

***AS SBM Pank***

*(SBM Bank Ltd.)*

*Public Interim Report*

*II. Quarter 2005*

*Translation from original in Estonian*

## 1 Summary Information

Report date: 30.06.2005

AS SBM Pank

Pärnu mnt 12, 10148 Tallinn

The bank is not rated by international rating agencies.

Total assets (EEK ths.)	268 039
Net profit (EEK ths.)	-2 979
Return on equity (ROE)	-5.92%
Assets utilisation (AU)	9.49%
Overdue claims and loans	none
Loan loss provisions (EEK ths.)	0
Net own funds (EEK ths.)	99 313
Capital adequacy ratio	48.70%

"Public Interim Report II. Quarter 2005" of AS SBM Pank is available in the office of SBM Bank in Tallinn, Pärnu mnt 12 and on the bank's web page address <http://www.sbmbank.ee> from 22.08.2005.

## 2 Introduction

### 2.1 General Data of AS SBM Pank

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

### 2.2 Auditor

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

### 2.3 Report Period is 01.01.-30.06.2005, Report Balance Sheet Date 30.06.2005.

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

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

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

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

1. Public Interim Report, consisting of summary information, introduction, comments and financial statements, discloses information meeting the requirements set by the rules of "Public Interim Report".
2. The data and additional information presented in the Public Interim Report is true and complete.
3. Nothing is missing or omitted from the data and information presented in the Public Interim Report, which could influence their content or meaning.

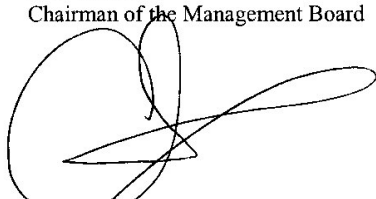
In Tallinn, 22.08.2005



Riho Rasmann  
Chairman of the Management Board



Sven Raba  
Member of the Management Board



Mart Veskimägi  
Member of the Management Board



Roul Tutt  
Member of the Management Board

### **3 Comments**

#### **3.1 Description of Group of AS SBM Bank**

No other enterprise belongs to the AS SBM Bank group.

#### **3.2 Major Economic Developments**

AS SBM Bank has significantly intensified its economic activities compared with previous periods. The bank is in the growth phase, characterised by increase of assets and number of customers. Bank has set a goal to grow 2 times each year, and is making investments and expenses aimed primarily towards development of customer service.

Bank's assets totalled 268.0 million kroons as of 30.06.2005, increase compared with year-end 45%. Loan portfolio increased 89% in half-a-year and comprised EEK 178.7 million, i.e. 67% of total balance sheet. EEK 72.4 million, making 27% of total assets was kept in liquid instruments as cash, in central bank and in credit and financial institutions.

Customer deposits in the bank totalled 130,1 million kroons at the end of second quarter (increase 61% compared with 31.12.2004). 1% belonged to central government, 18% to financial institutions, 42% to companies and 39% to private persons.

Bank's equity totalled 99.8 million kroons.

Net loss of SBM Bank for first half of 2005 totalled 2.98 million kroons. Net interest income was 4.69 million kroons, earned mainly on loans. Net fee income was EEK 1.95 million. Dealing profits accounted for 0.89 million kroons. Operating profit for first half year comprised 7.54 million kroons.

Administrative expenses were EEK 9.26 million kroons in first six months.

Major economic results included successful bond issue, which is listed in the bond list of Tallinn Stock Exchange from 22 July 2005, as per decision of the TSE Listing and Surveillance Committee dd. 14.07.2005. Bank issued more bonds after the report date. On 10 August 2005, additional 1-year bonds were issued in the total amount of EEK 6.135 million, with annual interest rate of 3.6% and maturity date 10.08.2006. These debt certificates were sold directly and they are not listed.

### 3.3 Prudential Ratios

#### Capital adequacy

(in EEK ths.)

