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Sberbank Group's IFRS Results for 2009

18 march 2010

Highlights of Financial Performance for 2009 (1)

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- The Group's net profit for 2009 totaled RUB24.4 bn compared to RUB97.7 bn for 2008
- **Steady growth of major items of operating income**:
  - Increase in net interest income for 2009 by 32.9% compared to 2008;
  - Increase in net fee and commission income for 2009 by 17.3% compared to 2008;
  - Income from trading operations and revaluation of securities amounted to RUB36.5 bn for 2009 compared to a loss of RUB37.3 bn for 2008;
- **Conservative approach to provisioning for loan impairment:** provision charge for loan impairment for 2009 amounted to RUB388.9 bn, which is 4 times the amount for 2008
- **Effective cost control and cost management**: in 2009 the cost/income ratio declined to 35.4% compared to 49.3% for 2008
- **Valuation of AFS portfolio:** gains on revaluation of investment securities available for sale included in the consolidated statement of other comprehensive income in the amount of RUB32.6 bn in 2009 cancelled out 2008 revaluation losses amounted to RUB33.9 bn
- **The Group's balance sheet remains highly liquid**: 17.4% of Group's total assets have the remaining expected maturity «on demand and less than 1 month»
- **Strong Group's capital adequacy ratio**: Group's capital adequacy ratio calculated according to the Basel 1 Accord as of 31 December 2009 is 18.1%, significantly higher than the required 8% minimum. The Bank's regulatory capital adequacy ratio stays at high 23.2% as of 31 December 2009

Highlights of Financial Performance for 2009 (2)

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ITEM	2009 (RUB bn)	2008 (RUB bn)	Change
Operating income before provision charge for loan impairment	648.1	449.5	44.2%
Operating expenses	-229.3	-221.7	3.4%
Provision charge for loan impairment	-388.9	-97.9	4 times
Net profit	24.4	97.7	-75.0%
Earnings per ordinary share, RUB	1.1	4.5	-75.6%

ITEM	4Q09 (RUB bn)	4Q08 (RUB bn)	Change
Operating income before provision charge for loan impairment	171.7	129.1	33.0%
Operating expenses	-66.5	-56.0	18.8%
Provision charge for loan impairment	-87.6	-61.9	41.5%
Net profit	14.1	7.5	88.0%
Earnings per ordinary share, RUB	0.6	0.4	50.0%

Highlights of Financial Performance for 2009 (3)

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ITEM	31.12.2009	31.12.2008	Change
Assets, RUB bn	7 105,1	6 736,5	5,5%
Loans to customers (net), RUB bn	4 864,0	5 077,9	-4,2%
Due to customers, RUB bn	5 438,9	4 795,2	13,4%
Equity, RUB bn	778,9	750,2	3,8%
Tier I capital adequacy ratio (Basel I)	11,5%	12,1%	-0.6pp
Total capital adequacy ratio (Basel I)	18,1%	18,9%	-0.8pp

ITEM	2009	2008	Change
Return on equity	3,2%	14,1%	-10.9pp
Return on assets	0,4%	1,7%	-1.3pp
Cost to income ratio	35,4%	49,3%	-13.9pp
Interest margin*	7,8%	7,1%	0.7pp
PLI rate (Provision for loan impairment to Total gross loans)	10,7%	3,8%	6.9pp

* Net interest income to average earning assets.

Key Financial Indicators (1)

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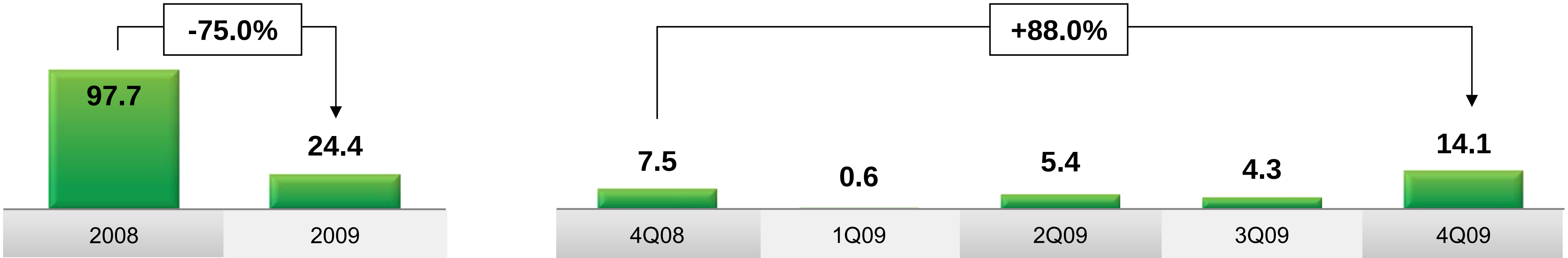
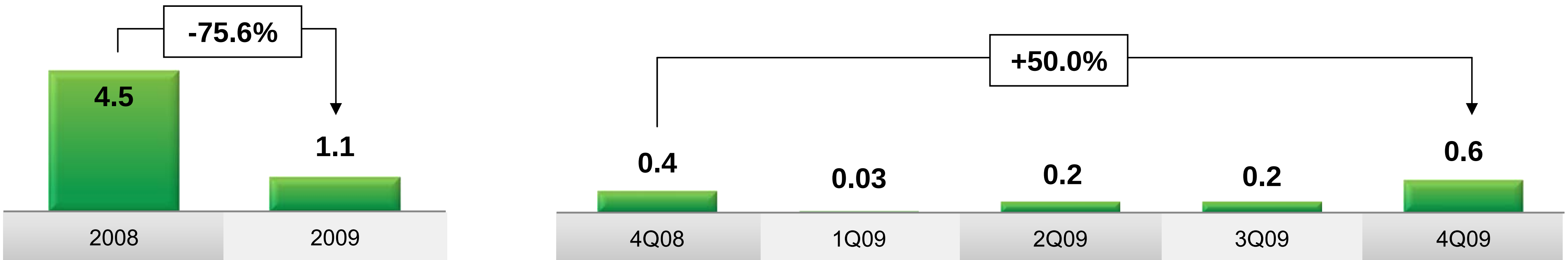
Net Profit, RUB bn



Earnings per Ordinary Share, RUB



- Considerable increase in provision charge for loan impairment is the major driver for the decline in net profit for 2009 compared to the result of 2008
- PLI rate as at 31 December 2009 reached 10.7% which is 6.9 pp higher than the year before (3.8%)

Key Financial Indicators (2)

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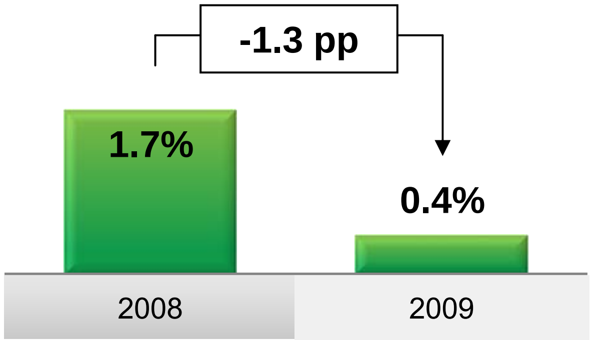
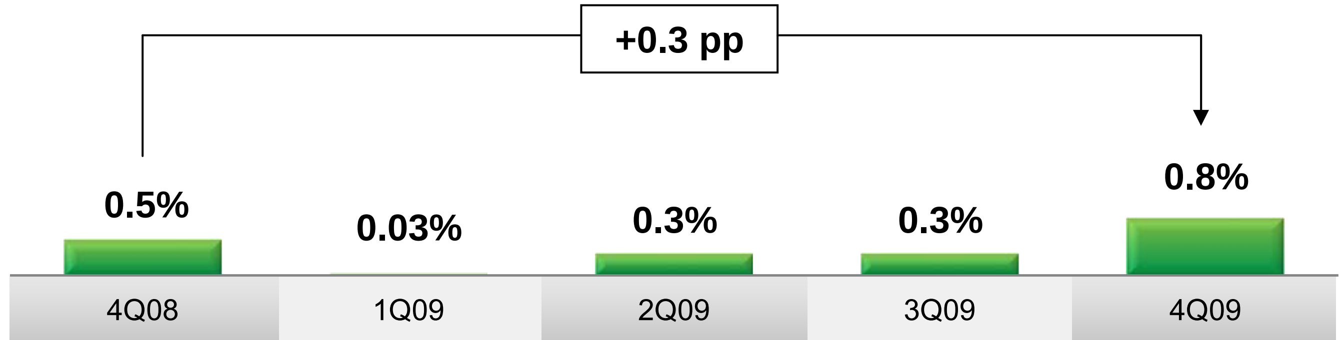
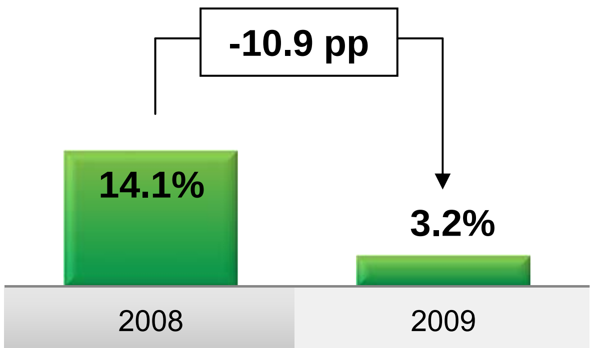
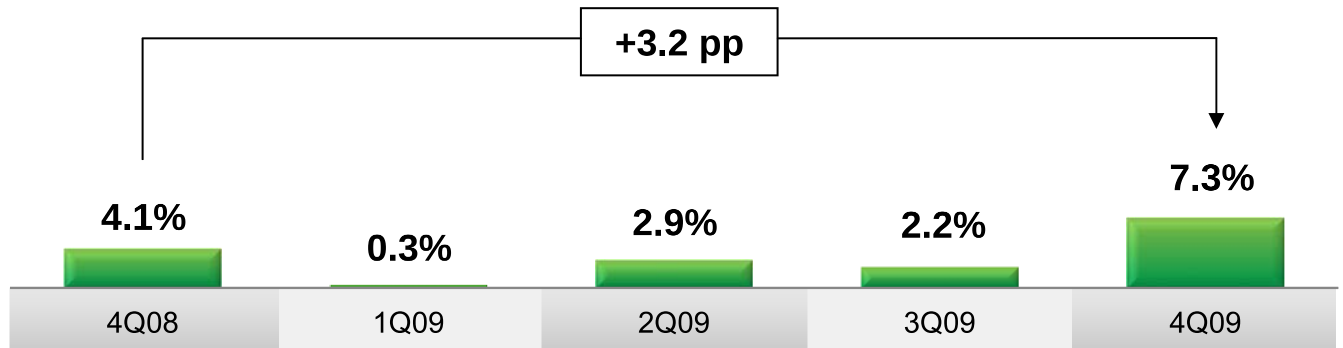
Return on Assets (ROA), %





