

INTERIM FINANCIAL RESULTS OF HANSABANK GROUP Q3 2008

FINANCIAL HIGHLIGHTS FOR CONTINUED OPERATIONS*

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
For the period (EUR in millions)								
Net profit	107	135	-20%	125	-15%	356	359	-1%
Estonia	52	49	7%	62	-15%	153	178	-14%
Latvia	24	28	-16%	37	-35%	87	100	-13%
Lithuania	30	29	2%	29	2%	86	80	7%
At the end of period (EUR in millions)								
Loans**	20,686	20,341	2%	18,102	14%			
Estonia	8,246	8,128	1%	7,217	14%			
Latvia	6,600	6,368	4%	5,714	16%			
Lithuania	5,839	5,750	2%	5,005	17%			
Deposits	10,787	11,035	-2%	10,063	7%			
Estonia	4,883	4,998	-2%	4,360	12%			
Latvia	2,323	2,479	-6%	2,307	1%			
Lithuania	3,580	3,558	1%	3,308	8%			
Ratios (%)								
Return on shareholders' equity	19.6%	26.3%		29.3%		23.1%	30.4%	
Estonia***	32.2%	31.5%		38.5%		32.2%	40.0%	
Latvia***	19.7%	23.7%		32.6%		24.4%	33.0%	
Lithuania***	24.5%	24.1%		30.2%		23.6%	32.7%	
Cost-income ratio	37.7%	32.9%		38.1%		37.0%	38.9%	
Estonia	36.3%	39.9%		34.4%		38.0%	36.0%	
Latvia	40.1%	42.0%		37.4%		39.9%	37.8%	
Lithuania	38.3%	46.7%		42.6%		43.9%	44.2%	
Net loan losses	0.90%	0.55%		0.46%		0.62%	0.34%	
Estonia	0.76%	0.58%		0.50%		0.57%	0.29%	
Latvia	1.08%	0.75%		0.45%		0.79%	0.48%	
Lithuania	0.91%	0.31%		0.40%		0.49%	0.26%	
Number of employees****	8,791	9,242	-5%	9,112	-4%			
Number of bank branches	278	284	-2%	300	-7%			
Total customers, million	5.38	5.32	1%	5.17	4%			

* Country results do not sum to total group results as eliminations and group units are excluded. All numbers for continued operations.

** Gross loans to customers (excluding repos)

*** Return on allocated equity – equity capital is allocated to the business units based on 8.4% capital adequacy in the Baltic countries. At the Group level, ROE is calculated based on actual equity.

**** Full time equivalent of employees

CHANGES IN REPORTING PRINCIPLES

These interim condensed financial statements are prepared in accordance with IAS 34 Interim financial reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the annual financial statements for the period ended 31 December 2007. These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

There have been a few changes to reporting principles from the beginning of 2008.

ALLOCATION AND COST OF EQUITY

Hansabank Group is using the following Tier I capitalization and cost of equity levels.

	2007		2008	
	Baltic units	Russia	Baltic units	Russia
Cost of equity	10%	11%	12%	12%
Tier I capital*	8%	11%	8.4%	11%

* % of business unit's risk-weighted assets

BASIS OF PREPARATION

Hansabank Group refers to consolidated financial statements of AS Hansapank and its subsidiaries. On 15 September the name change process started during which Hansabank's name will change to Swedbank. Legal name of the bank will change in spring 2009. In Swedbank Group interim reporting, Hansabank Group is reported as Swedbank Baltic Banking Operations. Russian entities' results are shown under International Banking business unit.

Hansabank Group results include OAO Swedbank and Hansa Leasing Ltd until 30 April 2008. After this date, these operations are reported in accordance with IFRS 5 as "Discontinued operations" (see page 35 for details).

Current financial analysis is presented for continued operations (without OAO Swedbank and Hansa Leasing Ltd). All historical ratios have been recalculated for continued operations.

The financial effect of the one-off events of Q208 (bonus reserve reversal and two disposals) is recorded on Hansabank Group level and not allocated to country business units. For better comparison, changes in main indicators have been normalized by the effect of disposal of Russian companies, disposal of associated company and reversal of bonus (info in parentheses).

OPERATING RESULTS, Q308

HIGHLIGHTS OF CONTINUED OPERATIONS

- Loans increased by 2% QoQ and 14% YoY
- Deposits decreased by 2% QoQ and increased by 7% YoY
- Net profit was EUR 107m, -15% YoY. Excluding one-off events of Q208, net profit was almost unchanged QoQ
- Return on equity 19.6%
- Income EUR 259m, unchanged QoQ, 4% YoY
- Expenses EUR 98m, increase of 3% YoY. Excluding one-off events of Q208, expenses declined 9% QoQ
- Cost-income ratio was 37.7%
- Capital adequacy ratio was 12.25%; Tier 1 capital ratio 9.65%

Hansabank Group recorded a net income of 107m in Q308. We continued to have very solid performance in our core operations despite the recent market turbulence. Net interest income grew by 7% QoQ and fee income remained stable even with the traditionally slower summer months. The bank's cost-income ratio was 38% in Q308, which is considerably better than our medium-term target of 42%. Net loan losses have gradually increased throughout the year and were 90bp in Q308. This is according to expectations and in line with the full year guidance of 70bp.

The bank's liquidity and capital positions are well above the regulatory requirements. Market turbulence has caused a small decline in customer deposits during Q3. Hansabank is the clear deposit market leader in the Baltics with 54% market share in Estonia, 17% in Latvia and 29% in Lithuania. Our market position has not changed during 2008.

Going forward, we expect a continued slow-down in business volumes during the coming quarters which will put pressure on revenue growth. As such, our short-term focus remains on improving productivity and efficiency as well as asset quality.

ECONOMY AND BANKING MARKET

The global financial crisis has gradually had a growing impact on the Baltic economies. Risk premiums are rising. GDP growth is slowing. The credit crunch is leading to lower consumer spending and investments. Though still robust, the Nordic and Baltic financial markets have been infected by higher funding costs for banks, which in turn have led to higher interest rates for businesses and households. Access to capital outside banks has become more expensive for companies due to higher risk premiums.

According to Bank of Estonia (central bank), the financial position of the Estonian banking system is strong; the equity capital of banks is substantial and their profitability good. The actual capital adequacy of Estonian banks was 18% in August 2008, which exceeds the mandatory minimum value of the EU by more than twice. The rate of the reserve requirement (i.e., the size of the banks' obligatory reserve) applied in Estonia is 15% of the total liabilities of a bank. This is considerably higher than the respective euro area indicator (2%). In Latvia and Lithuania respective reserve requirement is at 6%.

Bank of Estonia's analysis confirms that the capital and liquidity reserve of banks is sufficient to cope with

market risks and slowing economic growth. The analysis of Riksbank, the Swedish central bank, affirmed on its behalf the strong financial standing of the Swedish banks having their subsidiaries and branches in the Baltics.

Prolonged financial crisis, high commodity prices and pessimistic sentiment have lead to worsening growth prospects for the global and Baltic economies. Analysts believe that in the short term there is a risk of global recession. Negative news coming from the world as well as neighboring economies contribute to pessimistic moods of households and businesses in Baltics and predicting slower growth of consumption and investment. Fading consumer confidence, less optimism regarding wage growth and a spreading fear of unemployment will be reflected in lower private consumption. The investment plans of businesses are also being cut. Combined with strong cost pressures, especially those related to energy prices, a squeeze on companies' profits and hence investment moderation seems inevitable.

In Estonia, real GDP growth was -1.1% in Q2. Together with 0.2% growth in Q1, the 1st half 2008 ended with real GDP change of -0.5%. Annual

consumer price inflation (CPI) growth was 10.5% in September.

The Estonian current account deficit continued to fall in Q2 with the ratio of the current account deficit to GDP dropping to 10% from the previous year's 16%. The decline in the current account deficit was chiefly driven by the drop in the foreign trade deficit, supported by the fast growth of transport services and the continually rapid increase in the tourist and construction services exports growth pace.

In Latvia, real GDP grew by 0.1% YoY in Q2. Positive GDP growth was achieved due to 2.5% YoY growth in exports and 8.2% decrease in imports. In September, the annual inflation rate was 14.9%.

Current account deficit continued to decrease falling to 15.6% of quarterly GDP in Q2 (24.9% a year ago) driven by 2.3% YoY decrease in nominal imports of goods and services while exports grew by 12.9% YoY.

Lithuanian GDP grew 5.2% in Q2 2008. Due to the slowdown in domestic consumption, the growth in exports of goods and services slightly exceeded that of imports (exports grew by 13.7% YoY, imports by 12.1%). In H1 2008 Lithuania's economy grew by 6.1% YoY. Annual consumer price inflation (CPI) growth was 11.0% in September.

An annual decrease in Lithuanian retail sales was recorded in August. Monthly retail sales fell by 3.3% in real terms compared to August 2007 as sales in car related sector dropped by 10.3% YoY. Excluding car related sector retail sales grew by 1.6% YoY.

After a strong jump in the Lithuanian current account deficit in the Q1 2008 to 17.9% GDP, preliminary data for April–July showed a gradual decrease: current account deficit declined to 13.3% of the projected seven month GDP. The improvement has occurred mainly due to the lower deficit of goods and services. This was the result of a surge of 33.7% YoY in exports of goods in the first seven months of the year, while goods imports grew more slowly at 26.2% YoY.

COMPANY NEWS

In September the name change process started and Hansabank in Estonia, Hansabanka in Latvia and Hansabankas in Lithuania will be changed to Swedbank. The change will not bring along any extra duties for the clients – all agreements, also rights and obligations based on those will remain as they are today. Full migration to the new brand in the Baltics will take about one year and is expected to be completed by autumn 2009. First, the brand will change – meaning that in the coming months bank's

name will change in the internet, signs on bank's offices will be changed and products will be advertised under the name of Swedbank. Legal name of the bank will change in spring 2009.

Global Finance Magazine, an internationally acclaimed financial publication, selected Hansa.net as the best Internet bank in the Central and Eastern European region in three different categories and the Internet bank of Hansabank was also declared the best web bank in Estonia.

The international economic magazine Euromoney has again awarded Hansabank the title of "Best Bank in Estonia", having done so on several occasions in the past. Hansabank was awarded the title due to the lead position it has maintained in different segments of both the retail and business banking markets of Estonia and its continued rapid growth in 2007. In making its decision Euromoney also emphasized that in terms of a range of indicators Hansabank is well prepared for the changing economic situation in Estonia and the Baltic States and is paying closer attention to risk management.

SIGNIFICANT EVENTS IN Q2 2008 THAT AFFECT YEAR-TO-DATE OPERATING RESULTS

DISPOSAL OF OAO SWEDBANK, HANSA LEASING LTD AND AS PANKADE KAARDIKESKUS

A decision was made in the third quarter of 2007 to transfer ownership of the bank OAO Swedbank and the leasing company Hansa Leasing Ltd from Hansabank in Estonia to Swedbank in Sweden. On 12 May 2008, AS Hansapank and AS Hansa Capital entered into an agreement with Swedbank AB for the sale of the above entities.

The transfers were made at market value and the sale resulted in a loss of EUR 2.8m. Total loss on the sale can be divided into two components: gain on the sale of equity investment (EUR 1.7m) is classified under Other income (discontinued operations) and loss on the adjustment of unrealized foreign exchange differences (EUR 4.5m) under Trading income (continued operations).

In Estonia, Hansapank, SEB Pank and Sampo Pank as the owners of the Banks' Card Centre (Pankade Kaardikeskus (PKK), located in Estonia) signed an agreement to sell the PKK to Northern Europe Transaction Services (NETS), the Scandinavian mediator of bank card transactions. Capital gain on the sale of the shares in associated company was EUR 7m (Other income).

