



INVESTOR DAY

SBERBANK STRATEGY 2020



H. Gref

Vision and key
priorities of
Strategy 2020



M. Poletaev

Retail and
corporate
clients



L. Khasis

Ecosystem and
technology



A. Vedyakhin

Data analytics
and risk-
management



Y. Chupina

Team and
culture
development



A. Morozov

Financial
targets

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HERMAN GREF

CEO

10 years of continuous transformation...

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- 05** PEOPLE DEVELOPMENT
- 06** FINANCIALS
- 07** CONCLUSIONS

Sberkassa

... - 2007



Client centricity

2008 - 2013



Technology for clients

2014 - 2017



10 years of continuous transformation ...

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Sberkassa

... - 2007

Client centricity

2008 - 2013

Technology for clients

2014 - 2017

Clients

Products

Channels

Efficiency



37_{NPS} 60_{CSI} 65 mln (+25 mln)_{CLIENTS¹}

- Improved segmentation
- Client feedback

- New products: credit cards, investment products, SME loans, Yandex.Money

- Internet & mobile banking
 - New branch format
- <10_{MIN}
wait in queues

- Centralization
- Lean processes
- Credit Factory

60_{NPS} 70_{CSI} 85 mln (+20 mln)_{CLIENTS¹}

- Mass personalization
- «A complaint is a gift»

- New products: P2P transfers, Insurance, Wealth management
- Market share growth across all product lines

- ~50% retail clients through digital
- >85% transactions done online

- New core banking platform, Unified Front System, Data Factory
- Agile, Big data & AI, Labs, Venture Fund
- Cybersecurity

...led to successful navigation of crises and increase of Sberbank profitability

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Client centricity

Technology for clients



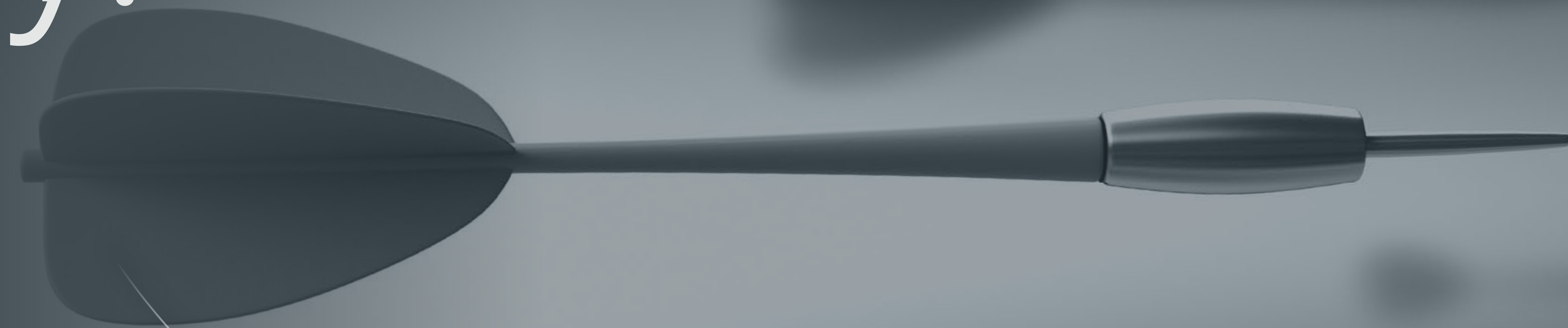
18%

Average ROE

18%

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Why are we meeting here today?



We have reached
our 2014-2018 Strategy targets
one year ahead

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07

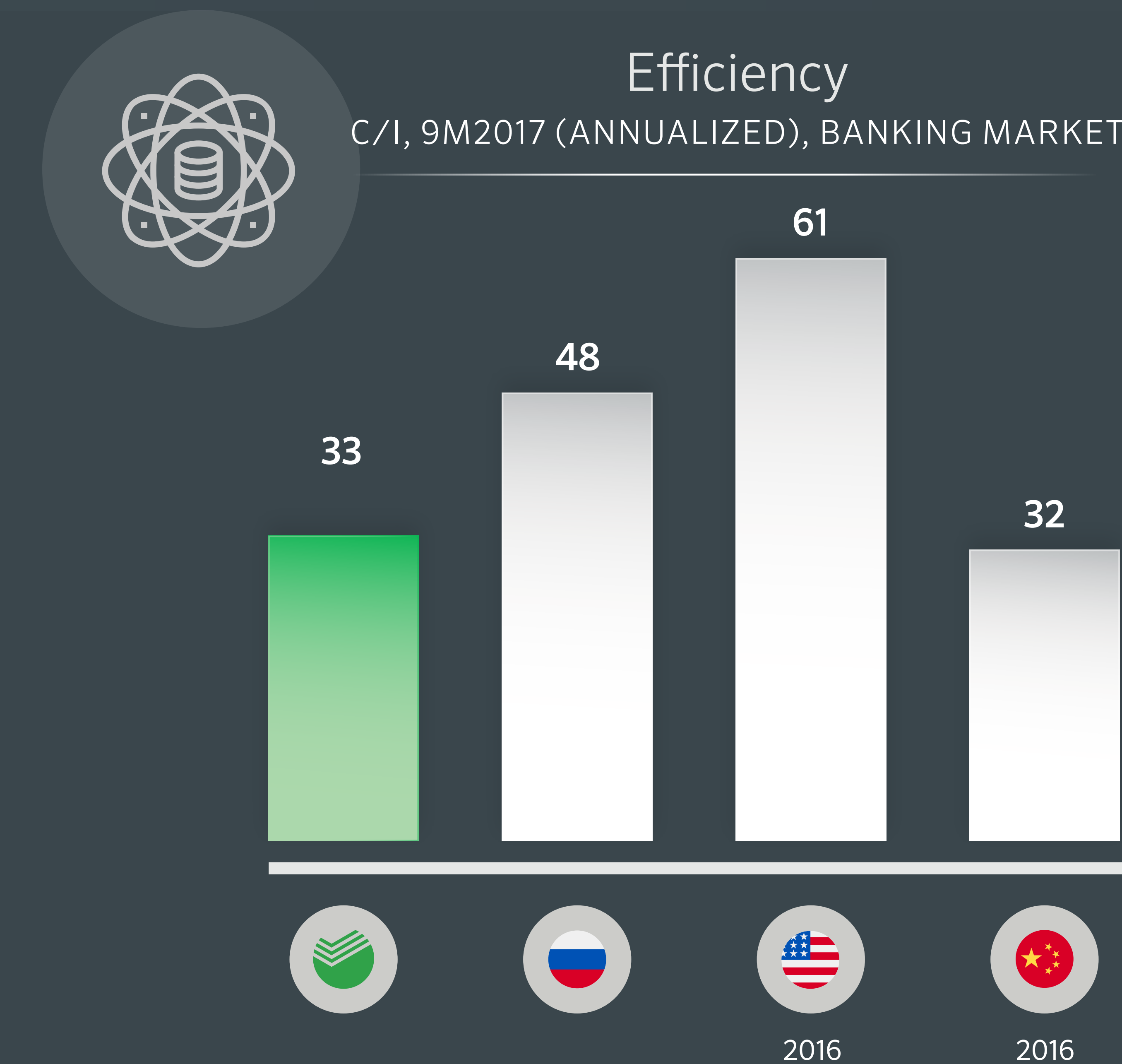
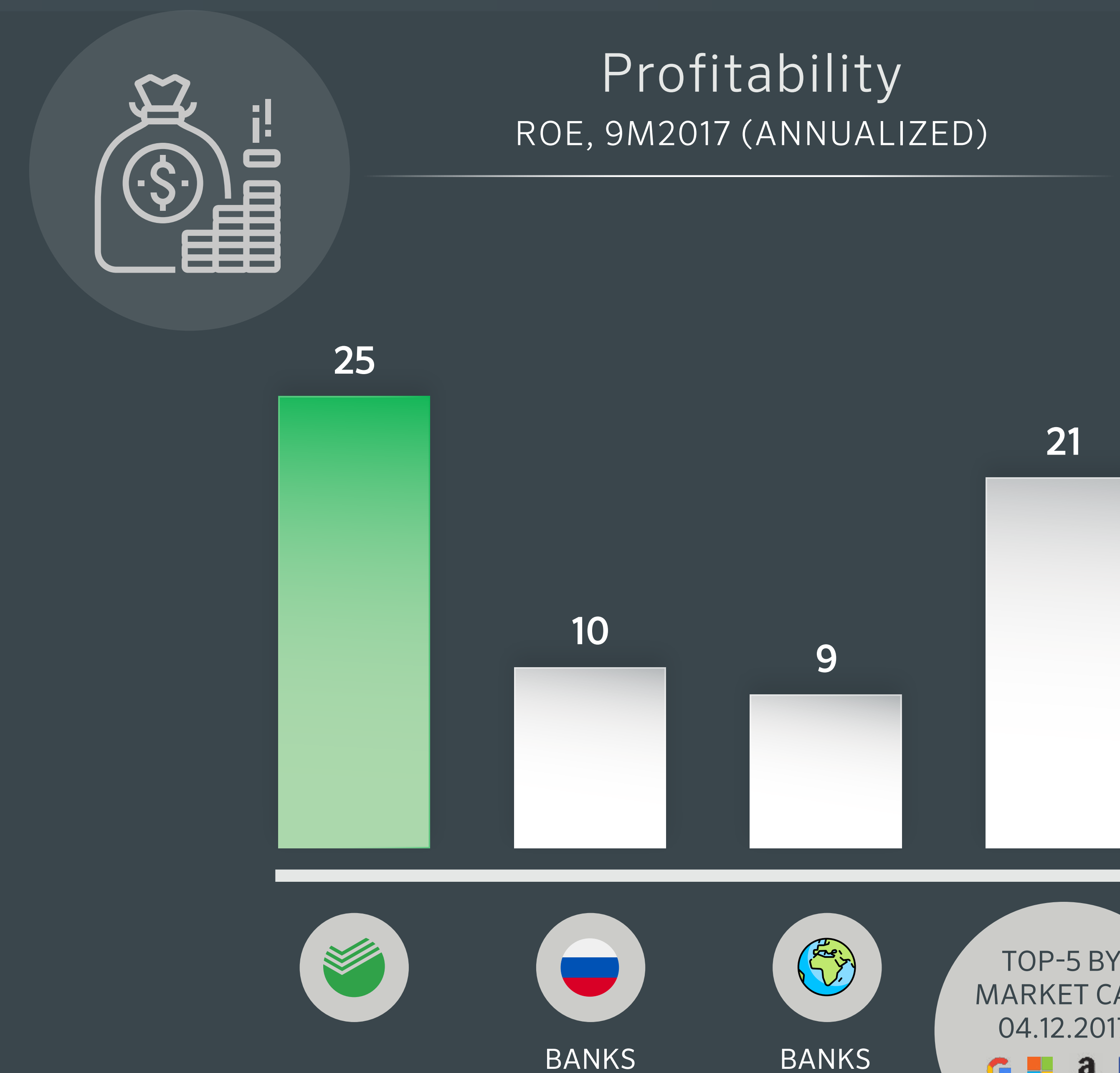
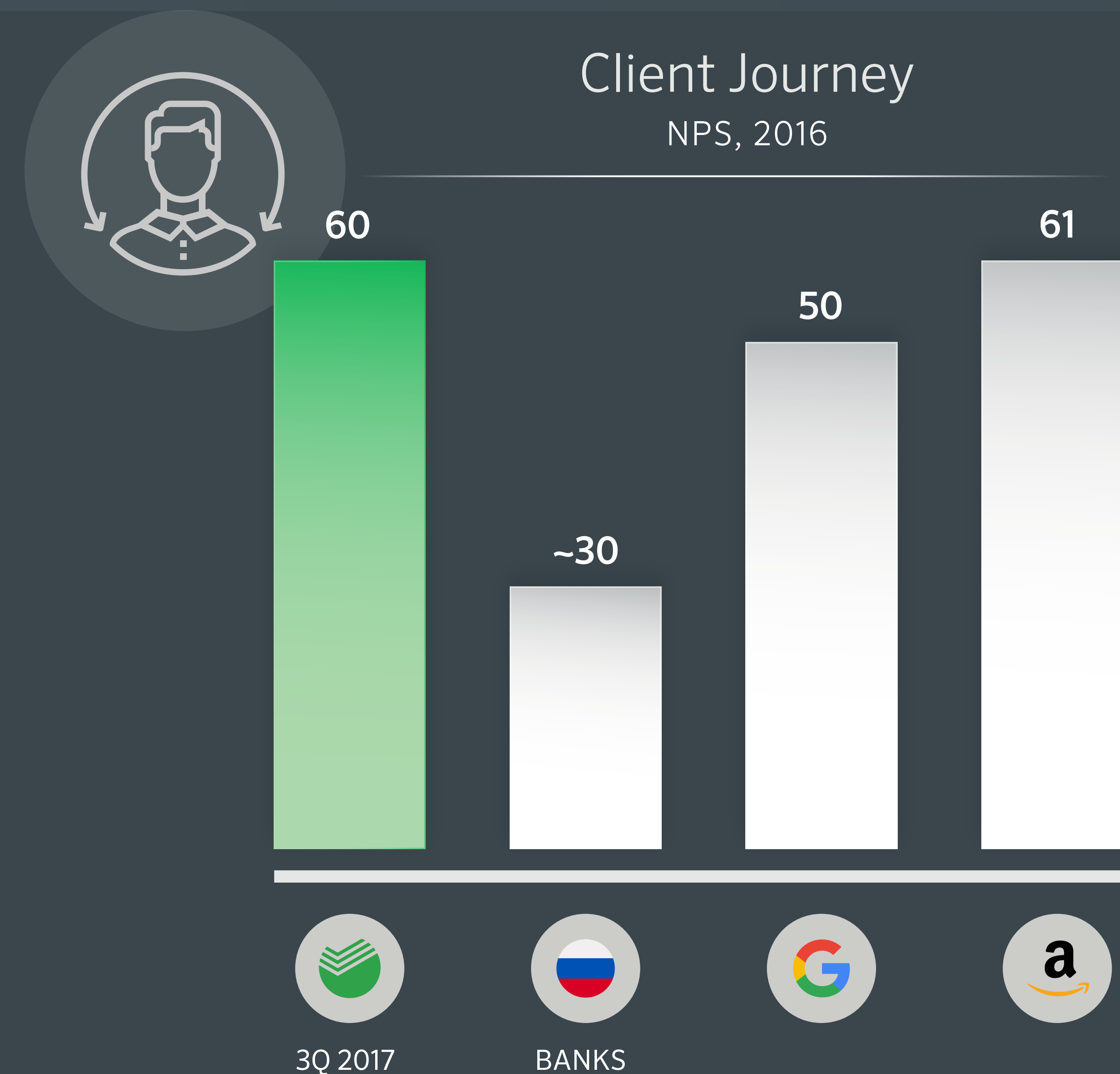
CONCLUSIONS

Our results are comparable with both global banks and technology companies

**Client Journey****Profitability****Efficiency**

Our results are comparable with both global banks and technology companies

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Sberbank is no longer just a bank – it is also a technology company

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Cashless “smart city” Zelenodolsk

joint with MasterCard and
the Government of Tatarstan



Cash delivery by drones

tested on 15 Jul'17 in Tatarstan



Chat-bot instead of call-center support

based on machine learning technology



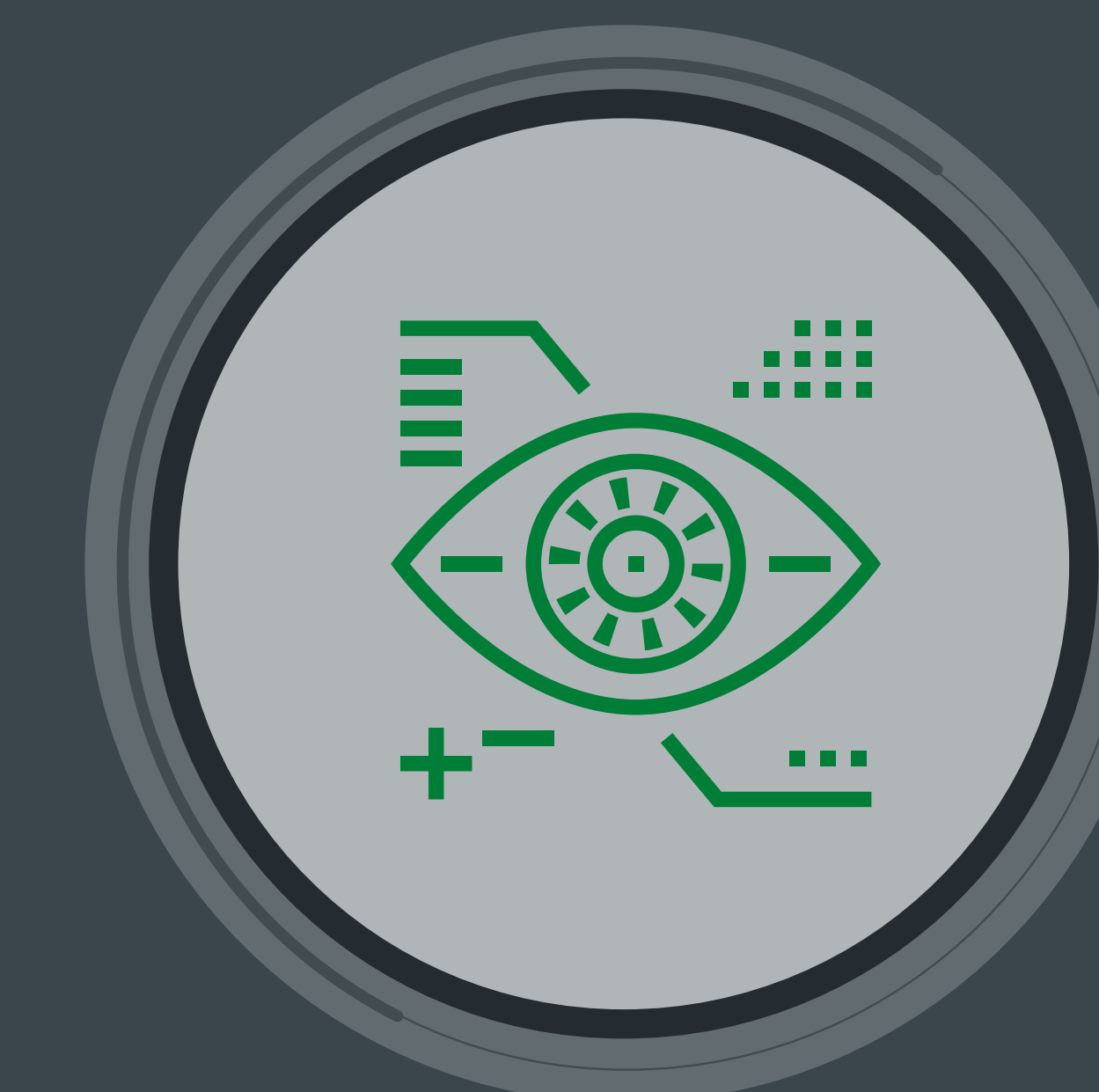
Communication with clients based on sociotype

the probability of client
response doubled



Messenger prototype

partners' services
are launched on the
messenger platform



Detecting fraud by visual analysis

visual and voice biometrics

Some projects will be continued in Strategy 2020

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Speed & agility



Digitalization



Data analytics



Platform



Productivity

Why do we need a new Strategy now?

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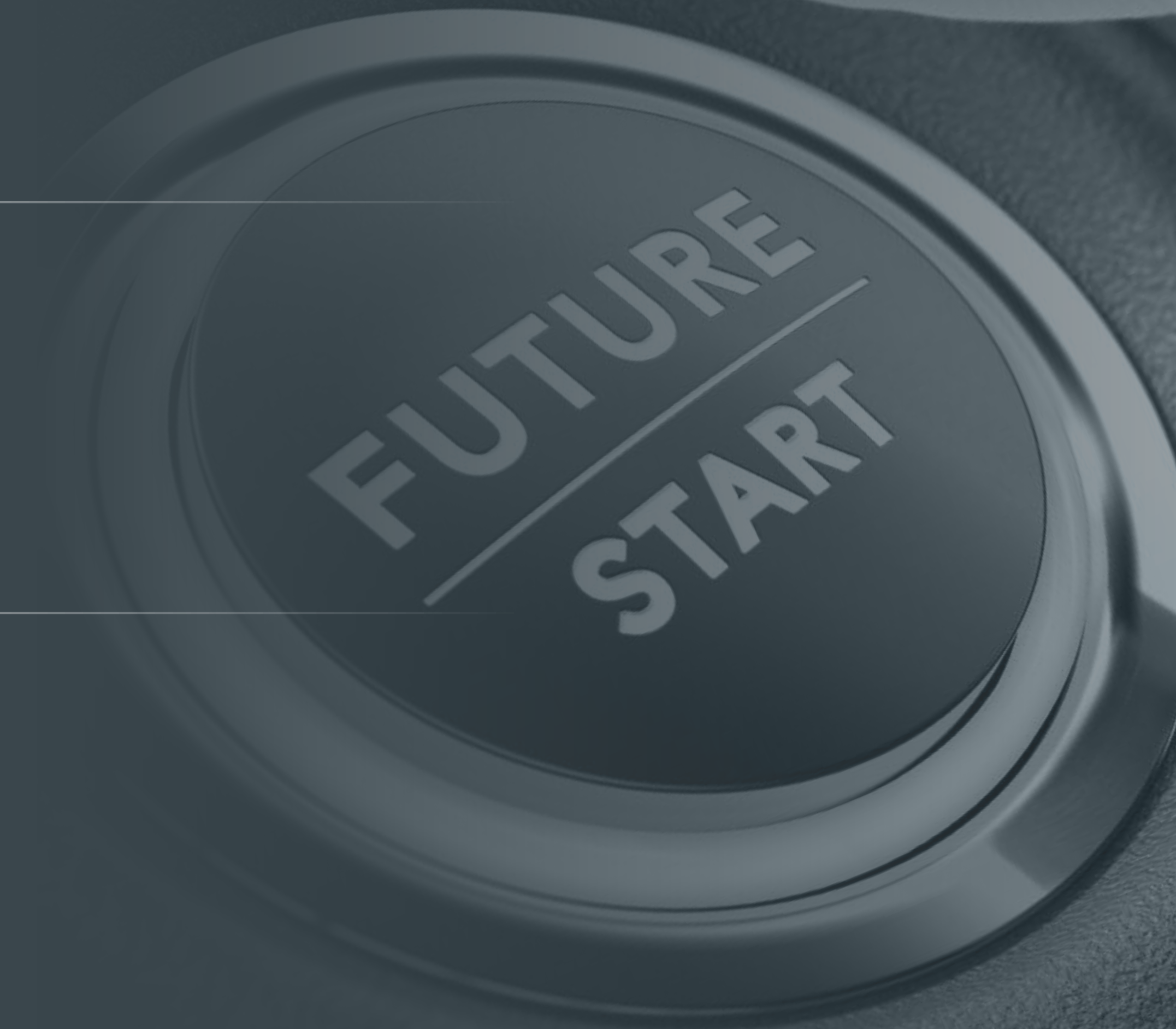
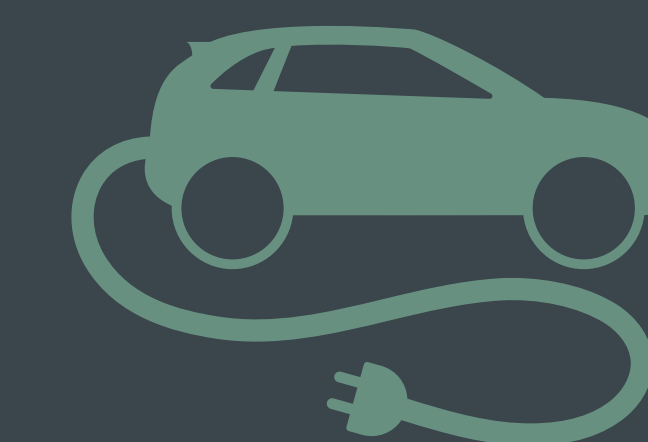
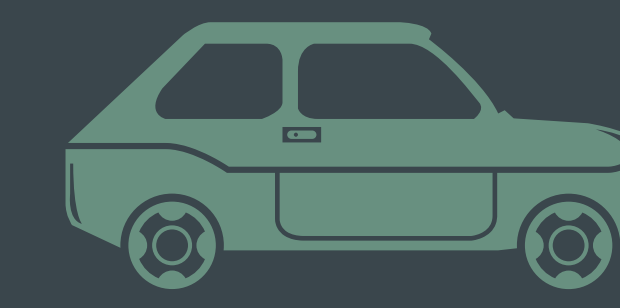
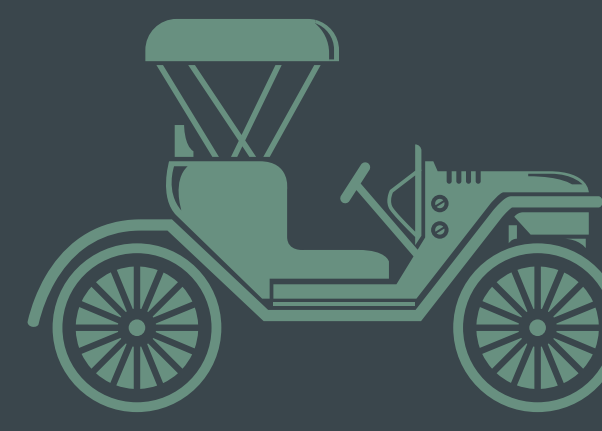
03 ECOSYSTEM
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The world is moving from manual to AI...

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IT Innovation Value

Artificial Intelligence (AI)

Software

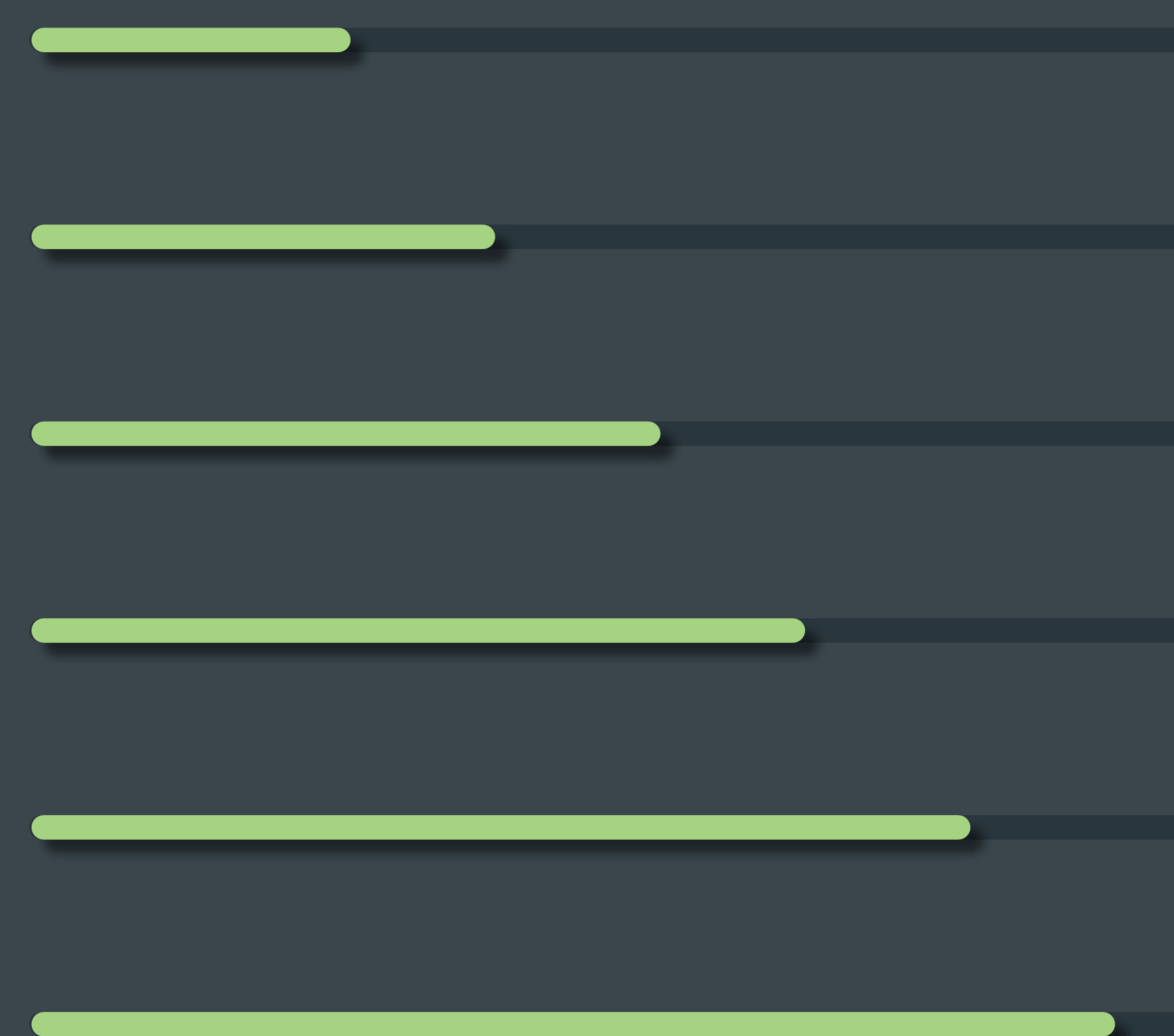
Micro-electronic

Electro-mechanical

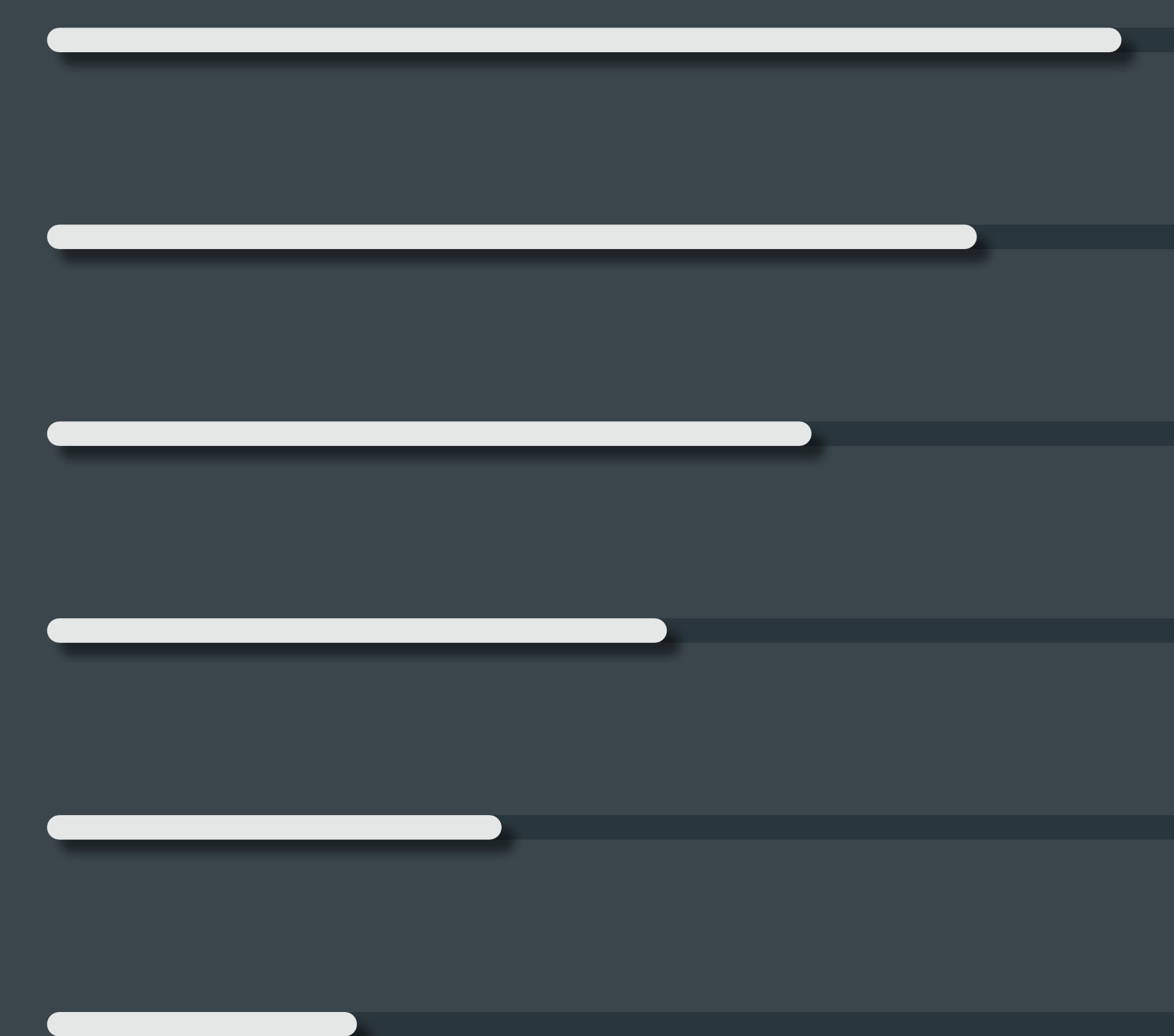
Mechanical

Manual

As is



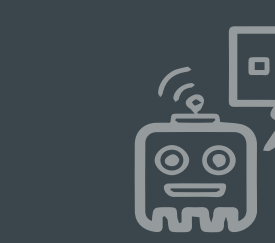
To be



Examples of Transformation



Self-driving cars



Chat bot



Tesla



Messenger



Standard cars



E-mail



Ford T



Telephony



Carriage



Mail



Horse



Pigeon mail

This changes people's lives...

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Before 2007

My circle	playground, friends, football
My phone	games (snake), pictures via IrDA ¹
My data	~50 kbit/sec
Google <small>PER MINUTE</small>	150 000 requests
YouTube <small>PER MINUTE</small>	~0 views launched in 2005
B2C eCommerce <small>PER MINUTE</small>	~\$100 spent online



This changes people's lives...

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B2C eCommerce <small>PER MINUTE</small>	~\$100 spent online

2014 – 2017

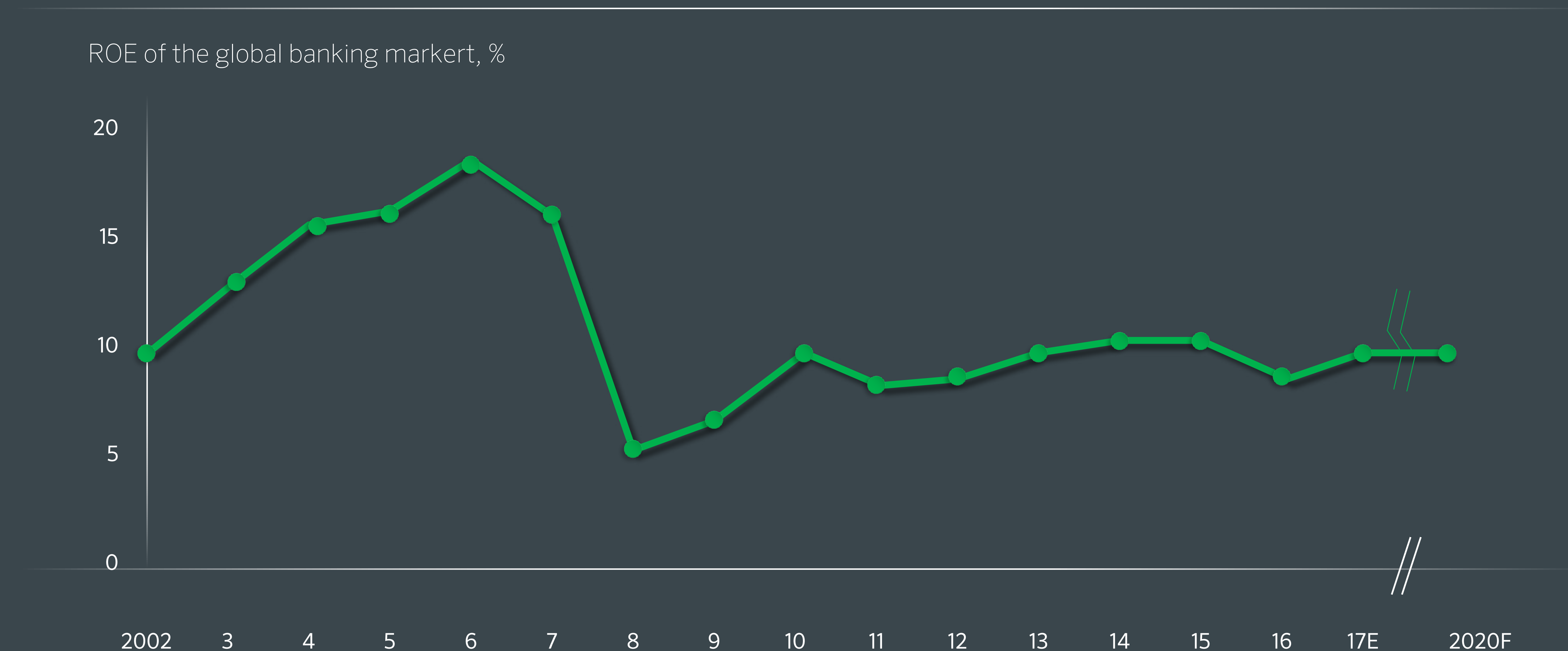
social networks, blogs, «likes»
E-wallet, work email, movies, life
~50 000 kbit/sec
3 500 000 requests
4 100 000 views
~\$800 000 spent online



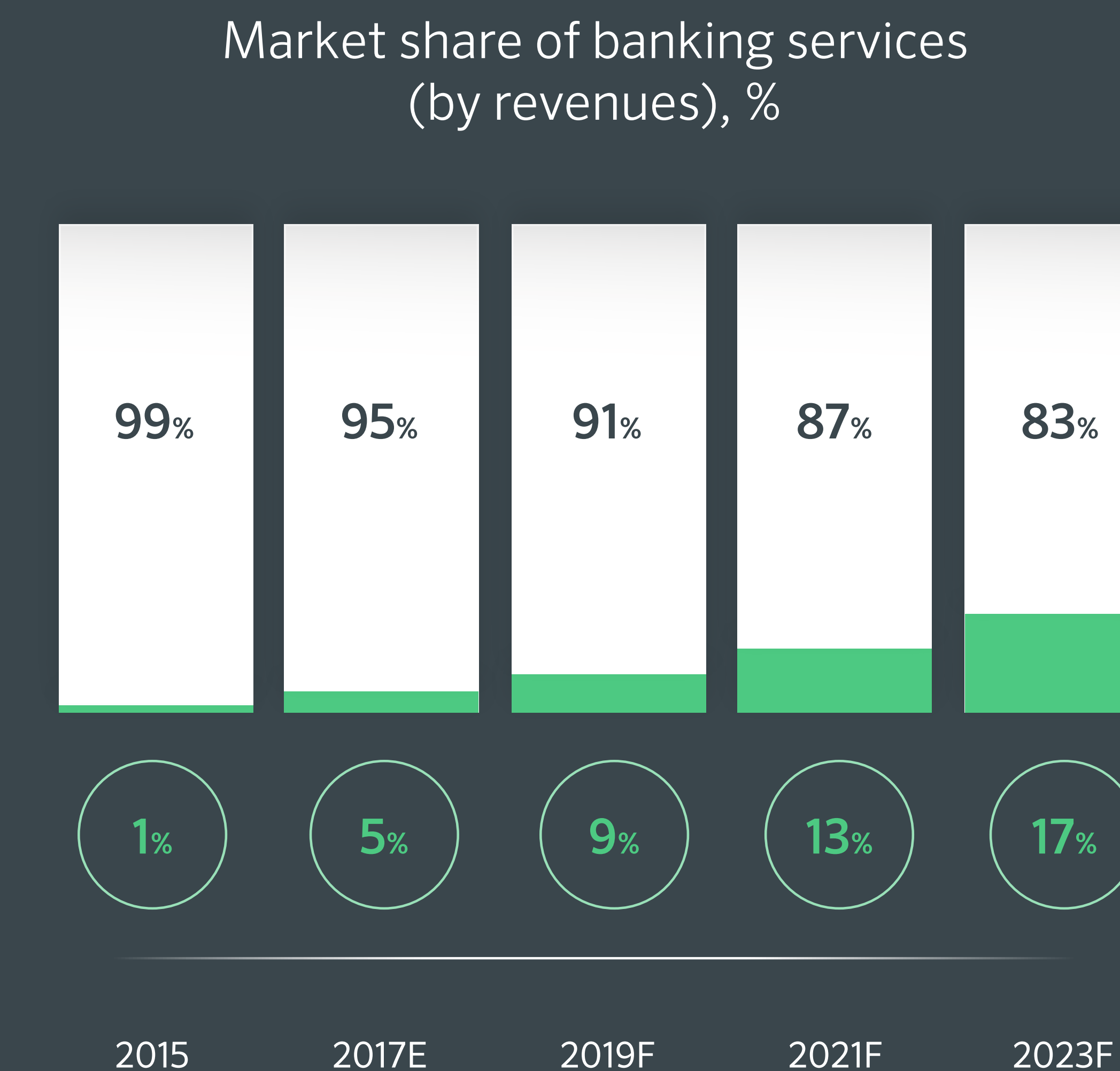
...and changes the banking market landscape

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Modest profitability of the global banking market



