



AS SBM PANK
(SBM BANK LTD.)

ANNUAL REPORT 2007

(TRANSLATION FROM ORIGINAL IN ESTONIAN)

Beginning of reporting year	01.01.2007
End of reporting year	31.12.2007

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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
Registry code	10586461 (Estonian Commercial Register)
Phone	(+372) 6 802 500
Fax	(+372) 6 802 501
S.W.I.F.T.'s BIC code	SBMBEE22
E-mail	info@sbmbank.ee
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Auditor

Auditor's business name	KPMG Baltics AS
Auditor's registration code	10096082
Auditor's location and address	Narva mnt 5, 10117 Tallinn, Estonia
Engagement partner	Taivo Epner

Balance sheet date of report	31.12.2007
Reporting period	01.01.2007 – 31.12.2007
Reporting currency and units	In thousands Estonian kroons (EEK)
Comparison currency and units	In thousands euros (EUR)

MANAGEMENT REPORT

Description of the Credit Institution and its Management Bodies

AS SBM Pank (hereinafter: the Bank) is a credit institution established and operating in Estonia since 1999. 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. Bank joined TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system) on 17 September 2007, and after the balance sheet date on 18 February 2008 also SEPA (Single Euro Payments Area) systems as an indirect member.

On 28 September 2007, following the approvals given by the supervisory authorities of Estonia and Cyprus, the intragroup change of main shareholder of AS SBM Pank was registered in Estonian CSD. Marfin Popular Bank Public Company Ltd. became the owner of 50.1247% of shares of AS SBM Pank. Marfin Popular Bank Public Company Ltd. is an international banking group with head office in Cyprus, and more than 400 branches in 13 countries. Marfin Popular Bank has Standard & Poors' credit rating BBB+ with positive rating outlook. Bank has plans to change its business name to AS MARFIN Pank in 2008.

The owners of AS SBM Pank as of the report date are:

50.1247% of shares are owned by Marfin Popular Bank Public Company Ltd. (location Nicosia, Cyprus);

32.4229% of shares are owned by Mr. Nikolaos Sarros (place of residence Athens, Greece);

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. (location Athens, Greece);

2.4938% of shares are owned by Mr. Ernesto A. Preatoni (place of residence Tallinn, Republic of Estonia);

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

Mirage Investments OÜ has become the owner of 2.4938% of the shares after balance sheet date, and Mr. Preatoni is no longer one of the owners of the Bank.

The Supervisory Board of the Bank has seven members. Mr. Michalakis Louis, Mr. Nikolaos Sarros, Mr. Emmanouil Karavelakis, Mr. Frank Ulrich John, Mr. Fotios

Karatzenis, Mr. Achillefs Giannisis and Mr. Efthymios Bouloutas were the members of the Supervisory Board as of report date. Supervisory Board Meeting of AS SBM Pank on March 6, 2007 elected Mr. Michalakis Louis as a new chairman of the Supervisory Board from March 7, 2007, who submitted resignation from the management bodies of the group companies on 11 April 2007. Previous Chairman Mr. Nikolaos Sarros was elected to the position of Vice 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

Year 2007 brought economic slowdown as predicted, preliminary assessment of Statistics Estonia being +4.5% in the 4th quarter, which is also the lowest level of last eight years. In the first quarter it was more than ten per cent. Decrease of internal demand and investments were the main factors behind slowdown of growth. Private consumption was affected especially by rising prices and uncertainty for future. Estonian Institute for Economic Research estimated that the uncertainty of the consumers dropped under average level at the year-end, and the expectations for the future of their as well as state's economic situation were increasingly negative.

Future expectations of the companies also fell and amongst them the certainty indices of the companies in industry and construction fell into minuses for the first time in three years. Somewhat better is the situation in the export sector, which relative strength along with decreasing import caused by shrinking internal demand also improved trade balance of Estonia. Estonia is expected to pass the bottom of economic cycle in the second quarter of 2008.

Speeding inflation was an important factor affecting consumer behaviour and Estonian economy in year 2007. Consumer price index grew 6.6% in 2007 compared with the previous year, caused mainly by more expensive residence expenditures and food. Price rise quickened at year-end, reaching +9.6% on a yearly basis in December. Price increases in international commodities market played a part in it, along with continuing price convergence towards the average price level of the European Union. Fastly raising salaries (more than 20% on a yearly basis in the 4th quarter 2007), also caused by convergence, had significant impact. Price and salary growth are both expected to slow down in 2008 along with the economy.

Worsening economic juncture had most effect in 2007 on the real estate sector, as predicted by unsustainable growth phase reached earlier with the help of euphorical internal demand and expansive loan growth. Statistics Estonia reported 50 000 real estate contracts concluded in 2007, which was even below the levels of year 2004. Total value of transactions was 3.7 billion euros, dropping by fifth compared with

2006. Drop was sharper closer to year-end, reaching more than 30% in the fourth quarter. It was very evident for flat transaction, where the drop reached 37%. Opposite to the sharp decline in demand, at year-end 2007 offers of real estate continued to rise due to their inert nature gaining highest level in new housing after regaining independence, based on data of Eesti Pank. Although the average price drop was not yet significant in 2007 transaction statistics, it is highly likely the the prices will continue to drop in 2008.

Banking sector developments in 2007 were mostly affected by the cooling of the real estate market, which was reflected in the slowdown of the loan growth. The total loan book of Estonian banks was 35% bigger in 31 December 2007 than year earlier, comprising 15.3 billion euros. This growth was 42% in 2006. Loan growth slowdown was especially evident in lending to private persons, where the growth decreased from 63% to 34%. For companies the loan growth dropped from 59% to 31%. 47% of the loans to companies went to the real estate, renting and business servicing sector. 81% of the loans to private persons were housing loans on mortgage collateral. The quality of loan portfolio started to decrease at year-end. So the ratio of overdue loans to loan portfolio grew to 0.46% in December. This ratio stood at 0.22% year earlier.

Similarly to loan market shrinking took also place in deposit growth. Amounts owed to customers grew 16% in 2007 to 9.1 billion euros, compared with 29% growth in 2006. Deposits nominated in foreign currencies grew fastly, at the end of December 48% on a yearly basis. 50% of deposits belonged to enterprises, while private persons accounted for 38%. 58% of deposits are demand deposits and 42% time deposits. Loans to deposits ratio reached 167% at year-end due to smaller growth in deposits compared with loan portfolio growth. The gap between loans and deposits was financed by the banks primarily via parent banks.

Uncertainty in the international money markets reached Estonia in November, expressed foremost by the rise of forward premiums in kroon swap transactions, and thereby interest rates, where the interest rate gap between kroons and euros reached highest level in recent years. The main cause was increased interest in hedging currency risk of kroon. First signs of stabilisation reached the market only in January 2008. The events in the kroon money market had no significant impact on real sector loan pricing, as the Estonian banks price the loans mainly based on euro interbank interest rates. Most of the banks did raise their kroon deposit rates according to the money market events though.

Major Economic Events

Year 2007 was an important growth year for AS SBM Pank, both in terms of customer numbers and volumes of deposits and loans. Total assets of the Bank grew 1.3 times from beginning of the year, reaching 599.7 million kroons (38.3 million euros) at 31.12.2007. Loan portfolio (excluding deposits in financial institutions) comprised 450.3 million kroons i.e. 28.8 million euros (growth 1.3 times from beginning of year), forming 75.1% of total assets. 111.9 million kroons (7.2 million euros) i.e. 18.7% of total assets was in liquid instruments as cash, with central bank and with credit and financial institutions.

While the growth rate of the loan portfolio has slowed down a little compared with 2006 (growth 1.3 times and 1.5 times respectively), the growth rate of deposit volumes has quickened significantly. Client (excluding credit institutions) deposits with the Bank totalled 280.2 million kroons i.e. 17.9 million euros at the end of the financial year (growing 2.2 times from beginning of year). 2.5% of deposits belonged to other financial institutions, 49.9% to other companies, 46.2% to private persons and 1.4% to non-profit organisations. Bank has structured an innovative investment deposit – AquaTerra, together with the parent bank for the Estonian market in the last quarter of 2007, the yield of which is determined by fixed interest rate and price indices of agricultural goods and stock of water companies. The bank is continuing to pay higher than average interest rates in Estonian market to ordinary time deposits as well.

Bank redeemed the bonds listed in the Tallinn Stock Exchange (SBMB047507A) on 20 April 2007, after which the Bank has not issued new bonds. Plans include concluding a long-term credit line agreement with the parent bank, with the purpose to finance loan portfolio growth.

Net profit of 2007 comprised 2.2 million kroons i.e. 0.1 million euros (in 2006: 3.5 million kroons i.e. 0.2 million euros). Loan provisions were the main reason of lower profit. Net interest income of 2007 was 36.1 million kroons (2.3 million euros), earned mostly on loans. Net fee income totalled 0.6 million kroons (0.04 million euros). 3.0 million kroons (0.2 million euros) was earned as dealing profits from FX and securities' transactions. Total operating income from banking activities comprised 39.7 million kroons i.e. 2.5 million euros in 2007. Administrative expenses of 2007 totalled 30.1 million kroons (1.9 million euros).

