Annual Report 1999

EESTI ÜHISPANK

FINANCIAL HIGHLIGHTS OF EESTI ÜHISPANK GROUP

(According to IAS)

	1995	1996	1997	1998	1999
Results *(millions of EEK)*					
Net interest income	140.6	173.1	355.7	649.7	518.4
Total income	202.3	292.1	647.7	694.0	981.9
Operating expenses	-137.8	-206.5	-341.8	-621.7	-823.6
Value adjustments of advances and off-balance sheet items	-24.5	-27.2	-95.3	-474.5	-115.0
Profit/loss before taxes	37.1	58.4	219.2	-394.0	101.7
Profit/loss attributable to shareholders	35.3	57.5	211.2	-382.3	100.2
Share information *(in EEK)*					
Earnings per share	3.0	2.6	7.4	-8.6	1.5
P/E ratio	3.3	11.4	7.9	-2.2	16.9
Dividends per share	0.4	0.0	0.0	0.0	0.0
Book value per share, years end	12.6	14.9	22.3	20.5	22.5
Share price (years end, closing)	10.0	29.2	58.8	19.4	25.5
Face value	10.0	10.0	10.0	10.0	10.0
Market capitalization (millions of EEK, year end)	150.0	686.7	1,779.9	1,282.0	1,697.3
Average number of shares in issue (millions)	11.6	20.8	27.7	44.3	66.4
Share outstanding, year end (millions)	15.0	23.5	30.3	66.2	66.6
Efficiency					
Return on average shareholders´ equity(ROE)	24.0%	19.8%	41.0%	-29.4%	5.1%
Return on average assets (ROA)	1.6%	1.7%	2.9%	-2.8%	0.6%
Credit losses adjusted net interest margin	5.2%	4.5%	4.0%	0.6%	1.9%
Interest spread	8.8%	7.8%	7.5%	6.5%	4.1%
Operating cost / Total income (excl loss on securities for 1998)	68.1%	70.7%	52.9%	65.1%	77.3%
CPI growth	29.0%	23.1%	11.2%	8.2%	3.3%
Balance Sheet *(millions of EEK)*					
Total assets	2,652.4	3,862.3	10,340.8	16,498.7	14,969.7
Total loans	1,183.0	1,865.8	6,320.7	10,722.0	9,382.2
Level of non-performing loans					
Total deposits	1,673.0	2,505.6	5,510.1	8,205.3	8,054.3
Shareholders´ equity	189.0	350.4	681.8	1,917.5	2,032.3
Capital Ratios					
Capital adequacy	10.3%	12.5%	11.0%	12.5%	13.4%
Tier I ratio	10.3%	12.5%	8.0%	9.3%	10.2%
Number of employees at year end *	805	810	1,127	1,942	1,369
Number of bank offices *	57	57	76	96	82

Note: Employee data from 1995-1997 refers to the bank only. At the end of 1998 Eesti Ühispank employed 1,466 persons. The number of bank offices refers to the bank only.

RATINGS ASSIGNED TO EESTI ÜHISPANK:

	14.3.2000	**31.12.1999**	**31.12.1998**
Moody's Investor Service:			
Bank Deposit Rating (Short-Term/Long-Term)	Baa2/P-3	Baa3/P-3	Baa3/P-3
Bank Financial Strength Rating	D	D	D
FitchIBCA:			
Short-Term Rating	F3	F3	F3
Long-Term Rating	BBB	BBB-	BBB-
Individual Rating	C/D	D	D
Support Rating	3	4	-
Thomson Financial BankWarch:			
Intra-Country Issuer Rating	A/B	B/C	-
Shot-Term Debt Rating	LC-1	-	-

CONTENTS

Seven Years of Eesti Ühispank – Like One Breath…

Dear shareholders, customers, partners and colleagues,

In order to look back at the last financial year, it would be appropriate to start further, even from the point where our bank itself was formed.

The banking landscape was in fact quite motley and controversial at those times. The two branches of Tartu Kommertspank, which was in the process of liquidation, formed Hansapank and Tallinna Pank. The Soviet Agricultural Bank formed the basis of small independent banks in the rural counties. Throughout Estonia commercial banks with sprawling networks were founded. News of bank collapses, lost funds and irregular transactions were common.

In this environment of autonomy, the merger of ten small banks at the end of 1992 created a precedent. The goal was to create a new quality in Estonian banking. A combination of managing the merged banks, solving the problems of the past, rapid development and correctly determining a future vision were the factors why Ühispank has remained on the Estonian market and why it is a force to be reckoned with.

The distinction between owners, customers and partners are quickly disappearing in the financial world. Ühispank became an interesting newcomer for the international markets. Increasingly investors around the globe joined our circle of owners.

The rapid privatization process enlivened Estonia's economic activities. We received a significant amount of foreign investments, but local entrepreneurs were also active. Means or warranties for participation in the privatization were retrieved from banks, in this way the banks became active participants of property reform. The relative significance of the Russian market had its own meaning.

The economic growth in 1997 was euphoric and rocked the conservative vision of the normal evolutionary developmental option. Setbacks in the Asian and Russian markets had a great influence on Estonian economy due to a lack of anticipation in terms of sufficient capital and understanding. Many entrepreneurs ended up in hardships, banks were forced to participate in bankruptcy procedures, concern themselves with restructuring and takeovers. That role became too difficult for some banks, and they had to be merged with larger ones or they ended up in bankruptcy. For Eesti Ühispank, in addition to its own problems, it also meant managing the concerns originating from the merger with Tallinna Pank.

To strengthen our position, we decided to substantially increase equity and attract a strategic investor. Today we can assure our shareholders that our selection worked out for the best, because the majority stake belongs to SEB.

Eesti Ühispank has gone through a rapid and stormy development, from a union of tiny problematic banks to becoming part of a big international group. This path has been difficult and controversial, but uniquely attractive and interesting.

Regarding the results of 1999, we can for the first time emphasize the role of SEB in our bank. The first experiences are impressive and the results are anticipated. I am sure that in the years to follow, our efficiency will improve notably and we will increasingly acquire the pragmatic face of European banking.

Aare Urm
Chairman of Supervisory Board

Beginning of Sustainable Growth

Dear shareholders, clients and partners,

For Eesti Ühispank 1999 was a year of streamlining of structures. The aftershocks of the Russian and Asian crises influenced the Estonian market, anticipated economic growth of 4% turned out to be negative. At the same time, the fourth quarter of last year indicated a restraint of the declining and the beginning of growth that allows to anticipate a 4-5% growth for the current year. Therefore, unlike 1998, the last year could be evaluated as a year of stabilization and the creation of the basis for economic growth.

The profit of Ühispank Group was 100.2 million kroons. The result of Ühispank was the outcome of optimizing costs and maximizing income. Several of Ühispank's decisions and changes will bring result in the longer run. I believe that for current period we have reached the beginning of continuing economic growth that will be reflected in the results of Ühispank for the year 2000. Another key word important for Ühispank for this year is the so-called new economy, where we want to play an active part.

One of the more important trends of 1999 was of course the proliferation of electronic banking. Over the year, the share of electronic transactions reached 80%. In March, we launched the U-Bank project that rapidly gained popularity. In this project we installed 23 U-Bank kiosks in super-markets. In U-Bank, which successfully substitutes a smaller branch, one can perform all the primary bank operations. By the end of the year, U-Bank reached the level of 100,000 transactions per month. Likewise the figures of telephone banking and standing as well as direct order indicate a growing tendency; clients also have demonstrated interest in banking services available by mobile phone.

We will continue the development of our internetbank U-Net for providing clients with the maximum amount services in a secure environment. One of the most attractive services is an option to pay via our internetbank in internet shops, the amount of these is growing in Estonia. In the beginning of the year, our home page www.eyp.ee will be also renewed; it should provide exhaustive info about Ühispank group and its services.

In connection with the fast expansion of electronic bank services, we decided to reduce the number of Ühispank´s regular offices to 55-60. At the moment the number of offices has decreased from 97 to 82, also number of employees has been reduced by 300. Postbanks, which is a partnership project with Eesti Post, will in addition to U-Bank also substitute earlier bank offices. Postbank is basically a post office where primary bank services are performed. It is important that all clients in the future will also be serviced on the same level, only client service channels would change. We also have improved the availability of bank info, our call centre is available 24 hours.

The completion and festive opening of the head office in June of 1999 was certainly an important event for Ühispank. Our clients have now adopted the building, that in the beginning caused many controversial opinions; it was also named "Building of the Year" by Estonian builders. The tall building resembling a rock crystal is an important source of additional effectiveness for our clients as well as for employees, for the first time all our personnel of the head office is under one roof. With our subsidiaries, we can provide here a wide selection of financial services.

In the new head office, a new client service concept has been employed for the first time in Estonia. It is an active client service model that has been taken earlier into use by Ühispank's investor bank SEB. Very positive feedback from clients has assured us to apply in the future the same model in the majority of our offices. With a goal to raise client service quality, we have implemented the system of teller-advisors securing for the client as individual and integrated a service as possible.

Because of focusing our operations more on our core business, Ühispank sold its participations in several enterprises. This year we also plan to sell financial investments when we have a suitable offer. The remaining subsidiaries are better integrated to Ühispank group and the organization is more regulated.

Ühispank has become most of all a retail bank, and fastgrowing retail banking is today the most important production unit. The other priority business area is investment banking and asset management with the main focus on the Estonian market. The third important field remains life insurance. Ühispanga Elukindlustus merged successfully with Leks Elukindlustus and became Estonias second-largest life insurer. The experiences acquired in that work will be certainly utilized in the optimization of the sales structure. By raising general efficiency, those experiences are also useful for a renewed team of Ühisliising who has given a new push for the development of Ühispank group's leasing operation.

In October our corporate investor SEB increased its holding in Ühispank to over 50%. SEB Baltic Holding's market share in the Baltic States is already above 30%. Since through SEB, we are represented in all three Baltic States, we decided to sell our Latvian subsidiary Saules Banka and its subsidiaries. Therefore the home market for Ühispank is Estonia, where we try to offer high quality universal bank services to all target groups, keeping in mind most of all private clients as well small and medium firms in increasing our market share.

In May 1999 the bank refinanced in the framework of the EMTN Programme bonds worth of 85.5 million euros (1.34 billion kroons). In December the representatives of Eesti Ühispank and European Investment Bank (EIB) arranged a finance agreement that gives Ühispank the right to borrow up to 20 million euros from EIB. The loan will be used for financing small and medium projects in the areas of environmental protection, energy savings, infrastructure, industry, service industry and tourism.

In beginning of the year 1999, we replaced all our information systems which greatly improved Ühispank's infotechnological support. The high level of our IT systems and team was exemplified by the success of Y2K project; in this project a thorough technological audit was performed with the support of international programs on avoiding the Y2K bug.

The other important goal we set in the beginning of 1999 was the improvement of liquidity and risk management. The knowhow of SEB here was instrumental and the work will continue, as Ühispank's Board member and chief financial officer, Mr. Johan Magnus Lindh with extensive SEB experience now manages that division. The cost control and increase of efficiency has reached to a level that allows us to say that the financial situation for Ühispank is good.

The passing of the crisis and the beginning of economic growth period are also reflected in the growing understanding of the necessity of savings. The deposits grew in Ühispank over the year correspondingly 28% for private firms and 26% for private clients. An important change in deposit's structure was the reduction of volume of state budgetary money, yet we still want to be active partners with the state and local governement.

The government of Estonia is leading the country towards the European Union which has favourably influenced the flow of investments. Among other things, the Estonian economy has been able to increase on an international scale the trustworthiness necessary for joining the euro-zone. The proof has been the higher credit ratings of Estonia and its banks from international agencies. The growth of the banking sector's professionalism, which also has resulted in the rise of Ühispank's rating, is reflected in the banks' balance and loan policy principles.

Eesti Ühispank's mission is to help to earn, save and manage money. On the one hand we focus on our operation on our home market, on the other hand we are through the consolidation into the SEB group also open to the world's money markets. For a strategic goal, we have set to become and remain the most valued provider of financial services in Estonia. That is achievable, but this demanding goal requires from us openness, friendliness, professionalism, decisiveness and the courage to take responsibility. Loyalty to these values, as well as stable growth and effectiveness will make sure that Eesti Ühispank delivers the quality that satisfies our shareholders, employees, clients and partners.

Ain Hanschmidt
President

Highlights of Eesti Ühispank in 1999

On January 28, 1999 International Finance Corporation **(IFC)** decided to lend to Eesti Ühispank for eight years 259 million kroons (32.375 million Deutsche marks). The bank used the loan for fulfilling an increasing demand of financing housing loans. On May 26 IFC decided not to use the option to convert the loan into shares.

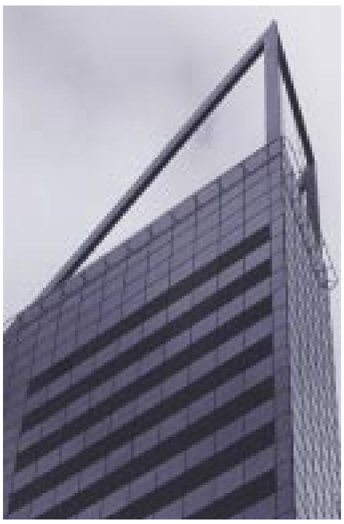
Ühispank was a financial advisor for ABN AMRO, Rothschild & Sons and Nomura International on the biggest privatization process in Estonia in 1999, the Initial Public Offering (IPO) of **Eesti Telekom**. The net worth of the IPO, that was oversubscribed 18 times, was approximately 3.1 billion kroons.

In February Ühispank issued 50 million euros (783 million kroons) worth of 3-year **bonds** at a 6 month interest rate of Euribor plus 3.5%. The bonds were rated by Moody's at Baa3 and by FitchIBCA at BBB-. The lead manager of the issue was Lehman Brothers. It was the first capital markets transaction originating from Eastern Europe after the Russian crisis; it was also the first issue of bonds in the euro denomination in the Baltic States. The success of the issue was also mentioned in The Wall Street Journal.

In April Ühispank and Leks Kindlustus, where Ühispank had 44.7% of shares, decided to merge Leks Elukindlustuse AS with Ühispank's subsidiary **Ühispanga Elukindlustuse AS**. At the year's end, the joint life insurance company reached with its 11.48% share in the life insurance market the second position on the Estonian life insurance market.

On April 10 the Annual General Meeting of shareholders decided to increase share capital by 4,109,390 kroons by issuing and providing to Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden **(FMO)** to distribute on the aftermarket 410,939 ordinary shares of Ühispank. The issue resulted in the increase of Ühispank's share capital to 665 millions of kroons. The same meeting also decided to change the composition of the Supervisory Board of Ühispank.

In August the rating agency **Moody's** upgraded its evaluation of Ühispank's long term deposit rating from "stable" to "positive". The agency also assigned a deposit rating to the level of Baa3/Prime-3 and a financial strength rating (FSR) on level D.



In June 1999 Ühispank's **new head office** was opened to the public with various events. With the opening of the bank office at Tornimäe Street, Ühispank introduced a new customer service concept. For the first time all structural units of the bank's head office were under the same roof, providing an additional option for reaching greater efficiency.

In July the former executive of SEB **Mr. Johan Magnus Lindh** became a member of the Board of Directors, being as the Chief Financial Officer (CFO) responsible for risk management policy.

On October 12, 1999 SEB announced it had increased its share in Eesti Ühispank to 50.15% or to 33,379,000 Ühispank shares. SEB bought 3,372,000 Ühispank shares (approximately 5.15% of Ühispank share capital) and reached over the threshold of 50 % participation.

In November Mart Altvee started to manage **Ühisliising**, 100% of which belongs to Ühispank. As a new chairman, he leads a renewed team to win back and increase the market share lost in 1999.

In December Eesti Ühispank, Dell and Eesti Telefon jointly introduced a new service packet **U3** for buying Dell PC with an installment plan: additionally the customers receive Eesti Telefon's Atlas Starter Internet connection and access to Ühispank's internet bank U-Net.

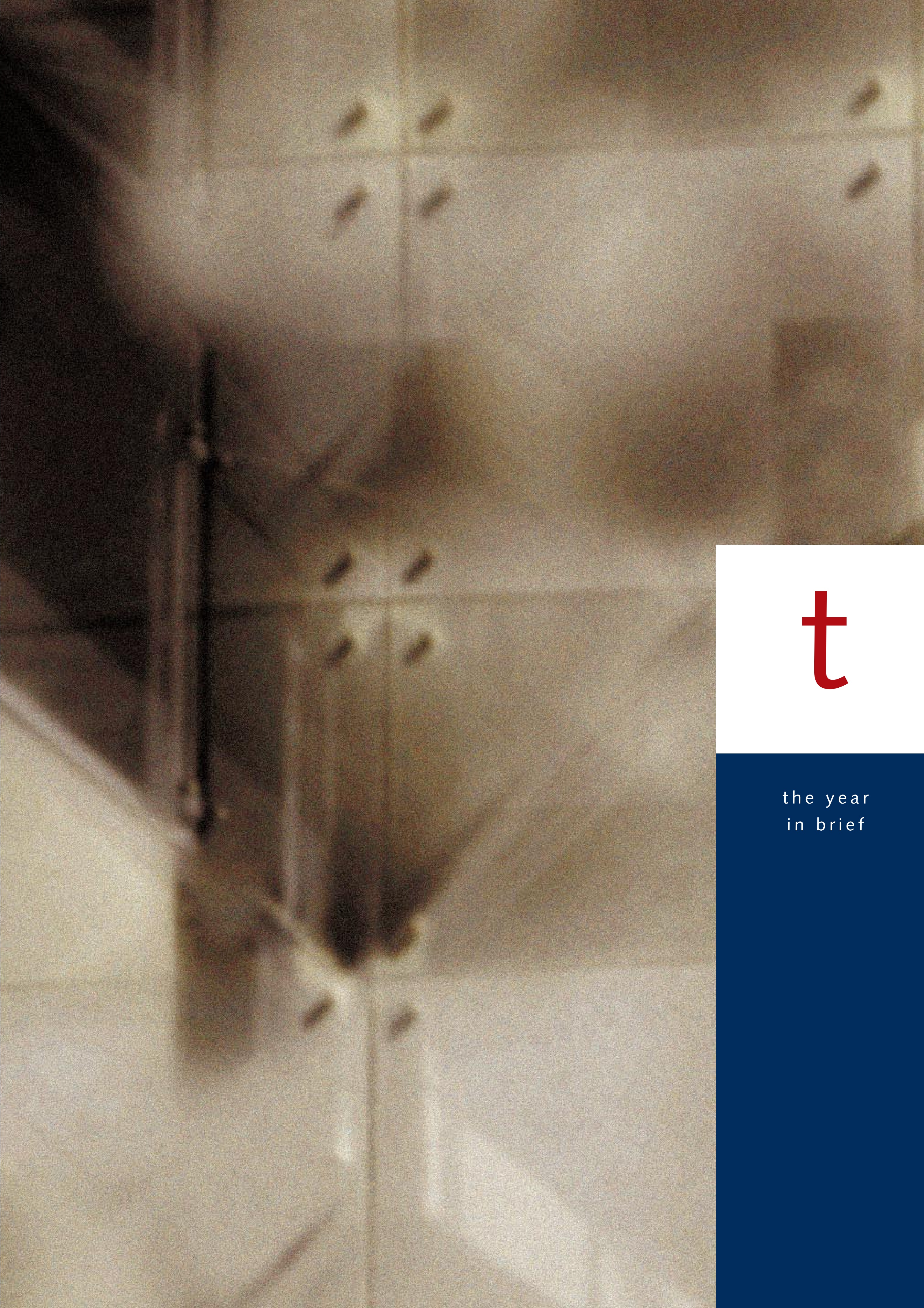
On December 10 the representatives of Eesti Ühispank and **European Investment Bank** (EIB**)** signed a financing agreement that gives Ühispank the right to borrow from EIB 20 millions euros. The loan will be used in financing small and medium sized projects in the areas of environmental protection, energy saving, infrastructure, industry, service industry and tourism.

On December 18 Ühispank signed a contract to sell its Latvian subsidiary **Saules Banka** to focus on the operations on the Estonian market. Saules Banka became a member of Ühispank Group in 1998 after the merger of Tallinn Bank.

The Year 2000 Project that required long and thorough preparations culminated in the change of 1999/2000. Ühispank was able to completely avoid the Y2K problem, all the banking channels worked as planned.

In March 2000 in co-operation with the Tax Board, private users of Ühispank´s internet bank, U-Net, are able to file a tax return over the Internet.

In the first quarter of 2000 three international credit rating agencies – Thomson Financial BankWatch, Fitch IBCA and Moody´s - upgraded their ratings of Ühispank.



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the year
in brief

Estonian Economy in 1999

Highlights of 1999

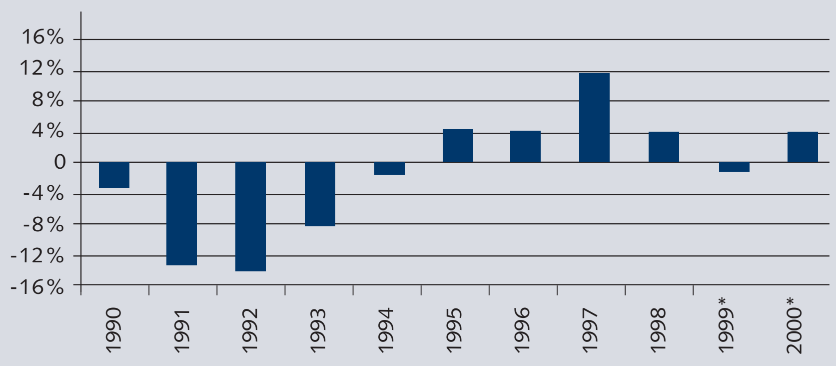
- Continuing of economic recession and beginning of new growth
- Aftershocks of the fall on Eastern markets
- Decrease in the sale of industrial production
- Continuing slowdown of inflation
- Fall of interest rates
- Preserving the stability of the kroon
- Strong decrease of current account deficit
- Privatization of Eesti Telekom
- Problems with state budget receipts
- Riigikogu and local government elections

After the Russian crisis, 1999 became a complicated year for the Estonian economy. Enterprises had to adapt rapidly to new conditions and to redirect their production to different markets. Estonia was able to come out from the strong economic downturn that occurred in the first quarter of the year already by the third quarter of the year. Speculation of devaluating the kroon because of macroeconomic problems in 1998 proved to be wrong.

Gross Domestic Production Decreased

In 1999 the recession that had began in 1998 continued. After shrinking 5.6% in the first quarter, the recession bottomed out and in last quarter the economy went back to a growth phase again. The primary reason for the economic slump was the devaluation of the ruble in third quarter of 1998 that resulted in the Russian crisis. Due to the collapse of the Russian and CIS market, Estonian enterprises oriented to those markets were forced either to terminate their production, reduce its volume or speedily reorient to the European market.

GDP Real Growth 1990-1999 (%)



** 1999 and 2000 estimate*

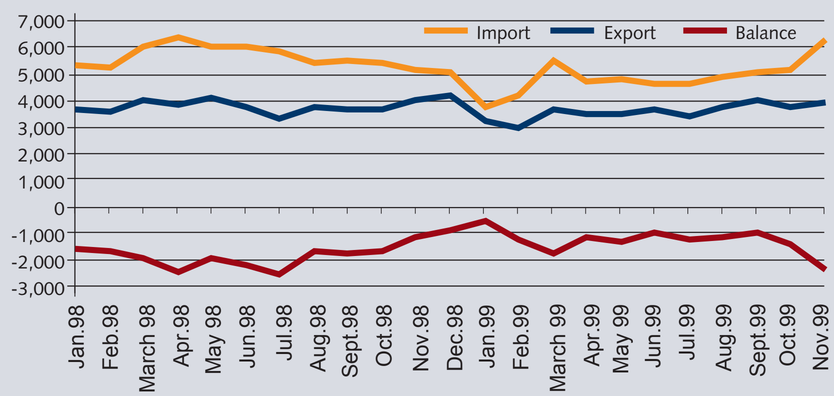
Source: Statistical Office

The biggest fall in Gross Domestic Product (GDP) was recorded in fishing, construction and mining industry, but also there was a decrease of GDP in the processing industry that makes up one fifth of GDP and greatly influenced the economic recession. At year's end, the sales' volume of the processing industry's production started to grow again, that resulted in the rise of GDP at the year's end. The volume of whole-sales and retail dropped a little too, that strongly influenced the GDP because this sector makes up approx. 16% of GDP. The improvement of the economic situation at the second half of the year did not compensate for the fall of GDP at the first half of the year and by estimation the GDP decreased approx. 1.2 to 1.4% in 1999.

In Foreign Trade the Share of European Union Grew

After the Russian crisis, the Estonian foreign trade deficit started to diminish substantially. That was caused by a reduction of import volume as well domestic demand. While exports stayed more or less on same level for whole year, being at the first half of the year only slightly lower than 1998, then imports were reduced substantially due to the Russian crisis and did not start to be restored until the last months: consumption gained momentum in expectation of the holidays.

