

SBER_IFRS

[00:10:00]

Hello, operator. We are ready to start.

[00:10:07]

Anastasia: Dear all! Hello, everyone. Welcome to Sberbank Full Year 2020 IFRS Results. We are very happy that you decided to spend the next couple of hours with us. We will try to explain and address all your questions and show you the very impressive results of our group which we achieved during the last very challenging year.

[00:10:33]

So our call is hosted by our management team. We have with us our CEO, Chairman of the Executive Board Mr. Herman Gref, we have our First Deputy Chairman of the Executive Board Alexander Vedyakhin, we have our CFO, member of the Executive Board Alexandra Buriko, and our Chief Risk officer Dzhangir Dzhangirov.

[00:10:54]

We will have, as usual, a brief introduction of our results followed by a Q&A session for our analysts and investors. And then we will continue with journalists. Please know that this conference is being recorded today on December 4th, March, 2021. Before we begin, let me do some safekeeping. So I have to draw your attention to the fact that some information on the call may contain forward looking statements regarding future developments and performance.

[00:11:22]

Actual results may differ materially from those expressed or implied in the statements made during the call due to known and unknown risks and uncertainties. So for more information, please refer to the disclaimer statements in our presentation. English and Russian lines are today available. So please click the interpretation button on your devices.

[00:11:47]

I turn it over now to our CEO Mr. Herman Gref. Please, go ahead.

[00:11:59]

Herman: Thank you very much, Anastasia. Good afternoon, ladies and gentlemen. Thank you for joining us today. I am pleased to present you our 2020 results. First of all, we met our guidance in full despite the unprecedented and challenging year for all of us. People and businesses across the world have struggled with the pandemic and the related restrictions and on top of that had to explore new behavioral patterns. The

Russian economy demonstrated strong resilience thanks to timely state programs and monetary stimulus and it is in reasonably good shape before the crisis. Russian GDP shrank less than feared by 3.1%. The government risky package cost 4.5% of GDP.

[00:13:10]

And our Central bank did a very good job cutting key rates overall by 200 BPS to a historical low of 4.25%. Sber played an active role in helping clients, businesses, and the community to deal with the crisis. We distributed social payments, launched our own support programs and participated in this state funding and restructuring programs.

[00:13:48]

Overall last year, Sber originated 17.7 trillion rubles loans, including those under the state programs. Sber has been the leading agent of state subsidized mortgages supporting demand. At the same time, we increased lending to developers or residential construction: the portfolio doubled to over 150 billion rubles.

[00:14:25]

We made Covid-related Restructuring Board at 2.5 trillion global exposure for both corporate and retail clients. Most payment holidays are now over and we are very happy to state that the majority of our borrowers, both retail and corporate, are demonstrating solid payments discipline. Some of the industries in the corporate segment were more affected by the crisis and about a third of corporate restructuring required additional considerations in the second half of 2020. Our assets quality looks pretty strong. And we will slightly update our outlook on cost of risk for this year. I think it would be a good news for all of us.

[00:15:43]

Consumer activity and our payment business turnover was down a bit during the lockdown in the first half of 2020, but once the restrictions were lifted, activity recovered fast. At the same time, the share of non-cash transactions grew as a result of changes in client behavior. These factors supported growth of our fees and commissions revenues. As a result, we maintained a healthy level of capital adequacy and resumed dividend payments in October at the originally planned level. Sber was among the first banks to resume dividends last year.

[00:16:32]

And we distributed a record amount among Russian public companies of 420 billion rubles. We improved the market share across all key financial segments with the most noticeable pickup in retail deposits to 45.4% from 43.8%. And, historically, these numbers are very important for our business.

[00:17:13]

Now, a few words about a quick overview of financial results. Net profit was 760.3 billion rubles. EPS came in 34.36 rubles per share down by 11% year on year. Return on equity reached 16.1%. Return on assets was 2.3%. 2020 was marked for us by several significant events.

[00:17:55]

First of all, we transformed into a tech company and completed our previous strategic plan. We rebranded into the SBER, capturing our universe of both financial and non-financial services for life and businesses under one brand with a very strong recognition. And the third, we presented our new strategy-2023 with a focus on an integrated ecosystem and the ESG-agenda.

[00:18:35] What differentiates an ecosystem from a holding? It is a good question. Now we discuss this question with many of our regulators and our colleagues. It cannot be described in one sentence. Its focus is clearly around the client, while a holding was built around the owner.

[00:19:13]

And our priority is to ensure the best user experience and engagement for our customers. Today we are proud to report that our audience approached 99 million individuals and 2.7 million businesses: out of them, 65 million retail and or 2.3 million corporate clients using our digital apps every month.

[00:19:46]

And more than half of them use online services every day. It's obvious that the pandemic boosts digital habits. Even traditionally offline audience bought twice as many products online compared with last year. Additionally, our digital non-financial services: monthly our client base of e-grocery grew tenfold, and that of video streaming doubled.

[00:20:26]

Over 55% of all retail products were sold online. We launched a family of voice assistants, "Salute". They simplify user experience and make the use of our apps the real fun. We started production of smart devices, SberBox and SberPortal, which are compatible with the voice assistant. We launched SberPay, upgraded our P2P tariff model, rounded upturn of our transport inquiry to over 140 cities.

[00:21:18]

All that contributed to the fact that more and more retail payments in Russia became cashless. Our numbers show that the share of non-cash during the year was 71%. In our wealth management business, we have maintained the leading positions across key segments, such as life insurance, investment insurance, and mutual funds.

[00:21:51]

We increased assets under management by 70% to 1.75 trillion rubles and made all products available on our online channels.

To recap on our non-financial businesses. We added a few lines through acquisitions, including digital geolocations, audio streaming, enhanced presence in food tech. The entire investment into non-financial ecosystem assets as of the end of 2020 was around 150 billion rubles. In our non-financial businesses, we saw 71.4 billion rubles in revenues, which demonstrated 2.8 times growth year on year. The integration of our ecosystem is now facilitated by 36 common services, including SberID: number of active users reached 16 million users.

[00:23:06]

In 2020 we launched SberPrime, which is subscription-based bundles of products. It will be expanded and diversified this year. And finally, I would like to share with you recent developments on the ESG agenda. In 2020 we reshaped our ESG activities. We set up an executive ESG committee, created a dedicated team, and appointed ESG supervisors to both of our boards. And we defined ESG goals in Sber's new strategy.

[00:23:56]

At the beginning of this year, Sber became a member of two ESG-initiatives: Principle for Responsible Banking and Global Compact. This step flags that ESG-transformation is Sber's recognized choice and crucial for our corporate sustainability. All in all, 2020 ended on a positive note for our corporation. Based on our strong results and significant booster of our set-one capital adequacy ratio, we feel comfortable with proposing to our supervisory board, the same amount of dividends per share as we paid last year, I mean, 2019, which will mean a 56.2% payout of net profit. And I would like to thank all of you for your attention.

Anastasia: Thank you, Herman Oskarovich, and I pass the floor to our CFO Alexandra Buriko for the short introduction into our segment reporting and a quick update on our outlook.