Total of 2.4 million kroons (0.2 million euros) of membership fees were calculated to the Supervisory Board members of SBM Bank in the financial year 2007, no membership fees were paid in 2006. No membership fees have been paid to the members of the Management Board in financial year 2007 nor 2006. Calculated salaries of the members of the Management Board totalled 3.3 million kroons (0.2 million euros) in financial year 2007, of other employees 7.2 million kroons (0.5 million euros). Average number of employees was 31 (year earlier 25), number of employees was 39 at year-end.

2,672 thousand kroons (171 thousand euros) were invested in property and equipment during reporting period. Main investment were made to bank branches – branch was opened in Jõhvi on 2 April and in Pärnu on 1 June 2007. Also the Tartu branch was moved to renovated premises, with the new address in Tartu center – Küüni 2. Bank plans to open new branches in 2008 mainly in Tallinn.

Bank's equity totalled 199.7 million kroons (12.8 million euros) as of 31 December 2007 and the capital adequacy stood at 39.81%.

Corporate Governance Report

“Corporate Governance Recommendations” guideline issued by the Financial Supervision Authority is in force since 01.01.2006. Whereas the shares of AS SBM Bank are not traded in the regulated market of Estonia and the Bank has no other issued securities listed in the stock exchange as of report date, Corporate Governance Recommendations are not mandatory for the Bank. Information is disclosed as required by legislation, international standards (IFRS) and good banking practises.

Ratios

		2007	2006
Return on equity	ROE	1.13%	2.39%
Equity multiplier	EM	2.68	2.74
Profit margin	PM	4.11%	9.71%
Asset utilisation	AU	10.27%	8.97%
Net interest margin	NIM	6.85%	6.15%
Basic earnings per share	Basic EPS	0.11	0.25
Diluted earnings per share	Diluted EPS	0.11	0.25
Spread	SPREAD	5.47%	4.32%
Yield on interest-earning assets	YIEA	9.50%	7.97%
Cost of interest-bearing liabilities	COL	4.03%	2.80%

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 31.12.2007 in any court cases where the bank could sustain substantial losses in the future. Action was filed to court against one loan customer and judicial proceedings are taking place. Execution proceedings have been started for three loan customers: one is partly finished, one is started and compromise agreed on joint property distribution to partly cover loan obligation, and for the rest monthly payments are received by the Bank during execution proceedings, and execution proceedings are taking place for one loan customer where the second auction has failed and the collateral property is sold under negotiations.

Financial
Statements
2007

Management Board's Confirmation

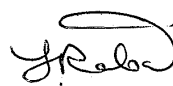
The Management Board declares its liability for the correctness of the Financial Statements 2007 of AS SBM Pank, presented on pages 9 – 49 and confirms that to the best of its knowledge:

- 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 25 February 2008, have been duly apprised and disclosed;
- AS SBM Pank is operating on a going concern basis.

Riho Rasmann Chairman of the Management Board

 25.02.2008


Sven Raba Member of the Management Board

 25.02.2008

Mart Veskimägi Member of the Management Board

 25.02.2008

Roul Tutt Member of the Management Board

 25.02.2008

Income Statement

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	2007	2006	2007	2006
Interest income	1	49,375	30,689	3,156	1,961
Interest expense	2	13,227	7,004	845	448
Net interest income		36,148	23,685	2,310	1,514
Fees and commissions income	3	1,466	1,964	94	126
Fees and commissions expense	4	858	1,245	55	80
Net fees and commissions income		608	719	39	46
Net trading income/expense	5	2,950	2,397	189	153
Total income		39,706	26,801	2,538	1,713
Administrative expenses		30,125	21,316	1,925	1,362
Salaries expense	6	13,049	8,657	834	553
Social insurance tax, unemployment insurance premium	7	4,143	2,870	265	183
Other administrative expenses	8	12,933	9,789	827	626
Depreciation and amortisation of tangible and intangible assets	9	-1,914	-1,486	-122	-95
Impairment loss on loans and advances	10	-3,590	1,058	-229	68
Other operating expenses	11	1,835	1,571	117	100
Total operating expenses		37,464	23,315	2,394	1,489
Profit before taxation		2,242	3,486	143	223
Net profit for the period		2,242	3,486	143	223
Basic earnings per share					
2007	EEK	0.11	EUR	0.01	
2006	EEK	0.25	EUR	0.02	
Diluted earnings per share					
2007	EEK	0.11	EUR	0.01	
2006	EEK	0.25	EUR	0.02	

The accounting policies on pp. 15-21 and notes to financial statements on pp. 22-49 form an integral part of the current financial statements.

Balance Sheet

		EEK ths.	EEK ths.	EUR ths.	EUR ths.
	Note	31.12.2007	31.12.2006	31.12.2007	31.12.2006
ASSETS					
Cash	12	1,372	259	88	17
Loans and advances		560,192	443,575	35,803	28,350
Balances with central bank	13	89,981	74,265	5,751	4,746
Due from other credit institutions	14	12,143	1,790	776	114
Due from customers	15	458,068	367,520	29,276	23,489
Debt securities and fixed income securities	16	28,232	12,353	1,804	790
Shares and other securities	17	139	616	9	39
Accruals and prepaid expenses	18	2,659	1,315	170	84
Intangible assets	19	1,312	1,066	84	68
Property and equipment	20	4,931	3,822	315	244
Other assets	21	888	148	57	9
TOTAL ASSETS		599,725	463,154	38,329	29,601
LIABILITIES					
Due to credit institutions and customers		396,965	209,997	25,371	13,421
Due to credit institutions	22	114,251	78,140	7,302	4,994
Due to customers of credit institution	23	282,714	131,857	18,069	8,427
Debt certificate liabilities		0	53,190	0	3,399
Debt securities issued		0	53,190	0	3,399
Other liabilities	24	10	1,967	1	126
Accrued expenses and deferred income	25	3,044	1,478	195	94
Total liabilities		400,019	266,632	25,566	17,041
SHAREHOLDERS' EQUITY	26				
Share capital		200,500	200,500	12,814	12,814
Fair value reserve		942	0	60	0
Statutory legal reserve		446	271	29	17
Retained earnings		-4,424	-7,735	-283	-494
Profit/loss for the financial year		2,242	3,486	143	223
TOTAL SHAREHOLDERS' EQUITY		199,706	196,522	12,763	12,560
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		599 725	463 154	38 329	29 601

The accounting policies on pp. 15-21 and notes to financial statements on pp. 22-49 form an integral part of the current financial statements.

Statement of Cash Flows

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Cash flows from operating activities	58,474	-82,649	3,737	-5,282
Interests received	46,129	28,805	2,948	1,841
Interests paid	-10,690	-5,336	-683	-341
Fees and commissions received	1,176	1,797	75	115
Fees and commissions paid	-858	-1,245	-55	-80
Administrative expenses	-27,859	-19,844	-1,781	-1,268
Trading income received	2,950	2,397	189	153
Other operating expenses	-1,835	-1,571	-117	-100
Loans to customers disbursements/repayments	-101,426	-113,767	-6,482	-7,271
Deposits with banks placed/repaid	-25,166	-1,199	-1,608	-77
Other assets	8,740	6,886	559	440
Securities purchased/sold	-15,402	-12,378	-984	-791
Deposits received/repaid	186,098	33,336	11,894	2,131
Other liabilities	-3,383	-530	-216	-34
Cash flows from investing activities	-3,268	-1,870	-209	-120
Purchase of property and equipment	-2,672	-1,390	-171	-89
Purchase of intangible assets	-596	-480	-38	-31
Cash flows from financing activities	-53,190	89,365	-3,399	5,711
Share capital paid-in	0	100,500	0	6,423
Bonds issued/redeemed	-53,190	-11,135	-3,399	-712
Total cash flows	2,016	4,846	129	310
Cash and cash equivalents at the beginning of the year	44,301	39,455	2,831	2,522
Net change in cash and cash equivalents	2,016	4,846	129	310
Cash and cash equivalents at the end of the year *	46,317	44,301	2,960	2,831

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

	Note	2007	2006	2007	2006
Cash	12	1,372	259	88	17
Surplus of the reserve in the Bank of Estonia	13	32,802	42,252	2,096	2,700
Demand and overnight deposits in banks	14	12,143	1,790	776	114
Total		46,317	44,301	2,960	2,831

The accounting policies on pp. 15-21 and notes to financial statements on pp. 22-49 form an integral part of the current financial statements.

