



## ***AS SBM Pank***

*(SBM Bank Ltd.)*

*Public Interim Report  
IV Quarter 2005*

*Translation from original in Estonian*

## 1 Summary Information

Report date: 31.12.2005

Beginning & end of financial year: 01.01.2005 – 31.12.2005

Address: AS SBM Pank  
Pärnu mnt 12, 10148 Tallinn, Estonia

Telephone: (+372) 6802 500  
Fax: (+372) 6802 501  
e-mail: info@smbank.ee  
Internet: www.smbank.ee

The bank is not rated by international rating agencies.

	<b>EEK ths.</b>	<b>EUR ths.</b>
Total assets (EEK ths.)	337 487	21 569
Net profit (EEK ths.)	-6 756	-432
Return on equity (ROE)	-6.93%	-6.93%
Assets utilisation (AU)	7.06%	7.06%
Overdue claims and loans (EEK ths.)	1 448	93
Loan loss provisions (EEK ths.)	0	0
Net own funds (EEK ths.)	95 665	6 114
Capital adequacy ratio	34.88%	34.88%

"Public Interim Report IV Quarter 2005" of AS SBM Pank is available in the office of SBM Bank in Tallinn, Pärnu mnt 12 and on the bank's web page address <http://www.smbank.ee> from 16.02.2006.

## 2 Introduction

### 2.1 General Data of AS SBM Pank

Business name: AS SBM Pank  
Address: Pärnu mnt 12, 10148 Tallinn, Estonia  
Registration code: 10586461  
Register : Tallinn Commercial Register  
Date of entry: 14.10.1999

### 2.2 Auditor

Engagement partner: Taivo Epner  
Manager: Maret Tambek  
KPMG Baltics AS  
Ahtri 10A, 10151 Tallinn  
Registration code: 10096082

### 2.3 Report Period is 01.01.-31.12.2005, Report Balance Sheet Date 31.12.2005.

Public Interim Report IV Quarter 2005 of AS SBM Pank is unaudited.  
Only the credit institution data and figures are disclosed in the report.

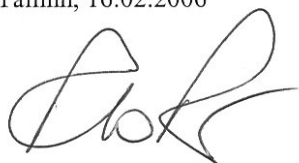
### 2.4 Report Currency is Estonian Kroons and Units are Thousands of Kroons.

### 2.5 Declaration of the Management Board of AS SBM Pank.

The Management Board of AS SBM Pank, after examining the information presented in the Public Interim Report, is of opinion that:

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

In Tallinn, 16.02.2006



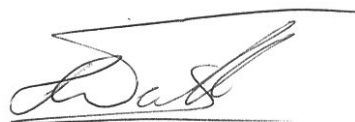
Riho Rasmann  
Chairman of the Management Board



Sven Raba  
Member of the Management Board



Mart Veskimägi  
Member of the Management Board



Roul Tutt  
Member of the Management Board

## Management Report

### 3 Comments

#### 3.1 Description of Group of AS SBM Pank

No other enterprise belongs to the AS SBM Pank group.

#### 3.2 Major Economic Developments

Year 2005 was a year of substantial growth for AS SBM Pank. Bank's total assets have grown 1.8 times from the beginning of last year, reaching EEK 337.5 million (EUR 21.6 million) as of 31.12.2005. Loan portfolio totalled EEK 235.1 million i.e. EUR 15.0 million (growth from the beginning of year 2.5 times), i.e. 70% of total assets. 81.4 million kroons (5.2 million euros), 24% of total assets, was in liquid instruments as cash, with central bank and with credit and financial institutions.

Customer deposits in the bank totalled 175.0 million kroons i.e. 11.2 million euros at the end of the 4th quarter (growth from the beginning of year 2.2 times). 19% of deposits belonged to financial institutions, 46% to companies and 35% to private persons.

Bank issued additional bonds in the 4th quarter, resulting in total outstanding debt certificate liabilities of 64.3 million kroons i.e. 4.1 million euros as of 31.12.2005 (19.1% of balance sheet total).

As per decision of the TSE Listing and Surveillance Committee dd. 14.07.2005, 3572 bonds of AS SBM Pank (SBMB047507, ISIN- EE3300075605) are also listed in the bond list of Tallinn Stock Exchange from 22 July 2005.

Net interest income of 2005 of AS SBM Pank comprised 13.3 million kroons (0.8 million euros), earned mostly on loans. Net fee income was 0.6 million kroons (0.04 million euros). Dealing profits accounted for 2.0 million kroons (0.1 million euros). Operating profit for 2005 was 15.9 million kroons i.e. 1.0 million euros. Administrative expenses of 2005 totalled EEK 18.7 million (EUR 1.2 million). Net loss for the financial year was 6.8 million kroons (0.4 million euros).

The salaries of the members of the management board for 2005 comprised with social taxes 3.3 million kroons (0.2 million euros), of employees 6.2 million kroons (0.4 million euros). Average number of employees was 20.

Bank's equity totalled 95.7 million kroons (6.1 million euros) as of 31 December 2005 and capital adequacy ratio stood at 34.88%.

Special general meeting of shareholders took place after the balance sheet date, on 9 January 2006, with increase of share capital of AS SBM Pank in the agenda, regarding which the adopted decisions where:

1. Share capital will be increased to involve additional investor, and by the means of additional monetary payment.
2. Share capital will be increased by 100 500 000 kroons (EEK) and the new amount of share capital will be 200 500 000 kroons.
3. Additional 10 050 000 ordinary shares are issued at nominal value 10 kroons per share.
4. The pre-emptive right of current shareholders to subscribe new shares is barred.
5. New shares must be subscribed from the date of current resolution until 28 February 2006 in the registered office of AS SBM Pank at Pärnu mnt. 12, Tallinn. Monetary payment for the subscribed shares has to be made to the account of AS SBM Pank on 30 March 2006, at the latest.

