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Analyst's Notebook

Ukraine / Equity Strategy / Quantitative Analysis

PFTS Index adds another heavyweight

On Oct. 2, the first trading day of the month, Ukraine's leading securities trading system, the PFTS, added Ukrspotsbank (**USCB: BUY**) to its equity index. USCB is the sixth largest bank in the country in terms of assets; Banca Intesa signed a deal to acquire it in February. USCB is currently one of the most liquid stocks on the market. We support PFTS' decision to include the stock in the index.

Over the first nine months of 2006, USCB was the 8th most traded stock on the PFTS in terms of trading volume and 4th in terms of concluded deals.

As of Oct. 2, the weight of USCB in the PFTS index basket was 9.77%.

PFTS Index Basket

Company	Ticker	MCap, USD mn 02.10.06	FF* %	FF MCap USD mln	Share 03.05.06	Share 02.10.06
NPR	NITR	706.6	38.67%	273.3	17.2%	18.05%
Ukrnafta	UNAF	3 404.0	8.00%	272.3	16.8%	17.99%
Ukrtelecom	UTEL	3 333.6	7.14%	238.0	18.5%	15.72%
Ukrspotsbank	USCB	1 243.3	11.90%	148.0	-	9.77%
Zakhidenergo	ZAEN	412.9	29.90%	123.5	7.6%	8.16%
Raiff. Bank Aval	BAVL	1 314.4	6.50%	85.4	7.4%	5.64%
Dniproenergo	DNEN	331.3	23.96%	79.4	4.7%	5.24%
Centrenergo	CEEN	362.5	21.71%	78.7	4.3%	5.20%
Stirol	STIR	429.7	17.87%	76.8	6.6%	5.07%
Kievenenergo	KIEN	123.4	37.27%	46.0	4.5%	3.04%
Poltava Iron Ore	PGOK	771.2	4.00%	30.8	-	2.04%
Donbasenergo	DOEN	170.6	14.23%	24.3	1.4%	1.60%
Luhanskteplovoz	LTPL	97.9	24.00%	23.5	1.8%	1.55%
Sumy Frunze	SMASH	253.4	5.47%	13.9	-	0.92%

Trading Vol 9m06 USD mln	Annualized FF Turnover
18.3	8.9%
75.8	37.1%
20.2	11.3%
26.2	23.6%
15.9	17.1%
54.4	84.9%
22.7	38.2%
15.1	25.6%
12.3	21.3%
12.3	35.8%
27.5	118.9%
4.4	24.3%
26.0	147.8%
9.7	92.9%

Source: PFTS; * Free float as defined by the PFTS Index Committee

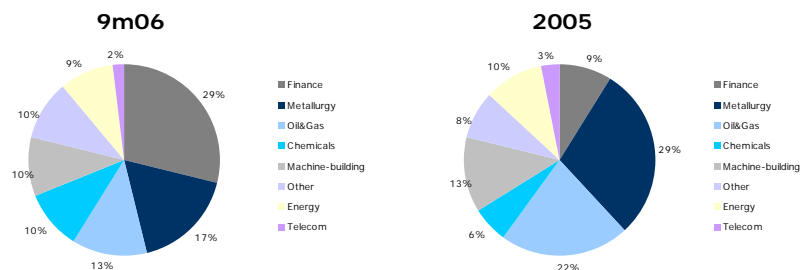
The index's expansion into the banking sector came at the expense of the telecommunications, energy and oil & gas sectors, which is well-deserved: these sectors remain over-represented by the index. Since USCB was added, the banking sector's share of the PFTS index has more than doubled. The banking sector's current share may look high, but is justified by increasing trading activity in banking stocks and the sector's rapid growth.

Breakdown of the PFTS index

Industry	As of 29.09.06	As of 2.10.06
Energy	25.8%	23.2%
Metals	22.3%	20.1%
Oil & Gas	19.9%	18.0%
Telecom	17.4%	15.7%
Banking	6.3%	15.4%
Chemicals	5.6%	5.1%
Machine- building	2.7%	2.5%

