



ANNUAL REPORT

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2006
End of reporting year	31.12.2006

AS SBM Pank
(SBM Bank Ltd.)

Registration code:	10586461
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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@smbank.ee
Internet home page	http://www.smbank.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	31.12.2006
Reporting period	01.01.2006 – 31.12.2006
Reporting currency and units	In thousands Estonian kroons (EEK)
Comparison currency and units	In thousands euros (EUR)

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. Bank has an account manager status of Estonian Central Depository for Securities and is the member of SWIFT. SBM Bank has been approved as a member of the Riga and Vilnius stock exchanges by their boards on 23 January 2007. Being already a member at the Tallinn Stock Exchange, SBM Pank has become the 15th pan-Baltic member. 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.

Main event of 2006 was the double increase of share capital together with Marfin Financial Group Holding Societe Anonyme becoming bank's main shareholder. Based on the decisions of Special General Meetings of Shareholders from February 28, 2006 and May 26, 2006 to increase the share capital of the bank by 100,500,000 EEK and after the decision of the Management Board of Financial Supervision Authority to approve acquiring a qualifying holding in AS SBM Pank, Marfin Financial Group Holdings S.A. subscribed 10,050,000 shares and made monetary payment for subscribed shares in the amount of 100,500,000 EEK on 10 August 2006. The owners of AS SBM Pank as of the report date are:

50.1247% of shares are owned by Marfin Financial Group Holding Societe Anonyme (place of residence Athens, Greece);

28.6823% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

6.2344% of shares are owned by Mr. Ernesto A. Preatoni (place of residence Tallinn, Republic of Estonia);

4.8883% of shares are owned by Sigma Real Estate OÜ (location Tallinn, Estonia), a private limited company under control of Mr. Nikolaos Sarros;

4.8883% is owned by Frösundaviksparken AB (location Ängelholm, Sweden), under control of Mr. Ulrich John;

2.7132% is owned by Koumbas Holdings S.A. (place of residence Athens, Greece) ning

2.4688% is owned by Mr. Emmanouil Karavelakis (place of residence Athens, Greece).

Current shareholders have an option agreement for further purchase of the shares controlled by Mr. Preatoni. A transaction took place after the balance sheet date,

whereby the participation of Mr. Sarros increased to 30.5526%-ni and the participation of Mr. Preatoni decreased to 4.3641%.

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. It has two main subsidiaries. **MARFIN BANK** is a commercial bank and **INVESTMENT BANK OF GREECE** is active in Investment Banking and Securities Intermediation. **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 increased to seven members in the year 2006. Mr. Nikolaos Sarros, Mr. Emmanouil Karavelakis, Mr. Frank Ulrich John, Mr. Michalakis Louis, Mr. Fotios Karatzenis, Mr. Achillefs Giannisis and Mr. Efthymios Bouloutas are members of the Supervisory Board. 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 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. There were no changes in the Management Board in the year 2006.

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

Preliminary assessments are that the gross domestic product of Estonia grew 11.5% in year 2006, thus being not only one of the highest in the European Union, but also in the world, surpassing also the boldest year-old forecasts. Bank of Estonia at the same time considers 7-8% to be sustainable growth. Growth in private consumption was the main driver of growth, supported by fast increasing income (average gross salary grew according to estimates +15.8% in 2006) and continuous growth in employment (estimated record-high 61.6%) as well as expansive loan growth financed from outside Estonia (growth of outstanding loans issued to private persons and companies by Estonian credit institutions exceeded 60%). Juncture barometers also stood at high levels throughout the year (economic climate indicator of Estonian Institute of Economic Research stood at maximum 9 point level). At the same time, several economic sectors, mainly construction and real estate, have reached their growth limits. Fast economic growth and economy working at full employment and maximum limits brought in turn increasing pressure on prices (consumer price index grew 4.4%), which along other things also deferred hopes for quick implementation of euro. 10.4% increase in housing services influenced the consumer price index growth the most. At the same time the inflationary pressure has, according to the studies of Estonian Institute of Economic Research, reached a stage where the companies substantiate price increase with price increases. The inflation has even stayed reasonable compared with the near 16% growth in gross salaries. Although the European Central Bank raised actively interest rates throughout the year and 6 month EURIBOR, being the base rate for most of loans issued in Estonia, grew 1.17 percentage points to 3.807%, it was too little to slow growth and growth expectations and thereby inflation. Further interest rate growth should however start to influence loan decisions and bring decreasing internal demand and adjust economy cycle. Real estate market showed first signs of cooling, where the amount of transactions on a quarterly basis did not reach the year 2005 level (as of 3rd quarter) i.e. average value of real estate transaction, which grew 55% in a year, has started to limit demand. The transaction totals at the same time continued to grow in monetary terms and grew 60%, which was also reflected in the similar substantial growth of loan portfolios of banks.

