



# 2020

Sberbank Strategy



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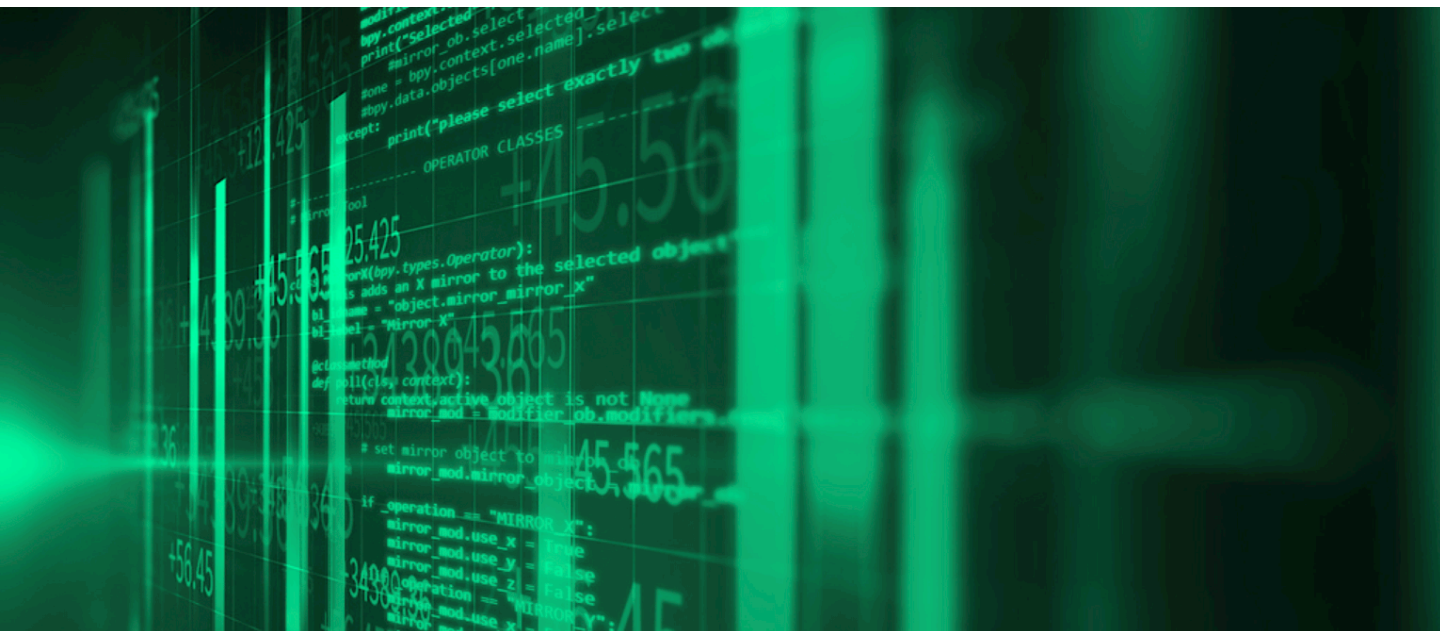
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# 1

Welcome from the Chairman  
of the Board and CEO

«We are building one of the world best organizations, which will become the top choice for clients, employees and shareholders and move our country forward»



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## Sberbank is entering a new phase of its development and we are presenting the Sberbank Group's Strategy 2018-2020

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We have decided to embark on the Strategy development ahead of our schedule, as we have successfully accomplished all key goals of the previous Strategy.

The period of implementing the Strategy 2014-2018 was accompanied by external environment structural changes, which required mobilization of all our energy, competencies and resources. We think that we have completed this phase with maximum efficiency, having demonstrated unprecedented reliability and sustainability, remaining the guarantor of stability of the country's financial system. We would like to thank:

- our clients who used our products and services and with understanding of arising difficulties
- our employees for demonstrating that they are capable of solving problems according to changing priorities
- our shareholders who believed in our effective and achieve our goals.

Sberbank has not just successfully and without any losses survived the recent crisis, but has been also consistently speeding up the rate of transformation and implementation of innovations. We have not terminated a single development project, having built the foundation for our future success.

We believe that this has become possible thanks to following our mission and being directed by our values at all times

Majority of our employees share these values and are directed by them not only in their professional but personal lives as well, within their family circle.

Tendency for leadership encourages Sberbank to move forward and the key factor is development in the technological sector. We have completed our technological projects and currently are one of the most efficient financial groups not only in Russia but also globally, our technological success has been long observed by our clients and the market.

The next development stage is devoted to enhancement of the client experience, new technological platform and development of our team, which will allow us to remain competitive in the long-run, maintaining a position of the best and the most reliable bank for individual and corporate clients.

Needs of our clients are far beyond what financial products and services can satisfy, and so in the new strategy we put in significant effort and pay substantial attention to development prospects beyond the financial sector in order to prevent our clients from wasting one of the most valuable resources – time.

Sberbank will aim to satisfy most of our customers' needs, offer the most efficient and convenient service and save time and money for our clients.

Truly yours,

Herman Gref

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I AM THE LEADER WE ARE THE TEAM EVERYTHING FOR THE CLIENT

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# 2

## Sberbank Today: Update on Sberbank Strategy 2014-2018

Sberbank has maintained its status as the largest bank and one of the largest Russian companies, accounting for one-third of the total banking assets in the country. Sberbank is among 5 largest employers in Russia and count a majority (60%) of the Russian population among our active clients.

Sberbank is the main creditor in the Russian economy and has the largest share of the financing market.

The geographical footprint of our 300,000 team spans 22 countries.

## Sberbank today

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176 years  
in the market

77 ATMs  
and terminals in Russia

140 million  
individual customers

46 million  
people use the  
Sberbank Online app  
every month

22 countries

1,5 million  
business customers  
use the Sberbank  
Business Online app  
every month

2 million  
corporate customers

### Vast professional experience and reliability

Sberbank has been operating in the Russian market for 176 years, longer than any other bank. Together with the country, we have lived through all stages of Russian history. Our brand is a symbol of stability for Russian citizens: our customers associate Sberbank with reliability, social responsibility and, increasingly, with innovation and technological leadership.

### Large and loyal customer base

Globally, Sberbank has over 140 million individual customers and around 2 million corporate customers. In 2014-2017, we expanded our active customer base by 7.5 million people, while the number of corporate customers grew by over 190,000 over the same period.

We have also achieved notable results in customer relations. In the past few years, we have increased the level of satisfaction with our services among both individual and corporate customers. Moreover, our success in building strong customer relations has allowed to expand our product offerings and provide more services per customer.

### Well-developed customer engagement channels

Sberbank has a unique infrastructural base that includes 14,000 branches and 77,000 ATMs and terminals throughout Russia. We have cutting-edge remote communication channels, including online and mobile banking, a customer call centre and a unique

SMS bank. Our Sberbank Online solution is used by over 46 million individual customers every month, while Sberbank Business Online is used by over 1.5 million corporate customers monthly.

### Pioneering technological change

In recent years, Sberbank has become part of the vanguard in bringing technological and innovative change to Russia. We are in the process of successfully transforming our own IT platform and building Russia's largest industrial IT system based on cutting-edge technology.

We are also developing innovative solutions that integrate artificial intelligence, machine learning, blockchain, robotics and other technologies. At Sberbank, we are not merely introducing new technologies in our business, but we are also investing in their development and popularisation on a countrywide scale

### Executive team experienced in change management

Sberbank's executive team has an extensive understanding of classical management practices and competencies in launching innovative solutions. Over the years, the team has gained valuable expertise in delivering on strategy and driving successful technological and organisational change.

# Financial performance

Despite the difficult economic situation, the group has achieved its key financial goals

Over 2014-2017, we managed to accomplish the key goals from the previous Strategy 2014-2018.

**Sberbank achieved consistently high profitability and efficiency, exceeding Strategy 2014-2018 targets:**

- Sberbank now accounts for more than 70% of all profits in the Russian banking system
- We exceeded our target on the ratio of operating costs to operating income before provisioning (the ratio fell to ~40%). Sberbank has been one of the strongest performers on this ratio in the Russian and international banking sector.