Return on Equity (ROE), %





- The Group's ROE and ROA decreased for 2009 as a result of lower net profit

Operating Income Before Provision Charge for Loan Impairment

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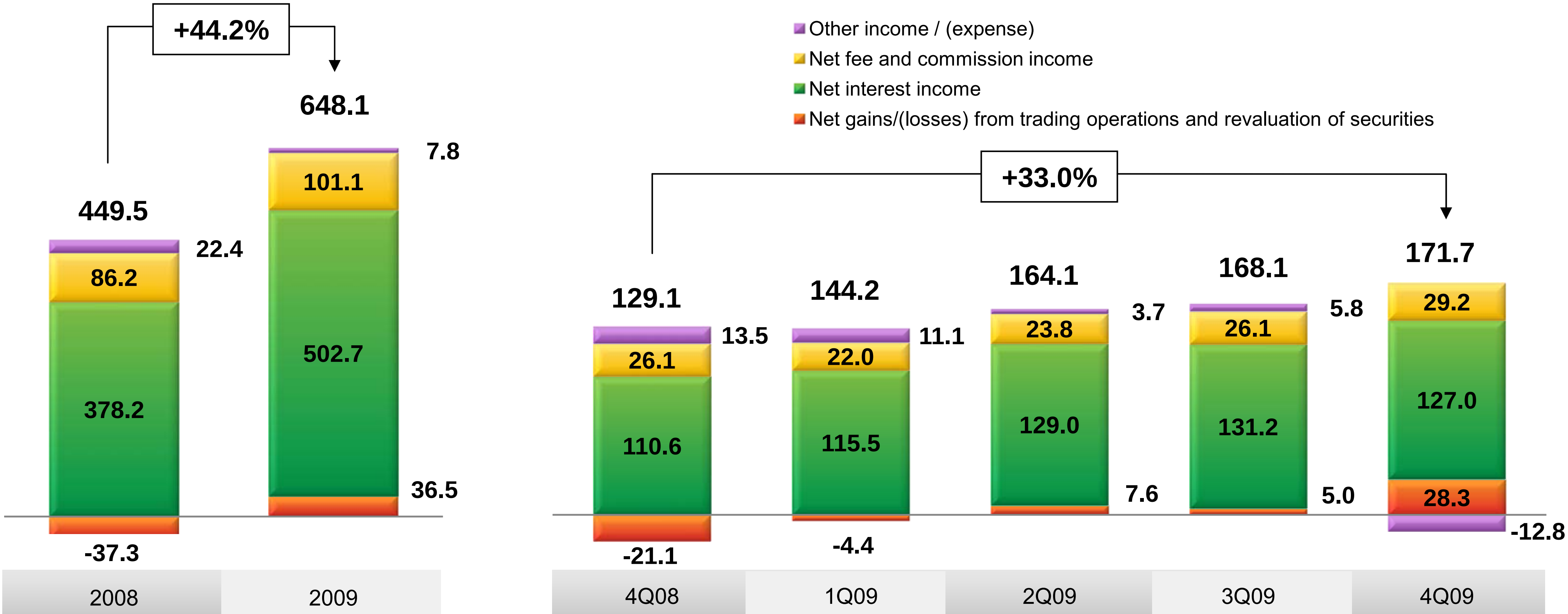
Operating Income Before Provision Charge for Loan Impairment, RUB bn



- Operating income before provision charge for loan impairment increased by 44.2% during 2009 compared to 2008, and primarily due to increase in interest earned on lending operations and income on operations and revaluation of securities
- The main components of Other operating income of RUB 7.8 bn earned by the Group for 2009 were gains from foreign exchange operations totaling RUB 16.2 bn and losses of RUB 15.0 bn from negative revaluation of premises

Net interest income

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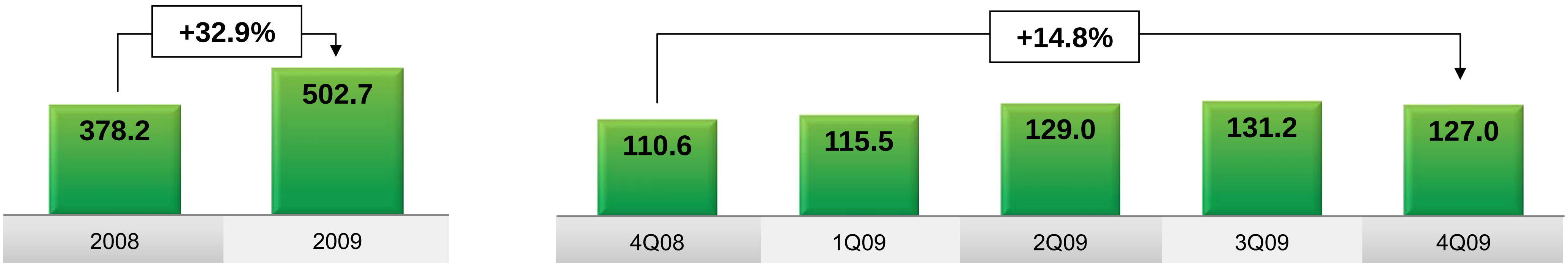
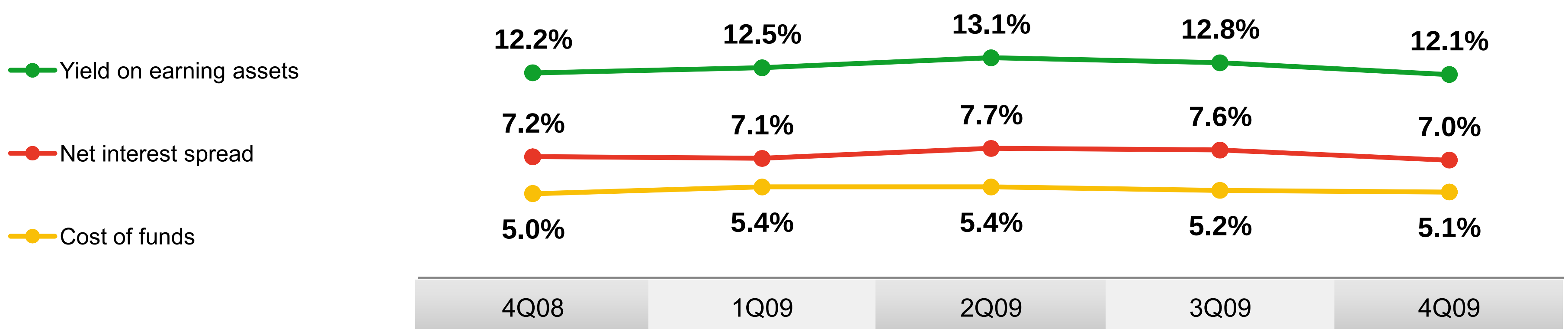
Net Interest Income, RUB bn



Net Interest Spread, %



- Net interest income increased by 32.9% for 2009 compared to 2008
- The main drivers of net interest income growth for 2009 were increase of volumes and yields of lending operations
- Decrease of Net interest spread came as a result of decreasing Yields on earning assets that reflected the trends in the market in 2H09

Interest Income

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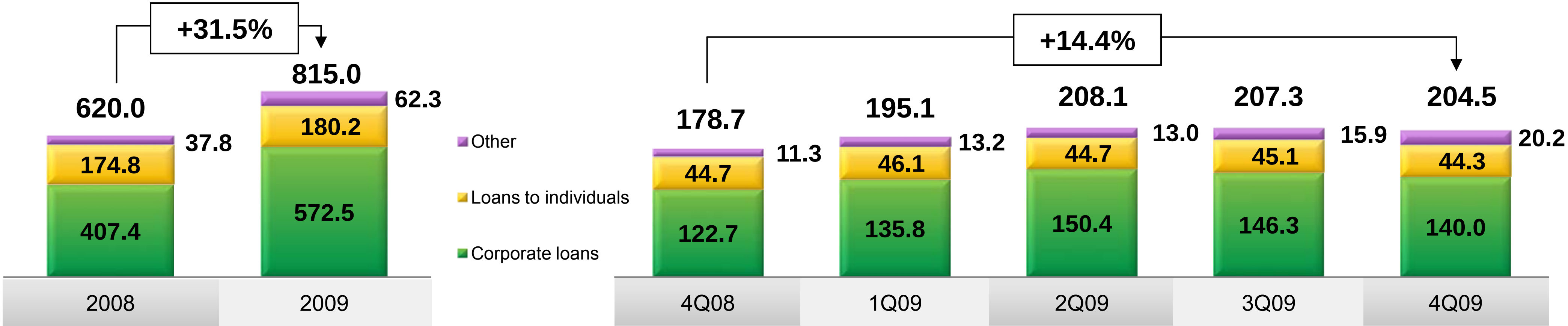
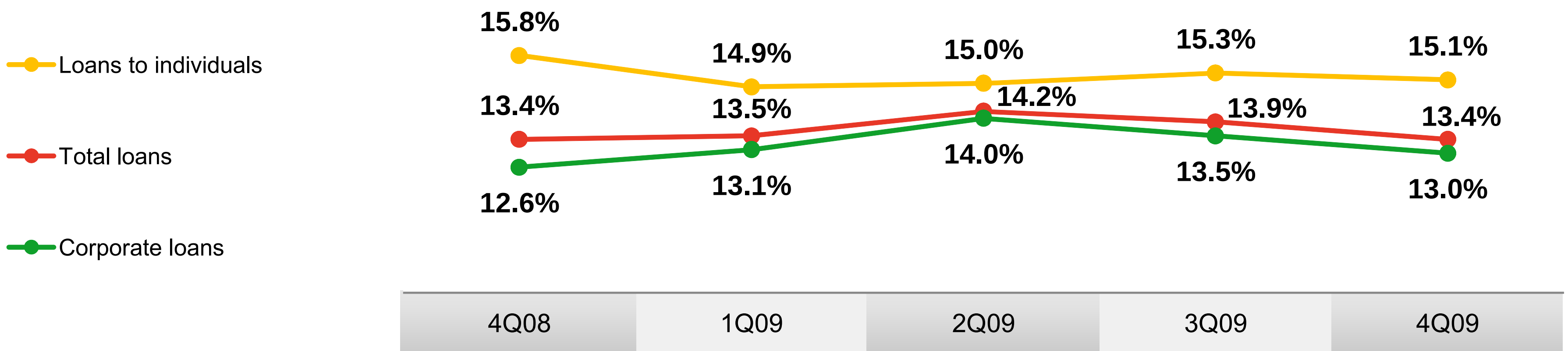
Interest Income, RUB bn



