

„PRAVEX-BANK” PJSCCB
Annual financial statements for 2009

General information about „PRAVEX-BANK” PJSCCB

Information about „PRAVEX-BANK” PJSCCB

Full name of the bank	Public Joint Stock Company Commercial Bank „PRAVEX-BANK”
Short name of the bank	„PRAVEX-BANK” PJSCCB
EDRPOU code	14360920
Legal address	9/2, Klovisky Uzviz, Kyiv, 01021, Ukraine
Date and № of state registry	December 29, 1992. State registry № 139
Form of incorporation	Joint-Stock Company
Reporting period	Since January, 1 till December 31, 2009
Currency of reporting and units	UAH, thousand
Reporting date	As of 31.12.2009

„PRAVEX-BANK” PJSCCB is a credit and financial institution, which provides full range of banking services. „PRAVEX-BANK” PJSCCB is a Public Joint-Stock Company Commercial Bank and it is universal.

The Bank has been one of the leading savings banks in the retail banking segment in Ukraine for the recent years, while, in the year of 2009, the Bank finally discontinued the high risk consumer lending program and aimed at business universalization through the intensive development of complex cooperation with small and medium businesses and large corporations, in particular, resumption of loans granting to the full extent of the real economic sector.

At the same time, the Bank developed a new category of retail deposit products that are in line with current economic environment and customer demands based on the European standards of the parent company.

The strategy and objective of the Bank’s business and development lie in creation of a universal bank offering a wide range of banking services to legal entities and individuals.

“PRAVEX-BANK” PJSCCB (hereinafter referred to as "the Bank") is formed by renaming “PRAVEX-BANK” Joint-Stock Commercial Bank (incorporated by the Resolution of the Constituent Meeting, Minutes No. 1 dated September 20, 1992 registered by the National Bank of Ukraine on December 29, 1992 under Registration No. 139) by virtue of the Resolution adopted by the General Meeting of Shareholders of the Bank (Minutes No. 3 dated September 07, 2009) and is a legal successor to rights, duties and obligations of the latter.

The Bank is a universal bank existing in the form of a Public Joint-Stock Company Commercial Bank. However, the Bank may anytime become a specialised bank in the manner provided for under the applicable Ukrainian laws.

The Bank is a foreign capital bank.

The Bank is a member of Intesa SanPaolo S.p.A. Group and, being such member of Intesa SanPaolo S.p.A., the Bank shall comply, under the currently effective applicable laws, with the instructions, regulations and guidelines of Intesa SanPaolo S.p.A. that may exercise its powers to manage and coordinate the business of the Bank and to act in line with the directions and guidelines of the Bank of Italy designated to support the financial steadiness and consistency of the Group.

“PRAVEX-BANK” PJSCCB is a member of the Individual’s Deposit Guaranty Fund (FGVFO) and has a Fund Membership Certificate No. 115 dated June 10, 2002 confirming the registration of the Bank (registration entry No. 125) in the Register of Member Banks of the Individual’s Deposit Guaranty Fund (FGVFO).

According to NBU license № 7 dd. September 30, 2009, „PRAVEX-BANK” PJSCCB has received the right to fulfill the operations defined by Section I and clauses 5-11 of Section II of Article 47 of the Law of Ukraine “On banks and banking activity”, in particular:

- accepting deposits to legal entities and individuals;
- opening and maintenance of current accounts of clients and correspondent banks, including money transfer from these accounts by means of payment instruments and entering funds for these accounts;
- placement of attracted funds on its own behalf, under its own conditions and under its own risk;
- granting guarantees and sureties, as well as other third party liabilities, which provide for their fulfillment in monetary form;
- acquiring right of claim for discharge of obligations in monetary form for goods delivered or services rendered, taking the risk of satisfying such claims and payments receipt (factoring);
- leasing;
- services from responsible storage and granting into lease of safes for keeping valuables and documents;
- issue, purchase, sale and service of cheques, bills and other negotiable payment instruments;
- issue of bank payment cards and fulfillment of operations using these cards;
- rendering of advisory and informational services as for bank operations.

Moreover, according to NBU permit № 7-2 dd. September 30, 2009 „PRAVEX-BANK” PJSCCB has received the right to fulfill the operations defined by clauses 1-4 of Section II and Section IV of Article 47 of the Law of Ukraine “On banks and banking activity”, in particular:

- Currency values operations:
 - non-trading transactions with currency values;
 - foreign cash and check transactions (purchase, sales, exchange, and collection) through cash offices and foreign currency exchange desks of banks;
 - foreign cash transactions (purchase, sales, and exchange) through foreign currency exchange desks acting by virtue of agency agreements signed between banks and resident entities;
 - maintaining of clients’ accounts (residents and non-residents) in foreign currency, and of non-resident clients in currency unit of Ukraine;
 - maintaining of foreign currency correspondent accounts of banks (both resident and non-resident ones);
 - maintaining of Ukrainian national currency correspondent accounts of banks (non-resident ones);

- opening of foreign currency correspondent accounts with duly authorised Ukrainian banks and support of transactions on such accounts;
 - opening of foreign currency correspondent accounts with banks (non-resident ones) and support of transactions on such accounts;
 - attraction and allocation of foreign currency at foreign exchange market of Ukraine;
 - attraction and allocation of foreign currency at international markets;
 - foreign exchange trading at foreign exchange market of Ukraine (except FX transactions)
 - foreign exchange trading at international markets;
 - operations with banking metals at foreign exchange market of Ukraine;
 - operations with banking metals at international markets;
 - other operations with currency values at international markets;
 - other operations with currency values at foreign exchange market of Ukraine.
- Issue of own securities.
 - Arranging of securities purchase and sale by client's order.
 - Conducting operations at securities market on it's own behalf (including underwriting).
 - Investments into statutory funds and shares of other legal entities.
 - Transportation of currency values and encashment of funds.
 - Operations by client's order or on it's own behalf:
 - with money-market instruments;
 - with instruments, which are based on exchange rates and interests;
 - with financial futures and options.
 - Entrusted management of funds and securities under agreements with legal entities and individuals.
 - Depository activity of securities holder.
 - Activity on maintaining registers of inscribed securities holders.

Moreover, „PRAVEX-BANK” PJSCCB carries all kinds of operations at stock exchange, according to license of the State Committee of Securities of Sock Echange:

- series AB No. 493293 dd. 15.10.2009 – for professional activity at stock market – securities trading activity – securities management activity;
- series AB No. 493291 dd.15.10.2009 – for professional activity at stock market – securities trading activity – dealer activity;
- series AB No. 493107 dd.20.10.2009 – for professional activity at stock market – custody activity: maintaining its own register of registered securities holders;
- series AB No. 493335 dd.20.10.2009 – for professional activity at stock market – custody activity – depository activity of a custodian;
- series AB No. 493290 dd.15.10.2009 – for professional activity at stock market – securities trading activity;
- series AB No. 493292 dd.15.10.2009 – for professional activity at stock market – securities trading activity – underwriting.

“PRAVEX-BANK” PJSCCB is a member of the Individual’s Deposit Guaranty Fund (FGVFO) and has Fund Membership Certificate No. 115 dated November 09, 2009 confirming the registration of the Bank (registration entry No. 125) in the Register of Member Banks of the Individual’s Deposit Guaranty Fund (FGVFO).

In the reporting year the Bank experienced, or was subject to, no merger, amalgamation, split or separation.

As of December 31, 2009, “PRAVEX-BANK” PJSCCB had no contributions in subsidiaries and associates.

Results of banking and other transactions in 2009

In the year of 2009 “PRAVEX-BANK” PJSCCB, being an integral part of the Ukrainian banking system, was affected by a substantial slowdown in the Ukrainian economy, impaired steadiness of the currency market, increased cost of financial resources, and impaired creditworthiness of all market players.

As a result of the aforementioned endeavours and efforts, the Bank attained, in 2009, the 0.38 % increase of its market share judging by the total amount of the customer portfolio (according to the official statistics of NBU), with the source of such increase including both individuals’ funds (+ 0.24 %), and saving of retained legal entities’ funds (+ 0.2 %).

In 2009 the bank has undergone a **deep reorganization**. The focus was in **consolidating the structure, and start putting the basis for the development of Pravex in a crisis scenario**.

The clear **strategic guidelines** that have driven the activity of the bank were the following

- Fully implement the **new organizational model**, and in particular:
 - the proper governance model, in line with IntesaSanPaolo best practice, in order to guarantee the right segregation of duties between business, risk and operations and the set up of the proper control bodies (Risk Management, Compliance, Internal Audit)
 - the set up a new model of the network, in order to
 - define a right span of control
 - manage in a correct way different types of customers (corporate vs retail)
- **Strengthen the liquidity** of the bank, through
 - Lending in a very selective way
 - The creation of new deposit products; the latter have also contributed to the increase of the market share in deposits
- **Manage banking risks**
 - the credit risk, in order to mitigate the impacts of the crisis on the portfolio
 - to respect all ratios; in particular no breaches of the Open Currency Limits have been registered
- **Start changing the business model** of the bank, closing the most risky business lines (consumer lending), and beginning the refocus towards corporate business
- **Strong intervention on costs** to compensate (at least partially) the negative impacts of the crisis on income and provisions; this has taken place through
 - The decrease of the workforce (8 788 – in 2008; 6 623 – in 2009)
 - The almost stopping of new investments

- o A strict control on new spending, centralizing the decisions

Consequently, the amount of individuals' term deposit funds increased by 14.32 % as compared to 2008 (2009 – UAH 3,265,325 ths., 2008 – UAH 2,856,287 ths.) and individuals' current accounts funds increased by 5 % (2009 – UAH 515,165 ths., 2008 - UAH 490,468 ths.).

Besides, due to the change of the Bank development direction towards formation of a universal bank, the amount of corporate deposits (small and medium businesses) almost doubled as compared with that in 2008 (2009 – UAH 241,646 ths., 2008 – UAH 122,881 ths.).

To regain depositors' trust in the banking system and in the Bank, as a reliable financial institution fully and timely complying with its duties and obligations, the Bank developed a new category of retail deposit products in line with current economic environment and customer demands based on the European standards of the Parent Group.

In view of the increased number of transactions related to riskless financial instruments (i.e. NBU deposit certificates), the Bank experienced 4 % increase of revenues from securities transactions. The Bank implements a well-weighed securities transaction policy and, in compliance with Investment Policy of “PRAVEX-BANK” PJSCCB, NBU deposit certificates are the only authorised investments means.

In 2009 “PRAVEX-BANK” PJSCCB saw minimising of risky transactions through waiving of high profit but high risk transactions. This was primarily seen in applying of a very prudent approach to loan granting and setting of rigid internal limits of the currency position. As a result, the commission income from loan transactions and foreign currency trading transactions decreased significantly. In general, the amount of the commission income reduced almost twice (2009 – UAH 222,454 ths., 2008 – UAH 442,907 ths.).

Decreased production output, reduced number of jobs and added unemployment were further adverse aspects of the world financial crisis. Consequently, borrowers' solvency deteriorated considerably, thus, triggering the necessity to form extra loan-loss provisions. That's why the loan-loss provisions showed more than tripled increase more than in 4 times during 2009 (2009 – UAH 947,741 ths., 2008 - UAH 234,868 ths.).

Notwithstanding the general impaired quality of borrowers' loan repayment, the total amount of the interest income slightly increased – by 4 % (2009 - UAH 828,847 ths., 2008 - UAH 792,102 ths.).

In general, the Bank took, throughout the year of 2009, a host of measures to implement overall saving and significant reducing of the administrative cost. The administrative and other operating costs decreased in 2009, in aggregate, by 13,15% (2009 - UAH 670 233 ths., in 2008 - UAH 771,747 ths.). The effect of the branch network reorganisation and employee redundancy was already noticeable at the end of 2009. For instance, the total personnel costs decreased by 22.33%. (2009 - UAH 367 069 ths., 2008 - UAH 472 585 ths.).

The following table comprises trends for decrease in administrative expenses

Item description	2009	2008	(UAH, ths)
			Deviations (-) – decrease (+) -increase, %
Personnel expenses	367 069	472 585	-22,33
Expenses on fixed assets and intangible assets	62 729	65 069	-3,60
Expenses on telecommunications	25 287	35 248	-28,26
Other maintenance and SG&A expenses	35 543	40 134	-11,44
Other administrative expenses	14 992	23 759	-36,90

Throughout the year of 2009 the Bank had no debts relating to timely fulfillment of customers' payment documents.

The business results of "PRAVEX-BANK" PJSCCB in the year of 2009 were the losses of UAH 757,463 ths.

At the end of 2009 the Bank updated the Loan Granting Program focused mainly on loans to small and medium enterprises. The Bank implements a well-thought customer loan policy.

To ensure its steady business, better efficiency of Bank's operations and securing of depositors' interests, the Bank constantly takes a wide range of ad hoc steps and measures, including:

1. Optimisation of business processes and implementation of new banking products meeting the requirements of standards determined and maintained by Intesa SanPaolo S.p.A.
2. Expenses reduction (including administrative costs).
3. Reorganising of the branch network.
4. Taking all possible efforts to have loan debts redeemed (including loan debt restructuring).

The business results of banking and other transactions appear in the Financial Statements of the Bank in conformity with the principles set out in the applicable Accounting Policy.

In line with the 2009 Accounting Policy of "PRAVEX-BANK" PJSCCB, the uniform Bank's transaction accounting procedures, common principles and procedures of interpretation and construing of timely, true and reliable records of banking transactions to be applied to preparation and submission of the relevant Financial Statements were determined, designated for, and implemented in all regional directorates, branches and organisational units and departments of the Head Office of the Bank.

The 2009 Accounting Policy of "PRAVEX-BANK" PJSCCB was approved by the Order of the Chairperson of the Management Board No. 844 dated December 31, 2008.

No separate type of banking operations was discontinued in 2009, however, it should be noted that the Bank finally quitted the most risky types of loans. No restrictions of assets possession were seen.

No Consolidated Financial Statements as of December 31, 2009 is prepared, since the bank has no subsidiaries or associates.

As of December 31, 2009 the Bank had its fixed assets, viz. its real estate, evaluated by "Veritas Ukraine Bureau" LLC with Foreign Investments (Assessor's Certificate No. 7100/08 issued by the Public Property Fund of Ukraine (FDMU) on May 26, 2008) on the basis of Agreement No. BV UKR 90009/200 KI dated October 01, 2009.

All real estate objects were subject to revaluation.

According to the revaluation data:

- the write up of the real estate original cost out of equity capital amounted to UAH 463.7 ths.;
- the write up of the real estate original cost out of profits and revenue amounted to UAH 31.4 ths.;
- the write up of the real estate wear and tear cost out of equity capital amounted to UAH 41.5 ths.;
- the write down of the real estate original cost out of equity capita, amounted to UAH 95,025 ths.;
- the write down of the real estate original cost out of costs and expenses amounted to UAH 10,187.8 ths.; and
- the write down of the real estate wear and tear cost out of equity capital amounted to UAH 11,061.5 ths..

Based on the aggregate results of the revaluation:

- the write up of the real estate objects amounted to UAH 453.3 ths., including capital growth of UAH 422.2 ths., and profit increase of UAH 31.1 ths.;
- the write down amounted to UAH 94,151.3 ths., including:
 - out of capital – UAH 83,963.5 ths.;
 - out of costs and expenses– UAH 10,187.8 ths..

Based on the real estate revaluation results, the following deferred tax liabilities were recognised in the Financial Statement:

- out of equity capital: UAH 60,947 ths.;
- out of current profit tax expenditure: UAH 1,205 ths..

Counterparty segments of “PRAVEX-BANK” PJSCCB

In the course of its business “PRAVEX-BANK” PJSCCB cooperates with counterparties representing various economic sectors, i.e. banks, non-banking organisations that may be broken down by households (individuals) and business entities (companies, businesses and undertakings of different ownership patterns), and governmental or state owned institutions and organisations.

In view of the Bank’s objective towards formation of a universal bank, there were some changes in the structure of customer funds as the main source of loan resources generation. The amount of entities’ funds on current and thrift accounts increased by 30.48 % as compared to that in 2008, thus resulting in the increased share of entities’ funds in the total liabilities of the Bank, viz. 9.4 % (2008 – 7.2 %).

The core source of loans granted is still the money received from individuals, their share was equal to 59.61 % of the total liabilities before customers.

During 2009 “PRAVEX-BANK” PJSCCB had fully redeemed its bonds allotted in the market and totalling to UAH 22,023 ths.

As of December 31, 2009 the Bank’s available-for-sale portfolio included stocks and other variable income depositions in the amount of UAH 58 ths. (including depositions to Stock Exchanges and Depositaries).

Risk Management

In the course of its business, “PRAVEX-BANK” PJSCCB permanently improves its risk management methodologies designated to control credit risk, liquidity risk, interest rate risk, currency risk, operational risk, strategic risk, legal risks, reputational risk and other risks which the Bank is exposed to.

The risk management improvement is predominantly aimed at a better efficiency of Bank’s current and strategic targets and objectives achievement applying the relevant risk management and control methods generated by the external environment, asset and liability structure and other business processes of the Bank.

The tasks related to ensuring of faultless risk management and support of a due profitability level of the Bank are undertaken by the Asset & Liability Management Committee (ALCO), Credit Committee and Tariff Committee.

At the current stage of the Bank’s development, the most significant financial risks are credit risk and liquidity risk, currency risk and interest rate risk, and the most significant non-financial risks are operational, strategic risk and reputational risk.

Since “PRAVEX-BANK” PJSCCB joined Intesa SanPaolo International Banking Group, and in line with the general risk policy of the Group and best international practice, the Bank began

implementing new procedures designated to identify and assess risks based on the new organisational structure.

In 2009 “PRAVEX-BANK” PJSCCB formed a new independent unit, viz. Risk Management Division responsible for the risk management procedures of the Bank. In general, Risk Management Division is in charge of protection, monitoring and improvement of the overall risk profile of the Bank.

The core objective of Risk Management Division is to ensure a total split of the Bank’s business and risk management, so that in the event of any application with regard to credit / products of credit risk Risk Management Division could independently analyse and decide, within its competencies, or suggest the relevant competent unit or body certain decisions, whenever such a decision is beyond its respective powers, responsibilities and competencies.

The Bank is exposed to risk in every business direction of the Bank. In order to minimise risks, “PRAVEX-BANK” PJSCCB implemented the risk assessment and control system functioning in line with the applicable Internal Regulations of the Bank, as well as requirements and recommendation of the National Bank of Ukraine, Parent Company, Independent Auditor, Basel Committee on Banking Supervision, and business experience of the leading financiers.

The purpose of “PRAVEX-BANK” PJSCCB in the area of credit risk management lies in creation of the methodology of credit operations most favourable for the customers, thus, procuring a high level of Bank’s credit portfolio.

The main business directions pursued by the Bank in this area are listed hereafter:

- Improvement of the currently applied standards of loan granting.
- Monitoring and control of credit risks to identify probable loan repayment problems and adequate decision-making.
- A well weighed collateral and security policy.
- Improvement of the currently applied regulations and procedures of decision making, risk assessment and risk management.
- Formation of sufficient provisions and reserves for the purpose of active transactions.

To diminish credit risks, the Bank applies the system comprising types and conditions of loan transactions performance with a due regard of time limits, borrowers, collateral, security, interest rates and techniques (methods) of their applying, setting of limits, credit portfolio diversification, making of provisions, and risk monitoring and control measures. The monitoring of separate credit risks related to a corporate borrower includes the preliminary creditworthiness assessment, financial condition analysis, internal and external environment evaluation, market position analysis, cash flow forecasts, assessment of the reliability level and credit history, and evaluation of the liquidity level of loan transaction collateral or security. The Bank undertakes the assessment of all factors having impact upon risk exposure based on the qualitative and quantitative parameters in pursuance of the relevant internal bank methodologies designated to measure credit risks for short term and long-term loans. The results of such analysis, assessment and measurement serve to determine a loan transaction risk category and to create a credit risk dossier for a borrower, which dossier includes a detailed description of all probable risks attributable to borrower’s business and reflects a complex assessment of a probable borrower’s failure to comply with such borrower’s duties and obligations and the risk degree of cooperation with a certain counterparty.

The monitoring of separate credit risks related to a retail borrower includes such borrower’s creditworthiness assessment, his / her financial condition analysis, and assessment of the quality and sufficiency of loan transaction collateral or security in pursuance of the methodology specifically designated to measure a financial condition of retail borrowers and individuals acting as business entities. Based on the results of such efforts, the experts of the Bank assess borrower’s financial condition and determine the risk category of a loan transaction.

The monitoring of any separate credit risk attributable to a borrower being a commercial bank, which monitoring is designated to set credit limits, is performed in line with the relevant applicable Regulations with regard to limits setting for loan and deposit resources in the inter-bank market. The results of separate credit risk measurement are employed to determine the expediency and feasibility of loan transactions, as well as the terms and conditions of their performance (i.e. the loan term, loan amount, interest rate, etc.).

To ensure credit portfolio diversification, the competent units and departments of the Bank determine and set flexible limits for every loan granting direction.

In view of the increasing interest rates with regard to engaged money at the end of 2008, material exchange rate fluctuations in the currency market, and for the purpose of the adequate liquidity level, the Management of the Bank decided on restrictions and limitations of loan granting.

The liquidity risk is defined as the risk of Bank's inability to perform its payment obligations when becoming due. The Bank is able to cover money outflows by cash inflows, liquid assets and its potential to receive loans. High liquidity assets, in particular under the crisis conditions in the market, gradually become very difficult (or even impossible) to sell or apply as a collateral for money obtaining; from this viewpoint, the liquidity risk of the Bank is closely connected with the liquidity conditions prevailing at the market.

For the purpose of the liquidity risk management, the Bank applies the permanent monitoring of the expected future cash flow under customer transactions and internal bank transactions as a part of the asset & liability management. The Bank measures and control the liquidity risk on the basis of the internal liquidity rates (coefficients) and liquidity requirements determined by the National Bank of Ukraine.

The Bank splits the liquidity risk management into three segments, i.e. the short term liquidity, the structural liquidity and the contingency plan to be applied in the event of impaired ratio between Bank's assets and liabilities due to the crisis in financial markets.

The liquidity risk stress test methodology was implemented by the Bank to manage liquidity in the environment of impaired ratio between the assets and liabilities of the Bank. The results of the relevant stress tests are laid down in the Bank's Insufficient Liquidity Contingency Plan to be applied at the time of the crisis in financial markets.

To measure and manage the interest rate risk, the Bank applies the relevant interest rate risk assessment methodology, i.e. the expected future cash flows are taken at different times and applying of interest rate changes in base points to assets and liabilities sensitive to interest rate changes. Furthermore, the expected cash flows per assets and liabilities of the Bank at different times are taken not only on the basis of payment time limits / maturities under contract, but also on the basis of certain assumptions of movements and changes in certain items of assets and liabilities. Such movement / change ratios and coefficients are calculated by the Methodology Market and Operational Risks Department taking into consideration historical data and statistics analysis results. Presently, the Bank consummates deciding on the IT issues, solving of which issues will help to gain more historical data to be used for movement / change ratios and coefficients calculation.

For the purpose of the interest rate risk management, the Bank deploys the daily analysis of the assets and liability structure, the monthly analysis of the net interest income per different currencies, spread interrelation dynamics, net interest margin and net interest exposure (position) of the Bank.

For the purpose of the currency risk management, the Bank sets the separate limits of the open currency position (i.e. internal limits and sublimits) for each unit and department, and limits of the overall open currency position of the Bank according to the recommendation of the National Bank of Ukraine and Intesa SanPaolo Group.

The Bank controls the currency risk through the open currency position management on the basis of the measured devaluation of hryvnia (UAH) and other macroeconomic parameters, and in the

event of any substantial changes in such parameters, the Management of the Bank considers offers and suggestions with regard to shifting of the currently applied limits beyond the time limit fixed. In addition, the Bank performs the daily monitoring of the open currency position limits of the Bank for the purpose of compliance with the requirements of the National Bank of Ukraine.

In May of 2009, “PRAVEX-BANK” PJSCCB opened the Operational Risk Management Department under Risk Management Division in pursuance of the standards determined by the Intesa SanPaolo Group. Currently, the draft Operational Risk Internal Policy of the Bank has been drawn up and furnished to the Headquarters of Intesa SanPaolo for its approval and further implementation by the managing bodies of “PRAVEX-BANK” PJSCCB. Such Policy determines the responsibilities, functions and duties of parties engaged in the operational risk management, as well as operational risk related principles, their identification, assessment methods, monitoring and reporting. Following the recommendations of the Headquarters of Intesa SanPaolo, “PRAVEX-BANK” PJSCCB applies the Key Parameter Approach to manage and measure operational risks in line with the requirements of the Parent Company and Basel II.

For the purpose of Bank’s business analysis and risk level assessment, the Bank developed the reporting form which enables defining of deviations for a certain period and, thus, performing of the analysis of the key balance sheet items. This reporting form is used to implement the ratios and coefficients calculation for the purpose of the Report on Financial and Economic Evidence of Efficient Results and Risks of Banking Business. Such evidence is mainly the figures witnessing to the financial steadiness, stability, solvency, liquidity, proper ratio between active and passive transactions, and efficient business result of the Bank (i.e. return on assets, return on equity, net interest margin, spread, etc.).

The Management of the Bank pays close attention to the management of any and all risks to which the Bank is exposed.

Solvency of the Bank

Risk regulation concerning the allocation and involvement of financial resources is made by means of daily (decadal) control over the actual indicators of special calculation indices and their compliance to fixed normative indicators (NBU Regulation No. 368 dd. 28/08/2001 as amended).

As of 31.12.2009 normative and actual indices are as follows:

Normative of	Index	
	Normative	Fact
Regulatory capital	Not less than EUR 20 million for conducting transactions with currency	UAH 1 110 956 ths. (EUR 97 036,1 ths.)**
Adequacy of regulatory capital (solvency)*	Not less than 10%	18,67%
Ratio of regulatory capital to aggregate assets (coefficient)	Not less than 9%	12,62%
Instant liquidity	Not less than 20%	263,48%
Current liquidity	Not less than 40%	117,56%
Short-term liquidity	Not less than 20%	87,03%
Maximal level of credit risk per one contractor	Not more than 25%	20,22%
“Big” credit risks	Not more than 800%	53,51%

Maximal level of loans, guarantees and warranties granted to one insider	Not more than 5%	0,04%
Maximal total level of loans, guarantees and warranties, granted to insiders	Not more than 30%	0,05%
Investments into securities by each single establishment	Not more than 15%	0,00%
Total amount of investments	Not more than 60%	0,00%

* are calculated on a ten-day period (as of 01, 11, 21 day of every month), based on data of a daily balance.

** at the rate of 11.448893

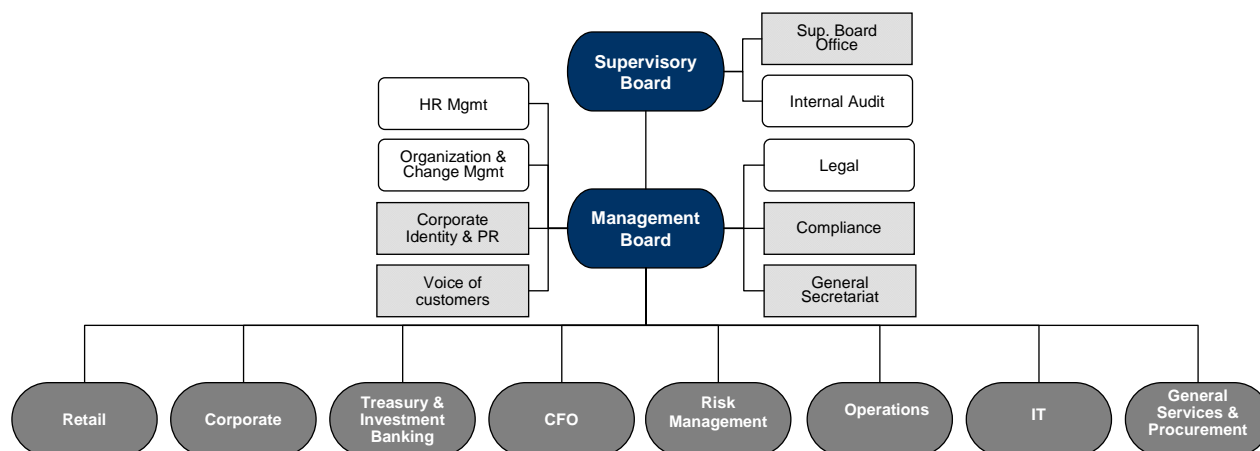
Calculation of compulsory economic standards is made in the bank on the daily basis according to normative documents of the National Bank of Ukraine.

