	58 180	0	58 850
9. Other assets	18	26 527	76 068	23 443	65 038
Total assets		5 442 184	5 469 679	4 557 644	4 604 290
Liabilities					
1. Derivative instruments		43 647	43 647	2 205	2 205
2. Deposits and other financial liabilities		4 948 802	4 977 093	4 197 504	4 222 865
incl. deposits of credit institutions	20	196	196	414	414
loans from credit institutions	20	576 456	613 314	646 176	684 793
deposits of customers	21	4 196 980	4 188 413	3 275 571	3 262 294
bonds issued	22	0	0	118 256	118 256
subordinated loans	23	137 446	137 446	135 609	135 609
other financial liabilities		37 724	37 724	21 478	21 499
3. Other liabilities	24	64 899	69 961	44 520	48 462
Total liabilities		5 057 348	5 090 701	4 244 229	4 273 532
Shareholders' equity					
1. Share capital	25	264 000	264 000	198 000	198 000
2. Share premium		2 732	2 732	2 732	2 732
3. Mandatory reserve		26 400	29 097	19 800	22 114
4. Retained earnings/accumulated loss		20 283	34 930	10 191	26 462
5. Net profit/loss for the financial year		71 421	48 219	82 692	81 450
Total shareholders' equity		384 836	378 978	313 415	330 758
Total liabilities and shareholders' equity		5 442 184	5 469 679	4 557 644	4 604 290

Income statements of AS Eesti Krediidipank and the Group

in thousands of kroons

	Note	Bank 2008	Group 2008	Bank 2007	Group 2007
1. Financial and operating income and expenses		191 061	173 485	174 830	176 996
1.1. Interest income	27	292 221	289 168	255 176	253 812
1.2. Interest expenses (-)	28	-138 790	-140 362	-108 460	-110 228
Net interest income/expense		153 431	148 806	146 716	143 584
1.3. Dividend income		9 946	146	7 133	158
1.4. Fee and commission income	29	54 892	54 908	53 446	52 870
1.5. Fee and commission expenses (-)	30	-12 712	-12 712	-12 422	-12 422
Net fee and commission income		42 180	42 196	41 024	40 448
1.6. Net profit/loss from financial assets and liabilities held for trading (+/-)		-3 546	-3 546	539	539
1.7. Net foreign exchange gains/losses (+/-)		-538	-523	507	481
1.8. Net profit/loss from disposal of non-current assets (+/-)		-226	-226	121	172
1.9. Other operating income	31	1 331	14 467	2 024	23 410
1.10. Other operating expenses (-)	32	-11 517	-27 835	-23 234	-31 796
2. Administrative expenses	33	-92 083	-89 350	-81 538	-80 993
2.1. Wages and salaries (-)	33	-64 894	-68 815	-59 608	-63 091
2.2. Administrative and general expenses (-)	33	-27 189	-20 535	-21 930	-17 902
3. Depreciation of non-current assets (-)	16	-4 308	-5 846	-4 135	-5 620
4. Change in the value of assets (+/-)		-23 249	-27 433	-6 440	-6 932
4.1. Borrowings	12	-22 950	-27 134	-6 305	-6 797
4.2. Tangible fixed assets		-299	-299	-135	-135
5. Return on investment, recorded based on the equity method (+/-)	15	0	-32	0	0
6. Profit from continued operations, before income tax		71 421	50 824	82 717	83 450
7. Income tax expense on continued operations (-)		0	-2 605	-25	-2 000
8. Net profit from continued operations		71 421	48 219	82 692	81 450
9. Net profit from discontinued operations		0	0	0	0
10. Net profit from continued and discontinued operations		71 421	48 219	82 692	81 450

Statements of changes in shareholders' equity of AS Eesti Krediitipank and the Group

in thousands of kroons

	Share capital	Share premium	Reserves	Retained earnings/ accumulated loss	Total share- holders' equity
Bank					
Shareholders' equity balance 31.12.2006	143 000	2 732	11 000	81 141	237 873
Transfer to reserves	0	0	8 800	-8 800	0
Dividend payment for 2006 (0.50 kroons per share)	0	0	0	-7 150	-7 150
Bonus issue	55 000	0	0	-55 000	0
Profit for the year	0	0	0	82 692	82 692
Shareholders' equity balance 31.12.2007	198 000	2 732	19 800	92 883	313 415
Transfer to reserves	0	0	6 600	-6 600	0
Bonus issue	66 000	0	0	-66 000	0
Profit for the year	0	0	0	71 421	71 421
Shareholders' equity balance 31.12.2008	264 000	2 732	26 400	91 704	384 836
Group					
Shareholders' equity balance 31.12.2006	143 000	2 732	12 309	98 417	256 458
Transfer to reserves	0	0	9 805	-9 805	0
Dividend payment for 2006 (0.50 kroons per share)	0	0	0	-7 150	-7 150
Bonus issue	55 000	0	0	-55 000	0
Profit for the year	0	0	0	81 450	81 450
Shareholders' equity balance 31.12.2007	198 000	2 732	22 114	107 912	330 758
Transfer to reserves	0	0	6 983	-6 983	0
Bonus issue	66 000	0	0	-66 000	0
Profit for the year	0	0	0	48 219	48 219
Shareholders' equity balance 31.12.2008	264 000	2 732	29 097	83 149	378 978
Note		25			

Cash flow statements of AS Eesti Krediidipank and the Group

in thousands of kroons

	Note	Bank 2008	Group 2008	Bank 2007	Group 2007
Cash flow from operating activities					
Net profit		71 421	48 219	82 692	81 450
Adjustments					
Provisions for loans and receivables	12	22 950	27 134	6 305	6 799
Depreciation, amortisation and impairments		4 607	6 145	4 135	5 620
Revaluation of investment property	17	0	2 187	0	-678
Net profit/loss from disposal of non-current assets		226	226	-121	-200
Loss from associated companies, recorded based on the equity method		0	32	0	0
Net interest income	27, 28	-153 431	-148 806	-146 716	-143 584
Received interests		288 052	284 255	247 343	245 657
Paid interests		-136 723	-138 205	-91 342	-92 987
Change in loan and lease receivables		-341 653	-303 683	-660 346	-678 052
Change in long-term deposits in credit institutions		22 925	22 925	12 024	12 024
Change in receivables from credit institutions	20	-218	-218	-1 050	-1 050
Change in deposits	21	920 261	924 956	263 553	250 324
Change in assets and liabilities related to operating activities		57 806	39 562	-137 670	-127 069
Total cash flow from operating activities		756 223	764 729	-421 193	-441 746
Cash flow from investing activities					
Disposal of non-current assets		714	714	1 046	1 379
Acquisition of non-current assets and investment property	16, 17	-7 883	-14 556	-7 608	-15 989
Dividends received from subsidiaries	15	0	0	7 000	25
Acquisition of subsidiaries	15	0	0	0	-499
Total cash flow from investing activities		-7 169	-13 842	438	-15 084
Cash flow from financing activities					
Dividends paid		0	0	-7 150	-7 150
Income tax paid		0	0	-25	-2 000
Loans received from credit institutions		156 466	156 466	575 912	615 827
Repayment of loans received from credit institutions		-226 818	-228 652	0	-1 512
Bonds issued		0	0	170 274	170 274
Bonds redeemed		-117 500	-117 500	-122 500	-122 500
Subordinated loans received		0	0	62 586	62 586
Repaid subordinated loans		0	0	-3 000	-3 000
Total cash flow from financing activities		-187 852	-189 686	676 097	712 525
Effect of changes in currency exchange rates on cash		-538	-523	507	481
Total cash flow		560 664	560 678	255 849	256 176
Change in cash and cash equivalents		560 664	560 678	255 849	256 176
Cash and cash equivalents at the beginning of the year		1 788 538	1 788 865	1 532 689	1 532 689
Cash and cash equivalents at the end of the year		2 349 202	2 349 543	1 788 538	1 788 865
Balance of cash and cash equivalents:		2 349 202	2 349 543	1 788 538	1 788 865
Cash in hand	3	25 178	25 178	28 167	28 167
Demand deposits with Central Bank	3, 4	483 153	483 153	99 679	99 679
Demand deposits and short-term deposits with credit institutions	3	1 840 871	1 841 212	1 660 692	1 661 019

Notes to the Annual Accounts

Note 1 Accounting policies used

Statement of compliance

The consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards valid in the European Union.

Basis of preparation

The annual accounts have been prepared in accordance with the Accounting Act of the Republic of Estonia, on the basis of the International Financial Reporting Standards (IFRS), as passed by the European Union.

The annual report has been prepared on the basis of accounting data, together with the required adjustments and reclassifications which guarantee that the statements are true and fair. The group companies apply, to a material extent, common basis of estimations and accounting principles.

The annual accounts have been prepared under the historical cost convention except investment property, trading securities, and other financial assets and derivative instruments, which are recorded at fair value. Loans are recorded at amortised cost.

The preparation of the annual accounts in accordance with the International Financial Reporting Standards requires the management's estimations and forecasts on the assets and liabilities as of the date of preparation of the report, as well as the conditional presentation of assets and liabilities and the related revenue and expenses of the reporting period. The actual results may differ from the estimations.

Annual accounts are prepared, and assets and liabilities are presented based on going concern assumption. The main accounting principles applied in the preparation of the annual accounts are presented below.

Presentation and comparative data

Unless otherwise noted, the annual accounts have been prepared in thousands of Estonian kroons. Comparative data have been restated in accordance with the presentation of the information.

Financial assets and liabilities

Financial assets include cash, the contractual right to receive cash or other financial assets from the other party (e.g. accounts receivable), equity instruments of other companies, and the contractual right to exchange financial assets with other parties for the purpose of seeking profit.

Financial liabilities include contractual obligations to pay to the other party cash or other financial assets, or exchange financial assets with other parties for the purpose of seeking profit.

Financial assets and liabilities are initially recognised at cost, being the fair value of the consideration given. Initial acquisition cost includes all transaction expenses directly related to the financial asset or liability, except for financial assets and liabilities which are held for trading, and derivative instruments.

Regular way purchases and disposals of financial assets are recorded on the trade date/value date. Subsequent to initial recognition, financial assets and liabilities are recorded, depending on their type, either at fair value, cost or amortised cost.

Financial instruments recorded at fair value are recognised at fair value on each balance sheet date. Other changes in the fair value of financial assets measured at fair value are recorded in the income statement.

Under the amortised cost method, the financial instrument is measured in the balance sheet at cost, less principal repayments and any impairments or write-downs arising from collection difficulties. Transaction fees are staggered on a straight-line basis over the term of the instrument. The result does not significantly differ from the discounted effective interest rate.

Accounting for foreign currency transactions, assets and liabilities denominated in foreign currency

The annual accounts have been prepared in Estonian kroons (in thousands of units). All other currencies are referred to as foreign currencies.

Foreign currency transactions are recorded using the exchange rates at the transaction date quoted by the Bank of Estonia.

Financial assets and liabilities denominated in foreign currency are translated into Estonian kroons at the official rate of the Bank of Estonia at the balance sheet date. Foreign exchange gains and losses are recorded in the net amount under "Net foreign exchange gains/losses (+/-) when incurred.

