



CONTENTS

Key financial indicators	1
Statement by the Chairmen of the Board and the Council ..	2

Hansabank Group's presence in Lithuania

Hansabank Group's companies operating in Lithuania	4
Mission, vision and values	6
Business philosophy.....	8
Positions in Lithuanian market.....	10
Financial objectives	10

Review of the Bank's business in 2003

Key events of 2003	11
Lithuanian economic development in 2003	12
Review of financial performance	14
Corporate banking	17
Retail banking	19
Electronic banking and product development	23
Risk management	27
Leasing and factoring	30
Life assurance	32
Pension funds	34
Awareness and image of the Bank	36
Organisation and HR development	38
The Bank and society	41

Financial statements and notes

Independent auditor's report	45
Balance sheet	46
Statement of income	49
Cash flow statement	51
Statement of changes in shareholders' equity	53
Notes to the financial statements	54

The Council of AB Bankas Hansabankas	99
--	----

Key financial indicators

	31 December 2003	31 December 2002	Yearly change
Assets	5,118,264	4,189,196	22.2%
Loans	2,433,849	1,548,872	57.1%
Deposits	4,486,321	3,628,151	23.7%
Revenues	222,279	189,434	17.3%
Operating expenses	171,890	179,540	-4.3%
Net profit	60,939	50,129	21.6%
Return on equity	16.0%	16.1%	-0.7%
Cost/income ratio	77.8%	92.7%	-14.9%
Net interest margin	2.6%	2.9%	-0.3%

Dear Shareholders,



Indrek Neivelt
Chairman of the Council
of AB Bankas Hansabankas



Giedrius Dusevicius
Chairman of the Board
of AB Bankas Hansabankas

In 2003, Hansabankas enjoyed a successful performance, indeed. Notwithstanding last year's competition in the market and the on-going restructuring of the Bank, the staff performed well. The reorganisation of the former Lietuvos Taupomasis Bankas (Lithuanian Savings Bank) and its organisational realignment and integration into Hansabankas – the processes that commenced more than two and a half years ago – have met expectations. As a result Hansabankas is currently turning into a model of successful banking business in Lithuania.

Last year, we focused on improving efficiency: the internal processes and the branch network were optimised and up-to-date electronic banking services developed, thus making them function as an integral part of a modern financial institution. Furthermore, we were the first bank in Lithuania to have considerably invested into the acquisition of microchip-based ("smart") cards technology and started selling VISA Electron chip cards. Similarly, pro-active steps were undertaken in order to broaden the functionality of the Internet Bank facility, hanza.net, and other electronic channels and products.

The changes in Hansabank Group's management structure led to the establishment of a single country-based business unit in Lithuania, and more opportunities have emerged for more efficient coordination of all Hansabank Group's subsidiary companies operating in Lithuania. This, in turn, has allowed sharper focusing on customers and better meeting of their needs and expectations.

It goes without saying, Hansabank Group's companies operating in Lithuania have certain advantages (in terms of their consolidated presence), which should be exploited prudently. Hansabankas - as a modern bank with one of the biggest office networks in this country and well-developed electronic channels - has provided us with a unique opportunity to access and serve customers in large quantities. Private customers can apply at the Bank's branches not only for consumer or home lending services but also conclude life assurance agreements. Also, in addition to traditional bank products and

services, business customers may apply for leasing and factoring products.

As the Bank has already a well-diversified product portfolio suitable to all customers and meeting their key needs, all preconditions are in place for attracting and retaining as many customers as possible.

The largest private customers' deposit portfolio in the country and continuously increasing business deposits have created a solid financing base and attractive pricing policy as well as having boosted efficiency of performance. As a member of Hansabank Group, whose strategic investor is Swedbank, Hansabankas can enjoy a strong capital base, which is an essential factor for achieving a rapid growth in line with the market needs.

The financial management system implemented and enhanced by Hansabankas has equipped the Bank with the necessary tools for efficient evaluation of business processes and ensuring quick responses to the on-going changes in the market. The competitive edge of this type is of particular importance as it facilitates creating and retaining value added. Furthermore, it contributes to managing costs better and ensuring timely and accurate reporting to our shareholders.

Up-to-date and pro-active management of credit and operational risks coupled with the application of advanced methods within our Bank have ensured a smooth and predictable growth and softened certain "harsh" growth-related problems.

Lithuanian market development and growth potentials are undeniably vast. This in mind, one can confidently state that there are several challenges for the Bank to face in 2004. On the one hand, business environment is believed to change notably following Lithuania's entry into the European Union: this membership factor is expected to have an impact on the Bank's business and exercise even a greater effect on behavior of customers of the majority of domestic banks. On the other hand, the anticipated rapid growth of Lithuania's economy in

2004 is expected to create favourable conditions for further development of financial services. This in turn, will require higher professional skills and improved efficiency to meet higher and still growing customer needs and expectations.

In 2004, the competition environment is presumed to remain active. However, the importance of prices, as a feature of competition, is likely to diminish giving way to growing importance of quality, image and modernity.

Our chief goal is to establish ourselves firmly in our key market segments. We are hopeful that our strengths will contribute to providing high quality services to private customers and SMEs and creating value added to our customers by offering "one-stop-shopping" solutions. Our focus is on quality enhancement, employee training, expansion of product range and product development. By approaching these issues duly, we will ensure a fast and efficient growth of the Bank in our young and very dynamic financial market.

Hansabank Group's companies operating in Lithuania



AB Bankas Hansabankas is a universal bank offering a wide range of financial services. It is a member of Hansabank Group, which is the largest financial institution in the Baltics. 99.35 percent of the Bank's shares are owned by an Estonian bank, A/S Hansapank.

Hansabank Group's strategic investor is a Swedish bank, Swedbank (operating under the name of ForeningsSparbanken in its home country). This said bank owns 59.7 percent of Hansabank Group's share capital. Swedbank is one of the biggest domestic banks in Sweden with financial service networks operating not only in Sweden but also in Norway, Finland and Denmark.

Hansabankas' subsidiaries operating in Lithuania

Hansabankas has three subsidiaries in Lithuania: UAB Hanza Lizingas, UAB Lietuvos Draudimo Gyvybes Draudimas (a life assurance company) and UAB Hansa Investiciju Valdymas (an investment management company).

UAB Hanza Lizingas provides leasing and factoring services. It is one of the leasing and factoring business leaders in this country. It was among the first companies to have commenced leasing services in Lithuania in 1996.

UAB Lietuvos Draudimo Gyvybes Draudimas. In 2003, Hansabankas acquired this life assurance company from AB Lietuvos Draudimas (Lithuanian Insurance Company) for LTL 63.5m. It is the number one life assurance service provider in Lithuania. Its share in the domestic life assurance market stands at 39.9%.

UAB Hansa Investiciju Valdymas is an investment and pension funds management company enjoying a dominant market share in Lithuania (in terms of quantity of pension fund participants).

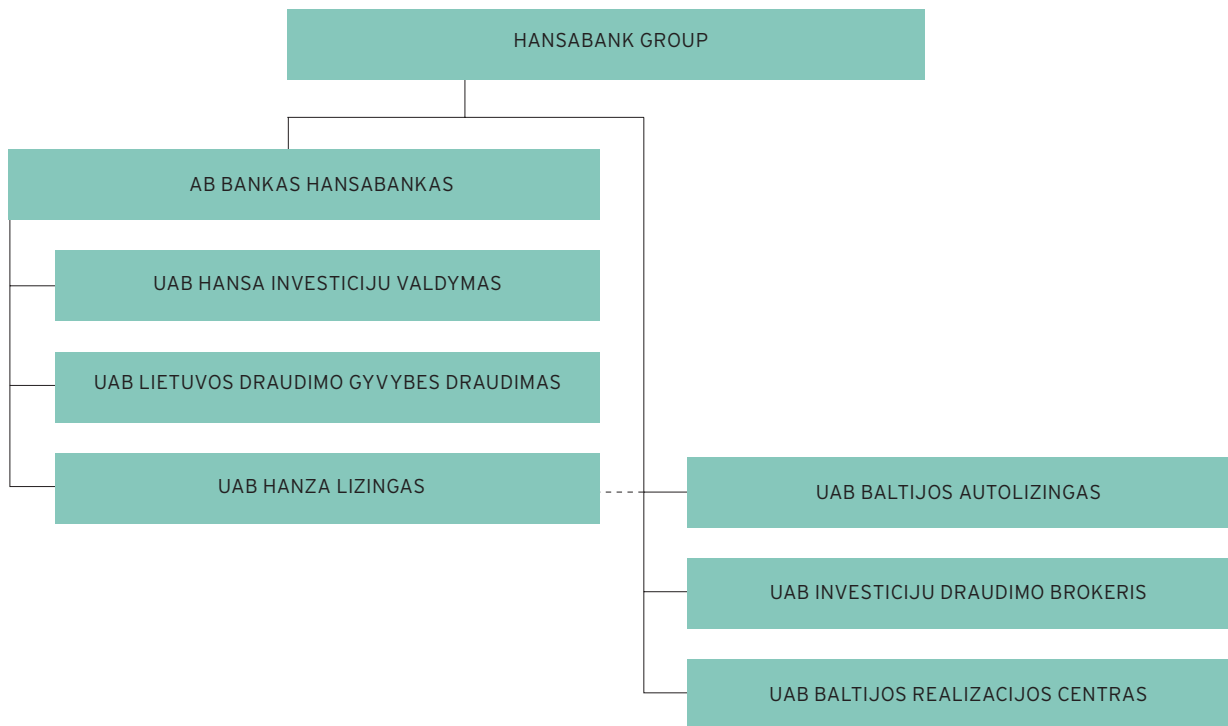
Other Hansabank Group's companies operating in Lithuania

In addition to the abovementioned companies, there are several other Hansabank Group's companies, which are directly controlled by Hansabank subsidiary, Tallinn-based Hansa Capital (Estonia): UAB Baltijos Realizacijos Centras, UAB Baltijos Autolizingas, and an insurance investment brokerage company, Draudimo Investiciju Brokeris. Hansabankas and its subsidiaries are closely connected with these companies by business and function ties.

UAB Baltijos Autolizingas provides vehicles and semi-trailers lease, service leasing and car fleet management services.

UAB Baltijos Realizacijos Centras provides cash collection and assets disposal services. Cash collection services include enforcement of debts, assignment of claim rights, transfer of debts to the Cash Collection Company, stamp services, and legal consultations on accounts payable. Assets disposal services include property appraisals, sales and search for desired buildings/premises.

UAB Investiciju Draudimo Brokeris is one of the largest insurance brokerage companies in Lithuania providing services to natural and legal persons in the area of drawing up agreements on insurance of property/transport/life/etc.





Mission

Our mission is to continuously increase the value of our company. By learning our customers' needs, we can offer them the most suitable financial solutions, thus saving their time and improving their everyday lives. We believe that our employees' high level of commitment guarantees the best performance.

Vision

We want to become a benchmark of modern banking in Europe by year 2007.

For us, "modern" means the following:

The highest customer satisfaction.
All products are accessible from one place.
High usage of self-service channels.
Efficient back office.

Values

Quality - we are professional.
Innovativeness - we are learning and ready to change.
Vitality - we are result oriented.
Integrity - we are transparent and sincere.

Business philosophy

Who is our customer?

We focus primarily on medium-sized companies and private individuals with above the average purchasing power. However, as a universal bank, we serve all customer groups. Our home market is the Baltics, but we also serve niche segments in Russia.

What are our value propositions to the customer?

In customer relations, we value long-term partnerships. We offer professional and helpful service, convenient access, reliable self-service channels, and competitive price. We provide all financial services from one place.

Our strategic focus is:

Proactive customer relationship management

The importance of proactive customer relationship management has become vital for success. By knowing our customers we can offer them the most suitable financial solutions and save their time.

Common technology and products

Common technology and products enable us to operate more efficiently in all three countries.

Excellent crediting know-how skills

At the current stage of market development the main growth engine for us is the growth of credit portfolio. Excellent credit skills enable us to maintain a better asset quality than the market in general.

Clear management principles

Our management structure and processes are simple. Our employees have clear responsibilities. We make decisions close to the customer.

Efficient distribution

For everyday banking, we offer our customers a selection of easy-to-use services via our wide self-service network.

Positions in Lithuanian market

Hansabank Group's positions in Lithuanian key financial segments are as follows:

Segment	Position
Personal deposits	1
Personal loans	2
Business deposits	2
Business loans	2
Internet banking	1
Debit cards issued	1
Credit cards issued	1
Life assurance agreements	1
Pension fund agreements	1
Leasing*	1
Factoring	1

* combined with UAB Baltijos Autolizingas

Financial objectives

(medium-term)

Annual growth of the operating profit (before taxes)	at least 10 %
Return on equity	at least 20 %
Cost/income ratio	50 % at most
Net risk cost ratio	0,6 % at most

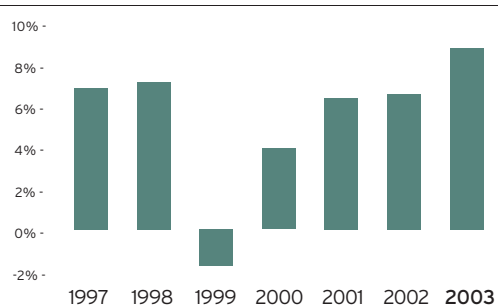
Key events of 2003

- January 30:** Hansabankas founded the first money market fund in Lithuania.
- February 10:** Lithuanian president Valdas Adamkus thanked, in an official ceremony, Hansabankas for its contribution to his sponsored project, "Schools' contribution to Lithuania's information-building". Under this project, the Bank donated to schools 1500 computers.
- April 25:** the legal name of the Bank was changed into AB Bankas Hansabankas. The former name was AB Bankas Hansa-LTB.
- May 7:** the Bank held its second Spring Conference that attracted over 300 CEOs from various Lithuanian companies and institutions. The main speech ("On anatomy of Global Competition") was delivered by Stephane Garelli, a professor of Lausanne University (Switzerland).
- June 12:** launch of the Internet Bank's, hanza.net, module called "Investor", by means of which the Bank created an access to its customers to purchase/sell shares, fund units and savings bonds, receive statements on securities portfolio and carry out other securities transactions.
- July 9:** Hansabankas was the first bank in Lithuania to have commenced the introduction of microchip-based VISA Electron ("smart") cards.
- July 23:** Hansabankas was the first bank in Lithuania to have issued special payment cards for the blind. The first ATM modified for blind people came into operation in Kaunas.
- July 31:** a financial journal, Global Finance, ranked the Bank's Internet Bank facility, hanza.net, the number 1 Internet Bank in Central and Eastern Europe.
- August 11:** a cooperation agreement was signed with Bank Handlowy, which is controlled by Citigroup.
- August 18:** the Bank acquired a 100 percent shareholding of UAB Hanza Lizingas and as a result become the sole shareholder of the Company.
- August 28:** the Bank started placing private pension funds and drew up the first ever private pension agreement in Lithuania.
- October 1:** a market research company, RAIT, posted its polling results according to which the majority of the respondents - 41 percent - said they trusted in Hansabankas most of all.
- October 10:** the Bank purchased a leading life assurance company under a deal signed with UAB Lietuvos Draudimas, according to which the Bank acquired a 100% shareholding for LTL 63.5m.
- December 1:** the pension funds placement campaign came to an end, during which Hansabankas signed 43 percent of the total pension funds agreements drawn up in Lithuania. Consequently, the Bank became an unrivalled pension fund market leader.
- December 30:** a state-run home loan insurance company, Valstybine Busto Paskolu Draudimo Imone, nominated Hansabankas as the most advanced bank in the mortgage lending business.

Lithuanian economic development in 2003

In 2003, Lithuania's economy experienced dynamic developments and witnessed record growth levels throughout all years of its independence. As the country's GDP rose 9 percent, it outpaced other neighboring countries and earned the title of "The Baltic Tiger".

GDP growth



Source: Statistics Department under Lithuanian Government

Last year's economic development movements may be put down to a number of internal and external factors. Internal economic processes at the end of the year were somewhat overshadowed by certain political problems, which, fortunately, did not hamper to successfully continue preparations for EU and NATO membership. Also successful was the start of pension reform. Privatization and liberalization processes were continued too.

Among key external factors, which were at play in Lithuania in 2003, were the low and continuously declining global interest rates and significant FX rate movements. Low interest rates fueled borrowing and investing in Lithuania, and a sharp rise of private lending volumes contributed to a revival of private consumption that accelerated at the close of the year. Declining interest rates had an impact on a jump of real estate prices. Home construction volumes were on the rise.

Growing international awareness of and attention to Lithuania in light of its membership in EU and NATO attracted more foreign investors. In the privatization tenders, however, unrivalled were domestic investors, who were awarded the bulk of privatization deals. From

a statistics point of view foreign investments shrank compared with the inflows a year ago.

Key economic indicators

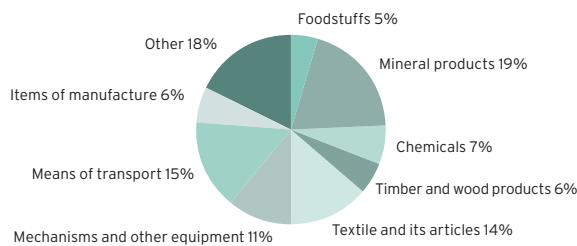
	2001	2002	2003
GDP growth	6,5%	6,8%	9,0%
GDP, in million litas	48.379	51.633	55.737
GDP per capita, in euros	3811	4238	4673
Industrial sales growth	16,0%	3,1%	16,1%
Average annual consumer price indices, compared with previous year	1,3%	0,3%	-1,2%
Average annual producer price indices, compared with previous year	-3,0%	-2,8%	-0,5%
Unemployment rate	17,4%	13,8%	12,8%
A rise of export of goods and services	20,3%	10,6%	8,7%
A rise of import of goods and services	16,4%	12,4%	4,9%
Current account deficit; % of GDP	-4,7%	-5,2%	-6,6%
FDI; % of GDP	3,7%	5,2%	1,3%
Public sector net borrowing; % of GDP	-2,1%	-1,5%	-1,7%
Public debt; % of GDP	26,7%	25,5%	23,6%

External factors were also behind Lithuania's deflationary processes. With the exchange rates of the Euro and consequently the Litas (pegged to the Euro) on the rise, relatively cheaper imports of raw materials and commodities from Russia, Latvia, China and other countries slowed down the growth of prices. Besides, inflationary processes in the majority of EU countries were weak too. All these external factors contributed to the stability or even a fall of prices (e.g. consumer price index in 2003 went down on the average by 1%). However, despite all these deflationary movements Lithuania did not encounter any serious economic problems.

Despite FX rates fluctuations Lithuanian exporters did well and, consequently, export volumes went up 8,7%. Good growth was recorded in the foodstuff industry, energy and several light industry sectors (furniture production in particular). Good news was also a stable and profitable performance of Mazeikiiai oil refinery plant, Mazeikiu Nafta, which had secured a stable and long-term supply of raw materials and continued to account for one-fifth of Lithuania's external trade annually. Imports growth accelerated - as did the private consumption - and ran at 4.9% annually.

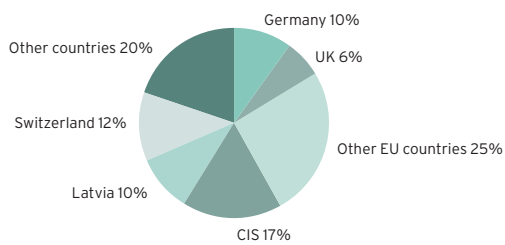
Lithuania's trade with EU countries expanded too. All these achievements strengthened the hopes that many Lithuanian companies had already prepared for a successful free trade with EU countries.

Export structure in 2003



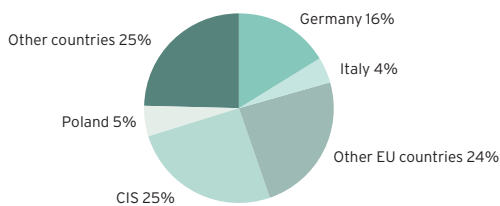
Source: Statistics Department under Lithuanian Government

Export directions in 2003



Source: Statistics Department under Lithuanian Government

Import directions in 2003

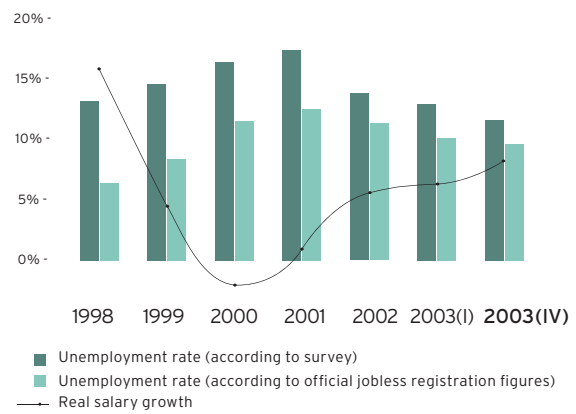


Source: Statistics Department under Lithuanian Government

The Lithuanian labour market continued experiencing positive changes. Because of higher salaries, the decrease in unemployment (from 13.8% to 12.8%) and

the deflationary process, personal purchasing power strengthened sharply. Previous years' investments into the manufacturing sector were bearing fruits too: over the last three years, labour productivity rose by 21% and recorded the most rapid growth in the manufacturing sector.

