

Sberbank Investor Day

October 22, 2015

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Sberbank Investor Day

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CONTENT

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HOW THE CONDITIONS
HAVE CHANGED

2

HOW WE ARE CHANGING

3

WHAT DOES IT MEAN
FOR INVESTORS

1

HOW THE CONDITIONS
HAVE CHANGED

Original Forecast of 2013 vs Reality

	FORECAST 2013-2015 AS OF 2013			FORECAST 2013-2015 AS OF 2013			REALITY		
	BASE CASE SCENARIO			PESSIMISTIC SCENARIO			2013	2014	2015E
	2013	2014	2015	2013	2014	2015	2013	2014	2015E
URALS \$/barr., average	106	103	100	106	80	75	108	98	52
GDP GROWTH %, average	1.8	2.0	2.3	1.8	-3.5	-2.0	1.3	0.6	-3.6
USD/RUB average	31.8	33.0	34.5	31.8	38.0	42.0	31.8	38.3	60.0
INFLATION average	6.3	5.4	5.2	6.3	7.0	5.0	6.5	11.4	12.3
CAPITAL OUTFLOW \$bn, for the period	-52	-30	-20	-52	-90	-70	-63	-152	-67

Macro Deteriorated Relative to the Original Forecast of 2013

		FORECAST 2015-2018 AS OF 2013		CURRENT FORECAST 2015-2018	
		BASE CASE SCENARIO		BASE CASE SCENARIO	
				2015	2018
URALS	\$/barr., average	100		62	
GDP GROWTH	%, average	2.2		-3.6	1.3
USD/RUB	average	35		58	
INFLATION	average	5		12.3	7.5
CAPITAL OUTFLOW	\$bn, for the period	5		-155	

Banking Sector is Slowing Down

LOAN GROWTH CAGR 2015-2018

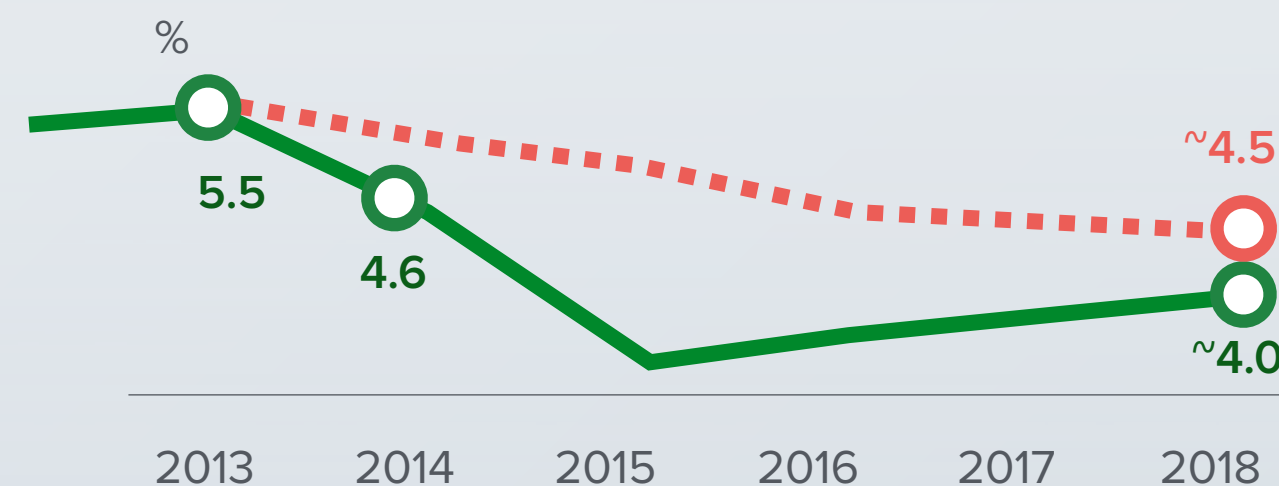


DEPOSIT GROWTH CAGR 2015-2018

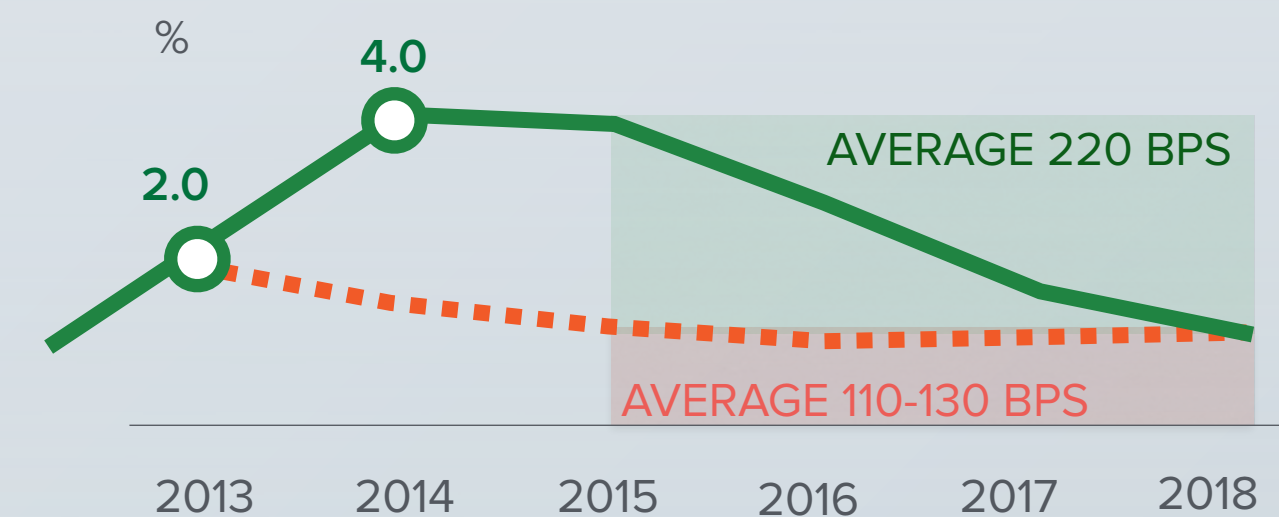


Profitability is under Pressure

NET INTEREST MARGIN

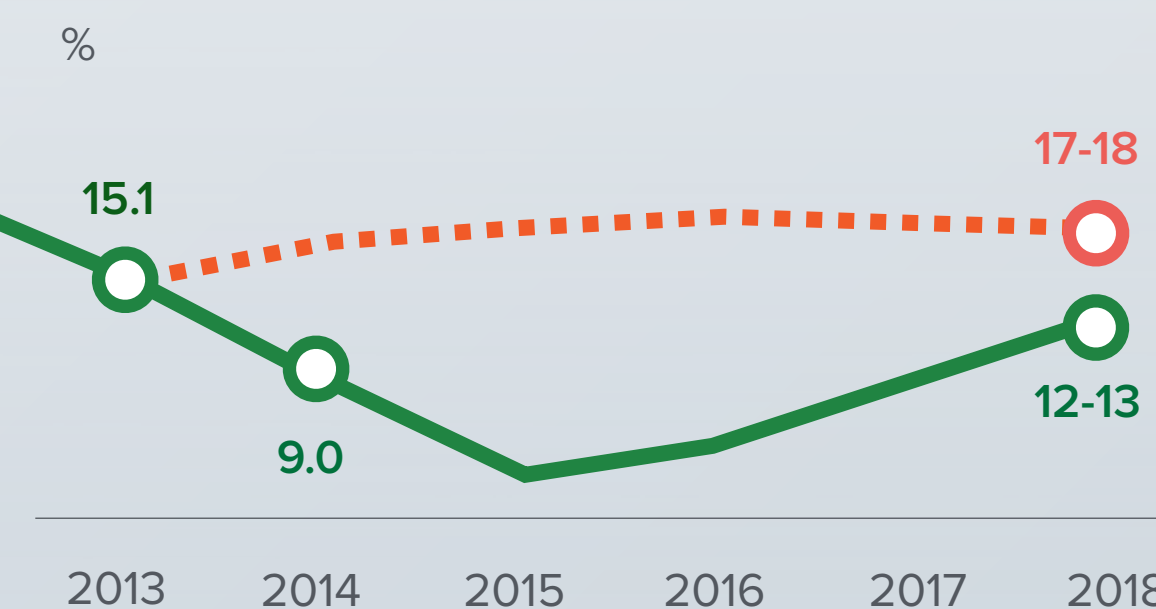


COST OF RISK



----- ORIGINAL ASSUMPTIONS AS OF 2013
 ————— REVISED ASSUMPTIONS

PRE-TAX ROE



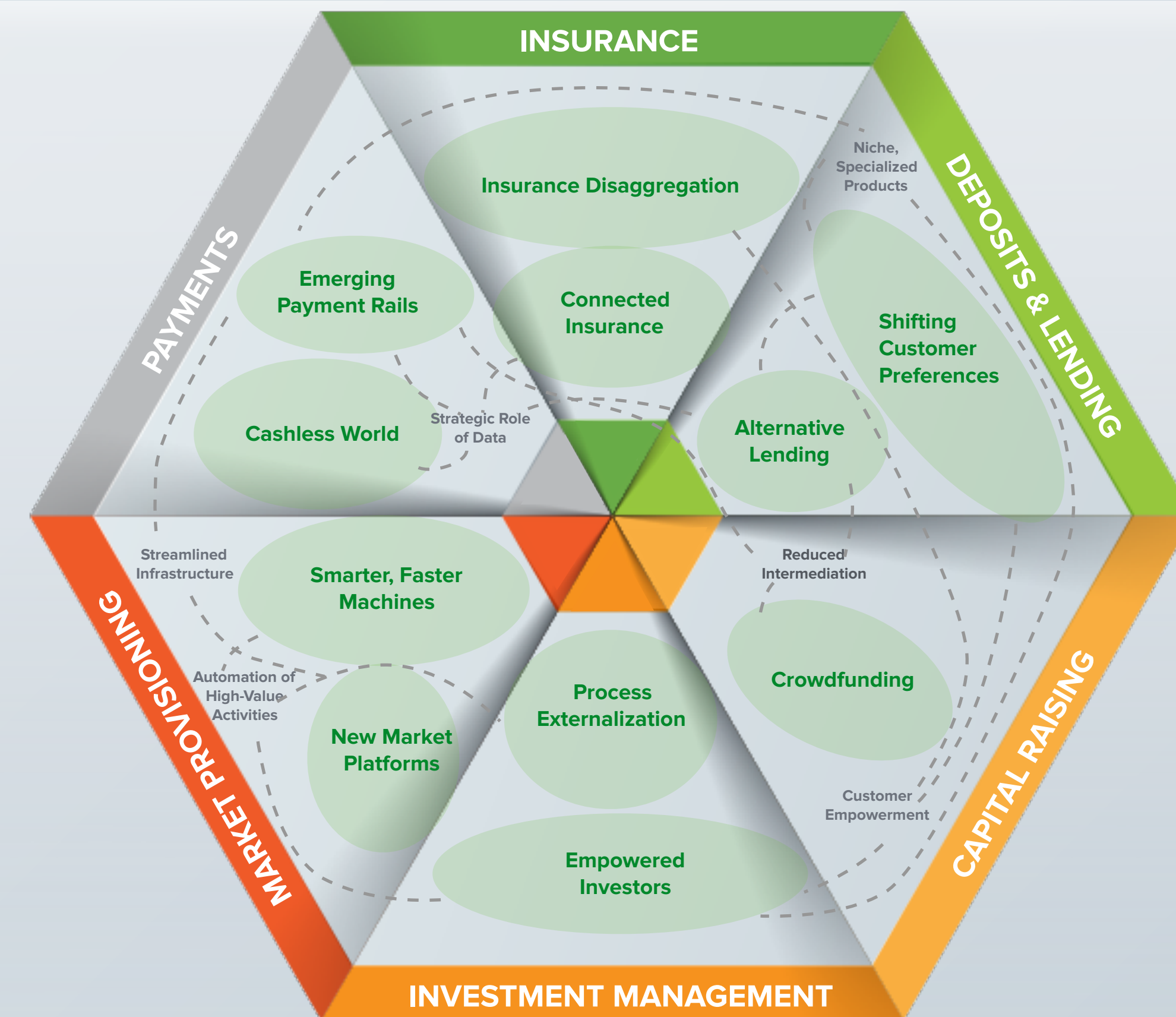
Client Expectations have Changed

Clients

- Personalized offers
- Speed/online
- Seamless services across all channels
- Reliability of data

New tech trends are shaping the industry

- Data analytics
- Cybersecurity
- Easy information access
- Low infrastructure costs
- Agile
- Internet of Things



Fintech Companies Attack Banks Profitability

New tech disruptors



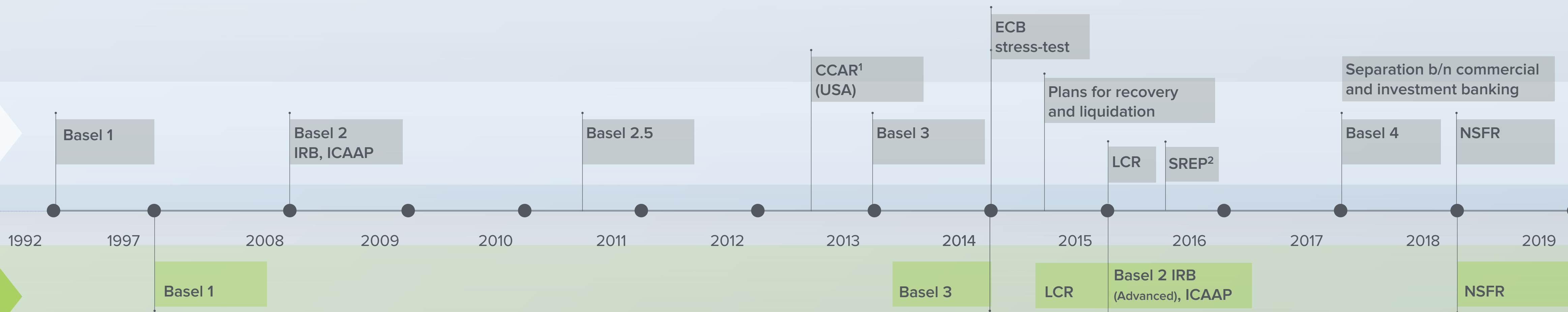
Why Fintech companies are a threat to banks?

