Information disclosed in the report is prepared in accordance with the Law on Financial Instruments' Market

Financial and operating results in the 1st half of 2009

The first half of 2009 priorities of *Parex banka* were: restructuring of syndicated 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 1.63 and 1.87 billion lats, deposits accounted for 1.64 and 1.76 billion lats and total assets stood at 2.70 and 2.81 billion. The amount of capital and reserves at the end of June reached 183.6 and 175.8 million lats, 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 20.5 million lats.

The Bank and Group closed first half of 2009 with net loss of 44.5 and 54.0 million lats, respectively. The results were substantially influenced by impairment charges of 46.6 and 56.3 million lats, 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 2.0 million lats 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. The share purchase deal concluded on 3 September 2009 and on 11 September 2009 the Bank received subordinated loan from EBRD amounting to EUR 18,4 million.

The report has been approved by the Management Board of the Bank on 15 September 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

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The Management of AS Parex banka (hereinafter – the Bank) are responsible for the preparation of the interim report of the Bank as well as for the preparation of the interim consolidated report of the Bank and its subsidiaries (hereinafter – the Group).

The interim report set out on pages 3 to 10 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as at 30 June 2009 and the results of their operations, changes in shareholders' equity and cash flows for the six month periods ended 30 June 2009.

The interim condensed financial statements are prepared in accordance with requirements of the Law on Financial Instruments Market. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the report.

The Management of AS Parex banka are responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

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

LVL 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	101 611	113 074	89 681	100 374
Interest expense	(77 165)	(67 060)	(75 095)	(63 734)
Dividends received	38	213	38	213
Commission and fee income	14 503	22 477	11 254	18 012
Commission and fee expense	(4 307)	(5 423)	(3 514)	(5 424)
Net gain/ (loss) on available for sale financial assets and financial liabilities	(325)	(2 149)	(300)	(2 147)
Net gain/ (loss) on financial assets or financial liabilities designated at fair value though profit and loss	24	-	-	-
Net gain/ (loss) on held for trading financial assets and financial liabilities	4 932	(685)	4 938	(632)
Gain/ (loss) from foreign exchange trading and revaluation of open positions	1 237	8 670	996	7 565
Net gain/ (loss) on disposal of non-current assets held for sale	(1 119)	-	-	-
Other income	5 086	5 037	3 257	2 607
Other expense	(4 814)	(1 021)	(4 449)	(432)
Administrative expense	(38 696)	(50 846)	(27 526)	(38 375)
Amortisation and depreciation charge	(5 108)	(4 250)	(4 039)	(3 319)
Impairment charge and reversals, net	(56 281)	(5 513)	(46 577)	(3 978)
Corporate income tax	6 409	(2 582)	6 807	(2 118)
(Loss)/ profit for the reporting period	**(53 975)**	**9 942**	**(44 529)**	**8 612**

Statements of Comprehensive Income

LVL 000's

	01.01.2009.-30.06.2009.	**01.01.2008.-30.06.2008.**	**01.01.2009.-30.06.2009.**	**01.01.2008.-30.06.2008.**
	Group	**Group**	**Bank**	**Bank**
Fair value revaluation reserve				
Impairment of securities	1 707	-	1 707	-
Fair value revaluation reserve charged to statement of income	298	(2 142)	300	(2 140)
Amortisation	1 149	-	1 149	-
Changes in fair value of available for sale securities	6 759	(151)	6 737	320
Deferred income tax charged directly to equity	52	329	-	219
Other comprehensive income / (loss) for the period	**9 965**	**(1 964)**	**9 893**	**(1 601)**

Total comprehensive income / (loss) for the period	**(44 010)**	**7 978**	**(34 636)**	**7 011**

Information disclosed in the report is prepared in accordance with the Law on Financial Instruments' Market

BALANCE SHEETS AS AT 30 JUNE 2009 AND 31 DECEMBER 2008

LVL 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	141 281	116 350	121 913	95 179
Demand deposits with credit institutions	143 296	94 444	128 463	114 247
Financial assets held for trading	16 108	25 918	16 114	25 553
Financial assets designated at fair value through profit and loss	2 146	1 629	-	-
Available-for-sale financial assets	130 287	158 691	116 779	153 722
Loans and receivables to customers:				
Loans to credit institutions	18 523	180 280	180 337	384 438
Loans to companies and private individuals	1 867 237	2 036 001	1 631 986	1 744 871
Held-to-maturity investments	370 217	758 546	393 105	797 989
Prepayments and accrued income	2 626	3 530	1 943	2 735
Fixed assets	58 105	60 492	16 163	20 238
Intangible assets	3 702	4 048	688	782
Investments in subsidiaries	-	-	59 881	51 442
Income tax assets	28 328	20 346	24 748	17 345
Other assets	30 796	23 528	10 578	9 498
Total assets	**2 812 652**	**3 483 803**	**2 702 698**	**3 418 039**

Due to central banks	275 604	635 238	275 604	635 238
Demand liabilities to credit institutions	5 886	5 805	9 913	76 656
Financial liabilities held for trading	3 325	9 509	3 324	9 670
Financial liabilities designated at fair value through profit and loss	486	314	-	-
Financial liabilities measured at amortised cost:				
Loans from credit institutions	383 217	548 578	387 603	549 546
Deposits from customers	1 756 711	2 022 994	1 641 365	1 901 886
Issued debt securities	87 138	88 982	87 160	88 712
Subordinated liabilities	103 871	52 957	103 877	52 960
Other financial liabilities	2 846	2 341	-	-
Accrued expenses and deferred income	7 531	7 653	6 335	6 412
Income tax liabilities	691	787	-	-
Other liabilities	9 535	29 574	3 915	19 471
Total liabilities	**2 636 841**	**3 404 732**	**2 519 096**	**3 340 551**
Shareholders' equity	175 811	79 071	183 602	77 488
Total liabilities and shareholders' equity	**2 812 652**	**3 483 803**	**2 702 698**	**3 418 039**

