

March 2, 2010

Current price: UAH 8.45/USD 1.06
1M Target: UAH 9.50/USD 1.18
12M Target: UAH 11.55/USD 1.44
Speculative BUY
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Bank Forum's March 4 EGM agenda was updated in February to include items on removing Leonid Yurushev from the supervisory board and enlarging the size of the proposed charter fund increase. We believe these changes confirm expectations of passage of the equity injection, which we see as a short-term trigger.

Tickers

Bloomberg FORM UK

Market information*

Market price, USD	1.06
MCap, USD mln	239
52Wk Hi/Lo, USD	1.78/0.30
No of shares, mln	226
Free float	10.7%
Free float, USD mln	25.5

* Prices as of March 01

Shareholders

Commerzbank AG	63.0%
Leonid Yurushev	26.3%
Other	10.7%

Key financials, IFRS, USD mln

	2008	2009E
Assets	2,423	2,148
Book value	261	125
Net income	(70)	(126)

Key ratios, IFRS, USD mln

	2008	2009
CAR (NBU)	10.0%	16.7%
Loans/Deposits	270%	231%
Int. rate margin	6.8%	5.5%
Cost/Income	70%	70%

Amended EGM agenda indicates charter fund passage likely

Last week we received details on changes to Bank Forum's March 4 EGM agenda made on February 12. The most important amendments that are due to go up for vote were:

1. Removal of Leonid Yurushev from the bank's board. Yurushev currently holds ~26% of the bank.
2. A second proposal to increase the bank's charter fund, by UAH 2.4 bln (2.1x). The agenda already included consideration of a UAH 1.1 bln (50%) injection.

We believe the amendments confirm our expectations that the charter fund increase will go ahead in the near future. On top of that, we believe the news of a potential 2.1x charter fund increase is new to the market. If this larger increase is approved, Forum's stock price could go up more than we predicted before.

Charter fund increase 12M FORM target price

	(USD) / upside
UAH 1.1 bln (50%)	1.44 / 36.7%
UAH 2.4 bln (2.1x)	1.66 / 56.7%

The scheduling, in late January, of an additional EGM on March 18 (with the same agenda) indicates a delay in the approving these measures is possible.

