

JSCB „PRAVEX-BANK”

ANNUAL FINANCIAL STATEMENT

(consolidated)

for 2008

KYIV

1. Information about JSCB „PRAVEX-BANK”

Full name of the bank	Joint Stock Commercial Bank „PRAVEX-BANK”
Скорочена назва банку	JSCB „PRAVEX-BANK”
EDRPOU code	14360920
Legal address	9/2, Klovsky Uzviz, Kyiv, 01021, Ukraine
Date and № of state registry	December, 29, 1992. State registry № 139
Legal-organizing form	Open Joint-Stock Company
Reporting period	Since January, 1 till December 31, 2008
Currency of reporting and units	UAH, thousand
Reporting date	As of 31.12.2008

1.1. Statigic aim and organizational structure of JSCB „PRAVEX-BANK”

JSCB „PRAVEX-BANK” is a universal financial institution, which provides full range of traditional and innovative services, in line with international banking standards.

The main strategic line of JSCB „PRAVEX-BANK” development is ensuring its activity as multi-functional financial institution, which provides full range of bank services for both private and corporate clients.

In June 2008 Italian group “Intesa Sanpaolo” S.p.A, after receiving all the necessary approvals, has signed the agreement of 100% purchase of JSCB „PRAVEX-BANK” shareholder’s capital.

During 2008 JSCB „PRAVEX-BANK” was successfully continuing to pursue a policy of increasing its competitiveness by means of extension the range of bank services in all regions of Ukraine, where there was an intense activity of its clients, as well as through extending its network constantly. In 2008 JSCB „PRAVEX-BANK” has opened 41 new branches in all regions of Ukraine, among them there are 30 classical branches, which provide clients with the full range of bank services, and 11 mini-offices, located at the territory of trade centres, automobile sales centre, shops. So, the total number of JSCB „PRAVEX-BANK” branches as of 31.12.2008 makes 601 ones, including 25 director’s offices and 576 branch-offices.

Major part of new branches is opened in regional centres and in big cities of Ukraine, taking into account strategic importance of cities in regional network of JSCB „PRAVEX-BANK”. Since beginning of 2008 three new branch-offices of JSCB „PRAVEX-BANK” have been opened in each of Kyiv, Kriviy Rig, Charkiv and Simferopil. And two new branches were opened in each of Lviv, Zaporizhya, Donetsk, Mykolaiv, Kremenchug and Chernivtsy. And one branch-office - in each of Vinnitsa, Odessa, Lytsk, Kirovograd, Rivne and Cherkasy.

The name of control body, in jurisdiction of which the bank is: JSCB „PRAVEX-BANK” is a separate (independent) economic entity, in accordance with governing Ukrainian legislation.

The total quantity of employees in JSCB „PRAVEX-BANK” as of 31.12.2008 made 8 788.

Corporate culture of the company is one of competitiveness factors of every bank; it is the factor of success, business effectiveness, and sometimes even survival. Corporate culture is now more often the reason for concern for JSCB „PRAVEX-BANK” managers.

JSCB „PRAVEX-BANK” as part of Intesa Sanpaolo Group encourages sustained development and creation of values, being reached by means of developing relationships of confidence with its shareholders, which are formed on the basis of cooperating skills and proper use of management means.

In such a way JSCB „PRAVEX-BANK” develops corporate culture in line with the following main factors:

- High quality of relations with clients;
- Support of the country’s development;
- Motivation of employees’ professional development;
- The responsibility of the management;
- The proficient organization of costs allocation;
- Optimization of risk structure and capital management;
- Complete conformity with acting Ukrainian legislation and other normative legal acts;
- Effective control of processes;
- Qualitative / quantitative adequacy of personnel;
- Respective checks of relationships with suppliers;
- Clear definition of organizational structure;
- Assets protection;
- Appropriate means of security.

1.2. Specialization, banking activity characteristic and types of activity, which are fulfilled and should be fulfilled by JSCB „PRAVEX-BANK”

JSCB „PRAVEX-BANK” is established in the form of Open Joint-Stock Company and is universal. After receiving a “savings bank” status, it continues to take leading position in retail segment of banking system of Ukraine.

JSCB „PRAVEX-BANK” is a member of fund of guaranteeing deposits to individuals (ФГБФО), and has the respective participant’s certificate dd. 10.06.2002 №115 about (Reg. №125) including into the Register of fund of guaranteeing deposits to individuals member banks.

In 2008 retail crediting was one of the main types of bank activity, the aim of which was maximum satisfying of customers’ needs.

During 2008 consumer crediting assumed ever greater character. However at the end of the year the bank has significantly reduced the volumes of granting loans, which was connected with worsening of the world financial crisis. But despite impressive consequences of world financial crisis, the bank constantly seeks to satisfy clients’ needs and to provide its services at the highest possible level.

According to rating of Ukrainian Interbank Association of „EMA” payment system members, JSCB „PRAVEX-BANK” takes the 8th place among all Ukrainian banks based on volumes of issued payment cards.

During 2008 JSCB „PRAVEX-BANK” has issued more than 630 thousand cards of Visa Inc. and MasterCard Inc. payment systems, and at the end of the year the total volume of issue was more than 1 970 thousand cards.

One of the widest ranges of card products among Ukrainian banks, which totalled more than 90 units, is able to satisfy needs of the most exacting clients. The Bank’s priority is encouragement new clients to cooperation. The trend of constant extending range of additional services and products favours achievement of objective.

During 2008 „PRAVEX-BANK” has issued more than 264 thousand cards with credit lines, which is 3,5 times more, than in 2007, and at the year-end the total volume of cards issue with credit lines made about 345,5 thousand pieces, and the total loan portfolio of these payment cards as of 01.01.2009 is more than UAH 622 m.

During 2008 the project of unied ATM networks with JSCB “Ukrsotsbank”, OJSC JSB “Ukrgezbank”, OJSC Bank “Financy and Credit” and JSB “Ukrsibbank” has successfully functioned. Within the framework of the abovementioned project there was a strong trend for increasing limit of cash withholding in Pravex-Bank network, as well as in member-bank networks. Also, the unied ATM network swiftly increases every month, and at the end of 2008 made 3945 ATM. So, unied ATM network of the Bank takes one of the top positions among Ukrainian ATM networks.

Payment card gives a unique opportunity of non-cash payments in trade networks. During 2008 „PRAVEX-BANK” has completely upgraded POS-terminals by substituting outdated models with new and modern ones. At present, number of POS-terminals in points of sale is more than 500 units, while the total number of terminals of equiring network of the Bank is more than 1 100 pieces as of the year-end.

The sale volumes in terminal network of the Bank during 2008, as compared to 2007, increased 30%, exceeding the index of UAH 141 m. per year. Equiring network of the Bank is constantly extending due to installing modern equipment from leading producers, the reliability and convenience of which is a benchmark in the whole world. So, „PRAVEX-BANK” guarantees its clients fast and qualitative service.

In 2008 the Bank has received proceeds from buying shares by Visa International company, amounted to UAH 5 088 thousand, and dividends for these very shares, amounted to UAH 8 thousand. As of 31.12.2008 the Bank is a holder of “Visa Incorporated” 12 046 shares, and “MasterCard Inc” 2052 shares, which are recorded at off-balance sheet ledgers.

JSCB „PRAVEX-BANK” is one of the leaders at money transfer market in Ukraine. JSCB „PRAVEX-BANK” has a unique system of “Pravex-Telegraf” money transfers, and is a direct agent of international systems of “Western Union”, “MoneyGram” and “UNISStream” money transfer systems.

Operations with bank's metals are one of the prospective directions of JSCB „PRAVEX-BANK” activity. During 2008 the Bank has conducted operations on current accounts, opened in bank's metals, and it was selling to its clients bullions of bank's gold, silver, platinum and palladium. So, during 2008 it was sold 6 782 thousand grams of gold, 30 877 thousand grams of silver, 15 thousand grams of platinum and 10,8 thousand grams of palladium. The result from the sale-purchase of bank metals has made UAH 5 279 thousand, while expenses for bank metals (transportation, insurance, packing) for 2008 were only UAH 585,7 thousand.

- According to NBU license № 7 dd. December 3, 2001, JSCB „PRAVEX-BANK” has received the right to do all kinds of bank operations, which are subject to licencing in Ukraine, among them:
- reception of deposits from legal entities and individuals;
- opening and maintenance of current accounts of clients and correspondent banks, including transfer of moneys from these accounts by means of payment instruments and entering funds for these accounts;
- placement of funds involved on one's own behalf, under its own conditions and under it's own risk;
- granting guarantees and sureties, as well as other third party liabilities, which provides for their fulfillment in monetary form;
- acquiring right of claim for discharge of obligations in monetary form for goods delivered or services rendered, taking the risk of satisfying such claims and payments receipt (factoring);
- leasing;
- services from responsible storage and granting into lease of safes for keeping valuables and documents;
- issue, purchase, sale and service of cheque, bills and other negotiable payment instruments;
- issue of bank payment cards and fulfillment of operations using these cards;
- rendering of advisory and informational services as for bank operations.

Moreover, according to NBU permit № 7-1 dd. December 3, 2001 JSCB „PRAVEX-BANK” has received the right to fulfil such operations and agreements:
Currency values operations:

- non-trading operations with currency values;
- management of clients' accounts (residents and non-residents) in foreign currency, and of non-resident clients in currency unit of Ukraine;
- management of banks' loro accounts (residents and non-residents) in foreign currency;
- management of banks' loro accounts (non-residents) in currency unit of Ukraine;
- opening of loro accounts in authorized banks of Ukraine in foreign currency and conducting operations under them;
- opening of loro accounts in banks (non-residents) in foreign currency and conducting operations under them;
- involvement and allocation of foreign currency at foreign exchange market of Ukraine;

- involvement and allocation of foreign currency at international markets;
- operations with bank's metals at foreign exchange market of Ukraine;
- operations with bank's metals at international markets;
- other operations with currency values at international markets.
- Issue of own securities.
- Arranging of securities purchase and sale by client's order.
- conducting operations at equity market on it's own behalf (including underwriting).
- Fulfilment of investments into statutory funds and shares of other legal entities.
- Transportation of currency values and encashment of funds.
- Operations by client's order or on it's own behalf:
 - with money-market instruments;
 - with instruments, which are based on exchange rates and interests;
 - with financial futures and options.
- entrusted administration of funds and securities under agreements with legal entities and individuals.
- Depository activity of securities holder.
- Activity on maintaining registers of inscribed securities holders.

Moreover, JSCB „PRAVEX-BANK” is carrying all kinds of operations at stock exchange, according to license of the State Committee of securities of stock exchange, series AB № 189670 dd. 06.10.2006 – brokerage activity, according to license of the State Committee of securities of stock exchange, series AB № 189671 dd. 06.10.2006 – dealer activity, according to license of the State Committee of securities of stock exchange, series AB № 189672 dd 06.10.2006 – underwriting, according to license of the State Committee of securities of stock exchange, series AB № 189673 dd. 06.10.2006 – depository activity of securities holder, according to license of the State Committee of securities of stock exchange, series AB № 189651 dd. 06.10.2006 – depository activity: activity on maintaining its own register of inscribed securities holders, according to license of the State Committee of securities of stock exchange, series AB № 416837 dd. 16.07.2008 conducts activity on securities management.

1.3. Results from banks and other operations for 2008.

Results of JSCB „PRAVEX-BANK” activity for 2008 (as compared to 2007) by main kinds of operations are characterized by the following data:

Табл. 1

Item description	Amount, UAH, thousand	
	2008	2007
Total interest yields	792 102	568 762
including:		
As regards funds, allocated in NBU and other banks	17 209	12 339
As regards loans to economic entities	73 672	52 517

As regards loans to individuals:	698 847	502 742
As regards securities and other:	2 374	1 164
Total interest yields:	454 371	303 854
Total net interest income:	337 731	264 908
Total commission earnings:	442 907	399 525
including:		
As regards operations with banks:	4 103	3 781
As regards operations with clients:	438 804	395 744
Total commission earnings:	5 241	3 418
Total net commission earnings:	437 666	396 107
Net trade income	152 985	82 292

The above table indicates, that despite significant impact of world financial crisis, JSCB „PRAVEX-BANK” activity in 2008, as compared to 2007, is characterized by increase in earnings in most kinds of operations.

Net interest earnings have increased 27,49%. It was mostly (39,27%) influenced by increase in yields from loans granted to individuals (39,01%).

The increase in net commission income (by 10,49%) is insignificant, due to increase in commission income from operations with the bank’s clients (by 10,88%). The level of the bank’s equity capital has increased by 89,68%.

Despite increase of income level in almost all kinds of operations, based on results of the bank’s 2008 year activity, „PRAVEX-BANK” has suffered losses, totaled to UAH 37 192 thousand. The abovementioned losses are caused by the necessity to generate additional volumes of provisions for possible losses as regards credit operations. During 2008 the expenses for provisions forming were UAH 182 847 thousand.

JSCB „PRAVEX-BANK” pursues weighted credit policy, but worsening of economic circumstances in Ukraine, connected with aggravation of economic financial crisis, had caused worsening in financial condition of the borrowers, and it had determined the necessity to generate additional provisions, which in its turn impacted the financial performance of JSCB „PRAVEX-BANK” for 2008.

Results of activity from banking and other operations are reflected in the Bank’s financial statement, accordingly to principles, determined by accounting policy.

JSCB „PRAVEX-BANK” accounting policy for 2008 provided for and stipulated the single order in accountating of bank operations, the single construction and understanding of principles for timely and trustworthy reflection of bank operations for compilling and providing financial reports; and these order is single for all regional director’s office, branches, structural units of Head Bank.

JSCB „PRAVEX-BANK” accounting policy for 2008 is approved by order of Head of the Management Board, dd. 29.12.2007 № 975. During 2008 there were no amendments or alterations in accounting policy.

During 2008 poky there was no termination of separate kinds of bank operations. There are also no limitations on assets holding.

During 2008 JSCB „PRAVEX-BANK” has not conducted any non-typical operations, which could impact its assets, liabilities, capital or cash flows.

Consolidated financial statement as of 31.12.2008 is not compiled in connection with absence of subsidiary enterprises and associated companies.

Aiming to provide reliable financial statement, and according to requirements “Provisions about forming adjusting entries, fulfilled by Ukrainian banks”, approved by regulation of the NBU Management Board dd. 09.10.2001 № 427 (as amended), and in accordance with auditor’s conclusion, provided by “Ernst & Young Audit Services”, during March 2009 annual adjusting entries are made as regards:

1. Reflection of fixed assets revaluation results.
2. Charging of expenses from current and deferred income taxes.
3. Adjustment of insurance provisions as regards provided loans, based on external audit opinion.
4. Creating provisions for payment of the Bank’s employees’ vacations.

The valuation of fixed assets, in particular, real estate objects, is made by PE “Bureau Veritas Ukraine” Ltd. (the certificate of the subject of evaluation activity №7100/08 dd. 26.05.08, Fund of state property of Ukraine), according to Agreement № BV UKR 90008/428 KI dd. 24.11.08.

The results of fixed assets revaluation were agreed with external auditor - “Ernst & Young Audit services” Ltd.

All real estate objects were subject to revaluation.

Based on revaluation data:

- the additional valuation of initial value of real estate objects was 80 571,5 thousand,
- the additional value of amount of depreciation was UAH 7 569,7 thousand
- the reduction of price for initial cost of real estate objects for account of equity capital was UAH 12 929,7 thousand
- the reduction of price for initial cost for account of expenses was UAH 4 295,4 thousand - the reduction of price for amount of depreciation for account of equity capital was UAH 1 735,7 thousand.

The total additional valuation based on revaluation results, was UAH 73 001,8 thousand, the reduction of price has made UAH 15 489,5 thousand, in that case

for account of capital – UAH 11 194,1 thousand

for account of expenses – UAH 4 295,4 thousand.

Based on revaluation results:

- the deferred tax obligation for account of equity capital was charged in the amount of UAH 15 441,1 thousand,

- was reduced the deferred tax obligation for account of expenses from current income tax, amounting to UAH 1 063,0 thousand.

According to results of external audit the following is made:

- reduction of volumes of provisions for credit risks under standard indebtedness, amounting to UAH 538,3 thousand,
- additional forming of provision for non-standard indebtedness, amounting to UAH 8 810,7 thousand.

Based on results of adjustments in insurance provisions the expenses from current income tax were reduced, amounting to UAH 2 202,7 thousand.

The provision for the Bank's employees' vacations was made in an amount of UAH 31 013 thousand and also an obligation regarding charges (fees) for obligatory state retirement and social insurance, amounting to UAH 6 764 thousand.

Based on the results of the adjustments as regards creating provisions under unused vacations, the deferred tax asset is made, totalled to UAH 9 444 thousand.

1.4. The contragents' segments of JSCB „PRAVEX-BANK”

JSCB „PRAVEX-BANK” conducts its activity in interaction with contragents of different sectors of economics – banks, nonbank institutions, among which the following can be marked out: householders (individuals), entities of business activity (firms and institutions of different forms of property), as well as with government institutions and establishments.

As of 31.12.2008 and 31.12.2007 allocation and obtaining funds for contragent's segments of JSCB „PRAVEX-BANK” have the following structure:

Table 2

Item description	UAH, thousand		Unit weight	
	2008	2007	2008	2007
Assets				
Funds in NBU	94 399	135 966	1,52%	2,67%
Funds in other banking institutions	376 442	1 088 049	6,05%	21,39%
Loans to legal entities:	272 776	591 868	4,38%	11,63%
Loans to individuals-entrepreneurs	2 609	4 198	0,04%	0,08%
Loans to individuals	5 475 332	3 267 631	88,01%	64,23%
Totally allocated to contragents:	6 221 558	5 087 712	100%	100%
Liabilities:				
Indebtedness as regards other banking institutions	1 750 387	1 047 625	30,82%	20,21%
Funds of budget and off-budget funds	11	10	0,0%	0,0%
Funds of legal entities	492 772	711 271	8,68%	13,72%
Funds of individuals	3 305 132	3 193 412	58,20%	61,62%
Debt securities, issued by the	22 002	159 438	0,39%	3,08%

Bank				
Subordinated debt	108 570	71 205	1,91	1,37
Totally obtained from contragants:	5 678 874	5 182 961	100%	100%

As data of table 2 shows, in 2008 JSCB “PRAVEX BANK” continued to follow the direction of financial resources allocation at the market of customers crediting, particular, into loans to individuals. Loans to individuals in comparison with 2007 have increased by 67,43%. Their specific weight in funds, allocated for counteragents has increased by 23,78%, and amounted to 88, 01%.

The main sources of given loans financing are funds, involved into individuals, their quota amounted to 58,20% of all obligations before the customers.

As of 31.12.2008 the bonds of JSCB “Pravex Bank” were placed to the amount of 22 002(UAH, thousand).

As of 31/12/2008 in bank’s portfolio for sale – shares and other investments with non-fixed income to the amount of UAH 58 thousand (investments to exchanges, depositary) are recorded (accounted).

As of 31/12/2008 JSCB “PRAVEX BANK” did not have investments to the subsidiaries and associated companies.

1.5. Banks` merger, joining, division, separation.

In the accounting year the bank did not make merger, joining, division, secession from.

1.6. Risk management

JSCB “PRAVEX BANK” in the process of its activity is constantly working on development of its risk management methodology – in particular, regarding market (interest and currency) risk, as well as credit, operating, liquidity, strategic, reputation and capital adequacy risks.

The main purpose of risk management improvement is enhancing efficiency in system of current and strategic bank’s purposes achievement, using corresponding methods of management and control for the risk, generated by the external environment, by structure of assets and liabilities, as well as by other business-processes of the bank.

JSCB “Pravex-Bank” is the bank of Intesa Sanpaolo Group, whose management is carrying out reorganization in the Bank’s structure, which provides for creation of separate independent risk management division.

The Supervisory Board provides a control over the activity of bank’s Board regarding the guidance of its current activity.

The Bank’s Board acts on the basis of Provision, which approved by the Supervisory Board of the bank and is an executive authority, which provides the management of the current activity and bears responsibility for the efficiency of the work according to the principles and the order, established by the Bank’s Statute, resolutions of General Assembly and Supervisory Board.

The Present system of risk management of JSCB “PRAVEX BANK” includes three interconnected Committees: Credit Committee, Limit Committee and Committee for management of bank’s assets and liabilities, - as well as there is a subdivision of analysis and risk management, which form the strategy in the direction of risk management, takes decisions, connected with the risk management, establishes limits on the active bank’s operations, considers and approves interest policy of the bank, develops and approves the procedures of risks observation in the bank’s activity. Committees include managers of subdivisions which generate income as well as of independent of them subdivisions, which conduct the risk estimation.

For this stage of bank’s development, the most essential among financial risks is credit risk and liquidity risk, among non-financial – is operating-technological risk and risk of reputation.

The purpose of JSCB “Pravex bank” activity in the sphere of credit risks management is creation of the methodology of credit work, maximally favorable for customers, what provides for the bank the high level of credit portfolio quality.

The main directions of bank’s activity in this sphere are the following:

1. Improvement of the current standards of crediting.
2. Monitoring and control for the credit risks with the purpose of the determination of potential problems concerning returning of loans and adequate decisions making.
3. Weighted policy in the sphere of pledge provision.
4. Improvement of current regulations regarding decisions making, procedures of estimation and risk management.
5. Creation of sufficient provisions for active operations.

For the purpose of credit risk decreasing, it is used the system of types and conditions of credit transactions realization concerning the terms, lenders, providing, interest rates and methods of their charging, limitation, credit portfolio diversification, provisions formation, monitoring and control for risks. Monitoring of the individual credit risks concerning the lender – legal entity stipulates previous estimation of internal and external environment, analysis of market position, money flows, estimation of reliability and credit history, as well as estimation of liquidity of credit transaction provision. Bank makes estimation of all factors, which has influence on risk arising, on the basis of quality and quantity indicators according to responsible internal banking methodologies, credit risk as regards short-term and long-term loans. According to the results of analysis and estimation – it is determined the category of credit operation, as well as the map of credit risks of the lender is compiled, what gives the full characteristic of all possible business risks of the lender and reflects the complex estimation of provability of lender’s non-fulfillment of taken obligations, as well as the degree of risk of cooperation with JSCB “Pravex Bank”.

Monitoring of individual credit risks concerning the lenders – individuals is conducted by means of estimation of lender’s compatibility, analysis of his financial position, estimation of liquidity of credit operation provision, according to the methodology of conducting of lender’s financial position estimation –

individuals and individuals – businessmen. According to the results of conducted by bank's specialists work – it is formed the estimate of lender's financial position, as well as it is determined the credit operation category and degree of lending.

Monitoring of individual credit risk concerning the lender of commercial bank with the purpose of limits establishment for crediting is determined on the basis of relative provision about establishment of allocation resources limits

Monitoring of individual credit risk as regards the Borrower – commercial bank, aiming to fix a credit limit, is determined based on respective clause about fixing limits for allocations of provisions into loans and deposits at interbank market. Dependent on individual credit risk assessment, the reasonability of credit operations is determined, as well as conditions of their carrying out (term of use, amount, interest rate).

The Bank is constantly adheres to established standards of credit risks, and timely and in full creates provisions for indemnity of possible losses from credit operations.

In 2008, after increase in interests rates for raised funds, significant fluctuations at currency market and aiming to ensure sufficient level of liquidity, the bank's management board has took a decision to stop granting loans.

Liquidity risk management is carrying out on continuing basis. In order to reduce negative impact of liquidity risk the support of diversified portfolio of liquid assets, daily and prospective forecast of receipts and outflow of funds.

Long-term liquidity planning is carrying out by means of creating plans for expected receipts and outflow of funds, regulation of future cash flow in order to ensure the appropriate liquidity level; comparison of assets and liabilities amounts, the maturity date of which falls on the same time interval. For liquidity and solvency calculation the automated program "Payment calendar" has been launched, which helps to calculate the consolidated indicators (taking into account all divisions) of the bank's activity, and all its financial flows are being analyzed. For short-term liquidity management the method of provisions interval – GAP-analysis is used, which is carried out in accordance with internal form of reporting "Time series of liquidity, which provides an opportunity to analyse gaps in rates and term of attracted and allocated funds for all kinds of currency.

The most important point in Bank's activity is effective management of liquidity risk and resource base. With this aim the procedure of the Bank's non-decreasable balance on on-demand accounts calculation was launched. The Department of risk analysis and management every month calculates the limit of non-decreasable balance on on-demand accounts and determines the optimum amount for allocation in crediting from the current status of resource base.

The method of calculating non-decreasable balance is based on VaR methodology, which allows calculating the permissible outflow of on-demand funds. Every month the backtesting is carried out, aiming to determine the optimally acceptable outflow of on-demand funds, which allows effective managing of resource base by means of optimum match to VaR graph to actual deviations. The

adequacy of the model is saved. The optimum confidence interval for each currency is determined, and it allows using provisions in full.

In order to manage liquidity and solvency under crisis (stress) conditions, a stress testing is carried out in the Bank in case of liquidity loss.

The following scenarios are being modeling in the Bank for stress testing:

outflow of cash on-demand above fixed limits;

outflow of deposits to the established amount while withdrawing limits during limits closing on MBK (МБК);

outflow of maximum loans of the Bank etc.

Stress testing results are used in «Emergency plan in case of liquidity loss», used to prevent crisis situations at the liquidity market. Risk monitoring is carried out from time to time, depending on the level of crisis, but not less than once per month.

In result of adverse fluctuations at the interest rates market the Bank suffers influence of interest risk, the source of which is disbalance between assets and liabilities, sensitive to interest rates change on maturity terms.

Aiming to reduce interest risk the Bank implements the unified risk management system, based on:

- forecasting trend to change in interest rates;
- studying dynamics of change in spread between rates of attracted and allocated funds;
- determining the level of GAP-fracture between assets and liabilities, sensitive to changes in rates at different periods of time;
- determining assets and liabilities ratio, sensitive to changes in interest rates, and correlation of GAP- fracture to the Bank's net assets;
- exercising control under gaps between assets and liabilities, sensitive to changes in interest rates at a daily basis;
- exercising control under the level of net interest margin;
- comparison the level of interest risk to Bank's earnings;
- carrying out weighted interest policy of the Bank, which is based on forming interest rates as regards loans, taking into account the cost price of liabilities and rating of the Borrower, the risk of operations;
- monthly reconsideration of interest rates on operations with assets and liabilities, taken into account the market position of competitor banks.

Every month the calculation of “make-out” rate is being made. This index determines the minimum level of the rate of allocation interest assets, which ensures covering expenditures for attracting provisions, and also bank's activity expenditures (for convenience – fixed expenses).

The calculation of “make-out” rate and forecast of change in interest rates provides Committee of assets and liabilities management a possibility to take decisions concerning level of interest rates on credit operations, and concerning increase/decrease of assets and liabilities, sensitive to change in interest rates.

In order to manage interest risk, the analysis of assets and liabilities structure is made on a daily basis. Every month the analysis of change in net interest yield is made by types of currency, the dynamics of spread cooperation, net interest margin and net interest position of the Bank. Such analysis allows to determining the way of

change in net interest yield and net interest margin, as a result of change in interest rates by different kinds of assets and liabilities operations.

The results of assessment and analyzing the level of interest risk are considered at the meeting of Credit committee and the Committee of asset and liabilities management. The Committee of asset and liabilities management takes the decision concerning change in interest policy of the Bank and inner limits of interest risk. The decision concerning change in the level of interest rates is approved by the Committee of asset and liabilities management and all the divisions of the bank are informed about it by means of appropriate orders and instructions. The Committee of asset and liabilities management constantly monitors and revises the interest rates by kinds of currency by types of terms, kinds of products (based on the Bank's assets and liabilities).

Daily control under compliance of actual interest rates, fixed in the Bank, is made by the backoffice of the Head Bank. The control is made in the overall system of the Bank.

In order to increase „flexibility” of the balance regarding interest risk in agreement with fixed rate (loan and deposit ones) the possibility of revising interest rates is provided for, connected with significant interest rates fluctuations at the market or change in accounting rate.

Every month during Committee of asset and liabilities management meeting the analysis of resource base for the previous month is made, taking into account changes in interest rates, and the appraisal of the balance current condition is made. At the same time the strategy of assets and liabilities management for the next month is determined.

In order to manage currency risks, JSCB „PRAVEX-BANK” has fixed limits for the Bank's divisions for open currency position, according to NBU requirements by means of VaR methodology. These limits are necessary to avoid bank's losses from revaluation of open currency position for the account of foreign currency fluctuations and bank's metals.

With the purpose of prevention of unplanned losses by reason of fluctuations in the rate of exchange and banking metals, the limits Stop-Loss are set on the general Bank's currency position. Limits Stop-Loss are calculated as acceptable amount of losses as regards losses on the basis of methodology VaR. If bank's losses because of currency position revaluation run up to established Stop-Loss limits in one of the currency, the management of the bank makes a decision concerning the approximation of currency position to the closed one in the given currency.

