

DOMINET BANK – OVERVIEW AND VALUATION



July, 2006

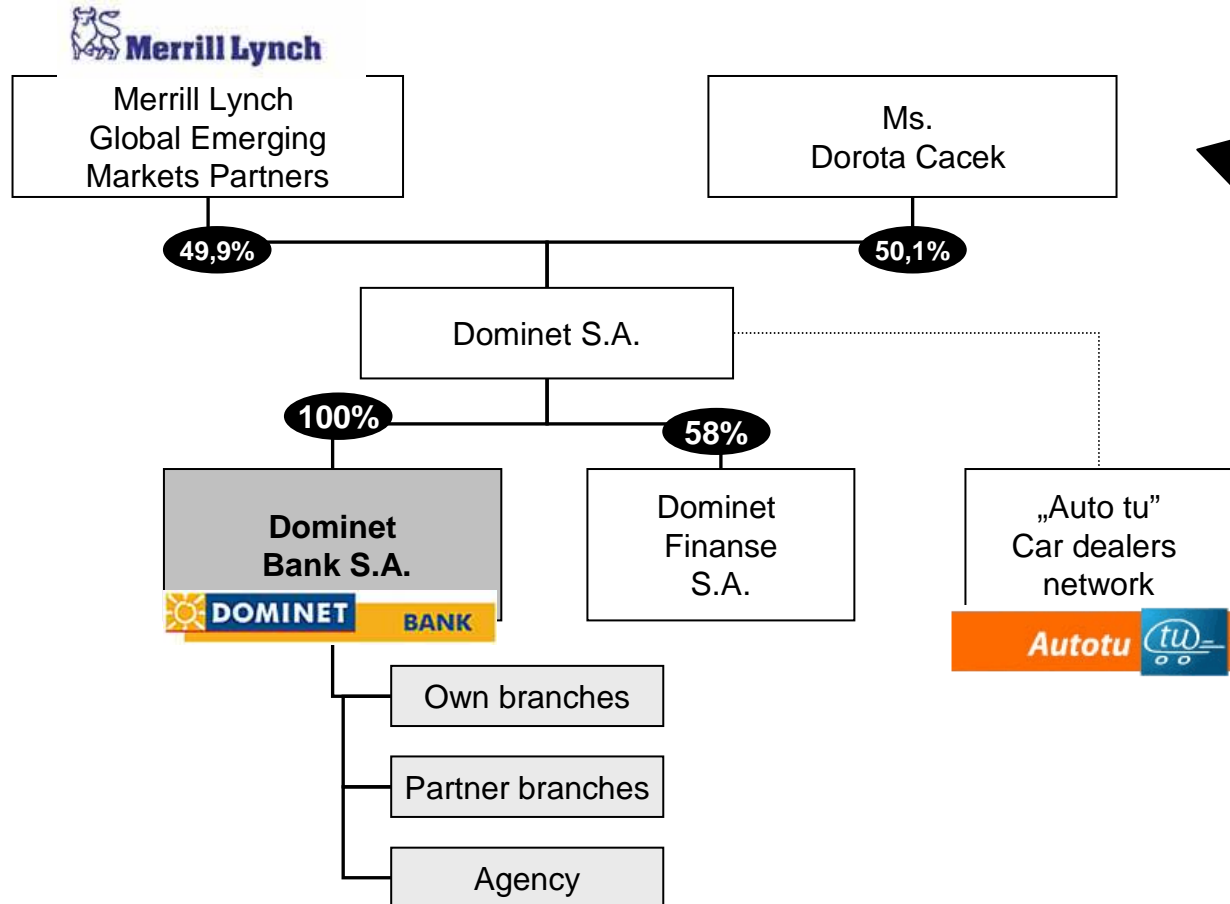
by Marcin Mazurek, Intelace Research

AGENDA

- **Shareholders and group structure**
- **Business development**
- **Product offering**
- **Valuation**

