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Sberbank Results Boost Share Sale Prospects

By The Moscow Times

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A 100 ruble share price is viewed as a minimum by management to sell a part of the state's stake in Sberbank. **A. Makhonin**

Sberbank posted better-than-expected results Wednesday thanks to lower provisioning against bad loans, clearing the way potentially for a long-awaited $5 billion sale of some of the state's shares in the bank.

Sberbank, which currently ranks as Europe's third-biggest bank by market value after HSBC and Santander, reported a 7 percent drop in its second-quarter net profit to 83.1 billion rubles ($2.6 billion), better than the average market forecast of 81.2 billion rubles.

The result, helped by a much lower than expected provision of 2.1 billion rubles, sent Sberbank shares to a four-month high of 95.5 rubles before closing at 94.54 rubles, up 0.06 percent at the MICEX close on Wednesday.

A price of 100 rubles is viewed as a minimum by management to sell 7.6 percentage points of the government's holding of 57.6 percent.

"Placing shares after such strong results is much easier. The fact that there are no provisions for possible bad loans indicates that the lender wants to improve results before privatization," UBS analyst Dmitry Vinogradov said.

The state share sale, part of a wider state privatization drive, was initially scheduled for last year but was repeatedly postponed due to fragile markets. Privatization has stalled since Vladimir Putin returned to the Kremlin in May.

After the results, Sberbank has a legal window of 60 days to go ahead with the public offering. Chief executive German Gref has said that September would be "a good time" if markets allow.

Sberbank accounts for a third of overall lending in the country and holds almost half of retail deposits, and its liquid stock is seen by investors as a proxy for Russia's broader economic health.

In the first half as a whole, the lender wrote back 1.1 billion rubles in provisions and said its non-performing loan ratio was at 3.4 percent as of June 30, down from 4.9 percent at the start of the year.

Net profits for the first half of 2012 were 175.3 billion rubles, ahead of forecasts for 173.4 billion rubles.

"The fact that Sberbank did not increase provisions means it does not see negative trends [in the economy]," Vinogradov said.

On Tuesday the Economic Development Ministry lifted its 2012 economic growth forecast to 3.5 percent from 3.4 percent, although that rate lags behind the 4.3 percent growth seen in the previous two years.

Sberbank said Wednesday its corporate lending expanded by 7.9 percent, while retail lending rose by 29 percent since the start of the year, leading to a slight drop in its Tier 1 capital adequacy ratio to 11.2 percent from 11.6 percent at the end of 2011.

The lender added that its net interest margin was slightly down, at 6 percent in the first half of the year from 6.2 percent in the same period last year.

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