

General trends

Sberbank (hereafter "the Group") net profit for 2015 under IFRS financial statements decreased by 23.2% compared to FY2014 and came at RUB 222.9 bln. The Group net operating income before provision for loan impairment for the year increased by 9.9% and reached RUB 1,429.8 bln mainly driven by net fee and commission income from banking business and net gains arising from financial markets operations.

Operating expenses growth slowed down in 2015 compared to previous year and increased by 10.3% to RUB 623.4 bln, whereas inflation for the same period amounted to 12.9%. The Group's net provision charge for debt instruments impairment for 2015 totalled RUB 475.2 bln compared to RUB 361.4 bln in 2014. The main drivers of the higher risk charge in 2015 were attributable to the FX effect of provisions for foreign currency loan additional provisions for Ukrainian borrowers due to deterioration of the Ukrainian economy and general deterioration of the Group loan book due to recession in the Russian economy.

Factor analysis of changes in net interest income

	Year		Change, %
	2014	2015	
Net profit, RUB bln	290.3	222.9	-23.2
Operating income before provisions, RUB bln	1,300.7	1,429.8	9.9
Operating expenses, RUB bln	-565.1	-623.4	10.3
Net provision charge for debt instruments impairment, RUB bln	-361.4	-475.2	31.5
Provision charge for loan impairment, RUB bln	-357.0	-473.1	32.2

Net interest income

The Group's interest income increased in 2015 by 24% to RUB 2,279.6 bln. The main driver for interest income growth was increase of corporate loan book.

The Group's interest income in 2014-2015

	Year		Change, %
	2014	2015	
Interest income, RUB bln	1,837.9	2,279.6	24.1

Factor analysis of changes in interest income, RUB bln

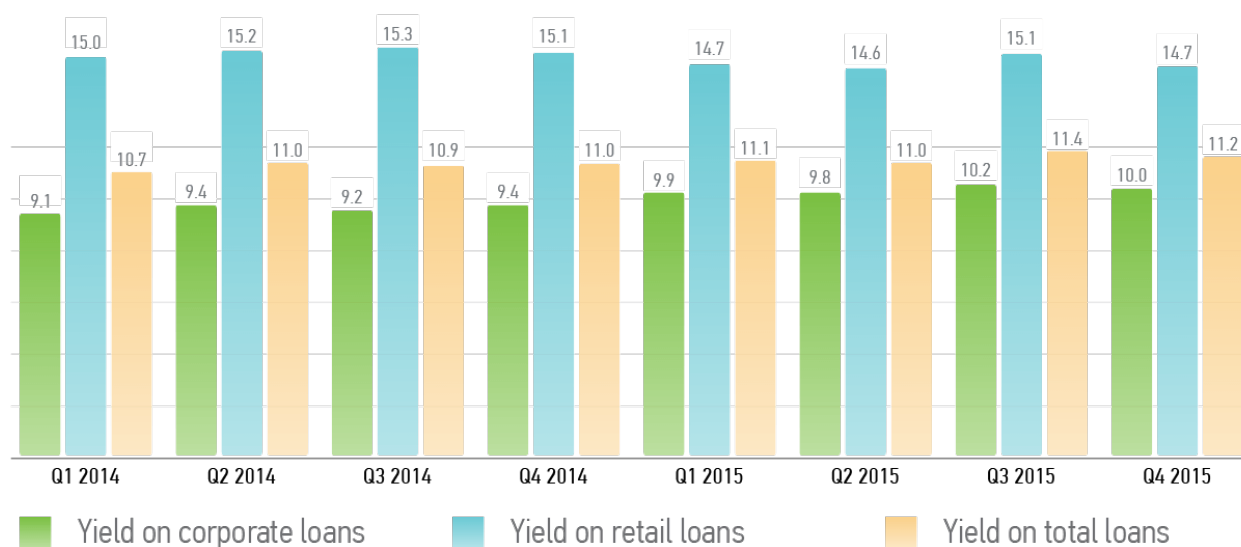
	Changes in volume	Changes in rates	Change in interest income/expense
Assets			
Loans to corporate customers	250.70	89.50	340.20
Loans to individuals	93.00	(16.90)	76.10
Due from other banks	21.30	(14.70)	6.60
Debt securities	12.90	5.90	18.80
Change in interest income	377.90	63.80	441.70

