

**SBERBANK
OF RUSSIA**

APPROVED BY
Resolution of the Supervisory Board
of Sberbank
No. 11 dated 2019/04/16

**STRATEGY
for Risk and Capital Management
of Sberbank**

MOSCOW
2019

IRD details

IRD name	Risk and Capital Management Strategy of Sberbank
Business unit responsible for IRD development	Integrated Risk Management Department

Table of Contents

1. General Provisions	4
2. Goals and objectives.....	5
3. Classification of Risk and Capital Management Objects	6
4. General Principles of Risk and Capital Management	6
5. Key Participants of the Risk and Capital Management System.....	7
6. Organization of the Risk and Capital Management System	15
7. Final Provisions.....	17
APPENDIX 1. List of Terms and Definitions	18
APPENDIX 2. List of Abbreviations	20
APPENDIX 3. List of Reference Documents	21

1. General Provisions

1.1. The Risk and Capital Management Strategy of Sberbank (hereinafter the Strategy) specifies the basic principles used to form the risk and capital management system in Sberbank (hereinafter the Bank).

1.2. The Strategy has been developed in compliance with the requirements of the Bank of Russia and the regulations of the Russian Federation /1-8/, with due regard to the guidelines of the Basel Committee on Banking Supervision (hereinafter BCBS) /9-12/ and the European Union /13, 14/.

1.3. The risk and capital management system is a part of the general corporate governance system of the Bank and is aimed at ensuring sustainable development of the Bank in the course of implementation of the Development Strategy of Sberbank (hereinafter the Development Strategy) approved by the Supervisory Board of the Bank.

1.4. The Bank shall create the risk and capital management system on the Bank's level, in particular, through implementation of the internal capital adequacy assessment procedures (hereinafter ICAAP).

1.5. ICAAP implementation is driven by the need to:

- comply with the requirements of the Bank of Russia;
- satisfy the expectations of shareholders interested in long-term development of the Bank with a view to ensure the returns on investments;
- ensure the efficient operation of the risk and capital management system enhancing the Bank's reliability for all the stakeholders, namely, customers and creditors of the Bank, its employees and regulatory bodies.

1.6. The provisions of this Strategy serve as the basis for organization of work aimed to manage the risks and capital adequacy in the Bank, among others, for development of the Bank's regulatory documents on risk and capital management.

1.7. The Strategy also describes the risk management system, in particular, allocation of the risk and capital management functions among the Supervisory Board, the Executive Board, collegial working bodies of the Bank and business units of the Bank performing the risk management and risk taking functions, as well as methods used for risk assessment, containment and mitigation.

1.8. When developing the Strategy, the Bank shall be guided by the approach ensuring the going concern in the longer term. The financial stability of the Bank shall be ensured by timely identification of potential risks arising, in particular, while revising the Development Strategy, and by management of material¹/substantial risks.

1.9. The Strategy has been developed in accordance with the Risk and Capital Management Strategy of Sberbank Group (hereinafter the Group's Strategy) /20/.

¹ The term 'material risk' corresponds to the term 'significant risk' given in /4/.

2. Goals and objectives

The goals and objectives of risk and capital management of the Bank correspond to those of the Group as given in the Group's Strategy /20/.

The goals of risk and capital management are:

- to ensure/maintain the acceptable risk level within the risk appetite² and/or other limits and containments;
- to ensure capital adequacy to cover material/substantial risks;
- to ensure the financial stability of the Bank and minimize possible financial losses caused by risks taken by the Bank within the risk appetite established in accordance with the Development Strategy;
- to ensure the efficient resource allocation for optimization of the risk-return ratio of the Bank;
- to ensure the going concern and plan the optimal management of the Bank's business with due regard to possible stress conditions;
- to ensure compliance with the requirements of the RF governmental authorities regulating the Bank's activities.

The objectives of the risk and capital management system are:

- to identify the risk types and assess their materiality;
- to estimate and forecast the risk levels;
- to set risk limits and containments;
- to monitor and control the volume of the risk taken, implement measures aimed at mitigation of the level of the risk taken by the Bank with a view to keep it within the set external and internal containments;
- to comply with the mandatory ratios and restrictions established by the Bank of Russia;
- to assess the adequacy of available financial resources (hereinafter AFR) for covering material/substantial risks for which the capital requirements are determined, including those in case of stress conditions;
- to plan the capital by reference to the results of the comprehensive risk assessment, testing of the Bank's stability against internal and external risk factors, the Development Strategy targets, and capital adequacy requirements of the Bank of Russia;
- to develop preventive and remedial actions aimed at maintenance of capital adequacy and prevention/reduction of the Bank's losses in case of stress conditions;
- to carry out strategic planning with due regard to the level of accepted risk;

²The term 'risk appetite' corresponds to the term 'risk tolerance' in /4/.

