The Retail Banking Boom

by

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Horizon Capital

- Horizon Capital is a private equity fund manager
  - Western NIS Enterprise Fund- $150M (1995)
- Invest in expansion and buy-outs opportunities
- Focus on mid-cap companies with high growth and profit potential
- Target countries: Ukraine and Moldova
- Target industries: financial services, retail, FMCG and industrial goods
- Experience in financial services
  - Ukraine: International Mortgage Bank, ProCredit Bank, Favorit Capital LLC
  - Moldova: Moldova-Agroindbank, the largest bank in the country, ProCredit Moldova

Macroeconomic environment

- Strong fundamentals
  - Disposable income growth
  - Price stability
- Increasing transparency
- Market economy status w/ EU
- WTO membership is a mid year target

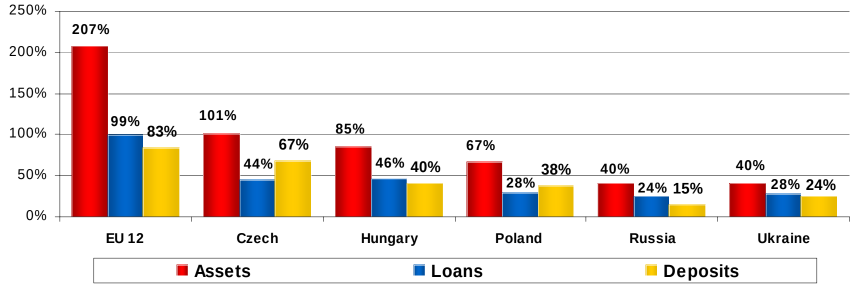
	2000	2003	2004	2005
GDP, % y/y	5.9%	9.6%	12.1%	2.4%*
Nominal GDP per capita, US$	634	1,053	1,371	1,170*
Industrial Output, % y/y	13.2%	15.8%	12.5%	3.10%
Retail Trade, % y/y	8.1%	21.0%	20.0%	23.0%
Private Consumption, % y/y	2.3%	12.1%	14.5%	15.0%*
Average Inflation, %	25.8%	8.2%	12.3%	10.3%
Exchange rate, US$	5.44	5.333	5.319	5.05
Unemployment (%, ILO) eop	11.7%	9.1%	8.6%	7.0%*

* Estimate

Source: ICPS Economic Statistics, #12 Dec 2005, National Statistics Committee, National Bank of Ukraine

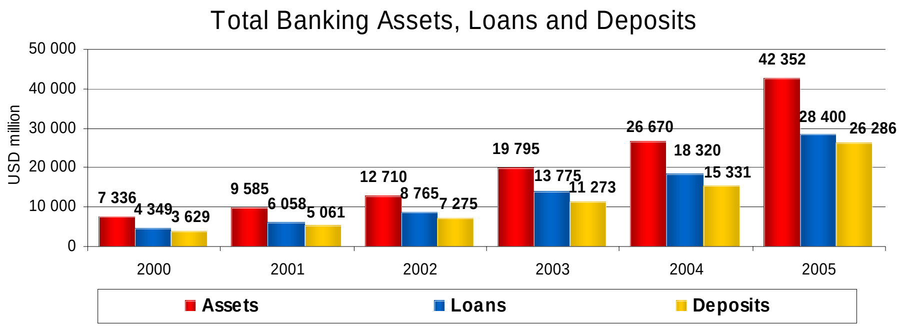
Banking Industry Key Trends

Total Banking Assets,Loans and Deposits - % of GDP (2004)



Source: National Central Banks

Banking Industry Size & Dynamics



Source: National Bank of Ukraine

Competitive Landscape

- Limited concentration
  - 165 banks in total
  - Top 10 banks account for 54% of assets
  - No bank has more than 11% market share
  - Consolidation to continue
- Growing impact of foreign investments
  - 23 banks with foreign capital vs. 19 last year (23% market share)
  - 9 are fully foreign owned vs. 7 last year
- Most banks are universal or pocket banks
- Interest rate spread is gradually shrinking (5.7 p.p. in 2005 vs. 7 p.p. in 2003)
- Focus on retail: SME, consumer loans, mortgages – key growth segments

