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Sberbank – Financial Results for May 2020

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Analysts: Michał Konarski +48 22 438 24 05, Mikołaj Lemańczyk +48 22 438 24 07

The May results of Sberbank can offer a glimpse into how other CEE banks, in particular RBI and OTP, are faring under current market circumstances. The Russian lender generated a substantial income boost in May, driven by higher profits from interest and trading, underpinned by lower costs. Cost of risk held low for another month in a row in May at 35bp. Fee income rebounded by 7% relative to April, but compared to May 2019 it was still 13% lower.

- Sberbank's **net income** for May under Russian Accounting Standards (RAS) came in at RUB 45.1bn, representing a decrease of 40% from the same period a year earlier and three times the amount generated the month before. Net income for the five months to 31 May was down 25% on the year at RUB 275bn, and ytd ROE was 14.4%.
- The **strong improvement from April to May** was supported by rising income from interest and fees, higher trading income, and reduced costs.
- Net interest income** showed robust growth of 10% m/m and 17% y/y, and the monthly net interest margin widened by 5bp, thanks among others to reduced costs of financing and deposit guarantees.

- Fee income** was 13% lower than in May last year, but it was up by 7% vis-à-vis April after a pickup in card transactions (Sberbank did not see much improvement in insurance sales yet in May). According to Sberbank, in the final week of May customer activity was seen to grow to 87% of the year-ago volume as compared to 74%.
- Operating costs** were down by 15% from April, and compared to May 2019 they expanded by just about 1% thanks to a successful cost-cutting program.
- Loan loss provisions** did not change much compared to April, but this means they were much lower than the RUB 16bn reported in May 2019. As a result, we expect that the monthly cost of credit risk held stable at 35bp compared to 61bp in March, when the risk assessment models were adjusted to reflect the deterioration in economic outlook. Nevertheless the May CoR was higher than in January (15bp) and February (25bp).
- The **NPL ratio** inched slightly higher in May at 2.22% vs. 2.15% in April.

RAS 2020 January- May Financial Results of Sberbank

(RUB bn)	May'19	Apr'20	May '20	YoY	MoM	5M19	5M20	YoY
Net interest income	107.6	113.8	125.6	17%	10%	514.0	571.1	11%
Net fees and commissions	39.2	31.8	34.0	-13%	7%	178.1	184.8	4%
Trading income	7.5	-17.1	4.3	-43%	-	3.0	108.7	-
Operating income	159.0	130.2	155.0	-2%	19%	720.1	868.9	21%
Provisions	-15.9	-63.3	-63.4	298%	0%	-25.9	-305.5	-
Operating expenses	-44.5	-52.7	-45.0	1%	-15%	-225.7	-232.7	3%
Pre-tax income	98.5	14.2	46.7	-53%	230%	468.5	330.8	-29%
Net income	75.7	11.5	45.1	-40%	293%	369.1	275.3	-25%

Source: Sberbank, mBank

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/ EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market

NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market

UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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SELL – we expect that an investment will bear a loss greater than 15%
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mBank S.A.
Senatorska 18
00-950 Warszawa
<http://www.mbank.pl/>

Research Department

Kamil Kliszcz
director
+48 22 438 24 02
kamil.klischcz@mbank.pl
energy, power generation

Jakub Szkopek
+48 22 438 24 03
jakub.szkopek@mbank.pl
industrials, chemicals, metals

Aleksandra Szklarczyk
+48 22 438 24 04
aleksandra.szklarczyk@mbank.pl
construction, real-estate development

Michał Marczak
+48 22 438 24 01
michal.marczak@mbank.pl
strategy

Paweł Szpigiel
+48 22 438 24 06
pawel.szpigiel@mbank.pl
media, IT, telco

Piotr Poniatowski
+48 22 438 24 09
piotr.poniatowski@mbank.pl
industrials

Michał Konarski
+48 22 438 24 05
michal.konarski@mbank.pl
banks, financials

Piotr Bogusz
+48 22 438 24 08
piotr.bogusz@mbank.pl
retail, gaming

Mikołaj Lemańczyk
+48 22 438 24 07
mikolaj.lemanczyk@mbank.pl
financials

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Adam Prokop
+48 22 697 47 90
adam.prokop@mbank.pl

Krzysztof Bodek
+48 22 697 48 89
krzysztof.bodek@mbank.pl

Magdalena Bernacik
+48 22 697 47 35
magdalena.bernacik@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Sales, Foreign Markets

Bartosz Orzechowski
+48 22 697 48 47
bartosz.orzechowski@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Private Client Sales

Kamil Szymański
director
+48 22 697 47 06
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
+48 22 697 48 70
jaroslaw.banasiak@mbank.pl