



**SBERBANK**

*By your side*

# **Sberbank Group's IFRS Results for 6 months 2010**

| August 2010

## Highlights of 6 months 2010 (1):



- **The Group's net profit reached RUB 64.3 bn** versus RUB 6.0 bn in 1H 2009
- **The Group's total comprehensive income reached RUB 87.7 bn** versus RUB 10.9 bn in 1H 2009
- **The Group's performance is returning to normal:** annualized ROE for the 1H 2010 is 15.6%
- **Fee and commission income grew by 24.4%** compared to 1H 2009
- **Loan impairment charge** decreased by 42.4% vis-a-vis 1H 2009 in view of slower overdue loan growth and economic recovery in Russia
- **Effective cost control:** cost-to-income ratio is 40.2%
- **Securities portfolio grew** by 68.0% in 1H 2010 driven by disequilibrium between low demand for loans and strong growth of customer deposits
- **Strong capital adequacy:** despite repayment of RUB 200 bn of subordinated debt in 2Q 2010 Basel I Total capital adequacy is 17.3%. CBR N1 capital adequacy ratio - 18.8%

## Highlights of 6 months 2010 (2):

### Net profit, RUB bn

10.7 times

<b>1H10</b>	<b>64.3</b>
1H09	6.0



### Operating income before provision charge for loan impairment, RUB bn

+3.6%

<b>1H10</b>	<b>319.3</b>
1H09	308.3



### ROE, %

+14.0 p.p.

<b>1H10</b>	<b>15.6%</b>
1H09	1.6%



### Cost to income ratio, %

+4.6 p.p.

<b>1H10</b>	<b>40.2%</b>
1H09	35.6%



### Provision charge for loan impairment, RUB bn

-42.4%

<b>1H10</b>	<b>-110.3</b>
1H09	-191.5



### Interest margin, %

-1.0 p.p.

<b>1H10</b>	<b>6.8%</b>
1H09	7.8%



# Highlights of 6 months 2010 (3):

ITEM	1H10 (RUB bn)	1H09 (RUB bn)	Change
Operating income before provision charge for loan impairment	319.3	308.3	3.6%
Operating expenses	128.4	109.7	17.0%
Provision charge for loan impairment	-110.3	-191.5	-42.4%
Net profit	64.3	6.0	10.7 times
Total comprehensive income	87.7	10.9	8.0 times
Earnings per ordinary share, RUB	2.95	0.25	11.8 times

ITEM	2Q10 (RUB bn)	2Q09 (RUB bn)	Change
Operating income before provision charge for loan impairment	149.5	164.1	-8.9%
Operating expenses	67.0	56.6	18.4%
Provision charge for loan impairment	-56.0	-100.8	-44.4%
Net profit	20.8	5.4	3.9 times
Total comprehensive income	17.5	19.9	-12.1%
Earnings per ordinary share, RUB	0.94	0.22	4.3 times

# Highlights of 6 months 2010 (4):

ITEM	30.06.2010	31.12.2009	Change
Assets, RUB bn	7,579.4	7,105.1	6.7%
Loans to customers (net), RUB bn	4,759.1	4,864.0	-2.2%
Due to customers, RUB bn	5,856.0	5,438.9	7.7%
Equity, RUB bn	866.9	778.9	11.3%
Tier I capital adequacy ratio (Basel I)	11.7%	11.5%	0.2 pp
Total capital adequacy ratio (Basel I)	17.3%	18.1%	-0.8 pp
PLI rate (Provision for loan impairment to Total gross loans)	12.5%	10.7%	1.8 pp

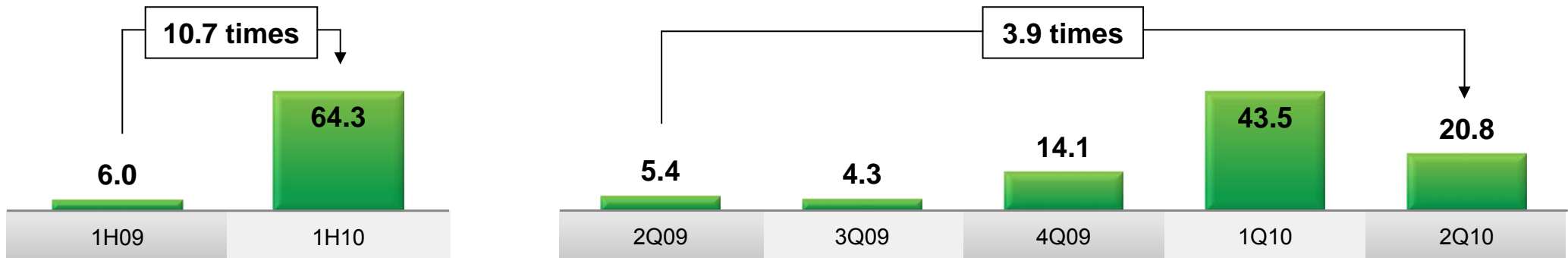
  

ITEM	1H10	1H09	Change
Return on equity	15.6%	1.6%	14.0 pp
Return on assets	1.8%	0.2%	1.6 pp
Cost to income ratio	40.2%	35.6%	4.6 pp
Interest margin*	6.8%	7.8%	-1.0 pp

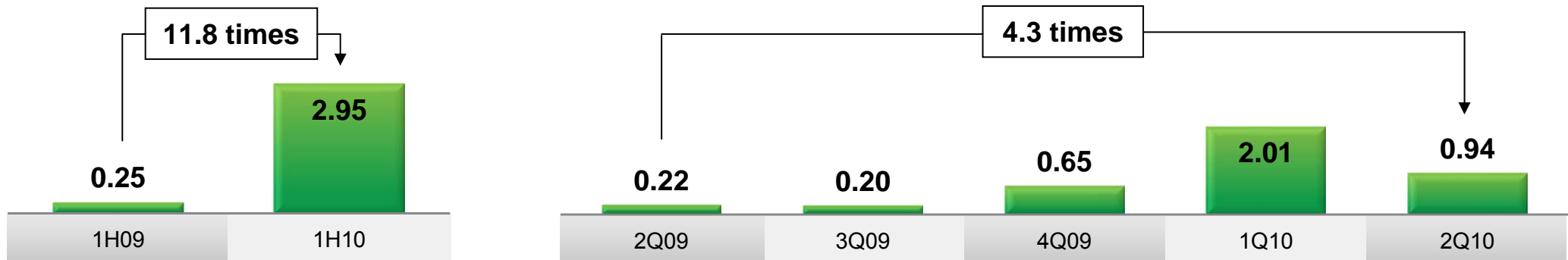
\* Net interest income to average earning assets.

# Key Financial Indicators (1)

## Net Profit, RUB bn



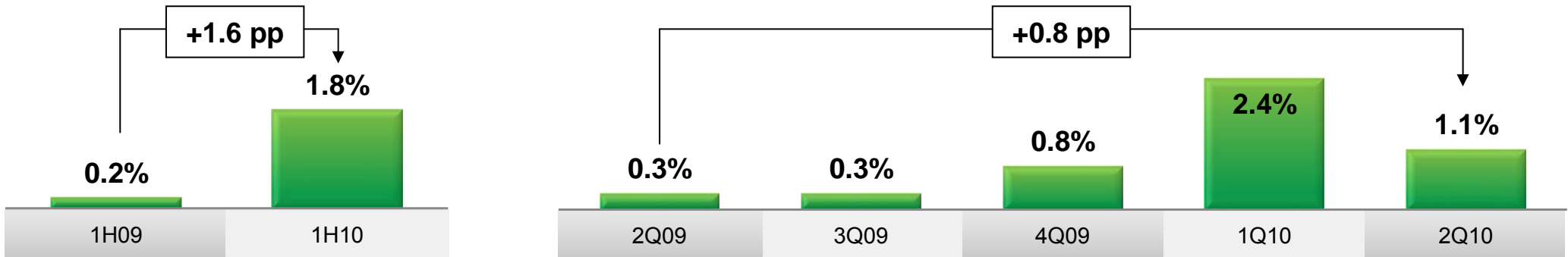
## Earnings per Ordinary Share, RUB



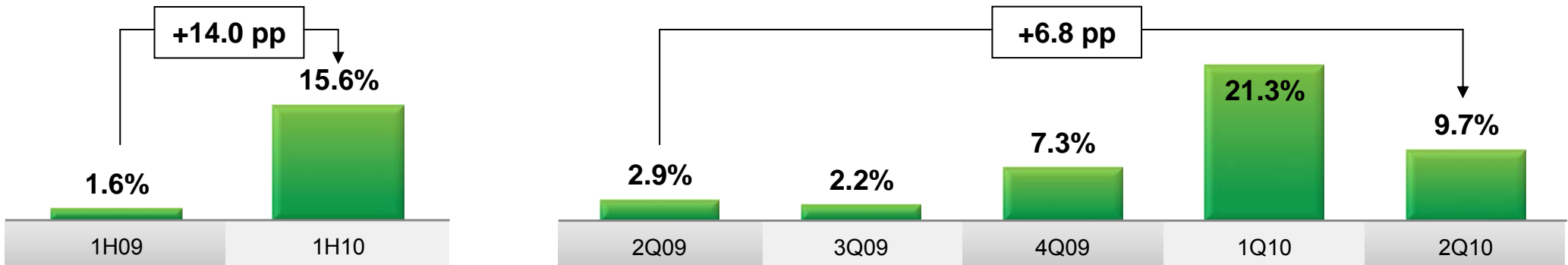
- The major reason for the increase was higher operating income before provision for loan impairment by 3.6% year-on-year and a reduction in provision charge for loan impairment for 42.4% in 1H 2010 compared to 1H 2009

