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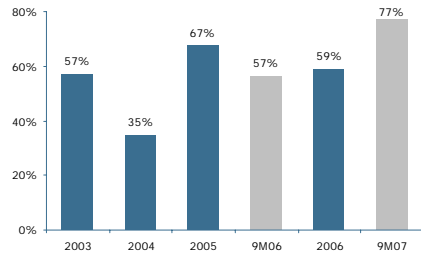
# Ukraine / Politics Conference Call

NBU Chairman Petro Poroshenko

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## Ukraine Bank Asset Growth yoy



## Banking Penetration

	2002	2003	2004	2005	9M06	2006	9M07
Assets/GDP	28%	38%	39%	50%	58%	67%	75%
Loans/GDP	18%	25%	25%	33%	42%	48%	54%
Retail loans/GDP	1%	3%	4%	8%	12%	15%	19%
Deposits/GDP	17%	23%	24%	31%	18%	36%	42%

In a live conference call with representatives from over 40 western funds, National Bank Supervisory Board Chairman Petro Poroshenko, Rodovid CEO Denis Gorbunenko and Megabank Deputy Chairman of the Board Vyachaslav Ruytin spoke about current trends in the banking sector, inflation, exchange rate policy and the risks faced by Ukrainian banks.

### The Banking Sector: The Most Attractive in Ukraine

In his opening remarks on the banking sector Poroshenko stated that he felt that it was the best sector for investment in Ukraine. The Central Bank Governor added that bank profitability was at a European level and the quality and quantity of services provided had been substantially boosted by increased access to foreign borrowing. Poroshenko also said that he supported the arrival of foreign banks in Ukraine as they increased the sector's competitiveness, lowered credit rates, and weed out corruption.

At the same time, Poroshenko noted that there were several risks faced by Ukrainian Banks, including: the high volume of credit being given to the population, growing foreign exchange risk, coupled with a growing trade and budget deficit. Another factor that Poroshenko thought might make things tougher for local banks was Ukraine's entrance into the WTO.

Poroshenko highlighted several key areas where he hoped to see rapid improvement including the local population taking a more active role in the stock market, development of the insurance market and pension funds by diversifying a portion of the country's financial resources away from banks and into these areas.

### The Exchange Rate & Inflation

In talking about the future of the UAH/USD exchange rate, Poroshenko defended the government's past moves to unofficially peg the Hryvnya to the dollar, which in his opinion had helped up until recently to manage inflation. In the future, the government does not see Hryvnya revaluation or devaluation as a goal, but rather will slowly move to setting inflation targets. Poroshenko sees the USD/UAH exchange rate at UAH 4.95-5.25 in 2007-08.

### Rodovid: Ukrainian Banks to Merge, Sell or Die

When discussing his views on sector development Rodovid Bank CEO Denis Gorbunenko said he felt there were plenty of juicy opportunities left in Ukraine. Gorbunenko stated that local banks have three choices, merge, sell or die and implied that his bank was looking at several suitors. According to Gorbunenko, local banks will suffer a bit from the global liquidity crunch that followed the US subprime mortgage crisis in terms of attracting international capital. In terms of Rodovid's activities, Gorbunenko pointed out that his bank was one of the fastest growing in Ukraine and well on course to meet its targets for 2007.

### Megabank: Strong Results, Tapping More Borrowing

In a speech that was mostly directed at his bank's 9M results, Megabank CEO Vyachaslav Ruytin said that his bank would complete its nation-wide branch network by the end of the year. According to Ruytin, Mega has witnessed remarkable growth this year: its net assets jumped 60% YTD, while its retail portfolio grew by about 10% and its equity has increased by about 70%. Ruytin also added that thanks to the bank's unique unified payment centers, it has managed to keep its percentage of bad loans at just 0.4%. The bank has also been very active in attracting additional capital, Mega received a five-year USD 20 mln loan from the EBRD to develop its small business and micro-loan portfolio. In December, the bank will issue UAH 100 mln (USD 20 mln) local bonds followed by another issue of the same size in February.

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