Average Loan Yields, %



- The Group's interest income during 2009 grew by 31.5% compared to 2008
- Yield on lending operations decreased in 2H09 from 14.2% to 13.4% that reflects market trends toward reduction of interest rates (substantially for corporate customers) and high competition for good borrowers

Interest Expense

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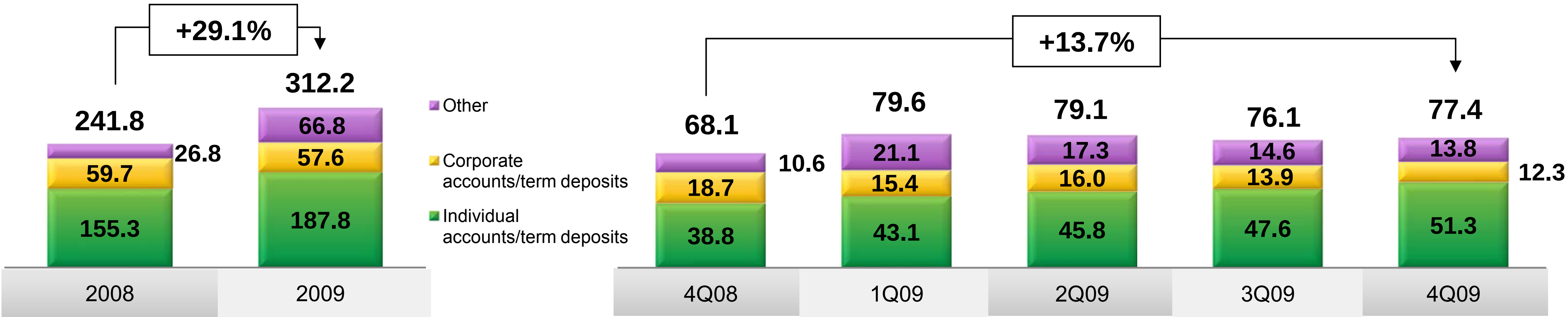
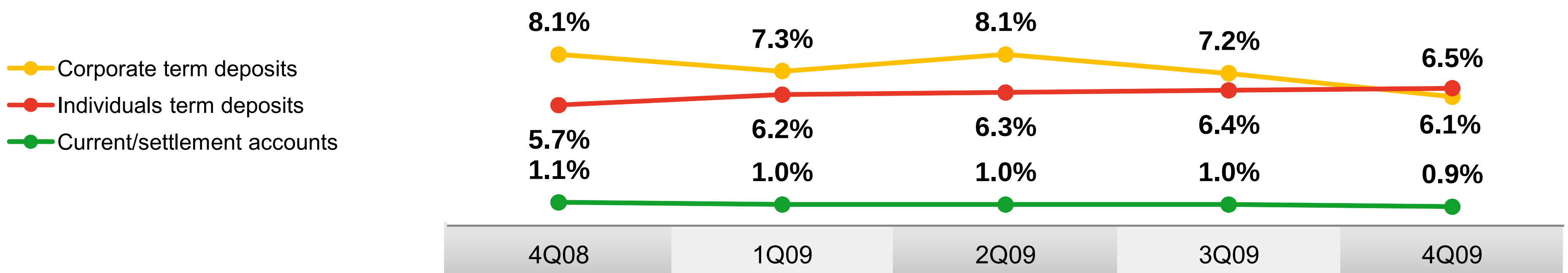
Interest Expense, RUB bn



Average Cost of Funds, %



- Interest expenses grew by 29.1% in 2009 compared to 2008
- The primary component of interest expenses was interest paid on retail deposits which are the main source of the Group’s funding
- Decline in market interest rates explains a 2.0 pp reduction in the cost of corporate deposits for 2H09

Fee and Commission Income

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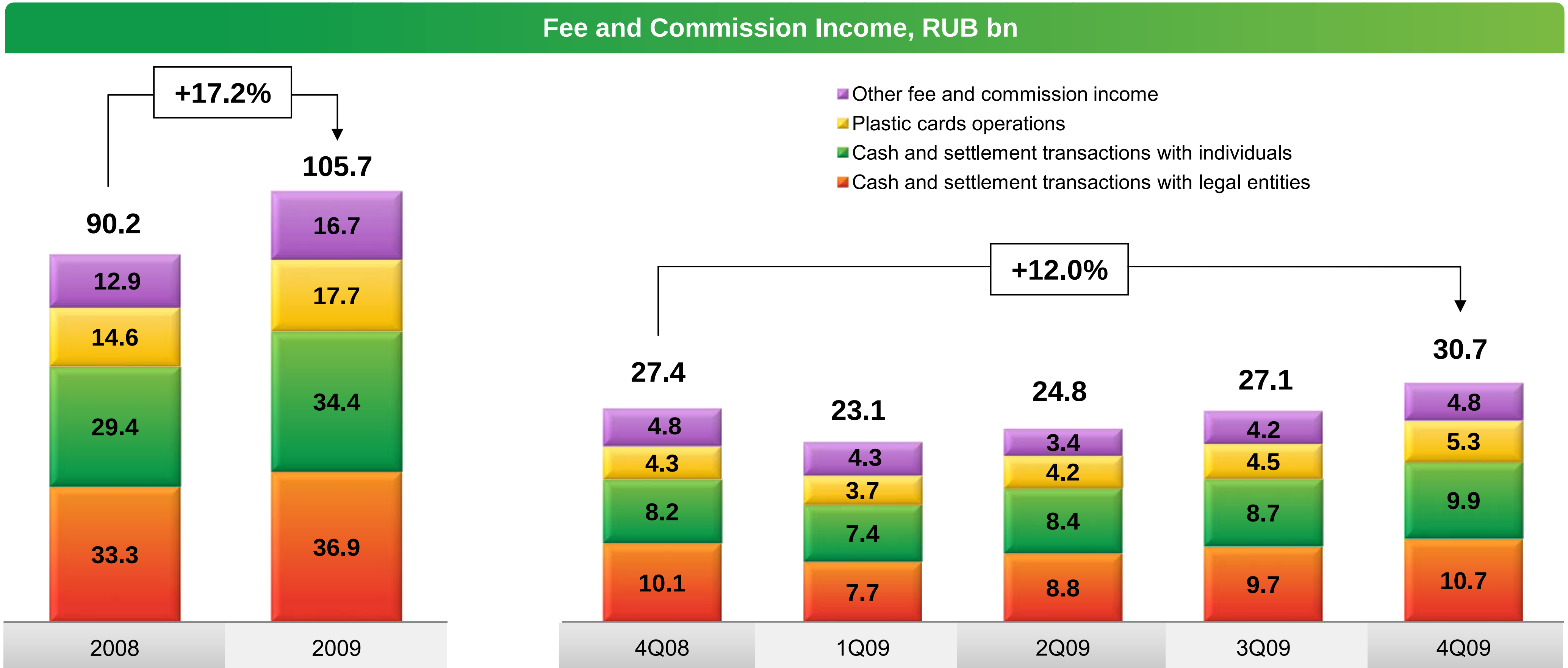

- The main component of fee and commission income is cash and settlements transactions with clients
- Other fee and commission income includes commissions from clients' transactions with securities and foreign currencies, guarantees issued, cash collection, etc.

Operations with Securities

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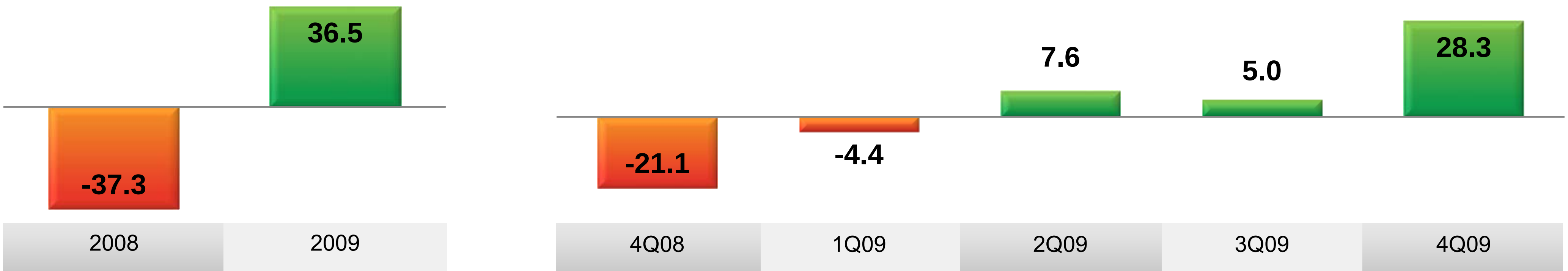
Interest Income on Securities, RUB bn

Net Gains / (Losses) on Trading Operations and Revaluation of Securities, RUB bn



- Growth in interest income from securities followed the increase of the Group's investments in corporate bonds
- Upturn on the financial markets since 2Q09 generated income from trading operations and revaluation of securities, totaling RUB 36.5 bn for 2009

