



# Sberbank

Company  
Note**HOLD****Upside: 8%****Target Price: \$4.71****Analyst: Olga Belenkaya**

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**Stock data**

Ticker	Sber	M.Cap, \$ mn	94,334
Shares Ords '000	21,586,948	Free Float, %	40
Shares Pref '000	1,000,000	Free Float, \$ mn	37,733
Bid Ords, \$	4.28	Offer Ords, \$	4.39
Bid Prefs, \$	2.94	Offer Prefs, \$	3.00

**Market performance**

		1 month	6 months
Absolute	Ords	4.4%	8.7%
Relative to RTSI	Ords	-2.6%	-9.7%
Price range, \$			
High	Ords	4.42	4.42
Low	Ords	4.16	3.39

**Financials, 2007E**

Assets, \$ mn	192,906	ROE	23.8%
Book Value, \$ mn	25,105	P/E	22.2
Net income, \$ mn	4,388	P/BV	3.9

## Target price revision

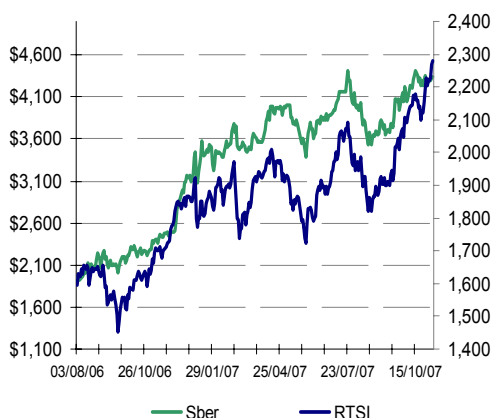
• We revised our estimate of Sberbank's fair value, taking into account changes in the growth forecasts for the Russian economy and the banking sector and the interim reports of the bank (1H07 IFRS and RAS for 9 months 2007). We have also incorporated the information that we gathered from management's meeting with analysts on 31 October (see our report dated 01.11.2007).

• We lowered our year-end fair value of the bank's ordinary shares by 4.8% from **\$4.95** to **\$4.71** per share. This is due to a small adjustment to our estimate for the bank's 2007 net profit from RUR 109.7 to 108.4 bn and the higher (by 0.26 p.p.) discount rate used in our model, which reflects the increased volatility of the bank's shares against the market, in line with the trends prevalent on global financial markets. Our updated estimate gives potential upside of 8% for the bank's **ordinary** shares by the end of the year. Consequently, we lower our recommendation from BUY to **HOLD**. (However, our fair value for the bank's ordinary shares in **12 months' time** remains unchanged at **\$5.17**, which implies potential upside of 19% from the current price.) We have also lowered the year-end fair value of the bank's **preferred** shares from **\$3.96** to **\$3.53**. This is due to changes in the assessment of the bank's ordinary shares and increasing the discount used in estimating the value of the preferred shares against the bank's ordinary shares (from 20 to 25%). Our fair value of the bank's preferred shares in **12 months' time** is **\$3.88** per share.

• According to our forecasts, in the mid-term, Sberbank will strengthen its position as the leader of the Russian banking sector. The bank's main advantages consist of a solid growth reserve - \$9 bn equity capital raised via its SPO - and its cover against the key risk factors (credit and currency risks, deteriorating lending terms, and lower liquidity), which are essential given the moderate decline in forecasts for the financial sector. We estimate the bank's average annual growth rate in 2007-2010 at 31%, with growth rates of 34% for its loan portfolio and 28% for its net profit respectively.

• At the same time, the deteriorating position on global financial markets (which primarily affects the bank's share price), liquidity problems on the domestic market and the forthcoming management changes at the bank could restrict the growth of the bank's share price.

