



AS SBM Pank

(SBM Bank Ltd.)

*Public Interim Report
IV Quarter 2006*

Translation from original in Estonian

1 Summary Information

Report date: 31.12.2006
Beginning & end of financial year: 01.01.2006 – 31.12.2006

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.

	EEK ths.	EUR ths.
Total assets	463 154	29 601
Net profit / loss	3 486	223
Return on equity (ROE)	1.78%	1.78%
Assets utilisation (AU)	7.76%	7.76%
Overdue claims and loans	5 232	334
Loan loss provisions	350	22
Net own funds	196 522	12 560
Capital adequacy ratio	51.81%	51.81%

“Public Interim Report IV Quarter 2006” 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 02.02.2007.

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
Address: Ahtri 10A, 10151 Tallinn, Estonia
Registration code: 10096082

2.3 Report Period is 01.01.-31.12.2006, Report Balance Sheet Date 31.12.2006

Public Interim Report IV Quarter 2006 of AS SBM Pank is unaudited.
Only the credit institution data and figures are disclosed in the report.

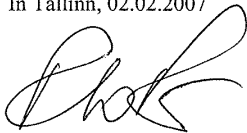
2.4 Report Currency is Estonian Kroons and Units are Thousands of Kroons

2.5 Declaration of the Management Board of AS SBM Pank

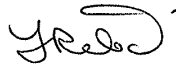
The Management Board of AS SBM Pank, after examining the information presented in the Public Interim Report, is of opinion that:

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, 02.02.2007




Riho Rasmann
Chairman of the Management Board



Svein Raba
Member of the Management Board



Maret 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

Total assets of AS SBM Pank have grown 1.4 times during the year, reaching 463.2 million kroons (29.6 million euros) as of 31.12.2006. Loan portfolio grew faster than the balance sheet in the 4th quarter, from 263.7 million kroons (16.9 million euros) to 348.9 million kroons i.e. 22.3 million euros (growth 1.5 times from the beginning of the year, 1.3 times from the end of the 3rd quarter), comprising 75% of total assets. 93.4 million kroons (6.0 million euros) i.e. 20% of total assets was in liquid instruments as cash, with central bank and with credit and financial institutions.

Customer deposits (incl. credit institutions) in the bank totalled 208.3 million kroons (13.3 million euros) at the year end (growth from the beginning of the year 19%). 38% of deposits belonged to credit and financial institutions, 21% to companies and 41% to private persons. Bond liabilities comprised 53.2 million kroons (3.4 million euros) as of 31 December 2006 (11.5% of total balance sheet). Plans for the year 2007 include concluding an agreement for long term credit line, with an intention to finance the growth of the loan portfolio.

AS SBM Pank was profitable in the year 2006, earning more profit in the 4th quarter than during the previous 9 months altogether. Net profit for the year comprised 3.5 million kroons (0.2 million euros). The profit for the 4th quarter totalled 1.8 million kroons (0.1 million euros). Net interest income for 2006 was 30.7 million kroons (2.0 million euros), earned mostly on loans. Net fee income was 0.7 million kroons (0.05 million euros). 2.4 million kroons (0.2 million euros) was earned as dealing profits. Total operating profit for the year 2006 totalled 26.8 million kroons i.e. 1.7 million euros. Administrative expenses of 2006 comprised 21.3 million kroons (1.4 million euros).

Special general meeting of shareholders of AS SBM Pank decided on 06 October 2006 to recall Mrs. Karita Nilp and Mr. Andreas Boumis from the Supervisory Board of AS SBM Pank and appoint Mr. Michalakis Louis, Mr. Fotios Karatzenis, Mr. Efthymios Bouloutas and Mr. Achillefs Giannisis as new members of the Supervisory Board. Mr. Nikolaos Sarros, Mr. Emmanouil Karavelakis and Mr. Frank Ulrich John continue as other members of the Supervisory Board. There have been no changes in the Management Board of the Bank. No membership fees have been paid to the members of the Supervisory Board of SBM Pank in 2006 nor 2005. Also no membership fees have been paid to the members of the Management Board in 2006 nor 2005. Salaries of the members of the Management Board totalled 3.0 million kroons (0.2 million euros), of other employees 5.5 million kroons (0.3 million euros) in 2006. Average number of employees was 25.

1 390 thousand kroons (89 thousand euros) was invested to fixed assets during the reporting year. Bank implemented new products and opened a web page with new design at the end of the year. Investments are planned to grow. Opening of branch office in Jõhvi is planned to take place in the 1st quarter and in Pärnu in the 2nd quarter. Clients will gain access to a new internet bank with enhanced functionality in the 1st quarter, which will become available not only in English and Estonian, but also in Russian. Bank's equity totalled 196.5 million kroons (12.6 million euros) as of 31 December 2006 and capital adequacy ratio stood at 51.81%.