REVERSAL OF BONUS RESERVE

Performance based remuneration provisions in Hansabank are accrued as a percentage of annual Economic Value Added (EVA). Substantial increase of EVA over the recent years has resulted in larger reserves than forecasted. The accumulated reserves were reduced by about EUR 19.7m during Q2 2008; as a result performance based staff costs in Hansabank decreased with the same amount. The model for future provisions has been adjusted.

The financial effect of the bonus reserve reversal and two disposals is recorded at the Hansabank group level and not allocated to country business units.

INCOME

Total income was EUR 259m in the third quarter of 2008 with an annual growth of 4%. Third quarter outcome was unchanged from Q208. Second quarter income was affected by the one-off effects of the sale of Russian business unit and PKK and normalized income growth was EUR 4m QoQ. Global financial crises that intensified in September has impacted third quarter income – especially trading income and also cost of funding.

Annual growth was largest in insurance income 30% and other income 12%. Net interest income grew 11% and net fee income 1% YoY. Third quarter trading income declined 51% YoY due to the continuing turbulence on financial markets.

NET INTEREST INCOME

Net interest income increased 11% YoY to EUR 181m in Q308 supported by higher lending volumes. On the business unit level the annual net interest

income growth rates were as follows: Estonia 14%, Latvia -5% and Lithuania 28%.

In Estonia, Deposit Guarantee Fund reduced quarterly payments from previous 0.5% to 0.0032% from June 2008. This had a positive effect on quarterly net interest income and also raised deposit margins in Estonia.

Group's loan portfolio increased 14% YoY to EUR 20.7bn during Q308. Both private lending and corporate financing increased 15% YoY in third quarter. Loan portfolio growth was strongest in Lithuania 17%, followed by Latvia 16% and Estonia 14%.

Hansabank's lending market share has not changed in 2008 and was 46% in Estonia, 27% in Latvia and 25% in Lithuania at the end of August. The bank has gradually tightened its credit selection procedures according to market developments and followed risk based pricing guidelines to ensure that new lending quality is according to set guidelines.

INTEREST INCOME, NET

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Continuing operations								
Interest income								
Loans	301.1	282.5	7%	237.6	27%	859.2	626.9	37%
Bank deposits and loans	6.3	7.2	-13%	5.0	26%	20.6	15.9	30%
Correspondent accounts	17.5	17.9	-2%	15.4	14%	53.2	41.3	29%
Securities portfolio	9.7	12.4	-22%	8.0	21%	31.6	22.2	42%
Leasing	60.0	57.9	4%	49.6	21%	175.1	135.2	30%
Factoring	9.7	9.0	8%	7.7	26%	27.5	20.9	32%
Derivatives, hedging	16.3	15.2	7%	15.8	3%	49.8	36.1	38%
Total interest income	420.6	402.1	5%	339.1	24%	1,217.0	898.5	35%
Interest expenses								
Deposits	82.0	84.0	-2%	60.6	35%	244.7	159.9	53%
Demand deposits	20.0	20.5	-2%	22.3	-10%	62.0	60.0	3%
Time deposits	56.8	53.7	6%	28.6	99%	157.9	73.7	114%
Deposit Guarantee Fund	5.2	9.8	-47%	9.7	-46%	24.8	26.2	-5%
Bank deposits and loans	129.3	122.7	5%	92.7	39%	370.9	229.5	62%
Securities	12.3	11.2	10%	9.3	32%	33.4	27.2	23%
Derivatives, hedging	16.0	14.9	7%	13.3	20%	47.6	29.3	62%
Total interest expense	239.6	232.8	3%	175.9	36%	696.6	445.9	56%
Interest income from continuing operations, net	181.0	169.3	7%	163.2	11%	520.4	452.6	15%
Net interest margin %	2.82%	2.69%		2.89%		2.75%	2.88%	
Discontinuing operations								
Interest income from discontinued operations, net	-	4.1	<i>n.m.</i>	9.1	<i>n.m.</i>	15.0	26.4	-43%
Interest income, net	181.0	173.4	4%	172.3	5%	535.4	479.0	12%

Deposits increased 7% YoY to EUR 10.8bn in September 2008. In the third quarter market turbulence caused a decline in deposits and the total volume decreased by EUR 248m. Hansabank is the clear leader in deposits with Baltic market share reaching 31%. By country deposit market shares were 54% in Estonia, 29% in Lithuania and 17% in Latvia at the end of August with no noticeable change in 2008.

As the most recent important change, all Baltic governments decided to raise deposit protection limit. Estonia and Latvia increased the limit from previous 20,000 euros to 50,000 euros per client, while Lithuania raised it to 100,000 euros.

Deposit margins rose in all three countries during Q308. In Latvia and Lithuania the rise was caused by higher local interest rates. The biggest change was in Estonia where the positive impact came from the previously mentioned reduction in deposit guarantee fund payment. The annual reduction in Latvian

deposit margins is caused by high local interest rates in Latvia during the second half of 2007. Group's lending margins remained stable in Q3 with minor single digit reductions in all three countries. In annual comparison there is a 19bp decline in loan margin.

MARGIN OF LOANS AND DEPOSITS

	Q3 2008	Q2 2008	Q3 2007
Loans			
Estonia	2.48%	2.54%	2.63%
Latvia	1.89%	1.91%	2.20%
Lithuania	1.64%	1.68%	1.73%
Deposits			
Estonia	2.35%	1.94%	1.71%
Latvia	2.07%	1.81%	3.67%
Lithuania	2.36%	2.16%	2.76%

Deposit margin=(FTP-interest expense)/average deposits
 Loan margin=(interest income-FTP)/average loans

NET FEE INCOME

Net fees and commissions totaled EUR 52m in Q308 with 1% annual growth. In quarterly comparison, net fee income increased EUR 1m. The three major groups within the fee income are: payment-related fees, investment & trading related fees and lending-related fees, which form 66%, 16% and 11% of the total fee income in Q308, respectively. All other fees account for 8% of the total fee income.

Payment-related fees include income from bank cards, transfers and cash services. Fee income from these services increased 10% YoY. The income from bank cards increased by 16% YoY to EUR 28m while transfers increased by a more

modest 5% to EUR 12m. The number of cards issued (both debit and credit) increased 9% YoY.

Investment & trading related fees include fees from brokerage & investment services together with custody. Fee income from these areas decreased by 26% YoY. This fee income group has suffered because of decreasing trading activity and reduced success fees. Total assets gathered amounted to EUR 2.3bn at the end of Q308.

Lending-related fees include primarily factoring and consumer financing fees and minor fee income also from lending and leasing. Lending-related fees increased by 6% YoY.

FEES AND COMMISSIONS, NET

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Continuing operations								
Fee and commission income								
<i>Payment related fees</i>	45.5	44.2	3%	41.2	10%	45.5	41.2	10%
Transfers	11.9	11.8	1%	11.3	5%	34.7	33.4	4%
Cash services	3.2	3.0	7%	3.7	-14%	9.1	10.6	-14%
Bank cards	28.0	27.1	3%	24.2	16%	79.1	66.8	18%
Other e-channels	2.4	2.3	4%	2.0	20%	6.9	5.8	19%
<i>Investment and trading related fees</i>	10.8	11.2	-4%	14.5	-26%	10.8	14.5	-26%
Custody	7.6	8.1	-6%	9.0	-16%	24.0	23.4	3%
Brokerage and investment services	3.2	3.1	3%	5.5	-42%	10.2	15.9	-36%
<i>Lending related fees</i>	7.4	8.7	-15%	7.0	6%	7.4	7.0	6%
Loan management and guarantees	5.2	6.4	-19%	4.9	6%	16.4	16.8	-2%
Leasing and factoring	2.2	2.3	-4%	2.1	5%	6.6	6.2	6%
<i>Other</i>	5.5	5.2	6%	6.5	-15%	5.5	6.5	-15%
Insurance brokerage	1.2	1.0	20%	2.2	-45%	3.4	4.8	-29%
Other	4.3	4.2	2%	4.3	0%	12.7	15.8	-20%
Total fee and commission income	69.2	69.3	0%	69.2	0%	203.1	199.5	2%
Fee and commission expense								
Settlements	1.5	1.4	7%	1.7	-12%	4.3	5.4	-20%
Loan management and guarantees	0.2	1.6	-88%	0.6	-67%	2.4	2.0	20%
Card services	9.3	8.9	4%	8.4	11%	25.8	22.3	16%
Securities transaction fees	1.7	1.6	6%	2.5	-32%	5.3	7.1	-25%
Encashment and cash services	2.6	2.5	4%	2.4	8%	7.5	6.7	12%
Other	2.1	2.3	-9%	2.1	0%	6.4	6.0	7%
Total fee and commission expense	17.4	18.3	-5%	17.7	-2%	51.7	49.5	4%
Fees and commissions from continuing operations, net	51.8	51.0	2%	51.5	1%	151.4	150.0	1%
Discontinuing operations								
Fees and commissions from discontinued operations, net	-	0.2	n.m	0.4	n.m	0.9	1.5	-40%
Fees and commissions, net	51.8	51.2	1%	51.9	0%	152.3	151.5	1%

TRADING INCOME

Trading income decreased by EUR 6m (EUR -10m if excluding effect from the sale of Russian units in Q2) to EUR 11m in Q3. Trading income of Q208 was affected by the loss on the adjustment of unrealized foreign exchange differences (EUR 4.5m) in relation to the sale of Russian business unit. Annual decline of trading income was 51% as turmoil in financial markets has led to fair value revaluations of the holdings (primarily from our life-insurance portfolio).

Decrease in trading income was larger in Estonian and Lithuanian units and was mainly related to our life-insurance portfolio revaluations.

INSURANCE AND OTHER INCOME

Other income grew by 12% YoY. Insurance income continued to present strong annual growth of 30%. Our Property and Casualty Insurance market share in Estonia has grown from 10% in December 2007 to 16% eight months later. Q3 result of Other income also includes EUR 1.2m income from disposal of property in our Estonian and Lithuanian units.

EXPENSES

Operating expenses increased by 3% YoY to EUR 98m. Compared to second quarter, expenses increased EUR 13m (EUR -10m if to exclude one-offs from Q208). Second quarter Group-level expenses include a reversal of bonus reserve in the amount of EUR 19.7m. On a country level, Estonian expense growth was 5% YoY, Latvian 3% and Lithuanian expenses grew 4% YoY.

In the short term, expense growth has been addressed and controlled through heightened attention on employee growth and optimizing branch network to adjust to lower volume growth. Longer term focus is on setting up cross-border operating model and creating business processes for more mature markets. Several initiatives have been launched to support this - such as operational excellence, pan-Baltic product development, customer value management. The creation of Business Development unit allows taking better advantage of synergies between the three Baltic countries. These initiatives require initial investment

in current period while the effect on financials becomes evident only in the future.

Group's personnel expenses decreased by 8% YoY. Quarterly comparison is influenced by the reduction of accumulated bonus reserves by EUR 19.7m in Q2. Salary and tax growth was 12% while performance pay reserve allocation decreased 48% YoY.

The number of employees (FTE) declined by 4% over the past year in Baltics amounting to 8,791 employees at the end of September 2008. During the third quarter the number of employees decreased by 451. In summer Hansabank employs summer trainees to assist over vacation period that also affects the employee growth. The number of regular bank employees decreased by 236 people in Q308. Employee breakdown is as follows: 2,528 in Estonia, 2,415 in Latvia, 2,956 in Lithuania and 892 in Group and IT units.

