



# **SBERBANK GROUP IFRS RESULTS**

## **9 MONTHS 2016**





# SUMMARY OF PERFORMANCE FOR 9 MONTHS 2016

## STATEMENT OF PROFIT OR LOSS

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- **Net profit** reached RUB 400.1 bn (or RUB 18.46 per ordinary share), a 166.2% increase on RUB 150.3 bn (or RUB 6.96 per ordinary share) for 9M 2015
- **Operating income before provision charge for impairment of debt financial assets** reached RUB 1,255.4 bn, a 24.1% increase on RUB 1,011.2 bn for 9M 2015
- **Operating expenses** increased by 10.2% year-on-year, and Cost to Income ratio decreased to 37.5% versus 42.9% for 9M 2015
- **Net interest margin** increased by 140 basis points compared to 9M 2015 to reach 5.6% p.a.
- **Annualized cost of risk** decreased to 195 basis points compared to 263 basis points for 9M 2015

## STATEMENT OF FINANCIAL POSITION

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- **The Group's total assets** decreased by 6.6%
- **Tier 1 capital adequacy ratio** increased by 230 basis points to 11.2% compared to 8.9% as at 31.12.2015





# HIGHLIGHTS OF 9M 2016 (1)

RUB bn	9M16	9M15	Change
Operating income before provision charge for impairment of debt financial assets	1,255.4	1,011.2	24.1%
Operating expenses	-475.6	-431.7	10.2%
Net provision charge for impairment of debt financial assets	-282.1	-362.5	-22.2%
Net profit	400.1	150.3	166.2%
Total comprehensive income	404.4	232.1	74.2%
Earnings per ordinary share, RUB	18.46	6.96	165.2%

RUB bn	3Q'16	3Q'15	Change
Operating income before provision charge for loan impairment of debt financial assets	435.0	367.5	18.4%
Operating expenses	-163.0	-145.4	12.1%
Net provision charge for impairment of debt financial assets	-101.7	-130.1	-21.8%
Net profit	137.0	65.1	110.4%
Total comprehensive income	130.6	80.0	63.3%
Earnings per ordinary share, RUB	6.36	3.04	109.2%





# HIGHLIGHTS OF 9M 2016 (2)

RUB bn	30.09.2016	31.12.2015	Change
Assets	25,531.6	27,334.7	-6.6%
Loans to customers (net)	17,781.3	18,727.8	-5.1%
Due to customers	18,609.9	19,798.3	-6.0%
Equity	2,733.0	2,375.0	15.1%
Tier I capital adequacy ratio (Basel I)	11.2%	8.9%	2.3 pp
Total capital adequacy ratio (Basel I)	14.9%	12.6%	2.3 pp
PLI rate (Provision for loan impairment to Total gross loans)	6.9%	6.0%	0.9 pp

	9M16	9M15	Change
Return on equity	20.9%	9.4%	11.5 pp
Return on assets	2.0%	0.8%	1.2 pp
Cost to income ratio*	37.5%	42.9%	-5.4 pp
Net interest margin**	5.6%	4.2%	1.4 pp

\*Operating expenses to operating income before provision charge for impairment of debt financial assets and credit related commitments