Consolidation

The consolidated annual accounts include subsidiaries that are controlled by the parent company as at the balance sheet date. When an entity began or ceased to be controlled by the parent company during the year, the results are included only from the date control commenced or up to the date control ceased. The annual accounts of the entities belonging to the Group are prepared, in any material respect, in accordance with the accounting principles adopted for preparation of the annual accounts of the parent company. During the line by line consolidation all intra-group turnovers, unrealised profits/losses and balances are eliminated.

Subsidiaries

Subsidiaries are entities controlled by the parent company.

Investments in the subsidiary's equity are recognised in the unconsolidated annual accounts of the Bank based on the acquisition cost method.

Associated companies

Associated companies are entities over which the investor has significant influence but which are not controlled by the investor.

Investments in the equity of subsidiaries are recorded at cost in the unconsolidated annual accounts, and based on the equity method in the consolidated annual accounts.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include short-term highly liquid investments which are readily convertible into known amounts of cash and which involve no risk of

significant change in market value, such as cash in hand, current account balances in the Bank of Estonia and demand deposits as well as short-term (with a maturity of up to 3 months) deposits with other credit institutions.

Cash flow from operating activities has been recorded based on the indirect method, with cash flow from investing and financing activities recorded based on the direct method.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss include:

- securities held for trading;
- securities measured at fair value on the moment of acquisition, through profit and loss.

Trading securities

Trading securities are recorded as financial investments and are securities acquired for the purpose of reselling, thereby generating a profit from short-term price fluctuations. Trading securities are measured at fair value at the value date, without calculating transaction costs. Trading securities are measured at fair value in the balance sheet – i.e. the last quotation of transactions of transactions conducted at the balance sheet date in case of listed securities. Shares not listed on the active market are revaluated into their fair value based on the last transaction price. If this price is unavailable, the position will be revaluated into its fair value based on the information available on the value of the investment.

Under the revised IAS 39, the securities of two issuers in the total amount of 15,655 thousand kroons were reclassified from securities measured at fair value into available-for-sale financial assets on 13 October 2008. The unrealised and realised profits/losses from trading securities are recorded under "Net profit/loss from financial assets and liabilities held for trading (+/-)" in the income statement, with dividend income recorded under "Dividend income" and interest income under "Interest income" in the income statement.

Securities measured at fair value on the moment of acquisition, through profit and loss

These securities include securities which have been classified by the Group under securities measured at fair value through profit and loss. These securities include the liquidity portfolio acquired in protection of the mandatory reserve.

Interest income-like income from these securities and realised and unrealised profits and losses from revaluation are measured under "Interest income" in the income statement.

Available-for-sale financial assets

Securities which are not included under securities measured at fair value through profit and loss are classified as available-for-sale financial assets. Available-for-sale financial assets are intended to be held indefinitely, and can either be sold or are held for long-term strategic purposes.

These securities are recognised at fair value on the value date. Following initial recognition, the securities are measured at fair value in the Group's annual accounts, if the fair value can be reliably determined. If the fair value cannot be reliably determined, the securities are measured at amortised cost (i.e. acquisition cost less impairment losses).

Profit and loss from changes in the fair value of available-for-sale securities is recorded under shareholders' equity.

Derivative instruments

Derivative instruments are recorded at fair value on the transaction date, without calculating transaction costs. Following initial recognition, derivative instruments are measured at fair value. If the derivative instruments are listed on an active market, the market value is considered the fair value. Otherwise, the fair value is determined through valuation.

The derivative instrument contracts with a positive value are recorded under assets, and contracts with a negative value under liabilities in the balance sheet. The balance sheet assets and liabilities of derivative instruments are not offset. No hedge accounting rules

are used for derivative instruments. The contractual values of derivative instruments are recorded under assets or liabilities off-balance sheet. The corresponding interest income is recorded under "Interest income" in the income statement.

Loan and lease receivables, lease accounting

Loan and lease receivables from customers, together with the accrued interest, are recorded under "Loans and other similar receivables" in the balance sheet. In addition to loans, the particular balance sheet line includes deposits with banks and/or financing institutions with a maturity of over 3 months.

Loan and lease receivables are measured at cost on the value date of the transaction. Loan and lease receivables are subsequently carried at amortized cost, with transaction costs recorded on a straight-line basis over the term of the instrument, which does not significantly differ from the results achieved through implementation of the effective interest rate method. In case of overdraft and credit cards, the actual use of the credit limit by the borrower is recorded. Unused credit limit is recognised as an off-balance sheet liability.

If the principal or interest receivable of the loan and lease receivable is deemed doubtful, the loan will be written down. The write-down is recorded with a "-" sign under "Loans and other similar receivables" in the balance sheet. If the value of the previously written-down loan increases, the previous write-down will be revalued according to the lower of the net present value of future payments or the amortised cost of the net book value (without the write-down). The change in the value of loans and lease receivables is recorded under "Change in the value of assets" in the income statement.

Written-down loans and lease receivables are written off from the balance sheet and are accounted for off-balance sheet. Collection of loans written off the balance sheet is charged to income under "Change in the value of assets" in the income statement. Interest income from loans and lease receivables is recorded under "Interest income" in the income statement.

Provisions for losses on loans and leases

The value of the receivables is assessed on a regular basis, either individually or by groups of similar receivables, depending on the significance of the receivable. The provision is established if the circumstances cause doubts as to the probability of timely collection of future cash flows. The receivables are assessed on the basis of the customer's financial position, the economic climate in the particular branch, term of fulfilment of the obligations set forth in the loan agreement, as well as the borrower's reliability and competence in the particular field of activity.

The amount of the provision is the net present value of the difference between the carrying amount and the estimated recoverable amount of the loan or lease receivable (incl. guarantees and collateral amounts), discounted with the effective interest rate. Group-based assessment of receivables is based on the actual historic loss of a similar group.

The provisions and subsequent recoveries for expensed amounts are recorded as net amount in the income statement line "Change in the value of assets".

Accounting for factoring transactions

Factoring transactions are transactions where the leasing company finances its co-operation partners by purchasing their financial rights of claim. The leasing company purchases the claim from the buyer in the amount payable by the buyer under contracts of purchase and sale in the future.

Factoring payables are measured at amortised cost. The claim to purchaser arises at the moment of invoice factoring or the moment of acquiring receivable.

Accounting for collateral assets

Pledged assets of ceased lease agreements, which will be realized, are recognized as collaterals. The collateral is recorded under "Other assets" in the balance sheet at the lower of the acquisition cost or net realisable value. Write-downs of collaterals are recorded under "Other operating expenses" in the income statement.

Accounting for lease

Lease transactions, where all material risks and rewards from ownership of an asset are transferred to the

lessee, are treated as finance lease. Assets leased out under finance lease are recorded in the lessee's balance sheet.

Lease agreements where all material risks and rewards are retained by the lessor, are treated as operating lease.

Group as the lessor

Assets leased out under finance lease are recorded by the lessor in the balance sheet as a receivable in the amount of the net investment in the finance lease. Financial income is divided on the lease period so that the lessor's profitability rate would be constant in relation to the balance of the net investment made in the finance lease at any given time.

Assets leased out under operating lease are recorded in the balance sheet pursuant to standard procedure, similarly to other assets recorded in the balance sheet. Operating lease payments are divided on the term of the lease period, regardless of when, and in which amount, the payments are actually made.

Group as the lessee

Assets acquired on finance lease terms are recognised by the lessor in the balance sheet as assets and liabilities at their fair value or the net present value of the minimum lease payments, whichever is lower. Lease payments are divided into financial expenses and reduction of the net book value of the liability. Financial expenses are divided on the term of the lease period so that the interest rate of the net book value of the liability would be the same at any given moment.

The Group mainly leases buildings under operating lease terms. Assets leased under operating lease are not recorded in the balance sheet. Operating lease payments are divided over the term of the lease period, regardless of when, and in which amount, the payments are actually made.

Tangible fixed assets

Tangible fixed assets are assets expected to be used on a long-term basis with acquisition cost exceeding 10,000 kroons. Non-current assets are carried at cost less accumulated depreciation and impairment charges, except for items with an indefinite useful

life which are recorded at cost less impairment losses. Computer software is also recorded as a non-current asset.

Depreciation and amortisation is applied on a straight-line basis over the asset's useful lifetime, starting from the month following the month when the asset item was taken into use. The following annual depreciation/amortisation rates have been established:

Buildings	2%
Office and other equipment	10-40%
Vehicles	15-40%
IT hardware and software	22-40%

Depreciation charge is recorded under "Depreciation of non-current assets (-)" in the income statement.

Depreciation will no longer be calculated if the asset item is fully depreciated, reclassified into non-current assets available for sale, or removed from use.

The Group conducts regular market value tests on its non-current assets. If the value of the non-current asset drops, the asset item will be revaluated into its recoverable amount. Previous write-downs will be restated, if the value of the non-current asset item increases. A drop or a reversal of a previous drop in the value of non-current assets is charged to "Change in the value of assets (+/-). Tangible fixed assets." in the income statement.

Improvements cost to non-current assets are capitalized if the improvement brings the characteristics of the particular asset item to a new qualitative level, or if it proves possible to verify that a material part of the revenue which corresponds to the incurred expenses will be generated in future periods. Reconstruction costs of non-current assets are recorded in the income statement when they arise.

Start-up and development costs

Start-up and development costs are not capitalised. Expenses on the advertising and launch of new products, services and processes are charged to expenses when incurred.

Investment property

The land and buildings acquired with the purpose to earn from rent or increase in market value is defined

as investment property and recorded in the balance sheet at fair value. Independent experts are used in the revaluation into fair value. The expert opinions are based on the market data comparison and discounted income methods.

Office buildings which are leased out to third parties and the parent company are recorded under investment property in the subsidiary's separate financial statements by using the fair value method. In the financial statements of the Group, buildings where the parent company uses most of the lease space have been recorded under non-current assets by eliminating any revaluation of investment property, and depreciation.

Deposits

Deposits are recognised at amortised cost, on the value date, under "Deposits of customers" in the balance sheet, together with the accrued deposit interest. Interest expenses on deposits are carried under "Interest expenses" in the income statement.

Loans taken

Loans taken are recognised at amortised cost on the value date, under "Loans from credit institutions", together with the accrued interest. Subsequent to initial recognition, loans are carried at amortised cost. Interest expenses on loans taken are recorded under "Interest expenses" in the income statement.

Bonds issued

Bonds issues are recognised at their cost on the value date, under "Bonds issued", together with the accrued interest. Subsequent to initial recognition, bonds issued are recorded at amortised cost. Interest expenses on bonds issued are recorded under "Interest expenses" in the income statement.

Subordinated loans

Subordinated loan is a long-term liability which in the event of the bankruptcy or dissolution of the credit institution is satisfied after the claims of all other creditors have been satisfied.

Subordinated loans are recorded at the value date at acquisition cost under "Subordinated loans" in the balance sheet, together with the accrued interest.

Subsequent to initial recognition, subordinated loans are recorded at amortised cost. Interest expenses on subordinated loans are recorded under "Interest expenses" in the income statement.

