Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission's regulations No. 145 "Regulations on Preparation of Public Quarterly Reports of Credit Institutions".

Financial and operating results in the 1st half of 2009

The first half of 2009 priorities of *Parex banka* were: restructurization of sydicated loans, stabilization of customer base, closing of the agreement on the entering of the *European Bank for Reconstruction and Development* into the shareholder structure, as well as a achievement of substantial decrease in administrative costs and the development of the new strategy.

As at 30 June 2009, the Bank's and Group's credit portfolio was 2.32 and 2.66 billion euro, deposits accounted for 2.33 and 2.50 billion euro and total assets stood at 3.84 and 4.00 billion. The amount of capital and reserves at the end of June reached 261.2 and 250.1 million euro, respectively.

In 2009, Bank was continued to be supported by the government through rolling over the maturities of the liquidity facilities provided. The interest payments to the *State Treasury* for this period of time comprise 29.2 million euro.

The Bank and Group closed first half of 2009 with net loss of 63.3 and 76.8 million euro, respectively. The results were substantially influenced by impairment charges of 66.3 and 80.1 million euro, respectively. In order to minimise the potential losses from deterioration in asset quality, the Bank has established a new structural unit to find the most effective solution for the Bank and client in current economic circumstances. Further, at end-2008 the cost optimisation process was started. As a result, in the first half of 2009 the Group every month has saved up approximately 2.8 million euro compared to the same period in 2008.

Parex banka is actively working at the development of the strategy, including the evaluation of priorities and definition of strategic objectives, that will enable to restructure the business activities and provide further development and growth.

Significant events after the end of the reporting period

On 23 July 2009, the Bank concluded subordinated loan agreement with *EBRD* for amount of EUR 22 million, which will be received in two tranches. Concluding of the agreement constitutes a part of the previously signed share purchase agreement, whereby *EBRD* will become 25% shareholder of the Bank. It is planned that the aforementioned transaction will be concluded in August.
.

The report has been approved by the Management Board of the Bank on 11 August 2009. More detailed information on the financial results of the Bank and the Group for 2008 are available in the audited reports published on Bank's Internet site www.parex.lv

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission's regulations No. 145 "Regulations on Preparation of Public Quarterly Reports of Credit Institutions".

BALANCE SHEETS AS AT 30 JUNE 2009 AND 31 DECEMBER 2008

EUR 000's

	Reporting period *Unaudited*	**Preceding reporting year** *Audited**	**Reporting period** *Unaudited*	**Preceding reporting year** *Audited**
	Group	**Group**	**Bank**	**Bank**
Cash and demand deposits with central banks	201 025	165 551	173 467	135 428
Demand deposits with credit institutions	203 892	134 382	182 786	162 559
Financial assets held for trading	22 920	36 878	22 928	36 359
Financial assets designated at fair value through profit and loss	3 053	2 318	-	-
Available-for-sale financial assets	185 382	225 797	166 162	218 727
Loans and receivables to customers:				
Loans to credit institutions	26 356	256 515	256 596	547 006
Loans to companies and private individuals	2 656 839	2 896 968	2 322 107	2 482 728
Held-to-maturity investments	526 771	1 079 314	559 338	1 135 436
Prepayments and accrued income	3 736	5 023	2 765	3 892
Fixed assets	82 676	86 072	22 998	28 796
Intangible assets	5 267	5 760	979	1 113
Investments in subsidiaries	-	-	85 203	73 194
Income tax assets	40 307	28 950	35 213	24 680
Other assets	43 819	33 477	15 051	13 513
Total assets	**4 002 043**	**4 957 005**	**3 845 593**	**4 863 431**

Due to central banks	392 149	903 862	392 149	903 862
Demand liabilities to credit institutions	8 375	8 260	14 105	109 072
Financial liabilities held for trading	4 731	13 530	4 730	13 759
Financial liabilities designated at fair value through profit and loss	692	447	-	-
Financial liabilities measured at amortised cost:				
Loans from credit institutions	545 269	780 556	551 509	781 934
Deposits from customers	2 499 575	2 878 461	2 335 452	2 706 140
Issued debt securities	123 986	126 610	124 018	126 226
Subordinated liabilities	147 795	75 351	147 804	75 355
Other financial liabilities	4 049	3 331	-	-
Accrued expenses and deferred income	10 716	10 889	9 014	9 123
Income tax liabilities	983	1 120	-	-
Other liabilities	13 567	42 080	5 570	27 705
Total liabilities	**3 751 887**	**4 844 497**	**3 584 351**	**4 753 176**
Shareholders' equity	250 156	112 508	261 242	110 255
Total liabilities and shareholders' equity	**4 002 043**	**4 957 005**	**3 845 593**	**4 863 431**

Memorandum items				
Contingent liabilities	22 093	82 303	16 279	75 041
Financial commitments	228 963	255 593	272 560	383 490

* Auditors: SIA „Ernst & Young Baltic"

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission's regulations No. 145 "Regulations on Preparation of Public Quarterly Reports of Credit Institutions".