# Key Financial Indicators (2)

## Return on Assets (ROA), %



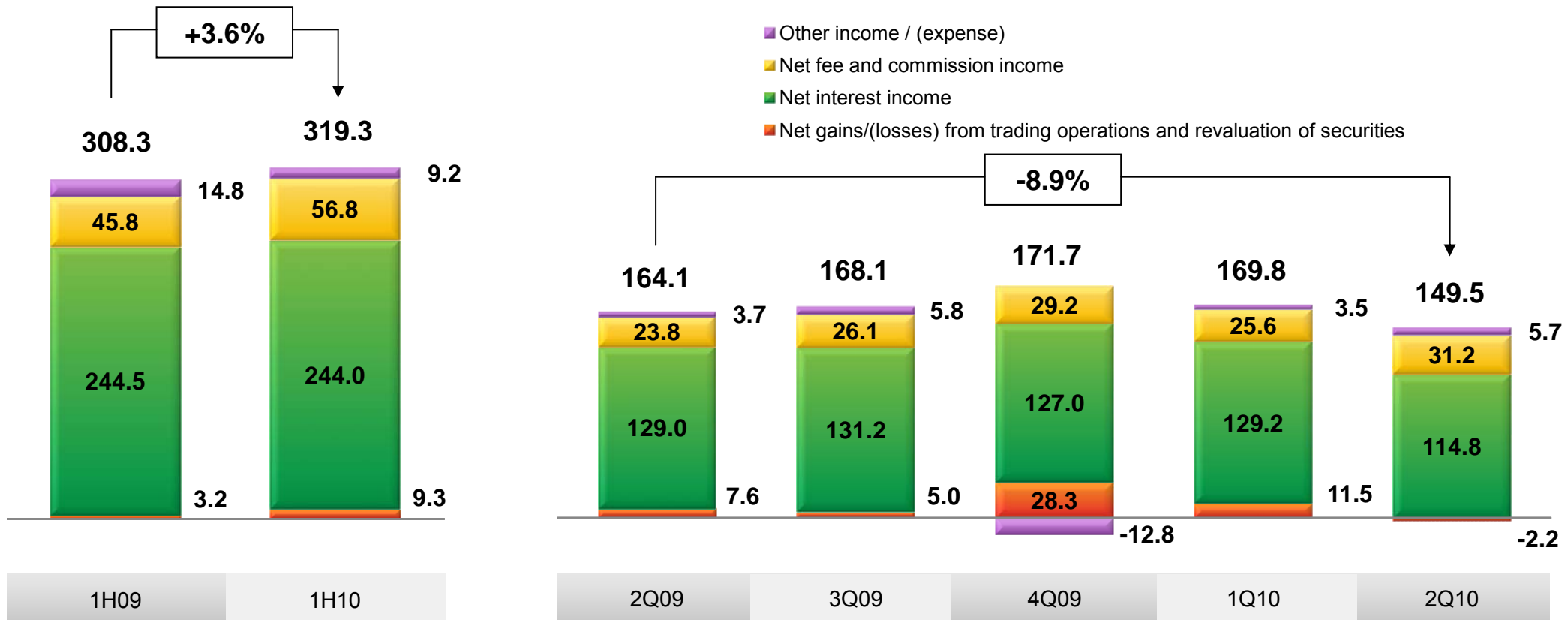
## Return on Equity (ROE), %



- ROA and ROE slowed down in the 2Q10 compared to a rapid growth in the 1Q10

# Operating Income Before Provision Charge for Loan Impairment

Operating Income Before Provision Charge for Loan Impairment, RUB bn

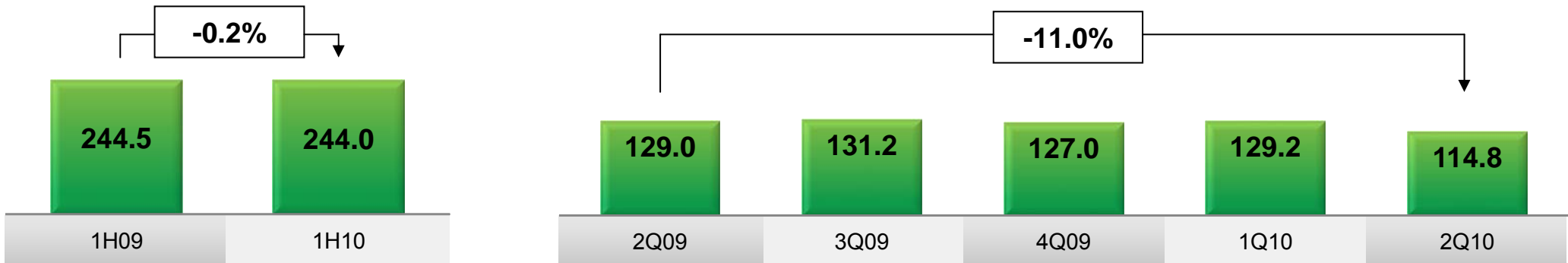


- Net operating income before provision charge for loan impairment increased by 3.6% in 1H10 compared to 1H09 with fee income being the major driver of this growth; still net interest income remains the main component of operating income

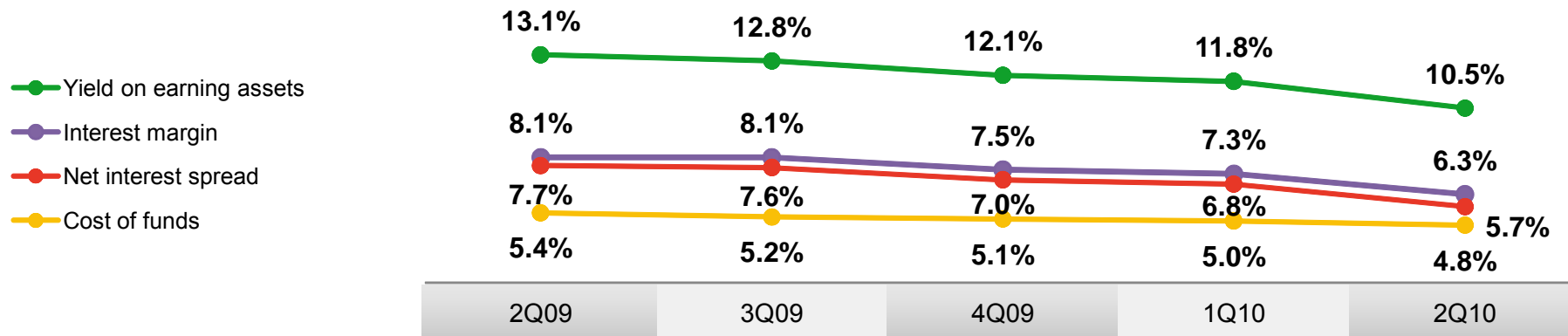


# Net Interest Income

## Net Interest Income, RUB bn



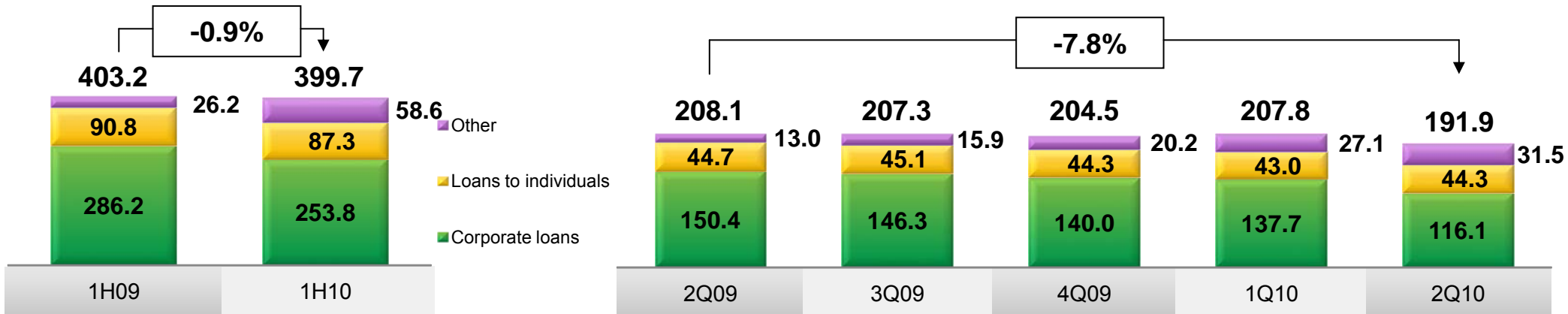
## Net Interest Spread & Interest Margin, %



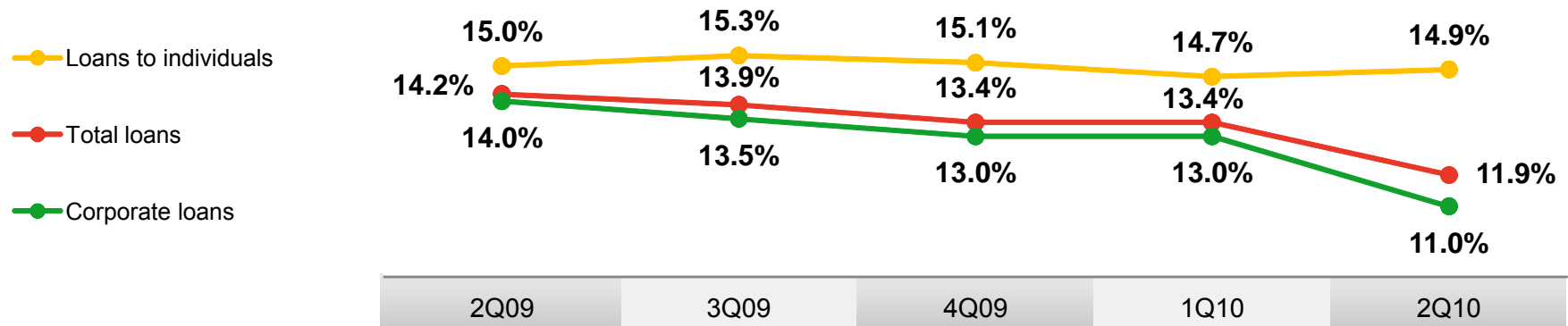
- Net interest income for 1H10 decreased by 0.2% year-on-year reflecting the general market trend toward reduction of interest rates and competition for good borrowers
- Asset yields declined further in 2Q10 in step with current market trends; this resulted in decrease of net interest income and narrowing interest spreads