Statement of Changes in Equity

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Share capital				
Balance at the beginning of period	200,500	100,000	12,814	6,391
Share capital paid-in	0	100,500	0	6,423
Balance at the end of period	200,500	200,500	12,814	12,814
Other reserves				
Balance at the beginning of period	271	271	17	17
Change in fair value reserve	942	0	60	0
Increase in statutory legal reserve	175	0	11	0
Balance at the end of period	1,388	271	89	17
Retained earnings				
Balance at the beginning of period	-4,424	-4,606	-283	-294
Expenses related to capital increase	0	-3,129	0	-200
Transferred to statutory legal reserve	0	-175	0	-11
Profit/loss for the financial year	2,242	3,486	143	223
Balance at the end of period	-2,182	-4,424	-140	-283
Total shareholders' equity:				
at the beginning of period	196,522	95,665	12,560	6,114
at the end of period	199,706	196,522	12,763	12,560

The accounting policies on pp. 15-21 and notes to financial statements on pp. 22-49 form an integral part of the current financial statements.

Accounting Policies

Statement of Compliance

AS SBM Pank (hereinafter also “the Bank”) is a credit institution domiciled in Estonia. The Management Board approved the financial statements on 25 February 2008.

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 entered into force since 1 January 2007 and new IFRS standards became mandatory for the bank from the financial year which began on 1 January 2007. Adoption of new standards or changes to standards have not caused significant changes in accounting policies or affected the results of operations of the bank.

Basis of Preparation

The functional and presentation currency of AS SBM Pank is the Estonian kroon (EEK). The statements have also been presented in euros (EUR) for comparison. Numeric data in the financial statements is presented in thousands of monetary units. As the Estonian kroon is pegged to the euro at a fixed exchange rate of 15.6466 kroons to 1 euro, no currency differences arise from presenting the report in euros.

The financial statements are prepared on the historical cost basis, except for the cases mentioned in accounting principles below.

Segment Reporting

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

Significant Judgements and Estimates by the Management

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

The judgements and estimates made by the management are reviewed on an ongoing basis, and they are based on historical experience and other factors including assumptions of likely future events which are believed to be reasonable under the 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 translated to Estonian kroons based on the foreign exchange rates of the Bank of Estonia valid on the balance sheet date. Changes in exchange rates are recognised in the income statement in “Net trading income”.

Offsetting

Financial assets and liabilities are offset only if a relevant legal right exists and there is intent to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash on hand is recognised as cash in the balance sheet. Cash and cash equivalents include cash, demand and overnight deposits with other credit institutions and the surplus of the account balance with the Bank of Estonia. Cash flows are reported using the direct method.

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

Financial Instruments

Cash, short-term financial investments, amounts due from credit institutions and customers, other receivables 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.

A 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 the risks and gains relating to the financial asset, to a third party. A financial liability is removed from the balance sheet, when it is settled or discharged or it expires.

Purchases and sales of financial assets are consistently recognised on the settlement date, i.e. on the date on which the bank acquires or loses ownership of the financial asset.

Financial Investments

Held-to-maturity investments

If the Bank has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

The Bank's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and gains and losses on changes fair value (other than impairment losses and foreign exchange gains and losses) are recognised directly in equity. Fair value is determined by reference to the indicative bid prices of big banks or, if those are not available, the yields of similar securities with a similar maturity denominated in the same currency. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as a financial asset at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Securities are reported in the balance sheet at fair value, based on quoted market prices and the official foreign exchange rates of the Bank of Estonia. The fair value of unlisted securities is determined based on all available data about the investment.

Any gain or loss arising from changes in fair value is recognised in the income statement in "Net trading income/expense".

Loans and receivables

Other non-derivative financial instruments are measured at amortised cost using the effective interest method.

Reclassification of the Debt Securities Portfolio

The Bank's debt securities portfolio was recognised as held-to-maturity in prior annual reports. Due to larger than insignificant sales transactions, the method ceased to comply with the conditions provided in the international financial reporting standards, and with the decision of the Management Board all remaining debt securities were reclassified to available-for-sale from 16 November 2007 and the gain on available-for-sale financial assets (822 thousand kroons, i.e. 53 thousand euros) was recognised through the statement of changes in equity directly in equity, in the fair value reserve. The debt securities portfolio amounted to 28,112 thousand kroons (1,797 thousand euros) on the reclassification.

Derivative Instruments

Derivative instruments (e.g. forwards and swaps) are recognised on the trade date at fair value. After initial recognition, derivative instruments are measured at fair value, based on their quoted market prices and the official exchange rates of the Bank of Estonia. The revaluation is recognised in the balance sheet in "Other assets" or "Other liabilities" and the result of the revaluation is recognised in the income statement in "Net trading income/expense".

Valuation of Loans and Advances

Loans to clients are recognised in the balance sheet in "Due from customers". Bank regulations require monthly revaluation of the loan portfolio. Receivables arising from loan agreements are recognised in the balance sheet at amortised cost. Cost is adjusted

for repayments of the principal and, where necessary, any impairment losses. Amortised cost is calculated by discounting the estimated future cash flows of the instrument using the effective interest rate. If there is any indication of impairment, a receivable is written down to the present value of the estimated future receipts.

If the value of an impaired receivable rises in subsequent periods, a previously recognised impairment loss is reversed to an amount equal to the present value of the item's estimated future cash flows or, if lower, the carrying amount of the receivable which would have been determined if no impairment loss had been recognised.

Securities purchase and resale transactions (reverse repos) are recognised similarly to loans.

Intangible Assets

Purchased patents, licenses and software are recognised as intangible assets. Intangible assets are measured in the balance sheet at cost less any amortisation and any impairment losses. The straight-line method is used for amortising intangible assets. The amortisation rate for intangible assets is 20% per year.

Tangible Assets

Significant assets which are used in the Bank's business activities and whose expected useful life extends over one year are recognised as tangible assets. New tangible assets are depreciated from the month of implementation until they are fully depreciated. Tangible assets are measured in the balance sheet at cost less any accumulated depreciation and any impairment losses. The straight-line method is used for depreciating tangible assets and the yearly depreciation rates are:

Computers, communication equipment	30 %
Office equipment	25 %
Office furniture	20 %
Telephones	40 %
Capitalised improvements to leased office space	20%
Other tangible assets	20%

Impairment of Assets

The management of the Bank assesses if there is any indication that an asset may be impaired at each balance sheet date. If such indication exists, an impairment test is performed and the recoverable amount of the asset estimated. The recoverable amount of an asset is the higher of its fair value (less costs to sell) and value in use calculated using the discounted cash flow method. If the test results show that the recoverable amount of an asset is lower than its carrying amount, the asset is written down to its recoverable amount. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest group of assets (the cash-generating unit) the asset belongs to. Impairment losses are recognised as expenses in the period in which they are incurred.

If an impairment test of an asset which has been written down shows that its recoverable amount has risen above its carrying amount, the former impairment loss is reversed and the asset's carrying amount is increased. The increased carrying amount may not exceed

the carrying amount which would have been determined (net of amortisation or depreciation) had no impairment loss been recognised.

Debt Certificate Liabilities

Bonds issued are recognised at fair value using settlement date accounting. Subsequent to initial recognition, bonds are measured at their amortised cost, using the effective interest rate method. Issue costs are included in determining the effective interest rate.

The Bank redeemed the bonds listed on the Tallinn Stock Exchange (SBMB047507A) on 20 April 2007 after which the Bank has not issued any more bonds.

Interest, Fees and Commissions

All interest and similar income is recognised as interest income. Similar income includes income connected with the contractual maturity/redemption date or amount of the asset and it is recognised over the term of the receivable. Interest income is calculated using the original effective interest rate applied in discounting the estimated future cash flows of the asset.

Fees and commission income and expense are recognised on an accrual basis. Loan fees (less direct expenses) are included in the calculation of the effective interest rate.

Vacation Pay Liability

Accrued vacation pay liabilities and related taxes as at the end of the reporting period are recognised in the vacation pay liability in line with the terms of employment contracts.

Accounting for Leases

Lease agreements are classified as finance leases if all material risks and rewards arising from the agreement are transferred to the lessee. Assets leased on terms of finance lease are capitalised at the present value of lease payments and depreciated according to their useful life or lease term. All other lease agreements are treated as operating leases 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 at least 40% of the established mandatory reserve maintained in Estonian kroons on the correspondent account at the Bank of Estonia on a daily basis.

Off-Balance Sheet Assets and Liabilities

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

Corporate Income Tax

The profit of Estonian legal entities is not taxed according to effective legislation; therefore deferred income tax assets and liabilities do not exist. In place of profit, income tax is levied on dividends paid out of retained earnings. The tax rate is 21/79 (until 31 December 2007 the tax rate was 22/78) of the amount paid out as net dividends. The corporate income tax payable on dividends is recognised as the income tax expense of the same period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are actually paid out.