Sberbank – Relative performance



Source: RTS



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## Basic changes in the model

1. We slightly increased asset growth estimates from 40% to 41% (to RUR 4.89 bn). According to management's forecasts, the bank's assets by the end of the year will be about RUR 4.9 bn. As of Q3, the bank has actively used the funds raised via the SPO by expanding its loan portfolio. Based on the bank's 3Q07 RAS report, its loan portfolio grew by 18.4% in Q3 versus 10.9% in 1H07. Hence, we maintain our estimate of the bank's loan portfolio growth for 2007 at 43% (gross), despite its weak growth in H1. Based on management's statements on the probable reduction of the bank's provisions for loan losses from 3.8% of its loan portfolio at the beginning of 2007 to 2.6-2.8% by the end of 2007, we raised our estimate of its loan portfolio's (net) growth from 44% to 45%. We slightly reduced the growth rate of the bank's loan portfolio for 2008 from 36% to 35%. On the whole, we forecast average annual asset growth in 2007-2010 at 31%, and the growth of its loan portfolio at 34%. We estimate that the proportion of the bank's share in the aggregate assets of the banking sector will reach 25-27% vs. 24.7% in 2006. (The bank's development plan forecasts annual growth between 25-30% until 2012.)
2. We also lowered our growth forecasts for the bank's retail loan portfolio. The bank follows a conservative loan policy and will not acquire loan portfolios of other banks or ease credit requirements for borrowers. Furthermore, the early repayment of loans by borrowers has hindered the growth of the bank's retail loan portfolio, which is why the growth of Sberbank's retail loans (25%) is lagging behind the 9M07 average industry growth rate of 41%. We have lowered our forecasts of the bank's annual retail loan portfolio growth from 53% to 45% for 2007 and from 45% to 43% for 2008 – we expect a smaller decline in the growth rate over the next few years. At the same time, we expect Sberbank to hold its market share in this segment above 30% (previously First Deputy Chairman Ms. Aleshkina had mentioned 30-40% as a target indicator) given an overall slowdown of retail credit growth in the banking sector. Mortgage loans are a priority for the bank – we expect the bank to increase the amount of mortgages in its portfolio by 95% (versus 80% according to management's estimates) in 2007 and raise the proportion of mortgages in its retail loan portfolio from 22% at the beginning of 2007 to 30% by the end of the year (27.3% after 9 months). Regarding corporate loans, we estimate that Sberbank will be able to maintain and slightly expand its market share of 32-35%, with the most rapid growth forecast for the small and medium-sized enterprises segment (SME), which usually offers higher returns.
3. According to Sberbank's 1H07 IFRS report, the bank managed to stop the decline in its interest margin, which was 6.5% at the end of H1. According to Ms. Aleshkina, the interest margin might decline by another 0.2-0.3% by the end of the year. Despite growing interest rates on both foreign and domestic markets, the bank has not and does not intend to change its rates for retail products until the end of the year; however, it has raised its rates for corporate loans and deposits by more than 20%. Taking into account the difficulties prevalent on global capital markets and the forecast increase in competition for customer accounts, we have upwardly adjusted our forecasts of Sberbank's borrowing costs. By the end of 1H07, Sberbank's funding costs increased to 4.8% vs. 4.5% in 2006. Given the deterioration of market conditions in Q3, we anticipate the bank's funding costs will grow by a further 0.3 p.p. by the end of the year. We estimate that interest margins at the end of the year will decline to 6.3% (which on the whole corresponds with management's estimates), whereas our previous forecast figure was 6.7%. Hence, our estimate for the bank's net interest income for 2007 was lowered by 5%, or by RUR 13.5 bn. We have not changed our interest margin forecasts for future years – as we believe that even given continuous growth in borrowing costs, Sberbank's major rivals will suffer more, which will slow the decline of the interest rates charged on loans and enable the bank to transfer part of the higher costs to the borrowers.
4. The bank does not plan to enter the foreign debt market by issuing Eurobonds due to the high borrowing costs or enter into bilateral deals by the end of the year. However, the bank is likely to accept one of the offers made to it regarding the issuance of a syndicated loan. The bank will probably issue a 3-year loan for \$700-800 mn not earlier than mid-December. Our model also incorporates these plans. Subsequently, we expect the bank to slightly increase the proportion of its borrowings on the debt markets (by reducing the proportion of customer accounts in its liabilities from 89-90% to 87-88%).



