Sberbank / Miscellaneous - Medium Priority

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Sberbank releases Financial Highlights for 5M 2017 (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.

June 7, 2017

Key highlights for May, 2017:

- The Bank earned net profit of RUB54.8 bn in May

- This month the Bank lent the largest amount of loans to retail clients this year - more than RUB160 bn. The Bank lent RUB820 bn to corporate clients.

- Sberbank executed an outstanding for the Russian market deal in terms of volume of securitization of mortgage loans under the guarantee of AHML for RUB50 bn.

Deputy Chairman of Sberbank Alexander Morozov stated:

"The signs of revival of the economy translate into more activity for our business. We lent almost 1 trln rubles to our clients, despite the lengthy May holidays period. At the same time, the growth in lending was achieved while maintaining high quality of the portfolio. The acceleration of portfolio growth should positively influence the efficiency of the bank's business".

Comments for 5M 2017:

Net interest income increased by 6.5% compared to 5M 2016 and came at RUB477 bn, mainly due to the decrease in interest rates on clients' funds.

Fee and commission income was up by 13.1% to RUB133 bn, as before mainly driven by bank cards operations, including acquiring, and income from bank insurance.

Operating income before provisions increased by 18.2% compared to 5M 2016, significantly exceeding **operating expenses** growth for the same period (8.3%). The increase in operating expenses were driven by methodology changes (effective 2017 the Bank is using accrual method in costs accounting to spread them more evenly across the year) and wage indexation in 2Q-3Q 2016. Operating expenses in May, 2017 were lower by 3.6% compared to May last year. Cost-to-Income ratio came at 29.2% for 5M 2017, better than for 5M 2016 by 2.7 pp.

Total provision charges amounted to RUB27.1 bn in May. Provision charges amounted to RUB119.2 bn for 5M 2017, down by 12.8% compared to 5M 2016 due to portfolio quality stabilization. Loan-loss provisions are 2.6 times the overdue loans as of June 1, 2017.

Net profit before income tax came at RUB341.3 bn. **Net profit** totaled RUB261.8 bn, including RUB54.8 bn in May.

Total assets in May were merely unchanged (were down by 0.1%) at RUB21.5 trln as of June 1. The FX revaluation had negligible impact on the ending balance.

Disbursements of **corporate loans** amounted to RUB820 bn in May and more than RUB3.4 trln from the beginning of the year. The corporate loan portfolio in May came out merely unchanged due to the large amounts of repayments and remained at RUB11.05 trln.

The Bank lent the largest amount of loans to **retail clients** since the beginning of the year - more than RUB160 bn. This allowed the Bank to increase retail loan portfolio by 1%, excluding the effect of the deal of securitization of mortgage loans. Including the effect of the deal the Bank's retail loan portfolio decreased by 0.1%.

The Bank lent around RUB680 bn to **retail clients** from the beginning of the year, 17% more than for 5M 2016.

The share of **overdue loans** in total loans came at 2.7% in May and remained substantially lower than the banking sector's average (6.7% as of May 1, 2017).

Securities portfolio was up by 7.9% to RUB2.3 trln in May mainly as a result of purchases of corporate bonds, short-term European commercial papers for the FX liquidity management, as well as securitization of mortgage loans for RUB50 bn. The securitization deal with AHML allowed to increase the pool of liquid assets of the Bank and had a positive impact on the capital adequacy ratios. At the same time, Sberbank retained all the functions of interaction with its mortgage borrowers.

Corporate deposits and accounts were up by 1.5% in May, **Retail deposits** decreased by 0.5%. Total customer funds ending balance was up by 0.2% to reach RUB16.56 trln. Additional funds were raised in the issue of exchange-traded bonds in the amount of RUB15 bn for 4 years with a minimum coupon for the Russian market of 8.3% per annum.

Core Tier 1 and Tier 1 **capital** (equal since Sberbank does not have instruments of additional capital) reached RUB2,500 bn as of June 1, 2017 under preliminary calculations. **Total capital** amounted to RUB3,431 bn as of June 1, 2017, up mainly due to earned net profit.

Risk-weighted assets increased by RUB31 bn and came at RUB22.9 trln in April.

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

- N1.1 - 10.9% (minimum adequacy level, required by the Central Bank of Russia at 4.5%)

- N1.2 - 10.9% (minimum adequacy level, required by the Central Bank of Russia at 6.0%)

- N1.0 - 15.0% (minimum adequacy level, required by the Central Bank of Russia at 8.0%).

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