

**UPDATE 1-Latvia says bank ops normal, withdrawals continue**

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By Patrick Lannin RIGA, Nov 10 (Reuters) - **Latvia's** second-largest bank, **Parex** - which the government took over at the weekend after a run of withdrawals - was operating normally on Monday, officials said, though people were continuing to take money out. **Parex** is the first victim of the global financial crisis in the Baltic states and its rescue has reinforced fears of further economic problems in the region, where growth is collapsing after years of double-digit expansion. Memories also remain fresh of bank failures in 1995 and 1998. The unexpected state intervention came after the bank lost around 10 percent of its deposits in a few weeks, and fears grew it would be unable to refinance 775 million euros (\$991.6 million) of syndicated credits due next year. Finance Minister Atis Slakteris said the government would consider guarantees to other **Latvian** banks with syndicated loans, though none had asked for help.

Parex board member Liga Purina said people withdrew 2 million lats from the bank at the weekend, which was more than normal, and that withdrawals on Monday were also above average. In Riga city centre there were no large queues at **Parex** branches or cash machines on Monday, two days after the government announced the takeover of the bank, the largest with local owners and second largest in the country with assets of 3 billion lats (\$5.43 billion). "Normal bank operations are going on. The bank is working normally," Finance Ministry State Secretary Martins Bicevskis told Reuters. Irena Krumane, the head of bank supervisor, the Financial and Capital Markets Commission, said 240 million lats (\$436.3 million) had been withdrawn from the bank since September. At the end of that month the bank's deposits totalled 1.9 billion lats. Despite few queues, Purina said withdrawals on Monday were higher than normal. "People can take out as much as they want, (though) of course as a bank we would like them not to," she said. Some savers were still worried. "I don't trust the bank or government. This could be another Banka Baltija and I want to save my money as soon as possible so I closed my account today," said Alex Vasiljevs, 36, referring to the 1995 collapse of a bank, when thousands lost money. "I simply cannot take risks with my money. I would like to trust the government and the banks, but unfortunately we have been cheated and robbed so many times," another **Parex** customer, Maira Kreislere, told Reuters Television. OTHER BANKS NOT SOUGHT HELP **Latvia's** central bank is expected to give **Parex** an initial liquidity injection of 200 million lats, though more might be needed, depending on how much money people pull out. "The problem is in the long term, particularly for these smaller banks with refinancing of syndicated credits," Finance Minister Slakteris told Reuters. "These banks all have maturities much further out than for **Parex**, but the government support is a big help." Eight **Latvian** banks have syndicated credits totalling 1 billion lats (\$1.82 billion). Of these, 29 million lats are due this year and 862 million next year. The state, via state-owned Mortgage and Land Bank, is to buy out **Parex's** two main shareholders, Valery Kargin and Viktor Krasovitsky, for 1 lat each (\$1.81). They are two of **Latvia's** top businessmen of Russian origin in a nation where a third of people are native Russian speakers. Another 34 percent of the bank would be given over to Mortgage and Land Bank as collateral and a further 15 percent remain with minority shareholders. (Reporting by Patrick Lannin; Editing by Erica Billingham, John Stonestreet) (\$1= .5528 **Latvian** Lat) (\$1= .5501 **Latvian** Lat) Keywords: **PAREX/BAILOUT** (Riga newsroom, patrick.lannin@reuters.com, patrick.lannin.reuters.com@reuters .net, +371 29 269 191)

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