Due to individuals	(72.10)	(140.50)	(212.60)
Due to corporate customers	(90.60)	(63.50)	(154.10)
Subordinated debt	(10.30)	(0.80)	(11.10)
Other borrowed funds	2.80	(2.80)	–
Debt securities in issue	(17.90)	(20.90)	(38.80)
Due to banks	20.40	(77.20)	(56.80)
Change in interest expenses	(167.70)	(305.70)	(473.40)
Change in net interest income/expense	210.20	(241.90)	(31.70)

Factor analysis of changes in interest income

	2014			2015		
	Average amount for the period	Interest income	Average yield, %	Average amount for the period	Interest income	Average yield, %
Loans to corporate customers	11,089.90	1,031.10	9.3	13,786.30	1,371.30	9.9
Loans to individuals	4,214.70	637.60	15.1	4,829.30	713.70	14.8
Due from other banks	750.80	19.20	2.6	1,583.50	25.80	1.6
Debt securities	2,118.10	150.00	7.1	2,300.00	168.80	7.3
Total	18,173.50	1,837.90	10.1	22,499.10	2,279.60	10.1
Provision for loan impairment of debt financial assets						
Other assets	20,221.10			25,027.10		
Total assets						

Quarterly loan yields, %



The Group's interest expenses in 2014-2015

	Year		Change, %
	2014	2015	
Interest expenses (including expenses related to insurance), RUB bln	-818.2	-1,291.6	57.9

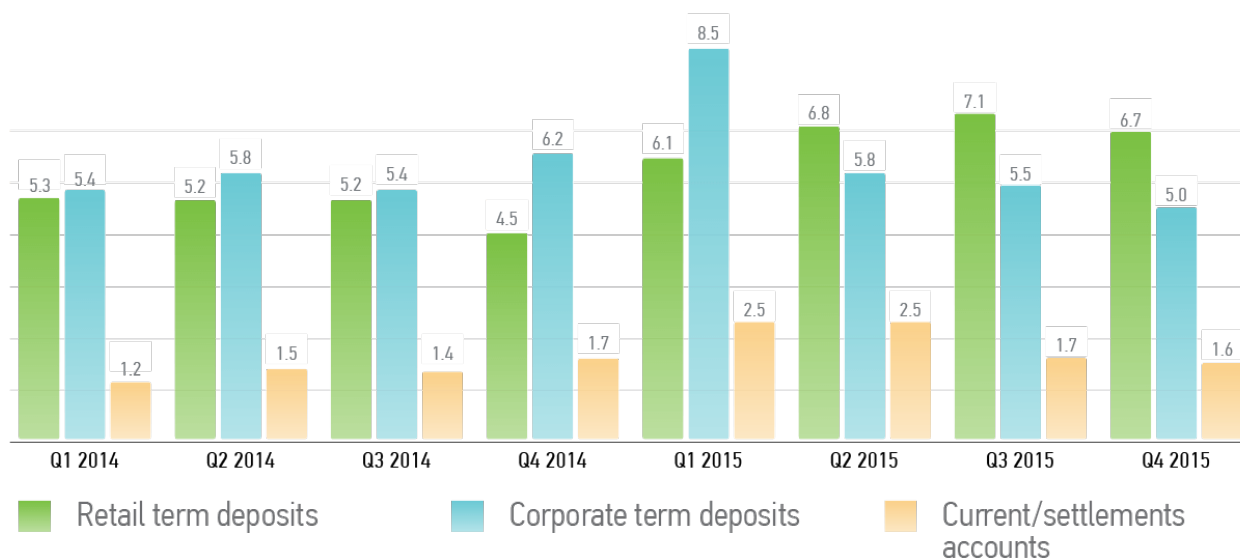
Interest expenses increased in 2015 by 57.9% relative to 2014 and totalled RUB 1,291.6 bln. Retail deposits remain key source of funding for the Group and comprise 44.4% of total interest expenses. Retail and corporate deposits were the main drivers for interest expenses growth. Increase of retail and corporate deposits volume and cost contributed to 44.9% and 32.6% growth of interest expenses respectively in 2015. Substantial increase of interest expenses on retail deposits was driven by significant growth of cost of funding in 2015 where interest rates increase stood for 66.1% of total retail funding interest expenses growth.