Number of branches decreased by 6 during Q308: 1 in Estonia and Latvia, 4 in Lithuania. Branch network strategy is to move from smaller branches to larger and universal full service branches.

PERSONNEL EXPENSES

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Continuing operations								
Salaries and compensations	30.7	36.6	-16%	27.6	11%	103.1	83.7	23%
Performance pay reserve	9.2	-11.5	-180%	17.7	-48%	7.7	45.1	-83%
Social insurance charges	9.7	9.8	-1%	8.3	17%	29.4	24.4	20%
Training	1.3	1.9	-32%	1.6	-19%	4.5	4.9	-8%
Total personnel expenses from continued operations	50.9	36.8	38%	55.2	-8%	144.7	158.1	-8%
Discontinuing operations								
Total personnel expenses from discontinued operations	-	1.3	<i>n.m</i>	3.3	<i>n.m</i>	5.8	9.4	-38%
Total personnel expenses	50.9	38.1	34%	58.5	-13%	150.5	167.5	-10%
Continued operations								
Number of employees, end of period	8,791	9,242	-5%	9,112	-4%	8,791	9,112	-4%
Number of employees, average of the period	9,061	9,208	-2%	9,194	-1%	9,152	8,890	3%

Administrative expenses increased by 31% YoY. Annual growth in administrative costs is related to the bank's investments in organization. Professional service expenses have increased due to several larger strategic projects mentioned in the previous

paragraph. High inflation has also pushed up expenses related to office space such as rent, electricity, heating, etc.

ADMINISTRATIVE EXPENSES

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Continuing operations								
Office expenses	9.7	9.0	8%	7.3	33%	27.3	21.3	28%
Transportation, car lease	1.0	1.0	0%	0.7	43%	2.7	1.9	42%
Supplies	2.1	1.6	31%	2.1	0%	5.1	5.2	-2%
Communications	1.9	1.7	12%	1.7	12%	5.4	4.8	13%
Professional services	4.7	5.9	-20%	2.9	62%	14.2	8.9	60%
Insurance	0.4	0.4	0%	0.3	33%	1.3	1.1	18%
Security	1.5	1.2	25%	1.2	25%	3.8	3.3	15%
Other	-	0.1	<i>n.m</i>	-	<i>n.m</i>	0.2	0.2	0%
Total administrative expenses from continued operations	21.3	20.9	2%	16.2	31%	60.0	46.7	28%
Discontinuing operations								
Total administrative expenses from discontinued operations	-	0.8	<i>n.m</i>	1.9	<i>n.m</i>	3.0	4.4	-32%
Total administrative expenses	21.3	21.7	-2%	18.1	18%	63.0	51.1	23%

Other expenses declined 4% YoY in the third quarter. In comparison to Q208, marketing related

costs have decreased due to seasonality of these expenses.

OTHER EXPENSES

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Continuing operations								
Business trips	0.7	1.1	-36%	0.9	-22%	2.7	2.5	8%
Marketing	3.9	5.0	-22%	3.2	22%	11.4	10.0	14%
Representation	1.8	1.5	20%	1.9	-5%	4.7	4.3	9%
Other	4.1	5.1	-20%	4.9	-16%	14.6	14.4	1%
Total other expenses from continued operations	10.5	12.7	-17%	10.9	-4%	33.4	31.2	7%
Discontinuing operations								
Total other expenses from discontinued operations	-	0.3	<i>n.m</i>	0.9	<i>n.m</i>	1.3	2.3	-43%
Total other expenses	10.5	13.0	-19%	11.8	-11%	34.7	33.5	4%

ASSET QUALITY

Overall asset quality has remained in-line with expectations. Our guidance for loan losses for the full year 2008 is 70bp and all asset quality developments to date have been in line with this outlook. Key risk ratios have trended up throughout the year, particularly in Estonia and Latvia. However, in both countries the risk ratios are noticeably below that of local market indicators. This is the result of portfolio quality improvement

measures that were introduced already in 2007. Real estate sector growth has been taken under control and existing portfolio is regularly scrutinized. Risk units have been reinforced by strengthening workout teams and increasing the number of people dealing with problem loans. Portfolio reporting is improved and frequency increased.

Net loan losses were EUR 43m in Q308, increase of EUR 17m from Q208. Net loan losses to beginning of the year portfolio were 0.90% in Q308, up from

0.55% in Q2. Net loan losses for the 9 month period were 0.62%.

Loans overdue more than 60 days were 1.71% of 12-month old loan portfolio - a 51bp increase from Q208. Increase in loans overdue is evident in all

countries. During 2008, overdue management policies and procedures have been reviewed, updated and reinforced. The primary focuses in overdue management are efficient process design, prudent handling tactics and clearly set timing and channel of client contacts.

ALLOWANCE FOR CREDIT LOSSES*

(in millions of euros)	Group	Estonia	Latvia	Lithuania	Russia
Balance, as of 31.12.07	156.3	57.9	42.8	43.0	12.6
Write-offs	-4.3	-1.4	-2.1	-0.8	-
Loan losses	23.7	9.0	8.6	4.1	2.0
Effect of exchange rate changes	-0.6	-	-0.2	-	-0.4
Reclassification	-1.1	-	-	-1.1	-
Balance, as of 31.03.08	174.0	65.5	49.1	45.2	14.2
Write-offs	-5.3	-2.1	-1.9	-1.3	-
Loan losses	29.3	12.1	11.3	4.8	1.1
Effect of exchange rate changes	-0.2	-	-0.4	-	0.2
Reclassification	-0.8	-	-	-0.8	-
Sale of Russian business unit	-14.8	-	-	-	-14.8
Balance, as of 30.06.08	182.2	75.5	58.1	47.9	0.7
Write-offs	-6.7	-2.2	-2.5	-2.0	-
Loan losses	44.0	14.9	15.3	13.8	-
Effect of exchange rate changes	0.4	-	0.4	-	-
Reclassification	-2.4	-	-	-2.4	-
Balance, as of 30.09.08	217.5	88.2	71.3	57.3	0.7

*The distribution of loans is based on the origin of customer.

LOANS OVERDUE

(in millions of euros)	Group	Estonia	Latvia	Lithuania	Russia
Total loans overdue, 31.12.07	1,649.8	417.9	560.5	669.4	2.0
Up to 30 days	1,836.9	294.3	486.1	1,056.5	-
31 to 60 days	155.7	59.2	66.6	29.9	-
Over 60 days	133.4	41.9	59.7	30.7	1.1
Total loans overdue, 31.03.08	2,126.0	395.4	612.4	1,117.1	1.1
Up to 30 days	1,217.7	331.4	397.5	488.8	-
31 to 60 days	183.3	72.3	53.2	57.8	-
Over 60 days	201.3	77.5	86.5	37.3	-
Total loans overdue, 30.06.08	1,602.3	481.2	537.2	583.9	-
Up to 30 days	1,286.6	399.6	354.6	532.4	-
31 to 60 days	227.1	68.1	93.0	66.0	-
Over 60 days	307.3	120.7	131.8	54.8	-
Total loans overdue, 30.09.08	1,821.0	588.4	579.4	653.2	-
Loan portfolio as at the end of period*	20,685.6	8,245.8	6,600.3	5,839.5	-
Average loan portfolio*	20,497.0	8,199.7	6,487.5	5,809.8	-
Net loan losses**	0.90%	0.76%	1.08%	0.91%	-
Allowance for credit losses / loan portfolio*	1.05%	1.07%	1.08%	0.98%	-
Over 60 days / loan portfolio***	1.71%	1.67%	2.31%	1.09%	-

Overdue amount includes total outstanding principal amount and interest payable for the overdue loan. No limitations have been set regarding the amount, days overdue, etc.

* Excluded loans to consolidated companies and the distribution of loans is based on the origin of customer, loans do not include repos

** net loan losses equals to (provisions+write-offs – recoveries) / portfolio at the beginning of the year

*** Over 60 days / Loan portfolio ratio is calculated based on one year old portfolio volume

DISTRIBUTION OF RISK PORTFOLIO BY RATING CLASSES*

(in millions of euros, except ratios)	30.09.08	%	31.12.07	%
1 Highest rating class. Companies in this class are assumed to have virtually no credit risk.	174.8	0.7%	133.5	0.6%
1- Top investment grade. Companies in this class have very small credit risk.	97.4	0.4%	53.7	0.2%
2 Top investment grade. The short and medium-term creditworthiness of the company is beyond any doubt.	455.5	1.9%	328.7	1.4%
2- Investment grade. The short and medium-term creditworthiness of the company is strong.	655.3	2.7%	688.8	2.9%
3 Investment grade. The current creditworthiness of the company is very good. Reasonable adverse shocks on the market (economy in general) are not likely to have a material impact on the financial strength of the company.	1,013.8	4.2%	1,054.0	4.5%
3- Investment grade. The current creditworthiness of the company is good. Moderate adverse shocks on the market (economy in general) are not likely to have a material impact on the financial strength of the company.	1,431.9	6.0%	1,414.4	6.0%
4 Investment grade. The company short-term creditworthiness is normal, and long-term creditworthiness is more than acceptable.	2,661.3	11.1%	2,746.5	11.6%
4- Investment grade. The company short-term creditworthiness is normal, and long-term creditworthiness is acceptable with certain reservations.	2,212.7	9.2%	2,283.8	9.6%
5 Investment grade. Both the short-term and the long-term creditworthiness of the company are weak.	1,380.8	5.8%	1,334.9	5.6%
5- Lowest investment grade. Both the short-term and the long-term creditworthiness of the company are very weak.	423.0	1.8%	258.0	1.1%
6 Speculative grade. Creditworthiness of the company is sub-standard.	156.1	0.7%	69.3	0.3%
6- The company is close to default.	13.0	0.1%	10.9	0.0%
7 The borrower has defaulted.	88.2	0.4%	14.5	0.1%
Not individually rated**	13,202.8	55.1%	13,283.5	56.1%
Total	23,966.6	100.0%	23,674.5	100.0%

* Includes both on and off-balance sheet portfolio

**Highly diversified private and SME mass lending (incl. private mortgages)

ESTONIA

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Total income	104.5	99.3	5%	105.1	-1%	298.4	297.9	0%
Operating expenses	37.9	39.6	-4%	36.1	5%	113.4	107.2	6%
Operating profit before provisions	66.6	59.7	12%	69.0	-3%	185.0	190.7	-3%
Net profit	52.3	48.8	7%	61.6	-15%	152.9	178.1	-14%
EVA*	32.8	30.4	8%	45.7	-28%	95.9	133.2	-28%
Return on allocated equity**	32.2%	31.5%		38.5%		32.2%	40.0%	
Cost-income ratio	36.3%	39.9%		34.4%		38.0%	36.0%	
Net loan losses***	0.76%	0.58%		0.50%		0.57%	0.29%	
Net interest margin	2.76%	2.41%		2.74%		2.57%	2.75%	
Loans****	8,245.8	8,127.9	1%	7,216.7	14%	8,245.8	7,216.7	14%
Deposits	4,883.1	4,998.0	-2%	4,359.6	12%	4,883.1	4,359.6	12%
Allocated equity**	646.8	643.9	0%	656.6	-1%	646.8	656.6	-1%
Assets	10,465.9	10,773.6	-3%	9,654.0	8%	10,465.9	9,654.0	8%
Number of employees (full-time equivalent)	3,082	3,346	-8%	3,227	-4%	3,082	3,227	-4%

* Cost of equity used for EVA calculation was 10% in 2007 and 12% in 2008

** based on 8% capital adequacy for 2007 and 8.4% for 2008

*** net loan losses equals to (provisions+write-offs – recoveries) / beginning of the year loan portfolio

**** Loans to customers (excluding repos)

Estonian business unit has been able to maintain its efficiency despite a more difficult environment and improved the cost income ratio to 36% in Q3. This is a result of stringent cost management and good quarterly revenue growth that was aided by the deposit guarantee fund payment reduction. Despite the increase in loan losses, third quarter net profit increased to EUR 52m and return on equity was 32%.