[00:25:26]

Aleksandra: Thank you, Anastasia, and good day, everyone. Thanks for staying with us, I promise to be very quick. A few words about segment reporting, which we present for the first time in our 2020 financials. During the Strategy Day, we defined our key growth drivers and structured the segmental breakdown, accordingly. We talked about our banking business, payments, wealth management and brokerage, risk insurance and non-financial businesses. So now it is a new format. The segments are by business-lines and not regions, as was previously done. As mentioned by Mr.

Greff, revenues from Sber's non-financial businesses for 2020 reached 71.4 billion in line with our guidance.

[00:26:13]

We are going to disclose the operating metrics relevant for each business line to give you traction of its performance. E-commerce is our strategic priority, as we discussed during Strategy Day. Its performer JMV reached over 26 billion represented by our e-grocery business, which includes SberMarket and Samocat, as well as SberLogistics.

[00:26:35]

And shortly, we will add a non-food marketplace goods.ru. We have signed the agreement in January and are going to close the deal pretty soon. Also, we will complement the e-comm space with an e-pharmacy business. We recently invested in a 45% stake of a JAV for our SberApteka. Our B2B nonfinancial businesses with main drivers in cybersecurity and SberCloud turned EBITDA-positive on individual basis in 2020. I hope that this disclosure will help you understand, track, and value our business on the going forward basis. Now let us look at our 2021 guidance. On the macro-front we slightly adjusted our forecast for 2021 with regards to inflation and the key rate versus our expectations that we shared with you on the Investor Day in late November. We revised inflation up to 3.8% from 3.5%, as pricing pressure increased distorting the dovish rhetoric of CBR.

[00:27:40]

We now expect the key rate to stay flat this year. On the sector side, we upgraded our guidance for corporate deposits to 10-12% range from 9-11%. As for Sber numbers, we basically made three adjustments. First of all, on net interest margin: we ended 2020 higher than expected and now we forecast 50% basis point contraction from the higher base.

[00:28:04]

On cost of risk: as mentioned by Mr. Gref, we slashed our expected trench by 20 basis points to 120-140 basis points to flag our more upbeat view on the asset quality. And finally, on the back of these changes, we have improved our guidance on ROE by one percentage point to over 18%. So, thank you very much and back to Anastasia.

[00:28:29]

Anastasia: Thank you, Alexandra. And I open up the Q&A session and we take our first question from Andrey Rusinov, Goldman Sachs. Please, go ahead.

[00:28:44]

Andrey: Good afternoon, colleagues. Thanks a lot for the presentation and congratulations with the very strong results and especially with your desire to

maintain the dividend flow. That would be obviously very much appreciated by investors. So I have got a couple of questions and probably more over a medium term and longer term nature.

[00:29:03]

So I would like to address them to Herman Oskarovich. Well, essentially, talking about your ecosystem and also the competition you are facing from various areas. Could you please maybe elaborate your thoughts about the recent actions of the internet companies and e-commerce companies that are looking to develop their payment and, more broadly, lending capabilities?

[00:29:32]

So, do you see this as a risk to potentially your core business or a risk to your developments in the broader ecosystem space? And, probably, the second question that is also a bit connected to that theme is about the regulations with regards to the ecosystem.

[00:29:56]

You mentioned that you are in close contact with the regulator. So if you could maybe share some light on what your initial impressions about potential implications of this regulation on the development of your ecosystem, that would be very much appreciated. Thank you.

[00:30:20]

Herman: Andrey, thank you very much for your question. What could they say about these activities of all our internet competitors with the payments? It was totally expected from our side. What we described in our previous strategy: we need to be a tech company, because now all tech companies try to be banks. And we would like to fight with them on their territories.

[00:31:08]

Now they try to come to our territory, but I think they are a little bit too late with that. If you look at such a benchmark for us like a Chinese market, if you look at transactional activities in China and their transactional business: 95% of all transactions (first of all, I mean the internet transactions, but, offline also) are now doing two companies: WeChat and Ant Financial. And it means that transactional business is a very important business, not only for the banks, from the profitability side, but also being now really important from the datasets side, because transactional data generates very important data for risk management. Now, I think they are not able to bring this situation back.

[00:32:39]

In our market we are the dominant player, because we did not sleep for the last 10 years and we built outstanding transactional services for our customers. And I think that now we are ready for this competition. I think it is all I can say. We will see how the situation will develop in the future, but I think that we have a huge opportunity to be the biggest player in this market and to save our dominant positions. The second question is also very important because now in the whole world everywhere we see this conversation, these discussions about ecosystems and how the state can regulate the competition in these huge companies, based on the platforms. Same situation we see in Russia.

[00:34:16]

Now we are in a very active state, in a very constructive discussion with our Central Bank and with our government.

[00:34:35]

And we would like to organize a special discussion until the end of March together with the government on how the regulation will look in a few years. I think that we have very constructive discussions. We organized a special presentation for the regulator, I think, one week ago. We received a lot of experience, a lot of practice from the whole world.

[00:35:14]

Now we understand these trends in the US, in China, in Europe. And now we understand what the regulators in the whole world are doing in this area. And my opinion is that our regulators, including our Central Bank, understand very clearly that ecosystems are the fact, this is our future, this is the trend.

[00:35:48]

And we need to monitor this situation and many markets in which big companies try to build these ecosystems and to save the competitions between the ecosystems. In Russia, I think, the situation is not so difficult, because we have national competitors, three of them, big players in this area: I mean, Mail.ru, Yandex and SberBank. And I think that it would be right if we are not aggressive with this regulation, because regulation can kill business activities very easily. And I think that now we are all together on the same page.

[00:37:05]

We would like to monitor the situation and maybe support competition in many markets. And few of the markets now are mature enough, for example, if you look at the taxi, Yandex is a dominant player there and we had a growing competitor for them, but I think that for the state it is very important to save this competition and to support this game between the two big players.

[00:37:44]

But in many cases, the market is not so developed, for example, in the e-com. And we see that we have big players in this market, leaders, but the market is on the beginning of the maturity way. I think that we will see this competition during the next 10 years, not less.

[00:38:13]

And I am an optimist: I think that now we are in a very constructive way with the regulators and the level of understanding what is the right way in the ecosystem economy is very high. I mean Russian government and the Russian central bank. And I think that we will find good solutions for the business and for the government also.

[00:38:50]

Andrey: Thank you very much. That was very helpful.

Anastasia: Thank you. And meanwhile, we take our next question from Gabor Kemeny, autonomous.

[00:39:10]

Gabor: Hello? Can you hear me please?

Anastasia: Yes, Yes. Gabor, please go ahead.

Gabor: The first question is about the segments. Thank you for providing the segments disclosures. Looking at your payments business, it seems that it has been growing a little more quickly than you anticipated or what is implied in the three year strategy.

[00:39:31]

And on the other hand, the insurance and the wealth management businesses seem to be trending a bit below the growth you indicated. What is the outlook for these segments, for the income growth in these segments in 2021? The second question is on your assumptions on oil prices.

