Sberbank / Miscellaneous

29.05.2014 08:44

Sberbank publishes Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as at 31 March 2014 and for the three months then ended

Sberbank (hereafter 'the Group') has released its interim condensed consolidated IFRS financial statements (hereafter 'the Financial Statements') as at 31 March 2014 and for the three months ended 31 March 2014, with an independent review report by Ernst & Young Vneshaudit.

Income Statement highlights:

- Net profit for the three months ended 31 March 2014 reached RUB 72.9 bn (or RUB 3.41 per ordinary share) compared to RUB 88.5 bn (or RUB 4.10 per ordinary share) in Q1, 2013. The decline in net profit was mainly driven by provision charge for loan impairment.

- Net interest income increased by 19.7% in Q1, 2014 to RUB 239.6 bn, compared to RUB 200.2 bn in Q1, 2013.

- Net interest margin in Q1, 2014 declined by 20 basis points as compared to Q1, 2013 to reach 5.7%.

- Net fee and commission income increased by 30.9% in Q1, 2014 to RUB 58.0 bn, compared to RUB 44.3 bn in Q1, 2013.

- The Group's operating income before provision charge for loan impairment increased by 16.5% to RUB 296.0 bn compared to RUB 254.1 bn in Q1, 2013 and was driven by growth of net interest income and net fee and commission income.

- Operating expenses increased by 11.4% year-on-year, slower than operating income. As a result, Cost to Income ratio improved to 42.1% versus 44.0% in Q1, 2013.

- Net provision charge for loan impairment amounted to RUB 77.1 bn, translating to Cost of risk of 220 basis points in Q1, 2014.

Statement of financial position highlights:

- As of 31 March, 2014, the Group's total assets reached RUB 19,109.6 bn showing a 4.9% growth (19.6% annualized) compared to 2013 year end, the main driver of the growth being an increase in loans to customers.

- In Q1, 2014, net loans and advances to customers increased by 6.4% (25.6% annualized) to RUB 13,760.2 bn compared to RUB 12,933.7 bn at 2013 year end.

- In Q1, 2014, the share of non-performing loans in Group's total gross loans increased to 3.2% as of 31 March 2014 (31 December 2013: 2.9%).

- Customer deposits increased by 4.2% (16.8% annualized) to RUB 12,566.4 bn compared to RUB 12,064.2 bn at 2013 year end with the corporate deposits being the main driver of the growth.

- The Group's Equity increased in Q1, 2014 by 2.4% (9.6% annualized) to RUB 1,925.7 bn, with net profit being the major driver.

- The total capital adequacy ratio (Basel 1) decreased by 10 basis points to 13.3% as at 31 March 2014. The core capital adequacy ratio decreased by 20 basis points to 10.4%.

Financial and Operating Review:

Interest income in Q1, 2014 increased by 20.2% year-on-year to RUB 414.2 bn. The increase is attributable to a significant expansion in volumes of both corporate and retail loans.

Interest expenses in Q1, 2014 increased by 20.9% year-on-year to RUB 174.6 bn. The largest component of interest expenses was related to retail deposits, which are the core source of funds for the Group. In Q1, 2014 cost of retail deposits remained stable as compared to 4Q, 2013 staying at 5.3%. The average cost of corporate term deposits was also stable at 5.4%

in comparison with 4Q, 2013.

Net interest income in Q1, 2014 totaled RUB 239.6 bn, a 19.7% increase year-on-year. The increase is driven by growth of interest earning assets in Q1, 2014, primarily loans. Net interest income remains the main component of the Group's operating income accounting for 80.9% of total operating income before provision charges for loan impairment. Net interest margin was under pressure mostly due to shift in loan book structure.

The Group's net fee and commission income in Q1, 2014 totaled RUB 58.0 bn, a 30.9% increase year-on-year. Income from operations with bankcards was the key driver of the growth, expanding by 36.6% year-on-year. Customer cash and settlement transactions also remained an important source of fee and commission income with share in fee and commission income 45.7% in Q1, 2014.

Other net losses, which include net gains / (losses) from operations with securities, foreign exchange, derivatives and precious metals and other items, totaled 1.6 bn versus 9.6 bn of other net gains in Q1, 2013. The main driver for the losses were losses from operations with securities and provision charge for other assets, contingencies and credit related commitments.

