AS SEB Pank (AS SEB Eesti Ühispank)

Public Annual Report

2007

Contents

Statement of the Management Board

The Management Board of AS SEB Pank is on an opinion that the Public Annual Report of 2007, which consists of Introduction, Management Report and Financial Statements, contains information, corresponding to the requirements set forth for Public Annual Reports in the Decree no. 25, dated 19.10.1999 and Act No 1, dated 01.18.2007 of the Bank of Estonia President.

The financial and additional information presented in the Public Annual Report of 2007 is true and complete. There is no financial or other information, missing from the Public Annual Report of 2007, which could affect the meaning or contents thereof. The Annual Financial Accounts give a true and fair view of the actual financial position, results of operations and cash flows of the company.

Financial Accounts, presented in the Public Annual Report of 2007 have been compiled in accordance with the accounting principles, stipulated in International Financial Reporting Standards, as adopted in the European Union. This Public Annual Report of 2007 has been compiled in accordance with the Decree no. 25, dated 19.10.1999 of the Bank of Estonia President. AS SEB Pank and the group companies are assumed to be going concern.

The Public Annual Report of 2007 differs from the SEB Pank Annual Report of 2007 primarily by its way of presentation, since this report implements the balance sheet and income statement as well as cash flow scheme requirements, established with the Decree no. 13, dated 03.12.2003 of the Bank of Estonia President and in parallel presents also separate statements of the bank, as the parent company. The Public Annual Report of 2007 is not subject to approval by the General Meeting of Shareholders.

Members of the Management Board:

"31" MARCH 2008.		Ahti Asmann
"31" MARCH 2008.		Paulius Tarbūnas
"31" MARCH 2008.		Kristoffer Lindberg
"31" March 2008.		Erki Pugal
"31" March 2008.		Riho Unt

I. Introduction - general information

1. Credit institution

Company name	AS SEB Pank
Address	Tornimäe Str.2, Tallinn 15010, Estonia
Registred in	Republic of Estonia
Registry date	08.12.95
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Telex	173 006 UNION EE
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	postkast@seb.ee
Internet homepage	http://www.seb.ee

II. Management Report

1. Credit institution's group as defined in Credit Institutions Law

1.1. Consolidated group

Company name	Register	Reg.date	Address	Activity	Owner-ship*** (%)	At an acquisi-tion cost (EEK mio)
AS SEB Liising	10281767	03.10.1997	Tallinn, Tornimäe 2	Leasing	100.0%	23.4
HF Liisingu AS (on liquidation)*	10304592	07.11.1997	Tallinn, Tornimäe 2	Leasing	100.0%	-
AS SEB Kindlustusmaakler*	10723587	16.01.2001	Tallinn, Tornimäe 2	Insurance brokerage	100.0%	-
AS Rentacar*	10303546	20.10.1997	Haapsalu, Karja 27	Leasing	100.0%	-
JSC SEB Leasing	R-6603.16	19.06.1997	St.Peterburg, Kropotkina 1	Leasing	100.0%	1.9
AS SEB Varahaldus	10035169	22.05.1996	Tallinn, Tornimäe 2	Asset management	100.0%	42.5
AS SEB Elu- ja Pensionikindlustus	10525330	21.01.1999	Tallinn, Tornimäe 2	Insurance	100.0%	30.0
AS Bangalo	10088272	18.10.1996	Tallinn, Tornimäe 2	Real estate	100.0%	47.0
AS SEB Enskilda	11354037	16.02.2007	Tallinn, Tornimäe 2	Financial consulting	100.0%	11.5
OÜ Strongler	10141919	23.04.1997	Tallinn, Tornimäe 2	Real estate	100.0%	26.2
SEB IT Partner Estonia OÜ**	10002566	20.11.1995	Tallinn, Tartu mnt 13	IT consulting, programming	35.0%	0.3
AS Sertifitseerimiskeskus**	10747013	27.03.2001	Tallinn, Pärnu mnt 12	Data communication services	25.0%	15.1
OÜ TietoEnator Support **	11065244	30.08.2004	Tallinn, Roosikrantsi 11	IT consulting, programming	20.0%	0.6
Pankade Kaardikeskuse AS**	10452335	19.05.1998	Tallinn, Laki 12	Card centre	41.5%	4.0
						202.5

SEB Leasing is registered in Russian Commercial Register, all other enterprises registered in Estonian Commercial Register.

* Consolidated subsidaries of AS SEB Liising
** Associates
*** For all investments the percentage of holding equals to both, the holding from the number of shares as well as from the number of votes.

Parent company of the Group is AS SEB Pank, it's activity being banking (information on page 3).

The ‘consolidated group’ in the meaning of Credit Institutions Law in Estonia and the ‘Group’ for IFRS consolidation purposes are identical.

Changes in the consolidated group during the accounting period and plans for year 2008

In 2007 the subsidary SEB Enskilda was established (financial consulting), and the subsidary AS Tornimägi (real estate) was sold.

Non-profit association SEB Heategevusfond is an association, not belonging to the consolidation group, registered on 06.01.2006. The founders of the association are AS SEB Pank and AS SEB Elu- ja Pensionikindlustus. The association is aimed at raising and distributing funds for charitable cause to organisations, dealing with children, who have been deprived of parental care. Upon dissolution of the association, the assets remaining after satisfaction of the claims of creditors shall be transferred to a non-profit association or foundation with similar objectives, entered to the list of associations subject to income tax incentive of the Government of the Republic, or a legal person in public law, state or local government.

HF Liisingu AS final accounts were filed with Register on 28.12.07 with application to delete the entity from Estonian Commercial Register. Respective entry was made by Register on 31.01.2008.

The bank has taken a decision to move SEB Leasing (Russian entity) internally in SEB Group to direct ownership by SEB AB. The transfer is subject to approvals from Russian authorities why we cannot predict when the control will be transferred.

No such events or trends have occurred by the time of publishing the report, which would affect the economic situation and financial strategy of the group in 2008.

1.2. Members of Management and Supervisory Board and shares held by them.

Members of the Management Board: Ahti Asmann, Paulius Tarbūnas, Kristoffer Lindberg, Erki Pugal, Riho Unt.

Members of the Supervisory Board: Bo Magnusson, Anders Arozin, Ainārs Ozols, Audrius Žiugžda, Ulf Pettersson.

The members of AS SEB Pank Management and Supervisory Board and their confidants, as well as the commercial undertakings controlled jointly or severally by the mentioned persons did not hold any shares of AS SEB Pank as of 31.12.2007.

1.3. Strategy and organisation

SEB Pank Group, being a member of SEB Group, is an Estonian financial group that serves private individuals, companies and the public sector. The bank is a universal bank that offers its customers a wide range of financial services.

SEB Group is a North European financial group for corporate customers, institutions and private individuals having 750 branch offices in Sweden, Germany, Baltic countries, Poland, Russia and the Ukraine. SEB Group has more than 5 million customers, of whom approximately 2.2 million use the internet for their banking transactions.

SEB Pank Group carries out the vision of SEB Group, that is to be the leading bank in Northern Europe based on long-term customer relationships, competence and technology.

The largest area of our operations is commercial banking together with leasing. However, long term saving products offered by retail banking, asset management and life insurance are growing in volumes very fast indeed. Our operation is focused to Estonia. SEB Pank is acting as Centre of Excellence within SEB Group for Asset Management activities concerning Eastern Europe.

Our now more than 768 600 customers are served by approximately 1663 employees. The customers are served through many different channels such as 68 branch offices, more than 133 on-line post offices, more than 370 ATMs, 6300 POS-terminals. There are more than 471000 debit and credit cards in use. In addition, close to 65 % of our customers use our U-Net and U-Net Business services.

Customer surveys during 2007 showed that we continue to have very satisfed customers. This is a key strength of our group, a strength that we are determined to maintain.

SEB Pank is owned 100% by SEB AB, which is a financial group with a remarkable history of business. We are getting a lot of support from our parent company and group companies in providing our customers even better services. In many product/service areas our owner is the strongest bank in the Nordic arena – expertise that we can draw upon to also serve our customers. In addition, we are getting strong support in controlling and managing our risks – something that is especially important given our country´s fast development.

2. Highlights

Efficiency and development

In April, SEB Pank paid out **Estonia's highest Investment Deposit interest – 91%.** The record yield on SEB Pank's "China with Risk Premium" investment deposit was related to the Hong Kong stock market yield. Depositors could enjoy these phenomenal growth rates while resting assured in the knowledge that their nominal amount was 100% guaranteed for the entire deposit period. The index contained shares of companies owned by the Chinese government and traded on the Hong Kong stock market.

The bank's **number of active customers grew by 22,000 individuals and 4,000 companies** in 2007. The number of investment consulting sessions doubled in 2007, and nearly 40,000 customers began saving with us to build a solid future. Savings consulting and new investment products were actively offered also in the second half of the year.

Major accomplishments in 2007 include **the successful launch of SEB Enskilda on the Estonian market.** SEB Enskilda team in April carried out Estonia's third largest IPO of all times, as a result of which Arco Vara increased its equity by over a billion kroons. A total of 69 institutions from 15 countries took part in the international offering. We were glad to see a number of participants for whom it was their first investment in the region.

In summer 2007, SEB Pank launched second phase of the process for replacing the name SEB Pank, which concluded in spring **2008, when the bank continues its operations under the name SEB**. Step-by-step the bank replaced the brand name on the ATMs and branch office façades, IT systems, documents and materials introducing several products. Bank cards with new design will be used during the second quarter 2008. Change of name will cause no additional obligations for the customers.

SEB Pank has effectively increased its market share among companies which are just starting out. While the bank held a 23% market share in the segment in 2004, and a 29% market share in 2005, and gained a 37% market share in 2006, **51% of newly established companies started their business with SEB Pank in 2007.**

SEB Liising's **leasing portfolio grew by 11.8%** in 2007, and t**he factoring portfolio by 21.16%**. **Insurance premiums** handled by SEB Liisingu Kindlustusmaakler **increased by 19.8%** in 2007.

In the fourth quarter, SEB Group sold its real estate in the Baltic States. A total of 16 registered immovables were sold in Estonia, with 12 of them purchased by Homburg Invest Inc. As a result of the transaction, **SEB Group no longer pursues real estate management activities** in the Baltic States.

Customer relations and customer satisfaction

The Banker, the global financial monthly magazine published by the Financial Times publishing group, selected SEB Pank as the best bank in Estonia in 2007. The Banker compared the financial results, growth numbers, strategic and technological developments and other indicators for banks.

The latest customer satisfaction poll conducted by TNS Emor revealed that customer satisfaction is highest with SEB Pank. The biggest growth (from 67% in 2006 to 73% in 2007) can be seen in the share of people who are eager to recommend SEB Pank and its services to their friends and family. The customers of SEB Pank find the bank's main strengths to lie in staff competence and the ability to consider the customer's interests, appealing customer service and the bank's good reputation. The fact that SEB Pank's customer relations are significantly stronger than the European average also deserves to be mentioned. While in Europe, the average customer satisfaction index for retail banking is 69, the corresponding index in SEB Pank among private individuals is 81 (having risen from last year's 78).
In the beginning of 2007 the world's leading magazine on securities services, Global Custodian, gave SEB Pank Custody Services the highest possible rating at the Estonian market – Top Rated, based on customer satisfaction surveys in 2006. This is the first time for a bank belonging to SEB Group located outside Nordic countries to receive the highest possible rating from Global Custodian.

In February, SEB Pank signed in co-operation with Estonian School Student Councils' Union (ESCU) and the Federation of Estonian Student Unions (FESU), the official representative of ISIC trademark, a three-year co-operation agreement, to develop new solutions for using international student cards and expanding the range of benefits. SEB Pank is aiming to be the most student-friendly bank in Estonia.

International financial magazine Global Finance named SEB Pank's U-Net the best Internet bank in Estonia. In the Central and East European region SEB Pank shared the first place with Citigroup in the *Best Consumer Integrated Site* sub-category. In addition to Estonia, the SEB Internet bank solution was named the best also in Lithuania. SEB Pank's Internet bank has been recognised also before. In 2005, 2006 and 2007, U-net was named the best Internet bank in Estonia by Baltic E-banking Report, prepared by Metasite Business Solutions. The best Internet bank was selected by evaluating the strengths of the new customer recruitment strategy, growth in customer numbers, success of the Internet service provision, range of services offered, actual Internet service provision results, as well as design and functionality.

SEB Group was ranked best bank in the Nordic and Baltic markets in real estate financing in the "Real Estate Awards for Excellence 2007" by Euromoney. SEB Group is ranked number one for real estate in the areas of Advisory of Financial Services, Commercial Banking, Investment Banking, Debt Capital Markets and Equity Capital Markets. SEB Group was also awarded high rankings on the global level.

Organisation

At the end of March, **Paulius Tarbūnas** was appointed Financial Director and member of the Management Board of SEB Pank. Born in Lithuania, Paulius Tarbūnas started his banking career in Vilniaus Bankas. In 2004, Paulius Tarbūnas was appointed President and Managing Director of SEB VB Mortgage Bank. From the beginning of 2005 until his employment in Estonia, Paulius Tarbūnas served as the assistant member of the Management Board of and Financial Director of SEB Ukraine bank.

On June 18, **Kristoffer Lindberg** was appointed head of the Corporate Banking Division and member of the Management Board of SEB Pank, after having served in various positions in SEB Finland since 1994. Before his employment with SEB Pank, Kristoffer Lindberg served as a member of the Management Board of SEB Finland.

On August 4, **Ahti Asmann** was appointed Chairman of the Management Board of SEB Pank. Ahti Asmann has served in SEB Pank since 1994. From 2001 to 2006, Ahti Asmann headed the Retail Banking Division of SEB Pank. From 2006, Ahti Asmann served as a member of the Management Board of SEB Pank, heading the Retail Banking and Technology Area.
In December 2007, the Management Board of SEB Pank saw two new additions. **Riho Unt** was appointed as Head of the Retail Banking and Technology Area, and **Erki Pugal** as Head of the Credit Area. Riho Unt has served in SEB Pank since 2001. He started out his career in the bank as business relations manager and Head of the Development Department. In 2004, Unt was appointed the Deputy Director of the Tallinn office, in 2005 the Deputy Head of the Retail Banking Division and in 2006 the Head of the Retail Banking Division. Erki Pugal has served in SEB Pank since 1995. Pugal served as Head of the Credit Risk Management Department of branch offices from 2001 to 2005, and Deputy Director of the Credit Area from 2005 to the summer of 2007. From the summer to December 2007, Pugal served in the SEB Group Credit Division in Stockholm.

Social responsibility and sponsorship

A business plan competition called Ajujaht 2007 was announced on 11 May in cooperation between SEB Pank and partners. Ajujaht is Estonia's leading business plan competition, the goal of which is to contribute to the creation of new knowledge-based companies and a rise in the business skills of students and young scientists. From nearly 100 business ideas, 25 will advance to the second round of competition where the teams that submitted them will be offered extensive enterprise and business plan training and personal consultation, courtesy of INSEAD Business School. The purpose of the competition, financed from the European Union Structural Funds, is to find students and young people fresh out of university who have ideas with great business potential. The ideas submitted to the competition are transformed into business plans with the help of experts. The plans are polished until the teams are ready to meet investors and take the idea to a successful launch. The competition will run until spring 2008.

The SEB Heategevusfond raised nearly 800,000 kroons during the winter charity campaign. By using these funds to support shelters and safe-houses, we wish to provide children without parental care with more equal opportunities, allowing them to feel that they are equals with their peers raised in conventional families, be active and widen their horizons. The SEB Heategevusfond, launched two years ago, is now fully operational. The Bank supports the fund with two million kroons every year. By today, over 4,000 bank customers have joined our effort and are making donations on a regular basis. The funds raised with the help of good people have been used for organising various events for children – sports days, first aid courses, visits to the theatre and cinema, etc. We have also handed out more than 1,000 children's books and bought sports equipment.

Since the end of November, SEB Pank has issued special bank cards, designed in co-operation with the Estonian Art Foundation to support restoration of the works of Estonian art classics.

3. Internal control system

Internal control system is a management tool that covers the activities of the entire banking group and forms an integral part of the internal processes in the bank and in the group. The responsibility for the establishment and operation of internal control system lies with the Management Board; the need for and the scope of controls is determined by the extent and nature of the risks involved.

The bank's Supervisory Board carries out supervision of the activities of the bank and the entire group by establishing the general risk management principles.

To achieve the approved business goals, the Management Board of the bank establishes in accordance with the statutory requirements the necessary sub-plans, incl. competence and scope of liability as well as the internal rules that regulate activities, the accounting rules and the procedure for preparing and submitting operating reports.

The Risk Control department co-ordinates the monitoring of the risks involved, and the reporting of the sufficiency of risk capital to the respective management bodies.

The Internal Audit department and Audit Committee are responsible for monitoring of the existence and functioning of efficient internal control system.

The Audit Committee co-ordinates the (internal) audit work in accordance with the group's business objectives and overall risk assessment.

4. Compliance function

In order to ensure the fulfilment of strengthened regulatory requirements, especially in financial markets and anti money laundering and anti terrorism financing area, SEB Group carried out the compliance function transformation in 2007. Within the project, the compliance function was separated from the legal function in SEB Pank. Being global and independent from the business organisation, the compliance function supports actively the business and management, thereby securing that the business is carried out in compliance with regulations.