Foreign Trade *(mio EEK)*

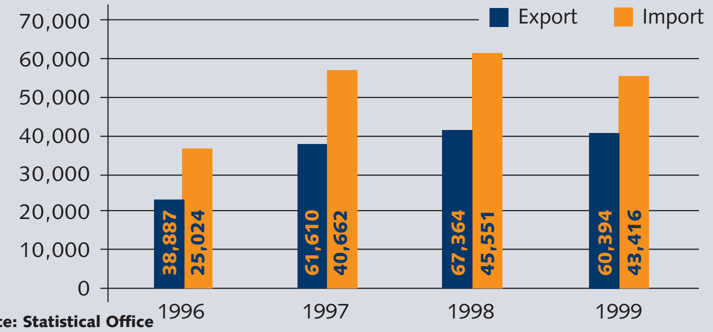


Source: Statistical Office

Exports shrank in 1999 approx. 5%, imports 10% and the trade deficit 22%. The diminishing of food exports to Eastern markets resulted in the fall of exports. Import reduction was mainly caused by a notable fall in imports of food and vehicles. Also machines and equipment imports were reduced, although eventually the share of those items grew in goods exchanged.

The export statistics are not comparable to previous years because, starting from March 1999, the goods for export and re-export can be placed into a free zone, without designating a destination country. Because of the lack of regulation on the registrations of such goods, they are omitted from foreign trade statistics. In November and December the importance of such goods rose drastically, as a result of which this year's export figure was approx. 700 million kroons smaller due to those goods. The share of Estonia's largest export trade partner, the European Union, grew from 55% in 1998 to 62%. The EU's import share remained almost the same.

Export and Import Trough Years *(mio EEK)*



Source: Statistical Office

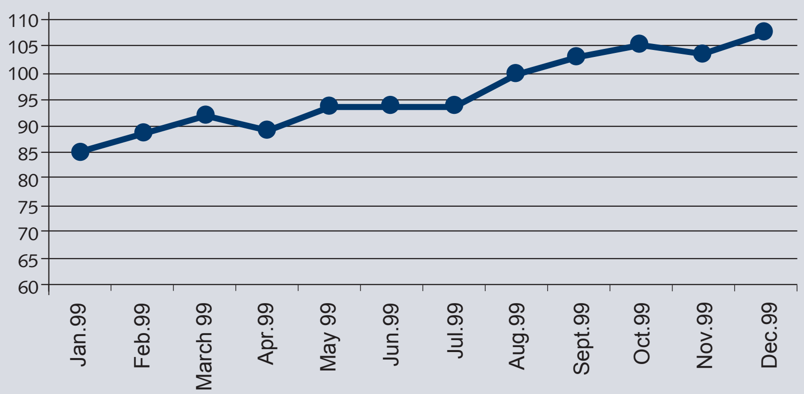
Finland, Sweden, and Russia remained the largest foreign trade partners of Estonia. The importance of Russia in foreign trade, which had diminished after the crisis, started to grow at the year's end again and especially significantly in regards to imports. The importance of Sweden and Finland still grew during 1999 in exports as well in imports, but by trade statistics the importance of such a significant importer as Germany diminished.

The largest goods groups in exports were machines and equipment (20%), timber and timber products (15%), textiles (12%), livestock and foods (11%). For imports the largest groups were machines and equipment (27%), livestock and food (13%), metals and metal products (10%) and chemical products (9,5%).

The Sale of Industrial Production Increased in the Second Half of the Year

The sale of industrial production indicated right after the Russian crisis in the beginning of 1998 the signs of a strong downfall, but 1999 brought about a slowdown of this negative trend and starting in September the sale of industrial production started to rise again. Still, the steadily increasing growth in the beginning of year did not compensate the strong downfall and altogether the sale of industrial production diminished 4%, the sale of production of the processing industry decreased 3%. The sale index of production of the processing industry is mainly influenced by the production of food and beverages, which had not even by the end of 1999 came out from the setback caused by the Russian crisis, and timber industry, that has been for years a growing industry. The furniture, textile, and chemical industry also influence the sale index. Only the chemical industry had not started to grow compared to the levels of previous years.

Change in the Index of Sale of Industrial Production 1999

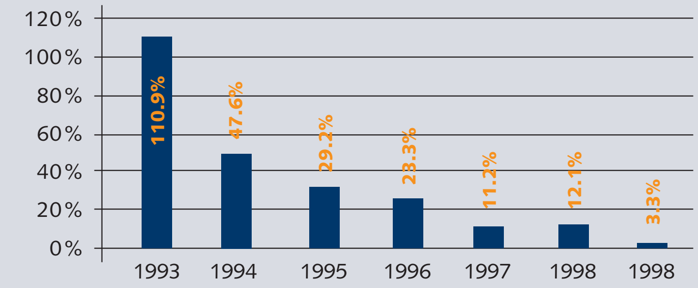


Source: Statistical Office

Inflation Rate Slowed Down

The slowdown of the growth of consumer prices also continued in 1999 with the annual inflation at 3.2%. Due to the Russian crisis, food prices fell but deflation was deterred by the rise of telecommunication and fuel prices. Because of the Russian crisis many enterprises were forced to impose strict cost controls and to lower prices. Due to the end of the economic setback and the steadily growing oil prices on the global market, a faster rate of inflation is expected in the future.

Average Growth of Consumer Price Index (CPI) 1993-99, %



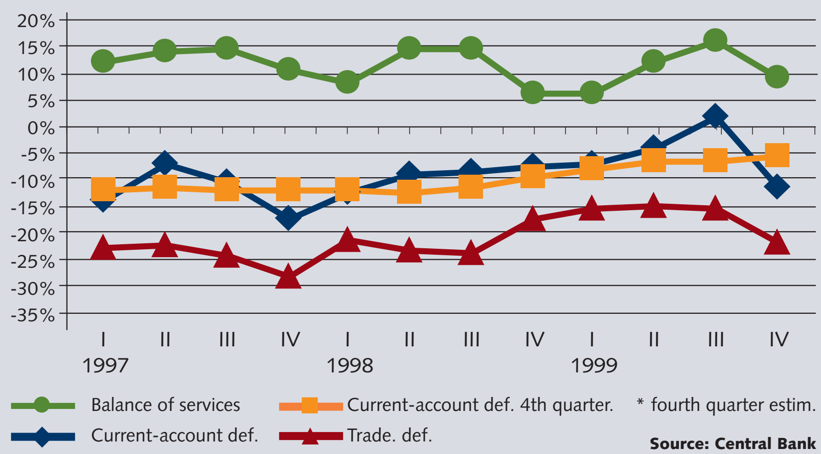
Source: Statistical Office

Balance of Payments

The Current Account Balance Indicated the Signs of Improvement

Mainly due to the strong growth of tourism services and an improvement of the foreign trade balance, the current account deficit diminished during the two first quarters significantly. In the third quarter, the balance of current account of balance of payments surprisingly ended up with a surplus of 295 million kroons, creating approx. 2% of the same period's GDP. The last time the current account was positive was in the third quarter of 1995. At the same time, the surplus of current account was temporary and seasonal and caused by an extremely large balance of surplus of services, that in turn was caused by a large growth in the export of travelling and travelers' services. Based on the last four quarters, the current account deficit of GDP diminished 6.7% in the third quarter.

Current Account (%)



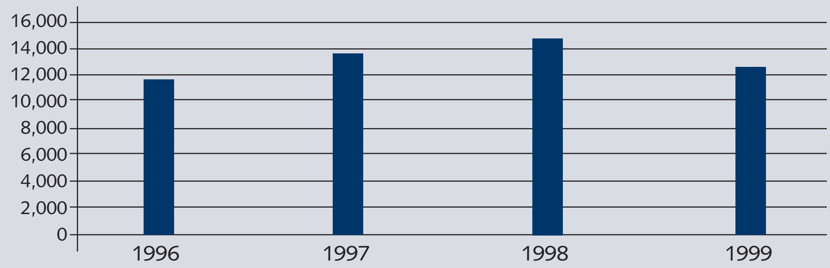
Source: Central Bank

In the fourth quarter, the large growth of the current account deficit was obviously caused by an unexpectedly large growth of imports and an increase of the foreign trade deficit. At the conclusion of the year, the current account deficit reached to an estimated 5% of GDP.

The Volume of Foreign Direct Investments and Portfolio Investments Diminished

Foreign direct investments to Estonia were made in the amount of 3.3 billion kroons, whereas in the third quarter the investments reached only to the 450 million kroons, that is its lowest level in the last few years. Supposedly there were less transactions than usual due to the economic downfall in the first half of the year (especially in the first quarter), therefore some investments were cancelled or delayed. In 1999 Estonia did not reach 1998's record level of direct investments because of the extraordinary growth of direct investments in 1998 were caused by

Investments to Fixed Assets in Constant Prices of 1995 *(th. EEK)*



* 1999 year prognosis

Source: Central Bank

Swedish banks that acquired significant holdings in Estonian banks as well by some delayed privatization transactions.

The balance of capital flow of portfolio investments was reduced from the first quarter's 2 billion to the third quarter's 430 million. On the one hand it was caused by Estonian enterprises and funds investing domestic savings into bonds issued in foreign countries, and on the other hand by the banks redeeming bonds issued to foreign investors.

Economic Recession Influenced Interest Rates and Investments to Stock

Interest rates fell significantly compared to the end of 1998. At same time, the loan volumes did not increase as fast it could have been expected; deposits grew at times even faster than loans. The fast growth of saving volume refers to the decline of private consumption, whereas at same time enterprises tried during the economically difficult times to save on expenses and investments.

After the Russian crisis, plans for 1999 were for fewer equity investments to stock than there actually were made. This reflects the fact that Russian crisis implications were expected to be graver than they were in reality. Compared to 1998, equity investments declined approximately 15%.

Receipts to the State Budget Were Problematic

The recollection of the state budget receipts was very difficult due to the unduly optimistic budget prognosis. Despite the budget cut that was passed after indications of budget problems, only 89.5% of receipts were collected making for a budget deficit of 4.7% of GDP. The extraordinary income of more than 3 billion kroons from the privatization of Eesti Telekom helped balance out the budget deficit. The return of excise taxes was the largest problem in the tax collection; this reflects the necessity to strengthen control and supervision of the internal market in the future.

In the 1999 Riigikogu election, the Center Party gathered the most votes, but the Pro Patria, Reform and Mõõdukad parties formed a coalition government. The new government passed a budget cut; it was necessary because the budget passed by the former Riigikogu was greatly exaggerated and did not correspond to the changed economic situation. A second important as well radical step was to abolish income tax on the reinvested profit of enterprises; in the long run it will certainly be a positive influence for economic development. Also administrative reform was initiated to make the work of the public sector more efficient.

2000: Expectation for New Economic Growth

Due to the rearrangement of their activities, businesses coped relatively fast and well after crisis, making their production substantially more efficient. Favorable loan terms will increase investments into production, which in turn should be instrumental in stabilizing the economy in the upcoming years. Reorienting to the stable European market is a precondition for the stabilization of the Estonian economic climate. The gradual accession of Estonia to the EU will also influence economic growth in the years to come.

Estonian Banking in 1999

Highlights of 1999

- Rapid growth of customer deposits
- Increase of loan activity
- Ühispank's successful issue of euro bonds in the amount of 50 million euros
- Opening of Preatoni Bank
- Hansapank's expansion to Lithuania
- Rapid fall of interest rates
- Final merger of Hansapank's and Hoiupank's IT system
- Scandinavian banks Swedbank and SEB increased their participation in, respectively, Hansapank and Ühispank to over 50%
- Bankruptcy of ERA Pank

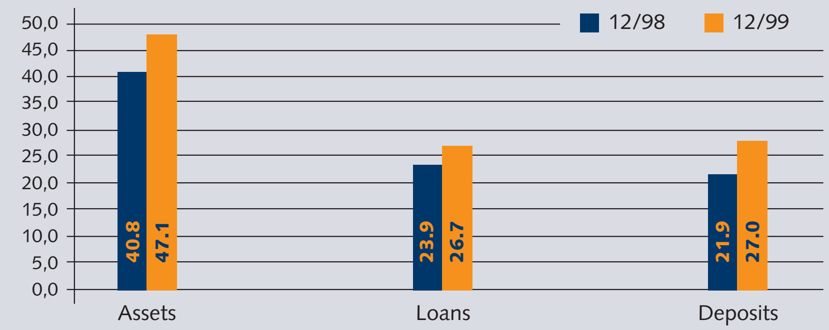
As a whole, 1999 was successful for Estonian banking: banks developed rapidly, focusing especially on the development of information technology and internet related services.

At the end of 1999, Estonian banks had over 138,000 internet banking clients, almost twice as many as a year ago. The developing activities of Estonian banks are focused on further growth of the number of internet bank users. An important step for Ühispank was creating the Estonian-wide network of U-Banks, which allows the customers to make transactions outside of bank offices.

In 1999 Moody's rating agency raised Hansapank's long-term bank deposit rating by one level, to Baa2 and improved the outlook of Ühispank's long-term bank deposit rating from "stable " to "positive". These positive decisions undoubtedly reflected the increase of trust by the global financial circles toward Estonia's largest banks, which was influenced by the strategic participation of authoritative core investors, Swedbank and SEB in Hansapank and Ühispank. The large Swedish banks demonstrated their strategic interest in Estonia: Swedbank increased its holding in Hansapank to 52.64% and SEB to 50.15% in Ühispank.

In October of 1999, the Estonian commercial banks saw the arrival of Preatoni Pank which belongs to the Italian businessman Ernesto Preatoni; the bank's main business is private banking and asset management. At year's end, six commercial banks and one foreign bank branch (Merita Bank's Tallinn branch) were operating in Estonia.

Estonian Banking *(bio EEK)*



Source: Central Bank

Asset Growth Intensified

In 1999 the total assets of Estonia's banks grew by 14.8% or 6.1 billion kroons, reaching by the end of December to 47.1 billion kroons. Assets grew the most in Hansapank (21.2%) and Merita bank's Tallinn branch (20.1%).

Banks Are Overcapitalized

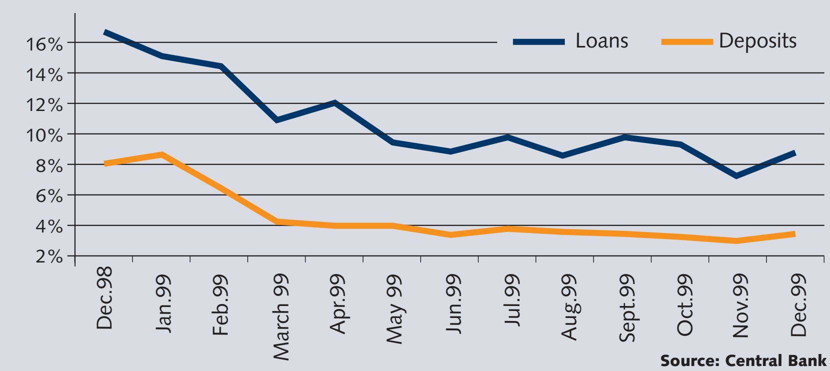
One of the strongest sides of Estonian commercial banking will remain their good capital basis. Yet, 1999 brought a new problem, the banks proved to be overcapitalized. Although the share of equity fell during the year from 16.2% to 15.5%, it still remains high. This applies especially to Hansapank, where by the end of December the equity was 18.2% of assets. At the same time the capitalization gives hope for further growth and extension of operation; it also makes Estonian banks more trustworthy for foreign partners.

Customer Deposits Have Grown Significantly

In 1999 the customer deposits have grown steadily. The total growth reached to 22.5% or 4.9 billion kroons, taking the total deposits volume up to 27 billion kroons. Especially great growth has taken place in Optiva Bank, where the customer deposits volume has risen to 68.5% (mainly accompanied by deposits of non-residents). The reason for rapid growth of customer deposits could be on one hand an improving economic situation, and other hand a more careful use and deposits of resources of enterprises as well by people themselves. So the deposits of enterprises have grown in one year 32% or 2.9 billion kroons and the deposits of private citizens 31% or 2.6 billions kroons. Particular attention should be paid to the end of 1999: despite the fear of a Y2K problem, no panic occurred in any Estonian bank and deposits grew at the previous rate.

During the year, the interest rates of deposits and loans fell substantially, but that did not influence the growth of time deposits. Volume of demand deposits has grown more rapidly, therefore the share of time deposits has fell in total savings from 42% to 38%.

Avarage Loan and Deposit Interest Rates of EEK



Source: Central Bank

Increased Lending at the End of the Year

While in the first half of the year, Estonia's commercial banks curbed the growth of loan portfolios, it was followed by increased lending activity during the rest of the two quarters which took the banks' consolidated loan portfolio in five months up by more than 3 billion kroons. For the whole year, the banks' total loan portfolio grew by 2.8 billion kroons or 11.6%, to 26.7 billion kroons.

Thanks to a halt in the growth of deposits at the beginning of the year, the volume of issued loans was balanced with customer deposits and the several billions worth of disproportion between those two were surpassed. At the year's end, loans made up 98.9% of customer deposits.

The Loan Portfolio's Quality Improvement

With the stabilization of the economic situation, the quality of commercial banks' loan portfolios also improved. The share of anticipated loan loss in the total of issued loans decreased from 4.0% to 3.1%.

The Majority of Banks Made Profit

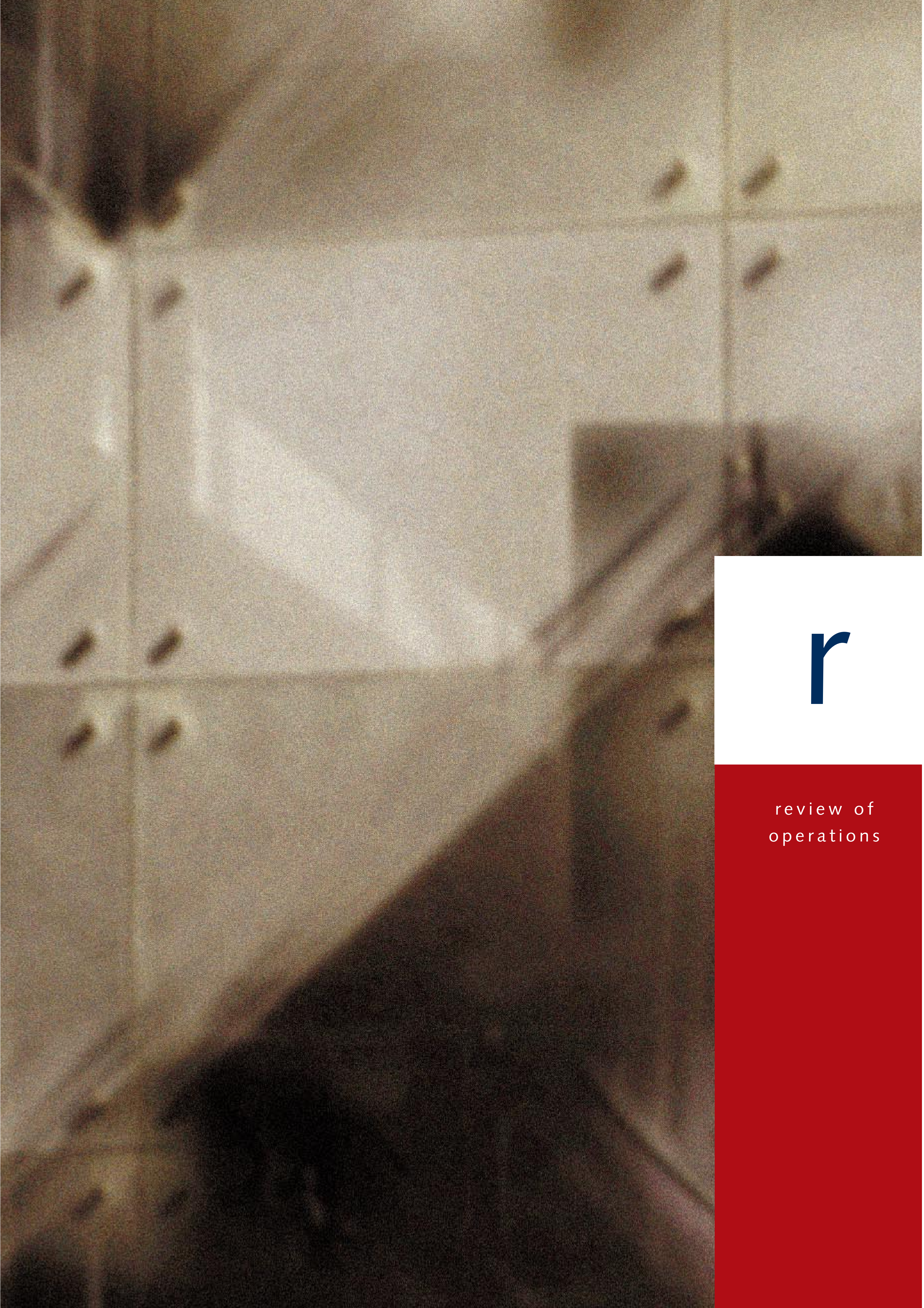
By a preliminary estimation, the consolidated profit of banks was 629 million kroons, whereby five out of seven banks made a profit. Unlike last year when bank losses were 0.6 billions kroons, the banks also made profits from the financial transactions that had caused huge losses in 1998. Despite a reduction of interest rates, the net interest profit increased 26%. Instrumental to that was also the regulation of Eesti Pank, that came into force in July under this regulation, commercial banks started to earn interest from the compulsory reserve they held in the central bank.

Hansapank made the biggest profit, 540 million kroons, followed by Ühispank with 101 million kroons in profit. The additional loan provisions that were made in the process of Optiva Bank restructuring which was looking for a strategic investor resulted in a loss of 19 millions kroons. In addition to Optiva Bank, the Preatoni Bank that was founded at the end of year ended with a loss of 4 million kroons.

Year 2000 Will Mark Regained Growth

In the year 2000, a continuation of the rapid growth of customer deposits and an increase of banks' loan portfolios are expected. By Ühispank's estimation, the consolidated assets of Estonia's commercial banks should reach 52-53 billion kroons by the end of 2000, with customer deposits and issued loans reaching 30-31 billion kroons.

At same time, Eesti Pank (the Central Bank) is planning to sell its stake in Optiva Bank in the first half of 2000; that could mean the arrival of a new strong foreign partner in the Estonian banking landscape, giving in turn a push for the further development of Optiva Bank.



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ORGANIZATION AND STRATEGY

The development of Eesti Ühispank's organization has been unique in Estonia because it has been created through a merger of ten small banks. The mergers with North Estonian Bank and Tallinn Bank in last few years influenced the normalization of the finance market, but these mergers also made a great challenge in developing the organization's culture and strategy.

1999 was in regards to organization and strategy directed toward the stabilization of structure and improvement of efficiency. Defining the goals clearly in the short as well in the long perspective gave a basis for the application of a certain operating strategy in the further development of the bank.

Eesti Ühispank Group Mission

WE HELP EARN, SAVE AND MANAGE MONEY

EARN

The bank stands for an opportunity to provide an honest and fair earning. We are committed to provide to our clients earning opportunities through our products, to our employees earning opportunities through fair compensation for their performance and to our owners earning opportunities through the increase in the goodwill.

SAVE

The bank stands for confidence and security. We are committed to ensure that means entrusted to us are preserved, not accessible to unauthorised persons and well and securely kept. We are committed to ensure confidentiality and discretion.

MANAGE

The bank is the lifeline of the economy. We are committed to ensure efficient circulation of money, to support our client when he or she needs assistance in managing his or her money. We are committed to make management of money as convenient for the client as possible.

MONEY

We regard money as the carrier of value and the symbol of well-being.

STRATEGY

Estonian Market Is A Priority

On the level of Ühispank Group, the greatest change was in focusing the strategy to the Estonian market and Estonian clients: Ühispank is a bank operating in Estonia. Excluding the St. Petersburg region, Ühispank withdrew from the previously targeted markets like Latvia and Lithuania because of the presence of its strategic investor SEB in those markets. Ühispank and its partners continue to provide international services to clients. There is a plan to enlarge even more the cohesiveness of those services.

By the new strategy, Ühispank's main business areas are retail and investment banking and life insurance. The share and prospects of those areas are the biggest in the bank operation. The remaining areas are utilized as a support function with the goal to use most effectively inner-banking options in areas of client service and product development.

