



CONCORDE CAPITAL

Ukraine / Banking Ukrsotsbank

Largest Banking Deal Struck

July 06, 2007

12M Target

Undiluted
USD 0.80

Diluted
USD 0.30

HOLD

Alexander Viktorov
+380 44 207 5030
av@concorde.com.ua

Market information

	USCB UZ
Bloomberg	
No of Shares, mln	
Current	3,700
After share issue	10,200
Market price, USD	0.31

MCap, USD mln	3,162
Free float	5.0%
FF MCap, USD mln	158.

Ownership

Bank Austria Creditanstalt	95.0%
Other	5.0%

Ratios 2006

Net Interest Margin	6.0%
Net Margin	26.0%
ROE	20.0%
Cost/Income	59.0%

According to a UniCredit Group press release, its wing Bank Austria Creditanstalt AG shelled out USD 2.07 bln for a 95% stake in Ukrsotsbank, Ukraine's #4 largest bank by assets. UniCredit will also pay USD 130 mln, an amount equal to the bank's recent additional share issue. The deal is the biggest ever in the Ukrainian banking sector.

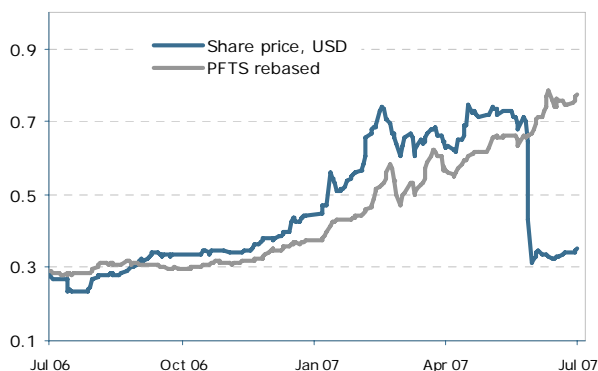
Based on Ukrsotsbank's 2007 estimated book value of USD 630 mln (including the recent share capital increase), the deal implies a P/B of 3.7x, slightly above the average for its local peers. The implied share price is USD 0.23 on a diluted basis.

Ukrsotsbank currently trades at 5.5x P/B'07E, a 49% premium to its value at acquisition. We see at least two reasons for maintaining our target and HOLD recommendation:

- We expect acquisition by a global player to bring higher operational efficiency and cheaper financing.
- The discount implied by the announced price might be overestimated. UniCredit is likely to pay more as the final price will be based on Ukrsotsbank's net asset value at deal closing, expected by the end of 2007.

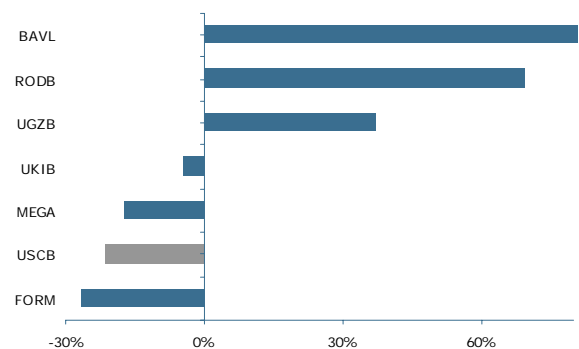
In the meantime, a buy-on-weakness opportunity might appear in the near term, as the price could respond to the news with a downward correction.

Ukrsotsbank trading history, USD



Source: PFTS

Sector performance, YTD*



* PFTS mid, not adjusted for new share issues

Key financials, USD mln

	Loans	Deposits	Equity	Net income
2006	2,461	2,178	382	57
2007E	4,108	2,870	630	100
2008E	6,483	3,741	870	154

	P/E	P/B
2006	60.8	9.1
2007E	35.0	5.5
2008E	22.8	4.4

Spot exchange rate: 5.05

Concorde Capital
3V Sportyvna Square
2nd entrance, 3rd floor
Kyiv 01023, UKRAINE

Tel: +380 44 207 5030
Fax: +380 44 206 8366
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Head of Equity Sales

Lucas Romriell

lr@concorde.com.ua

Strategy

Konstantin Fisun
 Oleksandr Klymchuk

kf@concorde.com.ua
 ok@concorde.com.ua

Equity Sales

Marina Martirosyan
 Anastasiya Nazarenko
 Duff Kovacs, CFA

mm@concorde.com.ua
 an@concorde.com.ua
 dk@concorde.com.ua

Metals & Mining

Eugene Cherviachenko

ec@concorde.com.ua

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Retail Group

Andriy Gostik, CFA
 Olha Pankiv
 Alexander Romanov
 Anna Dudchenko

ag@concorde.com.ua
 op@concorde.com.ua
 ar@concorde.com.ua
 ad@concorde.com.ua

Machinery

Olha Pankiv
 Eugene Cherviachenko
 Inna Perepelytsya

op@concorde.com.ua
 ec@concorde.com.ua
 pi@concorde.com.ua

**Financial Services,
 Macroeconomics**

Alexander Viktorov

av@concorde.com.ua

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
 Polina Khomenko

np@concorde.com.ua
 pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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