3.3 Prudential Ratios

Capital Adequacy

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
1. First tier equity	191 970	94 833	12 269	6 061
Paid-in share capital	200 500	100 000	12 814	6 391
Other reserves	271	271	17	17
Retained profit/loss from previous years	-7 735	2 150	-494	137
Intangible assets (minus)	-1 066	-832	-68	-53
Loss for the current reporting period (minus)	0	-6 756	0	-432
2. Second tier equity	0	0	0	0
3. Total gross own funds (1+2)	191 970	94 833	12 269	6 061
4. Deductions from gross own funds	0	0	0	0
5. Total net own funds (3-4)	191 970	94 833	12 269	6 061
6. Third tier equity	0	0	0	0
7. Riskiga kaalutud varad	363 139	268 532	23 209	17 162
I category (risk adjustment 0%)	74 524	32 438	4 763	2 073
II category (risk adjustment 20%)	1 790	37 415	114	2 391
III category (risk adjustment 50%)	19 933	10 516	1 274	672
IV category (risk adjustment 100%)	352 814	255 791	22 549	16 348
8. Risk weighted off-balance sheet commitments	2 656	2 056	170	131
Group I	2 656	2 056	170	131
9. Capital requirement for currency risk	0	0	0	0
10. Capital requirement for trading portfolio risks	380	105	24	7
Capital requirement for interest position risk	270	0	17	0
Capital requirement for share position risk	110	105	7	7
11. Capital requirement for credit risk of trading portfolio positions exceeding the risk concentration limit	0	0	0	0
Capital adequacy				
12. (5.+6.)/(7.+8.+9.x10+10x12.5+11x12.5)	51.81%	34.88%	51.81%	34.88%

Net Currency Positions

(EEK ths., as of 31.12.2006)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	458 965	253 559	249 257	311 403	143 259

(EUR ths., as of 31.12.2006)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	29 333	16 205	15 930	19 902	9 156

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

(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

(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.

Assets and Liabilities by Maturities

(EEK ths., as of 31.12.2006)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the bank	104 606	5 295	37 498	28 851	194 846	42 675	41 763	2 732	458 266
cash and claims to banks	76 314	0	0	0	0	0	0	0	76 314
claims to clients	14 245	5 232	35 467	28 772	194 846	42 675	41 763	2 636	365 636
securities	12 873	0	0	0	0	0	0	96	12 969
other claims	1 174	63	2 031	79	0	0	0	0	3 347
Off-balance sheet claims	0	0	506 977	0	0	0	0	0	506 977
Bank's liabilities	61 306	0	57 055	34 785	108 635	831	4 020	0	266 632
owed to banks	0	0	31 200	31 294	15 646	0	0	0	78 140
owed to clients	59 339	0	23 193	3 207	39 600	831	4 020	0	130 190
debts evidenced by certificates	0	0	0	0	53 190	0	0	0	53 190
other liabilities	1 967	0	2 662	284	199	0	0	0	5 112
Off-balance sheet commitments	50 380	0	509 329	56	100	0	0	0	559 865

(EUR ths., as of 31.12.2006)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the bank	6 686	338	2 397	1 844	12 453	2 727	2 669	175	29 289
cash and claims to banks	4 877	0	0	0	0	0	0	0	4 877
claims to clients	910	334	2 267	1 839	12 453	2 727	2 669	168	23 368
securities	823	0	0	0	0	0	0	6	829
other claims	75	4	130	5	0	0	0	0	214
Off-balance sheet claims	0	0	32 402	0	0	0	0	0	32 402
Bank's liabilities	3 918	0	3 646	2 223	6 943	53	257	0	17 041
owed to banks	0	0	1 994	2 000	1 000	0	0	0	4 994
owed to clients	3 792	0	1 482	205	2 531	53	257	0	8 321
debts evidenced by certificates	0	0	0	0	3 399	0	0	0	3 399
other liabilities	126	0	170	18	13	0	0	0	327
Off-balance sheet commitments	3 220	0	32 552	4	6	0	0	0	35 782

Assets and Liabilities by Maturities

(EEK ths., as of 31.12.2005)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the bank	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 clients	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
Off-balance sheet claims	0	0	835 639	0	0	0	0	0	835 639
Bank's liabilities	39 723	0	67 196	3 582	118 083	8 719	4 519	0	241 822
owed to banks	0	0	0	0	0	0	0	0	0
owed to clients	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
Off-balance sheet commitments	9 390	0	825 512	0	2 000	0	56	0	836 958

(EUR ths., as of 31.12.2005)

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the bank	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 clients	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
Off-balance sheet claims	0	0	53 407	0	0	0	0	0	53 407
Bank's liabilities	2 539	0	4 295	229	7 547	557	289	0	15 455
owed to banks	0	0	0	0	0	0	0	0	0
owed to clients	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
Off-balance sheet commitments	600	0	52 760	0	128	0	4	0	53 491

