

Rating Action: Moody's changes outlook on Mortgage and Land Bank of Latvia's ratings to stable from negative

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Change of outlook follows sovereign rating action

London, 31 March 2010 -- Moody's Investors Service has today changed the outlook on Mortgage and Land Bank of Latvia's (MLBL) Baa3 long-term foreign currency deposit rating to stable from negative. The rating action followed the change of the outlook on the Latvian government's local and foreign currency ratings of Baa3 to stable from negative. MLBL's short-term Prime-3 ratings and E+ bank financial strength rating were unaffected by this rating action. The E+ bank financial strength rating and B1 Baseline Credit Assessment (BCA) maintain their stable outlook.

The previous negative outlook on MLBL's deposit rating of Baa3 had reflected the negative outlook on the Baa3 local and foreign currency bond ratings of the Latvian government, which is the 100% owner of MLBL. Moody's noted that MLBL's Baa3 long-term deposit rating currently benefits from four notches of uplift from the bank's B1 BCA, given the very high expectation of systemic support.

Moody's pointed out that the change of outlook is not driven by a change in the rating agency's view of MLBL's intrinsic financial strength or the probability of systemic support. Moody's added that it will continue to monitor the gradual transformation of the bank into a pure-development bank while phasing out its commercial activities by 2013, and any consequences this may have on MLBL's standalone credit risk profile and probability of systemic support.

Moody's last rating action on Mortgage and Land Bank of Latvia was on 25 June 2009 when Moody's confirmed MLBL's long-term foreign currency deposit rating at Baa3 and downgraded its BFSR to E+ with a stable outlook (mapping to a BCA of B1) from D- (mapping to a BCA of Ba3). The outlook on the Baa3 long-term deposit rating was placed on negative, in line with the negative outlook on the Latvian sovereign rating. The Prime-3 short-term rating was confirmed.

The principal methodologies used in rating this bank were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at www.moody's.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

Mortgage and Land Bank of Latvia is headquartered in Riga, Latvia, and it reported total assets of LVL885 million (EUR1.25 billion) at the end of December 2009.

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