5. Key Figures

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Net profit	2,026.5	1,375.4	1,652.5	913.0
Average equity	7,076.9	5,377.1	5,383.7	4,100.9
Return on equity (ROE), %	28.64	25.58	30.69	22.26
Average assets	79,553.0	60,395.0	65,525.2	49,101.4
Average equity	7,076.9	5,377.1	5,383.7	4,100.9
Equity multiplier (EM)	11.24	11.23	12.17	11.97
Net profit	2,026.5	1,375.4	1,652.5	913.0
Total income	6,267.4	3,994.2	5,362.2	3,101.7
Profit margin (PM), %	32.33	34.43	30.82	29.44
Total income	6,267.4	3,994.2	5,362.2	3,101.7
Average assets	79,553.0	60,395.0	65,525.2	49,101.4
Asset utilization (AU), %	7.88	6.61	8.18	6.32
Net profit	2,026.5	1,375.4	1,652.5	913.0
Average assets	79,553.0	60,395.0	65,525.2	49,101.4
Return on assets (ROA), %	2.55	2.28	2.52	1.86
Net interest income	1,601.7	1,186.5	1,285.9	923.2
Average interest earning assets	74,606.4	57,025.9	62,061.3	46,856.8
Net interest margin (NIM), %	2.15	2.08	2.07	1.97
Impairment losses adjusted net interest income	1,430.4	1,155.8	1,131.3	918.1
Average assets	79,553.0	60,395.0	65,525.2	49,101.4
Impairment losses adjusted net interest margin, %	1.80	1.91	1.73	1.87
Interest income	4,157.5	2,614.4	3,403.7	2,061.3
Average interest earning assets	74,606.4	57,025.9	62,061.3	46,856.8
Yield on interest earning assets	5.57	4.59	5.48	4.40
Interest expenses	2,555.8	1,427.9	2,117.8	1,138.1
Interest bearing liabilities, average	68,294.4	52,832.3	57,771.2	44,024.0
Cost of interest bearing liabilities	3.74	2.70	3.67	2.59
SPREAD, %	1.83	1.88	1.82	1.81

Explanations

Return on equity (ROE), % = Net profit / Average equity * 100
Return on assets (ROA), % = Net profit / Average assets * 100
Net interest margin (NIM), % = Net interest income / Average interest earning assets
Cost of interest bearing liabilities = Interest expenses / Average interest bearing liabilities
SPREAD, % = Yield on interest earning assets - Cost of interest bearing liabilities
Impairment losses adjusted net interest income = Net interest income - Allowances for loans to customers - Allowances for receivables from credit institutions

Interest earning assets:
Balances with the central bank
Loans and advances to credit institutions
Loans and advances to customers of credit institutions
Due from customers of leasing enterprises
Due from insurance institutions
Debt securities and other fixed income securities
-Allowances for doubtful debt

Interest bearing liabilities:
Due to central bank
Due to credit institutions
Due to clients of credit institutions
Due to clients of insurance institutions
Other commitments
Issued debt securities
Subordinated liabilities

Total income includes the following items (Act No 25 of President of the Bank of Estonia, dd. October 19, 1999):

For Group:
Interest income
Insurance premium
Income from securities
Profit from equity method (+)
Fees and commissions received
Net profit from financial activities (+)
Value adjustments of real estate investments, tangible and intangible assets (+/-)
Value adjustments of advances and off-balance sheet commitments (+/-)
Value adjustments of long term investments (+)
Other income
Extraordinary income/expense (+)

For Bank:
Interest income
Profit/income from currency dealing
Income from fees and commisions
Income from financial investments
Profit/income from adjustmsnts of real estate, tangible and intangible assets (+)
Profit/income from value adjustments of advances and off-balance sheet commitments (+)
Income from value adjustemsnts of long term financial investments (+)
Other operating income
Extraordinary income

Assets quality	**Group**		**Bank**	
(millions of EEK)	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**
Assets	88,155.0	70,950.9	72,567.2	58,483.2
Overdue loans and receivables*	401.7	153.7	364.8	93.3
Overdue / total assets, %	0.46%	0.22%	0.50%	0.16%
Allowances for losses on amounts due from customers	345.9	235.6	301.1	152.9

* overdue principal

6. Prudential ratios

6.1. Capital adequacy

(millions of EEK)		Group		Bank	
		31.12.07	31.12.06	31.12.07	31.12.06
1.	**Tier 1 own funds**	**7,679.3**	**5,663.3**	**5,813.8**	**4,167.1**
1.1.	Paid in share capital and equity	2,012.2	2,012.2	2,012.2	2,012.2
1.2.	General banking reserves	298.5	298.5	298.5	298.5
1.3.	Other reserves	23.0	19.7	0.0	0.0
1.4.	Retained earnings	3,712.8	2,344.5	2,243.5	1,330.5
1.5.	Profit for the period after auditing	2,026.5	1,375.4	1,652.5	913.0
1.6.	Translation reserve	-0.8	0.1	0.0	0.0
1.7.	Intangible assets (less)	-392.9	-387.1	-392.9	-387.1
2.	**Tier 2 own funds**	**2,613.0**	**1,830.7**	**2,613.0**	**1,830.7**
3.	**Total gross own funds (1+2)**	**10,292.3**	**7,494.0**	**8,426.8**	**5,997.8**
4.	**Deductions from own funds**	**3.6**	**3.6**	**47.0**	**35.5**
5.	**Total net own funds (3-4)**	**10,288.7**	**7,490.4**	**8,379.8**	**5,962.3**
6.	**Tier 3 own funds**	**0.0**	**0.0**	**0.0**	**0.0**
7.	**Risk weighted assets**	**71,633.1**	**59,624.2**	**57,403.1**	**48,178.0**
7.1.	I category	0.0	0.0	0.0	0.0
7.2.	II category	894.3	511.1	811.1	434.7
7.3.	III category	192.2	294.8	187.0	292.0
7.4.	IV category	70,546.6	58,818.3	56,405.0	47,451.3
8.	**Risk weighted off-balance sheet commitments**	**4,929.2**	**3,332.6**	**4,840.8**	**3,275.0**
8.1.	I Group	4,887.3	3,306.2	4,798.1	3,248.3
8.2.	II Group	41.9	26.4	42.7	26.7
9.	**Capital requirement for covering foreign currency risk**	**78.8**	**42.5**	**0.0**	**12.3**
10.	**Capital requirement for covering trading portfolio risks**	**46.0**	**14.4**	**45.9**	**14.4**
10	Capital requirement for covering interest position risks	21.4	11.6	21.3	11.6
10	Capital requirement for covering equity position risks	24.6	2.8	24.6	2.8
10	Capital requirement for covering commodity risks	0.0	0.0	0.0	0.0
10	Capital requirement for covering option risks	0.0	0.0	0.0	0.0
11	Capital requirement for covering trading portfolio transfer risk	0.0	0.0	0.0	0.0
11	Capital requirement for covering trading portfolio credit risk	0.0	0.0	0.0	0.0
11.	**Capital requirement for covering open positsion of trading portfolio credit risks, exceeding limitation on concentration of exposures**	**0.0**	**0.0**	**0.0**	**0.0**
12.	**Total capital adequacy (5.+6.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)**	**13.20**	**11.78**	**13.34**	**11.52**
	Tier 1 Capital Ratio % (5.+6.-2.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)	9.85	8.90	9.18	7.98
	Tier 2 Capital Ratio % (2.)/(7.+8.+9.×10,0+10.×12,5+11.×12,5)	3.35	2.88	4.16	3.54

6.2. Net currency position

Net position of every currency at 31.12.2007 and 31.12.2006 is under 1 % level of net equity.

6.3. Liquidity (assets and liabilities by remaining maturity)

(millions of EEK)

31.12.07	Demand deposits	Overdue	< 1 month	1 < 3 months	3 < 12 months	1 < 2 years	2 < 5 years	over 5 years	Total
1.Bank assets	**5,528.6**	**352.2**	**9,257.7**	**2,167.2**	**8,075.2**	**4,322.1**	**12,853.2**	**29,493.6**	**72,049.8**
2.Group assets	**6,691.4**	**385.6**	**11,072.5**	**2,919.0**	**10,783.6**	**7,348.8**	**18,185.0**	**30,214.0**	**87,599.9**
cash & due from credit institutions	5,342.2	0.0	4,976.0	0.1	40.9	0.0	0.0	0.0	10,359.2
due from customers	0.0	368.6	3,000.1	2,800.5	10,483.4	7,185.3	18,001.5	29,897.5	71,736.9
securities	1,333.4	0.0	334.9	6.9	33.1	55.5	137.4	207.5	2,108.7
other assets	15.8	17.0	2,761.5	111.5	226.2	108.0	46.1	109.0	3,395.1
1.Bank liabilities	**23,209.0**	**0.0**	**9,171.8**	**3,808.7**	**3,927.0**	**1,345.2**	**21,559.2**	**3,339.6**	**66,360.5**
2.Group liabilities	**22,666.7**	**0.0**	**9,387.7**	**4,901.1**	**4,809.2**	**7,869.7**	**26,564.9**	**3,872.1**	**80,071.4**
due to credit institutions	554.7	0.0	300.0	782.3	816.1	6,609.6	25,754.0	205.5	35,022.2
due to customers	22,110.5	0.0	5,624.8	2,918.9	3,432.9	949.7	360.0	522.5	35,919.3
issued debt securities	0.0	0.0	0.0	50.7	308.6	190.7	140.2	0.0	690.2
other liabilities	1.5	0.0	3,462.9	1,149.2	251.6	119.7	310.7	3,144.1	8,439.7

31.12.06	Demand deposits	Overdue	< 1 month	1 < 3 months	3 < 12 months	1 < 2 years	2 < 5 years	over 5 years	Total
1.Bank assets	**6,513.9**	**79.4**	**3,428.2**	**1,943.7**	**8,286.7**	**4,330.7**	**9,680.9**	**23,715.2**	**57,978.7**
2.Group assets	**7,272.6**	**140.3**	**4,760.8**	**2,360.0**	**10,533.1**	**6,814.0**	**14,142.3**	**24,396.2**	**70,419.3**
cash & due from credit institutions	3,877.3	0.0	1,145.7	0.1	0.6	0.8	0.0	0.0	5,024.5
due from customers	0.0	126.9	2,844.1	2,319.4	10,330.2	6,485.4	13,948.7	23,909.9	59,964.6
securities	3,385.8	0.0	0.0	11.3	29.4	18.7	191.7	200.5	3,837.4
other assets	9.5	13.4	771.0	29.2	172.9	309.1	1.9	285.8	1,592.8
1.Bank liabilities	**21,089.6**	**0.0**	**14,954.5**	**2,064.6**	**4,034.6**	**1,629.1**	**7,541.4**	**2,608.8**	**53,922.6**
2.Group liabilities	**20,558.4**	**0.0**	**15,219.2**	**2,754.7**	**5,200.9**	**2,079.8**	**16,040.8**	**3,026.9**	**64,880.7**
due to credit institutions	1,792.3	0.0	6,475.6	0.0	1,893.2	1,203.2	15,695.0	234.7	27,294.0
due to customers	18,765.7	0.0	7,556.9	2,045.0	2,921.6	852.6	225.4	542.9	32,910.1
issued debt securities	0.0	0.0	0.0	0.0	278.7	0.0	30.6	0.0	309.3
other liabilities	0.4	0.0	1,186.7	709.7	107.4	24.0	89.8	2,249.3	4,367.3

The column of overdue indicates the (net) amount of receivables and liabilities overdue.

6.4. Risk concentration

	Group		Bank	
	number/ amount	% from net equity	number/ amount	% from net equity
1.Number of customers with large exposures	2	-	2	-
2.Due from customers with large exposures	1,894.3	18.41	1,666.2	19.88
3.Due from related persons and shareholders	18.5	0.18	17.3	0.21
	1,912.8	**18.59**	**1,683.5**	**20.09**

Large credit risk exposure is the total exposure of one party or related parties to the group which exceeds 10% of the group's net equity. All instruments where credit risk may arise to the group are taken into consideration. The maximum rate of total large exposure allowed is 800%. The limit of the total exposure of one party or related parties is 25%. As of 31.12.2007 the group and bank had 2 large risk exposures. Total exposure of any group of related parties did not exceed the limit of 25%.

III. Financial Statements

1. Income Statement

(millions of EEK)	Note	Group 2007	Group 2006	Bank 2007	Bank 2006
Interest income	3	**4,157.5**	**2,614.4**	**3,403.7**	**2,102.6**
Interest income from banking activities		3,381.0	2,033.7	3,403.7	2,102.6
Interest income from leasing activities		725.7	517.0	0.0	0.0
Other interest income		50.8	63.7	0.0	0.0
Interest expenses	4	**2,555.8**	**1,427.9**	**2,117.8**	**1,138.1**
Interest expenses from banking activities		2,093.7	1,126.6	2,117.8	1,138.1
Interest expenses from leasing activities		462.1	301.3	0.0	0.0
Net Interest Income		**1,601.7**	**1,186.5**	**1,285.9**	**964.5**
Income from securities		**26.6**	**16.7**	**7.1**	**13.1**
Profit from equity method		10.8	8.5	0.0	0.0
Profit/loss from sale of long term investment		15.2	7.8	6.4	12.7
Dividends from long term securities		0.6	0.4	0.7	0.4
Net income from fees and commissions		**835.1**	**695.3**	**618.2**	**486.5**
Fee and commission income	5	1,228.3	977.2	900.3	712.3
Fee and commission expense	6	393.2	281.9	282.1	225.8
Net profit fom financial activities	7	**209.5**	**199.2**	**202.8**	**152.7**
Profit/Income		236.6	199.5	392.1	166.1
Loss/Expense		27.1	0.3	189.3	13.4
Administrative expenses		**1,001.9**	**771.9**	**861.9**	**681.5**
Salaries		492.8	379.1	402.8	317.0
Social insurance tax, unemployment insurance tax		163.0	126.1	135.3	107.0
Other adminastrive expenses	8	346.1	266.7	323.8	257.5
Value adjustments of investment properties, tangible and intangible assets (+/-)		**-61.3**	**-70.6**	**-51.7**	**-56.7**
Profit/Income		0.0	0.0	0.0	0.0
Loss/Expense		61.3	70.6	51.7	56.7
Value adjustments of advances and off-balance sheet commitm	9	**-174.4**	**-35.0**	**-154.6**	**-5.0**
Profit/Income		37.1	83.1	24.7	44.7
Loss/Expense		211.5	118.1	179.3	49.7
Value adjustments of long term investments (+/-)		**0.0**	**0.0**	**0.0**	**-8.8**
Income		0.0	0.0	0.0	0.0
Expense		0.0	0.0	0.0	8.8
Other operating income and expense (+/-)		**606.6**	**169.4**	**606.7**	**48.2**
Other operating income	10	645.5	186.7	634.3	62.9
Other operating expense	11	38.9	17.3	27.6	14.7
Profit before taxation		**2,041.9**	**1,389.6**	**1,652.5**	**913.0**
Income tax expenses		**15.4**	**14.2**	**0.0**	**0.0**
Income tax of financial period	12	11.1	16.9	0.0	0.0
Change of potential income tax commitment		4.3	-2.7	0.0	0.0
Net profit for reporting period		**2,026.5**	**1,375.4**	**1,652.5**	**913.0**
Attributable to the sole equity holder of the parent		2,026.5	1,375.4	1,652.5	913.0

The notes on pages 19 - 75 are integral part of these financial statements.

2. Balance Sheet

(millions of EEK)	Note	Group 31.12.07	Group 31.12.06	Bank 31.12.07	Bank 31.12.06
AKTIVA (VARAD)					
Cash		**751.9**	**667.9**	**751.9**	**667.9**
Loans and advances		**81,344.2**	**64,321.2**	**67,984.0**	**53,464.7**
Balances with the central bank	13	4,181.0	2,412.8	4,181.0	2,412.8
Loans and advances to credit institutions	14	5,426.3	1,943.8	5,420.5	1,941.1
Loans and advances to customers of credit institution	15	59,292.8	49,283.4	58,683.6	49,263.7
Due from customers of leasing enterprises	15	12,787.7	10,914.9	0.0	0.0
Due from insurance institutions		2.3	1.9	0.0	0.0
Allowances for doubtful debt	16, 17	-345.9	-235.6	-301.1	-152.9
Debt securities and other fixed income securities	18	**532.0**	**3,015.4**	**48.2**	**2,625.7**
Shares and other securities	18	**1,576.7**	**822.0**	**689.8**	**367.1**
Shares and participations in affiliates		53.7	42.9	19.9	19.9
Shares and participations in subsidaries		0.0	0.0	182.5	303.9
Other shares and participations		1,188.2	761.7	150.9	25.4
Derivatives		334.8	17.4	336.5	17.9
Intangible assets	19	**392.9**	**387.1**	**392.9**	**387.1**
Consolidated goodwill		379.1	379.1	379.1	379.1
Other intagible assets		13.8	8.0	13.8	8.0
Tangible assets	20	**162.2**	**144.5**	**124.5**	**117.4**
Other assets	21	**2,273.4**	**896.4**	**2,258.5**	**579.5**
Accrued income and prepaid expenses	22, 23	**1,121.7**	**696.4**	**317.4**	**273.8**
TOTAL ASSETS		**88,155.0**	**70,950.9**	**72,567.2**	**58,483.2**
PASSIVA (KOHUSTUSED JA OMAKAPITAL)					
Liabilities		**70,941.5**	**60,204.1**	**59,438.4**	**50,660.8**
Due to credit institutions	24	35,022.2	27,294.0	22,769.7	17,284.2
Due to customers of credit institutions	25	35,775.5	32,794.7	36,621.9	33,337.4
Due to customers of insurance institution	25	0.0	1.1	0.0	0.0
Other commitments		143.8	114.3	46.8	39.2
Securities		**1,017.0**	**342.2**	**1,019.3**	**343.2**
Issued debt securities	26	690.2	309.3	690.2	309.3
Derivatives		324.2	32.9	326.5	33.9
Other debt securities		2.6	0.0	2.6	0.0
Other liabilities	27	**3,753.3**	**1,466.0**	**2,654.1**	**738.5**
Accrued expenses and deferred income	28	**1,215.5**	**620.0**	**634.9**	**348.6**
Provisions	29	**531.1**	**417.7**	**0.8**	**0.8**
Insurance technical provisions		526.2	415.0	0.0	0.0
Other provisions		4.9	2.7	0.8	0.8
Subordinated liabilities	30	**2,613.0**	**1,830.7**	**2,613.0**	**1,830.7**
TOTAL LIABILITIES		**80,071.4**	**64,880.7**	**66,360.5**	**53,922.6**
Share capital	31, 32	665.6	665.6	665.6	665.6
Share premium		1,346.6	1,346.6	1,346.6	1,346.6
General banking reserve		298.5	298.5	298.5	298.5
Revaluation reserve		11.4	19.8	0.0	0.0
Statutory reserve		23.0	19.7	0.0	6.4
Translation reserve		-0.8	0.1	0.0	0.0
Retained earnings		3,712.8	2,344.5	2,243.5	1,330.5
Profit for the reporting period		2,026.5	1,375.4	1,652.5	913.0
TOTAL SHAREHOLDERS' EQUITY		**8,083.6**	**6,070.2**	**6,206.7**	**4,560.6**
TOTAL LIABILITIES AND CAPITAL		**88,155.0**	**70,950.9**	**72,567.2**	**58,483.2**

The notes on pages 19 - 75 are integral part of these financial statements.