- Flexible & fast
- Better user experience
- More cost efficient business models
- Almost free of regulatory restrictions
- Come between banks and clients, destroying the former's opportunities to cross-sell

Regulators Become More Sophisticated

DEVELOPED COUNTRIES

RUSSIA



Strong role of regulator



Central Bank of Russia

¹ CCAR - Comprehensive Capital Analysis and Review

² SREP - Supervisory Review and Evaluation Process

Sberbank Proved Resilient during “Black December’14”

CHALLENGE

OUR RESPONSE

X12 DDOS attacks on servers

None of IT systems failed

100-150 people-long queues at ATMs

300 tons of cash provided in one week

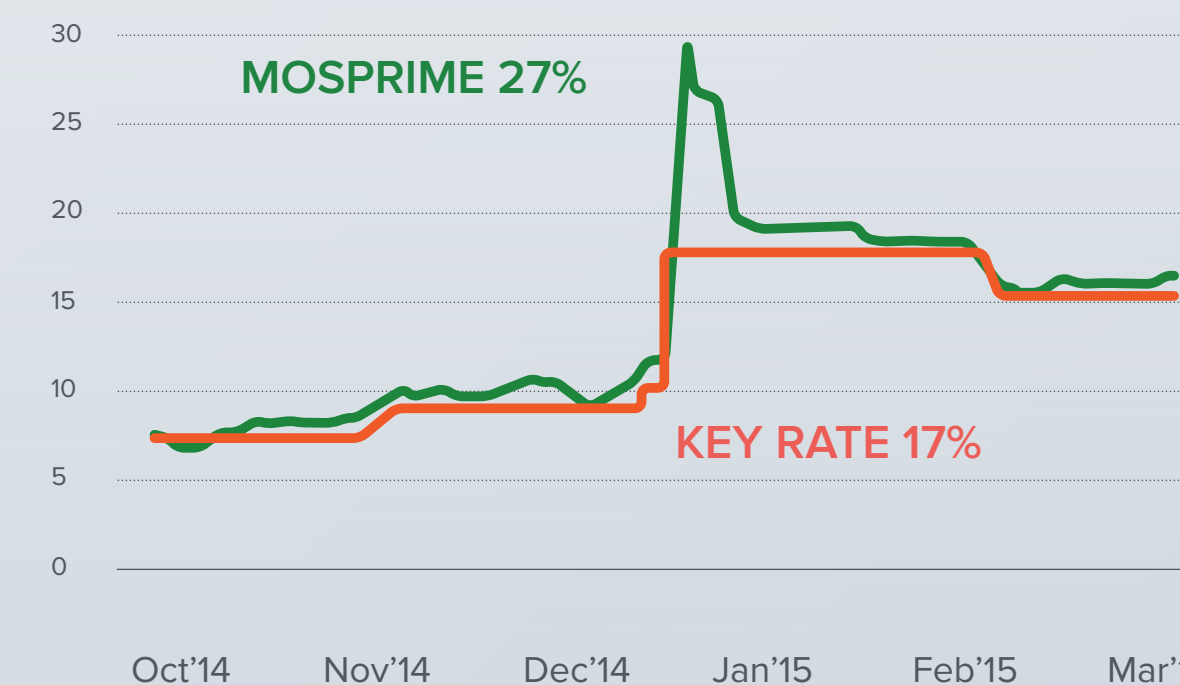
> 1 trln deposit outflow in one week

24.2% corporate deposits inflow in December
2.3% retail deposit inflow in December

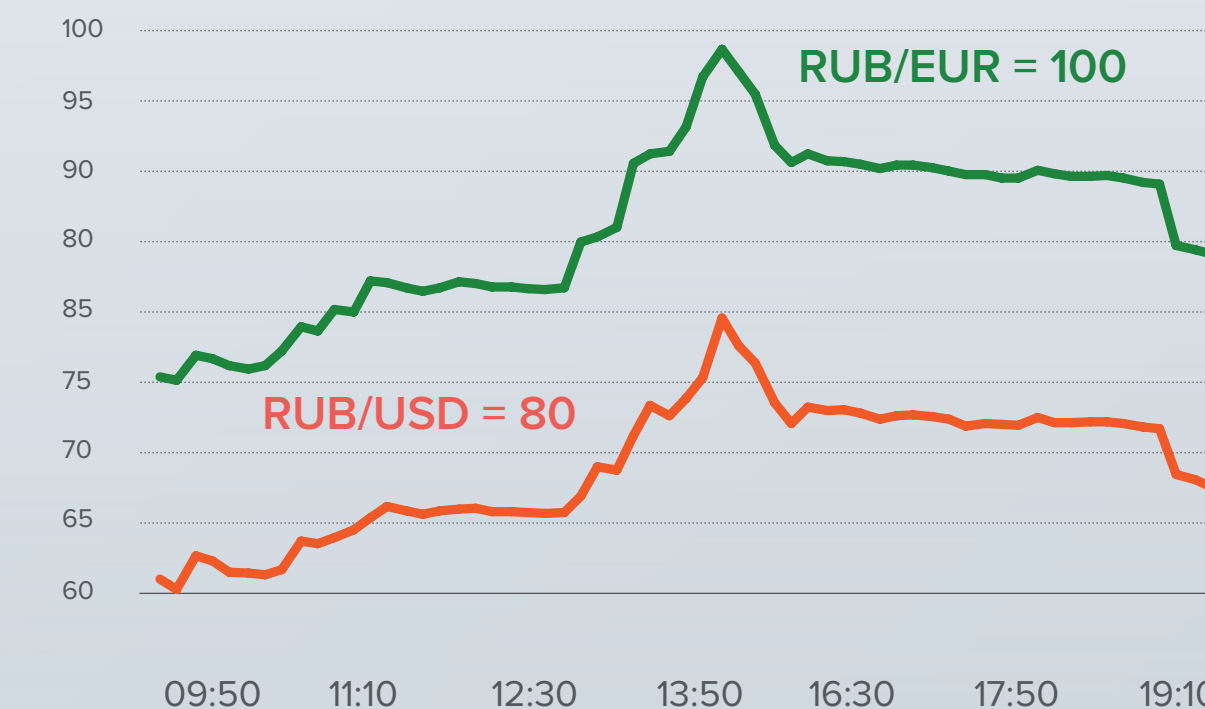
TESTED

December’14 net profit RUB10.7 bn

INTEREST RATES SHOCK



FX SHOCK, DECEMBER 16, 2014



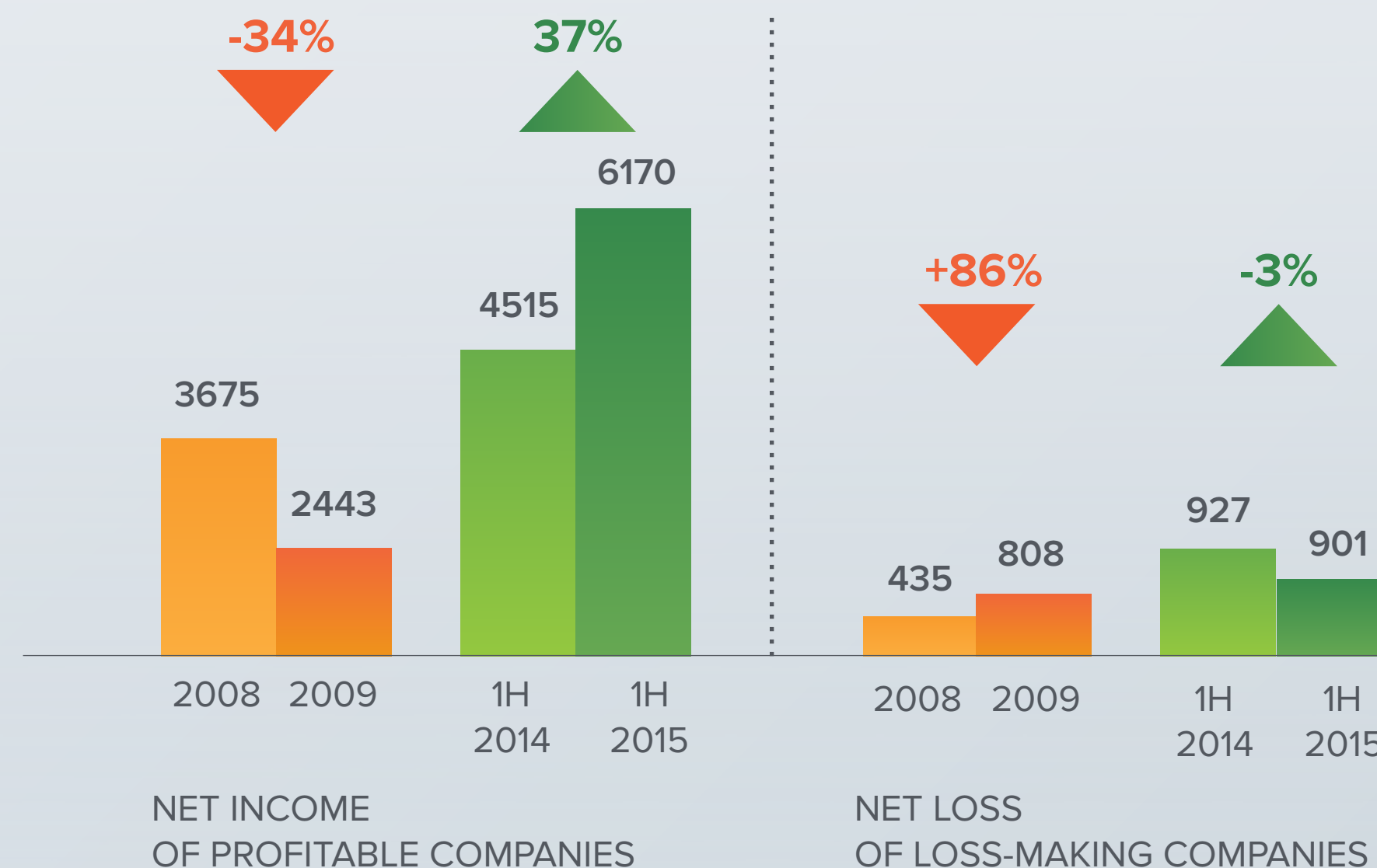
Opportunities in the Economy

RUSSIA HAS BECOME LOW-COST LABOR MARKET

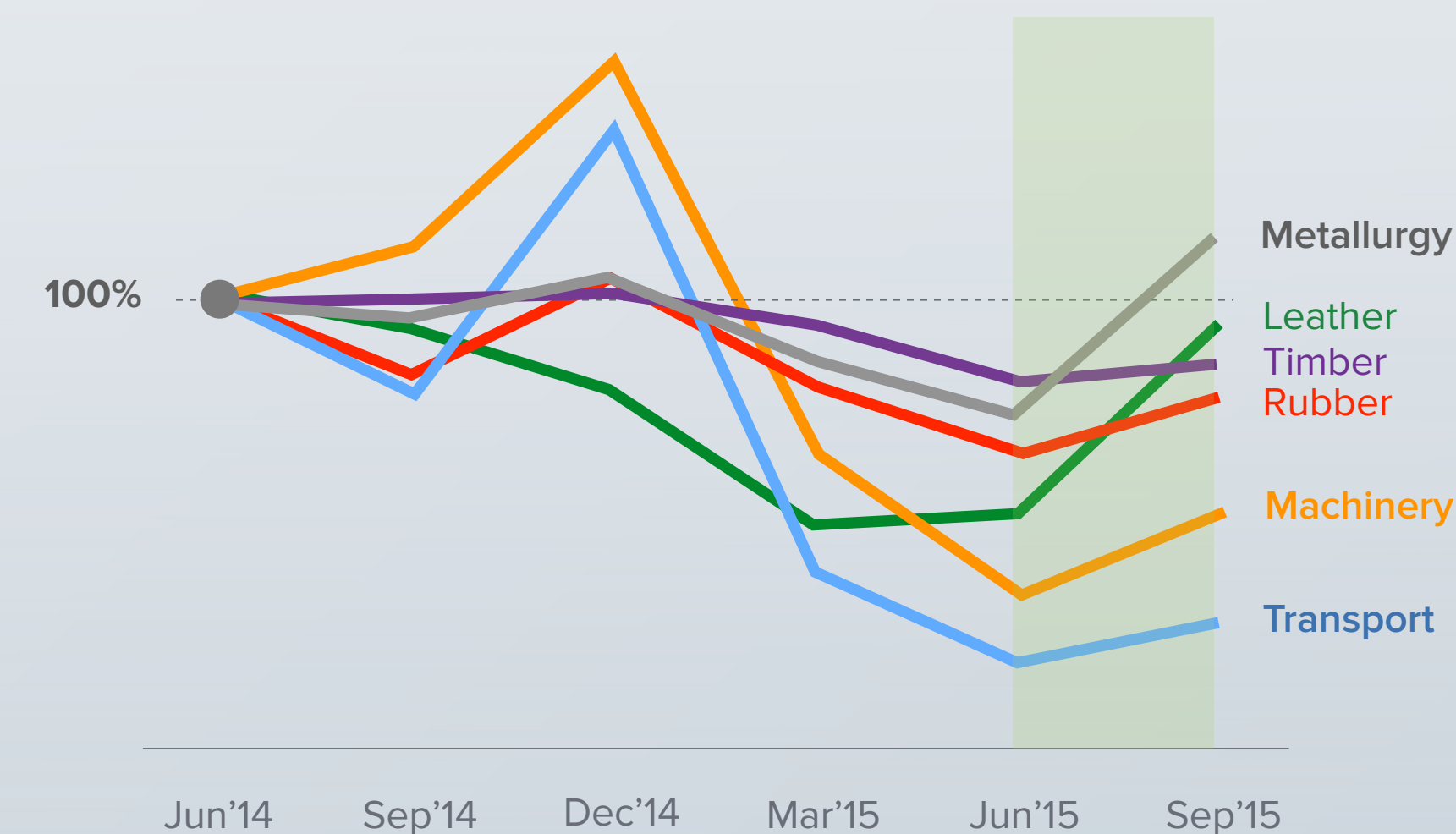


* August 2015 data

GROWING PROFITABILITY OF CORPORATE SECTOR



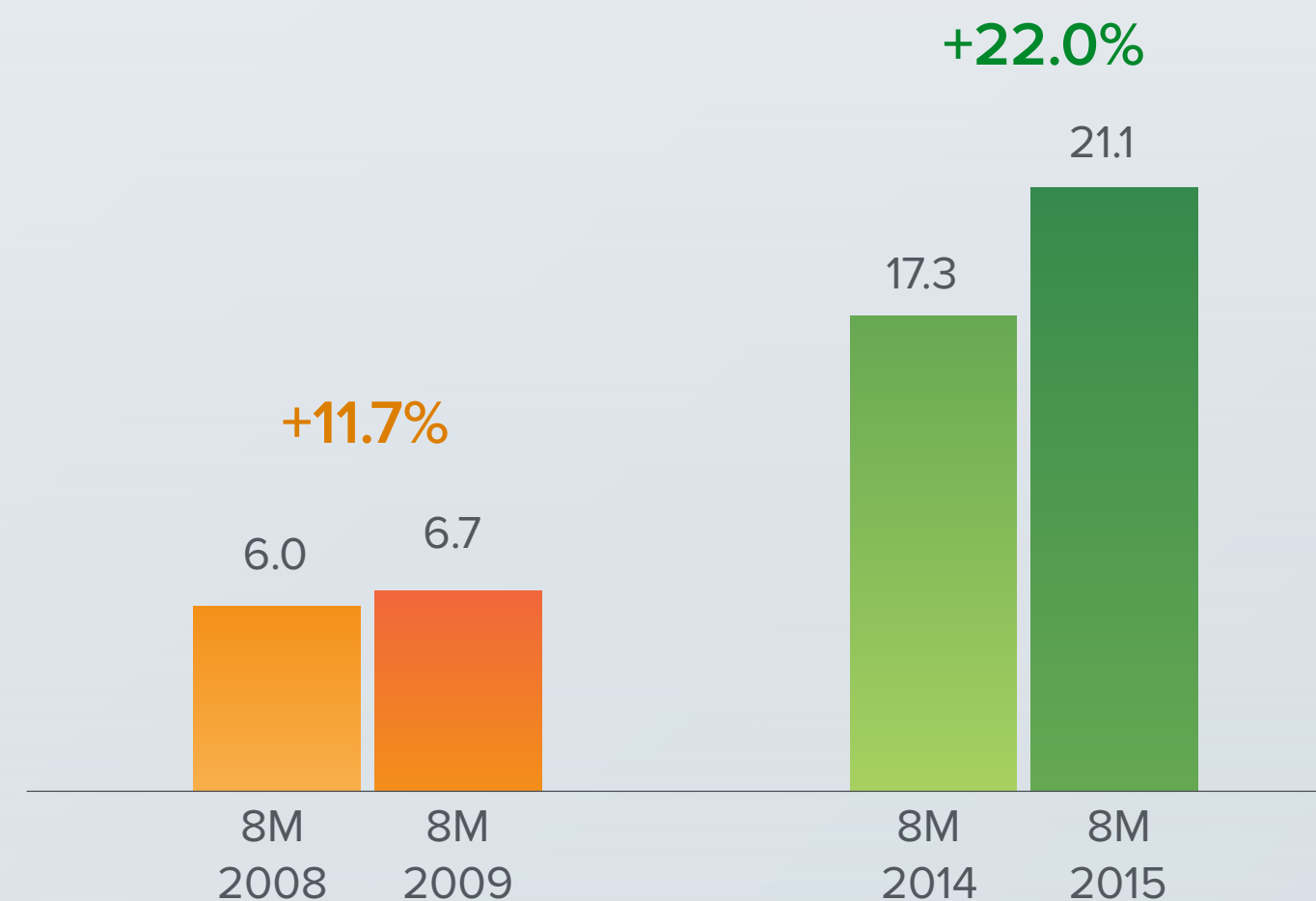
FIRST SIGNS OF RECOVERY IN MANUFACTURING