5. As we stated previously, by the end of the year, Sberbank intends to considerably reduce its loan provisions from 3.8% of its loan portfolio from the beginning of the year to 2.6-2.8%. Management has justified this step, based on statistics gathered over the last three years, which confirm the high quality of the bank's loan portfolio, as well as its fairly high level of provisions in comparison to the larger Russian and foreign banks (with average provisions amounting to 2.5-2.6% of their loan portfolios). Our model includes adjustments for a significant cut in provisions to 2.8% (whereas our previous forecast was based on provisions of 3.2%). According to our estimates, this will improve the bank's net interest income after provision for loan impairment for 2007 by approximately RUR 15 bn. However, bottom-line figures will not show any significant changes, given the lowered forecast of the bank's net interest income.
6. Taking into account the trend implied by the company's interim report, we reduced our estimate of the bank's fee and commission income for 2007 by 4.2%. Nevertheless, we anticipate fairly rapid growth of its fee and commission income (CAGR 2007-10 29%) in the near future due to both expansion of the bank's distribution network and the development of new products (credit cards and internet banking services). According to our estimates, net fee and commission income as a proportion of operating income will increase from the usual 20% to 26-27%. (Sberbank's development concept foresees annual growth of at least 30% until 2012.)
7. We reduced our estimate of the bank's operating income by 0.6% in 2007 and operating costs by 0.1%. Management justified the rapid growth of the bank's operating costs in 2Q07, which resulted in its Cost/Income ratio rising to 63% in 2Q07 and 58% in 1H07. Such rapid growth is mainly due to non-recurring exceptional items and the uneven quarterly breakdown of expenses. Management expects the bank's Cost/Income ratio to decline to 55% in H2, whilst the growth in operating costs by the end of the year will almost reach 26% with an average annual rate of 29%, which is in line with our forecasts. The bank has included the reduction of its Cost/Income ratio to 50% amongst its mid-term objectives in its "2012 concept".
8. Consequently, we reduced our estimate of the bank's 2007 (IFRS) net profit by 1.2% to RUR 108.4 bn, which is 31% higher than last year's result. Management conservatively forecasts that the bank's year-end IFRS net will be at least RUR 100 bn. The bank's forecast net profit in future years is slightly higher, with CAGR 2007-10 (according to our forecast) of 28%.
9. According to Ms. Aleshkina, the bank is preparing for listing – the exact timing will depend on the release of its 9M07 IFRS report. It is possible that the bank's GDRs will be listed on the LSE in early February. At the same time, the bank's management refuted a statement published in Vedomosti with reference to a source on the supervisory board stating that the bank will repurchase shares from minority shareholders in order to list its GDRs on the LSE. Ms. Aleshkina asserted that the bank will not buy back shares traded in Russia, or repurchase stock from large minorities, or issue a new SPO. The bank is unwilling to take steps which could lead to an over-valuation of its share price. The details of the offering mechanism are expected to be released within 10 days. At the moment, management is not prepared to announce the volume of the offering – although it considers the \$1-1.5 bn estimate published in Vedomosti's press release to be too high. We regard the GDR offering positively for the bank; however, as its plans to list its GDRs on the LSE had already been announced in early summer, they have already been taken into account by the market. Besides, the volume of the scheduled offering is quite small in comparison to the capitalisation and free float of the bank. On the whole, the timing of the GDR listing will depend considerably on market conditions: if they are unfavourable, the process will be postponed until May to coincide with the release of the bank's IFRS annual report.

## Valuation of ordinary shares

As in our previous model, we estimate the fair value of Sberbank's shares based on the modified Gordon model (target P/BV) ( $P/BV = (ROE-g) / (r-g)$ ). We continue to assume a 6% terminal growth rate (g) and a 20% terminal ROE rate.

We have raised the discount rate used in our model from 11.2% to 11.46% which is due to a revision of two key factors. The risk-free rate (Russian-30 YTM) has fallen to 5.75% from 6.15% in August. Nevertheless, the discount rate that we used previously was higher due to a revision of Sberbank's beta – from its historical value of 0.84 to 0.95, which reflects the higher volatility of the bank's shares against the market, in line with the trends on global financial markets. (Western banks have written down their assets by billions of dollars, with bank share prices suffering heavy losses as a result of the reduced risk appetite of investors.) In our opinion, another internal risk factor for Sberbank is related to the upcoming changes in the bank's management – a general meeting of Sberbank's shareholders to be held on 28 November is expected to accept the resignation of Andrei Kazmin and approve German Gref as CEO. At the moment, it is not clear whether the highly qualified team of top managers will stay with the bank or not, and the way in which the bank's strategy will change.



We assume a discount rate of 11.46%.

