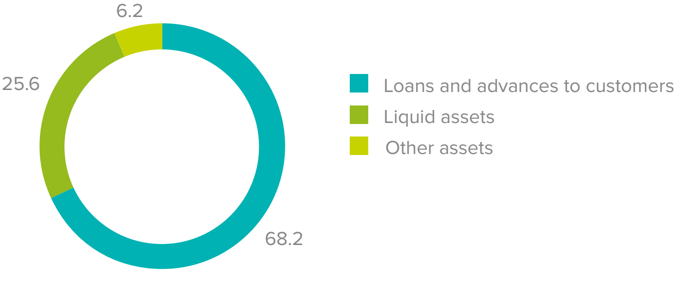
Analysis of the assets structure of Sberbank Group under IFRS

General trends

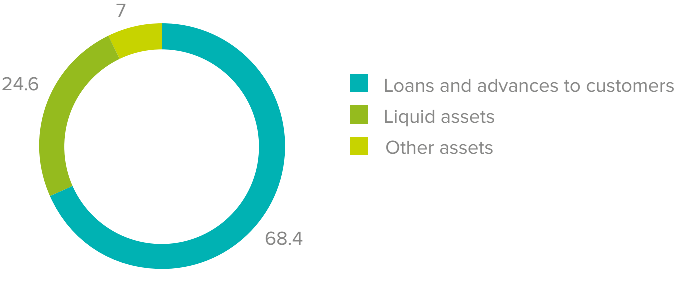
In 2017, the Group's assets increased by 6.9% – to RUB 27.1 trillion. Loans and advances to customers remain the largest category of assets: their share at the end of 2017 amounted to 68.2% of total assets. The proportion of liquid assets, including cash and cash equivalents, due from banks, securities portfolio comprised 25.6%. In 2017, the securities portfolio increased by 21.0% to RUB 3.3 trillion. The portfolio is almost totally comprised of bonds and is used primarily for liquidity management.

In 2017, the securities portfolio increased by 21.0% to RUB 3.3 trillion. The portfolio is almost totally comprised of bonds and is used primarily for liquidity management.

Liquid and other assets breakdown in 2017, %



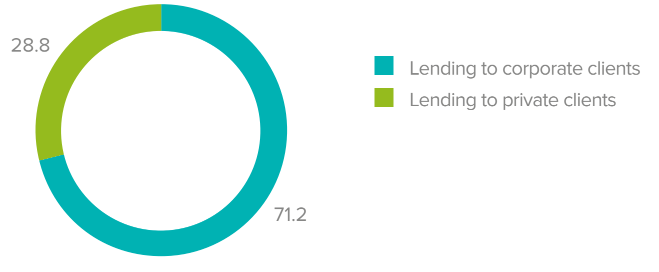
Liquid and other assets breakdown in 2016, %



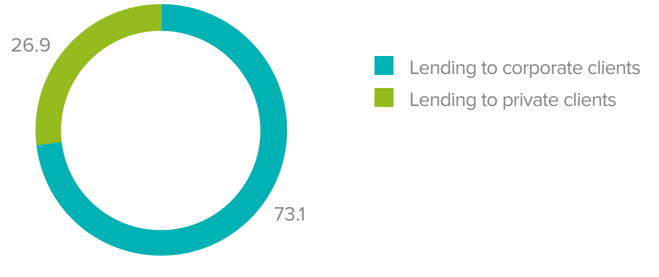
Loans and advances to customers

The total loan portfolio of the Group before provision for loan impairment increased by 6.6% y-o-y to RUB 19.9 trillion. Corporate loans increased by 4.0% in 2017. Their share in the total loan portfolio slightly decreased in 2017 compared to 2016 and amounted to 71.2% (2016: 73.1%), mainly due to increase of the share of mortgage loans in the total loan portfolio (16.1% compared to 14.8% for the previous year).