Opportunities in the Banking Sector

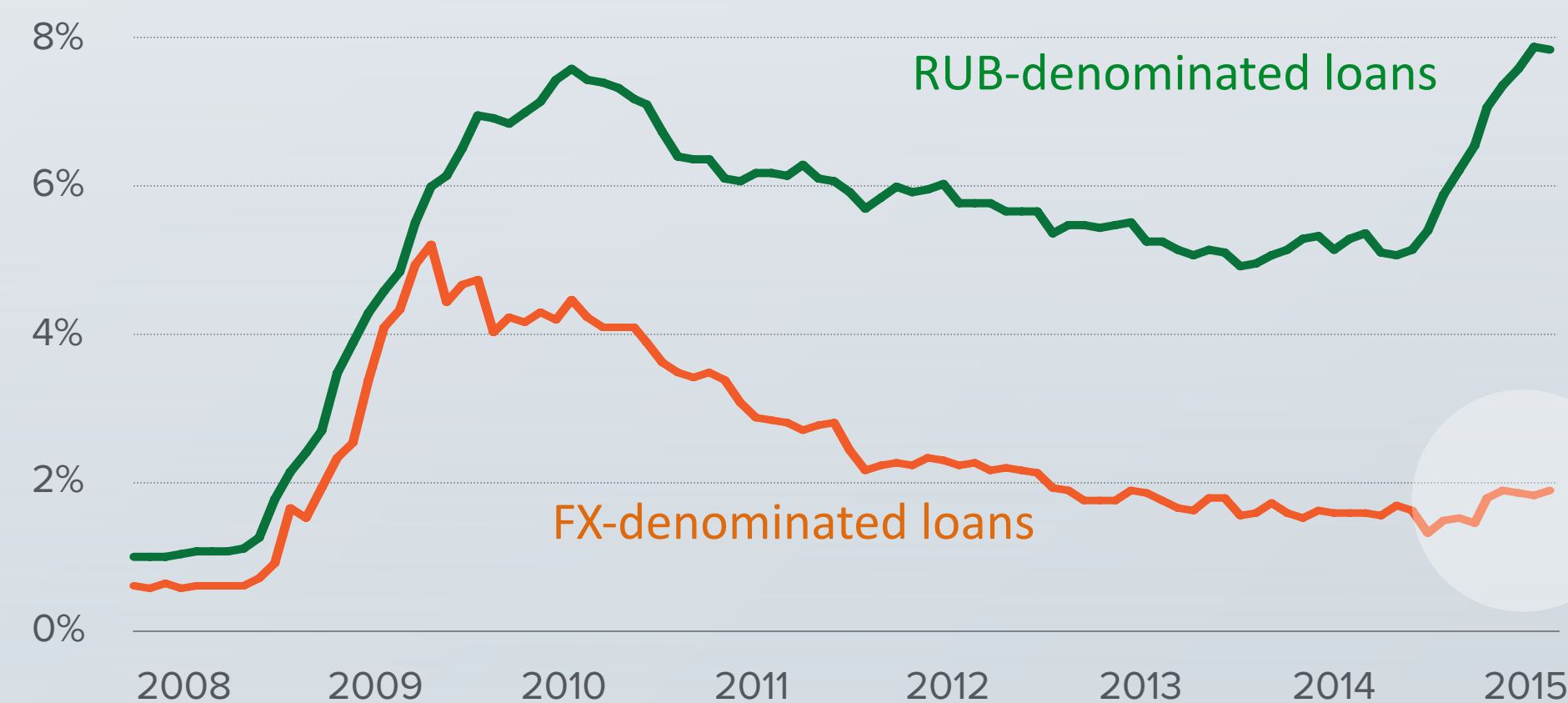
Retail deposits are recovering faster

RETAIL DEPOSITS, RUB trln



FX shock did not trigger the quality hit

CORPORATE OVERDUE RATIO



Competitive landscape changes

- Flight to quality due to sector consolidation
- Monoliners and international retreat
- Large banks deepening relationship with exporters

Challenges

SPEED OF CHANGE

MACRO

CLIENT BEHAVIOR

REGULATION

Where we would be in 2018 if we had not reacted...

		Original	Reality	
PROFITABILITY & CAPITAL	ROE, %	18-20	~12	▼
	CAR (TIER 1), %	> 10	~9	▼
EFFICIENCY AND RISKS	COST/INCOME RATIO, %	40-43	~48	▲
	COST OF RISK RATIO, bps	120-140	~220	▲
GROWTH	ASSETS 2018/2013	X 2	X 2	▬
	NET PROFIT RUB BN	X 2	X 1	▼



We all see that life is accelerating...

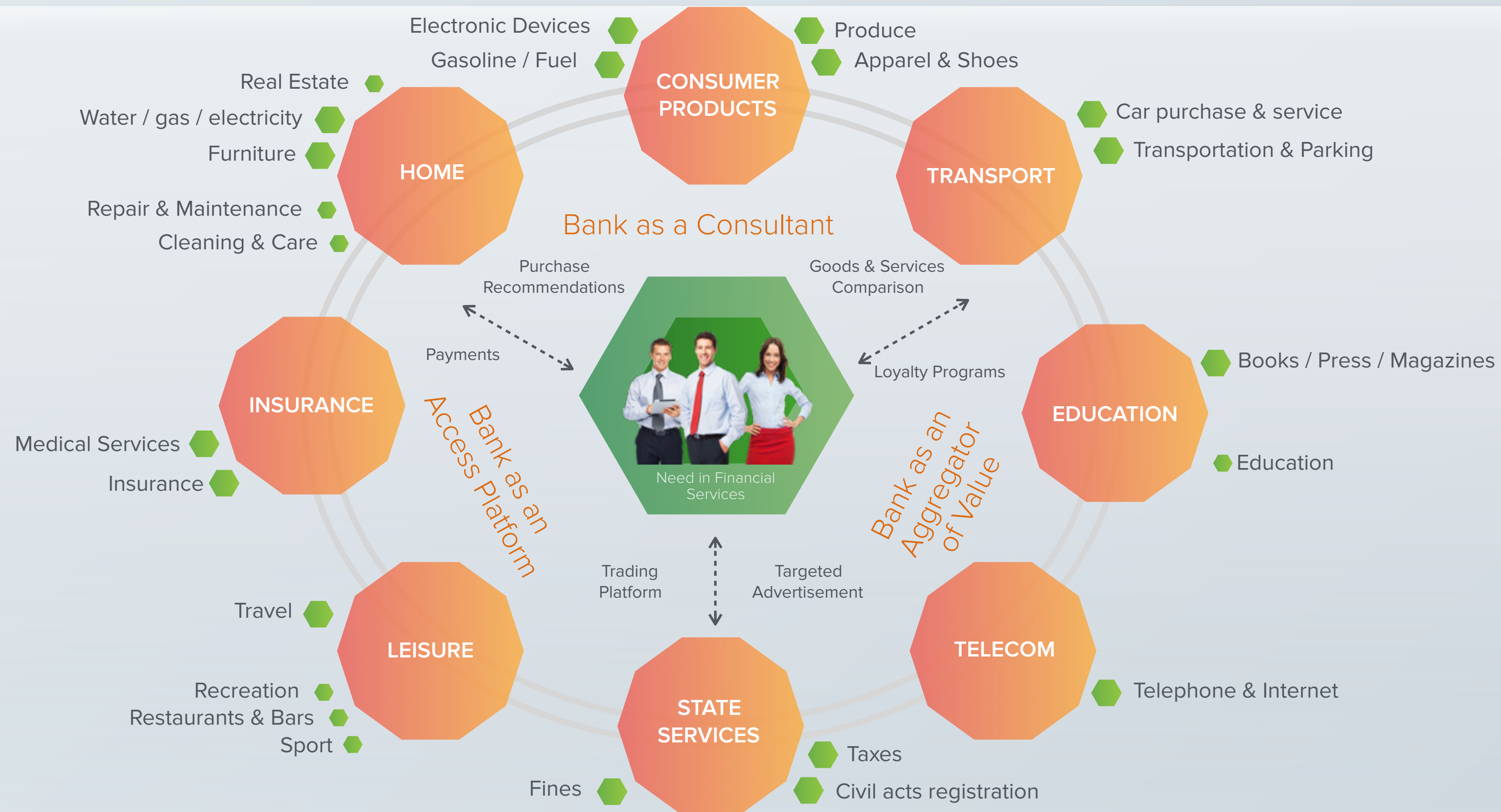
"In the middle of difficulty lies opportunity

Albert Einstein



2 | HOW WE ARE CHANGING

Sberbank 2025



Large companies / Authorities

SMEs

Clients

- 24/7 access
- Omni-channel

Customized solutions

- Mapping client needs
- Personalized geopush offers

Predictive analytics of client needs and behavior

**BUSINESS**

- Personalized products and pricing
- Omni-channel client experience
- Instant feedback

**RISK
MANAGEMENT**

- Automated decision-making
- Predictive analytics
- Advanced identification instruments

**TECHNOLOGY**

- New technological platform
- Advanced data analytics
- Improved time-to-market

**MANAGEMENT
MODEL**

- Business support matrix in HQ
- Service function reengineering
- Regional network re-design

**TEAM AND
CULTURE**

- Culture ecosystem
- Soft skills development
- Advanced performance management

RADICAL EFFICIENCY INCREASE THROUGH THE TECHNOLOGICAL AND ORGANIZATIONAL TRANSFORMATION

Corporate Business

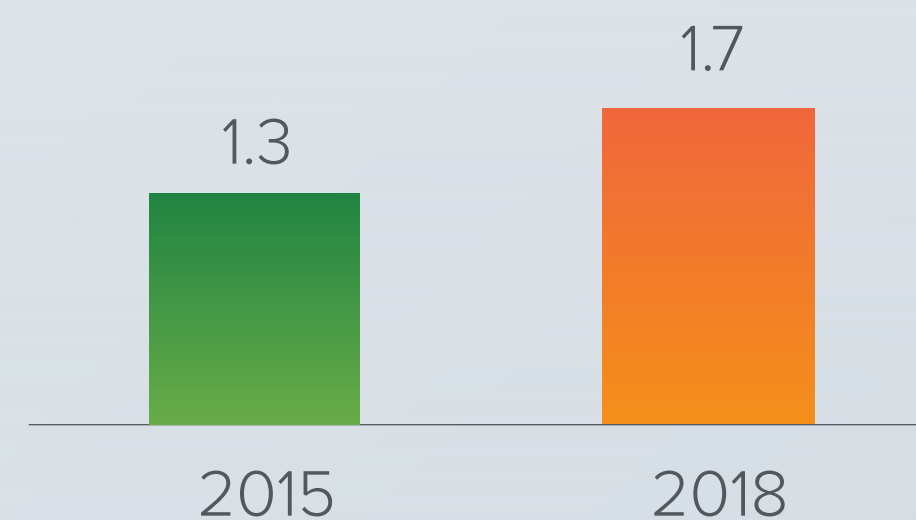


Clients

From 25 segments to...

- personalized offering based on data analytics & RAROC-based pricing
- integrated retail-corporate view
- life-cycle relationship management
- revenue growth per client X 1.15+

NUMBER OF ACTIVE CLIENTS M.



Products

From traditional banking product sales to...

- packaged solutions
- ecosystems (non-financial and partners' products & services)
- E- and ON-line products & services

BUSINESS-CARD



E-INVOICING



e-loan

e-deposit

Account
e-booking

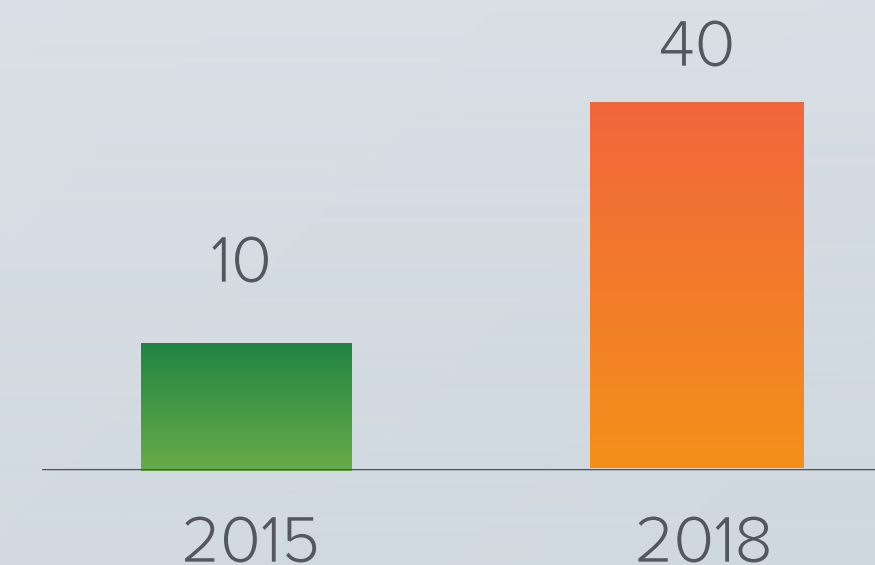
e-FX

Channels

From 1200+ branches to...

- 600+ branches
- online and contact-center for mass segments and online support for others
- new service formats

REMOTE CHANNELS SALES, %

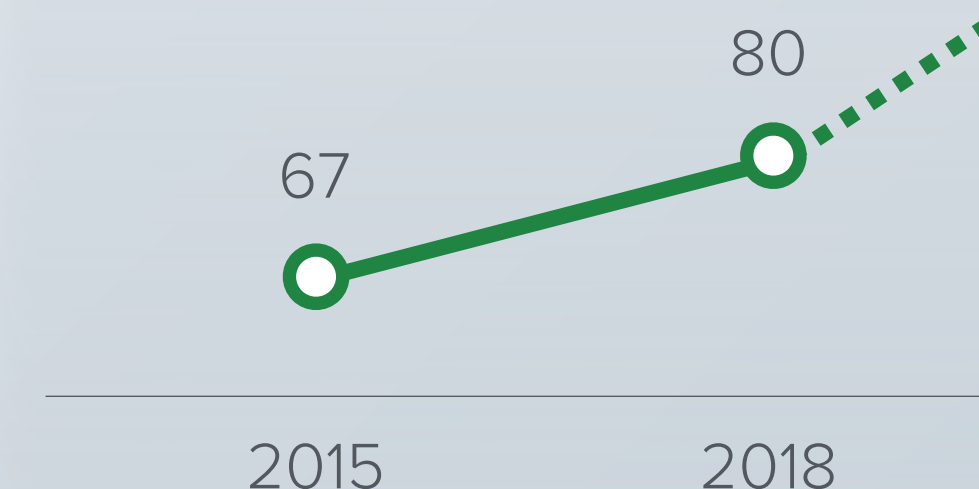


Client satisfaction

From traditional compliant management to...