STATEMENTS OF INCOME
FOR 6 MONTHS PERIOD ENDED 30 JUNE 2009 AND 30 JUNE 2008

EUR 000's

	Reporting period *Unaudited*	**Respective period of the preceding reporting year** *Unaudited*	**Reporting period** *Unaudited*	**Respective period of the preceding reporting year** *Unaudited*
	Group	**Group**	**Bank**	**Bank**
Interest income	144 579	160 890	127 605	142 819
Interest expense	(109 796)	(95 418)	(106 851)	(90 685)
Dividends received	54	303	54	303
Commission and fee income	20 636	31 982	16 013	25 629
Commission and fee expense	(6 128)	(7 716)	(5 000)	(7 718)
Net gain/ (loss) on available for sale financial assets and financial liabilities	(462)	(3 058)	(427)	(3 055)
Net gain/ (loss) on financial assets or financial liabilities designated at fair value though profit and loss	34	-	-	-
Net gain/ (loss) on held for trading financial assets and financial liabilities	7 018	(975)	7 026	(899)
Gain/ (loss) from foreign exchange trading and revaluation of open positions	1 760	12 336	1 417	10 764
Net gain/ (loss) on disposal of non-current assets held for sale	(1 592)	-	-	-
Other income	7 237	7 167	4 634	3 709
Other expense	(6 850)	(1 453)	(6 330)	(615)
Administrative expense	(55 059)	(72 347)	(39 166)	(54 603)
Amortisation and depreciation charge	(7 268)	(6 047)	(5 747)	(4 723)
Impairment charge and reversals, net	(80 081)	(7 844)	(66 273)	(5 660)
Corporate income tax	9 118	(3 674)	9 686	(3 012)
(Loss)/ profit for the reporting period	**(76 800)**	**14 146**	**(63 359)**	**12 254**

PERFORMANCE RATIOS OF THE GROUP AND THE BANK

	Reporting period	**Respective period of the preceding reporting year**	**Reporting period**	**Respective period of the preceding reporting year**
	Group	Group	Bank	Bank
Return on equity (ROE) (%)*	(84.71)	8.66	(68.22)	7.87
Return on assets (ROA) (%)*	(3.43)	0.60	(2.91)	0.55

* Average value is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves at the beginning of the reporting period and at the end of the reporting period.

RATINGS ASSIGNED BY RATING AGENCIES

	Long-term raiting	**Short-term rating**	**Financial strength rating**	**Support rating**	**Rating's outlook**
Moody's Investors Service	B2	Not Prime	E	-	Stable
Fitch	RD	RD	F	5	*

* Outlook for this rating is not assigned.

On 30 July 2009, international rating agency Moody's Investors Service has approved Parex banka's previously assigned ratings, as well assigned stable outlook to long-term rating.

Detailed information about ratings can be found on the web sites of the rating agencies: www.moodys.com; www.fitchratings.com

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission’s regulations No. 145 ”Regulations on Preparation of Public Quarterly Reports of Credit Institutions”.