Increase of share capital is a part of bank's growth strategy, which will increase the trustworthiness of the bank and set good foundation for involving cheaper funds including credit lines. Bank has set a target to grow 2 times each year, and continues to make investments and expenses aimed primarily at improvement of customer service.

### 3.3 Prudential Ratios

#### Capital adequacy

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>1. First tier equity</b>	<b>94 833</b>	<b>101 839</b>	<b>6 061</b>	<b>6 509</b>
1.1 Paid-in share capital	100 000	100 000	6 391	6 391
1.2 General banking reserve	0	0	0	0
1.3 Other reserves	271	230	17	15
1.4 Retained profit/loss for the previous years	2 150	1 771	137	113
1.5 Profit for financial year	0	0	0	0
1.9 Own shares (less)	0	0	0	0
1.10 Intangible assets (less)	-832	-162	-53	-10
1.11 Loss for the current reporting period (less)	-6 756	0	-432	0
<b>2. Second tier equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Total gross own funds (1+2)</b>	<b>94 833</b>	<b>101 839</b>	<b>6 061</b>	<b>6 509</b>
<b>4. Deductions from gross own funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5. Total net own funds (3-4)</b>	<b>94 833</b>	<b>101 839</b>	<b>6 061</b>	<b>6 509</b>
<b>6. Third tier equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7. Risk weighted assets</b>	<b>268 532</b>	<b>118 049</b>	<b>17 162</b>	<b>7 545</b>
7.1 I category (risk adjustment 0%)	32 438	9 802	2 073	626
7.2 II category (risk adjustment 20%)	37 415	59 137	2 391	3 780
7.3 III category (risk adjustment 50%)	10 516	12 268	672	784
7.4 IV category (risk adjustment 100%)	255 791	100 088	16 348	6 397
<b>8. Risk weighted off-balance sheet commitments</b>	<b>2 056</b>	<b>0</b>	<b>131</b>	<b>0</b>
8.1 Group I	2 056	0	131	0
8.2 Group II	0	0	0	0
<b>9. Capital requirement for currency risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10. Capital requirement for trading portfolio risks</b>	<b>105</b>	<b>20</b>	<b>7</b>	<b>1</b>
10.1 Capital requirement for interest position risk	0	20	0	1
10.2 Capital requirement for share position risk	105	0	7	0
10.3 Capital requirement for goods risk	0	0	0	0
10.4 Capital requirement for options risk	0	0	0	0
10.5 Capital requirement for transfer risk of trading portfolio	0	0	0	0
10.6 Capital requirement for trading portfolio credit risk	0	0	0	0
<b>11. Capital requirement for trading portfolio credit risk open positions exceeding risk concentration limits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>12. Capital adequacy (5.+6.)/(7.+8.+9.x10+10x12.5+11x12.5)</b>	<b>34.88%</b>	<b>86.09%</b>	<b>34.88%</b>	<b>86.09%</b>

## Net Currency Positions

(in EEK ths., as of 31.12.2005)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	334 923	224 008	409 516	426 451	93 980

(in EUR ths., as of 31.12.2005)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	21 405	14 317	26 173	27 255	6 006

Net position of other currencies does not exceed 1% of equity.

(in EEK ths., as of 31.12.2004)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	160 934	73 846	126 013	110 105	102 996

(in EUR ths., as of 31.12.2004)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	10 286	4 720	8 054	7 037	6 583

Net position of other currencies does not exceed 1% of equity.

## Assets and Liabilities by Maturities

(in EEK ths., as of 31.12.2005)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
1. Claims of the bank	84 369	1 466	42 784	29 660	103 506	38 433	26 103	6 360
cash and claims to bank	69 853	0	0	0	0	0	0	0
claims to clients	9 651	1 448	31 624	29 660	103 485	38 433	26 103	6 264
securities	495	0	0	0	0	0	0	96
other claims	4 370	18	11 160	0	21	0	0	0
2. Off-balance sheet claims	0	0	835 639	0	0	0	0	0
1. Bank's liabilities	39 723	0	67 196	3 582	118 083	8 719	4 519	0
owed to clients	38 844	0	66 877	3 545	59 430	2 016	4 282	0
debts evidenced by certificates	0	0	0	0	58 190	6 135	0	0
other liabilities	879	0	319	37	463	568	237	0
2. Off-balance sheet liabilities	9 390	0	825 512	0	2 000	0	56	0

(in EUR ths., as of 31.12.2005)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
1. Claims of the bank	5 392	94	2 734	1 896	6 615	2 456	1 668	406
cash and claims to bank	4 464	0	0	0	0	0	0	0
claims to clients	617	93	2 021	1 896	6 614	2 456	1 668	400
securities	32	0	0	0	0	0	0	6
other claims	279	1	713	0	1	0	0	0
2. Off-balance sheet claims	0	0	53 407	0	0	0	0	0
1. Bank's liabilities	2 539	0	4 295	229	7 547	557	289	0
owed to clients	2 483	0	4 274	227	3 798	129	274	0
debts evidenced by certificates	0	0	0	0	3 719	392	0	0
other liabilities	56	0	20	2	30	36	15	0
2. Off-balance sheet liabilities	600	0	52 760	0	128	0	4	0

(in EEK ths., as of 31.12.2004)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
1. Claims of the bank	85 857	0	245 021	31 182	22 456	4 335	27 542	562	180 980
cash and claims to banks	68 939	0	0	0	0	0	0	0	68 939
claims to clients	5 462	0	8 714	31 177	22 446	4 335	27 542	466	100 142
securities	3 002	0	0	0	0	0	0	96	3 098
other claims	8 454	0	332	5	10	0	0	0	8 801
2. Off-balance sheet claims	0	0	235 975	0	0	0	0	0	235 975
1. Bank's liabilities	47 758	0	241 329	0	26 689	1 899	0	0	317 675
owed to banks	0	0	0	0	0	0	0	0	0
owed to clients	47 021	0	5 360	0	26 600	1 890	0	0	80 871
other liabilities	737	0	23	0	89	9	0	0	858
2. Off-balance sheet liabilities	0	0	235 946	0	0	0	0	0	235 946