Risk Concentration

(EEK ths., as of 31.12.2006)

	Credit institution	
	no. / amount	% from net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	138 240	72.01%
Due from persons connected with credit institution	189	0.10%

(EUR ths., as of 31.12.2006)

	Credit institution	
	no. / amount	% from net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	8 835	72.01%
Due from persons connected with credit institution	12	0.10%

(EEK ths., as of 31.12.2005)

	Credit institution	
	no. / amount	% from net own funds
Number of customers (client groups) with high risk concentration	9	
Due from customers with high risk concentration	131 382	138.54%
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
Number of customers (client groups) with high risk concentration	9	
Due from customers with high risk concentration	8 397	138.54%
Due from persons connected with credit institution	1 651	27.24%

3.4 Ratios

		01.10.-31.12.2006	01.10.-31.12.2005
Return on equity	ROE	1.78%	-6.93%
Equity multiplier	EM	2.36	3.16
Profit margin	PM	9.71%	-31.11%
Asset utilisation	AU	7.76%	7.06%
Net interest margin	NIM	5.23%	4.62%
Basic earnings per share	Basic EPS	0.09	-0.68
Diluted earnings per share	Diluted EPS	0.09	-0.68
Spread	SPREAD	3.43%	3.37%
Yield on interest-earning assets	YIEA	6.77%	6.09%
Cost of interest-bearing liabilities	COL	3.35%	2.73%

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

AS SBM Pank is not participating as of 31.12.2006 in any court cases where the bank could sustain substantial losses in the future. Action was filed to court against one loan customer to ensure proper fulfillment of loan obligation and sale of collateral, and execution proceeding of loan collateral was initiated against one loan customer based on court judgment entered into force.

4 Financial Statements

4.1 Income Statement

	Note	EEK ths. 01.10.2006- 31.12.2006	EEK ths. 01.01.2006- 31.12.2006	EEK ths. 01.10.2005- 31.12.2005	EEK ths. 01.01.2005- 31.12.2005
Interest income	1	10 374	30 689	7 309	17 492
From loans		9 407	27 843	6 958	16 278
From deposits		747	2 571	351	1 178
From debt securities and other fixed income securities		220	275	0	36
Interest expense	2	1 929	7 004	1 665	4 220
From demand deposits		432	1 340	85	337
From time and saving deposits		893	2 966	902	2 420
From debts evidenced by certificates		604	2 698	678	1 463
Net interest income/expense (+/-)		8 445	23 685	5 644	13 272
Fees and commissions income	3	799	1 964	-2 034	1 684
Fees and commissions expense	4	517	1 245	290	1 046
Dealing profits (+/-)	5	574	2 397	717	1 960
Profit/income		796	3 242	901	2 540
Loss/expense		222	845	184	580
General administrative expenses		6 278	21 316	5 204	18 697
Salaries and compensations	6	2 509	8 657	1 972	7 230
Social taxes, unemployment insurance premium expense	7	831	2 870	659	2 406
Other administrative expenses	8	2 938	9 789	2 573	9 061
Value adjustments (+/-) of investments in land and property, fixed and intangible assets	9	-409	-1 486	-322	-1 288
Loss/expense		409	1 486	322	1 288
Value adjustments of loans and advances (+/-)	10	-350	1 058	-1 409	-1 409
Other operating expense	11	449	1 571	271	1 232
Income/loss before taxes (+/-)		1 815	3 486	-3 169	-6 756
Income tax expense		0	0	0	0
Profit/loss for the period (+/-)		1 815	3 486	-3 169	-6 756

Basic earnings per share (Basic EPS)

2006	EEK 0.25
2005	EEK -0.68

Diluted earnings per share (Diluted EPS)

2006	EEK 0.25
2005	EEK -0.68

Income Statement

	Note	EUR ths. 01.10.2006- 31.12.2006	EUR ths. 01.01.2006- 31.12.2006	EUR ths. 01.10.2005- 31.12.2005	EUR ths. 01.01.2005- 31.12.2005
Interest income	1	663	1 961	467	1 118
From loans		601	1 779	445	1 040
From deposits		48	164	22	75
From debt securities and other fixed income securities		14	18	0	2
Interest expense	2	123	448	106	270
From demand deposits		28	86	5	22
From time and saving deposits		57	190	58	155
From debts evidenced by certificates		39	172	43	94
Net interest income/expense (+/-)		540	1 514	361	848
Fees and commissions income	3	51	126	-130	108
Fees and commissions expense	4	33	80	19	67
Dealing profits (+/-)	5	37	153	46	125
Profit/income		51	207	58	162
Loss/expense		14	54	12	37
General administrative expenses		401	1 362	333	1 195
Salaries and compensations	6	160	553	126	462
Social taxes, unemployment insurance premium expense	7	53	183	42	154
Other administrative expenses	8	188	626	164	579
Value adjustments (+/-) of investments in land and property, fixed and intangible assets	9	-26	-95	-21	-82
Loss/expense		26	95	21	82
Value adjustments of loans and advances (+/-)	10	-22	68	-90	-90
Other operating expense	11	29	100	17	79
Income/loss before taxes (+/-)		116	223	-203	-432
Income tax expense		0	0	0	0
Profit/loss for the period (+/-)		116	223	-203	-432