CONSOLIDATION GROUP

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS “Parex banka"	LV-40003074590	Latvia, Riga LV-1522, Smilšu 3	LV	BNK	100	100	MAS
2	IPAS "Parex Asset Management"	LV-40003577500	Latvia, Riga LV-1050, Zigfrīda Annas Meierovica blvd. 14	LV	IPS	100	100	MS
3	Regalite Holdings Limited	CY-HE93438	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
4	AB "Parex bankas"	LT-112021619	Lithuania, Vilnius LT-03107, K. Kalinausko 13	LT	BNK	100	100	MS
5	SIA "Parex Express Kredīts"	LV-40003238125	Latvia, Riga LV-1010, K.Valdemāra 8	LV	CFI	100	100	MS
6	AS "Parex atklātais pensiju fonds"	LV-40003397312	Latvia, Riga LV-1050, Kr.Barona 20/22	LV	PFO	99.56	99.56	MS
7	AAS "Parex Dzīvība"	LV-40003786859	Latvia, Riga LV-1050, Zigfrīda Annas Meierovica blvd. 14	LV	APS	100	100	MMS
8	OU "Parex Leasing & Factoring"	EE-10925733	Estonia, Tallinn 10119, Roosikrantsi 2	EE	LIZ	100	100	MS
9	ZAO "Parex Asset Management"	RU-1037706024872	Russia, Moscow 119049, Donskaja 4 - 2	RU	IBS	100	100	MMS
10	OOO “Parex Asset Management Ukraina”	UA-32984601	Ukraine, Kiev 01054, Pavlovska 17	UA	IBS	100	100	MMS
11	SIA "E & P Baltic Properties"	LV-40003754637	Latvia, Riga LV-1050, Zigfrīda Annas Meierovica blvd. 14	LV	IPS	50	50	MMS
12	UAB "Parex faktoringas ir lizingas"	LT-2623331	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	LIZ	100	100	MMS
13	UAB "Parex investiciju valdymas"	LT-1182984	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	IBS	100	100	MMS
14	AP Anlage & Privatbank AG	CH-130.0.007.738-0	Switzerland, Freienbach 8807, Kantonsstrase 1	CH	BNK	100	100	MS
15	OOO "Parex Leasing and Factoring"	AZ-1105-T10-3749	Azerbaijan, Baku AZ1000, R.Bejbutova iela 18 - 4	AZ	LIZ	100	100	MS
16	OOO "Ekspress Lizing"	RU-1037867006726	Russia, St. Petersburg 191014, Artillerijskaja 1, liter A	RU	LIZ	100	100	MS
17	OOO "Laska Lizing"	UA-33104543	Ukraine, Kiev 01054, Vorovskogo 24	UA	LIZ	100	100	MS
18	OOO "Parex Leasing"	RU-1047796715603	Russia, Moscow 125047, Čajanova 10 - 1	RU	LIZ	100	100	MS
19	IOOO "Pareks Lizing"	BY-190567618	Belarus, Minsk 220006, Denisovskaja 31-1	BY	LIZ	100	100	MS

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
20	OOO "Extroleasing"	RU-1027739537220	Russia, Moscow 111116, Energeticheskaja 3	RU	LIZ	100	100	MS
21	Calenia Investments Limited	CY-HE 156501	Cyprus, Nicosia 1075, 58 Arch. Makarios 3 Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
22	SIA "Parex Līzings un faktorings"	LV-50003760921	Latvia, Riga LV-1522, Smilšu 3	LV	LIZ	100	100	MS
23	SIA "Rīgas Pirmā Garāža"	LV-40003397543	Latvia, Riga LV-1010, Republikas laukums 2a	LV	PLS	100	100	MS
24	SIA "Parex Private Banking"	LV-40003103438	Latvia, Riga LV-1050, Smilšu 7	LV	PLS	100	100	MS
25	OOO "Extrocredit"	RU-1067746758518	Russia, Moscow 111116, Energeticheskaja 3	RU	CFI	99	99	MMS
26	LLC "Parex Leasing and Factoring"	GE-205224461	Georgia, Tbilisi, Kazbegi avenue 44	GE	LIZ	100	100	MS
27	SIA "RPG interjers"	LV-40103157899	Latvia, Riga LV-1010, Republikas laukums 1	LV	PLS	100	100	MMS
28	SIA "PR Speciālie projekti"	LV-40103195231	Latvia, Riga LV-1050, Zigfrīda Annas Meierovica blvd. 14	LV	PLS	100	100	MMS
29	OOO "Parex Investments Ukraine"	UA-35726203	Ukraine, Kiev 03150, Gorkovo 172	UA	IBS	100	100	MMS
30	OAO Parex Ukrainian Equity Fund	UA-10681020000023247	Ukraine, Kiev 03150, Gorkovo 172	UA	IBS	100	100	MMS

*BNK – bank, IBS – investment brokerage company, IPS – investment management company, PFO – pension fund, CFI – other financial institution, LIZ – leasing company, PLS – company providing various support services, APS – insurance company.
** MS – subsidiary company, MMS – subsidiary of the subsidiary company, KC – joint venture, MAS – parent company.

