



CONCORDE CAPITAL

NBU Releases 2006 Statistics

Cheaper on Strong Fundamentals

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Alexander Viktorov

+380 44 207 5030
av@concorde.com.ua

Sector's Information

MCap, USD mln	8,961
Free float	7.2%
FF MCap, USD mln	644

Banking Stock Universe

Raiffeisen Bank Aval	BAVL
Ukrsotsbank	USCB
Bank Forum	FORM
Megabank	MEGA
Rodovid Bank	RODB
Ukrgazbank	UGZB
Nadra Bank	NADR
Ukrinbank	UKIB
Kreschatik Bank	BXRK

Ratios, 2006

ROE	13.5%
ROA	1.6%
Net interest margin	5.3%
Net margin	17.1%
Cost/income	58.1%
Capital adequacy	14.0%

Banking Penetration

Assets/GDP	67%
Loans/GDP	48%
Deposits/GDP	36%

According to the National Bank's statistics released last week, the 2006 results for the Ukrainian banking sector revealed another banner year with extraordinary growth: more than 50% expansion in the sector's balance sheet, triple-digit retail growth and two-fold earnings increases. Ukrainian banks, at a palatable 3.1x P/B 07E, trade below their Polish and Russian peers. Unabated demand for Ukrainian banks will keep the market hot: two M&A deals already reported in 2007 at P/B 4.0x-4.6x.

Compelling Balance Sheet Expansion. Last year, banks saw asset growth of 59% yoy to USD 67.4 bln, with loans increasing by 73% yoy to USD 48.6 bln. Growth rates for customer deposits halved to 37% yoy, as banks preferred to substitute the domestic debt with cheaper and longer-term foreign borrowing.

Earnings Double. The sector's net income surged up 91% yoy to reach USD 0.8 bln in 2006. This substantial progress in profitability was due to a combination of increased retail in the banks' loan portfolios and improved transparency as a result of the entrance of massive foreign investors.

More Retail Was Healthy for Net Interest Margins. The improved loan mix toward more higher-margin retail to 32% from 23% a year ago caused net interest margins to increase to 5.3%, which drove banks' net interest incomes up by 68% yoy.

Enhanced Transparency. Massive acquisitions by international banking groups led to the elimination of tax-optimization schemes and improved reporting practices in acquired banks.

Loans Will Grow at 30% CAGR over 2007-11. We expect a CAGR of 30% in lending over the next five years, underpinned by strong GDP growth and further expansion into retail and mortgage loans – where the current level of penetration still reveals the potential for healthy growth.

Palatable P/B: Back in the Comfort Zone. Significant growth has led Ukrainian banks to no longer trade at eyebrow-raising Price-To-Book. Neighboring markets actually benefited from development in the Ukrainian banking sector: just a year ago those markets were shy to reward the higher ROE of CEE banks, but now they sport higher forward-looking P/B multiples. In Ukraine, continued M&A activity and more bottom-line disclosure brought by foreign ownership will keep pushing valuations upward.

Sector's Key Financials, USD bln

	Loans	Deposits	Equity	Net income
2006	48.6	36.2	8.4	0.8
2007E	75.3	48.9	11.8	1.4
2008E	107.7	65.0	17.1	2.2