Earnings per Share

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

Net profit attributable to ordinary shareholders and the weighted average number of ordinary shares are adjusted for 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, 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 unused loan amounts are recognised 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 the higher of the 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 2008. 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 IFRS 2 Share-based payment (effective from 1 January 2009). As the company does not have share-based payment plans, amended IFRS 2 will not affect the Company's financial statements.
- Amendments to IFRS 3 Business combinations (effective for reporting periods, beginning on or after 1 July 2009). As it is not mandatory to follow the amendments before they become effective, amended standard has no effect on financial statements of these business combinations which are formed before the standard was passed.
- IFRS 8 Operating segments (effective from 1 January 2009). Standard requires that the disclosure of the segment information is based on parts of the company the management follows in making business decisions. Management of the Company has not fully finished analyses and can not evaluate affect of the standard.
- Amendments to IAS 1 Presentation of financial statements (effective from 1 January 2009). Amended standard requires that the data presented in the financial statement is grouped based on similar features and that the term total income statement be used. Company's management is currently considering presenting one total income statement or two separate statements.
- Amendments to IAS 23 Borrowing costs (effective from 1 January 2009). As the Company does not have asset objects meeting the conditions for capitalising borrowing costs, amended IAS 23 will not affect the Company's financial statements.
- Amendments to IAS 27 Consolidated and separate financial statements (effective for reporting periods, beginning on or after 1 July 2009). As the Company has no participating interests in subsidiaries, affected by the amended standard, amended IAS 27 will not affect the Company's financial statements.
- IFRIC 11 IFRS 2 – Group and treasury share transactions (effective for reporting periods, beginning on or after 1 March 2007). As the Company does not have share-based payment agreements, IFRIC 11 will not affect the Company's financial statements.
- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). As the Company has not concluded concession agreements, IFRIC 12 will not affect the Company's financial statements.
- IFRIC 13 Customer Loyalty Programmes (effective for reporting periods, beginning on or after 1 July 2008). The Company has no customer loyalty programmes.
- IFRIC 14 IAS 19 – the limit on a defined benefit asset minimum funding requirements and their interaction (effective for reporting periods, beginning on or after 1 January 2008). The Company is not operating in countries with minimum funding requirements, limiting employer ability to recover from the plan of minimise payments.

Notes to the Financial Statements

Note 1: Interest Income

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
From loans	44,217	27,843	2,826	1,779
From demand deposits	2,018	1,699	129	109
From time deposits	1,011	872	65	56
From debt securities	1,699	275	109	18
From derivatives	430	0	27	0
Total	49,375	30,689	3,156	1,961

Interest income by geographical areas

Estonia	47,478	29,949	3,034	1,914
OECD countries	1,897	740	121	47
Total	49,375	30,689	3,156	1,961

Note 2: Interest Expense

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
On demand deposits	2,530	1,340	162	86
On time deposits	9,376	2,966	599	190
On debt securities issued	1,202	2,698	77	172
On derivatives	119	0	8	0
Total	13,227	7,004	845	448

Note 3: Fees and Commissions Income

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Account opening and maintenance fees	354	272	23	17
Bank transaction fees	644	287	41	18
Securities' transaction fees	425	1 370	27	88
Other fees and commissions income	43	34	3	2
Total	1,466	1,964	94	126

Fees and commissions income by geographical areas

Estonia	825	1,307	53	84
OECD countries	641	656	41	42
Total	1,466	1,964	94	126

Note 4: Fees and Commissions Expense

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Securities' transactions expenses	169	752	11	48
Bank transaction expenses	385	187	25	12
S.W.I.F.T. expenses	302	289	19	18
Other fees and commissions expense	2	17	0	1
Total	858	1,245	55	80

Note 5: Net Trading Income/Expense

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
From foreign exchange	2,769	2,361	177	151
From shares and debt securities in trading portfolio	181	36	12	2
Total	2,950	2,397	189	153

Note 6: Salaries Expense

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Salaries	10,501	8,492	671	543
Membership fees of the Supervisory Board members	2,400	0	153	0
Fringe benefits	134	41	9	3
Income tax on fringe benefits	57	12	4	1
Change in vacations pay reserve	-43	112	-3	7
Total	13,049	8,657	834	553

Note 7: Social Insurance Tax, Unemployment Insurance Premium

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
From salaries	3,466	2,815	222	180
From membership fees of the Supervisory Board members	621	0	40	0
From fringe benefits	70	18	4	1
From change in vacations pay reserve	-14	37	-1	2
Total	4,143	2,870	265	183

Note 8: Other Administrative Expenses

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
Rent of premises	4,096	3,120	262	199
IT expenses	1,932	1,719	123	110
Post and telecommunication expenses	694	532	44	34
Other professional services purchased	1,666	1,398	106	89
Office expenses	965	611	62	39
Training and business trip expenses	291	150	19	10
Advertising expenses	1,954	1,189	125	76
Transportation expenses	942	871	60	56
Other expenses	393	199	25	13
Total	12,933	9,789	827	626

Note 9: Depreciation and Amortisation of Tangible and Intangible Assets

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
Depreciation of tangible assets	-1,564	-1,241	-100	-79
Amortisation of intangible assets	-350	-245	-22	-16
Total	-1,914	-1,486	-122	-95

Note 10: Impairment Loss on Loans and Advances

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
Impairment loss on doubtful claims	-3,590	-350	-229	-22
Recoveries of doubtful claims	0	1,408	0	90
Total	-3,590	1,058	-229	68

Note 11: Other Operating Expenses

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
Guarantee Fund payments	821	505	52	32
Financial Supervision Authority fees	749	819	48	52
Tallinn Stock Exchange fees	186	169	12	11
Other operating expenses	79	78	5	5
Total	1,835	1,571	117	100

Note 12: Cash

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
In Estonian kroons	692	87	44	6
In foreign currency	680	172	43	11
Total	1,372	259	88	17

Note 13: Balances with Central Bank

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Mandatory reserve	57,179	32,013	3,654	2,046
Surplus of the reserve with the central bank	32,802	42,252	2,096	2,700
Total	89,981	74,265	5,751	4,746

Note 14: Due from Other Credit Institutions

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Correspondent accounts	10,143	1,790	648	114
Overnight deposits	2,000	0	128	0
Total	12,143	1,790	776	114
Receivables by country				
Estonia	8,009	566	512	36
OECD countries	4,134	1,224	264	78
Total	12,143	1,790	776	114

Note 15: Due from Customers

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Due by customer types (gross)				
Due from financial institutions	28,249	36,916	1,805	2,359
Loans to private companies	383,082	295,471	24,483	18,884
Loans to private persons	47,432	33,599	3,031	2,147
Total due from customers (gross)	458,763	365,986	29,320	23,391
Interest receivable	3,550	4,638	227	296
Effective interest rate correction	-4,245	-3,104	-271	-198
Total due from customers	458,068	367,520	29,276	23,489

Interest rates of loans do not exceed 18% p.a. for private persons and 16% p.a. for legal entities.
Bank issues EEK and EUR loans.

Note 15 continued: Due from Customers

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Due by collaterals (gross)				
Mortgage	329,627	221,640	21,067	14,165
Commercial pledge	12,708	19,510	812	1,247
Pledge of shares	39,717	45,196	2,538	2,889
Deposit	6,272	1,361	401	87
Other security over movables	36,876	61,789	2,357	3,949
Other	32,788	15,871	2,096	1,014
Without collateral	775	619	50	40
Total	458,763	365,986	29,320	23,391
Due by remaining maturity (gross)				
On demand	8,350	14,245	534	910
Up to 3 months	35,307	64,239	2,257	4,106
3 to 12 months	174,156	194,846	11,131	12,453
1 to 2 years	51,507	42,675	3,292	2,727
2 to 5 years	168,112	41,763	10,744	2,669
over 5 years	4,262	2,636	272	168
overdue	13,129	5,232	839	334
doubtful receivables	3,940	350	252	22
Total	458,763	365,986	29,320	23,391
Due by countries (gross)				
Estonia	437,127	335,217	27,938	21,424
OECD countries	21,636	30,769	1,383	1,966
Total	458,763	365,986	29,320	23,391
Overdue claims and loans (gross)				
Loans to private companies	13,731	5,933	878	379
Loans to private persons	38	0	2	0
Total	13,769	5,933	880	379
Specific loan provisions	-3,940	-350	-252	-22

Please refer also to Note 32: Overdue and Doubtful Claims and Loans.

Note 16: Debt Securities and Fixed Income Securities

Available-for-sale financial assets	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Debt securities by type of ownership of issuer				
Debt securities of credit institutions	4,994	0	319	0
Debt securities of private companies	23,238	12,353	1,485	790
Total	28,232	12,353	1,804	790
Debt securities by countries				
Estonia	28,029	11,947	1,791	764
OECD countries	203	406	13	26
Total	28,232	12,353	1,804	790

All debt securities were available-for-sale financial assets as of 31.12.2007, Bank's debt securities portfolio was fully reported as held-to-maturity until 16.11.2007. Please refer to explanations under Accounting Policies.