Labour market movements



Outlook for 2004

In 2004, Lithuania's economic development is likely to sustain the previous year's dynamics and be "exceptional" in terms of the beginning of the full membership in EU and NATO. Internal factors are believed to dominate and dictate economic development in the short run. Lithuania's economy revived by the increasing private consumption and rising investments is expected to accelerate further, following the inflow of EU structural funds and because of planned higher public spending. Besides, although Lithuania's integration into the single European market has been going on for several years already and many reforms may be "on the cards" in future, the status of transitional economy will, most probably, no longer be true (in terms of reality) after 1 May 2004, when Lithuania becomes a full-fledged member of EU. As the country joins the EU it will inevitably face minor unexpected surprises given the changes in the trade status. However, many positive effects of this country's economical integration into EU are expected to last longer than just several years.

Review of financial performance



Antanas Danys
Head of Finance Division

2003 saw rapid business growth in Hansabankas. Its loan portfolio improved 57% and total assets rose 22%. Private lending strengthened in particular, and as a result the private loan portfolio nearly doubled. Similar growth rates were recorded in the area of deposits that jumped 24%.

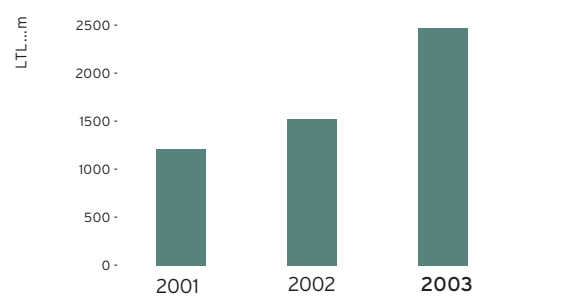
Capital

Despite the fact that the growth of the Bank's loan portfolio last year exceeded the rise of deposits for the first time since the Bank's privatisation in 2001, the Bank managed to maintain secure liquidity and capital adequacy ratios - 43.2% and 14.6% respectively. In 2003, the Bank's capital rose by LTL 126m, or 37%. At year-end 2003, the Bank issued new shares and further strengthened its share capital by LTL 65m. The latter

Growth of assets



Growth of loans



step was undertaken for the purpose of financing the deal to purchase a life assurance company, UAB Lietuvos Draudimas Gyvybes Draudimas.

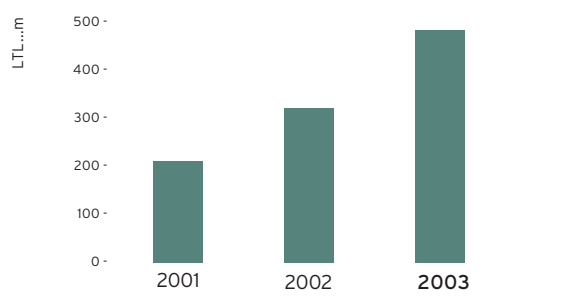
Assets

The growth of the Bank's business is definitely represented by the changes that occurred in the asset structure. On the whole, the growth of the Bank's asset was fueled by the expansion of the lending business. The ratio of loans to total assets strengthened during 2003 from 37% to 48%. At the same time, as the Bank continued the reorganisation and optimisation of its branch network, the long-term and other assets experienced a contraction and accounted for a mere 4% of the total assets at year-end 2003.

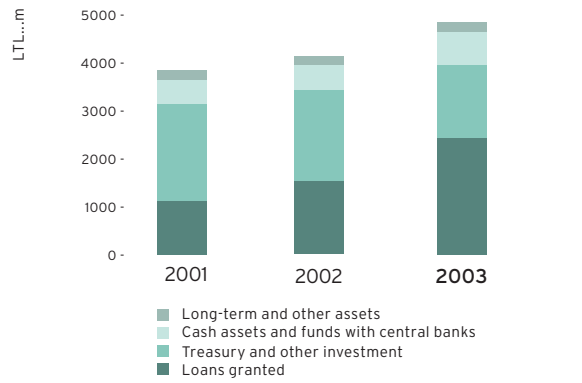
Growth of deposits



Growth of capital



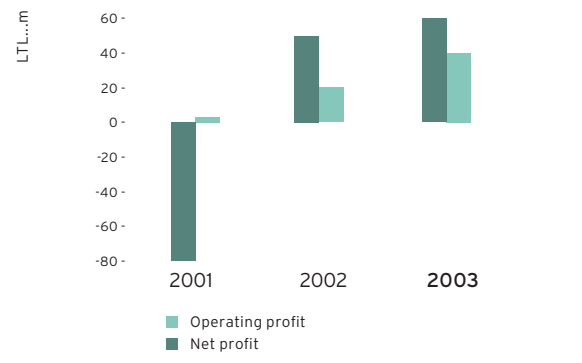
Changes in the assets structure



Profit

The Bank's net profit performance in 2003 ran at LTL 60.9m and recorded a 22% increase from a year ago. The most pleasant news, however, was the fact that the Bank's operating profit more than doubled (in addition to the gains from the disposals of fixed assets and the recoveries of the earlier written-off loans).

Profit movements

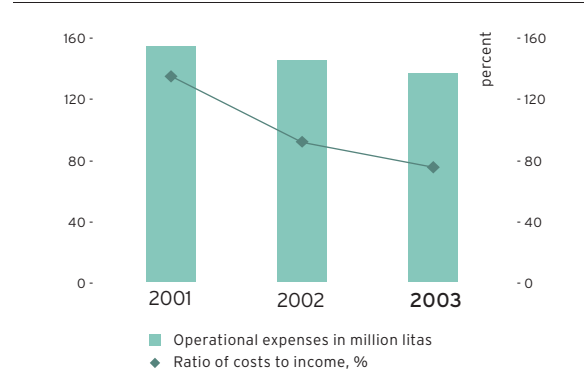


Last year, interest rates and loans margins continued to decline. Consequently, the Bank's net interest income

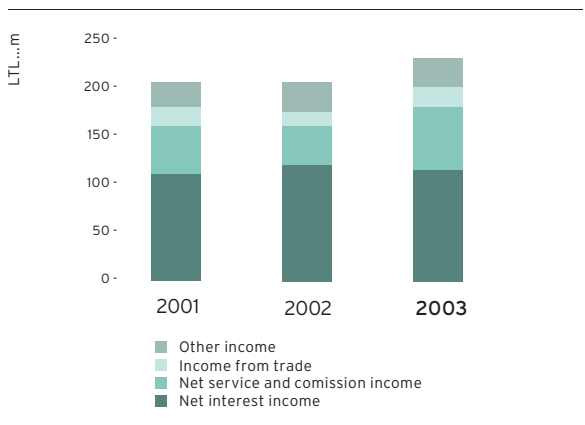
went down by 2% (including the contributions to the deposits insurance fund) in spite of the fact that the loan portfolio was on the sharp rise. The said fall may be put down to a contraction of the yield on treasury investments.

In contrast, the fee income experienced a steep rise. Net service and commission fee income was up 44% from a year ago. It was largely helped by the achievements in the development of electronic channels: payment cards income more than doubled, and the income from other e-bank operations, particularly hanza.net and Telehansa, demonstrated an even higher growth rate.

Operational expenses



Income structure movements



Expenses

Despite a marked growth of business and activity volumes, the Bank managed to cut its operational expenses: they were down by 7% (LTL 10m) from a year ago. The sharpest decline occurred in the area of HR costs (down 14% from a year ago). However, due to the Bank's office network restructuring, buildings maintenance cost increased. The ratio of costs to income shrank from 93% to 78%.

Corporate banking

Business lending

2003 was distinguished by increased competition in the business financing area. The arrival of several new players brought about tougher competition in this market. The market's "old-timers" had to mobilise their efforts and start approaching their customers in a more flexible way to better meet their needs and expectations.

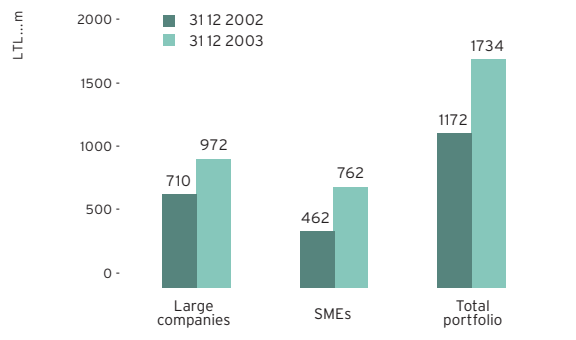
Despite the increased competition Hansabankas managed to retain and even strengthen its market share. The Bank's business loans portfolio grew by LTL 560.8m versus LTL 261m in 2002.

Last year, the Bank continued to accomplish its strategic goal – focus on SMEs. As a result 53% of the Bank's loans were loans to SMEs, and 47% - to large companies. Therefore, the stepped up efforts in this direction have contributed to a marked broadening of the loan portfolio diversification: loans to SMEs accounted for 43.9% of the total loans versus 28.5% a year ago.



Tomas Andrejauskas
Head of Corporate Banking & Lending Division

Business lending dynamics in 2003



More attention last year was paid to boosting the loan portfolio quality. Thanks to such an approach, 30-day overdue business loans accounted for a mere 0,03% of the total loans (as at 1 January 2003).

The Bank also played a major role in the arranging of and participating in several major syndicated deals.

In 2003, the Bank launched a new product, Trust account. It is a unique financial solution in Lithuania: it facilitates efficient management and control of companies' cash flows within a certain group of companies.

Trade in FX and securities

Last year's good trading results are optimistic and prompting success in 2004.

Financial Instruments Trading Desk achieved good FX operations results in the area of dealings with large corporate customers. The number of customers dealing with this Sub-department was and still is on a steady and ongoing rise. In 2003, the number of companies dealing with the Bank grew 41 percent and amounted to 1700. Derivatives trade was a success story in particular. The deals simulation tool prepared in the previous year and distributed to business customers, as well as the direct sales of this instrument, contributed to derivatives sales increasing by almost three times. Derivatives trade will be the focus of activity of the abovementioned Desk in 2004 too.

The Financial Brokerage Desk took a pro-active approach to the offering of services of trading in shares and interest-earning securities. The income from this business in 2003 jumped twice. The core reason behind such impressive growth was the introduction into the market of such new financial instruments as repos and shares trading scheme via the Internet. Investor, a system of shares trading via the Internet, was launched in June of 2003 and attracted as many as 3800 users by year-end 2003. Total shares trade in Lithuanian Stock Exchange stood at LTL 217.7m and recorded a 68% rise from the previous year.

In 2003, Financial Brokerage Desk commenced placing fund units of Hansa Pinigu Rinkos Fondas (Hansa Money Market Fund). The said Fund became

the number 1 provider of short-term investment services in this country. As a result more and more Lithuanian companies took an active interest in asset management possibilities, and this business brought in LTL 12m. As the said Fund is gradually discovering the benefits and advantages of the investment into fund units, it is very likely that the money market fund will gain further strength and become an alternative to a short-term deposit mechanism.

Investment banking

Last year, Hansabankas' investment banking activity delivered a good performance. Investment bankers consulted the Bank's customers on acquisition of domestic companies and financed such deals thereof. One of the last year's major deals was the privatization of alcoholic beverage company, AB Alita, and the arrangement of the financing of the said deal.

In May 2003, the Bank signed an agreement with Norwegian company, EuroProcessing International AS, on the sale of the Bank's 41% shareholding in UAB Mokejimo Korteliu Sistemos (MKS). Furthermore, necessary arrangements were made as to maintaining cooperation with MKS in the area of card authorisation, clearing and other related operations.

Trading financing transactions

Volumes of trade financing transactions in 2003 were rising fast. Import letters of credit more than doubled. At year-end 2003, their portfolio stood at LTL 18m, thus, recording 300% growth from a year ago. The amount of valid guarantees climbed to LTL 49m – up 24% from 2002. Documentary collection business saw marked growth too.

Personal lending

In 2003, Hansabankas retained a leading position in the domestic home lending market and held a 30.8% share at the end of the year. In the personal lending market, its share ran at 28.6%.

Last year, Hansabankas' loan portfolio growth reached an all-time high. Loans to individuals extended by the Bank within the year nearly doubled (up 96% or LTL 336m) and climbed to LTL 687m. Home loans jumped 81% - from LTL 311m to LTL 563m. Consumer loans "skyrocketed" 200%, from LTL 35m to LTL 122m. The Bank's consumer lending market share improved to 20%. The overall number of personal loan agreements drawn up in 2003 grew more than two times and totaled 63,000 at the end of the year.

The quality of the personal loan portfolio improved too. A share of personal loans overdue for more than 30 days shrank from 0.7% to 0.3%.

All these achievements demonstrate that our choice of personal lending strategy has been right. We were the first bank in the domestic market to have introduced a loan scheme called "My Home", which gained popularity in a relatively short period of time. Furthermore, according to the market survey information, 57% of the polled Lithuanians were aware of the said loan scheme and appreciated the benefits and advantages under it (source: market polls conducted by Sprinter in February of 2004). Under the said scheme, we offered tailored products and services to our customers to better meet their needs. Besides, in addition to the financing services, we provided cross-selling packages so that to create value added in loan transactions. Among the special offers were our partners' discounts for the renovation or construction of homes, the introduction of a simpler mechanism for the handling of loan applicants' documents, availability of a cheaper option of property insurance let alone other solutions useful to borrowers.

In 2003, Hansabankas paid considerable attention to the streamlining of its lending process. Consequently, in order to materialize the "one-stop-shopping" strategy the Bank signed agreements with several



Dalius Kaveckas
Head of Retail Banking Division

institutions on representing the Bank's customers in the process of the formalisation of the borrowers' papers. These steps were designed in order to avoid visiting the institutions (Center of Registration, Office of Residential Registry and Central Mortgage Office) that other banks' customers were supposed to do when applying for personal loans. Therefore, as a result of all these measures Hansabankas' home loan applicants were no longer required to visit these institutions for any papers whatsoever. Furthermore, the Bank launched, in conjunction with an insurance company, ERGO Lietuva, the fastest and the cheapest model of insurance of property mortgaged to the Bank that made such insurance packages cheaper by 50 percent. Consequently, the Bank's customers had no longer to visit insurance companies for insuring the assets pledged to the Bank since such services were already available over-the counter in the Bank's offices.

The Bank improved home lending terms by allowing borrowers to borrow under the lower down payment schemes. Currently, the Bank lends up to 90 percent of the value of (newly constructed) homes and no longer requires that home loans were insured with an insurance company, UAB Busto Paskolu Draudimas. The Bank also decided to help potential borrowers to deal with down payment issues. From now on, home loan applicants may also take out unsecured consumer loans to finance down payments under the Bank's home loan scheme designed for purchase of newly constructed homes. It is very important in those cases when customers want to urgently "book" the homes that are still in the construction stage but do not have sufficient amounts of down payment. Consumer loans taken out for the purpose of the financing of down payments are later added to the home loans granted earlier.

In order to better meet increasing consumer needs and expectations maximal amounts of consumer loans and periods of such loans have been increased. Currently, consumer loans may amount to LTL 40,000 and loan periods vary from 3 months up to 5 years (compared to LTL 20,000 and 3 years respectively a year ago).

For students, Hansabankas offers the so-called study loans, "Hansa Studijos", designed to cover higher

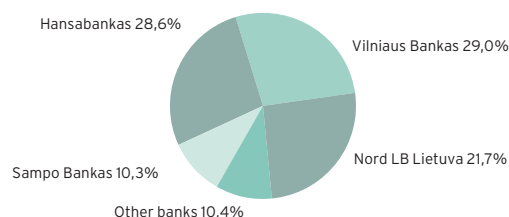
education tuition fees.

All these pro-active steps undertaken by the Bank in the domestic market did not go unnoticed. Credit insurance company, Busto Paskolu Draudimas, nominated the Bank as the most progressive bank of 2003 and delivered an award for efficient activity in the home lending area.

We are pleased to know that Hansabankas' borrowers assessed the Bank's services as "excellent". As high as 79 percent of the polled consumers and home loan holders said they would recommend to their friends and acquaintances to apply for loans in Hansabankas only (source: TNS Gallup polls conducted in November of 2003).

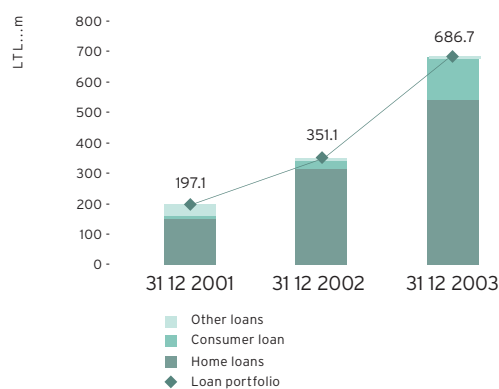
Personal deposits

Major domestic lenders (as at 31 December 2003)



Source: Bank of Lithuania

Hansabankas' home loan portfolio



In 2003, personal deposits grew 20% (LTL 529m) and totaled LTL 3.2bn. They accounted for 40.6% of the total personal deposits held with all Lithuanian banks.

Last year, personal current (demand) deposits jumped by 38%. As a result the Bank retained a dominant position in the personal current deposits market. The Bank's share in this market strengthened by 3.6% and climbed to 51.8% at the end of the year. This record rate of growth of current deposits in the domestic market occurred largely because of the customers' higher trust in the Bank, satisfaction with its services, and availability of a wider range of tools of management of money held on bank deposits.

Restructuring of the branch network

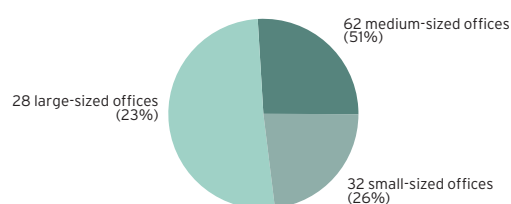
Optimisation of the network size: as at 31 December 2003, the Bank's branch network consisted of 122 offices: 6 Regional Branches, 24 Customer Service Centers and 92 Sub-branches. Hansabankas was the largest bank in this country by size of the area occupied by Bank offices and ranked as the 2nd biggest bank in terms of size of the branch network.

As the use of electronic channels of the Bank last year became more active, it facilitated a higher concentration of bank offices. As a result branch offices were reduced by 28 units. Although 74% of the Bank's offices were of medium and large sizes (as at year-end 2003), they were well equipped to play a role of centers of provision of efficient financial services and, thus, contributed to achieving good performance results indeed. The trimming of the branch network was accompanied by the staff downsizing that led to the redundancy of 202 employees.

Customer needs and habits in the financial service area have experienced certain changes. Because of that and given the customer flow movements, the business hours of some bank offices on workdays were cut but extended for offices operating in shopping malls both

on workdays and weekends. These changes reflect the changed patterns in customer lifestyles as always hurrying customers want one-stop-shopping, either in a shopping mall or a service center.

Hansabankas' office structure according to size and spectrum of operations as at year-end 2003



Modernisation of the branch network: last year, the Bank continued materialising the strategy of gradual modernisation of its branch network. Investments into renovation and reconstruction works stood at LTL 9.5m and totaled LTL 29.7m since the beginning of the restructuring of the network in 2001. As a result of these activities 97% of the renovated and restructured offices were in conformity to medium and highest quality standards at year-end 2003. The focus of restructuring was shifted from physical network quality dimensions to employee skills, qualifications and service quality.

Enhancement of skills and expertise: in 2003, great attention was paid to training of the staff so that to boost the efficiency of credit product sales. The number of bank offices involved in lending business grew from 41% to 65%. Higher lending skills and qualifications were acquired - via various training sessions - by over 200 branch office employees. These changes had a significant positive effect on the job performance and the increase of business volumes, particularly in the customer lending area where the loan portfolio growth exceeded 200%!

Customer service quality

Lithuanian financial service market is experiencing a distinct differentiation, which means that emerging are certain customer groups, services to whom call for deeper insight into their needs and require certain tailoring of services and products. Given these factors the Bank launched two customer service programs. The first one was designed for high-net-worth (VIP) customers. The second one was aimed at providing services to affluent customers.