As of 31.12.2009 the regulatory capital is sufficient and amounts to UAH 1,110,956 ths.

Corporate governance

In order to optimize banking processes and to improve efficiency of work in all units of the Bank, the new organizational structure has been created during 2009:

Organizational Structure of "PRAVEX-BANK" PJSCCB



The guidelines that were followed in the process of restructuring are:

- The alignment of **governance systems** with the best practices in terms of balancing of powers and controls
- The clear segregation of duties between business units, risk and operations
- The centrality of **Risk Management approach**, to spread into all the organization the culture of risk selection and monitoring
- The **total reorganization of the network**
- Separation between Corporate and Retail businesses, to focus on specific kinds of customers
- Introduction of a new organizational model, to fasten the link between the network and the headquarters and to increase the effectiveness of the commercial activity

The optimised network structure resulted in closing of 48 unprofitable units and departments, structural reorganisation in conformity with the Parent Group's standards, including, in particular, creation of regional retail and corporate centres, modified reporting structure of the branch network through the enlarged regional breakdown, significant changes in the organisational structure of the Head Office and reduced total number of employees (by 2 165 persons) during the year.

According to the Articles of Association, the Bank shall be managed by:

- General Meetings of Shareholders in the Bank;
- Supervisory Board of the Bank;
- Management Board of the Bank, headed by the Chairperson of the Management Board.

General Meeting of Shareholders is the supreme governing body of the Bank. The Supervisory Board shall be elected among Shareholders in the Bank or among their representatives to represent interests of shareholders in between General Meetings, to protect the rights of shareholders of the Bank, and, within the competence defined by the legislation and the Articles of Association, to supervise and regulate activities of Bank's Management Board.

The Supervisory Board shall be responsible for the following issues:

- 1) Approval of the draft annual financial statements of the Bank before their final approval by the General Meeting and approval of quarterly financial statements of the Bank;
- 2) Adoption of resolutions regarding participation of the Bank in the creation of associations of banks and participation in industrial and financial groups and other associations subject to compliance with the requirements of the applicable laws of Ukraine;
- 3) Reviewing and evaluating the underlying principles of the Bank's business and risk management policy and approval of the Bank's business and risk management policy; delegating powers to administer Bank's property and funds to other boards of the Bank or officials;
- 4) Establishment of procedures for checks and supervision over business of the Bank;
- 5) Supervision over activities of the Bank's Management Board and reviewing reports of the Management Board of the Bank;
- 6) Determination of organizational structure of the Bank and functions of the organizational units of the Bank;
- 7) Management of and supervision over the Internal Audit Service of the Bank, approval of the Regulation on the Internal Audit Service;
- 8) Election and recall of powers of Chairperson and members of the Bank's Management Board, Heads of Divisions, Departments and Offices which are directly subordinated to Chairperson of the Bank's Management Board, as well as Head of the Internal Audit Service of the Bank;
- 9) Appointment of the Deputies Chairperson of the Management Board as an Acting Chairperson in cases provided for by the Articles of Association and/or the Regulation on the Management Board;
- 10) Approval of terms of employment, civil agreements and labour agreements, including remuneration and material incentive terms, and labour agreements (contracts) with members of the Management Board, including the Chairperson of the Management Board, and authorization of the Chairperson of the Supervisory Board to sign civil and labour agreements (contracts) with members of the Management Board, including the Chairperson of the Management Board;
- 11) Passing decisions on suspension of authorities of the members of the Management Board, including the Chairperson of the Management Board; adoption of decision on suspension of the Chairperson of the Management Board from performing the functions and election of the person who will temporarily be in charge of performing the functions of the Chairperson of the Management Board of the Bank;
- 12) Election of an external auditor of the Bank; resolving on appointment/dismissal thereof; defining the conditions of the contract, to be concluded with the auditor, defining the amount to be paid for the services;
- 13) Ensuring due functioning of the adequate system of internal and external control over financial and business activities of the Bank; finding out faults in the system of control, and development of proposals and recommendations regarding their elimination; exercising of control over efficiency of the external audit, objectiveness and independence of the auditor; exercising control over elimination of drawbacks revealed during audits by the Audit Commission of the Bank, the Internal Audit Service of the Bank and/or the external auditor;
- 14) Passing a resolution on organization, reorganization and liquidation of subsidiaries, other legal entities, affiliates, branches and representations of the Bank with approval of their by-laws and regulations or licenses for transactions;
- 15) Preparation of proposals on matters to be submitted for consideration of a General Meeting; approval of resolutions of the Management Board pertaining to the convocation of ordinary and extraordinary General Meeting, including their agenda, approval of resolutions of the

Management Board regarding changes in the agenda of any ordinary or extraordinary General Meeting;

16) Passing resolutions on bringing officials from governing and controlling bodies of the Company to property accountability;

17) Resolving on covering of losses in compliance with procedures for reimbursement of losses as approved by the General Shareholders Meeting;

18) Informing the Management Board about the list of banks or group of banks, which can cooperate with the Bank on the interbank market;

19) Passing resolutions on placement of securities of the Bank (shares excluded) in conformity with requirements of legislation for the time being in force in Ukraine ;

20) Setting up committees dealing inter alia, with the approval of loans, property, personnel and audit issues, namely: Credit Committee, Assets and Liabilities Committee, Tariff Committee, AML Committee, Change Management Committee, other committees; adopting regulations on such committees;

21) Passing resolutions on establishment of committees in the Supervisory Council Board or the Management Board for working on specific issues. Working procedure and competence of the committees shall be determined by the Supervisory Council Board while establishing such committees;

22) approval, within its competence, of regulations, applicable to the issues related to the activity of the Bank;

23) adoption of decision on cancellation of the shares or on sale of shares previously repurchased by the Bank;

24) adoption of decision on repurchase of other securities placed by the Bank, excluding shares;

25) approval of market price of property in cases stipulated by the legislation and these Articles of Association;

26) defining the date of drawing a list of persons who have the right to receive dividends, procedure and terms of payment of dividends according to the effective legislation;

27) solving issues, defined by legislation in case of merger, takeover, split-off, separation or transformation of the Bank;

28) adoption of decision on significant agreements in cases defined by legislation and these Articles of association;

29) defining probability of recognition of Bank's insolvency caused by undertaking obligations or fulfilling them, including payment of dividends or repurchase of shares;

30) adoption of decision on choosing the appraiser of the Bank's property and approval of the terms of the contract, defining the amount to be paid for the services of the appraiser;

31) adoption of decision on election (change) of registrar of the owners of registered securities of the Bank or depository of securities and approval of the terms of the contract to be signed, defining the amount to be paid for the provided services;

32) sending, in accordance with the procedure defined by the legislation, of proposals to the shareholders regarding purchase by person (or persons dealing together) of a significant holding of shares;

33) Resolution of any other matters delegated by General Meetings to the Supervisory Board's terms of reference.

Management Board of the Bank shall be an executive board of the Bank and shall manage everyday business of the Bank, formation of funds required to perform business of the Bank as

provided for in these Articles of Association, and shall be responsible for efficiency of its business in conformity with principles and procedures to be established by the Bank's Articles of Association, resolutions of General Meetings and Supervisory Board of the Bank.

Management Board of the Bank shall be elected by the Bank's Supervisory Board and shall consist of Chairperson, Chairperson's deputies and members of the Management Board, including an employee of the Bank responsible for financial monitoring of the Bank's employees, whose candidacy was approved by the National Bank of Ukraine.

Management Board of the Bank shall be entitled:

- to consider and approve reports on activities of organizational units in the Bank;
- to consider and resolve any other matters submitted for consideration by Chairperson of the Management Board or his/her deputies, members of the Management Board, except for the powers in exclusive terms of reference of General Meetings and Supervisory Board of the Bank;
- to attend General Meetings with the right of an advisory vote through representatives of the Management Board such as its Chairperson or any other member of the Management Board;
- to approve "The Book of Authorized Signatures" defining limits, competences and authorities of the relevant functions and employees of the Bank;
- to administer property and funds of the Bank.

Chairperson of the Bank's Management Board manages the whole activity of the Bank, takes personal responsibility for the Bank's tasks, appears as a representative of the Bank and act on behalf of the Bank before all or any organizations as inside Ukraine, so abroad, signs agreements and other financial and property obligations on behalf of the Bank, issues powers of attorneys for representation, conclusion of agreements and other acts, submits for consideration and approval of the Bank's Supervisory Board draft prospective and yearly credit, foreign currency and other plans of the Bank, plans of income, loss and profit of the Bank, appoints managers and employees of the Bank not in the competence of the Supervisory Board, arrange the work of the Management Board. Additional powers of Chairperson of the Management Board are defined by the Articles of Association.

The units formed along the business directions of the Bank are reporting to the Chairperson of the Board. Such units comprise the relevant departments further divided in divisions, groups, teams, etc. In general, the organisational conforms to the internal standards of Intesa SanPaolo S.p.A.

Business transactions of the Bank are verified by the Audit Committee. The Audit Committee ensures Bank's compliance with the currently effective applicable Ukrainian laws. The Internal Audit Department of the Bank is the ongoing control and supervision body of the Supervisory Board of the Bank.

The following Committees have been formed and functioning in the Bank in compliance with the requirements set forth in the currently effective applicable Ukrainian laws and International Subsidiary Bank Management Guidelines of Intesa SanPaolo S.p.A.:

- the Credit Committee which is the supreme body in charge of loan related issues within the scope determined by the Supervisory Board;
- the Assets and Liabilities Management Committee which is mainly focused on the protection and securing of the Bank's equity capital and allocation thereof, congruence of the assets and liabilities of the Bank, taking into consideration the price structure and redemption profile according to the applicable laws or relevant Internal Regulations, and instructions of the Parent Company.

- the Tariff Committee designated to analyse the correspondence between the cost of services offered and competitiveness of the current tariffs and rates, and being in charge of the Operating Profit Policy (that is, the service pricing policy) of the Bank; and
- the AML Committee.

In order to provide optimum organization and effective corporate governance "PRAVEX-BANK" PJSCCB developed corporate culture in line with the following main factors:

- High quality of relations with clients;
- Motivation of employees' professional development;
- The responsibility of the management;
- Complete conformity with acting Ukrainian legislation and other normative legal acts;
- Effective control under the Bank's processes;
- Qualitative / quantitative adequacy of personnel;
 - Clear definition of organizational structure;
 - Assets protection;
 - Appropriate means of security.

Authorized capital and shareholders of the Bank

As of December 31st, 2009 the authorized registered share capital of the Bank amounts to UAH

1 561 622 589 (one billion five hundred sixty-one million six hundred twenty-two thousand five hundred eighty-nine hryvnias). The Bank's authorized share capital is divided into 1 560 122 589 (one billion five hundred sixty million one hundred twenty-two thousand five hundred eighty-nine) ordinary registered shares and 1,500,000 (one million five hundred thousand) registered preference shares with the par value of UAH 1 (one) each.

The owner of the Bank is the sole shareholder Intesa Sanpaolo S.p.A.

During 2009 the registered authorized capital of the Bank was increased.

- by UAH 570 123 450 according to the securities contract No. 1/09 dd. October 19, 2009 and state registration of amendments to the Articles of Association of "PRAVEX-BANK" PJSCCB No. 10701050032003106 dd. 24.11.2009, the decision on increase of authorized capital was adopted by the extraordinary Shareholders' Meeting, the Minutes No. 3 dd. October 7, 2009.

Acting Chairman of the Management Board

"PRAVEX-BANK" PJSCCB

V.A. Gladkyy

Chief Accountant

"PRAVEX-BANK" PJSCCB

O.Yu. Kibets

Prepared by: T.I. Melnyk

tel. (044) 201-17-57

Balance Sheet
As of December 31st, 2009 (as at the end of the day)
"PRAVEX-BANK" PJSCCB, Kyiv

(UAH, ths.)

Line	Item description	Notes	2009	2008
1	2	3	4	5
ASSETS				
1	Cash and cash equivalents	4	2 220 190	777 119
2	Trading securities		-	-
3	Other financial assets at fair value through profit or loss		-	-
4	Due from other banks	5	-	51 102
5	Due from customers	6	4 299 911	5 750 717
6	Available-for-sale securities	7	58	58
7	Held-to-maturity securities	8	200 093	-
8	Equity investment		-	-
9	Investment property	9	1 359	-
10	Accounts receivable on current profit tax		2 431	-
11	Deferred tax asset	27	142 402	-
12	Goodwill		-	-
13	Fixed assets and intangible assets	10	461 222	583 094
14	Other financial assets	11	76 622	106 701
15	Other assets	12	16 503	26 171
16	Non-current assets held for sale and discontinued operations being disposed		-	-
17	Total assets		7 420 791	7 294 962
LIABILITIES				
18	Due to banks	13	1 604 772	1 694 661
19	Due to customers	14	4 377 104	3 804 005
20	Debt securities issued by the bank	15	1	22 148
21	Other attracted funds	16	-	35 058

(UAH, ths.)

Line	Item description	Notes	2009	2008
1	2	3	4	5
22	Current profit tax liabilities			3 701
23	Deferred tax liabilities	27	-	52 738
24	Provisions for liabilities	17	3 093	1 419
25	Other financial liabilities	18	188 812	186 116
26	Other liabilities	19	50 644	49 195
27	Subordinated debt	20	117 359	113 418
28	Liabilities related to non-current assets held for sale and discontinued operations being disposed		-	-
29	Total liabilities		6 341 785	5 962 459
EQUITY				
30	Authorized capital	21	1 562 294	992 171
31	Retained earnings (uncovered loss)		(686 891)	74 714
32	Reserve and other funds of the Bank	22	203 603	265 618
33	Net assets of shareholders (participants) of the bank		1 079 006	1 332 503
34	Minority interest		-	-
35	Total equity and minority interest		1 079 006	1 332 503
36	Total liabilities		7 420 791	7 294 962

Acting Chairman of the Management Board
 "PRAVEX-BANK" PJSCCB

V.A. Gladkyy

Chief Accountant
 "PRAVEX-BANK" PJSCCB

O.Yu. Kibets

Prepared by: T.I. Melnyk

tel. (044) 201-17-57

Income Statement
as of December 31st, 2009 (as at the end of the day)
“PRAVEX-BANK” PJSCCB, Kyiv

(UAH, ths)

Line	Item Description	Notes	2009	2008
1	2	3	4	5
1	Net interest income/ (net interest expenses)		289 037	337 731
1.1	Interest income	23	828 847	792 102
1.2	Interest expenses	23	(539 810)	(454 371)
2	Commission income	24	222 454	442 907
3	Commission expenses	24	(12 429)	(5 241)
4	Profit (loss) from securities trading transactions		-	(270)
5	Profit (loss) from hedging operations		-	-
6	Profit (loss) from revaluation of other financial instruments at fair value through profit or loss		-	(515)
7	Profit (loss) from foreign currency trading		89 135	88 399
8	Profit (loss), arising during the initial recognition of financial assets with the interest rate, which is higher or lower than market rate	5, 6	1 741	-
9	Profit (loss) from initial recognition of financial liabilities at off-market rate	13, 14	119	-
10	Result from investment property revaluation		-	-
11	Result from foreign currency revaluation		39 469	65 371
12	Loan-loss provisions	5, 6	(945 300)	(234 868)
13	Depreciation of available-for-sale securities	7	-	-
14	Profit (loss) from available-for-sale securities sale	7	-	-
15	Depreciation of held-to-maturity securities	8	-	-
16	Provisions for liabilities	17	(1 674)	(1 183)

(UAH, ths)

Line	Item Description	Notes	2009	2008
1	2	3	4	5
17	Other operating incomes	25	52 462	70 904
18	Profit (loss) from early repayment	13, 14	-	-
19	Administrative and other operating costs	26	(670 233)	(771 747)
20	Income from equity interest		-	-
21	Profit(loss) before tax		(935 219)	(8 512)
22	Expenses for profit tax	27	177 756	(10 311)
23	Profit(loss) after tax		(757 463)	(18 823)
24	Net profit/loss from available-to-sale long-term assets		-	-
25	Net profit/loss		(757 463)	(18 823)
26	Income/loss of consolidated group:		-	-
26.1	of Parent Bank		-	-
26.2	Of the minority interest		-	-
27	Net profit/(loss) per an ordinary share	28	(0,72)	(0,04)
278	Adjusted net profit /(loss) for one ordinary share	28, 29	(0,72)	(0,04)

Acting Chairman of the Management Board
“PRAVEX-BANK” PJSCCB

V.A. Gladkyy

Chief Accountant
“PRAVEX-BANK” PJSCCB

O.Yu. Kibets

Prepared by: T.I. Melnyk
tel. (044) 201-17-57

Cash flow statement for 2009
At the end of the day as of December 31st, 2009
“PRAVEX BANK” PJSCCB
(indirect method)

(UAH, ths)

Line	Item Description	Notes	2009	2008
1	2	3	4	5
	Cash from operating activity:			
1	Net income/loss for year		(757 463)	(18 823)
	Adjustments for			
2	Depreciation	10	40 497	42 626
3	Net increase/decrease of provisions for loans and other financial assets	6,11,12	949 005	235 877
4	Accrued income		(94 198)	(86 173)
5	Accrued expenses		(22 321)	39 842
6	Trade result		-	-
7	Accrued and deferred tax	27	(175 174)	(2 326)
8	Proceeds from sale of investments		1 710	3 045
9	Profit from investments into associated companies		-	-
10	Amortization of discount and premium of financial instruments		21	(695)
11	Flow of funds other than cash		(28 348)	(45 005)
12	Net cash profit/(loss) before change of operating assets and liabilities		(86 271)	168 368
	Changes in operating assets and liabilities:			
13	Net (increase)/decrease in trading securities		-	-
14	Net (increase)/decrease in other financial assets at fair value through profit or loss		-	-
15	Net (increase)/decrease in due from banks		50 525	552 694
16	Net (increase)/decrease in due from customers		738 162	(824 839)
17	Net (increase)/decrease in other financial assets		38 858	55 553

(UAH, ths)

Line	Item Description	Notes	2009	2008
1	2	3	4	5
18	Net (increase)/ decrease in other assets		11 758	(2 116)
19	Net (increase)/decrease in due to banks		(147 727)	(56 410)
20	Net (increase)/decrease in due to customers		475 996	(515 559)
21	Net (increase)/decrease in debt securities, issued by the bank		(22 023)	(136 741)
22	Net (increase)/decrease in other financial liabilities		(32 802)	(65 024)
23	Net (increase)/decrease as regards provisions for liabilities and charges and other liabilities		264	(1 590)
24	Net cash inflows from operating activity/ (outflows from operating activity)		1 113 011	(994 032)
	Cash flows from investment activities:			
25	Purchase of available-for-sale securities	7	(2 175 000)	(450 000)
26	Proceeds from sale of available-for-sale securities	7	2 175 000	450 000
27	Purchase of held-to-maturity securities	8	(200 093)	-
28	Proceeds from redemption of held-to-maturity securities	8	-	-
29	Purchase of fixed assets	10	(2 742)	(67 140)
30	Proceeds from sale of fixed assets	10	-	4 063
31	Received dividends		-	-
32	Purchase of subsidiary companies less cash received		-	-
33	Proceeds from sale of subsidiary company less cash paid		-	-
34	Purchase of associated companies		-	-
35	Proceeds from sale of associated companies		-	-
36	Purchase of investment property	9	(1 359)	-
37	Proceeds from sale of investment property		-	-
38	Purchase of intangible assets	10	(11 289)	(4 270)

(UAH, ths)

Line	Item Description	Notes	2009	2008
1	2	3	4	5
39	Proceeds on disposal of intangible assets	10	-	-
40	Net cash inflows from investment activity/ (outflows from investment activity)		(215 483)	(67 347)
	Cash flows from financial activity:			
41	Other raised funds received	16	-	22 091
42	Repayment of other raised funds	16	(35 058)	(151 500)
43	Receipt of subordinated debt	20	-	-
44	Repayment of subordinated debt	20	-	-
45	Issue of ordinary shares	21	-	-
46	Issue of preference shares	21	-	-
47	Other contributions of shareholders, except issue of shares	21	570 123	620 000
48	Stock buyback		-	-
49	Sale of own shares		-	-
50	Dividends paid	29	-	-
51	Other payments to shareholders, except dividends	29	-	-
52	Net cash inflows from financial activity/ (outflows from financial activity)		535 065	490 591
53	Effect of changes in foreign exchange rate on cash and cash equivalents		95 484	230 719
54	Effect of changes in provisions on cash and cash equivalents		1 265	(1 307)
55	Net inflow (outflow) of cash and cash equivalents		1 443 071	(173 008)
56	Cash and cash equivalents at the beginning of the year		777 119	950 127
57	Cash and cash equivalents at the end of the year	4	2 220 190	777 119

Acting Chairman of the Management Board
“PRAVEX-BANK” PJSCCB

V.A. Gladkyy

Chief Accountant
“PRAVEX-BANK” PJSCCB

O.Yu. Kibets

Statement of Changes in Equity
As at day end of December 31st, 2009
PRAVEX-BANK" PJSCCB, Kyiv

(UAH, ths)

Line	Item Description	Notes	Belongs to the parent bank shareholders					Minority interest	Total equity capital
			Authorized capital	Reserve and other funds of the bank (Note 20)	Retained earnings	Revaluation result	Total		
1	2	3	4	5	6	7	8	9	10
1	Balance as of January 1, 2008, adjusted to changes in accounting policy		372 171	14 059	93 833	204 058	684 121	-	684 121
1.1	Balance as of January 1, 2008 before adjustments to changes in accounting policy		372 171	14 059	112 202	204 058	702 490	-	702 490
1.2	Effect of changes in accounting policy		-	-	(18 369)	-	(18 369)	-	(18 369)
1.3	Error recovery		-	-	-	-	-	-	-
2	Securities available-for-sale:		-	-	-	-	-	-	-
2.1	Revaluation result at fair value		-	-	-	-	-	-	-
2.2	Profit or loss from impairment		-	-	-	-	-	-	-
3	Fixed and intangible assets:	10	-	-	1 603	60 821	62 424	-	62 424
3.1	Revaluation result	10	-	-	-	62 424	62 424	-	62 424
3.2	Realized revaluation result	10	-	-	1 603	(1 603)	-	-	-
4	Revaluation result for hedging transactions		-	-	-	-	-	-	-
5	Accumulated exchange rate difference		-	-	-	-	-	-	-
6	Deferred tax		-	-	-	(15 219)	(15 219)	-	(15 219)

(UAH, ths)

Line	Item Description	Notes	Belongs to the parent bank shareholders					Minority interest	Total equity capital
			Authorized capital	Reserve and other funds of the bank (Note 20)	Retained earnings	Revaluation result	Total		
1	2	3	4	5	6	7	8	9	10
7	Allocation of profit to provisions and other funds	22	-	1 899	(1 899)	-	-	-	-
8	Profit / (loss) for 2008		-	-	(18 823)	-	(18 823)	-	(18 823)
9	Total profit/ (loss) recognized per year		-	-	-	-	-	-	-
10	Shares issue	21	620 000	-	-	-	620 000	-	620 000
11	Own shares, bough back from shareholders:		-	-	-	-	-	-	-
11.1	Buyback		-	-	-	-	-	-	-
11.2	Sale		-	-	-	-	-	-	-
11.3	Cancellation		-	-	-	-	-	-	-
12	Business combinations		-	-	-	-	-	-	-
13	Dividends		-	-	-	-	-	-	-
14.1	Balance as at day end of December 31 st , 2008 (balance as of January 1 st , 2009)		992 171	15 958	74 714	249 660	1 332 503	-	1 332 503
14.2	Balance as at day end of December 31 st , 2008 (balance as of January 1 st , 2009) adjusted to changes in accounting policy		-	-	-	-	-	-	-
14.3	Balance at the end of the day as of 31st December 2008 (balance as of 1st January 2009) before adjustment to changes in accounting policy		-	-	-	-	-	-	-

(UAH, ths)

Line	Item Description	Notes	Belongs to the parent bank shareholders					Minority interest	Total equity capital
			Authorized capital	Reserve and other funds of the bank (Note 20)	Retained earnings	Revaluation result	Total		
1	2	3	4	5	6	7	8	9	10
15	Effect of changes in accounting policy		-	-	-	-	-	-	-
16	Error recovery		-	-	-	-	-	-	-
17	Securities available-for-sale:		-	-	-	-	-	-	-
17.1	Revaluation result at fair value		-	-	-	-	-	-	-
17.2	Profit or loss from impairment		-	-	-	-	-	-	-
18	Fixed and intangible assets:	10	-	-	661	(84 202)	(83 541)	-	(83 541)
18.1	Revaluation result	10	-	-	-	(83 541)	(83 541)	-	(83 541)
18.2	Realized revaluation result	10	-	-	661	(661)	-	-	-
19	Revaluation result for hedging transactions		-	-	-	-	-	-	-
20	Accumulated exchange rate difference		-	-	-	-	-	-	-
21	Deferred tax	27	-	-	-	17 384	17 384	-	17 384
22	Allocation of profit to provisions and other funds	22	-	23 626	(23 626)	-	-	-	-
23	Recovery of loss for 2008	22	-	(18 823)	18 823	-	-	-	-
24	Profit (loss) for 2009		-	-	(757 463)	-	(757 463)	-	(757 463)
25	Total profit (loss) recognized per year		-	-	-	-	-	-	-
26	Shares issue	21	570 123	-	-	-	570 123	-	570 123
27	Own shares, bough back from shareholders:		-	-	-	-	-	-	-
27.1	Buyback		-	-	-	-	-	-	-
27.2	Sale		-	-	-	-	-	-	-

(UAH, ths)

Line	Item Description	Notes	Belongs to the parent bank shareholders				Minority interest	Total equity capital	
			Authorized capital	Reserve and other funds of the bank (Note 20)	Retained earnings	Revaluation result			Total
1	2	3	4	5	6	7	8	9	10
27.3	Cancellation		-	-	-	-	-	-	-
28	Business Combinations		-	-	-	-	-	-	-
29	Dividends	29	-	-	-	-	-	-	-
30	Balance as at day end of December 31 st , 2009		1 562 294	20 761	(686 891)	182 842	1 079 006	-	1 079 006

As of 31st of December, 2009, there is no balance at ledger 3630 "Dues to unregistered authorised capital"

As of 31st of December, 2009, ledger 5041, 5030 contain accrued income, amounting to UAH 343 555 thousand and accrued losses, amounting to UAH 183 237 thousand.

Acting Chairman of the Management Board
“PRAVEX-BANK” PJSCCB

V.A. Gladkyy

Chief accountant
“PRAVEX-BANK” PJSCCB

O.Y. Kibets

Prepared by: T.I. Melnyk
tel.: 201-17-57

Statement of comprehensive income and losses

At the end of the day as of 31st December 2009

“PRAVEX BANK” PJSCCB

(UAH, ths)

Line	Item Description	2009	2008
1	2	3	4
1	Net income/loss	(757 463)	(18 823)
2	Other comprehensive income	(66 818)	47 966
2.1	Property revaluation	(83 541)	64 424
2.2	Tax effect of property revaluation	17 231	(15 219)
2.3	Decrease in revaluation fund due to retirement of fixed assets	(661)	(1 603)
2.4	Tax effect of revalued property disposal	153	364
2.5	Loss on revaluation of financial assets	-	-
2.6	Tax effect on loss on revaluation of financial assets	-	-
4	Total comprehensive income	(824 281)	29 143

Acting Chairman of the Management Board
“PRAVEX-BANK” PJSCCB

V.A. Gladkyy

Chief Accountant
“PRAVEX-BANK” PJSCCB

O.Yu. Kibets

Prepared by: : Melnyk T.I.
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**Notes to the financial statements
(in UAH thousand)**

Note 1. Accounting policy of “PRAVEX-BANK” PJSCCB for 2009

1.1. Main activity

„PRAVEX-BANK” PJSCCB (hereinafter referred to as – “the Bank”) is credit and financial institution, which ensures the full package of banking services. The main direction of activity and development of the Bank is building of competitive multifield universal business, oriented both on individuals, representatives of small and medium business, and also on servicing of large companies.