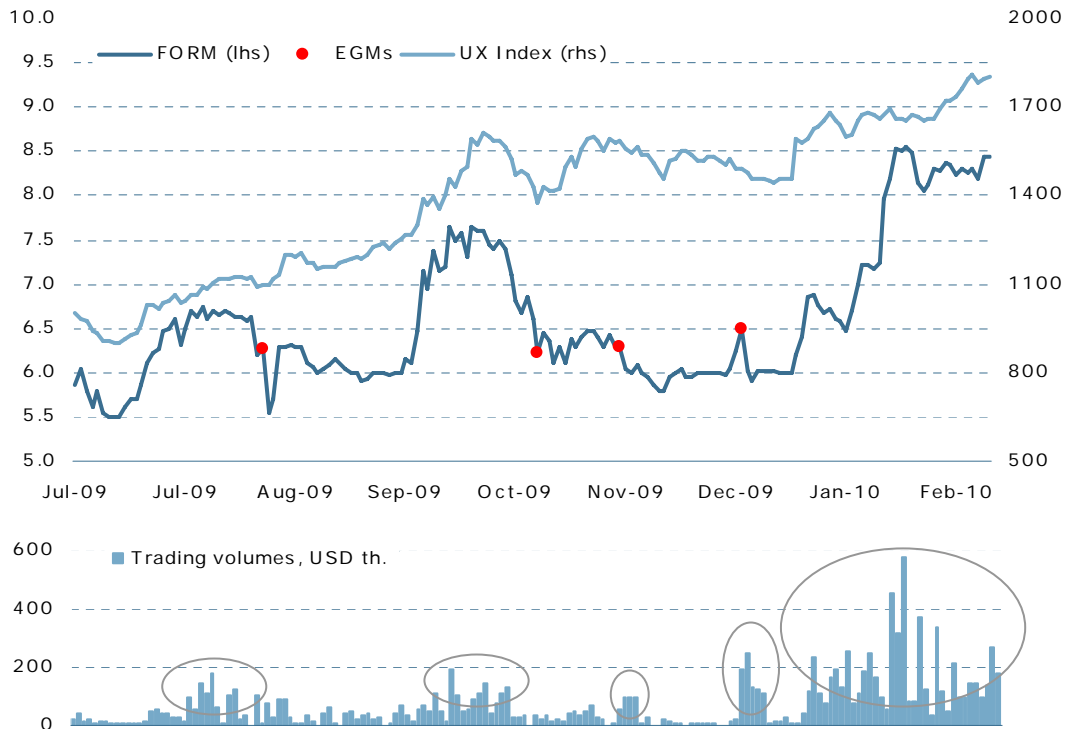
We see short-term upside of 12-18%

Bank Forum was required by the NBU to raise its regulatory capital by at least UAH 525 mln in 2009. However, four consecutive EGMs in 2H09 failed to pass a planned UAH 1.1 bln equity injection. We believe Yurushev wanted to exit and blocked the decision, lacking the resources/desire to participate pro-rata in the charter fund increase.

We expect Commerzbank and Yurushev to agree on an exit price for the latter this month and for the charter fund increase to be accompanied by Commerzbank consolidating an ~90% stake of Forum.

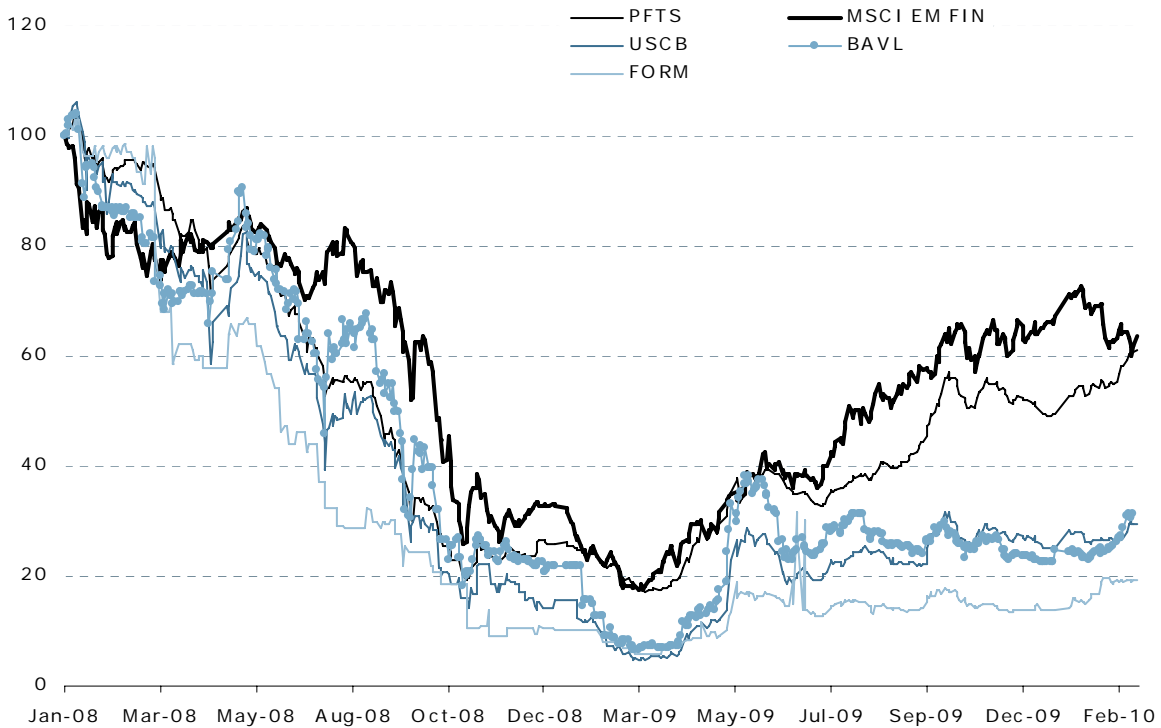
We expect approval of the charter fund increase on March 4 or March 18 and changes in Forum's ownership structure to trigger Bank Forum shares rise to UAH 9.5-10.0 (USD 1.19-1.25) in the short-term.