- solving client problems on the spot in any channel
- service culture

CLIENT SATISFACTION
AND LOYALTY INDEX (SCORES)




Multichannel Platform



Key characteristics

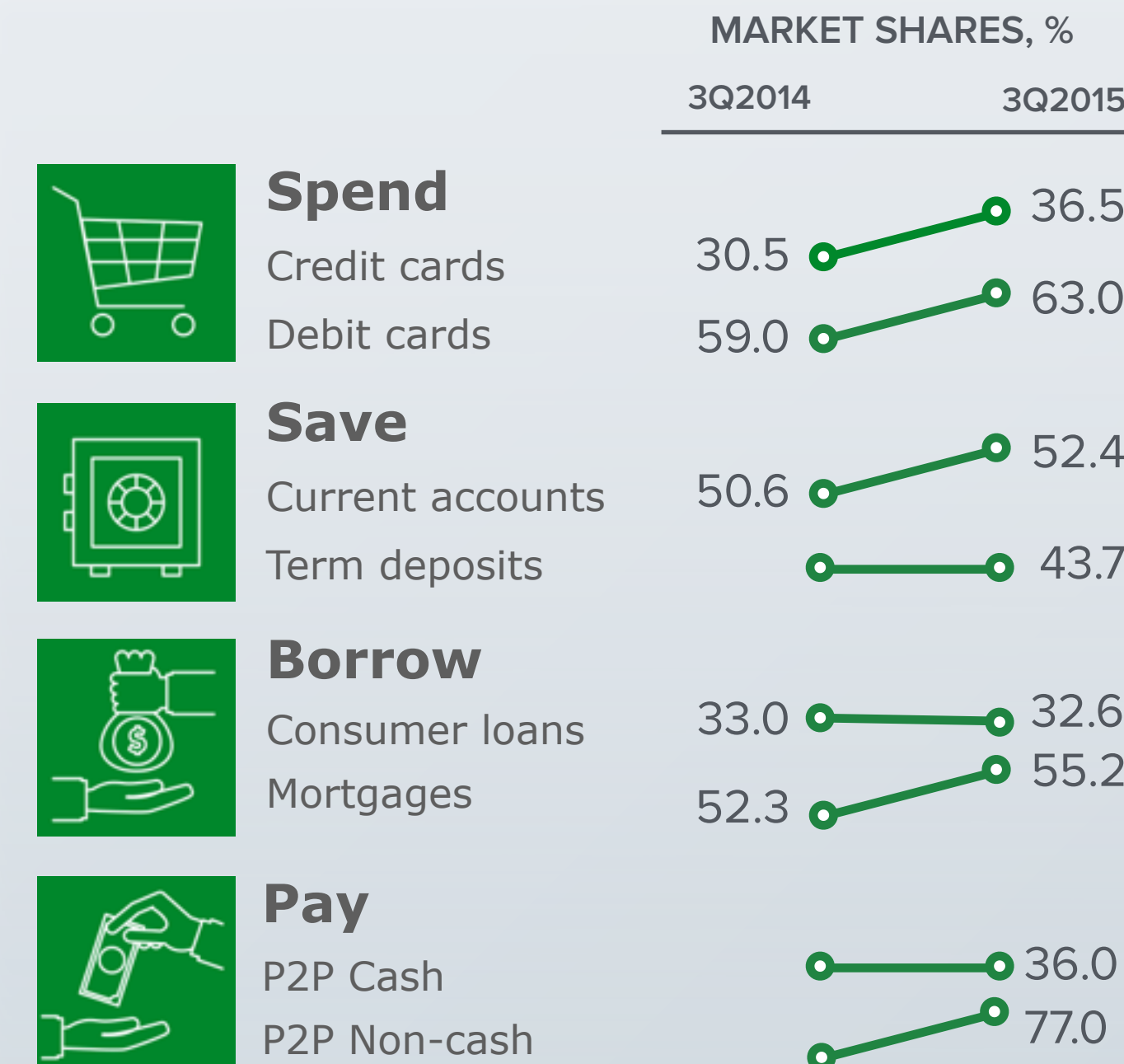
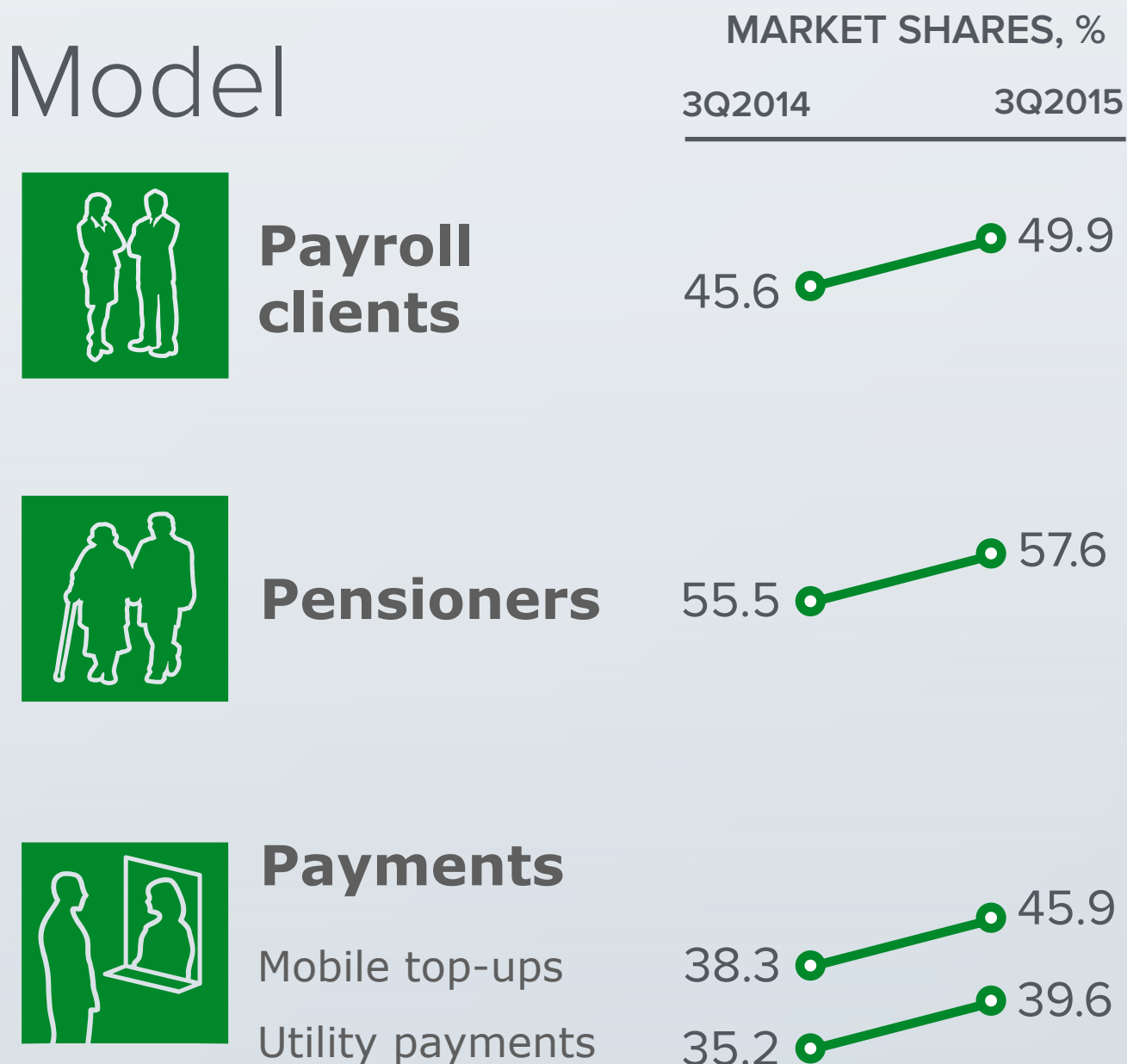


KPIs

- Transaction time  **-20%**
- Net Promoter Score (NPS)  **+5pp**
- Number of errors  **-15%**
- Time required for a new employee to reach target KPIs  **-20%**

Effect for 2016-2018
> \$150 m

Retail Banking Business Model



	3Q2014	3Q2015
CRM		
Microsegments	400	550
X-Sell		
Active communications, m. contacts	391	476
Mass personalization		
NPV, \$ m.	121	80
NPS, %		59
CSI, points		8.9

Multichannel platform

Branches

Online

Call-centers

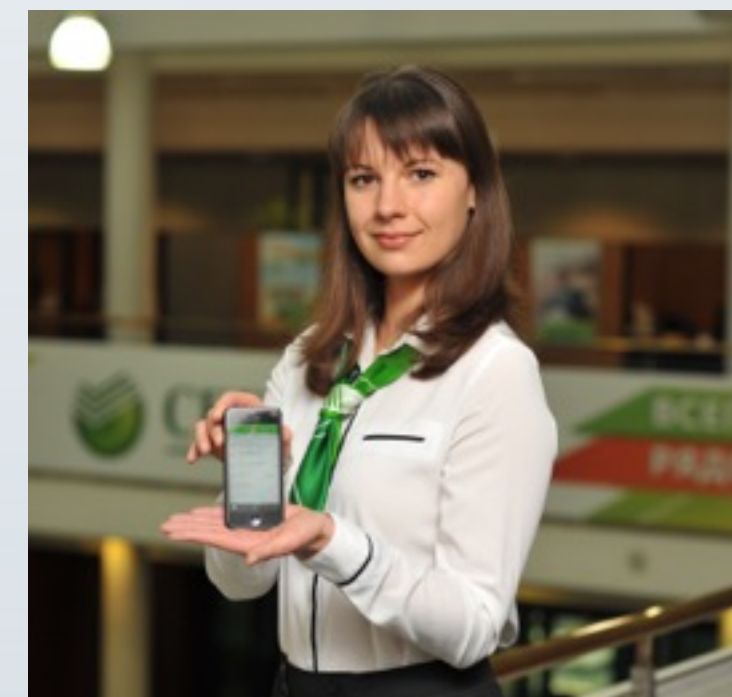
DSA

ATM

Acquiring

Going Digital & Cashless World

Branches



	2015
Branches, ths	16,5
Consultants, ths	14,8

Online

ACTIVE CLIENTS M.
3Q2014 3Q2015

WEB

14.6 23.5

MOBILE APP.

2.6 8.2

TEXT BANK

19.1 24.8

Acquiring

46.4 53.0

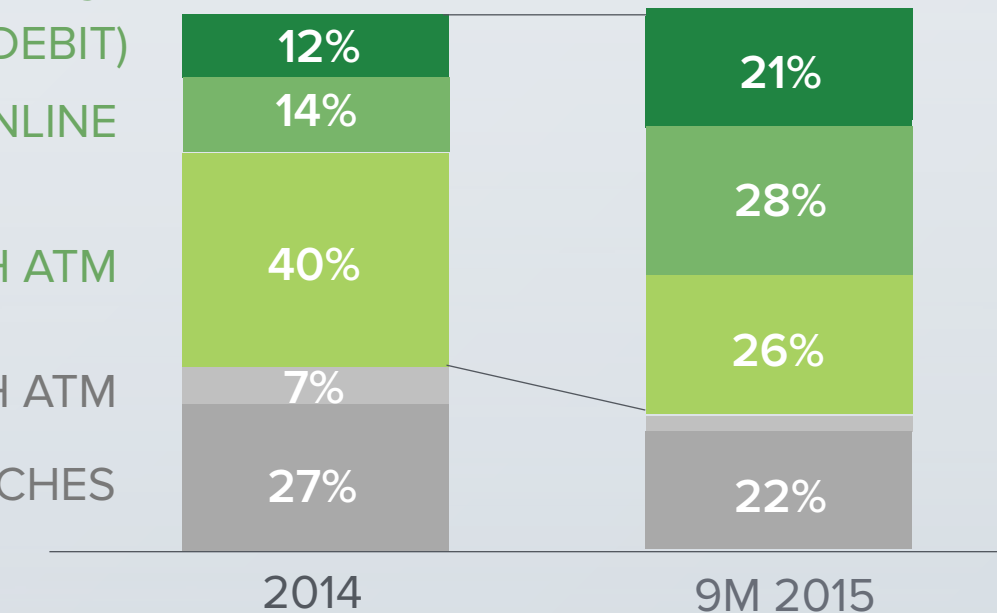
Cashless World

UTILITY PAYMENTS
BY CHANNELS,
MOSCOW, %

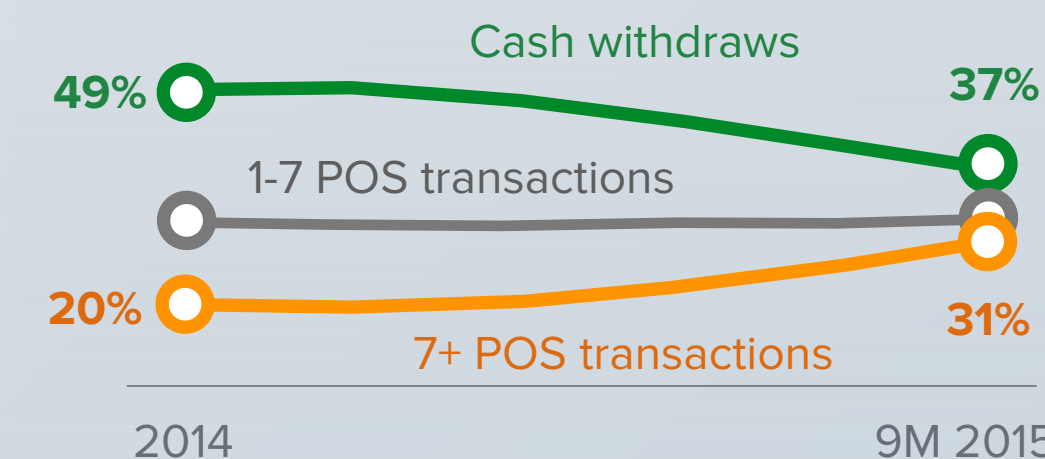
AUTOPAY (DIRECT
DEBIT)
SBERBANK ONLINE

NON-CASH ATM

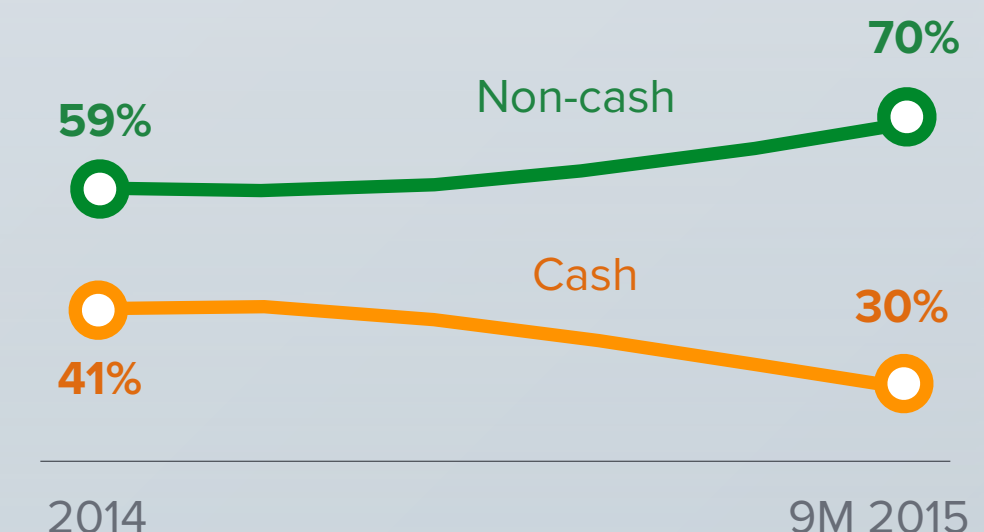
CASH ATM
BRANCHES



DEBIT CARD OPERATIONS STRUCTURE, %



ATM OPERATIONS STRUCTURE, %



Risk Management



2015

Standardized Group credit process

- SME underwriting - 100% automated
- Credit Factory – 100% launched
- Group-wide credit risk automation in progress