INFORMATION ABOUT PAREX BANKA’S BRANCHES

As at 30 June 2009 the Bank was operating a total of 23 branches, including 3 foreign branches, 5 small client service centres, 51 mid-size client service centres and 5 representative offices.

ISSUED SHARE CAPITAL AS AT 30 JUNE 2009

Shareholders	Nominal value (LVL)	Number of shares	Paid-in share capital (EUR)	Voting rights	Paid-in share capital (%)
SJSC "Privatizācijas aģentūra"	1	196 115 116	279 046 670	195 915 116	95.30%
Other	1	9 662 179	13 748 042	9 862 179	4.70%
Total		**205 777 295**	**292 794 712**	**205 777 295**	**100%**

MANAGEMENT OF THE BANK AS AT 30 JUNE 2009

Council of the Bank

Name	Position
Andžs Ūbelis	Chairman of the Council
Michael Joseph Bourke	Deputy chairman of the Council
Laurence Phillips Adams	Member of the Council
Kaspars Āboliņš	Member of the Council
Carl Hakan Kallaker	Member of the Council

Management of the Bank

Name	Position
Nils Melngailis	President; Chairman of the Management Board, p.p.
Guntis Beļavskis	Member of the Management Board, p.p.
Roberts Stuģis	Memeber of the Management Board
Vladimirs Ivanovs	Memeber of the Management Board
Valters Ābele	Memeber of the Management Board

In shareholders meeting held on 29 June 2009, the Council was reappointed in different composition: Andžs Ūbelis, Kaspars Āboliņš and Carl Hakan Kallaker were reappointed. Rolands Paņko, Gints Freimanis un Žaneta Jaunzeme-Grende were removed from their duties, whereas Michael Joseph Bourke un Laurence Phillips Adams were appointed as deputy chairman of the Council and member of the Council, respectively.

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission's regulations No. 145 "Regulations on Preparation of Public Quarterly Reports of Credit Institutions".

RISK MANAGEMENT

Risk management principles are set out in Group's Risk and Capital Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- The Group pursues prudent risk management policy, that is aligned with the Group' business and ensures effective total risk mitigation;
- Risk management is based on awareness of each and every Group's employee about the nature of transactions he/she carries out and related risks;
- Risk limit system and strict controls are essential risk management elements. Control of risk level and compliance with limits is ensured by structured risk limit systems for all material risks;
- The Group aims to ensure low risk exposure, diversified asset portfolio, limited risks in financial markets and low level of operational risk.

Risk management is an essential element of the Group's management process. Risk management within the Group is controlled by independent units - Risk Management Sector and Compliance Sector.

The Group is exposed to the following main risks: credit risk, market risk, interest rate risk, liquidity risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The group is exposed to credit risk in to its lending, investing and trading activities, as well as in respect to the guarantees issued to third parties and other off-balance sheet commitments to third parties.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent units of Risk Management Sector. The analysis of credit risk comprises evaluation of customer's creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes analysis of the industry, the company, and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer's credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. In the event of material risks, lending decision is made by the Credit Committee, and further reviewed by the Bank's Management Board.

After the loan is issued, customer's financial position is monitored on a regular basis in order to timely identify potential credit losses.

To limit its credit risk, the Group has set the following concentration limits: individual counterparty limit, limit for group of mutually related customers, limit for large risk exposures, limit for the Group's related parties, an industry limit, limit by customer type and loan product. A number of limits were breached in 1st quarter of 2009 due to insufficient capital level and restricted Bank financing for leasing companies. Limits breached included individual counterparty limit, limit for group of mutually related customers, limit for large risk exposures (for the Bank) and industry limit, limit by customer type and type of collateral (for leasing subsidiaries). Concentration limits for leasing companies are currently under review. As at the date of approval of this report, as a result of the Bank's capital increase, the limits were complied with.

The Group reviews its loan portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends.

Credit risk identification, monitoring and reporting is the responsibility of Risk Management Sector.

Market risk

Market risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments, commodities and commodity derivatives due to changes in foreign exchange rates, interest rates and other factors.

Position risk of financial instruments is assessed and limits are set by the Financial Market and Counterparty Committee (FMCC). The decisions of FMCC are approved by the Bank's Management Board. Market risk is managed by the Group's business units and subsidiaries which can accept market risk in line with the set limits and investment restrictions of the respective portfolio. Market risk is measured, monitored and risk levels are reported by Risk Management Sector.

