Latvia agrees payout to nationalised bank's creditors: CEO

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The government of crisis-hit Latvia decided Tuesday to pay out 232.5 million euros (294 million dollars) this month to creditors of struggling state-controlled bank Parex Banka, the bank's chief executive said.

The Latvian news agency Leta quoted Parex CEO Nils Melgailis as saying the decision on a treasury payment had been made at a cabinet meeting.

No immediate comment was available from the bank or the government.

Parex, once Latvia's largest locally-owned private bank, was taken into state hands in November after jittery customers withdrew 240 million lats (341 million euros, 432 million dollars) in six weeks.

Parex owes 775 million euros in syndicated loans.

The bank, which was originally due to make a pay-out last month, has been locked in talks with syndicated lenders to refinance the loans since the government takeover.

Under a new repayment schedule, the bank itself will have to pay 310 million euros in 2010 and 232.5 million euros in 2011.

The payout announcement comes even as Riga tightens its belt in the face of a deepening economic crisis.

EU finance ministers meeting in Brussels Tuesday decided Latvia must implement wage cuts and other measures to achieve a deficit target of 5.3 percent of the gross domestic products this year.

Prime minister-designate Valdis Dombrovskis, who is expected officially to be confirmed in office this week, has been trying to convince international lenders, including the EU, to allow a deficit of around 7.0 percent.

Latvia's ongoing austerity drive has stoked public discontent and sparked demonstrations in Riga in January.

Last year, Latvia became the second European Union member after Hungary to need a bailout from the International Monetary Fund, the EU and other lenders to bolster its failing economy and financial sector.

Latvia, a country of 2.3 million people, broke free from the crumbling Soviet bloc in 1991.

It has been seen as an economic "tiger" in recent years, notably since joining the EU in 2004, and boasted double-digit growth as recently as 2007.

But it slid into recession last year as rampant inflation took its toll on domestic consumption and the global crisis added a further blow.

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