FORM market price (UAH) and trading volumes, dates of Forum EGMs in 2H09 vs. UX Index



Source: Bloomberg, Concorde Capital

Equity indices and Ukrainian banking stocks since their peak at end-2007
(local currencies, normalized, 08/01/2008 = 100)



Source: UX, PFTS, Bloomberg, Concorde Capital calculations

Peer valuation

		MCap	P/B
	Country	USD mln	2010F
Domestic peer group			
Ukrsotsbank	Ukraine	657	1.20
Raiffeisen Bank Aval	Ukraine	1,028	1.25
International peer group			
Bank Pekao	Poland	14,377	2.15
PKO BP	Poland	16,028	2.17
BZ WBK	Poland	4,393	1.93
ING BSK	Poland	2,982	1.38
Bank Millennium	Poland	1,631	1.18
Getin Holding	Poland	2,271	1.54
Komerční Banka	Czech Republic	7,546	1.88
OTP Bank	Hungary	7,892	1.11
BRD-GSG	Romania	3,328	1.88
Banca Transilvania	Romania	766	1.29
Sberbank	Russia	57,745	1.93
VTB	Russia	24,896	1.45
Bank of Moscow	Russia	5,128	1.76
Vozrozhdenie	Russia	1,121	1.85
Bank St Petersburg	Russia	950	1.31
Median			1.76
Forum		239	1.29
Price, USD implied by international peer median			1.44
Upside/Downside			36.7%

Source: Company data; Bloomberg

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E	2010F
Cash & Equivalents	218	131	146	112
Due From Banks	107	51	40	35
Loans	1,926	2,218	2,133	2,060
Less Provisions	(73)	(147)	(320)	(371)
Other Assets	170	169	149	143
Total Assets	2,348	2,423	2,148	1,979
Due To Banks	495	1,047	927	578
Clients' Deposits	1,163	823	923	995
Subordinated Debt	50	50	134	125
Other Liabilities	388	241	36	22
Total Liabilities	2,096	2,162	2,020	1,720
Equity	252	261	129	259
Total Liabilities & Equity	2,348	2,423	2,148	1,979

Income statement summary, USD mln

	2007	2008	2009E	2010F
Net Interest Income	87	142	120	132
Provisions Change	(34)	(174)	(182)	(71)
NII After Provisions	52	(32)	(62)	61
Net Fees Income	13	18	11	20
SG&A	(72)	(112)	(92)	(76)
Other Income/(Expense)	10	33	16	7
EBT	4	(93)	(126)	13
Tax	(2)	22	0	(3)
Net Income	2	(70)	(126)	9
NI Attributed To Common Equity	2	(70)	(126)	9
Earnings Per Share, USD		(0.31)	(0.55)	0.03

Selected ratios

	2007	2008	2009E	2010F
Loans loss provisions/Total loans	-3.8%	-6.6%	-15.0%	-18.0%
Loans/Deposits	165.6%	269.4%	231.1%	207.0%
Interest Rate Margin		6.8%	5.5%	6.3%
Cost/Income	71.8%	70.0%	70.0%	50.0%
Cost/Avg Assets		4.7%	4.0%	3.7%
RoA (annualized)		-2.9%	-5.5%	0.5%
RoE (annualized)		-53.8%	-64.8%	4.9%

Financial statements, UAS

Balance sheet summary, USD mln

	2007	2008	2009
Cash & Equivalents	149	288	360
Due From Banks	662	90	34
Loans	1,906	2,222	2,133
Less Provisions	(57)	(100)	(211)
Other Assets	194	164	124
Total Assets	2,855	2,664	2,441
Due To Banks	903	1,115	1,104
Clients' Deposits	1,533	822	927
Subordinated Debt	50	50	135
Other Liabilities	103	431	42
Total Liabilities	2,588	2,419	2,207
Equity	267	245	234
Total Liabilities & Equity	2,855	2,664	2,441

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	83	92	98
Provisions Change	31	(48)	(121)
NII After Provisions	114	44	(23)
Net Fees Income	19	18	17
SG&A	(68)	(75)	(87)
Other Income/(Expense)	(54)	14	10
Net Income	10	1	(83)

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