For analysis of sensitiveness of the Bank's income and capital from currency fluctuations and bank's metals, there is a program “Financial result by kinds of currencies”. With this program there is an opportunity to calculate the Bank's financial result, taking into account the forecasted exchange rates and bank's metals.

Management of the operating-technological risk is realized through the improvement of procedures concerning the risk minimization as a result of negative activity of personnel, informative systems and operating technology risks. Management of operating-technology risks consists in establishment of control for the performers with the assistance of provisions, standards and/or procedures, which

determine the obligations and powers of workers, development of internal normative base in respect of description of business-processes and bank's products realization, improvement and development of new banking technologies, duplication of data base, separation of fulfillment and control functions, permanent renewal of technical facilities and software, providing the corresponding security by means of several level of protection. These limitations are acting instruments, which can be adjusted in the case of conditions change and the level of tolerance to the risk. The permanent monitoring of reputation risk, correctness of the chosen policy concerning the bank's image formation is favorable to the bank's availability for the bigger circle of customers and openness before partners and state organ of supervision.

There has been introduced the following:

- system of regulatory capital amount forecasting;
- calculation of bank's capitalization necessity;
- system of currency position management, including calculation and distribution of currency bank's position limits for structural subdivisions.

With the purpose of bank's activity analysis and determination of risk level – the reporting form was developed, which allows to form divergences for any period, which gives the possibility to make analysis of the main balance indicators dynamics. On the basis of the form –the coefficients' calculation for the Report "Financial economical indicators of efficiency results and bank' activity risks" is introduced. Mainly, these are indicators of financial stableness, solvency, liquidity, balancing of active and passive transactions, effectiveness of bank's activity results: assets profitability, capital profitability, net interest margin, spread.

With the purpose of control, planning and making analysis of the Main Bank and branches profit and losses – there have been developed the following forms of reporting: "Estimate of administrative-economical expenses", "Forecast of the financial result for the month", "Report about income and expenses for the month", "Operating and expenses per a day", which are formed in the automatic regime.

Aiming to increase efficiency of its work and costs cutting, starting from second half of 2008 the bank is actively implementing business-processes optimization and change in priority directions of its activity by means of limiting high-risk credit operations (first of all, consumer crediting). In the frameworks of this strategy implementing, the bank has reduced the network of points granting consumer loans to 107 as of the end 2008 from 219 as of 2007 year-end, and also it reduced personel to 8788 persons as of 2008 year-end from 10552 persons as of 2007 year-end.

The most important task of the management for every bank is providing the optimal structure of involved and distributed (allocated) funds. As of the present day JSCB "Pravex Bank" has a diversified recourses base, what allows to react more flexibly on the market demands.

The bank's management has very attentive attitude to the risk management policy implementation, current and long-term forecasting, about which the stable, economical position of bank witnesses as well as its financial reliability and dynamic development.

1.7. Solvency of the Bank

Risk regulation concerning the allocation and involvement of financial resources is realized by means of daily (decadal) control over the actual indicators of the special calculated amounts and their compliance to the fixed normative indicators (NBU Decree, dated 28/08/2001 № 368 with amendments and additions). As of 31/12/2008 normative and actual amounts of these indicators are the following:

Normative of	Normative	Fact
Regulatory capital	Not less than 20 million (Euro) for conducting operations with currency	UAH 1 299 108,9 thousand Euro (119 673,4) thousand
Adequacy of regulatory capital (solvency)*	Not less than 10%	17, 69%
Ratio of the regulatory capital to the aggregate assets (coefficient)	Not less than 4%	17, 67%
Instant liquidity	Not less than 30%	96,82%
Current liquidity	Not less than 40%	55,23%
Short-term liquidity	Not less than 20%	46,67%
Maximal scale of the credit risk per one counteragent	Not more than 20%	11,38%
“Big” credit risks	Not more than 800%	11,38%
Maximal scale of loans, guarantees and warranties, given to one insider	Not more than 2%	0,31%
Maximal total scale of loans, guarantees and warranties, given to insiders	Not more than 20%	0,85%
Investments to securities separately for every establishment	Not more than 15%	0,00%

Total amount of investment	Not more than 60%	0,00%
----------------------------	-------------------	-------

* are calculated decadal (for 01, 11, 21 dates of every month), based on data of everyday balance.

Calculation of compulsory economical established standards is realized in the bank on the daily basis according to normative documents of the National Bank of Ukraine.

As of 31.12.2008 the regulatory capital is sufficient and amounts to UAH 1 299 108, 9 thousand.

Actual indicators of the liquidity established standards exceed normative amounts more than twice. It indicates about the sufficient liquidity and bank's capability to provide the fulfillment of undertaken commitments.

1.8. Management of the bank

Responsibility and functions of the Supervisory Board and the Management Board

According to the Statute, the management of the bank is carried out by:

- Shareholder's general meetings;
- Supervisory Board of the Bank;
- The Management Board of the Bank, headed by the Chairman.

Shareholder's general meeting is the highest management authority of the Bank. Control over the activity of the Bank's Management Board concerning the managing its current activity is realized by the Bank's Supervisory Board. The following belongs to the competency of the Supervisory Board of the Bank:

- appointment and disposal of the Chairman and members of the management Board, directors and chief accountants of the branches, representative offices, as well as the manager of the bank's internal audit;
- providing control for the activity of Bank's management Board;
- determination of the external auditor;
- establishment of the order of conducting revisions and providing control for the bank's financial- economical activity;
- approval of the provision about the Bank's Management Board, definition of the bank's organizational structure;
- making decisions about losses covering;
- making decisions about creation, reorganization and liquidation of subsidiaries, branches, subdivisions and bank's representative offices, approval of their statuses and provisions, permissions for carrying out operations;
- approval of the conditions of the payment for work and financial incentives of the members of Bank's management Board;

- preparation of proposals concerning the questions, which are submitted to the General Meetings;
- taking other issues, which are in competence of the General Meetings;
- making decisions about the attraction to the property responsibility of the officials from the bank's control elements;
- solving question about the bank's acquisition of shares, which were allocated by the bank;
- determination of the Chairman of the management Board powers in the way of signing by the Head of Supervisory Board of the Bank – corresponding letter of attorney addressed to the Chairman of the Management Board;
- providing of control for the service of the internal bank's audit activity;
- making decisions about the distribution of securities (with the exception of shares) according to the current Ukrainian legislation requirements.

The management Board of the Bank is a bank's executive body, which provides running current activity of the bank, funds formation, necessary for the bank's statutory activity and bear responsibility for the efficiency of its activity according to the principals and order, established by the Bank's statute, as well as solutions of General meetings and Supervisory Board of the Bank.

Bank's management Board is entitled:

- to consider and approve reports about the bank's structural subdivision activity;
- to consider and solve other questions, submitted to the consideration by the Chairman of the management Board, his Deputies, members of the management Board, with the exception of powers, which attributed to the exceptional competency of General Meetings and Supervisory Board;
- take part in the General meetings with the right of deliberative vote through its representatives - Chairman of the management Board or other member of Management Board;
- make a decision about the pre-term finishing distribution of securities of the Bank;
- to approve the results of the distribution of bank's securities;

Chairman of the Management Board manages the whole of the bank's activity, bears personal responsibility for the fulfillment of the tasks, entrusted to the bank, distribute the obligations between the Deputies of Chairman, and establishes degree of their responsibility.

1.9. Authorized capital of the bank and bank's shareholders.

As of 31.12.2008 the authorized bank's capital amounts to UAH 991 499 139,00 (nine hundred ninety-one million and four hundred ninety-nine thousand one hundred thirty-nine hryvnas). Authorized capital is divided into 989 999 139 (nine hundred eighty-nine million and nine hundred ninety-nine thousand one hundred thirty-nine) items of ordinary nominal shares and 1 500 000 (one million five hundred thousand) items of nominal privileged shares with the par value - 1, 00 (one) UAH per each share.

In June 2008 Italian group “Intesa Sanpaolo” S.p.A, after receiving all the necessary approvals, has signed the agreement of 100% purchase of JSCB „PRAVEX-BANK” shareholder’s capital.

	Quantity of shares, items	Share in the authorized capital (direct participation), %
Intesa Sanpaolo S.p.A.	991 499 139	100, 00
Total shares, issued:	991 499 139	100, 00

During 2008, the registered authorized bank’s capital was increased:

- according to the agreement of purchasing and sale of securities, dated 22.05.2008 “1/08 and state registration of changes to the Statute of JSCB “Pravex Bank” № 10701050027003106 – was increased by UAH 120 000 000, the decision about increase of authorized capital was taken at the Shareholder’s general meetings, Minutes № 1, dated 07.04.2008, 17th emission (registration №149/1/08, date of registration – 22nd of April 2008, Certificate about registration of shares issue, which was issued at 13.06.2008);
- according to the agreement about purchasing and sale of securities, dated 14.10.2008 “2/08 and state registration of changes to the Statute of JSCB “Pravex Bank” № 10701050029003106 – was increased by UAH 500 000 000; the decision about the increase of authorized capital was taken at the Shareholder’s general meetings, Minutes № 4, dated 05.09.2008, 18th emission (registration № 401/1/08, date of registration – 6th of October 2008, the Certificate about the registration of shares issue, which was published at 29.12.2008);

N.B. Zubrytska
Chairman of the Management Board
of JSCB “Pravex Bank”

O.Y. Kybets
Chief accountant
of JSCB “Pravex Bank”

Balance Sheet
at as 31st December 2008 (at the end of the day)
JSCB "PRAVEX-BANK" KYIV

(UAH thousand.)

Line	Item description	Notes	2008	2007
1	2	3	4	5
Assets				
1	Cash assets and their equivalents	4	778 520	950 221
2	Trade securities	5	0	0
3	Other financial assets, recorded at the fair value with the recognizing of revaluation result in the financial results	6	0	0
4	Due from other banks	7	49 701	568 867
5	Loans and indebtedness of customers	8	5 750 717	3 863 697
6	Securities in bank's portfolio for sale	9	58	58
7	Securities in bank's portfolio to paying-off	10	0	0
8	Investments into associated companies	11	0	0
9	Investment real estate	12	0	0
10	Accounts receivable concerning the current profit tax		3 292	233
11	Deferred tax asset		30 647	17 634
12	Goodwill	13	0	0
13	Fixed assets and intangible assets	14	583 094	503 241
14	Other financial assets	15	106 701	160 610
15	Other assets	16	26 171	28 343
16	Long-term assets, determined for sale and assets of group of retirement	17	0	0
17	Total assets		7 328 901	6 092 904
LIABILITIES				
18	Bank's funds	18	1 694 661	1 048 438
19	Funds of customers	19	3 804 005	3 633 013

20	Debt securities issued by bank	20	22 148	160 540
21	Other involved funds	21	35 058	155 190
22	Liabilities concerning the current profit tax		6 993	4 062
23	Deferred tax liabilities		83 385	66 888
24	Provisions for liabilities	22	1 419	235
25	Other financial liabilities	23	186 116	232 226
26	Other liabilities	24	49 195	11 774
27	Subordinated debt	25	113 418	78 048
28	Liabilities, connected with long-term assets, determined for sale (or with groups of retirement)	17	0	0
29	Total liabilities		5 996 398	5 390 414
Equity				
30	Authorized capital	26	992 171	372 171
31	Retained earnings (uncovered (outstanding) loss)		74 714	112 202
32	Reserve funds and other funds of the Bank	27	265 618	218 117
33	Net assets, belonging to the shareholders (participants) of the bank		0	0
34	Minority interest		0	0
35	Total equity and minority interest		1 332 503	702 490
36	Total liabilities		7 328 901	6 092 904

Chairman of the management Board

N.B. Zubrytska

Chief accountant

O.Y. Kibets

Performer Melnik T.I.

tel. (044) 201-17-57

Statement of financial results
as of 31st December 2008 (at the end of the day)

JSCB "PRAVEX-BANK" KYIV

(UAH thousand.)

Line	Item Description	Notes	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Net interest income/ (net interest expenses)		337 731	264 908
1.1	Interest income	28	792 102	568 762
1.2	Interest expenses	28	(454 371)	(303 854)
2	Commission income	29	442 907	399 525
3	Commission expenses	29	(5 241)	(3 418)
4	Result from trade transactions with securities in the bank`s trade portfolio		(270)	39539
5	Result from hedging operations	40	0	0
6	Result from the revaluation of other financial instruments, recorded at the fair value with the recognition of revaluation result in the financial results		(515)	0
7	Result from foreign currency trading		88 399	39 322
8	Profit/(loss), arising during the initial recognition of financial assets with the interest rate, which is higher or lower than market rate	7, 8	0	0
9	Profit/(loss), arising during the initial recognition of financial liabilities with the interest rate, which is higher or lower than market rate	18, 19	0	0
10	Result from revaluation of objects of investment property		0	0
11	Result from the revaluation of foreign currency		65 371	3 431
12	Provision for credit indebtedness	7, 8	(234 868)	(161 328)
13	Depreciation of securities in bank`s portfolio for sale	9	0	0
14	Result from the sale of securities in bank`s portfolio for sale	9	0	0

15	Depreciation of securities in bank`s portfolio before redemption	10	0	0
16	Provisions for liabilities	22, 38	(1 183)	(180)
17	Other operating incomes	30	70 904	49 748
18	Income/(expenses) from advanced repayment of debt	18, 19	0	0
19	Administrative and other operating costs	31	(796 239)	(576 126)
20	Shareholder`s income	11	0	0
21	Profit (loss) before taxation		(33 004)	5 5421
22	Expenses for profit tax	32	(4 188)	(17 448)
23	Profit (loss) after taxation		(37 192)	37 973
24	Net income/loss from the sale of long-term assets, determined for sale	33	0	0
25	Net income/loss		(37 192)	37 973
26	Income/loss of the consolidated group:		0	0
26.1	of Parent Bank		0	0
26.2	Of the minority interest		0	0
27	Net income/(loss) per an ordinary share (UAH)	34	(0,08)	0,14

Chairman of the management
Board
Chief accountant

N.B. Zubrytska
O.Y. Kibets

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Equity capital report of JSCB "PRAVEX BANK"

At the end of the day as of 31st December 2008

JSCB "PRAVEX BANK"

(UAH thousand.)

Line	Item description	Notes	Belongs to the parent bank shareholders					Minority interest	Total equity capital
			Authorized capital	Reserve and other funds of bank (Note 27)	Retained earnings	Revaluation results	Total		
1	2	3	4	5	6	7	8	9	10
1	Balance as of 1st January 2007		172 171	10 219	77 744	96 530	356 664		356 664
2	Impact of transferring into the new and/or revised standards and interpretations, in the context where the standards should be read	3							
3	Adjusted balance as of 1st January of the previous year		172 171	10 219	77 744	96 530	356 664		356 664
4	Securities in bank`s portfolio for sale								
4.1	Revaluation result as regards its fair value	9							
4.2	Sale or losses from utility decrease	9							
5	Fixed assets and intangible assets:								
5.1	Revaluation result	14				143 632	143 632		143 632
5.2	Realized revaluation result	14			325	(325)	0		0
6	Revaluation result on hedging transactions								0
7	Accumulated exchange rate difference	27							0
8	Deferred taxes	32				(35 779)	(35 779)		(35779)

9	Net income/ (loss), recognized directly in the context of equity capital			3 840	(3 840)		0		0
10	Profit/(loss) per year				37 973		37 973		37 973
11	Total profit/ (losses), recognized per year								0
12	Shares issuance	26	200 000				200 000		200 000
13	Own shares, bough back from shareholders:						0		0
13.1	Bought out	26					0		0
13.2	Sale	26					0		0
13.3	Cancellation	26					0		0
14	Merger of companies	44					0		0
15	Dividends to be paid	35					0		0
16	Balance at the end of the day as of 31st December 2007 (balance as of 1st January 2008)		372 171	14 059	112 202	204 058	702 490	0	702 490
17	Adjusted balance as of 01.01.2008						0		0
17.1	Adjustment of changes in accounting policy						0		0
17.2	Correction of mistakes						0		0
18	Securities in bank`s portfolio for sale						0		0
18.1	Revaluation result as regards their fair value	9					0		0
18.2	Sale or losses from utility decrease	9					0		0
19	Fixed assets and intangible assets:						0		0
19.1	Revaluation result	14				62 424	62 424		62 424
19.2	Realized revaluation result	14			1 603	(1 603)	0		0
20	Revaluation result on hedging transactions						0		0
21	Accumulated exchange rate difference	27					0		0

22	Deferred taxes	32				(15 219)	(15 219)		(15 219)
23	Net income/ (loss), recognized directly in the context of equity capital			1 899	(1899)		0		0
24	Profit/(loss) per year				(37 192)		(37 192)		(37 192)
25	Total profit/ (losses), recognized per year						0		0
26	Shares issuance	26	620 000				620 000		620 000
27	Own shares, bough back from shareholders:						0		0
27.1	Bought out	26					0		0
27.2	Sale	26					0		0
27.3	Cancellation	26					0		0
28	Merger of companies						0		
29	Dividends to be paid	35					0		
30	Balance at the end of the day as of 31st December 2008		992 171	15 958	74 714	249 660	1 332 503	0	1 332 503

As of 31st of December , 2008, there is no balance at ledger 3630 "Investments as regards unregistered equity"

As of 31st of December , 2008, ledgers 5041, 5030 contain unpaid accrued income, amounting to UAH 270 739 thousand and accrued losses, amounting to UAH 272 452 thousand

Chairman of the Management Board

N.B. Zubrytska

Chief accountant

O.Y. Kybets

Performer : Melnik T.I.
tel.. 201-17-57

2008 Cash flow statement

(indirect method)

JSCB "Pravex Bank" Kyiv

UAH, thousand

Line	Item description	Notes	Reporting year	Previous year
1	2	3	4	5
	Cash from operating activity:			
1	Net income/loss for year		(37 192)	37 973
	Adjusting for bringing net income/loss amount to amount of money receipts from operation:			
2	Amortization	14	42 626	35 109
3	Net increase/decrease of provisions as regards assets		237 184	161 803
4	Accrued income		207	(90 790)
5	Accrued expenses		60 114	35 233
6	Trade result		270	(39 539)
7	Accrued and deferred tax	32	3 356	15 781
8	Profit/loss from the sale of investments		3 045	207
9	Profit from investments into associated companies		0	0
10	Amortization of discount and premium of financial instruments		(699)	512
11	Another flow of funds which is not monetary		26 465	15 090
12	Net monetary profit/(loss) before change of operating assets and liabilities		335 376	17 1379
	Changes in operating assets and liabilities:			
13	Net(increase)/decrease as regards trade securities		0	0
14	Net (increase)/decrease as regards other financial assets, which are booked at the fair value with recognition of revaluation based on profits/losses		0	0
15	Net (increase)/decrease as regards funds in other banks		503 906	(283 011)
16	Net (increase)/decrease as regards loans and indebtedness to customers		(1 982 449)	(1 593 343)
17	Net (increase)/decrease as regards other financial assets		7 192	4 0539
18	Net (increase)/decrease as regards other assets		(14 986)	(16 138)
19	Net (increase)/decrease as regards funds of		696 843	766 954

	other banks			
20	Net (increase)/decrease as regards funds of customers		140 478	921 266
21	Net (increase)/decrease as regards debt securities, issued by the bank		(136 737)	140 926
22	Net (increase)/decrease as regards other financial liabilities		0	0
23	Net (increase)/decrease as regards provisions for liabilities and assignments and other liabilities		(90 168)	96 932
24	Net monetary funds, received from operating activity/ (used in operating activity)		(875 921)	74 125
	Monetary funds from investment activity:			
25	Acquisition of securities in bank`s portfolio for sale	9, 17	0	0
26	Income from sale of securities in bank`s portfolio for sale	9, 17	0	0
27	Acquisition of securities in bank`s portfolio before redemption	10	0	0
28	Income from redemption of securities in bank`s portfolio before redemption	10	0	0
29	Acquisition of fixed assets	14	(85 123)	(105 603)
30	Income from selling of fixed assets	14,17	(3 077)	(207)
31	Received dividends		0	0
32	Acquisition of subsidiary companies with the exception of received monetary funds	44	0	0
33	Income from selling of subsidiary company with the exception of payed monetary funds	17	0	0
34	Acquisition of associated companies	11	0	0
35	Income from selling of associated companies	11, 17	0	0
36	Acquisition of investment real estate	12	0	0
37	Income from selling of investment real estate	12, 17	0	0
38	Acquisition of intangible assets	14	3 232	(7 495)
39	Income from the retirement of intangible assets	14, 17	0	0
40	Net monetary funds, received from the investment activity/(used in investment activity)		(84 968)	(113 305)
	Monetary funds from financial activity:			
41	Other received funds involved	21	35 058	151 500
42	Return of other involved funds	21	(151 500)	0
43	Receipt of subordinated debt	25	0	0
44	Discharge of subordinated debt	25	0	0

45	Issue of ordinary shares	26	0	0
46	Issue of privileged shares	26	0	0
47	Other contributions of shareholders, except issue of shares	26, 27	620 000	200 000
48	Stock buyback	26	0	0
49	Sale of own shares	26	0	0
50	Paid dividends	26	0	0
51	Other payments to shareholders, except dividends	26, 27	0	0
52	Net monetary funds, received from financial activity/ (used in financial activity)		503 558	351 500
53	Influence of changes in exchange rate on cash and cash equivalents		(65 371)	(3 431)
54	Net inflow (outflow) of cash and cash equivalents		(187 326)	480 268
55	Cash and cash equivalents at the beginning of the year		972 529	492 261
56	Cash and cash equivalents at the end of the year	1, 4	785 203	972 529

Chairman of the Management Board

N.B. Zubrytska

Chief accountant

O.Y. Kibets

Performer Melnik T.I.

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**Reference
on notes to annual reporting
of JSCB «PRAVEX-BANK» for 2008
with no data available**

Table 4.2. «Non-monetary investment transactions».

Table 4.3. «Non-monetary financial transactions».

Note 5. «Trade securities».

Table 5.1. «Trade securities».

Table 5.2 «Analysis of credit quality of debt trade securities for 2008».

Table 5.3. «Analysis of credit quality of debt securities for 2007».

Note 6. «Other securities that are accounted by fair value with recognition of revaluation effect in financial results».

Table 6.1. «Other securities that are accounted by fair value with recognition revaluation effect in financial results».

Table 6.2. «Analysis of credit quality of debt securities that are accounted at fair value with recognition revaluation effect in financial results for 2008».

Table 6.3. «Analysis of credit quality of debt securities that are accounted at fair value with recognition of revaluation effect in financial results for 2007».

Table 9.2. «Analysis of credit quality of debt securities in Bank's portfolio for sale for 2008».

Note 10. «Held-to-maturity Securities in Bank's portfolio».

Table 10.1. «Held-to-maturity Securities in Bank's portfolio».

Table 10.2. «Flows of held-to-maturity Securities in Bank's portfolio».

Table 10.3 «Analysis of changes of reserve for depreciation of held-to-maturity Securities in Bank's portfolio for 2008».

Table 10.4. «Analysis of changes of reserve for depreciation of held-to-maturity Securities in Bank's portfolio for 2007».

Table 10.5. «Fair value of held-to-maturity Securities in Bank's portfolio».

Table 10.6 «Analysis of quality of held-to-maturity debt securities in Bank's portfolio for 2008».

Note 11. «Investments into associated companies».

Table 11.1 «Investments into associated companies».

Table 11.2 «General information on share of participation of consolidated group and financial results of associated companies for 2008».

Table 11.3. «General information on share of participation of consolidated group and financial results of associated companies for 2007».

Note 12. «Investment properties».

Table 12.1. «Investment properties evaluated according to method».

Table 12.2 «Info on future minimum amounts of rent payments for exigent operating rent in case when a Bank acts as a Landlord».

Note 13. «Goodwill».

Table 13.1 «Change of goodwill related to acquirement of associated and subsidiary companies».

Table 13.2 «Inspection utilized by the Bank for recognition of reduction of goodwill usefulness».

Table 15.6. «Information concerning payments held to receipt within financial leasing (rent) and their present value for 2008»

Table 15.7. «Information concerning payments held to receipt within financial leasing (rent) and their present value for 2007»

Note 17 Long-term assets assigned for sale and assets of withdrawal group.

Table 17.1 Long-term assets assigned for sale and assets of withdrawal group.

Table 17.2 "Information as for amount of sold assets and liabilities of retirement group and amounts received out of selling"

Table 21.2 «Information concerning minimum payments held to receipt within financial leasing (rent) and their present value for 2008»

Table 21.3 «Information concerning minimum payments held to receipt within financial leasing (rent) and their present value for 2007»

Table 33 Net profit/(loss) from sale of long-term assets assigned for sale».

Note 35 «Dividends».

Table 38.2. «Structure of capital that shall be calculated based on Basel Convention».

Table 39.1 «Future minimum rent payments for nonfailure rent».

Table 41.1. «Balance and calculation fair value of financial assets and liabilities which are not recorded in balance sheet at fair value».

Note 43 «Main subsidiary and associated companies».

Note 44 «Unity of companies».

Table 44.1 Acquired assets, liabilities and goodwill that arose».

N.B. Zubrytska

**Chairman of the Management Board
of JSCB “Pravex Bank”**

O.Y. Kybets

**Chief accountant
of JSCB “Pravex Bank”**

Note 1
«Accounting policy»
Of the “PRAVEX-BANK” JSCB for 2008

Note 1.1. «Main activity».

Accounting policy of the Bank is based upon valid legislation of Ukraine, in particular upon the Laws of Ukraine “On banks and banking activity”, “On accounting and financial reporting in Ukraine”, “On payment systems and money transfers in Ukraine”, upon normative acts of the National bank of Ukraine, including the “Accounting ledgers plan at the commercial banks” and “Instruction on application of the accounting ledgers plan at the banks of Ukraine”, approved by the Resolution of the Management Board of the National bank of Ukraine dated 17.06.2004 № 280, upon the “Rules of organization of the statistic reporting subject to submission to the National bank of Ukraine”, approved by the Resolution of the Management Board of the National bank of Ukraine dated 19.03.2003 № 124, upon the «Regulation on organization of accounting and reporting at the banks of Ukraine”, approved by the Resolution of the Management Board of the National bank of Ukraine dated 30.12.1998 № 566 (amended), “Regulation on organization of the operational activity at the banks of Ukraine” approved by the Resolution of the Management Board of the National bank of Ukraine dated 18.06.2003 № 254, upon other normative documents of the National bank of Ukraine, resolutions of the shareholders, of the Management Board of the “PRAVEX-BANK” JSCB, orders of the Chairperson of the Management Board, upon internal regulations. Accounting policy concerning exchange and conversion operations in foreign currency is held in compliance with the Decree of the Cabinet of Ministers of Ukraine “On the system of currency regulation and currency control”.

Accounting policy guidelines are subject to mandatory direct execution during the current year by all branches and structural subdivisions of the Head bank (departments, offices, sectors et cetera)

A wide range of standard and new banking services is given to the clients of the bank via extended branch network, which included 601 branches, 25 directorates and 576 branches inclusively, situated in regional and district centers of Ukraine, in many cities and villages according to the information as of 31.12.2008.

According to the banking license № 7 of the NBU, dated December 3, 2001, “PRAVEX-BANK” JSCB got a permission to carry out all kinds of banking operations subject to licensing in Ukraine, including:

- receiving deposits from legal entities and individuals;
- opening and maintaining current accounts of the clients and banks-correspondents, including money transfers from the named accounts by means of payment instruments and charging money thereto;
- placing received money on the own behalf, on the own terms and on the own risk;
- giving warrantees and pawns and other liabilities from the third parties, presuming execution thereof in monetary form;

- acquiring a right of demand for execution of liabilities in monetary form for the delivered goods or given services, with a risk of performance of the named demands and receipt of payments (factoring);
- leasing;
- services of responsibility saving and giving safes into lease with a purpose of keeping valuables and documents;
- emission, purchase, sale and maintenance of the checks, bills of exchange and other negotiable payment instruments;
- emission of the banking payment cards and holding operations connected with usage of the named cards;
- giving consultation and information services concerning banking operations.

Besides, in compliance with the permission № 7-1 NBU dated December 3, 2001, "PRAVEX-BANK" JSCB got a right to carry out the following operations and agreements:

Operations with currency valuables:

- non-trade operations with currency valuables;
- maintenance of the accounts of the clients (residents and non-residents) in foreign currency and of the clients non-residents in monetary unit of Ukraine;
- maintenance of correspondent accounts of the banks (residents and non-residents) in foreign currency;
- maintenance of correspondent accounts of the banks (non-residents) in monetary unit of Ukraine;
- opening correspondent accounts in the authorized banks of Ukraine in foreign currency to hold operations thereon;
- opening correspondent accounts at the banks (non-residents) in foreign currency and holding operations thereon;
- receiving and placement of the foreign currency at the currency market of Ukraine;
- receiving and placement of the foreign currency at the international markets;
- operations with precious metals at the currency market of Ukraine;
- operations with precious metals at the international markets;
- other operations with currency valuables at international markets.

Emission of the own securities.

Organization of purchase and sale of securities upon instructions of the clients.