\*\*Net interest income to weighted average interest earning assets

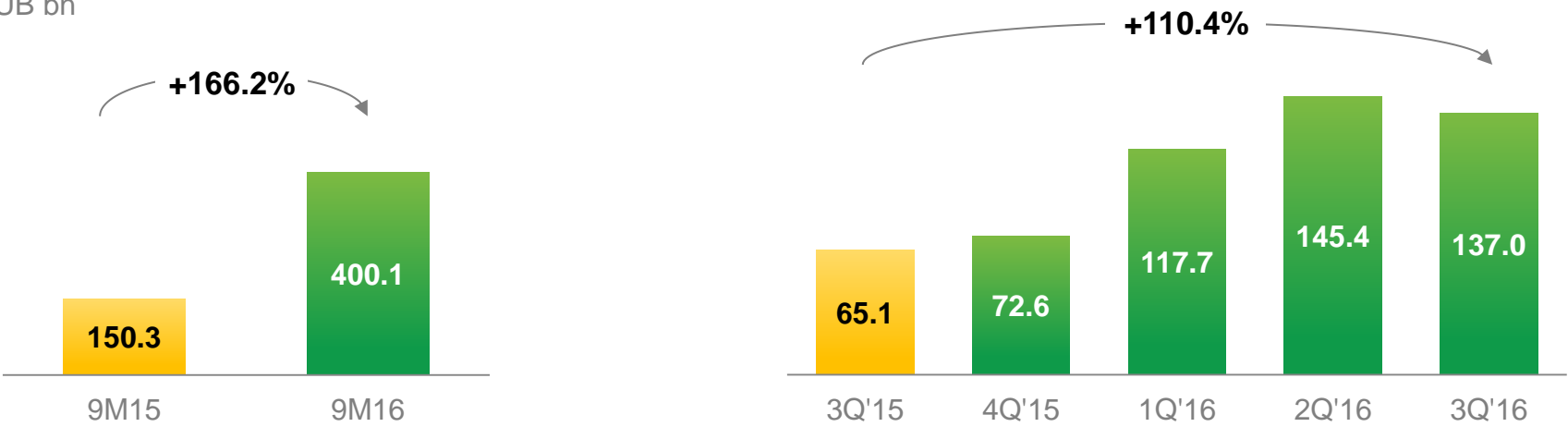


# KEY FINANCIAL INDICATORS



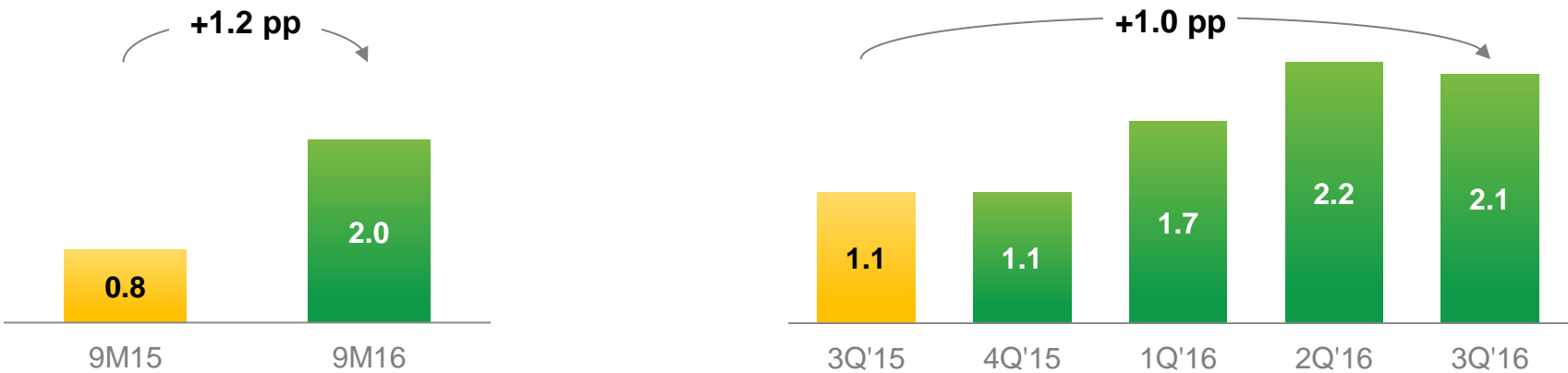
## NET PROFIT

RUB bn



## RETURN ON ASSETS (ROA)

%

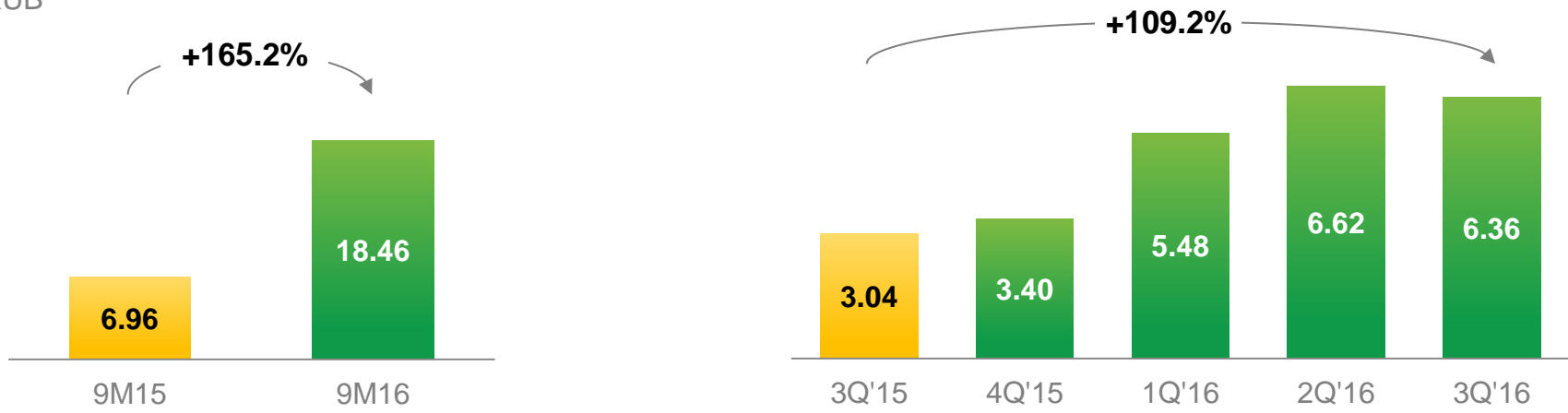




# KEY FINANCIAL INDICATORS

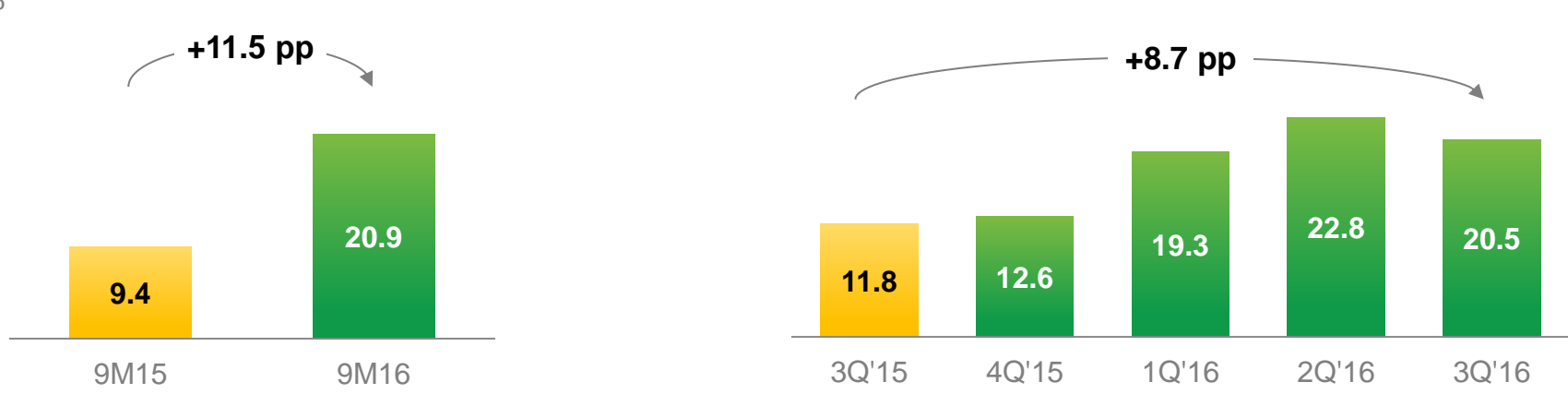
## EARNINGS PER ORDINARY SHARE

RUB



## RETURN ON EQUITY (ROE)

%

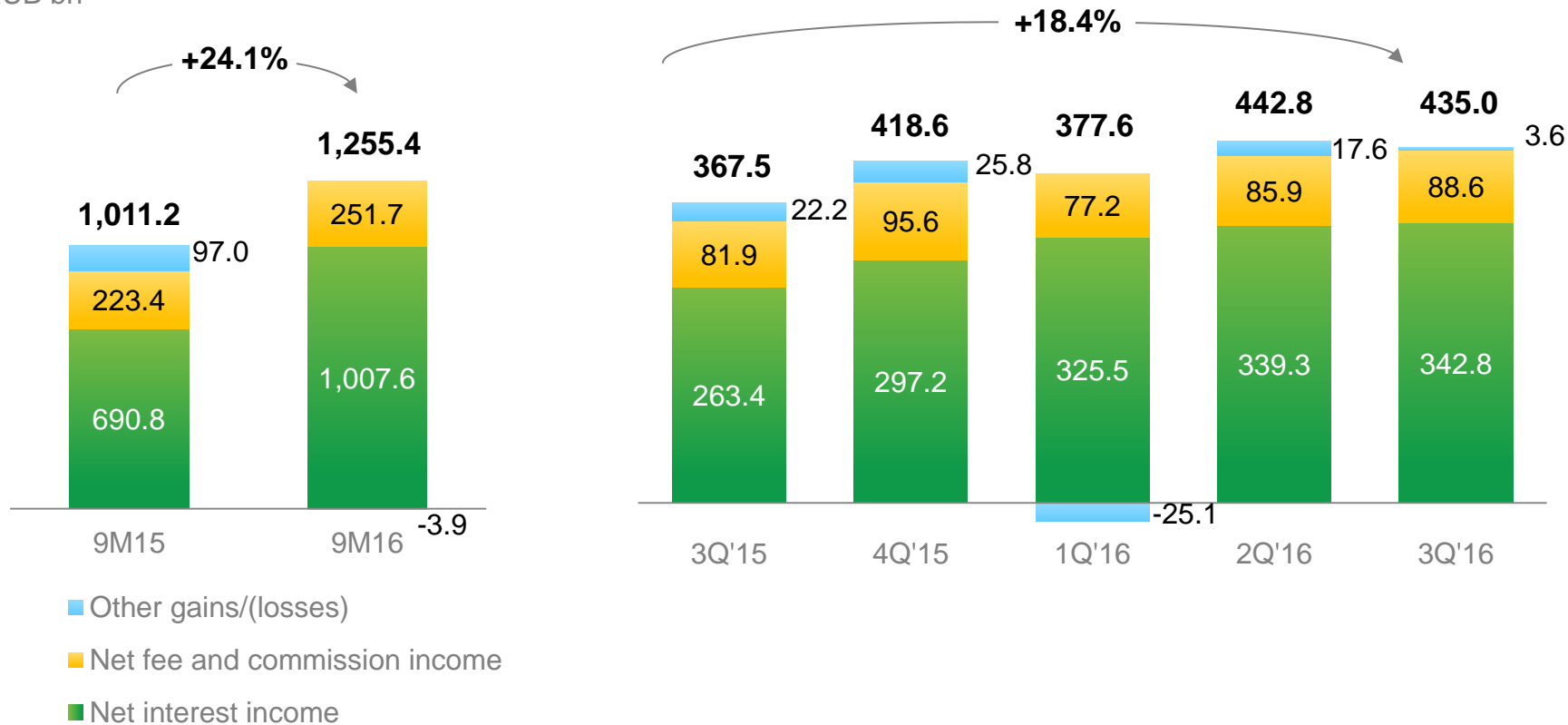




# OPERATING INCOME

## OPERATING INCOME BEFORE PROVISION CHARGE FOR IMPAIRMENT OF DEBT FINANCIAL ASSETS

RUB bn

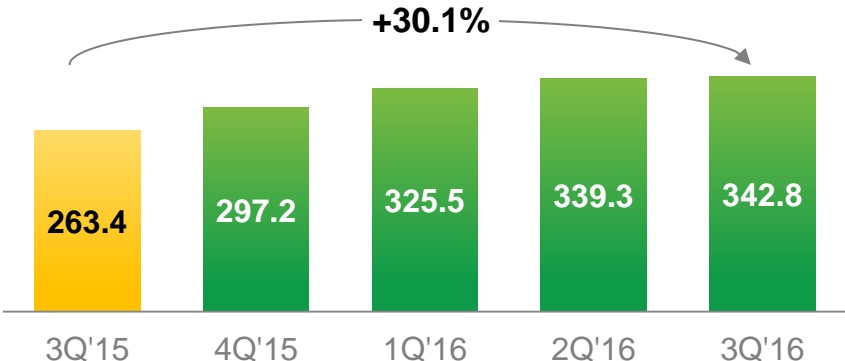
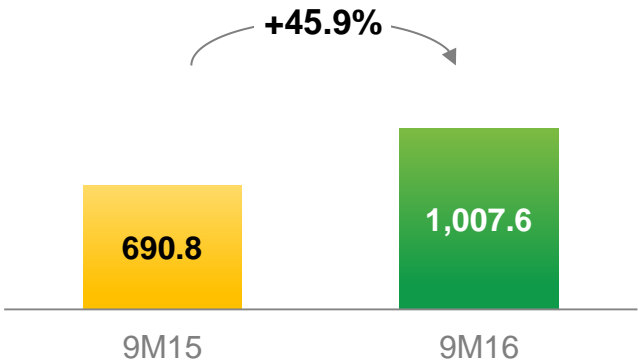




# NET INTEREST INCOME

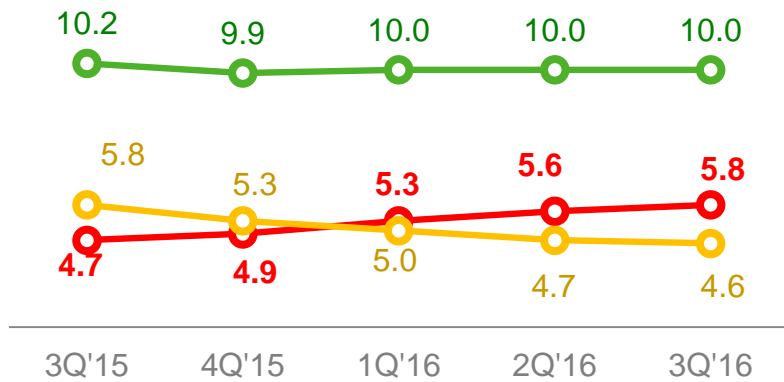
## NET INTEREST INCOME

RUB bn



## NET INTEREST MARGIN

%



- Yield on interest earning assets
- Net interest margin
- Cost of funds



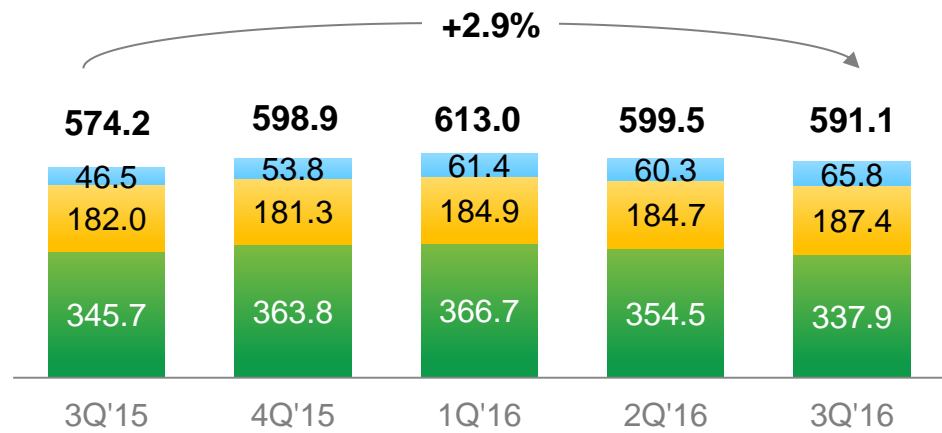
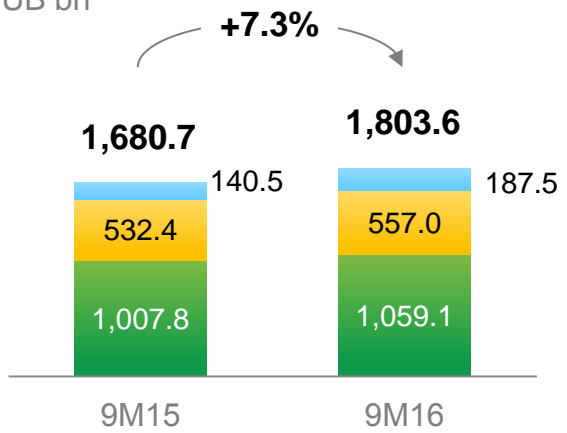




# INTEREST INCOME

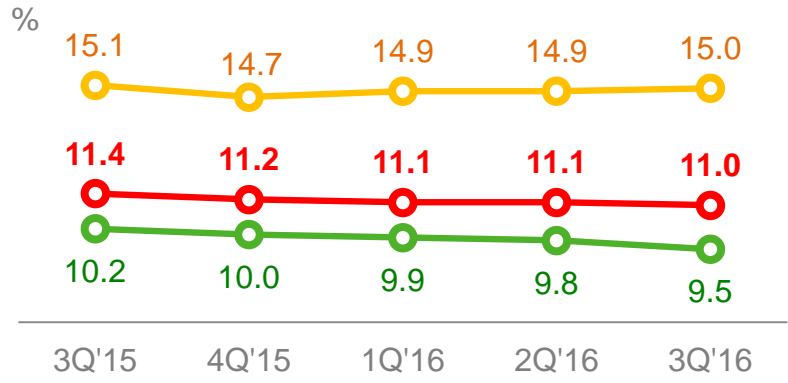
## INTEREST INCOME

RUB bn



Other    Loans to individuals    Corporate loans

## AVERAGE LOAN YIELDS



Loans to individuals  
Total loans  
Corporate loans

- Interest income increased slightly, mainly driven by growth in interest received on the interbank markets as well as growth of the retail loan portfolio

