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Gref Sees $10Bln for Sberbank This Year

By The Moscow Times

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Sberbank is mulling a share buyback before the planned state sale of a 7.6 percent stake, its chief executive said Tuesday, as the bank announced a doubling of first-quarter earnings.

The strong results at Sberbank, popular among foreign investors who regard it as a proxy for Russian economic growth, were buoyed by loan write-backs as the bank's credit portfolio returns to health after the slump of 2008-09.

Chief executive German Gref said Sberbank might launch a share repurchase scheme as it seeks to protect minority shareholders before the sale this year of the stake, which is worth nearly $6 billion at current market prices.

"We don't rule out such an option as part of our privatization preparations," Gref said, without going into detail.

Gref also forecast that Sberbank's earnings could reach $10 billion this year, tentatively raising earlier guidance.

Sberbank will put an amendment to its company articles to a vote at its annual general meeting Friday that would allow its supervisory board to approve share buybacks.

The prospect of a stock overhang at Sberbank has left its share price lagging the recovery in its earnings, which rose by 99.5 percent in the first quarter year on year to 86.8 billion rubles ($3.09 billion).

Mindful of the risk that a large stake sale could depress its share price, Gref said the government might not sell all of the shares slated for privatization in one go.

"We will try to sell the whole stake, but it will depend on market conditions," he said. "We don't have a task in front of us to sell this stake this year, no matter what. Our main task is to avoid any volatility in our stock."

The privatization would leave the state with a bare majority in the bank.

Sberbank's strong first-quarter earnings were driven principally by loan write-backs totaling 14.2 billion rubles, contrasting with loan-loss provisions of 54.3 billion in the same period of 2010.

The results confirmed Sberbank's status as a highly profitable and strongly capitalized bank, with a first-quarter return on equity of 33.6 percent compared with 21.3 percent in the same period in 2010.

Sberbank paid compensation to its key management, including payments and premiums, of 115 million rubles for the first quarter of 2011, the bank said in its results for that period. Total payment to the banking group's top management in the same period of 2010 came to 77 million rubles.

It was reported earlier that Sberbank paid its top management 1.042 billion rubles in compensation and remuneration for the whole of 2010, which doubled the payout for 2009.

Sberbank reduced its personnel ranks by 2.8 percent to 238,800 employees in the first quarter of this year from 245,600 persons as of March 31, 2010, the bank also said in its results. The number of Sberbank employees in the first three months of 2011 declined by 0.9 percent from 240,900 persons as of the end of 2010.

Costs for retaining personnel in the first quarter of this year increased 22.4 percent to 47.5 billion rubles compared with 38.8 billion rubles for the same period of last year. The bank said personnel expenditures in the first quarter increased due to last year's program to provide employee wages in line with market trends.

Sberbank plans to reduce its personnel further in the future. Gref said in May that Sberbank is reducing its staff as part of modernization efforts.

(Reuters, Interfax)

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