Mandatory reserve

Mandatory reserve is a reserve which is established under the Commercial Code of the Republic of Estonia, and which may be used, on the basis of the resolution of the General Meeting, for covering loss, if loss cannot be covered from available shareholders' equity, or for increasing share capital.

Mandatory reserve is set up of annual profit allocations, and cannot be paid out as dividends to shareholders.

Under the requirements of the Commercial Code, every year at least 5% of the net profit must be transferred to mandatory reserve, until the reserve amounts to 10% of the share capital. Mandatory reserve is recorded under "Mandatory reserve" in the balance sheet.

Other financial assets and liabilities

Other financial assets and liabilities are the remaining assets and liabilities which, based on IAS 39 principles, are not defined as trading and investment securities, futures, loans and other receivables. Other financial assets are recorded at fair value on trade date and other financial liabilities at amortised cost. The financial assets without market value or if it is impossible to determine the market value are recorded in the balance sheet at acquisition cost.

Segment reporting

The Group's primary segments are the main fields of activity (banking, leasing, real estate management). The secondary segment is the geographical area assigned in accordance with the asset location, on the basis of the customer's country of residence and location.

All segment-related assets and liabilities are recognised as segment assets and liabilities.

Income tax

According to the valid Income Tax Act, companies registered in Estonia are not subject to income tax on profit. Rather, they are subjected to income tax

on the allocated profit and certain disbursements, and expenses.

Dividends paid in 2007 were subject to a 22/78 income tax. The corresponding tax rate for 2008 and 2009 is 21/79.

The potential tax liability that may occur if all distributable retained earnings should be paid out as dividends is not reported in the balance sheet. The income tax due on dividend distribution is recorded as tax cost in the income statement when dividend is announced.

Income and expenses

Interest income and expense are recorded in the income statement on accrual basis, based on the effective interest rate method. Interest income also includes proceeds from discount bonds of the trading portfolio.

Fee and commission income/expense are recorded on accrual basis of accounting. Commission fees for loans are taken into consideration upon establishing the effective interest rate.

Guarantees and other off-balance sheet transactions Guarantees, contingent loan liabilities and contractual obligations related to unused credit lines are recognised as off-balance sheet transactions. Contractual receivables and payables related to derivative instruments are also recorded off-balance sheet.

Earnings per share

Earnings per share (EPS) are calculated by dividing the net profit for the period with the weighted average number of common shares.

In connection with the bonus issue conducted in 2008, the EPS indicator for 2007 has been restated in this report.

Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the annual accounts, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the annual accounts.

Subsequent events that have not been taken into consideration when valuating the assets and liabilities but have a material effect on the result of the next financial year, are disclosed in the notes to the annual accounts.

Key sources of estimation uncertainty

The key source of estimation uncertainty, involving the risk of adjustment of the book values of assets and liabilities in the next financial year, is associated with the loan and lease portfolio. The nature of the risk has been described in Note 2 and the doubtful receivables in Note 12.

Changes in presentation

The Eesti Pank Governor's Decree No. 20 from 21.12.2007, established requirements for the data to be published on the risk management, equity and capital adequacy of credit institutions, as well as any supplementary statements to be published.

The balance sheet and income statement format has thus been changed in these annual accounts, and the data for 2007 have been brought into line with the new presentation.

The principal change in the recognition of assets and liabilities, compared to the last financial year, lies in that the interest recognised on accrual basis is recorded together with the instrument serving as the basis for

the accounting, with the corresponding changes for 2007 published in the notes to these annual accounts. In the annual accounts for 2008, receivables from credit institutions include receivables with a term of up to 3 months. Long-term receivables are charged to "Loans and other similar receivables" in the balance sheet. Consequently, the balance sheet line "Receivables from credit institution" in the comparative data for 2007 has been restated in the amount of 32,059 thousand kroons, with the receivable recorded under "Loans and other similar receivables" in the balance sheet.

The previous annual accounts have been restated with respect to customer deposits in the amount of 21,478 thousand kroons, charged to financial liabilities under the new balance sheet format.

The profit/loss from disposal of non-current assets and any impairment losses, which were previously charged to operating income or expenses, are charged to "Net profit/loss from disposal of non-current assets (+/-)" and to "Tangible fixed assets" under "Change in the value of assets (+/-)".

In the new income statement format, net profit from financial transactions has not been brought out separately. The income statement for 2007 has been restated as follows:

in thousands of kroons

Bank 2007		Restated Bank 2007	
Net profit/loss from financial transactions		Fee and commission income	20 024
incl. foreign exchange gains	20 531	Foreign exchange gains/losses	507
		Profit/loss from financial assets and liabilities held for trading	539
Profit from trading portfolio securities	672	Dividend income	133
Total	21 203	Total	21 203

in thousands of kroons

Group 2007		Restated Group 2007	
Net profit/loss from financial transactions		Fee and commission income	20 025
incl. foreign exchange gains	20 506	Foreign exchange gains/losses	481
		Profit/loss from financial assets and liabilities held for trading	539
Profit from trading portfolio securities	672	Dividend income	133
Total	21 178	Total	21 178

Note 2. Risk management

Internal capital adequacy assessment process

The internal capital adequacy assessment is a continual process aiming at evaluating the Bank's risk profile and the corresponding capital needs. The Bank shall guarantee that all risks are covered by capital at all times. Within the framework of the internal capital adequacy assessment process (ICAAP), the Bank shall identify itself as a universal bank with a small market share and minor systematic participation, offering standard financial services in its product selection. The Bank pursues no cross-border activities. In risk management, the Bank adheres to the risk strategy and risk policies.

General risk management principles

The operations and risk management conducted by AS Eesti Krediidipank and its subsidiaries are governed by the Estonian legislation through the rules and regulations of the Bank of Estonia, the Financial Supervision Authority, the Basel Committee on Banking Supervision and other regulative bodies. The operations of Eesti Krediidipank are based on the Statutes of the Bank. AS Eesti Krediidipank Group follows the Good Banking Principles.

The risk management system of the Eesti Krediidipank Group is, for the most part, centralised, ensuring implementation of standardised risk management principles in Eesti Krediidipank and its subsidiaries, as well as quick and efficient response to market changes. Responsibility for the preparation and development of the risk management principles lies with the Bank's Risk Manager and the Board.

The risk limits are divided by geographical areas, counterparts and fields of activity.

In order to evaluate the different risks, the Bank shall:

- ensure the existence of updated risk-sensitive methods for the evaluation and management of all major risks, allowing to find a well-balanced compromise between income and risk;
- consider the risks related to the main fields of activity as well as their possible effect on the Bank's financial position;
- monitor compliance of risk evaluation and management procedures with the changing conditions, and renew the procedures, if necessary;

- ensure the existence of appropriate procedures and limits for risk evaluation and management related to the planning and launch of new types of operations;
- make sure that the risk structure and amount would not endanger the stability of the Group.

Main risks related to the operations of the Eesti Krediidipank Group are the following:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

Bank's operational units

The management delegates limited risk management responsibility to the following committees/-commissions:

1. Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee acts in accordance with the regulations approved by the Board. ALCO's task is to supervise, control, analyse, evaluate and manage risks, pass decisions and implement the decisions in the following areas of responsibility:

- Bank's assets and liabilities structure management;
- credit risk management;
- Bank's security portfolio risk management.

2. Committees/commissions co-ordinating credit operations

2.1. Credit Committee

The Credit Committee is the Bank's highest operational unit and is responsible for credit risk management. It was established in compliance with the Credit Institutions Act and the Bank's Statutes for guaranteeing implementation of the Bank's crediting policies through passing of credit decisions and evaluation of the compliance with the requirements established for collaterals. The Board appoints the members and the chairman of the Credit Committee. The principles of the activities of the Credit Committee are prescribed by the Statutes of the Credit Committee approved by the Council decision.

2.2. Credit Commission of the Credit Department and Credit Committee of the Branch

The Credit Commission of the Credit Department and the Credit Committee of the Branch are Bank operating units whose personnel is appointed and

competence determined by the Bank's Board. The Credit Commission of the Credit Department and the Credit Committee of the Branch execute the tasks of the Credit Committee related to the passing of credit decisions regarding low-risk loans.

Credit risk management and measurement

Credit risk is the loss incurred by the Bank when the counterparty is incapable of fulfilling its obligations. Credit risk occurs through various operating activities in the balance sheet and off-balance sheet. The amount of the credit risk expresses a probable loss which occurs when the counterparty is incapable of fulfilling his obligations arising from loans, credit line, leasing, factoring, letter of credit, guarantee and other derivative transactions. The Bank uses the standard method for calculating the credit risk capital needs; no external ratings are used for the calculation. Eesti Krediidipank's Board is responsible for credit risk management and makes decisions on taking the credit. The Board delegates responsibility and the right of decision to committees named above in accordance with the risk level.

Loan portfolio management

The Bank follows the risk diversification upon optimising loan portfolio volume and structure by fields of activity. The maximum limit and time structure of the loan portfolio is established by ALCO. Pursuant to the Krediidipank Group credit policy, the concentration of a single field of activity in the loan portfolio may not exceed 25%. The total volume of the Bank's credit portfolio may not exceed 55% of the balance sheet. Credit risk decisions are passed in accordance with the competence limits prescribed by the Statutes of the Credit Committee or by the Board.

Credit risk evaluation involves all of the loan products of the Eesti Krediidipank Group: loans, guarantees, credit cards, securities, leasing, factoring, etc.; these are evaluated and analysed based on the risk concentration method. If the loan applicant is a subsidiary or associated company of the concern or group, the creditworthiness of the whole concern or group will be evaluated. The prerequisites of a high-quality loan portfolio are permanent and well-considered requirements established by the Bank to the borrowers, as well as loan portfolio diversification by both customer groups and economic sectors.

Loan supervision procedures in Eesti Krediidipank have been established with the "Procedure for Loan Administration" which has been approved by the Board and which aim at regulating the general principles for loan administration and collection. The Bank conducts regular credit risk stress tests and scenario analyses in order to evaluate the quality of the Bank's loan portfolio, as well as its exposure to changes in various economic conditions.

Counterpart credit risk management

ALCO establishes limits to counterparts in order to hedge the credit risk related to transactions with counterparts. These limits include money market transactions, currency transactions and securities transactions. Exceptions are only allowed upon the Board's written permission for a particular transaction. The counterpart's geographical position (country) as well as estimations on his financial position, management, legal status and market position are taken into consideration upon the evaluation of the creditworthiness of the counterpart.

Hedging of the credit risk

The Bank uses collateral agreements to hedge – i.e. reduce – the credit risk. Real collaterals and collaterals under the law of obligations are accepted as a loan security. The accepted value of the collateral expresses the liquidity risk, market risk and legal risk of the collateral, and is established as a percentage of the market value. The balance sheet and off-balance sheet offsetting principles are not used for hedging the credit risk.

Liquidity risk is related to the Bank's solvency upon timely fulfilment of contractual obligations.

The following factors influence the liquidity risk of Eesti Krediidipank:

- Sufficient liquidity resources for satisfying short-term liabilities to customers;
- access to capital markets and ability to close taken market positions;
- terms and quality of assets and liabilities.

