

Swedbank hit by 'absurd' rumours in Latvia

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Internet rumours which sparked a mini bank run were denied on Monday as absurd by Swedbank, Latvia's biggest lender, but underscored ordinary people's jitters after the collapse of two banks in the Baltic state in three years.

Almost half of Swedbank's 298 ATMs in this European Union nation of 2.2 million people Latvia had to be replenished after running out of money Monday as withdrawals rose tenfold to top 10 million lats (14 million euros, \$18.9 million) on Sunday.

The Swedish group, a leading market player in Latvia and fellow Baltic states Estonia and Lithuania, moved swiftly to quash rumours ripping through social networks just three weeks after the failure of Latvian bank Krajbanka.

"We currently see people asking on the web and at branches about various rumours -- some of which are simply not true, and some quite absurd -- that the bank is not working in Estonia, that cash machines are not working in Sweden -- which was just outright lies," Maris Marcinskis, chief executive of Swedbank's Latvia arm, said in a statement.

"We take into account that people take any speculations about the financial market and banks extremely emotionally given both the recent closure of Krajbanka and the abundance of alarming headlines about Europe and the euro zone," he said.

"Unbiased information and the bank's actual day-to-day operations is what best dispels rumours," he added.

Prime Minister Valdis Dombrovskis also moved to dispel the speculation.

"These rumours have no foundation. There is no reason to worry about Swedbank or the stability of other banks. These rumours have been spread in order to destabilize the situation in Latvia," Dombrovskis told reporters, without elaborating.

Dombrovskis also urged Latvia's banking regulator to communicate more effectively and backed police efforts to trace the source of the rumours.

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At one Swedbank branch in Riga, a 20-strong queue was waiting at midday, but savers denied they had been influenced by rumours to come and withdraw money.

"I am confident everything is okay. This is a big Scandinavian bank that's well run and well funded. It's not Krajbanka or some Lithuanian bank," businessman Martins Smits, 42, told AFP.

The latter was a reference to Lithuania's Snoras bank, whose collapse last month amid a fraud probe fuelled the demise of its Latvian subsidiary Krajbanka.

Nearby ATMs of other Nordic lenders SEB, Nordea and DNB were unaffected, though SEB said in a statement that it had noticed "increased interest" in cash withdrawals as a result of "baseless news".

Latvia is no stranger to the effects of financial rumours.

Rumours in 2008 of an imminent devaluation of its currency -- the lats, which is pegged to the euro -- caused panic but proved to be entirely false.

Swedbank is the largest bank in Latvia, holding around 20 percent of a market which has been dominated by Nordic players following the collapse of another local bank, Parex, in November 2008.

The fall of Parex came after depositors jittery about a spiralling economic crisis began pulling out cash.

A month later, the government was forced to turn to the European Union and International Monetary Fund for a 7.5-billion-euro (\$10-billion) loan package, paid out in slices in exchange for one Europe's most draconian austerity drives.

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Latvia's economy shrank by 18 percent in 2009, the deepest recession in the 27-nation EU, but has been recovering for over a year.

In Lithuania, Swedbank and local authorities said withdrawals had not risen.

"Swedbank is working as usual, there are no problems. I don't see any reason for panic," said Vitas Vasiliauskas, head of Lithuania's central bank.

The situation was likewise normal in Estonia, that country's central bank said.