Foreign Exchange Operations and Operations with Precious Metals

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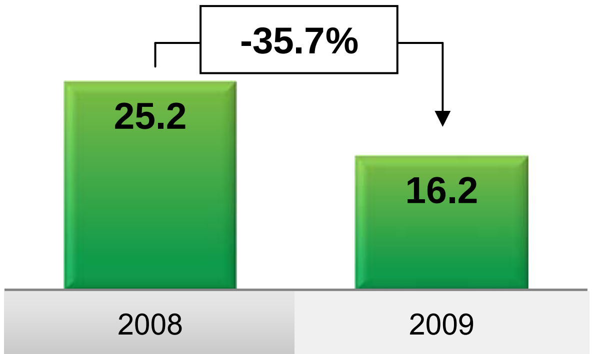
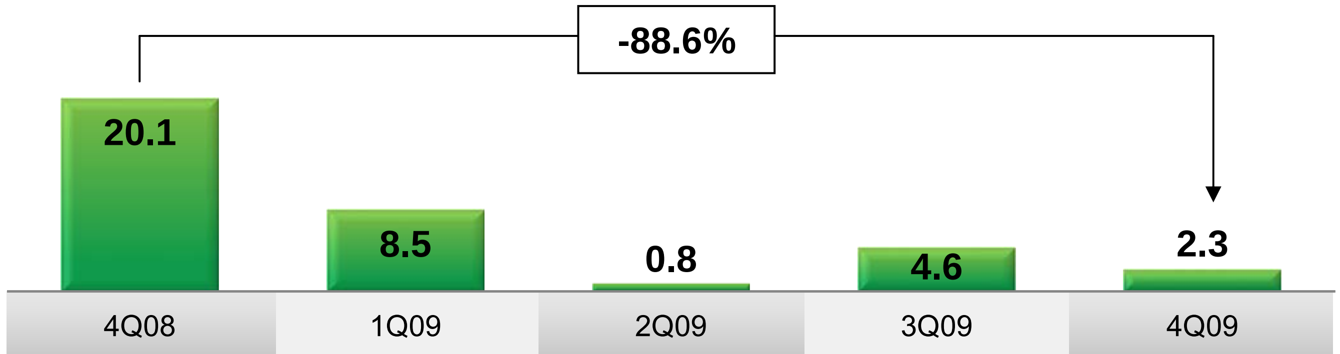
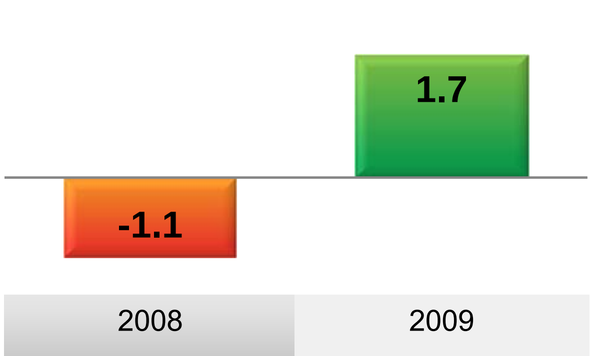
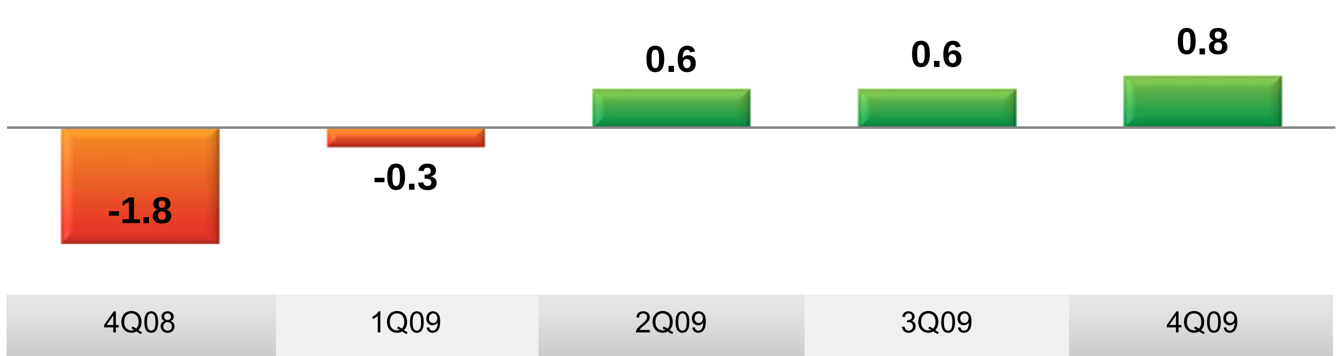
Net Gain / (Losses) from Foreign Exchange Operations, RUB bn





Net Gain / (Losses) from Operations with Precious Metals, RUB bn





- Gains arising from foreign exchange operations totaling RUB 16.2 for 2009, include: loss from foreign exchange derivatives of RUB 12.1 bn, realised gains on foreign exchange trading of RUB 13.0 bn and foreign exchange translation gain of RUB 15.3 bn
- Losses on foreign exchange derivatives represent primary negative result from SWAP deals used by the Group for liquidity management purposes

Operating Expenses

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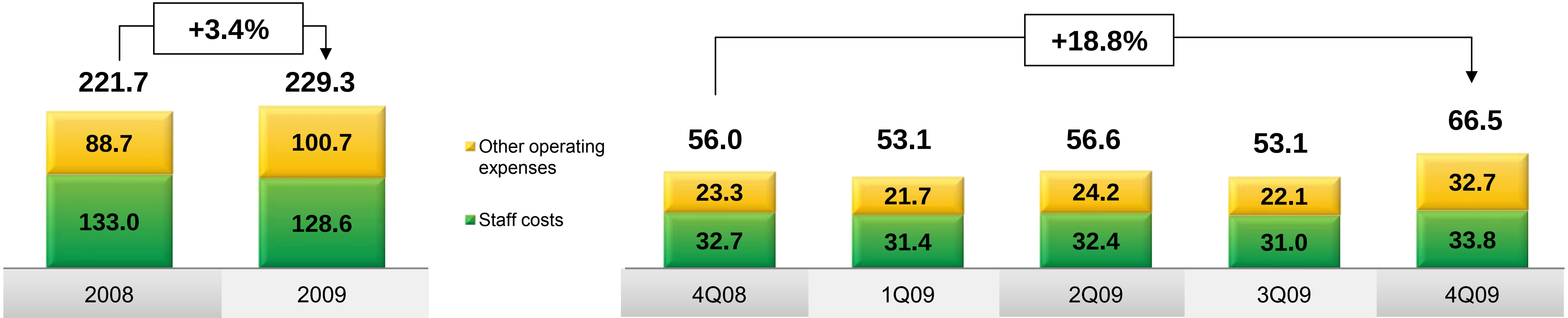
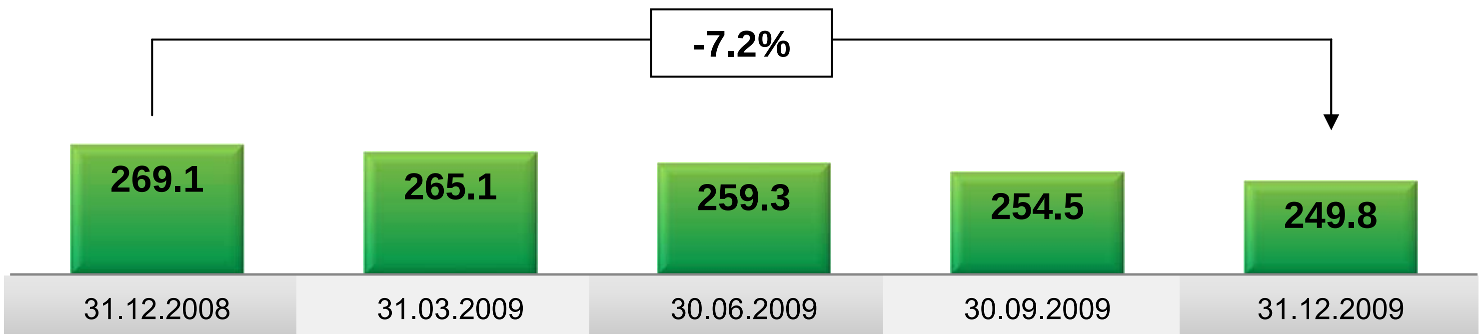
Operating Expenses, RUB bn



Actual Headcount (in thousands)



- Operating expenses increased by 3.4% for 2009 compared to 2008, with Staff costs decreasing by 3.3%, and Other operating expenses increasing by 13.5%
- Growth of Other operating expenses resulted from implementation of the Group's Strategy that includes investments into infrastructure, and from the seasonality of Group's expenses

Provision Charge for Loan Impairment

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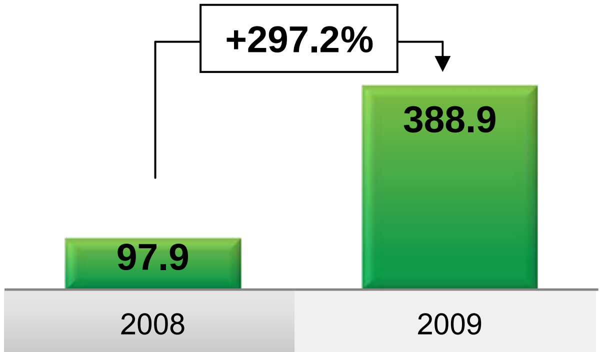
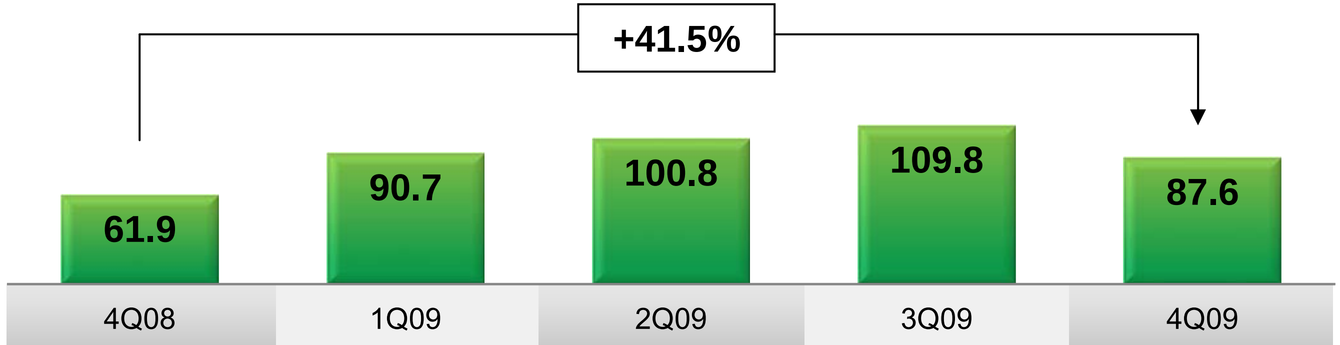
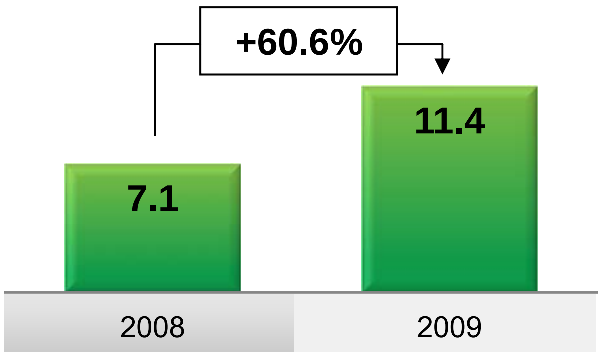
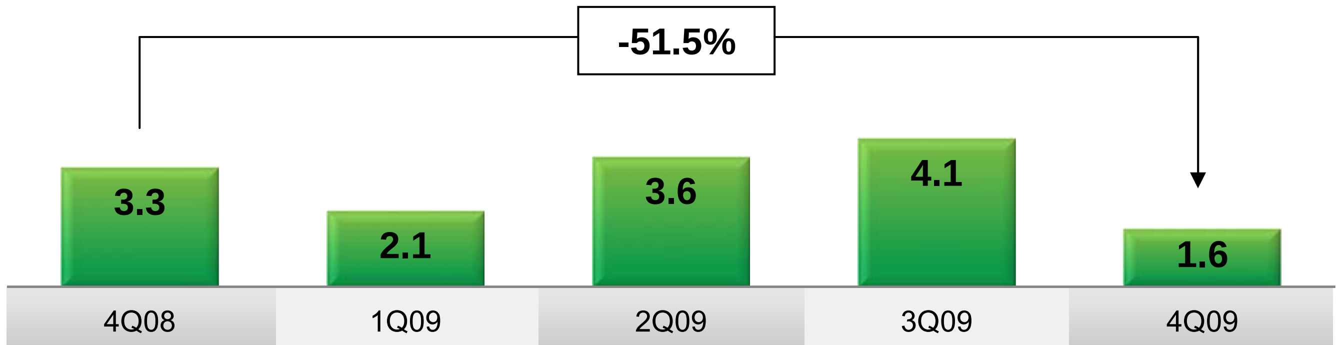
Provision Charge for Loan Impairment, RUB bn





