VALUATION REPORT

FOR THE PURPOSE OF ARTICLE 20(5)(A) OF REGULATION (EU) NO 806/2014

INFORMING THE DETERMINATION OF WHETHER THE CONDITIONS FOR RESOLUTION OR THE CONDITIONS FOR THE WRITE DOWN OR CONVERSION OF CAPITAL INSTRUMENTS ARE MET ("VALUATION 1")

Sberbank banka d.d. (Slovenia)

27 February 2022

Single Resolution Board

srb.europa.eu

Table of contents

1. Scope and Information basis

1.1. Scope of the Valuation

This Valuation Report summarises the results of the provisional valuation 1, which has been performed by the Single Resolution Board in line with Article 20 of Regulation (EU) No 806/2014 ("SRMR") for the purpose of informing the determination of whether Sberbank banka d.d. ("SBSI") meets the conditions for resolution or the conditions for the write down or conversion of capital instruments pursuant to Article 20(5)(a) of the SRMR ("Valuation 1"). In particular, the report should support the determination of whether SBSI is *failing or likely to fail* pursuant to Article 18(1)(a) of SRMR. It should be noted that the valuation described in this report addresses the circumstances of Article 18(4)(a)(d) of SRMR leading to the decision that an institution is *failing or likely to fail*:

a) the institution infringes or there are objective elements to support a determination that the institution will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the competent authority including but not limited to because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;

b) the assets of the institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;

c) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due;

d) Extraordinary public support is required.

The Valuation Report has been drafted taking into account Chapter II of the Commission Delegated Regulation (EU) on valuation ("Valuation CDR")[1] and the valuation methodology criteria of chapter II of Valuation CDR, under the limitations of the available time and information restrictions at the valuation date. The classification as a provisional *valuation* pursuant to Article 36(9) of Directive 2014/59/EU implies that the valuation does not constitute either an audit or a review performed in accordance with International Standards on Auditing or International Standards on Review Engagements or relevant national standards or practices and consequently the Single Resolution Board is not in a position to express any assurance for the accuracy of the

[1] Commission Delegated Regulation (EU) 2018/345 of 14 November 2017 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for assessing the value of assets and liabilities of institutions or entities, C/2017/7438, OJ L 67, 9.3.2018, p. 8.

results expressed in this report. The report should rather be understood as a best effort of the Single Resolution Board to assess the financial situation of SBSI on the basis of all available information and the time constraints at the valuation date.

Due to the sharp deterioration of SBAG's liquidity position over the last days the Single Resolution Board needed to conduct an urgent provisional valuation on the basis of available public and supervisory information.

1.2. Sources of Information and Valuation Date

The provisional valuation, of which the outcome is summarised in this report, is the result of an assessment of all relevant public and non-public supervisory and other information that was available to the Single Resolution Board.

Due to limited access to relevant data, the Single Resolution Board decided to use the last 31 December 2021 quarterly reports on a consolidated basis.

In particular, as all available information as of 31 December 2021 is taken into account when deciding about potential adjustments to the financial statement figures, the reference date of the valuation in accordance with Article 2 of the Valuation CDR shall be the 31 December 2021, which is as close as possible to the expected date of the decision by the resolution authority whether to put the entity in resolution or not.

In accordance with Article 4 of *Commission Delegated Regulation 2018/345*, the sources of the information for the provisional valuation were the following:

a) Individual financial statements as of 31 December 2021;

b) FINREP/COREP data as of 31 December 2021;

c) […];

d) Discussions with the ECB;

e) ECB daily liquidity monitoring at individual level;

f) ECB's FOLTF assessment of Sberbank banka d.d. of 27 February 2022.

2. Provisional Valuation methodology and outcome

In this section, the necessary adjustments to fairly represent the financial position of SBSI are presented. Due to the urgency in the circumstances of the case for the provisional valuation, the SRB focused on those areas of high concern that might have a significant impact on the capital and liquidity position of SBSI. To challenge the assumptions, data, methodologies and judgements, by which SBSI has elaborated its financial and prudential reporting, the SRB relied on the sources of information set out in Section 1.2.