Holding operations at the market of securities on the own behalf (including underwriting).

Making investments into statutory funds and shares of other legal entities.

Transportation of the currency valuables and collection of money.

Operations upon instructions of the clients or on the own behalf:

- with instruments of money market;
- with instruments, based upon exchange rates and interest;
- with financial futures and options.

Trust monetary and securities' management upon the contracts with legal entities and individuals.

Depository activity of the securities' custodian.

Activity on keeping registers of the proprietors of personal securities.

Besides, “PRAVEX-BANK” JSCB is holding operations at the stock market in compliance with the licenses of the State Commission of Ukraine on Securities and Stock Market. According to the license of the SCUSSM, series AB № 189670 as of 06.10.2006 - brokerage activity, according to the license of the SCUSSM series AB № 189671 as of 06.10.2006 – dealer activity, according to the license of the SCUSSM, series AB № 189672 as of 06.10.2006 – underwriting, according to the license of the SCUSSM, series AB № 189673 as of 06.10.2006 – depository activity of the securities’ custodian, according to the license of the SCUSSM, series AB № 189651 as of 06.10.2006 is holding depository activity: activity on keeping registers of the proprietors of personal securities.

Bank has effective structure of management, based upon exact distribution of functions within subdivisions, enabling to cover all segments of activity, carried out by the “PRAVEX-BANK” JSCB during 2008: retail business (consumer finance, services given to the population), corporate, small end medium business, treasury et cetera.

Note 1.2 Basis of the accounting policy and reporting.

When holding accounting related activity, maintenance of accounts and financial reporting “PRAVEX-BANK” JSCB (hereinafter – the Bank) was basing upon the requirements of the National standards (regulations) of accounting, International standards of financial reporting (hereinafter – the IFRS), in particular upon accounting regulation (standard) № 1 “General requirements to financial reporting”, upon International standard of financial reporting № 8 “Accounting policies, changes in accounting estimations and mistakes”.

Basic accounting principles upon which financial reports are composed are introduced to the accounting policy of the Bank, in particular:

Complete highlighting – all operations of the Bank shall be depicted at the relevant accounts with no exclusions.

Prevailing sense over the form – operations are published and opened within reporting in compliance with their core and economic sense and not only with legal form thereof.

Autonomy – assets and liabilities of the Bank being an economic entity shall be reflected on the accounting side separately from assets and liabilities of other economic entities (of the clients and counterparties of the Bank), and as well as of owners thereof.

Prudence – taking particular care so that assets and/or incomes are not overstated, and liabilities or expenses are not understated. Financial reports are composed basing on the principle of prudence, given the uncertainty related to many events and operations, such as repayment of dubious receivables, cost of the assets for sale, period of the fixed assets’ use et cetera. Assets and incomes shall not be overstated, and liabilities and expenses shall not be understated due to necessity to exclude financial risks’ shift to the following reporting periods even given the cases where losses for the current reporting period may be caused. For assets’ depreciation and possible losses caused by dubious indebtedness provisions are made using

special accounts designed for depiction of provisions on dubious and hopeless indebtedness, on dubious receivables, on securities' depreciation and other risks.

Continuous activity – Bank has neither an intention, nor a necessity of self-liquidation or to decrease the ranges of one's activity. Bank is continuously acting and shall remain acting in the observable future.

Charge and relevance of incomes and expenses – referring to the principle of charge incomes and expenses amounts are booked and estimated when economic operations are held and not when money or equivalents thereof are received or paid.

All accounts upon which assets and liabilities are depicted are estimated separately and reflected in extended form (with separate indication of items). All accounts in financial reports are either active or passive with an exception of the clearing, transit or technical ones. Assets and liabilities were distinctly broken down depending on categories: long-term (maturity over one year), short-term (maturity under one year) or on demand ones.

Accounting of incomes and expenses is based upon the charge method, meaning they are reflected exactly in the period to which they refer. Principles of charge and relevance were applied within the range of the prudence principle.

Accounting of incomes and expenses was held as a growing result since the beginning of the year. Balances of the incomes and expenses accounts are charged into the accounts of the group 504 "Results of the reporting year standing by for statement" in the end of the year.

Accounting of incomes and expenses is carried out in compliance with the "Rules of accounting incomes and expenses of the banks of Ukraine", approved by the Resolution of the Management Board of the National bank of Ukraine № 255 dated 18.06.03 (amended).

Consistency of the accounting guidelines – the Bank is constantly guided by the same rules of accounting in order to ensure comparability of financial reports' indicators for different periods. Accounting policy may be changed only due to the requirements of the regulatory authorities caused by legal reasons or in cases where changes will result in more adequate reflection of events or operations in financial reports of the Bank. Amendments to accounting policy of the Bank during the year is inadmissible (except the events of substantial changes in legal and normative documents of the National bank of Ukraine or of introduction of changes into valid legislation of Ukraine requiring additional background and indication in the financial reports).

The Bank recognizes financial assets and liabilities in the balance thereof when the latter becomes a party to contractual commitments relating to the given instrument. Operations of ordinary purchase and disposal of financial assets and liabilities are recognized using accounting of the settlement date. Operations of ordinary purchase of financial instruments, which consequently shall be estimated at a fair value between the day of holding and the day of settlement, shall be accounted in the same way as the purchased instruments.

Financial assets are instantly recognized at a fair value.

Assets are accounted at primary (historical) value, meaning recognized at an amount of practically paid money or equivalents thereof.

Accounting of fixed assets, except transport means, is held on fair (revaluated) value.

Accounting of transport means, of the intangible assets objects is held applying the method of primary value.

Liabilities are accounted at primary (historical) value, meaning at the amount of the moved money for exchange into liabilities.

Other methods of estimation of assets and liabilities of the Bank are used in case it is required by valid legislation, internal instructions and resolutions, national regulations (standards), international standards and are applied constantly to all resembling kinds of assets and liabilities.

Assets and liabilities are accounted in the one monetary unit. Assets and liabilities in foreign currency are revaluated at a reporting date.

Evaluation of assets and liabilities in foreign currency is held by means of revaluation of monetary items of the balance of each day given the change of the official rate of NBU.

Reserves for reimbursement of possible losses from holding active operations shall be booked in the same currency in which asset is accounted.

Financial reporting is composed in national currency (hryvnia). Recalculation of the items of assets and liabilities, accounted in foreign currency is recalculated at an official NBU rate at the reporting date.

Financial reporting is composed on the basis of the accounting and managerial data in compliance with normative acts of the National bank of Ukraine and basic principles of the IFRS.

Note 1.3. «Consolidated financial reporting».

Throughout 2008 consolidated financial reporting has not been composed due to the absence of investments into associated and affiliated companies.

Note 1.4. «Primary recognition of financial instruments».

“PRAVEX-BANK” JSCB recognizes financial asset or liability in the accounting in case the Bank is a party to a contract.

During primary recognition of financial instrument (of a financial asset or a financial liability) the Bank evaluates given (received) financial instruments at a fair value, which is defined by means of the price, agreed between the free buyer and free seller within the range of ordinary commercial operation.

Assets are accounted with a priority at the value of purchase or appearance (historical value) thereof. Value of non-monetary assets in foreign currency is recalculated into national currency at a rate on the day of acquiring rights for these assets and is not revaluated.

All liabilities of the Bank are accounted at a value of appearance (historical value) thereof. Liabilities are a monetary expression of the sources of appearance of the money of the Bank by means whereof the Bank is forming its resources with a purpose of holding credit, investment and other active operations.

Evaluation of assets and liabilities in foreign currency is held daily by means of revaluation given the change of the official rate of the National bank of Ukraine with an exception of non-monetary items.

Financial instruments subject to accounting at amortized cost, in particular – loans, deposits, debt securities for sale and securities up to repayment are evaluated using the effective rate of interest.

The Bank does not apply effective rate:

- for financial instruments with a period of usage under one year;
- in case the level of divergence of the effective rate of interest from the nominal rate on a particular financial instrument is not substantial, meaning 0,25 per cent points per month;
- if the amount of a discount (bonus) considering the commission amounts, included into the cost of financial instrument is not substantial, meaning less than 1% from the nominal amount, it shall refer to interest incomes (expenses) while recognizing such financial instrument.

Other methods of evaluation of assets and liabilities of the Bank are used if it is required by the valid legislation of Ukraine, internal instructions and regulations, International accounting standards and are applied constantly to all resembling kinds of assets.

Assets and liabilities of the Bank are divided according to the maturity date into short-term and long-term. If the maturity is equal or is less than one year they shall be considered short-term.

Prolongation of issued loans/received deposits is carried out by the Bank in compliance with the resolution of the Management Board of the National bank of Ukraine dated 15.09.2004 № 435 «On approval of the Instruction concerning accounting of the credit, deposit operations and booking and usage of the reserves for credit risks at the banks of Ukraine».

Organization of accounting assets and liabilities is carried out in compliance with the Instruction on application of the accounting ledgers plan at the banks of Ukraine, approved by the resolution of the Management Board of the National bank of Ukraine dated 17.06.2004 № 280, and internal regulations of the Bank.

Note 1.5. «Trade securities»

Securities in the trade portfolio are securities, purchased by the Bank for resale and mainly with a purpose of getting profit from short-term fluctuations, price thereof or dealer margin.

Securities trade portfolio may include any securities, concerning which the Bank while primary recognition made a decision on accounting thereof at a fair value with recognition of revaluation via profits/losses, accounted at the balance of the Bank during not more than one year.

Accounting of securities within a trade portfolio is held exclusively at a fair value.

In case of change of fair value, securities' revaluation shall be carried out. The result of revaluation is mandatory for reflection on the accounting side at the date of the balance (the last day of the month) at the 6203 ledger.

Charge of interest income on securities in the trade portfolio is mandatory to be held during each revaluation.

Amortization of discount (bonus) on debt securities within trade portfolio is not carried out.

Transition of securities from trade portfolio into other portfolios of the bank or vice versa – from other portfolios of securities into trade portfolio is inadmissible.

The following items of the trade portfolio of the bank are accounted:

- debt securities, shares and other securities with non-fixed income, used by the Bank for getting profit in the result of short-term fluctuations of the price or of the dealer margin and for sale in the nearest time;
- any other securities, defined by the Bank at the stage of primary recognition as such in relation to which the Bank has intention and ability of accounting at a fair value with recognition of revaluation via profits/losses (except the shares having no quoting price at the active market fair value whereof is impossible to be defined equitably).

Charge of interest income on coupon securities in the trade portfolio is mandatory to be held during each revaluation.

Interest incomes on the operations with securities in the trade portfolio of the Bank are reflected at balance ledgers 6056, 6057.

The results of the securities' trade within trade portfolio shall be reflected at the balance account 6203.

In case of right acknowledgement for receiving payment for shares in trading portfolio, income is accrued in form of dividends which are reflected in separate analytical accounts 6300.

There are no debt securities for repo transactions in trading portfolio.

Note 1.6. Loans and client indebtedness

JSCB «PRAVEX-BANK» carries out credit operations according to main directions of credit activities of the Bank on the grounds of current Ukrainian legislation, Articles of Association, license of the National Bank of Ukraine for carrying out active operations, enactments of the National Bank of Ukraine and internal documents.

Credit activities of the Bank are conducted aiming at interests combination of the Bank, its shareholders, its depositors and business entities.

JSCB «PRAVEX-BANK» grants loans to individuals and business entities regardless of their form of ownership under conditions stipulated in the loan agreement, mainly being: secured borrowing, loan repayment, fixed term, fee-based service, and use for a specified purpose.

During the initial credit acknowledgement the Bank estimates the granted loan at fair value determined by the price agreed between voluntary buyer and voluntary seller within the framework of a common commercial operation.

Interest rates for credit operations are set by internal normative documents of the Bank subject to the resources cost, credit risk, current supply and demand on the credit market, etc. The only exception is interbank credit operations, interest rates

for which are set by authorized Bank dealers according to the current interbank market trends.

Loans with interest rates being lower than those paid by the Bank for deposits and loans, are granted if the operation is not unprofitable for the Bank.

Decision on conducting a credit operation, except interbank credit operations, is taken collectively by the Credit Committee of the Bank, and is recorded in the Minutes. Blank interbank credit operations are carried out according to the Minutes of the Limit Committee containing the list of counterparties and maximum amounts to be placed for a relevant term. Strategy of raising/placing funds on interbank market is adopted according to resource base with participation of the Asset and Liability Committee (hereinafter – the ALCO).

Branches authorities for conducting credit operations are adopted by means of Order of the Chairperson of the Management Board or Decision of the Chairperson of the Supervisory Board of the Bank.

In addition to interest income, the Bank is entitled to receive commission income for credit operations.

Interest income from credit operations is accounted for using the effective percentage rate when difference between the effective interest rate and the nominal interest rate is essential according to criteria set by the accounting policy of the Bank.

Interest yields from credit operations with terms under 1 year or when the difference between the effective interest rate and the nominal interest rate is not essential, i.e. less than 0,25 percentage points per month, is accounted for using the nominal percentage rate.

Commission fees that are not included into the cost of credit (for example, commission for account opening, for cash management services, for services related to consumer finance, etc.), are reflected for in the commission income accounts.

The Bank grants the following consumer loans: short term (until 1 year inclusive) and long term ones (from 1 up to 3 years inclusive).

Consumer loans are granted either in cash (only by structural subdivisions of the Bank) or in form of goods or services payment (by structural subdivisions of the Bank and by points of consumer finance in partner shops of the Bank), or in form of fixed credit limit set on a plastic card.

Consumer finance interest rates are set depending on the cost of resources, credit risk of the operation, current supply and demand on the credit market, etc.

If agreed between the Bank and trading enterprises, special conditions for consumer finance through the trading enterprise can be set, providing individually determined interest rates, commissions and term of credit.

Decisions on consumer finance and credit limits on cards are taken by responsible employees of Department of consumer finance, responsible employees of the branch or the branch manager, within granted authorities.

The Bank is entitled to receive interest and commission income from consumer finance operations.

Upon consumer loan granting or repayment a calculation or cash management fee may be charged in accordance with terms of the credit agreement. In such case the fee is recorded in the accounts for discount and/or commission income.

Analysis of credit indebtedness of clients as regards financial instrument depreciation is carried out on monthly basis. Credit depreciation rates are defined by provisions for credit operations. Provisions for possible loss coverage were determined pursuant to Regulation on the order of creation and usage of reserve for possible loss coverage related to credit operations of banks, adopted by the Decision of the Management Board of the NBU dated July 6th, 2000 № 279 (with amendments and supplements).

The reserve for possible loss coverage related to credit operations of the Bank was used for repayment of main debt amount of bad debts, recorded in balance accounts as doubtful debts. Bad debt write-offs by means of created reserve were carried out according to the Decision of the Management Board of the Bank. Bad debt is reimbursed at the account of the special reserve in accordance with provisions of the Article 12 of Law of Ukraine “On taxation of profits of business entities”.

Accrued interest write-off is carried out on basis of Decision of the Management Board of the Bank at the account of the provisions for non-standard indebtedness after qualifying it as bad indebtedness.

During 2008 the Bank didn't have any financial assets with significantly changed terms.

As of December 31st, 2008 the Bank doesn't have any credit liabilities related to letters of credit and financial guarantees.

Note 1.7. Securities for sale in the Bank's portfolio.

Securities portfolio for sale includes shares, securities with floating income and debt securities.

As of the date of the balance sheet securities for sale in Bank's portfolio are reflected:

- at fair value;
- at cost value including partial write-off owing to quality reduction (shares and other securities with floating income, the fair value of which is impossible to determine);
- at the lowest of two values: booking value and fair value less operational costs related to sale, - investments into associated companies and subsidiaries transferred to the sales portfolio and being kept for sale during 12 months;
- at the lowest of two values: purchase value (cost value) and fair value less operational costs related to sale, - investments into associated companies and subsidiaries purchased and being kept exclusively for sale during 12 months.

Securities in sales portfolio as of the date of the balance are subject to reconsideration as regards quality reduction, except shares of stock exchange and depositaries.

Securities quality reduction is acknowledged in case of loss of profit in amount exceeding the booking value of securities by the amount of expected yield. Reduction of expected yield of securities may be caused by deterioration of financial standing of the securities issuer and/or fluctuation of market rate of return.

Securities for sale in the Bank's portfolio that are accounted for at fair value are subject to revaluation with obligatory record in the accounts of equity of the Bank as of the date of balance.

With the aim of provisions calculation for securities for sale the fair value is determined as its bid value according to public quotations of securities at stock exchange as of closing time of the last day in the reported month.

In case there are no quotations as of the mentioned date, the fair value of securities is determined by its latest stock exchange quotation, determined in the trade session held during the last 10 days of the reported month.

The procedure of provisions calculation for the mentioned securities is the following:

- the current fair value of securities is determined according to public quotations on the stock exchange;
- accrual of interest, dividends, amortization of discount/bonus is done if needed;
- difference between the current fair value, determined according to paragraph 3 of this point, and booking value, adjusted according to the paragraph 4 of this point, and a revaluation of securities is done for the amount of this difference;
- all available information about securities and its issuer is analysed with the purpose of identifying the risk level and the relevant conclusion is made about the risk presence/absence or about the renewal of securities quality.

Allocations to the reserve are acknowledged to be expenditures of the reported period and are recorded in the account 7703.

Interest income on securities in the sales portfolio of the Bank is determined, including the interest income in form of amortization of discount/bonus using the effective interest rate, reflected in the booking accounts 6050, 6052, 6054.

Dividends received from securities with floating rate in the sales portfolio of the Bank during their ownership, are recorded in separate analytical accounts 6300.

During 2008 no securities were transferred from the portfolio for sale to the portfolio for repayment.

Acknowledgement of quality reduction of securities in Bank's portfolio for sale was conducted in agreement with «Regulation on procedure for determination of fair value and quality reduction of securities», adopted by the Decision of the Management Board of the National Bank of Ukraine dated 17.12.2003 № 561, and starting from 15.03.2007, in agreement with provisions of «Regulation on the procedure for creation of reserve for Banks' operations with securities», adopted by Decision of the Management Board of the National Bank of Ukraine dated 02.02.2007 №31. Pursuant to the provisions of the Regulation, the Bank did not create any reserve for investment into shares of stock exchange and depositaries.

The Bank's portfolio for sale does not include securities for repo transactions.

Note 1.8. Securities in the Bank's portfolio till maturity.

Portfolio till maturity includes purchased securities with fixed payments that can be determined, and with fixed maturity term. Debt securities are classified as "securities till maturity" if the Bank intends and has the possibility to keep them until maturity with the purpose of receiving interest income.

The Bank initially does not acknowledge securities till maturity if:

- the Bank does not have funds for financing securities till maturity;
- during the current financial year or during two previous financial years the Bank sold before maturity a significant volume of investments compared to total volume of investments kept till maturity;
- there is a legal or other restriction which could be an obstacle in the way of the Bank keeping securities till maturity.

Debt securities in the portfolio till maturity are accounted for at amortized cost. Expenditures for buying debt securities increase (decrease) the sum of bonus (discount) as of the date of their acquisition.

As of the date of drawing up a balance, the Bank is estimating its intention and possibility to keep securities till maturity date.

Debt securities in the Bank's portfolio till maturity are subject to review for quality reduction matter not less than once per month.

Interest income from securities in the Bank's portfolio till maturity are recorded in the balance accounts 6051, 6053, 6055.

As of the date of the balance securities till maturity are review for quality reduction matter based on the analysis of expected cash flow.

Quality reduction of securities kept till maturity is reflected in accounting by means of creating a reserve amounting to the difference between the book value of the securities and the current value of the estimated future cash flow discounted by the initial effective interest rate (i.e. by the effective interest rate calculated during the initial acknowledgement) in agreement with the "Regulation on the procedure of creation of reserve for the operations of Ukrainian banks with securities", adopted by a Decision of the National Bank of Ukraine dated 02.02.2007 № 31 and Instructions on accounting for operations with securities of Ukrainian banks, adopted by a Decision of the Management of the National Bank of Ukraine dated October 3rd, 2005 № 358.

Securities in the Bank's portfolio till maturity were not accounted for in 2008.

Note 1.9. Investment property

Investment property is an immovable property (land or building or a part of building, or both), kept in the Bank's ownership or leasing under a finance lease contract (rental) to earn leasing/rental income or capital appreciation or both.

Investment property is the following:

- land held for long term capital appreciation rather than for sale in short term perspective;
- land held for undecided future use;
- building owned by the Bank or held in Bank's disposal under a finance lease contract (rental) and which leased out under one or several operating lease (rental) contracts;
- vacant building held to be leased out under one or several operating lease (rental) contracts.

If the Bank obtains ownership rights for land and buildings by means of exercising its pledgee rights, according to which the future use of the property is undecided, such assets are classified as investment property.

The main criterium for investment property recognition by the Bank is unprofitable activity of the branch situated in the Bank's premises during 2 years.

Following the analysis of the unprofitable activity of the branch during two years, the management of the Bank decides whether the branch should continue its operations or the building should be leased out.

The analysis of the branch activity and estimation of unprofitability rate are performed by the Department of branch network every month.

The property is not classified or accounted for as the investment property if the Bank received it on operative lease/rental or is subleasing it.

The same property unit may be divided into separate parts used for different purposes: one part – for rental income or capital appreciation, other part – for the Bank's activities or administrative use.

These parts are accounted for separately if they can be sold separately.

If these parts cannot be sold separately, this property is recognized to be an investment property under the condition that not more than 20% of its total area is used for the Bank's activity or for administrative use.

Equipment, which is an integral part of the investment property, is accounted for separately.

Transfer of property into the category of investment property, and from the category of investment property to other categories is made only in case of change in its functional use, evidenced by:

- commencement of owner-occupation (transfer from investment property to bank-occupied property);
- end of owner-occupation (transfer from bank-occupied property to investment property);
- end of construction or development (transfer from property in the course of construction/development to investment property).

During the initial recognition of the investment property the Bank measures and accounts for it at the initial value, which includes purchasing price and all expenditures directly related to its purchase.

After the initial recognition of the investment property the Bank remeasures it at fair value with acknowledgement of gains or losses in its fair value; depreciation and quality reduction are not recognized.

The Bank measures the investment property as of every next balance sheet date after the initial recognition.

The Bank stops to acknowledge the investment property in its balance sheet or after it is sold/leased out under financial lease/rental contract, or if no benefits projections from its use are expected any longer.

As of 31.12.2008 the Bank doesn't have any real estate objects, which can be classified as investment real estate.

Note 1.10. “Fixed assets”.

Account of operations, related to purchase, improvement, reassessment, retirement and inventory of fixed assets and intangible assets is carried out by the Bank on the basis of Guidelines on accounting of fixed assets and intangible assets of the Ukrainian banks, approved by the resolution of the NBU Management Board No. 480 dated 20.12.2005, with amendments and supplements; Guidelines on accounting of fixed assets and intangible assets of JSCB “PRAVEX-BANK”, approved by the order of the Head of the Bank’s Management Board No. 976, dated 29.12.2007, International standards and National provisions (standards) of accounting No. 7 “Fixed assets” and No. 8 “Intangible assets”.

The fixed assets include: land, buildings, structures, telecommunication equipment and devices, equipment, computer equipment, computing machinery and equipment, devices, furniture, vehicles, tools, inventory and other fixed assets and noncurrent assets with over 365 days of useful life period. Apart from that, the fixed assets, regardless of the value, include: arms, means of security-fire alarm system, internal telephone and computer networks, security systems (video surveillance), office furniture (except chairs), equipment, classified as computer equipment (scanners, printers), safes, uninterruptible power supply units, models of banking metals (gold, silver), tele-equipment and video equipment.

Initial cost of:

- fixed assets is increased by the amount of expenses, related to improvement of the object (modernization, modification, completion, re-equipment, reconstruction etc.);
- intangible assets is increased by the amount of expenses, related to improvement, which results in the increase of future economic profits.

Accounting of fixed assets, except vehicles, is carried out according to fair (reappraised) value.

The bank carries out reappraisal of the real estate fixed assets, classified as the Bank’s fixed assets, in case if its depreciated cost significantly differs from its fair value. In case of reappraisal of object, the reappraisal of value of all the objects in the group is carried out on the same date.

Reappraisal of the fixed assets group, which objects were reappraised during the previous periods, is carried out in future with such frequency, which wouldn’t cause significant difference between their depreciated cost and fair value at the date of balance.

Arrangement of assessment for correspondence of the fixed assets’ depreciated cost to the fair value is carried out in order to determine necessity of reappraisal implementation before preparation of the yearly report as of December 31 of the reporting year.

If necessary, the review and reassessment of the fixed assets value is carried out during year.

In order to determine the fair value of the fixed assets according to results of their reassessment, the amount of value added tax is not included to the market value.

As of 31.12.2008 in order to carry out reassessment of the fixed assets, an independent appraiser, Enterprise with foreign investments in the form of limited

liability company, Bureau Veritas Ukraine, was involved. After agreement with the auditors, the reassessment results are reflected in the accounting by yearly adjusting entries.

Account of expenses, related with improvement of the fixed assets and improvement of intangible assets, is carried out on the accounts of capital investments bookkeeping.

The useful life terms of fixed assets are established by permanently acting commission on determination and review of the validity period of the JSCB "PRAVEX-BANK" fixed assets and intangible assets as of 01.01.2008. The terms are formalized by the minutes, approved by the Head of JSCB "PRAVEX-BANK".

The terms of useful life of the fixed assets, approved by the Head of the Bank Management Board, as well as norms of monthly depreciation are established as follows:

Title	Useful life period, years	Monthly depreciation norm
Buildings, structures	75	0.11 %
diesel-, electro-, benzo- generators, electric power plants, switchboard rooms	10	0.83 %
telephone lines	10	0.83 %
Transformers	3	2.78 %
Mini-stations, telephone sets, mobile communication telephones, Terminals, modems, commutators, fax-modems, radio-stations, faxes and other communication facilities	7	1.19 %
cash desk equipment (banknote counters, currency validators, banknote packers etc.	6	1.39 %
Safes, metal cabinets	15	0.56 %
ATMs	10	0.83 %
Computing machinery (routers, computers, sets of local-computing networks, computer polygraphs, servers, voice gateways, cryptographic devices, uninterruptible power supply units with over 1,000VA, network equipment (adapters, streamers, accumulators, commutators, modules, disk systems, analyzers, boards, convectors, consoles, magnetic-optical devices, patch-panels etc.)	7	1.19 %
Print-servers, testers, laser printers, post-terminals,	6	1.39 %
uninterruptible power supply units up to 1,000VA inclusive, scanners, multifunctional devices	5	1.67 %
readers, embossers	4	2.08 %
Control-security equipment	10	0.83 %
Automatic fire-fighting systems	10	0.83 %
Contour grounding systems	10	0.83 %
Video surveillance systems	10	0.83 %
Room access control systems	10	0.83 %
Temperature systems of security and fire alarm systems	10	0.83 %
Centralized security systems "Dunay"	8	1.04 %
ATMs security systems	5	1.67 %
Fire alarm systems	10	0.83 %
Display lighting control systems	2	4.17 %
Conditioning and ventilation systems	7	1.19 %
ATMs heating systems	5	1.67 %

IP-audio-conference communication systems	6	1.39 %
Systems of safes blocking, radio-monitoring system, emergency lightning systems	10	0.83 %
Vehicles	10	0.83 %
Vehicles of "Mercedes" make	20	0.42 %
Office furniture (except chairs)	10	0.83 %
Electrical appliances (shredders, TV sets, video cassette recorders, conditioners, refrigerators, vacuum cleaners, coffee makers, coffee-machines etc.)	7	1.19 %
Electric tools	7	1.19 %
Rollers, louvers, containers, maintenance blocks	10	0.83 %
Metal shelves, bank handcart	15	0.56 %
Electric power supply quality analyzer	10	0.83 %
Car jack	10	0.83 %
Equipment for additional and casual works (trimmer, perforator, angle grinder etc.)	3	2.78 %
Other production and organizational stock	5	1.67%
Models of banking metals ingots (gold, silver)	10	0.83 %
Promotional products (letters, logotypes, light-boxes, panels, signboards), showcases	5	1.67 %
Device for movement of safes	10	0.83 %
Improvement of rented premises	During term of lease (according to contract)	

Term of fixed assets useful life doesn't change during execution of improvement (modernization, modification, completion, reequipment, reconstruction) if undepreciated part is available.

Depreciation of fixed assets is carried out with application of straight-line method.

Value of all noncurrent assets is subject to depreciation (except value of land and incomplete capital investments).

Depreciation is not accrued, if book value of noncurrent assets is equal to their liquidation value.

Depreciation is not accrued on the fixed assets objects, which are antiques.

Depreciation of noncurrent assets doesn't stop during the period of their reconstruction, modernization, completion, reequipment and conservation.

Accounting of depreciation stops on one of the two dates, which comes earlier:

- the date of change of the assets category to the noncurrent assets, kept for selling;
- the date of the assets recognition termination.

Depreciation for noncurrent assets, kept for selling, is not accrued.