Write-offs Against Provision for Loan Impairment, RUB bn





- In 2009, the Group continued to increase provisions for loan impairment, in line with the Group’s conservative credit risk policy

The Dynamics and Structure of Assets

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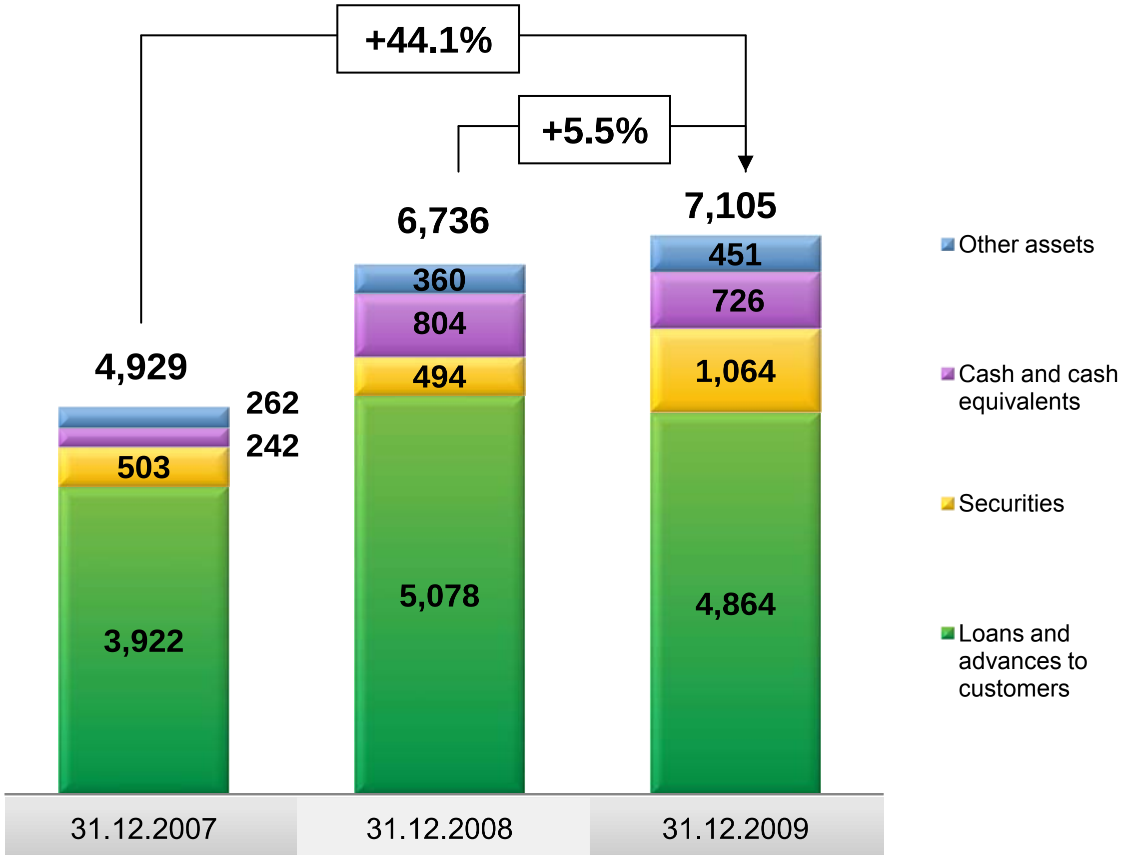
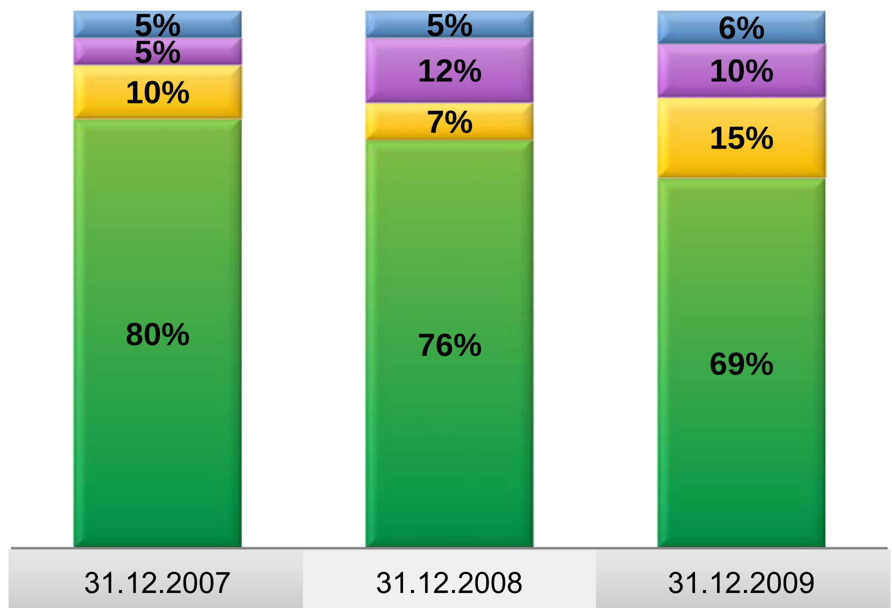
Assets, RUB bn



Assets Structure



- In 2009, the Group's assets increased by 5.5%. The asset structure changed: the proportion of loans and advances to customers in total assets decreased in 2009 from 76% to 69% while the share of securities increased from 7% to 15%
- The proportion of working assets in Total assets remained stable over 2009 at 85%

Loan Portfolio (1)

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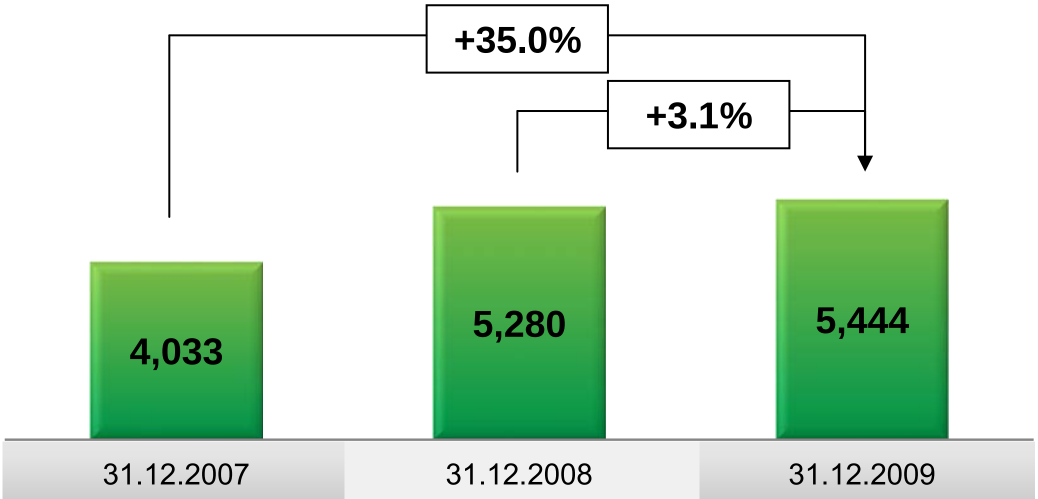
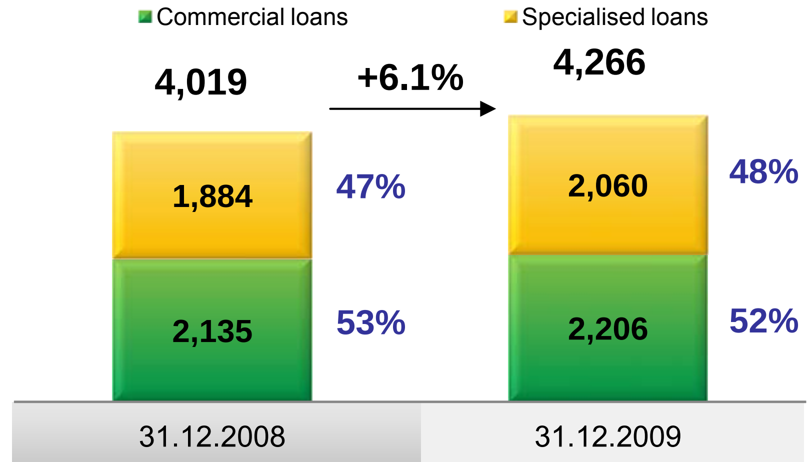
Loan Portfolio (before provision for loan impairment), RUB bn

