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 Europe AG

27 February 2022

Single Resolution Board

srb.europa.eu

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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 Europe AG ("SBAG") 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 SBAG 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]. The Valuation Report has been drafted taking into account the valuation methodology criteria of chapter II of the 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 position to express any assurance for the accuracy of the results expressed in this report. The report should rather be understood as a best effort of the Single Resolution Board to assess 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.

financial situation of SBAG 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.[2]

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 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 Valuation CDR, the sources of the information for the provisional valuation were the following:

a) Consolidated 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 consolidated and individual level;

f) Portfolio overview sensitivity analysis provided in the context of the escalation of the geopolitical tensions;

[2] All figures refer to consolidated data, unless otherwise stated.

g) SBAG Business Plan 2022-2027 (last update February 2022);

h) […];

i) SBAG analysis on Russia-related credit portfolio;

j) SBAG analysis of sanctions & Slovenian CHF;

k) Bank's FOLTF notification of 27 February 2022;

l) ECB's FOLTF assessment of Sberbank Europe AG of 27 February 2022.

1. Provisional Valuation methodology and outcome

In this section, the necessary adjustments to fairly represent the financial position of SBAG 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 SBAG. To challenge the assumptions, data, methodologies and judgements, by which SBAG 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 - ARTICLE 18(4)(A) SRMR

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

[…]The bank had, as of 31 December 2021, […].

As of 31 January 2022, SBAG still had a surplus over capital requirements of […], respectively.

On 3rd November 2021, SBAG entered in a Share Purchase Agreement (SPA) for the sale of all banking subsidiaries outside of Austria (except the subsidiary in Czech Republic) to Agri Europe Cyprus Ltd (AEC) for […]. […]

[...]According to the 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.

[…]

In relation to loan exposures, as at YE 2021 SBAG had a total exposure considering a direct or indirect connection to Russia of EUR […], representing […]% of SBAG's entire portfolio (circa […]% was considered at sanction risk). The bank estimated a potential impairment impact ranging from […]. However, details on the scenarios and on the Expected Credit Loss modelling are not available. Hence, a best estimate of provisions or a value range cannot be reliably estimated and no valuation adjustment is considered.

On 02.02.2022 the Parliament of Slovenia adopted a law to compensate the borrowers concerning loan agreements 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 SBAG the amount at risk is estimated at EUR […]. However, an estimate of the law's impact on SBAG'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 adjustments on the balance sheet statement based on accounting principles in line with CDR Valuation are necessary.

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

2.2 ASSETS WILL BE LESS THAN LIABILITIES - ARTICLE 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 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.

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2.3 LIQUIDITY POSITION - ARTICLE 18(4)(C) SRMR

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

[…]

[…]

.From 4 to 22 February 2022 the LCR remained stable. However, due to deposits outflows in several of the subsidiaries the LCR decreased to […].

[…]

On February 23th SBAG's counterbalancing capacity amounted […]

[…]

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The accelerated escalation of the geopolitical tensions between Russia and Ukraine at the beginning of the week starting on 21 February and the subsequent imposition of sanctions by the EU, UK and US authorities has ultimately caused significant deposit withdrawals, most notably […] in the subsidiaries in Czech Republic (which had to close at 14:00 Friday and submitted a FOLTF declaration) and Croatia. Given the dependence of the subsidiaries on the SBAG for liquidity, the liquidity support to the subsidiaries contributed to the worsening of the liquidity position of SBAG.

It is highlighted that the survival period went from […] as of 4 February 2022 to […] as of 23 February 2022. Afterwards, from 23 to 25 February 2022, due to significant outflows of deposits (more than EUR […] at Group level and more than EUR […] at AT individual level), the Counterbalancing Capacity (CBC) of the Group has been reduced to EUR circa […] and to circa […] at individual level […], which in turn reduced its LCR to […]

[…]

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According to bank's FOLTF declaration submitted on 26.02.2022, the LCR at consolidated group level stands at 87%. According to ECB's assessment, with the current rate of outflows, bank's liquidity buffers are expected to be depleted in less than […] and the LCR is expected to come to […]%. The absence of any credible additional liquidity generating measures in the short term and the additional liquidity needs of the subsidiaries which the SBAG will be asked to cover, SBAG is likely to be unable to meet payments in the near future on its debts or other liabilities as they fall due.

Regarding the recovery measures identified in the recovery plan, on 25.02.2022 Sberbank Russia declined […] EUR […]. Other measures have not been deemed feasible given the current situation.

[…]

2.4 EXTRAORDINARY PUBLIC FINANCIAL SUPPORT - Article 18(4)(D) SRMR

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

2. Conclusions of the provisional valuation

In accordance with Article 18(1)(a) and (4)(c) of the SRMR, the ECB has assessed that SBAG 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 SBAG, 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 SBAG, 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.