



ANNUAL REPORT

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2005
End of reporting year	31.12.2005

AS SBM Pank
(SBM Bank Ltd.)

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INTRODUCTION

General Data of Credit Institution

Business name	AS SBM Pank
Location and address	Pärnu mnt 12, 10148 Tallinn, Estonia
Registered in state	Republic of Estonia
Registration date	14.10.1999
Registration code	10586461 (Estonian Commercial Register)
Phone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T.'s BIC code	SBMBEE22
E-mail	info@sbmbank.ee
Internet home page	http://www.sbmbank.ee

Auditor

Auditor's business name	KPMG Baltics AS
Auditor's registration code	10096082
Auditor's location and address	Ahtri 10A, 10151 Tallinn, Estonia
Name of leading auditor	Taivo Epner

Balance sheet date of report	31.12.2005
Reporting period	01.01.2005 – 31.12.2005
Reporting currency and units	In thousands Estonian kroons (EEK)
Comparison currency and units	In thousands euros (EUR)

MANAGEMENT BOARD'S CONFIRMATION

After examining the information presented in the Public Annual Report 2005, the Management Board of AS SBM Pank is on the 10 April 2006, the date of approval of the Annual Report, of opinion that:

“Public Annual Report 2005” consists of the following parts and reports:

Introduction;
Management Report;
Financial Statements;
Auditor's Report;
the Management Board's Profit Allocation Proposal
and includes all information complying with the requirements of Public Annual Reports as stipulated by the decree no. 25 of the President of the Bank of Estonia, dd. 19 October 1999, decree no. 1 of the President of the Bank of Estonia, dd. 09 February 2000, decree no. 1 of the President of the Bank of Estonia, dd. 31 January 2001, decree no. 14 of the President of the Bank of Estonia, dd. 19 September 2002 and decree no. 3 of the President of the Bank of Estonia, dd. 04 February 2004.

The data and additional information published in this “Public Annual Report 2005” is true and complete.

Nothing relevant is missing or undisclosed from the data and information published in this “Public Annual Report 2005”, which could alter its contents or meaning.


The financial statements (on pages 12-38) have been prepared 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 company, of the results of its operations and cash flows.

All significant matters of fact, which have arisen between the date of approval of the Annual Report and date of the Annual Report, have been apprised.

AS SBM Pank is operating on a going concern basis.

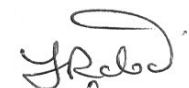
Riho Rasmann

Chairman of the Management Board

 10.04.2006

Sven Raba

Member of the Management Board

 10.04.2006


Mart Veskimägi

Member of the Management Board

 10.04.2006

Roul Tutt

Member of the Management Board

 10.04.2006

MANAGEMENT REPORT

Description of the Credit Institution

AS SBM Pank is a credit institution established and operating since 1999 in Estonia. AS SBM Pank (hereinafter: the Bank) has the activity license issued by Estonian Central Bank (the Bank of Estonia), which allows the Bank to engage in all banking operations. The Bank is the member of Tallinn Stock Exchange, has an account manager status of Estonian Central Depository for Securities and is the member of SWIFT. The advantages of the Bank are its small size and its focus on certain customers' segments and certain areas of operations. Because of these advantages, the Bank is flexible and fast in providing quality personal services regardless of any changes in the economic environment and market situation. In addition, the above advantages enable the Bank to have more effective, faster and simpler risk management and control system. The other advantages of the Bank are its qualified employees with banking experience.

As of the report date 54.45% of the shares of SBM Bank are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece); 20% of the shares are owned by Mr. Ernesto A. Preatoni (place of residence Tallinn, Republic of Estonia); 9.8% of the shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros; 9.8% of the shares are owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John; 4.95% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece) and 1% of the shares are owned by Mr. Dimitrios Germidis (place of residence Athens, Greece). Current shareholders have concluded an option agreement for further purchase of the 20% of shares controlled by Mr. Preatoni.

The Special General Meeting of Shareholders of the Bank decided on 28 February 2006 to increase share capital as follows:

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. The subscription right will be given to Marfin Financial Group Holdings S.A.
5. New shares must be subscribed from the date of current resolution until 29 May 2006 in the registered office of AS SBM Pank at Pärnu mnt. 12, Tallinn. Monetary payment for the subscribed shares has to be within 10 banking days from the date of subscription but not later than 12 June 2006.

After the successful completion of Share Capital increase and approval by the Financial Supervision Authority the new ownership structure of AS SBM Pank will be:

Marfin Financial Group Holdings S.A. – 50.12%

Nikolaos Sarros – 27.16%

Other shareholders will have holdings less than 10%.

Considering the need to strengthen AS SBM Bank's capital base and ensure better development of the bank, both the former owners and the Management Board considered it necessary to involve additional investors, who have extensive experience in European banking and sufficient financial means for further developing the bank.

SBM Bank is of opinion that Marfin Financial Group Holdings S.A. is a strong and trustworthy investor, whose involvement as a strategic investor considerably improves the ability of AS SBM Bank to operate in the competitive financial intermediation market through additional financial means, know-how and network of connections, and effectively contributes to the execution of bank's expansion strategy.

Background information on Marfin Financial Group Holdings S.A.

MARFIN FINANCIAL GROUP HOLDINGS S. A. (MARFIN F.G.) is a holding company with investments in the banking and financial services sector with two main subsidiaries, **MARFIN BANK**, which is a Commercial Bank and **INVESTMENT BANK OF GREECE**, which is active in Investment Banking and Securities Transactions.

MARFIN FINANCIAL GROUP is listed in the Athens Exchange and is included in the Athens FTSE 40 Index.

During 2005 Marfin F.G. has acquired 10.07% holding in **Egnatia Bank S.A.** and in 2006 9.98% in **Cyprus Popular Bank** (Laiki Bank), leading a group of financial institutions with international presence in Cyprus, Greece, Great Britain, Guernsey, Australia and Serbia.

Additional information about MARFIN F.G. is available in their homepage

www.marfingroup.gr.

The Supervisory Board of SBM Bank consists of five members – Mr. Nikolaos Sarros, Mr. Dimitrios Germidis, Mr. Andreas Ch. Boumis, Mr. Emmanouil Karavelakis and Mr. Ulrich John. Mr. Nikolaos Sarros is the Chairman of the Supervisory Board.

The Management Board of SBM Bank consists of four members. Mr. Riho Rasmann is the Chairman of the Management Board, and the members of the Management Board are Mr. Sven Raba, Mr. Mart Veskimägi and Mr. Roul Tutt. The Supervisory Board of SBM Bank elected Mr. Roul Tutt to become the forth Member of the Management Board on 16 May 2005; the Management Board had three members before that. Mr. Tutt is responsible for the retail and corporate banking area. The Chairman of the Management Board and the members of the Management Board do not own shares neither hold options to acquire shares of SBM Bank.

SBM Bank has neither subsidiaries nor participating interests, exceeding 20% shareholding in any company. Bank has participated in the establishment of European

Business Development AS, where the Bank owns 16% of share capital. This business development company was entered into Estonian Commercial Register on 27.01.2005.

Description of Economic Environment

Fast economic growth of Estonia continued in 2005, and the gross domestic product grew 9.8% according to the data of the Statistical Office of Estonia. Growth was extensive, supported both by the quick growth of exports (+30.3% on yearly basis) as well as private consumption (+12% in net sales on yearly basis). Private consumption was influenced the most by the continuing rapid growth of salaries (+10.5% on yearly basis) and record-low level (after 1995) of unemployment (7.9% of work force). Net sales of companies reached 453 billion kroons (29 billion euros) in 2005, increasing 20% over the year and being influenced the most by growth in construction and commercial sectors. Active real estate market played an important role in the general economic situation. 63 000 notarised real estate transactions were concluded in 2005 in the total amount of 50 billion kroons (3 billion euros) i.e. 72% more in terms of volume than in 2004. At the same time, the demand in the real estate market exceeded offers-side significantly, which caused rapid increase in real estate prices, even 45% in the 4th quarter of 2005 (on yearly basis). Quick economic growth and the rise of prices of oil-products on the world market caused acceleration of inflation. Change in the consumer price index was 4.1% in 2005 compared with the yearly average of 2004. The development of Estonia was significantly influenced by the continuously low interest rates in Europe. Speeding inflation in the euro-area forced however the European Central Bank to raise base interest rates at the end of the year. Generally low economic growth in the euro-area, reaching only 1.7% in 2005, slows down the further fast interest rate increases.