[00:39:54]

It seems that you are assuming a \$55 oil price for 2021, and we are quite significantly above these levels right now, it is around \$65. How would this impact your business outlook if the oil prices stay at these higher levels? And just finally if you could comment on how you expect the goods.ru cooperation to facilitate your e-commerce ambition 2021? Thank you.

[00:40:30]

Alexandra: Thank you very much for your questions, Gabor, I will start with the first one. Indeed, the growth in our payments business was quite healthy in 2020 despite some downfall during the first half that was related to the lockdown period. And we anticipate that this healthy growth will continue in 2021 and throughout our strategy period.

[00:41:00]

However, as we discussed during our investors day, we do have certain risks related to regulation and potential decline in fees and commissions rate. However, for now it is still a very fast growing business. We have a large share in acquiring that helps and changes in clients' behavior that were mentioned by Herman Oskarovich also were very helpful in this regard. In terms of your second question on the oil price, I can only say that our sensitivity to the oil prices as such is quite small, we are rather sensitive to the ruble-dollar exchange rate.

[00:41:52]

And as you can see at the moment, the ruble-dollar exchange rate is not fully compliant with the level of oil prices, but with that I will pass to Oleg to maybe comment a little bit more on the levels that we forecast and what we currently see.

Herman: Oleg Samulin, yes? Our chief economist.

[00:42:12]

Oleg: Yes. Good afternoon. I am Oleg Samulin. And our assumption about the oil price comes from the fact that we think that the pandemic will still weigh heavily on the Russian economy this year and not only the Russian economy, but the world economy. And therefore the demand for oil will remain subdued.

[00:42:31]

So we are not confident that the high oil prices that we observe today will stay throughout the year, especially since there is much capacity to increase oil output, in the world, given the current restrictions on oil output, both from the OPEC countries and from the United States, where these restrictions came naturally. That is the basis for our forecast.

[00:43:00]

Anastasia: Thank you, Oleg, and now the third question.

Herman: The third question about our e-commerce, goods.ru. Frankly speaking, I do not want to speak a lot about the deal with goods.ru, because the deal is not closed now. Maybe one month ago we signed the MOU and are now underway to finish this and close this deal. And then after that maybe we can announce a little bit more detailed plans together with our partners.

[00:43:42] But as we announced before that GMB this year, our e-comm business must be doubled. And we saved the same forecast for this year. And e-comm is a very high priority for our team. And each board member has the same KPI for this year for e-comm development and believe me, we will do everything we can to start and to launch this business as the highest priority in our company.

Alexandra: Thank you. Just a quick, quick ed: not only e-comm, but overall revenues from non-financial services will double, as we discussed, or not less than double. And, of course, e-comm will be the largest part of that development.

Herman: 125 billion rubles until the end of this year generated for e-comm.

[00:45:07]

Anastasia: Thank you very much. And we go ahead and take our next question from Mikhail Shlemov, VTB. Mikhail, please go ahead.

[00:45:19]

Mikhail: Yes. Hello! Do you hear me?

Anastasia: Yes, Mikhail.

Mikhail: Good afternoon! Thank you very much for an opportunity to ask the question. I actually have three questions. Two of them are bundled together, but it is just the way I would want to ask them. And these are mostly questions to Herman Oskarovich. So, if we would look actually at the examples of the other markets, how basically the e-comm disruption to the incumbent banks has been coming from, it has mainly come from the payments.

[00:45:50]

As you have rightfully pointed out, and it is something which is very well visible in the segment reporting, you made a very strong move and pretty much ensured that you remain a dominant player in the payments in the digital age as well in comparison to the previous branch-based banking.

[00:46:10]

So the interesting point is that the regulators do not seem to be happy about it. So they are intervening more and more and leading the disruption in the payment space. And probably if you would follow this logic, they would be willing to take a more proactive role in terms of regulating, even try to compete with you.

[00:46:28]

So, perhaps I want to hear your thoughts about how you think about this unlikely competitor which is effectively the regulator and how it is going to impact the broader

strategy. The second question also relates to the segment reporting, which is super helpful and thanks a lot for providing this to us.

[00:46:46]

And that actually comes to wealth management. And the interesting point, which I have picked up from one McKinsey report, is that the wealth management in reality is the second largest revenue to attract for the fintechs right after payments. However, if we would compare the performance of the segment to the payments, it has been basically stagnating last year in terms of the bottom line, even despite the fact that we had a huge inflow of retail investors to the Moscow Exchange and some of your competitors have been demonstrating explosive growth in the space. I was wondering if you could share a little bit more ambition, or perhaps even just make wealth management service into the high growth club of basically doubling of the revenues given the high priority and the room for disruption coming from this space.

[00:47:35]

These are the two ecosystem-based questions. And the third one is actually coming on the dividend. It is very highly appreciated, the fact that you decided to maintain the dividend, especially in these turbulent times, and especially in the context of that you have not stopped paying the dividend during the COVID-19 crisis.

[00:47:54]

However, a more philosophical question is how we should be thinking about your dividend payout going forward, as clearly the 56% is likely to set the expectation that 50% dividend payout is a flow? So how we should be thinking about the dividend distribution going forward, especially, if I remember, we were talking at the Strategy Day about the fact that you were thinking that the extra capital that you will have in the bank could be returned to the shareholders. Thank you very much.

[00:48:29]

Herman: Mikhail, thank you very much for your questions. The first question. I think it is the same question, relating to the first question. What do you think about the competition with the regulator? Now, we do not have any problems with our regulator, because we have joined the common system, SBP, fast payment system, and now we are in the right position with the regulator. And I think that now we have a huge market share of the payments and it would be very difficult to save the same market share. And I think that we could see maybe in a few years that we could normalize our market share, but now we are very, very powerful in this area and it would be not so easy and not so fast. But I understand that we can... I do not want to make some of the forecasts in numbers, but I think that maybe it is only one country with this kind of situation, when one big player has such a big market share.

[00:50:27]

And I think it is normal. Banks, ecosystems, internet layers, the regulator, they are all together, they will try to compete with us and will receive it by a part of our business today, but it is not such a big problem for us. How big will be the share? I do not know. I do not want to predict it.

[00:51:01]

Frankly speaking, when we started with this business 12 years ago, I could not expect that we would reach this kind of unbelievable market share. But as I said, I think I look at this situation maybe as a special case in the world, but I think in 10 years maybe we will have 50% of market share, but not less, because we are very powerful.

[00:51:51]

We are technologically very powerful and we develop our technologies and new opportunities for our customers in payments and our platform is number one in our market by technological abilities. And they think it will be very difficult to fight with us. If you look at the wealth management, you are right, it would be number two size or the market for all of us for, I mean, financial organizations, and we grew last year by 3.6% a year on year. But, if you look at this situation, last year was not such an easy environment for wealth management. And the pandemic situation, the second reason, and the new regulation on the misselling cut our growth during this period of time.