- to keep the Supervisory Board of the Bank, the Executive Board of the Bank, collegial working bodies of the Bank and business units of the Bank performing the risk management and risk taking functions, informed about material/substantial risks and capital adequacy;
- to ensure the uniform understanding of risks on the Bank’s level;
- to develop the risk culture and risk management competencies in the Bank with due regard to the best international practices.

3. Classification of Risk and Capital Management Objects

The classification of the risk and capital management objects of the Bank corresponds to that of the Group as given in the Group’s Strategy /20/.

4. General Principles of Risk and Capital Management

The risk and capital management of the Bank is based on the risk and capital management principles of the Group as given in the Group’s Strategy /20/.

In addition to the provisions stated in the Group’s Strategy, the Risk Culture principle of the Bank is characterized by:

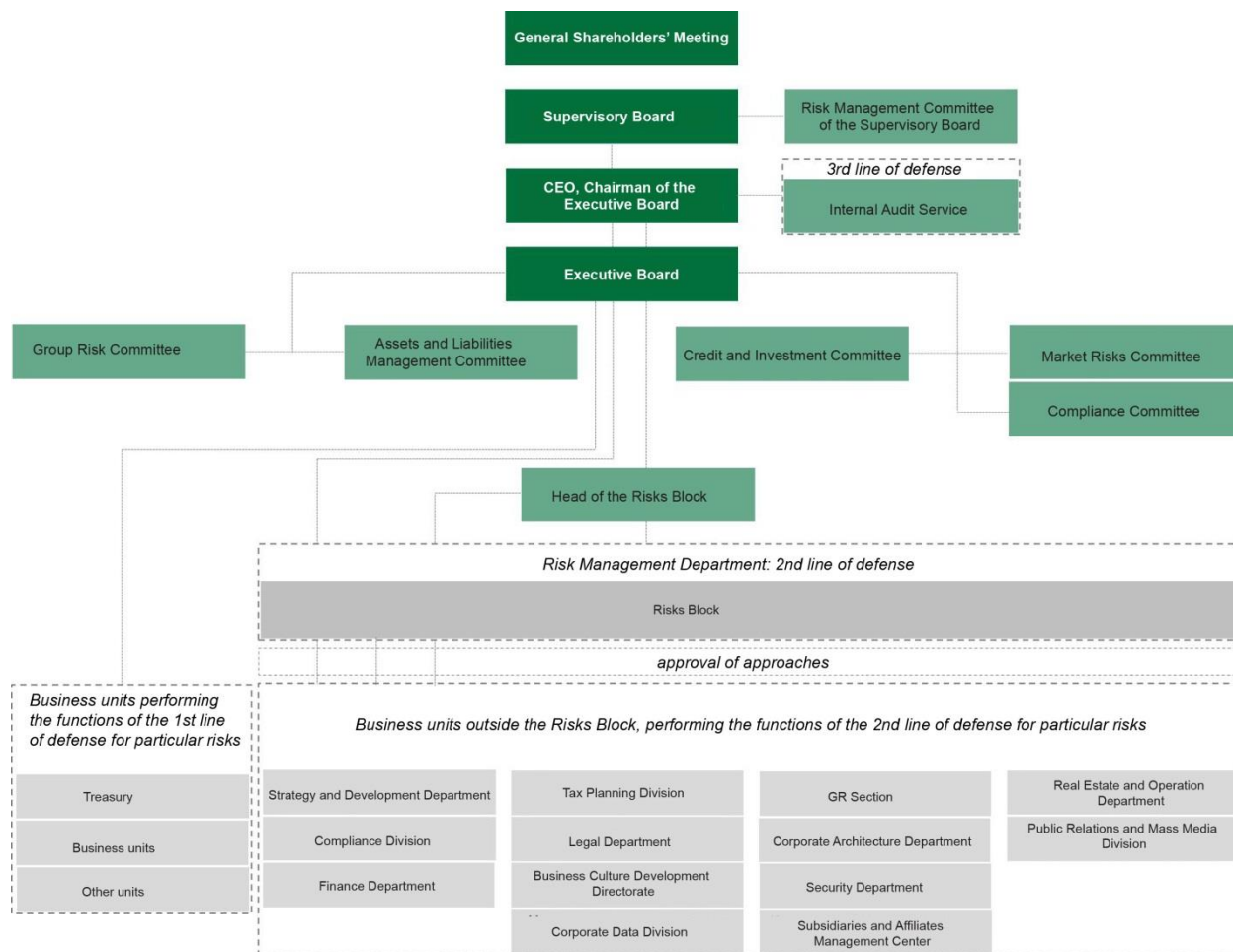
- notification by employees of any violations of the provisions of IRDs, OADs and other documents of the Bank, through the communication channels used by the Bank;
- disclosure by the Bank of any violations of the provisions of IRDs, OADs and other documents of the Bank, in the public statements at the request of authorized bodies.