Price Ratios

	P/E	P/B	P/Loans	P/Deposits
	65.3	5.0	0.8	0.8
	40.3	3.1	0.5	0.6
	25.8	2.7	0.4	0.4

Balance Sheet Summary

Rank	Bank	Securities	Due from banks	Gross loans	Retail loans	PP&E	Total assets	Due to banks	Customer's deposits	Retail deposits	Total liabilities	Equity
1	Privatbank	234,284	446,077	5,696,535	2,289,933	259,513	6,688,557	653,355	4,927,147	3,007,590	6,037,417	651,140
2	Raiffeisenbank Bank Aval	88,021	368,883	4,304,000	2,085,613	331,708	5,499,616	1,316,267	3,382,589	2,295,895	4,863,805	635,810
3	UkrSibbank	121,680	321,615	3,606,383	1,940,551	230,855	4,429,690	2,195,965	1,369,500	730,523	4,033,604	396,086
4	Ukreximbank	171,312	450,994	2,770,898	76,085	200,525	3,692,991	1,479,317	1,527,587	596,657	3,328,615	364,376
5	Prominvestbank	18,213	97,558	2,870,100	226,525	159,261	3,484,310	85,108	3,045,958	1,504,923	3,172,829	311,481
6	UkrSotsbank	101,150	40,076	2,512,970	1,376,884	293,920	3,471,575	757,629	2,176,743	1,014,964	3,090,058	381,517
7	Oshadbank	413,296	469,678	882,522	533,927	334,021	2,295,129	180,953	1,671,405	1,481,122	1,940,398	354,731
8	OTP Bank	22,721	166,656	1,940,833	913,877	24,435	2,213,161	1,149,238	808,280	376,580	2,025,143	188,017
9	Nadra	112,771	324,990	1,435,204	760,713	70,050	2,038,358	553,473	1,118,177	745,945	1,776,070	262,288
10	Forum	28,289	339,282	1,008,558	163,740	51,125	1,461,047	421,594	844,631	416,350	1,309,232	151,815
11	Finance & Credit	61,750	109,308	1,178,235	357,251	23,116	1,453,521	257,522	995,948	611,732	1,315,306	138,215
12	KredItprombank	31,085	341,284	950,252	259,721	34,410	1,409,430	443,673	739,429	286,350	1,280,236	129,194
13	Ukrprombank	10,072	94,645	1,108,634	149,299	29,770	1,297,697	142,195	946,686	716,642	1,111,839	185,858
14	Brokbusinessbank	58,208	174,449	907,140	182,718	91,238	1,293,225	215,528	845,424	341,895	1,090,339	202,885
15	PUMB	90,728	223,550	693,990	91,494	92,714	1,204,530	384,359	603,058	200,416	1,010,380	194,150
16	Alfa Bank	15,402	184,913	964,180	92,061	42,788	1,244,403	574,761	527,832	24,030	1,146,643	97,759
17	Ukrgazbank	93,219	231,568	428,604	117,083	71,880	883,333	200,036	532,357	341,389	788,943	94,390
18	VaBank	39,256	194,673	509,072	99,951	31,354	872,772	206,620	544,520	207,434	763,274	109,498
19	TAS-Commerzbank	16,592	125,196	570,206	230,009	38,114	816,442	186,052	484,764	254,813	703,181	113,261
20	Pivdenny	12,094	67,786	594,453	70,307	80,383	799,652	102,248	566,367	269,550	709,344	90,308
21	Rodovid Bank	22,293	192,914	436,043	184,817	30,780	727,765	191,362	395,960	191,129	638,626	89,138
22	Khreschatik	68,428	166,976	403,436	71,676	36,708	717,630	85,789	478,555	149,769	647,899	69,731
23	Pravex Bank	210	75,302	480,265	425,071	62,387	709,510	55,578	539,034	457,898	637,547	71,964
24	ING Bank-Ukraine	120,056	102,032	389,374	4,116	1,698	687,241	323,720	253,531	6,696	588,583	98,658
25	Kredobank	26,725	39,016	496,450	116,847	36,886	650,957	96,543	479,774	288,309	599,920	51,038
26	Dongorbank	82,469	102,172	336,280	44,842	32,448	584,289	58,594	441,472	151,781	514,516	69,773
27	Miya	5,899	81,971	390,025	44,834	53,742	561,860	42,368	392,539	164,944	509,543	52,318
28	HYB Bank-Ukraine	13,100	113,528	411,788	20,470	1,658	559,098	254,213	214,768	34,022	511,548	47,550
29	Index Bank	4,828	99,326	314,625	93,606	59,225	539,201	42,524	406,829	281,544	502,909	36,292
30	Industrialbank	59,852	59,991	361,721	44,689	28,561	531,854	71,733	367,182	97,558	448,150	83,705
31	Citibank	48,115	116,315	334,340	1,249	7,537	526,279	178,580	282,956	734	475,504	50,775
32	Financial Initiative	10,496	169,116	316,818	452	500	503,164	206,710	213,259	7,171	420,270	82,894
33	Imexbank	8,549	130,080	283,443	38,632	39,708	502,291	66,386	366,587	221,612	444,273	58,018
34	Calyon Bank	185	68,607	305,297	1,046	7,099	415,543	132,185	211,389	5,071	378,126	37,417
35	TAS-Investbank	9,721	96,305	303,384	133,580	5,581	411,430	142,762	208,586	77,323	365,086	46,344
36	Procredit Bank	0	37,667	298,729	207,340	13,668	366,353	17,750	237,541	124,710	339,678	26,675
37	Bank Kyiv	2,257	20,262	263,862	32,124	31,434	328,815	10,426	276,228	168,028	292,744	36,072
38	Activ Bank	13,508	138,932	142,432	24,450	6,621	315,337	137,002	101,505	51,372	243,989	71,349
39	Vneshtorgbank	4,059	71,109	220,481	15,445	513	299,737	125,197	107,215	1,527	240,955	58,782
40	Delta Bank	10,112	5,447	222,063	194,967	7,937	299,571	2,785	51,918	22,727	227,576	71,995
41	Kredit Bank	14,676	41,299	219,326	23,293	2,060	278,079	35,745	190,768	82,430	244,328	33,751
42	Expres Bank	6,718	9,082	170,709	72,091	16,376	251,324	8,515	185,376	86,337	203,963	47,361
43	Ukrinbank	477	27,963	140,161	35,417	66,827	245,812	15,398	130,156	76,860	158,503	87,309
44	MT Bank	1,847	35,575	181,868	34,893	12,605	241,445	31,083	179,234	66,618	214,898	26,548
45	NRB-Bank	14,865	53,028	168,093	61,333	2,717	238,786	59,145	145,816	54,756	215,067	23,719
46	Megabank	16,157	29,489	147,403	32,275	14,069	221,926	7,376	164,546	98,826	184,738	37,188
47	BIG Energiya Bank	4,250	44,447	125,556	19,164	5,997	205,461	35,095	116,415	83,625	175,115	30,345
48	Tavrika	4,819	30,377	159,564	21,147	1,475	198,103	34,434	139,799	85,184	178,132	19,970
49	Kyiv Rus Bank	3,215	36,574	138,675	29,051	13,997	195,269	42,649	125,860	88,002	176,515	18,753
50	Prestige Bank	7,747	54,392	105,673	54,173	10,809	190,056	113,439	16,510	11,356	130,592	59,464
51	UBDP	5,705	24,074	148,757	44,619	2,056	188,138	22,770	127,990	61,679	157,613	30,524
52	Petrocommerzbank-Ukraine	761	16,574	135,612	19,803	2,208	180,400	17,077	144,680	55,905	165,810	14,589
53	Arkada	20,851	1,056	99,977	35,689	11,812	175,980	0	137,888	41,057	139,171	36,809
54	Zakhidcombank	2,074	6,414	161,267	29,846	3,177	170,931	12,535	135,719	74,941	151,243	19,688
55	Agrobank	26	28,060	116,531	78,685	3,490	168,912	0	149,610	66,409	153,193	15,719
56	Expobank	201	10,600	123,258	13,943	27,258	167,466	21,315	92,075	51,897	134,330	33,135
57	SEB Bank	2,208	15,869	84,896	17,206	21,549	162,786	45,263	75,509	39,751	137,661	25,125
58	Factorial Bank	30,151	11,554	88,877	31,343	15,289	158,943	4,000	132,339	60,070	139,629	19,314
59	Dnister	454	16,855	100,940	16,435	10,951	136,580	26,583	82,117	62,046	122,830	13,751