Lively real estate market, fast economic growth and low interest rates affected the development of the banking market too. So the total loan portfolio of commercial banks increased 46%, according to the Bank of Estonia, reaching 125 billion kroons (8 billion euros). Especially fast growth took place in loans to private persons, 69% over the year, reaching 50 billion kroons (3 billion euros). Loans to commercial enterprises grew 63% to 52 billion kroons (3 billion euros). 61% of all loans were issued against mortgage collateral. 82% of all loan balances to private person were residential loans and 9% consumer loans. Fast growth, however, did not lower the quality of loan portfolio and overdue loans accounted only for 0.2% of the loan portfolio as of year end. Although the deposits of customers grew 47% in 2005, their total volume was still significantly smaller than that of loan portfolio, comprising 95 billion kroons (6 billion euros) at year end. Liabilities to companies totalled 45 billion kroons (3 billion euros), growth 65%, and liabilities to private persons comprised 34 billion kroons (2 billion euros), growth 32%. Faster growth of loan portfolio compared with deposits, reveals the great dependency of Estonian banks on ability to involve funds from foreign markets.

Major Economic Events

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 (excluding financial institutions) 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 financial year (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 bonds four times in 2005, 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 Tallinn Stock Exchange 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).

No membership fees were paid to the Members of the SBM Bank's Supervisory Board in the financial year 2005 (in 2004 655 thousand kroons i.e. 42 thousand euros). No membership fees were paid to the members of the Management Board in the financial years 2005 and 2004. The calculated 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.

The investments in fixed assets during reporting period amounted to 1 891 thousand kroons (121 thousand euros). New branch office was opened on the ground floor of Pärnu mnt 12, Tallinn. Bank introduced several new products, incl. overdraft, party and wedding loan, travel loan and teeth loan, and supplemented its internet bank. The plans include continuing investments in at least the same volume. Plans include opening a branch office in Tartu, and introduction of loan products new to the market.

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%.

Prudential Ratios

Capital Adequacy

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
1. First level equity	94 833	101 839	6 061	6 509
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 of the previous years	2 150	1 771	137	113
1.5 Profit for the current reporting period	0	0	0	0
1.9 Treasury stock (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
2. Second level equity	0	0	0	0
3. Total gross own funds (1+2)	94 833	101 839	6 061	6 509
4. Deductions from gross own funds	0	0	0	0
5. Total net own funds (3-4)	94 833	101 839	6 061	6 509
6. Third level equity	0	0	0	0
7. Risk weighted assets	268 532	118 049	17 162	7 545
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
8. Risk weighted off-balance sheet commitments	2 056	0	131	0
8.1 Group I	2 056	0	131	0
8.2 Group II	0	0	0	0
9. Capital requirement for currency risk	0	0	0	0
10. Capital requirement for trading portfolio risks	105	20	7	1
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 trading risk	0	0	0	0
10.4 Capital requirement for option risk	0	0	0	0
10.5 Capital requirement for trading portfolio transaction risk	0	0	0	0
10.6 Capital requirement for trading portfolio credit risk	0	0	0	0
11. Capital requirement for trading portfolio credit risk open positions exceeding risk concentration limits	0	0	0	0
12. Capital adequacy (5.+6.)/(7.+8.+9.+10.+11x12.5)	34.88%	86.09%	34.88%	86.09%

Capital adequacy decreased during reporting year mainly due to the increase in the loan portfolio. Minimum capital adequacy ratio, as required by the Bank of Estonia, is 10%.

Risk Concentration

(EEK ths., as of 31.12.2005)

	Credit institution	
	no. / amount	% from net own funds
1. Number of customers 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%

(EUR ths., as of 31.12.2005)

	Credit institution	
	no. / amount	% from net own funds
1. Number of customers 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%

(EEK ths., as of 31.12.2004)

	Credit institution	
	no. / amount	% from net own funds
1. Number of customers 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%

(EUR ths., as of 31.12.2004)

	Credit institution	
	no. / amount	% from net own funds
1. Number of customers 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%

Ratios

	31.12.2005	31.12.2004
Return on equity (ROE), %	-6.81%	0.81%
Equity multiplier (EM)	2.68	1.57
Profit margin (PM) %	-31.11%	4.62%
Asset utilisation (AU), %	8.32%	11.25%
Net interest margin (NIM), %	5.45%	5.48%
Basic earnings per share (Basic EPS)	-0.68	0.08
Diluted earnings per share (Diluted EPS)	-0.68	0.08
Spread (SPREAD), %	3.88%	4.61%
Yield on interest-earning assets (YIEA), %	7.18%	5.99%
Cost of interest-bearing liabilities (COL), %	3.30%	1.39%

Explanations to key ratios

Total income includes the following items (according to Eesti Pank decree No. 25, 19.10.1999): interest income, income from fees and commissions, profit/loss from currency exchange, income from financial investments, other operating income, extraordinary income, income from value adjustments of fixed and intangible assets (+), income from value adjustments of advances and off-balance sheet commitments (+), income from value adjustments of long term financial investments.

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

Ratings

SBM Bank has not been rated by international rating agencies.

Legal disputes

There were no legal disputes relating to Bank's activities as of 31 December 2005.

FINANCIAL STATEMENTS

Income Statement

		(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	Note	2005	2004	2005	2004
Interest income	1	17 492	9 787	1 118	626
Interest income from banking activities		17 492	9 787	1 118	626
Interest expense	2	4 220	775	270	50
Interest expense from banking activities		4 220	775	270	50
Net interest income (+/-)		13 272	9 012	848	576
Net fees and commissions income		638	5 252	41	336
Fees and commissions income	3	1 684	5 780	108	369
Fees and commissions expense	4	1 046	528	67	34
Net trading income (+/-)	5	1 960	2 236	125	143
Administrative expenses		18 697	13 928	1 195	890
Salaries expense	6	7 230	6 144	462	393
Social insurance tax, unemployment insurance premium	7	2 406	2 054	154	131
Other administrative expenses	8	9 061	5 730	579	366
Value adjustments of fixed and intangible assets (+/-)	9	-1 288	-644	-82	-41
Value adjustments of advances and off-balance sheet items (+/-)	10	-1 409	0	-90	0
Other operating income and expenses		1 232	1 131	79	72
Other operating expenses	11	1 232	1 131	79	72
Profit / loss before taxation		-6 756	797	-432	51
Net profit / loss for the period		-6 756	797	-432	51
Basic earnings per share (Basic EPS)					
2005		EEK -0.68		EUR -0.04	
2004		EEK 0.08		EUR 0.01	
Diluted earnings per share (Diluted EPS)					
2005		EEK -0.68		EUR -0.04	
2004		EEK 0.08		EUR 0.01	

The accounting policies on pp. 16-23 and notes to financial statements on pp. 24-38 form an integral part of the current financial statements.

