

# **BANKING MARKET IN UKRAINE 2007 - RESEARCH BRIEF**



**SAMPLE**

by Marcin Mazurek, Intelace Research  
September 2007

# REPORT ORDER FORM



We order following report:

## BANKING MARKET IN UKRAINE 2007 - RESEARCH BRIEF

### Report features and delivery options:

Publication date: [September 2007](#)  
Number of pages: 50  
Language: [English](#)  
Delivery: [pdf file delivered by email](#)

### Price:

- 990 EUR + VAT tax (if applicable\*)

### Customer details: (Will be used for issuing of invoice)

<b>Full company name</b>	
<b>Name of the authorized person</b>	
<b>Address line 1</b>	
<b>Address line 2</b>	
<b>City</b>	
<b>Zip/Postal Area Code</b>	
<b>Country</b>	
<b>Phone/Fax</b>	
<b>Email address /for delivery/</b>	
<b>EU – VAT ID*</b>	

### Our contact details:

Intelace Research  
Stryjenskich 13c m78  
02-791 Warszawa, POLAND

Tel. +48502512178, Fax. +48223492140

email: [info@intelace.com](mailto:info@intelace.com)  
website: [www.intelace.com](http://www.intelace.com)

EU VAT ID: PL-1230807095  
Local company registry (REGON) ID:  
140235909

Bank: BRE Bank, Mickiewicza 10,  
90-050 Lodz, Poland

Account: IBAN: (EUR)  
PL96 1140 2004 0000 3112 0001 4977  
BIC/SWIFT: BREXPLPWMUL

\* VAT tax is typically charged to customers from Poland only. Customers from the EU area need to provide us with their valid EU VAT Id number, which is the mandatory condition for the VAT tax exemption.

Please tick here if you do not wish your company name/ logo to be listed among Intelace Research clients

Place and Date

Signature of authorized person confirming the order

**PLEASE SIGN THIS FORM AND RETURN IT BY FAX TO: +48 22 349 21 40**

# TABLE OF CONTENT (1/2)

## 1. Macroeconomic overview

- Slide 1: Executive summary
- Slide 2: Ukraine - General overview
- Slide 3: Key macroeconomic indicators, GDP, inflation, FX rates, 2001-2007H1
- Slide 4: Foreign trade statistics, C/A balance, 2002-2006
- Slide 5: Central bank rates, market interest rates, 2001-2007H1
- Slide 6: Unemployment rate, average salary, 2001-2007H1

## 2. Banking market

- Slide 7: CEE banking markets + Ukraine: Size vs. growth matrix, 2004-2006
- Slide 8: CEE banking penetration benchmarks - International comparison, 2006
- Slide 9: Evolution of banking assets LCU vs. EUR, 2001-2007H1
- Slide 10: Concentration of the banking market, 2007H1
- Slide 11: Client loans by segment evolution, 2001-2007H1
- Slide 12: Client deposits by segment evolution, 2001-2007H1
- Slide 13: Interest margins, 2001-2007H1
- Slide 14: Top 12 commercial banks, market shares, ownership, 2007H1

## 3. Retail banking

- Slide 15: Retail deposits by maturity, 2001-2007H1
- Slide 16: Retail loans evolution, 2001-2007H1
- Slide 17: Market shares of banks on the retail market, 2007H1
- Slide 18: Top cards issuers, 08/2007
- Slide 19: Banks shares in payment infrastructure: ATM, POS, Cash advances, 08/2007

## 4. Corporate banking

- Slide 20: Corporate deposits by maturity, 2001-2007H1
- Slide 21: Corporate loans evolution, 2001-2007H1
- Slide 22: Market shares of banks on the corporate market, 2007H1

## TABLE OF CONTENT (2/2)

### **5. Banks profitability**

Slide 23: Commercial banks aggregated Profit & Loss composition, 2006

Slide 24: Commercial banks profitability tree: Privatbank, Aval, Ukrsibbank, Ukrsotsbank, Ukreximbank, 2006

### **6. Banks valuation and M&A activity**

Slide 25: 2005-2007 banking M&A deals in Ukraine: P/A, P/BV, P/E multiples (1/3)

