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Parex aims to refinance $775m loan by end of month

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Parex Bank, the Latvian bank nationalised last year, is hoping to refinance its $775m syndicated loan by the end of the month, said Nils Melngailis, the chief executive appointed to try to rescue the stricken institution.

With $275m having fallen due last month and a further $500m repayable in June, Parex is trying to persuade its 60 creditor banks to reschedule the loan over three years.

Parex is also hoping to attract investors, including the European Bank for Reconstruction and Development, the multilateral bank for eastern Europe, which is evaluating the possibilities. The government this month hired Nomura, the Japanese investment bank, to advise on finding private sector investors to come in with the EBRD.

"The refinancing of Parex is our first priority," Mr Melngailis told the FT, saying progress depended both on negotiations with the creditors and general confidence in Latvia's troubled economy. If the renegotiation fails, the government would have to choose between bailing out the company it took control of last December, or letting it collapse.

Mr Melngailis, who took over following the nationalisation, said the creditors' backing was not "formally" linked to the emergency package assembled for Latvia by the International Monetary Fund and the European Commission.

But the IMF and Commission's support mattered because creditor banks needed to know "the government's guarantee to Parex is meaningful," he said.

Depositors lost confidence in Parex late last year because it lacked a strong foreign parent, unlike the Swedish-owned banks which dominate the rest of Latvian banking. The government intervened and bought an 85 per cent shareholding from the bank's two founders - Valery Kargin and Viktor Krasovitskyfor two lats ($3).

Mr Melngailis said the government deposited 820m lats at Parex, to cover for money taken out by worried clients and the bank's deposits had now "stabilised".

Parex is cutting staff by 10 per cent to about 2,300 and the salaries of the remaining staff are being reduced, with top staff losing up to 50 per cent of their pay. Bonuses, which are paid quarterly, have not been paid since the bank ran into trouble in the autumn.

Mr Melngailis, a former chief executive of Lattelekom, the state-run telecoms group, said he had previous experience restructuring companies when he worked as a partner at PwC, the management consultancy.

He said: "The situation isn't new to me in terms of it being a management crisis.

"I think it's good coming in from the outside because some of the bankers don't yet see that the future is going to be very different from the past."

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