SBERBANK
2017 GUIDANCE

14TH DECEMBER 2016
SBERBANK MACRO VIEW 2017
THE MOST PROTRACTED CRISIS IN
THE RECENT HISTORY

Accumulated structural disproportions

Slumping oil prices
From $100/bbl in 2013 to ~$40+/bbl in 2016

Sanctions
Capital, technologies, risks of tougher sanctions

GDP GROWTH, QOQ, SEASONALLY ADJUSTED
CAN ONLY GO UP NOW, BUT HOW FAST?

The economy will grow from now on

OIL AND RUBLE
Low prices are no longer the main impediment to growth
- Prices are unlikely to fall
- The economy has adapted
- The real exchange rate dropped by 15%

SANCTIONS
It is not likely that the sanctions against Russia will be expanded
- Trump wants to soften the policy
- Inside Europe, there is no unity on the issue of sanctions

ELECTIONS
Presidential elections in Russia in March 2018
- Pre-election expenses is an additional impetus
- However, the resources are limited

HOW FAST?

Without structural reforms
GDP growth = 1.5% a year
The next time the GDP will double in 50 years
TWO GENERATIONS

OR

Reforms + technological breakthrough
GDP growth = 3.5% a year
The next time the GDP will double in 20 years
ONE GENERATION
By 2018, oil prices will grow to USD 60-65 per barrel and will remain on that level for a long time.

Meanwhile, the official scenarios are more pessimistic.

Sberbank scenario is a compromise.

Forecast of Henry Groppe:

BASELINE SCENARIO: IN 2017-2019, OIL PRICES WILL BE AT $50-55/BARREL

- Moderate pre-election increase of state spending in 2017
- Sanctions and counter-sanctions will continue
- Gradual but limited oil price recovery

**Economy: Sluggish growth**
- GDP growth: -3.7, -3.6, 1.2, 1.3, 1.0, 1.1, 1.2, 1.2
- Consumption growth: -9.6, -3.6, 1.2, 1.3, 1.0, 1.1, 1.2, 1.2

**Inflation: Gradual slowdown**
- Inflation (year-end): 11.0, 10.0, 8.5, 8.0, 7.5
- Key rate (year-end): 12.9, 10.0, 8.5, 8.0, 7.5

**Rate: We do not expect any shocks**
- Oil price: 61, 67, 64, 62, 64
- USD rate: 52, 41, 50, 55, 55

- Pre-election spending will support growth in 2017
- Inflation is decreasing slowly due to budget deficit and indexation
- Moderately hard monetary policy: Key rate ~3.5% in real terms

Source: State Statistics Service, CBR, Haver, Centre for Macroeconomic Research of Sberbank
CONSUMER DEMAND WILL CONTINUE TO REBOUND

Consumption will return to growth...

... but will stagnate

**Growth rate for wages, income and consumption, % YoY**

- Real wages
- Real earnings
- Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Real wages</th>
<th>Real earnings</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.4%</td>
<td>-9.6%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>2015</td>
<td>-1.3%</td>
<td>-1.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2016</td>
<td>-1.1%</td>
<td>-1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2017</td>
<td>-1.2%</td>
<td>-1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2018</td>
<td>-1.2%</td>
<td>-1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2019</td>
<td>-1.2%</td>
<td>-1.2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Wages will continue to grow due to demographic factors and elections**

Real wages are growing due to shrinking labor resources
- In 2015, the working-age population decreased by 1.2 mn people

Pre-election indexation of wages
- Currently wage growth in the economy is contained by the budget sector

**The income will be supported by the indexation of pensions**

Now the household income is declining despite wage growth
- At first, the pensions were indexed at 4%
- The second indexation will be replaced by RUB5,000 compensation

Pre-election pension indexation
- Compensation — at the start of the year
- Indexation in the second half-year

**The propensity to save will continue to decline**

It has practically returned to normal levels

Source: Haver, Rosstat, Centre for Macroeconomic Research of Sberbank
The equipment impedes output growth for only 18% of the enterprises.

91% of companies believe that they have enough capacity for the next 6 months.

Main impediment for companies is weak demand and uncertainty.

Investments will return to growth...

...but will stagnate.

Investment demand remains low

The import of investment goods has started to grow

Construction is recovering

But there will be no boom: Companies do not see any point in investments

- The equipment impedes output growth for only 18% of the enterprises.
- 91% of companies believe that they have enough capacity for the next 6 months.
- Main impediment for companies is weak demand and uncertainty

Survey of company executives, Rosstat

Source: Haver, Rosstat, Centre for Macroeconomic Research of Sberbank
THE INFLATION WILL SLOW DOWN, BUT THE POLICY WILL REMAIN TIGHT

Current situation

Recession but no deflation

Inflation % MoM, seasonally adjusted

Inflationary pressure

Inflationary expectations of the population, business community and authorities

Consumption growth (wage growth, decline of savings rate)

Budget policy (indexation and deficit)

External factors

Bank of Russia’s policy

Moderately tight: Real rate 3-4%

CBR will decrease the rate: The inflation is slowing down, while the growth remains sluggish

Yet the rate decrease will be smooth Up to ~3.5% in real terms in 2017 and ~2.5% in real terms mid-term

Inflationary expectations of the population, business community and authorities

Budget policy (indexation and deficit)

External factors

THE GOAL is hard to achieve

4% by the end of 2017

Source: CBR, Haver, Centre for Macroeconomic Research of Sberbank
WHAT CAN HAPPEN DIFFERENTLY?