Slide 26: 2005-2007 banking M&A deals in Ukraine: P/A, P/BV, P/E multiples (2/3)

Slide 27: 2005-2007 banking M&A deals in Ukraine: P/A, P/BV, P/E multiples (3/3)

Slide 28: Average M&A ratios 2005/2007, Valuation of major banks

### **7. Top banks profiles**

Slide 29: Bank profile: Privatbank

Slide 30: Bank profile: Aval Bank

Slide 31: Bank profile: Ukrsibbank

Slide 32: Bank profile: Ukrsotsbank

Slide 33: Bank profile: Ukreximbank

### **8. Mid-term forecasts**

Slide 34: Banking assets forecast, 2007-2009

Slide 35: Key retail volumes forecast, 2007-2009

Slide 36: Key corporate volumes forecast, 2007-2009

### **9. Notes on methodology**

**SAMPLE**

# EXECUTIVE SUMMARY – BANKING MARKET IN UKRAINE

---

- **Favorable macroeconomic situation.** The Ukrainian economy has already fully recovered from the slowdown of 2005 caused by rising prices of imported raw materials. During 2006-H1 2007 the average GDP growth rate exceeded 7.5%. The wealth of individuals is increasing rapidly as a result of low unemployment and accelerating wages (wages doubled within last 3 years to EUR204 per month in H1 2007). The local currency - hryvna is relatively stable, being pegged to US\$, currently slightly depreciating against Euro inline with the weak US dollar. Worsening C/A balance and accelerating inflation are the major threats, possibly hampering quick expansion of the economy in the mid-term
- **Banking market surging.** During 2001-H1 2007 banking assets have increased at a very high rate (almost 50% p.a. in nominal terms). Retail business is growing most rapidly, with household loans and deposits increasing nearly at double rate of respective corporate volumes. Interest margins have recently stabilized and thanks to the significant assets and liabilities growth, the overall revenues and profits of banks surge
- **High banking market fragmentation.** Ukrainian banking sector is extremely fragmented. With over 170 banks present in the country and very low concentration ratios (HHI\* Index =361) the market is awaiting a next phase of consolidation. Expected falling margins, increasing competition and changing regulatory environment are likely to spark a next wave of M&A activity
- **Entry of foreign players.** Only during 2005/H1 2007 there have been at least 14 significant transactions closed on the Ukrainian banking market, initiated mainly by large international players willing to gain a foothold on a rapidly growing market. The current market attractiveness is reflected by extremely high valuation multiples reaching: 5-6 times Equity Value or 50%-60% Asset Value
- **Future prospects are good.** In our base scenario we assume that the Ukrainian economy will sustain quick growth, which will convert into a very positive climate for the banking market. We expect that banking assets will rise to UAH 923 billion through 2009. In the mid term perspective retail banking is likely to be the key driver with mortgage and consumer lending leading the growth. Of course growing risks, especially the C/A imbalance and accelerating inflation cannot be neglected, as they might ultimately affect the quick market growth.

SAMPLE

# TABLE OF CONTENT

---

- **Macroeconomic overview**
- **Banking market**
- **Retail banking**
- **Corporate banking**
- **Banks profitability**
- **Banks valuation and M&A activity**
- **Top banks profiles**
- **Mid-term forecasts**
- **Notes on Methodology**

# UKRAINE – GENERAL OVERVIEW

## Ukraine - Country Map



## Ukraine - Key facts

**Area:** 604 thousand square kilometer

**Population:** ~ 46.5 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 thousand): Kiev (2610),  
 Kharkiv (1470), Dnipropetrovs'k (1060), Odesa (1030),  
 Donetsk (1020)

Number of inhabitants keeps falling slowly due to lack of stability and difficult life conditions of a big part of population

## Ukraine - Overview

### Political developments:

In late 2004 mass protests broke out across country in reaction to the manipulated run-off presidential election. Events known also as "Orange Revolution" have led in a peaceful way to repeated election, won by the opposition leader: Viktor Yushchenko. Despite initial success, opposition was not able to build a sustainable coalition. Followed by a painful compromise – designation of former Yushchenko rival - Viktor Yanukovych to Prime Minister post and a phase of political unrest, early parliamentary election in September took place. As expected the vote did not change the political setup significantly. None of major parties has reached enough votes to rule independently, so various future scenarios are possible

### Macroeconomic situation

The Ukraine economy has rebounded in 2006/2007 after the 2005 slowdown caused by increasing prices of natural resources and political uncertainty. Nowadays economy is fueled by rising corporate investments and increasing private consumption supported by rapid wages growth.

