Sberbank publishes Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) for six months ended 30 June 2013

Sberbank (hereafter "the Group") has released its interim condensed consolidated IFRS financial statements (hereafter "the Financial Statements") as at 30 June 2013 and for six months ended 30 June 2013, with an review report by Ernst & Young Vneshaudit.

Income Statement highlights:

- **Net profit for six months ended 30 June 2013** reached RUB **174.5** bn (or RUB 7.95 per ordinary share) compared to RUB 175.3 bn (or RUB 8.05 per ordinary share) for the the same period of 2012.
- **Net interest income** increased by 25.2% in 1H 2013 to RUB **405.9** bn, compared to RUB 324.2 bn in 1H 2012. Excluding the effect of DenizBank acquisition in 3Q 2012, the Group's Net interest income increased in 1H 2013 by 16.4% year-on-year.
- **Net interest margin** for 1H 2013 declined by 20 basis points to **5.8%** as compared to 1H 2012.
- **Net fee and commission income** increased by 24.5% in 1H 2013 to RUB **97.5** bn, compared to RUB 78.3 bn in 1H 2012. Excluding the effect of DenizBank acquisition in 3Q 2012, the Group's Net fee and commission income increased in 1H 2013 by 17.2% year-on-year.
- The Group's **operating income before provision for loan impairment** increased by 22.0% to RUB **520.9** bn as compared to RUB 427.0 bn for 1H 2012 and was driven mainly by growth of net interest income, net fee and commission income and supported by DenizBank acquisition. Excluding the effect of DenizBank acquisition in 3Q 2012, the Group's operating income before provision for loan impairment increased in 1H 2013 by 12.9% year-on-year.
- **Operating expenses** increased by 19.0% year on year, slower than operating income. As a result, **Cost to Income ratio** improved to **45.8%** versus 47.0% for 1H 2012. Excluding the effect of DenizBank acquisition in 3Q 2012, the Group's operating expenses increased in 1H 2013 by 10.7% year-on-year and Cost to Income ratio would have been 46.0%.
- **Net provision charge for loan impairment** amounted to RUB **62.7** bn and was translated to Cost of risk of 110 basis points.

Statement of financial position highlights:

- As of 30 June, 2013, the Group's **total assets** reached RUB **16,142.5** bn showing a 6.9% growth compared to 2012 year end, the main driver for the growth being an increase in loans to customers.
- In 1H 2013, **loans and advances to customers** increased by 6.0% to RUB **11,134.5** bn compared to RUB 10 499.3 bn at 2012 year end.
- In 1H 2013, the proportion of **non-performing loans** in Group's total gross loans remains stable at **3.2%** compared to the 2012 year end.
- **Customer deposits** increased by 9.6% to RUB **11,155.6** bn compared to RUB 10 179.3 bn at 2012 year end.
- The **Group's Equity** increased in 1H 2013 by 5.1% to RUB **1,706.5** bn, with net profit for the period which being partly offset by a dividend payout.
- **The total capital adequacy ratio** improved by 20 basis points in 1H 2013 to **13.9%**. The core capital adequacy ratio improved by 10 basis points up to 10.5%.

Financial and Operating Review:

Interest income for 1H 2013 increased by 34.7% year-on-year to RUB 701.5 bn. The increase is attributable mostly to a significant expansion of volumes of both corporate and retail loans in 2012 and the expansion of retail lending in 1H 2013, and, to a lesser degree, to higher yields on loans.

Interest expenses for 1H 2013 increased by 50.4% year-on-year to RUB 295.6 bn. The largest component of interest expenses was related to retail deposits, which are the core source of funds for the Group. Although Sberbank started decreasing interest rates payable on retail time deposits, the cost of retail deposits increased in 1H 2013 and reached 5.6%, as customers were able to add funds to the earlier opened deposits with high interest rates. In 1H 2013, customer deposits grew at a faster pace than loans, and the Group used deposits inflow to reduce its interbank exposure.

Net interest income for 1H 2013 totaled RUB 405.9 bn, a 25.2% increase year-on-year. The increase is driven by growth of interest earning assets in 2012 and 1H 2013, primarily loans, and DenizBank acquisition. Net interest income remains the main component of the Group's operating income accounting for 77.9% of total operating income before provision charges for loan impairment.

The Group's **net fee and commission income** for 1H 2013 totaled RUB 97.5 bn, a 24.5% increase year-on-year. Income from operations with bankcards was the key driver of the growth, expanding by 55.3% year-on-year. Customer cash and settlement transactions also remained core components of fee and commission income, their share in commission income being 45.7% at 30 June 2013.