Memorandum items				
Contingent liabilities	15 527	57 843	11 441	52 739
Financial commitments	160 916	179 632	191 556	269 518

* Auditors: SIA „Ernst & Young Baltic"

Changes in the Group's equity are as follows:

LVL 000's

	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2007	**65 027**	**12 694**	**(18 302)**	**166 527**	**225 946**
Net profit for the period				11 608	11 608
Other comprehensive loss for the period			(1 964)		(1 964)
Balance as at 30 June 2008	**65 027**	**12 694**	**(20 266)**	**178 135**	**235 590**
Net loss for the period				(142 578)	(144 578)
Other comprehensive loss for the period			(13 941)		(13 941)
Balance as at 31 December 2008	**65 027**	**12 694**	**(34 207)**	**35 557**	**79 071**
Issue of new shares	140 750				140 750
Net loss for the period				(53 975)	(53 975)
Other comprehensive income for the period			9 965		9 965
Balance as at 30 June 2009	**205 777**	**12 694**	**(24 242)**	**(18 418)**	**175 811**

Changes in the Bank's equity are as follows:

LVL 000's

	Issued share capital	Share premium	Fair value revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2007	**65 027**	**12 694**	**(17 619)**	**157 045**	**217 147**
Net profit for the period				10 438	10 438
Other comprehensive loss for the period			(1 601)		(1 601)
Balance as at 30 June 2008	**65 027**	**12 694**	**(19 220)**	**167 483**	**225 984**
Net loss for the period				(134 446)	(134 446)
Other comprehensive loss for the period*			(14 050)		(14 050)
Balance as at 31 December 2008	**65 027**	**12 694**	**(33 270)**	**33 037**	**77 488**
Issue of new shares	140 750				140 750
Net loss for the period				(44 529)	(44 529)
Other comprehensive income for the period*			9 893		9 893
Balance as at 30 June 2009	**205 777**	**12 694**	**(23 377)**	**(11 492)**	**183 602**

Statements of Cash Flows
for the 6 month period ended 30 June 2009 and 2008

LVL 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**
Cash flows from operating activities				
Profit/ (loss) before tax	(60 384)	12 524	(51 336)	10 730
Amortisation of intangible assets, depreciation of fixed assets	5 108	4 250	4 039	3 319
Change in impairment allowances and other provisions	57 027	5 198	49 528	3 698
Other non-cash items	(2 497)	32	(1 567)	(261)
Cash generated before changes in assets and liabilities	**(746)**	**22 004**	**664**	**17 486**
Change in derivative financial instruments	3 606	4 563	4 156	3 780
(Increase) in other assets	(3 668)	(7 339)	(2 830)	(229)
(Decrease)/ increase in other liabilities	(20 051)	(8 426)	(15 521)	(14 207)
(Increase)/ decrease in trading investments	(325)	10 508	(246)	8 414
Decrease / (increase) in balances due from credit institutions	6 253	20 818	(214 683)	(58 761)
Decrease/ (increase) in loans and receivables from customers	114 615	(107 568)	72 162	(67 086)
(Decrease) in balances due to credit institutions	(1 044)	(36 925)	2 374	(44 376)
(Decrease)/ increase in deposits from customers	(75 263)	112 456	(69 501)	84 349
Cash generated from/ (used in) operating activities before corporate income tax	**23 377**	**10 091**	**(223 425)**	**(70 630)**
Corporate income tax paid	(1 945)	(4 420)	(596)	(3 101)
Net cash flow generated from/ (used in) operating activities	**21 432**	**5 671**	**(224 021)**	**(73 731)**
Cash flows from investing activities				
(Purchase) of intangible and fixed assets, net	(4 923)	(17 027)	(236)	(4 518)
Acquisitions and investments in subsidiaries	-	-	(8 587)	-
Sale/ (purchase) of equity investments and other non-trading investments	64 100	(9 811)	84 164	(38 139)
Net cash flow generated from/ (used in) investing activities	**59 177**	**(26 838)**	**75 341**	**(42 657)**
Cash flows from financing activities				
(Repayment) of debt securities issued	-	(76 177)	-	(76 145)
Subordinated funding received	-	14 196	-	14 210
(Repayment) of syndicated loan	(163 402)	(77 815)	(163 402)	(77 815)
Net cash flow used in financing activities	**(163 402)**	**(139 796)**	**(163 402)**	**(139 750)**
Net decrease in cash and cash equivalents for the period	**(82 793)**	**(160 963)**	**(312 082)**	**(256 138)**
Cash and cash equivalents at the beginning of the year	**361 488**	**600 063**	**555 930**	**579 700**
Cash and cash equivalents at the end of the period	**278 695**	**439 100**	**243 848**	**323 562**

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.

Due to Carl Hakan Kallaker leaving his duties, the rest of the previous Council was reappointed on 28 August 2009 and Juris Vaskāns was appointed as the new member of the Council.

ISSUED SHARE CAPITAL AS AT 30 JUNE 2009

Shareholders	Nominal value (EUR)	Number of shares	Paid-in share capital (EUR)	Voting rights	Paid-in share capital (%)
VAS "Privatizācijas aģentūra"	1.42	196 115 116	279 046 670	195 915 116	95.30%
Citi	1.42	9 662 179	13 748 042	9 862 179	4.70%
Kopā		**205 777 295**	**292 794 712**	**205 777 295**	**100%**

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.

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	-	Stabila
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

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.