# Interest Income

## Interest Income, RUB bn



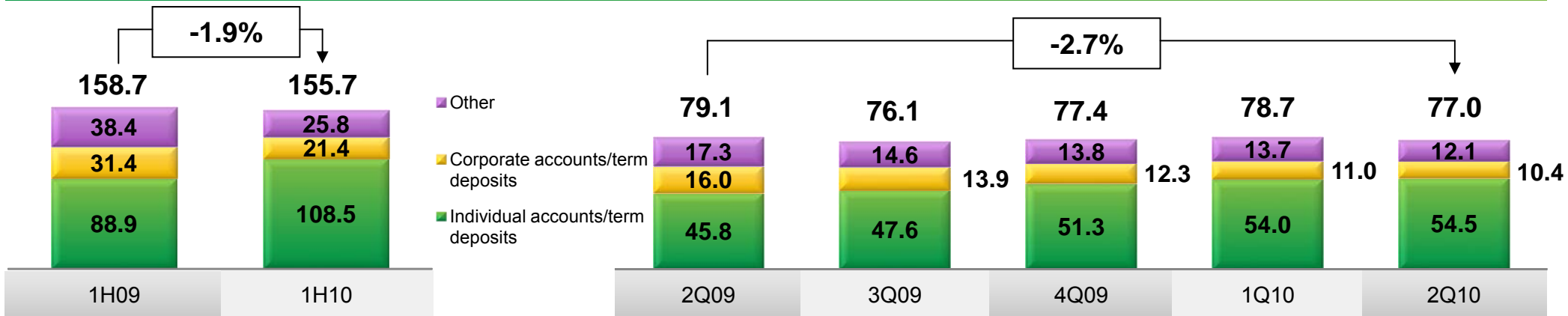
## Average Loan Yields, %



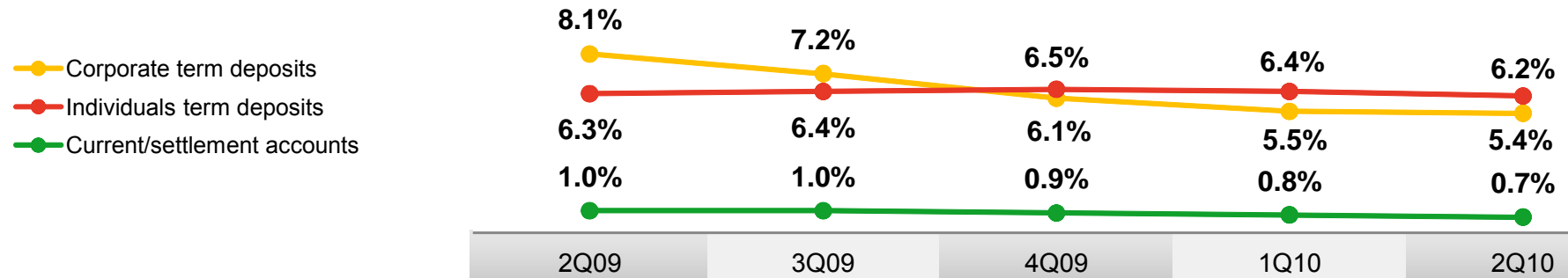
- Interest income for 1H10 decreased by 0.9% year-on-year
- Average yields on corporate loans dropped from 13.0% to 11.0% on the back of lower market interest rates on corporate loan portfolio
- Average yields on retail loans stabilized in 2Q10
- Included into other interest income for 1H 2010 is RUB 53.4 bn of interest income from debt securities

# Interest Expense

## Interest Expense, RUB bn



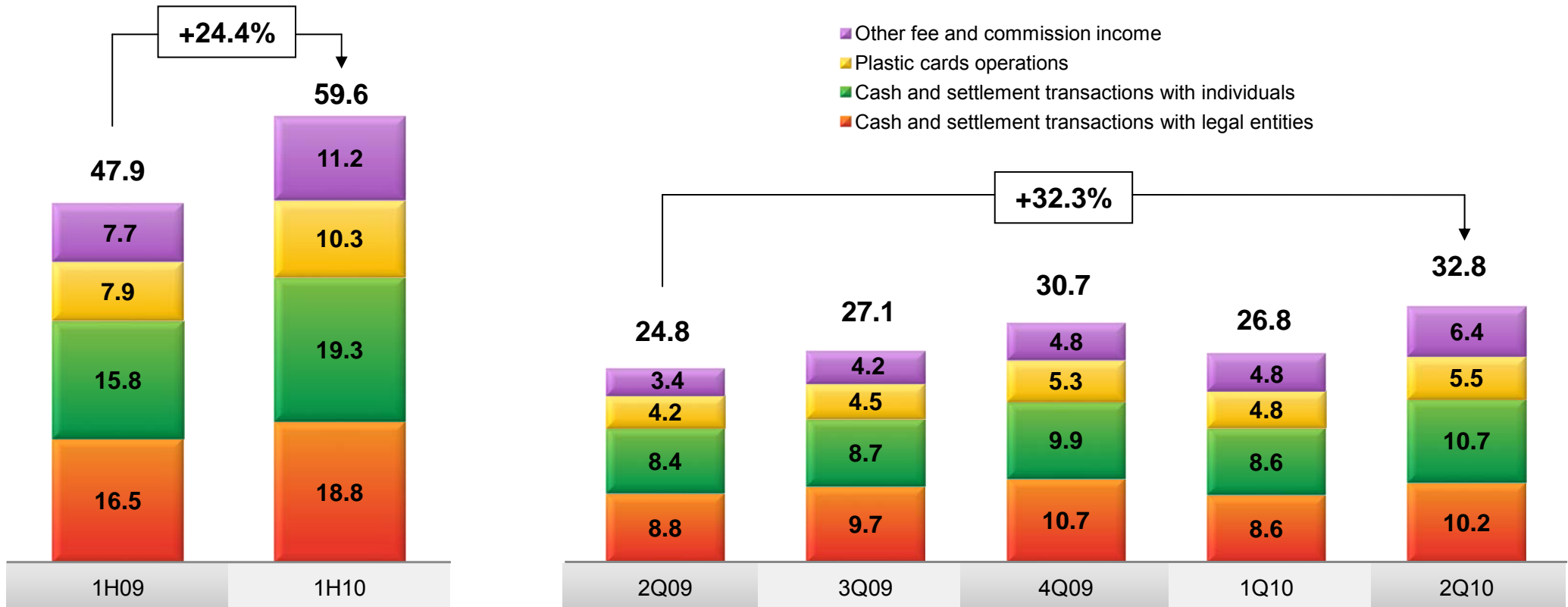
## Average Customer Deposit Costs, %



- Interest expense decreased by 1.9% in 1H10 compared to 1H09
- The main component of the Group's interest expense is the interest on retail deposits. The cost of retail deposits slightly decreases following market trends and bank pricing policy
- Included into other interest expense for 1H 2010 is RUB 17.9 bn of interest expense on subordinated debt

# Fee and Commission Income

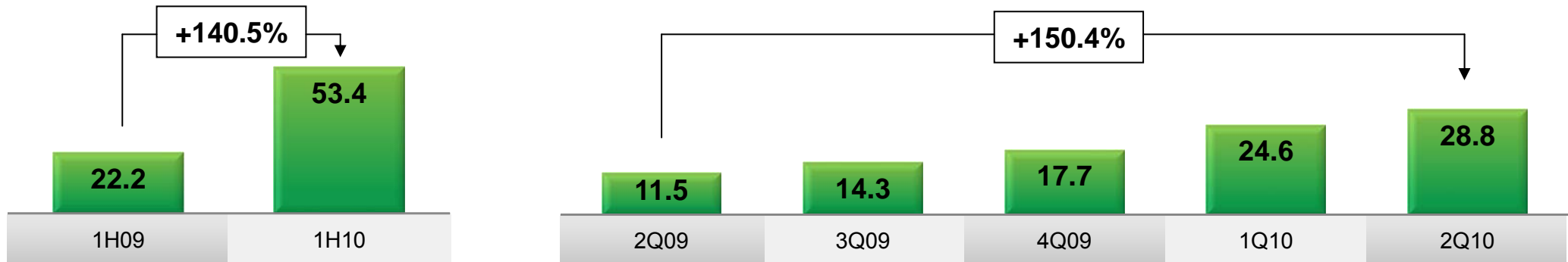
## Fee and Commission Income, RUB bn



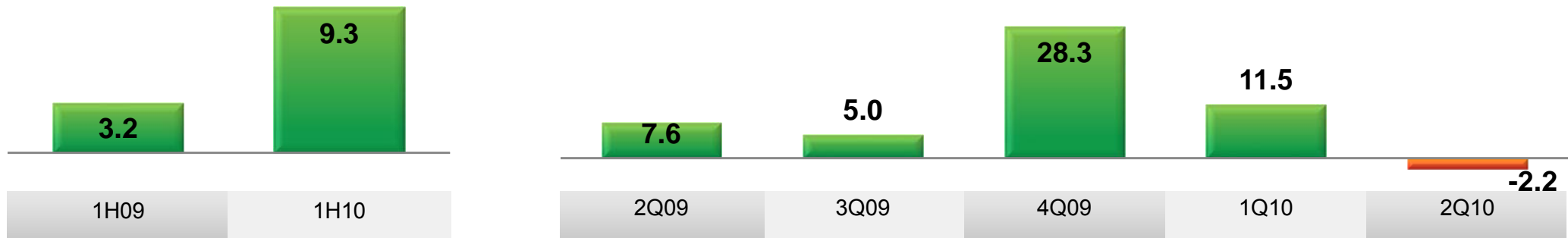
- Fee and commission income increased by 24.4% in 1H10 year-on-year
- Cash and settlement transactions with customers remain the major source of Group's fee and commission income
- Included into other fee and commission income for 1H 2010 is RUB 3.8 bn of agent commissions on realization of insurance contracts