After the Bank was acquired in June 2008 by the Italian Group „Intesa Sanpaolo” S.p.A, the large-scale restructuring took place in the Bank in compliance with the requirements of the Parent Company.

In particular, the structure of branch network was reorganized and there were opened 12 specialized centers in six regions (6 retail centers and 6 corporate ones). The main purpose of new structure is to provide more systematic approach to work with clients, analyse prospects of regions development and increase efficiency of branch work in regions and after all be instrumental in improvement of banking business quality on the whole.

Thus, as of end of year the branch network of the Bank counts 553 branches, which are subordinate to 6 regional centers.

Total number of employees of the Bank as of December 31, 2009 made up 6 623 persons.

1.2. Basics of accounting policy and accounting drawing up

The basics of regulations of the Bank’s accounting policy are requirements of valid legislation of Ukraine, regulatory acts, which regulate accounting in Ukraine, regulatory acts of the National Bank of Ukraine (hereinafter referred to as – “the NBU”); the Ukrainian Law “On accounting and financial reporting in Ukraine”; national provisions (standards) of accounting; International Accounting Standards (hereinafter referred to as - IAS), Plan of accounting of the banks of Ukraine, approved by the Regulation of the Management Board of the NBU No. 280 as of June 17, 2004. The rules for preparation of statistical reporting to be submitted to the National Bank of Ukraine are approved by NBU Regulation No. 124 dd. March 19, 2003; The Regulation on accounting and reporting in Ukrainian banks approved by NBU Regulation No. 556 dd. December 30, 1998.

Accounting policy of the Bank defines and establishes for all the organizational units (departments, offices, etc.) of the Bank the unified procedure of accounting of operations, performed by the Bank, unified interpretation and understanding of principles of timely and correct recognizing of banking operations for drawing up and submission of financial statements.

Accounting policy of the Bank includes the fundamental principles of accounting, in compliance with which the financial reports are drawn up, namely:

Complete elucidation – all the operations of the Bank must be recognized in accounts of accounting without any exceptions.

Substance over form basis – the operations are accounted and recognized in reporting in compliance with their essence and economic content, and not only according to their legal form.

Autonomy – assets and liabilities of the Bank as entity of economy are recognized in accounting separately from assets and liabilities of other entities of economy (clients and contractors of the Bank), and also of its owners.

Prudence – keeping to some discretion in such a way that assets and/or income were not overrated and liabilities and costs – understated. Financial statements are prepared under the principle of circumspectness taking into account uncertainty following many events and operations, such as repayment of doubtful accounts receivable, cost of assets for sale, term of fixed assets use etc. Assets and income can not be overestimated and liabilities and expenses underrated to exclude possibility of financial risks transferring to next reporting periods even in cases when it causes losses for the current reporting period. Provisions with the use of special accounts are formed against depreciation of assets and possible losses.

Going concern – the Bank has neither intention nor the need to liquidate itself or considerably narrow the range of its activity. The Bank certainly is active and remains to be active in the foreseeable future.

Accrual basis – the effects of transactions and other events are recognized and estimated when they occur but not as cash or its equivalents is received or paid.

Accounting of income and expenses is based upon method of accrual, i.e. they are recognized in the period, which they are related to.

Principles of accrual and compliance were applied within the limits of prudence principle.

Accounting of income and expenses was performed on an accrual basis from the beginning of the year. Balance on accounts of income and expenses in year's end are transferred to the accounts of group 504 "Results of reporting year, which expect approval".

Accounting of income and expenses is performed in compliance with "Rules of accounting of income and expenses of the Ukrainian banks", approved by the Resolution of the NBU No. 255 dated June 18, 2003.

Succession of rules of accounting – the Bank is constantly governed by the same rules of accounting to provide comparison of indices of financial statements for different periods. Accounting policy can be changed only in case of requirements of regulatory bodies on the legal grounds, if the change is required by IAS or in cases when the changes will result in more adequate recognizing of events or operations in the financial reports of the Bank. Amendments introducing to the accounting policy of the Bank in the course of a year is not allowed (except for cases of essential changes in legal or normative documents of the National Bank of Ukraine, introducing of changes in valid legislation of Ukraine, if the change is required by IAS, that needs additional grounding and disclosure in financial statements).

Unified units of measurement – assets and liabilities are calculated in one monetary unit - UAH. Assets and liabilities in foreign currency are revalued on the reporting date.

Assets and liabilities are registered in priority according to the cost of their acquisition or emergence (at initial value or fair value).

All the accounts, which recognize assets and liabilities, are assessed separately and recognized in expanded form (with separate indication of items). All the accounts in financial reports are active or passive, except for clearing, transit or technical ones. Assets and liabilities were distinctly divided into categories: long-term (with payment period over one year), short-term (with payment period – one year and less than one year) or after demand.

Assessment of assets and liabilities in foreign currency is performed by reassessment of monetary balance items everyday if changing of the NBU official FX rate takes place. Provisions for compensation of possible loss from performance of active operations are formed in the currency, which asset is registered in.

Financial reporting is prepared in the national currency (UAH). Re-calculation of items of assets and liabilities, which are registered in foreign currency, recalculated according to the official exchange rate of the NBU as of the reporting date.

1.3. Consolidated financial statement

During 2009 the consolidated financial statement was not prepared because of absence of investments in associated companies and subsidiaries.

1.4. Initial recognition of financial instruments

The Bank recognizes financial asset or liability in accounting in case if the Bank is a party of the contract.

During the initial recognition of financial instrument (financial asset or financial liability) the Bank assesses the provided (received) financial instruments at fair value, which is defined through the price, agreed between voluntary buyer and voluntary seller within the framework of ordinary commercial operation.

Expenses for operation, which are directly related to recognition of financial instrument, namely – commission paid to agents, consultants, brokers, dealers, fees to regulatory bodies, stock exchanges and other, are included in the amount of discount (bonus) as regards this financial instrument.

If during the initial recognition the Bank defines cost of the allocated (given) financial instrument at an interest rate:

- higher than market one, then in accounting it instantly recognizes profit in correspondence with premium accounts;
- lower than market one, then in accounting it instantly recognizes loss in correspondence with discount accounts.

If during initial recognition the Bank defines cost of the raised (received) financial instrument at an interest rate:

- higher than market one, then in accounting it instantly recognizes loss in correspondence with premium accounts;
- lower than market one, then in accounting it instantly recognizes profit in correspondence with discount accounts.

Profit and loss are recognized for the amount of difference between fair value of financial instrument and par value.

The Bank defines fair value of financial instrument by discounting of all the expected future money flows with application of market interest rate on the similar (in terms of currency, amount, kind, period) financial instrument.

Commissions for loan initiating, which are received/paid by the Bank and related to creation or acquisition of financial instrument, which are not registered in the trading portfolio with recognition of revaluation through profit/loss, are recorded in the accounts of non-amortized discount/premium on loans and are amortized on interest income/expenses during validity period of loan agreement. The amount of discount/premium is amortized by the Bank during validity period of financial instrument with application of effective interest rate not less than once a month; the amount of discount/premium must be completely amortized as of date of redemption/return of financial instrument.

The Bank performs operations with financial instruments – guarantees and loans, deposits and securities – and envisages application of effective interest rate to all the indicated financial instruments without exception, as requires the Resolution of the NBU dated June 18, 2003 No. 255

“On approval of Rules for accounting of income and expenses of Ukrainian banks”. If there is no possibility of reliable assessment of flows of money funds or expected period of validity of financial instrument (deposits on demand, overdraft loans and others), then effective interest rate is not applied to such financial instruments.

1.5. Trading securities

Trading securities in trading portfolio are securities, acquired by the Bank for resale and mainly with purpose of profit-making from short-term fluctuations, their price or dealer margin.

Whichever securities can be referred to trading portfolio of securities as regards which the Bank took decision during initial recognition about their accounting at fair value with recognition of re-assessment through profit/loss.

Thus, the following are registered in the Bank’s trading portfolio:

- debt securities, shares and other securities with non-fixed profit, which are used by the Bank with purpose of profit-making from short-term fluctuations, their price or dealer margin and sale in the nearest time;
- whichever other securities, which are defined by the Bank at stage of initial recognition as those, concerning which the Bank has intention and ability to register at fair value with recognition of re-assessment through profit/loss (except for shares, which have no quotation price at active market and fair value of which can’t be defined authentically).

Securities in trading portfolio are initially assessed at fair value. Expenses for purchase operations are recognized on expense accounts during initial recognition of such securities.

Accounting of securities in trading portfolio is performed exceptionally at fair value.

Fair value of securities, which are in turnover in organizationally formed markets, is defined according to their market value.

In case of change of fair value the re-assessment of securities takes place. The result of re-assessment is obligatory recognized in accounting as of date of balance (last day of month) on account 6203.

Accrual of interest income on coupon securities in trading portfolio is obligatory performed during every re-assessment.

Amortization of discount (premium) on debt securities in trading portfolio is not performed.

Transferring of securities from trading portfolio to other portfolios of the Bank or vice versa – from other portfolios of securities to trading portfolio is not allowed.

Interest income from operations with debt securities in trading portfolio of the Bank is recognized on balance accounts 6056, 6057 (Note 28).

Results from trading with securities, which are in trading portfolio, are recognized on the balance account 6203 (Note 29)

In case of acknowledgement of right to receive the payment by shares in trading portfolio, the accrual of income takes place in form of dividends, which are recognized on separate analytic accounts 6300.

In the trading portfolio there are no securities, which are object of repo operations.

1.6. Loans to Customers

The Bank performs lending operations according to the main directions of Bank’s lending activity on the basis of the current Ukrainian Law, Articles of Association, license of the National Bank of

Ukraine to perform active operations, standard acts of the National Bank of Ukraine and internal documents of the Bank.

Lending activity of the Bank is aimed to combine interests of the Bank, its shareholders, depositors and economic entities.

The Bank grants loans to individuals and legal entities regardless the form of their ownership, under conditions stipulated by the loan agreement. The main of them are: security, repayment, maturity, reward and target directivity. (Note 6).

Interest rates for loan operations (Note 30) are set by the standard legal documents of the Bank, taking into account cost of resources, credit risk of operation, demand and supply that took place at the credit market and other factors. The exception is interbank credit operations under which interest rates are set by the Bank's authorized dealers during agreements conclusion due to current environment on interbank foreign exchange market.

Loan issue under interest rate that is less than interest rates paid by the Bank on the attracted deposits and received credits, takes place when such operation is not detrimental for the Bank.

During initial recognition of loan the Bank estimates the issued loan at fair value, which is defined through the price, agreed between the voluntary buyer and voluntary seller within the framework of ordinary commercial operation.

After the initial recognition the Bank performs assessment of financial instrument upon amortized cost with application of effective interest rate during accrual of interest and amortization of discount (premium).

For the purpose of calculation of effective interest rate the Bank defines flows of funds taking into account all the conditions of agreement with financial instrument, including all commissions and other amounts, paid or received by the parties, which represent integral part of income/expenses of financial instrument, separately for every product and according to valid technologic charts of operations conducting with breakdown into products. If there is no possibility to perform reliable evaluation of cash flows or expected maturity date of financial instrument (overdraft loans and other), the effective interest rate is not applied to such financial instruments.

Change of agreement conditions (rate, maturity date, FX type and other) is fixed in the corresponding additional agreement and results in calculation of new cash flow, remaining till maturity date of initial financial instrument, and comparison of discounted cash flows with balance cost of loan as of date of change of agreement conditions. Essentially different conditions are conditions, according to which net value of cash flows under new conditions, discounted with applications of initial effective interest rate, differs at least by 10% from the discounted cost of cash flows, which remained until repayment period of initial financial instrument.

Essential change of conditions under financial instrument are recognized in accounting as redemption of initial financial instrument and defining of new one. In this case the Bank recognizes any expenses or rewards as other operational income or expenses for redemption (Notes 23,24)

In case of transferring of amount of principal of financial asset to overdue debt account, the balance of non-amortized premium/discount is recognized by the Bank as expenses or income in full.

Analysis of customers' debts in terms of financial instruments depreciation is performed on a monthly basis. Volumes of loans depreciation are defined by loan-loss provisions. Loan-loss provisions were created according to Regulation on procedure of creation and use of loan-loss allowance of banks approved by NBU Resolution No. 279, dd. July 6, 2000.

The created loan-loss provisions were used for redemption of principal of bad debts. Bad debts write-off out of created provisions is performed according to Decision of the Bank's Management Board. Bad credit debt is compensated at the expense of special provisions on condition of meeting the requirements of article 12 of Ukrainian Law "On Corporate Income Tax".

Writing-off interests accrued is performed based on Decision of the Bank's Management Board out of provisions for substandard loans after recognizing them as bad ones (Note 6).

1.7. Available-for-sale securities

Shares, securities with non-fixed profit and debt securities can be registered in *available-for-sale* portfolio (Note 7).

As of the balance-sheet date the securities in the Bank's *available* -for-sale portfolio are recognized:

- at fair value;
- at prime cost including partial write-off as a result of impairment (shares and other securities with non-fixed profit, fair value of which can't be defined authentically);
- at the lowest of: book value and fair value net of expenses for transactions related to sale, - investments into associated companies and subsidiaries transferred to available-for-sale portfolio and held for sale during 12 months;
- at the lowest of: acquisition cost (prime cost) and fair value net of expenses for transactions related to sale, - investments into associated companies and subsidiaries acquired and available - for-sale only during 12 months.

Securities in the Bank's available-for-sale portfolio as of the balance-sheet date are subject to reconsideration for reduction of usefulness, except for shares of stock exchanges and depositaries.

Securities impairment is recognized in case of economic benefit loss in the amount of exceeding of book value of securities by the amount of expected reimbursement. Reduction in amount of expected reimbursement of security can be caused by deterioration of financial standing of securities issuer and/or change of market rate of profitability.

Securities in the Bank's available-for-sale portfolio registered at fair value are subject to re-evaluation with mandatory recognition as of the balance-sheet date considering the results in the Bank's equity.

The value defined at the securities quotation price of a buyer (bid price) according to data of promulgated listing securities quotations at stock-exchanges as of the moment of closing of last exchange day of reporting month, is taken in order to calculate provisions for securities in the Bank's available-for-sale portfolio, which are recorded in the exchange register.

In case of absence of such quotations as of the indicated date, the fair value of security included in the exchange register is defined based on its last exchange rate defined following the results of exchange auction, which took place during last 5 business days of reporting month.

During calculation of provisions for indicated securities the following measures are taken:

- current fair value of security is defined according to data of promulgated quotations of securities at stock-exchanges;
- the accrual of interests, amortization of discount/premium, calculation of dividends is performed in case of necessity;
- the difference between current fair value, defined according to the second paragraph of this item, and book value, adjusted in compliance with the third paragraph of this item, is calculated, and re-evaluation of securities by the amount of such difference is performed ;
- reconsideration of all the available information about security and its issuer is performed with the purpose of finding security risk and the corresponding opinion is made as regards presence or absence of such risk or as regards renewal of security impairment.

Provisions allocations are recognized as expenses of the reporting period and are registered in GL 7703.

Interest income, including interest income in form of discount (premium) amortization, applying the effective interest rate, recorded in GL 6050, 6052, 6054 (Note 23), are recognized by available-for-sale debt securities.

Dividends received from securities with non-defined income in the Bank's available-for-sale portfolio while holding them are registered at separate analytical accounts 6300.

Transferring of available-for-sale securities to held-to-maturity portfolio was not performed in 2009.

Recognition of securities impairment kept in the Bank's available-for-sale portfolio was performed according to requirements of "Regulation on procedure of creating provisions for Ukrainian banks' securities transactions" approved by NBU Regulation No. 31 dd. February 2, 2007. In compliance with this Regulation, the Bank did not create provisions for investments into shares of stock-exchanges, depositaries and for securities issued by central bodies of executive authority, as well as by NBU.

Securities, which are object of repo operations, are not registered in available-for-sale portfolio.

1.8. Held-to-maturity securities

Acquired securities with fixed payments, which can be defined, and also ones with the fixed repayment period are registered in held-to-maturity portfolio. Debt securities can be put into held-to-maturity portfolio, if the Bank intends and is able to receive them before repayment period with the purpose of earning interest income.

Initially the Bank does not recognize held-to-maturity securities, if:

- it has no financial resources for financing them;
- the Bank sold significant amount of investments as compared to total amount of held-to-maturity investments before maturity date during one or two previous reporting financial years;
- there is legal or other constraint, which can prevent the Bank from holding the securities to maturity.

Debt securities in held-to-maturity portfolio are registered on amortized prime cost applying the effective interest rate. Expenses related to debt securities acquisition increase (reduce) amount of premium (discount) as of date of their acquisition (Note 8).

As of the balance-sheet date the Bank constantly estimates its intention and ability to hold securities to maturity.

Interest income on held-to-maturity securities were recognized on ledgers 6051, 6053, 6055 (Note 28).

Not less than once per month (as of the balance-sheet date) held-to-maturity securities are reconsidered in terms of possible impairment based on the analysis of expected cash flows.

Impairment of held-to-maturity securities is recognized in accounting by creating provisions for amount of exceed in book value of securities over current value of future cash flows discounted under initial effective interest rate (i.e., under effective interest rate calculated during initial recognition) according to "Regulation on procedure of forming provisions under securities transactions of Ukrainian banks", approved by the NBU Regulation No. 31 dd. 02.02.2007 and Instruction for accounting of securities transactions in Ukrainian banks, approved by NBU Regulation No. 358 dd. October 3, 2005.

Transferring of securities from held-to-maturity portfolio to available-for-sale one was not performed in 2009.

1.9. Investment property

Investment property is real estate (land or premises or part of building, or their combination), held by the Bank as owner or lease holder according to financial leasing (rent) agreement with the purpose of obtaining lease (rent) payments or increase in cost of capital or to obtain both purposes (Note 9).

The objects of investment property include:

- land held with purpose of benefiting from capital increase in long-term , and not for sale in short term in the course of activity;
- land, further use of which is not defined by now;
- premises owned by the Bank, or is at its disposal under agreement on financial leasing (rent) and is leased (rented) under one or several agreements on operating lease (rent);
- premises not yet occupied by the Bank at this moment and is assigned for lease (rent) under one or several agreements on operating lease (rent).

If the Bank acquires the property right for land plots and premises by way of exercise of pledgeholder's rights, as to which the intention of further use is not clearly defined, then such assets are classified as investment property.

The Bank neither classifies nor registers real estate as investment property received by the Bank in operating lease (rent) and as to which the Bank transferred the right to sublease.

One and the same real estate item can be splited into structurally separated parts used with different purposes: first part – for obtaining income from rent or increase of capital, other – for use in process of the Bank's activity or for administrative purposes.

Such parts of real estate units are separately recorded in accounting, if they can be sold separately.

If not, then such units are recognized as investment property under condition that not more than 20% of object's total area is hold by the Bank for use in the course of its activity or for administrative purposes.

Transferring of real estate unit to "investment property" category and vice versa is performed only in case of change of its functional use confirmed by the following events:

- start of real estate occupation by the Bank – in case of transferring from investment property to real estate occupied by the Bank;
- expiry of the date of real estate occupation by the Bank – in case of transferring from real estate occupied by the Bank to investment property;
- completion of building or site development – in case of transferring from real estate under construction or site development to investment property.

Real estate occupied by owner, - real estate held by the Bank, as owner, or leaseholder according to agreement on financial leasing (rent) for services rendering or with administrative purposes.

The Bank ceases to recognize in its balance-sheet an investment property object during its retirement as a result of sale or transferring to financial leasing (rent), or if receiving of any economic benefits is not expected anymore.

1.10. Fixed assets

Operations accounting related to purchase, improvement, revaluation, withdrawal and inventory taking of fixed assets and intangible assets is performed by the Bank on the grounds of Instructions on accounting of fixed and intangible assets of banks of Ukraine approved by the Resolution of the NBU No. 480 dd. 20.12.2005; Instruction on accounting of fixed and intangible assets of "PRAVEX-BANK" PJSCCB approved by Order of Chairperson of Management Board of the Bank No.976 dd. 29.12.2007, National Accounting Standards No. 7 "Fixed assets" and No. 8 "Intangible assets".

Fixed assets comprise: land, buildings, facilities, telecommunication equipment and devices, furnishings, computer and calculation devices, other devices, furniture, vehicles, instruments, inventory and other fixed assets and non-current assets with term of useful life more than 365 days. Furthermore, fixed assets, regardless the cost, include: weapon, fire-alarm devices, internal phone and computer networks, security systems (video surveillance), office furniture (except chairs), computer-related equipment (scanners, printers), safes, uninterruptible power supply units, banking metals moulds (gold, silver), TV and video devices (Note 10).

Fixed assets accounting upon initial recognition, except vehicles, is performed at fair value net of accumulated amortization.

Accounting of vehicles and intangible assets is performed by the initial price method.

Initial cost:

- of fixed assets is increased by the amount of expense related to object improvement (updating, modification, construction finalization, further equipment, reconstruction, etc);

- of intangible assets is increased by the amount of expense related to their improvement that results in increase in future economic benefits.

Bank performs revaluation of real estate property, related to fixed assets of the Bank, in case if its residual value is significantly different from its fair value. In case of object revaluation, revaluation of all objects of the group is performed on the same date.

Revaluation of a group of fixed assets, objects of which were revaluated in previous periods, thereafter is performed with such regularity that their residual value on the balance sheet date wouldn't be significantly different from the fair value.

Verification of compliance of residual value of fixed assets with fair value is conducted in order to determine the necessity of revaluation to be conducted before preparation of annual report as of December 31 of the fiscal year.

In case of need, revision and revaluation of fixed assets value is performed during the year.

The amount of VAT is not included in the market value that is used to estimate fair value of fixed assets upon results of their revaluation.

Evaluation of fixed assets as of December 31, 2009, i.e. real estate property, was performed by "Bureau Veritas Ukraine" LLC.

Accounting of expenses, related to improvement of fixed assets and development of intangible assets is performed on capital investments accounts.

Useful life of fixed assets is determined by permanent commission for determination and revision of useful life of fixed assets and intangible assets of "PRAVEX-BANK" PJSCCB as of 01.01.2009 and stipulated in the minutes approved by the Chairperson of Management Board of "PRAVEX-BANK" PJSCCB.

The Bank has set the following depreciation periods on the basis of the following useful life periods for certain types of fixed assets:

Name	Useful life, years	Monthly depreciation rate
Buildings, facilities	75	0,11 %
Cars and equipment	5-10	0,83%-1,67 %
Vehicles	10-20	0,42%-0,83%
Instruments, devices, inventory (furniture)	3-10	0,83%-1,19 %
Other fixed assets	2-10	0,56%-4,17%

Useful life of fixed and intangible assets is not changed upon improvement (updating, modification, construction finalization, further equipment, renovation) if non-amortized part is available.

Fixed assets are depreciated on a straight-line basis.

Value of all intangible assets is a subject to depreciation (except land and construction in progress).

Depreciation is not charged if the book value of non-current assets is equal to their residual value.

Depreciation is not charged on fixed assets objects which are antiques items.

Depreciation of non-current assets is not suspended in periods of their renovation, modernization, construction finalization, further equipment and conservation.

Depreciation charge is discontinued on the earlier of two dates:

- on the date of assets transfer to the category of non-current assets held for sale;
- on the date of assets recognition cessation.

Depreciation is not charged to non-current assets held for sale.

Useful life and depreciation rates during 2009 were not reviewed.

Fixed assets are excluded from assets (written off the balance) in case of their disposal: sale, write-off, free of charge transfer, shortage.

In case if fixed assets are written off the balance due to a breakdown, a copy of act of breakdown is attached to a write-off act, the reasons of breakdown are disclosed and punishment measures applied to guilty persons are indicated.

Write-off acts on fixed assets prepared by permanent commission are approved by Chairperson (or Deputy Chairperson) of the Bank.

1.11. Intangible assets

Intangible assets of the Bank refer to licenses for programs use, purchased software, rights for premises rent, trademarks for goods, services, etc. (Note 10).

Purchased intangible assets are accounted at their initial value (historical/actual prime cost), which is made up of actual expenses for purchase and their bringing to condition which is appropriate for use.

Further accounting of intangible assets is performed at initial value (prime cost) taking into account accumulated depreciation and accumulated losses from usefulness decrease.

Change of initial value is allowed only in cases of expenses for intangible assets development that results in increase of future economic benefit.

Depreciation is charged on a straight-line basis. During 2009 the Bank did not change depreciation charge method.

Useful life of software and software licenses is set by Head of IT Division and approved by management of the Bank.

Useful life of intangible assets and monthly depreciation rates for main categories of intangible assets are determined as follows:

Intangible asset name	Periods (month)	Rate, %
Program complexes and software	from 24 months to 60 months	from 1,67% to 4,17%
Licenses for software	from 60 months to 84 months	from 1,19% to 1,67%
Trademarks for goods and services	60	1,67%
Rights for rent	180	0,56%
Rights for program complexes use	26	3,85%

Depreciation is charged on a monthly basis according to standards calculated taking into account useful life of each intangible asset.

Revaluation of intangible assets was not performed.

1.12. Operational leasing (lease)

In its operational leasing transactions the Bank follows applicable Law of Ukraine (Notes 25 and 26).

Leasing object transfer is performed according to terms and conditions, determined by leasing agreement, drawn up in compliance with applicable Law of Ukraine. Also, schedule of leasing payments shall be obligatory provided in the agreement.

Depreciation period of improvement of operational leasing object equals to the period, which starts from the month, following the month of improvement completion and ends by the last month of rental agreement validity term.

Accounting of liabilities under operational leasing agreements is performed under off-balance accounts 9819.

Leasing objects are fixed assets which support the Bank's activity.

1.13. Financial leasing (lease)

Financial leasing operations are performed under conditions, stipulated by financial leasing agreements.

During 2009 financial leasing agreements were not concluded.

1.14. Long-term assets held for sale and assets of disposal group

As of December 31, 2009 the Bank did not hold assets for sale.

1.15. Suspended activity

Due to financial crisis aggravation, decrease in public solvency and banking risks increase in 2009, the Bank totally closed consumer loans issuing centers and suspended consumer loan programs.

Due to crisis state of economics, mortgage lending was temporally suspended, in the meantime, active work with clients on restructuring current debts, first of all in foreign currency, was performed.

As the result of network structure optimization, 101 unprofitable branches were closed, structural reorganization according to the parent company standards was conducted, in particular, retail and corporate centers were created, branch network subordination changed due to creation of four regional centers, Head Office organizational structure was significantly changed and during the year, number of staff was reduced by 2165 persons.

1.16. Derivative financial instruments

As of December 31, 2009, as well as during the year, derivative agreements were not concluded, operations hedging was not performed.

1.17. Income tax

According to the article 10 of the Law of Ukraine “On Enterprises Income Taxation” income tax rate in 2009 amounts to 25%.

Due to the fact that calculation of income tax amounts is performed in compliance with the Tax Law of Ukraine, and accounting reflects financial condition and results of the Bank’s activity irrespective of the rules and requirements of the Tax Law and in compliance with the National Accounting Standards, diversities between income received according to the tax accounting data and income received according to the fiscal accounting have appeared

Methodology of the Bank’s recognition of constant and temporal discrepancies, which appear between accounts in tax and financial accounting, is based on the requirements of the National Accounting Standard No.17, “Income Tax”, “Instructions on the procedure of current and deferred tax assets and tax liabilities recognition in Ukrainian banks accounting”, approved by the Resolution of the NBU No. 140, dated March 17, 2009, and by internal Regulation on the deferred income tax “Instructions on the procedure of current and deferred tax liabilities and tax assets recognition in accounting”, approved by the Order No. 79-A, dated January 30, 2007 (Note 27).

