

INFORMATION DISCLOSURE

AS "PrivatBank" (hereinafter referred to as "the Bank") is a joint stock company established in the Republic of Latvia, which received a banking licence on 31 July 1992 (reregistered on 17 September 1998).

The statement on information disclosure includes information on the bank and its subsidiaries (jointly referred to as "the Group") for the year ended 31 December 2009.

The bank has the following subsidiaries:

Name	Country of registration	Type of activities
SIA „PrivatLizings”	Latvia	Financial and operating lease
SIA „PrivatConsultings”	Latvia	Consulting and tourism services
SIA „AmberReal”	Latvia	Real estate transactions

Subsidiaries are companies controlled by the Bank. Control exists if the Bank directly or indirectly influences the company's financial and business policy aimed at gaining benefit from the activities of this company.

Group equity capital

Equity capital elements, total tier 1 and tier 2 capital as of 31 December 2009:

	Group (‘000 LVL)
Tier 1 capital	
Equity	20 235
Other provisions	3 793
Undistributed profit	(15 137)
Non-material assets	(142)
Total tier 1 capital	8 749
Tier 2 capital	
Subordinated capital	6 357
Allowances	(1 982)
Total tier 2 capital	4 375
Equity capital	13 124

Compliance with minimum capital requirements

The Bank ensures equity capital in the amount exceeding or equal to the following total capital requirements amount:

- capital requirement for credit risk;
- capital requirement for foreign currency risk and capital requirement for commodity risk;
- capital requirement for debt securities and capital securities position risk, and capital requirement for settlement risk and business partner risk in trading portfolio risk transactions;
- capital requirement for operational risk.

The minimum capital requirement for credit risk is calculated as 8 percent of the total risk weighted value of risk transactions. The Bank uses a standardized approach described in the FCMC Regulations for Calculating Minimum Capital Requirements (hereinafter referred to as “the MKPA”) for calculating the risk weighed value of risk transactions. When calculating the risk weighed value of risk transactions, the value of risk transactions is determined by dividing risk transactions into categories, based on which the risk level to be applied to risk transactions is determined, and the risk weighted value of risk transactions is calculated in accordance with the certain risk level.

The Bank uses three ECAIs (External Credit Assessment Institutions) for assessing credit risk: Standard&Poor's Ratings Services, Moody's Investors Service Ltd and FitchRatings.

Capital adequacy calculation summary as of 31.12.2009.

Total capital requirements for credit risk	
Categories of risk transactions	Capital requirement (LVL '000)
Central governments or central banks	0,00
Institutions	1,284.91
Commercial companies	2,971.85
Secured with real estate	1,274.88
Overdue risk transactions	3,264.76
Other items	400.21

The bank calculates the capital requirement for market risks using the standardized approach described in the MKPA.

Capital requirement for market risks	LVL '000
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Capital requirement for foreign currency risk	44.02
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The Bank calculates the capital requirement for operational risk using the basic indicator approach described in the MKPA:

Capital requirement for operational risk (LVL '000)	1,264.40
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Total capital requirements (LVL '000) – 10 505.03.

Capital adequacy indicator (%) – 9.99.

Internal capital adequacy assessment

In the internal capital adequacy assessment process the Bank calculates the capital amount required to cover the risks for which minimum regulatory capital requirements are established (credit risk, market risks and operational risk) and the risks for which no minimum regulatory capital requirements are established but which are considered substantial by the Bank:

- state risk,
- interest rate risk in the non-commercial portfolio,
- liquidity risk,
- concentration risk,
- risk of money-laundering and terrorist financing,
- reputation risk, and
- strategic and business risk.

The Bank determines the capital amount required to cover the credit risk, market risks and operational risk, additionally estimating whether compliance with the minimum regulatory capital requirements for the aforementioned risks calculated using the approaches chosen by the Bank ensure sufficient capital amount to cover these risks.

The Bank determines the amount of capital required to cover all these risks by estimating the amount of losses related to these risks. The total capital amount required is defined by estimating and summing up the capital amounts required to cover each risk and capital provision.

Capital amount required to cover risks as of 31.12.2009.

Name of risk	Capital requirement (LVL'000)
Credit risk and business partner credit risk	9,439.09
Market risks	311.84
Operational risk	1,264.40
Interest rate risk in non-commercial portfolio	517.71

State risk	296.00
Liquidity risk	0,00
Concentration risk	1,098.82
Risk of money-laundering and terrorist financing	1,292.46
Strategic and business risk	53.96
Capital provision	80.94
Total capital requirements	1,079.20

In order to ensure and maintain the sufficient capital adequacy of the consolidation group AS “PrivatBank” decided to raise additional capital. The additional capital raising will be completed in the beginning of May 2010.