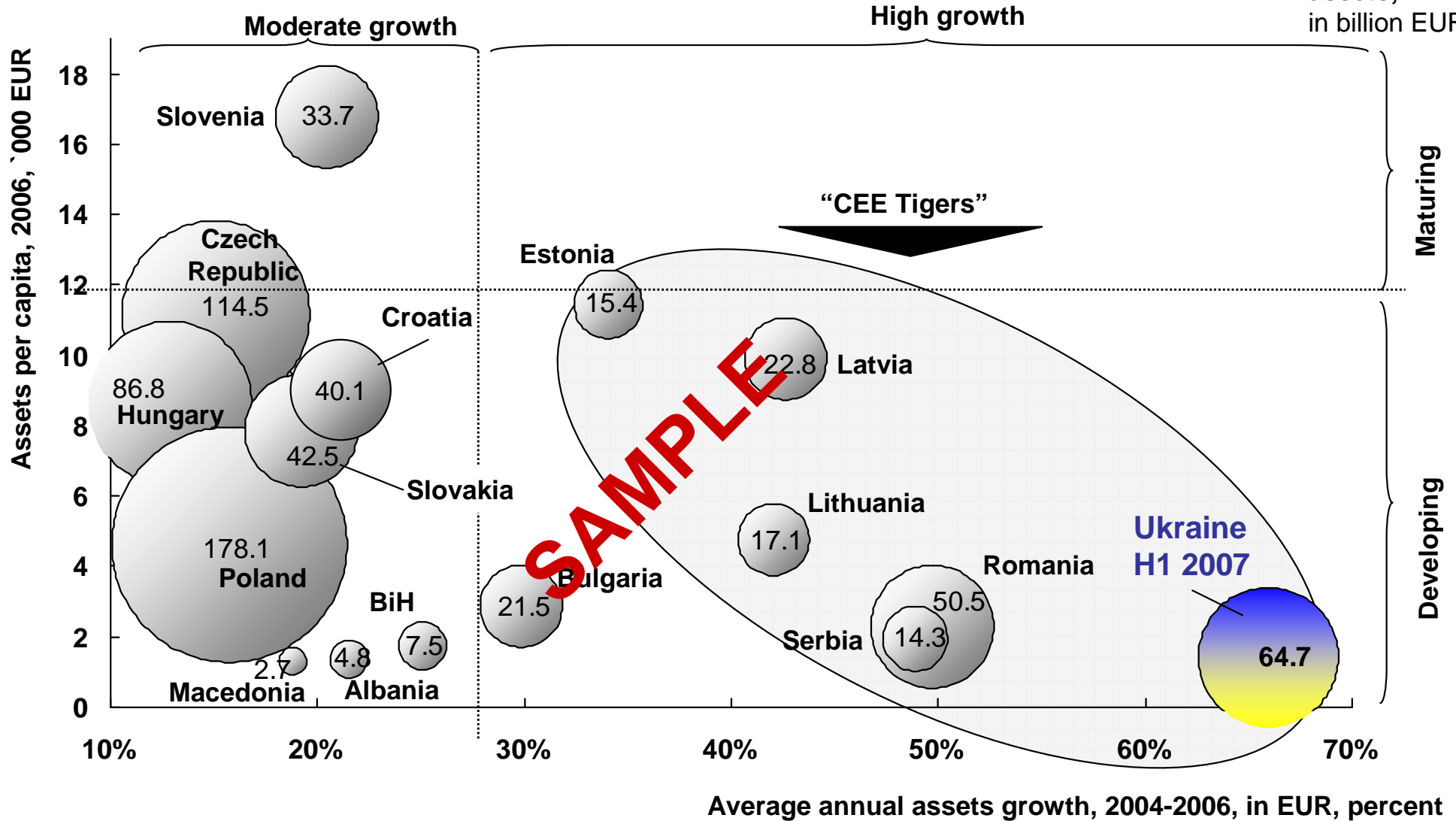
### Investment Climate

Despite political turmoil, the current investment climate is still relatively good. Ukraine is drawing on average ~5 bn US\$ p.a. of direct foreign investments, attracted by low wages and large retail market