Growing competition from non-banking players



50%
of Americans cannot imagine life without Amazon

30%
of Millennials believe that they don't need banks

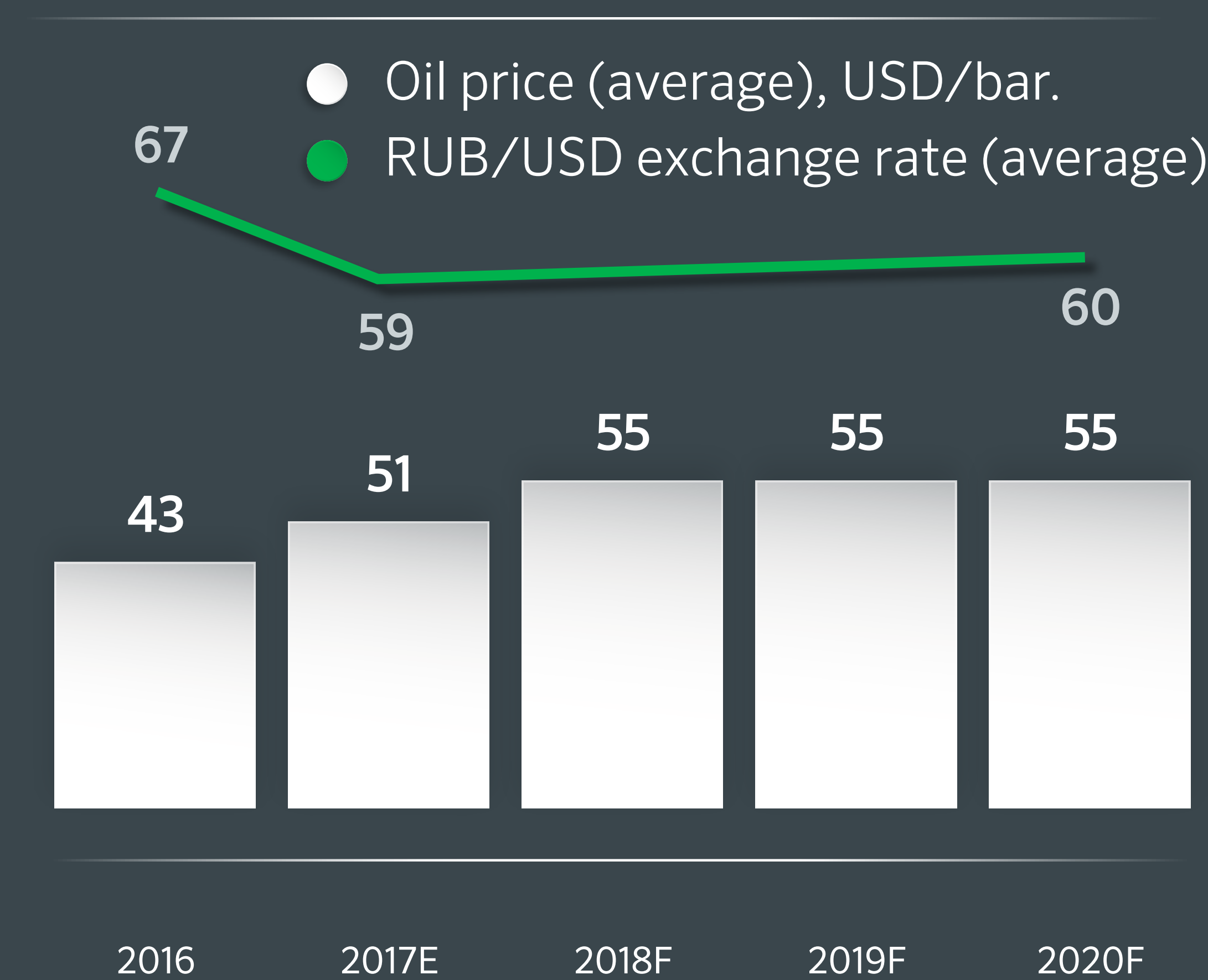
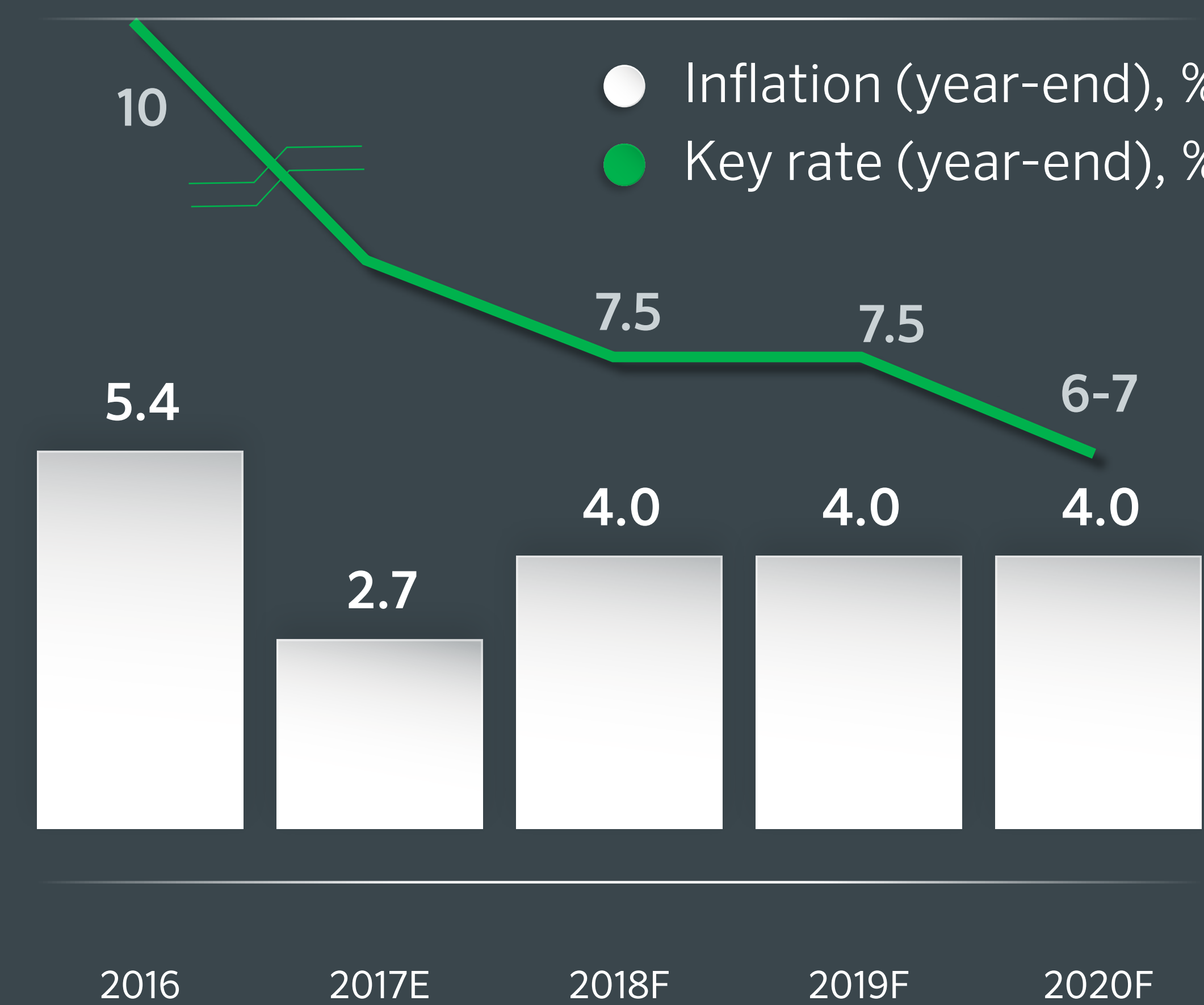
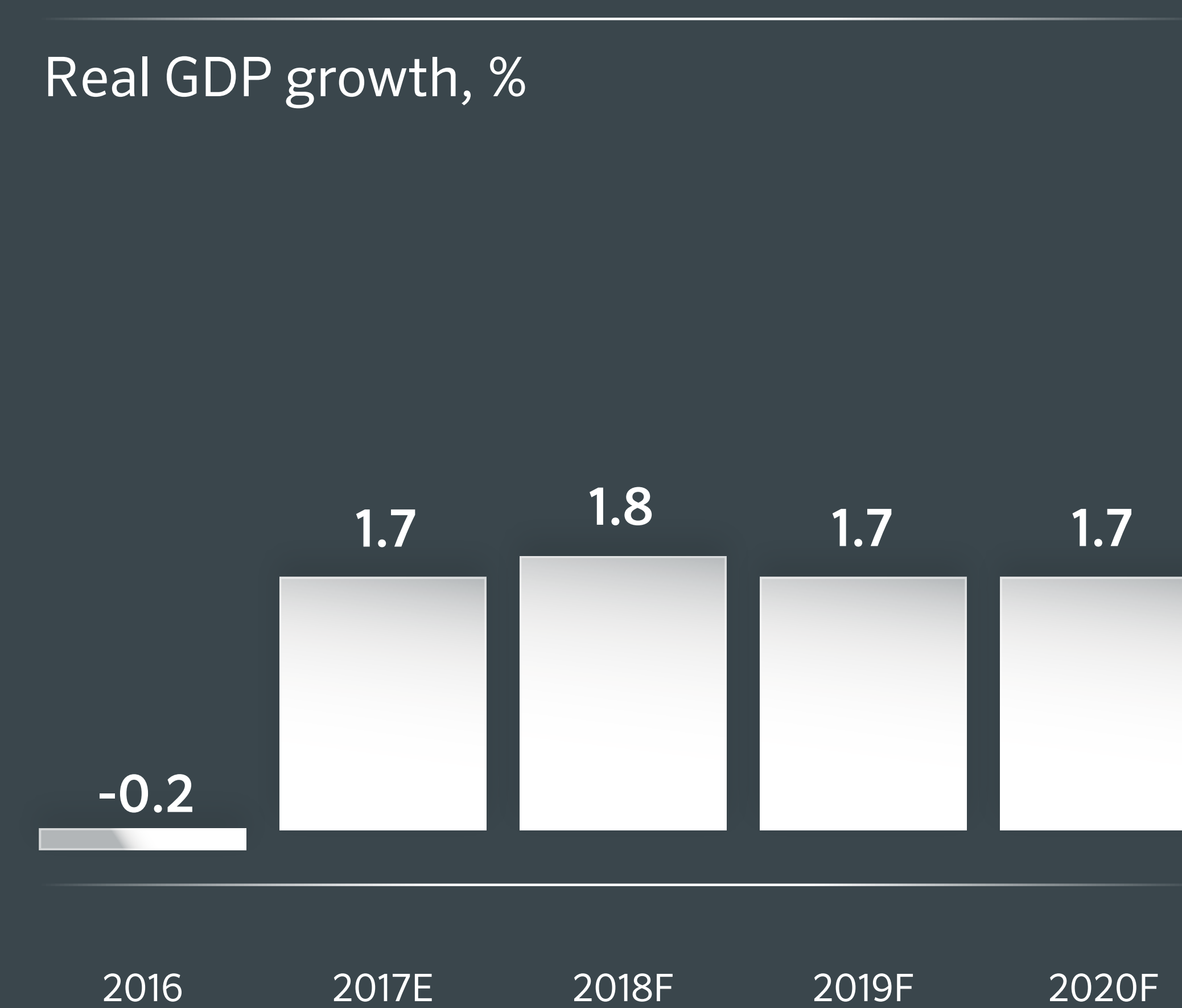
- Banks
- Technology companies

Russia - a window of opportunity

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Absorbed external shocks and returned to growth

Real GDP growth, %



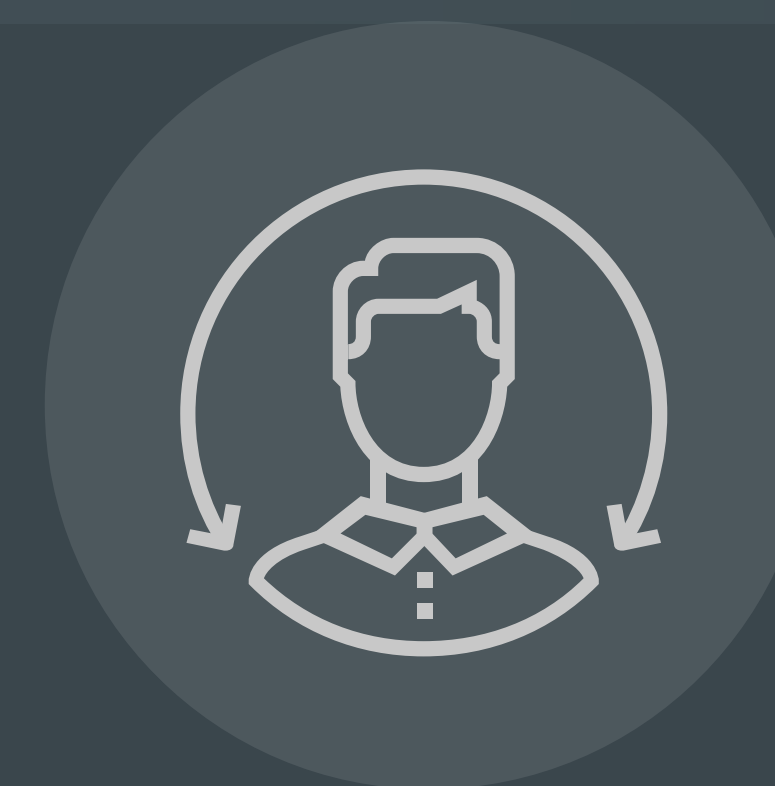
Digital development

76% Internet penetration, 2016
(up to 90% in 2020)

55% Smartphone penetration, 2017
(up to 75% in 2020)

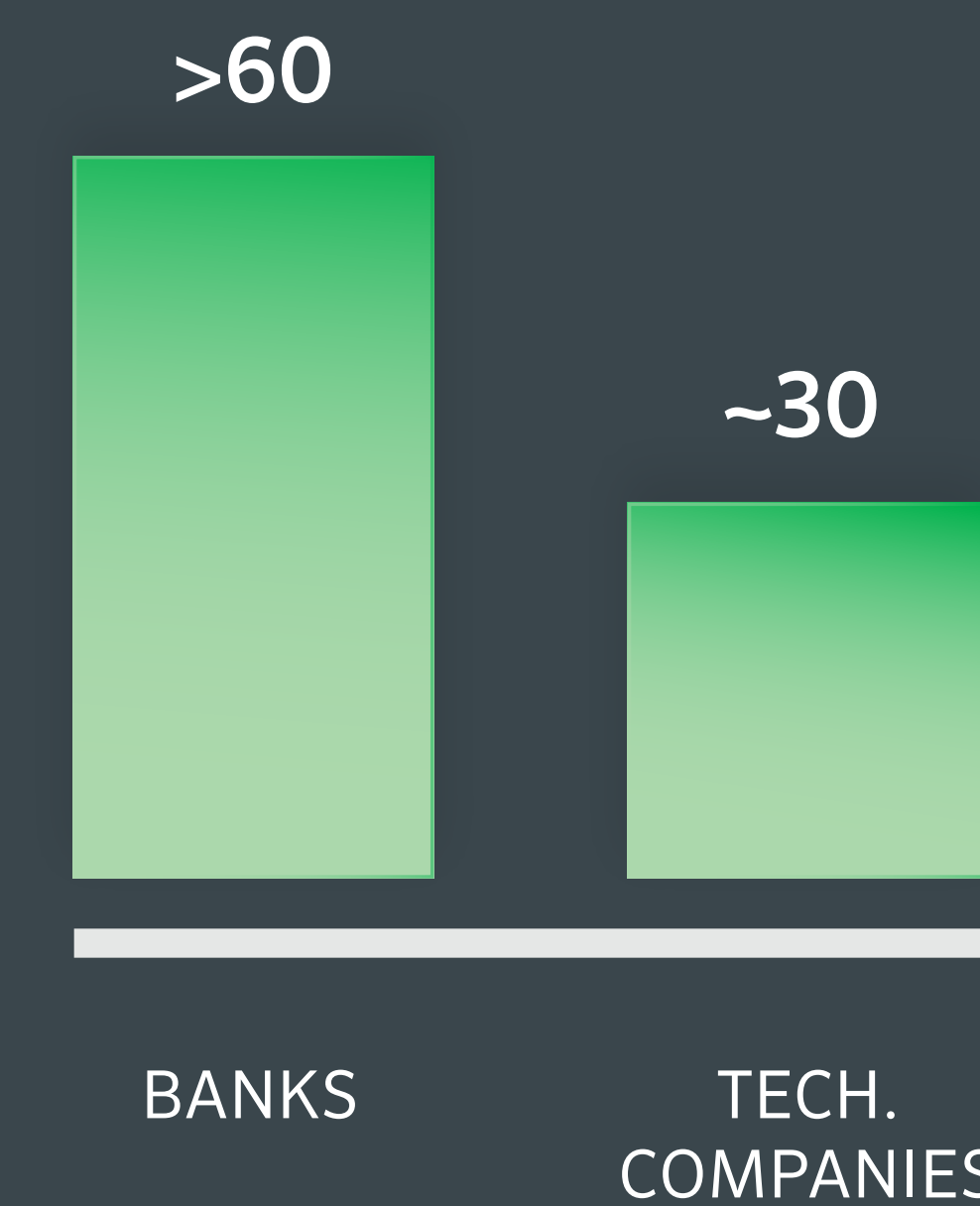
Russia – a window of opportunity

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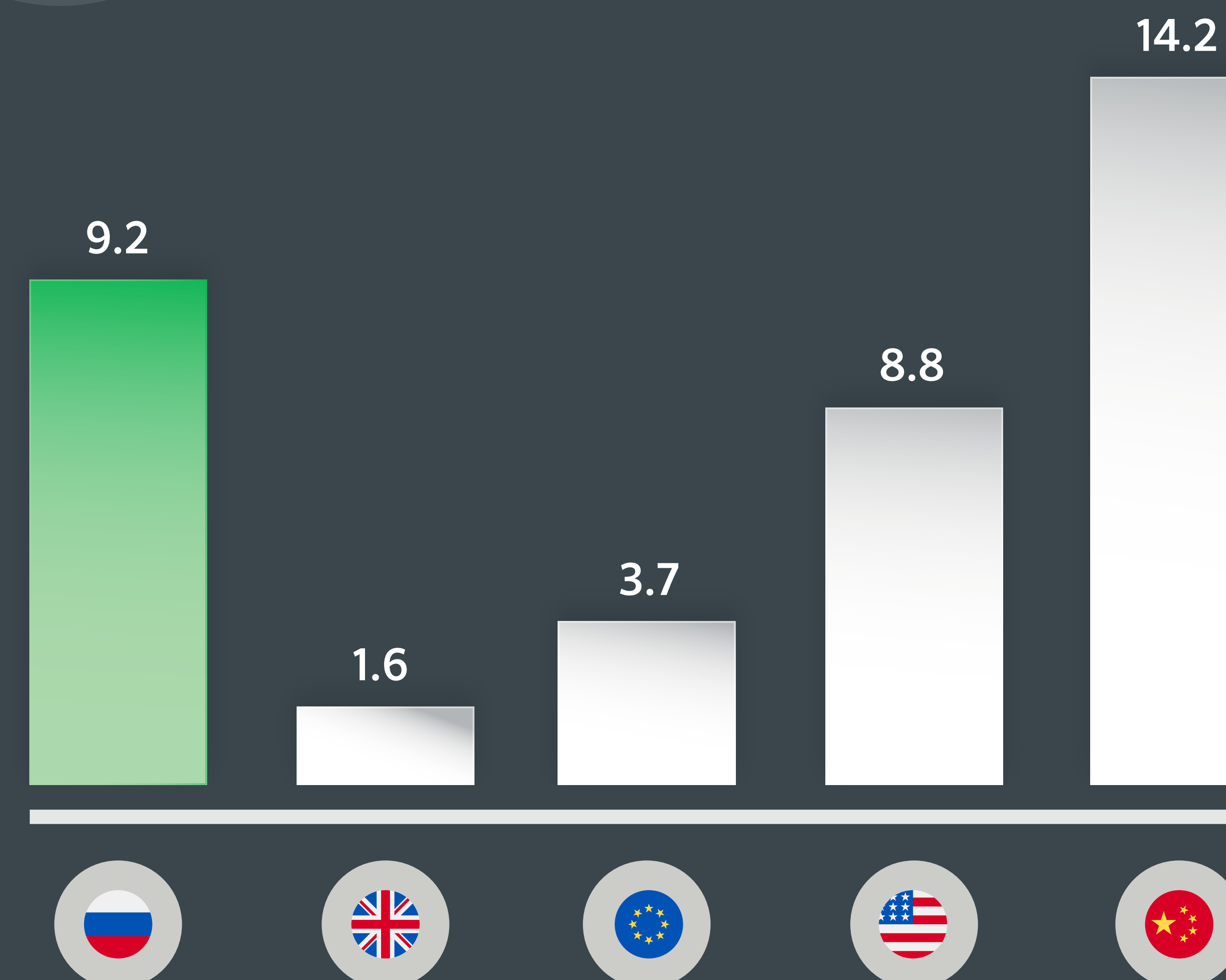
Trust in banks
is overall high

Level of trust, 2017, %



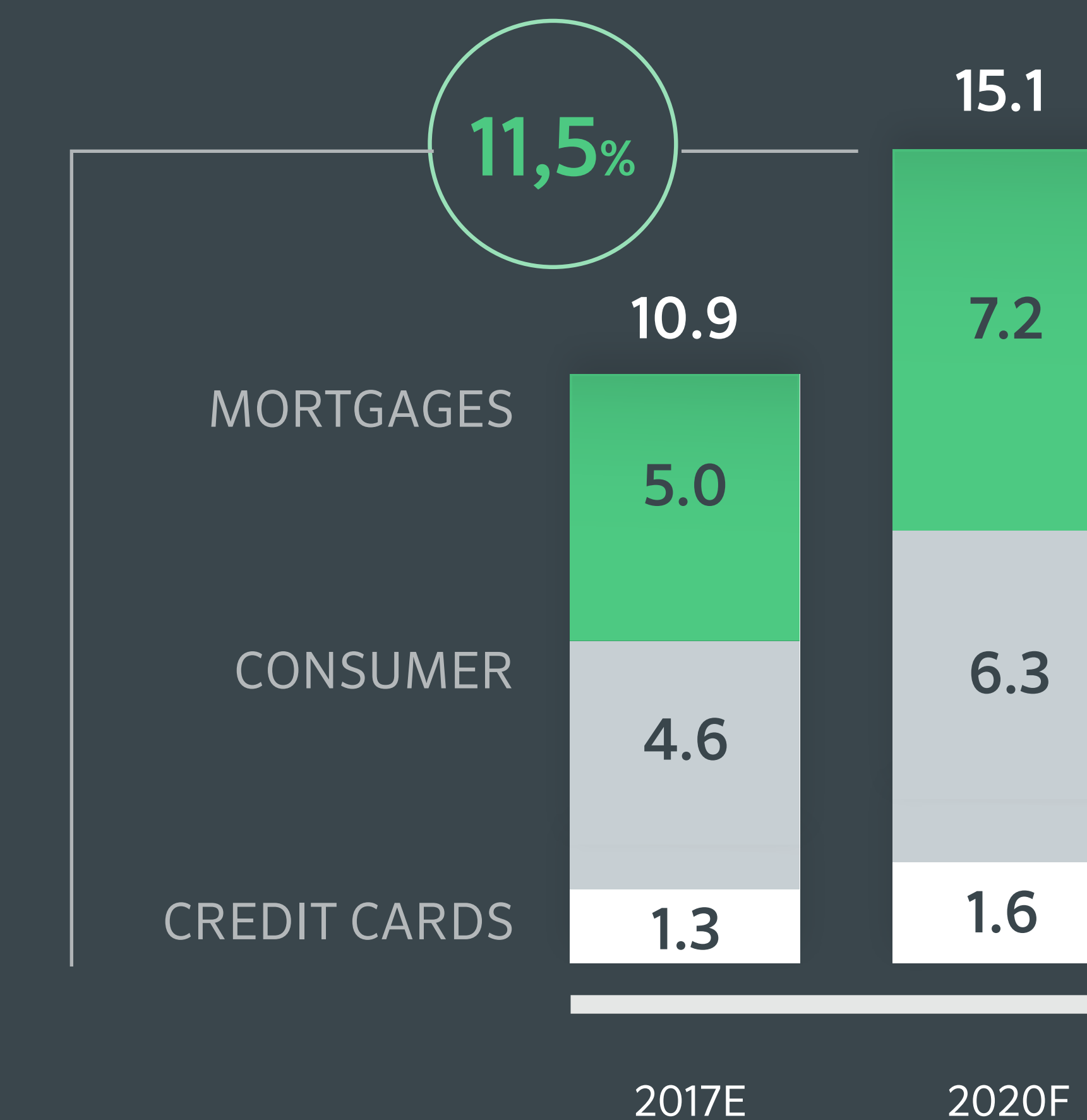
Banking profitability
is strong

ROE, 2016, %

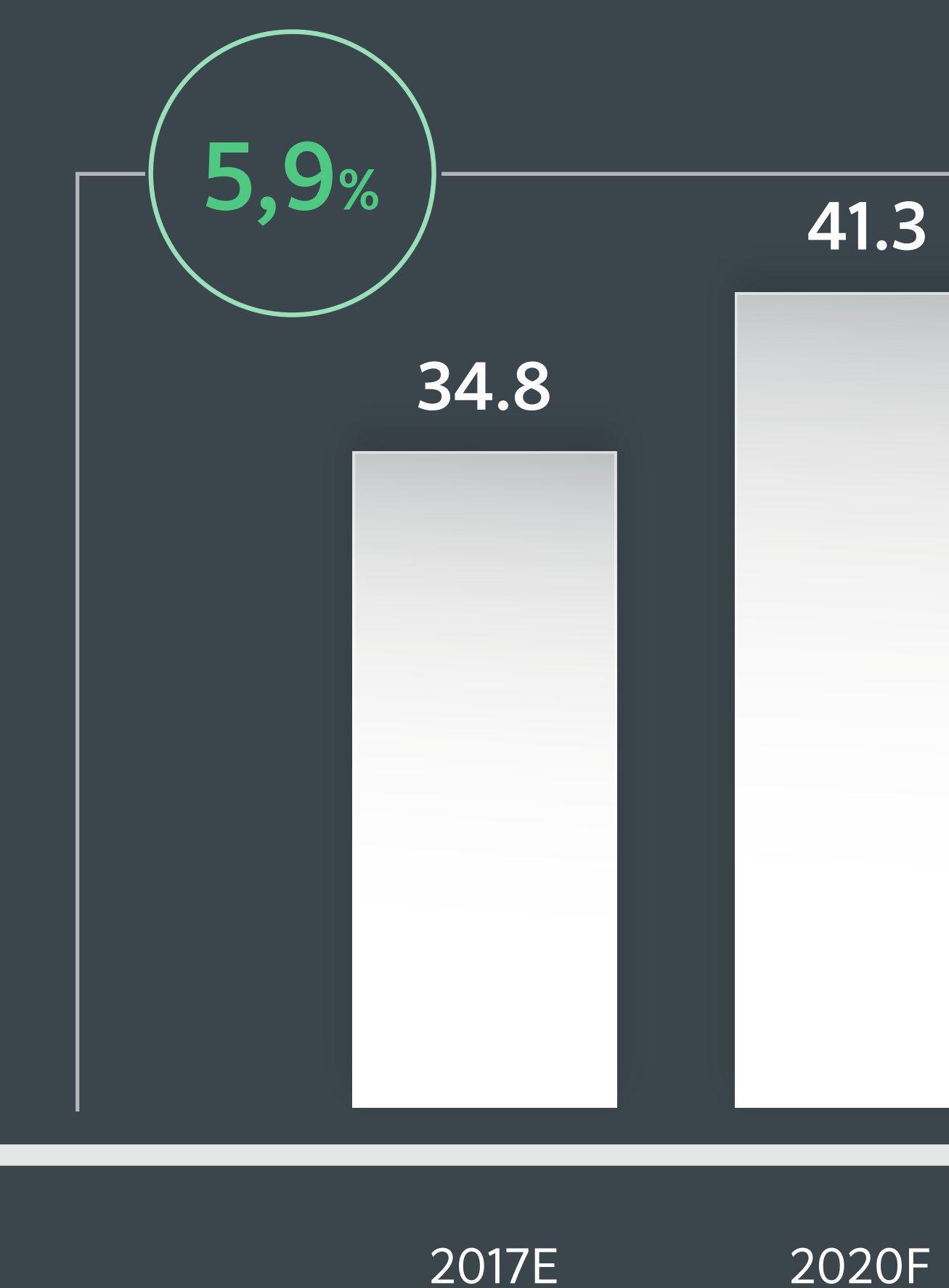


Retail lending –
main driver

Retail lending,
RUB trln



Corporate lending,
RUB trln



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“If you do something and it turns out pretty good, then you should go do something else wonderful, not dwell on it for too long. Just figure out what’s next.”

Steve Jobs

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Reaching **a new level to compete with**
tech-driven companies, while remaining
the best Bank for our clients



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Scale of business, profitability, efficiency

×

Flexibility, speed and client focus

×

New technology and new skills of people

Key Priorities

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1 Best client
experience
& ecosystem

2 Tech
leadership

3 People with new
skills in effective
teams

Key Priorities

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Profitability

~20%
ROE

~1 RUB TRLN
Net profit

Dividends

UP TO
~50%

Efficiency

~30%
Cost to income

Risks we face

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Macroeconomics



Clients



Platform



Ecosystem



People

Our team has a proven track record

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CONCLUSIONS

Let us tell you how we will deliver



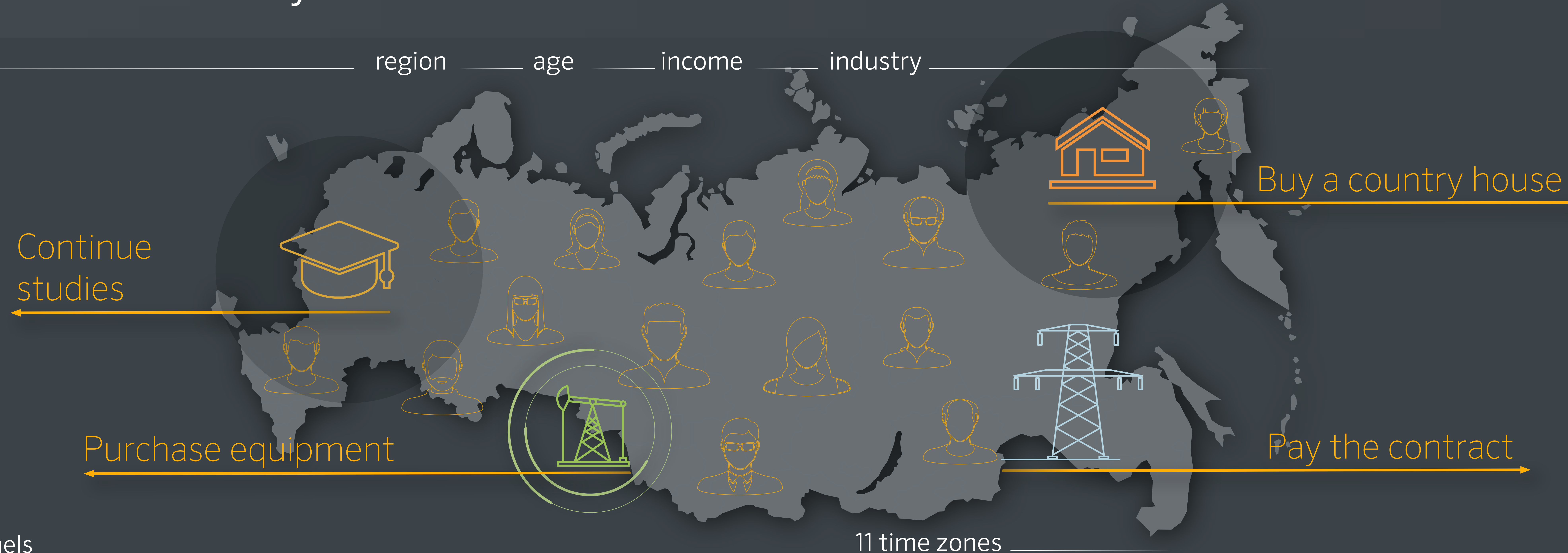
MAXIM POLETAEV

1st Deputy CEO

Scale and variety of our client base – key drivers of the business

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Serving clients across the whole country



What does it take to create the best customer experience?

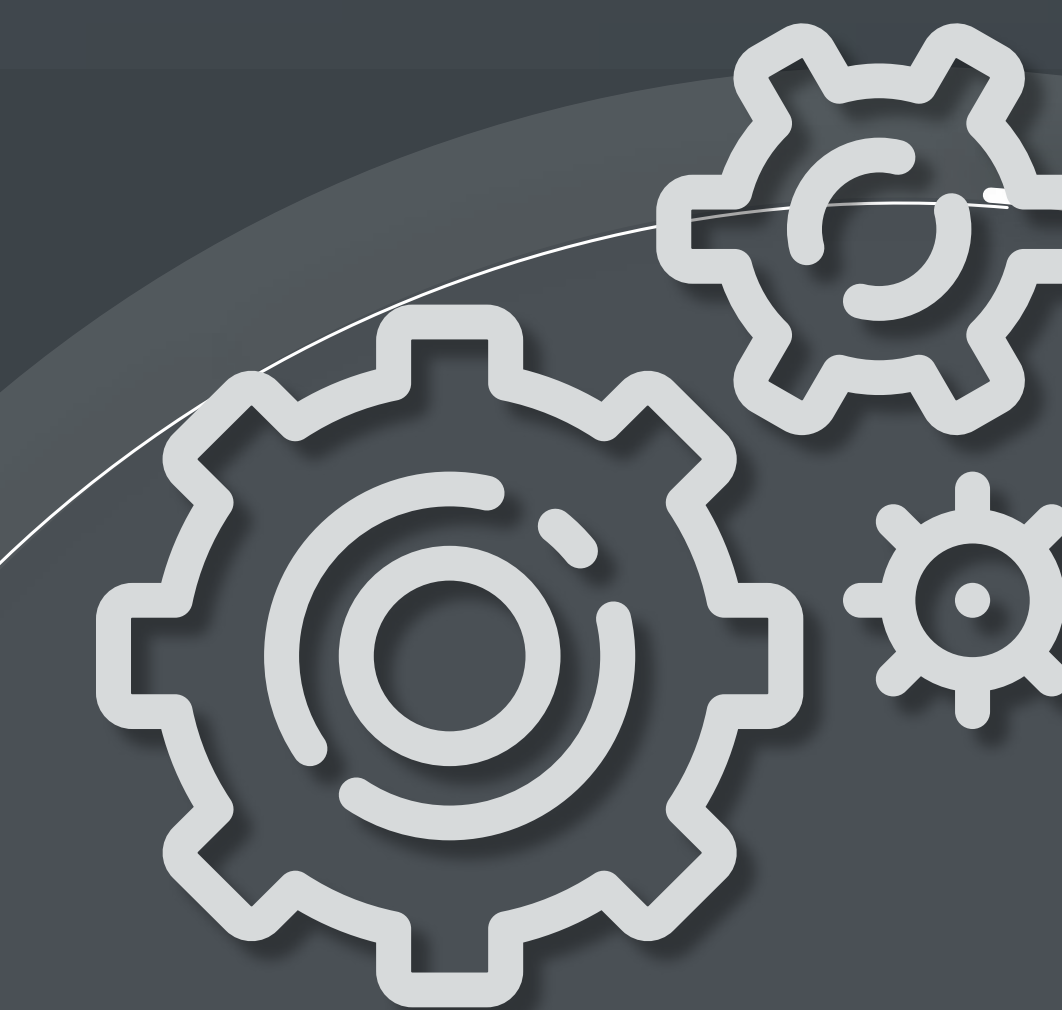
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Client

Mass Personalization

- > Enhance customer knowledge, including behavioral patterns and preferences



Product

Customer Journey

- > Improvement of core financial products with modern technology
- > Switch from standalone products to clients' life scenarios and journeys



Execution

Intelligent Management System

- > Management of customer contact point
- > Deviation management
- > Instant feedback
- > Continuous improvement

Exponential data growth allows to expand client offer opportunities

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Amount of personal data

5

...from segments

retail segments
key criteria age and income

corporate segments
key criteria revenue and industry

Shift

...to mass personalization

Individual offers
based on
Big Data

62.5k terabyte

500k terabyte

16M terabyte

Understanding

> Sociotype

> Habits

> Hobbies

> Social surroundings

Today
~500
mb
created
by user daily

2007

2017

2020

2025

A systematic approach to data analysis yields maximum impact

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HOW?

WHERE?

Language

Channel

«Client 360»

Offering

Time

WHO?

WHAT?

WHEN?



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We know WHO...

From financial to social profile

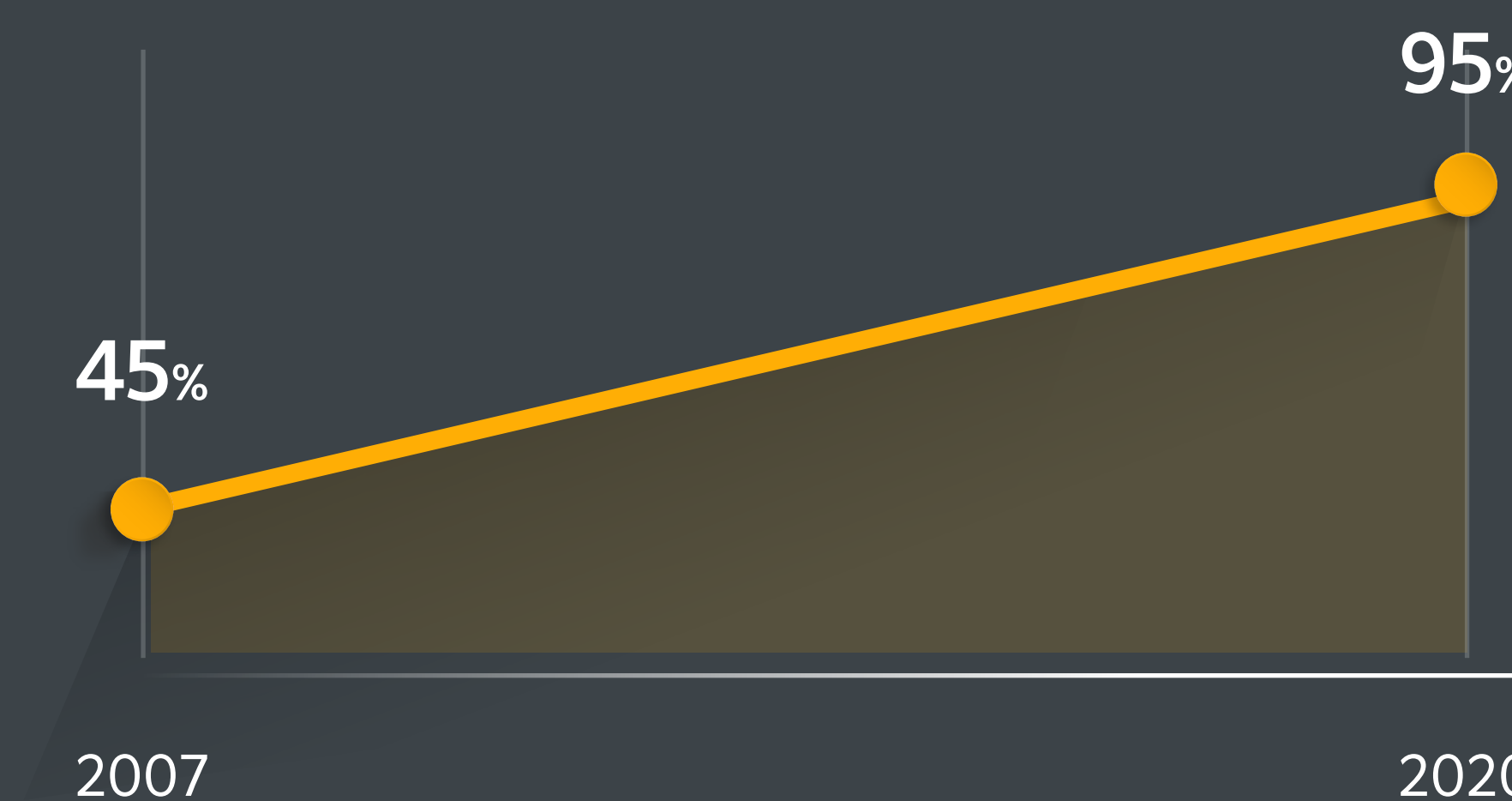


**Internally
accumulated
data**

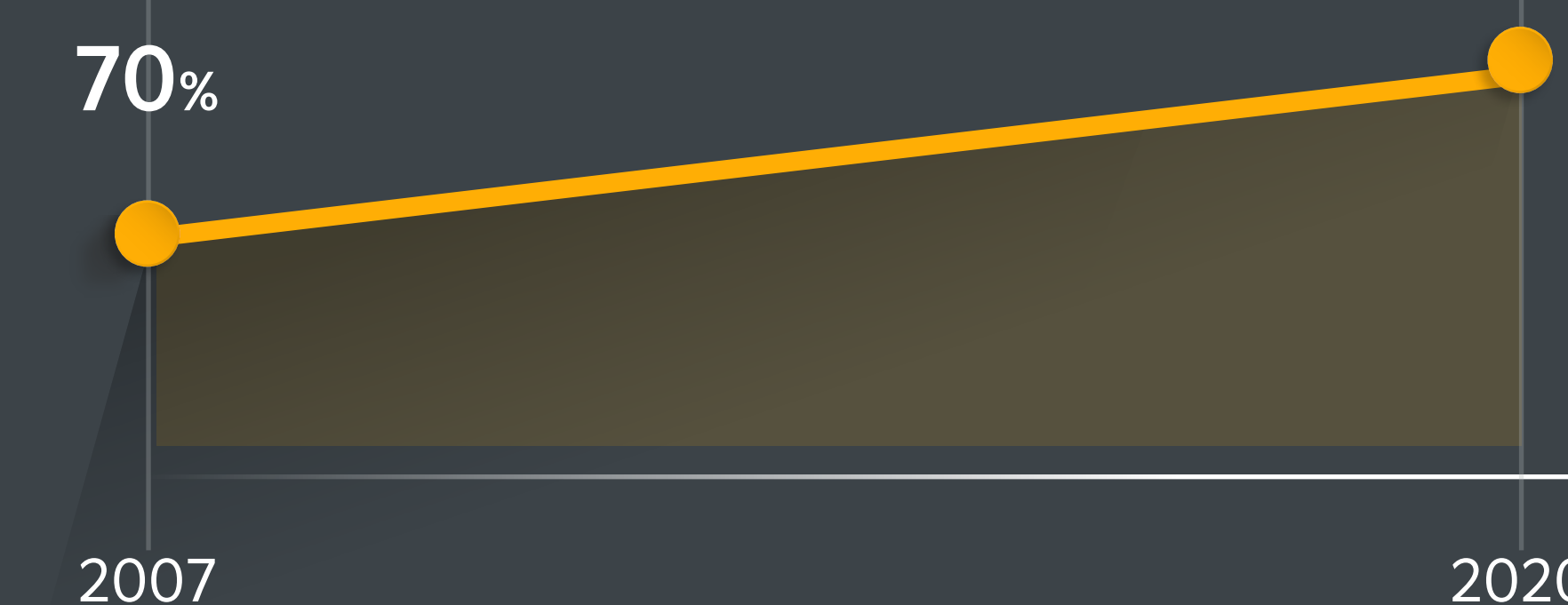
**External
sources**

**Unified
client
profile**

Level of customer knowledge



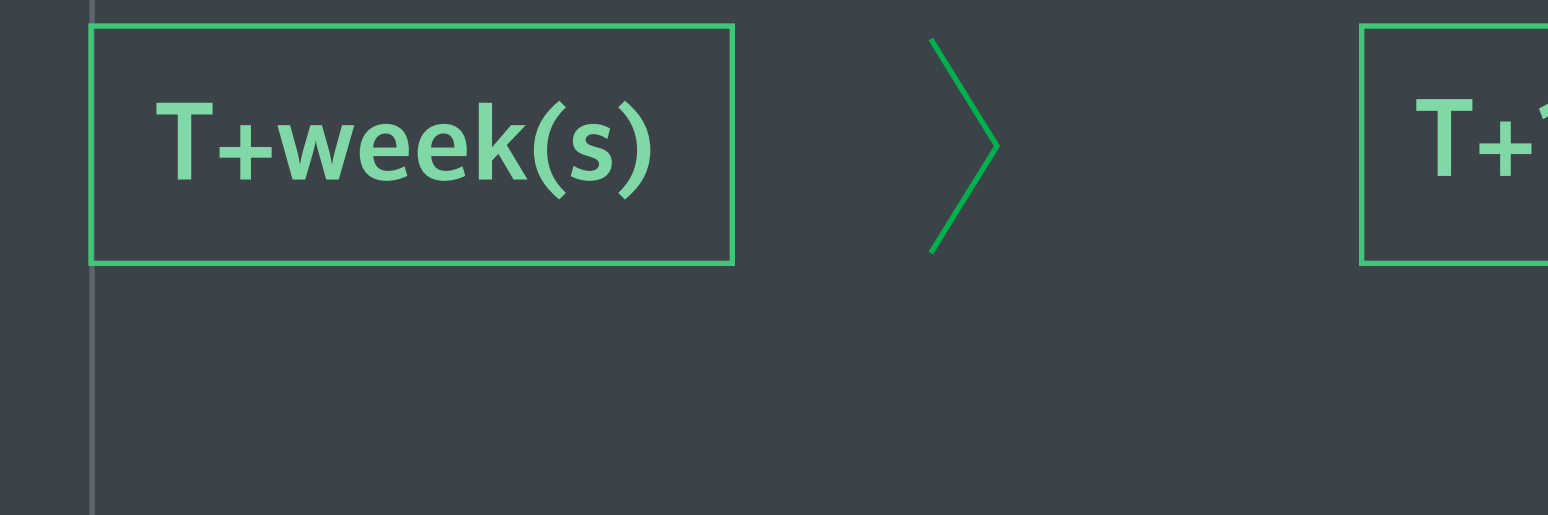
Data quality



Data attributes



Data accessibility



«Client 360»

Offer

Time

Channel

Language



We know WHAT ...

Best Offer

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Geolocation and transaction data –
retail client receives an offer for an
apartment in newly constructed
buildings nearby



Self-employed retail
clients are identified
and approached with
a **business-launch offer**



Individual
pricing

>500m

personal offers
to clients per year

2017

60+

Gini

2020

150

Models

>1,000

Offer

«Client 360»

Time

Channel

Language



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We know WHEN ...

Real-time offers based on triggers



Counter-offers to clients
who applied for loans in
other banks based on data
from credit bureau



Proposal of special
offers upon entrance
of shopping mall

20%

share of real-time
campaigns in 2020



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We know WHERE...

Personal offers in the bank's channels and those of partners



The most convenient
and preferred channel



Social networks
and messengers



Programmatic campaigns
for non-clients of Sberbank
(legally approved)



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We know HOW ...

Taking into account client sociotypes in our communications



Personalized text
communications
in all channels



Choice of best-fit
call center employee
to answer a call

Tailored communications for → 2020

95%

clients

10%

conversion rate increase
thanks to language
personalization



Thanks to mass personalization we significantly improved the quality of our communications

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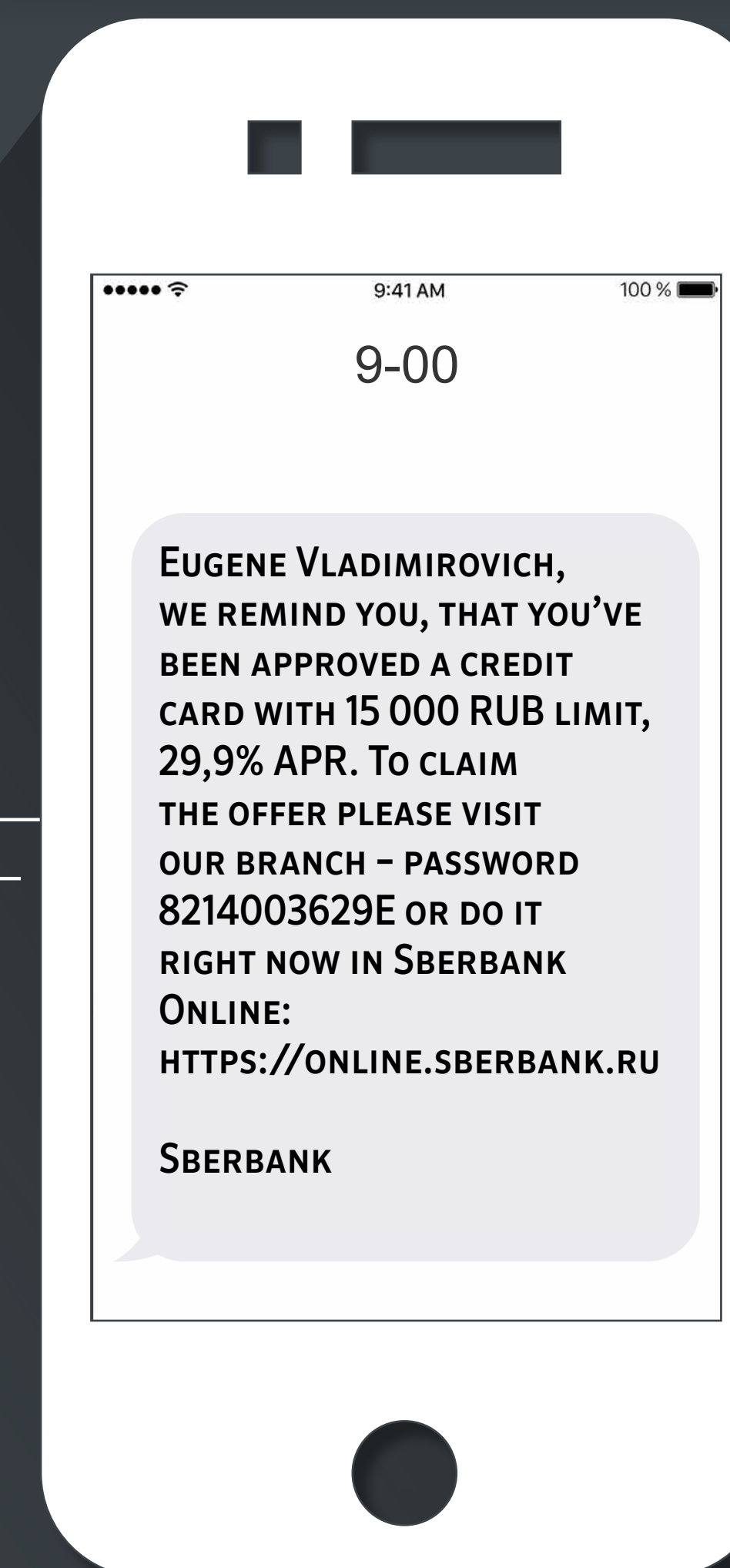
04 DATA ANALYTICS AND RISK-MANAGEMENT

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A real-life example of a personal offer
BEFORE mass personalization...