Basic earnings per share (Basic EPS)

2006	EUR 0.02
2005	EUR -0.04

Diluted earnings per share (Diluted EPS)

2006	EUR 0.02
2005	EUR -0.04

4.2 Balance Sheet

	Note	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
Cash	12	259	295	17	19
Balances with central bank	13	74 265	32 143	4 746	2 054
Demand loans		74 265	32 143	4 746	2 054
Loans to credit institutions	14	1 790	37 415	114	2 391
Demand loans		1 790	37 415	114	2 391
Time loans		0	0	0	0
Loans to clients	15	365 986	246 668	23 391	15 765
incl. overdraft		1 990	3 322	127	212
incl. loans with mortgage collateral		217 640	106 396	13 910	6 800
Claims to financial institutions		36 915	11 526	2 359	737
Demand loans to financial institutions		17 077	11 526	1 091	737
Loans to other financial institutions		19 838	0	1 268	0
Loans to other enterprises		295 472	204 103	18 884	13 045
Loans to non-profit organisations		0	0	0	0
Loans to private persons		33 599	31 039	2 147	1 984
Provisions for doubtful receivables (minus)	15	-350	0	-22	0
Provisions for doubtful loans to clients		-350	0	-22	0
Securities		12 969	591	829	38
Debt securities and other fixed income securities	16				
		12 353	0	790	0
Shares	17	616	591	39	38
Intangible assets	18	1 066	832	68	53
Fixed assets	19	3 822	3 974	244	254
Other assets	20	148	10 127	9	647
Accrued revenue and prepaid expenses	21	3 199	5 442	204	348
incl. interest receivable		1 884	1 094	120	70
Total assets		463 154	337 487	29 601	21 569
Amounts owed to credit institutions	22	78 140	0	4 994	0
Time deposits		78 140	0	4 994	0
Amounts owed to customers	23	130 190	174 994	8 321	11 184
Amounts owed to government		93	724	6	46
Amounts owed to financial institutions		216	33 569	14	2 145
Amounts owed to other enterprises		43 853	80 089	2 803	5 119
Amounts owed to non-profit organisations		1 245	145	80	9
Amounts owed to private persons		84 783	60 467	5 419	3 865
Debt certificate liabilities	24	53 190	64 325	3 399	4 111
Bonds issued		53 190	64 325	3 399	4 111
Other liabilities	25	1 967	189	126	12
incl. payments in transmission		1 967	189	126	12
Accrued expenses and deferred income	26	3 145	2 314	201	148
incl. interest payable		1 667	1 231	107	79
Total liabilities		266 632	241 822	17 041	15 455
Subscribed capital		200 500	100 000	12 814	6 391
Other reserves		271	271	17	17
Retained earnings		-7 735	2 150	-494	137
Profit/(-)loss for the year		3 486	-6 756	223	-432
Total equity		196 522	95 665	12 560	6 114
Total liabilities and equity		463 154	337 487	29 601	21 569

4.3 Off-Balance Sheet Claims and Commitments

(EEK ths., as of 31.12.2006)

	Claims	Commitments
Irrevocable transactions	0	53 036
Guarantees and other similar irrevocable transactions	0	2 656
Unused amount of credit lines and overdraft limits	0	50 380
Derivatives	506 977	506 829
Currency-related derivatives	506 977	506 829

(EUR ths., as of 31.12.2006)

	Claims	Commitments
Irrevocable transactions	0	3 390
Guarantees and other similar irrevocable transactions	0	170
Unused amount of credit lines and overdraft limits	0	3 220
Derivatives	32 402	32 392
Currency-related derivatives	32 402	32 392

(EEK ths., as of 31.12.2005)

	Claims	Commitments
Irrevocable transactions	0	11 446
Guarantees and other similar irrevocable transactions	0	2 056
Unused amount 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 other similar irrevocable transactions	0	131
Unused amount of credit lines and overdraft limits	0	600
Derivatives	53 407	52 760
Currency-related derivatives	53 407	52 760

