

**BANKING AND FINANCIAL NEWS**

AUGUST 10, 2012 / 8:50 AM / UPDATED 10 YEARS AGO

## EU approves restructuring changes for Latvian bank Parex

By Reuters Staff



BRUSSELS, Aug 10 (Reuters) - The European Commission on Friday approved changes to a restructuring plan for partially nationalised Latvian bank Parex allowing its successor, Citadele bank, to increase lending operations.

Latvia's government rescued Parex in 2008, after the global financial crisis hit its business. This in turn led Latvia to apply for a 7.5 billion euro (\$9.23 billion) bailout from the International Monetary Fund and the European Union.

Citadele bank was formed in 2010 as a "good bank," collecting the sound assets of Parex under a less risky model focused on domestic and Baltic operations.

Friday's changes amend the Commission's 2010 state aid approval for Citadele, adding a buffer to the bank's minimum capital requirement, and allowing it to carry forward unused amounts from previous years' lending caps.

The Commission said that the changes took into account the "changing nature of regulatory requirements and a slow start of lending operations by Citadele after its creation".

Citadele returned to profitability in 2011, and repaid fixed term deposits to the Latvian government in February this year, saying that it was now deposit-funded by clients.

Parex bank, which was Latvia's second-largest bank and the only large one owned by local capital, was left to continue as a "bad bank" containing impaired assets.

Seventy-five percent of Citadele shares are owned by the government while 25 percent plus one share belong to the European Bank for Reconstruction and Development.

The Latvian government plans eventually to sell Citadele when market conditions permit. (\$1 = 0.8124 euros) (Reporting By Ethan Bilby; Editing by Helen Massy-Beresford)

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