**The group has delivered a high return on equity (ROE) and profitability for shareholders:**

- Our ROE in 2016 was over 20%. Sberbank is among the top five global banks in terms of ROE, according to The Banker
- Our share price has doubled, making Sberbank Group one of the most highly valued public companies in Russia.

**Our asset growth rate over this period was significantly higher than the average market rate, while we also managed to maintain the high quality of our asset portfolio:**

- Throughout the past strategy period, our portfolio quality indicators were much better than the market in both the retail and corporate sectors
- Despite the crisis, Sberbank's average annual growth rate in retail lending was much higher than average for the Russian market.

## Key indicators 2016

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70%

of all profits in the Russian banking system

>20%

Return on Equity

~40%

Cost-to-Income ratio

N°1

By capitalization in Russia (second quarter 2017)



# With Our Customers for Life

## Building strong and trusted relations with our customers

We have successfully developed strong relations with our customers, expanding our customer base in every segment and raising our level of customer satisfaction. We have also significantly increased customer engagement via remote and digital channels.

### We achieved considerable results in retail financial services:

- We significantly expanded our active retail customer base and increased sales and products per customer in all segments.
- We strengthened our position in key markets, including lending, payroll, payments and transfers.
- We achieved leading positions at all Wealth management markets: first in Life-insurance market, first at Open Mutual Funds market, the leader among non-state pension funds.
- We achieved the top figure in Russia in the share of non-cash turnover among banking customers and set the general trend for the entire country by expanding our network and implementing new payment platforms.
- For our senior clients, we launched the special Active Age platform.

- We launched a special bank to adapt our products and services for customers with disabilities.

- Thanks to our mass personalisation initiative, we have the capacity to send individual offers to our customers.

We launched new high-demand products and services for our retail customers:

- Easy-to-use payment services: P2P transfers, auto transfers and payments, QR-code-based payments.
- New payment methods: recognition from international payment systems for successfully implementing Apple Pay, Android Pay, and Samsung Pay.
- New lending products: refinancing, top ups, loans with real estate as collateral, online consumer loans.
- New payroll design: payroll customers receive their salary on the same day it was sent by their employer.

### Dynamics 2014-2016

### Growth in the number of clients and client satisfaction

### Growth in the number of products per client

Dynamics 2014-2016	Growth in the number of clients and client satisfaction	Growth in the number of products per client
Retail business (Retail)	+7,6 million clients +3 pct NPS *	+24%
Retail business (Retail)	+160 clients +1 point CSI**	+11%
Large and medium business and corporate investment business (LMB and CIB)	+36 clients +8 point CSI	+29%

\*Increase in NPS from 2015

## Retail business

up to **46** million  
Monthly active clients (MAU) growth in digital

with less than **10%** to **25%**  
increase in the share of sales in digital channels

more than **60%**  
of consumer loans are issued without the  
customer visiting our branches

**55%**  
share of non-cash transactions on debit cards

**90%**  
share of non-cash payments

- Updated card product range: segment-focused cards (youth cards, pensioner cards), large bonus cards and premium cards.
- DomClick, our real estate marketplace, helps customers to select and buy real estate with a mortgage, receive related services and make non-cash property-related transactions.
- New services (Travelling, Impressions) within our Spasibo from Sberbank loyalty programme
- We launched innovative digital services for Sberbank Online, including cost analysis and personal financial management (PFM) tools, a convenient saving service (Moneybox) and PFM recommendations.
- We launched the Sberbank Investor app to provide individuals with easy access to the private investment market.
- Wealth management products, including large-scale insurance products that protect our customers from relevant everyday risks.

To promote our remote service channels:

- We released fundamentally new versions of Sberbank's mobile apps for all platforms and made them more functional and user-friendly.

## We achieved considerable results in corporate financial services:

- Our customers now have access to pre-approved loan offers based on the SMART lending transaction model.
- We launched a new online and mobile bank based on the Sberbank Business Online platform.
- We developed and launched new transactional and non-banking services, including self-service cash collection, cards for businesses, smart terminals for cash transactions and electronic document flow.
- We significantly increased the speed and accessibility of transactions, bringing down the payment timeframe to three minutes and implementing a 20/7 service.
- We rolled out our Start Up Easy service package to help young and aspiring entrepreneurs.
- We built our Corporate Solutions Centre (CSC), business hubs for corporate customer service and centralised our service and product functions.
- As for medium and large businesses, we moved to industry-specific expertise and industry-focused client and product teams to deliver services to our customers.
- We introduced the Sberbank Markets online trading platform to provide access to forex markets and liquidity management to our clients.
- We launched the Sberbank FinLine payment platform to help financial institutions with settlements, transaction status reports and liquidity management.

## Corporate business

**1,5 million**  
customers in digital channels

**155 000**  
mobile bank users

**36%**  
market share in electronic payments

**700 000**  
Daily active clients (DAU) growth in digital

# Mature organization

## Building organisational and managerial skills and optimising business processes across Sberbank Group

We have launched the largest Agile transformation in Russia, with more than 11,000 employees and 20 tribes with more than 1,200 Agile teams. The key features of the new approach include:

- A focus on the final result, where cross-functional teams work on one task full-time and are provided sufficient resources and capacity to complete it.
- Simple engagement rules like task prioritisation and allocation as well as progress reviews help to ensure complete transparency, clear-cut responsibilities and contributions from every team member.
- A DevOps-based approach has already been launched.

We streamlined the structure of our regional banks and introduced new branch formats and a smart management system (SMS) through which about 300,000 tasks per week are communicated to all management levels at branches throughout Russia. This has allowed us to harmonise objectives and operations in various areas, respond to changes faster and reduce operational errors by seven times.



### Key indicators

~11 000 employees in Agile

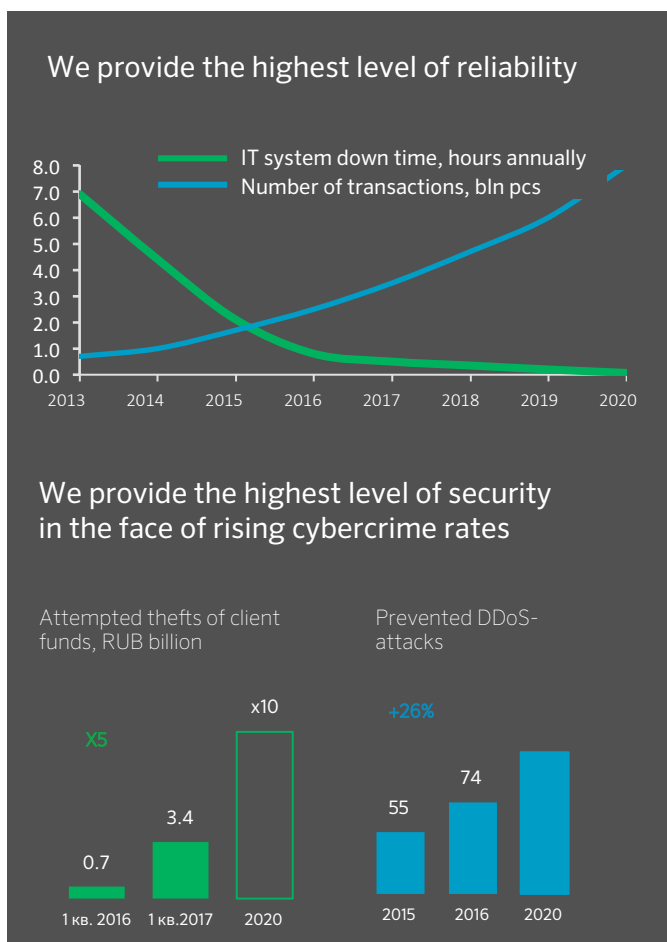
16 → 12 territorial banks

+5 pp Teal\* sub-branch employee engagement increased to 16%

We also tested teal organisation practices (controlled self-government, evolutionary goals, manager mentoring) at three regional banks and more than 100 pilot branches. We expect the new management approach not only to increase employee engagement but also to improve the customer-centric focus of our branches.

# Technological breakthroughs

Modernising and integrating sophisticated technology and innovative solutions into our business



Sberbank, working group forecast

In response to market changes, we have recently undertaken the largest technological transformation in Russia.