4.4 Statement of Changes in Equity

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005	01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005
Share capital				
Balance at beginning of period	100 000	100 000	6 391	6 391
Share capital paid in	100 500	0	6 423	0
Balance at end of period	200 500	100 000	12 814	6 391
Other reserves				
Balance at beginning of period	271	230	17	15
Statutory legal reserve	0	41	0	3
Balance at end of period	271	271	17	17
Retained earnings				
Balance at beginning of period	-4 606	2 192	-294	140
Appropriations to reserves	0	-41	0	-3
Deduction (capital increase costs)	-3 129	0	-200	0
Profit / loss for the financial year	3 486	-6 756	223	-432
Balance at end of period	-4 249	-4 605	-272	-294
Total shareholder's equity:				
at beginning of period	95 666	102 422	6 114	6 546
at end of period	196 522	95 666	12 560	6 114

Share capital is divided into 20 500 000 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.) 01.01.2006- 31.12.2006	(EEK ths.) 01.01.2005- 31.12.2005	(EUR ths.) 01.01.2006- 31.12.2006	(EUR ths.) 01.01.2005- 31.12.2005
Cash flows from operating activities	-93 772	-18 251	-5 993	-1 166
interests received	30 689	16 398	1 961	1 048
interests paid	-7 004	-2 989	-448	-191
fees and commissions received	1 964	1 529	126	98
fees and commissions paid	-1 245	-1 046	-80	-67
general administrative expenses	-21 316	-17 698	-1 362	-1 131
net trading income	2 397	1 960	153	125
other operating expenses	-1 571	-1 232	-100	-79
net increase/decrease in operating assets (-/+)				
loan portfolio	-93 929	-142 338	-6 003	-9 097
due from other banks	-1 199	-21 703	-77	-1 387
other assets	-14 991	-11 502	-958	-735
securities	-12 378	2 507	-791	160
net increase/decrease in operating liabilities (+/-)				
due to customers	33 336	94 123	2 131	6 016
debt certificate liabilities	-11 135	64 325	-712	4 111
other liabilities	2 610	-585	167	-37
			0	0
Cash flows from investing activities	-1 882	-2 538	-120	-162
purchase of tangible fixed assets	-1 402	-1 637	-90	-105
purchase of intangible assets	-480	-901	-31	-58
Cash flows from financing activities	100 500	0	6 423	0
share capital paid in	100 500	0	6 423	0
Net change in cash and cash equivalents	4 846	-20 789	310	-1 329
Cash and cash equivalents at beginning of year	39 455	60 244	2 522	3 850
Cash and cash equivalents at the end of IV quarter	44 301	39 455	2 831	2 522

* 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 2006.
2. Bank did not have assets acquired under capital lease during year 2006.
3. Bank did not pay for any investments with Estonian Privatisation Vouchers (EVP) nor with non-monetary payment during year 2006.
4. Bank did not receive non-monetary dividends, in other assets, during year 2006.

4.6 Notes to the Financial Statements

- i) Same accounting principles and methods are applied in the interim report as in the last annual report.
 ii) Segmental reporting has not been compiled, as the Bank has so far only one important segment, based on number of customers, products and management.

	(EEK ths.) 01.01.06- 31.12.06	(EEK ths.) 01.01.05- 31.12.05	(EUR ths.) 01.01.06- 31.12.06	(EUR ths.) 01.01.05- 31.12.05
Note 1: Interest Income				
Interest income from loans	27 843	16 278	1 779	1 040
Interest income from demand deposits	1 699	1 178	109	75
Interest income from time deposits	872	0	56	0
Interest income from debt securities	275	36	18	2
Total interest income	30 689	17 492	1 961	1 118
Interest income by geographical location				
Estonia	29 949	15 072	1 914	963
OECD countries	740	2 420	47	155
Total by countries	30 689	17 492	1 961	1 118
Note 2: Interest Expense				
Interest expense on demand deposits	1 340	337	86	22
Interest expense on time deposits	2 966	2 420	190	155
Interest expense on debts evidenced by certificates	2 698	1 463	172	94
Total interest expense	7 004	4 220	448	270
Note 3: Fees and Commissions Income				
Bank transaction fees	287	253	18	16
Security transaction fees	1 370	1 035	88	66
Account opening and maintenance fees	272	361	17	23
Other fees and commissions income	34	35	2	2
Total fees and commissions income	1 964	1 684	126	108
Fees and commissions income by geographical location				
Estonia	1 307	833	84	53
OECD countries	656	851	42	54
Total by countries	1 964	1 684	126	108
Note 4: Fees and Commissions Expense				
Securities transactions expenses	752	546	48	35
Bank transaction expenses	187	181	12	12
S.W.I.F.T. expenses	289	302	18	19
Other fees and commissions expense	17	17	1	1
Total fees and commissions expense	1 245	1 046	80	67

