AB BANKAS HANSABANKAS

Independent Auditor's Report and Financial Statements for the year ended 31 December 2007

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Bankas Hansabankas

Report on the Financial Statements

We have audited the accompanying financial statements (page 7 to 67) of AB Bankas Hansabankas ("the Bank") and the consolidated financial statements of AB Bankas Hansabankas and subsidiaries ("the Group"), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Law on Banks of the Republic of Lithuania, Article 61, the Bank has presented financial information (page 68 to 72) of the Financial Group that, comprise financial information extracted from the financial statements of the Bank and the consolidated financial statements of the Group. In our opinion, the financial information of the Financial Group is consistent, in all material respects, with the financial statements of the Bank and the consolidated financial statements of the Group from which it was derived.

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2007 (page 4 to 6) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2007.

Deloitte Lietuva UAB
Torben Pedersen
Partner

Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
28 February 2008

Annual Report of AB Bankas Hansabankas for Y2007

Financial performance results

AB bank Hansabankas Group ("the Group") earned consolidated net profit of mio LTL 412,655 for 2007 i.e., by mio LTL 189,174 or 84.6% more than in 2006 when the Group earned mio LTL 223,491. The growth of the loans and deposits portfolio for 2007 was main reason of the increase of the net interest income (adjusted for the deposit insurance premiums costs) by 56.8% or by mio LTL 590,289, and the net commission income increased by 21,5% or to mio LTL 169,809.

Most of Hansanbankas subsidiaries earned profit for 2007: UAB Hansa lizingas earned net profit of mio LTL 62,165, UAB Hansa gyvybės draudimas - mio LTL 28,805, UAB Hansa investicijų valdymas – mio LTL 6,351, UAB Baltijos autolizingas – mio LTL 2,657, UADBB Hansa draudimo brokeris – thous. LTL 17, whereas UAB Hansa valda suffered a loss of mio LTL 1,091.

The Group consolidated assets increased by 43% or by billion LTL 7,559 and the total balance at the end of the year comprised billion LTL 25,117. The major contributor to the assets growth was the growth of the loans portfolio. The loans portfolio of Hansabankas Group increased by 45.9% or billion LTL 5,789, and the total balance was billion LTL 18,413 at the end of the year.

For 2007 the Bank has met all the requirements for banking activities set by the Bank of Lithuania.

Subsidiaries of the Bank

On 1 March 2007 the liquidation process of UAB Evison Leasing, a subsidiary of AB bank Hansabankas, was completed and the company was removed from the Register of Legal Entities of the Republic of Lithuania.

On 20 April 2007 a newly incorporated subsidiary of the Bank – UADBB HDB (legal entity code 3006 93721) was registered in the Register of Legal Entities of the Republic of Lithuania and started its activity.

On 27 June 2007 the Bank concluded an agreement with the Colemont Holdings AS (Estonia) concerning the sale of all shares of the UADBB Hansa draudimo brokeris. On 11 July 2007 the Bank sold all shares of UADBB Hansa draudimo brokeris.

As of 31 December 2007 AB bank Hansabankas had control of the following subsidiaries by holding 100% shares of each of the companies listed below:

UAB Hansa lizingas (legal entity code 1115 68069): number of shares: 155,539, total nominal value – LTL 15,553,900;
UAB Hansa investicijų valdymas (legal entity code 1248 15377): number of shares: 3,800, total nominal value – LTL 3,800,000;
UAB Hansa gyvybės draudimas (legal entity code 1100 65392): number of shares: 100,000 total nominal value – LTL 10,000,000;
UAB Baltijos autolizingas (legal entity code 1116 12099): number of shares: 1,000, total nominal value – LTL 10,000;
UAB Hansa valda (legal entity code 3000 67233): number of shares: 20,000, total nominal value – LTL 2,000,000;
UADBB „HDB" (legal entity code 3006 93721): number of shares: 520, total nominal value – LTL 52,000.

Through the management of the above mentioned subsidiaries the Bank is in much better position to meet the needs of its customers and offer, in a single place, an extensive range of services offered by all companies under the Group.

Shareholders

As of 31 December 2007 AS Hansapank, registered in the Republic of Estonia (registered office address: Liivalaia g. 8, Tallinn, Republic of Estonia, registration code 10060701) had ownership of 56,969,800 registered ordinary shares of AB bank Hansabankas, representing 99,99 percent of the share capital of AB bank Hansabankas.

Success of 2007

In all areas of its activities the Group has been offering customer-targeted services and sought in a most efficient way to respond to their needs. The new services and the improvement and the development of the currently approved services enabled the Bank not only to take the leading position in a number of areas, but also to earn the confidence of its customers.

During 2007 Hansabank managed to maintain the leader‘s position in the natural person financing market. The individual loan portfolio of the Bank increased from billion LTL 2,266 to billion LTL 6,751, and the Bank‘s share in the market increased by 1.6 p.p. and comprised 28.5% of market at the end of 2007.

At the end of 2007 Hansabankas had been an issuer of 1,310 million activated payment cards with a total turnover of billion LTL 11,643. During 2007, the Bank maintained its leadership in the Lithuanian payment card market. The market share of the Bank in terms of the number of payment cards decreased by 0.8% points and was 33.8% of the market at the end of the year. In terms of the turnover of the payment cards the Bank's share comprised 39.9% of the Lithuanian payment card market at the end of 2007.

The Bank has been intensively developing in the savings and investment sectors. The interest on the part of the customers in savings and investment services has been steadily increasing with the observably growing demand for competent knowledge and professional advice, therefore in 2007 investor's education has become a special area of focus for Hansabankas. In line with the financial awareness raising of its customers the Bank has been training and providing the incentives to the employees of the Bank. The Bank introduced and established a chain of professional investment managers. There are listing 128 managers operating throughout Lithuania.

For the year ended 2007 the Hansabank life insurance products, the third and second pillar pension funds and investment funds attracted in excess of mio LTL 785 thus bringing the total assets attracted by the Group to billion LTL 1.9. The Group was managing the largest share (43%) of the market, in terms of the number of customers of the second pillar pension, at the end of the year. As for the life insurance market the Group‘s share has increased by 5% compared to prior year and comprised 40.1% at the end of the year.

During 2007 the private deposits in Hansabank increased by 27% and were billion LTL 8,807, which comprised 36.2% of the total Lithuanian private deposit market at the end of the year.

During 2007 Hansabankas made a lot of efforts to be close to the customers. The development of the branches of the Bank ensured its physical vicinity to an even larger number of customers – during the year for the opening of new branches and the renewal of the existing branches the Bank spend mio LTL 26.8. During 2007 the Bank opened 7 branches: 2 in Vilnius, 2 in Kaunas, 1 in Klaipėda, Panevėžys and Šiauliai, 9 branches of Hansabank were refurbished and modernised. Starting from 1 February 2007 a new legal status was granted to the branches of the Bank: the customer service divisions were reorganised into the customer service centers, except those of rather minor scope of activities operated by less than 3 employees. As of the end of 2007 the network of the Bank comprised of 7 regional centers, 113 customer services centers and 8 customer service divisions.

The development of the self-service channels of Hansabank was a major incentive for the customers to conveniently and efficiently manage their personal finance at any place or time. During the year “hanza.net” self-service terminal was installed in 61 branches of Hansabank, thus the on-line services now have been made available in 81 percent of all branches of the Bank. The ATM network has been further expanded and at the end of the year customers of Hansabank could avail themselves of 360 ATMs and 20 cash-in ATMs.

The internet banking service “hanza.net“ was used by 863,000 customers, who effected on-line payment transactions in number of mio 39, that represented 88% of all banking operations for 2007. The functionalities of the internet banking services are being continuously improved, furthermore, Hansabank was the pioneer in the market to enable its customers to access the internet bank by means of an enhanced security modern technology employing the mobile e-signature tool.

The use of the internet channels and the professional attitude and the commitment of the employees of the Bank facilitated a smooth ruble deposits restitution process that, last March, involved nearly every third Lithuanian family. The Bank is delighted to note that the challenge assumed by the Bank and the efforts to complete the process were properly appreciated not only by the happy customers, but also by the Minister of Finance of the Republic of Lithuania that expressed an official acknowledgement to the Bank.

Within the business customers servicing the major area of focus for the Bank was the loan and deposit sectors. In 2007 the portfolio of loans granted to Hansabank Group customers, i.e., legal persons (excluding provisions) increased by 32.6% to billion LTL 7.160. The Bank‘s share in the business customer crediting market increased by 0.1% and to 19.5%. The Group leasing portfolio (excluding accrued interest and provisions) increased by billion LTL 1,509 to billion LTL 4,380 (the market share has increased to 40.6%), and the factoring portfolio (excluding accrued interest and provisions) increased by billion LTL 0.262 to billion LTL 0.798.

The highest degree confidence and satisfaction of the customers by the services of the Bank provide clear evidence that the customers have duly appreciated the services provided by Hansabank. At the end of 2007 Hansabank had 1.29 million of private and corporate customers.

Educational focus

The success of a business entity is inseparable from its obligations to contribute to the development of the society and welfare, therefore Hansabank has been an active participant in cultural, educational, sport and social projects. We are confident in our belief that innovative initiatives and educated people are able to pave the way to the future, therefore we have always been devoting a considerable attention to the education of children and youth. We encourage children to start learning from the very early days to independently address their daily financial issues and, it has been for ten years already in turn that we have been inviting children to join the Money Box contest hosted by the Bank ("Taupyklių konkursas"). The Bank has been for the third year in turn participating in the project involving schoolchildren "Let's encourage the future" ("Drąsinkime ateitį"). The main purpose of the project is to strengthen the motivation of youth of Lithuania by showing personal example and encouraging them to achieve their goals. In cooperation with the public partner, the organisation „Lietuvos Junior Achievement" we have been implementing several projects for the promotion of entrepreneurship and economic education among the youth. In 2007, seeking to actively contribute to the education of talented Lithuanian schoolchildren, Hansabank became the major sponsor of the National Student Academy, which provides additional educational opportunities for gifted schoolchildren. The aspiration of Hansabank to contribute to the development of education and the acknowledgement of persons who have specifically merited the progress of Lithuania has been crowned by the „National Award of Advancement" established by the Bank in cooperation with other partners. The award is now, starting from 2005, granted to those who have to a largest extent served the progress of Lithuania, or have by their ideas, original solutions and world-wide known achievements facilitated the positive changes of the country and the enhancement of the quality of life in Lithuania.

Hansabank has been investing into customer education in a number of areas. In the area related to issues of investment and savings the Bank last year organised more than forty events, including information workshops in regions, customer-tailored lectures on investment issues, the conference involving the participation of the world-known investment professionals, the first in Lithuania "Investment day" and others. The underlying purpose of the first ever youth programme "Zoom" introduced by Hansabank in 2007, is the financial education of young people that is designed to contribute not only to increase the general financial literacy and the enhancement of self-expression of the youth, but to facilitate the creation of a better future for the country.

Significant attention has been devoted to training and education of the employees of the Bank. In its pursuit to enhance the professional excellence and loyalty of the staff of the Bank, in 2007 Hansabankas has been further investing into incentive systems and the improvement of the remuneration system, development of training and of the performance and the talent management system. Major areas of priority have been defined as the enhancement of the management skills and the development of the talent fund. On 31 December 2007, the Hansabank Group had 3,607 employees and during 2007 the number of the employees increased by 430.

Year 2008

During 2008 Hansabank will continue to pursue a balanced crediting policy, taking due account of the macroeconomic situation and all the related threats and risks. This will represent the Bank's efforts to retain the largest share in the deposit and other saving instruments (life insurance, pension funds) markets, and gain the leader's position in the market for investment funds and the sale of structural products (investment deposit or a bond related to a financial asset). The Bank will remain steady in devoting considerable attention to promotion of payment card settlement (in particular, the credit card development), and electronic settlement at the same time maintaining the leader's position in the internet banking market.

Chairman of the Board Giedrius Dusevičius

AB BANKAS HANSABANKAS

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(in thousands of LTL)		2007		2006	
	Notes	Bank	Group	Bank	Group
Interest income		818,182	1,078,575	504,968	620,162
Interest expense		(342,389)	(488,286)	(209,688)	(243,814)
Interest income, net	6	**475,793**	**590,289**	**295,280**	**376,348**
Fee and commission income		217,536	236,616	176,470	183,776
Fee and commission expense		(57,691)	(66,807)	(38,986)	(43,977)
Fees and commissions, net	7	**159,845**	**169,809**	**137,484**	**139,799**
Net financial gains and losses	8	94,436	95,635	46,813	50,794
Net income from insurance activities	10	-	36,456	-	14,581
Other operating income	11	32,444	37,686	17,349	22,102
Total income		**126,880**	**169,777**	**64,162**	**87,477**
Personnel expenses	12	(198,029)	(224,662)	(150,326)	(172,222)
Data network expenses	13	(46,733)	(51,847)	(32,476)	(34,814)
Administrative expenses	14	(66,181)	(71,877)	(49,195)	(54,136)
Other expenses	16	(29,892)	(36,201)	(21,169)	(26,884)
Depreciation, amortisation and impairment losses	25, 26	(15,038)	(17,213)	(16,169)	(18,680)
Total operating expenses		**(355,873)**	**(401,800)**	**(269,335)**	**(306,736)**
Operating profit before provisions		**406,645**	**528,075**	**227,591**	**296,888**
Losses on impaired loans and guarantees		(24,787)	(34,488)	(27,642)	(42,159)
Recovered loans		3,441	5,323	13,726	15,581
Profit before income tax		**385,299**	**498,910**	**213,675**	**270,310**
Income tax	17	(70,985)	(86,245)	(34,188)	(46,819)
Profit for the year		**314,314**	**412,665**	**179,487**	**223,491**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf by:

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

AB BANKAS HANSABANKAS

BALANCE SHEETS 31 DECEMBER 2007

(in thousands of LTL)		2007		2006	
	Notes	**Bank**	**Group**	**Bank**	**Group**
Assets					
Cash		389,446	389,654	339,578	339,710
Due from Central Bank		968,888	968,888	603,266	603,266
Due from other financial institutions	18	1,526,998	1,527,357	1,443,633	1,444,251
Financial assets designated at fair value through profit and loss	19	2,398,689	2,753,940	1,560,675	1,708,677
Held-to-maturity securities	20	35,199	475,167	68,759	421,181
Investments in subsidiaries	21	102,199	-	103,030	-
Loans	22	13,806,763	18,413,445	9,799,268	12,624,108
Other assets	24	51,383	369,411	44,065	217,029
Tangible assets	25	109,473	173,622	112,410	155,138
Intangible assets	26	1,025	45,930	401	45,220
Total assets		**19,390,063**	**25,117,414**	**14,075,085**	**17,558,580**
Liabilities					
Due to other financial institutions	28	4,405,397	9,017,880	2,236,626	4,949,556
Deposits	29	12,492,857	12,463,537	10,195,284	10,184,152
Demand deposits		8,136,520	8,105,304	7,171,019	7,159,000
Time deposits		4,356,337	4,358,233	3,024,265	3,025,152
Other financial liabilities	30	25,286	25,265	3,276	3,275
Other liabilities	31	530,040	744,841	299,734	504,314
Provisions	32	7,614	727,706	5,979	471,998
Deferred tax liability	33	2,755	5,573	2,470	5,422
Subordinated loans	34	525,185	525,185	244,800	244,800
Total liabilities		**17,989,134**	**23,509,987**	**12,988,169**	**16,363,517**
Equity					
Share capital	34	569,712	569,712	569,712	569,712
Share premium		91,965	91,965	91,965	91,965
Reserves	34	76,394	81,601	58,351	63,070
Retained earnings		662,858	864,149	366,888	470,316
Total equity		**1,400,929**	**1,607,427**	**1,086,916**	**1,195,063**
Total liabilities and equity		**19,390,063**	**25,117,414**	**14,075,085**	**17,558,580**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf by:

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

(in thousands of LTL)		2007		2006	
	Notes	Bank	Group	Bank	Group
Profit before income tax		**385,299**	**498,910**	**213,675**	**270,310**
Adjustments to profit before income tax					
Losses on impaired loans and guarantees		24,787	34,488	27,642	42,159
Interest income		(818,182)	(1,078,575)	(504,968)	(620,162)
Interest expense		342,389	488,286	209,688	243,814
Dividends received	8	(564)	(104)	(924)	(62)
Depreciation and amortization	25, 26	15,038	17,213	16,043	17,878
Impairment charge	25, 26	-	-	126	802
Profit from sales of tangible and intangible assets		(1,946)	(2,025)	(710)	(740)
Carrying amount of tangible assets written-off	25	287	287	1,257	1,251
Total adjustments to operating profit		**(438,191)**	**(540,430)**	**(251,846)**	**(315,060)**
Changes in operating assets and liabilities					
Net change in deposits placed with other financial institutions		435,611	435,870	422,559	422,568
Net change in loans to other financial institutions		-	-	279	279
Net change in financial assets designated at fair value through profit and loss		(813,476)	(1,020,723)	(712,542)	(805,090)
Net change in loans		(4,040,967)	(5,840,383)	(1,447,238)	(4,242,370)
Net change in accrued liabilities		52,979	60,722	33,199	99,004
Net change in other assets		(7,673)	(154,985)	(11,612)	(72,305)
Net change in short-term liabilities due to other financial institutions		972,795	1,761,390	(439,176)	904,308
Net change in demand deposits		1,053,333	1,037,938	1,534,075	1,575,039
Net change in time deposits		1,356,139	1,353,649	627,927	629,363
Net change in other liabilities		48,649	303,753	76,897	232,749
Total adjustments to operating assets and liabilities		**(942,610)**	**(2,062,769)**	**84,368**	**(1,256,455)**
Interest received		802,461	1,058,349	500,766	612,802
Interest paid		(284,553)	(408,024)	(188,150)	(203,900)
Income tax paid		(47,579)	(61,418)	-	(12,631)
Net cash from / (used in) operating activities		**(525,173)**	**(1,515,382)**	**358,813**	**(904,934)**