VIP customers. In order to provide tailored services to VIP customers a dedicated structural unit (Private Banking Department) was set up. Private bankers and account officers were attached to each VIP customer. In addition to traditional bank services, private bankers consult their customers on such issues as financial management, insurance, pension funds, life assurance, investment into securities and other financial matters of personal character. Tailored services to VIP customers are provided by the Bank in Vilnius, Kaunas and Klaipeda.

designed for affluent customers of the Bank. Its aim was to ensure that affluent customers had at least one contact person at the Bank who would coordinate solving of all issues that may arise to such people from time to time. The said programme covered 72 bank offices operating all over Lithuania in all major cities and towns.

The Bank's attention paid to customer service quality and the application of innovations did not escape customers' appreciations. As the findings of the poll conducted in October 2003 by UAB Rinkos Analize ir Tyrimai revealed, Hansabankas was the most trusted bank in Lithuania. The main reasons behind such judgment was high service quality and innovation.

22

As the Lithuanian economy and business in 2003 continued to expand, so did the number of VIP customers served by the Bank and volumes of the transactions thereof. The number of VIP customers served by the Bank last year amounted to 470. Loans to and financial assets of such customers were up too, - LTL 18.5m and LTL 22.0m respectively.

In 2003, the Bank commenced providing investment portfolio management services to VIP customers. Such services brought about great interest. As government saving bonds disappeared from the market, bank deposits alone could no longer meet the increased customers' needs and expectations. Therefore, the Bank started consulting customers on opportunities of investment into investment funds. The first steps have already generated good results. According to the customers' survey conducted by the Bank, Private Banking Department's customers were found to be the most pleased and loyal customers of the Bank.

Affluent customers. Last year, the Bank launched the so-called "Gold Customer Service Program"

Electronic banking and product development

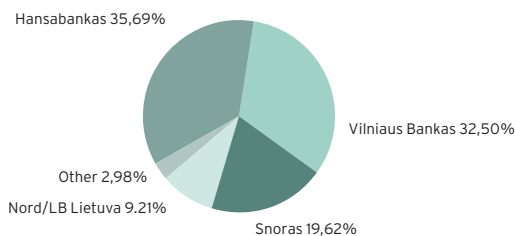
Electronic channels and products

The Bank's focus on the introduction and development of new IT solutions contributed to the capture of a leading position in Lithuanian e-banking market. The innovative electronic channels infrastructure created in the period of 2001-2002 was further enhanced by expanding the existing functions and capabilities and boosting volumes of transactions.

2003 saw around 72 million customer service transactions. The share of transactions conducted via electronic channels improved last year from 56% to 71%. Furthermore, on a steady rise were ordinary payments and settlements transactions carried out electronically.

Payment cards. Payment cards are the most popular e-bank products offered by the Bank. At the end of last year, Hansabankas had 823,300 cardholders and recorded a 37% increase from a year ago. Growing customer trust in electronic products led to the strengthening of the Bank's leading position in the domestic market.

Lithuanian payment cards market as at year-end 2003



Dominating in the Bank's cards portfolio were debit cards. Growth of credit and business cards began picking up speed too and totaled 37,500 at year-end 2003. Issuing of the MasterCard Ego (a co-branded product of the Bank and Hanza Lizingas) were a success story indeed.



Eglute Klevickiene
Head of IT & Product Development
Division

An important factor was fast growth - unlike in the past years - of not only the numbers of payment cards but also of their use. Total card turnover last year jumped by 100%, and an average single card turnover increased to LTL 6,100.

ATMs. Hansabankas was ahead of all Lithuanian banks in terms of the number of ATMs held and operated. The number of the Bank's ATMs last year was up from 275 to 298; quantity of monthly transactions increased from 2 million to 3,6 million; cash withdrawals (in terms of turnover) rose by 95% and totaled LTL 422m per month.

The functionality of this e-bank channel experienced a gradual broadening. Already at the beginning of 2003, the Bank's cardholders were offered to pay service bills of mobile phone operator, TELE2, and top-up their mobile phone accounts by ATMs. TELE2 was the third telecommunications company, whose bills could be settled by the Bank's ATMs.

Electronic banking services were created and offered to disabled people too. In May 2003, Hansabankas installed its first ATM for people with poor eyesight (and the blind) in Kaunas, followed by the installation of such an ATM in Vilnius later. Such a project was one of the first ones of this kind in the Baltics and Eastern Europe. Special ATMs created for people with poor eyesight (and the blind) will help them to use bank services independently and get used to new bank technologies that are already accessible to such disabled people in other European countries.

Acceptance of payment cards. The number of POS terminals card readers installed by the Bank in 2003 jumped by 73%. At year-end 2003, there were over 2,900 electronic card readers installed in shops, hotels, gas stations, restaurants and other places that accepted VISA, VISA Electron, MasterCard and Maestro branded cards.

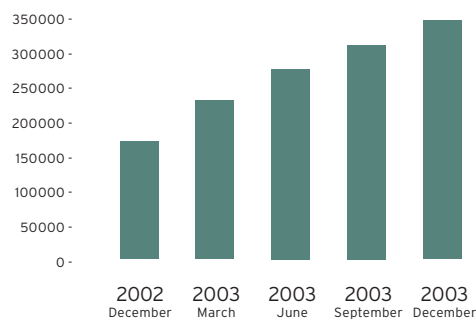
More investments in 2003 were allocated for the

introduction of microchip-based ("smart") cards. Chip cards are more secure and improve customer services. At year-end 2003, the Bank had over 800 chip-capable terminals for servicing VISA and VISA Electron branded cards in shops and other service merchants.

In October 2003, one of the leading retailer chain, IKI, in conjunction with the Bank (belonging to the largest financial group in the Baltics) installed new software that facilitated faster and more efficient servicing of the chain's customers willing to pay for their purchases via credit cards.

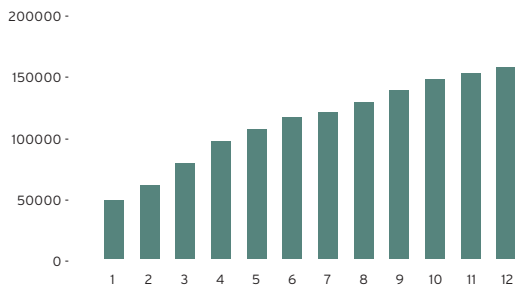
Internet Bank, hanza.net. Last year, the number of users of the Bank's Internet Bank, facility hanza.net, doubled - from 168 000 to 344 000. The functionality of this channel was expanded too. In June 2003, the Bank's customers were offered a new Internet Bank facility, Investor, designed for the hanza.net private customers to trade in Lithuanian and international securities. In addition, at year-end 2003, customers could enter into retirement pension accumulation agreements via hanza.net.

Growth of hanza.net users



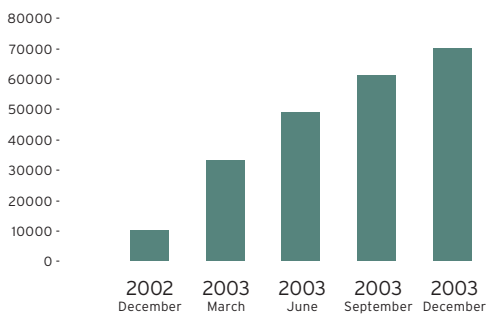
Direct debit. In 2003, the Bank continued enhancing the direct debit facility. As a result direct debit agreements drawn up by the Bank last year leapt from 38,500 to 160,000. The number of companies that have signed direct debit agreements with the Bank rose from 11 to 23.

The number of payers under the direct debit scheme in 2003



Mobile Bank. The number of Mobile Bank customers rose 7-fold and climbed to 70,000 at the end of 2003. At the beginning, this service was provided to private persons only, however, in September 2003 it was offered to legal entities too.

Dynamics of Mobile Bank use



Telephone banking. At year-end 2003, as many as 27,000 customers of the Bank had drawn up Electronic Service Agreements on using Banking by Phone 1633 facility. 96% of them used its automatic option.

In 2003, the Bank's call center processed over 900,000 incoming phone calls and 22,000 e-mail messages.

In the fourth quarter of 2003, the call center saw the introduction of an up-to-date and innovative contact management solution, Genesys. With the help of it we are capable now to offer our customers high quality services by phone or e-mail in order to manage customer contacts in a more efficient, faster and better way.

Product development

Payment cards. In early 2003, the Bank unified bank fees charged for cash withdrawing from Hansabank Group's ATMs operating in the three Baltic countries. As a result Maestro and VISA Electron cardholders can to-date withdraw cash from ATMs of Estonian Hansapank, Latvian Hansabanka and Lithuanian Hansabankas free of charge.

Last year, the Bank started issuing VISA Business Electron cards for business customers and these cards became very popular among businessmen. The total number of such cards issued by the Bank last year exceeded 5750.

In early August 2003, the Bank was the first bank in this country to have issued chip cards, VISA Electron. The number of active chip cards ran at the close of the year at around 55,000.

Trust account. In May 2003, the Bank offered to its business customers a new product, Trust account, and services related with it. Trust account was designed in order to help the group of companies to more efficiently control and manage cash flows.

Investor. On 12 June 2003, the Bank introduced an Internet Bank service called Investor, which offers vast possibilities for personal customers (hanza.net users) to trade in Lithuanian and international securities.

IBAN. In order to ensure the realisation of EU requirements the Bank effected the necessary information system modifications. Among necessary measures there was a significant project that dealt

with the mechanics of the introduction of international IBAN account standards and the implementation of the domestic inter-bank settlements system, LITAS. These modifications and changes are expected to facilitate funds transfer operations both within Lithuania and the EU.

Risk management

Risk management is an integral part of daily operations. The Bank has been creating and enhancing the existing risk assessment methods in order to avoid potential losses. We also continued adhering to the principle of conservatism.

We assume risks in those areas, which we know best, and do not assume excess deals risks. Furthermore, we do not take risks in deals that pose legal risks and are accounted on the basis of unclear principles.

In order to avoid losses that may arise because of certain processes, information systems and personnel we take a pro-active approach to managing weakly controlled deals and ensuring the highest confidentiality standards to our customers.

General risk management policy principles, which we apply in the Bank, are as follows:

- Financial aspect: assumed is an agreed degree of risk, which must be evaluated against the expected return;
- Avoidance of excessive deal risk: an excessive deal risk and a managed risk are avoided despite anticipated high rates of return;
- Understanding of the deal: every Bank employee is supposed to know his/her customers and parties to the deals well, thoroughly understanding the essence of deals and be able to identify potential deal risks;
- Cooperation with the customer: a Bank employee is supposed to be ready to identify and assess, together with his/her customer, potential deal risks and find out for the customer and the Bank the most acceptable solution;
- Responsibility: every Bank employee bears personal responsibility for proper identification, management and assumption of degrees of risks, which may be existent in his/her area of operation;
- Loss avoidance: all risks are supposed to be managed in a pro-active way;
- Risks control: transactions and deals are supposed to be conducted in accordance with the duality principle;
- High risk management culture: the Bank uses uniform risk assessment and up-to-date calculation methods.



Eugenijus Preiksa
Head of Risk Management
Division

Risk management in the Bank is based on timely risk identification, accurate assessment, on-going monitoring and efficient control.

Credit risk

Credit risk associated with any liability is assessed individually or on a consolidated basis by evaluating all homogeneous groups in the loan portfolio. Risks in respect to certain customers or groups of connected customers are consolidated.

Credit risk is managed by means of uniform lending principles. According to general lending principles, liabilities are to be discharged on the basis of cash flows generated from the core activity; customer's risk costs and income generated are to be balanced; loan decision makers are supposed to have a definite opinion in respect of expediency of lending to certain customers and the purpose of borrowing. A very important factor is a positive lending history.

Credit liabilities are attributed to 5 risks groups. Risk groups are identified on the basis of credit ratings. General and specific provisions are formed taking into account risk groups, where concrete liabilities have been attributed to.

In order to conduct an annual credit portfolio risk assessment, stress tests are undertaken in the area of large credit exposures. Such tests help identifying customers, who have been experiencing certain deterioration of their financial standing. And finally, action plans designed for lowering potential losses are drafted in the case of all doubtful assets.

Liquidity risk

Liquidity is managed by means of the following methods:

- quick (short-term) liquidity management;
- strategic liquidity management;

- liquidity management during critical periods.

Positions liquidity is managed according to the following criteria:

- assets and liabilities – by maturities;
- financial leverage ratio;
- liquidity of instruments in the market.

As at 31 December 2003, liquidity ratio maintained by the Bank was 43.24%, - well above the 30% official (required) ratio.

Market risk

Market risks management involves the control of investment and trade positions within the established risks limits and ratios.

Market risk is assessed by the following methods:

- Value at risk: an estimation of the maximal portfolio loss during the established management period with 99% confidence level;
- Stress tests: the application of worst case scenario in order to identify potential losses that the Bank may incur under adverse market conditions;
- Application of the absolute limits and the procedures of the compliance with the Bank of Lithuania's requirements are undertaken in order to retain required assets proportions in the total portfolio and, thus, avoid excess risk concentration in respect of deal counterparts.

Operational risk

By applying the operational risk policy, the Bank aims at maintaining risks at the lowest possible levels. However, economic benefits must not be neglected too. It means that the costs allocated for maintaining low risks levels must not exceed the levels of possible losses.

Therefore, in order to achieve economic efficiency and stability, we do not assume any high uncontrollable

risk despite probability of higher returns. High risks, which are brought about by external factors and cannot be duly dealt with by own resources or the preventive measures are inefficient, are hedged.

Efficient operational risk management is based on in-depth understanding and knowledge existing in the staff. The best loss-averting measures are the transfer of responsibility for risk management to branch offices, the efforts to improve the branch staff's skills and expertise and the ensuring of solid levels of internal control.

Personnel risk (arising because of employees' errors or misuses) must be dealt with in accordance with duality principle. Under duality principle, every transaction conducted by a single employee must be verified by another person. In addition, there are personal limits set for certain types of transactions (restriction of user rights) and in some cases operations are forbidden at all and cannot be accessed via the Bank's information system (elimination of user rights).

For operational risk identification and management, the Bank uses the internationally recognized method, Control Self Assessment. Under it, risks are assessed and managed directly by branch offices, which carry out bank transactions and provide services to customers. Such a method facilitates boosting performance results given that the staff, who handle such deals, know best about potential threats and other related issues. In addition, included in the risk management process is a vast range of specialists.

Operational risk levels are volatile. Their movements are brought about by growing IT support to routine operations and development of electronic channels. All these trends are likely to have an effect on the operational risk management priorities in the Bank.

In the short run, priorities in the abovementioned area are electronic banking and IT.

Leasing and factoring



Andrius Urbonas
General Director of UAB Hanza Lizingas

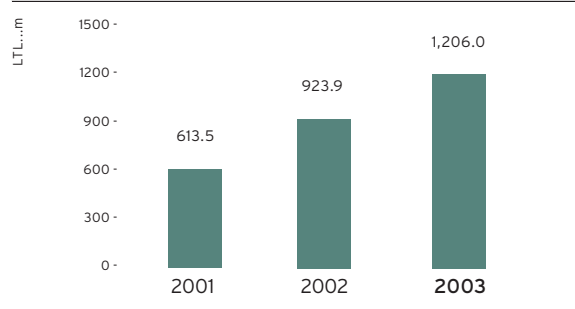
In 2003, Hansabank Group passed a decision to restructure the network of its companies operating in Lithuania. According to the decision, on 18 August 2003, AB Bankas Hansabankas took over UAB Hanza Lizingas that was then owned by Hansabank Group's subsidiary, Hansa Capital, and, consequently, became the sole shareholder of the acquired Company.

The take-over of Hanza Lizingas was gainful both for the acquired and the acquiring companies. For Hanza Lizingas, it provided a possibility to wider use of the Bank's financial resources and customer service network. For the Bank, it meant having a market leader in the leasing and factoring business and thus, strengthening the Bank's reputation. In addition, joint activities of the two institutions ensured a more effective response to needs of the rapidly growing Lithuanian economy.

Performance indicators

At year-end 2003, the Company's financial portfolio (combined with AS Hansa Liising Eesti agreements in Lithuania) stood at LTL 1.21bn. Its yearly growth ran at 30.5%. Last year, the lease portfolio went up by LTL 233.2m (32.5%) and totaled LTL 950.4m. The consumer financing portfolio rose by LTL 4.8m (37.1%) and climbed to LTL 17.8m. Factoring portfolio improved by LTL 44.1m (22.8%) and amounted to LTL 237.9m.

UAB Hanza Lizingas financial portfolio dynamics in 2001 - 2003

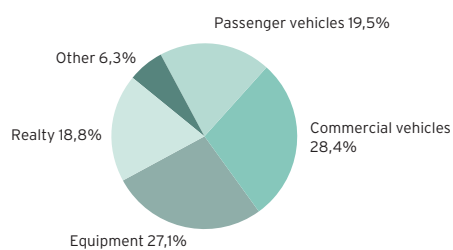


Last year, new leasing sales rose 11.9% and brought in LTL 676.0m. Consumer financing sales jumped 44.1% and earned LTL 27.6m. Factoring deals turnover went up 42.4%, to LTL 1.36bn.

Last year's structure of Hanza Lizingas portfolio remained well-balanced. Portions of the portfolio were as follows: lease of commercial vehicles (28.4%), equipment (27.1%), passenger cars (19.5%), property (18.8%), computers and other assets (6.3%).

The sales structure was similar too. Prevailing were sales of agreements on the lease of equipment (they accounted for 34.4% of the total sales), passenger cars and commercial vehicles (both accounted for 24.7% respectively), property (12.3%) and other assets (3.9%).

UAB Hanza Lizingas leasing portfolio structure (in terms of assets as at 31 December 2003)



Last year's market share of Hanza Lizingas were 35.9% (in terms of the lease business) and 50.9% (in terms of factoring turnover).

Life assurance



Darius Valentukevicius
Director of UAB Hansa Gyvybes
Draudimas

The acquisition of Lietuvos Draudimas' life assurance arm, Gyvybes Draudimas, was one of the major business development steps undertaken by the Bank in 2003.

On 10 October 2003, the Bank signed an agreement with Lietuvos Draudimas on the purchase (for LTL 63.5m) of the said company's 100% shareholding in its subsidiary life assurance firm, Lietuvos Draudimo Gyvybes Draudimas. Lietuvos draudimas belongs to a Danish company, Codan, that is a member of the international insurance group, Royal&SunAlliance. By entering into this deal, Lietuvos Draudimas demonstrated its strategic business shift – a focus on non-life insurance activity.

The Bank's decision to acquire a life assurance company was both rational and natural as it was in line with the aim of providing the customers with a wide spectrum of quality financial services. Besides, given that life assurance products are long-term saving instruments, they were natural supplements of the Bank's financial services and products package. Also, Tallinn-based Hansabank Group and Hansabank's strategic investor, Swedbank, are owners of life assurance companies that hold strong market positions in their countries.

As the acquired life assurance company was already a market leader in this country, the Bank managed to capture - in one step – strong positions in the new business and, thus, further strengthen its standing in the Lithuanian financial services sector.

In the two months that followed the signing of the abovementioned deal, a number of preparations were under way for the incorporation of the acquired life assurance company into the Bank. First of all, the company's activities were separated from its parent company, Lietuvos Draudimas, and efforts were made to integrate the company into the Bank both technically and organisationally. These introductory steps were undertaken in order to merge Hansabankas' and the acquired company's information systems and move the company's offices into Hansabankas' structural units.

In addition to the preparations for the life assurance

company's integration into the Bank, the Bank and the said company celebrated an important first victory in their combined business given that this company was acquired at the peak of the campaign of subscription to retirement pension funds. Thanks to joint efforts the Bank signed a record number of pension accumulation agreements (around 190,000), captured a 43.2% market share and became the dominant market leader.

Performance results: in 2003, life assurance policies went up 1.5 times from a year ago and were worth LTL 214.3m (versus LTL 139.5m in 2002).

Last year, Lietuvos Draudimo Gyvybes Draudimas retained its leading market position and held a 39.9% market share followed by Ergo Lietuva Gyvybes Draudimas that enjoyed 19.2%. The third-largest player in the life assurance market was VB Gyvybes Draudimas with a market share of 16.8%.

In 2003, Lietuvos Draudimo Gyvybes Draudimas paid considerable attention to dealing with retirement pension funds. Its target was to draw up as many as 50,000 pension accumulation agreements within 2003. The said plan was over-subscribed: State Social Insurance Fund (SoDra) recorded over 57,000 agreements concluded by this life assurance company.

The changes in the company's shareholder structure that took place last year did not have any major effect. Its performance remained successful, and the annual net income of LTL 2.21m was 1.25 times higher than that achieved in 2002. The investments portfolio experienced a sharp rise too. Its yearly growth rate was 44% (LTL 162m).

