



CONCORDE CAPITAL

Ukraine / Banking

# Pravex Bank

Setting a high bar for retail lenders

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N/R

**Alexander Viktorov**  
av@concorde.com.ua  
+380 44 391 5577

**Intesa Sanpaolo agreed yesterday to pay 5.2x P/B for Pravex Bank, which we believe reflects its high retail exposure. The deal confirms that global players are still ready to pay hefty multiples for Ukrainian banks despite the market correction worldwide. Pravex's acquisition should recall investor's attention to aggressive retail players that are takeover targets in the next 12-15 months; the deal suggests at least 50% upside for Rodovid, Ukgazbank and Megabank.**

## Market information

Non-public company

## Shareholders

Leonid Chernovetsky	86%
Other individuals	14%

## Ratios 2007

Net interest margin	N/A
Net margin	N/A
ROE	4.5%
Cost/Income	N/A

## Five-times book multiple passed again

On Feb. 4, 2008 Intesa Sanpaolo said that it agreed to pay USD 750 mln for Pravex Bank, Ukraine's #28 largest lender. The deal valued the bank at 5.2x P/B based on its 2007eop equity – the highest priced takeover since Ukrasbank last year, when UniCredit group paid 5.5x P/B. According to Intesa Sanpaolo's press release, the final price will include a dollar-for-dollar adjustment based on the bank's IFRS net book value at deal completion, which is expected in the next few months.

## Solid retail exposure is built into the price

Even though Pravex ranks low in Ukraine's top-30 banks by assets, we believe its solid exposure to retail allowed shareholders to rake in the premium. This is in line with valuations paid in 2H07 for country heavyweights Ukrasbank and Bank Forum. By loans to individuals of USD 760 mln, Pravex is Ukraine's ninth retail lender and by its 560 outlet network – sixth by national coverage.

## Sizable upside for takeover targets: RODB, UGZB and MEGA

Pravex's acquisition suggests sizable upside for other aggressive retail players: Rodovid, Ukgazbank and Megabank, which are considered takeover candidates in the next 12-15 months.

## Upside potential benchmarked to Pravex deal

	P/B		Upside		Assets, chg
	2007	2008E	2007	2008E	2007
<b>Pravex Bank</b>	<b>5.2</b>	<b>n/a</b>	<b>-</b>	<b>-</b>	<b>70%</b>
Rodovid Bank	3.0	2.1	74%	146%	171%
Ukgazbank	4.9	3.4	6%	55%	131%
Megabank	2.3	1.8	124%	190%	79%

Source: PFTS, Concorde Capital estimates

**RODB:** Retail loans tripled in 2007 to USD 720 mln, 45% of total loans; branch network expanded by 50% to 150 outlets, #20 in Ukraine

**UGZB:** Loans to individuals up 158% yoy to USD 282 mln, 1/3 of gross loan portfolio; retail chain grew by 65% to 270 outlets, #11 in the country

**MEGA:** Retail loan portfolio increased by 155% to USD 82 mln, 1/3 of total loans; number of outlets raised by 46% to 268, #12 in Ukraine

## Key financials, USD mln

	Loans	Deposits	Book Value	Net Income
<b>2005</b>	282.3	359.9	34.6	3.8
<b>2006</b>	480.2	539.0	72.0	16.5
<b>2007</b>	776.2	772.2	143.5	4.8

	P/Loans	P/Deposits	P/B	P/E
	na	na	na	na
	na	na	na	na
	na	na	na	na

FLASH NOTE

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**M&A deals in Ukrainian banking**

Date	Buyer	Target	Price and acquired stake	P/B*
<b>2008</b>				
Feb-08	Intesa Sanpaolo	Pravex Bank	USD 750 mln for 100%	5.2
<b>2007</b>				
Dec-07	Bank Hapoalim (Israel)	Ukrinbank	USD 136 mln for 76%	2.1
Nov-07	Bank of Cyprus	Avtozazbank	USD 76 mln for 95%	3.6
Nov-07	SEB Group (Sweden)	Faktorial Bank	USD 120 mln for 97%	3.6
Sep-07	Commerzbank (Germany)	Bank Forum	USD 600 mln for 60%	4.5
Jul-07	UniCredit Group (Italy)	Ukrsotsbank	USD 2.2 bln for 95%	5.6
Jun-07	Societe General (France)	Ikar Bank	USD 35 mln for 100%	2.8
Jun-07	Sberbank (Russia)	NRB-Ukraine	USD 150 mln for 100%	6.0
May-07	Piraeus Bank (Greece)	Intl. Comercial Bank	USD 50 mln for 78%	3.2
Mar-07	Marfin Popular Bank (Greece)	Marine Transport Bank	USD 137 for 100%	4.7
Feb-07	KIT-Finance (Russia)	Radabank	USD 7.5 mln for <50%	1.4
Jan-07	Swedbank (Sweden)	TAS-Commertzbank	USD 753 mln for ~100%	4.6
Jan-07	Volksbanken (Austria)	Bank Electron	USD 74 mln for ~98%	4.0
<b>Average</b>				<b>3.8</b>

\* Book value for the last reported quarter

Source: Company data, press reports, Concorde Capital estimates

## Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution		
Buy	40	38%
Hold	29	27%
Sell	13	12%
Under Review	24	23%
Total	<b>106</b>	<b>100%</b>

Investment banking clients <sup>*</sup>		
Buy	7	78%
Hold	1	11%
Sell	0	0%
Under Review	1	11%
Total	<b>9</b>	<b>100%</b>

<sup>\*</sup> Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

**Concorde Capital**  
**2 Mechnikova Street**  
**21st Floor**  
**Kyiv 01601, UKRAINE**

**Tel.: +380 44 391 5577**  
**Fax: +380 44 391 5571**  
**www.concorde.com.ua**  
**office@concorde.com.ua**

#### CEO

Igor Mazepa

im@concorde.com.ua

#### Equity Trading

Jathan Tucker

jt@concorde.com.ua

#### Equity Sales

Anastasiya Nazarenko

an@concorde.com.ua

Zack Watson

zw@concorde.com.ua

Duff Kovacs, CFA

dk@concorde.com.ua

Marina Martirosyan

mm@concorde.com.ua

Andriy Supranonok

sap@concorde.com.ua

#### Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

#### RESEARCH COVERAGE BY SECTOR

##### Strategy

Konstantin Fisun

kf@concorde.com.ua

Oleksandr Klymchuk

ok@concorde.com.ua

##### Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Andriy Gerus

ga@concorde.com.ua

##### Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

##### Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

##### Consumer/Real Estate Group

Andriy Gostik, CFA

ag@concorde.com.ua

Olha Pankiv

op@concorde.com.ua

Alexander Romanov

ar@concorde.com.ua

Anna Dudchenko

ad@concorde.com.ua

##### Machinery

Eugene Cherviachenko

ec@concorde.com.ua

Inna Perepelytsya

pi@concorde.com.ua

##### Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

##### Macroeconomics

Polina Khomenko

pk@concorde.com.ua

##### Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

##### Corporate Governance

Nick Piazza

np@concorde.com.ua

##### News/Production

Nick Piazza

np@concorde.com.ua

Polina Khomenko

pk@concorde.com.ua

##### Editor

Brad Wells

bw@concorde.com.ua

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