Problem:

This client is a VIP,
not Mass segment



Client – Eugene V. Nikolaev,
CFO of large Industrial company

Result:

P&L — missed an opportunity to sell the
relevant and required products
NPS — such communication may offend
the client and lead to loss of relationship

... and after



Solution:

Added corporate clients'
and social network data,
found more than 300k
potential VIP clients

What does it take to create the best customer experience?

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Client

Mass personalization

- > Enhance customer knowledge, including behavioral patterns and preferences



Product

Customer journey

- > Improvement of core financial products with modern technology
- > Switch from standalone products to clients' life scenarios and journeys



Execution

Intelligent Management System

- > Management of customer contact point
- > Deviation management
- > Instant feedback
- > Continuous improvement

Modern technologies form client expectations and allow to fulfill their needs

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Technologies

- | | |
|--|--|
|  AI |  Cloud |
|  Cybersecurity |  Biometrics |
|  VR / AR |  IoT |
|  Robotics |  Gamification |

Retail clients

One-window apartment
selection and purchase

Fast & convenient
payments

Long-life PFM

Corporate clients

Easy
business
start

Smart Loans

FX-trading
ecosystem

Client needs housing – not mortgage



One-window apartment selection and purchase

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Yesterday

2 years ago client interacted with 6 various entities



Today

All steps are in one window



2

bn RUB annual income from new services

Tomorrow

growth of the overall market and share of DomClick, new partners' services

12,4%

Russian mortgage market CAGR to 2020

10% > 25%

Share of DomClick in mortgage applications

New Services

- > Renovation
- > Furniture
- > Relocation
- > Utilities

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Retail clients expect
the best customer
experience

Corporate clients
seek ways to grow
their business

Best payments customer experience across all channels

Yesterday

created the Russian
payments infrastructure



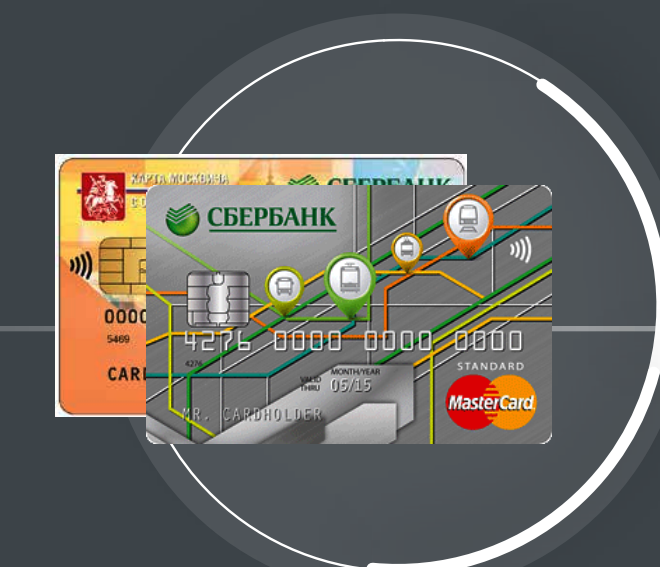
Pay fast & safe



Accept card

Today

broadened functionality,
reached 60% acquiring market share



More than payments —
segment, social, citizen cards



Meet law requirements (54-FZ),
fiscal data



TOP 1* – AndroidPay
TOP 3* – ApplePay



Accept payments on the go —
online, QR, NFC



Fast & convenient payments

Tomorrow

abandon physical infrastructure, reach
60% internet acquiring market share



More features with seamless
biometric access



Assistance in business development

New client experience

- > Biometric cardless payment
in any channel
- > Unified payment UX & UI
for customers and merchants
- > Offline and online
acquiring merge
- > Acquiring as a new customer
acquisition channel

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Transition from a range of standalone wealth management products to a personal financial planning



Life-Long PFM

Today

single products

- ✓ Mandatory pension insurance
- ✓ Individual pension plan
- ✓ Investment products

Tomorrow

Life-Long PFM

savings and insurance products at each stage of a life cycle



Birth → Study → Marriage → Children → ... → Pension

Sberbank Group's products

> Travel insurance

> Property insurance

> Savings for kids' education
> Life insurance

> Pension savings

Aggregator of partners

> Maternity hospitals

> Universities /
colleges

> Wedding parlor

> kindergardens

> Hospitals
> Social services

Traditional
products

Additional
services

Prerequisites



Access to client data &
BIG DATA



Demand for long-
term financial
instruments

x2↑

Share of Long-
term instruments in
investment portfolio

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Yesterday



Long business registration



60+ minutes
To open an account in a branch

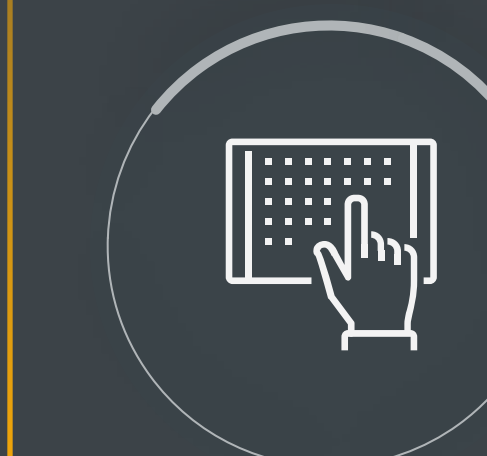


26th RUB
Bank services price per year



Lack of business start solutions

Today



Business registration via
Sberbank Online



5 minutes
Online account opening w/o branch visit



0 RUB
1st Zero-cost customer service
offering for small business



Business solution – free-of-charge
CRM service, accounting outsource

Tomorrow

2017

2020

22% > 50%

share in newly registered businesses

4,7 products per client

Stable cross-sale and expanding client base

26th > 55th

New accounts opening growth per month following Easy Start launch

Get money fast to start your own business...



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Yesterday



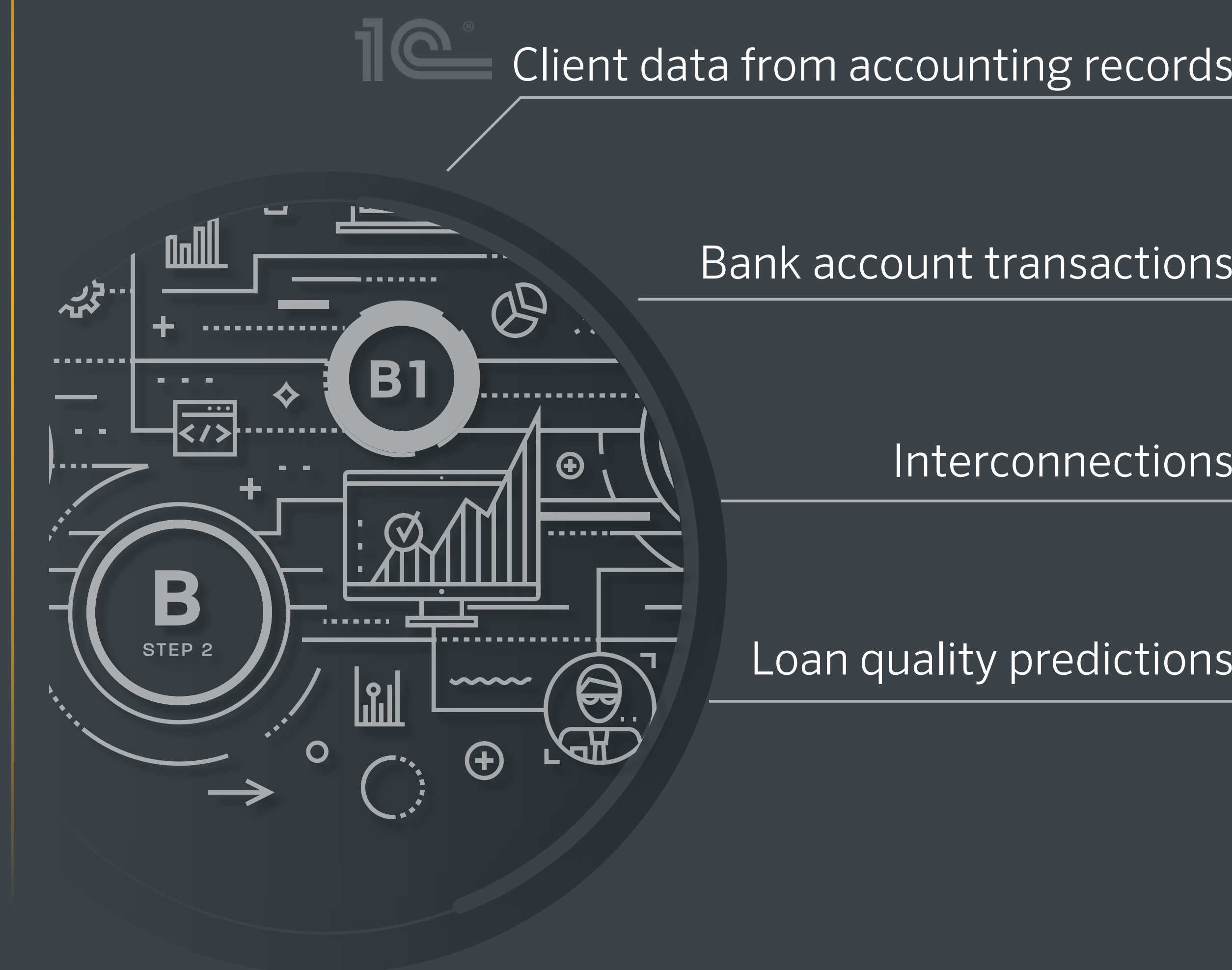
7-page loan application
client had to fill on his own



12 days
time-to-approval
on consumer loan

Today

WE IMPLEMENTED PREDICTIVE CUSTOMER
ANALYTICS AND CASH-FLOW MODELLING



...AND SIMPLIFIED ACCESS
TO FUNDING

PREAPPROVED LOANS



0,2% NPL 90+
for issued SMART-loans
(High portfolio quality)

Tomorrow

2017

2020

20% > **100%**
Clients received SMART-loan offers

>50%
SMART loans issued for small businesses

0 application fields
in a loan application form

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From traditional FX trading to a single FX trading ecosystem



FX-trading ecosystem

Yesterday



Classic trading approach
without algorithms



All FX-trading transactions
through the exchange

Today



Algorithmic trading and big data analytics development
in order to scale the business and reduce risks and costs



Tomorrow

2017

2020

50% > 90%

share of FX deals hedged with algorithms

0% > 40% > 60%

share of internal trading transactions

2016

2017

2020

What does it take to create the best customer experience?

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Client

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Product

Customer journey

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Execution

Intelligent Management System

- > Management of customer contact point
- > Deviation management
- > Instant feedback
- > Continuous improvement

Different managers make different choices

How Intelligent Management System works

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Before Intelligent Management System...

Head of Retail HQ



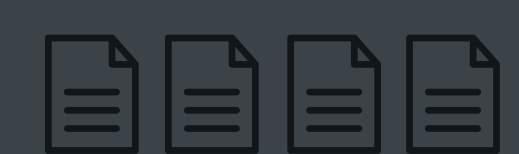
Head of Channel HQ



Head of Channel Regional



Head of Channel Sub- Regional



Head of branch cluster



Branch staff

Many management levels

Many various tasks on every management level

Different managers have varying competencies and make different choices

Distortion on each level

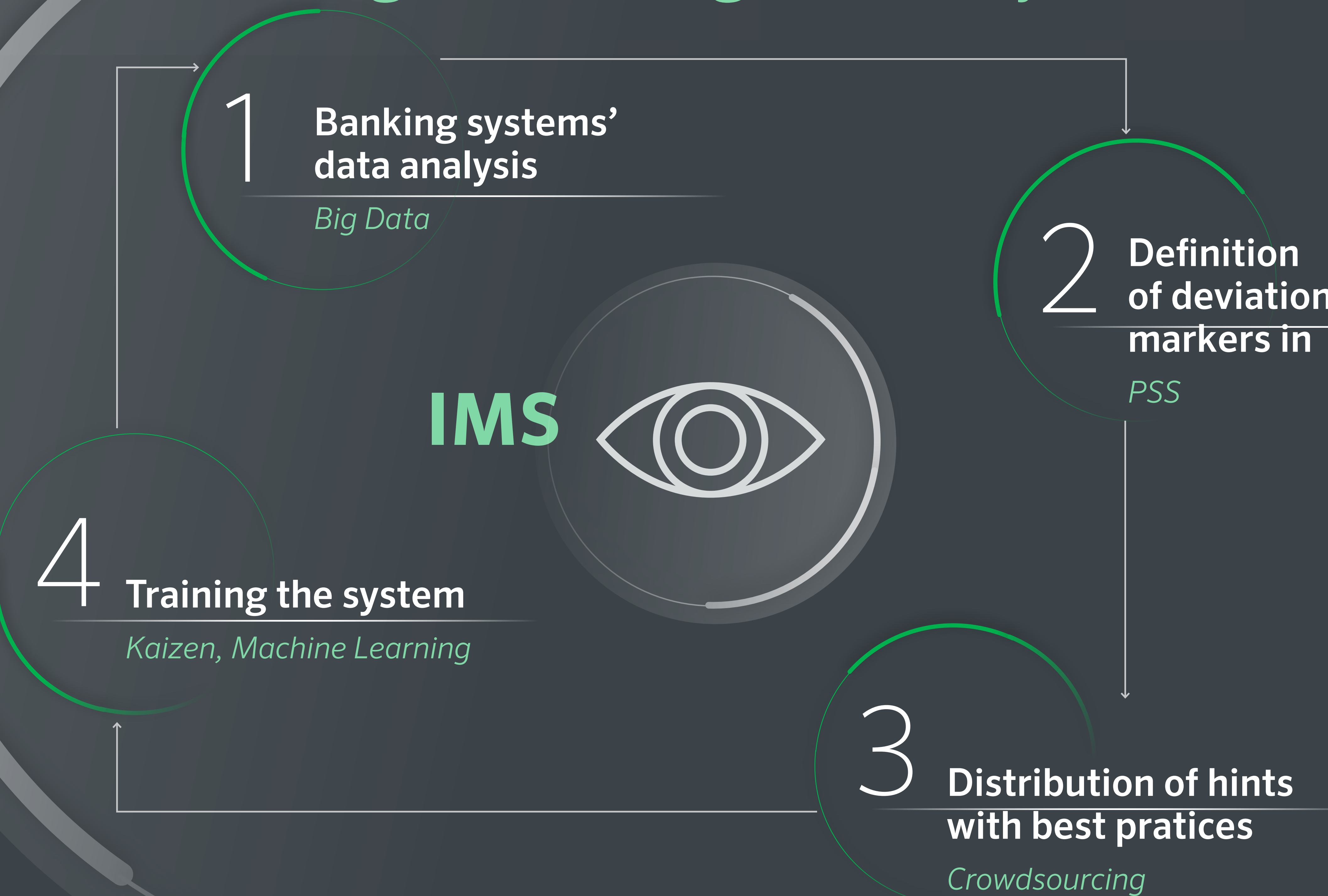
...and after

Uniform system that analyses performance of each staff member

Uniform approach to deviation management and result achievement

Uniform hints and best practices

Objectives are deployed to every employee **directly**



How Intelligent Management System works

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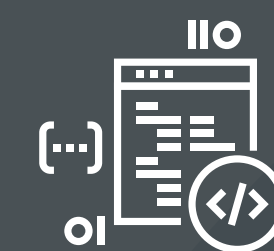
04 DATA ANALYTICS AND
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30+



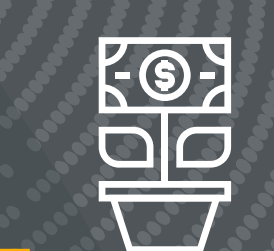
Banking systems*

300+



Processes

200+



Products

>10 million

Tasks per year

IMS



250+

Types of deviations

2000+

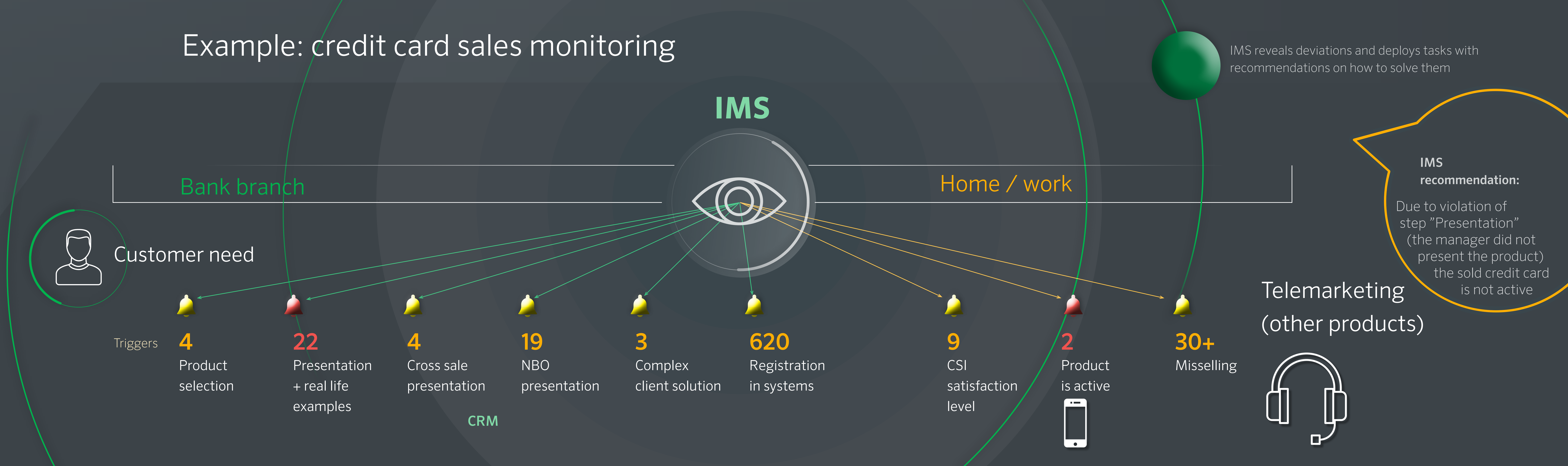
Managers

100 000+

Front-office employees

* Product systems, CRM, Queue management, SAP HR

Example: credit card sales monitoring



2,5 years through, IMS results are spectacular, the next step is to scale

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Today IMS results in Retail Business



Tomorrow Development plans

Scale IMS onto digital channels, create a similar sales funnel management system in digital

Include all Sberbank management levels (escalation of deviations from salesforce to head of business in HQ)

Launch of IMS in Agile

Application of analytics to predicts future deviations

... and scale IMS onto Sberbank non-business units and ecosystem

Retail	SME
Corporate	CIB

What does it take to create the best customer experience?

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Performance metrics

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Digital

Share of digital sales

Retail	45%
Corporate	75%
	2020

DAU/MAU

Retail	50%
Corporate	80%
	2020

Customer satisfaction

Retail NPS	70% +
Corporate CSI	80% +
	2020



LEV KHASIS

1st Deputy CEO

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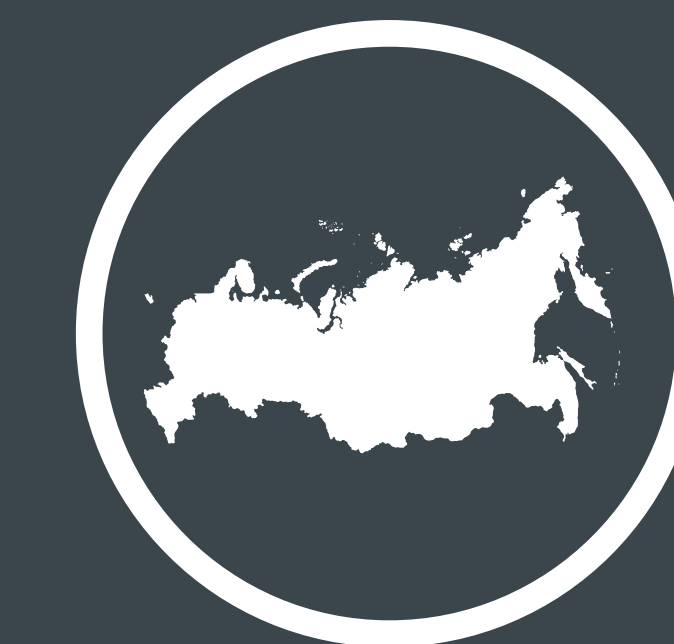
06 FINANCIAL
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Why we are creating an Ecosystem?



Global landscape
changed



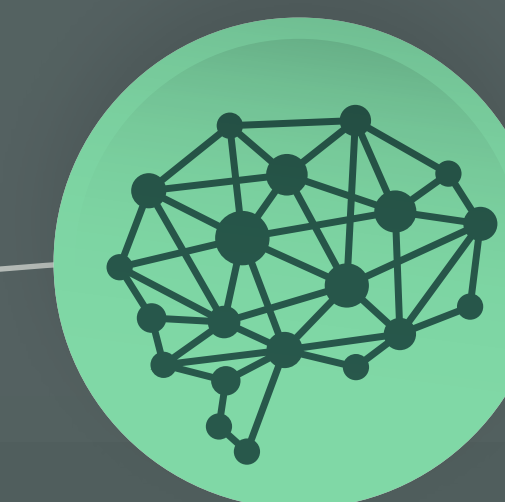
Russia has a window
of opportunity



Sberbank
is well positioned



Data



AI

VALUE

Customer



Service

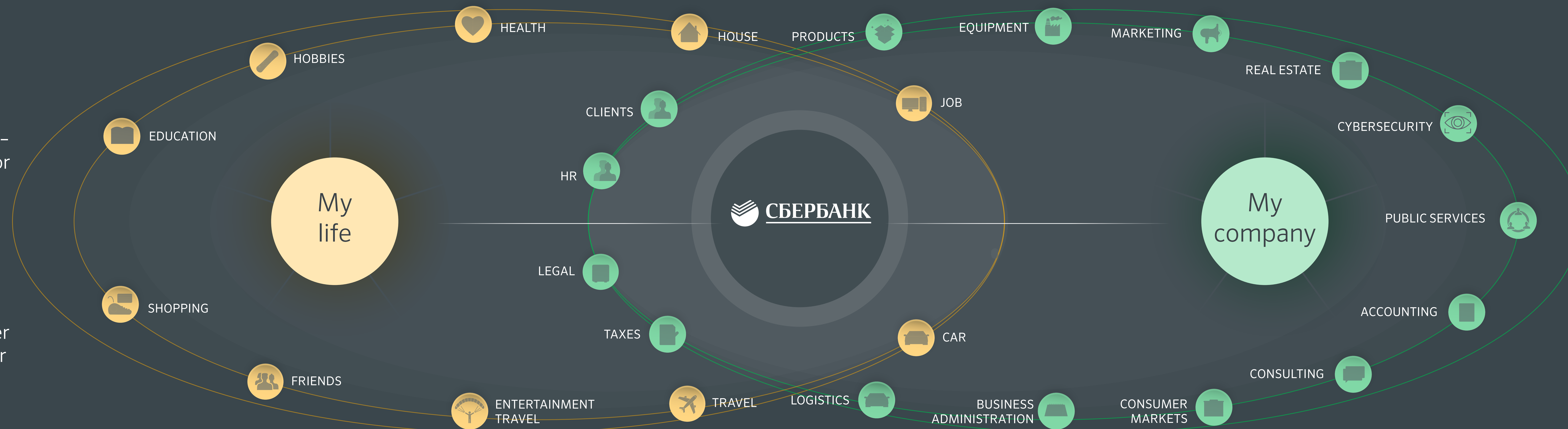


Sberbank Ecosystem – matching the needs and demands of our clients

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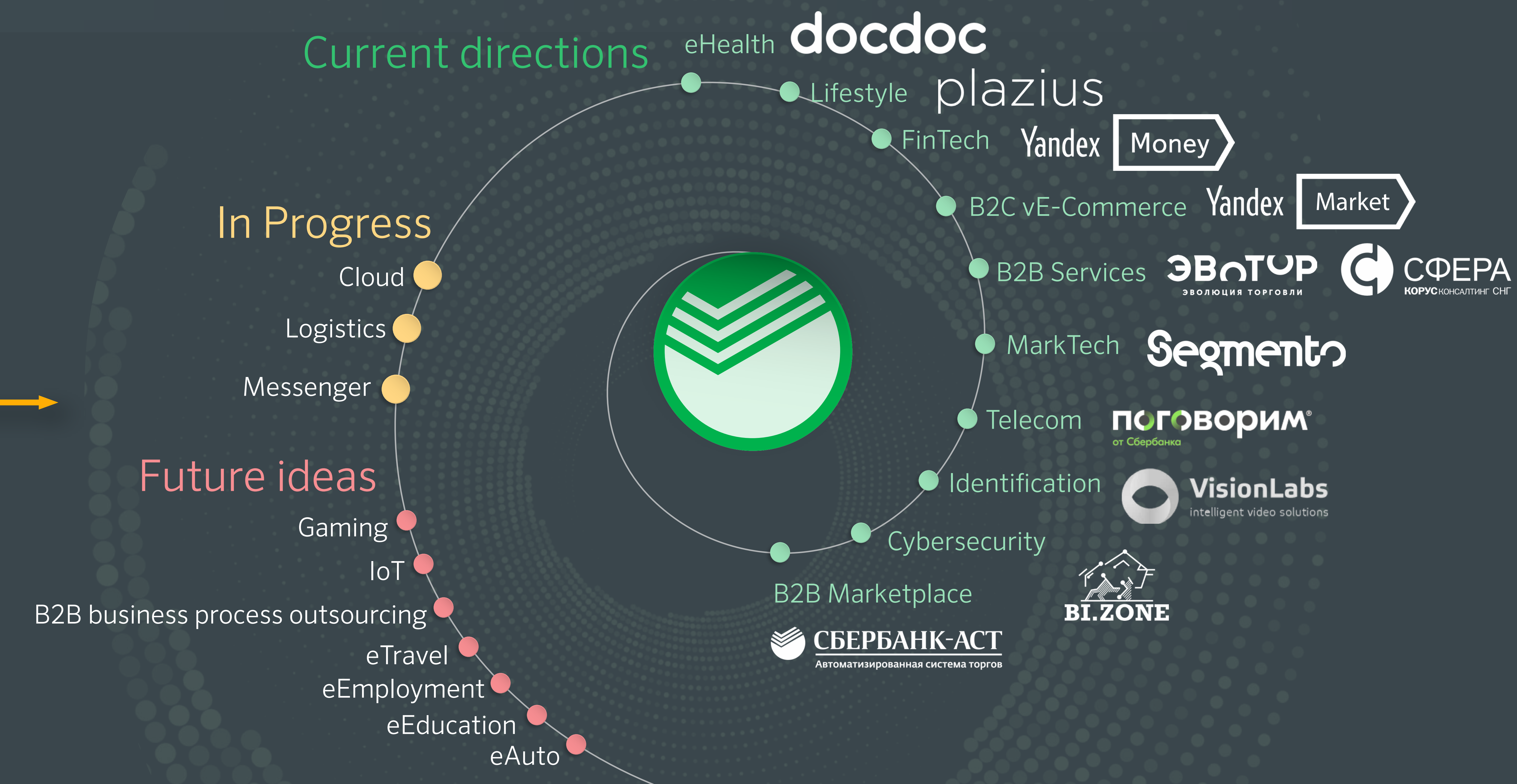
Business Ecosystem –
interaction system for

> companies,
 > regulators
 > consumers,
 which comprise both
 competition and
 cooperation to deliver
 particular services for
 clients



Focus on growing digital systems

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Criteria for Ecosystem – investments

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Orchestrate economic activity

Growing industries with high potential

Long-term ROE accretive

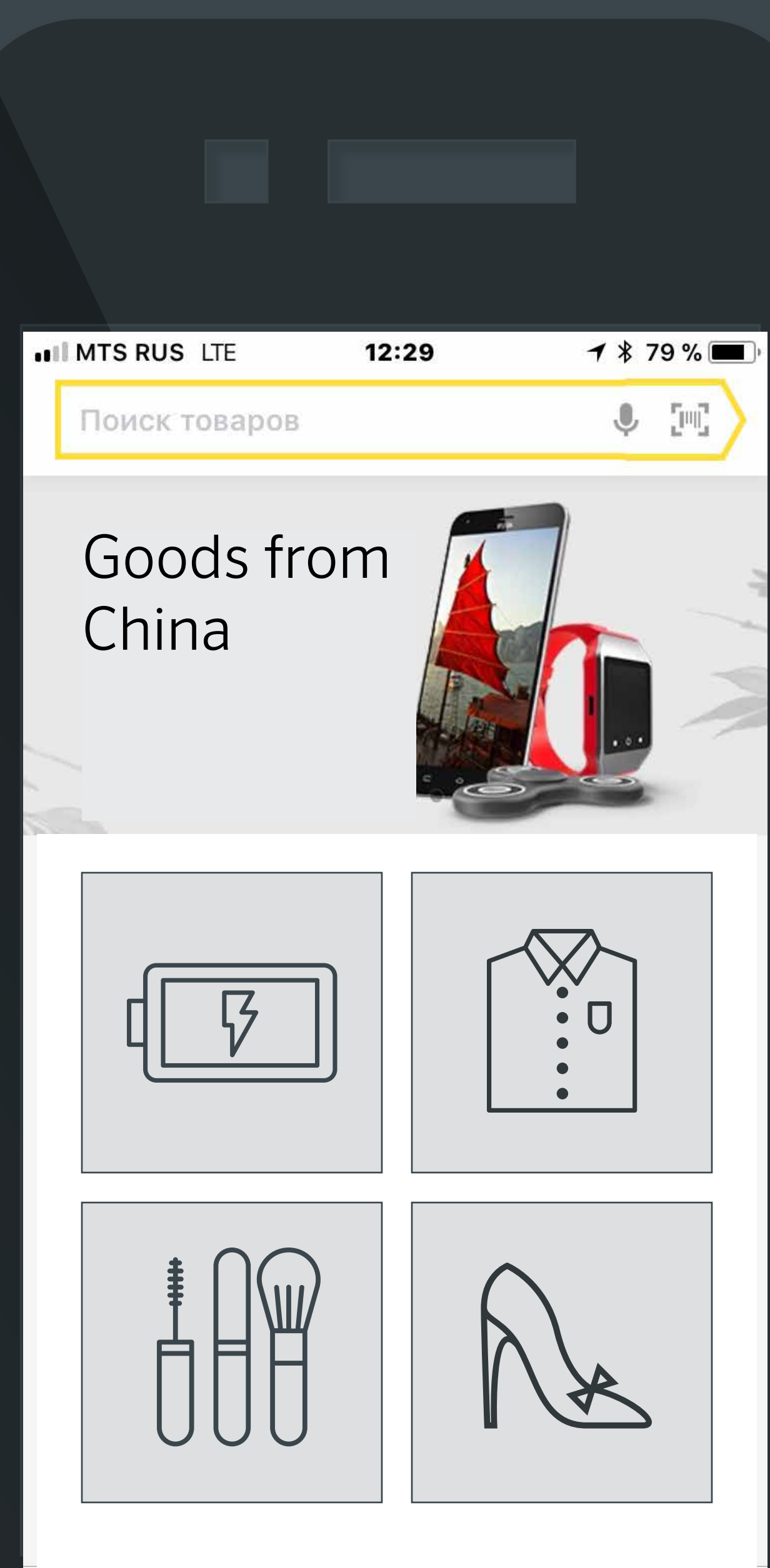
$$\begin{array}{ccc} 3 & \times & 4 \\ \text{TOP player} & & \text{Industries} \end{array} \times \begin{array}{c} 5 \\ \text{Year horizon} \end{array}$$

Focused investments: 8-10 industries

Synergies with Sberbank

IPO (unicorn) potential within 5 years

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2017

GMV 150 bln RUB

DAU 3 mln customers

Mainly CPC model

25.000 E-Commerce Stores

How we achieve targets

Superior content
CPC
O2O

1P/3P E-Commerce

X-Border E-Commerce

Partnership with Global and Local E-Commerce players

Target

In 3-4 years:

500+
bln RUB
GMV



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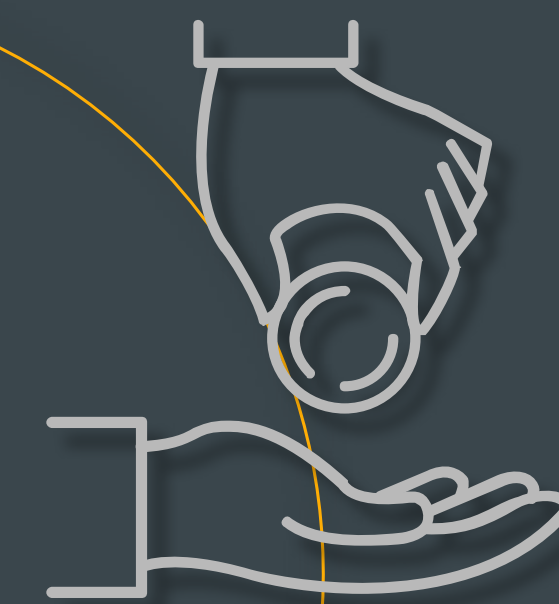
03 ECOSYSTEM AND TECHNOLOGY

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PayPal
Wallet


Value proposition

The easiest and the most attractive digital wallet

stripe
B2B
E-Checkout


The easiest entry point to the E-Commerce market

Targets



2017

2020

To be #1 Fintech company

Number of active wallets

1.5_M

6.7_M

Transaction volume, RUB

180_{bn}

370_{bn}

Revenue, RUB

3.8_{bn}

9.3_{bn}

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SBERBANK STRATEGY
2020

Face recognition
engine with
Biometric data
management
system



Top-3 in the world by
recognition accuracy

99.17% Face recognition accuracy



World leader
in computer vision

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Cybersecurity



Value proposition

- ✓ Fraud monitoring (FMaaS)
- ✓ Cyber risks insurance
- ✓ Cybersecurity portal
- ✓ Attacks simulator, diagnostics
- ✓ Consulting

№1 Marketplace
in cybersecurity
in Russia



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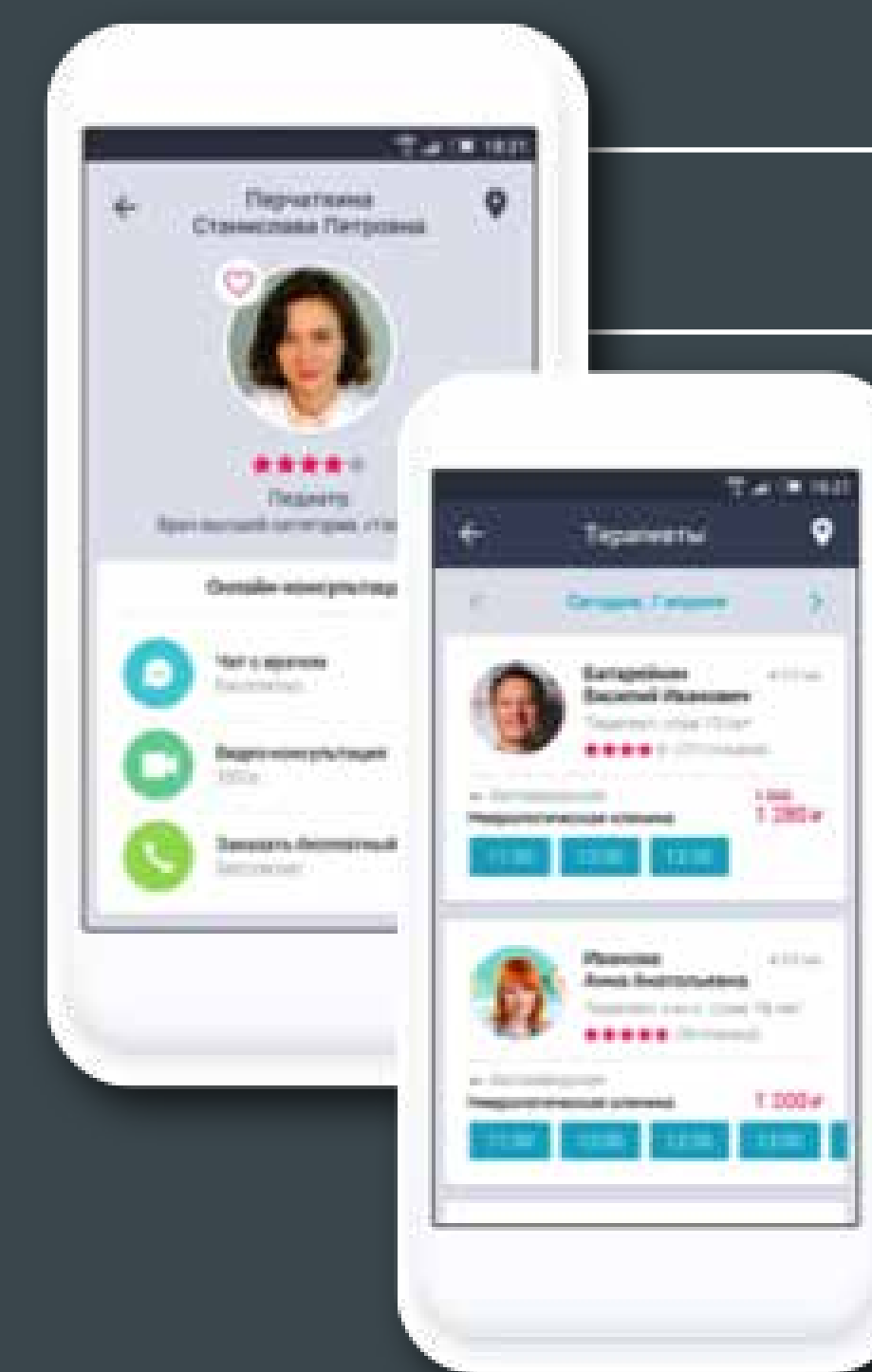
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eHealth

docdoc

babylon



2017

15 cities in Russia

2000+ clinics

3500+ doctors

No 1
health care marketplace
in Russia

Share of commercial market:

70% in Moscow

40% in Saint-Petersburg

460 k clients serviced

Clinics

Telemedicine

Diagnostic center

Labs

Drugstores

Medical concierge

Gadgets

Appointment

Appoitment
with HI

Telemedicine

Check-ups

Marketplace

Health
insurance

Record

Second
opinion

Recommendations

Tourism

Account

Wearables

Client

Other financial institutions

Retail

Corporate

Wealth Management

Retail market

Corporate market

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Value proposition



- ✓ The most functional checkout terminals for SME
- ✓ Affordable solutions for large, middle and small companies
- ✓ Best Ecosystem for SME

2017

140 k
 (8% market share)

“Evotor” online checkout terminals sold

450 k
 (26% market share)

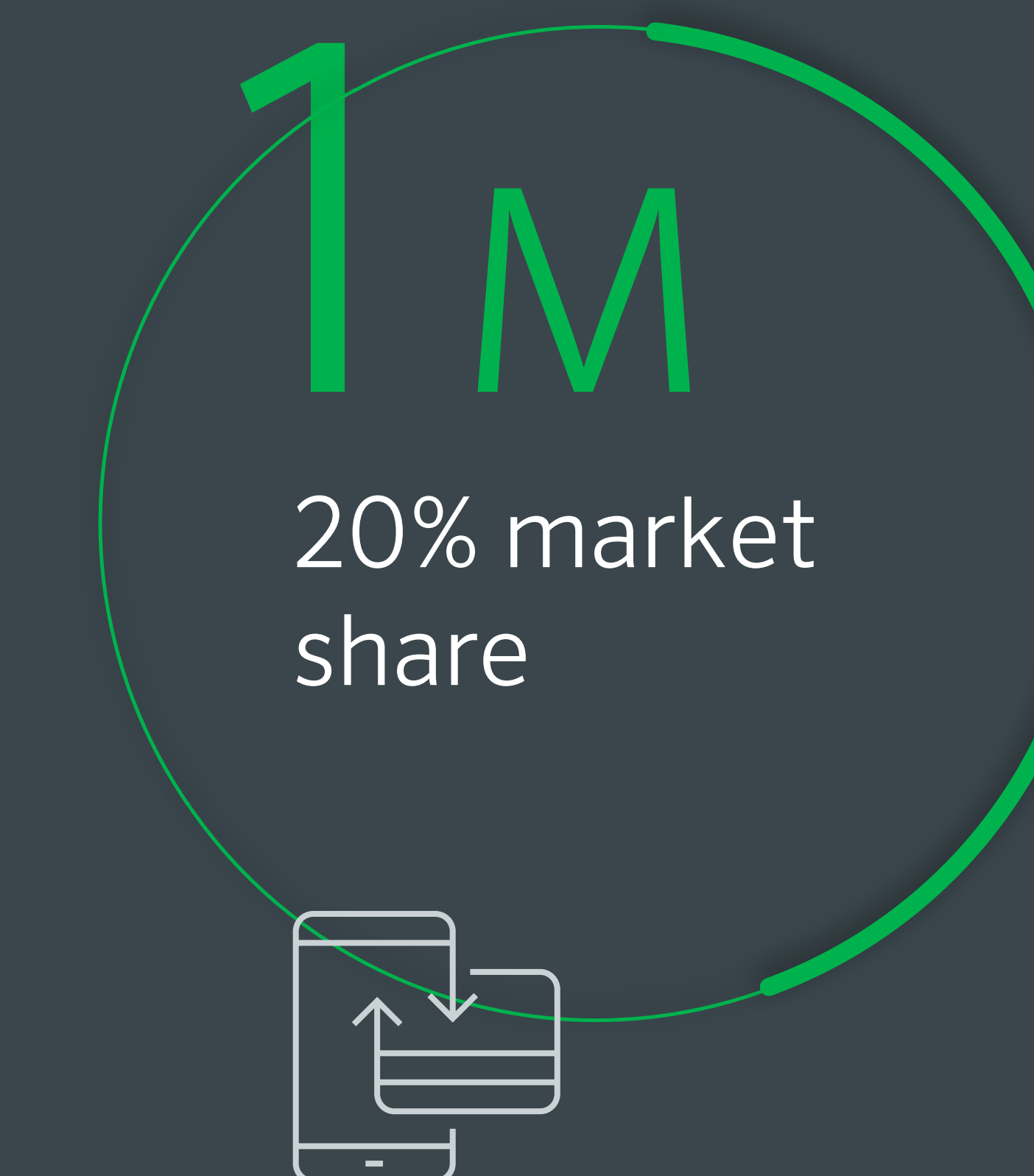
Number of online checkout terminals in the Ecosystem

1.2 k

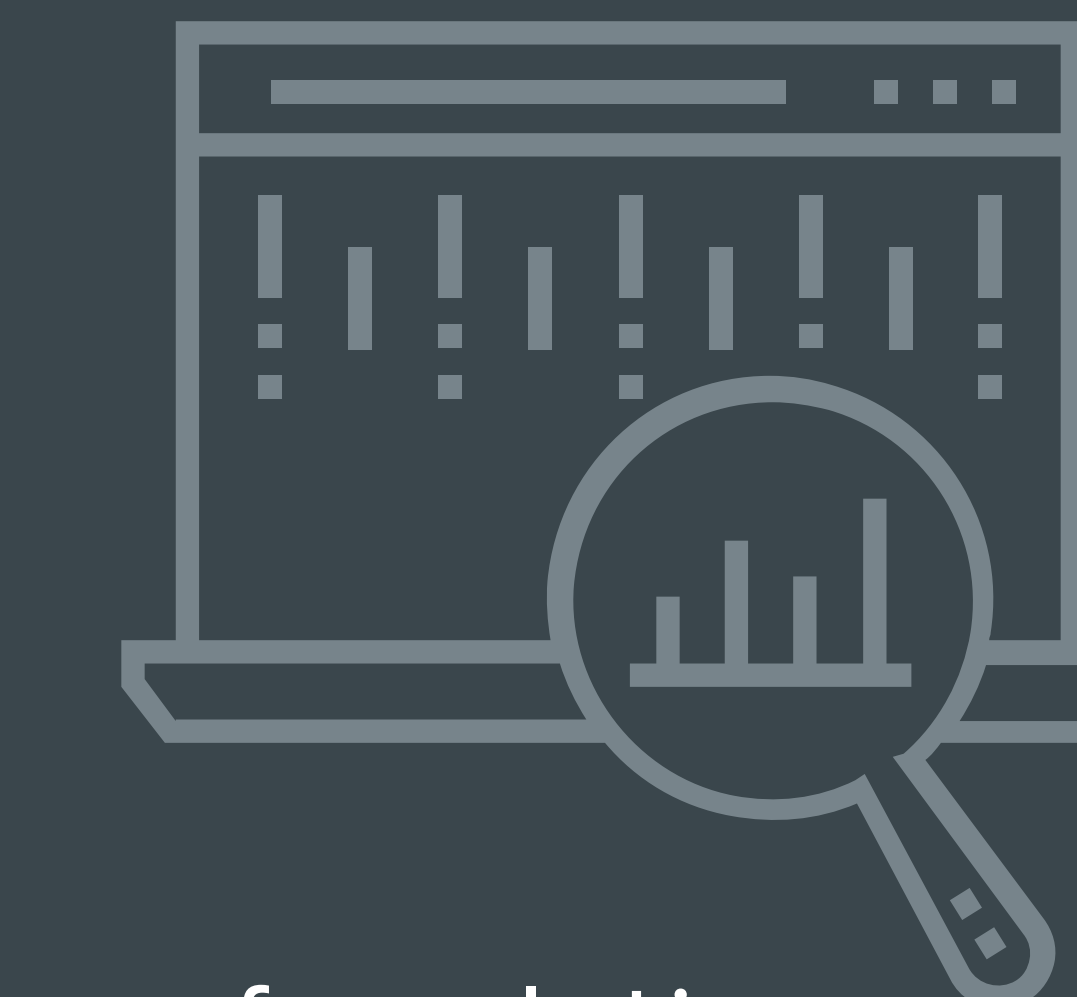
External developers registered

2020

"Evotor" online checkout terminals sold



Full range of analytics products based on Big Data



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Value proposition

“Market leader” in all segments of E-Auctions

Targets

	2017	2020
National leader in e-Auctions		
Number of auctions	850 _k	1,200 _k
Turnover, USD	32 _{bn}	60 _{bn}