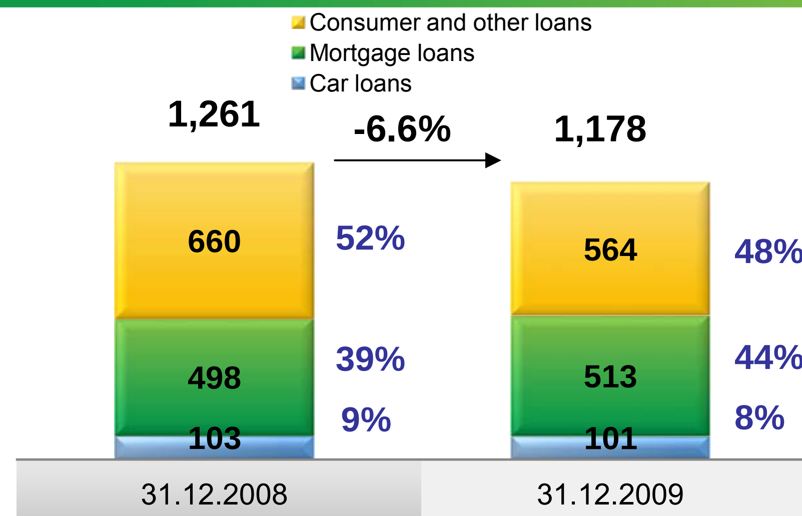


Corporate Loan Portfolio Structure, RUB bn



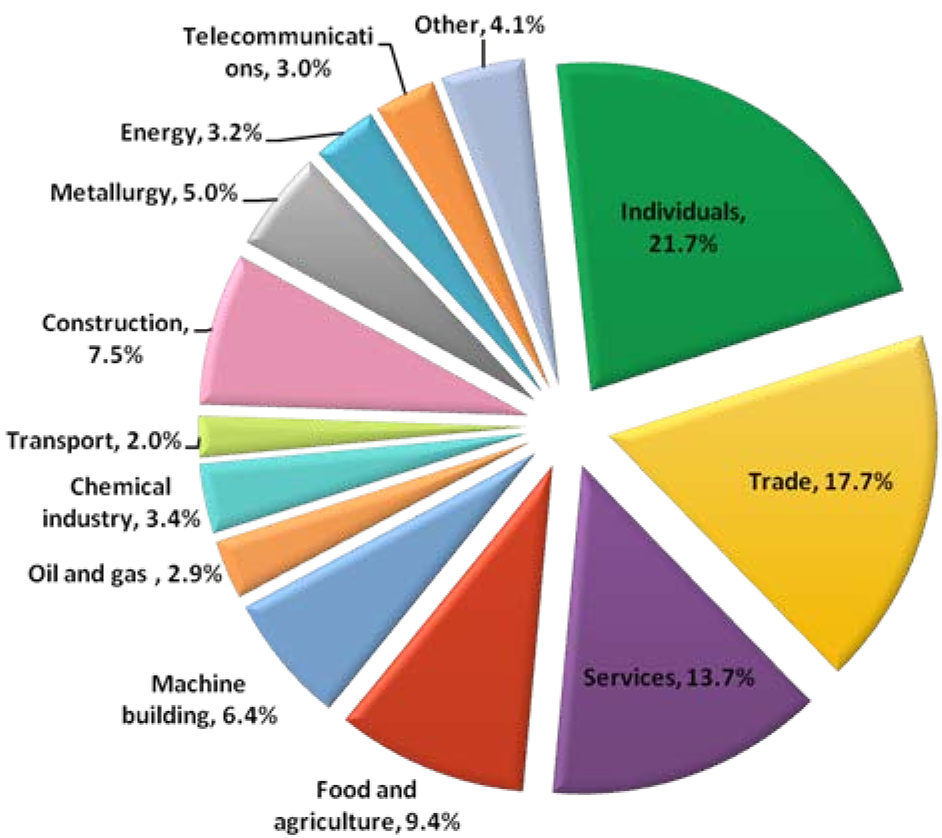
- The Group's loan portfolio grew by 3.1% during 2009
- Corporate loans grew by 6.1%, the structure of corporate loan portfolio remains stable
- Loans to individuals decreased by 6.6% due to reduction in demand for consumer loans
- Mortgage and car loans remained stable in 2009 compared to the beginning of the year

Retail Loan Portfolio Structure, RUB bn

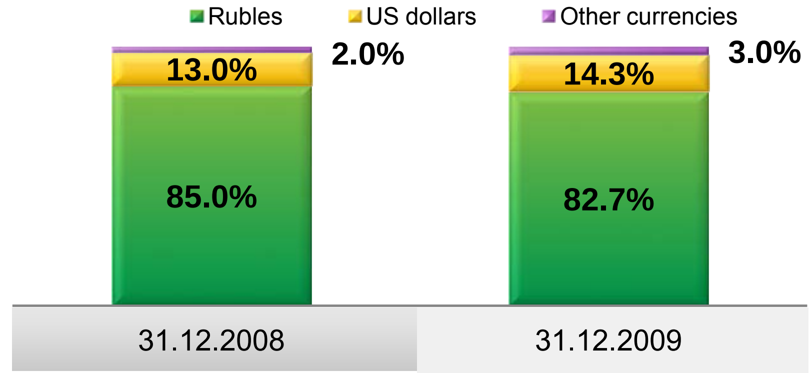


Loan Portfolio (2)

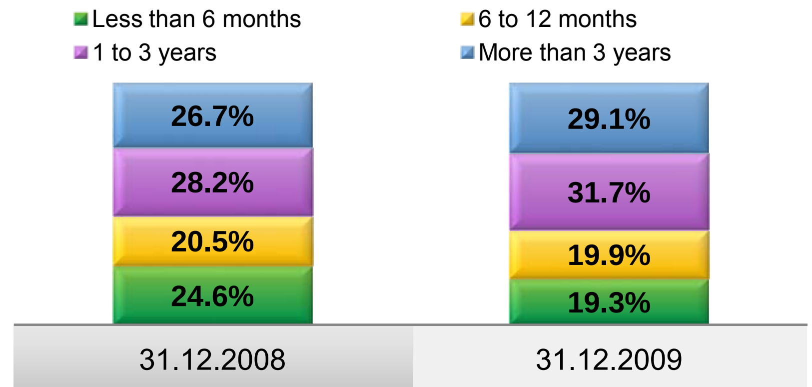
Industry Breakdown, as of 31 December 2009



Currency Breakdown



Maturity Breakdown



- The Group's loan portfolio is well diversified, with the largest industry (for corporate clients) being less than 20% of the total loan portfolio
- The proportion of ruble-denominated loans decreased by 2.3 pp in 2009
- Maturity breakdown demonstrates some extension of maturity of the Group loan portfolio in 2009

Loan Portfolio Quality

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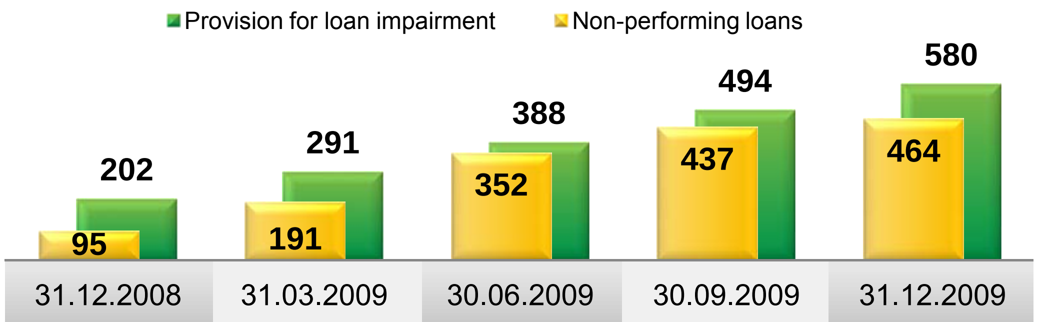
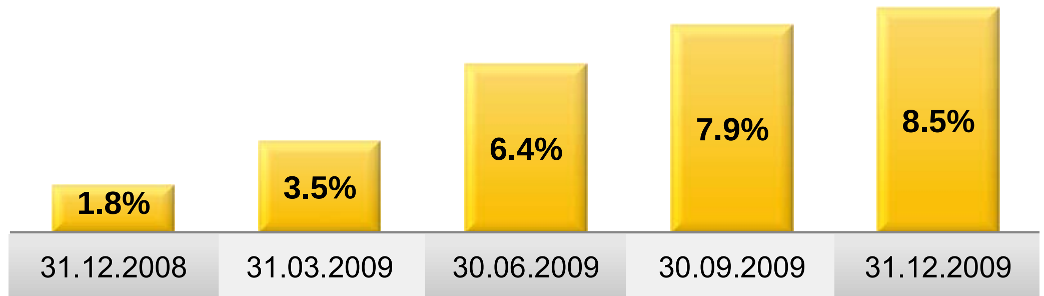
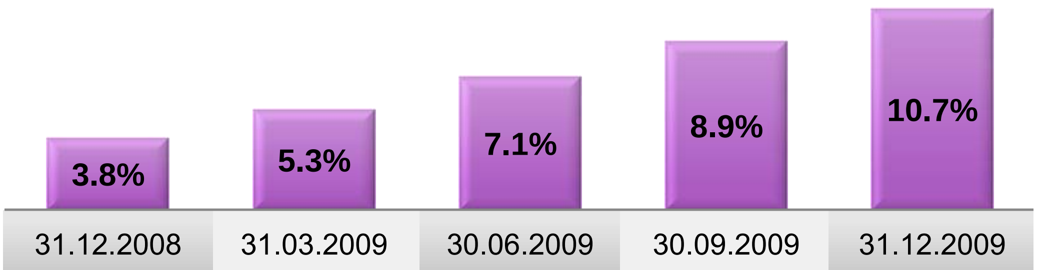
Non-Performing Loans* and Provision for Loan Impairment, RUB bn



Non-Performing Loans in Loan Portfolio, %



PLI rate (Provision for Loan Impairment 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 continued to increase in 4Q09, albeit at a slower pace than in the previous periods
- NPL coverage ratio increased slightly during 4Q09 to 1.2