# BANKING MARKET IN UKRAINE IS EXPERIENCING AN EXPLOSIVE GROWTH

CEE15\* banking markets - Size vs. growth matrix, 2004-2006

(x) Total banking assets, in billion EUR



Banking Market in Ukraine - Research Brief 2007

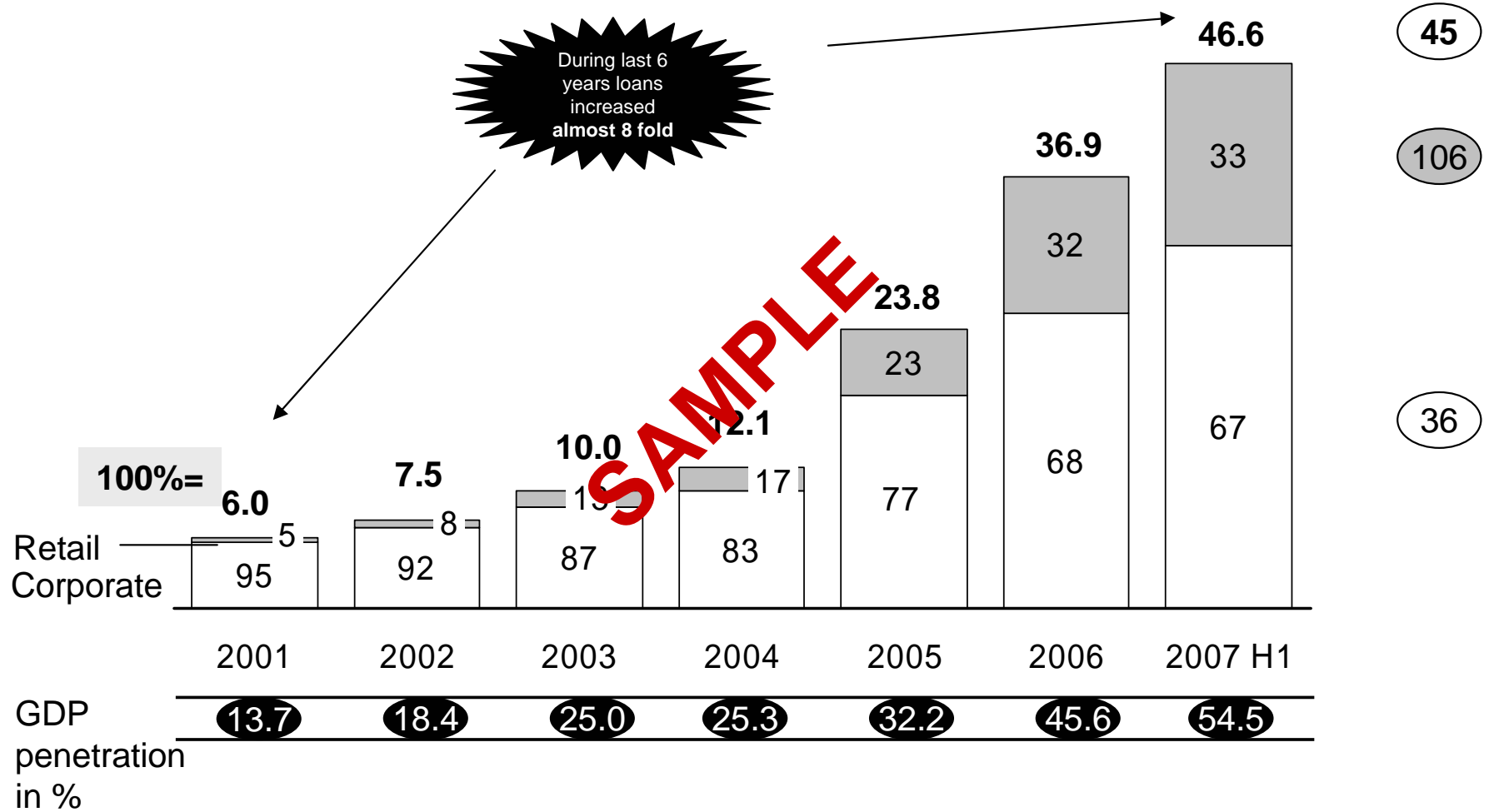
\* Ukraine + major 15 CEE countries. Russia and Belarus not included