We launched an innovative technological platform, including designing the technological core of the platform, creating business service development components and migrating banking business products to the new platform.

We started intensive work on data and analytics, including setting up the infrastructure for cloud-based data storage and processing, scaling the main data management processes and creating a data science community and Data Academy in our Corporate University (re-training of over 35 thousand employees), actively introduce AI technology and in fact started AI-transformation.

We improved the fault tolerance of our IT systems. In 2016, the reliability of critical IT systems increased to 99.99%.

We simplified and unified our IT landscape and are finishing construction on a large data centre in Skolkovo. This will help us to increase our reliability and autonomy/

### Key metrics

**20<sub>x</sub>**  
reduction in down time for IT systems

**99,99**  
reliability of critical IT systems, 24/7

**700**  
legacy IT systems decommissioned

**57<sub>x</sub>**  
increase in the number of big data initiatives  
(from 10 in 2016 to more than 575 in 2017)

**Nº1**  
rating among the largest software  
developers, according to CNEWS

We built an efficient anti-cyber fraud system that has already prevented attempts to defraud customers of RUB 17,9 billion in 2016. Since 2015, we have successfully thwarted 100% of the DDoS attacks on the bank.

We have successfully launched Sberbank Technologies, the largest IT developer in Russia. Today, SberTech is the main developer for Sberbank’s technology platform, with more than 500 ongoing projects and 11,500 employees.

Our Strategy 2014-2018 specifically focused on improving our support services:

- We are continuing to reduce the cost of basic operations by optimising our geographic footprint and automating business processes (65% decrease in operational support headcount).
- We significantly improved our liquidity management (cash balances are 1.5 times lower, while costs are 42% lower per RUB 1,000 of turnover).
- We significantly optimised our office and business real estate portfolio and centralised our supply management (with an economic impact of RUB 69 billion) for the period 2014-2017.
- We completed the main phase of centralising our support functions ahead of plan and established the foundation for a new service organisation (the Everest Programme).

To develop and launch new technology, we have built the necessary infrastructure for integrating internal and external innovative solutions:

- We created our first internal laboratories to pilot disruptive technologies (blockchain, IoT and others) and to test platform services (open APIs, cloud-computing, etc.).
- In delivering on our previous strategy, we developed a successful track record of launching pilot programmes and products independently as well as in collaboration with partners, including supporting the first cashless town in Russia (Zelenodolsk), transporting valuables with drones and identifying individuals engaged in fraud by image analysis.
- Moreover, we are always tracking potential market opportunities and investing in external companies and venture funds to gain access to cutting-edge technology and fast-growing business models.

# Team and Corporate Culture

## Sberbank's corporate culture and team are an integral part of our competitive advantage

While we have always been a competitive employer, we want to enhance the attractiveness of working at Sberbank among job seekers of every generation. We have sought to create a comfortable working environment and introduced an effective remuneration system, including employee committees for middle and top management.

We created a modern, world-recognised system for training leaders at Sberbank Corporate University. We invested in developing specialists via our Virtual School and in targeted training for business units.

### We started a major transformation of our HR function, including:

- Developing a new competency model and upgrading the onboarding process.
- Centralising and digitising 70% of administrative processes and streamlining monitoring and control process for key service indicators/
- Launching a cloud-based SAP (Success Factors).
- Using digital technology for mass recruitment (auto search and call, chat bots, video interviews).
- Developing and using a predictive model for personnel outflow.
- Initiating collaboration with universities and creating value proposition for employees with digital competencies.

Moreover, we improved our processes for organisational change and completely fulfilled our headcount and salary pool plan. At the same time, we managed to maintain our competitive terms for remuneration and social benefits.

### Key indicators

+15 p.p. growth in employee engagement to 76%

-13 p.p. reduction in branch employee turnover

+42 p.p. growth in satisfaction with HR services

+7,1 p.p. growth in Employer Net Promoter Score

### We enhanced our corporate culture at all levels of the bank, including by:

- Conducting a series of diagnostic and coaching sessions for top managers;
- Creating a system for continuous diagnostics of corporate culture and employee engagement;
- Launching empathy and emotional intelligence training programs;
- Improving the quality of communication and the level of openness and introducing new communication formats and channels.

Despite our considerable achievements in delivering on Strategy 2014-2018, we see broad areas for further improvement.



**We understand that we have not always achieved the level of customer focus that we want to have:**

- We lag behind in the share of sales and services provided through digital channels.
- We lack a competitive value proposition in certain segments.
- We often lag behind in customer service quality, while our decision-making is too slow.

Our current technological platform is still based on legacy IT systems and processes. Creating a new platform has been time consuming and has hindered us from rapidly reducing the gap in time to market and from implementing advanced analysis models as fast as technological companies.

We were unable to achieve our full potential in cost optimisation despite increasing productivity and growth.

We are planning to expand the list of processes where decision-making is based on big data analytics.

We are yet to complete the transition to uniform credit process standards across the group.

Despite substantial achievements in cybersecurity, we see potential for adopting a more granular and high-quality approach to protecting our customers against fraud (i.e. social engineering).

Changes in the macroeconomic and political situation and the sanctions regime have limited the development potential of our international business and hindered strategy implementation.

We still find it difficult to compete for talent with technology companies and we are not in the top five in Russia for certain categories of employees.

The bank needs to continue improving HR processes in the areas of automation (self-services) and the centralisation of transaction services.

As for organisational management, Sberbank needs to de-layer management roles and the number of employees at regional banks.



# 3

## Macroeconomic Assumptions and Trends Impacting Strategy 2020



# Macroeconomic environment

## Economic development scenarios

Russia's economy has adapted to low oil prices and international sanctions.

The economic crisis is behind us. Real GDP growth is expected, while inflation has dramatically slowed to 2,7%, thanks to policies enacted by the Bank of Russia.

Based on historical data and macroeconomic assumptions, we have developed three scenarios for the Russian

economy: a baseline scenario, an optimistic scenario and a negative scenario.

The baseline scenario is based on the most probable values for key economic indicators and the assumption that oil prices will remain at \$55 per barrel over 2018-2021.

### Key economic indicators in each scenario<sup>1</sup>

### Baseline Scenario

Oil price

55 USD/bar.

GDP CAGR

1,7%

Inflation

4,0%

USD/RUB, 2020

60

### Russian banking markets

All the scenarios described above assume moderate but stable growth in banking markets.

If the baseline scenario materialises, we expect that the total CAGR portfolio of loans will reach 7%.

Retail lending will outperform other markets in terms of growth rate, with a CAGR about 11%. The mortgage lending market's CAGR will approximate 12%, while without securitisation of loans through the Agency for Housing Mortgage Lending, it would reach 16-17%.

It is worth highlighting that the baseline scenario expects bank margins to fall to 3.4%, which could partly push the industry's cost income ratio up by 4 pp to 55%.

Given the overall stability and margin reduction, we expect growth to come from financial instruments and client interest in investment products.

The possibility of tougher sanctions has had a fundamental impact on our strategy. As a leader in the Russian market, we will mitigate the unfavourable macroeconomic environment by entering new non-banking markets and providing the best financial services in order to meet our customer's needs.

### Foreign banking markets

In building our projections, we have taken into account moderate economic growth rates in countries where we operate and existing sanctions limitations. In addition, we have assumed increased competition in the markets where we operate.

### Kazakhstan

We expect annual GDP growth at 2.3%-3.7% through 2020, driven by state support programmes aimed at stimulating the manufacturing industry and the production of goods for domestic consumption, as well as target mortgage support programmes. The level of inflation through 2020 is projected to be in the range of 6%-8%, which will support a stable exchange rate for the tenge. Trade turnover between Eurasian Economic Union (EEU) countries is expected to return to pre-crisis levels, while interest margins within the banking system are expected to drop as a result of the decrease in the base rate by 2020.

### Belarus

The GDP of the Republic of Belarus is projected to grow annually at more than 1.5%, driven by the expansion of oil supplies and exports to the EEU, while consumer demand is expected to recover from the second half of 2018.

Inflation will slow to 6.2% in 2020 as thanks to a stabilised balance of payments and reduced devaluation expectations. The regulator is committed to a rate reduction policy to encourage domestic demand by lending in the national currency.