The assured of Lietuvos Draudimo Gyvybes Draudimas may be happy with the results too. Last year, they were paid LTL 2.2m, up 40% from a year ago. Given that the guaranteed annual interest rate was 3.5%, the insured persons' yield on their investments ran at 6.38%.

Pension funds



Aurimas Mazdzierius
Director of
UAB Hansa Investiciju Valdymas

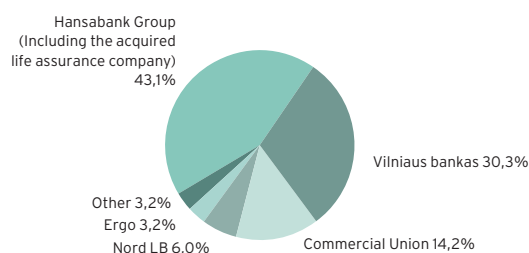
2003 saw the start of the pension reform, which eventually became one of the most important economic development events of the year.

The pension fund campaign launched last year was the most massive long-term saving promotion and advertising action ever undertaken in Lithuania. The newly introduced private pension scheme exceeded all predictions and expectations since as many as 442,000 people – that accounted for 36.9 of the insured persons under State Social Insurance Fund (SoDra) programme - signed private pension agreements in the first stage of the campaign.

Hansabankas group's performance in the said campaign was very successful: it attracted 190,200 pension fund participants and as a result became the dominant market leader in terms of the number of pension fund participants attracted. Such an impressive performance was achieved thanks to high professionalism of the Bank's dedicated staff, the extensive branch office network, an efficient operation of structural units of the Bank, let alone the well-organised marketing campaign.

The pension fund business is of strategic importance to Hansabank Group aimed at securing the position of the No 1 retail banking service provider. In the very near future, the pension fund market is expected to grow

Pension funds market by participants attracted, 2003



Information on UAB Hansa Investiciju Valdymas

faster than other savings products, and individuals' interest in the second-pillar pension funds is likely to fuel the development of other investment products in this country. There are signs already indicating potential customer interest in investment funds, third-pillar pension funds and opportunities to investment into shares.

Information on UAB Hansa Investiciju Valdymas

The Bank's subsidiary, UAB Hansa Investiciju Valdymas, is in the pension and investment fund management company. It was founded in 1999. With authorised capital of LTL 1.8m, it is the largest investment management company in Lithuania in terms of pension fund participants attracted and the assets managed.

In April 2003, the company set up a money market fund, - the first fund of this kind in Lithuania. In August, it established pension funds too.

UAB Hansa Investiciju Valdymas is an investment management centre operating within Hansabank Group in Lithuania. It has concentrated investment fund management expertise and skills and has been designing new investment products, managing investment products sales and administering investment funds. This has been achieved by paying significant attention to the improvement of the procedures of the investment process and risk management.

Pension fund management is determined to remain the core and most important activity of UAB Hansa Investiciju Valdymas in the nearest future.

Awareness and image of the Bank



Asta Margeviciene
Director of Marketing &
Public Relations Department

2003 saw the strengthening of the new Bank name. Hansabankas became a widely known brand name among Lithuanian people who use financial services.

The survey of awareness and image of Lithuania's banks conducted at the close of 2003 revealed that respondents knew Hansabankas best of all: the spontaneous awareness of the Bank among the respondents ran at 74 percent (in the second place was the bank whose spontaneous awareness stood at 60 percent). This is good news indeed given that following the privatisation of Lietuvos Taupomasis Bankas (Lithuanian Savings Bank) the Bank's name in the transitional period was Hansa-LTB and the present name, Hansabankas, was introduced in II Q of 2002.

Responses also showed that, in the Lithuanian banking market, Hansabankas enjoyed a good image or reputation. It was valued as a professional, easily and conveniently accessible bank that offered its customers a wide range of quality services and products. The majority of the brand name features such as vitality, innovation, reliability, friendliness, accommodating behavior and flexibility were ranked as unrivalled.

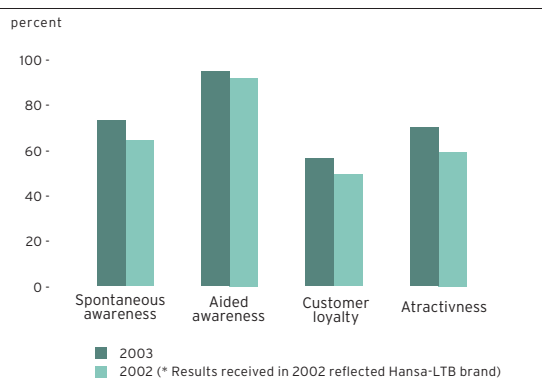
In 2003, the number of customers loyal to Hansabankas grew from 50% to 57%. The majority of the respondents admitted that they would start banking with Hansabankas again because of the Bank's well-sited offices, convenience of services, fast and nice service.

In 2003, in addition to the improvement of the Bank's awareness, its reputation strengthened too. As much as 71% of individuals polled last year (against 60% in 2002) mentioned Hansabankas as an attractive bank. It is the best result as compared with that of the remaining domestic banks.

Furthermore, a high degree of public trust in Hansabankas was demonstrated by results of the polling conducted by market analysis and research group, RAIT. 41 percent of the respondents said they trusted Hansabankas most of all. In this respect, Hansabankas

outpaced its nearest rival almost two times. The main reason why people trusted Hansabankas most was the Bank's attention to its customers, according to the said poll.

Dynamics of Hansabankas image and reputation in 2002-2003



Sources: Gallup report

Organisation and HR development



Saulius Budvytis
Director of Personnel Department

Staff

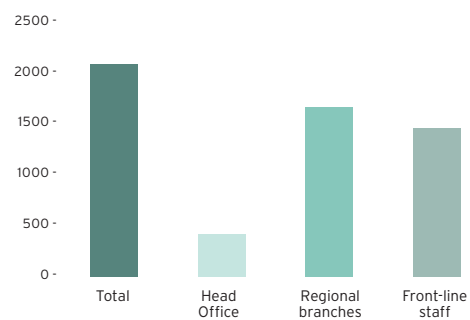
As at year-end-2003, the Bank had 2104 employees. It was (and still is) the biggest developed bank by size of staff in Lithuania. Last year, it further developed its organisational structure and focused on increasing flexibility and improvement of customer services. As a result of the restructuring steps undertaken in 2003 the staff was downsized by 220 employees (since the Bank's privatization in mid-2001 1696 employees have been made redundant).

The staff's profile reflected the Bank's aim to provide financial services and deal with our customers in a professional and effective way. The front-line staff accounted for 70% of the total staff.

The Bank's personnel consist of predominantly young, energetic and professional people. Their average age is 35 years. 52 percent of them are university graduates.

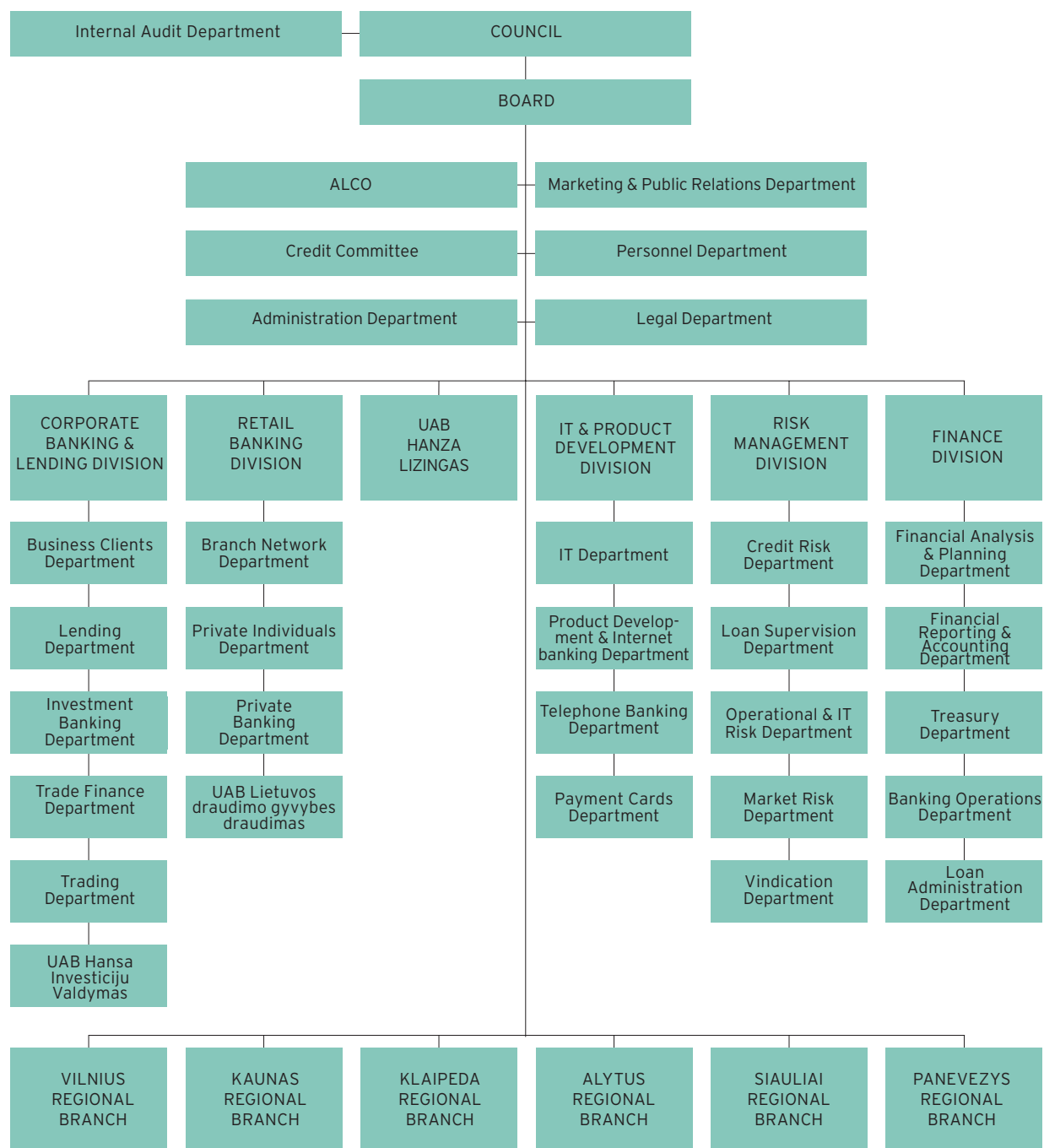
Changes in the management structure

Staff size as at year-end 2003



The Bank's long-term strategy (going as far as 2007) focuses on the importance of the introduction of a flexible organisational structure and clear management principles. Last year's practical steps in this direction

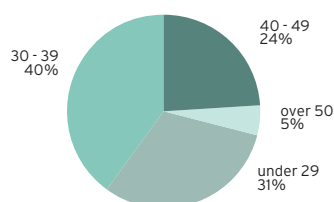
Hansabankas management structure



resulted in the overhaul of the head office structure: the number of departments and divisions was reduced from 29 to 26 and from 6 to 5 respectively.

In order to ensure more efficient cooperation with branch offices, reporting principles of regional branches (key regional bodies) were altered. As a result regional branches have started reporting straight to the Bank Board.

Staff age as at year-end 2003



Development of specialist skills

Last year saw significant investments into the development and training of personnel. Training of tellers was in the focus. A new teller training program was worked out and implemented.

In 2003, one of the main staff development directions was the development of managerial skills and knowledge and enhancement of sales technique and tools. Project managers had a splendid opportunity to attend numerous workshops and seminars on various project management issues.

Among the largest staff development projects in 2003 was the project of training on lending and managing of the pension fund business. Total number of employees who were engaged in seminars and workshops last year ran at 1149. In training sessions, the trainees spent 2947 days in all.

The Bank and society

Last year witnessed the Bank's pro-active steps in social life as it continued contributing to social events both by the generation of social ideas and supporting of the existing social programs and schemes.

In April 2003, as the EU membership referendum was approaching in this country, Hansabankas contributed to the ongoing public information campaign. Given the Bank's profound understanding of the EU membership importance both to businesses and individuals and the most extensive retail banking office network, it took part in the distribution of information materials on the EU membership to the customers and general public.

Window to the future

Last year, the Bank continued implementing, in conjunction with other partners, the project called Window to the Future. The project's aim is to promote Internet development in this country and boost levels of computerisation, IT penetration and general living standards.

An alliance of the strongest financial, telecommunications and computer companies was formed to meet this aim. In a relatively short period of time, it founded 70 public Internet centres mainly in small towns and settlements across the country and trained around 20,000 individuals on the basics of Internet tools and search. The ultimate task of the alliance is to reach the EU average of Internet penetration within few years.

This project, which commenced in 2002, was "reinforced" last year by the involvement of Internal Affairs and Education & Science Ministries. Also, Window to the Future was introduced to several international events as a successful private initiative. The achievements under this project have already been appreciated by World Bank, Silicon Valley companies and the UN.





Lithuanian PM Algirdas Mykolas Brazauskas delivers a speech at the Spring Conference

Spring Conference

The traditional yearly event, the so-called Spring Conference, arranged by Hansabankas every spring attracted last year (as it did a year ago) a great deal of Lithuanian politicians, businessmen and civil servants. Keynote speakers at such prestigious events are heads of the Government and CEOs of Lithuanian companies. They discussed current economic development issues and future challenges. Speeches are usually delivered by prominent experts invited from abroad. On the occasion of such events, special books (bestsellers) are compiled, translated and issued by the Bank. The funds raised during Spring Conferences are used for sponsoring of education projects.

The Spring Conference held in May 2003 bore the title "European Challenges to Lithuania: how to take advantage of Lithuanian companies' strengths in the changed environment". As the title suggests, the event focused on Lithuanian companies' competitive edge. Sectorial development outlooks in the context of the EU single market were reviewed by Algirdas Brazauskas, Lithuanian Prime Minister. Interesting speeches were delivered by Eimutis Zvybas and Tomas Juska, CEOs of internationally recognized Lithuanian companies, Ekranas and Libra Holdingas respectively.

The main speaker last year was a prominent expert on competition issues, professor Stephane Garelli (Lausanne University). A bestseller, Heretic (written by a Brazilian businessman and philosopher Ricardo Semler), was translated into Lithuanian and published under a Hansabankas' funding scheme.

Money-boxes crafted by children

Every early spring, Hansabankas offices turn into ambassadors of fantasy and resourcefulness of Lithuanian children. Last year, Hansabankas organised the money-box competition among Lithuanian children for the 7th consecutive year. Its motto was: "Craft the future money-box". The aim of such competitions is to



Last year's money-box organised by the Bank for children was the 7th event in a row

develop children's creativity and instill in their minds a responsible attitude to money matters.

As soon as this traditional competition is launched (and receives wide coverage in mass media), children start crafting improvised money-boxes and bringing them to the Bank's offices all over Lithuania. Money-boxes are displayed in customer service halls. The best money-boxes are selected for the participation in the 3-stage competition. The final stage takes place in Vilnius, where a high profile jury representing prominent Lithuanian figures of art and culture select several best money-boxes and award the "craftsmen".

Last year, as many as 1500 money-boxes were displayed at Hansabankas offices all over Lithuania. The first place and the main prize went to the savings-box named Taupukas Hansas crafted by Mindaugas Stasiunas, a boy from Elektrenai.

Charity and sponsorship


In 2003, Hansabankas continued taking part in a number of charity programs. Under one such a programme, Hansabankas gave for free computers to Lithuanian schools, hospitals and other organisations. On 17 July 2003, it also donated a number of computers to the Lithuanian Red Cross Organisation. As a result, in two years' time, Lithuanian schools received from the Bank over 1.5 thousand used PCs. For the support of Lithuanian schools, the Bank earned special thanks from Lithuanian president, Valdas Adamkus.

The other sponsorship direction of Hansabankas in 2003 was participation in art and culture projects. Last November, the Bank launched a competition for a sculpture named "Live Every Minute of Your Life". The aim of this art-social project is to encourage young people to take an active part in the creation of their own future plans and look into their "autumn of life" from an artist's point of view.

For implementing of the said project and awarding the

winner, the Bank committed itself to allocate 50,000 litas. The sculpture is planned to be erected in mid-2004 in the Park of Europe, which already accommodates many pieces of art created by internationally recognised artists.

The Art Premium established by Hansabank Group was awarded in 2003 to Lithuanian artist, Arturas Raila, for his high social engagement and humanism revealed in his paintings. Among other Raila's merits was the promotion of new values that were close to Hansabank Group's philosophy.



AB BANKAS HANSABANKAS

Independent Auditor's Report and
Financial statements for the years
ended 31 December 2003 and 2002

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Bankas Hansabankas:

We have audited the accompanying balance sheets of AB Bankas Hansabankas ("the Bank") as of 31 December 2003 and 2002 and the consolidated balance sheet of the Bank and subsidiary ("the Group") as of 31 December 2003 and the related statements of income, cash flows and changes in equity 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 Lithuanian National and International Standards on Auditing. Those standards require that we plan and perform the audit 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 referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2003 and 2002 and the Group as of 31 December 2003, and the results of their operations, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards.

28 January 2004
UAB Deloitte & Touche

Deloitte.

Torben Pedersen
Partner



Certified auditor Lina Draksiene
Auditor's Certificate No. 000062



AB BANKAS HANSABANKAS BALANCE SHEET

as of 31 DECEMBER 2003

(LTL 000 s)

	Title of the article	Notes	2003		2002
			The Group	The Bank	The Bank
Assets					
1.	Cash, precious metals and other valuables		217,343	217,343	181,913
2.	Placements with the Bank of Lithuania	2	501,619	501,619	229,158
3.	Due from banks and other credit and financial institutions	3	347,509	566,973	321,775
3.1.	Deposits		345,075	345,075	300,775
3.2.	Repurchase agreements		1,297	1,297	-
3.3.	Loans		1,137	220,601	21,000
4.	Short-term treasury bills	12, 31	217,493	217,493	230,549
5.	Loans to customers	4, 5	2,669,036	2,433,849	1,548,872
6.	Financial lease receivables	6	806,669	-	-
8.	Debt securities	7, 12	936,026	936,026	1,432,646
9.	Financial claims under derivative agreements		506	506	735
10.	Equity investments	7, 12	4,101	24,350	6,658
10.1.	Investments accounted for under the equity method		4,077	24,326	6,634
11.	Intangible fixed assets (less amortisation)	9	2,020	1,814	2,729
12.	Tangible fixed assets (less depreciation)	10	150,642	132,549	155,921
12.1.	Buildings and other real estate		116,677	100,560	114,033
12.2.	Vehicles		7,518	6,166	6,777
12.3.	Office equipment, etc.		26,447	25,823	35,111
13.	Accrued interest and deferred expenses	12	39,923	37,450	40,179
14.	Other assets	11	104,873	48,292	38,061
16.	Total assets		5,997,760	5,118,264	4,189,196*

AB BANKAS HANSABANKAS

BALANCE SHEET

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
Liabilities				
17. Due to central banks		-	-	-
18. Due to banks and other credit and financial institutions	13	861,500	50,435	99,014
18.1. Deposits		36,021	46,494	91,583
18.2. Repurchase agreements		-	-	-
18.3. Loans		825,479	3,941	7,431
19. Deposits and letters of credit	14	4,296,862	4,296,862	3,554,833
20. Commitments under derivative agreements		1,594	1,594	1,845
21. Special and lending funds	15	190,547	189,459	73,318
22. Debt securities issued	16	-	-	-
23. Accrued expenses and deferred income		42,600	34,642	28,044
24. Subordinated loans	17	-	-	-
25. Other liabilities	17	139,908	80,523	93,332
27. Total liabilities		5,533,011	4,653,515	3,850,386*
Shareholders' equity				
30. Capital and reserves	36	464,749	464,749	338,810
30.1. Registered share capital	34	435,332	435,332	370,332
30.2. Treasury shares		-	-	-
30.3. Share premium		7,585	7,585	7,585
30.4. Fixed assets revaluation reserve		22,697	22,697	24,097
30.5. Financial assets revaluation reserve		-	-	-
30.6. Retained earnings (accumulated deficit)	18	(71,451)	(71,451)	(121,580)
30.7. Net income (loss) for the year	18	60,939	60,939	50,129
30.8. Other capital and reserves		9,647	9,647	8,247
30.9. Funds of overseas banks (branches) received from the Head Office		-	-	-
31. Minority interest		-	-	-
32. Total liabilities and shareholders' equity		5,997,760	5,118,264	4,189,196*

AB BANKAS HANSABANKAS

BALANCE SHEET

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
Off-balance sheet items				
1. Guarantees and warranties		49,149	49,149	37,355
2. Commitments to issue letters of credit		18,307	18,307	5,529
3. Irrevocable lending commitments		988,200	674,675	424,290
4. Other banks commitments	19	25,879	25,879	296,578
5. Financial derivatives:	19			
5.1. Accounts receivables (claims)		1,110,762	1,110,762	392,428
5.2. Accounts payable (liabilities)		1,110,567	1,110,567	395,952

*The Bank's assets and liabilities as of 31 December 2002 are reduced by LTL'000 92,034 due to the changes in the requirements for financial reporting and as of 31 December 2003 are reflected in the off-balance sheet as assets under management and liabilities arising thereof.