Source: Central banks, IMF, Intelace Research

# LENDING IS ACCELERATING. RETAIL LOANS SURGE

**Client loans by origin, 2001-2007 H1**  
EUR billion, percent

**CAGR\***  
**2001-2007 H1**



Banking Market in Ukraine - Research Brief 2007

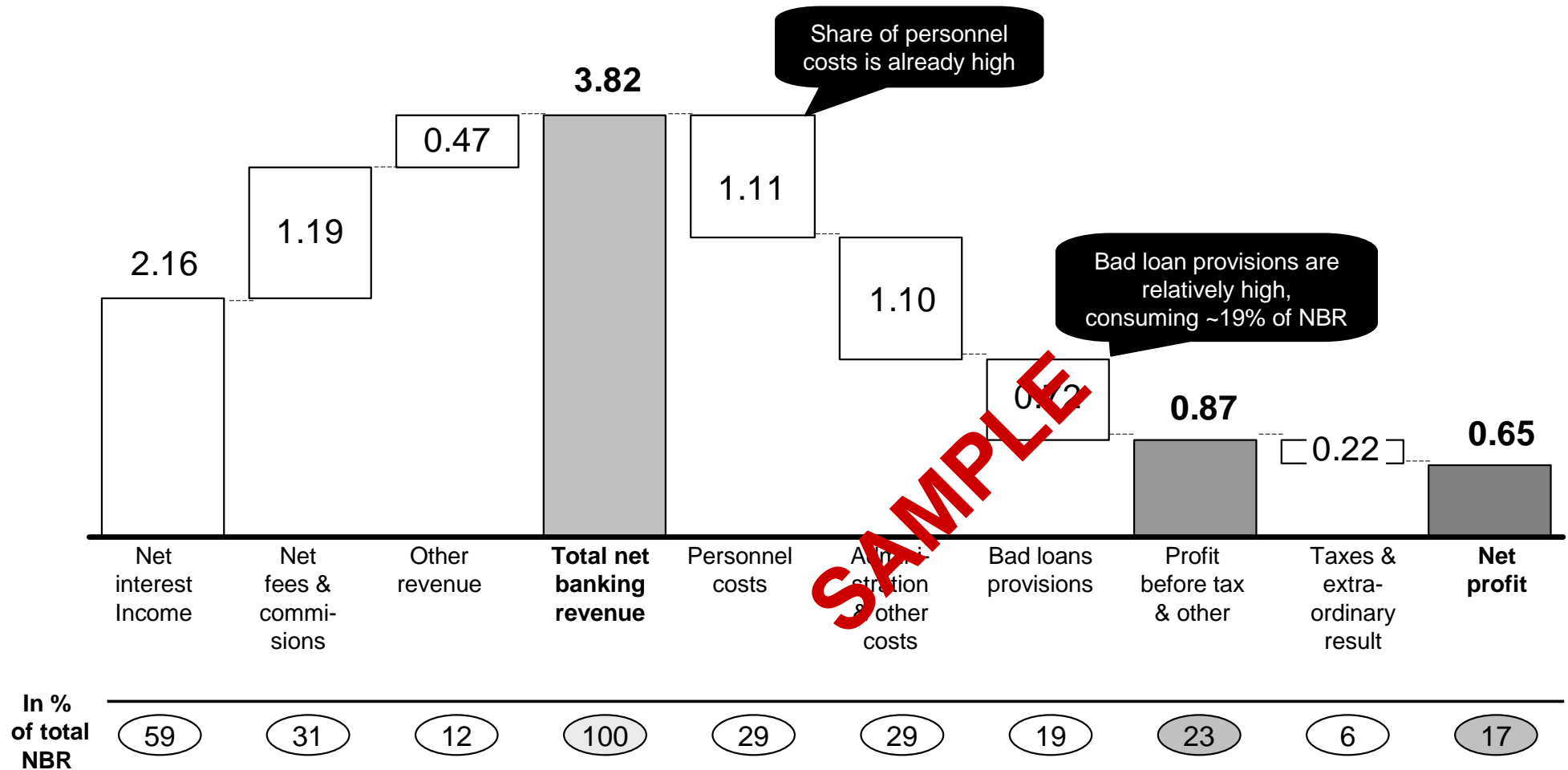
\* Compound Annual Growth Rate  
Source: NBU, Intelace Research