DOMINET IS OWNED BY PE/VC AND PRIVATE INDIVIDUAL

Dominet Group structure

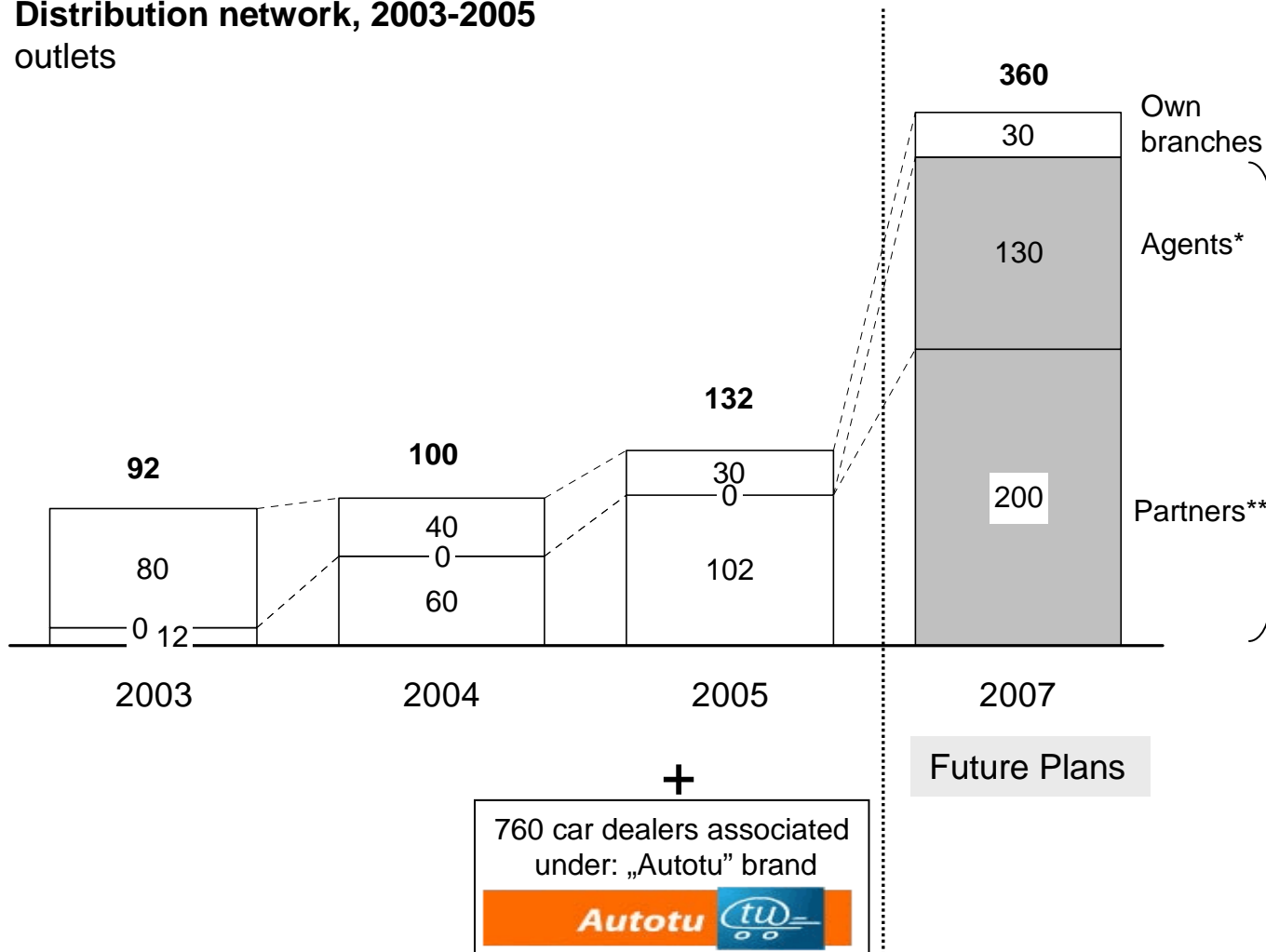


Current shareholder structure (private equity + individuals) is implying upcoming sale of the bank

