

Mortgage and Land Bank of Latvia
Financial Statements for the three months period ended 31 March 2007 (unaudited)

INCOME STATEMENT

(all amounts in thousands of Lats)

	3 months to 31 March 2007	3 months to 31 March 2006
	Bank	Bank
Interest income	10,418	6,117
Interest expense	(5,993)	(3,062)
Net interest income	<u>4,425</u>	<u>3,055</u>
Fee and commission income	921	1,243
Fee and commission expense	(161)	(117)
Net fee and commission income	<u>760</u>	<u>1,126</u>
Dividend income	-	-
Net trading income	423	177
Other operating income	948	526
Staff costs	(2,034)	(1,421)
Administrative expenses	(1,606)	(1,340)
Depreciation and amortisation	(545)	(548)
Provision for impairment losses	(401)	(267)
Profit before income tax	<u>1,970</u>	<u>1,308</u>
Income tax expense	(328)	(191)
Net profit for the period	<u><u>1,642</u></u>	<u><u>1,117</u></u>

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BALANCE SHEET

(all amounts in thousands of Lats)

	31/03/2007	31/12/2006
	Bank	Bank
<u>Assets</u>		
Cash and balances with Central Bank	53,916	58,006
Trading securities	2,846	2,852
Other financial assets at fair value through profit or loss	-	-
Investment securities – available for sale	55,693	50,174
Due from credit institutions	66,850	71,949
Derivative financial instruments	29	2
Loans to customers	539,621	489,250
Investment properties	2,253	2,253
Investments in subsidiaries and associated undertakings	424	424
Intangible fixed assets	1,962	1,264
Property and equipment	7,675	7,822
Other assets	609	622
Deferred expenses and accrued income	734	512
Total assets	732,612	685,130
<u>Liabilities</u>		
Due to Central Bank	5,000	-
Due to credit institutions	326,442	285,566
Due to customers	279,780	274,185
Derivative financial instruments	-	20
Transit funds	2,901	2,869
Mortgage bonds	39,854	43,211
Other liabilities	3,986	4,604
Deferred income and accrued expenses	1,533	1,326
Current income tax liabilities	194	569
Deferred tax liabilities	890	890
Subordinated liabilities	13,491	13,302
Total liabilities	674,071	626,542
<u>Shareholder's equity</u>		
Share capital	48,513	48,513
Reserve capital	2,063	2,063
Revaluation deficit on available for sale investments	(904)	(615)
Retained earnings	8,869	8,627
Total shareholder's equity	58,541	58,588
Total liabilities and shareholder's equity	732,612	685,130
<u>Off balance sheet items</u>		
Contingent liabilities	12,259	11,891
Financial commitments	52,889	40,453

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THE PERFORMANCE RATIOS OF THE BANK

Items	Accounting period	Previous accounting year
Return on equity (ROE) (%)	11.16%	9.56%
Return on assets (ROA) (%)	0.92%	0.93%

CONSOLIDATION GROUP

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 "Hipot ku bankas nekustam pašuma a ent ra"	LV –Latvia 40003426895	CKS	100	100	MS
2.	SIA "Rapsis"	LV –Latvia 50003614071	CKS	100	100	MS
3.	SIA "Hipol zings"	LV –Latvia 40003616329	CFI	100	100	MS
4.	KS "Mazo un vid jo komersantu atbalsta fonds"	LV –Latvia 40003681329	CFI	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 AGENCY MOODY'S INVESTORS SERVICE

Rating type	Ratings	Rating Approval date	Rating forecast	Previous rating (approved on 8DEC2005)
For long-term foreign currency bank deposits	A2	21.12.2006.	Positive	A2
For short-term foreign currency deposits	P1	21.12.2006.	Stable	P1
The financial strength rating	D-	21.12.2006.	Stable	D-
The rating of mortgage bonds issued	A1	05.03.2007.	Positive	A1

Moody`s Investors Service reports of the Bank may be found at: www.hipo.lv
Additional information on the ratings assigned (incl. Legend of ratings) may be found at :
www.moody.com

These interim financial reports are to be viewed along with the Bank`s Annual Report for 2006.

Inesis Feiferis
Chairman of the Board

Uvis Zem tis
Deputy Chief Accountant