Loans and advances to customers in 2017, %



Loans and advances to customers in 2016, %



Retail loan portfolio grew by 13.6% in 2017 y-o-y and comprised RUB 5.7 trillion. The driver of growth in the retail lending was mortage loans, which grew by 16.0% in 2017. In 2017, the share of mortage loans slightly increased and continued to remain the main component of the retail loan portfolio: 55.8% against 54.7% in 2016. Sberbank's domestic market share in mortgage loans reached 55.6%. The increase in mortgage loans was supported by other classes of retail loans. Thus, credit cards and overdrafts grew by 15.7%, consumer and other loans to individuals showed growth of 9.6% in 2017.

Structure of the credit portfolio of the Group

	2016		2017	
	RUB bln	% of total	RUB bln	% of total
Commercial loans to legal entities	9,916.0	53.2	10,468.1	52.6
Specialized loans to legal entities	3,717.0	19.9	3,706.5	18.6
Mortgage loans to individuals	2,750.9	14.8	3,190.6	16.1
Consumer and other loans to individuals	1 574.1	8.4	1,725.9	8.7
Credit cards and overdrafts	586.9	3.1	678.9	3.4
Car loans to individuals	119.8	0.6	121.2	0.6
Total loans and advances to customers before provision for loan impairment	18,664.7	100	19,891.2	100.0

Quality of the loan portfolio

The provision coverage level of the total loan portfolio before provision for loan impairment comprised 7.1% as at the end of 2017, remaining almost unchanged compared to 2016 (7.0%). In 2017, the proportion of NPL90+ (non-performing loans with interest payments and/or principal overdue more than 90 days) in the Group's total loan portfolio decreased from 4.4% to 4.2%. At the same time, the provision coverage of non-performing loans (NPLs) in 2017 increased to 1,7 times as at the end of 2017 compared to 1,6 times as at the end of 2016.

Restructured loans before provision for loan impairment decreased by 2.2% compared to 2016; its share in the total loan portfolio comprised 5.9% as at December 31, 2017 (6.5% as at December 31, 2016). The provision coverage of non-performing loans (NPLs) combined with restructured non-NPLs increased to 83.1% as at December 31, 2017, compared to 74.6% as at December 31, 2016.

Securities portfolio

The Group's securities portfolio is represented mainly by debt instruments (97.1%) and is used primarily for liquidity management. Russian federal loan bonds (OFZ bonds) are the main component of the Group's securities portfolio with the share of 41.2%, which grew by 3.7 p.p. compared to 2016. The proportion of corporate bonds in the portfolio structure comprised 34.4% as at the year-end 2017 with 0.8 p.p. increase y-o-y.

The share of corporate bonds with investment rating comprised 32.1% in the Group's total portfolio of corporate bonds (as at the end of 2016 – 27.1%). The share of securities pledged under repurchase agreements increased from 4.2% to 7.9% in 2017.

Structure of the securities portfolio of the Group

	2016		2017	
	RUB bln	% of total	RUB bln	% of total
Russian federal loan bonds (OFZ bonds)	1,019.1	37.5	1,355.2	41.2
Corporate bonds	913.9	33.6	1,132.6	34.4
Foreign government and municipal bonds	348.6	12.8	292.8	8.9
Russian Federation Eurobonds	273.6	10.1	235.1	7.2
Russian municipal and subfederal bonds	78.7	2.9	122.1	3.7
Mortgage-backed securities	0.0	n.a.	45.6	1.4
Bonds of the Bank of Russia	0.0	n.a.	10.2	0.3
Promissory notes	0.4	0.0	1.4	0.0
Total debt securities	**2,634.3**	**96.9**	**3,195.0**	**97.1**
Corporate shares	71.0	2.7	83.1	2.6
Investments in mutual funds	12.2	0.4	11.3	0.3
Total securities	**2,717.5**	**100.0**	**3,289.4**	**100.0**

Credit rating debt securities portfolio breakdown

	2016		2017	
	RUB bln	% of total	RUB bln	% of total
Investment rating	1,533.5	58.2	1,956.4	61.2
Speculative rating	1,051.7	39.9	1,128.1	35.3
Not rated	49.1	1.9	110.5	3.5
Total debt securities	**2,634.3**	**100.0**	**3,195.0**	**100.0**