	30.06.2005	30.06.2004
<b>1. First level equity</b>	<b>99 313</b>	<b>99 592</b>
1.1 Paid-in share capital	100 000	100 000
1.2 General banking reserve	0	0
1.3 Other reserves	271	230
1.4 Retained profit/loss of the previous years	2 555	1 770
1.5 Profit for the current reporting period	0	0
1.9 Treasury stock (less)	0	0
1.10 Intangible assets (less)	-534	-301
1.11 Loss for the current reporting period (less)	-2 979	-2 107
<b>2. Second level equity</b>	<b>0</b>	<b>0</b>
<b>3. Total gross own funds (1+2)</b>	<b>99 313</b>	<b>99 592</b>
<b>4. Deductions from gross own funds</b>	<b>0</b>	<b>0</b>
<b>5. Total net own funds (3-4)</b>	<b>99 313</b>	<b>99 592</b>
<b>6. Third level equity</b>	<b>0</b>	<b>0</b>
<b>7. Risk weighted assets</b>	<b>202 067</b>	<b>107 142</b>
7.1 I category (risk adjustment 0%)	23 158	9 788
7.2 II category (risk adjustment 20%)	42 415	49 201
7.3 III category (risk adjustment 50%)	15 142	5 166
7.4 IV category (risk adjustment 100%)	186 013	94 719
<b>8. Risk weighted off-balance sheet commitments</b>	<b>0</b>	<b>0</b>
8.1 Group I	0	0
8.2 Group II	0	0
<b>9. Capital requirement for currency risk</b>	<b>0</b>	<b>0</b>
<b>10. Capital requirement for trading portfolio risks</b>	<b>150</b>	<b>51</b>
10.1 Capital requirement for interest position risk	0	51
10.2 Capital requirement for share position risk	150	0
10.3 Capital requirement for trading risk	0	0
10.4 Capital requirement for option risk	0	0
10.5 Capital requirement for trading portfolio transaction risk	0	0
10.6 Capital requirement for trading portfolio credit risk	0	0
<b>11. Capital requirement for trading portfolio credit risk open positions exceeding risk concentration limits</b>	<b>0</b>	<b>0</b>
<b>12. Capital adequacy (5.+6.)/(7.+8.+9.x10+10x12.5+11x12.5)</b>	<b>48.70%</b>	<b>92.40%</b>

## Net Currency Positions

(in EEK ths., as of 30.06.2005)

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
Joint EEK and EUR position	266 817	153 994	325 294	348 090	90 027

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

## Assets and Liabilities by Remaining Maturities

(in EEK ths., as of 30.06.2005)

Claims, liabilities	On demand	Overdue	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
1. Claims of the bank	81 008	0	33 997	23 097	66 161	24 703	32 556	1 623	263 145
cash and deposits with banks	65 573	0	0	0	0	0	0	0	65 573
claims to clients	6 736	0	30 762	23 092	66 150	24 703	32 556	1 527	185 526
securities	681	0	0	0	0	0	0	96	777
other claims	8 018	0	3 235	5	11	0	0	0	11 269
2. Off-balance sheet claims	0	0	663 456	0	0	0	0	0	663 456
1. Bank's liabilities	35 485	0	46 659	7 885	17 347	25 096	0	0	132 472
owed to banks	0	0	0	0	0	0	0	0	0
owed to clients	33 431	0	46 659	7 885	17 017	25 096	0	0	130 088
debts evidenced by certificates	0	0	0	0	0	0	0	0	0
other liabilities	2 054	0	0	0	330	0	0	0	2 384
2. Off-balance sheet liabilities	0	0	666 378	0	478	6 000	0	0	672 856

## Risk Concentration

(in EEK ths., as of 30.06.2005)

	Credit institution number / amount	% from neto own funds
1. Number of customers with high risk concentration	5	
2. Due from customers with high risk concentration	74 889	75.41%
3. Due from persons connected with credit institution	1 515	1.53%

### 3.4 Ratios

(01.01. -30.06.2005)

Return on equity	ROE	-5.92%
Equity multiplier	EM	2.02
Profit margin	PM	-30.91%
Asset utilisation	AU	9.49%
Net interest margin	NIM	4.85%
Earnings per share	EPS	-0.30
Spread	SPREAD	3.55%
Yield on interest-earning assets	YIEA	6.26%
Cost of interest-bearing liabilities	COL	3.29%

#### 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
EPS	Net profit (loss) / Average number of shares
SPREAD	Yield on interest earning assets (YIEA) – Cost of interest bearing liabilities (COL)
YIEA	Interest income / Average interest earning assets * 100
COL	Interest expense / Average interest bearing liabilities * 100

### 3.5 Ratings

AS SBM Pank has no ratings by international rating agencies.