# IN 2006 UKRAINIAN BANKS RECORDED ALMOST 4 BILLION EUR IN REVENUES AND 650 MILLION EUR IN NET PROFITS

**2006 RESULTS**






## Commercial banks - Profit and loss account, 2006

EUR billion



Banking Market in Ukraine - Research Brief 2007

## RECENT BANK M&A DEALS IN UKRAINE (1/3)

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"> <li>• 100% <b>NRB Bank</b></li> <li>• 80 million EUR</li> </ul>	0.53	4.5	42.1
2006	PPF (CZ)	ПРИВАТИНВЕСТ	<ul style="list-style-type: none"> <li>• 100% <b>Privatinvest</b></li> <li>• 14 million EUR</li> </ul>	0.28	1.8	23.3
2006	PPF (CZ)	 АГРОБАНК	<ul style="list-style-type: none"> <li>• 100% <b>Agrobank</b></li> <li>• 24 million EUR</li> </ul>	0.24	2.4	60.0
2005	BNP Paribas (FR)	 АКЦИОНЕРНЫЙ КОММЕРЧЕСКИЙ ИННОВАЦИОННЫЙ БАНК УКРСИББАНК	<ul style="list-style-type: none"> <li>• 51% <b>Ukrsibbank</b></li> <li>• 400** million EUR</li> </ul>	0.44	4.9	83.4
2005	Raiffeisen Bank (AT)	 АВАЛ БАНК	<ul style="list-style-type: none"> <li>• 90% <b>Avall bank</b></li> <li>• 830 million EUR</li> </ul>	0.37	4.2	402.4
2005	SEB (SE)	 АЖІ БАНК	<ul style="list-style-type: none"> <li>• 98% of <b>Aggio bank</b></li> <li>• 24 million EUR</li> </ul>	0.51	2.0	30.6

SAMPLE

\* Price/Assets, Price/Book Value and Price/Earnings multiples at the time of transaction