Note 17: Shares and Other Securities

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Financial assets in fair value with change through income statement	43	520	3	33
incl. shares listed on a stock exchange	43	520	3	33
Shares in investment portfolio available-for-sale	96	96	6	6
Total	139	616	9	39
Shares and other securities by countries				
Estonia	96	261	6	17
OECD countries	43	355	3	23
Total	139	616	9	39

Note 18: Accruals and Prepaid Expenses

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Fees and commissions receivable	290	167	19	11
Prepaid expenses	1,734	1,072	111	69
Debtors	0	0	0	0
Other accrued revenue	635	76	41	5
Total	2,659	1,315	170	84

Note 19: Intangible Assets

	EEK ths. Software	EUR ths. Software
Balance as of 01.01.2007		
At cost	3,517	225
Accumulated amortisation	-2,451	-157
Net value	1,066	68
Changes in 2007		
Purchases during period	596	38
Amortisation expense	-350	-22
Balance as of 31.12.2007		
At cost	4,113	263
Accumulated amortisation	-2801	-179
Net value	1,312	84
Balance as of 01.01.2006		
At cost	3,037	194
Accumulated amortisation	-2,205	-141
Net value	832	53

Note 19 continued: Intangible Assets

	EEK ths.	EUR ths.
	Software	Software
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

Note 20: Property and Equipment

	EEK ths.				
	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Total
Balance as of 01.01.2007					
At cost	2,807	1,120	1,229	2,351	7,507
Accumulated depreciation	-1,227	-678	-759	-1021	-3,685
Net value	1,580	442	470	1,330	3,822
Changes in 2007					
Purchases during period	195	259	269	770	2,672
Depreciation expense	-602	-277	-168	-515	-1,562
Devaluations due to drop in value (at cost)	0	-15	0	0	-15
Registered as property and equipment from prepayment	842	0	0	337	0
Balance as of 31.12.2007					
At cost	3,844	1,364	1,498	3,459	10,165
Accumulated depreciation	-1,830	-940	-927	-1,537	-5,234
Net value	2,014	424	571	1,922	4,931

	EUR ths.				
	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Total
Balance as of 01.01.2007					
At cost	179	72	79	150	480
Accumulated depreciation	-78	-43	-49	-65	-236
Net value	101	28	30	85	244
Changes in 2007					
Purchases during period	12	17	17	49	171
Depreciation expense	-38	-18	-11	-33	-100
Devaluations due to drop in value (at cost)	0	-1	0	0	-1
Registered as property and equipment from prepayment	54	0	0	22	0

	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Total
Balance as of 31.12.2007					
At cost	246	87	96	221	650
Accumulated depreciation	-117	-60	-59	-98	-335
Net value	129	27	36	123	315

EEK ths.

	Capitalised construction expenses *	Computers	Furniture	Other tangible assets	Prepayments	Total
Balance as of 01.01.2006						
At cost	2,781	778	1,071	1,824	12	6,466
Accumulated depreciation	-670	-464	-632	-726	0	-2,492
Net value	2,111	314	439	1,098	12	3,974

Changes in 2006

Purchases during period	26	342	158	572	292	1,390
Depreciation expense	-558	-214	-127	-341	0	-1,240
Devaluations due to drop in value (at cost)	0	0	0	-45	0	-45
Registered as property and equipment 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 property and equipment 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

* reconstruction expenses of rented premises.

Note 21: Other Assets

	EEK ths.			EEK ths.		
	31.12.2007			31.12.2006		
	Claims *	Commitments *	Fair value	Claims *	Commitments *	Fair value
Currency-related derivatives	976,827	975,940	888	506,977	506,829	148

	EUR ths.			EUR ths.		
	31.12.2007			31.12.2006		
	Claims *	Commitments *	Fair value	Claims *	Commitments *	Fair value
Currency-related derivatives	62,431	62,374	57	32,402	32,392	9

* off-balance sheet.

Note 22: Due to Credit Institutions

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Time deposits	114,251	78,140	7,302	4,994
Total	114,251	78,140	7,302	4,994

Note 23: Due to Customers of Credit Institution

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Demand deposits	88,323	71,320	5,645	4,558
Time deposits	191,854	58,870	12,262	3,762
Interest payable	2,537	1,667	162	107
Total	282,714	131,857	18,069	8,427
Demand deposits by customer groups				
Government	10	93	1	6
Financial institutions	180	216	12	14
Companies	76,014	25,912	4,858	1,656
Non-profit organisations	1,170	1,240	75	79
Private persons	10,949	43,859	700	2,803
Total	88,323	71,320	5,645	4,558
Time deposits by customer groups				
Financial institutions	6,947	0	444	0
Companies	63,731	17,940	4,073	1,147
Non-profit organisations	2,755	5	176	0
Private persons	118,421	40,925	7,568	2,616
Total	191,854	58,870	12,262	3,762

Note 23 continued

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Deposits by maturities				
On demand	19,610	71,320	1,253	4,558
Up to 1 month	175,391	14,419	11,210	922
3 to 12 months	32,853	39,600	2,100	2,531
1 to 2 years	39,645	831	2,534	53
2 to 5 years	12,678	4,020	810	257
Total	280,177	130,190	17,907	8,321

Note 24: Other Liabilities

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Payments in transmission	10	1,967	1	126

Note 25: Accrued Expenses and Deferred Income

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Taxes payable	1,041	510	67	33
Payables to employees	1,031	476	66	30
Payables to suppliers	194	486	12	31
Prepaid expenses	778	5	50	0
Other	0	1	0	0
Total	3,044	1,478	195	94

Note 26: 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 registered share gives one vote to the shareholder, which gives shareholder' a right to participate in the management of the company, in profit distribution and in case of liquidation in distribution of remaining assets, also other rights stipulated in law and articles of association.

Fair Value Reserve

Revaluation gains and losses from available-for-sale financial assets (debt securities) are reflected as fair value reserve in accordance with IAS 39.

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 27: Transactions with Related Parties

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

- owners (Marfin Popular Bank Public Company Ltd. is the main owner of the Bank);
- other companies belonging to the same consolidation group;
- executive management and Supervisory Board;
- close relatives of the persons mentioned previously and the companies related to them.

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

Related parties' deposits

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Members of the Supervisory Board and their related parties	4,341	990	277	63
Members of the Management Board and their related parties	1,309	633	84	40
Internal audit	215	88	14	6
Interests paid to the Members of the Supervisory Board and Management Board and internal audit	302	159	19	10
Shareholders, companies belonging to the group and related with owners	131,230	77,195	8,387	4,934
Interests paid to shareholders, companies belonging to the group and related with owners	5,796	1,053	370	67

Loans issued to related parties

	EEK ths.	Loan balances 31.12.2006	Disbursed loans	Repaid loans	Loan balances 31.12.2007	Interest income	Interest receivable 31.12.07
Members of the Management Board and their related parties		430	1,800	930	1,300	63	4
Members of the Supervisory Board and their related parties		11,770	1,265	1,374	11,661	601	18
	EUR ths.	Loan balances 31.12.2006	Disbursed loans	Repaid loans	Loan balances 31.12.2007	Interest income	Interest receivable 31.12.07
Members of the Management Board and their related parties		27	115	59	83	4	0
Members of the Supervisory Board and their related parties		752	81	88	745	38	1

Fees of related parties

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Membership fees of the members of the Supervisory Board	2,400	0	153	0
Salaries of the members of the Management Board	3,324	3,077	212	197

Other transactions with related parties

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	2007	2006	2007	2006
Rent services bought from companies related to owners	3,600	2,971	230	190

Note 28: Geographical Concentration of Clients' Debts

EEK ths., as of 31.12.2007

Area	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By area (%)
	loans*	securities	other claims			
Estonia	535,117	28,125	2,380	13,769	237,079	50.20%
Italy	269	0	0	0	0	0.02%
United States of America	962	0	0	0	0	0.06%
United Kingdom	8,127	0	0	0	666,850	42.94%
Denmark	1,414	0	0	0	0	0.09%
Latvia	0	246	5	0	0	0.02%
Germany	1,691	0	0	0	0	0.11%
Greece	13,307	0	175	0	89,754	6.57%
Total	560,887	28,371	2,560	13,769	993,683	100.00%

EUR ths., as of 31.12.2007

Area	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By area (%)
	loans*	securities	other claims			
Estonia	34,200	1,798	152	880	15,152	50.20%
Italy	17	0	0	0	0	0.02%
United States of America	61	0	0	0	0	0.06%
United Kingdom	519	0	0	0	42,619	42.94%
Denmark	90	0	0	0	0	0.09%
Latvia	0	16	0	0	0	0.02%
Germany	108	0	0	0	0	0.11%
Greece	850	0	11	0	5,736	6.57%
Total	35,847	1,813	164	880	63,508	100.00%

Note 28 continued

EEK ths., as of 31.12.2006

Area	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By area (%)
	loans*	securities	other claims			
Estonia	413,152	12,209	1,727	5,295	151,663	59.63%
Sweden	0	95	0	0	0	0.01%
Italy	157	0	0	0	0	0.02%
Finland	147	259	0	0	0	0.04%
United Kingdom	16,881	0	0	0	355,314	38.70%
Denmark	1,024	0	0	0	0	0.11%
Poland	7	0	0	0	0	0.00%
Latvia	0	406	11	0	0	0.04%
Greece	13,777	0	146	0	0	1.45%
Total	445,145	12,969	1,884	5,295	506,977	100.00%

EUR ths., as of 31.12.2006

Area	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By area (%)
	loans*	securities	other claims			
Estonia	26,405	780	110	338	9,693	59.63%
Sweden	0	6	0	0	0	0.01%
Italy	10	0	0	0	0	0.02%
Finland	9	17	0	0	0	0.04%
United Kingdom	1,079	0	0	0	22,709	38.70%
Denmark	65	0	0	0	0	0.11%
Poland	0	0	0	0	0	0.00%
Latvia	0	26	1	0	0	0.04%
Greece	881	0	9	0	0	1.45%
Total	28,450	829	120	338	32,402	100.00%

* includes claims on credit institutions and financial institutions.