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

There were no legal disputes relating to Bank's activities as of 30.06.2005.

## 4 Financial Statements

### 4.1 Income Statement

(in EEK ths.)

	Note	01.04.2005- 30.06.2005	01.01.2005- 30.06.2005	01.04.2004- 30.06.2004	01.01.2004- 30.06.2004
<b>1 Interest income</b>	<b>1</b>	<b>3 513</b>	<b>6 055</b>	<b>2 228</b>	<b>4 127</b>
1.1 From loans		3 157	5 423	1 935	3 595
1.2 From deposits		356	596	257	451
1.3 From debt securities and other fixed income securities		0	36	36	81
1.4 From derivatives		0	0	0	0
1.5 From other		0	0	0	0
<b>2 Interest expense</b>	<b>2</b>	<b>1 005</b>	<b>1 364</b>	<b>174</b>	<b>228</b>
2.1 From borrowings		0	0	0	0
2.2 From demand deposits		83	167	5	8
2.3 From time and saving deposits		592	867	169	220
2.4 From debts evidenced by certificates		330	330	0	0
2.5 From accounts with equity features		0	0	0	0
2.6 From forward and swap contracts		0	0	0	0
2.7 From other		0	0	0	0
<b>3 Net interest income/expense (+/-)</b>		<b>2 508</b>	<b>4 691</b>	<b>2 054</b>	<b>3 899</b>
<b>4 Net profit/loss from financial investments (+/-)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4.1 From shares in affiliated undertakings (+/-)		0	0	0	0
4.1.1 Dividend income		0	0	0	0
4.1.2 Income under equity method		0	0	0	0
4.1.3 Expense under equity method		0	0	0	0
4.1.4 From other (+/-)		0	0	0	0
4.2 From participating interests (+/-)		0	0	0	0
4.2.1 Dividend income		0	0	0	0
4.2.2 Income under equity method		0	0	0	0
4.2.3 Expense under equity method		0	0	0	0
4.2.4 From other (+/-)		0	0	0	0
4.3 From other shares (+/-)		0	0	0	0
4.3.1 Dividend income		0	0	0	0
4.3.2 From other (+/-)		0	0	0	0
<b>5 Fees and commissions income</b>	<b>3</b>	<b>1 524</b>	<b>2 526</b>	<b>563</b>	<b>872</b>
<b>6 Fees and commissions expense</b>	<b>4</b>	<b>280</b>	<b>574</b>	<b>139</b>	<b>240</b>
<b>7 Dealing profits (+/-)</b>	<b>5</b>	<b>-202</b>	<b>893</b>	<b>590</b>	<b>840</b>
7.1 Profit/income		-95	1 056	592	872
7.2 Loss/expense		107	163	2	32
<b>8 General administrative expenses</b>		<b>4 787</b>	<b>9 262</b>	<b>4 086</b>	<b>6 689</b>
8.1 Salaries and compensations	<b>6</b>	1 775	3 498	1 965	3 136
8.2 Social taxes, unemployment insurance premium expense	<b>7</b>	594	1 171	655	1 047
8.3 Pensions expense		0	0	0	0
8.4 Other administrative expenses	<b>8</b>	2 418	4 593	1 466	2 506
<b>9 Value adjustments (+/-) of investments in land and property, fixed and intangible assets</b>		<b>-333</b>	<b>-630</b>	<b>-119</b>	<b>-236</b>
9.1 Profit/income		0	0	0	0
9.2 Loss/expense	<b>9</b>	333	630	119	236
<b>10 Value adjustments of loans and advances (+/-)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
10.1 Profit/income		0	0	0	0
10.2 Loss/expense		0	0	0	0
incl. loss/expense from value adjustments of off balance sheet liabilities		0	0	0	0
<b>11 Value adjustments of financial fixed assets (+/-)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
11.1 Income		0	0	0	0
11.2 Expense		0	0	0	0
<b>12 Other operating income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