Factor analysis of changes in interest expense

	2014			2015		
	Average amount for the year	Interest expenses	Average cost, %	Average amount for the year	Interest expenses	Average cost, %
Due to individuals	8,558.20	(360.70)	-4.2	10,268.70	(573.30)	-5.6
Due to corporate customers	4,489.50	(189.20)	-4.2	6,639.60	(343.30)	-5.2
Subordinated debt	614.50	(35.90)	-5.8	791.50	(47.00)	-5.9
Other borrowed funds	552.50	(12.80)	-2.3	431.80	(12.80)	-3.0
Debt securities in issue	993.40	(52.70)	-5.3	1,330.00	(91.50)	-6.9
Due to banks	2,390.90	(166.90)	-7.0	2,098.70	(223.70)	-10.6
Total	17,599.00	(818.20)	-4.6	21,560.30	(1 291.60)	-6.0
Other liabilities	660.6			1,291.1		
Total liabilities	18,259.6			22,851.4		

Cost of retail term deposits was growing for three consequent quarters starting from 1Q 2015. Rate decrease was demonstrated only in 4Q 2015 relative to 3Q 2015. As a result cost of retail term deposits increased from 4.5% in 4Q 2014 to 6.7% in 4Q 2015. As for cost of corporate deposit sharp increase in cost of corporate funding in 1Q 2015 was followed by strong decrease in 2Q 2015 with the downward trend persisting until the end of 2015. As a result cost of corporate deposits fell to 5.0% in 4Q 2015 from 6.2% in 4Q 2014 and 8.5% in 1Q 2015. Compound effect from these factors led to increase of interest expenses on corporate deposits by RUB 63.5 bln on the back of interest rate increase.

Quarterly cost of interest-bearing liabilities, %

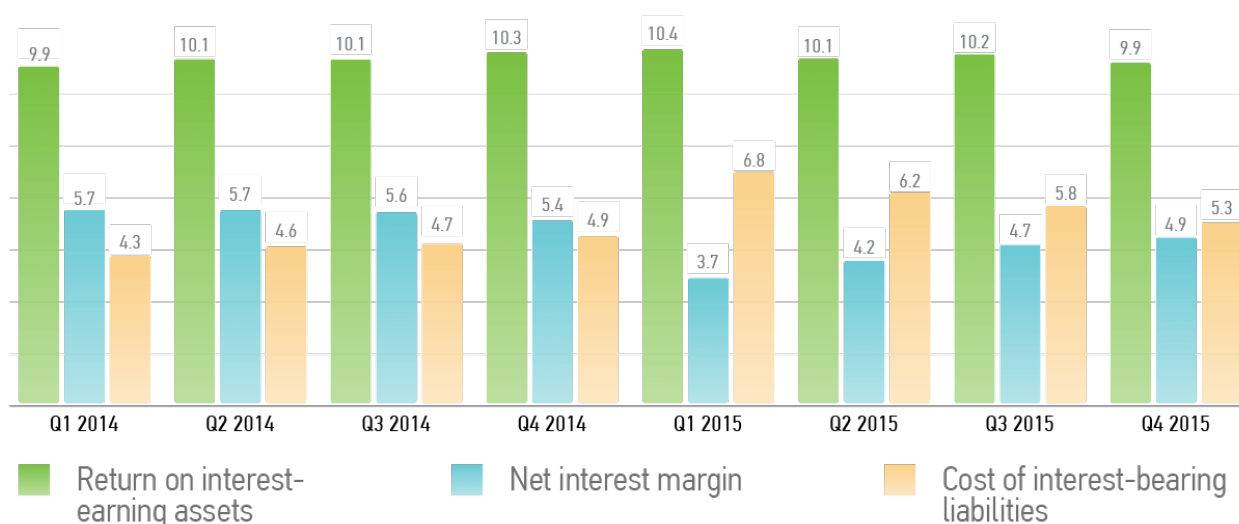


The Group's net interest margin decreased by 1.2 p.p. in 2015 and reached 4.4%. Net interest margin decrease was driven by accelerated growth of cost of funding in the first half of 2015 that was not offset by corresponding increase of interest income. The biggest drop in net interest margin took place in 1Q 2015. In the consequent quarters net interest margin was recovering on the back of gradual decrease of cost of funding relative to the beginning of the year.