Note 29: Concentration of Clients' Debts by Economic Sector

EEK ths., as of 31.12.2007

Economic sector	Balance sheet claims				Off-balance sheet commitments	By sector (%)
	loans*	securities	other claims	incl. overdue and doubtful claims		
Finance	115,373	4,994	232	0	782,617	57.47%
Retail and wholesale	13,801	0	60	1,226	90,743	6.58%
Real estate, renting and servicing	269,214	3,395	1,283	1,576	4,946	17.64%
Private persons	47,432	0	247	39	72,897	7.67%
Construction	45,410	1,095	117	0	0	2.97%
Industry	26,925	1,095	129	10,900	0	1.10%
Transport, logistics, communications	6,637	1,436	65	0	42,480	3.22%
Hotels and restaurants	11,838	16,153	104	21	0	1.79%
Agriculture, hunting and forestry	12,970	0	94	0	0	0.83%
Electricity, gas and water supply	0	203	6	0	0	0.01%
Other business activity	0	0	215	0	0	0.01%
Other community, social and private services	11,287	0	8	7	0	0.72%
Total	560,887	28,371	2,560	13,769	993,683	100.00%

EUR ths., as of 31.12.2007

Economic sector	Balance sheet claims				Off-balance sheet commitments	By sector (%)
	loans*	securities	other claims	incl. overdue and doubtful claims		
Finance	7,374	319	15	0	50,018	57.47%
Retail and wholesale	882	0	4	78	5,800	6.58%
Real estate, renting and servicing	17,206	217	82	101	316	17.64%
Private persons	3,031	0	16	2	4,659	7.67%
Construction	2,902	70	7	0	0	2.97%
Industry	1,721	70	8	697	0	1.10%
Transport, logistics, communications	424	92	4	0	2,715	3.22%
Hotels and restaurants	757	1,032	7	1	0	1.79%
Agriculture, hunting and forestry	829	0	6	0	0	0.83%
Electricity, gas and water supply	0	13	0	0	0	0.01%
Other business activity	0	0	14	0	0	0.01%
Other community, social and private services	721	0	1	0	0	0.72%
Total	35,847	1,813	164	880	63,508	100.00%

Note 29 continued

EEK ths., as of 31.12.2006

Economic sector	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By sector (%)
	loans*	securities	other claims			
Finance	95,611	4,978	253	0	367,775	48.75%
Retail and wholesale	37,775	0	140	5,061	91,675	12.95%
Real estate, renting and servicing	248,844	4,722	823	33	0	26.46%
Private persons	33,840	0	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	0	14	0	0	0.37%
Agriculture, hunting and forestry	4,671	0	23	0	0	0.49%
Electricity, gas and water supply	0	406	11	0	0	0.04%
Other business activity	0	0	318	0	0	0.03%
Other community, social and private services	182	0	1	2	0	0.02%
Total	445,145	12,969	1,884	5,645	506,977	100.00%

EUR ths., as of 31.12.2006

Economic sector	Balance sheet claims			incl. overdue and doubtful claims	Off-balance sheet commitments	By sector (%)
	loans*	securities	other claims			
Finance	6,111	318	16	0	23,505	48.75%
Retail and wholesale	2,414	0	9	323	5,859	12.95%
Real estate, 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	361	32,402	100.00%

* includes claims on credit institutions and financial institutions.

Note 30: Off-Balance Sheet Transactions

EEK ths., as of 31.12.2007

	Claims	Commitments
Irrevocable transactions	0	58,140
Guarantees and similar irrevocable transactions	0	25,056
Unused part of credit lines and overdraft limits	0	33,084
Derivatives	993,683	992,796
Currency-related derivatives	976,827	975,940
Other derivatives linked with assets *	16,856	16,856

EUR ths., as of 31.12.2007

	Claims	Commitments
Irrevocable transactions	0	3,716
Guarantees and similar irrevocable transactions	0	1,601
Unused part of credit lines and overdraft limits	0	2,114
Derivatives	63,508	63,451
Currency-related derivatives	62,431	62,374
Other derivatives linked with assets *	1,077	1,077

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
Derivatives	506,977	506,829
Currency-related derivatives	506,977	506,829

EUR ths., as of 31.12.2006

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

* Bank intermediated AquaTerra investment deposits to its customers in the amount of 16,856 thousand kroons (1,077 thousand euros) in November 2007. Swap transaction with parent bank Marfin Popular Bank Public Company Ltd. is therefore reflected off-balance sheet, off-balance sheet claims and off-balance sheet commitment being equal in amounts.

Note 31: Liquidity (Assets and Liabilities by Remaining Maturities)

EEK ths., as of 31.12.2007

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	112,594	13,769	9,650	36,039	185,067	62,879	168,112	5,372	593,482
Cash and claims to banks	101,496	0	2,000	0	0	0	0	0	103,496
Claims to customers	8,350	13,129	4,982	30,325	174,156	51,507	168,112	4,262	454,823
Securities	43	0	0	5,384	10,619	11,229	0	1,096	28,371
Other claims	2,705	640	2,668	330	292	143	0	14	6,792
Off-balance sheet claims	0	0	800,839	175,988	0	0	16,856	0	993,683
Liabilities of the Bank	22,004	0	203,920	87,236	33,288	40,546	13,025	0	400,019
Amounts owed to banks	0	0	82,958	31,293	0	0	0	0	114,251
Amounts owed to customers	19,610	0	120,851	54,540	32,853	39,645	12,678	0	280,177
Debt securities issued	0	0	0	0	0	0	0	0	0
Other liabilities	2,394	0	111	1,403	435	901	347	0	5,591
Off-balance sheet commitments	0	0	800,046	176,099	3,500	32,752	38,539	0	1,050,936

EUR ths., as of 31.12.2007

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	7,196	880	617	2,303	11,828	4,019	10,744	343	37,930
Cash and claims to banks	6,487	0	128	0	0	0	0	0	6,615
Claims to customers	534	839	318	1,938	11,131	3,292	10,744	272	29,068
Securities	3	0	0	344	679	718	0	70	1,813
Other claims	173	41	171	21	19	9	0	1	434
Off-balance sheet claims	0	0	51,183	11,248	0	0	1,077	0	63,508
Liabilities of the Bank	1,406	0	13,033	5,575	2,127	2,591	832	0	25,566
Amounts owed to banks	0	0	5,302	2,000	0	0	0	0	7,302
Amounts owed to customers	1,253	0	7,724	3,486	2,100	2,534	810	0	17,907
Debt securities issued	0	0	0	0	0	0	0	0	0
Other liabilities	153	0	7	90	28	58	22	0	357
Off-balance sheet commitments	0	0	51,132	11,255	224	2,093	2,463	0	67,167

Note 31 continued

EEK ths., as of 31.12.2006

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	104,606	5,295	37,498	28,851	194,846	42,675	41,763	2,732	458,266
Cash and claims to banks	76,314	0	0	0	0	0	0	0	76,314
Claims to customers	14,245	5,232	35,467	28,772	194,846	42,675	41,763	2,636	365,636
Securities	12,873	0	0	0	0	0	0	96	12,969
Other claims	1,174	63	2,031	79	0	0	0	0	3,347
Off-balance sheet claims	0	0	506,977	0	0	0	0	0	506,977
Liabilities of the Bank	73,287	0	45,074	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	71,320	0	11,212	3,207	39,600	831	4,020	0	130,190
Debt securities issued	0	0	0	0	53,190	0	0	0	53,190
Other liabilities	1,967	0	2,662	284	199	0	0	0	5,112
Off-balance sheet commitments	50,380	0	509,329	56	100	0	0	0	559,865

EUR ths., as of 31.12.2006

Claims, liabilities	On demand	Overdue	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Claims of the Bank	6,686	338	2,397	1,844	12,453	2,727	2,669	175	29,289
Cash and claims to banks	4,877	0	0	0	0	0	0	0	4,877
Claims to customers	910	334	2,267	1,839	12,453	2,727	2,669	168	23,368
Securities	823	0	0	0	0	0	0	6	829
Other claims	75	4	130	5	0	0	0	0	214
Off-balance sheet claims	0	0	32,402	0	0	0	0	0	32,402
Liabilities of the Bank	4,684	0	2,881	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	4,558	0	717	205	2,531	53	257	0	8,321
Debt securities issued	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: Overdue and Doubtful Claims and Loans

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Overdue loan principal payments	13,129	5,933	839	379
Overdue loan interests payments	640	76	41	5
Total overdue claims	13,769	6,009	880	384
No. of non-performing loans	5	3	5	3
Specific loan loss provisions	-3,940	-350	-252	-22

All loans and overdrafts, where the payments are overdue by more than 90 days, are reported as non-performing loans. The quality of loan portfolio can be considered good, no loans have been written off as hopeless. All due dates were met for all other financial assets.

