

Sberbank

Management discusses DenizBank acquisition - ALERT

The conference call was hosted by the CEO German Gref, CFO Anton Karamzin and Head of Strategy Denis Bugrov.

- **The market:** CEO Gref praised the business environment in Turkey including a successful fight against corruption and diversification of the economy. He stated that the Turkish banking sector is competitive and it made sense to buy a sizeable target from the top 10 list. Sberbank has turned more optimistic on the Turkish market and the target after close scrutiny.
- **Timing of closure is 4Q12** according to the CFO; Sberbank is incentivized by the structure of the transaction, i.e. the earlier the better.
- **Capital impact.** The impact on T1 should be less than 100 bp. The bank is comfortable with capital adequacy. Management sees no change of pace in capital accumulation (20-22 bp per quarter) with earnings guidance above the last year's levels. Growth forecast in Russia has been more modest, a slowdown from 30%+ last year to 20-22%, requiring less capital. Sberbank is optimizing market share acquisition with the margin dynamic; protection of the margin takes priority over loan intake.
- **Synergies:** There are many similarities in style between the two management teams, in the areas of risk management and HR management. There are things to be learned from DenizBank as well as practices transferable from VBI to DenizBank. Management is not seeing significant funding synergies as DenizBank should be close to being self-sufficient, neither are there substantial cost synergies but there is a positive effect on VBI from IT, process, marketing perspectives, ability to leverage the platform. There are some effects on revenue: (1) cross-border trade; (2) tourism up to 6m people travelling; as cross-border activity intensifies, there is a natural role for Sberbank., (3) in risk management. The CEO of DenizBank called Sberbank "the best buyer", according to CEO Gref.
- **Sberbank would abstain from further acquisitions for** at least a year or two, depending on the pace of integration.

Overweight

SBER.RTS, SBER RU

Price: \$2.54

13 June 2012

Russian Equity Strategy & Russian Banks

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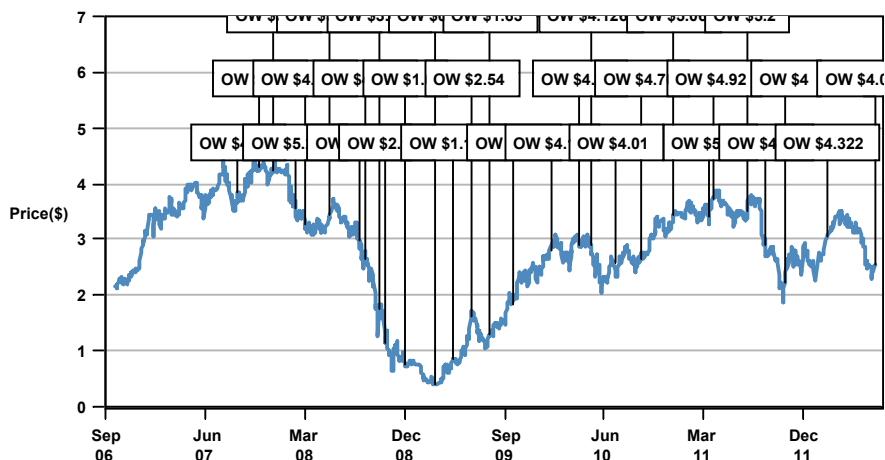
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Sberbank (SBER.RTS, SBER RU) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Aug 31, 2007.

Date	Rating	Share Price (\$)	Price Target (\$)
31-Aug-07	OW	3.83	4.64
29-Oct-07	OW	4.31	4.59
05-Dec-07	OW	4.25	5.08
06-Feb-08	OW	3.55	5.26
05-Mar-08	OW	3.26	4.76
08-May-08	OW	3.44	5.08
28-Jul-08	OW	2.99	5.08
13-Aug-08	OW	2.67	4.63
19-Sep-08	OW	1.76	3.41
08-Oct-08	OW	1.14	2.11
03-Dec-08	OW	0.74	1.60
25-Feb-09	OW	0.40	0.67
14-Apr-09	OW	0.85	1.17
02-Jun-09	OW	1.63	2.54
22-Jul-09	OW	1.31	1.63
22-Sep-09	OW	1.82	3.02
04-Jan-10	OW	2.81	4.18
25-Mar-10	OW	2.90	4.25
26-Apr-10	OW	2.91	4.13
29-Jun-10	OW	2.58	4.01
09-Sep-10	OW	2.65	4.76
07-Dec-10	OW	3.46	5.06
14-Mar-11	OW	3.40	5.16
29-Mar-11	OW	3.74	4.92
29-Jun-11	OW	3.50	5.20

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16-Aug-11	OW	2.92	4.93
13-Oct-11	OW	2.22	4.00
01-Feb-12	OW	3.06	4.32
13-Jun-12	OW	2.54	4.07

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

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