Source: Top three classes of banks by asset size, according to the National Bank of Ukraine.

Profit & Loss Summary

Rank	Bank	Net interest income	Net fee income	Total revenue	Operational costs	Operating profit	Provision charge	Net income
1	Privatbank	371,736	267,308	733,106	(351,290)	381,816	(277,021)	100,239
2	Raiffeisenbank Bank Aval	280,898	154,488	468,728	(285,396)	183,332	(81,754)	66,915
3	Ukrsibbank	131,084	79,569	237,957	(145,085)	92,872	(75,482)	13,581
4	Ukreximbank	134,655	51,925	209,017	(89,528)	119,489	(16,530)	72,918
5	Prominvestbank	169,526	109,182	300,224	(190,442)	109,782	(47,691)	44,115
6	Ukrsotsbank	119,118	79,833	222,882	(131,883)	90,999	(11,499)	56,898
7	Oshadbank	117,282	63,790	204,557	(158,307)	46,251	(5,073)	28,773
8	OTP Bank	123,000	18,600	152,799	(53,767)	99,032	(14,012)	63,423
9	Nadra	81,547	58,157	178,791	(98,104)	80,687	(36,292)	36,951
10	Forum	44,067	10,067	59,190	(41,070)	18,120	(10,906)	5,496
11	Finance & Credit	35,153	31,650	86,819	(50,032)	36,787	(14,835)	20,136
12	Kreditprombank	33,040	16,245	56,544	(32,300)	24,244	(6,144)	11,267
13	Ukrprombank	59,711	8,913	72,391	(41,331)	31,060	(16,164)	10,721
14	Brokbusinessbank	16,161	13,856	61,497	(26,831)	34,666	(19,737)	11,901
15	PUMB	42,904	17,982	60,914	(32,450)	28,464	(5,266)	16,207
16	Alfa Bank	30,337	20,433	57,159	(34,814)	22,345	(16,125)	3,592
17	Ukrgazbank	23,509	11,289	44,837	(33,440)	11,397	(5,633)	6,094
18	VaBank	23,535	11,148	39,882	(29,617)	10,264	(3,576)	5,214
19	TAS-Commerzbank	22,802	16,851	49,005	(34,855)	14,150	(10,529)	3,430
20	Pivdenny	32,394	16,614	55,561	(33,655)	21,906	(10,135)	9,087
21	Rodovid Bank	10,144	10,457	25,687	(17,195)	8,492	(3,063)	4,466
22	Khreschatik	21,862	9,373	33,996	(24,007)	9,988	(1,002)	6,424
23	Pravex Bank	24,865	71,165	105,505	(77,719)	27,786	(5,769)	16,489
24	ING Bank-Ukraine	26,072	6,255	33,012	(10,939)	22,073	(103)	16,812
25	Kredobank	23,470	13,277	39,727	(29,658)	10,068	(3,144)	4,586
26	Dongorbank	24,145	7,051	32,351	(12,188)	20,163	(3,024)	12,418
27	Miya	27,055	13,150	43,322	(25,602)	17,721	(5,557)	7,763
28	HVB Bank-Ukraine	21,826	5,053	29,182	(9,114)	20,068	(3,968)	11,571
29	Index Bank	14,503	11,390	35,106	(34,538)	569	(12,606)	(10,725)
30	Industrialbank	28,260	9,782	39,548	(20,271)	19,277	(6,268)	9,757
31	Citibank	14,669	1,496	28,406	(8,099)	20,307	(4,008)	11,865
32	Financial Initiative	15,697	540	17,804	(3,546)	14,258	(11,013)	3,121
33	Imexbank	19,891	8,564	31,170	(23,941)	7,230	(1,564)	4,482
34	Calyon Bank	15,002	4,392	22,728	(5,777)	16,951	(3,041)	10,326
35	TAS-Investbank	20,062	1,609	26,730	(6,460)	20,270	(15,505)	4,182
36	Procredit Bank	28,865	5,459	35,638	(24,919)	10,719	(4,472)	4,330
37	Bank Kyiv	17,667	4,983	26,014	(13,471)	12,543	(7,943)	3,249
38	Activ Bank	6,818	4,570	13,364	(5,833)	7,530	(1,927)	4,171
39	Vneshtorgbank	13,770	1,101	15,686	(3,795)	11,890	(6,143)	4,221
40	Delta Bank	11,008	14,602	25,647	(9,045)	16,602	(15,552)	708
41	Kredit Bank	15,215	5,375	25,055	(8,351)	16,704	(6,370)	7,432
42	Expres Bank	15,358	22,670	41,228	(31,147)	10,080	(464)	6,587
43	Ukrinbank	10,603	6,326	20,402	(15,766)	4,636	(2,219)	1,453
44	MT Bank	12,934	7,835	22,349	(17,279)	5,069	(2,778)	1,060
45	NRB-Bank	11,962	1,551	15,266	(5,875)	9,391	(5,132)	3,085
46	Megabank	7,305	9,587	18,322	(13,693)	4,629	(1,505)	2,234
47	BIG Energiya Bank	5,780	3,089	11,286	(8,910)	2,376	(1,073)	1,007
48	Tavrika	10,386	1,812	13,062	(9,969)	3,094	1,736	3,520
49	Kyiv Rus Bank	7,688	3,352	12,703	(9,086)	3,618	(2,532)	627
50	Prestige Bank	6,237	70	6,874	(5,918)	956	(800)	72
51	UBDP	8,104	3,541	13,686	(7,547)	6,139	(3,968)	1,552
52	Petrocommertsbank-Ukraine	8,053	7,079	16,689	(9,875)	6,814	(3,147)	2,289
53	Arkada	9,711	12,080	22,565	(11,004)	11,561	(7,530)	2,300
54	Zakhidcombank	9,134	4,941	16,215	(7,401)	8,813	(3,636)	3,569
55	Agrobank	6,039	6,864	13,526	(11,931)	1,595	(95)	1,133
56	Expobank	7,879	3,119	13,046	(5,588)	7,458	(3,107)	3,170
57	SEB Bank	5,169	3,767	10,769	(9,305)	1,464	205	1,084
58	Factorial Bank	2,841	3,663	8,671	(7,561)	1,110	(412)	602
59	Dniester	4,517	2,564	8,185	(6,056)	2,128	(864)	832

