

**UPDATE 1-Latvia takes control of 84 pct of troubled Parex**

500 words

2 December 2008

05:01 PM

AFX Asia

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English

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RIGA, Dec 2 (Reuters) - The government of the Baltic state of **Latvia**, which is in aid talks with the IMF and European Union, decided on Tuesday to raise its control of troubled bank **Parex** from 51 percent to 84 percent, the Finance Ministry said. The move came as part of efforts to cap withdrawals from **Parex**, the second largest bank in **Latvia**, which the government last month decided to rescue by taking a 51 percent stake. The bank suffered a run on deposits and faces repayment of syndicated credits next year worth 775 million euros (\$977.1 million). Now the state has moved further to boost its control. "... agreement has been reached to change the terms of the takeover of **Parex**, stating that the bank's largest shareholders hand over all their **Parex** Bank shares, or 84.83 percent of the bank's capital," the Finance Ministry said in a statement. Another 15 percent would remain with minority shareholders.

The two main shareholders are well known Russian-speaking businessmen Valery Kargin and Viktor Krasovicky. Finance Minister Atis Slakteris said the decision to increase the state's control was a further step in preventing cash fleeing the bank, saying Kargin and Krasovicky had failed to do enough to stop deposits leaving. "As a result the level of the bank's liquidity continued to fall, threatening the confidence of clients and depositors, leading to the need for fast and decisive action," he added. Some of **Parex**'s main clients are non-residents, meaning mainly companies and individuals in Russia and other former Soviet states. The **Parex** woes after a slide into recession were the main reasons **Latvia** had to turn for aid to the International Monetary Fund and European Union for help. Slakteris has said Finance Ministry experts estimate **Latvia** needs 5 billion euros (\$6.36 billion) in help. Bank sector supervisor the Finance and Capital Markets Commission earlier on Tuesday slapped limits on withdrawals from **Parex** from 35,000 lats (\$62,250) a month for individuals to 350,000 lats for companies with up to 250 employees. No withdrawal limits have been applied for firms with more than 250 employees, to payments to the state budget, state institutions or to dealings with the central bank. Payments of interest on deposits or to **Parex** subsidiaries are also not affected. A final agreement on the government takeover of **Parex** has yet to be completed as banks which gave the syndicated credits have not agreed to it. Negotiations are still going on. (Reporting by Patrick Lannin; Editing by Hans Peters) (\$1=.5622 **Latvian** Lat) (\$1=.7931 Euro) Keywords: **PAREX/** (Riga newsroom, patrick.lannin@reuters.com, patrick.lannin.reuters.com@reuters .net, +371 29 269 191)

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