(continued)

(in thousands of LTL)		2007		2006	
	Notes	**Bank**	**Group**	**Bank**	**Group**
Cash from investing activities					
Disposal of subsidiary		831	-	103	103
Dividends received		564	104	2,003	62
Acquisition of investments		41,262	(46,152)	62,259	(35,587)
Sale of investments		(6,188)	8,258	(11,316)	13,386
Acquisition of tangible assets		(19,992)	(44,814)	(32,083)	(46,199)
Sale of tangible assets		9,916	11,237	3,428	4,315
Acquisition of intangible assets		(990)	(1,094)	(226)	(235)
Net cash from / (used in) investing activities		**25,403**	**(72,461)**	**24,168**	**(64,155)**
Cash from financing activities					
Credit lines of Central Bank and Government paid		(2,351)	(2,722)	(3,498)	(2,389)
Long-term loans received from other financial institutions		1,160,000	2,248,520	110,510	1,461,591
Net change in subordinated liabilities		276,224	276,224	241,696	241,696
Net cash provided by financing activities		**1,433,873**	**2,522,022**	**348,708**	**1,700,898**
Net increase in cash and cash equivalents		**934,103**	**934,179**	**731,689**	**731,809**
Cash and cash equivalents at the beginning of the year		**1,950,790**	**1,950,922**	**1,219,101**	**1,219,113**
Cash and cash equivalents at the end of the year		**2,884,893**	**2,885,101**	**1,950,790**	**1,950,922**

(concluded)

Analysis of cash and cash equivalents

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Cash	389,446	389,654	339,578	339,710
Due from Central Bank	968,888	968,888	603,266	603,266
Placements with other banks	1,526,559	1,526,559	1,007,946	1,007,946
Total	**2,884,893**	**2,885,101**	**1,950,790**	**1,950,922**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf by:

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

Bank

(in thousands of LTL)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**
Opening balance 1 January 2006	**569,712**	**91,965**	**37,372**	**197,265**	**896,314**
Increase of fixed assets revaluation reserve	-	-	13,585	-	**13,585**
Deferred tax liability from fixed assets revaluation	-	-	(2,470)	-	**(2,470)**
Transfers to reserves	-	-	9,864	(9,864)	**-**
Net profit for the year	-	-	-	179,487	**179,487**
Closing balance 31 December 2006	**569,712**	**91,965**	**58,351**	**366,888**	**1,086,916**
Transfers to reserves	-	-	18,344	(18,344)	**-**
Deferred tax liability from fixed assets revaluation	-	-	(301)	-	**(301)**
Net profit for the year	-	-	-	314,314	**314,314**
Closing balance 31 December 2007	**569,712**	**91,965**	**76,394**	**662,858**	**1,400,929**

Group

(in thousands of LTL)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**
Opening balance 1 January 2006	**569,712**	**91,965**	**37,385**	**256,819**	**955,881**
Increase of fixed assets revaluation reserve	-	-	18,968	-	**18,968**
Deferred tax liability from fixed assets revaluation	-	-	(3,277)	-	**(3,277)**
Transfers to reserves	-	-	9,994	(9,994)	**-**
Net profit for the year	-	-	-	223,491	**223,491**
Closing balance 31 December 2006	**569,712**	**91,965**	**63,070**	**470,316**	**1,195,063**
Transfers to reserves	-	-	18,832	(18,832)	**-**
Deferred tax liability from fixed assets revaluation	-	-	(301)	-	**(301)**
Net profit for the year	-	-	-	412,665	**412,665**
Closing balance 31 December 2007	**569,712**	**91,965**	**81,601**	**864,149**	**1,607,427**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf by:

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

Note 1. Corporate Information

AB Bankas Hansabankas (hereinafter referred to as the Bank) is a member of Hansabank Group, one of the largest financial group in the Baltics, which owned by the Swedish bank Swedbank. The Bank under its current name was founded in year 1999. Later in 2001 it merged with AB Lietuvos Taupomasis Bankas. The brand name of the new bank is Hansabankas. The Bank's Head Office address is, Savanoriu ave. 19, LT-03502 Vilnius, Lithuania.

The Bank has an issued business license from the Bank of Lithuania for conducting all financial services specified by the Law on Banks of the Republic of Lithuania and providing other services allowed under the Law on Financial Institutions of the Republic of Lithuania.

The Bank has 7 Regional Branches, 113 Customer Service Centers and 8 Sub-branches; in additions it has owned 6 subsidiaries:, set up in 1999, UAB Hansa Lizingas, acquired in 2003, UAB Hansa Gyvybes Draudimas, acquired in 2004, UAB Baltijos Autolizingas and UAB Hansa Valda set up in 2004, and UAB HDB set up in 2007. All these companies comprise the Group.

Group

As of 31 December 2007 the Group's consolidated financial statements include financial statements of the Bank's 100% owned subsidiaries, UAB Hansa Lizingas, UAB Hansa Investiciju Valdymas, UAB Hansa Gyvybes Draudimas, UAB Baltijos Autolizingas, UAB Hansa Valda, UAB HDB.

As of 31 December 2006 the Group's consolidated financial statements include financial statements of the Bank's 100% owned subsidiaries, UAB Hansa Lizingas, UAB Hansa Investiciju Valdymas, UAB Hansa Gyvybes Draudimas, UAB Baltijos Autolizingas, UAB Hansa Valda, UAB Hansa Draudimo Brokeris

As of 31 December 2007 the Group and the Bank employed 3,607 and 3,293 employees, respectively (2006: 3,177 and 2,876 employees, respectively).

The Bank's shareholders as of 31 December 2007 and 2006 were as follows:

AS Hansapank	99.997%
Other	0.003%

Note 2. Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

Adoption of new and revised Standards
In the current year, the Bank and the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB and that are relevant to the Bank and the Group operations. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's and Group's accounting policies.

At the date of authorization of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IAS 23 (Amendment) Borrowing cost (effective 1 January 2009);
- IFRS 8, Operating Segments (effective 1 January 2009);
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective 1 January 2009);
- IFRIC 13, Customer loyalty programmes (effective 1 January 2008);
- IFRIC 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008).

The management of the Bank and the Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements.

In the current year, the Bank and the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's and Group's accounting policies:

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 January 2007);
- IFRIC 8, Scope of IFRS 2 (effective 1 January 2007);
- IFRIC 9, Reassement of Embedded Derivatives (effective 1 January 2007);
- IFRIC 10, Interim financial reporting and impairment (effective 1 January 2007).

Note 3. Significant Accounting Judgments and Estimates

Presentation of consolidated financial statements in conformity with IFRS requires the Bank and the Group to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the balance sheet date as well as recognised income and expenses for the reporting period. Actual results may deviate from estimates.

Judgments

Entities in Hansabank Group have established investment funds for their customer's savings needs. Hansabank Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Financial Supervision Authority of Lithuania. The return generated by these assets accrues to customers. Within the framework of the approved fund provisions, Hansabank Group receives management fees as well as application and withdrawal fees for the management duties it performs. Because decisions regarding the management of an investment fund are governed by the fund's provisions, Hansabank Group is not considered to have the opportunity to control or dominate decision-making in the investment funds in order to obtain economic benefits. Hansabank Group's compensation and risk is limited to the fee charges. In certain cases, Group entities also invest in investment funds to fulfill their obligations to customers. Shares in the investment funds do not represent any influence, regardless of whether the holding exceeds 50 per cent or not. Taken together, the above-mentioned conditions are the basis for not consolidating the investment funds.

Estimates

The Bank and the Group make various estimates to determine the value of certain assets and liabilities. When the value of loans as well as other financial assets, for which loss events have occurred, is tested for impairment, an estimate is made of when in the future and in which amount relevant cash inflow will occur. The measurement of financial instruments is described in Note 4 Summary of Significant Accounting Policies.

Test of impairment of intangible assets

Annual impairment tests for intangible assets with indefinite useful life estimate when the assets' future cash flows will occur and what are their amounts. A suitable discount rate is determined to reflect both time value of money and the risk with which the asset is associated.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group is based these estimates on national mortality tables that reflect recent historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value on the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, SARS and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significant worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity.

Note 4. Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the remeasurement of buildings, financial assets and financial liabilities held at fair value through profit or loss and all financial derivatives, to fair value.

The financial information in the consolidated financial statements is presented in the national currency of Lithuania, the Litas (LTL).

The accounting policies have been consistently applied by all Group entities. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements include all subsidiaries that are controlled by the parent company. When an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent Bank, or the parent Bank is able to govern the financial and operational policies of a subsidiary, or control the removal or appointment of majority of a subsidiary's board of directors.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (negative goodwill).

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Foreign currency transactions

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 exchange rate effective at the balance sheet date.

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

	2007	**2006**
USD	2.3572	2.6304
EUR	3.4528	3.4528

Differences resulting from translation of balances denominated in foreign currencies are recognized in the statement of income as net financial gains and losses operations in the period when such translation was carried out.

Derivative financial instruments

The Bank and the Group uses derivative financial instruments, interest rate swaps and forward exchange contracts, to manage its exposure to foreign exchange, and interest rate risks arising from operational, financing and investment activities. Foreign exchange options and stock options are offered to clients to service their needs.

Foreign exchange options and stock options are not used as part of the Asset Liability Management process, but offered to clients to service their needs. An option gives its owner the right, but not the obligation, to sell/buy (from) the other party's financial assets under terms agreed in the contract. The writer of an option receives a premium in exchange for bearing the risk of unfavourable changes in exchange rates or equity prices.

In accordance with requirements of IAS 39 all derivative contracts are carried on balance sheet accounts at their fair value: all contracts with positive value in assets and all contracts with negative value in liabilities. Fair value of derivative financial instruments is reported in balance sheet as “Financial assets held for trading” and “Other financial liabilities”. In order to determine the fair value of currency and interest related derivative contracts the Bank and the Group has performed discounted cash flow calculations.

The basis of fair value of equity-related and other derivative instruments is market price (option pricing models or discounted cash flow models as appropriate, is used for determination of market value) of the respective derivative instrument. All gains and losses resulted from a change in fair value of derivative financial instruments are recognised in the statement of income.

Offsetting

The Bank and the Group offset a financial asset and a financial liability and reports the net amount in the balance sheet when the Bank and the Group:

a) Has a legally enforceable right to set off the recognised amounts and;
b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Recognition of income and expense

Interest income and expense from all interest-bearing instruments are recognised within ‘interest income’ and ‘interest expense’ in the income statement using effective interest method. Fees and commissions and other income are credited to income when related transactions are completed. Non-interest expenses are recognised at the time the transaction occurs. Net financial gains/losses comprise income and expenses from trading portfolio, including from revaluation of securities designated through profit and loss and other financial instruments.

Dividend income is recognised when the shareholder’s right to receive payment is established. Dividend liability is recognised on the date fixed by the annual shareholders’ meeting.

Financial assets

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favorable, an equity instrument of another entity or a derivative or non-derivative contract that will or may be settled in the Bank’s and the Group’s own equity instruments.

“Regular way” purchases or sales of financial assets are recognised using trade date accounting, except for loans.

Financial assets are impaired if there is any objective evidence of impairment as a result of occurrence of a loss event that has an impact on the estimated future cash flows of those financial assets. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets’ carrying amount and the present value of the expected future cash flows discounted at the financial asset’s original effective interest rate.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank and the Group about the following loss events:

1) Significant financial difficulty of the issuer or obligor;
2) A breach of contract, such as a default or delinquency in interest or principal payments;
3) the Bank and the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
5) The disappearance of an active market for that financial asset because of financial difficulties; or
6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - Adverse changes in the payment status of borrowers in the Group; or
   - National or local economic conditions that correlate with defaults on the assets in the Group.

If impairment of financial assets is identified, the Bank and the Group recognise relevant losses through use of an losses on impaired loans and quarantees account in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with the Central Bank, correspondent accounts and overnight deposits in other banks.

Cash flows from operating activities are reported under the indirect method. Cash flows from investing and financing activities are reported based on gross receipts and disbursements made during the accounting period.

Debt and Equity Securities

Securities held by the Bank and the Group are categorized into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. The Group developed a security investment strategy and, reflecting the intent of the acquisition, allocated securities to "Securities and other assets held for trading" and investment securities to the "Securities available for sale" and the "Securities held to maturity".

All securities held by the Bank and the Group are recognized using trade date accounting and initially recorded at their cost including transaction costs (acquisition cost) for all financial assets not carried at fair value through profit or loss.

Financial assets at fair value through profit or loss

A financial asset measured at fair value through profit or loss is an asset that is either held for trading purposes or designated at fair value upon initial recognition.

Trading debt and certain equity securities are held by the Bank and the Group with the intention of selling in order to generate profits on price fluctuations in the short term. Derivatives are also categorised as held for trading unless they are designated and effective hedges, or derivative financial guarantee contracts. Financial assets designated at fair value through profit or loss consist of certain shares in investment funds and unit-linked bonds.

Upon initial recognition, the aforementioned financial assets are measured at their fair value. Financial assets designated at fair value comprise instruments that are measured and their performance is evaluated on a fair value basis. Subsequent changes in their fair values are recognised in the income statement as "Net financial gains and losses". For debt and equity securities traded on stock exchanges, fair values are derived from quoted market prices. Fair values of those securities not traded, are estimated by the management of the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of those securities.

Securities held to maturity

Securities held to maturity are non-derivative financial assets with fixed maturity and determinable payments that the Bank and the Group has the positive intent and ability to hold to maturity.

Securities held to maturity are initially measured at their fair values plus any directly attributable transaction costs. Securities held to maturity are subsequently measured at amortised cost using the effective interest rate method, less any accumulated impairment losses. The amortisation of premiums and discounts is reported as "Interest income".

Fair values of those securities are estimated by the management the Bank and the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of those securities.

Investments into subsidiaries

Investments in subsidiaries in the Bank's single financial statements are shown at cost. At least once each year an impairment test is performed.

Securities repurchase agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are treated as collateralised lending and borrowing transactions. They are carried at the amounts at which the securities were acquired or sold and divided according to the counterpart between balance sheet lines “Due from other financial institutions” and “Loans”. The interest income/expense from resale/purchase agreements is recorded under interest income or expense respectively using the effective interest rate method.

Loans, placements with other banks, other off-balance sheet credit exposures and allowance for losses on loans and placements

Loans, and placements with other banks are stated at the amortised cost, net of allowance for possible loan or placements losses, respectively. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Interest is accrued and credited to income based on the principal amount outstanding using effective interest rate method. All loans are recognised when cash is advanced to borrowers.

When a borrower is unable to meet payments as they become due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they become due, allowance is recognised. The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate. The amount necessary to adjust the allowances to their assessed levels, after write-offs, is charged to income statement line “Losses on impaired loans and guarantees”.

The Bank and the Group first assesses, individually or collectively, whether there is objective evidence that financial assets that are individually significant and financial assets that are not individually significant, are impaired. When the Bank and the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. If there is an objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank and the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and the Group and historical loss experience for assets with credit risk characteristics similar to those in the Bank and the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank and the Group to reduce any differences between loss estimates and actual loss experience.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account “Losses on impaired loans and guarantees” in the statement of income. If the reason for the recognised allowance is no longer deemed appropriate, the redundant allowance charge is released into income. The relevant amount and recoveries of loans previously written off are reflected in the profit and loss account through “Recovered loans”.

Leasing

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.

Group as lessee
Assets held under finance lease are recognized 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.

Group as lessor:
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable.

The difference between the gross receivable and the present value of the receivable is recognized as unearned financial income.

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

Tangible assets

Buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Fixed assets (except buildings) are carried at cost accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses arising from the retirement or disposal of an item of fixed assets are recognized 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 Bank and the Group when subsequent expenditure increases the useful life of the item. All other expenditure on repairs of fixed tangible fixed assets is recognized as expense in the period when incurred.

Intangible assets

Goodwill

For business combinations that took place prior to March 31, 2004, goodwill recognised represents the excess of the acquisition cost over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and was amortised using the straight line method over the estimated useful life. On January 1, 2005, the related accumulated amortisation was eliminated with a corresponding decrease in its cost value and amortisation of such goodwill is discontinued. Subsequently, such goodwill was measured at the carrying value determined on 1 January 2005 less any accumulated impairment losses.

For business combinations taking place on or after March 31, 2004, goodwill is recognised and subsequently measured in accordance with IFRS 3 Business Combinations. Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the Bank's and Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the cost of the business combination, the excess is immediately recognised in profit and loss. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. When an impairment of assets is identified, the Bank and the Group recognises the impairment through the income statement.

Cash generating units for goodwill are considered to be assets and liabilities obtained through acquisition of banks and insurance companies. Calculation of value in use is based on the following assumptions:

- Cash flow discount rate 10.5% is used
- Key assumptions are based on past experience

According to impairment test the recoverable value exceeds substantially the carrying value of goodwill; therefore no impairment has been identified.

Other Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable, or a derivative or non-derivative contract that will or may be settled in the Bank's and the Group's own equity instruments.

A financial liability measured at fair value through profit or loss is an instrument that is either held for trading purposes or is designated at fair value upon initial recognition. Derivatives are categorised as held for trading unless they are designated and effective hedges, or derivative financial guarantee contracts. Other financial liabilities are initially recognised on the trade date at cost and subsequently measured at amortised cost. Amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest expense includes interest payments, on accrual basis of accounting, and relevant amortisation cost.
Fair values of those liabilities, are estimated by the management of the Bank and the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of those liabilities.

Insurance premiums written and outward reinsurance premiums

Insurance premiums written consist of premiums written during the year in force policies underwritten by the Bank and the Group. Premiums earned comprise premiums attributable to the period. Outward reinsurance premiums represent premiums attributable to the reinsurer in accordance with reinsurance agreement.

Unit-linked life insurance premiums written and earned represent premiums actually received during the accounting period on policies in force. If policyholder is relieved of obligation to pay insurance premiums, unit-linked life insurance written premiums for this period are not recorded.

