



AS „PAREX BANKA”

REPORT ON CORPORATE GOVERNANCE
FINANCIAL YEAR 2011

AS „Parex banka”
Report on Corporate Governance Financial Year 2011

The Report of Joint Stock Company “Parex banka” (hereinafter – Parex banka or the Bank) on corporate governance during year 2011 (hereinafter – the Report) is prepared in accordance with the Article 56.² paragraph (3) of the Financial Instruments Market Law.

As Parex banka shares are not listed on the regulated market, the requirements of JSC “NASDAQ OMX Riga” regulations “On Listing and Trading of Financial Instruments on the Markets Regulated by the Exchange” are not applicable to the Bank.

In 2011, Parex banka has complied with corporate governance principles provided by the the Financial Instruments Market Law, as disclosed in the Report in accordance with legal acts of Republic of Latvia and within the Bank’s Management Board and Supervisory Board authority.

In accordance with requirements of the Article 56 of the Financial Instruments Market Law, this Report is publicly available at the premises of JSC “Parex Banka” in Republikas square 2a, Riga and in electronic form – on the web page of JSC “Parex banka” www.parex.lv under the section “For Investors”.

Chairman of the Management Board of JSC “Parex banka”

Christopher Gwilliam

02 April 2012

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Information on entities and individuals who have significant interest in the company, gained through direct or indirect shareholding, as well as proportion of such interest.

As at 31 December 2011, the JSC “Parex banka” registered and paid-up share capital was LVL 311,027,295. In accordance with Bank’s Articles of Association, the share capital was split into 250,883,439 shares with voting rights and 60,143,856 shares without voting rights. The nominal value of each share is LVL 1, fully paid. On 31 December 2011 the Bank did not own any of its shares.

On 31 December 2011, the Bank had 61 shareholder. The respective shareholdings as at 31 December 2011 were as follows:

	31.12.2011		
	Paid in share capital LVL ‘000	% of total paid in share capital	% of total voting rights
SJSC “Privatisation Agency” (significant interest)	261,733	84.15	82.02
European Bank for Reconstruction and Development (significant interest)	39,632	12.74	15.80
Others	9,662	3.11	2.18
Total	311,027	100.00	100.00

Shareholders who have special control rights and description of such rights.

None of Parex Banka shareholders has special control rights.

Voting rights restrictions if the maximum level of voting rights is fixed irrespective from the number of voting shares owned as well as shareholders’ rights to profit distribution which is not related to the proportion of the shares owned by them and other similar limitations.

Parex banka’s Articles of Association do not provide for any limitations of the voting rights and no maximum level of the voting rights has been determined. In accordance with the Articles of Association the shareholders have the rights to profit distributions which are proportionally related to the number of shares owned.

Regulations governing the election of Management Board members, changes to the Management Board and changes in the Articles of Association.

The election of the Management Board members, changes to the Management Board and changes in the Articles of Association are exercised in line with provisions of Commercial Law, Credit Institutions Law and Bank’s Articles of Association. Bank’s Articles of Association are

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publicly available at the Bank’s premises in Republikas square 2a, Riga and in electronic form – on the Bank’s web page www.parex.lv under the section “For Investors”.

Management Board authorities, including authority to issue or buy-back shares.

The authorities of the Management Board of the Bank are determined in Commercial Law, Credit Institutions Law and the Bank’s Articles of Association. The Bank’s Articles of Association are publicly available at the Bank’s premises in Republikas square 2a, Riga and in electronic form – on the Bank’s web page www.parex.lv under section “For Investors”. Members of the Management Board do not have the authority to issue or buy-back shares.

Information on the key elements of the internal controls and risk management system, which are applied in the preparation of the financial statements.

Semi-annual and annual financial statements of the Bank are subject to independent audit. In accordance with the decision of the shareholders meeting an Audit Committee reporting directly to the shareholders meeting has been established. The Bank has also established Parex banka group Internal Audit Department reporting directly to the Supervisory Board. More detailed information on the key elements of the internal controls and risk management system of the Bank and subsidiaries subject to consolidation procedures has been disclosed in Note 33 of the Bank’s audited financial statements for the year 2011. The Bank’s separate and consolidated audited financial statements for the year 2011 are publicly available at the Bank’s premises in Republikas square 2a, Riga and in electronic form – on the Bank’s web page www.parex.lv under section “For Investors”.