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 quarter of 2009

Parex banka's main priorities in the first quarter of 2009 were the restructuring of the syndicated loans, stabilization of the client base, signing an agreement with the European Bank for Reconstruction and Development, as well as cost optimization and work at the development of the Bank's business strategy.

As at 31 march 2009, the loan portfolio of the Bank and the Group were respectively 1.74 and 1.99 billion lats, deposits – 1.92 and 2.03 billion lats, total assets – 2.87 and 2.97 billion lats. At the end of March 2009, the capital and reserves reached respectively 70.4 and 68.0 million lats, respectively.

In 2009, the State continued its support to the Bank, rolling over the repayment terms of the provided funding. In the 1st quarter of 2009, the Bank has paid 11.9 million lats to the State Treasury for its support.

The Bank and the Group closed the 1Q2009 with total net losses of 6.9 and 10.9 million lats respectively; however, the income before provisions, depreciation and taxes was 3.1 and 4.2 million respectively. Provisions established to reflect the deterioration in asset quality, which amounted to 7.9 and 12.1 million lats respectively, substantially impacted the financial result of the first quarter. The management of the bank will continue prudently assessing the impact of the economic situation on the asset quality. Meanwhile, to reduce possible losses from the asset quality deterioration, the Bank has formed a structural unit dealing with problematic loans. The main task of this unit is to work with clients and find mutually the most beneficial solutions under the current economic situation. As a result of cost optimization commenced at the end of 2008, the results of the 1st quarter of 2009 show that Parex banka has reduced monthly costs by an average of 2.4 million lats.

Furthermore, Parex banka's work at the development of the future business strategy is in progress. The management has accomplished the evaluation of the priorities and defined the strategic objectives, which will lead to the restructuring of Bank's business activities and ensure the future growth and development of the institution.

Significant events after the end of the reporting period

On 24 March 2009, the Government of Latvia made a decision to increase the share capital and to provide subordinated loan to the Bank totaling LVL 227 mln. On 11 May 2009, the European Commission approved share capital increase of LVL 141 mln and additional subordinated loan amounting to LVL 50 mln. On 22 May 2009, the Privatisation Agency made the respective investment into the Bank's capital, as well as issued the subordinated loan in the amount set by the European Commission.

On 16 April 2009, a share purchase agreement was concluded between the Privatisation Agency and the European Bank for Reconstruction and Development (EBRD). According to the terms of the Agreement the EBRD will purchase 57.5 million voting shares of the bank obtaining 25% plus one share of the Bank's capital.

The report has been approved by the Management Board of the Bank on 29 May 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

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BALANCE SHEETS AS AT 31 MARCH 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	148 101	116 350	119 741	95 179
Demand deposits with credit institutions	105 092	94 444	99 268	114 247
Financial assets held for trading	21 769	25 918	21 747	25 553
Financial assets designated at fair value through profit and loss	2 084	1 629	-	-
Available-for-sale financial assets	153 978	158 691	145 676	153 722
Loans and receivables to customers:				
Loans to credit institutions	32 337	180 280	203 938	384 438
Loans to companies and private individuals	1 991 677	2 036 001	1 735 121	1 744 871
Held-to-maturity investments	385 544	758 546	422 395	797 989
Prepayments and accrued income	2 936	3 530	2 206	2 735
Fixed assets	59 766	60 492	18 483	20 238
Intangible assets	3 825	4 048	653	782
Investments in subsidiaries	-	-	60 105	51 442
Income tax assets	20 511	20 346	16 989	17 345
Other assets	42 146	23 528	25 289	9 498
Total assets	**2 969 766**	**3 483 803**	**2 871 611**	**3 418 039**

