

# FINANCIAL STATEMENTS

For the year ended 31 December 2010



**PRAVEX-BANK**

*Thinking ahead with you.*

Bank of **INTESA**  **SANPAOLO**

**“PRAVEX-BANK” PJSCCB**  
Annual financial statements for 2010

## Contents

Information about JSCB „PRAVEX-BANK” in 2010

Independent auditor’s opinion

Financial statement

Balance sheet .....	1
Statement of financial results .....	2
Cash flow statement .....	3
Equity capital report .....	5
Statement of comprehensive income and losses .....	6
Notes to financial statement .....	7

## 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, Klovsky Uzviz, Kyiv, 01021, Ukraine
Date and № of state registry	December 29, 1992. State registry № 139
Form of incorporation	Public Joint-Stock Company
Reporting period	Since January, 1 till December 31, 2010
Currency of reporting and units	UAH, thousand
Reporting date	As of 31.12.2010

“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 .

The Bank is a universal bank existing in the form of a Public Joint-Stock Company. Strategic aim of the Bank’s activity and development is to create a universal bank that provides full range of banking services for corporate and retail customers.

The Bank is a foreign capital bank.

In 2010 the Bank continued to implement its development strategy aimed to build a high quality business with European standards. In particular, corporate business was actively developed built on a new organizational model, retail lending is being gradually renewed based on new standards of risk management.

Implementation of investment program has been started in order to renew branch network that will significantly increase its commercial opportunities, as well as complete modernization of IT systems of the Bank.

At the same time, the bank kept reducing administrative costs, as well as optimizing of the structure of personnel.

New line of banking products both for individuals and legal entities was in the process of implementation based on best practices of Parent company of the Bank.

The Bank is a member of Intesa SanPaolo S.p.A. Group; as its member the Bank shall comply (within applicable legislation) 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 guidelines of the Bank of Italy designated to support the financial steadiness of the Group.

The Bank is a member of the Individual’s Deposit Guaranty Fund (IDGF) and has a Fund Membership Certificate No. 115 dated November 3, 2009 confirming the registration of the Bank (registration entry No. 125 dated September 2, 1999) in the Register of Member Banks of the Individual’s Deposit Guaranty Fund (IDGF).

According to NBU license No. 7 dd. September 30, 2009, the Bank conducts banking 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 from legal entities and individuals;
- opening and maintenance of current accounts of its clients and correspondent banks, including money transfer from these accounts by means of payment instruments and crediting those accounts;
- placement of attracted funds on its own behalf, under its own conditions and under its own risk;
- granting guarantees and commitments, as well as other third party liabilities, which envisage their fulfillment in monetary form;
- acquiring of 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 on safekeeping and renting out safes for keeping valuables and documents;
- issue, purchase, sale and servicing of cheques, bills and other negotiable payment instruments;
- issue of bank payment cards and carrying out related transactions;
- rendering the advisory and informational services as for bank operations.

Moreover, according to NBU permit No. 7-2 dd. September 30, 2009 the Bank has obtained a right to perform activities 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 transactions:
  - non-trading transactions with currency values;
  - foreign cash and cheque transactions (purchase, sale, exchange and collection) through cash desk offices and foreign currency exchange desks of the banks;
  - foreign cash transactions (purchase, sale and exchange) through foreign currency exchange desks acting by virtue of agency agreements signed between banks and resident entities;
  - maintaining of clients’ accounts (both residents and non-residents) in foreign currency, and non-resident clients in national currency of Ukraine;
  - maintaining of foreign currency correspondent accounts of banks (both residents and non-residents);
  - maintaining of correspondent accounts of banks (non-residents) in national currency of Ukraine;
  - opening of foreign currency correspondent accounts with duly authorized Ukrainian banks and support of related transactions;
  - opening of foreign currency correspondent accounts with non-resident banks and support of related transactions;
  - attraction and allocation of foreign currency at foreign exchange market of Ukraine;
  - attraction and allocation of foreign currency at international markets;
  - foreign currency trading at foreign exchange market of Ukraine (except for FX transactions)
  - foreign currency trading at international markets;
  - banking metals transactions at foreign exchange market of Ukraine;
  - banking metals transactions at international markets;
  - other transactions with currency values at international markets;
  - other transactions with currency values at foreign exchange market of Ukraine.
- Issue of own securities.
- Arrangement for securities purchase and sale by client’s order.
- Conducting transactions at securities market on its own behalf (including underwriting).
- Investments into authorized funds and shares of other legal entities.
- Transportation of currency values and funds encashment.
- Transactions by client’s order or on its 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 a custodian.
- Keeping registers of inscribed securities holders.

Moreover, the Bank carries out all kinds of stock market related transactions under the license of the State Committee of Securities of Sock Exchange:

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

Within the reporting year the Bank experienced no merger, amalgamation, split or separation.

### **Results from banking and other transactions in 2010**

In 2010 during the economic stabilization period the Bank has been taking all necessary measures to overcome the consequences of crisis and enhancing competitive advantages.

Based on organizational model implemented in 2009 the Bank started realization strategy on branch network activity compliance with the standards of Intesa Sanpaolo Group. The new branch model includes not only the modernization of the branches, but organization of work splitting banks' staff into sales advisors and tellers as well as sharing responsibilities. The new branch model has been already implemented in Kyiv, North and partially East regions. The model will be rolled out in all regions by 2011.

At the same time the Bank actively developed corporate lending business by means of lending mainly to large national companies with reputable reliable business. Simultaneously, the bank created the foundations for restarting active lending to small business and individuals. Thus, in 2010 the Bank began active program on car loans. Moreover, during 2010 the Bank has been actively working on distressed assets by means of cooperating with reliable collection companies with high business reputation on the market.

As a result, corporate loan portfolio increased almost 3 times (UAH 1036.2 mil. in 2010 vs. UAH 348.4 mil. in 2009). Market share of corporate lending increased by 0.12% in 2010, as per NBU data.

Traditionally, the main source of financing Bank's operating activity is customers' funds. The total liabilities consist of almost 60% of customers' funds. However, in 2010 the Bank had high level of excessive liquidity and therefore implemented the strategy aimed at reducing value of resources that from one side led to expected reducing of expensive deposit portfolio, particularly in foreign currency, and on the other hand - significantly improved interest margin.

Thus, total customers' funds decreased by 36% during 2010 (UAH 2.8 billion vs. UAH 4.4 billion in 2009), where the main part of this outflow is in foreign currency. It complies with the bank strategy set because of no necessity in huge currency funds, taking into consideration restricted FX lending and possibility of attracting funds from Parent company, its part of funds in liabilities is 32%. The Bank can rely on strong financial support of Parent company that can at any time cover financial needs.

The Bank continued its policy of strong control over expenses; in particular during the year further rationalizations of the personnel took place that brought to a decrease of 1428 employees.

This activity contributed in a significant way to the reduction of administrative costs that took place in 2010 (-16% , UAH 565 mil. vs. UAH 670.2 mil. in 2009).

Loan-loss provisions created within the year decreased more than 5 times (UAH 173.1 mil. vs. UAH 945.3 mil. in 2009).

This dynamics allowed the bank to contain the losses to UAH 273 mil. vs. UAH 757.5 mil. in 2009).

During 2010 the bank started the process of capital increase by EUR 30 mln (requested by the Law on Banks and on Banking activity, in spite of very good capital ratios). Within this process, in 2010 the step first took place, consisting of the coverage of previous years' losses by the decrease of authorized capital, through the reduction of the par value of the Bank's shares (by UAH 655.9 mil.). As the result, authorized capital decreased to UAH 905.7 mil.

The next step of the capitalization program will take place in 2011, with the increase of authorized capital by EUR 30 mil.

Throughout the year of 2010 the Bank had no debts relating to timely fulfillment of customers' payment documents.

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 2010 Accounting Policy of the Bank, the unified 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.

No separate type of banking operations was discontinued in 2010. No restrictions of assets possession were seen.

No Consolidated Financial Statements as of December 31, 2010 is prepared, since the Bank has no subsidiaries or associated companies.

### **Counterparty segments of "PRAVEX-BANK" PJSCCB**

In the course of its business the Bank cooperates with counterparties representing various economic sectors, i.e. banks, non-banking organizations 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 organizations.

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 corporate customers' funds on current and thrift accounts increased by 24.9 % as compared to that in 2009, thus resulting in the increased share of corporate customers' funds in the total liabilities of the Bank, viz. 12.7% (vs. 9.4 % in 2009).

The core source of funding is still the money obtained from individuals; they made up 46.83 % (vs. 59.61% in 2009) of the total liabilities towards customers.

As of December 31, 2010 the Bank's available-for-sale portfolio includes stocks and other variable income deposits, amounting to UAH 58 ths. (depositions to Stock Exchanges and Depositories).

As of December 31, 2010 due to banks makes up 33.68% (vs. 25.3% in 2009) in the Bank's total liabilities.

## **Risk Management**

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.

Ensuring faultless risk management in the Bank is undertaken by the Credit Committee, Asset Quality Committee and Asset & Liability Management Committee. The Committees are approved by the Decision of Supervisory Board on December, 22<sup>nd</sup> 2008 (the Minutes No. 40).

Credit Committee is the highest body for considering credit issues within established ones by Supervisory Board of the Bank.

Asset Quality Committee Session is a wider meeting of Credit Committee and aims to take necessary measures for avoiding and mitigating credit related expenses. Asset Quality Committee Session investigates loan portfolio and its quality, advises methodology of borrower classification and is responsible for Bank rating system.

The main goal of Asset & Liability Management Committee (hereinafter referred to as ALCO) is to protect Bank capital and its allocation, to manage assets and liabilities of the Bank taking into consideration pricing structure and payment profile in accordance with legislation or relevant internal regulations as well as instruction of Parent Company.

Voting Members of the ALCO are:

- Chairperson of Management Board
- Head of Risk Management Division
- Head of Treasury and Investment Banking Division
- Head of Corporate Division
- Head of Retail Division
- Head of CFO Division

Voting Members of the Credit Committee are:

- Chairperson of Management Board
- Head of Risk Management Division
- Head of Corporate Division
- Head of Retail Division

The Bank permanently improves its risk management methodologies, namely:

### **Financial risks:**

1. Credit risk.
2. Market risk:
  - 2.1. Interest rate risk.
  - 2.2. Currency risk.
3. Liquidity risk.

### **Functional risks:**

1. Operational risk.
2. Technological risk.
3. Strategic risk.
4. Reputational risk.

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, among non-financial risks are operational, strategic risk and reputational risk.



Since the Bank 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 organizational structure.

In 2009 a new independent unit was formed in the Bank, viz. Risk Management Division responsible for the risk management procedure of the Bank. 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 organizational units that deal with banking products sale and risk management. The Division independently analyses and decides, within its competencies, or suggests 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 its activity. In order to minimize the risk, the Bank implemented the risk assessment and control system functioning in line with the applicable Internal Regulations of the Bank, as well as requirements and NBU recommendation, Intesa Sanpaolo Group, internal auditors, Basel Committee on Banking Supervision, and business experience of the leading financial institutions.

**Credit risk management** is performed by Risk Management.

**Credit risk management Division** in cooperation with Corporate Division and Retail Division Risk Management Division:

- a) establishes recommendations on credit risk management that cover methodology, processes, control, data collection and IT systems, which support credit risk assessment, establishing integral rating, rules on loans' approval, credit monitoring and reporting;
- b) develops methodology and manages processes on calculation of general and specific provisions for credit risks both in national and international standards;
- c) establishes limits for approval methods for preventing credit risks (PCR) as per established business and regulative standards.

Credit risk management is performed at the strategic level by the Supervisory Board, Management Board and relevant organizational units of Intesa Sanpaolo Group, which define directions and targets of development for approval:

- General credit risk limit for the Bank;
- Credit risk limits for Bank products;
- Credit risk limits for one borrower.

**Market risk management** is performed by Office of Market Risk and Middle Office.

- a) Establishes internal provisions of market risk management, which cover procedure, management measures, data collection and IT systems, which escort evaluation of market (and related) risks, monitoring and reporting on market risk;
- b) Proposes strategies and determination of structure and hierarchy of system of limits, granted to different units;
- c) Monitoring of compliance of limits, determined for centers of risk assumption, establishment of procedure on solving problems on higher level in case of limit violation, on informing the top management of the Bank on exceeding and (if available) violation;
- d) Develops, approves (via back testing) and manages measuring systems for liquidity, interest rates and currency exchange risk on the level of overall balance.

The result of **liquidity management** is constant Bank's compliance with standards of liquidity and capital adequacy established by the National Bank of Ukraine.

Moreover, the strategic aim of such management is:

- timely and complete discharge of obligations;
- taking all the necessary steps to cover top priority needs in cash resources;
- ensuring liquid assets any time by means of borrowings from the market at average rate or sale of its own assets w/o loss in their price.

The Bank is constantly searching the best assets/liabilities ratio in terms of liquidity requirements, as well as their profitability and cost.

**Currency risk management** is based on daily monitoring of currency position by:

- Type of currency;
- Kind of transactions;
- Bank's organizational units.

For the purposes of currency risk assessment the bank applies currency position standards established by the National Bank of Ukraine. The decision regarding restriction of open currency position (in case of need) shall be taken by ALCO.

Daily control over interest risk is based on managerial reporting data by average weighted interest rates for interest bearing assets and liabilities per each kind of currency.

The main task of interest risk management is to avoid loss from interest rate fluctuation relating to all the assets/liabilities, where accrual/payment of interests takes place and those not included into the trading portfolio.

**Operational Risk Management** is performed by Quantitative Modeling and Operational Risk Management Office. The main purposes of operational risk management are:

- a) Establishment of special rules and methods for identification, measurement and mitigation of operational risks according to local rules and guiding rules of Intesa Sanpaolo Group;
- b) Development, implementation, escort and coordination of operational risk management scheme,
- c) Submission of proposals on activity of risks mitigation to the top management and the Management Board of the Bank;
- d) Submission of proposals on operational risk management strategy and operational risk management policy (including limits on operational risk amounts);
- e) Analysis and monitoring of operational risk amounts, as well as monitoring of observance of limits of operational risk amounts.

Building of effective operational risk management system creates conditions for achieving strategic objectives of the Bank and constant maintaining its financial stability.

**Reputation risk management** assign to Compliance Office:

- estimation of current processes in the Bank, aimed at detection of available and potential compliance risks;
- development of action plan on elimination of detected incompliance and on potential risks decrease;
- further control over completeness and effective use of internal processes.

The main aim of reputation risk management is restriction or minimization of risk for receipts and capital, which occurs or can occur due to unfavorable perception of the Bank's image by clients, contractors, shareholders (participants) or by supervisory bodies.

Reputation risk management is complexly performed due to interaction of the Management of the Bank and all organizational units.

### **Strategic risk management.**

Risk management is creation of risk limitation system in order to fulfill strategic plans on Bank's development, to receive planned income and ensure stable current work.

The main aim of strategic risk management is restriction or minimization of risk, the Bank is exposed to, as well as ensuring maximum preservation of assets and capital on the bases of

possible loss minimization (exclusion) by means of introduction of reasonable grounded system of strategic planning and control over decisions implementation at all organization levels.

System of strategic risk complex management ensures consecutive and purposeful approach in the activity of Management and units of the Bank regarding Bank's development strategy realization.

The Bank uses complex process of business planning in order to manage strategic risk.

Control over strategic risk is ensured via CFO Division (Planning and Control Department).

Planning and Control Department coordinates planning process, which includes analysis of scenarios, where potential risks and their effect on financial and human recourses as well as their possible influence on Bank's image, are identified.

To minimize strategic risk, the Bank uses the following management methods:

- business planning,
- control over implementation of the approved plans,
- analysis of changes in market environment,
- monitoring of banking services market with the purpose to determine new possible directions of Bank's activity and to determine new strategic tasks,
- system of authorities and decisions taking,
- standardization of main banking operations,
- monitoring of changes in the legislation and in current regulatory acts.

Moreover, the planning process encloses all levels of Bank's organizational structure:

- strategic plan and budget at the level of the Bank in whole
- plans of main organizational units of the Bank.

### **Solvency of the Bank**

Risk regulation concerning 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).