The risk-based motivation system of the Bank has been implemented in accordance with the requirements of the Bank of Russia /21/ and under the Risk-Based Motivation System principle defined in the Group’s Strategy.

5. Key Participants of the Risk and Capital Management System

5.1. Organization of Risk and Capital Management of the Bank

The organization of risk and capital management of the Bank is presented in Scheme³.



5.2. Risk Management Department of the Bank

The Risk Management Department of the Bank is represented by the Risks Block. The Risk Management Department of the Bank is functionally and administratively accountable to CEO, the Chairman of the Executive Board. The Head and employees of the Risk Management Department are staff members of the Bank.

In its work, the Risk Management Department of the Bank shall be guided by the applicable laws of the Russian Federation, regulations of the Bank of Russia, the Bank's Charter, this Strategy, resolutions of the Bank's management bodies, and other IRDs and OADs of the Bank.

The Risk Management Department of the Bank shall perform its functions on a continuous basis. The Risk Management Department shall perform the functions of the 2nd line of defense. For some risk types, certain functions of the 2nd line of defense may be performed by business units outside the Risks Block, which have necessary competence and resources and which are interested in

³ The detailed list of business units involved in risk and capital management of the Bank is given in the annual report on ICAAP implementation results.

mitigation of the level of the risk taken by the Bank with a view to compliance with the risk appetite limits and other containments. Negotiation of the policies and regulations for management of material/substantial risks with the Risks Block shall be mandatory. Business units outside the Risks Block shall not be a part of the Risk Management Department.

The Head of the Risk Management Department of the Bank shall be the Head of the Risks Block⁴ accountable to CEO, the Chairman of the Executive Board of the Bank. The Head of the Risks Block shall control the work of the business units of the Risks Block and shall be a member of the Bank's committees for management of material/substantial risks⁵.

The Head of the Risk Management Department of the Bank shall comply with the qualification and business reputation requirements set by the legislation and regulations of the Bank of Russia⁶.

5.3. Division of functions and powers

Main functions of the risk and capital management system participants are described below⁷. In addition to these functions, the Bank's management bodies shall review the reports generated within ICAAP in accordance with Appendix 6 of the Group's Strategy, and approval of IRDs in accordance with Appendix 7 of the Group's Strategy.

5.3.1. The General Shareholders' Meeting of the Bank shall:

- adopt a resolution on increase/decrease of the charter capital, split-up/consolidation of shares, issue/conversion of bonds or other issue-grade securities convertible into ordinary shares, in cases provided for in /15/;
- consider the issue of dividend payment (declaration) in accordance with /15/;
- approve major/interested-party transactions in the cases and according to the procedure stipulated in /15/.

5.3.2. The Supervisory Board of the Bank shall:

- approve the Risk and Capital Management Strategy of the Bank, including the procedure for management of material risks⁸;
- approve the risk appetite and target risk levels of the Bank;
- approve the planned capital adequacy level, planned capital level and planned capital structure of the Bank;
- approve the Regulation on the Dividend Policy of the Bank;

⁴ Or any designated substitute.

⁵ Personal participation in the committees for management of material/substantial risks, or participation of a representative of the Risk Management Department.

⁶ The qualifying requirements are established in /24/.

⁷ The complete list of functions of the Supervisory Board, the Executive Board, and any collegial working bodies of the Bank shall be established in the respective Regulations.