Due to central banks	314 130	635 238	314 130	635 238
Demand liabilities to credit institutions	4 475	5 805	21 054	76 656
Financial liabilities held for trading	4 512	9 509	4 519	9 670
Financial liabilities designated at fair value through profit and loss	376	314	-	-
Financial liabilities measured at amortised cost:				
Loans from credit institutions	384 615	548 578	384 797	549 546
Deposits from customers	2 029 660	2 022 994	1 921 783	1 901 886
Issued debt securities	90 709	88 982	90 460	88 712
Subordinated liabilities	53 061	52 957	53 064	52 960
Other financial liabilities	2 186	2 341	-	-
Accrued expenses and deferred income	6 864	7 653	3 956	6 412
Income tax liabilities	455	787	-	-
Other liabilities	10 709	29 574	7 445	19 471
Total liabilities	**2 901 752**	**3 404 732**	**2 801 208**	**3 340 551**
Shareholders' equity	68 014	79 071	70 403	77 488
Total liabilities and shareholders' equity	**2 969 766**	**3 483 803**	**2 871 611**	**3 418 039**

Memorandum items				
Contingent liabilities	32 642	57 843	28 684	52 739
Financial commitments	184 834	179 632	206 801	269 518

* Auditors: SIA „Ernst & Young Baltic”

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STATEMENTS OF INCOME
FOR 3 MONTHS PERIOD ENDED 31 MARCH 2009 AND 31 MARCH 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	56 830	56 058	50 537	49 554
Interest expense	(41 334)	(33 976)	(40 321)	(32 394)
Dividends received	18	28	18	28
Commission and fee income	7 536	10 851	5 866	8 764
Commission and fee expense	(2 189)	(2 609)	(1 836)	(2 668)
Net gain/ (loss) on disposal of non-current assets held for sale	(730)	-	-	-
Net gain/ (loss) on financial assets or financial liabilities at fair value though profit and loss	(443)	(1 742)	(420)	(1 741)
Net gain/ (loss) on held for trading financial assets and financial liabilities	2 465	(1 328)	2 456	(1 247)
Gain/ (loss) from foreign exchange trading and revaluation of open positions	67	5 041	(92)	4 678
Other income	3 858	2 495	2 938	1 209
Other expense	(237)	(559)	(154)	(165)
Administrative expense	(21 611)	(25 147)	(15 882)	(19 451)
Amortisation and depreciation charge	(2 597)	(2 035)	(1 774)	(1 581)
Impairment charge and reversals, net	(12 108)	(191)	(7 850)	71
Corporate income tax	(455)	(1 227)	(450)	(1 037)
(Loss)/ profit for the reporting period	**(10 930)**	**5 659**	**(6 964)**	**4 020**

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) (%)*	(59.45)	9.94	(37.67)	7.42
Return on assets (ROA) (%)*	(1.35)	0.68	(0.89)	0.52

* 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	-	*
Fitch	RD	RD	F	5	**

* The outlook of the long-term rating is "negative"; the outlook of the financial strength rating is "stable"
** Outlook for this rating is not assigned

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

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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 31 March 2009 the Bank was operating a total of 24 branches, including 3 foreign branches, 5 small client service centres, 55 mid-size client service centres and 8 representative offices.

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ISSUED SHARE CAPITAL AS AT 31 MARCH 2009

Shareholders	Nominal value (LVL)	Number of shares	Paid-in share capital (LVL)	Voting rights	Paid-in share capital (%)
SJSC "Privatizācijas aģentūra"	1	55 365 116	55 365 116	55 165 116	85.14%
Other	1	9 662 179	9 662 179	9 862 179	14.86%
Total		**65 027 295**	**65 027 295**	**65 027 295**	**100%**

MANAGEMENT OF THE BANK AS AT 31 MARCH 2009

Council of the Bank

Name	Position
Andžs Ūbelis	Chairman of the Council
Rolands Paņko	Deputy chairman of the Council
Kaspars Āboliņš	Member of the Council
Gints Freimanis	Member of the Council
Carl Hakan Kallaker	Member of the Council
Žaneta Jaunzeme-Grende	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

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.

Currently, when there are restrictions on the Bank’s activities, the Bank’s ability to attract financing is limited and its liquidity position is not satisfactory. 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.

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.