### Turkey

GDP growth amounted to 2.9% in 2016. Growth is projected to reach 3-4% by 2020. Double-digit inflation in 2017 will fall to 7% by 2020. Margins in the banking sector will shrink due to rising financing costs. Further growth in capital adequacy within the banking sector is expected. Geopolitical risks remain.

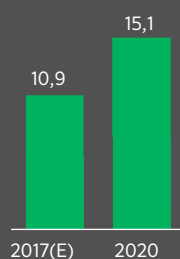
### Europe

A steady growth of GDP is expected in most countries where we operate (GDP growth of 1.8-4% in 2020). Increased household consumption is expected, which will drive demand for consumer, mortgage, and SME loans. At the same time, we expect regulatory pressure to continue in across Europe.

## Retail and Corporate Lending, trillion RUB

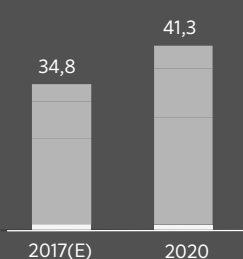
### Retail Lending

+11,5% ↑ CAGR



### Corporate Lending

+5,9% ↑ CAGR



The main sources of asset growth (retail lending, mortgages) will become long-term drivers of market growth.

# Trends impacting our strategy

## The banking industry is rapidly changing under the influence of a number of global challenges:

- Customers: changing consumer preferences;
- Technology: emergence of new disruptive technologies, as well as accelerating application of existing ones;
- Business: lower margins in the global banking sector and regulation;
- Ecosystem economy: leading companies are building ecosystems.

### Customers

Consumer behaviour is evolving under the influence of generational change and the improved services provided by technology companies. Banking sector customers are increasingly represented by youth (generations Y and Z, born after 1982 and 2000, respectively). The key characteristic of these customers is the digitalisation and virtualisation of all aspects of their lives:

- 95% of Y (17-35) generation consider smartphone a most valuable personal device in their life
- They use self-services twice as often as older customers (35 and older)
- Generation Z customers (under 17) use messenger and chat services twice as much as millennials.

Customers have formed new preferences and expectations regarding services:

- They prefer mobile communication channels.
- They expect personalised, modern and convenient service.
- They leave a digital trail of personal data.

### Technology

New technologies are increasingly transforming conventional ways of providing banking services. Our leadership in adopting new technology will play a large role in determining our market leadership in the next three to five years.

#### Artificial intelligence

Models based on artificial intelligence (AI) and machine learning are already being applied widely in every economic sector, including banking:

- Neural network models have been integrated into key decision-making processes, especially in risk management.
- AI is being used to develop new and highly personalised products and services for customers.
- Voice and text assistants based on speech- and text-recognition algorithms are helping to create fundamentally new interfaces for customer engagement.

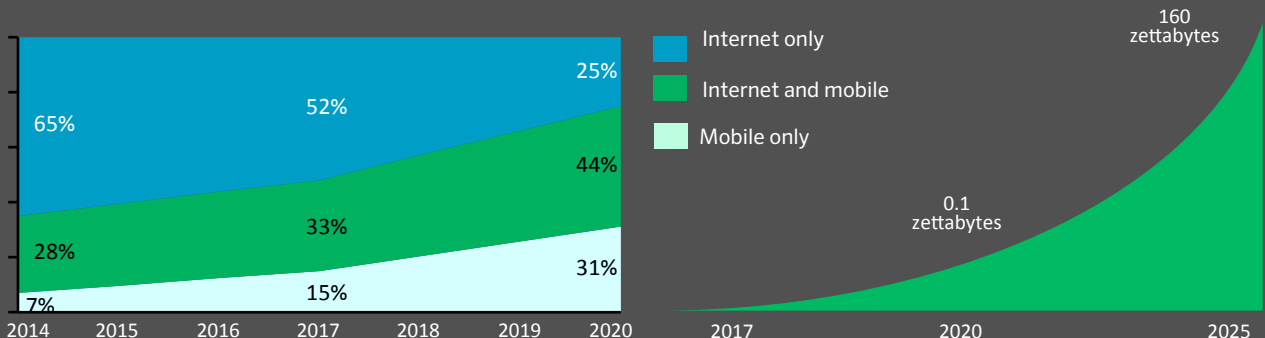
#### Blockchain

Distributed ledger technologies are gaining increasingly wide application in the banking sector and helping to reduce transaction costs, create decentralised online services based on smart contracts, speed up decision-making in interactions with a large number of counterparties and improve information security on transactions.

#### Cloud technology

As the foundation for banking IT platforms, cloud technologies are helping banks to cut costs dramatically while significantly increasing the speed of business.

## Distribution of active digital customers across different service channels



### Cybersecurity

To ensure our reliability in the digital economy, we have developed an efficient system for protecting against cyber threats. Indeed, modern banking operations would be impossible without solutions that protect personal data and prevent cyber fraud.

### Virtual and augmented reality (VR/AR)

VR/AR technologies are already being used today to create interactive customer experiences. For example, serving customers with real-time holograms instead of customer managers helps to speed up purchasing decisions. Also, these technologies can be used in corporate training programs for employees.

### Robotics

Virtual robots help automate simple banking processes. Software robots function 24/7, make few errors and cost 66% less than outsourcing.

Mechanical robots are also gaining traction in the banking sector, including automating manual labour, increasing precision and substituting for employees engaged in dangerous working conditions. The projected potential for robotics is projected to reach 75% in transportation and logistics, and 50% in services.

### Biometric identification and psychometrics

Customer identification technologies that use fingerprints, palm prints, voice, iris and other biometric markers are finding increasingly more applications in the banking sector.

Psychometrics make it possible to target communications to the psychological profile of customers and can also be used in personnel management.

### The Internet of Things (IoT)

IoT technology has helped to enhance a number of supporting processes, including tracking cash flows, streamlining procurement, managing property and improving the functionality of ATMs, payment terminals, and remote stationary and mobile devices.

### Gamification

Applying principles from gamification helps to increase customer engagement, makes services more interesting and innovative, and improves employee motivation in training and performance assessments.

## Banking Business

### Lower banking margins

The banking sector is experiencing lower margins across the world. ROE has held steady at rather low 9% level.

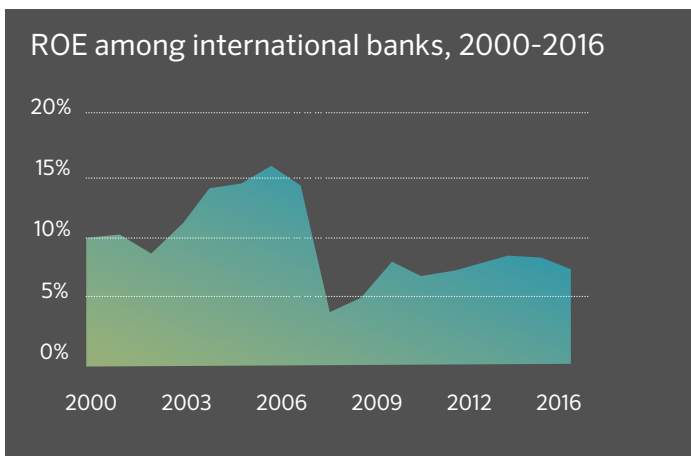
### Regulation

In the medium term, regulatory requirements are expected to strengthen along with major legislative changes.

- The transition to International Financial Reporting Standard 9 (IFRS 9) will require the creation of provisions based on projected instead of incurred losses.
- Regulatory standards will need to comply with the new recommendations of the Basel Committee (Basel IV).

The Second EU Payment Services Directive introduces new rules on financial market transactions and lays the foundation for a new financial system without banks.

Additional monitoring measures will result in added costs and increased competition on markets.



McKinsey, Global Banking Pools

## Ecosystem economy

The spread of digital technology and the resulting changes in consumer behaviour and preferences have become the basis for a new economic phenomenon—the digital ecosystem. Based upon open programming interfaces, open-source solutions, machine learning, cloud technology and big data analysis, a digital ecosystem is a technology platform that enables a company and third-party providers to generate the best offers for customers and to satisfy all types of customer needs (both individuals and corporate entities).