The net loan portfolio of Estonian credit institutions grew 41.6% in year 2006 according to the statistics of the Bank of Estonia, reaching 178 billion kroons (11.4 billion euros) at year-end. Outstanding loans to private persons grew however 62.7% during the year to 79 billion kroons (5.1 billion euros), and to companies 60.1% reaching 83 billion kroons (5.3 billion euros). Growth of loan portfolio was 46% year ago, 69% in loans to private persons and 63% in loans to companies. 74% of all loans were with mortgage collateral and 11% without collateral. 85% of loans to private persons were housing loans and 11% consumer loan. The same figures were accordingly 82% and 9% year earlier. 99% of loans to private persons were with maturities over year and 39% with maturity exceeding 25 years. 85% of loans to companies were with maturity over a year. 43.7% of outstanding loans to legal persons were connected with the real estate sector. Year earlier it was 29.9%. Overdue loan payments remained at the same, 0.2% level of the total loan portfolio. Differently from loans the growth of the amounts owed to clients slowed down in year 2006, staying at 29% (+47% in year 2005). The total of 123 billion kroons (8 billion euros) was owed to clients at year-end, including 58 billion kroons (3.7 billion euros) to companies and 45 billion kroons (2.9 billion euros) to private persons.

Major Economic Events

Year 2006 was a year of substantial growth for AS SBM Pank. Main event of 2006 was the double increase of share capital to 200.5 million kroons (12.8 million euros) connected with Marfin Financial Group Holding S.A. becoming bank's main shareholder. Total assets of the bank have grown 1.4 times during the year, reaching 463.2 million kroons (29.6 million euros) as of 31.12.2006. Loan portfolio (excluding deposits with financial institutions) totalled 348.9 million kroons i.e. 22.3 million euros (growth 1.5 times from the beginning of the year), 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.

Bank did not issue new bonds in year 2006. Bank purchased 5 million kroons in nominal value its own bonds, listed on Tallinn Stock Exchange, on 15.08.2006 related to restructuring of financial liabilities in order to reduce interest expenses. Bond liabilities comprised 53.2 million kroons i.e. 3.4 million euros as of 31 December 2006 (11.5% of total balance sheet). Plans for the year 2007 include concluding an agreement with a bank belonging to the Marfin group for long term credit line, with an intention to finance the growth of the loan portfolio.

AS SBM Pank became profitable in year 2006. 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). Net profit for the year comprised 3.5 million kroons (0.2 million euros).

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. New branch office was opened in Tartus, Riia 13-17, in April 2006. 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%.

Ratios

		<u>31.12.2006</u>	<u>31.12.2005</u>
Return on equity	ROE	2.39%	-6.81%
Equity multiplier	EM	2.74	2.68
Profit margin	PM	9.71%	-31.11%
Asset utilisation	AU	8.97%	8.32%
Net interest margin	NIM	6.15%	5.45%
Basic earnings per share	Basic EPS	0.25	-0.68
Diluted earnings per share	Diluted EPS	0.25	-0.68
Spread	SPREAD	4.32%	3.88%
Yield on interest-earning assets	YIEA	7.97%	7.18%
Cost of interest-bearing liabilities	COL	2.80%	3.30%

Explanations to ratios

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

ROE	Net profit (loss) / Average equity * 100
EM	Average assets / Average equity
PM	Net profit (loss) / Total income * 100
AU	Total income / Average assets * 100
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

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.

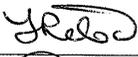
FINANCIAL STATEMENTS

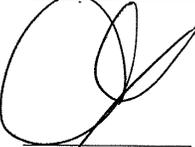
MANAGEMENT BOARD'S CONFIRMATION

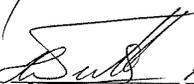
The Management Board declares its liability for the correctness of the Financial Statements 2006 of AS SBM Pank, presented on pages 9 – 44 and confirms that to the best of its knowledge:

- the accounting methods used in preparation of the financial statements are in accordance with the International Accounting Standards Board's (IASB) International Financial Reporting Standards (IFRS), as adopted by the European Union;
- Financial Statements give a true and fair view of the financial position and the results of operations of AS SBM Pank;
- all significant matters of fact, which have arisen before the date of completion of the Annual Report on 19 February 2007, have been duly apprised and disclosed;
- AS SBM Pank is operating on a going concern basis.

Riho Rasmann Chairman of the Management Board  19.02.2007

Sven Raba Member of the Management Board  19.02.2007

Mart Veskimägi Member of the Management Board  19.02.2007

Roul Tutt Member of the Management Board  19.02.2007

Income Statement

		(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	Note	2006	2005	2006	2005
Interest income	1	30,689	17,492	1,961	1,118
Interest expense	2	7,004	4,220	448	270
Net interest income		23,685	13,272	1,514	848
Net fees and commissions income		719	638	46	41
Fees and commissions income	3	1,964	1,684	126	108
Fees and commissions expense	4	1,245	1,046	80	67
Net trading income (+/-)	5	2,397	1,960	153	125
Administrative expenses		21,316	18,697	1,362	1,195
Salaries expense	6	8,657	7,230	553	462
Social insurance tax, unemployment insurance premium	7	2,870	2,406	183	154
Other administrative expenses	8	9,789	9,061	626	579
Depreciation of fixed and intangible assets	9	1,486	1,288	95	82
Value adjustments of advances and off-balance sheet commitments (+/-)	10	1,058	-1,409	68	-90
Other operating income and expenses		1,571	1,232	100	79
Other operating expenses	11	1,571	1,232	100	79
Profit/loss before taxation		3,486	-6,756	223	-432
Net profit/loss for the period		3,486	-6,756	223	-432
Basic earnings per share					
2006	EEK	0.25		EUR	0.02
2005	EEK	-0.68		EUR	-0.04
Diluted earnings per share					
2006	EEK	0.25		EUR	0.02
2005	EEK	-0.68		EUR	-0.04

The accounting policies on pp. 14-22 and notes to financial statements on pp. 23-44 form an integral part of the current financial statements.