Securities Portfolio

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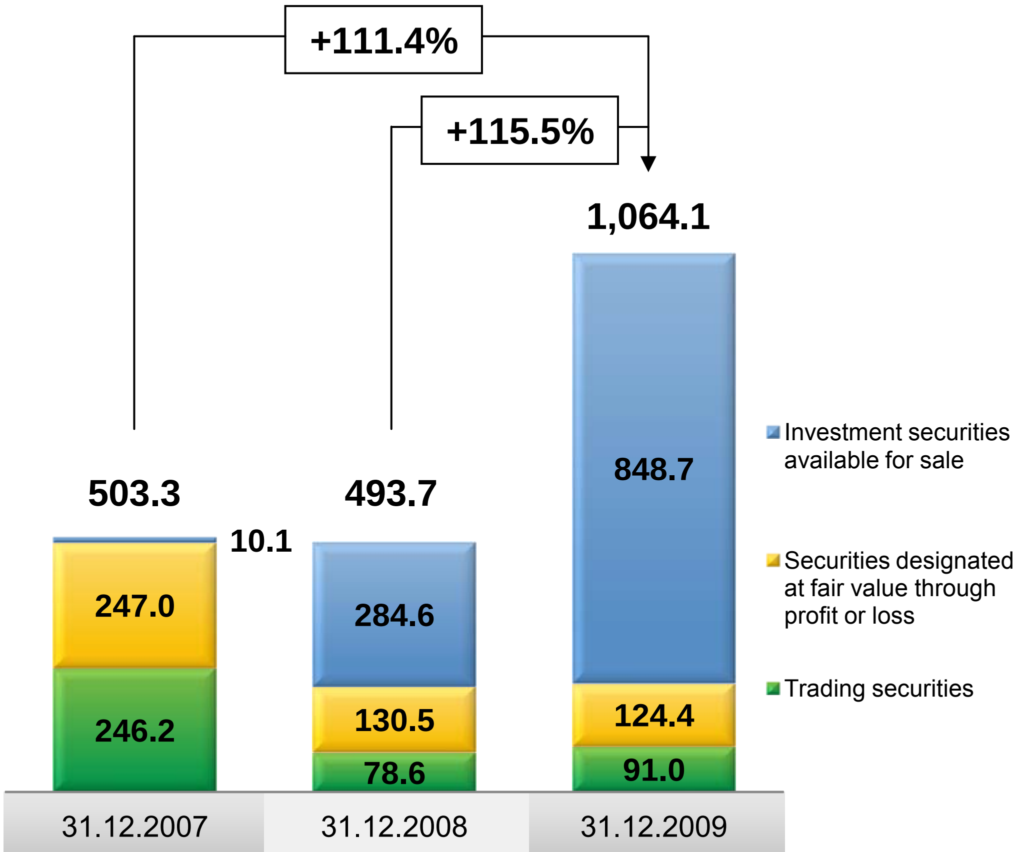
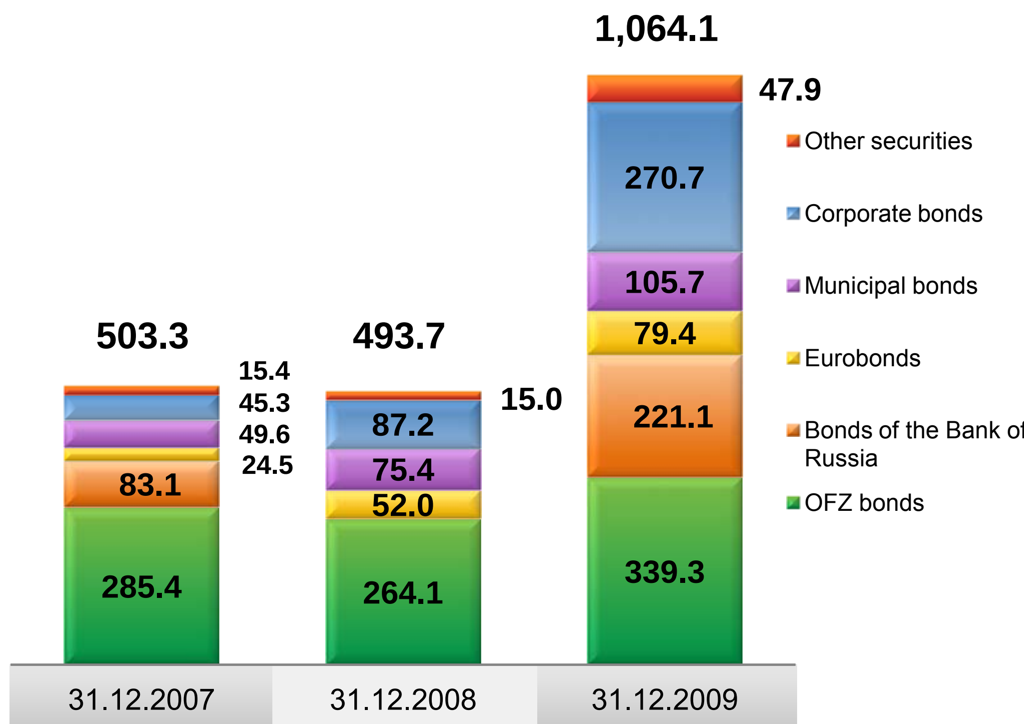
Securities by Portfolios, RUB bn



Securities by Types, RUB bn



- While OFZ portfolio increased in 2009 by 28%, other types of securities (corporate bonds, bonds of the Bank of Russia etc.) grew at a much faster pace
- Corporate bonds portfolio is regarded by the Group as an alternative to corporate lending

Dynamics and Structure of Liabilities

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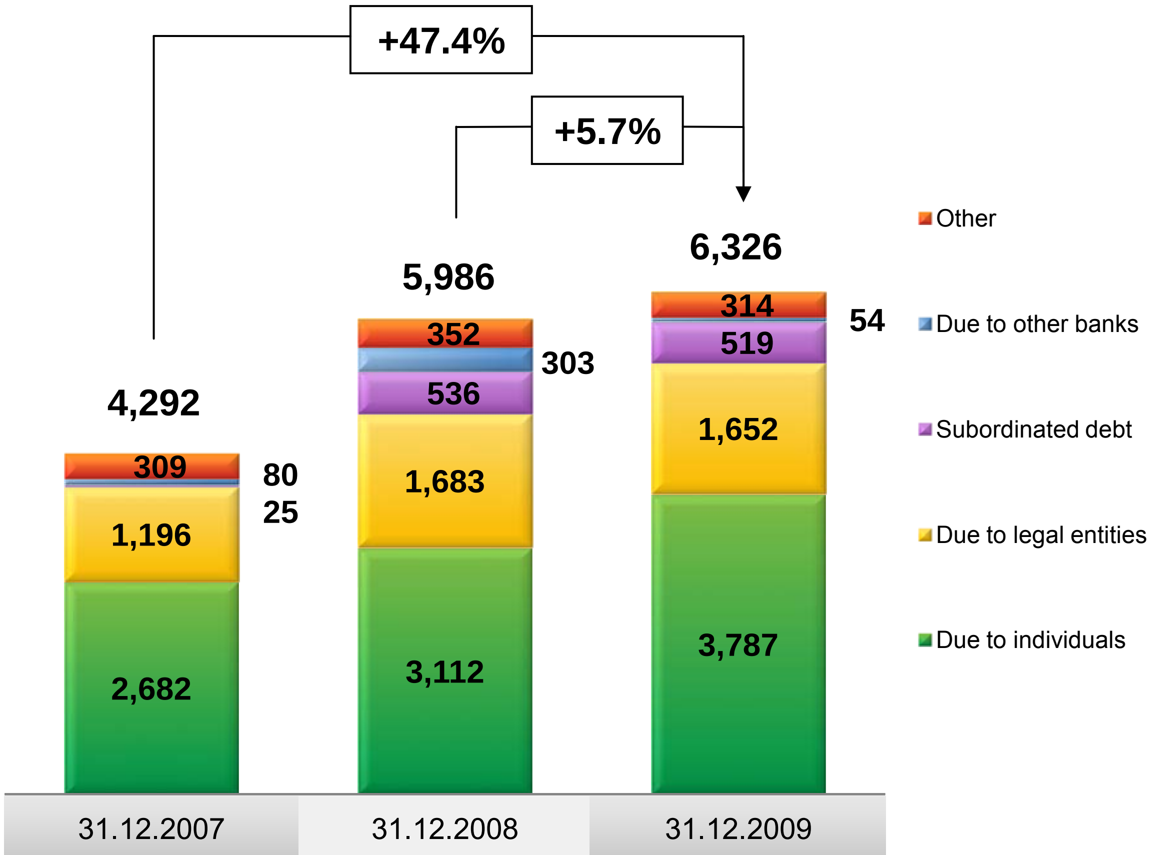
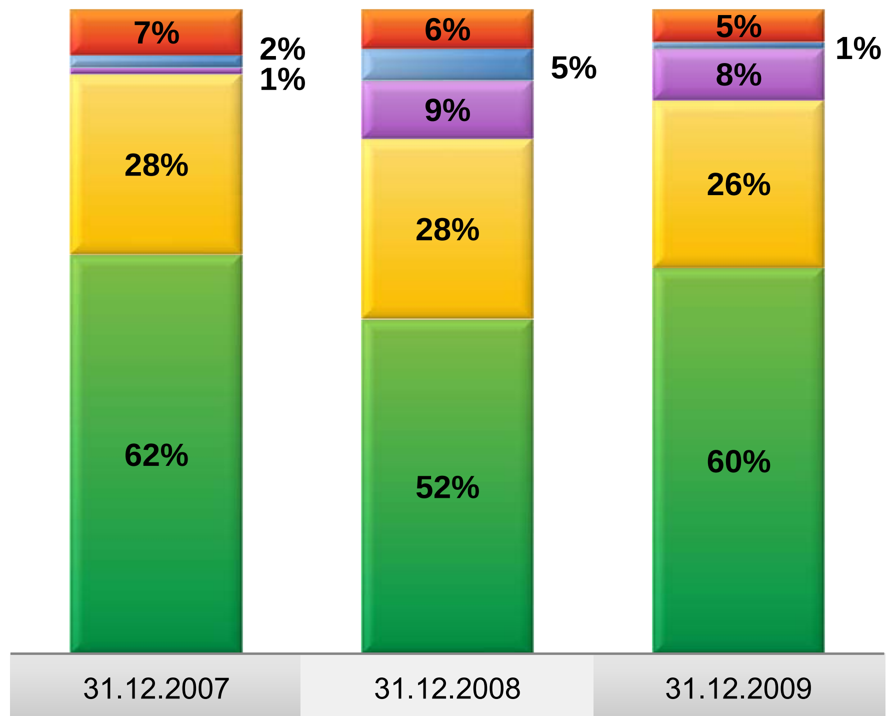
Liabilities, RUB bn