<b>13</b>	<b>Other operating expense</b>	<b>10</b>	<b>329</b>	<b>623</b>	<b>277</b>	<b>553</b>
<b>14</b>	<b>Extraordinary gains</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>15</b>	<b>Extraordinary losses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>16</b>	<b>Income/loss before taxes (+/-)</b>		<b>-1 899</b>	<b>-2 979</b>	<b>-1 414</b>	<b>-2 107</b>
<b>17</b>	<b>Income tax expense</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>18</b>	<b>Profit/loss for the period (+/-)</b>		<b>-1 899</b>	<b>-2 979</b>	<b>-1 414</b>	<b>-2 107</b>

## 4.2 Balance Sheet

(in EEK ths.)

		Note	Bank 30.06.2005	31.12.2004
<b>1</b>	<b>Cash</b>	<b>11</b>	<b>705</b>	<b>908</b>
<b>2</b>	<b>Balances with central bank</b>	<b>12</b>	<b>22 453</b>	<b>8 894</b>
2.1	Demand loans		22 453	8 894
2.2	Other loans		0	0
2.3	Treasury bills and other bills eligible for refinancing with central banks		0	0
<b>3</b>	<b>Loans to credit institutions</b>	<b>13</b>	<b>42 415</b>	<b>59 137</b>
3.1	Demand loans		42 415	59 137
3.2	Time loans		0	0
3.3	Overdrafts		0	0
3.2	Other loans		0	0
<b>4</b>	<b>Loans to clients</b>	<b>14</b>	<b>185 526</b>	<b>100 142</b>
4.A	incl. overdrafts		0	0
4.B	incl. loans with mortgage collateral		59 493	32 200
4.1	Loans to government		0	0
4.1.1	Loans to central government		0	0
4.1.2	Loans to government social security funds		0	0
4.1.3	Loans to other non-budget funds		0	0
4.1.4	Loans to local governments		0	0
4.2	Claims to financial institutions		6 817	5 543
4.2.1	Demand and time loans to financial institutions		6 817	5 543
4.2.2	Loans to insurance companies and pension funds		0	0
4.2.3	Loans to other financial institutions		0	0
4.3	Loans to state and local government enterprises		0	0
4.4	Loans to other enterprises		147 938	86 403
4.5	Loans to non-profit organisations		0	0
4.6	Loans to private persons		30 771	8 196
<b>5</b>	<b>Allowance for uncollectible loans (minus)</b>		<b>0</b>	<b>0</b>
5.1	Allowance for uncollectible loans to credit institutions		0	0
5.2	Allowance for uncollectible loans to clients		0	0
5.3	Other allowances for uncollectible loans		0	0
<b>6</b>	<b>Securities</b>		<b>777</b>	<b>3 098</b>
6.A	incl. repo		0	0
6.1	Debt securities and other fixed income securities		0	3 002
6.2	Shares	<b>15</b>	777	96
6.2.1	Shares in affiliated undertakings		0	0
6.2.2	Participating interests		0	0
6.2.3	Other shares		0	0
6.3	Derivatives		0	0
<b>7</b>	<b>Intangible assets</b>	<b>16</b>	<b>534</b>	<b>162</b>
<b>8</b>	<b>Fixed assets</b>	<b>17</b>	<b>4 360</b>	<b>3 413</b>
<b>9</b>	<b>Investments in land and property</b>		<b>0</b>	<b>0</b>
<b>10</b>	<b>Other assets</b>	<b>18</b>	<b>2 688</b>	<b>28</b>
10.A	incl. items in transmission		0	0
<b>11</b>	<b>Accrued revenue and prepaid expenses</b>	<b>19</b>	<b>8 581</b>	<b>8 773</b>
11.A	incl. interest receivable		563	475
	<b>Total assets</b>		<b>268 039</b>	<b>184 555</b>