First bank in Russia to apply for IRB

Starting Big Data based credit risk and fraud monitoring

Unified incident collection system for operational risk

2.5D client photo analysis – fraud prevention system



2018

Integrated intragroup credit process with automated decision-making

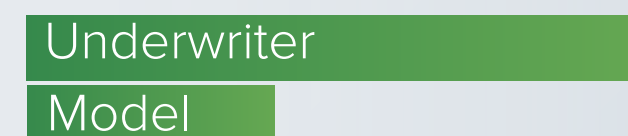
Predictive analytics in client behavior

«Deep Machine Learning» and voice biometric in credit process

Early warning system for operational risk incidents

Big Data in credit quality assessment and decision-making

Time Consumption



Accuracy of decisions



Results

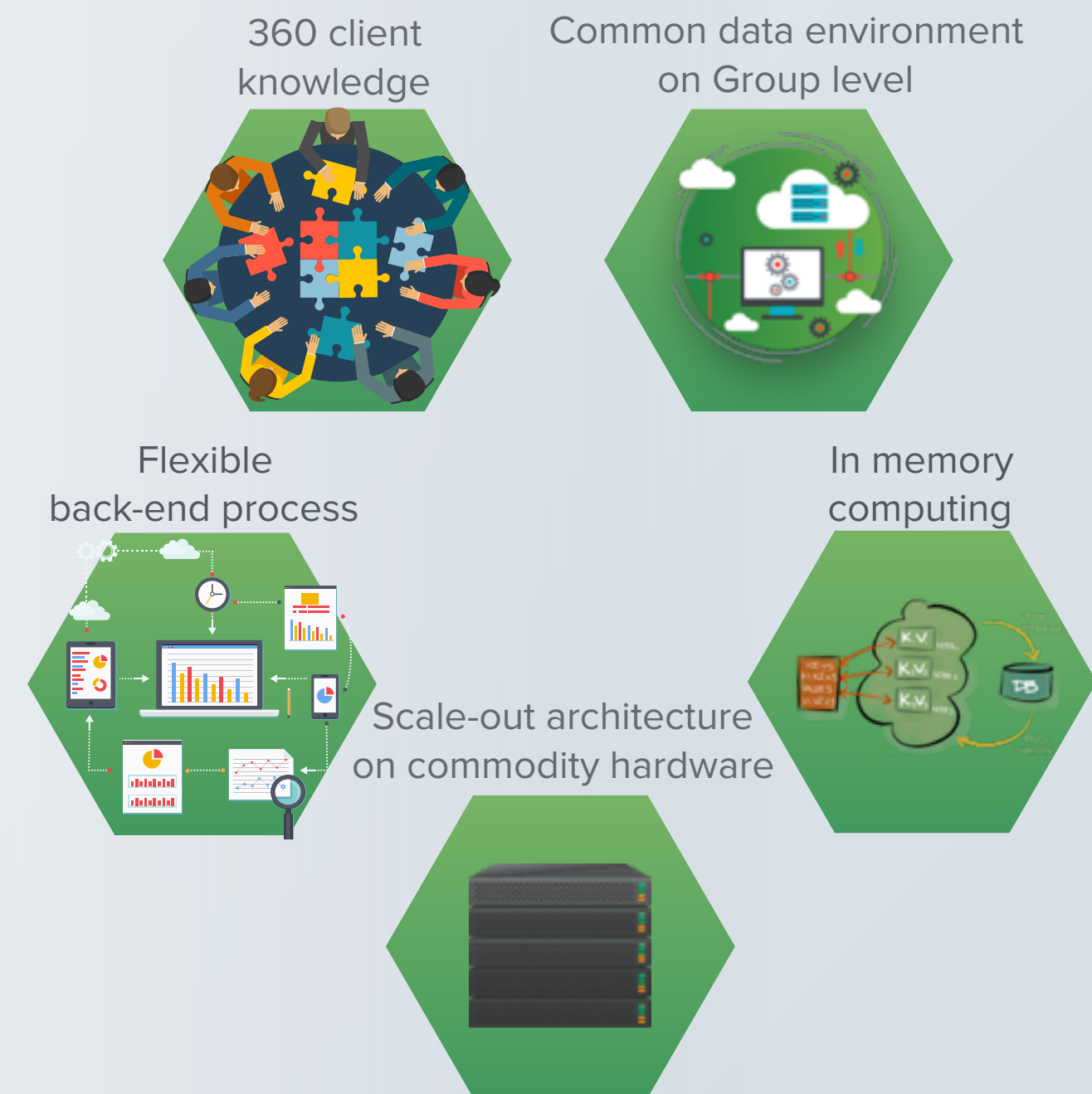
- Efficient and precise risk management
- Capital benefit as a result of IRB approach over 100 bps
- Online decision-making
- Productivity increase

Effect for 2018

> \$270 m

New Core Banking Platform '18+

Key characteristics



KPIs

- New products time-to-market  **x2**
≤6 months
- Productivity  **x2**
- Total cost of ownership  **x2**

Effect for 2018
> \$230 m

Data Factory



Key characteristics



Benefits

- Centralized data governance
- Data quality and data availability
- New data services

Effect for 2018
> \$280 m

Technology



Excellence in technology

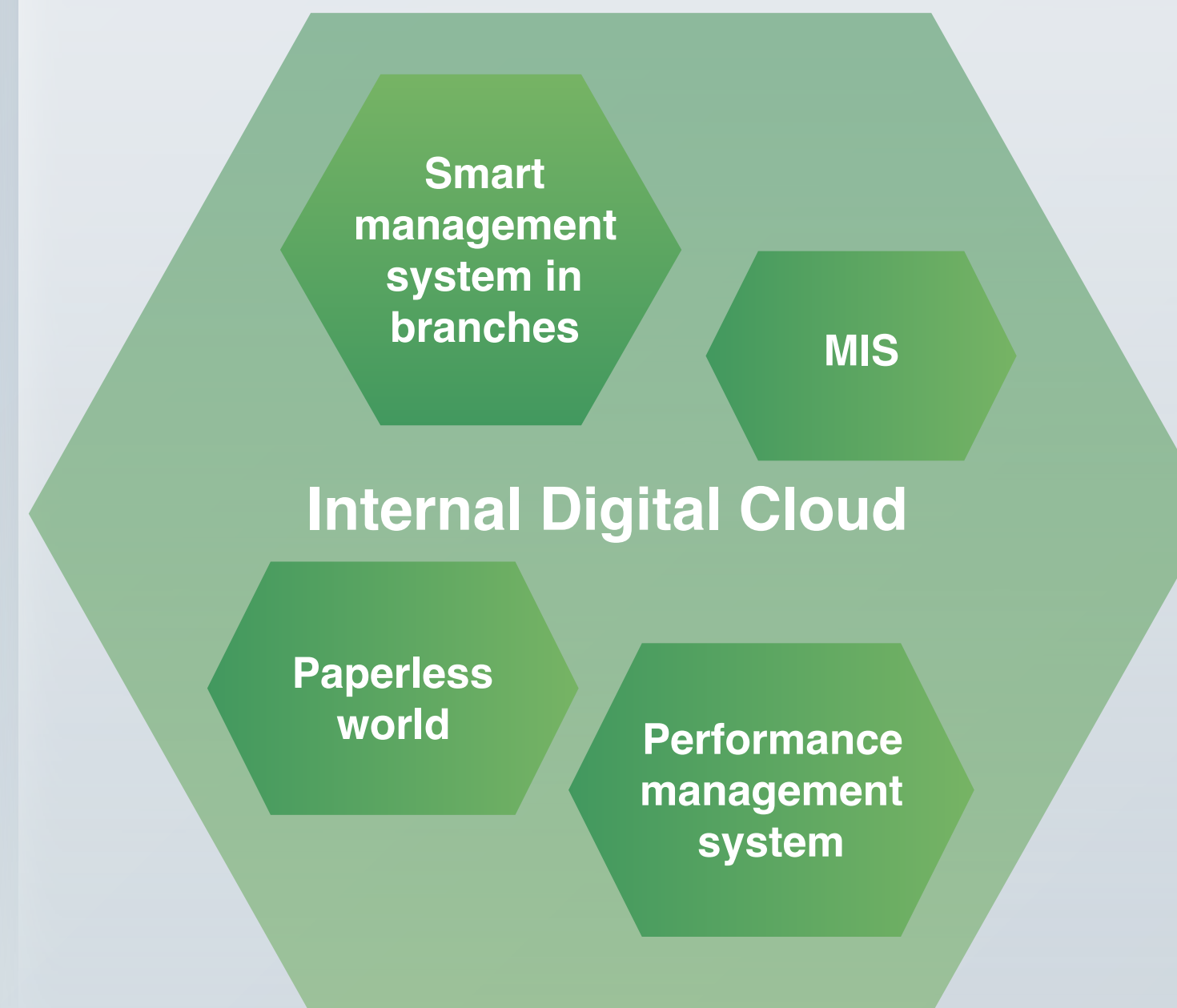
KPI:

- Improve time-to-market

Tools:

- Multichannel Client Experience
- Synergy of IT and Operations
- Information as an asset
- Agile product development
- Open source technologies

Digital Inside



Excellence in services

KPI:

- Client satisfaction and cost efficiency

Tools:

- Self-organizing and continuously improving service delivery
- Unified service methodology
- Centralized system of service management
- Transformation of support functions into Service organization

Support Function Reengineering



Service organization

- Integration of all the service units
- Single window and service level agreements
- Chief Service Officers

Service quality



Cost per service



Productivity increase

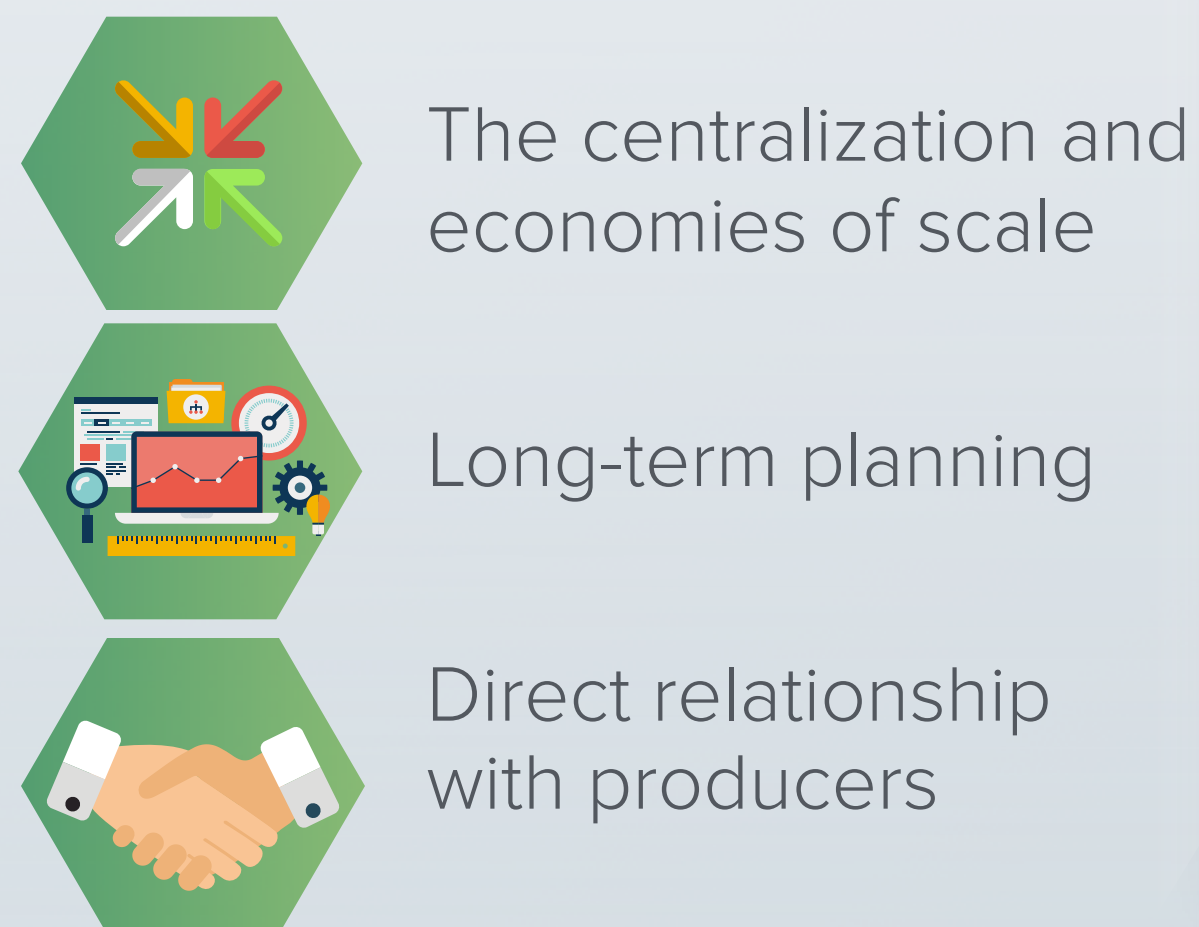
Procurement	x 2.5 times
Cash collection	x 1.5 times
Accounts and reporting	x 1.4 times
Cashiers	x 1.4 times
Record-keeping	x 1.3 times
HR	x 1.2 times

Effect for 2018
> \$1 bn

Support Function Reengineering: Major Drivers



Efficient supply chain



Procurement centralization

>95%

Internal CSI

>85%

Effect for 2018

\$620 m

Centralized property management



High standards in property management



Smart rent rates management



Increase revenue per sq. meters



Rent vs ownership

Sale of unused space
> 1.2 m sq.m.

Effect for 2018

\$130 m

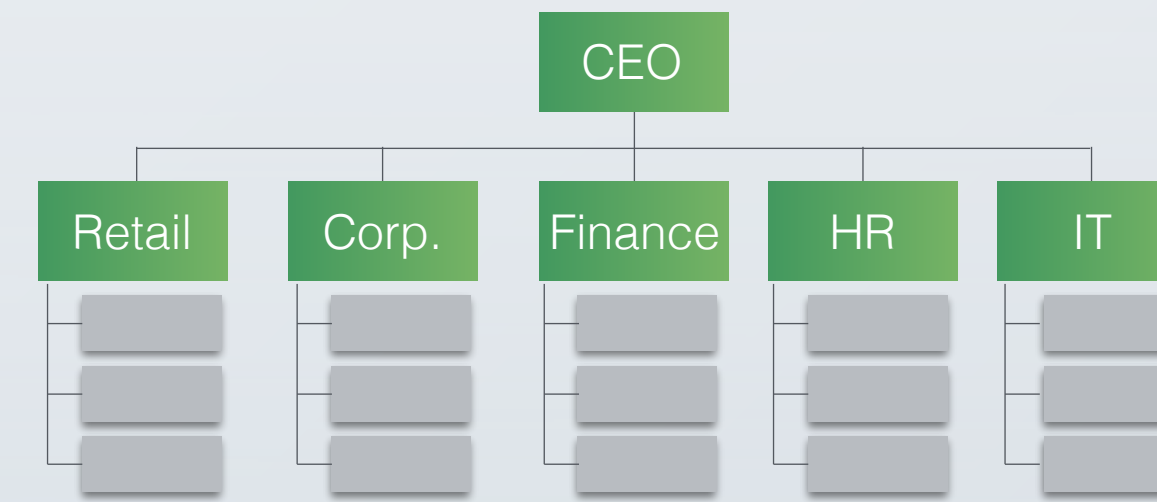
Management Model - Head Office



We change our structure to boost effective teamwork...

2013

Silos



- Hierarchical rigid structure
- Vertical silos
- Difficulties in cross-functional interactions
- Low speed of reaction to change

2015

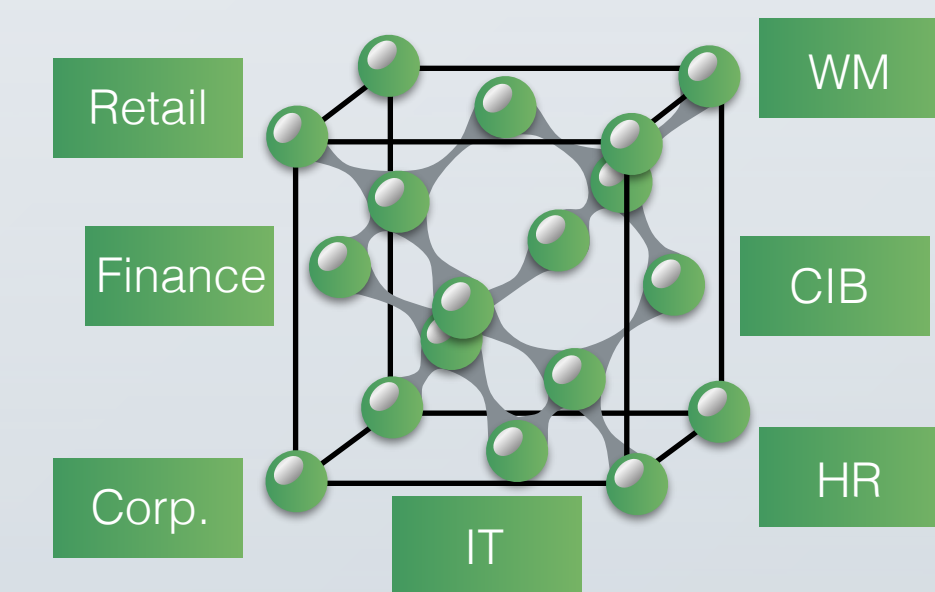
Matrix



- Support and service functions specialize team by units
- Specialized teams have direct and functional reporting lines
- Understanding of internal clients needs
- Coordination between teams

