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**Methods of value-based management at the commercial bank**

This paper reviews the theory of value-based management, classification of value-based management models and the main value-based management methods at the commercial bank. It is shown that value-based management models can be classified depending on: 1) used information; 2) measures of performance; 3) valuation horizon. First, we present key value drivers-based approach. In order to effectively manage shareholders’ value management should be based on key value drivers which are the main components of shareholder value and key performance indicators. In addition, we review an alternative approach based on intelligent management systems oriented to risk management. The paper reviews the main international acts, regulating risk-management (FERMA Risk management standard, COSO Enterprise risk management-integrated framework, Basel II and Basel III). Fundamentally, value-based management methods are based on integration of traditional DuPont models and discounted сash flow-oriented approaches (DCF). We then analyze approaches to analysis of changes in welfare of company owners (Total Shareholder Return, TSR; Total Business Return, TBR). If TSR or TBR exceeds cost of equity, than during the reporting period there was an increase in bank value. In addition, we consider models of economic value added (EVA) and cash flow return on investment (CFROI). Proposed methods can be developed in interests of bank management tasks in the midterm.

Frolova E., Karminsky A. Methods of bank valuation at the age of globalization. *Vestnik MGIMO-University, Vol. 42, No. 3,* ***2015***

This paper reviews the theory of value-based management at the commercial bank and the main valuation methods in the age of globalization. The paper identifies five main factors that significantly influence valuation models selection and building: funding, liquidity, risks, exogenous factors and the capital cushion. It is shown that valuation models can be classified depending on underlying cash flows. Particular attention is paid to models based on potentially available cash flows (Discounted сash flow-oriented approaches, DCF) and models based on residual income flows (Residual income-oriented approaches). In addition, we consider an alternative approach based on comparison with same sector banks (based on multiples). For bank valuation equity discounted сash flow method is recommended (Equity DCF). Equity DCF values equity value of a bank directly by discounting cash flows to equity at the cost of equity (Capital Asset Pricing Model, CAPM), rather than at the weighted average cost of capital (WACC). For the purposes of operational management residual income-oriented approaches are recommended for use, because they are better aligned with the process of internal planning and forecasting in banks. For strategic management residual income-oriented methods most useful when expected cash flows are negative throughout the forecast period. Discounted сash flow-oriented approaches are preferable when expected cash flows have positive values and needs for models using is motivated by supporting the investment decisions. Proposed classification can be developed in interests of bank management tasks in the midterm in the age of globalization.