Insurance claims

Insurance claims paid comprise claims actually paid during the period and claims settlement expense. Claims incurred comprise claims attributable to the accounting period. Reinsurance recoveries comprise claims recoverable from reinsurers in accordance with reinsurance agreement.

Direct claims settlement costs represent the Bank's and the Group's administrative expenses, related to claims settlement and incurred internally (salaries paid to employees directly working with claims settlement and etc.), as well external expenses directly related to the insurance claims investigation (expertise, other investigation expenses and etc) and other to claims settlement directly related expenses.

Indirect expenses (rent and other related extra expenses) are allocated to claims settlement expenses based on the proportion of workspace used for this activity via versus total administration rented workspace. Other indirect expenses are allocated to claims settlement expenses based on the proportion of employees working directly with claims settlement via versus total number of employees in the administration.

Acquisition costs

Acquisition costs include costs incurred while concluding insurance contracts. Direct acquisition costs include commission and other payments to intermediaries, costs of preparation of insurance documents, wages for employees working directly with insurance contracts, related social insurance contribution costs and advertising costs.

Indirect acquisition costs (lease of premises and related additional costs) are classified as acquisition costs based on the proportion of the area used for these activities via versus total area of premises leased for administration purposes, while other indirect administrative costs are classified as acquisition costs based on the proportion of the number of employees directly engaged in acquisition via versus total administration personnel of the Bank and the Group.

Commission accrued for insurance policies not in force yet and commission for prepaid premiums is accounted for as deferred acquisition costs.

In case of unit-linked policy life insurance if period in which acquisition costs incurred (was recorded to accounting) does not coincide with period in which deductions from insurance agreements were made in purpose to cover these expenses, the commission for insurance agreements signed, which is recorded by the Bank and the Group in accounting during this and previous accounting periods and which is going to be recognized as expenses in future accounting periods when deductions from insurance agreements related to agreement‘s conclusion will be made, is presented as deferred acquisition cost.

Technical reserves

Technical insurance provisions are calculated in accordance with requirements of Lithuanian Insurance Supervisory Commission.

a) Unearned premiums technical provision
Unearned premiums technical provision represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Unearned premiums technical provision is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of unearned premiums technical provision attributable to the reinsurer is calculated by the same method.

b) Outstanding claims technical provision
Outstanding claims technical provision represents amounts provided at the end of the accounting period in respect of anticipatory benefits. Outstanding claims technical provision covers all anticipatory payments for reported and settled claims, incurred and not reported claims, including sums required for claims settlement according to all above mentioned claims.

Base for calculation of outstanding claims technical provision is an individual evaluation of every reported claim, according to the information available for the moment of calculation of this technical provision.

The part of outstanding claims provision for incurred, not reported claims is calculated using “chain-ladder” methodology for every insurance type separately.

The part of outstanding claims technical provision attributable to the reinsurer is calculated in accordance with reinsurance treaty.

When policyholder is relieved from obligation to pay insurance premiums in unit-linked insurance contract, outstanding claims provision is equal to sum of insurance premiums till the end of insurance contract. First day of every insurance premium payment period this provision is decreased.

c) Life insurance technical provision

Life insurance technical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance technical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. In the calculations the Bank and the Group applies Zillmer adjustment method. Thus deferred acquisition costs reduce life insurance technical reserve.

When computing the life insurance technical provision the Bank and the Group applies a mortality tables of general population of Lithuania from the years 1989 – 1990 and 1989 – 1993. 2.32% p.a. rate of interest is applied for agreements signed before 31 December 2001 and starting from 1 January 2003, 3.5% p.a. rate of interest - for agreements signed starting from 1 January 2002 to 31 December 2002.

Investment profit share assigned to the policyholders of valid survival insurance contracts is a part of life insurance technical provision. Investment profit share assigned to the policyholders is calculated as 85% of investment profit from the investment of life insurance technical provisions of survival insurance contracts less fixed interest, which is already assigned to the policyholder according to the terms of the policy and other costs.

d) Unit-linked life insurance technical provision

Unit-linked life insurance technical provision is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policyholder to cover expenses and the risk assumed. This technical provision is expressed in investment units, which are reprised in accordance with changes in market values of related investments. If policyholder is relieved of obligation to pay insurance premiums, unit-linked life insurance technical provision is calculated by increasing number of investment units according to terms and conditions of insurance contract.

Taxation

Income tax rate in Lithuania is 15%. The Bank and the Group charges the corporate income tax in accordance with Lithuanian tax regulations. In year 2007 taxable profit was subject to temporary social tax at rate 3 % (2006 – 4 %). The taxable base of social tax is the same as that of corporate income tax.

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets and liabilities are recognized 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 tax rates expected to be 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 three years and only be off-set against similar profits.

The Bank and the Group have not recognized a deferred income tax asset during 2007 and 2006 due to uncertainty over whether these assets will be realized in the future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences except to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

According to Lithuanian tax regulations, the Bank and the Group is also subject to payment of land lease, land and real estate taxes. Land lease tax rate stood at 1,5 - 4% of the value of the leased land. Land tax rate was 1,5 % of the value of the land owned by the Bank and the Group. Real estate tax was 1% of the taxable value (set by Lithuanian Cadastre and Register institution) of real estate owned by the Bank and the Group and rented from private persons.

Provisions for financial guarantees and off-balance sheet credit related commitments

In the normal course of business, the Bank and the Group enters into credit related commitments which are recorded in off-balance sheet accounts and primarily include financial guarantees, loan commitments and undrawn loan facilities. Provisions are made for estimated losses on these commitments when the Bank and the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent losses and gains

The amount of a contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that after taking into account any related probable recovery, an asset has been impaired or liability incurred at the balance sheet date and a reasonable estimate of an amount of the resulting loss can be made. Contingent gains are not recognised as income or as an asset in the financial statements.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting party.

Segment reporting

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Bank and the Group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by the Bank and the Group policy. Unallocated items mainly comprise administrative expenses.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the Bank and the Group's balance sheet. Segment assets and liabilities do not include income tax items.

Note 5. General Risk Policy and Management

At the end of the year a new Risk and Capital Policy was approved. The Policy is based on Hansabank Group Risk and Capital Policy and the Swedbank Group Risk and Capital Policy. The Policy provides guidelines about risk steering and management, risk control, risk and capital assessment, as well as capital management within the Bank and the Group. The Policy describes the relationship between risk and capital and how risk and capital management should support the business goals.

The Bank’s and the Group's risk and Capital Policy is based on the knowledge that the organization’s success depends on the effective handling, adequate evaluation and constant monitoring of risks. Risk assets must be well diversified and market risk must be limited. `Operational risks must be minimal. Both the methodical and the everyday risk management are built upon the principle of independence, which must guarantee an optimal balance between risks and revenue.

Risk management activities in 2007 were significantly affected by the preparation for New Capital Accord (Basel II) coming into force. A number of new risk management tools were implemented that allow quantifying credit risk in a more accurate and timely manner. With the help of those systems the Group is able to calculate risk for overwhelming majority of customers’ credit applications and existing credit contracts

Risk management continuously adjusted methodologies and the means used to hedge risks to meat the increasing volume of our business activities and the constant development of technology. Growing credit volumes require more accurate measurement in order to better discover and comprehend trends that might have a negative effect on asset quality.

The ongoing development and increasing usage of self-service channels require that we pay more attention to the stability and security of our technology.
The Bank and the Group follows these general principles of risk policy:

- Take risks only in areas that are familiar. Each employee should know the counterpart and fully understand the content of the individual transaction in order to be able to recognise the risks involved.
- Avoid taking excessively large transaction risks.
- Avoid taking risks in transactions which are open to significant legal risk or unclear accountability.
- To be proactive in areas with an insufficient control environment, in order to minimize excessive losses from processes, systems and personnel risks.
- To apply the highest confidentiality standards to the client information entrusted to us.
- Avoid transactions which may damage the Bank's reputation.
- Financial aspect – the risk must always be measured against the anticipated return.
- Anticipation of losses – the Group has to be proactive in managing risks.
- Co-operation with the customer – the employee should be ready to identify and evaluate risks together with the customer in order to find the most suitable solution for the customer as well as for the Bank.
- Business responsibility – the employee has a personal responsibility for the quality of the risk profile of the product or the counterpart.
- Sound risk control – the duality principle and separation of functions are the basic principles of managing risks.

The general principles of the Bank's and the Group Risk Management have stayed the same and the main target is to prevent large losses that could jeopardize the Bank's and the Group's equity. The taking and managing of all risks is based on conscious action. Hansabankas' Board holds responsibility for the implementation of risk policies in the business units and for any decrease in the Group's net asset. Inn addition, it has delegated risk movement to the following committees: the Risk Management Committee, the Credit Committee and ALMCO. The Board establishes risk management standards and the maximum risk tolerance limits. Hansabankas Risk Management Division is independent from other bank units and is not involved in business operations.

Main responsibilities of the Risk Management Division:

- Development of the Group risk measurement standards and risk reporting within the organization and to the Board and Council.
- Monitoring of risk tolerance and risk profile in the Group.
- Enforcement of risk policy.
- Mitigation (insurance, business continuity planning, IT risk management) of risks with catastrophic consequences (extremely large loss, low probability).
- Monitoring of risk management and control environment.

The overall risk management function in the Group is the responsibility of the Country Risk Officer. The Country Risk Officer is responsible for the implementation of common principles and methods for identifying, measuring, managing and reporting of various risks.

The whole decision-making process of the Bank and the Group is centralized and, in the case of significant risks, based on consensus. Risks taken in the various sub-divisions are decided in committees according to the authorized limits. These committees consist of members of the units' senior management and representatives of the risk management team. In the case of insignificant risks, individual competencies are applied, which usually means individual decisions.

Credit Risk

Credit risk management principles

Credit risk management is based on Hansabank Group Credit Policy and the Swedbank Group credit policy, which sets unified standards of credit activities for all Group companies. The policy sets the following principles:

- the credit must generally be serviced by cash flows from core activities;
- risk and return from each client relationship must be balanced;
- in the case of significant credits the decision makers must have a clear understanding of the client's creditworthiness and the purpose of the credit;
- Good credit history of our clients is required.

The basis for credit risk management is the adequate assessment of counterpart's creditworthiness. As a principle, potential counterparts shall receive a risk rating before any relevant credit decision is made. Risk rating is assigned by using a risk measurement system appropriate for the size and complexity of the underlying counterpart or transaction. The assessment of the counterpart is an important input in client relationship management – the higher the risk of the client, the more attention is paid to their credit solvency. After issuing a loan, the Group constantly monitors the client's credit solvency and the fair value of the collateral. Risk ratings of existing exposures have to be updated with an appropriate frequency and at least once a year. The Group will be more likely to find a satisfactory solution to solving a problem loan if the potential problem is identified at an early stage.

Internal risk ratings are an important tool in monitoring and controlling credit risk. Due to the importance of ensuring that internal risk evaluations are consistent and that they accurately reflect the quality of individual credit. Credit Department is responsible for setting risk ratings as defined in Hansabankas Rating System methodology, and Credit Risk Management Department is responsible for the approval of such ratings. Credit Risk Management Department is also responsible for designing evaluation tools, following up evaluations below the significance level.

In order to get an overview of the risks at portfolio level, the Risk Management Division performs an annual stress test, which focuses on the impact of various possible but unlikely events on the capital adequacy of the Bank. Such events include, among others, the possible increase of default rates due to macroeconomic environment, industry-specific changes and possible defaults of the largest exposures.

Credit risk measurement principles

For the purposes of individual risk assessment the Bank and the Group banking book is divided into five exposure classes, where risk is measured using appropriate risk rating system. Segmentation is largely based on legal form and size of the clients. For municipalities and sovereign exposures, Hansabankas uses a simplified approach whereby risks are measured either through external credit agency risk assessments or on a portfolio basis.

Hansabankas banking book has been divided into classes based on the following criteria:

- Banking institutions are identified according to the counterpart type being a bank or a financial institution holding a credit license awarded by appropriate governing body;
- Corporate clients are entities whose consolidated exposure in the Group exceeds 0.8 million Euros;
- Corporate SME (small or medium entities) clients are entities whose consolidated exposure in the Group is in the range of 0.2 to 0.8 million Euros;
- Retail SME clients are entities whose exposure in the Group is up to 0.2 million Euros;
- Private person exposures are identified based on the owner of the credit contract being a private person and further classified according to product groups (such as mortgages, leases, revolving credits and other exposures).

Exposures, as a principle, receive a probability of default (PD) rating for a 12-month period estimate. PD estimate refers to the probability that a counterpart will economically be unable to repay its debt or that it will be overdue with any significant credit for more than 90 days. With the exception of banking institutions, exposures receive a Loss Given Default (LGD) estimate, which indicates the size of a loss assuming that default has taken place. Retail exposures (retail SME and private persons) receive a Credit Conversion Factor (CCF) estimate, which indicates the portion of unused credit amount utilised at the moment of default.

Bank

Maximum Credit Risk Exposure

December 31, 2007 (in thousands of LTL)	2007 Lithuania	2006 Lithuania
Due from other financial institutions	1,526,998	1,443,633
Securities held to maturity	35,199	68,759
Loans*	13,911,028	9,886,327
Financial guarantees*	216,383	204,589
Undrawn facilities*	3,314,854	2,597,211
Total	**19,004,462**	**14,200,519**

* Gross amount

Collaterals Held as Security and Other Credit Enhancements

(in thousands of LTL)	2007 (fair value)	%	2006 (fair value)	%
Mortgage	18,916,486	45%	14,810,095	47%
Registered pledge	251,408	1%	115,669	-
Other movable pledge	2,591,802	6%	2,413,162	8%
State guarantee	146,938	-	162,972	1%
Guarantee	9,637,065	23%	7,166,286	23%
Deposit	516,894	1%	318,348	1%
Securities	376,377	1%	356,674	1%
Other	9,569,677	23%	6,233,685	19%
Total	**42,006,647**	**100%**	**31,576,891**	**100%**

Credit Risk Exposure on Loans by Geographic Areas

December 31, 2007 (in thousands of LTL)	Carrying amount before allowance	Allowance	Carrying amount after allowance
Estonia	202	-	202
Latvia	198	1	197
Lithuania	13,828,873	103,727	13,725,146
OECD countries	28,697	82	28,615
Other	53,058	455	52,603
Total	**13,911,028**	**104,265**	**13,806,763**
December 31, 2006 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Estonia	210	-	210
Latvia	736	1	735
Lithuania	9,859,750	86,915	9,772,835
OECD countries	22,060	107	21,953
Other	3,571	36	3,535
Total	**9,886,327**	**87,059**	**9,799,268**

Credit Risk Exposure on Loans by Industry

December 31, 2007 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Households	6,751,373	36,940	6,714,433
Real estate	2,605,185	12,921	2,592,264
Retail	1,282,011	10,785	1,271,226
Hospitality	396,464	1,370	395,094
Construction	263,259	2,473	260,786
Transportation	210,966	961	210,005
Forestry and agriculture	134,525	857	133,668
Other businesses	62,260	767	61,493
Municipalities	107,115	-	107,115
Other business lending	2,097,870	37,191	2,060,679
Total	**13,911,028**	**104,265**	**13,806,763**

December 31, 2006 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Households	4,485,670	22,330	4,463,340
Real estate	1,422,014	10,975	1,411,039
Retail	1,095,542	10,421	1,085,121
Hospitality	328,035	2,595	325,440
Construction	211,050	1,991	209,059
Transportation	181,048	1,231	179,817
Forestry and agriculture	87,159	685	86,474
Other businesses	42,946	550	42,396
Municipalities	85,850	-	85,850
Other business lending	1,947,013	36,281	1,910,732
Total	**9,886,327**	**87,059**	**9,799,268**

Group

Maximum Credit Risk Exposure

December 31 (in thousands of LTL)	**2007** **Lithuania**	**2006** **Lithuania**
Due from other financial institutions	1,527,357	1,444,251
Securities held to maturity	475,167	421,181
Loans*	18,561,974	12,747,991
Financial guarantees*	216,383	204,589
Undrawn facilities*	4,106,557	3,198,251
Total	**24,887,438**	**18,016,263**

* Gross amount

Collaterals Held as Security and Other Credit Enhancements

(in thousands of LTL)	**2007** **(fair value)**	**%**	**2006** **(fair value)**	**%**
Mortgage	20,085,283	37%	15,317,657	44%
Registered pledge	1,316,781	2%	1,607,278	5%
Other movable pledge	5,006,001	9%	3,243,906	9%
State guarantee	146,938	-	162,972	-
Guarantee	10,156,023	19%	7,541,260	22%
Deposit	516,894	1%	318,348	1%
Securities	376,377	1%	356,674	1%
Other	16,462,110	31%	6,278,226	18%
Total	**54,066,407**	**100%**	**34,826,321**	**100%**

Credit Risk Exposure on Loans by Geographic Areas

December 31, 2007 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Estonia	489	-	489
Latvia	2,088	22	2,066
Lithuania	18,472,512	147,918	18,324,594
OECD countries	33,416	132	33,284
Other	53,469	457	53,012
Total	**18,561,974**	**148,529**	**18,413,445**

December 31, 2006 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Estonia	233	-	233
Latvia	736	1	735
Lithuania	12,717,236	123,716	12,593,520
OECD countries	25,767	128	25,639
Other	4,019	38	3,981
Total	**12,747,991**	**123,883**	**12,624,108**

Credit Risk Exposure on Loans by Industry

December 31, 2007 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Households	7,006,273	39,462	6,966,811
Real estate	2,852,074	14,538	2,837,536
Retail	1,949,436	16,010	1,933,426
Hospitality	448,275	1,951	446,324
Construction	410,909	5,155	405,754
Transportation	1,541,143	10,697	1,530,446
Forestry and agriculture	306,008	2,051	303,957
Other businesses	1,306,039	12,212	1,293,827
Municipalities	116,826	12	116,814
Other business lending	2,624,991	46,441	2,578,550
Total	**18,561,974**	**148,529**	**18,413,445**

December 31, 2006 (in thousands of LTL)	**Carrying amount before allowance**	**Allowance**	**Carrying amount after allowance**
Households	4,597,731	23,259	4,574,472
Real estate	1,565,941	12,287	1,553,654
Retail	1,671,609	14,965	1,656,644
Hospitality	367,355	3,397	363,958
Construction	327,207	4,497	322,710
Transportation	1,073,867	9,799	1,064,068
Forestry and agriculture	216,061	2,453	213,608
Other businesses	663,484	7,811	655,673
Municipalities	97,858	3	97,855
Other business lending	2,166,878	45,412	2,121,466
Total	**12,747,991**	**123,883**	**12,624,108**

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficient large population of risks to reduce the variability of the expected outcome.