The following factors affected net interest margin in 2015

2014 net interest margin	5.6%
Return on corporate loans	0.4%
Return on retail loans	-0.1%
Return on amounts due from other banks	-0.1%
Return on securities	0.0%
Structure of interest earning assets	-0.3%
Cost of amounts due to corporate customers	-0.3%
Cost of amounts due to individuals	-0.6%
Cost of amounts due to other banks	-0.3%
Cost of issued securities and subordinated debt	-0.1%
Structure of interest-bearing liabilities	0.1%
Ratio of interest-earning assets to interest-bearing liabilities	0.1%
2015 net interest margin	4.4%

Quarterly interest margin, %



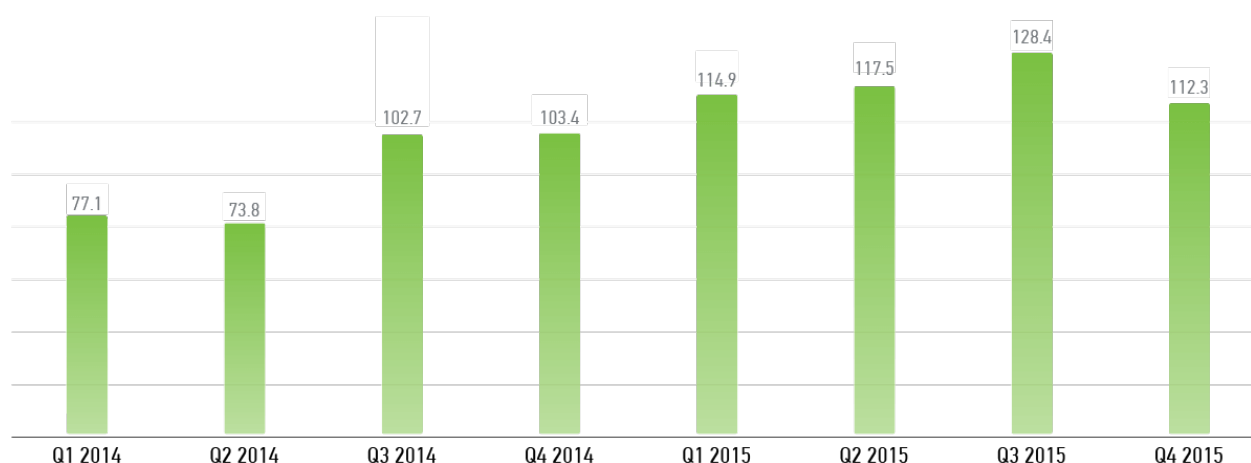
Fee and commission income and expense

In 2015 net fee and commission income of the Group increased by 23.1% and reached RUB 319.0 bln. Main contributors to net fee and commission income growth were fees for cash and settlement transactions with individuals and legal entities that amounted to RUB 294.8 bln growing by 25.9% in a year. Fees from operations with foreign currencies and precious metals as well as documentary and agent commissions demonstrated marginal growth in 2015.

Fee and commission income and expense

RUB bln	Year			
	2014	2015	Change	Change, %
Cash and settlements transactions with legal entities	165.2	205.0	39.8	24.1
Cash and settlements transactions with individuals	68.9	89.8	20.9	30.3
Operations with foreign currencies and precious metals	33.2	40.1	6.9	20.8
Documentary commissions	18.6	23.1	4.5	24.2
Agent commissions	4.3	8.4	4.1	95.3
Cash collection	6.5	7.1	0.6	9.1
Operations on financial markets on behalf of clients and investment banking operations	4.6	5.0	0.4	8.7
Other	5.1	5.6	0.5	9.8
Fee and commission expense on settlement transactions	(43.3)	(60.2)	(16.9)	39.0
Other and commission expense	(3.9)	(4.9)	(1.0)	25.3
Net fee and commission income	259.2	319.0	59.8	23.1