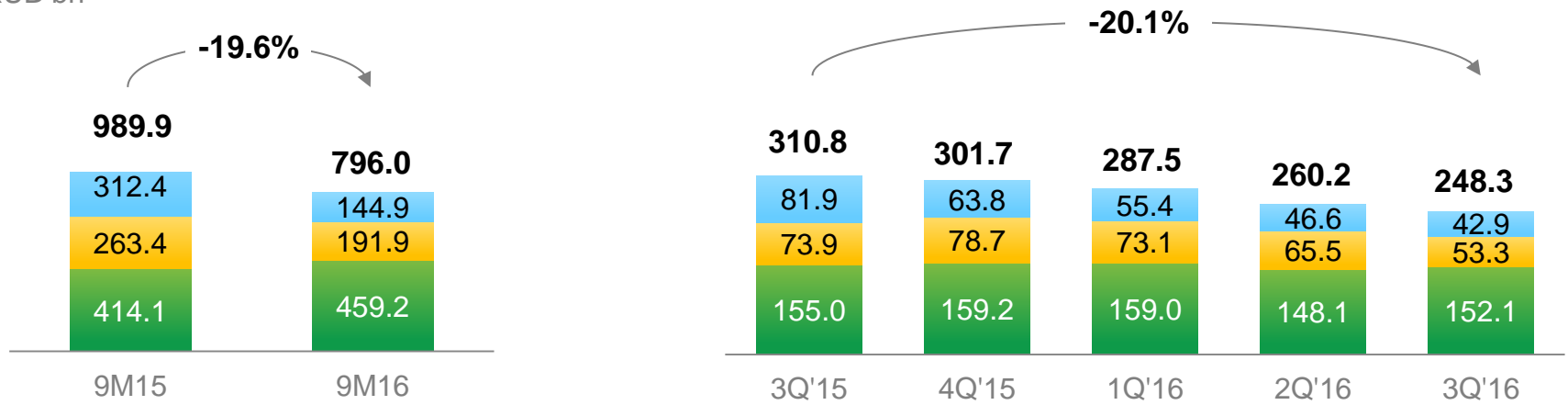




# INTEREST EXPENSE

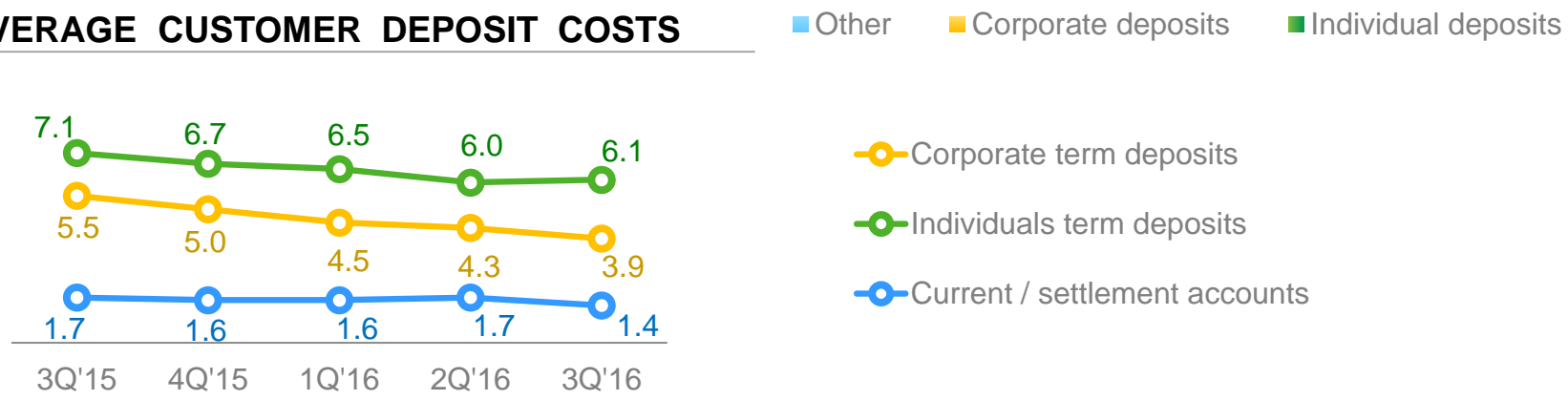
## INTEREST EXPENSE

RUB bn



## AVERAGE CUSTOMER DEPOSIT COSTS

%



- The cost of funding continued to decrease in Q3, 2016 as a result of downward repricing of corporate term deposits and current accounts

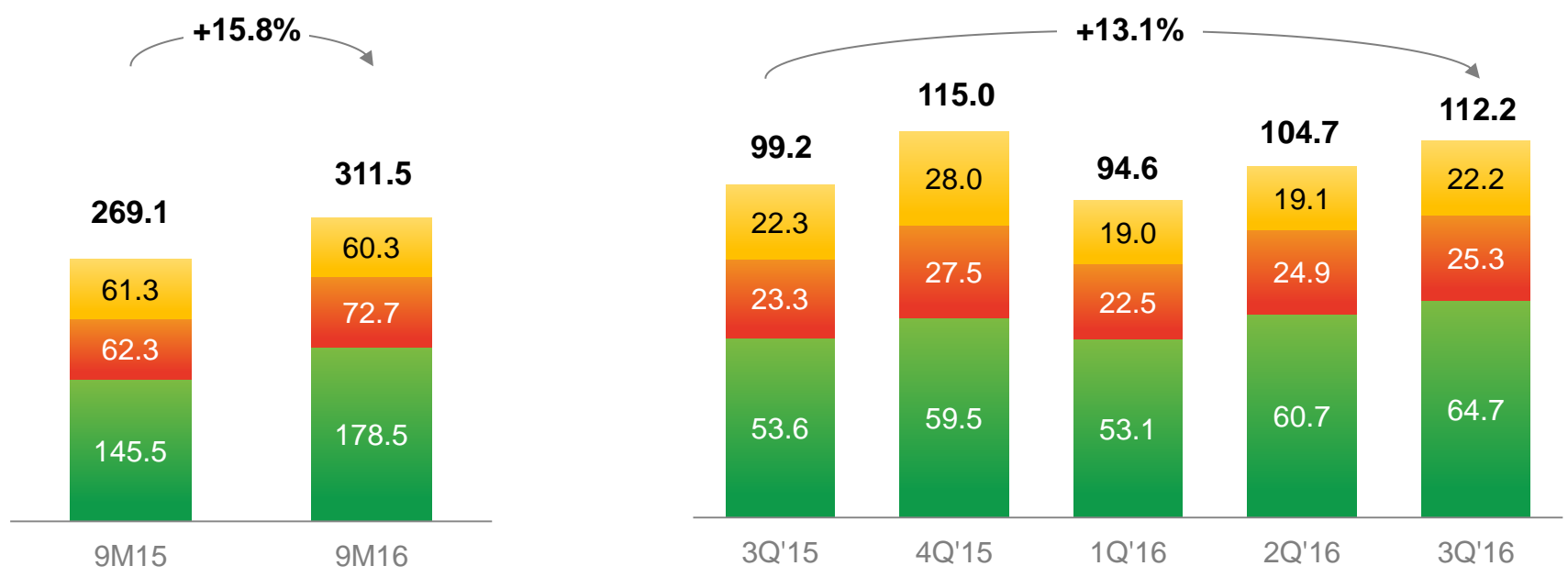




# FEE AND COMMISSION INCOME

## FEE AND COMMISSION INCOME

RUB bn



- Other fee and commission income
- Cash and settlement transactions with individuals
- Cash and settlement transactions with legal entities

- The increase in F&C income was mainly driven by increase in cash and settlement transactions

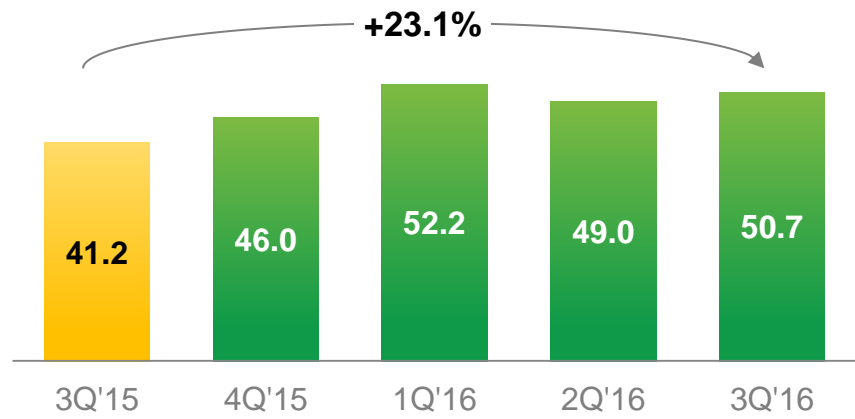
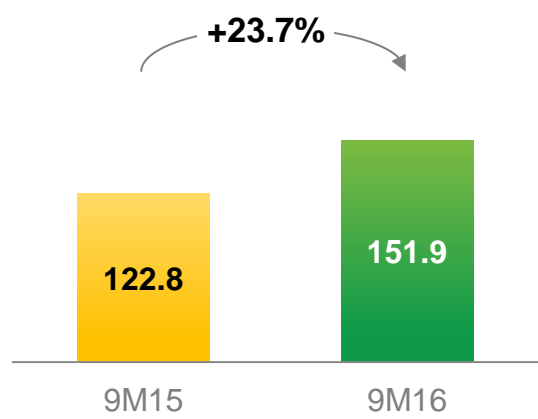




# OPERATIONS WITH SECURITIES

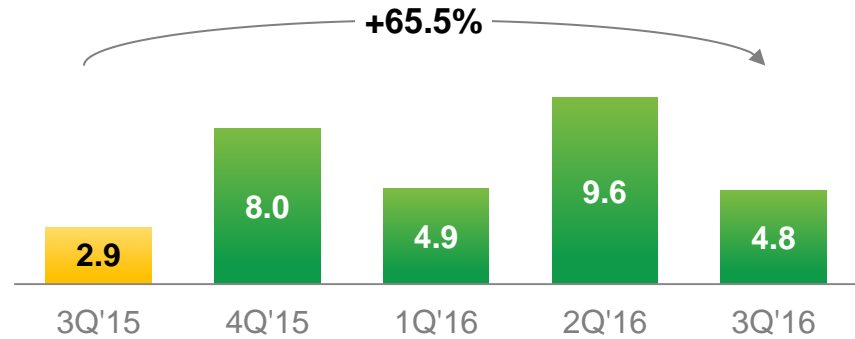
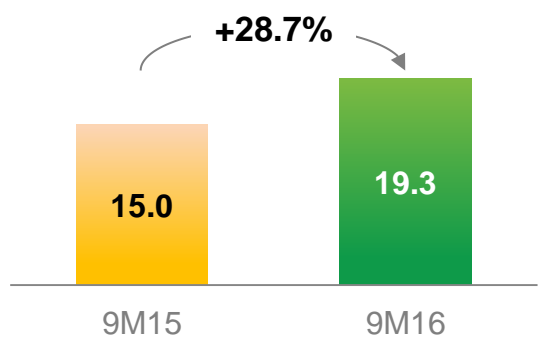
## INTEREST INCOME ON SECURITIES

RUB bn



## NET GAINS FROM TRADING OPERATIONS AND REVALUATION OF SECURITIES

RUB bn

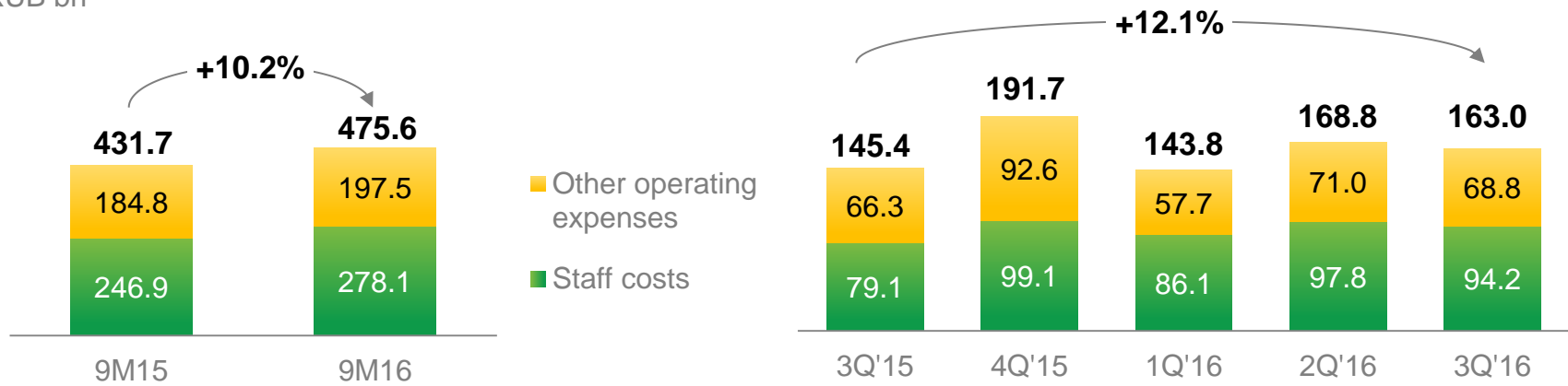




# OPERATING EXPENSES

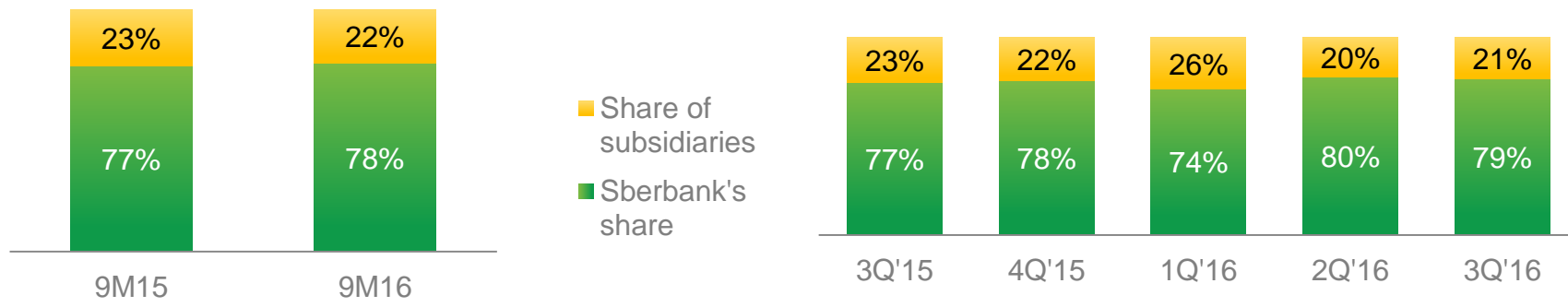
## OPERATING EXPENSES

RUB bn



## SHARE OF SBERBANK AND ITS SUBSIDIARIES IN OPERATING EXPENSES

%



- Operating expenses were up just 10.2%, driven by announced indexation of staff salaries