	(EEK ths.) 01.01.06- 31.12.06	(EEK ths.) 01.01.05- 31.12.05	(EUR ths.) 01.01.06- 31.12.06	(EUR ths.) 01.01.05- 31.12.05
Note 5: Net Trading Income				
Income from foreign exchange	2 361	1 306	151	83
Income from shares and debt securities in trading portfolio	36	654	2	42
Total net trading income	2 397	1 960	153	125
Note 6: Salary Expense				
Salaries	8 492	7 127	543	455
Fringe benefits	41	17	3	1
Income tax on fringe benefits	12	5	1	0
Change in vacations reserve	112	81	7	5
Total salary expense	8 657	7 230	553	462
Note 7: Social Taxes, Unemployment Insurance Premium Expense				
Social taxes from salaries	2 815	2 372	180	152
Social taxes from fringe benefits	18	7	1	0
Social tax from change in vacations reserve	37	27	2	2
Total social taxes, unemployment insurance premium expense	2 870	2 406	183	154
Note 8: Other Administrative Expenses				
Rent of premises	3 120	2 865	199	183
IT expenses	1 719	1 465	110	94
Post and telecommunication expenses	532	425	34	27
Professional services purchased	1 398	1 868	89	119
Office expenses	611	349	39	22
Training and business trip expenses	150	137	10	9
Advertising expenses	1 189	1 074	76	69
Transportation expenses	871	720	56	46
Other expenses	199	158	13	10
Total other administrative expenses	9 789	9 061	626	579
Note 9: Value Adjustments of Property Investments, Fixed and Intangible Assets				
Depreciation of fixed assets	-1 241	-1 072	-79	-69
Amortisation of intangible assets	-245	-216	-16	-14
Total value adjustments of property investments, fixed and intangible assets	-1 486	-1 288	-95	-82
Note 10: Value Adjustments of Loans and Advances				
Doubtful receivables	1 058	-1 409	68	-90
Total value adjustments of loans and advances	1 058	-1 409	68	-90
Note 11: Other Operating Expenses				
Guarantee Fund payments	505	249	32	16
Financial Supervision Authority fees	819	773	52	49
Tallinn Stock Exchange fees	169	166	11	11
Other operating expenses	78	44	5	3
Total other operating expenses	1 571	1 232	100	79

	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
Note 12: Cash				
Cash in Estonian kroons	87	166	6	11
Cash in foreign currency	172	129	11	8
Total cash	259	295	17	19
Note 13: Balances with Central Bank				
Mandatory reserve	32 013	30 814	2 046	1 969
Surplus of the reserve with the central bank	42 252	1 329	2 700	85
Total balances with the central bank	74 265	32 143	4 746	2 054
Note 14: Due from Other Credit Institutions				
Correspondent accounts	1 790	37 415	114	2 391
Total due from other credit institutions	1 790	37 415	114	2 391
Claims by country				
Estonia	566	34 173	36	2 184
OECD countries	1 224	3 242	78	207
Total claims by country	1 790	37 415	114	2 391
Note 15: Due from Customers				
Due by customer types				
Due from financial institutions	36 916	11 526	2 359	737
Loans to private companies	295 471	204 103	18 884	13 045
Loans to private persons	33 599	31 039	2 147	1 984
Total due from customers	365 986	246 668	23 391	15 765
Interest rates of loans range between 0% - 18%.				
Loans with collaterals				
Mortgage	221 640	101 280	14 165	6 473
Commercial pledge	19 510	25 055	1 247	1 601
Pledge of building	0	8 476	0	542
Pledge of shares	45 196	41 575	2 889	2 657
Deposit	1 361	23 470	87	1 500
Other	77 660	37 081	4 963	2 370
Total loans with collaterals	365 367	236 937	23 351	15 143
Due by remaining maturity				
On demand	14 245	11 099	910	709
Up to 3 months	64 239	61 284	4 106	3 917
3 to 12 months	194 846	103 485	12 453	6 614
1 to 2 years	42 675	38 433	2 727	2 456
2 to 5 years	41 763	26 103	2 669	1 668
over 5 years	2 636	6 264	168	400
overdue	5 232	0	334	0
doubtful receivables	350	0	22	0
Total due from customers	365 986	246 668	23 391	15 765

	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
Due by country				
Estonia	335 217	210 797	21 424	13 472
OECD countries	30 769	35 871	1 966	2 293
Total due from customers	365 986	246 668	23 391	15 765
Overdue claims and loans				
Loans to private enterprises	5 232	1 447	334	92
Loans to private persons	0	1	0	0
Total overdue claims and loans	5 232	1 448	334	93
Specific loan loss provisions	- 350	0	- 22	0

Note 16: Debt Securities and Other Fixed Income Securities

Debt securities by issuer				
Debt securities of private companies	12 353	0	790	0
Total debt securities by issuer	12 353	0	790	0
Debt securities by countries				
Estonia	11 947	0	764	0
OECD countries	406	0	26	0
Total debt securities by countries	12 353	0	790	0

Note 17: Shares

Shares

Financial assets in fair value with change through income statement	520	495	33	32
- shares listed in stock exchange	520	495	33	32
shares in investment portfolio	96	96	6	6
Total shares	616	591	39	38