Balance Sheet

ASSETS	Note	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
Cash	12	259	295	17	19
Loans and advances		441,691	316,226	28,229	20,211
Balances with central bank	13	74,265	32,143	4,746	2,054
Due from other credit institutions	14	1,790	37,415	114	2,391
Due from customers of credit institution	15	365,636	246,668	23,368	15,765
Debt securities and fixed income securities	16	12,353	0	790	0
Shares and other securities	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
Accruals and prepaid expenses	21	3,199	5,442	204	348
TOTAL ASSETS		463,154	337,487	29,601	21,569
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES		208,330	174,994	13,315	11,184
Due to credit institutions	22	78,140	0	4,994	0
Due to customers of credit institution	23	130,190	174,994	8,321	11,184
Debt certificate liabilities	24	53,190	64,325	3,399	4,111
Debts evidenced by certificates		53,190	64,325	3,399	4,111
Other liabilities	25	1,967	189	126	12
Accrued expenses and deferred income	26	3,145	2,314	201	148
TOTAL LIABILITIES		266,632	241,822	17,041	15,455
SHAREHOLDERS' EQUITY					
Share capital		200,500	100,000	12,814	6,391
Statutory legal reserve		271	271	17	17
Retained earnings		-7,735	2,150	-494	137
Profit/loss for the financial year		3,486	-6,756	223	-432
TOTAL SHAREHOLDERS' EQUITY		196,522	95,665	12,560	6,114
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		463,154	337,487	29,601	21,569

The accounting policies on pp. 14-22 and notes to financial statements on pp. 23-44 form an integral part of the current financial statements.

Statement of Cash Flows

		(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	Note	2006	2005	2006	2005
Cash flows from operating activities		-93,784	-18,251	-5,994	-1,166
Interests received		28,805	16,398	1,841	1,048
Interests paid		-5,336	-2,989	-341	-191
Fees and commissions received		1,797	1,529	115	98
Fees and commissions paid		-1,245	-1,046	-80	-67
Administrative expenses		-19,844	-17,698	-1,268	-1,131
Net trading income received		2,397	1,960	153	125
Other operating expenses		-1,571	-1,232	-100	-79
Net increase/decrease in operating assets (+/-)					
Loan portfolio		-113,767	-142,338	-7,271	-9,097
Due from banks		-1,199	-21,703	-77	-1,387
Other assets		6,886	-11,502	440	-735
Securities	16	-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		-530	-585	-34	-37
Cash flows from investing activities		-1,870	-2,538	-120	-162
Purchase of tangible fixed assets	19	-1,390	-1,637	-89	-105
Purchase of intangible assets	18	-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 the beginning of the year		39,455	60,244	2,522	3,850
Cash and cash equivalents at the end of the year *		44,301	39,455	2,831	2,522

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

	Note	2006	2005	2006	2005
Cash	12	259	295	17	19
Surplus of the reserve in the Bank of Estonia	13	42,252	1,745	2,700	112
Demand and overnight deposits in banks	14	1,790	37,415	114	2,391
Total		44,301	39,455	2,831	2,522

The accounting policies on pp. 14-22 and notes to financial statements on pp. 23-44 form an integral part of the current financial statements.

Statement of Changes in Equity

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
Share capital				
Balance at the beginning of period	100,000	100,000	6,391	6,391
Share capital paid-in	100,500	0	6,423	0
Balance at the end of period	200,500	100,000	12,814	6,391
Other reserves				
Balance at the beginning of period	271	230	17	15
Statutory legal reserve	0	41	0	3
Balance at the end of period	271	271	17	17
Retained earnings				
Balance at the beginning of period	-4,606	2,191	-294	140
Appropriations to reserves	0	-41	0	-3
Expenses related to capital increase *	-3,129	0	-200	0
Profit/loss for the financial year	3,486	-6,756	223	-432
Balance at the end of period	-4,249	-4,606	-272	-294
Total shareholders' equity:				
at the beginning of period	95,665	102,422	6,114	6,546
at the end of period	196,522	95,665	12,560	6,114

* consultancy expenses directly related to the share capital increase of the year 2006.

The accounting policies on pp. 14-22 and notes to financial statements on pp. 23-44 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 Management Board approved the financial statements on 19 February 2007.

The financial statements of AS SBM Pank have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. Several changes to texts of valid standards have become in force since 1 January 2006 and new IFRS standards became mandatory for the bank from the financial year which began on 1 January 2006. Adoption of new standards or changes to standards did not cause significant changes in accounting policies nor affected the results of operations of the bank.

Basis of Preparation

The functional and presentation currency of AS SBM Pank is Estonian kroon (EEK). The statements have also been presented in euros (EUR) following the requirements of rules and regulation of Tallinn Stock Exchange. Numbers in the reports are disclosed in thousands of monetary units. 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.

