



Sberbank

Company
Note**HOLD****Upside: 15%**
Target Price: \$4.71**Analyst: Olga Belenkaya**
belenkayao@sovlink.ru**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, \$	4.06	Offer Ords, \$	4.19
Bid Prefs, \$	2.86	Offer Prefs, \$	2.93

Market performance

		1 month	6 months
Absolute	Ords	-1.8%	21.7%
Relative to RTSI	Ords	-4.3%	-6.7%
Price range, \$			
High	Ords	4.36	4.42
Low	Ords	4.00	3.39

Financials, 2007E

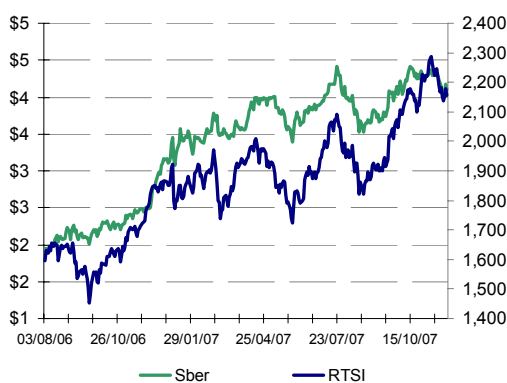
Assets, \$ mn	192,906	ROE	23.8%
Book Value, \$ mn	25,105	P/E	20.9
Net income, \$ mn	4,388	P/BV	3.6

Core decisions to be made by the new management team

- Today, at Sberbank's shareholder meeting, we expect shareholders to accept the resignation of the current CEO, Andrei Kazmin and approve German Gref as the new CEO. Yesterday, deputy chairman Mrs Aleshkina held a conference call regarding the bank's financial results for October and new forecasts for 2007.
- The bank's October RAS net income of RUR 31.4 bn exceeds its average monthly level for 9M07 by 3.5 times, as the bank exceeded its annual target of RUR 112 bn within 10 months. According to Aleshkina, 48% of the bank's total revenues of RUR 67.3 bn in October consists of income from loans and 41% (RUR 27.5 bn) consists of income from securities – mainly capital gains from the sale of (about) 10% of its securities portfolio. However, according to IFRS, the gains from the sales would be significantly smaller, as securities are marked to market during the holding period. The bank sold these securities in order to inject liquidity in the money markets and also because it suited the bank to replace these low-yielding securities with more profitable interbank loans.
- Management plans to postpone its GDR listing from February 2008 to 2Q08 because of the current weakness in global financial markets and also due to the management changes taking place at the bank.

- Sberbank updated its forecasts for 2007 from its estimates made at the previous analyst meeting at the end of October. The bank raised its net income forecast under RAS from RUR 112 bn to RUR 116-120 bn, and at the same time, lowered it from RUR 100 bn to RUR 95 bn under IFRS. These corrections are due to changes in accounting practices. In 2008, banks are required to use the accrual accounting method instead of the cash method, which would have increased the bank's expenses in the next year under RAS. The bank decided to include some of its 2008 expenses (RUR 25 bn under RAS) in its 2007 accounts, in order to achieve better results next year. Without these expenses, Sberbank's RAS net income in 2007 would have been RUR 135 mn. As for its IFRS accounts, the lower forecast of RUR 95 mn is due to potential expenses of RUR 15 bn (bonuses to employees) that management proposes to reflect in 2007 – however, the final decision will depend on the new management team.

In our opinion, although lowering the bank's IFRS net income forecast cannot be considered as a positive surprise for investors, nonetheless it is based on accounting adjustments and should be compensated by more stable net income growth next year. At the same time, we see the partial replacement of the securities sold by more profitable assets as a positive sign. We, therefore, reiterate our **HOLD** recommendation with a year-end target price of **\$4.71** for the bank's ordinary shares as well as our **BUY** recommendation, with a year-end target price of **\$3.53** for the bank's preferred shares.

Sberbank – Relative performance

Source: RTS



STOCK RATING POLICY

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

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