Among other things, the General Risk Management Principles established by the Bank's Council are also based on a document approved in February 2002 by the Based Bank Supervision Committee – "Sound Practices for Managing Liquidity in Banking Organisations".

The task of the Bank's Board and ALCO is to form adequate proportions for different assets and liabilities, and to plan short-term and long-term liquidity. The Bank's Board has established liquidity management policies in writing. In order to plan the liquidity position, the Board has implemented a model for investment resource planning by taking into consideration the available resources. This model is also used for fixing the main liquidity ratios and term proportions of assets and liabilities, as well as for conducting stress tests.

Liquidity risk is managed by the financial market division. The Bank's Board, ALCO and the Credit Committee shall be informed about the liquidity position periodically. The Bank keeps a sufficient liquidity reserve in order to guarantee fulfilment of the Bank's liabilities. The Bank's management information systems enable to monitor the following of the established risk management principles, policies, procedures and limits.

Market risk arises from the Bank's trading and investment activities in the interest, currency and equity markets. Financial products include market risk in securities and derivative instruments. Market risks arise from changes in interest rates, currency exchange rates and prices of financial assets. Different factors influencing market risks are monitored by the financial market division on a daily basis.

Currency risk is defined as a risk arising from the differences in the currency structure of the Bank's assets and liabilities. Changes in currency exchange rates cause changes in the value of assets and liabilities as well as the amount of revenue and expenses calculated in local currency. As a rule, the Bank holds minimum foreign currency positions necessary for rendering services to customers. All foreign currency positions are monitored at all times, and estimated at market value. The open foreign currency positions are covered by swap and forward transactions.

Bank portfolio interest risk is defined as a risk of sudden unfavourable changes in interest rates that might affect the revenue generated by the Bank. The risk arises because of the differences in the maturity terms of the bank's assets and liabilities, or from differences in the currency structure of assets and liabilities, or because of the adjustment of the interest rates thereof on a regular basis.

Interest risk management includes analysis and management of the interest risk of all of the Bank's assets and liabilities. The bank portfolio interest risk is measured on a quarterly basis by applying the market interest rate change scenario analysis. The parallel shift of market interest rates above or below 200 base points is used for the standard scenario. The interest risk is hedged by limiting the differences of the term of interest-sensitive assets and liabilities, standardising the structure of the term structure of assets and liabilities and, if necessary, through the use of interest rate derivative instruments.

The potential effect of a 200 base-point shift in the interest curve on the net interest income as of 31.12.2008:

in thousands of kroons	EEK	EUR	USD	Other	Total
Change in interest income	19 117	56 743	4 452	22	80 334
Change in interest expense	15 105	39 576	6 961	48	61 690
Change in net interest income	4 012	17 167	-2 509	-26	18 644

Operational risk expresses the risk that potential obstruction prevents business or generates losses in another way - e.g. malfunctions of information systems, defects in internal procedure rules, employees' incompetence or errors, fraud, natural disasters. The Bank uses the base method for calculating the operational risk capital needs.

The Bank has established a Business Continuity Plan with the aim of minimising the Bank's operational risk and other risks which are liable to occur through business suspension or crisis. The Business Continuity Plan specifies the activities to be undertaken for restoring work process(es), and the persons responsible.

IT risk is defined as a risk which may arise from technical malfunctions and failures that occur upon connecting the local network to the global network and that might hinder the Bank's operations, and which increases the possibility of unwanted individuals gaining access to confidential information. In order to ensure reliability and consistency of the information systems, it is important to periodically check and test the support and backup systems for system

malfunctions, software, hardware, file or document damage or destruction, and to make sure that only the authorised parties have access to system hardware and software and the data.

Procedures risk arises from inadequate rules of procedure. Unintentional or intentional errors in the Bank's reporting or accounting, which distort the actual financial situation of the Bank or the period results of the Bank, are liable to occur. Rules of procedure have been prepared in the Bank for effective prevention of such errors. These rules give an adequate description of the operations executed by the Bank. The initiation, approval (decision-making), execution and supervision and registration of transactions as well as the accounting have been allocated between different departments/employees. This ensures the possibility of independent control and limits the probability of accidental and intentional errors.

Personnel risk is defined as a risk related to the employees' loyalty, competence and suitability for the position. Highly qualified and experienced employees are hired in order to prevent potential damage. The Bank has implemented recruitment principles and training programmes, qualification evaluation criteria (incl. employee certification system), and ensured consistent management. Upon evaluating personnel risk, the management evaluates the sufficiency of personnel management as well as of the established procedures.

Legal risk arises from invalid transactions and misinterpretation of legally significant circumstances. The legal department participates in the elaboration of procedures and customer/partner contracts which bear legal meaning, and monitors their compliance with the changing legislation. Standard contracts have been prepared for rendering various banking services. The terms and conditions of particular transactions, which differ from the terms and conditions stipulated in standard contracts, are co-ordinated with the legal department.

Security system risk. The established security systems, rules and procedures ensure the preservation of the assets of the Bank and its customers, prevent unauthorised individuals from accessing the bank's assets, documents and electronic communication systems.

Prevention of money laundry. The Bank has established a procedure for money laundering and terrorist financing prevention, and pays significant attention to staff training in the field of money laundering and terrorist financing prevention.

Reporting. The Bank has established a system for reporting loss events and incidents related to the realisation of the operational risk.

Identification risk. Regardless of the measures applied, there still remains the risk of failure to discover major mistakes due to the relative limitedness of the inspection options. The heads of all structural units of the Bank are obliged to ensure, with all due care required for their position, adherence to the rules of procedure, guidelines, orders etc. regulating the work of the department, as well as preservation of the property of the Bank and the customers.

Functions of the internal audit department. The internal audit department forms a part of the internal oversight system of the Bank, and monitors the activities of the whole Eesti Krediidipank Group as well as its compliance with the legislation, legal acts of the Bank of Estonia and Good banking Principles, as well as precepts of the Financial Supervision Authority. The internal audit department also monitors the different structural units' adherence to the Statutes of the Bank, decisions of the General Meeting of the Shareholders and the Bank's Council and Board as well as rules, limits and other standards established by the Council and the Board.

The department operates in accordance with the valid legislation, the Statutes of the Bank, the Statutes of the Internal Audit Department, and other documents regulating the activities of the bank and its subsidiaries, as well as the Code of Ethics of the Institute of Internal Auditors (IIA) and the International Internal Audit Standards. The internal audit department serves to protect the interests of the Bank's shareholders, depositors and other creditors.

Note 3. Cash and deposits with credit institutions

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Cash in hand	25 178	25 178	28 167	28 167
Deposits with the Central Bank	483 153	483 153	99 679	99 679
Deposits with credit institutions	1 840 871	1 841 212	1 660 692	1 661 019
incl. overdraft	428 586	428 586	449 758	449 758
Demand deposits	325 316	325 657	47 903	48 230
Time deposits	1 086 969	1 086 969	1 163 031	1 163 031
Accrued interest	1 004	1 004	4 597	4 597
Total	2 350 206	2 350 547	1 793 135	1 793 462

Note 4. Deposits with the Central Bank

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Demand deposits	483 153	483 153	99 679	99 679
Accrued interest	597	597	712	712
Total	483 750	483 750	100 391	100 391

Note 5. Deposits with credit institutions

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Due from OECD area banks	1 348 682	1 348 682	675 516	675 843
Due from non-OECD area banks	492 189	492 530	985 176	985 176
Accrued interest	407	407	3 885	3 885
Total	1 841 278	1 841 619	1 664 577	1 664 904

Note 6. Loans and other similar receivables, by customer ownership

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Deposits with credit and financial institutions	12 275	12 275	35 200	35 200
Loans to financial institutions	198 343	0	181 859	179
Loans to other companies	1 124 110	1 132 798	993 843	1 034 628
Loans to non-profit associations	22 048	22 048	14 894	14 894
Loans to individuals	1 352 120	1 419 180	1 164 373	1 220 641
Effect of the effective interest rate	-11 621	-13 215	-11 813	-13 286
Accrued interest	20 148	20 393	12 386	11 888
Total loans to customers	2 717 423	2 593 479	2 390 742	2 304 144
Loan loss allowances (Note 12)	-32 459	-37 297	-9 801	-10 455
Total	2 684 964	2 556 182	2 380 941	2 293 689

Note 7. Deposits with credit institutions, securities, loans and other similar receivables, by economic sector

in thousands of kroons

	Balance sheet receivables					Off-balance sheet receivables	Share of the sector (%)
	with credit institutions	Loans			Securities		
		before write-down	write-down	after write-down			
Bank 31.12.2008							
Finance and financial intermediation	2 324 024	210 618	0	210 618	17 454	33 167	47,1%
Individuals	0	1 352 120	-8 516	1 343 604	0	19 016	24,8%
Real estate services	0	508 768	-12 780	495 988	35 000	14 249	9,9%
State government and defence	0	0	0	0	305 250	0	5,6%
Wholesale and retail	0	216 646	-117	216 529	0	7 425	4,1%
Processing industry	0	123 533	-3 220	120 313	0	7 910	2,3%
Transport	0	86 840	-1 025	85 815	0	1 732	1,6%
Hotels and restaurants	0	69 211	-14	69 197	0	1 856	1,3%
Construction	0	49 039	-1 808	47 231	0	4 818	0,9%
Other business activities	0	92 121	-169	91 952	25	35 185	2,4%
General write-down	0	0	-4 810	-4 810	0	0	0
Effect of the effective interest rate	0	0	0	-11 621	0	0	0
Accrued interest	1 004	0	0	20 148	0	0	0
Total	2 325 028	2 708 896	-32 459	2 684 964	357 729	125 358	100,0%
Bank 31.12.2007							
Finance and financial intermediation	1 760 371	217 059	0	217 059	27 940	44 966	44,1%
Individuals	0	1 164 373	-2 571	1 161 802	0	21 596	25,5%
Real estate services	0	393 892	-1 281	392 611	35 006	15 470	9,5%
State government and defence	0	0	0	0	274 975	0	5,9%
Wholesale and retail	0	194 988	-197	194 791	0	13 376	4,5%
Processing industry	0	94 703	-2 511	92 192	24	15 188	2,3%
Hotels and restaurants	0	92 986	-2	92 984	66	827	2,0%
Construction	0	64 605	-285	64 320	0	14 526	1,7%
Other business activities	0	167 563	-428	167 135	1 692	38 266	4,5%
General write-down	0	0	-2 526	-2 526	0	0	0
Effect of the effective interest rate	0	0	0	-11 813	0	0	0
Accrued interest	4 597	0	0	12 386	0	0	0
Total	1 764 968	2 390 169	-9 801	2 380 941	339 703	164 215	100,0%