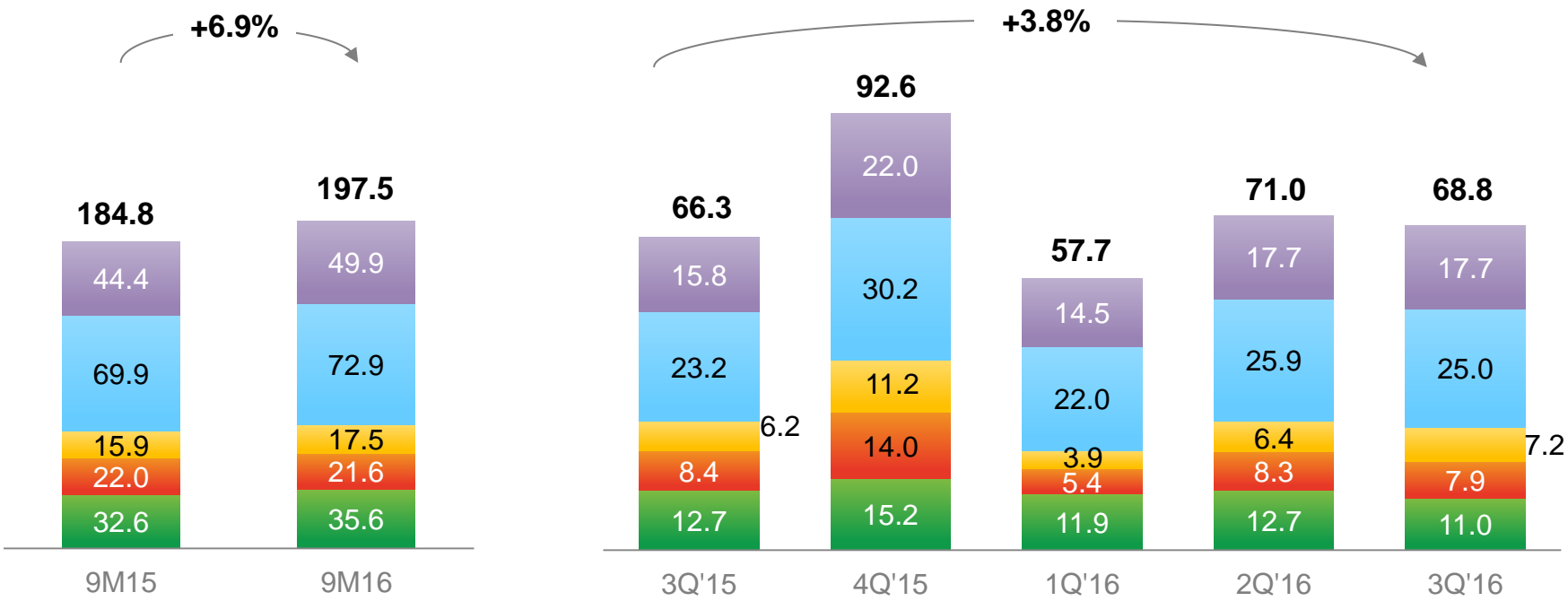




# OTHER OPERATING EXPENSES

## OTHER OPERATING EXPENSES

RUB bn



- Administrative and operating lease expenses
- Depreciation, repair and maintenance of premises and equipment
- Telecommunication expenses
- Taxes other than on income
- Other expenses





# OPERATING EXPENSE STRUCTURE & ACTUAL HEADCOUNT

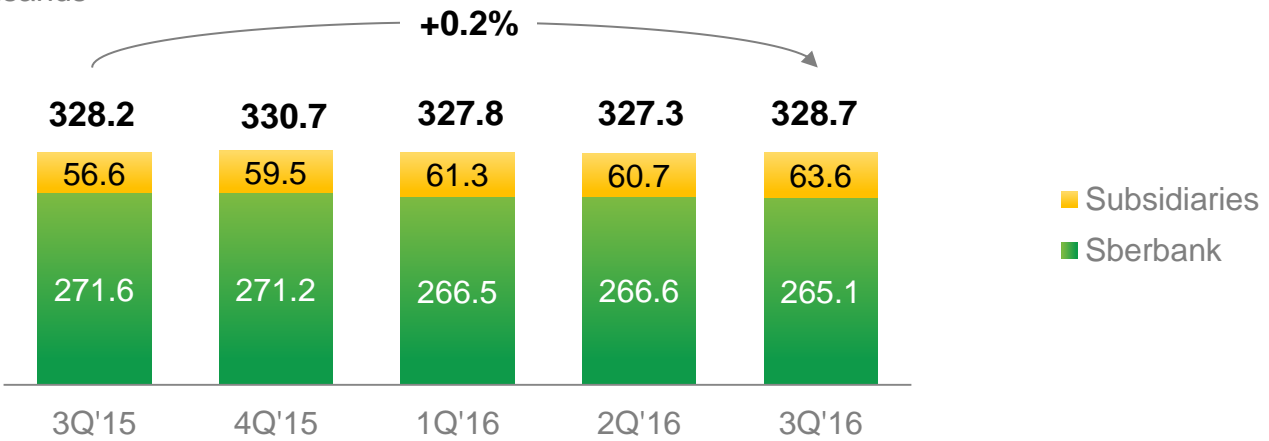
## OPERATING EXPENSES SPLIT

RUB bn

	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16
Staff costs, Sberbank	63.4	78.3	69.1	80.5	76.0
Staff costs, subsidiaries	15.7	20.8	17.0	17.3	18.2
Other operating expenses, Sberbank	49.1	72.0	37.2	53.8	52.4
Other operating expenses, subsidiaries	17.2	20.6	20.5	17.2	16.4

## ACTUAL HEADCOUNT

thousands

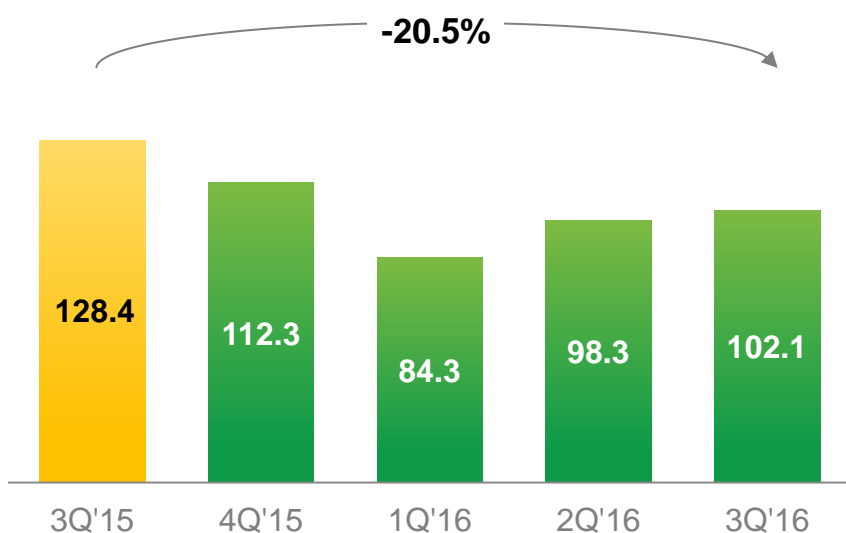




# NET PROVISION CHARGE FOR LOAN IMPAIRMENT

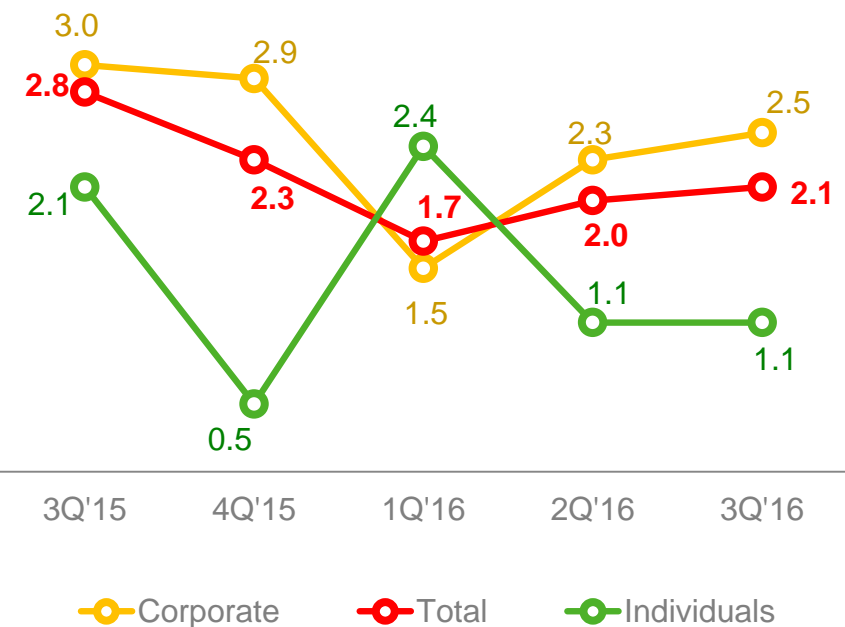
## NET PROVISION CHARGE FOR LOAN IMPAIRMENT