(in EUR ths., as of 31.12.2004)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
1. Claims of the bank	5 487	0	15 660	1 993	1 435	277	1 760	36	11 567
cash and claims to banks	4 406	0	0	0	0	0	0	0	4 406
claims to clients	349	0	557	1 993	1 435	277	1 760	30	6 400
securities	192	0	0	0	0	0	0	6	198
other claims	540	0	21	0	1	0	0	0	562
2. Off-balance sheet claims	0	0	15 082	0	0	0	0	0	15 082
1. Bank's liabilities	3 052	0	15 424	0	1 706	121	0	0	20 303
owed to banks	0	0	0	0	0	0	0	0	0
owed to clients	3 005	0	343	0	1 700	121	0	0	5 169
other liabilities	47	0	1	0	6	1	0	0	55
2. Off-balance sheet liabilities	0	0	15 080	0	0	0	0	0	15 080

## Risk Concentration

(in EEK ths., as of 31.12.2005)

	<b>Credit institution</b>	
	<b>number / amount</b>	<b>% from net own funds</b>
1. Number of customer with high risk concentration	9	
2. Due from customers with high risk concentration	131 382	138.54%
3. Due from persons connected with credit institution	25 830	27.24%

(in EUR ths., as of 31.12.2005)

	<b>Credit institution</b>	
	<b>number / amount</b>	<b>% from net own funds</b>
1. Number of customer with high risk concentration	9	
2. Due from customers with high risk concentration	8 397	138.54%
3. Due from persons connected with credit institution	1 651	27.24%

(in EEK ths., as of 31.12.2004)

	<b>Credit institution</b>	
	<b>number / amount</b>	<b>% from net own funds</b>
1. Number of customer with high risk concentration	3	
2. Due from customers with high risk concentration	30 020	29.48%
3. Due from persons connected with credit institution	1 897	1.86%

(in EUR ths., as of 31.12.2004)

	<b>Credit institution</b>	
	<b>number / amount</b>	<b>% from net own funds</b>
1. Number of customer with high risk concentration	3	
2. Due from customers with high risk concentration	1 919	29.48%
3. Due from persons connected with credit institution	121	1.86%



### 3.4 Ratios

01.01.-31.12.2005 01.01.-31.12.2004

Return on equity	ROE	-6.93%	0.82%
Equity multiplier	EM	3.16	1.72
Profit margin	PM	-31.11%	4.62%
Asset utilisation	AU	7.06%	10.28%
Net interest margin	NIM	4.62%	5.09%
Basic earnings per share	Basic EPS	-0.68	0.08
Diluted earnings per share	Diluted EPS	-0.68	0.08
Spread	SPREAD	3.37%	4.49%
Yield on interest-earning assets	YIEA	6.09%	5.56%
Cost of interest-bearing liabilities	COL	2.73%	1.08%

#### Explanations to ratios

Total income includes the income items as per the decree of the president of Eesti Pank approving the principles of compiling "Interim Report": interest income, income from fees and commissions, dealing profits, income from financial investments, other operating income, extraordinary income, income/profit from value adjustments of real estate investments, tangible and intangible fixed assets (+), profit/income from value adjustments of claims and off-balance sheet commitments (+), income from value adjustment of long term financial investments.

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

### 3.5 Ratings

AS SBM Pank has no ratings by international rating agencies.

### 3.6 Legal Disputes Concerning the Activities of AS SBM Pank

There were no legal disputes relating to Bank's activities as of 31.12.2005.

## 4 Financial Statements

### 4.1 Income Statement

		(EEK ths.)			
	Note	01.10.2005- 31.12.2005	01.01.2005- 31.12.2005	01.10.2004- 31.12.2004	01.01.2004- 31.12.2004
<b>Interest income</b>	1	<b>7 309</b>	<b>17 492</b>	<b>2 513</b>	<b>9 055</b>
From loans		6 958	16 278	2 225	8 007
From deposits		351	1 178	252	894
From debt securities and other fixed income securities		0	36	36	154
<b>Interest expense</b>	2	<b>1 665</b>	<b>4 220</b>	<b>320</b>	<b>775</b>
From demand deposits		85	337	239	251
From time and saving deposits		902	2 420	81	524
From debts evidenced by certificates		678	1 463	0	0
<b>Net interest income/expense (+/-)</b>		<b>5 644</b>	<b>13 272</b>	<b>2 193</b>	<b>8 280</b>
<b>Fees and commissions income</b>	3	<b>-2 034</b>	<b>1 684</b>	<b>5 338</b>	<b>6 540</b>
<b>Fees and commissions expense</b>	4	<b>290</b>	<b>1 046</b>	<b>154</b>	<b>528</b>
<b>Dealing profits (+/-)</b>	5	<b>717</b>	<b>1 960</b>	<b>482</b>	<b>2 236</b>
Profit/income		901	2 540	484	2 270
Loss/expense		184	580	2	34
<b>General administrative expenses</b>		<b>5 204</b>	<b>18 697</b>	<b>3 559</b>	<b>13 928</b>
Salaries and compensations	6	1 972	7 230	1 564	6 144
Social taxes, unemployment insurance premium expense	7	659	2 406	523	2 054
Other administrative expenses	8	2 573	9 061	1 472	5 730
<b>Value adjustments (+/-) of investments in land and property, fixed and intangible assets</b>		<b>-322</b>	<b>-1 288</b>	<b>-238</b>	<b>-644</b>
Loss/expense	9	322	1 288	238	644
<b>Value adjustments of loans and advances (+/-)</b>		<b>-1 409</b>	<b>-1 409</b>	<b>0</b>	<b>0</b>
Loss/expense	10	1 409	1 409	0	0
<b>Other operating expense</b>	11	<b>271</b>	<b>1 232</b>	<b>283</b>	<b>1 131</b>
<b>Income/loss before taxes (+/-)</b>		<b>-3 169</b>	<b>-6 756</b>	<b>3 779</b>	<b>825</b>
<b>Profit/loss for the period (+/-)</b>		<b>-3 169</b>	<b>-6 756</b>	<b>3 779</b>	<b>825</b>

