Sberbank / Miscellaneous - High Priority

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Sberbank releases Financial Highlights for 2M 2016 (under RAS; non-consolidated)

Please note that the numbers are calculated in accordance with Sberbank's internal methodology. There were some amendments to the methodology from January 1, 2017 and the numbers for 2016 were restated in accordance with the new methodology for comparability purposes. Also note that the effect of subsequent events is excluded from the numbers as of January 1, 2017.

March 7, 2017

Key highlights for February, 2017:

- The Bank earned net profit of RUB46.7 bn

- Cost-to-income ratio for two months ytd was 26.8%

- In February the Bank lent RUB650 bn to clients

Deputy Chairman of Sberbank Alexander Morozov stated:

'Sberbank February results supported the trends from January, and are in line with our expectations. The Bank continues to focus on increasing efficiency and developing fee and commission businesses'.

Comments for 2M 2017:

Net interest income increased by 7.5% compared to 2M 2016 and came at RUB182.2 bn. Lower interest rates on corporate and retail deposits and accounts had positive impact on net interest income. At the same time the income growth was constrained by the following factors: lower interest rates and the volume of corporate loans due to revaluation of the FX denominated portfolio.

Fee and commission income was up by 12.3% to RUB45.6 bn, mainly driven by bank card operations, income from bank insurance and settlements.

Operating expense came at RUB60.9 bn, up by 9.2% compared to 2M 2016. The increase was driven by methodology changes (effective 2017 the Bank is using accrual method in costs accounting to spread them more evenly across the year), as well as the wage indexation in 2Q-3Q 2016. Cost-to-Income ratio came at 26.8% for 2M 2017.

Total provision charges amounted to RUB25.1 bn, or 70% less than for 2M 2016. This dynamics was largely due to the revaluation of the ruble against the major currencies in 2M 2017 (ruble appreciation) and 2M 2016 (ruble depreciation). The Bank formed loan-loss provisions in-line with the requirements of the Central Bank of Russia. Loan-loss provisions are 2.5 times the overdue loans.

Net profit before income tax came at RUB141.5 bn. **Net profit** totaled RUB104.6 bn, including RUB46.7 bn for February. Weaker net profit in February relative to January is explained by fewer calendar days in February (which affects the volumes of interest income), and elevated effective tax rate (due to the advance payment system).

Total assets in February decreased by 0.7% to RUB21.5 trln as a result of revaluation of the foreign currency denominated assets on the back of Ruble appreciation, which also influenced the dynamics within the **corporate loan portfolio** that came down by 1.0% to RUB11.1 trln. Excluding the effect from the FX revaluation the growth of both assets and corporate loans would have been 0.4% in February. Corporate loan issues in February were RUB540 bn, or RUB1 trln from the beginning of the year.

The Bank lent RUB110 bn to **retail clients** in February, or RUB210 bn from the beginning of the year. Total retail loan portfolio increased by 0.1% to RUB4.34 trln. The share of mortgage loans of total retail loans came at 57.3%.

The share of **overdue loans** of total loans remained at 2.6% in February, which is substantially lower than the banking sector's average (6.6% as of February 1, 2017).

Securities portfolio was up by 1.8% in February as a result of purchases of the OFZ bonds in the available for sale portfolio. The portfolio ending balance was RUB2.1 trln as of March 1, 2017.

Retail deposits and accounts in February increased by RU50 bn, or by 0.4%. Retail deposits and accounts ending balance was RUB11.4 trln as of March 1, 2017.

The Bank repaid its earlier **issued bonds** in the amount of USD1.3 bn and 250 mn Swiss francs as per maturity schedule.

Corporate deposits and accounts were down by RUB174 bn, or by 3.2%, mainly as a result of revaluation of the foreign currency denominated funds on the back of Ruble appreciation. Corporate deposits and accounts ending balance was RUB5.2 trln as of March 1, 2017.

Core **Tier 1** and **Tier 1 capital** (equal since Sberbank does not have instruments of additional capital) reached RUB2,356 bn as of March 1, 2017 under preliminary calculations. **Total capital** amounted to RUB3,262 bn as of March 1, 2017, up mainly due to earned net profit.

Risk-weighted assets decreased by RUB46 bn in February mainly due to corporate loans to reach RUB22.9 trln.

Capital adequacy ratios as of March 1, 2017 under preliminary calculations were:

- N1.1 - 10.3% (minimum adequacy level, required by the Central Bank of Russia at 4.5%)

- N1.2 - 10.3% (minimum adequacy level, required by the Central Bank of Russia at 6.0%)

- N1.0 - 14.2% (minimum adequacy level, required by the Central Bank of Russia at 8.0%).

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