Value proposition



MVNO



Messaging platform



Voice of Internet



M2M

Priorities

- ✓ Commercial usage of MVNO
- ✓ Cost-cutting — reorganization and optimization of telecommunications
- ✓ Form IOT & M2M center of competence

Targets 2020

National telecom operator



Number of clients

3_m



Revenue, including M2M, RUB

10_{bn}

SberTech (established in 2011)

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>11 k employees

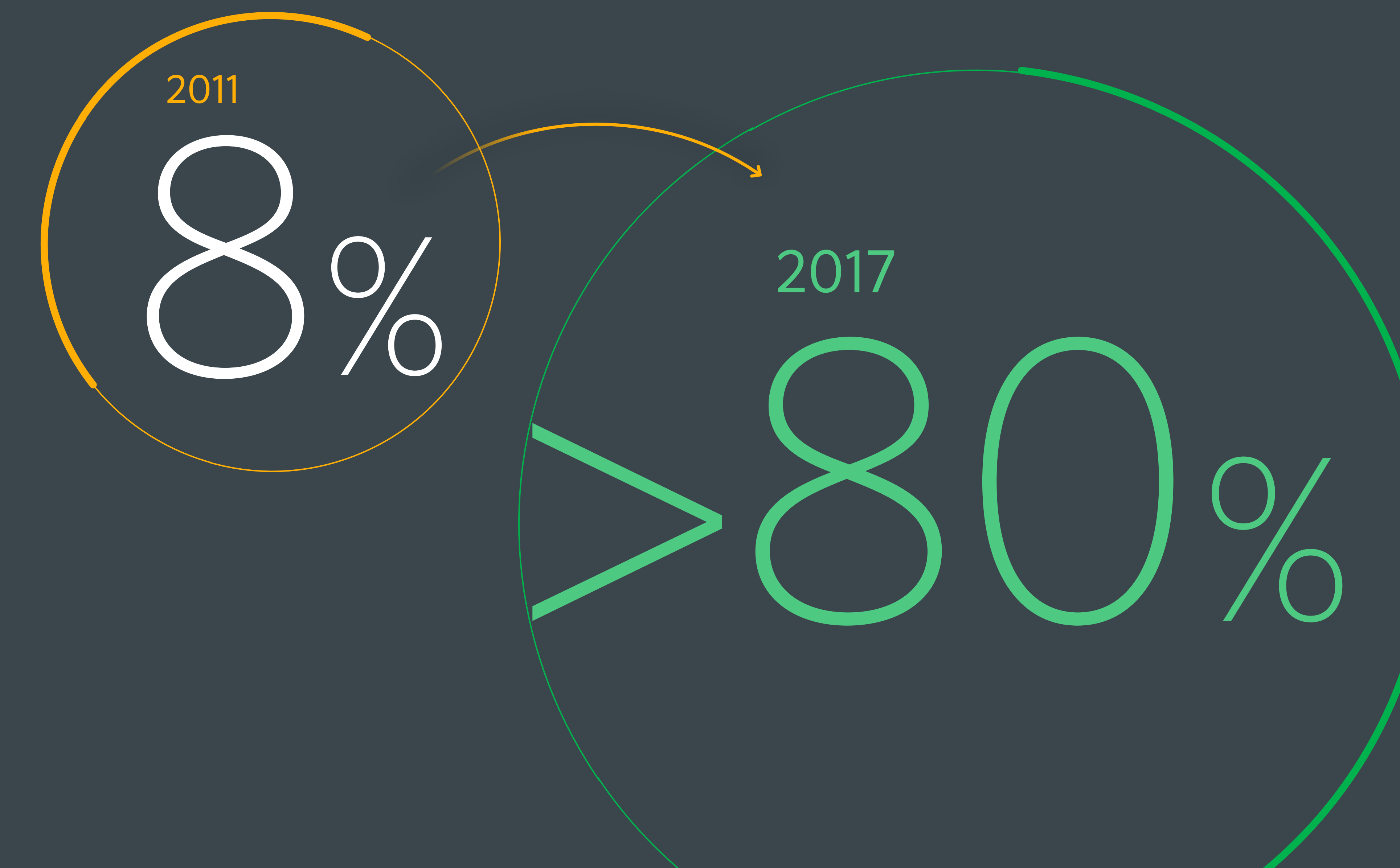
46 Competence centers

>550 Active projects

#1 IT software developer

>17 k Implementations a year

Share of own developments



Automation of a risk management system for financial market

Financial industry
2017 award, integration in the corporate segment

* Journal "Banking view"

Sberbank online

Sberbank digital banking – the best in Russia, Central and Eastern Europe in 2016

* Global Finance 2016 rating

Randstad award

The most attractive IT-employer, Russia, 2017

Centralization 2.0

The world best mega-size project, 2015

* IPMA version

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Sberbank Ecosystem (Sber#) – platforms, unified by rules and shared services

Sberbank Ecosystem



Other Ecosystems

@mail.ru

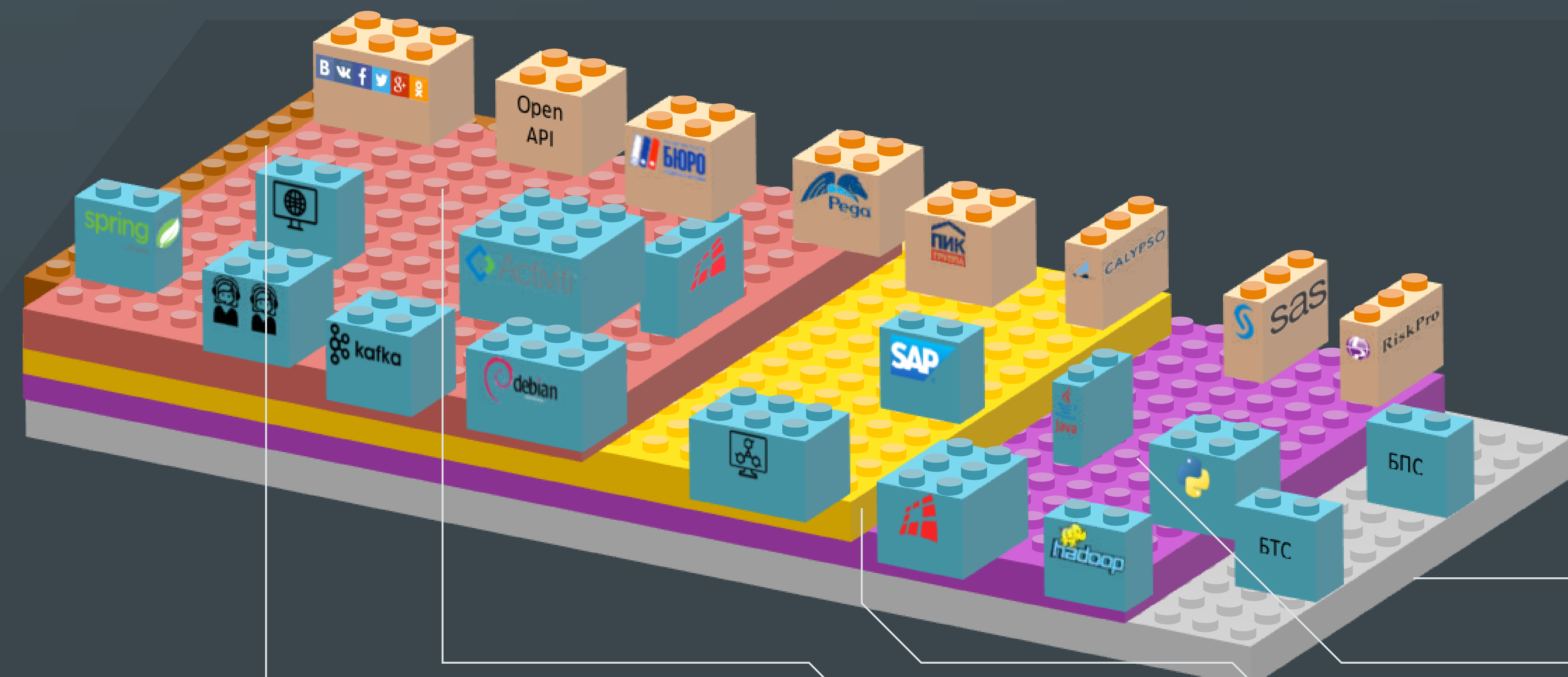
Яндекс

facebook®

Alphabet

Building technological platform, based on newest technological solutions

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● **UFS**

“Single point” of contact with client

● **Business hub**

“Intelligence” – decision making logic and system

● **Product factory**

“Production” – products, transactions, accounting

● **Data factory**

“Experience” – accumulation of customer experience and new knowledge

● **Core**

“Core” applied and technological services – basis of the platform

Key characteristics of the platform...

Technological platform



...real time

...cloud based

...in-memory computing

...artificial intelligence

...deep machine learning

...open APIs

...open source

...cybersecurity

...big data

...low-end

...flexibility

...reliability

01 VISION AND
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02 RETAIL AND
CORPORATE CLIENTS

03 ECOSYSTEM
AND TECHNOLOGY

04 DATA ANALYTICS AND
RISK-MANAGEMENT

05 PEOPLE
DEVELOPMENT

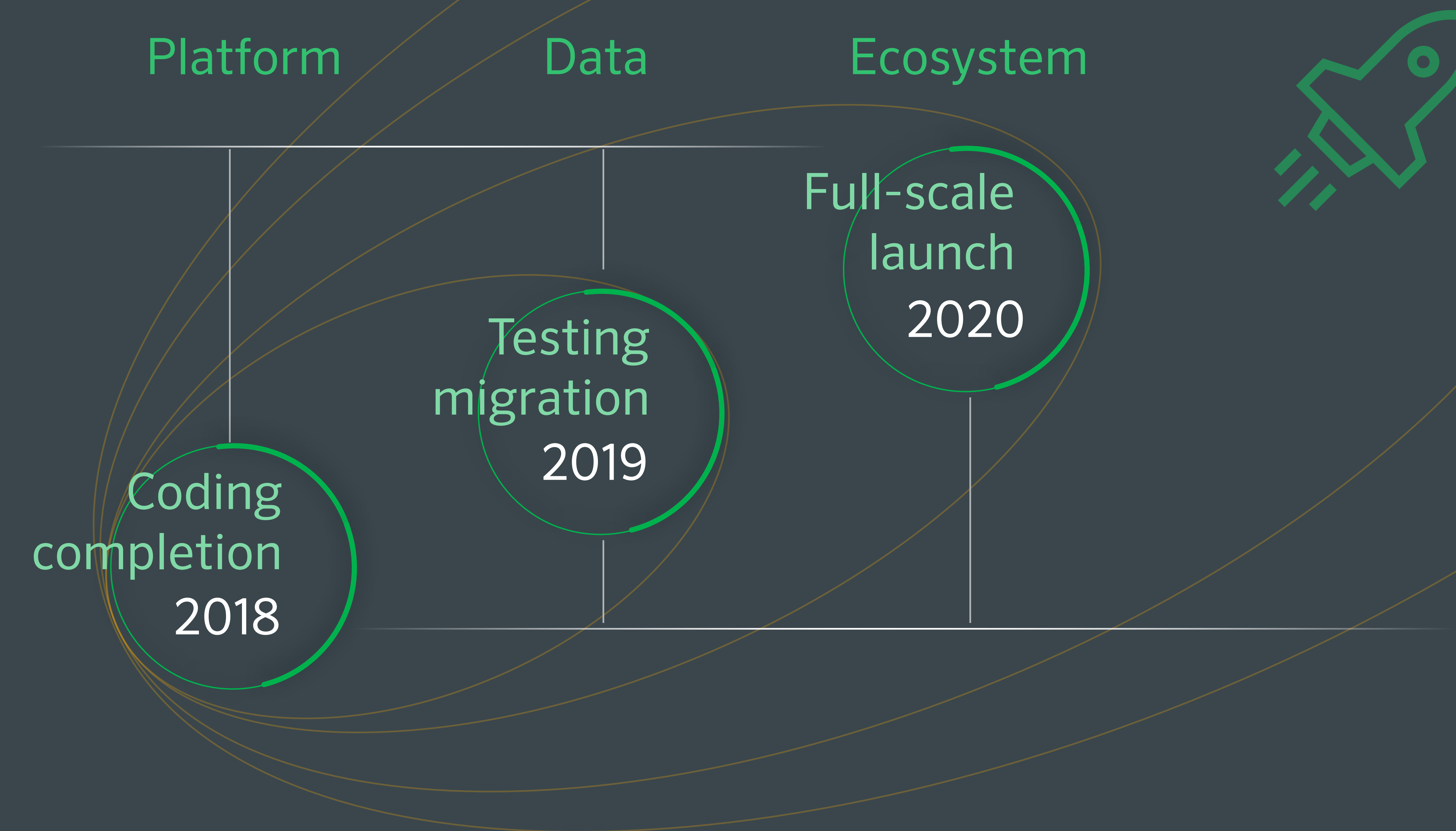
06 FINANCIAL
TARGETS

07 CONCLUSIONS

The platform will become the basis for Ecosystem after migration of banking business in 2019

Architecture

Status of development

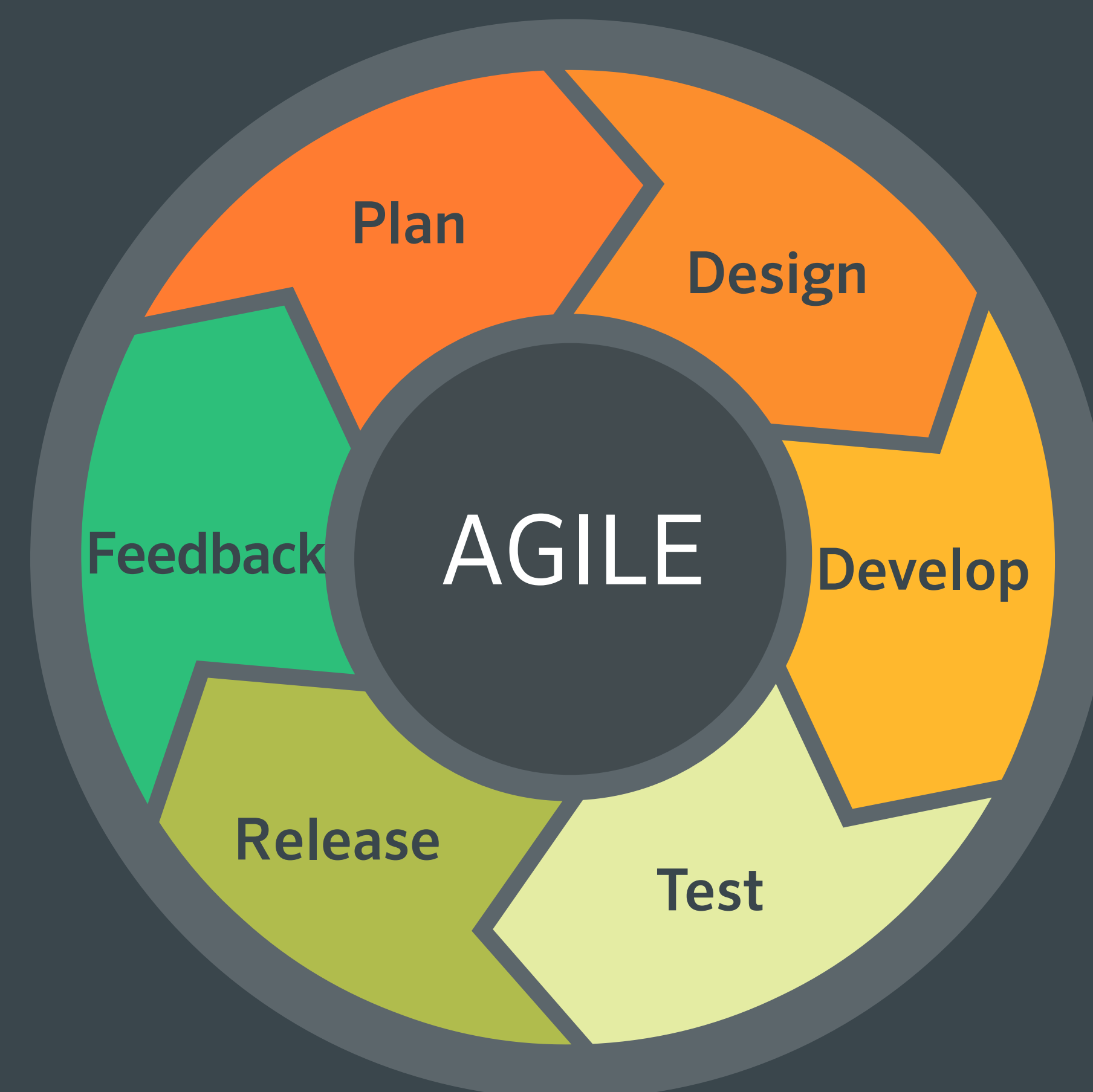


Increasing effectiveness, implementing best Agile & DevOps practices into Bank's workflows





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2017

1300 agile teams

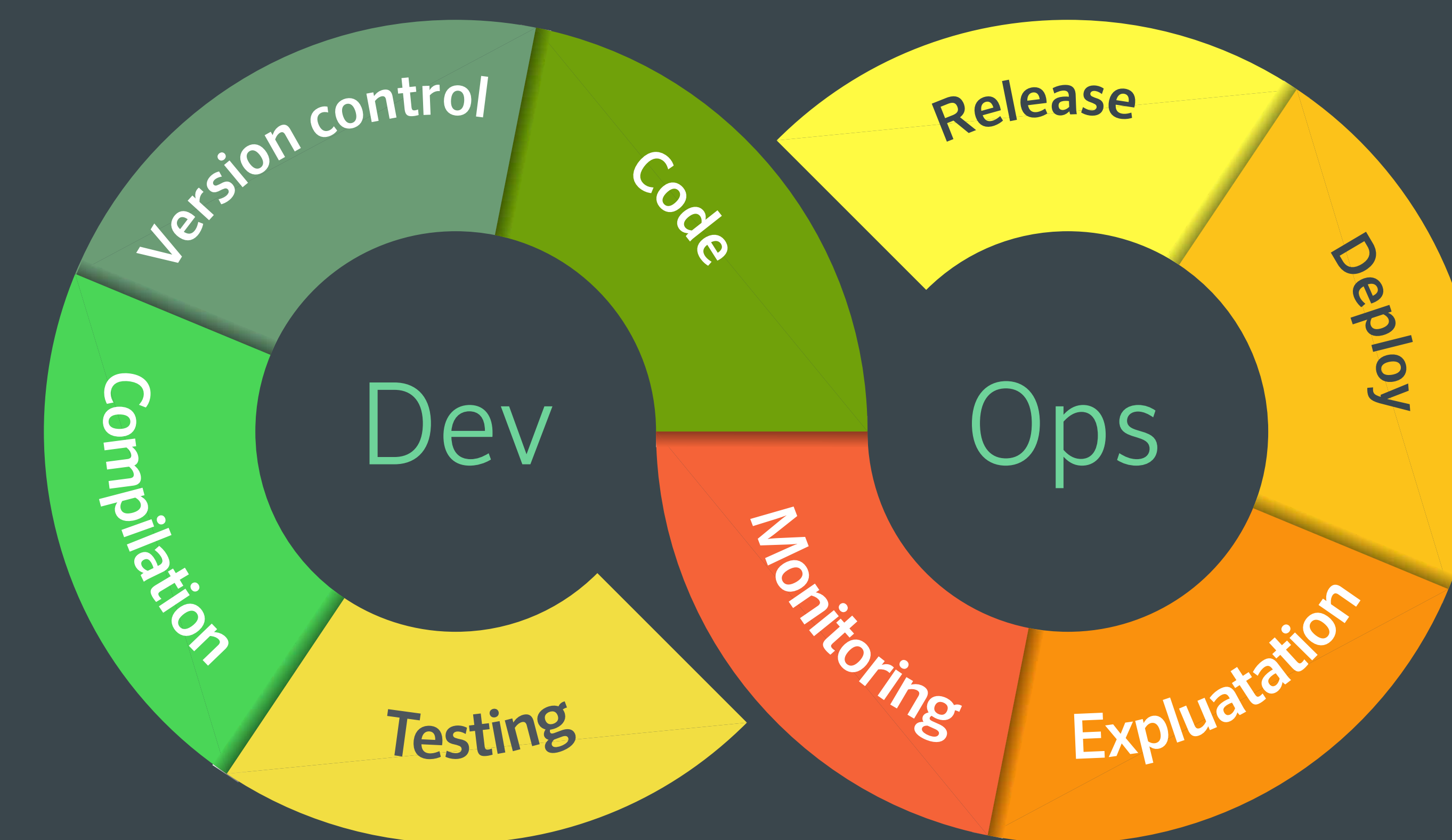


4th position
by downloads in AppStore

1. 
2. 
3. 
4. 

2018

100% DevOps in 80% systems



By 2020

100%

employees developing
products and services
for external and internal
clients work
in Agile

Technological evolution of Sberbank

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Operations

2008

2008-2013

2014-2015

2016-2017

2018-2020

Start of transformation
Back-offices in regions

Centralized back-office created
15 shared service centeres in regions

Centralized middle / back-office created
9 shared service centers

Specialization and consolidation
7 shared service centers

Digitalization
1 shared service centers

headcount

58k

22k

16k

10k

<6k

points of presence

800

16

9

7

7

IT-infrastructure

Legacy IT-systems

20 000

17 000

1 600

834

<20

Reliability: downtime a year (hrs)

>1 000

800

350

50

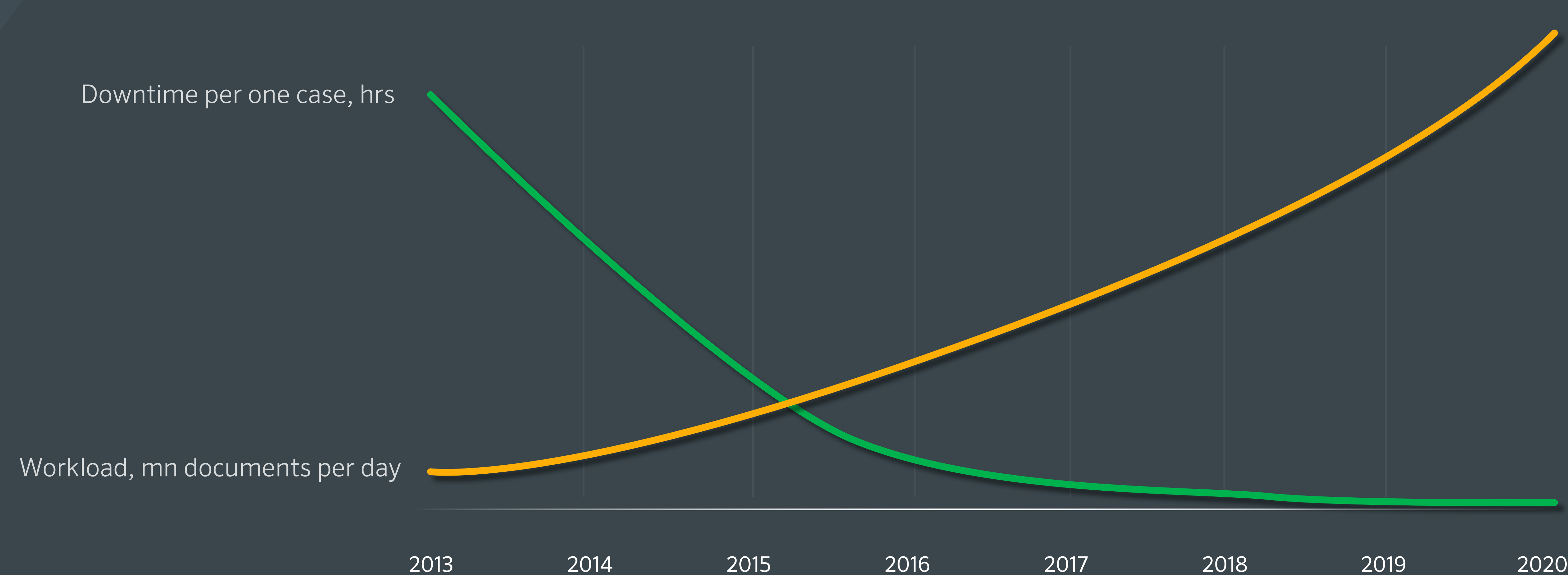
<50

Critical systems

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Reliability of all critical automated systems increased amid exponential growth of workload



99.99

reliability program will be completed in 2018

x20

decrease in downtime

Required productivity reserve and stable performance

provided



Uninterrupted 24/7 functioning of all systems is priority of Strategy 2020

24/7

availability

99.99%

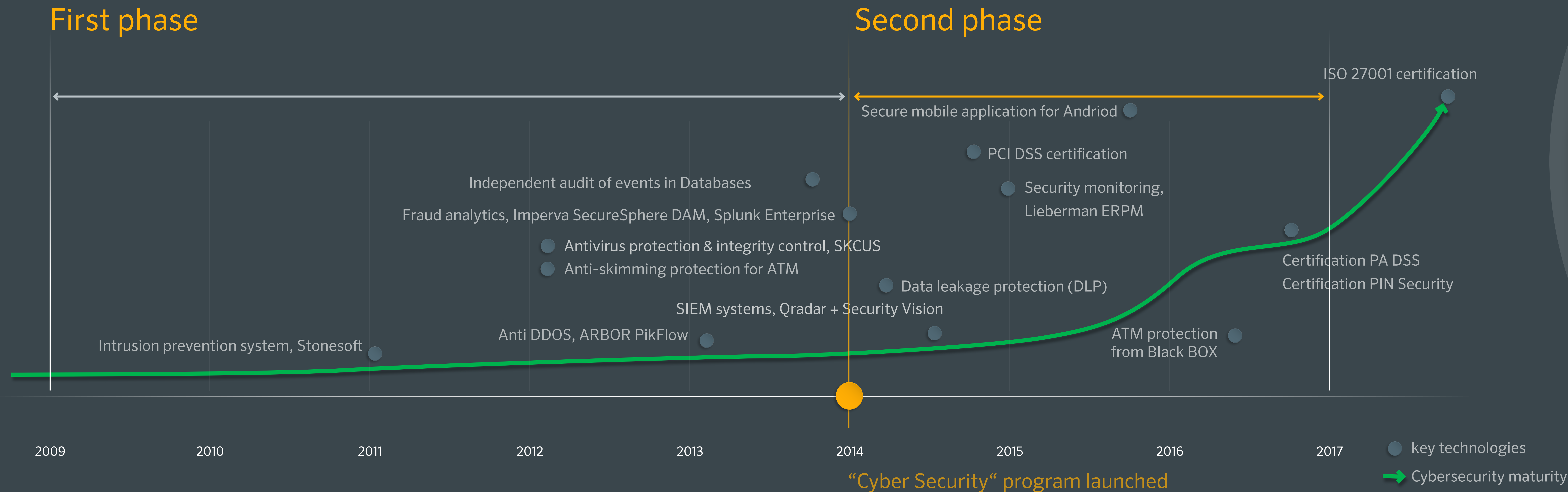
reliability

>85%

satisfaction with IT-support and Ops

Our cybersecurity system is one of the most efficient in the world due to use of advanced technologies

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Venture funds

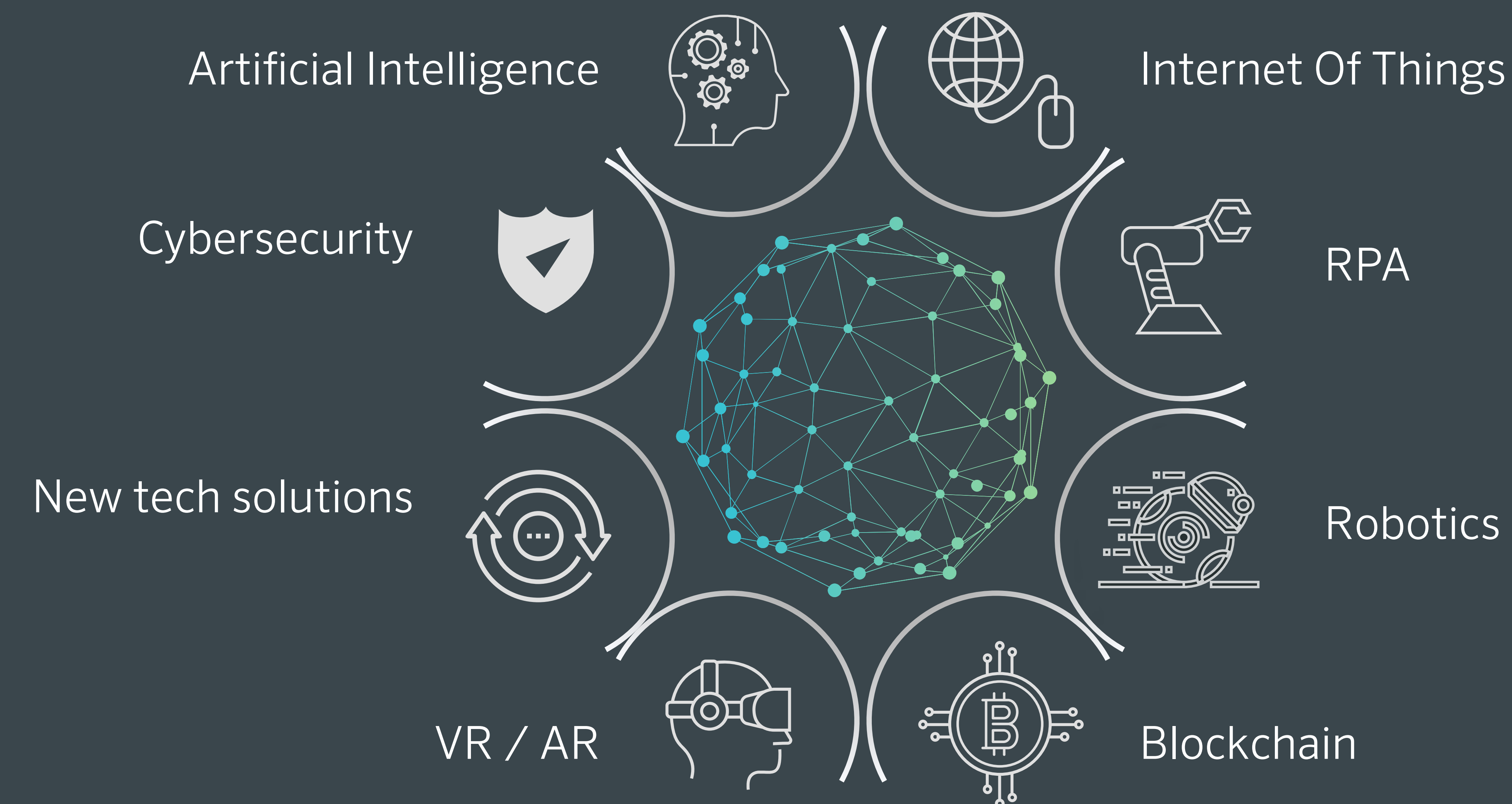
etoro

Gett

UBER

GridGain

Laboratories



Accelerator

✓ External



✓ Internal



Sberbank Robotics: from Robots-2-bank to robots-2-market

01 VISION AND
KEY PRIORITIES
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CORPORATE CLIENTS

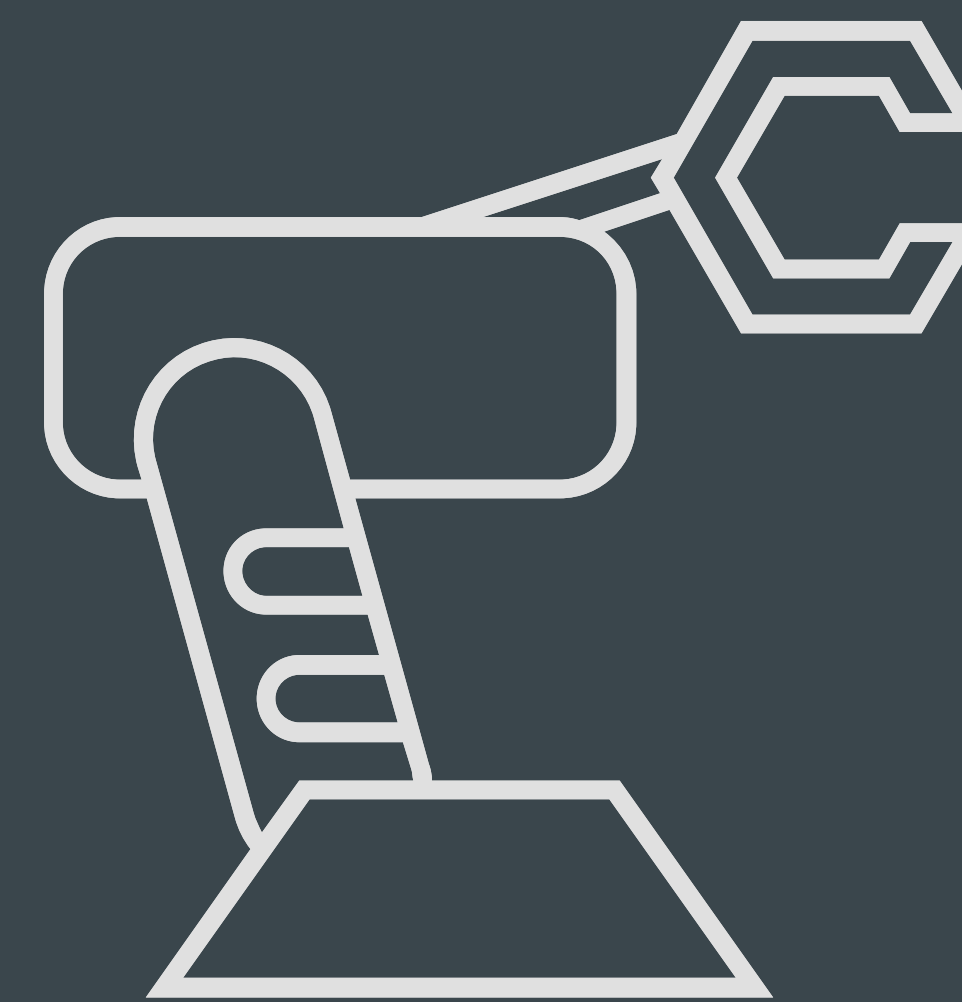
03 ECOSYSTEM
AND TECHNOLOGY

04 DATA ANALYTICS AND
RISK-MANAGEMENT

05 PEOPLE
DEVELOPMENT

06 FINANCIAL
TARGETS

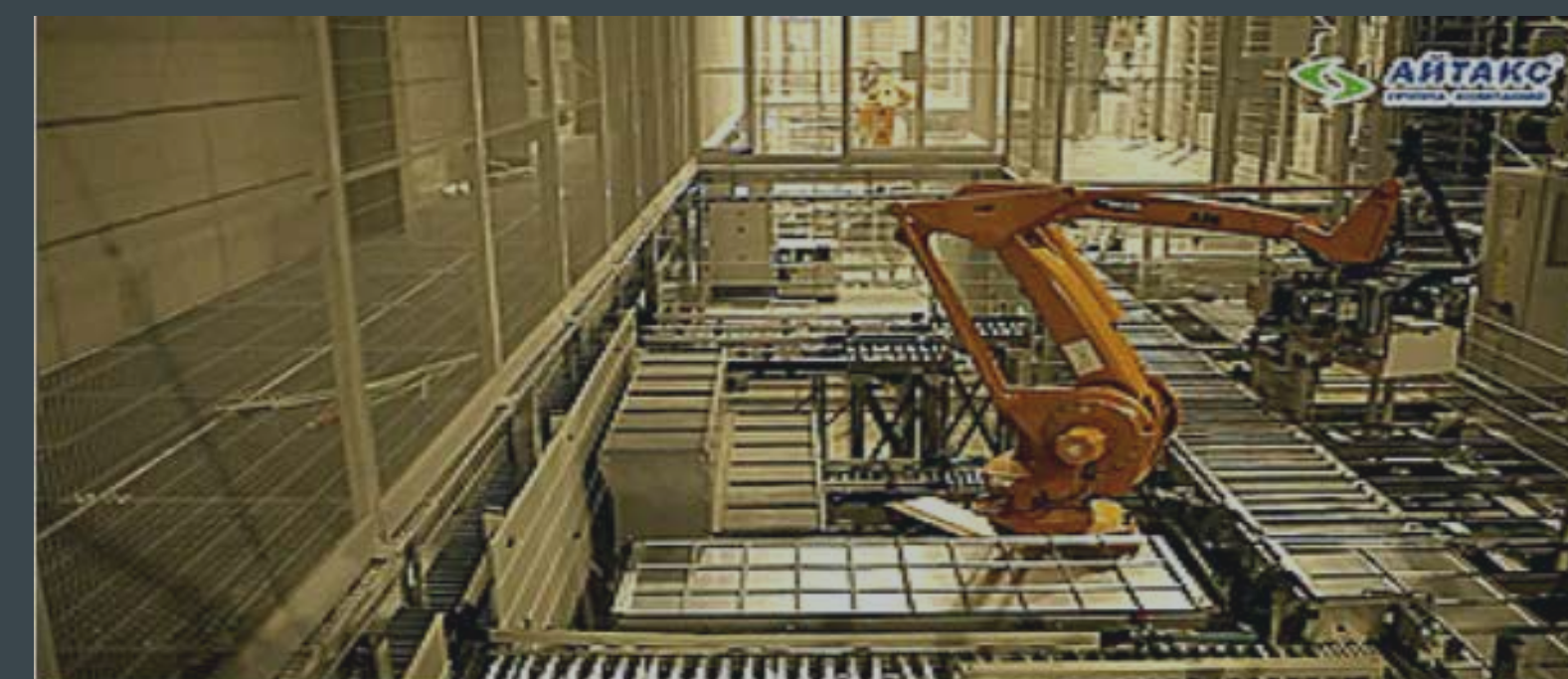
07 CONCLUSIONS



Robots in our bank today



Cash handling robotics
solution increase
productivity 3X



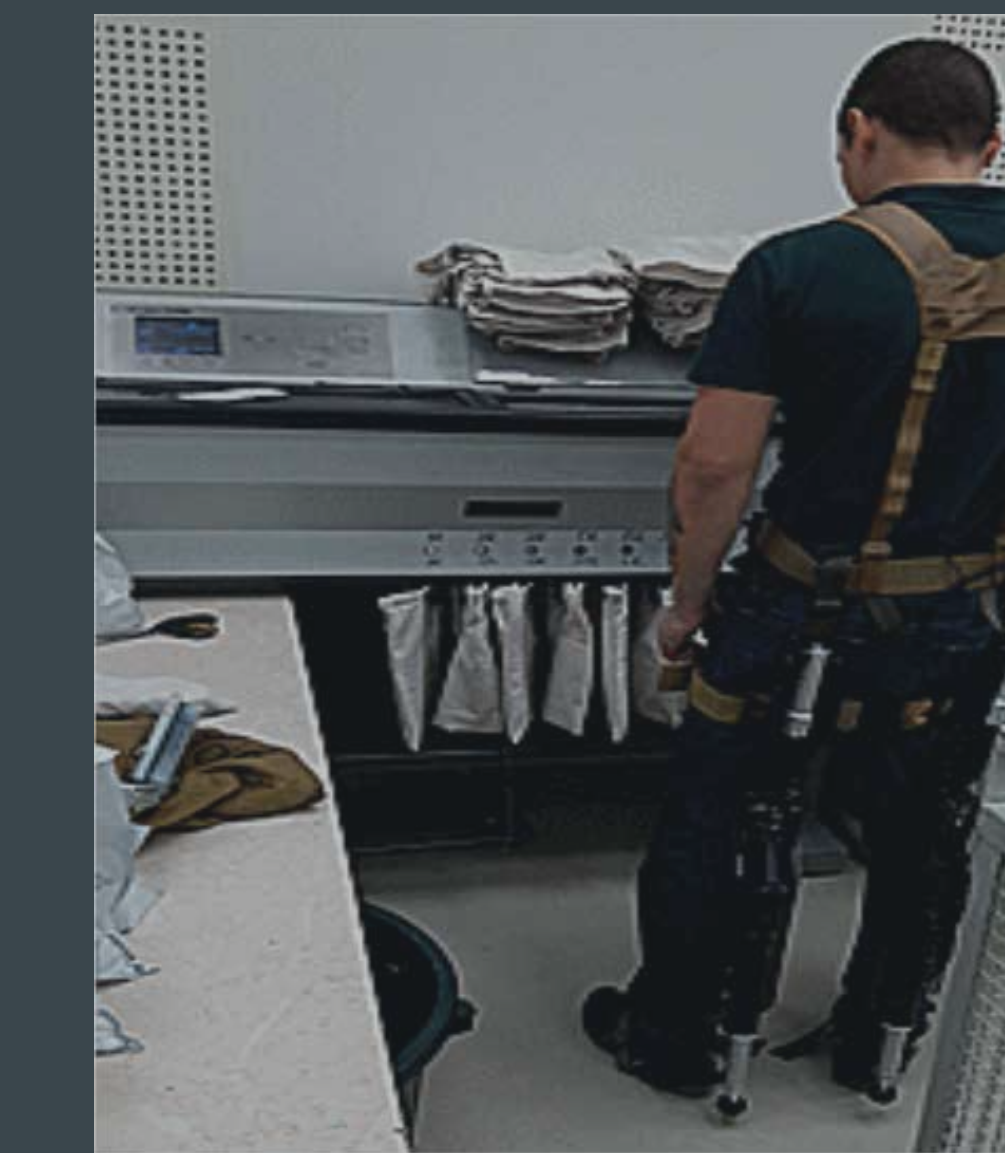
Highly automated,
state-of-the-art
document storage
facility



Service robots greet
customers
at our major events



Secured encashment
service by fully
autonomous drones



Industrial exoskeleton
for improving
workers' productivity



ALEXANDER VEDYAKHIN

Senior vice-president

AI, Data Science and Risk-Management

Data & AI Driven Sberbank

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Data & Technology

- A large number of data sources
- Mature data management function
- Model developers use up-to-date tools and technologies
- High-end hardware for AI



Process

- DS function is embedded in all business units
- Process meets best international practices
- DS & AI community



Modeling

- Data Scientists use up-to-date methods
- AI laboratory was created



Decision Making

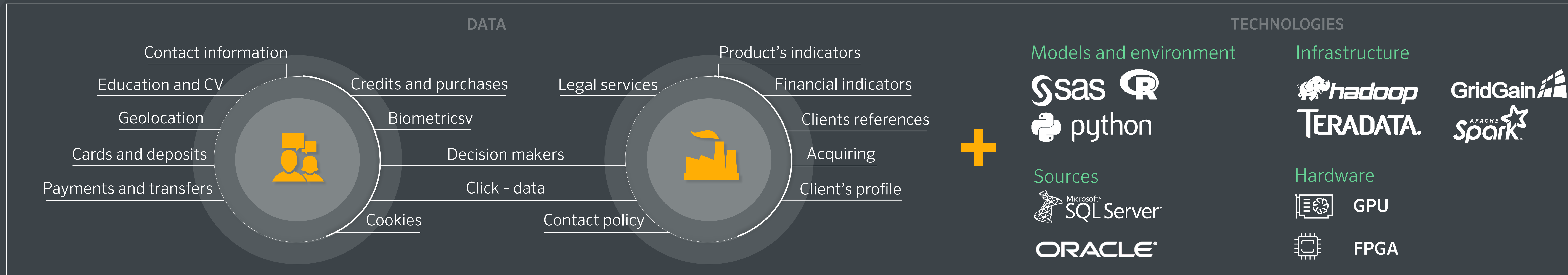
- All business processes are using the models
- All developed models are used in business processes