RUB bn



## COST OF RISK

%



- Cost of risk came in at 213 bp in Q3, 2016, in line with our expectations



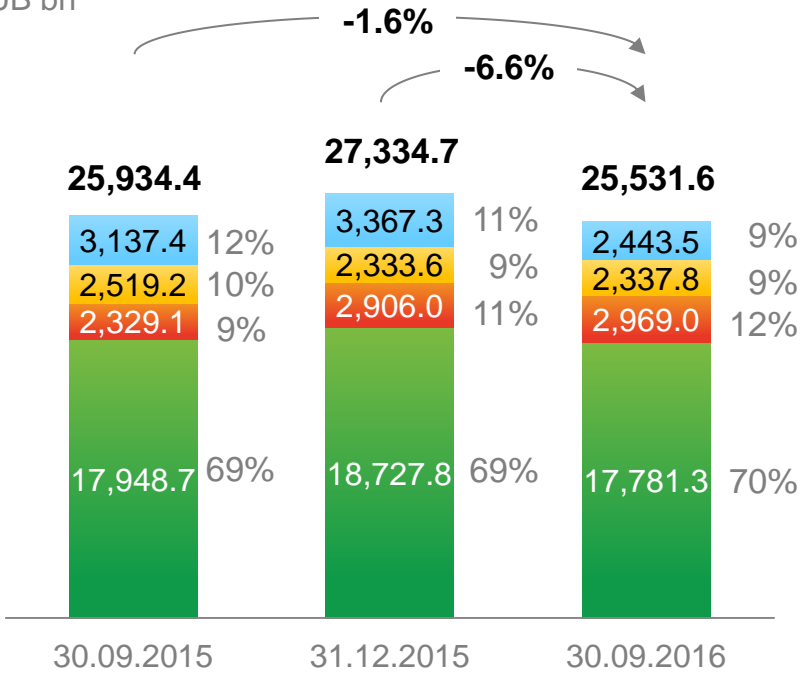




# ASSET DYNAMICS AND STRUCTURE

## ASSETS

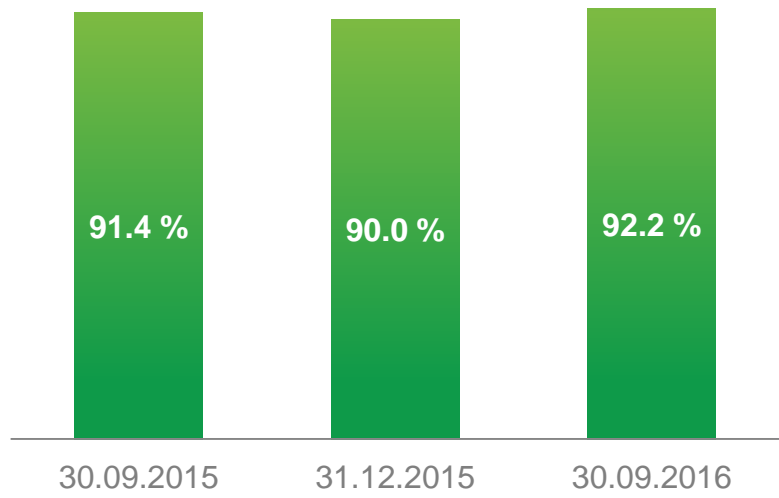
RUB bn



- Other assets
- Cash and cash equivalents
- Securities
- Loans and advances to customers

## SHARE OF INTEREST-EARNING ASSETS IN THE GROUP'S TOTAL ASSETS

%



- Assets continued to contract in the back of revaluation and muted loan growth

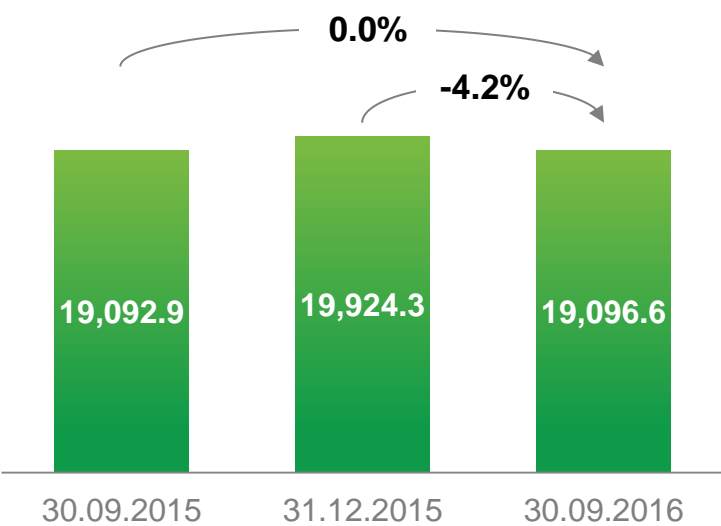




# LOAN PORTFOLIO (1)

## LOAN PORTFOLIO BEFORE PROVISIONS FOR LOAN IMPAIRMENT

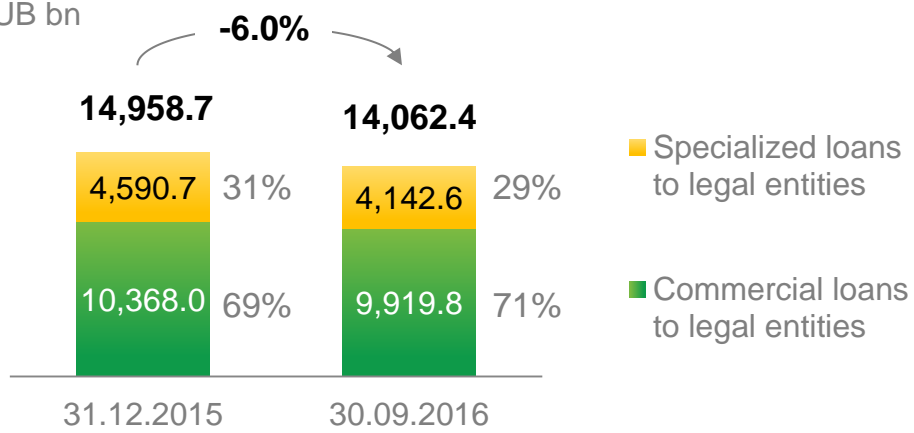
RUB bn



- Decrease in corporate loan portfolio to a large extent was driven by ruble appreciation
- Mortgage loan portfolio grew up by 5.6% for 9M2016, while consumer loans decreased by 4.3% for 9M2016 and up 0.1% q-on-q