<b>Risk-free rate in Russia</b>	<b>5.75%</b>	Russian-30 YTM
Risk premium for investments on the US stock market	4.36%	Historical for the period from 1929 to 2005
Sovereign risk premium for Russian equity	1.65%	Based on Russia's sovereign credit rating and adjustments for excessive risk of investments in shares as opposed to Eurobonds
<b>Russian equity risk premium</b>	<b>6.0%</b>	
Beta	0.95	
<b>Risk premium for investment in the company</b>	<b>5.71%</b>	
<b>Cost of equity</b>	<b>11.46%</b>	

Source: Cbonds, Damodaran, SOVLINK estimates

Then, applying the Gordon model we obtain a target P/BV-2015 of 2.56. Taking the forecast BV-2015 of \$98,826 mn, we obtain Sberbank's fair value at the end of 2015 to be P-2015=\$253,424 mn.

Having discounted the value as of the end of 2007, we obtain P-2007=\$106,392 mn, with a year-end target price of \$4.71 per ordinary share (which is 4.8% lower than our previous target price) – implying potential upside of 8%. Consequently, we lower our BUY recommendation to **HOLD**. (Meanwhile, we estimate the fair value of the bank's ordinary shares in 12 months' time to be \$5.17, which implies potential upside of 19% from the current price.)

Terminal ROE rate	20.0%
Terminal growth rate	6.0%
Target P/BV-2015	2.54
Fair value of equity(P-2015), \$ mn	253,424
Discount rate	11.46
<b>Fair value of equity at the end of 2007, \$ mn</b>	<b>106,392</b>

Ordinary shares after SPO, mn	21,587
Preferred shares, mn	1,000
Total shares	22,587
<b>Fair value of 1 ordinary share at the end of 2007, \$</b>	<b>4.71</b>
<b>Fair value of 1 ordinary share in 12 months, \$</b>	<b>5.17</b>

Fair value of 1 ordinary share at the end of 2007, \$:	4.71
Market value of 1 ordinary share (08.11.2007)	4.36
Upside, %	8.0%
Recommendation	<b>HOLD</b>

## Valuation of preferred shares

Following the SPO, the discount of preferred against ordinary shares has grown significantly, from an average level of 17% in 2006 to 31%. One of the reasons for this was the reduction of preferred stock in the bank's equity capital to below 5% and its lower liquidity in comparison to ordinary shares. After the share split, the bank's ordinary shares were 1,000 times cheaper, whereas the preferred stock lost its advantage of being a penny stock affordable to small investors. In our previous models we assumed the discount level to be excessively high and expected it to fall to 20% in the mid-term. However, so far this has not happened. Even though Morgan Stanley has announced that it will include Sberbank's preferred stock in its MSCI index with a weight of 0.4% as of 30 November, which could trigger demand for the shares from index funds, an increase in their liquidity and a reduction of the discount. However, the reduction of the discount will be less than we assumed. For the moment, we readjust our estimate of the fair level of the discount from 20% to 25%. This gives a fair value of the bank's preferred shares of \$3.53 at the end of the year and \$3.88 in 12 months' time.

**SOVLINK**

YOUR FIRST CALL – FOR THE SECOND TIER

November 9, 2007

**Fair value of Sberbank's preferred shares**

Fair value of 1 preferred share at the end of 2007, \$	<b>3.53</b>
Market value of 1 preferred share as of 08.11.2007, \$	2.98
Upside, %	<b>19%</b>
Recommendation	<b>BUY</b>

Thus, we maintain our **BUY** recommendation for the bank's preferred shares (and lower our BUY recommendation to **HOLD** for the bank's ordinary shares).