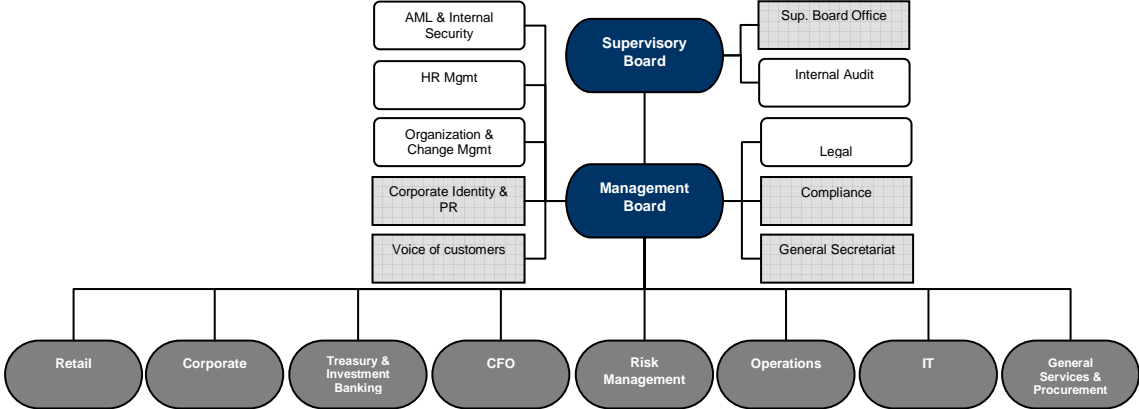
As of 31.12.2010 normative and actual indices are as follows:

Normative of	Index	
	Normative	Fact
Regulatory capital	Not less than UAH 240 mln	UAH 789 203 ths.
Adequacy of regulatory capital (solvency)	Not less than 10%	14.85%
Ratio of regulatory capital to aggregate assets (coefficient)	Not less than 9%	11.86%
Instant liquidity	Not less than 20%	60.64%
Current liquidity	Not less than 40%	51.47%
Short-term liquidity	Not less than 60%	92.99%
Maximal level of credit risk per one contractor	Not more than 25%	22.57%
"Big" credit risks	Not more than 800%	111.18%
Maximal level of loans, guarantees and warranties granted to one insider	Not more than 5%	0.07%
Maximal total level of loans, guarantees and warranties, granted to insiders	Not more than 30%	0.07%
Investments into securities by each single establishment	Not more than 15%	0.00%
Total amount of investments	Not more than 60%	0.01%

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

**Corporate governance**

Aiming to ensure optimum performance and to increase efficiency of all the Bank’s units, in 2009 a new organizational structure was implemented, which was in place and was fine-tuned in 2010 :



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.

The financial and economic activity of the Bank is verified by the Audit Committee.

The Audit Committee:

- 1) ensures Bank's compliance with applicable Ukrainian laws and regulatory acts of the National Bank of Ukraine;
- 2) considers reports of internal and external auditors and prepares relevant proposals to the General Shareholders' Meeting;
- 3) submits to consideration of the General Shareholders' Meeting or Supervisory Board the proposals regarding any issues within the scope of its competence related to financial security and steadiness of the Bank and protection of customers' interests.

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.

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

**S.V. Naumov**

**Chief Accountant**  
**“PRAVEX-BANK” PJSCCB**

**O.Yu. Kibets**

**21.03.2011**

Prepared by: T.I. Melnyk

tel.: (044) 201-17-57



*Translation from original in Ukrainian*

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder and the Board of Directors of PUBLIC JOINT-STOCK COMPANY COMMERCIAL "PRAVEX-BANK"

We have audited the accompanying financial statements of PUBLIC JOINT-STOCK COMPANY COMMERCIAL "PRAVEX-BANK", enclosed on pages 1-94, which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with regulatory requirements for the organisation of accounting and reporting in Ukrainian banks and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected include the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the regulatory requirements for the organisation of accounting and reporting in Ukrainian banks.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to the fact that the regulatory requirements for the organisation of accounting and reporting in Ukrainian banks and National Standards on Accounting in Ukraine, in certain cases, significantly differ from International Financial Reporting Standards ("IFRS"). Separate financial statements will be prepared by the Bank in compliance with IFRS.

22 March 2011

Yulia Studynska  
Audit certificate №0131

**Balance Sheet**  
**As of December 31<sup>st</sup>, 2010 (as at the end of the day)**  
**"PRAVEX-BANK" PJSCCB**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>ASSETS</b>				
1	Cash and cash equivalents	4	745 537	2 218 558
2	Due from customers	6	3 983 656	4 299 911
3	Available-for-sale securities	7	39 680	58
4	Held-to-maturity securities	8	108 788	200 093
5	Investment property	9	-	1 359
6	Accounts receivable on current profit tax		2 430	2 431
7	Deferred tax asset	26	186 854	142 402
8	Fixed assets and intangible assets	10	498 218	461 222
9	Other financial assets	11	39 484	78 254
10	Other assets	12	25 782	16 503
<b>11</b>	<b>Total assets</b>		<b>5 630 429</b>	<b>7 420 791</b>
<b>LIABILITIES</b>				
12	Due to banks	13	1 604 907	1 604 772
13	Due to customers	14	2 834 422	4 377 104
14	Debt securities issued by the bank	15	1	1
15	Provisions for liabilities	16, 32	1 127	3 093
16	Other financial liabilities	17	154 881	188 812
17	Other liabilities	18	52 765	50 644
18	Subordinated debt	19	116 721	117 359
<b>19</b>	<b>Total liabilities</b>		<b>4 764 824</b>	<b>6 341 785</b>
<b>EQUITY</b>				
20	Authorized capital	20	906 413	1 562 294
21	Retained earnings (uncovered loss)		(284 121)	(686 891)
22	Reserve and other funds of the Bank	21	243 313	203 603
<b>23</b>	<b>Total equity capital</b>		<b>865 605</b>	<b>1 079 006</b>
<b>24</b>	<b>Total liabilities</b>		<b>5 630 429</b>	<b>7 420 791</b>

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

**S.V. Naumov**

**Chief Accountant**  
**"PRAVEX-BANK" PJSCCB**

**O.Yu. Kibets**  
**21.03.2011**

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

**Income Statement**  
**as of December 31<sup>st</sup>, 2010 (as at the end of the day)**  
**“PRAVEX-BANK” PJSCCB**

(UAH ths)

<b>Line</b>	<b>Item Description</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Net interest income		234 234	289 037
1.1	Interest income	22	687 050	828 847
1.2	Interest expenses	22	(452 816)	(539 810)
2	Net commission income		235 887	210 027
2.1	Commission income	23	251 138	231 287
2.2	Commission expenses	23	(15 251)	(21 260)
3	Profit from foreign currency trading		40 376	89 135
4	Profit (loss), from initial recognition of financial assets at off-market rate	6	(96)	1 741
5	Profit from initial recognition of financial liabilities at off-market rate	13, 14	2 273	119
6	Result from foreign currency revaluation		(1 747)	39 469
7	Loan-loss provisions	4, 6	(173 108)	(945 300)
8	Result from sale of available-for-sale securities	7	(75)	-
9	Provisions for liabilities	16, 32	1 966	(1 674)
10	Other operating incomes	24	13 891	43 629
11	Administrative and other operating costs	25	(611 529)	(661 402)
12	Loss before tax		(257 928)	(935 219)
13	Expenses for profit tax	26	(15 225)	177 756
14	Loss after tax		(273 153)	(757 463)
15	Net loss		(273 153)	(757 463)
16	Net loss per an ordinary share	27	(0.18)	(0.72)
17	Adjusted net loss for one ordinary share	27	(0.18)	(0.72)

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

**S.V. Naumov**

**Chief Accountant**  
**“PRAVEX-BANK” PJSCCB**

**O.Yu. Kibets**

**21.03.2011**

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

**Cash flow statement for 2010**  
**At the end of the day as of December 31<sup>st</sup>, 2010**  
**“PRAVEX-BANK” PJSCCB**  
**(indirect method)**

(UAH ths)

Line	Item Description	Notes	2010	2009
1	2	3	4	5
	Cash from operating activity:			
1	Net loss for year		(273 153)	(757 463)
	<b>Adjustments for net profit/(loss) with cash flows from transaction:</b>			
2	Depreciation	10	46 460	40 497
3	Net increase of provisions for loans and other financial assets	6, 11, 12	172 966	949 005
4	Accrued income		94 125	(94 198)
5	Accrued expenses		(48 804)	(22 321)
6	Accrued and deferred tax	18, 26	12 606	(175 174)
7	Loss from intangible assets and fixed assets disposal	25	1 530	1 710
8	Amortization of discount and premium of financial instruments		(4 121)	21
9	Flow of funds other than cash		49 325	(28 348)
10	Net cash profit/(loss) before change of operating assets and liabilities		50 934	(86 271)
	<b>Changes in operating assets and liabilities:</b>			
11	Net (increase)/decrease in due from banks		-	50 525
12	Net (increase)/decrease in due from customers		(12 864)	738 162
13	Net decrease in other financial assets		38 723	37 226
14	Net (increase)/decrease in other assets		(4 347)	11 758
15	Net increase in mandatory reserves		(12 581)	(91 220)
16	Net increase/(decrease) in due to banks		8 146	(147 727)
17	Net decrease/(increase) in due to customers		(1 477 707)	475 996
18	Net decrease in debt securities, issued by the bank		-	(22 023)
19	Net decrease in other financial liabilities		(29 564)	(32 802)
20	Net increase in provisions for liabilities and charges and other liabilities		8 638	264
21	Net cash inflows (outflows from operating activity)/from operating activity		(1 481 556)	1 020 159
	<b>Cash flows from investment activities:</b>			
22	Purchase of available-for-sale securities	7	(127 923)	(2 175 000)
23	Income from sale of available-for-sale securities	7	89 300	2 175 000
24	Purchase of held-to-maturity securities	8	(9 358 799)	(200 093)
25	Income from HTM securities redemption	8	9 456 000	-
26	Purchase of fixed assets	10	(46 144)	(2 742)
27	Disposal/(purchase) of investment property	9	1 359	(1 359)
28	Purchase of intangible assets	10	(38 710)	(11 289)
29	Net cash inflows from investment activity		(24 917)	(215 483)

(UAH ths)

<b>Line</b>	<b>Item Description</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>Cash flows from financial activity:</b>			
30	Other raised funds received		-	(35 058)
31	Other contributions of shareholders, except issue of shares	20	-	570 123
32	Net cash inflows from financial activity		-	535 065
33	Effect of changes in foreign exchange rate on cash and cash equivalents		(30 113)	95 484
34	Effect of changes in provisions on cash and cash equivalents		50	1 265
35	Net (outflow)/inflow of cash and cash equivalents		(1 485 602)	1 350 219
36	Cash and cash equivalents at the beginning of the year		2 127 338	777 119
37	Cash and cash equivalents at the end of the year	4	641 736	2 127 338

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

**S.V. Naumov**

**Chief Accountant**  
**“PRAVEX-BANK” PJSCCB**

**O.Yu. Kibets**

**21.03.2011**

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

**Statement of Changes in Equity**  
**As at day end of December 31<sup>st</sup>, 2010**  
**PRAVEX-BANK" PJSCCB**

(UAH ths)

Line	Item Description	Notes	Belongs to the parent bank shareholders				Total equity capital
			Authorized capital	Reserve and other funds of the bank (Note 21)	Retained earnings	Revaluation result	
1	2	3	4	5	6	7	8
1	Balance as at day end of January 1 <sup>st</sup> , 2009, including changes in Accounting Policy		992 171	15 958	74 714	249 660	1 332 503
2	Realized revaluation result	10	-	-	661	(661)	-
3	Allocation of profit to provisions and other funds	21	-	23 626	(23 626)	-	-
4	Cover for losses of past years		-	(18 823)	18 823	-	-
5	Aggregate losses for Y2009		-	-	(757 463)	(66 157)	(823 620)
6	Shares issue	20	570 123	-	-	-	570 123
7	Balance as at day end of December 31 <sup>st</sup> , 2009		1 562 294	20 761	(686 891)	182 842	1 079 006
8	Decrease in par value of shares		(655 881)	655 881	-	-	-
9	Realized revaluation result	10	-	-	614	(614)	-
10	Allocation of profit to provisions and other funds	21	-	70 571	(70 571)	-	-
11	Cover for losses of past years	21	-	(745 880)	745 880	-	-
12	Aggregate losses for Y2010		-	-	(273 153)	59 752	(213 401)
13	Balance as at day end of December 31 <sup>st</sup> , 2010		906 413	1 333	(284 121)	241 980	865 605

As of 31<sup>st</sup> of December, 2010, there is no balance at ledger 3630 "Dues to unregistered authorised capital"

As of 31<sup>st</sup> of December, 2010, ledger 5041, 5030 contain accrued income, amounting to UAH 250 507 thousand and accrued losses, amounting to UAH 112 276 thousand.

**Chairman of the Management Board**  
**“PRAVEX-BANK” PJSCCB**  
**Chief accountant**  
**“PRAVEX-BANK” PJSCCB**

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

**S.V. Naumov**

**O.Yu. Kibets**

**21.03.2011**

**Statement of comprehensive income and losses**

**At the end of the day as of 31st December 2010**

**“PRAVEX-BANK” PJSCCB**

(UAH ths)

<b>Line</b>	<b>Item Description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Net loss	(273 153)	(757 463)
2	Other comprehensive income/loss	59 752	(66 157)
2.1	Property revaluation	131	(83 541)
2.2	Tax effect of property revaluation	(56)	-
2.3	Fiscal impact of revaluation recognized in equity	59 677	17 384
<b>3</b>	<b>Total comprehensive loss</b>	<b>(213 401)</b>	<b>(823 620)</b>

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

**S.V. Naumov**

**Chief Accountant**  
**“PRAVEX-BANK” PJSCCB**

**O.Yu. Kibets**

**21.03.2011**

Prepared by: Melnyk T.I.

tel.: 201-17-57

## **Notes to the financial statements (in UAH thousand)**

### **Note 1. Accounting policy of “PRAVEX-BANK” PJSCCB for Y2010**

#### **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. The Bank in its activity is governed by the Law of Ukraine “On banks and banking activity”, as well as the Law of Ukraine “On joint-stock companies”, Law of Ukraine “On securities and stock exchange” and other legislative acts of Ukraine and regulatory acts of the National bank of Ukraine.

The Bank has a status of a bank with foreign capital.

As of December 31, 2010 the branch network of the Bank counts 435 branches, which are subordinate to 6 regional centers (compared to 553 branches as at December 31, 2009).

Total number of employees of the Bank as of December 31, 2010 made up 5 195 people (compared to 6 623 as at December 31, 2009).

#### **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, substance over form basis, autonomy, prudence, going concern, accrual basis, succession of rules of accounting, unified units of measurement.

Information on recognition and appraisal criteria for assets and liabilities is set forth in other sections of the present Note.

The financial statements are prepared based on the historical (initial) cost assessment approach, except for certain items described in the following chapters of this Note. For example, available for sale securities, investment property etc.

Financial statements are 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. The unit of measure used in financial statements is thousand hryvnias.



### *Reclassification*

Data of Y2009 were amended, as per the table below, aiming to bring them in line with the presentation of data for Y2010.

(UAH, ths)

<b>Item description</b>	<b>According to previous reporting</b>	<b>Reclassified</b>	<b>Amount of reclassification</b>
Other operational income	52 462	43 629	(8 833)
Comission income	222 454	231 287	8 833
Cash and cash equivalents	2 220 190	2 218 558	(1 632)
Other financial assets	76 622	78 254	1 632
Administrative and other operational expenses	670 233	661 402	(8 831)
Comission expenses	12 429	21 260	8 831

### **1.3. Initial recognition of financial instruments**

Financial instrument is a contract that results in simultaneous establishment (increase) of financial asset of one party and financial liability or own capital instrument of the other.

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.

The fair value of financial instrument is defined by the Bank through discounting all expected future cash flows using market interest rate for the similar (in terms of currency, sum, type, term) financial instrument.

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. The Bank amortizes discount/premium during the validity of a financial instrument, applying effective interest rate no less than once a month (apart from financial instruments in its trading portfolio); the discount/premium is to be totally amortized as of the date of redemption/return of 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 performs operations with financial instruments:

- HTM investments;
- payables and receivables;
- available-for-sale assets

#### **1.4. Loans to Customers**

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 (except cases provided bellow).

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 credits.

Due to lack of sufficient data base (in particular: market rates as at the date of financial instrument recognition, change in repayment schedules, estimate of material changes in contract terms as of the date of booking etc.), an effective interest rate shall not be applied to financial instruments, which occurred after 01.01.2009.

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 in agreement conditions.

Analysis of credit exposure in terms of financial instruments impairment is performed on a monthly basis. Volumes of loans impairment 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.

Aiming to calculate provisions and to define credit risk category, the Bank analyses credit portfolio under the following criteria:

- assessment of the Borrower's financial standing;
- status of loan servicing by the Borrower;
- loan coverage ratio.

Loan-loss provisions created are used for redemption of bad debts principal. Bad debts write-off out of created provisions is performed according to Decision of the Bank's Management Board. Writing-off bad debts principal and 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.

At the stage of initial recognition the Bank records guarantees and avals granted as its obligations at their fair value, which is equal to the amount of commissions obtained by the guarantor. Contingent liabilities on guaranties, avals and letters of credit are kept on off-balance sheet accounts.

#### **1.5. Available-for-sale securities**

Shares, securities with non-fixed profit and debt securities can be registered in available-for-sale portfolio.

At the stage of initial recognition securities available-for-sale shall be evaluated at their fair value.

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

- 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);

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.

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, issued by central executive authorities and the National bank.

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

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.

While recognizing the impairment of utility of available-for-sale securities (accounted for at their fair value), the amount of write-down of certain securities accumulated in the capital shall be deducted from the capital and is recognized as expenses of the reporting period.

Transferring of available-for-sale securities to held-to-maturity portfolio was not performed in 2010.

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

### **1.6. 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:

- 1) it has no financial resources for financing them;
- 2) 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;
- 3) 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.

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 with using effective interest rate.

The utility of held-to-maturity securities can be diminished at least once a month (as of the balance-sheet date) based on analysis of expected cash flow.

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).