(a) Frequency and severity of claims
For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits.

(b) Sources of uncertainty in the estimation of future benefit payments and premiums receipts
Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

The Group uses appropriate base tables of standard mortality according to the type of contract being written.

Financial Risks

Financial Risks are risks where the Bank and the Group positions on or off-balance sheet are exposed to movements in the market factors such as interest rates, currency exchange rates, securities and commodities prices. Also liquidity risk is considered as a financial risk when the Bank and the Group is unable to fulfill its short-term obligations without incurring significant cost.

The cornerstone for the financial risk management is common risk taking and managing principles which are enforced by our Board in the form of well-communicated Policies and Principles.

Our financial risk portfolios have low risk profile, all positions are limited and transparent and all financial risk components are regulated, measured and related instruments covered with complete instructions. Financial risks undertaken shall be always weighted against expected returns.

Independent control for the Financial Risks is established by Market Risk Management reporting directly to the Board and is fully independent of any unit, which makes the decisions to engage into Financial Risk taking.

Asset-liability management

The Asset-Liability Management Committee (ALMCO) is responsible for defining the risk profile and asset-liability structure for Hansabankas within risk limits allocated by respective Swedbank Group Committee and Hansapank Group Financial Committee/ Group ALMCO. Hansabankas ALMCO is setting limits to VaR, liquidity, asset-liability structure, capitalization, equity risk, FX and interest rate positions, dividing risk limits between business units; setting limits for financial institutions, and individual limits on products with inherent market risk; approving market risk methodologies and regulations.

Treasury is executing the everyday asset-liability management through FX, liquidity, interest rate, maturity mismatch, capitalization and trading positions management. The Bank and the Group Market Risk Management independently monitors the Bank and the Group asset-liability risks and taken positions.

Liquidity risk

Liquidity risk arises when the Bank and the Group is unable to meet its obligations as they come due because its inability to realize its assets or obtain necessary funding. Liquidity risk also arises when the Bank and the Group is not able to liquidate its market positions without significantly lowering market prices.

The Bank and the Group liquidity strategy incorporates support of its subsidiaries in the areas of liquidity and capital management.

The Bank and the Group liquidity is affected by the following factors:

- The need to fulfill clients' short-term demands on cash and marketable securities,
- Access to capital markets,
- The ability to liquidate market positions.

Liquidity risk is regulated by Bank of Lithuania's liquidity ratio which should not be lower than 30%. The ALMCO also ensures that Bank's and the Group's liquid assets form at least 20% of its clients' funds. Liquid assets include cash, funds in the Central Bank and highly liquid OECD government bonds (realizable in 3 banking days). The following criteria are used to measure the liquidity position:

- Assets and liabilities by maturities,
- Funding proportions,
- Marketability of assets,
- Unutilized credit-lines.

In addition to customer deposits, other sources of funding for the Bank and the Group are various money and capital market instruments. Short-term instruments include overdraft and credit lines, inter-bank loans and deposits which range from overnight to 3 months, repo-agreements, the possibility to liquidate short-term positions in treasury securities, and clients' deposits, which have historically been a very stable funding source. Medium-term instruments are mainly bank loans and deposits with maturity of less than 5 years. Long-term funding consists of bank loans with maturity of over 5 years and shareholders' equity.

Currency risk

Currency risk arises from unfavourable movements in foreign exchange rates against the Lithuanian Litas (LTL).
The Bank and the Group treasury manages the currency risk based on the following limits:

- Open EUR position must be neutral (not limited by Central Bank),
- Open position in foreign currencies and precious metals may not exceed 15% of net own funds.
- The Bank and the Group FX positions are limited by aggregated VaR (FX and IR positions) limit.

Interest rate risk

The Bank and the Group Treasury manages the interest rate risk based on the following limits:

- Interest sensitivity limit: in the case of a +100bp parallel shift in all interest curves the decrease in the value of the Bank and the Group assets may not exceed 8 million Euros (includes 2 million euro sub-limit for mark-to-market assets).
- Aggregated VaR (FX and IR positions) limit.

Market risk

Exposure towards market risks arises from the positions, which are affected by the changes in the market parameters (interest rates, foreign exchange rates, prices of financial instruments and underlying securities). Responsibility for the engaging in the positions is undertaken by units who have the mandate for taking market risks. All positions taken must have a respective authorisation depending on the risk limits set. All risk limits and exposures are measured and reported by an independent Market Risk Management.

Market risk management pursues the following guidelines:

- Management of market risks is based on a Group-wide policy,
- All risk evaluation models are developed and updated centrally,
- Allocation of market risk limits is co-ordinated following the top-down principle and Group-wide risk concentration limits. The limits are established through a duality principle.

Technical management of the Market Risks in the Bank and the Group is centralized, i.e. all business units use a common IT platform for taking risk positions enabling real-time top-to-bottom risk monitoring.

Value at Risk (VaR) method is used in the evaluation of potential losses, which shows the maximum potential loss during one trading day from a certain portfolio based on a 99% probability. The analysis is based on the instrument's historic one-year non-weighted volatility. Non-linear risk is also limited and measured on daily basis by stress-testing.

The Bank and the Group is using integrated Swedbank VaR calculation methodology approved in the Group. All instruments bearing interest rate or foreign exchange risk are included into the VaR model and the risk estimations are calculated on the daily basis and delivered to the risk-taking units across the Bank and the Group. The Bank and the Group does not hold any equity trading or equity derivatives positions.

Sensitivity analyses (in thousands of LTL)		Change	**Group** 2007	**Group** 2006
Net interest income, 12 months				
	Increased interest rates	**+1%-p.p.**	68,365	63,186
	Decreased interest rates	**-1%-p.p.**	(87,356)	(78,724)
Change in value				
	Market interest rate	**+1%-p.p.**	(691)	(4,834)
		-1%-p.p.	691	4,834
	Exchange rates	**+5 %**	(13,121)	(19,336)
		-5 %	13,121	19,336

Risk measurement and evaluation models are regularly benchmarked by back-testing by comparing the daily revaluation profit/loss from positions with the respective potential risk. The Market Risk Management together with the Group Market Risk Management regularly reviews the evaluation models being used, and analyses new models that could improve the current risk evaluation process. Market Risk Management co-operates with the business units in developing new products, which enable the customer to hedge their market risks, or to transfer those risks into an acceptable form.

Operational risk

Risk management principles

Based on operational risk policies, the Bank and the Group seeks to maintain the lowest possible risk level, at the same time bearing in mind not to exceed a reasonable cost level. The Bank and the Group will not take any unmanageable or unlimited risks even if these could result in improved earnings.

For performing transactions, specific limits and requirements are set out in writing in the procedures or in a separate decree. In order to reduce risks arising from human error and fraud, the Bank and the Group applies the duality principle, whereby all transactions or operations have to be accepted by at least two independent employees.

The Bank and the Group considers that increasing every employee's risk awareness is the basis of effective management of operational risks. Taking the responsibility for risk management to business units, increasing every employee's risk awareness, and establishing a strong control environment, are the main means of preventing everyday losses. Since year 2002 the Bank and the Group has used the internationally accepted method – Control Self Assessment (CSA) system – to map and manage operational risk. In accordance with the CSA method, risks are assessed and managed in Group business units – the actual places where they are created. According to CSA identification, assessment and monitoring of risks is the task and responsibility of the business units, while the risk management units have a consulting, assisting and summarizing role. This method lowers the share of external control and incorporates all Group's employees in the risk assessment process, thus creating a better foundation for a general understanding of risks. In addition to self assessment the credit control function and the Bank branch network control function have been created to prevent risks.

The Bank and the Group has implemented a business continuity policy and process that helps to mitigate losses from events that have a low probability of occurrence but a strong negative influence. The business continuity policy has been renewed in 2007 and Business Continuity Committee has been established. For incidents related to IT as well as physical damage of the Bank and the Group headquarter, the Bank and the Group has outlined continuity scenarios and specific action-plans. The Bank and the Group performs the testing of business contingency plans annually.

Risk profile

Due to continuing automation and the high use of e-channels, the Bank's and the Group's general risk profile is becoming increasingly IT-centric. In order to mitigate IT risks the Bank and the Group together with Hansabank Group improve existing IT processes and started implementation of additional processes. External risk level in e-banking environment is increasing, too. But the Bank and the Group already implemented new technologies for protections of e-banking services users from third persons' illegal actions such as chip technology for payment cards, PIN calculators for internet banking and etc. Improvement of e-banking services' security level is constant process in the Bank and the Group. The Bank and the Group uses risk insurance in the case of high risk and so-called residual risk, which if realized could cause a large loss, but is impossible or economically inefficient to diversify internally.

Note 6. Interest Income, net

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Interest income				
For financial assets that are at fair value through P/L:	**60,696**	**56,475**	**32,469**	**30,073**
Securities portfolio	51,070	48,188	29,146	26,867
Derivatives	9,626	8,287	3,323	3,206
For financial assets that are not at fair value through P/L:	**757,486**	**1,022,100**	**472,499**	**590,089**
Loans	711,373	692,759	426,870	380,166
Leasing	-	229,945	-	126,338
Securities portfolio	3,047	22,155	3,995	19,765
Correspondent accounts	34,696	34,696	32,508	32,508
Factoring	-	34,173	-	22,185
Banks' deposits and loans	8,370	8,372	9,083	9,084
Other	-	-	43	43
Total interest income	**818,182**	**1,078,575**	**504,968**	**620,162**
Interest expenses				
For financial liabilities that are at fair value through P/L:	**(5,993)**	**(5,796)**	**(2,085)**	**(2,066)**
Derivatives	(5,993)	(5,796)	(2,085)	(2,066)
For financial liabilities that are not at fair value through P/L:	**(336,396)**	**(482,490)**	**(207,603)**	**(241,748)**
Banks' deposits and loans	(144,459)	(291,296)	(79,748)	(115,296)
Deposits	(191,556)	(191,172)	(127,576)	(127,376)
▪ Demand deposits	(36,980)	(36,631)	(29,479)	(29,290)
▪ Time deposits	(106,158)	(106,103)	(60,153)	(60,122)
▪ Guarantee Fund	(48,418)	(48,438)	(37,944)	(37,964)
Other	(381)	(22)	(279)	924
Total interest expense	**(342,389)**	**(488,286)**	**(209,688)**	**(243,814)**
Interest income, net	**475,793**	**590,289**	**295,280**	**376,348**

Note 7. Fees and Commissions, net

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Fee and commission income				
From financial assets that are at fair value through P/L:	**99,198**	**110,804**	**79,929**	**84,615**
Transfers	51,859	51,327	43,422	42,976
Brokerage and investment services	18,749	30,887	10,763	15,895
Cash services	28,590	28,590	25,744	25,744
From financial assets that are not at fair value through P/L:	**118,338**	**125,812**	**96,541**	**99,161**
Bank cards	74,573	74,572	55,841	55,841
Factoring	-	12,404	-	9,862
Loan management and guarantees	10,240	10,969	8,265	8,286
Other e-channels	7,092	6,632	5,631	5,296
Custody	6,177	5,988	5,644	5,348
Insurance brokerage	7,082	2,682	10,105	3,332
Leasing	1,182	529	355	481
Other	11,992	12,036	10,700	10,715
Total fee and commission income	**217,536**	**236,616**	**176,470**	**183,776**
Fee and commission expense				
From financial liabilities that are at fair value through P/L:	**(17,880)**	**(19,697)**	**(11,732)**	**(12,361)**
Encashment and cash services	(13,601)	(13,601)	(9,602)	(9,602)
Securities transactions charges	(4,279)	(6,096)	(2,130)	(2,759)
From financial liabilities that are not at fair value through P/L:	**(39,811)**	**(47,110)**	**(27,254)**	**(31,616)**
Payment cards services	(25,896)	(25,896)	(16,179)	(16,179)
Settlements	(7,711)	(8,012)	(6,742)	(7,017)
Loan management and guarantees	(2,917)	(2,918)	(1,827)	(1,827)
Other	(3,287)	(10,284)	(2,506)	(6,593)
Total fee and commission expense	**(57,691)**	**(66,807)**	**(38,986)**	**(43,977)**
Fees and commissions, net	**159,845**	**169,809**	**137,484**	**139,799**

Note 8. Net Financial Gains and Losses

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Financial assets held for trading	**93,771**	**95,430**	**45,663**	**50,507**
FX and Bonds	79,254	80,913	42,811	47,655
Options and futures	14,517	14,517	2,852	2,852
Financial assets designated at fair value through P/L	**-**	**93**	**-**	**59**
Dividends	-	93	-	59
Held-to-maturity investments	**564**	**11**	**925**	**3**
Dividends	564	11	925	3
Loans and receivables	**101**	**101**	**225**	**225**
Total net financial gains and losses	**94,436**	**95,635**	**46,813**	**50,794**

Note 9. Interest Productivity of the Balance Sheet

Bank

(in thousands of LTL)	2007			2006		
	Average balance	Interest and dividends	Average interest rate, %	Average balance	Interest and dividends	Average interest rate, %
Assets						
Cash	332,293	-	-	275,174	-	-
Due from Central Bank	766,126	9,226	1.20	602,073	5,144	0.85
Due from other financial institutions	1,034,988	33,840	3.27	1,186,903	36,447	3.07
Securities	2,111,441	54,117	2.56	1,293,675	33,141	2.56
Derivatives	56,400	-	-	3,705	-	-
Loans						
Loans and overdraft	11,817,079	711,373	6.02	9,325,737	426,870	4.58
- Allowance for credit losses	(95,249)	-	-	(76,087)	-	-
Other assets	156,547	-	-	154,406	-	-
Total assets	**16,179,625**	**808,556**	-	**12,765,586**	**501,602**	-
Liabilities						
Due to other financial institutions	3,001,965	126,995	4.23	2,585,850	76,643	2.96
Deposits*						
Demand deposits	7,433,548	81,052	1.09	6,135,142	43,488	0.71
Time deposits	3,608,831	110,504	3.06	2,704,065	84,088	3.11
Subordinated loans	355,911	17,464	4.91	96,678	3,104	3.21
Other liabilities and shareholders' equity	1,779,370	-	-	1,243,851	-	-
Total liabilities and shareholders' equity	**16,179,625**	**336,015**	-	**12,765,586**	**207,323**	-

*The Guarantee Fund expense has been proportionally allocated to demand and time deposits.

Group

(in thousands of LTL)	2007			2006		
	Average balance	Interest and dividends	Average interest rate, %	Average balance	Interest and dividends	Average interest rate, %
Assets						
Cash	341,848	-	-	275,207	-	-
Due from Central Bank	799,890	9,226	1.15	602,073	5,144	0.85
Due from other financial institutions	1,117,387	33,842	3.03	1,187,378	36,448	3.07
Securities	2,732,616	70,343	2.57	1,598,451	46,632	2.92
Derivatives	61,240	-	-	3,687	-	-
Loans						
Loans and overdraft	11,643,553	692,759	5.95	7,667,056	380,166	4.96
Leasing and factoring	4,415,444	264,118	5.98	2,813,128	148,523	5.28
- Allowance for credit losses	(101,646)	-	-	(114,037)	-	-
Other assets	508,579	-	-	393,925	-	-
Total assets	**21,518,911**	**1,070,288**	-	**14,426,868**	**616,913**	-
Liabilities						
Due to other financial institutions	7,074,853	273,832	3.87	3,635,225	112,192	3.09
Deposits*						
Demand deposits	7,533,691	69,054	0.92	6,114,924	43,294	0.71
Time deposits	3,732,937	122,168	3.27	2,702,301	84,081	3.11
Subordinated loans	384,123	17,464	4.55	96,678	3,104	3.21
Other liabilities and shareholders' equity	2,793,307	-	-	1,877,740	-	-
Total liabilities and shareholders' equity	**21,518,911**	**482,518**	-	**14,426,868**	**242,671**	-

*The Guarantee Fund expense has been proportionally allocated to demand and time deposits

Note 10. Net Income from Insurance Activities

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Premiums written	-	324,770	-	169,163
Unit linked equity trading	-	6,070	-	-
Indemnities	-	(40,308)	-	(12,624)
Change in provisions for insurance	-	(254,076)	-	(141,958)
Total net income from insurance	-	**36,456**	-	**14,581**

Note 11. Other Operating Income

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Income for restoration of deposits	12,321	12,321	5,896	5,896
Late penalty charges	2,199	8,028	1,268	5,629
Profit from disposal of equity investments	7,178	7,102	1,606	1,606
Income from sold services	7,702	5,036	3,883	1,861
Rental income	385	3,085	455	2,498
Profit from disposal of property	1,946	2,024	710	740
Retrievable	83	83	2,361	2,361
Other	630	7	1,170	1,511
Total other operating income	**32,444**	**37,686**	**17,349**	**22,102**

Note 12. *Personnel Expenses*

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Salaries and compensations	119,361	134,015	92,278	104,797
Bonus reserve	48,397	56,271	34,757	40,593
Social insurance charges	30,271	34,376	23,291	26,832
Total personnel expenses	**198,029**	**224,662**	**150,326**	**172,222**
Number of employees, end of period	3,293	3,607	2,876	3,177
Number of employees, average for the period	3,141	3,499	2,681	3,037