<b>1</b>	<b>Amounts owed to central bank</b>	<b>0</b>	<b>0</b>
<b>2</b>	<b>Amounts owed to credit institutions</b>	<b>0</b>	<b>0</b>
2.1	Demand deposits	0	0
2.2	Time deposits	0	0
2.3	Overdrafts	0	0
2.4	Other borrowings	0	0
<b>3</b>	<b>Amounts owed to customers</b>	<b>20</b>	<b>130 088</b>
3.1	Amounts owed to government	125	0
3.1.1	Central government	125	0
3.1.1.1	Demand deposits	125	0
3.1.1.2	Time and saving deposits	0	0
3.1.1.3	Other amounts owed to government	0	0
3.1.2	Government social security funds	0	0
3.1.2.1	Demand deposits	0	0
3.1.2.2	Time and saving deposits	0	0
3.1.2.3	Other amounts owed to security funds	0	0
3.1.3	Other non-budget funds	0	0
3.1.3.1	Demand deposits	0	0
3.1.3.2	Time and saving deposits	0	0
3.1.3.3	Other amounts owed to non-budget funds	0	0
3.1.4	Local governments	0	0
3.1.4.1	Demand deposits	0	0
3.1.4.2	Time and saving deposits	0	0
3.1.4.3	Other amounts owed to local governments	0	0
3.2	Amounts owed to financial institutions	23 569	23 618
3.2.1	Insurance companies and pension funds	0	0
3.2.1.1	Demand deposits	0	0
3.2.1.2	Time deposits	0	0
3.2.1.3	Saving deposits	0	0
3.2.1.4	Other amounts owed to insurance companies and pension funds	0	0
3.2.2	Other financial institutions	23 569	23 618
3.2.2.1	Demand deposits	22	148
3.2.2.2	Time deposits	23 547	23 470
3.2.2.3	Saving deposits	0	0
3.2.2.4	Other amounts owed to other financial institutions	0	0
3.3	Amounts owed to state and local government enterprises	0	0
3.3.1	Demand deposits	0	0
3.3.2	Time deposits	0	0
3.3.3	Saving deposits	0	0
3.3.4	Other amounts owed to state and local government enterprises	0	0
3.4	Amounts owed to other enterprises	54 149	27 084
3.4.1	Demand deposits	8 346	21 629
3.4.2	Time deposits	45 803	5 455
3.4.3	Saving deposits	0	0
3.4.4	Other amounts owed to other enterprises	0	0
3.5	Amounts owed to non-profit organisations	1 106	156
3.5.1	Demand deposits	31	156
3.5.2	Time deposits	1 075	0
3.5.3	Saving deposits	0	0
3.5.4	Other amounts owed to non-profit organisations	0	0
3.6	Amounts owed to private persons	51 139	30 013
3.6.1	Demand deposits	24 908	25 088
3.6.2	Time deposits	26 231	4 925
3.6.3	Saving deposits	0	0
3.6.4	Other amounts owed to private persons	0	0
<b>4</b>	<b>Borrowed funds from government and foreign aid</b>	<b>0</b>	<b>0</b>
<b>5</b>	<b>Debt certificate liabilities</b>	<b>21</b>	<b>35 720</b>
5.1	Debts evidenced by certificates	35 720	0
5.2	Derivatives	0	0
5.3	Other debt certificate liabilities	0	0
<b>6</b>	<b>Other liabilities</b>	<b>22</b>	<b>620</b>

6.A	incl. items in transmission		620	0
7	<b>Accrued expenses and deferred income</b>	<b>23</b>	<b>1 764</b>	<b>858</b>
7.A	incl. interest payable		571	122
8	<b>Provisions for liabilities and charges</b>		<b>0</b>	<b>0</b>
8.1	Short term provisions for liabilities and charges		0	0
8.2	Long term provisions for pension liabilities		0	0
8.3	Other provisions for liabilities and charges		0	0
9	<b>Subordinated liabilities</b>		<b>0</b>	<b>0</b>
10	<b>Total liabilities</b>		<b>168 192</b>	<b>81 729</b>
11	<b>Subscribed capital</b>		<b>100 000</b>	<b>100 000</b>
12	Share premium account		0	0
13	General banking reserve		0	0
14	Revaluation reserve		0	0
15	Other reserves		271	230
16	Retained earnings		2 555	1 771
17	Profit/(-)loss for the year		-2 979	825
18	Treasury stock		0	0
19	<b>Total equity</b>		<b>99 847</b>	<b>102 826</b>
	<b>Total liabilities and equity</b>		<b>268 039</b>	<b>184 555</b>

### 4.3 Off-Balance Sheet Claims and Liabilities

(in EEK ths., as of 30.06.2005)

	Receivables	Commitments
<b>Irrevocable transactions</b>	<b>0</b>	<b>12 088</b>
Credit lines and overdraft limits (unused portion)	0	12 088
<b>Derivatives</b>	<b>663 456</b>	<b>660 768</b>
Currency-related derivatives	663 456	660 768

### 4.4 Statement of Changes in Equity

(in EEK ths.)