# Operations with Securities

## Interest Income on Securities, RUB bn



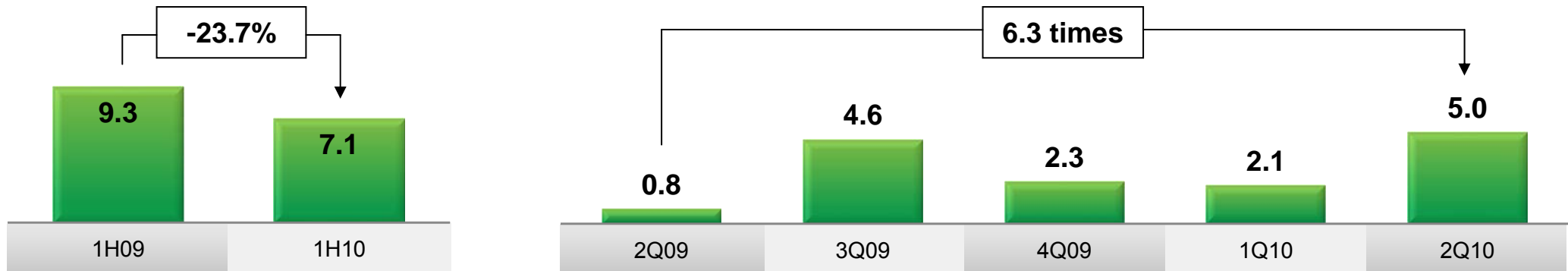
## Net Gains on Trading Operations and Revaluation of Securities, RUB bn



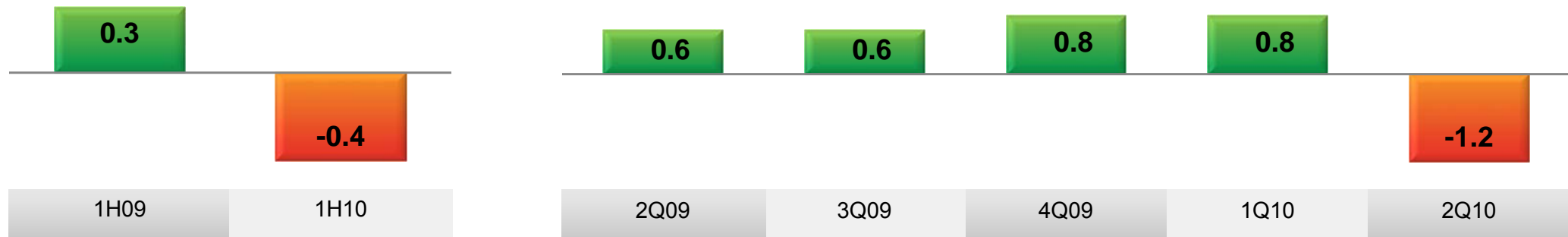
- A substantial increase in interest income on debt securities came as a result of growing portfolio of investments in bonds of the Bank of Russia, federal government bonds and corporate bonds
- Net gains on trading operations and revaluation of securities grew 2.9 times year-on-year, though in 2Q10 made a loss of RUB 2.2 bn due to unfavorable market conditions
- Unrealized gains on revaluation of investment securities available for sale posted in other comprehensive income in 1H10 amounted to RUB 26.8 bn

# Foreign Exchange Operations and Operations with Precious Metals

## Net Gains from Foreign Exchange Operations, RUB bn



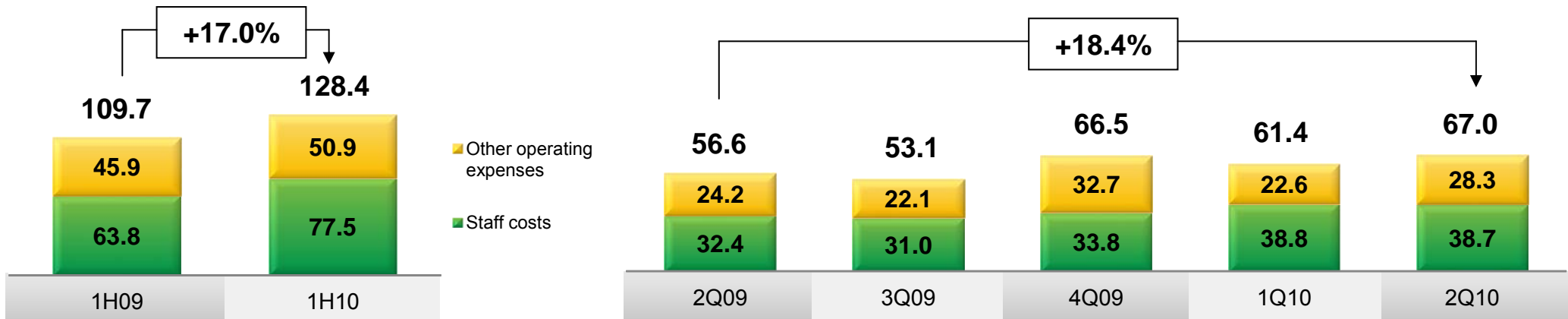
## Net Gains from Operations with Precious Metals, RUB bn



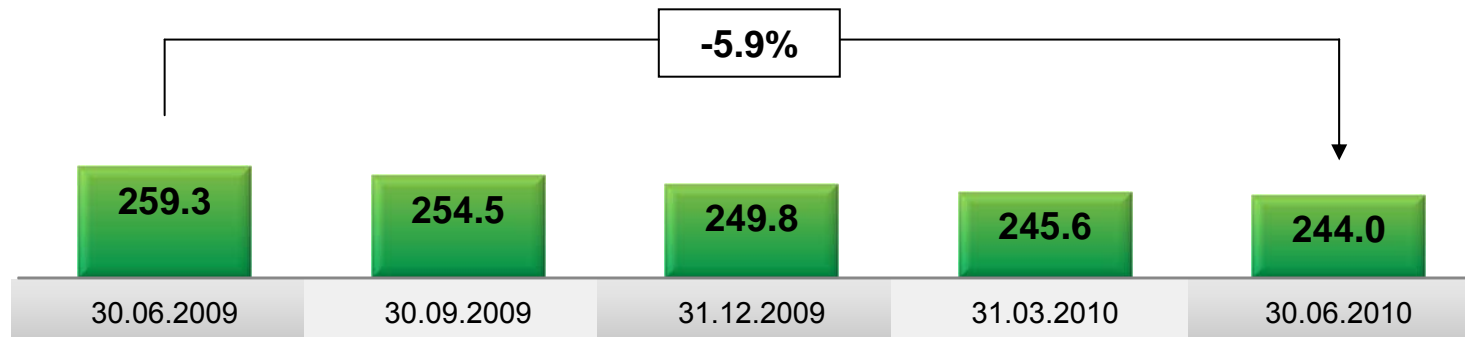
- Net gains from foreign exchange operations in 1H10 include gains from dealing in foreign currencies of RUB 1.4 bn, translation gains of RUB 33.3 bn and losses from operations with foreign currency derivatives amounting to RUB 27.6 bn
- Net loss from operations with precious metals in 1H 2010 occurred due to negative revaluation of balances nominated in precious metals

# Operating Expenses

## Operating Expenses, RUB bn



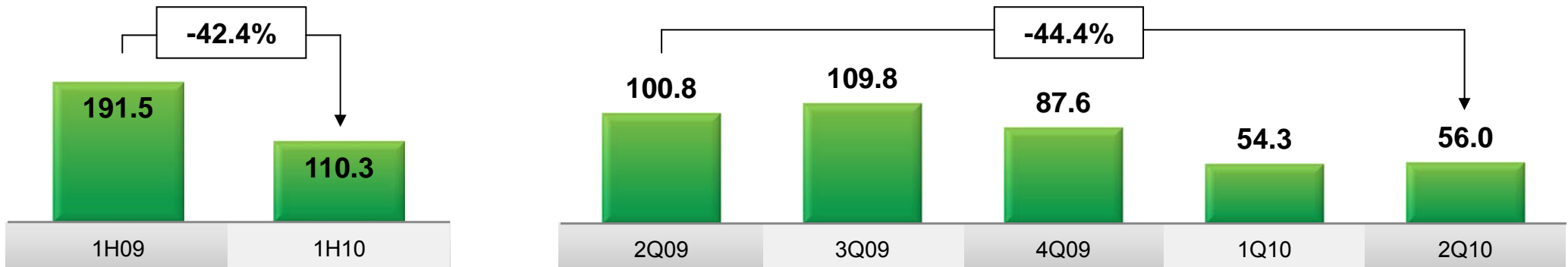
## Actual Headcount (Sberbank standalone, in thousands)



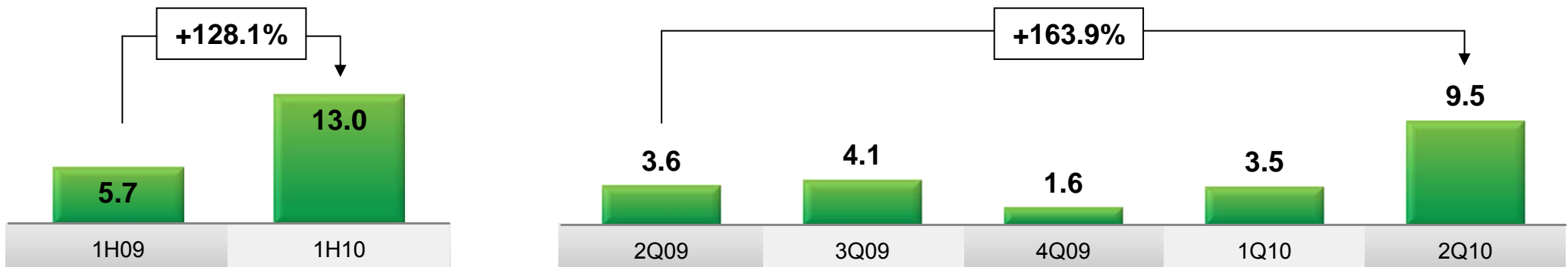
- Total operating expenses grew by 17.0% in 1H10 compared to 1H09
- Staff costs grew in 1H10 due to a planned increase in salaries
- Other operating expenses increased by 25.2% compared to 1Q10 on the back of the Group's strategy implementation, including new infrastructure projects, marketing and advertisement expenses