[00:53:08]

And I can add maybe that the third reason is that we invest a lot of effort in the technological basis in this business. Because frankly speaking before we invested much money and much effort in retail and corporate, but it was not so strong in wealth management.

[00:53:47]

And in the last two years we invested a lot of money into that, and they think that you will see during the next three years that the growth in this area, I hope, will be double-digit, but I do not want to say that we will double this result, like in non-financial businesses, but I think that you will see good growth in wealth management and the third question on dividend.

[00:54:36]

Look, it is very difficult to predict now how the solution is going to look like in the future. But what we have said many times before, if we would like to have enough capital adequacy ratio, we would distribute our capital to our shareholders. But I am not ready to predict the numbers on that.

[00:55:07]

And it is a principle. I could tell you our principles and you can feel it that we are very strong in declaration. And then we deliver all our promises and all our principles. And what we have done this year, during this difficult period, during the pandemic, is that we distributed more than we promised. It means that we are on the track to follow our promises, which we have done before. Thank you very much, Mikhail, for your questions.

Anastasia: Thank you. And I am afraid we have to let Herman Oskarovich go in eight minutes and we have a room for one question for him. We have Elena Tsareva from BKS. Elena, over to you. But do not worry, for the rest of analysts, we will continue with the team and we will address all your questions. So please go ahead.

[00:56:28]

Elena: Thank you very much for the presentation and for the opportunity to ask the questions, these are really good results for a very challenging year. So, my first question is about the following: last year we also stated in the press release that there was a good support of mortgage from the state program. So, how would you evaluate the impact of these state support programs for mortgage, when it comes to potential demand for mortgage and potential growth of mortgage business at Sber? And my second question: your key-rate and the forecast and the expectation see almost no change this year, but if we just see here, some discussions here are some signals that there is a possible hike of key-rate within the year, will it be a risk for your main guidance? These are my questions. Thank you very much.

[00:57:27]

Herman: Thank you so much for your questions. Mortgages now are a very significant business for us. And if you look at the state-supported programs, now it is 25% of the new loans. And what we see is that if the situation would be stable, I mean, the inflation rate will be on the same level and even if the program will be canceled in the middle of the year, then we do not expect that it would have such a huge influence on the growth. I think that we will see maybe less than previous year and less than the first half of the year in digits of growth. But I think we have a good potential for growth till the end of this year. And I do not think that it would have a huge impact on our portfolio and our main financial results this year. And what I see is that the government is now trying to intensify and implement different mechanisms to provide more loans, because they have very aggressive plans to double the amount of building constructions. And it is a very aggressive goal for the government. And we have a very good team in this part of the government, Mr. Khusnullin, the vice prime minister, is a very experienced and a very energetic guy. And we are now participating in different meetings with him to try to find new mechanisms on how we can intensify and provide money to the population, to the citizens to buy more and more apartments.

[01:00:36]

And I think that we will see a huge opportunity in this area during the next five-ten years, not less. And I am really optimistic about that. And it applies to our B2B construction business and our retail mortgage business. And we have a very good situation after the new regulation for the construction companies. Last year was not so easy for all of them, but now they are recovered. And we see a lot of new projects and the government increased the amount of money in infrastructure investment and I think that we will stay in a very good position from the banking side and in this business.

[01:01:57]

Alexandra: I believe that there was a second question from Elena on the changing CBR rhetoric on the interest rate. And I think it is important to understand that since the end of last year we are now positively exposed to an increase in CBR rate due to a change in our asset structure and a large share of floating rate loans in our portfolio.

[01:02:20]

So we do not see any downside risk to our new guidance if the situation does not go as planned in terms of our forecast of the flat rate until the end of the year. Thank you.

Anastasia: Thank you very much. And, closing remarks from our CEO, Mr. Herman Gref.

[01:02:44]

Herman: I would like to say that it was not an easy year for our business and for our organization, but, if you look at the end at our results we delivered in this unfriendly environment, I think, very good results. And we assure that this year will be much more successful for banks and for us specifically, and we will also deliver good results.

[01:03:26] And we assure you that we are now in a very good position because we finished our main part of technological transformation, we have a very strong team with very good, more than enough technological resources. And we are very strong in our relations with our customers. We provide many different services to our clients, including digital services, including digital transformation. And what we see is that now there is a huge demand for digital transformation in the market, and it is a key for many of our corporate customers.

[01:04:30]

And we can provide them through SberCloud with the newest, the best technologies which we can see in the world. And it makes us happy. It gives us a lot of fun in our very traditional banking business. And what I see is that the eyes on my colleagues are completely different from them five years ago, during the beginning of this way. There was a lot of hesitation and nobody else could predict that we could finish this

transformation. But now this part of the game is over. Now we are on the new way, the innovative way, and it is very interesting for the whole team and it gives us new energy. And they would like to thank all of our investors for your trust, for your support. And we will do everything we can do in this situation to provide to you the best results.

[01:06:22] And I hope that we can also see a little bit different impressions from your side: as a bank to the technological organization, technological company with completely different multiples. And this is the way which we try to implement and to bring new value to our shareholders. And we believe that it is possible. And we will show to all our investors that it is possible. Because many criticisms during the last several years were that please guys tell us, could you show us the second financial organization which has this type of radical goals to convert their business to a technological and a high-tech organization. Now they can see that a lot of banks in the world announce the same goals to build their ecosystems and now we are not alone. A lot of our colleagues are doing the same, not only in other countries, abroad, but also in Russia, and we have a huge respect for our competitors, including banks.

[01:07:53]

We have a big respect for our competitors: Tinkoff, VTB, Gazprom Bank and many, many others. And we do not want to be self-confident or so proud that we do not want to be a part of this environment and not to be a right competitor for them. We have huge respect for each of our competitors, I mean, the high-tech organizations like Yandex and the financial organizations and banks. And I think that altogether we will develop the economy in our country and I am an optimist on that, because the Russian government with the new program, which they are very intensively discussing, will bring the country to the new level of economic growth.

[01:09:00]

And it will give us a good upside for developing our ecosystem, new businesses, non-financial and financial areas also. And thank you. We will stay in touch. We will disclose more and more information about our ecosystem and we are ready to be criticized for it from your side.

[01:09:30]

And we are expecting your constructive criticism and we would like to stay in touch with you every day. And our IR-team is ready for that.

Anastasia: Thank you very much, Herman Oskarovich. And we continue with a question and we will take the next question from Alan Webborn, Societe Generale.

[01:10:03]

Alan: Hi, can you hear me?

Anastasia: Yes, sure. Please, go ahead.

[01:10:07]

Alan: Okay, good. Thanks for the call today. And a couple of questions, if I may. Firstly, there is a question on ESG: without becoming too broad, I would be interested to know what your priorities are for the next year. I mean, you have clearly set yourself some big goals to be a leader in Russia and to pull the rest of Russia along with you, but I would be interested to know what your priorities are for the next year.

[01:10:43]

In particular, I wonder whether ESG will become a part of your management incentives. It is something that you are probably a little bit behind other countries in doing that. And I wondered whether there was something that was being planned there. And also whether you feel opening up to independent audit from an ESG perspective. Is it something that you might consider?