in thousands of kroons

	Balance sheet receivables					Off-balance sheet receivables	Share of the sector (%)
	with credit institutions	Loans			Securities		
		before write-down	write- down	after write-down			
Group 31.12.2008							
Finance and financial intermediation	2 324 365	12 275	0	12 275	15 454	672	44,3%
Individuals	0	1 419 180	-9 212	1 409 968	0	19 016	26,9%
Real estate services	0	408 387	-12 780	395 607	467	14 249	7,7%
State government and defence	0	346	0	346	305 250	0	5,8%
Wholesale and retail	0	250 245	-1 249	248 996	0	17 304	5,0%
Processing industry	0	133 594	-4 097	129 497	0	13 195	2,7%
Transport	0	103 404	-1 025	102 379	0	1 732	2,0%
Hotels and restaurants	0	71 285	-18	71 267	0	1 856	1,4%
Construction	0	54 782	-2 086	52 696	0	4 818	1,1%
Other business activities	0	132 803	-1 801	131 002	25	35 185	3,1%
General write-down	0	0	-5 029	-5 029	0	0	0
Effect of the effective interest rate	0	0	0	-13 215	0	0	0
Accrued interest	1 004	0	0	20 393	0	0	0
Total	2 325 369	2 586 301	-37 297	2 556 182	321 196	108 027	100,0%
Group 31.12.2007							
Finance and financial intermediation	1 760 698	35 379	0	35 379	25 940	0	40,6%
Individuals	0	1 220 132	-2 766	1 217 366	0	21 596	27,6%
Real estate services	0	314 137	-1 281	312 856	505	15 470	7,3%
State government and defence	0	0	0	0	274 975	0	6,1%
Wholesale and retail	0	224 930	-202	224 728	0	22 809	5,5%
Processing industry	0	112 568	-2 534	110 034	24	17 022	2,8%
Hotels and restaurants	0	107 520	-2	107 518	66	827	2,4%
Construction	0	73 518	-393	73 125	0	14 526	2,0%
Transportation, warehousing and communication	0	54 087	-258	53 829	1 405	2 335	1,3%
Other business activities	0	163 271	-34	163 237	287	36 431	4,4%
General write-down	0	0	-2 985	-2 985	0	0	0
Effect of the effective interest rate	0	0	0	-13 286	0	0	0
Accrued interest	4 597	0	0	11 888	0	0	0
Total	1 765 295	2 305 542	-10 455	2 293 689	303 202	131 016	100,0%

Note 8. Deposits with credit institutions, securities, loans and other similar receivables, by geographic sector

in thousands of kroons

	Balance sheet receivables					Off-balance sheet receivables	Share of the sector (%)
	with credit institutions	Loans			Securities		
		before write-down	write-down	after write-down			
Bank 31.12.2008							
Estonia	944 158	2 629 556	-27 649	2 601 907	40 602	87 511	66,9%
Germany	1 042 331	0	0	0	236 233	0	23,3%
USA	300 232	8 666	0	8 666	0	628	5,6%
Netherlands	0	0	0	0	80 309	0	1,5%
Other	37 303	70 674	0	70 674	585	37 219	2,7%
General write-down	0	0	-4 810	-4 810	0	0	0
Effect of the effective interest rate	0	0	0	-11 621	0	0	0
Accrued interest	1004	0	0	20 148	0	0	0
Total	2 325 028	2 708 896	-32 459	2 684 964	357 729	125 358	100,0%
Bank 31.12.2007							
Estonia	762 593	2 289 508	-7 275	2 282 233	49 171	125 530	69,3%
Germany	254 408	0	0	0	232 828	0	10,5%
Latvia	278 076	0	0	0	1	30	6,0%
Norway	213 347	1 533	0	1 533	0	5	4,6%
Sweden	198 643	0	0	0	1 263	0	4,3%
Cyprus	0	33 303	0	33 303	0	29 041	1,3%
Other	53 304	65 825	0	65 825	56 440	9 609	4,0%
General write-down	0	0	-2 526	-2 526	0	0	0
Effect of the effective interest rate	0	0	0	-11 813	0	0	0
Accrued interest	4597	0	0	12 386	0	0	0
Total	1 764 968	2 390 169	-9 801	2 380 941	339 703	164 215	100,0%

in thousands of kroons

	Balance sheet receivables					Off-balance sheet receivables	Share of the sector (%)
	with credit institutions	Loans			Securities		
		before write-down	write- down	after write-down			
Group 31.12.2008							
Estonia	944 500	2 505 078	-32 268	2 472 810	4 069	70 180	65,8%
Germany	1 042 331	0	0	0	236 233	0	24,1%
USA	300 232	8 666	0	8 666	0	628	5,8%
Netherlands	0	0	0	0	80 309	0	1,5%
Other	37 302	72 557	0	72 557	585	37 219	2,8%
General write-down	0	0	-5 029	-5 029	0	0	0
Effect of effective interest rate	0	0	0	-13 215	0	0	0
Accrued interest	1004	0	0	20 393	0	0	0
Total	2 325 369	2 586 301	-37 297	2 556 182	321 196	108 027	100,0
Group 31.12.2007							
Estonia	765 525	2 200 158	-7 470	2 192 688	12 670	92 331	68,2%
Germany	254 408	0	0	0	232 828	0	10,8%
Latvia	278 076	0	0	0	1	30	6,2%
Norway	213 347	1 533	0	1 533	0	5	4,8%
Sweden	198 643	0	0	0	1 263	0	4,4%
Cyprus	0	33 303	0	33 303	0	29 041	1,4%
Other	50 699	70 548	0	70 548	56 440	9 609	4,2%
General write-down	0	0	-2 985	-2 985	0	0	0
Effect of effective interest rate	0	0	0	-13 286	0	0	0
Accrued interest	4 597	0	0	11 888	0	0	0
Total	1 765 295	2 305 542	-10 455	2 293 689	303 202	131 016	100,0%

Note 9. Loans and other similar receivables, by types of collateral

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Loans secured by mortgage	2 282 184	2 209 458	2 076 590	1 981 535
Loans secured by building pledge	5 851	5 851	9 196	12 376
Loans secured by deposit pledge	2 219	2 219	780	780
Other	418 642	368 773	303 603	310 851
Effect of the effective interest rate	-11 621	-13 215	-11 813	-13 286
Accrued interest	20 148	20 393	12 386	11 888
Total	2 717 423	2 593 479	2 390 742	2 304 144
Loan loss allowances	-32 459	-37 297	-9 801	-10 455
Total	2 684 964	2 556 182	2 380 941	2 293 689

Note 10. Finance lease receivables

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Gross investment	72	204 140	3 046	246 571
Rental payments receivable, incl:				
up to 1 year	15	49 862	316	53 166
1–5 years	51	130 524	1 266	148 446
over 5 years	6	23 754	1 464	44 959
Deferred rental payments	8	36 278	693	60 534
up to 1 year	3	8 614	141	11 048
1–5 years	5	17 947	443	36 526
over 5 years	0	9 717	109	12 960
Estimated allowances	0	-4 838	0	-654
Net investment	64	167 862	2 353	186 037
Rental payments receivable, incl:				
up to 1 year	12	41 248	175	42 119
1–5 years	46	112 577	823	111 919
over 5 years	6	14 037	1 355	31 999
Non-guaranteed salvage value	0	18 194	0	13 494

Note 11. Receivables due for payment

in thousands of kroons

Due for	up to 30 days	30–60 days	60–90 days	over 90 days	Total
Bank 31.12.2008					
Loans	116 918	32 031	46 806	110 949	306 704
Interest receivable	644	474	858	6 074	8 050
Total	117 562	32 505	47 664	117 023	314 754
Bank 31.12.2007					
Loans	32 799	6 740	4 133	24 297	67 969
Interest receivable	219	93	91	1 614	2 017
Total	33 018	6 833	4 224	25 911	69 986
Group 31.12.2008					
Loans	125 965	36 588	47 433	120 523	330 509
Interest receivable	704	533	866	7 017	9 120
Total	126 669	37 121	48 299	127 540	339 629
Group 31.12.2007					
Loans	66 918	11 719	5 774	25 768	110 179
Interest receivable	336	136	115	1 653	2 240
Total	67 254	11 855	5 889	27 421	112 419

Note 12. Provision for loan loss allowances

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Balance at the beginning of the period	-9 801	-10 455	-3 602	-3 762
Write-downs	-29 190	-36 253	-10 308	-10 947
Restatement of previous write-downs	6 240	9 119	4 003	4 148
Repayment of off-balance sheet loans	-194	-194	-187	-187
Loans written off from the balance sheet during the period	485	485	267	267
Change in currency exchange rates	1	1	26	26
Balance at the end of the period	-32 459	-37 297	-9 801	-10 455

Note 13. Financial assets at fair value

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Financial assets at fair value through profit and loss				
Government bonds	305 250	305 250	274 975	274 975
Trading portfolio				
Bonds of credit institutions	98	98	10 824	10 824
Shares (public limited company)	25	25	1 787	1 787
Shares (private limited company)	351	351	14 671	14 671
Trading portfolio	474	474	27 282	27 282
Total	305 724	305 724	302 257	302 257

Note 14. Available-for-sale financial assets

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Equity instruments	3 594	3 594	205	205
Debt instruments	11 411	11 411	134	134
Total	15 005	15 005	339	339

Note 15. Shares in subsidiaries

in thousands of kroons

	Ownership	Book value at the beginning of the year	Disposals	Dividend income	Loss from equity method	Book value at the end of the year	Acquisition cost
Bank 31.12.2008							
Krediidipanga Liisingu AS	100%	2 000	0	0	0	2 000	2 000
AS Martinoza	100%	35 000	0	9 800	0	35 000	35 000
Total		37 000	0	9 800	0	37 000	37 000
Group 31.12. 2008							
Äigrumäe Kinnisvara AS	49%	0	0	0	-32	467	499
Bank 31.12.2007							
Krediidipanga Liisingu AS	100%	2 000	0	0	0	2 000	2 000
AS Martinoza	100%	35 000	0	7 000	0	35 000	35 000
Total		37 000	0	7 000	0	37 000	37 000
Group 31.12. 2007							
Penco Mööblirendi OÜ	51%	26	-26	25	0	0	0
Äigrumäe Kinnisvara AS	49%	0	0	0	0	499	499

