

**UPDATE 1-EBRD eyes 100 mln euros for rescued Latvian bank**

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* EBRD to take minority stake in Parex

* Size of stake seen between 25 pct and 35 pct (Adds quotes, background)

RIGA, March 18 (Reuters) - The European Bank for Reconstruction and Development (EBRD) is set to invest about 100 million euros (\$130.3 million) for a minority stake in Parex Bank, which Latvia had to nationalise, officials said on Wednesday.

Rescuing Parex, the country's second-largest bank, after a run on deposits was one of the reasons Latvia had to take a 7.5 billion euro bail-out last year, led by the International Monetary Fund (IMF). The government is keen to get the bank back on its feet.

Baltic news agency BNS quoted Prime Minister Valdis Dombrovskis as saying after talks with officials from the EBRD that the bank was ready to invest 100 million euros in Parex.

Parex chief executive officer Nils Melngailis confirmed the 100 million euro amount, though he also told reporters the investment could be "a bit more or a bit less." He said the readiness of the EBRD to invest was a good signal.

Latvia's economy is expected to drop 12 percent this year, its worst recession since the fall of the Soviet Union in 1991.

The problems in Latvia have led to sharp falls in the share price of Swedish banks Swedbank and SEB, which entered the market aggressively in the last few years.

EBRD First Vice President Varel Freeman told reporters that there were a few loose ends to be tidied up regarding Parex.

"I think it is fair to say that there is very substantial agreement between ourselves and the government, but the devil is always in the detail," he said. Asked if the EBRD would invest 100 million euros, Freeman said: "That is a reasonable number."

He said he hoped an agreement could be finalised in the next few weeks. He declined to say what size of stake the EBRD would take, but said it was normally between 25 and 35 percent, though he added: "I don't think we'll go to 35 percent."

"We would like a reasonable participation which shows our commitment and which gives us a visible stake in the institution, without taking the position of controlling shareholder," he said.

"Both the government and the EBRD feel very strongly that this should be a financing which leaves the bank on a sound, well capitalised and self-sufficient basis," he added.

Parex was rescued after it hit liquidity difficulties during the financial markets crisis late last year and was set to have problems repaying 775 million euros of syndicated credits, which were due in February and June this year.

The bank has now renegotiated the credits to repay them over the next three years, with a first 30 percent payment, equal to 232.5 million euros, due this month. (Reporting by Patrick Lannin; Editing by David Cowell and Rupert Winchester)

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