Note 13. *Data Network Expenses*

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Maintenance	24,303	26,151	16,358	17,068
Development	15,347	18,538	9,761	11,252
Hardware	6,898	6,973	6,311	6,448
Software	185	185	46	46
Total data network expenses	**46,733**	**51,847**	**32,476**	**34,814**

Note 14. *Administrative Expenses*

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Office expenses	33,129	33,721	25,328	25,990
Professional services	11,370	14,422	6,199	8,427
Communications	6,954	9,084	5,788	7,874
Security	7,008	7,013	5,883	5,889
Supplies	3,889	4,377	2,415	2,816
Transportation, car lease	2,823	2,126	2,506	1,976
Insurance	885	976	905	954
Other	123	158	171	210
Total administrative expenses	**66,181**	**71,877**	**49,195**	**54,136**

Note 15. *Operating Lease Arrangements*

Bank

(in thousands of LTL)	**2007**	**2006**
Non-cancellable operating leases:		
within 1 year	1,653	1,653
1 to 5 years	4,958	6,611
over 5 years	-	-
Total operating lease arrangements	**6,611**	**8,264**

Note 16. Other Expenses

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Marketing	4,103	6,574	3,147	5,892
Promotion	5,842	6,098	3,956	4,066
Training	4,226	5,161	2,570	3,120
Representation	3,878	4,615	3,010	3,868
Business trips	2,079	2,419	2,080	2,329
Sponsorship	1,783	2,391	1,410	1,766
Taxes	4,733	5,410	2,882	3,497
Other	3,248	3,533	2,114	2,346
Total other expenses	**29,892**	**36,201**	**21,169**	**26,884**

Note 17. Income Tax

(in thousands of LTL)	2007			
	Bank	**%**	**Group**	**%**
Profit before tax	385,299	-	498,910	-
Income tax at the statutory income tax rate	69,354	18	89,804	18
Non-deductible expenses	4,548	1	47,036	9
Non-taxable income and tax incentives	(2,902)	(1)	(50,571)	(10)
Effect of tax losses utilised	-	-	125	-
Changes in deferred tax	(15)	-	(149)	-
Total tax expense charge to income statement	**70,985**	**18**	**86,245**	**17**

(in thousands of LTL)	2006			
	Bank	**%**	**Group**	**%**
Profit before tax	213,675	-	270,310	-
Income tax at the statutory income tax rate	40,598	19	51,436	19
Non-deductible expenses	2,998	1	38,842	14
Non-taxable income and tax incentives	(1,900)	(1)	(34,066)	(13)
Effect of tax losses utilised	(7,508)	(3)	(9,219)	(3)
Changes in deferred tax	-	-	(174)	-
Total tax expense charge to income statement	**34,188**	**16**	**46,819**	**17**

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Current tax expense	71,000	86,394	34,188	46,959
Deferred tax expense relating to the origination and reversal of temporary differences	(15)	(149)	-	(140)
Total tax expense	**70,985**	**86,245**	**34,188**	**46,819**

Note 18. Due from Other Financial Institutions

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Deposits	1,393,154	1,393,513	435,375	435,993
Correspondent accounts and overnight deposit	133,405	133,405	1,008,258	1,008,258
Loans	439	439	-	-
Total due from other financial institutions	**1,526,998**	**1,527,357**	**1,443,633**	**1,444,251**

Note 19. Financial Assets Designated at fair value through profit and loss

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Financial assets held for trading	**209,072**	**254,642**	**1,560,675**	**1,601,479**
Derivatives	85,992	85,835	14,810	14,768
Government bonds	83,326	84,820	1,316,959	1,251,942
Repos	24,555	24,555	-	-
Debt securities	15,199	15,368	228,906	299,922
Fund participations	-	44,064	-	34,847
Financial assets designated at fair value	**2,189,617**	**2,499,298**	**-**	**107,198**
Government bonds	193,568	193,568	-	17,812
Debt securities	1,996,049	1,996,049	-	-
Fund participations	-	308,436	-	87,771
Equity securities	-	1,245	-	1,615
Total financial assets designated at fair value	**2,398,689**	**2,753,940**	**1,560,675**	**1,708,677**

Note 20. Held-to-maturity Securities

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Government bonds	35,199	449,500	68,759	249,865
Debt securities	-	25,667	-	171,316
Total held-to-maturity investments	**35,199**	**475,167**	**68,759**	**421,181**

Note 21. Investments in subsidiaries

December 31 (in thousands of LTL)	**Country**	**Bank's voting power (%)**	**No. of shares**	**Nominal value**	**Original currency**	**Acquisition Cost 2007**	**Acquisition Cost 2006**
UAB Hansa Lizingas	Lithuania	100	155,539	15,554	LTL	19,432	19,432
UAB Hansa gyvybės draudimas	Lithuania	100	100,000	10,000	LTL	69,842	69,842
UAB Hansa Investicijų valdymas	Lithuania	100	3,800	3,800	LTL	5,598	5,598
UAB Baltijos Autolizingas	Lithuania	100	1,000	10	LTL	5,275	5,275
UAB Hansa Valda	Lithuania	100	20,000	2,000	LTL	2,000	2,000
UADBB Hansa Draudimo Brokeris	Lithuania	100	520	52	LTL	52	-
UADBB Investiciju draudimo brokeris	Lithuania	100	500	200	LTL	-	883
Total subsidiaries of the Bank						**102,199**	**103,030**

Note 22. Loans

Distribution of Loans by Product

(in thousands of LTL)	2007		2006	
	Bank	Group	Bank	Group
Loans	13,460,409	12,933,263	9,579,113	9,033,522
Finance leases	-	4,380,109	-	2,871,351
Overdraft	450,619	450,619	290,538	290,538
Factoring	-	797,983	-	535,904
Repos	-	-	16,676	16,676
Gross lending to customers	**13,911,028**	**18,561,974**	**9,886,327**	**12,747,991**
Specified loan-loss allowance	(104,265)	(148,529)	(87,059)	(123,883)
Net lending to customers	**13,806,763**	**18,413,445**	**9,799,268**	**12,624,108**

Geographic Distribution of Loans

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Estonia	202	489	210	233
Latvia	198	2,088	736	736
Lithuania	13,828,873	18,472,512	9,859,750	12,717,236
OECD	28,697	33,416	22,060	25,767
Other	53,058	53,469	3,571	4,019
Gross loans	**13,911,028**	**18,561,974**	**9,886,327**	**12,747,991**
Specified loan-loss allowance	(104,265)	(148,529)	(87,059)	(123,883)
Net loans	**13,806,763**	**18,413,445**	**9,799,268**	**12,624,108**

Loan Portfolio by Sectors

(in thousands of LTL)	2007			
	Bank	**%**	**Group**	**%**
Individuals	6,750,891	48.5	7,005,737	37.7
Student loans	536	-	536	0
Wholesale and retailing	1,282,011	9.2	2,059,442	11.1
Industry	1,306,448	9.4	2,335,308	12.6
Real estate management and other business services	2,605,185	18.7	2,891,164	15.5
Transport and communications	210,966	1.5	1,597,065	8.6
Energy	224,091	1.6	252,224	1.4
Municipalities and government	107,115	0.8	121,702	0.7
Agriculture and forestry	134,525	1.0	306,008	1.6
Construction	263,259	1.9	423,429	2.3
Hotels and restaurants	396,464	2.9	456,715	2.5
Finance and insurance	479,424	3.4	9,357	0.1
Other	150,113	1.1	1,103,287	5.9
Total	**13,911,028**	**100**	**18,561,974**	**100**

(in thousands of LTL)	2006			
	Bank	**%**	**Group**	**%**
Individuals	4,484,992	45.4	4,597,053	36.1
Student loans	678	-	678	-
Wholesale and retailing	1,095,542	11.1	1,671,609	13.1
Industry	1,075,986	10.9	1,841,868	14.4
Real estate management and other business services	1,422,014	14.4	1,565,941	12.3
Transport and communications	181,048	1.8	1,073,867	8.4
Energy	204,824	2.1	226,975	1.8
Municipalities and government	85,850	0.9	97,858	0.8
Agriculture and forestry	87,159	0.9	216,061	1.7
Construction	211,050	2.1	327,207	2.6
Hotels and restaurants	328,035	3.3	367,355	2.9
Finance and insurance	538,703	5.4	13,650	0.1
Other	170,446	1.7	747,869	5.8
Total	**9,886,327**	**100**	**12,747,991**	**100**

Finance Lease Distribution by Maturity

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Leasing portfolio distribution by maturity			-	
Up to 1 year	-	1,716,377	-	1,500,556
1 to 5 years	-	2,305,224	-	1,338,586
Over 5 years	-	358,508	-	32,209
Total finance leasing portfolio	**-**	**4,380,109**		**2,871,351**
Future periods' interest income distribution by maturity				
Up to 1 year	-	274,525	-	161,213
1 to 5 years	-	399,600	-	228,171
Over 5 years	-	77,260	-	45,253
Total finance leasing portfolio	**-**	**751,385**	-	**434,637**
Gross investment distribution by maturity			-	
Up to 1 year	-	1,990,902	-	1,661,769
1 to 5 years	-	2,704,824	-	1,566,757
Over 5 years	-	435,768	-	77,462
Total gross investments	**-**	**5,131,494**	-	**3,305,988**

Note 23. Allowance for Loan Losses

Allowance for Loan Losses by Class of Financial Asset

(in thousands of LTL)	**Bank**	**Group**
Balance, as of 31.12.05	**63,185**	**97,245**
Loan losses	23,874	26,638
Balance, as of 31.12.06	**87,059**	**123,883**
Loan losses	17,206	24,646
Balance, as of 31.12.07	**104,265**	**148,529**

Loans Overdue

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Total loans overdue, 31.12	**543,975**	**1,217,229**	**359,567**	**1,134,928**
Up to 30 days	908,654	1,665,623	412,196	1,112,316
31 to 60 days	17,772	61,475	7,126	34,817
Over 60 days	49,420	55,817	41,521	61,108
Total loans overdue, 31.03	**975,846**	**1,782,915**	**460,843**	**1,208,241**
Up to 30 days	957,439	2,026,517	476,535	1,368,035
31 to 60 days	30,889	61,938	13,386	30,367
Over 60 days	51,804	60,731	40,590	54,796
Total loans overdue, 30.06	**1,040,132**	**2,149,186**	**530,511**	**1,453,198**
Up to 30 days	1,127,882	2,810,421	642,600	1,943,698
31 to 60 days	27,186	61,923	8,128	46,890
Over 60 days	62,210	69,623	47,284	62,600
Total loans overdue, 30.09	**1,217,278**	**2,941,967**	**698,012**	**2,053,188**
Up to 30 days	1,061,876	2,178,017	488,422	1,146,663
31 to 60 days	22,959	39,561	8,563	19,406
Over 60 days	83,191	93,902	46,990	51,160
Total loans overdue, 31.12	**1,168,026**	**2,311,480**	**543,975**	**1,217,229**
Loan portfolio as at the end of period	**13,911,028**	**18,561,974**	**9,886,327**	**12,747,991**
Average loan portfolio	11,238,689	15,571,884	9,161,858	10,427,339
Risk cost	0.02%	0.01%	(0.12)%	(0.03) %
Allowance for credit losses / loan portfolio	(0.75)%	(0.80)%	(0.88)%	(0.97)%
Loans overdue / loan portfolio	8.40%	12.45%	5.50%	9.60%
Over 60 days / loan portfolio	0.60%	0.51%	0.50%	0.40%
Recoveries during the Year	3,441	5,323	13,726	15,581

Allowance for Loan Losses

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Balance, as of 31.12	**(87,059)**	**(123,883)**	**(63,185)**	**(97,245)**
Write-offs	804	1,609	259	918
Loan losses	(3,053)	(6,508)	(5,627)	(7,928)
Balance, as of 31.03	**(89,308)**	**(128,782)**	**(68,553)**	**(104,255)**
Write-offs	1,645	2,279	368	890
Loan losses	(4,160)	(7,731)	(9,277)	(14,036)
Balance, as of 30.06	**(91,823)**	**(134,234)**	**(77,462)**	**(117,401)**
Write-offs	1,182	2,157	847	1,150
Loan losses	(10,762)	(12,754)	(7,562)	(11,148)
Balance, as of 30.09	**(101,403)**	**(144,831)**	**(84,177)**	**(127,399)**
Write-offs	1,801	2,542	928	9,997
Loan losses	(4,663)	(6,240)	(3,810)	(6,481)
Balance, as of 31.12	**(104,265)**	**(148,529)**	**(87,059)**	**(123,883)**

Write-off by Industries

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Industry	643	1,585	9	9,028
Construction	-	46	16	95
Private individuals	3,715	3,826	1,969	2,083
Retail and wholesale	1,002	1,295	405	626
Service	-	-	-	-
Transport	52	561	-	396
Other	20	1,274	3	727
Total	**5,432**	**8,587**	**2,402**	**12,955**

Note 24. Other Assets

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Lease receivables	-	257,602	-	123,194
Due from customers	5,135	45,803	5,927	34,597
Prepayments to companies	26,420	27,255	11,897	12,735
Amounts in transit	19,176	19,813	19,072	19,072
Due from insurance activities	-	1,341	-	1,308
Prepayments to state budget	-	357	-	593
Amounts under clarification	309	309	5,874	5,874
Other	343	16,931	1,295	19,656
Total other assets	**51,383**	**369,411**	**44,065**	**217,029**

Note 25. Tangible Assets

Bank

December 31, 2007 (in thousands of LTL)	**Buildings**	**Equipment and other**	**Construction in progress**	**Total**
Cost / revaluated value				
Balance at the beginning of the year	83,486	84,674	3,195	**171,355**
Additions	-	16,988	3,004	**19,992**
Reclassification	4,128	-	(4,128)	**-**
Disposals	(7,037)	(3,016)	-	**(10,053)**
Write-offs	-	(4,888)	(264)	**(5,152)**
Balance at the end of the year	**80,577**	**93,758**	**1,807**	**176,142**
Depreciation				
Balance at the beginning of the year	279	58,666	-	**58,945**
Depreciation charge for the year	3,199	11,473	-	**14,672**
Disposals	(140)	(1,943)	-	**(2,083)**
Write-offs	-	(4,865)	-	**(4,865)**
Balance at the end of the year	**3,338**	**63,331**	**-**	**66,669**
Net book value				
Balance at the beginning of the year	83,207	26,008	3,195	**112,410**
Balance at the end of the year	77,239	30,427	1,807	**109,473**
Useful life of assets (in years)	12.5-25	2 – 15		

The depreciation charge for the year is included in depreciation and amortization expenses in the income statement.

The carrying value of the vehicles acquired by the Bank under finance lease agreements as of 31 December 2007 was LTL'000 9,117. (31 December 2006: 8,162)

Bank

December 31, 2006 (in thousand of LTL)	**Buildings**	**Equipment and other**	**Construction in progress**	**Total**
Cost / revaluated value				
Balance at the beginning of the year	90,148	73,705	1,380	**165,233**
Additions	2	16,256	2,240	**18,498**
Fixed assets revaluation	13,585	-	-	**13,585**
Reclassification	425	-	(425)	**-**
Disposals	(2,891)	(2,543)	-	**(5,434)**
Write-offs	(17,657)	(2,744)	-	**(20,401)**
Impairment charge	(126)	-	-	**(126)**
Balance at the end of the year	**83,486**	**84,674**	**3,195**	**171,355**
Depreciation				
Balance at the beginning of the year	14,077	50,972	-	**65,049**
Depreciation charge for the year	3,551	12,205	-	**15,756**
Disposals	(449)	(2,267)	-	**(2,716)**
Write-offs	(16,900)	(2,244)	-	**(19,144)**
Balance at the end of the year	**279**	**58,666**	**-**	**58,945**
Net book value				
Balance at the beginning of the year	76,071	22,733	1,380	**100,184**
Balance at the end of the year	83,207	26,008	3,195	**112,410**
Useful life of assets (in years)	12.5-25	2 – 15		

The depreciation charge for the year is included in depreciation and amortization expenses in the income statement.

Group

December 31, 2007 (in thousands of LTL)	**Land**	**Buildings**	**Equipment and other**	**Construction**	**Total**
Cost / revaluated value					
Balance at the beginning of the year	12,817	105,653	95,982	7,593	**222,045**
Additions	-	-	30,964	13,850	**44,814**
Reclassification	-	4,128	(1,923)	(2,205)	**-**
Disposals	-	(7,037)	(5,559)	-	**(12,596)**
Write-offs	-	-	(5,140)	(264)	**(5,404)**
Balance at the end of the year	**12,817**	**102,744**	**114,324**	**18,974**	**248,859**
Depreciation					
Balance at the beginning of the year	-	3,146	63,761	-	**66,907**
Depreciation charge for the year	-	3,971	12,859	-	**16,830**
Disposals	-	(140)	(3,243)	-	**(3,383)**
Write-offs	-	-	(5,117)	-	**(5,117)**
Balance at the end of the year	**-**	**6,977**	**68,260**	**-**	**75,237**
Net book value					
Balance at the beginning of the year	12,817	102,507	32,221	7,593	**155,138**
Balance at the end of the year	12,817	95,767	46,064	18,974	**173,622**
Useful life of assets (in years)		12.5-25	2 – 15		

The depreciation charge for the year is included in depreciation and amortization expenses in the income statement.