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DOMINET DISTRIBUTION NETWORK CONSISTS OF 132 BANK OUTLETS AND ~760 AUTOTU – USED CAR DEALERS

Distribution network, 2003-2005 outlets



Current strategy assumes quick development of external distribution network (franchising + agents) but no further expansion of own outlets requiring larger capital investments

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* Cooperation model being currently developed
 ** Based on franchising principle
 Source: Dominet, Rzeczpospolita, Intelace Analysis

AGENDA

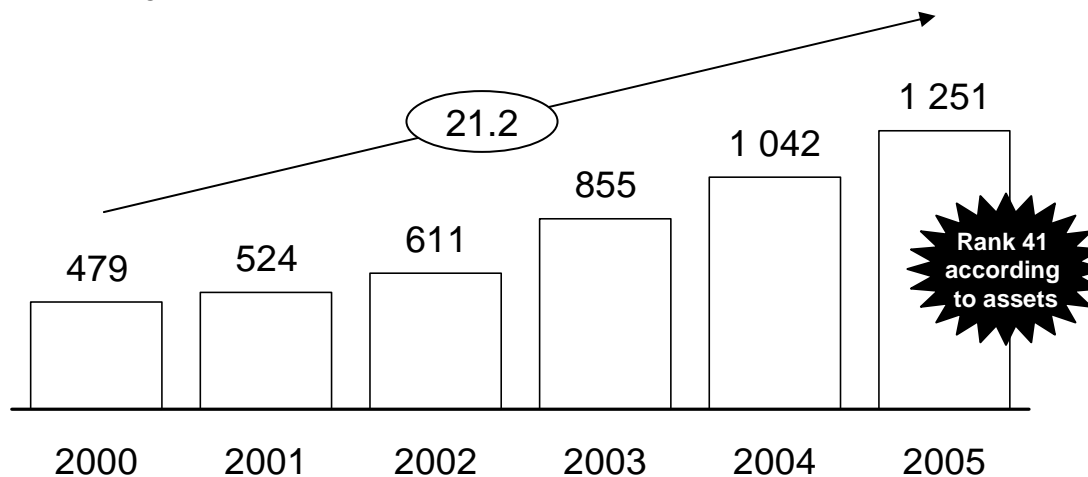
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DOMINET BANK IS GROWING FASTER THAN THE BANKING MARKET

CAGR*

Bank assets evolution, 2000-2005

PLN million



- In the years 2000-2005 Dominet bank has been growing quickly
- Bank is still a minor player with rank 41 in Poland (according to 2005 assets)
- Bank has still a very small market share (0,23%)

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Market share evolution, 2000-2005

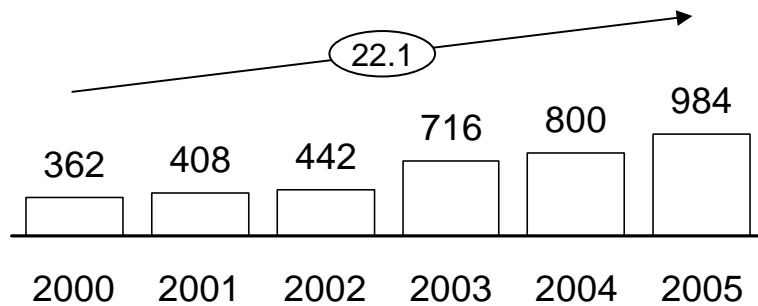
Percent (of commercial banks assets)