⁸ The procedure for management of material risks is determined on the Group's level and is given in Appendix 8 of the Risk and Capital Management Strategy of the Group.

- give recommendations for the amount of dividends on shares and for determination of the date on which the persons having the dividend rights are identified;
- adopt resolutions on changes in capital in accordance with the powers specified in /15/;
- approve the stress testing scenarios;
- approve the financial stability recovery plan of the Group;
- approve the key documents for the purposes of regulatory assessment of capital adequacy in accordance with /26/;
- approve the documents specifying any approaches to accounting of risks in the remuneration system in accordance with /21/;
- control the implementation of the Risk and Capital Management Strategy of the Bank, including the procedure for management of material risks⁹;
- overview the compliance with the risk appetite limits and other limits of the Bank;
- at least once a year, consider the need for making amendments in the documents developed under ICAAP, within its competence;
- monitor the efficiency of the risk and capital management system by reviewing, among others, the opinions of the Internal Audit Service (hereinafter INAS);
- approve major/interested-party transactions in the cases and according to the procedure stipulated in /15/.

5.3.3. The Risk Management Committee of the Supervisory Board shall:

- preliminary consider all questions on risk and capital management of the Bank within the competences of the Supervisory Board, including:
 - approval of the Risk and Capital Management Strategy of the Bank;
 - approval of the risk appetite of the Bank;
 - control over compliance with the risk appetite of the Bank;
 - approval of the planned capital adequacy level, planned capital level and planned capital structure of the Bank;
 - approval of stress testing scenarios for the Bank;
 - approval of the financial stability recovery plan of the Group;
 - approval of the key documents for the purposes of regular assessment of capital adequacy in accordance with /26/;
 - approval of the documents specifying any approaches to accounting of risks in the remuneration system in accordance with /21/;
- control the compliance with the RF laws regarding risk and capital management;

⁹ The procedure for management of material risks is described in Appendix 8 of the Group's Strategy. In terms of liquidity risk, the Supervisory Board shall approve the Liquidity Risk Management Policy of the Group.

- interact with other committees of the Supervisory Board on issues of risk management.

5.3.4. The Executive Board of the Bank shall:

- adopt the resolutions on establishment and termination of operations of collegial working bodies, approve the regulations on them, and stipulate their functions;
- approve the Bank’s business plan and monitor its implementation;
- preliminary review and approve the Risk and Capital Management Strategy of the Bank, including the procedure for management of material risks of the Bank;
- preliminary review the financial stability recovery plan of the Group;
- approve the Bank’s IRDs regulating risk and capital management¹⁰;
- at least once a year, consider the need for making amendments in the documents developed under ICAAP, within its competence.

5.3.5. The Group Risk Committee of the Bank shall:

- manage the overall risk of the Bank within the powers, requirements and restrictions approved by any resolutions of the Supervisory Board and the Executive Board of the Bank;
- approve the report on identification and materiality assessment of the Group’s risks:
 - approve the list of types of risks considered material/substantial for the Bank;
 - determine the Bank’s collegial bodies responsible for management of particular risks, and the business units responsible for formation of the system of management of particular risks on the Bank’s level (hereinafter the business units responsible for risks);
- preliminary review and approve the Risk and Capital Management Strategy of the Bank, including the procedure for management of material risks;
- preliminary consider and approve the risk appetite of the Bank;
- overview the compliance with the risk appetite of the Bank and other limits;
- overview the compliance with the risk appetite limits and mandatory ratios by the Bank;
- adopt any resolutions within its powers, aimed at observing the established containments and eliminating any violations of the Bank’s risk appetite limits;
- control the implementation of the measures to eliminate any violations of risk appetite;
- preliminary review and approve the financial stability recovery plan of the Group;
- approve the plan for development and updating of the financial stability recovery plan of the Group with due regard to stress testing scenarios and results;
- designate the need for (and initiate) unscheduled updating of the financial stability recovery plan of the Group with due regard to stress testing scenarios and results;

¹⁰ In accordance with Appendix 7 of the Group’s Strategy.

- perform other functions on organizing and improving the integrated risk management system of the Bank.

