

## Information from the FCMC

Government of Latvia decided to take control over the joint stock "Parex banka"

The Financial and Capital Market Commission of Latvia (hereinafter – the FCMC) informs You, that at an emergency Cabinet of Minister's meeting Saturday, November 8, the Government of Latvia decided to take control over the joint stock "Parex banka" via the joint stock "Hipotēku un zemes banka" (Mortgage and Land Bank), which is a 100% state-owned bank. Such a decision was made to secure overall stability of the Latvian financial system. Shareholders of "Parex banka" appealed to the Government with a request for Government's assistance because of asset quality deterioration during the past month that had affected capital adequacy and liquidity indicators, which are now threateningly drawing nearer the regulatory minimum liquidity indicator (30%) and capital adequacy ratio (8%). In time of global financial crisis, an increased outflow of deposits from "Parex banka" was observed at the bank.

As a result of the Government's decision, "Parex banka" will become a subsidiary of "Hipotēku un zemes banka". 51% of voting rights will come under "Hipotēku un zemes banka" ownership, paying LVL 2 in total for these shares to the owners of the bank, Valerijs Kargins and Viktors Krasovickis. The rest of shares owned by the shareholders having voting rights, or 34% of bank's capital, will be pledged in favour of "Hipotēku un zemes banka", thus these voting rights will be passed over to "Hipotēku un zemes banka". Of "Parex banka" capital, 15% will remain under minority shareholders' ownership. The previous Chairman of the Executive Board of "Parex banka" Valerijs Kargins will be replaced by an official appointed by the Government, which under the law will be approved by the FCMC.

Deposit services in the bank will be provided under the terms and procedures set by contracts.

Moreover on Monday, 10 November 2008, Minister of Finance Atis Slakteris, state-owned JSC "Latvijas Hipotēku un zemes banka" (Mortgage and Land Bank of Latvia) President Inesis Feiferis and JSC „Parex banka” (Bank) co-owners Valērijs Kargins and Viktors Krasovickis signed an agreement on the take-over of controlling interest in the JSC „Parex banka”.

In accordance with the agreement, „Parex banka” will become a subsidiary of “Latvijas Hipotēku un zemes banka”. According to the agreement, within one year without any limitation the Bank is authorized to offer 51 percent of the Bank's shares to a strategic investor approved by the Government. Only after 12 months and having compensated all the losses to the State concerning the Bank's takeover, the former „Parex banka” shareholders Kargins and Krasovickis will be able to request the Government's authorization to bid for the Bank's shares.

To meet their obligations, Kargins and Krasovickis have resolved to put up the rest of their Bank's shares and private properties as collateral, as well as each will hold at least LVL 14 million in savings at the bank. Both Kargins and Krasovickis will continue as the Bank's board members. As Bank's board members, they will have an obligation to comply with and carry out all the resolutions of the Bank's new shareholders' meetings as well as the decisions and instructions of Bank's council.

In exchange for the „Parex banka” shares, the Government of Latvia resolves to provide support for the Bank, but not to the Bank’s shareholders. In the first place, the Government will underwrite the refinancing of the Bank’s syndicated loans, which will be performed with the agreement of the European Commission. Secondly, a loan up to LVL 200 million will be granted to the Bank for creating the subordinated capital with a ten-year repayment period.