According to the regulations of the Accounting Policy of the Bank for 2009, accounting of deferred tax liabilities and assets, their adjustment (increase, decrease) is performed according to the following accounts and periods:

- provisions for vacation repayment – monthly by adjusting postings for current month;
- loan loss provisions under credit operations - monthly by adjusting postings for current month;
- interests overdue, under which claim-related work is performed - monthly by adjusting postings for current month;
- interests, that are no longer accrued in tax accounting - quarterly by adjusting postings for current month;
- fixed assets book value - quarterly by adjusting postings for current month;
- tax loss – by adjusting posting upon the fact of submission of the bank’s Income Tax Declaration;
- other articles – once a year by adjusting postings after the reporting year from February 1st till March 31st of current year, inclusively.

Information as regards deferred tax assets and deferred tax liabilities of the Bank, as well as regards adjustment of differences between expenses from income tax and result of accounting income for the taxation rate, is provided in the Note 27.

Current and deferred income taxes are recognized as expenses the income statement, except income tax which is charged in the result of assets writing up to fair value, which according to the national accounting regulations are recognized as owner’s equity increase/decrease.

In 2009, the Bank had no unused tax benefits, connected with non-recognition of deferred tax asset.

In 2009, the Bank did not perform investments in subsidiaries and associated companies.

Therefore, temporal differences, connected with financial investments in subsidiaries and associated companies do not exist.

Amounts of expenses (income) from interest tax, connected with income (loss) from suspended activity do not exist.

1.18. Own shares buyback from shareholders

In 2009, there were no shares buyback from the Bank’s shareholders.

1.19. Income and expenses

Income and expenses accounting is based on the calculation method, that is, they are recognized in the period which they refer to. Calculation and adequacy principles are used within the prudence

principle. In case of recognition of income (expenses) in the reporting period, the Bank shall be sure in this income receiving and shall be able to define the exact amount.

Income and expenses are accounted as accumulated total from the beginning of the year. Balances on income and expenses accounts are closed at the end of the year.

Income and expenses accounting is performed according to the Rules of Ukrainian Banks Income and Expenses Accounting, approved by the Resolution of the NBU No. 255, dated June 18, 2003.

Amendments to income and expenses of previous periods are introduced by adjusting postings.

Accounting of income and expenses in foreign currency and banking metals is performed by recalculation in Ukrainian currency against the NBU exchange rate as of the date of income or expense transaction. In case of accrual of income or expenses in foreign currency, accounting is performed according to the rate as of the date of calculation.

If the date of commission, interest income and expenses accrual and the date of their receipt coincide, then receipt of income/expenses (accrual) can be recognized by the cash method.

All income and expenses for banking services are performed by the Bank's system according to the approved rates of the Bank.

Accrued interest income and related commissions, if they were not received within the stipulated by an agreement time, are transferred to accounts of income overdue on the next day.

If the date during which client must repay the debt to the Bank is not specified in the agreement, then the debt is recognized as overdue on the next business day after the date of accrual.

Income, connected to rendering services, is recognized according to the level of completion of transaction as of the balance sheet date and if this transaction result can be estimated.

Income estimation adequacy originates from conditions of services rendering agreement that stipulates cost of services and procedure of repayment. Income from services which, according to the conditions of the agreement, can be provided within several reporting periods, shall be recognized according to the level of service completion.

In case if services are provided in an unspecified number of actions (operations) and within unspecified period of time, income is proportionally recorded during this period.

If income from services rendering cannot be reliably determined, such income is recognized in accounting in the amount of recognized expenses, which are a subject to compensation.

Interest income and expenses are calculated proportionally to time and asset (liabilities) amount with application of effective interest rate. Interests on financial instruments are accrued at nominal interest rate which is stipulated by terms of agreements (issue), and is recognized on accounts of accrued income and accrued expenses for classes 1, 2, 3 of the Ukrainian banks' Chart of accounts, approved by the NBU Resolution No. 280 as of 17/06/2004.

Any differences which occur between amounts of recognized interest income (expenses) at effective interest rate and accrued income (expenses) at nominal interest rate on financial instruments purchased (provided, obtained) at face value (without discount or premium), are recognized on accounts of non-amortized discount (premium) in correspondence with accounts of interest income (expenses).

Commissions which are not included to loan value (for example, fee for account opening, settlement and cash servicing, settlement servicing while consumer crediting etc.), are recorded on the accounts of the commission income.

Funds attraction to deposit was performed according to the interest rate, stipulated in deposit agreements.

Deposit interest accounting is performed according to accrual and compliance principles. For accounting of accrued interest "Accrued expense" accounts were used, on which accrued interests were accumulated up to their repayment date.

Interest accrual and discount (premium) amortization on debt securities of own issue are performed not less than once per month within the period from security sale date till its repayment date.

Interest expenses on securities of own debt were recorded on the account 7051 "Interest expense on long-term securities of own debt, issued by the Bank, except saving (deposit) certificates".

While calculating accrued interests, the following methods were used to define the number of days

- For loans in national currency – "fact/fact" method;
- For loans, issued in freely convertible exchange – "fact/360" method;
- For other interest income and commission equivalents – "fact/fact" method;
- For average daily balance on current account – "fact/fact" method;
- For deposits (except interbank deposits in foreign currency) – "fact/fact" method;
- for interbank deposits in foreign currency – "fact/360" method;
- for all abovementioned and other accrued interest – methods according to conditions, stipulated by agreements or internal Regulations.

According to the principle of prudence accrual of interest on loan transactions is suspended:

- upon complete repayment of the principal amount and expiry of loan agreement;
- on the maturity date of loan repayment set forth in loan agreement (including prolongation period if applicable);
- in case of executive endorsement made by notary public on collateral/mortgage agreement;
- in case of claim being filed for debt recovery;
- in case of legal action being pursued in respect of loan agreement termination.

The provisions for possible expense on credit operations and accrued income are created out of expense

1.20. Foreign currency

In *Income Statement* income and expenses on operations with foreign currencies and banking metals are recognized in UAH equivalent against foreign currencies official exchange rates and banking metals as of the date of their recognition in accounting.

In *Balance Sheet*, assets and liabilities in foreign currency and banking metals are recognized against official exchange rate, set by the NBU as of December 31, 2009, in particular:

- for USD 1 – UAH 7,9850000;
- for EUR 1 – UAH 11,448893;
- for RUB 10 – UAH 2,0640200
- an others.

Revaluation of all FX balance accounts is performed upon each change of the NBU exchange rate via analytical account "Difference of exchange rate from FX revaluation" of balance account 6204 "Profit (loss) from FX and banking metals trading".

Results from operations with foreign currency are recognized against balance account 6204 "Profit (loss) from FX and banking metals trading". Realized financial result under FX purchase-sale operations is equal to the difference between actual value of FX sale and this FX value calculated at weighted-average purchase rate.

For calculation of realized result under FX purchase-sale cash operations with individuals via exchange offices and cash-desks of the Bank weighted-average method is used. At that, operational day is considered as a calculation period.

In analytical accounting, accounts are maintained with breakdown into currencies as follows:

- realized result from FX trade;
- not realized financial result from FX trade;
- not realized result from revaluation.

1.21. Mutual offset of assets and liabilities items

The Bank separately recognizes assets and liabilities according to concluded agreements and other initial documents. During 2009, interbank lending and FX purchase-sale agreements were concluded, under which mutual offset of assets and liabilities was performed.

Performance of such type of transactions is stipulated by General agreements on the procedure of interbank operations performance, which were concluded with contractor banks.

1.22. Reporting according to segments

Segment shall be recognized separately, in case if most part of its profit is gained from banking activity outside the segment and, at the same time, indicators of its activity correspond to one of the following criteria (Note 30):

- profit on segment amounts to 10% or more of total income (including banking activity within the segment)
- its financial result (income or loss) is not less than 10 % of the biggest one of two absolute values – total amount of income or total amount of all segments loss;
- assets amount to 10 % or more from total assets;
- external income of all determined reporting segments must amount to not less than 75% of total income of the Bank or consolidated group. In case if combined income of recognized reporting segments is less than this level, then separation on supplementary segments is performed in order to reach the indicated income level, even if such supplementary segments won't comply with the abovementioned criteria (10% threshold).

If indicators of segment which was defined in the internal reporting, do not correspond to abovementioned criteria, then the segment can be recognized as reporting segment if it has general important meaning for the Bank and the information about it is a significant one.

Income from reporting segment is an income which is directly related to the segment and respective share of the Bank's income which can be referred to segment from external activity or from operations between other segments within one bank.

Expenses of reporting segment are expenses, connected with basic activity of the segment, which directly relate to it and respective share of expenses, which can be reasonably referred to the segment, including expenses from external activity and expenses connected with operations with other segments within one bank.

Expenses of a segment do not include expenses for profit tax or general administrative costs, Head Office expenses and other expenses which arise at the Bank's level and, in general, refer to the Bank.

There were no changes in Accounting Policy of segments during 2009. With the purpose to ensure reliable information, there were distinguished the following reporting segments:

- services to corporate clients;

- services to individuals;
- operations with securities;
- operations at interbank market;
- other operations.

1.23. Amendments effect in the Accounting Policy and correction of significant errors

Accounting Policy can be amended only in case of requirements from regulating authorities, due to legal reasons or in cases when amendments can cause more adequate recognition of events or operations in financial reports of the Bank. Introduction of amendments to the Accounting Policy of the Bank during the year is prohibited (except cases of significant amendments in regulatory documents of the NBU).

As amendment to the Accounting Policy of the Bank cannot be regarded:

- Accounting Policy adoption for events or operations which are significantly different from previous events or operations;
- Accounting Policy adoption for events or operations which never took place before or are not significant.

Due to entry into force, from January 1, 2009, of the Instruction on credit and deposit operations accounting as well as formation and use of loan loss provisions in Ukrainian banks, approved by the the NBU Resolution No. 481, dated 27.12.2007, re-calculation of accounting items was not performed due to absence of necessary data base (i.e. information as regards: data on market rates as of the date of financial instrument recognition, change of payment schedules, calculation of significant amendments to agreement conditions as of the date of recognition in accounting, etc.) for adjustment.

Clauses of the Accounting Policy of the Bank are approved by the order of the Chairperson of the Management Board No. 844, dated 31.12.2008.

Due to change of the deferred tax calculation method during 2009, amendments to the Clauses of Accounting Policy of the Bank for 2009 have been introduced. Amendments were approved by the order of the Chairperson of the Management Board No. 411-A, dated 28.09.2009; No. 411-A 29.10.2009.

Amendments which were introduced to the Accounting Policy during 2009, did not require any re-calculation of financial reporting items for previous reporting periods.

Acting Chairman of the Management Board
“PRAVEX-BANK” PJSCCB

V.A. Gladkyy

Chief Accountant
“PRAVEX-BANK” PJSCCB

O.Yu. Kibets

Note 2. Economic environment of bank activities

The global financial crisis, which began in 2008, had the utmost impact on the economy of Ukraine in 2009. The major consequences of global destructive processes for Ukraine were characterized by slump in GDP, industrial production, strong fluctuations of hryvnia exchange rate, decline in solvent public demand and surge of unemployment.

Nonetheless, the second half of year 2009 demonstrated the signs of stabilization of the situation on a worldwide scale as well as in whole Ukrainian economy. For instance, the pressure of inflation on the economy was substantially reduced, the exchange rate stabilized, the signs of activity in the major export markets, as well as in other sectors of national economy, emerged; all of this had resulted in gradual quarter on quarter growth of the core macroeconomic indicators.

Financial system responded to the changes in economy by almost complete suspension of lending activities, increase in value of resources attracted, establishment of loan loss provisions and review of risk-management.

In these macroeconomic circumstances “Pravex-Bank” PJSCCB, remaining in a status of savings bank during the year, settled down to a course of universalization and development of corporate segment. Considering that, the range of external factors influencing banking business extended substantially during 2009 and is to be extended in the future. Finally, Pravex-Bank is on the path of extending its services for the SME and Large corporate segments.

Thus, the major factors influencing financial system in 2009 were the following:

1. Deterioration of economic situation in general leads to further deterioration in asset quality in the banking system, creation of large provisions and much stricter requirements to new lenders even in conditions of excess liquidity in the last months of the year. This, in its turn, postpones resumption of lending not only to individuals, but to the real economy as well.
2. Restricted access to the external capital markets and yet remaining after the exacerbation of crisis distrust to the banking system, despite improvement of the situation and slow trend for decline in interest rates, preserve the high costs of resources on internal market.
3. Upon the long period of currency fluctuations and substantial devaluation of national currency during 2009 currency market stabilized which gave an opportunity to restructure loans issued before and enabled clients to fulfill their loan commitments.
4. The significant role in restoring full capacity of the system is devoted to the NBU that implements the policy restricting risky, speculative transactions, contributes to financial rehabilitation of problem banks and liquidation of bad ones.
5. Significant decline in demand as well as supply of banking services helps to optimize bank network, and also stimulates decrease in total administrative expenses.
6. The IMF made an important input in managing performance of Ukrainian economy by granting approximately USD 6 billion during year 2009 and promoting stabilization of financial system and economy in whole carrying a large debt burden.
7. Due to decline in taxes and also the necessity for budget expenditures the Government is an active player on financial market that actively issues domestic government bonds that are a profitable instrument for the banking system.

After shock outflow of individual deposits, in 2009 the market of deposit products demonstrated gradual return of deposits, however, unlike the pre-crisis phase, these deposits were distributed not according to profitability levels, but rather levels of security and business reputation of a financial institution. This, along with the process of dedollarization of economy and sufficient liquidity level of hryvnia in the system has led to certain adjustment in the overall level of interest rates.

Note 3. Transition to new and revised standards and interpretation which provide the framework for their application.

In its accounting policy the Bank follows the accounting principles which are based on applicable laws of Ukraine, regulatory legal acts of the National Bank of Ukraine, as well as national accounting principles and takes into consideration new and amended international financial reporting standards and interpretations that are mandatory.

Since January 1st, 1998, “Pravex-Bank” PJSCCB has begun gradual implementing of International Financial Reporting Standards (hereinafter referred to as IFRS) in accounting and financial reporting for the National Bank of Ukraine, according to requirements of NBU regulations.

Due to the several significant discrepancies between requirements to accounting and reporting procedures for banking institutions of Ukraine, Ukrainian Accounting Standards and IFRS requirements, the Bank was preparing separate IFRS financial statements and financial statements in accordance with statutory requirements for financial reporting in Ukraine.

Adoption of new and revised standards during 2009 did not cause any changes in the Bank’s accounting policy used to record the data of the reporting and preceding year.

Certain new IFRS came into effect and became mandatory for the bank since 01.01.2009.

1. IAS 27 “Consolidated and Separate Financial Statements” (revised in January 2008; applies to one year periods starting from July 1st, 2009 or after). According to requirements of revised IAS 27, the total sum of all kinds of income of economic entity must refer to the owners of the parent company and minority stockholders (previously – “minority interest”), even if eventually minority shareholders may suffer losses.

2. IFRS 3 “Business combinations” (revised in January 2008; applies to merger of business operations where the acquisition date refers to the first annual financial period, starting from July 1st, 2009 or after). The revised IFRS 3 entitles entities to select the method for minority stockholders’ interest evaluation: either using the method described in the acting IFRS 3 (proportional share of the buyer in net assets that can be defined), or using fair value method.

3. Improvement of International financial reporting standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 Interpretation are applied to annual periods starting from July 1st, 2009 or after; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are applied to annual periods starting from January 1st, 2010 or after).

4. IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised in July 2009; applies to annual periods starting from January 1st, 2010 or after, however, early application is allowed). These adjustments apply to retrospective application of IFRS in particular situations and aim to ensure that the entities that are in a period of transition to IFRS accounting do not incur unreasonable money or HR expenditures. Amendments to IFRS 1 exempt economic entities that entirely keep their accounting based on historical cost from retrospective application of IFRS for accounting of oil and gas assets, and also exempt entities that have already concluded leasing contracts from reconsideration of classification of these contracts in accordance with IFRIC 4 Interpretation “Determining whether an agreement contains a lease” in case if application of the national accounting standards enabled to receive the same result.

Articles that match criteria of hedge accounting – amendment to IAS 39 “Financial instruments: recognition and measurement” (applies retrospectively to annual periods starting from July 1st, 2009 or after; early application is allowed).

IFRIC 17 Interpretation “Distributions of non-cash assets to owners” (applies to annual periods starting from July 1st, 2009 or after).

IFRIC 18 Interpretation “Transfer of assets to clients” (applies to transfer of assets operations, starting from July 1st, 2009 or after).

The Bank evaluates the potential effect from future application of new standards and considers that adopted, but not yet acting new standards and their interpretation will not have material effect on Bank’s financial statements.

The Bank plans further application of IFRS requirements in accounting and reporting, according to NBU regulations and acting law of Ukraine.

The Management of the Bank did not estimate the impact of applying new or revised standards and interpretations on its financial standing as of December 31st, 2009 and December 31st, 2008 and on its performance for 2009 and 2008 financial years. Adjustments to the accounting policy considering application of interpretations of new financial reporting standards or adjustments to acting ones will be applied prospectively.

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Note 4. Cash and cash equivalents

Table 4.1. "Cash and cash equivalents"

(UAH, ths.)

Line	Item description	2009	2008
1	2	3	4
1	Cash	328 707	357 299
2	Funds with the National Bank of Ukraine (except for the required reserves)	133 839	-
3	Funds of required reserves with the National Bank of Ukraine	60 372	94 399
4	Funds of compulsory provisions transferred to a separate account of NBU.	91 458	-
5	Correspondent accounts and "overnight" deposits with banks of:	1 605 950	316 035
5.1	Ukraine	1 363	2 215
5.2	Other countries	1 604 587	313 820
6	Deposits with other banks with maturity date up to three months	-	10 787
7	REPO agreements ("reverse repo") with other banks with maturity date up to three months	-	-
8	Impairment provision for cash	(136)	(1 401)
9	Total cash and cash equivalents	2 220 190	777 119

Securities as collateral and for repo operations as of the end of the day December 31, 2009 were not used.

Account balance 1200 "Correspondent account with the National Bank of Ukraine" as of December 31, 2009 amounted to UAH 94 350 ths. The whole remaining amount is included into required reserves formed at the correspondent account in the NBU and reflected in item "Funds of required reserves with the National Bank of Ukraine" of note 4.

Line 4 "Funds of compulsory provisions transferred to a separate account of NBU" includes accrued income on deposits on demand with NBU, amounting to UAH 239 ths.

5. Due from banks

Table 5.1. Due from banks

(UAH, ths)			
Line	Item description	2009	2008
1	Deposits in other banks:	-	778
1.1	Short-term deposits with maturity term not exceeding 3 months	-	-
1.2	Long-term deposits	-	778
2	Reverse repurchase agreements ("reverse repo") with other banks, the maturity term of which is exceeding 3 months	-	-
3	Loans granted to other banks:	-	50 755
3.1	Short-term	-	50 755
3.2	Long-term	-	-
4	Impairment provision for funds in other banks	-	(431)
5	Total due from banks net of provisions	-	51 102

Line 1 "Deposits in other banks" as of the day end on December 31, 2008 included accrued income on funds in other banks, amounting to UAH 10 ths.

Line 3 "Loans granted to other banks" as of the day end on December 31, 2008 included accrued income on funds with other banks, amounting to UAH 98 ths.

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Table 5.2. Analysis of credit quality of funds in other banks for 2008

(UAH, ths)

Line	Item description	Deposits	Reverse repo agreements	Loans	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Current and non-impaired:	778	-	50 484	51 262
1.1	In top 20 banks	-	-	-	-
1.2	In other Ukrainian banks	-	-	50 484	50 484
1.3	In top banks of OECD countries	778	-	-	778
1.4	In other banks of OECD countries	-	-	-	-
1.5	In other banks	-	-	-	-
Or alternative disclosure of information concerning funds in other banks:					
1.1	with AAA rating	-	-	-	-
1.2	with AA- to AA+ rating	778	-	-	778
1.3	with A- to A+ rating	-	-	-	-
1.4	with lower than A- rating	-	-	11 936	11 936
1.5	Non-rated	-	-	38 548	38 548
2	Funds in banks, terms and conditions of which were reviewed in fiscal year	-	-	-	-
3	Total current and non-impaired loans	778	-	50 484	51 262
4	Impaired funds evaluated on item by item basis:	-	-	271	271
4.1	with up to 31 days delay in payment	-	-	-	-
4.2	with 32 to 92 days delay in payment	-	-	-	-
4.3	with 93 to 183 days delay in payment	-	-	-	-
4.4	with 184 to 365 (366) days delay in payment	-	-	-	-
4.5	with more than 366 (367) days delay in payment	-	-	271	271
5	Other funds in other banks	-	-	-	-
6	Impairment provision for funds in other banks	(8)	-	(423)	(431)
7	Total funds in other banks net of provisions	770	-	50 332	51 102

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Table 5.3. „Analysis of change in impairment provision for funds in other banks”

(UAH, ths)

Line	Provisions flow	2009		2008	
		funds in other banks	reverse repo agreements	funds in other banks	reverse repo agreements
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Balance as at 1 January	(431)	-	(824)	-
2	(Increase)/decrease in reserve for depreciation during a year	194	-	335	-
3	Bad debts write-off	236	-	-	-
4	Transfer to disposal asset group	-	-	-	-
5	Subsidiaries disposal	-	-	-	-
6	Exchange differences on provisions	1	-	58	-
7	Balance as at day end on 31st December	-	-	(431)	-

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Note 6. Due from clients**Table 6.1. Due from clients**

(UAH, ths)

Line	Item description	2009	2008
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Loans issued to authorities and local government	-	-
2	Loans to legal entities	345 433	295 588
3	Loans issued under repo transactions	-	-
4	Loans to the individual entrepreneurs	2 936	2 718
5	Mortgage loans to individuals	1 111 020	1 231 598
6	Consumer loans to individuals	4 233 623	4 660 442
7	Other loans to individuals	2 203	12 127
8	Loan loss provision	(1 395 304)	(451 756)
9	Total loans net of provisions	4 299 911	5 750 717

Securities as collateral and for the repo operations as of the end of the day December 31, 2009 weren't used

Line 9 "Total loans net of provisions" includes accrued income on loans as of the day end on December 31, 2010 in the amount of UAH 341 479 ths, as of the day end on December 31, 2009 amounting to UAH 246 684 ths.

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Table 6.2. Analysis of the change in loan loss provisions for 2009

(UAH, ths)

Line.	Flow of provisions	Loans issued to authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Balance as at January 1, 2009	-	(22 812)	-	(110)	(50 734)	(377 983)	(117)	(451 756)
2	(Increase)/decrease in loan loss provision during the year	-	(27 790)	-	(95)	(103 505)	(800 570)	102	(931 858)
3	Write - off of bad debts through provisions	-	2 745	-	-	-	-	-	2 745
4	Transfer to disposal asset group	-	-	-	-	-	-	-	-
5	Disposal of subsidiaries	-	-	-	-	-	-	-	-
6	Exchange differences on provisions	-	(677)	-	-	(3 067)	(10 690)	(1)	(14 435)
7	Balance as at the day end December 31, 2009	-	(48 534)	-	(205)	(157 306)	(1 189 243)	(16)	(1 395 304)

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Table 6.3. Analysis of the change in loan loss provisions for 2008

(UAH, ths)

Line	Flow of provisions	Loans issued to authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Balance as at January 1, 2008	-	(35 460)	-	(52)	(10 072)	(171 371)	(1 635)	(218 590)
2	(Increase)/decrease in loan loss provision during the year	-	15 969	-	(58)	(27 322)	(190 779)	1 530	(200 660)
3	Write - off of bad debts through provisions	-	819	-	-	-	-	-	819
4	Transfer to disposal asset group	-	-	-	-	-	-	-	-
5	Disposal of subsidiaries	-	-	-	-	-	-	-	-
6	Exchange differences on provisions	-	(4 140)	-	-	(13 340)	(15 833)	(12)	(33 325)
7	Balance as at the day end December 31, 2008	-	(22 812)	-	(110)	(50 734)	(377 983)	(117)	(451 756)

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Table 6.4. Structure of loans by economic activity

(UAH, ths)

Line.	Type of economic activity	2009		2008	
		UAH	%	UAH	%
1	2	3	4	5	6
1	State administration and activities of public organisations	-	-	-	-
2	Loans issued to the central and local authorities	-	-	-	-
3	Production	52 206	0,92	39 210	0,63
4	Real estate	43 429	0,76	57 586	0,93
5	Trade	194 900	3,42	133 491	2,15
6	Agriculture	1 610	0,03	3 028	0,05
7	Loans issued to the individuals	5 346 846	93,88	5 904 167	95,19
8	Other	56 224	0,99	64 991	1,05
9	Total:	5 695 215	100,00	6 202 473	100,00

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Table 6.5. Information on loan security for 2009

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
1	Non-secured loans	-	8 278	-	74	92	453 208	2 203	463 855
2	Loans secured by:	-	337 155	-	2 862	1 110 928	3 780 415	-	5 231 360
2.1	Guarantees and bails	-	42 348	-	-	-	-	-	42 348
2.2	Pledge								
	including:	-	294 807	-	2 862	1 110 928	3 780 415	-	5 189 012
2.2.1	Residential real estate property	-	8 228	-	359	1 041 898	701 556	-	1 752 041
2.2.2	Other real estate property	-	246 446	-	-	66 255	1 439 262	-	1 751 963
2.2.3	Securities	-	-	-	-	-	-	-	-
2.2.4	Cash deposits	-	9 094	-	-	-	235 698	-	244 792
2.2.5	Other property	-	31 039	-	2 503	2 775	1 403 899	-	1 440 216
3	Total dues from clients	-	345 433	-	2 936	1 111 020	4 233 623	2 203	5 695 215

Breakdown of Item 2.2.5. "Other property":

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Movables	-	4 743	-	-	-	374 020	-	378 763
2	Goods in turnover	-	23 409	-	2 503	-	-	-	25 912
3	Vehicles	-	2 083	-	-	-	1 028 921	-	1 031 004
4	Property rights	-	804	-	-	2 775	958	-	4 537
	Total	-	31 039	-	2 503	2 775	1 403 899	-	1 440 216

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Table 6.6. Information on the loans' guarantee for 2008

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Non-secured loans	-	10 847	-	47	2 007	658 209	12 127	683 237
2	Loans secured by:	-	284 741	-	2 671	1 229 591	4 002 233	-	5 519 236
2.1	Guarantees and bails	-	-	-	-	-	-	-	-
2.2	Pledge including:	-	284 741	-	2 671	1 229 591	4 002 233	-	5 519 236
2.2.1	Residential real estate property	-	8 481	-	384	1 175 014	770 306	-	1 954 185
2.2.2	Other real estate property	-	230 906	-	-	53 738	1 387 497	-	1 672 141
2.2.3	Securities	-	-	-	-	-	-	-	-
2.2.4	Cash deposits	-	11 733	-	-	-	531	-	12 264
2.2.5	Other property	-	33 621	-	2 287	839	1 843 899	-	1 880 646
3	Total amount of dues from customers	-	295 588	-	2 718	1 231 598	4 660 442	12 127	6 202 473

Breakdown of Item 2.2.5. "Other property":

(UAH, ths)

Line .	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Vehicles	-	3 092	-	-	-	1 353 494	-	1 356 586
2	Movables	-	2 699	-	115	-	488 512	-	491 326
3	Goods in turnover	-	26 809	-	2 172	-	-	-	28 981
4	Property rights	-	1 021	-	-	839	1 893	-	3 753
	Total	-	33 621	-	2 287	839	1 843 899	-	1 880 646

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Table 6.7. Analysis of quality of loan portfolio for 2009

(UAH, ths)