Transferring of securities from held-to-maturity portfolio to available-for-sale one was not performed in 2010.

### **1.7. 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.

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 pledge holder'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 splitted 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.

Investment property is recognized at its fair value, including transaction costs. Once the initial recognition of investment property item is done, the Bank performs its further assessment applying fair value method, recognizing fair value changes in its profit or loss.

Aiming to define a fair value of investment property item as at the balance-sheet date the Bank conducts an independent expert evaluation.

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.

### **1.8. Fixed assets**

Fixed assets are tangible assets kept by the Bank with the purpose of their further usage or services rendering, leasing (renting) them out to other persons, or performing administrative and social and cultural functions, the expected useful (operating) life of which exceeds one year (or exceeds operating cycle if it is longer than one year).

Initially fixed assets are recognized at their actual cost that includes actual costs of acquisition and bringing them to the usable condition.

After initial recognition, fixed assets, except vehicles, are accounted for at their fair value, net of accumulated depreciation.

Vehicles and intangible assets are accounted for by initial price method.

Aiming to define a fair value of fixed assets as at the balance-sheet date the Bank conducts an independent expert evaluation.

Bank performs revaluation of fixed assets in case if its residual value significantly differs 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. If the residual value of a fixed asset deviates at least at 10 percent from its fair value, such deviation is considered to be significant.

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 reporting year.

An independent evaluation of own real estate property must be obligatory done by independent appraiser before preparation of annual report as of reporting year-end.

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

While recognizing the revaluation results, the accumulated depreciation of an asset is deducted from its initial (revaluated) cost, and its book value (calculated on a net basis) shall be reconciled with its fair value. This approach envisages that revalued price of the asset is equal to its fair value, and the accumulated depreciation is zero.

Evaluation of fixed assets as of December 31, 2010, in particular, real estate items, was performed by foreign investment enterprise "Bureau Veritas Ukraine" LLC. The fair value of fixed assets under evaluation was defined using comparative and income approaches.

The comparative approach consists in comparison of market values of objects identical to those being evaluated.

The profit approach is based on the assumption that an investor will not pay much more than the current benefits expected from this object in the future.

Total after revaluation:

Results of real estate revaluation as of 12/31/2010:

White-up of UAH 7 313, where:

- UAH 7 052 included in the capital.
- UAH 261 included in income.

White-down of UAH 7 352 where:

- UAH 6 921 - out of capital.
- UAH 431 - out of expenses.

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 standing commission for determination and revision of useful life of fixed assets and intangible assets of "PRAVEX-BANK" PJSCCB as of January 1, 2008 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, stock (furniture)	3-10	0.83%-1.19 %
Other fixed assets	2-10	0.56%-4.17%

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.

The period of depreciation of operating lease enhancement is equal to the period that begins from the month next to the one, when such enhancement ceases to exist, and till the last month of lease agreement validity.

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 rate shall be re-considered at the year end. In 2010 no changes in useful life or depreciation rate of fixed assets happened.

The Bank does not have any fixed assets pledged.

Fixed assets cease to be recognized as assets in case of their disposal through sale, free of charge transfer, loss, liquidation etc.

### **1.9. Intangible assets**

Intangible assets of the Bank refer to licenses for programs use, purchased software, trademarks for goods, services, etc.

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 2010 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. Review of useful life of intangible assets is performed in case of a justified economic need and at the end of the year.

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

<b>Intangible asset name</b>	<b>Periods (month)</b>	<b>Rate, %</b>
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.

Useful life and depreciation standards of intangible assets have not incurred any changes in 2010.

Intangible assets cease to be recorded as assets in case of their disposal resulted from sale, free of charge transfer, loss or failure to meet criteria established for assets.

Non-current assets not classified as available-for-sale any more are to be re-classified as held for use starting since the date, when the Bank takes the decision not to sell them.

### **1.10. Operational lease (rent)**

Transfer of fixed assets to the operational lease (rent) is recorded at book value.

Leased out fixed assets of the Bank are appraised and recorded in its balance under the same criteria as for its other own fixed assets.

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 for liabilities under operational leasing agreements is performed under off-balance accounts.

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

### **1.11. Income tax**

The Bank recognizes current income tax as liabilities for the reporting period calculated in accordance with tax legislation of Ukraine. According to Article 10 of the Law of Ukraine "On Corporate Income Tax", income tax rate in 2010 is 25% (vs. 25% in 2009).

Due to the fact that taxable income is calculated in compliance with Tax Law of Ukraine, and accounting reflects financial standing and results of the Bank's performance, as per regulatory acts that govern accounting in Ukraine, diversities between income received based on fiscal accounting data and income received based on financial accounting have appeared.

Methodology of recognition of permanent and temporary differences, appeared between items in fiscal and financial accounting, is based on the requirements of the National Accounting Standard No.17, "Income tax", "Instruction on the procedure of current and deferred tax assets and tax liabilities recognition in accounting Ukrainian banks", approved by NBU Regulation No. 140, dd. March 17, 2009 and by internal Regulation on the deferred income tax "Instruction on the procedure of current and deferred tax assets and liabilities recognition in accounting", approved by Order No. 79-A, dd. January 30, 2007 .

To calculate the impact of temporary differences on income tax liabilities, the Bank conducts the following activities as of the reporting date:

- performs analysis of all the transactions, which caused temporary difference between balance and tax base of assets and liabilities;
- calculates all the deferred tax liabilities (DTL), having defined the fiscal impact of the taxable aggregate temporary difference, applying the corporate profit tax rate;
- calculates all the deferred tax assets (DTA), having defined the fiscal impact of the deductible aggregate temporary difference;

The Bank recognizes DTL (DTA), if reimbursement (repayment) of the book value of assets (liabilities) causes increase or decrease of future tax payments, compared to the ones that could be, if their reimbursement (repayment) did not have tax implications.

DTA and DTL shall be calculated, which will be valid during the period when the asset is sold or used and the obligation is discharged.

DTA and DTL are calculated based on tax rates to be applied during the period of realization or use of assets and repayment of liabilities.

The Bank records deferred income tax as expenses, except for deferred income tax accrued as a result of operations recorded in the Statement of comprehensive income and losses (revaluation of fixed assets, available-for-sale securities etc.).

If needed, the Bank re-considers expenses for income tax as of the reporting date, taking into consideration previously recognized DTA and DTL.

As of December 31, 2010 the Bank has not recognized temporary tax differences of UAH 192 706ths because tax income was not enough to reimburse DTA. Unrecognized deferred tax assets make up UAH 41 643 ths.

Information as regards deferred tax assets and deferred tax liabilities of the Bank, as well as regarding adjustment of differences between income tax expenses and result of accounting income on tax rate, is provided in Note 26 "Income tax expenses".

## **1.12. 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 such income/expenses are recognized immediately on income/expenses accounts without preliminary recording on accrued income/expenses accounts.

Accrued interest income and related commissions, if not received within the period set by the agreement, are transferred to overdue income accounts next day.

If the agreement does not specify the period when the customer must repay his loan granted by the Bank, then the debt is considered as overdue next business day after the date of accrual.

Income related to services rendered is defined based on the stage of works as of the balance-sheet date and when it is possible reliably to evaluate the result of those works.

Reliability of income assessment depends on the agreement, where cost of services and repayment schedule are set. Income from services, which can be rendered within several reporting periods under the agreement, is recognized depending on the stage of works completion.

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

Income (expenses) from non-recurring services can be recognized w/o recording them on accrued income (expenses) accounts, in case they were obtained (paid) in the same reporting period, when the services had actually been rendered (received).

Interest income and expenses are calculated proportionally to time and asset (liabilities) amount, applying effective interest rate. Interests on financial instruments are accrued at nominal interest rate stipulated by agreement (issue), and is recognized on accounts of accrued income and expenses at 1, 2, 3 classes of Chart of accounts set for Ukrainian banks, approved by NBU Regulation No. 280 dd. June 17, 2004.

Terms of income/expenses accrual/payment (date of accrual, maturity date, scheme of defining number of days, calculation period etc.), as well as terms of Break Fee payment are defined by the agreement between the Bank and the Contractor.

Any differences occurred 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 not included to cost of loan (for example, the one for cash and settlement servicing etc.), are recorded on the accounts of the commission income.

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 for 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.

Interest income (including discount/premium amortization, applying the effective interest rate) is classified as available-for-sale debt securities.

Dividends from available-for-sale securities with undefined income shall be treated as income of the reporting period, when we own them.

Provisions for possible losses from active transactions and accrued income are created out of expenses.

### **1.13. Foreign currency**

Assets and liabilities, income and expenses from foreign exchange and banking metal transactions are recorded in UAH equivalent at the official foreign exchange rates and banking metal rates at the date of recognition in accounting.

Income and expenses on operations with foreign currencies and banking metals are recognized in UAH equivalent at NBU rate as of the date of deal out of which the income was received or losses incurred. In case of accrual of income or expenses in foreign currency, they are accounted for at the rate as of the date of accrual.

In Balance Sheet, assets and liabilities in foreign currency and banking metals are recognized against official exchange rate, set by the NBU at the reporting date. As of December 31, 2010 the NBU set the following rates:

- for USD 1 – UAH 7.961700;
- for EUR 1 – UAH 10.573138;
- for RUB 10 – UAH 2.6124000;
- and others.

Revaluation of all FX balance accounts is performed upon each change of the NBU exchange rate via analytical account “Result from FX revaluation” of Income Statement.

The Bank records FX trading as profit/loss from foreign currency purchase, sale or exchange.

The management of the Bank follows a policy of effective risk management and minimization of risks of loss due to foreign exchange rate fluctuation (Note 30).

### **1.14. Reporting by segments**

Segment shall be recorded separately, in case the major 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:

- 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.

The breakdown of income and expenses into the segments was conducted:

- for direct income/expenses from service-providing transaction – through analysis of income/expenses received from contractors on analytical accounts;
- for indirect income/expenses – in proportion to the quantity of clients of the segment.

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 2010. With the purpose to ensure reliable information, there were distinguished the following reporting segments:

- services to corporate clients (including legal entities and individual entrepreneurs)
- services to individuals;
- operations with securities;
- operations at interbank market;
- other operations.

The Bank performs its activity in one single geographical segment - Ukraine.

The main principle for intersegmental transactions pricing is recording of income and expenses of the reporting segments in the relevant correspondence centers of the Bank with further recording in the relevant segments in accordance with the analytical accounting applied by the Bank.

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

**S.V. Naumov**

**Chief Accountant**  
**“PRAVEX-BANK” PJSCCB**

**O.Yu. Kibets**

**21.03.2011**

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

## **Note 2. Economic environment of bank activities**

2010 has been the year of gradual movement from post-crisis events to economic upturn for global economy.

Ukraine's scenario was characterized by a number of positive trends: increase in GDP, further decrease in inflationary pressure (in 2010 inflation was below 10% for the first time since 2003), stabilization of exchange rates (and absence of huge fluctuations due to speculation), significant recovery of confidence in the banking system shown by the boost in customer deposits etc.

However also negative elements were registered: very weak inflow of foreign investments, which gives evidence of lack of investors' confidence in Ukrainian business, very slow renewal of lending activity, which in its turn, hampers the growth, problems with public finances and increased dependence on external borrowings. In particular, aiming to finance central government budget deficit and to implement appropriate reforms, in the year 2010 Ukraine has entered into a new treaty with IMF for granting USD 15 billion of stabilization loan to our country, and Ukraine received 2 tranches of more than USD 3 billion during a year.

In 2010 the banking system has been characterized by the decrease of the number of financial institutions because they were either bankrupt or distressed.

Despite current economic situation in Ukraine, the Management of the bank performs constant analysis of such situation and takes all the necessary measures to ensure steadiness of its business. The overall deterioration in the economic environment in the country can have an adverse impact on the Bank's performance and financial standing. It is impossible to estimate an impact of such changes on the financial statements.

Banks in general continued strong actions in restructuring and recovering non-performing loans.

Lending activity only partially restarted, on the basis of a higher risk management attitude.

The main positive impacts on the banking systems have been the following:

1. Improvement of economic environment in Ukraine, increase of positive expectations of economy development, enhancement of companies' financial standing that provides more opportunities for corporate business development both in demand and supply of banking services.
2. Absolute renewal of confidence in banking system and increase in resource base of the banks have created an offered market, which in its turn, made it possible to decrease dramatically the value of funds attracted;
3. Steady foreign exchange market. It enabled banks to treat forex risks in a more "forecasting" way, as well as promoted renewal of foreign currency lending in export-oriented business.
4. Inflation slow-down vs. previous years enables to manage the cost of active and passive transactions in a more quality manner both for banks and for customers, while taking financial decisions, which resulted in enhancement of borrowers' financial discipline.

The main negative impacts on the banking systems have been the following:

1. Still high level of unemployment and slow increase in real personal income adversely affected development of retail business. Consumer lending has just started renewing after complete halt in the period of crisis.
2. Liquidity surplus in banking system and minor lending opportunities still adversely affect financial performance of the banks. However, the main reason of the negative performances of banks in 2010 is the necessity to create huge provisions for loans.

3. The Government and the National Bank are still the main absorbers of surplus liquidity in the market. By means of T-bills, government loans act as additional burden on budgetary finances and substitute the real financing of economy.

Prepared by: S.M.Kramarova  
tel.:(044) 201-17-57

**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.

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 for accounting and reporting for the NBU.

Due to the fact that the requirements to accounting and reporting procedures for banking institutions of Ukraine and Ukrainian Accounting Standards in certain cases diverged from IFRS requirements, the Bank was preparing separate IFRS financial statements and financial statements in accordance with statutory requirements for financial reporting in Ukraine.

In the course of preparation of these financial statements the Bank has been governed by the Instruction on preparation and disclosure of the financial statements in the banks of Ukraine, approved by NBU Regulation No 480 dd. December 27, 2007.

During the year and while preparing its financial statements the Bank applied all the new and revised standards and explanations issued by International Accounting Standards Board only in case such newly issued requirement of IFRS are envisaged in regulatory acts of the National Bank of Ukraine. It had no impact on the Bank’s financial standing and its performance.

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

**Note 4. Cash and cash equivalents****Table 4.1. Cash and cash equivalents**

(UAH, ths.)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Cash	341 837	328 707
2	Funds with the National Bank of Ukraine (except for the required reserves)	71 764	132 207
3	Funds of required reserves with the National Bank of Ukraine	-	60 372
4	Funds of compulsory provisions transferred to a separate account of NBU.	104 006	91 458
5	Correspondent accounts and "overnight" deposits with banks of:	228 016	1 605 950
5.1	Ukraine	463	1 363
5.2	Other countries	227 553	1 604 587
6	Impairment provision for cash	(86)	(136)
<b>7</b>	<b>Total cash and cash equivalents</b>	<b>745 537</b>	<b>2 218 558</b>

Item 1 of the Balance-sheet is disclosed in line 7, table 4.1.

Line 4 "Obligatory reserve with the NBU" includes accrued income of UAH 206 ths (vs. UAH 238 ths for Y2009).

For the purposes of "Report" calculation, obligatory reserve in line 4 "Obligatory reserve with the NBU", amounting to UAH 103801 ths (vs. UAH 91 220 ths for Y2009), is not included into item "Cash and cash equivalents".

Prepared by: T. I. Melnyk

tel.:(044) 201-17-57

**Note 5. Funds in other banks****Table 5.1. Analysis of change in impairment provision for funds in other banks**

(UAH, ths.)

<b>Line</b>	<b>Provisions flow</b>	<b>2010</b>	<b>2009</b>
		<b>funds in other banks</b>	<b>funds in other banks</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Balance as at 1 January	-	(431)
2	Decrease in reserve for depreciation during a year	-	194
3	Bad debts write-off	-	236
4	Exchange differences on provisions	-	1
<b>5</b>	<b>Balance as at day end on 31<sup>st</sup> December</b>	<b>-</b>	<b>-</b>

Prepared by: T. I. Melnyk

tel.:(044) 201-17-57

**Note 6. Due from clients**

**Table 6.1. Due from clients**

(UAH ths)

Line	Item description	2010	2009
1	2	3	4
1	Loans to legal entities	1 034 602	345 433
2	Loans to the individual entrepreneurs	1 621	2 936
3	Mortgage loans to individuals	971 379	1 111 020
4	Consumer loans to individuals	3 035 166	4 233 623
5	Other loans to individuals	3 128	2 203
6	Loan loss provision	(1 062 240)	(1 395 304)
7	<b>Total loans net of provisions</b>	<b>3 983 656</b>	<b>4 299 911</b>

Item 2 of the Balance-sheet is disclosed in line 7, table 6.1.

Securities as collateral and for the repo operations as of December 31 2010 (as at the end of the day) weren't used.

Line 7 "Total loans net of provisions" includes accrued income on loans as of the day end on December 31 2010 in the amount of UAH 248 222 ths as of the day end on December 31 2009 amounting to UAH 341 479 ths.