Total operating income before provision charge for loan impairment in Q1, 2014 reached RUB 296.0 bn compared to RUB 254.1 bn in Q1, 2013, a 16.5% increase year-on-year. The growth was driven primarily by the expansion of the Group's core banking business.

Net provision charge for loan impairment in Q1, 2014 totaled RUB 77.1 bn compared to RUB 31.8 bn in Q1, 2013 translating into Cost of risk of 220 basis points versus 110 basis points in Q1, 2013.

The Group's operating expenses in Q1, 2014 increased by 11.4% year-on-year to RUB 124.6 bn. The main driver of this growth is increase in staff costs as a result of further business growth. Since operating income growth outpaced the growth of operating expenses, the Group's cost to income ratio in Q1, 2014 decreased to 42.1% versus 44.0% in Q1, 2013.

The Group's net profit in Q1, 2014 reached RUB 72.9 bn versus RUB 88.5 bn in Q1, 2013, a 17.6% decrease year-on-year. Decrease in net profit in Q1, 2014 as compared to Q1, 2013 is explained mostly by a significant increase in cost of risk.

As of 31 March 2014, the Group's total assets reached RUB 19,109.6 bn, a 4.9% (19.6% annualized) increase since 31 December 2013.

In Q1, 2014, the Group's gross loan portfolio before provision for loan impairment increased by 6.6% (26.4% annualized). Gross loans to corporate clients increased by 7.4% (29.6% annualized) to RUB 10,517.3 bn; loans to individuals increased by 4.6% (18.4% annualized) to RUB 3,920.0 bn.

The proportion of non-performing loans (NPL), defined as loans for which payment of principal and/or interest is overdue by more than 90 days, in the total loan portfolio (the NPL ratio) increased in Q1, 2014 to 3.2% as at 31 March 2014 compared to 2.9% at the 2013 year end. The increase is explained by overall economic turbulence in Q1, 2014. The NPL coverage ratio (total provisions for loan impairment to non-performing loans) remained stable during Q1, 2014 at 1.5. Provisions for loan impairment increased in Q1, 2014 by 10.9% (43.6% annualized) reaching RUB 677.1 bn. As of 31 March 2014, the proportion of provisions for loan impairment to total gross loans was 4.7% compared with 4.5% at 2013 year end.

As at 31 March 2013, the Group's total liabilities amounted to RUB 17,183.9 bn, a 5.2% (20.8% annualized) increase for the first quarter. Retail deposits, totaling RUB 8,303.5 bn as at 31 March 2014, decreased by 1.6% (-6.4% annualized). The growing political uncertainty and volatility of forex exchange rates cumulatively resulted in some outflow of retail deposits in March from Russian banking system as a whole including Sberbank. Retail deposits remain the core source of the Group's funding, accounting for 48.3% of the Group's total liabilities. Corporate deposits increased to RUB 4,262.9 bn as at 31 March 2014 showing a 17.5% (70.0% annualized) growth for the quarter, while their share in total liabilities amounted to 24.8%.

As at 31 March 2014, the Group's amounts due to banks totaled 2,116.3 bn and remained stable versus 2013 year end.

The Group's equity amounted to RUB 1,925.7 bn as at 31 March 2014, a 2.4% (9.6% annualized) increase in Q1, 2014. As at 31 March 2014, the Group's total capital adequacy ratio as per Basel 1 reached at 13.3%, well above the 8% minimum requirement, and the Tier 1 ratio was 10.4%. The decrease in the ratios since 2013 year end explained by the RWA growth outpacing increase in retained earnings.

Sberbank Group's Financial Highlights for the three months ended 31 March

2014

Language:	English
Company:	Sberbank 19 Vavilova St. 117997 Moscow Russia
Phone:	+7-495-957-57-21
Fax:	
E-mail:	media@sberbank.ru
Internet:	www.sberbank.ru
ISIN:	US80585Y3080, RU0009029540, RU0009029557
Listed:	Frankfurt in Open Market (Entry Standard) ; MICEX, RTS
Category Code:	MSC
TIDM:	SBER
Sequence Number:	2063
Time of Receipt:	May 29, 2014 08:44:11
