

Rating Action: Mortgage and Land Bank of Latvia

MOODY'S ASSIGNS Baa3 / PRIME 3 DEPOSIT RATINGS AND D- FINANCIAL STRENGTH RATING TO THE MORTGAGE AND LAND BANK OF LATVIA

Moody's Investors Service assigned Baa3 / Prime 3 deposit ratings and a D- financial strength rating to the Mortgage and Land Bank of Latvia. The deposit ratings are constrained by Latvia's foreign currency deposit ceiling. Moody's also assigned a rating of A3 to the domestic currency mortgage bonds issued by the Mortgage and Land Bank of Latvia. These ratings reflect the bank's ownership by the Latvian government, and also good financial fundamentals and asset quality. They also take account of the bank's narrow franchise, revenue mix, and market position, and the relatively undeveloped state of the country's mortgage market.

The Mortgage and Land Bank of Latvia (Latvijas Hipoteku un zemes banka, commonly known as Hipoteku Banka), is the twelfth largest bank in Latvia and the only one in that country to issue mortgage bonds. Created with the specific purpose of aiding the development of the national economy of Latvia, the bank remains fully owned by the state, and there are at present no plans to privatise it. Almost 40% of its loan portfolio consists of mortgage lending. The remaining 60% consisting of normal commercial loans and loans for development purposes most of which are disbursed to SMEs, agricultural and housing projects.

The Mortgage and Land Bank of Latvia headquartered in Riga, Latvia, had total assets of assets of LVL87.5 million (EUR153 million) at end June 2001.

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