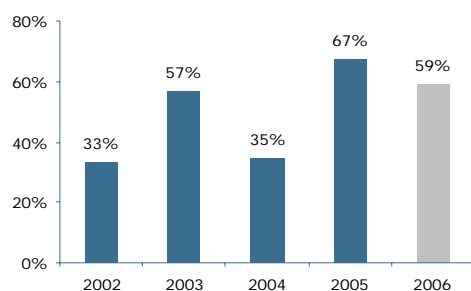
Source: Top three classes of banks by asset size, according to the National Bank of Ukraine.

Growth Story Continued in 2006

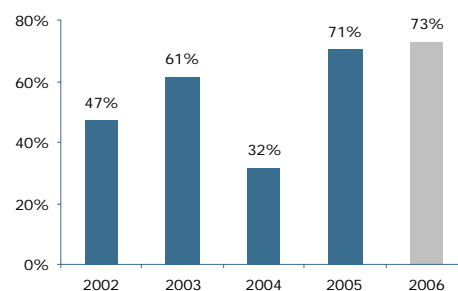
Compelling Balance Sheet Expansion

Ukrainian banks again enjoyed hefty growth in 2006, by far outpacing any other industry in Ukraine and the CEE banking market. Banking sector assets rose by 59% yoy to reach USD 67 bln by the end of 2006. Ukrainian lenders' loan portfolios grew by 73% yoy to USD 49 bln, driven by a 135% yoy surge in retail loans. Customer deposit growth slowed (+37% yoy) compared to 2005's growth, as banks actively shifted to less expensive and longer-term foreign debt.

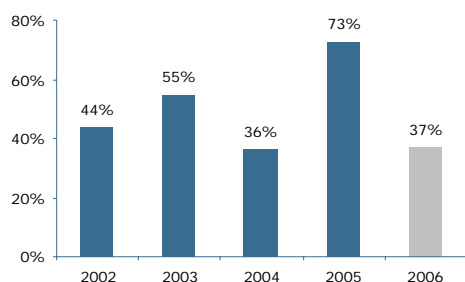
Asset Growth, % yoy



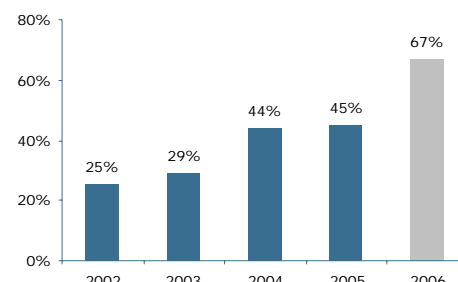
Loan Portfolio Growth, % yoy



Deposit Growth, % yoy



Equity Growth, % yoy



Source: National Bank of Ukraine, Merrill Lynch, Concorde Capital estimates

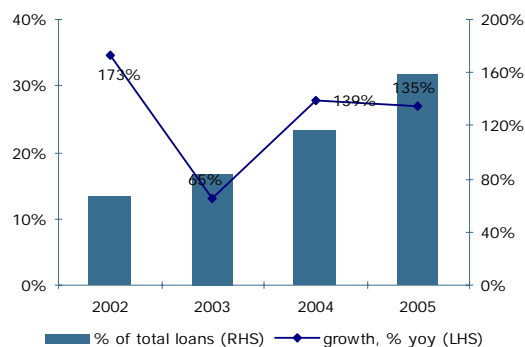
Earnings Double

Last year Ukrainian banks almost doubled their earnings to USD 0.8 bln, which led the sector's ROE to improve to 13.5%. We believe a 91% gain in net income was due to a combination of banks digging deeper into retail and improving transparency due to a massive ownership change in favor of foreign investors.