INCOME

Total quarterly income was EUR 104m in Q308, a decrease of 1% over the year.

Net interest income increased by solid EUR 10m in Q308 to EUR 74m. Deposit Guarantee Fund decided to reduce quarterly payments as from June 2008. The annual rate of the payment was reduced from 0.5% to 0.0032% of the amount of guaranteed deposits. Total quarterly reduction of interest expense as a result of this change was EUR 4.5m. Net interest margin increased from 2.41% to 2.76%. Lower deposit guarantee contributed 17bp to the increase.

The annual loan portfolio growth rate was 14% at the end of Q308. Loan portfolio increased by EUR 118m from the last quarter to EUR 8.2bn. Corporate portfolio grew EUR 50m, mortgages EUR +50m, ABF EUR -2m and consumer finance EUR 8m during the quarter. Deposit portfolio decreased by EUR 115m to EUR 4.9bn, with YoY growth of 12%.

Net fee income was slightly lower at EUR 22m in Q308 (EUR -0.3m QoQ). Asset Management, custody and other securities' related fees have declined the most given weaker financial markets.

Estonia incurred a loss of EUR 1m from trading income in Q3, decrease of EUR 5m from Q2. Main contributors to the decline were fair value adjustments in the life insurance investment portfolio and losses on the trading portfolio.

EXPENSES

Operating expenses increased by 5% YoY and were EUR 38m in Q3. Expenses decreased by EUR 2m compared to Q2. Personnel expenses declined by EUR 1m, because of lower allocations to performance pay reserve. Number of employees decreased by 264 in Q308 to 3,082 (including IT and group level employees working in Estonia). Employee decline without summer trainees was 111. Annual employee decline was 4%. Other expenses increased because of higher administrative and group level expenses.

ASSET QUALITY

Net loan losses increased from EUR 11m to EUR 14m in Q308. Net loan losses to beginning of the year portfolio formed 0.76% in Q308, up from 0.58% in Q2. Loans overdue more than 60 days to 12-month old loan portfolio were 1.67% - up 54bp from Q2.

COUNTRY-BASED BALANCE SHEETS – ESTONIA

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Assets					
Cash, dues from central bank and other banks	1,731.9	1,945.9	1,874.0	2,070.7	1,627.5
Securities	220.6	241.3	244.1	354.2	381.2
Loans	8,413.2	8,439.3	8,167.5	7,738.9	7,496.2
- Allowances for credit losses	-88.9	-76.2	-66.6	-58.0	-47.9
Net loans	8,324.3	8,363.1	8,100.9	7,680.9	7,448.3
Other assets	189.1	223.3	202.5	231.1	197.0
Total assets	10,465.9	10,773.6	10,421.5	10,336.9	9,654.0
Liabilities					
Deposits	4,883.1	4,998.0	4,880.9	4,719.6	4,359.6
Demand deposits	2,739.0	2,938.4	2,925.1	2,967.1	3,024.6
Time deposits	2,144.1	2,059.6	1,955.8	1,752.5	1,335.0
External funding	4,087.4	4,340.4	4,450.5	4,495.1	4,239.9
Other liabilities and internal funding adjustment	848.6	791.3	454.8	454.8	397.9
Equity	646.8	643.9	635.3	667.4	656.6
Total liabilities and equity	10,465.9	10,773.6	10,421.5	10,336.9	9,654.0

COUNTRY-BASED INCOME STATEMENTS – ESTONIA

(in millions of euros, unaudited)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Interest income	179.6	171.2	166.8	157.7	145.0
Interest expense	-105.3	-106.9	-101.4	-91.6	-79.8
Interest income, net	74.3	64.3	65.4	66.1	65.2
Fee and commission income	29.7	30.0	30.3	31.9	33.8
Fee and commission expense	-7.5	-7.5	-7.2	-7.9	-8.2
Fees and commissions, net	22.2	22.5	23.1	24.0	25.6
Net result from financial operations	-1.0	4.0	-1.4	2.0	8.6
Net income from insurance activities	5.7	5.3	4.9	5.0	3.0
Other income	3.3	3.2	2.6	2.3	2.7
Total income	104.5	99.3	94.6	99.4	105.1
Operating expenses					
Personnel expenses	15.3	16.2	16.8	17.5	15.3
Data network expenses	7.5	7.9	7.3	8.5	6.6
Administrative expenses	8.1	7.0	6.1	6.8	6.1
Other expenses	3.8	4.7	3.6	5.5	3.4
Depreciation	0.9	0.8	0.8	0.8	0.8
Group overhead adjustment	2.3	3.0	1.3	3.2	3.9
Total operating expenses	37.9	39.6	35.9	42.3	36.1
Operating profit before provisions	66.6	59.7	58.7	57.1	69.0
Losses on loans and guarantees	-14.8	-11.8	-7.8	-10.8	-8.1
Recovered loans	0.5	0.9	0.7	0.7	0.4
Income from associated companies	-	-	0.2	0.2	0.3
Profit before income tax	52.3	48.8	51.8	47.2	61.6
Income tax	-	-	-	-	-
Profit after income tax	52.3	48.8	51.8	47.2	61.6
Minority interest	-	-	-	-	-
Net profit	52.3	48.8	51.8	47.2	61.6

LATVIA

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Total income	74.8	79.5	-6%	77.5	-3%	232.3	214.4	8%
Operating expenses	29.9	33.4	-10%	29.0	3%	92.7	81.1	14%
Operating profit before provisions	44.9	46.1	-3%	48.5	-7%	139.6	133.3	5%
Net profit	23.7	28.1	-16%	36.5	-35%	87.3	99.9	-13%
EVA*	9.2	13.8	-33%	25.2	-63%	44.3	69.1	-36%
Return on allocated equity**	19.7%	23.7%		32.6%		24.4%	33.0%	
Cost-income ratio	40.1%	42.0%		37.4%		39.9%	37.8%	
Net loan losses***	1.08%	0.75%		0.45%		0.79%	0.48%	
Net interest margin	2.72%	2.92%		3.26%		2.89%	3.20%	
Loans****	6,600.3	6,368.4	4%	5,714.2	16%	6,600.3	5,714.2	16%
Deposits	2,323.3	2,479.4	-6%	2,306.5	1%	2,323.3	2,306.5	1%
Allocated equity**	489.4	466.5	5%	454.8	8%	489.4	454.8	8%
Assets	7,614.8	7,540.1	1%	6,729.1	13%	7,614.8	6,729.1	13%
Number of employees (full-time equivalent)	2,570	2,659	-3%	2,501	3%	2,570	2,501	3%

* Cost of equity used for EVA calculation was 10% in 2007 and 12% in 2008

** based on 8% capital adequacy for 2007 and 8.4% for 2008

*** net loan losses equals to (provisions+write-offs – recoveries) / beginning of the year loan portfolio

**** Loans to customers (excluding repos)

Latvian business unit showed good performance in reducing annual cost growth from 22% in the second quarter to a moderate 3% in Q3. Unfavorable market conditions together with higher loan losses lead to lower net profit of EUR 24m in Q308. ROE was 20% and cost-income ratio 40%.

INCOME

Total income of the Latvian business unit decreased by 3% YoY to EUR 75m. Quarterly decrease was EUR 5m.

Net interest income was lower by EUR 2m in Q3 mainly due to rising funding cost (both foreign funding and deposits) and revaluation of liquidity portfolio. Net interest margin declined from 2.92% to 2.72%.

Loan portfolio grew by EUR 232m in Q3 or 16% YoY. Corporate portfolio grew EUR 177m, mortgages EUR 42m and consumer finance EUR 10m during the quarter. ABF portfolio did not change. Deposits decreased by EUR 156m in Q308 (+1% YoY).

Net fee income increased EUR 0.4m from Q2 to EUR 15m. Securities' related items continue to underperform due to weaker financial markets. Trading income decreased by EUR 3m from second quarter as a result of treasury swap revaluations.

EXPENSES

Latvian unit's operating expenses decreased by EUR 3m from Q2, with YoY growth slowing down to 3%. Personnel expenses decreased by 11% YoY and also from Q2 (EUR -2m). Number of employees (incl Group and IT) decreased by 89 during Q3 and increased 3% on an annual comparison. All other expense items decreased or were unchanged compared to Q2.

ASSET QUALITY

Net loan losses increased by EUR 5m to EUR 16m in Q308. Higher provisions for small and medium enterprises with real estate exposure were main contributors to loan loss figure. Net loan losses formed 1.08% of the beginning of the year portfolio in Q308, up from 0.75% in Q2. Loans overdue more than 60 days formed 2.31% of the 12-month old loan portfolio - up 71bp from Q2.

COUNTRY-BASED BALANCE SHEETS – LATVIA

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Assets					
Cash, dues from central bank and other banks	673.4	833.5	849.8	980.9	725.6
Securities	265.4	257.9	241.9	224.9	214.0
Loans	6,615.5	6,379.3	6,167.8	5,984.1	5,721.5
- Allowances for credit losses	-71.2	-58.0	-49.1	-42.8	-39.4
Net loans	6,544.3	6,321.3	6,118.7	5,941.3	5,682.1
Other assets	131.7	127.4	115.8	114.1	107.4
Total assets	7,614.8	7,540.1	7,326.2	7,261.2	6,729.1
Liabilities					
Deposits	2,323.3	2,479.4	2,429.8	2,445.1	2,306.5
Demand deposits	1,275.6	1,454.7	1,501.4	1,644.7	1,627.4
Time deposits	1,047.7	1,024.7	928.4	800.4	679.1
External funding	4,307.3	4,095.3	3,971.5	3,870.0	3,535.7
Other liabilities and internal funding adjustment	494.8	498.9	448.1	472.3	432.1
Equity	489.4	466.5	476.8	473.8	454.8
Total liabilities and equity	7,614.8	7,540.1	7,326.2	7,261.2	6,729.1

COUNTRY-BASED INCOME STATEMENTS – LATVIA

(in millions of euros, unaudited)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Interest income	125.7	122.4	121.5	123.2	109.4
Interest expense	-73.7	-68.5	-67.0	-63.3	-54.6
Interest income, net	52.0	53.9	54.5	59.9	54.8
Fee and commission income	20.8	20.1	18.5	20.9	18.8
Fee and commission expense	-5.5	-5.2	-4.8	-6.2	-5.2
Fees and commissions, net	15.3	14.9	13.7	14.7	13.6
Net result from financial operations	5.8	9.0	8.0	7.5	7.4
Net income from insurance activities	-	-	-	-	-
Other income	1.7	1.7	1.8	1.3	1.7
Total income	74.8	79.5	78.0	83.4	77.5
Operating expenses					
Personnel expenses	11.9	13.8	14.4	14.3	13.3
Data network expenses	6.3	6.2	6.1	6.1	5.2
Administrative expenses	5.8	5.9	4.5	6.0	4.3
Other expenses	3.5	4.9	2.8	5.4	3.3
Depreciation	1.0	1.0	1.0	1.0	0.9
Group overhead adjustment	1.4	1.6	0.6	1.6	2.0
Total operating expenses	29.9	33.4	29.4	34.4	29.0
Operating profit before provisions	44.9	46.1	48.6	49.0	48.5
Losses on loans and guarantees	-16.5	-11.4	-8.6	-9.3	-5.3
Recovered loans	0.3	0.4	0.5	0.5	0.3
Income from associated companies	-	-	-	-	-
Profit before income tax	28.7	35.1	40.5	40.2	43.5
Income tax	-5.0	-7.0	-5.0	-6.3	-7.0
Profit after income tax	23.7	28.1	35.5	33.9	36.5
Minority interest	-	-	-	-	-
Net profit	23.7	28.1	35.5	33.9	36.5