**Table 2 – Projected income statement, RUR mn**

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Interest income on loans to customers	139,869	214,275	284,174	384,711	529,687	684,173	841,745	1,004,051	1,169,397	1,355,637	1,559,427
Interest income on securities	29,299	28,668	33,304	40,716	46,310	54,616	63,219	72,893	83,961	95,565	108,075
Interest income on loans to banks	1,948	4,804	4,171	6,054	6,641	6,221	6,194	6,726	7,968	9,359	10,899
Interest expenses	-89,149	-122,030	-186,463	-264,826	-348,589	-432,694	-519,185	-604,007	-693,664	-792,393	-909,341
<b>Net interest income</b>	<b>156,373</b>	<b>195,616</b>	<b>235,722</b>	<b>311,631</b>	<b>388,534</b>	<b>469,887</b>	<b>554,279</b>	<b>645,008</b>	<b>753,901</b>	<b>871,958</b>	<b>1,001,206</b>
Provisions for loan impairment	-19,602	-13,851	-4,928	-21,728	-36,347	-42,609	-43,363	-48,721	-55,236	-61,917	-68,595
<b>Net interest income after provision for loan impairment</b>	<b>136,771</b>	<b>181,765</b>	<b>230,794</b>	<b>289,903</b>	<b>352,187</b>	<b>427,278</b>	<b>510,916</b>	<b>596,287</b>	<b>698,665</b>	<b>810,041</b>	<b>932,611</b>
Net fee and commission income	35,783	50,076	65,413	84,383	108,010	137,172	170,094	209,215	255,243	308,844	370,612
<b>Operating income</b>	<b>201,995</b>	<b>254,160</b>	<b>325,502</b>	<b>411,303</b>	<b>505,711</b>	<b>620,276</b>	<b>748,362</b>	<b>885,168</b>	<b>1,048,250</b>	<b>1,229,544</b>	<b>1,432,114</b>
Operating costs including salaries and wages	-114,373	-145,140	-182,876	-223,109	-269,962	-323,955	-385,506	-454,897	-532,229	-617,386	-709,994
Profit before tax	87,621	109,020	142,626	188,194	235,749	296,321	362,857	430,271	516,020	612,158	722,120
Profit tax	-21,814	-26,216	-34,230	-45,167	-56,580	-71,117	-87,086	-103,265	-123,845	-146,918	-173,309
<b>Net profit</b>	<b>65,808</b>	<b>82,804</b>	<b>108,395</b>	<b>143,027</b>	<b>179,169</b>	<b>225,204</b>	<b>275,771</b>	<b>327,006</b>	<b>392,176</b>	<b>465,240</b>	<b>548,811</b>

Source: Company data, SOVLINK estimates

**Table 3 – Projected income statement, \$ mn**

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Interest income on loans	7,638	10,632	15,744	21,344	26,880	31,523	36,340	41,267	46,699	52,644	59,488
Interest income on securities	1,035	1,055	1,348	1,622	1,802	2,030	2,274	2,558	2,875	3,207	3,567
Interest expenses	-3,149	-4,490	-7,549	-10,551	-13,564	-16,085	-18,676	-21,193	-23,756	-26,590	-30,011
<b>Net interest income</b>	<b>5,524</b>	<b>7,197</b>	<b>9,543</b>	<b>12,416</b>	<b>15,118</b>	<b>17,468</b>	<b>19,938</b>	<b>22,632</b>	<b>25,819</b>	<b>29,260</b>	<b>33,043</b>
Provisions for loan impairment	-692	-510	-200	-866	-1,414	-1,584	-1,560	-1,710	-1,892	-2,078	-2,264
<b>Net interest income after provision for loan impairment</b>	<b>4,831</b>	<b>6,687</b>	<b>9,344</b>	<b>11,550</b>	<b>13,704</b>	<b>15,884</b>	<b>18,378</b>	<b>20,922</b>	<b>23,927</b>	<b>27,183</b>	<b>30,779</b>
Net fee and commission income	1,264	1,842	2,648	3,362	4,203	5,099	6,118	7,341	8,741	10,364	12,231
<b>Operating income</b>	<b>7,135</b>	<b>9,351</b>	<b>13,178</b>	<b>16,387</b>	<b>19,677</b>	<b>23,059</b>	<b>26,920</b>	<b>31,059</b>	<b>35,899</b>	<b>41,260</b>	<b>47,264</b>
Operating costs	-4,040	-5,340	-7,404	-8,889	-10,504	-12,043	-13,867	-15,961	-18,227	-20,718	-23,432
Profit before tax	3,095	4,011	5,774	7,498	9,173	11,016	13,052	15,097	17,672	20,542	23,832
Profit tax	-771	-965	-1,386	-1,799	-2,202	-2,627	-3,149	-3,711	-4,356	-5,085	-5,919
<b>Net income</b>	<b>2,325</b>	<b>3,047</b>	<b>4,388</b>	<b>5,698</b>	<b>6,972</b>	<b>8,372</b>	<b>9,920</b>	<b>11,474</b>	<b>13,431</b>	<b>15,612</b>	<b>18,113</b>