Line.	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
1	Current and not impaired	-	14 087	-	2 492	736 173	1 228 096	1 331	1 982 179
1.1	Big borrowers with the credit history for more than 2 years	-	-	-	-	-	-	-	-
1.2	New big borrowers	-	-	-	-	-	-	-	-
1.3	Loans to medium companies	-	12 049	-	-	-	-	-	12 049
1.4	Loans to small companies	-	2 038	-	2 492	-	-	-	4 530
1.5	Loans to individuals	-	-	-	-	736 173	1 228 096	1 331	1 965 600
2	Loans, terms of which were reviewed during the year	-	39 892	-	201	105 535	850 062	-	995 690
3	Total of current and not impaired loans	-	53 979	-	2 693	841 708	2 078 158	1 331	2 977 869
4	Overdue but not impaired:	-	-	-	-	-	-	-	-
4.1	with up to 31 days delay in payment	-	-	-	-	-	-	-	-
4.2	with 32 to 92 days delay in payment	-	-	-	-	-	-	-	-
4.3	with 93 to 183 days delay in payment	-	-	-	-	-	-	-	-
4.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	-	-	-

(UAH, ths)

Line.	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
4.5	with more than 366 (367) days delay in payment	-	-	-	-	-	-	-	-
5	Impaired loans evaluated on individually:	-	37 610	-	204	238 759	1 651 377	872	1 928 822
5.1	with up to 31 days delay in payment	-	-	-	-	13 507	47 117	872	61 496
5.2	with 32 to 92 days delay in payment	-	817	-	-	25 171	76 436	-	102 424
5.3	with 93 to 183 days delay in payment	-	6 919	-	15	21 420	129 306	-	157 660
5.4	with 184 to 365 (366) days delay in payment	-	20 480	-	-	67 085	402 201	-	489 766
5.5	with more than 366 days delay in payment	-	9 394	-	189	111 576	996 317	-	1 117 476
6	Not overdue	-	253 844	-	39	30 553	504 088	-	788 524
7	Provision for the depreciation for the loans	-	(48 534)	-	(205)	(157 306)	(1 189 243)	(16)	(1 395 304)
8	Total loans	-	296 899	-	2 731	953 714	3 044 380	2 187	4 299 911

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Table 6.8. Analysis of quality of loan portfolio for 2008

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
1	Current and not impaired	-	19 137	-	2 172	1 092 803	3 563 466	10 627	4 688 205
1.1	Big borrowers with the credit history for more than 2 years	-	-	-	-	-	-	-	-
1.2	New big borrowers	-	-	-	-	-	-	-	-
1.3	Loans to medium companies	-	6 198	-	-	-	-	-	6 198
1.4	Loans to small companies	-	12 939	-	2 172	-	-	-	15 111
1.5	Loans to individuals	-	-	-	-	1 092 803	3 563 466	10 627	4 666 896
2	Loans, terms of which were reviewed during the year	-	-	-	-	-	-	-	-
3	Total of current and not impaired loans	-	19 137	-	2 172	1 092 803	3 563 466	10 627	4 688 205
4	Overdue but not impaired:	-	-	-	-	-	-	-	-
4.1	with up to 31 days delay in payment	-	-	-	-	-	-	-	-
4.2	with 32 to 92 days delay in payment	-	-	-	-	-	-	-	-
4.3	with 93 to 183 days delay in payment	-	-	-	-	-	-	-	-
4.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	-	-	-

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
4.5	with more than 366 (367) days delay in payment	-	-	-	-	-	-	-	-
5	Impaired loans evaluated on individually:	-	10 797	-	162	134 571	854 702	1 500	1 001 732
5.1	with up to 31 days delay in payment	-	-	-	-	53 156	261 260	1 500	315 916
5.2	with 32 to 92 days delay in payment	-	-	-	-	10 753	132 076	-	142 829
5.3	with 93 to 183 days delay in payment	-	-	-	-	70 484	281 484	-	351 968
5.4	with 184 to 365 (366) days delay in payment	-	102	-	115	-	42 279	-	42 496
5.5	with more than 366 days delay in payment	-	10 695	-	47	178	137 603	-	148 523
6	Not overdue	-	265 654	-	384	4 224	242 274	-	512 536
7	Provision for the depreciation for the loans	-	(22 812)	-	(110)	(50 734)	(377 983)	(117)	(451 756)
8	Total loans	-	272 776	-	2 608	1 180 864	4 282 459	12 010	5 750 717

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Table 6.9. Fair value of security on overdue but not impaired loans and impaired loans evaluated individually for 2009

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
1	2	3	4	5	6	7	8	9	10
1	Fair value of securisation for the overdue but not depreciated loans	-	-	-	-	-	-	-	-
1.1	Real estate of living space	-	-	-	-	-	-	-	-
1.2	Other real estate	-	-	-	-	-	-	-	-
1.3	Securities	-	-	-	-	-	-	-	-
1.4	Money deposits	-	-	-	-	-	-	-	-
1.5	Other property	-	-	-	-	-	-	-	-
2	Fair value of securisation for the depreciated loans that have been evaluated on the individual basis	-	1 302 604	-	1 034	481 234	1 707 785	-	3 492 657
2.1	Real estate of living space	-	18 168	-	749	424 268	417 180	-	860 365
2.2	Other real estate	-	994 263	-	-	53 661	608 953	-	1 656 877
2.3	Securities	-	-	-	-	-	-	-	-
2.4	Money deposits	-	17 156	-	-	-	260 618	-	277 774
2.5	Other property	-	240 749	-	285	3 305	421 034	-	665 373
2.6	Guarantees and bails	-	32 268	-	-	-	-	-	32 268

**Item 2.5. "Other property"
breakdown:**

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Vehicles	-	168 734	-	240	-	15 258	-	184 232
2	Movables	-	66 412	-	45	-	-	-	66 457
3	Goods in turnover	-	5 603	-	-	-	405 776	-	411 379
4	Property rights	-	-	-	-	3 305	-	-	3 305
	Total	-	240 749	-	285	3 305	421 034	-	665 373

Credit security fair value is identified at security recognition. For estimation of security fair value the internal methodology of „PRAVEX-BANK” PJSCCB is used. Comparative method is used to estimate fair value loan security which is based on comparison of specific elements of security cost. Characteristics (parameters) of security objects, price factors on which price level depends (price dynamics, sales conditions, warranty periods etc.), market prices of agreements (or offers) with objects-analogs etc. are used as comparison elements. In some cases independent experts are involved to estimate fair value of security (real estate property transferred as a mortgage to the bank, cars etc.).

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Table 6.10. Fair value of security on overdue but not impaired loans and impaired loans evaluated individually for 2008

(UAH, ths)

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Fair value of security on overdue but not impaired loans	-	-	-	-	-	-	-	-
1.1	Residential real estate property	-	-	-	-	-	-	-	-
1.2	Other real estate property	-	-	-	-	-	-	-	-
1.3	Securities	-	-	-	-	-	-	-	-
1.4	Money deposits	-	-	-	-	-	-	-	-
1.5	Other property	-	-	-	-	-	-	-	-
2	Fair value of security on impaired loans evaluated individually	-	1 166 335	-	1 099	178 577	1 837 660	-	3 183 671
2.1	Residential real estate property	-	20 082	-	859	131 591	415 036	-	567 568
2.2	Other real estate property	-	916 928	-	-	46 986	581 784	-	1 545 698
2.3	Securities	-	-	-	-	-	-	-	-
2.4	Money deposits	-	12 088	-	-	-	385	-	12 473
2.5	Other property	-	217 237	-	240	-	840 455	-	1 057 932
2.6	Guarantees and bails	-	-	-	-	-	-	-	-

Item 2.5. "Other property" breakdown:

Line	Item description	Loans issued to authorities and local government	Loans to legal entities	Loans issued for repo operations	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Vehicles	-	12 270	-	-	-	161 228	-	173 498
2	Movables	-	165 821	-	240	-	679 227	-	845 288
3	Goods in turnover	-	37 387	-	-	-	-	-	37 387
4	Property rights	-	1 759	-	-	-	-	-	1 759
	Total	-	217 237	-	240	-	840 455	-	1 057 932

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Note 7. Available-for-sale securities

Table 7.1. Available-for-sale securities

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
1	Debt securities:		
1.1	Treasury bonds	-	-
1.2	Local authority bonds	-	-
1.3	Bonds of enterprises	-	-
1.4	Promissory Notes	-	-
2	Shares of enterprises and other securities with non-fixed income:	58	58
2.1	which fair value is indicated according to the data of disclosed quotations of securities at stock markets	-	-
2.2	which fair value is determined under calculation method	-	-
2.3	at prime cost (which fair value can not be precisely determined)	58	58
3	Impairment provision for available-for-sale securitied	-	-
4	Total for securities for sale net of reserves	58	58

Table 7.2. Changes in bank's available-for-sale securities

(UAH, ths)

Line	Item description	Note	2009	2008
1	2	3	4	5
1	Book value as of January 1		58	58
2	Result (write-up/write-down) from revaluation to fair value		-	-
3	Accrued interest		6 342	890
4	Interest received		6 342	890
5	Securities acquiring		2 175 000	450 000
6	Sale of available-for-sale securities		2 175 000	450 000
7	Subsidiaries companies acquiring		-	-
8	Transfer to asset disposal group		-	-
9	Subsidiary companies disposal		-	-
10	Translation differences for debt securities		-	-
11	Effect of currency translation in reporting currency		-	-
12	Book value as of the end of the day, December 31		58	58

Table 7.3. Principal equity securities available-for-sale at prime cost

(UAH, ths)

Line	Name of Company	Type of activity	Country of registration	Prime cost	
				2009	2008
1	2	3	4	5	6
1	Close Corporation "Crimean Stock Market"	financial market management	804	11	11
2	Public Corporation "MFS"	financial market management	804	24	24
3	Close Corporation "Ukrainian interbank foreign exchange Market"	financial market management	804	2	2
4	Crimean Interbank Stock Market	financial market management	804	20	20
5	Ukrainian trade house "Contract house Ukrainian Interbank Foreign Exchange Stock"	financial market management	804	1	1
	Total			58	58

Securities used as collateral or for repo operations as of the end of the day of December 31, 2008, 2009 are absent

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Note 8. Held-to-Maturity Securities**Table 8.1 Held-to-Maturity Securities**

(UAH ths)

Line	Item description	2009	2008
1	2	3	4
1	Treasury bonds	-	-
2	Deposit Certificates of the National Bank of Ukraine	200 093	-
3	Local authority bonds	-	-
4	Bonds of enterprises	-	-
5	Promissory Notes	-	-
6	Provision for impairment of Bank's held to maturity securities	-	-
7	TOTAL less provisions	200 093	-

In pursuance to the Regulations "On Formation of Security Transaction Provisions by Ukrainian Banks", as approved by Decree No. 31 of the National Bank of Ukraine dated February 02, 2007, no provisions for impairment are formed by the Bank.

Table 8.2 Flow of held-to-maturity securities

(UAH, ths)

Line	Item description	Notes	2009	2008
1	2	3	4	5
1	Balance at January 1st		-	-
2	Receipts		200 000	-
3	Redemption		-	-
4	Accrued interest		93	-
5	Interest received		-	-
6	Acquisitions through mergers		-	-
7	Disposal		-	-
8	Transition to assets disposal group		-	-
9	Effect of changes in foreign exchange rates		-	-
10	Balance at day end on December 31st		200 093	-

Table 8.3 Fair Value of Bank's held-to-maturity securities

(UAH, ths)

Line	Item description	2009		2008	
		Fair value	Book value less provisions	Fair value	Book value less provisions
1	2	3	4	5	6
1	Deposit Certificates of the National Bank of Ukraine	200 093	200 093	-	-
2	Local authority bonds	-	-	-	-
3	Bonds of enterprises	-	-	-	-
4	Promissory Notes	-	-	-	-
5	Total held-to-maturity securities	200 093	200 093	-	-

Table 8.4 Analysis of Quality of Securities in Bank's Held-to-Maturity Portfolio for 2009

(UAH ths)

Line	Item description	Deposit Certificates of the National Bank of Ukraine	Local authority bonds	Bonds of enterprises	Promissory Notes	Total
1	2	3	4	5	6	7
1	Non-impaired debt securities at current cost:	200 093	-	-	-	200 093
1.1	Governmental agencies and state owned companies	200 093	-	-	-	200 093
1.2	Local authorities	-	-	-	-	-
1.3	Large corporations	-	-	-	-	-
1.4	Medium businesses	-	-	-	-	-
1.5	Small businesses	-	-	-	-	-

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Note 9. Investment property

Table 9.1 Investment property estimated at fair value

(UAH, ths)			
Line	Item description	2009	2008
1	2	3	4
1	Fair value of investment property as of the beginning of the year	-	-
2	Additions	1 610	-
3	Capital investments for reconstruction	-	-
4	Additions from business combinations	-	-
5	Transfer of assets to asset disposal group	-	-
6	Disposal	-	-
7	Reclassification of premises as “occupied by the owner”	-	-
8	Effect of translation in reporting currency	-	-
9	Profit/loss from revaluation at fair value	(251)	-
10	Other	-	-
11	Fair value of investment property as at day end on December 31	1 359	-

Evaluation of investment property, namely, real estate units as of December 31, 2009 is made by “Bureau Veritas Ukraine” LLC.

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Table 9.2 Data on future minimum lease payments for irrevocable operational lease in case when bank is the lessor

(UAH, ths)			
Line	Term of operational lease	2009	2008
1	2	3	4
1	< 1 year	74	-
2	1 - 5 years	-	-
3	> 5 years	-	-
4	Total of operational lease payments	74	-

Table 10. Fixed assets and intangible assets.

Table10.1. Fixed assets and intangible assets.

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12
1	Balance cost as of January 01, 2008	-	356 389	86 248	6 813	7 348	2 049	24 190	10 218	9 986	-	503 241
1.1	Initial (revaluated) cost	-	395 907	162 552	9 434	12 234	5 354	39 724	10 218	15 046	-	650 469
1.2	Depreciation amount at the beginning of previous year	-	(39 518)	(76 304)	(2 621)	(4 886)	(3 305)	(15 534)	-	(5 060)	-	(147 228)
2	Acquirements from business combinations	-	-	-	-	-	-	-	-	-	-	-
3	Additions	-	-	-	-	-	-	-	71 410	-	-	71 410
4	Fixed and intangible assets put into operation	246	23 213	23 865	1 475	2 109	1 432	7 976	(63 862)	3 546	-	-

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12
5	Improvement of fixed assets and intangible assets	-	8 269	1 538	40	2	11	1 324	(11 722)	538	-	-
6	Transmission	-	-	-	-	-	-	-	-	-	-	-
7	Transfers to assets disposal group	-	-	-	-	-	-	-	-	-	-	-
8	Disposal	-	(361)	(1 151)	(2 514)	(342)	(27)	(24)	(509)	(2 181)	-	(7 109)
9	Depreciation expense	-	(6 031)	(19 605)	(793)	(1 228)	(885)	(8 763)	-	(5 321)	-	(42 626)
10	Amount of impairment through profit or loss	-	-	-	-	-	-	-	-	-	-	-
11	Usefulness reestablishment through profit or loss	-	-	-	-	-	-	-	-	-	-	-
12	Revaluation	(40)	57 552	526	-	6	85	-	-	-	-	58 129
12.1	Revaluation of initial cost	(40)	63 386	526	-	6	85	-	-	-	-	63 963

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12
12.2	Revaluation of depreciation	-	(5 834)	-	-	-	-	-	-	-	-	(5 834)
13	Effect of translation in reporting currency	-	-	-	-	-	-	-	-	-	-	-
14	Other	-	-	48	-	-	-	-	-	-	-	48
15	Balance cost as of December 31, 2008	206	439 031	91 469	5 021	7 895	2 665	24 703	5 535	6 569	-	583 094
15.1	Initial (revaluated) cost	206	490 262	177 349	7 486	13 006	6 716	48 486	5 535	13 436	-	762 482
15.2	Depreciation as of December 31, 2008 (as of 1st January 2009)	-	(51 231)	(85 880)	(2 465)	(5 111)	(4 051)	(23 783)	-	(6 867)	-	(179 388)
16	Acquirements from business combinations	-	-	-	-	-	-	-	-	-	-	-

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12
17	Additions	-	-	-	-	-	-	-	19 719	-	-	19 719
18	Fixed and intangible assets launched	-	50	3 476	2 830	201	1 572	22	(19 357)	11 206	-	-
19	Improvement of fixed assets and intangible assets	-	404	226	33	-	-	93	(1 414)	658	-	-
20	Transmission	-	-	-	-	-	-	-	-	-	-	-
21	Transfers to assets disposal group	-	-	-	-	-	-	-	-	-	-	-
22	Disposal	-	(1 387)	(1 405)	(763)	(112)	(70)	(3 158)	(59)	(5)	-	(6 959)
23	Depreciation expense	-	(7 227)	(18 086)	(734)	(1 237)	(879)	(9 454)	-	(2 880)	-	(40 497)
24	Amount of impairment through profit or loss	-	-	-	-	-	-	-	-	-	-	-
25	Usefulness reestablishment through	-	-	-	-	-	-	-	-	-	-	-

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12
	profit or loss											
26	Revaluation	(33)	(93 665)	-	-	-	-	-	-	-	-	(93 698)
26.1	Revaluation of initial cost	(33)	(104 685)	-	-	-	-	-	-	-	-	(104 718)
26.2	Revaluation of depreciation	-	11 020	-	-	-	-	-	-	-	-	11 020
27	Effect of translation in reporting currency	-	-	-	-	-	-	-	-	-	-	-
28	Other	-	(443)	(69)	-	-	-	6	69	-	-	(437)
29	Balance cost as of December 31, 2009	173	336 763	75 611	6 387	6 747	3 288	12 212	4 493	15 548	-	461 222
29.1	Acquisition (revaluated) cost	173	383 689	173 169	9 197	12 630	7 534	41 934	4 493	25 152	-	657 971
29.2	Transfer to the end of the reporting year	-	(46 926)	(97 558)	(2 810)	(5 883)	(4 246)	(29 722)	-	(9 604)	-	(196 749)

(UAH, ths)

Line	Item description	Land	Buildings, constructions and transmitting devices	Machinery and equipment	Vehicles	Instruments, appliances, inventory (furniture)	Other fixed assets	Other non-current material assets	Unfinished capital investments into fixed assets and intangible assets	Intangible assets	Good will	Total
1	2	3	4	5	6	7	8	9	10	11	11.1	12

Value of fixed assets, that have limitations regarding owning, using and management according to legislation,: none;

Value of fixed assets and intangible assets registered as collateral: none;

Residual value of fixed assets that are temporary out of use (conservation, reconstruction, etc) - UAH 24 969 thousand.

Residual value of fixed assets held for sale : none;

Initial (revaluated) cost of the entirely depreciated fixed assets: intangible assets (GL 4300) - UAH 3 379 thousand, fixed assets (GL 4400) - UAH 21 906 thousand, other non-current assets. (GL 4500) - UAH 7 001 thousand, total UAH 32 286 thousand;

Value of intangible assets that have ownership limitations: none;

Cost of created intangible assets: none;

Increase or decrease during the reporting period which appear as a result of revaluation and also as a result of losses from impairment recognized or cancelled directly in authorized capital - UAH (83 541) thousand.

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Note 11. Other financial assets

Table 11.1. „Other financial assets”

(UAH, ths)

Line	Item description	2009	2008
1	2	4	5
1	Accounts receivable on trade operations	-	-
2	Financial leasing (rent) liability	-	-
3	Accounts receivable on operations with credit and debit cards	42 348	78 955
4	Conversion operations	-	-
5	Revaluation of financial instruments, being recorded at off-balance accounts	-	-
6	Derivative financial assets defined for hedging accounting	-	-
7	Funds with limited right of use	-	-
8	Other	35 798	31 304
9	Reserve for depreciation	(1 524)	(3 558)
10	Total other financial assets net reserves	76 622	106 701

Item 8 "Other" breakdown

Line	Item description	2009	2008
1	Accounts receivable on operations with the bank's clients	32 410	26 612
2	Advance payments to bank's employees for travelling charges	-	3
3	Shortages and other charges for bank's employees	1 588	3 161
4	Other accounts receivable on settlements with bank's employees and other individuals	60	76
5	Accrued revenues for cash and settlement services	1 015	1 239
6	Accrued revenues overdue	725	213
7	Total	35 798	31 304

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Table 11.2. Analysis of changes in impairment provision for other financial assets for 2009

(UAH, ths)

Line	Flow of provisions	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Cash funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Balance as of 1 January 2009	-	-	(13)	-	-	(3 545)	(3 558)
2	(Increase)/decrease in impairment provision during a year	-	-	13	-	-	(751)	(738)
3	Bad debts write-off	-	-	-	-	-	2 849	2 849
4	Transfer to disposal asset group	-	-	-	-	-	-	-
5	Subsidiaries disposal	-	-	-	-	-	-	-
6	Translation differences for provisions	-	-	-	-	-	(77)	(77)
7	Balance as of 31 December 2009 (end of the day)	-	-	-	-	-	(1 524)	(1 524)

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Table 11.3. Analysis of changes in impairment provision for other financial assets for 2008

(UAH, ths)

Line	Flow of provisions	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Cash funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Balance as of 1 January 2009	-	-	(21)	-	-	(3 620)	(3 641)
2	(Increase)/decrease in impairment provision during a year	-	-	9	-	-	139	148
3	Bad debts write-off	-	-	-	-	-	413	413
4	Transfer to disposal asset group	-	-	-	-	-	-	-
5	Subsidiaries disposal	-	-	-	-	-	-	-
6	Translation differences for provisions	-	-	(1)	-	-	(477)	(478)
7	Balance as of 31 December 2009 (end of the day)	-	-	(13)	-	-	(3 545)	(3 558)

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Table 11.4. Analysis of quality of other financial accounts receivable for 2009

(UAH, ths)								
Line	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Cash funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Current and not impaired accounts receivable	-	-	42 348	-	-	35 798	78 146
1.1	Major (high-profile) customers with more than 2 years credit history	-	-	-	-	-	348	348
1.2	New high-profile customers	-	-	-	-	-	-	-
1.3	Middle-size companies	-	-	-	-	-	957	957
1.4	Small companies	-	-	-	-	-	313	313
1.5	Individuals	-	-	42 348	-	-	34 180	76 528
2	Accounts receivable, terms of which were revised during a year	-	-	-	-	-	-	-
3	Total current and non-impaired accounts receivable	-	-	42 348	-	-	30 811	73 159
4	Overdue, but not impaired:	-	-	-	-	-	4 987	4 987
4.1	with up to 31 days delay in payment	-	-	-	-	-	2 511	2 511
4.2	with 32 to 92 days delay in payment	-	-	-	-	-	765	765
4.3	with 93 to 183 days delay in payment	-	-	-	-	-	71	71
4.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	781	781
4.5	with more than 366 (367) days delay in payment	-	-	-	-	-	859	859

Line.	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Cash funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
5	Indebtedness, depreciated on individual basis:	-	-	-	-	-	-	-
5.1	with up to 31 days delay in payment	-	-	-	-	-	-	-
5.2	with 32 to 92 days delay in payment	-	-	-	-	-	-	-
5.3	with 93 to 183 days delay in payment	-	-	-	-	-	-	-
5.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	-	-
5.5	with more than 366 (367) days delay in payment	-	-	-	-	-	-	-
6	Other accounts receivable	-	-	-	-	-	-	-
7	Provision for impairment	-	-	-	-	-	(1 524)	(1 524)
8	Total other financial accounts receivable	-	-	42 348	-	-	34 274	76 622

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Table 11.5. Analysis of quality of other financial accounts receivable for 2008

(UAH, ths)

Line	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Current and not impaired accounts receivable	-	-	78 955	-	-	27 330	106 285
1.1	Major (high-profile) customers with more than 2 years credit history	-	-	-	-	-	-	-
1.2	New high-profile customers	-	-	-	-	-	-	-
1.3	Middle-size companies	-	-	78 955	-	-	26 165	105 120
1.4	Small companies	-	-	-	-	-	1 091	1 091
1.5	Individuals	-	-	-	-	-	74	74
2	Accounts receivable, terms of which were revised during a year	-	-	-	-	-	-	-
3	Total current and non-impaired accounts receivable	-	-	78 955	-	-	27 330	106 285
4	Overdue, but not impaired:	-	-	-	-	-	593	593
4.1	with up to 31 days delay in payment	-	-	-	-	-	90	90
4.2	with 32 to 92 days delay in payment	-	-	-	-	-	165	165
4.3	with 93 to 183 days delay in payment	-	-	-	-	-	75	75
4.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	263	263
4.5	with more than 366 (367) days delay in payment	-	-	-	-	-	-	-

(UAH, ths)

Line	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
5	Indebtedness, depreciated on individual basis:	-	-	-	-	-	3 381	3 381
5.1	with up to 31 days delay in payment	-	-	-	-	-	-	-
5.2	with 32 to 92 days delay in payment	-	-	-	-	-	-	-
5.3	with 93 to 183 days delay in payment	-	-	-	-	-	-	-
5.4	with 184 to 365 (366) days delay in payment	-	-	-	-	-	-	-
5.5	with more than 366 (367) days delay in payment	-	-	-	-	-	3 381	3 381
6	Other accounts receivable	-	-	-	-	-	-	-
7	Provision for impairment	-	-	-	-	-	(3 558)	(3 558)
8	Total other financial accounts receivable	-	-	78 955	-	-	27 746	106 701

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Note 12. Other assets

(UAH, ths)

Line	Item description	Notes	2009	2008
1	2	3	4	5
1	Accounts receivable for assets purchase		4 556	3 703
2	Prepayment for the services		2 799	4 792
3	Precious metals		8 493	16 711
4	Property obtained by the Bank as a collateral		-	-
5	Deferred expense on deposits and credit interests		896	682
6	Other		1 024	1 187
7	Provision		(1 265)	(904)
8	Total other assets less provisions		16 503	26 171

Item 6 (Other) breakdown:

Item	2009
Receivables related to taxes and charges, excluding income tax	891
Difference between the nominal value and sales price of commemorative coins	133
Total	1 024

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Note 13. Due to banks

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
1	Correspondent accounts and overnight deposits of other banks	4 295	1 625
2	Other banks' deposits:	-	-
2.1	short-term	-	-
2.2	long-term	-	-
3	Sales and buy-back agreements with other banks	-	-
4	Loans received:	1 600 477	1 693 036
4.1	short-term	-	147 662
4.2	long-term	1 600 477	1 545 374
5	Overdue raised funds from other banks	-	-
6	Total amount of due to banks	1 604 772	1 694 661

Line 4 "Loans received" includes accrued expenses in the amount of UAH 3476 ths (UAH 5 919 ths – in 2009)

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Note 14. Due to customers

Table 14.1. Due to customers

(UAH, ths)

Line	Item description	2009	2008
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	State and public organizations:	9 253	11 790
1.1	Current accounts	7 844	9 096
1.2	Term deposits	1 409	2 694
2	Other legal entities	587 361	445 460
2.1	Current accounts	345 715	322 579
2.2	Term deposits	241 646	122 881
3	Individuals:	3 780 490	3 346 755
3.1	Current accounts	515 165	490 468
3.2	Term deposits	3 265 325	2 856 287
4	Due to customers, total	4 377 104	3 804 005

Line 2 “Other legal entities” includes balances on accounts of accrued expense on corporate term deposits in the amount of UAH 2 410 ths (in 2009 – UAH 1 219 ths).