Source: PFTS

PFTS Equity Trading Volume Breakdown

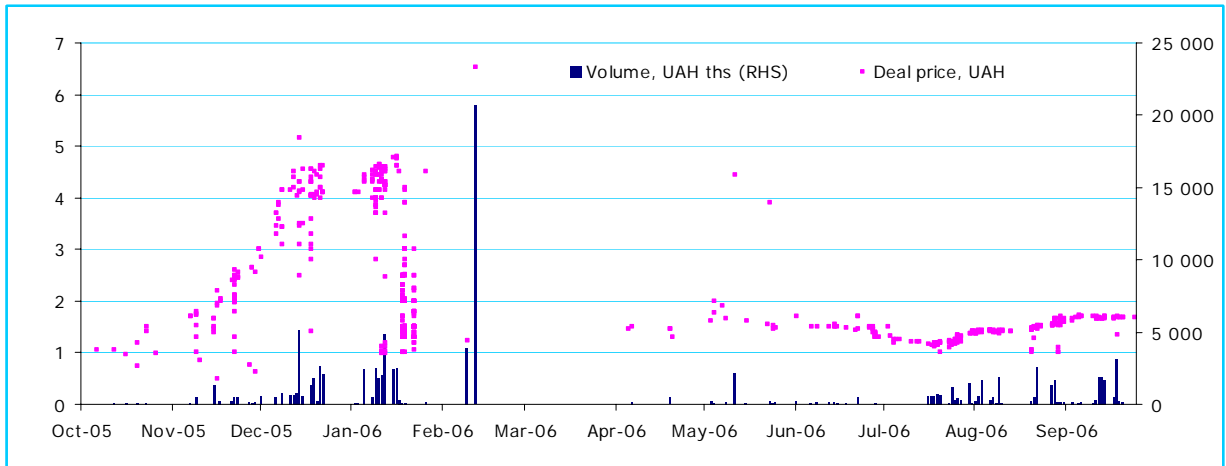


Source: PFTS

USCB Trading Profile

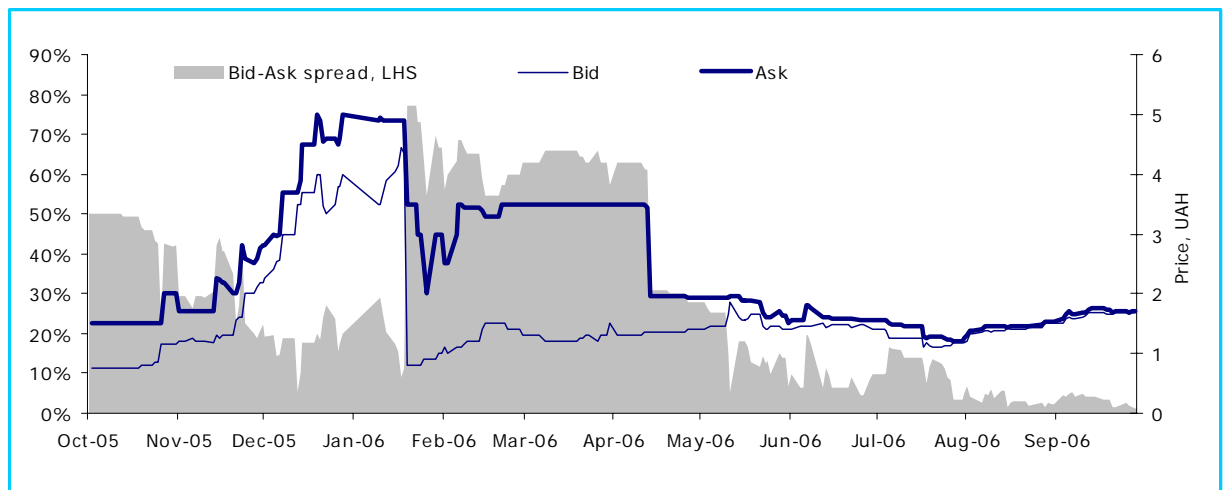
At the beginning of the year there was a dramatic price adjustment and a three month period when the stock's trading nearly came to a halt in the wake of problems related to an additional share issue. Starting in April, as challenges to the issue in Ukrainian courts were settled, the liquidity of USCB improved significantly, the bid-ask spread narrowed and trading volumes recovered. The new share emission was officially registered in July.

Concluded Deals



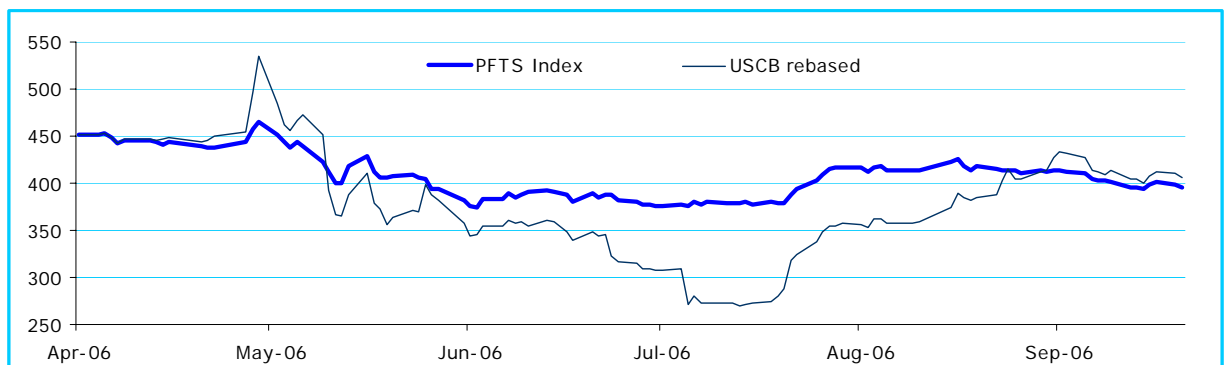
Source: PFTS

Bid-Ask Spreads



Source: PFTS

PFTS-Index vs Ukrsootsbank*



*Starting from April 13, when trading activity in USCB began to recover
Source: PFTS, Concorde Capital

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