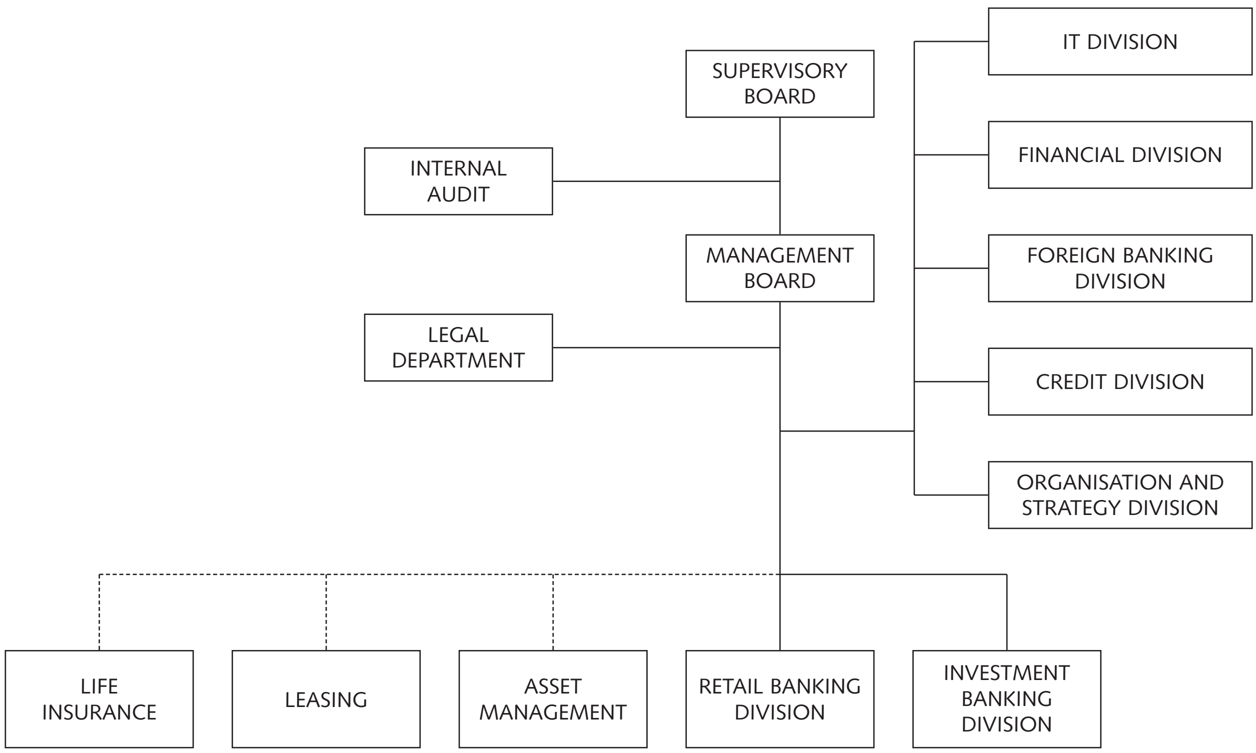
The long-term goals of Eesti Ühispank Group foresee the bank becoming the most valued provider of financial services in Estonia and being first among other banks in client satisfaction, effectiveness, market value and employee satisfaction.

New Mission and Values Are Based on Thorough Preparation

As a result of team work, the new mission statement was completed in 1999 and the organization's values were confirmed. Various information sources were used, among them the employee' satisfaction survey that was done for the first time in summer – fall of 1999.

By this survey, the bank employees as well as the clients regarded the bank's personnel friendly, open, pleasant and client-oriented – all these characteristics are reflected among the values of the organization.

STRUCTURE OF EESTI ÜHISPANK GROUP
As at 31.12.1999



ORGANIZATION

The Development of Electronic Banking Resulted in the Reduction of Personnel

The automation and the increasing importance of electronic distribution channels in bank operation resulted in restructuring the Ühispank organization to reduce in the longer perspective the costs and to be competitive in local banking. As a result of restructuring, the number of bank employees was reduced from 1,466 to 1,191 or by 18.8%. In turn, the share of the personnel at the head office grew from 30% at the start of the year to 40% at the end of the year. Ühispank's area with the most employees is, retail banking, 857 people were employed at the end of the year. The relocation of the transactions department in the structure notably reduced the financial division and increased the number of employees in the foreign banking division.

The total number of Ühispank Group's employees was at the end of the year 1369 or almost one third less than at the end of 1998 – the reduction of the group's personnel is also a result of the sale of its Latvian subsidiary Saules Banka.

Number of Employees Fell by One-third in a Year

In the interest of the organization's efficiency, the greatest change involved the financial division; the department of transactions joined with the former interbank division that was renamed the foreign banking division. The goal of the changes was to secure and increase the market share of Ühispank by more flexible client service in domestic as well as in foreign payments.

The positive influence of the bank's key investor, SEB, on Ühispank's operation was reflected in organization management: Mr. Johan Magnus Lindh, who was last employed at the SEB New York office, became the Chief Financial Officer (CFO).

For 2000, Ühispank has not designed either important structural changes or a rise of personnel costs, but due to the development of electronic banking undoubtedly the reduction of office staff should be anticipated.

Raising of Professionalism Strengthens Ühispank's Position

Regarding personnel, the goal is to increase the importance of professionals with extensive knowledge and to emphasize productivity in supporting the quality development of people through carefully planned training programs. In 1999 the training programs for tellers, client service, sales staff and others were mainly tailored according to the person's profile and needs.

The move into the new head office on Tornimäe Street in Tallinn in May greatly improved the operational efficiency and environment of the organization. The new head office was a significant investment for the bank, the positive effect of which is in several important advantages, including better integration of information flows and problem resolution, key factors in a competitive financial environment.

The extensive use of intranet in in-house communication was instrumental for uniting the organization. The new communication channel became an everyday-working tool.

NUMBER OF EMPLOYEES

	31 Dec 98	31 Dec 99
Head Office	529	504
Offices	937	687
Bank	1,466	1,191
Group	1,942	1,369

INFORMATION TECHNOLOGY

In 1999 in conjunction with Ühispank's strategy, the strategy of information technology (IT) was prepared by which the tactical task of Ühispank's IT division is to supply the bank with quality IT services as cost-efficiently as possible.

At the same time, the IT division is a keeper and developer of strategic know-how regarding the bank's IT environment. IT fulfils this role by working out new product solutions.

The rapid growth of Estonia's internet usage and electronic banking meant for Ühispank in 1999 a greater concentration on the electronic and virtual environment; this has increased the importance of the above-mentioned strategic mission in the work of IT.

In the realization of its tactical mission, IT has to take into account the uniqueness of the Estonian operating environment such as the lower than average European living standard and the small, but rapidly developing market that quickly adopts to innovations. Ühispank's IT has been optimized under these conditions; it will secure the preservation of IT costs at the relative level to ensure the bank's competitiveness.

Structural Change of IT Operations Made Bank's Work More Efficient

In 1999 IT activities were focused on the effective activation of previous investments and the development of personnel and organization. For the effectiveness of Ühispank Group, arrangements were made that concentrated the operations of firms belonging to the Group. In this area, an important change is concentrating Ühispank's Life Insurance IT service to the bank´s IT unit; in 2000 the same will take place with Ühisliising.

Ühispank started to centralize its accounting unit organizationally as well as by software with the ConcordeXAL application, where the bank and its subsidiaries are connected into a common system.

The number of employees in the IT division remained the same, but changes were made in the personnel structure in order to raise the competency and efficiency of employees. While IT increased the personnel working with development activities, the reduction of employees related to IT's support functions will also continue in the future.

The Y2K problem that required serious preparations caused no problems in Ühispank's system and the corresponding project ended successfully at the start of the year.

System Development Synchronized Distribution Channels

The versatility of distribution channels required the creation of product oriented solutions. For example, the performance scheme of designated payments became identical in cash machines, telephone banking, payment machines and U-Net.

During 1999 continued the consolidation of Ühispank's server park to Sun Starfire which was purchased in the previous year. The concentration of different applications in the new system notably improves the usage and security of the bank's systems. The internal network with a connection speed of 1Gb per second was installed in the new bank building on Tornimäe Street.

Software Solutions Designed for E-Banking Development

The IT division's software side's priorities were the stabilization of systems and the further development of electronic banking services.

The modification and unification of ATM software improved the systems client friendliness and reliability.

In co-operation with the IT section, the electronic banking division launched U-Bank that combines cash machine, payment machine, telephone banking and info kiosk.

In the Services' Security New Standards Were Imposed

The usage of PIN-Calculator currently provided for tele-services and the Internet increases the security of transactions allowing a better identification of the client. Every banking interaction has a unique password allowing for the use of larger transaction limits. The Windows version for improving tele-services also simplified the communication between the bank and client.

A new firewall backed up by doubled hardware was applied to the Internet Bank. In addition, an internationally acknowledged certificate Verisign that supports 128 byte encryption, was applied. This took the security of U-Net to the highest level possible today.

Internet based Java solution security equipment servicing card owners was applied in the first Postbanks. The service allows cash deposits and withdrawals, account statements and payment orders. Ühispank will continue the project in 2000 with the goal of increasing the number of Postbanks that have joined the system, up to 50.

One of the priorities of year 2000 is to support the bank´s e-commerce activities ensuring fast and flexible realization of required IT solutions.

RETAIL BANKING

By Ühispank's strategy, retail banking is its main business area together with investment banking and life insurance. As the largest unit of Ühispank, retail banking employed 857 people at the end of 1999, that was approximately three quarters of all bank personnel. In total there were 84 Ühispank offices throughout Estonia. Due to the growing weight of electronic banking services the number of offices was reduced by 13.

In December 1999 Ühispank had a total of 359,000 clients, among whom were 323,000 private citizens and 36,000 legal persons.

The Volume of Deposits Indicated Steady Growth

The volume of Ühispank's deposits at the end of 1999 was 7,839 billion kroons, which was 12.6% more than last year's 6,960 billion kroons. The importance of private citizens and private enterprises in the deposit structure grew 3% and 5% respectively, at same time the share of government and local governments declined in total 8%.

At the year's end, Ühispank's market share in deposits was 30% and loans in 32%.

To simplify customers' payment transactions, Ühispank started direct order service that allows for the regular payment of different bills. In addition to Estonian companies Eesti Energia, Eesti Gaas, Eesti Mobiiltelefon, Eesti Telefon, Radiolinja, Eesti Elukindlustus, several media publications have joined the project.

Ühispank's position in the private citizen's sector remained at the same level, but thanks to raising the quality of products and distribution channels, the bank is expecting a growth of its market share in 2000.

The new banking system installed in 1998 reached, due to testing and development, to its full capacity in 1999. In addition to the system, selling standards also were refreshed. Being the first in Estonia, Ühispank engaged in an active customer service concept in the new head office.

At the end of December, Ühispank customers used 142,000 debit cards and 7,000 credit cards.

ISIC Maestro Was Newly Released Among Bank Cards

At the start of the school year, college students could apply in offices of Ühispank and the Estonian Students' Union for ISIC Maestro cards. It is the first of its kind international student ID card that also works as a bankcard, in Estonia it is also the first co-brand bankcard. The functions of ISIC Maestro international debit card include the primary bank card functions, additionally it works as an international college student ID. In September the VISA Junior debit card designed for 7-17 year olds was issued in all Ühispank's U-Banks for free.

ELECTRONIC BANKING

The Number of Electronic Transactions Increased

As it appeared in the structural change of bank transactions, primary transactions were simplified thanks to the improvement of electronic banking. For cash withdrawals, ATMs were used 85% of the time at year's end, whereas in January 1999 the same figure was a little over 60%.

There was also a reduction of office transactions regarding payments: at the end of 1998 its share was 38%, 12 months later the same figure was only 21%. At the end of 1999, Ühispank had in use 170 cash machines and 40 payment machines.

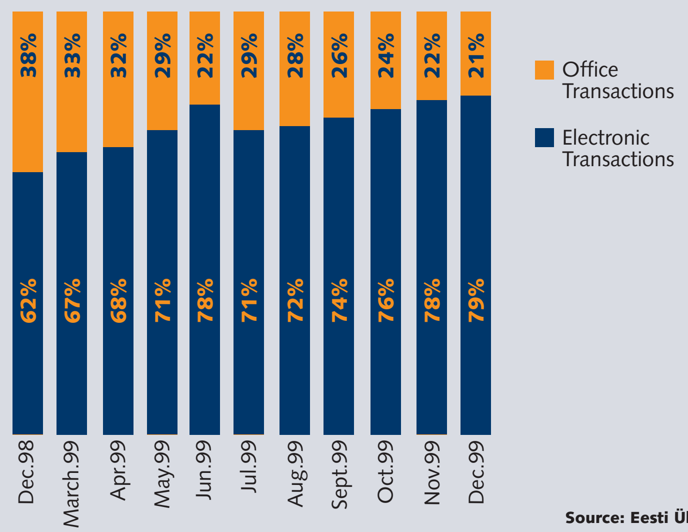
In December 1999, the total turnover of Ühispank's bankcard transactions was 552.8 million kroons or 70% more as compared to the same period last year.

Designated payments and direct orders, the new services of Ühispank, were received with a warm welcome among customers.

Electronic Channels Equalized

The services of electronic channels became product-oriented and mutually compatible. There is no difference for a customer if he or she is doing a transaction either on the internet, by an ATM or by phone.

Ratio of Electronic and Office Transactions *(Dec. 98 - Dec. 99, %)*



Source: Eesti Ühispank

In March Ühispank launched, along with an extensive commercial campaign the U-Bank project: in three months 23 bank kiosks providing electronic bank services were installed in Estonia's largest retail stores.

Bank services also became available by mobile phone: the new product is called U-Mobile and it allows the customer to enquire the account balance, five last transactions and the credit card balance.

Internet Boom Continuing

In 1999, 11% of Ühispank's clients used the services of the internet bank office, U-Net; within neighbouring markets only the Ühispanks's major shareholder SEB has a greater figure of 25%. The popularity of internet banking was also proved by the fact that the number of U-Net users grew almost threefold over the year.

The improved version of U-Net also added to internet banking deposits, the opening of accounts and connected services where transactions in the banking system take place immediately.

Right before the turn of the year, Ühispank started on the internet the new service of U-POS, which allows for purchase payments on the internet by making transactions risk free for the buyer and seller.

At year's end, of Ühispank, Dell and Eesti Telefon jointly launched service package of U3, which provides a favorable installment plan for buying Dell's PC, Eesti Telefon's Atlas Starter internet connection and U-Net access.

CORPORATE BANKING

The sales system for client enterprises and organizations is based in the business clients department that services small and medium businesses and the corporate client department that services 200 large corporations. These departments focused in 1999 on strengthening Ühispank's market share among business clients. Taking the electronic channels to the highest level was an efficient argument in securing and expanding the business client basis.

Thanks to a new banking system and structure change, the servicing of business clients became more flexible, allowing banking operations to perform with the same quality in Estonia as well as abroad.

The Volume of Corporate Deposits Grew in the Structure of Client Deposits

The share of corporate clients in the deposits held in Ühispank increased to 42%. The bank’s market share in corporate deposits in Estonia remained at 27%, unchanged from last year.

Tartu University with a 1999 operating budget of 561 million kroons signed with Ühispank a consolidated account contract, proving the versatility of Ühispank's client portfolio.

Several large companies like Eesti Telefon, Eesti Mobiiltelefon, Eesti Energia and Eesti Gaas joined with Ühispank's direct order service, which improves cash flows in businesses.

Ühispank Preserved Its Position Servicing State and Local Government

Due to problems with budget receipts - despite a budget cut, only 89.5% of anticipated receipts were collected -, deposits of the Estonian central government and extra budgetary funds decreased from 1,892 billion kroons in 1998 to 1,367 billion kroons, or approximately 28%.

The public sector's market was somewhat influenced by the decision of the Finance Ministry to start as of November 1999 to channel the transactions of the Treasury's consolidated account through Hansapank in addition to Ühispank.

Ühispank's market share of state and local government deposits remained at its 65% level, in December the bank's market share among local government deposits was 74% and among the central government's deposits 63%.

The importance of state deposits in Ühispank's deposit structure fell from 23% to 15%, which in conclusion meant a reduction of risk related to state deposits.

The objective for 2000 is to expand corporate banking services on the domestic market and, in co-operation with SEB, to improve services provided to multinational corporations.

LOANS

Loan Demand Increased over the Year

The influence of unfavorable factors, particularly the continuing influence of the Russian crisis during the first half of 1999 resulted in the reduction of production demand and restrained the development of the economy. The arising situation necessitated firms to review their investments and restructure production. Due to reduction of the real sector's loan demand and the bank's conservative loan policy, the growth of loan portfolio was restrained during the first half of the year. As a result of increased internal demand, export growth and lowered bank interest in the second half of the year, especially in the fourth quarter, loan demand increased.

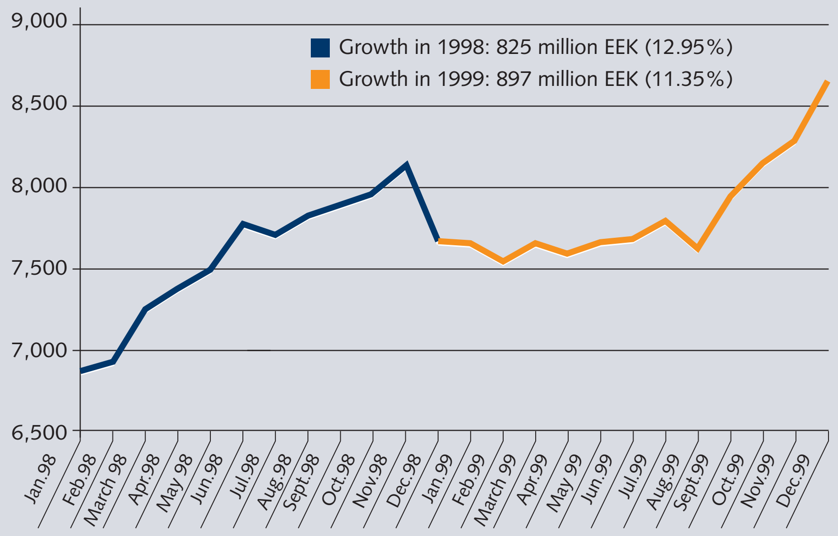
The lowering of interest rates was caused mainly by the growth phase of the Estonian economy and the increase of banks' capitalization and liquidity. Competition pressure in the loan market was influential too. The trend was also supported by the fall of the euro interest rates on the European finance market in the first half of year. Since a majority of housing and investment loans are computed using the interest rate for the 6 month EURIBOR, its influence on the loan portfolio was more noticeable in the second and third quarters of the year.

Ühispank's Loan Portfolio Grew Almost 12%

Lower loan rates favorably influenced the growth rate of the Estonian economy, allowing enterprises to invest into the development and to improve the quality of export production.

The volume of Ühispank's loan portfolio was at the year's end 8,606 billion kroons, growing in a year by 897 million kroons or 11.6%.

Dynamics of Eesti Ühispank Loan Portfolio 1998-1999 *(mio EEK)*



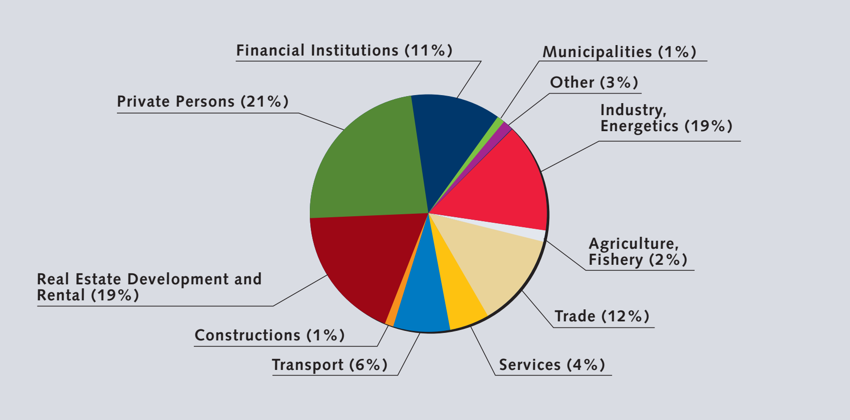
** January - June 1998 loan portfolio pro forma Eesti Ühispank + Tallinna Pank*

Interest income from loans was 829 million kroons in 1999. In the conditions of a general fall of interest rates, the average productivity of Ühispank's loan portfolio on the basis of the year was 10.5%.

Lending focused on industrial, transport and transit firms orienting to export as well increasing the importance of housing loans in the loan portfolio.

By sector, the larger shares of the loan portfolio belonged to loans to private individuals with 20.7%, industry and energy with 19.0%, and real estate development with 18.6%

Loan Portfolio of Eesti Ühispank (%), *31.12.1999*

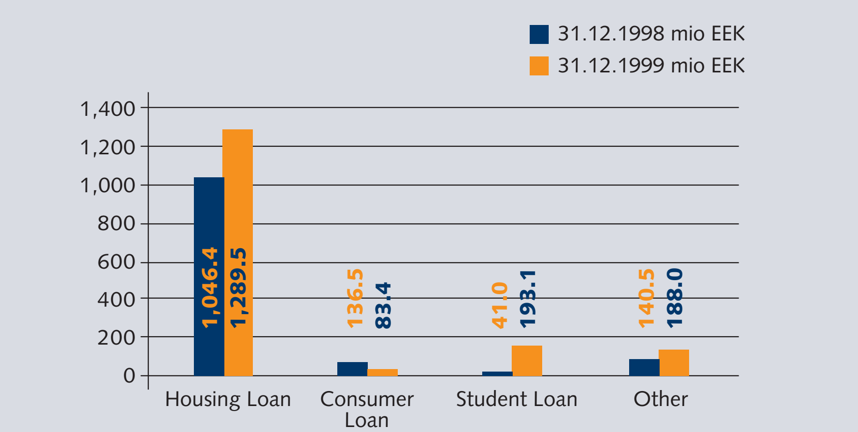


The loan provision created to prevent anticipated loan losses decreased from 4.39% at the year's start to 2.02% of the loan portfolio at the year's end. The reduction of the loan provisions level marks the improvement of the loan portfolio's quality, which was achieved through writing off problem loans as well a decrease of potential loan losses due to the stabilization of the economy. Attention has been paid to the restructuring of problem loans.

One of the Priorities of Loan Policy was Housing Loans Directed to Private Citizens

The volume of loans to private individuals grew by the year's end to 1,783 billion kroons, of which 73% were housing loans. When the euro was launched in transactions in the European Union, Ühispank replaced the Deutsche mark LIBOR as the basis for computing the housing loan's interest rate with the EURIBOR that is quoted by European banks as the euro interest rate. In the third quarter of the year, especially in August and September, the housing loan market revived. Demand for housing loans was stimulated by more favorable loan conditions: the lowering of the base interest rate (at the year's end 6 month EURIBOR + 6%), the reduction of self-financing from the previous 40% to 34% and the extension of the loan term from 10 years to 15 years. In the beginning of 2000, Ühispank extended the housing loan maturity even more, to 20 years.

Distribution of Private Individuals´ Loan *(mio EEK)*



Likewise, the share of Ühispank grew in the student loan market. Beginning in 1997 when Ühispank started to issue student loans, the number of clients has steadily grown. During the school year that started in 1999, 40% of all student loan contracts have been signed with Ühispank. The bank sees students as potential active clients with strong solvency.

In October Ühispank started again to issue consumer loans, reacting to the clients' demand for this type of loan product.

Additionally, Ühispank managed several different purpose-oriented loans and loans with purpose-oriented financing. In co-operation with the Tallinn Housing Fund, a housing loan with favorable terms is offered to large families and renters in Tallinn. Already for three years, the bank has managed the EVP-loan (Estonian Voucher for Privatization) of the Estonian Housing Fund to tenants and renovation loans to the owners of returned homes which were confiscated during the Soviet period.

Corporate Clients Interested in Investments

For legal persons and self-employed persons, the bank continuously provides overdraft as well investment loans. At the year's start, the demand was greater for short-term financing and by the year's end the demand for investment loans also grew. Enterprises applied more actively for investment loans to compensate for the low level of investment during the economic recession. The new income tax law could also positively influence the further growth of investment loans.

Besides business clients, Ühispank focuses on local governments. According to the state enacted limits on loan obligations, the bank issued to local governments loans for balancing irregularities of budget receipts and for financing long-term infrastructure projects.

In December of 1999, Ühispank signed with the European Investment Bank the loan resource contract, which will be used for financing long-term loans to enterprises and local governments.

By issuing business loans, Ühispank continued efficient co-operation with its Estonian partners: Agriculture and Rural Life Credit Fund, Rural Loan Guarantee Fund and the Entrepreneurship Credit Fund.

Development of Professional and Client Friendly Lending

In 2000, Ühispank will continue implementing conservative, but client friendly loan policy. The goal is to provide customers with a wide selection of financing products with compatible terms. We follow the principle of keeping separate the assessment of loan risks and the sales functions, which is supported by the rearrangement of the bank structure in 1999. The goal in separating the sales from credit analysis is for a highly professional quality loan issuing process.

For a new release, Ühispank is designing to launch an internet version for loan applications, at first for private individual's overdraft, student loans and credit cards. We also plan in partnership with Ühisliising to continue the establishment the U3 project, an internet connection with an option to purchase a computer on the installment plan.

SPONSORSHIP

From the sectors in need of assistance, Ühispank has prioritized sponsoring Estonian education, because without education the development of economy as well the whole society would be unthinkable. Also the Supervisory Board approved the plan to sponsor culture and sports.

For the second consecutive year, in 1999 the bank participated as a major sponsor in the all-Estonian campaign "Tiger's Tour", which popularizes info technology. The goal of "Tiger's Tour" was in a popular way to introduce the pros and cons of the information society, to inspire people to use the options provided by technology and to help in the creation of equal opportunities for the integration of information society.

For supporting Estonian education, Ühispank granted annual scholarships at the two largest universities in Estonia, Tartu University and Tallinn Technical University.

In co-operation with the international student organization AIESEC, the bank wishes to help in the realization of projects that raise the international competitiveness of Estonian students and projects that develop society.

In sports, the Tartu Marathon was supported for the second year. There were over 3,500 participants at the 31st Tartu Marathon. Ühispank also sponsored a young talented go-cart pilot Marko Asmer.

In December, the City of Tallinn awarded Ühispank the status of a silver sponsor as the city's major supporter of culture.

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FOREIGN BANKING

The function of foreign banking is accurate and timely execution of international operations and securing the trustworthiness of the bank as an institution of communication on global markets. Due to globalization and the rapid development of new economic branches, the importance of foreign communication grows and bank clients require more services across national borders.

The need for foreign payments is greatest among export-import, transport and transit firms. Several finance institutions need the Estonian kroon based services and hedging of currency risks.

