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RUMORS SWIRL AROUND PAREX RESTRUCTURING PLAN

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RIGA - After the restructuring of **Parex** bank and the breakup of the bank into a ‘good,’ or ‘core’ assets and ‘bad,’ or ‘non-core’ assets, the latter assets are secretly planned to go insolvent, perhaps, in two years, according to proposals for restructuring **Parex** that were approved at a government meeting, this according to ‘Baltic Screen’ articles printed in the newspapers Neatkariga and Telegraf, reports news agency LETA. Furthermore, despite the government members’ optimistic statements, the international consulting company Nomura International clearly stated in a confidential report that there are no noteworthy buyers for the ‘good’ part of the bank either, wrote Baltic Screen.

Baltic Screen got a hold of copies of the restructuring process description and Nomura suggestions regarding the restructuring, in which the consulting company clearly indicates that after the ‘good’ bank is separated from **Parex**, **Parex** will have negative capital already in 2015. This means that **Parex**’s minimum capital ratio will not meet the Financial and Capital Market Commission’s regulations already in 2012, or 2013 at the latest, and the bank will have to be ruled insolvent.

Even though the **Financial and Capital Markets Commission**’s Chairwoman Irena Krumane has signed the minutes of a Cabinet of Ministers meeting where the said restructuring strategy was approved, the commission’s heads last week flatly refused to comment these restructuring suggestions. Other state institutions involved in the work on the restructuring of **Parex** - the Finance Ministry and the Latvian Privatization Agency - also declined to comment.

Representatives from the Finance Ministry, Privatization Agency and the Financial and Capital Market Commission also declined to reply if they indeed had approved the Nomura plan without any objections, because the plan actually suggests that the owners of **Parex** subordinated capital will have lost all their money at the bank by 2017. Furthermore, not just the subordinated capital, which belongs to the former majority **Parex** shareholders, will be lost but also the ‘bad’ bank’s share capital of about 100 million lats (142.8 million euros), in which the Privatization Agency has a stake of 70 percent.

Prime Minister Valdis Dombrovskis (New Era) was the only official to reply if he had indeed approved the Nomura strategy. However, the reply he gave was rather evasive - he only reiterated that the goal of the restructuring plan was to ensure a stable financial situation at the bank, and that the bank that would be left over after **Parex** assets were transferred to the new bank would be an independent and financially stable entity that would eventually return creditors’ investments.

Dombrovskis on April 27 denied reports that **Parex**’s restructuring plan includes having the ‘bad’ bank go bankrupt.

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