**Table 6.2. Analysis of the change in loan loss provisions for 2010**

(UAH ths)

Line	Flow of provisions	Loans to legal entities	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
1	<b>Balance as at January 1 2010</b>	<b>(48 534)</b>	<b>(205)</b>	<b>(157 306)</b>	<b>(1 189 243)</b>	<b>(16)</b>	<b>(1 395 304)</b>
2	Increase in loan loss provision during the year	(1 281)	(124)	(43 408)	(127 480)	(863)	(173 156)
3	Write - off of bad debts through provisions	2 266	-	-	504 436	-	506 702
4	(Increase)/decrease of provisions due to translation difference	2	-	-	(484)	-	(482)
5	<b>Balance as at the day end December 31 2010</b>	<b>(47 547)</b>	<b>(329)</b>	<b>(200 714)</b>	<b>(812 771)</b>	<b>(879)</b>	<b>(1 062 240)</b>

**Table 6.3. Analysis of the change in loan loss provisions for 2009**

(UAH ths)

Line	Flow of provisions	Loans to legal entities	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
1	<b>Balance as at January 1 2009</b>	<b>(22 812)</b>	<b>(110)</b>	<b>(50 734)</b>	<b>(377 983)</b>	<b>(117)</b>	<b>(451 756)</b>
2	(Increase)/decrease in loan loss provision during the year	(27 790)	(95)	(103 505)	(800 570)	102	<b>(931 858)</b>
3	Write - off of bad debts through provisions	2 745	-	-	-	-	<b>2 745</b>
4	Increase of provisions due to translation difference	(677)	-	(3 067)	(10 690)	(1)	<b>(14 435)</b>
5	<b>Balance as at the day end December 31 2009</b>	<b>(48 534)</b>	<b>(205)</b>	<b>(157 306)</b>	<b>(1 189 243)</b>	<b>(16)</b>	<b>(1 395 304)</b>

**Table 6.4. Structure of loans by economic activity**

(UAH ths)

Line	Type of economic activity	2010		2009	
		UAH	%	UAH	%
1	2	3	4	5	6
1	Production	463 335	9.18	52 206	0.92
2	Real estate	45 898	0.91	43 429	0.76
3	Trade	325 485	6.45	194 900	3.42
4	Agriculture	70 954	1.41	1 610	0.03
5	Loans issued to the individuals	4 009 673	79.46	5 346 846	93.88
6	Other	130 551	2.59	56 224	0.99
7	Total:	<b>5 045 896</b>	<b>100.00</b>	<b>5 695 215</b>	<b>100.00</b>



**Table 6.5. Information on loan security for 2010**

(UAH ths)

Line	Item description	Loans to legal entities	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
1	Non-secured loans	5 645	47	120	307 379	2 524	315 715
2	Loans secured by:	1 028 957	1 574	971 259	2 727 787	604	4 730 181
2.1	Guarantees and bails	135 945	-	-	-	-	135 945
2.2	Pledge including	893 012	1 574	971 259	2 727 787	604	4 594 236
2.2.1	Residential real estate property	11 485	1 001	907 289	598 439	-	1 518 214
2.2.2	Other real estate property	613 695	329	62 119	1 270 361	-	1 946 504
2.2.3	Securities	3 139	-	-	-	-	3 139
2.2.4	Cash deposits	21 132	-	-	255	604	21 991
2.2.5	Other property	243 561	244	1 851	858 732	-	1 104 388
3	<b>Total dues from clients</b>	<b>1 034 602</b>	<b>1 621</b>	<b>971 379</b>	<b>3 035 166</b>	<b>3 128</b>	<b>5 045 896</b>

**Breakdown of Item 2.2.5. "Other property":**

(UAH ths)

Line	Item description	Loans to legal entities	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Total
1	2	3	4	5	6	7
1	Movables	77 056	-	-	410	77 466
2	Goods in turnover	96 136	-	-	-	96 136
3	Vehicles	985	244	-	858 205	859 434
4	Property rights on real estate	-	-	1 851	117	1 968
5	Property rights	69 384	-	-	-	69 384
	<b>Total</b>	<b>243 561</b>	<b>244</b>	<b>1 851</b>	<b>858 732</b>	<b>1 104 388</b>

**Table 6.6. Information on the loans' guarantee for 2009**

(UAH ths)

Line	Item description	Loans to legal entities	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
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	Cash deposits	9 094	-	-	235 698	-	244 792
2.2.4	Other property	31 039	2 503	2 775	1 403 899	-	1 440 216
3	<b>Total dues from clients</b>	<b>345 433</b>	<b>2 936</b>	<b>1 111 020</b>	<b>4 233 623</b>	<b>2 203</b>	<b>5 695 215</b>

**Breakdown of Item 2.2.4. "Other property":**

(UAH ths)

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

**Table 6.7. Analysis of quality of loan portfolio for 2010**

(UAH ths)

Line	Item description	Loans to legal entities	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
1	Current and not impaired	3 008	900	569 880	648 065	2 222	1 224 075
1.1	Loans to medium companies	3 008	-	-	-	-	3 008
1.2	Loans to small companies	-	900	-	-	-	900
1.3	Loans to individuals	-	-	569 880	648 065	2 222	1 220 167
2	Loans terms of which were reviewed during the year	263 665	-	67 273	969 153	-	1 300 091
3	Total of current and not impaired loans	266 673	900	637 153	1 617 218	2 222	2 524 166
4	Impaired loans evaluated on the individual basis:	25 366	323	289 312	913 019	906	1 228 926
4.1	with up to 31 days delay in payment	80	-	13 463	21 984	3	35 530
4.2	with 32 to 92 days delay in payment	-	-	20 227	38 688	13	58 928
4.3	with 93 to 183 days delay in payment	-	-	21 167	65 976	18	87 161
4.4	with 184 to 365 (366) days delay in payment	3 351	-	34 541	60 558	872	99 322
4.5	with more than 366 days delay in payment	21 935	323	199 914	725 813	-	947 985
5	Other loans	742 563	398	44 914	504 929	-	1 292 804
6	Provision for the depreciation for the loans	(47 547)	(329)	(200 714)	(812 770)	(880)	(1 062 240)
7	<b>Total loans</b>	<b>987 055</b>	<b>1 292</b>	<b>770 665</b>	<b>2 222 396</b>	<b>2 248</b>	<b>3 983 656</b>

**Table 6.8. Analysis of quality of loan portfolio for 2009**

(UAH ths)

Line	Item description	Loans to legal entities	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
1	Current and not impaired	14 087	2 492	736 173	1 228 096	1 331	<b>1 982 179</b>
1.1	Loans to medium companies	12 049	-	-	-	-	<b>12 049</b>
1.2	Loans to small companies	2 038	2 492	-	-	-	<b>4 530</b>
1.3	Loans to individuals	-	-	736 173	1 228 096	1 331	<b>1 965 600</b>
2	Loans terms of which were reviewed during the year	39 892	201	105 535	850 062	-	<b>995 690</b>
3	Total of current and not impaired loans	53 979	2 693	841 708	2 078 158	1 331	<b>2 977 869</b>
4	Impaired loans evaluated on the individual basis:	37 610	204	238 759	1 651 377	872	<b>1 928 822</b>
4.1	with up to 31 days delay in payment	-	-	13 507	47 117	872	<b>61 496</b>
4.2	with 32 to 92 days delay in payment	817	-	25 171	76 436	-	<b>102 424</b>
4.3	with 93 to 183 days delay in payment	6919	15	21 420	129 306	-	<b>157 660</b>
4.4	with 184 to 365 (366) days delay in payment	20 480	-	67 085	402 201	-	<b>489 766</b>
4.5	with more than 366 days delay in payment	9 394	189	111 576	996 317	-	<b>1 117 476</b>
5	Not overdue	253 844	39	30 553	504 088	-	<b>788 524</b>
6	Provision for the depreciation for the loans	(48 534)	(205)	(157 306)	(1 189 243)	(16)	<b>(1 395 304)</b>
7	<b>Total loans</b>	<b>296 899</b>	<b>2 731</b>	<b>953 714</b>	<b>3 044 380</b>	<b>2 187</b>	<b>4 299 911</b>

**Table 6.9. Fair value of security on overdue but not impaired loans and impaired loans evaluated individually for 2010**

(UAH ths)

Line	Item description	Loans to legal entities	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Total
1	2	3	4	5	6	7
1	Fair value of security for overdue but non depreciated loans:	-	-	-	-	-
2	Fair value of securisation for the depreciated loans that have been evaluated on the individual basis	2 909 299	2 102	580 532	3 596 346	7 088 279
2.1	Real estate of living space	30 563	1 407	519 672	720 973	1 272 615
2.2	Other real estate	1 239 663	8	57 563	2 261 252	3 558 486
2.3	Securities	276	-	-	-	276
2.4	Money deposits	39 072	-	-	-	39 072
2.5	Other property	1 460 399	687	3 297	614 121	2 078 504
2.6	Guarantees and bails	139 326	-	-	-	139 326

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

(UAH ths)

Line	Item description	Loans to legal entities	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Total
1	2	3	4	5	6	7
1	Movables	352 356	240	-	1 253	353 849
2	Goods in turnover	500 228	-	-	-	500 228
3	Vehicles	18 728	447	-	478 404	497 579
4	Property rights on real estate	-	-	3 297	-	3 297
5	Property rights	589 087	-	-	134 464	723 551
	<b>Total</b>	<b>1 460 399</b>	<b>687</b>	<b>3 297</b>	<b>614 121</b>	<b>2 078 504</b>

Fair value of loan collateral is determined once the collateral is recognized. To define the fair value of the collateral "PRAVEX-BANK" PJSCCB applies its internal methodology. For these purposes the Bank uses a comparative approach, meaning comparison of certain elements of collateral value. Such elements include specifications (parameters) of collateral items, price factors, which influence the price level (price dynamics, sale terms, guarantee period etc.), market price of contracts (or offers) with analogous items etc. In certain cases an independent expert can be involved to determine a fair value of loan collateral (real estate transferred to he bank as a mortgage, cars etc.).

**Table 6.10. Fair value of security on overdue but not impaired loans and impaired loans evaluated individually for 2009**

(UAH ths)

Line	Item description	Loans to legal entities	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Total
1	2	3	4	5	6	7
1	Fair value of security for overdue but non depreciated loans:	-	-	-	-	-
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	Money deposits	17 156	-	-	260 618	277 774
2.4	Other property	240 749	285	3 305	421 034	665 373
2.5	Guarantees and bails	32 268	-	-	-	32 268

**Item 2.4. "Other property" breakdown:**

(UAH ths)

Line	Item description	Loans to legal entities	Loans to individual entrepreneurs	Mortgage loans to individuals	Consumer loans to individuals	Total
1	2	3	4	5	6	7
1	Vehicles	168 734	240	-	15 258	<b>184 232</b>
2	Movables	66 412	45	-	-	<b>66 457</b>
3	Goods in turnover	5 603	-	-	405 776	<b>411 379</b>
4	Property rights	-	-	3 305	-	<b>3 305</b>
	<b>Total</b>	<b>240 749</b>	<b>285</b>	<b>3 305</b>	<b>421 034</b>	<b>665 373</b>

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

**Note 7. Available-for-sale securities**

**Table 7.1. Available-for-sale securities**

(UAH ths)

Line	Item description	2010	2009
1	2	3	4
1	Debt securities:	39 622	-
1.1	State bonds	39 622	-
2	Shares of enterprises and other securities with non-fixed income:	58	58
2.1	at prime cost (which fair value can not be precisely determined)	58	58
3	Provisions for depreciation of available-for-sale securities	-	-
<b>4</b>	<b>Total for securities for sale net of reserves</b>	<b>39 680</b>	<b>58</b>

Item 3 of the Balance-sheet is disclosed in line 4, table 7.1.

**Table 7.2. Analysis of credit quality of available-for-sale debt securities for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Public bonds</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Current and nondepreciated:	39 622	39 622
1.1	State-owned institutions and enterprises	39 622	39 622
2	Debt securities renegotiated in the reporting year	-	-
3	Total current and nondepreciated debt securities	39 622	39 622
4	Overdue, but nondepreciated	-	-
5	Depreciated debt securities, assessed on an individual basis	-	-
6	Provisions for depreciation of available-for-sale securities	-	-
<b>7</b>	<b>Total available-for-sale debt securities net of provisions</b>	<b>39 622</b>	<b>39 622</b>

**Table 7.3. Changes in bank's portfolio of securities for sale**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Book value as of January 1	58	58
2	Result (final appraisal/reduces assessment) from revaluation to fair value	(56)	-
3	Accrued interest	1 055	6 342
4	Interest received	-	(6 342)
5	Securities acquiring	127 923	2 175 000
6	Sale of available-for-sale securities	(89 300)	(2 175 000)
<b>7</b>	<b>Book value as of the end of the day December 31</b>	<b>39 680</b>	<b>58</b>

**Table 7.4. Principal equity securities available-for-sale at prime cost**

(UAH ths)

<b>Line</b>	<b>Name of Company</b>	<b>Type of activity</b>	<b>Country of registration</b>	<b>Prime cost</b>	
				<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Close Corporation "Crimean Stock Market"	financial market management	Ukraine	11	11
2	Public Corporation "MFS"	financial market management	Ukraine	24	24
3	Close Corporation "Ukrainian interbank foreign exchange Market"	financial market management	Ukraine	2	2
4	Crimean Interbank Stock Market	financial market management	Ukraine	20	20
5	Ukrainian trade house "Contract house Ukrainian Interbank Foreign Exchange Stock"	financial market management	Ukraine	1	1
	<b>Total</b>			<b>58</b>	<b>58</b>

Securities used as collateral or for repo operations as of December 31 2010 (as at the end of the day) are absent

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

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

(UAH ths)

<b>Line</b>	<b>Line</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Public bonds	108 788	-
2	Deposit Certificates of the National Bank of Ukraine	-	200 093
3	Provisions for HTM securities depreciation	-	-
4	<b>Total less provisions</b>	<b>108 788</b>	<b>200 093</b>

Item 4 of the Balance-sheet is disclosed in line 4, table 8.1.

**Table 8.2. Flow of held-to-maturity securities**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Book value as of January 1	200 093	-
2	Receipts	9 358 799	200 000
3	Redemption	(9 456 000)	-
4	Accrued interest	30 715	93
5	Interest received	(24 819)	-
6	Book value as of the end of the day December 31	108 788	200 093

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

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>		<b>2009</b>	
		<b>Fair value</b>	<b>Book value less provisions</b>	<b>Fair value</b>	<b>Book value less provisions</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Deposit Certificates of the National Bank of Ukraine	-	-	200 093	200 093
2	Public bonds	108 788	108 788	-	-
3	<b>Total held-to-maturity securities</b>	<b>108 788</b>	<b>108 788</b>	<b>200 093</b>	<b>200 093</b>

**Table 8.4 Analysis of quality of HTM securities for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Public bonds</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Non-impaired debt securities and securities at current cost:		
1.1	State-owned institutions and enterprises	108 788	108 788
2	Debt securities renegotiated in the reporting year	-	-
3	Total current and nondepreciated debt securities	108 788	108 788
4	Outstanding but nondepreciated debt securities	-	-
5	Debt securities, depreciated on an individual basis	-	-
6	Provisions for depreciation of HTM securities	-	-
7	Total HTM debt securities net of provisions	108 788	108 788

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57



**Note 9. Investment property****Table 9.1. Investment property estimated at fair value**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Fair value of investment property as of the beginning of the year	1 359	-
2	Additions	-	1 610
3	Disposal	(1 359)	-
4	Profit/loss from revaluation at fair value	-	(251)
5	Fair value of investment property as at day end on December 31	-	1 359

Item 5 of the Balance-sheet is disclosed in line 5, table 9.1.