Today, leading American and Chinese technology companies like Alibaba, Amazon, Apple, Facebook, Google and Tencent have made considerable progress in building digital ecosystems.

The emergence of digital ecosystems will lead to a radical change in the economic landscape and a shift from production to distribution in the value creation chain.

The leadership belongs to owners of technology platforms that have the capacity to aggregate producers of goods and services, and to create the best customer offers by analysing consumer behaviour.

By 2025, experts believe that digital ecosystems will take up to 30% of the share of revenue in regions where we operate by optimising the chain of intermediaries between service providers and consumers.

In all industries, players with low capital costs have emerged to become service providers and the first choice for customers. They have a number of advantages compared to traditional industrial players:

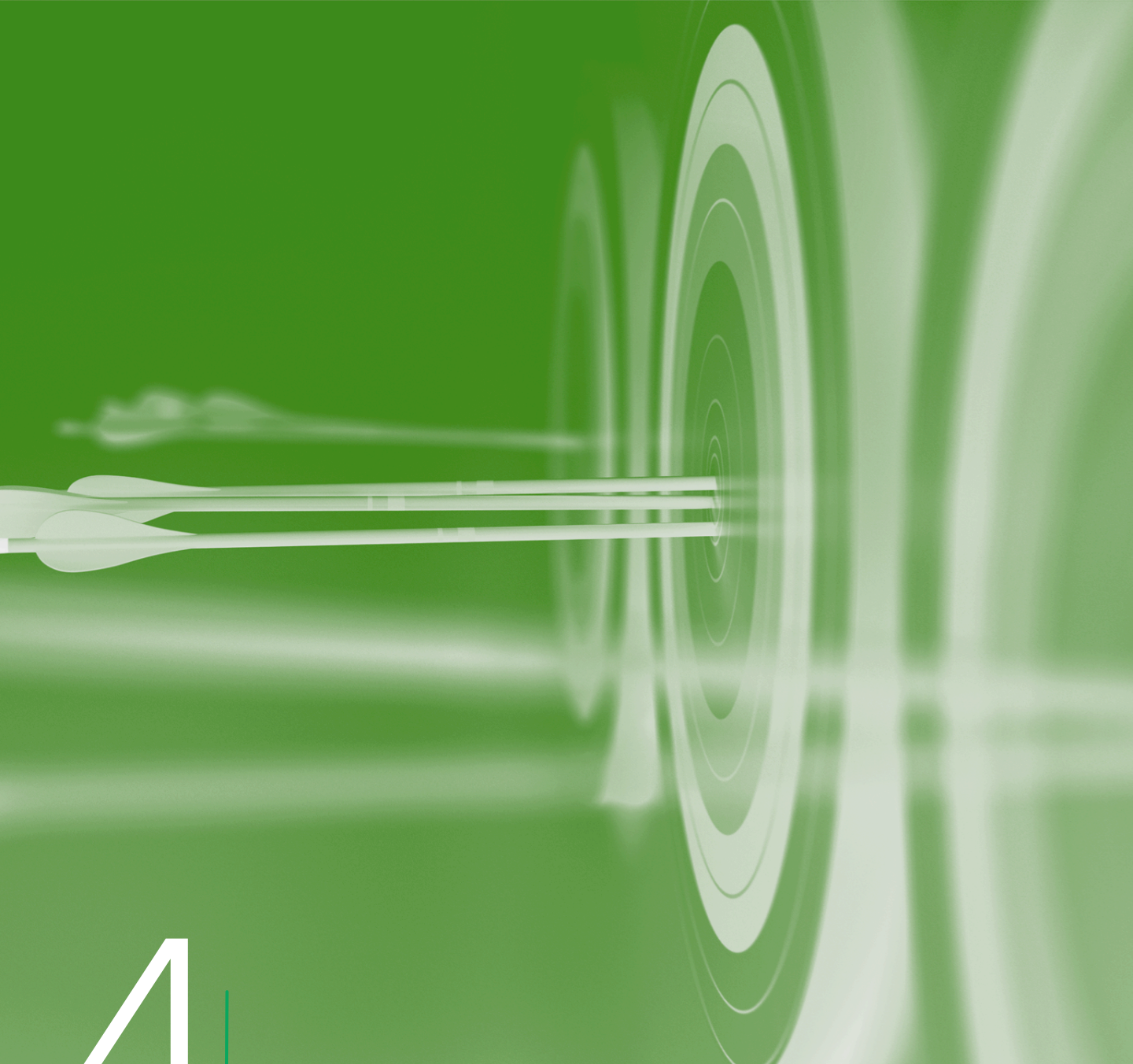
- Customer focus (customer experience);
- Flexibility and agility;
- Radically efficient business models (in terms of costs);
- Absence of regulatory limitations;
- Integrated value chain between service providers and customers.

To ensure the viability of their businesses, traditional players in various industries are expanding their business models beyond core competencies as a way to increase the pace of change, better understand their customers and improve their financial performance.

By 2025 Ecosystems will cover

~30% of total revenues (globally)

Sberbank, working group forecast



# 4

Goals and Priorities  
for Strategy 2020

## The main goal of Strategy 2020 is to push Sberbank to the next level and ensure our ability to compete with global technology companies, while remaining the best bank for customers and businesses.

Our key objectives include retaining business scale, improving profitability and performance, as well as enhancing our flexibility, speed and client focus by introducing new technology and bringing up people with new skills.

We believe that this can be achieved by creating a better customer experience, in non-financial as well as financial industries, by integrating cutting-edge technology into Sberbank products, services and processes, and by developing effective management practices and best-in-class employees.

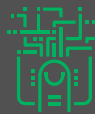
Our task is to complete the technological transformation of our financial business while maintaining the functionality and reliability of existing IT systems and to finish building and transferring our entire business to a new digital platform. We must also build the foundation for an ecosystem in non-financial industries.

### Key strategic priorities for 2018-2020:



#### The best customer experience and ecosystem:

- financial services
- other areas of our customers' lives



#### Technological leadership:

- Reliability and efficiency
- New platform
- Security
- Data-driven company
- Innovation



#### People with new skills in effective teams:

- New competencies
- Teams instead of hierarchy
- Culture and HR



## Best customer experience and ecosystem

Our customer base, customer relations, customer data and knowledge are the backbone of our business success. We plan to maintain and enhance our competitive edge in our new strategy. Our goal is to provide opportunities for our customers to save time and money in both the financial and non-financial areas of their lives.

Whatever product or service we develop, we will always strive to understand our customers' ultimate needs and design the best customer experience based on analytics, design thinking, cutting-edge technology and best practices learned from the world's leading companies.

### We will expand and improve our range of products and services.

For retail customers, we will:

- offer the best cards and cash management products
- offer long-term personal financial planning system providing a functionality of cost&income management and form an individual investment portfolios
- create an ecosystem for P2P transfers
- launch our new Credit Potential service, which will enable tailored and manageable loan limits and instant credit drawing with zero fields to fill in ensure digital access to public services





For corporate customers, we will:

- build our Sberbank Start platform, which will help entrepreneurs and the self-employed to launch and develop their businesses
- execute instant settlements between all types of clients (individuals and companies)
- offer customers instant lending based on pre-approved limits.
- strengthen our industry-specific expertise and offer industry-tailored lending;
- launch special packaged products to finance pub

**We will create individual relationships with customers to:**

- deliver personalised products and services via convenient channels at the right time, based on external data and psychological profiles;
- provide assistance for long-term financial planning and smart tips that help to save time and money;
- deliver personalised offers for large and medium enterprises and our largest corporate customers, including for consulting services.

**We will provide easy access to services in all channels, including a combination of online and offline services, as well as retain a wide regional presence**

**We will optimise our physical channels by:**

- developing and implementing a new design and format of our branch network;
- getting rid of nearly 100% of paperwork in our branches by transferring more than 75% of our internal processes to digital channels;
- provide convenient access and services for our corporate customers in our retail branch network;
- Provide our corporate clients the opportunity to obtain services and open accounts anywhere with the help of a visiting field manager.