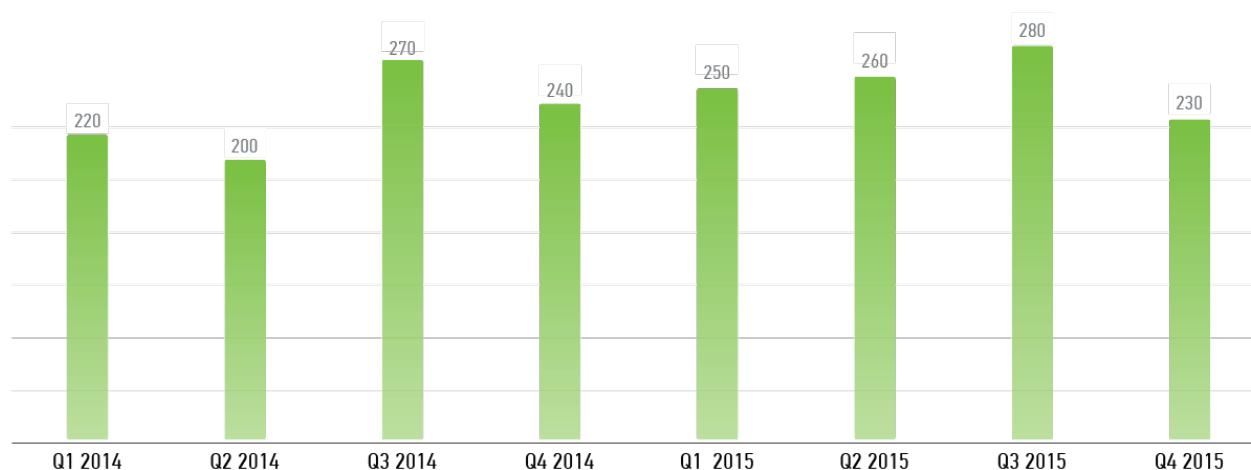
Quarterly provision charge for loan impairment



The Group's net provision charge for loan impairment for 2015 totalled RUB 473.1 bln compared to RUB 357.0 bln in 2014. The main drivers of the higher risk charge in 2015 were attributable to the FX effect of provisions for foreign currency loans, additional provisions for Ukrainian borrowers due to deterioration of the Ukrainian economy and general deterioration of the Group loan book due to recession in the Russian economy.

This level of provision charge corresponds to 250 basis points of annualised cost of risk (230 bp in 2014). Cost of risk for corporate portfolio increased by 40 basis points versus previous year reaching 270 basis points. Cost of risk for retail portfolio increased by 30 basis points relative to previous year reaching 210 basis points in 2015. In 4Q 2015 deterioration of retail portfolio started to slow down with cost of risk for retail loans decreasing by 162 basis points relative to the previous quarter of 2015 to 50 basis points.

Quarterly credit risk cost



Other operating income

Other operating income that includes net gains / (losses) arising from trading securities, derivatives, foreign currencies as well as revenues from insurance and pension fund operations totalled RUB 122.8 bln in 2015 relative to RUB 21.8 bln in 2014. Increase of other operating income was driven by growth of revenues from trading securities, foreign currencies and foreign currency derivatives.

Operating expenses

In 2015 the growth of operating expenses was 10.3%. The most significant increase in absolute numbers was in staff costs (RUB 27.2 bln) which are the main component of the operating expenses. However the cost to income ratio remained almost flat and grew only by 0.2 pp to 43.6% as of 31 December 2015.

Operating expenses

RUB bln	Year			
	2014	2015	Change	Change, %
Staff costs	318.8	346.0	27.2	8.5

Depreciation of premises and equipment	58.7	60.2	1.5	2.0
Repairs and maintenance of premises and equipment	36.3	39.9	3.6	9.0
Administrative expenses	35.3	38.3	3.0	8.0
Taxes other than on income	29.7	36.0	6.3	21.0
Operating lease expenses	22.9	28.1	5.2	22.0
Telecommunication expenses	18.8	27.1	8.3	44.0
Amortisation of intangible assets	15.0	20.6	5.6	37.0
Consulting and assurance services	11.2	10.5	(0.7)	-6.0
Advertising and marketing services	9.6	7.3	(2.3)	-24.0
Other	8.8	9.4	0.6	6.0
Total operating expenses	565.1	623.4	58.3	10.0