Data factory based on cutting edge technologies

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DATA FACTORY



Data factory based on cutting edge technologies

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in **1** second

 2,833 calls

 2,251 transactions

 811 photos

 650 purchases

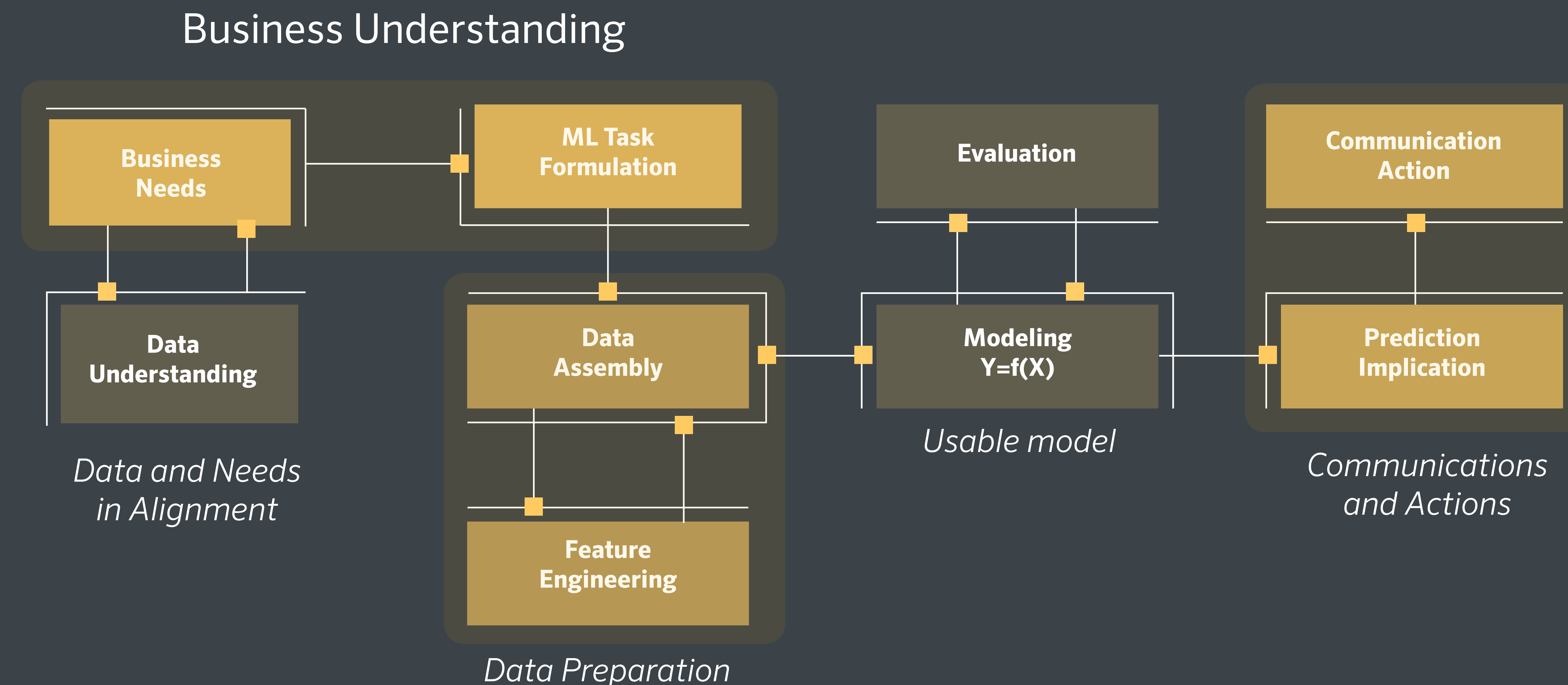
 7,811 messages

 166 withdrawals

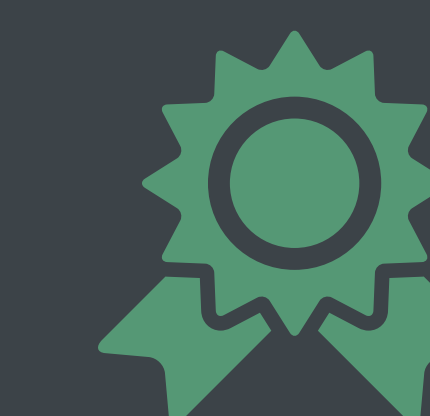
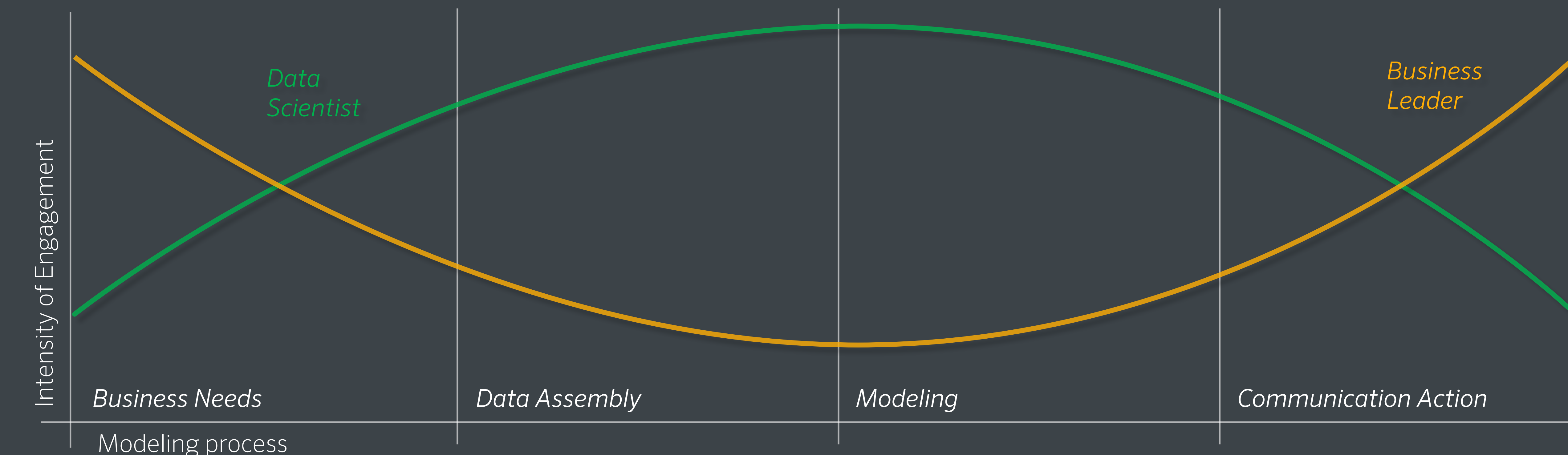
Sberbank modeling meets best international practices

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MIT Computer Science and AI Lab DS Framework



MIT fish diagram



CRISP-DM compliant

Sberbank DS platform facilitates DS process and makes possible to develop a model in 15-20 minutes

Data Science and AI community

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DS&AI Community



Strong collaboration
With best Universities



Providing
with best analytical tools



Platform for modeling
& validation



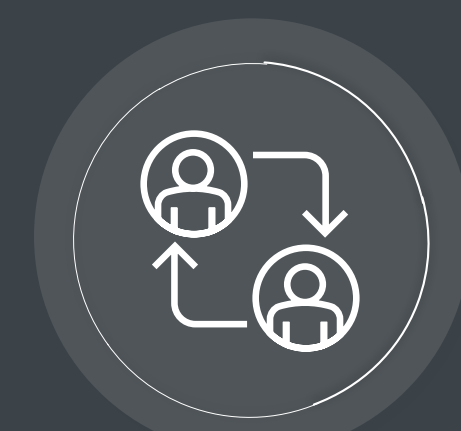
Technology and Data Academy
of Corporate University



Conferences
& hackathons



DS&AI courses
for top management



Learning
and career
opportunities



Integration
with platforms
(GitHub, Gitlab)



Granting access to
models and tasks in
different fields



Constant team
Interaction
(meet-ups, workshops)



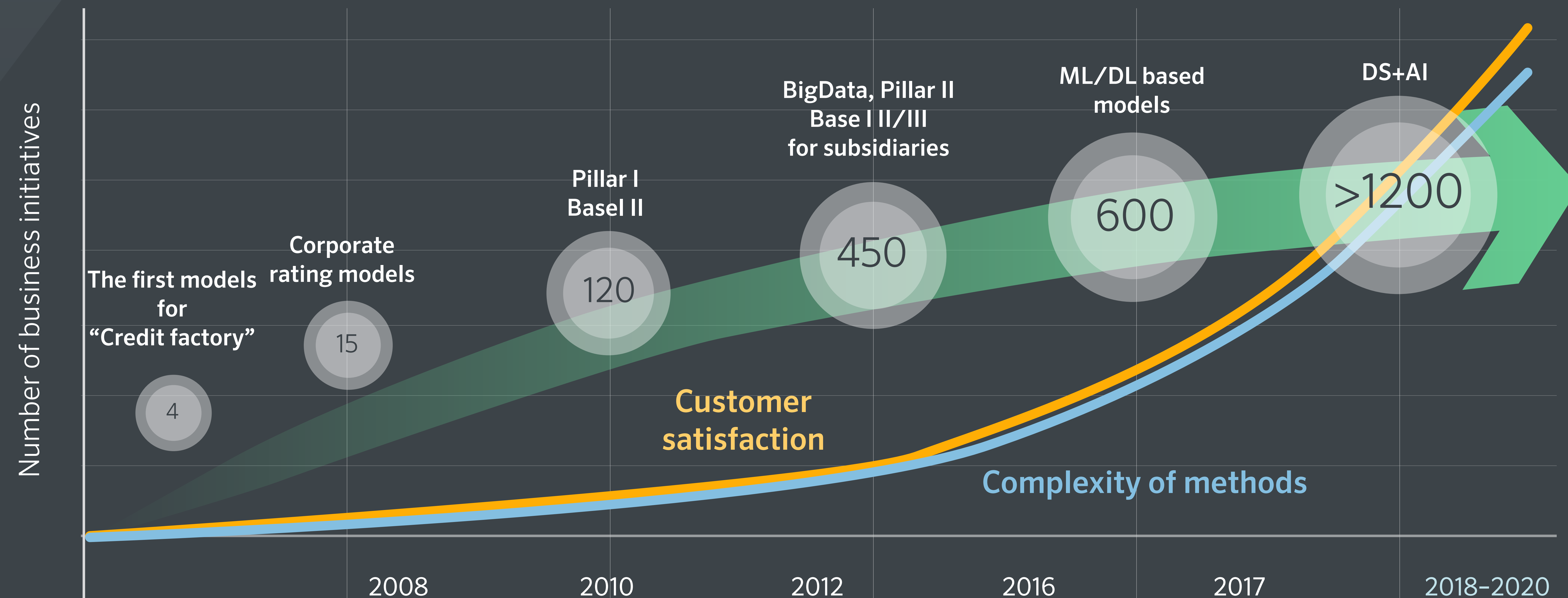
AI Laboratory functions

- New methods and AI technologies
- Synergy of AI solutions between business units
- AI expertise and evangelism
- Evaluation of prospective AI startups
- Cooperation with world AI leaders, labs and units

AI transformation of Sberbank: models and methods

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SBERBANK STRATEGY
2020



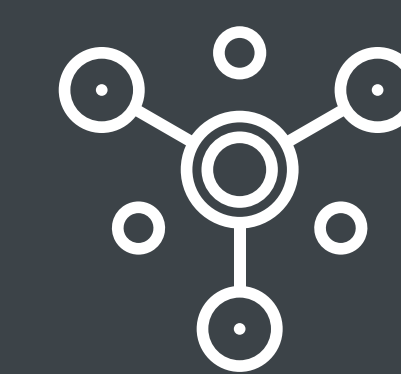
Learning approaches	Methods	Neural networks
Machine learning	Supervised learning	Support vector Machines Linear Regression Clustering
	Unsupervised learning	Naive Bayes Decision Trees Hierarchical
Reinforcement learning	Q-learning	Nearest Neighbor Ensemble methods Gaussian Mixture
	Actor-Critic	Neural network
Deep learning		Inverse reinforcement learning
		Networks with reinforcement learning, GAN
		Word2Vec GAN neural network Convolutional and Recurrent Networks

AI Transformation of Sberbank: DS & AI Projects

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~650 DS & AI PROJECTS by 2020

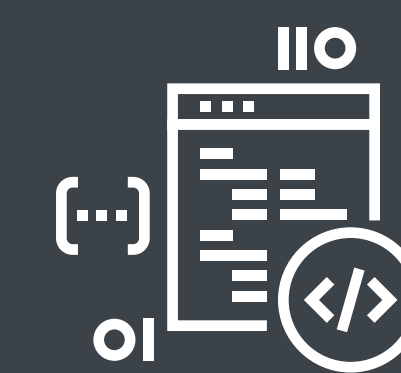
~250 AI INITIATIVES by 2018



Core AI engine
development of AI methods

‘Smart’ assistants
Chatbots

Conversational agents
AI management for processes



Common
cross-functional tasks

Credit process ‘7M’
HR Management
PFM ‘Smart’ advice
Next Best Action

HR Performance analytics
Smart public services (social card)



Localized
tasks of a specific block

Identification of regulatory risks
Risk-return optimization
AML. Cash-optimization

Profile of the retail client
Cyber security
Adaptive credit scoring
Smart credit
White scoring zone



Ad-hoc
high priority and/or urgency

GridGain
Reasonable power

Management in data centers

A few examples of using AI

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Real-time decision
making
for credit scoring
for 90% clients

Retail

Yesterday

Today

Tomorrow

Application # of fields

152

11

0

Time to decision

2 days

4 hours

Real-time

Corporate

Yesterday

Today

Tomorrow

Application # of fields

50

23

0

Time to decision

30 day

<15 days

<1 hour

A few examples of using AI

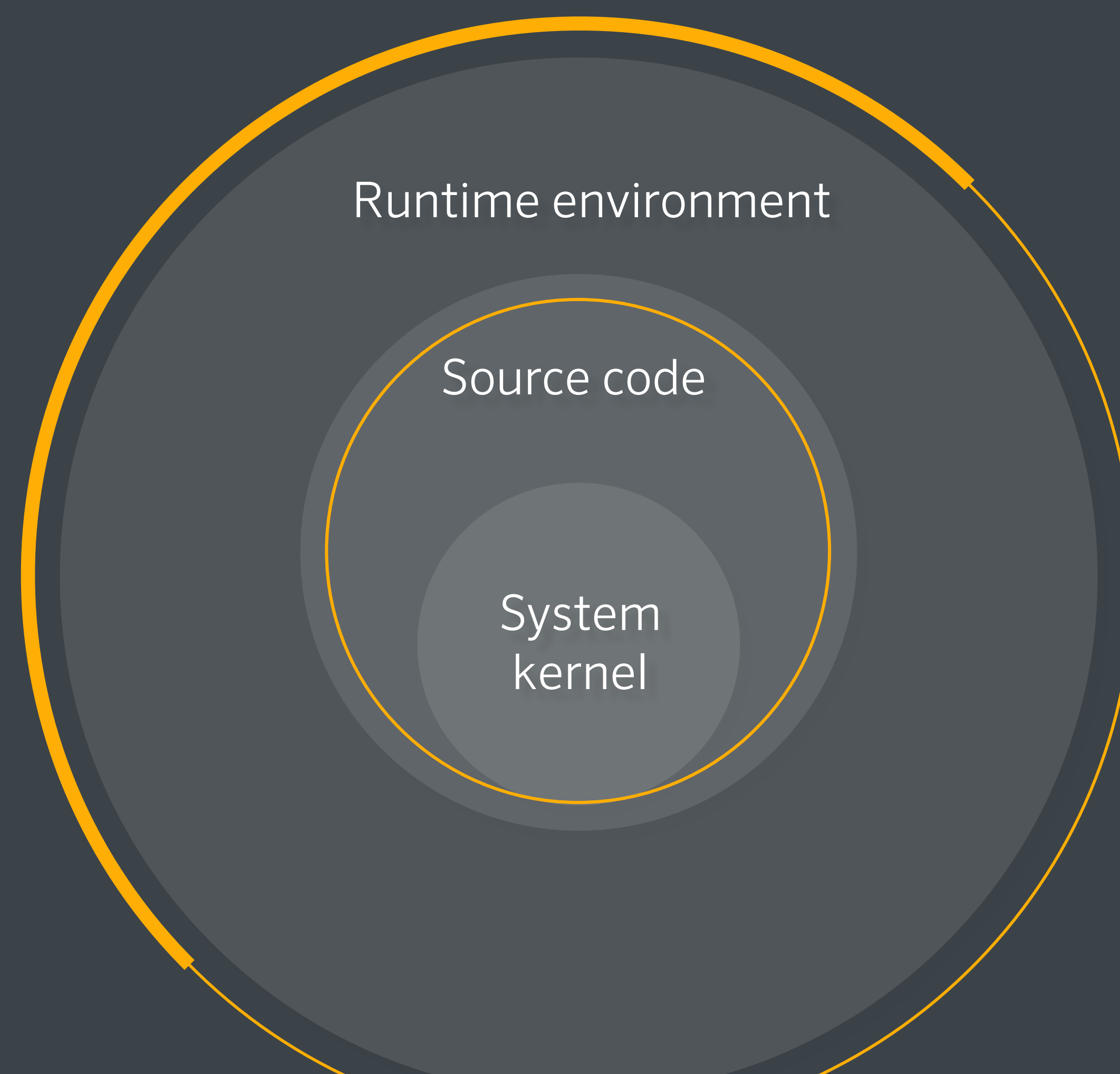
- 01 VISION
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SBERBANK STRATEGY
2020

Performance management
for In-Memory Computing

System key elements
and "health" indicators

System elements
sequential selection



Building pipeline of data
collection and processing

GridGain

Metrics GridGain
LogsGridGain

hadoop

**APACHE
Spark**

python

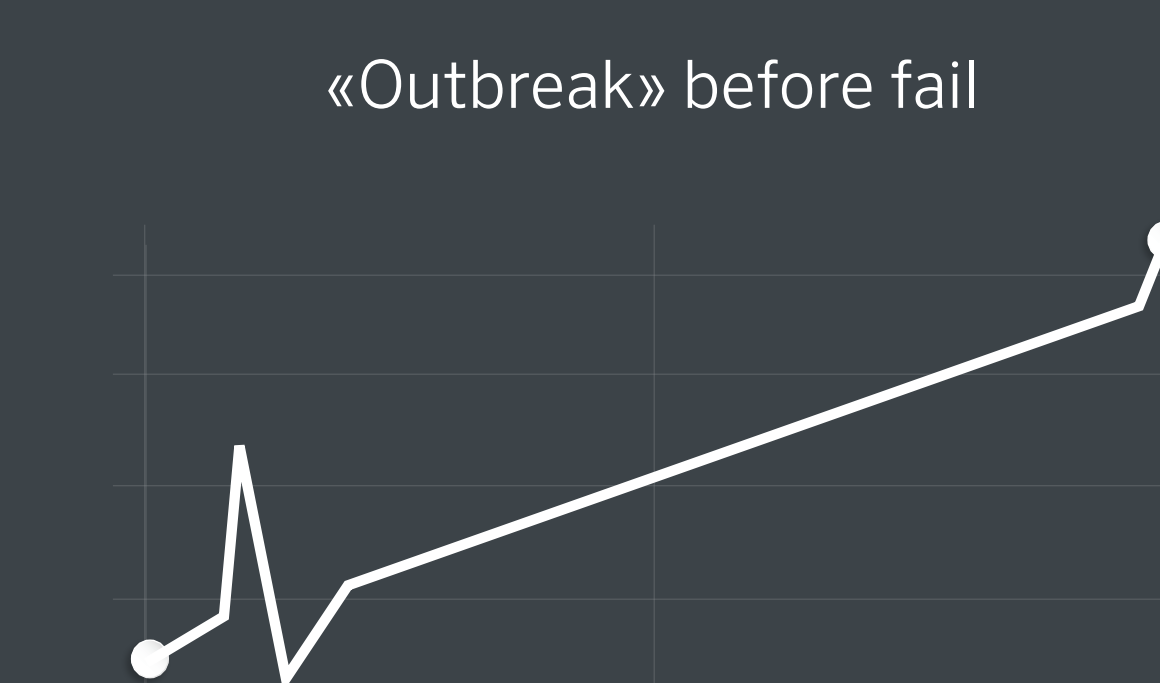
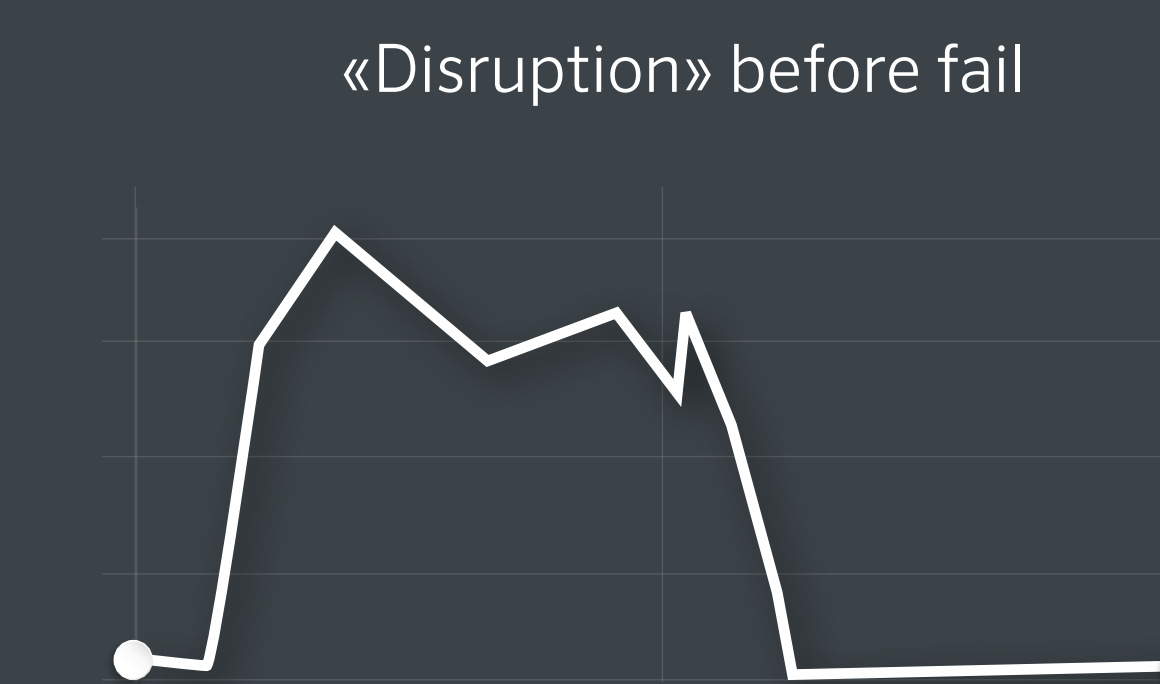
System elements
isolation for testing

1 System kernel

2 Source code
System kernel

3 Runtime environment
Industry code
GridGain

Predictive and prescriptive
analytics



Adaptive credit scoring and cut-offs

BUSINESS GOAL

Automation of the process of
updating and developing credit
scoring models

RESULTS

Process optimisation

Data scientist + analytical tool



*t = 3-4 weeks
Modeling*

METHODS decision trees, fully-
connected neural nets, binary
classification

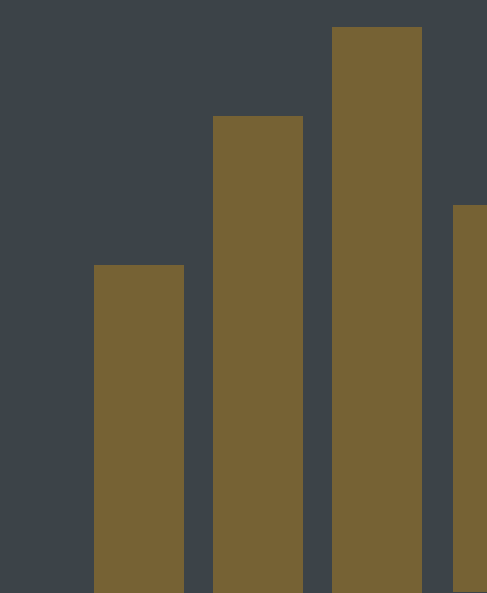
APPLICATION

Credit scoring, credit process
optimization

Artificial intelligence



*t = 3-4 hours
Modeling*



*Model
results*

Similar model quality

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COR

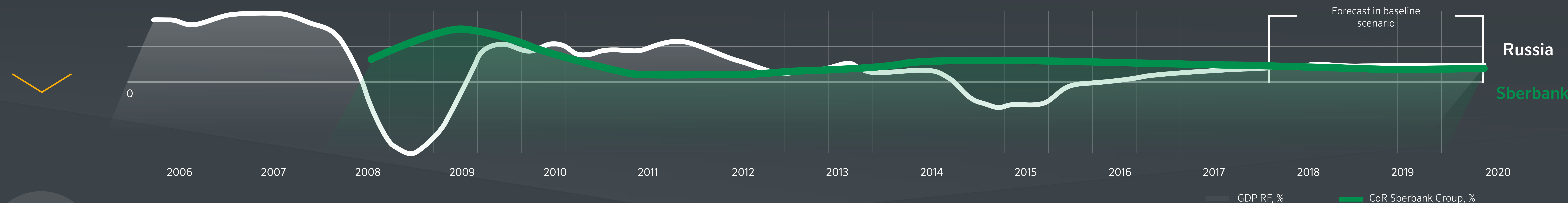
IRB

IFRS 9

Risk-management
of the Ecosystem

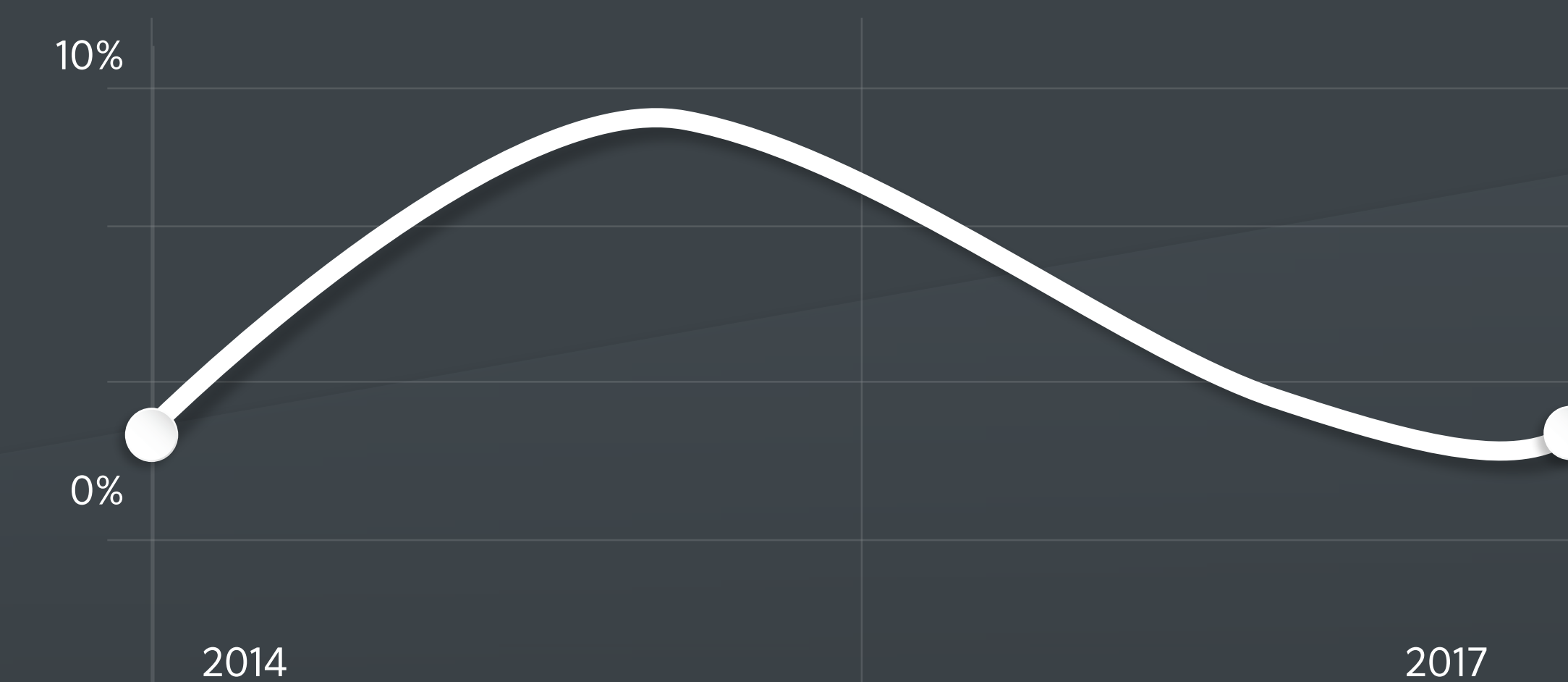
CoR: normalization to 130 bps in 2018–2020

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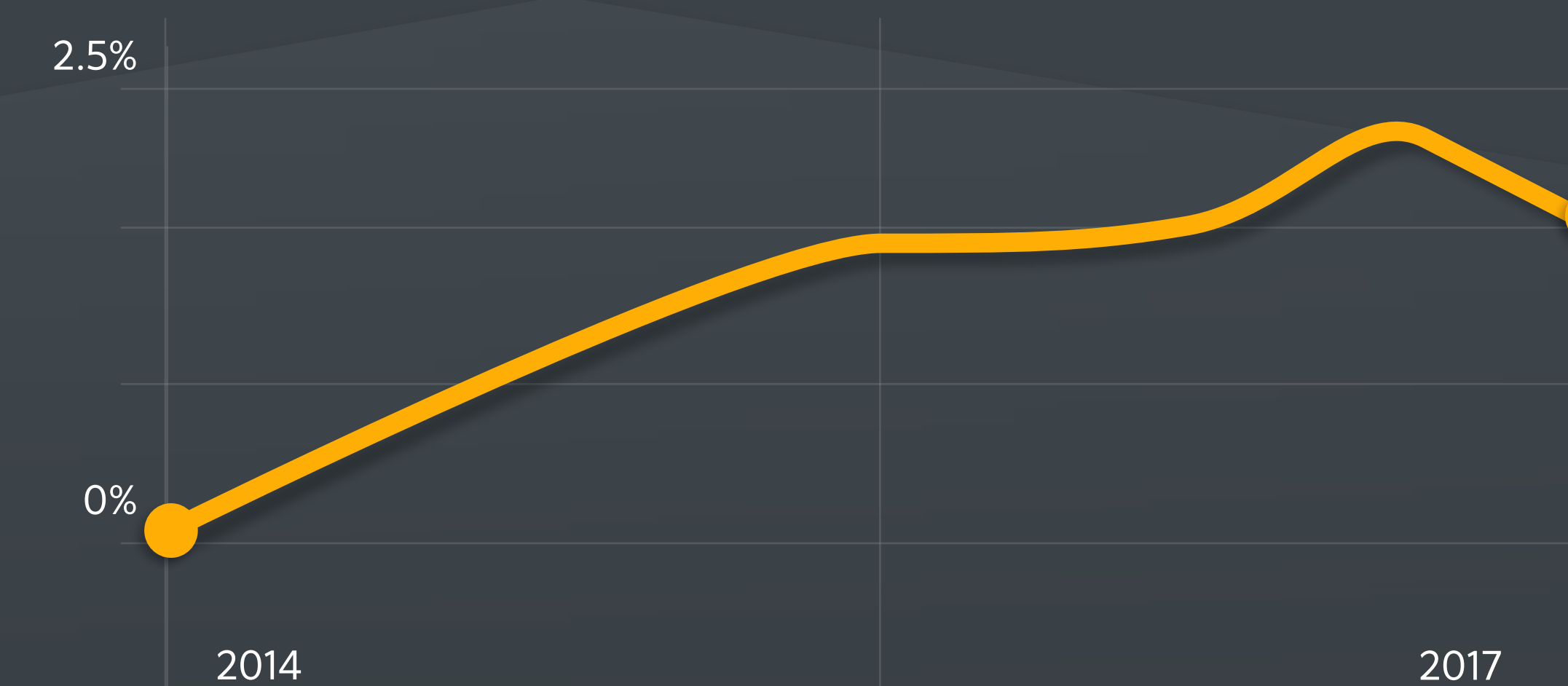


130
bps

Default Rate, corporate loans



Default Rate, mortgages



Default Rate, consumer unsecured loans



CoR demonstrates significant correlation with GDP of Russia

Default Rates stabilized due to macroeconomic recovery

Transition to IRB-Approach: positive impact on capital

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No1 bank in Russia is authorized by the Central Bank of Russia to apply IRB approach

Usage of Internal ratings
a new level of credit risk and capital adequacy management

IRB - Internal rating-based approach for the purposes of capital adequacy ratios



Continuing upside potential from IRB implementation

in 2018

in 2020

+0.7*
p.p.

+0.5
p.p.

Increasing capital adequacy under RAS (N1.0)

+0.6
p.p.

+0.4
p.p.

Increasing capital adequacy under IFRS

* includes 0.4 p.p. expected effect from IRB implementation (from January 1, 2018), and 0.3 p.p. from RWA optimization activities carried out in 2017 on certain assets classes that were part of total expected overall effect from further IRB implementation in 2018-2020

What does it mean for Sberbank?

RoRWA (Return on RWA) implementation

New frontiers in strategic business management

Risk sensitive and much more flexible capital steering

Improved capital adequacy

Risk management and business processes enhancement, data management and data quality improvement

Transition to IFRS 9

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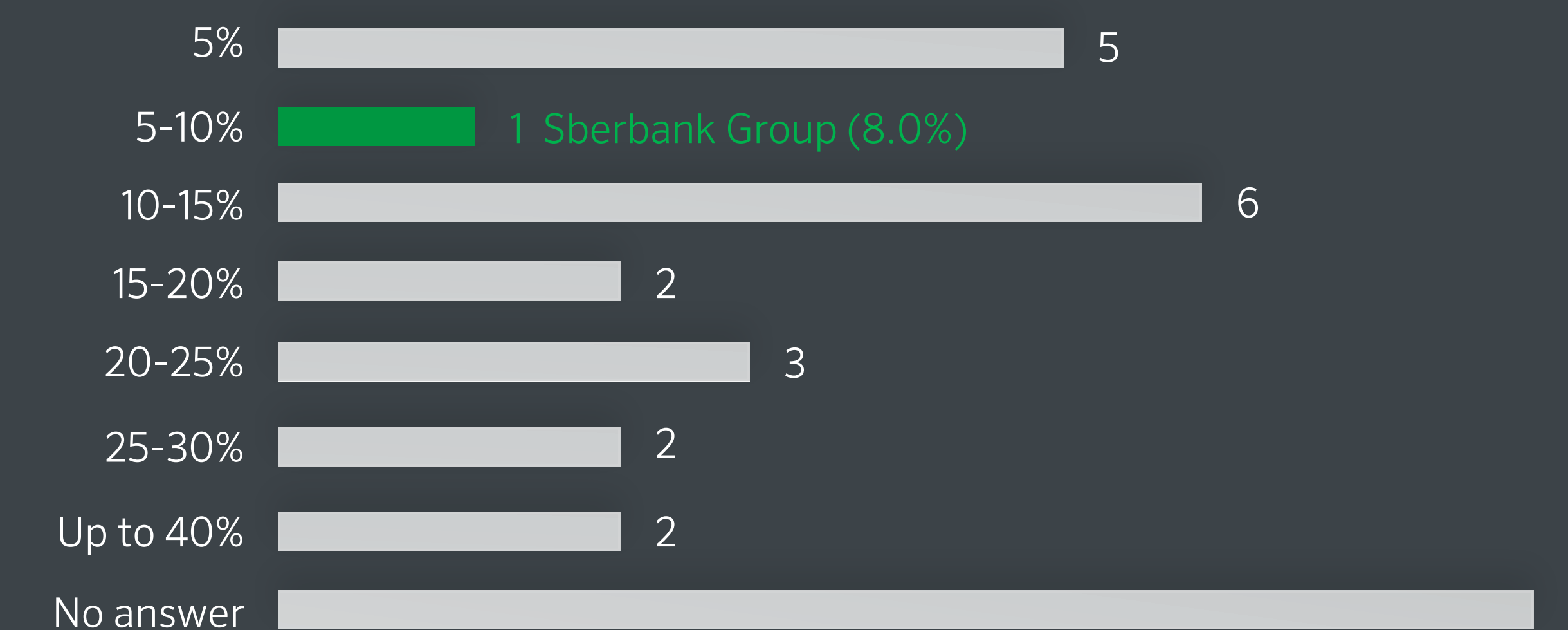
IFRS 9

Effective January 1, 2018
to replace IFRS (IAS) 39

One-time impact from
transition to IFRS 9
would be accounted for
through Equity

>10% growth in provisions expected*
by international banks from transition to IFRS 9

Increase in provisions expected at 29 largest global banks



* EY survey dated August 2017 on the application
of IFRS 9 impairment statements.



Estimated one-time effect **

107
RUB BN



** The assessment was made as of October 1, 2017
using the macro forecast for 2018-2019

Risk-management of the Ecosystem

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Sberbank – the first on Russia to implement risk management system in the New Economy and Ecosystem

Three levels of defense

- Business
- Risk management
- Internal audit

Management System Elements



Centralization level for risk management of existing subsidiaries (for operational, model, legal, tax, compliance risks) depends on participation form and level of influence of Sberbank group in these companies

Focus on Specialization



Determine risk appetite and authorities

- > Risk appetite
- > Investment powers
Credit Committee
- > Risk taking, transaction execution
Collegial bodies



YULIA CHUPINA

Deputy CEO

Team and culture

HR Target 2020

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EMPLOYEE JOURNEY

convenient, easy to understand, personalized

MANAGER

inspiring, developing

ENVIRONMENT

encouraging self-development and maximizing performance (culture, organization)

TOOLS AND TECHNOLOGIES

AI, cloud, open APIs, Mobile

PROCESSES AND TRANSACTIONS

digital self-services



Art and science of employee development – Regional Network

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DISRUPT

CHANGE

RUN

92%



34
years old

75%
women

Finance and Economics
education

Who are they?

What are they looking for? (EVP)

- **Stable** employment, **predictable** work, schedule and income
- **‘Caring’** manager
- **Tasks** with clear processes
- **Flexible working hours and social** support

What does the customer expect? (CVP)

- **Empathetic** client managers, best customer service
- Ability to **teach** managing finances and using new products
- Ability to solve problems **“here and now”**

2020 Priorities

20%
productivity
increase

Art and science of employee development - HQ

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DISRUPT

CHANGE

RUN

8%



37
years old

75%
men

IT, data, maths, finance,
economics education

Who are they?

What are they looking for? (EVP)

- **Challenging** large-scale projects
- **Creative** & bright people
- Best practices of **software and algorithms** production
- **Teamwork**

What does the customer expect? (CVP)

- **New products** and services
- Understanding of **new technologies** and customer experience standards
- Knowledge of best practices followed by **tech companies**

2020 Priorities

Agile

DevOps

Engineering culture

Start ups ecosystem

At each level, staff efficiency will be improved by three levers

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1

Headcount model and professions map

Planning from a **zero** base of **800 roles** **20%** productivity increase

% of employees who will be replaced by machines  **27%**  **18%**  **10%**

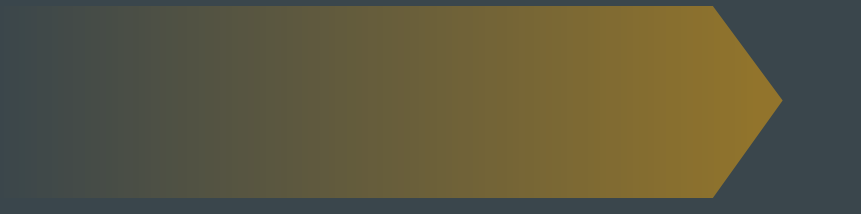
60% professions will be affected by automation **5%** professions can be fully automated

600+ new ones will be created in **digital, data & analytics, IT**

2

Flattening the structure

RUN  De-layering, debossing

CHANGE  **AGILE**

TEAM WORK

3

Flexible employment rules

Part-time

Out-of-the office
workplace

Growth of tech developers improves the tech customers efficiency

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ROLE

Tech Developers

IT

Risk Management

CDS/CDO

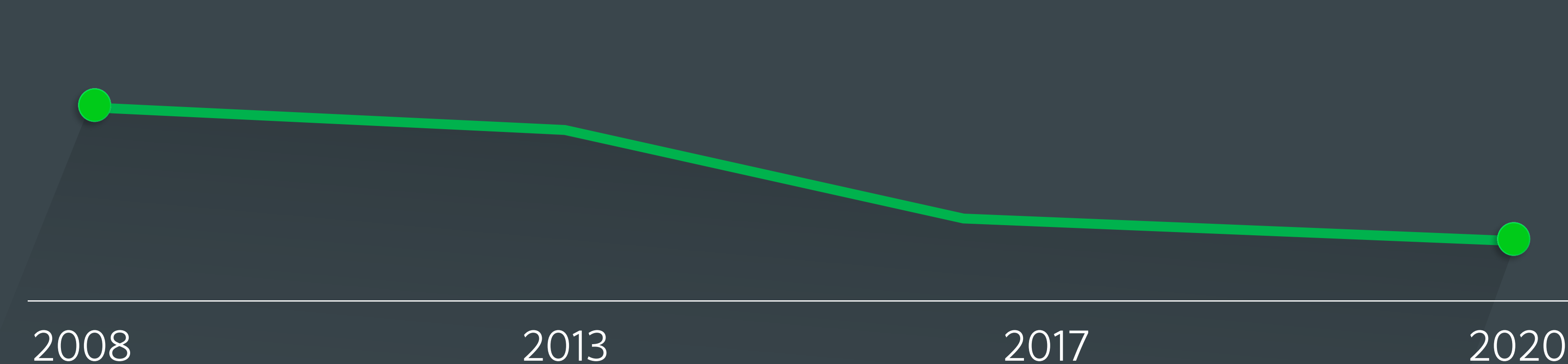
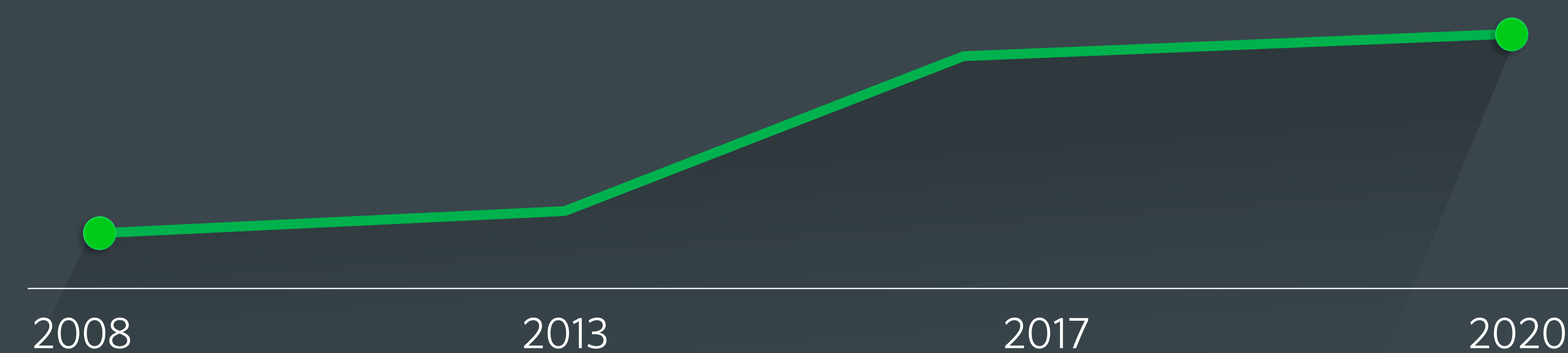
Tech Consumers

Sales

Operations

Services

HEADCOUNT DYNAMICS



CHANGE 2008-2020

+117%

-21%

KEY LEVERS

- SberTech creation
- Tech Company culture
- D-people EVP
- Innovations

- Centralization
- Productivity growth
- Automatization
- Lean Processes

Recruiting and training for NEW SKILLS

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Cooperation with the best universities and HR brand promotion

- 3 hackathons
- Contests
- Senior school competitors
- Cooperation with the best Russian universities



Training in technology, data and soft skills

- 35,000 Sberbank managers
- 500 data analytics & data scientists
- 12 000 developers



Corporate university and external coaches

- 30 course programs
- 23 online courses
- >46 external education platforms
- >500 external courses



Sharing best practices and ideas

- 21 functional roles
- Unique learning plan for each role
- Data science community
- Data engineers community

Succession planning is a foundation for stable and continuous future growth

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84%

Internal
TOP-management
appointments, 2017

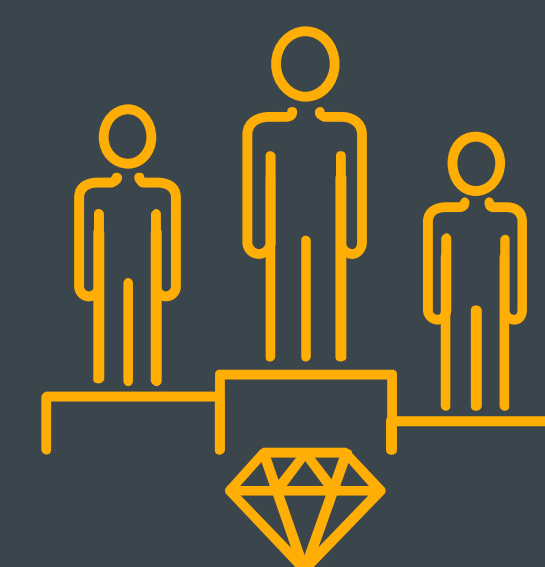
96%

Internal
mid-management+
appointments, 2017

100%

Succession pool candidates have
an **individual development plan**
and assigned **mentor**

Sberbank has a strong internal succession pool that is further fueled by:



4 people interview
for recruiting and promotion



Promotions
via Green Room



Mentoring
and coaching



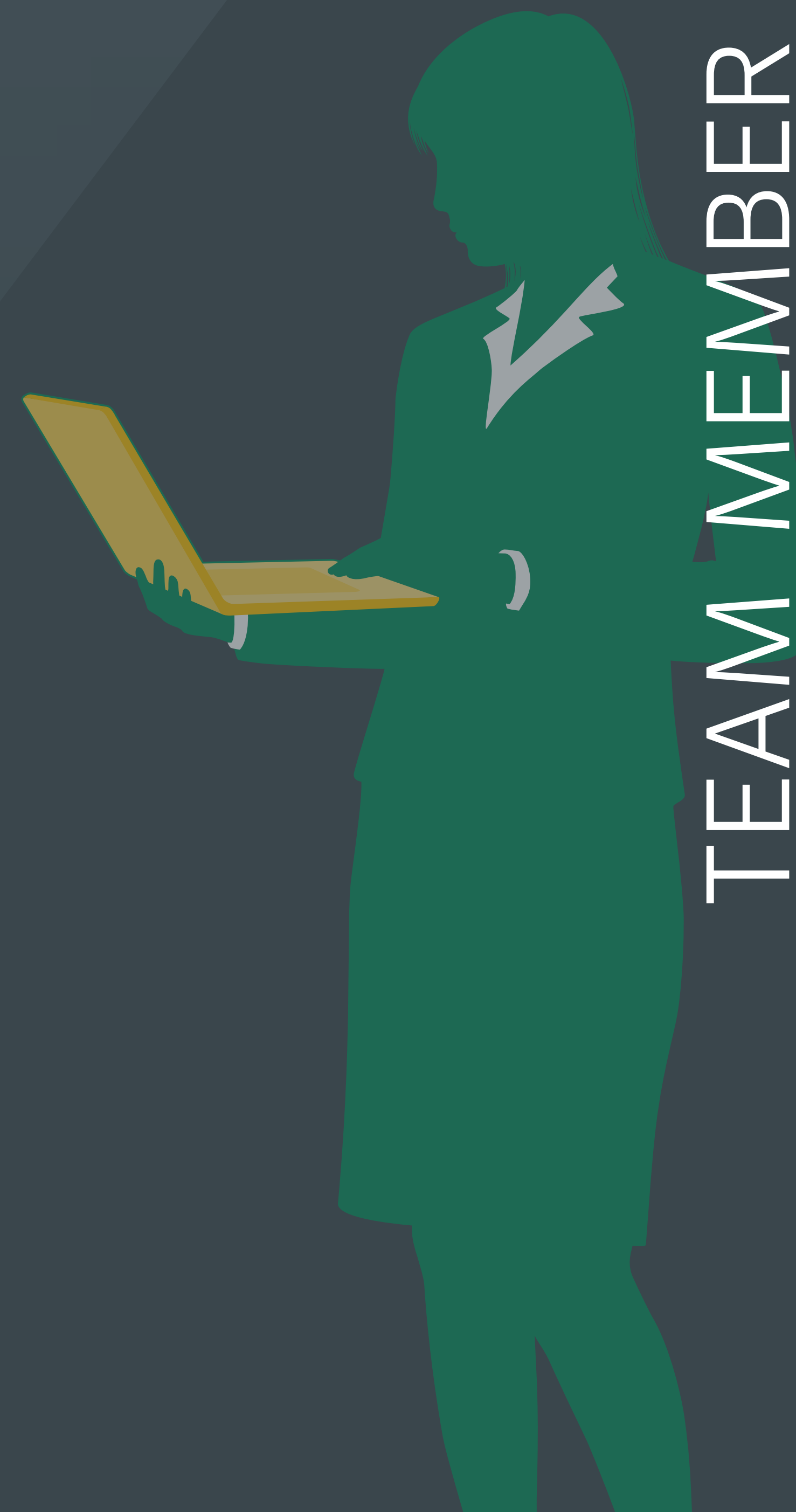
Personal
development plan



Modern succession
support tool (cloud-based IT platform)

Sberbank culture and self motivation are the guarantee of future victories

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- 06 FINANCIAL TARGETS
- 07 CONCLUSIONS



TEAM MEMBER

I AM A LEADER

critical thinking and problem solving, self-management, innovation and digital skills

WE ARE A TEAM

performance management and responsibility, team building and cooperation

ALL FOR THE CUSTOMER

client-centricity



LEADER

VALUES

fit or out

EXPECTATIONS

clarifies roles in the team, sets goals, priorities, creates psychological security, encourages diversity

MENTOR

develops himself and the team through continuous feedback



CULTURE

COMMUNICATION

Transparency of decisions, wide access to information

EMOTIONAL INTELLIGENCE

Life-long education, training for employees

HR DECISION MAKING

Culture and performance are of equal importance

SPACE AND RITUALS

Promote collaboration

SOCIAL MISSION

Experience transfer, education, inclusive environment

Careful use of data and the latest machine learning methods will bring interaction with the employees to a new level

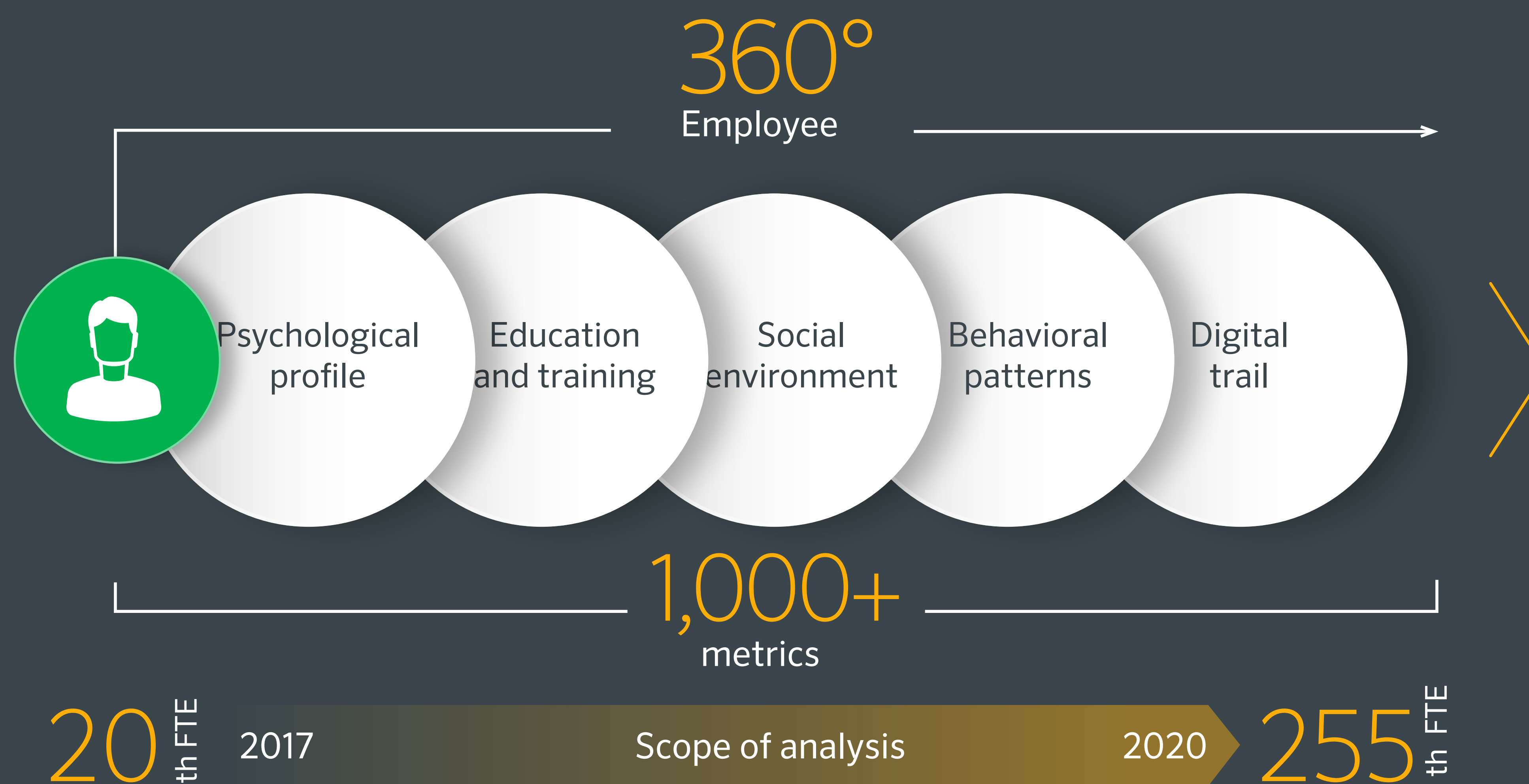
Sberbank deeply understands the employees motivation and behavior

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— How can I be successful ?

