

**VTB-Severo-Zapad (PSB) – the buy-out price****Analyst: Olga Belenkaya**

belenkaya@sovlink.ru

VTB announced that the Board of its subsidiary (VTB-Severo-Zapad, formerly PSB) approved the buy-out price for minority shareholders who did not vote in favour of the consolidation with VTB at the agreed swap ratio of 361 VTB shares for 1 PSB share.

PSB's AGM is scheduled to take place on September 28. Shareholders who were included in the shareholders' register as of August 10 are entitled to demand to be bought out.

Similarly, VTB's shareholders (included in its shareholder register as of August 9) will also be entitled to demand to be bought out at the company's AGM scheduled for September 27. The buy-out price was declared a few days ago – 0.136 roubles for 1 share (the same price at which the IPO was held).

15.08.2007	Market price, RUR.	Market price ratio	Swap ratio	Implied PSB price (assuming a swap ratio of 1:361), RUR	Implied PSB price (assuming a swap ratio of 1:361), \$	Upside	Buy-out price, RUR	Buy-out price ratio	Minimal VTB market price reasonable for buy-out, RUR
PSB	42.3	343.62	361	44.44	1.73	5.1%	41.72	306.76	0.116
VTB	0.123						0.136		0.136

In our opinion, the buy-out price would become reasonable for PSB's minority shareholders if VTB's price falls below 0.116 roubles per share (41.72 roubles/361). The sale of PSB's shares at the market price is also less favourable for PSB shareholders than the share swap (which appears to be the best choice available).

As for VTB's minority shareholders, in our opinion, their shares have strong upside potential – we estimate their fair price at 0.172 roubles per share. However, it may take a long time for them to reach this price. (Currently, the market price is 9.5% lower than the IPO price). Therefore, those investors who do not want to wait for the shares to achieve their long-term growth potential have a good chance to sell their shares at the IPO price.

In any case, the minority shareholders do not need to make their decision until the end of September, by which time the market situation could improve. (VTB's CEO, A. Kostin, said that he hopes so.). At the moment, we recommend PSB minority shareholders to **HOLD** their shares.

©2007 Sovlink LLC. The information in the enclosed Report (the "Information") is not an advertisement for any security or particular issuer and should not be interpreted as such. The Information is intended solely for the personal use of Sovlink LLC's clients or other parties prepared to with Sovlink LLC. The Information is not intended for use by citizens of the USA or legal entities registered in the USA. Nothing contained in the Information is, or should be interpreted as being information intended for an undetermined audience.

The Information is exclusively of an informational/analytical nature, and should not be interpreted as a recommendation to take any particular investment action. The Information should not be relied upon as a justification for the execution of any transactions, and should not be referred to as such. Sovlink LLC takes no responsibility for any actions taken on the basis of the Information. The enclosed Report does not contain an offer or an invitation to make an offer to buy or sell any securities or any options, futures or other derivatives related to such securities.

This Report does not have regard to any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Information. Investors should seek financial advice regarding the appropriateness of investing in any securities mentioned and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may earn less than originally invested. Past performance is not necessarily a guide for future performance. Foreign currency exchange rates may adversely affect the value, price or income of any security mentioned in the Report. Please bear in mind that investment activity in emerging markets is very risky, and investors should conduct their own due-diligence prior to making an investment decision.

The individual(s) responsible for the preparation of this Report (the Author(s)), or Sovlink LLC may hold short- and long-term positions in any of the securities mentioned in the Report, and may take part in investment activities with companies mentioned in the Report.

In preparing this Report, the Author(s) assumed that the issuers mentioned in the Report disclose information in the amount and under the procedure stipulated by the securities legislation of the Russian Federation for issuers who publicly place securities.

This Report and the Information is based exclusively on publicly-available information, which is deemed to be reliable, however Sovlink LLC makes no representation that this Information is accurate or comprehensive, and it should not be relied upon as such. Sovlink LLC makes no representation that this Report has been released to all readers simultaneously, nor that Sovlink LLC will update this material on a regular basis, or that it will correct inaccuracies contained in this Report.