Group

December 31, 2006 (in thousand of LTL)	**Land**	**Buildings**	**Equipment and other**	**Construction**	**Total**
Cost / revaluated value					
Balance at the beginning of the year	-	107,398	95,214	1,654	**204,266**
Additions	-	212	20,655	6,364	**27,231**
Fixed assets revaluation		18,968	-	-	**18,968**
Reclassification	12,817	425	(12,817)	(425)	**-**
Disposals	-	(2,891)	(4,059)	-	**(6,950)**
Write-offs	-	(17,657)	(3,011)	-	**(20,668)**
Impairment charge	-	(802)	-	-	**(802)**
Balance at the end of the year	**12,817**	**105,653**	**95,982**	**7,593**	**222,045**
Depreciation					
Balance at the beginning of the year	-	16,361	55,768	-	**72,129**
Depreciation charge for the year	-	4,134	13,437	-	**17,571**
Disposals	-	(449)	(2,927)	-	**(3,376)**
Write-offs	-	(16,900)	(2,517)	-	**(19,417)**
Balance at the end of the year	**-**	**3,146**	**63,761**	**-**	**66,907**
Net book value					
Balance at the beginning of the year	-	91,037	39,446	1,654	**132,137**
Balance at the end of the year	12,817	102,507	32,221	7,593	**155,138**
Useful life of assets (in years)		12.5 - 25	2 - 15		

The depreciation charge for the year is included in depreciation and amortization expenses in the income statement.

Note 26. Intangible Assets

Bank

31 December , 2007 (in thousands of LTL)	**Licenses**
Cost	
Balance at the beginning of the year	6,465
Additions	990
Balance at the end of the year	**7,455**
Amortisation	
Balance at the beginning of the year	6,064
Amortisation charge for the year	366
Balance at the end of the year	**6,430**
Net book value	
Balance at the beginning of the year	401
Balance at the end of the year	1,025
Useful life of assets (in years)	3

31 December , 2006 (in thousand of LTL)	**Licences**
Cost	
Balance at the beginning of the year	6,239
Additions	226
Balance at the end of the year	**6,465**
Amortisation	
Balance at the beginning of the year	5,777
Amortisation charge for the year	287
Balance at the end of the year	**6,064**
Net book value	
Balance at the beginning of the year	462
Balance at the end of the year	401
Useful life of assets (in years)	3

Group

December 31, 2007 (in thousands of LTL)	Goodwill	Licenses	Total
Cost			
Balance at the beginning of the year	44,807	7,699	**52,506**
Additions	-	1,094	**1,094**
Elimination of fully amortised asset	-	(61)	**(61)**
Disposals	-	(30)	**(30)**
Balance at the end of the year	**44,807**	**8,702**	**53,509**
Amortisation			
Balance at the beginning of the year	-	7,286	**7,286**
Amortisation charge for the year	-	383	**383**
Elimination of fully amortised asset	-	(61)	**(61)**
Disposals	-	(29)	**(29)**
Balance at the end of the year	**-**	**7,579**	**7,579**
Net book value			
Balance at the beginning of the year	44,807	413	**45,220**
Balance at the end of the year	44,807	1,123	**45,930**
Useful life of assets (in years)		3	

December 31, 2006 (in thousand of LTL)	Goodwill	Licences	Total
Cost			
Balance at the beginning of the year	49,329	7,511	**56,840**
Additions	-	235	**235**
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(4,522)	-	**(4,522)**
Elimination of fully amortised goodwill	**-**	(47)	**(47)**
Balance at the end of the year	**44,807**	**7,699**	**52,506**
Amortisation			
Balance at the beginning of the year	4,522	7,026	**11,548**
Amortisation charge for the year	-	307	**307**
Elimination of fully amortised goodwill	**-**	(47)	**(47)**
Elimination of amortisation accumulated prior to the adoption of IFRS 3	(4,522)	-	**(4,522)**
Balance at the end of the year	**-**	**7,286**	**7,286**
Net book value			
Balance at the beginning of the year	44,807	485	**45,292**
Balance at the end of the year	44,807	413	**45,220**
Useful life of assets (in years)		3	

Note 27. Pledged Financial Assets

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Compulsory reserve in the Central Bank	793,875	793,875	598,067	598,067
Trade finance	140	140	240	240
Total pledged assets	**794,015**	**794,015**	**598,307**	**598,307**

Note 28. Due to Other Financial Institutions

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Correspondent accounts	54,859	54,859	71,663	71,663
Deposits	4,344,193	4,344,193	2,158,639	2,158,635
Loans	6,345	4,618,828	6,324	2,719,258
Total due to other financial institutions	**4,405,397**	**9,017,880**	**2,236,626**	**4,949,556**

Details of the Loans from Other Financial Institutions

December 31, 2007
(in thousands of LTL)

Lender	Currency	Maturity				
		Total	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Interest rate**
Bank						
AS Hansapank	EUR	6,345	6,345	-	-	EURS6MBOR
Group						
AS Hansapank	EUR	6,345	6,345	-	-	EURS6MBOR
Swedbank, Stockholm	EUR	208,885	-	208,885	-	2.62%
Swedbank, Stockholm	EUR	34,583	34,583	-	-	2.88%
Swedbank, Stockholm	EUR	702,213	-	702,213	-	6M EURIBOR+6bp
Swedbank, Stockholm	EUR	139,855	139,855	-	-	3.20%
Swedbank, Stockholm	EUR	78,992	-	78,992	-	6M EURIBOR+5bps
Swedbank, Stockholm	EUR	111,892	-	111,892	-	6M EURIBOR+6,3bps
Swedbank, Stockholm	EUR	27,893	-	27,893	-	3.71%
Swedbank, Stockholm	EUR	55,694	-	55,694	-	6M EURIBOR+6bp
Swedbank, Stockholm	EUR	117,308	-	117,308	-	6M EURIBOR+3.5bp
Swedbank, Stockholm	EUR	188,816	-	188,816	-	6M EURIBOR+5.9bp
Swedbank, Stockholm	EUR	187,968	-	187,968	-	6M EURIBOR+5.9bp
Swedbank, Stockholm	EUR	121,344	-	121,344	-	6M EURIBOR+4.75bp
Swedbank, Stockholm	EUR	116,594	-	116,594	-	6M EURIBOR+2.0bp
Swedbank, Stockholm	EUR	230,310	-	230,310	-	6M EURIBOR+3.5bp
Swedbank, Stockholm	EUR	211,153	-	211,153	-	6M EURIBOR+3.5bp
Swedbank, Stockholm	EUR	52,638	-	-	52,638	4.67%
Swedbank, Stockholm	EUR	158,028	-	158,028	-	6M EURIBOR+13bp
Swedbank, Stockholm	EUR	35,330	35,330	-	-	4.33%
Swedbank, Stockholm	EUR	792,503	792,503	-	-	4.84%
Swedbank, Stockholm	EUR	174,802	174,802	-	-	4.75%
Swedbank, Stockholm	EUR	87,039	-	87,039	-	6M EURIBOR+17bps
Swedbank, Stockholm	EUR	155,834	-	155,834	-	6M EURIBOR+25bps
Swedbank, Stockholm	EUR	380,025	-	380,025	-	6M EURIBOR+35bps
Swedbank, Stockholm	EUR	242,784	242,784	-	-	4.77%
Total		**4,618,828**	**1,426,202**	**3,139,988**	**52,638**	

December 31, 2006
(in thousands of LTL)

Lender	Currency	Maturity				
		Total	**Up to 1 year**	**1 to 5 years**	**Over 5 years**	**Interest rate**
Bank						
AS Hansapank	EUR	6,324	6,324	-	-	EURS6MBOR
Group						
AS Hansapank	EUR	6,324	6,324	-	-	EURS6MBOR
Swedbank, Stockholm	EUR	698,303	698,303	-	-	6M EURIBOR+5bp
Swedbank, Stockholm	EUR	207,663	207,663	-	-	6M EURIBOR
Swedbank, Stockholm	EUR	34,870	34,870	-	-	3.562 %
Swedbank, Stockholm	EUR	278,514	-	278,514	-	2.6175 %
Swedbank, Stockholm	EUR	69,178	-	69,178	-	2.88 %
Swedbank, Stockholm	EUR	935,903	-	935,903	-	6M EURIBOR+6bp
Swedbank, Stockholm	EUR	139,855	-	139,855	-	3.2 %
Swedbank, Stockholm	EUR	104,840	-	104,840	-	6M EURIBOR+5bps
Swedbank, Stockholm	EUR	139,422	-	139,422	-	6M EURIBOR+6.3bps
Swedbank, Stockholm	EUR	34,866	-	34,866	-	3.71 %
Swedbank, Stockholm	EUR	69,520	-	69,520	-	6M EURIBOR+6bps
Total		**2,719,258**	**947,160**	**1,772,098**	**-**	

Note 29. Deposits

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Demand deposits				
Public sector	1,028,431	1,752,160	1,242,708	1,234,832
Corporate customers	1,404,517	670,227	1,393,240	1,393,002
Private individuals	4,797,114	4,802,980	4,058,044	4,058,448
Total demand deposits	**7,230,062**	**7,225,367**	**6,693,992**	**6,686,282**
Overnight deposits*				
Public sector	168,871	143,317	103,795	100,027
Corporate customers	734,768	733,801	373,232	372,691
Private individuals	2,819	2,819	-	-
Total overnight deposits	**906,458**	**879,937**	**477,027**	**472,718**
Time deposits				
Public sector	105,488	107,384	23,993	26,260
Corporate customers	243,952	243,952	125,417	124,037
Private individuals	4,006,897	4,006,897	2,874,855	2,874,855
Total time deposits	**4,356,337**	**4,358,233**	**3,024,265**	**3,025,152**
Total deposits	**12,492,857**	**12,463,537**	**10,195,284**	**10,184,152**

*In the balance sheets overnight deposits are recorded as part of demand deposits.

Note 30. Other Financial Liabilities

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Derivatives	25,286	25,265	3,276	3,275
Total financial liabilities	**25,286**	**25,265**	**3,276**	**3,275**

Note 31. Other Liabilities

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Prepayments received	25,693	184,202	8,461	124,562
Current liabilities	133,939	158,487	84,317	109,233
tax liability	62,790	76,923	37,925	55,155
transactions with employees	2,942	3,629	2,607	3,466
bonus funds	68,207	54	43,785	50,612
Outgoing payment orders	146,228	146,228	167,076	167,076
Companies financial collaterals	127,248	127,248	-	-
Payables	26,546	50,890	17,016	74,236
Incoming payment orders	32,940	32,940	268	268
Clearing accounts	12,322	12,322	4,928	4,928
Liabilities from insurance activities	-	4,121	-	2,981
Other	25,124	28,403	17,668	21,030
Total other liabilities	**530,040**	**744,841**	**299,734**	**504,314**

Note 32. Provisions

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Technical provisions in insurance	-	720,092	-	466,016
Incl. Life insurance	-	392,102	-	-
unearned premiums	-	640	-	456,063
claims outstanding	-	16,680	-	9,953
unit linked provisions	-	310,670	-	-
Provision for other credit	-	-	-	3
Provision for guarantees	7,614	7,614	5,979	5,979
Total reserves	**7,614**	**727,706**	**5,979**	**471,998**

Note 33. Deferred Tax Assets and Liabilities

Bank

(in thousands of LTL)	2007			
	Opening balance	**Charged to income statement**	**Charged to equity**	**Closing balance**
Temporary differences				
Deferred tax assets				
Provisions for vacations	-	(441)	-	(441)
General provisions on doubtful debts	-	-	-	-
Taxable losses carried forward	-	-	-	-
Other provisions	-	(6,705)	-	(6,705)
Total Deferred tax assets	**-**	**(7,146)**	**-**	**(7,146)**
Deferred tax liabilities				
Revaluation of buildings	2,470	(15)	300	2,755
Difference in depreciation rates	-	-	-	-
Total Deferred tax liabilities	**2,470**	**(15)**	**300**	**2,755**
Deferred tax asset, net before valuation allowance	**2,470**	**(7,161)**	**300**	**(4,391)**
Valuation allowance	**-**	**7,146**	**-**	**7,146**
Total deferred tax liability	**2,470**	**(15)**	**300**	**2,755**

(in thousands of LTL)	2006			
	Opening balance	**Charged to income statement**	**Charged to equity**	**Closing balance**
Temporary differences				
Deferred tax assets				
Provisions for vacations	-	(469)	-	(469)
General provisions on doubtful debts	-	-	-	-
Taxable losses carried forward	-	-	-	-
Other provisions	-	(3,801)	-	(3,801)
Total Deferred tax assets	**-**	**(4,270)**	**-**	**(4,270)**
Deferred tax liabilities				
Revaluation of buildings	-	-	2,470	2,470
Difference in depreciation rates	-	-	-	-
Total Deferred tax liabilities	**-**	**-**	**2,470**	**2,470**
Deferred tax asset, net before valuation allowance	**-**	**(4,270)**	**2,470**	**(1,800)**
Valuation allowance	**-**	**4,270**	**-**	**4,270**
Total deferred tax liability	**-**	**-**	**2,470**	**2,470**

Group

(in thousands of LTL)	2007 Opening balance	Charged to income	Charged to equity	Closing balance
Temporary differences				
Deferred tax assets				
Provisions for vacations	-	(441)	-	(441)
General provisions on doubtful debts	-	(23)	-	(23)
Taxable losses carried forward	-	(41,549)	-	(41,549)
Other provisions	-	(6,831)	-	(6,831)
Total Deferred tax assets	**-**	**(48,844)**	**-**	**(48,844)**
Deferred tax liabilities				
Revaluation of buildings	3,277	(47)	300	3,530
Difference in depreciation rates	2,145	(102)	-	2,043
Total Deferred tax liabilities	**5,422**	**(149)**	**300**	**5,573**
Deferred tax asset, net before valuation allowance	**5,422**	**(48,993)**	**300**	**(43,271)**
Valuation allowance	**-**	**48,844**	**-**	**48,844**
Total deferred tax liability	**5,422**	**(149)**	**300**	**5,573**

(in thousands of LTL)	2006 Opening balance	Charged to income	Charged to equity	Closing balance
Temporary differences				
Deferred tax assets				
Provisions for vacations	-	(469)	-	(469)
General provisions on doubtful debts	-	(1)	-	(1)
Taxable losses carried forward	-	(48,657)	-	(48,657)
Other provisions	-	(3,882)	-	(3,882)
Total Deferred tax assets	**-**	**(53,009)**	**-**	**(53,009)**
Deferred tax liabilities				
Revaluation of buildings	-	-	3,277	3,277
Difference in depreciation rates	2,285	(140)	-	2,145
Total Deferred tax liabilities	**2,285**	**(140)**	**3,277**	**5,422**
Deferred tax asset, net before valuation allowance	**2,285**	**(53,149)**	**3,277**	**(47,587)**
Valuation allowance	**-**	**53,009**	**-**	**53,009**
Total deferred tax liability	**2,285**	**(140)**	**3,277**	**5,422**

Taxable losses carried forward

(in thousands of LTL)	2007 Bank	2007 Group	2006 Bank	2006 Group
2006	-	-	-	7,264
2007	-	11,425	-	11,432
2008	-	12,972	-	12,972
2009	-	16,928	-	16,928
2010	-	61	-	61
2011	-	163	-	-
Total	**-**	**41,549**	**-**	**48,657**

Note 34. Capital

Share Capital

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Authorised				
Ordinary shares, each of 10 LTL	56,971	56,971	56,971	56,971
Issued and fully paid for				
Ordinary shares, each of 10 LTL	56,971	56,971	56,971	56,971

Reserves

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Other general-purpose reserves	16,466	16,466	14,586	14,586
Compulsory reserves	33,236	33,868	14,892	15,036
Reserve of the revaluation of tangible assets, net of tax	26,692	31,267	28,873	33,448
Total reserves	**76,394**	**81,601**	**58,351**	**63,070**

Capital Adequacy

External minimum capital adequacy requirement was set to 8% according to the Capital adequacy calculation rules approved by the Bank of Lithuania Board decision No. 172 as of 21 December 2000. Capital adequacy ratio of Bank and Group was kept above officially required 8% ratio during 2007 and 2006.

Additional capital in excess of regulatory minimum was considering internal targets for optimal capital level with regard to portfolio growth, operational, market and other risks.

On 29th of August 2006 Hansabankas increased own funds by taking 8 year subordinated loan in the amount of 70 mio EUR (241.7 mio LTL) and on 2 of July 2007 Hansabankas increased own funds by taking 6 year subordinated loan in amount of 80 mio EUR (276.2 mio LTL) from AS Hansapank in order to support business growth.

Own funds were used mainly to cover credit risk related to the Banking Book, and only small part were used to cover risks included in Trading Book (only up to 3 percent of total capital).

The Bank and the Group is actively implementing new Internal Capital Adequacy Assessment Process (ICAAP) according to new requirements of Capital Adequacy Directive (CAD III) and new regulatory requirements issued by the Bank of Lithuania.