\*\* According to press speculations, actual price not disclosed

Source: Banks, press, Intelace Research

# TOP BANKS (1/5) – PRIVATBANK



Background	Products	Results																		
<ul style="list-style-type: none"> <li>Privatbank is the largest universal bank in Ukraine. It is a clear leader in the retail banking business and belongs to top corporate players</li> <li>Privatbank is an independent bank. It is owned by a group of local individual investors</li> </ul>	<ul style="list-style-type: none"> <li>PB offers a broad portfolio of products for both: individual and corporate clients.</li> <li>Within the retail segment PB is strong in payments cards with &gt;13.3 million cards issued in total of which &gt;4.1 million are credit cards</li> </ul>	<p><b>Assets</b> EUR billion</p> <table border="1"> <tr> <th>Year</th> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007 H1</td> </tr> <tr> <th>Assets (EUR billion)</th> <td>2.04</td> <td>3.06</td> <td>4.68</td> <td>5.96</td> </tr> </table>	Year	2004	2005	2006	2007 H1	Assets (EUR billion)	2.04	3.06	4.68	5.96								
Year	2004	2005	2006	2007 H1																
Assets (EUR billion)	2.04	3.06	4.68	5.96																
<p><b>History</b></p> <ul style="list-style-type: none"> <li>1992 Privatbank has been founded as a LLC</li> <li>2000 Privatbank undergoes organizational changes and becomes a closed joint stock company</li> <li>2004 Privatbank takes market leadership in terms of total assets</li> </ul>	<p><b>Channels:</b></p> <ul style="list-style-type: none"> <li>PB has a dense distribution network with ~2200 branches and service outlets around the country</li> <li>PB leads in terms of POS terminals with 33.5 thousand installed units</li> <li>PB offers 4020 ATMs</li> <li>Internet access is available through an online banking system "Privat-24"</li> </ul>	<p><b>Market share*</b> percent</p> <table border="1"> <tr> <th>Year</th> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007 H1</td> </tr> <tr> <th>Market share (percent)</th> <td>11.0</td> <td>10.3</td> <td>9.9</td> <td>9.8</td> </tr> </table>	Year	2004	2005	2006	2007 H1	Market share (percent)	11.0	10.3	9.9	9.8								
Year	2004	2005	2006	2007 H1																
Market share (percent)	11.0	10.3	9.9	9.8																
<p><b>Shareholders</b></p> <table border="1"> <tr> <th>Shareholder</th> <th>Percentage</th> </tr> <tr> <td>Gennadiy Bogolubov</td> <td>38.8</td> </tr> <tr> <td>Igor Kolomoyskiy</td> <td>38.8</td> </tr> <tr> <td>Other</td> <td>22.5</td> </tr> </table>	Shareholder	Percentage	Gennadiy Bogolubov	38.8	Igor Kolomoyskiy	38.8	Other	22.5	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Retail business is dominating</li> <li>Bank holds: <ul style="list-style-type: none"> <li>- 12 million retail accounts</li> <li>- 200 thousand SME accounts</li> <li>- 250 thousand corporate accounts</li> </ul> </li> </ul>	<p><b>Capital</b> EUR billion</p> <table border="1"> <tr> <th>Year</th> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007 H1</td> </tr> <tr> <th>Capital (EUR billion)</th> <td>0.20</td> <td>0.31</td> <td>0.46</td> <td>0.49</td> </tr> </table>	Year	2004	2005	2006	2007 H1	Capital (EUR billion)	0.20	0.31	0.46	0.49
Shareholder	Percentage																			
Gennadiy Bogolubov	38.8																			
Igor Kolomoyskiy	38.8																			
Other	22.5																			
Year	2004	2005	2006	2007 H1																
Capital (EUR billion)	0.20	0.31	0.46	0.49																
		<p><b>Net result</b> EUR million</p> <table border="1"> <tr> <th>Year</th> <td>2004</td> <td>2005</td> <td>2006</td> <td>2007 H1</td> </tr> <tr> <th>Net result (EUR million)</th> <td>22.8</td> <td>79.7</td> <td>76.1</td> <td>39.0</td> </tr> </table>	Year	2004	2005	2006	2007 H1	Net result (EUR million)	22.8	79.7	76.1	39.0								
Year	2004	2005	2006	2007 H1																
Net result (EUR million)	22.8	79.7	76.1	39.0																

Banking Market in Ukraine - Research Brief 2007

\* By total net assets

\*\* Compound Annual Growth Rate

Source: AUB, NBU, Bank, Intelace Research

# NOTES ON METHODOLOGY

---

## FX rates:

- As a general rule all balances like: assets, deposits, loans etc. have been converted from the local currency into Euro using **end of year** exchange rate
- All results achieved during a period of time like: profits, revenues, new sales etc. have been converted from the local currency into Euro using **average** exchange rate
- Exchange rates used in the report:

EUR/ UAH	2001	2002	2003	2004	2005	2006	2007 H1
Average	4.81	5.03	6.02	6.61	6.39	6.34	6.71
End of year	4.67	5.53	6.66	7.22	5.97	6.65	6.80

## Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimations have been done to fill the gaps. Estimates have been always indicated with the letter “E”
- When preparing forecasts we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important.

## Multiple sources:

- In some cases multiple sources of similar data exist. In this situation we try to select the most appropriate one /in our view/. The source is indicated in the footer area of each slide. Nevertheless in specific cases, before interpreting the data it is recommended to get a good understanding on the methodology of data collection.

## About this report

---

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

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

All due care has been taken in the production of this report, however Intelace Research does not accept any responsibility or liability for any omissions or inaccuracies of the information contained in this publication.

This report is copyrighted. Any distribution, storage, replication and usage is restricted to Intelace Research clients only. In case of any doubt please contact us at: [info@intelace.com](mailto:info@intelace.com)

## About Intelace Research

---

Intelace Research is an independent and privately owned research firm based in the heart of Eastern Europe in Warsaw / Poland.