LITHUANIA

(in millions of euros)	Q3 2008	Q2 2008	QoQ %	Q3 2007	YoY %	YTD 2008	YTD 2007	YTD %
Total income	77.9	73.8	6%	67.5	15%	220.1	188.5	17%
Operating expenses	29.9	34.5	-13%	28.8	4%	96.6	83.2	16%
Operating profit before provisions	48.0	39.3	22%	38.7	24%	123.5	105.3	17%
Net profit	29.5	29.0	2%	29.0	2%	85.5	79.6	7%
EVA*	15.0	14.6	3%	20.1	-25%	42.1	54.8	-23%
Return on allocated equity**	24.5%	24.1%		30.2%		23.6%	32.7%	
Cost-income ratio	38.3%	46.7%		42.6%		43.9%	44.2%	
Net loan losses***	0.91%	0.31%		0.40%		0.49%	0.26%	
Net interest margin	2.94%	2.81%		2.79%		2.85%	2.78%	
Loans****	5,839.5	5,749.9	2%	5,004.6	17%	5,839.5	5,004.6	17%
Deposits	3,580.3	3,557.8	1%	3,307.7	8%	3,580.3	3,307.7	8%
Allocated equity**	484.0	474.4	2%	400.5	21%	484.0	400.5	21%
Assets	7,565.2	7,437.7	2%	6,499.8	16%	7,565.2	6,499.8	16%
Number of employees (full-time equivalent)	3,139	3,237	-3%	3,384	-7%	3,139	3,384	-7%

* Cost of equity used for EVA calculation was 10% in 2007 and 12% in 2008

** based on 8% capital adequacy for 2007 and 8.4% for 2008

*** net loan losses equals to (provisions+write-offs – recoveries) / beginning of the year loan portfolio

**** Loans to customers (excluding repos)

Lithuanian business unit was able to reach its best-ever cost-income ratio of 38.3% in Q308. Coupled with strong revenue growth Lithuania recorded a net profit of EUR 29.5m and ROE of 24.5% in Q3. Worsening global economic conditions have impacted asset quality and loan losses increased during the quarter primarily in real-estate development and transportation sectors.

INCOME

Total income increased by 15% YoY and was EUR 78m in Q308. Quarterly increase was EUR 4m.

Net interest income increased by EUR 5m QoQ, +28% YoY. Net interest margin increased 13bp during Q3 to 2.94%.

Lithuanian business unit's loan portfolio increased by 17% YoY and grew by EUR 90m in Q308. Strongest growth was in mortgages EUR 55m, followed by asset based finance EUR 22m and consumer finance EUR 18m. Corporate lending portfolio decreased EUR 5m during the quarter. Deposits increased by EUR 23m in Q3, +8% YoY.

Net fees and commissions increased by EUR 1m QoQ and by +18% YoY. Trading income decreased in quarterly comparison due to fair value adjustments of life insurance portfolio.

EXPENSES

Operating expenses decreased EUR 5m QoQ; annual growth rate declined from 21% in Q2 to 4% in Q3. In annual comparison personnel expenses declined 3%, IT expenses increased 25% and administrative expenses increased 14%. Number of employees declined by 98 in Q308 to 3,139, annual decline was 7%.

ASSET QUALITY

Net loan losses were EUR 12m in Q308, an increase of EUR 8m from Q208. Worsening macro situation gradually start to appear also in Lithuanian loan loss figures, where the main impact has come from residential real estate development and trucking sector. Net loan losses formed 0.91% of the beginning of the year portfolio in Q208 - an increase of 60bp from Q2. Loans overdue more than 60 days formed 1.09% of the 12-month old loan portfolio - up 25bp from Q2.

COUNTRY-BASED BALANCE SHEETS – LITHUANIA

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Assets					
Cash, dues from central bank and other banks	672.7	564.3	597.4	835.6	517.4
Securities	912.5	989.1	908.2	923.4	828.8
Loans	5,841.9	5,754.1	5,551.1	5,374.4	5,012.0
- Allowances for credit losses	-57.3	-47.9	-45.2	-43.0	-41.9
Net loans	5,784.6	5,706.2	5,505.9	5,331.4	4,970.1
Other assets	195.4	178.1	175.4	187.8	183.5
Total assets	7,565.2	7,437.7	7,186.9	7,278.2	6,499.8
Liabilities					
Deposits	3,580.3	3,557.8	3,568.2	3,633.1	3,307.7
Demand deposits	2,107.5	2,136.0	2,137.4	2,373.9	2,210.4
Time deposits	1,472.8	1,421.8	1,430.8	1,259.2	1,097.3
External funding	2,815.9	2,690.8	2,499.0	2,593.5	2,187.9
Other liabilities and internal funding adjustment	685.0	714.7	634.2	645.1	603.7
Equity	484.0	474.4	485.5	406.5	400.5
Total liabilities and equity	7,565.2	7,437.7	7,186.9	7,278.2	6,499.8

COUNTRY-BASED INCOME STATEMENTS – LITHUANIA

(in millions of euros, unaudited)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Interest income	116.1	108.7	106.3	97.4	82.8
Interest expense	-60.4	-57.5	-56.3	-48.2	-39.2
Interest income, net	55.7	51.2	50.0	49.2	43.6
Fee and commission income	19.4	20.1	16.8	17.9	17.5
Fee and commission expense	-4.8	-6.2	-4.7	-5.2	-5.1
Fees and commissions, net	14.6	13.9	12.1	12.7	12.4
Net result from financial operations	3.6	4.6	1.8	7.9	6.8
Net income from insurance activities	1.3	2.0	3.1	3.9	2.4
Other income	2.7	2.1	1.4	2.7	2.3
Total income	77.9	73.8	68.4	76.4	67.5
Operating expenses					
Personnel expenses	13.7	18.0	17.5	18.0	14.1
Data network expenses	7.1	6.9	6.3	6.6	5.7
Administrative expenses	4.9	5.2	4.8	6.1	4.3
Other expenses	2.0	2.0	2.6	3.6	2.2
Depreciation	0.7	0.7	0.7	0.6	0.8
Group overhead adjustment	1.5	1.7	0.3	1.3	1.7
Total operating expenses	29.9	34.5	32.2	36.2	28.8
Operating profit before provisions	48.0	39.3	36.2	40.2	38.7
Losses on loans and guarantees	-13.2	-4.5	-3.7	-1.5	-4.1
Recovered loans	0.9	0.4	0.4	0.3	0.4
Income from associated companies	-	-	-	-	-
Profit before income tax	35.7	35.2	32.9	39.0	35.0
Income tax	-6.2	-6.2	-5.9	-6.6	-6.0
Profit after income tax	29.5	29.0	27.0	32.4	29.0
Minority interest	-	-	-	-	-
Net profit	29.5	29.0	27.0	32.4	29.0

CONSOLIDATED BALANCE SHEETS

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Assets					
Cash	222.8	215.4	230.1	280.8	223.1
Due from Central Bank	1,224.3	1,334.8	1,533.2	1,270.8	1,471.0
Due from other financial institutions	1,323.1	1,477.6	1,456.7	2,236.3	1,035.0
Trading securities	153.4	150.6	150.1	212.2	246.6
Financial assets designated at fair value through P/L	1,109.6	1,196.9	1,115.5	1,142.2	1,023.8
Held-to-maturity securities	128.9	125.5	122.1	133.0	137.0
Investments in associates	0.4	0.4	3.9	3.7	3.5
Available for sale securities	0.1	8.6	0.1	0.1	0.2
Loans	20,870.6	20,667.3	20,970.4	20,169.4	19,087.7
- Allowances for credit losses	-217.4	-182.1	-174.0	-156.3	-139.2
Net loans	20,653.2	20,485.2	20,796.4	20,013.1	18,948.5
Tangible assets	144.9	142.1	142.0	134.2	125.6
Intangible assets	31.9	32.5	29.4	29.6	28.9
Prepayments and accrued interest	251.3	244.8	260.8	282.5	279.5
Other assets	83.8	96.8	69.4	87.7	70.8
Total assets	25,327.7	25,511.2	25,909.7	25,826.2	23,593.5
Liabilities					
Due to Central Bank and government	22.2	27.3	2.0	2.4	16.5
Due to other financial institutions	9,951.9	9,788.1	10,574.3	10,506.3	9,257.4
Deposits	10,786.7	11,034.5	10,917.2	10,913.3	10,107.1
Demand deposits	6,122.1	6,528.4	6,598.9	7,097.2	6,956.1
Time deposits	4,664.6	4,506.1	4,318.3	3,816.1	3,151.0
Debt securities issued	896.4	1,012.7	897.5	872.0	881.1
Accrued liabilities	381.4	378.0	403.3	425.1	406.5
Other reserves	345.2	373.0	379.7	412.9	397.6
Deferred tax liability	2.6	2.8	2.8	2.7	2.6
Other liabilities	216.8	271.6	200.9	287.7	267.7
Total liabilities	22,603.2	22,888.0	23,377.7	23,422.4	21,336.5
Subordinated Loan	500.0	500.0	538.0	520.5	500.0
Equity attributable to equity holders of parent					
Common stock	202.8	202.8	202.8	202.8	202.8
Share premium	32.2	32.2	32.2	32.2	32.2
Reserves	64.4	64.1	55.8	55.7	55.7
Other restricted equity	-	-	-	-	6.4
Revaluation reserve	-34.1	-26.3	-20.1	-15.2	-
Cash-flow hedge reserve	-5.7	-7.7	-5.5	-6.9	-30.0
Retained earnings	1,964.9	1,858.1	1,728.8	1,614.7	1,489.9
Total equity attributable to equity holders of parent	2,224.4	2,123.2	1,994.0	1,883.3	1,757.0
Minority interest	-	-	-	-	-
Total shareholders' equity	2,224.4	2,123.2	1,994.0	1,883.3	1,757.0
Total liabilities and shareholders' equity	25,327.7	25,511.2	25,909.7	25,826.2	23,593.5

CONSOLIDATED INCOME STATEMENTS

(in millions of euros, unaudited)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Continuing operations					
Interest income	420.6	402.1	394.3	379.1	339.0
Interest expense	-239.6	-232.8	-224.2	-204.9	-175.9
Interest income, net	181.0	169.3	170.1	174.2	163.1
Fee and commission income	69.2	69.3	64.5	70.0	69.1
Fee and commission expense	-17.4	-18.3	-15.9	-18.5	-17.7
Fees and commissions, net	51.8	51.0	48.6	51.5	51.4
Net result from financial operations	11.3	17.2	8.4	17.3	22.8
Net income from insurance activities	7.0	7.3	8.0	8.9	5.4
Other income	7.7	13.9	5.7	6.4	6.9
Total income	258.8	258.7	240.8	258.3	249.6
Operating expenses					
Personnel expenses	50.9	36.7	57.0	61.3	55.3
Data network expenses	9.0	9.1	7.6	8.9	7.8
Administrative expenses	21.3	20.9	17.8	21.6	16.2
Other expenses	10.5	12.7	10.2	16.5	10.9
Depreciation	5.9	5.6	5.3	5.4	5.0
Total operating expenses	97.6	85.0	97.9	113.7	95.2
Operating profit before provisions	161.2	173.7	142.9	144.6	154.4
Losses on loans and guarantees	-44.5	-27.6	-20.0	-21.7	-17.4
Recovered loans	1.7	1.7	1.6	1.7	1.1
Share of profit of associates	-	-	0.2	0.2	0.3
Profit before income tax	118.4	147.8	124.7	124.8	138.4
Income tax	-11.2	-13.2	-10.9	-12.9	-13.0
Profit for the period from continued operations	107.2	134.6	113.8	111.9	125.4
Discontinuing operations					
Total profit for the period from discontinued operations	-	2.9	0.4	6.5	3.0
Total profit for the period	107.2	137.5	114.2	118.4	128.4
Attributable to:					
Equity holders of the parent	107.2	137.5	114.2	118.4	128.4
Minority interest	-	-	-	-	-