Note 16. Fixed assets

in thousands of kroons

	Real estate	Machinery and equipment	Equipment	Prepayments	Total
Bank					
Net book value 31.12.2006	0	4 736	13 474	139	18 349
incl. acquisition cost	0	6 270	34 224	139	40 633
incl. depreciation	0	1 534	20 750	0	22 284
Purchase 2007	0	3 686	3 372	550	7 608
Disposal at net book value 2007	0	925	0	0	925
incl. acquisition cost	0	2 058	0	0	2 058
incl. depreciation	0	1 133	0	0	1 133
Write-off at net book value 2007	0	0	134	0	134
incl. acquisition cost	0	0	2 207	0	2 207
incl. depreciation	0	0	2 073	0	2 073
Reclassification	0	0	0	-341	-341
incl. acquisition cost	0	0	0	-341	-341
incl. depreciation	0	0	0	0	0
Depreciation charge 2007	0	1 140	2 995	0	4 135
Net book value 31.12.2007	0	6 357	13 717	348	20 422
incl. acquisition cost	0	7 898	35 389	348	43 635
incl. depreciation	0	1 541	21 672	0	23 213
Purchase 2008	0	3 855	3 883	145	7 883
Disposal at net book value 2008	0	940	0	0	940
incl. acquisition cost	0	1 540	26	0	1 566
incl. depreciation	0	600	26	0	626
Write-off at net book value 2008	0	0	299	0	299
incl. acquisition cost	0	0	926	0	926
incl. depreciation	0	0	627	0	627
Depreciation charge 2008	0	1 456	2 852	0	4 308
Net book value 31.12.2008	0	7 816	14 449	493	22 758
incl. acquisition cost	0	10 213	38 320	493	49 026
incl. depreciation	0	2 397	23 871	0	26 268
Group					
Net book value 31.12.2006	59 395	5 711	13 511	139	78 756
incl. acquisition cost	67 927	8 529	34 415	139	111 010
incl. depreciation	8 532	2 818	20 904	0	32 254
Purchase 2007	6 151	4 044	3 372	550	14 117
Disposal at net book value 2007	0	1 179	0	0	1 179
incl. acquisition cost	0	2 780	0	0	2 780
incl. depreciation	0	1 601	0	0	1 601
Write-off at net book value 2007	0	0	140	0	140
incl. acquisition cost	0	23	2 217	0	2 240
incl. depreciation	0	23	2 077	0	2 100
Reclassification	4 456	-4	4	-341	4 115
incl. acquisition cost	4 456	-4	4	-341	4 115
incl. depreciation	0	0	0	0	0
Depreciation charge 2007	1 175	1 444	3 001	0	5 620
Net book value 31.12.2007	68 827	7 128	13 746	348	90 049
incl. acquisition cost	78 534	9 766	35 574	348	124 222
incl. depreciation	9 707	2 638	21 828	0	34 173
Purchase 2008	5 037	3 907	3 951	145	13 040
Disposal at net book value 2008	0	940	0	0	940
incl. acquisition cost	0	1 540	26	0	1 566
incl. depreciation	0	600	26	0	626
Write-off at net book value 2008	0	0	299	0	299
incl. acquisition cost	0	9	926	0	935
incl. depreciation	0	9	627	0	636
Reclassification	11 502	0	0	0	11 502
incl. acquisition cost	11 502	-15	15	0	11 502
incl. depreciation	0	-15	15	0	0
Depreciation charge 2008	1 313	1 640	2 893	0	5 846
Net book value 31.12.2008	84 053	8 455	14 505	493	107 506
incl. acquisition cost	95 073	12 109	38 588	493	146 263
incl. depreciation	11 020	3 654	24 083	0	38 757

Note 17. Investment property

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Book value at the beginning of the period	0	58 850	0	56 300
Adjustment to market value	0	-2 187	0	678
Capitalised costs	0	1 517	0	1 872
Book value at the end of the period	0	58 180	0	58 850
Rent income	0	7 693	0	7 289
Expenses occurred to generate rent income	0	7 942	0	3 848

Note 18. Other assets

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Miscellaneous currency transactions	10 466	10 466	15 665	15 665
Payments in transit	2 079	2 079	3 322	3 322
Assets for resale	0	49 726	0	37 774
Prepayment for financial supervision	1 250	1 250	1 266	1 266
Dividend receivables	9 800	0	0	0
Other current assets	2 932	12 547	3 190	7 011
Total	26 527	76 068	23 443	65 038

Note 19. Pledged assets

On 1 February 2007, AS Martinoza concluded a credit agreement with Svenska Handelsbanken AB Estonia branch. A first-rank mortgage in the amount of 52 million kroons was established on two of the Group's real estates in collateral to the loan.

Note 20. Payable to credit institutions

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Demand deposits	196	196	414	414
Loans received	573 229	609 888	639 173	677 619
Accrued interest	3 227	3 426	7 003	7 174
Total	576 652	613 510	646 590	685 207
incl. EUR	573 234	609 893	639 205	677 651
EEK	124	124	160	160
USD	67	67	159	159
GBP	0	0	63	63
accrued interest	3 227	3 426	7 003	7 174

Note 21. Customer deposits

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Deposits by form of ownership				
Private companies	2 661 755	2 653 221	2 008 226	1 994 996
Individuals	1 472 732	1 472 732	1 216 309	1 216 309
Non-profit associations	48 307	48 307	22 895	22 895
State owned enterprises	67	67	145	145
Financial institutions	0	0	15 026	15 026
Accrued interest	14 119	14 086	12 970	12 923
Total	4 196 980	4 188 413	3 275 571	3 262 294

Deposits by term

Demand deposits	1 217 749	1 216 614	1 722 255	1 721 526
Time deposits	2 757 773	2 750 374	1 474 563	1 462 062
Savings deposits	207 339	207 339	65 783	65 783
Accrued interest	14 119	14 086	12 970	12 923
Total	4 196 980	4 188 413	3 275 571	3 262 294

Note 22. Bonds issued

in thousands of kroons

Issuer	Term	Bank 2008	Group 2008	Bank 2007	Group 2007
Eesti Krediidipank	20.02.2008	0	0	42 495	42 495
Eesti Krediidipank	01.04.2008	0	0	73 906	73 906
Accrued interest	-	0	0	1 855	1 855
Total		0	0	118 256	118 256

Note 23. Subordinated loans

in thousands of kroons

	Contractual currency	Sum		Term	
		2008	2007	2008	2007
Subordinated loan agreement	EUR	5 000	5 000	29.04.2011	29.04.2011
Subordinated loan agreement	EUR	109 526	109 526	15.05.2016	15.05.2016
Subordinated loan agreement	USD	18 879	18 085	10.10.2012	10.10.2012
Accrued interest	-	4 041	2 998	-	-
Total		137 446	135 609		

The Group's indicators are the same as the Bank's indicators.

Note 24. Other liabilities

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Payments in transit	38 575	38 575	9 132	9 132
Wages reserve	11 401	11 465	12 419	12 485
Miscellaneous currency transactions	10 511	10 511	15 638	15 638
Taxes payable	2 304	5 244	2 515	2 798
Accrued expenses	1 875	2 368	4 013	6 222
Prepaid income	189	189	270	270
Prepayments received	44	1 531	42	1 375
Other	0	78	491	542
Total	64 899	69 961	44 520	48 462

Note 25. Share capital, reserves

In order to strengthen its capital base, the Bank conducted, on 7 April 2008, a bonus issue at the expense of retained earnings, increasing Krediidipank's share capital by 66 million kroons. In the course of the bonus issue, 6.6 million common shares with a nominal value of 10 kroons were issued. With the bonus issue, Krediidipank's share capital was increased from 198 million kroons to 264 million kroons.

As of 31.12.2008, Krediidipank had 26,400,000 common shares. According to the Statutes of the Bank, Eesti Krediidipank may issue a maximum of 56 million common shares.

The Bank is obliged to transfer at least 1/20 from current year's net profit to the reserve capital, until the amount of reserve capital is at least 1/10 of share capital.

Note 26. Off-balance sheet transactions

in thousands of kroons

	Bank 31.12.2008		Group 31.12.2008	
	Receivables	Liabilities	Receivables	Liabilities
1. Uncancellable transactions	0	125 358	0	108 027
1.1 Guarantees and other similar uncancellable transactions	0	35 221	0	35 221
incl. financial guarantees	0	35 221	0	35 221
1.2 Credit lines and overdraft	0	90 137	0	72 806
2. Currency-related derivative transactions	421 998	465 645	421 998	465 645

in thousands of kroons

	Bank 31.12.2007		Group 31.12.2007	
	Receivables	Liabilities	Receivables	Liabilities
1. Uncancellable transactions	0	164 215	0	131 016
1.1 Guarantees and other similar uncancellable transactions	0	42 385	0	42 385
incl. financial guarantees	0	42 385	0	42 385
1.2 Credit lines and overdraft	0	121 830	0	88 631
2. Currency-related derivative transactions	162 871	164 969	162 871	164 969

Note 27. Interest income

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
From loans and lease receivables	216 253	213 200	159 470	158 106
From cash and deposits with banks	61 534	61 534	74 956	74 956
From financial assets at fair value	12 747	12 747	11 322	11 322
From trading portfolio	1 588	1 588	9 428	9 428
From available-for-sale financial assets	99	99	0	0
Total	292 221	289 168	255 176	253 812

Note 28. Interest expense

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
From time deposits	70 460	69 832	45 635	45 505
From loans to credit institutions	43 708	45 909	13 830	15 725
From demand deposits	10 134	10 133	37 836	37 836
From subordinated loans	7 237	7 237	4 966	4 966
From trading portfolio	5 858	5 858	8	8
From bonds issued	1 393	1 393	6 185	6 185
Other	0	0	0	3
Total	138 790	140 362	108 460	110 228

Note 29. Fees and commissions income

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Operation fees	22 348	22 338	21 731	21 727
Gains from foreign exchange	19 231	19 231	20 024	20 025
Charges from card transactions	6 613	6 613	6 502	6 502
Loan agreement fees	3 262	3 289	3 097	2 524
Securities transaction and custodial fees	1 281	1 281	677	677
Other income	2 157	2 156	1 415	1 415
Total	54 892	54 908	53 446	52 870

Note 30. Fees and commissions expense

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Charges from card transactions	6 612	6 612	6 153	6 152
Operation fees	5 342	5 342	5 530	5 531
Securities transactions and custodial fees	168	168	409	409
Other expenses	590	590	330	330
Total	12 712	12 712	12 422	12 422

Note 31. Other operating income

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Insurance intermediation	535	585	405	450
Fines	516	1 161	225	587
Profit from disposal of assets	0	0	0	7 460
Rental income	0	12 289	0	12 263
Profit from revaluation of investment property	0	0	0	678
Other operating income	280	432	1 394	1 972
Total	1 331	14 467	2 024	23 410

Note 32. Other operating expenses

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Contributions to Deposit Compensation Fund	3 827	3 827	15 768	15 768
Information system management and updates	1 877	1 877	1 944	1 944
Legal services	855	855	1 217	1 359
Financial Supervision Authority supervisory fee	1 273	1 273	1 102	1 102
Loss from disposal of assets	0	46	0	8
Profit from revaluation of investment property	0	2 187	0	0
Expenses on rental space	0	12 565	0	7 560
Other operating expenses	3 685	5 205	3 203	4 055
Total	11 517	27 835	23 234	31 796

Note 33. Administrative expenses

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Personnel expenses				
Wages and salaries	48 699	51 654	44 615	47 234
Social tax, unemployment insurance	16 195	17 161	14 993	15 857
Total	64 894	68 815	59 608	63 091
Other administrative expenses				
Lease of buildings	10 743	3 412	7 975	3 283
Advertising expenses	6 964	6 985	5 485	5 529
Office expenses	4 524	4 606	3 973	4 096
Training and business trips	1 625	1 649	1 361	1 386
Transportation expenses	1 373	1 517	1 311	1 439
Property insurance	277	381	295	413
Other administrative expenses	1 683	1 985	1 530	1 756
Total	27 189	20 535	21 930	17 902

Note 34. Contingent income tax on dividends

According to the valid Income Tax Act, companies registered in Estonia are not subject to income tax on profit. Rather, they are subjected to income tax on the allocated profit. The established tax rate for 2009 is 21/79 of the net dividend paid.