Line 3 “Individuals” includes balances on accounts of accrued expense on retail deposits on demand in the amount of UAH 98 ths (in 2009 – 96 ths) and retail term deposits in the amount of 109 599 ths (in 2009 – UAH 139 305 ths)

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Table 14.2. Customers by type of economic activity

(UAH, ths)

Line	Economic activity	2009		2008	
		amount	%	amount	%
1	2	3	4	5	6
1	State administration and public organizations	9 123	0,21	10 144	0,27
2	Central and local public authorities	130	0,01	1 646	0,04
3	Production	129 790	2,97	36 078	0,95
4	Real estate	112 176	2,56	52 703	1,39
5	Trading	120 789	2,76	164 417	4,32
6	Agriculture	11 164	0,26	5 871	0,15
7	Extractive (mining) industry	498	0,01	1 238	0,04
8	Printing industry	5 288	0,12	4 333	0,11
9	Transportation sector	31 228	0,71	17 907	0,47
10	Insurance services	81 029	1,85	46 298	1,22
11	IT industry	14 500	0,33	24 489	0,64
12	Scientific research	11 932	0,26	7 894	0,21
13	Education	2 800	0,06	3 125	0,08
14	Health care	6 456	0,15	5 488	0,14
15	Culture	3 322	0,08	4 950	0,13
16	Individuals	3 780 490	86,37	3 346 755	87,98
17	Other	56 389	1,29	70 669	1,86
18	Due to customers, total	4 377 104	100,00	3 804 005	100,00

As of 31 December 2009 (as of the end of the day) the amount of guaranteed deposits attracted in the balance-sheet totalled to UAH 330 758 thousand, among which:

- for corporate and retail loans - UAH 281 235 thousand;
- for security for guarantees - UAH 49 523 thousand

As of 31 December 2008 (as of the end of the day) the amount of guaranteed raised deposits in the balance-sheet totalled to UAH 207 402 thousand among which:

- for loans to individuals and legal entities - UAH 137 974 thousand;
- for interbank loans - UAH 62 191 thousand;
- for security for guarantees - UAH 7 237 thousand

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Note 15. Debt securities issued by the bank**Table 15.1. Debt securities issued by the bank**

(UAH ths)

Line	Item description	2009	2008
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Promissory Notes	-	-
2	Eurobonds	-	-
3	Bonds issued at internal market	-	22 147
4	Certificates of deposit	1	1
5	Bonds	-	-
6	Total	1	22 148

Maturity date for the B series bonds issued by the bank - 20.09.2010

Maturity date for the C series bonds issued by the bank - 07.11.2010

Maturity date for the D series bonds issued by the bank - 23.04.2011

During 2009 “PRAVEX-BANK” PJSCCB bonds were early repaid.

Repayment term for deposit certificates issued by the bank – is on demand (maturity date has passed).

Table 15.2. Fair value of debt securities issued by the bank

(UAH ths)

Line	Item description	2009		2008	
		Fair value	Book cost	Fair value	Book cost
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Promissory Notes	-	-	-	-
2	Eurobonds	-	-	-	-
3	Bonds issued at internal market	-	-	19 612	22 147
4	Certificates of deposit	1	1	1	1
5	Bonds	-	-	-	-
6	Total	1	1	19 613	22 148

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Note 16. Other raised funds

Table 16.1. „Other raised (borrowed) funds”

(UAH ths)

Line	Item description	2009	2008
1	2	3	4
1	Received consortium loans	-	-
2	Loans, received from international and other financial institutions	-	35 058
2.1	loan	-	35 058
2.2	accrued interests	-	-
3	Financial leasing liabilities	-	-
4	Total	-	35 058

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Note 17. Provisions for liabilities

Table3. Provisions for liabilities for 2009

(UAH, ths)

Line	Flow of provisions	Note	Loan Liability	Tax risks	Other	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1	Balance as of January 01, 2008		1 419	-	-	1 419
2	(Increase)/decrease in impairment provision during the year		1 509	-	-	1 509
3	Write-off of bad loans at expense of provision		-	-	-	-
4	Currency translation differences for provisions		165	-	-	165
5	Balance as of the end of Decemebr 31, 2008	33	3 093	-	-	3 093

Table 17.2. Provisions for liabilities for 2008

(UAH, ths)

Line	Flow of provisions	Note	Loan Liability	Tax risks	Other	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1	Balance as of January 01, 2008		235	-	-	235
2	(Increase)/decrease in impairment provision during the year		800	-	-	800
3	Write-off of bad loans at expense of provision		-	-	-	-
4	Currency translation differences for provisions		384	-	-	384
5	Balance as of the end of Decemebr 31, 2008	33	1419	-	-	1419

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Note 18. Other financial liabilities**Table 18.1. Other financial liabilities**

(UAH, ths)

Line	Item description	Comments	2009	2008
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Accounts payable		117 743	80 729
2	Dividends payable	29	-	-
3	Debit and credit cards accounts payable		9 512	47 910
4	Conversion operations payable		59 267	57 458
5	Payables related to other financial instruments		13	-
6	Provisions for loan liabilities		-	-
7	Other accrued liabilities		2 277	19
8	Total of Other financial liabilities		188 812	186 116

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Note 19. Other liabilities

(UAH, ths)

Line	Item description	Comments	2009	2008
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Payables related to taxes and compulsory payments, excluding income tax		14 492	13 070
2	Payables related to bank's employees		23 876	31 850
3	Payables related to assets acquisition		941	1 136
4	Deferred Income		1 379	1 521
5	Other		9 956	1 618
6	Total		50 644	49 195

Item 5 (Other) breakdown:

(UAH ths)

Item	2009
Payables related to communication services	84
Payables related to advertisement and promotion fees	108
Payables related to public utilities, security and guarding fees	59
Payables related to operating lease	397
Payables related to other services rendered	402
Payables related to fixed assets repair and maintenance	203
Payables related to consultancy services and management services	1 734
Payables related to experts engagement	6 394
Payables related to personnel search and recruiting services	575
Total:	9 956

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Note 20. Subordinated debt

(UAH ths)

Line	Item description	2009	2008	Date of issue	Maturity date
1.	Principal amount of subordinated debt including:	112 589	108 570		
	Received loan	23 955	23 100	12.09.2000	21.09.2015
	Received loan	31 940	30 800	21.11.2000	01.11.2015
	Received loan	35 933	34 650	08.06.2006	01.06.2016
	Received loan	20 761	20 020	07.08.2006	31.07.2016
2.	Accrued interest on subordinate debt, including:	4 770	4 848		
	Accrued loan interest	1 015	1 013	-	-
	Accrued loan interest	1 353	1 351	-	-
	Accrued loan interest	1 523	1 520	-	-
	Accrued loan interest	879	964	-	-
	Total:	117 359	113 418		

Interest for loan use attracted under conditions of subordinate debt, is monthly but is paid upon written notice of investor.

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Note 21. Authorized capital

(UAH, ths)

Line	Item description	Quantity of shares in turnover (items, thousand)	Ordinary shares	Issuance difference	Preference shares	Own shares (quotas, shares), bought back from shareholders(participators)	Dividends, directed to increase of authorized capital	Total UAH, thousand
1	2	3	4	5	6	7	8	9
1	Balance at 1 st January of 2008	371 499	369 999	672	1 500	-	-	372 171
2	Contributions on shares (quotas, shares) of the new issue	620 000	620 000	-	-	-	-	620 000
3	Own shares (quotas, shares), bought back from shareholders(participators)	-	-	-	-	-	-	-
4	Sale of bought out own shares	-	-	-	-	-	-	-
	Cancelled bought out own shares	-	-	-	-	-	-	-
6	Capitalized dividends	-	-	-	-	-	-	-
7	Balance at the end of the day as of 31 st December of 2008(balance at 1 st January of 2009)	991 499	989 999	672	1 500	-	-	992 171
8	Contributions on shares (quotas, shares) of the new issue	570 123	570 123	-	-	-	-	570 123
9	Own shares (quotas, shares), bought back from shareholders (participators)	-	-	-	-	-	-	-
10	Sale of bought out own shares	-	-	-	-	-	-	-
11	Cancelled bought out own shares	-	-	-	-	-	-	-
12	Capitalized dividends	-	-	-	-	-	-	-
13	Balance at the end of the day as of 31 st December of 2009	1 561 622	1 560 122	672	1 500	-	-	1 562 294

- a) quantity of shares, declared to issue - 0;
- b) quantity of issued and paid shares in 2009 amounts to 570 123 450 it.; quantity of issued, but not completely paid - 0 items.;
- c) par value of one share amounts to - 1 UAH.;
- d) rights, privileges and limitations, attributable to every group of share capital, including limitations to payment of dividends, return of capital:
 - Rights (according to Articles of Association):
 - partake in management of the Bank and in control over the Bank's activities in accordance with the procedure set forth by Articles of Association and by-laws of the Bank as well as Ukrainian law;
 - partake in distribution of profits of the Bank and obtain part of the profit (dividends) from activity of the Bank;
 - receive information on activity of the Bank, status of its assets, amount of its profits and losses;
 - in case of the Bank's liquidation receive a cost of the Bank's property net of creditor's claims in proportion to the amount of shares held by shareholder;
 - shareholders who hold 10 and more percent of the Bank's shares, have the right to request audit of the Bank's financial statements and economic activity by external auditor;
 - dispose of shares of the Bank in accordance with the procedure set forth by Articles of Association and effective Ukrainian law;
 - obtain and exercise other rights provided by Ukrainian law and the Articles of Association of the Bank.
 - Bank's shareholders, owners of preference shares are entitled to::
 - partake in distribution of profits of the Bank and obtain part of the profit (dividends) from activity of the Bank in the amount indicated in the preference shares, regardless of the amount of the net profit of the Bank for the corresponding year;
 - in case of liquidation of the Bank, the priority to obtain the property of the Bank remaining after settlement with creditors, in proportion to the quantity of owned preference shares;
 - convert preference shares of certain class into ordinary shares of the Bank or into preference shares of other class as set by legislation of Ukraine and by the decision of General Meeting of Shareholders;
 - obtain information on activity of the Bank, status of its assets, amount of its profit and losses in accordance with the procedure set for the shareholders – owners of ordinary shares;
 - obtain and exercise other rights provided by Ukrainian law and the Articles of Association of the Bank.
 - Privileges (according to terms of privileged shares issue): payment of dividends to holders of registered preference shares amounts to 18% annually, irrespective of received profit by the Bank in the relevant year.
 - Restrictions (according to Charter): voting at the General Meeting is carried out in the following way: one ordinary registered share – one vote.
 - Other rights, privileges and restrictions stipulated in the Ukrainian legislation.
- e) amount and conditions of shares, to be issued at the conditions of options and sale contracts – none.

Note 22. Reserve and other funds of the bank

(UAH, ths)

Line	Item description	Revaluation fund								Accumulate translation difference	Other	Total reserve and other funds of the bank
		non-current assets, held for sale, and discontinued operations being disposed				other assets, excluding non-current assets, held for sale, and discontinued operations being disposed						
		Available -for-sale securities	fixed and intangi-ble assets	Equity investments	hedging operations	Availab le-for-sale securiti es	fixed and intangible assets	Equity investments	hedging operations			
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Balance as of 1 January 2008	-	-	-	-	-	204 058	-	-	-	14 059	218 117
2	Revaluation	-	-	-	-	-	62 425	-	-	-	-	62 425
3	Revaluation of disposed assets	-	-	-	-	-	(1 604)	-	-	-	-	(1 604)
4	Translation differences	-	-	-	-	-	-	-	-	-	-	-
5	Income tax effect	-	-	-	-	-	(15 219)	-	-	-	-	(15 219)
6	Flow of funds from general reserves and bank's funds, created from profits	-	-	-	-	-	-	-	-	-	1 899	1 899
7	Balance as of end of 31 December 2008 (balance as of 1 January 2009)	-	-	-	-	-	249 660	-	-	-	15 958	265 618
8	Revaluation	-	-	-	-	-	(83 541)	-	-	-	-	(83 541)
9	Revaluation of disposed assets	-	-	-	-	-	(661)	-	-	-	-	(661)
10	Translation	-	-	-	-	-	-	-	-	-	-	-

(UAH, ths)

Line	Item description	Revaluation fund								Accumulate translation difference	Other	Total reserve and other funds of the bank
		non-current assets, held for sale, and discontinued operations being disposed				other assets, excluding non-current assets, held for sale, and discontinued operations being disposed						
		Available -for-sale securities	fixed and intangi-ble assets	Equity investments	hedging operations	Availab le-for-sale securiti es	fixed and intangible assets	Equity investments	hedging operations			
1	2	3	4	5	6	7	8	9	10	11	12	13
	differences											
11	Income tax effect	-	-	-	-	-	17 384	-	-	-	-	17 384
12	Increase in Reserve Fund from profits of past years	-	-	-	-	-	-	-	-	-	23 626	23 626
13	Covering of loss for 2009	-	-	-	-	-	-	-	-	-	(18 823)	(18 823)
14	Flow of funds from general reserves and bank's funds, created from profits	-	-	-	-	-	-	-	-	-	-	-
15	Balance as of the end of 31December 2009	-	-	-	-	-	182 842	-	-	-	20 761	203 603

"Other" is amount of reserve funds, formed by the bank and recorded at the GL 5021. PJSCCB "PRAVEX-BANK" composes reserve fund for covering contingent losses on all assets items and off-balance liabilities.

Note 23. Interest income and expenses

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
	Interest income for:		
1	Due from clients	820 137	772 519
2	Available-for-sale debt securities	6 343	890
3	Held-to-maturity debt securities	93	-
4	Due from other banks	1 592	15 699
5	Trading debt securities	-	1 484
6	Other debt securities, recorded at fair value through profit or loss	-	-
7	Receivables related to repo agreements – trading securities	-	-
8	Correspondent accounts with other banks	669	1 348
9	Overnight deposits with other banks	13	-
10	Interest income for impaired financial assets	-	-
11	Cash and cash equivalents	-	-
12	Financial leasing (lease)	-	-
13	Other	-	162
14	Total interest income	828 847	792 102
	Interest costs for:		
15	Term deposits of legal entities	(30 297)	(26 758)
16	Debt securities issued	(2 401)	(35 516)
17	Other raised funds	-	-
18	Term deposits of individuals	(385 362)	(323 751)
19	Term deposits of other banks	(75 112)	(49 582)
20	Overnight deposits of other banks	-	-
21	Current accounts	(39 450)	(10 860)
22	Correspondent accounts	-	(4 285)
23	Financial leasing (lease)	-	-
24	Other	(7 188)	(3 619)
25	Total interest expenses	(539 810)	(454 371)
26	Net interest income (expenses)	289 037	337 731

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Note 24. Commission income and expenses

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
	Commission income		
1	Commission income from financial instruments, not recorded at fair value through profit or loss:	222 454	442 907
1.1	Settlement transactions	44 916	142 420
1.2	Cash services	162 253	291 674
1.3	Encashment	-	-
1.4	Securities transactions	13	28
1.5	Trust services	-	-
1.6	Guarantees issued (note 22)	23	60
1.7	Other	15 249	8 725
2	Commission income from financial instruments at fair value through profit or loss	-	-
3	Total commission income	222 454	442 907
	Commission expenses		
4	Commission income	(12 429)	(5 241)
4.1	Commission income from financial instruments, not recorded at fair value through profit or loss:	(2 655)	(2 336)
4.2	Settlement transactions	(9 212)	(2 233)
4.3	Cash services	-	-
4.4	Encashment	-	-
4.5	Other	(562)	(672)
5	Commission income from financial instruments at fair value through profit or loss:	-	-
6	Total commission expenses	(12 429)	(5 241)
7	Net commission income/expenses	210 025	437 666

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Note 25. Other operating income

(UAH, ths)

Line	Item description	Comments	2009	2008
1	2	3	4	5
1	Dividends		45	8
2	Income from lease of investment property		77	-
3	Income from sublease		13	17
4	Income from operational leasing		721	718
5	Negative goodwill, recognized as income		-	-
6	Income from fixed and intangible assets disposal		-	-
7	Income from investment property disposal		-	-
8	Royalty		-	-
9	Other		51 606	70 161
10	Total operating income		52 462	70 904

Item "Other" breakdown

Line	Item description		2009	2008
1	finances and penalties received		27 322	51 458
2	income from encashment activity		1 347	972
3	income from payment cards settlements		9 022	8 272
4	income from customer reimbursement of executive notes expenses		4	25
5	reimbursement of cash shortages		2 167	1 946
6	income from Visa Inc. shares buyback, the holder of which is the bank		9 042	5 088
7	compensation for producing new locks for safe deposit boxes		131	108
8	income from consulting services		3	1 473
9	increase in performance results due to tax credit		162	181
10	returned payments on settlements with Arbitration court		339	236
11	proceeds from significant change in retail loans		196	-
12	non-demanded funds on accounts upon expiry of limitation period		1 559	-
13	other operating income		312	402
	Total		51 606	70 161

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Note 26. Administrative and other operational expenses

(UAH, ths)

Line	Item description	2009	2008
1	Personnel expense	(367 069)	(472 585)
2	Depreciation of fixed assets	(37 618)	(37 305)
3	Impairment of fixed assets and intangible assets	(10 188)	(4 295)
4	Revaluation of capital assets and intangible assets	31	-
5	Loss from goodwill impairment	-	-
6	Amortization of software and other intangible assets	(2 880)	(5 321)
7	Maintenance expense on fixed and intangible assets, telecommunication, other operational services and mobile connection, unusable valuables write-off	(67 973)	(83 542)
8	Operating lease expense	(69 316)	(56 805)
9	Loss from intangible assets and fixed assets disposal	(1 709)	(3 045)
10	Charge to impairment provision for accounts receivable	(749)	(1 132)
11	Encashment and values transportation expense	(2 533)	(2 238)
12	Payment systems expense	(11 797)	(13 127)
13	Loan collection service expense	(5 317)	-
14	Professional services expense	(32 249)	(11 805)
15	Advertising and marketing expense	(12 745)	(21 851)
16	Security expense	(14 778)	(14 483)
17	Expense on other taxes and compulsory payments, excluding income tax	(19 840)	(21 826)
18	Impairment of non-current assets held for sale or discontinued operations being disposed	-	-
19	Other	(13 503)	(22 387)
20	Total of administrative and other operational expenses	(670 233)	(771 747)

The proceeds from lease of investment property for 2009 amounted to UAH 77 ths. (for 2008 – 0).

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Note 27. Profit tax expenses

Table 27.1 Profit tax expenses

(UAH, ths)			
Line	Item description	2009	2008
1	2	3	4
1	Current profit tax	-	15 923
2	Deferred profit tax	(177 756)	(5 612)
3	Total:	(177 756)	10 311

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Table 27.2. Reconciliation of financial income (loss) and fiscal income (loss)

(UAH, ths)			
Line	Item description	2009	2008
1	2	3	4
1	Profit before tax	(935 219)	(8 512)
2	Profit tax calculated by the deduction rate	(233 805)	(2 128)
	Adjustments of financial income (loss)		-
3	Expenses not included into gross ones with the purpose of calculating tax income, but recognized in accounting.	53 982	34 878
4	Expenses included into gross ones with the purpose of calculating tax income, but not recognized in accounting.	(52 902)	(27 359)
5	Income to be profit taxed (not included) into financial profit (loss)	31 785	12 012
6	Income not to be profit taxed, but recognized in accounting	(1 338)	(1 338)
7	Depreciation charges based on financial accounting data	10 124	10 656
8	Depreciation for fiscal purposes	(9 434)	(10 224)
9	<i>Other sums not included either into income or expenses but into tax base</i>	(302)	(574)
10	Profit tax (loss)	(201 890)	15 923

Description to the Table 27.2 Reconciliation of financial income (loss) and fiscal income (loss)

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
	<i>Expenses not included into gross expenditures with the purpose of calculating tax profit but recognized in accounting</i>		
1	Provisions for doubtful profit	30 760	13 589
2	Provisions for standard debts	-	2 307
3	Provisions for accounts receivable	187	283
4	Translation difference from loan-loss provisions revaluation	-	6 236
5	Provisions for unused vacations	9 471	3 321
6	Expenses included into gross ones at first event in previous reporting periods	2 978	3 349
7	Expenses of non – production – related purposes	9 698	3 657
8	Loss for fixed assets liquidation in the financial accounting	436	769
9	Money transfer to non-profitable organizations (if less than 2%)	95	702
10	Expenses for related parties transactions	-	3
11	Improvement of fixed assets for more than 10% limit	-	617
12	Tax credit incl. VAT	61	45
13	Other expenses (recognition of significant changes in loans/deposits, amortization of premiums/discounts by financial instruments)	296	-
	Total:	53 982	34 878
	<i>Expenses included into gross ones with the purpose of calculating tax profit but not recognized in accounting</i>		
1	Expenses for purchasing fixed assets for less than UAH 1000	7	326
2	Fixed assets of the 1 st group with book cost less than UAH 1700	6	31
3	Doubtful income claimed to court in the reporting period	16 486	9 927
4	Not fully amortized capital investments while terminating rent agreements	796	360
5	Expenses on advertising campaigns	-	192
6	Loss of stock in warehouse	110	130
7	Expenses included into gross ones at first event in the reporting period	2 313	3 648
8	Expenses on bonds interests	55	1 991
9	Capital improvements	196	2 318
10	Relief of provisions	25 562	8 265

Line	Item description	2009	2008
1	2	3	4
11	Loan interests paid during 2 business days after transferring sum of loan to the Bank	-	171
12	Provisions for unused vacations	7 371	-
	Total:	52 902	27 359
	<i>Income to be profit taxed (does not belong) to accounting profit (loss):</i>		
1	Income from advertising campaigns	67	145
2	Income from sale and free of charge transfer of fixed assets	47	71
3	Repayment of interests included into gross expenditures during previous tax periods	-	594
4	Income from bonds placement with accrued interests	-	1 456
5	Income in tax accounting from relief of provisions	28 156	8 667
6	Income from bonds placement with premium	-	176
7	Early repayment of bonds lower than par value price	-	12
8	Proceeds from securities trading	-	371
9	Proceeds from related-parties transactions	31	228
10	Revaluation of assets under forward contracts	-	129
11	Increase in warehouse stocks	196	163
12	Accrued interests regarding which the accrual in fiscal accounting is suspended	3 130	-
13	Retained earnings as of beginning of the reporting year	52	-
14	Other income	106	-
	Total:	31 785	12 012
	<i>Income not to be profit taxed but is recognized in accounting</i>		
1	Reimbursement of cash shortages	542	492
2	Accrued interests that have been suspended in tax accounting	-	401
3	Accrued interests for securities in financial accounting	-	371
4	Retained earnings as of beginning of reporting year	69	19
5	Profit/Loss from fixed assets sale	9	8
6	Tax credit incl. VAT	40	47
7	Other income	678	-
	Total:	1 338	1 338
	<i>Other sums not included either into income or expenses but into tax base:</i>		
1	Return of mistakenly accrued commission	-	(26)
2	Additional charge of income from related-parties transactions	4	22

Line	Item description	2009	2008
1	2	3	4
3	Additionally charged expenses from the premises lease	(21)	15
4	Doubtful profit claimed to court during previous periods	353	80
5	Recalculation of depreciation charges for fixed assets	(5)	306
6	Decrease in business transactions expenses	(29)	(6)
7	Increase in share contributions for city infrastructure development	-	183
8	Increase in Reserve Fund out of dividends	-	-
9	Increase in income from Mastercard shares buyback	-	-
10	Increase in commission income from transactions with American Expres	-	-
	Total:	302	574

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Table 27.3 Tax consequences from recognition of deferred tax assets and liabilities for 2009

(UAH, ths)

Line	Deferred tax assets and liabilities	Balance as at January 1, 2009	Business Combinations	Transfer to long-term assets available-for-sale	Recognized in financial result	Recognized in equity	Balance as at day end on December 31, 2009
1	Loan-loss provision (DTA)	-	-	-	(85 796)	-	(85 796)
2	Provision for unused vacations (DTA)	(9 444)	-	-	1 802	-	(7 642)
3	Provisions for other payments recognized as liabilities (DTA)	-	-	-	(3 902)	-	(3 902)
4	Tax loss in the reporting year (DTA)	-	-	-	(201 890)	-	(201 890)
5	Impairment provision (DTA)	-	-	-	66 986	-	66 986
6	Retained earnings of future periods (DTA)	(141)	-	-	(239)	-	(380)
7	Amortization of premium (discount) from recognition of financial asset (DTL)	-	-	-	259	-	259
8	Book value of fixed capital assets (DTL)	-	-	-	1 205	-	1 205
9	Fixed assets revaluation (DTL)	78 331	-	-	-	(17 384)	60 947
10	Doubtful interest (DTL)	55	-	-	27 704	-	27 759
11	Expense included in gross expense on the basis of first event in reporting year (DTL)	734	-	-	(682)	-	52
12	Depreciation of fixed production assets (DTL)	3 681	-	-	(3 681)	-	-
13	Doubtful interest	(20 750)	-	-	20 750	-	-

Line	Deferred tax assets and liabilities	Balance as at January 1, 2009	Business Combinations	Transfer to long-term assets available-for-sale	Recognized in financial result	Recognized in equity	Balance as at day end on December 31, 2009
	(DTA)						
14	Depreciation of fixed production assets (DTA)	190	-	-	(190)	-	-
15	Retained earnings of future periods (DTL)	105	-	-	(105)	-	-
16	Interest expense on issued bonds (DTA)	(324)	-	-	324	-	-
17	Interest expense on issued bonds (DTL)	479	-	-	(479)	-	-
18	Expense included in gross expense on the basis of first event in fiscal year (DTA)	(178)	-	-	178	-	-
19	Net deferred tax asset (liability)	52 738	-	-	(177 756)	(17 384)	(142 402)
20	Recognized deferred tax asset	(30 647)	-	-	(201 977)	-	(232 624)
21	Recognized deferred tax liability	83 385	-	-	24 221	(17 384)	90 222

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Table 27.4 Tax consequences from recognition of deferred tax assets and liabilities for 2008

							(UAH, ths)
Line	Deferred tax assets and liabilities	Balance as of January 1, 2008	Business combinations	Transfer to the long term assets available-for-sale	Recognized in financial results	Recognized in equity	Balance as of end of the day December 31, 2008
1	Depreciation of fixed capital assets (DTA)	190	-	-	-	-	190
2	Depreciation of fixed capital assets (DTL)	3 373	-	-	308	-	3 681
3	Doubtful interest receivable (DTA)	(17 171)	-	-	(3 579)	-	(20 750)
4	Doubtful interest receivable (DTL)	55	-	-	-	-	55
5	Unallocated deferred income (DTA)	(151)	-	-	10	-	(141)
6	Unallocated deferred income (DTL)	105	-	-	-	-	105
7	Interest costs for bonds issued (DTA)	(324)	-	-	-	-	(324)
8	Interest costs for bonds issued (DTL)	-	-	-	479	-	479
9	Expenses included into gross ones at first event in previous reporting periods (DTA)	(178)	-	-	-	-	(178)
10	Provisions for unused vacations (DTA)	(6 123)	-	-	(3 321)	-	(9 444)
11	Expenses included into gross ones at first event in previous reporting periods (DTL)	(243)	-	-	(491)	-	(734)
12	Fixed assets revaluation (DTL)	(63 112)	-	-	-	(15 219)	(78 331)
13	Net deferred tax assets / liabilities	(43 131)	-	-	5 612	(15 219)	(52 738)
14	Recognized deferred tax asset	23 757	-	-	6 890	-	30 647
15	Recognized deferred tax liability	(66 888)	-	-	(1 278)	(15 219)	(83 385)

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Note 28. Profit/(loss) per one ordinary and preferred share**Table 28.1. Net and adjusted profit /(loss) per one ordinary and preferred share**

(UAH, ths)

Line	Item description	Notes	2009	2008
1	2	3	4	5
1	Profit /(loss) of shareholders - owners of ordinary shares		(757 463)	(18 823)
2	Profit /(loss) of shareholders - owners of preferred shares		270	270
3	Annual profit/(loss)		(757 463)	(18 823)
4	Average annual number of ordinary shares in turnover (ths., items)		1 049 354	469 016
5	Average annual number of preferred shares in turnover (ths., items)	21	1 500	1 500
6	Net profit /(loss) per one ordinary share (UAH)	21	(0,72)	(0,04)
7	Adjusted net profit /(loss) per one ordinary share (UAH)		(0,72)	(0,04)
8	Net profit /(loss) per one preferred share (UAH)		0,18	0,18
9	Adjusted net profit /(loss) per one preferred share (UAH)		0,18	0,18

According to terms and conditions of “PRAVEX-BANK” PJSCCB shares issue, if profit of certain year is insufficient, the dividends on registered preferred stock should be paid out of Reserve Fund.

