



Sberbank's Development Strategy up to 2014: **First-Year Review**

ANALYST PRESENTATION

DECEMBER 2009

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- 1 Macro economic trends and Sberbank's market position
- 2 Strategy overview
- 3 2009 Implementation status: achievements and opportunities
- 4 Target indicators and new challenges

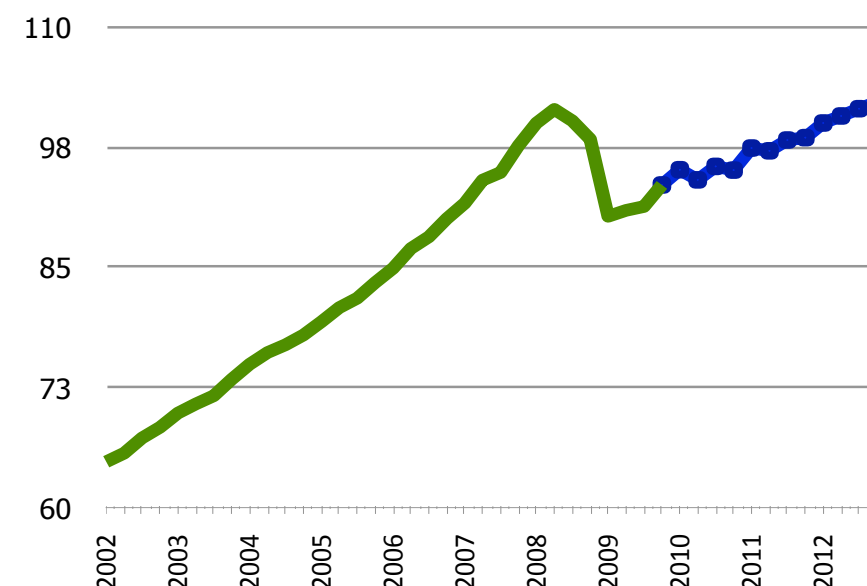
Macroeconomic forecast (CMEI)



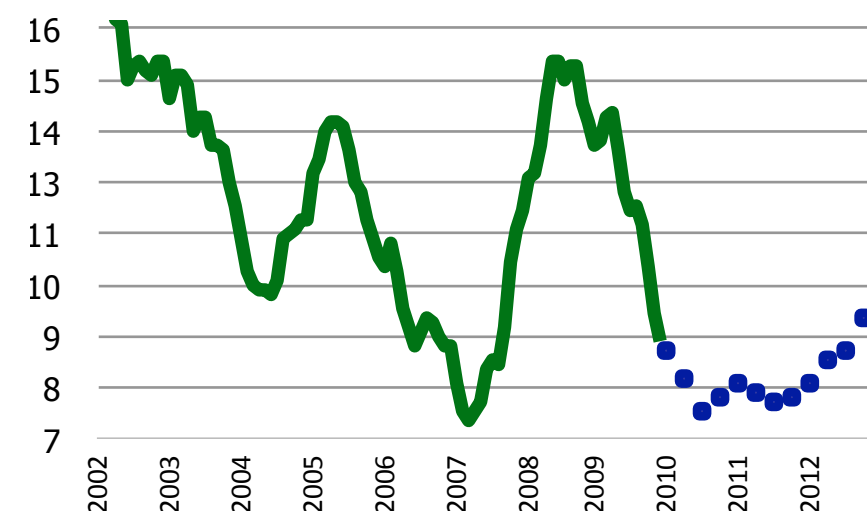
December 7, 2009	2008	2009	Baseline scenario 2010
Assumptions			
URALS oil, \$/bbl	94.7	60.0	73.3
International trade volume, % y/y	1.7	-10.5	2.5
\$/euro exchange rate	1.5	1.37	1.53
Capital flows, bln \$	-132.7	-30	18
CMEI forecast			
Real GDP growth, %	5.6	-8.7	3.8
Nominal GDP, trln. rub.	41.7	39.7	45.5
Nominal GDP growth, %	25.8	-4.8	14.8
Inflation, %	13.3	9.0	8.2
M2X money growth, %	14.6	8.5	10.7
\$/ruble ex. rate, year avg.	24.8	31.5	28.2
Bicurrency basket, rub., year avg.	30.1	36.8	34.9
Industrial production growth, %	2.1	-11.4	4.1
Real disposable income growth, %	5.1	-2.1	1.1