CONSOLIDATED CASH FLOW STATEMENTS

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Profit before income tax	396.5	278.2	126.7	535.7	404.8
Adjustments to profit before income tax					
Loan losses	84.2	50.8	21.8	51.8	28.2
Interest income	-1,250.5	-829.8	-419.5	-1,353.2	-952.3
Interest expense	715.1	475.5	238.5	690.5	473.3
Depreciation and amortization	17.1	11.1	5.5	20.6	15.0
Profit from sales of tangible assets	-1.6	-0.3	-	-1.2	-1.3
Book value of tangible assets written-off	0.5	0.4	-	-	-
Total adjustments to operating profit	-435.2	-292.3	-153.7	-591.5	-437.1
Changes in operating assets and liabilities					
Net change in prepayments	34.5	37.5	21.8	-15.6	-22.0
Net change in accrued liabilities	-88.3	-73.4	-50.4	21.4	40.8
Net change in deposits placed with other financial institutions	618.3	610.4	592.8	-476.4	57.9
Net change in financial assets held for trading	58.8	61.6	62.1	-141.6	-154.2
Net change in loans to financial institutions	114.1	209.2	255.5	-87.0	248.9
Net change in compulsory reserve to Central Bank	-513.9	5.6	-18.1	-65.2	-47.2
Net change in loans	-701.2	-497.9	-801.0	-5,279.1	-4,197.4
Net change in other assets	2.0	-11.1	19.0	-24.0	-7.1
Net change in short-term liabilities due to other banks	21.1	-118.5	-178.5	610.8	300.4
Net change in demand deposits	-975.1	-568.8	-498.3	360.7	219.6
Net change in time deposits	848.5	698.5	502.2	1,222.3	557.3
Net change in other liabilities	-83.5	-27.5	-72.6	142.3	117.8
Total adjustments to operating assets and liabilities	-664.7	325.6	-165.5	-3,731.4	-2,885.2
Interest received	1,247.2	830.1	419.5	1,326.0	934.5
Interest paid	-670.5	-449.3	-209.9	-628.9	-430.9
Income tax paid	-36.0	-23.9	-10.2	-38.7	-27.6
Net cash used in operating activities	-162.7	668.4	6.9	-3,128.8	-2,441.5
Cash from investing activities					
Net change in securities held for investment	7.4	2.3	10.7	-11.7	-15.5
Acquisition of tangible assets	-37.2	-25.9	-16.5	-45.3	-30.1
Sale of tangible assets	12.5	8.0	3.6	7.5	6.2
Acquisition of intangible assets	-5.8	-5.6	-0.1	-2.4	-1.0
Sale of intangible assets	1.6	1.5	-	-	-
Net cash provided by/used in investing activities	-21.5	-19.7	-2.3	-51.9	-40.4
Cash from financing activities					
Credit lines of Central Bank and government received	25.1	25.1	-	-	11.8
Credit lines of Central Bank and government paid	-5.3	-0.2	-0.5	-2.8	-0.5
Long-term loans received from other financial institutions	1,122.1	570.0	246.4	4,945.6	3,738.7
Long-term loans paid back to other financial institutions	-1,697.7	-1,178.2	-	-1,495.9	-1,227.5
Issue of debt securities	37.0	144.5	27.3	-152.9	-154.4
Dividends paid	-	-	-	-5.0	-5.0
Cash-flow hedge reserve	1.2	-	-	-	-
Net change in subordinated liabilities	-20.5	-20.5	17.5	220.5	200.0
Net cash provided by financing activities	-538.1	-459.3	290.7	3,509.5	2,563.1
Effect of the change in exchange rate from foreign subsidiaries	-19.0	-12.0	-3.5	5.8	-13.8
Net increase in cash and cash equivalents	-741.3	177.4	291.8	334.6	67.4
Cash and cash equivalents at the beginning of the year	2,806.5	2,806.5	2,806.5	2,471.9	2,471.9
Cash and cash equivalents at the end of the period	2,065.2	2,983.9	3,098.3	2,806.5	2,539.3

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of euros, unaudited)	30.09.08	30.06.08	31.03.08	31.12.07	30.09.07
Equity attributable to equity holders of parent					
Share capital					
Balance at the beginning of the year	202,8	202,8	202,8	202,8	202,8
Balance at the end of the period	202,8	202,8	202,8	202,8	202,8
Share premium					
Balance at the beginning of the year	32,2	32,2	32,2	32,2	32,2
Balance at the end of the period	32,2	32,2	32,2	32,2	32,2
Reserves-general banking reserve					
Balance at the beginning of the year	21,8	21,8	21,8	21,8	21,8
Balance at the end of the period	21,8	21,8	21,8	21,8	21,8
Reserves-statutory reserve					
Balance at the beginning of the year	33,9	33,9	33,9	27,9	27,9
Appropriations to statutory reserve	8,7	8,4	0,1	6,0	6,0
Balance at the end of the period	42,6	42,3	34,0	33,9	33,9
Other reserves - stock dividends of subsidiaries					
Balance at the beginning of the year	-	-	-	6,4	6,4
Change in other reserves	-	-	-	-6,4	-6,4
Balance at the end of the period	-	-	-	-	-
Revaluation reserves					
Balance at the beginning of the year	-15,2	-15,2	-15,2	-16,1	-16,2
Net change in revaluation reserves	-19,0	-11,1	-4,9	0,9	-13,8
Balance at the end of the period	-34,2	-26,3	-20,1	-15,2	-30,0
Cash-flow hedge (effective portion)					
Balance at the beginning of the year	-6,9	-6,9	-6,9	-	-
Net change in cash-flow hedge reserve	1,2	-0,8	1,4	-6,9	-
Balance at the end of the period	-5,7	-7,7	-5,5	-6,9	-
Retained earnings					
Balance at the beginning of the year	1 614,7	1 614,7	1 614,7	1 135,7	1 135,7
Net profit	358,9	251,8	114,2	483,5	365,1
Appropriations to reserves	-8,7	-8,4	-0,1	-4,9	0,5
Dividends paid	-	-	-	-6,0	-5,0
Reclassification	-	-	-	6,4	-
Balance at the end of the period	1 964,9	1 858,1	1 728,8	1 614,7	1 496,3
Total equity attributable to equity holders of parent	2 224,4	2 123,2	1 994,0	1 883,3	1 757,0
Minority interests					
Balance at the beginning of the year	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-
Minority share of net profit of subsidiaries	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-
Total equity	2 224,4	2 123,2	1 994,0	1 883,3	1 757,0

CAPITAL ADEQUACY

NEW CAPITAL ADEQUACY RULES ("BASEL 2")

On January 1, 2007 Estonia introduced new capital adequacy rules, Basel 2. The rules are based on the so-called Basel Accord and are being introduced throughout the EU according to the provisions of the EU's Banking Directive and Capital Requirements Directive. According to the new rules, the capital requirement will be more closely linked to the institute's risk profile.

According to the new rules, there are two principal methods to calculate the capital requirement for credit risks: the standardized method and the IRB (internal ratings based) method. In the IRB method the capital requirement, to a greater degree than before, is linked to the bank's current and future risk profile, its own risk measures and an assessment of risk capital needs. The IRB method applies to banks with sophisticated and well developed risk measurement processes. Before applying the IRB method, the banks are required to seek approval from the Financial Supervisory Authority. Until the approval is granted, the capital requirement will be based on the standardized method which is very similar to the previous method (Basel 1). In addition to the capital

requirement for credit and market risks a capital requirement is also introduced for operational risks.

Another of the most important changes in the new rules is the requirement that the institutions prepare and document its own internal capital adequacy assessment process (Pillar 2). All relevant sources of risk must be taken into account when assessing the total capital needed, i.e. not only those already included when calculating the capital requirement for credit, market and operational risks (Pillar 1).

Moreover, the new rules include requirements on the institution to disclose comprehensive information about its risks, risk management and associated capital requirements (Pillar 3).

Hansabank Group has submitted an application for regulatory approval of IRB approach in credit risk area. In 2008, Hansabank Group uses standardized method for credit, market and operational risks in all group companies. Information on the capital base and capital requirements is provided for the most significant subsidiaries within the Hansabank Group: AS Hansapank, A/S Hansabanka, and AB bankas Hansabankas on solo bases.

HANSABANK GROUP COMPANIES INCLUDED IN CAPITAL ADEQUACY CALCULATION

As of September 30th, 2008 the Hansabank Group companies included in capital adequacy calculation were as follows:

Parent company and major subsidiaries	Subsidiaries	Companies NOT included in the CAD calculation *
AS Hansapank (Estonia)	AS Hansa Investeerimisfondid Estonia OÜ Crebit Estonia AS Hansa Capital Estonia AS Hansa Liising Eesti AS Hansa Leasing Russia Balti Autoliisingu AS	AS Hansa Elukindlustus Estonia AS Hansa Varakindlustus Balti Kindlustusmaakleri OÜ (under liquidation)
A/S Hansabanka (Latvia)	SIA Hansa Lizings SIA Hansabankas Centrala eka SIA Baltijas Autolizings SIA Hansa Apdrošinašanas Brokeris AS IPS Hansa Fondi AS Hansa atklatais pensiju fonds	
AB bankas Hansabankas (Lithuania)	UAB Hansa Lizingas UAB Hansa Investiciju valdymas UAB Baltijos Autolizingas UAB Hansa Valda UADBB"HDB"	UAB Hansa gvybes draudimas UADBB Hansa Draudimo Brokeris (sold in 2007)

* The group's insurance companies are not included according to the Basel 2 capital adequacy rules.

CAPITAL BASE

The capital base serves as a buffer against the losses that can arise from risks to which Hansabank Group is exposed. Hansabank's ability to sustain large losses is also to a large extent dependent on the strength of the income statement but also on more qualitative factors such as risk management capabilities and internal governance and control.

CAPITAL REQUIREMENT FOR CREDIT RISKS

Credit risk refers to the risk that a counterpart is incapable of meeting its obligations and pledged assets do not cover the claims. Credit risk includes concentration risk that includes large individual exposures as well as significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors, such as the economy, sector, geography, instrument type or other. Credit risk forms the largest part of the total outstanding risk for the Group and is inherent in almost all regular credit products such as loans, leasing, credit cards, guarantees and derivatives.

MARKET RISKS

Exposure to market risks arises from positions that are affected by changes in market risk factors: interest rates, foreign exchange rates and equity prices (or other relevant risk factors such as implicit volatility for options).

For capital requirement calculation purposes, the standardized approach has been implemented under Basel 2 capital adequacy rules.

OPERATIONAL RISK

Operational risk stands for any undesirable impact to business objectives, including direct or indirect financial loss or loss of confidence, occurring in day-to-day business operation, resulting from errors or omissions in internal procedures or systems, or due to human errors or fraud, or from external events.

For defining capital requirement to cover unexpected losses from operational risk, the Group has implemented the standardized approach under Basel 2 capital adequacy rules. The Group has implemented the required methods, such as loss database, risk self-assessment and business contingency planning.