[01:11:11]

So those were the questions on ESG. And I think also another question is: are you willing to go beyond Russian regulation, because clearly ESG criteria at the moment are being led elsewhere. And I wondered whether you now feel you can go further. And two, perhaps, rather more dull questions. I did notice that the retail site deposits in Q4 were extremely strong and in essence that the cost of retail deposits was very low in Q4. And I wondered whether you feel that you could actually keep retail deposits down at that 3.1% that you achieved in Q4, because that did appear to be an extremely good figure. And then perhaps if we could get a little bit more granularity on what was going on in the cost of risk in Q4. I mean, you have been clear and we have seen from the rest numbers that you have done better than your target, but clearly the cost of risk in retail was exceptionally low in Q4. And you clearly did a few things on the corporate side. So I wondered what were the moving parts in Q4 and what behind that is the reason for your changing guidance, more than just generally feeling better about things. Thank you.

[01:12:42]

Alexander: Okay, so thank you, Alan. So, actually three of us can answer here, here is Alexander Vedyakhin. So about ESG: as Mr. Gref said, this is a strategic priority for us and this is what we will do. So, we would like to be a leader in the ESG agenda in Russia and maybe one of the leaders in banking in the world.

[01:13:21]

So this is our goal. Why and how? We are improving, so to say, developing ESG agenda in three areas. First of all it is ESG for our employees. This is really important that we have, for example, more than 1,000 internal initiatives that we are supporting.

[01:13:51]

So that is really good. And that really helps us to encourage our employees, especially in the young generations. Second comes ESG for government and we are in talks with the Central Bank, we are in talks with the government, we are in talks about all possible green agenda we have in Russia. And this is really important for us and we have also made it central for competence in SberBank, in Sber to provide green and ESG services for our counter parties in the Central Bank and other regulators and in the government. And ESG for our clients. So, for retail clients we are making special green products, green cards et cetera, some green initiatives and social initiatives.

[01:14:54]

For example, we help a lot of the workers from the East that come to Russia to work, that is, by the way, more than 4 million such kinds of workers. And we are talking in Tajik language, for example, and Kyrgyz language with them and so on. That is in social agenda. And as for green agenda for our clients, we will rate the whole of our corporate portfolio, I mean, in terms of legal persons. So we will rate every company, from CEO to footprint, and ESG rating. And based on this ESG rating, we will decrease the interest ratio for the credit portfolio. And so we hope that the Central Bank will decrease RWA risk weighted assets, for such stable companies.

[01:15:59]

We are in talks with the regulator about this. About external audits: BF made an SNP audit for ESG. And I can say that we have quite a good rating. It is not in the disclosure, but so are we. Yes, yes, yes. We will release it in the year-end and I think you will see it in our annual report.

[01:16:30]

Yes, okay. I have answered: if I hear yes, it means yes. You will see our external audit results for ESG agenda. I think that is all for the first question. And for the second question I will pass the floor to... And for ESG we are really happy that the risk management is really having this in the loop, ESG agenda. So, Dzhangir.

[01:17:04]

Dzhangir: Thank you, Alexander, let me add a couple of words here. Last year we incorporated these three factors in our credit policy. So we discourage projects where the risks are high and we encourage those in which the risks are low. And, as Alexander said, this will be in our interest rate.

[01:17:26]

We are going to develop our own ESG score for our corporate clients. And we have already started to collect data for that. And by the end of the year, we are going to have some results already. And the ultimate goal here is to incorporate ESG factors in

the PD models. And once we do that, as Alexander said, we were going to encourage the Central Bank to incorporate ESG factors in RWA evaluation. This is what I wanted to add.

Alexandra: Thank you, Dzhangir. Alan, I think you clearly can see that ESG is at the top of our mind and it is included in all top team KPIs for this year.

[01:18:16]

And we are now going into your question on the cost of retail deposits. You are absolutely right and following the reduction in key-rate, we managed to reduce the cost of funds and in particular, the cost of retail deposits quite significantly. And these trends albeit at a slightly slower pace, but continue still, as the previous deposits expire and people renew deposits, or put them into special currency accounts that we launched recently, that are interest-bearing. So, overall, the cost of retail funds continues to slowly decline. However the upside here is obviously limited, considering that the key-rate is now forecasted flat or may even increase towards the end of this year.

[01:19:19]

We do not see a huge upside potential here, but of course we will manage the cost of funds and we will do our best to maintain net interest margin in accordance with our guidance.

Alexander: And to add a little bit to the words of Alexandra, I would like to mention that in December, we always have regular payments from the government and these are our costs for free, so to say, and you can see that some decreases in Decembers and every December, actually you can decrease cost of funds based on this fact. But I agree with Alexandra, for sure, that we have such a forecast.

Anastasia: Excellent. Now to Dzhangir about the cost of risk in Q4.

[01:20:09]

Dzhangir: Okay, thank you. So, in Q4, our portfolio performed better than we expected and actually it continued to perform better within the first month of this year. Our more conservative assumptions were based on the assumption that it will be difficult for some of our clients, especially from the industries that suffered from the pandemic, that it will be difficult to return to their schedules.

[01:20:41]

However, what we see is that, most of the clients actually returned to their schedules and in our models actually also show that in the previous crisis we saw a more strong correlation between macroeconomic factors and the performance of the portfolio. This year and last year we saw that this correlation slightly broke, but broke in a good way. So, portfolios perform much better than just based on macro-development. And this is

especially true in retail. So, retail performs much better than one may expect based just on the macroeconomic assumptions.

[01:21:29]

So therefore we changed our guidance, as Alexandra mentioned, to the range between 1.20–1.40. And there is some room for further improvement until the end of the year. Thank you, Dzhangir.

Alan: Perfect. Thank you.

Anastasia: Thank you, Alan, for your questions. So we go ahead. The next question would take from Andrey Kolobko, Gazprom Bank.

[01:22:03]

Andrey: Good afternoon, ladies and gentlemen. Thanks for this opportunity. Most of my questions have been answered already. I just wanted to get your official confirmation about your segment analysis, your ecosystem segment analysis on the pretax level. You booked the net profit of 8.6 billion rubles.

[01:22:26]

Is that correct that the Yandex.Market stake disposal has been included into that? And if yes, if I remember correctly, the financial effect from this deal has been estimated in the amount of 20 billion rubles. So without this deal it was actually slightly more than 10 billion loss. And, broadly speaking, what businesses of the ecosystem are positively contributing now on the pretax level, if any, if possible, to disclose that. And could you please reiterate your timeline of other businesses going profitable on the pre-rating level this year particularly? Thanks a lot.

[01:23:17]

Alexandra: Andrey, thank you very much for your questions. So first one: the nonfinancial businesses and the results of disposal of Yandex.Market. Indeed, the segment result includes the positive result of disposal of Yandex.Market in the amount of 20 billion rubles. It is a pre-tax amount.