5.3.6. The Assets and Liabilities Management Committee of the Bank shall:

- approve the Bank’s standards for capital adequacy management processes and approaches, and requirements to the regulatory documents specifying internal capital adequacy management methods and procedures;
- set up the architecture (system) and limit values that constrain the capital adequacy level for the Bank and the Group with due regard to risk appetite containments approved by the Supervisory Board;
- establish the capital adequacy limits for further approval by their collegial bodies (except for the limits to be established by the Group Risk Committee (hereinafter GRC));
- establish the alert limits on mandatory capital adequacy ratios established by the Bank of Russia;
- cause compliance with the mandatory capital adequacy ratios established by the Bank of Russia and adopt any resolutions on management of the mandatory capital adequacy ratios established by the Bank of Russia;
- adopt any resolutions aimed at eliminating any violations of the risk appetite limits of the Bank in terms of capital adequacy;
- review the schedules of measures on liquidity and capital adequacy management in the Bank in crisis conditions for further approval by the Supervisory Board (as part of the financial stability recovery plan).

5.3.7. Bank’s Committee for Management of Material/Substantial Risks¹¹

The Bank’s Committee for Management of Material/Substantial Risks shall adopt the complete range of resolutions necessary to comply with the requirements established by the Bank’s management bodies and the requirements of regulators, and shall perform the following functions in relation to the relevant risks:

- manage the material/substantial risks of the Bank within the powers, requirements and restrictions approved by the Executive Board of the Bank;
- approve the architecture (system) and limit values¹² for the Bank within the established risk appetite of the Bank according to the proposal of a business unit of the 2nd line of defense;
- approve any other risk containments, including those based on qualitative indicators¹¹, according to the proposal of a business unit of the 2nd line of defense;
- control the compliance with limits and/or other restrictions¹¹ based on qualitative indicators;

¹¹ Including the Group Risks Committee of the Bank and the Assets and Liabilities Management Committee of the Bank. The list of the Bank’s committees for management of material/substantial risks shall be approved within annual identification and materiality assessment of risks.

¹² The approval level of limits and containments may differ and be specified in IRDs on particular risk types.

- adopt any resolutions within its powers on management of particular risks, aimed at observing the established containments, and approve the measures to settle any violations of the established risk appetite limits of the Bank and other containments;
- review and approve the policies for management of material/substantial¹³ risks related to the line of activity of this committee, for further approval by the Bank’s Executive Board¹⁴ or Supervisory Board in accordance with the regulator’s requirements;
- approve other IRDs regulating the processes of management of particular risks in accordance with /16/;
- control the activities of accountable committees¹⁵.

5.3.8. The Integrated Risk Management Department of the Bank shall:

- develop, support and improve the Risk and Capital Management Strategy of the Bank, and ensure its compliance with the Development Strategy, requirements and recommendations of the Bank of Russia, the BCBS recommendations, and best world practices;
- organize the process of risk identification and materiality assessment in the Bank;
- generate the following reports in accordance with Appendix 6 of the Group’s Strategy:
 - report on ICAAP implementation results;
 - report on stress testing results for the Bank;
 - report on ICAAP organization in the Bank and the results in the form stated by the Bank of Russia;
 - aggregated reports on the level of material/substantial risks with a view to submission to the Supervisory Board, the Executive Board, and any collegial working bodies of the Bank, which manage the risks, in accordance with the requirements set forth in Subclause 6.5 of the Group’s Strategy;
- inform the Executive Board of the Bank and the Supervisory Board of the Bank about any violations of the established risk appetite and regulatory ratios by the Bank upon identification¹⁶;
- coordinate the process for establishing and monitoring the risk appetite;
- generate the proposals on the risk appetite values of the Bank, on inclusion of indicators in the risk appetite of the Group members, on proposed limits, and on negotiation of the capital adequacy ratios with the Treasury and business units of the 2nd line of defense;
- perform the aggregated assessment and forecasting of the aggregate level of the Bank’s material/substantial risks, as well as monitor and control the aggregate level of the risk taken;
- develop the stress testing schedule (program) for the Bank;

¹³ If any policies for management of substantial risks are available.

¹⁴ If provided for in the Regulation on the respective Bank’s Committee for Management of Material/Substantial Risks.

¹⁵ The term ‘accountable committees’ means the list of committees and functions delegated to them within the system of management of material/substantial risks of the Bank.

¹⁶ The notification procedure is specified in other IRDs of the Bank.

