

Rating Action: [Mortgage and Land Bank of Latvia](#)

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

D-BFSR, Prime-1 short-term rating remain stable

London, 26 September 2008 -- 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 negative from stable. This rating action has been prompted by the recent change in outlook to negative from stable 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. The D- (stable outlook) BFSR and Prime-1 short-term ratings are not affected by this rating action.

"At the same time, given Mortgage and Land Bank of Latvia's deposit-taking status and its involvement in commercial business, Moody's has considered it more appropriate to apply the rating agency's bank rating methodology instead of the current government-related issuer (GRI) approach. Consequently, Moody's has also assigned global local currency deposit ratings of A2/Prime-1 to Mortgage and Land Bank of Latvia. The local currency ratings are unconstrained and therefore carry a stable outlook," says Kimmo Rama, a London-based Moody's Vice President-Senior Analyst, and lead analyst for this issuer.

On 25 September 2008, Moody's Sovereign Risk Unit changed the outlook on the government of Latvia's A2 foreign and local currency debt ratings to negative from stable. The outlook on the A2 country ceiling for foreign currency deposits has also been changed to negative. The outlook on the Aa1 country ceiling for foreign currency bonds remains stable. According to Moody's, the change in outlook on the government's debt ratings is prompted by the steep fall in economic growth from double-digit annual rates to roughly zero, threatening a decline in the government's financial strength if not halted and contained. Consumption and investment had been inflated by a substantial increase in domestic credit and a related property boom, both of which are now unwinding. The rating agency cautions that declining external liquidity is increasing pressure on the domestic financial system, which could weaken local banks' lending capacity and exacerbate the economic slowdown.

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

Headquartered in Riga, Latvia, Mortgage and Land Bank of Latvia reported consolidated assets of LVL997 million (EUR1.4 billion) at end-June 2008.

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