- In 2009 GDP is expected to decline by 8.7% and inflation is projected at 9%
- In 2010 GDP will keep growing, although, will not return to pre-crisis trend
- Inflation will keep declining. But for this decline to become permanent policy changes are needed

Real GDP, Index, Q1 08 =100, SA



Inflation YoY, % on period end



Sberbank's mid-term equity story: a unique opportunity in one of the most attractive growing markets in the world



Growth and size

- Banking revenues are projected to grow 15% per annum till 2014;
- By 2014, banking assets are envisaged at 70-80% of GDP (still a relatively low level, flagging further growth potential)

High profitability

- On historical ROE-COE metrics, Russian banks are on par with developed markets and look more appealing versus majority of peers from emerging markets

Favorable industry structure

- Low asset concentration: 5 largest banks account for slightly more than 50% of assets (versus over 60% in most countries);
- A large number of medium-size and small players together control between 20% to 30% of many banking products
- Inevitable process of consolidation is being accelerated by the current financial crisis

Huge growth potential for Sberbank as a leader of the Russian banking system

VALID

Sberbank's mid-term equity story: a unique opportunity in one of the most attractive growing markets in the world



Economy

- Subdued demand for financial services
- Lower real disposable incomes
- Increasing role of the state in the economy
- Transition to inflation targeting policy

Banking sector

- Sharp increase in credit risks
- State banks are taking initiative
- Regional expansion largely suspended
- Central Bank temporally eased banks' requirements



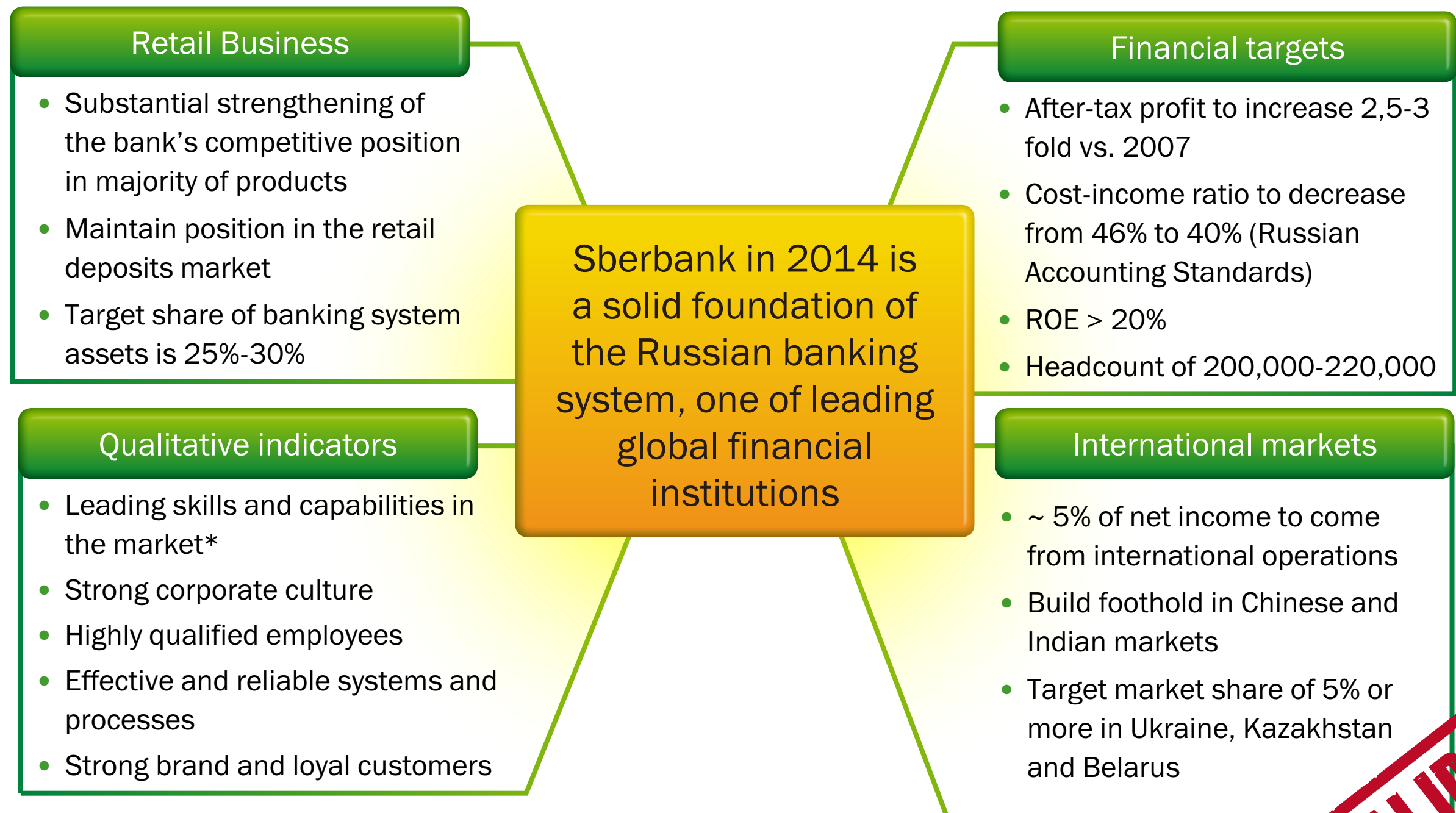
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achievements and opportunities