Our company is specializing in value-added research services and tailored business intelligence solutions.

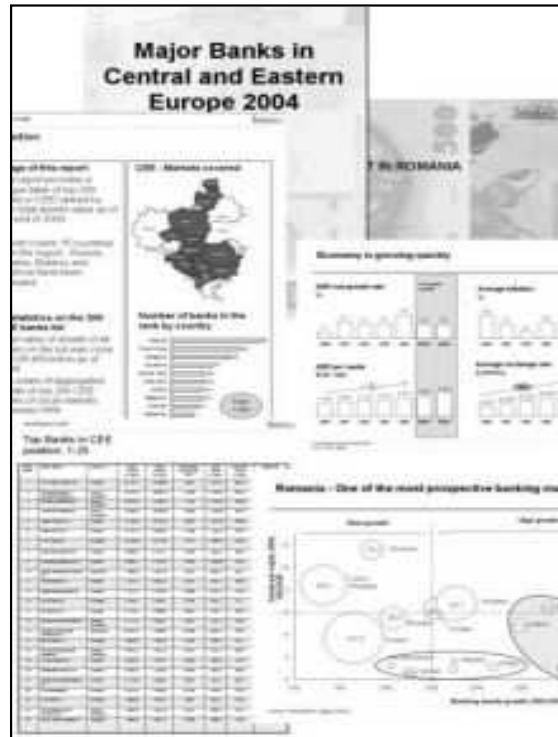
Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

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

Our contact details:  
Intelace Research - Marcin Mazurek  
Stryjenskich 13c/78, 02-791 Warszawa, Poland

Tel. +48 22 408 66 20, +48 502 512 178  
Fax. +48 22 349 21 40  
mail: [info@intelace.com](mailto:info@intelace.com) url: [www.intelace.com](http://www.intelace.com)

# OUR RECENT PUBLICATIONS



## Available

### 2006

- June 2006 - Insurance market in Poland
- July 2006 - TOP 200 Banks in CEE
- August 2006 - Mortgage market in Poland
- October 2006 - Banking market in Poland - 2006 mid year update
- October 2006 - Banking market in Ukraine
- December 2006 - Banking market in Bulgaria

### 2007

- January 2007 - Banking market in Romania '07
- February 2007 - Mortgage market in Poland '07
- April 2007 - Banking market in Serbia '07
- April 2007 - Banking market in the Baltics '07
- May 2007 - Banking market in Poland '07
- July 2007 – Asset Management in Poland '07
- August 2007 – Top 200 banks in CEE '07

# APPENDIX – LIST OF BANKS MENTIONED IN THE REPORT

---

UniCredit  
BNP Paribas  
Raiffeisen  
PRIVATBANK  
REIFFEISEN AVAL  
UKRSIBBANK  
UKRSOTSBANK  
UKREXIMBANK  
PROMINVESTBANK  
OSCHADBANK  
NADRA  
OTB  
FINANCE AND CREDIT  
KREDITPROMBANK  
FIRST UKR.INTERNATIONAL  
FORUM  
UKRPROMBANK  
BROKBUSINESSBANK  
ALFA-BANK  
RODOVID  
TAS-KOMMERZBANK  
MARINE TRANSPORT BANK  
VNESHTORGBANK  
GETIN HOLDING  
PEKAO  
ПРИВАТБАНК  
РАЙФФАЙЗЕН БАНК АВАЛЬ  
УКРСИББАНК  
ДЕРЖАВНИЙ ЕКСПОРТНО-ІМПОРТНИЙ  
УКРСОЦБАНК  
НАДРА  
ОЩАДБАНК  
ПУМБ  
АЛЬФА-БАНК  
ОТП БАНК  
БРОКБІЗНЕСБАНК  
ФОРУМ  
КРЕДИТПРОМБАНК  
ФІНАНСИ І КРЕДИТ  
ПРИКАРПАТТЯ  
ТАС-ІНВЕСТБАНК  
МРІЯ  
ПРЕСТИЖ  
БАНК УНІВЕРСАЛЬНИЙ