

BANKING MARKET IN UKRAINE: 2010-2012 RESEARCH BRIEF



by Intelace Research
November 2010

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SAMPLE

UKRAINE – GENERAL OVERVIEW

Ukraine - Country Map



Ukraine - Overview

Area: 604 thousand square km.

Population: ~ 46 million, of which:

- 54% female, 46% male
- 86% aged 15 and over
- 68% urban population

Average life expectancy: 65Y male, 76Y female

Major cities (inhabitants in thousands): Kiev (2610), Kharkiv (1470), Dnipropetrovsk (1060), Odessa (1030), Donetsk (1020)

Political situation:

As a result of the presidential election in early 2010, Viktor Yanukovich took office, replacing former president Viktor Yushchenko. At the same time, a new ruling coalition was formed in parliament and a new government headed by Yehor Timoshenko was approved. The new government declared its willingness to push for a number of reforms and managed to recover some political and economic ground in the country.

Country ratings:

November 2010

Fitch: Long term fx rating: **B**
(raised from **B-** in 7/2010)

S&P: Long term fx rating: **B+**
(raised from **B** in 7/2010)

GDP growth prospects for 2011

IMF: +4.5%

Fitch: +4.5%

World Bank: +4.0%

EIU Viewswire: +3.9%

Economic outlook:

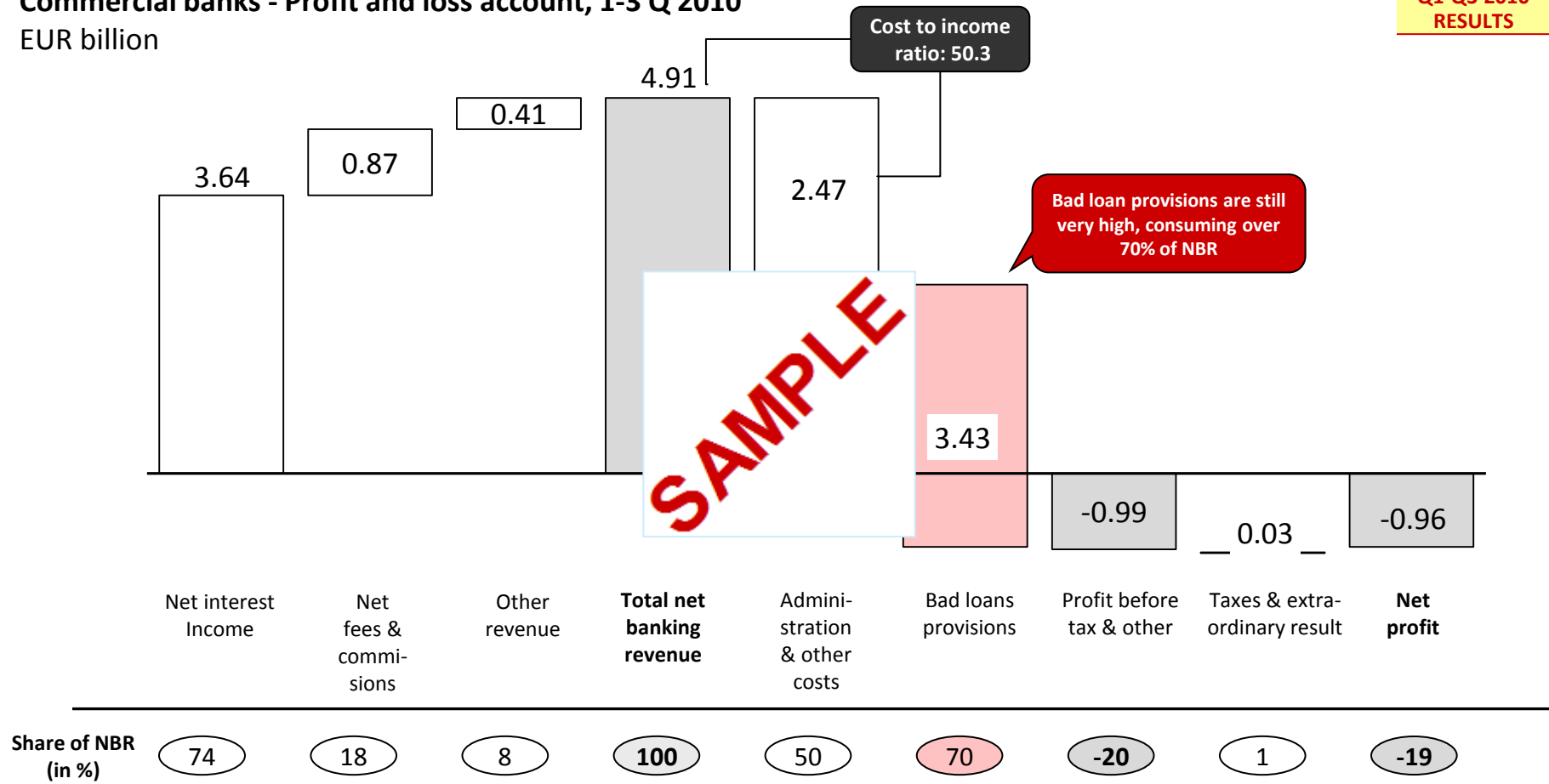
Following the significant economic fall of GDP in 2009 and significant depreciation of the currency, Ukraine's economy has rebounded in 2010. The C/A balance has improved significantly due to lower imports and solid performance of the metals and mining industries. At the same time, domestic demand remains relatively weak. Also, the budget deficit is still a problem with slow tax revenues and accelerating spending on social programs and subsidies for state-owned enterprises.