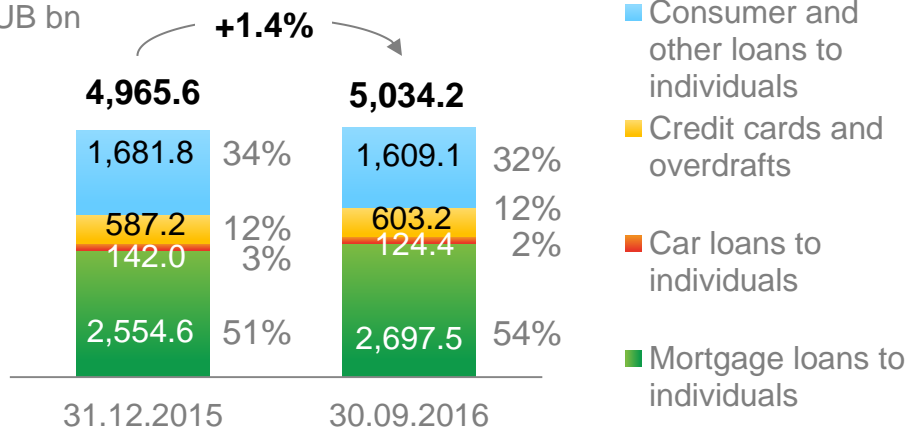
## CORPORATE LOAN PORTFOLIO STRUCTURE

RUB bn



## RETAIL LOAN PORTFOLIO STRUCTURE

RUB bn

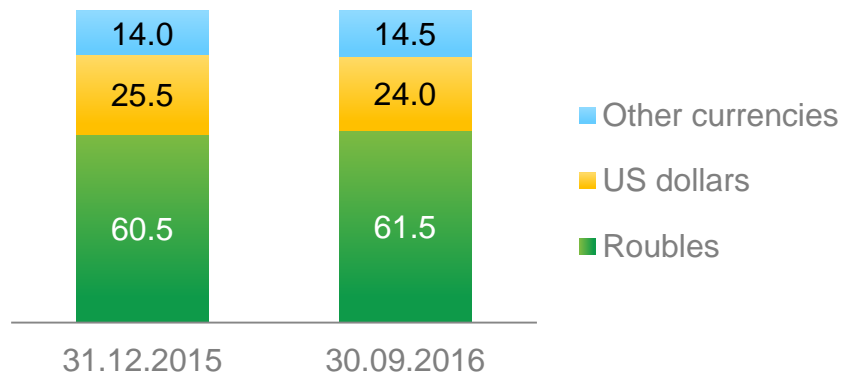




# LOAN PORTFOLIO (2)

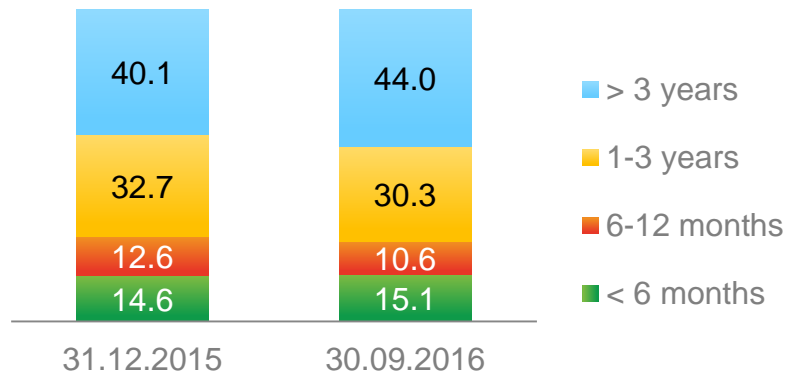
## CURRENCY BREAKDOWN

%



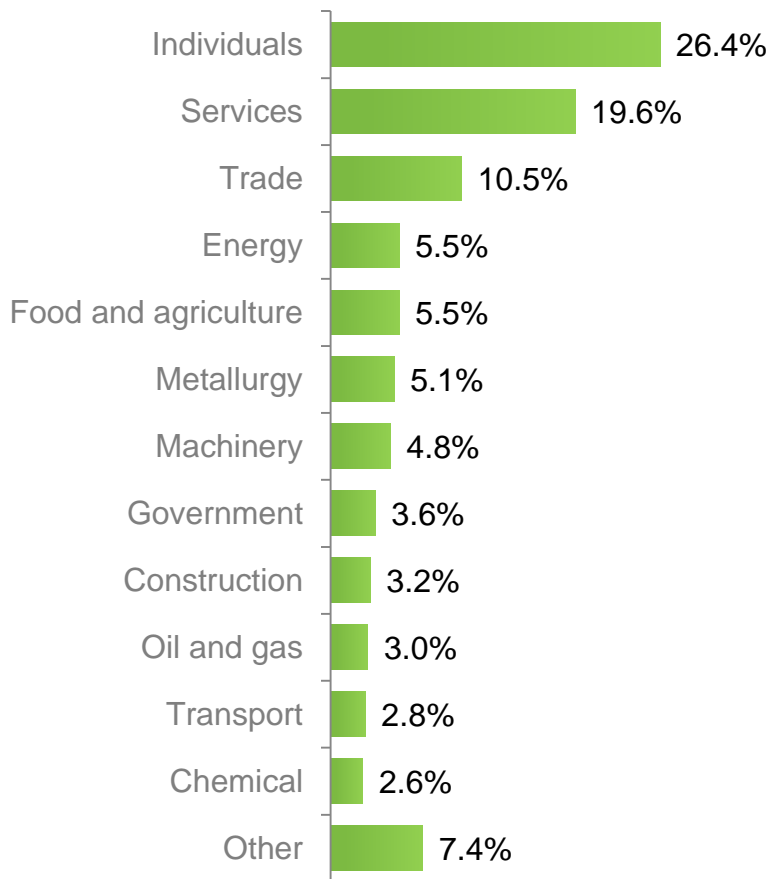
## MATURITY BREAKDOWN

%



## INDUSTRY BREAKDOWN

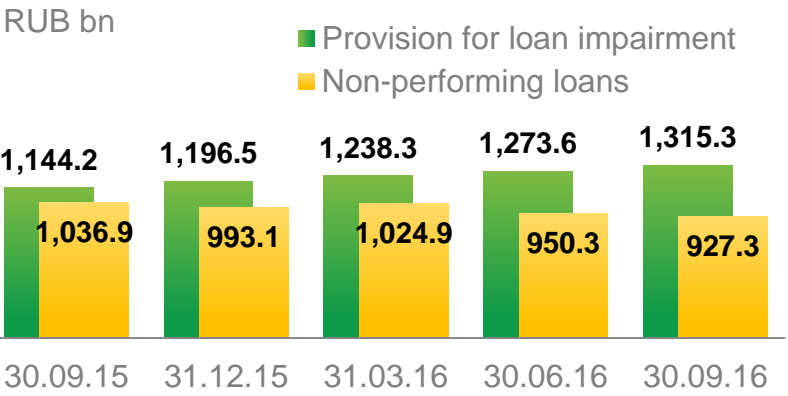
%, as of 30 September 2016



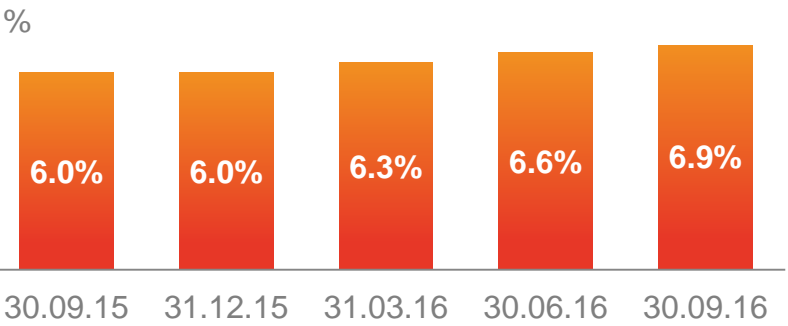


# LOAN PORTFOLIO QUALITY (1)

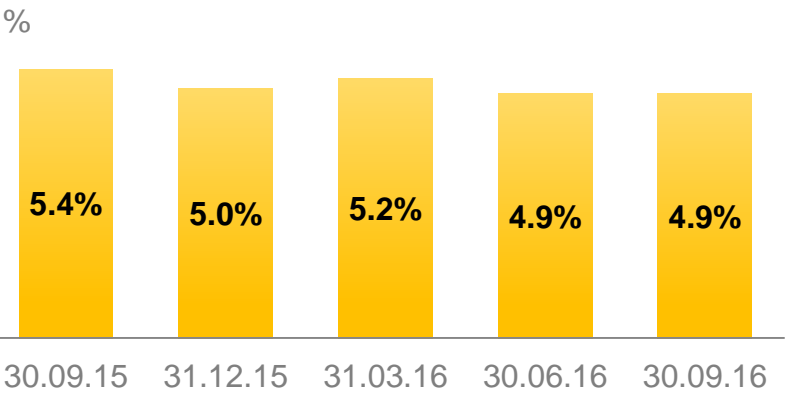
## NON-PERFORMING LOANS AND PROVISION FOR LOAN IMPAIRMENT



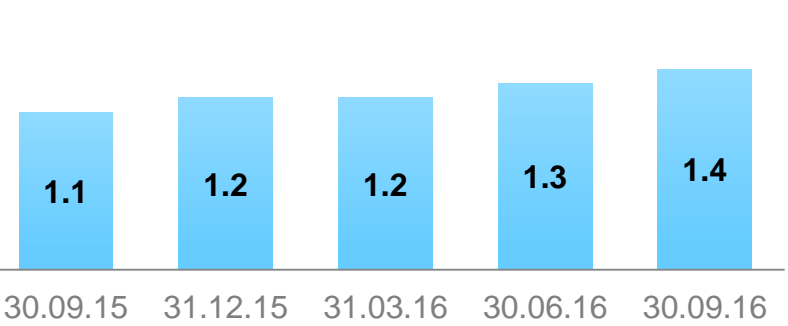
## PROVISIONS FOR LOAN IMPAIRMENT (PLI) TO TOTAL LOANS



## NON-PERFORMING LOANS IN LOAN PORTFOLIO



## NPL COVERAGE RATIO (PLI TO NON-PERFORMING LOANS)

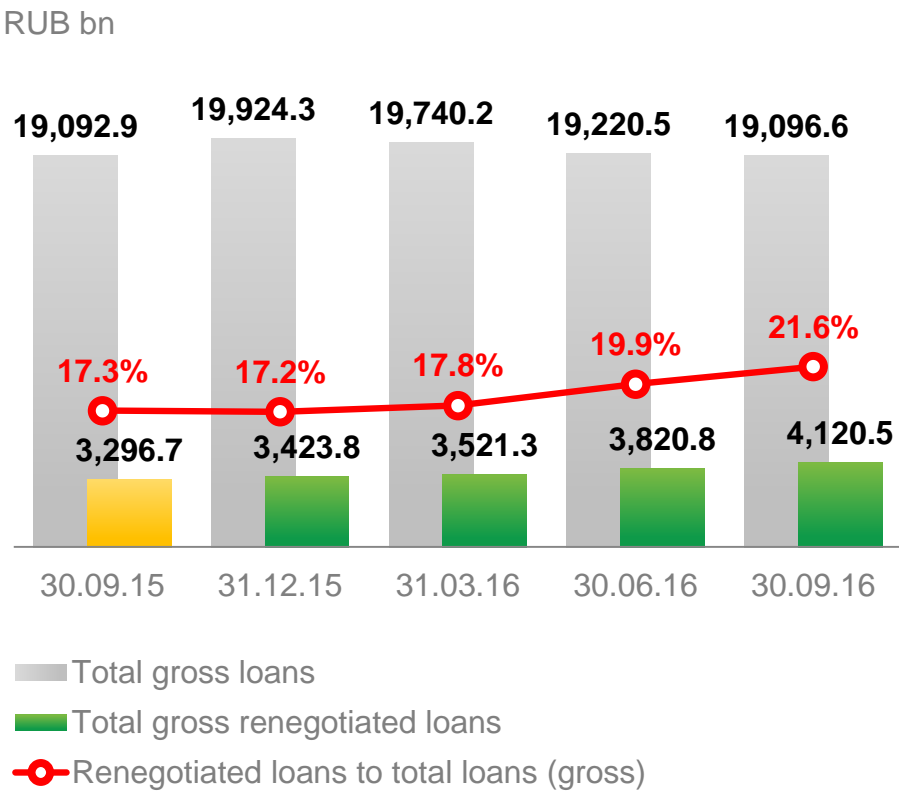


Non-performing loan comprises total exposure, should there be any payments (principal and/or interest) overdue more than 90 days as of the reporting date

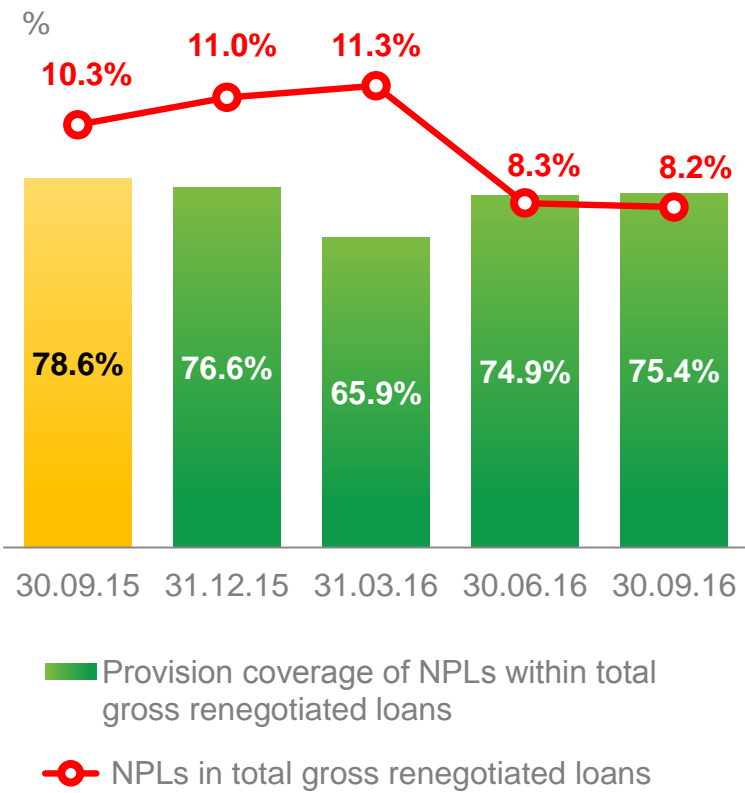


# LOAN PORTFOLIO QUALITY (2)

## RENEGOTIATED LOANS & THEIR SHARE IN TOTAL LOANS



## NPLs SHARE IN RENEGOTIATED LOANS & PROVISION COVERAGE OF NPLs

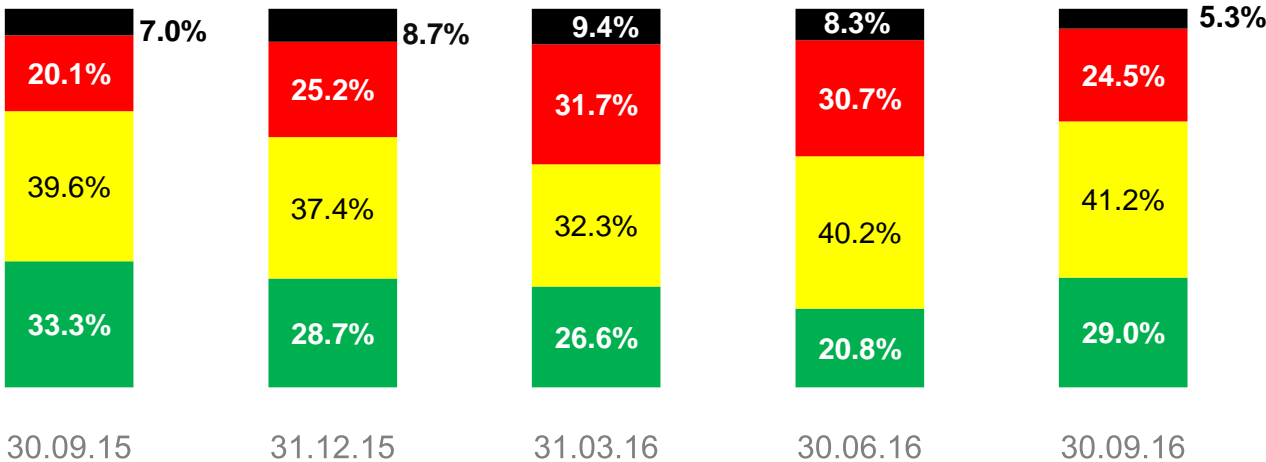


# LOAN PORTFOLIO QUALITY: TOP 100 BORROWERS IN RENEGOTIATED LOAN PORTFOLIO



## RENEGOTIATED LOAN PORTFOLIO STRUCTURE

TOP 100 BORROWERS, %



85%

83%

85%

80%

80%

Top 100 renegotiated borrowers' share in total renegotiated portfolio in Russia (under management accounts)

- }
**70.2%** - performing well
- 24.5%** - criteria for red zone:
  - cash flow deterioration
  - collateral deterioration
  - 30-90 days overdue} material
- 5.3%** - delays on payments, mostly NPLs

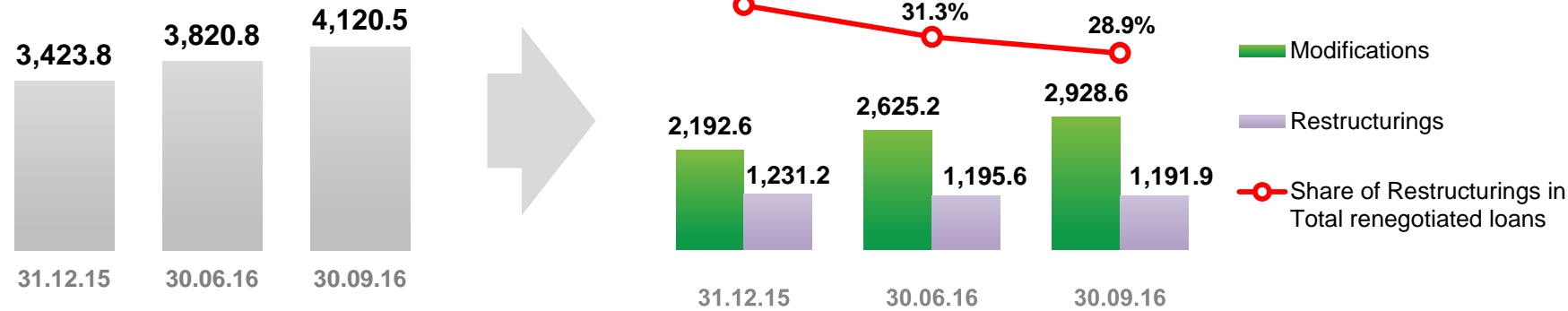




# RENEGOTIATED LOAN PORTFOLIO: RESTRUCTURINGS VS. MODIFICATIONS *(NEW DEFINITIONS)*

## TOTAL RENEGOTIATED LOANS

RUB bn



## CRITERIA FOR CATEGORIZATION

(FROM IFRS FINANCIAL REPORT):

The Group has refined the presentation of renegotiated loans disclosure. For the purpose of these financial statements a loan is considered renegotiated if terms of the original loan contract have been changed. Renegotiated loan portfolio consists of “modified” and “restructured” loans.