# Provision Charge for Loan Impairment

## Provision Charge for Loan Impairment, RUB bn



## Write-offs Against Provision for Loan Impairment, RUB bn

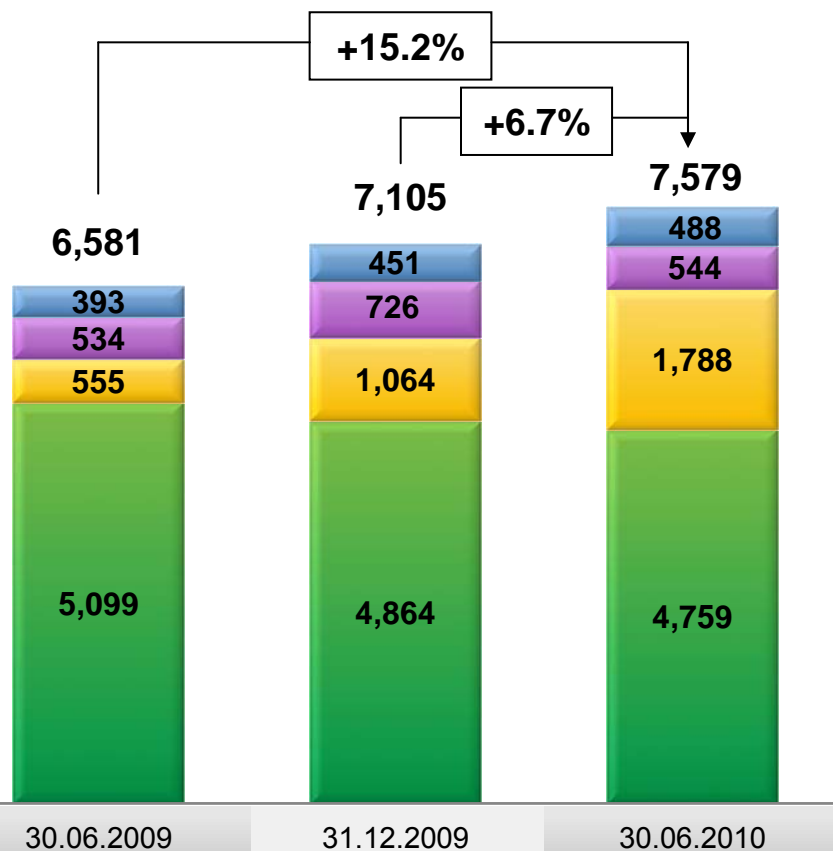


- Provision charge for loan impairment decreased in 1H10 because of lower growth of overdue loans and of economic recovery in Russia

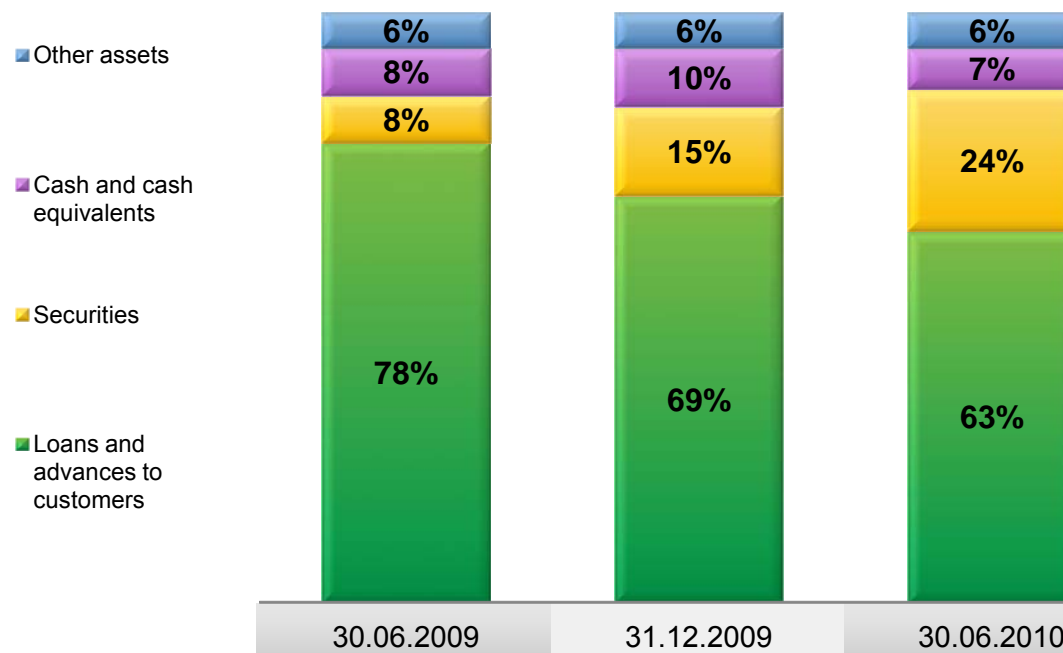


# Asset Dynamics and Structure

## Assets, RUB bn



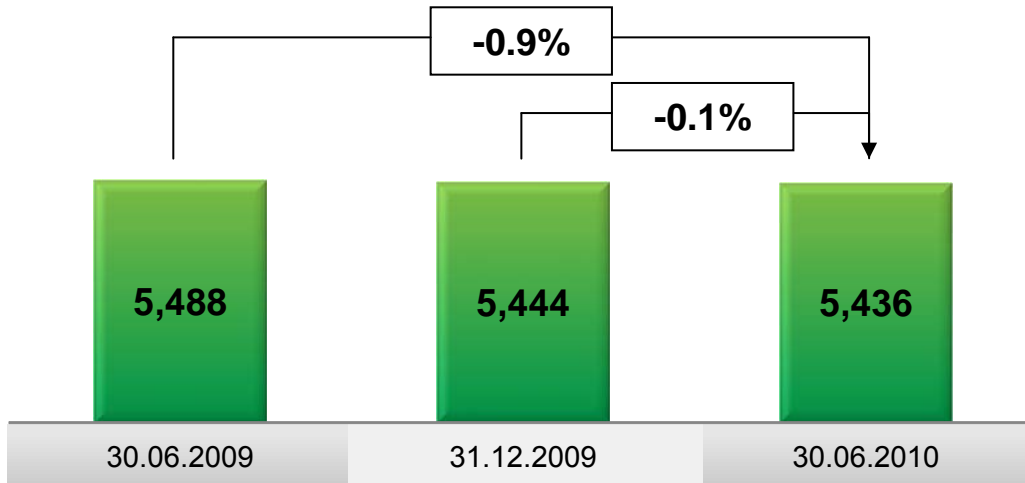
## Asset Structure



- The Group's assets grew by 6.7% in 1H10
- The proportion of loans and advances to customers in total assets is decreasing, while the proportion of investments in securities is growing because of stable deposit base growth and slack demand for credit resources
- Interest-earning assets comprise 89% of the Group's total assets

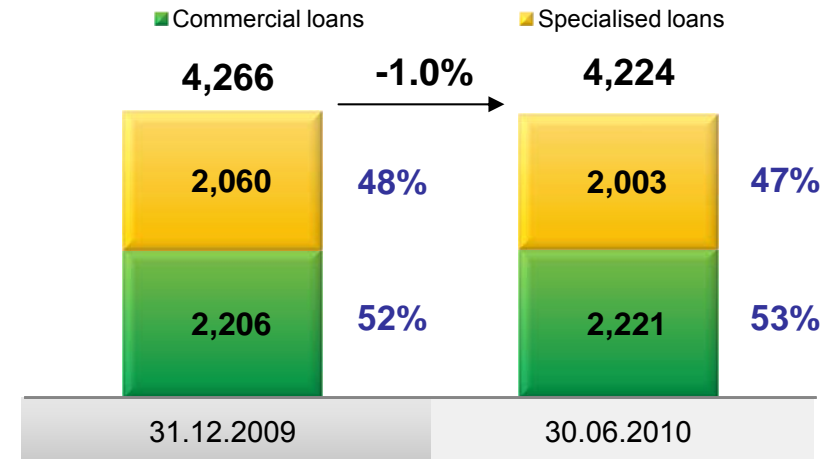
# Loan Portfolio (1)

## Loan Portfolio before Provision for Loan Impairment, RUB bn

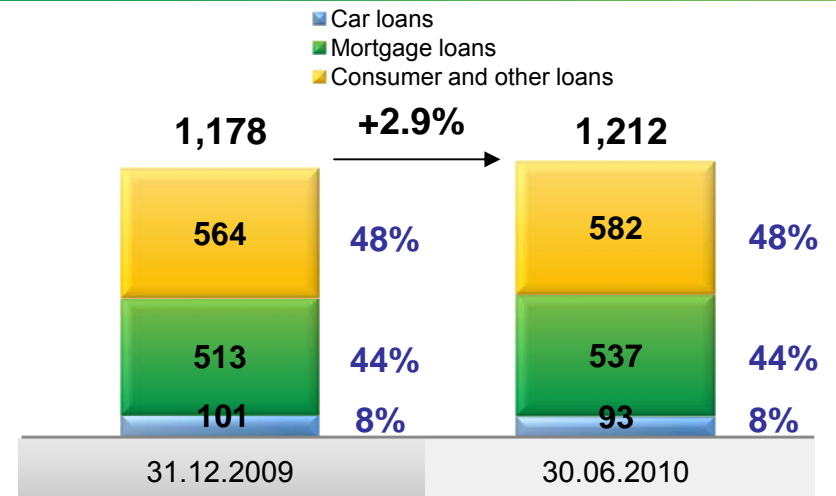


- The Group's gross loan portfolio decreased by 0.1% in 1H10 due to fall in loans to corporate customers by 1.0%
- Loans to individuals grew by 2.9% on the back of growth of demand from individuals
- The structure of loan portfolio remained unchanged