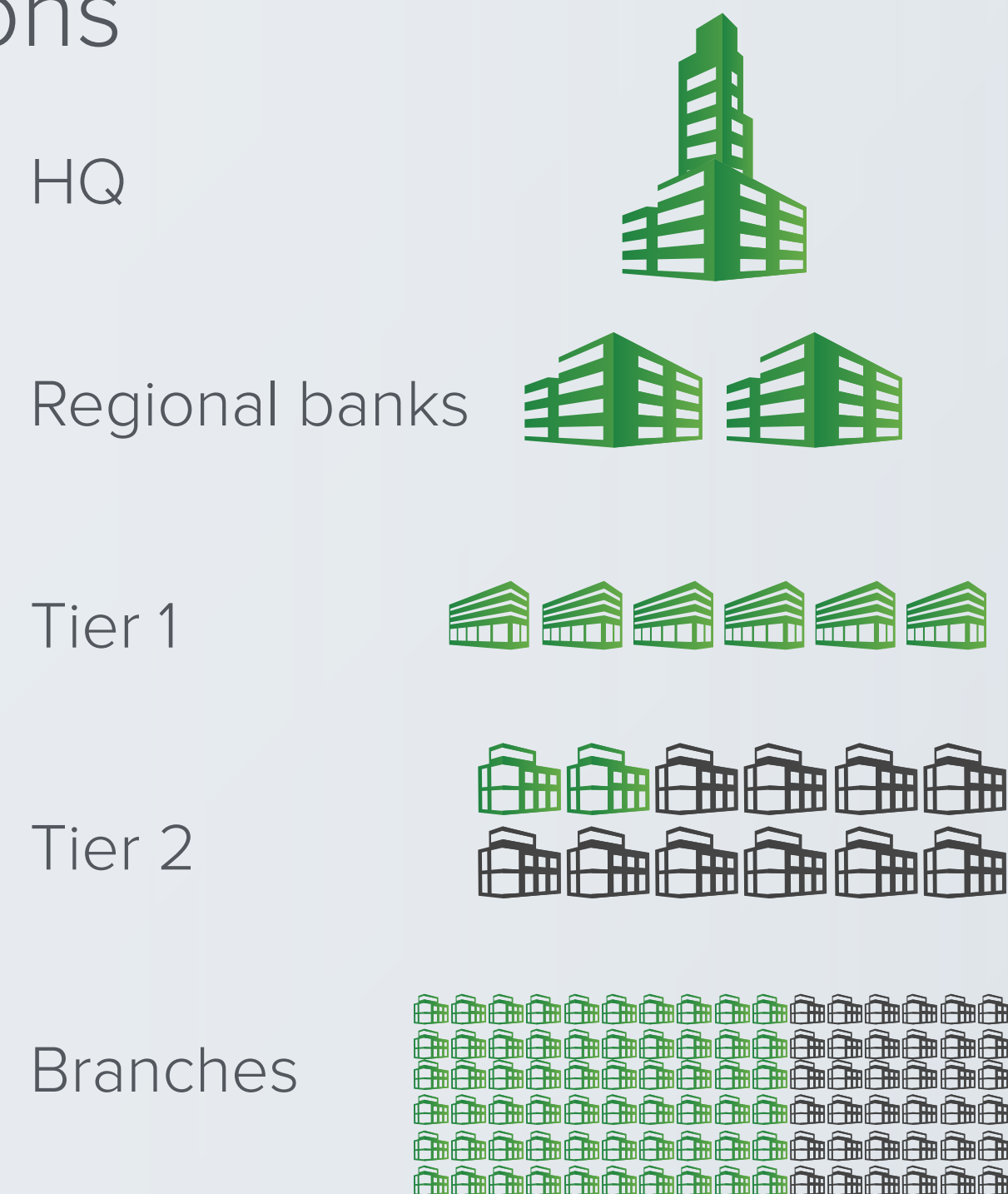
2018

Teaming



- Teaming across boundaries
- Flexible structure
- Innovative, self-learning organization, fast reaction to changes

Management Model - Regions



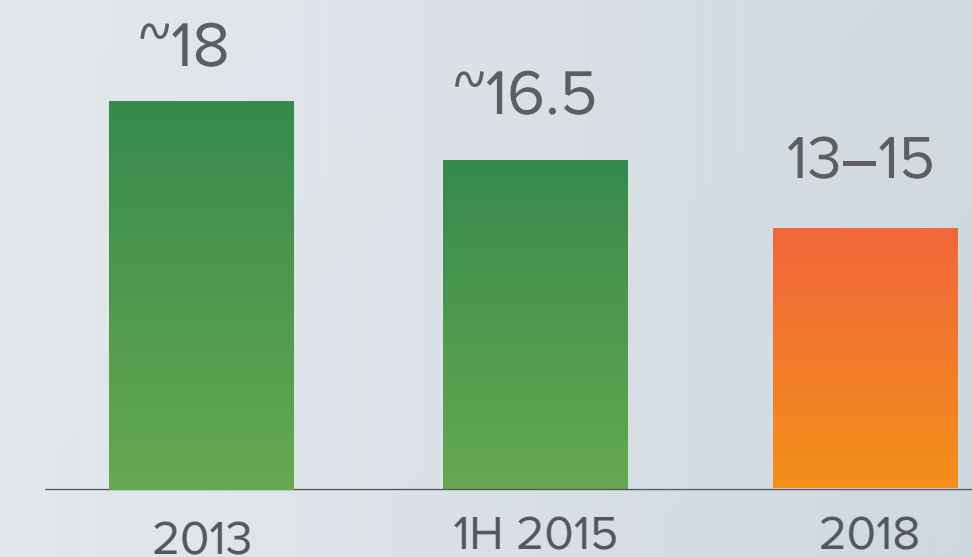
- Centralization of management function
- Consolidation of regional banks
2015: from 16 to 14
- Tier 1 branch as a main business unit
- Elimination of one management layer
- Reduction of number of branches
- Specialization of universal branches

Streamlined processes

Reduction of FTEs by 5 ths in 2015

Lower number of managers

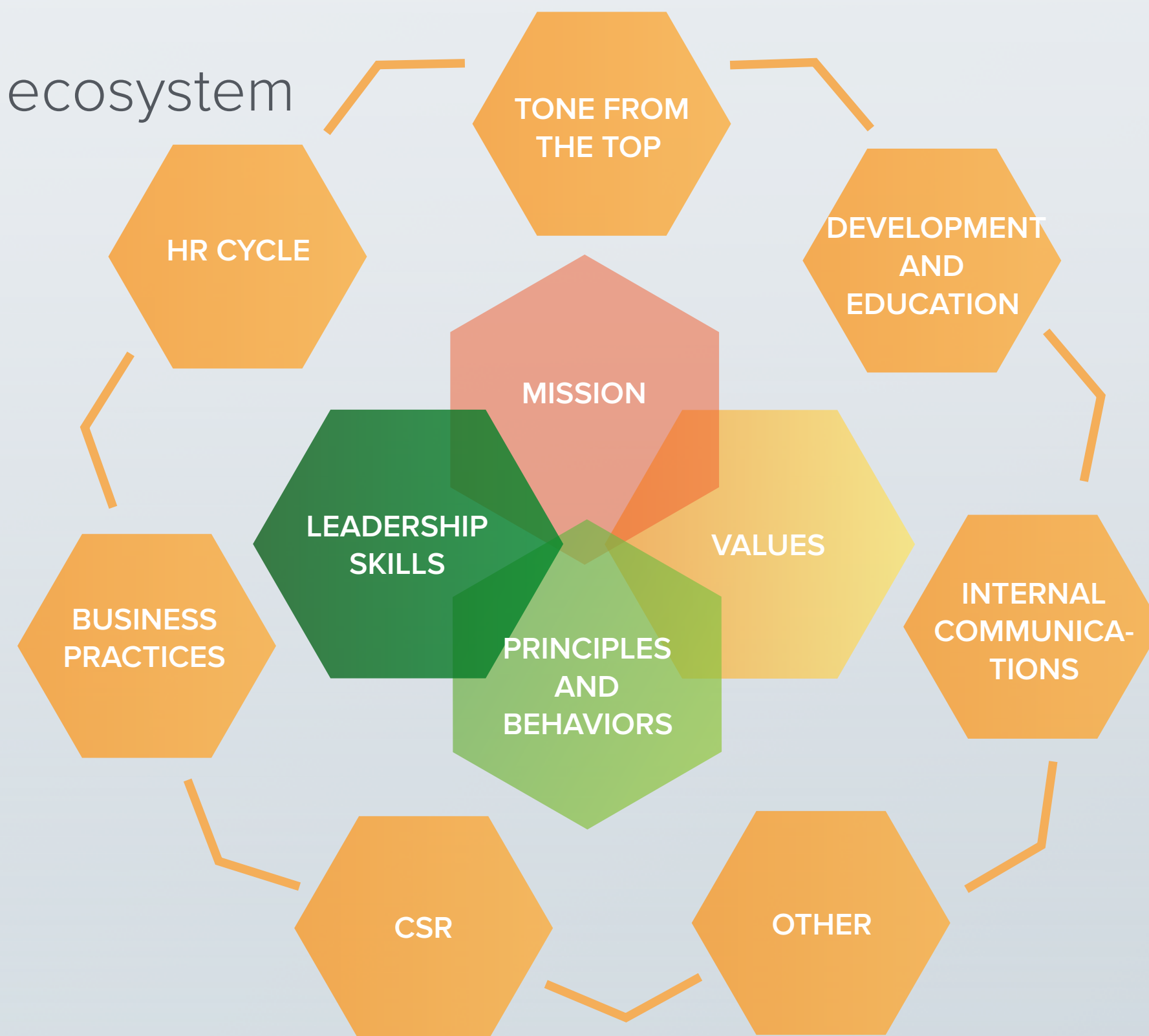
NUMBER OF BRANCHES THS, RUSSIA



Team and Culture



Cultural ecosystem



- Culture is one of the key elements of business-model
- Combination of positive and negative actions
- Development priorities
 - Responsibility and self development
 - Openness and trust
 - Cross-functional cooperation
 - Client-centricity

Team and Culture



Advanced Performance Management



Final assessment:

Performance C
Corporate culture B

Soft skills are the key factor of sustainable development



15% of success

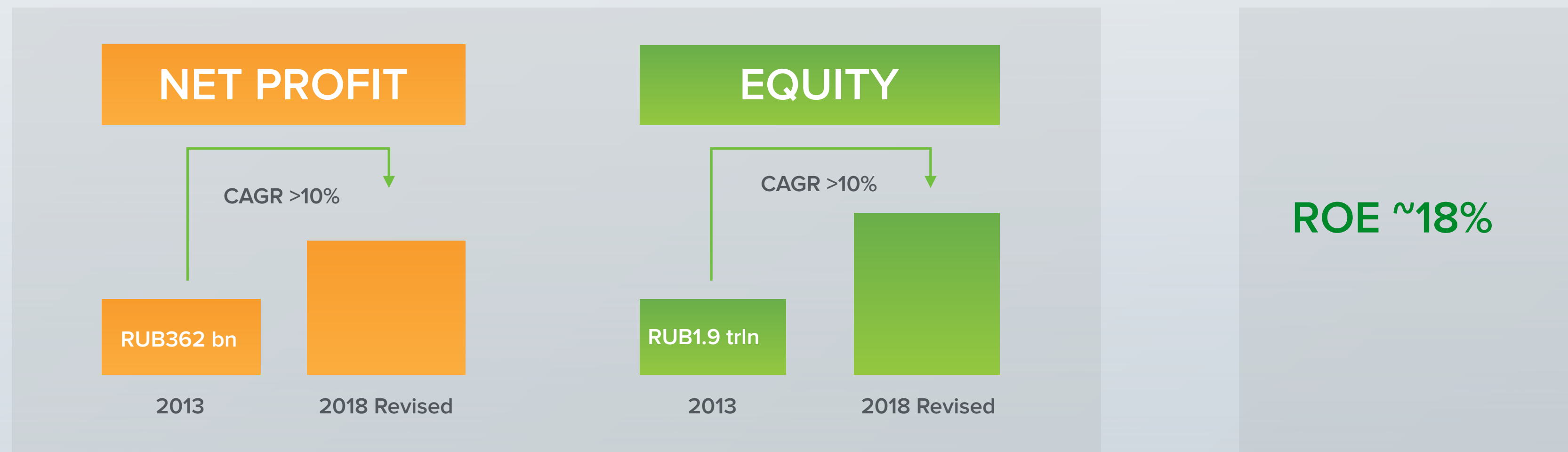
85% of success

60% of top management team graduated
joint programs with top universities
(INSEAD, LBS, Stanford)