3. Cash Flow Statement

(millions of EEK)

	Note	Group 2007	Group 2006	Bank 2007	Bank 2006
I. Cash flows from operating activities					
Interest received		3,883.3	2,430.5	3,174.2	1,947.7
Interest paid		-2,015.5	-1,134.0	-1,701.5	-923.0
Dividends received		0.6	0.4	0.7	0.4
Fee and commission received		1,228.3	977.2	900.3	712.3
Net trading income and other operating income		463.3	169.8	527.3	-21.0
Personnel expenses and other operating expenses		-1,001.9	-771.9	-861.9	-681.5
Income taxes paid		-15.4	-14.2	0.0	0.0
Revaluation adjustments		-12.2	11.2	-6.4	6.4
Cash flows from operating profits before changes in the operating assets and liabilities		**2,530.5**	**1,669.0**	**2,032.7**	**1,041.3**
Changes in operating assets:					
Loans and advances to credit institutions		-1,646.2	-1.2	-1,948.1	-19.3
Loans and advances to customers		-11,987.7	-18,356.9	-9,426.3	-16,179.1
Other assets		-468.5	120.6	-132.7	53.4
Changes of operating liabilities:					
Due to credit institutions		10,015.5	12,889.9	7,401.1	10,955.2
Due to customers	25	2,979.7	5,719.8	3,284.5	5,950.0
Government and foreign aid funds		29.5	0.4	7.6	-9.7
Other liabilities		462.5	29.1	165.2	-58.9
Net cash flow from operating activities		**1,915.3**	**2,070.7**	**1,384.0**	**1,732.9**
II. Cash flows from investing activities					
Purchase of investment portfolio securities	18	-10,817.7	-1,005.3	-9,183.8	-3.4
Proceeds from sale of investment portfolio securities	18	10,428.6	680.6	9,194.2	1.4
Purchase of subsidaries	18	-	-	-11.5	0.0
Proceeds from sale and liquidation of subsidaries	18	-	-	132.9	38.9
Purchase of associates	18	0.0	-7.0	0.0	-7.0
Proceeds from sale and liquidation of associates	18	0.0	1.1	0.0	0.0
Purchase of investment properties, tangible and intangible assets	19, 20	-94.9	-52.5	-67.3	-39.0
Proceeds from sale of investment properties, tangible and intangible assets	19, 20	10.1	45.8	2.7	13.0
Net cash used in investing activities		**-473.9**	**-337.3**	**67.2**	**3.9**
III. Cash flows from financing activities					
Proceeds from debt securities (issuing)	26	615.6	764.6	615.6	764.6
Repurchasing of debt securities	26	-234.7	-754.5	-234.7	-754.5
Proceeds from subordinated loans	30	782.3	782.4	782.3	782.4
Net cash flow from financing activities		**1,163.2**	**792.5**	**1,163.2**	**792.5**
Net increase in cash and cash equivalents		**2,604.6**	**2,525.9**	**2,614.4**	**2,529.3**
Cash and cash equivalents at beginning of period		**7,601.5**	**5,070.4**	**7,598.7**	**5,069.2**
Effect of exchange rate changes on cash and cash equivalents		13.8	5.2	1.0	0.2
Cash and cash equivalents at end of period		**10,219.9**	**7,601.5**	**10,214.1**	**7,598.7**

Cash and cash equivalents includes:	Note	Group 31.12.07	Group 31.12.06	Bank 31.12.07	Bank 31.12.06
Cash on hand		751.9	667.9	751.9	667.9
Balances with the central bank	13	4,181.0	2,412.8	4,181.0	2,412.8
Liquid deposits in other credit institutions	14	5,094.7	1,881.4	5,088.9	1,878.6
Trading- and liquidity portfolio	18	192.3	2,639.4	192.3	2,639.4
Total		**10,219.9**	**7,601.5**	**10,214.1**	**7,598.7**

All cash eqivalents are freely available for use by the group with maturity of less than 3 months.

Annexes to Cash Flow Statement

1. AS SEB Pank has not paid income tax.
2. Financial transactions that are not reflected on the Cash Flow Statement:
2.1. AS SEB Pank and his subsidaries have not made investments with nonmonetary payment.
2.2. AS SEB Pank and his subsidaries have not received nonmonetary dividends paid in other assets.
3. AS SEB Pank and its subsidaries have not bought assets, acquired with Estonian Privatisation Vouchers (EVP)

The notes on pages 19 - 75 are integral part of these financial statements.

4. Changes in Shareholders' Equity

(millions of EEK)

Group	Share capital (Note 31)	Share premium	Other reserves)	Translation reserve	Retained earnings	Total share-holders' equity
Year beginning 01.01.2006	**665.6**	**1,346.6**	**316.7**	**0.4**	**2,354.6**	**4,683.9**
Revaluation of securities	0.0	0.0	11.2	0.0	0.0	11.2
Consolidation of foreign subsidaries	0.0	0.0	0.0	-0.3	0.0	-0.3
Statutory reserve	0.0	0.0	10.1	0.0	-10.1	0.0
Profit for the year	0.0	0.0	0.0	0.0	1,375.4	1,375.4
Final balance 31.12.2006	**665.6**	**1,346.6**	**338.0**	**0.1**	**3,719.9**	**6,070.2**
Year beginning 01.01.2007	**665.6**	**1,346.6**	**338.0**	**0.1**	**3,719.9**	**6,070.2**
Revaluation of securities	0.0	0.0	-8.4	0.0	-3.8	-12.2
Consolidation of foreign subsidaries	0.0	0.0	0.0	-0.9	0.0	-0.9
Statutory reserve	0.0	0.0	3.3	0.0	-3.3	0.0
Profit for the year	0.0	0.0	0.0	0.0	2,026.5	2,026.5
Final balance 31.12.2007	**665.6**	**1,346.6**	**332.9**	**-0.8**	**5,739.3**	**8,083.6**

Bank	Share capital (Note 31)	Share premium	Other reserves)	Retained earnings	Total share-holders' equity
Year beginning 01.01.2006	**665.6**	**1,346.6**	**298.5**	1,330.5	**3,641.2**
Revaluation of securities	0.0	0.0	6.4	0.0	6.4
Statutory reserve	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	913.0	913.0
Final balance 31.12.2006	**665.6**	**1,346.6**	**304.9**	**2,243.5**	**4,560.6**
Book value of holdings under control or significant influence					-323.9
Value of holdings under control or significant influence, calculated by equity method					1833.5
Adjusted unconsolidated equity as at 31.12.2006	**665.6**	**1346.6**	**304.9**	**2243.5**	**6070.2**
Year beginning 01.01.2007	**665.6**	**1,346.6**	**304.9**	2,243.5	**4,560.6**
Revaluation of securities	0.0	0.0	-6.4	0.0	-6.4
Statutory reserve	0.0	0.0	0.0	0.0	0.0
Profit for the year	0.0	0.0	0.0	1,652.5	1,652.5
Final balance 31.12.2007	**665.6**	**1,346.6**	**298.5**	**3,896.0**	**6,206.7**
Book value of holdings under control or significant influence					-202.4
Value of holdings under control or significant influence, calculated by equity method					2077.8
Adjusted unconsolidated equity as at 31.12.2007	**665.6**	**1346.6**	**298.5**	**3896**	**8082.1**

Overview of share capital and ownership of shares is presented in Note 31.

Note 1

ACCOUNTING PRINCIPLES

AS SEB Pank (Reg. No. 10004252) is a credit institution registered in Tallinn (Estonia), Tornimäe Street 2, the sole shareholder of which is SEB AB, who is also the ultimate controlling party, registered in Sweden. On 7th of March 2008 the business name of AS SEB Eesti Ühispank was changed. New business name of the bank is AS SEB Pank. In this financial report new business name is used.

As at the end of year 2007 SEB Pank Group employed 1 663 people.

1.1. Basis of preparation

These consolidated financial statements of SEB Pank Group (the Group) are prepared in accordance with international financial reporting standards, but differs from the SEB Pank Annual Report of 2007 primarily by its way of presentation, since this report implements the balance sheet and income statement as well as cash flow scheme requirements, established with the Decree no. 13, dated 03.12.2003 of the Bank of Estonia President. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost convention, except as disclosed in some of the accounting policies below (i.e. financial assets at fair value). Financial statements have been prepared according to accrual principle of accounting.

These consolidated financial statements have been prepared in millions of Estonian kroons.

When the presentation or classification of items in the consolidated financial statements is amended, comparative amounts for the previous period are also reclassified (see Notes 1.24, 1.25), if not referred differently in specific accounting principle.

Certain new standards, amendments and interpretations to existing standards have been published by the time of compiling these financial statements that are mandatory for the company's accounting periods beginning after 1 January 2007 or later periods. The overview of these standards and the Group management estimate of the potential impact of applying the new standards and interpretations is given at the end of this section (Note 1.25).

1.2. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge and

judgement of current events and actions, the actual outcome and the results ultimately may significantly differ from those estimates. More detailed overview of the estimates made is provided under accounting principles or disclosures set out below.
Critical estimates and judgement are specifically used in the following areas:

a) Impairment losses on loans and advances (Note 2.2)
b) Fair value of financial assets and liabilities
c) Impairment assessment for goodwill (Note 19)
d) Fair value of derivative financial instruments

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.3. Consolidation

These consolidated financial statements of the SEB Pank Group comprise of the financial statements of the parent company AS SEB Pank and its subsidiaries as at 31 December 2007. The subsidiaries being consolidated are listed on page 4 (See table 1.1).

In the group's consolidated financial statements, the financial statements of the parent bank and its subsidiaries have been combined on a line-by-line basis. Intra-group balances and intra-group transactions and unrealised gains on transactions between group companies have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. All the subsidiaries that are controlled by SEB Pank have been consolidated. The accounts of the subsidiaries used for consolidation have been prepared in conformity with the accounting principles of the parent company.

Subsidiaries

Subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly, more than 50% of the voting power of an enterprise or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases to exist.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. According to the purchase method all the identifiable assets and liabilities of the subsidiary acquired are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest, and the excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (Note 1.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Revenues and expenses of the subsidiaries acquired within the financial year are consolidated into the group income statement starting from the date of acquisition to the end of the financial year. Result of operations of subsidiaries disposed of during the year is consolidated into group income statement from the beginning of the financial year until the date of disposal.

Associates
Associate is an entity over which the Group has significant influence, but which it does not control. Generally, significant influence is presumed to exist when the group holds between 20% and 50% of the voting rights.

Investments in associates are initially recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 1.8). Investments in associates are accounted for under the equity method of accounting. Under this method, the investment in Group financial statements is increased by the share of post-acquisition profit and reduced by the share of loss or distribution of profit received from the associated company and attributable to the Group and any goodwill impairment. The Group’s share of post-acquisition movements in reserves is recognised in reserves. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Parent company separate financial statements – primary statements
In bank financial statements, the investments into the shares of subsidiaries and associated companies are accounted for at cost less any impairment recognized.

1.4. Foreign currency transactions and assets and liabilities denominated in a foreign currency

Functional currency
The financial statements of the Group companies have been prepared using the currency (*functional currency*) which best reflects the company’s economic environment. The consolidated financial statements have been presented in Estonian kroons, which is also the functional currency of the parent company.

Foreign currency transactions
Foreign currency transactions have been recorded based on foreign currency exchange rates of the Bank of Estonia (Central Bank) prevailing on the transaction dates. In the case of differences in the transfer of cash (i.e. settlement) and exchange rates prevailing on the transaction date, the exchange rate differences are recorded in the income statement under the line “Net profit fom financial activities“.

Assets and liabilities denominated in foreign currencies
Monetary assets and liabilities and non-monetary assets and liabilities valued at fair value and denominated in foreign currencies have been translated into Estonian kroons based on

the foreign currency exchange rates of the Bank of Estonia prevailing on the balance sheet date. Gains and losses on translation form monetary assets and liabilities are recorded in the income statement under the line “Net profit fom financial activities“. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss as“Net profit fom financial activities“, and other changes in the carrying amount are recognised in fair value reserve in equity. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss on line “Net profit fom financial activities“. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

<u>Group companies</u>
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency. Income statements and cash flows of foreign entities are translated into Estonian kroons at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) for the year and their balance sheets are translated at the exchange rates ruling on 31 December, the balance sheet date. Unrealised exchange differences arising from the translation are taken to a separate account in shareholders' equity. When a foreign entity is sold (or part of it is sold), such exchange differences are recognised in the income statement as part of the gain or loss on sale.

1.5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash at hand, available for use deposits due from central bank and readily available deposits in other credit institutions and also less than 3-month maturity liquid securities acquired for trading purpose or decided to be recognized at fair value through profit or loss at inception.

1.6. Financial assets

Financial assets are any assets that are cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise. The Group classifies its financial assets in the following categories:
1.6.1. loans and receivables,
1.6.2. financial assets at fair value through profit or loss,
1.6.3. available for sale financial assets.
Management determines the classification of its investments at initial recognition.
The group has not classified any financial assets to the group “held to maturity” (Note 1.24).

1.6.1. Loans and receivables

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the resulting receivable.

Loans and receivables are recognized in the balance sheet when the cash is paid to the borrower or right to demand payment has arisen and are derecognized only when they are repaid or written-off, regardless of the fact that part of them may be recognized as costs through providing allowances for loans. The loan allowances are presented on the respective balance sheet line at negative value. Loans have been recognized in the balance sheet at amortized cost using the effective interest rate method. Accrued interest on the loans and not yet collected is recorded in the balance sheet under “Accrued income and prepaid expenses”. For overdrafts and credit cards, the actual use of the limit by the borrower is stated in the balance sheet. The unused credit limit is recognized as contingent (off-balance sheet) commitment.

<u>Repurchase agreements</u>
Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

<u>Leasing receivables</u>
Financial lease claims include receivables from financial lease, consumer factoring and installment sale. A financial lease is a lease transaction where all major risks and rights deriving from the use of the leased assets are transferred from the leasing firm to the lessee. Legal ownership to the property may be transferred to the lessee at the end of the lease period.

The receivables from the financial lease agreements are recognized in net present value of the minimum lease payments, from which the payments of principal received have been deducted. Lease payments collected are allocated between repayment of principal and financial income. Financial income is recognized over the rental period based on the pattern reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease. Initial service fees collected at issuance are included into the calculation of effective interest rate and lessor’s net investment. Allowances for lease receivables are presented on the respective balance sheet line at negative value.

The lease receivable to the client is recognized in the balance sheet as of the moment of delivering the assets being the object of the agreement to the client. In case of transactions, in which the assets being the object of the agreement having a long delivery term have not yet been delivered to the client, the payments received from the lessees under these agreements are recognized in the balance sheet as prepayments of buyers under “Accrued expenses and deferred income”. The amounts paid by the leasing firm for the assets under lease agreements not yet delivered are recognized in the balance sheet as prepayments to suppliers under "Accrued income and prepaid expenses".

Factoring and warehouse receipt financing receivables

Factoring transactions are considered to be financing transactions where the leasing firm provides the financial resources to its selling partners through transfer of the rights to the receivables from these sales transactions. The leasing firm acquires the right for the receivables payable by the buyer subject to the sales contract.

Factoring is the transfer of receivables. Depending on the terms of the factoring contract the buyer either accepts the transfer of substantially all the risks and rewards of the ownership of the receivable (non-recourse factoring) or retains the right to transfer the risks and rewards back to the seller during a pre-specified term (recourse factoring).

Warehouse receipt financing transactions are financing transactions, where the lease firm finances its partners, by granting them a loan against pledged stock reserves.

Factoring and warehouse receipt financing receivables are recorded in the balance sheet at amortised cost, from which the payments of principal claim collected have been deducted. Allowances for factoring receivables are presented on the respective balance sheet line at negative value. The receivable to the client is recognised as of the moment of factoring the purchase-sale agreement, i.e. as of assuming the receivable.

Valuation of loans and receivables
The Group assesses consistently whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For valuation of loans and receivables several risks are prudently considered. SEB Pank introduced a customer rating system for evaluating corporate loans, corresponding to the principles used in SEB, the parent bank of SEB Pank. Valuation of the customer receivables is based on the client's company's financial position, situation of the industry, trustworthiness of the borrower, competence of the management of the client, timely fulfillment of contractual obligations and other factors, all of which together help to assess the value of the receivable and the amount of incurred loss in the portfolio of loans. Valuation of loans to private individuals is based on timely fulfillment of contractual obligations, solvency and collateral, age, educational status, length of employment, saving practices and other factors, affecting the credit risk.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For assessment of loan losses, the probability of collecting the loan and interest payments over the coming periods are considered, as well as discounted present value of estimated collections, discounted at the financial asset's original effective interest rate, and anticipated proceeds from the realization of collateral (excluding future credit losses that have not been incurred), which together help to assess the amount of loss incurred of the loan. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. For these assessed incurred loan losses, the relevant allowance has been established. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Specific and collective (based on incurred loss estimation on the group basis) allowances are provided for individually assessed loans, and group based allowances for homogenous loan groups.

Changes of allowances for credit losses are recognised in the income statement in "Value adjustments of advances and off-balance sheet commitments". If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in "Value adjustments of advances and off-balance sheet commitments".

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as normal loans.

More detailed overview of the credit risk management principles is given in Note 2 “Risk policy and management” (see page 41).

Interest income on loans is presented on the income statement under "Interest income".

1.6.2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:
• financial assets held for trading
• financial assets designated at fair value through profit or loss at inception

Financial assets held for trading
This group of financial assets includes securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives.

Securities acquired or incurred principally for the purpose of selling or repurchasing in the near term
This group includes shares and bonds acquired for trading purpose. Trading securities are initially recognised at fair value excluding transaction costs on the trade date and are subsequently presented in fair value.

The fair value of held for trading securities quoted on an active market are based on current bid prices. The shares not quoted on an active market are revalued in fair value according to the price of the last transaction. If this price is not reliable, the shares are revaluated into fair value based on all available information regarding the investment value. For held for trading debt securities, which are not quoted on an active market, cash flows are discounted at market interest rates, issuer's risk added.

In any case, if the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

The unrealized and realized result of the trading securities is recorded in income statement under “Net profit fom financial activities“.

Dividend income from financial assets that are classified as held for trading, is recognised in income statement on line “Net profit fom financial activities“ when the entity’s right to receive payment is established.

Derivatives
Derivatives (forward-, swap- and option transactions) are initially recognised at fair value excluding transaction costs on the trade date and are subsequently presented at fair value. If derivatives are quoted on an active market, market value is used as a fair value. If not, the valuation techniques are used to find the fair value.

These transactions are booked in balance sheet as assets, if their fair value is positive and as liabilities, if the fair value is negative. The fair values of derivative assets and liabilities recorded in balance sheet are not netted. The Group does not apply hedge accounting principles for the accounting of derivative financial instruments.
In valuation of currency derivatives (excl. currency options), future cash flows are discounted using market interest rates. Currency and equity options are revalued to market value, if active market exists. If a reliable market value can not be obtained, the fair value of options is calculated by using the Black-Scholes model.
Currency forward and swap transactions are valued by discounting future cash flows using effective interest rate. Respective interest income is presented in the income statement under "Interest income".

The realized profit and unrealized gain/loss from the revaluation of derivatives is recorded in the income statement under "Net profit fom financial activities".

Financial assets designated at fair value through profit or loss at inception
In this class of securities are classified securities where the company has upon initial recognition designated the securities to be recorded as at fair value through profit or loss and as a result the changes in the fair value of these securities are consistently recognized in the profit or loss of the reporting period. In the current reporting period this class of securities included the portfolio of investments acquired and held to cover the insurance and investment contracts concluded by the life insurance company belonging to the group. The realized and unrealized result from the revaluation of these securities is recorded in the income statement under “Other operating income and expense”. This group also included until 1.01.2007 acquired liquidity portfolio held to manage the liquidity risk. This portfolio has been disposed of by year end 2007. Interest income on these instruments are recognised in income statement under “Interest income”. The realized and unrealized result from the revaluation of these securities is recorded in the income statement under “Net profit fom financial activities“.