48

As of 31 December 2002, the Bank did not have consolidated subsidiaries, therefore, filled is last financial year's column of the parent bank. As of 31 December 2003, the consolidated financial group coincided with the entire group, therefore, the entire group's column is not recorded separately.

As of 31 December 2003, the Group and the Bank had liabilities in the amount of LTL'000 1,788,307 (31 December 2002 LTL'000 2,051,092) and assets in the amount of LTL'000 1,788,307 (31 December 2002, LTL'000 2,051,092) related to the restoration of public deposits.

The assets put under the Group's and the Bank's management and the liabilities arising thereof as at 31 December 2003 were LTL'000 84,373 (31 December 2002, LTL'000 92,034).

The Group's and the Bank's liabilities under FX spot deals as of 31 December 2003 stood at LTL'000 25,891 (31 December 2002, LTL'000 296,541).

Chairman of the Board



Giedrius Dusevicius

Deputy Chairman of the Board,
Chief Financial Officer



Antanas Danys

AB BANKAS HANSABANKAS

STATEMENT OF INCOME

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
1. Interest income		186,735	163,912	183,699
1.1. on loans to credit and financial institutions and placements with credit institutions		6,598	8,829	13,968
1.2. on other loans		109,085	103,252	86,755
1.3. on subordinated loans		-	-	-
1.4. on debt securities acquired		51,831	51,831	82,976
1.5. other interest and related income		19,221	-	-
1.6. other interest and related income	20	-	-	-
2. Interest expenses		50,912	34,506	53,768
2.1. on liabilities to credit and financial institutions and amounts due to financial institutions		17,196	797	1,442
2.2. on deposits and other repayable funds		33,144	33,144	51,470
2.3. on subordinated loans		-	-	-
2.4. on debt securities issued		-	-	-
2.5. other interest expenses	20	572	565	856
3. Net interest income (1-2)		135,823	129,406	129,931
4. Provision expense	33	(11,231)	(12,283)	(31,979)
4.1. special provisions for loans and accrued interest		290	290	(5,932)
4.2. special provisions for executed guarantees		102	102	67
4.3. special provisions for the loan portfolio		7,754	6,702	4,071
4.4. adjustments of expenses incurred due to the recovery of the previously written-off loans		(19,377)	(19,377)	(30,185)
5. Net interest income after provisions (3-4)		147,054	141,689	161,910
6. Service fees and commission income		96,617	91,633	72,493
7. Service fees and commission expense		22,990	22,814	24,634
8. Net interest, service fees and commission income (5+6-7)		220,681	210,508	209,769
9. Gain from equity securities		35	2,690	1,453
9.1. gain (loss) on investments accounted for under the equity method		34	2,689	915
10. Realised profit (loss)		30,616	30,686	30,351
10.1. from operations with foreign currency		21,156	21,226	31,768
10.2. from operations with debt securities		4,183	4,183	(2,788)
10.3. from operations with ownership securities		5,603	5,603	(163)
10.4. from operations with other financial instruments		(326)	(326)	1,534

AB BANKAS HANSABANKAS STATEMENT OF INCOME

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
11. Unrealised profit (loss)		(303)	(280)	(9,276)
11.1 from operations with foreign currency		550	573	(12,335)
11.2. from operations with debt securities		(785)	(785)	3,059
11.3. from operations with ownership securities		-	-	-
11.4. from operations with other financial instruments		(68)	(68)	-
12. Income from operations (8+9+10+11)		251,029	243,604	232,297
13. Other banking income	28	11,185	8,090	4,242
14. Operating expenses		142,640	139,501	149,416
14.1. salaries, social security and other related expenses		85,291	82,983	95,901
14.2. training and business trips expense		2,028	1,989	2,788
14.3. rent and premises maintenance expense		23,346	23,623	15,319
14.4. transportation and communication expense		7,288	6,824	7,148
14.5. advertising and marketing expense		6,545	6,173	5,025
14.6. other administrative expense	29	18,142	17,909	23,235
15. Other banking expense	30	31,472	26,646	24,026
16. Depreciation and amortization expenses	8, 9	23,422	22,875	21,224
17. Other special provisions	33	1,593	381	(7,957)
17.1. provisions for doubtful assets		1,195	(17)	(7,092)
17.2. provisions for off-balance sheet items		398	398	(865)
18. Operating result (12+13-14-15-16-17)		63,087	62,291	49,830
19. Extraordinary gain (loss)		(882)	(1,352)	299
20. Income (loss) before income tax (18+19)		62,205	60,939	50,129
21. Income tax	37	1,213	-	-
22. Deferred taxes and income tax adjustments	37	53	-	-
23. Minority interest in income (loss)		-	-	-
24. Net income (loss)	18	60,939	60,939	50,129
25. Basic Earnings per Share (in LTL)		1.64	1.64	1.36

Chairman of the Board



Giedrius Dusevicius

Deputy Chairman of the Board,
Chief Financial Officer



Antanas Danys

AB BANKAS HANSABANKAS

CASH FLOW STATEMENT

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
Cash flows from banking activities				
1. Income (expenses)				
1.1. Interest income		135,215	109,646	102,536
1.2. Interest (expenses)		(53,448)	(34,785)	(66,779)
1.3. Recovery of loans previously written-off		19,377	19,377	30,185
1.4. Net income from foreign exchange operations		20,649	20,719	36,067
1.5. Net income on securities		9,786	9,786	(2,951)
1.6. Net commissions and fee income		80,000	75,192	49,950
1.7. Remuneration-related expenses		(84,857)	(82,549)	(94,613)
1.8. Other income (expenses)		(97,522)	(76,619)	(85,940)
A. Operating result		29,200	40,767	(31,545)
2. (Increase) decrease in current assets				
2.1. (Increase) decrease in mandatory reserves held with central bank		4,555	4,555	30,582
2.2. (Increase) decrease in loans to credit and financial institutions		132,983	(57,085)	383,886
2.3. (Increase) decrease in loans		(875,724)	(891,758)	(415,758)
2.4. (Increase) decrease in securities		172,373	172,373	(464,766)
2.5. (Increase) decrease in other current assets		(186,790)	(9,230)	(6,522)
B. Net changes in current assets		(752,603)	(781,145)	(472,578)
3. Increase (decrease) in liabilities				
3.1. Increase (decrease) in liabilities to the central bank		-	-	-
3.2. Increase (decrease) in liabilities to credit and financial institutions		(84,952)	(48,579)	(8,810)
3.3. Increase (decrease) in public deposits and letters of credit		742,029	742,029	278,424
3.4. Increase (decrease) in other liabilities		123,732	102,584	(2,511)
C. Net changes in liabilities		780,809	796,034	267,103
D. Net cash flows from banking activities before taxes (A+B+C)		57,406	55,656	(237,020)
4. Income tax		1,266	-	-
E. Net cash flows from banking activities after taxes (D-4)		56,140	55,656	(237,020)

AB BANKAS HANSABANKAS CASH FLOW STATEMENT

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	Notes	2003		2002
		The Group	The Bank	The Bank
Cash flows from investing activities				
5. Disposals (acquisitions) of tangible and intangible fixed assets		928	1,412	1,384
6. (Investments into) and sale of securities	32	322,432	322,432	263,098
7. Dividends received		1	1	538
8. Interest received		56,058	56,058	81,931
9. Cash flows from other investing activities		-	-	-
F. Net cash flows from investing activities		379,419	379,903	346,951
Cash flows from financing activities				
10. Issue of own securities (only paid part)		65,000	65,000	-
11. (Purchase) of own securities		-	-	-
12. Dividends paid		-	-	-
13. Interest paid		-	-	-
14. Cash flows from other financial activities		-	-	-
G. Net cash flows from financing activities		65,000	65,000	-
Net (decrease)/increase in cash (E+F+G)		500,559	500,559	109,931
15. Cash and cash equivalents as of 31 December	38	966,225	966,225	465,666
16. Cash and cash equivalents as of 1 January	38	465,666	465,666	355,735

52

Chairman of the Board



Giedrius Dusevicius

Deputy Chairman of the Board,
Chief Financial Officer



Antanas Danys

AB BANKAS HANSABANKAS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

as of 31 DECEMBER 2003

(LTL 000 s)

Title of the article	2003		2002	Increase (decrease)	
	The Group	The Bank	The Bank	The Group	The Bank
1. Shareholders' equity					
1.1. Registered share capital	435,332	435,332	370,332	435,332	65,000
1.2. (Treasury shares)	-	-	-	-	-
1.3. Share premium	7,585	7,585	7,585	7,585	-
1.4. Reserve capital	-	-	-	-	-
1.5. Accumulated deficit	(71,451)	(71,451)	(121,580)	(71,451)	50,129
1.6. General provision for loan losses	-	-	-	-	-
1.7. Other general reserves	9,647	9,647	8,247	9,647	1,400
1.8. Fixed assets revaluation reserve	22,697	22,697	24,097	22,697	(1,400)
1.9. Financial assets revaluation reserve	-	-	-	-	-
1.10. Restricted (distributable) profit	-	-	-	-	-
1.11. Net income (loss) for the year	60,939	60,939	50,129	60,939	10,810
2. Total shareholders' equity	464,749	464,749	338,810	464,749	125,939

Chairman of the Board



Giedrius Dusevicius

Deputy Chairman of the Board,
Chief Financial Officer



Antanas Danys

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

General background

AB Bankas Hansabankas (the Bank) is a member of the Hansa Group, which is the largest financial group in the Baltic States. The Bank was founded in 2001 by merging AB Bankas Hansabankas and AB Lietuvos Taupomasis Bankas. The brand name of the new bank is Hansabankas. The Bank's Head Office address is 19, Savanoriu Street, 03502 Vilnius, Lithuania.

The Bank is licensed by the Bank of Lithuania to perform all banking activities provided in the Law on Commercial Banks of the Republic of Lithuania and the Statute of the Bank.

The Bank has 6 regional branches, 24 client service centres and 92 client service sub-branches. The Bank owns two subsidiaries: UAB Hansa Investiciju Valdymas, founded in 1999, and UAB Hanza Lizingas, acquired in 2003.

54

In 2003 the Bank signed an agreement for purchase of the life assurance unit, Gyvybes Draudimas from UAB Lietuvos Draudimas, the purchase will be concluded in 2004.

As of 31 December 2003 the Group and the Bank employed 2,218 and 2,104 employees, respectively (2002 - 2,324).

The Bank's shareholders as of 31 December 2003 are as follows:

AS Hansapank	99.35%
UADB Baltijos Garantias	0.12%
UAB Pozityvios Investicijos	0.08%
Other	0.45%

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial information in the financial statements is presented in the national currency of Lithuania, the Litas (LTL).

Consolidation principles

As of 31 December 2003 the accompanying financial statements of the Group include accounts of the Bank and its wholly owned subsidiary UAB Hanza Lizingas.

The subsidiary's financial information is consolidated starting from the commencement of control by Hansabank Group; the consolidation is terminated when such subsidiary is disposed. Inter-Group transactions, balances of accounts and unrealised income and loss from transactions among the Group's companies have been eliminated. The accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by Hansabankas Group.

Investments into associated companies are accounted for under the equity method. The investments are accounted at its acquisition cost as adjusted by post-acquisition changes in the Bank's share of the net assets of the associates, less any impairment in the value of individual investments.

Significant accounting policies

The financial statements are prepared on the historical cost basis as adjusted for the revaluation of certain fixed assets and for the measurement of certain financial assets and liabilities at fair value.

The principal accounting policies adopted are set out below:

(a) Accounting for transactions in foreign currencies

Transactions denominated in foreign currencies are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the rate of exchange on the balance sheet date.

The applicable rates used for the principal currencies at the year-end were as follows:

	2003	2002
USD	2.7621	3.3114
EUR	3.4528	3.4528

Differences resulting from translation of balances denominated in foreign currencies are recognised as unrealised gain (loss) from foreign exchange operations in the period when such translation was carried out.

(b) Interest income and expenses

Interest income and expenses are recognised on an accrual basis on interest earning assets and interest bearing liabilities in accordance with agreements signed with lenders and borrowers. Income is not recognised on non-performing assets.

Commissions, fees and other revenues are recognised as income when earned.

Commissions, fees and other expenses are recognised as expenses when incurred.

(c) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under financial lease are recognised as assets at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Interest expenses, i.e. the difference between the total lease payment and the fair value of the acquired assets are charged to expenses in the statement of income over the entire life of the lease by applying a constant interest rate.

Rentals payable under the operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease.

The Group as lessor:

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable.

The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(d) Securities

Securities are classified into following groups

- Securities held for trading – these are comprised of trading securities and liquidity securities portfolios;
- Securities held to maturity;
- Securities available for sale;
- Investments into associated companies;
- Investments into subsidiaries.

All securities are accounted for at settlement date.

Securities held for trading are short-term investments into debt securities and shares that are acquired to generate profit from fluctuations in price or the margin of dealer operations and which are intended to be held up to one year. Liquidity portfolio's debt securities are those securities that are bought for securing short-term liquidity of the Group. Trade and liquidity portfolios' securities are carried at fair value, that is, their market value. All realised or unrealised gain or loss from sale and revaluation of securities held for trade is recognised in the Group's statement of income as gain or loss from operations with securities. Interest earned from these securities is recognised as interest income.

Securities held to maturity are those securities that the Group has the intent and the ability to hold at its disposition until their maturity. These securities are carried at amortised cost using the effective yield method. A decrease in their market value is not taken into account unless it is considered as a long-term decline. Interest received from these securities is recognised as interest income. All securities for bank restructuring are held to maturity.

Securities available for sale are those securities that do not fall under any other group of financial assets. These securities are carried at their fair value that is their market value and are revaluated daily. The financial assets that are not quoted in active securities market and whose fair value cannot be reliably determined are carried at cost. All realised or unrealised gain or loss from sale and revaluation of securities available for sale is recognised in the Group's statement of income as gain or loss from operations with securities. Interest earned from these securities is recognised as interest income.

Securities sold subject to a linked repurchase agreements ("repos") are retained in the financial statements as trading or investment securities and the counterpart's liability is included in amounts due

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

to other banks, deposits due to customers or other liabilities, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and is accrued over the life of repurchase agreements using the effective yield method.

(e) Loans and advances to customers

Loans are recorded at the principal amount outstanding less any provisions for specifically identified substandard, doubtful, loss loans and special provisions for loan portfolio.

The Group grants commercial and consumer loans to customers throughout its market area. The economic conditions of the market area may have an impact on the debtors' ability to repay their loans. The management has considered the risk in determining the balance of provision for possible loan losses. Provisions for loan losses at each balance sheet date are established in accordance with Bank's of Lithuania rules and represent the estimated amounts of probable losses that have been incurred at the balance sheet date. The provisions for loan losses also include estimates covering probable losses on guarantees and probable losses on identified credits with high risk. The loss estimate also considers identified concentration risk and events that occurred prior to the balance sheet date, but are still not identified. The loss estimates consider the Group's total exposure to the customer, collateral values, the customer's general financial position and possible measures implemented to improve his position. The collateral value is based on the estimated realisable value.

The possible risk related to loans is determined by the classification of loans, which is based upon the rules of classification of doubtful assets, approved by decision of the Board of Bank of Lithuania. According to these rules the loans, evaluated by the level of risk, are classified into five categories. Special provisions for each category are calculated using the risk ratio for each group of loans, as shown below:

I.	Standard loans	0%
II.	Watch loans	0%
III.	Substandard loans	20%
IV.	Doubtful loans	40%
V.	Loss loans	100%

The value of all collateral, not exceeding the balance of the loan outstanding, is multiplied by a certain ratio, and is subtracted from the balance of the loan outstanding before applying risk ratio for the calculation of provisions. The ratio applied to the value of collateral depends on the type of collateralised assets.

The level of the provisions is based on estimates considering known relevant factors affecting loan collectibility and collateral values. Ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are recognised as expenses in the period in which they become known. Management have made their best estimates of losses and believe these loss estimates are reasonable under the circumstances.

Provisions for the accrued interest outstanding are calculated applying the same risk ratios not considering collateral.

The interest on overdue loans is accumulated for 180 days. Thereafter, the interest is accrued on an off-balance sheet account. Accrued interest is written-off with the related loan. Interest income is reduced when accrued income is written-off. Accordingly, provisions for these interest income are restated.

Special provisions for guarantees issued are calculated on the same basis applying the same risk ratios as for the loans.

General provisions are formed for the loans that are classified as Standard and Watch using the rates approved by the Bank Loan Committee. General provisions are not formed for the loans that are granted to Hansabankas Group entities. Provisions for syndicated loans granted by Hansabank Group to third parties are calculated applying provision rates approved by the controlling bank AS Hansapank.

Change in provisions for loans is charged to provisions for loans in the statement of income.

The decision to write-off bad loans is taken when it is not possible to use legal procedures and the management of the Group believes that it is not probable that the loan will be repaid. The Group also considers the requirements established by Bank of Lithuania. According to these requirements the Group has to write-off the loans after they are classified in the loss loans risk group longer than one reporting quarter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

(f) Assets foreclosed for bad debts and assets available for sale

The assets acquired as a result of foreclosures and the unused assets held for disposal are disclosed at fair value net of disposal costs. The reduction of the value - from the net book value to the established fair value - during the foreclosure of reclassification of assets is disclosed in the statement of income as value impairment costs. Subsequent value changes are recognised in the statement of income as value impairment costs. Gains or losses recognised on the sale of such assets are recorded in the statement of income. Determinations of fair value are based on periodic appraisals, which may be subject to significant fluctuations as economic conditions change.

(g) Tangible and intangible fixed assets

Assets falling under the category of tangible fixed assets are those assets that have been acquired for at least LTL 1,000. Initially tangible and intangible fixed assets are recorded at cost. Subsequent to initial recognition an item of tangible fixed assets is carried at a revalued amount (in the financial statements presented as Book Value), being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Subsequent to initial recognition an item of intangible fixed assets is carried at its cost less any accumulated amortisation and accumulated impairment losses.

Depreciable amount is calculated net of residual value. Depreciation is charged on a straight-line basis over the established useful lives of assets and is charged from the month following the month the assets were brought into use. Useful lives of fixed assets are disclosed in Notes 9 and 10.

Revaluation of fixed assets is made with the sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. The fair value of the fixed assets is determined by appraisals undertaken by certified independent valuers.

Gains or losses arising from the retirement or disposal of an item of fixed assets are recognised as income or expense in the income statement.

Subsequent expenditure on repairs of an item of fixed tangible assets is added to the carrying amount of the item in accordance with the accounting procedures established by the Group when subsequent expenditure increases the useful life of the item. All other expenditure on repairs of fixed tangible fixed assets is recognised as an expense in the period when incurred.

(h) Taxation

Income tax rate in Lithuania is 15%. The Group charges the corporate income tax in accordance with Lithuanian tax regulations.

Deferred income tax is accounted for using the balance sheet liabilities method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using currently enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Tax losses can be carried forward for a maximum of five years with the exception of the losses incurred because of the sale of securities and derivatives that can be carried forward for 3 years. The Group has not recognised a deferred income tax asset during 2003 due to uncertainty over whether these assets will be realised in the future

(i) Other taxes

According to Lithuanian tax regulations, the Group is also subject to road, land lease and real estate taxes. Road tax is 1% of the net interest income and other income. Land lease tax rate stands at 4% of the value of the leased land. Real estate tax is 1% of the average market value (set by Lithuanian Cadastre and Register institution) of real estate owned by the Group and of foreclosed real estate.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash, precious metals and other valuables, funds with Bank of Lithuania (except the mandatory reserves in foreign currency), funds in bank correspondent accounts and overnight deposits in other banks.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

(k) Derivative financial instruments

The Group performs operations with derivative financial instruments. The Group uses derivative financial instruments exceptionally for the purpose of currency exchange and interest rate risk management. Derivatives financial instruments including foreign exchange contracts, forward rate agreements and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. These transactions are accounted at face value under off balance sheet items.

The Group evaluates the position of every financial instrument daily by comparing current exchange rates and exchange rates on the maturity (contractual) date and recognises the unrealised gain or loss in the statement of income of the related period. Realised gain or loss is recognized at the maturity (contractual) date.