Bank’s scenario

Positively

- Oil price growth
- Quick slowdown of inflation
- Quick decrease of the key interest rate
- Ruble strengthening caused by geopolitics

Negatively

- Sharp fall in oil prices due to hard landing in China
- Accelerated inflation caused by external factors
- Capital outflow from emerging markets
- Weakening exchange rate due to further worsening of relations
SBERBANK 3 SCENARIOS

Basic scenario
- Oil prices: $50-55-55 ('17-'18-'19)
- Pre-election spending growth

Pessimistic
- Oil prices: $25-25-25 ('17-'18-'19)
- Or a 50% quota on oil exports

Optimistic
- Oil prices: $60-60-60 ('17-'18-'19)
- Sectoral sanctions lifted

Source: Rossiai, CBR, Haver, CMR Sberbank
## RISK ZONES AND BLACK SWANS

### Area
- China
- Eurozone
- Geopolitics

### Risk
- Falling market and yuan, hard landing
- Greece, banks (DB, Italy), migration
- Ukraine and Syria, change in U.S. policy

### Effect
- Commodity prices, trade
- Growth of the global economy
- Sanctions, capital outflow, growth of the global economy

### Black Swans
- Already happened
  - Ukraine 2014
  - Brexit
  - Turkey
  - U.S. elections

### Will happen

?
The only man I know who behaves sensibly is my tailor; he takes my measurements anew each time he sees me. The rest go on with their old measurements and expect me to fit them.

George Bernard Shaw
ON TRACK FOR 2016
## ON TRACK FOR 2016

### Efficiency

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Efficiency Ratio</td>
<td>&lt;43.7%</td>
<td>Around 40%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NIM (average)</td>
<td>&gt;4.4%</td>
<td>&gt;5%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fees &amp; Commissions Growth</td>
<td>High teens</td>
<td>Mid-to-high-teens</td>
<td>-</td>
<td>Low-to-mid teens</td>
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<tr>
<td>Cost of Risk</td>
<td>c.250-300 bps</td>
<td>c.200-250 bps</td>
<td>Around 200 bps</td>
<td>-</td>
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<tr>
<td>ROE</td>
<td>Low-to-mid-teens</td>
<td>Mid-to-high-teens</td>
<td>High teens</td>
<td>-</td>
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### Profitability

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<tr>
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</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>In line with the sector</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retail</td>
<td>Better than the sector</td>
<td>In line with the sector</td>
<td>Slightly better than the sector</td>
<td>-</td>
</tr>
<tr>
<td>Corporate</td>
<td>In line with the sector</td>
<td>-</td>
<td>-</td>
<td>Below the sector</td>
</tr>
<tr>
<td>Retail</td>
<td>In line with the sector</td>
<td>-</td>
<td>Slightly better than the sector</td>
<td>Better than the sector</td>
</tr>
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</table>

### Balance Sheet and Capital

<table>
<thead>
<tr>
<th>Core Tier 1 CAR under Basel 1 for the Group</th>
<th>INITIAL 21 Jan 2016</th>
<th>1Q IFRS 25 May 2016</th>
<th>2Q IFRS 25 Aug 2016</th>
<th>3Q IFRS 15 Nov 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt;9%</td>
<td>Around 10%</td>
<td>Over 10.5%</td>
<td>&gt;11%</td>
</tr>
</tbody>
</table>
# BALANCE SHEET FORECAST

Nominal growth dynamics

<table>
<thead>
<tr>
<th></th>
<th>CORPORATE LOANS</th>
<th>RETAIL LOANS</th>
<th>CORPORATE DEPOSITS</th>
<th>RETAIL DEPOSITS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SECTOR</strong></td>
<td>5-7%</td>
<td>5-7%</td>
<td>6-8%</td>
<td>7-9%</td>
</tr>
<tr>
<td><strong>SBERBANK</strong></td>
<td>In line with the sector</td>
<td>Slightly better than the sector</td>
<td>In line with the sector</td>
<td>In line with the sector</td>
</tr>
</tbody>
</table>
### SBERBANK GUIDANCE 2017

#### EFFICIENCY
- **Efficiency Ratio**
  - Mid to high 30-
- **OPEX Growth**
  - Lower than inflation

#### PROFITABILITY
- **NIM (average)**
  - Stable y-o-y
- **Fees & Commissions Growth**
  - High-teens
- **Cost of Risk**
  - 150-170 bps
- **ROE**
  - High teens

#### CAPITAL
- **Core Tier 1 CAR under Basel 1 for the Group**
  - Around 12%
- **Core Tier 1 CAR under Basel 2 for the Group**
  - Over 10%
Q & A