1999 meant for the foreign banking division, previously the interbank division, structural changes: risk management was transferred to the financial division, the transactions division and the securities administration department were transferred from the finance division to the foreign banking division.

The co-operation between Ühispank's various divisions has reached a level where the client can receive equal service in different sections.

Ühispank's international trustworthiness was confirmed by the decision of Moody's rating agency to upgrade Ühispank's ratings’ outlook from "stable" to "positive". In the first quarter of 2000 three international credit rating agencies upgraded the ratings of Ühispank: Thomson Financial Bankwatch, FitchIBCA and Moody’s. The decisions have boosted investors' interest toward the bank, reflecting the active work of foreign relations department with target groups.

TREASURY

The fact that the Estonian kroon is pegged to the Deutsche mark, means that the kroon's rate is fixed to the membership currencies of the European Monetary Union, allowing Ühispank to automate currency exchange transactions. The share of mechanical work decreased and sales personnel had more time for offering and selling products.

Money Markets

In 1999 the Estonian money market was influenced by the aftershocks of the financial crisis originating from Russia. The banks behaved in the post-crisis environ-

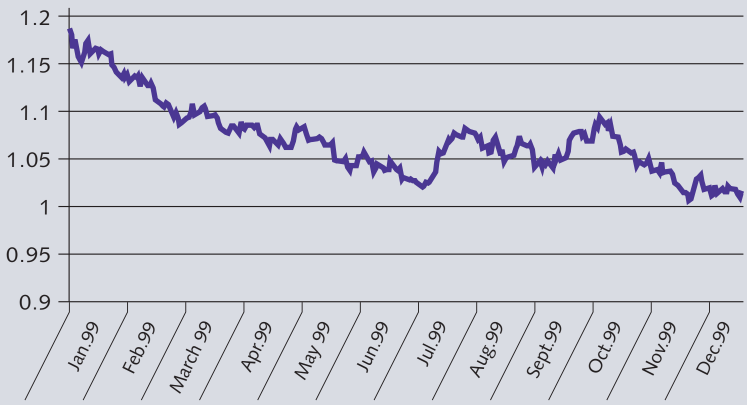
Three-month Talibor (%)

ment very conservatively, as was indicated by modest loan activities. Due to conservative operation, the banks were over-capitalized. At the same time, the faith of foreign markets towards Estonian banking was restored and the interest to speculate against the Estonian kroon through future transactions ceased.

All these factors influenced interest rates, with the Talibor falling in the first four months from 16% to 6% and becoming stable at the year's end at a 4% level.

Currency Markets

Euro Exchange Rate to US Dollar



The creation of a common European treasury by the introduction of the euro as a common currency brought with it uncertainty and skepticism about the newly formed mega-economy. The smaller than anticipated economic growth was indicated by the fall of the euro throughout the year against the majority of other currencies. Since the Estonian kroon is tied to Deutsche mark, then kroon is then also linked with euro; therefore the fall of the euro influenced the Estonian national currency. The first year of the euro also meant the disappearance of exchange rate fluctuations between 11 national currencies. This hurt the currency markets by a reduction of turnover and the tightening of rate differences.

The 1998 financial crisis in Russia influenced the selection of Ühispank's partners in the East. In 1999 Ühispank's clients got the option to make transactions in soft currencies through well-known and trustworthy banks like Deutsche Bank and Bank Austria Creditanstalt in Moscow and Société Générale Ukraine in Kiev.

Thanks to established business partners in Russia and the Ukraine and SEB participation in Ühispank, the notoriety of Ühispank as a market maker has grown on the international market.

LIQUIDITY

Liquidity Improved Throughout the Year

By the approved finance policy, the bank can better manage the liquidity and increase profitability. The consolidation and strengthening of banking instills confidence in the future, also a great fluctuation in interest rates should not be anticipated.

The growth of bank deposits despite zero economic growth meant for Ühispank the improvement of liquidity. The bank kept a stable liquidity reserve in order to pay back loans and to prepare for any potential Y2K problems.

Public Bond Issue Trail Blazing

At the end of February, Ühispank issued 50 million euros (783 million kroons) worth of 3-year bonds at a 6-month interest rate of Euribor plus 3.5%. It was the first capital markets transaction originating from Eastern Europe after the Russian crisis; also Ühispank was the first Eastern European private company to raise its capital in this manner. Additionally, it was also the first issue of public bonds in the euro denomination in the Baltic States. A respectable business newspaper, The Wall Street Journal emphasized the success of the bond issue.

In December Eesti Ühispank and European Investment Bank **(EIB)** signed a financing agreement that gives Ühispank the right to borrow from EIB 20 millions euros. The loan will be used in financing small and medium projects in the areas of environmental protection, energy saving, infrastructure, industry, service industry and tourism. The interest rate and loan term will be determined separately for each part of the loan.

TRANSACTIONS

The transaction division processes in one month 12,000–13,000 foreign payments and returns and approximately 900,000 internal payments and returns.

Regarding foreign payments, it became more important to create an additional service for clients who wish to make their payments in an easier and faster way. As a result of development work made last year, clients who have made their payment through Ühispank can receive proactive information on the incoming payments with a future value date.

In addition to the express payments in US dollars, a corresponding service in the euro was introduced in November; in both cases the express payment orders given before 1 p.m. are performed on the same banking date. The payments qualitatively relayed in the SWIFT-system can be processed automatically, meaning for the bank lower costs and for the client a faster forwarding of payments.

Accuracy and Efficiency of Foreign Payments Increased

In 1999 the number of correct Ühispank's USD-denominated foreign payments was a little over 90%, but by the year's end the bank improved it to 98,84% in the volume of 100 million dollars. The quality of international payments made by Ühispank has been also acclaimed by the American Express Bank. Due to automation, the number of employees was reduced from 70 to 30.

Because of the development of payment traffic, Ühispank belongs to the system of cash pooling of states surrounding the Baltic Sea; the system allows clients to use their accounts located in foreign countries without leaving their country. At the present initial stage, a client can give orders to own accounts in Unibanka, Vilniaus Bankas and SEB.

ADMINISTRATION OF SECURITIES

In 1999 the co-operation project between Ühispank, Unibanka, Vilniaus Bankas and SEB became solidified. The goal is to use the experience of SEB in the administration of securities and to provide customers with services that are standardized and of high quality throughout the Baltic Sea region. Although the standards have been developed with large international institutions in mind, the co-operation enables the three Baltic banks to offer Estonian investors stocks traded on international markets.

INVESTMENT BANKING

As one of the main business areas of Ühispank, investment banking provides its customers services in the areas of capital markets, market analysis, corporate finance and asset management.

1999 IN SECURITIES MARKET

In 1999 the event that greatly influenced the Estonian securities market was undoubtedly the IPO of Eesti Telekom's shares in January–February, which as anticipated also drew attention to the rest of the market.

The Economic Halt in the First Half of the Year Caused Caution

The 5.6% economic recession in the first quarter caused an unexpected disappointment among market participants and investors; this was not overcome until the fall despite the fact that the economy showed a change in the falling trend already by the second quarter. The fact that Russia came out of the recession phase faster than anticipated added a positive backdrop to the stock exchange, although mostly on an emotional level.

Several foreign companies used the instability of the economy for the takeover of local firms and for the extension of market share. This also happened to several companies listed on the stock exchange.

Economic Boost in the Second Half of the Year

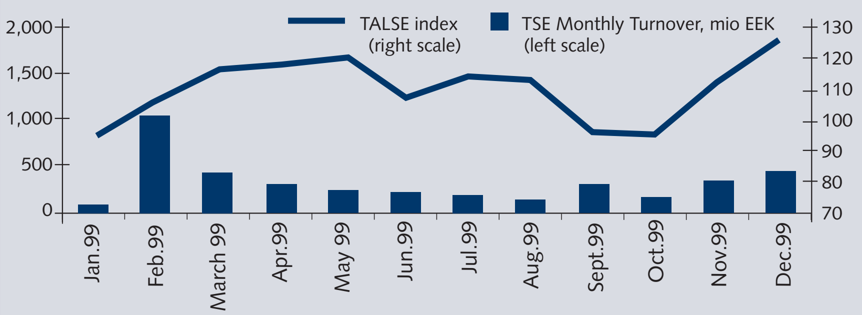
The level of interest that fell fast in the beginning of the year and later stabilized, supported at the year's end an economic boost, reduction of risks and a raised interest toward share market. The growth of banks' loan portfolios and the sales of industrial production were the first strong signs that encouraged investors to also take braver positions on the share market.

As an important event, the tax exemption on reinvested income passed by the Riigikogu at year's end should be mentioned; it should fuel economic growth and that in turn should create more investor attention towards the local capital market.

Latvian and Lithuanian Markets Developed Modestly

The problems of the Lithuanian and Latvian securities market were similar to Estonia; they also were influenced by the reduction of trade and transit co-operation with Russia, that in turn complicated the fulfillment of the state budget. Particularly difficult was the situation in Lithuania, where the delayed privatization of Mazeikiu Nafta kept interests high and the expanding foreign debt forced investors to keep away from the Lithuanian market. The normalization of situation in the Lithuanian and Latvian securities markets was not expected before the beginning of 2000.

TALSE index and Trading Volume at Tallinn Stock Exchange



CAPITAL MARKETS

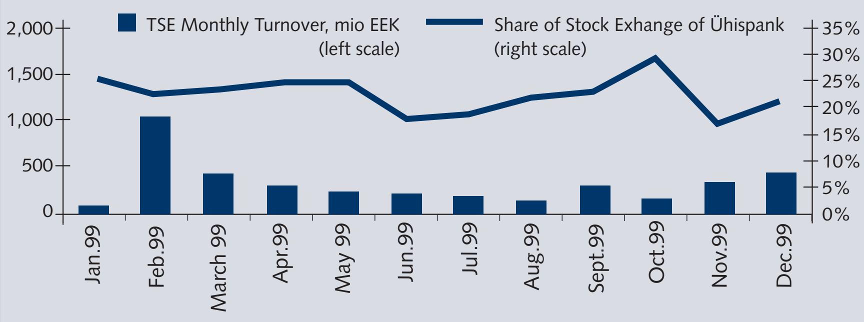
In 1999 Ühispank's capital markets division efficiently developed the products offered to customers and added services to them. The volume of electronic securities trading grew significantly: U-Net allows providing through the Internet a basic part of services offered by the capital markets division.

Ühispank Was One of the Most Active Brokers on the Tallinn Stock Exchange

As a result of that work, Ühispank's share in the stock exchange turnover has been stable and the bank has secured its second position among the most active brokers on the Tallinn Stock Exchange. In 1999, the bank's share of stock exchange transactions fluctuated between 17% and 30%, whereas by the number of transactions the bank's share reached to 38% of all transactions.

The interest of Estonian investors toward securities traded on foreign markets grew notably. Through Ühispank's capital market's division, clients have access to all the established and emerging markets, among them North American, West-European, Scandinavian and Russian markets.

Trading Volume and Market Share of Eesti Ühispank



MARKET ANALYSIS

Looking back at the year, it is clear that Ühispank's market analysis division was able to assess adequately economic developments and the market situation in Estonia as well as in the neighboring countries throughout the year. The market analysis division has covered with its products almost all securities traded on the Tallinn Stock Exchange, among them securities belonging to firms with smaller market capitalization.

The prognoses regarding the results of enterprises and their share price fluctuations, as well as macroeconomic trends have been proven correct. Examples are the evaluations given in fall of 1999 about the overemphasis of the Y2K computer problem, the problematic return of the state budget etc.

Timely Information by IT-solutions

The more active clients receive the information from market analysis division as real time pager messages or SMS-messages. Technical analysis about shares listed on the Tallinn Stock Exchange and brief comments about more important economic news are provided in such way.

At the end of 1999, the Research Live program test was launched. The Research Live users receive through the internet daily commentaries on economic and stock exchange news. The product should be available for all active clients in capital markets.

Analyses Covered Regional Economic Trends

The market analysis division provides to customers who are active in different capital markets a wide selection of analysis products that can be divided into three larger groups:

Capital market reviews
- Daily reviews (Baltic, Russian and Nordic countries' share markets)
- Weekly reviews (Baltic, Russian and Nordic countries' share and bond markets, technical analysis and news summary)

Macro reviews
- Monthly Baltic macroeconomic review

Company analyses
- Reviews about economic results of firms listed on the Baltic stock exchanges, investment suggestions for investors

The goal for 2000 is, in addition to compiling operative and professional analyses, to improve the availability of products. Till now, the analysis has been delivered to the client via e-mail, in the near future the analyses and reviews will also be available on the home page of investment banking in the internet.

CORPORATE FINANCE

In 1999, the bank continued in the direction that foresaw the realization of participation of subsidiaries and affiliated companies, as well of assets not related to banking.

Usually, the corporate finance (CF) division has dealt with the sale of the bank's holdings and has completed several successful transactions.

Last year the CF provided to its customers active help in privatization transactions, the sale and purchase of firms, the arrangement of share and bond issues as well as management services.

Ühispank Advised the Privatization of Eesti Telekom

In 1999, the most significant project of CF was being a member in the consortium advising the initial public offering, carrying out the share sale, and arranging the stock exchange listing of Eesti Telekom in cooperation with international banks ABN AMRO, N.M. Rothschild & Sons and Nomura International. For the time being, it was the largest Estonian privatization transaction from which the state received a total of 3.1 billion kroons. As a consultant for the purchaser, CF also participated successfully in Liviko's privatization process.

A notable achievement was arranging the issue of the first Estonian convertible bonds for AS Pro Kapital in the volume of 225 million kroons; CF's successful participation in the realization of Ühispank's participation in several subsidiaries and affiliates should also be noted.

In 1999 CF also participated as an adviser and organizer in several transactions involving foreign capital by arranging the 80 million kroons (10 million Deutsche marks) loan to the Agriculture and Rural Life Credit Fund and issuing several commercial papers.

For the new year, the goal of CF is to secure the position of Ühispank as a knowledgeable financial advisor in carrying out various transactions, focusing on the realization of investments belonging to Ühispank's portfolio and advising and arranging new transactions taking place on the market.

ASSET MANAGEMENT

The reorganization of Ühispank's Asset Management ended in 1999, a process by which the work that up to then had taken place in four different firms was concentrated into Ühispank's Varahalduse AS (previously Tallinna Panga Varahalduse AS). Functionally, the firm with nine employees managing investment funds and bond portfolios is affiliated with Ühispank's investment banking division.

Of funds, Ühispank's Asset Management manages Ühispank's Money Market Fund (previously TP Money Market Fund), Ühispank's Growth Fund (previously Eastern Europe Investment Fund) and Äripäev Index Fund. The portfolio management provides services to private clients as well as institutional investors, the latter combines mainly life insurance companies.

In the private client market, the fall of deposit rates caused the movement of money into investment portfolios, the yield of which is already dependent on the level of risk acceptable to a client. Institutional investors kept a low risk profile, having at times 100% bonds in a portfolio.

The Year of Estonian Market Stabilization

While in 1997 there were in Estonia about twenty brokerage and asset management firms, by the beginning of 1999 after the stock exchange crash on emerging markets there were six fund managers competing in managing the 11 open investment funds with a total of 60 million kroons. By the end of 1999, the volume of fund assets rose to over 1 billion kroons.

Several funds were liquidated in 1998-99. Ühispank's Growth Fund, which is managed by Ühispank's Asset Management, took over Beeta Eastern European Future Fund, which had been managed by Beeta Varahalduse AS. In February, the TP Money Market Fund was merged with Ühispank's Money Market Fund with the total volume reaching up to 70 million kroons.

The investment market that had been stagnant most of the year became active in the last quarter, especially on account of private clients. The boost in share market activity and the rise of the TALSE index resulted in new investments, causing 20% of growth in the fund volumes.

Firms preferred to invest their money into dispersed risk money market funds that are more productive than bank deposits.

The method for calculating the Äripäev index was changed on December 1, with a goal to reflect an evenly dispersed and representative investment portfolio where the share of small firms was artificially increased. This method reduces the excessive influence that firms with a large market capitalization and turnover have on the share index.

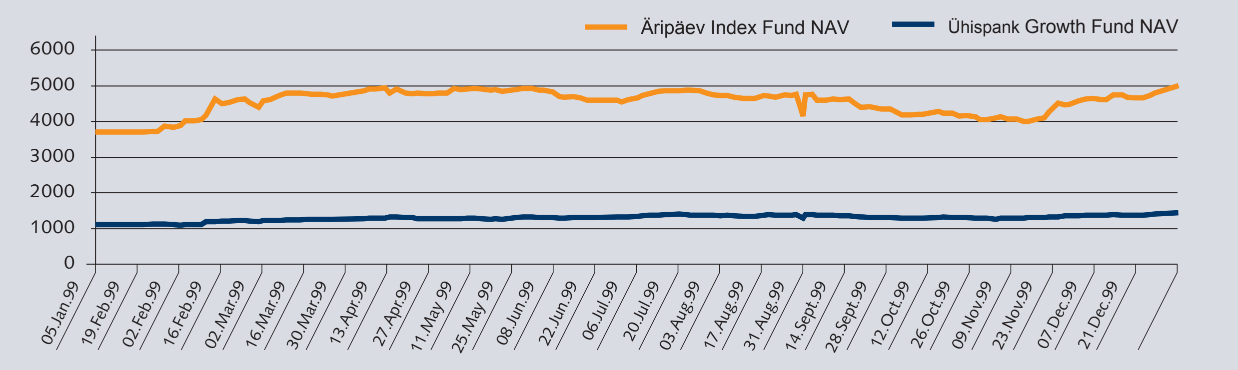
Active Bond Market Increased the Yields of Money Market Fund

In the beginning of 1999, the liquidity of Estonian firms was low therefore short term and high yield bonds notes were issued. This increased the productivity of money market funds: at the beginning of year, the 12 month productivity of the TP Money Market Fund's share was 11-12%, which had in December fallen to under 7%.

Starting in mid-November, Ühispank's Asset Management offered to clients in partnership with Ühispank an option to automatically invest free financial resources into Ühispank's Money Market Fund. The service simplified the operation of firms in directing their free money flows.

At the year's end, the 12 months yield of the Äripäev Index Fund was close to 30% and the corresponding figure of Ühispank's Growth Fund was a little over 30%. At the same time, the Growth Fund's portfolio consisted for the most of the year

NAV of Äripäev Index Fund and Growth Fund of Eesti Ühispank



of 70% promissory notes and the importance of shares was small, in December the part of promissory notes decreased to 40%.

Pension Funds – the Goal of 2000

The objective for 2000 is mostly directed towards the creation of a so-called third column pension fund that is based on voluntary pension savings. Ühispank's Asset Management plans in 2000 to come to the market with an Interest Fund.

In partnership with Ühispank and SEB, Ühispank's Asset Management plans to advise the investors in trade with shares of international investment funds, making it possible to invest into global instruments. One of the partners, SEB Asset Management is the largest Asset Management firm in Scandinavia.

EESTI ÜHISPANK GROUP

The long-term strategy of Eesti Ühispank formulated in 1999 foresees focusing the operation of Ühispank Group to the local Estonian market, therefore in 1999 several holdings were sold.

From the new strategy came the decision to sell two Latvian subsidiaries: Saules Banka focusing on servicing private clients and small and medium sized firms; and the brokerage firm TP Securities Latvia. The bank also sold its holding in AS Fondijuht (Fund Manager Ltd) that provides asset management and fund management services. Also two affiliates, AS Leks Kindlustus and AS Sularahakeskus were sold.

The goal of Ühispank Group is to strengthen the position of its Estonian market based subsidiaries and to be a strong partner in the regional and global market, on the basis of synergy created by the participation of Skandinaviska Enskilda Bankeni (SEB).

ÜHISLIISING

Ühispank's Holding in Ühisliising Increased to 100%

Since the beginning of Ühisliising AS's founding in 1994, Eesti Ühispank in addition to Eesti Põllumajanduse and Maaelu Krediteerimise Fond (PMKF) belonged to its owners. In October of 1999 the shareholders reached an agreement in which Eesti Ühispank bought all 1,667 Ühisliising AS shares belonging to PMKF.

As a result, Ühisliising became a 100% subsidiary of Eesti Ühispank. As of December 31, 1999 the share capital of Ühisliising AS was 60,001,000 kroons. Despite the change in ownership, the co-operation with PMKF still continues in the financing of projects supporting agriculture and enterpeneurship in rural regions.

Ühisliising Focused on Domestic Market

In the forming of the group of Ühisliising's subsidiaries, the merger with Tallinna Pank Liising AS played a great role. As a result of this was the formation in 1999 of a group on a 100% subsidiaries basis such as Tallinna Pank Leasing, Latvia SIA, Tallinna Pank Leasing and Vilnius UAB, that provided primary leasing products in all three Baltic States.

Economic Recession Increased Return of Leased Assets

1999 was a busy year for the risk capital department engaged in the realization of leasing assets. Because of the economic crisis in 1998 the number of clients terminating leasing service for economic reasons increased.

The main part of returned assets are motor vehicles. In 1999 clients returned to Ühisliising in total over 367 motor vehicles in the value of almost 108 million kroons. 89 of the returned vehicles were trucks and trailers with a total value of 42.9 million kroons.

The return and realization volumes of other assets were significantly smaller compared to motor vehicles and these did not increase notably in comparision with a year ago.

A positive tendency in 1999 was the fall in leasing frauds. This is mainly due to a more efficient risk management system, we predict the same tendency for next year as well.

The increased volume of assets in need for realization in 1999 was a preparatory test of Ühisliising for the years 2000 and 2001 when most of the motor vehicle contracts signed in 1997 will end. Therefore for next year it is anticipated an increase of assets that should be realized, while at the same time obviously the influence of the economic recession to the amount of assets for realization will decrease.

Ühisliising Increased Holding in Car Rental Firm

In May 1999 Ühisliising increased with the purchase of shares its holding from 40% to 100% in the joint-stock company Rentacar, which by a franchise contract provides car rent service under the brand name of the world's largest international car rental company Budget Rent a Car Int. Inc. AS Rentacar and its subsidiaries Budget Latvia SIA (Riga) and Rentacar Vilnius UAB (Vilnius) therefore belong to the service chain that connects over 3,200 service stations over more than 120 countries around the world. With its estimated 20% market share, Rentacar Budget is by service volume the third largest car rental firm in Estonia. Additionally to the rent service, AS Rentacar provides to the clients of Ühisliising group a long term leasing that is gaining popularity in Estonia.

Insurance Broker Department Was Created In the Structure

To better manage insurance risks of the leasing objects financed by Ühisliising AS and AS Rentacar, an insurance broker department was created in the Ühisliising structure. In addition to a reduction of the firm's operational risks, the insurance broker service allows providing for clients and partners a more complete service. In connection with the planned changes in legislation regarding insurance, the Council of Ühisliising decided to form on the basis of the existing insurance department a separate subsidiary.

RUSSIA ÜHISLIISING

The Russian financial crisis that begun in August 1998 also slowed down the growth of the Russian leasing market, affected by the bankruptcies of parent banks of leasing firms and lack of foreign capital inflow. At the same time leasing in Russia has proven itself on the market of medium- and long-term financial services. The leasing market is expected to start growing at the end of 2000 as the Russian economy picks up.

ZAO Russki Obyedinyonnyi Lizing (Russian Union Leasing), a subsidiary of Eesti Ühispank, has operated in Russia since 1997 and is committed to serving the Russian market. Ühispank has a 75% stake in the company with the rest owned by local partners.

The volume of Russia Ühisliising's portfolio fell to 6,584,209 USD by the end of year resulting from client repayments under lease contracts. There were no changes in the structure of the portfolio itselt. In spite of the changed economic environment, the clients of Ühispank's Russian leasing firm duly honoured their obligations.

Advising clients and monitoring projects will also continue in 2000. If the economic climate improves, the company will resume signing new clients.

ÜHISPANGA ELUKINDLUSTUS

The Ühispanga Elukindlustus AS (Ühispank's Life Insurance) that was formed in the fall of 1998, completed its first operational year successfully - instead of the planned 2.4 million kroons, the firm collected 3.1 million kroons in premiums, an exceptional result for an establishing firm.

Ühispanga Elukindlustus Second on Estonian Market

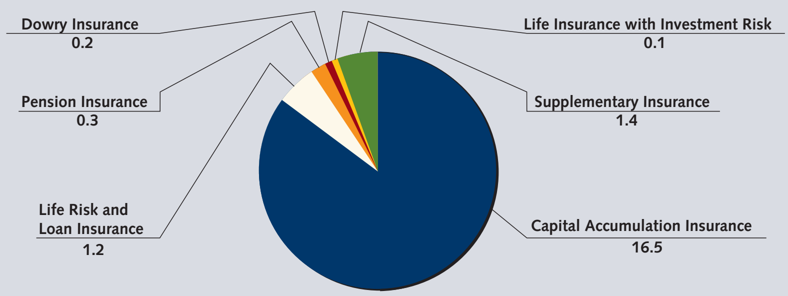
When adding the acquisition of Leks Elukindlustus in the summer of 1999, then the total volume Ühispanga Elukindlustus' premiums was 19.7 million kroons, giving the firm a second position among Estonian life insurance companies.

In 1998 Leks Elukindlustus collected 14 million kroons in premiums, with annual growth being at 41%.