4 Target indicators and new challenges

Our goals and aspirations by the year 2014 remain unchanged



* – Leading skills and capabilities in the market in areas of account management, risks, SPS (Sberbank's Production System, a service sector adaptation of the principles of Lean technology), performance



Key strategy themes for Sberbank



What it means

GOALS FOR 2014 (vs. 2007)

- 2,5-3-fold earnings growth
- Productivity improvement:
 - 3-fold increase in assets per employee,
 - 1.5-2-fold increase in transactions per employee
- ROE > 20%

1

Customer focus

- Maximizing revenue from each customer
- Quality and depth of customer relationships and quality of sales and service skills as a key source of competitive advantage

2

Industrial-strength systems and processes

- Maximum leverage of Bank's economies of scale
- Consolidation of functions to improve quality, control and efficiency

3

SPS* as a management philosophy

- Building a bank-wide capability for continuous improvement, development, and renewal
- Source of ongoing productivity gains

4

Investing in people

- Improved motivation system and labor conditions of Bank's employees
- Upgraded training and talent management systems

5

Growth beyond Russia

- First steps in Sberbank's journey to becoming an international bank



* SPS – Sberbank's Production System, a service sector adaptation of the principles of Lean technology

Retail: to become Russia's 'friendly neighborhood bank'



KEY STRATEGY ELEMENTS

- 1 Integrated product offering
- 2 Branch network reformatting and development of state-of-the-art remote channels
- 3 SPS — based new branch operating model
- 4 Dramatic improvement in service quality
- 5 Building systematic sales skills
- 6 Brand development and reinforcement

ASPIRATIONS/OBJECTIVES (BY 2014)

- **At least 60 million active customers**
- **Larger share in customers' wallets**
(at least 3 products per 1 customer)
- **Transactions transferred to remote channels**
(at least 75% in remote channels)
- **Productivity growth in branches by 50%**
- **Dramatic improvement in quality of customer service** (customer service culture, convenience, reducing wait time in lines)
- **Increased availability of services**
(new branches, 60 + thousand self-serve devices)
- **State-of-the-art banking products that make life easier for the average Russian**
(social card, utility payments, mobile banking services)



Corporate: to build the best relationship management and value proposition in the market