#### Basic earnings per share (Basic EPS)

2005	-0.68
2004	0.08

#### Diluted earnings per share (Diluted EPS)

2005	-0.68
2004	0.08

## Income Statement

	Note	01.10.2005- 31.12.2005	01.01.2005- 31.12.2005	01.10.2004- 31.12.2004	01.01.2004- 31.12.2004
(EUR ths.)					
<b>Interest income</b>	1	<b>467</b>	<b>1 118</b>	<b>161</b>	<b>579</b>
From loans		445	1 040	142	512
From deposits		22	75	16	57
From debt securities and other fixed income securities		0	2	2	10
<b>Interest expense</b>	2	<b>106</b>	<b>270</b>	<b>20</b>	<b>50</b>
From demand deposits		5	22	15	16
From time and saving deposits		58	155	5	33
From debts evidenced by certificates		43	94	0	0
<b>Net interest income/expense (+/-)</b>		<b>361</b>	<b>848</b>	<b>140</b>	<b>529</b>
<b>Fees and commissions income</b>	3	<b>-130</b>	<b>108</b>	<b>341</b>	<b>418</b>
<b>Fees and commissions expense</b>	4	<b>19</b>	<b>67</b>	<b>10</b>	<b>34</b>
<b>Dealing profits (+/-)</b>	5	<b>46</b>	<b>125</b>	<b>31</b>	<b>143</b>
Profit/income		58	162	31	145
Loss/expense		12	37	0	2
<b>General administrative expenses</b>		<b>333</b>	<b>1 195</b>	<b>227</b>	<b>890</b>
Salaries and compensations	6	126	462	100	393
Social taxes, unemployment insurance premium expense	7	42	154	33	131
Other administrative expenses	8	164	579	94	366
<b>Value adjustments (+/-) of investments in land and property, fixed and intangible assets</b>		<b>-21</b>	<b>-82</b>	<b>-15</b>	<b>-41</b>
Loss/expense	9	21	82	15	41
<b>Value adjustments of loans and advances (+/-)</b>		<b>-90</b>	<b>-90</b>	<b>0</b>	<b>0</b>
Loss/expense	10	90	90	0	0
<b>Other operating expense</b>	11	<b>17</b>	<b>79</b>	<b>18</b>	<b>72</b>
<b>Income/loss before taxes (+/-)</b>		<b>-203</b>	<b>-432</b>	<b>242</b>	<b>53</b>
<b>Profit/loss for the period (+/-)</b>		<b>-203</b>	<b>-432</b>	<b>242</b>	<b>53</b>

### Basic earnings per share (Basic EPS)

2005. a.	-0.04
2004. a.	0.01

### Diluted earnings per share (Diluted EPS)

2005. a.	-0.04
2004. a.	0.01

## 4.2 Balance Sheet

	Note	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
<b>Cash</b>	12	<b>295</b>	<b>908</b>	<b>19</b>	<b>58</b>
<b>Balances with central bank</b>	13	<b>32 143</b>	<b>8 894</b>	<b>2 054</b>	<b>568</b>
Demand loans		32 143	8 894	2 054	568
<b>Loans to credit institutions</b>	14	<b>37 415</b>	<b>59 137</b>	<b>2 391</b>	<b>3 780</b>
Demand loans		37 415	59 137	2 391	3 780
<b>Loans to clients</b>	15	<b>246 668</b>	<b>100 142</b>	<b>15 765</b>	<b>6 400</b>
incl. overdraft		3 322	0	212	0
incl. loans with mortgage collateral		106 396	32 200	6 800	2 058
Claims to financial institutions		11 526	5 543	737	354
Demand and time loans to financial institutions		11 526	5 543	737	354
Loans to other enterprises		204 103	86 403	13 045	5 522
Loans to private persons		31 039	8 196	1 984	524
<b>Securities</b>		<b>591</b>	<b>3 098</b>	<b>38</b>	<b>198</b>
Debt securities and other fixed income securities		0	3 002	0	192
Shares	16	591	96	38	6
<b>Intangible assets</b>	17	<b>832</b>	<b>162</b>	<b>53</b>	<b>10</b>
<b>Fixed assets</b>	18	<b>3 974</b>	<b>3 413</b>	<b>254</b>	<b>218</b>
<b>Other assets</b>	19	<b>10 127</b>	<b>28</b>	<b>647</b>	<b>2</b>
<b>Accrued revenue and prepaid expenses</b>	20	<b>5 442</b>	<b>8 773</b>	<b>348</b>	<b>561</b>
incl. interest receivable		1 094	475	70	30
<b>Total assets</b>		<b>337 487</b>	<b>184 555</b>	<b>21 569</b>	<b>11 795</b>
<b>Amounts owed to customers</b>	21	<b>174 994</b>	<b>80 871</b>	<b>11 184</b>	<b>5 169</b>
Amounts owed to government		724	0	46	0
Demand deposits		724	0	46	0
Amounts owed to financial institutions		33 569	23 618	2 145	1 509
Other financial institutions		33 569	23 618	2 145	1 509
Demand deposits		22	148	1	9
Time deposits		33 547	23 470	2 144	1 500
Amounts owed to other enterprises		80 089	27 084	5 119	1 731
Demand deposits		9 470	21 629	605	1 382
Time deposits		70 619	5 455	4 513	349
Amounts owed to non-profit organisations		145	156	9	10
Demand deposits		70	156	4	10
Time deposits		75	0	5	0
Amounts owed to private persons		60 467	30 013	3 865	1 918
Demand deposits		28 559	25 088	1 825	1 603
Time deposits		31 908	4 925	2 039	315
<b>Debt certificate liabilities</b>	22	<b>64 325</b>	<b>0</b>	<b>4 111</b>	<b>0</b>
Debts evidenced by certificates		64 325	0	4 111	0
<b>Other liabilities</b>	23	<b>189</b>	<b>0</b>	<b>12</b>	<b>0</b>
incl. items in transmission		189	0	12	0
<b>Accrued expenses and deferred income</b>	24	<b>2 314</b>	<b>858</b>	<b>148</b>	<b>55</b>
incl. interest payable		1 231	122	79	8
<b>Total liabilities</b>		<b>241 822</b>	<b>81 729</b>	<b>15 455</b>	<b>5 223</b>
<b>Subscribed capital</b>		<b>100 000</b>	<b>100 000</b>	<b>6 391</b>	<b>6 391</b>
<b>Other reserves</b>		<b>271</b>	<b>230</b>	<b>17</b>	<b>15</b>
<b>Retained earnings</b>		<b>2 150</b>	<b>1 771</b>	<b>137</b>	<b>113</b>
<b>Profit/(-)loss for the year</b>		<b>-6 756</b>	<b>825</b>	<b>-432</b>	<b>53</b>
<b>Total equity</b>		<b>95 665</b>	<b>102 826</b>	<b>6 114</b>	<b>6 572</b>
<b>Total liabilities and equity</b>		<b>337 487</b>	<b>184 555</b>	<b>21 569</b>	<b>11 795</b>