Modified loans represent loans with changes to the initial loan terms caused by changes in market conditions, changes in a product, client requests or reclassified out of the restructured loan portfolio provided reclassifications terms are met, i.e. where loan renegotiation is not considered as distressed.

Restructured loans represent loans which were distressed at the moment of the renegotiation. A loan is initially classified as a restructured loan if:

- The renegotiation is in favor of a borrower due to its inability to fulfill obligations and the borrower is assigned high / medium credit risk. Renegotiation is considered to be in favor of the borrower if, for example, frequency of loan repayments is reduced, interest rate is reduced, loan tenor or limit are extended, amount of total loan payments is reduced, loan payments are rescheduled for later dates, etc., or
- Refinancing of a loan is due to inability of the borrower to fulfill its obligations and the borrower is assigned high / medium credit risk.

Features of a high / medium credit risk borrower which are examined by the Group may include but are not limited to the following: the borrower’s obligations are overdue for a period of more than 30 calendar days, noncompliance with a loan collateralization requirements by 30%, initiation of bankruptcy proceeding in respect of the borrower, change / replacement of the key management and/or owners, etc.

A loan may be reclassified out of the restructured loans category (and classified as modified) when all of the following criteria are met:

- the borrower has repaid not less than 5% of the loan principle balance (except for the borrowers in the investment stage of construction projects where execution of any six contractual payments is monitored);
- the borrower performed all of its contractual obligations for at least six months after the renegotiation; and
- no other signs of impairment are identified during the period of at least six months after there negotiation.

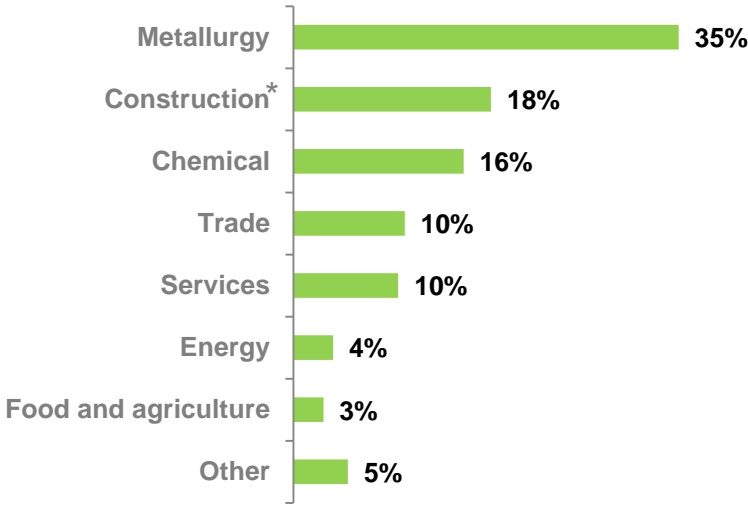


# RESTRUCTURED LOAN PORTFOLIO STRUCTURE: TOP 100 BORROWERS



## SECTOR BREAKDOWN

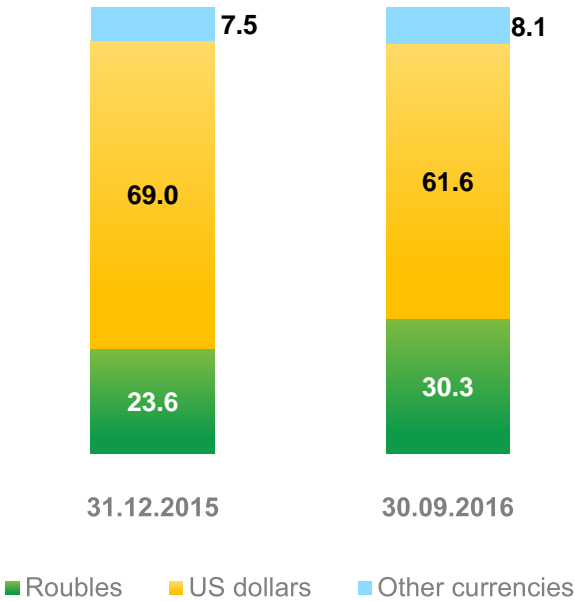
%



\*including infrastructure, development, construction materials, real estate

## CURRENCY BREAKDOWN

%

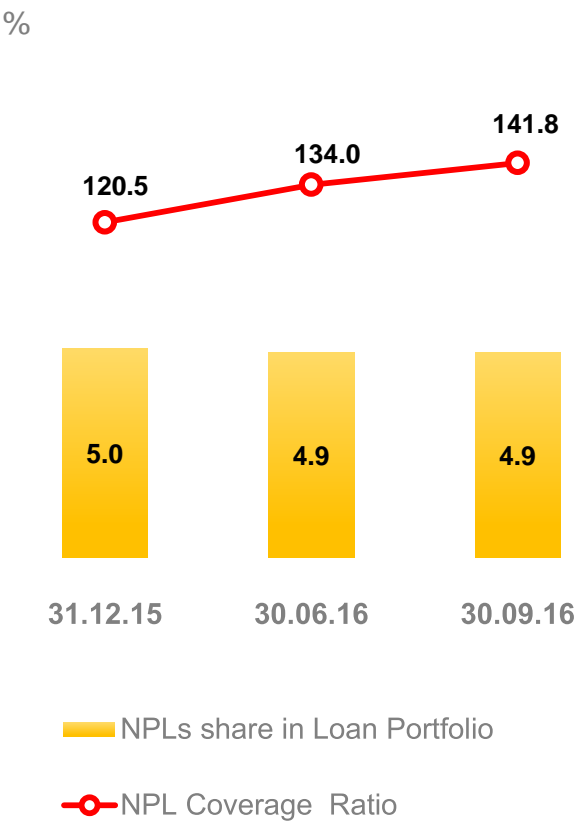




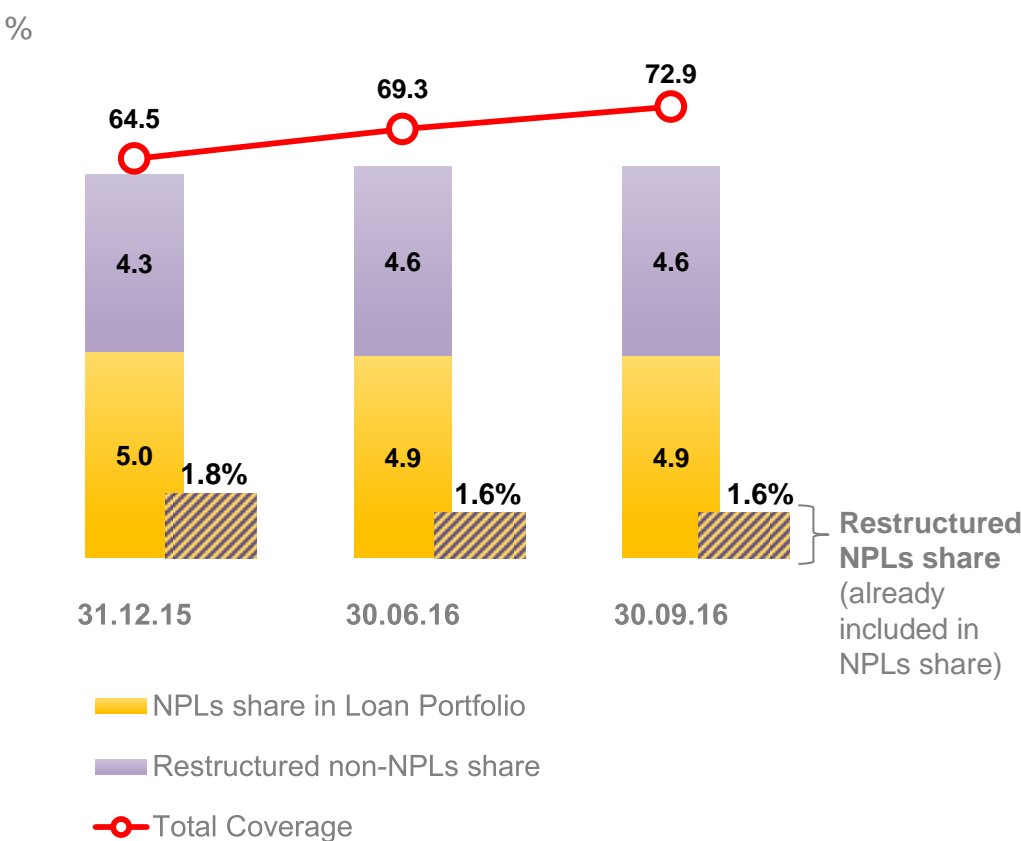


# TOTAL PROVISION COVERAGE OF NPLS & RESTRUCTURED NON-NPLS

## NPL COVERAGE RATIO (PLI TO NON-PERFORMING LOANS)



## TOTAL PROVISION COVERAGE OF NPLS & RESTRUCTURED NON-NPLS

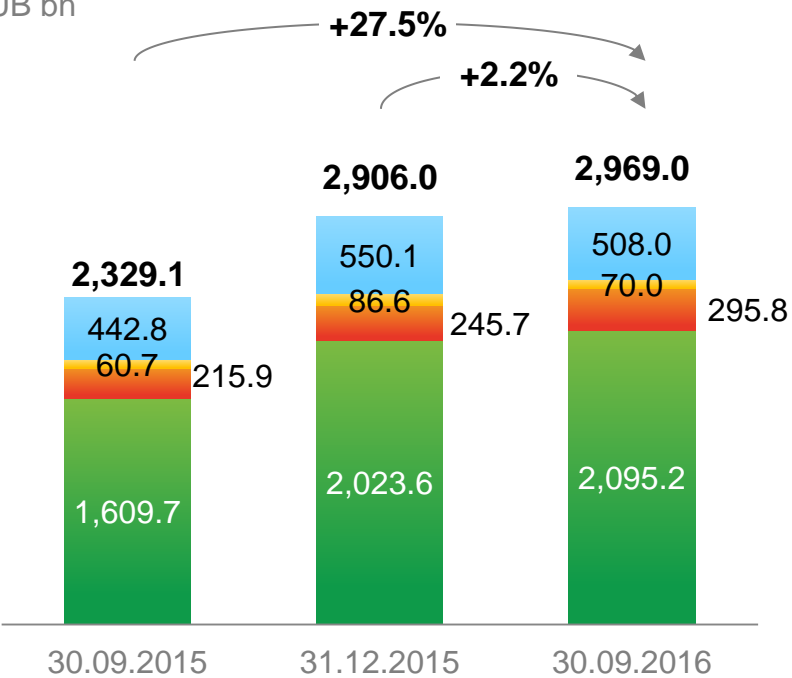




# SECURITIES PORTFOLIO

## SECURITIES BY PORTFOLIO

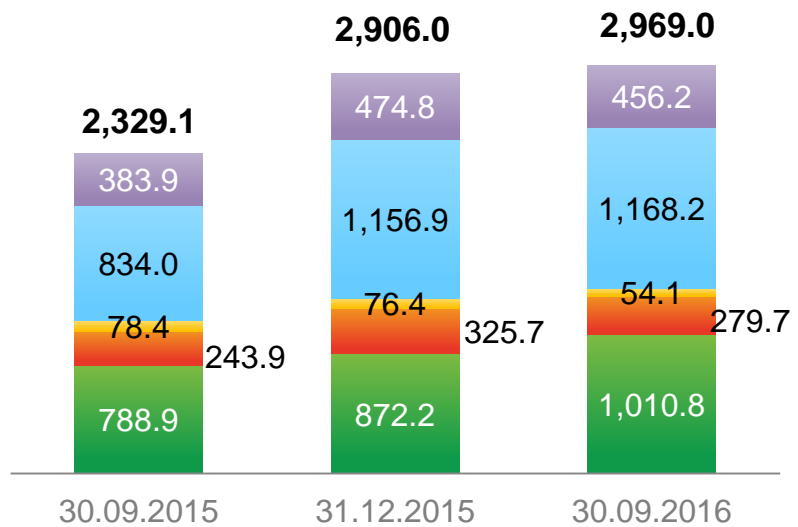
RUB bn



- Investment securities held to maturity
- Trading securities
- Securities as designated at fair value through profit or loss
- Investment securities available for sale