CAPITAL BASE

(in millions of euros)	<i>According to Basel II rules</i> 30.09.08	<i>According to Basel I rules</i> 30.09.08	<i>According to Basel I rules</i> 31.12.07
Primary capital (Tier 1)			
Share capital	202.8	202.8	202.8
Share premium	32.2	32.2	32.2
Reserves	62.9	64.4	55.7
Retained earnings from previous periods	1,570.9	1,606.0	1,131.2
Retained earnings from current period	-	-	483.5
Minority ownership	-	-	-
Revaluation reserves	-34.2	-39.8	-22.1
Less: Intangible assets	-18.9	-31.9	-29.6
Treasury shares	-5.7	-	-
Total Tier 1	1,810.0	1,833.7	1,853.7
Supplementary capital (Tier 2)			
Subordinated debt	500.0	500.0	500.0
Total Supplementary capital (Tier 2)	500.0	500.0	500.0
Own funds, total	2,310.0	2,333.7	2,353.7
Deductions from own funds	30.6	-	-
Own funds, net	2,279.4	2,333.7	2,353.7



CAPITAL RATIOS

	According to Basel II rules	According to Basel I rules	According to Basel I rules
(per cent, unaudited)	30.09.08	30.09.08	31.12.07
Tier 1 capital ratio ¹	9.65%	8.67%	8.60%
Tier 2 capital ratio ²	2.60%	2.36%	2.32%
Total capital ratio	12.25%	11.03%	10.92%

¹ Tier 1 capital divided by total risk-weighted on and off balance sheet items

² Tier 2 capital divided by total risk-weighted on and off balance sheet items

CAPITAL REQUIREMENTS

HANSABANK GROUP

	According to Basel II rules	According to Basel I rules*	According to Basel I rules*
(in millions of euros)	30.09.08	30.09.08	31.12.07
Capital requirement for credit risks, standardized approach			
Central governments and central banks	1.3		
Regional and local governments	5.1		
Institutions administered by state authorities, non-profit institutions and associations	25.2		
Multilateral development banks	-		
International organizations	-		
Credit institutions and investment firms	20.6		
Companies	849.1		
Retail exposures	201.1		
Exposures secured by real property	539.7		
Past due claims	12.2		
High-risk assets	-		
Covered bonds	-		
Short-term debts of credit institutions, investment firms and other companies	-		
Shares of investment funds	1.3		
Other assets	66.1		
Securitized positions	-		
Total capital requirement for credit risk	1,721.7	2,023.9	2,048.1
Capital requirement for market risks			
Foreign exchange risk capital requirement	23.8		
Commodities risk capital requirement	-		
Capital requirement for interest rate risk	17.3		
Equity position capital requirement	0.9		
Capital requirements for options	0.2		
Capital requirement of trade portfolio positions exceeding limitations on concentration of exposures	-		
Trade portfolio delivery risk capital requirement	-		
Foreign exchange risk, commodities risk and trade portfolio position risk capital requirements according to the internal models approach	-		
Total capital requirement for market risk	42.2	84.7	94.6
Capital requirement for operational risks			
Operational risk standardized approach	97.5		
Total capital requirement for operational risk	97.5		
Total capital requirement	1,861.4	2,108.6	2,142.7

* Regulative split of risk position classes was different in Basel 1


CAPITAL REQUIREMENTS, SIGNIFICANT SUBSIDIARIES (SOLO)

September 30, 2008 (in millions of euros)	AS Hansabank	A/S Hansabanka Latvia	AB bankas Hansabankas Lithuania
Capital requirement for credit risks, standardized approach			
Central governments and central banks	0.2	0.4	0.3
Regional and local governments	2.6	1.4	-
Institutions administered by state authorities, non-profit institutions and associations	21.0	-	1.2
Multilateral development banks	-	-	-
International organizations	-	-	-
Credit institutions and investment firms	120.5	7.1	5.9
Companies	264.3	293.3	160.3
Retail exposures	33.2	42.9	36.3
Exposures secured by real property	287.9	54.4	54.1
Past due claims	1.9	3.7	1.0
High-risk assets	-	-	-
Covered bonds	-	-	-
Short-term debts of credit institutions, investment firms and other companies	-	-	-
Shares of investment funds	-	-	-
Other assets	4.0	4.0	4.7
Securitized positions	-	-	-
Total capital requirement for credit risk	735.6	407.2	263.8
Capital requirement for market risks			
Foreign exchange risk capital requirement	30.5	2.1	19.7
Commodities risk capital requirement	-	-	-
Capital requirement for interest rate risk	1.5	4.5	6.4
Equity position capital requirement	1.1	-	0.1
Capital requirements for options	0.2	-	-
Capital requirement of trade portfolio positions exceeding limitations on concentration of exposures	-	-	-
Trade portfolio delivery risk capital requirement	-	-	-
Foreign exchange risk, commodities risk and trade portfolio position risk capital requirements according to the internal models approach	-	-	-
Total capital requirement for market risk	33.3	6.6	26.2
Capital requirement for operational risks			
Operational risk standardized approach	33.7	24.9	22.4
Total capital requirement for operational risk	33.7	24.9	22.4
Total capital requirement	802.6	438.7	312.4

INCOME BY BUSINESS SEGMENTS

(in millions of euros, for the period)	9m 2008	share	2007	share
Banking	669.4	86%	874.3	87%
Leasing	111.0	14%	135.5	14%
Insurance	12.8	2%	24.4	2%
Other	8.7	1%	13.1	1%
Eliminations	-23.2	-3%	-44.7	-4%
Total income	778.7	100%	1,002.6	100%

NET PROFIT BY BUSINESS SEGMENTS

(in millions of euros, for the period)	9m 2008	share	2007	share
Banking	310.8	87%	390.0	81%
Leasing	43.2	12%	77.8	16%
Insurance	7.1	2%	16.1	3%
Other	-2.2	-1%	-0.4	0%
Total net profit	358.9	100%	483.5	100%

ASSETS BY BUSINESS SEGMENTS

(in millions of euros)	30.09.08	share	31.12.07	share
Banking	22,159.1	88%	22,628.1	88%
Leasing	4,357.9	17%	4,278.0	16%
Insurance	399.5	2%	454.2	2%
Other	66.9	0%	53.1	0%
Eliminations	-1,655.8	-7%	-1,587.2	-6%
Total assets	25,327.6	100%	25,826.2	100%

DISTRIBUTION OF LOANS BY PRODUCT

(in millions of euros)	30.09.08	30.06.08	31.12.07
Loans	16,938.5	15,625.6	15,553.2
Finance leases	3,221.8	3,254.0	3,237.7
Overdraft	525.3	969.2	713.7
Factoring	-	492.1	444.2
Repos	185.0	326.4	220.6
Gross lending to customers	20,870.6	20,667.3	20,169.4
Specified loan-loss allowance	-217.4	-182.1	-156.3
Net lending to customers	20,653.2	20,485.2	20,013.1

GEOGRAPHIC DISTRIBUTION OF LOANS*

(in millions of euros)	30.09.08	30.06.08	31.12.07
Estonia	8,091.3	8,059.5	7,533.9
Latvia	6,675.0	6,445.3	6,032.9
Lithuania	5,842.4	5,754.5	5,377.1
OECD	184.6	332.6	227.8
Other	77.3	75.4	997.7
Gross lending to customers	20,870.6	20,667.3	20,169.4
Specified loan-loss allowance	-217.4	-182.1	-156.3
Net lending to customers	20,653.2	20,485.3	20,013.1

* The distribution of loans is based on the origin of customer

* Loan portfolio includes repos

LOAN PORTFOLIO BY SECTORS*

(in millions of euros)	30.09.08	%	31.12.07	%
Individuals	8,828.4	42.7%	8,140.2	40.8%
Student Loans	180.6	0.9%	180.4	0.9%
Wholesale and retailing	1,848.3	8.9%	1,841.8	9.2%
Industry	1,788.6	8.6%	1,847.4	9.3%
Real estate management and other business services	3,102.6	15.0%	3,249.9	16.3%
Transport and communications	1,036.0	5.0%	1,177.6	5.9%
Energy	265.9	1.3%	186.7	0.9%
Municipalities and government	65.5	0.3%	111.1	0.6%
Agriculture and forestry	557.2	2.7%	435.4	2.2%
Construction	597.7	2.9%	609.3	3.1%
Hotels and restaurants	329.9	1.6%	329.0	1.6%
Finance and insurance	103.5	0.5%	15.0	0.1%
Other business services	1,627.3	7.9%	1,557.1	7.8%
Other	354.2	1.7%	267.9	1.3%
Total	20,685.7	100.0%	19,948.8	100.0%

* Loan portfolio does not include repos

* Starting from 2008, Bank of Estonia changed the official sector classification details. During the process of implementing the new classification, Hansabank reviewed the sector data in detail. As a result, many reclassifications were performed with strongest impact to the real estate management sector.

GEOGRAPHIC DISTRIBUTION

(in millions of euros)	Assets		Liabilities and shareholders equity		Derivative fin. instruments, fin. commitments and guarantees		Profit before income tax	
	30.09.08	31.12.07	30.09.08	31.12.07	30.09.08	31.12.07	30.09.08	31.12.07
Estonia	9,034.6	8,630.8	6,790.6	6,263.5	1,647.1	1,710.2	167.2	203.9
Latvia	7,035.8	6,615.0	2,658.8	2,696.2	1,591.5	1,421.7	111.9	167.2
Lithuania	6,461.0	6,043.9	4,378.2	4,288.5	1,272.7	1,527.3	114.6	144.5
CIS	98.8	1,192.5	113.1	369.0	21.0	142.2	2.8	20.1
OECD	2,642.3	3,258.8	11,094.9	11,774.6	3,910.0	3,479.6	-	-
Other	55.2	85.2	292.1	434.4	87.7	10.4	-	-
Total	25,327.7	25,826.2	25,327.7	25,826.2	8,530.0	8,291.4	396.5	535.7

TANGIBLE ASSETS

(in millions of euros, September 30, 2008)	Land	Buildings	Equipment and other*	Construction	Total
Cost					
Balance at the beginning of the year	4.4	101.1	125.1	5.6	236.2
Additions	0.1	3.3	20.4	13.4	37.2
Reclassification	-	0.2	-3.6	-0.2	-3.6
Disposals	-	-3.3	-8.9	-	-12.2
Write-offs	-	-0.2	-1.4	-	-1.6
Effect of movements in foreign exchange	-	-0.8	-0.7	-	-1.5
Balance at the end of the period	4.5	100.3	130.9	18.8	254.5
Depreciation					
Balance at the beginning of the year	-	26.9	75.0	-	101.9
Depreciation charge for the year	-	3.4	11.7	-	15.1
Reclassification	-	-	-1.2	-	-1.2
Disposals	-	-1.5	-3.1	-	-4.6
Write-offs	-	-	-1.1	-	-1.1
Effect of movements in foreign exchange	-	-0.2	-0.5	-	-0.7
Balance at the end of the period	-	28.6	80.8	-	109.4
Net book value					
Balance at the beginning of the period	4.4	74.2	50.1	5.6	134.3
Balance at the end of the period	4.5	71.7	50.1	18.8	145.1

* Equipment and other tangible assets also include fixed assets under operating lease

