

Rating Action: Mortgage and Land Bank of Latvia

MOODY'S UPGRADES DEPOSIT AND DEBT RATINGS OF TWO LATVIAN BANKS FOLLOWING UPWARD REVISION OF FOREIGN CURRENCY COUNTRY CEILING; ALL FINANCIAL STRENGTH RATINGS ARE MAINTAINED

Moody's upgraded the deposit and debt ratings of two Latvian banks, further to their having been placed on review for possible upgrade on 14 November, 2002. This rating action follows the upward revision of Latvia's foreign currency ceiling to A2. Moody's commented that in upgrading these ratings, it had also considered the extent and support of the banks' owners, whether a large foreign bank (in the case of Latvijas Unibanka) or the Latvian state itself (in the case of the Mortgage and Land Bank of Latvia). The financial strength ratings and outlooks on the financial strength ratings for both banks were maintained.

The following banks' deposit and debt ratings were upgraded:

- Latvijas Unibanka : bank deposit ratings upgraded to A3/P-2 (positive outlook) from Baa3/P-3
- Mortgage and Land Bank of Latvia : bank deposit ratings are upgraded to A2/P-1, up from Baa3/P-3. The rating of the domestic currency mortgage covered bonds issued by this bank are also upgraded to A1 from A3. The A1 rating is also placed on review for possible further upgrade. The review for possible further upgrade will focus on whether the revised legislation in regard to covered bonds suggests an increasing in the one notch differential between covered bonds and senior secured bonds that currently exists in the case of Latvia.

London
Samuel S. Theodore
Managing Director
Financial Institutions Group
Moody's Investors Service

London
Edward Vincent
AVP - Analyst
Financial Institutions Group
Moody's Investors Service

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