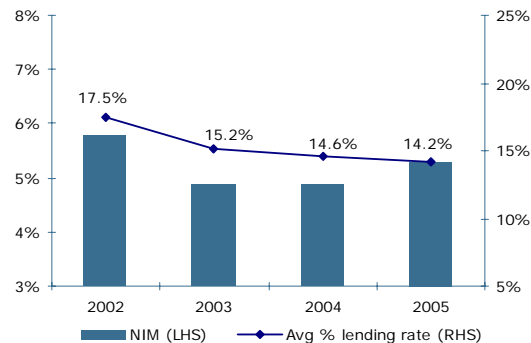
More Retail Lifts Net Interest Income

In 2006 Ukrainian banks continued actively carving out as deep a share in retail as possible. Loans to individuals jumped 135% yoy to USD 15.4 bln, which brought the portion of higher-margin retail products in the banks' total loan books to 32% against 23% in 2005. The increase of retail in the loan mix was enough to offset the effect of lower lending rates (the average lending rate fell to 14.3% in 2006 from 14.9% in 2005) and caused the net interest margin (NIM) to increase to 5.3% from 4.9% a year ago. NIM improvement was a key driver for net interest income growth of 68% yoy in 2006 to USD 2.7 bln.

Retail Loans



NIM & Average % Lending Rate



Source: National Bank of Ukraine, Concorde Capital estimates

The Entrance of Foreign Players Enhances Transparency

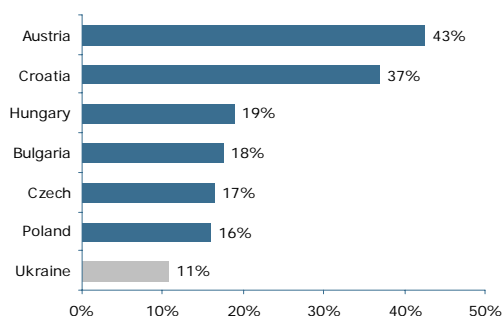
International banking groups shelled out ~USD 2.5-2.7 bln in 2006 to gain control over 13 more Ukrainian banks, resulting in the share of foreign capital in the sector advancing to 27.6% from 19.5% in 2005.

New owners put an end to tax-optimization schemes, which before heavily understated many banks' profitability. Thus, Bank Aval (acquired by Raiffeisen in August 2006) posted a net income increase by 18 times in 2006 to USD 67 mln, based on Ukrainian Accounting Standards. Ukrsofsbank, which had Banca Intesa became a major shareholder in February 2006, reported net income growth of 145% yoy to USD 57 mln in 2006. The combined earnings increase of these two banks of USD 96.8 mln accounted for one-fourth of the sector's net income growth of USD 391 mln.

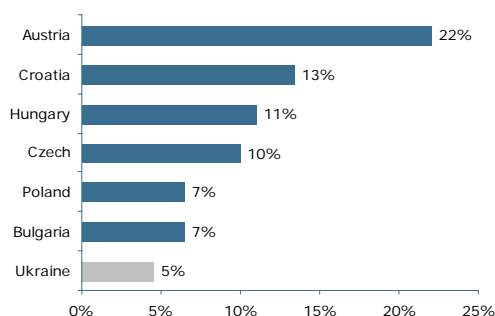
Penetration Deepened, But There Is Still Room For Growth

The Loans/GDP ratio more than doubled over a four-year period from just 21% in 2002 to 48% by the end of 2006 - to a level comparable with the Czech Republic, Hungary, Bulgaria and above that of Poland. While the market is maturing rapidly, we still forecast a 30% CAGR over 2007-11 in total loans. Lending expansion over the next five years will be underpinned by strong GDP growth and fuelled by retail and mortgage - where the current level of penetration is still several times below CEE.

Non-Mortgage Retail Loans/GDP



Mortgage/GDP



Source: National Bank of Ukraine, Merrill Lynch, Concorde Capital estimates

After average growth in the nominal GDP of 22% during the last five years, we expect Ukraine's economy to average 16% annually over 2007-11 to reach USD 211 bln.

Loan penetration is expected to advance from 48% of GDP to 85% at the end of 2011, which implies a five-year CAGR of 30%. Accordingly, Loans/GDP will also gain 6.6% annually over the period, which is comparable with performance of ~5% seen in Hungary, the Czech Republic and Bulgaria in recent years. Mortgage loans will continue to show the strongest growth, at 43% CAGR, followed closely by non-mortgage retail lending (+37% CAGR). Mortgages are expected to grow from 4.5% of total loans in Ukraine in 2006 to 13% in 2011, which would be consistent with growth in Hungary and the Czech Republic where Mortgages/GDP tripled over 2002-2006.