DEPOSITS DIVIDED BY CLIENT TYPE

	Estonia		Latvia		Lithuania		Russia		Group	
(in millions of euros)	30.09.08	31.12.07	30.09.08	31.12.07	30.09.08	31.12.07	30.09.08	31.12.07	30.09.08	31.12.07
Demand deposits										
Public sector	17.0	16.2	18.0	15.5	314.5	320.5	-	-	349.5	352.2
Corporate customers	602.4	756.8	395.9	522.7	335.6	406.6	-	33.9	1,333.9	1,720.0
Private individuals	1,031.4	1,073.0	552.9	646.9	1,230.3	1,391.9	-	7.2	2,814.6	3,119.0
Total demand deposits	1,650.8	1,846.0	966.8	1,185.1	1,880.4	2,119.0	-	41.1	4,498.0	5,191.2
Overnight deposits*										
Public sector	63.3	43.7	8.5	3.4	62.6	41.5	-	-	134.4	88.6
Corporate customers	944.9	1,074.5	258.4	380.6	159.5	212.5	-	-	1,362.8	1,667.6
Private individuals	79.9	73.9	41.8	75.1	5.0	0.8	-	-	126.7	149.8
Total overnight deposits	1,088.1	1,192.1	308.7	459.1	227.1	254.8	-	-	1,623.9	1,906.0
									1,623.99	
Time deposits										
Public sector	283.1	156.4	13.3	5.8	170.9	34.8	-	-	467.3	197.0
Corporate customers	817.5	717.7	309.8	140.2	53.7	78.4	-	2.4	1,181.0	938.7
Private individuals	1,043.5	878.5	724.6	654.4	1,248.1	1,146.0	-	1.5	3,016.2	2,680.4
Total time deposits	2,144.1	1,752.6	1,047.7	800.4	1,472.7	1,259.2	-	3.9	4,664.5	3,816.1
Total deposits	4,883.0	4,790.7	2,323.2	2,444.6	3,580.2	3,633.0	-	45.0	10,786.4	10,913.3

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

DERIVATIVE FINANCIAL INSTRUMENTS

(in millions of euros)	30.09.08			31.12.07		
	Contractual/ notional amount Total**	Fair values		Contractual/ notional amount Total**	Fair values	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Forward exchange contracts	145.8	0.3	-0.5	145.3	0.2	-1.6
Currency swaps incl. hedges	2,817.7 -	17.3 -	-9.2 -	1,943.1 -	5.7 -	-9.7 -
OTC* options bought and sold	170.6	1.4	-1.3	239.9	0.6	-0.5
Other	218.5	0.6	-0.5	100.9	0.3	-0.1
Total FX derivatives	3,352.6	19.6	-11.5	2,429.2	6.8	-11.9
Interest rate derivatives						
Swaps incl. hedges	1,076.8 1,004.2	15.3 14.7	-0.7 -	1,078.1 1,008.2	13.2 12.5	-0.9 -
OTC options bought and sold	1.9	-	-	1.9	-	-
Other	3.5	-	-	33.3	-	-
Total interest rate derivatives	1,082.2	15.3	-0.7	1,113.3	13.2	-0.9
Equity and other derivatives						
Futures	272.8	3.0	-3.0	175.5	3.1	-2.8
OTC options bought and sold	541.5	44.5	-1.5	847.7	53.9	-13.3
Total equity and other derivatives	814.3	47.5	-4.5	1,023.2	57.0	-16.1
Total derivatives	5,249.1	82.4	-16.7	4,565.7	77.0	-28.9

* Over the counter

** Includes the sum of long and short notional amounts

The bank has designed a fair value hedge to eliminate the interest risk from fixed rate leasing and loan contracts, which are funded from short-term deposits. The hedging instruments are interest rate swaps (IRS) that transform fixed rate assets to variable rate assets, which are naturally hedged with short-term deposits. The hedging period is intended to match the maturity of the last hedging instrument.

FINANCIAL COMMITMENTS AND GUARANTEES

(in millions of euros)	30.09.08			31.12.07		
	Nominal	Credit equivalent	Risk weighted amount	Nominal	Credit equivalent	Risk weighted amount
Guarantees	536.7	402.3	337.9	502.1	384.3	360.7
Undisbursed facilities	1,785.3	593.4	582.9	2,391.3	930.9	920.7
Letters of credit	23.5	11.7	11.5	49.1	24.5	24.3
Other	935.5	-	-	783.2	-	-
Total	3,281.0	1,007.4	932.3	3,725.7	1,339.7	1,305.7

MATURITY STRUCTURE

September 30, 2008 (in millions of euros)	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	1 447,1	-	-	-	-	-	-	-	1 447,1
Due from other financial institutions	999,3	322,2	1,6	-	-	-	-	-	1 323,1
Securities	155,1	80,1	374,5	264,8	217,5	80,4	220,0	-	1 392,4
Loans	924,1	1 194,1	3 364,7	2 236,6	4 135,6	9 015,5	-	-	20 870,6
- Allowance for credit losses	-46,3	-14,4	-48,3	-31,3	-38,9	-38,2	-	-	-217,4
Tangible and intangible assets	-	-	-	-	-	-	-	176,8	176,8
Other assets	223,5	20,8	44,4	3,8	8,3	20,8	-	13,4	335,0
Total assets	3 702,8	1 602,8	3 736,9	2 473,9	4 322,5	9 078,5	220,0	190,2	25 327,6
Liabilities									
Due to Central Bank and Government	20,9	0,1	0,4	0,4	0,3	0,1	-	-	22,2
Due to other financial institutions	429,0	240,5	1 366,7	2 250,5	5 505,3	159,9	-	-	9 951,9
Deposits	7 900,0	1 235,5	1 471,5	164,6	13,7	1,4	-	-	10 786,7
Debt securities issued to the public	4,5	25,3	83,2	764,5	0,5	1,6	-	-	879,6
Other liabilities	406,5	76,3	100,8	42,7	69,0	91,3	142,3	33,8	962,7
Subordinated liabilities	-	-	-	-	-	500,0	-	-	500,0
Shareholders' equity	-	-	-	-	-	-	-	2 224,5	2 224,5
Total liabilities	8 760,9	1 577,7	3 022,6	3 222,7	5 588,8	754,3	142,3	2 258,3	25 327,6
Balance sheet maturity gap	-5 058,1	25,1	714,3	-748,8	-1 266,3	8 324,2	77,7	-2 068,1	-
Off balance sheet items									
Guarantees, letters of credit and undisbursed loans	-740,0	-342,1	-1 257,4	-277,7	-458,4	-205,4	-	-	-3 281,0
Derivatives, assets	1 955,2	792,7	1 798,4	76,9	29,3	35,3	-	-	4 687,8
Derivatives, liabilities	-1 983,5	-803,3	-1 837,0	-97,8	-31,0	-35,3	-	-	-4 787,9
Off balance sheet maturity gap	-768,3	-352,7	-1 296,0	-298,6	-460,1	-205,4	-	-	-3 381,1
Net maturity gap	-5 826,4	-327,6	-581,7	-1 047,4	-1 726,4	8 118,8	77,7	-2 068,1	-3 381,1

OPEN CURRENCY POSITIONS

September 30, 2008

(in millions of euros)

	EEK	LVL	LTL	EUR	USD	Others	Total
Assets							
Cash and due from Central Bank	730.1	278.7	390.4	27.4	11.8	8.7	1,447.1
Due from other financial institutions	12.3	73.1	7.3	1,084.7	64.6	81.1	1,323.1
Securities	78.1	42.2	63.7	1,059.8	139.5	9.1	1,392.4
Loans	935.0	697.4	1,543.8	17,276.4	406.3	11.7	20,870.6
- Allowance for credit losses	-14.9	-17.3	-22.7	-159.8	-2.6	-0.1	-217.4
Tangible and intangible assets	55.9	52.3	68.6	-	-	-	176.8
Other assets	79.6	29.0	50.4	167.5	6.4	2.1	335.0
Total assets	1,876.1	1,155.4	2,101.5	19,456.0	626.0	112.6	25,327.6
Liabilities							
Due to Central Bank and Government	0.8	-	0.6	20.8	-	-	22.2
Due to other financial institutions	39.9	98.7	6.5	9,675.3	130.8	0.7	9,951.9
Deposits	3,427.5	1,192.7	2,861.3	2,560.1	665.8	79.3	10,786.7
Debt securities issued to the public	-	-	65.4	813.6	0.7	-	879.7
Other liabilities	191.0	83.8	241.2	379.3	52.6	14.8	962.7
Subordinated liabilities	-	-	-	500.0	-	-	500.0
Total liabilities	3,659.2	1,375.2	3,175.0	13,949.1	849.9	94.8	23,103.2
Shareholders' equity	2,224.4	-	-	-	-	-	2,224.4
Net balance sheet position	-4,007.5	-219.8	-1,073.5	5,506.9	-223.9	17.8	-
Off balance sheet net notional position	41.5	568.5	500.8	-1,324.9	241.2	-8.8	18.3
Total net on and off balance sheet position	-3,966.0	348.7	-572.7	4,182.0	17.3	9.0	18.3

DISCONTINUED OPERATIONS

On 12 May 2008, AS Hansapank and AS Hansa Capital entered into an agreement with Swedbank AB for the sale of the following operations (Russian business unit):

- OOO Swedbank - 85% of the shares (Note: 15% of the shares belong to EBRD)
- Hansa Leasing Ltd - 100% of the shares

In 2008, the financial results of the sold entities have been consolidated for the period of January to April (incl). From 30 April 2008, these operations are reported in accordance with IFRS 5, "Discontinued operations".

The sale price was EUR 91.5m. The disposals were made at market value and it resulted in a loss of EUR 2.8m. Total loss on the sale can be divided into two components: gain on the sale of equity investment (EUR 1.7m) is classified under Other income (discontinued operations) and loss on the adjustment of unrealized foreign exchange differences (EUR 4.5m) under Trading income (continued operations).

In connection with the sale of Russian business unit, Hansabank's loan portfolio was reduced by EUR 1,076.9m and deposits by EUR 65.4m as of 30 April 2008.

The profit for the period from the discontinued operation is analyzed as follows:

(in millions of euros)	YTD (ended 4/30/2008)	YTD (ended 9/30/2007)
Profit in Russian unit for the period	1.7	6.4
Gain on the sale of Russian unit	1.7	-
Total	3.4	6.4

The following were the results of Russian unit for the period:

(in millions of euros)	YTD (ended 4/30/2008)	YTD (ended 9/30/2007)
Total income	18.7	29.3
Total operating expenses	-10.5	-16.6
Net credit losses	-4.1	-2.7
Profit before tax	4.1	10.0
Income tax expense	-2.4	-3.6
Profit after tax	1.7	6.4

Net assets of Russian subsidiaries at the date of disposal were as follows:

(in millions of euros)	4/30/2008
Net assets disposed of	88.2
Attributable goodwill	1.5
Total	89.8
Profit on disposal	1.7
Total consideration	91.5
Satisfied by cash, and net cash inflow arising on disposal	91.5

RATINGS

MOODY'S INVESTORS SERVICE

	10.10.08	27.06.08	24.02.07	31.05.06	14.11.05	12.12.02	29.07.02	29.01.02	02.05.00
Long-term local currency deposit	A1	A1	A1	A1	A1	A1	Baa1	Baa1	Baa1
Global Local Currency Deposit	A1	Aa3	Aa2						
Short-term deposit	Prime 1	Prime 1	Prime 1	Prime 1	Prime 1	Prime 1	Prime 2	Prime 2	Prime 2
Financial strength	C-	C	C+	C+	C+	C	C	C-	C-
Senior-debt	A1	Aa3	Aa2	Aa3	A1	A1	A2	A2	

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HANSABANK'S FINANCIAL CALENDAR FOR 2008:

Q1 2008	April 24
Q2 2008	July 17
Q3 2008	October 23
Q4 2008	February 12, 2009