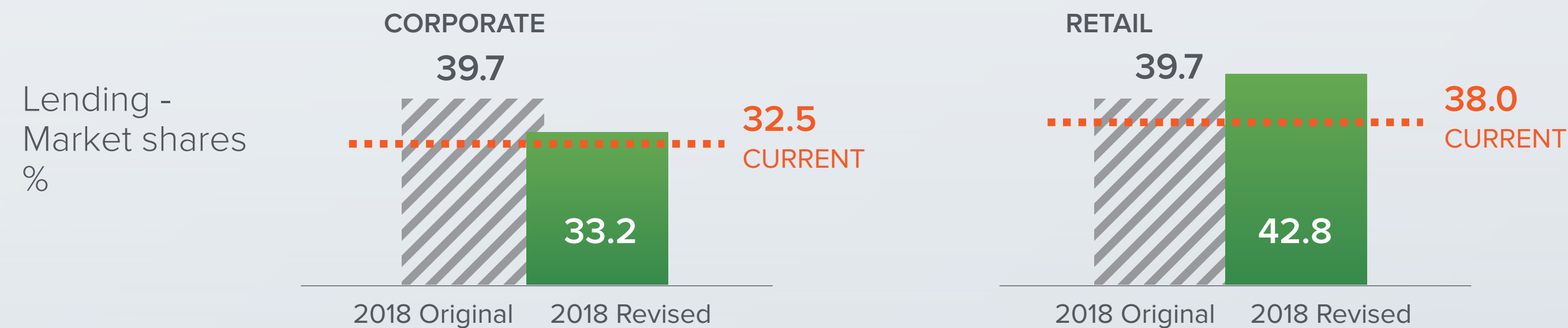
3 | WHAT DOES IT MEAN FOR INVESTORS

Sberbank Group Key Financial Target Remains Intact with Some Adjustments Inside

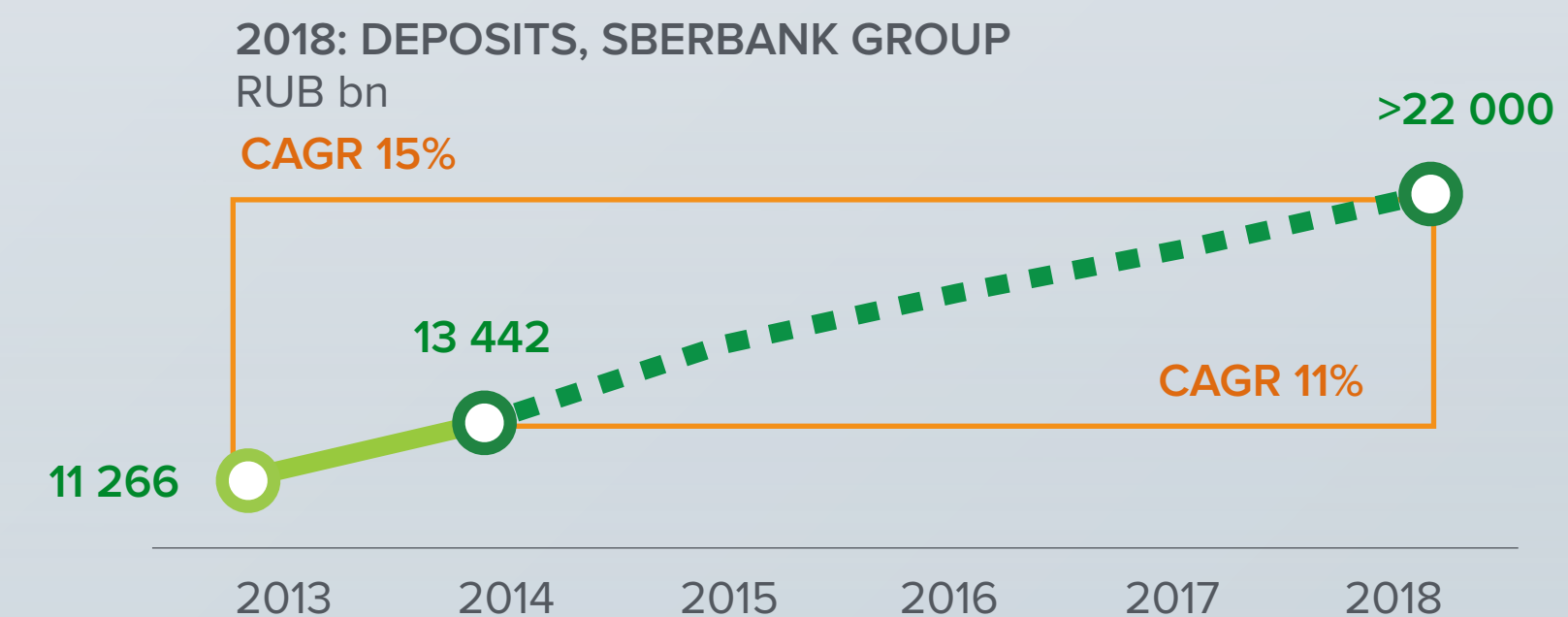
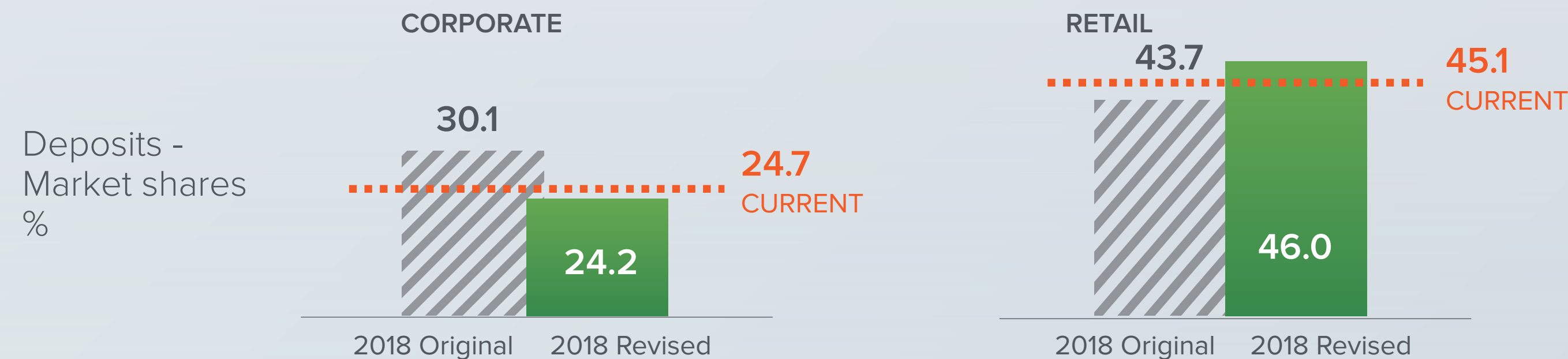
	2018 Original	2018 Revised
Net Interest Margin	>4.5%	>5.0%
Assets 2018/2013	x 2	x 1.8
Fee & Commission 2018/2013	x 2.5	x 2.3+
Cost of Risk	120-140 bp	190 bp
Cost to Income	40 - 43%	<40%
Tier 1 CAR Basel II	>10%	>10%



Focus on Retail Lending...