Ukrainian Banking: Key Forecasts

	2004	2005	2006	2007E	2008E	2009E	2010E	2011E
GDP nominal, USD bln	64.9	84.1	100.4	118.9	139.3	161.0	184.3	210.9
Real Increase	12.1%	2.6%	7.0%	6.7%	6.5%	6.0%	5.5%	5.5%
Inflation Rate	12.3%	10.3%	11.6%	11.0%	10.0%	9.0%	8.5%	8.0%
Nominal Increase	29.5%	29.5%	19.4%	18.4%	17.2%	15.5%	14.5%	14.5%
Total loans								
Total loans/GDP	28.2%	36.8%	48.4%	62.7%	72.2%	78.6%	82.8%	85.0%
Total loans, USD mln	18.3	31.0	48.6	74.6	100.5	126.5	152.5	178.5
Total loans, chg % yoy	32.9%	69.2%	56.9%	53.5%	34.8%	25.8%	20.5%	17.0%
Retail loans (excl. mortgage)								
Retail loans (excl. mortgage)/GDP	3.3%	5.3%	10.8%	16.1%	19.8%	22.3%	24.0%	25.0%
Retail loans (excl. mortgage), USD mln	2.2	4.5	10.9	19.2	27.5	35.8	44.2	52.5
Retail loans (excl. mortgage), chg % yoy	54.8%	105.9%	143.7%	76.5%	43.3%	30.2%	23.2%	18.8%
Mortgage loans								
Mortgage loans/GDP	0.9%	2.5%	4.5%	7.6%	9.8%	11.3%	12.3%	13.0%
Mortgage loans, USD mln	0.6	2.1	4.5	9.1	13.6	18.2	22.7	27.3
Mortgage loans, chg % yoy	94.8%	259.7%	114.9%	100.8%	50.2%	33.4%	25.0%	20.0%

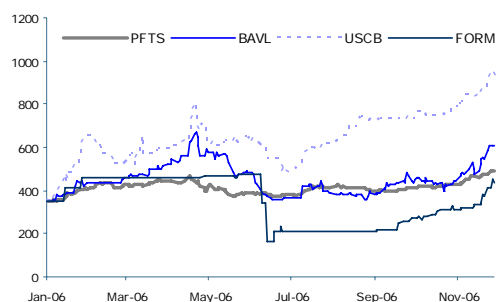
Source: National Bank of Ukraine, Concorde Capital estimates

Most Liquid Banking Stocks: 2006 Highlights

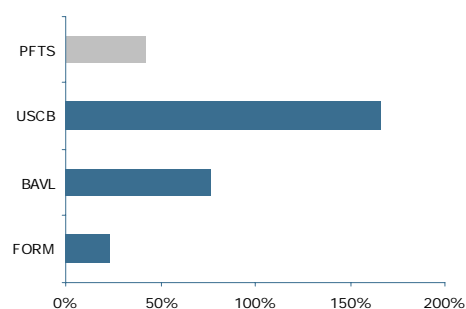
Company	Bloomberg
Raiffeisen Bank Aval	BAVL UZ
Ukrasotsbank	USCB UZ
Bank Forum	FORM UZ
Megabank	MEGA UZ
Rodovid Bank	RODB UZ
Ukrzazbank	UGZB UZ

	Price, USD	12M Tr, USD	MCap USD, mn	Free Float, %
BAVL	0.18	0.19	3,618	4.5
USCB	0.62	U/R	2,294	4.0
FORM	8.00	0.13	496	10.0
MEGA	1.05	1.55	121	20.0
RODB	1,139	N/R	399	19.0
UGZB	1.30	N/R	390	10.0

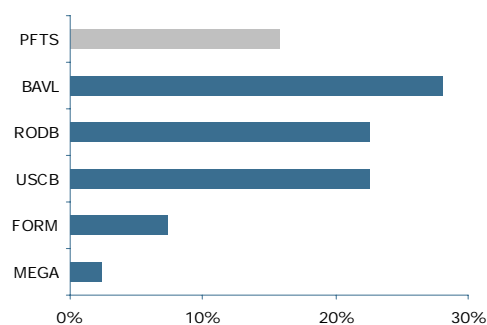
Most Liquid Banking Stocks, 2006



Performance*, 2006



Performance*, YTD



Source: PFTS, Concorde Capital estimates
Note: * Bid price, USD

Raiffeisen Bank Aval (BAVL: BUY)

- Growth in line with the market: assets were up 44% yoy and loans grew by 71% to USD 5.5 bln;
- Digging deeper into retail: loans to individuals increased by 141% yoy and reached 48% of the overall loan portfolio from 34% in 2005;
- Net income surged up by 18 times as Raiffeisen put an end to tax-optimization schemes;
- Capital climbed to USD 119 mln (+40%) in 4Q06. Aval is looking to increase its charter fund by another USD 300 mln (+70%) in 2007.

Ukrasotsbank (USCB: HOLD)

- Performance consistent with the market: assets advanced 63% yoy to USD 3.4 mln and loans added 75% yoy to USD 2.5 mln;
- Retail assumed first place in total loans: loans to individuals was up 134% yoy to USD 1.9 mln and reached 55% of the loan portfolio;
- Net income soared 145% yoy to USD 57 mln, as a result of improved transparency – Banca Intesa became a 88% shareholder in the bank;
- Five-fold charter fund increase of USD 50 mln was completed in July 2006. Another USD 120-130 mln increase is in pipeline for 2H07.

Bank Forum (FORM: BUY)

- Attained top-10 status in terms of assets;
- Outperformed the market: asset growth was at 97% yoy to USD 1.5 bln and loans were up 114% to USD 1.0 bln;
- Profitability weak, as retail network expansion required operational costs to double;
- Charter fund increase of USD 50 mln (+68%) was completed in August 2006. An increase by another 80% (USD 100 mln) will be finished in March 2007;
- Imminent strategic acquisition: sale of a majority stake is expected to be finalized in March-May 2007.