Liabilities Structure



- Retail deposits dominate the Group's source of funding. For 2009, they grew by 21.7%
- In 4Q08, the Group received a subordinated loan of RUB500 bn from CBR. As at 31 December 2009, its amortised cost was RUB504.3 bn
- As at 31 December 2009, borrowing from international capital markets amounted to RUB129.7 bn (2.1% of Total liabilities)
- Generally the Group's liabilities' structure remains stable year to year

Amounts Due to Customers

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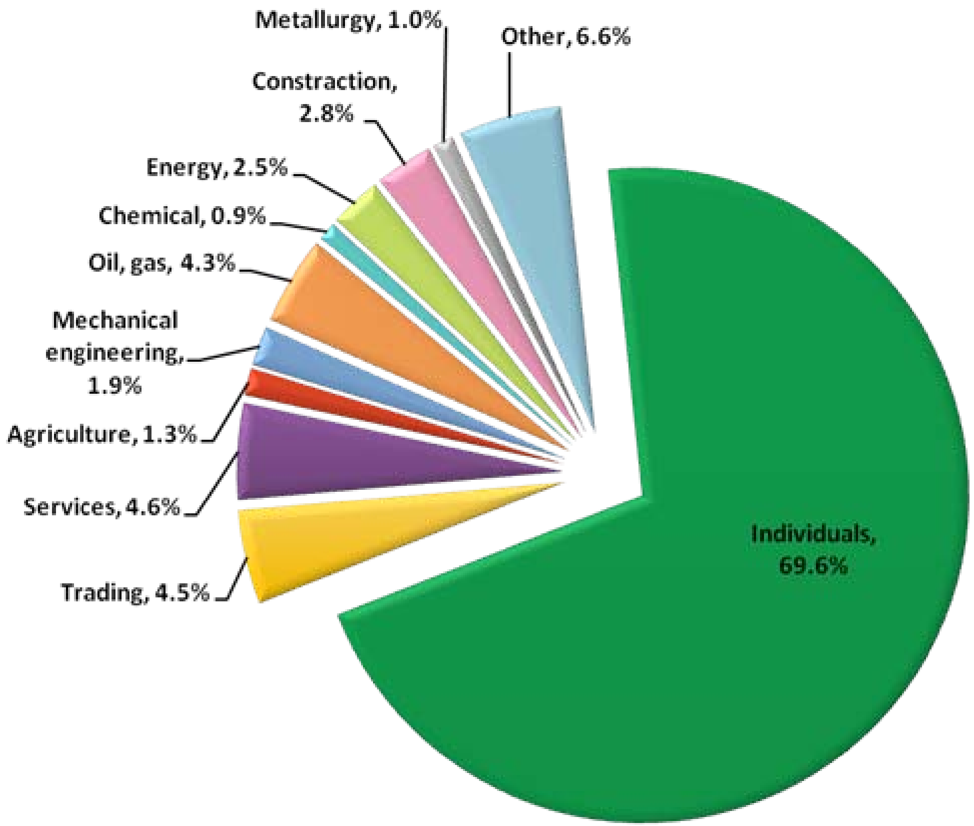
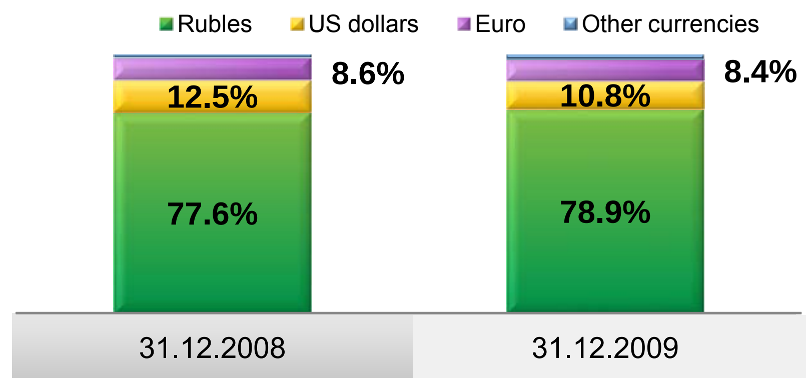
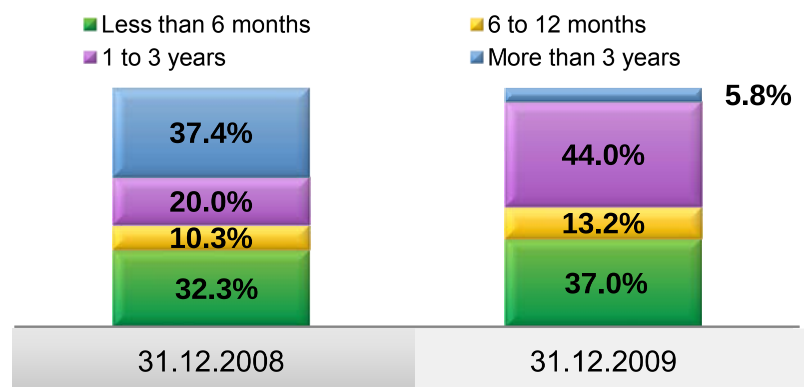
Industry Breakdown, as of 31 December 2009



Currency Breakdown



Maturity Breakdown



- Retail deposits are traditionally the core of the Group's customer deposits
- Maturity breakdown shows some reallocation between maturity baskets toward shortening of maturity profile of customer deposits. Meanwhile maturity breakdown also demonstrates stable and sufficient liquidity in the medium terms

Shareholders' Equity and Capital Adequacy

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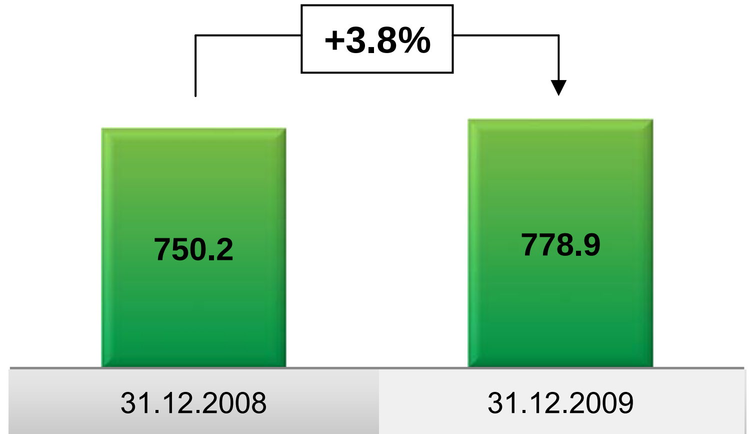
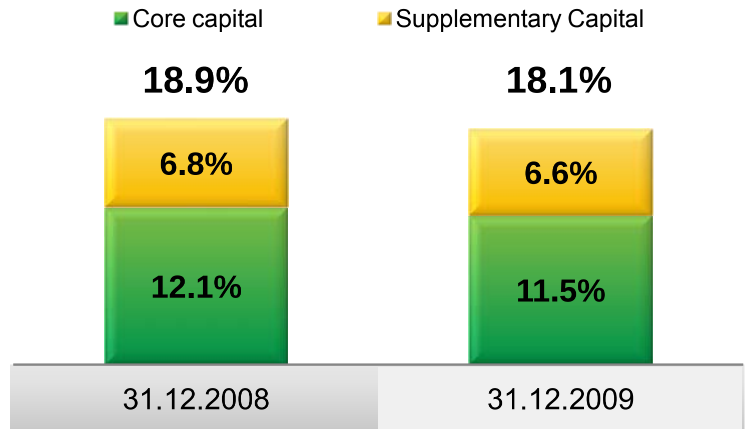
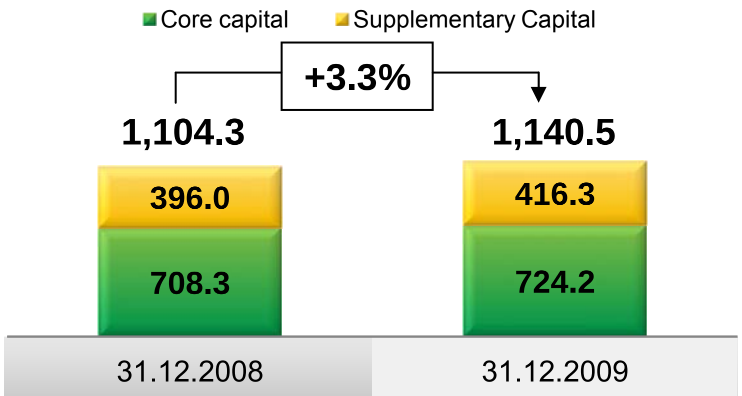
Group's Equity, RUB bn



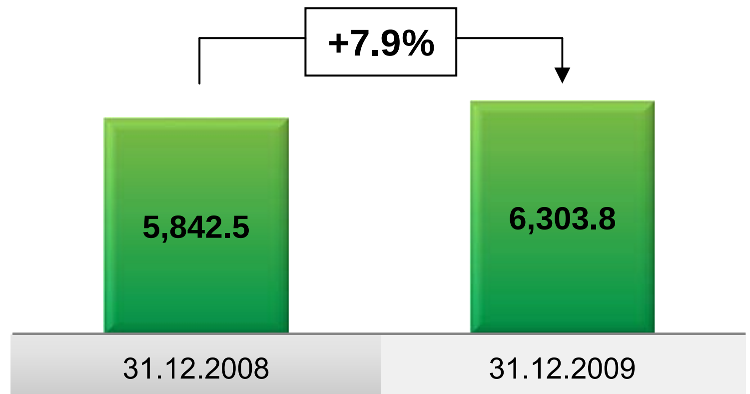
Capital Adequacy Ratio, Basel 1



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 4Q08, the Group received a subordinated loan from CBR which substantially increased supplementary capital (Tier 2) of the Group. The total capital adequacy ratio calculated according to the Basel 1 Accord, as of 31 December 2009, was 18.1%

Forward-Looking Statements

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