

OPERATION OF INVESTMENT FIRMS

At end-Q2 2010, seven investment firms operated in Latvia, four of which were subsidiaries of banks. The share of foreign capital in the share capital of investment firms was 8.2% at end of the reporting quarter (compared to 7.4% at end-Q1 2010).

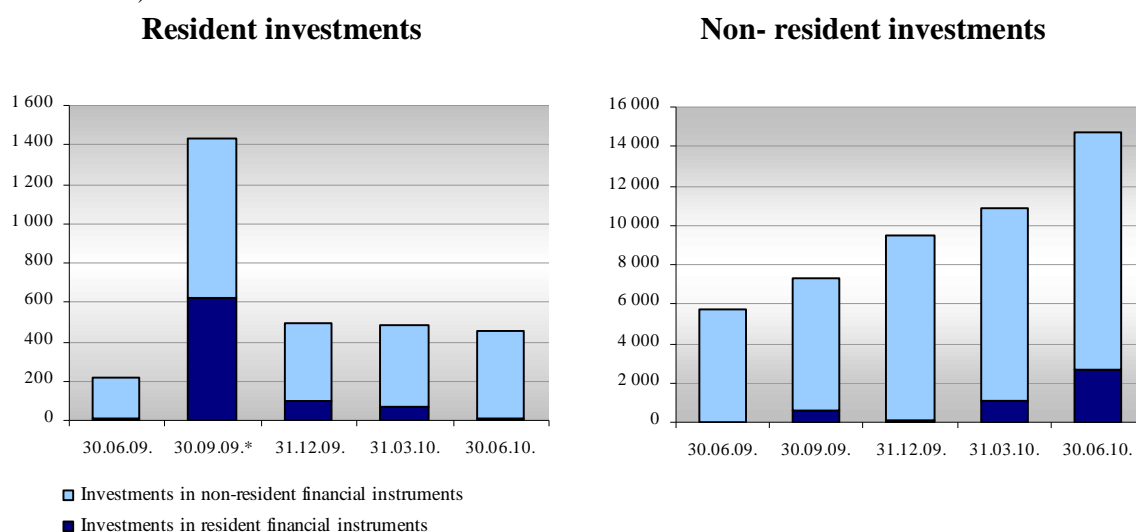
By the end of reporting quarter, the amount of assets of investment firms totalled 3.4 million lats, of which the most substantial asset items of investment firms were claims on credit institutions (66.7%), while capital and reserves made up 3.1 million lats.

The total of investment firm assets under management of investment firms grew by 3.9 million lats in the reporting quarter, or 34.3%, and at end-June made up 15.2 million lats, of the greater part, or 97%, were client – non-resident asset investments. The largest share of non-resident assets, or 82%, constituted investments in non-resident financial instruments (see Figure 1).

Figure 1

INVESTMENT STRUCTURE OF INVESTMENT FIRM CLIENT ASSETS

(thousand. lats)



* Impact of activities of clients of one investment firm

By the end of reporting quarter, greater part of resident assets (98.6%) was invested in non-resident (of other states) financial instruments, of which investments in debt securities constituted only 25%, while other assets were placed in deposits with credit institutions.

Overall, the investment firms ended the first half of 2010 with a 322.7 thousand lats profit after tax¹, of which two investment firms ended reporting quarter with profit, while five other firms reported 222.3 thousand lats in losses.

At the end of H1 2010, of total income sources for investment firms, 83.3% were income from commission (and similar income from services rendered to clients, for instance, brokerage in the financial instruments market, issuance or guarantees and suretyship), while

¹ Non-audited data.

administrative expenses were the most substantial item of expenses for the investment firms (57.9%).

On 30 June 2010, capital adequacy ratio of investment firms was 56.6% (compared to 71.4% at end-Q1 2010) (regulatory minimum capital adequacy requirement – 8%).