The premium and discount accrued from interest rates and foreign currency swaps agreements are recognised daily as trade income or expense.

(l) Financial instruments bearing off-balance sheet risk

In the normal course of business, the Group enters into financial instruments with off balance sheet risk, which include foreign exchange and interest rate contracts and issued guarantees. These financial instruments involve, to varying degrees, elements of credit, interest rate and currency risk. Provision is made for estimated losses, if any, on such off balance sheet items by a charge to the statement of income.

(m) Fair value of financial instruments

Fair value represents the amounts at which assets could be exchanged or liabilities settled on an arms length basis. Where, in the opinion of the management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are disclosed separately in the notes to the financial statements.

(n) Earnings per share

For the purpose of calculating earnings per share, the weighted average number of common shares outstanding during 2003 was 37,086,657 (2002 – 37,033,232). Net income for the years 2003 and 2002 used to calculate basic earnings per share was LTL'000 60,939 and LTL'000 50,129, respectively. The Group had no dilutive options outstanding during 2003 and as at 31 December 2003.

(o) Reclassification

Certain 2002 amounts have been reclassified to conform to the 2003 basis of presentation.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 1 CREDIT INSTITUTION'S ACTIVITY

At 31 December 2003 the consolidated financial statements of the Group include accounts of the Bank and its wholly owned subsidiary UAB Hanza Lizingas.

At 31 December 2003 and 2002 the Bank had a wholly owned subsidiary UAB Hansa Investiciju Valdymas, whose accounts have not been consolidated given that the Company's accounts are regarded insignificant for the Bank financial statements. The investment into UAB Hansa Investiciju Valdymas is accounted for under the equity method.

At 31 December 2003 UAB Hanza Lizingas had a wholly owned subsidiary UAB LTB Lizingas, whose accounts have not been consolidated in the consolidated financial statements of the Group due to those account's insignificance for financial statements of UAB Hanza Lizingas. Investment into UAB LTB Lizingas is accounted for under the equity method.

NOTE 2 PLACEMENT WITH BANK OF LITHUANIA

	The Group	The Bank	
	2003	2003	2002
Funds in correspondent account	241,378	241,378	10,382
Compulsory reserves in national currency in correspondent account	208,406	208,406	162,386
Compulsory reserves in foreign currency	51,835	51,835	56,390
Total	501,619	501,619	229,158

The compulsory reserves held with the Bank of Lithuania are Bank's funds that account for 6% of the total average monthly the deposit balance is calculated on a monthly basis. Under the Bank's of Lithuania regulations compulsory reserves are non-interest bearing deposits held at the Bank of Lithuania. Compulsory reserves in foreign currency are not available for financing the Bank's day-to-day operations. All funds in correspondent account with the Bank of Lithuania, including compulsory reserves in Litas, can be used for day-to-day transactions, however a monthly average of such funds on the correspondent account must not be less than the compulsory reserves in Litas.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 3

DUE FROM BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2003	2003	2003	2002
Funds in correspondent accounts	89,705	89,705		23,517
Deposits				
overnight deposits	209,393	209,393		87,468
term deposits	45,979	45,979		189,792
Repurchase agreements	1,297	1,297		-
Loans				
falling due within one year	1,137	189,427		21,000
falling due after one year	-	31,174		-
Total	347,511	566,975		321,777
(Provisions)				
(special provisions)	-	-		-
(special provisions for total loan portfolio exposure)	(2)	(2)		(2)
Total, net of provisions	347,509	566,973		321,775

Provisions for funds with other banks as of 31 December 2003 and 2002 in the amount of LTL'000 2 were related to funds held with UAB Sampo Bankas.

The largest term deposits as of 31 December 2003 were as follows:

FORTIS bank NV/SA, Belgium	19,000 thousand litas
DANSKE bank, Denmark	11,277 thousand litas
UAB Sampo bankas	10,000 thousand litas

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 4 LOANS TO CUSTOMERS

	The Group		The Bank	
	2003	2003	2003	2002
Loans to customers				
loans falling due within one year	285,892	285,892		182,790
loans falling due after one year	2,135,094	2,135,094		1,391,882
Reverse repos	39,754	39,754		-
Factoring	237,856	-		-
Bills discounted	-	-		-
short-term bills discounted	-	-		-
long-term bills discounted	-	-		-
Total	2,698,596	2,460,740		1,574,672
(Provisions)				
(special provisions)	(10,726)	(10,726)		(16,210)
(special provisions for total loan portfolio exposure)	(18,834)	(16,165)		(9,590)
Total, net of provisions	2,669,036	2,433,849		1,548,872

The movements of special provisions in 2003 and 2002 were as follows:

	The Group		The Bank	
	2003	2003	2003	2002
Specific provisions as at end of previous financial year	25,800	25,800		37,568
An increase in specific provisions:				
due the acquisition of UAB Hanza Lizingas	20,625	17,956		-
due to increased risk	1,617	-		-
due to changes in foreign exchange rates	19,008	17,956		-
due to changes in foreign exchange rates	-	-		-
A decrease in specific provisions:				
due to decreased or eliminated risk	16,865	16,865		11,768
due to written-off of loans	10,939	10,939		1,588
due to changes in foreign exchange rates	5,690	5,690		8,338
due to changes in foreign exchange rates	236	236		1,842
Specific provisions as at end of the running financial year	29,560	26,891		25,800

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 5 LOANS BY INDUSTRIES AND SECTORS

	The Bank			
	2003			
	Short term loans	Long term loans	Total loans	Special provisions
Agriculture, hunting, forestry	1,710	18,480	20,190	(29)
Fishery	-	7,598	7,598	-
Mining and pit exploitation	2	3,879	3,881	-
Manufacturing	52,834	450,490	503,324	(5,386)
Utilities	55,492	170,521	226,013	(159)
Construction	6,226	72,351	78,577	(125)
Wholesale and retail trade, repair of cars, motorcycles and household appliances	96,049	323,898	419,947	(1,512)
Hotels and restaurants	1,272	62,494	63,766	(360)
Transportation, storage and telecommunication companies	7,629	87,915	95,544	(886)
Financial intermediation	3,623	22	3,645	-
Real estate, rent and other businesses	1,381	213,013	214,394	(112)
Government sector, home defense and compulsory social insurance	17,757	62,898	80,655	-
Education	-	1,050	1,050	-
Health care and social works	1,134	1,998	3,132	(269)
Other utilities, social and personal services	2,534	14,361	16,895	(6)
Loans to non-economic activities	78,003	644,126	722,129	(1,882)
Total	325,646	2,135,094	2,460,740	(10,726)
Of which, loans granted to individuals	78,148	649,064	727,212	(1,930)

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

	The Bank			
	2002			
	Short term loans	Long term loans	Total loans	Special provisions
Agriculture, hunting, forestry	3,083	16,032	19,115	(100)
Fishery	150	147	297	-
Mining and pit exploitation	-	1,781	1,781	-
Manufacturing	62,838	240,974	303,812	(7,827)
Utilities	9,472	192,690	202,162	-
Construction	2,592	52,639	55,231	(70)
Wholesale and retail trade, repair of cars, motorcycles and household appliances	67,746	189,098	256,844	(5,364)
Hotels and restaurants	203	37,887	38,090	(317)
Transportation, storage and telecommunication companies	5,794	59,176	64,970	(851)
Financial intermediation	-	31	31	-
Real estate, rent and other businesses	4,094	153,168	157,262	(179)
Government sector, home defense and compulsory social insurance	11,184	99,654	110,838	-
Education	-	881	881	-
Health care and social works	89	1,247	1,336	-
Other utilities, social and personal services	1,366	15,986	17,352	(35)
Loans to non-economic activities	14,179	330,491	344,670	(1,467)
Total	182,790	1,391,882	1,574,672	(16,210)
Of which, loans granted to individuals	13,805	337,393	351,198	(1,603)

As of 31 December 2003, the largest credit exposure to a single borrower and borrower's related parties, as defined by the Bank of Lithuania, was LTL'000 92,360 (31 December 2002 - LTL'000 71,607), which is in compliance with the Bank of Lithuania requirement. The regulation provides that the credit exposures to one borrower (excluding amounts guaranteed by the Government of Lithuania) should not exceed 25% of the main Bank capital. The largest exposure to one borrower as of 31 December 2003 accounted for 20,94% (31 December 2002 - 21,39%) of the main Bank capital.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 6 FINANCIAL LEASE RECEIVABLE

	The Group 2003	The Bank 2003	2002
Receivables by period (under the financial lease agreements):	818,911	-	-
short-term (up to 1 year)	232,637	-	-
long-term (over 1 year)	586,274	-	-
Specific provisions for receivables under financial lease agreements	(12,242)	-	-
Total net receivables under financial lease agreements	806,669	-	-

At 31 December the Group's minimum lease receivables payments under financial lease agreements and the present value of minimum lease receivables were as follows:

	The minimum lease receivables 2003	Present value of the minimum lease receivables 2003
Receivable amounts under financial lease agreements:		
Up to 1 year	276,656	232,637
From 1 to 5 years	568,454	516,426
Over 5 years	80,617	69,848
Total	925,727	818,911
Less: unearned income	106,816	-
Minimum receivable amounts under financial lease agreements	818,911	818,911
Provisions for receivable amounts	(12,242)	-
The present value of the minimum lease receivables under financial lease agreements	806,669	818,911

The Bank's subsidiary, UAB Hanza Lizingas is engaged in financial leasing business.

As at 31 December 2003 the lease portfolio structure is as follows:

Passenger cars	19.5%
Commercial vehicles	28.4%
Equipment	27.1%
Real estate items	18.8%
Computers	2.1%
Ships and planes	2.2%
Other	1.9%

The average maturity term of a lease contract is 44 months; the average maturity term of small lease and consumer financing contracts is 17 months. Weighted average maturity term of a lease contract is 64 months; weighted average maturity term of small lease and consumer financing contracts is 19 months.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 7 DEBT SECURITIES AND EQUITY INVESTMENTS

Debt securities

	The Group		The Bank	
	2003	2003	2003	2002
Debt securities held to maturity				
Securities of companies	51,117	51,117	55,573	55,573
Securities of financial institutions	2,761	2,761	3,311	3,311
Lithuanian eurobonds, denominated in EUR	44,944	44,944	56,069	56,069
Lithuanian eurobonds, denominated in LTL	30,444	30,444	27,841	27,841
Long-term Lithuanian T-bonds	219,894	219,894	258,639	258,639
Securities for bank restructuring	-	-	269,999	269,999
Total	349,160	349,160	671,432	671,432

	The Group		The Bank	
	2003	2003	2003	2002
Debt securities available for sale				
Securities of companies	1,018	1,018	1,018	1,018
Lithuanian eurobonds, denominated in EUR	10,068	10,068	27,609	27,609
Lithuanian eurobonds, denominated in LTL	6,979	6,979	6,993	6,993
Long-term Lithuanian T-bonds	108,930	108,930	80,055	80,055
Total	126,995	126,995	115,675	115,675

	The Group		The Bank	
	2003	2003	2003	2002
Debt securities held for trading (securities trading portfolio)				
Securities of companies	8,516	8,516	1,068	1,068
Lithuanian eurobonds, denominated in EUR	18,981	18,981	13,521	13,521
Lithuanian eurobonds, denominated in LTL	112	112	-	-
Lithuanian savings bonds	3,313	3,313	3,296	3,296
Long-term Lithuanian T-bonds	23,562	23,562	37,005	37,005
Total	54,484	54,484	54,890	54,890

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

	The Group		The Bank	
	2003	2003	2003	2002
Debt securities held for trading (liquidity portfolio)				
Securities of financial institutions	13,749	13,749		31,273
Securities of banks	334,958	334,958		525,444
Securities of foreign governments	34,560	34,560		25,356
Long-term Lithuanian T-bonds	22,185	22,185		8,769
Total	405,452	405,452		590,842
Total debt securities	936,091	936,091		1,432,839
(General provisions)	(65)	(65)		(193)
Total debt securities, net of provisions	936,026	936,026		1,432,646

Equity investments

	The Group		The Bank	
	2003	2003	2003	2002
UAB Hansa Investiciju Valdymas	2,439	2,439		1,509
UAB Mokejimo Korteliu Sistemose*	-	-		5,125
UAB Hanza Lizingas	-	21,887		-
UAB LTB Lizingas	1,638	-		-
Total investments accounted for under the equity method	4,077	24,326		6,634
Other equity investments, net of provisions	24	24		24
Total	4,101	24,350		6,658

* In 2003, the Bank sold its 41 percent shares holding in UAB Mokejimo Korteliu Sistemose.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 8 FINANCIAL ASSETS

	The Group	The Bank	
	2003	2003	2002
Trading financial assets			
Equity securities	-	-	-
Debt securities	459,936	459,936	645,732
Treasury bills	148,062	148,062	215,391
Loans	-	-	-
Investments held to maturity			
Debt securities	349,095	349,095	671,239
Treasury bills	-	-	15,158
Financial assets available for sale			
Equity securities	-	-	-
Debt securities	126,995	126,995	115,675
Treasury bills	69,431	69,431	-
Loans and receivables			
Loans	2,669,036	2,433,849	1,548,872
Financial lease receivables	806,669	-	-
Receivables	38,172	3,623	4,852

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 9 INTANGIBLE FIXED ASSETS

The Group

	Licenses and software
Book value	
At 31 December 2002	9,659
additions	764
taken over from UAB Hanza Lizingas	500
disposals, write-offs	(4,697)
At 31 December 2003	6,226
Accumulated amortisation	
At 31 December 2002	6,930
charge for the year	1,699
taken over from UAB Hanza Lizingas	233
disposals, write-offs	(4,656)
At 31 December 2003	4,206
Net book value	
31 December 2002	2,729
31 December 2003	2,020
Useful life of assets (in years)	3

Total annual amortisation charge is included in depreciation and amortisation expenses in the Income Statement. Intangible fixed assets of the Group have not been pledged.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The Bank

	Licenses and software	Formation cost	Total
Book value			
At 31 December 2001	6,994	1,423	8,417
additions	1,591	-	1,591
disposals, write-offs	(60)	(1,423)	(1,483)
reclassification of impairment reserve	1,134	-	1,134
At 31 December 2002	9,659	-	9,659
additions	764	-	764
disposals, write-offs	(4,697)	-	(4,697)
At 31 December 2003	5,726	-	5,726
Accumulated amortisation			
At 31 December 2001	4,660	1,185	5,845
charge for the year	1,193	238	1,431
disposals, write-offs	(57)	(1,423)	(1,480)
reclassification of impairment reserve	1,134	-	1,134
At 31 December 2002	6,930	-	6,930
charges for the year	1,637	-	1,637
disposals, write-offs	(4,655)	-	(4,655)
At 31 December 2003	3,912	-	3,912
Net book value			
31 December 2002	2,729	-	2,729
31 December 2003	1,814	-	1,814
Useful life of assets (in years)	3	3	

Total annual amortisation charge is included in depreciation and amortisation expenses in the Income Statement. Intangible fixed assets of the Bank have not been pledged.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 10 TANGIBLE FIXED ASSETS

The Group

	Buildings and other real estate	Vehicles	Office equipment and other	Construc- tion in progres	Total
Book value					
At 31 December 2002	118,211	8,222	81,988	1,110	209,531
additions	6,249	3,263	7,615	3,680	20,807
taken over from UAB Hanza Lizingas	17,025	1,862	1,893	-	20,780
transfers	2,412	-	-	(2,412)	-
disposals, write-offs	(20,140)	(2,092)	(26,820)	(131)	(49,183)
reclassification of impairment reserve	-	(270)	(8,831)	-	(9,101)
At 31 December 2003	123,757	10,985	55,845	2,247	192,834
Accumulated depreciation					
At 31 December 2002	5,288	1,445	46,877	-	53,610
charges for the year	4,460	1,698	15,565	-	21,723
taken over from UAB Hanza Lizingas	895	587	1,204	-	2,686
disposals, write-offs	(1,316)	7	(25,417)	-	(26,726)
reclassification of impairment reserve	-	(270)	(8,831)	-	(9,101)
At 31 December 2003	9,327	3,467	29,398	-	42,192
Net book value					
31 December 2002	112,923	6,777	35,111	1,110	155,921
31 December 2003	114,430	7,518	26,447	2,247	150,642
Useful life of assets (in years)	12.5-25	5	2-15		

Total annual depreciation charge is included in depreciation and amortisation expenses in the Income Statement. The Group's fixed assets have not been pledged.

The carrying value of the vehicles and office equipment acquired by the Group under financial lease agreements as of 31 December 2003 were LTL'000 7,521 (31 December - 2002 LTL'000 6,169) and LTL'000 656 (31 December - 2002 LTL'000 1,226) respectively.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The Bank

	Buildings and other real estate	Vehicles	Office equipment and other	Construc- tion in progres	Total
Book value					
At 31 December 2001	154,725	13,057	83,273	1,250	252,305
additions	3	2,260	23,572	2,297	28,132
transfers	1,186	-	-	(1,186)	-
disposals, write-offs	(37,703)	(7,095)	(24,857)	(1,251)	(70,906)
At 31 December 2002	118,211	8,222	81,988	1,110	209,531
additions	6,024	1,867	7,531	3,680	19,102
transfers	2,412	-	-	(2,412)	-
disposals, write-offs	(20,140)	(871)	(26,810)	(131)	(47,952)
reclassification of impairment reserve	-	(270)	(8,831)	-	(9,101)
At 31 December 2003	106,507	8,948	53,878	2,247	171,580
Accumulated depreciation					
At 31 December 2001	18,095	5,616	56,179	-	79,890
charges for the year	5,583	1,172	13,038	-	19,793
disposals, write-offs	(18,390)	(5,343)	(22,340)	-	(46,073)
At 31 December 2002	5,288	1,445	46,877	-	53,610
charges for the year	4,222	1,600	15,416	-	21,238
disposals, write-offs	(1,316)	7	(25,407)	-	(26,716)
reclassification of impairment reserve	-	(270)	(8,831)	-	(9,101)
At 31 December 2003	8,194	2,782	28,055	-	39,031
Net book value					
31 December 2002	112,923	6,777	35,111	1,110	155,921
31 December 2003	98,313	6,166	25,823	2,247	132,549
Useful life of assets (in years)	12.5-25	5	2-15		

The depreciation charge for the year is included in depreciation and amortization expenses in the Income Statement. Tangible fixed assets of the Bank have not been pledged.

The carrying value of the vehicles and office equipments acquired by the Bank under financial lease deals as of 31 December 2003 were LTL'000 6,690 (31 December 2002 – LTL'000 6,169) and LTL'000 656 (31 December 2002 – LTL'000 1,226) respectively.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 11 OTHER ASSETS

	The Group		The Bank	
	2003	2003	2003	2002
Foreclosed assets	4,270	4,270		4,808
(impairment loss)	(2,113)	(2,113)		(1,655)
Accounts in transit	26,762	26,771		22,399
(special provisions)	-	-		(6)
Accounts receivable	39,510	3,660		4,997
(special provisions)	(1,338)	(37)		(145)
Value added tax	20,897	-		-
Assets available for sale	26,528	25,023		16,807
(impairment loss)	(11,957)	(11,596)		(12,726)
Assets sold under hire purchase agreements	3,290	3,290		4,684
(special provisions)	(976)	(976)		(1,102)
Total, net book value	104,873	48,292		38,061

Movements in impairment loss for the foreclosed assets are as follows:

	Commer- cial premises	Manufac- turing premises	Dwelling premises	Construc- tion in progress	Other	Total
Carrying value						
31 December 2002	400	323	216	180	3,689	4,808
Additions	-	138	-	-	-	138
Disposals and write-offs	(400)	(84)	(36)	-	(156)	(676)
31 December 2003	-	377	180	180	3,533	4,270
Impairment loss						
31 December 2002	-	103	65	120	1,367	1,655
Increase (decrease)	-	13	(6)	30	421	458
31 December 2003	-	116	59	150	1,788	2,113
Fair value						
31 December 2002	400	220	151	60	2,322	3,153
31 December 2003	-	261	121	30	1,745	2,157

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 12 PROVISIONS FOR ASSETS AND OFF-BALANCE SHEET LIABILITIES

	The Group		The Bank	
	2003	2003	2003	2002
General provision for short-term treasury bills	-	-	-	4
General provisions for long-term securities	65	65	-	-
General provision for securities for restructuring of banks	-	-	-	65
General provision for debt securities	-	-	-	128
Special provisions for the total doubtful assets	65	65	65	197
Special provision for accrued interest	46	46	-	71
Total provisions for assets	46	46	46	71
Special provisions for off-balance sheet items	444	444	-	43
Special provisions for total off-balance sheet risks	172	172	-	76
Total provisions for off-balance sheet liabilities	616	616	616	119

NOTE 13 DUE TO BANKS AND OTHER CREDIT AND FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2003	2003	2003	2002
Funds on correspondent accounts	6,211	6,211	-	47,142
Deposits	29,810	40,283	-	44,441
of which, deposits pledged against loans extended	-	-	-	-
Repurchase agreements	-	-	-	-
Loans				
falling due within one year	288,974	425	-	-
falling due after one year	536,505	3,516	-	7,431
Total	861,500	50,435	50,435	99,014

As of 31 December 2003, loans falling due after one year are loans from Cekoslovenska Obchodni Banka. They are subject to repayment by installments from 2004 to 2006.

