

Rating Action: Mortgage and Land Bank of Latvia - Covered Bonds

Moody's downgrades Mortgage and Land Bank of Latvia's Covered Bonds

Frankfurt, April 23, 2009 -- Moody's Investors Service has taken the following rating actions on the covered bonds issued by Mortgage and Land Bank of Latvia ("MLBL" or Issuer):

- Mortgage covered bonds downgraded to Baa2 from A3; previously on 7 April 2009 downgraded to A3.

This rating action follows the downgrade of MLBL's deposit rating to Baa3 from Baa1 (see separate press release published 23 April 2009).

Moody's continues to rate these covered bonds as single notch above the Issuer rating. The two notch downgrade of the covered bonds follows directly from the two notch downgrade of the Issuer rating.

As is the case with other covered bonds, Moody's considers the transaction to be linked to the credit strength of the Issuer, particularly from a default probability perspective. If the Issuer's credit strength deteriorates, all other things being equal the rating of the Covered Bonds could be expected to come under pressure.

Moody's initially analysed and monitors this transaction using the rating methodology for EMEA Covered Bond transactions as described in the Rating Methodology reports "Moody's Rating Approach to European Covered Bond", published in June 2005, "Timely Payment in Covered Bonds following Sponsor Bank Default", published in March 2008 and "Assessing Swaps as Hedges in the Covered Bond Market", published in September 2008.

The rating assigned by Moody's addresses the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Headquartered in Riga, Latvia, Mortgage and Land Bank of Latvia reported consolidated assets of LVL973 million (EUR1.4 billion) as of September 2008.

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