Segment Reporting

Segment reporting has not been compiled, as the Bank has so far only one important segment, based on number of customers, products and services, management and operating location. Bank’s main activity is lending, volumes of all other areas of operation are either insignificant and/or supporting activities.

Significant Judgements and Estimates by the Management

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates to certain extent, 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.

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 in the vault of the bank is disclosed as cash in the balance sheet. Cash and cash equivalents include cash, demand and overnight deposits in other credit institutions and the surplus of account balance in the Bank of Estonia (Central Bank). Cash flows from operating activities are disclosed in the statement of cash flows based on indirect method. Investing and financing activities are reported based on direct method.

Cash and cash equivalents are stated in the balance sheet at adjusted cost.

Financial Instruments

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, accrued expenses and other liabilities.

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.

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.

Securities Available-for-Sale

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”.

Loans to customers

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 reduction for impairment. 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 for impairment.

If the value of the previously impaired claims rises during next periods, then the previous impairment loss 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.

Tangible Assets

Material assets used in the business activities of the bank with useful life over one year are recognised as tangible assets. New tangible assets are depreciated from the month of taking it into use until the asset is fully depreciated. Tangible assets are recorded in the balance sheet at acquisition cost less depreciation and any provision for impairment. Straight-line method is used for depreciating tangible assets and the yearly depreciation rates are:

	<u>2006</u>
computers, communication equipment	30 %
office equipment	25 %
office furniture	20 %
telephones	40 %
capitalised improvement costs on leased office space	20%
other tangible assets	20%

Impairment of Assets

The management of the bank considers, if there are sign of decrease in value of assets, on each balance sheet date. Impairment test is performed if there are doubts, which indicate possible decrease in value. The recoverable amount of asset is the highest of two amounts: fair value of the asset (minus sale expenses) or useful value calculated from dicounted cash flows. If the test result show that the recoverable amount is lower than the carrying amount of an asset, then the impairment loss is recognised. Value of the smallest group of assets (generating income unit to which an asset belongs) is used if the impairment test can not be performed for separate asset item. Impairment losses are reported as expenses for the period.

If an impairment test of on asset which was devalued earlier shows that the recoverable amount has exceeded the carrying amount, then the former impairment is reversed and asset' carrying amount increased up to the maximum limit of carrying amount, which it would have been considering normal depreciation during the years in between.

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 15% 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.

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.

Company Income Tax

Profit of Estonian legal entities is not taxed according to legislation in force, 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 22/78 (until 31.12.2006 the tax rate was 23/77) from the amount paid out as net dividends. Company income tax related to 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.

Guarantees and Other Off-Balance Sheet Commitments

Guarantees issued by the Bank to customers and potential loan commitments as well as undrawn loan amounts are reflected on off-balance sheet accounts. Received guarantee fees are reported in income over the period of the guarantee.

Financial guarantee liabilities are initially recorded at their fair value and the initial fair value is amortised over the life of the financial guarantee. Therefore the financial guarantee liability is carried at higher of amortised amount and present value of future payments (if it is likely that payments are to be made under the guarantee). Liabilities arising from financial guarantees are reported under other liabilities.

New International Financial Reporting Standards (IFRSs) and Interpretations of the Financial Reporting Interpretations Committee (IFRICs)

To date, certain new standards and amendments and interpretations to existing standards have been published which will be mandatory for the Company in annual periods beginning on or after 1 January 2007. The following is management's assessment of the impact these new standards, amendments and interpretations may have on its financial statements in the period of initial application.

- Amendments to IAS 1 *Presentation of Financial Statements - Capital Disclosures* and IFRS 7 *Financial Instruments: Disclosures* (effective for periods beginning on or after 1 January 2007). The Company has not elected to adopt the amendments early. The amendments require increased disclosures in the financial statements.
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for periods beginning on or after 1 March 2006). IFRIC 7 will not affect the Company's financial statements.
- IFRIC 8 *Scope of IFRS 2 Share-based Payment* (effective for periods beginning on or after 1 March 2006). IFRIC 8 will not affect the Company's financial statements.

- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for periods beginning on or after 1 June 2006). IFRIC 9 will not affect the Company's financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for periods beginning on or after 1 November 2006). IFRIC 10 will not affect the Company's financial statements.
- IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* (effective for periods beginning on or after 1 March 2007). IFRIC 11 will not affect the Company's financial statements.
- IFRIC 12 *Service Concession Arrangements* (effective for periods beginning on or after 1 January 2008). IFRIC 12 will not affect the Company's financial statements.
- IFRS 8 *Operating Segments* (effective for periods beginning on or after 1 January 2009). IFRS 8 will not affect the Company's financial statements.

Risk Management

Liquidity risk

The main objective of the Bank's liquidity management in 2006 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.

Open Currency Positions

The short and long net position of each currency is converted to Estonian kroons using the rate of last banking day issued by the Bank of Estonia. The net position of each freely convertible currency can not exceed 15% of net own funds of the Bank, the position of non-convertible currency 5% of net own funds. The joint position of Estonian kroons and euro of the European Union must not exceed 15% of net own funds of the Bank and the total open net foreign currency positions 30% of net own funds of the credit institution.

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 Supervisory Board establishes the competence and limits of credit committee in making decisions. 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.