As of 31 December 2003, UAB Hanza Lizingas loans obtained were the loans issued by AS Hansa Capital to be repaid by installments in the period from 2004 to 2013.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 14 DEPOSITS AND LETTERS OF CREDIT

	The Group		The Bank	
	2003	2003	2003	2002
Demand deposits	2,840,154	2,840,154	2,142,682	
Term deposits				
short-term (within one year)	1,387,774	1,387,774	1,399,995	
long-term (over one year)	68,934	68,934	12,156	
Total	4,296,862	4,296,862	3,554,833	

	The Group		The Bank	
	2003	2003	2003	2002
Demand deposits				
corporate	1,055,517	1,055,517	844,812	
personal	1,784,637	1,784,637	1,297,870	
Total	2,840,154	2,840,154	2,142,682	
Term deposits				
corporate	42,719	42,719	40,213	
personal	1,413,989	1,413,989	1,371,938	
Total	1,456,708	1,456,708	1,412,151	
Total	4,296,862	4,296,862	3,554,833	

NOTE 15 SPECIAL AND LENDING FUNDS

	The Group		The Bank	
	2003	2003	2003	2002
Finance Ministry's deposit restoration account	27,934	27,934	16,865	
Lithuanian Environment Protection Investment Fund	9,382	8,294	2,043	
Other Lithuanian Government funds	823	823	818	
Compulsory social and health insurance fund	152,404	152,404	53,587	
Funds of international organisations	4	4	5	
Total	190,547	189,459	73,318	

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 16 DEBT SECURITIES ISSUED

As of 31 December 2003 and 2002, there were no debt securities issued by the Group and the Bank.

NOTE 17 SUBORDINATED LOANS AND OTHER LIABILITIES

The Group and the Bank had no subordinated loans.

	The Group	The Bank	
	2003	2003	2002
Other liabilities			
Transit accounts	69,036	68,220	63,480
Repurchase agreements	-	-	18,996
Payables under factoring deals	28,215	-	-
Other liabilities	42,041	11,687	10,737
Provisions for off-balance sheet items	616	616	119
Total	139,908	80,523	93,332

NOTE 18 PROFIT DISTRIBUTION

	2003	2002
Accumulated deficit as at end of previous financial year	(71,451)	(121,580)
Net income of the current year	60,939	50,129
Realised profit	60,939	50,129
Distribution of profit:		
For covering the last year's retained loss	60,939	50,129
Accumulated deficit at the end of the current financial year	(10,512)	(71,451)

In 2003 the Bank earned LTL'000 60,939 in net income. Previous year's accumulated deficit amounted to LTL'000 71,451. The Bank plans to allocate the net income earned in 2003 for covering the accumulated deficit.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 19 OTHER OFF-BALANCE SHEET LIABILITIES AND DERIVATIVES

Other off-balance sheet liabilities of the Group and the Bank were liabilities under FX spot deals that, as of 31 December 2003, totaled LTL'000 25,879 (31 December 2002, LTL'000 296,578).

The Group and the Bank have claims related with FX spot deals as at 31 December 2003 amounting to LTL'000 25,891 (31 December 2002, LTL'000 296,541).

	The Group and the Bank			
	2003			
Derivatives financial instruments	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
Claims				
Forwards	7,295	-	-	-
Swaps	1,084,001	17,264	-	-
Put options	1,797	-	-	-
Call options	405	-	-	-
Future	-	-	-	-
Liabilities				
Forwards	7,398	-	-	-
Swaps	1,083,703	17,264	-	-
Put options	1,797	-	-	-
Call options	405	-	-	-
Future	-	-	-	-

	The Bank			
	2002			
Derivatives financial instruments	Foreign exchange purchase/sale agreements	Interest rate agreements	Related to equity	Other
Claims				
Forwards	6,073	-	-	-
Swaps	369,091	17,264	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Future	-	-	-	-
Liabilities				
Forwards	6,143	-	-	-
Swaps	368,559	17,264	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	3,986	-	-

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

As of 31 December 2003, the Group's and the Bank's liabilities and the claims in respect of the restoration of personal deposits amounted to LTL'000 1,788,307 (31 December 2002 - LTL'000 2,051,092). Both the liabilities and claims related to the restoration of personal deposits have been assumed by Lithuanian Government.

The assets under the Group's and the Bank's custody as at 31 December 2003, and the liabilities arising thereof amounted to LTL'000 84,373 (31 December 2002, LTL'000 92,034). The assets under the Bank's custody comprised soft housing loans issued under the Lithuanian Government housing construction and financing scheme. In 1999, the Lithuanian Government confirmed that by putting such loan assets in the Bank's custody to be managed in the Finance Ministry's name it was accepting the related credit risks thereto.

NOTE 20 OTHER INTEREST AND RELATED INCOME; OTHER INTEREST EXPENSES

	The Group		The Bank	
	2003	2003	2003	2002
Other interest and related income	-	-	-	-
Total	-	-	-	-
Other interest expenses				
on the assets acquired under financial lease agreements	572	565	856	
Total	572	565	856	

NOTE 21 CAPITAL ADEQUACY

Capital adequacy ratio is calculated according to the Capital Adequacy Calculation Rules approved on 21 December 2000 under Board Resolution No 172 of Bank of Lithuania. The established capital adequacy ratio set by Bank of Lithuania should be more than 10 percent of main capital of the Group and the Bank.

Reporting dates	The Group		The Bank	
	Capital adequacy ratio (%)	Capital adequacy ratio (%)	Capital adequacy ratio (%)	Capital adequacy ratio (%)
31 December 2002	-	-	15.82	
31 March 2003	-	-	15.56	
30 June 2003	-	-	16.51	
30 September 2003	11.03		14.07	
31 December 2003	11.53		14.61	

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 22 LIQUIDITY

The calculation of the liquidity ratio is based on the requirements set under the Board's of the Bank of Lithuania Resolution No. 40 of 8 April 1999. The Group's and the Bank's liquidity ratio cannot be lower than 30 percent. The fluctuations of the liquidity ratio of the Group and the Bank during 2003 are shown below:

The Group

Reporting dates	Liquid assets	Current liabilities	Liquidity ratio (%)
30 September 2003	1,439,421	4,035,306	35.67
31 December 2003	1,827,440	4,593,593	39.78

The Bank

Reporting dates	Liquid assets	Current liabilities	Liquidity ratio (%)
31 December 2002	1,403,411	3,384,784	41.46
31 January 2003	1,362,419	3,320,106	41.04
28 February 2003	1,334,706	3,334,896	40.02
31 March 2003	1,421,442	3,338,034	42.58
30 April 2003	1,639,207	3,437,739	47.68
31 May 2003	1,686,251	3,423,786	49.25
30 June 2003	1,659,888	3,537,097	46.93
31 July 2003	1,599,675	3,540,806	45.18
31 August 2003	1,436,850	3,584,847	40.08
30 September 2003	1,503,788	3,682,749	40.83
31 October 2003	1,582,873	3,849,060	41.12
30 November 2003	1,786,707	4,023,569	44.41
31 December 2003	1,836,617	4,247,626	43.24

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

As of 31 December 2003, the Group's assets and liabilities by remaining period of maturity were as follows:

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 3 years	Over 3 years	Undefined, unclear terms	Total
Assets:							
Cash	217,343	-	-	-	-	-	217,343
Funds with Bank of Lithuania	449,784	-	-	-	-	51,835	501,619
Funds with other banks	340,956	5,718	835	-	-	-	347,509
Loans granted	110,563	273,937	655,499	715,176	912,465	1,396	2,669,036
Financial lease	29,959	42,354	157,790	365,778	210,788	-	806,669
Investments	92,621	123,351	265,599	343,277	328,671	4,101	1,157,620
Fixed assets	-	-	-	-	-	152,662	152,662
Other assets	65,035	12,936	22,358	4,900	2,327	37,746	145,302
Total assets	1,306,261	458,296	1,102,081	1,429,131	1,454,251	247,740	5,997,760
Liabilities:							
Liabilities to other banks	33,881	80,471	202,490	346,636	197,997	25	861,500
Deposits and special borrowing funds	3,317,187	399,008	692,788	60,348	16,568	1,510	4,487,409
Other liabilities	112,680	17,653	26,556	16,358	1,323	474,281*	648,851
Total liabilities	3,463,748	497,132	921,834	423,342	215,888	475,816	5,997,760
Net position	(2,157,487)	(38,836)	180,247	1,005,789	1,238,363	(228,076)	-

As of 31 December 2003, the Bank's assets and liabilities by remaining period of maturity were as follows:

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 3 years	Over 3 years	Undefined, unclear terms	Total
Assets:							
Cash	217,343	-	-	-	-	-	217,343
Funds with Bank of Lithuania	449,784	-	-	-	-	51,835	501,619
Funds with other banks	408,337	73,177	72,765	12,289	405	-	566,973
Loans granted	57,890	168,990	577,932	715,176	912,465	1,396	2,433,849
Investments	92,621	123,351	265,599	343,277	328,671	24,350	1,177,869
Fixed assets	-	-	-	-	-	134,363	134,363
Other assets	41,067	11,883	9,331	4,929	2,333	16,705	86,248
Total assets	1,267,042	377,401	925,627	1,075,671	1,243,874	228,649	5,118,264
Liabilities:							
Liabilities to banks	33,195	968	1,645	14,602	-	25	50,435
Deposits and special borrowing funds	3,317,187	398,975	692,631	59,696	16,322	1,510	4,486,321
Other liabilities	87,260	5,269	10,928	8,034	1,323	468,694*	581,508
Total liabilities	3,437,642	405,212	705,204	82,332	17,645	470,229	5,118,264
Net position	(2,170,600)	(27,811)	220,423	993,339	1,226,229	(241,580)	-

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

As of 31 December 2002, the Bank's assets and liabilities by remaining period of maturity were as follows:

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 3 years	Over 3 years	Undefined, unclear terms	Total
Assets:							
Cash	181,913	-	-	-	-	-	181,913
Funds with Bank of Lithuania	172,768	-	-	-	-	56,390	229,158
Funds with other banks	290,707	59	31,009	-	-	-	321,775
Loans granted	17,198	82,013	435,258	502,482	505,998	5,731	1,548,680
Investments	69,994	105,399	375,138	411,373	682,295	25,654	1,669,853
Fixed assets	-	-	-	-	-	158,650	158,650
Other assets	39,810	13,648	12,579	2,827	2,151	8,152	79,167
Total assets	772,390	201,119	853,984	916,682	1,190,444	254,577	4,189,196
Liabilities:							
Liabilities to banks	75,236	1,875	1,293	1,530	19,080	-	99,014
Deposits and special borrowing funds	2,512,434	417,812	646,370	38,559	12,976	-	3,628,151
Other liabilities	71,398	5,162	38,693	4,754	3,214	338,810*	462,031
Total liabilities	2,659,068	424,849	686,356	44,843	35,270	338,810	4,189,196
Net position	(1,886,678)	(223,730)	167,628	871,839	1,155,174	(84,233)	-

* This amount includes the Bank's capital that stood at LTL'000 464,749 as of 31 December 2003 (31 December 2002, - LTL'000 338,810).

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 23 OPEN FOREIGN CURRENCY POSITION

According to the Rules of Calculation of maximal Open Position of Foreign Exchange and Precious Metals approved by the Resolution No. 11 of the Board of Bank of Lithuania on 16 January 1997, the maximal overall open position can not exceed 25 percent of main capital of the Group and of the Bank, and the maximal open position in one currency and precious metals can not exceed 15 percent of main capital of the Group and of the Bank.

The Group

	Position in % of main capital of the Group	
	30 September 2003	31 December 2003
Norwegian krone (NOK)	0.00	0.00
Danish krone (DKK)	(0.05)	0.00
British pounds (GBP)	(0.10)	(0.01)
Latvian lats (LVL)	(0.10)	(0.01)
US dollars (USD)	(0.63)	(0.29)
Euro (EUR)	7.63	1.51
Other currencies	0.47	0.30
Total open position	8.10	1.81

The Bank

	Position in % of main capital of the Bank				
	31 December 2002	31 March 2003	30 June 2003	30 September 2003	31 December 2003
Norwegian krone (NOK)	0.16	(0.01)	0.11	0.00	0.00
Danish krone (DKK)	0.01	(0.03)	(0.02)	(0.05)	0.00
British pounds (GBP)	0.06	0.07	(0.01)	0.08	(0.01)
Latvian lats (LVL)	0.05	(0.07)	(0.01)	(0.10)	(0.01)
US dollars (USD)	1.26	(0.77)	(0.06)	(0.37)	(0.30)
Euro (EUR)	0.67	7.36	6.46	3.60	3.82
Other currencies	0.49	0.52	0.46	0.48	0.31
Total open position	2.70	7.95	7.03	4.16	4.13

NOTE 24 SUBSEQUENT EVENTS FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF APPROVAL OF FINANCIAL STATEMENTS

In 2004 the Bank acquired the life assurance unit, Gyvybes Draudimas from UAB Lietuvos Draudimas.

There were no other significant subsequent events after the balance sheet date related to the financial year that could exercise a financial impact on the Bank's financial results or financial position.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 25 RELATED PARTY TRANSACTIONS

Transactions carried out as of 31 December 2003 and 2002 by the Group's and the Bank's related/connected parties were as follows:

The Group

	Members of the Board	Members of the Council	Shareholders	Other related parties
2003				
Loans	641	-	-	1,134
Average interest rate, %	3.62	-	-	3.89
Deposits	1,550	-	12,492	2,011
Average interest rate, %	0.53	-	2.70	0.89
2002				
Loans	651	-	-	21,288
Average interest rate, %	5.70	-	-	3.58
Deposits	274	-	13,179	11,076
Average interest rate, %	0.81	-	2.49	1.03

The Bank

	Members of the Board	Members of the Council	Shareholders	Other related parties
2003				
Loans	609	-	-	1,099
Average interest rate, %	3.51	-	-	3.85
Deposits	1,550	-	12,492	2,011
Average interest rate, %	0.53	-	2.70	0.89
2002				
Loans	651	-	-	21,288
Average interest rate, %	5.70	-	-	3.58
Deposits	274	-	13,179	11,076
Average interest rate, %	0.81	-	2.49	1.03

Related parties are defined as owners of a controlling interest of the Bank and its subsidiary, also members of the Board and Council, bank examiners, heads of administration and branches, their close relatives and companies who directly or indirectly (via an agent) control the Bank or are controlled separately or jointly by other party that is recognised as related party.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 26

COLLATERALISATION OF NON-PERFORMING LOANS (FALLING UNDER RISK GROUPS III, IV AND V) AND WATCH LOANS (FALLING UNDER RISK GROUP II) BY REAL ESTATE AND OTHER ASSET

As of 31 December 2003, the loans defined as non-performing amounted to LTL'000 46,573 (2002 – LTL'000 58,782); the value of the collaterals under these loans amounted to LTL'000 74,510 (2002 - LTL'000 90,701). Sub-standard loans stood at LTL'000 922,472. (2002 – LTL'000 402,088), and the total security under them ran at LTL'000 4,169,987 (2002 – LTL'000 1,843,100). All collateral items are liquid.

The value of the principal of the loans outstanding mentioned above less collateral value reduced by certain ratios applied for each type of collateral, was LTL'000 33,788 (2002 – LTL'000 43,176); sub-standard loans before the provisions for them stood at LTL'000 591,189 (2002 – LTL'000 270,771).

NOTE 27

ACTIVITIES OF FINANCIAL BROKERAGE SUB-DEPARTMENT

Financial Brokerage Sub-department is engaged in the trading of interest earning financial instruments as well as in trading of equity securities on behalf of customers. It also manages the portfolio of interest-earning financial instruments, which amounted to LTL 60 million, and portfolio of repurchase agreements, which amounted to LTL 41 million. These portfolios increase the quality of trade services for the Bank customers, and provide liquidity. The Bank does not trade in equity securities on its own behalf, and acts as intermediary for its clients in National Stock Exchange as well as in foreign markets. Securities Accounting Sub-department performs accounting for Lithuanian or foreign securities for the Bank and its customers.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 28 OTHER BANKING INCOME

	The Group		The Bank	
	2003	2003	2003	2002
Net gain from the sale of fixed assets and foreclosed assets	3,513	3,513	1,045	
Compensation of expenses incurred due to restoration of personal deposits	2,023	2,023	-	
Other income	5,649	2,554	3,197	
Total	11,185	8,090	4,242	

NOTE 29 OTHER OPERATIONAL EXPENSES

	The Group		The Bank	
	2003	2003	2003	2002
Use of office equipments	11,428	11,428	12,578	
ATM and POS maintenance	2,588	2,588	2,126	
Data transmission lines and their maintenance	-	-	5,090	
Other operational expenses	4,126	3,893	3,441	
Total	18,142	17,909	23,235	

NOTE 30 OTHER BANKING EXPENSES

	The Group		The Bank	
	2003	2003	2003	2002
Payments to the Deposit Insurance Fund	17,132	17,132	15,126	
Expenses for charity and sponsorship	18	18	-	
Taxes	5,721	5,356	6,320	
Expenses incurred because of disposals of the Bank's movable and immovable assets and the collaterals and maintenance of the said assets and the collaterals.	2,112	2,005	-	
Other expenses	6,489	2,135	2,580	
Total	31,472	26,646	24,026	

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 31 SHORT-TERM TREASURY BILLS

	The Group		The Bank	
	2003	2003	2003	2002
Short-term treasury bills held for trade	148,062	148,062	215,391	
Short-term treasury bills held to maturity	-	-	15,162	
Short-term treasury bills available for sale	69,431	69,431	-	
Total	217,493	217,493	230,553	
(Provisions)	-	-	(4)	
Total, net of provisions	217,493	217,493	230,549	

NOTE 32 INVESTMENTS INTO SECURITIES

	The Group		The Bank	
	2003	2003	2003	2002
Net cash flow from investments into debt securities	337,435	337,435	263,098	
Disposal of UAB Mokejimo Korteliu Sistemos	5,397	5,397	-	
Acquisition of UAB Hanza Lizingas	(19,432)	(19,432)	-	
Increase of the share capital of UAB Hanza Investiciju Valdymas	(968)	(968)	-	
Investment into securities and their sale	322,432	322,432	263,098	

The Bank acquired a 100% shareholding of UAB Hanza Lizingas in August 2003. In 2003, since the acquisition date, its subsidiary Company earned LTL'000 2,455 in profit.

Assets and liabilities of the abovementioned acquired Company were as follows:

	2003
Assets	965,439
Liabilities	946,007
The amount of funds paid for the acquisition of the Company	19,432

There were no acquisitions in 2002.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 33 MOVEMENTS IN PROVISIONS

For the year ended 31 December 2003, the movements of provision for loan and accrued interest losses, other assets and off balance sheet liabilities were as follows:

The Group

	Loan and accrued interest provisions	Provisions for other assets	Provisions for off-balance sheet liabilities	Total
Balance as of 31 December 2002	25,871	15,833	119	41,823
Provisions charged	(11,018)	(382)	(526)	(11,926)
Reversal of provisions	19,062	1,577	1,026	21,665
The take-over from UAB Hanza Lizingas	1,617	12,691	-	14,308
Provisions written off	(5,690)	(355)	-	(6,045)
Effect of exchange rate changes	(236)	-	(3)	(239)
Reclassification of provisions	-	(14,381)	-	(14,381)
Balance as of 31 December 2003	29,606	14,983	616	45,205

The Bank

	Loan and accrued interest provisions	Provisions for other assets	Provisions for off-balance sheet liabilities	Total
Balance as of 31 December 2002	25,871	15,833	119	41,823
Provisions charged	(11,018)	(382)	(526)	(11,926)
Reversal of provisions	18,010	365	1,026	19,401
Provisions written off	(5,690)	(355)	-	(6,045)
Effect of exchange rate changes	(236)	-	(3)	(239)
Reclassification of provisions	-	(14,381)	-	(14,381)
Balance as of 31 December 2003	26,937	1,080	616	28,633

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 34 SHARE CAPITAL

Issued share capital, as of 31 December 2003, consisted of 43,533,232 (as of 31 December 2002, consisted of 37,033,232) ordinary shares with par value of LTL 10 each. All shares are fully paid up.