## Corporate Loan Portfolio Structure, RUB bn

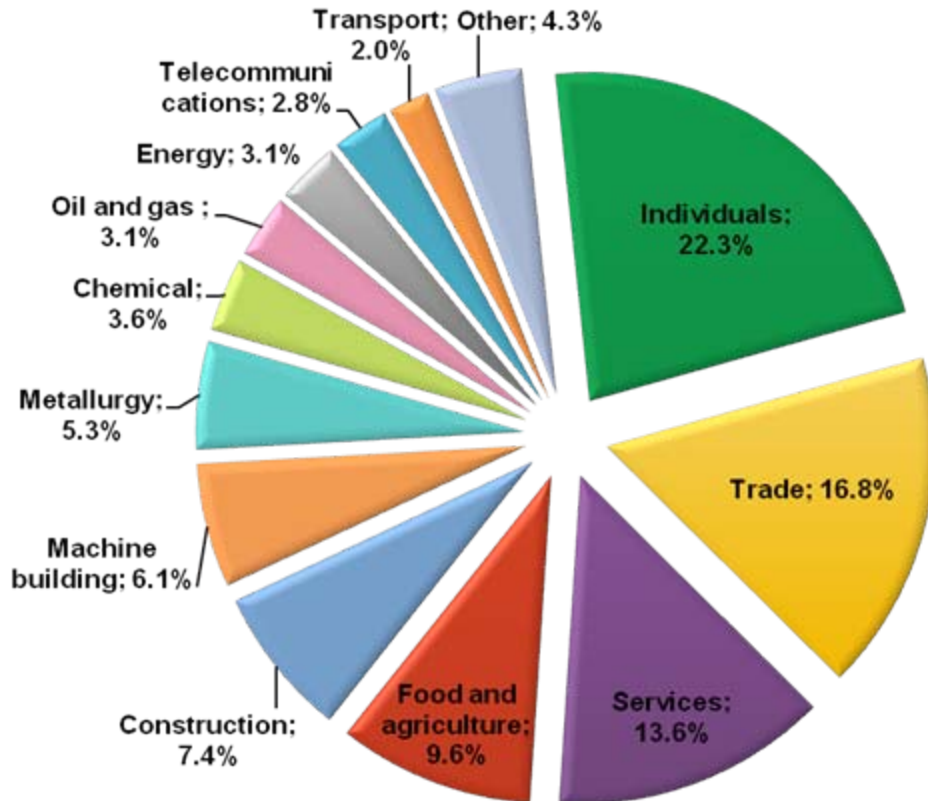


## Retail Loan Portfolio Structure, RUB bn

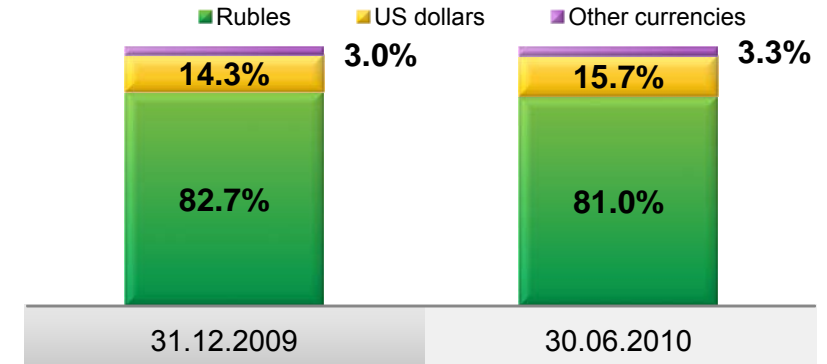


# Loan Portfolio (2)

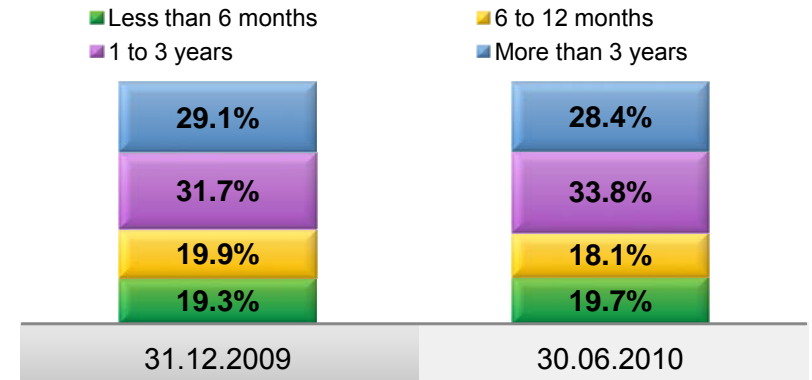
## Industry Breakdown, as of 30 June 2010



## Currency Breakdown



## Maturity Breakdown

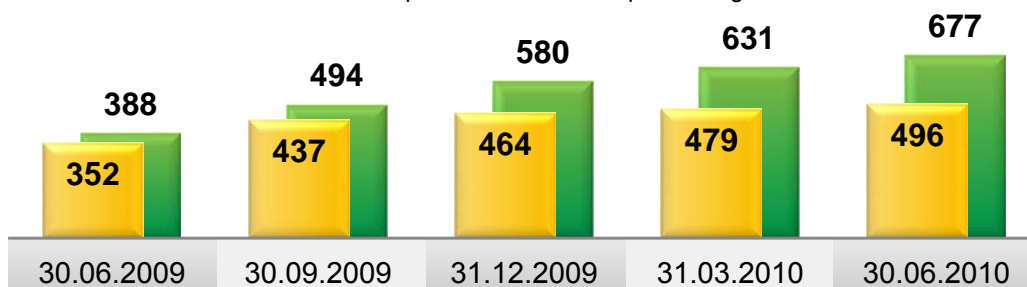


- The Group's loan portfolio is well diversified, with the largest industry (for corporate clients) constituting 16.8% of the total loan portfolio
- The proportion of rouble-denominated loans decreased by 1.7 p.p. in 1H10
- Maturity breakdown remains stable

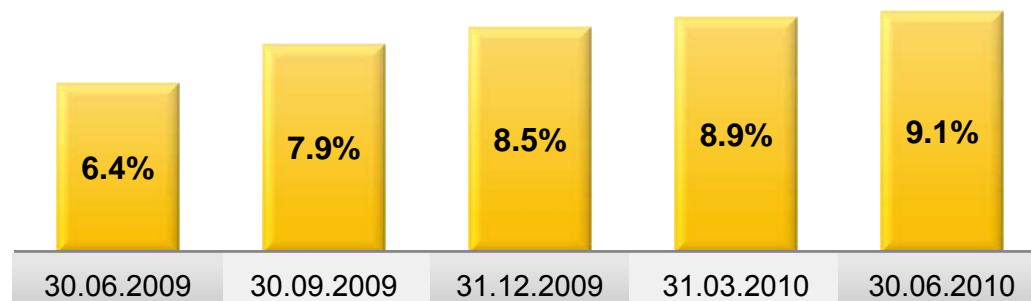
# Loan Portfolio Quality

## Non-Performing Loans\* and Provision for Loan Impairment, RUB bn

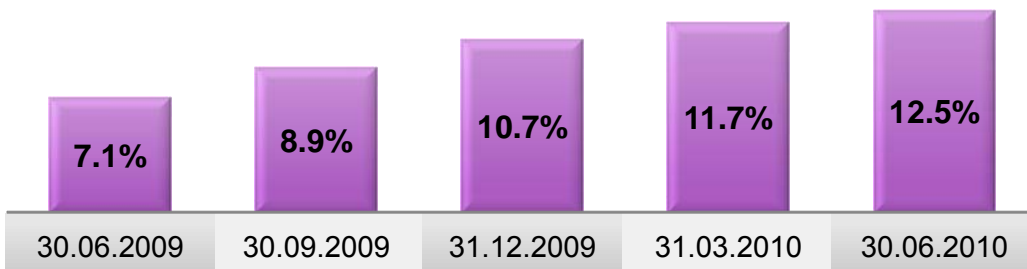
■ Provision for loan impairment ■ Non-performing loans



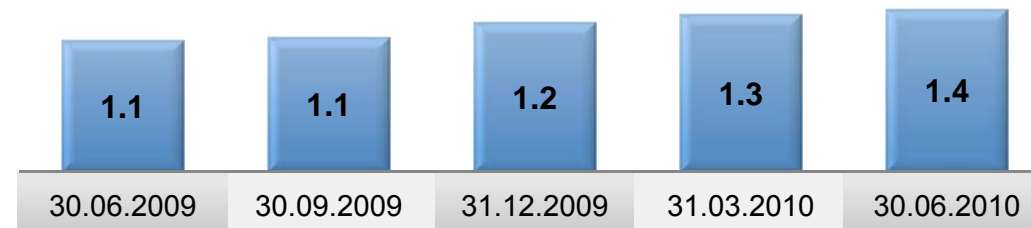
## Non-Performing Loans in Loan Portfolio, %



## Provision for Loan Impairment (PLI) to Total Loans, %



## NPL Coverage Ratio (PLI to Non-performing Loans)

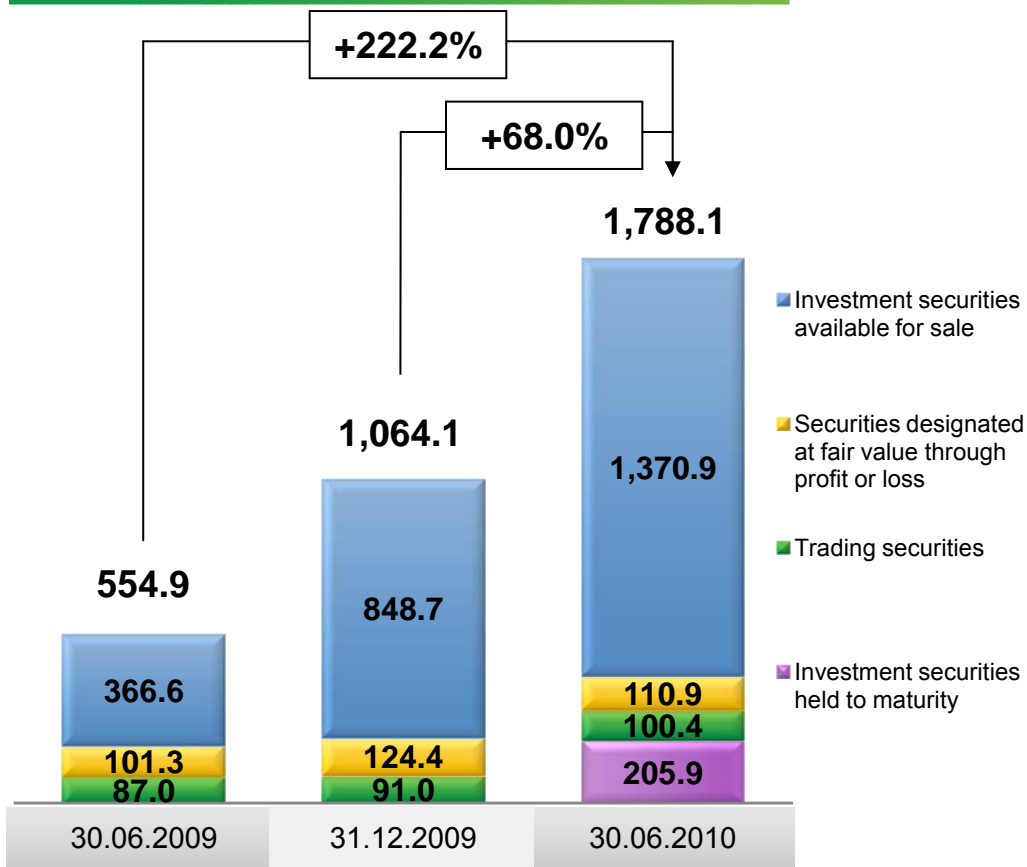


\* Overall exposure, should there be any payments (principal and/or interest) overdue more than 90 days as of the reporting date.