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.

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

Bank enhanced control over operational risks in 2006. Special procedures were passed, divisions performed risk assessments, and the Management Board performed summary assessment together with compiling a plan to hedge the 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 scaleable, 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 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. Yearly risk assessments of the IT are performed together with the IT vendor together with compiling an action plan to hedge risks.

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.

Market Risk

Placing Bank's assets to instruments sensitive to market risk on the purpose of trading or investment gives rise to market risk. Market risk emerges from general market conditions unfavourable to the bank, or from decline in the financial position of issuers whose securities are in the trading portfolio. Personnel of the money and capital markets' division makes decisions on positions within the limits established by the Management Board.

Notes to the Financial Statements

Notes 1 – 40

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
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 areas				
Estonia	29,949	15,072	1,914	963
OECD countries	740	2,420	47	155
Total	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
Securities' 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	1,963	1,684	126	108
Fees and commissions income by geographical areas				
Estonia	1,307	833	84	53
OECD countries	656	851	42	54
Total	1,963	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 expense	17	17	1	1
Total fees and commissions expense	1,245	1,046	80	67
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

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
Note 6: Salaries 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 pay reserve	112	81	7	5
Total salaries expense	8,657	7,230	553	462
Note 7: Social Insurance Tax, Unemployment Insurance Premium				
Social taxes from salaries	2,815	2,372	180	152
Social taxes from fringe benefits	18	7	1	0
Social taxes from change in vacations pay reserve	37	27	2	2
Total social insurance tax, unemployment insurance premium	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
Other 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: Depreciation of fixed and intangible assets				
Depreciation of fixed assets	-1,241	-1,072	-79	-69
Amortisation of intangible assets	-245	-216	-16	-14
Total depreciation of fixed and intangible assets	-1,486	-1,288	-95	-82
Note 10: Net impairment losses on financial assets Off-Balance Sheet Items (+/-)				
Impairment charge of doubtful claims	-350	-1,409	-22	-90
Recoveries	1,408	0	90	0
Total value adjustments of advances and off-balance sheet items (+/-)	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.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	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
Receivables by country				
Estonia	566	34,173	36	2,184
OECD countries	1,224	3,242	78	207
Total	1,790	37,415	114	2,391
Note 15: Due from Customers of Credit Institution				
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 of credit institution (gross)	365,986	246,668	23,391	15,765
Interest rates of loans range between 5% - 18% p.a.				
Due by 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 other movables	61,789	35,600	3,949	2,275
Pledge of shares	45,196	41,575	2,889	2,657
Deposit	1,361	23,470	87	1,500
Other	15,871	11,202	1,014	1,716
Without collateral	619	10	40	1
Total	365,986	246,668	23,391	15,765
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 of credit institution	365,986	246,668	23,391	15,765

Note 15 continued

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Due by countries				
Estonia	335,217	210,797	21,424	13,472
OECD countries	30,769	35,871	1,966	2,293
Total due from customers of credit institution	365,986	246,668	23,391	15,765
Overdue claims and loans				
Loans to private companies	5,933	1,447	379	92
Loans to private persons	0	1	0	0
Total overdue claims and loans	5,933	1,448	379	93
Specific loan provision	- 350	0	- 22	0

Note 16: Debt Securities and Fixed Income Securities

Debt securities by type of ownership of issuer

Debt securities of private companies held-to-maturity	12,353	0	790	0
Total debt securities by type of ownership of 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 and Other Securities

Shares and other securities

Financial assets in fair value with change through income statement	520	495	33	32
-shares listed on a stock exchange	520	495	33	32
Shares in investment portfolio available-for-sale	96	96	6	6
Total shares and other securities	616	591	39	38

Shares and other securities by countries

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

Note 18: Intangible Assets

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

	(EEK ths.)	(EUR ths.)
	Software	Software
Balance as of 01.01.2005		
At cost	2,151	137
Accumulated amortisation	-1,989	-127
Net value	162	10
Changes in 2005		
Purchases during period	886	57
Amortisation expense	-216	-14
Balance as of 31.12.2005		
At cost	3,037	194
Accumulated amortisation	-2,205	-141
Net value	832	53

Note 19: Tangible Assets

	(EEK ths.)					
	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Prepay-ments	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
Devaluations due to drop in value (at cost)	0	0	0	-45	0	-45

Note 19 continued

Registered as fixed asset from prepayment	12	0	74	218	-304	0
Balance as of 31.12.2006						
At cost	2,807	1,120	1,229	2,351	0	7,507
Accumulated depreciation	-1,227	-678	-759	-1,021	0	-3,685
Net value	1,580	442	470	1,330	0	3,822

(EUR ths.)

	Capitalised construction expenses *	Computers	Furniture	Other tangible 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
Devaluations due to drop in value (at cost)	0	0	0	-3	0	-3
Registered as fixed asset from prepayment	1	0	5	14	-19	0
Balance as of 31.12.2006						
At cost	179	72	79	150	0	480
Accumulated depreciation	-78	-43	-49	-65	0	-236
Net value	101	28	30	85	0	244

(EEK ths.)

	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Prepayments	Total
Balance as of 01.01.2005						
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
Devaluations due to drop in 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 19 continued

(EUR ths.)