2.1. BALANCE SHEET / OWN FUNDS / CAPITAL ADEQUACY ART 18(4) (A) SRMR

The following table presents balance sheets of the Institution based on IFRS accounting, as of different dates, for information purposes:

Assets (carrying amount - EUR)	FINREP		
	As of 30/09/21	As of 31/12/21	change
Cash, cash balances at central banks and other demand deposits	**472.476.000**	**456.153.000**	**-3%**
Cash on hand	13.687.000	13.763.000	**1%**
Cash balances at central banks	433.988.000	433.140.000	**0%**
Other demand deposits	24.801.000	9.250.000	**-63%**
Financial assets held for trading - Derivatives	**5.516.000**	**3.461.000**	**-37%**
Non-trading financial assets mandatorily at fair value through profit or loss – Equity instruments	**446.000**	**472.000**	**6%**
Financial assets at fair value through other comprehensive income	**104.011.000**	**73.881.000**	**-29%**
Equity instruments	16.410.000	16.355.000	**0%**
Debt securities	87.601.000	57.526.000	**-34%**
Financial assets at amortised cost	**1.124.413.000**	**1.171.942.000**	**4%**
Debt securities (carrying amount)		***13.385.000***	**-**
of which Stage 1	-	*13.385.000*	**-**
Loans and advances (carrying amount)	**1.124.413.000**	**1.158.557.000**	**3%**
of which Stage 1	967.332.000	1.009.479.000	**4%**
of which Stage 2	129.097.000	122.803.000	**-5%**
of which Stage 3	25.707.000	24.063.000	**-6%**
Investments in subsidiaries, joint ventures and associates	**423.000**	**292.000**	**-31%**
Tangible assets	**11.766.000**	**11.644.000**	**-1%**
Property, plant and equipment	11.302.000	11.180.000	**-1%**
Investment property	464.000	464.000	**0%**
Intangible assets	**1.375.000**	**1.490.000**	**8%**
Other intangible assets	1.375.000	1.490.000	**8%**
Tax assets	**432.000**	**446.000**	**3%**
Current tax assets	46.000	46.000	**0%**
Deferred tax assets	386.000	400.000	**4%**
Other assets	**1.028.000**	**775.000**	**-25%**
Total assets	**1.721.886.000**	**1.720.556.000**	**0%**

Table 4: Quarterly evolution of SBSI's assets (source: FINREP)

Liabilities (carrying amount - EUR)	FINREP		
	As of 30/09/21	As of 31/12/21	change
Financial liabilities held for trading - Derivatives	**5.274.000**	**3.560.000**	**-32%**
Financial liabilities measured at amortised cost	**1.515.126.000**	**1.515.495.000**	**0%**
Deposits	1.500.874.000	1.501.151.000	**0%**
Other financial liabilities	14.252.000	14.344.000	**1%**
Provisions	**4.565.000**	**3.577.000**	**-22%**
Pension and other post employment defined benefit obligations	**1.505.000**	**1.358.000**	**-10%**
Other long term employee benefits	173.000	164.000	**-5%**
Pending legal issues and tax litigation	636.000	1.330.000	**109%**
Commitments and guarantees given	2.242.000	725.000	**-68%**
Other provisions	9.000		**-**
Tax liabilities	2.039.000	2.116.000	**4%**
Current tax liabilities	2.013.000	2.116.000	**5%**
Deferred tax liabilities	**26.000**		**-**
Other liabilities	1.015.000	1.126.000	**11%**
Total liabilities	1.528.019.000	1.525.874.000	**0%**
Capital	**133.140.000**	**133.140.000**	**0%**
Paid up capital	**133.140.000**	**133.140.000**	**0%**
Share premium	**27.248.000**	**27.248.000**	**0%**
Accumulated other comprehensive income	**258.000**	**355.000**	**38%**
Actuarial gains or loss on defined benefit pension plans	144.000	316.000	119%
Fair value changes of debt instruments measured at fair value through other comprehensive income	114.000	39.000	-66%
Retained earnings	23.675.000	23.676.000	**0%**
Other reserves	**6.000**	**6.000**	**0%**
Other	**6.000**	**6.000**	**0%**
Profit or loss attributable to Owners of the parent	9.540.000	10.257.000	**8%**
Total equity	**193.867.000**	**194.682.000**	**0%**
Total equity and total liabilities	**1.721.886.000**	**1.720.556.000**	**0%**

Table 4: Quarterly evolution of SBSI's liabilities and own funds (source: FINREP)

The bank had, as of 31 December 2021, a CET1 (18.74% TREA) surplus of 1,423 bps above the minimum TSCR required and 1,173 bps above the minimum OCR required. According to the latest available SREP Decision[2], no additional capital and liquidity requirement are imposed on SBSI individual level (no P2R[3] and P2G[4] was set).