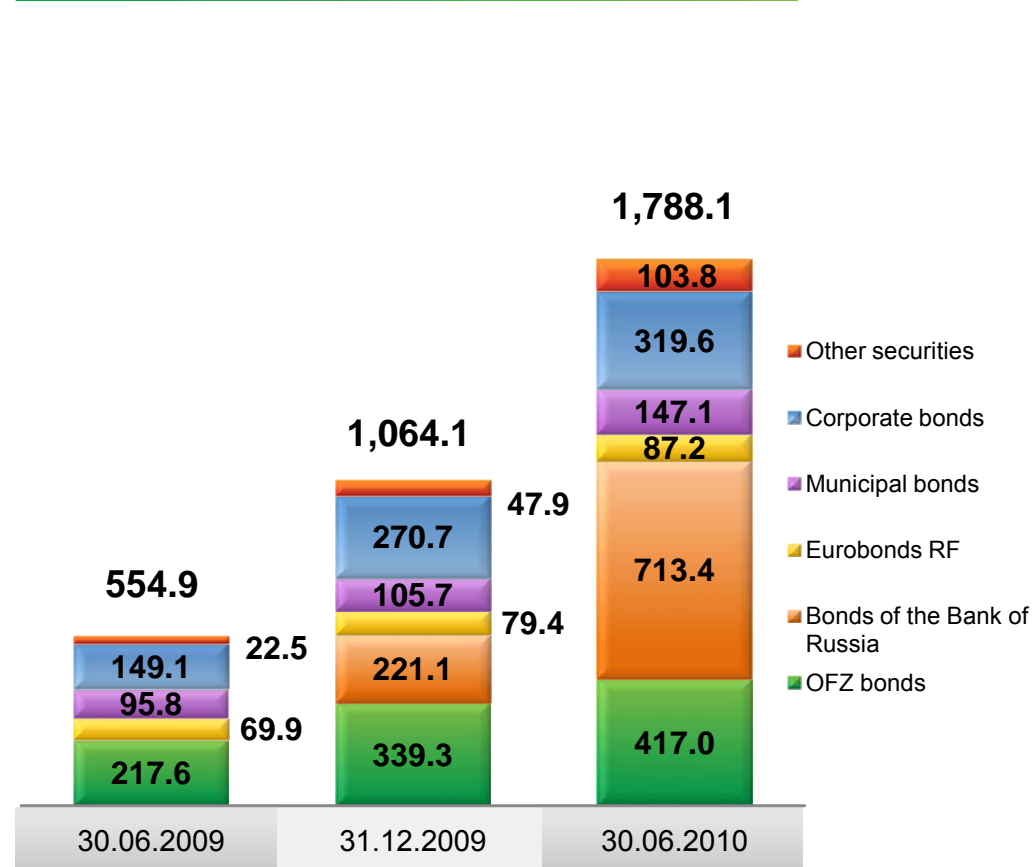
- The proportion of non-performing loans in the loan portfolio is continuously slowing down the pace of growth, with only 0.2 pp increase in 2Q10
- NPL coverage ratio increased in 2Q10 to 1.4
- Renegotiated loans before provision for loan impairment amounted to 592.2 RUB bn as at 30.06.2010 or 10.9% of the loan portfolio (as at 31.12.2009: RUB 646.8 bn or 11.9%)

# Securities Portfolio

## Securities by Portfolio, RUB bn



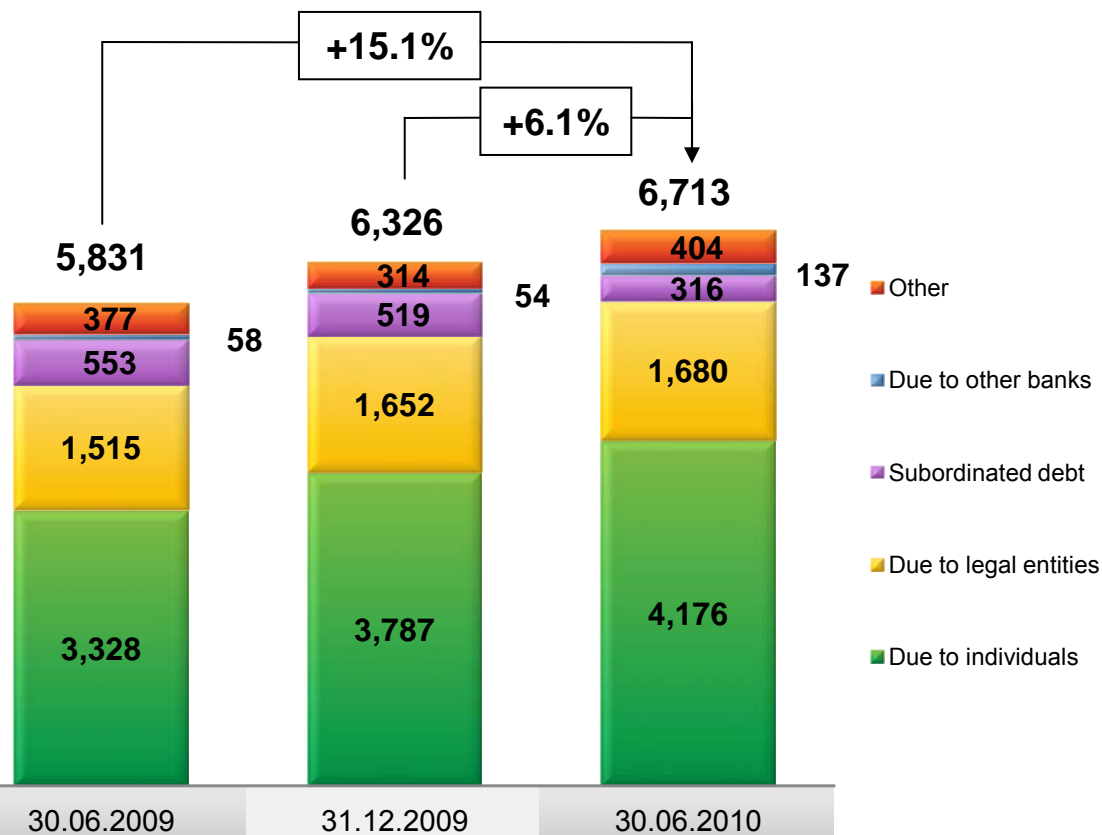
## Securities by Type, RUB bn



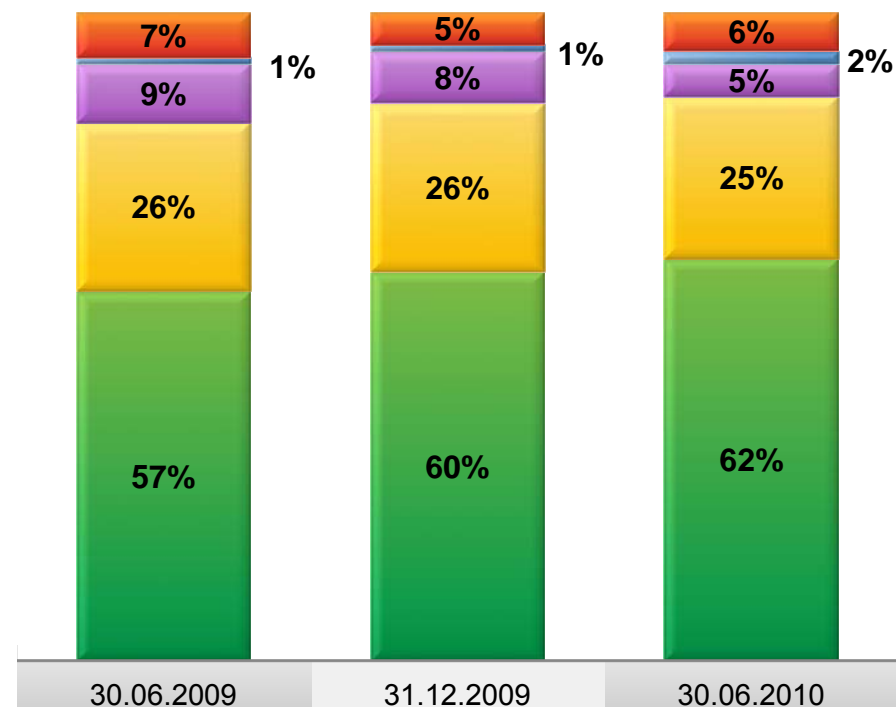
- Investments in the Bank of Russia bonds more than tripled during 1H10 and reached RUB 713.4 bn. Investments in other securities, particularly federal and corporate bonds, also grew at a high pace
- Investments in corporate debt securities, which are regarded as an alternative form of lending, increased by 18.1% and reached RUB 319.6 bn
- During 1H10 the Group started to create portfolio of investment securities held to maturity which totaled RUB 205.9 bn at 30.06.2010

