

**Latvia** govt backs EBRD buying into rescued **Parex**

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RIGA, March 24 (Reuters) - **Latvia**'s government backed on Tuesday the idea of the European Bank for Reconstruction and Development (EBRD) buying a stake in **Parex** Bank, which the state had to rescue last year to prevent it from collapsing.

The government also approved a plan to raise **Parex**'s capital by 227 million lats (\$436 million). The need to rescue **Parex**, the country's second-largest bank, was one of the reasons **Latvia** had to take a 7.5 billion euro bailout last year led by the IMF and European Union.

The EBRD has said it is ready to invest 100 million euros in **Parex**, and the Finance Ministry said in a statement after a cabinet meeting that the state privatisation agency would sell **Parex** shares to the EBRD after the capital rise.

"This organisation (the EBRD) has wide experience in bank restructurings, and its involvement ... will be seen as a positive signal for the bank's sustainability and potential for development," the ministry said.

The goal of the capital raising is to make sure the bank has a capital adequacy ratio of 12 percent.

Further capital increases would take place after state aid injections, after agreement with the European Commission, the ministry added.

Parex and the government last week finalised a deal to restructure repayments of syndicated credits worth 775 million euros due this year, which will now be paid in stages this year and the subsequent two years.

The first payment of 232.5 million euros went to the syndicate last week.

The government on Tuesday also approved appointing Nomura as consultant on an eventual privatisation of **Parex** and to help in the talks with the EBRD or other multi-lateral lenders. (Reporting by Patrick Lannin, editing by Will Waterman) (\$1=.5204 **Latvian** Lat)

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