To assess the position risk, scenario analysis is applied. Scenario analysis is based on historic data and price changes of various financial instruments in different low probability high impact scenarios. For example, a flight-to-quality scenario assumes that investors move their capital from riskier investments towards safer investments (for instance, U.S. or other AAA-rated sovereign bonds). To manage market risk, the Group sets individual limits to issuers and financial instruments, as well as products exposed to market risk.

Equity price risk

Equity price risk is the risk that the Group will incur a loss due to changes in equity prices. Equity price risk is assessed and decisions on limits set are made by the Financial Market and Counterparty Committee. Further the decisions so made are approved by the Bank's Management Board.

Interest rate risk

Interest rate risk is related to the negative impact of interest rate changes on the Group's income and economic value.

Interest rate risk management in the Group is carried out in accordance with the Group's Interest rate Risk Management Policy. Interest rate risk is assessed and decisions are made by Assets and Liabilities Management Committee (ALCO). The decisions of ALCO are approved by the Bank's Management Board. ALCO sets the acceptable interest rate risk level and the Group's internal limit system, monitors the compliance with the approved limits and use of the instruments for the management of interest rate risk. Interest rate risk measurement and management is the responsibility of Treasury Sector, while risk reporting is the responsibility of Risk Management Sector.

The Group manages interest rate risk by using the gap analysis of the risk sensitive assets and liabilities, duration analysis and sensitivity analysis of assets and liabilities as well as stress testing of interest rate risk. Based on the market analysis and the Group's financing structure, ALCO sets customer deposit interest rates. During the period when restrictions are imposed on the Bank's activities, these functions are carried out by the Bank's Management Board. Partially, the Group mitigates interest rate risk using derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

The Group manages its liquidity risk in accordance with the Group's Liquidity Risk Management Policy. Liquidity risk is assessed and decisions are made by ALCO. The decisions of ALCO are approved by the Bank's Management Board. ALCO sets the acceptable liquidity risk level, the Group's internal limit system and defines instruments for the management of liquidity risk, as well as monitors the compliance with the set limits. Liquidity risk management is the responsibility of the Treasury Sector, while risk measuring, monitoring and reporting is within the responsibility of the Risk Management Sector.

Liquidity risk is assessed and related decisions are made by the Bank's Management Board. Daily liquidity management is ensured by the Treasury Sector in collaboration with Finance department. However the main source of liquidity is the funding provided by the State Treasury. At the end of reporting period, when there still were restrictions imposed on the Bank's activities, the liquidity ratio requirement was not met. Nevertheless, shortly after and until approving this report by gradually improving overall liquidity position the Bank was meeting the regulatory requirements.

Currency risk

Currency risk is a risk of loss arising from fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with the Group's Currency Risk Management Policy. Currency risk is assessed and decisions on limits set are made by the Financial Market and Counterparty Committee (FMCC). The decisions of FMCC are approved by the Bank's Management Board. FMCC defines the acceptable currency risk level and the Group's internal limit system, as well as monitors compliance with these limits.

Day-to-day currency risk management is the responsibility of Treasury Sector, while risk monitoring and reporting is the responsibility of Risk Management Sector. The Group has set a limit for open currency positions in each currency at 10% of its equity, and the limit for the total open currency position at 20% of its equity. The limits are equal to the requirements by Latvian legislation. To assess currency risk, the Group also uses scenario analysis.

As at the date of approval of this report, due to limited access to currency risk mitigation instruments, the Bank and Group was not able to comply with the limit for the total open currency position, as well as for the single open currency positions in most of the main currencies the Group is dealing with. The full compliance will be restored, once the Bank is able to operate as before in the financial markets and re-opens the limits with currency dealers. Nevertheless, some of the breaches were remedied through the capital increase.

Operational risk

The Group defines operational risk as the risk of losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not accept operational risks with potential impact exceeding 10% of the Group's net annual revenues, as well as unmanageable risks or risks with unquantifiable impact, irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Self-assessment of operational risk – the business-owners of the products and processes perform identification and evaluation of potential operational risk events, assessment of the existing control systems and the analysis of the required risk mitigation measures using self-assessment questionnaires and brainstorming sessions with the experts of the respective process;
- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Defining the limits of the acceptable losses;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- "Four-eye-principle" and segregation of duties;
- Business continuity planning;
- Risk assessment within product development;
- Insurance;
- Investments in appropriate data processing and information protection technologies.