1.6.3. Available for sale financial assets

Securities are classified as available for sale financial assets, if they do not belong to one of the aforementioned categories: financial assets held for trading or other financial assets designated at fair value through profit or loss. Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices; or investments with strategic purpose for long-term holding.

Available for sale financial assets are recorded at fair value plus transaction costs on their settlement date. Subsequently they are carried at fair value. If the assessment of fair value is not reliable, the securities will be presented at amortized cost (i.e. original acquisition cost less possible write-downs for impairment). The gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity under “revaluation reserve”.

The Group assesses consistently whether there is objective evidence that a financial asset available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

When the financial asset is derecognized the cumulative gain previously recognized in equity on that specific instrument is to the extent reversed from equity and the remaining portion is recognized in income statement under "Profit/loss from sale of long term investment".

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

1.7. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only, when there is a legally enforceable right to offset and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

1.8. Tangible and intangible assets other than goodwill

Land, buildings, IT equipment, office equipment and other assets of long-term use are recognized in the balance sheet as tangible non-current assets. Intangible assets are identifiable, non-monetary assets without physical substance and currently comprise of acquired software.

Tangible non-current assets and intangible assets are initially recognised at acquisition cost, consisting of the purchase price, nonrefundable taxes and other direct costs related to taking the asset into use.

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Tangible non-current assets and intangible assets with finite useful lives are subsequently stated at historical cost less depreciation/amortization and any impairment losses. Depreciation/amortization is calculated starting from the month of acquisition until the carrying value reaches the residual value of the asset or if that is considered being insignificant the asset is fully depreciated. For assets having a substantial residual value, only the difference between the acquisition cost and the residual value is depreciated to expense over the useful lifetime of the asset. In case the residual value becomes greater than the carrying value of the asset, no further depreciation expense is calculated. Assets are depreciated/amortized on straight-line-basis.

Depreciation/amortization calculation is based on useful life of the asset, which serves as basis for forming the depreciation/amortization rates. Buildings are depreciated over 20-50 years, intangible assets with limited lifetime are amortized over 3-5 years, and other non-current tangible assets are depreciated over 3-8 years. Land is not depreciated and intangible assets with indefinite useful life are not amortized.

The appropriateness of depreciation/amortization rates, methods and residual values are consistently assessed.

Depreciation, amortization and impairment is recorded in the income statement under "Value adjustments of investment properties, tangible and intangible assets".

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income / expenses in the income statement.

<u>Capitalization of expenses</u>
Reconstruction expenditures of bank offices are capitalized as tangible assets and are subsequently charged to the income statement on a straight-line basis over five years (termless contracts) or over the period of the lease.

<u>Development Costs</u>
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Advertising expenses and the expenses for launching of new products, services and processes are recognized as an expense as incurred. Expenditures related to trademarks etc., developed by the company itself, are also recorded as expense as incurred.

1.9. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net assets acquired at the date of acquisition, reflecting the part of the acquisition cost that was paid for the assets that are not separately identifiable for the balance sheet purposes. Goodwill acquired from acquisition of a subsidiary is recorded in balance sheet as an intangible asset on a separate line. Goodwill acquired from acquisition of an associate is included in the cost of an associate in the balance sheet. (Note 1.2.)

Goodwill is recorded in the balance sheet at the date of acquisition. Subsequently goodwill is recorded in its historical cost less any impairment losses recognized. Goodwill arising from business combinations is not depreciated. Goodwill is instead tested annually (or more frequently if events or changes in circumstances indicate that the impairment may have incurred) for impairment by comparing the carrying amount of the goodwill to its recoverable amount. Goodwill is allocated to cash-generating units for the purpose of impairment testing and the recoverable amount is determined by discounting the expected cash flows of the relevant cash generating unit. An impairment loss is recognized for the amount by which the carrying amount of the goodwill exceeds its recoverable amount.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.10. Non-financial assets held for sale

Assets held for sale are tangible or intangible assets, for which the management has commenced active sales activities and the assets are offered for sale at a reasonable price compared to their fair value, and where it is reasonably expected that these assets will be disposed within 12 months.

Assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through a continuing use.

Depreciation calculation is terminated for the assets held for sale. Assets held for sale are recorded in balance sheet under “Other assets”.

1.11. Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment, comparing the carrying value of the asset to its recoverable value. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In such circumstances the recoverable value of the asset is assessed and compared to its carrying value. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12. Leases – a group is the lessee

Leases of assets where the lessee acquires substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the repayment of a liability and finance charges (interest expense). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period (effective interest rate method). Tangible non-current assets acquired under finance leases are depreciated similarly to acquired assets over the shorter of the useful life of the asset or the lease term.

Operating lease payments are recognised in income statement as expense over the rental period on straight line basis. The Group uses operating lease mainly for renting the buildings / premises. Rental expense is recognized in income statement as “Other administrative expenses”.

1.13. Financial liabilities

Customer Deposits

Deposits are recognized in the balance sheet on their settlement date at fair value net of transaction costs and are subsequently measured at amortized cost using effective interest rate method and recorded on line “Due to customers of credit institutions”, accrued interests is presented under a respective line ”Accrued expenses and deferred income”. Interest expenses are recorded in the income statement under "Interest expenses".

Borrowings and issued securities

Borrowings and issued securities are recognized initially at fair value net of transaction costs (the proceeds received, net of transaction costs incurred). Borrowings and issued securities are subsequently stated at amortized cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the instrument using effective interest rate.

The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity. The amortization of the transaction costs is presented in the income statement together with the interest expenses. The respective interest expenses are recorded in the income statement under "Interest expenses".

In case there is an unused limit for any borrowings, this is presented as contingent asset.

Financial liabilities of an investment contract

The life insurance company issues two types of investment contracts: unit-linked investment contracts and investment contracts with guaranteed interest.

For investment contracts with guaranteed interest, the amortized cost method is used for measurement. The financial liability comprises payments received from contracts and interest credited to the contracts, less administration fees and risk covers accounted for the past period. The annual guaranteed interest rate on these contracts remains between 3% and 4%, depending on the type of contract, time of conclusion and the currency of the specific contract. Depending on the type of contract, the interest rate is guaranteed either until maturity or for 5 years from conclusion of the contract, thereafter it may be adjusted. The financial liability also includes the amounts of bonuses assigned to the policyholders for the previous accounting years and estimated bonuses for reporting year. Guaranteed interest for all bonuses is 0%.

The financial liability of unit-linked contracts is recognized at fair value through profit or loss. The financial liability is dependent on the fair value of underlying financial assets. The fair value of the unit-linked financial liability is determined using the fair value of financial assets linked to the financial liability attributed to the policyholder on the balance sheet date.

1.14. Embedded derivatives

Embedded derivatives are usually separated from the host contract and accounted for in the same way as other derivatives (Note 1.6.2.). Embedded derivatives are not separated, if their economic characteristics and risks are closely related to the economic characteristics and risks of the host contract. However, in some circumstances also not closely related embedded derivatives may be not separated.

Some combined instruments (for example structured bonds), i.e. contracts that contain one or more embedded derivatives, are classified as a financial asset or financial liability at fair value through profit or loss. This choice means that the whole combined instrument is valued at fair value and that changes in fair value are recognized in profit or loss.

Other type of combined instruments (for example index linked deposits) are separated, so that host contract is recognised as deposit and measured at amortised cost using effective interest rate method, and embedded derivatives are recognised and measured at fair value.

1.15. Financial Guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, companies and other bodies on behalf of customers to secure loans, other banking facilities and liabilities to other parties.

Financial guarantees are initially recognised in the financial statements at fair value (contract value) on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are recognized at the outstanding value of guarantee. In the income statement the fee income earned on a guarantee is recognised straight line basis over the life of the guarantee. The amounts disbursed to settle the guarantee obligation are recognized in the balance sheet on the date it becomes evident that the guarantee is to be disbursed.

1.16. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows.

When it is probable that the provision is expected to realise later than 12 months after the balance sheet date it is recorded at discounted value (present value of expected outflows), unless the discounting effect is immaterial. Expense from provisions and from change in carrying value of provisions is recorded in the income statement for the period.

Life insurance technical provisions

Life insurance provision

Life insurance provision in the balance sheet includes liabilities from insurance contracts to the policyholders calculated on basis of actuarial methods, and the unearned premiums' provision arising from transfer of the risk premium to the following accounting periods. The provision is calculated on individual contractual basis and comprises of discounted present value of future outflows (sum insured, surrenders and calculated costs) less discounted present value of future premiums of the insurance contracts to be received. The future expenditures of the insurance contract and discounting interest rates used in calculation of the life insurance provision are the same values used in calculating the insurance premium for these contracts. The annual interest rate on these contracts remains between 2.5% and 4%, depending on the type of contract, time of conclusion and the currency of the specific contract. The life insurance provision includes also the amounts of bonuses assigned to the policyholders for the former contract years. Guaranteed interest for bonuses is 0%.

Provision for outstanding claims

Provision for outstanding claims includes the amount, covering estimated expenditures in connection with disbursements of sums insured and surrenders of insurance contracts, which are caused by insurance events or cancellation of contracts incurred before the end of the reporting period. Claims, reported before the balance sheet date, are assessed individually. The provision for claims, which are incurred but not reported (IBNR) by the balance sheet date, is calculated with a statistical estimation, based on the previous experience of dates of reporting and dates of incurring of claims. The provision should also cover costs for claims' settlement. The provision for outstanding claims is not discounted.

Provision for bonuses for insurance contracts

Provision for bonuses for insurance contracts includes amounts, which are based on the decision of management assigned to the insurance contracts in the reporting period and on the account of which the life insurance provisions or financial liabilities will be increased or bonus disbursements made in the following reporting periods.

Liability adequacy test

A liability adequacy test is carried out according to IFRS 4 on the liabilities of insurance contracts and investment contracts with discretionary participation feature, based on discounting the future estimated cash flows from the portfolio of contracts. The cash flows used in the test are expected contractual premiums, benefits and administration costs by years. When estimating the future premiums and benefits, the mortality, surrender rates and paid up rates, are estimated based on historical patterns of the existing portfolio of contracts. When estimating the future expected administration costs, the present average administration cost per contract is used as a basis. The resulting cash flow year by year has been discounted with the risk-free EUR interest rate of the respective year. EUR interest rate has been used as the Estonian kroon is pegged to EUR at a fixed rate since 1999 and EUR rates are considered most reliable for valuation purposes here.

If the resulting value of the liabilities estimated with the given liability adequacy test becomes higher than the amount of liabilities (and/or provisions) calculated under the aforementioned approaches (less capitalized deferred acquisition costs), then firstly the capitalized deferred acquisition costs are decreased, followed by increase of liabilities and/or provisions (if necessary). The respective loss is presented in the income statement for the period.

Based on the results of the liability adequacy test performed as at the year end of 2007, the liabilities arising from currently in force insurance contracts are sufficient. Risk free interest rate curve has the biggest influence to the results of liability adequacy test. Shifting down interest rate curve by 1% the result of test would rise by 114.1 million EEK, but corresponding liabilities and/or provisions would be still adequate. Minor impact to the test results have also assumptions made for predicting future cash flows. These are assumptions about mortality, lapses of contracts, surrenders of contracts and future administrative costs. But these are considered even less significant.

1.17. Classification and accounting principles of life insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. According to IFRS 4 “Insurance Contracts” the contracts concluded by the life insurance company with its clients are classified as either insurance contracts or investment contracts. For the purpose of IFRS 4 insurance contracts are contracts which transfer significant insurance risk and whereby the group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary on the occurrence of a defined insured event. Such contracts may also transfer financial risk.

As a general guideline the significant insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are financial instruments that do not meet the definition of an insurance contract; those contracts transfer financial risk and no significant insurance risk.

<u>Revenue recognition</u>
Premiums for insurance contracts are recognized as revenue when they are paid by the policyholders. For contracts where insurance risk premiums in a period are intended to cover the claims in that period, those premiums are recognized proportionally over the period of coverage.

Amounts received from and paid to the policyholders of investment contracts are accounted for as deposits received or repaid. Fees charged for managing investment contracts are recognized as revenue. These services are provided equally over the lifetime of a contract.

<u>Recognition of costs</u>
Costs for insurance contracts are recognized as an expense when incurred, which the exception of commissions and other acquisition costs that are directly related to acquisition of new contracts or renewing existing contracts. These are capitalized as deferred acquisition costs (Note 1.18). Insurance claims are recognized as expense when incurred.

Incremental costs directly attributable to securing an investment contract are deferred (Note 1.18.). All other costs of investment contracts, such as non-incremental acquisition costs or maintenance costs, are recognized in the accounting period in which they arise.

1.18. Capitalisation of acquisition costs

Acquisition costs of these insurance contracts, which are connected with premiums to be received in the future accounting periods, are deferred as prepaid expenses. Only direct acquisition costs, like the performance based salary paid for concluding the contracts and commission fees of contracts are deferred. Calculation is performed on the contractual basis and only for the insurance contracts, where the payment frequency is more than once a year. Depreciation of deferred acquisition costs is on straight-line basis, within period of two months to one year depending on the type of insurance contract.

Other acquisition costs are recognized in expense as incurred.

1.19. Revenue recognition

Interest income and expense

Interest income and expense is recognized in income statement for all interest-bearing financial instruments carried at amortized cost using the effective interest rate method. Interest income includes also similar income on interest bearing financial instruments classified at fair value through profit or loss (i.e. traded bonds, etc).

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Revenue is recognised in the fair value of the consideration received or receivable for the services provided in the ordinary course of the group's activities. Fees and commissions are generally recognized on an accrual basis when the service has been provided. Credit issuance fees for loans/leases that, are deferred and recognized as an adjustment to the effective interest rate on the credit. Portfolio management and other advisory service fees, as well as wealth management and custody service fees are recognized based on the applicable service contracts, usually on an accrual basis. Asset management fees related to management of investment funds are recognized over the period the service is provided.

Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Other transaction fee income and other income are recognized on accrual basis at the moment of executing the respective transactions.

1.20. Dividend income

Dividends are recognised in the income statement when the entity’s right to receive payment is established.

1.21. Recognition of day one profit and loss

The best evidence of fair value at initial recognition is the transaction price (ie, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Profits on day one can be recognized when a valuation technique is used whose variables include data from observable markets. In other circumstances the day one profit is deferred over the life of transaction.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument´ s fair value can be determined using market observable inputs, or realised through settlement. The financial instrument (separated embedded derivative) is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognized immediately in the income statement without reversal of deferred day one profits and losses.

1.22. Taxation

<u>Corporate income tax</u>
According to the Income Tax Act, the annual profit earned by enterprises is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to the taxation at the rate of 21/79 (until 31.12.2007: 22/78 and until 31.12.2006 23/77) on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid

<u>Corporate income tax of foreign subsidiaries</u>
Profits earned by foreign subsidiaries, adjusted with temporary and permanent differences between the tax bases of assets and liabilities and their carrying values in the balance sheet, are subject to corporate income tax. The tax rate applicable to SEB Leasing belonging to the SEB Pank Group and registered in Russia is 24% from taxable income.

Deferred income tax

Deferred tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Main temporary differences arise from different treatment of FX translation gains/losses for accounting and taxation purposes, depreciation of fixed assets and tax losses carried forward. Deferred tax assets are recognized in the balance sheet only if their realization is probable.

1.23. Fiduciary activities

The Group provides asset management services and offers fund management services. The assets owned by third parties, but managed by the Group, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

1.24. Changes in the presentation of items of income statement and balance sheet

The changes were made in the presentation of items of income statement and balance sheet:

1) Liquidity bonds, which previously were classified as "designated at fair value through profit or loss at inception" (AFV), since 1.01.2007 new acquisitions have been classified as "available for sale financial assets" (AFS). In accordance with discussions in SEB Pank ALCO and with SEB Group Treasury, was changed classification of the new Liquidity Portfolio from (AFV) to (AFS). Management considers that a change in the designation of this portfolio would more accurately reflect the substance of its usage. Also this will allow usage of the same principles within the group.

The change was effective starting 1.01.2007 and all new acquisitions into the Liquidity Portfolio since that date are accounted for as (AFS). No reclassification of the existing portfolio was made as this is prohibited by IAS 39.50. and the existing investments remained accounted for as AFV until disposed of.

As of 31.12.2007 the remaining balance of liquidity portfolio was 0. On income statement as of 2007 interest income from liquidity bonds was presented in the amount of MEEK 87,1, including from existing portfolio before 1.01.2007 (AFV) in the amount of MEEK 9.5 and from new acquisitions (AFS) in the amount of MEEK 77.6.

2) Interest on currency derivatives, equity related derivatives and interest related derivatives in income statement, which previously was classified as "interest income", is recognized as "Net profit fom financial activities" in the amount of MEEK 28.1 (2006: MEEK 40.5). The data of comparable period has been adjusted respectively.

1.25. New International Financial Reporting Standards, amendments to published standards and interpretations by the International Financial Reporting Interpretations Committee.

a) Amendments to published standards and interpretations effective 1 January 2007

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. As a result of adoption of IFRS 7, there was no impact of any measurement or recognition principles. The Group made certain changes in presentation of disclosed information and some new disclosures are provided in these financial statements (see Note 2).

Other new standards or interpretations. The following other new standards or interpretations which became effective from 1 January 2007:

- IFRS 4 *Insurance contracts* (effective for periods beginning on or after 1 January 2007)
- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group´s financial statements.

b) Interpretations issued but not yet effective

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not early adopted:

IFRS 8, Operating Segments Applies to yearly periods that begin on 1 January 2009 or later. IFRS 8 supersedes IAS 14 "Segment Reporting". The standard specifies new requirements in respect of the disclosure of information on business segments, as well as information on products and services, geographical areas where the business is conducted and major customers. IFRS 8 requires a "managerial approach" to reporting the performance of business segments.

Amendments to IAS 23, Borrowing Costs. Applies to yearly periods that begin on 1 January 2009 or later. The amendment relates to the accounting treatment of borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale. The amendment consisted in eliminating the option of recognising all borrowing costs immediately as an expense in the period in which they were incurred. In accordance with the new requirement of the Standard, these costs should be capitalised.

Amendments to IAS 1, Presentation of Financial Statements. Applies to yearly periods that begin on 1 January 2009 or later. The amendments introduced relate mainly to the presentation of changes in equity and are intended to improve the ability of the users of financial statements to analyse and compare the information included in the financial statements.

