



Riga, 27.10.2008.

Francesco Papadia  
Director General Market Operations  
European Central Bank  
Kaiserstrasse 29  
D-60311 Frankfurt am Main  
Germany

## Request for support

Dear Mr. Papadia,

The current situation in the world's financial markets raises the alertness level in all institutions responsible for the stability of the financial system both internationally and domestically. The ECB has proved to be a vigilant authority, which reacts pre-emptively to avoid tensions in the financial markets. In light of the recent events in Iceland, no country can be sure that world's financial market problems will not have an effect on the situation in its domestic market.

In the current turbulent times, many European authorities have created local market support programmes to avoid any abrupt market events. The Latvian banking system very much depends on the Scandinavian banks as they own 64% of the banking capital in Latvia. Therefore, the latest resolutions from the Swedish authorities to guarantee bank loans up to SEK 1,500 billion will have a positive influence on Latvian daughter bank stability. However, this decision has left Latvian banks that rely on local capital at a disadvantage.

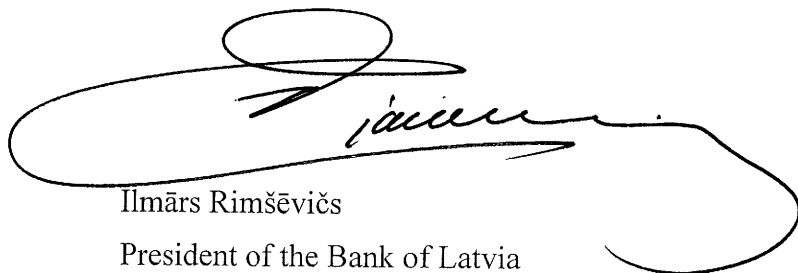
During recent weeks we have experienced some tensions in the Latvian financial markets. First, there has been drain of deposits from the banks in the amount of EUR 400 million (3% from the total depositary base) since September 30. Second, the Bank of Latvia has intervened in the spot market by buying local currency (Latvian lats – LVL) in the amount of EUR 336 million (8% of foreign reserves) since September 30. As a consequence, the Bank of Latvia foreign reserves have been reduced to EUR 4,430 million.

Therefore, with reference to my last week's telephone conversation with President Trichet, I would like to ask for the ECB support with the following steps:

1. ECB support to maintain LVL intervention bands +/-1% from the central rate of 1 EUR = 0.702804 LVL;

2. ECB financial support to maintain short-term liquidity in the Latvian banking system. The Bank of Latvia would be ready to accept terms and conditions of aid similar to those announced in the ECB EUR 5 billion repurchase transaction agreement with the National Bank of Hungary. The Bank of Latvia would like to ask for a EUR 1 billion facility.

Yours sincerely,



Ilmārs Rimšēvičs  
President of the Bank of Latvia