

FITCH: PAREX BANKA RESTRUCTURING PLAN SHOULD BE POSITIVE FOR DEPOSITORS

Fitch Ratings-London/Moscow/Warsaw-31 March 2010: Fitch Ratings says the announced restructuring plan of Parex banka (Parex, rated Long-term Issuer Default Rating 'Restricted Default'), would be positive for depositors if it succeeds. The current 'RD' rating reflects the deposit restrictions imposed on the bank, and may be upgraded on completion of the restructuring and the removal of the deposit restrictions.

The announced plan envisages spinning off two-thirds of Parex's assets into a 'new' bank, which is expected to be granted a new banking license by the Latvian regulator. The existing 'old' bank will retain the banking license of Parex. The plan has yet to be finalized. Although it has been sanctioned by the Cabinet of Ministers of Latvia, it is still pending approval from the European Commission, expected by 1 July 2010. Fitch notes there is a risk the plan may also be challenged in court by former shareholders or other interested parties.

The current version of the plan as Fitch understands it assumes that the 'new' bank will be created as a legally independent entity and will service existing customer accounts. No restrictions, including deposit restrictions, are expected to exist on the operations of the 'new' bank. The 'new' bank will be capitalized by the government and the EBRD and will focus on core Baltics business activities.

The 'old' bank will hold approximately a third of Parex's total assets, will preserve its ownership structure and will concentrate on recovering lower-quality financial assets.

Parex was the third-largest bank in Latvia by assets with a 11.4% market share at end-2009. Since December 2008, it has been majority-owned by the state. The EBRD became a minority shareholder in 2009 with a 25% + 1 voting shares (20% of total shares). For further details on the bank, please refer to the credit analysis published on 1 February 2010 at www.fitchratings.com.

Parex's current ratings are as follows:

Long-term IDR: 'RD'

Short-term IDR: 'RD'

Individual Rating: 'F'

Support Rating: '5'

Support Rating Floor: 'NF'

Senior unsecured: 'CC'/RR4

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Fitch's Recovery Ratings (RR), introduced in 2005, are a relative indicator of creditor recovery on a given obligation in the event of a default. An overview of Fitch's RR methodology can be found at www.fitchratings.com/recovery.

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Additional information is available on www.fitchratings.com

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