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M&A Activity on the Rise

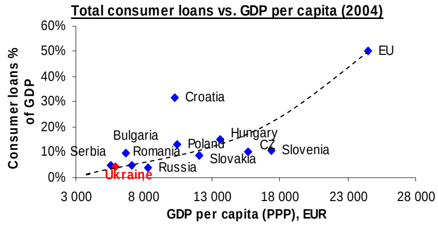
- Strong interest from foreign strategic investors:
  - First-tier banks acquisition: UkrSib, Aval. Combined value ~$1.5B.
  - Second tier deals: Forum, Mriya, NRB
  - More deals are coming
- Valuations increasing (3 x NAV and higher vs. 2 CEE average)
- Premiums for systemic, specially focused & smaller, rapidly growing banks
- Strategics favoring consumer & other specialty platforms at entry

The rise of SME lending

- 284K small enterprises (50% growth in 4 yrs)
- 43K farms
- 1.8 million private entrepreneurs
- ~5 million persons employed
- Nearly $14 billion in 2004 revenues (21% of GDP)
- Based on BIZPRO survey in 2004:
  - 26.3% of SMEs received bank loans
  - 36.8% of SMEs needed loans
  - 68.2% of SMEs did not apply to banks for loans

Expansion of consumer lending

- Immature industry with significant upward potential
  - $128 per capita vs $1,130 CEE average
- Key growth segments:
  - Installment loans
  - Car loans
  - Cash/Credit cards

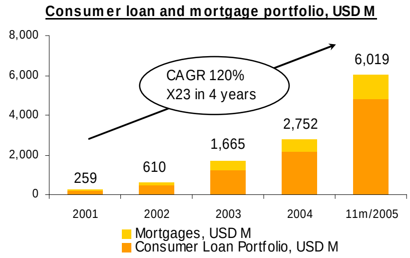


Source: RZB October 2005, National Bank of Ukraine

Data includes loans for housing purchase.

Mortgage lending boom

- Residential construction is on the rise
- Improving affordability and transparency
- Kyiv market is significant, regional is an opportunity
- Growth potential
  - Mortgage loans is ~1.5% of GDP vs. ~ 6% CEE average



Source: RZB October 2005, National Bank of Ukraine

Case 1: ProCredit Bank

- Established in late 2000, first disbursement in February 2001
- WNISEF 20%, other shareholders – ProCredit Holding, EBRD, IFC, KfW
- Bank focused exclusively on serving SME sector

Competitive positioning

- First and still only bank focused on SMEs
- Specialized expertise & technology in microlending from ProCredit Holding/IPC
- Strong regional presence with 35 branches in 18 cities and towns
- Quick turnaround – over 100 business loans a day, same day disbursements for express loans
- Loyal customer base – over 50% recurrent clients

Key value drivers

- Superior customer service
- Specialized expertise => un-matched efficiency => exceptional portfolio quality (under 1% arrears)
- Full array of banking services at the disposal of SMEs
- Young, professional, dynamic team

Case 2: International Mortgage Bank

- Established in Sept 2004; received a banking license on January 31, 2005
- WNISEF is 100% owner

Competitive positioning

- First and only specialized mortgage bank in Ukraine
- Western ownership/approach conveys stability & builds trust
- Superior understanding of customer needs*=>emphasis on customer service*
- Ease/convenience and transparency of the process
- Access to long-term financing (superior price/terms)

Key Value Drivers

- Superior customer service
- Acceptable pricing (value for money)
- Standardization: operating efficiency and securitization
- Ability to turn over (source & securitize) loan portfolio quickly

Case 3: Favorit Capital LLC

- Established in September 2005
- WNISEF is majority shareholder
- Credit intermediary - highly successful business model in CEE

Competitive positioning

- Credit intermediary model- independent non-bank consumer loans player
- Strong focus on distribution *=>strong sales force*
- Quick processing time and scoring *=>operating efficiency & superior customer service*
- Focus on installment loans at POS

Key value drivers

- High and rapidly growing level of credit action
- Significant proprietary database of attractive clients
- Internalized know-how across all elements of value chain
- Scalable organization, processes, systems

Future Outlook

- Intensifying competition and declining interest rates due to strategic entries
- Continued growth and ultimate convergence to CEE level in the medium term
- SME, consumer lending and mortgages are the key growth drivers
- Focus today on specialization
- Wave of M&A and consolidation among second tier banks