Table 28.2. Profit / (loss) of shareholders - owners of ordinary and preferred stock

(UAH, ths)

Line	Item description	Note	2009	2008
1	2	3	4	5
1	Profit/(loss) annual		(757 463)	(18 823)
2	Profit /(loss) of shareholders - owners of ordinary shares		(757 463)	(18 823)
3	Average annual number of ordinary shares in turnover (ths., items)		1 049 354	469 016
4	Net profit/(loss) per one ordinary share (UAH)		(0,72)	(0,04)
5	Profit /(loss) of shareholders- owners of preferred shares		270	270
6	Average annual number of preferred shares in turnover (ths., items)		1 500	1 500
7	Net profit/(loss) per one preferred share (UAH)		0,18	0,18

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Table 29. Dividends

(UAH, ths)

Line	Item description	2009		2008	
		For ordinary shares	For preferred shares	For ordinary shares	For preferred shares
1.	Balance as of January 1	-	-	-	-
2.	Dividends to be paid during a year	-	270	-	-
3.	Increase of reserve fund out of dividends	-	(270)	-	-
4.	Balance as of EOB December 31	-	-	-	-

The General Shareholders' Meeting held in 2008 approved the allocation of profit received in 2007. The profit of 2007 remained after reserve fund formation should be directed to dividends payment, in particular, UAH 270 ths. – for preferred stock, UAH 35 804 ths. – for ordinary shares) to be directed to increase of the Bank's authorized capital by reinvesting dividends exclusively by increase of par value.

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Note 30. Reporting segments

Table 30.1. Main segments of banking activity by contractors of the segment for 2009

(UAH, ths)

Line	Item description	Reporting segments					withdrawals	Total
		corporate services	retail services	securities operations	interbank operations	other operations		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1	Income from external contractors	94 342	989 746	15 478	95 482	-	-	1 195 048
2	Income from other segments	-	-	-	-	39 676	-	39 676
3	Total income	94 342	989 746	15 478	95 482	39 676	-	1 234 724

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Note 30.2. Type of income and expenses of reporting segments for 2009

(UAH, ths)

Line	Item description	Names of Reporting Segments					Withdrawals	Total
		services to the corporate clients	services to the individuals	operations with securities	operations at the interbank market	other operations		
1	Interest income	48 058	772 079	6 436	2 274	-	-	828 847
2	Commission income	43 362	175 969	-	3 123	-	-	222 454
3	Other income	2 813	31 839	9 042	10 918	39 676	-	94 288
4	Profit/loss from trading operations	109	9 859	-	79 167	-	-	89 135
5	Total income	94 342	989 746	15 478	95 482	39 676	-	1 234 724
6	Interest expenses	(53 845)	(408 452)	(2 401)	(75 112)	-	-	(539 810)
7	Commission expenses	-	(2 395)	-	(10 034)	-	-	(12 429)
8	Other expenses	(8 990)	(118 404)	(52)	(1 863)	(16 275)	-	(145 584)
9	Expenses to provisions	(98 030)	(851 136)	-	1 425	-	-	(947 741)
10	General administrative expenses (without amortization expenses)	(38 083)	(391 094)	(1 238)	(9 913)	(43 554)	-	(483 882)
11	Total expenses	(198 948)	(1 771 481)	(3 691)	(95 497)	(59 829)	-	(2 129 446)
12	Segment result	(104 606)	(781 735)	11 787	(15)	(20 153)	-	(894 722)
13	Unallocated expenses	-	-	-	-	-	-	-
14	Amortization expenses	-	-	-	-	(40 497)	-	(40 497)
15	Profit share in associated company after tax	-	-	-	-	-	-	-
16	Income/(loss) before tax	-	-	-	-	-	-	(935 219)
17	Income tax expenses	-	-	-	-	-	-	177 756
18	Income /(loss)	-	-	-	-	-	-	(757 463)

Description of "Other operations", line 10 "General administrative expenses"

(UAH, ths)

Line	Reporting segments	Amount
1	operational and economic expenses not divided by segments	(892)
2	other administrative expenses	(11)
3	expenses for maintenance of fixed assets and intangible assets	(23 497)
4	taxes and other obligatory payments, except income tax	(19 154)
	Total	(43 554)

Description of "Other operations" , line 8, "Other expense"

(UAH, ths)

Line	Reporting segments	Amount
1	expenses for audit	(5 247)
2	expenses for "Liga" informational services	(115)
3	penalties paid	(306)
4	expenses from fixed assets write down	(10 188)
5	economic expenses not divided by segments	(419)
	Total	(16 275)

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Table 30.3. Assets and liabilities of reporting segments for 2009

(UAH, ths)

Line	Item description	Reporting segments					withdrawals	Total
		corporate services	retail services	securities operations	interbank operations	other operations		
1	Long-term assets held for sale (or disposal groups)	-	-	-	-	-	-	-
2	Other assets of segments	308 400	4 139 122	200 152	1 891 482	891	-	6 540 047
3	Total assets of segments	308 400	4 139 122	200 152	1 891 482	891	-	6 540 047
4	Equity investments	-	-	-	-	-	-	-
5	Current and deferred tax assets	-	-	-	-	-	-	144 833
6	Other unallocated assets	-	-	-	-	735 911	-	735 911
7	Total assets	308 400	4 139 122	200 152	1 891 482	736 802	-	7 420 791
8	Liabilities directly related to long-term assets held for sale (or disposal groups)	-	-	-	-	-	-	-
9	Other liabilities of segments	738 697	3 928 656	97	1 664 005	10 330	-	6 341 785
10	Total liabilities of segments	738 697	3 928 656	97	1 664 005	10 330	-	6 341 785
11	Current and deferred tax liabilities	-	-	-	-	-	-	-
12	Other unallocated liabilities	-	-	-	-	-	-	-
13	Total liabilities	738 697	3 928 656	97	1 664 005	10 330	-	6 341 785

Description of line 6 "Other unallocated assets"

(UAH, ths)

Line	Reporting segments	Amount
1	fixed assets and intangible assets	462 581
2	banknotes and coins in cash desk and in transit	273 330
3	Total	735 911

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Table 30.4. Main segments of banking activity by contractors of the segment for 2008

(UAH, ths)

Line	Item description	Reporting segments					withdrawals	Total
		corporate services	retail services	securities operations	interbank operations	other operations		
1	2	3	4	5	6	7	8	9
1	Income from external contractors	118 552	1 163 167	7 192	104 297	-	-	1 393 208
2	Income from other segments	-	-	-	-	65 690	-	65 690
3	Total income	118 552	1 163 167	7 192	104 297	65 690	-	1 458 898

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Table 30.5 Type of income and expenses of reporting segments for 2008

(UAH, ths)

Line	Item description	Reporting segments					withdrawals	Total
		corporate services	retail services	securities operations	interbank operations	other operations		
1	2	3	4	5	6	7	8	9
1	Interest income	73 672	698 847	2 374	17 209	-	-	792 102
2	Commission income	38 751	400 053	-	4 103	-	-	442 907
3	Other income	1 976	63 006	5 088	-	65 690	-	135 760
4	Profit/loss from trading operations	4 153	1 261	(270)	82 985	-	-	88 129
5	Total income	118 552	1 163 167	7 192	104 297	65 690	-	1 458 898
6	Interest expenses	(32 726)	(332 261)	(35 516)	(53 868)	-	-	(454 371)
7	Commission expenses	-	(2 183)	-	(3 058)	-	-	(5 241)
8	Other expenses	(8 327)	(90 637)	(1 101)	(1 108)	(8 768)	-	(109 941)
9	Expenses to provisions	(7 555)	(228 494)	-	(901)	(233)	-	(237 183)
10	General administrative expenses (without amortization expenses)	(40 808)	(490 344)	(4 532)	(1 542)	(80 822)	-	(618 048)
11	Total expenses	(89 416)	(1 143 919)	(41 149)	(60 477)	(89 823)	-	(1 424 784)
12	The result of segment	29 136	19 248	(33 957)	43 820	(24 133)	-	34 114
13	Unallocated expenses	-	-	-	-	-	-	-
14	Amortization expenses	-	-	-	-	(42 626)	-	(42 626)
15	Profit share in associated company after tax	-	-	-	-	-	-	-
16	Income/(loss) before tax							(8 512)
17	Income tax expenses							(10 311)
18	Income /(loss)							(18 823)

Description of "Other operations", line 10 "General administrative expenses"

(UAH, ths)

Line	Item description	Amount
1	expenses on personnel not divided by segments	(1 401)
2	operational and economic expenses not divided by segments	(17 331)
3	expenses for telecommunication	(31 422)
4	other administrative expenses	(917)
5	expenses for maintenance of capital assets and intangible assets	(25 520)
6	payment of taxes and other obligatory payments, except income tax	(4 231)
	Total	(80 822)

Description of "Other operations", line 8 "Other expense"

(UAH, ths)

Line	Reporting Segments	Amount
1	expenses for audit	(1 166)
2	expenses for seminars, subscription, "Liga" informational services	(684)
3	finances paid	(1 713)
4	expenses from capital assets write down	(4 295)
5	economic expenses not divided by segments	(910)
	Total	(8 768)

Table 30.6 Assets and liabilities of reporting segments for 2008

(UAH, ths)

Line	Item description	Reporting segments					withdrawals	Total
		corporate services	retail services	securities operations	interbank operations	other operations		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1	Long-term assets held for sale (or disposal groups)	-	-	-	-	-	-	-
2	Other assets of segments	303 256	5 635 693	58	470 651	5 449	-	6 415 107
3	Total assets of segments	303 256	5 635 693	58	470 651	5 449	-	6 415 107
4	Investments into associated companies	-	-	-	-	-	-	-
5	Current and postponed tax assets	-	-	-	-	-	-	-
6	Other unallocated assets	-	-	-	-	879 855	-	879 855
7	Total assets	303 256	5 635 693	58	470 651	885 304	-	7 294 962
8	Liabilities directly related to long-term assets held for sale (or disposal groups)	-	-	-	-	-	-	-
9	Other liabilities of segments	640 669	3 490 158	22 162	1 750 499	2 532	-	5 906 020
10	Total liabilities of segments	640 669	3 490 158	22 162	1 750 499	2 532	-	5 906 020
11	Current and postponed tax liabilities	-	-	-	-	-	-	56 439
12	Other unallocated liabilities	-	-	-	-	-	-	-
13	Total liabilities	640 669	3 490 158	22 162	1 750 499	2 532	-	5 962 459

Description of line 6 "Other unallocated assets"

(UAH, ths)

Line	Reporting segments	Amount
1	fixed assets and intangible assets	583 094
2	banknotes and coins in cash desk and in transit	296 761
3	Total	879 855

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Table 30.7. Geographical segments for 2009

(UAH, ths)

Line	Item description	Ukraine	Europe	USA	FSU countries	Other countries	Total
1	2	3	4	5	6	7	8
1	Long-term assets held for sale (or disposal groups)	-	-	-	-	-	-
2	Other segments assets	5 753 792	1 555 349	101 840	9 592	218	7 420 791
3	Total segments assets	5 753 792	1 555 349	101 840	9 592	218	7 420 791
4	External income reporting segments	1 216 614	579	17 076	442	48	1 234 759
5	Capital investment	-	-	-	-	-	-
6	Credit liabilities (note 33)	854 933	-	-	1 717	573	857 223

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Table 30.8 Geographical segments for 2008

(UAH, ths)

Line	Item description	Ukraine	Europe	USA	FSU countries	Other countries	Total
1	2	3	4	5	6	7	8
1	Long-term assets held for sale (or disposal groups)	-	-	-	-	-	-
2	Other segments assets	6 919 211	98 649	270 242	6 578	282	7 294 962
3	Total segments assets	6 919 211	98 649	270 242	6 578	282	7 294 962
4	External income reporting segments	1 448 667	1 089	8 283	644	248	1 458 931
5	Capital investment	-	-	-	-	-	-
6	Credit liabilities (Note 33)	1 143 401	-	-	814	543	1 144 758

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Note 31. Financial Risk Management

Almost every activity of the Bank is accompanied by risks; to minimize these kinds of risk, the system of risk assessment and control has been established within “Pravex-Bank” PJSCCB that functions in accordance with “Pravex-Bank” PJSCCB internal regulations, requirements and recommendations of NBU, external audit firms, international ratings agencies and experience of the anchor financial institutions.

In order to maintain a high-quality risk-management and sustain the due level of profitability the Bank has established Assets and Liabilities Management Committee (ALCO) and Credit Committee.

Core objective of **ALCO** is protection of shareholders equity and its placement, reconciliation of the bank’s assets and liabilities, taking into consideration their price structure and maturity profile, in line with legislation or relevant internal regulations, as well as with instructions from Parent Company.

The following tasks are within the competence of ALCO:

- monitoring and evaluation of the balance sheet structure on a regular basis;
- expected revenue compared to current business activities;
- evaluation of the overall market condition, evaluation of the Bank compared to its competitors;
- approval of terms and conditions for new financial products or amendment of terms and conditions for current products;
- definition of Policy and limits in line with Group’s regulations for management of the following risks: market risks, interest rate risks, liquidity risks, foreign exchange and operational risks;
- monitoring of adherence to the limits (internal and external requirements).

The Credit Committee is the superior authority in credit issues within the scope defined by the Supervisory Board of the Bank, its responsibilities and targets comprise at least the following:

- to establish and periodically review the credit policy;
- to review the Risk Management documentation on a quarterly basis;
- to review the credit instruction, including its principles and policy (incl. delegation of powers) on a regular basis, suggesting to the Supervisory Board amendments to it, if any;
- to estimate the maximum risk by:
 - market segments;
 - business fields;
 - products;
 - terms;
 - currencies;
- to discuss and decide on loan proposal within the amounts established/determined by the Supervisory Board of the Bank;

- to define the form of reporting to the Management Board of the Bank
- to request an advisory opinion from Intesa Sanpaolo S.p.A. for those loan proposals that exceed amount defined by the Supervisory Board of the Bank;
- in case of positive advisory opinion from the Parent Company, the Credit Committee submits the loan to be approved by the Supervisory Board;
- in case if the advisory opinion from the Parent Company differs from what was initially requested, the Credit Committee, for commercial reasons, is authorized to cancel the advisory opinion based on the procedures and regulations provided by the Parent Company. The Credit Committee submits the loan for approval to the Supervisory Board;
- Decisions of Credit Committee are mandatory and are recorded in the minutes of the Credit Committee. The approved proposals are valid since the date of that Committee session when they were approved.
- The minutes of Credit Committee is submitted to Loan Department of International Subsidiary Banks Division.

The Assets Quality Session is the extended session of Credit Committee and aims to take actions necessary for prevention and mitigation of loan losses. The Asset Quality Session analyzes loan portfolio and its quality, recommends the methodology of the borrowers' classification and is responsible for the rating system of the Bank.

The Assets Quality Session is in charge for performing the following tasks:

- to approve/reject and to amend classification of a borrower;
- to take necessary actions regarding overdue loans, including booking of provisions, write-off and sale of assets;
- to evaluate regular actions and measures taken in order to manage overdue loans;
- to suggest to the Supervisory Board the policy concerning granting collateral for loans;
- Decisions of the Assets Quality Session are communicated to the Supervisory Board at least quarterly;
- Minutes of the Assets Quality Session comprises the minutes of Credit Committee and must be filed to Loan Department of International Subsidiary Banks Division.

Risk-management is considered to be an important component of complex management of the Bank's activities. Therefore, before performing any significant, in terms of volume, transaction, not only its impact on separate risks that may occur in case of its fulfillment is analyzed, but on all the scope of activity of the Bank as well, in particular, on the structure of its assets and liabilities; financial results, the Bank's profitability, assets quality, compliance with NBU requirements and the world's practical experience.

Taking into account the fact that "Pravex-Bank" PJSCCB is basically a retail bank, the major risks inherent to the Bank's transactions are those connected with credit risks, liquidity, changes of foreign exchange and market interest rates and operational risks.

Market Risk

The Bank is exposed to market risks that emerge in connection to open positions of interest rates, currencies and equity instruments that in a greater degree depend on overall and particular market changes. Assets and Liabilities Management Committee is in charge for setting the limits for amounts of risk that can be accepted by the Bank. In its market risk management the Bank applies

recommendations from the Intesa Sanpaolo S.p.A. Parent Company based upon instructions adopted by the Group.

The Parent Company conducts permanent monitoring of market risk which the Bank is exposed to within the policy and procedures established by Intesa Sanpaolo S.p.A. Group.

Currency Risk

The process of currency risk management is conducted in line with internal regulations of “Pravex-Bank” PJSCCB.

In order to manage currency risk the limits for an open currency position have been fixed (internal limits and sub-limits) separately for each business unit as well as for the overall open currency position of the Bank, in accordance with the NBU and Intesa Sanpaolo Group recommendations. These limits are necessary in order to prevent the Bank’s losses from revaluation of open currency position due to foreign exchange rates and banking metal prices fluctuations.

The limit for each business unit means calculated quantitative restriction on ratio between open currency position and regulatory capital of the Bank. Limits constrain the amount of possible risks for the Bank in case of changes in foreign exchange rates/banking metal prices.

Methodology and Market and Operational Risk Department controls foreign exchange risk through management of open currency position based on assessment of hryvnia devaluation and other macroeconomic indices, and in case of their significant change submits to consideration of the management of the Bank proposals regarding amendment of current limits not only in the set deadlines, but probably, more often. This enables Bank to minimize losses from significant foreign exchange rates fluctuations against national currency. “Pravex-Bank” PJSCCB conducts daily monitoring of open currency position of the Bank to comply with NBU requirements.

In order to analyze the correlation between financial result of the Bank and foreign exchange rate fluctuations the detailed breakdown of the bank’s income and expenses by different currencies (UAH, USD, EUR and other currencies) is performed, and the profit, received by the bank from transactions in certain currency is calculated. The bank is able to receive information regarding efficiency of work with certain currencies, and to plan the change in financial result from expected change of FX rates in the future.

Table 31.1. Analysis of currency risk

(UAH, ths)

Line	Currency	as of December 31, 2009 (EOB)				as of 31 December 2008 (EOB)			
		monetary assets	monetary liabilities	derivative financial instruments	net position	monetary assets	monetary liabilities	derivative financial instruments	net position
1	2	3	4	5	6	7	8	9	10
1	USD	3 756 674	3 955 726	-	(199 052)	3 508 969	3 473 684	-	35 285
2	EUR	553 597	566 357	-	(12 760)	530 945	543 930	-	(12 985)
3	RUR	7 858	5 767	-	2 091	8 718	3 720	-	4 998
4	Other	14 411	13 603	-	808	34 392	16 886	-	17 506
5	Total	4 332 540	4 541 453	-	(208 913)	4 083 024	4 038 220	-	44 804

Table 31.2. Change of financial result and equity following possible change in exchange rate set as of reporting date under condition that all other variable characteristics remain fixed

(UAH, ths)

Line	Item description	As of 31.12.2009 (EOB)		As of 31.12.2008 (EOB)	
		Impact on profit/ (loss)	Impact on equity	Impact on profit / (loss)	Impact on equity
1	2	3	4	5	6
1	USD increase for 5 %	(9 953)	(9 953)	1 764	1 764
2	USD decrease for 5 %	9 953	9 953	(1 764)	(1 764)
3	EUR increase for 5 %	(638)	(638)	(649)	(649)
4	EUR decrease for 5 %	638	638	649	649
5	RUR increase for 5 %	105	105	250	250
6	RUR decrease for 5 %	(105)	(105)	(250)	(250)
7	Increase of other currencies for 5%	40	40	875	875
8	Decrease of other currencies for 5%	(40)	(40)	(875)	(875)

Table 31.3. Change of financial result and equity following possible change in exchange rate set as an average weighted exchange rate, under the condition that all other variable characteristics remain fixed

(UAH, ths)					
Line	Item description	As of 31.12.2009 (EOB)		As of 31.12.2008 (EOB)	
		Impact on profit/ (loss)	Impact on equity	Impact on profit / (loss)	Impact on equity
1	2	3	4	5	6
1	USD increase for 5 %	(4 881)	(4 881)	(9 941)	(9 941)
2	USD decrease for 5 %	14 541	14 541	(12 355)	(12 355)
3	EUR increase for 5 %	42	42	3 304	3 304
4	EUR decrease for 5 %	1 253	1 253	4 226	4 226
5	RUR increase for 5 %	(41)	(41)	(766)	(766)
6	RUR decrease for 5 %	(236)	(236)	(1 169)	(1 169)
7	Increase of other currencies for 5%	323	323	(4 290)	(4 290)
8	Decrease of other currencies for 5%	215	215	(5 549)	(5 549)

Interests risk

To assess and to manage the interest rate risk the Bank applies the methodology for interest rate risk assessment, in particular: expected future cash flows are recorded in different periods of time applying change of interest rate in basis points to assets and liabilities sensitive to interest rate change. Also, expected assets and liabilities cash flows of the Bank are recorded in time periods not only by the contractual terms of payment, but also in accordance with certain assumptions regarding behaviour of certain items of assets and liabilities. The behaviour ratio is calculated by Methodology and Market and Operational Risk Department taking into consideration the historical data and statistical analysis. At present Bank is completing issues related to IT, settling of which will help to obtain more historical data to calculate behaviour ratios.

Apart from the abovementioned activity oriented to reducing the interest rate risk, "PRAVEX-BANK" PJSCCB conducts the following activities based on:

- studying the trend in change of spread between attracted and placed funds rates;
- defining the size of GAP between the assets and liabilities, sensitive to the change of rates in different periods of time;
- performance of control of gaps between the assets and liabilities, sensitive to the changes of interest rates on daily basis;
- performance of control of the level of net interest margin;
- keeping the weighted interest policy of the Bank, which is based on forming the interest rates on credits taking into consideration the cost price of liabilities and rating of the borrower, risk of operations;

– monthly monitoring of interest rates for active and passive operations considering market position of competitor banks.

The Bank does not breach the sensitivity limit for the interest rate change approved by the Financial Risks Committee of Intesa Sanpaolo Group and “PRAVEX-BANK” PJSCCB Management Board.

During 2009 the total change of interest rate sensitivity had been constantly decreasing, from UAH 43,5 mio in March to UAH 28,6 mio in November. The main reason is discontinuation of lending activity.

The Bank conducts thorough monitoring of interest rate risk by different currencies and has taken the appropriate measures to mitigate its impact. In particular, the Bank has started taking the following activities to reduce the impact from interest rate risk on its capital and profit:

- decrease in loans duration;
- implementation of methodology for defining the optimum floating rate (in UAH, USD and EUR) aiming to match in a due way the assets and liabilities by different currencies and maturity terms, as well as to mitigate the impact from interest rate change.

Table 31.4. General analysis of interest risk

(UAH, ths)

Line	Item Description	Upon demand and less than 1 month	from 1 to 6 months	from 6 to 12 months	More than 1 year	Total
1	2	3	4	5	6	7
2008						
1	Total financial assets	84 340	240 400	312 657	5 019 284	5 656 681
2	Total financial liabilities	722 584	2 722 911	975 368	273 221	4 694 084
3	Net gap as of the end of the day December 31 2008	(638 244)	(2 482 511)	(662 711)	4 746 063	962 597
2009						
4	Total financial assets	261 811	437 588	895 173	2 905 239	4 499 811
5	Total financial liabilities	1 156 433	1 194 536	961 592	1 793 400	5 105 961
6	Net gap as of the end of the day December 31 2009	(894 622)	(756 948)	(66 419)	1 111 839	(606 150)

Sensitivity of the bank’s profit and equity to interest rate change is based on the analysis of gaps between the assets and liabilities of the bank sensitive to interest rate change and modeling of interest rates changes.

Table 31.5. Monitoring of interest rates by financial instruments

(%)

Line	Item description	2009				2008			
		UAH	USD	EUR	other	UAH	USD	EUR	other
1	2	3	4	5	6	3	4	5	6
	Assets								
1	Cash and cash equivalents	-	-	-	-	-	-	-	-
2	Trading debt securities	5,00	-	-	-	-	-	-	-
3	Other debt securities recorded at fair value through profit or loss	-	-	-	-	-	-	-	-
4	Due from banks	5,69	-	-	-	0,09	5,17	1,02	-
5	Due from clients	20,29	13,56	13,31	-	22,32	13,91	14,07	-
6	Available-for-sale debt securities	-	-	-	-	-	-	-	-
7	Held-to-maturity debt securities	-	-	-	-	-	-	-	-
8	Other assets	-	-	-	-	-	-	-	-
9	Transfer of available-for-sale assets to long-term assets	-	-	-	-	-	-	-	-
	Liabilities								
10	Due to banks	-	3,56	-	-	35,00	5,88	7,25	-
11	Due to clients:								
11.1	Currents accounts	3,39	5,03	1,17	-	3,14	1,53	1,28	-
11.2	Term funds	20,99	11,97	10,86	-	16,81	11,51	10,08	-
12	Debt securities issued by the Bank	-	-	-	-	15,43	-	-	-
13	Other raised funds	-	-	-	-	-	9,80	-	-
14	Other liabilities	-	-	-	-	-	-	-	-
15	Subordinated debt	-	5,98	-	-	-	7,03	-	-
16	Liabilities related to held-for-sale long-term assets (or by disposal groups)	-	-	-	-	-	-	-	-

Price risk

Price risk is the risk that cost of financial instrument will be changing as a result of unfavorable fluctuation of prices of derivative or other financial instruments and goods, works, services, except from the cases when such fluctuation is caused by change of currency exchange rates or interest rates on the market.

Definition of price risk is based upon the analysis of the following indices: amount of change (deviation) of prices; quickness of change of prices, frequency of change of prices for banking products.

With the purpose of restriction of impact of price risk, tariff committees while preparing proposals as for setting tariffs for services provide by the Bank, perform comparative analysis of prices for banking products among the competitors-banks at the certain region for similar services, perform calculation of cost price of service, analyses of demand and supply at the market of banking products, analysis of the expected and received incomes from providing the services. Generally accepted tariffs fro new services of "PRAVEX-BANK" PJSCCB , making amendments (additions) to the existing tariffs of the Bank, are approved by the Chairperson of the Management Board of "PRAVEX-BANK" PJSCCB .

Analysis of price risk impact is performed on the constant basis.

Geographic Risk

Geographic risk is determined by specific features of certain administrative or geographic region that is characterized by conditions different from average ones for the country as a whole. Differences may concern climatic, national, political, legislative and other peculiarities of the region that influence condition of the borrower and so become a component of credit risk.

Concentration of assets and liabilities by regions is given in tables 31.6, 31.7.

