

REGULATORY NEWS SERVICE (RNS)

SC Parex banka Statement re Parex Banka's Syndicated Loans

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State to Guarantee Repayment of Parex Banka's Syndicated Loans

On 17 February, in the meeting of the Cabinet of Ministers the Government supported the provision of State guarantee for the roll-over repayment of Parex banka's syndicated loans in line with the agreement negotiated between Parex banka and syndicated lenders. Guarantee will be effective provided that the banking syndicates agree to the restructuring and the extension of the term of the loans.

Parex banka's proposal to the syndicated lenders envisages the following loan repayment schedule: 20% of the principal amount are scheduled for repayment by March 2009 with the remaining sum to be split in two payments - 50% in February 2010 followed by 30% in January 2012.

To further stabilize operations of the Bank, the Government also supported the concept of strengthening the Bank's capital base and instructed the Ministry of Finance to draw up specific proposals on the acquisition of newly issued shares to ensure that the capital adequacy of the Bank meets the requirements of the Credit Institution Law.

Similarly, by February 24, the Ministry of Finance will present to the Cabinet

of Ministers the position of the possible participation of European Bank for Reconstruction and Development (EBRD) in Parex banka's equity capital. The EBRD showed interest in Parex banka already in the end of 2008, and in January 2009 it conducted due diligence on the Bank. The EBRD has an extensive experience in bank restructuring, and investments of this organization in capital of such banks is perceived as a positive call signaling about bank's vital capacity and development potential.

As reported earlier, to stabilize the financial system of Latvia, the Government took control of Parex banka transferring 84,83% of Bank's shares to state-owned Mortgage and Land bank of Latvia

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