### 4.3 Off-Balance Sheet Claims and Commitments

As of 31.12.2005

(EEK ths.)

(EUR ths.)

	Claims		Commitments	
<b>Irrevocable transactions</b>	<b>0</b>	<b>11 446</b>	<b>0</b>	<b>732</b>
Guarantees and other similar irrevocable transactions	0	2 056	0	131
Credit lines and overdraft limits (unused amount)	0	9 390	0	600
<b>Derivatives</b>	<b>835 639</b>	<b>825 512</b>	<b>53 407</b>	<b>52 760</b>
Currency-related derivatives	835 639	825 512	53 407	52 760

As of 31.12.2004

(EEK ths.)

(EUR ths.)

	Claims		Commitments	
<b>Derivatives</b>	<b>235 975</b>	<b>235 946</b>	<b>15 082</b>	<b>15 080</b>
Currency-related derivatives	235 975	235 946	15 082	15 080

### 4.4 Statement of Changes in Equity

(EEK ths.)

(EUR ths.)

	01.01.2005 - 31.12.2005	01.01.2004 - 31.12.2004	01.01.2005 - 31.12.2005	01.01.2004 - 31.12.2004
<b>Share capital</b>				
Balance at beginning of period	100 000	100 000	6 391	6 391
<b>Balance at end of period</b>	<b>100 000</b>	<b>100 000</b>	<b>6 391</b>	<b>6 391</b>
<b>Other reserves</b>				
Balance at beginning of period	230	210	15	13
Statutory legal reserve	41	20	3	1
<b>Balance at end of period</b>	<b>271</b>	<b>230</b>	<b>17</b>	<b>15</b>
<b>Retained earnings</b>				
Balance at beginning of period	2 596	1 791	166	114
Appropriations to reserves	-41	-20	-3	-1
IFRS correction	-405	0	-26	0
Profit / loss for the financial year	-6 756	825	-432	53
<b>Balance at end of period</b>	<b>-4 606</b>	<b>2 596</b>	<b>-294</b>	<b>166</b>
<b>Total shareholder's equity:</b>				
<b>at beginning of period</b>	<b>102 826</b>	<b>102 000</b>	<b>6 572</b>	<b>6 519</b>
<b>at end of period</b>	<b>95 665</b>	<b>102 826</b>	<b>6 114</b>	<b>6 572</b>

Share capital is divided into 10 000 000 common shares with nominal value of 10 Estonian kroons each, and has been paid-in in cash.

According to the articles of association, the minimum share capital of the Bank is 100 000 000 Estonian kroons and maximum share capital is 400 000 000 Estonian kroons.

## 4.5 Statement of Cash Flows

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	01.01.2005- 31.12.2005	01.01.2004- 31.12.2004	01.01.2005- 31.12.2005	01.01.2004- 31.12.2004
<b>Cash flows from operating activities</b>	<b>-18 667</b>	<b>20 227</b>	<b>-1 193</b>	<b>1 293</b>
interests received	17 492	9 169	1 118	586
interests paid	-4 220	-874	-270	-56
fees and commissions received	1 684	2 079	108	133
fees and commissions paid	-1 046	-499	-67	-32
administrative expenses	-18 697	-13 548	-1 195	-866
net trading income	1 960	2 236	125	143
other operating expenses	-1 232	-1 131	-79	-72
net increase(-) / decrease(+) in operating assets				
loan portfolio	-142 338	-21 622	-9 097	-1 382
due from other banks	-22 119	-4 793	-1 414	-306
other assets	-12 751	-3 511	-815	-224
securities	2 507	2 464	160	157
net increase / decrease in operating liabilities (+/-)				
due to customers	94 123	50 483	6 016	3 226
debts evidenced by certificates	64 325	0	4 111	0
other liabilities	1 645	-226	105	-14
<b>Cash flows from investing activities</b>	<b>-2 538</b>	<b>-3 692</b>	<b>-162</b>	<b>-236</b>
purchase of tangible fixed assets	-1 637	-3 623	-105	-232
purchase of intangible fixed assets	-901	-69	-58	-4
<b>Net increase in cash and cash equivalents</b>	<b>-21 205</b>	<b>16 535</b>	<b>-1 355</b>	<b>1 057</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60 244</b>	<b>43 709</b>	<b>3 850</b>	<b>2 794</b>
<b>Cash and cash equivalents at the end of IV quarter</b>	<b>39 039</b>	<b>60 244</b>	<b>2 495</b>	<b>3 850</b>

\* Cash and cash equivalents comprise cash, demand and overnight deposits in other credit institutions and correspondent account in central bank, deducted by mandatory reserve.