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

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

(UAH ths)

<b>Line</b>	<b>Term of operational lease</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	< 1 year	-	74
2	1-5	177	-
3	>5	-	-
4	<b>Total of operational lease payments</b>	177	74

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 10. Fixed and intangible assets as of December 31, 2010 (as at the end of the day)**

**Table 10. Fixed and intangible assets as of December 31, 2010 (as at the end of the day)**

(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	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	Balance cost as of January 01 2008	206	439 031	91 469	5 021	7 895	2 665	24 703	5 535	6 569	583 094
1.1	Initial (revaluated) cost	206	490 262	177 349	7 486	13 006	6 716	48 486	5 535	13 436	762 482
1.2	Depreciation amount as of 31 December 2008 (as of 01 January 2009)	-	(51 231)	(85 880)	(2 465)	(5 111)	(4 051)	(23 783)	-	(6 867)	(179 388)
2	Additions	-	-	-	-	-	-	-	19 719	-	19 719
3	Fixed and intangible assets launched	-	50	3 476	2 830	201	1 572	22	(19 357)	11 206	-
4	Improvement of fixed assets and intangible assets	-	404	226	33	-	-	93	(1 414)	658	-
5	Disposal	-	(1 387)	(1 405)	(763)	(112)	(70)	(3 158)	(59)	(5)	(6 959)
6	Depreciation expense	-	(7 227)	(18 086)	(734)	(1 237)	(879)	(9 454)	-	(2 880)	(40 497)
7	Revaluation	(33)	(93 665)	-	-	-	-	-	-	-	(93 698)
7.1	Revaluation of initial cost	(33)	(104 685)	-	-	-	-	-	-	-	(104 718)
7.2	Revaluation of depreciation	-	11 020	-	-	-	-	-	-	-	11 020
8	Other	-	(443)	(69)	-	-	-	6	69	-	(437)
9	Balance cost as of December 31 2009 (as of 01 Januar 2010)	173	336 763	75 611	6 387	6 747	3 288	12 212	4 493	15 548	461 222
9.1	Initial (revaluated) cost	173	383 689	173 169	9 197	12 630	7 534	41 934	4 493	25 152	657 971
9.2	Depreciation as of December 31 2009 (as of 1st January 2010)	-	(46 926)	(97 558)	(2 810)	(5 883)	(4 246)	(29 722)	-	(9 604)	(196 749)
10	Additions	-	-	-	-	-	-	-	85 067	-	85 067

(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	Total
1	2	3	4	5	6	7	8	9	10	11	12
11	Fixed and intangible assets launched	-	63	34 844	1 638	446	293	100	(47 022)	9 638	-
12	Improvement of fixed assets and intangible assets	-	300	1 850	74	-	-	149	(2 719)	346	-
13	Disposal	-	-	(1 310)	(241)	(326)	(20)	(706)	(226)	(134)	(2 963)
14	Depreciation expense	-	(5 720)	(18 369)	(848)	(1 194)	(964)	(5 823)	-	(13 542)	(46 460)
15	Revaluation	10	(49)	-	-	-	-	-	-	-	(39)
15.1	Revaluation of initial cost	10	(47 498)	-	-	-	-	-	-	-	(47 488)
15.2	Revaluation of depreciation	-	47 449	-	-	-	-	-	-	-	47 449
16	Other	-	1 331	35	-	(3)	28	-	-	-	1 391
17	Balance cost as of December 31 2010	183	332 688	92 661	7 010	5 670	2 625	5 932	39 593	11 856	498 218
17.1	Initial (revaluated) cost	183	336 922	203 804	10 349	12 283	7 661	39 662	39 593	34 561	685 018
17.2	Depreciation as of December 31 2010 (as of 1st January 2011)	-	(4 234)	(111 143)	(3 339)	(6 613)	(5 036)	(33 730)	-	(22 705)	(186 800)

Item 8 of the Balance-sheet and item 9 of the Statement of Changes in Equity are disclosed in line 17, table 10.

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 24 982 thousand.

Residual value of fixed assets held for sale : none;

Initial (revaluated) cost of the entirely depreciated fixed assets: intangible assets (GL 4300) - UAH 15 497 thousand fixed assets (GL 4400) - UAH 25 981 thousand, other non-current assets - UAH 1 987 thousand total UAH 43 465 thousand;

Value of intangible assets that have ownership limitations: none;

Cost of created intangible assets: none.

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 11. Other financial assets****Table 11.1. Other financial assets**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Accounts receivable on operations with credit and debit cards	31 057	42 348
2	Funds with limited rights of use	68	1 632
3	Other	11 863	35 798
4	Reserve for depreciation	(3 504)	(1 524)
<b>5</b>	<b>Total other financial assets net reserves</b>	<b>39 484</b>	<b>78 254</b>

Item 9 of the Balance-sheet is disclosed in line 5, table 11.1.

**Item "Other" breakdown**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
1	Accounts receivable on operations with the bank's clients	7 927	32 410
2	Advance payments to bank's employees for travelling charges	2 068	1 588
3	Shortages and other charges for bank's employees	34	60
4	Other accounts receivable on settlements with bank's employees and other individuals	1 191	1 015
5	Accrued revenues for cash and settlement services	643	725
<b>6</b>	<b>Total</b>	<b>11 863</b>	<b>35 798</b>

Line 3 "Other" includes accrued income of UAH 1 191 ths. (vs. UAH 1 015 ths in 2009).

**Table 11.2. Analysis of changes in impairment provision for other financial assets for 2010**

(UAH ths)

<b>Line</b>	<b>Flow of provisions</b>	<b>Other</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	<b>Balance as of 1 January 2010</b>	<b>(1 524)</b>	<b>(1 524)</b>
2	(Increase)/decrease in impairment provision during a year	(2 014)	(2 014)
3	Bad debts write-off	62	62
4	Translation differences for provisions	(28)	(28)
<b>5</b>	<b>Balance as of 31 December 2010 (as at the end of the day)</b>	<b>(3 504)</b>	<b>(3 504)</b>

**Table 11.3. Analysis of changes in impairment provision for other financial assets for 2009**

(UAH ths)

<b>Line</b>	<b>Flow of provisions</b>	<b>Accounts receivable on operations with credit and debit cards</b>	<b>Other</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	<b>Balance as of 1 January 2009</b>	<b>(13)</b>	<b>(3 545)</b>	<b>(3 558)</b>
2	(Increase)/ decrease in impairment provision during a year	13	(751)	(738)
3	Bad debts write-off	-	2 849	2 849
4	Translation differences for provisions	-	(77)	(77)
<b>5</b>	<b>Balance as of 31 December 2009 (as at the end of the day)</b>	<b>-</b>	<b>(1 524)</b>	<b>(1 524)</b>

**Table 11.4. Analysis of quality of other financial accounts receivable for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Accounts receivable on operations with credit and debit cards</b>	<b>Funds with limited right of use</b>	<b>Other</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Current and nondepreciated indebtedness:	31 058	68	6 461	<b>37 587</b>
1.1	Major (high-profile) customers with more than 2 years credit history	-	-	238	<b>238</b>
1.2	Middle companies	-	-	655	<b>655</b>
1.3	Small companies	-	-	214	<b>214</b>
1.4	Individuals	31 058	-	5 354	<b>36 412</b>
1.5	Accumulative account with National Bank of Ukraine	-	68	-	<b>68</b>
2	Accounts receivable terms of which were revised during a year	-	-	-	-
3	Total current and nondepreciated indebtedness:	31 058	68	6 461	<b>37 587</b>
4	Overdue but not depreciated:	-	-	5 401	<b>5 401</b>
4.1	with up to 31 days delay in payment	-	-	190	<b>190</b>
4.2	with 32 to 92 days delay in payment	-	-	766	<b>766</b>
4.3	with 93 to 183 days delay in payment	-	-	60	<b>60</b>
4.4	with 184 to 365 (366) days delay in payment	-	-	2 435	<b>2 435</b>
4.5	with more than 366 (367) days delay in payment	-	-	1 950	<b>1 950</b>
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	Provision for impairment	-	-	(3 504)	<b>(3 504)</b>
<b>7</b>	<b>Total other financial accounts receivable</b>	<b>31 058</b>	<b>68</b>	<b>8 358</b>	<b>39 484</b>

**Table 11.5. Analysis of quality of other financial accounts receivable for 2009**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Accounts receivable on operations with credit and debit cards</b>	<b>Funds with limited right of use</b>	<b>Other</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Current and nondepreciated indebtedness:	42 348	1 632	30 811	<b>74 791</b>
1.1	Major (high-profile) customers with more than 2 years credit history	-	-	300	<b>300</b>
1.2	Middle companies	-	-	826	<b>826</b>
1.3	Small companies	-	-	271	<b>271</b>
1.4	Individuals	42 348	-	29 414	<b>71 762</b>
1.5	Accumulative account with National Bank of Ukraine	-	1 632	-	<b>1 632</b>
2	Accounts receivable terms of which were revised during a year	-	-	-	-
3	Total current and nondepreciated indebtedness:	42 348	1 632	30 811	<b>74 791</b>
4	Overdue but not depreciated:	-	-	4 987	<b>4 987</b>
4.1	with up to 31 days delay in payment	-	-	2 511	<b>2 511</b>
4.2	with 32 to 92 days delay in payment	-	-	765	<b>765</b>
4.3	with 93 to 183 days delay in payment	-	-	71	<b>71</b>
4.4	with 184 to 365 (366) days delay in payment	-	-	781	<b>781</b>
4.5	with more than 366 (367) days delay in payment	-	-	859	<b>859</b>
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	Provision for impairment	-	-	(1 524)	<b>(1 524)</b>
<b>7</b>	<b>Total other financial accounts receivable</b>	<b>42 348</b>	<b>1 632</b>	<b>34 274</b>	<b>78 254</b>

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

**Note 12. Other assets**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Accounts receivable for assets purchase	1 446	1 779
2	Prepayment for the services	5 668	2 799
3	Precious metals	14 901	8 493
4	Property received by the bank as a pledgee	989	-
5	Deferred expense on deposits and credit interests	271	895
6	Other	3 512	3 802
7	Provision	(1 005)	(1 265)
<b>8</b>	<b>Total other assets less provisions</b>	<b>25 782</b>	<b>16 503</b>

Item 10 of the Balance-sheet is disclosed in line 8, note 12.

**Item 6 «Other» breakdown:**

(UAH ths)

<b>Line</b>	<b>Item</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Receivables related to taxes and charges excluding income tax	911	891
2	Difference between the nominal value and sales price of commemorative coins	48	134
3	Resourse of material values	2 553	2 777
<b>4</b>	<b>Total</b>	<b>3 512</b>	<b>3 802</b>

In 2010 the Bank, as a pledgeholder, has obtained the proprietary rights for pledged real estate. Management Board of PJSCCB "PRAVEX-BANK".

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

**Note 13. Due to banks**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Correspondent accounts and overnight deposits of other banks	2 510	4 295
2	Other banks' deposits:	57 030	-
2.1	short-term	57 030	-
3	Loans received:	1 545 367	1 600 477
3.1	short-term	428 268	-
3.2	long-term	1 117 099	1 600 477
<b>4</b>	<b>Total amount of due to banks</b>	<b>1 604 907</b>	<b>1 604 772</b>

Item 12 of the Balance-sheet is disclosed in line 4, note 13.

Line 3 "Loans received" includes accrued expenses in the amount of UAH 3 839 ths (UAH 3476 ths – in 2009)

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



**Note 14. Due to customers****Table 14.1. Due to customers**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	State and public organizations:	6 236	9 253
1.1	Current accounts	5 626	7 844
1.2	Term deposits	610	1 409
2	Other legal entities	596 948	587 361
2.1	Current accounts	435 997	345 715
2.2	Term deposits	160 951	241 646
3	Individuals:	2 231 238	3 780 490
3.1	Current accounts	596 605	515 165
3.2	Term deposits	1 634 633	3 265 325
<b>4</b>	<b>Due to customers total</b>	<b>2 834 422</b>	<b>4 377 104</b>

Item 13 of the Balance-sheet is disclosed in line 4, table 14.

Line 1 “State and public organizations “ and Line 2 “Other legal entities” include balances on accounts of accrued expense on corporate term deposits in the amount of UAH 2 787 ths (in 2009 – UAH 2 410 ths).

Line 3 “Individuals” includes balances on accounts of accrued expense on retail deposits on demand in the amount of UAH 219 ths (in 2009 – UAH 98 ths) and retail term deposits in the amount of 64 356 ths (in 2009 – UAH 109 599 ths).

**Table 14.2. Customers by type of economic activity**

(UAH ths)

Line	Economic activity	2010		2009	
		amount	%	amount	%
1	2	3	4	5	6
1	State administration and public organizations	6 218	0.22	9 123	0.21
2	Central and local public authorities	18	0.01	130	0.01
3	Production	62 285	2.20	129 790	2.97
4	Real estate	88 041	3.11	112 176	2.56
5	Trading	152 850	5.39	120 789	2.76
6	Agriculture	9 438	0.33	11 164	0.26
7	Extractive (mining) industry	1 070	0.04	498	0.01
8	Printing industry	4 487	0.16	5 288	0.12
9	Transportation sector	31 825	1.12	31 228	0.71
10	Insurance services	126 243	4.45	81 029	1.85
11	IT industry	23 361	0.82	14 500	0.33
12	Scientific research	15 681	0.55	11 932	0.26
13	Education	1 352	0.05	2 800	0.06
14	Health care	6 660	0.23	6 456	0.15
15	Culture	3 844	0.14	3 322	0.08
16	Individuals	2 231 238	78.72	3 780 490	86.37
17	Other	69 811	2.46	56 389	1.29
<b>18</b>	<b>Due to customers total</b>	<b>2 834 422</b>	<b>100.00</b>	<b>4 377 104</b>	<b>100.00</b>

As of 31 December 2010 (as of the end of the day) the amount of guaranteed deposits attracted in the balance-sheet totalled to UAH 75 077 thousand among which:

- for corporate and retail loans - UAH 49 688 thousand;
- for security for guarantees - UAH 25 389 thousand.

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

- for loans to individuals and legal entities - UAH 281 235 thousand;
- for security for guarantees - UAH 49 523 thousand.

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

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

(UAH ths)

Line	Item description	2010	2009
1	2	3	4
1	Certificates of deposit	1	1
<b>2</b>	<b>Total</b>	<b>1</b>	<b>1</b>

Item 14 of the Balance-sheet is disclosed in line 2, table 15.1.

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	2010		2009	
		Fair value	Book cost	Fair value	Book cost
1	2	3	4	5	6
1	Certificates of deposit	1	1	1	1
2	<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

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

**Note 16. Provisions for liabilities****Table 16.1. Provisions for liabilities for 2010**

(UAH ths)

Line	Flow of provisions	Note	Loan Liability	Total
1	2	3	4	5
1	<b>Balance as of January 01 2010</b>		<b>3 093</b>	<b>3 093</b>
2	(Increase)/decrease in impairment provision during the year		(1 751)	(1 751)
3	Currency translation differences for provisions		(215)	(215)
4	<b>Balance as of the end of Decemebr 31 2010</b>	<b>32</b>	<b>1 127</b>	<b>1 127</b>

Item 15 of the Balance-sheet is disclosed in line 4, table 16.1.

**Table 16.2. Provisions for liabilities for 2009**

(UAH ths)

Line	Flow of provisions	Note	Loan Liability	Total
1	2	3	4	5
1	<b>Balance as of January 01 2009</b>		<b>1 419</b>	<b>1 419</b>
2	(Increase)/decrease in impairment provision during the year		1 509	1 509
3	Currency translation differences for provisions		165	165
4	<b>Balance as of the end of Decemebr 31 2009</b>	<b>32</b>	<b>3 093</b>	<b>3 093</b>

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

**Note 17. Other financial liabilities****Table 17.1. Other financial liabilities**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Accounts payable	98 794	117 743
2	Debit and credit cards accounts payable	838	9 512
3	Conversion operations payable	54 807	59 267
4	Payables related to other financial instruments	5	13
5	Other accrued liabilities	437	2 277
<b>6</b>	<b>Total of Other financial liabilities</b>	<b>154 881</b>	<b>188 812</b>

Item 16 of the Balance-sheet is disclosed in line 6, table 17.1.

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

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

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Payables related to taxes and compulsory payments excluding income tax	11 798	14 492
2	Payables related to bank's employees	19 472	23 876
3	Payables related to assets acquisition	13 032	941
4	Deferred Income	2 391	1 379
5	Other	6 072	9 956
<b>6</b>	<b>Total</b>	<b>52 765</b>	<b>50 644</b>

Item 17 of the Balance-sheet is disclosed in line 4, table 18.1.

**Item 5 «Other» breakdown:**

(UAH ths)

<b>Item</b>	<b>Item</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Payables related to communication services	239	84
2	Payables related to advertisement and promotion fees	165	108
3	Payables related to public utilities security and guarding fees	86	59
4	Payables related to other services	736	799
5	Payables related to fixed assets repair and maintenance	171	203
6	Payables related to personnel search and recruiting services	4 675	8 703
<b>7</b>	<b>Total:</b>	<b>6 072</b>	<b>9 956</b>

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 19. Subordinated debt**

(UAH ths)

Line	Item description	2010	2009	Date of issue	Maturity date
1	2	3	4	5	6
1	Principal amount of subordinated debt including:	112 260	112 589		
	Received loan	23 885	23 955	9/12/2000	9/21/2015
	Received loan	31 847	31 940	11/21/2000	11/1/2015
	Received loan	35 828	35 933	6/8/2006	6/1/2016
	Received loan	20 700	20 761	8/7/2006	7/31/2016
2	Accrued interest on subordinate debt including:	4 461	4 770		
	Accrued loan interest	949	1 015	-	-
	Accrued loan interest	1 266	1 353	-	-
	Accrued loan interest	1 424	1 523	-	-
	Accrued loan interest	822	879	-	-
3	<b>Total:</b>	<b>116 721</b>	<b>117 359</b>		

Item 18 of the Balance-sheet is disclosed in line 3, note 19.

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

In view of economical essence of the transaction, result from sale of credit claims is recorded on account 6209 "Profit/loss from trading activities with financial instruments", line "Profit/loss from credit claims sale".

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 20. Authorized capital**

(UAH ths)

Line	Item description	Quantity of shares in turnover (items thousand)	Ordinary shares	Issuance difference	Preference shares	Total UAH thousand
1	2	3	4	5	6	7
1	Balance at 1 <sup>st</sup> January of 2009	991 499	989 999	672	1 500	992 171
2	Contributions on shares (quotas shares) of the new issue	570 123	570 123	-	-	570 123
3	Balance at the end of the day as of 31 <sup>st</sup> December of 2009(balance at 1 <sup>st</sup> January of 2010)	1 561 622	1 560 122	672	1 500	1 562 294
4	Decrease in par value of shares	-	(655 251)	-	(630)	(655 881)
5	<b>Balance at the end of the day as of 31<sup>st</sup> December of 2010</b>	<b>1 561 622</b>	<b>904 871</b>	<b>672</b>	<b>870</b>	<b>906 413</b>

Item 20 of the Balance-sheet, column 4 of the Statement of Changes in Equity are disclosed in lines 3 and 5 note 20.