Overdue financial assets maturity structure

	EEK ths. 31.12.2007	EEK ths. 31.12.2006	EUR ths. 31.12.2007	EUR ths. 31.12.2006
Up to 90 days	1,095	5,712	70	365
91 days to 1 year	11,647	53	744	3
1 to 2 years	1,026	312	66	20

Note 33: Earnings Per Share

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
Net profit for the reporting period (in thousands)	2,242	3,486	143	223
Year average weighted no. of shares (ths. pcs.)	20,050	14,142	20,050	14,142
Basic earnings per share	0,11	0,25	0,01	0,02
Diluted earnings per share	0,11	0,25	0,01	0,02

AS SBM Pank has not issued convertible securities.

Note 34: Operating Lease Liabilities

AS SBM Pank has concluded operating lease agreements for five vehicles as of 31.12.2007. Last contract ends on 30.08.2011, i.e. no agreement exceeds 5 years. Total of 481 thousand kroons (31 thousand euros) of vehicle rent payments were expensed in financial year 2007, 451 thousand kroons (29 thousand euros) in 2006.

Rent payments for vehicles by due dates

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
until 1 year	471	481	30	31
1 to 5 years	930	1 411	59	90

AS SBM Pank has concluded agreements for renting bank premises in Tallinn, Tartu, Jõhvi and Pärnu. Last rent agreement ends on 31.12.2016. Total of 4,097 thousand kroons (262 thousand euros) was spent on rent and similar expenses in financial year 2007, 3,120 thousand kroons (199 thousand euros) in 2006.

Rent payments for bank premises by due dates

	EEK ths. 2007	EEK ths. 2006	EUR ths. 2007	EUR ths. 2006
until 1 year	3,831	2,919	245	187
1 to 5 years	16,569	12,594	1,059	805
over 5 years	8,678	11,206	555	716

Note 35: Fair Value

EEK ths.	Balance sheet cost	Fair value	Balance sheet cost	Fair value
	31.12.2007	31.12.2007	31.12.2006	31.12.2006
Available-for-sale financial assets	28,328	28,328	96	96
Held-to-maturity investments	0	0	12,353	12,353
Financial assets at fair value through profit and loss	43	43	520	520
incl. financial assets kept for trading	43	43	520	520
Due from customers	454,823	454,823	365,636	365,636
Cash and cash equivalents	46,317	46,317	44,301	44,301
Currency related derivatives	888	888	148	148

EUR ths.	Balance sheet cost	Fair value	Balance sheet cost	Fair value
	31.12.2007	31.12.2007	31.12.2006	31.12.2006
Available-for-sale financial assets	1,810	1,810	6	6
Held-to-maturity investments	0	0	790	790
Financial assets at fair value through profit and loss	3	3	33	33
incl. financial assets kept for trading	3	3	33	33
Due from customers	29,068	29,068	23,368	23,368
Cash and cash equivalents	2,960	2,960	2,831	2,831
Currency related derivatives	57	57	9	9

Note 36: Net Foreign Currency Positions

EEK ths., as of 31.12.2007

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
EEK and EUR joint position	595,035	360,836	491,178	584,925	140,451

EUR ths., as of 31.12.2007

Currency	Balance sheet position		Off-balance sheet position		Net position
	long	short	long	short	
EEK and EUR joint position	38,030	23,062	31,392	37,384	8,976

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

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.

Sensitivity analysis of foreign currency risk

The Bank is minimising its openness to foreign currency risks on a daily basis, following the general principles of risk management and approved limits. EEK and EUR net position has been used in sensitivity analysis, due to Estonian kroon being pegged to euro. Total open net foreign currency position comprised EEK 1.5 million kroons (0.1 million euros) as of 31.12.2007. Even a simultaneous 5% change in unfavourable direction for all used currencies could cause the bank only a 80 thousand kroon (5 thousand euro) expense, leading to a conclusion, that the bank's openness to foreign currency risk is insignificant. Used methods and assumptions have not changed compared with previous period.

Note 37: Interest-Bearing Assets and Liabilities by Interest Repricing Period

EEK ths., as of 31.12.2007

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	104,710	13,127	11,551	175,242	206,175	25,254	52,197	1,001	589,258
Claims to banks	100,121	0	2,003	0	0	0	0	0	102,124
Claims to customers	4,589	13,127	8,434	172,238	194,159	22,750	43,466	0	458,763
Securities	0	0	1,115	3,004	12,017	2,503	8,731	1,001	28,371
Bank's liabilities	179,827	0	76,684	85,822	32,858	39,648	12,674	0	427,513
Due to banks	20,372	0	62,586	31,293	0	0	0	0	114,251
Due to customers	126,371	0	14,098	54,528	32,858	39,648	12,674	0	280,177
Stand-by loans	33,084	0	0	0	0	0	0	0	33,084

EUR ths., as of 31.12.2007

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	6,692	839	738	11,200	13,177	1,614	3,336	64	37,660
Claims to banks	6,399	0	128	0	0	0	0	0	6,527
Claims to customers	293	839	539	11,008	12,409	1,454	2,778	0	29,320
Securities	0	0	71	192	768	160	558	64	1,813
Bank's liabilities	11,493	0	4,901	5,485	2,100	2,534	810	0	27,323
Due to banks	1,302	0	4,000	2,000	0	0	0	0	7,302
Due to customers	8,077	0	901	3,485	2,100	2,534	810	0	17,907
Stand-by loans	2,114	0	0	0	0	0	0	0	2,114

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	5,232	35,467	28,772	194,846	42,675	41,763	2,636	454,044
Claims to banks	76,055	0	0	0	0	0	0	0	76,055
Claims to customers	14,245	5,232	35,467	28,772	194,846	42,675	41,763	2,636	365,636
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	334	2,267	1,839	12,453	2,727	2,669	168	29,019
Claims to banks	4,861	0	0	0	0	0	0	0	4,861
Claims to customers	910	334	2,267	1,839	12,453	2,727	2,669	168	23,368
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

Sensitivity analysis of interest rate risk

Bank's cumulative interest rate sensitivity gap, which is the basis for interest rate risk, was –50.8 million kroons for period up to 3 months and +122,5 million kroons for period up to 12 months as of 31.12.2007. The effect of time-weighted +100 basis points interest curve shift for the Bank's 2008 profit was -156 thousand kroons i.e. 0.4% of the 2007 net interest income of the bank. Further, 2008 cumulative interest rate sensitivity gap effect on profit of year 2009 under +100 basis points shift was +1.2 million kroons. Used methods and assumptions have not changed compared with previous period.

Note 38: Capital Adequacy

	EEK ths.	EEK ths.	EUR ths.	EUR ths.
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
1. First level equity	195,210	191,970	12,476	12,269
Paid-in share capital	200,500	200,500	12,814	12,814
General banking reserve	0	0	0	0
Other reserves	446	271	29	17
Retained profit/loss of the previous years	-4,424	-7,735	-283	-494
Profit of the current reporting period	0	0	0	0
Treasury stock (minus)	0	0	0	0
Intangible assets (minus)	-1,312	-1,066	-84	-68
Loss of the current reporting period (minus)	0	0	0	0
2. Second level equity	0	0	0	0
3. Total gross own funds (1+2)	195,210	191,970	12,476	12,269
4. Deductions from gross own funds	0	0	0	0
5. Total net own funds (3-4)	195,210	191,970	12,476	12,269
6. Third level equity	0	0	0	0
7. Risk weighted asset	455,530	363,139	29,114	23,209
I category (risk adjustment 0%)	91,353	74,524	5,839	4,763
II category (risk adjustment 20%)	12,143	1,790	776	114
III category (risk adjustment 50%)	27,083	19,933	1,731	1,274
IV category (risk adjustment 100%)	439,560	352,814	28,093	22,549
8. Risk weighted off-balance sheet transactions	26,721	2,656	1,708	170
Group I	25,056	2,656	1,601	170
Group II	1,665	0	106	0
9. Capital requirement for currency risk	0	0	0	0
10. Capital requirement for trading portfolio risks	652	380	42	24
For covering interest position risk	643	270	41	17
For covering share position risk	9	110	1	7
For covering commodity risk	0	0	0	0
For covering option risk	0	0	0	0
For covering transfer risk of trading portfolio	0	0	0	0
For covering credit risk of trading portfolio	0	0	0	0
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.+10+10x12.5+11x12.5)	39.81%	51.81%	39.81%	51.81%

Minimum capital adequacy ratio, as required by the Bank of Estonia, is 10%.

