



EUROPEAN COMMISSION

PRESS RELEASE

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State aid: Commission approves public support measures in favour of Latvian banks Reverta (formerly Parex banka) and Citadele

The European Commission has found the support measures granted by Latvia to AS Reverta (formerly AS Parex banka) and AS Citadele banka to be in line with EU state aid rules and has therefore closed its in-depth investigation. Based on the additional information provided by Latvia, the Commission concluded, in particular, that the measures were necessary to preserve the stability of the Latvian banking system and for an orderly resolution of Reverta.

In April 2014 the Commission opened an in-depth investigation (see [IP/14/454](#)) to assess the compatibility with EU state aid rules of the following supplementary un-notified support measures granted by Latvia to AS Reverta and AS Citadele banka in addition to those approved in the context of their restructuring (see [IP/10/1127](#)):

- a subordinated loan granted to Parex with an initial maturity of 7 years exceeding the approved maximum of 5 years and an additional 18-month extension of that maturity, and
- liquidity support granted to Parex and then Reverta in excess of the maximum approved by the Commission.

The Commission also investigated a possible misuse of the previously approved state aid, as Latvia had failed to comply with its commitment to divest the Wealth Management Business of Citadele within the approved deadlines.

Based on the additional information provided by Latvia, the Commission's investigation has shown, in particular, that the measures regarding the maturity of the subordinated debt were limited to the minimum necessary to allow Citadele to comply with more demanding solvency requirements. This, in turn, was a prerequisite for complying with Latvia's commitment to sell the bank. It was also a necessary measure for preserving the stability of the Latvian banking system.

The Commission's investigation also found that the liquidity support has been limited to the minimum necessary for ensuring the orderly winding down of Parex. The additional liquidity support complies with the new burden sharing requirements introduced by the 2013 Communication on state aid rules for assessing public support to financial institutions during the crisis (the so-called "Banking Communication", see [IP/13/672](#)), because the equity of former shareholders of Parex has been written down in full and Latvia has committed to ensure that subordinated debt holders do not benefit from additional aid.

As regards the commitment to divest the Wealth Management Business the Commission considers that the additional commitments offered by Latvia, including a new timeframe for the divestment of the Wealth Management Business, are both sufficient and adequate to avoid distortions of competition.

The Commission has therefore concluded that all the measures assessed were in line with the state aid rules and has amended the deadlines for divesting the Wealth Management Business of Citadele in line with the new commitment provided by Latvia.

Background

At the end of 2008, AS Parex banka was the second largest bank in Latvia with total assets of LVL 3.4 billion (€ 4.9 billion). It had been very active in the Commonwealth of Independent States (CIS), an association of states formerly members of the USSR, which was severely hit by the financial crisis. This resulted in a loss of confidence in Parex and a subsequent run on the bank in 2008, with a 36% fall in deposits as compared to end 2007.

In November 2008 Latvia notified a package of rescue measures in favour of Parex. The Commission temporarily approved the measures in November 2008 based on Latvia's commitment to submit a restructuring plan (see [IP/08/1766](#)). In May 2009 the Commission approved amendments to one of the measures (see [IP/09/732](#)). In July 2010 Latvia notified a restructuring plan for Parex, which the Commission approved in September 2010 (see [IP/10/1127](#)). The plan included a split of Parex into a newly established "good" bank AS, Citadele banka, taking over all core and some non-core assets, and a "bad bank" ("Parex", later renamed "Reverta"), which kept the remaining non-core and non-performing assets. In August 2012 the Commission approved amendments to the restructuring plan (see [MEX/12/0810](#)).

The non-confidential versions of these decisions will be made available under the case number [SA.36612](#) in the [State Aid Register](#) on the [competition](#) website once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

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