Capital Structure

(in thousands of LTL)	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Primary capital (Tier 1)				
Share capital	569,712	569,712	569,712	569,712
Share premium	91,965	91,965	91,965	91,965
Reserves	-	-	-	-
Retained earnings from previous periods	348,544	451,484	187,401	246,825
Less: Intangible assets	(1,025)	(45,930)	(400)	(45,219)
Total Tier 1	**1,009,196**	**1,067,231**	**848,678**	**863,283**
Subordinated loans	504,598	517,920	241,696	241,696
Retained earnings from current periods	-	-	33,888	33,888
Reserves	76,394	81,601	58,351	63,070
Total Tier 2	**580,992**	**599,521**	**333,935**	**338,654**
Own funds, net	**1,590,188**	**1,666,752**	**1,182,613**	**1,201,937**
Deductions from own funds	(79,348)	-	(84,093)	-
Own funds, net	**1,510,840**	**1,666,752**	**1,098,520**	**1,201,937**

Capital Ratios

	2007		2006	
	Bank	**Group**	**Bank**	**Group**
Total capital ratio	11.27	8.64	11.49	9.23

Asset Structure of the Bank

(in thousands of LTL)	2007		2006	
	Nominal	**Risk-weighted**	**Nominal**	**Risk weighted**
Distribution of assets by risk categories				
I category	1,878,683	-	1,418,109	-
II category	1,607,855	321,571	1,457,168	291,434
III category	4,228,180	2,114,090	2,846,994	1,423,497
IV category	9,196,196	9,196,196	6,690,613	6,690,613
Total assets	**16,910,914**	**11,631,857**	**12,412,884**	**8,405,544**
Off-balance sheet items	3,645,330	1,266,894	3,053,325	909,538
Capital requirement for covering the risks of the trading book	8,203,387	393,411	2,369,760	241,188
Open net currency position	110,677	110,677	4,737	4,737

Asset Structure of the Group

(in thousands of LTL)	2007		2006	
	Nominal	**Risk-weighted**	**Nominal**	**Risk weighted**
Distribution of assets by risk categories				
I category	2,284,290	-	1,769,977	-
II category	1,613,477	322,695	1,459,493	291,899
III category	4,239,544	2,119,772	2,861,041	1,430,520
IV category	14,180,146	14,180,146	9,697,139	9,697,139
Total assets	**22,317,457**	**16,622,613**	**15,787,650**	**11,419,558**
Off-balance sheet items	4,436,872	1,506,442	3,675,017	1,103,781
Capital requirement for covering the risks of the trading book	8,439,982	1,100,657	2,511,428	498,641
Open net currency position	53,331	53,331	3,123	3,123

Note 35. Derivative Financial Instruments

Bank

(in thousands of LTL)	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Forward exchange contracts	113,247	113,189	9,684	9,610
Currency swaps	3,675,408	3,675,363	4,181,572	4,180,875
OTC options bought and sold	364	364	231	231
Total FX derivatives	**3,789,019**	**3,788,916**	**4,191,487**	**4,190,716**
Interest rate derivatives				
Swaps	124,071	124,071	40,398	40,398
Total interest rate derivatives	**124,071**	**124,071**	**40,398**	**40,398**
Equity and other derivatives				
Futures	133	133	1,045	1,045
OTC options bought and sold	3,434,031	3,433,633	102,057	102,057
Total equity and other derivatives	**3,434,164**	**3,433,766**	**103,102**	**103,102**
Total derivatives	**7,347,254**	**7,346,753**	**4,334,987**	**4,334,216**

Group

(in thousands of LTL)	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives				
Forward exchange contracts	105,630	105,570	9,156	9,088
Currency swaps	3,564,031	3,564,145	4,175,206	4,174,564
OTC options bought and sold	364	364	231	231
Total FX derivatives	**3,670,025**	**3,670,079**	**4,184,593**	**4,183,883**
Interest rate derivatives				
Swaps	124,071	124,071	40,398	40,398
Total interest rate derivatives	**124,071**	**124,071**	**40,398**	**40,398**
Equity and other derivatives				
Futures	133	133	1,045	1,045
OTC options bought and sold	3,434,031	3,433,633	102,057	102,057
Total equity and other derivatives	**3,434,164**	**3,433,766**	**103,102**	**103,102**
Total derivatives	**7,228,260**	**7,227,916**	**4,328,093**	**4,327,383**

Note 36. Financial Commitments and Guarantees

Bank

(in thousands of LTL)	2007			2006		
	Nominal value	**Credit equivalent**	**Risk weighted amount**	**Nominal value**	**Credit equivalent**	**Risk weighted amount**
Guarantees	216,091	108,001	96,790	204,388	102,127	82,818
Undrawn credit facilities	3,307,632	1,106,634	1,099,027	2,609,977	802,242	795,460
Letters of credit	121,607	71,077	71,077	238,960	135,111	31,261
Total	**3,645,330**	**1,285,712**	**1,266,894**	**3,053,325**	**1,039,480**	**909,539**

Group

(in thousands of LTL)	2007			2006		
	Nominal value	**Credit equivalent**	**Risk weighted amount**	**Nominal value**	**Credit equivalent**	**Risk weighted amount**
Guarantees	216,091	108,001	96,790	204,388	102,127	82,818
Undrawn credit facilities	4,099,334	1,346,343	1,338,736	3,231,669	996,651	989,702
Letters of credit	121,447	70,917	70,917	238,960	135,111	31,261
Total	**4,436,872**	**1,525,261**	**1,506,443**	**3,675,017**	**1,233,889**	**1,103,781**

Note 37. Fair Value of Financial Assets and Financial Liabilities

The following table summarises the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Bank's and the Group's balance sheet at fair value.

Bank

(in thousands of LTL)	2007		2006	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Held-to maturity securities	33,650	35,199	69,767	68,759
Loan portfolio	14,170,160	13,806,763	10,250,296	9,799,268
Time deposits	4,359,211	4,356,337	3,021,976	3,024,265
Subordinated loan	547,004	525,185	246,595	244,800

Group

(in thousands of LTL)	2007		2006	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Held-to maturity securities	462,403	475,167	425,200	421,181
Loan portfolio	18,799,518	18,413,445	13,081,585	12,624,108
Time deposits	4,360,988	4,358,233	3,022,863	3,025,152
Subordinated loan	547,004	525,185	246,595	244,800

Note 38. Geographic Distribution by Counterparties

(in thousands of LTL)	**Assets**		**Liabilities and shareholders equity**		**Derivative fin. instruments, fin. commitments and guarantees**		**Net profit**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Bank								
Estonia	733,318	21,276	1,661,632	1,180,037	1,594,758	1,122,862	(36,017)	(45,490)
Latvia	55,441	79,497	13,682	10,654	60,172	993	431	510
Lithuania	15,612,537	11,267,743	13,655,583	10,917,040	7,976,582	3,303,397	373,215	196,564
CIS	60,514	7,309	38,417	30,887	2,448	2,442	4,342	2,609
OECD	2,927,052	2,699,245	4,012,784	1,927,702	1,358,119	2,957,847	(26,167)	25,227
Other	1,201	15	7,965	8,765	4	-	(1,490)	67
Total	**19,390,063**	**14,075,085**	**19,390,063**	**14,075,085**	**10,992,083**	**7,387,541**	**314,314**	**179,487**
Group								
Estonia	845,286	53,920	1,662,193	1,180,526	1,594,758	1,122,862	(31,119)	(38,871)
Latvia	57,281	79,495	13,739	10,675	61,123	993	453	510
Lithuania	20,845,889	14,493,993	14,765,266	11,682,892	8,647,124	3,917,638	455,466	222,063
CIS	60,728	7,691	38,417	30,887	2,448	2,504	4,372	2,654
OECD	3,209,782	2,914,493	8,629,834	4,644,835	1,359,331	2,958,403	(15,731)	36,863
Other	98,448	8,988	7,965	8,765	4	-	(776)	272
Total	**25,117,414**	**17,558,580**	**25,117,414**	**17,558,580**	**11,664,788**	**8,002,400**	**412,665**	**223,491**

Note 39. Maturity Structure

Bank

December 31, 2007 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Other (without maturity)**	**Non-financial assets**	**Total**
Assets									
Cash and due from Central Bank	564,459	-	-	-	-	793,875	-	-	**1,358,334**
Due from other financial institutions	1,507,268	54	19,676	-	-	-	-	-	**1,526,998**
Securities	508,461	460,782	611,103	533,356	319,777	409	102,199	-	**2,536,087**
Loans	200,158	583,628	2,849,147	1,783,485	2,525,802	5,864,543	-	-	**13,806,763**
Tangible and intangible assets	-	-	-	-	-	-	-	110,498	**110,498**
Other assets	31,957	2,505	701	2,381	3,017	8,307	-	2,515	**51,383**
Total assets	**2,812,303**	**1,046,969**	**3,480,627**	**2,319,222**	**2,848,596**	**6,667,134**	**102,199**	**113,013**	**19,390,063**
Liabilities and equity									
Due to other financial institutions	168,945	458,671	1,001,700	1,208,031	1,110,950	457,100	-	-	**4,405,397**
Deposits	9,276,517	1,026,794	1,818,511	316,880	51,481	2,674	-	-	**12,492,857**
Other liabilities	278,428	28,369	104,982	19,153	26,025	24,550	-	84,188	**565,695**
Subordinated debt	-	4,065	3,200	-	-	517,920	-	-	**525,185**
Total equity	-	-	-	-	-	-	-	1,400,929	**1,400,929**
Total liabilities and equity	**9,723,890**	**1,517,899**	**2,928,393**	**1,544,064**	**1,188,456**	**1,002,244**	**-**	**1,485,117**	**19,390,063**
Balance sheet maturity gap	**(6,911,587)**	**(470,930)**	**552,234**	**775,158**	**1,660,140**	**5,664,890**	**102,199**	**(1,372,104)**	**-**
Off balance sheet items									
Guarantees, letters of credit and undrawn loans	(219,533)	(369,507)	(1,514,256)	(1,203,782)	(275,513)	(62,739)	-	-	**(3,645,330)**
Derivatives, assets	2,466,866	1,166,787	437,465	92,145	3,183,992	-	-	-	**7,347,255**
Derivatives, liabilities	(2,465,477)	(1,168,793)	(436,445)	(92,049)	(3,183,989)	-	-	-	**(7,346,753)**
Off balance sheet maturity gap	**(218,144)**	**(371,513)**	**(1,513,236)**	**(1,203,686)**	**(275,510)**	**(62,739)**	**-**	**-**	**(3,644,828)**
Net maturity gap	**(7,129,731)**	**(842,443)**	**(961,002)**	**(428,528)**	**1,384,630**	**5,602,151**	**102,199**	**(1,372,104)**	**(3,644,828)**

Bank

December 31, 2006 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Other (without maturity)**	**Non-financial assets**	**Total**
Total assets	**2,227,067**	**1,073,215**	**2,936,419**	**1,263,409**	**2,129,835**	**4,226,276**	**103,030**	**115,834**	**14,075,085**
Total liabilities and equity	**8,134,129**	**966,621**	**1,750,790**	**785,593**	**860,052**	**448,783**	**-**	**1,129,117**	**14,075,085**
Balance sheet maturity gap	**(5,907,062)**	**106,594**	**1,185,629**	**477,816**	**1,269,783**	**3,777,493**	**103,030**	**(1,013,283)**	**-**
Off balance sheet maturity gap	**(284,254)**	**(491,104)**	**(1,384,504)**	**(657,569)**	**(213,357)**	**(21,766)**	**-**	**-**	**(3,052,554)**
Net maturity gap	**(6,191,316)**	**(384,510)**	**(198,875)**	**(179,753)**	**1,056,426**	**3,755,727**	**103,030**	**(1,013,283)**	**(3,052,554)**

Group

December 31, 2007 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Other (without maturity)**	**Non-financial assets**	**Total**
Assets									
Cash and due from Central Bank	564,667	-	-	-	-	793,875	-	-	**1,358,542**
Due from other financial institutions	1,507,627	54	19,676	-	-	-	-	-	**1,527,357**
Securities	557,531	496,222	619,251	538,993	387,175	321,499	308,436	-	**3,229,107**
Loans	240,998	1,576,487	3,425,874	2,781,482	4,132,341	6,256,263	-	-	**18,413,445**
Tangible and intangible assets	-	-	-	-	-	-	-	219,552	**219,552**
Other assets	141,602	81,223	132,305	4,162	3,603	369	-	6,147	**369,411**
Total assets	**3,012,425**	**2,153,986**	**4,197,106**	**3,324,637**	**4,523,119**	**7,372,006**	**308,436**	**225,699**	**25,117,414**
Liabilities and equity									
Due to other financial institutions	306,129	827,385	2,663,821	2,326,324	2,420,285	473,936	-	-	**9,017,880**
Deposits	9,253,582	1,016,818	1,815,683	318,093	53,885	5,476	-	-	**12,463,537**
Other liabilities	346,944	158,802	190,025	87,321	253,567	366,005	-	100,721	**1,503,385**
Subordinated debt	-	4,065	3,200	-	-	517,920	-	-	**525,185**
Total equity	-	-	-	-	-	-	-	1,607,427	**1,607,427**
Total liabilities and equity	9,906,655	2,007,070	4,672,729	2,731,738	2,727,737	1,363,337	-	1,708,148	**25,117,414**
Balance sheet maturity gap	**(6,894,230)**	**146,916**	**(475,623)**	**592,899**	**1,795,382**	**6,008,669**	**308,436**	**(1,482,449)**	**-**
Off balance sheet items									
Guarantees, letters of credit and undrawn loans	(749,577)	(471,865)	(1,667,650)	(1,203,782)	(281,388)	(62,612)	-	-	**(4,436,874)**
Derivatives, assets	2,356,196	1,158,462	437,465	92,145	3,183,992	-	-	-	**7,228,260**
Derivatives, liabilities	(2,354,982)	(1,160,451)	(436,445)	(92,049)	(3,183,989)	-	-	-	**(7,227,916)**
Off balance sheet maturity gap	**(748,363)**	**(473,854)**	**(1,666,630)**	**(1,203,686)**	**(281,385)**	**(62,612)**	**-**	**-**	**(4,436,530)**
Net maturity gap	**(7,642,593)**	**(326,938)**	**(2,142,253)**	**(610,787)**	**1,513,997**	**5,946,057**	**308,436**	**(1,482,449)**	**(4,436,530)**

Group

December 31, 2006 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Other (without maturity)**	**Non-financial assets**	**Total**
Total assets	**2,793,187**	**1,361,315**	**3,852,650**	**1,665,520**	**3,019,446**	**4,554,381**	**105,583**	**206,498**	**17,558,580**
Total liabilities and equity	**8,194,103**	**1,147,927**	**3,075,662**	**1,377,645**	**1,793,660**	**710,100**	**-**	**1,259,483**	**17,558,580**
Balance sheet maturity gap	**(5,400,916)**	**213,388**	**776,988**	**287,875**	**1,225,786**	**3,844,281**	**105,583**	**(1,052,985)**	**-**
Off balance sheet maturity gap	**(300,257)**	**(508,400)**	**(1,743,473)**	**(829,334)**	**(263,731)**	**(29,112)**	**-**	**-**	**(3,674,307)**
Net maturity gap	**(5,701,173)**	**(295,012)**	**(966,485)**	**(541,459)**	**962,055**	**3,815,169**	**105,583**	**(1,052,985)**	**(3,674,307)**

Note 40. Interest Reprising Periods

Bank

December 31, 2007 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Non-interest bearing**	**Non-financial assets**	**Total**
Assets									
Cash and due from Central Bank	564,459	-	-	-	-	793,875	-	-	**1,358,334**
Due from other financial institutions	1,507,268	54	19,676	-	-	-	-	-	**1,526,998**
Securities	783,711	1,208,545	335,909	93,388	11,926	409	102,199	-	**2,536,087**
Loans	2,092,573	4,130,230	6,207,767	456,232	820,553	99,408	-	-	**13,806,763**
Tangible and intangible assets	-	-	-	-	-	-	-	110,498	**110,498**
Other assets	31,957	2,505	701	2,381	3,017	8,307	0	2,515	**51,383**
Total assets	**4,979,968**	**5,341,334**	**6,564,053**	**552,001**	**835,496**	**901,999**	**102,199**	**113,013**	**19,390,063**
Liabilities and equity									
Due to other financial institutions	168,945	1,090,905	1,836,613	742,675	497,203	69,056	-	-	**4,405,397**
Deposits	9,339,798	952,930	1,826,508	314,401	53,745	5,475	-	-	**12,492,857**
Debt securities issued to the public	-	-	-	-	-	-	-	-	**-**
Other liabilities	278,428	28,369	104,982	19,153	26,025	24,550	-	84,188	**565,695**
Subordinated debt	-	245,761	279,424	-	-	-	-	-	**525,185**
Total equity	-	-	-	-	-	-	-	1,400,929	**1,400,929**
Total liabilities and equity	**9,787,171**	**2,317,965**	**4,047,527**	**1,076,229**	**576,973**	**99,081**	**-**	**1,485,117**	**19,390,063**
Balance sheet interest sensitivity gap	**(4,807,203)**	**3,023,369**	**2,516,526**	**(524,228)**	**258,523**	**802,918**	**102,199**	**(1,372,104)**	**-**
Off balance sheet interest sensitivity gap	**(218,144)**	**(371,513)**	**(1,513,236)**	**(1,203,686)**	**(275,510)**	**(62,739)**	**-**	**-**	**(3,644,828)**
December 31, 2006									
Total assets	**4,549,760**	**3,622,343**	**4,865,633**	**378,317**	**381,889**	**58,279**	**103,030**	**115,834**	**14,075,085**
Total liabilities and equity	**8,183,377**	**1,145,338**	**1,764,521**	**785,682**	**859,970**	**207,080**	**-**	**1,129,117**	**14,075,085**
Balance sheet interest sensitivity gap	**(3,633,617)**	**2,477,005**	**3,101,112**	**(407,365)**	**(478,081)**	**(148,801)**	**103,030**	**(1,013,283)**	**-**
Off balance sheet interest sensitivity gap	**(284,254)**	**(491,104)**	**(1,384,504)**	**(657,569)**	**(213,357)**	**(21,766)**	**-**	**-**	**(3,052,554)**