Expenses on maintenance of the fixed assets and intangible assets object (capital, current repairs) are reflected by accounts of 7th class of Plan on accounts of Ukrainian banks bookkeeping, approved by the resolution of the Management Board of the National Bank of Ukraine No. 280 dated 17.06.2004, on the basis of acts of rendered services, signed by the Bank's Management.

Replace of car tires and accumulator batteries is not a maintenance and improvement, and therefore it is attributed for expenses (account 7420 “Expenses for maintenance of own fixed assets and intangible assets”).

Expenses for reconstruction of premises are attributed for increase of their value and are subject to depreciation.

Expenses on improvement of fixed assets and improvement of intangible assets – by account of 4th class of Plan on accounts of Ukrainian banks bookkeeping, approved by the resolution of the Management Board of the National Bank of Ukraine No. 280 dated 17.06.2004, on the basis of acts of rendered services, signed by the Bank’s Management.

Objects of fixed assets are excluded from assets (charged off balance) in case of their retirement: selling, write-off, their free-of-charge transfer, detected shortage.

During charging off from the balance the fixed assets, which were excluded due to accidents, the following is provided additionally to the certificate of unserviceability: copy of act of accident, reasons of the accident, and the measures taken for the guilty persons.

Certificates of the fixed assets unserviceability, made by constantly acting commission, are approved by the manager (or his/her deputy) of the Bank.

Note 1.11. Intangible assets.

The Bank’s intangible assets include: licenses for use of programs, purchased software, right of rental of premises, trademarks for goods, services etc.

Purchased intangible assets are accounted by initial value (historical/actual cost price), which is composed of actual expenses for purchase and bringing them to the condition, appropriate for usage.

Further accounting of intangible assets is carried out by the initial cost (cost price) with account of the accrued depreciation and charged damages from decrease of usefulness;

Change of initial cost is allowed only in cases if expenses are carried out for improvement of intangible assets, which results in the increasing of future economic profits.

During accrual of depreciation the straight-line method is applied. The Bank didn’t change the method of depreciation during 2008.

The useful life terms of software, licenses for the right to use software, are established by the specialists of the Head Office IT Department and approved by the Bank’s management.

The useful life terms of intangible assets and norms of monthly depreciation are determined on the main categories of intangible assets in the following way:

Name of intangible assets	Terms (months)	Norm, %
Software and software packages	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%
Sign for goods and services	60	1.67%
Right for lease	179	0.56%
Rights for usage of software packages	26	3.85%

Accrual of depreciation is carried out monthly by the norms, calculated in compliance with the terms of useful life, established on each intangible asset.

Terms of useful life and depreciation norms haven't been revised.

Reassessment of intangible assets hasn't been carried out.

Note 1.12. Operating leasing (lease)

During execution of leasing operations JSCB "PRAVEX-BANK" is guided with the current Ukrainian legislation.

Transfer of leasing object is carried out within the terms and under the conditions, determined by the leasing agreement, concluded in compliance with the acting Ukrainian legislation. Apart from that, the schedule of leasing payments is obligatory provided in the agreement.

The depreciation term of the cost of the operating leasing object improvement is equal to the period, which begins with the month, following the month of improvement completion, and ends with the last month of leasing contract validity term. Account of obligations on operating leasing contracts is carried out on off-balance accounts 9819.

The leasing objects are the fixed assets, which ensure the Bank's activities.

Note 1.13. "Financial leasing" (lease).

Execution of financial leasing operations is carried out under the conditions, indicated by the financial leasing contracts. Conclusion of agreements is carried out in compliance with the Law of Ukraine "On financial leasing".

Financial leasing agreements weren't concluded during 2008.

Note 1.14. "Long-term assets intended for selling and assets of the retirement group".

As of 31.12.2008 the Bank doesn't keep any assets intended for sale.

Note 1.15. "Withdrawn activities".

The bank didn't consider the issues concerning withdrawal of certain types of activities during 2008. Withdrawal of activities of separate subdivisions wasn't carried out.

Note 1.16 "Derivative financial instruments"

As of December 31, 2008, as well as during the year, the derivative agreements weren't concluded, hedging of operations wasn't carried out. The accounting policy on these operations wasn't developed.

Note 1.17 "Income tax"

According to article 10 of the Law of Ukraine “On taxation of the enterprises’ profits”, the rate of income tax in 2008 amounts to 25%.

Due to the fact, that determination of amounts of income tax is carried out with observance of the Ukrainian tax legislation, and accounting reflects the Bank’s financial condition and activities results regardless of the rules and requirements of tax legislation with observance of MSFO and National Standards (Provisions) of Accounting (NS(P)A) requirements, there have appeared the differences between profit, gained on the data of taxation accounting and the profit, gained on the data of financial accounting.

Methodology of reflection of constant and temporary differences, which appear between the items in tax and financial accounting is based on the requirements of the accounting Provision (standard) No. 17 “Income tax”, “Guidelines on the procedure of reflecting the current and deferred tax obligations and tax assets in the accounting by the Ukrainian banks”, approved by the Resolution of the NBU Management Board No. 121 dated 19.03.2003 and internal Provision on deferred income tax, approved by the Order No. 79-A dated 30.01.2007.

In compliance with provisions of JSCB “PRAVEX-BANK” Accounting policy for 2008, the accounting of deferred tax liabilities and assets is carried out on the basis of determination of constant and temporary differences between profits (expenses) in financial and tax accounting and it is reflected in brief form in the Head Bank balance once per year.

For calculation of deferred income tax for 2008, such temporary differences, which will influence on calculation of income, subject to taxation in the following reporting periods, have been determined:

1. temporary tax differences in 2008 (except reassessment of fixed assets and provisions under unused vacations), which are subject to taxation in the following tax periods, amount to UAH 9,362 thousand, deferred tax liabilities (DTL) amount to UAH 2,341 thousand, (25% of the amount of UAH 9,362 thousand) including :

a) temporary difference of depreciations between financial and tax accounting is determined in the amount of UAH 5,484 thousand,, DTL amount to 1,371 thousand, (UAH 5,484 thousand, x 25%);

b) temporary difference from increase of total expenses for amount of expenses, classified in tax accounting as the part of total expenses on first event (advance payment for goods, services or actual provision of services), - in the amount of UAH 15,235 thousand, DTO amount to UAH 3,809 thousand, (15,235 thousand, x 25%).

c) temporary difference which resulted in decrease of recognized deferred tax liabilities in previous year for an amount of gross costs (advance payment for goods, services or actual services provision), recognized on first event in previous year in the amount of UAH 13 271 thousand, which makes the deferred tax liabilities for an amount of UAH 3 318 thousand (UAH 13 271 thousand X 25%);

d) temporary difference – accrued interests on bonds of own issue for the current period and not paid because of maturity term failure condition set out by issue prospectus in the amount of UAH 1 914 thousand, the deferred tax liabilities makes up 479 thousand (UAH 1 914 thousand, x 25%);

2. In 2008 the temporary tax assets which are subject to deduction from taxation for future periods on tax accounting makes up UAH 14 274 thousand, deferred tax assets makes up UAH 3 569 thousand (25% from the amount of UAH 14 274 thousand), namely:

a) temporary difference on established insurance provisions under doubtful indebtedness on interests arrears on credits is stated at the amount of UAH 54 355 thousand, the deferred tax assets makes up UAH 13 589 thousand (UAH 54 355 thousand x 25%);

b) temporary difference which resulted in the decreased deterred tax assts accrued for the previous year established insurance provisions under doubtful indebtedness on interests arrears on credits for the amount UAH 40 041 thousand, deferred tax assets makes up UAH 10 010 thousand (UAH 40 041 thousand x 25%).

c) temporary difference on income obtained in advance in the accounting period which are attributed to deferred incomes, is stated at the amount of UAH 40 thousand; deferred tax assets makes up UAH 10 thousand (UAH 40 thousand x 25%);

3. In 2008 the temporary differences from revaluation (additional assessment and discount) of fixed assets makes up UAH 57 808 thousand including:

- at the expense of equity capital – UAH 62 331 thousand.

- at the expense of costs – UAH 4 252 thousand.

Deferred tax liabilities accrued on results of reassessment makes up UAH 14 520 thousand including:

- Deferred tax liabilities (increase) accrued at the expense of equity capital makes up UAH 15 583 thousand (UAH 62 331 thousand x 25%).

- Deferred tax liabilities (decrease) accrued at the expense of costs makes up UAH 1 063 thousand (UAH 4 252 thousand x 25%).

In 2008 was performed the decrease of previously recognized deferred tax liabilities for the amount of revaluation of fixed assets, recognized in 2008 at the amount of UAH 364 thousand (UAH 1 455 thousand x 25%).

4. On results of external audit were added expenses for establishment of insurance provisions under irregular indebtedness at the amount of UAH 8 811 thousand (UAH 8 811 thousand x 25%), which resulted into decrease of current income tax stated at the amount of UAH 2 203 thousand on the date of accounting statements submission (as of 09/02/2008).

5. In 2008 temporary differences on created provisions under unused vacation days of employees makes up UAH 37 777 thousand, including:

- at the expense of vacation payment - UAH 31 013 thousand.

- at the expense of Bank's obligations with regard to fees on mandatory state pension and social insurance– UAH 6 764 thousand.

Deferred tax assets makes up UAH 9 444 thousand (25% from the amount of UAH 37 777 thousand).

Current and deferred taxes on incomes are stated as costs or incomes in statement on financial results, except the income tax which was accrued as a result of additional assessment of assets to fair value, which according to regulations (standards) of accounting are stated by increase of equity capital.

In accordance with the requirements of “Regulations on formation of adjusted postings performed by the banks of Ukraine”, approved by the Resolution of the Management Board of the NBU as of 09/10/2001 No. 427 (with amendments and supplements), performed annual adjusted postings with regard to:

- current tax on income for December 2008 - in the amount of UAH 6 993 thousand.
- for the amount of decreased of current tax on income stated as a result after external audit performance - UAH 2 203 thousand.
- deferred tax on income in the amount of UAH 1 228 thousand.
- deferred tax on results of reassessment of fixed assets in total amount of UAH 14 520 thousand.
- deterred tax for created provisions under unused vacations – UAH 9 444 thousand.

In such a way, costs on income tax (current and deferred) in 2008 makes up UAH 4 188 thousand.

In 2008 the Bank did not have unused tax allowances related to failure to state the deferred tax assets.

In 2008 the Bank did not perform investments to subsidiaries and associated companies.

In such a way, there were no temporary differences related to financial investments to subsidiaries and associated companies.

Amounts of costs (income) on income tax related to income (loss) from activity which is suspended are missing.

Note 1.18. Treasury shares of the Bank bought out from shareholders.

The Bank is entitled to buy out shares from shareholders for further resale or annulment. Decision to buy out the treasury shares from shareholders is taken by general meetings of Bank’s shareholders.

Shares’ buying out is performed on base of purchase-sale agreement. While shares buying out performance by the Bank from an individual with a rate premium, individuals are subjects to tax deduction, this tax is transferred to state tax budget on individuals’ incomes according to current legislation of Ukraine.

Redeemed shares must be sold or annulated throughout one year. Within this period profit distribution, the voting and quorum on general meeting of shareholders are held without accounting of redeemed by the Bank treasury shares. Accounting of own shares which were bought out from shareholders is performed at the balance account 5002 on par value. While selling of redeemed by the Bank treasury shares not at par value the difference between the par value and the cost of shares sale is defined as profit or loss of the Bank and is stated at the account “Issue differences”.

Dividends payments for ordinary registered and priority registered shares is performed by the Bank if there is a profit on activity results of previous year after approval of the decision taken by general meeting of shareholders.

Treasury shares’ buying out was not performed throughout the 2008.

Note 1.19 «Incomes and costs»

Accounting of incomes and costs is based on the method of accounting, that is to say that they are stated on the period to which they are attributed. Principles of accrual and conformity are applied within the reasoning of prudence. While recognizing incomes (costs) for the accounting period, the Bank must be sure to obtain these incomes and can define their precise amount.

Accounting of incomes and costs is performed by accumulating calculation from the beginning of the year. Balances on income and costs accounts are closed by the end of the year.

Accounting of incomes and costs is performed according to Rules of accounting of incomes and costs of the banks of Ukraine, approved by Resolution of the Management Board of the NBU as of 18/06/2003 No. 255, (with amendments and supplements).

Amendments to costs or incomes of previous period are made by means of adjustment postings holding.

Accounting of incomes and costs in foreign exchange and banking metals is made by means of transferring in currency of Ukraine at the rate of the National Bank of Ukraine on the date of operation performance, on which are obtained incomes or incurred costs. In case of incomes or costs accrual in foreign exchange the accounting is performed at the rate on the date of accrual performance.

If the data of commissions, interests incomes and costs accrual, as well the date of these funds receipt coincide, then incomes receipt/costs accomplishment (accrual) can be recognized by cash method.

All incomes and costs on banking services are performed in JSCB “PRAVEX-BANK” system according to approved rates of the Bank. Accrued incomes on active operations of the Bank are considered doubtful to receipt, if the payment on principal amount of the overdue debt are expired with 180 days or interests on this debt are expired with 60 days.

Income related to services provision is recognized depending on the level of service completion on the balance date and in case of possibility to give a fair assessment of result of this operation.

Assessment reliability of income is stated in the Agreement on service provision which provides for cost of services and the procedure of settlements. Income on services, which according to terms of agreement can be provided throughout several accounting period, is recognized depending on the level of completion of operation on service provision.

In case of service provision in indeterminate number of actions (operations) for a definite period of time the income is recognized by mean of its regular accrual for this period.

If the income on service provision can not be recognized certainly, then such income is recognized and stated in the accounting in the amount of incurred (definite) costs which are due to reimbursement.

Interests' income and costs are calculated proportionally to the time and the amount of assets (liabilities) with application of effective interest rate. Interests accrual on financial instruments is performed on nominal interest rate which is

provided for by terms of agreements (issue), and stated at the accounts of accounting of accrued incomes and accrued costs for classes 1, 2, 3 of the Plan of accounts for accounting of the banks of Ukraine, approved by Resolution of the Management Board of the National Bank of Ukraine as of 17/06/2004 No. 280.

Any differences occurring in the amount of recognized at the effective interest rate incomes (costs) and accrued on nominal interest rate incomes (costs), on financial instruments, purchased (granted, obtained) on nominal value (without discount or premium), are recognized at accounts on accounting of unamortized discount (premiums) in accordance with accounts on accounting of interests income (costs).

Effective interest rate can be not applied to financial instrument with term of use up to one year, and also, if the level of deviation of effective interest rate from nominal interest rate is insignificant, i.e. not exceeding 0,25 interests points per months, is stated in the accounting with calculation of nominal interest rate.

While credit repayment by the client also can be paid (it depends on credit agreement terms) a payment for cash and settlement servicing – while crediting for purchase and under property mortgage and cars, and also while consumer crediting which are related to accounts on commission income accounting.

If the discount (premiums) including commissions, which makes part of financial instrument cost, is insignificant, that means less than 1% from the amount of nominal value, then it is attributed to interests income (costs) while recognition of such instrument.

Following methods were applied while calculation of interests in order to establish the number of days:

- for credits in local currency – "fact/fact" method. Actual number of days per months and per year;
- for credits issued in hard foreign exchange - "fact/360" method;
- in case of other interests incomes and equivalent to them commissions – "fact/fact" method or the method according to conditions provided for terms or provided for by internal regulatory documents.

Attraction of funds to deposit was performed at interest rate that was defined by deposit agreements. Interests on deposits are calculated according "fact/fact" method.

Accounting of interests on deposits was performed on the principle of accrual and conformity. For accounting of accrued interests were used related accounts "Accrued costs", where were accumulated the accrued interests till the day of maturity.

At the expense of costs are formed provisions under possible costs on active operations and accrued incomes. Provisions under unused vacations are not formed.

Note 1.20. Foreign exchange.

In "Report on financial results" the incomes and costs on operations with foreign exchange and banking metals are recognized in UAH equivalent at official rate of foreign exchange and banking metals at the date of statement in the accounting.

In the report “Balance” the assets and liabilities in foreign exchange and banking metals are recognized at official rate established by the NBU as of 31/12/2008, namely:

per 1 USD – UAH 7,700000;
 per 1 EUR – UAH 10,855460;
 per 10 RUR – UAH 2,06208;
 etc.

Reassessment of all foreign exchange balance accounts is performed at each change of rate operated by the NBU through the analytical account “Rate exchange difference at reassessment of foreign exchange” of balance account 6204 “Results on foreign exchange and banking metals trade”.

Results on operations with foreign exchange are recognized at balance account 6204 “Results on foreign exchange and banking metals trade”. The realized financial result on operations on foreign exchange purchase-sale is equal to the difference of actual cost of foreign exchange sale and cost of this foreign exchange, calculated at average-weighted purchase rate.

The average-weighted rate method is applied to operations of foreign exchange purchase-sale for individuals through the foreign exchange offices and Bank’s cash offices in order to calculate the realized result. In this case the calculation period is considered the operating day.

Purchase-sale operations of one foreign exchange against other foreign exchange (conversion) with the “spot” date of valuation are recognized in the accounting on the day of their conclusion, regardless on the date of funds flow at accounts, as off-balance operations. Such operations are considered as liabilities and requirements on concluded but not executed agreements on purchase-sale of foreign exchange and other financial instruments and are recognized in the accounting according to the system of double entry within financial instrument (account 9920 “Off-balance bank’s position on foreign exchange and banking metals). Results on reassessment of operations with foreign exchange at “spot” terms since July 2008 were recognized in the balance at accounts 6204 “Results on foreign exchange and banking metals trade” in accordance with accounts 3811 “Reassessment of other financial instruments, which are accounted at off-balance accounts”.

Following accounts are maintained in analytical account within foreign exchange:

realized result on foreign exchange trade;
 unrealized financial results on foreign exchange trade;
 unrealized result on reassessment.

Note 1.21. “Mutual offset of assets and liabilities items”

The Bank separately recognizes assets and liabilities in accordance with concluded agreements, other source documents. Throughout the 2006 there were concluded agreements with the banks on interbank crediting and foreign exchange purchase-sale on which was performed mutual assets and liabilities off-set.

General agreements on procedure of holding of interbank operations, concluded with the banks counterparties provide for holding of such type of operations.

Note 1.22. Segments accounting.

Segment must be recognized separately if major part of its income originates from banking activity not related to the segment and at the same time indicators of its activity correspond to one of following criteria:

segment income makes 10 % or even more from total income (including banking activity within the segment);

its financial result (income or loss) makes not less than 10 % of major from two absolute quantities – total profit amount or total loss amount of all segments;

assets make 10 % or more of total assets;

external income of all specified reporting segments must make not less than 75 % of bank's total profit amount or consolidated group. If the aggregated income of specified reporting segments is less of such level then a specification of additional segments is made in order to reach the established level of profit, even if such additional segments will not correspond to above mentioned criteria (10 % threshold).

If segments indicators specified in the internal accounting do not correspond to above mentioned criteria then the segment can be recognized as a reporting one if it is an important segment for the bank generally and the information on this segment is substantial.

Incomes of a reporting segment are considered the income which is directly related to the segment, and relevant part of bank's income, which can be attributed to the segment of external activity or operations within other segments within one bank.

Costs of reporting segment can be considered costs related to main segment activity which is directly attributed to the segment, and relevant part of costs which can be attributed in sustainable way to the segment, including the costs on external activity and costs related with operations on other segments within one bank. Segment costs are not including costs for income tax payment or general administrative costs, costs of the Head office and other costs emerging at bank's level and are related to the bank generally.

No amendments in the accounting policy on segments were operated throughout the 2008. In order to ensure the reliability of information the data on 2007 were recalculated taking in consideration the reporting segments specified in the accounting as of December 31, 2008 (as by the end of the day):

- * services to corporate clients;
- * services to individuals;
- * operations on interbank market;
- * other operations.

Note 1.23. “Effect of amendments to the accounting policy and correction of substantial errors”.

There is a perspective method in application within the Bank with regard to amendments to accounting policy. Perspective application means that the new accounting policy extends to all events and operations which take place after the date of accounting policy amendment, but there are no other corrections operated with regard to previous periods.

Accounting policy can be amended only at request of regulatory bodies, due to legal reasons or in cases when amendments will result into more adequate events or operations representation in Bank's financial statements. It is not allowed to bring in amendments to the accounting policy throughout the year (except the cases of essential changes in legal and regulatory documents of the National Bank of Ukraine).

Following is not considered a change to Bank's accounting policy:
adoption of the accounting policy to operations or events which substantially differ from previous events or operations;
adoption of new accounting policy to events and operations which did not previously occur or are not substantial.

Adjusting entries, which were carried out in the Bank during 2008, didn't concern correction of errors, made during the previous periods.

Adjusting entries are carried out in compliance with “Provision on formation of adjusting entries, carried out by the Ukrainian banks”, approved by the NBU Management Board Resolution No. 427, dated 09.10.01 (amended and supplemented). Adjusting entries were carried out during the year and executed after the reporting month during the first days of the following month and reflected in the Bank's balances by the current date (at the day of actual execution of accounting transaction).

In order to submit reliable financial reporting and compliance with the requirements of “Provision on formation of adjusting entries, carried out by the Ukrainian banks”, approved by the NBU Management Board Resolution No. 427, dated 09.10.2001 (amended and supplemented), the yearly adjusting entries concerning the following issues have been executed:

1. Reappraisal of fixed assets. Reappraisal of fixed assets was carried out on the basis of independent expert's reports, who has previously reconciled with auditors.

All real estate objects were subject to reappraisal. Final appraisal and reduced assessment of the fixed assets value was carried out on certain objects. Total amount of the fixed assets final appraisal, which is reflected on own capital accounts totaled UAH 61,807.7 thousand. Reduced assessment, reflected at the expense of expenditures, amounts to UAH 4,295.4 thousand.

2. Reduction of the scope of provisions for credit risks on standard indebtedness and additional formation of provisions for non-standard indebtedness were carried out

3. Formation of vacations payment securing for the Bank employees was carried out and liabilities concerning dues for obligatory state pension and social insurance were formed

3. Due to the necessity to carry out the above indicated adjustments, the amounts of deferred and current income tax were recalculated and necessary accounting transactions were carried out.

There were no changes in accounting policy, which would cause the necessity of changes in financial reporting, during 2008.

N.B. Zubrytska
Chairwoman of the Management Board of
JSCB "PRAVEX-BANK"

O.Y. Kybets
Chief Accountant of
JSCB "PRAVEX-BANK"

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**Note 2. Economic environment, in conditions of which the Bank
performs its activity
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

For 2008, the increase of GDP constituted 2.1% (in 2007 – 7.9%) the index of industrial production constituted -3.1% (in 2007 – 10.2%). Decrease of industrial production in 4th quarter of 2008: -24.8%. Consumer price index constituted 22.3% (in 2007 – 16.6%). Gross currency provision of the National Bank of Ukraine as of the end of December 2008 constituted 31.54 billion of US dollars (during the year the decrease constituted 0.92 billion of US dollars). According to the data of NBU in Ukraine, as of 1st of January 2009 184 banks had a license for banking operations performance. 13 banks are being in the liquidation stage (10 – according to the decision of NBU, 3 according to the court's decision). Branch network of banks of Ukraine consists of 1,314 acting branches. As of 1st of January 2009, the amount of assets of banking system constituted 927.2 billion of hryvnia, the increase from the beginning of the year constituted 54.97%. In general, it happened for the account of volume of credit operations increase, the share of which constitutes 81.5% of all assets. During 2008, the liabilities of the banks increased on 52.5% and as of 01.01.2009 constituted UAH 805.8 billion. At that, the increase of clients' funds constituted UAH 66.0 billion or 22.7%.

Equity capital of banking system of Ukraine increased on UAH 51.5 billion or 73.7% and as of 01.01.2009 constituted UAH 121.4 billion. It is necessary to admit, that this increase took place, in general for the account of increase of authorized capital volume on UAH 42.9 billion (on 92.1%). Credit rates of the banks in national currency increased from 14.4% to 21.6% annually. For the same period, the volume of credits, provided to the subjects of economy increased on 69.7%, and individuals on 75.9%.

The level of unemployment: 3% of population of active working age (according to the methodology of International Labor Organization – 6%)

The quantity of unemployed for December 2008 increased on 32% and constituted 844 thousand of persons.

Average salary in December 2008: UAH 2001.00

Official rate US dollar/UAH as of 31.12.2008: UAH 7.7 (from the beginning of the year + 52.5%)

In connection with world financial crisis, the Ukrainian banks appeared to be in distressed situation. For the first sight, the world crisis looks like irresistible external circumstances outside the impact of the banks, though, the panic of clients is the destructive factor, which seriously impairs the situation.

PRAVEX-BANK has a status of savings bank and is specialized in the retail segment of banking services. Since the clients of the Bank are, mostly, individuals, then the most influential elements of the macro environment are those, which significantly influence the financial condition of individuals. Among them:

1. Significant fluctuation of the currency exchange rate to US dollar and Euro proportionally influences the ability of the Bank's clients to perform their liabilities

under the currency credits, impair the quality of the credit portfolio and also changes the structure of the deposit portfolio in favor of currency deposits.

2. Since the Bank does not have big industrial companies as clients, then the decrease of indicators of their activity does not influence the Bank's indicators directly. However, the decrease of industrial production, as well as decrease of business activity in trade, real estate field, and services influence negatively the solvency as of the corporate clients of small and medium business, so of the individual clients through the decrease of income, loss of the working places, etc.

3. Negative inflation processes influence the increase of value of funds raising, as well as change the structure of the payments of the population in side of savings decrease and increase of expenses for the vital needs.

4. In conditions of limitation of the access to the external markets of capital, the appreciable campaign for resources in the internal market is performed, the volume of which is significantly minor, which leads to the increase of value of deposits increase and raising the funds on demand.

In a result, the market of credit resources survives stagnation because of high interest rates, limited volumes of crediting, and also significant decrease of credit risks.

The factors of psychological character have negative influence on bank's activity:

1. Distrust of population to the banking system leads to the funds outflow beyond the scope of banking system to the cash market.

2. Mutual distrust of banking institutions significantly limits the activity of interbank market: the decrease of quantity of active contractors, significant periodic rise in price of interbank borrowings and rise of the flow of negative information regarding the banking institutions as means of competitor's fight.

3. In conditions of limited access to the long-term resources, the re-distribution of the maturity of deposits in favor of short-term from 1 to 3 months takes place.

During last two months of 2008, the market of individuals' deposits demonstrates stability with fixing the tendency of rising interest rates. The special offers with risen rates are provided for individuals and legal entities both.

With the purpose of minimizing the impact of world financial crisis, the Bank started the elaboration of policy regarding the credit restructuring. When elaborating this policy, the Bank takes in general the work with debtors on the individual basis. Also, Bank completes the elaboration of policy and approach for mortgage credits restructuring for the debtors in connection with crisis worsening. The restructuring of debts of the borrowers is offered, who lost their work or have objective confirmed reasons of fixed income loss. The possibility of postponement of the general payments on mortgages for 24 months is considered in case of documents availability, that confirm the loss of fixed income (to avoid the possibility of fraud).

On other credit programs, it is also planned to elaborate similar policies regarding credits restructuring. According to such approach, the debtors have to pay minimal payments during the period of postponement.

Bank revised credit products and stopped the most risky ones – consumer loans and card crediting. In future Bank has an intention to stay a retail bank, but to

propose less risky products. During the crisis period it is planned to limit crediting, focusing on income receipt from performing the payments transfers from the population. The Management of the Bank also expects increase of provision rate on credits in connection with rise of unemployment and its negative impact on the solvency of borrower.

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**Note 3. Transition to the new and revised standards and comment, which provide the context in which the standards shall be read as of 31st of December 2008 (as of the end of the day)
JSCB “PRAVEX-BANK”**

Starting from 1st of January 1998, JSCB “PRAVEX-BANK” according to the requirements of regulatory documents of National Bank of Ukraine, started the gradual installment of the principles of International Financial Reporting Standards (further IFRS) for accounting maintenance and financial statements preparation.

Explosive development of financial field needs coordinated, disclosed information, that is why the important thing is usage of IFRS in whole volume. The gradual transition to the international standards of accounting and statements in accordance to the standards of NBU gave the opportunity to the users to receive the reliable information regarding their activity. With that, the process of implementation of IFRS is not completed, because it needs the changes in many informational systems, which, in its turn dictate the necessity of amendments to the whole chain of regulatory acts of NBU and legislation of Ukraine. The banking sphere is quite strictly regulated, and the regulatory system, regulatory requirements, which in general are based on the accounting data, are very sensitive to the changes of Regulations of accounting.

Recent years, the work in JSCB “PRAVEX-BANK” in sphere of accounting was directed to review of internal regulatory documents according to the requirements of IFRS and regulatory documents of NBU.

Thus, the accounting and financial statements preparation in JSCB “PRAVEX-BANK” are based first and foremost, on the regulations of IFRS accounting the national legislation, regulatory requirements of NBU and specifics of the development of economy of Ukraine.