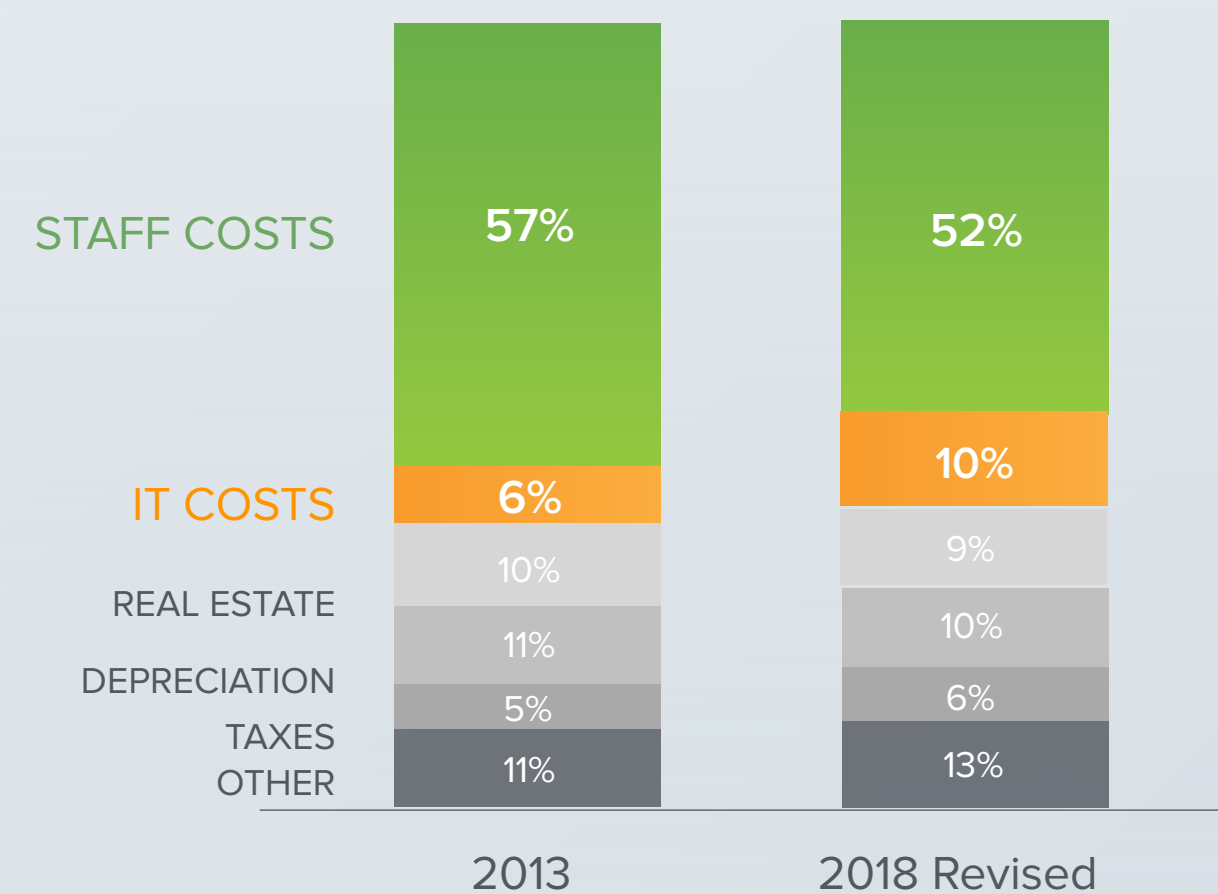


... and Retail Deposits

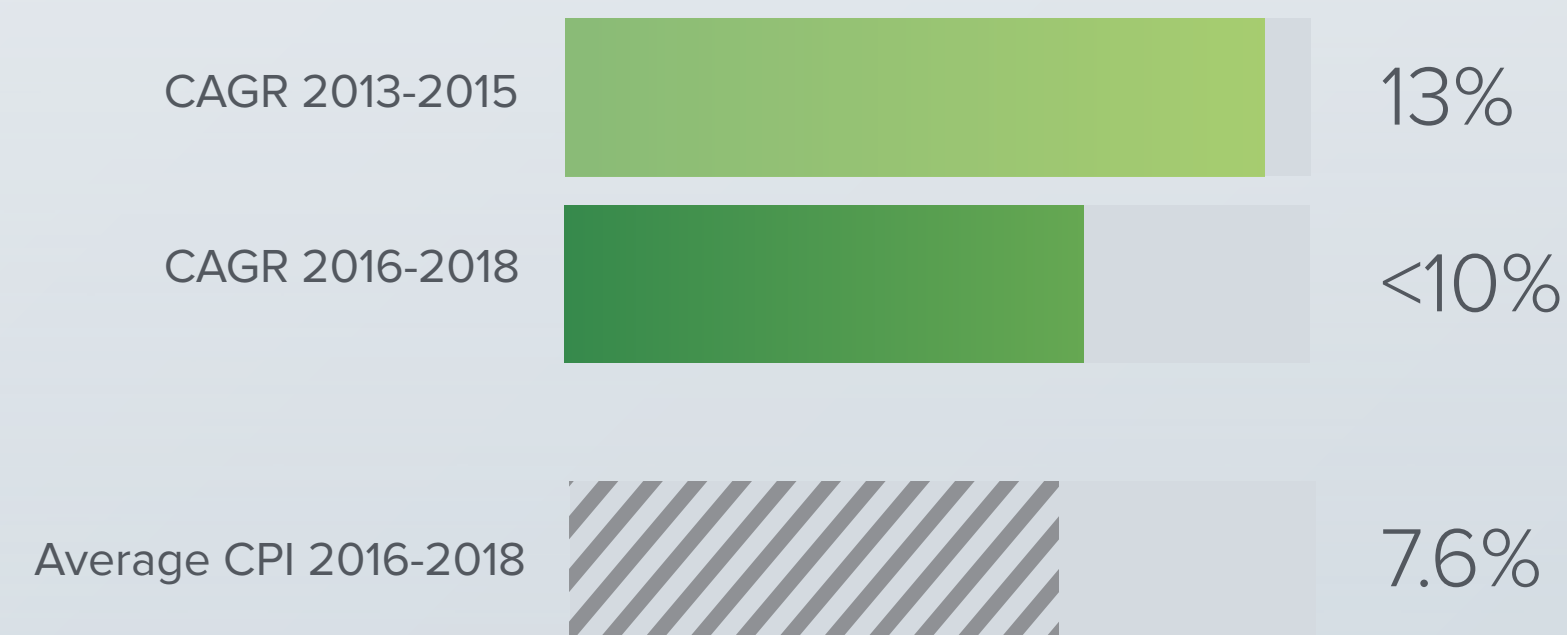


OPEX Slowdown in Line with Inflation

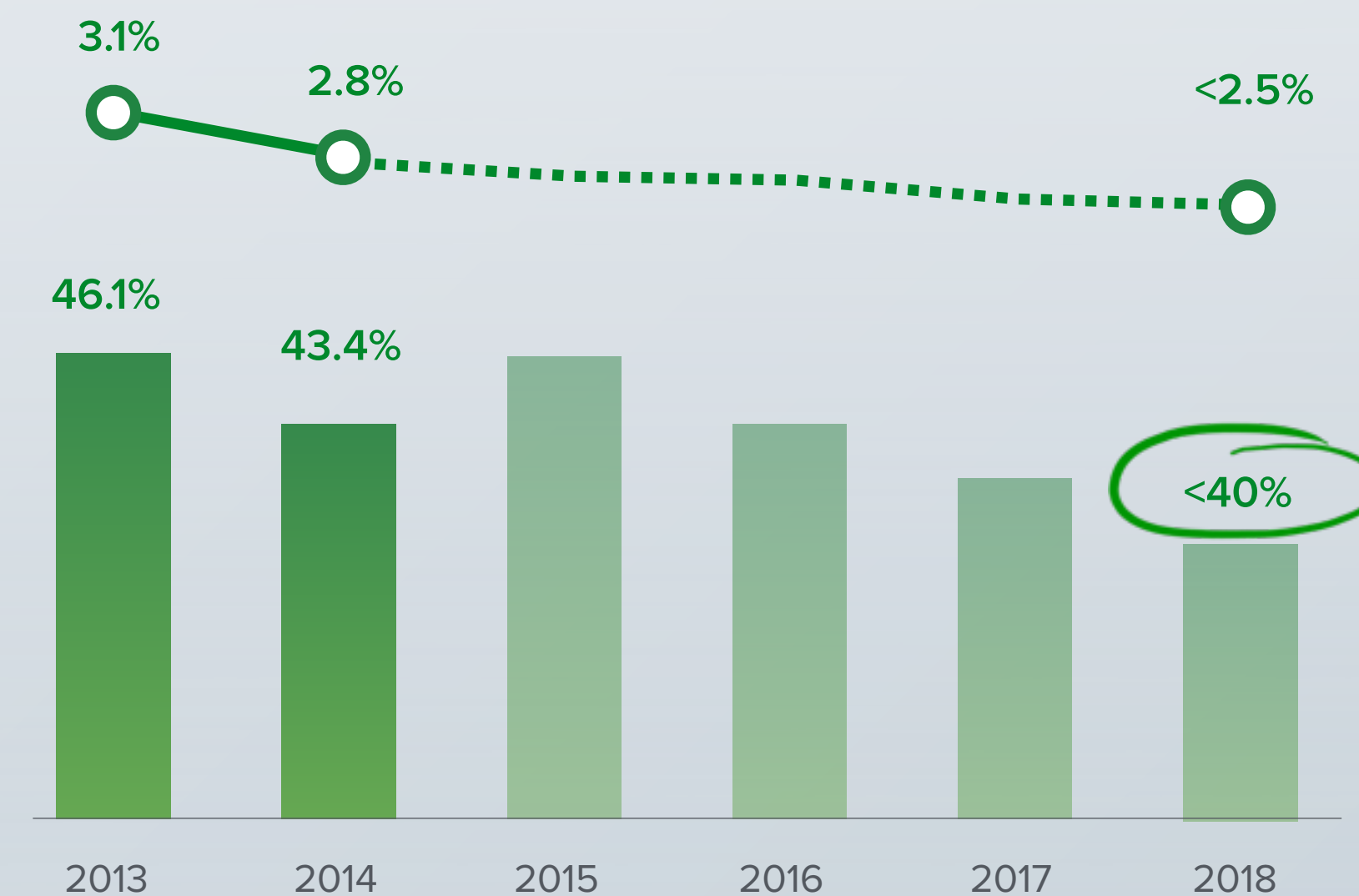
KEY DIFFERENCES IN OPEX STRUCTURE



OPEX DYNAMICS AND CPI

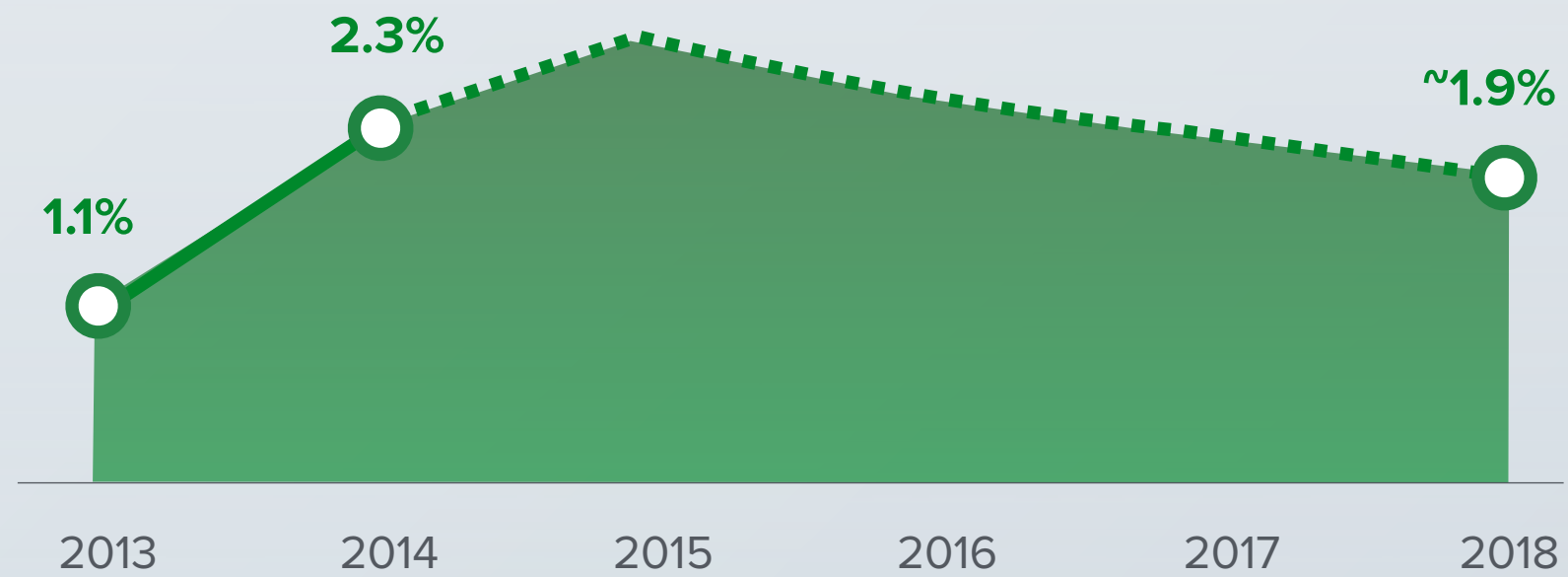


COST TO INCOME AND COST TO ASSETS DYNAMICS

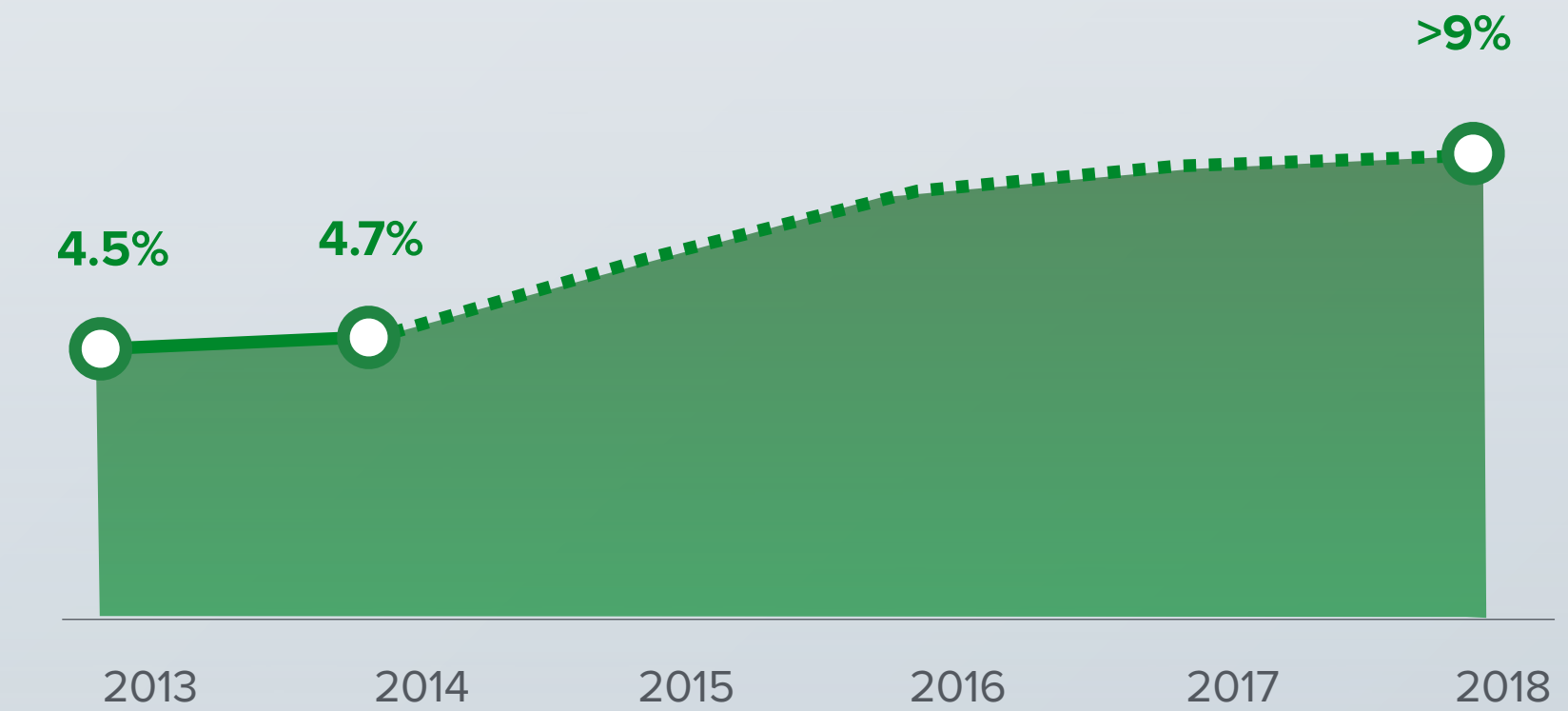


Slowing Down Risk Costs with a Solid Buffer of Provisions

COST OF RISK

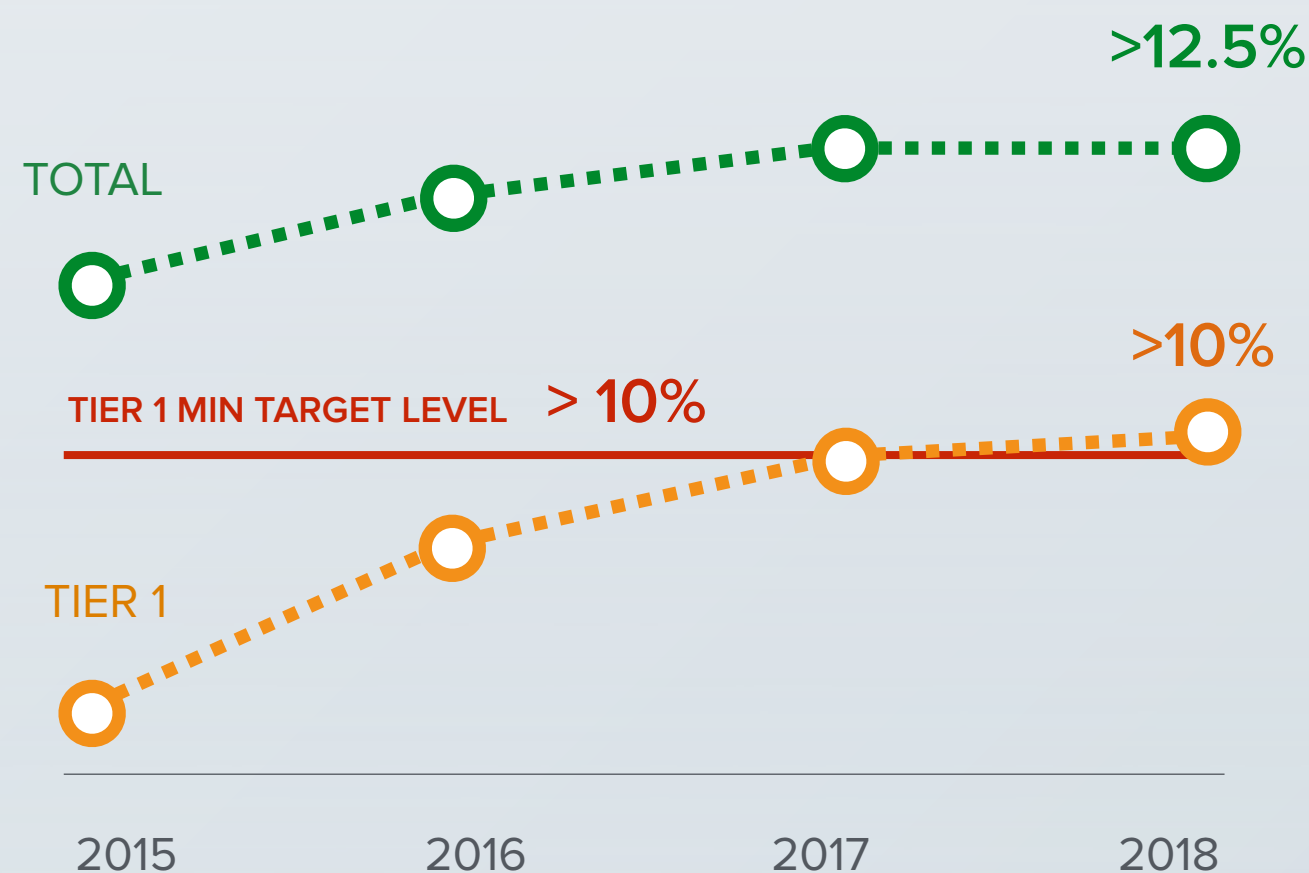


LOAN LOSS PROVISIONS / GROSS LOANS

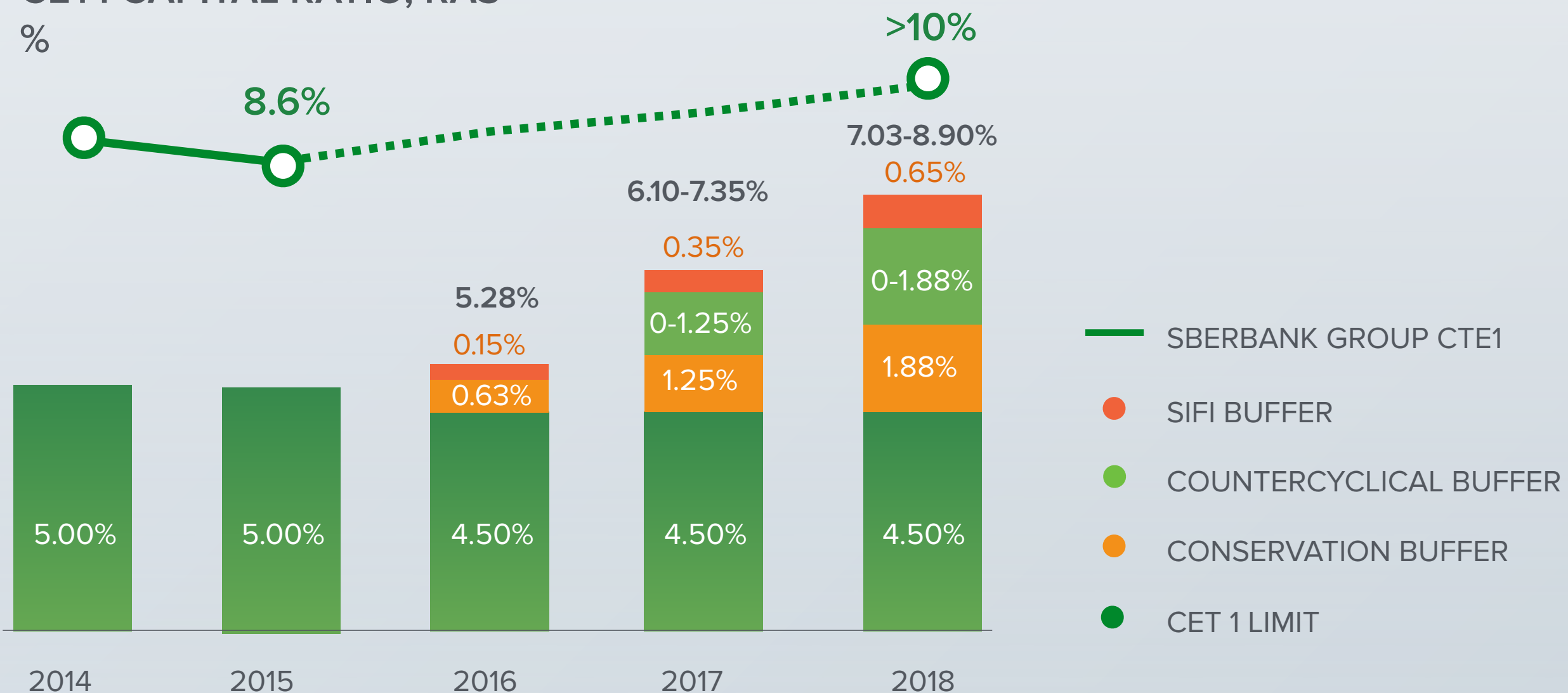


Organic Capital Creation

CAPITAL ADEQUACY RATIOS (TIER 1 & TOTAL),
SBERBANK GROUP, IFRS, BASEL II
%



CET1 CAR CBR BASEL III LIMITS VS SBERBANK GROUP
CET1 CAPITAL RATIO, RAS
%

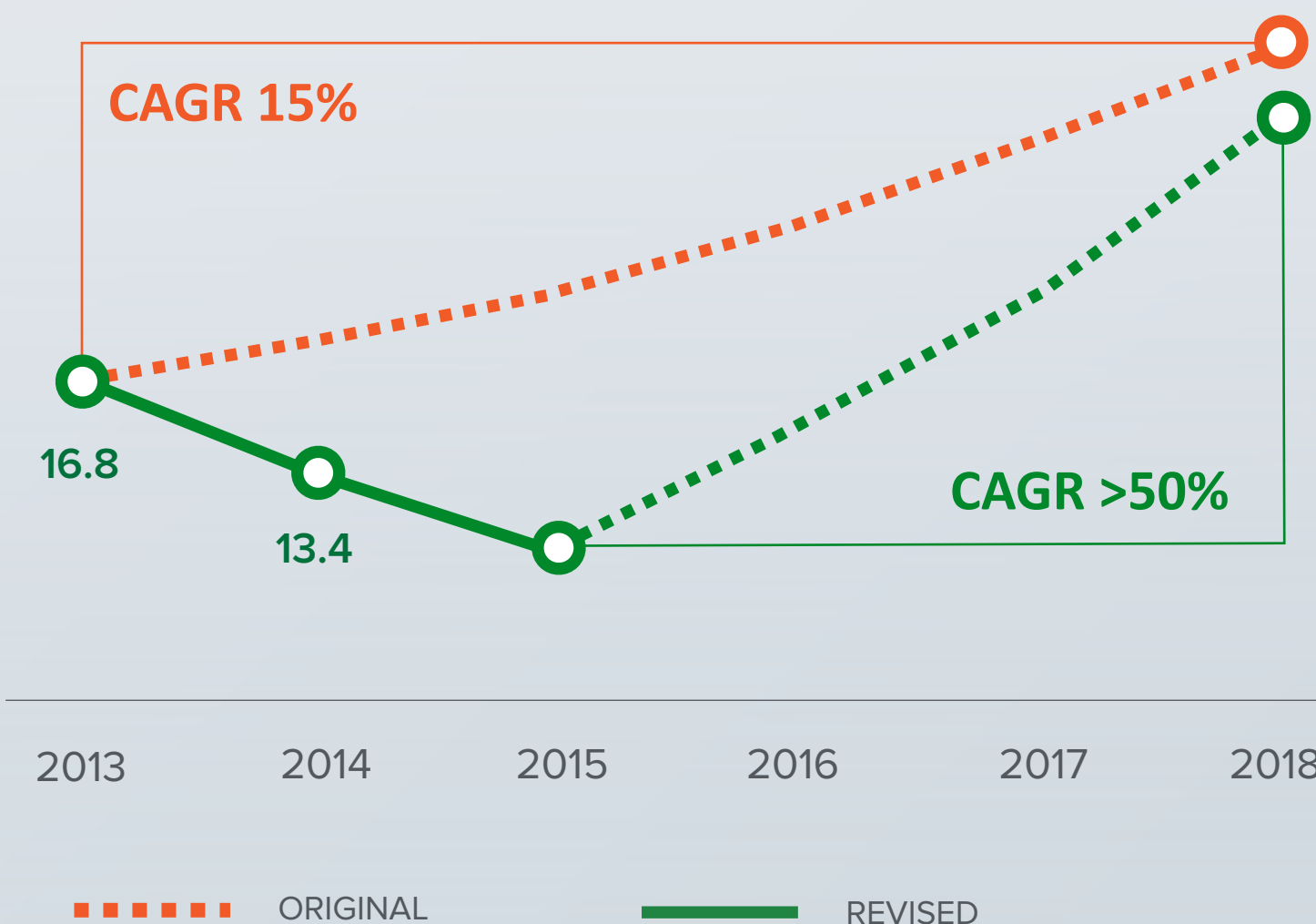


20%
Dividend payout

Revised Strategy 2018 Targets

		2018 Original	2018 Revised
PROFITABILITY & CAPITAL, %	ROE	18-20	~18
	CAR (TIER 1)	> 10	> 10
EFFICIENCY, %	COST/INCOME RATIO	40-43	< 40
	COST/ASSETS RATIO	< 2.5	< 2.5
GROWTH	ASSETS 2018/2013	X 2	X 1.8
	NET PROFIT 2018/2013	X 2	X 1.8+

EPS GROWTH FORECAST
RUB





"Every morning in Africa, an antelope wakes up, it knows it must outrun the fastest lion or it

Every morning in Africa, a lion wakes up. It knows it must run faster than the slowest antelope, or it will starve.

It doesn't matter whether you're the lion or the antelope - when the sun comes up, you'd better be running."

— an old African proverb





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