KEY STRATEGY ELEMENTS

- 1 Segmented value proposition and coverage model:** large, medium-size and small businesses
- 2 Best-in-class relationship management:** dedicated relationship managers, account management / planning system
- 3 Product line development:** payments and settlements, working capital, investment banking services
- 4 Optimization of internal technologies and processes to reduce cost and improve delivery**

ASPIRATIONS/OBJECTIVES (BY 2014)

- **Significant increase in customer coverage** (up to the level of over 65%)
- **Increased revenues per customer**
- **Substantial improvement in service quality** (e.g., reduce time to money for loan applications 1.5 – 3 times across the segments)
- **Increased availability of banking services, in particular for small business** (simplified loan procedures, electronic document processing, new specialized product offers – commercial real estate mortgages, commercial auto loans, etc.)



International: to grow organically and monitor opportunities



KEY STRATEGY ELEMENTS

- 1 Organic growth in priority CIS markets, evaluate M&A options**
- 2 Create 'bridgeheads' in China and India, look for acquisition/partnership opportunities in the mid-term**
- 3 Monitoring of acquisition opportunities in developed and other developing markets (including in Eastern Europe)**

ASPIRATIONS/OBJECTIVES (BY 2014)

- First steps in Sberbank's journey to becoming not only a leading Russian bank but also an important participant in the international financial system
 - Obtaining a significant market share in CIS countries (5% and more)
 - Opening of representative/local branches in China and India
 - International operations to contribute at least 5% of net income



Risk management: to build state of the art systems to manage portfolio quality and to support commercial push



KEY STRATEGY ELEMENTS

- 1 Formalized credit risk analysis, risk-based pricing**
- 2 Stronger role of risk management in the lending process**
- 3 Optimization of procedures and introduction of electronic document processing**
- 4 Further development of portfolio quality monitoring and credit workout unit**
- 5 Inventory of operational risks, closing the gaps and eliminating redundant control mechanisms**
- 6 Updated systems of control over market risks, building a consolidated ALM system**

ASPIRATIONS/OBJECTIVES (BY 2014)

- Modern technologies/tools for credit operations, including set up of a consolidated retail underwriting platform
- Better portfolio quality and better control/transparency
- Ability to de-average pricing
- More competitive credit products (speed, adaptability, convenience, accessibility)
- Appropriate risk controls for an aggressive commercial push



Operations - the industrial revolution is here



KEY STRATEGY ELEMENTS

- 1 Consolidation of operations within Customer Transactions Support Centers ('CTSC')** (e.g., in Moscow: from 13 OSBs/branches to 1 CTSC)
- 2 Significant optimization and modernization of all back and middle office processes**
- 3 Separation of operational function into an organizational vertical, setting up professional communities**
- 4 Transition to a completely different level of automation**

ASPIRATIONS/OBJECTIVES (BY 2014)

- **Improved quality** (number of errors, customer satisfaction level)
- **Twofold increase in employee productivity**, that will enable to absorb larger volumes with less labor



IT – the industrial revolution, part 2



KEY STRATEGY ELEMENTS

- 1 Unification of software and data storage systems**
- 2 Consolidation of reporting and CRM systems**
- 3 Consolidation of existing Data Processing Centers organized on a territorial principle**
- 4 Formation of new organizational structure for IT units**

ASPIRATIONS/OBJECTIVES (BY 2014)

- Ability to 'see' the client and actively manage customer relationships in all Bank's systems
- Optimization of running costs and hardware/software CAPEX
- Preparation for a transition to a unified core banking system (post 2013)
- Consolidation of IT infrastructure in one main and one back-up data center
- Increased ability to control daily operations manageability and improved quality of reporting
- Clear linkage between IT projects' priorities and business needs



Our people – building a great team



KEY STRATEGY ELEMENTS

- 1 Major upgrade to staff training and development systems**
- 2 Development of career planning and talent management systems**
- 3 Expanded and improved system of monetary and non-monetary incentives**
- 4 Optimized headcount through increased productivity**
- 5 New organizational structure**

ASPIRATIONS/OBJECTIVES (BY 2014)