Note 39: Concentration of Risks

EEK ths., as of 31.12.2007

	Credit Institution	
	no. / amount	% of net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	237,816	121.83%
Due from persons related with credit institution	189	0.10%

EUR ths., as of 31.12.2007

	Credit Institution	
	no. / amount	% of net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	15,199	121.83%
Due from persons related with credit institution	12	0.10%

EEK ths., as of 31.12.2006

	Credit Institution	
	no. / amount	% of net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	138,240	70.82%
Due from persons related with credit institution	189	0.10%

EUR ths., as of 31.12.2006

	Credit Institution	
	no. / amount	% of net own funds
Number of customers (client groups) with high risk concentration	6	
Due from customers with high risk concentration	8,835	70.82%
Due from persons related with credit institution	12	0.10%

Note 40: Risk and Capital Management

Risk Management

MARKET RISK

Interest rate risk

The Bank's general strategy is to minimise exposure to the interest rate risk primarily by keeping similar interest rate sensitivity of its assets and liabilities. Interest rate risk sensitivity is analysed by measuring the sensitivity of claims and liabilities with interest rate repricing taking place within a year to +100 basis points parallel shift of all interest

curves, and its affect on profits. Claims' and liabilities' interest sensitivity gaps periodised by interest repricing and grouped by period form a basis for analysis. Affect is annualised by weighting interest sensitivity gaps by average length of respective period until year-end. Additionally, the effect of cumulative current year interest sensitivity gap is assessed on next year's profit.

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. Kõiki välisvaluutaposisioone jälgitakse pidevalt ja hinnatakse turuväärtuses. Avatud välisvaluutaposisioone kaetakse põhiliselt vahetustehingute ja forvardtehingutega.

Avatud valuutaposisioonid

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 positions of each currency are converted to Estonian kroons using the rate of last banking day issued by the Bank of Estonia. Open positions between Estonian kroon and euro are unlimited, as the currencies are pegged. Total open net foreign currency position can not exceed 30% of the net own funds of the credit institution in accordance with the limits as of report date. Open net foreign currency position is additionally limited to 15% of net own funds for currencies of A-zone countries (incl. USD 5%), to 1% for currencies of B-zone countries (excluding Latvia and Lithuania) and to 10% of net own funds for Latvian lat and Lithuanian lit. Much smaller open positions are kept as a rule.

Other price risk

Other price risk of market risks rises from placing Bank's assets to instruments sensitive to market risk on the purpose of trading or investment. 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.

LIQUIDITY RISK

The main objective of the Bank's liquidity management is to match the maturities of assets and liabilities as much as possible, and not to depend too much on short-term financing. 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 deposits in 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. Bank has sufficient liquidity buffer through money market limits allocated by banks within the group and Estonian credit institutions.

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, guarantees and sureties are made by the 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. The adequacy and amount of loan loss provisions are reviewed monthly.

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 by the central bank 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.

OPERATIONAL RISKS

Bank enhanced control over business continuity risks significantly in 2007. Special procedures were approved, detailed recovery plans and test plans compiled. 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, can be independently developed further and modified by the Bank's IT development. Used banking software is also scaleable, allowing to increase server capacity, when the volume of information being processed, grows in time. 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. In order to manage the IT risks better, full outsourcing of services was discontinued at the end of year 2007 and IT department was formed.

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 and test its operability. 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.

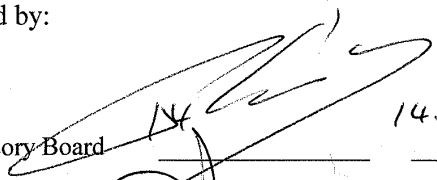
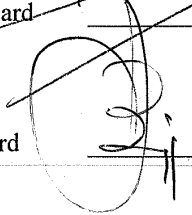
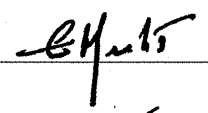
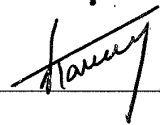
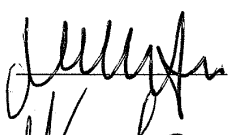
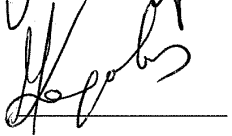

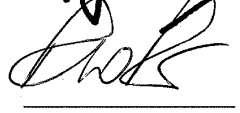
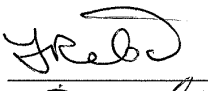
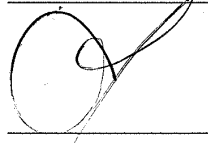
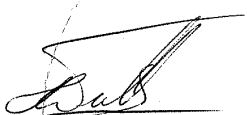
The employees' access to the information, which is required for fulfilling their tasks, is regulated by the IT access rules. The Management Board is responsible for informing the Bank's employees about the external laws and rules regulating their area of responsibility as well as the internal policies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

Capital Management

The Bank is overcapitalised compared with market average, but it allows fast growth of the Bank without the need to increase share capital in the nearest years. The Bank plans to implement ICAAP (internal capital adequacy assessment process) in 2008, which is introduced to the banks and investment firms under article 123 of the 2006/48/EC directive. Financial Supervision Authority has issued guideline "Requirements to the internal capital adequacy assessment process" to Estonian financial institutions, in force since 01.01.2008, which is leading the process and has more details than such guidelines in the neighbouring countries. Bank plans to implement so-called "Pillar 1 +" method of ICAAP, under which an additional buffer is added to the Pillar 1 regulative capital requirements for uncovered or insufficiently covered risks. ICAAP includes approval of capital plan stating current capital need, expected capital need, required level of capitalisation and sources of additional capital.

**SIGNATURES OF THE MANAGEMENT BOARD AND
THE SUPERVISORY BOARD TO THE ANNUAL REPORT 2007**

The Annual Report 2007 of AS SBM Pank is signed by:

Fotios Karatzenis	Chairman of the Supervisory Board		<u>14.2.08</u>
Nikolaos Sarros	Member of the Supervisory Board		<u>14/03/08</u>
Efthymios Bouloutas	Member of the Supervisory Board		<u>14/03/2008</u>
Achillefs Giannisis	Member of the Supervisory Board		<u>17/03/08</u>
Frank Ulrich John	Member of the Supervisory Board		<u>14/4/08</u>
Emmanouil Karavelakis	Member of the Supervisory Board		<u>14/3/2008</u>
Christos Stylianides	Member of the Supervisory Board		<u>14/3/2008</u>
Riho Rasmann	Chairman of the Management Board		<u>25.02.2008</u>
Sven Raba	Member of the Management Board		<u>25.02.2008</u>
Mart Veskimägi	Member of the Management Board		<u>25.02.2008</u>
Roul Tutt	Member of the Management Board		<u>25.02.2008</u>

INDEPENDENT AUDITOR'S REPORT

(translation from Estonian original)

To the shareholders of AS SBM Pank

We have audited the accompanying financial statements of AS SBM Pank, which comprise the balance sheet as at 31 December 2007, 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 49.

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 2007, 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, 13 March 2008

KPMG Baltics AS

(signature)

Taivo Epner
Authorized Public Accountant

(signature)

Eero Kaup
Authorized Public Accountant

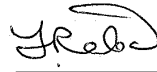
THE MANAGEMENT BOARD'S PROFIT ALLOCATION PROPOSAL

The Management Board of AS SBM Pank approved the audited profit for the financial year 2007 in the amount of 2,241,505 kroons (143,258 euros). The Management Board's proposal to the General Meeting of Shareholders' is not to distribute the profit for the financial year 2007 in the amount of 2,128,505 kroons (136,036 euros) by recording it under the balance sheet heading "Retained earnings" and to appropriate 113,000 kroons (7,222 euros) to statutory legal reserve.

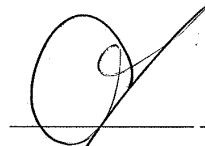
Riho Rasmann Chairman of the Management Board


21.02.2008


Sven Raba Member of the Management Board


25.02.2008

Mart Veskimägi Member of the Management Board


25.02.2008

Roul Tutt Member of the Management Board


25.02.2008