**We will create and launch innovative interfaces in digital channels by:**

- improving the customer experience in Sberbank Online and Sberbank Business Online, creating a messenger app, launching a digital assistant based on @900 and launching a voice assistant and chat bots;
- launching services for legal entities for opening accounts and registering businesses online;
- ensuring a seamless digital experience for retail and corporate customers;
- developing and personalising online banking for every important role inside our client companies (so-called role access);
- Offering 100% of financial and non-financial services in digital channels for small and micro business.

We will enable biometric identification in all channels, including state service centres, in order to easily verify our clients' identity and provide access to every product and service.

We plan to educate and familiarise our customers with all types of customer experience, inform them about the potential risks of every channel and block all unnecessary communication.

We will create a marketing automation platform to improve advertising campaigns, the attractiveness of channels and client service.

### Goals for 2020: Digital development and customer engagement

<b>50%</b> DAU/MAU retail customers	<b>80%+</b> DAU/MAU corporate customers
<b>60%</b> retail NPS	<b>100%</b> corporate CSI
<b>70%</b> services in digital (Retail)	<b>80%+</b> services in digital (Corporate)

**We will do everything necessary to maintain and further enhance the convenience of our services for our senior clients.**

**We will continue offering convenient and easy-to-use products and services:**

- Reliable financial services: pension cards with increased interest accrual, free services, special deposit conditions, bonuses and partner promotion campaigns, etc.
- Adapted non-financial services such as an easy retirement package, as well as services contributing to comfortable and active lifestyles during retirement.

We will make our traditional and digital channels user-friendly and simple for clients by:

- providing a high level of service and service formats for clients.
- transforming our branches into physical portals for digital banking, providing trainings on using online and mobile banking, explaining potential financial risks and promoting a financial literacy programme.

**In Strategy 2020, we think we should start building an ecosystem for non-financial businesses in order to meet our customers' needs.**

Offering additional services to generate synergies with financial products in areas like shopping, housing, recreation, healthcare and business development for corporate clients will ensure Sberbank's long-term competitiveness and scale.

Leveraging our experience in launching the digital transformation of finance, we will be able to increase our digitalisation levels and competitiveness in selected areas. This will positively impact the economic development and competitiveness of Russia as a whole.

We have analysed various customer needs and the level of economic attractiveness and competitiveness of various industries of the Russian economy in order to select new priority industries to enter in the next three years.

Our main focus areas will be on e-commerce and logistics, as these are among the most significant in terms of investment and potential profit.

Our long-term strategy outside the financial sector will allow us to enhance the scale and profitability of our business.





# Technological leadership

In order to translate our ideas into a value proposition, we must complete our ongoing large-scale technological transformation across five key aspects: ensuring reliability and efficiency, creating a new banking platform and ecosystem, ensuring the security of data and IT systems, developing a data-driven organisation and strengthening our innovation infrastructure.

## Reliability and efficiency

Our top priority is to ensure the stable and reliable functioning of all our information systems, especially critical ones involved in the flow of customer transactions, while supporting ever-growing load on our systems.

In addition, we will continue to develop and support legacy systems, bearing additional operating risk and expenses, until we migrate to our new platform.

We will continue to develop and expand our technological infrastructure, including constructing and launching an innovative data processing centre in Skolkovo. This will enable us to consolidate

our technological infrastructure, ensure the geo-redundancy of data and discontinue our use of third-party facilities.

We will continue to improve performance while maintaining the high quality of IT support systems and business operations by:

- centralising and decommissioning non-target systems;
- improving software with the use of new technology, (cloud computing, DevOps, software-defined networks, etc.);
- reducing maintenance costs by standardising, outsourcing and automating our IT systems;
- cutting back-office operational costs by streamlining and automating routine processes with robotic process automation (RPA) and AI algorithms;
- optimising the number of geographical locations for our support functions.

### New platform

By 2020, we must complete the migration of our customers, products and data to a new platform we are building as part of our Unified Front-End System, 18+ and Data Factory programmes.

The new platform will be launched on innovative cloud infrastructure using in-memory computing that provides high levels of reliability and accessibility. In addition, the platform will support omnichannel front-end solutions, API services to connect partners in the ecosystem and revised E2E processes for all products and services.

To launching this platform, we must create a strong IT architecture, as well as a library of reusable solutions and components to ensure speed and quality.

Finally, we will adopt DevOps culture, practices and tools to increase the speed and performance of all critical systems and to help our developers interact, creation and update services and applications faster.

The key elements of DevOps culture will be:

- standards and practices for developing new products and services as well as for migration and integration;

- specialised developer tools for managing technology launches;
- designated infrastructure, including a cloud-based development environment;
- new training and best practice exchange programmes to strengthening the competencies of our internal engineers;
- transparent monitoring and control structure based on cloud software.

This will result in a dramatic change of our approach to doing business.

In terms of customer-centricity:

- All processes should be built with the customer at the core and for the benefit of the customer.
- Our omnichannel experience will enable our customers to receive any service as well as continue operations started in another channel. They will also be able to access client transaction histories and their contracts will be available and updated online in real-time across all channels.

### Goals for 2020:

99,99%

reliability

24/7

availability

85%+

satisfaction with IT support and Ops

Daily

time to market

<3 min

Stand-in

-50%

reduction in operational costs

### In terms of the pace of change:

- it will enable real-time changes in our business model (without the need for reengineering);
- it will shorten the time-to-market for new software, features and code to daily deployment timeframes by 2020.

### In terms of efficiency:

- it will help to reduce the cost of maintaining our IT systems;
- it will enhance workforce productivity by more than four times;
- it will allow linear scalability and productivity in real-time.

### Goals for 2020:

---

100%

protection and customers refund

0 rub

bank losses from cyber attacks

0 min

service downtime due to attacks

95%

coverage of cybersecurity training programmes in the bank

### Security

Sberbank is already a leader in cybersecurity. We remain committed to protecting customer data and are investing in continuous monitoring and protection of all our digital channels. We are also creating a centre that will continuously monitor all our operations.

In recent years, the attempted theft of customer funds has increased by five times. By 2020, this number is expected to grow by another 10 times. The number of DDoS attacks will increase as well.

We are committed to ensuring the security of our banking products and of our customers' finances and data.

Our Security Operation Centre will defend against cyberattacks, provide 360° anti-fraud and educate our employees, customers and partners in modern methods of preventing cybercrime.

### Data-driven company

We believe that customer data is one of our key assets. This will be further strengthened additional data originating from non-financial companies and third parties in our ecosystem.

By 2020 the volume of our customer data will grow almost tenfold.

Storing and processing large volumes of data requires other technological solutions, to have a capacity to store and process data in the cloud using cutting-edge technology, to make data accessible online and in real time with 100% reliability, and to create a unified semantic layer.

**Goals for 2020:**

---

**100%**  
data marts

**95%**  
holding information about retail customers

**>90%**  
model-based risk management solutions  
Model algorithms:

Using data, we are going to improve decision-making models for our critical processes.

We will focus on data protection by creating a system for continuous monitoring of all digital channels and by continuing to develop our in-house Security Operation Centre.

We will continue to invest in more advanced algorithms such as artificial intelligence and cognitive computing. These models will also be used to develop new digital interfaces such as voice assistants and chat bots.

Our most important issue is to develop internal competencies in data processing and protection, as well as to enhance our attractiveness as a competitive employer for in-demand data analysts.

For that to happen, we have created and will further develop special employment conditions for data analysts. We are also working with the best Russian universities, having created an in-house expert data analyst community. We will continue to enhance their skills in data collection, analysis and protection.

**Innovation**

We will make our innovative infrastructure stronger by creating technology labs in key business areas (artificial intelligence, cybersecurity, robotics, robotic process automation (RPA), blockchain, Internet of Things, virtual and augmented reality, gamification).

These labs will primarily be tasked with conducting applied research, integrating new technology in our products and services, and continuous monitoring new trends that could influence our business models.

We will also develop infrastructure for incubators and an accelerator for testing new ideas and businesses.

**Goals for 2020:**

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**70%**  
Researches made in laboratories implemented in the bank  
not to be missed

**next big thing**

**8+** labs have been successfully embedded in our innovation system



# People: Nurturing New Skills in Effective Teams

## Competencies 2020

In Competencies 2020, we have highlighted the skills that our employees should possess, including:

- problem solving and systems thinking;
- result management and responsibility;
- openness to innovation;
- customer-centricity;
- focus on team development and collaboration;
- self-management.