- coordinate the interaction of business units when elaborating scenarios and performing stress testing of the Bank as part of ICAAP;
- perform stress testing of material risks of the Bank;
- coordinate and arrange development of the financial stability recovery plan of the Group;
- organize preparation of information about risks for the purposes of disclosure in accordance with the requirements of the Bank of Russia /25/;
- provide for methodological support on compliance of the systems of management of material/substantial risks with the risk management requirements in the Bank and with the requirements of the Bank of Russia;
- negotiate the policies and regulations for management of material/substantial¹² risks;
- maintain the register of IRDs on integrated risk management and general issues of management of material/substantial risks;
- perform other functions within integrated risk management.

5.3.9. The Treasury shall:

- develop the proposals concerning the list of indicators¹⁷ and their thresholds with regard to capital adequacy for their inclusion in the risk appetite of the Bank;
- distribute and control the implementation of the group standards of capital adequacy management on the level of the Group members;
- develop the capital adequacy management plan of the Bank within the business planning procedure of the Group as a whole, and the capital adequacy management plan of the Group in crisis conditions;
- carry out regular forecasting of capital adequacy ratios for the Bank and develop the forecasting techniques;
- monitor the compliance with the risk appetite of the Bank with regard to capital adequacy ratios and other internal limits for actual and anticipated values of capital adequacy ratios;
- develop the proposals and measures for capital adequacy management, submit those for consideration of an authorized collegial body of the Bank, and coordinate their implementation;
- take part in stress testing of the Bank within ICAAP;
- take part in development of the financial stability recovery plan of the Group, within its competence;
- perform other functions on capital adequacy management in accordance with /23/.

5.3.10. The Bank's Finance Department shall:

- determine the business planning principles and develop (coordinate development of) respective methodologies/regulations;

¹⁷The term 'indicator' corresponds to the term 'risk metric'.

- develop the financial structure of the Group, including the perimeter of and criteria for consolidation of companies in order to generate the business plan and the proposals for formulation of business plan targets;
- prepare the consolidated business plan and the mechanism to control the compliance with any indicators of the Bank's business plan within the Group's business plan;
- consolidate the financial statements of the Group for the purposes of management statements.

5.3.11. The Bank's business units performing the functions of the 1st line of defense are specified in IRDs¹⁸ on management of material/substantial risks.

5.3.12. The Bank's business units performing the functions of the 2nd line of defense are specified in IRDs¹⁹ on management of material/substantial risks.

The functions performed by the 1st and the 2nd lines of defense within the system of management of material/substantial risks are described in IRDs on management of the respective risk types.

5.3.13. The Validation Division of the Bank shall:¹⁹

- validate risk assessment models.

5.3.14. Business unit responsible for risk

For each risk type (material/substantial risk), the Group Risks Committee of the Bank shall specify, by its resolution, one business unit (or special employee) of the Bank²⁰, which shall:

- develop, support and improve the material/substantial risk management system on the Bank's level with possible involvement of other business units of the Bank and/or outside organizations, including:
 - IRDs that specify the methodology for management and assessment of a respective risk²¹;
 - risk assessment models;
 - management processes and procedures;
 - requirements to the organizational structure;
 - requirements to division of powers;
- generate the standards and requirements for the methods and processes of management of the respective risk for the Bank;

¹⁸ For material risks, the risk management policy shall be developed without fail.

¹⁹ The Validation Division is a part of the Risks Block, and it is functionally independent of any business units developing and using risk assessment models.

²⁰ With due regard to the Bank's organizational structure, several business units (or employees) may be determined by business segment, line of business, etc., with clear differentiation of the areas of responsibility, within the system of management of a particular risk.

²¹ The business unit responsible for risk may engage other business units of the Bank and/or external organizations for performing the above functions.

- organize the management of the respective risk in the Bank;
- interact with the Risk Management Department²² within the risk and capital management system.

Depending on the specifics of particular risk types, the business unit responsible for risk may be that outside the Risks Block, if it has the required competencies and resources. As a rule, the business unit responsible for risk is that performing the functions of the 2nd line of defense. In specific cases, the business unit responsible for risk may be that performing the functions of the 1st line of defense. In this case, the policies and regulations for management of material/substantial risks shall be agreed upon with the business unit performing the functions of the 2nd line of defense.