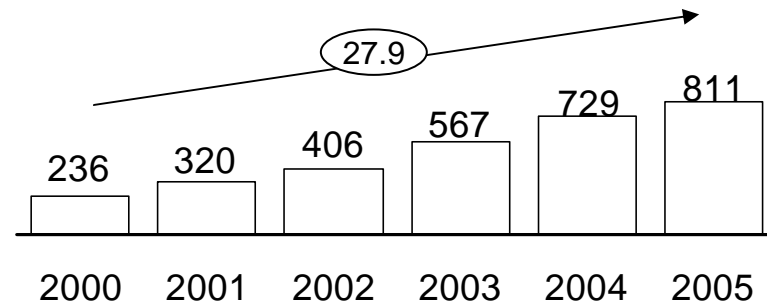
BOTH LOANS AND DEPOSITS GROW QUICKLY

CAGR*

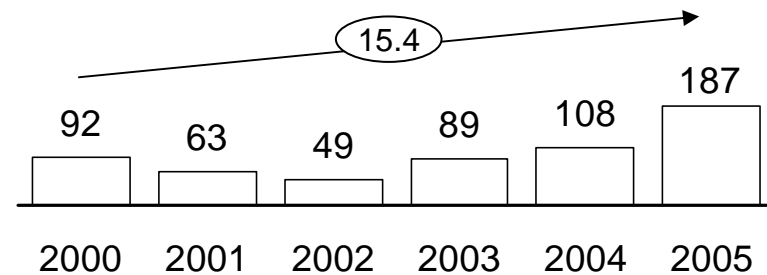
Client deposits
PLN million



Client loans
PLN million



Investments in debt securities
PLN billion



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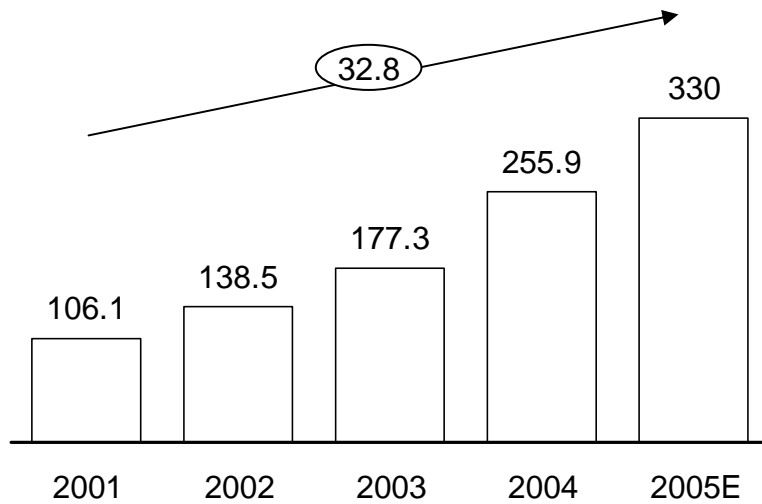
* Compound Annual Growth Rate
Source: Dominet, Rzeczpospolita, Intelace Analysis