Group

December 31, 2007 (in thousands of LTL)	**Under 1 month**	**1…3 months**	**3…12 months**	**1…2 years**	**2…5 years**	**Over 5 years**	**Non-interest bearing**	**Non-financial assets**	**Total**
Assets									
Cash and due from Central Bank	564,667	-	-	-	-	793,875	-	-	**1,358,542**
Due from other financial institutions	1,507,627	54	19,676	-	-	-	-	-	**1,527,357**
Securities	833,028	1,247,974	342,973	97,077	77,966	321,653	308,436	-	**3,229,107**
Loans	2,153,495	5,117,335	6,748,436	1,463,382	2,438,035	492,762	-	-	**18,413,445**
Tangible and intangible assets	-	-	-	-	-	-	-	219,552	**219,552**
Other assets	141,602	81,223	132,305	4,162	3,603	369	-	6,147	**369,411**
Total assets	**5,200,419**	**6,446,586**	**7,243,390**	**1,564,621**	**2,519,604**	**1,608,659**	**308,436**	**225,699**	**25,117,414**
Liabilities and equity									
Due to other financial institutions	262,206	1,462,904	3,527,197	1,877,044	1,804,294	84,235	-	-	**9,017,880**
Deposits	9,317,894	950,690	1,822,211	313,661	53,619	5,462	-	-	**12,463,537**
Debt securities issued to the public	-	-	-	-	-	-	-	-	**-**
Other liabilities	346,944	158,802	190,025	87,321	253,567	366,005	-	100,721	**1,503,385**
Subordinated debt	-	245,761	279,424	-	-	-	-	-	**525,185**
Total equity	-	-	-	-	-	-	-	1,607,427	**1,607,427**
Total liabilities and equity	**9,927,044**	**2,818,157**	**5,818,857**	**2,278,026**	**2,111,480**	**455,702**	**-**	**1,708,148**	**25,117,414**
Balance sheet interest sensitivity gap	**(4,726,625)**	**3,628,429**	**1,424,533**	**(713,405)**	**408,124**	**1,152,957**	**308,436**	**(1,482,449)**	**-**
Off balance sheet interest sensitivity gap	**(748,363)**	**(473,854)**	**(1,666,630)**	**(1,203,686)**	**(281,385)**	**(62,612)**	**-**	**-**	**(4,436,530)**
December 31, 2006									
Total assets	**5,355,174**	**4,443,085**	**6,052,337**	**471,748**	**530,255**	**393,900**	**105,583**	**206,498**	**17,558,580**
Total liabilities and equity	**8,243,351**	**1,471,008**	**3,526,674**	**1,205,935**	**1,553,063**	**299,066**	**-**	**1,259,483**	**17,558,580**
Balance sheet interest sensitivity gap	**(2,888,177)**	**2,972,077**	**2,525,663**	**(734,187)**	**(1,022,808)**	**94,834**	**105,583**	**(1,052,985)**	**-**
Off balance sheet interest sensitivity gap	**(300,257)**	**(508,400)**	**(1,743,473)**	**(829,334)**	**(263,731)**	**(29,112)**	**-**	**-**	**(3,674,307)**

Note 41. Open Currency Positions

Bank

December 31, 2007 (in thousands of LTL)	**EEK**	**LVL**	**LTL**	**EUR**	**USD**	**Other**	**Total**
Assets							
Cash and due from Central Bank	160	845	1,277,882	43,983	16,706	18,758	**1,358,334**
Due from other financial institutions	1,409	3,102	18,439	1,186,784	215,991	101,273	**1,526,998**
Securities	-	-	243,167	2,155,897	136,542	481	**2,536,087**
Loans	-	-	5,585,254	7,902,075	319,434	-	**13,806,763**
Tangible and intangible assets	-	-	110,498	-	-	-	**110,498**
Other assets	-	-	48,999	992	369	1,023	**51,383**
Total assets	**1,569**	**3,947**	**7,284,239**	**11,289,731**	**689,042**	**121,535**	**19,390,063**
Liabilities							
Due to other financial institutions	-	5	134,514	4,145,899	124,409	570	**4,405,397**
Deposits	1,154	3,255	10,049,236	1,795,380	551,851	91,981	**12,492,857**
Other liabilities	1,335	552	253,298	167,357	122,731	20,422	**565,695**
Subordinated debt	-	-	-	525,185	-	-	**525,185**
Total liabilities	**2,489**	**3,812**	**10,437,048**	**6,633,821**	**798,991**	**112,973**	**17,989,134**
Total equity			1,400,929				**1,400,929**
Net balance sheet position	**(920)**	**135**	**(4,553,738)**	**4,655,910**	**(109,949)**	**8,562**	**-**
Off balance sheet net notional position	-	-	2,267,597	(2,372,101)	110,214	(5,224)	**486**
December 31, 2006							
Total assets	**2,267**	**9,862**	**5,869,987**	**7,537,365**	**584,341**	**71,263**	**14,075,085**
Total liabilities	**2,564**	**4,424**	**8,733,415**	**3,486,818**	**685,983**	**74,965**	**12,988,169**
Total equity			1,086,916				**1,086,916**
Net balance sheet position	**(297)**	**5,438**	**(3,950,344)**	**4,050,547**	**(101,642)**	**(3,702)**	**-**
Off balance sheet net notional position	5	(3,861)	3,757,492	(3,861,576)	101,880	6,872	**812**

Group

December 31, 2007 (in thousands of LTL)	**EEK**	**LVL**	**LTL**	**EUR**	**USD**	**Other**	**Total**
Assets							
Cash and due from Central Bank	160	845	1,278,090	43,983	16,706	18,758	**1,358,542**
Due from other financial institutions	1,409	3,102	18,799	1,186,784	215,991	101,273	**1,527,358**
Securities	60	-	363,141	2,655,105	209,108	1,693	**3,229,107**
Loans	-	-	5,907,337	12,198,963	307,145	-	**18,413,445**
Tangible and intangible assets	-	-	219,552	-	-	-	**219,552**
Other assets	-	-	98,385	256,485	13,516	1,024	**369,410**
Total assets	**1,629**	**3,947**	**7,885,304**	**16,341,320**	**762,466**	**122,748**	**25,117,414**
Liabilities							
Due to other financial institutions	-	5	134,514	8,758,380	124,410	571	**9,017,880**
Deposits	1,154	3,255	10,025,221	1,790,990	550,937	91,980	**12,463,537**
Other liabilities	1,342	552	934,849	396,788	149,432	20,422	**1,503,385**
Subordinated debt	-	-	-	525,185	-	-	**525,185**
Total liabilities	**2,496**	**3,812**	**11,094,584**	**11,471,343**	**824,779**	**112,973**	**23,509,987**
Total equity			1,607,427				**1,607,427**
Net balance sheet position	**(867)**	**135**	**(4,816,707)**	**4,869,977**	**(62,313)**	**9,775**	**-**
Off balance sheet net notional position	-	-	2,174,122	(2,270,607)	103,015	(6,202)	**328**
December 31, 2006							
Total assets	**2,267**	**9,861**	**6,205,842**	**10,653,453**	**614,597**	**72,560**	**17,558,580**
Total liabilities	**2,564**	**4,424**	**9,156,302**	**6,412,875**	**712,388**	**74,964**	**16,363,517**
Total equity			1,195,063				**1,195,063**
Net balance sheet position	**(297)**	**5,437**	**(4,145,523)**	**4,240,578**	**(97,791)**	**(2,404)**	**-**
Off balance sheet net notional position	5	(3,861)	3,760,334	(3,857,717)	95,683	6,307	**751**

Note 42. Business segment Analysis

(in thousands of LTL)	**Banking**	**Leasing**	**Life Insurance**	**Investment management**	**Insurance brokerage**	**Real estate management**	**Total**	**Eliminations**	**Group**
Total income from external customers	341,778	106,006	40,066	11,014	143	(97)	498,910	-	498,910
Total income from internal customers	43,521	(27,392)	(11,261)	(3,269)	(605)	(994)	-	-	-
Total income	**385,299**	**78,614**	**28,805**	**7,745**	**(462)**	**(1,091)**	**498,910**	**-**	**498,910**
Profit from subsidiaries	-	-	-	-	-	-	-	-	**-**
Profit before tax	385,299	78,614	28,805	7,745	(462)	(1,091)	498,910	-	498,910
Income tax	70,985	13,793	-	1,394	73	-	86,245	-	86,245
Net profit	**314,314**	**64,821**	**28,805**	**6,351**	**(535)**	**(1,091)**	**412,665**	**-**	**412,665**
Segment assets	19,390,063	5,494,887	805,306	16,265	326	40,747	25,747,594	(630,180)	25,117,414
Segment liabilities	17,989,134	5,314,750	734,604	3,689	257	40,341	24,082,775	(572,788)	23,509,987
Unallocated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	17,989,134	5,314,750	734,604	3,689	257	40,341	24,082,775	(572,788)	23,509,987
Capital expenditure (incl. intangible, excl. goodwill)	20,982	2,814	305	183	123	21,501	45,908	-	45,908
Depreciation	14,672	1,955	144	36	23	-	16,830	-	16,830
Amortization	366	12	5	-	-	-	383	-	383

Note 43. Segment Reporting

Net Profit by Business Segments

(in thousands of LTL)	2007	share	2006	share
Banking	314,314	76%	179,487	80%
Leasing	64,822	16%	32,889	15%
Insurance	28,805	7%	10,098	4%
Other	4,724	1%	1,939	1%
Eliminations	-	-	(922)	-
Total net profit	**412,665**	**100%**	**223,491**	**100%**

Assets by Business Segments

(in thousands of LTL)	2007	share	2006	share
Banking	19,390,063	77%	14,075,085	80%
Leasing	5,494,887	22%	3,646,760	21%
Insurance	805,306	3%	522,496	3%
Other	57,338	-	27,043	-
Eliminations	(630,180)	(2%)	(712,804)	(4%)
Total assets	**25,117,414**	**100%**	**17,558,580**	**100%**

Note 44. Contingent Liabilities

Litigation and claims - the Bank and its subsidiaries were not involved in any legal proceedings as of 31 December 2007 and 2006 which could have a significant impact on the Group's and the Bank's financial position, except for those related to loan loss recovery.

Note 45. Related Parties

Name and Relationship of Related Party

Name	Relationship with the bank
Members of the Board of Directors	
Hansapank AS	Parent Group
Other related parties	Other key management personnel and theirs close members of the family.

*Bank Deposits of the Related Parties**

(in thousands of LTL)	2007		2006	
	Balance	Average interest %	Balance	Average interest %
Members of the Board of Directors	2,618	1.98	721	1.69
Other related parties	5,233	2.39	2,817	1.20

*Group Deposits of the Related Parties**

(in thousands of LTL)	2007		2006	
	Balance	Average interest %	Balance	Average interest %
Members of the Board of Directors	2,618	1.98	721	1.69
Other related parties	7,328	2.56	3,728	1.22

*Not including the Group companies

Bank Loans to Related Parties*

(in thousands of LTL)	2007		2006	
	Balance	**Interest average %**	**Balance**	**Interest average %**
Members of the Board of Directors	1,832	5.08	3,836	4.32
Other related parties	9,291	5.50	21,104	3.75

Group Loans to Related Parties*

(in thousands of LTL)	2007		2006	
	Balance	**Interest average %**	**Balance**	**Interest average %**
Members of the Board of Directors	1,832	5.08	3,948	4.32
Other related parties	10,935	5.71	21,232	3.75

*Not including the Group companies

Compensation

(in thousands of LTL)	2007	2006
Salaries to the Board	6,337	2,476

Transactions with Hansabank Group

(in thousands of LTL)	2007	2006
Deposits and loans to Hansapank AS	120,375	13,494
Deposits and loans from Hansapank AS	555,860	356,711
Subordinated loan from Hansapank AS	525,185	241,696
Interest income from Hansapank AS	760	983
Interest expense to Hansapank AS	19,580	43,819
Interest expense for subordinated loan to Hansapank AS	17,464	3,104

Informaction disclosures required by laws

The Financial Group comprises of the financial institution as defined by Financial institution law, including a financial controlling (holding) entity, and its controlled financial institutions and entities that are under control of those financial institutions, which are directly or indirectly controlled by the first financial institution.

As of 31 December 2007 and 2006 the Financial Group's financial information cover the financial information of the Bank and its 100% owned subsidiaries, UAB Hansa Lizingas, UAB Hansa Investiciju Valdymas and UAB Hansa Gyvybes Draudimas.

As required by the Law on Banks of the Republic of Lithuania, Article 61, the Bank presents financial information of the "Financial Group" that, as defined above, comprise financial information extracted from the financial information of the Bank and the consolidated financial statements of the Group.

Income statement

(in thousands of LTL)	2007 Financial Group	2006 Financial Group
Interest income	1,078,353	619,530
Interest expense	(488,454)	(244,104)
Interest income, net	**589,899**	**375,426**
Fee and commission income	233,913	180,405
Fee and commission expense	(66,741)	(43,929)
Fees and commissions, net	**167,172**	**136,476**
Net financial gains and losses	96,203	51,723
Net income from insurance activities	36,456	14,581
Other operating income	34,644	19,670
Total income	**167,303**	**85,974**
Personnel expenses	(221,428)	(168,971)
Data network expenses	(51,428)	(34,572)
Administrative expenses	(72,260)	(54,320)
Other expenses	(35,978)	(26,624)
Depreciation, amortisation and impairment losses	(16,623)	(18,150)
Total operating expenses	**(397,717)**	**(302,637)**
Operating profit before provisions	**526,657**	**295,239**
Losses on loans and guarantees	(33,691)	(41,724)
Recovered loans	4,221	14,732
Profit before income tax	**497,187**	**268,247**
Income tax	(85,552)	(45,894)
Profit for the year	**411,635**	**222,353**

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

Balance sheet

(in thousands of LTL)	2007 Financial Group*	2006 Financial Group*
Assets		
Cash	389,652	339,706
Due from Central Bank	968,888	603,266
Due from other financial institutions	1,527,321	1,444,155
Financial assets designated at fair value through P/L	2,753,940	1,708,677
Held-to-maturity securities	475,167	421,181
Investments in subsidiaries	7,327	8,158
Loans	18,449,245	12,642,028
Other assets	365,274	213,653
Tangible assets	131,050	134,511
Intangible assets	45,922	45,215
Total assets	**25,113,786**	**17,560,550**
Liabilities		
Due to other financial institutions	9,017,880	4,949,556
Deposits	12,464,603	10,186,231
Demand deposits	8,106,370	7,159,779
Time deposits	4,358,233	3,026,452
Other financial liabilities	25,265	3,275
Other liabilities	746,169	507,186
Provisions	727,706	471,998
Deferred tax liability	3,562	5,422
Subordinated loans	525,185	244,800
Total liabilities	**23,510,370**	**16,368,468**
Equity		
Share capital	569,712	569,712
Share premium	91,965	91,965
Reserves	81,601	63,070
Retained earnings	860,138	467,335
Total equity	**1,603,416**	**1,192,082**
Total liabilities and equity	**25,113,786**	**17,560,550**

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

Cash Flow statement

(in thousands of LTL)	2007 Financial Group	2006 Financial Group
Profit before income tax	**497,187**	**268,247**
Adjustments to profit before income tax		
Loan losses	33,691	41,724
Interest income	(1,078,353)	(619,530)
Interest expense	488,454	244,104
Dividends received	(657)	(983)
Depreciation and amortisation	16,623	17,348
Impairment charge	-	802
Profit from sales of tangible and intangible assets	(1,997)	(715)
Carrying amount of tangible assets written-off	288	1,251
Total adjustments to operating profit	**(541,951)**	**(315,999)**
Changes in operating assets and liabilities		
Net change in deposits placed with other financial institutions	435,809	422,499
Net change in loans to other financial institutions	-	279
Net change in financial assets held for trading	(1,020,723)	(805,090)
Net change in loans	(5,856,544)	(4,240,775)
Net change in accrued liabilities	57,272	96,771
Net change in other assets	(154,536)	(75,129)
Net change in short-term liabilities due to other financial institutions	1,761,390	904,308
Net change in demand deposits	1,038,226	1,575,167
Net change in time deposits	1,352,349	627,913
Net change in other liabilities	303,704	232,757
Total adjustments to operating assets and liabilities	**(2,083,053)**	**(1,261,300)**
Interest received	1,057,564	611,473
Interest paid	(408,196)	(204,197)
Income tax paid	(60,827)	(11,706)
Net cash used in operating activities	**(1,539,276)**	**(913,482)**

(continued)

(in thousands of LTL)	2007 Financial Group	2006 Financial Group
Cash from investing activities		
Acquisition of subsidiaries, net of disposal	831	103
Dividends received	657	2,062
Acquisition of investments	(46,152)	(35,587)
Sale of investments	8,258	(13,386)
Acquisition of tangible assets	(21,777)	(39,145)
Sale of tangible assets	10,704	3,812
Acquisition of intangible assets	(1,086)	(230)
Net cash provided by/used in investing activities	**(48,565)**	**(55,599)**
Cash from financing activities		
Credit lines of Central Bank and Government paid	(2,722)	(2,389)
Long-term loans received from other financial institutions	2,248,520	1,461,591
Issued capital and net change in share premium	-	-
Net change in subordinated liabilities	276,224	241,696
Net cash provided by financing activities	**2,522,022**	**1,700,898**
Net increase (decrease) in cash and cash equivalents	**934,181**	**731,817**
Cash and cash equivalents at the beginning of the year	**1,950,918**	**1,219,101**
Cash and cash equivalents at the end of the year	**2,885,099**	**1,950,918**

Analysis of cash and cash equivalents

(in thousands of LTL)	2007 Financial Group	2006 Financial Group
Cash	389,652	339,706
Due from Central Bank	968,888	603,266
Placements with other banks	1,526,559	1,007,946
Total	**2,885,099**	**1,950,918**

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

Statement of changes in equity

(in thousands of LTL)	Share capital	Share premium	Reserves	Retained earnings	Total
Opening balance 1 January 2006	**569,712**	**91,965**	**37,385**	**254,976**	**954,038**
Increase of fixed assets revaluation reserves			18,968	-	**18,968**
Transfers to deferred tax liability	-	-	(3,277)	-	**(3,277)**
Transfers to reserves	-	-	9,994	(9,994)	**-**
Net profit for the year	-	-	-	222,353	**222,353**
Closing balance 31 December 2006	**569,712**	**91,965**	**63,070**	**467,335**	**1,192,082**
Transfers to reserves			18,832	(18,832)	**-**
Transfers to deferred tax liability	-	-	(301)	-	**(301)**
Net profit for the year	-	-	-	411,635	**411,635**
Closing balance 31 December 2007	**569,712**	**91,965**	**81,601**	**860,138**	**1,603,416**

The financial statements were approved by the Board of the Bank on 28 February 2008 and signed on its behalf

G. Dusevičius
Chairman of the Board

M. Adomavičius
Deputy Chairman of the Board,
Chief Financial Officer

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