- 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 is UAH 0.58. According to Decision of General Shareholders' Meeting No. 20/2010 dd. 10/27/2010 in the year of 2010 authorized capital of "PRAVEX-BANK" PJSCCB has been decreased by means of decreasing par value of its shares from UAH 1 per share to UAH 0.58. Amendments in documents of incorporation were duly registered in the State Registrar on 12/13/2010. No. 10701050041003106. According to Decision of General Shareholders' Meeting the amount of decrease in authorized capital has been used for General provisions to cover losses of previous years;
- 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 21. Reserve and other funds of the bank**

(UAH ths)

Line	Item description	Revaluation fund		Other	Total of reserve and other funds of the bank
		fixed and intangible assets	available-for-sale securities		
1	2	3	4	5	6
1	Balance as of 1 January 2009	249 660	-	15 958	265 618
2	Revaluation	(83 541)	-	-	(83 541)
3	Revaluation of disposed assets	(661)	-	-	(661)
4	Income tax effect	17 384	-	-	17 384
5	Increase in Reserve Fund from profits of past years	-	-	23 626	23 626
6	Covering of loss for 2010	-	-	(18 823)	(18 823)
7	Balance as of end of 31 December 2009 (balance as of 1 January 2010)	182 842	-	20 761	203 603
8	Revaluation	131	(56)	-	75
9	Revaluation of disposed assets	(614)	-	-	(614)
10	Income tax effect	59 663	14	-	59 677
11	Increase in Reserve Fund from profits of past years	-	-	70 571	70 571
12	Increase of reserve fund due to decrease in par value of shares.	-	-	655 881	655 881
13	Covering of loss for 2010	-	-	(745 880)	(745 880)
<b>14</b>	<b>Balance as of the end of 31 December 2010</b>	<b>242 022</b>	<b>(42)</b>	<b>1 333</b>	<b>243 313</b>

Item 21 of the Balance-sheet, column 5 of the Statement of Changes in Equity are disclosed in lines 7 and 14 note 21.

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

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

**Note 22. Interest income and expenses**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	Interest income for:		
1	Due from clients	652 141	820 137
2	Available-for-sale debt securities	1 055	6 343
3	Held-to-maturity debt securities	30 715	93
4	Due from other banks	441	1 651
5	Overnight deposits with other banks	2	13
6	Cash and cash equivalents	2 696	610
<b>7</b>	<b>Total interest income</b>	<b>687 050</b>	<b>828 847</b>
	Interest costs for:		
8	Term deposits of legal entities	(29 367)	(30 297)
9	Debt securities issued	-	(2 401)
10	Term deposits of individuals	(333 125)	(385 362)
11	Term deposits of other banks	(53 575)	(75 112)
12	Overnight deposits of other banks	(5)	-
13	Current accounts	(30 129)	(39 450)
14	Other	(6 615)	(7 188)
<b>15</b>	<b>Total interest expenses</b>	<b>(452 816)</b>	<b>(539 810)</b>
<b>16</b>	<b>Net interest income (expenses)</b>	<b>234 234</b>	<b>289 037</b>

Item 1 of the Income Statement is disclosed in line 16 note 22.

Prepared by T.I.Melnik

tel.: (044) 201-17-57

**Note 23. Commission income and expenses**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Commission income:		
1.1	Settlement transactions	40 865	44 948
1.2	Cash services	189 824	162 253
1.3	Securities transactions	27	13
1.4	Guarantees issued	111	115
1.5	Revenue from inter-bank plastic card settlements	8 290	8 610
1.6	Other	12 021	15 348
<b>2</b>	<b>Total comission income</b>	<b>251 138</b>	<b>231 287</b>
3	Commission expenses		
3.1	Settlement transactions	(2 618)	(2 655)
3.2	Cash services	(2 387)	(9 212)
3.3	Costs for services rendered by payment systems and for plastic cards transactions	(9 739)	(9 016)
3.4	Other	(507)	(377)
<b>4</b>	<b>Total comission expenses</b>	<b>(15 251)</b>	<b>(21 260)</b>
<b>5</b>	<b>Net comission income/expenses</b>	<b>235 887</b>	<b>210 027</b>

Item 2 of the Income Statement is disclosed in line 5 note 23.

Prepared by T.I.Melnik

tel.: (044) 201-17-57



**Note 24. Other operating income**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Dividends	-	45
2	Income from lease of investment property	132	77
3	Income from sublease	13	13
4	Income from operational leasing	66	721
5	Other	13 680	42 773
6	<b>Total operating income</b>	<b>13 891</b>	<b>43 629</b>

Item 10 of the Income Statement is disclosed in line 6 note 24.

**Item 5 "Other" breakdown**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Fines and penalties received	6 752	27 322
2	Income from encashment activity	1 024	1 347
3	Income from payment cards settlements	204	189
4	Reimbursement of cash shortages	3 613	2 167
5	Income from Visa Inc. shares selling/buyback the holder of which is the bank	-	9 042
6	Compensation for producing new locks for safe deposit boxes	91	131
7	Income from consulting services	108	162
8	Reimbursement of state duty and court fees	302	343
9	Proceeds from significant change in retail loans	409	196
10	Non-demanded funds on accounts upon expiry of limitation period	892	1 559
11	Proceeds from sale of commemorative coins	28	55
12	Other operating income	257	260
	<b>Total</b>	<b>13 680</b>	<b>42 773</b>

Prepared by T.I.Melnik

tel.: (044) 201-17-57

**Note 25. Administrative and other operational expenses**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Personnel expense	(301 914)	(367 069)
2	Depreciation of fixed assets	(32 918)	(37 617)
3	Impairment of fixed assets and intangible assets	(431)	(10 188)
4	Revaluation of capital assets and intangible assets	261	31
5	Amortization of software and other intangible assets	(13 542)	(2 880)
6	Maintenance expense on fixed and intangible assets telecommunication other operational services and mobile connection unusable valuables write-off	(65 284)	(67 973)
7	Operating lease expense	(47 417)	(69 316)
8	Loss from intangible assets and fixed assets disposal	(1 530)	(1 709)
9	Charge to impairment provision for accounts receivable	(1 879)	(749)
10	Encashment and values transportation expense	(2 287)	(2 533)
11	Payment systems expense	(3 045)	(2 966)
12	Loan collection service expense	(14 458)	(5 317)
13	Professional services expense	(25 041)	(32 249)
14	Advertising and marketing expense	(5 409)	(12 745)
15	Security expense	(14 911)	(14 778)
16	Expense on other taxes and compulsory payments excluding income tax	(22 236)	(19 840)
17	Loss from sale of claims on financial instruments	(46 769)	-
18	Other	(12 719)	(13 504)
<b>19</b>	<b>Total of administrative and other operational expenses</b>	<b>(611 529)</b>	<b>(661 402)</b>

Item 11 of the Income Statement is disclosed in line 19 note 25.

The proceeds from lease of investment property for 2010 amounted to UAH 132 ths. (for 2009 – UAH 77 ths.).

In view of economical essence of the transaction, result from sale of credit claims is recorded on account 6209 "Profit/loss from trading activities with financial instruments", line 17 "Profit/loss from credit claims sale".

**Note 26. Profit tax expenses**

**Table 26.1. Profit tax expenses**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Current profit tax	-	-
2	Deferred profit tax	(15 225)	177 756
<b>3</b>	<b>Total</b>	<b>(15 225)</b>	<b>177 756</b>

Item 13 of the Income Statement is disclosed in line 3 table 26.1.

**Table 26.2. Reconciliation of financial loss and fiscal loss**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Loss before tax	(257 928)	(935 219)
2	Profit tax calculated by the deduction rate	(64 482)	(233 805)
	Adjustment to accounting loss		
3	Expenses not included into gross ones with the purpose of calculating tax income but recognized in accounting.	18 967	53 982
4	Expenses included into gross ones with the purpose of calculating tax income but not recognized in accounting.	(28 781)	(52 902)
5	Income to be profit taxed (not included) into financial loss	30 285	31 785
6	Income not to be profit taxed but recognized in accounting	(3 189)	(1 338)
7	Depreciation charges based on financial accounting data	11 615	10 124
8	Depreciation for fiscal purposes	(10 195)	(9 434)
9	Other sums not included either into income or expenses but into tax base	(40 581)	(302)
10	Loss tax	(86 361)	(201 890)

## Description to the Table 26.2 Reconciliation of financial loss and fiscal loss

(UAH ths)

Line	Item description	2010	2009
1	2	3	4
	Expenses not included into gross expenditures with the purpose of calculating tax profit but recognized in accounting		
1	Provisions for accounts receivable	470	187
2	Provisions for unused vacations and other payments recognized as our liabilities	10 031	9 471
3	Expenses included into gross ones at first event in previous reporting periods	1 708	2 978
4	Expenses of non – production – related purposes	4 650	9 698
5	Loss for fixed assets liquidation in the financial accounting	502	436
6	Other expenses	1 606	452
7	Provisions for doubtful profit	-	30 760
	<b>Total</b>	<b>18 967</b>	<b>53 982</b>
	Expenses included into gross ones with the purpose of calculating tax profit but not recognized in accounting		
1	Doubtful income claimed to court in the reporting period	(640)	16 486
2	Expenses included into gross ones at first event in the reporting period	(972)	(2 313)
3	Capital improvements	(622)	(196)
4	Relief of provisions	(12 324)	(25 562)
5	Translation difference from loan-loss provisions revaluation	(6 394)	-
6	Payments for unused vacations out of provisions and provisions for other payments recognized as our liabilities	(6 983)	(7 371)
7	Other expence	(846)	(974)
	<b>Total</b>	<b>(28 781)</b>	<b>(52 902)</b>
	Income to be profit taxed (does not belong) to accounting loss:		
1	Repayment of interests included into gross expenditures during previous tax periods	16 990	-
2	Income in tax accounting from relief of provisions	12 324	28 156
3	Other income	971	3 629
	<b>Total</b>	<b>30 285</b>	<b>31 785</b>
	Income not to be profit taxed but is recognized in accounting		
1	Reimbursement of cash shortages	(782)	(542)
2	Securities transactions	(1 682)	-
3	Other income	(725)	(796)
	<b>Total</b>	<b>(3 189)</b>	<b>(1 338)</b>
	Other sums not included either into income or expenses but into tax base:		
1	20% of tax loss of Y2009 carried forward to gross expenditures of Q1 2010	(40 378)	-
2	Other income	(426)	(357)
3	Other expences	223	55
	<b>Total</b>	<b>(40 581)</b>	<b>(302)</b>

**Table 26.3 Tax consequences from recognition of deferred tax assets and liabilities for 2010**

(UAH ths)

Line	Deferred tax assets and liabilities	Balance as at January 1 2010	Recognized in financial result	Recognized in equity	Balance as at day end on December 31 2010
1	2	3	4	5	6
1	Due from customers	57 778	(22 690)	-	35 088
2	Tax loss	201 890	(15 235)	-	186 655
3	Due to customer	-	662	-	662
4	Other liabilities	11 924	(1 953)	-	9 971
<b>5</b>	<b>Total deferred tax asset</b>	<b>271 592</b>	<b>(39 216)</b>		<b>232 376</b>
6	Provisions for DTA impairment	(66 986)	25 343	-	(41 643)
<b>7</b>	<b>Recognized deferred tax asset</b>	<b>204 606</b>	<b>(13 873)</b>		<b>190 733</b>
8	Fixed assets	(62 152)	267	59 663	(2 222)
9	Securities	-	(1 662)	14	(1 648)
10	Other assets	(52)	43	-	(9)
<b>11</b>	<b>Recognized deferred tax asset</b>	<b>(62 204)</b>	<b>(1 352)</b>	<b>59 677</b>	<b>(3 879)</b>
<b>12</b>	<b>Net deferred tax asset</b>	<b>142 402</b>	<b>(15 225)</b>	<b>59 677</b>	<b>186 854</b>

Item 7 of the Balance Sheet is disclosed in line 12 table 26.3.

**Table 26.4 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 2010	Recognized in financial result	Recognized in equity	Balance as at day end on December 31 2010
1	2	3	4	5	6
1	Due from customers	20 695	37 083	-	57 778
2	Tax loss	-	201 890	-	201 890
3	Other liabilities	9 480	2 444	-	11 924
<b>4</b>	<b>Total deferred tax asset</b>	<b>30 175</b>	<b>241 417</b>	<b>-</b>	<b>271 592</b>
5	Provisions for DTA impairment	-	(66 986)	-	(66 986)
<b>6</b>	<b>Recognized deferred tax asset</b>	<b>30 175</b>	<b>174 431</b>	<b>-</b>	<b>204 606</b>
7	Fixed assets	(82 202)	2 666	17 384	(62 152)
8	Securities	(155)	155	-	-
9	Other assets	(556)	504	-	(52)
<b>10</b>	<b>Recognized deferred tax asset</b>	<b>(82 913)</b>	<b>3 325</b>	<b>17 384</b>	<b>(62 204)</b>
<b>11</b>	<b>Net deferred tax (liabilities)/asset</b>	<b>(52 738)</b>	<b>177 756</b>	<b>17 384</b>	<b>142 402</b>

Item 7 of the Balance Sheet is disclosed in line 11 table 26.4.

Prepared by: G. V. Ul'yanova  
tel.: (044) 521-02-72

**Note 27. Profit/(loss) per one ordinary and preferred share****Table 27.1. Net and adjusted profit /(loss) per one ordinary and preferred share**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Loss of shareholders - owners of ordinary shares	(273 153)	(757 463)
2	Profit of shareholders - owners of preferred shares	157	270
3	Annual loss	(273 153)	(757 463)
4	Average annual number of ordinary shares in turnover (ths. items)	1 560 123	1 049 354
5	Average annual number of preferred shares in turnover (ths. items)	1 500	1 500
6	Net loss per one ordinary share (UAH)	(0,18)	(0,72)
7	Adjusted net loss per one ordinary share (UAH)	(0,18)	(0,72)
8	Net profit loss per one preferred share (UAH)	0,10	0,18
9	Adjusted net profit loss per one preferred share (UAH)	0,10	0,18

Items 16 and 17 of the Income Statement is disclosed in lines 6 and 7 table 27.1.

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 27.2. Profit/(loss) of shareholders - owners of ordinary and preferred stock**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Loss annual	(273 153)	(757 463)
2	Loss of shareholders - owners of ordinary shares	(273 153)	(757 463)
3	Average annual number of ordinary shares in turnover (ths. items)	1 560 123	1 049 354
4	Net profit/(loss) per one ordinary share (UAH)	(0,18)	(0,72)
5	Profit /(loss) of shareholders- owners of preferred shares	157	270
6	Average annual number of preferred shares in turnover (ths. items)	1 500	1 500
7	Net profit per one preferred share (UAH)	0,10	0,18

Prepared by:T. I. Melnyk

tel.: (044) 201-17-57

**Table 28. Dividends**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>		<b>2009</b>	
		<b>For ordinary shares</b>	<b>For preferred shares</b>	<b>For ordinary shares</b>	<b>For preferred shares</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Balance as of January 1	-	-	-	-
2	Dividends payable during a year	-	270	-	270
3	Dividends to be paid during a year	-	-	-	-
4	Increase of reserve fund out of dividends	-	(270)	-	(270)
5	Balance as of December 31 (as at the end of the day)	-	-	-	-
6	DPS payable during a year	-	-	-	-

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 29. Reporting segments****Table 29.1. Main segments of banking activity by contractors of the segment for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Reporting segments</b>					<b>Total</b>
		<b>corporate services</b>	<b>retail services</b>	<b>securities operations</b>	<b>interbank operations</b>	<b>other operations</b>	
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
1	Income from external contractors	153 931	747 756	31 733	14 310	-	947 730
2	Income from other segments	-	-	-	-	(1 204)	(1 204)
3	Total income	153 931	747 756	31 733	14 310	(1 204)	946 526



**Note 29.2. Type of income and expenses of reporting segments for 2010**

(UAH ths)

Line	Item description	Names of Reporting Segments					Total
		services to the corporate clients	services to the individuals	operations with securities	operations at the interbank market	other operations	
1	2	3	4	5	6	7	8
1	Interest income	99 840	552 301	31 770	3 139	-	687 050
2	Commission income	51 809	188 202	37	11 090	-	251 138
3	Other income	1 460	14 468	(74)	81	(1 204)	14 731
4	Result from trading operations	822	(7 215)	-	-	-	(6 393)
5	Total income	153 931	747 756	31 733	14 310	(1 204)	946 526
6	Interest expenses	41 997	357 239	-	53 580	-	452 816
7	Commission expenses	-	11 661	-	3 590	-	15 251
8	Other expenses	8 439	89 677	50	1 790	8 286	108 242
9	Expenses to provisions	1 494	171 522	-	(50)	-	172 966
10	General administrative expenses (without amortization expenses)	38 956	318 831	708	5 565	44 659	408 719
11	Total expenses	90 886	948 930	758	64 475	52 945	1 157 994
12	Segment result	63 045	(201 174)	30 975	(50 165)	(54 149)	(211 468)
13	Amortization expenses	-	-	-	-	(46 460)	(46 460)
14	Loss before tax	-	-	-	-	-	(257 928)
15	Income tax expenses	-	-	-	-	-	(15 225)
16	Loss	-	-	-	-	-	(273 153)