[01:23:43]

The amount of gain on disposal was previously disclosed and yes, it is included in this segment. In terms of what is positive and what is EBITDA or second-result positive and what is negative in 2020, you can see the breakdown in addendum to the presentation, as well as, in the financial statements, but basically the majority of our B2B ecosystem, our businesses are EBITDA positive. And in particular we highlighted the two fast-growing stories, cyber security, and SberCloud, both of them are in the green zone already in 2020. And we expect that they will remain this way, despite the expected growth in double digits.

[01:24:41] For SberCloud we even expect, in particular, growth several times in terms of top line and on the B2C side, the majority of these businesses are still in the fast-growing market share gaining stage. And, as we previously stated, the focus right now is on the top line, as well as the unit economy. So what we consider important is, of course, gaining the market share as fast as we can, especially in the e-commerce space, where competition is fierce, as we already discussed. And at the same time, we are very watchful to make sure that the unit economy is positive and the business models are viable.

[01:25:30]

The timeline: some of the businesses we expect to turn positive in 2021, but the majority in terms of B2C are turning positive towards 2022 and 2023. Of course, it will depend on many factors that are currently unknown, but the goal, of course, is to gain market share and ensure that all of those businesses are earning good margins. Thank you.

[01:25:56]

Andrey: Thanks a lot.

[01:26:00]

Anastasia: Thank you. And next question from Sam Bedecker, JP Morgan.

[01:26:16]

Sam: Hello! Can you hear me?

[01:26:21]

Alexandra: Yes, and a great T-shirt.

Sam: Thank you. Thank you very much. Now, it is something that I treasured since your previous meeting. I have a question on your insurance business. We obviously saw a decline in the gross written premiums last year. But obviously it is a very under-penetrated market. So when we think about the outlook, which segments of insurance are you most optimistic about?

[01:26:47]

And could you also give us a bit of color on the competitive dynamic in that business? If we perhaps break it down between life and non-life, for example. The other question I had was related to your risk-weighted asset density release. And if you could remind us of the sort of the decline you would expect over the course of this year from the implementation of standardized approach in the up-risk as part of that inclination.

[01:27:17]

And then the other thing was just a clarification really on what Michael was asking earlier on your dividend policy. You are obviously recommending a dividend payout of 56% for this coming year and I wonder if that therefore means that you are rather targeting dividend per share rather than a sort of a payout level, as you have done previously. Thank you.

[01:27:42]

Anastasia: Thank you. The first one on the insurance business will be addressed by Alexander and then we will share.

Alexander: We see in the insurance business a big potential. You are absolutely right. 2020 was not a very good year for insurance business because of this COVID-19 pandemic.

[01:28:12]

Despite this, we see some increase in the segment assets, and you see it in our segment analysis. Actually we are not satisfied with that dynamic we have for insurance business. And we sure that in this year and in the next three years we will see much better results in insurance.

[01:28:43]

So you asked what are the main sectors we will increase, our revenues and our shares. I can say that actually, we will do corporate insurance (it will increase, and this is really understandable for us), car, property insurance, health insurance, and actually our main target is online insurance.

[01:29:22]

As you know, our SberBank Online has more than 60 million online users monthly. And that means that we are really hugely client-based and, providing this client base with the insurance products, we will definitely improve our market share and definitely improve our profits.

[01:29:53] We are providing insurance for pets, for example, and I have insured my cat, for example, in our insurance company. If you have some pets, please welcome.

Anastasia: Thank you. So the question on RWA density goes to Dzhangir.

[01:30:17]

Dzhangir: So, as you know, last year we significantly improved our RWA due to mainly three reasons: Basel 3.5 implementation, also we implemented the new models for IRB, and we released some of the macro add-ons as well as the other banks in the banking system, since Central Bank allowed that. In the fourth quarter there was another effect, which is an increase of the share of the government loans in total assets

and therefore our RWA density also slightly decreased. And this year we are going to continue to implement the new IRB models, but the main effect will come from a standardized approach for operational risk. We are fully ready for SA.

[01:31:12]

And we are going to send the application to the Central Bank over the course of just a few days and that will give us approximately one trillion, or probably more, of decrease in RWA.

Anastasia: Okay, thank you very much. And the last question was on dividend policy.

Alexandra: Yes. Thank you, Anastasia. As Mr. Gref already stated, it is very important to us to keep our promises.

[01:31:41]

And we stated during our Investor Day presentation that if we do accumulate excessive capital and have sufficient room above the comfortable level of capital adequacy, we will distribute that accumulated capital to our shareholders in the form of dividends. And I think this is how we want to look at it.

[01:32:04]

Obviously, the 50% threshold remains an important mark. And it will remain in our dividends, dividend policy. However, we will follow this rule and, we will continue to hopefully positively surprise our shareholders, if and when we do accumulate a sufficient cushion above the capital adequacy level.

[01:32:28]

And just to clarify that, the dividend payout that we will propose to our supervisory board will be 18.7 rubles per share this year. This is a similar amount as was paid out in 2020 for 2019. Thank you very much.

Sam: Thank you. Anastasia, could I have a quick follow-up?

Anastasia: Yes, please.

[01:32:55]

Sam: It is again related to insurance. Last year your claims ratio increased by 25% and that seems somewhat counterintuitive to me, given that as a result of the pandemic mobility would have been lower, there would have been fewer folk driving cars and fewer accidents.

[01:33:19]

And it will be that the death toll potentially because of COVID was higher. There would have been less folk out and about dying in normal circumstances. What drove the 25% increase in the claims ratio over the course of last year?

[01:34:01]

Alexandra: Yes. Thank you. Thank you for your question, we are just looking at the numbers and the reality is that it is driven by the recognition rules of the standards. Where in the first year we basically recognized a larger part of the potential claims. So it is not driven by the situation in the economy per se, but more by the actuarial models that basically we use in order to reflect the results in our IFRS accounts.

[01:34:37]

And just to clarify that, in 2020, we were still not in the market for such things as car insurance, for example. This is a new part of our strategy that we are just launching this year. So it is something that you will see as key drivers, on the go-forward basis. Thank you.

Sam: Okay, thank you, Alexandra. Thank you.

Alexandra: Yes.

[01:35:04]

Thank you, Sam. And we move on. So the next question we take from Ivan Skachkovsky, Morgan Stanley, please go ahead.

[01:35:17]

Ivan: Hi! Thank you very much for the presentation. Very, very useful Q&A. I have two questions. My first one is on the net interest margin. Your named decline expectations of around 50 basis points for this year refer to this cost in late November – early December. And they were based, if I remember correctly, among other things, you are expecting another key-rate cut from the Central Bank.

[01:35:49]

Now that the regulator has moved to a much more hawkish tone and presumably you have also changed the view on the potential for the rate cuts. How much pressure, in your views, does that change yield on assets for this year and your overall view on the potential net interest margin trajectory? And is not your current 50 basis points declined guidance looking a little bit too conservative?