SAMPLE

IN 1-3Q 2010 UKRAINIAN BANKS RECORDED 4.9 BILLION EUR IN REVENUES BUT SUFFERED ALMOST 1 BILLION EUR NET LOSS DUE TO HIGH COSTS OF BAD LOANS






Commercial banks - Profit and loss account, 1-3 Q 2010
EUR billion

Q1-Q3 2010 RESULTS



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RECENT BANK M&A DEALS IN UKRAINE (1/4)

Date	Buyer (Country)	Target	Stake & Price**	Valuation multiples*		
				P/A	P/BV	P/E
2006	Sberbank (RU)	 Банк НРБ	<ul style="list-style-type: none"> • 100% NRB Bank • 80 million EUR 	0.53	4.5	42.1
2006	PPF (CZ)	ПРИВАТИНВЕСТ	<ul style="list-style-type: none"> • 100% Privatinvest • 14 million EUR 	0.28	1.8	23.3
2006	PPF (CZ)	 АГРОБАНК	<ul style="list-style-type: none"> • 100% Agrobank • 24 million EUR 	0.24	2.4	60.0
2005	BNP Paribas (FR)	 УКРСИББАНК	<ul style="list-style-type: none"> • 51% Ukrsibbank • 400** million EUR 	0.44	4.9	83.4
2005	Raiffeisen Bank (AT)	 АВАЛІВ БАНК	<ul style="list-style-type: none"> • 90% AVAL bank • 830 million EUR 	0.37	4.2	402.4
2005	SEB (SE)	 АЖІО БАНК	<ul style="list-style-type: none"> • 98% of Aggio bank • 24 million EUR 	0.51	2.0	30.6

* Price/Assets, Price/Book Value and Price/Earnings multiples for the year of transaction; Bank valuation adjusted to 100%

** Price paid for the acquired stake

Source: Banks, press, Intelace Research



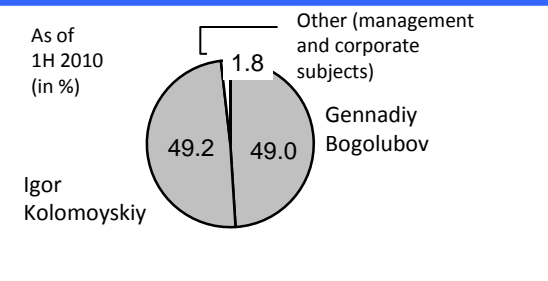
Background

- Privatbank is the largest universal bank in Ukraine. It is a clear leader in the retail banking business and belongs to top corporate players
- Privatbank is an independent bank, since it is owned by a group of local individual investors, corporate subjects and management

History

- 1992 Privatbank founded as a LLC
- 2000 Organizational changes, a joint stock company is created
- 2004 Thanks to quick growth bank gains market leadership in Ukraine
- 2004-2007 International expansion: Latvia, Russia, Cyprus, Georgia
- 2007/2008 Bank raises new capital
- 2010 Capital raised. A new branch in Italy opened

Shareholders



Products

- PB offers a broad portfolio of products for both: individual and corporate clients.
- Bank is the clear leader in payment cards with ~13.6 million active cards issued (as of 3Q 2010)