Majority of Growth in Capital Accumulation Insurance

Of collected premiums, 6.8 million were premiums from new contracts (signed in 1999) and 12.9 million were from contracts signed before the year. The main part of premiums or 19.3 million was collected from installment plan contracts, that allows also a good collection even for next year's portfolio. The share of continuing insurance premiums of the premium total was in 1999 0.5 millions. Compared to 1998, in 1999 the greatest growth was the volume of capital accumulation insurance at 5.4 million kroons (49%). This is certainly influenced by the tax exemption imposed at the end of 1998.

Collected Premiums in 1999 *(mio EEK)*



The goals set in the beginning of the year by Ühispanga Elukindlustus as well as by Leks Elukindlustus were fulfilled regarding the volume of premiums in 1999.

The Disbursement Total Did Not Notably Change

In 1999, 1.9 million kroons were disbursed, 1.2 million was constituted by purchasing back contracts and 0.7 million in compensations and the end of contracts. In 1998, Leks Elukindlustus paid 1.7 million kroons. Despite the growth of portfolio and the volume of exclusions that form the value for back purchases, the total of disbursements has remained almost the same.

In the end of 1999 Ühispanga Elukindlustus had 6,164 primary insurance contracts, 4,358 originated from the portfolio of previously Leks Elukindlustus and 1,666 were already signed by the Ühispanga Elukindlustus sales organization. Of effective contracts, 1,047 were life risk and loan insurance contracts, 4937 capital accumulation insurance contracts, 137 dowry insurance contracts and 3 life insurance contracts with investment risk. At the end of 1998, Leks Elukindlustus had 4,061 effective contracts. The effective primary insurance contracts had at the end of 1999 4,641 additional insurance contracts against accidents. 1,050 contracts were terminated in 1999.

The volume of technical exclusions was at the end of the year 14.1 million kroons, 13.7 millions were brought by Leks Elukindlustus' contracts. At the end of 1998, the volume of technical exclusions of Leks Elukindlustuse was 7.4 million kroons. In conclusion, the volume of our clients' investments has over the year almost doubled.

Insurance market will grow in 2000 up to 20%

By all assumptions, this year will be calm in the insurance market and bursting growth is not foreseen. By prognoses of Ühispanga Elukindlustus, market growth should be approx. 10% - 20%. Despite this, the firm expects to increase its operation volume more than the anticipated market growth. As the result of the synergy created by the merger of two insurance companies, Ühispanga Elukindlustus has set the goal to collect in 2000 34 million kroons on premiums and to increase the volume of sale of life insurance contracts more than 50%.

Ühispanga Elukindlustus plans to bring on the market new life insurance products and to improve present ones. The firm also sees the importance of using the internet environment as a sales channel that could in addition to being used for contacts and retrieving initial info, also be used for the signing contracts as well.

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financial statements

OVERVIEW OF EESTI ÜHISPANK'S 1999 FINANCIAL STATEMENTS

Contents

Net income for Eesti Ühispank's Group was 100.2 million kroons in 1999 (in 1998 a loss of 382 million kroons). In 1999, income received from the main business amounted to 982 million kroons that is 18% more than in 1998 (pro forma – here and further: as Tallinna Pank's subsidiaries were not consolidated at the moment of the consolidation of the banks' balance sheets on 31 July 1998, Tallinna Pank Group reports of 30 June 1998 have been used, which have been adjusted according to the amendments in the Tallinna Pank's July 1998 Balance Sheet and Income Statement).

The Group's activity was significantly affected by the recession in the Estonian economy that started after the Russian crisis in 1998. Because of that, lending activities, financial markets operations and other business was quite modest. Also, the bank was very conservative in assuming new risks in 1999. Of the Group's income, income from the sales of investments made up 6.5% as part of the policy to sell off investments in the companies that are not directly related to the banking business.

Group	1999	1998
Average assets (millions of EEK)	15,734.2	13,419.8
Average equity (millions of EEK)	1,974.9	1,299.6
Return on Equity	5.1%	-29.4%
Return on Assets	0.6%	-2.8%
Assets yield	6.2%	5.0%
Profit margin	10.2%	-56.5%
Operating expenses / total income	77.3%	65.1%
Leverage	8.0	10.4

ROE and ROA are positive, but the target is to notably increase ROE in the following years. EPS was 1.51 kroons per share in 1999 (in 1998 a loss of 8.6 kroons per share). A negative aspect is that operating expenses management has not been sufficiently effective, as operating expenses (excl. goodwill amortization) ratio to total income has been in 1999 higher compared to previous years. But management is expecting positive tendencies in this field, as a significant cut in the number of Bank staff occurred at the end of 1999 (number of employees decreased from 1,466 to 1,191). This reduction is the result of the development of electronic channels and cuts in the ordinary branch network. Increase in assets yield in 1999 is related to the positive results of financial transactions. Decrease in leverage is related to the increase in equity in the second half of 1998 (merger with Tallinna Pank and a share issue targeted at SEB) and to the decrease in the group's assets in 1999 (mainly related to the sale of long-term investments).

Results by Activities	1999	1998
Banking	134.1	- 427.1
Leasing	- 1.2	- 3.9
Life Insurance	- 1.4	0.0
Brokerage	- 1.4	- 3.7
Asset Management	- 1.8	- 4.5
Real Estate	- 19.1	- 2.1
Other	- 0.2	0.3

Banking involves Ühispank's net result of 129 million kroons in 1999, and Saules Banka 11 months result of 4.8 million kroons. The negative result for leasing activity was due to FX losses in the amount of 7 million kroons in Russkii Obyedinyonnyi Lizing, in addition the loss of 8.9 million kroons incurred from the revaluation of net results of the leasing companies. The loss in the life insurance was due to the start-up process of the life insurance company. The loss from real estate is related to the new head office on Tornimäe Street.

NET INTEREST INCOME AND LOAN PROVISIONS

Most of the total income, 53%, was earned as net interest income in 1999 in the amount of 518 million kroons (in 1998 632 million). Interest income was 1,238 billion kroons and interest expenses paid were 720 million kroons. Most of the interest income, 81%, came from leasing and loan performance.

Group *(millions of kroons)*	**1999**	**1998**
Net interest income (excl. derivatives)	491.4	562.8
Other income	463.5	44.3
Average interest-earning assets of period	12,498.3	10,150.8
Average interest-bearing liabilities of period	13,000.9	11,416.8
Net interest margin (on average assets)	3.1%	4.2%
Credit losses adjusted interest margin	2.5%	0.8%
Net interest margin (on average interest earning assets)	3.9%	5.5%
Net non interest margin	2.9%	0.3%
Gross yield on interest-earning assets	9.4%	12.4%
Cost of interest-bearing liabilities	-5.2%	-6.1%
Interest spread	4.1%	6.3%

In the beginning of 1999, the Estonian banking system was characterized by a strong liquidity deficit (triggered by the Russian crisis in August 1998), which led to high interest rates in the local money market. This caused high loan interest rates (at the beginning of the year, an interest rate on EEK loans in Estonian banking was 16.5%), which remarkably restricted lending activity. After Telekom's privatization by the Estonian Government in February 1999, the money supply started to increase, which brought along a notable deposit growth. High liquidity and lack of good investment projects characterized the second half-year in the banking system, which caused a decrease in interest rates in the Estonian lending market. Improved possibilities of Estonian larger and successful companies to get access to the international lending market supported this trend. Due to these factors, the Group's loan portfolio went through a modest decrease. The growth of the loan portfolio took place only in the second half-year of 1999 and it speeded up in the second half of 1999, notably in the fourth quarter.

Due to economic recession in the first half-year, the amount of non-performing loans also increased. This was one of the reasons why interest income saw a substantial fall in 1999. If positive economic development trends continue in Estonia, the growth of the loan portfolio in quality as well as in volume can be expected.

In 1999, interest income on deposits placed in other financial institutions evidenced a significant increase. This was caused by the high liquidity level in the second half-year and placements with foreign banks. Also, the central bank started paying interest on the mandatory reserve (interest rate depends on European Central Bank deposit interest rate). Due to the redemption of issued bonds denominated in USD, there was no need for interest and currency rate hedge SWAP deals, which caused a decrease in net interest income earned on derivative contracts.

Because of the lack of liquidity in the first half-year and because of distrust about emerging markets in the world financial markets, Ühispank had to refinance its debts (mostly through issued bonds) quite adversely. Interest rates for new EMTN were Euribor plus 3.125 – 3.5%. This had a severe impact on interest expenses paid by the Group. The growth in deposits that began in the spring enabled to considerably lower interest rates paid on time deposits (at the beginning of year, interest rate for 1 year EEK deposit was 13.25%, at the end of year 5.5%). Also, interest rate paid on demand deposits was lowered from 3% to 1% from 1 September 1999. We can see the effect of lowering of interest rates in 2000. Amounts paid to Deposits Insurance Fund are shown under other interest expenses. Interest expenses have decreased by 13% in 1999 (pro forma total).

In 1999, total net interest income was 28% less than in 1998 (pro forma).

As the loan and bond portfolio decreased during the year and the assets structure shifted towards more liquid but less earning assets and as there was a significant decrease in interest rates, the yield on interest-earning assets declined from 12.4% (1998) to 9.4% (1999). As mentioned above, a relatively expensive bond issue had a notable effect on the interests payable on liabilities and therefore the cost of interest bearing liabilities, despite of decrease in interests paid on deposits, has fallen significantly slower: from 6.1% down to 5.2%. For the reasons given above there has been a decrease in the net interest margin.

The total amount of loan provisions for 1999 has decreased over 4 times compared to 1998 (respectively 474.5 million kroons in 1998 and 115 million kroons in 1999.) This is mainly due to the high provision level in 1998. The economic recovery and growth at the end of 1999 had also a positive impact on loan portfolio quality.

OTHER INCOME

The amount of fees & commissions received totaled 304 million kroons, which was 11% less than in 1998 (pro forma). Settlement fees (81 million kroons) increased by 1/3 in 1999. The share of electronic payments (which are free of charge or significantly lower than payments conducted in the bank office) saw a considerable increase (at the beginning of the year 60% of total payments, were electronic payments at year end 80%). As significant turnover took place in the stock market directly after Telekom's privatization and in the fourth quarter, the brokerage fees and fees received on custody services (29 million kroons) remained relatively modest compared to 1998. A setback was also credit instrument organizing fees as loan market activity started to increase only in the second half-year. Although the total amount of issued credit cards decreased in 1999 (caused by conservative loan policy), credit and payment card fees amounted to 75 million kroons, which is 45% (pro forma) more than in 1998.

Fees and commissions paid amounted to 95 million kroons in 1999, which is by 30% less than in 1998 (pro forma). Contract organizing fees made up the biggest part of expense: 37 million kroons, being mainly related to the costs of the bond issue. As the stock exchange transactions evidenced a slow-down in 1999, fees and commissions paid on securities market services were also significantly lower than in 1998. Fees and commissions paid on payment cards have decreased because the bank gave up the services of the provider.

Net income from fees and commissions made up 21.3% of the total income earned by the group. The annual growth was 1.4% (pro forma).

Net profit from investment portfolio amounted to 33 million kroons. Profit from dealing securities pas 52 million and FX profit was 86 million. The total of dealing profits amounted to 138 million, which was 14% of the total income. Under other income, the most important items were received compensations and penalties in the amount of 40 million and also rental income in amount of 29 million kroons.

In addition to the main business of the Group, income was also earned from the sale of affiliates and subsidiaries such as Leks Insurance, AS Fondijuht, AS Sularahakeskus, TP Securities Latvia and Saules Banka. As the sales transactions are confidential, income received from the disposal of the above-mentioned companies is not disclosed.

OPERATING EXPENSES

The total amount of operating expenses was 824 million kroons, of which personnel expenses in the amount of 284 million kroons formed the biggest part. During the year, the number of employees decreased from 1,942 to 1,369 or by 573 people (incl. 342 people in Saules Banka). There was quite an impressive decrease in other administrative expenses (pro forma –22%) due to conservative cost control and due to synergy after the banks' merger.

As a result of building a new head office for the Bank, the Group's depreciation costs have evidenced a remarkable increase. In the coming years the bank intends to sell the majority of the real estate at its disposal and therefore depreciation costs should also fall.

The merger of Tallinna Pank Leasing and Ühisliising has caused an increase in goodwill in the Group's balance sheet and therefore goodwill amortisation costs are also bigger.

As a result of the above mentioned performance, the group's operating expenses decreased in 1999 (except depreciation of goodwill) pro forma 1.6% or by 13 million kroons.

ASSETS

At the end of 1999 the assets amounted to 14.970 billion kroons. Although total assets decreased by 9.3%, i.e. by 1.5 billion kroons during 1999, it is first and foremost due to the sale of Saules Banka. Pro forma (disregarding the sale of Saules Banka) the assets increased by 4.8%. In 1999 the total assets of Estonian commercial banks grew by 14.8%. In 1999 the market share of Eesti Ühispank was 29.7% (33.2% at the end of 1998).

Due to unfavorable economic conditions and the lack of investment-worthy loan projects, 1999 saw a decrease in the (net) loan portfolio of the Group - 1.1 billion kroons. Lending started to liven up in the second half-year of 1999 and this, along with the improved economic environment should enable to increase earnings in 2000. The total amount of loans remained practically at the same level as in 1998: in 1999 the net loan portfolio amounted to 61% of total assets. As the level of provisioning was lower in 1999 than in the previous year and non-collectible loans were written off, the ratio of non-collectible loans in the total loan portfolio fell from 4% to 2.7.

Although there has been a 10% decrease in liquid assets (cash, deposits with other banks, liquidity and trading portfolio) during the year, the pro forma liquidity has considerably increased: the growth was 30%. The increase of the investment portfolio volume by more than 11 times is the result of loan collateral being transferred into the ownership of the bank. The investment portfolio also contains the shares of Saules Banka at their sale value until the Central Bank of Latvia has granted their approval to the transaction (the respective agreement was concluded in December 1999). The brokerage TP Securities Latvia and AS Fondijuht, an assets and fund management company, were also sold. As to associates, AS Leks Kindlustus and AS Sularahakeskus were also sold. The goodwill increased by 47.4 million kroons after the merger of TP Liising and Ühisliising. Although tangible assets remain at 8.2% of the total assets, a material part of the real estate presently owned by the Group will be sold in 2000, and this should improve the return on assets in the Group.

LIABILITIES

Client deposits (pro forma, excl. sale of Saules Banka) increased by 12.2%, i.e. by one billion kroons. Thanks to the growing money supply after the privatization of Eesti Telekom and the overall economic recovery, demand deposits kept growing rapidly since April (the 1999 pro forma increase was 19.5%, i.e. 816 million kroons). Lowering of interest rates on time deposits affected the growth of this deposit type (pro forma increase was 4.6%, i.e. 185 million kroons). Thanks to the quicker growth in demand deposits, the liabilities have shifted towards less costly and shorter term money. While the growth rate in private individual and corporate deposits surpassed expectations (21% pro forma increase), the share of local and central government deposits as well as offbalance sheet funds decreased by nearly onefifth – a result of the 1999 budget deficit.

The funding from other banks diminished mainly due to the repayment of a loan to Fuji Bank in the amount of 360 million kroons in the first quarter of 1999. In February 1999, within the EMTN (Euro Medium-Term Notes) Programme, Eesti Ühispank refinanced its own three-year bonds in the amount of 50 million EUR (about 780 million kroons) and 35 million EUR (554 million kroons).

OWNER’S EQUITY AND CAPITAL ADEQUACY

The owner’s equity increased thanks to the profit of 100.2 million kroons and to a share issue for private placement with FMO (411,000 shares, related to the transfer of the 20% stake of FMO in Saules Banka) in May 1999. The additional equity was reduced by early repayment of a subordinated debt to Hüvitusfond (Compensation Fund) in the amount of 15 million kroons. Interest payable on this subordinated debt is considerably higher than an average money market interest.

Capital adequacy is an internationally accepted ratio for measuring the solvency and an indication of the adequacy of own funds to cover credit, transfer and market risks (involving currency, interest and share positions). The regulations set by the central bank of Estonia require the capital adequacy figure to be at least 10%.

Due to the increase of the equity and as Saules Banka's assets were not included in the risk-adjusted assets at the sale of the bank, the capital adequacy ratio, which was 13.4% as of 31 December 1999, evidenced a significant increase compared to the 1998 year end. Improvement of the capital adequacy raises solvency of Eesti Ühispank Group and therefore also its trustworthiness.

DEFINITIONS OF KEY INDICATORS

Return on equity (ROE) =	net profit (loss) divided by average own funds
Return on assets (ROA) =	net profit (loss) divided by average total assets
Asset yield =	total income divided by average total assets
Profit margin =	net profit (loss) divided by total income
Financial leverage =	average assets divided by average equity
Net interest margin =	net interest income (exept futures) divided by average assets
Credit-loss adjusted net interest margin =	net interest income (exept forward transactions) less credit losses divided by average assets
Net non-interest margin =	total income less operating expenses divided by average assets
Return of interest-earning assets =	interest income (exept futures) divided by average interest-earning assets
Cost of interest-bearing liabilities =	interest expenses (exept futures) divided by average interest-bearing liabilities.

Income Statements

(millions of EEK)	Note	Group 1999	Group 1998	Bank 1999	Bank 1998
Interest income	1	1,238.4	1,377.1	1,056.4	1,108.8
Interest expenses	2	- 720.0	- 744.9	- 630.7	- 655.0
Net Interest Income		**518.4**	**632.2**	**425.7**	**453.8**
Dividends		3.0	5.1	1.2	5.1
Profit/loss from investment securities		31.9	- 45.0	31.0	- 45.0
Net insurance income		3.8	0.0		
Net commission income		**209.5**	**154.5**	**160.0**	**124.9**
Fees & commisions received	3	304.3	271.2	237.1	229.9
Fees & commissions paid	4	- 94.8	- 116.7	- 77.1	- 105.1
Dealing profits/losses		**137.9**	**- 128.6**	**120.7**	**- 92.8**
Profit/loss from dealing securities		52.1	- 170.2	51.6	- 174.3
Profit/loss from dealing in foreign currencies		85.8	41.6	69.1	81.5
Other operating income		77.5	58.4	51.5	21.1
Non-interest Income		**463.5**	**44.3**	**364.3**	**13.3**
Total Income		**981.9**	**676.6**	**790.0**	**467.1**
Personnel expenses	5	284.0	232.1	212.5	182.1
Other administrative expenses	6	236.9	218.2	204.8	172.8
Value adjustments of intangible and tangible fixed assets and depreciation	18,19	260.0	134.3	193.6	105.5
Other operating expenses		42.7	19.7	13.4	14.0
Operating Expenses		**823.6**	**604.3**	**624.1**	**474.3**
Operating Profit / Loss before Provisions		**158.3**	**72.3**	**165.9**	**- 7.2**
Value adjustments of advances and off-balance sheet items	7	- 115.0	- 474.5	- 107.0	- 332.5
Operating Profit / Loss		**43.2**	**- 402.2**	**58.8**	**- 339.7**
Value-adjustments of investments		- 10.5	8.4	- 1.3	- 48.3
Income/loss from associates		0.8	- 0.3	0.8	0.1
Sale of associates and subsidiaries		68.2	0.0	70.9	0.0
Profit / Loss before Taxes		**101.7**	**- 394.0**	**129.2**	**- 387.9**
Income tax	8	1.2	0.9	0.0	0.0
Profit / Loss after Taxes		**100.5**	**- 395.0**	**129.2**	**- 387.9**
Minority interest (equity)		0.3	- 12.7		
Profit / Loss for the Financial Year Attributable to Shareholders		**100.2**	**- 382.3**	**129.2**	**- 387.9**

Balance Sheets

(millions of EEK)	Note	Group 12/31/99	Group 12/31/98	Bank 12/31/99	Bank 12/31/98
Assets					
Cash on hand		363.0	450.8	363.0	317.8
Balances with the central bank	10	1,025.6	1,320.0	1,025.6	1,296.9
Loans and advances to banks	11	707.1	812.4	681.6	207.5
Dealing and liquidity securities	12	289.8	287.9	268.4	286.2
Loans and advances to customers	13	9,382.2	10,722.0	8,606.4	7,709.5
Less: allowance for uncollectible loans	14	- 251.4	- 431.9	- 174.5	- 353.3
Loans, net		9,130.8	10,290.1	8,431.9	7,356.2
Investment securities	15	1,286.0	844.2	1,256.0	2,046.9
Investments in associates	16	5.8	39.6	4.6	35.1
Investments in subsidiaries	17			427.3	421.7
Goodwill	18	535.3	552.5	534.9	551.8
Tangible fixed assets	19	1,231.8	1,388.0	641.7	676.8
Other assets	20	394.4	513.1	322.8	302.8
Total Assets		**14,969.7**	**16,498.7**	**13,958.0**	**13,499.7**
Liabilities					
Amounts owed to credit institutions	21	1,666.2	2,289.8	1,062.2	1,410.4
Amounts owed to customers	22	8,054.3	8,205.3	8,121.7	7,219.9
Issued bonds	23	2,199.6	2,570.6	1,820.3	1,934.2
Subordinated debt	24	500.5	515.5	500.5	515.5
Total Interest Bearing Liabilities		**12,420.6**	**13,581.3**	**11,504.8**	**11,079.9**
Other liabilities (incl. tax liabilities)	25	519.6	974.7	425.7	531.6
Total Liabilities		**12,940.2**	**14,555.9**	**11,930.4**	**11,611.5**
Minority interest (equity)	26	- 2.8	25.2		
Equity					
Subscribed share capital	27	665.6	661.5	665.6	661.5
Share premium		1,346.6	1,340.6	1,346.6	1,340.6
Reserves		298.5	298.5	298.5	298.5
Translation differences		- 4.0	- 8.5	0.0	0.0
Retained earnings		- 274.4	- 374.6	- 283.2	- 412.4
Total Equity		**2,032.3**	**1,917.5**	**2,027.6**	**1,888.2**
Total Liabilities and Equity		**14,969.7**	**16,498.7**	**13,958.0**	**13,499.7**
Off-Balance Sheet Items	**30**				
Guarantees and letters of credit		757.4	735.4	1,643.4	1,886.9
Binding commitments		716.1	655.0	766.4	651.0
Foreign exchange and interest rate related contracts		1,046.4	2,911.6	1,046.4	2,895.9

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS *(millions of EEK)*

Subscribed Share Capital	1999	1998
At beginning of year	661.5	302.7
GDR issue	0.0	111.6
Bank mergers	0.0	97.3
Share issues	4.1	150.0
End of year	**665.6**	**661.5**
Share Premium Account		
At beginning of year	1,340.6	73.0
Premium arising on shares issued	6.0	1,267.7
End of year	**1,346.6**	**1,340.6**
Retained Earnings		
At beginning of year	- 374.6	7.7
Net profit/loss	100.2	- 382.3
End of year	**- 274.4**	**- 374.6**
Reserves and translation differences		
At beginning of year	290.0	298.5
Change in translation differences	4.5	- 8.5
End of year	**294.5**	**290.0**
Total Shareholders' Funds	**2,032.3**	**1,917.5**
Average equity:	**1,974.9**	**1,299.6**

Statements of Cash Flows

(millions of EEK)	Note	Group 1999	Group 1998	Bank 1999	Bank 1998
I Cash Flows from Operating Activities					
Interest receipts		1,238.4	1,377.1	1,056.4	1,108.8
Interest payments		- 720.0	- 727.5	- 630.7	- 637.6
Dividend receipts		3.0	5.1	1.2	5.1
Other income received		509.5	47.4	423.9	8.4
Administrative expenses paid		- 520.9	- 450.3	- 417.2	- 354.8
Other expenses		- 90.3	- 61.4	- 61.2	- 36.4
Profit / loss arising from minority interest		- 0.3	12.7		
Income taxes paid		- 1.2	- 0.9	0.0	0.0
Written off loans and bonds, less recoveries		- 248.4	- 244.7	- 240.7	- 170.4
Exchange rate adjustments		- 6.4	- 8.5	0.3	0.0
Other non-cash movements		- 47.4	0.0	- 45.0	6.3
Net cash flows from operating activities before changes in operating assets and liabilities		**116.0**	**- 51.1**	**87.0**	**- 70.6**
Net (increase)/decrease in operating assets:					
Time deposits in credit institutions		- 552.3	123.3	- 287.4	9.2
Loans and advances to customers		784.4	-1,717.6	- 896.8	-1,083.7
Investment securities portfolio		- 472.9	390.6	791.0	- 85.4
Other assets		37.8	112.4	- 20.0	79.9
Net increase/(decrease) in operating liabilities:					
Amounts owed to credit institutions		- 381.1	254.6	- 348.2	- 123.8
Amounts owed to customers		1,000.1	327.5	901.8	704.6
Issued bonds		- 371.0	- 429.8	- 113.9	- 368.2
Other liabilities		- 157.2	124.2	- 105.9	43.4
Net Cash Flows from Operating Activities		**3.8**	**- 866.0**	**7.5**	**- 894.7**
II Cash Flows from Investing Activities					
Merger of banks	34		373.2		- 146.9
Investments in associates		- 1.2	- 34.0	0.0	- 30.0
Disposal of associates, net of cash acquired		44.6	8.8	40.1	8.8
Investments in subsidiaries				- 151.6	- 151.9
Disposal of subsidiaries, net of cash	34	- 235.8	0.0	146.0	0.0
Acquisitions of tangible fixed assets		- 250.2	- 555.9	- 108.8	- 188.3
Disposal of tangible fixed assets		103.1	67.7	14.5	28.1
Net Cash Flows from Investing Activities		**- 339.5**	**- 140.3**	**- 59.7**	**- 480.1**
III Cash Flows from Financing Activities					
Minority interest		- 25.2	- 16.7		
Subordinated debt		- 15.0	42.5	- 15.0	42.5
Share issues		4.1	358.9	4.1	358.9
Share premium arising from share issues		6.0	1,267.7	6.0	1,267.7
Net Cash Flows from Financing Activities		**- 30.1**	**1,652.3**	**- 4.9**	**1,669.0**
Net Change in Cash and Cash Equivalents (I+II+III)		**- 365.8**	**646.0**	**- 57.1**	**294.3**
Cash and Cash Equivalents at the Beginning of the Year		**2,354.4**	**1,708.4**	**2,002.3**	**1,708.1**
Cash and Cash Equivalents at the End of the Year	33	**1,988.6**	**2,354.4**	**1,945.3**	**2,002.3**

ACCOUNTING PRINCIPLES

General principles

The financial statements of Eesti Ühispank conform with International Accounting Standards and generally accepted accounting principles. Compared to the previous year, presentation principles of long-term investments in subsidiaries' shares in the financial statements separate from the parent company have been changed: in 1998 they were re-valued at an equity method, in 1999 at an acquisition cost; the results of the previous year have been adjusted respectively.