Balance Sheet

		(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
ASSETS	Note	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Cash	12	295	908	19	58
Loans and advances		316 226	167 769	20 211	10 722
Balances with central bank	13	32 143	8 894	2 054	568
Due from other credit institutions	14	37 415	59 137	2 391	3 780
Due from customers	15	246 668	99 738	15 765	6 374
Debt securities and fixed income securities		0	3 002	0	192
Shares and other securities	16	591	96	38	6
Intangible assets	17	832	162	53	10
Other intangible assets		832	162	53	10
Fixed assets	18	3 974	3 413	254	218
Other assets	19	10 127	28	647	2
Accruals and prepaid expenses	20	5 442	8 773	348	561
TOTAL ASSETS		337 487	184 151	21 569	11 769
LIABILITIES					
Liabilities		174 994	80 871	11 184	5 169
Due to customers	21	174 994	80 871	11 184	5 169
Debt certificate liabilities	22	64 325	0	4 111	0
Debts evidenced by certificates		64 325	0	4 111	0
Other liabilities	23	189	0	12	0
Accrued expenses and deferred income	24	2 314	858	148	55
TOTAL LIABILITIES		241 822	81 729	15 455	5 223
SHAREHOLDERS' EQUITY					
Share capital		100 000	100 000	6 391	6 391
Statutory legal reserve		271	230	17	15
Retained earnings		2 150	1 395	137	89
Profit / loss for the financial year		-6 756	797	-432	51
TOTAL SHAREHOLDERS' EQUITY		95 665	102 422	6 114	6 546
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		337 487	184 151	21 569	11 769

The accounting policies on pp. 16-23 and notes to financial statements on pp. 24-38 form an integral part of the current financial statements.

Statement of Cash Flows

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2005	2004	2005	2004
Cash flows from operating activities	-18 251	20 227	-1 166	1 293
Interests received	16 398	9 929	1 048	635
Interests paid	-2 989	-874	-191	-56
Fees and commissions received	1 529	1 319	98	84
Fees and commissions paid	-1 046	-499	-67	-32
Administrative expenses paid	-17 698	-13 548	-1 131	-866
Net trading income received	1 960	2 236	125	143
Other operating expenses paid	-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	-21 703	-4 793	-1 387	-306
Other assets	-11 502	-3 511	-735	-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
Debt certificate liabilities	64 325	0	4 111	0
Other liabilities	-585	-226	-37	-14
 Cash flows from investing activities	-2 538	-3 692	-162	-236
Purchase of tangible fixed assets	-1 637	-3 623	-105	-232
Purchase of intangible assets	-901	0	-58	0
Sale of portfolio investment	0	-69	0	-4
 Net change in cash and cash equivalents	-20 789	16 535	-1 329	1 057
Cash and cash equivalents at the beginning of the year	60 244	43 709	3 850	2 794
Cash and cash equivalents at the end of the year *	39 455	60 244	2 522	3 850

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

	Note	2005	2004	2005	2004
Cash	12	295	908	19	58
Surplus of the reserve in the central bank	13	1 745	199	112	13
Demand and overnight deposits in banks	14	37 415	59 137	2 391	3 780
Total		39 455	60 244	2 522	3 850

The accounting policies on pp. 16-23 and notes to financial statements on pp. 24-38 form an integral part of the current financial statements.

Statement of Changes in Equity

	(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
Share capital				
Balance at the beginning of the year	100 000	100 000	6 391	6 391
Balance at the end of the year	100 000	100 000	6 391	6 391
Other reserves				
Balance at the beginning of the year	230	210	15	13
Statutory legal reserve	41	20	3	1
Balance at the end of the year	271	230	17	15
Profit/loss retained				
Balance at the beginning of the year	2 192	1 415	140	90
Appropriations to reserves	-41	-20	-3	-1
Profit/loss for the financial year	-6 756	797	-432	51
Balance at the end of the year	-4 606	2 192	-294	140
Total shareholders' equity:				
At the beginning of the year	102 422	102 000	6 546	6 519
At the end of the year	95 665	102 422	6 114	6 546

Share capital is divided into 10 000 000 common shares with nominal value of 10 Estonian kroons each, and was paid-in in cash. The number of shares has not changed during the year. 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.

The accounting policies on pp. 16-23 and notes to financial statements on pp. 24-38 form an integral part of the current financial statements.

Accounting Policies

Accounting Policies

AS SBM Pank (hereinafter also “the Bank”) is a credit institution domiciled in Estonia.

The financial statements were approved by the Management Board on 10 April 2006.

The financial statements of AS SBM Pank have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. All IFRS standards becoming in force since 1 January 2005 and applicable to the Bank have been applied. These are the first financial statements the Bank has compiled following the IFRS and IFRS 1 has been applied. Changes made during first time adoption have been disclosed under subsection *Change in Accounting Principle and its' Effect*.

Basis of Preparation

The accounting base currency and reporting currency of AS SBM Pank is Estonian kroon (EEK). The statements have also been disclosed in euros (EUR) following the requirements of rules and regulation of Tallinn Stock Exchange. As the Estonian kroon has been fixed to euro, with the exchange rate of 15.6466 kroons for 1 euro, no currency differences arise from disclosing the report in euros.

The financial statements are prepared on the historical cost basis, except for cases mentioned in accounting principles below. Disclosed assets and liabilities, the risks of which have been hedged, have been accounted for in their fair values in terms to risk hedged.

Segmental reporting has not been compiled, as the Bank has so far only one important segment, based on number of customers, products, management and on operating in single location.

Significant Judgements and Estimates by the Management

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates, that affect the amounts reported in the financial statements. Judgements and estimates by the management are also required in applying the accounting principles and basis of valuation.

The judgements and estimates of the management are reviewed on an ongoing basis, and they are based on historical experience and other factors including assumptions of likely future events, reasonable under given conditions. Actual results may differ from these estimates.

New or altered standards and interpretations, approved before the balance sheet date of the current report, but coming into effect after the balance sheet date, do not significantly influence the accounting policies applied by the Bank.

Change in Accounting Principle and its' Effect

In 2005, the IFRS was adopted for the first time by the Bank. Applying IFRS caused the usage of effective interest rate method in calculating interest income on loans. Effective interest rate included loan fees, which caused the revaluation of prior periods' interest income and loan balances.

Balance Sheet

	Estonian GAAP	IFRS adjustments	In accordance with IFRS	Estonian GAAP	IFRS adjustments	In accordance with IFRS
	(EEK ths.)	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)	(EUR ths.)
	01.01.2004	01.01.2004	01.01.2004	01.01.2004	01.01.2004	01.01.2004
Due from customers	78 281	-376	77 905	5 003	-24	4 979
Total assets	133 165	-376	132 789	8 511	-24	8 487
Profit/loss for the financial year	214	-376	-162	14	-24	-10
Total shareholders' equity	102 000	-376	101 624	6 519	-24	6 495
Total liabilities and shareholders' equity	133 165	-376	132 789	8 511	-24	8 487

Income Statement

	Estonian GAAP	IFRS adjustments	In accordance with IFRS	Estonian GAAP	IFRS adjustments	In accordance with IFRS
	(EEK ths.)	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)	(EUR ths.)
	2004	2004	2004	2004	2004	2004
Interest income	9 055	732	9 787	579	47	626
Net interest income	8 280	732	9 012	529	47	576
Fees and commissions income	6 012	-760	5 252	384	-49	336
Net profit/loss for the period	825	-28	797	53	-2	51

Statement of Cash Flows

	Estonian GAAP	IFRS adjustments	In accordance with IFRS	Estonian GAAP	IFRS adjustments	In accordance with IFRS
	(EEK ths.)	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)	(EUR ths.)
	2004	2004	2004	2004	2004	2004
Cash flows from operation activities	20 227	0	20 227	1 293	0	1 293
Interest received	9 169	760	9 929	586	49	635
Fees and commissions received	2 079	-760	1 319	133	-49	84

Financial Assets and Liabilities

Cash, short-term financial investments, claims to credit institutions and customers, other claims and accruals are classified as financial assets. Financial liabilities include payables to customers, debts evidenced by certificates, other liabilities and accrued expenses.

Financial assets and liabilities are initially recognised at their fair value.

Financial liabilities are stated in the balance sheet at amortised cost, using the effective interest rate method.

Financial asset is removed from the balance sheet when the bank loses right to the cash flows arising from the financial asset, or passes the cash flows arising from the asset and most of risks and gains relating to the financial asset, to third party. Financial liability is removed from the balance sheet, when settled, concluded or expired.

