

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

PUBLIC QUARTERLY REPORT

(prepared in accordance with the 'Regulations for the Preparation of the Public Quarterly Reports of the Credit Institutions'
 issued by the Financial and Capital Market Commission)

Balance Sheet

30 September 2005

(the last date of the accounting period)

(thousands of LVL)

Items	Accounting period	Previous accounting year
Cash and balances with Central Bank	15 154	8 851
Due from credit institutions	27 704	13 602
Loans to customers	345 105	266 535
Fixed income securities	20 460	10 826
Equity securities available for sale	125	47
Derivatives	-	-
Investments in subsidiaries and associated entities	463	419
Intangible assets	1 389	1 308
Fixed assets	7 877	8 184
Other assets	3 217	2 445
Total assets	421 494	312 217
Due to credit institutions	143 351	63 479
Customer deposits	191 060	167 491
Debt securities issued	41 197	37 504
Derivatives	-	14
Other liabilities	5 698	5 146
Subordinated capital	13 300	13 300
Shareholder's equity	26 888	25 283
Total liabilities	421 494	312 217
Contingent liabilities	5 481	3 827
Due to customers	27 332	10 727
Assets under management	-	-

Profit and Loss Statement

30 September 2005

(the last date of the accounting period)

(thousands of LVL)

Item	Accounting period	Corresponding period of the previous year
Interest income	15 532	13 175
Interest expense	(7 961)	(6 256)
Result from dealing with securities and foreign exchange	-	-
Fees and commission income	3 385	2 548
Fees and commission expense	(355)	(281)
Profit/loss from trade in financial instruments	1 150	566
Other operating income	1 365	1 515
Administrative expenses	(7 840)	(7 429)
Depreciation and amortisation	(1 520)	(1 192)
Other operating expenses	-	-
Provision for doubtful debts	(1 875)	(1 494)
Income from release from provisions	574	373
Profit/loss from revaluation of long-term financial investments	-	-
Profit/loss from investments in subsidiaries and associated entities	-	-
Operating profit/loss	2 455	1 525
Extraordinary income	-	-
Extraordinary expenses	-	-
Profit/loss before taxation	2 455	1 525
Income tax	(394)	(292)
Net profit/loss for the accounting period	2 061	1 233

Performance Results of Bank

30 September 2005

(the last date of the accounting period)

Items	Accounting period	Previous accounting year
Return on equity (ROE) (%)	11.18%	7.27%
Return on assets (ROA) (%)	0.77%	0.62%

Consolidation Group

30 September 2005

(the last date of the accounting period)

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"	LV –Latvia 40003426895	CKS	100	100	MS
2.	SIA "Hipotēku bankas finanšu konsultāciju centrs"	LV – Latvia 40003579516	CKS	100	100	MS
3.	SIA "Hipolīzings"	LV – Latvia 40003616329	CFI	100	100	MS
4.	KS "Mazo un vidējo komersantu atbalsta fonds"	LV – Latvia 40003681329	CKS	47.62	47.62	KS

* 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 Assigned to Bank by Rating Agencies

Rating Agency: Moody's Investors Service Ltd.

Types of rating assigned to 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 domestic currency mortgage bonds issued by Mortgage Bank.

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 assigned by special agencies that assess the financial position and the potential of the company. The agencies take into account 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. The ratings are monitored constantly and adjusted if any positive or negative information appears.

1st group (AAA, AA) – this group includes companies of higher class that offer their investors nearly risk free 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 the debt securities – mortgage bonds traded on the stock exchange.

Ratings assigned to Mortgage Bank (reconsidered on June 2005 and retained immutable):

- 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**).

Inesis Feiferis
Chairman of the Board

Aija Laicāne
Chief Accountant