The Bank's available shareholders' equity as of 31.12.2008 amounted to 91,704 thousand kroons. Maximum income tax payable on disbursement of the available shareholders' equity as dividends would amount to 24,377 thousand kroons.

Note 35. Related parties

For the purposes of this Note, the following shall be considered related parties:

- the parent company Latvian Business Bank Ltd.;
- the parent company's parent company Bank of Moscow;
- other banks incorporated under the Bank of Moscow group;
- members of the Board and Council of AS Eesti Krediidipank, and persons associated with them;
- subsidiaries AS Martinoza and Krediidipanga Liisingu AS;
- associated company Äigrumäe Kinnisvara AS.

Related party transactions are conducted on the basis of the price list and/or at market value.

in thousands of kroons

	2008	2007
Deposits with related credit institutions 31.12	3 797	340 841
Deposits of related credit institutions 31.12	44 735	169
Subordinated loans received 31.12	109 526	109 526
Interest received during the period	5 533	10 903
Interest paid during the period	6 853	3 903
Loans to subsidiaries and associated companies 31.12	310 978	279 568
Deposits of subsidiaries and associated companies 31.12	8 534	13 230
Assets disposed in the period	0	15 878
Interest received during the period	19 513	15 136
Interest paid during the period	630	130
Loans to members of the Board and Council, and persons associated with them 31.12	2 947	1 622
Interest received during the period	143	119
Deposits of members of the Board and Council, and persons associated with them 31.12	12 361	11 482
Interest paid during the period	647	344

Note 36. Pending court cases

In 2008, the case filed against the Bank in 2005 on annulment of a co-operation agreement in the amount of 1,000 kroons (with the monetary claim raised to three million kroons in 2006) came to a positive solution for the Bank. On 31.01.2008, the circuit court dismissed the plaintiff's appeal of the 11.09.2007 ruling of the Harju County Court, which dismissed the action filed against the Bank. On 19 May 2008, the Supreme Court refused to accept the appeal of the ruling of the circuit court.

The case filed against the Bank in April 2006 for a brokerage fee in the amount of 2.4 million kroons, referring to the Bank's failure to fulfil the co-operation agreement was pushed back to the fourth quarter of 2008. With the 06.02.2007 ruling of the Harju County Court, the claim was dismissed. The plaintiff appealed the ruling, contesting the county court's ruling regarding disbursement of 800,000 kroons. The Bank considers the appeal unclear and unfounded, and asked the court to dismiss the claim. No date has been set for the hearing by the circuit court.

Note 37. Operating lease contracts

Contractual rental payments for rental space as of 31.12:

in thousands of kroons

	Bank 2008	Group 2008	Bank 2007	Group 2007
Rental payments: up to 1 year	10 234	1 909	7 126	1 417
Rental payments: 1-5 years	30 487	5 190	4 878	4 878
Rental payments: over 5 years	4 453	4 453	2 095	2 095
Total	45 174	11 552	14 099	8 390
Monthly payment of termless contracts	3	21	27	45

Note 38. Interest-bearing assets and liabilities, by term of fixation of the interest

in thousands of kroons

	On demand	Up to 1 month	1–3 months	3–12 months	1–2 years	2–5 years	Over 5 years	Total
Bank 31.12.2008								
Assets								
Deposits with the Central Bank	483 153	0	0	0	0	0	0	483 153
Deposits with credit institution	325 316	1 515 555	0	0	0	0	0	1 840 871
Financial assets at fair value, and available-for-sale financial assets	0	80 326	224 940	0	11 291	202	0	316 759
Loans and other similar receivables	106 302	283 699	819 159	1 314 926	29 045	134 385	21 380	2 708 896
Total assets	914 771	1 879 580	1 044 099	1 314 926	40 336	134 587	21 380	5 349 679
Liabilities								
Due to credit institutions	196	77 731	417 995	77 503	0	0	0	573 425
Customer deposits and other financial liabilities	1 411 301	1 507 783	273 373	882 139	61 991	50 180	33 818	4 220 585
Subordinated loans	0	0	0	0	0	23 879	109 526	133 405
Derivative instruments	0	43 647	0	0	0	0	0	43 647
Credit lines and stand-by loans	76 330	0	13 807	0	0	0	0	90 137
Guarantees and other similar uncancelable liabilities	0	0	2 324	1 708	1 858	29 331	0	35 221
Total liabilities	1 487 827	1 629 161	707 499	961 350	63 849	103 390	143 344	5 096 420
Assets-liabilities	-573 056	250 419	336 600	353 576	-23 513	31 197	-121 964	253 259
Cumulative position	-573 056	-322 637	13 963	367 539	344 026	375 223	253 259	

Group 31.12.2008

Assets								
Deposits with the Central Bank	483 153	0	0	0	0	0	0	483 153
Deposits with credit institutions	325 657	1 515 555	0	0	0	0	0	1 841 212
Financial assets at fair value, and available-for-sale financial assets	0	80 326	224 940	0	11 291	202	0	316 759
Loans and other similar receivables	108 777	316 457	845 216	1 128 129	30 742	135 599	21 381	2 586 301
Total assets	917 587	1 912 338	1 070 156	1 128 129	42 033	135 801	21 381	5 227 425
Liabilities								
Due to credit institutions	196	77 731	417 995	77 503	36 659	0	0	610 084
Customer deposits and other financial liabilities	1 402 766	1 507 783	273 373	882 139	61 991	50 180	33 819	4 212 051
Subordinated loans	0	0	0	0	0	23 879	109 526	133 405
Derivative instruments	0	43 647	0	0	0	0	0	43 647
Credit lines and stand-by loans	56 547	8 560	2 444	4 818	437	0	0	72 806
Guarantees and other similar uncancelable liabilities	0	0	2 324	1 708	1 858	29 331	0	35 221
Total liabilities	1 459 509	1 637 721	696 136	966 168	100 945	103 390	143 345	5 107 214
Assets-liabilities	-541 922	274 617	374 020	161 961	-58 912	32 411	-121 964	120 211
Cumulative position	-541 922	-267 305	106 715	268 676	209 764	242 175	120 211	

Bank 31.12.2007

Assets								
Total assets	163 137	2 049 024	738 400	1 349 819	20 822	102 496	935	4 424 633
Liabilities								
Total liabilities	1 722 670	1 126 220	317 777	792 436	138 861	67 311	173 823	4 339 098
Assets-liabilities	-1 559 533	922 804	420 623	557 383	-118 039	35 185	-172 888	85 535
Cumulative position	-1 559 533	-636 729	-216 106	341 277	223 238	258 423	85 535	

Group 31.12.2007

Assets								
Total assets	165 632	2 080 640	763 776	1 274 541	39 273	13 832	1 166	4 338 860
Liabilities								
Total liabilities	1 721 941	1 126 220	298 798	759 703	148 636	102 015	173 823	4 331 136
Assets-liabilities	-1 556 309	954 420	464 978	514 838	-109 363	-88 183	-172 657	7 724
Cumulative position	-1 556 309	-601 889	-136 911	377 927	268 564	180 381	7 724	

Note 39. Structure of assets and liabilities, by currency

in thousands of kroons

Bank 31.12.2008	USD	EUR	EEK	RUB	Other currencies	Total
Assets						
Cash in hand	2 901	8 778	10 474	1 180	1 845	25 178
Deposits with the Central Bank	0	82	483 668	0	0	483 750
Deposits with credit institutions	482 267	863 873	460 709	1 474	32 955	1 841 278
Loans and other similar receivables	60 457	2 622 445	13 683	0	0	2 696 585
Effect of the effective interest rate	0	0	-11 621	0	0	-11 621
Financial assets at fair value, and available-for-sale financial assets	11 489	305 533	3 602	104	1	320 729
Financial investments in subsidiaries	0	0	37 000	0	0	37 000
Tangible fixed assets	0	0	22 758	0	0	22 758
Other assets	3 885	10 282	12 360	0	0	26 527
Total assets	560 999	3 810 993	1 032 633	2 758	34 801	5 442 184
Liabilities						
Due to credit institutions	67	576 461	124	0	0	576 652
Deposits and other financial liabilities	940 220	1 942 011	1 319 794	1 644	31 035	4 234 704
Derivative instruments	0	43 647	0	0	0	43 647
Other liabilities	24 400	23 782	16 429	0	288	64 899
Subordinated loans	18 984	118 462	0	0	0	137 446
Total liabilities	983 671	2 704 363	1 336 347	1 644	31 323	5 057 348
Total shareholders' equity	0	0	384 836	0	0	384 836
Total liabilities and shareholders' equity	983 671	2 704 363	1 721 183	1 644	31 323	5 442 184
Balance sheet net position	-422 672	1 106 630	-688 550	1 114	3 478	0
Off-balance sheet transaction net position	421 998	-465 645	0	0	0	-43 647

in thousands of kroons

Bank 31.12.2007	USD	EUR	EEK	RUB	Other currencies	Total
Total assets	1 010 686	2 818 794	697 029	11 277	19 858	4 557 644
Total liabilities and shareholders' equity	1 179 481	1 823 233	1 531 191	10 082	13 657	4 557 644
Balance sheet net position	-168 795	995 561	-834 162	1 195	6 201	0
Off-balance sheet transaction net position	162 871	-161 778	0	0	-3 191	-2 098

in thousands of kroons

Group 31.12.2008	USD	EUR	EEK	RUB	Other currencies	Total
Assets						
Cash in hand	2 901	8 778	10 474	1 180	1 845	25 178
Deposits with the Central Bank	0	82	483 668	0	0	483 750
Deposits with credit institutions	482 267	863 873	461 050	1 474	32 955	1 841 619
Loans and other similar receivables	61 034	2 490 776	17 587	0	0	2 569 397
Effect of the effective interest rate	0	0	-13 215	0	0	-13 215
Financial assets at fair value, and available-for-sale financial assets	11 488	305 534	3 602	104	1	320 729
Financial investments in associated companies	0	0	467	0	0	467
Tangible fixed assets	0	0	107 506	0	0	107 506
Investment property	0	0	58 180	0	0	58 180
Other assets	3 931	9 993	62 141	0	3	76 068
Total assets	561 621	3 679 036	1 191 460	2 758	34 804	5 469 679
Liabilities						
Due to credit institutions	67	613 319	124	0	0	613 510
Deposits and other financial liabilities	940 221	1 942 011	1 311 226	1 644	31 035	4 226 137
Derivative instruments	0	43 647	0	0	0	43 647
Other liabilities	24 400	24 050	21 223	0	288	69 961
Subordinated loans	18 984	118 462	0	0	0	137 446
Total liabilities	983 672	2 741 489	1 332 573	1 644	31 323	5 090 701
Total shareholders' equity	0	0	378 978	0	0	378 978
Total liabilities and shareholders' equity	983 672	2 741 489	1 711 551	1 644	31 323	5 469 679
Balance sheet net position	-422 051	937 547	-520 091	1 114	3 481	0
Off-balance sheet transaction net position	421 998	-465 645	0	0	0	-43 647

in thousands of kroons

Group 31.12.2007	USD	EUR	EEK	RUB	Other currencies	Total
Total assets	1 026 597	2 734 128	812 430	11 277	19 858	4 604 290
Total liabilities and shareholders' equity	1 179 481	1 861 678	1 539 391	10 082	13 658	4 604 290
Balance sheet net position	-152 884	872 450	-726 961	1 195	6 200	0
Off-balance sheet transaction net position	162 871	-161 778	0	0	-3 191	-2 098

