Sberbank (SBER)

15-Jan-2018 / 08:08 CET/CEST
Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR), transmitted by EQS Group.
The issuer / publisher is solely responsible for the content of this announcement.

Sberbank releases Financial Highlights for 2017, excluding effect of subsequent events (under RAS; non-consolidated)

Please note that the numbers are calculated in accordance with Sberbank's internal methodology. Also note that the effect of subsequent events is included in the numbers as of January 1, 2017 but excluded from the numbers as of January 1, 2018.

January 15, 2018

Key highlights for December:

- In December, the Bank earned RUB49.9 bn in net profit;
- Record loan volume issued: almost RUB1.8 trln to corporate clients and over RUB270 bn to retail clients. For the year, the Bank granted RUB13.5 trln in loans, which was 27% more than in 2016;
- Operating expenses were down y/y in December. As a result, operating expenses grew only 2.2% for the year, which was below inflation.
- Overdue debt declined by RUB15.8 bn in December, and the overdue loans as percentage of total loan portfolio was down by 0.1 p.p. to 2.4%.

Deputy Chairman of Sberbank Alexander Morozov stated:

"In 2017, the Bank showed record loan issuances outperforming the market, as well as growth in net fee and commission income. Furthermore, the Bank achieved its efficiency target by keeping the increase in operating expenses below inflation. As a result, Return on Assets reached 3.1%, while Return on Equity - 21.9%."

Comments for 2017:

Net interest income increased by 7.7% to exceed RUB1.2 trln for the year. The increase was largely driven throughout the year by declining interest rates on client funds and the expansion of retail loan portfolio.

Net fee and commission income was up by 12.5% to RUB355 bn, which was mainly due to growth in operations with bank cards (+25.4%) and bank insurance (+22.7%).

Operating income before provisions increased by 19.4% for the year, thus outpacing **operating expenses** by a significant margin of 17.2 p.p. The Bank further enhanced its approach to spread certain costs more evenly throughout the year. As a result, operating costs for December were down y/y. For the full year, operating expenses increased by 2.2%, which was below the annual inflation rate of 2.5%.

Excluding payroll costs, operating expenses fell 4.1% or RUB9.7 bn for the year, as cost reduction measures implemented by the Bank took effect. Cost-to-Income ratio improved enhanced by 5.4 p.p. to 32.1%, which was the lowest ever under RAS for the Bank.

Provision charges totaled RUB6.9 bn in December and amounted to RUB287 bn for 2017, which was 13.3% higher in comparison with 2016. As of January 1, 2018, loan-loss provisions were 2.6 times overdue loans.

Net profit before income tax came at RUB848 bn for 2017, while **net profit, excluding effect of subsequent events,** totaled RUB674 bn. The Bank is now accounting for events after the reporting date. The total impact of these events is expected at the level of 2016.

Total assets increased by 2.6% in December, driven mainly by loans to retail clients and banks, securities portfolio expansion as well as accumulation of sufficient cash reserves for the period of seasonal holidays. As of January 1, 2018 assets amounted to RUB23.3 trln.

The Bank granted about RUB1.8 trln in **loans to corporate clients** in December and RUB11.4 trln total for the year, which is 25% more than in 2016. Corporate loan portfolio decreased by 0.9% in December due to early loan repayments along with revaluation of FX loans. The outstanding balance totaled RUB12.0 trln as of January 1, 2018.

Starting from the summer onwards, the Bank has been hitting new records of **loan issuances to retail clients**. The last month of the year was the most remarkable with loans granted exceeding RUB270 bn, achieving new historical highs both in mortgages and consumer loans. Retail loan portfolio added 1.8% in December. As of January 1, the outstanding balance reached RUB4.93 trln. During the full year 2017 the Bank granted over RUB2.1 bn in loans to retail clients, or 38% more than a year ago.

Regular work with problem loans helped the Bank to reduce its overdue exposure by RUB15.8 bn in December. As a result, the share of **overdue loans** as percentage of total portfolio reduced by 0.1 p.p. to 2.4%. The indicator remains substantially lower than the sector average (8.5% excl. Sberbank as of December 1, 2017).

Securities portfolio expanded by 2.8% to RUB2.53 trln, due to purchases of Russian federal and sub-federal bonds. The portfolio increased by 22.5% in 2017 and was largely represented by government and corporate bonds.

Customer deposits and accounts increased in December by 0.5% to RUB5.64 trln. Retail deposits added RUB546 bn for the month, or 4.7%, to RUB12.1 trln, largely led by balances on bank card accounts. Overall for 2017, client funds expanded by 5.4% to RUB17.8 trln and accounted for 89% of total liabilities.

Common Equity Tier 1 and Tier 1 **capital** (equal since Sberbank does not have instruments of additional capital) stood at RUB2,646 bn as of January 1, 2018 under preliminary calculations.

Total capital amounted to RUB3,688 bn for this date, with retained earnings being the main source of capital increase in December.

Risk-weighted assets remained virtually unchanged in December and amounted to RUB24.8 trln as of 1 January, 2018.

Capital adequacy ratios as of January 1, 2018 under preliminary calculations were:

- N1.1 - 10.7% (minimum adequacy level, required by the Central Bank of Russia at 4.5%)
- N1.2 - 10.7% (minimum adequacy level, required by the Central Bank of Russia at 6.0%)
- N1.0 - 14.9% (minimum adequacy level, required by the Central Bank of Russia at 8.0%).

Sberbank 2017 Financial Highlights (under RAS, non-consolidated, excluding subsequent events)

ISIN: US80585Y3080, RU0009029540, RU0009029557, US80585Y4070
Category Code: MSCU
TIDM: SBER
LEI Code: 549300WE6TAF5EEWQS81
Sequence No.: 5106