	01.01.2005 -30.06.2005
<b>Share Capital</b>	
Balance at beginning of period	100 000
<b>Balance at end of period</b>	<b>100 000</b>
<b>Other reserves</b>	
Balance at beginning of period	271
Statutory legal reserve	0
<b>Balance at end of period</b>	<b>271</b>
<b>Retained earnings</b>	
Balance at beginning of period	2 596
Appropriations to reserves	-41
Profit / loss for the financial year	-2979
<b>Balance at end of period</b>	<b>-424</b>
<b>Total shareholders equity:</b>	
<b>at the beginning of period</b>	<b>102 999</b>
<b>at the end of period</b>	<b>99 847</b>

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

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

## 4.5 Statement of Cash Flows

(in EEK ths.)

	<b>01.01.2005- 30.06.2005</b>	<b>01.01.2004- 30.06.2004</b>
<b>Cash flows from operating activities</b>	<b>-13 757</b>	<b>7 656</b>
interests received	6 055	4 127
interests paid	-1 364	-228
fees and commissions received	2 526	872
fees and commissions paid	-574	-240
administrative expenses paid	-9 262	-6 689
net trading income received	893	840
other operating expenses paid	-623	-553
net increase(-) / decrease(+) in operating assets		
loan portfolio	-84 110	-20 354
due from other banks	-12 340	-3 806
other assets	-3 742	8
securities	2 321	2 555
net increase / decrease in operating liabilities (+/-)		
due to customers	49 217	30 964
debts evidenced by certificates	35 720	0
other liabilities	1 526	160
<b>Cash flows from investing activities</b>	<b>-1 949</b>	<b>-84</b>
purchase of tangible fixed assets	-1 464	-36
purchase of intangible fixed assets	-485	-48
<b>Cash flows from financing activities</b>	<b>0</b>	<b>0</b>
share capital paid in	0	0
<b>Net increase in cash and cash equivalents</b>	<b>-15 706</b>	<b>7 572</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60 244</b>	<b>43 709</b>
<b>Cash and cash equivalents at the end of II. quarter</b>	<b>44 538</b>	<b>51 281</b>

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

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

## 4.6 Notes to the Financial Statements

(in EEK ths.)

	01.01.-30.06.05	01.01.-30.06.04
<b>Note 1: Interest Income</b>		
Interest income from loans	5 423	3 595
Interest income from demand deposits	596	54
Interest income from time deposits	36	397
Interest income from debt securities	0	81
<b>Total interest income</b>	<b>6 055</b>	<b>4 127</b>
<b>Note 2: Interest Expense</b>		
Interest expense on demand deposits	167	8
Interest expense on time deposits	867	220
Interest expense on debts evidenced by certificates	330	0
<b>Total interest expense</b>	<b>1 364</b>	<b>228</b>
<b>Note 3: Fees and Commissions Income</b>		
Loan arrangements and guarantees	1 631	404
Bank transaction fees	106	99
Security transaction fees	609	227
Account opening and maintenance fees	160	139
Other fees and commissions income	20	3
<b>Total fees and commissions income</b>	<b>2 526</b>	<b>872</b>
<b>Note 4: Fees and Commissions Expense</b>		
Security transactions expenses	355	53
Bank transaction expenses	78	75
S.W.I.F.T. expenses	126	112
Other fees and commissions expense	15	0
<b>Total fees and commissions expense</b>	<b>574</b>	<b>240</b>
<b>Note 5: Net Trading Income</b>		
Income from foreign exchange	413	840
Income from shares and debt securities in trading portfolio	480	0
<b>Total net trading income</b>	<b>893</b>	<b>840</b>
<b>Note 6: Salary Expense</b>		
Salaries	3 493	2 464
Supervisory Board fees	0	655
Fringe benefits	5	17
<b>Total salary expense</b>	<b>3 498</b>	<b>3 136</b>
<b>Note 7: Social Insurance Tax Expense</b>		
Social taxes from salaries	1 169	825
Social taxes from Supervisory Board fees	0	216
Social taxes from fringe benefits	2	6
<b>Total social insurance tax expense</b>	<b>1 171</b>	<b>1 047</b>