NUMBER OF CLIENTS IS CONSTANTLY INCREASING

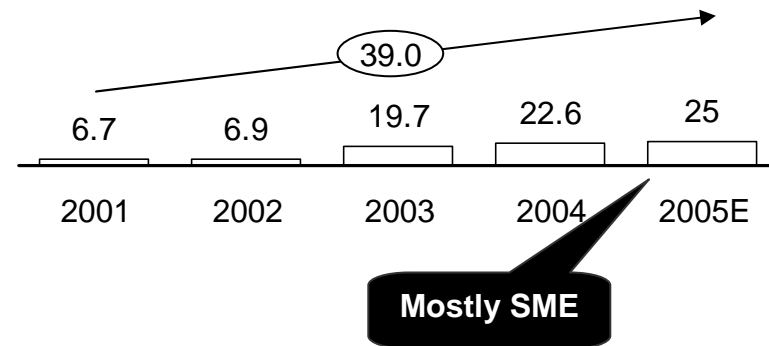
CAGR*

PARTIALLY ESTIMATES

Retail clients
thousand



Corporate clients**
thousand



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** Mostly SME

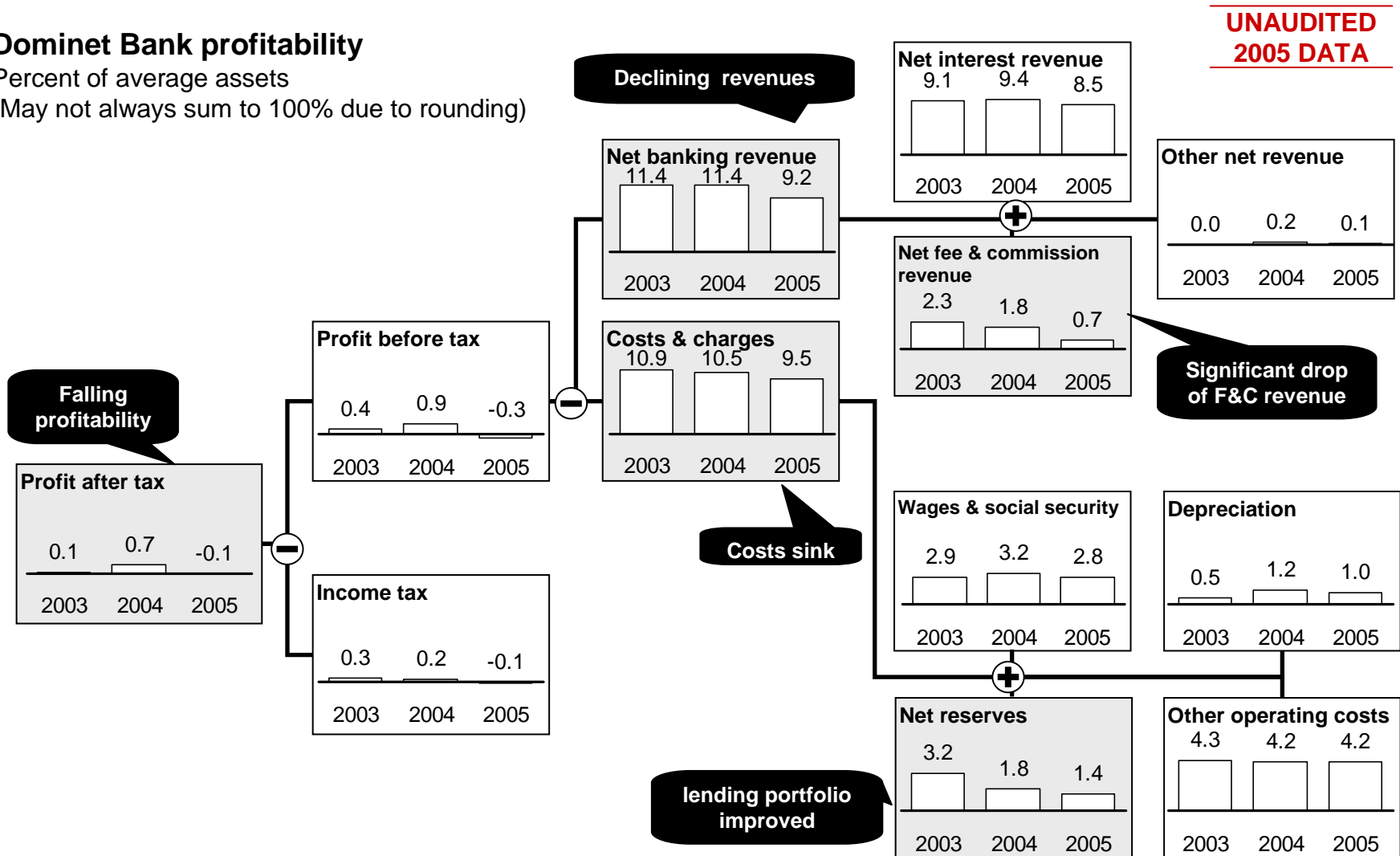
* Compound Annual Growth Rate

Source: Dominet, Intelace Analysis, Interviews

DOMINET BANK PROFITABILITY IS FALLING

Dominet Bank profitability

Percent of average assets
(May not always sum to 100% due to rounding)



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BANK IS OFFERING A SET OF BASIC TRANSACTION AND DEPOSIT PRODUCTS WITH MORE EXTENSIVE AFFINITY CARDS AND LENDING OFFER

Description

Accounts

- Standard current account package (ROR) with additional access via phone and internet including free payment card and option of overdraft facility
- High yield account with progressive interest
- Current accounts for SME customers