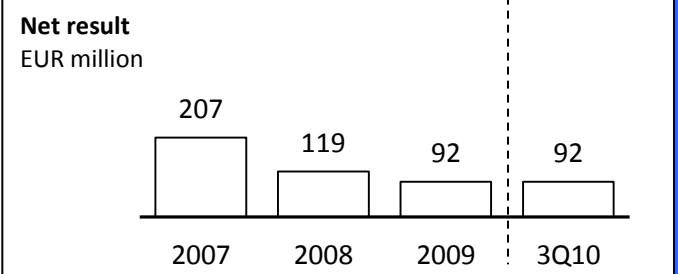
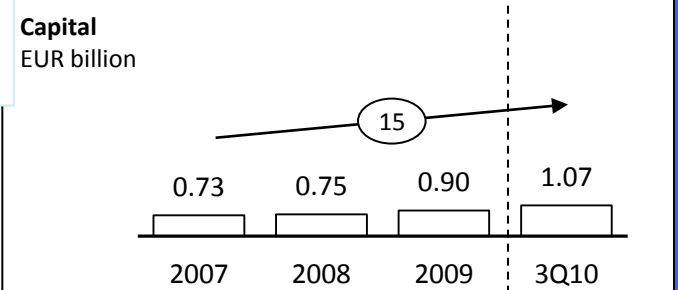
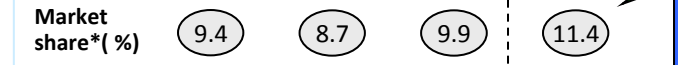
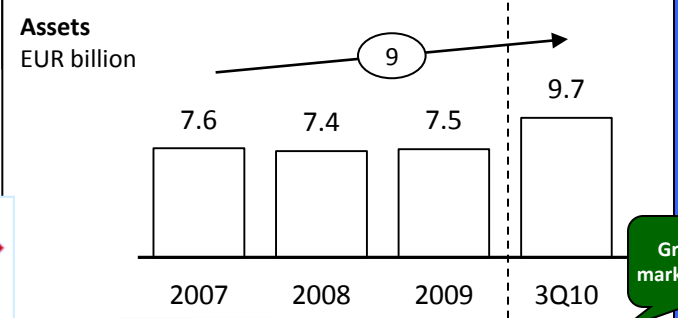
Channels:

- PB has a dense distribution network: 36 branches and over 100 service points across Ukraine
- PB leads in acquiring POS terminals and a large ATM network: ~8800 machines (as of 3Q 2010)
- Internet access is available through an online banking system "Privat-24"

Customers

- Retail business is dominating
- Bank is serving: (as of Dec. 2009)
 - over 8 million individual clients
 - 343 thousand SME accounts
 - 355 thousand corporate accounts

Results



Growing market share

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SAMPLE

* By total net assets
 ** Compound Annual Growth Rate
 Source: NBU, Bank, Intelace Research

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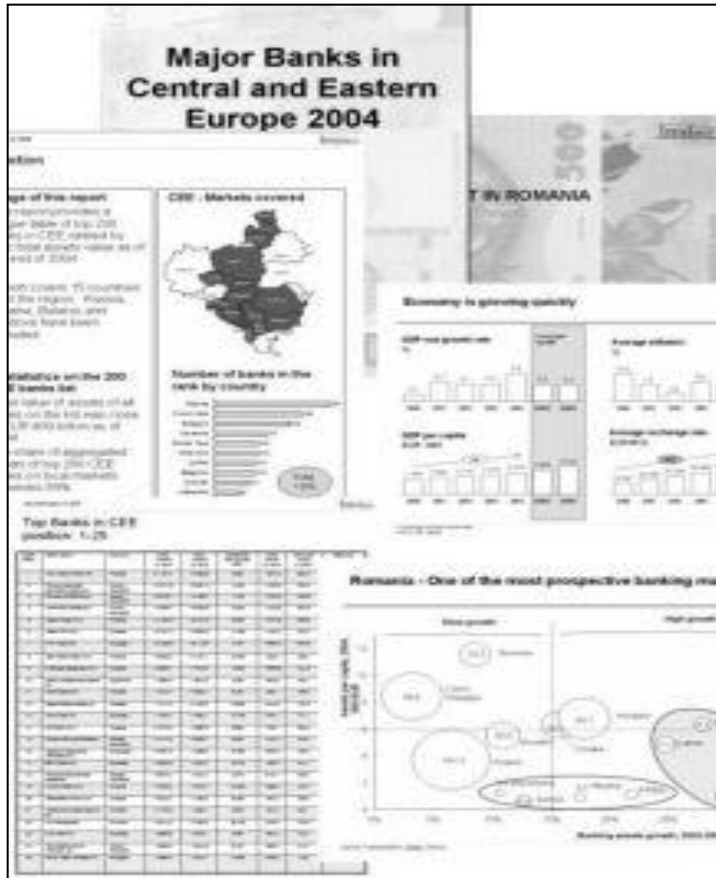
Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

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