Other operating income, which includes amongst others net gains from operations with securities, foreign exchange, derivatives and precious metals and other items, comprised 3.4% of Operating income before provisions and decreased by 28.6% year-on-year. The main drivers to the decrease are: net loss from operations with securities of RUB 1.3 bn due to an overall decline of Russian securities markets, and a decrease of profit from non-banking operations by 78.0% year on year following the sale of significant non-banking operations at the end of 2012 – beginning 2013.

Total operating income before provision for loan impairment for 1H 2013 reached RUB 520.9 bn compared to RUB 427.0 bn for 1H 2012, a 22.0% increase year-on-year. The growth was driven primarily by the expansion of the Group's core banking business, as net interest income and net fee and commission income together comprised more than 96.6% of total operating income. The acquisition of DenizBank in 3Q 2012 brought a significant volume of operating income to the Group.

Net provision charge for loan impairment for 1H 2013 totaled RUB 62.7 bn compared with the release of RUB 1.1 bn worth of provisions in 1H 2012 and was translated into a 110 basis points of the cost of risk. This result represents a gradual return to a more normalized level of the cost of risk by the end of the recovery cycle.

The Group's **operating expenses** in 1H 2013 increased by 19.0% to RUB 238.8 bn. The main driver of this growth was the acquisition of DenizBank which accounts for approximately 50% of the increase. Since operating income growth outpaced the growth of operating expenses, the Group's **cost to income ratio** for 1H 2013 decreased to 45.8% versus 47.0% for 1H 2012.

The Group's **net profit** for 1H 2013 reached RUB 174.5 bn versus RUB 175.3 bn for 1H 2012, a 0.5% decrease year-on-year. As discussed above, lower net profit in 1H 2013 as compared to the same period a year ago is explained by a conservative approach towards provisioning for loan impairment.

As of 30 June 2013, the Group's **total assets** reached RUB 16,142.5 bn, a 6.9% increase since 31 December 2012.

In 1H 2013, the Group's **gross loan portfolio** before provision for loan impairment grew by 6.0% as a result of demand for loans primarily from individual clients in Russia, Turkey and CIS. Loans to corporate clients started to pick up only in the second part of 1H 2013 and grew by 4.2% to RUB 8,571.2 bn compared to 2012 year end, and loans to individuals increased by 10.9% to RUB 3,147.0 bn for the same period.

The Group's **loan portfolio quality remained stable**. The portion of non-performing loans (NPL), defined as loans for which payment of principal and/or interest is overdue by more than 90 days, in the total loan portfolio (the NPL ratio) remains stable at 3.2% as at 30 June 2013 compared to the figure at the beginning of 2013. As at 30 June 2013, the NPL coverage ratio (total provisions for loan impairment

to non-performing loans) stayed unchanged at 1.6 times. Provisions for loan impairment increased in 1H 2013 by 3.1% reaching RUB 583.7 bn. As of 30 June 2013, the proportion of provisions for loan impairment to total gross loans was 5.0% compared with 5.1% at the beginning of the year.

As at 30 June 2013, the Group's **total liabilities** amounted to RUB 14,436.0 bn, a 7.1% increase since 31 December 2012. Retail deposits, totaling RUB 7,467.9 bn as at 30 June 2013, increased by 6.9% since 31 December 2012 and remain the core source of the Group's funding, accounting for 51.7% of the Group's total liabilities. Corporate deposits also increased during the discussed period and amounted to RUB 3,687.7 bn as at 30 June 2013 showing a 15.4% growth, while their share in total liabilities was 25.5%. During 1H 2013 client deposits grew at a faster pace than the loan portfolio which resulted in a decrease of the loan to deposit ratio to 97.1% at 30 June 2013 (31 December 2012: 100.9%).

As at 30 June 2013, the Group's **amounts due to banks** totaled 999.4 bn, a 31.2% decrease since the beginning of 2013. The main driver of the decrease was faster growth of customer deposits compared to the expansion of the Group's assets.

The Group's **equity** amounted to RUB 1,706.5 bn as at 30 June 2013, a 5.1% increase for 1H 2013. As at 30 June 2013, the Group's total capital adequacy ratio (Tier 1 and Tier 2) as per Basel 1 was 13.9%, well above the 8% minimum requirement, and the Tier 1 ratio was 10.5%. The increase in capital adequacy ratio since the beginning of 2013 was primarily driven by a slowdown in RWA growth as compared to increase in capital.

Sberbank Group's Financial Highlights for the six months ended 30 June 2013