5.3.15. The Internal Audit Service of the Bank shall:

- perform the functions of the 3rd line of defense, namely:
 - assess the efficiency of the risk and capital management system, in particular, verify the efficiency of the risk assessment methodology and risk management procedures established by the Bank’s IRDs, as well as whether the above mentioned documents are applied in full;
 - inform the Supervisory Board and the executive management bodies of the Bank about any deficiencies identified in operation of the risk and capital management system, as well as about any actions taken to eliminate those;
 - generate the requirements to organization of internal audit in the Group members with regard to efficiency assessment of the risk and capital management system.

6. Organization of the Risk and Capital Management System

The integrated risk management process shall include 5 stages. The risk management system shall be created for all material/substantial risks in accordance with the requirements of Subclause 6.2. The procedure for management of material risks is given in Appendix 8 of the Group’s Strategy.

6.1. Integrated Risk Management Process

6.1.1. Identification and Materiality Assessment of the Bank’s Risks

The identification and materiality assessment of the Bank’s risks are made under the process of identification and materiality assessment of the Group’s risks, as defined in the Group’s Strategy.

All potential risks of the Bank, including industry-specific risks, shall be included in the long list of risks according to the world practice and the recommendations of regulatory authorities and BCBS.

On the Bank’s level, the risk may fall into one of the four categories of materiality, namely, ‘material’, ‘substantial’, ‘non-material’, or ‘non-relevant’. The risk may be recognized as non-relevant for the Bank if the Bank has no products that imply realization of this risk, nor plans to

²² For the business units outside the Risks Block.

develop such products. The list of types of the Bank's risks by materiality category shall be approved by the Group Risk Committee of the Bank. For every material/substantial risk, it is established whether the requirement to the capital for its coverage is determined.

6.1.2. Aggregated Assessment of Risks and Overall Capital

The methodology for aggregated risk assessment shall be determined for the material/substantial risks for which the capital requirements are established.

As a rule, for any material/substantial risks with no quantitative models for estimating the required capital, the necessary capital amount is allocated to cover these risks and it is determined by judgement in accordance with the approved inside methodology.

The required capital amount also may be allocated to cover the risks arising from business development measures provided for by the Development Strategy, as well as the risks which may not be shared among business units of the Bank or such sharing is difficult.

The assessment models of the required capital (economic capital) used in ICAAP are subject to annual validation procedure.

Other risk assessment methods shall be used for the risk types for which the capital requirements are not established (e.g. liquidity risk).

6.1.3. Determination of the Risk Appetite of the Bank

The risk appetite of the Bank shall be set within the risk appetite of the Group.

The approaches to establish the risk appetite of the Bank correspond to those of the Group in accordance with the Group's Strategy.

The structure of the risk appetite of the Bank corresponds to that of the Group.

6.1.4. Risk Exposure Planning

The risk exposure of the Bank shall be planned within annual business planning process in the Group in accordance with the Group's Strategy.

6.1.5. Management of Overall Risk Exposure

The overall risk exposure management corresponds to the process defined to manage the overall risk exposure in the Group in accordance with the Group's Strategy.

The statements of the Bank shall be generated within the statements of the Group in accordance with Appendix 6 of the Group's Strategy.

6.2. Formation and Improvement of the Risk Management System

Following the process of identification of the Bank's risks, each risk of the Bank shall be classified in one of the categories listed in Subclause 6.1.1, whereby the requirements to the risk management system are established according to Subclause 6.2 of the Group's Strategy.

The approval level of IRDs on risk management is given in Appendix 7 of the Group's Strategy.

6.3. Capital Adequacy Management

The process of the capital structure and adequacy management of the Bank is centralized and shall be performed by the Bank's Treasury. The general specification of the capital adequacy management process is given in the Group's Strategy.

6.4. Stress testing

The specification of the stress testing process of the Bank is given within the specification of the Group's stress testing in the Group's Strategy.

6.5. Statements

The information about the Bank is included in the Group's statements in accordance with the approaches determined in the Group's Strategy.

6.6. Audit of the Risk and Capital Management System on the Bank's Level

The auditing approaches are provided in the Group's Strategy.

7. Final Provisions

This Strategy shall be approved by the Bank's Executive Board and be revised as the requirements of state regulatory authorities change and new effective risk management methods and tools emerge in accordance with the best international banking practice, but at least once a year.

of Terms and Definitions

Risk Appetite means the aggregate maximum risk level of the Bank which the Bank is ready to assume in the course of building the shareholder value and achieving any strategic goals established.