	Capitalised construction expenses *	Computers	Furniture	Other tangibl e assets	Prepaym ents	Total
Balance as of 01.01.2005						
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
Devaluations due to drop in 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

* reconstruction expenses of rented premises

(EEK ths.)

Note 20: Other Assets	31.12.2006			31.12.2005		
	Claims	Commitments	Fair value	Claims	Commitments	Fair value
Currency-related derivatives	506,977	506,829	148	835,639	825,512	10,127

(EUR ths.)

	31.12.2006			31.12.2005		
	Claims	Commitments	Fair value	Claims	Commitments	Fair value
Currency-related derivatives	32,402	32,392	9	53,407	52,760	647

(EEK ths.) (EEK ths.) (EUR ths.) (EUR ths.)
31.12.2006 31.12.2005 31.12.2006 31.12.2005

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

	(EEK ths.) 31.12.2006	(EEK ths.) 31.12.2005	(EUR ths.) 31.12.2006	(EUR ths.) 31.12.2005
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 of Credit Institution				
Demand deposits	71,320	38,844	4,558	2,483
Time deposits	58,870	136,150	3,762	8,702
Total due to customers of credit institution	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	0	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
Deposits by maturities				
On demand	71,320	38,844	4,558	2,483
Up to 1 month	11,212	66,877	717	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				
Debts evidenced by certificates	53,190	64,325	3,399	4,111
Total debt certificate liabilities	53,190	64,325	3,399	4,111
Issued 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 in Tallinn Stock Exchange.				
Note 25: Other Liabilities				
Payments in transmission	1,967	189	126	12
Total other liabilities	1,967	189	126	12

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Note 26: Accrued Expenses and Deferred Income				
Interest payable	1,667	1,231	107	79
Taxes payable	510	319	33	20
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: Shareholders' Equity

Shares

Share capital is divided into 20,050,000 common shares with nominal value of 10 Estonian kroons each, and was 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. Each share gives one vote to the shareholder, which gives shareholder a right to participate in the management of the company, and in case of liquidation in distribution of remaining assets.

Bank's share capital was increased by 100.5 million kroons in August 2006. Share capital increase was performed by means of monetary payment.

Statutory Legal Reserve

Statutory legal reserve has been formed in accordance with the Commercial Code. Statutory legal reserve is formed by means of yearly appropriations from the net profit. At least 1/20 of the net profit must be set aside to statutory legal reserve, until the statutory legal reserve is 1/10 of share capital. Statutory legal reserve can be used to cover losses, also to increase share capital. No payments can be made to the owners from the statutory legal reserve.

Note 28: Transactions with Connected Parties

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

- a. owners;
- b. other companies belonging to the same consolidation group;
- d. executive management and Supervisory Board;
- e. 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.

Connected parties' deposits with Bank

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Members of the Supervisory Board and their connected parties	990	2,182	63	139
Members of the Management Board and their connected parties	633	931	40	60
Internal audit	88	65	6	4
Interests paid to the Members of the Supervisory Board and Management Board and internal audit	159	91	10	6
Shareholders, companies belonging to the group and connected with owners	77,195	24,545	4,934	1,569
Interests paid to shareholders, companies belonging to the group and connected with owners	1,053	758	67	48

Loans issued to connected parties

	Loan balances	Disbursed loans	Repaid loans	Loan balances	Interest receivable income	Interest receivable income
EEK ths.	31.12.05			31.12.06	31.12.06	31.12.06
Members of the Management Board	114	330	14	430	22	2
Members of the Supervisory Board and connected persons	0	11,800	30	11 770	125	17
Companies connected with owners	25,460	0	25,460	0	305	0

	Loan balances	Disbursed loans	Repaid loans	Loan balances	Interest receivable income	Interest receivable income
EUR ths.	31.12.05			31.12.06	31.12.06	31.12.06
Members of the Management Board	7	21	1	27	1	0
Members of the Supervisory Board and connected persons	0	754	2	752	8	1
Companies connected with owners	1,627	0	1,627	0	19	0

Paid fees

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
Salaries of the members of the Management Board	3,077	2,456	197	157

Other transactions with connected parties

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
Rent services bought from companies connected to owners	2,971	2,865	190	183

Note 29: Geographical Concentration of Clients' Debts

(EEK ths., as of 31.12.06)

Area / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	By area (%)
	loans*	securities	other claims			
Estonia	413,152	12,209	1,727	6,009	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	445,145	12,969	1,884	6,009	506,977	100.00%

(EUR ths., as of 31.12.06)

Area / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	By area (%)
	loans*	securities	other claims			
Estonia	26,405	780	110	384	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	28,450	829	120	384	32,402	100.00%

Note 29 continued

(EEK ths., as of 31.12.05)

Area / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	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 claims	Off-balance sheet commitments (Note 20)	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 on credit institutions and financial institutions, loans in gross amounts

Note 30: Concentration of Clients' Debt by Economic Sector

(EEK ths., as of 31.12.06)