- Best-in-class customer service culture and sales skills
- Explicit linkages between pay/incentives and performance (including top management)
- Increased productivity and competitive compensation
- Headcount reduction to 200,000 -220,000 by 2014





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Selected examples of strategy implementation in 2009



Retail Business

- Core product (multi-functional current account) introduced in Moscow and St. Petersburg
- 'Credit factory' implemented in Moscow and St. Petersburg, shortened time to money down to <2 days in 80% of the cases, improved lending products
- Credit insurance product introduced
- Start of implementation of new branch format and overhaul of the brand
- Full functionality of Mobile and Internet bank implemented in Moscow, preferential pricing implemented for remote channel services
- First stage of the country-wide contact-center launched

STATUS OF IMPLEMENTATION

Partially completed

On track ✓

On track ✓

On track ✓

On track ✓

On track ✓

Corporate Business

- New account management model launched for the three customer segments
- Account manager system launched
- Process of planning and monitoring customer relationships launched in the CRM system

Partially completed

For large corporates

For large corporates

Other Work Streams

- New organizational structure introduced, IT and operational function consolidated
- DWH and MIS data warehouse set up in Moscow
- Upgraded credit monitoring and work out functions
- SPS implemented in several thousand branches
- First wave of headcount optimization

On track ✓

On track ✓

On track ✓

On track ✓

On track ✓

Overview of the main activity areas within the strategy framework :

2009 IMPLEMENTATION STATUS



Organization, management system and HR

ACHIEVEMENTS

- New organizational structure in the Central Head office and regional head offices ('RHOs')
- Function and headcount optimization in management bodies
- New motivation system concept, launching of pilots in different areas
- System for evaluating performance results
- Target-based management system (Central Head Office)
- Assessment & evaluation of Central Head Office and RHO management
- Improvement of planning system
- Launched a major MIS* implementation project

OPPORTUNITIES

- Management teams in certain Central Head Office divisions with vacancies yet unfilled
- The system of interaction between the Central Head Office and RHOs has not been completely realized on the levels of business blocks and functions

* MIS – Management Information System

Overview of the main activity areas within the strategy framework :

2009 IMPLEMENTATION STATUS



Retail Block

ACHIEVEMENTS

- A new core product designed (multi-functional current account) - currently pending rollout
- Reviewed and improved deposit and credit product lines
- Launching a line of innovative products (e.g. 'Grant life')
- Setting-up a federal call center for contacts (8-800)
- Launching a new Internet bank and website. Currently actively developing ATM and payment terminal network
- Starting migration of transactions to remote channels (up to 40% by the end of 2009)
- Developing new branch formats
- Creating a system of market research
- A new brand is ready for launching
- Formulating and launching active sales and quality training programs
- Launching credit insurance
- VIP customer service pilot
- Social card pilot

OPPORTUNITIES

- Corporate and partner sales plans, cross-selling and billing technology plans have been soft - launched
- Delay in implementing launch and testing plans for new business unit formats

Overview of the main activity areas within the strategy framework :

2009 IMPLEMENTATION STATUS



Corporate business

ACHIEVEMENTS

- First version of CRM* and major corporate customer model
- Product development program for corporate customers
- Model for working with small businesses
- Specialized products for small business segment
- Launching new program of NPLs workout

OPPORTUNITIES

- Management teams in certain Central Head Office divisions with vacancies yet unfilled
- The system of interaction between the Central Head Office and RHOs has not been completely realized on the levels of business blocks and functions

SPS**

- Retail program fully launched and in full-scale rollout
- Ready to roll out in small business and accounting

- Program launch in corporate business

Risks

- 'Credit factory' for retail customers has been launched
- Expanding capabilities of credit bureaus

- Need to create new credit process for corporate loans

*CRM – Customer Relationship Management

**SPS – Sberbank's Production System

Overview of the main activity areas within the strategy framework :

2009 IMPLEMENTATION STATUS



Operations Block

ACHIEVEMENTS

- Creating Moscow and St. Petersburg SSCs*, centralized operational processes for Moscow, St. Petersburg and Lenigradskaya Oblast (region).
- Completing preparation for launching SSC at 4 RHOs** (approved rollout plans, performed financial & economic project evaluation)
- Initiated 'Paper-free back and middle office' project – the basis for creating future interregional SSCs

OPPORTUNITIES

- Centralization of financial support of cash collection agreements (1 month behind)
- Preparation for launching SSC at 3 RHOs: to be completed by end of year.