We are actively redesigning our HR, training and assessment processes with these competencies in mind.

To ensure that our employees master sought-after skills such as managing large transformations, Agile, DevOps, information technology and data processing, we have launched a Technology and Data Academy within our Corporate University. This is where our employees gain new skills: business unit employees learn IT, while IT employees learn business acumen. This way, we build more effective cross-team relationships.

We will also keep teaching skills to our customer-facing personnel on service, empathy and emotional intelligence.

## Teams instead of hierarchy

We intend to more actively encourage our leaders to develop the following behaviours and skills: teamwork, collaboration, conflict resolution, ability to create an environment of psychological safety, openness and trust. We will also incorporate a system for constant feedback, including a process for working through complex issues.

We believe that today's challenges can be adequately addressed only by teams with diverse personal and professional experience. In response, we are going to continue our shift to an Agile organisational structure (by 2020 for the Central Head Office and Technology Block) and teal organisation (regional banks), while developing a startup culture to support innovation.



## Culture

We will actively develop our people to be leaders, helping them to advance their leadership qualities and target competencies for continuous self and team improvement.

By 2020, we must build a clear and personalised employee journey, from getting to know the company to maintaining relations when employees leave, with a particular focus on several critical employee segments and people that generate the most value for the company.

The culture of our company will develop, motivate and encourage our employees to be better versions of themselves to change our bank and country for the better.

In addition, we will pay special attention to developing a culture that supports the development and launch of new products and services.

We will actively adopt and introduce a culture of continuous development (DevOps) and modern engineering practices, approaches and tools.

Our HR function has to transform dramatically, as well. The migration of HR to the Success Factors cloud platform will increase responsibilities for leaders and employees in the talent management process, automate up to 90% of core personnel management tools and processes, integrate employee analytics models and unify HR services across all functions into centralised units.

We are also going to continue conducting pilot programmes that focus on paper-free HR workflow with government authorities.

The role of business partners and regional HR is going to be focused even more on finding critically important business tasks and employees, long-term planning for ensuring we have people with the right skills, making our teams more efficient, supporting key employees and restructuring business units and headcounts.

At the same time, we appreciate the importance of containing employee costs to deliver on our cost-to-income goals.

With all these efforts, we will become a top five employer, hold key employee turnover at no more than 10%, ensure 75% of employee engagement and contain the growth of staff costs.

### Goals for 2020

100%

Head office and IT block transferred to Agile by 2020

75%

Employee engagement index

TOP-5

Russian employer

90%

HR digital / mobile services



# 5

## Financial Goals for Strategy 2020

Our main financial goal through 2020 is to scale up our business at given return levels and to increase our profits substantially. This ambitious goal will require material improvement of all financial performance metrics amid a challenging international economic environment, low growth rates and the planned reduction of net interest margins. We will maintain consistently high ROE at 20% level, which will increase the bank's equity by 2020. According to our new dividend policy we will secure gradual growth of return on capital to our shareholders in the form of dividends.

## Operating income

According to our projections, the emerging trend of interest rate reduction coupled with low growth rates will put pressure on our net interest margin.

However, net interest income will remain the key source of profit growth, as the lower margin will be offset by annual asset growth of about 8%.

Our long-term focus is on the stable growth of our commission income.

We will ensure the rapid growth of risk-free commission income at a rate of about 15% p.a. Income from cards, acquiring, cash settlement transactions and wealth products will account for more than half of this growth.

By 2020, we expect that the share of non-banking business (asset management, insurance, brokerage, etc.) in non-interest income will increase from 3% to 8%. Digital business will be the fastest growing non-banking business in terms of income, doubling every year on average.

## Operating expenses

In the next three years, we expect to achieve unprecedented cost efficiency. Our goal is to decrease the cost-to-income ratio (CIR) to the close to 30% level.

To achieve the goal, we will need to sustain minimal growth rates in expenses for 2018-2020.

We plan to achieve this goal primarily through optimising personnel costs, improving productivity and business processes, automating and centralising key processes, and introducing a flat organisational structure.

We will also optimise other costs (real estate, ATM servicing) and keep their growth at a level below inflation rates.

The only material increase is planned for IT costs (by 8% p.a.) and digital business costs, as defined by our strategic priorities. However, Sberbank's IT costs will shift from supporting current operations to transformation projects.

## Financial goals 2020

Net profit, billion roubles

~1000

ROE, %

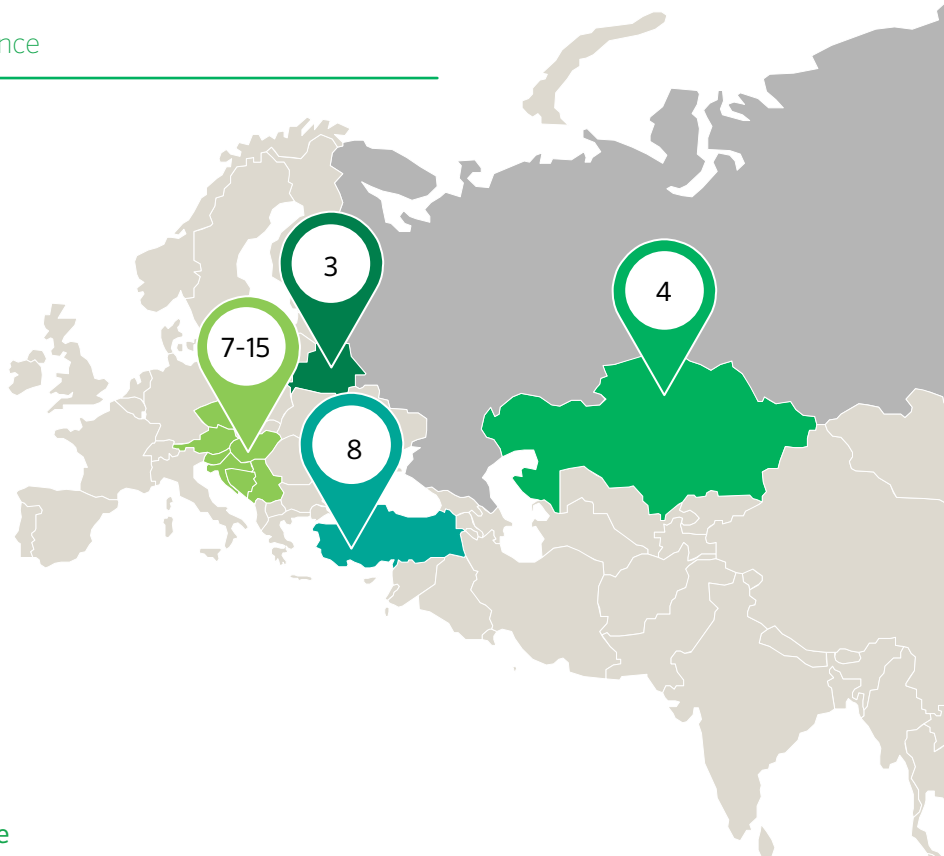
~20

Assets (avg. per year), trillion roubles

~33

Cost to income, %

~30

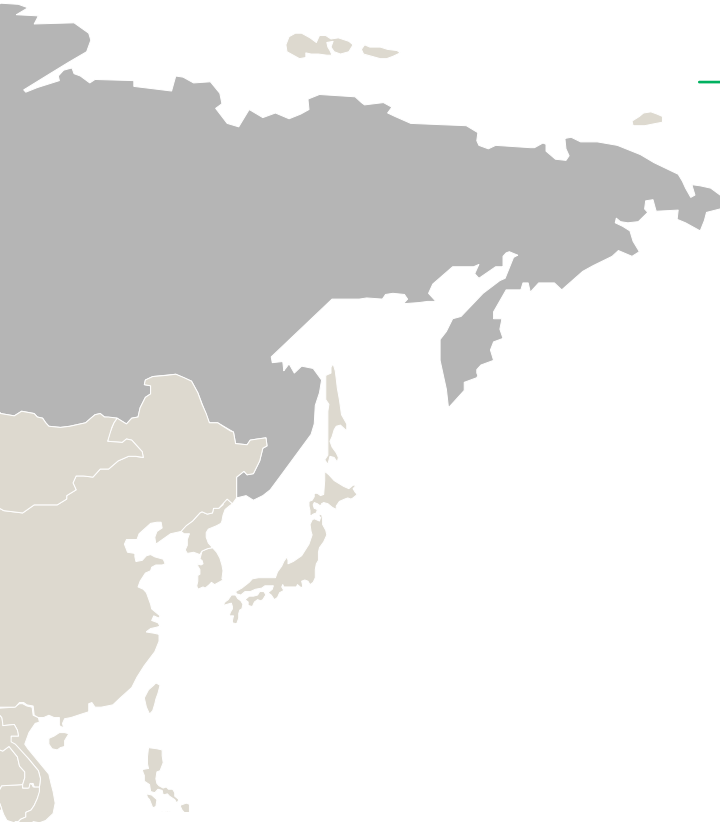


### International business performance

We assume that the Russian Federation will remain our key market, with over 90% of our business. However, we expect our income from our international business to grow. By 2020, international business will provide 8% of our total income.