Economic sector / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	By sector (%)
	loans*	securities	other claims			
Finance	95,611	4,978	253	0	367,775	48.75%
Retail and wholesale	37,775		140	5,425	91,675	12.95%
Real estate, renting and servicing	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, logistics, communications	540	2,343	3	0	47,527	5.24%
Hotels and 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 activity	0		318	0	0	0.03%
Other community, social and private services	182		1	2	0	0.02%
Total	445,145	12,969	1,884	6,009	506,977	100.00%

(EUR ths., as of 31.12.06)

Economic sector / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	By sector (%)
	loans*	securities	other claims			
Finance	6,111	318	16	0	23,505	48.75%
Retail and wholesale	2,414	0	9	347	5,859	12.95%
Real estate, renting and servicing	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, logistics, communications	35	150	0	0	3,038	5.24%
Hotels and 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 activity	0	0	20	0	0	0.03%
Other community, social and private services	12	0	0	0	0	0.02%
Total	28,450	829	120	384	32,402	100.00%

Note 30 continued

(EEK ths., as of 31.12.05)

Economic sector / Type of debt	Balance sheet claims			incl. overdue claims	Off-balance sheet commitments (Note 20)	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 claims	Off-balance sheet commitments (Note 20)	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%

* includes claims on credit institutions and financial institutions, loans in gross amounts

Note 31: Off-Balance Sheet Transactions

(EEK ths., as of 31.12.2006)

	Claims	Commitments
Irrevocable transactions	0	53,036
Guarantees and similar irrevocable transactions	0	2,656
Unused part of credit lines and overdraft limits	0	50,380

(EUR ths., as of 31.12.2006)

	Claims	Commitments
Irrevocable transactions	0	3,390
Guarantees and similar irrevocable transactions	0	170
Unused part of credit lines and overdraft limits	0	3,220

(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

(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

Note 32: Liquidity (Assets and Liabilities by Remaining 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	6,009	37,498	28,851	194,846	42,675	41,763	2,732	458,980
Cash and claims to banks	76,314	0	0	0	0	0	0	0	76,314
Claims to customers	14,245	5,933	35,467	28,772	194,846	42,675	41,763	2,636	366,337
Securities	12,873	0	0	0	0	0	0	96	12,969
Other claims	1,174	76	2,031	79	0	0	0	0	3,360
Off-balance sheet claims	0	0	506,977	0	0	0	0	0	506,977
Liabilities of the Bank	61,306	0	57,055	34,785	108,635	831	4,020	0	266,632
Amounts owed to banks	0	0	31,200	31,294	15,646	0	0	0	78,140
Amounts owed to customers	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	384	2,397	1,844	12,453	2,727	2,669	175	29,334
Cash and claims to banks	4,877	0	0	0	0	0	0	0	4,877
Claims to customers	910	379	2,267	1,839	12,453	2,727	2,669	168	23,413
Securities	823	0	0	0	0	0	0	6	829
Other claims	75	5	130	5	0	0	0	0	215
Off-balance sheet claims	0	0	32,402	0	0	0	0	0	32,402
Liabilities of the Bank	3,918	0	3,646	2,223	6,943	53	257	0	17,041
Amounts owed to banks	0	0	1,994	2,000	1,000	0	0	0	4,994
Amounts owed to customers	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

Note 32 continued

(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 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
Off-balance sheet claims	0	0	835,639	0	0	0	0	0	835,639
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
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 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
Off-balance sheet claims	0	0	53,407	0	0	0	0	0	53,407
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
Off-balance sheet commitments	600	0	52,760	0	128	0	4	0	53,491

Note 33: Overdue and Doubtful Claims and Loans

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Overdue loan principal payments	5,933	1,448	379	93
Overdue loan interests payments	76	18	5	1
Total overdue claims	6,009	1,466	384	94
No. of loans in non-accrual status	3	0	3	0
Specific loan loss provision	-350	0	-22	0

Note 34: Earnings Per Share

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	2006	2005	2006	2005
Net profit/loss for the reporting period (in thousands)	3,486	-6,756	223	-432
Year average weighted no. of shares (ths. pcs.)	14,142	10,000	14,142	10,000
Basic earnings per share	0.25	-0.68	0.02	-0.04
Diluted earnings per share	0.25	-0.68	0.02	-0.04

AS SBM Pank has not issued convertible securities.

Note 35: Operating Lease Liabilities

AS SBM Pank has concluded operating lease agreements for five vehicles as of 31.12.2006. Last contract ends on 30.08.2011, i.e. no agreement exceeds 5 years.

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Rent payments for vehicles by due dates				
until 1 year	481	425	31	27
1 to 5 years	1,411	1,151	90	74

AS SBM Pank has concluded agreement for renting bank premises in Tallinn, Tartu and Jõhvi. Last rent agreement ends on 31.12.2016. Bank has concluded rent agreement after the balance sheet date for opening bank branch in Pärnu.

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Rent payments for bank premises by due dates				
until 1 year	2,919	2,690	187	172
1 to 5 years	12,594	10,728	805	686
over 5 years	11,206	9,170	716	586

Note 36: Fair Value

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

Note 37: Net Currency Positions

(EEK ths., as of 31.12.2006)

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

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

(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.