Accounting the abovementioned, during 2008 JSCB “PRAVEX-BANK” did not perform significant amendments in accounting policy in connection with transition to the IFRS in accounting. Recalculation of items of financial statements of the previous periods in connection with accounting transition to the IFRS was not performed in connection with absence of such necessity.

Management did not perform the assessment of impact of installment of new or revised standards and comment on financial condition of JSCB “PRAVEX-BANK” as of 31st of December 2008 and 31st of December 2007 and on the results of its activity for 2008 financial year and 2007 financial year.

The final transition to the IFRS will be completed by the JSCB “PRAVEX-BANK” according to the requirements of the regulatory acts of the National Bank of Ukraine.

**Note 4. Monetary funds and their equivalents
as of December 31, 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 4.1. "Monetary funds and their equivalents"

(UAH, thousands)

Line	Item description	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Cash resources	357 299	319 976
2	Funds with the National Bank of Ukraine (except for the required reserves)	0	17 679
3	Funds of bank's required reserves with the National Bank of Ukraine	94 399	92 544
4	Correspondent accounts and "overnight" deposits with banks of:	316 035	520 022
4.1	Ukraine	2 215	426 305
4.2	Other countries	313 820	93 717
5	Deposits with other banks with maturity date till three months	10 787	0
6	REPO agreements ("reverse repo") with other banks with maturity date to three months	0	0
7	Total for monetary funds and their equivalents	778 520	950 221

Securities as collateral and for repo operations as of the end of the day December 31, 2008 were not used.

Bank does not hold securities that can be sold or pledged again.

Account balance 1200 "Correspondent account with the National Bank of Ukraine" as of December 31, 2008 made up UAH 94 350 thous. The whole remaining amount is included into required reserves formed at the correspondent account in the NBU and reflected in item "Funds of required reserves with the National Bank of Ukraine" note 4.

7. Funds in other banks
as of 31 December 2008 (as of the day-end)
JSCB "PRAVEX-BANK" Kyiv

Table 7.1. Funds in other banks

(UAH, thousand)

№	Item description	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Deposits in other banks:	778	5 622
1.1	Short-term deposits with maturity term not exceeding 3 months	0	0
1.2	Long-term deposits	778	5 622
2	Purchase and repurchase agreements ("reverse repo") with other banks, the maturity term of which is exceeding 3 months	0	0
3	Loans, granted to other banks:	50 755	564 163
3.1	Short-term	50 755	564 163
3.2	Long-term	0	0
4	Provision for funds depreciation in other banks	(1 832)	(918)
5	Total funds in banks net of provisions	49 701	568 867

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7. Funds in other banks
as of 31 December 2008 (as of the day-end)
JSCB "PRAVEX-BANK" Kyiv

Table 7.2. Analysis of credit quality of funds in other banks for 2008

(UAH, thousand)

Line	Item description	Deposits	Purchase and repurchase agreements	Loans	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Current and nondepreciated:	778	0	50 484	51 262
1.1	In top 20 banks	0	0	0	0
1.2	In other Ukrainian banks	0	0	50 484	50 484
1.3	In top banks of OECD countries	778	0	0	778
1.4	In other banks of OECD countries	0	0	0	0
1.5	In other banks	0	0	0	0
Or alternative disclosure of information concerning funds in other banks with ratings*:					
1.1	with AAA rating	0	0	0	0
1.2	wirth AA- to AA+ rating	778	0	0	778
1.3	with A- to A+ rating	0	0	0	0
1.4	with lower than A- rating	0	0	11 936	11 936
1.5	Those, who don't have rating	0	0	38 548	38 548
2	Funds in banks, terms and conditions of which were reconsidered in reporting year	0	0	0	0
3	Total current and nondepreciated loans	778	0	50 484	51 262
4	Depreciated funds, been evaluated on individual basis:	0	0	271	271
4.1	with up to 31 days delay in payment	0	0	0	0
4.2	with 32 to 92 days delay in payment	0	0	0	0
4.3	with 93 to 183 days delay in payment	0	0	0	0

		65			
4.4	with 184 to 365 (366) days delay in payment	0	0	0	0
4.5	with more than 366 (367) days delay in payment	0	0	271	271
5	Other funds in other banks	0	0	0	0
6	Provision for depreciation of funds in other banks	(8)	0	(1 824)	(1 832)
7	Total funds in other banks net of provisions	770	0	48 931	49 701

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7. Funds in other banks
as of 31 December 2008 (as of the day-end)
JSCB "PRAVEX-BANK" Kyiv

Table 7.3. Analysis of credit quality of funds in other banks for 2007

(UAH, thousand)

Line	Item description	Deposits	Purchase and repurchase agreements	Loans	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Current and nondepreciated:	5 622	0	563 904	569 526
1.1	In top 20 banks	0	0	432 584	432 584
1.2	In other Ukrainian banks	0	0	131 320	131 320
1.3	In top banks of OECD countries	5 622	0	0	5 622
1.4	In other banks of OECD countries	0	0	0	0
1.5	In other banks	0	0	0	0
Or alternative disclosure of information concerning funds in other banks with ratings*:					
1.1	with AAA rating	0	0	0	0
1.2	wirth AA- to AA+ rating	5 622	0	0	5 622
1.3	with A- to A+ rating	0	0	0	0
1.4	with lower than A- rating	0	0	427 142	427 142
1.5	Those, who don't have rating	0	0	136 762	136 762
2	Funds in banks, terms and conditions of which were reconsidered in reporting year	0	0	0	0
3	Total current and nondepreciated loans	5 622	0	563 904	569 526
4	Depreciated funds, been evaluated on individual basis:	0	0	259	259
4.1	with up to 31 days delay in payment	0	0	0	0
4.2	with 32 to 92 days delay in payment	0	0	0	0
4.3	with 93 to 183 days delay in payment	0	0	0	0
4.4	with 184 to 365 (366) days delay in payment	0	0	0	0
4.5	with more than 366 (367) days delay in payment	0	0	259	259

		67			
5	Other funds in other banks	0	0	0	0
6	Provision for depreciation of funds in other banks	(56)	0	(862)	(918)
7	Total funds in other banks net of provisions	5 566	0	563 301	568 867

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**7. Funds in other banks
as of 31 December 2008 (as of the day-end)
JSCB "PRAVEX-BANK" Kyiv**

Table 7.4. „Analysis of change in reserve for depreciation of funds in other banks”

(UAH, thousand)					
Line	Reserves flow	2008		2007	
		funds in other banks	reverse repo agreements	funds in other banks	reverse repo agreements
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Provision for depreciation as of 1 January	(918)	0	(667)	0
2	(Increase)/decrease in reserve for depreciation during a year	(914)	0	(251)	0
3	Bad debts writing off	0	0	0	0
4	Transfer to retirement group assets	0	0	0	0
5	Subsidiaries retirement	0	0	0	0
6	Provision for depreciation as of 31 December (as of the day-end)	(1 832)	0	(918)	0

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Note 8.Loans and clients' arrears
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 8.1. Loans and clients' arrears

(UAH, thousand)

Line	Item description	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Loans issued to the public authorities and local governments	0	0
2	Loans to legal entities	295 588	627 328
3	Loans issued for the repo operations	0	0
4	Loans to the individuals - entrepreneurs	2 718	4 249
5	Mortgage to the individuals	1 231 598	884 662
6	Consumer loans to the individuals	4 660 442	2 399 116
7	Other loans to the individuals	12 127	166 932
8	Provision for loans' devaluation	(451 756)	(218 590)
9	Total loans with the minus of provisions	5 750 717	3 863 697

Securities as collateral and for the repo operations as of the end of the day December 31, 2008 weren't used

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**Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 8.2. Analysis of the change of provisions under arrears for the loans for 2008

(UAH, thousand)

Line	Movement of provisions	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to the individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Residual as of January 1, 2008	0	(35 460)	0	(52)	(10 072)	(171 371)	(1 635)	(218 590)
2	(Increase)/decrease of the provision under depreciation during the year	0	11 829	0	(58)	(40 662)	(206 612)	1 518	(233 985)
3	Write - off of the uncollectable debts through provisions	0	819	0	0	0	0	0	819
4	Transfer of the outcoming group to the assets	0	0	0	0	0	0	0	0
5	Drop out of subsidiaries	0	0	0	0	0	0	0	0
6	Residual as of the end of the day December 31, 2008	0	(22 812)	0	(110)	(50 734)	(377 983)	(117)	(451 756)

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Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 8.3. Analysis of the change of provisions under arrears for the loans for 2007

(UAH, thousand)

Line	Movement of provisions	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to the individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Residual as of January 1, 2008	0	(23 877)	0	(49)	(4 914)	(30 548)	(40)	(59 428)
2	(Increase)/decrease of the provision under depreciation during the year	0	(13 508)	0	(3)	(5 158)	(140 823)	(1 595)	(161 087)
3	Write - off of the uncollectable debts through provisions	0	1 925	0	0	0	0	0	1 925
4	Transfer of the outcoming group to the assets	0	0	0	0	0	0	0	0
5	Drop out of subsidiaries	0	0	0	0	0	0	0	0
6	Residual as of the end of the day December 31, 2008	0	(35 460)	0	(52)	(10 072)	(171 371)	(1 635)	(218 590)

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**Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 8.4. Structure of loans as for the types of economic activity

(UAH, thousand)

	Type of the economic activity	2008		2007	
		sum	%	sum	%
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Public administration and activity of public organisations	0	0,00	0	0,00
2	Loans issued to the central and local public authorities	0	0,00	0	0,00
3	Production	39 210	0,63	46 334	1,13
4	Real estate	57 586	0,93	309 033	7,57
5	Trade	133 491	2,15	151 872	3,72
6	Agriculture	3 028	0,05	5 680	0,14
7	Loans issued to the individuals	5 904 167	95,19	3 450 710	84,53
8	Other	64 991	1,05	118 658	2,91
9	Total:	6 202 473	100,00	4 082 287	100,00

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**Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 8.5. Information on the loans' guarantee for 2008

(UAH, thousand)									
Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individual s - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Non-secured loans	0	10 847	0	47	2 007	658 209	12127	683 237
2	Loans secured by:	0	284 741	0	2 671	1 229 591	4 002 233	0	5 519 236
2.1	Guarantees and bails	0	0	0	0	0	0	0	0
2.2	Pledge								
	including:	0	284 741	0	2 671	1 229 591	4 002 233	0	5 519 236
2.2.1	Real estate of living space	0	8 481	0	384	1 175 014	770 306	0	1 954 185
2.2.2	Other real estate	0	230 906	0	0	53 738	1 387 497	0	1 672 141
2.2.3	Securities	0	0	0	0	0	0	0	0
2.2.4	Monetary deposits	0	11 733	0	0	0	531	0	12 264
2.2.5	Other property	0	33 621	0	2 287	839	1 843 899	0	1 880 646
3	Total loans and arrears of clients	0	295 588	0	2 718	1 231 598	4 660 442	12127	6 202 473

Item 2.2.5. "Other property" breakdown:

Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Transport vehicles	0	3 092	0	0	0	1 353 494	0	1 356 586
2	Movable property	0	2 699	0	115	0	488 512	0	491 326
3	Goods in turnover	0	26 809	0	2 172	0	0	0	28 981
4	Property rights	0	1 021	0	0	839	1 893	0	3 753
	Total	0	33 621	0	2 287	839	1 843 899	0	1 880 646

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Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
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Table 8.6. Information on the loans' guarantee for 2007

(UAH, thousand)

Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Non-secured loans	0	9 851	0	47	2 422	7 689	166 932	186 941
2	Loans secured by:	0	617 477	0	4 202	882 240	2 391 427	0	3 895 346
2.1	Guarantees and bails	0	0	0	0	0	0	0	0
2.2	Pledge								
	including:	0	617 477	0	4 202	882 240	2 391 427	0	3 895 346
2.2.1	Real estate of living space	0	5 719	0	540	842 803	368 247	0	1 217 309
2.2.2	Other real estate	0	287 473	0	0	39 437	613 508	0	940 418
2.2.3	Securities	0	121 027	0	0	0	0	0	121 027
2.2.4	Monetary deposits	0	159 300	0	0	0	37 634	0	196 934
2.2.5	Other property	0	43 958	0	3 662	0	1 372 038	0	1 419 658
3	Total loans and arrears of clients	0	627 328	0	4 249	884 662	2 399 116	166 932	4 082 287

Item 2.2.5. "Other property" breakdown:

Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Transport vehicles	0	3 229	0	50	0	621 835	0	625 114
2	Movable property	0	11 467	0	0	0	748 855	0	760 322
3	Goods in turnover	0	23 132	0	3 612	0	0	0	26 744
4	Property rights	0	6 130	0	0	0	1 348	0	7 478
	Total	0	43 958	0	3 662	0	1 372 038	0	1 419 658

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4.1	With the delay of payment up to 31 days	0	0	0	0	0	0	0	0
4.2	With the delay in payment from 32 to 92 days	0	0	0	0	0	0	0	0
4.3	With the delay in payment from 93 to 183 days	0	0	0	0	0	0	0	0
4.4	With the delay in payment from 188 to 365 (366) days	0	0	0	0	0	0	0	0
4.5	With the delay in payment up to 366 (367) days	0	0	0	0	0	0	0	0
5	Depreciated loans that have been evaluated individually:	0	10 797	0	162	138 795	1 096 976	1 500	1 248 230
5.1	With the delay of payment up to 31 days	0	0	0	0	54 499	451 005	1 500	507 004
5.2	With the delay in payment from 32 to 92 days	0	0	0	0	13 634	184 605	0	198 239
5.3	With the delay in payment from 93 to 183 days	0	0	0	0	70 484	281 484	0	351 968
5.4	With the delay in payment from 184 to 365 (366) days	0	102	0	115	0	42 279	0	42 496
5.5	With the delay in payment for more than 366 days	0	10 695	0	47	178	137 603	0	148 523
6	Not overdue	0	265 654	0	384	0	0	0	266 038
7	Provision for the depreciation for the loans	0	(22 812)	0	(110)	(50 734)	(377 983)	(117)	(451 756)
8	Total loans	0	272 776	0	2608	1 180 864	4 282 459	12 010	5 750 717

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	up to 31 days								
4.2	With the delay in payment from 32 to 92 days	0	0	0	0	0	0	0	0
4.3	With the delay in payment from 93 to 183 days	0	0	0	0	0	0	0	0
4.4	With the delay in payment from 188 to 365 (366) days	0	0	0	0	0	0	0	0
4.5	With the delay in payment up to 366 (367) days	0	0	0	0	0	0	0	0
5	Depreciated loans that have been evaluated individually:	0	11 535	0	47	33 532	383 149	0	428 263
5.1	With the delay of payment up to 31 days	0	0	0	0	11 351	34 943	0	46 294
5.2	With the delay in payment from 32 to 92 days	0	0	0	0	19 985	170 404	0	190 389
5.3	With the delay in payment from 93 to 183 days	0	0	0	0	2 117	110 378	0	112 495
5.4	With the delay in payment from 184 to 365 (366) days	0	2 053	0	0	0	22 102	0	24 155
5.5	With the delay in payment for more than 366 days		9 482	0	47	79	45 322	0	54 930
6	Not overdue	0	597 613	0	1 587	0	0	0	599 200
7	Provision for the depreciation for the loans	0	(35 460)	0	(52)	(10 072)	(171 371)	(1 635)	(218 590)
8	Total loans	0	591 868	0	4 197	874 590	2 227 745	165 297	3 863 697

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Note 8. Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
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Table 8.9. Fair value of the securisation for the overdue but not depreciated loans and individually depreciated loans that have been evaluated individually for 2008

(UAH, thousand)									
Line	Item description	Loans to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Fair value of securisation for the overdue but not depreciated loans	0	0	0	0	0	0	0	0
1.1	Real estate of living space	0	0	0	0	0	0	0	0
1.2	Other real estate	0	0	0	0	0	0	0	0
1.3	Securities	0	0	0	0	0	0	0	0
1.4	Money deposits	0	0	0	0	0	0	0	0
1.5	Other property	0	0	0	0	0	0	0	0
2	Fair value of securisation for the depreciated loans that have been evaluated on the individual basis	0	1 166 335	0	1 099	178 577	1 837 660	0	3 183 671
2.1	Real estate of living space	0	20 082	0	859	131 591	415 036	0	567 568
2.2	Other real estate	0	916 928	0	0	46 986	581 784	0	1 545 698
2.3	Securities	0	0	0	0	0	0	0	0
2.4	Money deposits	0	12 088	0	0	0	385	0	12 473
2.5	Other property	0	217 237	0	240	0	840 455	0	1 057 932

Item 2.5. "Other property" breakdown:

Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Transport vehicles	0	12 270	0	0	0	161 228	0	173 498
2	Movable property	0	165 821	0	240	0	679 227	0	845 288
3	Goods in turnover	0	37 387	0	0	0	0	0	37 387
4	Property rights	0	1 759	0	0	0	0	0	1 759
	Total	0	217 237	0	240	0	840 455	0	1 057 932

Credit security fair value is identified while security determination. While security fair value determination the internal methodology worked out by JSCB "PRAVEX-BANK" is used. For credit security fair value determination comparative method based on comparing of determined elements of security cost is used. Characteristics (parameters) of security objects, price factors on which price level depends (price dynamics, sales conditions, warranty periods etc.), market prices of agreements (or offers) with objects-analogs etc. are used among comparison elements. In some cases independent experts are involved for credit security fair value determination (immovable property transferred as a mortgage to the bank, cars etc.).

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Note 8.Loans and clients' arrears
as of 31 December 2008 (as of the end of the day)
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Table 8.10. Fair value of the securisation for the overdue but not depreciated loans and individually depreciated loans that have been evaluated individually for 2007

(UAH, thousand)									
Line	Item description	Loans to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Fair value of securisation for the overdue but not depreciated loans	0	0	0	0	0	0	0	0
1.1	Real estate of living space	0	0	0	0	0	0	0	0
1.2	Other real estate	0	0	0	0	0	0	0	0
1.3	Securities	0	0	0	0	0	0	0	0
1.4	Money deposits	0	0	0	0	0	0	0	0
1.5	Other property	0	0	0	0	0	0	0	0
2	Fair value of securisation for the depreciated loans that have been evaluated on the individual basis	0	2 159 762	0	8 570	1 421 129	308 855	0	3 898 316
2.1	Real estate of living space	0	9 222	0	5 858	1 342 596	30 749	0	1 388 425
2.2	Other real estate	0	983 958	0	0	78 533	5 150	0	1 067 641
2.3	Securities	0	813 423	0	0	0	0	0	813 423
2.4	Money deposits	0	144 731	0	0	0	0	0	144 731
2.5	Other property	0	208 428	0	2 712	0	272 956	0	484 096

Item 2.5. "Other property" breakdown:

Line	Item description	Loans issued to the public authorities and local government	Loans to legal entities	Loans issued for the repo operations	Loans to individuals - entrepreneurs	Mortgage loans of individuals	Consumer loans to individuals	Other loans to individuals	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1	Transport vehicles	0	25 239	0	69	0	28 522	0	53 830
2	Movable property	0	104 908	0	0	0	244 434	0	349 342
3	Goods in turnover	0	68 530	0	2 643	0	0	0	71 173
4	Property rights	0	9 751	0	0	0	0	0	9 751
	Total	0	208 428	0	2 712	0	272 956	0	484 096

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**Note 9. Securities in bank's portfolio for sale
as of December 31, 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 9.1. Securities in bank's portfolio for sale

(UAH, thousands)			
Line	Item description	2008	2007
1	2	3	4
1	Debt securities:		
1.1	State bonds	0	0
1.2	Bonds of local loans	0	0
1.3	Bonds of enterprises	0	0
1.4	Notes	0	0
2	Shares of enterprises and other securities with non-fixed income:	58	58
2.1	which Fair value is indicated according to the data of disclosed quotations of securities at stock markets	0	0
2.2	which Fair value is determined under calculation method	0	0
2.3	by prime cost (which fair value can not be precisely determined)	58	58
3	Reserve under securities depreciation in bank's portfolio for sale	0	0
4	Total for securities for sale net of reserves	58	58

Table 9.3. Changes in bank's portfolio of securities for sale

(UAH, thousands)				
Line	Item description	Note	2008	2007
1	2	3	4	5
1	Book value as of January 1	36, 37, 41	58	58
2	Result (final appraisal/reduces assessment) from revaluation to fair value		0	0
3	Accrued interest income		0	0
4	Interest received		0	0
5	Securities acquiring		0	0
6	Realization of securities for sale		0	0
7	Subsidiaries companies acquiring		0	0
8	Assets retirement group transfer		0	0
9	Subsidiary companies retirement		0	0
10	Exchange differences under debt securities		0	0
11	Influence of currency conversion of report submittal		0	0
12	Book value as of the end of the day, December 31	36, 37, 41	58	58

Table 9.4. Principal share securities in bank's portfolio for sale with prime cost

(UAH, thousands)					
Line	Name of Company	Kind of activity	Country of registration	Prime cost	
				2008	2007
1	2	3	4	5	6
1	Close Corporation "Crimean Stock Market"	financial risk management	804	11	11
2	Public Corporation "MFS"	financial risk management	804	24	24
3	Close Corporation "Ukrainian interbank foreign exchange Market"	financial risk management	804	2	2
4	Crimean Interbank Stock Market	financial risk management	804	20	20
5	Ukrainian trade house "Contract house Ukrainian Interbank Foreign Exchange Stock"	financial risk management	804	1	1
	Total			58	58

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

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7	Retirement	0	(27)	(301)	(64)	(23)	(3)	(1)	(92 774)	(2)	0	(93 195)
8	Amortization	0	(3 567)	(22 456)	(709)	(1 174)	(790)	(5 233)	0	(1 180)	0	(35 109)
9	Loss volumes representation from usefulness reduction, specified in financial statements	0	0	0	0	0	0	0	0	0	0	0
10	Usefulness reestablishment through financial results	0	0	0	0	0	0	0	0	0	0	0
11	Revaluation	0	141 520	1 855	0	55	202	0	0	0	0	143 632
11.1	Revaluation of acquisition cost	0	155 580	1 855	0	55	202	0	0	0	0	157 692
11.2	Transfer revaluation	0	(14 060)	0	0	0	0	0	0	0	0	(14 060)
12	Impact of revaluation to the currency of reporting submission	0	0	0	0	0	0	0	0	0	0	0
13	Other	0	(204)	268	0	(34)	(4)	(23)	0	0	0	3
14	Balance cost as of December 31, 2007	0	356 389	86 248	6 813	7 348	2 049	24 190	10 218	9 986	0	503 241
14.1	Acquisition (revaluated) cost	0	395 907	162 552	9 434	12 234	5 354	39 724	10 218	15 046	0	650 469
14.2	Transfer as of December 31, 2007 (as of 1st	0	(39 518)	(76 304)	(2 621)	(4 886)	(3 305)	(15 534)	0	(5 060)	0	(147 228)

25	Impact of revaluation to the currency of reporting submission	0	0	0	0	0	0	0	0	0	0	0
26	Other	0	0	48	0	0	0	0	0	0	0	48
27	Balance cost as of December 31, 2008	206	439 031	91 469	5 021	7 895	2 665	24 703	5 535	6 569	0	583 094
27.1	Acquisition (revaluated) cost	206	490 262	177 349	7 486	13 006	6 716	48 486	5 535	13 436	0	762 482
27.2	Transfer to the end of the reporting year	0	(51 231)	(85 880)	(2 465)	(5 111)	(4 051)	(23 783)	0	(6 867)	0	(179 388)

fixed assets cost, according to which there are limitations foreseen by legislation, regarding owning, using and management : none;

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

balance cost of fixed assets, that are not used temporary (conservation, reconstruction, etc) - UAH 38465 thousand.

Balance cost of fixed assets, withdrawn from exploitation for sale : none;

acquisition (revaluated) cost of the entirely amortized fixed assets: intangible assets (account 4300) - UAH 2 488 thousand, fixed assets (account 4400) - UAH

17 926 thousand, other non-negotiable assets. (account 4500) - UAH 1174 thousand, total UAH 21588 thousand;

intangible assets cost regarding which there are ownership limitations: none;

created intangible assets costs: none;

increase or decrease during the reporting period which appear as a result of revaluation and also as a result of losses from usefulness decrease recognized or cancelled directly in authorized capital - UAH 62424 thousand.

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Note 15. Other financial assets
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 15.1. „Other financial assets”

				(UAH, thousand)
Line	Item description	Comment	2008	2007
1	2	3	4	5
1	Accounts receivable on trade operations		0	0
2	Financial leasing (rent) indebtedness		0	0
3	Accounts receivable on operations with credit and debit cards		78 955	130 747
4	Conversion operations calculations		0	0
5	Revaluation of financial instruments, being recorded at off-balance accounts		0	514
6	Derivative financial assets defined for hedging accounting		0	0
7	Funds with limited right of use		0	0
8	Other		31 304	32 990
9	Reserve for depreciation		(3 558)	(3 641)
10	Total other financial assets net reserves		106 701	160 610

"Other" itemization

Line	Item description		2008	2007
1	Accounts receivable on operations with the bank's clients		26 612	27 428
2	Advance payments to bank's employees for travelling charges		3	16
3	Shortages and other charges for bank's employees		3 161	3 399
4	Other accounts receivable on settlements with bank's employees and other individuals		76	79
5	Accrued revenues for settlement and cash services		1 239	1 517
6	Overdue accrued revenues		213	352
7	Transit accounts on other operations		0	199
	Total		31 304	32 990

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Note 15. Other financial assets
as of 31 December 2008 (as of the end of the day)
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Table 15.2. Analysis of change in reserve for 2008 impairment of other financial assets

(UAH, thousand)

Line	Reserves flow	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Balance as of 1 January 2008	0	0	(21)	0	0	(3 620)	(3 641)
2	(Increase)/decrease in reserve for depreciation during a year	0	0	8	0	0	(338)	(330)
3	Bad debts writing off	0	0	0	0	0	413	413
4	Transfer to retirement group assets	0	0	0	0	0	0	0
5	Subsidiaries retirement	0	0	0	0	0	0	0
6	Balance as of 31 December 2008 (end of the day)	0	0	(13)	0	0	(3 545)	(3 558)

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Note 15. Other financial assets
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 15.3 Analysis of change in reserve for 2007 impairment of other financial assets

(UAH, thousand)

Line	Reserves flow	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Balance as of 1 January 2007	0	0	(21)	0	0	(3 417)	(3 438)
2	(Increase)/decrease in reserve for depreciation during a year	0	0	0	0	0	(203)	(203)
3	Bad debts writing off	0	0	0	0	0	0	0
4	Transfer to retirement group assets	0	0	0	0	0	0	0
5	Subsidiaries retirement	0	0	0	0	0	0	0
6	Balance as of 31 December 2007 (end of the day)	0	0	(21)	0	0	(3 620)	(3 641)

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Note 15. Other financial assets
as of 31 December 2008 (as of the end of the day)
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Table 15.4. „Analysis of credit quality of other financial accounts receivable for 2008”

(UAH, thousand)

Line	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Current and nondepreciated indebtedness:	0	0	78 955	0	0	27 330	106 285
1.1	Major (high-profile) customers with more than 2 years credit history	0	0	0	0	0	0	0
1.2	New high-profile customers	0	0	0	0	0	0	0
1.3	Middle-size companies	0	0	78 955	0	0	26 165	105 120
1.4	Small companies	0	0	0	0	0	1 091	1 091
1.5	Individuals	0	0	0	0	0	74	74
2	Accounts receivable, terms of which were revised during a year	0	0	0	0	0	0	0
3	Total current and nondepreciated indebtedness:	0	0	78 955	0	0	27 330	106 285
4	Overdue, but not depreciated:	0	0	0	0	0	593	593
4.1	with up to 31 days delay in payment	0	0	0	0	0	90	90
4.2	with 32 to 92 days delay in payment	0	0	0	0	0	165	165
4.3	with 93 to 183 days delay in payment	0	0	0	0	0	75	75
4.4	with 184 to 365 (366) days delay in payment	0	0	0	0	0	263	263
4.5	with more than 366 (367) days delay in payment	0	0	0	0	0	0	0

5	Indebtedness, depreciated on individual basis:	0	0	0	0	0	3 381	3 381
5.1	with up to 31 days delay in payment	0	0	0	0	0	0	0
5.2	with 32 to 92 days delay in payment	0	0	0	0	0	0	0
5.3	with 93 to 183 days delay in payment	0	0	0	0	0	0	0
5.4	with 184 to 365 (366) days delay in payment	0	0	0	0	0	0	0
5.5	with more than 366 (367) days delay in payment	0	0	0	0	0	3 381	3 381
6	Other accounts receivable	0	0	0	0	0	0	0
7	Provision for impairment	0	0	0	0	0	(3 558)	(3 558)
8	Total other financial accounts receivable	0	0	78 955	0	0	27 746	106 701

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Note 15. Other financial assets
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 15.5. Analysis of credit quality of other financial accounts receivable for 2007

(UAH, thousand)