On 29 December 2003, the share capital of the Bank was increased by LTL'000 65,000. New 6,500,000 ordinary shares with par value of LTL 10 each were issued and paid in cash.

No dividends were paid or proposed during 2003 and 2002

NOTE 35 COMPLIANCE WITH THE REGULATORY REQUIREMENTS

As at 31 December 2003 and 2002, the Group and the Bank was in compliance with all of the Bank's of Lithuania requirements, including the maximum credit exposure to one borrower, related party lending, capital adequacy, large loans, investments, open foreign currency positions and liquidity limits established by Bank of Lithuania.

NOTE 36 CHANGES IN SHAREHOLDERS' EQUITY

	Registered share capital	Share premium	Fixed assets revalua- tion reserve	Retained earnings (accumu- lated deficit)	Net income (loss)	Other capital and reserves	Total
At 31 December 2001	370,332	7,585	31,432	(7,598)	(113,981)	912	288,682
Transfers from reserves	-	-	-	(113,982)	113,981	-	(1)
Decrease in revaluation reserve of fixed assets	-	-	(7,335)	-	-	7,335	-
Net loss for the year	-	-	-	-	50,129	-	50,129
At 31 December 2002	370,332	7,585	24,097	(121,580)	50,129	8,247	338,810
Transfers from reserves	-	-	(1,400)	50,129	(50,129)	1,400	-
Issue of shares (note 34)	65,000	-	-	-	-	-	65,000
Decrease in revaluation reserve of fixed assets	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	60,939	-	60,939
At 31 December 2003	435,332	7,585	22,697	(71,451)	60,939	9,647	464,749

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 37 DEFERRED TAXES

The income tax as of 31 December was as follows:

	The Group		The Bank	
	2003		2003	2002
Income tax	1,213		-	-
Deferred income tax	53		-	-
Total	1,266		-	-

A reconciliation of income tax expense at the statutory rate to income tax expense at the Bank's and the Group's effective rate for the years ended 31 December was as follows:

	The Group		The Bank			
	2003	%	2003	%	2002	%
Net income (loss) before income tax	60,939		60,939		50,129	
Income tax at the statutory income tax rate	9,141	15	9,141	15	7,516	15
Tax effect of the prior year's special provisions for doubtful assets deductible for tax purposes	(4,767)	(8)	(4,767)	(8)	-	-
Tax effect of expenses not deductible for tax purposes	3,333	6	2,445	4	1,075	2
Tax effect of non taxable income	(6,214)	(10)	(6,592)	(11)	(14,243)	(28)
Tax effect of the previous years tax loss carry-forward	(28,529)	(47)	(28,529)	(46)	-	-
Total income tax benefit	(27,036)	(44)	(28,302)	(46)	(5,652)	(11)
Unrecognised deferred tax asset	28,302	46	28,302	46	5,652	11
Total income tax expense	1,266	2	-	-	-	-

At 31 December the deferred taxes were as follows:

	The Group		The Bank	
	2003		2003	2002
Beginning of year	-		-	-
The received amount following the acquisition of UAB Hanza Lizingas	2,364		-	-
Changes in the current year's deferred tax liabilities	(27)		(80)	(41,446)
Changes in the assets of the current year's deferred tax	(3,268)		(3,268)	42,232
Changes in valuation allowance	3,348		3,348	(786)
Total tax liabilities	2,417		-	-

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

Deferred income tax liabilities and assets are attributable to the following items:

	The Group		The Bank	
	2003	2003	2003	2002
Deferred tax asset				
Loss carried forward	(28,302)	(28,302)	(34,922)	
Special provisions for doubtful assets	(9,533)	(9,533)	-	
Difference in assets depreciation ratios	(216)	(216)	-	
Vacation accruals	(597)	(597)	(497)	
Other assets	(39)	(39)	-	
Total deferred tax assets	(38,687)	(38,687)	(35,419)	
Deferred tax liability				
Difference in depreciation rates	2,417	-	80	
Total deferred tax liability	2,417	-	80	
Deferred tax asset, net, before valuation allowance	(36,270)	(38,687)	(35,339)	
Less: valuation allowance	38,687	38,687	35,339	
Net deferred income tax, total	2,417	-	-	

As of 31 December 2003 and 2002 the valuation allowance has been recorded against the deferred tax asset as the management believes it would not be prudent to recognize such an asset, which, in the current circumstances, it is not likely to be realised in the foreseeable future.

NOTE 38 CASH AND CASH EQUIVALENTS

As of 31 December cash and cash equivalents were as follows:

	The Group		The Bank	
	2003	2003	2003	2002
Cash, precious metals and other valuables	217,343	217,343	181,913	
Funds in correspondent account with Bank of Lithuania	241,378	241,378	10,382	
Compulsory reserves in national currency in correspondent account with Bank of Lithuania	208,406	208,406	162,386	
Funds in banks correspondent accounts	89,705	89,705	23,517	
Overnight deposits in other banks	209,393	209,393	87,468	
Total	966,225	966,225	465,666	

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 39 CONTINGENCIES AND COMMITMENTS

As of 31 December contingencies and commitments were as follows:

	The Group	The Bank	
	2003	2003	2002
Credit commitments	988,200	674,675	424,290
Issued guarantees	49,149	49,149	37,355
Letters of credit	18,307	18,307	5,529
Total	1,055,656	742,131	467,174

Financial lease. As of 31 December 2003, the Bank had outstanding financial lease obligations under financial lease contracts in the amount of LTL'000 7,353 (31 December 2002, LTL'000 9,099). Minimum financial lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets. The Bank's finance lease obligations relate to the lease contracts signed with the Bank's wholly owned subsidiary, UAB Hanza Lizingas.

Operating leases. The Bank rented offices, other premises and land for banking activities. The Bank had outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2003 amounting to LTL'000 13,223 (31 December 2002, LTL'000 14,876). Should such operating lease agreements be terminated, the Bank's liabilities would amount to LTL'000 17,025 (31 December 2002, LTL'000 17,025). The Bank's liabilities under the irrevocable operating lease deals were related to operating lease contracts signed with the Bank's wholly owned subsidiary, UAB Hanza Lizingas.

As at 31 December 2003, the future annual minimum commitments under the financial and non-cancelable operating lease agreements were as follows:

For the year ending 31 December	Financial lease	Operating lease
2004	3,629	1,653
2005	1,227	1,653
2006	1,346	1,653
2007	659	1,653
2008	492	1,653
Thereafter	-	4,958
Minimum lease payments	7,353	13,223
Less: interest	578	
Present value of minimum lease payments	6,775	

It is expected that in the normal course of business expiring leases will be renewed or replaced by leases on other fixed assets.

Litigation and claims - The Group and the Bank were not involved in any legal proceedings as of 31 December 2003, decisions under which could have a significant impact to Bank's financial position, except for those related to loan loss recovery.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 40 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of International Accounting Standard 32, "Financial Instruments: Disclosure and Presentation". The estimated fair value amounts have been determined by the Bank using market information and valuation methodologies considered appropriate. However, interpretation of market data and evaluation of fair value are usually subjective judgments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to the Group and the Bank as of 31 December 2003 and 2002. The Group and the Bank is not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities that at 31 December 2003 and 2002 had not been presented in the Group's and the Bank's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

As of 31 December carrying amounts and fair values of financial instruments were as follows:

The Group

	2003	
	Carrying Amount	Estimated Fair Value
Financial assets:		
Due from banks and other credit and financial institutions	347,509	347,509
Loans to customers	2,669,036	2,679,875
Financial lease receivables	806,669	818,911
Securities held to maturity	349,095	360,078
Financial liabilities:		
Due to banks and other credit and financial institutions	36,021	36,021
Loans from banks	825,479	813,184
Deposits and letters of credit	4,296,862	4,296,862
Special and lending funds	190,547	190,547

The Bank

	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Due from banks and other credit and financial institutions	566,973	566,973	321,775	321,775
Loans to customers	2,433,849	2,467,073	1,548,872	1,602,529
Securities held to maturity	349,095	360,078	686,397	720,042
Financial liabilities:				
Due to banks and other credit and financial institutions	46,494	46,494	91,583	91,583
Loans from banks	3,941	3,941	7,431	7,431
Deposits and letters of credit	4,296,862	4,296,862	3,554,833	3,554,833
Special and lending funds	189,459	189,459	73,318	73,318

As at 31 December 2003, in the opinion of the Management, the estimated fair values of the Group's and the Bank's financial assets and liabilities did not differ significantly from their carrying amounts.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

Financial instruments with book value equal to fair value

The fair value of financial instruments that are short-term or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value. Those instruments include balances recorded in the following captions:

Due from banks and other credit and financial institutions

Due from banks and other credit and financial institutions include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

Loans to customers

The estimated fair value of loans to customers represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Securities held to maturity

Fair value of assets held to maturity is based on market prices or market prices of similar assets.

Term deposits

The estimated fair value of term deposits is based on discounted cash flows using interest rates for similar deposits with similar remaining maturity.

NOTE 41 CREDIT RISK

The Group and the Bank assumes exposure to credit risk, which is the risk that a counterpart will be unable to pay amounts in full when due. The Group and the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, and to geographical or industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 42 CURRENCY RISK

The Group and the Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The following table summarises assets and liabilities of the Bank by currencies using official exchange rate prevailing as of 31 December 2003:

The Group

	EUR	USD	LTL	Other	Total
Assets					
Cash	13,678	12,339	183,500	7,826	217,343
Due from Bank of Lithuania	-	51,835	449,784	-	501,619
Due from other banks	101,600	85,581	136,563	23,765	347,509
Loans to customers	1,727,233	214,910	1,533,562	-	3,475,705
Investments	277,820	182,189	697,611	-	1,157,620
Fixed assets	-	-	152,662	-	152,662
Other assets	71,077	5,461	68,669	95	145,302
Total assets	2,191,408	552,315	3,222,351	31,686	5,997,760
Liabilities					
Due to other banks	800,600	23,414	29,711	62	853,787
Deposits and lending funds	344,138	496,245	3,627,947	26,792	4,495,122
Other liabilities	37,208	16,825	591,780*	3,038	648,851
Total liabilities	1,181,946	536,484	4,249,438	29,892	5,997,760
Net position	1,009,462	15,831	(1,027,087)	1,794	-
Net position of off-balance sheet items in national currency	(1,002,529)	(17,166)	1,007,263	(665)	(13,097)

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The Bank

	EUR	USD	LTL	Other	Total
Assets					
Cash	13,678	12,339	183,500	7,826	217,343
Due from Bank of Lithuania	-	51,835	449,784	-	501,619
Due from other banks	147,145	85,579	310,483	23,766	566,973
Loans to customers	957,909	196,200	1,279,740	-	2,433,849
Investments	277,820	182,188	717,861	-	1,177,869
Fixed assets	-	-	134,363	-	134,363
Other assets	8,018	4,578	73,560	92	86,248
Total assets	1,404,570	532,719	3,149,291	31,684	5,118,264
Liabilities					
Due to other banks	11,204	4,768	26,690	62	42,724
Deposits and lending funds	344,139	496,241	3,626,859	26,793	4,494,032
Other liabilities	29,843	15,879	532,750*	3,036	581,508
Total liabilities	385,186	516,888	4,186,299	29,891	5,118,264
Net position	1,019,384	15,831	(1,037,008)	1,793	-
Net position of off-balance sheet items in national currency	(1,002,529)	(17,166)	1,007,263	(665)	(13,097)

The table below contains information on the Bank's assets and liabilities estimated in foreign currency according to official exchange rates as at 31 December 2002:

	EUR	USD	LTL	Other	Total
Assets					
Cash	15,100	20,314	140,071	6,428	181,913
Due from Bank of Lithuania	-	56,390	172,768	-	229,158
Due from other banks	147,606	112,802	42,509	18,858	321,775
Loans to customers	372,172	171,148	1,005,360	-	1,548,680
Investments	256,859	429,162	983,832	-	1,669,853
Fixed assets	-	-	158,650	-	158,650
Other assets	15,020	8,293	55,832	22	79,167
Total assets	806,757	798,109	2,559,022	25,308	4,189,196
Liabilities					
Due to other banks	11,098	40,555	46,955	406	99,014
Deposits and lending funds	165,227	716,060	2,726,224	20,640	3,628,151
Other liabilities	50,396	12,719	397,196*	1,720	462,031
Total liabilities	226,721	769,334	3,170,375	22,766	4,189,196
Net position	580,036	28,775	(611,353)	2,542	-
Net position of off-balance sheet items in national currency	(577,796)	(24,558)	602,802	(23)	425

* This amount includes the Bank's capital standing at LTL'000 464,749 as at 31 December 2003 (31 December 2002, LTL'000 338,810).

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 43 INTEREST RATE RISK

The Group and the Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements occur.

The table below summarises the Group's and the Bank's exposure to interest rate risks at 31 December 2003. Included in the table are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier maturity or interest rate change date. Carrying amounts of derivative instruments, which are used to reduce the fluctuations in interest rate, are categorised under Other asset and Other liabilities under Non interest bearing/earning caption. The gap in off-balance sheet items are absolute values from interest rate sensitive derivative instruments.

The Group

	Average interest rate (%)	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Non interest bearing/ earning	Total
Assets								
Cash	-	217,343	-	-	-	-	-	217,343
Due from Bank of Lithuania	-	449,784	-	-	-	-	51,835	501,619
Due from other banks	1.95	340,956	5,718	835	-	-	-	347,509
Loans to customers	4.24	502,477	1,175,313	1,448,908	342,767	6,240	-	3,475,705
Investments	3.56	120,248	399,484	265,599	366,791	1,397	4,101	1,157,620
Fixed assets	-	-	-	-	-	-	152,662	152,662
Other assets	-	56,810	18,742	27,007	4,916	367	37,460	145,302
Total assets		1,687,618	1,599,257	1,742,349	714,474	8,004	246,058	5,997,760
Liabilities								
Due to other banks	1.70	183,291	221,995	276,080	180,134	-	-	861,500
Deposits and lending funds	0.74	3,318,697	398,975	692,631	70,242	6,864	-	4,487,409
Other liabilities	-	118,233	21,288	19,706	17,621	61	471,942*	648,851
Total liabilities		3,620,221	642,258	988,417	267,997	6,925	471,942	5,997,760
Balance sheet interest rate risk	-	(1,932,603)	956,999	753,932	446,477	1,079	(225,884)	-
Off-balance sheet interest rate risk	-	417,432	70,003	345,254	138,803	35,243	-	1,006,735
Total interest rate risk		-(2,350,035)	886,996	408,678	307,674	(34,164)	(225,884)	(1,006,735)

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The Bank

	Average interest rate (%)	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Non interest bearing/ earning	Total
Assets								
Cash	-	217,343	-	-	-	-	-	217,343
Due from Bank of Lithuania	-	449,784	-	-	-	-	51,835	501,619
Due from other banks	2.39	408,337	73,177	72,765	12,694	-	-	566,973
Loans to customers	4.73	364,464	830,985	1,070,700	161,742	5,958	-	2,433,849
Investments	3.56	120,248	399,484	265,599	366,791	1,397	24,350	1,177,869
Fixed assets	-	-	-	-	-	-	134,363	134,363
Other assets	-	40,838	11,836	11,792	4,951	367	16,464	86,248
Total assets		1,601,014	1,315,482	1,420,856	546,178	7,722	227,012	5,118,264
Liabilities								
Due to other banks	1.14	33,220	13,461	1,645	2,109	-	-	50,435
Deposits and lending funds	0.74	3,318,697	398,975	692,631	70,242	5,776	-	4,486,321
Other liabilities	-	83,098	8,904	12,403	9,297	61	467,745*	581,508
Total liabilities		3,435,015	421,340	706,679	81,648	5,837	467,745	5,118,264
Balance sheet interest rate risk	-	(1,834,001)	894,142	714,177	464,530	1,885	(240,733)	-
Off-balance sheet interest rate risk	-	102,342	70,003	346,819	138,803	35,243	-	693,210
Total interest rate risk		-(1,936,343)	824,139	367,358	325,727	(33,358)	(240,733)	(693,210)

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

The table below contains information on interest rates risk in connection with the Bank's assets and liabilities as at 31 December 2002:

	Average interest rate (%)	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Non interest bearing/ earning	Total
Assets								
Cash	-	181,913	-	-	-	-	-	181,913
Due from Bank of Lithuania	-	172,768	-	-	-	-	56,390	229,158
Due from other banks	3.16	290,707	59	31,009	-	-	-	321,775
Loans to customers	6.00	164,476	615,557	678,688	81,540	8,419	-	1,548,680
Investments	4.32	561,958	309,100	370,148	393,847	28,142	6,658	1,669,853
Fixed assets	-	-	-	-	-	-	158,650	158,650
Other assets	-	39,181	13,648	12,578	4,602	376	8,782	79,167
Total assets		1,411,003	938,364	1,092,423	479,989	36,937	230,480	4,189,196
Liabilities								
Due to other banks	1.6	75,460	15,054	3,775	4,725	-	-	99,014
Deposits and lending funds	1.05	2,512,434	417,812	646,370	44,971	6,564	-	3,628,151
Other liabilities	-	71,398	5,162	38,693	6,464	1,504	338,810*	462,031
Total liabilities		2,659,292	438,028	688,838	56,160	8,068	338,810	4,189,196
Balance sheet interest rate risk	-	(1,248,289)	500,336	403,585	423,829	28,869	(108,330)	-
Off-balance sheet interest rate risk	-	46,239	69,190	204,924	49,379	60,108	-	429,840
Total interest rate risk		(1,294,528)	431,146	198,661	374,450	(31,239)	(108,330)	(429,840)

* This amount includes the Bank's capital standing at LTL'000 464,749 as of 31 December 2003 (31 December 2002, LTL'000 338,810).

AB BANKAS HANSABANKAS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(All amounts in LTL thousand unless otherwise stated)

NOTE 44 SEGMENT INFORMATION

	The Bank	Leasing	Total	Elimina- tions	The Group
Income:					
internal	5,570	26	5,596	(5,596)	-
external	291,570	46,057	337,627	-	337,627
Expenses:					
internal	26	3,115	3,141	(3,141)	-
external	225,202	37,702	262,904	-	262,904
Depreciation and amortisation expenses	22,875	547	23,422	-	23,422
Expenses for provisions	(11,902)	2,264	(9,638)	-	(9,638)
Net income	60,939	2,455	63,394	(2,455)	60,939
Total assets	5,118,264	1,132,625	6,250,889	(253,129)	5,997,760
Total liabilities	4,653,515	1,110,738	5,764,253	(231,242)	5,533,011

The Bank's segments means AB Bankas Hansabankas; the leasing segment includes UAB Hanza Lizingas financial information.

Geographical segments The Group

Country	Total assets	Liabilities and shareholders' equity	Off-balance sheet liabilities	Earnings
Lithuania	5,374,320	4,679,176	1,393,494	319,866
OECD	568,894	11,953	271,180	15,871
Estonia	8,347	1,277,299	464,546	219
Latvia	43,909	1,411	37,003	443
Other	2,290	27,921	-	1,228
Total	5,997,760	5,997,760	2,166,223	337,627

The Bank

Country	Total assets	Liabilities and shareholders' equity	Off-balance sheet liabilities	Earnings
Lithuania	4,494,824	3,799,680	1,079,969	279,427
OECD	568,894	11,953	271,180	15,836
Estonia	8,347	1,277,299	464,546	219
Latvia	43,909	1,411	37,003	443
Other	2,290	27,921	-	1,215
Total	5,118,264	5,118,264	1,852,698	297,140

The Council of AB Bankas Hansabankas

Indrek Neivelt
Chairman of the Council
Chairman of the Board of Hansabank Group



Sven Lennart Lundberg
Vice Chairman of the Council
Senior Vice President of Swedbank



Erkki Raasuke
Member of the Council
Vice Chairman of the Board of Hansabank Group



Ingrida Bluma
Member of the Council
Chairman of the Board of Hansabanka (Latvia)



Olli Ensio Heinonen
Member of the Council
Head of IT Division of Hansabank Group



The Bank's websites:

HANSABANKAS	www.hansa.lt
HANZA LIZINGAS	www.lizingas.lt
BALTIJOS AUTOLIZINGAS	www.carlease.lt

Internet Bank (hanza.net)	https://lt.hanza.net
Telephone banking	1633
Head Office address	Savanoriu pr. 19, LT-03502 Vilnius
Enquiries by phone	+370 268 44 44



The electronic version of the report at
<http://www.hansa.lt/apie189.html>



www.hansa.it