We aim to become a top five player in markets where we operate or otherwise leave those markets. All of our markets should demonstrate an ROE over 15%, except for Europe, where we plan ROE at 3% because of macroeconomics and regulations.

Key markets	ROE, 2020 r.
Turkey	15%
Kazakhstan	23%
Europe	3%
Belarus	22%



### Risk management expenses

A conservative risk management policy is a key element of our business model. We plan to further decrease provisioning expenses, reducing them to 1.3 % by 2020.

We set a target cost of risk ratio that is lower than the average for the Russian banking system over the current economic cycle.

The key driver in risk mitigation driver will be further improving our risk management system by introducing advanced analytics, real-time risk monitoring and maintaining a high-quality portfolio.

Our capital management initiatives will enable us to save capital. This will be extremely important over the next three years.

We will manage any new risks arising from changes in our business and environment, including venture investment risks, strategic risks, model risks and new economic risks (the latter primarily concern companies in our digital ecosystem).

Our highest and undisputable priority will be complying with all the regulator's requirements and collaborating with regulatory authorities proactively.

### Goals for 2020 Conservative risk policy

~1,3% Cost of Risk

~12,5% Group Common  
Equity  
Tier 1 (CET 1)  
(IFRS)



# 6

## Key Risks and Mitigation Strategies

### Key risks

We think the key risks are the possible deterioration of the macroeconomic environment, delays in migrating to our new technology platform, decrease in brand loyalty, unsuccessful development of our digital ecosystem in other industries and insufficient IT workforce, particularly in the field of digital business models.

### Risk mitigation

In the event that the macroeconomic environment deteriorates due to a sharp decline in oil prices or a strengthening of sanctions against Russia, we will respond by adopting a more conservative risk management and investment policy and building up a liquidity buffer.

With high competition for customer loyalty, we will strengthen relations with customers by personalising our approach, expanding our value proposition with non-financial products and focusing on the youth segment, where brand loyalty is the most fluid.

To get ahead of growth forecasts on the digital economy (for example, on the level of e-commerce penetration), we will actively cooperate with the government on its digital economy programme, hire teams of professional managers in these industries and enter into partnerships with strong market players.

There is a risk that competitors will develop faster and capture promising niches in priority areas or offer a better value proposition for customers. We will mitigate this risk by partnering with strong players, leveraging our digital transformation experience and synergies, and hiring the best experts in each sector.

The lack of experts in managing large-scale transformation projects, IT experts, and data analysts in the Russian labour market will be mitigated by offering attractive conditions for employees in these segments, cooperating with leading Russian and foreign universities, and nurturing such experts in-house.

We have defined key risks in switching to our new technology platform and launching key programmes, as well as developed a control plan to prevent such risks.

To mitigate the risk of delays in executing key strategic programmes (UFS, 18+ and Data Factory), we plan to:

- simultaneously develop and maintain our current Legacy IT systems and carry double costs for the most critical IT functions;
- introduce single control and management authority and a new migration platform;
- continue supporting Oracle infrastructure and back up all data and operations histories;
- while migration to the new platform, we will regularly analyse and update business processes.

Creating and migrating to the new technological platform will also depend on the organisation and efficiency of our developer teams. In order to minimise the risk of not achieving the required level of productivity during our transition to Agile, we plan to:

- implement special tools to monitor and control team activities (specialised online monitoring software, DevOps tools, demonstrations, ceremonies, retrospectives and others);
- undertake regular control of KPIs and results at the board level.

In addition, we see potential risks in developing and applying new technology. For example, to mitigate the risk failing to adopt new technologies created by our innovative laboratories, we plan to carry out a regular synchronisation of activities with business tasks, including through matrix subordination of lab leaders to business line leaders. In addition, more than 70% of lab working time will be focused uniquely on applied research. We will also continue the joint work on monitoring trends in collaboration with our partners (technology companies, universities and research institutions) to avoid missing out on any important developments.

### New approach to strategic execution in 2018-2020

To improve our management of goal-setting and execution, we are building a system that will synchronise the goals, priorities, and strategic initiatives of each block, as well as the KPIs of the tribes and team backlogs. The most complex programmes, such as our technology platform, digital ecosystem and Agile, will be monitored weekly by the CEO and the board.

## Key definitions and abbreviations

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**Agile** – flexible development and management methodology

**AI** – artificial intelligence

**API** – application programming interface

**Apple Pay, Android Pay, Samsung Pay** – mobile payment systems

**Basel IV** – standard of the Basel Committee on Banking Supervision

**Blockchain** – technology for storing data in distributed chains of independent blocks

**CAGR** – compound annual growth rate

**CAR (Tier1)** – capital adequacy ratio

**CIR** – cost to income ratio

**COR** – cost of risk

**D people** – employees with data competencies

**Data-driven company** – organisation that makes decisions based on numbers and analytics

**DAU** – daily active users

**DDoS** (distributed denial of service) – hacker attack that prevents a system from functioning

**DevOps** (development and operations) – management practice based on engaging and integrating development and service specialists

**E2E** – end-to-end, full cycle

**E-Commerce** – buying or selling products online

**E-Invoicing** – electronic workflow system

**Employee journey** – the employee experience in a company, from hiring to firing

**EPS** – earnings per share

**EU Second Payment Services Directive** – foundation for a new financial system without banks

**EVP** – employer value proposition for employees (salary, working conditions, etc.)

**Gamification** – the use of gaming formats for business processes, products and services

**IFRS 9** – International Financial Reporting Standard 9

**Internet of Things** – physical devices connected to the Internet

**IVR** – interactive voice response

**LDR** – loan-to-deposit ratio

**Legacy system** – information system from an earlier technological cycle

**MAU** – monthly active users

**MVP** – minimum viable product

**NIM** – net interest margin

**NPL** – non-performing loan

**NPS** – net promoter score, which reflects a consumer's readiness to recommend a product and is used to assess readiness for repeating a purchase

**Open-source** – software for which the source code is made available with a licence and for which the copyright holder provides the rights to study, change and distribute the software to anyone and for any purpose

**P2P** – peer-to-peer

**ROE** – return on equity

**Rolling forecast and continuous planning** – flexible, iterative approach to forecasting and planning

**RWA** – risk-weighted assets

**SAP** – corporate resource planning system

**SDN** – software-defined networking

**Single Sign-on** – seamless authorisation technology

**SLA** – service-level agreement (ITIL specifications)

**Stand-in** – uninterrupted work mode in an information system

**Straight-through processing** – pass-through continuous information processing

**Success factors** – workforce management system

**TTM** – time-to-market for goods and services

**Uptime** – continuous work time of a system

**VR / AR** – virtual/augmented reality

**Teal organisation** – model for future organisations based on self-management (Laloux)

**RB** – retail business

**CB** – corporate business

**CIB** – large corporate and investment business

**LMB** – large and medium business

**Marketplace** – product and service aggregator that controls price and quality

**Messenger** – application used for exchanging instant messages

**SMB** – small and micro business

**RSS** – regional and state sector

**SBBOL** – Sberbank Business Online

**SBOL** – Sberbank Online

**PFM** – personal financial management

**DomClick** – service for searching and purchasing property

**Smart terminals** – smart online cash register



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