Puttable financial instruments and obligations arising on liquidation—IAS 32 and IAS 1 Amendment
Applies to yearly periods beginning on or after 1 January 2009.. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment
Applies to yearly periods beginning on or after 1 January 2008. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Amendments to IFRS 3, Business Combinations. Applies to yearly periods that begin on 1 July 2009 or later. The amendments introduced include the choice to disclose minority interests either at fair value or their share in the fair value of the net assets identified, a restatement of shares already held in an acquired entity to fair value, with the resulting differences to be recognised in the income statement, and additional guidance on the application of the purchase method, including the recognition of transaction costs as an expense in the period in which they were incurred.
Amendments to IAS 27, Consolidated and Separate Financial Statements. Applies to yearly periods that begin on 1 January 2009 or later. The standard requires that the effects of transactions with minority shareholders be recognised directly in equity, on the condition that control over the entity is retained by the parent company. In addition, the Standard elaborates on the accounting treatment of the loss of control over a subsidiary, i.e. it requires that the remaining shares be restated to fair value, with the resulting difference recognised in the income statement.

IFRIC 11 "Group and Treasury Share Transactions"
Applies to yearly periods that begin on 1 March 2007 or later. The interpretation contains guidelines on the following issues:
§ applying IFRS 2 "Share-based Payment" for transactions of payment with shares which are entered into by two or more related entities; and

§ adopting an accounting approach in the following instances:
- an entity grants its employees rights to its equity instruments that may or must be repurchased from a third party in order to settle obligations towards the employees;
- an entity or its owner grants the entity's employees rights to the entity's equity instruments, and the provider of those instruments is the owner of the entity.

IFRIC 12, Service Concession Arrangements. *A*pplies to yearly periods that begin on 1 January 2008 or later. The interpretation contains guidelines on applying the existing standards by entities being parties to service concessions between the public and the private sector. IFRIC 12 pertains to arrangements where the ordering party controls what services are provided by the operator using the infrastructure, to whom it provides the services and at what price.

IFRIC 13, Customer Loyalty Programmes. Applies to yearly periods that begin on 1 July 2008 or later. IFRIC 13 includes guidance on the accounting treatment of transactions resulting from loyalty programmes implemented by an entity for its customers, such as loyalty cards or awarding of ‘points’. In particular, IFRIC 13 indicates the correct accounting for the entity’s obligation to provide free or discounted goods or services if and when the customers redeem the points.

IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Applies to yearly periods that begin on 1 January 2008 or later. The Interpretation contains general guidance on how to assess the limit of the surplus of fair value of a defined benefit plan over the present value of its liabilities which can be recognised as an asset, in accordance with IAS 19. In addition, IFRIC 14 explains how the statutory or contractual requirements of the minimum funding may affect the values of assets and liabilities of a defined benefit plan.

The application of these new interpretations will not have a material impact on the entity’s financial statements in the period of initial application.

2. Risk policy and management

2.1. Risk policy and structure

In its everyday activity SEB Pank is facing various risks, the management of which is an important and integral part of SEB Pank business activities. The ability of the organisation to identify, measure and control different risks, while maintaining an adequate capitalisation to meet unforeseen events, is an important input for the profitability of the entire Group.

Taking risk is core to the financial business, and the operational risks are inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. SEB Pank defines risk as the possibility of a negative deviation from an expected financial outcome. Main risk types are credit risk, market risk, operational risk and liquidity risk. Market risk includes currency risk, interest rate and other price risks.

Risk management includes all activities relating to risk-taking, i.e. the processes and systems that SEB Pank has at its disposal in order to identify, measure, analyse, monitor and report defined risks at an early stage. Good internal control, which consists of rules, systems and routines including follow-up of compliance therewith, ensures that the business is carried out under safe, efficient and controlled forms.

The Group's risk management policies are designed to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Management Board is responsible for establishing the main principles for management, control and co-ordination of all risks of SEB Pank and to decide on the limits for the various risks. Subordinated to the Management Board are established different committees with mandates to make decisions depending upon the type of risk. The Assets and Liabilities Committee (ALCO) plays the central role in risk management, approving of risk procedures, dealing with issues relating to the overall risk level and deciding and monitoring of various risk limits.

During 2007, the main development focus of risk management was related with preparing for implementation of Basel II requirements: continuous development and improvement of internal rating based credit risk assessment models, improvement of operational risk measurement and management organization framework in accordance with the implementation requirements for the advanced measurement approach. Basel II is new capital adequacy framework which aims to converge regulative capital to the actual capital need of the bank according to its risk profile. Capital requirements for credit risk will reflect the actual risk better than the present rules, capital requirements for operational risk will be introduced and the risk management and internal capital assessment of banks will be subject to stricter scrutiny by the supervisors. In Estonia the Basel II capital adequacy rules are in effect from 1 January 2008. SEB Pank has applied to use the advanced approaches for reporting of credit and operational risk under Basel II. Both applications are currently processed by the supervisory authorities.

2.2. Credit risk

Assets open to credit risk are receivables from customers, receivables from credit institutions and debt securities. Debt securities, in which SEB Pank has invested, are very liquid and high quality and credit risk related to those is assessed very low by the management - therefore only the credit risk of receivables from customers and credit institutions are hereinafter more specifically analysed. Credit risk is a potential loss that may occur in case of improper fulfilment or non-compliance of the client with the contractual obligations as a result of failure of the client's business operations or other factors.

The principles for measuring and taking credit risk are established with the SEB Pank Group credit policy.

The principles of credit policy are the following:
a) lending should be in line with credit policy;
b) lending should be based upon analysis;
c) the basis of all lending activity is credibility;
d) the purpose of the credit should be fully understood;
e) lending must be in proportion to the capacity to repay;
f) borrower should have an identified source of repayment and also a secondary source for repaying the loan;
g) the own equity investment of the borrower must be significant in relationship to the loan;
h) lending activity shall take into account any potential adverse effects in the business cycle;
i) lending shall be in line with the bank's profit goals.

Credit risk analysis related to a certain client involves several different activities, like evaluation of the risk of the borrower's background, structure, management and owner, economic environment and position of the borrower, analysis and evaluation of the business plan and submitted cash flow prognosis; evaluation of the reputation, reliability and credit history of the client. Deciding on the risk taking is performed collegially by credit committees and by the authorised persons in accordance with the decision-making limits established by the bank's management.

<u>Credit risk measurement</u>
Credit risks are mainly measured on two levels. For verifying the loan portfolio's exposure to credit risk, SEB Pank uses a portfolio diversification method. The division of financial obligations is monitored by different client segments, products, clients and industries. The Credit Area performs monthly analysis on the credit risk of loan portfolio and informs the bank's managing bodies of the results. These results are discussed as well as any need for specific attention to or specific analysis for any identified issues.

In respect to individual clients the bank prepares regular analyses on the borrowers' situation as well as their risk level. The analyses are based on annual and quarterly reports, on basis of which the financial situation is evaluated, as well as on credit history, payment practice and information originating from other sources. Evaluation of the borrowers' reliability is of critical importance.

SEB Pank divides loan portfolio into two broad segments: A) corporate portfolio including loans to legal entities belonging to counterparty group's with credit risk assumed by SEB Pank Group exceeding 4,500,000 Estonian kroons and B) retail portfolio consisting of small coporates' and private individuals' sub-segments. As of end of 2007 the corporate portfolio amounted to 47% of total loan portfolio (2006: 46%).

Based on the results of the analysis, the corporate clients are divided into sixteen risk classes in accordance with the SEB Pank risk classification system. Sixteen risk classes belong to 5 quality classes of businesses.

According to the risk classification system the risk class assignment is not required for companies or a group of companies with credit risk assumed by the Group less than 4,500,000 Estonian kroons, i.e. small corporates. Scoring model is used for evaluation of these borrowers.

The scoring model for small corporates considers financial condition based on last two annual reports and last interim report, credit history with the bank and based on external credit history register, experience of the customer. The analyst evaluates correctness and quality of the information. The risk level of particular industry has a certain level of impact as well. The outcome of the scoring model is credit score, expressing risk level and determining decision-making level. Depending on the score clients are divided into quality classes A, B, C and D, where A is the best and D is the worst score client class. Small corporates amounted to 6% of the total portfolio as of end of 2007 (2006: 8%).

In analysing loans to private individuals the credit scoring and left-to-live model is used. The model considers among other matters credit history, income, age, employment conditions and the value of real estate owned. The output of the model is credit score and lending recommendation derived the score. Based on the score the clients are divided into quality classes A, B, C and D similarly to small corporates. Private individuals amounted to 41% of the total portfolio as of end of 2007 (2006: 38%). Other 6 % of portfolio amounted advances to credit institutions (2006: 8%).

Credit risk monitoring and mitigation

Review of the situation and risk level of legal entities is performed on regular basis, depending on the client segment, the risk class assigned previously and any additional information available to the bank at least once a year. During the review the bank assesses the client's financial condition, risk level, regularity of fulfilling existing financial obligations and need for financing. As an important outcome, a risk class is updated for the client with group exposure exceeding 4,5 million kroons, which, depending on the risk class shall be valid for one year (1-10), half a year (11-12) or three months (13-16). With the resolution of a credit committee also a different term may be established to a certain client.

The distribution of risk class assigned portfolio by the quality classes is given in the table below.

Risk class	Business quality class
1	Ordinary Business
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	Restricted Business
12	Special Observation
13	Watch-list
14	
15	
16	Default

Corporate Portfolio by risk classes	% of rated portfolio 31.12.07	31.12.06
Ordinary Business	83,7%	89,8%
Restricted Business	8,6%	7,8%
Special Observation	5,3&	1,5%
Watch-list	2,0%	0,5%
Default	0,4%	0,4%
Total	100,0%	100,0%

For regular monitoring of private individuals and small corporates the behavioural scoring models are in use. The models are based on the application scoring models used in loans analysis process. In behavioural scoring there is used a separate quality class E for defaulted clients and an additional class N for small corporates to whom according to the bank's assessment there are no enough information to assign any other class. Part of the information (payment behaviour, financial situation of the corporates) is updated regularly, partly is used older available information. Behavioural score is calculated monthly for all private individuals and small corporates loans. The distribution of retail portfolio by quality classes is given in the table below.

Score	Business quality class
A	Ordinary Business
B	
C	Special Observation
D	
E	Default
N	Insufficient information

Retail portfolio by behavioral scores	31.12.07	31.12.06
Ordinary Business	82,0%	79,6%
Special Observation	15,8%	17,8%
Default	0,9%	0,5%
Insufficient information	1,3%	2,1%
Total	100,0%	100,0%

Primary responsibility for monitoring the quality of specific client and its loans lies with client executives, who should inform immediately to their department head and if necessary, to the credit area management of occurred problems and accordingly take necessary measures.

Impairment and allowance policies

The internal rating system focuses more on credit-quality mapping from the inception of the lending and investment activities. The system is primarily used to measure one of the major sources of risk that drives the occurrence of lending losses - the risk that the counterparty will default on its payment obligations, being probability of default. This is distinct from the risk of loss finally arising after all attempts to recover payments from defaulted counterparties.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, operating income or EBITDA margin, debt service coverage etc);
- Breach of loan covenants or conditions;

- Initiation of bankruptcy proceedings; and
- Deterioration of the borrower's competitive position.

The Group's policy requires that all exposures above 4,5 million kroons are reviewed individually at least annually (see above). Impaired allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality tresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques.

The credit control department and branch credit risk management department perform regular in-depth monitoring of the quality of the loan portfolio. Also the bank's internal audit carries out reviews on valuation of the loan portfolio. During the control for adherence to procedures, availability of required information and documents, regularity of loan servicing (repayments), adequacy of collateral and other factors influencing the risks is verified. External auditors assess the valuation of the loan portfolio for the audit of financial statements' purposes.

Collateral

In order to diminish credit risk the bank has established a requirement for the borrowers to provide the bank with collateral in the form of registered immovable property, registered movable property and/or personal sureties as security. The group has implemented guidelines on the acceptability of specific classes of collateral on credit risk mitigation. The principles for granting an unsecured loan are stated in the credit policy and this kind of lending is clearly limited and restricted. The balance of unsecured credits is disclosed just below.

The pledged assets have to be insured throughout the loan period in an insurance company accepted by the bank at least for the restoration value. In case of a housing loan also life insurance is required, if the borrower is contributing majority to the family's income. The aforementioned measures help to control and manage the credit risk as they serve as an alternative source for collecting the loan, in case the borrower is not able to repay the loan from primary cash flow.

Loans against collateral
(millions of EEK)

	31.12.07	31.12.06
Mortgage, real property	47,548.9	38,741.7
Securities and deposits	857.5	1,291.8
Guarantee by state, central bank or municipality	3,126.6	2,807.4
Guarantee by credit institutions	5,426.3	1,943.8
Unsecured loans	2,656.1	1,857.0
Repos with customers (securities as collateral)	53.6	103.9
Factoring (receivables as collateral)	1,091.3	897.4
Leasing (leased assets as collateral)	12,787.7	10,914.9
Life Insurance receivables	2.3	1.9
Other	3,958.8	3,584.2
Accured interest receivable	262.6	183.9
Allowances	-345.9	-235.6
	77,425.8	**62,092.3**

Impaired loan

A loan should be classified as impaired if it is probable that the contractual payments will not be fulfilled and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin. In these cases all the borrower's loans in the Group shall be considered impaired, unless there are specific reasons calling for a different evaluation.

Either of the following two points serves as a criterion that a loan should be classified as impaired:

• Impaired non-performing loan: The loan is past due and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin.

• Impaired performing loan: The Bank has determined that the value of the collateral does not cover both principal and accrued interest including penalty fee with a satisfactory margin and there has been identified an incurred loss event, but no payments are yet past due.

Provided, during the valuation of the loan it becomes evident that the collection of the loan or part of it is doubtful and the collateral is insufficient for covering the loan amount together with accrued interest and penalties, i.e. a loan loss is to be recognised and allowance will be established for the loan. Specific and collective allowances are established for individually appraised loans and separate allowances used for homogeneous groups of loans appraised on a homogenous group level. The purpose is to calculate and present the value of the loan portfolio as fairly and objectively as possible.

To keep the actual realised loan losses at as minimum level as possible a separate department has been established within the Credit Area, handling problem loans and recovering written-off loans by using several methods in doing so: negotiations with clients, rehabilitation, execution and bankruptcy proceedings.

Allowances for credit losses related to on-balance sheet items are either specific, collective or on homogenous group basis. The total impairment provision for loans and advances is 345,9 mEEK (2006: 235,7) of which 22,9 (2006: 84,2) represents the individually impaired loans and the remaining amount of 323,0 (2006: 151,5) represents collective and homogenous groups allowances.

Impaired loans and allowances

(millions of EEK)

	31.12.07	**31.12.06**
Impaired, non-performing loans	277.7	199.1
Impaired, performing loans	29.7	9.4
Total impaired loans (gross)*	**307.4**	**208.5**
Specific allowances	22.9	84.2
Collective allowances	85.2	10.8
Allowances for homogenous groups	237.8	140.7
Total allowances	**345.9**	**235.7**
Reserve ratio (Allowances / Impaired)	113%	113%
Specific reserve ratio (Specific allowances / Impaired)	7%	40%
Ratio of impaired loans	0.43%	0.34%

* Includes due from credit institutions

Impaired non-performing loan: The loan payments are past due and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin.

Impaired performing loan: The Bank has determined that the value of the collateral does not cover both principal and accrued interest including penalty fee with a satisfactory margin and there has been identified an incurred loss event, but no payments are yet past due.
A loan is classified as impaired if it is probable that the contractual payments will not be fulfilled and the value of the collateral does not cover both principal and accrued interest including penalty fees with a satisfactory margin.

2.3. Market risk

SEB Pank defines market risk as a potential loss resulting from the unexpected adverse changes in interest rates, foreign exchange rates, equity prices and associated volatilities.

Market risk may arise from the bank's activity at the financial markets and it has an impact on the majority of bank products: loans, deposits, securities, credit lines. SEB Pank measures the risks using different methods of risk valuation and management pursuant to the type of risk. Important role in risk prevention is diversification of risk assets and limitation for trading positions.

Maximum limits approved by the committees, which are in compliance with the limits set by the Bank of Estonia, form the basis for controlling and monitoring the risk of various instrument portfolios.

For positions related to market risk nominal limits are applied, which are monitored by trading portfolios on daily basis by Risk Control. Any limit breach shall be reported in accordance with the regulations of Market Risk Policy. In addition to the aforementioned, also scenario analysis is applied in market risk management, which is used for valuing the performance of trading positions in case of more extreme fluctuations in market variables.

The overall market risk is measured by using the "Value at Risk" (VaR) model. VaR is defined as a maximum potential loss that can arise with a certain degree of probability during a certain period of time. SEB Pank calculates VaR using a 99 percent confidence level and a ten-day time horizon. VaR model enables to effectively measure market risks associated with different instruments and the results are homogeneously comparable. SEB Pank's highest trading risk is in equities trading portfolio. Equity trading book was built up in the beginning of 2007 when team of the professionals was employed to perform Enskilda equities trading in the region. As per year end, equity trading portfolio ten-day VaR was EEK 14m. 2007 average VaR for equity trading book was EEK 15m. Actual outcomes are monitored regularly to test the validity of assumptions and factors used in VaR calculation. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

2.3.1. Market risk related to life insurance asset-liability matching

The market risk is one the most important risks for SEB Elu- ja Pensionikindlustus. Market risk in a life insurance company derives from the risk of investing the assets under insurance contracts and investment contracts with guaranteed interest. This risk is managed in SEB Elu- ja Pensionikindlustus with an investment policy, which establishes investment restrictions of the aforementioned assets between shares and bonds, as well as the diversification requirements of assumed positions towards the clients (Note 27). The European Union is working on new insurer capital adequacy requirements under project Solvency II, where the assessment of market risk plays a major part. SEB Elu- ja Pensionikindlustus is making efforts to assess its market risk in conformity with the Solvency II project and in line with the practices of other SEB Group life insurance companies.

2.3.2. Price risk

Biggest price risk for SEB Pank is equity price risk in trading portfolio described in chapter 2.3. The assets and liabilities of the Group are not significantly exposed to other price risks.

2.4. Insurance risk

Insurance risk in SEB Elu- ja Pensionikindlustus is managed through reinsurance and risk analysis. Starting from 2007 company decided to increase its exposure to insurance risk by increasing retention for new contracts. Setting up new retention limits, company took account the profitability of insurance risk and amount of own equity. Company also changed reinsurer for new contracts starting from 2007, which gave better reinsurance tariffs. New reinsurer is Cologne Re, which belongs to GenRe whose financial strength rating is AAA by S&P. For contracts concluded before 2007 reinsurer remains SwissRe with old terms. In 2008 life companies in SEB group will start project to unify principles of setting reinsurance retentions.

2.5. Liquidity risk

Liquidity risk is defined as the risk of a loss or substantially higher than expected costs due to inability of the bank to meet its payment commitments on time.