# Liabilities Dynamics and Structure

Liabilities, RUB bn



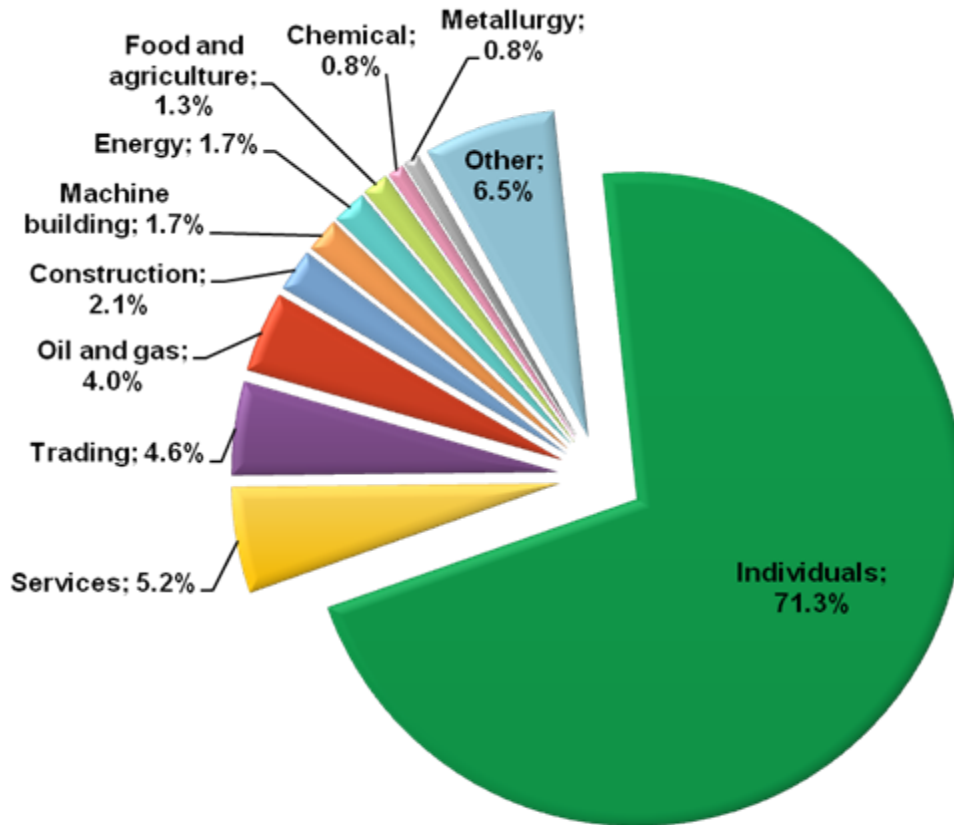
Liabilities Structure



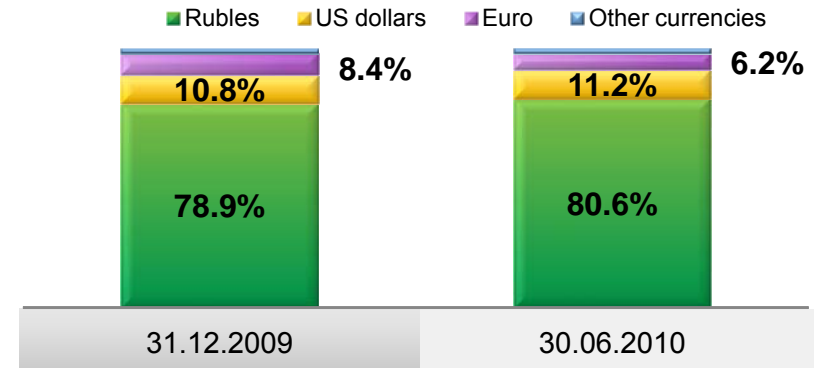
- Retail deposits dominate the Group's sources of funding, constituting 62% of total liabilities
- Subordinated debt decreased in 1H 2010 due to repayment of RUB 200 bn before maturity
- Borrowings from international capital markets amounted to RUB 115.2 bn as of 30.06.2010 or 1.7% of total liabilities. In July - August 2010 the Bank issued LPNs of USD 1500 bn at 5.466% p.a.

# Amounts Due to Customers

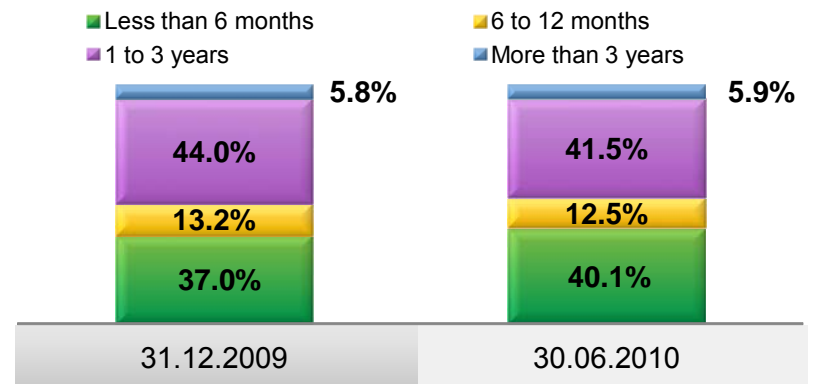
## Industry Breakdown, as of 30 June 2010



## Currency Breakdown



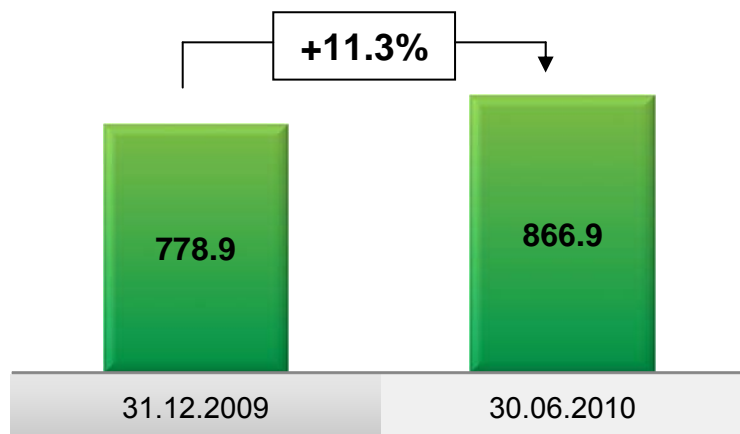
## Maturity Breakdown



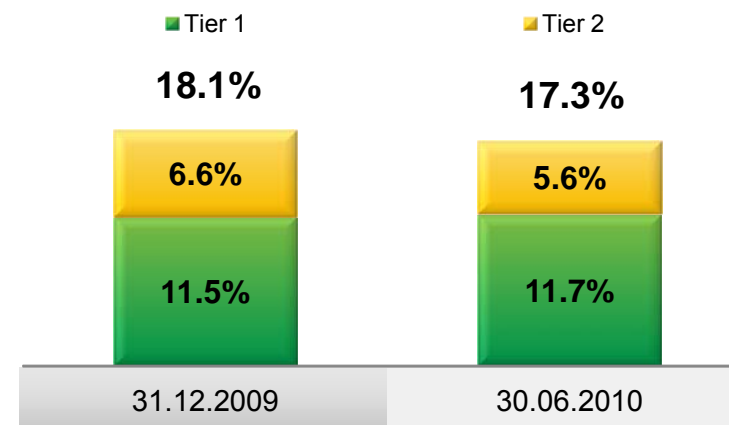
- Retail deposits are traditionally the core of the Group's customer deposits
- Maturity breakdown demonstrates stable and sufficient liquidity in the medium term

# Shareholders' Equity and Capital Adequacy

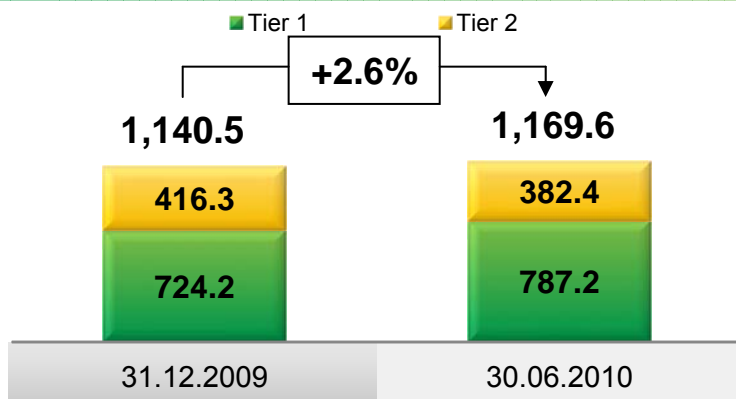
## Group's Equity, RUB bn



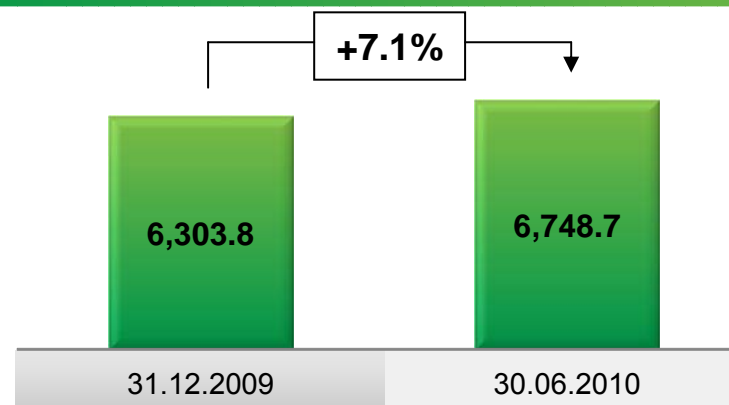
## Capital Adequacy Ratio, Basel 1



## Regulatory Capital, Basel 1, RUB bn



## Risk-Weighted Assets, RUB bn



- The Group's capital adequacy ratio is well above the Basel committee requirements. In May 2010, the Group paid back part of subordinated loan in the amount of RUB 200 bn received by the Group from the CBR in 4Q08 which caused the reduction in the Group's Tier 2 capital. The total capital adequacy ratio calculated according to the Basel 1 Accord was 17.3% as of June 30, 2010



# Forward-Looking Statements



**SBERBANK**

*By your side*

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