Purchases and sales of financial assets are reflected in a consistent manner on value dates, i.e. dates when the bank becomes the owner of financial asset or loses the property rights to sold financial asset.

Assets and Liabilities Denominated in Foreign Currencies

Foreign currency transactions are recorded based on the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Assets and liabilities denominated in foreign currencies are revalued into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia valid on the balance sheet date. Changes in exchange rates are reflected in the income statement as “Net trading income”.

Offsetting

Financial assets and liabilities are offset, only if such legal right exists and it is planned to settle the mentioned amounts on a net basis or to realise the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash and cash equivalents include cash, demand and overnight deposits in other credit institutions and the surplus of correspondent account balance in the Bank of Estonia.

Investments to Debt and Equity Securities

Financial assets at fair value through profit and loss

Securities purchased for earning profit from changes in market prices are reflected as financial assets at fair value through profit and loss. Securities are reflected in the balance sheet at fair value based on quoted market prices and official exchange rates of the Bank of Estonia. Fair value of securities not quoted on stock exchange is established by using all information on the value of investment available to the bank. Income/loss arising from the changes in fair value is recognised in the income statement as “Net trading income”.

Securities Held to Maturity

Securities purchased with a strategic purpose to hold them for a long-term until the maturity date, are recorded as securities held to maturity. These securities are measured at amortised cost, using effective interest rate. FIFO method is used to determine the result of their sales.

Other financial instruments held by the bank are classified as available-for-sale and stated at fair value, with arising profit/loss reflected directly in equity.

Derivative Instruments

Derivative instruments (e.g. forwards and swaps) are recognised on deal date at fair value. Derivative instruments are further measured at fair value, based on market prices and official exchange rates of the Bank of Estonia. Revaluation is reflected under balance sheet item “Other assets” or “Other liabilities” and result of revaluation in the income statement under “Net trading income”.

Valuation of Claims

Loans to clients are reflected on the balance sheet under “Due from customers”. Bank regulations require monthly revaluation of loan portfolio. Claims arising from loan agreements are reflected in the balance sheet at amortised cost. Cost is adjusted by loan principal repayments and drop in value of the claims or possible provision caused by unlikely repayment. Amortised cost is calculated by discounting probable future cash flows with effective interest rate. Claim is discounted to present value of probable future payments, if there are signs of drop in value of the claim.

If the value of the previously downvalued claims rises during next periods, then the previous discount is cancelled up until the amount equal to the present value of the probable future payments of the claim or net value in the balance sheet if discount would not have taken place earlier – whichever is lower.

Buy and sellback transactions with securities (reverse repos) are reflected the similar way with loans.

Intangible Assets

Purchased patents, licenses and software programs are considered to be intangible assets. Intangible assets are recorded in the balance sheet at acquisition cost less amortization and any provision for impairment. Straight-line method is used for amortising the intangible assets. The amortization rate for intangible assets is 20% per year.

Fixed Assets

Assets with useful life over one year and acquisition cost over 1 000 Estonian kroons are recognised as fixed assets. New fixed assets are depreciated from the month of taking it into use until the asset is fully depreciated. Fixed assets are recorded in the balance sheet at acquisition cost less depreciation and any provision for impairment. Straight-line method is used for depreciating fixed assets and the yearly depreciation rates are as follows:

	<u>2005</u>
computers, communication equipment	30 %
office equipment	25 %
office furniture	20 %
telephones	40 %
capitalised improvement costs on leased office space	20%

other fixed assets

20%

Debt Certificate Liabilities

Bonds issued are recognised at fair value on value date. Further valuation is done based on amortised cost, using effective interest rate. Issuing fees are included in determining effective interest rate.

Interest, Fees and Commissions

All interest and similar income is reflected as interest income. Similar income includes income, connected with contractual maturity/redemption date of the asset or its amount and divided over the period of the claim. Initial effective interest rate used in discounting future cash flows from the asset forms the basis of determining interest income.

Fees and commission income and expense is recognised on accruals basis. Loan fees (minus direct expenses) are taken into calculation of the effective interest rate.

Vacations Pay Reserve

The amount of payable to employees according to employment agreements and the related taxes are recorded in the vacation pay reserve to the extent of the accrued vacation payment as at the end of the reporting period.

Accounting for Leases

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

Mandatory Reserve in the Bank of Estonia

The Bank of Estonia has established a mandatory reserve requirement to credit institutions at 13% of the average amount of deposits and issued financial guarantees. Credit institutions are obliged to keep minimum 40% of the established Estonian kroons mandatory reserve on the correspondent account at the Bank of Estonia every day. Cash balance in Estonian kroons can be deducted from the mandatory reserve, but not more than 20% of the mandatory reserve.

Off-Balance Sheet Claims and Commitments

Guarantees, unused loan limits, letters of credit and contractual amounts of currency forwards and swaps are recorded as off-balance sheet transactions.

Open Currency Positions

The short and long net positions in each currency are converted into Estonian kroons using the rate of the Bank of Estonia on the last banking day of the reporting period. The net position of each freely convertible currency must not exceed 15% of the Bank's net own funds, the position of non-convertible currency should be 5% of the Bank's net own funds. The open joint position of Estonian kroons and EU euro must not exceed 15% of the Bank's net own funds and the total open net position in foreign currencies must not exceed 30% of the net own funds of the credit institution.

Risk Concentration

Risk concentration is considered high if the liabilities and potential liabilities of one client or related parties to the credit institution exceed 10% of the net own funds of the credit institution (the maximum limit allowed is 25% of net own funds). The total amount of debts with high risk concentration must not exceed 800% of the net own funds of the credit institution.

Company Income Tax

Profit of Estonian legal entities is not taxed according to local legislation, therefore deferred income tax claims nor liabilities do not exist. Dividends paid out of retained earnings are taxed instead of profit, with a tax rate of 23/77 (until 31.12.2005 the tax rate was 24/76) from the amount paid out as net dividends. Company income tax which comes together with payment of dividends is reflected in the income statement as income tax expense in the same period when dividends are declared, irrespective of the fact for which period they are declared or when they are actually paid out.

Earnings per Share

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

Net profit attributable to ordinary shareholders and weighted average number of ordinary shares is adjusted by all dilutive potential ordinary shares, having dilutive effect on earnings per share, when calculating diluted earnings per share. As the bank does not have financial instruments, which could dilute earnings per share in the future, the basic earnings per share and diluted earnings per share are equal.

Risk Management

Liquidity risk

The main objective of the Bank's liquidity management in 2005 was to match the maturities of its assets and liabilities, the latter due to its conservative policy to date assisted heavily by the Bank's equity in securing its liquidity in case of full deposit liquidation. The daily management of the Bank's liquidity is the responsibility of the money and capital market division. The Bank keeps its liquid assets in the correspondent account at the Bank of Estonia, in other Estonian banks, in foreign banks and in marketable securities. Limits for other banks and securities are set by the Management Board and are subject to regular reviews. The division is responsible for monitoring the Bank's daily liquidity and for informing the Management Board.

Foreign currency risk

The Bank maintains minimum positions in foreign currencies necessary to provide services to the customers and wishing to keep a low risk profile. The Bank does not take speculative foreign currency positions. The Bank's Management Board has set the limits for maximum open currency positions, which are more conservative than the limits stipulated by the Bank of Estonia. All foreign currency positions are continuously monitored and marked to market. Open foreign currency positions are mainly hedged with swaps and forwards.

Interest rate risk

The Bank's general strategy is to minimise exposure to the interest rate risk primarily by matching interest rate sensitivity of its assets and liabilities.