in thousands	SBSI		
Reference date	**30/09/2021**	**31/12/2021**	**change**
Own funds	188.348	187.187	-1%
o/w CET1	185.757	187.187	1%
o/w T2	2.591	-	-100%
TREA	933.292	999.239	7%
CET1 Capital ratio	19,90%	18,73%	-6%
T1 Capital ratio	19,90%	18,73%	-6%
Total Capital ratio	20,18%	18,73%	-7%
Total SREP capital requirement ratio (TSCR)	8,00%	8,00%	-%
o/w to be made up of CET1	4,50%	4,50%	-%
Overall capital requirement ratio (OCR)	10,50%	10,50%	-%
o/w to be made up of CET1	7,00%	7,00%	-%

Table 4: Quarterly evolution of SBSI's capital adequacy (source: COREP)

According to Article 7(1) of Valuation CDR the valuation shall be based on fair and realistic assumptions and shall seek to ensure that losses under the appropriate scenario are fully recognised. Referring to Article 7(3) of Valuation CDR the valuation must be consistent with the accounting principles relevant to the preparation of the institution's financial statements and the prudential regulatory framework (e.g. for the calculation of Institution's capital requirements). Referring to Article 8 of Valuation CDR the valuation shall particularly focus on areas subject to significant valuation uncertainty, which have a significant impact on the overall valuation. The following paragraphs describes those areas requiring particular attention.

On 02.02.2022 the Parliament of Slovenia adopted a law to compensate the borrowers concerning loan agreement in CHF, which applied to all consumers loans in CHF to private individuals in the period between 28th June 2004 and 31st December 2021. According to SBSI the amount at risk is estimated at EUR […]. However, an estimate of the law's impact on SBSI's financial statements is not available. Hence, no valuation adjustment is considered.

As a result of our analysis, we concluded that, considering the information available, no value adjustment on the balance sheet statement based on accounting principles in line with Valuation CDR are necessary.

The assessment presented in this section, subject to the time available and information limitations described, does not indicate that – <u>at the valuation date</u> – the Institution is insolvent.

[2] ECB-SSM-2022-ATSBE-1.

[3] Pillar 2 Requirements.

[4] Pillar 2 Guidance.

2.2. ASSETS WILL BE LESS THAN LIABILITIES ART 18(4) (B) SRMR

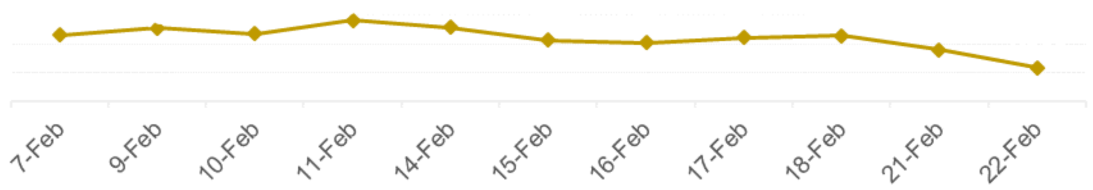
As disclosed above in section 2.1 "Own funds", balance sheet adjustments cannot be justified based on the available information. Since the information available regarding the business plan of the institution is not detailed, no decisive conclusions can be derived from it. Although, due to the current situation, it is very likely that some assets will have to be urgently sold or used to pay out deposits in the next days, it is not entirely clear, with the information available at current juncture, that this will result in assets being less than liabilities. Therefore, considering the limited time and information available and restrictions already mentioned in section 2.1, the SRB has no proof that assets of the institution will be less than its liabilities as of today and in the near future.

2.3. LIQUIDITY ART 18(4) (C) SRMR

This section presents SBSI's liquidity position at individual level, with a focus on the funding structure, deposits mix and evolution, while it also analyses the LCR, the counterbalancing capacity (CBC) and the survival period.

[…]

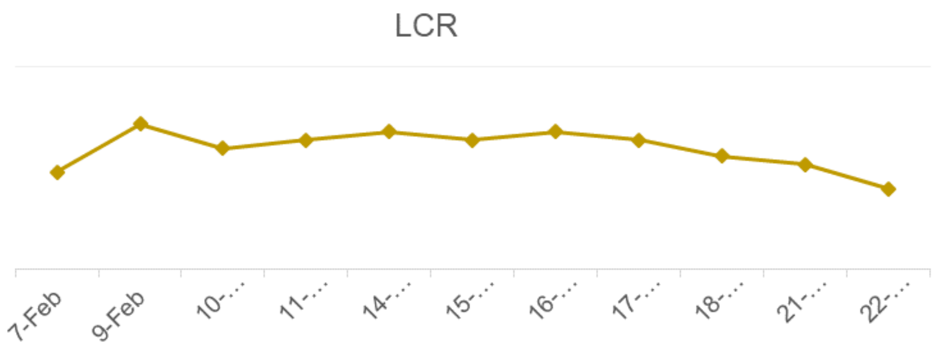
The daily evolution of total deposits from 07.02.2022 to 22.02.2022 is shown in the graph below:



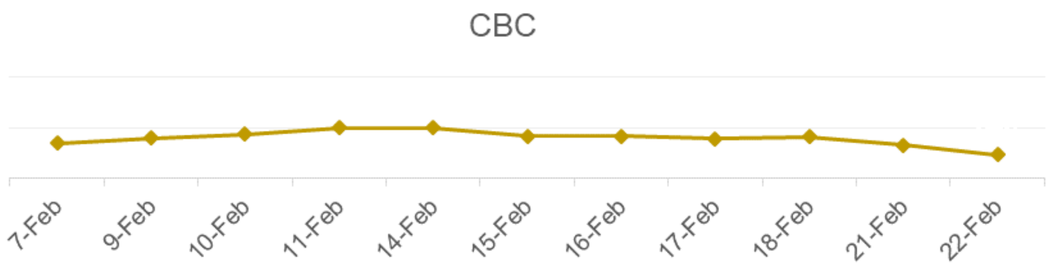
Graph 4: Evolution of SBSI's deposits since 07.02.2022 (source: SSM daily liquidity template)

From 07.02.2022 to 22.02.2022 deposits decreased by […].

The daily evolution of LCR and the CBC is presented in the graphs below:



Graph 4: Evolution of SBSI's LCR since 07.02.2022 (source: SSM daily liquidity template)



Graph 4: Evolution of SBSI's CBC since 07.02.2022 (source: SSM daily liquidity template)

From 7 to 22 February 2022 the liquidity situation remained relatively stable. On 23 February 2022 SBSI's counterbalancing capacity (CBC) amounted EUR […] (mainly cash, excess reserves and HQLA securities and a minor amount of undrawn committed facilities).

The accelerated escalation of the geopolitical tensions between Russia and Ukraine and the subsequent imposition of sanctions by the EU, UK and US authorities has ultimately caused significant deposit withdrawals.

In more detail, from 23th to 25th February 2022, due to significant withdrawal of deposits (circa EUR […]), the counterbalancing capacity of SBSI was reduced to EUR […] (circa […]%), which reduced its LCR to […]%. It should be noted that one of the LCR's assumptions[5] is that retail customers' deposit outflows are expected to range between 3% and 10% in a 30-day time horizon. However, as per the latest information received from the ECB the outflows are well above such rates in a shorter timeframe.

[5] Commission Delegated Regulation (EU) 2015/61.

Regarding the recovery measures identified in the parent's recovery plan, on 25.02.2022 Sberbank Russia declined […] EUR […], which might have been used to support SBSI. Other measures have not been deemed feasible given the current situation.

Moreover, […], in case the liquidity position continues to evolve like in the past days the LCR is expected to fall close to […] in […], as a result of […]. Given the increased liquidity outflows that SBSI is facing which are expected to continue, the absence of any credible additional liquidity generating measures in the short term, SBSI is likely to be unable to meet payments in the near future on its debts or other liabilities as they fall due.

2.4. EXTRAORDINARY PUBLIC FINANCIAL SUPPORT ART 18(4) (D) SRMR

SRB has no information whether extraordinary public financial support is / will be requested or will be provided.

3. Conclusions of the provisional valuation

In accordance with Article 18(1)(a) and (4)(c) of the SRMR, the ECB has assessed that SBSI is failing, or in any case likely to fail in the near future, and notified the SRB accordingly on February 27th. The ECB has assessed the recent developments concerning the financial situation of SBSI, in particular regarding the material deterioration of its liquidity position. In light of the above, the ECB has reached the conclusion that the Institution is failing or likely to fail as there are objective elements to support a determination that the Institution will, in the near future, be unable to pay its debts or other liabilities as they fall due in accordance with Art 18(4) (c) SRMR.

The assessment presented in the second section, subject to the time available and information limitations described in the first section, does not indicate that – at the valuation date – the Institution is insolvent. However, based on section 2.3 above the SRB considers that there are objective elements to support a determination that the SBSI, in the near future, will be unable to pay its liabilities as they fall due in the meaning of Article 18(4)(c) SRMR. Hence, the SRB concurs with the FOLTF assessment provided by the ECB.

The SRB concludes that the Institution is failing or likely to fail in the meaning of Article 18(1)(a) SRMR.