[01:36:23]

That is my first question. The second one is on the cost of risk too, to Dzhangir. It appears you have reversed the part of the macro-factor for retail loans in the fourth quarter, but remained pretty conservative on the corporate side. And you have

improved your cost of risk guidance for this year, but it still seems to be quite significantly above average fi-cycle. What is driving it? If you could maybe provide a little bit more color, do you see any potential for further ride-backs on your macro factor? And how is your outlook for the corporate side of the cost of the risks that come, how does it look like in particular? Thank you.

Alexandra: Thank you very much for your questions. I will take the first one on net interest margin. When we presented our guidance at the end of November, we forecasted the same CBR rate as we are forecasting now, flat at 4.25.

[01:37:36]

Here we do not have any significant changes. And in reality we do upgrade the overall level of net interest margin for 2021, considering that we finished 2020 at the higher level. However, you are absolutely right to say that at this moment in time we do have more upside potential than at the end of last year when the CBR rhetoric was not as dovish as it is now.

[01:38:13]

And, as I said, we are positively exposed to changes in increases of the interest rate. We do have some upside potential here and if the situation changes, we will definitely upgrade the guidance. However, it is not yet that we are ready to do that. Thank you for your question. And now over to Dzhangir on cost of risk, yeah.

[01:38:37]

Dzhangir: Thank you for your question. On the retail side, we actually indeed released the macroeconomic head-on. Because actually our macroeconomic outlook now is much better than it was in the first quarter last year.

[01:39:01]

We released that. However, at the same time, we did a calibration of our PD models based on the history, which included the year 2020. And therefore on the calibration part, we actually increased back our reserves. And the total effect was neutral, just to give you an idea what happens on the retail provisions. On the corporate side the maturation of the portfolio is slower than on the retail side and therefore we think that we have not yet seen all the results across industries.

[01:39:50]

We continue to be conservative here. But again, as I have said before, once we see the maturation and the effect of the restructuring we may further improve our guidance, but let us wait for the results of the first quarter, at least. Thank you.

[01:40:12]

Anastasia: Thank you very much. And we have one more question that we have received from Andrzej Novacek, HSBC. The question is on the 500 billion GMV target that we have for 2023: whether it relies on acquisitions or other e-commerce businesses, or we talk about organic growth?

[01:40:38]

And what GMV run rate are you seeing for 2021 after the first two months of this year? Thank you. The question goes to Alexandra.

Alexandra: Yes. Thank you, Anastasia. I think we discussed during our Strategy Day that we will consider both organic growth as well as acquisitions, when we are building our integrated e-commerce player. What is, I think, very important is that this year already we closed one deal on e-pharmacy and we are in the process of finalizing a very important deal on the platform goods.ru that is definitely going to form the basis or the central piece of our e-commerce platform. On the go-forward basis, potentially, we will look to acquire some missing pieces if we feel that the price is right and it is a good combination, a synergy with what we already have. However, I think it would be fair to say that what we already have in our portfolio, including acquisitions of e-pharmacy goods.ru, is sufficient, as we feel, to achieve the target of a 500 billion GMV in 2023. In terms of the run rate I would propose that we wait until the Q1 disclosures, where we will present, as we promised, our full segment breakdown, similarly, to the full year accounts. And, of course, because some of the acquisitions are not yet complete, we will not have the full picture yet, but the businesses that we already have in our portfolio, such as SberMarket, Samokat and SberLogistics, are going according to the plan, and the plan for this year is 125 billion GMV. That was already announced by Mr. Gref. Thank you.

[01:42:55]

Anastasia: Thank you very much. And we take the last question from analysts. We have one follow-up question, as I see, from Mikhail Shlemov, VTB. And then we move on to journalists.

Mikhail: Hi again, thank you very much for an opportunity, for a couple of follow-ups. First of all, I wanted to follow up the question which Ivan was asking about the net interest margin.

[01:43:17]

I have quickly looked up the sensitivity disclosure in the financials and just something which has surprised me is the fact that the sensitivity to the change in the ruble interest rates, it seems like it has significantly dropped in 2020. And it looks fairly marginal.

[01:43:35]

According to financials, one percentage of change drives only 2 billion change in the net interest income. I just wanted to check whether it is right or whether we are missing something in this calculation which was seen in the financials and the broader picture should have been more complex.

[01:43:52]

I would like to get your thoughts on this. That is the first question.

And the second question is on SberE-Apteka recently completed acquisition. And there are two questions around this: first of all, in what segment it would actually fall, whether it would be e-commerce, where we do have a GNV-target, or whether it would be a health segment, which would help in disclosing separately or just help us to model this properly. And whether you can disclose, since you have completed the deal, the GMV of E-Apteka in 2020. Thank you.

[01:44:28]

Alexandra: Mikhail, thank you very much here for your questions. On interest rate sensitivity. I believe I already mentioned that, but maybe I was not sufficiently clear. Indeed, our sensitivity turned at the end of last year. And we are now positively exposed to increase in interest rates, marginally positively exposed. This is the result of changes in our asset structure. We have a very large share of floating rate loans now, first of all, on the corporate side, of course, but also, when we look at our mortgages, all the new mortgages issued under the state subsidy program are indeed floating rates as well.

[01:45:16]

So that drives the change in our sensitivity to interest rate changes that you also see disclosed in the financials. It changed from -20 to around zero marginally positive in the beginning of 2021.

Mikhail: Alexandra, I am sorry, I just very quickly had a follow up. Perhaps, could you quantify the share of the floating rate loans both on the corporate side and in mortgages? Just to make it easier for us to model.

Alexandra: Okay, it is around 40%, Mikhail.

Mikhail: Both?

Alexandra: Of the loan portfolio, yeah, overall 40% are now a floating rate.

Mikhail: Perfect. Thank you.

Alexandra: Yes. And now on SberE-Apteka. Since the deal was just closed, it is not yet obviously included in our numbers.

[01:46:14]

We will include it in the e-commerce segment, as it will operate as an e-commerce platform. For last year their GMV based on the information that we have was around 6 billion rubles, in 2020.

Mikhail: That is perfect. Thank you so much.

Alexandra: Thank you.

Anastasia: Thank you, Mikhail, and I would like to thank all the investors and analysts for staying with us for this call. I hope it was useful. And we continue with journalists and we switch to Russian. Alexander will act as a moderator. Thank you.

[01:46:59]

Moderator: Thank you, Anastasia. Ok, fellow journalists, please feel free to ask your questions. Who will be the first? What about Masha Stepanova? Maria you are welcome.

Maria: Good afternoon! My question is for Alexander Vedyakhin. What additional financial impact did the introduction of artificial intelligence bring in 2020 and what are the forecasts for this year?

Alexander: Thank you for this question, Masha. We measured the impact for 2020 as more than RUB 90 bn. And I wouldn't like to make an explicit statement for 2021, but I think that it will be significantly larger than in 2020.

Moderator: Thank you, thank you. Let's continue with RBC, Yulia Koshkina. You are welcome. We don't hear you well. Could you, please, talk louder and get closer to the microphone.

