

**STATE-OWNED JSC "LATVIJAS HIPOTĒKU UN ZEMES BANKA"
("MORTGAGE AND LAND BANK OF LATVIA")
PUBLIC QUARTERLY REPORT**

Balance Sheet

March 31, 2003

(thousands of LVL)

Items	Accounting period	Previous accounting year
Cash and balances with Central Bank	4 389	7 703
Balances with credit institutions and central banks	9 201	19 397
Loans	142 863	132 605
Debt securities and other securities with fixed income	9 556	3 422
Shares and other securities with unfixed income	54	20
Derivatives	-	-
Investments in affiliated and related companies	402	102
Intangible assets	752	732
Fixed assets	6 560	6 262
Other assets	2 280	1 934
Total assets	176 057	172 177
Due to credit institutions and central banks	22 352	21 557
Deposits	105 471	102 180
Debt securities issued	17 412	17 439
Derivatives	-	-
Other liabilities	4 612	4 888
Subordinated capital	3 300	3 300
Capital and reserves	22 910	22 813
Total liabilities	176 057	172 177
Contingent liabilities	2 783	1 220
Due to customers	8 850	4 789
Assets under administration	-	-

Profit and Loss Statement

March 31, 2003

(thousand LVL)

Items	Accounting period	Corresponding period of the previous year
Interest income	3 606	2 883
Interest expenses	(1 675)	(1 339)
Income from securities	-	-
Commission income	594	422
Commission expenses	(22)	(35)
Profit/loss from trade in financial instruments	133	118
Other ordinary income	395	334
Administrative expenses	(2 043)	(1 574)
Depreciation of intangible assets and fixed assets, adjustment of their value	(289)	(217)
Other ordinary expenses	-	-
Expenses on provisions for doubtful debts and off-balance sheet liabilities	(630)	(237)
Income from release from provisions	437	107
Profit/loss from revaluation of long term financial investments	-	-
Profit and loss from investments in affiliated and related companies	-	-
Profit/loss from ordinary operation	506	462
Extraordinary income	-	-
Extraordinary expenses	-	-
Profit/loss before taxes	506	462
Income tax	(82)	(124)
Profit/loss for the accounting period	424	338

Performance Results of the Bank

March 31, 2003

Items	Accounting period	Previous accounting year
Return on equity (ROE) (%)	7.42%	6.11%
Return on assets (ROA) (%)	0.96%	0.89%

Consolidation Group

March 31, 2003

No	Name of commercial company	Code of place of registration, address of registration	Type of activity of commercial company*	Share of fixed capital (%)	Voting rights in commercial company (%)	Justification for including in the Group**
1.	SIA "Hipotēku bankas nekustamā īpašuma aģentūra" 000342689	LV – Latvia	CKS	100	100	MS
2.	SIA "Hipotēku bankas finansu konsultāciju centrs" 000357951	LV – Latvia	CKS	100	100	MS
3.	SIA "Hipolīzings" 000361632	LV – Latvia	CFI	100	100	MS

* BNK – bank, APS – insurance company, ISA – investment company, PFO – pension fund, CFI – other financial institution, FPS – finance management company, CKS – other commercial company.

** MS – subsidiary; KS – joint venture; MAS – parent company.

Ratings of the Bank Determined by Rating Agencies

Rating Agency: Moody's Investors Service

Types of rating determined for Mortgage Bank:

- the financial strength rating;
- the rating of long-term foreign currency bank deposits;
- the rating of short-term foreign currency bank deposits;
- the rating of mortgage bonds issued.

Credit ratings are, in fact, the evaluation of the company's solvency. It is an indicator that can give an insight into the company and its development prospects, as well as the possibilities of profit. Credit ratings are determined by special agencies that assess the financial position and the potential of the company. The agencies take the account of the historic and expected financial situation of the company, the quality of management, the economic activities, as well as any other specific information that may leave an impact on the fulfilment of liabilities and the general economic and political environment in the country. Obtaining a rating means that the company has reached a certain level of quality in its development and wishes to work in compliance with the best practice of the world.

In order to make the financial situation of the company more obvious and easier to understand, the credit ratings are divided into different mutually comparable groups indicating the degree of risk. Ratings are constantly monitored and adjusted if any positive or negative information appears.

1st group (AAA, AA) – this group includes companies of higher class that offer their investors almost riskless investment.

2nd group (A, BBB) – this group includes companies with a good or average market position and the loans of these companies are regarded as a safe investment in the conditions of a stable market.

There also exist two groups with higher risk – the 3rd and the 4th group.

Mortgage Bank is currently placed in the 2nd group.

The rating is important to Mortgage Bank both when borrowing financial resources from co-operating banks and international financial institutions for implementing target programmes of national importance, and because the Bank is the issuer of debt securities traded on the stock exchange – mortgage bonds.

Ratings determined for Mortgage Bank and changes thereto:

- the financial strength rating (**D -**);
- the rating of long-term foreign currency bank deposits (**A2**);
- the rating of short-term foreign currency deposits (**P1**);
- the rating of mortgage bonds issued (**A1**).

These ratings have been determined in December 2002. Compared to the year 2001, all ratings, except the financial strength rating, are increased. The increase of the Bank's ratings is related to the upsurge of the rating of the State of Latvia, as well as the successful development of Mortgage Bank. The increase of the rating of mortgage bonds can be regarded not only as the positive evaluation of the operation of the Bank as the issuer of mortgage bonds, but also as that of the 2002 amendments to the Law on Mortgage Bonds.

Ratings determined for Mortgage Bank (October 2001):

- the financial strength rating (D -);
- the rating of long-term foreign currency bank deposits (Baa3);
- the rating of short-term foreign currency deposits (P3);
- the rating of mortgage bonds issued (A3);

The next changes to the ratings could be made in autumn 2003.

Inesis Feiferis
Chairman of the Board

Aija Laicāne
Chief Accountant