

Rating Action: Mortgage and Land Bank of Latvia

Moody's changes the outlook of Mortgage and Land Bank of Latvia to stable from positive

London, 14 September 2007 -- Moody's Investors Service has today changed the outlook on the A2 long-term foreign currency deposit rating of Mortgage and Land Bank of Latvia to stable from positive. This rating action has been prompted by the recent change in outlook to stable from positive of Latvia's A2 foreign currency deposit ceiling. Mortgage and Land Bank of Latvia's foreign currency deposit rating remains constrained by the country ceiling for foreign currency deposits. This rating action does not have an impact on the bank's other ratings as these were not constrained by the country ceilings.

On 12 September 2007, Moody's Sovereign Risk Unit changed the outlooks to stable from positive on Latvia's long-term foreign and local currency debt. The rating agency also changed the outlook to stable from positive on the country's foreign currency bank deposit ceiling. The changes were prompted by worsening macroeconomic imbalances that have eroded the upside potential for the sovereign ratings of the country in the foreseeable future. In addition, persistently high inflation makes Latvia's accession to the European Monetary Union ("EMU") unlikely within the next several years.

The country's Prime-1 short-term foreign and local currency ratings were unaffected by the change in outlooks. As a result of the change in outlook on the government ratings, Moody's has changed the outlook on Latvia's Aa1 foreign currency country ceiling for long-term bonds to stable from positive. The Prime-1 short-term foreign currency country ceiling was unaffected by this outlook change. Latvia has a Aaa local currency bond ceiling.

Moody's notes that the ratings of other rated banks in Latvia are not affected by this rating action:

- Parex Bank : Baa3/P-3/D+, all ratings with stable outlook
- Baltic Trust Bank: Ba1/NP/D-, positive outlook on the BFSR and stable outlook on the other ratings
- Latvijas Krajbanka: Ba2/NP/D-, all ratings with stable outlook
- Norvik Banka: Ba3/NP/D-, all ratings with stable outlook
- Paritate Bank: B1/NP/E+, all ratings with stable outlook
- Baltic International Bank: B1/NP/E+, all ratings with stable outlook.

Headquartered in Riga, Latvia, Mortgage and Land Bank of Latvia reported consolidated assets of LVL786.3 million in the first half of 2007 and a net profit of LVL3.65 in the same period.

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