Source: Company data, SOVLINK estimates



**Table 4 – Projected balance sheet, RUR mn**

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Cash and cash equivalents	123,369	169,805	156,416	195,032	222,921	255,946	282,565	307,013	345,024	403,678	468,267
Mandatory reserves	56,809	77,915	133,571	205,694	277,285	356,755	430,070	501,081	586,407	680,073	783,269
Securities	389,154	474,686	635,441	845,137	1,007,273	1,177,353	1,351,397	1,564,304	1,794,125	2,028,482	2,294,506
Loans to other banks	25,932	41,276	97,760	97,516	123,845	102,379	122,854	146,197	172,512	201,839	234,133
Loans and advances to customers	1,787,288	2,541,617	3,675,843	4,976,912	6,395,332	8,058,118	9,750,323	11,651,636	13,807,188	16,223,446	18,900,315
Fixed assets	106,850	125,216	146,640	162,526	206,408	255,946	307,136	365,491	431,280	504,598	585,333
Other assets	23,726	36,158	42,337	18,235	23,272	31,359	41,083	83,938	114,662	141,785	147,503
<b>Total assets</b>	<b>2,513,128</b>	<b>3,466,673</b>	<b>4,888,009</b>	<b>6,501,052</b>	<b>8,256,336</b>	<b>10,237,856</b>	<b>12,285,428</b>	<b>14,619,659</b>	<b>17,251,198</b>	<b>20,183,901</b>	<b>23,413,326</b>
Bank credits and deposits	24,912	44,836	63,778	86,045	109,944	136,702	163,638	194,088	228,104	265,637	306,654
Retail deposits	1,514,302	2,046,035	2,696,674	3,559,610	4,591,897	5,776,606	6,989,693	8,317,735	9,814,927	11,483,465	13,435,654
Corporate deposits	546,806	782,789	1,095,905	1,412,621	1,765,776	2,154,247	2,585,096	2,985,786	3,403,797	3,880,328	4,384,771
Own debt securities	86,890	123,729	111,804	217,980	278,524	346,312	327,276	388,176	486,623	566,692	633,751
Other borrowings	62,964	107,332	126,320	390,069	513,071	637,943	763,645	905,744	1,064,487	1,239,638	1,431,052
Subordinated loans	29,393	26,880	25,867	25,419	25,929	26,848	27,920	28,737	29,451	30,115	30,676
Other liabilities	16,793	26,548	131,533	44,568	44,449	34,810	51,941	118,939	179,566	243,245	221,038
<b>Total liabilities</b>	<b>2,282,059</b>	<b>3,158,149</b>	<b>4,251,881</b>	<b>5,736,312</b>	<b>7,329,591</b>	<b>9,113,468</b>	<b>10,909,211</b>	<b>12,939,206</b>	<b>15,206,956</b>	<b>17,709,120</b>	<b>20,443,596</b>
<b>Total stockholders' capital</b>	<b>231,069</b>	<b>308,524</b>	<b>636,128</b>	<b>764,740</b>	<b>926,745</b>	<b>1,124,389</b>	<b>1,376,217</b>	<b>1,680,453</b>	<b>2,044,242</b>	<b>2,474,781</b>	<b>2,969,729</b>