The bank's liquidity risk is regulated and managed on basis of the mandatory reserve of the Bank of Estonia and internal liquidity limits determined by ALCO. Liquidity risk is measured as cumulative cash flows arising from the assets and liabilities of the bank in various time bands. Liquidity management is based on special models reflecting cash flow behaviour in the case of different scenarios including crisis scenario.

The Group’s liquidity management process, as carried out within the Group and monitored by Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

- Maintaining a portfolio of highly marketable assets to fulfil mandatory reserve requirement;
- Monitoring liquidity gaps against internal limits; and
- Managing the concentration and profile of debt maturities.

Long-term liquidity of the bank is planned and control over liquidity risk management is executed by ALCO. Central and daily management of the bank's liquidity is the responsibility of the Treasury, and analysing that of the Risk Control department.

Next table presents the cash flows payable by the Group under financial liabilities by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2.6. Operational risk

Operational risk is the possibility of a loss due to external events (e.g. natural disasters, external crime) as well as internal factors (breakdown of IT systems, fraud, non-compliance with laws and internal procedures and other internal control system deficiencies).

SEB Pank has established Operational Risk Committee (ORC) – top level advisory group to group's management on operational risk issues. Operational Risk Committee is a body guiding and co-ordinating the operational risk management in all units, including dealing with security issues, evaluation of technological risks and quality management, acting within the authority granted by the SEB Pank Management Board. Operational Risk Policy states minimum standards for operational risk management.

Following characterizes SEB Pank operational risk management framework:

- Reporting of operational risk events (losses, near misses and extraordinary gains) with automated routing of issues to responsible managers.
- Regular monitoring of Key Risk Indicators. Fluctuations of indicators and reasons of such fluctuations are discussed at monthly ORC meetings.
- Regular process of operational risk self-assessments (ORSA).
- Follow-up compliance with New Product Approval Process requirements to minimize operational risk in product development.
- Business continuity planning - establishing business continuity plans for most critical business processes, recovery plans for IT and insuring physical security in crisis situations.

SEB Pank uses operational risk management information system ORMIS for operational risk management and control, the system is in use all over SEB Group. The system enables all staff to register risk-related issues and management at all levels is able to assess, monitor and mitigate risks and compile prompt and timely reports.

Insurance agreements concluded by SEB AB apply to SEB Pank and cover the following:

- crime insurance,
- professional indemnity,
- directors and officers liability,
- damage caused to a third party resulting from the activity of the bank.

2.7. Capital management

The Group's Capital Policy defines how capital management should support the business goals. Shareholders' return requirement shall be balanced against the capital requirements of the regulators and the equity necessary to conduct the business of the Group.

ALCO and the Chief Financial Officer are responsible for the process linked to overall business planning, to assess capital requirements in relation to the Group's risk profile, and to propose a strategy for maintaining the desired capital levels. Together with continuous monitoring, and reporting of the capital adequacy to the Management Board, this shall ensure that the relationships between shareholders' equity and regulatory based requirements are managed so that the Group does not jeopardise the profitability of the business and the survival of the Group.

Capital ratios are the main communication vehicle for capital strength. Following the SEB Group Capital Policy the parent company shall promptly arrange for additional capital if SEB Pank requires capital injections to meet the decided level.

For internal capital assessment and performance evaluation SEB has implemented an economic capital framework. The Group's performance evaluation shall be based on the Return on Business Equity („RoBE") methodology.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital: net-owners' equity must be over 5 million euros (78,2 EEKmio), and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above minimum of 10%.

According to Insurance Activities Act, The minimum share capital of an insurance undertaking shall be at 3 million euros (46,9 EEKmio) if the insurance undertaking has the right to engage in life insurance (SEB Elu- ja Pensionikindlustus).

According to Investment Funds Act, the share capital of a management company shall be equivalent to at least 3 million euros (46,9 EEKmio), if the management company manages a mandatory pension fund (SEB Varahaldus).

According to Securities Market Act, the share capital of an investment firm shall be equivalent to at least 125 thousand euros (1,96 EEKmio), if the firm is providing services of securities portfolio management and is organising the issuance of securities or public offers (SEB Enskilda).

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(millions of EEK)

3. Interest income

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Loans	3,189.1	1,954.6	3,161.1	1,919.1
Leasing	725.7	517.0	0.0	0.0
Deposits with other banks	149.0	70.6	148.9	70.0
Fixed income securities	93.7	72.1	93.7	72.1
Other	0.0	0.1	0.0	0.1
	4,157.5	**2,614.4**	**3,403.7**	**2,102.6**

4. Interest expenses

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Credit institutions	1,430.3	759.0	626.9	216.5
Time and other saving deposits	518.5	324.3	874.5	572.5
Demand deposits	470.6	270.7	483.4	277.5
Subordinated debts	114.3	58.1	114.3	58.1
Issued bonds	16.5	11.3	16.4	11.3
Government and foreign aid funds	5.5	4.5	2.3	2.2
Other	0.1	0.0	0.0	0.0
	2,555.8	**1,427.9**	**2,117.8**	**1,138.1**

5. Fee and commission income

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Credit and payment cards	376.9	296.3	376.9	296.3
Credit contracts*	216.0	208.3	170.1	167.4
Securities market services	239.1	199.8	143.1	75.3
Transaction fees	121.7	118.6	122.2	119.1
Corporate Finance fees	112.6	6.2	25.6	0.0
Income from leasing agreements (full service)	53.1	47.8	0.0	0.0
Non-life insurance brokerage fees	43.9	38.3	7.0	4.0
Cash handling fees	16.2	16.4	16.2	16.4
Income from electronic channels	15.1	11.6	16.1	12.5
Other settlement fees	10.7	8.8	10.7	8.8
Other	23.0	25.1	12.4	12.5
	1,228.3	**977.2**	**900.3**	**712.3**

* Credit contracts include loan, leasing, letter of credit and guarantee contracts signed with customers, which are short-term and do not constitute interest income, but are of administrative nature for arrangement reorganisation of credits.

6. Fee and commission expense

	Group		Bank	
	2007	2006	2007	2006
Credit and payment cards	192.1	153.1	192.1	153.1
Corporate Finance fees	44.9	0.0	0.7	0.0
Expenses to leasing agreements (full service)	43.5	40.6	0.0	0.0
Securities market	43.0	27.6	22.2	14.4
Cash collecting fees	25.5	20.9	25.5	20.9
Transaction fees	18.1	19.3	17.7	18.7
Expenses of electronic channels	12.2	9.4	12.2	9.3
Other	13.9	11.0	11.7	9.4
	393.2	**281.9**	**282.1**	**225.8**

7. Net profit fom financial activities

	Group		Bank	
	2007	2006	2007	2006
Trading securities	**-23.7**	**10.0**	**-23.7**	**10.0**
Gain/loss from shares	-25.2	7.1	-25.2	7.1
Gained from fixed income securities	1.5	2.9	1.5	2.9
Derivatives	**71.4**	**59.3**	**72.2**	**60.1**
Equity derivatives	31.0	16.5	31.7	16.4
Currency derivatives	28.1	41.8	28.2	42.7
Interest derivatives	12.3	1.0	12.3	1.0
Net income from foreign exchange	**161.8**	**129.9**	**154.3**	**82.6**
	209.5	**199.2**	**202.8**	**152.7**

8. Other administrative expenses

	Group		Bank	
	2007	2006	2007	2006
Other personnel expenses	34.6	22.4	29.9	18.2
Premises cost (rental and utilities)	74.7	62.5	89.3	78.6
Other administrative cost	71.2	58.5	52.3	44.0
IT related expenses	65.7	49.3	66.2	54.6
Advertizing and marketing	71.2	64.0	65.1	58.7
Insurance	4.7	4.8	4.2	4.5
Translating services	0.7	0.4	0.4	0.3
Information services (Telerate, Reuters etc.)	9.3	7.7	5.4	4.6
Consulting	13.3	-3.5	10.6	-6.3
Other maintenance cost (land tax etc.)	0.7	0.6	0.4	0.3
	346.1	**266.7**	**323.8**	**257.5**

9. Value adjustments of advances and off-balance sheet commitments (+/-)

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Allowances for advances to customers	**-171.3**	**-30.7**	**-154.6**	**-5.1**
loan allowances	-207.4	-75.4	-179.3	-10.3
recoveries from write-offs	17.9	9.1	16.8	8.4
reversal of allowances	18.2	35.6	7.9	-3.2
Revaluation of seized assets	**-3.1**	**-4.3**	**0.0**	**0.0**
	-174.4	**-35.0**	**-154.6**	**-5.1**

10. Other operating income

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Result from Life Insurance business*	74.2	85.2	-	-
Penalties	3.7	3.0	1.2	0.3
Rent income	13.9	18.6	12.2	12.9
Gains on assets sales	512.7	52.0	603.2	26.0
Other income	41.0	27.8	17.7	23.7
	645.5	**186.7**	**634.3**	**62.9**

* The divestment of properties, owned by SEB Pank Group, explained in Note 21.
Rental income was earned from properties held for sale and partial rent-out of buildings in our own use.

Income from insurance activities*

	2007	**2006**
Net insurance premium revenue	180.2	162.1
Fair value gains (unrealized)	-20.3	22.2
Fee income from investment contracts	17.8	13.2
Dividends recieved	1.2	0.7
Interest income	14.1	11.5
Realized gains on investments	30.9	4.6
Other operating income	3.5	1.7
Total income	**227.4**	**216.0**
Net insurance claims and disbursements	-153.2	-130.8
Total expenses	**-153.2**	**-130.8**
Total net income from insurance activities	**74.2**	**85.2**

*asset management services are provided within the group by AS SEB Ühispanga Fondid

11. Other operating expense

	Group		Bank	
	2007	**2006**	**2007**	**2006**
Legal services	3.4	1.4	2.5	0.9
Penalties	1.0	0.2	1.0	0.0
Finance Inspection and Deposit quarantee (float) cost	9.6	8.5	7.6	6.6
Income tax on not business oriented expenses	1.6	1.7	1.3	1.2
Cost on bad loans	0.5	0.9	0.5	0.9
Other value adjustments of advances	0.3	0.7	0.3	0.2
Other operating expenses	13.5	3.4	5.4	4.4
Cost on seized properties	0.0	0.0	0.0	0.0
Cost on sales of fixed assets	9.0	0.5	9.0	0.5
	38.9	**17.3**	**27.6**	**14.7**

Development Costs

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Advertising expenses and the launch of new products, services and processes are expensed as incurred. Expenditures related to trademarks, etc., to be developed inside the company are also expensed at the moment of their occurence (Note 1, page 26).

In 2007 SEB Pank had expenses for the developing IT systems and electronic products in total amount of 43,4 million kroons (40,1 million kroons in 2006).

12. Income tax of financial period

	Group	
	2007	**2006**
Current income tax	-11.1	-16.9
Deferred tax expense (Note 23)	-4.3	2.7
	-15.4	**-14.2**

The Group activities include activities in Estonia and Russia.

According to Estonian Income tax law profits earned by the Group are not subject to income tax. The Group's activities in Russia are subject to Russian Income tax.

The income tax rate in Russia is 24% of the taxable income. All deferred income tax expense is related to SEB Leasing. Following is the reconcilation of the net income before tax earned in Russia to the effective tax expense:

	Group	
	2007	**2006**
Profit before tax in Russia	35.6	19.0
Income tax per tax rate applicable in Russia (24%)	8.5	4.6
Tax on expenses not deductible for tax purposes	6.9	9.6
Income tax expense	**15.4**	**14.2**

13. Balances with the central bank

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Balances with the central bank	4,181.0	2,412.8	4,181.0	2,412.8
Mandatory reserve fulfillment	9,092.6	7,392.2	9,092.6	7,392.2

Estonian commercial banks are obliged to maintain mandatory reserves on their clearing accounts with the Central Bank, calculated on 15% of the mandatory reserve basis. Mandatory reserve requirement as of 31.12.07 was 8970,1 million kroons (31.12.06: 7216,6).

Mandatory reserve on the correspondent account of the Bank of Estonia is monitored on basis of monthly average. As of 01.07.2001 the reserve may be filled with external assets in the amount of 50% from the monthly average mandatory reserve requirement. As at 31.12.07 the reserve requirement was filled by balances with central bank, financial assets held for trading and financial assets at fair value through profit or loss at inception.

Mandatory reserve deposits are available for use by the Group's day-to-day business. Mandatory reserve earns interest at 3%.

14. Loans and advances to credit institutions

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Liquid deposits	5,094.7	1,881.4	5,088.9	1,878.6
Time deposits	290.2	45.9	290.2	45.9
Other	41.4	16.5	41.4	16.6
	5,426.3	**1,943.8**	**5,420.5**	**1,941.1**
* Cash equivalents	5,094.7	1,881.4	5,088.9	1,878.6

15. Loans and advances to customers

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Loans	55,332.7	46,417.8	55,549.7	46,924.5
Overdrafts	2,868.8	1,968.2	3,133.9	2,339.2
Leasing	12,787.7	10,914.9	-	-
Factoring	1,091.3	897.4	-	-
Insurance recievables	2.3	1.9	-	-
	72,082.8	**60,200.2**	**58,683.6**	**49,263.7**

Gross and net investments on finance leases	Group	
	31.12.07	31.12.06
Gross investment	**14,673.4**	**12,393.5**
up to 1 year	4,369.8	3,613.4
1 - 5 years	9,422.1	7,791.3
over 5 years	881.5	988.8
Unearned future finance income on finance leases (-)	**-1,885.8**	**-1,478.6**
Net investment in finance leases	**12,787.7**	**10,914.9**
up to 1 year	3,696.7	3,128.2
1 - 5 years	8,361.9	6,951.1
over 5 years	729.1	835.6

	31.12.07	31.12.06
Net investment in finance leases by interest rates	**12,787.7**	**10,914.9**
<= 5 %	1,293.7	4,488.1
5-10 %	11,411.7	6,410.0
10-15 %	82.3	16.3
>15 %	0.0	0.5

	31.12.07	31.12.06
Net investment in finance leases by base currencies	**12,787.7**	**10,914.9**
EEK	143.7	191.7
EEK related to EUR	7,278.6	8,149.5
USD	585.5	795.8
EUR	4,779.9	1,777.9

16. Allowances for doubtful debt

	Group		Bank	
	31.12.07	31.12.06	31.12.07	31.12.06
At the beginning of period (January, 1)	235.6	203.7	152.9	146.1
Loan allowances	207.4	75.4	179.3	10.3
Reversals of allowances	-18.2	-35.6	-7.9	3.2
Loans and advances written off	-75.0	-6.8	-23.0	-5.9
Exchange rate adjustments	-3.9	-1.1	-0.2	-0.8
At the end of period (December, 31)	**345.9**	**235.6**	**301.1**	**152.9**
Recoveries from write-offs	17.9	9.1	16.8	8.4

* allowances include both allowances for loans to credit institutions and for loans and advances to customers

17. Information about loans and advances, restructured during the 2007

No larger loans and advances were restructured during the year 2007.

18. Securities

	Group		Bank	
	31.12.07	31.12.06	31.12.07	31.12.06
Financial assets held for trading	**192.3**	**90.0**	**192.3**	**90.1**
Shares	144.1	14.0	144.1	14.0
incl. listed	144.1	14.0	144.1	14.0
Debt securities and other fixed income securities	48.2	76.0	48.2	76.1
incl. listed	30.2	19.2	30.2	19.2
Derivatives (Notes 33, 1.24)	**334.8**	**17.4**	**336.5**	**17.9**
Financial assets at fair value through profit or loss at inception	**1,461.8**	**3,612.5**	**0.0**	**2,549.3**
Shares	978.0	673.4	0.0	0.0
incl. listed	328.5	194.6	0.0	0.0
Debt securities and other fixed income securities *	483.8	2,939.1	0.0	2,549.3
incl. listed	316.2	2,865.7	0.0	2,549.3
Available for sale financial assets	**66.2**	**74.6**	**6.8**	**11.7**
Shares	66.2	74.3	6.8	11.4
incl. listed	1.5	69.2	1.5	6.4
Debt securities and other fixed income securities	0.0	0.3	0.0	0.3
incl. listed	0.0	0.0	0.0	0.0
Tütar- ja sidusettevõtete aktsiad	**53.7**	**42.9**	**202.4**	**323.8**
	2,108.7	**3,837.4**	**738.0**	**2,992.8**

* The above debt securities designated at fair value at inception consist of two classes of financial assets:

- insurance clients financial assets (2007: 483.8 MEEK, 2006: 389.8 MEEK).

- liquidity management financial assets (2007: 0 MEEK, 2006: 2549.3 MEEK).

Both are managed and their performance is evaluated on a fair value basis in accordance with a risk management strategy, and where information about these financial assets is reported to management on that basis. Additionally insurance clients financial assets are matched to their investment contract liabilities (Note 27).

Associated companies

	Nominal value (EEK)	Assets	Liabili-ties	Total revenues	SEB Pank part in calculated profit/-loss	Balance value	Owner-ship (%)
2007							
SEB IT Partner Estonia OÜ	17500	10.8	3.5	28.9	0.8	2.6	35.00%
AS Sertifitseerimiskeskus	100000	29.2	4.6	17.7	-2.0	6.1	25.00%
Pankade Kaardikeskuse AS	1000	110.3	4.2	59.6	11.4	44.0	41.52%
OÜ TietoEnator Support	20000	5.6	2.7	18.4	0.6	1.0	20.00%
Total		155.9	15.0	124.6	10.8	53.7	
2006							
SEB IT Partner Estonia OÜ	17500	8.3	3.4	19.9	0.1	1.7	35.00%
AS Sertifitseerimiskeskus	100000	43.8	11.4	14.2	0.0	8.1	25.00%
Pankade Kaardikeskuse AS	1000	81.4	2.8	47.7	8.6	32.7	41.52%
OÜ TietoEnator Support	20000	2.4	2.3	13.1	-0.2	0.4	20.00%
Total		135.9	19.9	94.9	8.5	42.9	

Share of the Group from the net assets of associates equals to the carrying value of the investment in the Group financial statements, except for investment in OÜ TietoEnator Support, where the goodwill in amount of 0.4 million kroons is included in the carrying value of investment.

Acquisitions and disposals of associated companies and subsidaries

Acquisitions

In 2007, SEB Pank established SEB Enskilda with 100% holding. Acquisition cost 11,5 MEEK.

In 2006, the share capital in associated company AS Sertifitseerimiskeskus was increased by issuing new shares. The issued shares were subscribed proportionally by the former shareholders pursuant to their existing holding. Additional contribution of AS SEB Pank into share capital was 7.0 MEEK.

Disposals

In December 2007, SEB Pank sold its 100%-holding in AS Tornimägi. Acquisition cost 132,9 MEEK, see Note 21.

In 2006, AS SEB Pank liquidated its 100%-owned subsidiary AS Ühisinvesteeringud. According to the distribution plan of the liquidation report of the company, the parent company collected 38.8 MEEK.