**Note 8: Other Administrative Expenses**

Rent of premises	1 406	760
IT expenses	719	674
Post and telecommunication expenses	170	163
Professional services purchased	904	425
Office expenses	135	63
Training and business trip expenses	88	104
Advertising expenses	783	0
Transportation expenses	359	228
Other expenses	29	89
<b>Total other administrative expenses</b>	<b>4 593</b>	<b>2 506</b>

**Note 9: Value Adjustments of Fixed and Intangible Assets**

Depreciation of fixed assets	517	25
Amortisation of intangible assets	113	211
<b>Total value adjustments of fixed and intangible assets</b>	<b>630</b>	<b>236</b>

**Note 10: Other Operating Expenses**

Guarantee Fund payments	100	47
Financial Inspection fees	417	407
Tallinn Stock Exchange fees	83	76
Other operating expenses	23	23
<b>Total other operating expenses</b>	<b>623</b>	<b>553</b>

**30.06.2005**                      **31.12.2004**

**Note 11: Cash**

Cash in Estonian kroons	524	564
Cash in foreign currency	181	344
<b>Total cash</b>	<b>705</b>	<b>908</b>

**Note 12: Balances with Central Bank**

Mandatory reserve	21 035	8 695
Surplus of the reserve with the central bank	1 418	199
<b>Total balances with the central bank</b>	<b>22 453</b>	<b>8 894</b>

**Note 13: Due from Other Credit Institutions**

Correspondent accounts	42 415	517
Overnight deposits	0	58 620
<b>Total due from other credit institutions</b>	<b>42 415</b>	<b>59 137</b>

**Claims by country**

Estonia	41 843	58 795
OECD countries	572	342
<b>Total claims by country</b>	<b>42 415</b>	<b>59 137</b>

**Note 14: Due from Customers of Credit Institution****Due by customer types**

Due from financial institutions	6 817	5 543
Loans to private companies	147 938	86 403
Loans to private persons	30 771	8 196
<b>Total due by customer types</b>	<b>185 526</b>	<b>100 142</b>

<b>Due by remaining maturity</b>		
On demand	6 736	5 462
Up to 3 months	53 854	39 891
3 to 12 months	66 150	22 446
1 to 2 years	24 703	4 335
2 to 5 years	32 556	27 542
over 5 years	1 527	466
<b>Total due by remaining maturity</b>	<b>185 526</b>	<b>100 142</b>

<b>Due by country</b>		
Estonia	154 365	90 298
OECD countries	31 161	9 844
<b>Total due by country</b>	<b>185 526</b>	<b>100 142</b>

**Note 15: Shares**

shares in trading portfolio	681	0
-quoted on stock exchange	681	0
shares in investment portfolio	96	96
-quoted on stock exchange	0	0
<b>Total shares</b>	<b>777</b>	<b>96</b>

**Shares by country**

Estonia	96	96
OECD countries	681	0
<b>Total shares by country</b>	<b>777</b>	<b>96</b>

**Note 16: Intangible Assets**

Software	2 636	2 151
Accumulated depreciation	-2 102	-1 989
<b>Total intangible assets</b>	<b>534</b>	<b>162</b>

**Note 17: Fixed Assets**

Capitalised expenses	2 781	1 923
Prepayments	0	259
Computers	933	863
Furniture	1 048	872
Other fixed assets	1 703	1 085
Accumulated depreciation	-2 105	-1 589
<b>Total fixed assets</b>	<b>4 360</b>	<b>3 413</b>