1. Bank did not pay income tax in 2005.
2. Bank did not have assets acquired under capital lease during year 2005.
3. Bank did not pay for any investments with Estonian Privatisation Vouchers (EVP) nor with non-monetary payment during year 2005.
4. Bank did not receive non-monetary dividends, in other assets, during year 2005.

## 4.6 Notes to the Financial Statements

	(EEK ths.)		(EUR ths.)	
	01.01.-31.12.05	01.01.-31.12.04	01.01.-31.12.05	01.01.-31.12.04
<b>Note 1: Interest Income</b>				
Interest income from loans *	16 278	8 007	1 040	512
Interest income from demand deposits	1 178	137	75	9
Interest income from time deposits	0	757	0	48
Interest income from debt securities	36	154	2	10
<b>Total interest income</b>	<b>17 492</b>	<b>9 055</b>	<b>1 118</b>	<b>579</b>
* Fee income from loans has been revalued in year 2005 in accordance with IFRS, and disclosed under interest income. Fee income from loans and guarantees was reported under fees and commissions income before 2005 (see note 3).				
No segmental reporting has been compiled, as the bank so far has only one important segment, based on number of customers, products, management and on operating in one location.				
<b>Note 2: Interest Expense</b>				
Interest expense on demand deposits	337	251	22	16
Interest expense on time deposits	2 420	524	155	33
Interest expense on debts evidenced by certificates	1 463	0	94	0
<b>Total interest expense</b>	<b>4 220</b>	<b>775</b>	<b>270</b>	<b>50</b>
<b>Note 3: Fees and Commissions Income</b>				
Loan arrangements and guarantees *	0	760	0	49
Bank transaction fees	253	185	16	12
Security transaction fees	1 035	451	66	29
Account opening and maintenance fees	361	338	23	22
Investment banking fees	0	28	0	2
Other fees and commissions income	35	6	2	0
Consultancy fees income	0	4 772	0	305
<b>Total fees and commissions income</b>	<b>1 684</b>	<b>6 540</b>	<b>108</b>	<b>418</b>
<b>Note 4: Fees and Commissions Expense</b>				
Security transactions expenses	546	125	35	8
Bank transaction expenses	181	147	12	9
S.W.I.F.T. expenses	302	256	19	16
Other fees and commissions expense	17	0	1	0
<b>Total fees and commissions expense</b>	<b>1 046</b>	<b>528</b>	<b>67</b>	<b>34</b>
<b>Note 5: Net Trading Income</b>				
Income from foreign exchange	1 306	2 235	83	143
Income from shares and debt securities in trading portfolio	654	1	42	0
<b>Total net trading income</b>	<b>1 960</b>	<b>2 236</b>	<b>125</b>	<b>143</b>
<b>Note 6: Salary Expense</b>				
Salaries	7 127	5 499	455	351
Supervisory Board fees	0	655	0	42
Fringe benefits	17	53	1	3

Note 6 continued	(EEK ths.)		(EUR ths.)	
	01.01.-31.12.05	01.01.-31.12.04	01.01.-31.12.05	01.01.-31.12.04
Income tax from fringe benefits	5	0	0	0
Change in vacations reserve	81	-63	5	-4
<b>Total salary expense</b>	<b>7 230</b>	<b>6 144</b>	<b>462</b>	<b>393</b>
<b>Note 7: Social Insurance Tax Expense</b>				
Social taxes from salaries	2 372	1 842	152	118
Social taxes from Supervisory Board fees	0	216	0	14
Social taxes from fringe benefits	7	17	0	1
Social tax from change in vacations reserve	27	-21	2	-1
<b>Total social insurance tax expense</b>	<b>2 406</b>	<b>2 054</b>	<b>154</b>	<b>131</b>
<b>Note 8: Other Administrative Expenses</b>				
Rent of premises	2 865	2 046	183	131
IT expenses	1 465	1 361	94	87
Post and telecommunication expenses	425	393	27	25
Professional services purchased	1 868	851	119	54
Office expenses	349	178	22	11
Training and business trip expenses	137	175	9	11
Advertising expenses	1 074	99	69	6
Transportation expenses	720	575	46	37
Other expenses	158	52	10	3
<b>Total other administrative expenses</b>	<b>9 061</b>	<b>5 730</b>	<b>579</b>	<b>366</b>
<b>Note 9: Value Adjustments of Fixed and Intangible Assets</b>				
Depreciation of fixed assets	-1 072	-272	-69	-17
Amortisation of intangible assets	-216	-372	-14	-24
<b>Total value adjustments of fixed and intangible assets</b>	<b>-1 288</b>	<b>-644</b>	<b>-82</b>	<b>-41</b>
<b>Note 10: Value Adjustments of Loans and Advances</b>				
Doubtful receivables	-1 409	0	-90	0
<b>Total value adjustment of loans and advances</b>	<b>-1 409</b>	<b>0</b>	<b>-90</b>	<b>0</b>
<b>Note 11: Other Operating Expenses</b>				
Guarantee Fund payments	249	120	16	8
Financial Inspection fees	773	814	49	52
Tallinn Stock Exchange fees	166	155	11	10
Other operating expenses	44	42	3	3
<b>Total other operating expenses</b>	<b>1 232</b>	<b>1 131</b>	<b>79</b>	<b>72</b>