Scope of the Consolidated Financial Statements

The financial statements of Eesti Ühispank group include the audited financial statements of the subsidiaries as of 31 December 1999. Only the statements of the subsidiaries where Eesti Ühispank exercises significant control have been consolidated. The control is treated as significant when the bank owns at least 50% of the voting right in the company or in some other way exercises a significant power. The statements of Eesti Ühispank Group include the financial statements of Ühisliisingu AS (participation 100%); Russkii Obyedinyonnyi Lizing (participation 75%), Ühispanga Varahalduse AS (participation 100%), AS Ühisinvesteeringud (participation 100%), AO Baltic Invest (participation 100%), PT Investeeringute AS (participation 100%), AS Bangalo (participation 100%), OÜ PV Navarra (participation 100%), AS TPF Orior (participation 100%), AS PF Koda (participation 100%), AS LF Finants (participation 100%), OÜ Efficio (participation 100%) and AS Ühispanga Elukindlustus (participation 100%). The subsidiaries of AS Ühisliising, Ühispanga Varahalduse AS and AS PF Koda have been prior consolidated into the financial statements of the parent company.

Financial results of two affiliates – Banks Card Centre (participation 40.3%) and Estonian leasing Centre (participation 33.3%) are included in the financial statements of the group.

Consolidation

In significant aspects the statements have been compiled in conformity with the accounting principles of the parent company. In consolidation, internationally accepted accounting principles have been applied, which require a line-by-line combination of a parent company's and subsidiaries' balance sheets and income statements, while intra-group balances and transactions have been eliminated. Minority interests in the subsidiaries' equity are presented separately from the liabilities and shareholders' equity of the group.

Income and expenditures of the subsidiaries acquired during the accounting year have been consolidated into the parent company's statement over the period from the moment of acquisition until the termination of the accounting year. The subsidiaries disposed of within the accounting year have been consolidated into the statement up to the moment of disposal.

The income statements of subsidiaries incorporated in foreign countries have been re-valued in the Estonian kroons at the 1999 average exchange rate of the Bank of Estonia and the balance sheets have been consolidated at the Bank of Estonia's exchange rate of 31 December 1999.

In the parent company's separate statements investments into subsidiaries have been presented at, either at acquisition, or realisation cost.

Long-term investments into associates (participation 20%– 50%) are presented at equity method where the initial investment is increased by the group's share of profits and reduced by losses of or distribution of profits received from the associate attributable to the group. The results of the associates disposed of during the accounting year are recognised in the statement until the moment of disposal.

Securities

All securities possessed by the bank are recognized as securities. Investments into securities are classified either as short, or long-term financial investments depending on the aim of holding. Long-term investments include shares acquired for a strategic, long-term holding. In the Group's statements long-term investments are carried at a lower, either at a realisation or acquisition cost, their disposal is based on FIFO-formula.

Short-term investments include shares acquired for trading purposes. Such shares are recognized at market values, based on the stock exchange latest BID-price on a respective day. The shares not quoted on the stock exchange are recognized at cost. In the bank's balance sheet those investments will be re-valued upon decrease of the company's bookkeeping value (according to the financial information of the company).

Bonds include fixed interest bonds and other securities. Long-term bonds are recognized in the balance sheet at a lower, either at acquisition or realization cost. For valuation, interest arising as the difference between acquisition cost and nominal value is allocated over the period up to maturity of the bond. The result is presented in the income statement as interest income. In case the bonds are disposed, FIFO-formula is applied to specify the yield. Short-term bonds are recognised in the balance sheet at market values i.e. the latest stock exchange BID-price on a balance sheet date is applied. The result is recognised in the income statement as a financial income.

Loans

Loans to customers are presented in the balance sheet until they are written off despite that part of them may be carried under costs as bad and doubtful debts. Bad and doubtful debts are presented under the same name in assets side with the minus. Loans have been recognised in the balance sheet at their actual amount due from customers, without accrued interests and penalties. In case of overdraft, the actual utilization of the overdraft limit by the borrower is stated. Credit limits not used are presented as off- balance sheet liabilities. In valuation of loans, various risks have been prudently considered. Probability of collection of loans and interest payments over the coming periods is valued. Within the extent of presumed loan losses, a loan provision has been set up, where doubtful debts are recognised, irrevocable loans are carried under costs and presented on the income statement line "loan provisions".

Valuation of collection of loans is based on the borrower's financial position, value of loan security and its realization options, on due meeting the obligations under the loan contract, trustworthiness of the borrower and on other factors. If loan interests have not been received for two months, accruing of interests will be terminated and interest income will be respectively adjusted.

Presentation of Balances in Foreign Currencies

In the balance sheet, assets and liabilities denominated in foreign currencies are recognized in the Estonian kroons according to the rate of the Bank of Estonia as of 31 December 1999. Foreign currency, which is not quoted by the Bank of Estonia is presented at an accounting rate under the balance sheet date DEM quotation of the central bank of a respective country. Result received from foreign currency purchases and sales are presented in the income statement as net income.

Goodwill

Goodwill represents the difference between the cost of an acquisition and the fair value of net assets on purchasing of a business entity. Goodwill is amortized on a straight-line-basis, considering its expected payback period, but no longer than within 10 years.

Tangible Fixed Assets

Land, buildings and other assets of long-term use are recognized in the balance sheet as fixed assets. Fixed assets are presented at net book value whereas accumulated depreciation has been deducted from the acquisition cost. Depreciation and write-down of fixed assets is presented on the income statement line" Value adjustments of tangible and intangible fixed assets and depreciation". Depreciation calculation is based on useful lives of fixed assets, which serves as the basis for forming depreciation rates. Buildings are depreciated over 20–50 years, other assets over 2,5–10 years (exceptionally over 20 years). Land is not depreciated. Renovation expenses are capitalized and carried at costs proportionally over five years or according to the terms rental contract.

Technical Allocations of Life Insurance

Life insurance allocation comprises of discounted current value of disbursements to be made to the insured in the future. Allocations of non-met claims include losses, which are valued and handled but not yet disbursed, and losses, which are registered but not yet handled. Amounts allocated to the insured or the beneficiary under the contract in the accounting year in addition to a guaranteed profit share and on account of which life insurance allocations will be increased or bonus disbursements will be made, are presented as bonus allocations.

Reserves

According to the income tax law in force up to 31 December 1999 credit institutions, to cover potential losses, could form a tax-exempt reserve up to 5% of the loan portfolio. Allocations to this reserve could be deducted from the taxable income. In case the loan portfolio decreased, excess portion of the reserve had to be transferred to the bank's taxable income. Eesti Ühispank's profit of the year 1994, 1995, 1996 and 1997 has been allocated to the general banking reserve (except 6.5 million kroons from the 1995-year profit) and makes up 298.5 million kroons. In 1999 allocations to the reserve were not made.

Taxes

In the Republic of Estonia under the law in force in 1999 the income tax rate was 26%. A profit/loss tax rate includes real taxes. Real taxes are calculated on the basis of direct income tax liability using the adjusted pre-tax profit/loss for non-taxable income/expenditures. In 1999, Eesti Ühispank was not subject to income tax as the accumulated losses of the previous periods exceeded the taxable income of the accounting period.

According to the income tax law in force in Estonia since 1 January 2000, legal entities registered in Estonia are subject to income tax in case of direct profit distribution in the form of dividends and indirect profit distribution in the form of allowances, gifts, allocations and costs that not related to business. The tax rate is 26/74 on all dividends and profit allocations made to individuals, NGOs and foundations, which are not included in the register of NGO and foundation subject to tax allowance, and to non-residents as well as on other profit allocations and on allowances made to employees. Dividends paid to business associations-residents are not taxed. In case dividends are paid from retained earnings of 1994-1999, income tax paid earlier on the paid-out dividends could be deducted from non-payable income tax.

Deferred Income Tax Liability

Under the law in force until the year 2000, the deferred income tax liability could have realized on the decrease of the loan portfolio or on reducing a tax-exempt rate in connection with a non-taxable general banking reserve credit institutions were allowed to form, as well as on the cumulative difference between depreciation charges for accounting and tax purposes. Proceeding from the amendment of the Estonian income tax law in 2000 and from the liability concept provided in the accounting law, the deferred income tax liability is not entered in the 1999 annual report.

Derivatives

Forward, swap, and option transactions are presented as off-balance assets and liabilities. Forward and swap transactions are re-valued according to the effective rate of the Bank of Estonia. Equity options are re-adjusted at market price. In case reliable market value can not be obtained, market value is calculated using Black-Scholes formula. Black-Scholes formula is used for market value calculations with following assumptions: interest rate is a interest rate of corresponding currency, volatility is derived using historical volatility and market trends.
Interests on forward-transactions and premiums on option transactions are presented over to the period of transaction. Unrealized profit from the revaluation of off-balance sheet assets and liabilities are recognised in the income statement under "net dealing profits" Interest income from swap-transactions is stated in the income statement under "interest income" and "interest expenses". Option premiums and unrealised profit on revaluation of off- balance sheet assets and liabilities are recognised in the income statement under "dealing profits".

Changes in the Financial Statements

Liquid bonds' portfolio of 224 million kroons presented under bonds' investments portfolio in 1998 is placed under liquid assets together with the trading portfolio. The aim is to fairly present a liquidity level of the assets stated in the balance sheet.

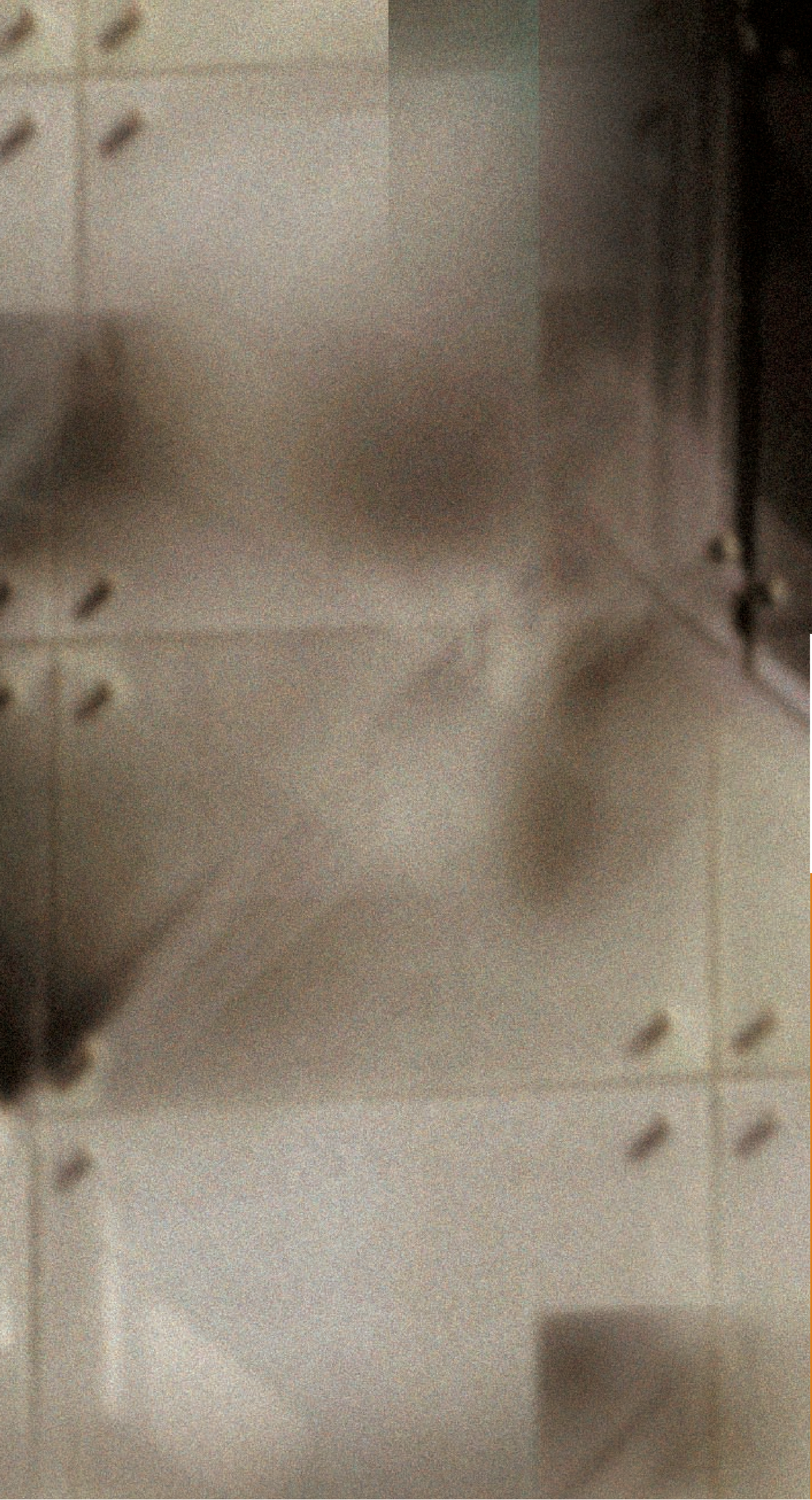
The allocation of EEK 17.4 million into Deposits Insurance Fund, which is stated under other operating expenses in the income of 1998, has been placed under interest expenses.

In 1999, the process of merging of Eesti Ühispank and Tallinna Pank groups was finalized. Compared to the bank's and the group's 1998-reports, goodwill has been increased by 47.4 million kroons, resulting from the adjustment of net assets of Tallinna Pank Liising. Retroactively, from the moment of the merger, depreciation cost has been deducted from this amount, which is presented also in the 1999 income statements. Compared to the 1998-report, goodwill is re-classified according to the data of AS Bangalo by 0.8 million kroons, which was presented under other assets in the previous year's group report.

In 1998, investments into subsidiaries in the statements separate from a parent company were presented at equity method, in 1999, at a comparable period, statements are re-calculated and presented at a lower, either at an acquisition or realization cost. As a result of this change, investments into subsidiaries have been decreased in the statements separate from a parent company, and income statement lines "Income/expenses from equity participation" and "Re-valuation of investments" have been adjusted. The group statements have remained unchanged.

Deferred income tax liability presented in the 1998 balance sheet is presented in the 1999 adjusted original balance sheet as an adjustment to the equity capital on the balance sheet line "Retained earnings of previous periods".

The 1998 income statement presented in the 1999 annual report has been re-valued. Adjustment to the deferred income tax liability provided for in the 1998 annual report has been eliminated and presented in the 1999 adjusted balance sheet on the line "Loss of previous periods". Loss adjustments of the 1998 adjusted accounting year is presented on the balance sheet line "Profit (-loss) of the accounting period".



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financial statements

NOTES TO THE FINANCIAL STATEMENTS *(millions of EEK)*

	Group		Bank	
1. Interest income	**1999**	**1998**	**1999**	**1998**
Loans	825.1	999.1	829.0	773.2
Leasing and factoring	180.2	120.9		
Deposits	77.2	45.1	52.3	31.9
Fixed income securities	91.2	96.4	110.5	188.1
Derivatives	64.5	115.0	64.5	115.0
Other	0.2	0.6	0.1	0.6
	1,238.4	**1,377.1**	**1,056.4**	**1,108.8**
2. Interest expenses				
Interest to other banks	113.5	86.8	73.8	60.8
Demand deposits	85.1	87.4	77.6	82.8
Time and other deposits	260.7	283.4	246.9	276.6
Issued bonds	149.3	197.9	121.0	145.3
Subordinated debts	36.6	26.4	36.6	26.4
Derivatives	37.6	45.6	37.6	45.7
Other	37.3	17.4	37.3	17.4
	720.0	**744.9**	**630.7**	**655.0**
3. Fees & commissions received				
Settlement fees	81.0	52.9	60.4	42.3
Securities market services	29.2	48.7	23.0	43.1
Credit instrument contracts organising*	75.6	90.8	71.5	75.4
Credit and payment cards	74.9	47.4	53.4	38.7
Other	43.7	31.3	28.9	30.5
	304.3	**271.2**	**237.1**	**229.9**

*Credit instrument contracts include loan contracts, letters of credit, and guarantee contracts signed with customers.

4. Fees & commissions paid				
Settlement fees	12.3	11.5	6.5	10.1
Securities market	5.4	9.1	8.7	7.7
Credit and payment cards	25.5	28.3	18.7	26.8
Contract organising fees	37.0	52.4	31.0	48.3
Other	14.6	15.3	12.2	12.2
	94.8	**116.7**	**77.1**	**105.1**
5. Personnel expenses				
Salaries	215.4	175.8	159.9	136.9
Pension costs (only in Saules Banka)	0.2	0.2	0.0	0.0
Payroll taxes	68.4	56.1	52.5	45.2
	284.0	**232.1**	**212.5**	**182.1**
Avg number of employees during the year	1,656	1,588	1,329	1,297
Number of employees (period end)	1,369	1,942	1,191	1,466

Salaries and remunerations to members of board were eek 5.7 mio in 1999.

6. Other administrative expenses				
Staff training and travelling	10.4	11.2	7.5	9.1
Rent and utilities	42.7	33.9	52.0	29.9
Other property and equipment expenses	14.2	10.7	8.5	9.7
Transport	14.7	16.3	10.4	15.6
Office, postal, communication expenses	63.8	55.7	42.1	43.3
Advertising & marketing	25.8	28.9	21.4	25.0
Other	65.4	61.5	62.9	40.2
	236.9	**218.2**	**204.8**	**172.8**

7. Value adjustments of advances and off-balance sheet items	Group 1999	Group 1998	Bank 1999	Bank 1998
Loans and advances to customers (note 14)	**- 67.6**	**- 344.7**	**- 59.2**	**- 230.2**
- specific provision	- 113.2	- 355.0	- 80.4	- 232.3
- recoveries	45.6	10.3	21.3	2.0
Fixed income securities provisions	- 35.0	- 105.5	- 35.0	- 97.3
Loans and advances to banks	0.0	- 6.3		
Off-balance sheet instruments	0.0	- 5.9		
Other	- 12.4	- 12.1	- 12.9	- 4.9
	- 115.0	**- 474.5**	**- 107.0**	**- 332.5**

8. Income tax		
Direct income tax	1.2	0.9
Deferred tax	0.0	0.0
	1.2	**0.9**

Impact of changes in accounting principles for 1998 financial statements	Profit / Loss statement	Income tax liabilities (other liabilities)		Retained earnings (equity)	
	Income tax	Current	Deferred	Previous years	Current year
Amount at 31 December 1998	2.0	0.9	12.0	0.0	-383.4
Adjustment of deferred income tax		1.2	-10.0		
Adjustment of income tax in P / L statement	-1.1			7.7	1.1
At 31 December 1998 (adjusted)	0.9	2.2	2.0	7.7	-382.3

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate 26% of the home country of the parent as follows:

	Bank 1999
Profit before tax	129.2
Profit not assesssable for tax*	-129.2

The income tax rate effective in Estonia is 26%, 25% in Latvia, 29% in Lithuania.
* In 1999, Eesti Ühispank was not subject to income tax as the total loss transferred from previous periods exceeded the taxable income of the accounting period.

9. Earnings per Share	Group 1999	Group 1998	Bank 1999	Bank 1998
Profit / loss attributable to shareholders	100.2	-382.3	129.2	-387.9
Average number of shares in issue during the period	66,404,068	44,290,700	66,404,068	44,290,700
Earnings per share (basic)	**1.51 EEK**	**-8.63 EEK**	**1.95 EEK**	**-8.76 EEK**

10. Balances with the central bank	Group 12/31/99	Group 12/31/98	Bank 12/31/99	Bank 12/31/98
Balances with the central bank	1,025.6	1,320.0	1,025.6	1,296.9
Mandatory reserve (incl. extra liquidity requirement)	1,166.1	1,269.6	1,150.2	1,233.7

Estonian commercial banks are obliged to maintain mandatory reserves on their clearing accounts with the Central Bank, calculated on 10% of the mandatory reserve basis, up to 20% cash in EEK is allowed to be included. Mandatory reserve basis includes amounts owed to customers, issued bonds, net amounts due to foreign credit institutions and financial guarantees to financial institutions and foreign credit institutions. In addition, estonian banks are obliged to maintain on their clearing accounts with the Central Bank 3% of the mandatory reserve basis as an extra liquidity requirement. Meeting a mandatory reserve as well as extra liquidity requirement are calculated on daily results as a monthly average. Mandatory minimum, i.e. 40% of the mandatory reserve must be daily kept on the clearing account.
The difference between the group's and the bank's balances in 1998 numbers represents Saules Banka's clearing account with the Bank of Latvia subject to the Bank of Latvia's corresponding regulation.

Funds on mandatory reserve minimum are not available to finance the Group's day to day operations.

11. Loans and advances to banks

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Demand deposits	310.1	295.7	288.2	101.5
Time deposits	392.1	498.6	388.5	87.8
Other	4.9	18.1	4.9	18.1
	707.1	**812.4**	**681.6**	**207.5**

12. Dealing and liquidity securities

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Provision for diminution in value	0.0	-5.0	0.0	-5.0
Equity securities*	7.9	40.3	7.9	40.0
incl. listed	*7.9*	*21.0*	*7.9*	*20.7*
Fixed income securities (trading)	23.0	28.6	23.0	27.2
incl. listed	*9.5*	*15.3*	*9.5*	*15.3*
Fixed income securities (liquidity)	259.0	224.0	237.6	224.0
incl. listed	*29.5*	*0.0*	*29.5*	*0.0*
	289.8	**287.9**	**268.4**	**286.2**

*It includes coverage for equity options according to delta-hedging principles.

13. Total loans and advances to customers

Concentration of exposure:	Group			Bank		
	12/31/99		**2/31/98**	**12/31/99**		**12/31/98**
Trade (retail and wholesale)	1,041.7	11.1%	1,369.1	1,041.7	12.1%	1,198.6
Industry	1,636.0	17.4%	1,449.8	1,636.0	19.0%	1,414.7
Services	453.1	4.8%	514.4	386.1	4.5%	501.5
Transport	559.0	6.0%	488.5	527.6	6.1%	455.5
Construction	130.2	1.4%	215.9	105.8	1.2%	201.6
Real estate (development and rent)	1,373.4	14.6%	1,282.2	1,603.1	18.6%	1,488.4
Financial institutions	66.5	0.7%	646.5	867.3	10.1%	582.7
Municipalities	107.3	1.1%	41.5	107.3	1.2%	41.5
Agriculture and fishing	214.2	2.3%	280.5	214.2	2.5%	269.1
Individuals	1,783.9	19.0%	1,565.7	1,783.2	20.7%	1,395.3
Leasing & factoring	1,760.0	18.8%	2,474.2			
Other (incl. governmental and social sphere)	257.1	2.7%	393.6	334.0	3.9%	160.6
	9,382.2	**100.0%**	**10,722.0**	**8,606.4**	**100.0%**	**7,709.5**

Leasing portfolio exposure	**12/31/99**	**12/31/98**
Passenger vehicles	35.9%	33.9%
Trucks, buses, vans	30.9%	27.8%
Agricultural, medical, manufacturing equipment	7.3%	8.1%
Real estate	8.6%	7.6%
Computers	2.5%	3.0%
Other	14.9%	19.6%
	100.0%	**100.0%**

14. Value adjustments of loans and advances

	Group		Bank	
	1999	**1998**	**1999**	**1998**
At 1 January	**431.9**	**141.6**	**353.3**	**118.4**
Exchange rate adjustments	0.3	0.0	0.3	0.0
Provisions acquired from banks' merger		84.8		71.4
Loans and advances written off	-175.8	-149.5	-143.9	-75.1
Provisions for investments in subsidiaries			2.4	6.3
Bond portfolio provisions	-118.1	0.0	-118.1	0.0
Loan provisions	113.2	355.0	80.4	232.3
At 31 December	**251.4**	**431.9**	**174.5**	**353.3**
Recoveries from loans losses	45.6	10.3	21.3	2.0
Non-performing loans	609.0	231.6	509.0	204.4

* Non-performing loans are loans on which interest is not accrued.

15. Investment securities

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Debt securities	446.9	768.9	681.4	1,972.4
Provision for debt securities	- 35.0	0.0	- 35.0	0.0
Equity securities*	874.1	75.2	609.6	74.5
incl. listed	82.5	16.4	82.5	16.4
	1,286.0	**844.2**	**1,256.0**	**2,046.9**

* This amount for 31.12.99 includes also investments to shares of Saules Banka (at realisation value) and to shares of Baltijas Vertybiniai Poperiai (at market value) available for sale.