— Where can I realize my potential?

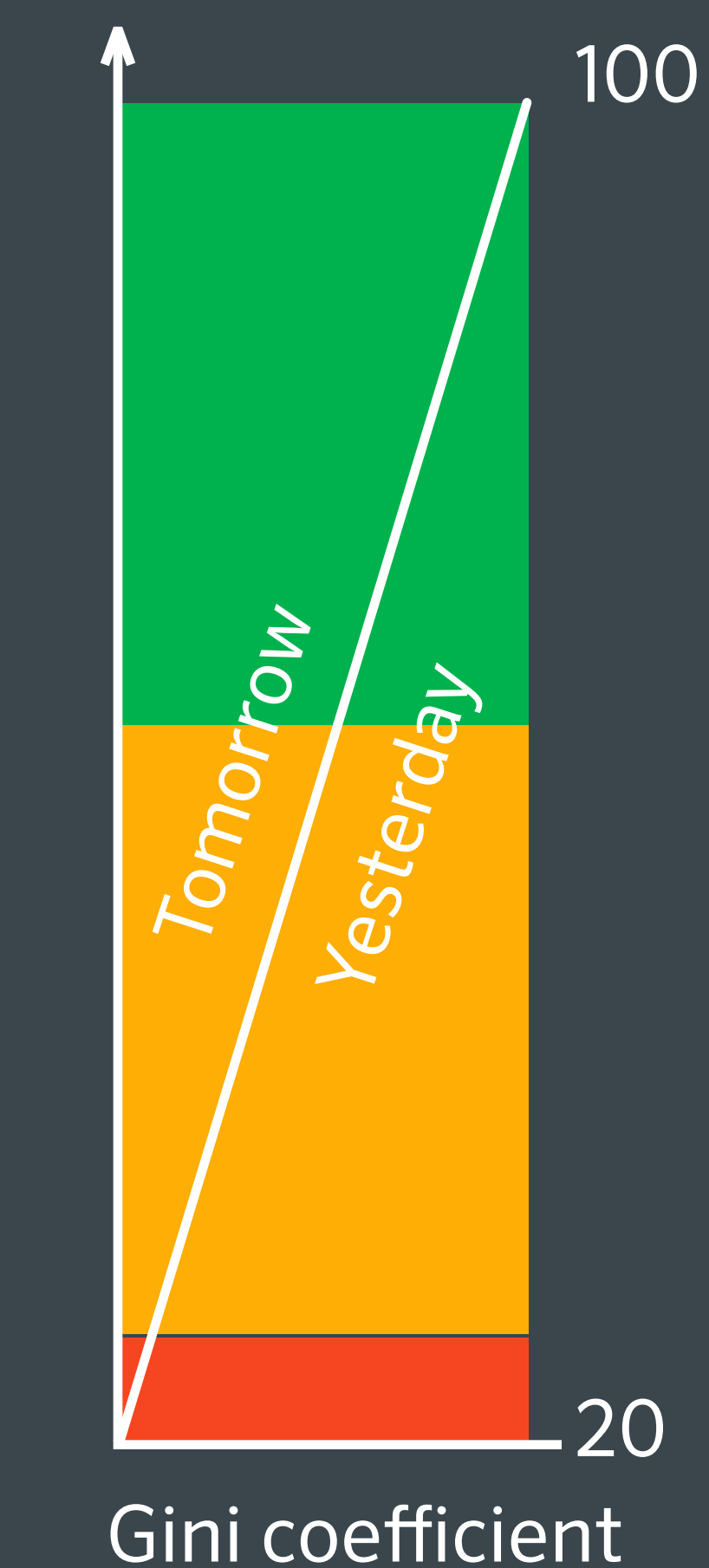


ADVANCED MACHINE LEARNING METHODS

- Neural networks
- Gradient boosting
- Random forest

TRADITIONAL ANALYTICS:

- Decision tree
- Logistic regression



— How can I help the employees demonstrate their best abilities?

— How do I find a suitable candidate?

Data-driven HR will transform the Employee Journey and raise the team quality

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SBERBANK STRATEGY
2020

X2 star
employees

1

RECRUITMENT 2020

- Candidates: prioritization
- Employees: success prediction
- Leaders: insights about future success

2

ONBOARDING 2020

- Early best employee-fit identification
- Maximum performance

3

DEVELOPMENT 2020

- Timely and accurate rotation
- Individual training program (CorpUni)
- Personalized learning in Sberbank virtual school

4

CHURN 2020

- Early mis-fit identification
- Churn prediction and prevention



HR process integration example

Recruitment

Onboarding

PD

Churn

Severnoy S. S.

Probation period

Oracle Administrator
Technology block
Mark: CC



Technology block career
Cross-block rotation
Other career opportunities

Successfulness profile

Block	Applicant		Employee	
	Successful profile	Success probability	Successful profile	Success probability
Technology	YES	70%	YES	90%
Retail	NO	60%	YES	80%
Corporate	NO	55%	NO	60%
Strategy	NO	20%	NO	45%

Further development of our own analytical platform based on modern technologies

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PEOPLE DEVELOPMENT PLATFORM

- Success prediction
- Improving employees' performance
- Retention of D-people
- Promotion of employees from branches
- **Churn in call center**

1 Database

Candidate 360
Employee 360

2 Analytics development

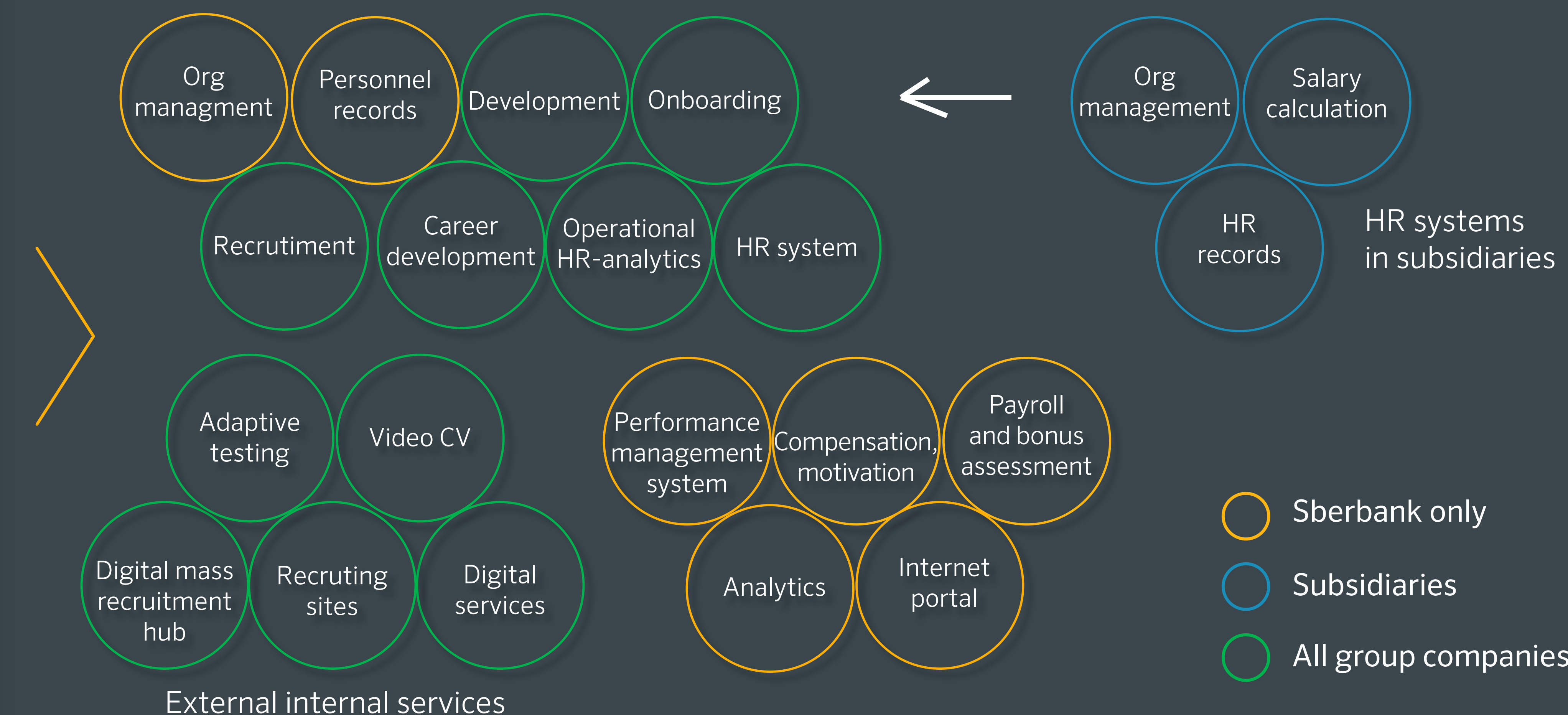
Descriptive

Predictive

Prescriptive

SINGLE HR PLATFORM

Cloud-based, constantly updated IT system with open APIs



AUTOMATION, ROBOTIZATION, PROCESS REDESIGN

Implementation shared service center and mobile self-services

Robotics, chat-bots, voice recognition in the Contact Center

100% electronic document flow (x2-3 efficiency gains)

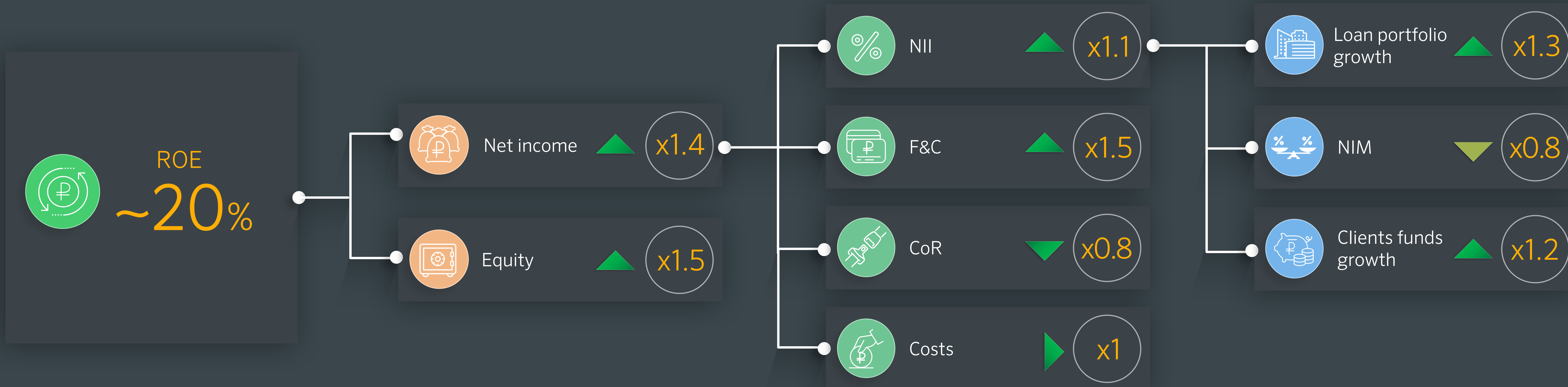


ALEXANDER MOROZOV

Deputy CEO

Financial model 2020

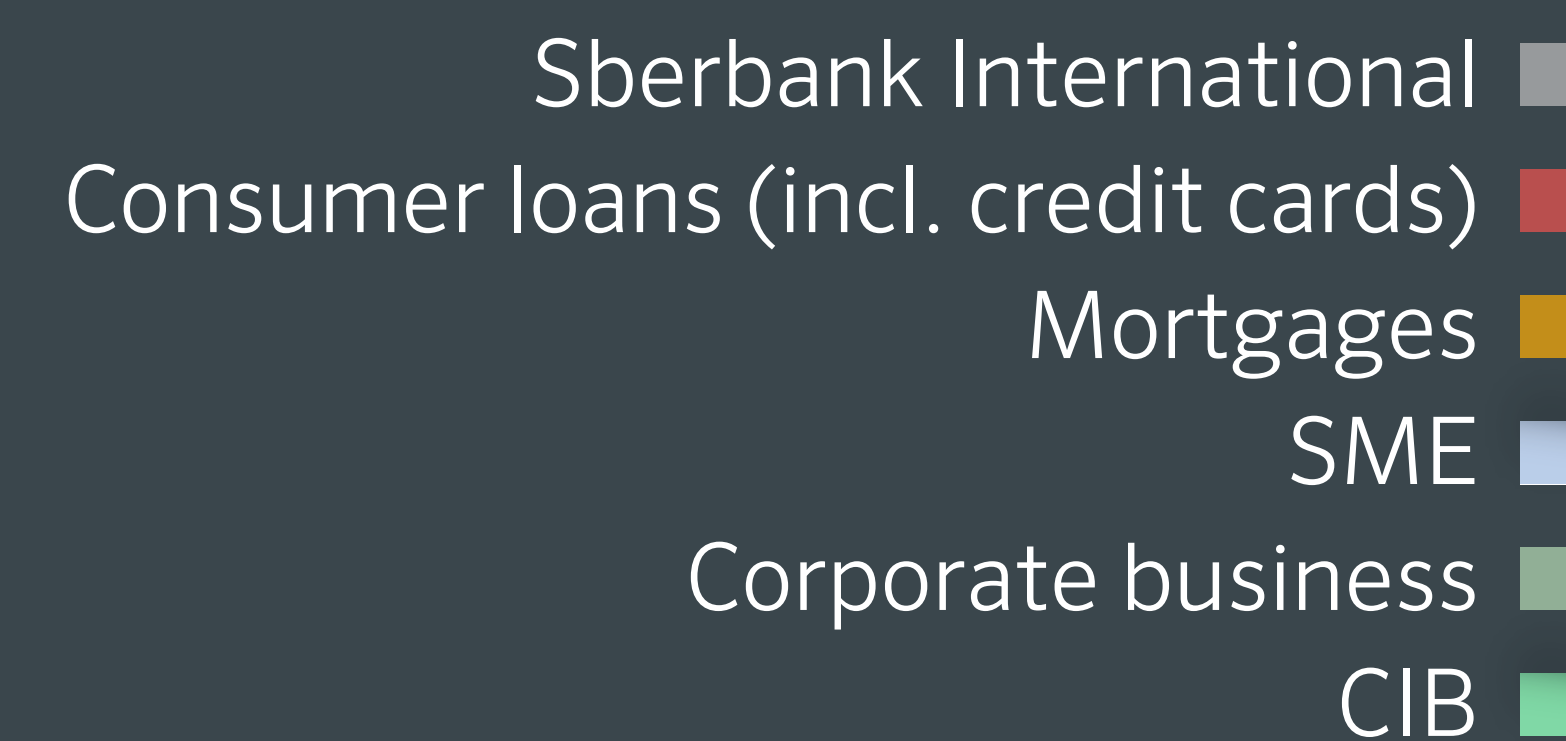
- 01 VISION
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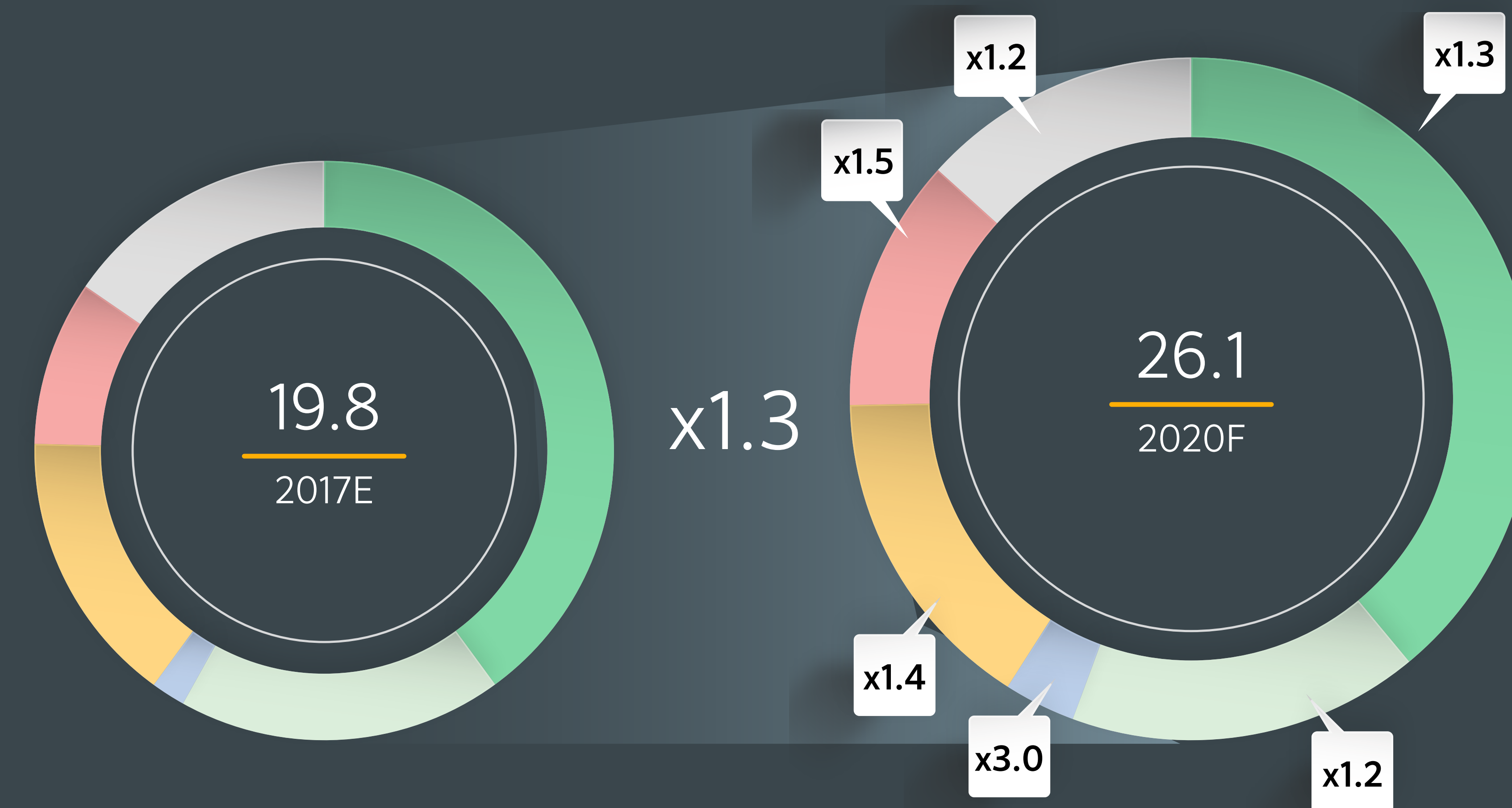
Accelerating growth of margin accretive products to optimize our balance sheet efficiency

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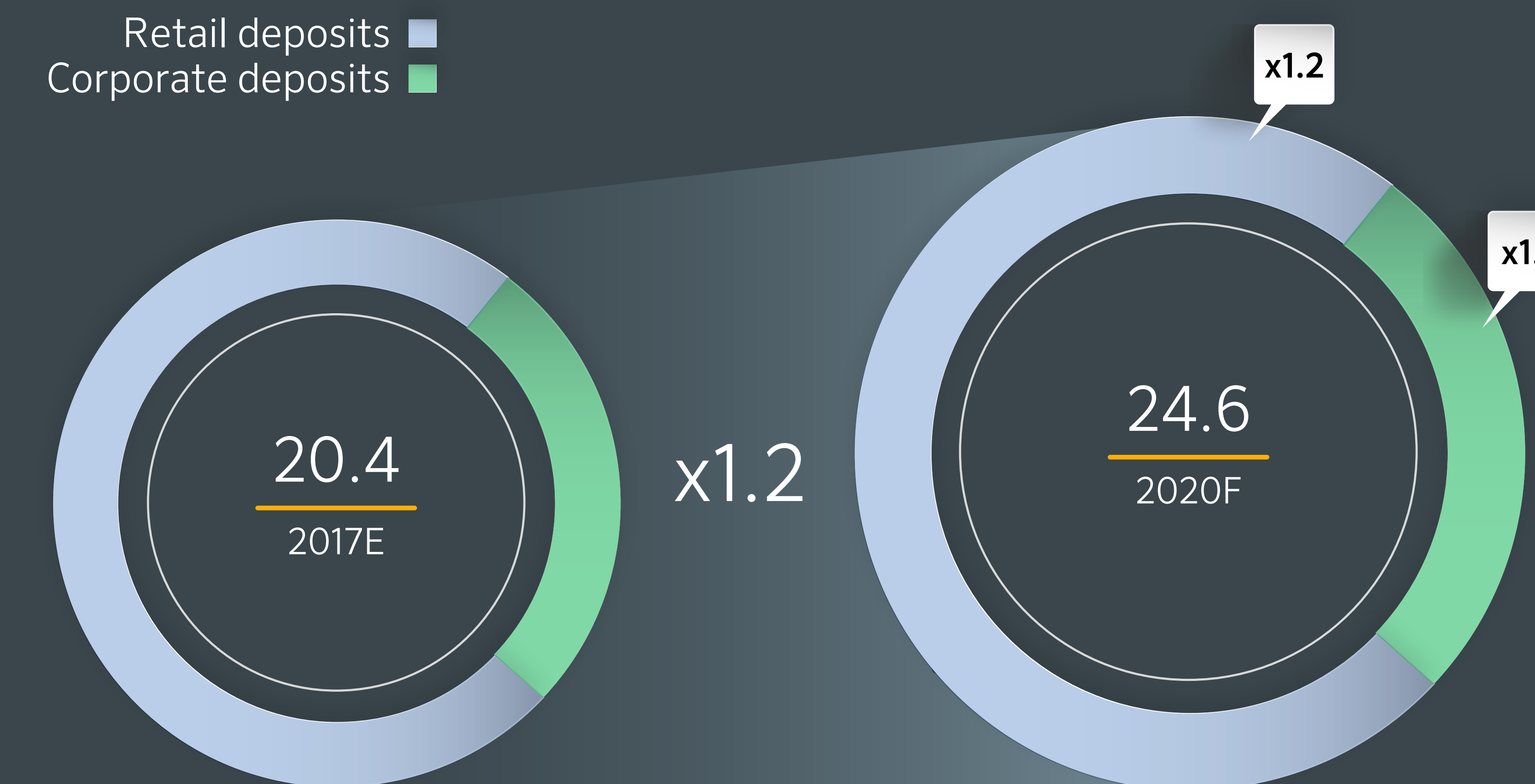
SBERBANK STRATEGY
2020



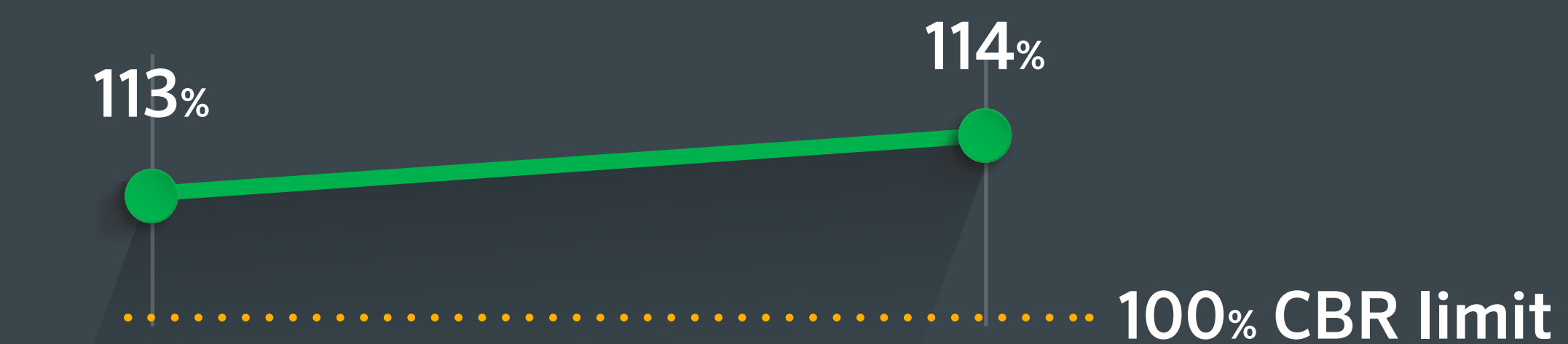
Loan portfolio (gross), RUB trln



Client funds



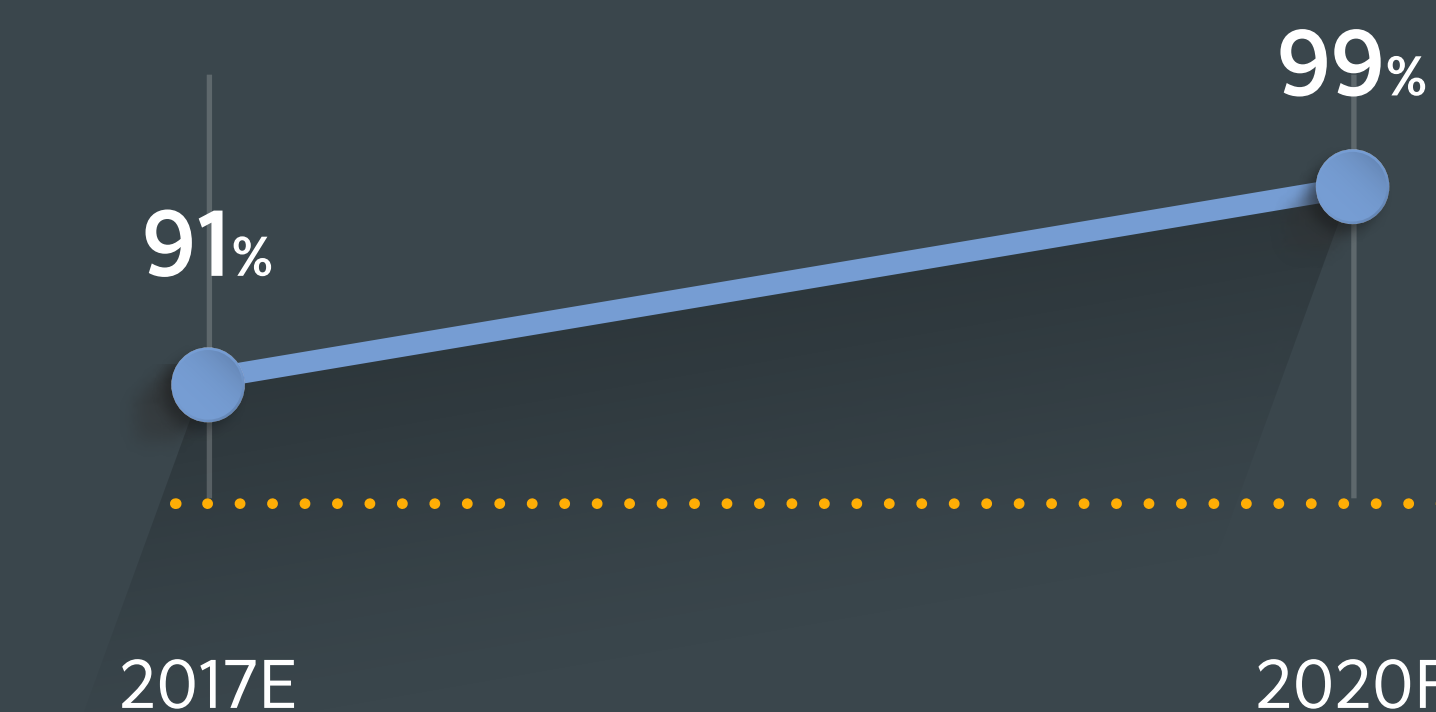
NSFR Ratio %



LCR Ratio %

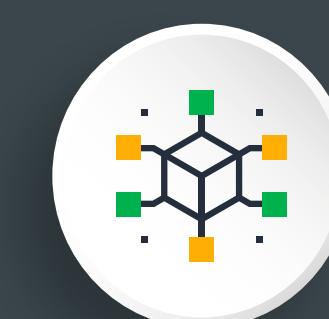


LDR (net) %



Dynamic AI Balance Sheet Management

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Optimizing balance sheet structure

Simulation based on millions of individual transactions
Ongoing optimization using genetic algorithms and response surface modelling



Dynamic planning platform

In-memory computing
Planning based on scenario analysis



Behavioral models

Machine learning predicting customer behavior



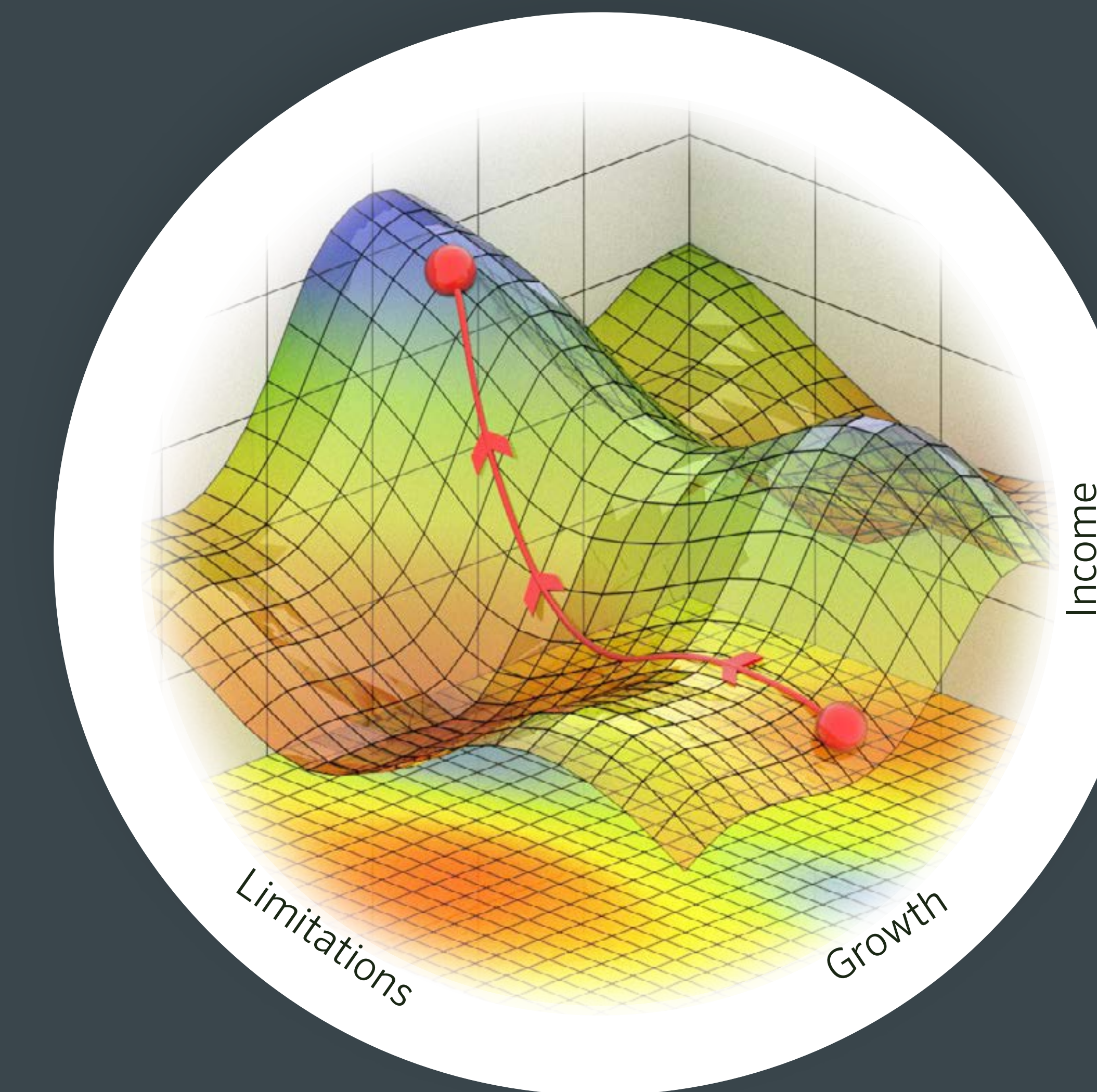
Holistic approach

Decisions based on comprehensive impact analysis of BS, PL and risks



Forward-looking

Forecast, scenario analysis and early warning indicators as base for decision-making



290 behavioral models

3.5 mln contracts forecasted

14 bln transaction simulations

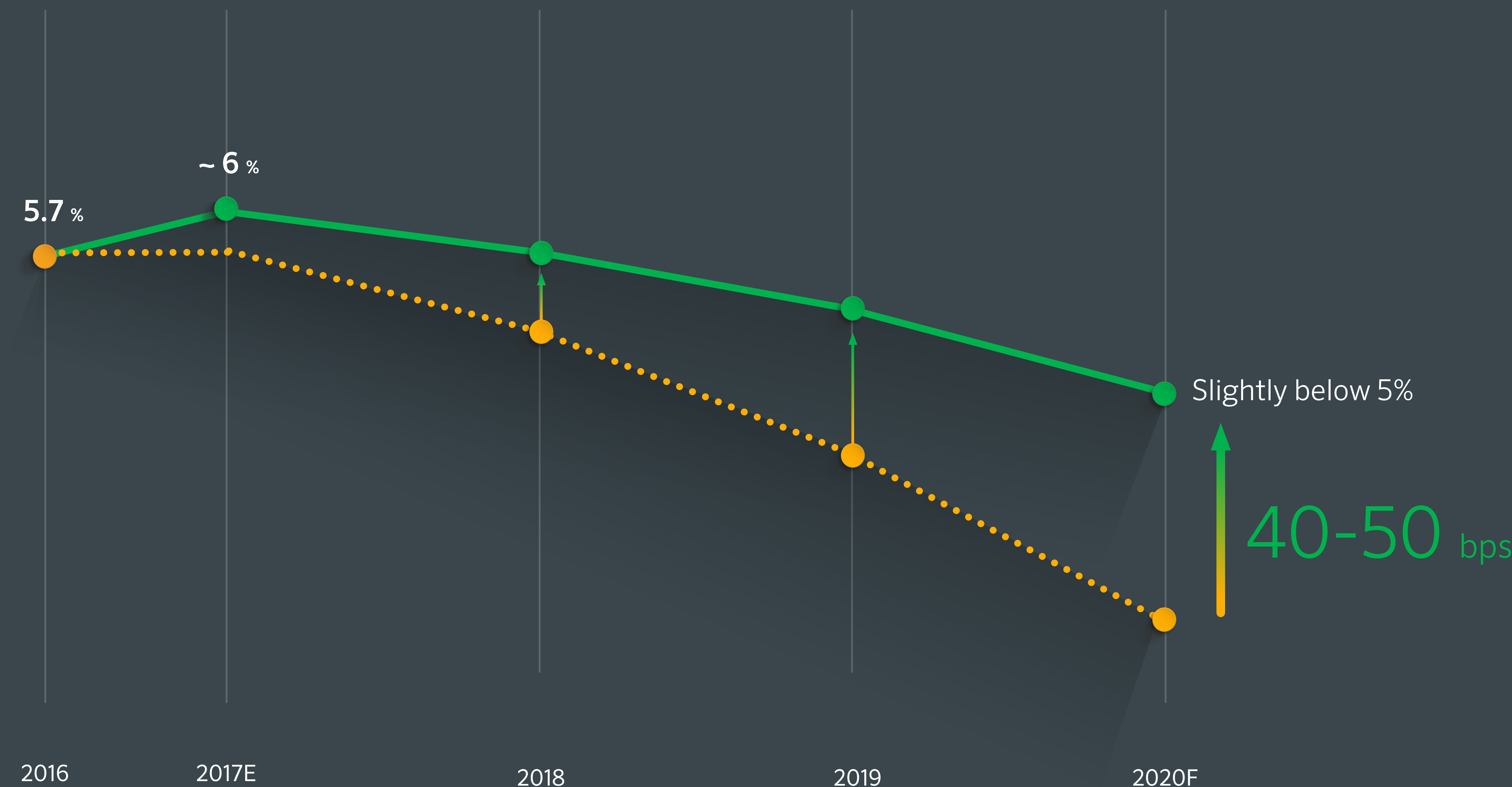
Dynamic AI – ALM management is mitigating margin compression

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SBERBANK STRATEGY
2020

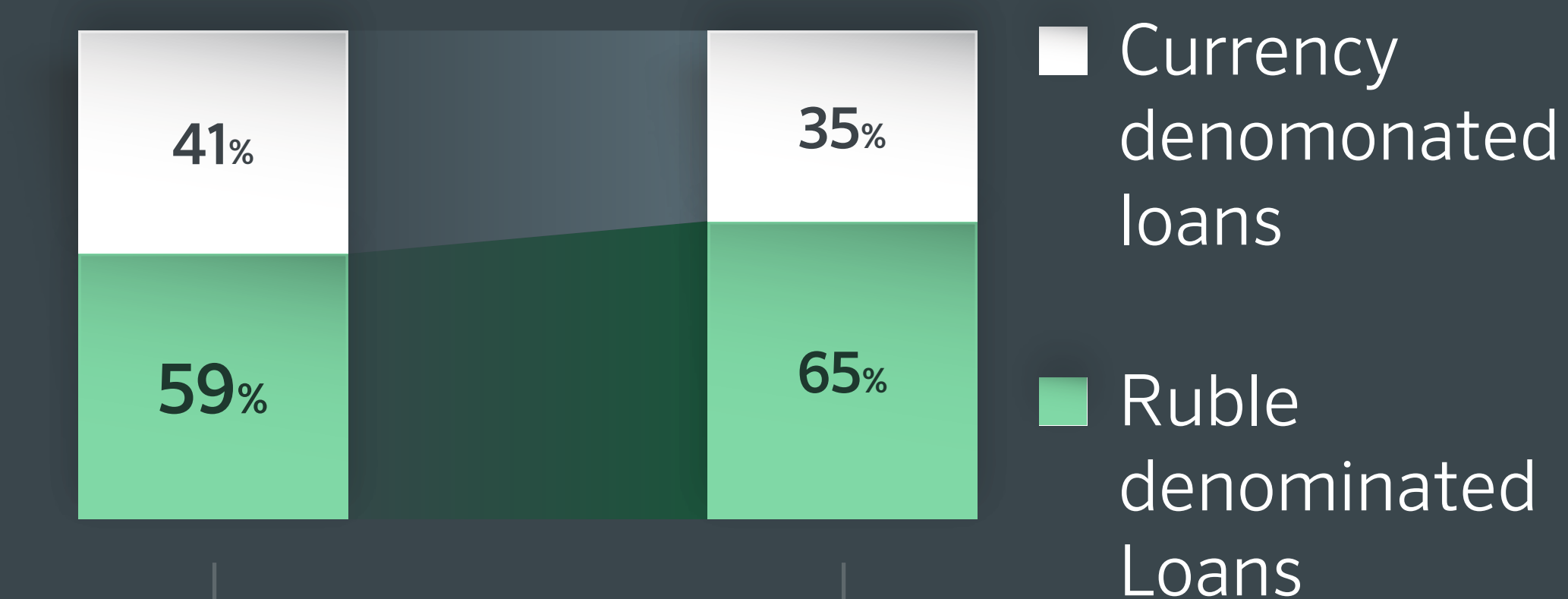
Dynamic ALM management —
Inertial scenario