	31.12.2005	(EEK ths.) 31.12.2004	31.12.2005	(EUR ths.) 31.12.2004
<b>Note 12: Cash</b>				
Cash in Estonian kroons	166	564	11	36
Cash in foreign currency	129	344	8	22
<b>Total cash</b>	<b>295</b>	<b>908</b>	<b>19</b>	<b>58</b>
 <b>Note 13: Balances with Central Bank</b>				
Mandatory reserve	30 814	8 695	1 969	556
Surplus of the reserve with the central bank	1 329	199	85	13
<b>Total balances with the central bank</b>	<b>32 143</b>	<b>8 894</b>	<b>2 054</b>	<b>568</b>
 <b>Note 14: Due from Other Credit Institutions</b>				
Correspondent accounts	37 415	517	2 391	33
Overnight deposits	0	58 620	0	3 747
<b>Total due from other credit institutions</b>	<b>37 415</b>	<b>59 137</b>	<b>2 391</b>	<b>3 780</b>
 <b>Claims by country</b>				
Estonia	34 173	58 795	2 184	3 758
OECD countries	3 242	342	207	22
<b>Total claims by country</b>	<b>37 415</b>	<b>59 137</b>	<b>2 391</b>	<b>3 780</b>
 <b>Note 15: Due from Customers of Credit Institution</b>				
<b>Due by customer types</b>				
Due from financial institutions	11 526	5 543	737	354
Loans to private companies	204 103	86 403	13 045	5 522
Loans to private persons	31 039	8 196	1 984	524
<b>Total due by customer types</b>	<b>246 668</b>	<b>100 142</b>	<b>15 765</b>	<b>6 400</b>
 <b>Due by remaining maturity</b>				
On demand	11 099	5 462	709	349
Up to 3 months	61 284	39 891	3 917	2 549
3 to 12 months	103 485	22 446	6 614	1 435
1 to 2 years	38 433	4 335	2 456	277
2 to 5 years	26 103	27 542	1 668	1 760
over 5 years	6 264	466	400	30
<b>Total due by remaining maturity</b>	<b>246 668</b>	<b>100 142</b>	<b>15 765</b>	<b>6 400</b>
 <b>Due by country</b>				
Estonia	210 797	90 298	13 472	5 771
OECD countries	35 871	9 844	2 293	629
<b>Total due by country</b>	<b>246 668</b>	<b>100 142</b>	<b>15 765</b>	<b>6 400</b>
 <b>Overdue claims and loans</b>				
Loans to other enterprises	1 447	0	92	0
Loans to private persons	1	0	0	0
<b>Total overdue claims and loans</b>	<b>1 448</b>	<b>0</b>	<b>93</b>	<b>0</b>

Bank has no loans with specific loan loss provisions.

		(EEK ths.)		(EUR ths.)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>Note 16: Shares</b>				
shares in trading portfolio	495	0	32	0
-quoted on stock exchange	495	0	32	0
shares in investment portfolio	96	96	6	6
<b>Total shares</b>	<b>591</b>	<b>96</b>	<b>38</b>	<b>6</b>
<b>Shares by country</b>				
Estonia	96	96	6	6
OECD countries	495	0	32	0
<b>Total shares by country</b>	<b>591</b>	<b>96</b>	<b>38</b>	<b>6</b>
<b>Note 17: Intangible Assets</b>				
Software	3 037	2 151	194	137
Accumulated depreciation	-2 205	-1 989	-141	-127
<b>Total intangible assets</b>	<b>832</b>	<b>162</b>	<b>53</b>	<b>10</b>
<b>Note 18: Fixed Assets</b>				
Capitalised expenses	2 871	1 923	183	123
Prepayments	12	259	1	17
Computers	778	863	50	55
Furniture	1 071	872	68	56
Other fixed assets	1 734	1 085	111	69
Accumulated depreciation	-2 492	-1 589	-159	-102
<b>Total fixed assets</b>	<b>3 974</b>	<b>3 413</b>	<b>254</b>	<b>218</b>
<b>Note 19: Other Assets</b>				
Revaluation of foreign currency derivatives	10 127	28	647	2
<b>Total other assets</b>	<b>10 127</b>	<b>28</b>	<b>647</b>	<b>2</b>
<b>Note 20: Accruals and Prepaid Expenses</b>				
Interests receivable	1 094	475	70	30
Fees and commissions receivable	97	166	6	11
Prepaid expenses	4 175	3 813	267	244
Debtors	58	4 318	4	276
Other accrued revenue	18	1	1	0
<b>Total accruals and prepaid expenses</b>	<b>5 442</b>	<b>8 773</b>	<b>348</b>	<b>561</b>
<b>Note 21: Due to Customers</b>				
Demand deposits	38 844	47 022	2 483	3 005
Time deposits	136 150	33 850	8 702	2 163
<b>Total due to customers</b>	<b>174 994</b>	<b>80 872</b>	<b>11 184</b>	<b>5 169</b>

	31.12.2005	(EEK ths.) 31.12.2004	31.12.2005	(EUR ths.) 31.12.2004
<b>Demand deposits by customer groups</b>				
Government	724	0	46	0
Financial institutions	22	148	1	9
Non-profit organisations	70	156	4	10
Companies	9 469	21 630	605	1 382
Private persons	28 559	25 088	1 825	1 603
<b>Total demand deposits</b>	<b>38 844</b>	<b>47 022</b>	<b>2 483</b>	<b>3 005</b>
<b>Time deposits by customer groups</b>				
Financial institutions	33 547	23 470	2 144	1 500
Non-profit organisations	75	0	5	0
Companies	70 620	5 455	4 513	349
Private persons	31 908	4 925	2 039	315
<b>Total time deposits</b>	<b>136 150</b>	<b>33 850</b>	<b>8 702</b>	<b>2 163</b>
<b>Note 22: Debt Certificate Liabilities</b>				
Bonds issued	64 325	0	4 111	0
<b>Total debts certificate liabilities</b>	<b>64 325</b>	<b>0</b>	<b>4 111</b>	<b>0</b>
<b>Bonds by maturity</b>				
10.08.2006	6 135		392	
20.04.2007	35 720		2 283	
11.10.2007	11 200		716	
19.10.2007	11 270		720	
<b>Total debts certificate liabilities</b>	<b>64 325</b>		<b>4 111</b>	
<b>Note 23: Other Liabilities</b>				
Payments in transmission	189	0	12	0
<b>Total other liabilities</b>	<b>189</b>	<b>0</b>	<b>12</b>	<b>0</b>
<b>Note 24: Accrued Expenses and Deferred Income</b>				
Interest payable	1 231	122	79	8
Taxes payable	319	119	20	8
Payables to employees	327	219	21	14
Payables to suppliers	353	397	23	25
Other accrued expenses and deferred income	84	0	5	0
<b>Total accrued expenses and deferred income</b>	<b>2 314</b>	<b>857</b>	<b>148</b>	<b>55</b>