In 2006, the associated company AS Eesti Liisingukeskus was liquidated and according to the distribution plan of the liquidation report AS SEB Liising collected 1.1MEEK.

HF Liisingu AS final accounts were filed with Register on 28.12.07 with application to delete the entity from Estonian Commercial Register. Respective entry was made by Register on 31.01.2008.

19. Intangible assets

	Group			Bank		
	Goodwill	Other	Total	Goodwill	Other	Total
At the beginning of period (01.01.06)						
Cost	379.1	75.4	454.5	623.2	73.8	697.0
Accumulated amortisation	0.0	-63.0	-63.0	-244.1	-61.4	-305.5
Carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
Opening carrying value	**379.1**	**12.4**	**391.5**	**379.1**	**12.4**	**391.5**
Additions	0.0	1.7	1.7	0.0	1.7	1.7
Amortisation charge	0.0	-6.1	-6.1	-	-6.1	-6.1
Closing carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**
At end of period (31.12.06)						
Cost	379.1	76.5	455.6	379.1	75.0	454.1
Accumulated amortisation	0.0	-68.5	-68.5	-	-67.0	-67.0
Carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**
At the beginning of period (01.01.07)						
Cost	379.1	76.5	455.6	379.1	75.0	454.1
Accumulated amortisation	-	-68.5	-68.5	-	-67.0	-67.0
Carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**
Opening carrying value	**379.1**	**8.0**	**387.1**	**379.1**	**8.0**	**387.1**
Additions	0.0	11.8	11.8	0.0	11.8	11.8
Müüdud vara soetusmaksumuses	0.0	-8.5	-8.5	0.0	-8.5	-8.5
Müüdud vara kulum	0.0	8.5	8.5	0.0	8.5	8.5
Amortisation charge	0.0	-6.0	-6.0	0.0	-6.0	-6.0
Closing carrying value	**379.1**	**13.8**	**392.9**	**379.1**	**13.8**	**392.9**
At end of period (31.12.07)						
Cost	379.1	79.8	458.9	623.2	79.0	702.2
Accumulated amortisation	0.0	-66.0	-66.0	-244.1	-65.2	-309.3
Carrying value	**379.1**	**13.8**	**392.9**	**379.1**	**13.8**	**392.9**

Goodwill

Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occured. There was no impairment identified in 2007 (also in 2006).

The cash generating unit is SEB Pank. The impairment test has been based on values in use with forecasted cash flows for a period of five years. The cash flow is determined based on historical performance and market trends for key assumptions such as growth and cost/income ratio. The growth rate used after five years are principally the expected long-term inflation rate 5 per cent. The used discount rate is 11 per cent.

20. Tangible assets

	Group				Bank			
At the beginning of period (01.01.06)	Land	Buildings	Other tangible assets	Total	Land	Buildings	Other tangible assets	Total
Cost	7.5	551.8	463.1	1,022.4	1.7	204.8	410.8	617.3
Accumulated depreciation	0.0	-127.3	-306.5	-433.8	0.0	-71.9	-283.5	-355.4
Carrying value	**7.5**	**424.5**	**156.6**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**
Opening carrying value	**7.5**	**424.5**	**156.6**	**588.6**	**1.7**	**132.9**	**127.3**	**261.9**
Additions	0.2	2.4	48.0	50.6	0.2	2.5	34.7	37.4
Disposals (carrying value)	0.0	-5.6	-12.3	-17.9	0.0	-2.9	-5.5	-8.4
Depreciation charge	0.0	-9.5	-54.9	-64.4	0.0	-4.8	-45.8	-50.6
Reclassification	-7.2	-405.2	0.0	-412.4	-1.4	-121.5	0.0	-122.9
Closing carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**
At end of period (31.12.06)								
Cost	0.5	39.4	471.0	510.9	0.5	34.2	417.3	452.0
Accumulated depreciation	0.0	-32.8	-333.6	-366.4	0.0	-28.0	-306.6	-334.6
Carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**

At the beginning of period (01.01.07)	Land	Buildings	Other tangible assets	Total	Land	Buildings	Other tangible assets	Total
Cost	0.5	39.4	471.0	510.9	0.5	34.2	417.3	452.0
Accumulated depreciation	0.0	-32.8	-333.6	-366.4	0.0	-28.0	-306.6	-334.6
Carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**
Opening carrying value	**0.5**	**6.6**	**137.4**	**144.5**	**0.5**	**6.2**	**110.7**	**117.4**
Additions	0.0	10.3	82.0	92.3	0.0	5.0	55.4	60.4
Disposals (carrying value)	0.0	-0.3	-4.6	-4.9	0.0	-0.3	-2.4	-2.7
Depreciation charge	0.0	-2.3	-52.5	-54.8	0.0	-2.1	-43.6	-45.7
Reclassification (Note 21)	0.0	0.0	-9.3	-9.3	0.0	0.0	-4.9	-4.9
Closing carrying value	**0.5**	**14.3**	**153.0**	**167.8**	**0.5**	**8.8**	**115.2**	**124.5**
Selling AS Tornimägi								
Cost			-9.8	-9.8				
Accumulated depreciation			4.2	4.2				
Carrying value			**-5.6**	**-5.6**				
At end of period (31.12.07)								
Cost	0.5	34.1	503.9	538.5	0.5	27.6	443.3	471.4
Accumulated depreciation	0.0	-19.8	-356.5	-376.3	0.0	-18.9	-328.0	-346.9
Carrying value	**0.5**	**14.3**	**147.4**	**162.2**	**0.5**	**8.7**	**115.3**	**124.5**

21. Other assets

	Group		Bank	
	31.12.07	31.12.06	31.12.07	31.12.06
Payments in transit*	2,258.3	396.9	2,256.8	396.4
Assets held for sale**	21.1	506.4	1.7	190.0
Allowances for losses from other recievables	-6.0	-6.9	0.0	-6.9
	2,273.4	**896.4**	**2,258.5**	**579.5**

	31.12.07	31.12.06
Assets held for sale at the beginning of the year	**506.4**	**33.8**
According to management decision classified as held for sale**	22.0	493.4
In the course of regular business operations classified as held for sale	0.0	209.6
Acquired during the year	38.9	2.2
Disposed of during the year	-546.2	-232.6
Assets held for sale at the end of the year	**21.1**	**506.4**

Disposals of assets held for sale	**31.12.07**	**31.12.06**
Sales value	1049.5	256.5
Carrying value	-546.2	-232.6
Gain/loss on disposal (Note 1)	503.3	23.9

* Increasing in 2007 include 1690 MEEK client's payments in transit with future value date in connection with increased volume of payments outside Estonia

** The balance of 31.12.2006 includes property held for sale reclassified from investment property and other tangible assets (Note 9)

The divestment of properties owned by SEB Pank Group has been finalised. The capital gain of MEEK 503,5 is included in the annual accounts for the Group. Respective profit from sale of properties and sale of shares of AS Tornimägi, as in effect the main business of AS Tornimägi was rental service to SEB Pank Group, was considered as property for profit recognition in Group. This result is presented in the income statement under "Other operating income" on line "Gains on assets sales" (Note 10) and under "Other operating expense" on line "Cost on sales of fixed assets" (Note 11).

22. Accrued income and prepaid expenses

	Group		Bank	
	31.12.07	31.12.06	31.12.07	31.12.06
Accured revenue and prepaid expenses	703.2	371.4	87.9	118.9
Accrued interest receivable	274.2	183.9	229.5	154.9
Prepaid taxes	143.6	141.1	0.0	0.0
Deferred tax asset	0.7	0.0	0.0	0.0
	1,121.7	**696.4**	**317.4**	**273.8**

23. Deferred income tax liabilities

	Group	
	31.12.07	**31.12.06**
Deferred tax assets in subsidary SEB Leasing		
At the beginning of period	**2.7**	**0.0**
Deferred tax expenses / income (Note 12)	-2.0	2.7
At end of period	**0.7**	**2.7**
Deferred tax liabilities in subsidary SEB Leasing		
At the beginning of period	**1.9**	**1.9**
Accelerated tax depreciation (Note 12)	2.3	0.0
At end of period	**4.2**	**1.9**
		4.2

24. Due to credit institutions

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Demand deposits	554.8	1,792.3	554.7	1,792.2
Time deposits and loans (remainig maturity up to 1 year)	1,898.4	8,368.8	1,082.3	-5,640.7
Time deposits and loans (remainig maturity more than 1 year)	32,569.0	17,132.9	21,132.7	21,132.7
	35,022.2	**27,294.0**	**22,769.7**	**17,284.2**

34.7 billion kroons as at 31.12.2007 and 26.9 billion kroons as at 31.12.2006 are due from group to parent bank SEB.
In 2007 the bank took credit lines from KFW (Kreditanstalt für Wiederaufbau) 25 million EUR with maturity

25. Due to customers

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Demand deposits	22,110.5	18,765.9	22,654.2	19,297.3
Time deposits and other saving deposits	11,712.8	12,868.8	13,967.7	14,040.1
Investment deposits (index-linked)	1,952.2	1,161.1	0.0	0.0
	35,775.5	**32,795.8**	**36,621.9**	**33,337.4**

Customer assets under management of the group

As of 31.12.2007 the customer securities portfolios under management of the group amounted to 2849,0 million kroons (including 640,9 million in portfolio of SEB Elu- ja Pensionikindlustus). The total volume of aforementioned portfolios as of 31.12.2006 was 2069,9 million kroons (including 508,1 million in portfolio of SEB Elu- ja Pensionikindlustus). Commission fee is received from management of these portfolios and no credit or market risk is born by the group.

As at 31.12.2007 the group's asset management company (AS SEB Varahaldus) belonging to the Group managed 11 investment and pension funds (i.e. 7 open-end investment funds, 2 mandatory pension funds and 2 voluntary pension fund) with average total volume of 6,9 billion kroons. As at 31.12.2006 the asset management company belonging to the Group managed 9 investment and pension funds (i.e. 5 open-end investment funds, 2 mandatory pension funds and 2 voluntary pension fund) with average total volume of 5,9 billion kroons. Investment management service is also performed to the SEB (parent Group) funds (4 funds) 18,1 billion kroons, as at 2006 14,6 billion kroons.

26. Issued debt securities

31.12.07

Buyer / Registry holder	Amount in issued currency (mio)		Amount in EEKmio	Interest rate	Maturity date
Issued bonds by AS SEB Pank					
Clients of structured bonds	2.4	EUR	37.0	0.00%	29.09.10
Estonian Central Register of Securities	50.7	EEK	50.8	4.09%	14.02.08
Estonian Central Register of Securities	23.9	EEK	23.9	4.65%	16.06.08
Estonian Central Register of Securities	103.1	EEK	103.1	5.30%	14.06.10
Estonian Central Register of Securities	190.6	EEK	190.7	4.65%	16.06.08
Estonian Central Register of Securities	47.2	EEK	47.2	4.68%	16.06.08
Estonian Central Register of Securities	237.5	EEK	237.5	5.00%	01.10.08
			690.2		

31.12.06

Buyer / Registry holder	Amount in issued currency (mio)		Amount in EEKmio	Interest rate	Maturity date
Issued bonds by AS SEB Pank					
Clients of structured bonds	2.0	EUR	30.6	0.00%	29.09.10
Clients of structured bonds	0.0	EUR	1.3	0.00%	20.04.07
Estonian Central Register of Securities	193.2	EEK	193.2	3.33%	14.06.07
Estonian Central Register of Securities	84.2	EEK	84.2	3.71%	01.10.07
			309.3		

27. Other liabilities

	Group		Bank	
	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**
Payments in transit*	2,711.8	748.1	2,654.1	738.5
Factoring balances	74.6	62.4	0.0	0.0
Insurance financial liabilities	966.9	655.5		
	3,753.3	**1,466.0**	**2,654.1**	**738.5**

* increasing in 2007 include 1690 MEEK client's payments in transit with future value date in connection with increased volume of payments outside Estonia

Movement of financial liabilities from investment contracts with insurance clients

	31.12.07	**31.12.06**
Financial liabilities from insurance contracts – at fair value through profit or loss		
Balance at the beginning of the period	**559.0**	**335.4**
Premiums collected	345.0	207.8
Service fees	-11.7	-7.6
Provisions and disbursements	-76.6	-48.8
Change in fair value, interest and bonuses	33.3	72.2
Balance at the end of the period	**849.0**	**559.0**

Financial liabilities from insurance contracts – at amortised cost		
Balance at the beginning of the period	**96.5**	**73.2**
Premiums collected	30.7	29.2
Service fees	-9.2	-8.0
Provisions and disbursements	-5.7	-2.0
Change in fair value, interest and bonuses	5.6	4.1
Balance at the end of the period	**117.9**	**96.5**
Total	**966.9**	**655.5**

28. Accrued expenses and deferred income

	Group		Bank	
	31.12.07	**31.12.06**	31.12.07	**31.12.06**
Tax debts	42.0	21.8	22.9	15.1
Accrued interest payable	540.5	294.0	416.2	215.0
Prepayments from leasing customers	80.0	60.0	0.0	0.0
Other accrued costs	156.0	134.9	0.1	1.6
Other prepaid income	397.0	109.3	195.7	116.9
	1,215.5	**620.0**	**634.9**	**348.6**

29. Provisions

	Life insurance provision	Provision of unsettled claims	Bonus provision	Technical provisions total
Insurance technical provisions as at 01.01.2006	**301.0**	**2.1**	**7.9**	**311.0**
Added to the insurance technical provisions	7.9	0.0	-7.9	0.0
Calculated during the period under review	96.4	1.3	6.3	104.0
Total technical provisions of insurance as at 31.12.06	**405.3**	**3.4**	**6.3**	**415.0**
Other provisions (legal claims)	-	-	-	2.7
Total provisions 31.12.2006	-	-	-	**417.7**
Insurance technical provisions as at 01.01.2007	**405.3**	**3.4**	**6.3**	**415.0**
Added to the insurance technical provisions	6.3	0.0	-6.3	0.0
Calculated during the period under review	102.7	-0.2	8.7	111.2
Total technical provisions of insurance as at 31.12.07	**514.3**	**3.2**	**8.7**	**526.2**
Other provisions (legal claims)	-	-	-	4.9
Total provisions 31.12.2007	-	-	-	**531.1**

30. Subordinated liabilities

31.12.07

Issuer	Amount in issued currency (mio)	Amount in EEKmio	Interest rate at balance sheet date	Maturity date
SEB	17.0 EUR	266.0	5.57 %	21.12.16
SEB	50.0 EUR	782.3	5.59 %	23.09.15
SEB	50.0 EUR	782.4	5.40 %	26.05.16
SEB	50.0 EUR	782.3	5.44 %	29.05.17
		2,613.0		

31.12.06

Issuer	Amount in issued currency (mio)	Amount in EEKmio	Interest rate at balance sheet date	Maturity date
SEB	17.0 EUR	266.0	4.56 %	21.12.16
SEB	50.0 EUR	782.3	4.48 %	23.09.15
SEB	50.0 EUR	782.4	4.51 %	26.05.16
		1,830.7		

Subordinated debt may be considered as hybrid instrument, which due to their partial capital nature may be included under the bank's own funds in case certain requirements are met. In calculation of capital adequacy, loans with the remaining maturity over 5 years meeting certain requirements are included in own funds. Regarding loans with maturity less than 5 years, a 20% straightline depreciation is applied in each following year, thus the loan is not considered own funds when the maturity period is less than one year.

Subordinated debt is issued at a variable interest rate and the interest restatemant is sheduled within 12 monthly from the balance sheet date. Interest is restated for 6 months period in advance. Subordinated debt is repayable only on maturity.

31. Shareholders

	Country	Number of shares	% from total number of shares
Shareholders of AS SEB Pank at 31.12.2007:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00
Shareholders of AS SEB Pank at 31.12.2006:			
Skandinaviska Enskilda Banken (SEB)	Sweden	66,562,381	100.00

Nominal value of shares: 10 EEK
Maximum number of shares in articles of association: 240,000,000

All issued shares are paid for.
SEB AB is the ultimate parent of AS SEB Pank. SEB AB (incorporated in Sweden) does not have a controlling parties.
See capital adequacy calculation on page 13.

32. Dividend policy

SEB Pank is 100%-owned by SEB. In working out the strategy for equity management, profit distribution and formation of reserves the bank is following the common approach of future risks and performance strategy of the SEB Group. The Group has not paid any dividend since aquisition by SEB AB.

33. Off-balance sheet ilems

(millions of EEK)

31.12.07	Group Contract amount Assets	Group Contract amount Liabilities	Bank Contract amount Assets	Bank Contract amount Liabilities
1.Irrevocable transactions	**665.1**	**11,645.0**	**665.1**	**11,576.3**
1.1. Guarantees and pledges	273.9	3,908.8	273.9	4,098.8
incl. financial guarantees	*234.7*	*1,362.9*	*234.7*	*1,362.9*
1.2. Loan commitments	391.2	7,736.2	391.2	7,477.5
2. Derivatives*	**9,079.7**	**9,071.5**	**9,241.7**	**9,239.5**
2.1. Currency rate based derivatives	4,614.1	4,612.5	4,776.1	4,780.5
incl. forwards	*685.4*	*689.4*	*692.6*	*696.7*
swaps	*3,447.0*	*3,441.1*	*3,601.8*	*3,601.8*
others (spots)	*481.7*	*482.0*	*481.7*	*482.0*
2.2. Interest rate based derivatives	2,927.9	2,927.6	2,927.9	2,927.6
2.3. Securities based derivatives	1,537.7	1,531.4	1,537.7	1,531.4
incl. options, written / purchased	*1,537.7*	*1,531.4*	*1,537.7*	*1,531.4*
3. Revocable transactions	**80.7**	**10.2**	**0.0**	**10.2**
3.1. Stand by loans	80.7	0.0	0.0	0.0
3.2. Other revocable transactions	0.0	10.2	0.0	10.2
	9,825.5	**20,726.7**	**9,906.8**	**20,826.0**

31.12.06	Group Contract amount Assets	Group Contract amount Liabilities	Pank Contract amount Assets	Pank Contract amount Liabilities
1.Irrevocable transactions	**259.7**	**10,588.1**	**259.7**	**10,539.3**
1.1. Guarantees and pledges	259.7	2,981.4	259.7	3,171.5
incl. financial guarantees	*234.7*	*783.1*	*234.7*	*783.1*
1.2. Loan commitments	0.0	7,606.7	0.0	7,367.8
2. Derivatives*	**7,342.2**	**7,349.1**	**7,397.1**	**7,404.4**
2.1. Currency rate based derivatives	4,754.0	4,767.7	4,808.9	4,823.0
incl. forwards	*370.8*	*375.1*	*370.8*	*375.1*
swaps	*2,110.6*	*2,120.3*	*2,165.4*	*2,175.6*
options, written / purchased	*1,687.1*	*1,687.1*	*1,687.1*	*1,687.1*
others (spots)	*585.5*	*585.2*	*585.5*	*585.2*
2.2. Interest rate based derivatives	1,708.6	1,708.5	1,708.6	1,708.5
2.3. Securities based derivatives	879.6	872.9	879.6	872.9
incl. options, written / purchased	*879.6*	*872.9*	*879.6*	*872.9*
3. Revocable transactions	**0.0**	**2.5**	**0.0**	**2.5**
3.1. Other revocable transactions	0.0	2.5	0.0	2.5
	7,601.9	**17,939.7**	**7,656.8**	**17,946.2**

* Derivative transactions are executed to cover the client's position and the derivative risks are not taken to own portfolio. All risks arising from these transactions are fully mitigated by parent company.

