

Sberbank's Lending Policy in the Current Economic Environment

19 November 2008, Moscow. Being the largest Russian bank with 70 million depositors and 240 thousand shareholders, Sberbank fully acknowledges its role in the economy. The Bank understands the necessity of maintaining the balance between the shareholders' and clients' interests on one hand and interests of the country as a whole on the other hand.

Despite the challenging circumstances and significantly increased workload on the Bank, its employees, and infrastructure, Sberbank continues to operate normally. It keeps providing all types of services to its regular and new clients, among which are individuals and corporates, including large businesses and SMEs, operating in all sectors of the economy.

Challenging economic environment necessitates changes in Sberbank's Lending policy. The current situation is characterized by the following factors:

- Lack of liquidity in the economy, suffered both by banks and corporates
- Credibility crisis in economic relations (between all parties: corporates, banks, and individuals)
- Scarce credit resources; high cost of borrowing due to the rising risks ("credit compression")
- Significantly reduced consumer and corporate demand
- Slump in prices of goods, commodities, materials and assets (real estate, securities, enterprises)
- High exchange rate volatility for all currencies

As per Sberbank's experts, this period may last up to 1.5-2 years.

Taking the above into account, Sberbank strongly recommends its clients to be conservative in forecasts and in long-term business planning. We encourage the clients who are either experiencing or foreseeing financial difficulties, to inform us about them as early as possible. Efforts united, it will be much easier for us to find a solution without aggravating the situation to a critical extent. Should, nonetheless, a critical situation arise, Sberbank will do its best to resolve it with minimal losses for both the client and the bank.

Under these circumstances Sberbank will adhere to the following priorities in extending loans to corporate clients

The Bank will provide support to the following sectors of the economy:

- Sectors satisfying vital needs of the population (retail chains, pharmacies etc.)
- Sectors with life-supporting functions (utilities, transportation, etc)
- Defense sector
- SMEs
- Agriculture

The Bank will provide support to its existing clients and fulfill all its legal obligations assumed under the existing loan agreements. It will also support the clients, whose business continuity is critical for other Sberbank's borrowers.

The Bank will extend loans to fund short term working capital and immediate business needs.

Sberbank fully acknowledges its responsibility to its shareholders and depositors in the current difficult circumstances, and therefore introduces additional measures for effective risk management

- Adjusting the criteria for assessing sustainability of the clients' businesses in the challenging operating environment.
- Increasing the requirements for loans to be secured with:
 1. Sufficient and timely operating cash flows
 2. Operating profitability
 3. Liquid assets pledges
 4. Guarantees provided by state and/or business owners

Sberbank increases the level and quality of control over responsible behavior by the business' owners and management. That shall be done through introducing additional restrictions of the borrowers' activity, including:

- Cutting maximum financial leverage limit
- Imposing additional change of control constraints
- Extending the list of early loan repayment covenants
- Tightening cross-default triggers

In this respect Sberbank will pay close attention to

- Sources of loan repayment and their sustainability
- Current liquidity of the borrower
- Leverage
- Quality and liquidity of the collateral
- Adequacy of client's tactical and strategic planning in the current adverse economic conditions
- Conservative approaches to evaluating clients' creditworthiness
- Monitoring of exposures for early identification of potential repayment problems

With regard to individuals, Sberbank will adhere to the following priorities:

The Bank increases credit availability by offering alternative repayment strategies – with either fixed (annuity) or variable installments. All borrowers will be provided with explanations on advantages and constraints of different repayment strategies.

Sberbank helps clients avoid excessive debt burden by intensifying attention to individual creditworthiness when extending new loans.

The Bank continues to offer all retail loan products and will keep optimizing them to better meet client demand while maintaining acceptable risk profile.

Sberbank contributes to the financial literacy of the population, continues to provide advice on all the Bank's products and services.

The Bank strives to preserve and increase the quality of its loan portfolio through thorough examination of borrowers' creditworthiness and suggested collateral.

Sberbank operates in strict compliance with current legislation. It intensifies action against corrupt and other illegal pressure on its employees, and relentlessly works to prevent internal fraud. Sberbank opens a 24-hour telephone hotline to gather information to help us fully comply with transparent and fair lending procedures.