*SSC – Shared Service Center

**RHO – Regional Head Office

Overview of the main activity areas within the strategy framework :

2009 IMPLEMENTATION STATUS



IT

ACHIEVEMENTS

- Sberbank's 'Office of the Future' was put into operation: a special bank laboratory for testing promising technologies and developments.
- Implementing CRM* basic functionality
- Sberbank Online Internet banking was implemented in 10 RHOs
- Retail 'Credit factory' launched in Moscow and Severo-Zapadny RHO
- Establishment of SSC**
- Launch of a range of important projects (data warehouse, MDM etc.)
- Preparation of Mega Data Processing Center

OPPORTUNITIES

- Reorganization of IT block structure in Moscow on the basis of Central Head Office divisions.
- Electronic office document turnover system is not fully functional

*CRM – Customer Relationship Management

**SSC – Shared Service Center



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Selected operational targets and performance metrics



	INDICATOR	CURRENT STATUS (10M 2009)	REFERENCE TARGET (BY 2014)
1 Finance and Operations	<ol style="list-style-type: none"> 1. Net Profit 2. Return on equity 3. Share in total banking assets 4. Cost/Income (under Russian Accounting Standards) 5. Headcount 	<ul style="list-style-type: none"> • Down 85% y/y • 2.7% • 25.6% (9M 2009) • 34% • Down by 5.4% YTD* 	<ul style="list-style-type: none"> • Growth 2-3 times • At least 20% per annum • 25-30% • Maximum 40% • 200,000 – 220,000
2 Retail business	<ol style="list-style-type: none"> 1. Products per client (depth of client relations) 2. Share of remote channels in the structure of transactions 3. Labor productivity level 4. Reduced time for decision making/ disbursement of funds to individuals after their loan applications (time to cash) 5. Qualitative indicators of the client perception of the bank 	<ul style="list-style-type: none"> • 1.7 • 40% for transactions • 30% improvement • 1-3 days depending on the product (20% of applications) • 55% of clients are 'satisfied, loyal, ready to recommend to friends' 	<ul style="list-style-type: none"> • Not less than 3 • 75% for transactions • 50% improvement • 1-3 days depending on the product (80% of applications) • 65-70% of clients are 'satisfied, loyal, ready to recommend to friends'
3 Corporate business	<ol style="list-style-type: none"> 1. Client coverage 2. Time to review loan application 	<ul style="list-style-type: none"> • 59.25% for large and medium businesses (57.8% in 2008) • > 1 month 	<ul style="list-style-type: none"> • At least 65% for large and medium businesses • 1.5 – 3 times less, varying across the segments from 2007 mark
4 Other areas	<ol style="list-style-type: none"> 1. Consolidation of transaction processing offices (back and middle office) 2. Consolidation of IT infrastructure 3. Operations labor productivity (transactions/employee) 	<ul style="list-style-type: none"> • Consolidation in Moscow and St. Petersburg • Planning to start early 2010 • On track 	<ul style="list-style-type: none"> • Consolidation to max 18 support/shared services centers • In one principal and one backup data centers • 100% improvement

Strategy first-year implementation status and new challenges



- Sberbank has made the right choice and correctly identified areas for improvement
- Most of the strategic goals are being met in line with the scheduled completion timing
- KPIs are accomplished in the retail risks and operations and partially implemented in the IT and retail business
- KPIs' implementation in the corporate and corporate risk blocks is being addressed



NEW CHALLENGES

- Slow resolution of organizational and HR issues
- Distraction of resources to resolve current tasks within the crisis environment
- The system requires a reorganization of the bank management system at all levels
- Complicated full-scale synchronization of changes within the entire Bank