Line	Item description	Accounts receivable on trade operations	Financial leasing (lease)	Accounts receivable on operations with credit and debit cards	Conversion operations	Funds with limited right of use	Other	Total
1	2	3	4	5	6	7	8	9
1	Current and nondepreciated indebtedness:	0	0	130 726	0	0	29 173	159 899
1.1	Major (high-profile) customers with more than 2 years credit history	0	0	0	0	0	0	0
1.2	New high-profile customers	0	0	0	0	0	0	0
1.3	Middle-size companies	0	0	130 726	0	0	29 076	159 802
1.4	Small companies	0	0	0	0	0	0	0
1.5	Individuals	0	0	0	0	0	97	97
2	Accounts receivable, terms of which were revised during a year	0	0	0	0	0	0	0
3	Total current and nondepreciated indebtedness:	0	0	130 726	0	0	29 173	159 899
4	Overdue, but not depreciated:	0	0	0	0	0	798	798
4.1	with up to 31 days delay in payment	0	0	0	0	0	0	0
4.2	with 32 to 92 days delay in payment	0	0	0	0	0	165	165
4.3	with 93 to 183 days delay in payment	0	0	0	0	0	42	42
4.4	with 184 to 365 (366) days delay in payment	0	0	0	0	0	76	76
4.5	with more than 366 (367) days delay in payment	0	0	0	0	0	515	515

5	Indebtedness, depreciated on individual basis:	0	0	21	0	0	3 533	3 554
5.1	with up to 31 days delay in payment	0	0	0	0	0	0	0
5.2	with 32 to 92 days delay in payment	0	0	0	0	0	0	0
5.3	with 93 to 183 days delay in payment	0	0	0	0	0	0	0
5.4	with 184 to 365 (366) days delay in payment	0	0	0	0	0	0	0
5.5	with more than 366 (367) days delay in payment	0	0	21	0	0	3 533	3 554
6	Other accounts receivable	0	0	0	0	0	0	0
7	Provision for impairment	0	0	(21)	0	0	(3 620)	(3 641)
8	Total other financial accounts receivable	0	0	130 726	0	0	29 884	160 610

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Note 16. Other assets
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousands)

line	Item description	Notes	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Debts receivable on assets purchase		3 703	7 219
2	Prepayment for the services		4 792	4 269
3	Precious metals		16 711	16 937
4	Belongings, which was possessed by the Bank as a mortgagee		0	0
5	Expenses of the future periods on credit interests		682	0
6	Other		1 187	214
7	Provision		(904)	(296)
8	Total other assets minus provisions		26 171	28 343

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Note 18. Banks' funds
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousand)

Line	Item description	2008	2007
1	2	3	4
1	Correspondent accounts and overnight deposits of other banks	1 625	448 375
2	Other banks' deposits:	0	0
2.1	short-term	0	0
2.2	long-term	0	0
3	Sales and buy-back agreements with other banks	0	0
4	Received loans:	1 693 036	600 063
4.1	short-term	147 662	600 063
4.2	long-term	1 545 374	0
5	Overdue raised funds from other banks	0	0
6	Total amount of other banks' funds	1 694 661	1 048 438

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Note 19. Client's funds
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 19.1. Client's funds

UAH, thousand

Line	Item description	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	State and civil organizations:	11 790	7 445
1.1	Current accounts	9 096	6 201
1.2	Term funds	2 694	1 244
2	Other legal entities	445 460	525 717
2.1	Current accounts	322 579	365 642
2.2	Term funds	122 881	160 075
3	Individuals:	3 346 755	3 099 851
3.1	Current accounts	490 468	352 954
3.2	Term funds	2 856 287	2 746 897
4	Total client's funds	3 804 005	3 633 013

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Note 19. Client's funds
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 19.2. „Distribution of clients' funds by types of economic activity”

(UAH, thousand)

Line	Type of economic activity	2008		2007	
		amount	%	amount	%
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	State administration and activity of public organizations	10 144	0,27	6 761	0,19
2	Central and local public authorities	1 646	0,04	683	0,02
3	Production	36 078	0,95	31 942	0,88
4	Real estate	52 703	1,39	64 839	1,78
5	Trading	164 417	4,32	155 362	4,28
6	Agriculture	5 871	0,15	7 651	0,21
7	Extractive (mining) industry	1 238	0,04	2 748	0,08
8	Printing activity	4 333	0,11	3 591	0,10
9	Transportation sector	17 907	0,47	20 446	0,55
10	Insurance services	46 298	1,22	22 532	0,62
11	Informatization activity	24 489	0,64	11 160	0,31
12	Scientific activity	7 894	0,21	6 839	0,19

13	Education	3 125	0,08	3 973	0,11
14	Health protection	5 488	0,14	5 203	0,14
15	Cultural activities	4 950	0,13	12 604	0,35
16	Individuals	3 346 755	87,98	3 099 851	85,32
17	Other	70 669	1,86	176 828	4,87
18	Total customers' funds:	3 804 005	100,00	3 633 013	100,00

As of 31 December 2008 (as of the end of the day) the amount of guaranteed raised deposits in the balance-sheet totalled to UAH 207402 thousand, among which:

- loans to individuals and legal entities - UAH 137974 thousand;
- interbank loans - UAH 62191 thousand;
- security for guarantees - UAH 7237 thousand

As of 31 December 2007 (as of the end of the day) the amount of guaranteed raised deposits in the balance-sheet totalled to UAH 9 521 thousand, USD 1 568 thousand and EUR 460,5 thousand, among which:

- granted loans - UAH 9 521 thousand, USD 1 352 thousand and EUR 374 thousand;
- AMEX cards - USD 216 thousand and EUR 86,5 thousand.

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**Note 20. Debt securities issued by the bank
as of December 31 2008 (at the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 20.1. Debt securities issued by the bank

(UAH thousand)

Line	Item description	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1	Notes	0	0
2	Eurobonds	0	0
3	Bonds issued at internal market	22 147	160 539
4	Deposit certificates	1	1
5	Bonds	0	0
6	Total	22 148	160 540

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

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

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

Maturity date for the deposit certificates issued by the bank – on demand (already matured).

Table 20.2. Fair value of debt securities issued by the bank

(UAH thousand)

Line	Item description	2008		2007	
		Fair value	Book cost	Fair value	Book cost
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1	Notes	0	0	0	0
2	Eurobonds	0	0	0	0
3	Bonds issued at internal market	22 147	22 147	160 539	160 539
4	Deposit certificates	1	1	1	1
5	Bonds	0	0	0	0
6	Total	22 148	22 148	160 540	160 540

Note 21. Other raised funds
as of 31 December 2008 (at the end of the day)
153 JSCB "PRAVEX-BANK"

Table 21.1. „Other raised (borrowed) funds”

(UAH thousand)

Line	Item description	2008	2007
1	2	3	4
1	Received consortium loans	0	0
2	Loans, received from international and other financial institutions	35 058	155 190
2.1	loan	35 058	151 500
2.2	accrued interests		3 690
3	Financial leasing liabilities	0	0
4	Total	35 058	155 190

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Note 22. Liability reserves
As of December 31, 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 22.1. Liability reserves for 2008

(UAH, thousand)

Line	Reserves movement	Note	Liability of credit character	Tax risks	Other	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1	Balance as of January 01, 2008		235	0	0	235
2	(Increase)/decrease under depreciation during the year		800	0	0	800
3	Writing off of bad loans at the expense of reserve		0	0	0	0
4	(Increase)/decrease at the expense of exchange difference		384	0	0	384
5	Balance as of the end of Decemebr 31, 2008	39	1 419	0	0	1 419

Table 22.2. Liability reserves for 2007

(UAH, thousand)

Line	Reserves movement	Note	Liability of credit character	Tax risks	Other	Total
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1	Balance as of January 01, 2007		56	0	0	56
2	(Increase)/decrease under depreciation during the year		166	0	0	166
3	Writing off of bad loans at the expense of reserve		0	0	0	0
4	(Increase)/decrease at the expense of exchange difference		13	0	0	13
5	Balance as of the end of Decemebr 31, 2007	39	235	0	0	235

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Note 23. Other financial liabilities
as of 31 December 2008 (at the end of the day)
153 JSCB "PRAVEX-BANK"

Table 23.1. Other financial liabilities

(UAH, thousand)

Line	Item description	Comments	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
1	Account payable		80 729	83 667
2	Dividends payable		0	0
3	Debit and credit cards account payable		47 910	146 015
4	Conversion operations settlements		57 458	2 544
5	Revaluation of financial instruments, recorded at off-balance accounts		0	0
6	Provisions for liabilities of credit nature		0	0
7	Other accrued liabilities		19	0
8	Total of Other financial liabilities		186 116	232 226

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Note 24. Other liabilities
as of 31 December 2008 (as of end of the day)
JSCB "PRAVEX-BANK", Kyiv

Table 24.1. Other liabilities

(UAH, thousand)

№	Item description	Comments	2008	2007
1	2	3	4	5
1	Account payable for taxes and compulsory payments, except income tax		13 070	3 478
2	Account payable for settlements with the bank's employees		31 850	733
3	Account payable for assets acquisition		1 136	4 311
4	Income of future periods		1 521	2 044
5	Other		1 618	1 208
6	Total		49 195	11 774

"Other" itemization

Line	Item description	2007
1	Account payable for utilities	48
2	Account payable for premises leasing	188
3	Account payable for consulting services	123
4	Account payable for collection (encasment) services	25
5	Account payable for operations with plastic cards	233
6	Account payable for maintenance of premises	244
7	Account payable on lease premises insurance	42
8	Expenses for extract from State register concerning movable property restrictions	48
9	Account payable for S.W.I.F.T. system services	7
10	Commission for services, rendered by VISA payment system	191
11	Other	59
	Total	1 208

Note 25. Subordinate debt
As of December 31, 2008 (as of the end of the day)
JSCB "PRAVEX-BANK", Kyiv

(UAH, thousand)

Line	Item description	2008	2007	Date of issue	Maturity date
1.	Principal amount of subordinate debt including:	108 570	71 205		
	Received credit	23 100	15 150	12.09.2000	21.09.2015
	Received credit	30 800	20 200	21.11.2000	01.11.2015
	Received credit	34 650	22 725	08.06.2006	01.06.2016
	Received credit	20 020	13 130	07.08.2006	31.07.2016
2.	Accrued interest on subordinate debt, including:	4 848	6 843		
	Accrued credit interest	1 013	1 483	-	-
	Accrued credit interest	1 351	1 977	-	-
	Accrued credit interest	1 520	2 160	-	-
	Accrued credit interest	964	1 223	-	-
	Total:	113 418	78 048		

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

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Note 26. Authorized capital
As of December 31, 2008 (as of the end of the day)
JSCB "PRAVEX-BANK", Kyiv

(UAH, thousand)

Line	Item description	Quantity of shares in turnover (items, thousand)	Ordinary shares	Issuance difference	Privileged shares	Own shares (quotas, shares), bought back from shareholders(participators)	Dividends, directed to increase of authorized capital	Total UAH, thousand
1	2	3	4	5	6	7	8	9
1	Balance at 1 st January of previous year	171 499	169 999	672	1 500	0	0	172 171
2	Contributions for shares (quotas, shares) of the new issue	200 000	200 000	0	0	0	0	200 000
3	Own shares (quotas, shares), bought back from shareholders(participators)	0	0	0	0	0	0	0
4	Sale of previously bought out own stocks (shares)	0	0	0	0	0	0	0
5	Previously cancelled bought out own stocks (shares)	0	0	0	0	0	0	0
6	Capitalized dividends	0	0	0	0	0	0	0
7	Balance at the end of the day as of 31 st December of previous year (balance at 1 st January of reporting year)	371 499	369 999	672	1 500	0	0	372 171
8	Contributions for shares (quotas, shares) of the new issue	620 000	620 000	0	0	0	0	620 000
9	Own shares (quotas, shares), bought back from shareholders(participators)	0	0	0	0	0	0	0
10	Sale of previously bought out own stocks (shares)	0	0	0	0	0	0	0

11	Previously cancelled bought out own stocks (shares)	0	0	0	0	0	0	0
12	Capitalized dividends	0	0	0	0	0	0	0
13	Balance at the end of the day as of 31 st December of reporting year	991 499	989 999	672	1 500	0	0	992 171

- a) quantity of shares, declared to issue - 0;
- б) quantity of issued and paid shares in 2008 amounts to 620 000 000 items.; quantity of issued, but not completely paid - 0 items.;
- в) par value of one share amounts to - 1 UAH.;
- г) rights, privileges and limitations, attributable to every group of share capital, including limitations from the payment of dividends, return of capital
- Rights (according to Charter): to take part in administration of the Bank's affairs and to control its activity; to participate in allocation of the Bank's income and to receive a share (dividends) of profit out of the Bank's activity; to receive information concerning the Bank's activity, status of assets, amount of profit and loss; to receive cost of the Bank's property in case of the Bank's liquidation; to perform a carve-out of the Bank's shares; shareholders who hold 10 and more percent of the Bank's shares, have the right to call for carrying-out check of the Bank's financial and economic activity by external auditor; to have and use other rights, provided for by the Ukrainian legislation and the Bank's Charter.
 - 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.
- р) amount and conditions of shares, determined for issue at the conditions of options and contracts from sale – are absent;

**Note 27. Reserve and other funds of the bank
as of 31 December, 2008 (for the end of the day)
JSCB "PRAVEX-BANK", Kyiv**

(UAH, thousand)

Line	Item description	Revaluation fund								Accumulated differences in exchange rate	Other	Total reserve and other funds of the bank
		long-term assets, determined for sale, and retirement groups' assets				other assets, except long-term assets, determined for sale, and retirement group assets						
		securities in bank's portfolio for sale	fixed and intangible assets	investments into associated company	hedging operations	securities in bank's portfolio for sale	fixed and intangible assets	investments into associated company	hedging operations			
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Balance as of 1 January 2007	0	0	0	0	0	96 530	0	0	0	10 219	106 749
2	Revaluation	0	0	0	0	0	143 632	0	0	0	0	143 632
3	Realized revaluation fund	0	0	0	0	0	(325)	0	0	0	0	(325)
4	Exchange rate differences	0	0	0	0	0	0	0	0	0	0	0
5	Income tax influence	0	0	0	0	0	(35 779)	0	0	0	0	(35 779)
6	Flow of funds from general reserves and bank's funds, created out of profits	0	0	0	0	0	0	0	0	0	3 840	3 840
7	Balance as of end of 31 December 2007 (balance as of 1 January 2008)	0	0	0	0	0	204 058	0	0	0	14 059	218 117

8	Revaluation	0	0	0	0	0	62 425	0	0	0	0	62 425
9	Realized revaluation fund	0	0	0	0	0	(1 604)	0	0	0	0	(1 604)
10	Exchange rate differences	0	0	0	0	0	0	0	0	0	0	0
11	Income tax influence	0	0	0	0	0	(15 219)	0	0	0	0	(15219)
12	Flow of funds from general reserves and bank's funds, created out of profits	0	0	0	0	0	0	0	0	0	1 899	1 899
13	Increase/decrease in cost of financial investments, connected with increase/reduction in equity capital of investment object	0	0	0	0	0	0	0	0	0	0	0
14	Balance as of the end of 31December 2008	0	0	0	0	0	249 660	0	0	0	15 958	265 618

"Other" is amount of reserve funds, being created by the bank and recorded at the balance account 5021. JSCB "PRAVEX-BANK" composes reserve fund for covering contingent losses as regards all assets items and off-balance liabilities.

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Note 28. Interest income and costs
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousand)

Line	Item description	2008	2007
1	2	3	4
	Interest income for:		
1	Loans and clients' indebtedness	772 519	555 259
2	Debt securities in bank's portfolio for sale	890	811
3	Debt securities in bank's portfolio held to maturity	0	0
4	Funds in other banks	15 699	9 986
5	Trade debt securities	1 484	353
6	Other debt securities, recorded at fair value with recognition of revaluation results in financial statement	0	0
7	Accounts receivable under repo agreements – trade securities	0	0
8	Correspondent accounts in other banks	1 348	2 083
9	Overnight deposits in other banks	0	0
10	Interest income for impaired financial assets	0	0
11	Cash and cash equivalents	0	0
12	Finanacial leasing (rent) indebtedness	0	0
13	Other	162	270
14	Total interest income	792 102	568 762
	Interest costs for:		
15	Term funds of legal entities	(26 758)	(17 838)
16	Debt securities, issued by the bank	(35 516)	(9 723)
17	Other raised funds	0	0
18	Term funds of individuals	(323 751)	(253 391)
19	Term funds of other banks	(49 582)	(10 167)
20	Overnight deposits of other banks	0	0
21	Current accounts	(10 860)	(6 420)
22	Correspondent accounts	(4 285)	(2 724)
23	Financial leasing (rent) liabilities	0	0
24	Other	(3 619)	(3 591)
25	Total interest costs	(454 371)	(303 854)
26	Net interest income/(costs)	337 731	264 908

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Note 29. Commission income and expenses
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousand)

Line	Item description	2008	2007
1	2	3	4
	Commission income		
1	Commission income from financial instruments, not recorded at fair value with recognition of revaluation result in financial statement:	442 907	399 525
1.1	Settlement operations	142 420	238 503
1.2	Cash servicing	291 674	154 717
1.3	Cash delivery (encashment)	0	0
1.4	Operations with securities	28	26
1.5	Trust activities	0	0
1.6	Provided guarantees (note 22)	60	56
1.7	Other	8 725	6 223
2	Commission income from financial instruments, not recorded at fair value with recognition of revaluation result in financial statement:	0	0
3	Total comission income	442 907	399 525
	Commission expenses		
4	Commission expenses from financial instruments, not recorded at fair value with recognition of revaluation result in financial statement:	(5 241)	(3 418)
4.1	Settlement operations	(2 336)	(1 978)
4.2	Cash servicing	(2 233)	(1 433)
4.3	Cash delivery (encashment)	0	0
4.4	Operations with securities	0	0
4.5	Other	(672)	(7)
5	Commission expenses from financial instruments, not recorded at fair value with recognition of revaluation result in financial statement:	0	0
6	Total commission expenses	(5 241)	(3 418)
7	Net comission income/expenses	437 666	396 107

Item 4.5. "Other" breakdown:

Ledger	Item description	2008
	Settlements with issuing companies for sale of VTM cards	(1)
	Bank's trade finance transactions	(670)
7109	Settlements with subagents on WU system	(1)
Total		(672)

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Note 30. Other operating income
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousand)

Line	Item description	Comments	2008	2007
1	2	3	4	5
1	Dividends		8	0
2	Income from lease of investment property			
3	Income from sublease (underlease)		17	16
4	Negative goodwill, recognized as income		0	0
5	Income from fixed and intangible assets retirement		0	0
6	Income from investment property retirement		0	0
7	Royalty		0	0
8	Other		70 879	49 732
9	Total operating income		70 904	49 748

"Other" itemization

Line	Item description		2008	2007
1	income from operating lease		718	689
2	finances and penalties received		51 458	39 941
3	income from collection activity		972	839
4	income from payment cards settlements		8 272	4 296
5	income from reimbursement of executive notes expenses by customers		25	30
6	cash shortage (deficiency) allocated to guilty persons		1 946	3 279
7	income from Visa Inc. shares buyback, the holder of which is the bank		5 088	0
8	compensation for producing new locks for safe deposit boxes		108	71
9	income from consulting services		1 473	187
10	increase in performance results out of tax credit		181	153
11	returned payments on settlements with arbitration court		236	0
12	other operating income		402	247
	Total		70 879	49 732

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Note 31. Administrative and other operational expenses
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

(UAH, thousands)

Line	Item description	2008	2007
1	Expenses on personnel maintenance	(497 077)	(340 249)
2	Capital assets amortization	(37 305)	(33 928)
3	Decrease of usefulness of capital assets and intangible assets	(4 295)	0
4	Renewal of usefulness of capital assets and intangible assets	0	0
5	Loss from the decrease of goodwill usefulness	0	0
6	Software and other intangible assets amortization	(5 321)	(1 181)
7	Losses for maintenance of capital assets and intangible assets, telecommunication, other operational services, mobile connection, non-effective material values writing off	(83 542)	(78 020)
8	Losses for financial leasing (rent)	0	0
9	Other expenses, connected with capital assets, including:	(59 850)	(34 983)
9.1	expenses for the operative leasing (rent)	(56 805)	(34 776)
9.2	negative result from intangible assets and capital assets retirement	(3 045)	(207)
10	Professional services	(11 805)	(9 708)
11	Expenses for marketing and advertisement	(21 851)	(10 809)
12	Expenses for protection	(14 483)	(11 428)
13	Payment of other taxes and obligatory payments, except the income tax	(21 826)	(14 150)
14	Decrease of usefulness of long-term assets, which are held for sale (or groups of retirement)	0	0
15	Other	(38 884)	(41 670)
16	Total of administrative and other operational expenses	(796 239)	(576 126)

Decryption of article "Other"

Line	Item description	2008	2007
1	expenses on forming of provision for possible expenses from debit debts recovery	(1 132)	(295)
2	expenses for collection and values transportation	(2 238)	(1 169)
3	penalties and fines, which are paid by the Bank	(1 713)	(162)
4	expenses for sponsorship and charity	(1 006)	(5 926)
5	expenses for operations with banking metals	(878)	(796)

6	services, provided by the payment systems on payment cards	(13 127)	(7 012)
7	expenses on services of arbitral informational center, arbitration charge	(3 080)	(4 731)
8	insurance expenses	(119)	(452)
9	expenses on revealed deficiency	(3 239)	(3 820)
10	expenses on shop - partners reward	(10 379)	(16 006)
11	expenses on securities allocation	(1 050)	(812)
12	expenses on improvement of territory around the Bank, expenses on topographic and geodesic survey, soil exploration and other	(340)	(322)
13	expenses for economic needs	(583)	(167)
	Total	(38 884)	(41 670)

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**Note 32. Expenses for the profit tax
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX - BANK"**

Table 32.1 Expenses for payment of the profit tax

(UAH, thousand)			
Line	Item description	2008	2007
1	2	3	4
1	Current profit tax	15 923	35 082
2	Deferred profit tax	(11 735)	(17 634)
3	Total:	4 188	17 488

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**Note 32. Expenses for the profit tax
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX - BANK"**

Table 32.2. Coordination of the accounting income (loss) and sum of the taxable income (loss)

		(UAH, thousand)	
Line	Item description	2008	2007
1	2	3	4
1	Profit before taxation	(33 004)	55 421
2	Sum of the profit tax that has been identified by the deduction rate	(8 251)	(13 855)
	Adjustment of the accounting income (loss)	0	0
3	Expenses that are not included into the sum of the gross expenditures with the purpose of calculating tax income, but are recognized in the accounting.	41 001	35 719
4	Expenses that are included in the sum of gross expenditures with the purpose of calculating the tax income but are not recognized in the accounting	(27 359)	(15 215)
5	Income to be profit taxed (does not belong) to the accounting profit (loss)	12 012	11 318
6	Income that should not be profit taxed but is recognized in the accounting	(1 338)	(10 850)
7	Depreciation charges according to the data of the fiscal accounting	10 656	8 777
8	Depreciation for the tax purposes	(10 224)	(8 084)
9	Other sums that do not belong either to the income or expenses but are included into the database of the taxation	(574)	(438)
10	Sum of the profit tax (loss)	15 923	35 082

Decryption to the Table 32.2 Coordination of the sum of accounting income (loss) and sum of the tax income (loss)

Line	Item description	2008	2007
1	2	3	4
	Expenses that are not included in the sum of gross expenditures with the purpose of calculating tax profit but are recognized in the accounting		
1	Provisions for the doubtful profits that have been made	13 589	21 563
2	Provisions for the standard arrears that have been made	2 307	1 719
3	Provisions for the receivables that have been made	283	74
4	Rate difference from the revaluation of the insurance provisions that have	6 236	108

	been made		
5	Provisions that have been made for the receivables	9 444	0
6	Expenses that are included to the gross according to the first event in the previous accounting periods	3 349	2 878
7	Expenses of the non – production – related purpose	3 657	581
8	Loss upon the liquidation of fixed assets in the fiscal accounting	769	59
9	Money transfer to the non profit organizations (its quantity did not reach 2%)	702	1 667
10	Expenses on the deals with the connected persons	3	132
11	Improvement of the fixed assets for more than 10% limit	617	850
12	Tax credit with VAT	45	38
13	Unpaid bond interests	0	324
14	Breaking up the provision	0	5 726
	Total:	41 001	35 719
	Expenses that are included in the sum of the gross expenditures with the purpose of calculating tax profit but are not recognized in the accounting		
1	Expenses for purchasing fixed assets for less than 1000 UAH	326	773
2	Fixed assets of the 1 st group, book cost of which makes less than 1700 UAH	31	21
3	Doubtful income with the suits in the court that have been submitted during the accounting period	9 927	3 812
4	Not fully amortized capital investments when breaking the rent contracts	360	2
5	Expenses on the advertising campaigns	192	20
6	Loss of the stock in the storehouse	130	0
7	Expenses that are included in the gross according to the first event in the accounting period	3 648	2 691
8	Expenses on the payment of interest on the bonds	1 991	217
9	Capital improvements	2 318	1 977
10	Breaking up the provisions	8 265	5 679
11	Interest for the loan which has been paid during 2 working days after the payment of the sum of the loan to the Bank according to the agreement.	171	0
12	Loss from the sale of object of the pledge	0	23
	Total:	27 359	15 215

	Income to be profit taxed (does not belong) to the accounting profit (loss)		
1	Income from advertising campaigns	145	8
2	Income from sale and free of charge transfer of the fixed assets	71	2
3	Repayment of the interests that have been included in the gross expenditures during the previous tax periods	594	260
4	Income from the placement of bonds with the accumulated interests	1 456	274
5	Income shown in the tax accounting as the result of breaking up the provision	8 667	0
6	Income from the placement of bonds with bonus	176	0
7	Early repayment of the bonds for the price that is lower than par value	12	0
8	Income from the trade of securities	371	10 196
9	Income from the operations with the connected persons	228	344
10	Revaluation of assets for the forward contracts	129	0
11	Stock increase in the storehouse	163	58
12	Income from the sale of object of the pledge	0	21
13	Paid commission income	0	155
	Total:	12 012	11 318
	Income not to be profit taxed but is recognized in the accounting		
1	Compensation of shortage because of the guilty persons	492	817
2	Calculated interest the charge of which has been suspended in the tax bookkeeping	401	0
3	Calculated interest in the fiscal accounting for the securities	371	0
4	Not allocable income as of the beginning of the accounting year	19	4
5	Financial result from the sale of fixed assets	8	18
6	Tax credit with VAT	47	38
7	Financial result from the sale of the securities	0	9 973
	Total:	1 338	10 850
	Other sums that do not belong either to the income or expenses but are included into the database of the taxation including:		
1	Return of the commission that has been calculated by mistake	(26)	0
2	Additional charge of the income from the operations with connected persons	22	0
3	Additionally charged expenses from	15	0

	the lease of premises		
4	Doubtful income with the suits in the court that have been submitted during the accounting period	80	611
5	Recalculation of depreciation charges as a result of the indexation of fixed funds	306	0
6	Decrease of expenses on the administrative deals	(6)	(34)
7	Increase of expenses on the payment of shares for the development of the city infrastructure	183	0
8	Repayment of the interests that have been included in the gross expenditures during the previous tax periods	0	(1)
9	Income from the placement of bonds with the accumulated interests	0	(143)
10	Income amounting to advance received from securities	0	(25)
11	Income from the operations with connected persons	0	(12)
12	Increase of expenses of the sum of paid accumulated interests	0	143
13	Decrease of expenses for premises reconstruction	0	(83)
14	Recalculation of amortization charges	0	(22)
15	Cost of the acquired patents	0	4
	Total:	574	438

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Table 32.3 Tax consequences connected with the recognition of the deferred tax assets and deferred tax liabilities for 2008

L i n e	List of the deferred tax assets and deferred tax liabilities	Residual as of January 1, 2008	Unification of the companies	Transfer to the long term assets that have been kept for the sale	Recognize d in the financial results	Recognize d in its own equity	Residual as of the end of the day December 31, 2008
1	Depreciation of the production capital assets	190	0	0	0	0	190
2	Depreciation of the production capital assets	3 373	0	0	308	0	3 681
3	Doubtful interest to be returned	(17 171)	0	0	(3 579)	0	(20 750)
4	Doubtful interest to be returned	55	0	0	0	0	55
5	Undivided income of the future periods	(151)	0	0	10	0	(141)
6	Undivided income of the future periods	105	0	0	0	0	105
7	Percentage allocations for the bonds of its own issue	(324)	0	0	0	0	(324)
8	Percentage allocations for the bonds of its own issue	0	0	0	479	0	479
9	Expenses that have been identified as gross expenditures according to the first event during previous accounting periods	(178)	0	0	0	0	(178)
10	Provisions for the unused vacations	0	0	0	(9 444)	0	(9 444)
11	Expenses that have been identified as gross expenditures according to the first event during previous accounting period	243	0	0	491	0	734
12	Revaluation	63 112	0	0	0	15 219	78 331
13	Net deferred tax asset / liability	49 254	0	0	(11 735)	15 219	52 738
14	Recognized deferred tax asset	(17 634)	0	0	(13 013)	0	(30 647)
15	Recognized deferred tax liability	66 888	0	0	1 278	15 219	83 385

Table 32.4 Tax consequences connected with the recognition of the deferred tax assets and deferred tax liabilities for 2007

(UAH, thousand)

Line	List of the deferred tax assets and deferred tax liabilities	Residual as of January 1, 2008	Unification of the companies	Transfer to the long term assets that have been kept for the sale	Recognized in the financial results	Recognized in its own equity	Residual as of the end of the day December 31, 2008
1	Depreciation of the production capital assets	0	0	0	190	0	190
2	Depreciation of the production capital assets	3 373	0	0	0	0	3 373
3	Doubtful interest to be returned	0	0	0	(17 171)	0	(17 171)
4	Doubtful interest to be returned	55	0	0	0	0	55
5	Undivided income of the future periods	0	0	0	(151)	0	(151)
6	Undivided income of the future periods	105	0	0	0	0	105
7	Percentage allocations for the bonds of its own issue	0	0	0	(324)	0	(324)
8	Percentage allocations for the bonds of its own issue	0	0	0	0	0	0
9	Expenses that have been identified as gross expenditures according to the first event during previous accounting periods	0	0	0	(178)	0	(178)
10	Expenses that have been identified as gross expenditures according to the first event during previous accounting period	243	0	0	0		243
11	Revaluation	27 333	0	0	0	35 779	63 112
12	Net deferred tax asset / liability	31 109	0	0	(17 634)	35 779	49 254
13	Recognized deferred tax asset	0	0	0	(17 634)	0	(17 634)
14	Recognized deferred tax liability	31 109	0	0	0	35 779	66 888

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**Note 34. Profit/(loss) for one simple and preferred share
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK", Kyiv**

Table 34.1. Net and corrected profit /(loss) for one simple and preferred share.