## SECURITIES BY TYPE

RUB bn



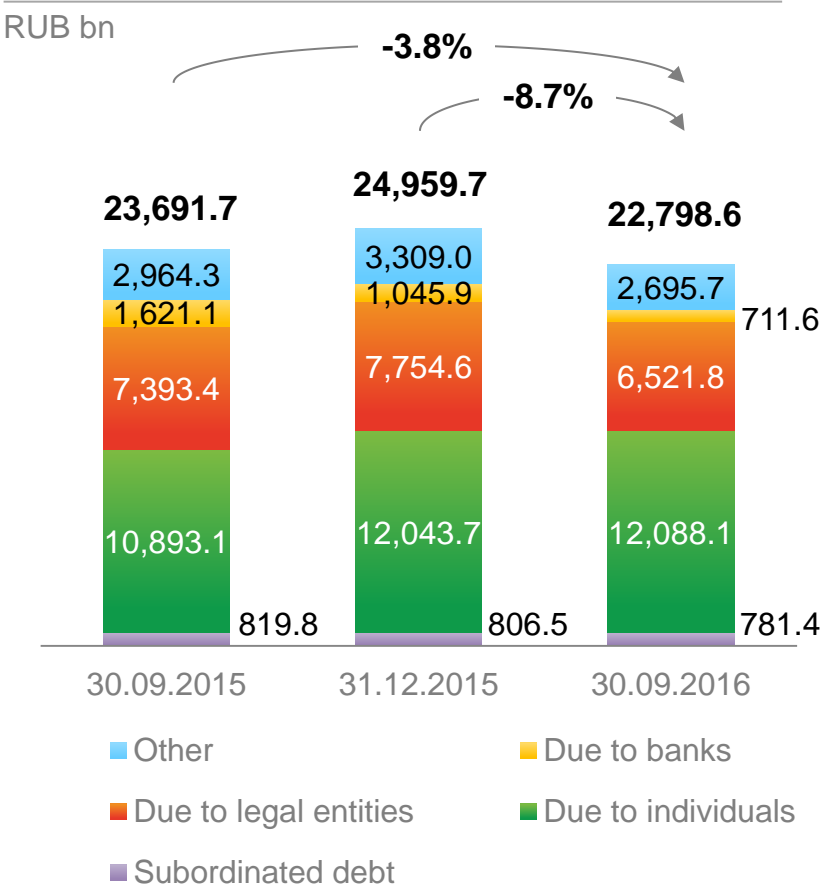
- Other securities
- Corporate bonds
- Municipal bonds
- Eurobonds RF
- OFZ bonds



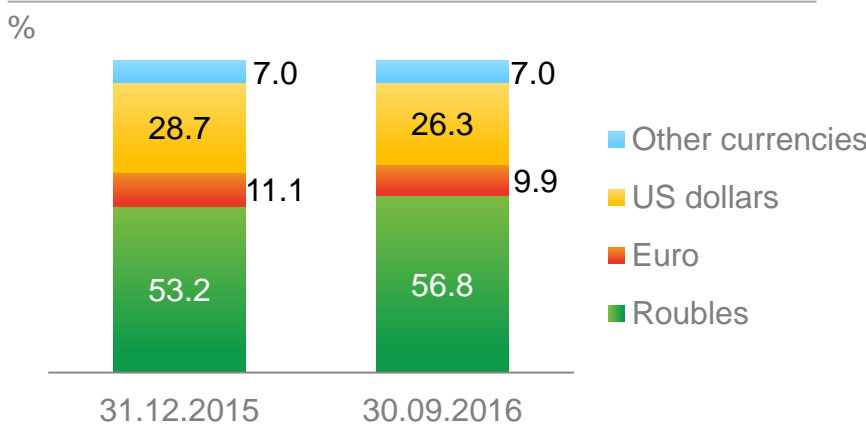


# LIABILITIES DYNAMICS AND STRUCTURE

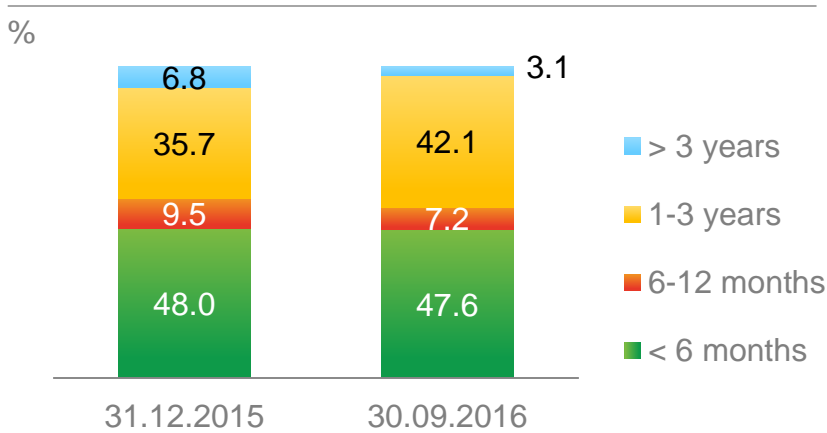
## LIABILITIES



## CUSTOMER DEPOSITS BY CURRENCY



## CUSTOMER DEPOSITS BY MATURITY



- The decline in funds in Q3, 2016 was mainly due to declining interest rates and ruble appreciation

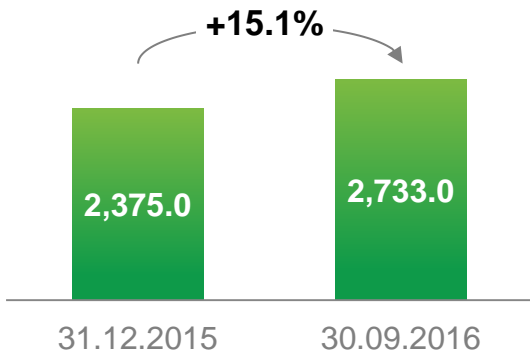




# SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

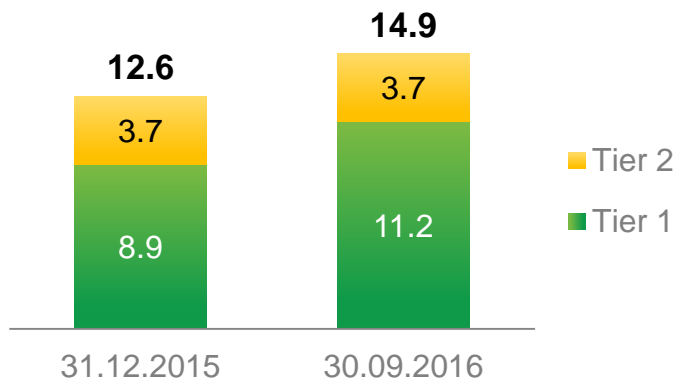
## GROUP'S EQUITY

RUB bn



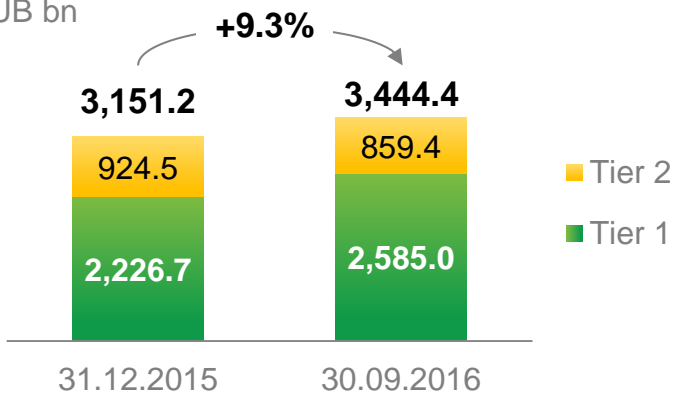
## CAPITAL ADEQUACY RATIO, BASEL 1

%



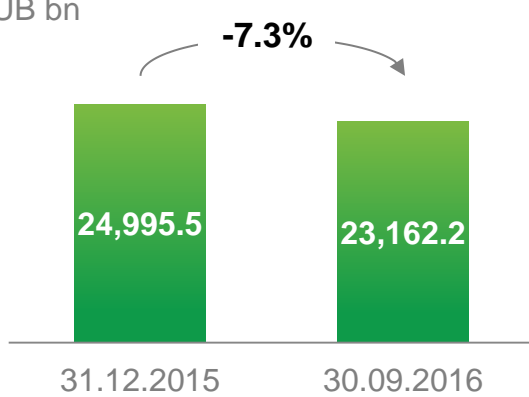
## CAPITAL, BASEL 1

RUB bn



## RISK-WEIGHTED ASSETS

RUB bn



- The Group's capital adequacy ratio according to Basel 1 grew by 230 bps to 11.2% driven by record profits and RWA reductions





# 2016 MACROECONOMIC AND SECTOR FORECAST

**XX** - Q3, 2016 STATUS

XX - PREVIOUS 2016 GUIDANCE

<b>41</b> OIL (URALS) 41 <i>average, \$</i>	<b>Low single digit</b> Low single digit	LOANS TO CORPORATES <i>y-o-y growth, %</i>
<b>-0.5</b> GDP GROWTH -0.5 <i>y-o-y, average, %</i>	<b>Low single digit</b> Low single digit	LOANS TO INDIVIDUALS <i>y-o-y growth, %</i>
<b>65</b> RUB/USD 65 <i>end of year, RUB</i>	<b>High single digit</b> High single digit	RETAIL DEPOSITS <i>y-o-y growth, %</i>
<b>6.4</b> INFLATION 6.4 <i>end of period, %</i>	<b>Single digit</b> Single digit	CORPORATE DEPOSITS <i>y-o-y growth, %</i>





# 2016 SBERBANK'S ESTIMATES

		2016 Q2 GUIDANCE	Q3, 2016 UPDATE
EFFICIENCY	Efficiency Ratio	Around 40%	Around 40%
	NIM (average)	>5%	>5%
PROFITABILITY	Fees & Commissions Growth	Mid-to-high teens	Low-to-mid teens
	Cost of Risk	Around 200 bps	Around 200 bps
	ROE	High teens	High teens
BALANCE SHEET AND CAPITAL	Loans Growth	Corporate	In line with the sector
		Retail	Slightly better than the sector
	Deposits Growth	Corporate	Below the sector
		Retail	Better than the sector
	Core Tier 1 CAR under Basel 1 for Sberbank Group		>11%





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