Deposits

- Various deposit options including fixed and variable interest rate and terms up to 2 years
- Very competitive interest rates
- Intermediation of Skarbiec investment funds

Loans

- Quick cash loan (up to 50,000PLN)
- Car loans offered together with “Autotu” dealers, “0% loan” offer
- Installment loan for consumer electronics offered together with LG Electronics (Flat TVs)
- Overdraft in C/A
- Intermediation of mortgage loans

Cards

- Extensive offering of affinity cards related to sport
- Credit cards offered at competitive conditions with low issuance fee and grace period up to 61 days

AFFINITY CARDS AND QUICK CASH LOAN ARE USED AS HOOK PRODUCTS TO GET NEW CLIENTS

Affinity electronic credit cards



Features









- Customizable card layout with inscription of preferred sport team/club chosen by client
- Grace period of up to 61 days
- Issue fee 39 PLN
- Promotional interest on outstanding debt 0.5% monthly (1,82% regular rate)

Cash loan



- Cash loan up to 50,000 PLN
- Preliminary credit decision in 15 minutes
- Lending period 3-60 months
- Compulsory loan insurance
- Strong media support

GAPS IN OWN PRODUCT OFFERING ARE FILLED BY USE OF EXTERNAL PARTNERS

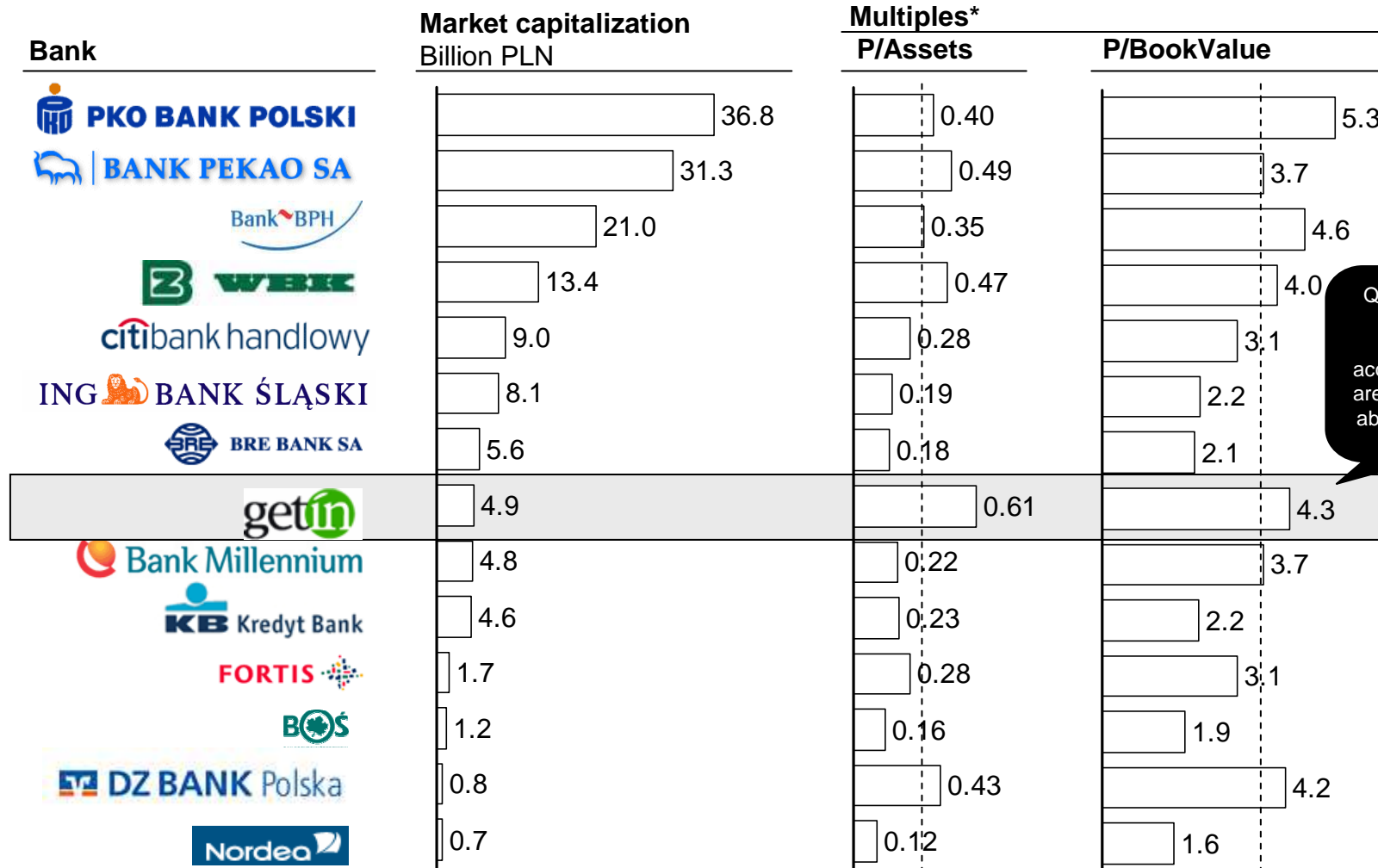
| | Partner | Description |
|------------------|---|---|
| Mortgage |    | <ul style="list-style-type: none"> Mortgage loans and home equity loans from 3 cooperating banks: ING, Nordea and Nykredit |
| Investment funds |  | <ul style="list-style-type: none"> 10 various investment funds managed by Skarbiec TFI |
| Insurance |   | <ul style="list-style-type: none"> Car insurance from PZU Loan repayment insurance provided by Finlife |
| Leasing |  | <ul style="list-style-type: none"> Car leasing provided by BRE Leasing |
| Cash transfers |  | <ul style="list-style-type: none"> Quick cash transfers offered together with Western Union |