Net interest margin optimization

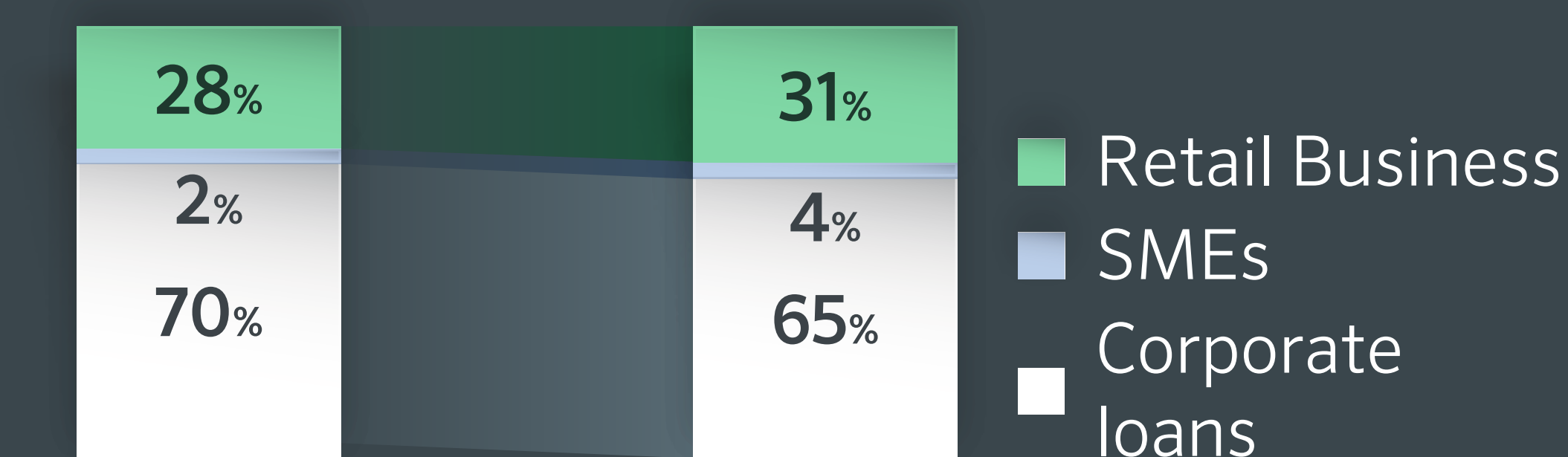


Key factors

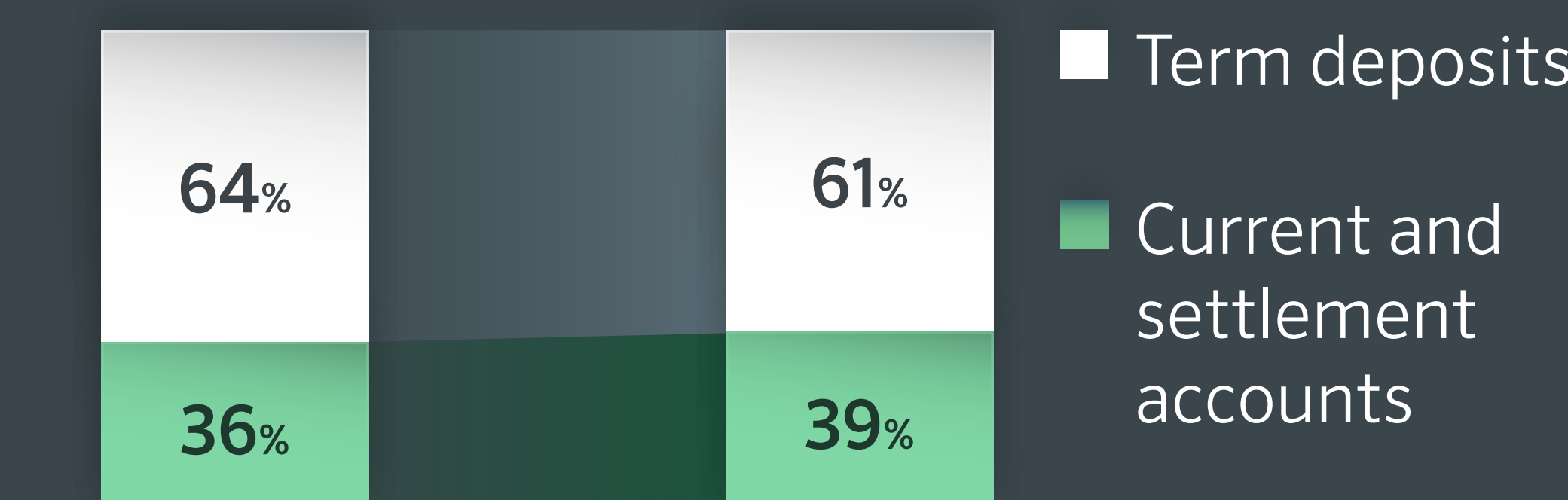
Shift to margin accretive Ruble lending



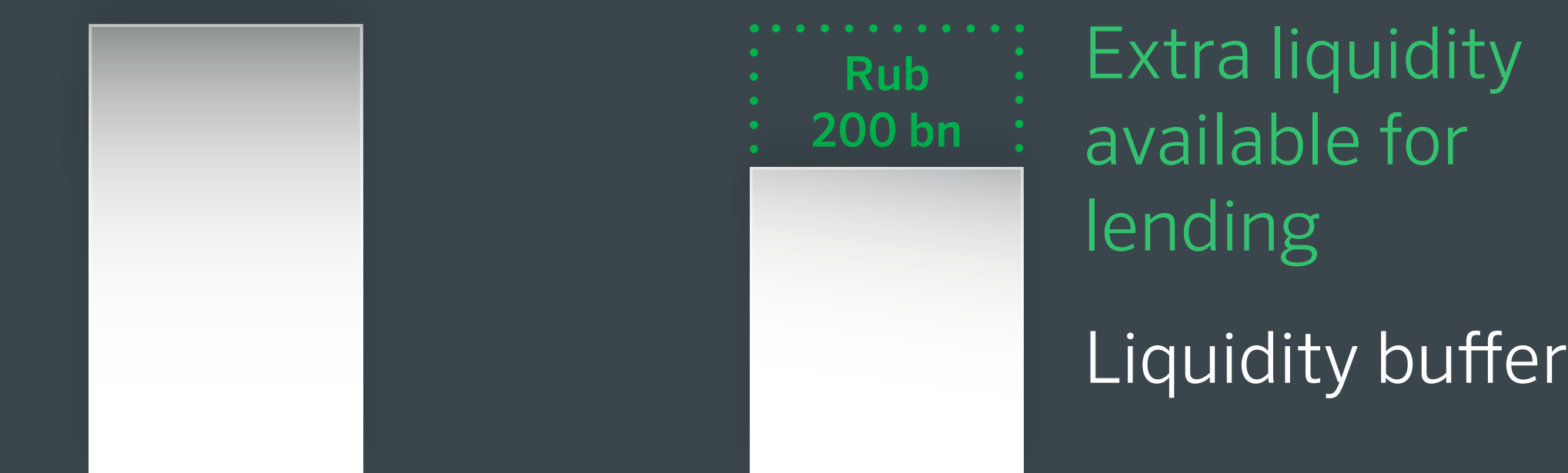
Shift to margin accretive retail and SME lending



Transactional business to reduce cost of funding



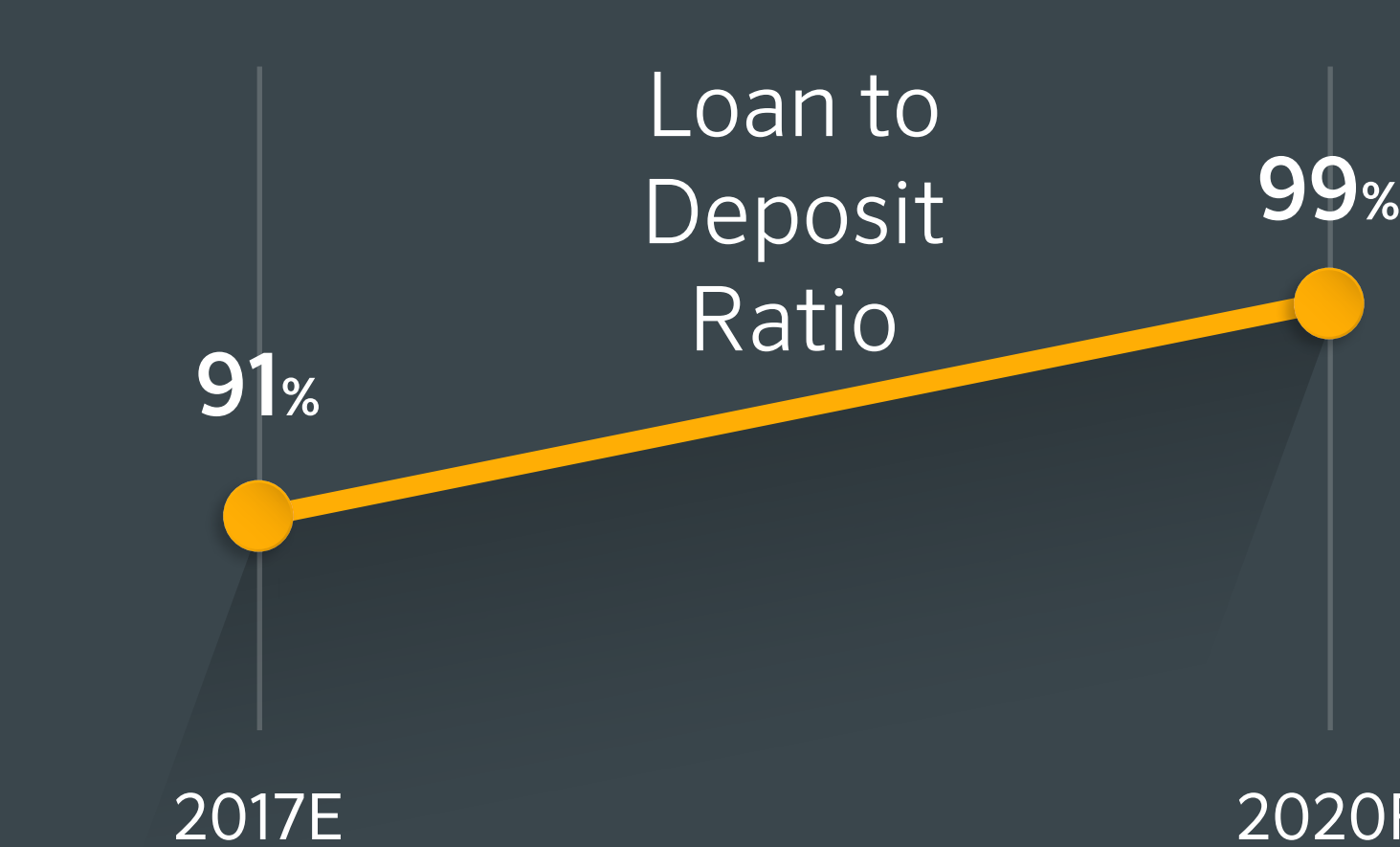
Forecast accuracy improves asset structure



Increases share of Loans in Total Assets

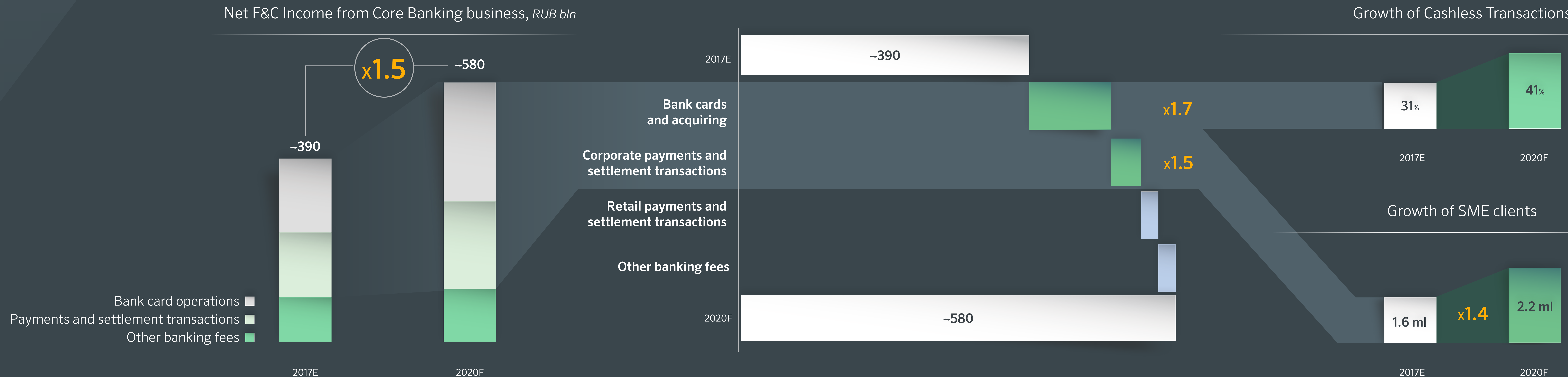


Optimize balance sheet structure



Growing F&C income driven by core banking

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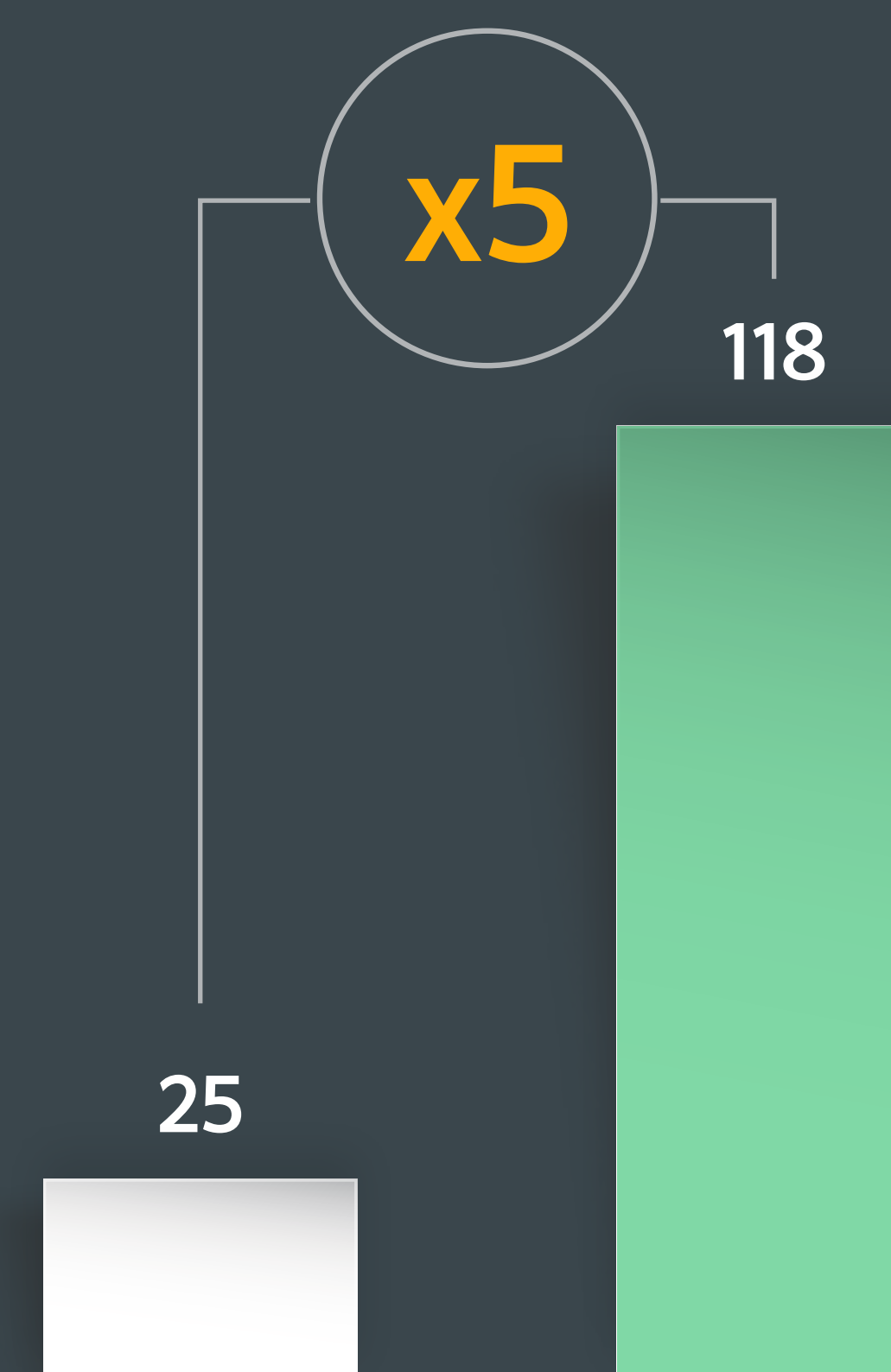


Income growth outside of core banking business

Non-banking financial business

Operating income, RUB bln

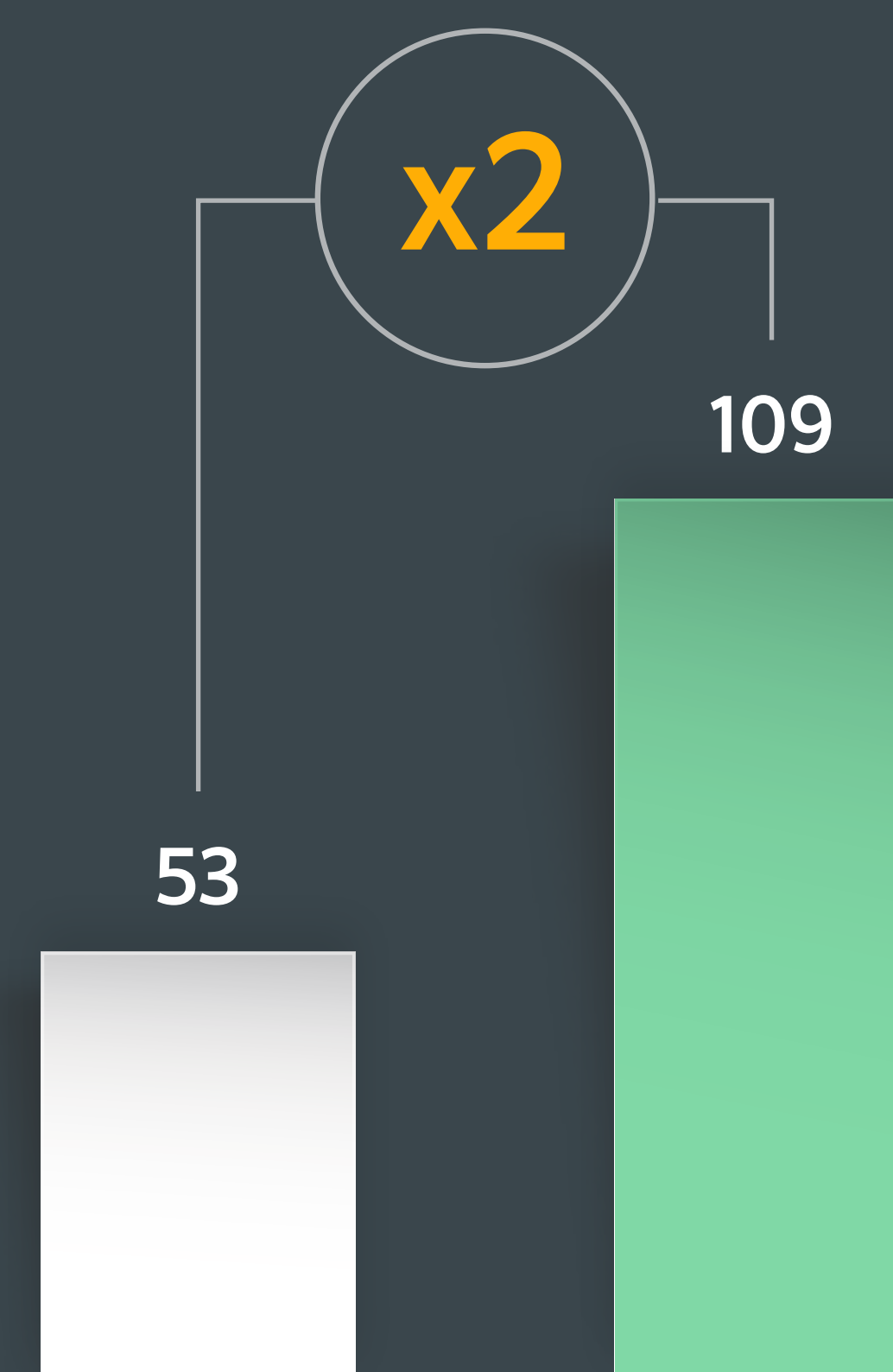
Asset management
and Pension fund management



2017E

2020F

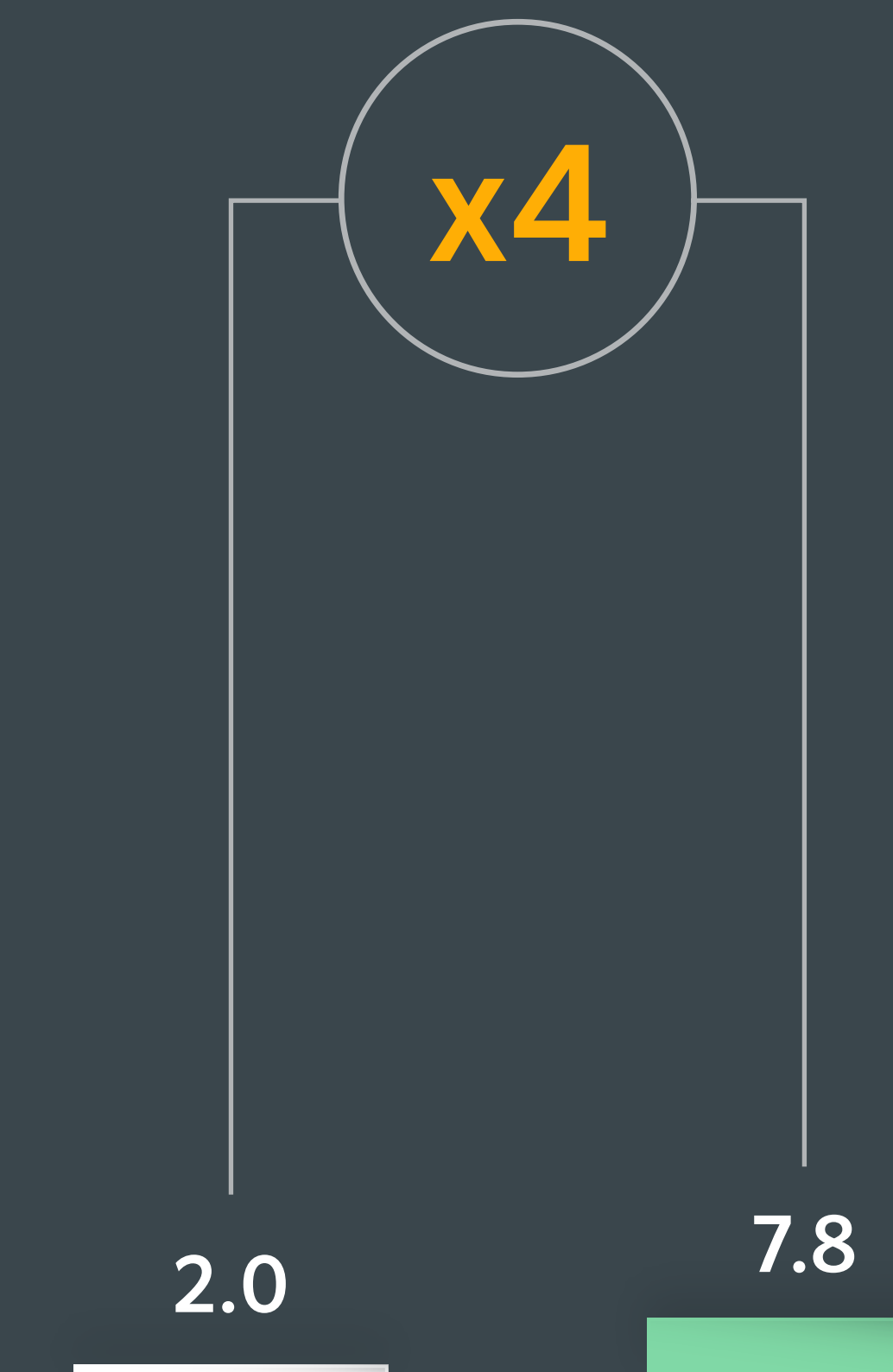
Insurance



2017E

2020F

Brokerage



2017E

2020F

Revenue from new business

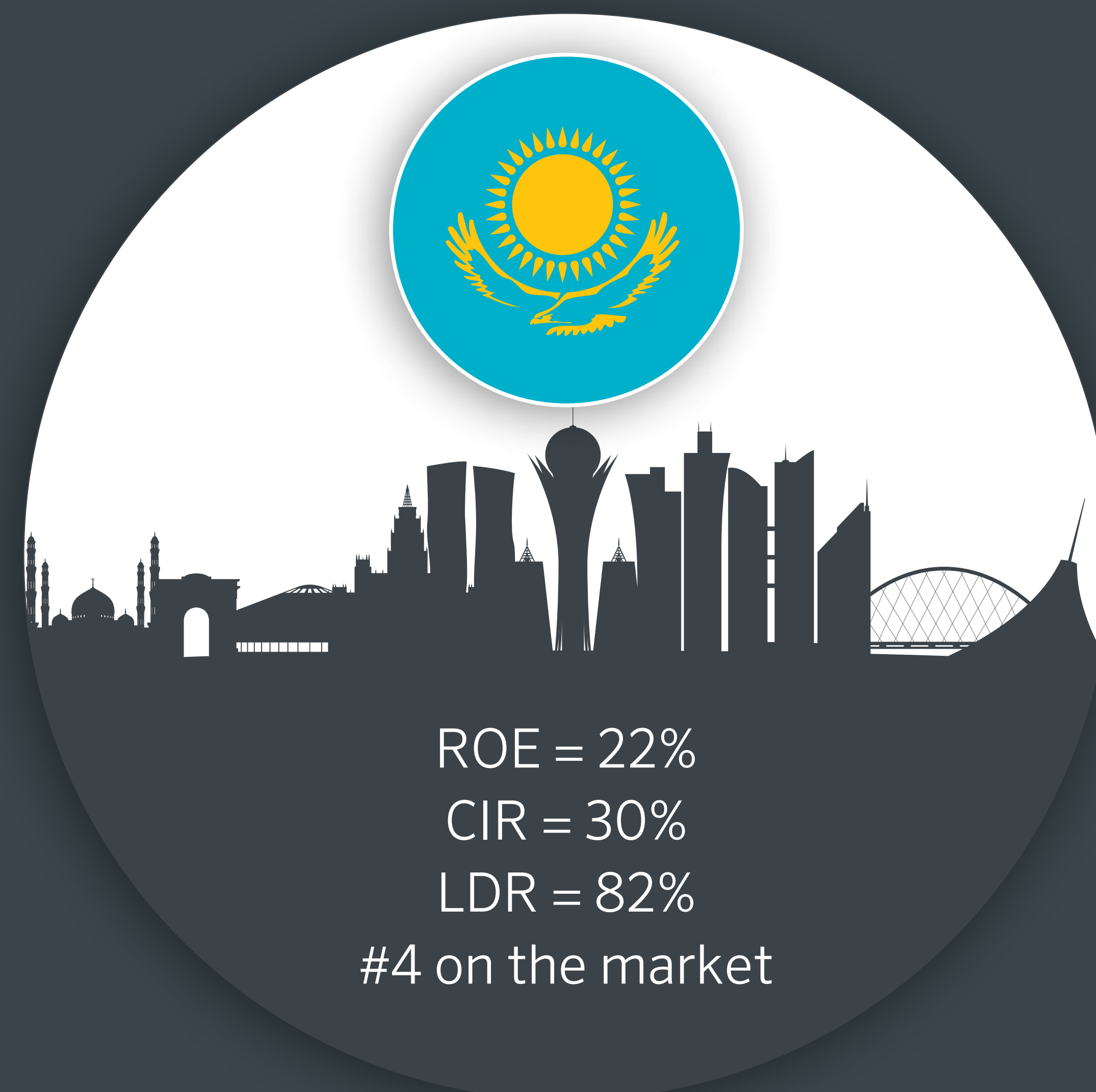


International business is adopting to the new reality

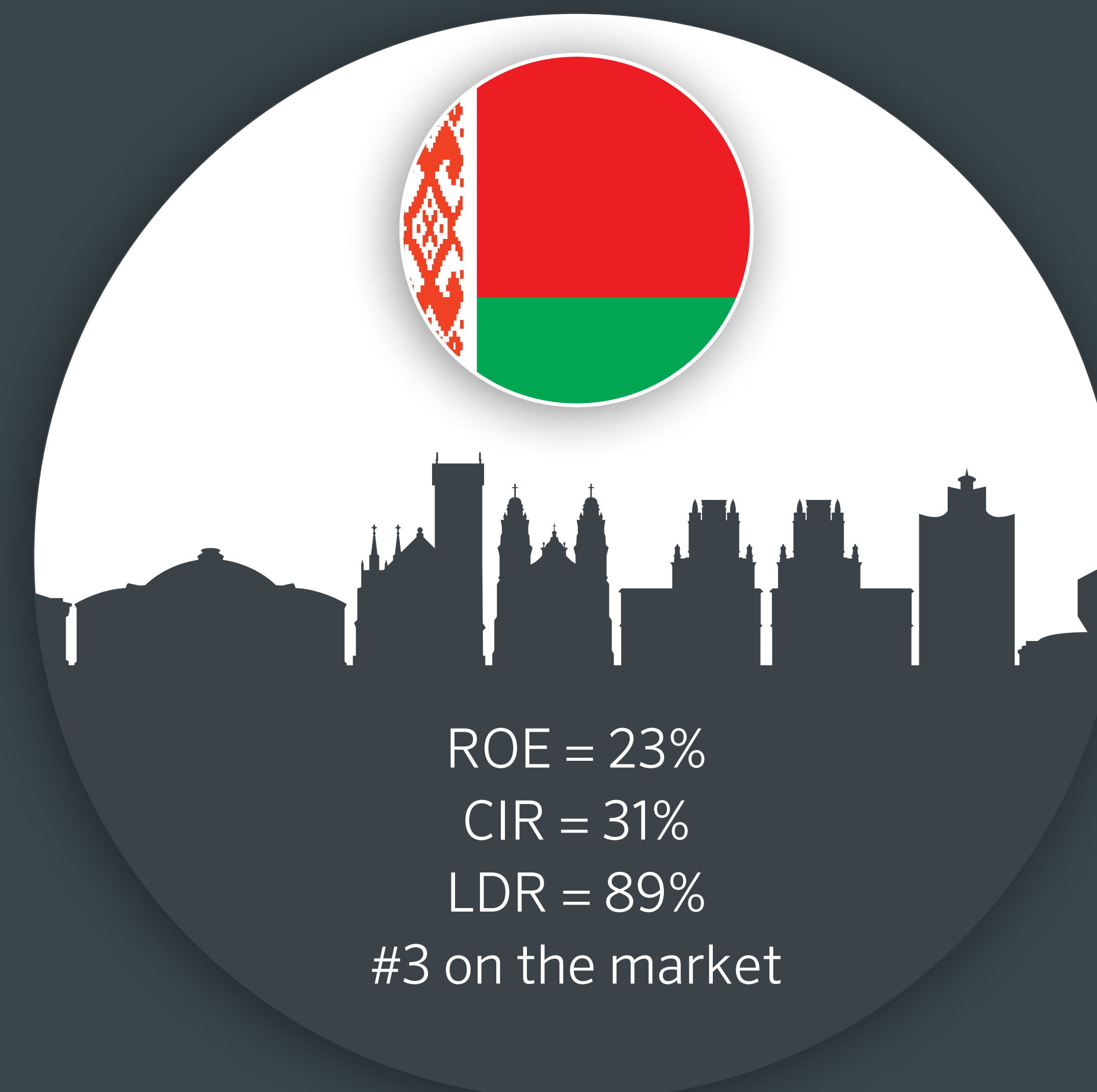
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2020
FORECAST

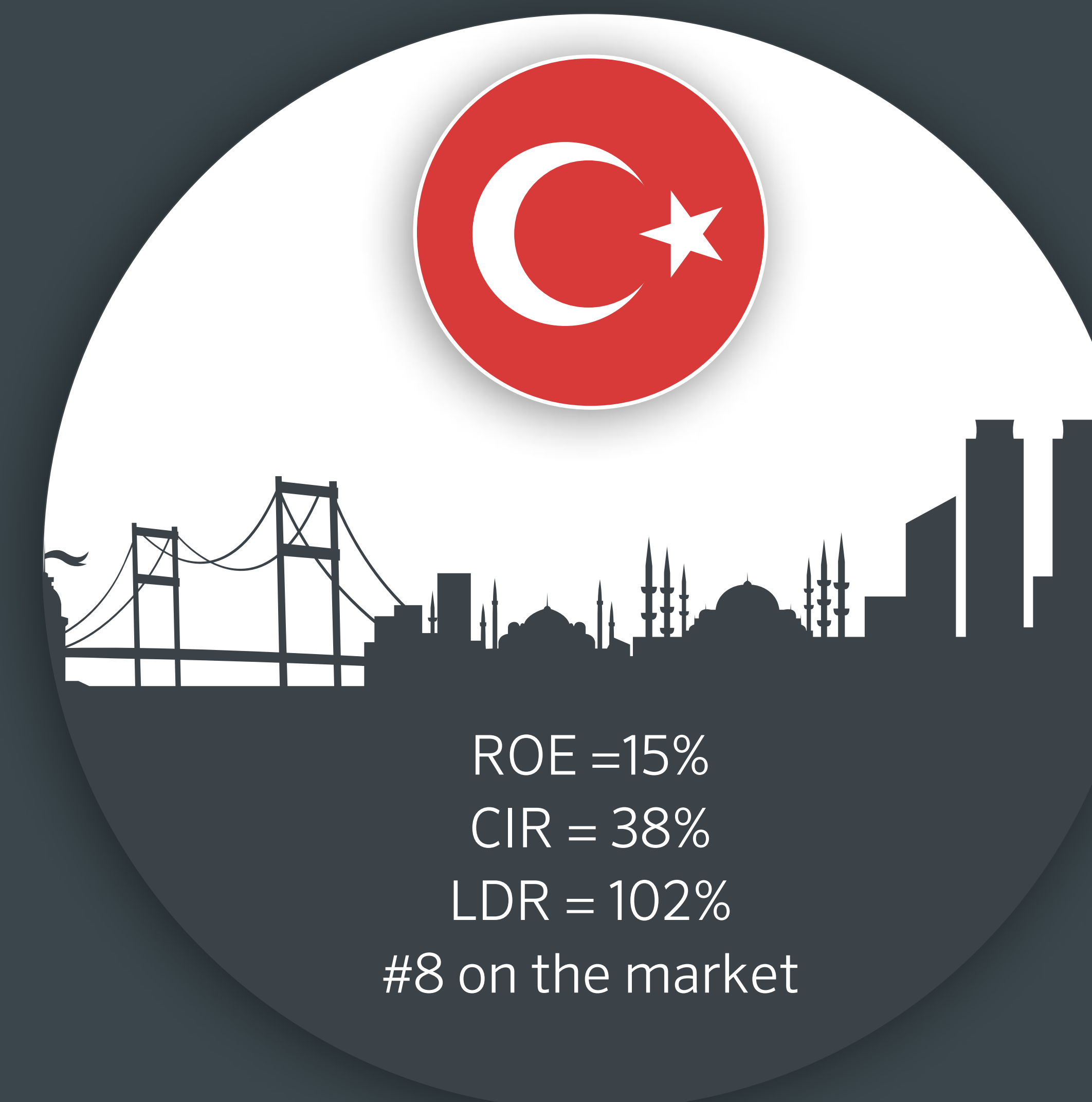
SBERBANK KAZAKHSTAN



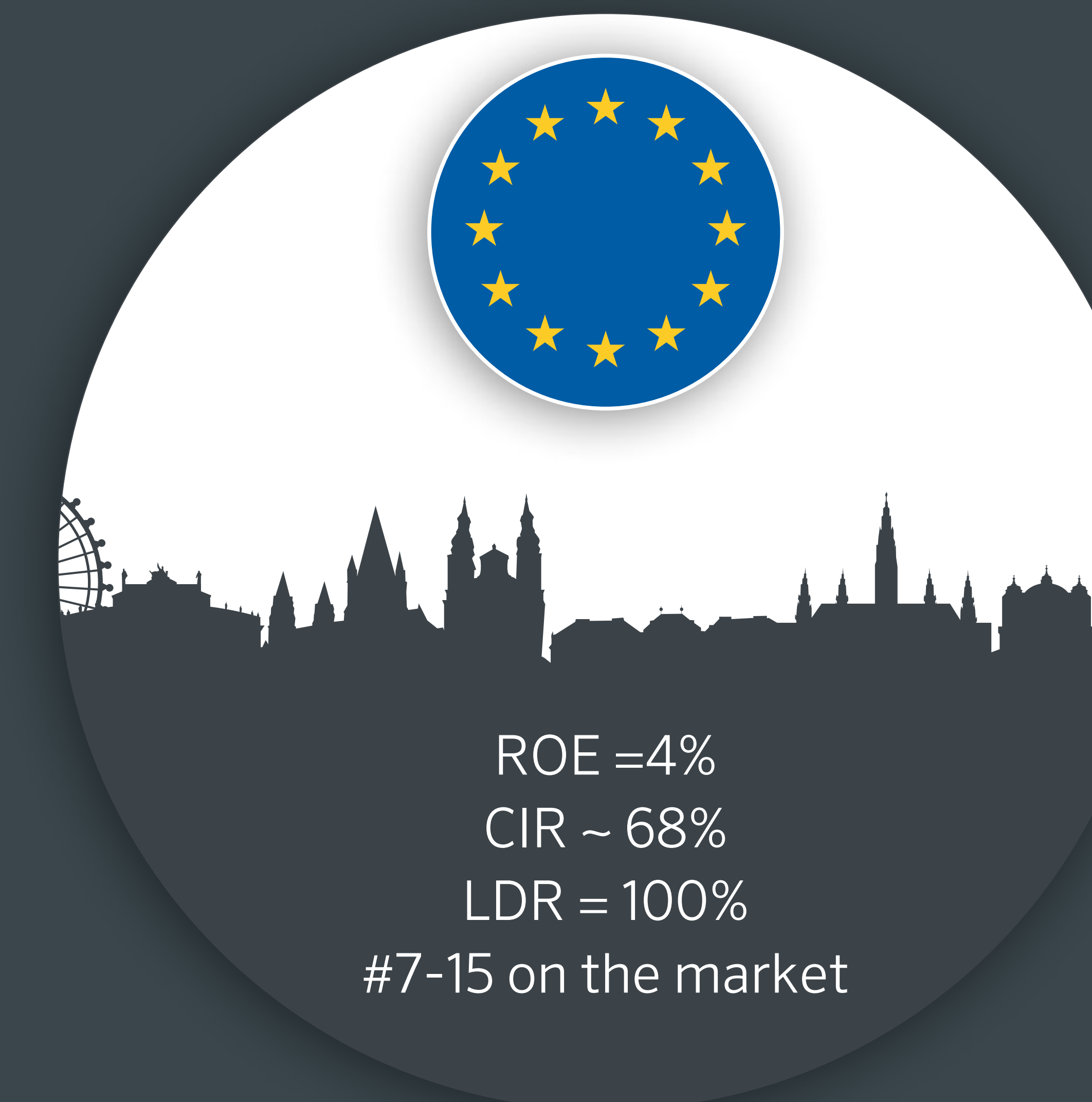
BPS-SBERBANK



DENIZBANK



SBERBANK EUROPE

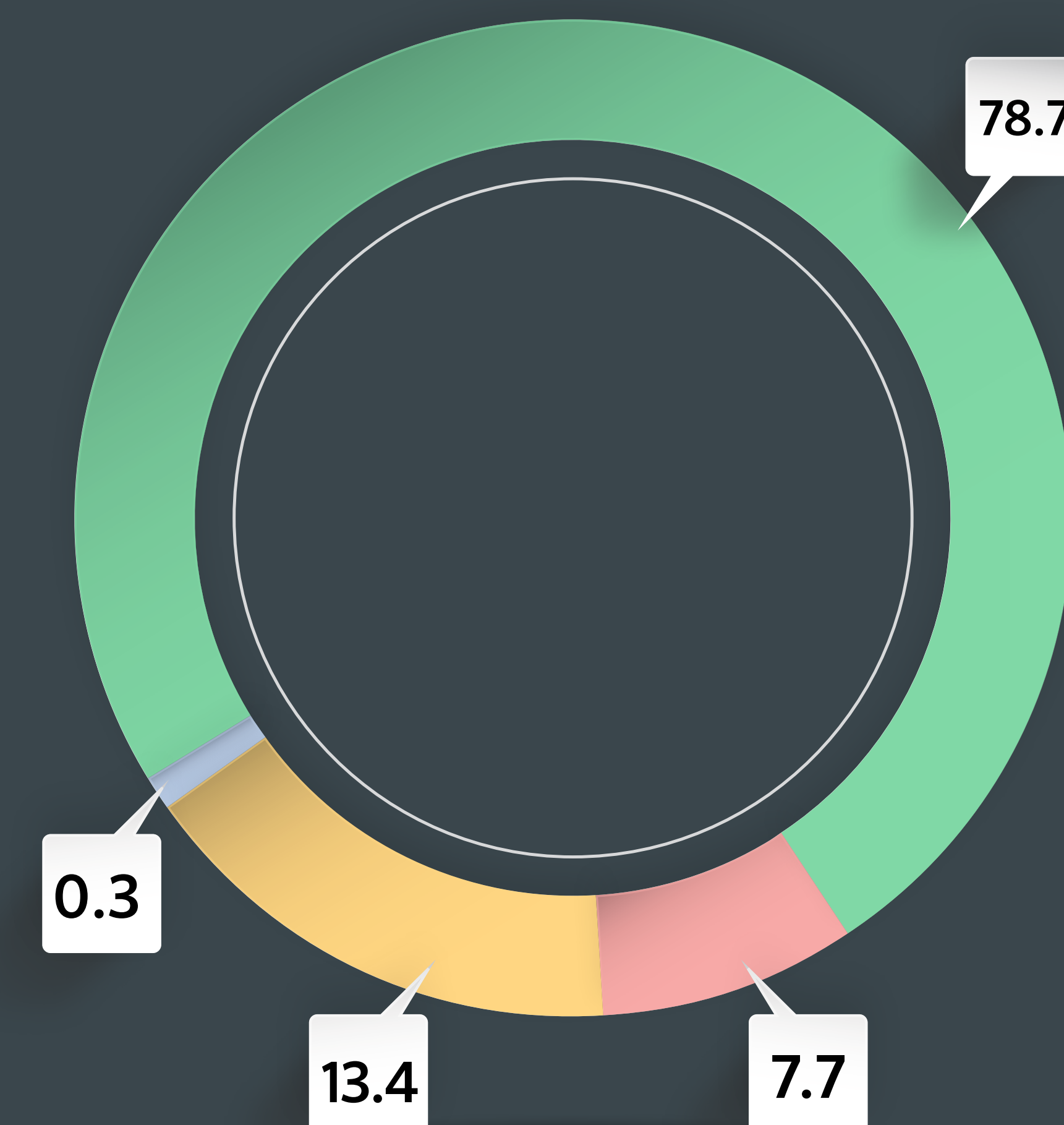


Assets, Revenue and Capital allocation

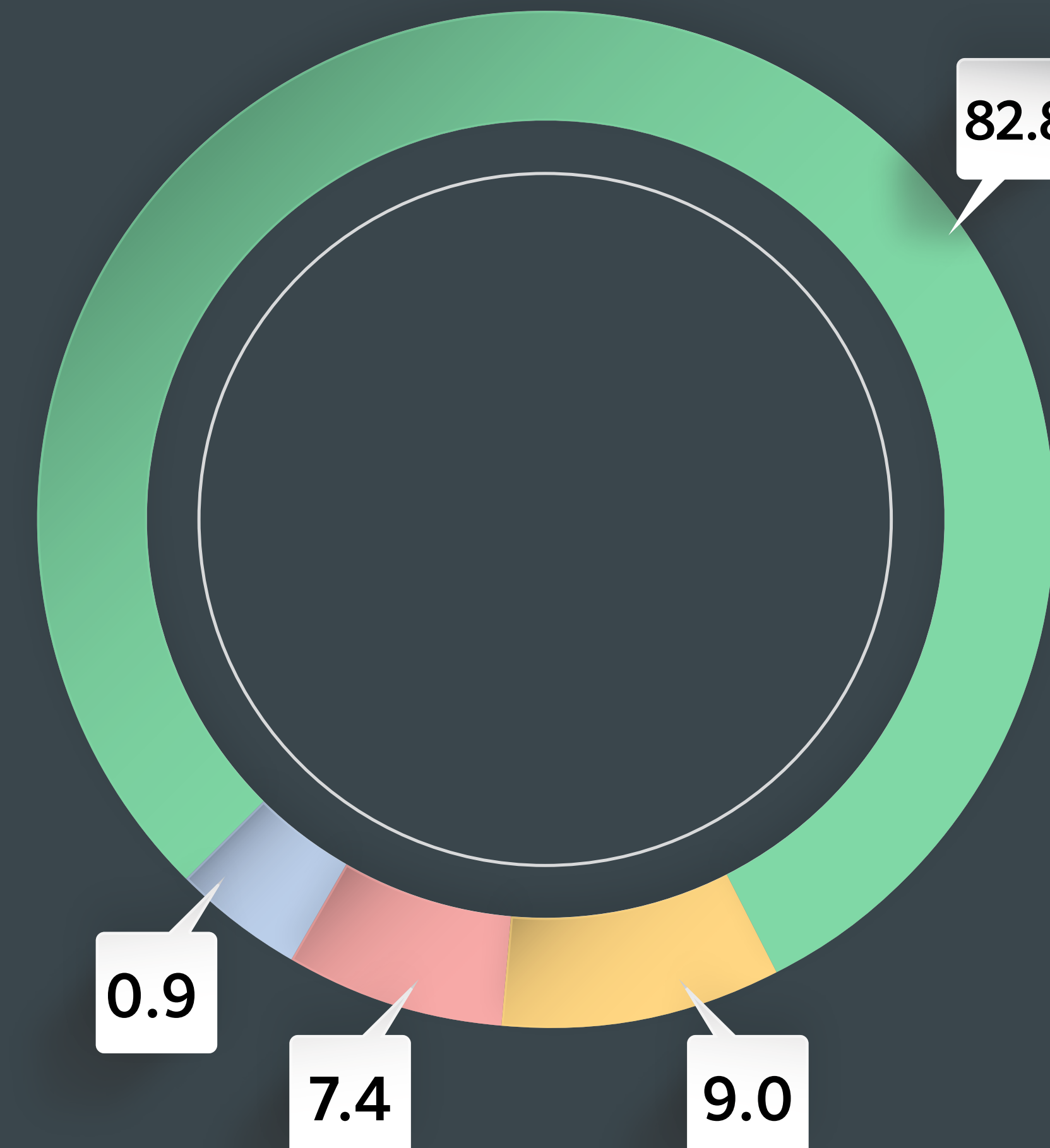
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2020
FORECAST

