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Press Release

### **On the Performance of Latvian banks in 3<sup>rd</sup> Quarter 2008**

The Financial and Capital Market Commission (the Commission) has aggregated data on the Latvian bank performance in the 3<sup>rd</sup> quarter 2008. Overall, assets in the Latvian banking system have grown by 1.6 % over the period. The amount of loans issued rose by 4.4 %, a greater growth in lending was for private businessmen – by 4.9 %, whereas the amount of loans issued to households rose by 2%. The volume of deposits in the Latvian banks at the end of September has slightly shrunk, namely, by 2.1%.

Latvian banks have made a profit totalling 206 million lats in three quarters 2008, or by 23% down compared to the respective period in 2007. The Latvian banks' capital adequacy and liquidity ratios were stable and exceeded the minimum prescribed by regulatory norms. Liquidity ratio at the end of September was 49.1 % (regulatory requirement is 30%). The average own equity in the Latvian banking sector was 12.3 % (minimum requirement is 8 %). The Commission continues daily monitoring of financial stability ratios in the Latvian banks.

In view of the economic downturn tendencies and gradual increase in loan impairment, the Commission forecasts that loan loss provisions could reach 2% of total loan portfolio by the end of the year. At the end of September, the banks had made provisions for loan impairment totalling 0.86% of total non-bank loans (compared to 0.7 % in 2<sup>nd</sup> quarter 2008). Thus, provisions overall have increased by 0.16 percentage points. In order to avert the situation that loan loss provisions for some banks could have been insufficient, the Commission recurrently inspects banks and, if needed, requires increasing the amount of provisions.

The aggregate data on the Latvian bank balance reports for September 2008 are available in Latvian on the Commission's website at: [www.fktk.lv](http://www.fktk.lv) (Section: *Statistika/Kredītiestādes/Mēneša pārskati*).

Ieva Upleja  
Public Relations Adviser  
Chairwoman's Office  
Financial and Capital Market Commission  
phone: (+371) 6777 4807  
e-mail: [ieva.upleja@fktk.lv](mailto:ieva.upleja@fktk.lv)