Megabank (MEGA: BUY)

- Accelerated retail division: loans to individuals up 139% yoy bringing retail share to 22% of the total loans, against 14% a year before;
- Conducted a 20% private placement for USD 19 mln at post-money 2.6x P/B in April 2006;
- Triple-digit growth in housing tariffs helped it take advantage of its 11% share of the national market for payment processing.

Rodovid Bank (RODB: N/R)

- Assets doubled to USD 728 mln;
- Aggressive expansion into retail: loans to individuals up 325% yoy to USD 185 mln – retail/total loans surged to 42% vs. 17% in 2005;
- Completed a 19% private placement at post-money 2.3x P/B, raising USD 37 mln in April 2006;
- Capital increase of USD 50 mln to USD 70 mln was completed in May 2006.

Traded Banks: Key Statistics

Balance Sheet Summary

Rank, 2005	Rank, 2006	Bank	Assets			Loans			Customer deposits		Equity	
			Mkt share	USD mln	chg. % yoy	USD mln	chg. % yoy	USD mln	chg. % yoy	USD mln	chg. % yoy	
2	2	Raiffeisenbank Bank Aval	8.2%	5,500	44%	4,135	71%	3,383	17%	636	84%	
4	6	Ukrsotsbank	5.2%	3,472	63%	2,461	75%	2,177	32%	382	88%	
9	9	Nadra Bank	3.0%	2,038	74%	1,374	69%	1,119	65%	262	140%	
13	10	Bank Forum	2.2%	1,461	97%	978	114%	845	51%	152	109%	
18	17	Ukrgazbank	1.3%	883	87%	411	83%	532	76%	94	119%	
28	21	Rodovid Bank	1.1%	728	100%	760	78%	396	50%	89	153%	
45	43	Ukrinbank	0.4%	246	78%	134	52%	130	11%	87	350%	
42	46	Megabank	0.3%	222	40%	217	51%	165	34%	37	77%	

P&L Summary

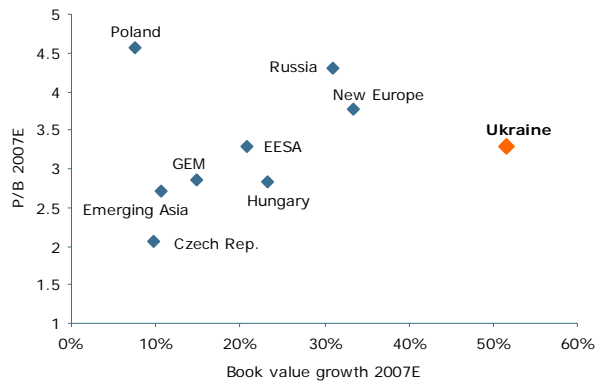
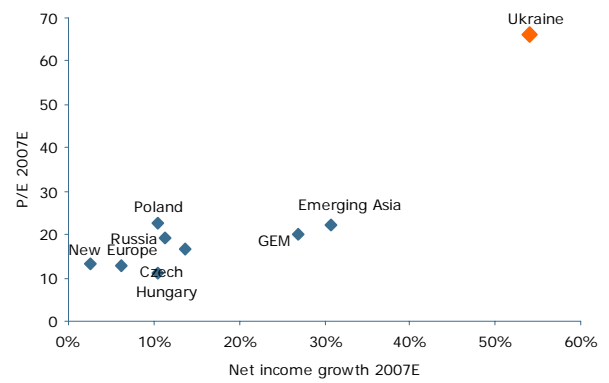
Bank	Net interest income		Total Revenue		Operating costs		Net income	
	USD mln	chg. % yoy	USD mln	chg. % yoy	USD mln	chg. % yoy	USD mln	chg. % yoy
Raiffeisenbank Bank Aval	281	67%	469	43%	286	8%	67	1658%
Ukrsotsbank	119	68%	289	85%	198	82%	57	145%
Nadra Bank	82	95%	179	150%	98	79%	37	607%
Bank Forum	44	65%	59	60%	41	90%	6	-12%
Ukrgazbank	24	46%	45	43%	34	49%	6	85%
Rodovid Bank	10	87%	26	84%	17	116%	5	104%
Ukrinbank	11	58%	20	31%	15	14%	1	519%
Megabank	7	34%	18	22%	14	10%	2	101%