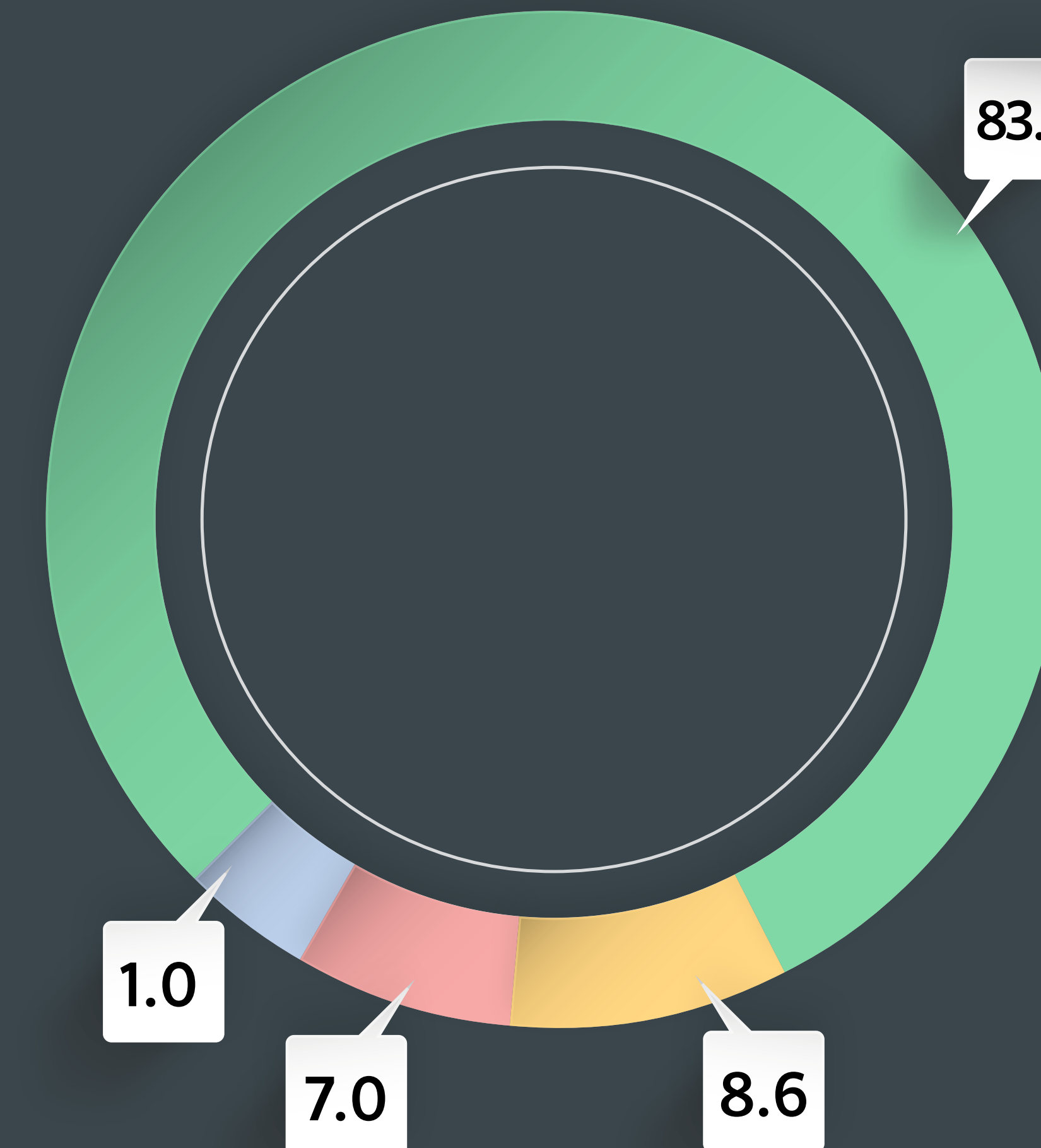
Assets, % of the Group



Revenue, % of the Group



Capital, % of the Group



Russia banking

Russia non-banking financial

Russia new businesses

International business

Target 2020

ROE

CIR

20.0%

28.4%

21.6%

30.8%

15.3%

51.3%

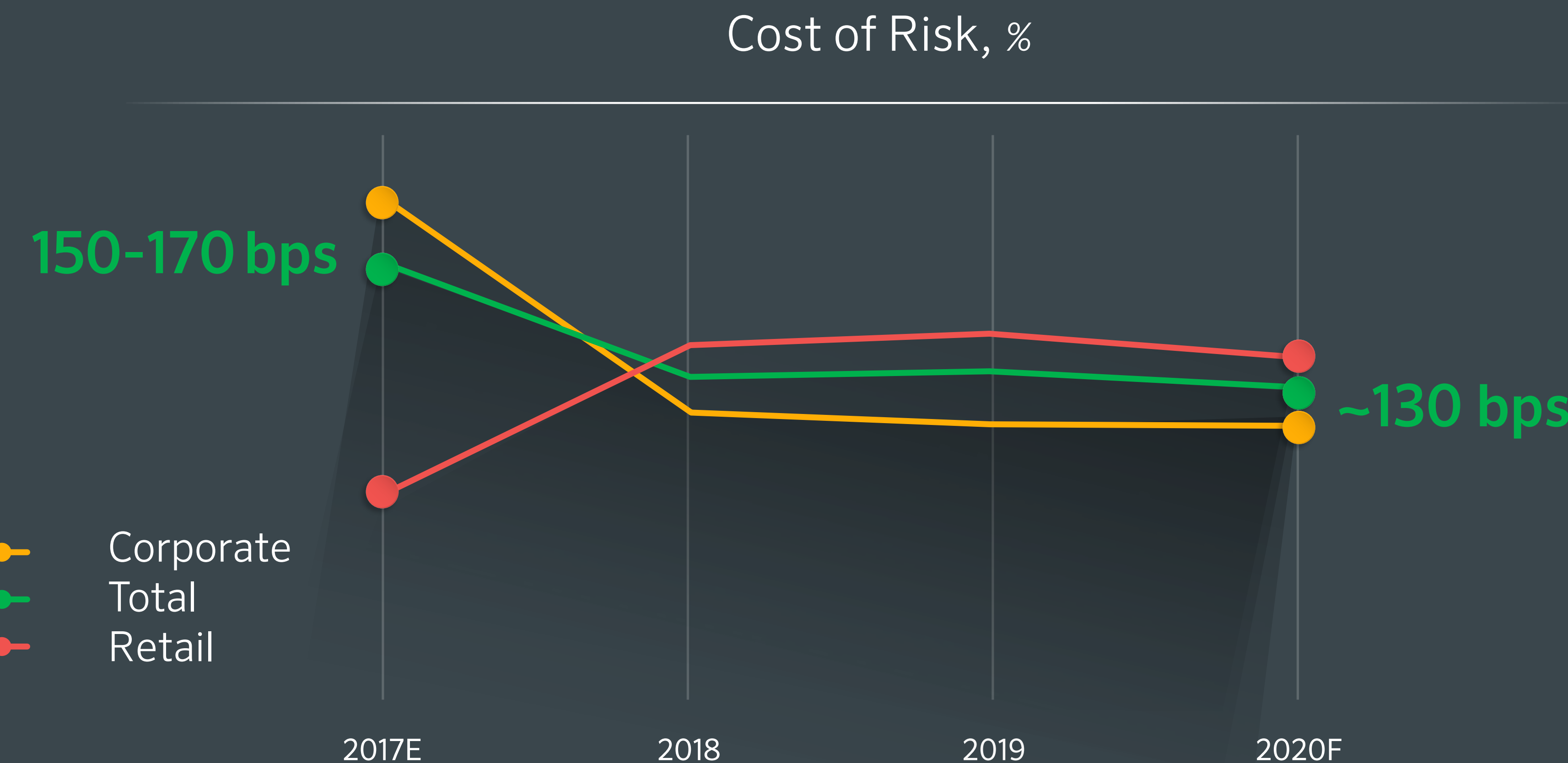
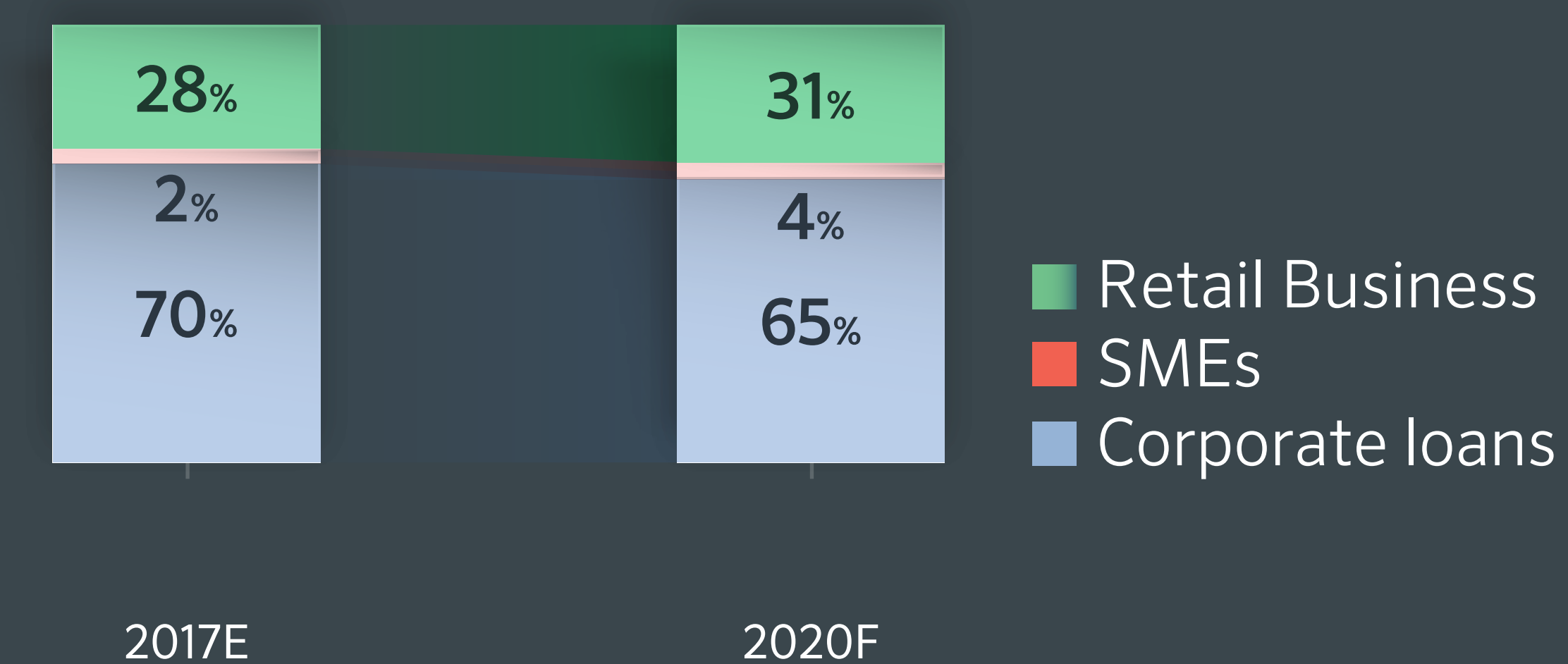
12.4%

41.3%

Gradual increase in risk appetite on better environment

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Shift to margin accretive retail and SME lending

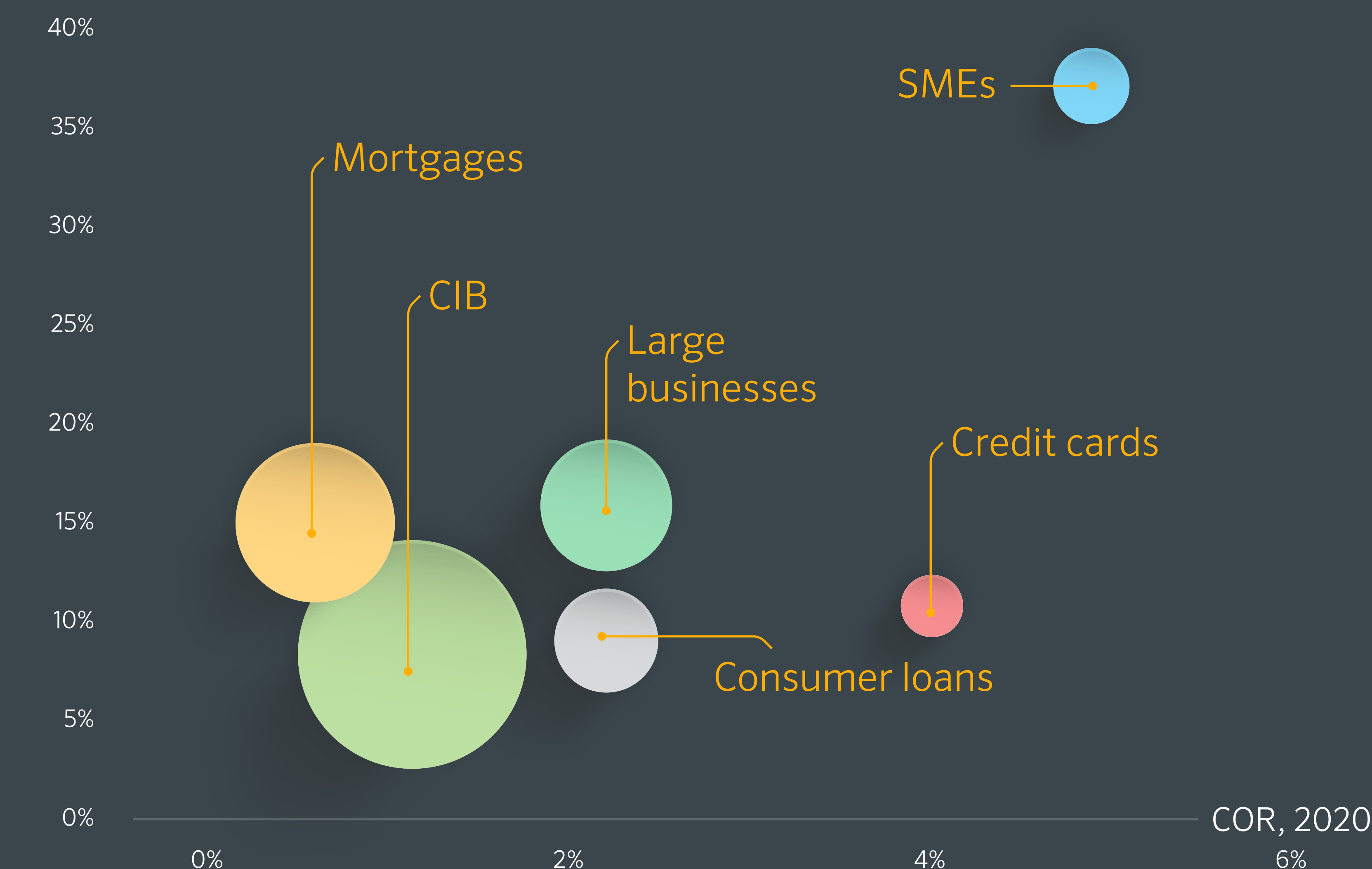


IFRS 9

Estimated negative effect is below
40 bps on CET 1 CAR

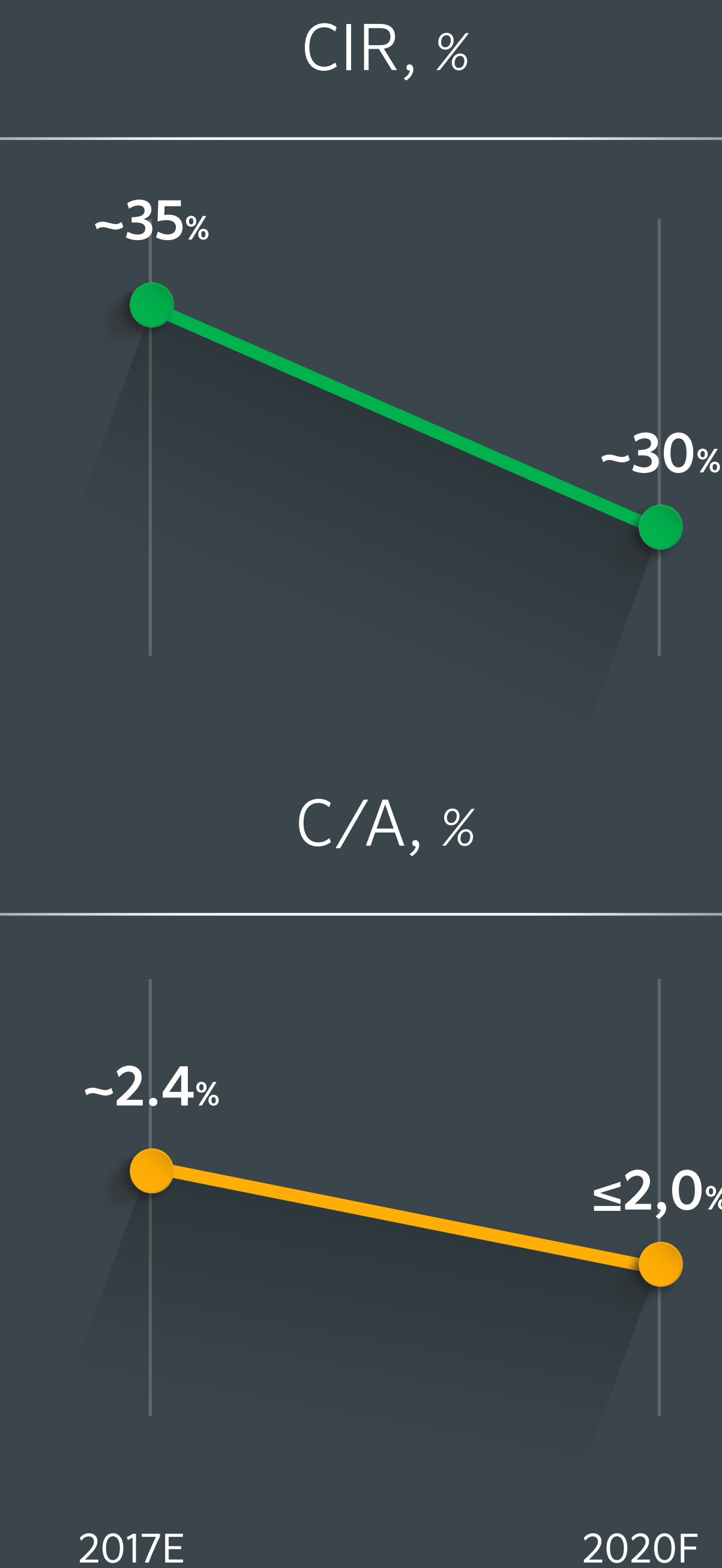
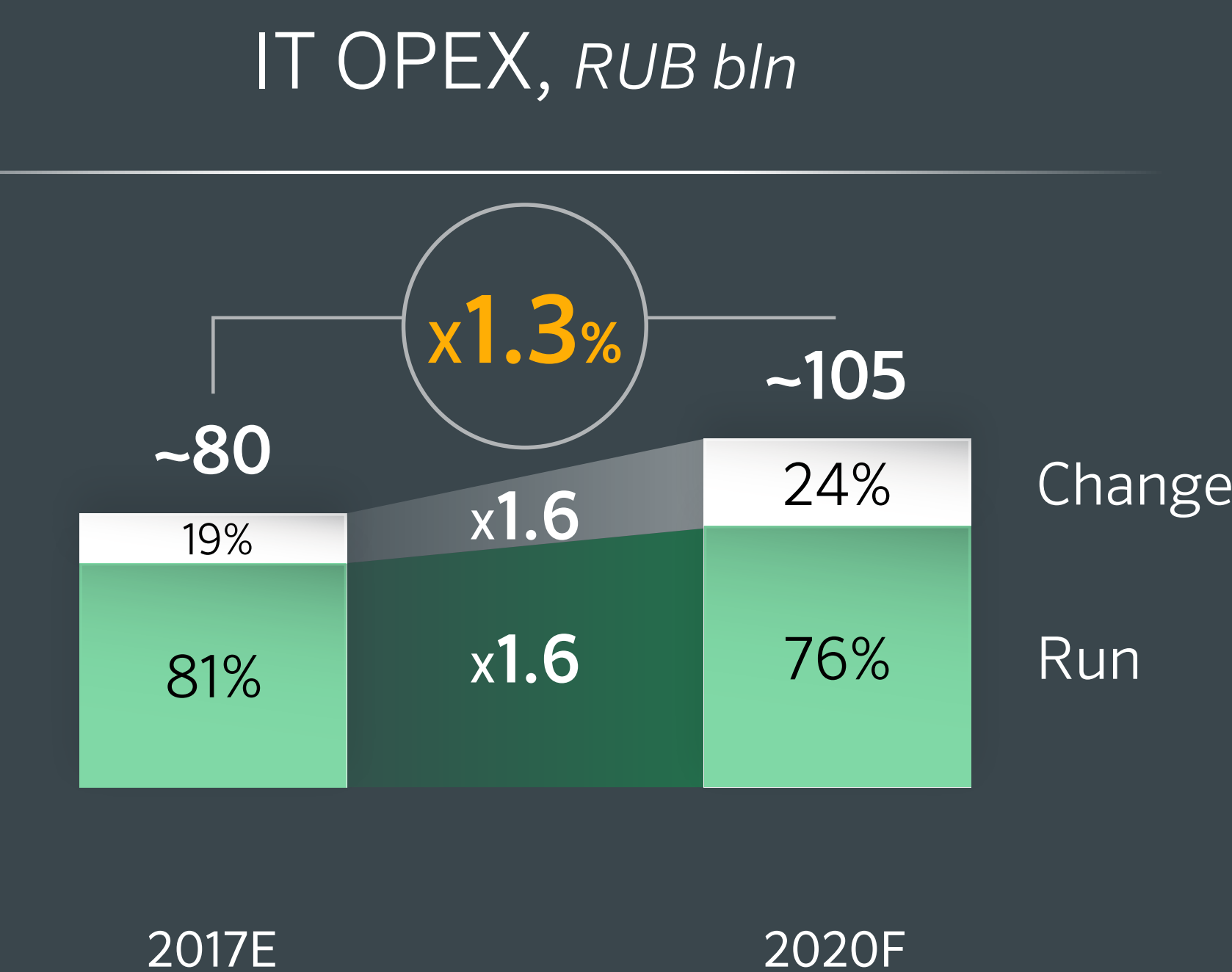
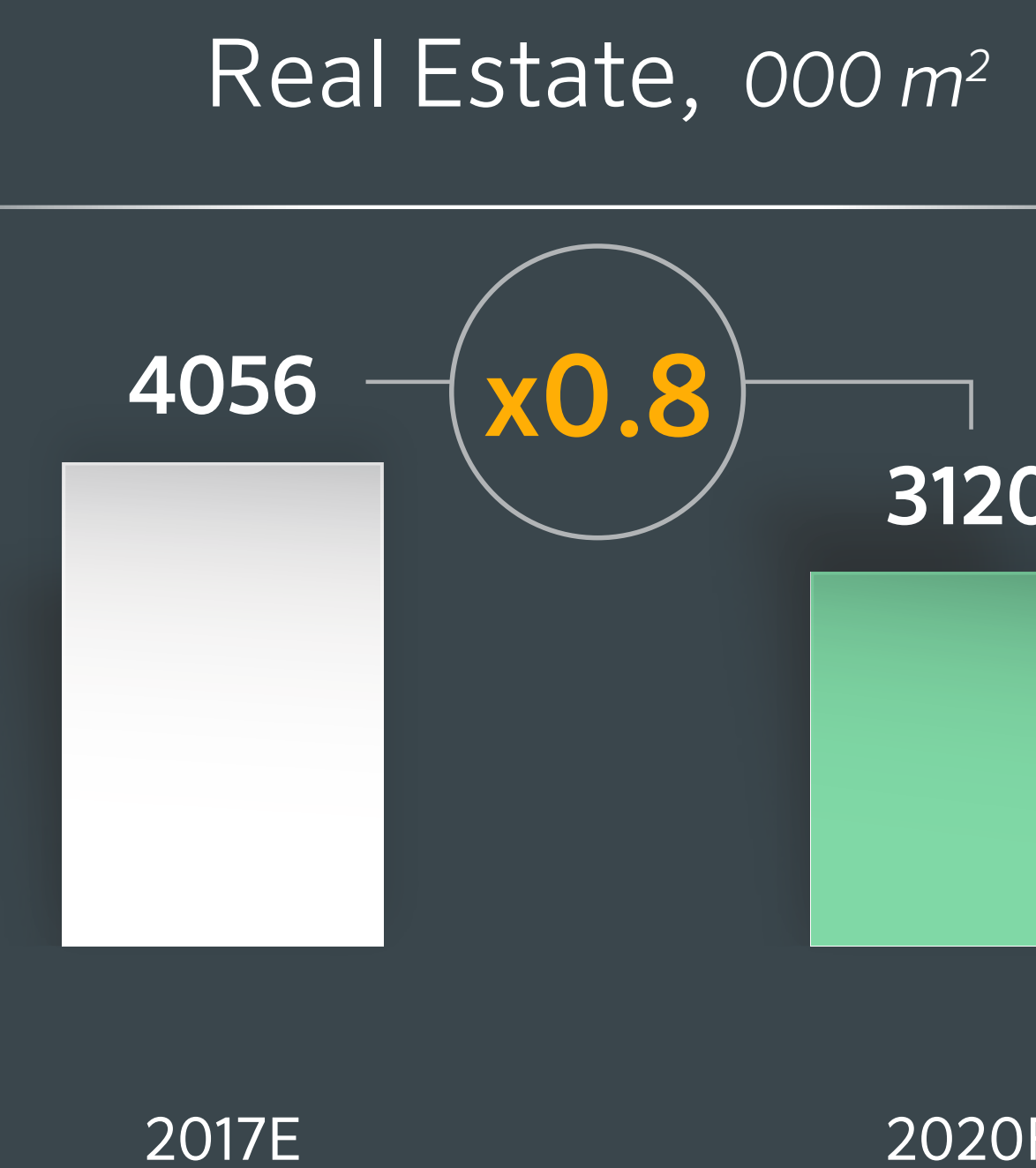
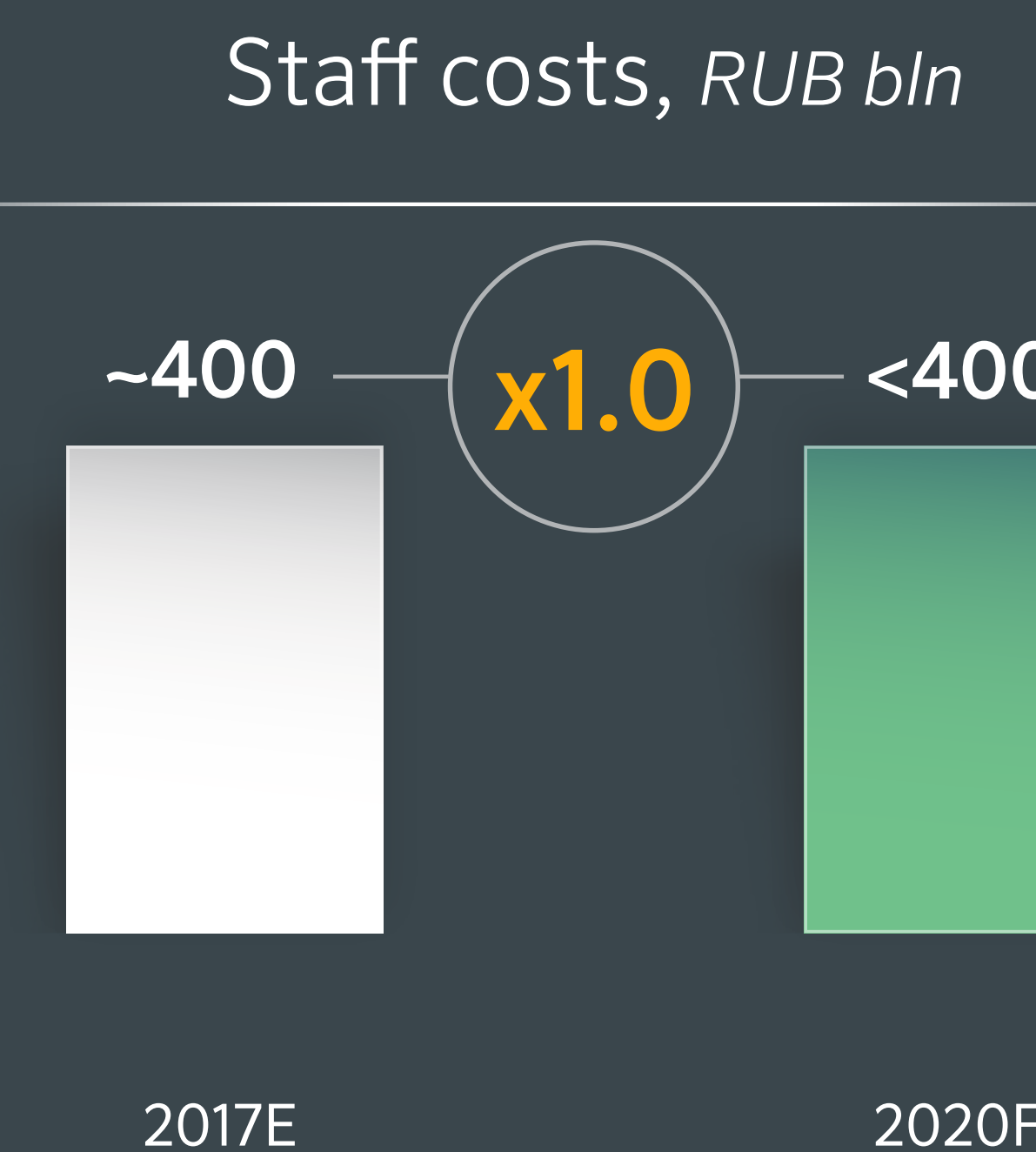
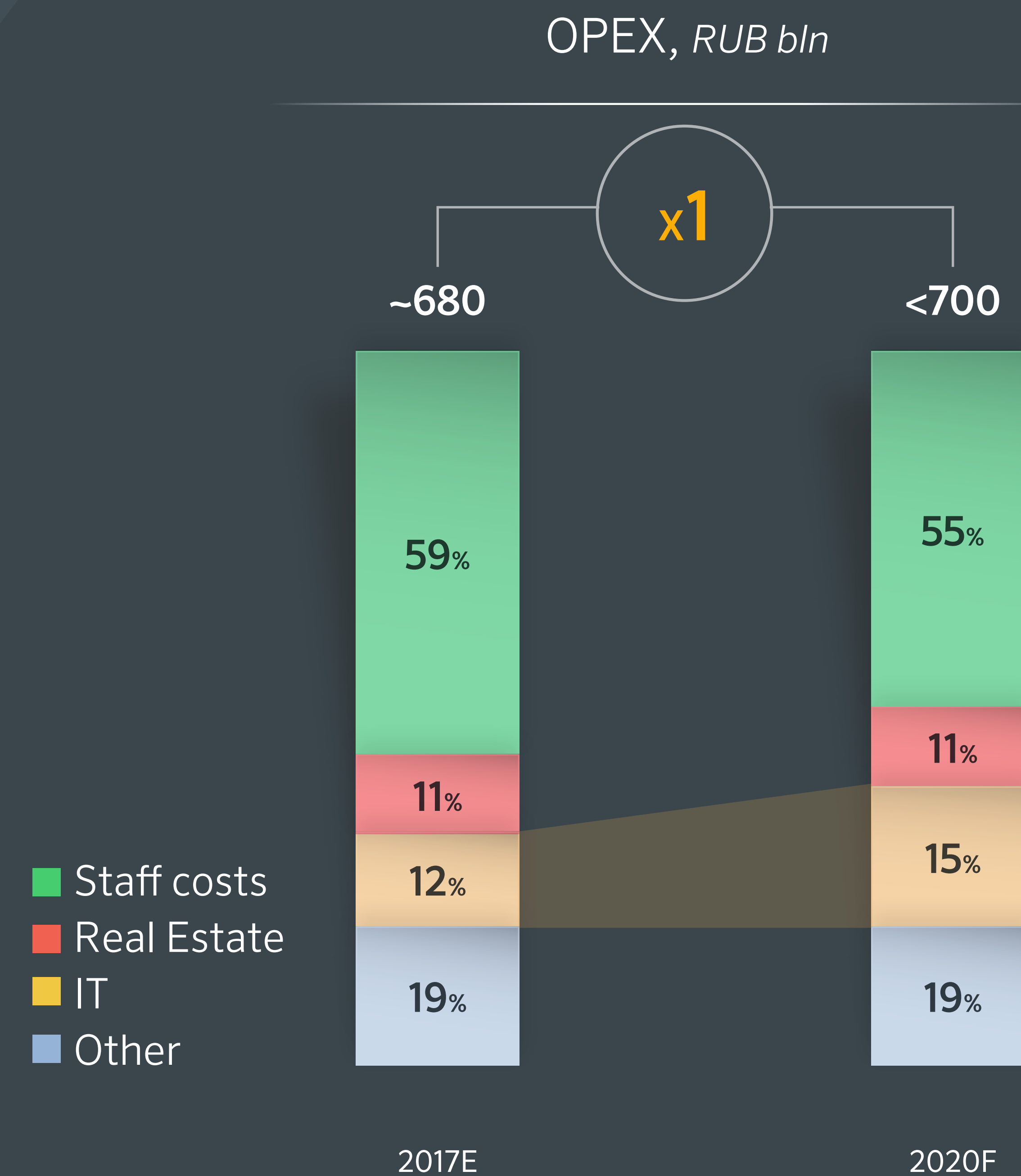
COR estimates include IFRS 9
rolling effect

Portfolio growth CAGR, 2017-2020



Frozen OPEX – positive operating leverage

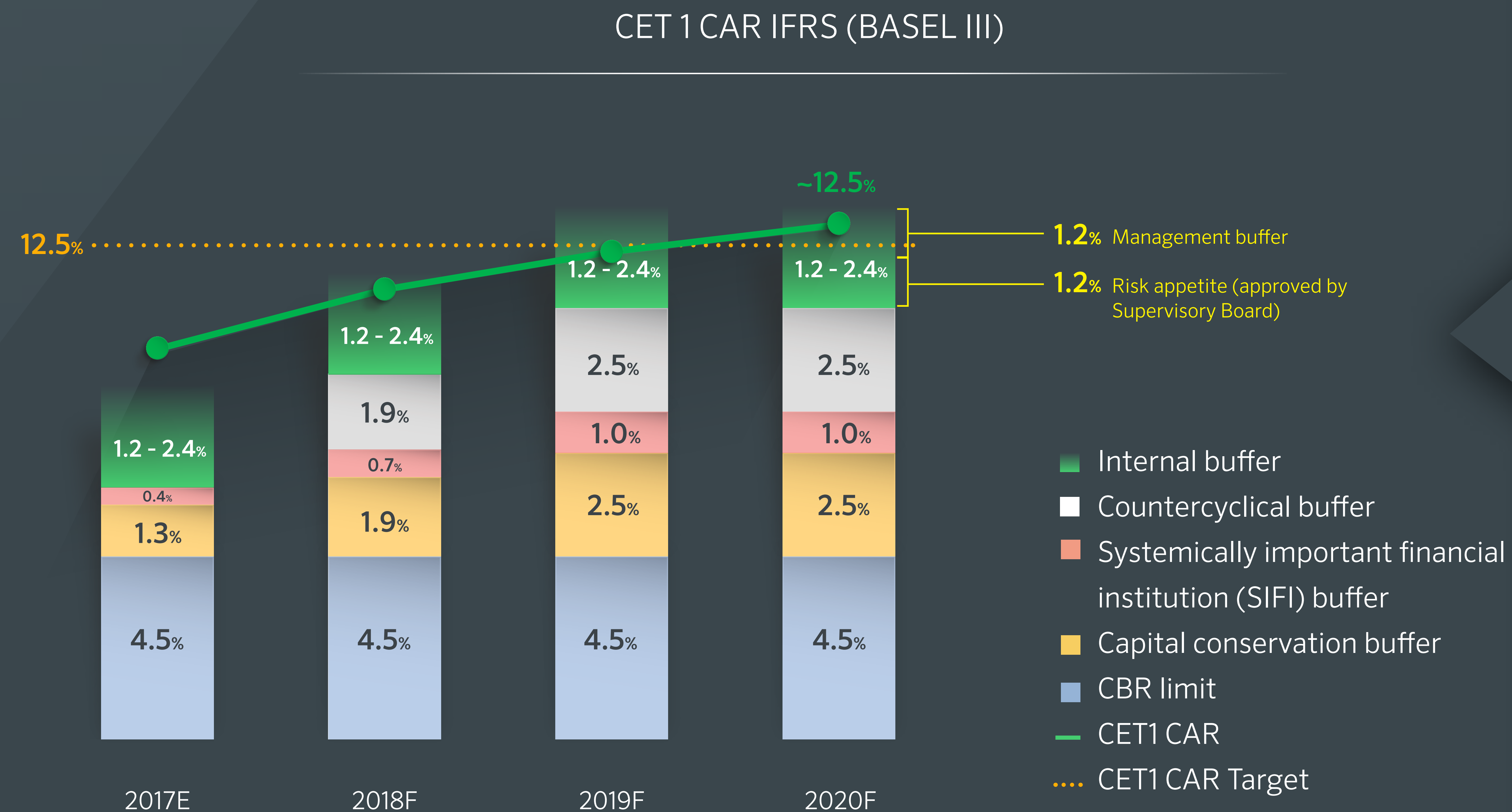
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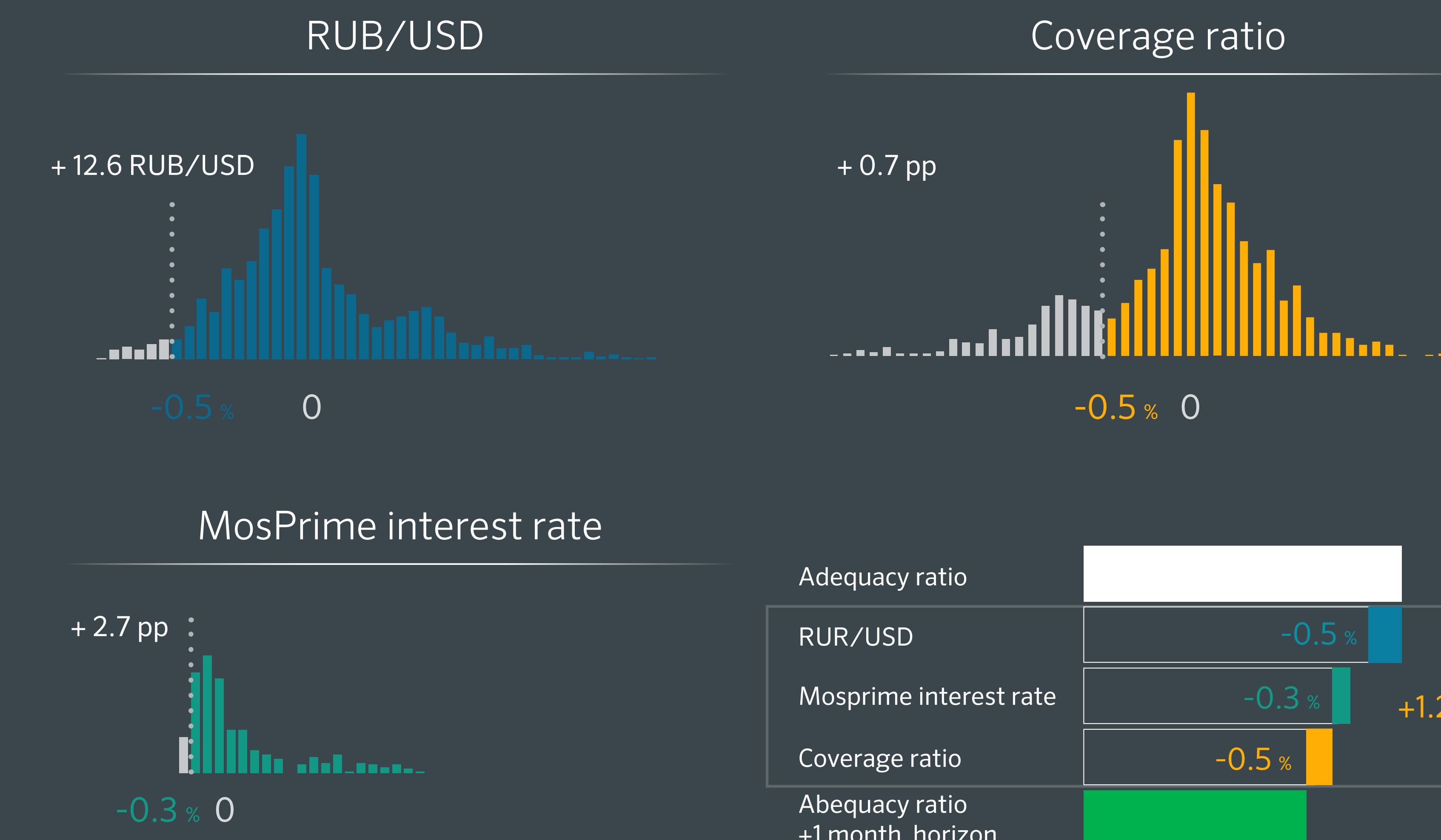
Capital adequacy management

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SBERBANK STRATEGY
2020



Impact on capital adequacy during a month with all the following scenarios occurring simultaneously:



Currency risk	Impact on CET 1 CAR under IFRS
Ruble devaluation by RUB10 against \$	-60 bps
Credit risk	
COR increase by 10 bps	-7 bps
Interest rate risk	
Parallel shift in market rates by 100 bps	-15 bps
Modelling risk	
Additional growth of the loan portfolio by 100 bps	-8 bps

Financial targets 2020

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EFFICIENCY

Cost income Ratio (CIR)

2020

Around 30%

PROFITABILITY

NIM

Slightly below 5%

Net Fees & Commissions Growth

Mid-teens

Cost of Risk

Around 130 bps

ROE (3Y average)

Around 20%

CAPITAL

CET 1 CAR under Basel 3 for the Group

Around 12,5%

Financial targets 2020 // Guidance 2018

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EFFICIENCY

Cost income Ratio (CIR)

2018

Below 35%

2020

Around 30%

PROFITABILITY

NIM

Around 5.5%

Slightly below 5%

Net Fees & Commissions Growth

Mid-teens

Mid-teens

Cost of Risk

Around 130 bps

Around 130 bps

ROE (3Y average)

Around 20%

Around 20%

CAPITAL

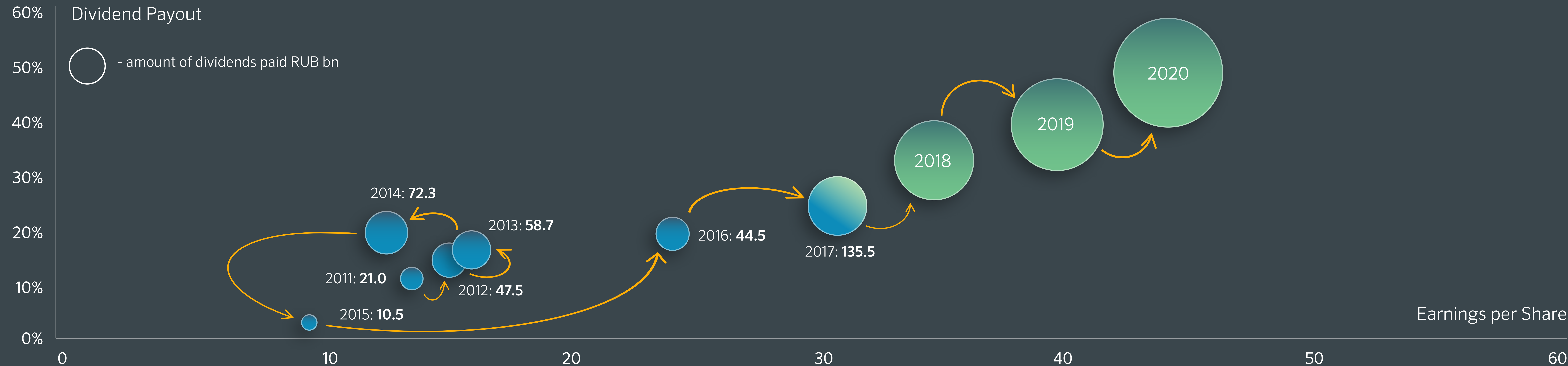
CET 1 CAR under Basel 3 for the Group

Around 11,5%

Around 12,5%

Dividend distribution: up to 50% payout for 2019 profit

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My priorities

Employees

Clients

Technologies

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20% ROE
+ 1 RUB TRLN Net Income
1 RUB TRLN Dividends

chances to fail 0



Q&A