Sberbank Group (Group) means the banking group defined according to /1/, where Sberbank is the parent credit institution.

Capital Adequacy means adequacy of disposable (available) capital to cover the overall amount of accepted and potential risks. The capital adequacy ratio shall be calculated as a ratio of available capital to the overall amount of accepted and potential risks.

Available Capital means disposable (available) capital to cover the overall amount of accepted and potential risks, which is calculated for both regulatory and internal goals.

Risk Identification means the process of identifying and classifying the types of risks.

Collegial Working Bodies of the Bank mean collegial working bodies of the Bank, the establishment and termination of operations of which fall within the competence of the Executive Board under the Bank Charter.

Substantial Risk means a risk that is not recognized as material, in respect of which the requirements are imposed on availability of the management system according to Subclause 6.2.

Model means a quantitative method, system or approach in which statistical and mathematical theories are applied to input data to obtain quantitative estimates.

Necessary (Required) Capital means the capital value of the Bank, which is necessary to cover any risks taken by the Bank in its operations.

Non-Material Risk means a risk that has not been recognized as non-relevant, material or substantial.

Business Unit Responsible for Risk means the business unit responsible for building a system to manage the risk recognized as material or substantial.

Risk Taking means an action (or omission) resulting in a change in the risk level of the Bank. Taking the risk by the Bank may occur, but does not necessarily occur:

1. when resolutions are adopted to enter into transactions, perform operations, sign a services agreement between the Bank or the Group Member and external/internal counterparties to the Group (for credit and market risks, as well as liquidity risk);
2. when the participants of the risk and capital management system (Subclause 5.3) perform any functions associated with the risks other than those related to adopting resolutions on performance of operations or conclusion of transactions (e.g. compliance risk).

For any risks managed on a consolidated basis (liquidity risk, interest rate and currency risks in the banking book), active risk taking (at the time of making an operation/transaction) and passive risk taking (through consolidation of the position exposed to the relevant risk type) are distinguished.

Regulator means a competent governmental authority exercising the functions of regulation, control and/or supervision of the activity of credit institutions/ non-credit institutions/ other financial institutions/ other non-financial institutions and banking groups.

Regulatory Capital means the capital value of the Bank, which is required to cover any risks accepted in the course of activities and the determination methodology of which is prescribed by the regulator according to /8/.

Risk means the possibility, inherent to the Bank's activities, of occurrence of an event that results in financial losses of the Bank and/or negatively affects the Bank's reputation and/or liquidity position.

Internal Audit Service of the Bank means a complex of the Bank's structural units (the Internal Audit Division of the Bank's Central Head Office and relevant business units of the Internal Audit Service in the Bank branches) carrying out their activities in compliance with the Regulation on the Internal Audit Service of Sberbank.

Risk Management Department of the Bank means a set of the Bank's independent structural units which are part of the Risks Block of Sberbank.

Stress Testing means an analytical tool for assessment of a potential impact of preset risk factor changes on financial condition, capital adequacy and liquidity of the Bank in improbable, but possible stress scenarios, using approaches based on scenario analysis and sensitivity analysis.

Material Risks mean the risks, the negative consequences of occurrence of which affect the Bank's consolidated financial results and/or available capital and/or liquidity or reputation, or the ability to comply with the requirements of regulatory authorities in the Russian Federation.

Risk Management means a complex of measures to identify, assess, and aggregate all material/substantial risks, monitor, constrain, and control the amount of taken risks, plan the risk level, implement the measures to mitigate the risk level in order to keep the amount of taken risks within the set external and internal containments in the course of implementation of the Development Strategy approved by the Supervisory Board of the Bank.

of Abbreviations

Bank means Sberbank.

BCBS stands for Basel Committee on Banking Supervision, a committee of banking supervisors, which was established by the central bank governors of the G-10 countries in 1974.

Risks Block means the Risks Block of Sberbank.

IRD stands for Internal Regulatory Document.

ICAAP stands for Internal Capital Adequacy Assessment Process.

OAD stands for Organizational and Administrative Document.

APPENDIX 3. List of

Reference Documents

1. Federal Law of the Russian Federation On Banks and Banking No. 395-1 dated 2 December 1990.
2. Letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014 On the Corporate Governance Code.
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