Note 38: Interest-Bearing Assets and Liabilities by Interest Fixing Period

(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	102,653	5,933	35,467	28,772	194,846	42,675	41,763	2,636	454,745
Claims to banks	76,055	0	0	0	0	0	0	0	76,055
Claims to customers	14,245	5,933	35,467	28,772	194,846	42,675	41,763	2,636	366,337
Securities	12,353	0	0	0	0	0	0	0	12,353
Bank's liabilities	109,719	0	54,393	34,501	108,436	831	4,020	0	311,900
Due to banks	0	0	31,200	31,294	15,646	0	0	0	78,140
Due to customers	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
Stand-by loans	50,380	0	0	0	0	0	0	0	50,380

(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	6,561	379	2,267	1,839	12,453	2,727	2,669	168	29,064
Claims to banks	4,861	0	0	0	0	0	0	0	4,861
Claims to customers	910	379	2,267	1,839	12,453	2,727	2,669	168	23,413
Securities	790	0	0	0	0	0	0	0	790
Bank's liabilities	7,012	0	3,476	2,205	6,930	53	257	0	19,934
Due to banks	0	0	1,994	2,000	1,000	0	0	0	4,994
Due to customers	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
Stand-by loans	3,220	0	0	0	0	0	0	0	3,220

(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	79,504	1,448	31,624	29,660	103,485	38,433	26,103	6,264	316,521
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
Bank's liabilities	48,061	0	66,877	3,545	117,620	8,151	4,282	0	248,536
Due 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
Stand-by loans	9,217	0	0	0	0	0	0	0	9,217

(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	5,081	93	2,021	1,896	6,614	2,456	1,668	400	20,229
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
Bank's liabilities	3,072	0	4,274	227	7,517	521	274	0	15,884
Due 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
Stand-by loans	589	0	0	0	0	0	0	0	589

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

Note 39: Capital Adequacy

	(EEK ths.)	(EEK ths.)	(EUR ths.)	(EUR ths.)
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
1. First level 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 of the previous years	-7,735	2,150	-494	137
Intangible assets (minus)	-1,066	-832	-68	-53
Loss of the current reporting period (minus)	0	-6,756	0	-432
2. Second level 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 level equity	0	0	0	0
7. Risk weighted asset	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 transactions	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 trading portfolio credit risk open positions exceeding risk concentration limits	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%

Capital adequacy increased mainly due to the share capital increase.
Minimum capital adequacy ratio, as required by the Bank of Estonia, is 10%.

Note 40: Concentration of Risks

(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%

Note 40 continued

(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)

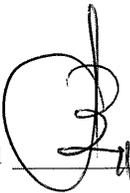
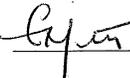
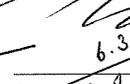
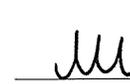
	Credit Institution	
	no. / amount	% from net own funds
Number of customers (client groups) with high risk concentration	9	
Due from customers with high risk concentration	131,382	138.54%
Due from persons connected with credit institution	25,830	27.24%

(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%

**SIGNATURES OF THE MANAGEMENT BOARD AND
THE SUPERVISORY BOARD TO THE ANNUAL REPORT 2006**

Annual Report 2006 of AS SBM Pank is signed by:

Nikolaos Sarros	Chairman of the Supervisory Board	 6/03/07
Efthymios Bouloutas	Member of the Supervisory Board	 MAR 6 th , 2007
Achillefs Giannisis	Member of the Supervisory Board	 6/3/2007
Frank Ulrich John	Member of the Supervisory Board	 6 th , 2007
Fotios Karatzenis	Member of the Supervisory Board	 6.3.07
Emmanouil Karavelakis	Member of the Supervisory Board	 6/3/2007
Michalakis Louis	Member of the Supervisory Board	 6/3/07
Riho Rasmann	Chairman of the Management Board	 19.02.2007
Sven Raba	Member of the Management Board	 19.02.2007
Mart Veskimägi	Member of the Management Board	 19.02.2007
Roul Tutt	Member of the Management Board	 19.02.2007

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS SBM Pank

(Translation of the Estonian original)

We have audited the accompanying financial statements of AS SBM Pank, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 44.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS SBM Pank as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, February 19, 2007

KPMG Baltics AS

(signature)

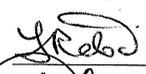
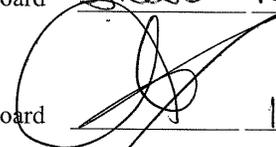
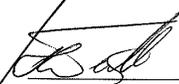
Taivo Epner
Authorized Public Accountant

(signature)

Maret Tambek
Authorized Public Accountant

THE MANAGEMENT BOARD'S PROFIT ALLOCATION PROPOSAL

The Management Board of AS SBM Pank approved the audited profit for the financial year 2006 in the amount of 3,486,130 kroons (222,804 euros). The Management Board's proposal to the General Meeting of Shareholders' is not to distribute the profit for the financial year 2006 in the amount of 3,311,130 kroons (211,620 euros) by recording it under the balance sheet heading "Retained earnings" and to appropriate 175,000 kroons (11,185 euros) to statutory legal reserve.

Riho Rasmann	Chairman of the Management Board		<u>19.02.2007</u>
Sven Raba	Member of the Management Board		<u>19.02.2007</u>
Mart Veskimägi	Member of the Management Board		<u>19.02.2007</u>
Roul Tutt	Member of the Management Board		<u>19.02.2007</u>