Credit risk

The Bank's credit risk profile is rather characterised by low risk but stable interest income than high risk and higher interest income. All decisions related to loans and guarantees are made by the Bank's credit committee. According to the Law of Credit Institutions, the competence and limits of credit committee in making decisions are established by the Supervisory Board. In circumstances where the customer liabilities to the Bank exceed the authority of the credit committee due to its potential impact on Bank's economic standing, the decision made must also be approved by the Bank's Supervisory Board or by a member of the Supervisory Board according to the rules set by the Supervisory Board. All liabilities that customers have to the bank are considered as customer receivables. The daily administration and monitoring of the Bank's credit risk takes place in the loan and customer relationship division. All lending reports are available online to the loan and customer relationship division. The loan and customer relationship division reports on regular basis to the Management Board about the general credit risk and the financial position of the major loan customers.

Investment risk

The investment portfolio is divided into two: Bank's own investments and investments on behalf of the customers, which are the risk of the customers. The money and capital markets division is responsible for all investment decisions, regardless on whose behalf the investments are made. The Bank's Management Board sets overall limits and the sectors for investments. Bank's Management Board determines amount and duration of each investment according to the limits set. The Management Board reviews the investment portfolio regularly and also alters the set limits and maturities of the investments, if necessary.

Operational risks

The main instrument for minimising operating and personnel risk is to follow the segregation of duties in performing banking operations. Operations are divided into front and back-office operations so that one employee cannot solely execute a whole operation. The Bank's Management Board is responsible for the personnel risk management.

It is important in order to reduce information technology risks that BankSyst, the banking information system used, running on ORACLE database, is a so-called open system, continuously developed and updated. Used banking software is also scalable, allowing to increase server capacity, when the volumes of information being processed, grows in time. A good documentation from both the developers and the users is a very important factor in providing support to optional substitute labour, if needed. The banking system is defended from outside intruders by a firewalls. All programs belonging to the banking system are protected by passwords, which are changed according to internal policies set. The banking system is equipped with a system for back-ups.

The Management Board has enforced a principle that only collateral in Estonia or countries with high ratings are accepted in order to avoid country risk.

As the SBM Bank does not have any subsidiaries, the internal control system involves only the control over the Bank's activities.

Internal control system construed in the past to consist of control measures, based on general principles of controls, set by the Supervisory Board. The Management Board has elaborated the control rules, following the abovementioned general principles. The control measures implemented in the Bank's business processes are regulated by the rules and procedures approved by the Management Board.

The Management Board's competence involves in addition to the creation of the control mechanisms, also the implementation and the control over the fulfilment of those mechanisms.

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

The financial data is available online in an information system, which is integrated with the central database. The information of the Bank's activities is stored both electronically and on paper in appropriate registers.

The employees' access to the information, which is required for fulfilling their tasks, is regulated by the IT access rules. The Management Board is responsible for informing the Bank's employees about the external laws and rules regulating their area of responsibility as well as the internal policies set by the Bank's managing bodies.

Notes to the Financial Statements

Notes 1 – 35

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2005	2004	2005	2004
Note 1: Interest Income				
Interest income from loans	16 278	8 739	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
Total interest income	17 492	9 787	1 118	579
Interest income by geographical areas				
Estonia	15 072	9 564	963	564
OECD countries	2 420	223	155	14
Total by countries	17 492	9 787	1 118	579
Note 2: Interest Expense				
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
Total interest expense	4 220	775	270	50
Note 3: Fees and Commissions Income				
Bank transaction fees	253	185	16	12
Securities' 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 services	0	4 772	0	305
Total fees and commissions income	1 684	5 780	108	418
Fees and commissions income by geographical areas				
Estonia	833	688	53	93
OECD countries	851	5 092	54	325
Total by countries	1 684	5 780	108	418
Note 4: Fees and Commissions Expense				
Securities' 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 expense	17	0	1	0
Total fees and commissions expense	1 046	528	67	34
Note 5: Net Trading Income				
Income from foreign exchange	1 306	2 235	83	143
Income from shares and debt securities in trading portfolio	654	1	42	0
Total net trading income	1 960	2 236	125	143

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2005	2004	2005	2004
Note 6: Salary Expense				
Salaries	7 127	5 499	455	351
Supervisory Board fees	0	655	0	42
Fringe benefits	17	39	1	2
Income tax on fringe benefits	5	14	0	1
Change in vacations pay reserve	81	-63	5	-4
Total salary expense	7 230	6 144	462	393
Note 7: Social Insurance Tax, Unemployment Insurance Premium				
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 taxes from change in vacations pay reserve	27	-21	2	-1
Total social insurance tax, unemployment insurance premium	2 406	2 054	154	131
Note 8: Other Administrative Expenses				
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
Total other administrative expenses	9 061	5 730	579	366
Note 9: Value Adjustments of Fixed and Intangible Assets				
Depreciation of fixed assets	-1 072	-272	-69	-17
Amortisation of intangible assets	-216	-372	-14	-24
Total value adjustments of fixed and intangible assets	-1 288	-644	-82	-41
Note 10: Value Adjustments of Advances and Off-Balance Sheet Items				
Doubtful claims	-1 409	0	-90	0
Total value adjustments of advances and off-balance sheet items	-1 409	0	-90	0
Note 11: Other Operating Expenses				
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
Total other operating expenses	1 232	1 131	79	72
	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Note 12: Cash				
Cash in Estonian kroons	166	564	11	36
Cash in foreign currency	129	344	8	22
Total cash	295	908	19	58

	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
Note 13: Balances with Central Bank				
Mandatory reserve	30 398	8 695	1 943	556
Surplus of the reserve with the central bank	1 745	199	112	13
Total balances with the central bank	32 143	8 894	2 054	568
Note 14: Due from Other Banks				
Correspondent accounts	37 415	517	2 391	33
Overnight deposits	0	58 620	0	3 747
Total due from other banks	37 415	59 137	2 391	3 780
Receivables by country				
Estonia	34 173	58 795	2 184	3 758
OECD countries	3 242	342	207	22
Total by country	37 415	59 137	2 391	3 780
Note 15: Due from Customers of Credit Institution				
Due by customer types				
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
Total due from customers of credit institution	246 668	100 142	15 765	6 400
Interest rates of loans range between 5% - 18% p.a.				
Secured loans				
Mortgage	101 280	32 200	6 473	2 058
Commercial pledge	25 055	2 701	1 601	173
Pledge of building	8 476	7 632	542	488
Pledge of shares	41 575	27 464	2 657	1 755
Deposit	23 470	23 470	1 500	1 500
Other	37 081	1 132	2 370	72
Total secured loans	236 937	94 599	15 143	6 046
Due by remaining maturity				
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
Total due from customers of credit institution	246 668	100 142	15 765	6 400
Due by country				
Estonia	210 797	90 298	13 472	5 771
OECD countries	35 871	9 844	2 293	629
Total due from customers of credit institution	246 668	100 142	15 765	6 400
Overdue claims and loans				
Loans to private companies	1 447	0	92	0
Loans to private persons	1	0	0	0
Total overdue claims and loans	1 448	0	93	0

Bank does not have loans with specific loan loss provisions.

	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
Note 16: Shares and Other Securities				
Shares in trading portfolio	495	0	32	0
-listed on a stock exchange	495	0	32	0
Shares in investment portfolio	96	96	6	6
Total shares and other securities	591	96	38	6
Shares and other securities by countries				
Estonia	96	96	6	6
OECD countries	495	0	32	0
Total shares and other securities by countries	591	96	38	6

Note 17: Intangible Assets

(EEK ths.)	Software	Total
Balance as of 31.12.2003		
At cost	2 081	2 081
Accumulated depreciation	-1 617	-1 617
Net value	464	464
Changes in 2004		
Purchases during period	70	70
Depreciation expense	-372	-372
Balance as of 31.12.2004		
At cost	2 151	2 151
Accumulated depreciation	-1 989	-1 989
Net value	162	162
Changes in 2005		
Purchases during period	886	886
Depreciation expense	-216	-216
Balance as of 31.12.2005		
At cost	3 037	3 037
Accumulated depreciation	-2 205	-2 205
Net value	832	832
(EUR ths.)	Software	Total
Balance as of 31.12.2003		
At cost	133	133
Accumulated depreciation	-103	-103
Net value	30	30
Changes in 2004		
Purchases during period	4	4
Depreciation expense	-24	-24
Balance as of 31.12.2004		
At cost	137	137
Accumulated depreciation	-127	-127
Net value	10	10

Note 17 continued

Changes in 2005

Purchases during period	57	57
Depreciation expense	-14	-14

Balance as of 31.12.2005

At cost	194	194
Accumulated depreciation	-141	-141
Net value	53	53

Note 18: Fixed Assets

(EEK ths.)