**Note 18: Other Assets**

Revaluation of foreign currency derivatives	2 688	28
<b>Total other assets</b>	<b>2 688</b>	<b>28</b>

**Note 19: Accruals and Prepaid Expenses**

Interests receivable	563	475
Fees and commissions receivable	70	166
Prepaid expenses	3 433	3 813
Debtors	3 880	4 318
Other accrued revenue	635	1
<b>Total accruals and prepaid expenses</b>	<b>8 581</b>	<b>8 773</b>



**Note 20: Due to Customers**

Demand deposits	33 432	47 021
Time deposits	96 656	33 850
<b>Total due to customers</b>	<b>130 088</b>	<b>80 871</b>

**Demand deposits by customer groups**

Government	125	0
Financial institutions	22	148
Non-profit organisations	31	156
Companies	8 347	21 630
Private persons	24 907	25 087
<b>Total demand deposits</b>	<b>33 432</b>	<b>47 021</b>

**Time deposits by customer groups**

Financial institutions	23 547	23 470
Non-profit organisations	1 075	0
Companies	45 803	5 455
Private persons	26 231	4 925
<b>Total time deposits</b>	<b>96 656</b>	<b>33 850</b>

**Note 21: Debt Certificate Liabilities**

Bonds issued	35 720	0
<b>Total debts certificate liabilities</b>	<b>35 720</b>	<b>0</b>

**Securities information:**

ISIN:	EE3300075605
Short name of security:	SBMB047507A
Securities issued:	3 572 pcs.
Nominal EEK:	EEK 10 000
Total issue EEK:	EEK 35 720 000.00
Date of listing (AS Tallinna Börs):	22.07.2005
Maturity date:	20.04.2007
Coupon (%):	4.7500%

**Note 22: Other liabilities**

Payments in transmission	620	0
<b>Total other liabilities</b>	<b>620</b>	<b>0</b>

**Note 23: Accrued expenses and deferred income**

Interest payable	571	122
Taxes payable	54	119
Payables to employees	219	219
Payables to suppliers	286	398
Other accrued expenses and deferred income	634	0
<b>Total accrued</b>	<b>1 764</b>	<b>858</b>

There were no overdue loan payments as of 30.06.2005.

**Note 24: Geographical Concentration of Clients' Debts**  
(in EEK ths., as of 30.06.2005)

Area / Type of debt	Balance sheet claims				Off-balance sheet claims	By country (%)
	loans*	securities	other claims	incl. overdue or doubtful receivables		
Estonia	218 663	96	530	0	206 270	46.50%
Sweden	0	196	0	0	0	0.02%
Italy	578	0	0	0	0	0.06%
United States of America	335	107	0	0	0	0.05%
Finland	233	378	0	0	0	0.07%
Lithuania	0	0	0	0	0	0.00%
United Kingdom	6 142	0	0	0	457 186	50.63%
Greece	24 444	0	33	0	0	2.67%
Germany	0	0	0	0	0	0.00%
Total	250 395	777	563	0	663 456	100.00%

\* includes claims to credit institutions and financial institutions

**Note 25: Concentration of Clients' Debt by Economic Sector**  
(in EEK ths., as of 30.06.2005)

Economic sector / type of debt	Balance sheet claims				Off-balance sheet claims	By sector (%)
	loans*	securities	other claims	incl. overdue and doubtful receivables		
Finance	71 685	0	0	0	470 414	59.23%
Retail and wholesale	30 075	0	154	0	180 092	22.98%
Real estate development	102 383	203	327	0	0	11.24%
IT	0	0	0	0	0	0.00%
Private persons	30 772	0	33	0	0	3.37%
Construction	0	0	0	0	0	0.00%
Industry	13 630	574	39	0	0	1.56%
Transport and logistics	0	0	0	0	12 950	1.42%
State	0	0	0	0	0	0.00%
Other service	280	0	1	0	0	0.03%
Hotels, restaurants	1 300	0	8	0	0	0.14%
Healthcare	270	0	1	0	0	0.03%
Telecommunication	0	0	0	0	0	0.00%
Energy, gas and water supply	0	0	0	0	0	0.00%
Total	250 395	777	563	0	663 456	100.00%

\* includes claims to credit institutions and financial institutions.