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BANKS LISTED IN POLAND ARE TRADED AT 3.7 TIMES THEIR EQUITY VALUE AND AT 34% THEIR ASSETS

Valuation of banks on the Warsaw Stock Exchange, July 2006



Quickly growing players and possible acquisition targets are usually valued above the market average

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AVG= 0.34

AVG= 3.69

* Based on preliminary, 2006 Q1 figures

Source: WSE, Banks, Rzeczpospolita, Intelce Analysis

RECENT M&A TRANSACTIONS IN BANKING SECTOR IN POLAND SHOW THAT VALUATION CAN VARY SIGNIFICANTLY DEPENDING ON ASSET QUALITY

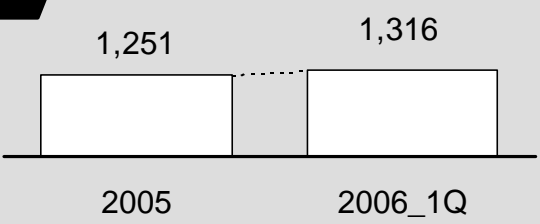
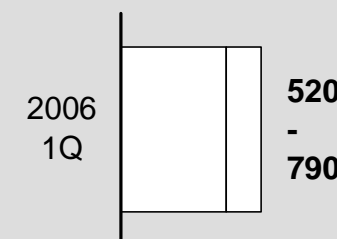
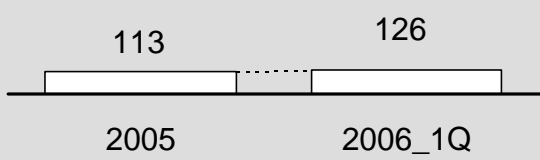
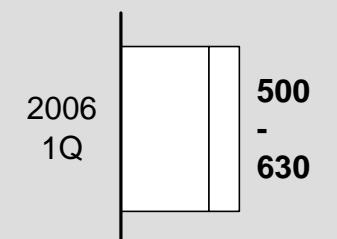