Shares by countries

Estonia	261	96	17	6
OECD countries	355	495	23	32
Total shares by countries	616	591	39	38

Note 18: Intangible Assets

	(EEK ths.)		(EUR ths.)	
	Computer software	Total	Computer software	Total
Balance as of 01.01.2006				
At cost	3 037	3 037	194	194
Accumulated amortisation	-2 205	-2 205	-141	-141
Net value	832	832	53	53
Changes in 2006				
Purchases during period	480	480	31	31
Amortisation expense	-245	-245	-16	-16
Balance as of 31.12.2006				
At cost	3 517	3 517	225	225
Accumulated amortisation	-2 451	-2 451	-157	-157
Net value	1 066	1 066	68	68

Note 19: Fixed Assets

(EEK ths.)

	Capitalised expenses	Computers	Furniture	Other fixed assets	Prepayments	Total
Balance as of 01.01.2006						
At cost	2 781	778	1 071	1 824	12	6 466
Accumulated depreciation	-670	-464	-632	-726	0	-2 492
Net value	2 111	314	439	1 098	12	3 974
Changes in 2006						
Purchases during period	26	342	158	572	292	1 390
Depreciation expense	-558	-214	-127	-341	0	-1 240
Revaluation due to drop in value (at cost)	0	0	0	-45	0	-45
Registered as fixed asset from prepayment	-12	0	-74	-218	-304	-608
Balance as of 31.12.2006						
At cost	2 807	1 120	1 229	2 351	0	7 507
Accumulated depreciations	-1 227	-678	-759	-1 021	0	-3 685
Net value	1 580	442	470	1 330	0	3 822

(EUR ths.)

	Capitalised expenses	Computers	Furniture	Other fixed assets	Prepayments	Total
Balance as of 01.01.2006						
At cost	178	50	68	117	1	413
Accumulated depreciation	-43	-30	-40	-46	0	-159
Net value	135	20	28	70	1	254
Changes in 2006						
Purchases during period	2	22	10	37	19	89
Depreciation expense	-36	-14	-8	-22	0	-79
Registered as fixed asset from prepayment	-1	0	-5	-14	-19	-39
Balance as of 31.12.2006						
At cost	179	72	79	150	0	480
Accumulated depreciations	-78	-43	-49	-65	0	-236
Net value	101	28	30	85	0	244

	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
Note 20: Other Assets				
Revaluation of foreign currency derivatives	148	10 127	9	647
Total other assets	148	10 127	9	647
Note 21: Accruals and Prepaid Expenses				
Interests receivable	1 884	1 094	120	70
Fees and commissions receivable	167	97	11	6
Prepaid expenses	1 072	4 175	69	267
Debtors	0	58	0	4
Other accrued revenue	76	18	5	1
Total accruals and prepaid expenses	3 199	5 442	204	348
Note 22: Due to Credit Institutions				
Time deposits	78 140	0	4 994	0
Total due to credit institutions	78 140	0	4 994	0
Note 23: Due to Customers				
Demand deposits	71 320	38 844	4 558	2 483
Time deposits	58 870	136 150	3 762	8 702
Total due to customers	130 190	174 994	8 321	11 184
Demand deposits by customer groups				
Government	93	724	6	46
Financial institutions	216	22	14	1
Non-profit organisations	1 240	70	79	4
Companies	25 912	9 469	1 656	605
Private persons	43 859	28 559	2 803	1 825
Total demand deposits	71 320	38 844	4 558	2 483
Time deposits by customer groups				
Financial institutions		33 547	0	2 144
Non-profit organisations	5	75	0	5
Companies	17 940	70 620	1 147	4 513
Private persons	40 925	31 908	2 616	2 039
Total time deposits	58 870	136 150	3 762	8 702
Due to customers by maturities				
On demand	59 339	38 844	3 792	2 483
up to 1 month	23 193	66 877	1 482	4 274
3 to 12 months	42 807	62 975	2 736	4 025
1 to 2 years	831	2 016	53	129
2 to 5 years	4 020	4 282	257	274
Total due to customers	130 190	174 994	8 321	11 184
Note 24: Debt Certificate Liabilities				
Bonds issued	53 190	64 325	3 399	4 111
Total debt certificate liabilities	53 190	64 325	3 399	4 111

	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
Bonds by maturity				
10.08.2006, int. rate 3.60% p.a., 30/360	0	6 135	0	392
20.04.2007, int. rate 4.75% p.a., 30/360 *	30 720	35 720	1 963	2 283
11.10.2007, int. rate 4.25% p.a., 30/360	11 200	11 200	716	716
19.10.2007, int. rate 4.25% p.a., 30/360	11 270	11 270	720	720
Total debt certificate liabilities	53 190	64 325	3 399	4 111
* Listed on Tallinn Stock Exchange				