(UAH, thousands)

Line	Item description	Notes	2008	2007
1	2	3	4	5
1	Profit/(loss) which belongs to the shareholders - owners of the simple shares of the Bank		(37 192)	37 703
2	Profit/(loss) which belongs to the shareholders - owners of the preferred shares of the Bank		270	270
3	Profit/(loss) annual		(37 192)	37 973
4	Year average quantity of simple shares in turnover (thousands items)	26	469 016	270 273
5	Year average quantity of preferred shares in turnover (thousands items)	26	1 500	1 500
6	Net profit /(loss) for one simple share (UAH)		(0,08)	0,14
7	Corrected net profit /(loss) for one simple share (UAH)		(0,08)	0,14
8	Net profit /(loss) for one preferred share (UAH)		0,18	0,18

Table 34.2. Calculation of the profit / (loss), that belongs to the shareholders - owners of the simple and preferred shares of the Bank

(UAH, thousands)

Line	Item description	Note	2008	2007
1	2	3	4	5
1	Profit/(loss) annual		(37 192)	37 973
2	Profit/(loss), that belongs to the shareholders - owners of the simple shares of the Bank		(37 192)	37 703
3	Year average quantity of simple shares in turnover (thousands items)	26	469 016	270 273
4	Net profit/(loss) for one simple share (UAH)		(0,08)	0,14
5	Profit /(loss), which belongs to the shareholders- owners of the preferred shares of the Bank		270	270
6	Year average quantity of preferred shares in turnover (thousands items)	26	1 500	1 500
7	Net profit/(loss) for one preferred share (UAH)		0,18	0,18

Performer: T. I. Melnik
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Note 36. Reporting segments
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 36.1. Information regarding the general segments of banking activity in split of contractors of the segment for 2008

(UAH, thousands)

Line	Item description	Names of Reporting Segments					Withdrawals	Total
		services to corporate clients	services to individuals	operations with securities	operations at the interbank market	other operations		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1	Income from external contractors	118 550	1 163 166	7 192	104 298	65 692	0	1 458 898
2	Income from other segments	0	0	0	0	0	0	0
3	Total income	118 550	1 163 166	7 192	104 298	65 692	0	1 458 898

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Note 36. Reporting segments
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK", Kyiv

Table 36.2 Information regarding the character of income and expenses of reporting segments for 2008

(UAH, thousands)

Line	Item description	Names of Reporting Segments					Withdrawals	Total
		services to the corporate clients	services to the individuals	operations with securities	operations at the interbank market	other operations		
1	Interest income	73 672	698 847	2 374	17 209	0	0	792 102
2	Commission income	38 751	400 053	0	4 103	0	0	442 907
3	Other income	1 976	63 006	5 088	0	319	0	70 389
4	Results from the trade operations	4 152	1 261	(269)	82 985	65 371	0	153 500
5	Total income	118 551	1 163 161	7 193	104 297	65 690	0	1 458 898
6	Interest expenses	(32 726)	(332 261)	(35 516)	(53 868)	0	0	(454 371)
7	Commission expenses	0	(2 183)	0	(3 058)	0	0	(5 241)
8	Other expenses	(8 327)	(90 637)	(1 101)	(1 108)	(8 768)	0	(109 941)
9	Withholdings to provisions	(7 555)	(228 494)	0	(901)	(233)	0	(237 183)
10	General administrative expenses (without amortization withholdings)	(41 946)	(513 695)	(4 534)	(1 543)	(80 822)	0	(642 540)
11	Total expenses	(90 554)	(1 167 270)	(41 151)	(60 478)	(89 823)	0	(1 449 276)
12	The result of segment	27 997	(4 103)	(33 958)	43 819	(24 133)	0	9 622
13	Undivided expenses	0	0	0	0	0	0	0
	Amortization withholdings	0	0	0	0	(42 626)	0	(42 626)
14	Share in financial result of association company after taxation	0	0	0	0	0	0	0

15	Income/(loss) before the taxation	0	0	0	0	0	0	(33 004)
16	Expenses regarding the income tax	0	0	0		0	0	(4 188)
17	Income /(loss)	0	0	0	0	0	0	(37 192)

Decryption of the columns "Other operations" of the line 10 "General administrative expenses"

(UAH, thousands)

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

Decryption of the columns "Other operations" of the line 8, "Other expense"

(UAH, thousands)

Line	Names of Reporting Segments	Amount
1	expenses for audit	(1 166)
2	expenses for the participation in the seminars, subscription, informational services "Liga"	(684)
3	paid penalties	(1 713)
4	expenses from the discount of capital	(4 295)

	assets	
5	economic expenses, which are not divided by the segments	(910)
	Total	(8 768)

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Note 36. Reporting segments
as of 31st of December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK", Kyiv

Table 36.3. Assets and liabilities of reporting segments for 2008

(UAH, thousands)

Line	Item description	Names of Reporting Segments					Withdrawals	Total
		services to the corporate clients	services to the individuals	operations with securities	operations at the interbank market	other operations		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
1	Long-term assets, held for sale (or groups of retirement)	0	0	0	0	0	0	0
2	Other assets of segments	303 256	5 635 693	58	470 651	5 449	0	6 415 107
3	Total assets of segments	303 256	5 635 693	58	470 651	5 449	0	6 415 107
4	Investments in associated company	0	0	0	0	0	0	0
5	Current and postponed taxation assets	0	0	0	0	0	0	33 939
6	Other undivided assets	0	0	0	0	879 855	0	879 855
7	Total assets	303 256	5 635 693	58	470 651	885 304	0	7 328 901
8	Liabilities, that are directly connected to the long-term assets, held for the sale (or groups of retirements)	0	0	0	0	0	0	0
9	Other liabilities of segments	640 669	3 490 158	22 162	1 750 499	2 532	0	5 906 020
10	Total liabilities of segments	640 669	3 490 158	22 162	1 750 499	2 532	0	5 906 020
11	Current and postponed taxation liabilities	0	0	0	0	0	0	90 378
12	Other undivided liabilities	0	0	0	0	0	0	0
13	Total liabilities	640 669	3 490 158	22 162	1 750 499	2 532	0	5 996 398

Decryption of the line 6 "Other undivided assets"

(UAH, thousands)

Line	Names of reporting segments	Amount
1	capital assets and intangible assets	583 094
2	banknotes and coins in the cashier's office of the Bank and in transit	296 761
3	Total	879 855

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Note 36. Reporting Segments
as of 31st of December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 36.4. Information regarding the general segments of banking activity in split of contractors of the segment for 2007

(UAH, thousands)

Line	Item description	Names of Reporting Segments				Withdrawals	Total
		services to the corporate clients	services to individuals	operations with securities	other operations		
1	2	3	4	5	6	7	8
1	Income from the external contractors	111 849	940 770	40 728	6 981	0	1 100 328
2	Income from other segments	0	0	0	0	0	0
3	Total income	111 849	940 770	40 728	6 981	0	1 100 328

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Note 36. Reporting Segments
as of 31st of December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 36.5 Information regarding the character of income and expenses of reporting segments for 2007

Line	Item description	Names of Reporting Segments				Withdrawals	Total
		services to corporate clients	services to individuals	operations with securities	other operations		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1	Interest income	64 856	502 742	1 164	0	0	568 762
2	Commission income	35 490	364 009	26	0	0	399 525
3	Other income	10 481	39 148	0	120	0	49 749
4	Results from the trade operations	1 023	34 871	39 538	6 860	0	82 292
5	Total income	111 850	940 770	40 728	6 980	0	1 100 328
6	Interest expenses	35 184	258 947	9 723	0	0	303 854
7	Commission expenses	167	3 251	0	0	0	3 418
8	Other expenses	1 535	32 626	832	45 023	0	80 016
9	Withholdings to provisions	13 415	148 388	0	0	0	161 803
10	General administrative expenses (without amortization withholdings)	2 089	22 956	0	435 662	0	460 707
11	Total expenses	52 390	466 168	10 555	480 685	0	1 009 798
12	The result of segment	59 460	474 602	30 173	(473 705)	0	90 530
13	Undivided expenses						
13.1	Amortization withholdings	0	0	0	(35 109)	0	(35 109)

(UAH, thousands)

14	Share in financial result of association company after taxation	0	0	0	0	0	0
15	Income/(loss) till the taxation	0	0	0	0	0	55 421
16	Expenses regarding the income tax	0	0	0	0	0	(17 448)
17	Income /(loss)	0	0	0	0	0	37 973

Decryption of the columns "Other operations" of the line 10 "General administrative expenses"

(UAH, thousands)

Line	Item description	Amount
1	expenses on personnel, which is no divided by segments	339 623
2	operational and economic expenses, which are not divided by segments	34 902
3	expenses for telecommunication	35 109
4	other administrative expenses	6 730
5	expenses for the maintenance of capital assets and intangible assets	18 512
6	payment of taxes and other obligatory payments, except the income tax	786
Total		435 662

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Note 36. Reporting Segments
as of 31st of December 2007 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 36.6 Assets and liabilities of reporting segments for 2007

(UAH, thousands)

Line	Item description	Names of Reporting Segments				Withdrawals	Total
		services to the corporate clients	services to individuals	investment banking activity	other operations		
1	2	3	4	5	6	7	8
1	Long-term assets, held for sale (or groups of retirement)	0	0	0	0	0	0
2	Other assets of the segments	2 156 089	3 402 808	58	12 841		5 571 796
3	Total assets of segments	2 156 089	3 402 808	58	12 841		5 571 796
4	Investments to the associated companies	0	0	0	0		0
5	Current and postponed taxation assets	0	0	0	0		17 867
6	Other undivided assets	0	0	0	503 241		503 241
7	Total assets	2 156 089	3 402 808	58	516 082		6 092 904
8	Liabilities, which are directly connected to the long-term assets, held for sale (or groups of retirement)						
9	Other liabilities of segments	1 703 407	3 449 997	160 540	0		5 313 944
10	Total liabilities of segments	1 703 407	3 449 997	160 540	0		5 313 944
11	Current and postponed taxation liabilities	0	0	0	0		70 950
12	Other undivided liabilities	0	0	0	5 520		5 520
13	Total liabilities	1 703 407	3 449 997	160 540	5 520		5 390 414

Decryption of the line 6 "Other undivided assets"

(UAH, thousands)

Line	Item description	Amount
1	capital assets and intangible assets	503 241

Decryption of the line 12 "Other undivided liabilities"

(UAH, thousands)

Line	Name of Item	Amount
1	accounts payable for the economic activity of the Bank, which is undivided by segments	5 520

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**Note 36. Reporting segments
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 36.7. Geographical segments information for 2008

(UAH, thousand)

Line	Item description	Ukraine	Europe	USA	FSU countries	Other countries	Total
1	2	3	4	5	6	7	8
1	Long-term assets, kept for sale (or retirement groups)	0	0	0	0	0	0
2	Other segments assets	6 953 150	98 649	270 242	6 578	282	7 328 901
3	Total segments assets	6 953 150	98 649	270 242	6 578	282	7 328 901
4	Reporting segments external income	1 448 667	1 089	8 283	644	248	1 458 931
5	Capital investment	0	0	0	0	0	0
6	Credit liabilities (note 39)	1 144 820	0	0	814	543	1 146 177

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**Note 36. Reporting segments
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 36.8 Geographical segments information for 2007

(UAH, thousand)

Line	Item description	Ukraine	Europe	USA	FSU countries	Other countries	Total
1	2	3	4	5	6	7	8
1	Long-term assets, kept for sale (or retirement groups)	0	0	0	0	0	0
2	Other segments assets	5 985 248	28 476	71 568	7 612	0	6 092 904
3	Total segments assets	5 985 248	28 476	71 568	7 612	0	6 092 904
4	Reporting segments external income	1 098 131	934	931	313	46	1 100 355
5	Capital investment	0	0	0	0	0	0
6	Credit liabilities (note 39)	392 854	0	0	0	0	392 854

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Note 37. Financial risks management

Almost every direction of the activity of the bank is accompanied by risks for minimization of which "PRAVEX-BANK" JSCB has the system of assessment and control of risks; the system functions according to the internal Rules of "PRAVEX-BANK" JSCB, requirements and recommendations of NBU, external auditing companies, international rating agencies, experience of leading foreign financial institutions.

To ensure perfect risk management, to keep due level of profitability, in the bank there is Asset-Liabilities Committee (ALCO) and Limit Committee.

The main tasks of ALCO are the following:

- minimization of liquidity risk, which is ensured by means of decrease of liquidity gaps in breakdown of terms and currencies;
- regulation of disbalance of time between assets and liabilities;
- taking decisions about the change of priorities of performing active operations or setting/change of limits for active operations in breakdown of directions;
- management of profitability of active and expenses of passive operations;
- control of interests policy of the bank;
- control of implementation of strategy of currency, interests, credit and other financial risks management;
- review of current state of resource base and forecasted resource position of the bank;
- analysis of external and internal factors of influence upon the activity of the bank;
- control of raising funds by the bank, defining of the most rational forms and structure of funding with the purpose of ensuring permanent funds inflow.

Operative management of interbank risks is performed within the framework of specially created internal body – Limit Committee, which prevents appearance of negative consequences of performance of active operations on the interbank market, with the purpose of optimization of the level of profitability of these operations by means of:

- setting limits for performance of operations with the banks-counterparties;
- thorough analysis and estimation of financial standing and reputation of counterparties with the purpose of increase of volumes of agreed limits, extension of circle of operations;
- identifying reasonability of cooperation with separate existing counterparties and establishing fruitful and mutually beneficial relations with new banks.

"PRAVEX-BANK" JSCB in its activity actively uses new methods of risk management – of credit, interests, currency, operations, liquidity, strategic, reputation and capital adequacy. The main purpose of risk management is the creation of the

effective system of performing current and strategic purposes of the bank with usage of relevant methods of risk management and control, which are generated by external environment, by structure of assets and liabilities and other business-processes of the bank. Risk management is viewed at as an important part of complex management of activity of the bank. For this purpose, while performing any operation of considerable size, we investigate its influence on separate risks which arise as a result of its performance, and on all the activities of the bank as well, namely: assets and liabilities structure, financial result, profitability of the work of the bank, quality of assets, meeting requirements of NBU, experience of the world practice.

Credit risk

The bank has a credit risk, i.e. risk that one of the participants of financial instrument can not pay its obligations and as a result, another participant has financial losses.

Credit risk management and its monitoring is performed by Credit Committees of branches and of the Head Office, and Management Board of the Bank within the frames of the limit set by the Management. Before the Credit Committee takes any decision, all the recommendations as for credit processes (setting limits of the borrower, additions to the loan agreement, etc) are reviewed and approved by the Credit Committee of the branch, of the Head office and by the Management Board. Overdues of each borrower, including banks and brokers, in the future are restricted to the limits set by credit committees and by the management of the Bank. Daily risk management is performed by credit units, branch managers, core committees and Management Board of the Bank.

The Bank structures the levels of credit risk which it takes, setting limits for the amount of exposure in relation to one borrower, or to the group of borrowers, and to the segments of branches of industry. The limits for the level of credit risk regarding the borrower and product (by sector of industry, by region) are approved by the Management Board of the Bank. The limits for the level of separate borrower, including the banks and brokers, are limited by means of setting sublimits which cover balance and out-of-balance risks, and are approved by the Credit Committee and the Management Board of the Bank. Real risks for the set limits are daily monitored.

If necessary and in most cases the Bank gets securing and guarantees from legal entities and individuals.

Liabilities on issuing loans are the unused parts of credit in the form of loans, guarantees or letters of credit. Credit risk for out-of-balance financial instruments is defined as a possibility of having losses due to incapability of one of the parties keep to conditions of the contract. Regarding the credit risk on liabilities on issuing the loan, the Bank potentially may have losses at the amount equal to the total amount of unused liabilities. But, possible amount of the losses is less than total amount of unused liabilities, as most of liabilities on loan issuing depend upon the clients performing certain credit conditions. The Bank uses the same credit policy both to conditional liabilities and to balance financial instruments, i.e. policy, based on the procedures of approval of loan issuing, using the limits for minimization of risk and current. The Bank

controls the terms of repayment for credit liabilities, as far as liabilities with longer terms of repayment usually have higher degree of credit risk than those with the shorter term.

Credit risk of the Bank can fluctuate significantly and depend upon individual risks, belonging to certain assets, and upon general market.

During 2008 there were no violations of credit risk norm. As of 31.12.2008 the credit risk norm was 11,38%.

Market risk

The Bank is exposed to market risks which arise in relation to the open position of interest rates, currency and instruments of equity, which significantly depend upon general and certain market changes. Asset and Liabilities Committee sets the limits for exposure, which can be accepted by the Bank.

Currency risk

Currency risk management process is performed according to the internal regulations of "PRAVEX-BANK" JSCB.

The main method used by the Bank for currency risk management is setting limits for open FX position for each unit separately and the Stop-Loss limits for the general FX position of the Bank.

The limit for each unit means calculated quantity restriction for ratio between open FX position and regulatory capital of the Bank. The limits restrict the amount of exposure the bank may have if the rates of currency/banking metals change.

Stop-Loss limits are set to the general FX position of the Bank as an admissible amount of loss due to negative fluctuation of rates of currency/banking metals. Stop-Loss limits are calculated in breakdown of currency/banking metals on the basis of VaR methodology. If the losses of the Bank from the revaluation of FX position reach set Stop-Loss limits for one of the currency/banking metals, the Management of the Bank takes decision as for drawing FX position near close for given currency/banking metal.

With the purpose of timely actualization of limits and acceptance by Bank of weighted position as for currency risk the analysis of market situation is periodically done, and in case of significant change, proposals as for the change of valid limits over the set period are submitted to the review of Management.

With the purpose of analysis of dependence of financial result upon the change of currency rates the automated program "Financial result in the breakdown of currencies" is developed and implemented. The program performs detailed distribution of incomes and expenses of the Bank in breakdown of separate currencies (UAH, UAS, EUR, other), and also calculates the amount of profit, received by the Bank from the operation in a certain currency. As a result of usage of the program the Bank has a possibility to get information as for the effectiveness of work with separate currencies, and to plan the change of financial result from the expected change of currency rates in the future.

Table 37.1. Analysis of currency risk

(UAH, thousands)

Line	Curren cy	as of 31 December 2008 (as of the end of the day)				as of 31 December 2007 (as of the end of the day)			
		Monetary assets	Monetary liabilities	Derivat ive financi al instrum ents	Net position	Monetary assets	Monetary liabilities	Derivat ive financi al instrum ents	Net position
1	2	3	4	5	6	7	8	9	10
1	USD	3 508 969	3 473 684	0	35 285	2 289 430	2 281 419	0	8 011
2	EUR	530 945	543 930	0	(12 985)	326 836	269 236	0	57 600
3	RUR	8 718	3 720	0	4 998	7 622	4 379	0	3 243
4	Other	34 392	16 886	0	17 506	25 947	13 228	0	12 719
5	Total	4 083 024	4 038 220	0	44 804	2 649 835	2 568 262	0	81 573

Table 37.2. Change of financial result and equity as the result of possible change of exchange rates, set as of reporting date under condition that all the other variable characteristics remain fixed

(UAH, thousands)

Line	Item description	As of 01.01.2009		As of 01.01.2008	
		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 %	1 764	1 764	401	401
2	USD decrease for 5 %	(1 764)	(1 764)	(401)	(401)
3	EUR increase for 5 %	(649)	(649)	2 880	2 880
4	EUR decrease for 5 %	649	649	(2 880)	(2 880)
5	RUR increase for 5 %	250	250	162	162
6	RUR decrease for 5 %	(250)	(250)	(162)	(162)
7	Increase of other currencies for 5%	875	875	636	636

8	Decrease of other currencies for 5%	(875)	(875)	(636)	(636)
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Table 37.3. Change of financial result and equity as a result of possible changes of exchange rate which is set as an average weighted exchange rate, under the condition that all the other variable characteristics remain fixed

(UAH, thousands)					
Line	Item description	As of 01.01.2009		As of 01.01.2008	
		Impact on profit/(loss)	Impact on equity	Impact on profit/(loss)	Impact on equity
1	2	3	4	5	6
1	USD increase for 5 %	(9 941)	(9 941)	401	401
2	USD decrease for 5 %	(12 355)	(12 355)	(401)	(401)
3	EUR increase for 5 %	3 304	3 304	(1 208)	(1 208)
4	EUR decrease for 5 %	4 226	4 226	(6 579)	(6 579)
5	RUR increase for 5 %	(766)	(766)	33	33
6	RUR decrease for 5 %	(1 169)	(1 169)	(279)	(279)
7	Increase of other currencies for 5%	(4 290)	(4 290)	(842)	(842)
8	Decrease of other currencies for 5%	(5 549)	(5 549)	(1 974)	(1 974)

Interests risk

The Bank uses complex system of interests risk management which is based upon:

- forecasting the tendency of change of interest rates;
- study of dynamics of change of spread between the rates for the raised and placed funds;
- defining the size of GAP between the assets and liabilities, sensitive to the change of rates in different periods of time;
- defining assets and liabilities ration, sensitive to changes of interest rates and ratio of GAP to net assets of the Bank;
- performance of control of gaps between the assets and liabilities, sensitive to the changes of interest rates on daily basis;
- performance of control of the level of net interest margin;
- comparison of interest risk to the profit of the Bank;

- keeping the weighted interest policy of the Bank, based on forming of interest rates on credits with accounting of cost price of liabilities and rating of the borrower, risk of operation;

- monthly monitoring of interest rates for active and passive operations in accounting of market position of banks-competitors.

Analysis of gaps of average weighted interest rates is performed according to the internal form of reporting “Time line of liquidity”, which gives an opportunity to analyze the gaps in rates and terms of assets and liabilities in breakdown of currencies.

To take managerial decisions in the frames of defining lower value of banking credit and securing stable work of the Bank, each month the calculation and analysis of the rate of “break-even” is performed.

This ratio defines the minimum level of the rate of placement of interest assets, which secures coverage of expenses for raising of resources, and expenses of banking activity (conventionally – constant expenses).

Calculation of rate of “break-even” and the forecast of change of interest rates gives an opportunity to ALCO to take decisions as for the level of interest rates for credit operations, and as for increase/decrease of assets and liabilities, sensitive to the change of interest rates.

Table 37.4. General analysis of interests risk

Line	Name of item	Till called for and less than 1 month	from 1 to 6 months.	from 6 to 12 months	More than 1 year	Interest-free	Total
1	2	3	4	5	6	7	8
	2007						
1	Total financial assets	715 975	429 772	555 054	2 718 259	1 673 844	6 092 904
2	Total financial liabilities	789 486	1 218 942	1 263 624	507 783	1 610 579	5 390 414
3	Net gap as of the end of the day December 31 2007	(73 511)	(789 170)	(708 570)	2 210 476	63 265	702 490
	2008						
4	Total financial assets	84 340	240 400	312 657	5 019 284	1 672 220	7 328 901
5	Total financial liabilities	722 584	2 722 911	975 368	273 221	1 302 314	5 996 398
6	Net gap as of the end of the day December 31 2008	(638 244)	(2 482 511)	(662 711)	4 746 063	369 906	1 332 503

Sensitivity of profit and equity of the Bank to the 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.

If interest rates for financial instruments denominated in UAH for active and passive operations simultaneously increase/decrease by 100 basis points, and all the other variables remain the same, the profit/equity of the Bank will increase/decrease by UAH 4 316 thousand.

If interest rates fro financial instruments, denominated in USD for active and passive operations simultaneously increase/decrease by 100 basis points, and all the other variables remain the same, the profit/equity of the Bank will increase/decrease by UAH 2 003 thousand.

If interest rates fro financial instruments, denominated in EUR for active and passive operations simultaneously increase/decrease by 100 basis points, and all the other variables remain the same, the profit/equity of the Bank will increase/decrease by UAH 368 thousand.

Table 37.5. Monitoring of interest rates for financial instruments

(%)

Line	Item description	2008				2007			
		UAH	USD	EUR	other	UAH	USD	EUR	other
1	2	3	4	5	6	7	8	9	10
	Assets								
1	Money funds and equivalents	0	0	0	0	0	0	0	0
2	Trading debt securities	0	0	0	0	0	0	0	0
3	Other debt securities which are accounted at the fair value with acknowledgement of the result of revaluation in the financial results	0	0	0	0	0	0	0	0
4	Funds in other banks	0,09	5,17	1,02	0	6,88	3,23	5,46	0
5	Credits and indebtedness of clients	22,32	13,91	14,07	0	22,34	13,34	12,67	0
6	Debt securities in the portfolio of the bank for sales	0	0	0	0	0	0	0	0
7	Debt securities in the portfolio of the bank held to maturity	0	0	0	0	0	0	0	0
8	Other assets	0	0	0	0	0	0	0	0
9	Transfer of assets which are kept for sale to long-term assets	0	0	0	0	0	0	0	0
	Liabilities	0	0	0	0	0	0	0	0
10	Due to the banks	35,00	5,88	7,25	0	2,36	7,31	0	0

11	Due to the clients:								
11.1	Currents accounts	3,14	1,53	1,28	0	1,48	1,57	1,90	0
11.2	Term funds	16,81	11,51	10,08	0	14,43	10,56	8,52	0
12	Debt securities, issued by the bank	15,43	0	0	0	12,87	0	0	0
13	Other raised funds	0	9,80	0	0	0	11,24	0	0
14	Other liabilities	0	0	0	0	0	0	0	0
15	Subordinated debt	0	7,03	0	0	0	1,00	0	0
16	Liabilities related to long-term assets which are kept for sale (or by groups of retirement)	0	0	0	0	0	0	0	0

Price risk

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

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

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

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

Geographic Risk

Geographic risk is determined by specific features of some peculiar administrative or geographic region that is characterized by conditions different from average ones for the country on the 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 within regions is given in tables 37.6, 37.7.