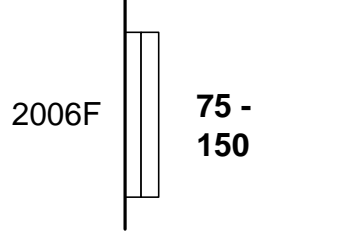
| <u>Date</u> | <u>Buyer</u> | <u>Target</u> | <u>Price paid</u> | <u>Market share acquired</u> | <u>Description</u> |
|-------------|------------------|--|---------------------------------------|------------------------------|--|
| April 2005 | Société Générale | Eurobank  | 700m PLN* P/BV**=6.8 P/A**=0.43 | ~0.3% | <ul style="list-style-type: none"> • Eurobank was a dynamic consumer finance bank created in 2003 by a private individual • At the moment of transaction it had 110 outlets countrywide and served ~240,000 retail clients in major cities |
| August 2005 | Getin Holding | Wschodni Bank Cukrownictwa  | 210m PLN P/BV**=1.3 P/A = 0.21 | ~0.2% | <ul style="list-style-type: none"> • WBC was a small regional bank operating in the south-eastern part of the country • In 2002 it faced bankruptcy, but has been saved by a group of large banks providing new funds in exchange for equity. • Since 2002 situation of the bank was improving and bank started to generate profits |

* Unconfirmed

** Based on 2004 end of year book value

Source: Banks, press, Intelcace Analysis

USING CURRENT MARKET MULTIPLES THE VALUE OF DOMINET BANK CAN BE ESTIMATED AT 500-700 MILLION PLN

| Dominet Bank Financials, 2005-2006 million PLN | Valuation multiples** | Dominet Valuation million PLN | <div style="border: 1px solid gray; width: 20px; height: 10px; display: inline-block;"></div> Most appropriate methods in this case |
|---|--|---|---|
| Total Assets  | <div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">0.4 – 0.6</div> |  | <div style="border: 1px solid gray; width: 20px; height: 10px; display: inline-block;"></div> |
| Equity *  | <div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">4 - 5</div> |  | <div style="border: 1px solid gray; width: 20px; height: 10px; display: inline-block;"></div> |
| Net Profit  | <div style="border: 1px solid black; border-radius: 50%; padding: 5px; display: inline-block;">15-30***, ∞</div> |  | <div style="border: 1px solid gray; width: 20px; height: 10px; display: inline-block;"></div> |

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*** P/E Ratio is useless for valuation in case of a loss or around the break-even

** Market multiples for top performing listed banks as of July 2006

* Including subordinated debt

Source: Rzeczpospolita, Dominet Bank, Intelace Analysis

ABOUT INTELACE RESEARCH AND THIS REPORT

About this report

This report has been prepared using publicly available sources including: financial reports, press publications, industry magazines, directories, financial databases and expert interviews.

Views presented in this report reflect solely independent and unbiased opinion of Intelace Research and the author.

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About Intelace Research

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Intelace Research is specializing in value-added research services and tailored business intelligence solutions.

We serve clients in the financial services sector :

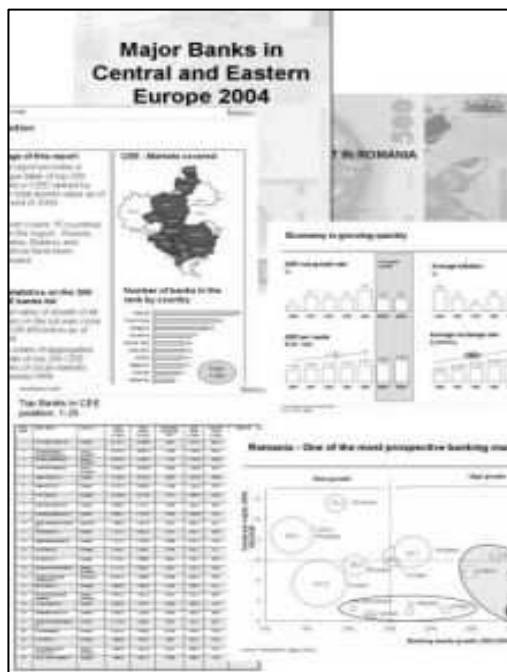
- International banks present in Poland and CEE
- Top international strategy consultants
- Asset managers
- Insurance companies

The lead researcher and founder of Intelace Research is Marcin Mazurek.

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