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

(UAH ths)

<b>Line</b>	<b>Reporting segments</b>	<b>Amount</b>
1	Expenses for audit	(1 990)
2	Expenses for "Liga" informational services	(83)
3	Penalties paid	(233)
4	Economic expenses not divided by segments	(5 980)
	<b>Total</b>	<b>(8 286)</b>

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

(UAH ths)

<b>Line</b>	<b>Reporting segments</b>	<b>Amount</b>
1	Operational and economic expenses not divided by segments	(1 109)
2	Expenses for maintenance of fixed assets and intangible assets	(24 375)
3	Taxes and other obligatory payments except income tax	(19 175)
	<b>Total</b>	<b>(44 659)</b>

**Table 29.3. Assets and liabilities of reporting segments for 2010**

(UAH ths)

Line	Item description	Reporting segments					Total
		corporate services	retail services	securities operations	interbank operations	other operations	
1	2	3	4	5	6	7	8
1	Other assets of segments	1 016 006	3 373 782	148 476	403 768	895	4 942 927
2	Total assets of segments	1 016 006	3 373 782	148 476	403 768	895	4 942 927
3	Current and deferred tax assets	-	-	-	-	-	189 284
4	Other unallocated assets	-	-	-	-	498 218	498 218
<b>5</b>	<b>Total assets</b>	<b>1 016 006</b>	<b>3 373 782</b>	<b>148 476</b>	<b>403 768</b>	<b>499 113</b>	<b>5 630 429</b>
6	Other liabilities of segments	744 921	2 352 458	116	1 659 613	7 716	4 764 824
7	Total liabilities of segments	744 921	2 352 458	116	1 659 613	7 716	4 764 824
<b>8</b>	<b>Total liabilities</b>	<b>744 921</b>	<b>2 352 458</b>	<b>116</b>	<b>1 659 613</b>	<b>7 716</b>	<b>4 764 824</b>

**Description of line 6 "Other unallocated assets"**

(UAH ths)

Line	Reporting segments	Amount
1	Fixed assets and intangible assets	498 218
	<b>Total</b>	<b>498 218</b>

**Table 29.4. Main segments of banking activity by contractors of the segment for 2009**

(UAH ths)

Line	Item description	Reporting segments					Total
		corporate services	retail services	securities operations	interbank operations	other operations	
1	2	3	4	5	6	7	8
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
<b>3</b>	<b>Total income</b>	<b>94 342</b>	<b>989 746</b>	<b>15 478</b>	<b>95 482</b>	<b>39 676</b>	<b>1 234 724</b>

**Table 29.5 Type of income and expenses of reporting segments for 2009**

(UAH ths)

Line	Item description	Reporting segments					Total
		corporate services	retail services	securities operations	interbank operations	other operations	
1	2	3	4	5	6	7	8
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	Result 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	-	(11 226)	-	(10 034)	-	(21 260)
8	Other expenses	(8 990)	(109 573)	(52)	(1 863)	(16 275)	(136 753)
9	Expenses to provisions	(29 297)	(919 869)	-	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	(130 215)	(1 840 214)	(3 691)	(95 497)	(59 829)	(2 129 446)
12	The result of segment	(35 873)	(850 468)	11 787	(15)	(20 153)	(894 722)
13	Amortization expenses	-	-	-	-	(40 497)	(40 497)
14	Loss before tax	-	-	-	-	-	(935 219)
15	Income tax expenses	-	-	-	-	-	177 756
16	Loss	-	-	-	-	-	(757 463)

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

(UAH ths)

Line	Reporting Segments	Amount
1	Expenses for audit	(5 247)
2	Expenses for seminars subscription "Liga" informational services	(115)
3	Fines paid	(306)
4	Expenses from capital assets write down	(10 188)
5	Economic expenses not divided by segments	(419)
	<b>Total</b>	<b>(16 275)</b>

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

(UAH ths)

Line	Item description	Amount
1	Operational and economic expenses not divided by segments	(892)
2	Other administrative expenses	(11)
3	Expenses for maintenance of capital assets and intangible assets	(23 497)
4	Payment of taxes and other obligatory payments except income tax	(19 154)
	<b>Total</b>	<b>(43 554)</b>

Table 29.6 Assets and liabilities of reporting segments for 2009

(UAH ths)

Line	Item description	Reporting segments					Total
		corporate services	retail services	securities operations	interbank operations	other operations	
1	2	3	4	5	6	7	8
1	Other assets of segments	308 400	4 139 122	200 152	1 891 482	891	6 540 047
2	Total assets of segments	308 400	4 139 122	200 152	1 891 482	891	6 540 047
3	Current and postponed tax liabilities	-	-	-	-	-	144 833
4	Other unallocated assets	-	-	-	-	735 911	735 911
<b>5</b>	<b>Total assets</b>	<b>308 400</b>	<b>4 139 122</b>	<b>200 151</b>	<b>1 891 483</b>	<b>736 802</b>	<b>7 420 791</b>
6	Other liabilities of segments	738 697	3 928 656	97	1 664 005	10 330	6 341 785
7	Total liabilities of segments	738 697	3 928 656	97	1 664 005	10 330	6 341 785
<b>8</b>	<b>Total liabilities</b>	<b>738 697</b>	<b>3 928 656</b>	<b>97</b>	<b>1 664 005</b>	<b>10 330</b>	<b>6 341 785</b>

Description of line 6 "Other unallocated assets"

(UAH ths)

Line	Reporting segments	Amount
1	Fixed assets, intangible assets and investment property	462 581
2	Banknotes and coins in cash desk and in transit	273 330
<b>3</b>	<b>Total</b>	<b>735 911</b>

**Table 29.7. Geographical segments for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Ukraine</b>	<b>Europe</b>	<b>USA</b>	<b>FSU countries</b>	<b>Other countries</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
1	Other segments assets	5 351 010	213 251	59 408	6 727	33	<b>5 630 429</b>
<b>2</b>	<b>Total segments assets</b>	<b>5 351 010</b>	<b>213 251</b>	<b>59 408</b>	<b>6 727</b>	<b>33</b>	<b>5 630 429</b>
3	External income reporting segments	938 468	428	7 292	431	19	<b>946 638</b>
4	Credit liabilities	364 347	-	-	1 586	528	<b>366 461</b>

**Table 29.8. Geographical segments for 2009**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Ukraine</b>	<b>Europe</b>	<b>USA</b>	<b>FSU countries</b>	<b>Other countries</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
1	Other segments assets	5 753 792	1 555 349	101 840	9 592	218	<b>7 420 791</b>
<b>2</b>	<b>Total segments assets</b>	<b>5 753 792</b>	<b>1 555 349</b>	<b>101 840</b>	<b>9 592</b>	<b>218</b>	<b>7 420 791</b>
3	External income reporting segments	1 216 614	579	17 076	442	48	<b>1 234 759</b>
4	Credit liabilities	854 933	-	-	1 717	573	<b>857 223</b>

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

### **Note 30. 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 internal auditors international ratings agencies experience of leading foreign 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 currency rate 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 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;
- Decision 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 activity. 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.

### **Credit risk**

The aim of the Bank is to set up appropriate methodology in order to improve the asset quality of the bank.

The main methods used by the Bank in credit risk management area are listed hereafter:

- improvement of the currently applied lending standards;
- monitoring and control over credit risks to identify probable loan repayment problems and adequate decision-making;



- assessment of creditworthiness as per the following directions: counterparty sector competitors etc;
- delineation of powers in credit findings depending on size of a loan and potential risk value;
- availability of such organizational units as risk management unit dealing with NPL and security in the structure of the Bank;
- credit portfolio diversification – allocation of exposures on the majority of counterparties as far as possible in different fields of activity in order to make simultaneous default of the majority of counterparties impossible; investing in different assets instead of investment concentration only in one or several possible instruments;
- limiting allocation of exposures with single counterparty (concentration limit) depending on its financial position and production volume in order to mitigate expenditures in case of default of certain counterparty;
- lending under liquid collateral which allows to reduce considerably the volume of credit risk evaluation of the collateral by independent evaluating company monitoring and revaluation of pledged property verification of the collateral by State register of encumbrances of movable property;
- creation of alternative cash flows in the form of additional collateral sureties guarantees insurance policies loan-loss provisions.

To diminish credit risk the Bank applies the system comprising types and conditions of loan transactions performance with a due regard of time limits borrowers collateral interest rates and methods of their application setting of limits credit portfolio diversification booking of provisions risk monitoring and control measures.

The monitoring of separate credit risks related to a corporate borrower includes 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. 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 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 his/her obligations and the risk degree of cooperation with a certain counterparty.

Monitoring of separate credit risks related to a retail borrower includes 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 standing and determine the category of a loan transaction.

Monitoring of any separate credit risk attributable to a borrower being a commercial bank 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. maturity amount interest rate etc).

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

### **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**

For the purpose of the currency risk management, limits and sublimits are set for each unit of the Bank in accordance with NBU requirements. Such limits are necessary to avoid unexpected losses caused by significant fluctuations of exchange rates and prices for banking metals.

In the Bank following limits are set:

Internal position limit:

- Limits for all kind of currencies and banking metals
- Limits for convertible currencies (USD, EUR, GBP...)
- Limits for inconvertible currencies (RUB, BYR, HRK...)
- Limits for derivatives

1. Internal position sublimit:

- Sublimits for banking metals(Au, Ag, Pt and Pd)
- Sublimits for non-trading transactions (cash)

2. NBU limits for currency position:

- Limit for long currency position
- Limit for short currency position

The control over currency risk is based on daily monitoring of open currency position and other macroeconomic indices.

Treasury and Assets and Liabilities Management Department performs calculation of limits and control over limit compliance.

**Table 30.1. Analysis of currency risk**

(UAN ths)

Line	Currency	as of December 31 2010 (as at the end of the day)			as of December 31 2009 (as at the end of the day)		
		monetary assets	monetary liabilities	net position	monetary assets	monetary liabilities	net position
1	2	3	4	5	6	7	8
1	USD	2 018 519	2 570 399	(551 880)	3 672 751	3 955 726	(282 975)
2	EUR	296 498	345 920	(49 422)	517 869	566 357	(48 488)
3	RUR	10 514	6 831	3 683	7 858	5 767	2 091
4	Other	35 129	20 530	14 599	14 411	13 603	808
5	<b>Total</b>	<b>2 360 660</b>	<b>2 943 680</b>	<b>(583 020)</b>	<b>4 212 889</b>	<b>4 541 453</b>	<b>(328 564)</b>

**Table 30.2. 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 December 31 2010 (as at the end of the day)		as of December 31 2009 (as at the end of the day)	
		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 %	(27 594)	(27 594)	(9 953)	(9 953)
2	USD decrease for 5 %	27 594	27 594	9 953	9 953
3	EUR increase for 5 %	(2 471)	(2 471)	(638)	(638)
4	EUR decrease for 5 %	2 471	2 471	638	638
5	RUR increase for 5 %	184	184	105	105
6	RUR decrease for 5 %	(184)	(184)	(105)	(105)
7	Increase of other currencies for 5%	730	730	40	40
8	Decrease of other currencies for 5%	(730)	(730)	(40)	(40)

**Table 30.3. 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 31.12.2010 (as at the end of the day)		As of 31.12.2009 (as at the end of the day)	
		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 %	(25 697)	(25 697)	(4 881)	(4 881)
2	USD decrease for 5 %	29 310	29 310	14 541	14 541
3	EUR increase for 5 %	(2 274)	(2 274)	42	42
4	EUR decrease for 5 %	2 650	2 650	1 253	1 253
5	RUR increase for 5 %	187	187	(41)	(41)
6	RUR decrease for 5 %	(181)	(181)	(236)	(236)
7	Increase of other currencies for 5%	(1 320)	(1 320)	323	323
8	Decrease of other currencies for 5%	(2 585)	(2 585)	215	215

## **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.

Financial Risk Management Committee of Intesa Sanpaolo Group approved limit of net interest income sensibility (+25 bp) amounting to +/- EUR 2.5 mil. The limit is adopted by the Bank and included in the process of interest rate risk management of banking portfolio.

In order to reduce interest rate risk of the Bank the following measures are taken:

- interest rate trend forecast;
- daily analysis of assets and liabilities structure;
- monthly analysis of net interest income dynamics spread and net interest margin;
- calculation and monitoring of significant gaps between assets and liabilities sensitive to interest rate change;
- correlation of quantitative assessment of interest rate risk with Bank income;
- monthly monitoring of market interest rates on financial instruments and comparing with peers.

The Bank provides ALCO and Management Board of the Bank with appropriate reports, as per the procedure established by the Parent Company.

In case of deterioration of the situation on the market, Market Risk Office and Middle-Office together with Direzione Centrale of Risk Management Department of Intesa Sanpaolo perform constant monitoring of signs of deterioration of the situation on the market and Bank's being in danger of currency risk.

In case of significant deterioration of the situation Headquarters of Parent Company activates the procedure on crisis management.

Market Risk Office and Middle-Office provide different organizational units with updated information on Bank's propensity to currency risk, and in case of significant deterioration of situation on the market they inform immediately Comitato Governo Rischio di Gruppo, which takes necessary measures and informs immediately Management Board of Intesa Sanpaolo Group.

For the purpose of timely limits updating and taking weighed position by the Bank as for risk, Market Risk Office and Middle-Office in case of need (change of the situation on the market etc.) submits for Asset & Liability Management Committee consideration positions on change of current limits above established term.

Market Risk Office and Middle-Office:

- daily analyze open currency position of the Bank;
- define acceptable level of risk on open currency position and set limits on open currency position;
- perform calculation of limits on monthly basis for organizational units of the Bank and monitoring of risk situations;
- initiate reconsideration of Bank policy on limits of acceptable risks for organizational units, which perform currency transactions;
- control compliance of limits set by authorized organizational units of the Bank.

Asset & Liability Management Committee:

- approves set limits;
- requires explanations from heads of authorized organizational units if set limits exceed maximum acceptable value.

Organizational units, which perform currency transaction must comply with set limits.

**Table 30.4. 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
<b>2009</b>						
1	Total financial assets	261 811	437 588	895 173	2 905 238	<b>4 498 810</b>
2	Total financial liabilities	1 269 022	2 795 012	961 592	80 334	<b>5 105 960</b>
3	Net gap as of December 31 2009 (as at the end of the day)	(1 007 211)	(2 357 424)	(66 419)	2 824 904	<b>(606 150)</b>
<b>2010</b>						
4	Total financial assets	103 064	1 031 435	1 179 683	1 882 882	<b>4 197 064</b>
5	Total financial liabilities	413 976	2 024 084	831 272	170 597	<b>3 439 929</b>
6	Net gap as of December 31 2010(as at the end of the day)	(310 912)	(992 649)	348 411	1 712 285	<b>757 135</b>

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 30.5. Monitoring of interest rates by financial instruments**

(%)

Line	Item description	2010			2009		
		UAH	USD	EUR	UAH	USD	EUR
1	2	3	4	5	3	4	5
<b>Assets</b>							
1	Due from banks	-	-	-	5.69	-	-
2	Due from clients	17.85	12.84	12.09	20.29	13.56	13.31
3	Available-for-sale debt securities	6.65	-	-	5.00	-	-
4	Held-to-maturity debt securities	10.74	-	-	5.00	-	-
<b>Liabilities</b>							
5	Due to banks	8.91	3.29	-	-	3.56	-
6	Due to clients						
6.1	Currents accounts	2.32	0.84	1.59	3.39	5.03	1.17
6.2	Term funds	15.84	7.96	6.36	20.99	11.97	10.86
7	Debt securities issued by the Bank	-	-	-	-	-	-
8	Other funds attracted	-	-	-	-	-	-
9	Subordinated debt	-	5.78	-	-	5.98	-

## **Other price risk**

**Other price risk** appears in case of investment in securities. Such investments shall be within the fixed limits. Limits on securities transactions shall be approved by the appropriate Committee of the Parent Company. The limits are set by issuers and issues of securities. Limits are terminable (1 year, as a rule), and after the expiry they are subject to mandatory re-negotiation.

The issue of necessity to set the limits shall be initiated by Treasury and Investment Banking Division. Methodology, Market and Operational Risk Department provides the appropriate Committee of the Parent Company with their opinion regarding setting such limits.

Control over adherence to established limits is done by Treasury and Investment Banking Division on an ongoing basis. Moreover, Methodology, Market and Operational Risk Department performs daily control over limits for investment in securities.

Level of price risk of investment in securities is evaluated on a monthly basis, in accordance with approved methodology, which includes analysis of the issuer's class, evidences of securities' utility diminution, expected recovery of cash flows and other factors. In case if any risk is inherent in certain securities, the amount of such risk shall be provisioned.