Table 31.6. Analysis of geographic concentration of financial assets and liabilities for 2009

(UAH, ths)

Line	Item description	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	615 604	1 597 978	6 608	2 220 190
2	Trading securities	-	-	-	-
3	Other financial assets recorded at fair value through profit or loss	-	-	-	-
4	Due from banks	-	-	-	-
5	Due from clients	4 237 499	59 211	3 201	4 299 911
6	Available-for-sale securities	58	-	-	58
7	Held-to-maturity securities	200 093	-	-	200 093
8	Other financial assets	76 622	-	-	76 622
9	Total financial assets	5 129 876	1 657 189	9 809	6 796 874
10	Non-financial assets	623 917	-	-	623 917
11	Total assets	5 753 793	1 657 189	9 809	7 420 791
	Liabilities	-	-	-	-
12	Due to banks	4 289	1 600 477	6	1 604 772
13	Due to clients	4 346 630	22 579	7 895	4 377 104
14	Debt securities issued by the Bank	1	-	-	1
15	Other attracted funds	-	-	-	-
16	Other financial liabilities	127 731	58 817	2 264	188 812
17	Subordinated debt	-	-	117 359	117 359
18	Total financial liabilities	4 478 651	1 681 873	127 524	6 288 048
19	Non-financial liabilities	45 034	1 734	6 969	53 737
20	Total liabilities	4 523 685	1 683 607	134 493	6 341 785
21	Net balance sheet item	1 230 108	(26 418)	(124 684)	1 079 006
22	Credit liabilities	854 933	-	2 290	857 223

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Table 31.7. Analysis of geographic concentration of financial assets and liabilities for 2008

(UAH, ths)

Line	Item description	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	463 301	310 873	2 945	777 119
2	Trading securities	-	-	-	-
3	Other financial assets recorded at fair value through profit or loss	-	-	-	-
4	Due from banks	50 332	770	-	51 102
5	Due from clients	5 750 717	-	-	5 750 717
6	Available-for-sale securities	58	-	-	58
7	Held-to-maturity securities	-	-	-	-
8	Other financial assets	106 701	-	-	106 701
9	Total financial assets	6 371 109	311 643	2 945	6 685 697
10	Non-financial assets	609 265	-	-	609 265
11	Total assets	6 980 374	311 643	2 945	7 294 962
	Liabilities				
12	Due to banks	149 281	1 545 374	6	1 694 661
13	Due to clients	3 804 005	-	-	3 804 005
14	Debt securities issued by the Bank	20 659	-	1 489	22 148
15	Other attracted funds	-	35 058	-	35 058
16	Other financial liabilities	186 116	-	-	186 116
17	Subordinated debt	-	-	113 418	113 418
18	Total financial liabilities	4 160 061	1 580 432	114 913	5 855 406
19	Non-financial liabilities	107 053	-	-	107 053
20	Total liabilities	4 267 114	1 580 432	114 913	5 962 459
21	Net balance sheet item	2 713 260	(1 268 789)	(111 968)	1 332 503
22	Credit liabilities	1 143 401	814	543	1 144 758

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Liquidity risk

The process of liquidity risk management is performed according to internal Regulations of “PRAVEX-BANK” PJSCCB.

The liquidity risk is the Bank’s risk of non-performing its payment obligations within fixed date (risk of liquidity in financing). As a rule, the Bank is able to cover the outflow of funds out of receipt of funds, highly liquid assets and its own ability to receive loans. As regards highly liquid assets, in particular in case of crisis in the market, their sale or use as a guarantee in exchange for money becomes extremely difficult (or even impossible); based on it the Bank’s liquidity risk is closely related to liquidity conditions at the market (market liquidity risk).

In March 2009 the Supervisory Board of the Bank has approved Instructions on Intesa Sanpaolo Group liquidity risk management. The new instructions include three macrozones: short-term, structural and emergency action plan in case of liquidity crisis. In the course of implementing abovementioned instruction – transitory period, “PRAVEX-BANK” PJSCCB has started adjusting control under internal governance, as well as its organizational process and IT systems.

To manage the liquidity risk, the Bank conducts constant monitoring of future expected cash flows as regards operations with customers and banking operations, which is a part of the process of assets/liabilities management. The liquidity position is assessed and managed by the Bank based on internal liquidity ratio based on NBU liquidity standards.

The Bank has introduced the limits for short-term liquidity and structural liquidity:

- the short-term liquidity policy includes a set of indicators system, restrictions and appropriate thresholds that makes it possible to evaluate the liquidity risk the Bank is exposed to during short period, fixing the maximum acceptable level of risk and providing the best balance in its management;
- the policy of structural liquidity of the Bank stipulates adoption of internal restrictions concerning discrepancies in medium/long terms of payments aimed to prevent excessive imbalances on medium/short-term transactions that must be financed within the short term.

In order to ensure effective management, every month the resource base calculates minimum balance (limit) of the bank for accounts on demand and fixes threshold for the minimum size of high-liquid assets to sustain the stable level of bank performance.

In order to manage liquidity and solvency in the context of crisis (stress), a stress testing has been introduced in the Bank in case of liquidity risk. The results of stress testing were used in “Plan of emergency actions in case of loss of liquidity” that comes into effect in case of crisis at a liquidity market. The plan determines actions that must be taken in case of liquidity crisis and the parties responsible for their implementation. These actions include such steps as decrease in long-term lending, interbank loans, issue of debt securities, obtaining of syndicated loans and financing from international debt market.

The Bank designs different scenarios for stress-test divided into those that are attributable to the market and those attributable to the Bank.

The results of stress test are used to determine the depth of liquidity crisis. Monitoring of the liquidity crisis indicators is conducted periodically depending on the level of crisis, but no less that once a month.

In order to improve the evaluation and managing liquidity risk Bank performs the following tasks:

- defines the strategies of liquidity for each currency (compliance with the financing requirements for each currency);
- conducts actual analysis and planning of the amounts of attracted and placed funds taking into consideration different sources of material base;
- provides split of functions and responsibilities of organizational units of the Bank in liquidity managing process;
- takes actions regarding balancing assets and liabilities according to terms of attraction and placement of cash assets;
- sets the limits (constraints) of the liquidity risk;
- implements an effective system of managerial decision making process support taking into account the level of tolerance against liquidity risk the Bank is exposed to;
- ensures compliance of banking transactions with the established regulations, instructions and methodology.

The Parent Company conducts constant monitoring of the Bank's liquidity positions within the liquidity policy and procedures of Intesa Sanpaolo S.p.A. Group.

Table 31.8. Analysis of financial liabilities by maturity for 2009

(UAH, ths)

Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
1	Due to banks	63 068	14 222	43 456	1 635 716	-	1 756 462
2	Due to clients:	2 062 974	684 639	1 693 707	120 460	-	4 561 780
2.1	Individuals	1 643 056	599 496	1 600 198	120 447	-	3 963 197
2.2	Other	419 919	85 143	93 509	13	-	598 584
3	Debt securities issued by the Bank	1	-	-	-	-	1
4	Other raised funds	-	-	-	-	-	-
5	Subordinated debt	5 332	1 122	5 053	26 952	120 222	158 681
6	Other financial liabilities	157 965	720	1 539	81	7 701	168 006
7	Delivery forward contracts, total amount	-	-	-	-	-	-
8	Delivery forward contracts, net amount	-	-	-	-	-	-
9	Financial guarantees	59 722	3 857	949	-	-	64 528
10	Other credit liabilities	-	-	-	-	-	-
11	Total possible future payments according to financial liabilities	2 349 062	704 560	1 744 704	1 783 209	127 923	6 709 458

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Table 31.9 Analysis of financial liabilities by maturity for 2008

(UAH, ths)

Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
1	Due to banks	161 678	76 674	76 287	1 703 860	-	2 018 499
2	Due to clients:	1 456 035	621 187	1 656 733	268 378	-	4 002 333
2.1	Individuals	1 036 917	606 003	1 632 542	267 873	-	3 543 335
2.2	Other	419 117	15 184	24 192	505	-	458 998
3	Debt securities issued by the Bank	1	849	2 546	24 584	-	27 980
4	Other raised funds	-	-	36 098	-	-	36 098
5	Subordinated debt	5 484	1 272	5 724	30 530	126 379	169 389
6	Other financial liabilities	138 644	10 733	1 448	31 013	31 401	213 239
7	Delivery forward contracts, total amount	-	-	-	-	-	-
8	Delivery forward contracts, net amount	-	-	-	-	-	-
9	Financial guarantees	60 898	1 628	1 086	-	-	63 612
10	Other credit liabilities	-	-	-	-	-	-
11	Total possible future payments according to financial liabilities	1 822 740	712 343	1 779 922	2 058 365	157 780	6 531 150

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Table 31.10. Analysis of financial assets and liabilities by maturity based on expected maturity for 2009

(UAH, ths)

Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
	Assets						
1	Cash and cash equivalents	2 227 174	-	-	-	-	2 227 174
2	Trading securities	-	-	-	-	-	-
3	Other financial assets recorded at fair value through profit or loss	-	-	-	-	-	-
4	Due from banks	-	-	-	-	-	-
5	Due from clients	63 115	224 402	1 121 014	1 288 289	1 658 561	4 355 381
6	Available-for-sale securities	58	-	-	-	-	58
7	Held-for-sale securities	200 093	-	-	-	-	200 093
8	Other financial assets	87 531	1	485	15 614	588 009	691 640
9	Total financial assets	2 577 971	224 403	1 121 499	1 303 903	2 246 570	7 474 346
	Liabilities						
10	Due to banks	63 068	-	-	1 600 476	-	1 663 544
11	Due to clients	2 060 531	668 078	1 557 070	91 425	-	4 377 104
12	Debt securities issued by the Bank	1	-	-	-	-	1
13	Other raised funds	-	-	-	-	-	-
14	Other financial liabilities	176 956	721	1 532	80	-	179 289
15	Subordinated debt	4 770	-	-	-	112 589	117 359
16	Total financial liabilities	2 305 326	668 799	1 558 602	1 691 981	112 589	6 337 297
17	Net liquidity gap as of December 31, EOB	272 645	(444 396)	(437 103)	(388 078)	2 133 981	1 137 049
18	Aggregated liquidity gap as of December 31, EOB	272 645	(171 751)	(608 854)	(996 932)	1 137 049	

Table 31.10 is prepared based on data of the reporting form No. 631 "Report on the structure of assets and liabilities by maturity", approved by NBU Regulation No. 124 dd. 19.03.2003, as of EOB 31.12.2009 without taking into consideration the adjusting entries.

Table 31.11. Analysis of financial assets and liabilities by maturity based on expected maturity for 2008

(UAH, ths)

Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
	Assets						
1	Cash and cash equivalents	767 684	10 787	49	-	-	778 520
2	Trading securities	-	-	-	-	-	-
3	Other financial assets recorded at fair value through profit or loss.	-	-	-	-	-	-
4	Due from banks	778	50 484	-	-	-	51 262
5	Due from clients	40 861	101 963	634 505	2 417 201	2 479 634	5 674 164
6	Available-for-sale securities	58	-	-	-	-	58
7	Held-for-sale securities	-	-	-	-	-	-
8	Other financial assets	152 496	30	94	73 403	490 690	716 713
9	Total financial assets	961 877	163 264	634 648	2 490 604	2 970 324	7 220 717
	Liabilities						
10	Due to the banks	152 653	52 360	-	1 545 374	-	1 750 387
11	Due to the clients	1 428 028	577 266	1 560 168	238 542	-	3 804 004
12	Debt securities issued by the Bank	1	-	-	22 147	-	22 148
13	Other raised funds	-	-	35 058	-	-	35 058
14	Other financial liabilities	141 962	1 299	1 448	489	89 307	234 505
15	Subordinated debt	4 848	-	-	-	108 570	113 418
16	Total financial liabilities	1 727 492	630 925	1 596 674	1 806 552	197 877	5 959 520
17	Net liquidity gap as of December 31, EOB	(765 615)	(467 661)	(962 026)	684 052	2 772 447	1 261 197
18	Aggregated liquidity gap as of December 31, EOB	(765 615)	(1 233 276)	(2 195 302)	(1 511 250)	1 261 197	

Table 28.11 is prepared based on data of the reporting form No. 631 "Report on the structure of assets and liabilities by maturity", approved by NBU Regulation No. 124 dd. 19.03.2003, as of EOB 31.12.2007 taking into consideration the adjusting entries.

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Note 32. Capital management

The shareholders of the Bank pay significant attention to increase of capital, particularly to increase of authorised capital as the main component of the capital.

Capital of the bank is established aiming at:

- highly profitable use of own funds;
- coverage for all possible kinds of risk that the Bank is exposed to;
- optimization of assets and liabilities structure by terms of attraction and placement of funds.

During 2009 the authorized registered capital of the Bank was increased by UAH 570 123 450. As of December 31, 2009 the Bank's authorized capital amounted to UAH 1 561 622 589, 00 (one billion five hundred sixty-one million six hundred twenty-two thousand five hundred eighty-nine hryvnias).

During 2009 the Bank has adhered to capital adequacy ratios, for example, as of December 31, 2009 regulatory capital adequacy ratio and ratio of regulatory capital against total assets were 18,67 % and 12,62 % accordingly, that testifies to the ability of the Bank to timely and in full settle its liabilities.

Table 32.1. Structure of regulatory capital

(UAH, ths)

Line	Item description	2009	2008
1	2	3	4
	Fixed capital	801 260	968 197
1	Authorized capital	1 561 623	991 499
2	Issuing difference	672	672
3	Total provisions according to Ukrainian legislation	20 761	15 958
4	Non-formed provisions for active operations	-	-
5	Intangible assets	(25 152)	(13 436)
6	Depreciation of intangible assets	9 604	6 867
7	Capital investments into intangible assets	(590)	(1 164)
8	Accounting loss	(765 658)	(32 199)
	Additional capital	309 696	331 924
9	Provisions for standard loans	5 897	22 975
10	Unallocated profit of past years	70 571	93 538
11	Profit/loss of the reporting year to be approved	(757 463)	(18 823)
12	Result of fixed assets revaluation	120 639	141 491
13	Subordinated debt	112 589	73 920
14	Estimated profit Rpr/z	-	-
	Withdrawal of attracted funds		
15	Operations with insiders	-	1 012
16	Amount of adjustment 5999	8 194	13 376
	Total regulatory capital	1 110 956	1 299 109

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Note 33. Potential liabilities of the Bank

a) Legal proceedings

As of December 31, 2009 in Administrative Courts and Courts of General Jurisdiction, the following lawsuits take place, according to which "PRAVEX-BANK" PJSCCB might have the following liabilities in the future in favor of:

- Specialized State Tax Inspection dealing with big tax payers in Kyiv, amounting to UAH 564 ths.;
- Specialized State Tax Inspection dealing with big tax payers in Kharkiv, amounting to UAH 223 ths.;
- Specialized State Tax Inspection dealing with big tax payers in Odessa region in amount of UAH 20 ths.;
- State Tax Inspection in Poltava, amounting to UAH 79 ths.;
- Administration of Pension Fund in Zarichnyy district, Sumy, amounting to UAH 51 ths.
- Administration of Pension Fund in Zarichnyy district, Sumy, amounting to UAH 2 ths.;
- Private entrepreneur Oksana Oleksandrivna Kushnir, amounting to UAH 53 ths.;
- Lyudmyla Petrivna Evdokymova, amounting to UAH 77 ths.;
- Sergiy Stanislavovich Yavorsky, amounting to UAH 9 ths.;
- Yuliya Valeriivna Savchenko, amounting to UAH 9 ths.;
- Volodymyr Evhenovych Dymov, amounting to UAH 50 ths.;
- Mariya Volodymyrivna Tretyak, amounting to UAH 31 ths.

b) the probability of possible tax liabilities

As of December 31, 2009 the Bank has risks regarding possible tax liabilities subsequent to legal proceedings related to appeal against the results of tax authorities' inspections, amounting to UAH 885 ths.:

- Income tax – UAH 203 ths., Penalty – UAH 160 ths.
- VAT - UAH 134 ths., Penalty – UAH 67 ths.
- Individual's income tax - UAH 107 ths., Penalty - UAH 214 ths.

Bank considers that significant amount of appealed tax liabilities will be canceled consequently to court's decision on lawsuits to favor of the Bank.

c) liabilities on capital investments

As of December 31st, 2009 (as at the end of the day) according to agreements concluded, "PRAVEX-BANK" PJSCCB had liabilities related to purchase of fixed assets and intangible assets, amounting to UAH 23 950 ths.

d) liabilities on lending activity

Table 33.1. Structure of credit liabilities

(UAH, ths)

Line	Item description	Notes	2009	2008
1	2	3	4	5
1	Liabilities on granted loans (apart from unused credit liabilities)		29 187	-
2	Unused revocable credit liabilities		741 472	1 023 580
3	Export letters of credit		-	1 588
4	Import letters of credit		25 009	57 397
5	Other letters of credit		507	-
6	Granted guarantees		64 141	63 612
7	Provisions for liabilities related to crediting		(3 093)	(1 419)
8	Total liabilities related to crediting net of provisions		857 223	1 144 758

As of December 31, 2009 (as at the end of the day) „PRAVEX-BANK” PJSCCB does not have unforeseen liabilities.

a) assets provided as a collateral and assets in collateral regarding which the limits related to owning, using and managing are set.

Table 33.2. Assets provided as a collateral

(UAH, ths)

Line	Item description	Notes	2009		2008	
			Assets provided as a collateral	Secured liabilities	Assets provided as a collateral	Secured liabilities
1	2	3	4	5	6	7
1	Trading securities		-	-	-	-
2	Available-for-sale securities		-	-	-	-
3	Held-to- maturity securities		-	-	-	-
4	Investment property		-	-	-	-
5	Fixed assets		-	-	-	-
6	Interbank loans, deposits		-	-	61 192	62 190
	Total		-	-	61 192	62 190

According to agreements concluded as of 31.12.2008 (as at the end of the day) regarding interbank loans and deposits, there are the following constraints related to owning, using and managing them:

- Not to perform any activities, which cause (directly or indirectly) the decrease of collateral size.
- Not to perform any activities related to change of ownership for pledged property rights, as well as any activities related to transfer of mentioned rights to third persons.
- Not to perform cession of pledged right to other persons, except for pledgee.
- Not to perform any activities, which cause stopping of pledged right or decrease of its cost.
- To perform measures needed to protect the pledged right from invasion of third parties.
- Not to perform further collaterals and concessions of pledged property rights.

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Note 34. Fair value of financial instruments

Fair value is an amount, at which the asset exchange or liability payment as a result of transaction between well-informed, interested and independent parties may be carried out.

Estimated fair value of financial instruments was calculated by the Bank based on available market information (if any) and respective methodologies of evaluating.

Cash and cash equivalents are shown as of the balance-sheet date at their fair value. Since there were no independent market prices for determining fair value of the bank's available-for-sale securities, they are recorded at historic value, according to requirements of "Instructions for recording the securities operations in Ukrainian banks", approved by NBU Resolution N 358, dd. October 3rd, 2005.

Loans and debts of customers are recorded net of provisions for depreciation. Forecasted fair value of loans and indebtedness of the client was calculated by the Bank based on market information concerning crediting and relevant evaluation methodology.

Raised funds. Estimated fair value of liabilities, which do not have scheduled maturity term, is the amount payable on demand. Fair value of deposits with fixed interest rate and of other raised funds was calculated based on analysis of market rates existing for analogous financial instruments with similar maturity date.

Fair value of financial assets and liabilities, compared to relevant amounts of book value, is recorded in "PRAVEX-BANK" PJSCCB balance-sheet in the following way:

Table 34.1. Balance and calculated fair value of financial assets and liabilities not recorded at fair value in the balance-sheet

(UAH, ths)

Item description	2009		2008	
	Book value	Fair value	Book value	Fair value
Assets				
Cash and cash equivalents	2 220 190	2 220 190	777 119	777 119
Due from banks	-	-	51 102	51 102
Due from clients	4 299 911	4 341 181	5 750 717	5 213 670
Available-for-sale securities	58	58	58	58
Held-to-maturity securities	200 093	200 093	-	-
Liabilities				
Due to banks	1 604 772	1 604 772	1 694 661	1 694 661
Due to clients	4 377 104	4 400 610	3 804 005	3 780 282
Debt securities issued by the Bank	1	1	22 148	19 613
Other raised funds	-	-	35 058	35 058
Subordinated debt	117 359	117 359	113 418	113 418

While determining expected fair value of financial instruments, “PRAVEX-BANK” PJSCCB uses evaluation models commonly used by market players which are based on assumption that book value of financial instruments is a result of operations between well-informed market players under normal market conditions.

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Note 35. Related party transactions

In the course of related party transactions, the Bank complies with the requirements set out in the Banks and Banking Ukrainian Law, Ukrainian Banking Supervision Guidelines, as approved by NBU Regulation No. 368 dated August 28, 2001, and current applicable Third Party Transactions Management Regulations of Intesa SanPaolo S.p.A.

The current applicable Third Party Transactions Regulations of Intesa SanPaolo S.p.A. include the rules and regulations concerning: preliminary consideration and approval of transactions; compliance with information disclosure requirements; and internal control.

In 2009 the Supervisory Board of the Bank approved the “PRAVEX-BANK” JSCB Policy of Loans to Bank Employee, according to which the Bank implements prudent procedures of granting loans to related parties and provides for the preliminary approval of loans to any employees of the Bank.

The Bank permanently supervises and controls related party transactions and complies with the requirements determined by the National Bank of Ukraine with regard to related party transactions.

The asset and liability assessment methods applied to recognise related party transactions are similar to generally accepted ones (see Note 1).

Any agreements with other persons are no less beneficial than those negotiated and entered into with any Bank’s related parties.

The related party transactions undertaken by the Bank in 2009 had no significant impact on financial results of the Bank.

Table 35.1. Balances on operations with related parties as of the day end on December 31, 2009

(UAH, ths)

Line	Item description	Parent Company	Largest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Trading securities	-	-	-	-	-	-
2	Financial assets at fair value through profit or loss	-	-	-	-	-	-
3	Cash and cash equivalents	-	1 525 136	-	-	-	-
4	Due from customers	-	-	-	650	-	71
5	Loan loss provision	-	-	-	-	-	-
6	Available-for-sale securities	-	-	-	-	-	-
7	Held-to-maturity securities	-	-	-	-	-	-
8	Equity investments	-	-	-	-	-	-
9	Other assets	-	-	-	-	-	-
10	Non-current assets held for sale and discontinued operations being disposed	-	-	-	-	-	-
11	Due to banks	-	1 659 249	-	-	-	-
12	Due to customers	-	-	-	1 453	-	2 714
13	Debt securities issued by the bank	-	-	-	-	-	-
14	Other raised funds	-	-	-	-	-	-
15	Provisions for liabilities	-	-	-	-	-	-
16	Other liabilities	-	7 669	-	-	-	1 734
17	Subordinate loan	-	-	-	-	-	-
18	Liabilities related to non-current assets held for sale and discontinued operations being disposed	-	-	-	-	-	-

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Table 35.2. Income and loss under operations with related parties for 2009

							(UAH, ths)
Line	Item description	Parent Company	The biggest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Interest income	-	1	-	121	-	430
2	Interest expense	-	(69 206)	-	(168)	-	(230)
3	Loan-loss provisions	-	-	-	-	-	(41)
4	Dividends	-	-	-	-	-	-
5	Profit (loss) from securities trading	-	-	-	-	-	-
6	Profit (loss) from revaluation of other securities at fair value through profit or loss	-	-	-	-	-	-
7	Profit (loss) from foreign currency trading	-	-	-	-	-	-
8	Profit (loss) from foreign currency revaluation	-	(52 758)	-	(228)	-	(15)
9	Commission income	-	-	-	16	-	4
10	Commission expense	-	(8)	-	-	-	-
11	Profit (loss) from initial recognition of financial assets at off-market rate	-	-	-	-	-	-
12	Profit (loss) from initial recognition of financial liabilities at off-market rate	-	-	-	-	-	-
13	Impairment of available-for-sale securities	-	-	-	-	-	-
14	Impairment of held-to-maturity securities	-	-	-	-	-	-
15	Provisions for liabilities	-	-	-	-	-	-
16	Other operating income	-	-	-	-	-	-
17	Income/(expenses) from early repayment	-	-	-	-	-	-
18	Administrative and other operating expenses	-	(7 669)	-	-	-	(4 984)
19	Profit share of equity investments	-	-	-	-	-	-

Table 35.3. Issued and redeemed loans of related parties within 2009

(UAH, ths)

Line	Item description	Parent Company	Largest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Loans granted to related parties during 2009	-	-	-	-	-	18
2	Loans repaid by related parties during 2008	-	-	-	44	-	7 674

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Table 35.4. Balances under operations with related parties as of the end of the day of December 31st, 2008

(UAH, ths)

Line	Item description	Parent Company	Largest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Trading securities	-	-	-	-	-	-
2	Financial assets at fair value through profit and loss	-	-	-	-	-	-
3	Cash and cash equivalents	-	66 845	-	-	-	-
4	Due from customers	-	-	-	3 743	-	4 717
5	Loan-loss provisions	-	(1 337)	-	(15)	-	(27)
6	Available-for-sale securities	-	-	-	-	-	-
7	Held-to-maturity securities	-	-	-	-	-	-
8	Equity investments	-	-	-	-	-	-
9	Other assets	-	-	-	-	-	-
10	Non-current assets held for sale and discontinued operations being disposed	-	-	-	-	-	-
11	Due to banks	-	1 601 100	-	-	-	-
12	Due to clients	-	-	-	3 578	-	2 193
13	Debt securities issued by the bank	-	-	-	-	-	-
14	Other raised funds	-	-	-	-	-	-
15	Provisions for liabilities	-	-	-	-	-	-
16	Other liabilities	-	-	-	-	-	-
17	Subordinated loan	-	-	-	-	-	-
18	Liabilities related to non-current assets held for sale and discontinued operations being disposed	-	-	-	-	-	-

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Table 35.5. "Income and loss under operations with related parties for 2008

							(UAH, ths)
Line	Item description	Parent Company	Largest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Interest income	-	50	-	410	-	1 236
2	Interest expense	-	(32 164)	-	(1 722)	-	(5 274)
3	Loan-loss provisions	-	-	-	9	-	(33)
4	Dividends	-	-	-	-	-	-
5	Profit (loss) from securities trading	-	-	-	-	-	-
6	Profit (loss) from revaluation of other securities at fair value through profit and loss	-	-	-	-	-	-
7	Profit (loss) from foreign currency trading	-	-	-	5 251	-	5 375
8	Profit (loss) from foreign currency revaluation	-	(552 286)	-	461	-	825
9	Commission income	-	1 130	-	82	-	109
10	Commission expense	-	(13)	-	-	-	(1)
11	Profit (loss) from initial recognition of financial assets at off-market rate	-	-	-	-	-	-
12	Profit (loss) from initial recognition of financial liabilities at off-market rate	-	-	-	-	-	-
13	Impairment of available-for-sale securities	-	-	-	-	-	-
14	Impairment of held-to-maturity securities	-	-	-	-	-	-
15	Provisions for liabilities	-	-	-	-	-	-
16	Other operating income	-	34	-	-	-	10
17	Income/(expenses) from early repayment	-	-	-	-	-	-
18	Administrative and other operating expenses	-	(2 733)	-	-	-	(5 724)
19	Profit share of equity investments	-	-	-	-	-	-

Table 35.6. "Other rights and obligations under operations with related parties as of the end of the day of December 31st, 2008

(UAH, ths)

Line	Item description	Parent Company	Largest participants (shareholders) of the bank	Subsidiary Companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Guaranties issued	-	-	-	-	-	-
2	Guaranties received	-	-	-	-	-	-
3	Import letter of credit	-	-	-	-	-	-
4	Export letter of credit	-	-	-	-	-	-
5	Other liabilities (unused revocable credit liabilities)	-	-	-	-	-	414
6	Other contingent liabilities	-	-	-	-	-	-

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Table 35.7. Issued and redeemed loans of related parties within 2008

(UAH, ths)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Top management	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Loans granted to related parties within 2008	-	-	-	4 029	-	5 510
2	Loans repaid by related parties within 2008	-	-	-	1 173	-	10 608

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Table 35.8. Payments to top management

(UAH, ths)

Line	Item description	2009		2008	
		expenses	accrued liability	expenses	accrued liability
1	2	3	4	5	6
1	Current payments to employees	11 055	301	41 206	5 380
2	Payments after labor activity termination	832	-	-	-
3	Other long-term payments to employees	-	-	-	-
4	Payments while dismissing	1 490	-	1 224	-
5	Payments with instruments of the bank's equity	-	-	-	-

The principal shareholder of PJSCCB "PRAVEX-BANK" is Intesa Sanpaolo S.p.A. Group

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Note 36. Events after the balance-sheet date

Events occurred after **December 31st**, 2009 did not cause any amendments to the financial statements.

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Note 37. Information about auditor (audit firm) and auditor's opinion

The audit of "PRAVEX-BANK" PJSCCB financial statements as at the end of the day of December 31, 2009 and for the year ended at the stipulated date was carried out by "Ernst & Young Audit Services" Ltd. (hereinafter referred to as "The Auditor"). The results of the abovementioned audit shows the unqualified auditor's opinion signed by the auditor, Yu.S. Studyns'ka (The Auditor's Certificate No. 0131).

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