Note 40. Maturity of assets and liabilities

in thousands of kroons

Bank 31.12.2008	On demand	< 3 months	3 months – 1 year	1–5 years	Over 5 years	Termless	Total
Assets							
Cash in hand	25 178	0	0	0	0	0	25 178
Deposits with the Central Bank	483 750	0	0	0	0	0	483 750
Deposits with credit institutions	558 484	1 282 794	0	0	0	0	1 841 278
Loans and other similar receivables	97 772	168 981	376 423	949 974	1 087 639	4 175	2 684 964
Financial assets at fair value, and available-for-sale financial assets	305 604	16	0	104	0	15 005	320 729
Financial investments in subsidiaries	0	0	0	0	0	37 000	37 000
Tangible fixed assets	0	0	0	0	0	22 758	22 758
Other assets	15 944	10 466	0	117	0	0	26 527
Total assets	1 486 732	1 462 257	376 423	950 195	1 087 639	78 938	5 442 184
Liabilities							
Due to credit institutions	196	9 779	507 292	59 385	0	0	576 652
Deposits and other financial liabilities	1 461 676	1 740 615	893 070	125 501	13 842	0	4 234 704
Derivative instruments	0	43 647	0	0	0	0	43 647
Other liabilities	41 135	12 121	11 633	10	0	0	64 899
Subordinated loans	0	0	0	23 984	113 462	0	137 446
Total liabilities	1 503 007	1 806 162	1 411 995	208 880	127 304	0	5 057 348
Total shareholders' equity	0	0	0	0	0	384 836	384 836
Total liabilities and shareholders' equity	1 503 007	1 806 162	1 411 995	208 880	127 304	384 836	5 442 184
Difference between maturity of balance sheet entries	-16 275	-343 905	-1 035 572	741 315	960 335	-305 898	0
Difference between maturity of off-balance sheet instruments	-125 358	-43 647	0	0	0	0	-169 005
Total difference between maturity	-141 633	-387 552	-1 035 572	741 315	960 335	-305 898	-169 005

in thousands of kroons

Bank 31.12.2007	On demand	< 3 months	3 months – 1 year	1–5 years	Over 5 years	Termless	Total
Total assets	495 734	1 756 836	471 529	829 559	943 218	60 768	4 557 644
Total liabilities and shareholders' equity	1 738 591	836 984	1 404 838	143 995	119 821	313 415	4 557 644
Difference between maturity of balance sheet entries	-1 242 857	919 852	-933 309	685 564	823 397	-252 647	0
Difference between maturity of off-balance sheet instruments	-164 215	-2 098	0	0	0	0	-166 313
Total difference between maturity	-1 407 072	917 754	-933 309	685 564	823 397	-252 647	-166 313

in thousands of kroons

Group 31.12.2008	On demand	< 3 months	3 months – 1 year	1–5 years	Over 5 years	Termless	Total
Assets							
Cash in hand	25 178	0	0	0	0	0	25 178
Deposits with the Central Bank	483 750	0	0	0	0	0	483 750
Deposits with credit institutions	558 825	1 282 794	0	0	0	0	1 841 619
Loans and other similar receivables	76 110	180 624	245 026	948 377	1 101 870	4 175	2 556 182
Financial assets at fair value, and available-for-sale financial assets	305 604	16	0	104	0	15 005	320 729
Financial investments in associated companies	0	0	0	0	0	467	467
Tangible fixed assets	0	0	0	0	0	107 506	107 506
Investment property	0	0	0	0	0	58 180	58 180
Other assets	65 485	10 466	0	117	0	0	76 068
Total assets	1 514 952	1 473 900	245 026	948 598	1 101 870	185 333	5 469 679
Liabilities							
Due to credit institutions	196	10 425	508 664	94 225	0	0	613 510
Deposits and other financial liabilities	1 453 108	1 740 616	893 070	125 501	13 842	0	4 226 137
Derivative instruments	0	43 647	0	0	0	0	43 647
Other liabilities	46 197	12 121	11 633	10	0	0	69 961
Subordinated loans	0	0	0	23 984	113 462	0	137 446
Total liabilities	1 499 501	1 806 809	1 413 367	243 720	127 304	0	5 090 701
Total shareholders' equity	0	0	0	0	0	378 978	378 978
Total liabilities and shareholders' equity	1 499 501	1 806 809	1 413 367	243 720	127 304	378 978	5 469 679
Difference between maturity of balance sheet entries	15 451	-332 909	-1 168 341	704 878	974 566	-193 645	0
Difference between maturity of off-balance sheet instruments	-108 027	-43 647	0	0	0	0	-151 674
Total difference between maturity	-92 576	-376 556	-1 168 341	704 878	974 566	-193 645	-151 674

in thousands of kroons

Group 31.12.2007	On demand	< 3 months	3 months – 1 year	1–5 years	Over 5 years	Termless	Total
Total assets	507 361	1 716 360	357 600	726 043	1 144 182	152 744	4 604 290
Total liabilities and shareholders' equity	1 744 164	822 726	1 405 297	146 852	154 493	330 758	4 604 290
Difference between maturity of balance sheet entries	-1 236 803	893 634	-1 047 697	579 191	989 689	-178 014	0
Difference between maturity of off-balance sheet instruments	-131 016	-2 098	0	0	0	0	-133 114
Total difference between maturity	-1 367 819	891 536	-1 047 697	579 191	989 689	-178 014	-133 114

Note 41. Segment reporting, by Group's fields of activity

in thousands of kroons

Income and expenses for 2008, assets and liabilities as of 31.12.2008	Banking	Leasing	Real estate management	Eliminations	Total
Interest income	272 873	16 110	185	0	289 168
Interest income from other segments	19 348	0	630	-19 978	0
Interest expense	-138 160	0	-2 202	0	-140 362
Interest expenses on other segments	-630	-12 953	-6 395	19 978	0
Fees and commissions	41 890	307	0	0	42 197
Fees and commissions from other segments	290	-287	-3	0	0
Change in the value of assets	-23 249	-4 184	0	0	-27 433
Depreciation of non-current assets	-5 621	-38	-187	0	-5 846
Other income/expenses	-113 940	-2 355	9 395	0	-106 900
Other income from/expenses on other segments	17 307	0	-7 507	-9 800	0
Profit from the segment	70 108	-3 400	-6 084	-9 800	50 824
Assets related to the segment	5 405 184	203 897	187 206	-326 608	5 469 679
Liabilities related to the segment	5 057 348	199 872	160 089	-326 608	5 090 701
Acquisition of non-current assets	7 883	61	5 096	0	13 040
Other non-monetary expenses	0	0	-2 187	0	-2 187

in thousands of kroons

Income and expenses for 2007, assets and liabilities as of 31.12.2007	Banking	Leasing	Real estate management	Eliminations	Total
Interest income	240 073	13 687	54	0	253 814
Interest income from other segments	15 103	0	130	-15 233	0
Interest expense	-108 330	0	-1 898	0	-110 228
Interest income from other segments	-130	-10 103	-5 000	15 233	0
Fees and commissions	41 386	221	-5	0	41 602
Fees and commissions from other segments	817	-482	-332	-3	0
Change in the value of assets	-6 305	-494	0	0	-6 799
Depreciation of non-current assets	-5 308	-73	-239	0	-5 620
Other income/expenses	-98 069	-2 085	10 835	0	-89 319
Other income from/expenses on other segments	2 308	-141	4 830	-6 997	0
Profit from the segment	81 545	530	8 375	-7 000	83 450
Assets related to the segment	4 520 644	192 337	182 862	-291 553	4 604 290
Liabilities related to the segment	4 244 230	184 912	135 943	-291 553	4 273 532
Acquisition of non-current assets	7 089	48	12 966	0	20 103
Other non-monetary income	0	0	1 928	0	1 928

Signatures to the annual accounts

The Board of AS Eesti Krediidipank has prepared this Public Annual Report, consisting of the annual accounts and the management report.

Management Board of AS Eesti Krediidipank:

Andrus Kluge
Chairman of the Board



12.03.09

Valmar Moritz
Vice Chairman of the Board



12.03.09

Ruslan Dontsov
Member of the Board



12.03.09

Marju Arras
Member of the Board



12.03.09

Uku Tammaru
Member of the Board



12.03.09

Marina Laaneväli
Member of the Board



12.03.09





Attached documents **2008**



Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eesti Krediidipank AS

BDO Eesti AS (corporate audit services licence no 1, issued in 09 November 99) has audited financial statements of Eesti Krediidipank AS (hereinafter the Bank) and its subsidiaries (denominated together the Group), with registration code 10237832, which comprise the consolidated balance sheet as of December 31, 2008, the consolidated income statement, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended and a summary of accounting policies and other explanatory notes, which we have identified on the accompanying Group report pages 20 to 59.

Management's Responsibility for the Financial Statements

Management Board of the Bank is responsible for the preparation and fair presentation of Group's financial statements in accordance with International Financial Reporting Standards as adopted by European Union. This responsibility includes: a) 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; b) selecting and applying appropriate accounting policies; c) 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.

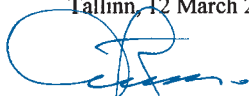
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Tallinn, 12 March 2009



Jaak Annus
BDO Eesti AS



Mai Ever
Authorised Public Accountant

BDO Eesti AS Tartu esindus
Post: Aleksandri 9, 51004 Tartu ESTONIA
Telefon: +372 627 5530 Faks: +372 627 5533
e-post: tartu@bdo.ee

Proposal for profit distribution

The Management Board of AS Eesti Krediidipank approved the Annual Report 2008 of AS Eesti Krediidipank and AS Eesti Krediidipank Group on 12.03.2009.

The profit of AS Eesti Krediidipank for the year 2008 amounted to 71,421 thousand kroons, and the profit of AS Eesti Krediidipank Group to 48,219 thousand kroons.

The Management Board of AS Eesti Krediidipank proposes to the General Meeting of the Shareholders to transfer to audited profit of the Group for the financial year 2008 in the amount of 48,219 thousand kroons to "Retained earnings" in the balance sheet.

In thousands of kroons	Bank	Group
Net profit for the year 2008	71 421	48 219
Retained earnings from previous periods	20 283	34 930
Total retained earnings	91 704	83 149

Supervisory Council confirmation

The Supervisory Council of AS Eesti Krediidipank has reviewed the Annual Report submitted by the Management Board, and the Independent Auditor's Report, and has approved the proposal for profit distribution as submitted by the Board.

Supervisory Council of AS Eesti Krediidipank:

Alexey Sytnikov

Chairman of the Council



24.03.09

Ain Soidla

Member of the Council



24.03.09

Jazeps Paplavskis

Member of the Council



24.03.09

Andrejs Kuzins

Member of the Council



24.03.09

Pavel Gorbatsevich

Member of the Council



24.03.09