Table 37.6. Analysis of geographic concentration of financial assets and liabilities for 2008
(UAH, thousands)

Line	Item description	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Money means and their equivalents	464 702	310 873	2 945	778 520
2	Trade securities	0	0	0	0
3	Other financial assets that are accounted by fair value with recognition of the revaluation result in financial statement.	0	0	0	0
4	Money means in other Banks	48 931	770	0	49 701
5	Loans and debts of clients	5 689 554	57 248	3 915	5 750 717
6	Securities in Bank's portfolio for sale.	58	0	0	58
7	Securities in Bank's portfolio until full repayment	0	0	0	0
8	Other financial assets	106 701	0	0	106 701
9	Financial assets aggregated	6 309 946	368 891	6 860	6 685 697
10	Non-financial assets	643 204	0	0	643 204
11	Assets aggregated	6 953 150	368 891	6 860	7 328 901
	Liabilities				
12	Money means of the banks	149 281	1 545 374	6	1 694 661
13	Money means of clients	3 760 529	10 267	33 209	3 804 005
14	Debt securities issued by the Bank	20 659	0	1 489	22 148
15	Other attracted means	0	35 058	0	35 058
16	Other financial liabilities	130 345	55 769	2	186 116
17	Subordinated debt	0	0	113 418	113 418
18	Financial liabilities aggregated	4 060 814	1 646 468	148 124	5 855 406
19	Non-financial liabilities	140 992	0	0	140 992
20	Liabilities aggregated	4 201 806	1 646 468	148 124	5 996 398
21	Net balance sheet item	2 751 344	(1 277 577)	(141 264)	1 332 503
22	Credit liabilities	1 144 820	814	543	1 146 177

Table 37.7. Analysis of geographic concentration of financial assets and liabilities for 2007

(UAH, thousands)

Line	Item description	Ukraine	OECD	Other countries	Total
1	2	3	4	5	6
	Assets				
1	Money means and their equivalents	856 504	89 023	4 694	950 221
2	Trade securities	0	0	0	0
3	Other financial assets that are accounted by fair value with recognition of the revaluation result in financial statement.	0	0	0	0
4	Money means in other Banks	563 245	5 622	0	568 867
5	Loans and debts of clients	3 855 380	5 399	2 918	3 863 697
6	Securities in Bank's portfolio for sale.	58	0	0	58
7	Securities in Bank's portfolio until full repayment	0	0	0	0
8	Other financial assets	160 610	0	0	160 610
9	Financial assets aggregated	5 435 797	100 044	7 612	5 543 453
10	Non-financial assets	549 451	0	0	549 451
11	Assets aggregated	5 985 248	100 044	7 612	6 092 904
	Liabilities				
12	Money means of the banks	1 048 432	0	6	1 048 438
13	Money means of clients	3 616 954	6 835	9 224	3 633 013
14	Debt securities issued by the Bank	148 891	0	11 649	160 540
15	Other attracted means	3 690	151 500	0	155 190
16	Other financial liabilities	232 197	28	1	232 226
17	Subordinated debt		0	78 048	78 048
18	Financial liabilities aggregated	5 050 164	158 363	98 928	5 307 455
19	Non-financial liabilities	82 959	0	0	82 959
20	Liabilities aggregated	5 133 123	158 363	98 928	5 390 414
21	Net balance sheet item	852 125	(58 319)	(91 316)	702 490
22	Credit liabilities	392 854	0	0	392 854

Liquidity risk

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

For effective management of funding base, calculation of minimum balance (limit) of the Bank for demand accounts is performed and also a limit is set for minimum amount of high-liquidity assets aimed at steady Bank’s activities.

To manage instant liquidity, an analysis of all money flows is performed in on-line mode, and planned mandatory reserve and correspondent account for the end of the day are performed by means of automated system “Payment Calendar” (Payment Schedule). This permits to get confidence that all the liabilities will be fulfilled.

Analysis of short-term and long-term liquidity is performed with help of the model GAP – “Liquidity time series”. Based on the model, analysis of concentration of short-term and long-term active and passive operations is performed, which gives the possibility to analyze gaps of interest rates and terms with the breakdown into currencies.

Planning of long-term liquidity is performed by forming assets and liabilities forecasts based on the forecast model GAP.

To manage liquidity and solvency in crisis (stressful) conditions, stress-testing for a case of liquidity loss is held in the Bank.

For stress-testing the following scenarios are simulated in the Bank:

- outflow of demand money means beyond the set limits;
- outflow of deposit means of the set amount in case limits are closed for inter-bank credit;
- outflow of major creditors of the Bank, etc.

Results of stress-testing are used for “Crash plan in case of liquidity loss” which comes into effect under crisis situations. Liquidity risk monitoring is performed periodically depending on crisis condition, but at least once per month.

Table 37.8. „Analysis of financial liabilities with full-repayment terms for 2008”

(UAH, thousands)							
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	Money means in other banks	152 653	52 360	0	1 545 374	0	1 750 387
2	Clients means	1 391 669	578 570	1 568 444	265 321	0	3 804 004
2.1	Individuals	978 671	565 812	1 544 386	264 835	0	3 353 704
2.2	Other	412 998	12 758	24 058	486	0	450 300

3	Debt securities issued by the Bank	1	0	0	22 147	0	22 148
4	Other attracted money means	0	0	35 058	0	0	35 058
5	Subordinated debt	4 848	0	0	0	108 570	113 418
6	Other financial liabilities	145 254	1 299	1 448	31 136	89 307	268 444
7	Delivery/Forward Contracts, aggregated amount	0	0	0	0	0	0
8	Delivery/Forward Contracts, net amount	0	0	0	0	0	0
9	Financial guarantees	60 898	1 628	1 086	0	0	63 612
10	Other credit liabilities	0	0	0	0	0	0
11	Total potential future payments according to financial liabilities	1 755 323	633 857	1 606 036	1 863 978	197 877	6 057 071

Table 37.9 Analysis of financial liabilities with full repayment terms for 2007

(UAH, thousands)

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	Money means in other banks	938 830	59 108	50 500	0	0	1 048 438
2	Clients' means	1 057 732	470 110	1 834 348	270 822	0	3 633 012
2.1	Individuals	710 205	468 202	1 693 861	254 557	0	3 126 825
2.2	Other	347 527	1 908	140 487	16 265		506 187
3	Debt securities issued by the Bank	1	0	0	160 539	0	160 540
4	Other attracted money means	0	0	155 190	0	0	155 190
5	Subordinated debt	6 843	0	0	0	71 205	78 048
6	Other financial liabilities	311 905	303	660	38	0	312 906

7	Delivery/Forward Contracts, aggregated amount	0	0	0	0	0	0
8	Delivery/Forward Contracts, net amount	0	0	0	0	0	0
9	Financial guarantees	12 494	742	255	0	0	13 491
10	Other credit liabilities	0	0	0	0	0	0
11	Total potential future payments according to financial liabilities	2 327 805	530 263	2 040 953	431 399	71 205	5 401 625

Table 37.10. Analysis of financial assets and liabilities within full repayment terms based on expected full repayment terms for 2008

(UAH, thousands)

Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
	Assets						
1	Money means and their equivalents	468 352	0	49	0	0	468 401
2	Trade securities	0	0	0	0	0	
3	Other financial assets that are accounted by fair value with recognition of the revaluation result in financial statement.	0	0	0	0	0	0
4	Money means in other banks	316 812	61 271	0	0	0	378 083
5	Loans and debts of clients	40 861	101 963	634 505	2 417 201	2 479 634	5 674 164
6	Securities in Bank's portfolio for sale	58	0	0	0	0	58

7	Securities in Bank's portfolio until full repayment	0	0	0	0	0	0
8	Other financial assets	139 086	30	94	113 494	481 246	733 950
9	Aggregated financial assets	965 169	163 264	634 648	2 530 695	2 960 880	7 254 656
	Liabilities						
10	Money means in other banks	152 653	52 360	0	1 545 374	0	1 750 387
11	Clients' means	1 428 028	577 266	1 560 168	238 542	0	3 804 004
12	Debt securities issued by the Bank	1	0	0	22 147	0	22 148
13	Other attracted means	0	0	35 058	0	0	35 058
14	Other financial liabilities	145 254	1 299	1 448	31 136	89 307	268 444
15	Subordinated debt	4 848	0	0	0	108 570	113 418
16	Aggregated financial liabilities	1 730 784	630 925	1 596 674	1 837 199	197 877	5 993 459
17	Net liquidity gap as of December 31, end of day.	(765 615)	(467 661)	(962 026)	693 496	2 763 003	1 261 197
18	Aggregated liquidity gap as of December 31, end of day	(765 615)	(1 233 276)	(2 195 302)	(1 501 806)	1 261 197	

Table 37.11. Analysis of financial assets and liabilities within full repayment terms based on expected full repayment terms as of December 31, 2007, end of day

(UAH, thousands)							
Line	Item description	On demand and less than 1 month	1 to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Total
1	2	3	4	5	6	7	8
	Assets						
1	Money means and their equivalents	447 124	0	0	0	0	447 124
2	Trade securities	0	0	0	0	0	0
3	Other financial assets that are accounted by fair value with recognition of the revaluation result in financial statement.	0	0	0	0	0	0
4	Money means in other banks	1 016 193	22 349	51 005	0	0	1 089 547
5	Loans and debts of clients	82 088	104 879	830 321	1 538 511	1 347 589	3 903 388
6	Securities in Bank's portfolio for sale	58	0	0	0	0	58
7	Securities in Bank's portfolio until full repayment	0	0	0	0	0	0
8	Other financial assets	186 325	1 262	209	102 715	400 526	691 037
9	Aggregated financial assets	1 731 788	128 490	881 535	1 641 226	1 748 115	6 131 154
	Liabilities						
10	Money means in other banks	938 830	59 108	50 500	0	0	1 048 438
11	Clients' means	1 097 064	503 839	1 817 886	214 223	0	3 633 012
12	Debt securities issued by the Bank	1	0	0	160 539	0	160 540
13	Other attracted means	0	0	155 190	0	0	155 190
14	Other financial liabilities	311 905	303	660	38	0	312 906
15	Subordinated debt	6 843	0	0	0	71 205	78 048
16	Aggregated financial liabilities	2 354 643	563 250	2 024 236	374 800	71 205	5 388 134
17	Net liquidity gap as of December 31, end of day.	(622 855)	(434 760)	(1 142 701)	1 266 426	1 676 910	743 020
18	Aggregated liquidity gap as of December 31, end of day	(622 855)	(1 057 615)	(2 200 316)	(933 890)	743 020	

Note 38. Capital management
as of December 31 2008 (at the end of the day)
JSCB “PRAVEX-BANK” Kyiv

Shareholders of the bank pay sufficient attention to increase of capital particularly to increase of authorized capital as the main element of capital.

Capital of the bank is formed with the purpose of:

- Highly remunerative usage of own funds;
- Covering of all possible types of risks taken by the bank;
- Optimization of assets and liabilities structure on terms of funds acquisition and allocation.

Registered authorized capital of the bank was increased by total amount of UAH 620 million during 2008.

As of 31.12.2008 the authorized capital of the bank amounts to UAH 991 499 139.00 (nine hundred ninety one million four hundred ninety nine thousand and one hundred thirty nine).

Italian group Intesa Sanpaolo S.p.A after obtaining of all the necessary permissions completed agreement on purchase of 100% of JSCB “PRAVEX-BANK” authorized capital in June 2008.

The bank observed standards of capital adequacy during 2008 and for 31.12.2008 standard of regulatory capital adequacy and standard of ratio of regulatory capital to total assets amounted to 17.69 % and 17.67 % respectively which demonstrates capability of the bank to promptly and completely settle up on its liabilities.

Table 38.1. “Structure of regulatory capital”

(UAH thousand)			
Line	Item’s title	2008	2007
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
	Fixed capital	949 828	375 265
1	Authorized capital	991 499	371 499
2	Issuing difference	672	672
3	Total provisions according to the Ukrainian legislation	15 958	14 059
4	Nonformed provisions under active operations	0	0
5	Intangible assets	(13 436)	(15 046)
6	Depreciation of intangible assets	6 867	5 060
7	Capital investments into intangible assets	(1 164)	(979)
8	Accounting loss Rpr/z	(50 568)	0
	Additional capital	350 293	280 821
9	Provisions under standard indebtedness	22 975	13 766
10	Surplus earnings of the previous years	111 907	74 229
11	Profit/loss for reporting year which awaits for approval	(37 192)	37 973
12	Result of fixed assets reassessment	141 491	95 332
13	Subordinated debt	73 920	71 205

14	Profit of payments Rpr/z	0	26 289
	Prevention	0	0
15	Operations with insiders	1 012	92
16	Correction amount 5999	13 376	11 684
	Total of regulatory capital	1 299 109	655 994

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**Note 39. Potential liabilities of the Bank
as of 31st of December 2008 (as of the end of the day)
JSCB “PRAVEX-BANK” Kyiv**

a) Hearing of cases in the court.

As of 31st of December 2008 in Administrative Courts and Courts of General Jurisdiction, such disputes take place, according to which JSCB “PRAVEX-BANK” might have following liabilities in favor of:

- Specialized State Tax Inspection on work with big tax payers in Kyiv in amount of UAH 446 thousand;
- Specialized State Tax Inspection on work with big tax payers in Zaporizhzhya in amount of UAH 30 thousand;
- Specialized State Tax Inspection on work with big tax payers in Kharkiv in amount of UAH 223 thousand;
- Specialized State Tax Inspection on work with big tax payers in Odessa region in amount of UAH 20 thousand;
- State Tax Inspection in Poltava in amount of UAH 6 thousand;
- Dobrovelychkivska Interdistrict State Tax Inspection in Kyrovograd region in amount of UAH 1 thousand;
- Administration of Pension Fund in Zarichnyy district, Sumy in amount of UAH 53 thousand;
- Administration of Pension Fund in Irshavskyy district, Zakarptya region in amount of UAH 14 thousand;
- Mykhaylo Oleksiyovych Gavrylyuk in amount of UAH 58 thousand;;
- Iryna Leonidivna Kravchuk in amount of UAH 2 thousand;
- Sergiy Stanyslavovych Yavorskiy in amount of UAH 9 thousand.

b) the possibility of appearance of potential tax liabilities.

As of 31.12.2008, the Bank has risks regarding the appearance of tax liabilities in consequence of hearing the court cases connected with appeal against the results of checks of tax bodies in general amount of UAH 726 thousand:

- Income tax	UAH 203 thousand
Penalty	UAH 160 thousand
- VAT	UAH 55 thousand
Penalty	UAH 28 thousand
- Individual's Income Tax	UAH 91 thousand
Penalty	UAH 182 thousand
- Land tax	UAH 6 thousand
- Municipal tax	UAH 1 thousand

Bank considers, that the significant amount of appealed taxation liabilities will be rejected in consequence of resolution of the law cases to the favor of the Bank.

c) liabilities of investments.

As of 31st of December 2008 (as of the end of the day) according to the concluded agreements, JSCB “PRAVEX-BANK” had liabilities connected with purchase of the capital assets for the amount of UAH 272 thousand.

d) Liabilities, that are connected to the crediting

Table 39.2. Structure of liabilities, which are connected with the crediting

(UAH, thousands)

Line	Item description	Notes	2008	2007
1	2	3	4	5
1	Irrevocable credit commitments		0	0
2	Non0used the revocable commitments according to credit lines		1 023 580	379 702
3	Export letters of credit		1 588	169
4	Import letters of credit		57 397	0
5	Guarantees issued		63 612	12 983
6	Provision according to liabilities, that are connected to the crediting		(1 419)	(235)
7	Total liabilities, that are connected with the crediting minus provisions		1 144 758	392 619

As of 31st of December 2008 (as of the end of the day) JSCB “PRAVEX-BANK” does not have unforeseen liabilities.

e) assets, provided as a collateral, and assets in collateral, regarding which, the limits, connected with owning, using and managing are foreseen.

Table 39.3. Assets, provided as a collateral

(UAH, thousands)

Line	Item description	Notes	2008		2007	
			Assets, provided as a collateral	Secured liabilities	Assets, provided as a collateral	Secured liabilities
1	2	3	4	5	6	7
1	Tradable securities	5, 18	0	0	0	0
2	Securities in the Bank's portfolio for sale	9, 18	0	0	0	0
3	Securities in the Bank's portfolio held till maturity	10, 18	0	0	0	0
4	Investment real estate	12, 18	0	0	0	0
5	Capital assets	14, 18	0	0	0	0
6	Interbank credits, deposits		61 192	62 190	573 303	599 488
	Total		61 192	62 190	573 303	599 488

According to the concluded agreements regarding the interbank credits and deposits, the following limitations exist, connected with owning, using and managing them:

Not to perform the activity, which cause (directly or indirectly) the decrease of collateral size.

Not to perform the activity, connected to the change of ownership for the pledged property rights, and also activity, connected with transfer of the mentioned rights to the third persons.

Not to perform concession of the pledged right to other persons, except the pledgee.

Not to perform the activity, which lead to the stopping of pledged right or decrease of its cost.

To perform the means, which are necessary to protect the pledged right from the inroad of other persons.

Not to perform the further collaterals and concessions of the pledged property rights.

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**Note 40. Hedge accounting
as of 31 December 2008 (as of the end of the day)
JSCB “PRAVEX-BANK”**

The risks taken by the Bank, which performs its activity on the market of banking products in global financial crisis environment, increase in many times. In conditions of economic instability the probability to obtain insufficient profit and incur losses is extremely high. That is why the performance of risks hedging acquires a special actuality today.

The notion of «risk» represents the probability of any disadvantageous events or consequences happening which results in direct losses or indirect damages. At the same time most substantial types of risks are credit, investment, foreign exchange risks which can lead not only to serious worsening of financial situation, but also to substantial capital losses.

Hedging is the most effective method of risks minimization. It can be defined as totality of measures and actions aimed to risks elimination or risks maintaining at acceptable level and profit obtaining. Hedging is a system of economic relations of financial markets participants related to credit and price risks decrease and are reached due to simultaneousness and opposite direction of commercial agreements on term market and real commodity market. Hedging instruments are term market instruments (derivatives) and namely these are forward contracts, options and futures contracts.

Hedging it is a multidimensional measure with regard to its content. This fact permits to use most effectively all existing instruments and its types depending on goals, terms and needs. As to the technique of application, hedging can be short and long. Short hedging this is the sale of term contracts, long hedging it is the purchase of term contracts.

Accounting hedging effects of financial instruments are regulated by

IAS 21: “Impact of foreign exchange changes”;

IAS 23: “Loan costs”;

IAS 30: “Disclosure of information in banks’ financial statements and similar financial institutions”;

IAS 32: “Financial instruments – disclosure and provision of information”;

IAS 39: “Financial instruments — recognition and assessment”;

As of December 31, 2008, and also during the year the derivative agreements were not concluded, hedging of operations was not performed. Accounting policy on these operations was not elaborated.

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**Note 41. Fair value of financial instruments
as of 31 December 2008 (as of the end of the day)
JSCB “PRAVEX - BANK”**

A 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.

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

Financial assets and liabilities in JSCB “Pravex-Bank” financial statement as of 31.12.2008, are reflected at fair value. 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 securities in bank’s portfolio for sale, they are recorded at historic value, according to requirements of “Instructions for accounting operations with securities in Ukrainian banks», approved by Decree of the NBU Management Board, dd. 3 October 2005 N 358.

Indebtedness of other banks. As of 31 December 2008 the fair value of other banks’ indebtedness does not differ from its book value. It is mostly because of existing practice of interest rates revision to reflect current market conditions, respectively, most part of amounts is granted under interest rates, equal to market interest rates.

Loans and indebtedness of the clients are reflected net provision 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 an amount, payable on demand. Fair value of deposits with fixed interest rate and other raised funds was calculated based on analysis of market rates, existing for analogous financial instruments with similar maturity date.

Fixed assets. Aiming to reflect fixed assets at fair value as of 31.12.2008, the revaluation of fixed assets was fulfilled. For determining fair value of fixed assets an independent expert was involved.

Fair value of financial assets and liabilities, compared to relevant amounts of book value, is reflected in JSCB “PRAVEX-BANK” balance sheet in the following way:

Item description	2008		2007	
	Book value	Fair value	Book value	Fair value
Cash and cash equivalents	778 520	778 520	950 221	950 221
Funds in other banks	49 701	49 701	568 867	568 867
Loans and indebtedness of the customers	5 750 717	5 750 717	3 863 697	3 863 697
Securities in bank’s portfolio for sale	58	58	58	58
Fixed and intangible assets	583 094	583 094	503 241	503 241
Banks’ funds	1 694 661	1 694 661	1 048 438	1 048 438

Customers' funds	3 804 005	3 804 005	3 633 013	3 633 013
Debt securities, issued by the Bank	22 148	22 148	160 540	160 540
Other raised funds	35 058	35 058	155 190	155 190
Subordinated debt	113 418	113 418	78 048	78 048

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

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Note 42. Operations with related parties
as of 31 Decembe 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 42.1. "Balances under operations with related parties as of the end of the day of 31 December 2008

(UAH, thousand)							
Line	Item description	Parent Company	The biggest participants (shareholders) of the bank	Subsidiary Companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Commercial securities	0	0	0	0	0	0
2	Other financial assets registered under fair value with acknowledgement of the revaluation result in financial results	0	0	0	0	0	0
3	Funds with other banks	0	66 845	0	0	0	0
4	Credits and indebtedness of clients	0	0	0	3 743	0	4 717
5	Provision under credit debt	0	1 337	0	15	0	27
6	Securities in bank's portfolio for sale	0	0	0	0	0	0
7	Securities in bank's portfolio held till maturity	0	0	0	0	0	0
8	Investments into associated companies	0	0	0	0	0	0
9	Other assets	0	0	0	0	0	0
10	Long0term assets for sale and assets of retirement group	0	0	0	0	0	0
11	Banks' funds	0	55 726	0	0	0	0
12	Clients' funds	0	0	0	3 578	0	2 193
13	Debt securities issued by the bank	0	0	0	0	0	0
14	Other raised funds	0	1 545 374	0	0	0	0
15	Liability reserves	0	0	0	0	0	0
16	Other liabilities	0	0	0	0	0	0

17	Subordinate loan	0	0	0	0	0	0
18	Liabilities related with long-term assets determined for sale (or retirement groups)	0	0	0	0	0	0

Itemization of item 14 «Other raised funds»

Invoice	Item name	balance
1624	attracted loan	1 540 000
1628	accrued interest under attracted loan	5 374

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**Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 42.2. "Income and loss under operations with related parties for 2008

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholders) of the bank	Subsidiary Companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Interest income	0	50	0	410	0	1 236
2	Interest cost	0	32 164	0	1 722	0	5 274
3	Provisions under credit indebtedness	0	0	0	9	0	(33)
4	Dividends	0	0	0	0	0	0
5	Results from commercial operations with securities in bank's trade portfolio	0	0	0	0	0	0
6	Results from revaluation of other securities registered under fair value with acknowledgement of the revaluation result in financial results	0	0	0	0	0	0
7	Result from foreign exchange trade	0	0	0	5 251	0	5 375
8	Results from foreign exchange revaluation	0	0	0	461	0	825
9	Commission income	0	1 130	0	82	0	109
10	Commission expenses	0	13	0	0	0	1
11	Profit/(loss), occurred during primary acknowledgment of financial assets with interest rate higher or lower than market one	0	0	0	0	0	0

12	Profit/(loss) occurred during primary acknowledgement of financial liabilities with interest rate higher or lower than market one	0	0	0	0	0	0
13	Securities depreciation in bank's portfolio for sale	0	0	0	0	0	0
14	Securities depreciation in bank's portfolio held to maturity	0	0	0	0	0	0
15	Liability reserves	0	0	0	0	0	0
16	Other operating income	0	34	0	0	0	10
17	Income/(expenses) from advanced repayment of indebtedness	0	0	0	0	0	0
18	Administrative and other operating expenses	0	2 733	0	0	0	5 724
19	Income share of associated companies	0	0	0	0	0	0

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Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 42.3. "Other rights and obligations under operations with related parties as of the end of the day of 31 December 2008

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Guaranties issued	0	0	0	0	0	0
2	Guaranties received	0	0	0	0	0	0
3	Import letter of credit	0	0	0	0	0	0
4	Export letter of credit	0	0	0	0	0	0
5	Other liabilities (unused credit liabilities)	0	0	0	0	0	414
6	Other potential liabilities	0	0	0	0	0	0

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**Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 42.4. Credits issued to related parties and repaid by related parties during 2008

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Credit amount provided to related parties during 2008	0	0	0	4029	0	5510
2	Amount of credits repaid by related parties during 2008	0	0	0	1173	0	10608

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Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 42.5 Balances under operations with related parties as of the end of the day of 31 December 2007

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Commercial securities	0	0	0	0	0	0
2	Other financial assets registered by fair value with acknowledgement of revaluation result in financial results	0	0	0	0	0	0
3	Funds with other banks	0	0	0	0	0	0
4	Credits and indebtedness of clients	0	0	0	882	0	9 812
5	Provision under credit indebtedness	0	0	0	6	0	60
6	Securities in bank's portfolio for sale	0	0	0	0	0	0
7	Securities in bank's portfolio held-to-maturity	0	0	0	0	0	0
8	Investments into associated companies	0	0	0	0	0	0
9	Other assets	0	0	0	0	0	0
10	Long-term assets for sale and assets of retirement group	0	0	0	0	0	0
11	Banks' funds	0	0	0	0	0	0

12	Clients' funds	0	117 533	0	31 610	0	93 616
13	Debt securities issued by the bank	0	0	0	0	0	0
14	Other raised funds	0	0	0	0	0	0
15	Liability reserves	0	0	0	0	0	0
16	Other liabilities	0	0	0	0	0	0
17	Subordinate loan	0	0	0	0	0	0
18	Liabilities related with long-term assets determined for sale (or retirement groups)	0	0	0	0	0	0

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**Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv**

Table 42.6 Income and expenses under operations with related parties for 2007

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Interest income	0	33	0	56	0	750
2	Interest cost	0	7 444	0	2 087	0	60 808
3	Provisions under credit indebtedness	0	0	0	6	0	48
4	Dividends	0	0	0	0	0	0
5	Results from commercial operations with securities in bank's trade portfolio	0	0	0	0	0	0
6	Results from revaluation of other securities registered under fair value with acknowledgement of the revaluation result in financial results	0	0	0	0	0	0
7	Result from foreign exchange trade	0	1 200	0	0	0	0
8	Results from foreign exchange revaluation	0	0	0	0	0	0
9	Commission income	0	121	0	50	0	79
10	Commission expenses	0	10	0	0	0	1
11	Profit/(loss), occurred during primary acknowledgment of financial assets with interest rate higher or lower than market one	0	0	0	0	0	0

12	Profit/(loss) occurred during primary acknowledgement of financial liabilities with interest rate higher or lower than market one	0	0	0	0	0	0
13	Securities depreciation in bank's portfolio for sale	0	0	0	0	0	0
14	Securities depreciation in bank's portfolio held to maturity	0	0	0	0	0	0
15	Liability reserves	0	0	0	0	0	0
16	Other operating income	0	68	0	0	0	16
17	Income/(expenses) from advanced repayment of indebtedness	0	0	0	0	0	0
18	Administrative and other operating expenses	0	5 360	0	0	0	10 833
19	Income share of associated companies	0	0	0	0	0	0

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Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 42.7 Other rights and obligations under operations with related parties as of the end of the day of 31 December 2007

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Guaranties issued	0	0	0	0	0	0
2	Guaranties received	0	0	0	0	0	0
3	Import letter of credit	0	0	0	0	0	0
4	Export letter of credit	0	0	0	0	0	0
5	Other liabilities (unused credit liabilities)	0	0	0	0	0	843
6	Other potential liabilities	0	0	0	0	0	0

Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX-BANK" Kyiv

Table 42.8 "Credits provided to related parties and repaid by related parties during 2007"

(UAH, thousand)

Line	Item description	Parent Company	The biggest participants (shareholder) of the bank	Subsidiary companies	Leading management personnel	Associated companies	Other related parties
1	2	3	4	5	6	7	8
1	Credit amount provided to related parties during 2007	0	0	0	859	0	14 910
2	Amount of credits repaid by related parties during 2007	0	0	0	51	0	6 471

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Note 42. Operations with related parties
as of 31 December 2008 (as of the end of the day)
JSCB "PRAVEX0BANK" Kyiv

Table 42.9. Payments to leading management personnel

(UAH, thousand)

Line	Item description	2008		2007	
		expenses	accrued liability	expenses	accrued liability
1	2	3	4	5	6
1	Current payments to employees	41 206	0	66 802	0
2	Payments after labor activity termination	0	0	0	0
3	Other long-term payments to employees	0	0	0	0
4	Payments while dismissing	1 224	0	0	0
5	Payments with instruments of bank's equity capital	0	0	0	0

Parent Bank and principal owner of JSCB "PRAVEX0BANK" is INTESA SANPAOLO S.P.A.

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**Note 45. Events after the Balance Sheet Date
as of 31 December 2007 (as of the end of the day)
JSCB “PRAVEX - BANK”**

Events occurring after 31.12.2008 did not cause a necessity to make amendments in the financial statement.

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**Note 46. Information about auditor (audit firm) and auditor's opinion
as of 31 December 2007 (as of the end of the day)
JSCB "PRAVEX -BANK"**

According to Agreement № 968 dd. 21.11.2008, financial statement audit was implemented as of 31.12.2008 by "Ernst and Young Audit Services" Ltd. The certificate of registration in the Register of audit firms, which solely render audit services № 3516. "Ernst and Young Audit Services" Ltd. is included in the Register of audit firms and auditors, who solely render audit services, by decision of Audit Chamber, dd. 27 January 2005 №. 144/6. The certificate of the banks' auditor № 0096, granted to Deryglazova T.L., according to Ukrainian Law "About Audit activity" and by decision of Audit Chamber of Ukraine, dd. 31.01.2008 №186/1.

Auditor's opinion, prepared by "Ernst and Young Audit Services" Ltd. shows that JSCB "PRAVEX0BANK" financial statement trustworthy reflects the Bank's financial position in all essential aspects, as of the end of 31 December 2008, as well as its financial results and cash flow for the previous year as of the stated date, in accordance with requirements of the National Accounting Principles (standards).

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