Source: National Bank of Ukraine, Concorde Capital

Peer Multiples

	MCap, USD mln	P/E		P/B*	
		2006	2007E	2006	2007E
Ukraine					
Ukrzagzbank	390	64.0	40.0	4.3	3.3
Ukrsotsbank	2,294	40.2	28.7	6.3	3.9
Forum	496	90.2	49.6	3.9	2.3
Rodovid Bank	399	89.2	57.8	5.8	2.6
Megabank	121	54.1	35.5	3.2	3.0
Raiffeisen Bank Aval	3,618	54.0	30.1	6.2	3.7
Average		65.3	40.3	5.0	3.1
CEE Peers					
PKO BP	15,298	23.2	21.7	4.7	4.4
Pekao SA	12,799	21.4	18.7	4.1	3.8
Bank BPH	8,919	18.4	25.9	3.8	3.9
BZWBK	5,616	25.5	21.1	4.7	4.1
OTP	12,582	13.1	12.5	3.6	3.0
Komercni Banka	5,948	14.3	13.5	2.3	2.1
Sberbank	70,685	24.1	21.7	6.3	4.8
Average		16.3	19.3	3.5	3.8
Ukrzagzbank price					
Implied to CEE, USD		0.33	0.63	1.11	1.56
Implied to Ukrainian, USD		1.33	1.31	1.56	1.30
Premium/Discount to CEE		292%	107%	23%	-12%
Premium/Discount to Ukrainian		-2%	-1%	-12%	5%
Ukrsotsbank price					
Implied to CEE, USD		0.25	0.42	0.37	0.62
Implied to Ukrainian, USD		1.01	0.87	0.51	0.52
Premium/Discount to CEE		146%	49%	78%	5%
Premium/Discount to Ukrainian		-38%	-29%	27%	25%
Forum price					
Implied to CEE, USD		1.45	3.11	8.67	15.86
Implied to Ukrainian, USD		5.79	6.50	12.14	13.28
Premium/Discount to CEE		452%	157%	11%	-39%
Premium/Discount to Ukrainian		38%	23%	-21%	-28%
Rodovid Bank price					
Implied to CEE, USD		209	381	900	2,092
Implied to Ukrainian, USD		833	794	1,260	1,753
Premium/Discount to CEE		446%	199%	63%	-30%
Premium/Discount to Ukrainian		37%	43%	16%	-16%
Megabank price					
Implied to CEE, USD		0.32	0.59	1.18	1.34
Implied to Ukrainian, USD		1.28	1.22	1.65	1.12
Premium/Discount to CEE		231%	84%	-8%	-20%
Premium/Discount to Ukrainian		-17%	-12%	-35%	-4%
Raiffeisen Bank Aval price					
Implied to CEE, USD		0.05	0.12	0.11	0.20
Implied to Ukrainian, USD		0.22	0.24	0.16	0.16
Premium/Discount to CEE		230%	56%	74%	-1%
Premium/Discount to Ukrainian		-17%	-25%	24%	18%

Growth in the shareholder equity of Ukrainian banks was so significant over 2006 that the stocks, as a class, no longer trade at Price-To-Book multiples that used to make many fund managers skeptical. Neighboring markets benefited from development in the Ukrainian banking sector: just a year ago those markets were shy to reward the higher ROE of CEE banks with a higher P/B. On the other side, continued M&A activity and more bottom-line disclosure brought by foreign ownership will keep pushing valuations upward.

P/B and Book Value Growth

P/E and Earnings Growth


Source: Merrill Lynch, Bloomberg, PFTS, Concorde Capital estimates

Appendix. Sector Evolution

	2002	2003	2004	2005	2006
Number of banks	157	158	160	165	170
Foreign banks	27	26	26	32	48
Share of foreign banks, % of capital	13.7	11.3	9.6	19.5	27.6
Share of top 10 banks, % of assets	54.0	53.7	53.1	53.8	52.4
Key Financials, USD mln					
Total assets	12.0	18.8	25.3	42.4	67.4
Total loans	7.8	12.5	16.5	28.2	48.6
Corporate loans	7.2	10.9	13.7	21.6	33.2
Retail loans	0.6	1.7	2.8	6.6	15.4
Total deposits	7.3	11.3	15.3	26.5	36.2
Corporate deposits	3.7	5.2	7.6	12.1	15.2
Retail deposits	3.6	6.0	7.8	14.4	21.0
Equity	1.9	2.4	3.5	5.0	8.4
Net income	0.1	0.2	0.2	0.4	0.8
Growth, % yoy					
Total assets	33%	57%	35%	67%	59%
Total loans	47%	61%	32%	71%	73%
Corporate loans	43%	52%	26%	57%	54%
Retail loans	136%	173%	65%	139%	135%
Total deposits	44%	55%	36%	73%	37%
Corporate deposits	25%	42%	44%	60%	26%
Retail deposits	70%	68%	29%	85%	46%
Equity	25%	29%	44%	45%	67%
Net income	28%	21%	53%	80%	91%
Ratios					
ROA, %	1.27	1.04	1.07	1.31	1.61
ROE, %	7.97	7.61	8.43	10.39	13.52
Net interest margin, %	6	5.78	4.9	4.9	5.30
Capital adequacy ratio, %	18	15	17	15	14
Banking Penetration					
Assets/GDP	28%	38%	39%	50%	67%
Loans/GDP	18%	25%	25%	33%	48%
Retail loans/GDP	1%	3%	4%	8%	15%
Deposits/GDP	17%	23%	24%	31%	36%

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa im@concorde.com.ua

Head of Equity Sales

Lucas Romriell lr@concorde.com.ua

Equity Sales

Marina Martirosyan mm@concorde.com.ua
 Anastasiya Nazarenko an@concorde.com.ua

Director of Research

Konstantin Fisun, CFA kf@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Strategy

Konstantin Fisun kf@concorde.com.ua
 Oleksandr Klymchuk ok@concorde.com.ua

Metals & Mining

Andriy Gostik ag@concorde.com.ua
 Eugene Cherviachenko ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko vn@concorde.com.ua

**Machinery, Construction,
 Consumer Goods**

Olha Pankiv op@concorde.com.ua

**Financial Services,
 Macroeconomics**

Alexander Viktorov av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk ok@concorde.com.ua

News/Production

Nick Piazza np@concorde.com.ua
 Polina Khomenko pk@concorde.com.ua

Editor

Brad Wells bw@concorde.com.ua

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