## **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 30.6, 30.7.

**Table 30.6. Analysis of geographic concentration of financial assets and liabilities for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Ukraine</b>	<b>OECD</b>	<b>Other countries</b>	<b>Total</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
	<b>Assets</b>				
1	Cash and cash equivalents	517 984	223 637	3 916	<b>745 537</b>
2	Due from clients	3 931 790	49 022	2 844	<b>3 983 656</b>
3	Available-for-sale securities	39 680	-	-	<b>39 680</b>
4	Held-to-maturity securities	108 788	-	-	<b>108 788</b>
5	Other financial assets	39 484	-	-	<b>39 484</b>
6	Total financial assets	4 637 726	272 659	6 760	<b>4 917 145</b>
7	Non-financial assets	713 284	-	-	<b>713 284</b>
8	Total assets	5 351 010	272 659	6 760	<b>5 630 429</b>
	<b>Liabilities</b>				
9	Due to banks	80 488	1 524 416	3	<b>1 604 907</b>
10	Due to clients	2 813 044	13 972	7 406	<b>2 834 422</b>
11	Debt securities issued by the Bank	1	-	-	<b>1</b>
12	Other financial liabilities	100 563	54 316	2	<b>154 881</b>
13	Subordinated debt	-	-	116 721	<b>116 721</b>
14	Total financial liabilities	2 994 096	1 592 704	124 132	<b>4 710 932</b>
15	Non-financial liabilities	38 143	15 749	-	<b>53 892</b>
16	Total liabilities	3 032 239	1 608 453	124 132	<b>4 764 824</b>
17	Net balance sheet item	2 318 771	(1 335 794)	(117 372)	<b>865 605</b>
18	Credit liabilities	364 347	-	2 114	<b>366 461</b>

**Table 30.7. Analysis of geographic concentration of financial assets and liabilities for 2009**

(UAH ths)

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

## **Liquidity risk**

The process of liquidity risk management is carried out in accordance with the Policy of liquidity risk management of "PRAVEX-BANK" PJSCCB and attachments hereto.

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 high liquidity 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 collateral for money obtaining; from this viewpoint the liquidity risk of the Bank is closely connected with the liquidity conditions 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 controls the liquidity risk on the basis of the internal liquidity rates (coefficients) and liquidity requirements determined by the National Bank of Ukraine.

Liquidity risk management covers management of current term liquidity and liquidity under emergency circumstances.

Liquidity management under crisis circumstances because of deterioration in financial position of the Bank is defined in Action Plan in case of contingent circumstances as for liquidity risk.

Emergency in regard to liquidity can be related to the situation on the market or to particular banking one whereas in regard to duration it can be classified as short-term (several days) or long-term.

Action Plan provides:

detection of first warnings their constant control and defining measures to be taken when liquidity shortage becomes evident;

legitimation of actions of the management which is responsible for emergency management on liquidity and capable for fast change of assets and liabilities structure;

necessary steps of immediate actions and interfering for solving emergency situation.

The system of early warning indicators can indicate three different situations:

ordinary state; 2) warning; 3) maximum warning.

Initial warnings are aimed at detecting signs of potential liquidity shortage as systemic (market) and specific (intrabank).

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 recorded in Action Plan as for liquidity risk under emergency circumstances.



**Table 30.8. Analysis of financial liabilities by maturity for 2010**

(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	76 329	72 029	439 966	1 179 634	-	<b>1 767 958</b>
2	Due to clients:	1 359 214	565 093	865 664	201 128	-	<b>2 991 099</b>
2.1	Individuals	849 199	526 738	800 353	201 128	-	<b>2 377 418</b>
2.2	Other	510 015	38 355	65 311	-	-	<b>613 681</b>
3	Debt securities issued by the Bank	1	-	-	-	-	<b>1</b>
4	Subordinated debt	5 013	1 051	4 897	81 056	58 088	<b>150 105</b>
5	Other financial liabilities	147 132	750	2 969	133	-	<b>150 984</b>
6	Financial guarantees	53 350	220	6 030	161	-	<b>59 761</b>
7	<b>Total possible future payments according to financial liabilities</b>	<b>1 641 039</b>	<b>639 143</b>	<b>1 319 526</b>	<b>1 462 112</b>	<b>58 088</b>	<b>5 119 908</b>

Table 30.8 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 31.12.2010 (end of the day) taking into consideration future cashflow.

**Table 30.9. 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	-	<b>1 756 462</b>
2	Due to clients:	2 062 974	684 639	1 693 707	120 460	-	<b>4 561 780</b>
2.1	Individuals	1 643 056	599 496	1 600 198	120 447	-	<b>3 963 196</b>
2.2	Other	419 919	85 143	93 509	13	-	<b>598 584</b>
3	Debt securities issued by the Bank	1	-	-	-	-	<b>1</b>
4	Subordinated debt	5 332	1 122	5 053	26 952	120 222	<b>158 681</b>
5	Other financial liabilities	157 965	720	1 539	81	7 701	<b>168 006</b>
6	Financial guarantees	59 722	3 857	949	-	-	<b>64 528</b>
7	<b>Total possible future payments according to financial liabilities</b>	<b>2 349 062</b>	<b>704 560</b>	<b>1 744 704</b>	<b>1 783 209</b>	<b>127 923</b>	<b>6 709 458</b>

Table 30.9 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 31.12.2009 (end of the day) taking into consideration future cashflow.

**Table 30.10. Analysis of financial assets and liabilities by maturity based on expected maturity for 2010**

(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
	<b>Assets</b>						
1	Cash and cash equivalents	760 515	-	68	-	-	<b>760 583</b>
2	Due from clients	56 504	544 677	1 596 023	1 384 591	543 531	<b>4 125 326</b>
3	Available-for-sale securities	58	39 622	-	-	-	<b>39 680</b>
4	Held-for-sale securities	49 690	34 518	24 580	-	-	<b>108 788</b>
5	Other assets	52 845	65	241	11 892	673 179	<b>738 222</b>
<b>6</b>	<b>Total financial assets</b>	<b>919 612</b>	<b>618 882</b>	<b>1 620 912</b>	<b>1 396 483</b>	<b>1 216 710</b>	<b>5 772 599</b>
	<b>Liabilities</b>						
7	Due to banks	75 803	61 451	407 345	1 114 638	-	<b>1 659 237</b>
8	Due to clients	1 337 845	536 576	780 364	179 637	-	<b>2 834 422</b>
9	Debt securities issued by the Bank	1	-	-	-	-	<b>1</b>
10	Other liabilities	147 132	750	2 969	133	-	<b>150 984</b>
11	Subordinated debt	4 461	-	-	55 732	56 528	<b>116 721</b>
<b>12</b>	<b>Total financial liabilities</b>	<b>1 565 242</b>	<b>598 777</b>	<b>1 190 678</b>	<b>1 350 140</b>	<b>56 528</b>	<b>4 761 365</b>
<b>13</b>	<b>Net liquidity gap as of December 31 (as at the end of the day)</b>	<b>(645 630)</b>	<b>20 105</b>	<b>430 234</b>	<b>46 343</b>	<b>1 160 182</b>	<b>1 011 234</b>
<b>14</b>	<b>Aggregated liquidity gap as of December 31 (as at the end of the day)</b>	<b>(645 630)</b>	<b>(625 525)</b>	<b>(195 291)</b>	<b>(148 948)</b>	<b>1 011 234</b>	

Table 30.10 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 end of the day 31.12.2010 taking into consideration the adjusting entries.

**Table 30.11. 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
	<b>Assets</b>						
1	Cash and cash equivalents	2 227 174	-	-	-	-	<b>2 227 174</b>
2	Due from banks	63 115	224 402	1 121 014	1 288 289	1 658 561	<b>4 355 381</b>
3	Due from clients	58	-	-	-	-	<b>58</b>
4	Available-for-sale securities	200 093	-	-	-	-	<b>200 093</b>
5	Other assets	87 531	1	485	15 614	588 009	<b>691 640</b>
<b>6</b>	<b>Total financial assets</b>	<b>2 577 971</b>	<b>224 403</b>	<b>1 121 499</b>	<b>1 303 903</b>	<b>2 246 570</b>	<b>7 474 346</b>
	<b>Liabilities</b>						
7	Due to the banks	63 068	-	-	1 600 476	-	<b>1 663 544</b>
8	Due to the clients	2 060 531	668 078	1 557 070	91 425	-	<b>4 377 104</b>
9	Debt securities issued by the Bank	1	-	-	-	-	<b>1</b>
10	Other liabilities	176 956	721	1 532	80	-	<b>179 289</b>
11	Subordinated debt	4 770	-	-	-	112 589	<b>117 359</b>
<b>12</b>	<b>Total financial liabilities</b>	<b>2 305 326</b>	<b>668 799</b>	<b>1 558 602</b>	<b>1 691 981</b>	<b>112 589</b>	<b>6 337 297</b>
<b>13</b>	<b>Net liquidity gap as of December 31 (as at the end of the day)</b>	<b>272 645</b>	<b>(444 396)</b>	<b>(437 103)</b>	<b>(388 078)</b>	<b>2 133 981</b>	<b>1 137 049</b>
<b>14</b>	<b>Aggregated liquidity gap as of December 31 (as at the end of the day)</b>	<b>272 645</b>	<b>(171 751)</b>	<b>(608 854)</b>	<b>(996 932)</b>	<b>1 137 049</b>	

Table 30.11 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 31.12.2009 (end of the day) taking into consideration the adjusting entries.

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

### Note 31. 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.

The Bank maintains control over set economic standards in line with “Instruction on the procedure of governing the Ukrainian banks’ activity ” approved by NBU Regulation N 368 dd. August 28 2001.

During 2010 the Bank has adhered to capital adequacy ratios for example as of December 31 2010 regulatory capital adequacy ratio and ratio of regulatory capital against total assets were 14.85 % and 11.86 % accordingly that testifies to the ability of the Bank to timely and in full settle its liabilities.

**Table 31.1. Structure of regulatory capital**

(UAH ths)

Line	Item description	2010	2009
1	2	3	4
	<b>Fixed capital</b>	<b>552 698</b>	<b>801 260</b>
1	Authorized capital	905 741	1 561 622
2	Issuing difference	672	672
3	Total provisions according to Ukrainian legislation	1 332	20 761
4	Intangible assets	(34 561)	(25 152)
5	Depreciation of intangible assets	22 705	9 604
6	Capital investments into intangible assets	(29 399)	(590)
7	Uncovered loss of previous years	(11 582)	-
8	Accounting loss	(302 210)	(765 657)
	<b>Additional capital</b>	<b>236 505</b>	<b>309 696</b>
9	Provisions for standard loans	2 875	5 897
10	Unallocated profit of past years	614	70 571
11	Profit/loss of the reporting year to be approved	(273 153)	(757 463)
12	Result of fixed assets revaluation	120 756	120 639
13	Subordinated debt	112 260	112 589
	<b>Withdrawal of attracted funds</b>		
14	Amount of adjustment 5999	29 057	8 194
	<b>Total regulatory capital</b>	<b>789 203</b>	<b>1 110 956</b>

Prepared by:T.M. Kalinova  
tel.: (044) 201-17-57

### **Note 32. Potential liabilities of the Bank**

#### a) Legal proceedings.

As of December 31 2010 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 445 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.;
- Executive Office of Social Insurance Fund in Pavlograd city - UAH 2 ths.;
- Lyudmyla Petrivna Evdokymova - UAH 213 ths.;
- Sergii Stanislavovich Yavorsky - UAH 29 ths.;
- Mariya Volodymyrivna Tretyak - UAH 31 ths.
- Denys Mykolayovych Shaparnyy - UAH 15 ths.;
- Maksym Viktorovych Dibrivnyy - UAH 85 ths.;
- Tetiana Stepanivna Gres'kiv - UAH 5 ths.;
- Maryna Oleksandrivna Kryvchun - UAH 50 ths.;
- Yurii Viacheslavovych Ponomaryuov - UAH 100 ths.;
- Pavlo Oleksandrovych Zholudev - UAH 214 ths.;
- "Golden Telekom" LLC - UAH 18 ths.

#### b) the probability of possible tax liabilities.

As of December 31 2010 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 606 ths.:

- Income tax – UAH 203 ths. Penalty – UAH 160 ths.
- Individual's income tax - UAH 81 ths. Penalty - UAH 162 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.

#### liabilities on capital investments

As of December 31<sup>st</sup> 2010 (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 126 325 ths.

#### d) liabilities on lending activity.

**Table 32.1. Structure of credit liabilities**

(UAH, ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>	<b>2009</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Lending obligations granted	5 752	-
2	Unused revocable credit liabilities	279 285	770 659
3	Export letters of credit	1 768	-
4	Import letters of credit	24 936	25 009
5	Other letters of credit	2 206	507
6	Granted guarantees	53 641	64 141
7	Provisions for liabilities related to crediting	(1 127)	(3 093)
8	<b>Total liabilities related to crediting net of provisions</b>	<b>366 461</b>	<b>857 223</b>

Item 15 of the Balance-sheet is disclosed in line 7, table 32.1.

As of December 31 2010 (as at the end of the day) „PRAVEX-BANK” PJSCCB does not have unforeseen liabilities.

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

### **Note 33. 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 3<sup>rd</sup> 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 33.1. Balance and calculated fair value of financial assets and liabilities not recorded at fair value in the balance-sheet**

(UAH ths)

Item description	2010		2009	
	Book value	Fair value	Book value	Fair value
1	2	3	4	5
<b>Assets</b>				
Cash and cash equivalents	745 537	745 537	2 220 190	2 220 190
Due from clients	3 983 656	4 065 131	4 299 911	4 239 500
Held-to-maturity securities	108 788	109 072	200 093	200 093
<b>Liabilities</b>				
Due to banks	1 604 907	1 604 907	1 604 772	1 604 772
Due to clients	2 834 422	2 834 422	4 377 104	4 400 610
Debt securities issued by the Bank	1	1	1	1
Subordinated debt	116 721	116 721	117 359	117 359

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.

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

#### **Note 34. 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 constantly monitors transactions with related parties and adheres to rules of NBU for such kind of 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 2010 had no significant impact on financial results of the Bank.

**Table 34.1. Balances on operations with related parties as of the day end on December 31 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Largest participants (shareholders) of the bank</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Cash and cash equivalents	178 620	-	-
2	Due from customers	-	602	-
3	Due to banks	1 467 386	-	-
4	Due to customers	-	1 220	1 716
5	Other funds attracted	54 271	-	-
6	Other liabilities	5 610	607	400

**Table 34.2 Income and loss under operations with related parties for 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>The biggest participants (shareholders) of the bank</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Interest income	-	74	6
2	Interest expense	(51 548)	-	(98)
3	Profit (loss) from foreign currency revaluation	(11 021)	(14)	142
4	Commission income	5	10	5
5	Commission expense	(132)	-	-
6	Administrative and other operating expenses	(15 737)	(19 969)	(9 373)

**Table 34.3. Issued and redeemed loans of related parties within 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>The biggest participants (shareholders) of the bank</b>
<b>1</b>	<b>2</b>	<b>3</b>
1	Guarantee received	39 326
2	Import letter of credit	24 936



**Table 34.4. Loans granted to/repaid by related parties in 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Largest participants (shareholders) of the bank</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Loans repaid by related parties during the year	-	64	346

**Table 34.5. Balances under operations with related parties as of of December 31<sup>st</sup> 2009 (as of the end of the day)**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Largest participants (shareholders) of the bank</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Cash and cash equivalents	1 525 136	-	-
2	Due from customers	-	650	71
3	Due to banks	1 659 249	-	-
4	Due to clients	-	1 453	2 714
5	Other liabilities	7 669	-	1 734

**Table 34.6. "Income and loss under operations with related parties for 2009**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Largest participants (shareholders) of the bank</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Interest income	1	121	430
2	Interest expense	(69 206)	(168)	(230)
3	Loan-loss provisions	-	-	(41)
4	Profit (loss) from foreign currency revaluation	(52 758)	(228)	(15)
5	Commission income	-	16	4
6	Commission expense	(112)	-	-
7	Administrative and other operating expenses	(7 669)	(13 926)	(10 679)

**Table 34.7. Issued and redeemed loans of related parties within 2010**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Top management</b>
<b>1</b>	<b>2</b>	<b>3</b>
1	Import letter of credit	25 009

**Table 34.8. Issued and redeemed loans of related parties within 2009**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>Top management</b>	<b>Other related parties</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Loans granted to related parties within 2009	-	18
2	Loans repaid by related parties within 2009	44	7 674

**Table 34.9. Payments to top management**

(UAH ths)

<b>Line</b>	<b>Item description</b>	<b>2010</b>		<b>2009</b>	
		<b>expenses</b>	<b>accrued liability</b>	<b>expenses</b>	<b>accrued liability</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1	Current payments to employees	10 029	607	11 055	301
2	Payments after labor activity termination	-	-	832	-
3	Payments while dismissing	9 129	-	1 490	-

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

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

**Note 35. Events after the balance-sheet date**

Events occurred after December 31<sup>st</sup> 2010 did not cause any amendments to the financial statements.

In January 2011 entered into purchase-and-sale agreements of claims for consumer and credit card loans amounting to UAH 520 511 ths.

Book value of such loans makes up UAH 9 778 ths as of December 31<sup>st</sup> 2010.

Prepared by: T. I. Melnyk

tel.: (044) 201-17-57

**Note 36. 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 2010 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).

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

**S.V. Naumov**

**Chief Accountant**  
**"PRAVEX-BANK" PJSCCB**

**O.Yu. Kibets**  
**21.03.2011**