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**EBRD in talks with Latvia bank as East seeks aid**

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RIGA, **Latvia** -- The European Bank for Reconstruction and Development, which was set up as communism crumbled to help ease former Soviet bloc countries into capitalism, is scrambling to help Eastern European banks hit by what may be capitalism's biggest crisis since the Great Depression.

Officials from the EBRD were in **Latvia** this week to discuss a possible 100 million euro (\$134.9 million) investment in **Parex** Banka As, a local bank that nearly crashed late last year and is now 85%-owned by this former Soviet republic's cash-strapped government.

**Parex** reached a deal Thursday with creditors on the rescheduling of 775 million euros in syndicated loans, a burden that helped to trigger the bank's near demise, said Martins Bicevskis, state secretary at **Latvia's** Finance Ministry.

The deal, signed in London, involves an immediate payment of 30%, with a further 40% due next year and rest to be paid in 2011, said Mr. Bicevskis. Creditors comprise some 60 banks in 20 countries.

A deal involving **Parex** would be the first time the EBRD has taken an equity stake in an Eastern European bank since the global financial storm swept into the region last year.

The EBRD has in recent months given 250 million euros in loans to banks in the region, including Banca Transilvania SA in Romania, Raiffeisen Bank Aval VAT of Ukraine and Bank of Georgia in Georgia.

Varel Freeman, EBRD's first vice president, said the bank was looking to fortify **Parex** and "support the real sector of **Latvia's** economy," which is forecast to shrink at least 12% this year.

The EBRD, despite a record loss in 2008 of 602 million euros, expects to invest 1 billion euros in Central and Eastern Europe this year, 50% more than was planned before the crisis hit. Its expanded role, however, is unlikely to calm complaints from some East European leaders that richer nations aren't doing enough to help former communist countries. The European Union this month rejected a Hungarian proposal that it set up an emergency fund for Eastern Europe of up to 190 billion euros.

**Latvia's** Prime Minister Valdis Dombrovskis, in an interview Wednesday after talks with the EBRD, urged the EU as a whole to take bolder steps akin to those proposed by Hungary.

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