	Capitalised expenses	Computers	Furniture	Other fixed assets	Prepayments	Total
Balance as of 31.12.2003						
At cost	0	993	535	608	0	2 136
Accumulated depreciation	0	-954	-534	-583	0	-2 071
Net value	0	39	1	25	0	65
Changes in 2004						
Purchases during period	1 923	396	373	669	259	3 620
Depreciation expense	-128	-58	-26	-60	0	-272
Fixed assets written off (at cost)	0	-526	-36	-193	0	-755
Accumulated depreciation of fixed assets written off	0	526	36	193	0	755
Balance as of 31.12.2004						
At cost	1 923	863	872	1 085	259	5 002
Accumulated depreciation	-128	-486	-524	-451	0	-1 589
Net value	1 795	377	348	634	259	3 413
Changes in 2005						
Purchases during period	858	83	199	739	12	1 891
Depreciation expense	-542	-149	-108	-272	0	-1 071
Deduction of value (at cost)	0	-168	0	0	0	-168
Registered as fixed asset from prepayment	0	0	0	0	-259	-259
Balance as of 31.12.2005						
At cost	2 781	778	1 071	1 824	12	6 466
Accumulated depreciation	-670	-467	-632	-723	0	-2 492
Net value	2 111	311	439	1 101	12	3 974

Note 18 continued
(EUR ths.)

	Capitalised expenses	Computers	Furniture	Other fixed assets	Prepayments	Total
Balance as of 31.12.2003						
At cost	0	63	34	39	0	136
Accumulated depreciation	0	-61	-34	-37	0	-132
Net value	0	2	0	2	0	4
Changes in 2004						
Purchases during period	123	25	24	43	17	232
Depreciation expense	-8	-4	-2	-4	0	-17
Fixed assets written off (at cost)	0	-34	-2	-12	0	-48
Accumulated depreciation of fixed assets written off	0	34	2	12	0	48
Balance as of 31.12.2004						
At cost	123	55	56	69	17	320
Accumulated depreciation	-8	-31	-33	-29	0	-102
Net value	115	24	22	41	17	218
Changes in 2005						
Purchases during period	55	5	13	47	1	121
Depreciation expense	-35	-10	-7	-17	0	-68
Deduction of value (at cost)	0	-11	0	0	0	-11
Registered as fixed asset from prepayment	0	0	0	0	-17	-17
Balance as of 31.12.2005						
At cost	178	50	68	117	1	413
Accumulated depreciation	-43	-30	-40	-46	0	-159
Net value	135	20	28	70	1	254

	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
Note 19: Other Assets				
Revaluation of foreign currency derivatives	10 127	28	647	2
Total other assets	10 127	28	647	2

Note 20: Accruals and Prepaid Expenses

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
Total accruals and prepaid expenses	5 442	8 773	348	561

	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
Note 21: Due to Customers				
Demand deposits	38 844	47 022	2 483	3 005
Time deposits	136 150	33 850	8 702	2 163
Total due to customers	174 994	80 872	11 184	5 169
Demand deposits by customer groups				
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
Total demand deposits	38 844	47 022	2 483	3 005
Time deposits by customer groups				
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
Total time deposits	136 150	33 850	8 702	2 163
Deposits by maturities				
On demand	38 844	47 022	2 483	3 005
Up to 1 month	66 877	5 360	4 274	343
3 to 12 months	62 975	26 600	4 025	1 700
1 to 2 years	2 016	1 890	129	121
2 to 5 years	4 282	0	274	0
Total due to customers	174 994	80 872	11 184	5 169
Note 22: Debt Certificate Liabilities				
Debts evidenced by certificates	64 325	0	4 111	0
Total debt certificate liabilities	64 325	0	4 111	0
Issued bonds by maturity				
10.08.2006, int. rate 3.60% p.a., 30/360	6 135	0	392	0
20.04.2007, int. rate 4.75% p.a., 30/360 *	35 720	0	2 283	0
11.10.2007, int. rate 4.25% p.a., 30/360	11 200	0	716	0
19.10.2007, int. rate 4.25% p.a., 30/360	11 270	0	720	0
Total debt certificate liabilities	64 325	0	4 111	0
* Listed in Tallinn Stock Exchange.				
Note 23: Other Liabilities				
Payments in transmission	189	0	12	0
Total other liabilities	189	0	12	0
Note 24: Accrued Expenses and Deferred Income				
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
Total accrued expenses and deferred income	2 314	857	148	55

Note 25: Transactions with Connected Parties

Connected parties' deposits with Bank

	(EEK ths.) 31.12.2005	(EEK ths.) 31.12.2004	(EUR ths.) 31.12.2005	(EUR ths.) 31.12.2004
Members of the Supervisory Board and their connected parties	2 182	129	139	8
Members of the Management Board and their connected parties	931	233	60	15
Internal audit	65	0	4	0
Interests paid to the Members of the Supervisory Board and Management Board and internal audit	91	17	6	1
Companies connected with owners	24 545	23 598	1 569	1 508
Interests paid to companies connected with owners	758	230	48	15

Loans issued to connected parties

	Loans, EEK ths.					
	Loan balances 31.12.04	Disbursed loans	Repaid loans	Loan balances 31.12.05	Interest income	Accrued interest income
Members of the Supervisory Board and Management Board	36	100	22	114	33	0
Companies connected with owners	23 470	1 990	0	25 460	1 426	68

	Loans, EUR ths.					
	Loan balances 31.12.04	Disbursed loans	Repaid loans	Loan balances 31.12.05	Interest income	Accrued interest income
Members of the Supervisory Board and Management Board	2	6	1	7	2	0
Companies connected with owners	1 500	127	0	1 627	91	4

	(EEK ths.) 2005	(EEK ths.) 2004	(EUR ths.) 2005	(EUR ths.) 2004
Paid fees				
Salaries of the members of Management Board	2 456	1 850	157	118
Membership fees of the Supervisory Board	0	655	0	42

Other transactions with connected parties

Services sold to companies connected with owners	0	4 772	0	305
Rent paid to companies connected with owners	2 865	1 021	183	65

The following parties are considered to be connected in the SBM Bank Annual Report:

- owners;
- subsidiaries and participating interests;
- other companies belonging to the same consolidation group;
- executive management and Supervisory Board;
- close relatives of the persons mentioned previously and the companies related to them.

The Management Board believes that connected party transactions are made on market conditions.