34. Concentration of loans and advances from customers by countries

(millions of EEK)

Group **31.12.07**

Country	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Estonia	69,802.7	953.8	240.9	2,252.3	18,052.1	88.5
France	0.7	73.7	0.0	0.0	72.7	0.1
Germany	89.6	23.7	0.2	1.1	64.4	0.2
Latvia	122.6	33.0	0.3	0.1	16.6	0.2
Lithuania	67.2	25.7	0.2	0.0	12.0	0.1
Luxembourg	16.9	174.4	0.2	10.7	0.1	0.2
Netherlands	7.7	68.7	0.0	0.0	0.1	0.1
Russia	2,101.0	130.2	9.8	20.3	48.8	2.3
Sweden	4,860.4	453.1	10.2	6.7	1,894.2	7.2
Switzerland	23.3	0.2	0.0	0.0	186.8	0.2
United Kingdom	129.0	0.4	0.3	0.1	105.5	0.2
United States	49.5	23.9	0.1	0.0	53.8	0.1
Unallocated	238.5	147.9	0.5	5.2	219.6	0.6
TOTAL	**77,509.1**	**2,108.7**	**262.7**	**2,296.5**	**20,726.7**	**100.0**

Bank **31.12.07**

Country	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Estonia	58,369.1	375.3	206.3	1,837.4	18,151.4	89.8
Finland	16.6	0.5	0.1	1.5	177.8	0.2
France	0.7	0.0	0.0	0.0	72.7	0.1
Germany	88.9	0.0	0.2	1.1	64.4	0.2
Latvia	122.6	17.3	0.3	0.1	16.6	0.2
Lithuania	67.1	24.3	0.2	0.1	12.0	0.1
Russia	214.3	1.9	0.1	0.0	48.8	0.3
Sweden	4,860.0	317.6	10.2	6.7	1,894.2	8.2
Switzerland	23.3	0.2	0.0	0.0	186.8	0.2
United Kingdom	128.3	0.2	0.3	0.1	105.5	0.3
United States	26.7	0.0	0.1	0.0	53.8	0.1
Unallocated	186.5	0.7	0.2	2.6	42.0	0.3
TOTAL	**64,104.1**	**738.0**	**218.0**	**1,849.6**	**20,826.0**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

Concentration of loans and advances from customers by countries

(millions of EEK)

Group **31.12.06**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.1	1,809.2	0.0	0.0	0.2	2.2
Estonia	58,520.5	664.0	175.0	924.9	14,349.4	87.6
France	0.2	24.5	0.0	0.0	126.3	0.2
Germany	15.8	18.0	0.0	0.7	38.8	0.1
Italy	3.4	1.1	0.0	0.0	46.4	0.1
Latvia	132.6	32.6	0.5	0.1	3.8	0.2
Lithuania	18.1	16.9	0.0	0.1	11.2	0.1
Luxembourg	27.6	119.0	0.0	0.2	0.1	0.2
Netherlands	6.0	799.3	0.0	0.0	2.0	1.0
Russia	1,629.4	75.7	4.4	2.7	49.4	2.1
Sweden	1,294.0	64.6	3.0	5.6	2,983.4	5.2
Switzerland	23.4	0.2	0.0	0.0	164.6	0.2
United Kingdom	27.3	17.0	0.1	0.3	85.1	0.2
United States	99.5	49.4	0.2	1.9	18.2	0.2
Unallocated	346.1	145.9	0.7	98.4	60.8	0.6
TOTAL	**62,144.0**	**3,837.4**	**183.9**	**1,034.9**	**17,939.7**	**100.2**

Bank **31.12.06**

Country	In balance sheet: Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commitments	% from total
Belgium	0.1	1,809.2	0.0	0.0	0.2	2.5
Cyprus	40.2	0.0	0.0	0.0	0.2	0.1
Estonia	48,988.7	398.5	151.1	713.6	14,357.2	88.4
Finland	14.7	11.6	0.0	3.2	31.6	0.1
France	0.2	0.0	0.0	0.0	126.3	0.2
Germany	15.1	0.0	0.0	0.0	38.8	0.1
Italy	3.3	0.0	0.0	0.0	46.4	0.1
Latvia	132.6	16.6	0.5	0.0	3.8	0.2
Netherlands	6.0	740.1	0.0	0.0	2.0	1.0
Russia	460.5	1.9	0.0	0.0	49.4	0.7
Sweden	1,293.4	7.4	3.0	5.6	2,983.4	5.9
Switzerland	23.4	0.1	0.0	0.0	164.6	0.3
United Kingdom	26.4	0.1	0.1	0.3	85.1	0.1
United States	52.9	6.4	0.1	1.9	18.2	0.1
Unallocated	147.3	0.9	0.1	5.2	39.0	0.2
TOTAL	**51,204.8**	**2,992.8**	**154.9**	**729.8**	**17,946.2**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

35. Concentration of loans and advances from customers by economic sector
(millions of EEK)

Group **31.12.07**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,957.8	0.7	5.0	37.5	177.4	2.1
Construction	1,456.1	43.6	4.4	41.6	1,775.3	3.3
Education	88.2	0.0	6.3	4.2	21.4	0.1
Energy, gas and water plants	1,830.8	26.6	3.8	1.4	950.9	2.8
Exterritorial organisations	0.1	0.0	0.0	0.0	0.5	0.0
Finance	5,432.8	1,113.5	10.6	0.3	4,794.5	11.3
Fishing	31.2	0.0	0.1	0.9	1.3	0.0
Government, social insurance	1,643.0	108.8	0.4	3.0	377.0	2.1
Health services, social work	773.1	6.4	1.3	1.4	180.3	1.0
Home services	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,635.9	0.0	3.1	16.4	95.0	1.7
Industry	6,795.5	99.2	23.5	379.4	1,799.1	8.7
Mining	67.2	1.3	0.8	0.2	5.0	0.1
Real estate	13,392.0	159.8	41.0	416.4	2,695.2	16.2
Trading	7,193.3	61.6	23.2	153.5	2,762.5	10.0
Transport	4,271.5	73.6	21.0	64.4	1,772.0	6.1
Other gov. & social services	1,312.4	63.6	8.0	72.4	243.8	1.6
Individuals	29,628.2	15.2	110.2	1,103.5	3,075.5	32.6
Derivatives	0.0	334.8	0.0	0.0	0.0	0.3
TOTAL	**77,509.1**	**2,108.7**	**262.7**	**2,296.5**	**20,726.7**	**100.0**

Bank **31.12.07**

Economic sector	In balance sheet: Loans	In balance sheet: Securities	In balance sheet: Other	incl. total outstanding of overdue and uncollectible debt and loans	incl. uncollec-tible	overdue	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,195.7	0.7	3.2	25.3	0.0	25.3	144.3	1.6
Construction	662.0	28.6	2.1	22.0	0.0	22.0	1,701.8	2.8
Education	69.7	0.0	6.2	3.9	0.0	3.9	21.4	0.1
Energy, gas and water plants	1,362.8	4.1	3.1	0.6	0.0	0.6	950.5	2.7
Exterritorial organisations	0.1	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Finance	5,685.8	135.7	11.6	0.0	0.0	0.0	5,521.9	13.2
Fishing	21.2	0.0	0.1	0.6	0.0	0.6	1.3	0.0
Government, social insurance	1,500.6	1.5	0.0	0.1	0.0	0.1	377.0	2.2
Health services, social work	568.0	0.0	0.8	0.3	0.0	0.3	180.3	0.9
Home services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,569.4	0.0	3.0	12.4	0.0	12.4	94.8	1.9
Industry	3,961.7	35.9	12.7	209.1	0.2	209.1	1,638.5	6.6
Mining	30.1	0.0	0.1	0.0	0.0	0.0	2.5	0.0
Real estate	11,680.3	111.0	33.7	372.1	0.0	372.1	2,684.4	16.9
Trading	5,042.4	44.6	16.1	114.8	0.7	114.8	2,425.3	8.8
Transport	2,020.2	19.3	14.2	1.8	0.0	1.8	1,763.7	4.4
Other gov. & social services	725.8	20.0	6.3	53.4	1.7	53.4	242.4	1.2
Individuals	28,008.4	0.0	105.0	1,033.1	0.4	1,033.1	3,075.5	36.3
Derivatives	0.0	336.5	0.0	0.0			0.0	0.4
TOTAL	**64,104.1**	**738.0**	**218.0**	**1,849.6**	**3.0**	**1,849.6**	**20,826.0**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

Concentration of loans and advances from customers by economic sector
(millions of EEK)

Group **31.12.06**

Economic sector	In balance sheet Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,768.5	0.0	4.1	37.7	163.5	2.3
Construction	1,119.3	9.9	2.6	12.2	965.2	2.5
Education	40.1	0.0	2.7	0.0	0.7	0.1
Energy, gas and water plants	1,188.5	24.5	2.3	2.2	349.3	1.9
Exterritorial organisations	0.0	0.0	0.0	0.0	0.4	0.0
Finance	2,027.4	803.9	2.9	3.6	5,499.9	9.5
Fishing	40.2	0.0	0.1	6.0	3.8	0.1
Government, social insurance	1,734.9	2,647.6	0.4	1.8	141.8	5.4
Health services, social work	628.7	11.4	1.0	1.9	442.8	1.3
Home services	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,156.4	0.0	2.0	15.7	201.2	1.6
Industry	5,482.4	66.4	18.2	84.9	1,272.4	8.2
Mining	39.3	13.6	0.1	0.4	10.2	0.1
Real estate	12,785.3	138.6	32.7	91.7	2,063.5	18.5
Trading	5,983.2	23.4	17.7	41.3	2,108.3	9.8
Transport	4,157.7	32.7	17.4	129.9	1,921.8	7.4
Other gov. & social services	1,128.8	47.5	6.6	21.7	260.2	1.6
Individuals	22,863.3	0.0	73.1	583.9	2,534.7	29.7
Derivatives	0.0	17.9	0.0	0.0	0.0	0.0
TOTAL	**62,144.0**	**3,837.4**	**183.9**	**1,034.9**	**17,939.7**	**100.0**

Bank **31.12.06**

Economic sector	In balance sheet Loans	Securities	Other	incl. total outstanding of overdue and uncollectible debt and loans	incl. uncollec-tible	overdue	off-balance sheet commit-ments	% from total
Agriculture, hunting, forestry	1,081.9	0.0	2.6	16.4	0.0	16.4	137.8	1.7
Construction	635.1	0.5	1.5	8.2	2.4	8.2	954.0	2.2
Education	25.0	0.0	2.7	0.0	0.0	0.0	0.7	0.1
Energy, gas and water plants	735.8	0.6	1.6	1.5	0.0	1.5	349.1	1.5
Exterritorial organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Finance	2,389.9	140.0	4.2	3.6	3.6	3.6	5,960.5	11.7
Fishing	24.5	0.0	0.1	0.8	0.0	0.8	2.0	0.0
Government, social insurance	1,531.3	2,550.0	0.0	0.0	0.0	0.0	141.8	5.8
Health services, social work	391.4	0.0	0.7	1.0	0.0	1.0	442.7	1.2
Home services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotels, restaurants	1,106.4	0.0	1.9	15.4	0.0	15.4	201.1	1.8
Industry	3,205.0	4.7	10.3	54.3	0.2	54.3	1,159.5	6.1
Mining	9.1	0.0	0.0	0.0	0.0	0.0	3.6	0.0
Real estate	11,847.7	247.2	29.0	77.2	0.0	77.2	2,060.5	19.6
Trading	4,156.4	11.8	13.5	26.2	6.9	26.2	1,830.5	8.3
Transport	1,893.0	1.6	12.0	22.6	0.0	22.6	1,910.8	5.4
Other gov. & social services	621.0	18.6	5.5	16.2	1.9	14.6	256.6	1.2
Individuals	21,551.3	0.0	69.4	486.1	0.7	486.1	2,534.7	33.4
Derivatives	0.0	17.9	0.0	0.0			0.0	0.0
TOTAL	**51,204.8**	**2,992.8**	**154.9**	**729.8**	**15.7**	**728.1**	**17,946.2**	**100.0**

The columns of outstanding amounts indicate the balance (gross) of these claims and loans that are overdue and/or written down, including not overdue.

36. Related parties

(millions of EEK)	Group		Bank	
	31.12.07	31.12.06	31.12.07	31.12.06
Loans to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	16.9	10.8	15.7	5.1
Contingent liabilities to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons (credit lines and commitments to extend credit).	-1.6	-0.5	-1.6	-0.5
Deposits of members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	-8.1	-15.2	-8.1	-15.2
Nõuded tütarettevõtjatele	-	-	493.8	881.3
Kohustused tütarettevõtjatele	-	-	-855.5	-551.4
Bilansivälised nõuded tütarettevõtjatele	-	-	167.1	54.8
Bilansivälised kohustused tütarettevõtjatele	-	-	-763.9	-497.2
Loans to parent company	5,169.2	1,286.3	5,163.2	1,278.3
Due to parent company	-37,328.4	-28,737.1	-24,948.5	-18,648.6
incl. subordinated liabilities	-2,613.0	-1,838.5	-2,613.0	-1,838.5
Contingent assets and commitments to parent company	2,183.1	1,908.5	2,183.1	1,908.5
Contingent liabilities and commitments to parent company	-1,850.1	-1,876.4	-1,850.1	-1,876.4
Loans to enterprises of parent company's consolidation group	162.1	69.6	162.1	65.8
Due to enterprises of parent company's consolidation group	-28.8	-45.7	-28.8	-45.7
Contingent assets and commitments to enterprises of parent company's consolidation group	17.9	7.8	17.9	7.8
Contingent liabilities and commitments to enterprises of parent company's consolidation group	-16.4	-7.8	-16.4	-7.8
Interest income from parent company	88.6	16.1	88.6	16.1
Interest expence to parent company	-1,500.3	-788.4	-1,045.9	-492.6
Commission income from parent company	27.0	18.7	3.0	1.2
Commission expences to parent company	-3.4	-1.0	-3.4	-1.0
Interest income from enterprises of parent company's consolidation group	2.4	1.2	2.4	1.2
Interest expence to enterprises of parent company's consolidation group	-2.2	-0.5	-2.2	-0.5
Commission income from enterprises of parent company's consolidation group	23.8	15.3	3.9	3.5
Commission expences to enterprises of parent company's consolidation group	-18.7	-10.9	-1.0	0.0

Interest rates of the loans given to related parties do not differ materially from interest rates of the loans to customers.
Transactions with related parties have been based on market terms.
Related parties are:
- parent company
- subsidiaries of parent company;
- associates of parent company;
- associates of the Group;
- members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.

	2007	2006
Salaries and other benefits to the management in AS SEB Pank		
Members of management board	13.1	11.5
- salaries	8.1	10.3
- termination benefits to the management leaving the group	4.0	0.7
- other benefits to the key management	1.0	0.5
Members of supervisory board	0.0	0.0
Salaries and other benefits to the management in subsidiaries of AS SEB Pank		
Members of management board	11.8	10.3
- salaries	11.8	9.9
- termination benefits to the management leaving the group	0.0	0.4
- other benefits to the key management	0.0	0.0
Members of supervisory board	0.0	0.0

Compensations to key management personnel

Key management personnel is paid a compensation amounting up to 12-month remuneration if they are not re-elected as management board members or if the management board member refuses to accept the position offered under employment contract in AS SEB Pank or a company belonging to the same consolidation group with AS SEB Pank.

The members of AS SEB Pank Management Board and members of the Management Team have 23000 employee stock options and an initial allotment of 26 290 perfomance shares of SEB AB as of 31.12.2007.

37. Legal disputes

There are no outstanding legal disputes from which AS SEB Pank Group could suffer major losses.

38.Overdue

By overdue maturity
(millions of EEK)

31.12.07	Group < 30 days	Group 30 < 60 days	Group over 60 days	Group Total	Bank < 30 days	Bank 30 < 60 days	Bank over 60 days	Bank Total
Loans	1,511.8	319.5	465.3	2,296.5	1,158.6	270.2	420.7	1,849.6
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.7	1.2	6.5	9.5	0.0	0.0	0.0	0.0
	1,513.5	**320.7**	**471.8**	**2,306.0**	**1,158.6**	**270.2**	**420.7**	**1,849.6**

31.12.06	Group < 30 days	Group 30 < 60 days	Group over 60 days	Group Total	Bank < 30 days	Bank 30 < 60 days	Bank over 60 days	Bank Total
Loans	686.0	120.7	224.6	1,031.3	507.9	89.3	130.9	728.1
Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.8	1.1	1.9	0.0	0.0	0.0	0.0
	686.0	**121.5**	**225.7**	**1,033.2**	**507.9**	**89.3**	**130.9**	**728.1**

The table indicates the balance (net) of overdue claims, where there is either principal or interest payments overdue as at the balance sheet date.

39. Contingent liabilities

Potential income tax on distribution of dividends

The retained earnings of the group as at 31 December 2007 were 5 739,3 (31 December 2006: 3 719,9 million kroons. Distribution of retained earnings as dividends to the owners is subject to the income tax at the rate of 21/79 since 1 January 2008 (until 31.12.2007: 22/78) on the amount paid out as net dividends. Therefore, from the retained earnings available at the balance sheet date it is possible to pay out to the shareholders as dividends 4 534,1 million kroons and the corresponding income tax would amount to 1 205,3 million kroons. As of 31 December 2006 it would have been possible to pay out dividends the amount of 2 901,5 million kroons, and the corresponding income tax would have amounted to 818,4 million kroons.

As at 31 December 2007 (and 31 December 2006) 100% shares of AS SEB Pank are owned by SEB AB, who makes the decisions about profit distribution. SEB AB has decided not to pay out dividends from the net profit of AS SEB Pank for the reporting period.

Potential liabilities arising from tax inspection

In 2007 the tax authority did not conduct tax audit in the SEB Pank and subsidiaries.

The tax authorities may at any time inspect the books and records of the company within 6 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties.

The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

40. Events after end of the financial year

No such material events have occurred after the end of the financial year in SEB Pank, that would affect the conditions of the assets and commitments as at the balance sheet date 31.12.2007.