## Note 25: Geographical Concentration of Clients' Debts

(EEK ths., as of 31.12.05)

Area / Type of debt	Balance sheet claims			Off-balance sheet claims	By country (%)
	loans *	securities	other claims		
Estonia	277 113	96	1 053	274 912	47.96%
Sweden	0	126	0	0	0.01%
Italy	15	0	0	0	0.00%
United States of America	280	0	0	0	0.02%
Finland	2 926	369	0	0	0.29%
United Kingdom	11 158	0	0	560 727	49.58%
Greece	24 734	0	0	0	2.14%
Total	316 226	591	1 053	835 639	100.00%

\* includes claims to credit institutions and financial institutions

(EUR ths., as of 31.12.05)

Area / Type of debt	Balance sheet claims			Off-balance sheet claims	By country (%)
	loans *	securities	other claims		
Estonia	17 711	6	67	17 570	47.96%
Sweden	0	8	0	0	0.01%
Italy	1	0	0	0	0.00%
United States of America	18	0	0	0	0.02%
Finland	187	24	0	0	0.29%
United Kingdom	713	0	0	35 837	49.58%
Greece	1 581	0	0	0	2.14%
Total	20 211	38	67	53 407	100.00%

\* includes claims to credit institutions and financial institutions

(EEK ths., as of 31.12.04)

Area / Type of debt	Balance sheet claims			Off-balance sheet claims	By country (%)
	loans *	securities	other claims		
Estonia	277 113	96	1 053	274 912	47.96%
Sweden	0	126	0	0	0.01%
Italy	15	0	0	0	0.00%
United States of America	280	0	0	0	0.02%
Finland	2 926	369	0	0	0.29%
United Kingdom	11 158	0	0	560 727	49.58%
Greece	24 734	0	0	0	2.14%
Total	316 226	591	1 053	835 639	100.00%

\* includes claims to credit institutions and financial institutions

(EUR ths., as of 31.12.04)

Area / Type of debt	Balance sheet claims			Off-balance sheet claims	By country (%)
	loans *	securities	other claims		
Estonia	17 711	6	67	17 570	47.96%
Sweden	0	8	0	0	0.01%
Italy	1	0	0	0	0.00%
United States of America	18	0	0	0	0.02%
Finland	187	24	0	0	0.29%
United Kingdom	713	0	0	35 837	49.58%
Greece	1 581	0	0	0	2.14%
Total	20 211	38	67	53 407	100.00%

\* includes claims to credit institutions and financial institutions

## Note 26: Concentration of Clients' Debt by Economic Sector

(EEK ths., as of 31.12.05)

Economic sector / Type of debt	Balance sheet claims			Off-balance sheet claims	By sector (%)
	loans*	securities	other claims		
Finance	81 085	0	0	593 316	58.47%
Retail and wholesale	33 034	0	89	196 051	19.87%
Real estate development	151 084	96	667	0	13.16%
Private persons	31 039	0	206	0	2.71%
Construction	432	0	3	0	0.04%
Industry	17 849	495	78	0	1.60%
Transport and logistics	0	0	0	46 272	4.01%
Hotels, restaurants	1 462	0	9	0	0.13%
Other public, social and private services	241	0	1	0	0.02%
Total	316 226	591	1 053	835 639	100.00%

\* includes claims to credit institutions and financial institutions

(EUR ths., as of 31.12.05)

Economic sector / Type of debt	Balance sheet claims			Off-balance sheet claims	By sector (%)
	loans*	securities	other claims		
Finance	5 182	0	0	37 920	58.47%
Retail and wholesale	2 111	0	6	12 530	19.87%
Real estate development	9 656	6	43	0	13.16%
Private persons	1 984	0	13	0	2.71%
Construction	28	0	0	0	0.04%
Industry	1 141	32	5	0	1.60%
Transport and logistics	0	0	0	2 957	4.01%
Hotels, restaurants	93	0	1	0	0.13%
Other public, social and private services	15	0	0	0	0.02%
Total	20 211	38	67	53 407	100.00%

(EEK ths., as of 31.12.04)

Economic sector / Type of debt	Balance sheet claims			Incl. overdue and doubtful receivables	By sector (%)
	loans*	securities	other claims		
Finance	81 085	0	0	0	58.47%
Retail and wholesale	33 034	0	89	0	19.87%
Real estate development	151 084	96	667	0	13.16%
Private persons	31 039	0	206	0	2.71%
Construction	432	0	3	0	0.04%
Industry	17 849	495	78	0	1.60%
Transport and logistics	0	0	0	0	4.01%
Hotels, restaurants	1 462	0	9	0	0.13%
Other public, social and private services	241	0	1	0	0.02%
Total	316 226	591	1 053	0	100.00%

\* includes claims to credit institutions and financial institutions

(EUR ths., as of 31.12.04)

Economic sector / Type of debt	Balance sheet claims			Incl. overdue and doubtful receivables	By sector (%)
	loans*	securities	other claims		
Finance	5 182	0	0	0	58.47%
Retail and wholesale	2 111	0	6	0	19.87%
Real estate development	9 656	6	43	0	13.16%
Private persons	1 984	0	13	0	2.71%
Construction	28	0	0	0	0.04%
Industry	1 141	32	5	0	1.60%
Transport and logistics	0	0	0	0	4.01%
Hotels, restaurants	93	0	1	0	0.13%
Other public, social and private services	15	0	0	0	0.02%
Total	20 211	38	67	0	100.00%

\* includes claims to credit institutions and financial institutions.