Note 26: Geographical Concentration of Clients' Debts

(EEK ths., as of 31.12.05)

Area / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By area (%)
	loans*	securities	other claims			
Estonia	277 113	96	1 053	1 466	274 912	47.89%
Sweden	0	126	0	0	0	0.01%
Italy	15	0	0	0	0	0.00%
USA	280	0	0	0	0	0.02%
Finland	2 926	369	0	0	0	0.29%
United Kingdom	11 158	0	0	0	560 727	49.64%
Greece	24 734	0	0	0	0	2.15%
Total	316 226	591	1 053	1 466	835 639	100.00%

(EUR ths., as of 31.12.05)

Area / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By area (%)
	loans*	securities	other claims			
Estonia	17 711	6	67	94	17 570	47.89%
Sweden	0	8	0	0	0	0.01%
Italy	1	0	0	0	0	0.00%
USA	18	0	0	0	0	0.02%
Finland	187	24	0	0	0	0.29%
United Kingdom	713	0	0	0	35 837	49.64%
Greece	1 581	0	0	0	0	2.15%
Total	20 211	38	67	94	53 407	100.00%

(EEK ths., as of 31.12.04)

Area / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By area (%)
	loans*	securities	other claims			
Estonia	157 987	3 098	346	0	71 032	57.02%
Sweden	0	0	0	0	0	0.00%
Italy	175	0	5	0	0	0.04%
USA	792	0	0	0	0	0.19%
Finland	331	0	0	0	0	0.08%
Lithuania	0	0	0	0	0	0.00%
United Kingdom	4 500	0	0	0	164 943	41.56%
Greece	4 388	0	124	0	0	1.11%
Germany	0	0	0	0	0	0.00%
Total	168 173	3 098	475	0	235 975	100.00%

(EUR ths., as of 31.12.04)

Area / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By area (%)
	loans*	securities	other claims			
Estonia	10 097	198	22	0	4 540	57.02%
Sweden	0	0	0	0	0	0.00%
Italy	11	0	0	0	0	0.04%
USA	51	0	0	0	0	0.19%
Finland	21	0	0	0	0	0.08%
Lithuania	0	0	0	0	0	0.00%
United Kingdom	288	0	0	0	10 542	41.56%
Greece	280	0	8	0	0	1.11%
Germany	0	0	0	0	0	0.00%
Total	10 748	198	30	0	15 082	100.00%

* includes claims on credit institutions and financial institutions

Note 27: Concentration of Clients' Debt by Economic Sector

(EEK ths., as of 31.12.05)

Economic sector / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	off-balance sheet claims	By sector (%)
	loans*	securities	other claims			
Finance	81 085	0	0	0	593 316	58.54%
Retail and wholesale	33 034	0	89	0	196 051	19.89%
Real estate, renting and servicing	151 084	96	667	32	0	13.18%
Private persons	31 039	0	206	2	0	2.71%
Construction	432	0	3	0	0	0.04%
Industry	17 849	495	78	1 432	0	1.47%
Transport, logistics, communications	0	0	0	0	46 272	4.02%
Hotels and restaurants	1 462	0	9	0	0	0.13%
Other community, social and private services	241	0	1	0	0	0.02%
Total	316 226	591	1 053	1 466	835 639	100.00%

(EUR ths., as of 31.12.05)

Economic sector / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	off-balance sheet claims	By sector (%)
	loans*	securities	other claims			
Finance	5 182	0	0	0	37 920	58.54%
Retail and wholesale	2 111	0	6	0	12 530	19.89%
Real estate, renting and servicing	9 656	6	43	2	0	13.18%
Private persons	1 984	0	13	0	0	2.71%
Construction	28	0	0	0	0	0.04%
Industry	1 141	32	5	92	0	1.47%
Transport, logistics, communications	0	0	0	0	2 957	4.02%
Hotels and restaurants	93	0	1	0	0	0.13%
Other community, social and private services	15	0	0	0	0	0.02%
Total	20 211	38	67	94	53 407	100.00%

(EEK ths., as of 31.12.04)

Economic sector / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	off-balance sheet claims	By sector (%)
	loans*	securities	other claims			
Finance	73 575	3 002	129	0	175 051	61.75%
Retail and wholesale	5 149	0	14	0	20 604	6.32%
Real estate, renting and servicing	70 807	96	253	0	0	17.45%
Private persons	8 196	0	43	0	0	2.02%
Industry	9 905	0	33	0	0	2.44%
Transport, logistics, communications	0	0	0	0	40 320	9.89%
Other community, social and private services	541	0	3	0	0	0.13%
Total	168 173	3 098	475	0	235 975	100.00%

(EUR ths., as of 31.12.04)

Economic sector / type of debt	Balance sheet claims			incl. overdue and doubtful receivables	off-balance sheet claims	By sector (%)
	loans*	securities	other claims			
Finance	4 702	192	8	0	11 188	61.75%
Retail and wholesale	329	0	1	0	1 317	6.32%
Real estate, renting and servicing	4 525	6	16	0	0	17.45%
Private persons	524	0	3	0	0	2.02%
Industry	633	0	2	0	0	2.44%
Transport, logistics, communications	0	0	0	0	2 577	9.89%
Other community, social and private services	35	0	0	0	0	0.13%
Total	10 748	198	30	0	15 082	100.00%

* includes claims on credit institutions and financial institutions

Note 28: Off-Balance Sheet Transactions

(EEK ths., as of 31.12.2005)

	Claims	Commitments
Irrevocable transactions	0	11 446
Guarantees and similar irrevocable transactions	0	2 056
Unused part of credit lines and overdraft limits	0	9 390
Derivatives	835 639	825 512
Currency-related derivatives *	835 639	825 512

(EUR ths., as of 31.12.2005)

	Claims	Commitments
Irrevocable transactions	0	732
Guarantees and similar irrevocable transactions	0	131
Unused part of credit lines and overdraft limits	0	600
Derivatives	53 407	52 760
Currency-related derivatives *	53 407	52 760

(EEK ths., as of 31.12.2004)

	Claims	Commitments
Derivatives	235 975	235 946
Currency-related derivatives *	235 975	235 946

(EUR ths., as of 31.12.2004)

	Claims	Commitments
Derivatives	15 082	15 080
Currency-related derivatives *	15 082	15 080

* Deal amounts of currency forwards and swaps.

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

(EEK ths., as of 31.12.2005)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	84 369	1 466	42 784	29 660	103 506	38 433	26 103	6 360	332 681
Cash and claims to banks	69 853	0	0	0	0	0	0	0	69 853
Claims to customers	9 651	1 448	31 624	29 660	103 485	38 433	26 103	6 264	246 668
Securities	495	0	0	0	0	0	0	96	591
Other claims	4 370	18	11 160	0	21	0	0	0	15 569
2. Off-balance sheet claims	0	0	835 639	0	0	0	0	0	835 639
1. Liabilities of the Bank	39 723	0	67 196	3 582	118 083	8 719	4 519	0	241 822
Amounts owed to banks	0	0	0	0	0	0	0	0	0
Amounts owed to customers	38 844	0	66 877	3 545	59 430	2 016	4 282	0	174 994
Debts evidenced by certificates	0	0	0	0	58 190	6 135	0	0	64 325
Other liabilities	879	0	319	37	463	568	237	0	2 503
2. Off-balance sheet commitments	9 390	0	825 512	0	2 000	0	56	0	836 958

(EUR ths., as of 31.12.2005)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	5 392	94	2 734	1 896	6 615	2 456	1 668	406	21 262
Cash and claims to banks	4 464	0	0	0	0	0	0	0	4 464
Claims to customers	617	93	2 021	1 896	6 614	2 456	1 668	400	15 765
Securities	32	0	0	0	0	0	0	6	38
Other claims	279	1	713	0	1	0	0	0	995
2. Off-balance sheet claims	0	0	53 407	0	0	0	0	0	53 407
1. Liabilities of the Bank	2 539	0	4 295	229	7 547	557	289	0	15 455
Amounts owed to banks	0	0	0	0	0	0	0	0	0
Amounts owed to customers	2 483	0	4 274	227	3 798	129	274	0	11 184
Debts evidenced by certificates	0	0	0	0	3 719	392	0	0	4 111
Other liabilities	56	0	20	2	30	36	15	0	160
2. Off-balance sheet commitments	600	0	52 760	0	128	0	4	0	53 491

(EEK ths., as of 31.12.2004)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	85 857	0	9 046	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 customers	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. Liabilities of the Bank	47 758	0	241 329	0	26 689	1 899	0	0	317 675
Amounts owed to banks	0	0	0	0	0	0	0	0	0
Amounts owed to customers	47 021	0	5 360	0	26 600	1 890	0	0	80 871
Debts evidenced by certificates	0	0	0	0	0	0	0	0	0
Other liabilities	737	0	23	0	89	9	0	0	858
2. Off-balance sheet commitments	0	0	235 946	0	0	0	0	0	235 946

(EUR ths., as of 31.12.2004)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	5 487	0	578	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 customers	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. Liabilities of the Bank	3 052	0	15 424	0	1 706	121	0	0	20 303
Amounts owed to banks	0	0	0	0	0	0	0	0	0
Amounts owed to customers	3 005	0	343	0	1 700	121	0	0	5 169
Debts evidenced by certificates	0	0	0	0	0	0	0	0	0
Other liabilities	47	0	1	0	6	1	0	0	55
2. Off-balance sheet commitments	0	0	15 080	0	0	0	0	0	15 080

Note 30: Overdue and Doubtful Claims and Loans

As of 31 December 2005, the Bank had 1 466 thousand kroons (94 thousand euros) in overdue claims, of which 1 448 thousand kroons (93 thousand euros) was principal debt and 18 thousand kroons (1 thousand euros) interest arrears.