Note 25: Other Liabilities

Payments in transmission	1 967	189	126	12
Total other liabilities	1 967	189	126	12

Note 26: Accrued Expenses and Deferred Income

Interest payable	1 667	1 231	107	79
Taxes payable:	510	319	33	20
income tax withheld from salaries	181	135	12	9
social tax	291	206	19	13
unemployment insurance premium	8	9	1	1
sales tax (VAT)	6	-49	0	-3
corporate income tax	9	7	1	0
mandatory pension payment withheld	15	11	1	1
Payables to employees	476	327	30	21
Payables to suppliers	486	353	31	23
Other accrued expenses and deferred income	6	84	0	5
Total accrued expenses and deferred income	3 145	2 314	201	148

Note 27: Geographical Concentration of Clients' Debts

(EEK ths., as of 31.12.06)

Area / Type of debt	Balance sheet claims				Off-balance sheet claims	By area (%)
	loans *	securities	other claims	incl. overdue and doubtful receivables		
Estonia	338 887	12 209	1 727	5 295	151 663	56.28%
Sweden	0	95	0	0	0	0.01%
Italy	157		0	0	0	0.02%
United States of America	0		0	0	0	0.00%
Finland	147	259	0	0	0	0.05%
United Kingdom	16 881		0	0	355 314	41.96%
Denmark	1 024		0	0	0	0.12%
Poland	7		0	0	0	0.00%
Latvia	0	406	11	0	0	0.00%
Greece	13 777		146	0	0	1.57%
Total	370 880	12 969	1 884	5 295	506 977	100.00%

(EUR ths., as of 31.12.06)

Area / Type of debt	Balance sheet claims				Off-balance sheet claims	By area (%)
	loans *	securities	other claims	incl. overdue and doubtful receivables		
Estonia	21 659	780	110	338	9 693	56.28%
Sweden	0	6	0	0	0	0.01%
Italy	10	0	0	0	0	0.02%
United States of America	0	0	0	0	0	0.00%
Finland	9	17	0	0	0	0.05%
United Kingdom	1 079	0	0	0	22 709	41.96%
Denmark	65	0	0	0	0	0.12%
Poland	0	0	0	0	0	0.00%
Latvia	0	26	1	0	0	0.00%
Greece	881	0	9	0	0	1.57%
Total	23 704	829	120	338	32 402	100.00%

Note 27 continued

(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%
United States of America	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%
United States of America	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%

* includes claims to credit institutions and financial institutions

Note 28: Concentration of Clients' Debt by Economic Sector

(EEK ths., as of 31.12.06)

Economic sector / Type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By sector (%)
	loans *	securities	other claims			
Finance	95 611	4 978	253	0	367 775	48.75%
Retail and wholesale	37 775		140	5 061	91 675	12.95%
Real estate	248 844	4 722	823	33	0	26.46%
Private persons	33 840		188	0	0	3.54%
Construction	2 405	61	8	0	0	0.26%
Industry	17 689	459	102	549	0	1.84%
Transport and logistics	540	2 343	3	0	47 527	5.24%
Hotels, restaurants	3 588		14	0	0	0.37%
Agriculture, hunting and forestry	4 671		23	0	0	0.49%
Electricity, gas and water supply	0	406	11	0	0	0.04%
Other business activities	0		318	0	0	0.03%
Other public, social and private services	182		1	2	0	0.02%
Total	445 145	12 969	1 884	5 645	506 977	100.00%

(EUR ths., as of 31.12.06)

Economic sector / Type of debt	Balance sheet claims			incl. overdue and doubtful receivables	Off-balance sheet claims	By sector (%)
	loans *	securities	other claims			
Finance	6 111	318	16	0	23 505	48.75%
Retail and wholesale	2 414	0	9	323	5 859	12.95%
Real estate	15 904	302	53	2	0	26.46%
Private persons	2 163	0	12	0	0	3.54%
Construction	154	4	1	0	0	0.26%
Industry	1 131	29	7	35	0	1.84%
Transport and logistics	35	150	0	0	3 038	5.24%
Hotels, restaurants	229	0	1	0	0	0.37%
Agriculture, hunting and forestry	299	0	1	0	0	0.49%
Electricity, gas and water supply	0	26	1	0	0	0.04%
Other business activities	0	0	20	0	0	0.03%
Other public, social and private services	12	0	0	0	0	0.02%
Total	28 450	829	120	361	32 402	100.00%

Note 28 continued

(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	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 and logistics	0	0	0	0	46 272	4.02%
Hotels, restaurants	1 462	0	9	0	0	0.13%
Other public, 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	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 and logistics	0	0	0	0	2 957	4.02%
Hotels, restaurants	93	0	1	0	0	0.13%
Other public, social and private services	15	0	0	0	0	0.02%
Total	20 211	38	67	94	53 407	100.00%

* includes claims to credit institutions and financial institutions