# Rating Action: Moody's affirms ratings of JSC Development Finance Institution Altum following update of rating methodology

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Madrid, February 02, 2024 -- Moody's Investors Service has today affirmed the issuer ratings of JSC Development Finance Institution Altum (Altum) at Baa1/Prime-2.

At the same time, Moody's has removed the designation of this company as a government-related issuer and has withdrawn its Baseline Credit Assessment (BCA) of baa3, following the publication of Moody's updated Government-Related Issuers (GRI) methodology on 25 January 2024 (https://ratings.moodys.com/documents/PBC_1371152).

The outlook on Altum remains stable.

RATINGS RATIONALE

Today's rating action follows the publication of the updated GRI methodology. Moody's has clarified the scope of the updated methodology that the issuers rated using our methodologies for banks, finance companies, securities industry market makers, securities industry service providers, clearinghouses and Chinese local government finance vehicles are not designated as GRIs. The incorporation of government support should be discussed in their relevant sector methodologies.

Altum's Baa1 issuer ratings incorporates the company's standalone assessment of baa3 and a two-notch uplift based on Moody's expectation of a very high level of support from and a very high level of dependence on the Government of Latvia under the Finance Companies Methodology. This support assumption is based on Altum's importance to the growth strategies of the Latvian government, as well as the government's strong track record of providing support to strategic companies.

Altum's baa3 standalone assessment reflects its sound financial profile, with very strong capitalisation, high provisioning coverage incorporated into its funding programmes and low refinancing risk. Such strengths are balance against high problem loan levels and low profitability. The standalone assessment is also supported by the unique standing of Altum in Latvia, refecting its policy mandate to provide a distribution channel for state and European Union (EU) programme funds to both end-customers and other financial institutions.

BCA WITHDRAWAL

Moody's has decided to withdraw the rating for its own business reasons. Please refer to the Moody's Investors Service Policy for Withdrawal of Credit Ratings, available on its website, https://ratings.moodys.com.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Altum's issuer ratings could be upgraded if the firm improves its standalone credit fundamentals significantly, including reducing its volume of problem loans, as well as managing EU and state funding prudently. An upgrade of Altum's ratings could also result from an upgrade of the Latvian government's ratings or if explicit government guarantees protecting creditors in case of failure were provided.

A downgrade of Altum's ratings could result from a combination of the company significantly changing its funding structure, and a significant deterioration in its risk-coverage reserves and capitalisation. A downgrade of Altum's ratings could also follow a downgrade of the Latvian government's ratings or if the probability of government support decreases.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019 and available at https://ratings.moodys.com/rmc-documents/65543. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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