The Bank did not have overdue claims and loans as of 31 December 2004.

Note 31: Earnings per Share (EPS)

	(EEK)	(EEK)	(EUR)	(EUR)
	2005	2004	2005	2004
Net profit/loss (in thousands)	- 6 756	797	- 432	51
Year average weighted no. of shares (ths. pcs.)	10 000	10 000	10 000	10 000
Basic EPS	- 0.68	0.08	- 0.04	0.01
Diluted EPS	- 0.68	0.08	- 0.04	0.01

AS SBM Pank has not issued convertible securities.

Note 32: Operating Lease Liabilities

SBM Bank has concluded four operating lease agreements for vehicles. The maturity of the last agreement is 15.07.2010, i.e. no contract is longer than 5 years.

In 2004, SBM Bank signed 10-year operating lease agreement for bank premises, valid until 2014.

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Rent payments for vehicles by due dates				
until 1 year	425	280	27	18
1 to 5 years	1 151	756	74	48
Rent payments for bank premises by due dates				
until 1 year	2 690	2 280	172	146
1 to 5 years	10 728	9 091	686	581
over 5 years	9 170	7 771	586	497

Note 33: Fair Values

The fair values of assets and liabilities do not significantly differ from their carrying amounts in the balance sheet.

Note 34: Net Currency Positions

(EEK ths., as of 31.12.2005)

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

(EUR ths., as of 31.12.2005)

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

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

(EEK ths., as of 31.12.2004)

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

(EUR ths., as of 31.12.2004)

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

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

Note 35: Interest-Bearing Assets and Liabilities by Interest Fixing Period

(tuh EEK, seisuga 31.12.2005)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	79 504	1 448	31 624	29 660	109 281	37 294	22 063	5 647	316 521
Cash and claims to banks	69 853	0	0	0	0	0	0	0	69 853
Claims to customers	9 651	1 448	31 624	29 660	109 281	37 294	22 063	5 647	246 668
2. Liabilities of the Bank	38 844	0	66 877	3 545	117 620	8 151	4 282	0	239 319
Amounts owed to customers	38 844	0	66 877	3 545	59 430	2 016	4 282	0	174 994
Debts evidenced by certificates	0	0	0	0	58 190	6 135	0	0	64 325

(tuh EUR, seisuga 31.12.2005)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	5 081	93	2 021	1 896	6 984	2 384	1 410	361	20 229
Cash and claims to banks	4 464	0	0	0	0	0	0	0	4 464
Claims to customers	617	93	2 021	1 896	6 984	2 384	1 410	361	15 765
2. Liabilities of the Bank	2 483	0	4 274	227	7 517	521	274	0	15 295
Amounts owed to customers	2 483	0	4 274	227	3 798	129	274	0	11 184
Debts evidenced by certificates	0	0	0	0	3 719	392	0	0	4 111

(tuh EEK, seisuga 31.12.2004)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	74 401	0	8 714	31 177	23 830	4 135	26 824	0	169 081
Cash and claims to banks	68 939	0	0	0	0	0	0	0	68 939
Claims to customers	5 462	0	8 714	31 177	23 830	4 135	26 824	0	100 142
2. Liabilities of the Bank	47 021	0	5 360	0	26 600	1 890	0	0	80 871
Amounts owed to customers	47 021	0	5 360	0	26 600	1 890	0	0	80 871
Debts evidenced by certificates	0	0	0	0	0	0	0	0	0

(tuh EUR, seisuga 31.12.2004)

Assets, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
1. Claims of the Bank	4 755	0	557	1 993	1 523	264	1 714	0	10 806
Cash and claims to banks	4 406	0	0	0	0	0	0	0	4 406
Claims to customers	349	0	557	1 993	1 523	264	1 714	0	6 400
2. Liabilities of the Bank	3 005	0	343	0	1 700	121	0	0	5 169
Amounts owed to customers	3 005	0	343	0	1 700	121	0	0	5 169
Debts evidenced by certificates	0	0	0	0	0	0	0	0	0

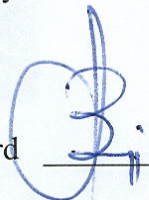
Sensitivity to interest rate changes is insignificant, as the majority of interest rates are fixed.

SIGNATURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD TO THE 2005 ANNUAL REPORT

Public Annual Report 2005 of AS SBM Pank is signed by:

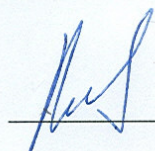
Nikolaos Sarros

Chairman of the Supervisory Board

 18.04.06

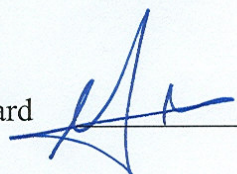
Dimitrios Germidis

Member of the Supervisory Board

 18/4/2006


Andreas Ch. Boumis

Member of the Supervisory Board

 18/4/2006

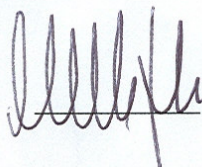
Emmanouil Karavelakis

Member of the Supervisory Board

 18/4/2006


Ulrich John

Member of the Supervisory Board

 18/4/2006

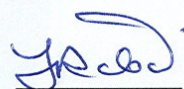
Riho Rasmann

Chairman of the Management Board

 10.04.2006

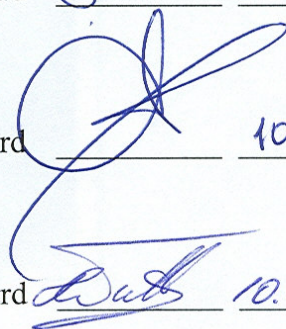
Sven Raba

Member of the Management Board

 10.04.2006

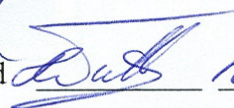
Mart Veskimägi

Member of the Management Board

 10.04.2006

Roul Tutt

Member of the Management Board

 10.04.2006



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Auditor's report

To the shareholders of AS SBM Pank

(Translation of the Estonian original)

We have audited the accompanying balance sheet of AS SBM Pank ("the Bank") as of 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements as set out on pages 12 to 38 are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 10 April 2006

KPMG Baltics AS

Taivo Epner
Authorised Public Accountant

Maret Tambek
Authorised Public Accountant

THE MANAGEMENT BOARD'S PROFIT ALLOCATION PROPOSAL

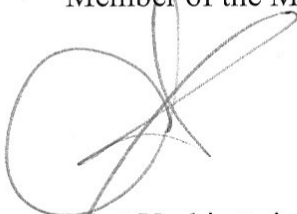
The Management Board of AS SBM Pank approved the audited loss for the financial year 2005 in the amount of 6 756 thousand kroons. The Management Board's proposal to the General Meeting of Shareholders' is to record the loss for the financial year in the amount of 6 756 thousand kroons under the balance sheet heading "Retained earnings" and not to make entries to the legal reserve.



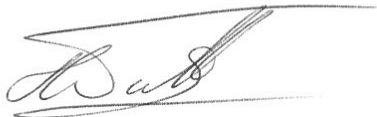
Riho Rasmann
Chairman of the Management Board



Sven Raba
Member of the Management Board



Mart Veskimägi
Member of the Management Board



Roul Tutt
Member of the Management Board