16. Investments in associates	**Amount**	**Ownership %**	**Country**	**Main activity**
Pankade Kaardikeskuse AS	4.6	40.3%	Estonia	Credit and payment card processing
Eesti Liisingkeskus	1.2	33.3%	Estonia	Leasing
	5.8			

In 1999 Ühispank sold its investments in AS Sularahakeskus and AS Leks Kindlustus.

17. Investments in subsidiaries	**Amount***	**Amount****	**Ownership %**	**Country**	**Main activity**
Ühisliisingu AS	53.6	23.4	100.0%	Estonia	Leasing
ZAO Russkii Obyedinyonnoi Lizing	0.0	0.6	75.0%	Russia	Leasing
revaluation		*- 0.6*			
AS Ühisinvesteeringud	99.9	100.0	100.0%	Estonia	Investment banking
ZAO Baltic Invest	1.6	2.9	100.0%	Russia	Brokerage
Ühispanga Varahalduse AS	4.6	4.1	100.0%	Estonia	Asset management
AS Ühispanga Elukindlustus	28.6	30.0	100.0%	Estonia	Life insurance
AS LF Finants	0.5	0.4	100.0%	Estonia	Finance
AS Bangalo	86.1	91.0	100.0%	Estonia	Real estate
PT Investments Ltd	44.5	42.3	100.0%	Estonia	Real estate
OÜ Navarra	0.2	0.2	100.0%	Estonia	Real estate
AS PF Koda	116.1	132.9	100.0%	Estonia	Real estate
AS TPF Orior	0.3	0.1	100.0%	Estonia	Security
OÜ Efficio	0.04	0.04	100.0%	Estonia	Training
	436.1	**427.3**			

AS Ühispanga Fondijuht was sold in June 1999.
Name of TP Varahalduse AS was changed to Ühispanga Varahalduse AS.
TP Liising merged with Ühisliising in August 1999.
EÜP's subsidiary TP Securities Latvia was sold to Saules Banka in November 1999.
Sale of Saules Banka was agreed in December 1999.
UAB FMI Baltijos Vertybiniai Poperiai is hoped to sell in beginning of 2000.
Liquidating process is going on in AS TPF Orior (Jan 2000).
AS LF Finants and OÜ PV Navarra have intended to liquidate in beginning of 2000.

Adjustments of investments in subsidiaries	
Amount at 31.12.98 (equity method)	442.3
Adjustments of EÜP's share in subsidiaries equity for previous periods	-24.5
Adjustment of EÜP's share in subsidiaries equity for 1998	-4.5
Adjustment of translation differences	8.5
Amount at 31.12.98 (at acquisition amount)	**421.7**
Amount at 31.12.99 (equity method)	436.1
Adjustments of EÜP's share in subsidiaries equity for previous periods	-29.0
Adjustment of EÜP's share in subsidiaries equity for 1999	20.3
Amount at 31.12.99 (at acquisition amount)	**427.3**

* Investment under the equity method.
** Investment at acquisition cost.

18. Goodwill

	Group		Bank	
	1999	**1998**	**1999**	**1998**
Cost at the beginning of period	576.6	0.0	575.8	0.0
Additions	47.4	576.6	47.4	575.8
Cost at the end of period	624.0	576.6	623.2	575.8
Accumulated amortizations	- 88.7	- 24.1	- 88.3	- 24.0
At the beginning of period	**552.5**	**0.0**	**551.8**	**0.0**
Additions (TP merger)		575.8		575.8
Additions (TP Leasing merger with Ühisliising)	47.4	0.0	47.4	
Other	0.0	0.8	0.0	
Amortization	- 64.6	- 24.1	- 64.3	- 24.0
At the end of period	**535.3**	**552.5**	**534.9**	**551.8**

Ühispank merged with Tallinna Pank in 1998. The difference between the fair value of net assets acquired by Ühispank and their purchase price, created a 575.8 million EEK goodwill in the balance sheet of Ühispank.
Tallinna Pank Group and Ühispank Group merger process was completed in third quarter of 1999. During this process duplicate units were liquidated and TP Leasing was acquired by Ühisliising. As a result TP Leasing's net assets value was accurated and initial amount of goodwill was adjusted by eek 47.4 mio.
Due to increase of goodwill, amount of goodwill amortization has also backdated starting from merger date in Aug.1998

Increase in amortizations of goodwill by EEK 40 million in the accounting year compared to the previous period is due toa longer amortizations period.

19. Tangible fixed assets

	Group			Bank		
At the beginning of period (31.12.98)	**Premises**	**Other**	**Total**	**Premises**	**Other**	**Total**
Cost	963.4	756.0	1 719.4	410.5	514.2	924.7
Accumulated depreciation	- 61.6	- 269.8	- 331.4	- 45.6	- 202.3	- 248.0
Net book amount	**901.8**	**486.2**	**1 388.0**	**364.9**	**311.9**	**676.8**
Period ended (31.12.99)						
Opening net book amount	901.8	486.2	1 388.0	364.9	311.9	676.8
Additions (residual value)	123.6	126.6	250.2	57.1	51.7	108.8
Disposals (residual value)	- 81.0	- 141.1	- 222.0	- 1.5	- 13.1	- 14.5
Impairment charge	0.0	- 0.2	- 0.2	0.0	0.0	0.0
Depreciation charge	- 42.7	- 152.5	- 195.3	- 22.8	- 106.5	- 129.3
Exchange rate adjustments	5.8	5.3	11.1			0.0
Closing net book amount	**907.5**	**324.3**	**1 231.8**	**397.7**	**244.0**	**641.7**
12/31/99						
Cost	1,011.7	745.6	1,757.4	466.2	552.8	1,019.0
Accumulated depreciation	- 104.2	- 421.4	- 525.6	- 68.4	- 308.8	- 377.3
Net book amount	**907.5**	**324.3**	**1,231.8**	**397.7**	**244.0**	**641.7**

Increase in tangible fixed assets in the accounting year by EEK 85 million compared to the previous periods occurred due to the following factors:
- Income Statement of Tallinna Pank Group was consolidated into the Eesti Ühispank income statement from the moment of merger 01/08/1998, because of that the comparable (pro forma EÜP and TP group) deprecation costs increased in 1999
- Additional depreciation cost has come up on assets acquired in 1999.
- Unification of depreciation rates that took place at the end of 1998 had an impact also on the increase of depreciation costs
- Depreciation costs have been calculated on the bank building in Tornimäe 2 in Tallinn the construction of which was completed in 1999.

20. Other assets

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Accrued interest receivable	91.9	144.8	97.6	134.8
Other accrued revenue	169.1	160.8	93.5	61.7
Intangible assets	1.6	0.7	0.0	0.0
Items in transactions	131.8	199.4	131.7	106.3
Other assets	0.0	7.4	0.0	0.0
	394.4	**513.1**	**322.8**	**302.8**

21. Amounts owed to credit institutions

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Demand deposits	42.2	167.3	42.2	12.4
Time and other deposits	1,115.2	1,019.5	767.0	727.8
Loans from other banks	508.9	1,103.1	253.0	670.1
	1,666.2	**2,289.8**	**1,062.2**	**1,410.4**

The most essential of long-term funds obtained from credit institutions by the group include a syndicated loan raised by former Tallinna Pank (Commerzbank AG, DEM 50mio; with interest rate 6 Months Libor +1.375%, maturity date May 2002). Syndicated loan raised by Tallinna Pank Leasing (Sumitomo Bank, DEM 25mio; the remaining maturity 1 year).
PT Investments have raised long-term loans from DEG and FMO for financing the former Tallinna Pank main building in the amount of DEM10.1 mio with the remaining maturity in August and Novembr 2006.

22. Amounts owed to customers

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Demand deposits	4,280.0	4,187.6	4,342.0	3,437.4
Time deposits and other deposits	3,491.5	3,757.9	3,497.0	3,522.7
Long term governmental funds	282.7	259.8	282.7	259.8
	8,054.3	**8,205.3**	**8,121.7**	**7,219.9**
Deposits of Customers:				
Central government and off-budget funds	1,149.3	1,423.9	1,149.3	1,423.9
Local municipalities	325.8	421.8	325.8	421.8
Financial institutions	995.1	926.3	1 009.2	937.6
State and municipalities enterprises	289.2	322.2	289.2	321.1
Private enterprises	2,638.7	2,683.3	2,692.1	2,032.5
Non-profit organisations	289.5	212.1	289.5	208.5
Private individuals	2,366.7	2,215.6	2,366.7	1,874.4
	8,054.3	**8,205.3**	**8,121.7**	**7,219.9**
Residents	6,921.9	6,398.9	6,989.3	6,176.2
Non residents	1,132.4	1,806.4	1,132.4	1,043.7

23. Issued bold
Issued bonds by Ühispank

Buyer	**Amount in foreign currency**	**Amount in EEK**	**Interest rate**	**Maturity date**
Chase Manhattan Bank	30.0 DEM	240.0	3 kuu Libor+0.8%	16/06/2000
Merrill Lynch	5.0 DEM	40.0	3 kuu Libor+1.25%	27/06/2002
Deutsche Bank AG	10.0 USD	155.6	7.17%	25/09/2000
Credit Suisse	3.0 EUR	46.9	6 kuu Euribor + 3.5%	08/06/2002
Nomura Bank	35.5 EUR	555.5	6 kuu Euribor + 3.3875%	07/05/2002
Lehmann Brothers	50.0 EUR	782.3	6 kuu Euribor + 3.5%	12/03/2002
		1,820.3		

Issued bonds by leasing companies

London Forfaiting Co	32.1 DEM	256.8	6-8%	03/99-04/2003
Others	15.3 DEM	122.5		
		379.3		
		2,199.6		

24. Subordinated debt

Buyer	**Amount in foreign currency (mio)**	**Amount in eek**	**Interest rate**	**Maturity date**
Hüvitusfond	50.0 EEK	50.0	10.75%	28/07/2003
Hüvitusfond	42.5 EEK	42.5	12.25%	01/09/2005
Nomura Bank	30.0 DEM	240.0	3 kuu Libor+1.5%	26/09/2004
Swedfund	2.0 DEM	16.0	6 kuu Libor+4.5%	04/06/2006
FMO	4.0 DEM	32.0	6 kuu Fibor+4.5%	15/03/2003
EBRD	10.0 DEM	80.0	6 kuu Libor+4.4%	13/01/2008
EBRD	5.0 DEM	40.0	6 kuu Libor+3.4%	24/05/2007
		500.5		

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% straight-line depreciation is applied in each following year, thus the loan is not considered own funds when the maturity period is less than one year.

25. Other liabilities (incl. tax liabilities)

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Current income tax liability	0.0	2.2	0.0	0.0
Deferred income tax*	0.0	2.0	0.0	0.0
Technical provision (insurance)	14.1	0.0		
Accrued interest payable	176.6	215.1	152.0	134.0
Other accrued expenses	96.0	177.4	50.8	51.0
Items in transmission	222.8	444.1	222.8	346.5
Other liabilities	10.0	134.0	0.0	0.0
	519.6	**974.7**	**425.7**	**531.6**

*Deferred income tax liability arising from the cumulative differences between accounting and tax depreciation.

26. Minority interests

	Group	
	1999	**1998**
At beginning of year	25.2	3.8
Banks' merger		38.2
Sale of subsidiaries	- 27.8	0.0
Increase of EÜP's ownership in subsidiaries	- 2.8	0.0
Exchange rate adjustments	2.3	- 4.1
Share of net profit / loss of subsidiaries	0.3	- 12.7
At end of year	- 2.8	25.2

27. Subscribed share capital
Share issues

12.04.97	Bonus issue: Ühispank issued 1.175 million new shares. Shareholders received one new share for every 20 old shares.
12.04.97	Merger with Põhja-Eesti Pank. Five million new shares was issued at a replacement ratio of 10 Ühispank shares (nominal value: 10 EEK) for every share of Põhja-Eesti Pank (nominal value: 100 EEK).
19.12.97	Directed share issue for Swedfund Financial Markets AB in the amount of 0.59 million new shares at 67.75 EEK a share.
05.03.98	Directed GDR issue (clients of the Bankers Trust Company). A total of 11.159 million new shares was issued at 63.535 EEK a share.
24.05.98	Merger with Tallinna Pank: total of 9.726 mio new shares was issued at a replacement ratio of 0.42 Ühispank shares for 1 Tallinna Pank share.
03.12.98	Directed issue of shares to SEB in amount of 15 million shares at 40 EEK a share.
20.05.99	Directed issue to FMO 411,000 sares at 24.8 EEK a share.

28. Retained earnings

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Profit/loss of previous years	- 374.6	7.7	- 412.4	- 24.5
Profit/loss of current year	100.2	- 382.3	129.2	- 387.9
	- 274.4	**- 374.6**	**- 283.2**	**- 412.4**

29. Related parties

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Loans to employees and members of board	96.0	115.8	96.0	2.3
Demands to subsidiaries			1,361.4	1,684.3
Demands to Group related companies (net)			0.0	318.3
Off-balance sheet commitments to subsidiaries			988.9	1,223.1

Loans to related parties are practically with the same interest rate as loans given to other customers. There are been transactions with related parties during the accounting year. The transactions has either been based on market prices or historical cost.

30. Off-balance sheet commitments and financial instruments

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Credit Instruments				
1) Guarantees	647.8	581.1	1,533.8	1 732.6
Financial guarantees	348.0	316.0	848.5	1 467.5
Other guarantees	299.8	265.1	685.3	265.1
2) Letters of Credit	109.5	154.3	109.5	154.3
3) Commitments to extend credit	716.1	655.0	766.4	651.0
incl. Original term of maturity over 1 year	0.0	0.0	0.0	0.0

Guarantees represent irrevocable assurances, that the Group will make payments in the event that a customer cannot meet its obligations to third parties.
Letter of credit (L/C) is the obligation of the buyer's bank to reimburse the seller for the goods if documents prove that the goods have been shipped in conformity with the purchase and sale contract.
Commitments to extend credit represent unused portion of authorisations to extend credit in the form of loans and unused overdraft limits.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as applied in the extension of loans. The Bank belives the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be low.

	Group 31/12/99		Group 31/12/98	
Foreign Exchange and Interest Rate Related Contracts	**Contractual / notional amount**	**Replacement value**	**Contractual / notional amount**	**Replacement value**
1) Forward contracts	200.8	- 0.5	798.4	- 167.2
incl. contractual maturity over 1 year	0.0	0.0	0.6	0.0
2) Currency and interest rate swaps	845.6	- 2.0	2 113.2	- 94.0
Equity contracts*				
1) Options written	0.7	- 0.1	0.67	- 0.06
call	9.2	10.3	0.57	- 0.06
put	0.0	0	0.10	0.00
2) Options purchased	2.0	2.7	0.19	- 0.04
call	2.0	2.7	0.19	- 0.04
3) Securities (equities) forward contracts	0.3	7.7	10.8	- 1.1

Forward contract is contractual obligation to buy or sell a foreign currency or the securities on a future date at a specified price. Swaps are commitments to exchange one set of cash flows (quantities of an item) for another at a specified dates. Swaps result in an economic exchange of currencies, interest rates (i.e fixed rate for floating rate) basis rates or a combination of all these.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation either to buy (call option) or sell (put option) at or by a set date, a specific amount of a foreign currency or the securities at a predetermined price.

Foreign currency and interest rate related derivative instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks. Group's credit risk represents the potential cost to replace the derivative contracts if counterparties fail to perform their obligation. Since currency related forward and swap contracts are collateralised by customer deposits, the credit risk is negligible.

*All transactions are of short-term nature. Option writing does not cause any credit- or counterparty risk. Options purchased credit risk is zero, because call option is covered by an identical contract (except strike price), written earlier to the same counterparty, which is directly related to these transactions.

31. Customers´ securities portfolios managed by the Group

As of 31.12.99 customers´securities portfolios managed by Ühispank's Group amounted to EEK 64.95 mio (incl. individual private portfolios in the amount of EEK 19.3 mio. As of 31.12.98 the respective amount was EEK 43.7 mio, porfolios managed by Saules Banka in the amount of EEK 27.7 mio). From the portfolio management the group receives commission and neither credit not market risk arises therefrom.

32. Main prudential ratios of Eesti Ühispank

	Group		Bank	
	2/31/99	**12/31/98**	**12/31/99**	**12/31/98**
a) Capital adequacy				
Equity	2,029.5	1,942.7	2,027.6	1,888.2
- less intangible assets and goodwill	- 536.9	- 553.2	- 534.9	- 551.8
Total Tier1	1,492.7	1,389.6	1,492.7	1,336.4
Subordinated loans	413.3	486.7	413.3	486.7
Total gross equity	**1,906.0**	**1,876.3**	**1,906.0**	**1,823.1**
- less investments in credit and financial institutions	- 204.2	0.0	- 232.1	- 199.1
Total net equity	**1,701.8**	**1,876.3**	**1,673.9**	**1,624.0**
Risk weighted assets	11,813.7	12,793.1	10,659.4	10,543.4
Risk weighted off balance sheet items	851.3	2,031.6	1,787.7	2,007.7
Open net foreign currency position exceeding 2% level of net equity	19.6	178.9	0.0	84.5
Total risk items	**12,684.6**	**15,003.7**	**12,447.1**	**12,635.5**
Tier1 ratio	10.16%	9.26%	10.13%	9.00%
Capital adequacy ratio	**13.42%**	**12.51%**	**13.45%**	**12.85%**

* Investments in credit and financial institutions, where Bank's ownership is over 10% or where investments are exceeding 3% level of Bank's gross equity.

	Bank	
b) Liquidity	**12/31/99**	**12/31/98**
Average liquid assets	2,490.6	2,216.3
Average short-term liabilities	6,038.0	5,595.2
Liquidity II*	**41.25%**	**39.61%**

*One of the three liquidity ratios used by the Bank of Estonia on maintaining commercial banks. It differs from other ratios by an established limit. Liquidity II shows the liquid assets (cash and assets that will mature or can be realised within 1 month) and shortterm liabilities (liabilities subject to execution within one month) ratio and the established minimum level is 35%. On balances on the clearing account with the central bank, only amounts exceeding the monthly mandatory reserve and extra liquidity requirement may be taken into account.
As these requirements have to be met on the monthly average basis, then by day, the figure is rather fluctuating.

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
c) Total high exposure	**124.45%**	**107.00%**	**105.55%**	**109.38%**

This figure shows the bank´s total high credit risk exposures. High credit risk exposure is the total exposure of one party or reted parties to the bank which exceeds 10% of the bank´s net equity. All instruments where credit risk may arise to the bank are taken into consideration. The maximum rate of total high exposure allowed is 800%. The limit of the total exposure of one party or related parties is 25%. Still, some transactions due to their low risk level are not included under exposures. As of 31.12.99 Bank had 6 high credit risk exposures. Total exposure of one group of related parties exceeded the limit of 25%. Within the I-st quarter of 2000 the exposure of this group will be normalised.

33. Cash and cash equivalents*

	Group		Bank	
	12/31/99	**12/31/98**	**12/31/99**	**12/31/98**
Cash on hand	363.0	450.8	363.0	317.8
Balances with the central bank	1,025.6	1,320.0	1,025.6	1,296.9
Demand deposits in credit institutions	310.1	295.7	288.2	101.5
Dealing and liquidity securities	289.8	287.9	268.4	286.2
	1,988.6	2,354.4	1,945.3	2,002.3

* Amounts due from other banks (time deposits, items in transactions) with remaining maturity under 3 months are rather similar to cash and its equivalents.

34. Banks' merger and disposal	11/30/99		7/31/98
	Saules Banka	TP Group*	Tallinna Pank
Cash and cash equivalents	377.5	866.2	346.9
Time deposits in other banks	672.0	524.9	0.0
Loans to customers	591.7	2,293.2	1,561.0
Loan provisions	- 36.2	- 84.8	- 71.4
Investment securities	31.0	303.8	215.5
Investments in associates		0.0	0.0
Investments in subsidiaries			264.6
Tangible fixed assets	119.2	411.9	69.1
Other assets	80.9	221.9	57.6
Acquired / sold assets:	**1,836.1**	**4,537.1**	**2,443.2**
Amounts owed to credit institutions	- 242.5	-1,478.7	- 977.6
Amounts owed to customers	-1,151.2	-2,367.7	-1,245.8
Issued bonds	0.0	- 119.7	0.0
Subordinated debt	0.0	- 168.0	- 168.0
Other liabilities	- 297.9	-447.7	- 133.7
Minority interests	- 2.8	- 38.2	
Acquired / sold liabilities:	**-1,694.3**	**-4,619.9**	**-2,525.2**
Net assets (acquired) / sold	**141.8**	**-82.8**	**- 82.0**
Goodwill arising on acquisition		575.8	575.8
Total assets acquired		**493.0**	**493.8**
Less: cash an cash equivalents acquired / sold	- 377.5	- 866.2	- 346.9
Total cash flow on merger / sale	**- 235.8**	**373.2**	**- 146.9**

*Pro forma. Since at a time of consolidating the banks' balance sheets on 31 July 1998 the subsidiaries of Tallinna Pank were not consolidated, the report for the Tallinna Pank Group dated from 30 June 1998 is used and has been adjusted by the changes that took place in the balance sheet of Tallinna Pank in July 1998.

Ühispank and Tallinna Pank signed the merger agreement on 22 April 1998. The merger took place as a share replacement whereas shareholders of Tallinna Pank received 0.42 Ühispank shares for every share they owned. For the share replacement Ühispank issued 9,726,444 new shares. As a result of the merger the shareholders of Tallinna Pank acquired around 19% of the share capital of Ühispank. All assets and liabilities of Tallinna Pank were transferred to Ühispank as the successor of Tallinna Pank. The banks' balance sheets were consolidated as of 31 July 1998. Unaudited loss of Tallinna Pank for the first half of 1998 was eek29 million. The audited profit for 1997 was eek54.5 million.

Ühispank did not set up additional reserves to provide for the integration activities.

On the 18. Dec 1999 contract was closed for selling of Ühispank's 99.9% share in Saules Banka, which is operating in Latvia as commercial bank. The sold subsidiary contributed operating loss eek 39.2 mio in 1998 and operating income eek 4.8 mio in 11 months 1999.

35. Currency risk

More significant open foreign currency positions (31.12.99 Group)*	Assets	Liabilities	Off-balance sheetposition	Total	NOFCP / Net equity
LVL	21.5	17.5	1.0	5.0	0.29%
LTL	39.8	11.0	0.0	28.8	1.69%
RUB	26.9	22.4	0.0	4.5	0.26%
SEK	21.9	22.1	0.0	-0.2	-0.01%
USD	848.3	737.3	-103.8	7.2	0.42%
EURO & related currencies and EEK basket	13,968.9	14,123.8	113.2	-41.8	-2.45%
Total open net foreign currency position **				**19.6**	
Net open foreign currency position (31.12.98)				**178.9**	

* The Bank of Estonia requires, according to the capital adequacy principles, existence of own funds to cover open foreign currency positions (difference between foreign currency assets and liablities plus balance of off balance sheet transactions). Additionally, open foreign currency net positions are subject to direct limits, being 10% of the bank´s net own funds regarding Latvian and Lithuanian currency; 5% for each currency of B-zone countries (mostly non-convertible currencies); 15% for EEK, EURO and EU currency membership countries total position; and 15% for each other A-zone country currency (from 1.Jan 1999).

B-zone countries are those not belonging to A-zone. Full members of OECD and the countries that have signed special loan agreements with IMF under the General Agreements.to Borrow, belong to A-zone.

** Capital requirement is established for the part exceeding a 2% level of the bank's net equity, calculated as the monthly average on the basis closing figures of three 10-day periods of a particular month. In calculating capital adequacy, this average amount is added to risk adjusted assets and off-balance sheet commitments.