Source: Company data, SOVLINK estimates

**Table 5 – Projected balance sheet, \$ mn**

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Cash and cash equivalents	4,285	7,673	6,173	7,833	8,776	9,732	10,331	10,906	11,959	13,684	15,583
Mandatory reserves	1,973	2,959	5,271	8,261	10,917	13,520	15,765	18,031	20,639	23,473	26,604
Securities	13,517	18,028	25,078	33,941	39,656	44,766	49,411	55,570	62,188	68,762	76,356
Loans to other banks	901	344	3,858	3,916	4,876	3,893	4,492	5,193	5,980	6,842	7,791
Loans and advances to customers	62,080	96,529	145,068	199,876	251,785	306,392	356,502	413,912	478,585	549,947	628,962
Fixed assets	3,711	4,756	5,787	6,527	8,126	9,732	11,230	12,984	14,949	17,105	19,479
Other assets	824	1,373	1,671	732	916	1,237	1,462	2,752	3,662	4,386	4,370
<b>Total assets</b>	<b>87,292</b>	<b>131,662</b>	<b>192,906</b>	<b>261,086</b>	<b>325,053</b>	<b>389,272</b>	<b>449,193</b>	<b>519,348</b>	<b>597,962</b>	<b>684,200</b>	<b>779,146</b>
Bank credits and deposits	865	1,703	2,517	3,456	4,328	5,198	5,983	6,895	7,907	9,005	10,205
Retail deposits	52,598	77,707	106,425	142,956	180,783	219,643	255,565	295,479	340,205	389,270	447,110
Corporate deposits	18,993	29,730	43,250	56,732	69,519	81,911	94,519	106,067	117,983	131,537	145,916
Own debt securities	3,018	4,699	4,412	8,754	10,966	13,168	11,966	13,790	16,867	19,210	21,090
Other borrowings	2,187	4,076	4,985	15,665	20,200	24,256	27,921	32,176	36,897	42,022	47,622
Subordinated loans	1,021	1,021	1,021	1,021	1,021	1,021	1,021	1,021	1,021	1,021	1,021
Other liabilities	583	1,008	5,191	1,790	1,750	1,324	1,899	4,225	6,224	8,246	7,356
<b>Total liabilities</b>	<b>79,266</b>	<b>119,945</b>	<b>167,802</b>	<b>230,374</b>	<b>288,567</b>	<b>346,520</b>	<b>398,874</b>	<b>459,652</b>	<b>527,104</b>	<b>600,309</b>	<b>680,319</b>
<b>Total stockholders' capital</b>	<b>8,026</b>	<b>11,718</b>	<b>25,105</b>	<b>30,712</b>	<b>36,486</b>	<b>42,752</b>	<b>50,319</b>	<b>59,696</b>	<b>70,858</b>	<b>83,891</b>	<b>98,826</b>

Source: Company data, SOVLINK estimates

**Table 6 – Projected financial ratios**

	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EPS	122.01	160	232	302	369	443	525	607	711	826	958
BVS	431.90	586	1,328	1,625	1,931	2,262	2,663	3,159	3,749	4,439	5,229
P/E	40.37	30.80	22.22	17.11	13.46	11.21	9.46	8.18	6.99	6.01	5.18
PIBV	11.69	8.0	3.9	3.2	2.6	2.2	1.9	1.6	1.3	1.1	0.9
ROE	34.5%	30.9%	23.8%	20.4%	20.7%	21.1%	21.3%	20.9%	20.6%	20.2%	19.8%
ROA	3.0%	2.8%	2.7%	2.5%	2.4%	2.3%	2.4%	2.4%	2.4%	2.4%	2.5%
Asset yield	12.9%	12.2%	11.3%	11.2%	11.0%	10.7%	10.4%	10.2%	9.9%	9.7%	9.6%
Cost of liabilities	-4.5%	-4.5%	-5.1%	-5.4%	-5.4%	-5.3%	-5.2%	-5.1%	-5.0%	-4.9%	-4.8%
Net interest margin	8.2%	7.5%	6.3%	6.0%	5.8%	5.6%	5.4%	5.2%	5.2%	5.1%	5.0%
Operating costs/ assets	5.2%	4.9%	4.4%	3.9%	3.7%	3.6%	3.55%	3.50%	3.45%	3.40%	3.35%
Cost/ income	51.6%	54.2%	55.3%	51.5%	49.8%	48.9%	48.7%	48.7%	48.2%	47.8%	47.3%
Fee and commission income/ operating income	18.3%	19.7%	20.1%	20.5%	21.4%	22.1%	22.7%	23.6%	24.3%	25.1%	25.9%

Source: Company data, SOVLINK estimates



**SOVLINK**

YOUR FIRST CALL – FOR THE SECOND TIER

November 9, 2007

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## STOCK RATING POLICY

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<b>STRONG BUY:</b>	Upside over 25%; confidence level – high / upside over 100%; confidence level – low
<b>BUY:</b>	Upside between 15 and 25%; confidence level – high / upside between 25% and 100%; confidence level – low
<b>HOLD:</b>	Upside of less than 15%; confidence level – high / upside of less than 25%; confidence level – low
<b>SELL:</b>	Fair value at or below current price levels

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