Yulia: ...Recently the Bank of Russia published a report on possible limitations for the issuance of floating interest rate mortgage loans. The issue of floating interest rates is now on the agenda. Could you please clarify if there are actual plans to issue such loans, nowadays? Do you think that the issuance of such loans can be somehow more strictly regulated, and if so, which of the regulation options proposed by the Bank of Russia seems to be the most justified? Thanks.

Jangir: Thank you very much for this question. The Central Bank has just released this constitutional report, and we are still studying it. The Central Bank and Sberbank have had discussions with regard to the floating interest rate mortgage loans for a long time.

As you all know, floating interest rate loans exist in the majority of countries, and in many countries, it is actually the top product on the market. That is to say, more than a half of the loans is issued at a floating rate. We hope that, all things considered, floating interest rate loans will be allowed. Naturally, it has to do with an additional interest rate risk. This is why the doubts of the Central Bank are absolutely understandable. However, we will be ready to return with more detailed answers on

how the matter shall be regulated, when we have already studied this report in detail and formed a unified position at the bank. Thank you.

Moderator: Thank you, Jangir. The next question is from Tatiana Chubasova, Interfax.

Tatiana: Good evening, can you hear me well? My question is as follows: Herman Gref has been talking about ecosystem regulation and said that last week Sberbank presented your vision of how ecosystems should develop in Russia to the regulatory body. What is Sberbank's view on such regulation? Will it be simply a more detailed disclosure in terms of IFRS reporting on investments in e-commerce and other non-banking areas? Or would you say that there should be some restrictions with regard to the quantity of investments in such assets? I also have a question on dividends: when will the supervisory board take place to consider recommendations of the executives on the dividend payments? Thank you.

[01:51:07]

Alexander: Thank you for that question. Let me answer the first part. Look, we are now studying the international practice on this matter, and actually we have discussed with the Central Bank various existing international practices: in China it is one way, in the US another, and in Europe it is also different. And in fact, it is still too early to say that there is any concise and easy to understand concept or versions of the concepts for ecosystem regulation. And therefore, nowadays we are talking more about simple understanding of the issue and exchanging first opinions.

Moderator: Thank you.

Alexandra: Yes, with regard to the supervisory board, we expect its meeting to be held at the end of March, but we will publish the exact date when appointed. I would also like to make another clarification concerning the question on Sber E-Pharmacy from Mikhail, the amount of 6 bn GMB for 2020 is relative to the 45% share that we acquire, that is to say, on a 100% basis we are talking about a higher figure. Thanks.

Moderator: Thank you Alexandra.

Alexander: Let me add that in terms of the impact of artificial intelligence, a more accurate figure is RUB 97 bn.

Moderator: Dear colleagues, are there any more questions? We warned our fellow journalists that we... VTimes, Ekaterina, you are welcome.

[01:52:45]

Ekaterina: Hello, can you hear me? I have a question concerning your reporting on the joint venture with Mail.ru: you estimate your loss for 2020 at RUB 27.8 bn. However, in its reporting nowadays Mail.ru records a loss of RUB 37.6 bn. Could you explain why there is such a difference? Why is there a difference in accounting for losses?

Alexandra: Yes, thank you very much for your question. Indeed, we also noted the difference in disclosure of information, but the reason is simply that in the reporting of Sberbank group and in the reporting of Mail.ru group these investments were initially reflected somewhat differently, and now, accordingly, the write-off of this possible obligation, that we had at the time of the transaction has opposite effects on us and on our colleagues from Mail.ru. We both have a conservative position in terms of reporting: they reflected the loss and the write-off in their reports, however, in case of writing-off the obligation, we would have a profit, which we have not yet reflected because all the documentation related to the implementation of KPIs is not finalized yet.

Ekaterina: Thank you. Could I ask you another question?

Alexandra: Sure.

Ekaterina: With regard to business reputation, which has grown in value from RUB 13.6 to 48.8 bn, in the reporting it is a note No. 14 on page 67. Could you please clarify what business reputation means and how it is calculated? All I understand is that the acquisition of subsidiaries resulted there in RUB 35.2 bn. It would be great to understand in more detail what kind of indicator this is and why it is calculated.

[01:55:09]

Alexandra: Let's not go into the details of the IFRS standard requirements, so, I will answer briefly: this is goodwill that can arise in the course of acquisition of companies. Accordingly, it is the difference between the fair value of the transaction, the fees paid and the fair value of a particular set of assets and liabilities that are identified at the time of the transaction. This is quite common actually. This year we have made several transactions for the acquisition of control, for example Sber.Market and Rambler. Goodwill arose on a number of transactions, and it was reflected in this line of reporting.

Moderator: Thank you, thank you. Another question from Tatiana Chubasova, Interfax. Tatiana please.

Tatiana: I have a question regarding the macro-premium under IFRS-9. For example, VTB one of your competitors, announced that due to the improvement of the economic situation, it plans to cut the premium in 2021. What does Sberbank plan? Will you restore reserves created under IFRS-9? And could you generally clarify what amount of money was reserved for expected losses on loans?

[01:56:36]

Jangir: Thank you for the question. For the retail portfolio, we have already cut the macro-premium, but we still have it for the corporate part of the portfolio, it amounts to around RUB 20 bn. While our corporate customers publish their reports this year, we will also, apparently, gradually cut this macro-premium, because the realized risks

will already be reflected in our customers' reporting and will be taken into account in the Probability of Default and the Loss Given Default models. Therefore, they will be incorporated in the usual reserves. And thus, the macro-premium will be no longer necessary. This is a likely scenario for this year.

Moderator: Thank you Jangir. Margarita Shepelevskaya, TASS.

Margarita: Good afternoon dear colleagues! My first traditional question is about your foreign business: how did it manage in 2020? And my second question is as follows: do you expect the same impressive dynamics in non-financial services in 2021 as it was in 2020? What would be your forecast? Thank you.

Alexander: Thank you very much Margarita. The retail business is doing great.

Margarita: Foreign business, not retail.

Alexander: Foreign, right! Sorry, I thought you said retail, so...

[01:58:12]

Alexandra: To talk about our foreign business, the same trends were, naturally, seen in foreign business as well, that is to say an increase in reserves affected all our banking assets, including abroad. Accordingly, we saw our profits decrease. However, there were no big changes or unexpected market behaviors. As we have already announced, we are generally considering a reduction in our presence in European countries in terms of banking business. It remains one of the possible development scenarios. It doesn't have to do with the pandemic, but simply with what we were talking about at the Strategy Day: we want to focus more on the fast-growing markets of Russia and the CIS countries. To talk about the dynamics of our non-financial businesses, as we stated at the Strategy Day, we want to achieve at least one hundred percent growth in the top-line every year. On the strategy horizon, this remains our key goal for the entire top team. And, as we have already stated several times today, one of the drivers in our non-financial business is the e-commerce player that we are building, and we expect to increase its GMV to a level of at least RUB 125 bn in 2021.

Moderator: Dear colleagues, this was the last question from the journalists. I think the press event is finished. Thanks a lot everyone. See you next time.

Alexander: Thank you very much! Good luck!

Alexandra: Thank you dear colleagues.