More significant open foreign currency positions (31.12.99 Bank)	**Assets**	**Liabilities**	**Off-balance sheet position**	**Total**	**NOFCP / Net equity**
LTL	4.9	4.5	0.0	0.3	0.02%
LVL	4.3	9.7	1.0	-4.4	-0.26%
RUB	25.8	22.1	0.0	3.7	0.22%
SEK	21.7	22.5	0.0	-0.7	-0.04%
USD	846.2	737.7	-103.8	4.8	0.28%
EURO & related currencies and EEK basket	13,013.9	13,126.1	113.2	0.9	0.06%
Total open net foreign currency position				**0.0**	
Net open foreign currency position (31.12.98)				**84.5**	

Currency rates	**12/31/99**	**12/31/98**
DEM	8.0000	8.0000
LTL	3.8890	3.3519
LVL	26.5742	23.5995
RUB	0.5663	0.5960
SEK	1.8269	1.65000
USD	15.5618	13.4104
EURO	15.6466	15.6546

36. Liquidity risk
Maturities of assets and liabilities

Group (31.12.1999)	**Up to 1 month**	**11-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and due from central bank	1,388.6	0.0	0.0	0.0	0.0	1 388.6
Due from other banks	566.9	125.0	3.6	6.8	4.9	707.1
Dealing and liquidity portfolio	17.3	272.5	0.0	0.0	0.0	289.8
Loans and advances to customers	587.0	901.7	2,793.5	3,690.8	1,157.8	9,130.8
Investment securities	43.6	262.4	359.1	150.4	470.4	1,286.0
Other assets	316.6	31.5	52.9	771.3	995.1	2,167.3
Total assets	**2,920.1**	**1,593,1**	**3,209,1**	**4,619.3**	**2,628.2**	**14,969.7**
Due to other banks	127.2	86.9	943.2	259.5	249.4	1,666.2
Due to customers	5,328.8	675.8	1,016.9	421.9	611.0	8,054.3
Issued bonds	3.8	74.0	604.1	1 517.7	0.0	2,199.6
Subordinated liablities	0.0	0.0	0.0	322.0	178.5	500.5
Other liabilities (excl equity)	480.4	8.8	10.1	6.1	14.1	519.6
Total liabilities	**5,940.2**	**845.5**	**2,574.3**	**2,527.2**	**1,052.9**	**12,940.2**
Net liquidity gap	**-3,020.1**	**747.5**	**634.8**	**2,092.1**	**1,575.2**	**2,029.5**
12/31/98						
Total assets	3,867.0	1,361.0	3,044.9	4,670.1	3,555.6	16,498.7
Total liabilities	7,057.8	1,304.5	2,903.6	2,395.9	894.1	14,555.9
Net liquidity gap	**-3,190.8**	**56.5**	**141.3**	**2,274.2**	**2,661.5**	**1,942.7**

Bank (31.12.99)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and due from central bank	1,388.6					1,388.6
Due from other banks	545.2	125.0	0.0	6.6	4.9	681.6
Dealing and liquidity portfolio	25.8	242.6	0.0	0.0	0.0	268.4
Loans and advances to customers	608.6	792.9	3,088.6	2,809.7	1,132.1	8,431.9
Investment securities	32.5	17.4	607.3	145.6	453.2	1,256.0
Other assets	273.5	28.5	42.8	228.0	1,358.7	1,931.4
Total assets	**2,874.2**	**1,206.5**	**3,738.6**	**3,189.9**	**2,948.8**	**13,958.0**
Due to other banks	126.0	74.5	608.7	32.0	221.0	1,062.2
Due to customers	5,396.2	675.8	1,016.9	421.9	611.0	8,121.7
Issued bonds	0.0	0.0	395.6	1,424.7	0.0	1,820.3
Subordinated liablities	0.0	0.0	0.0	322.0	178.5	500.5
Other liabilities (excl equity)	425.7	0.0	0.0	0.0	0.0	425.7
Total liabilities	**5,947.9**	**750.3**	**2,021.2**	**2,200.6**	**1,010.4**	**11,930.4**
Net liquidity gap	**-3,073.7**	**456.2**	**1,717.4**	**989.3**	**1,938.4**	**2,027.6**
12/31/98						
Total assets	2,533.2	1,518.0	2,283.1	4,015.7	3,149.7	13,499.7
Total liabilities	5,541.2	1,178.5	2,291.6	1,794.9	805.3	11,611.5
Net liquidity gap	**-3,008.0**	**339.5**	**- 8.4**	**2,220.8**	**2,344.4**	**1,888.2**

The table above analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The maturities of assets and liablities, and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

37. Geographic concentration of assets

Group (31.12.99)	Estonia	OECD countries	Other Baltic countries	SRI countries	Other
Cash and due from central banks	1,388.6	0.0	0.0	0.0	0.0
Due from other banks	4.7	660.1	29.3	12.8	0.1
Dealing and liquidity portfolio	217.7	70.5	1.6	0.1	0.0
Loans	8,818.7	31.0	201.5	79.6	0.0
Investment portfolio	1,079.3	7.6	174.5	24.7	0.0
Investments (subsidiaries&associates)	5.8	0.0	0.0	0.0	0.0
Other	2,125.7	0.9	34.5	0.4	0.0
Total assets	**13,640.5**	**770.2**	**441.4**	**117.6**	**0.1**
Total assets (31.12.98)	**14,111.0**	**608.7**	**1,272.3**	**506.7**	**0.0**

Bank (31.12.99)	Estonia	OECD countries	Other Baltic countries	SRI countries	Other
Cash and due from central banks	1,388.6	0.0	0.0	0.0	0.0
Due from other banks	0.0	660.1	9.3	12.1	0.1
Dealing and liquidity portfolio	215.2	51.6	1.6	0.0	0.0
Loans	8,345.5	0.0	2.2	84.2	0.0
Investment portfolio	1,055.3	1.7	174.5	24.5	0.0
Investments (subsidiaries&associates)	430.4	0.0	0.0	1.6	0.0
Other	1,498.7	0.0	0.0	0.8	0.0
Total assets	**12,933.8**	**713.4**	**187.6**	**123.1**	**0.1**
Total assets (31.12.98)	**13,078.9**	**249.2**	**80.8**	**90.8**	**0.0**

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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Eesti Ühispank:

We have audited the accompanying balance sheets of AS Eesti Ühispank ("the Bank") as of 31 December 1999 and 1998, and the related statements of profit and loss, shareholders' investments and cash flows for the years then ended and the consolidated balance sheets of the Eesti Ühispank Group ("the Group") as of 31 December 1999 and 1998, and the related consolidated statements of profit and loss, shareholders' investments and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 1999 and 1998 and the results of its operations, shareholders' investments and its cash flows for the years ended 31 December 1999 and 1998, in accordance with International Accounting Standards.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 1999 and 1998 and the results of its operations, shareholders' investments and its cash flows for the years ended 31 December 1999 and 1998, in accordance with International Accounting Standards.

Deloitte & Touche

Deloitte & Touche

Tallinn,
28 February 2000

Veiko Hintsov
Authorised Public Accountant

Deloitte Touche Tohmatsu

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information for shareholders

INFO FOR SHAREHOLDERS

Eesti Ühispank's share on different stock exchanges

Eesti Ühispank's share was in 1999 on the Tallinn Stock Exchange among the most traded shares. The transactions turnover of 398 million kroons was indeed less than in 1998, creating still 8.9% of the Stock Exchange's total turnover. Average daily turnover was a little over 63,100 shares.

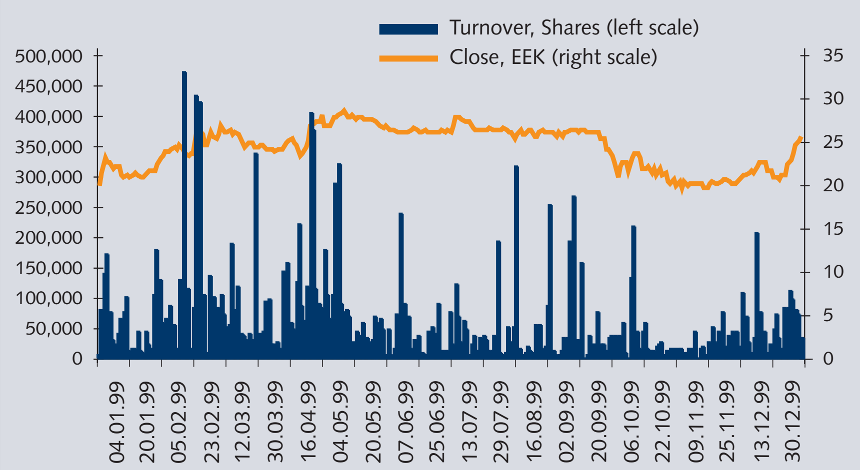
Ühispank's Share Rose in Price By One Third

Ühispank's share remained for most of the year on a level at about 25 kroons; the average share price weighed with the year's turnover was 24.92 kroons. Compared to the end of 1998, the price of Ühispank's share grew 32.1% to 25.5 kroons, being a little less than the growth of the TALSE index (38.3%). The year's highest closing price was registered in May (28.60) and the lowest in November (19.60).

SE	Nomination	Type of Security	Currency	Price 4/01/99	Price 4/01/99 EEK	Price 30/12/99	Price 30/12/99 EEK	Change	Change EEK	Trading volume (in million shares)	Turnover (million EEK)
Tallinn	EYAP,TL	Share	EEK	19.800	19.800	25.500	25.500	28.8%	28.8%	15.97	398.1
Helsinki	UHI1V,HE	Share	Euro	1.300	20.341	1.620	25.347	24.6%	24.6%	5.22	127.9
Frankfurt	UHI,F	Share	Euro	1.350	21.123	1.560	24.409	15.6%	15.6%	6.49	159.4
London	UHIq,L	GDR*	USA dollar	4.825	21.284	4.675	24.279	-3.1%	14.1%	...	...

*GDR = 3 ordinary shares

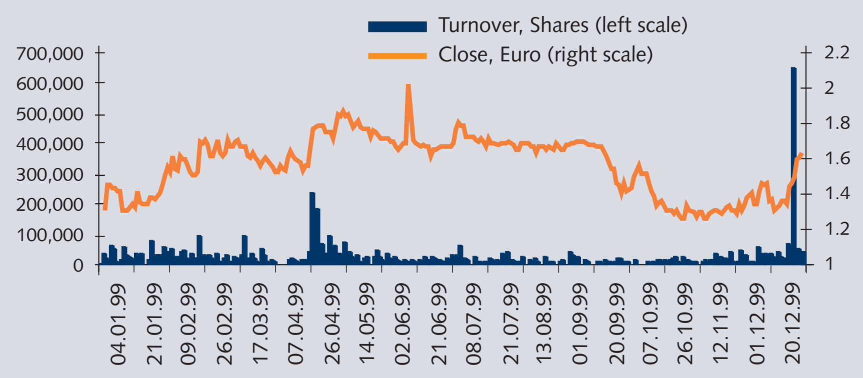
Ühispank´s Share on the Tallinn Stock Exchange



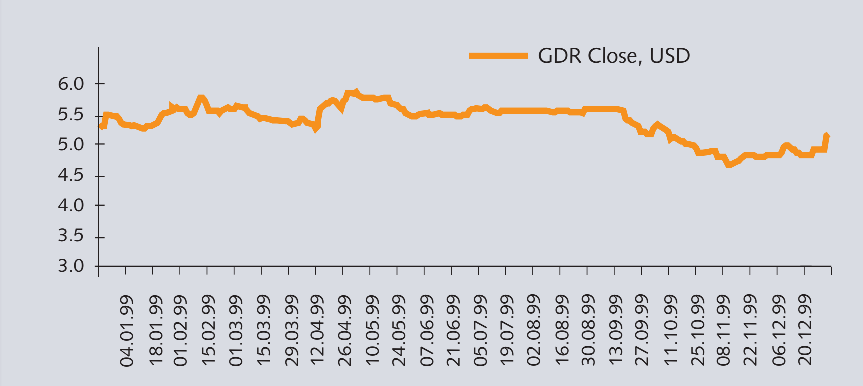
Active Trading on Foreign Markets

While trading activity in Tallinn decreased at times, then trade on foreign stock exchanges indicated a much more stable interest toward Ühispank's share – the trading volume in Helsinki grew from 4 million shares in 1998 to 5.22 million shares or 31%. On the German stock exchanges (Frankfurt, Munich and Berlin stock exchanges publish common statistics) the growth of trading volume was also a little more than 30%, in the trade were 6.49 million shares.

Ühispank´s Share in Helsinki

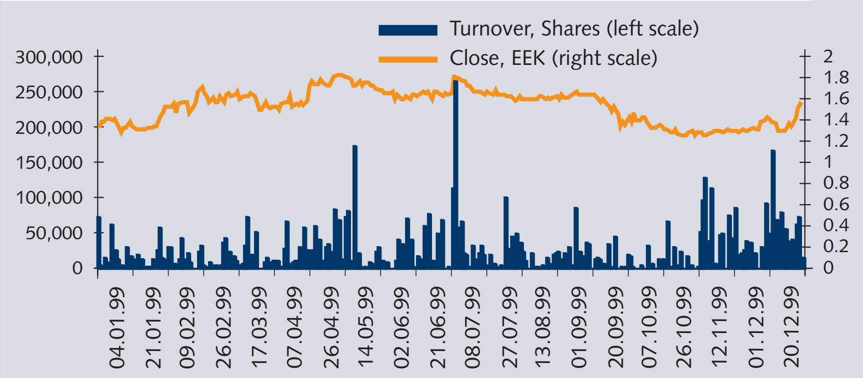


Ühispank´s GDR in London



The Ühispank's GDR, which were denominated in dollars, are traded in London. The price of GDR fell compared to the beginning of the year 3.1% 4.675 dollars (1 GDR = 3 shares), but this was mainly due to the dollar's strength against the euro and therefore against the kroon. In kroons, the price of Ühispank's shares grew in London 14.1% 24.279 kroons.

Ühispank´s Share in Frankfurt



Ühispank's Share Quotations:

Eesti Väärtpaberite Keskdepositoorium — starting 7.3.96
(Estonian Central Depository for Securities)
12 Pärnu ave., Tallinn 10148, Estonia
Tel: +372 6 408 800, Fax: +372 6 408 801
www.depo.ee

Tallinna Väärtpaberibörs — starting 3.6.96
(Tallinn Stock Exchange)
12 Pärnu ave., Tallinn 10148, Estonia
Tel: +372 6 408 840, Fax: +372 6 408 801
www.tse.ee

Helsingin Arvopaperipörssi — starting 25.6.96
14 Fabianinkatu, PL 361, 00131 Helsinki, Finland
Tel: +358 9 616671, Fax: +358 9 61667366
www.hex.fi

Other trading:

Bayerische Börse — starting 7.2.97
Brokerage Baader Wertpapierhandelsbank AG
6 Bleidenstraße, 60311 Frankfurt am Main, Deutschland
Tel: 069/13881-0, fax: 069/13881-881
www.bayerischeboerse.de

Frankfurter Wertpapierbörse — starting 7.3.97
Brokerage Baader Wertpapierhandelsbank AG
6 Bleidenstraße, 60311 Frankfurt am Main, Deutschland
Tel: 069/13881-0, faks: 069/13881-881
www.exchange.de/INTERNET/EXCHANGE/inside/fwbstart.htm

Share Issues of Eesti Ühispank

	Decision made	Date of registration	Number of shates
1.Restructuring gen.partnership to joint stock Co	5/6/94	-	8,353,700
2.Government, current shareholders	12/31/94	-	2,146,300
3.Current shareholders, reinvestments	6/30/95	-	2,000,000
4.Swedfund	11/15/95	6/14/96	2,500,000
5.Ernesto Preatoni	3/29/96	6/14/96	2,200,000
6.Employees	3/29/96	6/14/96	427,888
7.Small investors	3/29/96	6/14/96	5,872,112
8.Shares of Pohja Eesti Pank	4/12/97	9/4/97	5,000,000
9.Share issue	4/12/97	4/28/97	1,175,000
10.Swedfund	12/19/97	3/4/98	590,406
11.Bankers Trust	3/5/98	4/1/98	11,159,592
12.Owners of Tallinna Bank	5/24/98	7/29/98	9,726,444
13.Svenska Enskilda Banken	11/26/98	12/7/98	15,000,000
14.FMO	11/26/98	5/20/99	410,939
Total share capital:			**66,562,381**

EESTI ÜHISPANK´S 10 BIGGEST SHAREHOLDERS		**31/12/1999**
Shareholder	**No of share**	**% of share capital**
Skandinaviska Enskilda Banken (+ clients)	27,609,713	41.48*
Merita Bank Ltd (+ clients)	14,278,497	21.45
Bankers Trust Company (+ clients)	7,621,311	11.45
Swedfund Financial Markets AB	3,215,406	4.83
Dmitri Koval	608,726	0.91
Helgeland OÜ	600,000	0.90
Tallinna Linnavaraamet	516,801	0.78
Tiia Visnapuu	452,000	0.68
Hansapank	346,639	0.52
Hansatee Grupp AB	324,000	0.49

** SEB´s holding is divided on various accounts. SEB´s total participations in Ühispank is 50,15%*

NUMBER OF SHARES BY OWNERSHIP VALUE			**31/12/99**
Ownership Value	**Number Of Shares (ps)**	**%**	**No. of shareholders**
0-100	587	0.00%	130
100-1,000	51,629	0.08%	1,049
1,000-10,000	802,346	1.21%	2,444
10,000-100,000	2,533,474	3.81%	970
100,000-1,000,000	4,226,454	6.35%	158
1,000,000-10,000,000	6,222,964	9.35%	25
up 10,000,000	52,724,927	79.21%	4
TOTAL	**66,562,381**	**100.00%**	**4,780**

Calendar of Events And Publications

Annual General Meeting of Shareholders	April 7, 2000
Annual General Meeting ratifies Financial Statements 1999	April 7, 2000
Interim Financial Statement	latest August 31, 2000

The first quarter of 2000 and 9-month statements of 2000 will be published within two months after the end of the corresponding period.

Ühispank's renewed and supplemented home page at http://*www.eyp.ee* will be opened in April 2000.

Ühispank's financial statements and other materials are available on the Internet at http://*www.eyp.ee*, where the statements are available approximately two weeks before printed publications. Printed publications are available in bank's offices, they can be also ordered via info telephone and from the Internet.

Annual General Meeting

To register for Annual General Meeting, private persons must bring an ID (representatives also an authorization). Legal representatives of legal persons must bring an ID, valid Business Registry card (authorized representatives also authorization from Board).

The location, agenda and participation conditions in the general meeting are published in a national daily newspaper three weeks before the general meeting.

SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The number of shares of business associations of AS Eesti Ühispank belonging to the members of AS Eesti Ühispank Management Board and Supervisory Council, to their relatives also by the listed persons, individually and by group as of December 31,1999 In the ownership of the members of the Management Board and Supervisory Board were as of December 31, 1999 in total 597,513 AS Eesti Ühispank shares.

Management Board members

Name	On the Board since	Number of shares			
		Board member+relatives		Controlled undertaking	
		1998	**1999**	**1998**	**1999**
1. Ain Hanschmidt	29.03.1996	148,601	148,601	-	-
2. Lembit Kitter	21.05.1997	100,000	100,000	-	-
3. Andrus Kimber	15.02.1999	was not on the Board	39,519	-	-
4. Ülo Suurkask	29.03.1996	39,834	39,834	-	-
5. Margus Schults	29.03.1996	27,125	27,125	-	-
6. Toivo Annus	29.03.1996	67,184	50,000	-	-
7. Targo Raus	15.07.1998	101,035	101,035	-	-
8. Vaima Kask	15.07.1998	16,800	16,800	-	-
9. Leho Lugna	15.07.1998	4,228	4,228	-	-
10. Johan Lindh	01.07.1999	was not on the Board	0	-	-

Members of the Supervisory Board

Name and age	On Supervisory Board since*	Position	Share number			
			Council member+relative		Controlled undertaking	
			1998	**1999**	**1998**	**1999**
1. Aare Urm (49)	Jan. 1993	AS Eesti Ühispank, Chairman of the Supervisory Board	384	384	0	0
2. Mart Avarmaa (56)	Jan.1993	Tartu Tootjate Liit, Chaiman of the Board	14,294	12,584	0	0
3. Koit Uus (45)	Jan. 1993	Haapsalu KEK, Chaiman of the Board	0	0	295,369	13,156
4. Enn Pant (34)	12.10.1994	AS Hansatee, Executive Director	36,200	36,200	0	8,000
5. Tord Martin Olofsson (60)	29.03.1996	Swedfund Financial Markets AB, Executive Director	0	0	0	0
6. Andres Lipstok (42)	12.04.1997	Member of Parliament	27	47	0	0
7. Tiit Kõuhkna (57)	12.04.1997	Hiiu Kalur, Chaiman of the Supervisory Board	0	0	4,022	0
8. Aadu Luukas (60)	12.04.1997	AS Pak-Terminaal, Chaiman of the Supervisory Board	0	0	0	0
9. Rob van der Wurf (38)	22.06.1998	Netherlands Development Finance Company (FMO)	0	0	0	0
10. Mats Kjaer (49)	11.04.1999	Skandinaviska Enskilda Banken	was not on the Board	0	was not on the board	0
11. Monica Caneman(45)	11.04.1999	Skandinaviska Enskilda Banken	was not on the Board	0	was not on the board	0

* Listed date notifies the first term the person was elected as a member of Eesti Ühispank Supervisory Board.
The composition of the Supervisory Board given on the table was elected on the regular shareholders' meeting on Apr. 10, 1998.

Eesti Ühispank Offices

Office	Street	City	Index	Telephone	Fax
HAAPSALU	27 Karja	Haapsalu	90502	(247) 33 766	(247) 33 797
JÕGEVA	1 Aia	Jõgeva	48306	(277) 68 100	(277) 68 125
JÕHVI	3a Rakvere ave.	Jõhvi	41591	(233) 63 951	(233) 70 102
KURESSAARE	2 Kauba	Kuressaare	93812	(245) 21 500	(245) 21 533
NARVA	28 Tallinna ave.	Narva	20304	(235) 69 100	(235) 69 122
PAIDE	11 Vainu	Paide	72720	(238) 50 456	(238) 50 792
PÄRNU	40a Rüütli	Pärnu	80095	(244) 77 100	(244) 77 110
RAKVERE	2 Turuplats	Rakvere	44308	(232) 23 031	(232) 23 031
RAPLA	12 Tallinna ave.	Rapla	79502	(248) 57 311	(248) 94 261
TALLINN	2 Tornimäe	Tallinn	15010	(2) 6 655 100	(2) 6 657 301
TARTU	9 Küüni	Tartu	50099	(27) 308 518	(27) 308 536
VALGA	5 Aia	Valga	68205	(276) 69 450	(276) 61 184
VILJANDI	2 Vaksali	Viljandi	71020	(243) 30 250	(243) 34 471
VÕRU	25 Tartu	Võru	65620	(278) 21 191	(278) 23 954

Not listed are branches supervised by offices. Full list of all bank offices and branches is available at http://*www.eyp.ee*

Eesti Ühispank has in use:
170 ATMs
40 payment machines

TOTAL 210 bank machines

Eesti Ühispank's U-Bank Kiosks

1.	Järve Kaubamaja	184 Pärnu ave.
2.	Minski kauplus	29 Sõle
3.	Tihniku Maksimarket	Tihniku
4.	Mustakivi Keskus	1 Mahtra
5.	Vesse Maksimarket	3/5 Vesse
6.	Rocca al Mare Maksimarket	102 Paldiski ave.
7.	EKS Kaubamaja	12 Mustamäe road
8.	Tallinna Kaubamaja	2 Gonsiori
9.	Stockmann	53 Liivalaia
10.	Paide Maksimarket	2 Ringtee
11.	Poppins kauplus	107 Õismäe road
12.	Tartu Konsum kauplus	1c Kalda road
13.	Tartu Kivilinna Kaubahall	173 Jaama
14.	Viljandi Centrum	24 Tallinna ave.
15.	Pärnu Viiburi kaubahall	42 Papiniidu
16.	Haapsalu Kaubamaja	1 Tallinna ave.
17.	Kuressaare Tooma kauplus	1 Smuuli
18.	Rakvere Raja kauplus	1 Ilu blvd.
19.	Narva Astri kaubahall	41 Tallinna ave.
20.	Nõmme Keskus	2 Jaama
21.	Kristiine Keskus	45 Endla

EESTI ÜHISPANK'S PRIMARY CORRESPONDENCE ACCOUNTS IN JANUARY 2000

Current list available at Ühispank's homepage http://*www.eyp.ee*

Currency	Corresponding Bank	City	SWIFT address
AUD	Commonwealth Bank of Australia	Sydney	CTBA AU 2S
BYB	International Moscow Bank a/c 30113112500010102223	Moskva	IMBK RU MM
CAD	The Royal Bank of Canada	Toronto	ROYC CA T2
CHF	UBS AG	Zürich	UBSW CH ZH80A
DKK	Den Danske Bank	Kopenhaagen	DABA DK KK
EUR*	Deutsche Bank AG	Frankfurt	DEUT DE FF
	Dresdner Bank	Frankfurt	DRES DE FF
	Merita Bank	Helsingi	MRIT FI HH
	Okobank	Helsingi	OKOY FI HH
GBP	National Westminister Bank (Sort Code 60-00-04)	London	NWBK GB 2L
HKD	Hongkong and Shanghai Banking Corporation Limited	Hongkong	HSBC HK HH HKH
JPY	The Bank of Tokyo-Mitsubishi	Tokyo	BOTK JP JT
KZT	International Moscow Bank a/c 30113398200010102224	Moskva	IMBK RU MM
LTL	Vilniaus Bankas	Vilnius	CBVI LT 2X
LVL	Unibank of Latvia	Riia	UNLA LV 2X
NOK	Union Bank of Norway	Oslo	UBNO NO KK
PLN	BRE Bank	Varssavi	BREX PL PW
RUR	Deutsche Bank OOO a/c 30111810100000000004 (INN 7702216772; BIK 044525101; k/k 30101810100000000101)	Moskva	DEUT RU MM
	Bank Austria Creditanstalt (Russia) a/c 30111810800001044889 (INN 7707147956; BIK 044525746; k/k 30101810400000000746)	Moskva	BACX RU MM
SEK	Skandinaviska Enskilda Banken	Stockholm	ESSE SE SS
UAH	Societe Generale Ukraine a/c 16004700340100 (MFO 320650)	Kiiev	SOGE UA UK
USD	American Express Bank	New York	AEIB US 33
	Bankers Trust Co.	New York	BKTR US 33
	The Chase Manhattan Bank	New York	CHAS US 33

* EUR Correspondence Accounts are valid with the national currencies of the European Monetary Fund member countries (ATS, BEF, DEM, ESP, FIM, FRF, IEP, ITL, NLG, PTE)

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SWIFT EEUHEE2X

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http://asset.eyp.ee